

## UK Industries Benefiting From Social Distancing: Part One

Gaetana Mak, April 2020

As the coronavirus continues to spread and the United Kingdom remains in lockdown, IBISWorld looks at which industries are benefiting from the pandemic.

The spread of COVID-19 (coronavirus) has had a profound impact on the UK economy and consumer habits. Since 16 March 2020, the UK government has gradually imposed stricter social distancing and lockdown measures, ordering the closure of schools, pubs, bars, restaurants, and gyms. It extended the mandate to all non-essential stores on 23 March 2020 and asked UK consumers to stay indoors. While some industries have inevitably endured declining sales as patrons stay at home, others have thrived in this time of crisis. In this first instalment of a two-part series, IBISWorld looks at the industries that have and are expected to continue to perform well amid the coronavirus outbreak.

### Food stores

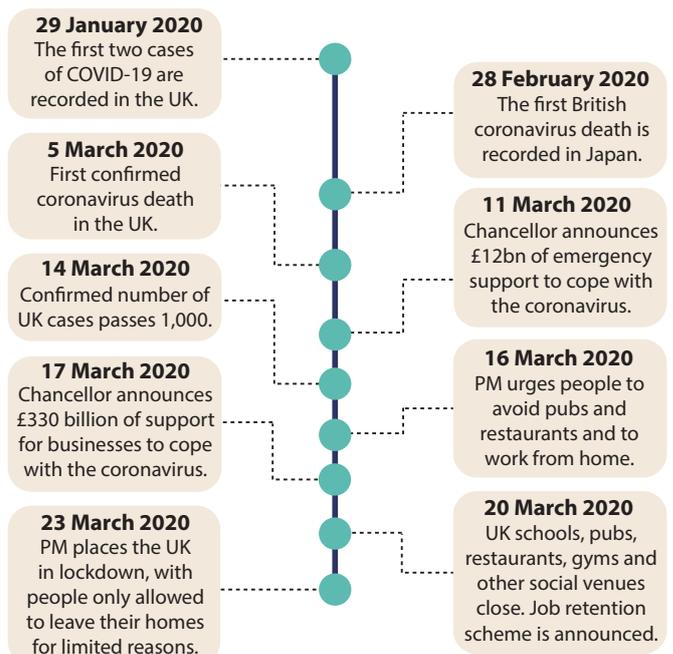
As the coronavirus has spread and the UK population is in lockdown, supermarkets have recorded unprecedented sales. As 2019-20 came to a close, supermarket sales surged as consumers stockpiled essential goods such as food, cleaning supplies and medicine. The closure of pubs, bars, schools and universities has resulted in bloated food bills at home, while spending on non-essential items has slumped.

In response, the UK's big six supermarkets have ramped up recruitment to meet rising demand. The industry largest player, Tesco, is attempting to bring in up 20,000 new temporary workers for between the end of March and June 2020. Sainsbury's, Asda and Morrisons and leading budget supermarkets Aldi and Lidl have also called for 16,000 temporary and permanent posts across all retail stores and distribution centres. Despite rising demand, however, supermarkets have warned that rising sales may not be enough to offset additional staff and logistics expenses for the year. Tesco, for example, has estimated exceptional charges

of £925 million stemming from the pandemic and warned it could not give profit guidance for 2020-21.

Meanwhile, online grocery sales are also expected to flourish as consumers seek goods to be delivered at home. According to the latest Office for National Statistics' internet sales index, online grocery expenditure rose 1.4% in February 2020 compared with the previous month. This represents a one percentage point increase compared with February 2019. This increase in demand for online grocery sales may continue in the long term, as households are likely to continue purchase groceries online once they become accustomed to the service.

### Coronavirus in the UK



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Supermarkets and online channels are not the only beneficiaries. Convenience stores are also expected to record a boost in sales, as households are shopping more frequently and buying slightly more, adding extra items to baskets when faced with movement restrictions and possible isolation.

### E-commerce

As UK consumers have been told to stay inside, demand for e-commerce is anticipated to temporarily rise. Social distancing measures are expected to encourage consumers to turn towards ordering products online. Essential items are expected to record the strongest growth, partially due to shifting priorities among retailers. For example, Amazon.com Inc, the largest player in the E-Commerce and Online Auctions industry, announced it would prioritise inventory and orders for six essential categories – baby; health and household; beauty and personal care; grocery; industry and

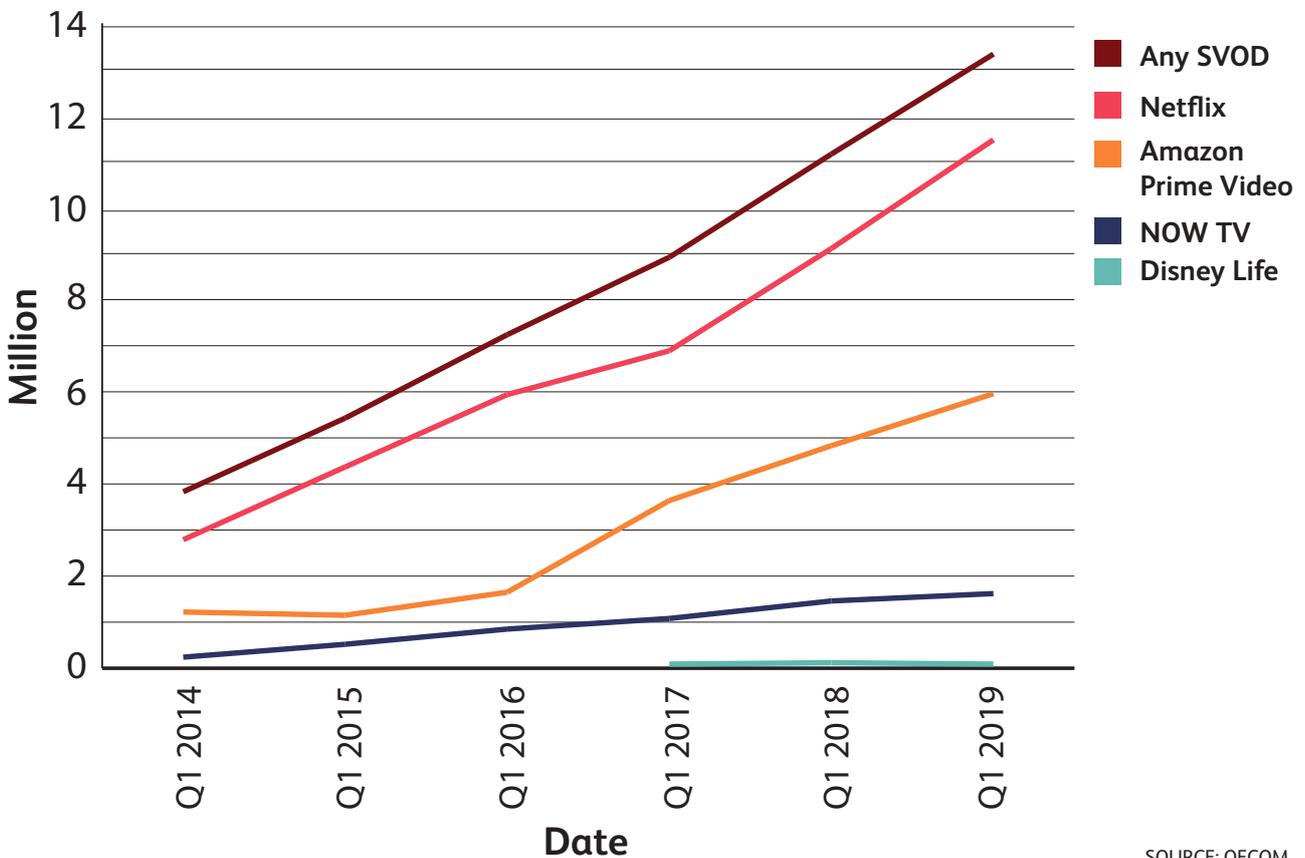
scientific; and pet supplies – until 5 April 2020. Meanwhile, in some countries including Italy and France, the company announced it would only ship essential goods to consumers. Demand for couriers and online payment systems is expected to increase following a rise in online sales.

### At-home entertainment

At-home entertainment is also expected to perform well during this crisis. Video streaming services such as Netflix, Amazon Prime Video and YouTube Premium, are popular forms of at-home entertainment. According to the 2019 Ofcom Media report, the number of UK households signing up to streaming platforms increased from 11.2 million in 2018 to 13.3 million, or 47% of UK households, in 2019. Video streamlining platforms recorded a rise in usage following mandatory lockdown measures, and the launch of Disney+ in the United Kingdom on 24 March 2020 is expected to help

## Successful streams

UK subscriber numbers for VOD platforms



SOURCE: OFCOM

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push up average viewing hours and subscription numbers further. As a sign of growing demand, platforms have introduced new services, such as Netflix's Party which allows viewers to watch the same show across multiple accounts and locations, but have also lowered the quality of video streaming to ease the strain on internet networks.

At-home fitness apps and streaming services have also performed well as individuals turn to home-workouts while gyms and fitness centres remain closed. Fitness establishments have jumped onto the trend by releasing at-home workout videos to keep consumers engaged.

Sales of video games, consoles and in-game purchases have also increased as individuals look for new ways to stay in touch and keep entertained. According to Game Sales Data, which monitors digital download game sales and physical hardware and software sales, between 16 March 2020 and 23 March 2020, physical game sales increased by 218.2% and UK digital game downloads increased by 67.4%, while sales of gaming consoles increased 126.6% over the week commencing 16 March 2020, and rose by another 250% over the week commencing 23 March 2020 when stricter social distancing measures were announced.

Surprisingly, growth in radio listening has outstripped that of music streaming, with UK households turning to the radio for music, companionship and news updates. For instance, Nation Broadcasting, which owns Nation Radio and a network of local stations, reported increases across almost every each of its stations of approximately 40%, rising to 75% in some cases. The BBC also reported an 18% increase across radio streaming services, while Global, which owns Capital FM, reported a 15% rise in radio listenership and 9% increase in hours listened between 9 March 2020 and 20 March 2020. Meanwhile, music streaming has stalled as shops that use services such as Spotify remain closed, people are commuting less and households swap static music for conversation on the radio.

### Conclusion

Overall, supermarket and convenience store sales are expected to see a boost in sales as consumers are forced into cooking meals at home while pubs, bars and restaurants remain closed. Social distancing measures are expected to encourage consumers to turn towards ordering products online owing to the widespread closure of retail establishments, while at-home entertainment is also expected to perform well.

### IBISWorld Industry reports used in this special report:

<b>G47.120</b>	Convenience Stores in the UK
<b>G47.910</b>	E-Commerce & Online Auctions in the UK
<b>I56.101</b>	Full-Service Restaurants in the UK
<b>I56.302</b>	Pubs & Bars in the UK
<b>P85.200</b>	Primary Education in the UK
<b>P85.421</b>	Universities in the UK
<b>R93.130</b>	Gyms & Fitness Centres in the UK
<b>SP0.015</b>	Video Games in the UK
<b>SP0.017</b>	Video Downloading & Streaming Services in the UK
<b>SP0.026</b>	Payment Systems in the UK
<b>SP0.060</b>	Online Grocery Retailers in the UK
<b>UK0.076</b>	Courier Activities in the UK

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