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# Outlook for Christmas 2021 & Beyond

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CEO  
Retail Economics

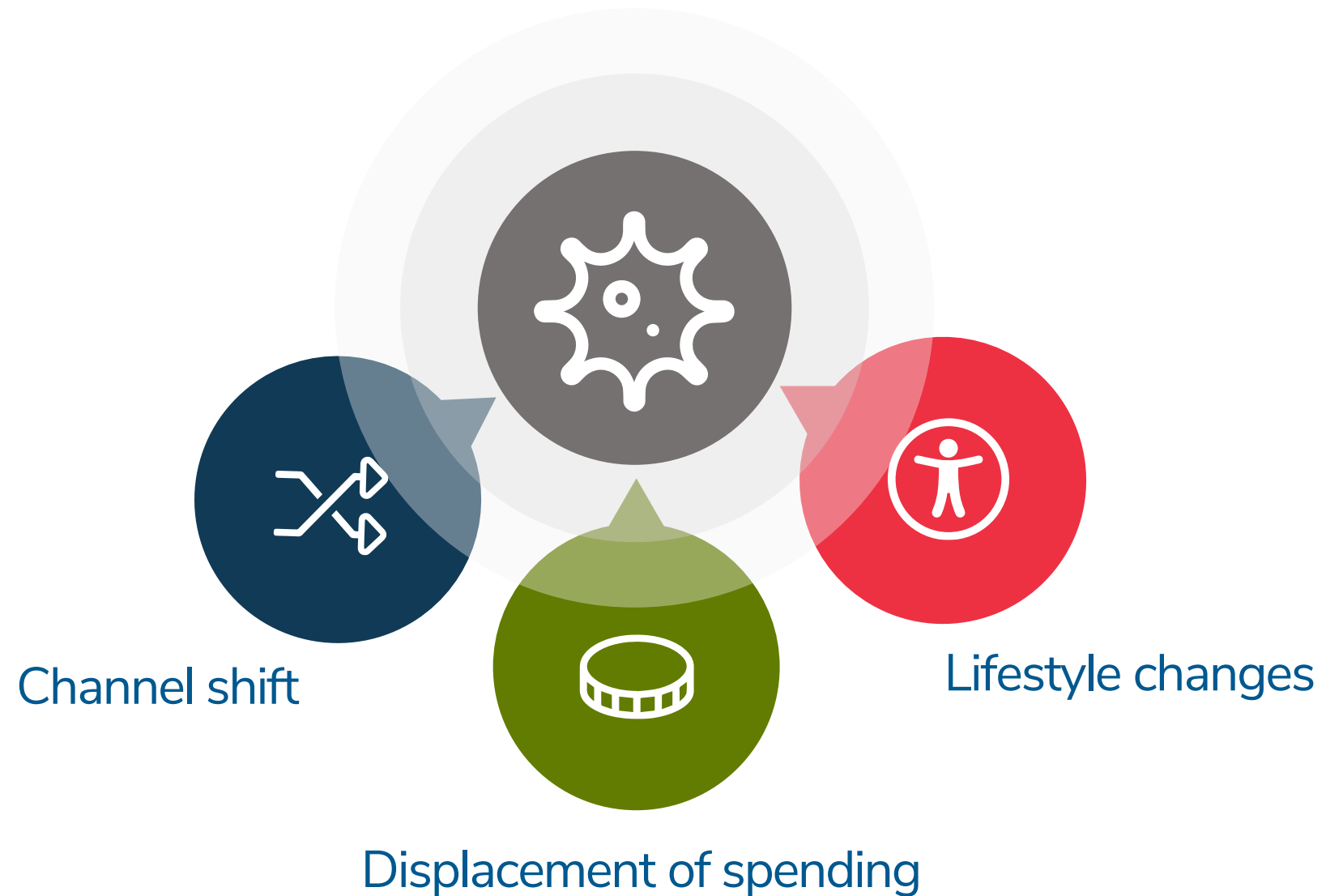




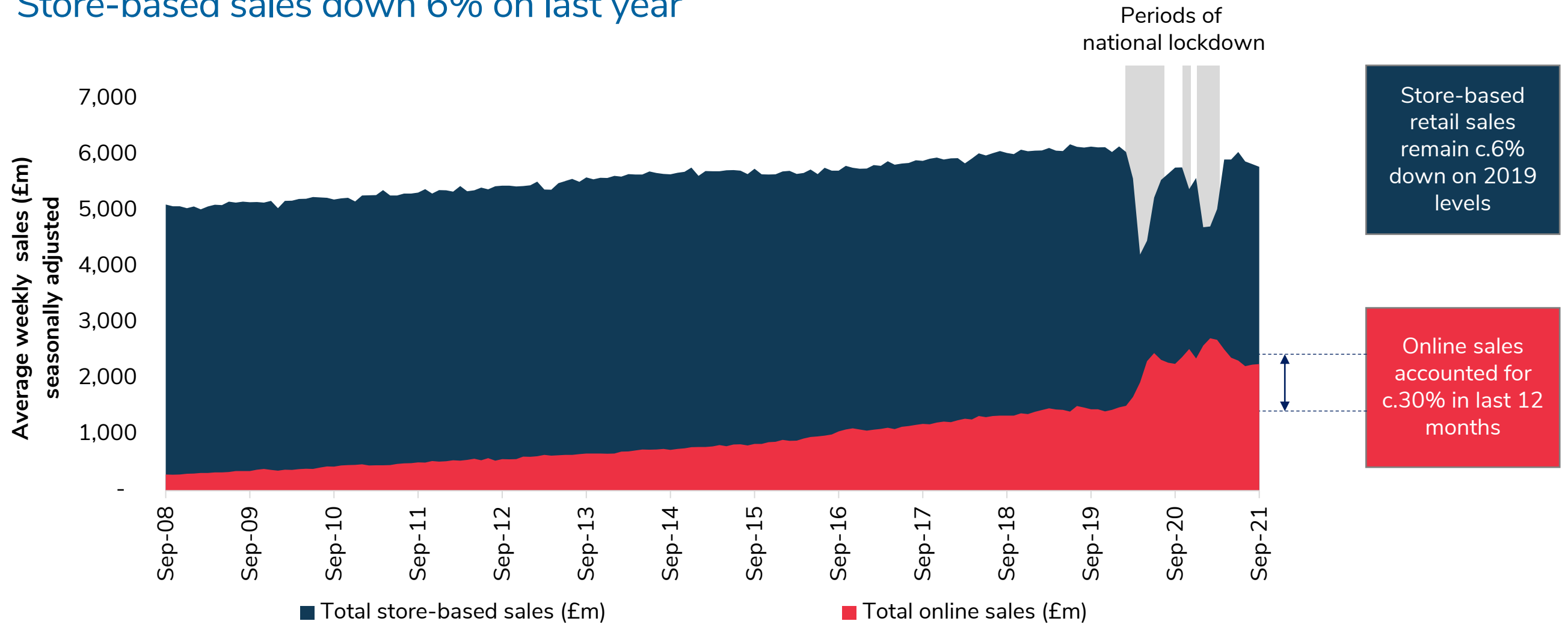
# A quick look back at 2021



## The key impacts from Covid-19 on the consumer sector



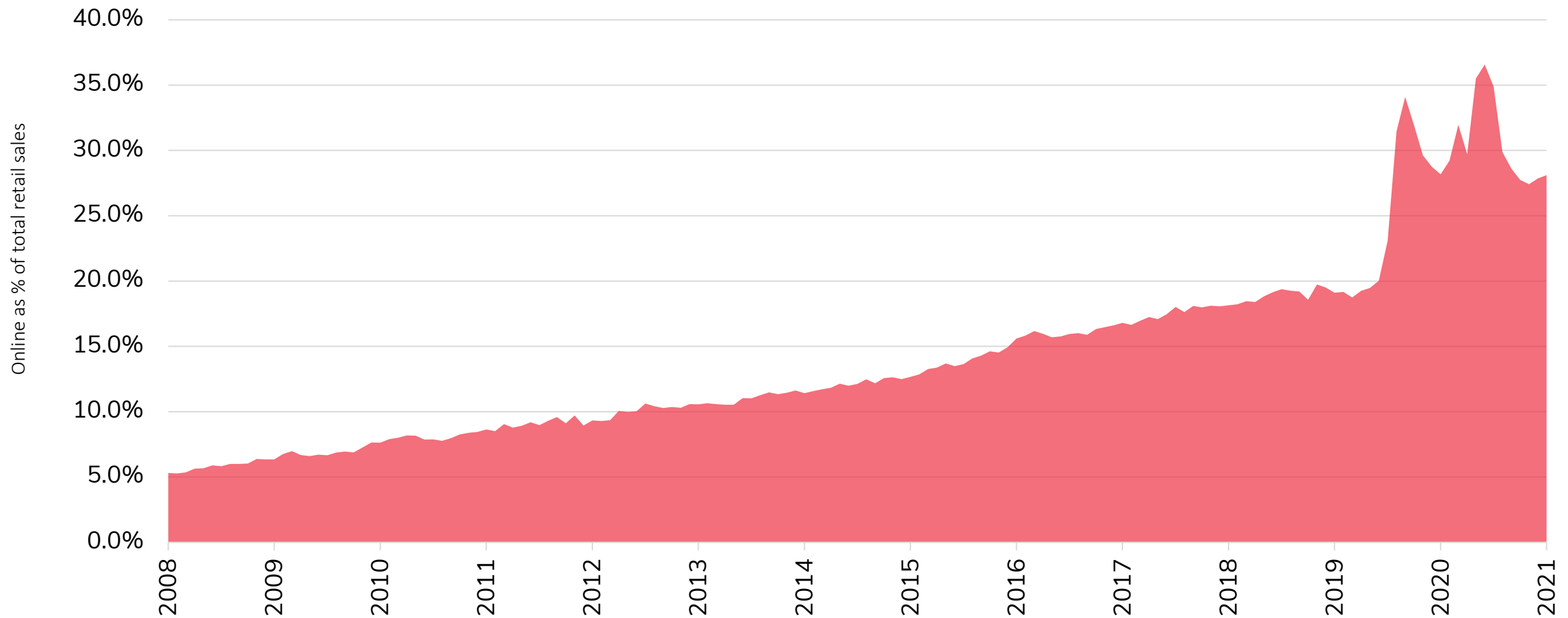
## Store-based sales down 6% on last year



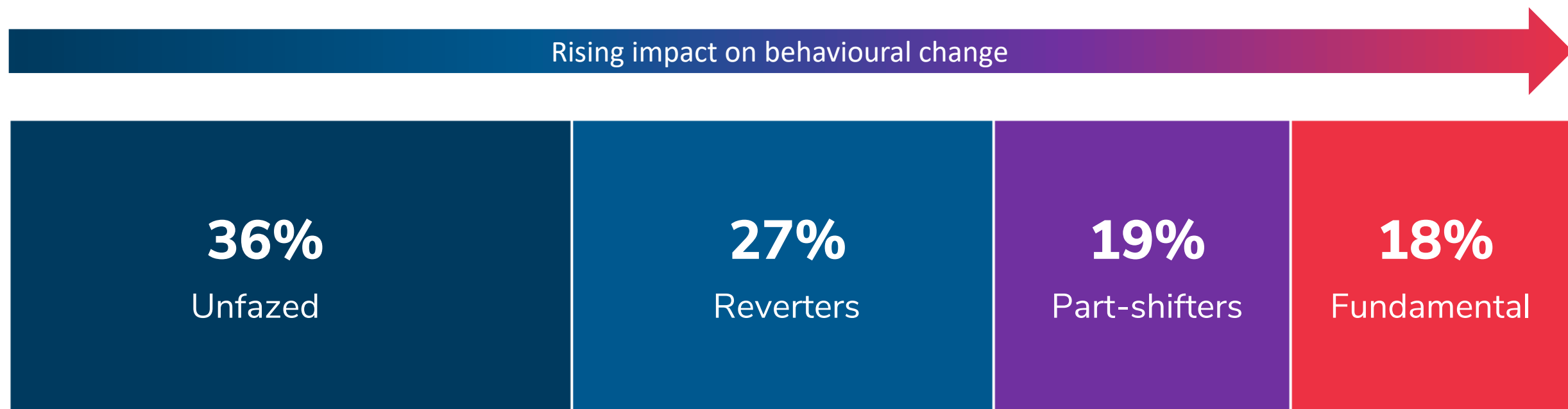
Source: ONS, Retail Economics analysis

\*area graph, not stacked

## Step-change in the proportion of online sales to c.26%



# Behavioural Change Mosaic



## Unfazed

Spending behaviour and motivations are unaffected by the impact of COVID-19.

This group represents over a third (36%) of consumers who suggest that their spending habits remain unaffected by the impact of the pandemic.

## Reverters

Spending habits have been impacted but are expected to revert to pre-COVID-19 behaviour once the threat of the virus recedes.

This segment accounts for over a quarter (27%) of consumers, whose spending habits have been temporarily impacted, but they intend to revert to previous behaviours when 'normality' returns.

## Part-shifters

Spending has changed permanently for some aspects of their behaviour.

This cohort represents just under one in five consumers (18%), who suggest that the impact of the virus will have a permanent change in their shopping habits across certain categories.

## Fundamental

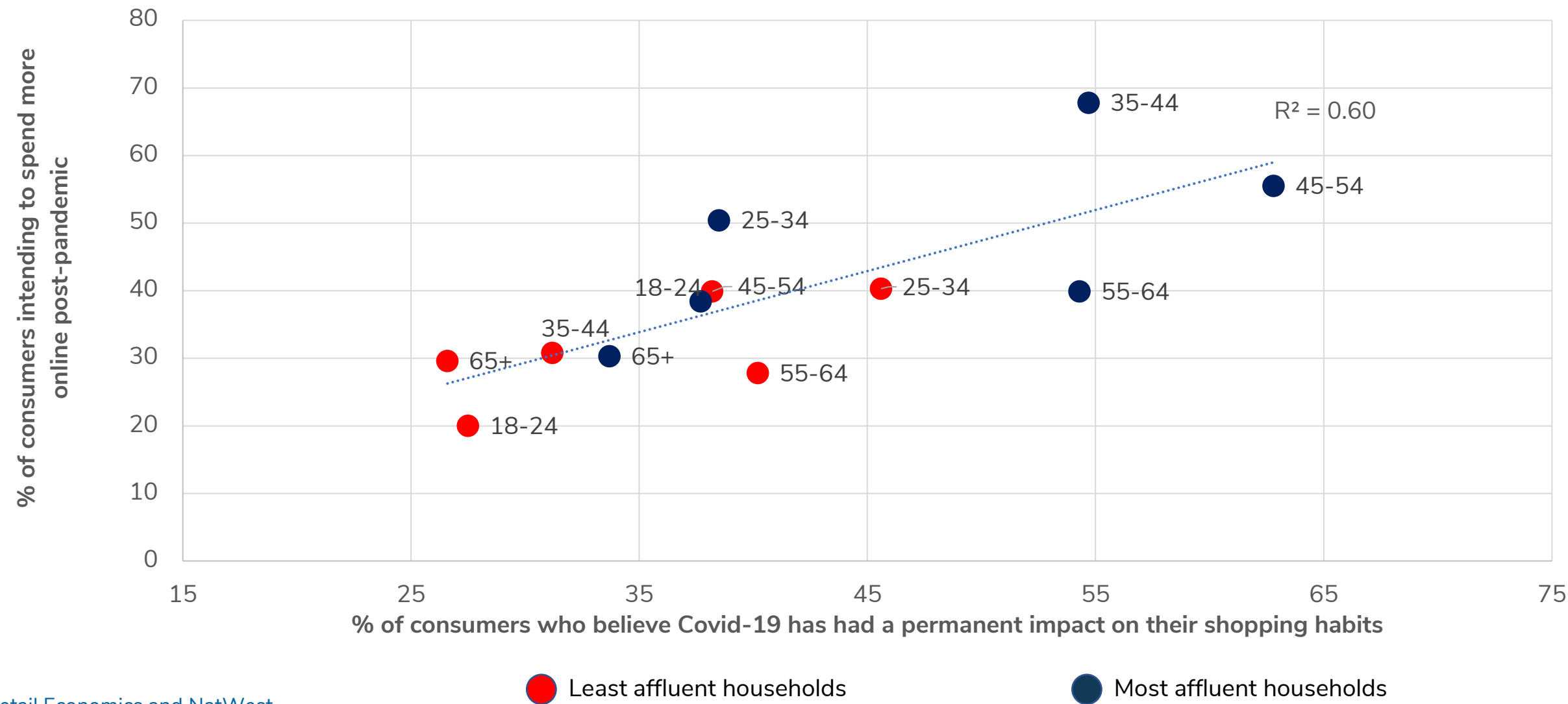
Spending has changed permanently across the majority of shopping.

This group represents consumers whose shopping habits will see the largest change.

Just under one in five respondents (18%) say there will be permanent changes in the way they shop for most of their spending.

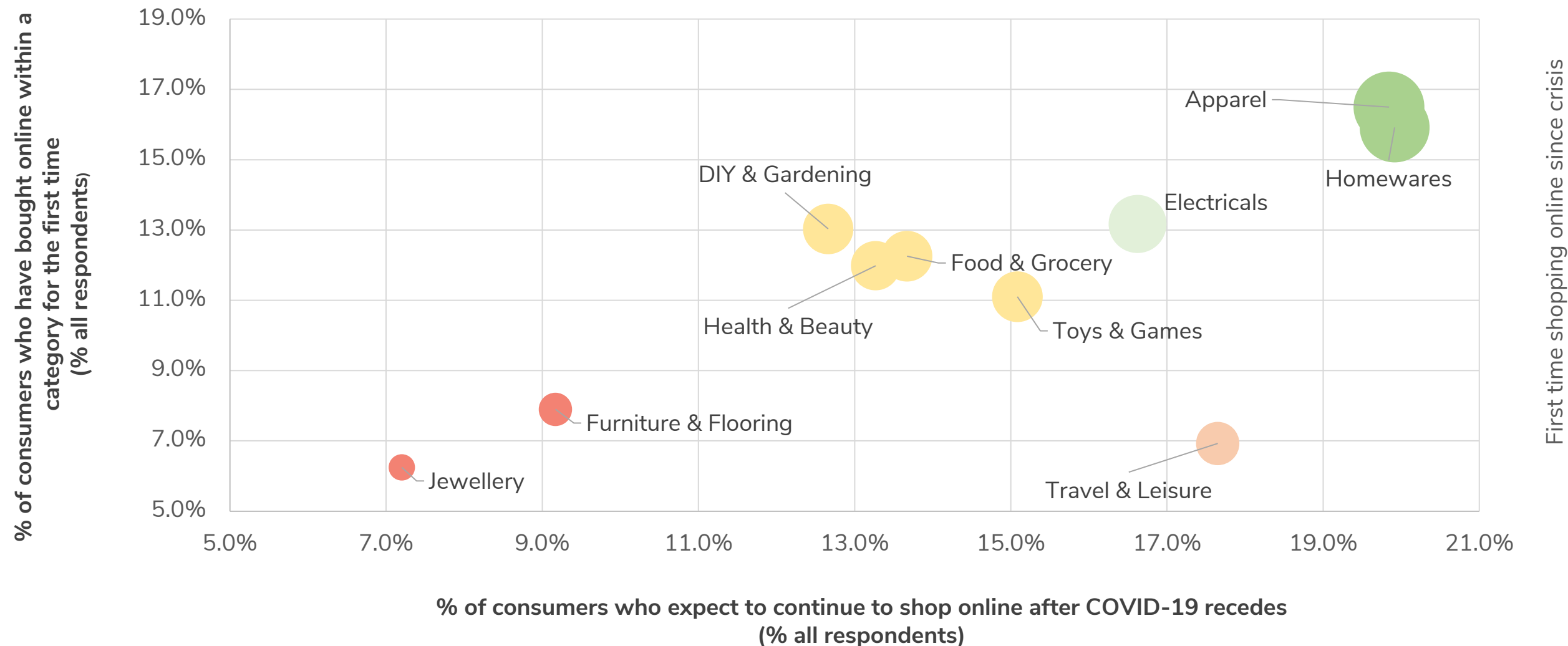
# Permanent shift towards online

There is a strong relationship between consumers who believe covid-19 has had a permanent impact on their shopping habits and those intending to spend more online post-pandemic, especially across affluent households



# Shift towards online will be uneven across sectors

Intent to continue shopping online





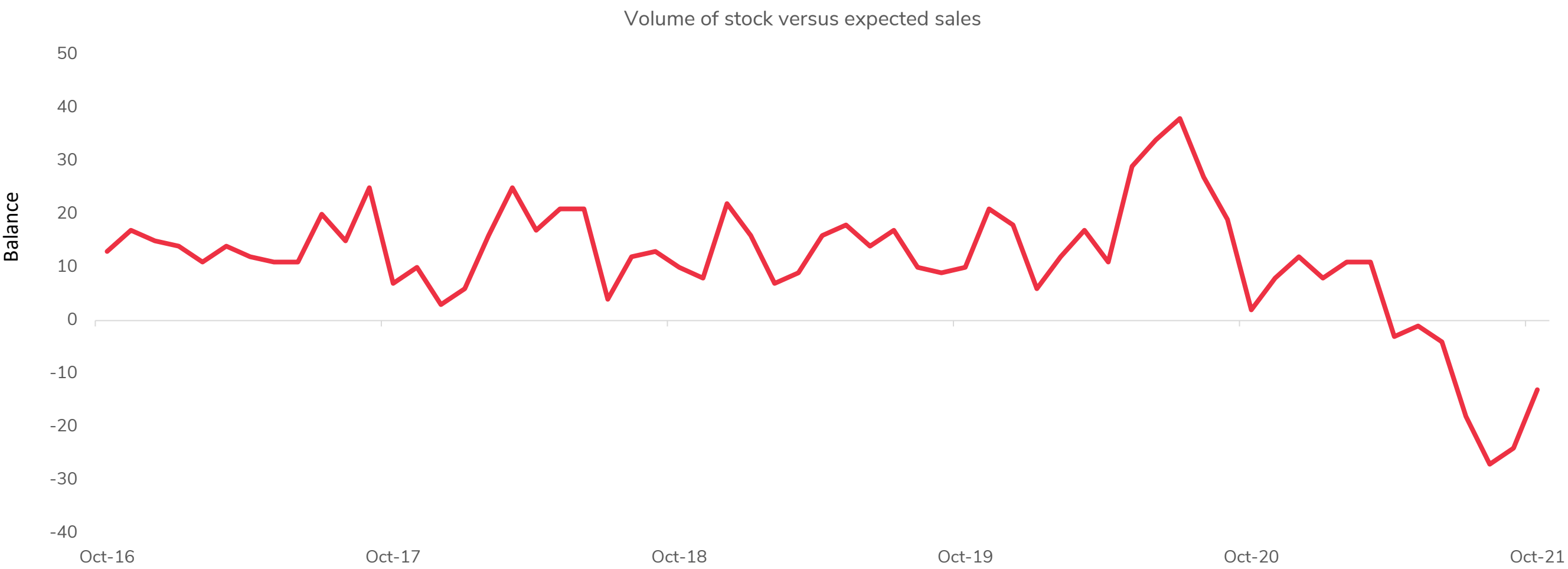


## A cloudy horizon



# Stock levels remain under pressure

## Volume of reported retail stock as proportion of expected sales

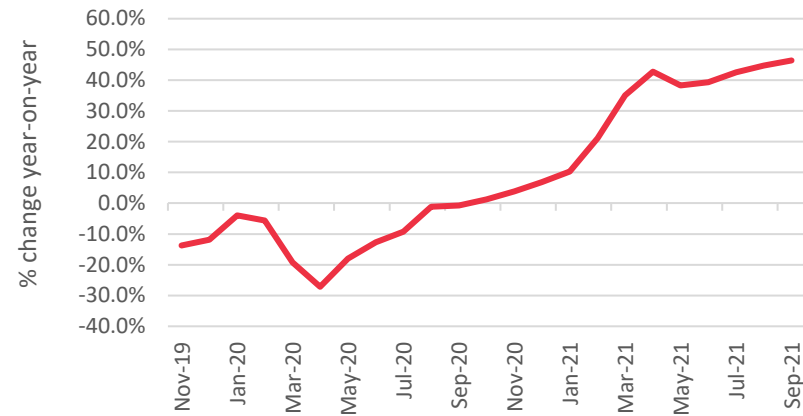


Source: CBI

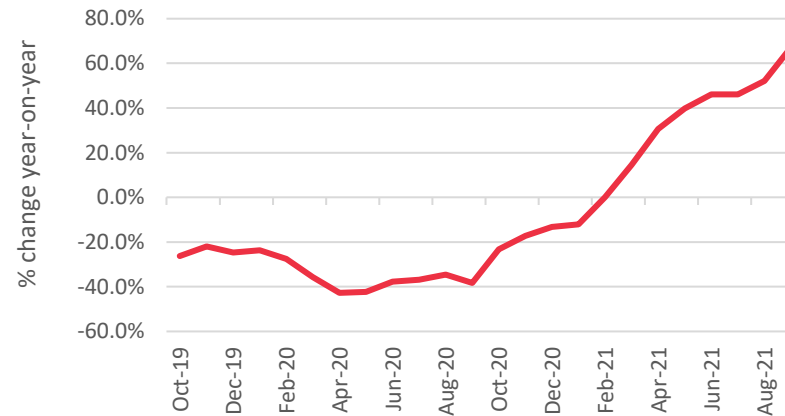
# Supply chain costs are mounting

The cost of production has increased significantly as disruptions restrict supply

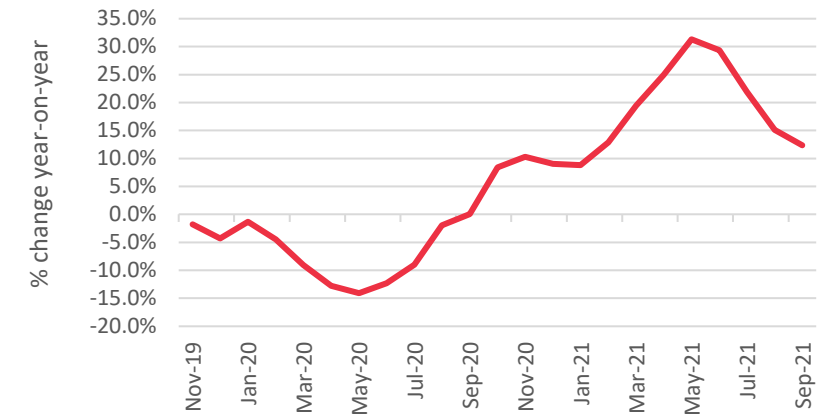
Cotton (input costs)



Fine wool (input costs)



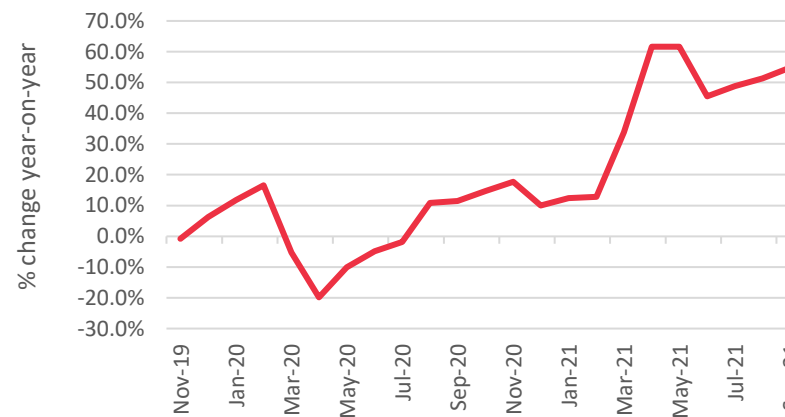
Aggriculture raw materials (input costs)



Food and beverage (input costs)



Sugar (input costs)

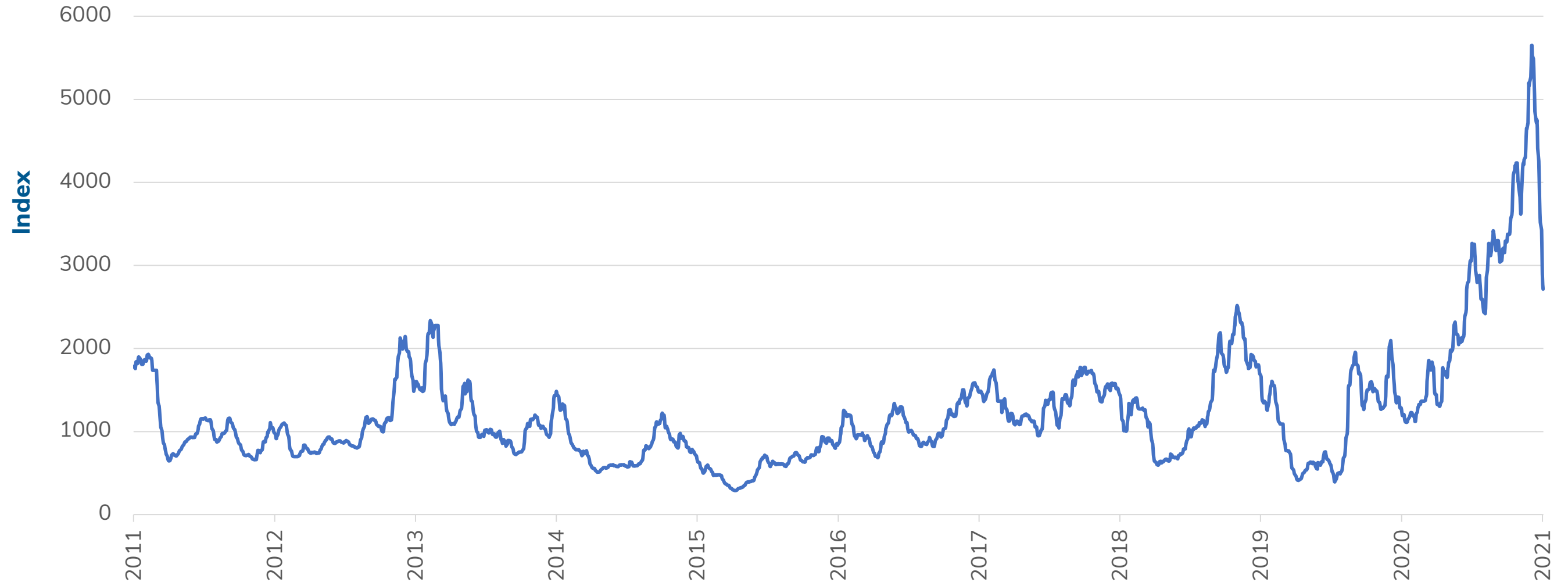


All commodities (input costs)



# Shipping costs reached 10-year highs

The cost of shipping reached a 10-year high but has fallen back sharply



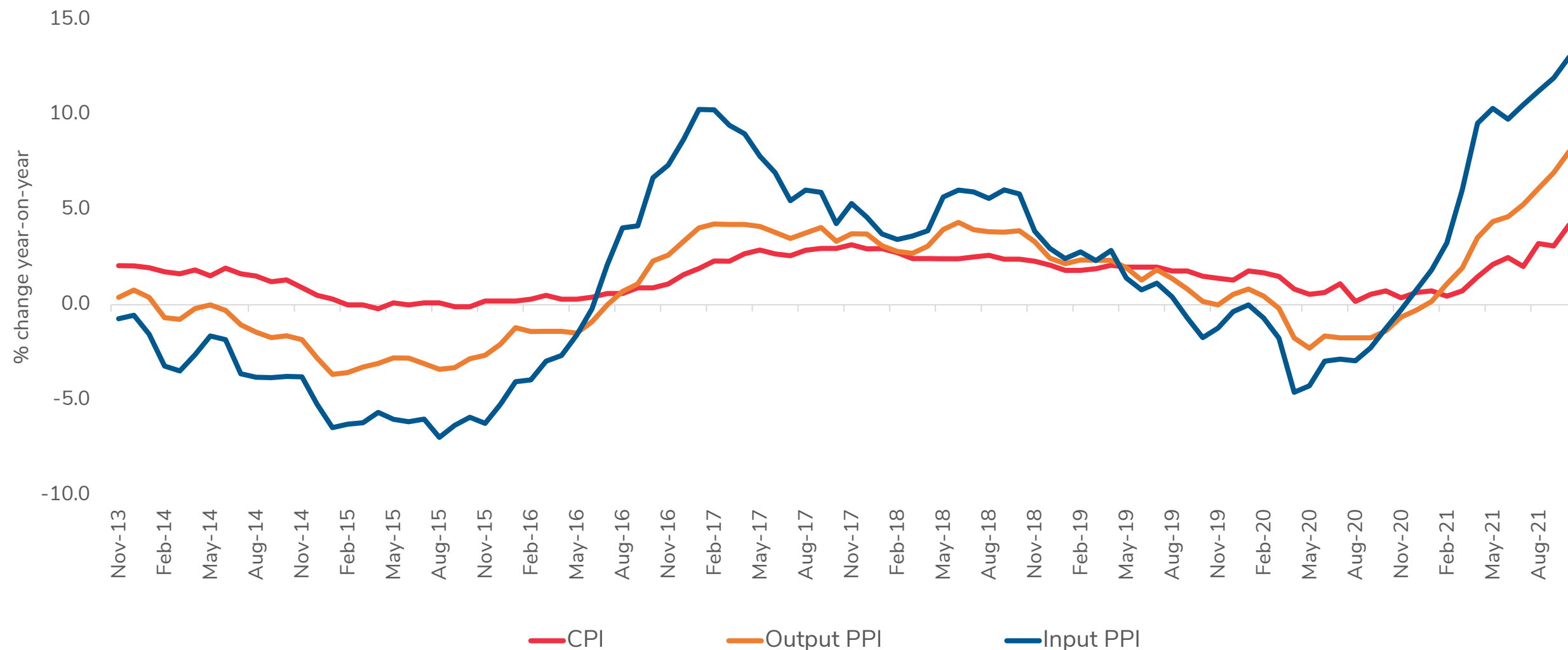
# Haulage costs rise on shortage of labour



Source: Transport Exchange

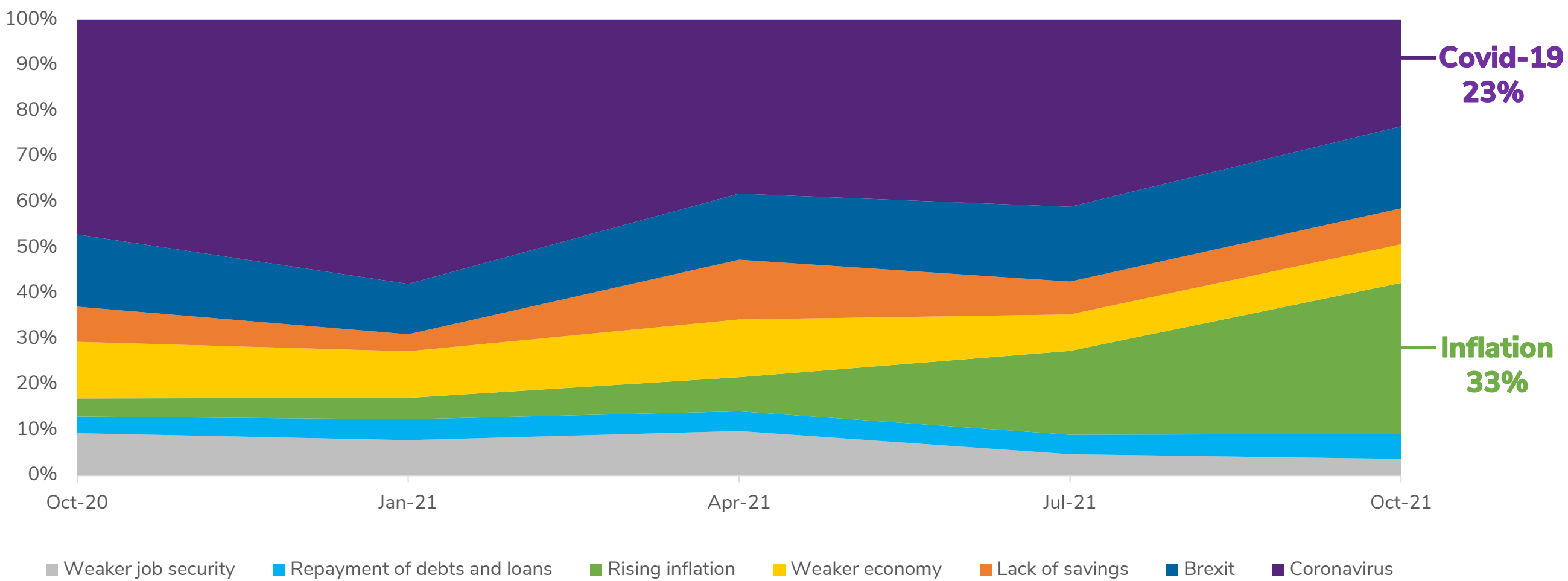


Inflationary pressures in the pipeline with CPI expected to reach 5%



# Inflation concerns reach 5-year high

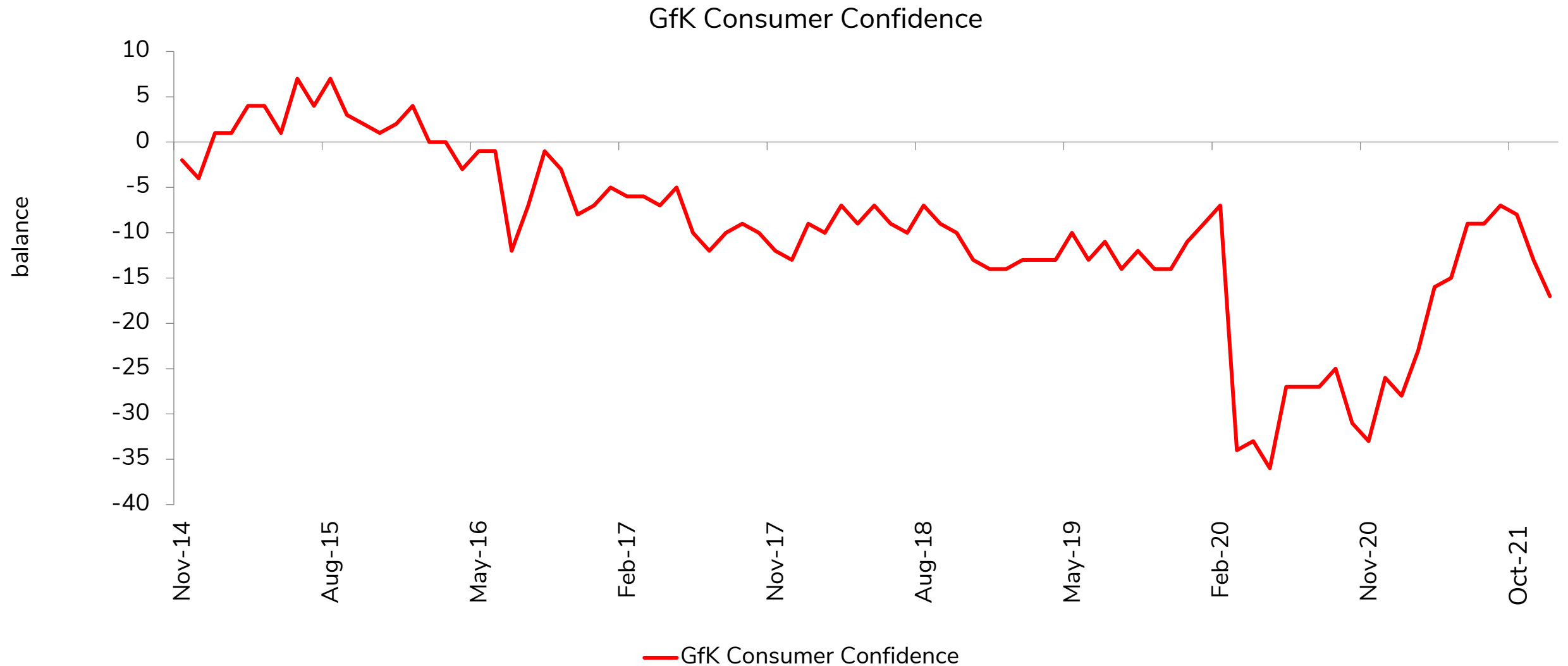
Consumers are **more** worried about inflation than Covid-19



Source: Retail Economics – Shopper Sentiment Survey

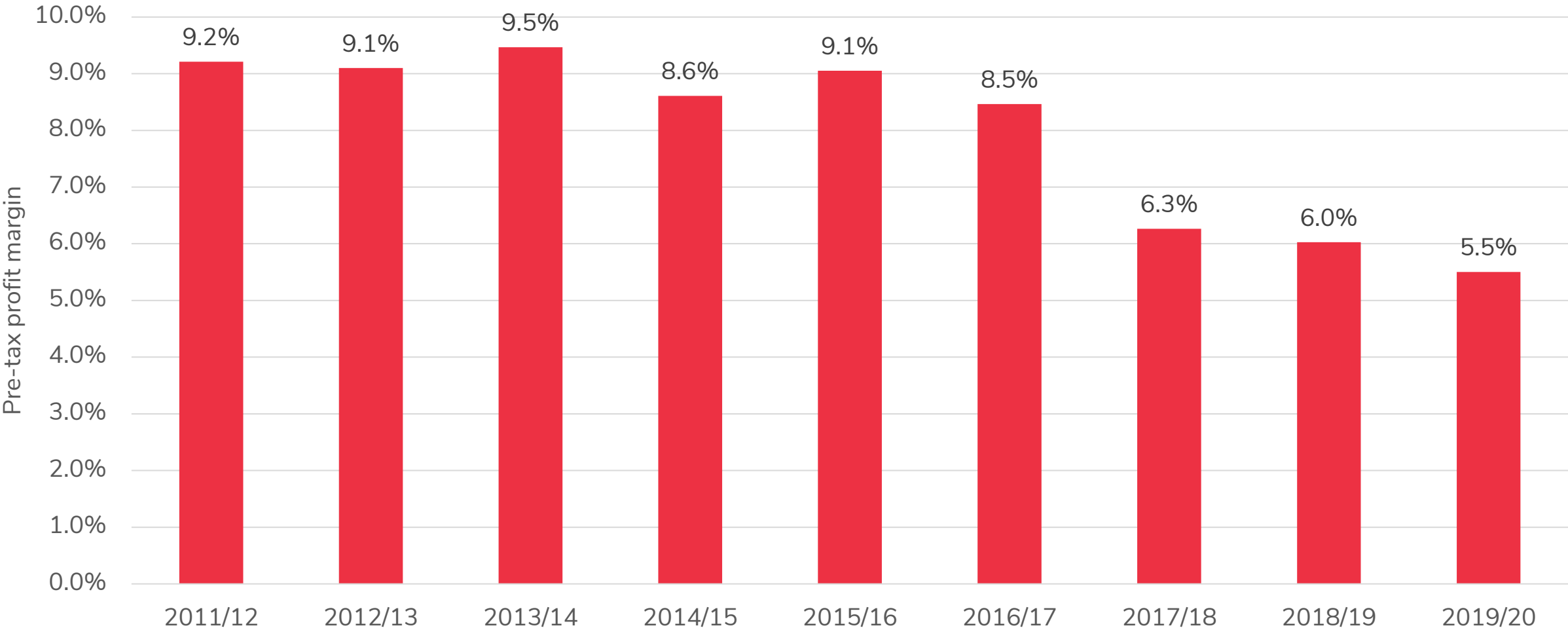
# Consumer confidence has fallen sharply

Softer confidence driven by negative economic outlook of the economy

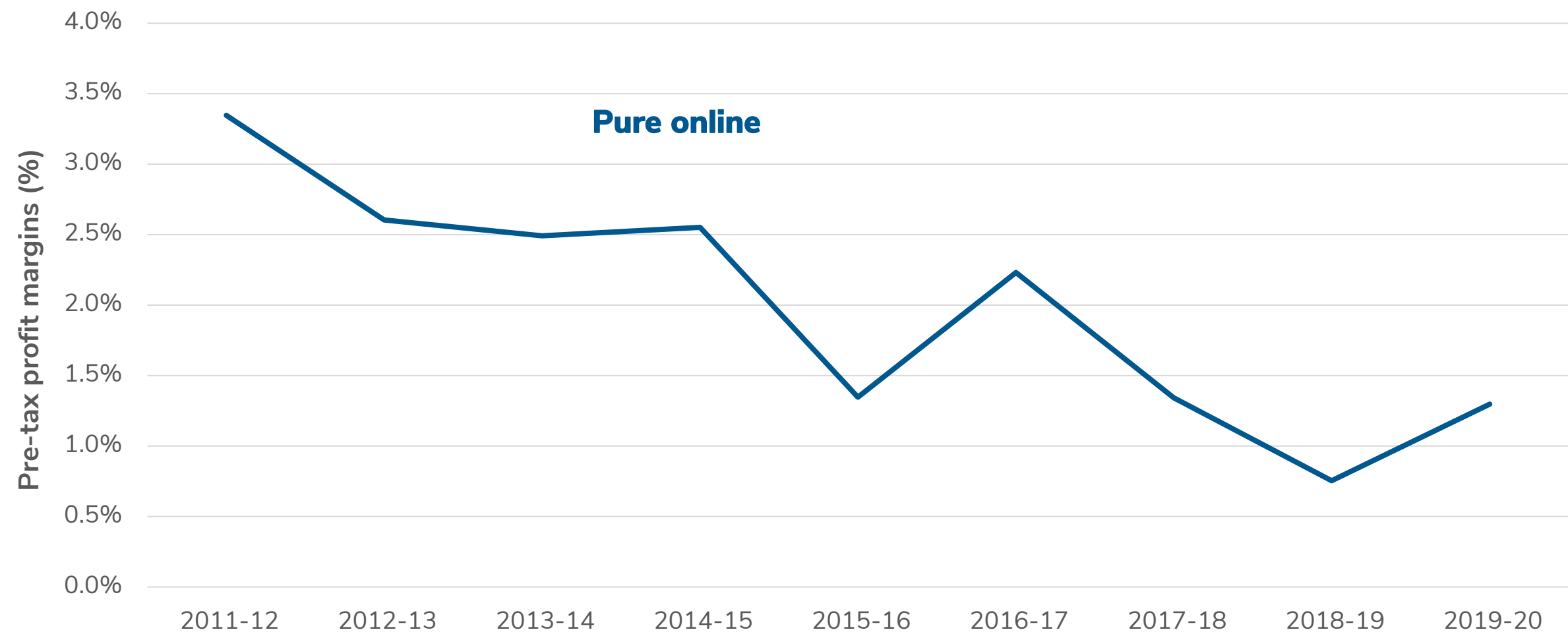


# Pre-tax profits have almost halved in a decade

U.K Pre-tax profit margins 2011-2020



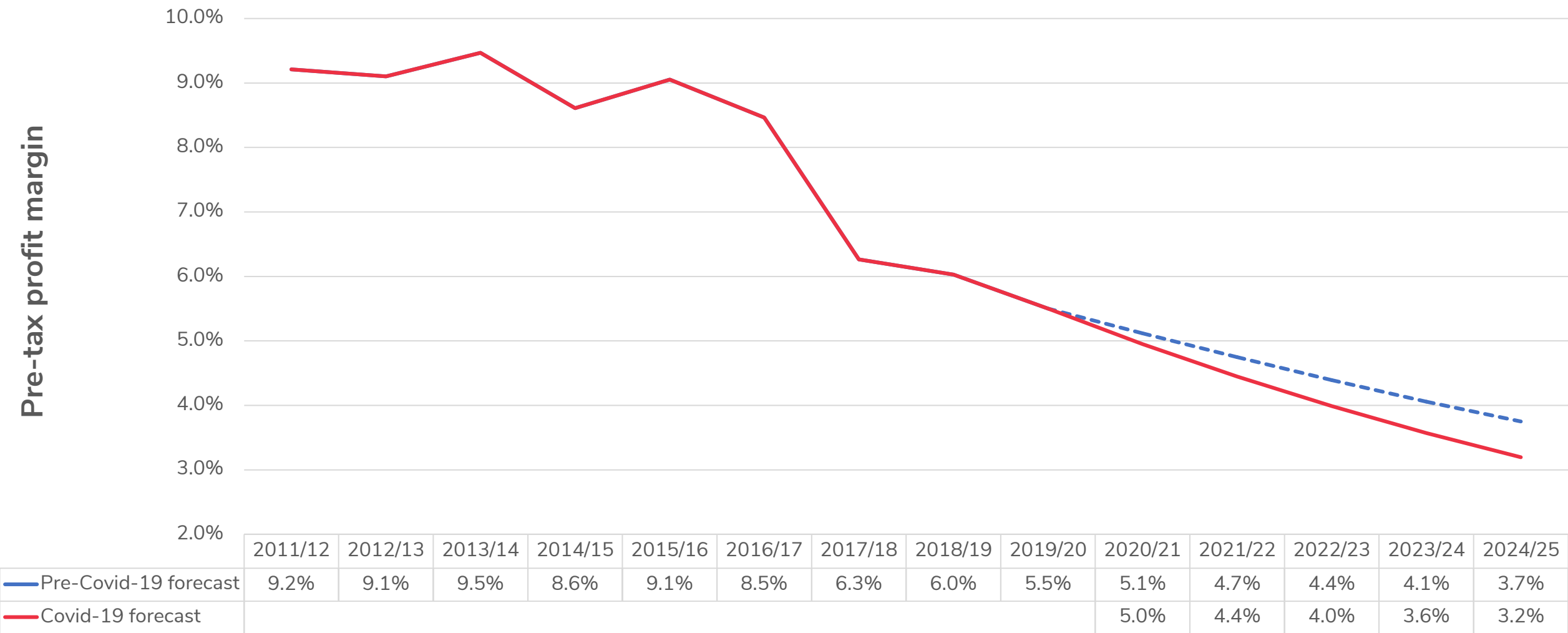
# Pure online retailers run on thinner margins



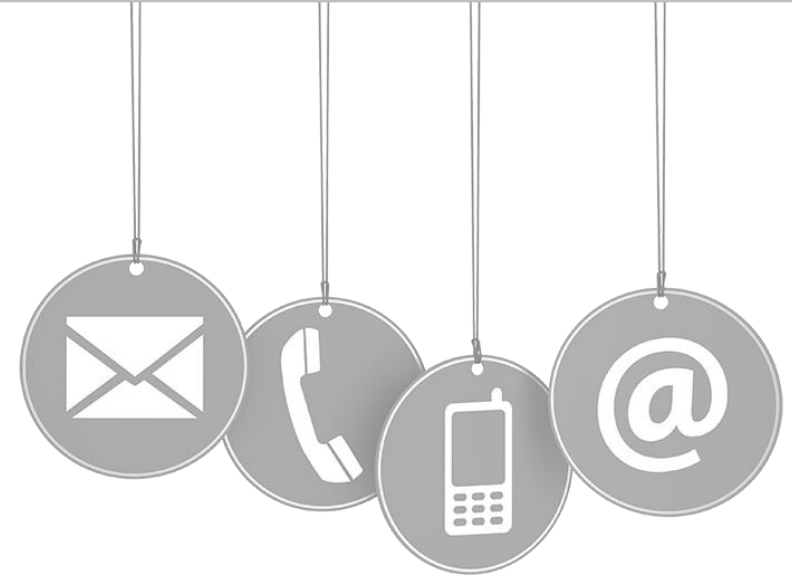


# Pre-tax profits expected to decline c.£8 billion by 2024/25

U.K. - Pre-tax profit margins - scenario comparison



# Connect with me!



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