

Covid-19



Market Watch: Consumer Retail & Retail Technologies Industry Bulletin

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The View from Ireland



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Enterprise Ireland Consumer Retail companies are facing unprecedented challenges both domestically and in international markets. The closure of all non-essential retailers and production operations has impacted on virtually all clients in the sector. Fractured supply chains and unpredictable future demand combined with a lack of working capital are the key challenges they are facing as they try and plan for the reopening of their markets.

Those that are providing essential products in the areas of PPE and sanitation are doing all they can to keep their operations open. Others are utilising the wage subsidy and social protection schemes with their senior management teams working remotely to plan for the restart.

The SBCI Covid19 Working Capital and Enterprise Stabilisation Funds will be critical supports for many of the Consumer Retail companies as they plan strategies around re-booting the business. Companies need to plan and stay connected with clients and supply chain partners and capitalise on opportunities within the online channel which during the crisis has further accelerated as a key channel for consumers.

In these challenging times, Enterprise Ireland is here to support you, to navigate the challenges and address concerns. For full information on Enterprise Ireland's Covid-19 Business Response and supports, visit: www.enterprise-ireland.com/businessresponse



Introduction



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As a result of the Global Pandemic due to COVID-19, Enterprise Ireland Consumer Retail and Retail Technology companies are experiencing extraordinary market conditions, resulting in massive increase in ecommerce, declining sales in non-essential items as well as disrupted supply chains. While these are certainly unprecedented and challenging times, there remains significant opportunities for clients within the global consumer retail and retail technology market, which we hope to help you identify.

Our Market Watch for the Consumer Retail & Retail Technology industries provide insights from Enterprise Ireland's leading market advisors across the world, which you should find beneficial as you seek a comprehensive guide to what COVID-19 may mean for your business moving forward.

Reporting from each market, we share information on the client and buyer sentiment and outlook, and also consider production demand and expectations from partners in market. We look at the impact of retail stores across various geographies, the overall challenges and opportunities for companies during this pandemic, as well as the different Government mandates and financial supports in place for businesses impacted by Covid-19.



Consumer Retail & Retail Tech – UK

SUMMARY

- The UK has been on lockdown since 23rd March. In effect people are being told to stay at home and only to leave home for a very limited number of reasons.
- Consumer confidence is at an all-time low as people fear for the general economy, their own personal finances and are questioning the need to make major purchases.

DEVELOPMENTS

- All non-essential shops have been closed along with pubs, restaurants and all leisure facilities. Retailers have transformed their operations almost overnight, with online sales up by over 50%.
- In March, retail sales dropped to their lowest decline on record, with a year-on-year total sales decline of 4.3%. Prior to the crisis, retail was set for a strong year, with total sales to March rising by 12%, followed by a 27% drop. (BRC-KPMG 2020)

SUPPORTS

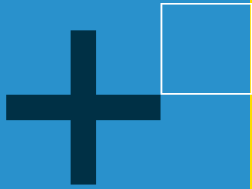
- The UK government outlined a series of packages to help individuals who may have been furloughed by their employers. The HMRC is running a series of webinars to advise companies with a UK presence regarding the COVID-19 Job Retention Scheme etc.
- In addition and specific to this sector, Enterprise Nation have a wealth of support and advice for SMEs in the consumer retail space.

OPPORTUNITIES/CHALLENGES

- Most physical stores are closed and will remain so for the foreseeable future. There is a genuine concern that many will not re-open once the crisis is over.
- The opportunity for retailers and brands alike is online, both in the short and long term. Suppliers need to look at new business models to reach consumers directly.
- Even in times of relative calm, the same requirements will exist for suppliers to have innovative products and solutions, to offer competitive pricing and excellent service to their retail customers.
- For retail tech companies, there are opportunities within cyber security, supply chain and e-commerce solutions.



Consumer Retail & Retail Tech – Europe



SUMMARY

- The prevailing sentiment in all of Europe is uncertainty about the duration of the COVID-19 pandemic and the economic consequences.
- The lockdown and social distancing measures imposed by the European governments have had as severe impact on the retail sector changing significantly the customers' behaviour and consumer spending.
- The restrictions on bricks-and-mortar stores are however driving the growth of e-commerce.

DEVELOPMENTS

- In Spain, consumer spending is down 60% compared to last year, 90% when only accounting for non-essential purchases.
- In the Netherlands, where the government has opted with a “targeted” lockdown closing only a selection of businesses, retail organizations are reporting a footfall reduced by 65% in the past weeks for physical stores.
- For both essential and non-essential retailers, the primary focus is now on business continuity, readjusting to new demand patterns and create a new digital engagement with their customers.
- The restrictions on bricks-and-mortar stores are driving the growth of e-commerce in all of Europe particularly for essential products, household supplies, personal care items and home entertainment. Italy reported a significant +12% of Italians buying online for the first time and an increase by 80% in ecommerce sales in the month of March.

SUPPORTS

- The COVID-19 pandemic constitutes an unprecedented challenge with very severe socio-economic consequences for the Eurozone. The EU institutions and all European countries are putting into place policies to mitigate the economic impact of the crisis, to support businesses and workers and to prepare the ground for the recovery. Please connect with the Regional Market Advisor (contact details below) regarding specific supports that may be applicable to your business in the Eurozone.

OPPORTUNITIES/CHALLENGES

- Reduced demand of nonessential products, changing consumers' behaviour and low consumer confidence are challenging the retail sector in Europe
- Retailers and brands are embracing new technologies and implementing strong and effective digital and ecommerce strategies to find new ways to engage the customer.



Consumer Retail & Retail Tech – North America

SUMMARY

- Retail was on track for strong growth in North America in 2020 (+6% in the US), however the retail industry has been severely impacted by this crisis. All non-essential retail has closed as of mid-March, which has led to an increase in ecommerce which is testing the shipping capabilities of brands in the region. There is ample opportunity for Enterprise Ireland clients to grow their North American ecommerce business right now, and to engage with their offline suppliers in new ways (e.g. Instagram Live through the store pages).

DEVELOPMENTS

- As non-essential stores have been forced to close in North America, there has been a huge boom in ecommerce. This has led to Amazon delaying shipment of all non-essential products until April 21st (at time of publication).
- In March, retail sales fell by 8%, with clothing the most affected with a 50% drop in sales, compared with February.
- This pandemic has led to a boom within the grocery and drugstore sectors, with massively increased spending in those sectors, however there will be knock-on effects for department stores and speciality stores with no ecommerce. Department Stores including Neiman Marcus, Sears and JC Penney are expected to be pushed to the brink of closure following this pandemic.
- It is expected that this crisis will have a lasting impact on consumer behaviour with increased ecommerce usage, food delivery and contactless payment all expected to stay.

SUPPORTS

- In March 2020, a \$2 trillion federal coronavirus relief package was announced, officially known as the CARES Act, which includes nearly \$350 billion for a small businesses. These programs are administered by the US Small Business Administration and will offer assistance loans for small businesses affected by the coronavirus. The Government of Canada has similarly rolled out robust support for individuals and businesses impacted by COVID-19.
- These payments are available for companies with registered presences in North America and local employees. If you think your company may be eligible for a COVID-19 relief payment from the US or Canadian administrations, contact your local Market Advisor (details below).

OPPORTUNITIES/CHALLENGES

- There is huge opportunity for consumables in personal care and hygiene. Consumers are open to trying new brands in these spaces.
- Any technology companies who can provide faster ecommerce transactions and improve shipping operations will also see a huge opportunity during this time.
- There are challenges of reduced demand for lifestyle non-essential items, however there is ample opportunity to engage customers through ecommerce channels and social media. Brands and retailers alike are looking for innovative ways to engage their customers.



Consumer Retail & Retail Tech – Middle East, India & Africa

SUMMARY

- Non-essential retailers have been forced to close all bricks and mortar stores including the Middle East's mega malls which are the main social and entertainment hubs for residents since mid-March. As lockdown measures become more stringent and curfews are implemented across MEAI consumers are forced to do their purchasing online.
- Prior to the pandemic, consumer uncertainty was already increasing in the Gulf with the then fluctuating, and now plummeting oil price. During times of uncertainty, consumers will reduce their non-essential spending.

DEVELOPMENTS

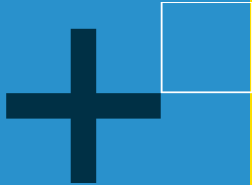
- In the UAE, 79% of consumers have changed their shopping habits to online since the start of the lockdown and 48% of these shoppers confirm they will maintain this after the pandemic. 57% of customers have increased their essential product spend to ecommerce, while 34% still prefer to shop in-store. In Saudi however, consumers are buying more online while only 16% prefer in-store, like supermarkets, for essentials. Thus, indicating that consumer habits will fundamentally change following the crisis and Irish companies should increase their online offering to serve the post-pandemic consumer.
- Grocery and pharmacy retail are seeing the highest increase in demand while in non-essential sectors, education and books are most popular, followed by entertainment, electronics, home improvement, fashion & beauty and toys & games.

SUPPORTS

- In Saudi Arabia, SAR 120bn has been allocated to deal with the economic and jobs fallout of COVID-19. In the UAE, AED 126.5bn in local stimulus packages have been announced so far. Bahrain has implemented a BHD 4.3bn package. Qatar, a QAR 85bn stimulus support alongside a QAR 10bn boost into the capital markets in the Qatar Stock Exchange. While Oman has announced a banking only stimulus package of OMR 8bn.
- Dubai Free Zone's Council (DFZC) have implemented relief measures to cut the cost of doing business, promoting liquidity to the private sector, lending to SMEs, implementing license fee cuts, deferred bank and rental payments for 6 months and reduced utility bills to soften the impact. FTZC's account for 33% of the UAE's GDP, they allow 100% ownership to international entities with many Irish companies having setup their local offices in these areas.

OPPORTUNITIES/CHALLENGES

- Companies need to focus and enhance their online offering as COVID is permanently redefining the customer journey. Ecommerce plays a huge factor in the future of retail in the Middle East with UAE representing the highest percentage of mobile phone penetration globally at 99%.
- The surge in essential purchasing online (i.e. e-panic buying) is a direct result of the crisis. Companies need to look to future trends and highlight the USP in their products to consumers as they will become more sensitive with their spend in times of uncertainty.
- Necessity is the mother of invention and there are huge opportunities for any retail tech companies offering solutions in omni-channel, supply chain management, ecommerce, logistics and warehousing.



Consumer Retail & Retail Tech – Asia Pacific

SUMMARY

- Enterprise Ireland clients with products that have immediate/direct value and utility to the current COVID-19 situation are experiencing growth.
- Consumers who may have been resistant to using ecommerce have become more open to shopping online.

DEVELOPMENTS

- Retail in China has started to reopen and shows some promising results so far e.g. one Hermes store had \$2.4m in sales one day after reopening.
- In China, consumers are embracing new ecommerce platforms – such as ‘Kuai Shou’ are competing with existing ecommerce platforms (Wechat, Tmall, JD.com).
- New Zealand looks to downgrade from Stage 4 to Stage 3 lockdown at the end of April which will see businesses begin to trade again.

SUPPORTS

- \$17.6 BN stimulus package has been provided by the Australian Government to assist with Australian companies.
- A job keeper allowance has been provided to support Australian business and employees. The payment is designed to keep businesses from making staff redundant and to avoid hundreds of thousands of Australians from joining the welfare system. This has been set to \$1,500 fortnightly.
- There are various government announcements on supports and incentives for SME business throughout the region. Please connect with the Regional Market Advisor (contact details below) regarding specific supports that may be applicable to your business in Japan, Singapore, Vietnam, Australia, and New Zealand.

OPPORTUNITIES/CHALLENGES

- Supply chains are likely to face disruption, particularly where physical products are concerned due to challenges of shipping and increased travel and border restrictions.
- There is opportunity for any Irish companies who are eager to enter the Chinese ecommerce market, as the market booms and consumer behaviour is changing.

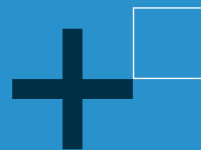


Industry Insights

See the following industry reports from McKinsey & Company, Fitch Solutions, and Frost & Sullivan:

- **Leadership in a crisis: Responding to the coronavirus outbreak and future challenges** (see report [here](#))
- **Covid-19: Implications for business** (see report [here](#))
- **Getting ahead of the next stage of the coronavirus crisis** (see report [here](#))
- **Beyond coronavirus: The path to the next normal** (see report [here](#))
- **Impact of the Coronavirus on Business** (see report [here](#))
- **Global Consumer Spending Trends** (see report [here](#))
- **Shopify Guide to Ecommerce** (see report [here](#))

Please contact the Enterprise Ireland Market Research Centre at market.research@enterpriseireland.com for additional information and industry reports.





Thank You.



During this unprecedented period Enterprise Ireland is on hand to support you in overseas markets, to help you secure and sustain existing business relationships and to research opportunities that may emerge during the crisis. Please connect with our experienced Market Advisors by email to discuss further.

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