

UK Industries Benefiting From Social Distancing: Part Two

Samuel Kotze, April 2020

In the second instalment of this two-part series, IBISWorld assesses which technologically-focused industries are benefiting from social distancing.

The spread of COVID-19 (coronavirus) and the social distancing measures subsequently implemented by the UK government have had a negative effect on most industries in the economy. However, a number of industries have benefited through adapting standard business processes to capitalise on opportunities from consumers and office workers staying at home. For example, client relationship management (CRM) system providers have used stay-at-home employees' higher usage of technology to drive cross-platform software integration and increase productivity. A higher rate of technology usage has also created a surge in demand for internet bandwidth use and data creation, which has subsequently raised demand for the Data Processing and Hosting Services industry. This has caused greater engagement with the industry, which is increasingly shifting towards Platform as a Service (PaaS) and Software as a Service (SaaS), rather than Infrastructure as a Service (IaaS). Payment service providers are benefiting from consumers increasingly shopping online rather than in physical stores as a result of social distancing measures. This is likely to shift their focus to downstream business clients that have yet to establish online sales platforms, providing an opportunity for the Payment Service Providers industry.

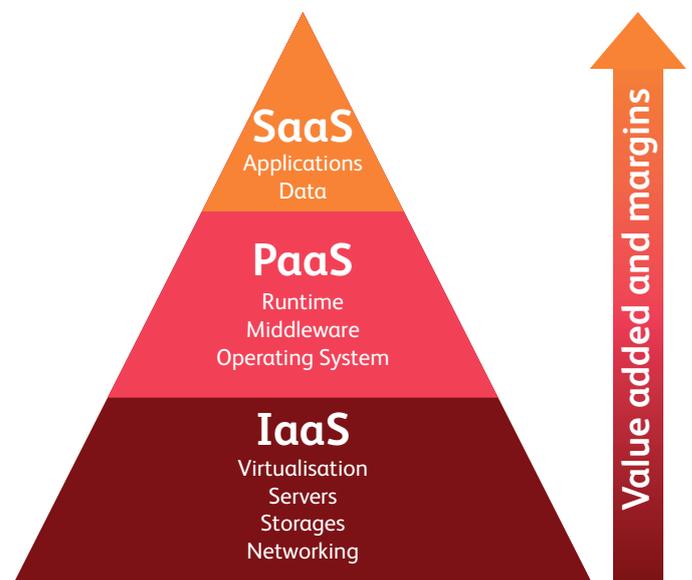
CRM systems providers

Working from home tends to be less structured, which can result in an increased risk of client leads, inquiries and data not being correctly entered into CRM systems. CRM system users have focused on ensuring integration with online web forms found on most websites as a means of automatic data gathering and input. Additionally, recent advancements in machine learning have meant that CRM systems can automatically and quickly reroute workflows to increase efficiency. This is highly relevant during a period of increased employee illness as a result of the coronavirus.

The higher rate of technology usage from home workers has meant that CRM system providers have relaxed cross-platform integration barriers between platforms such as Microsoft Office and Google G Suite. An example of this is Salesforce and Amazon Web Services helping users set up virtual contact centres to deal with increased consumer queries. Increased cross-platform integration is anticipated to drive efficiency gains for CRM system users and encourage further usage by downstream clients.

Data processing and web hosting

The Data Processing and Hosting Services industry has benefited from higher demand as a result of the coronavirus outbreak. Social distancing measures have increased the use of technology and the internet, and so too data centres, with these services being used as a means of maintaining social connections among people.



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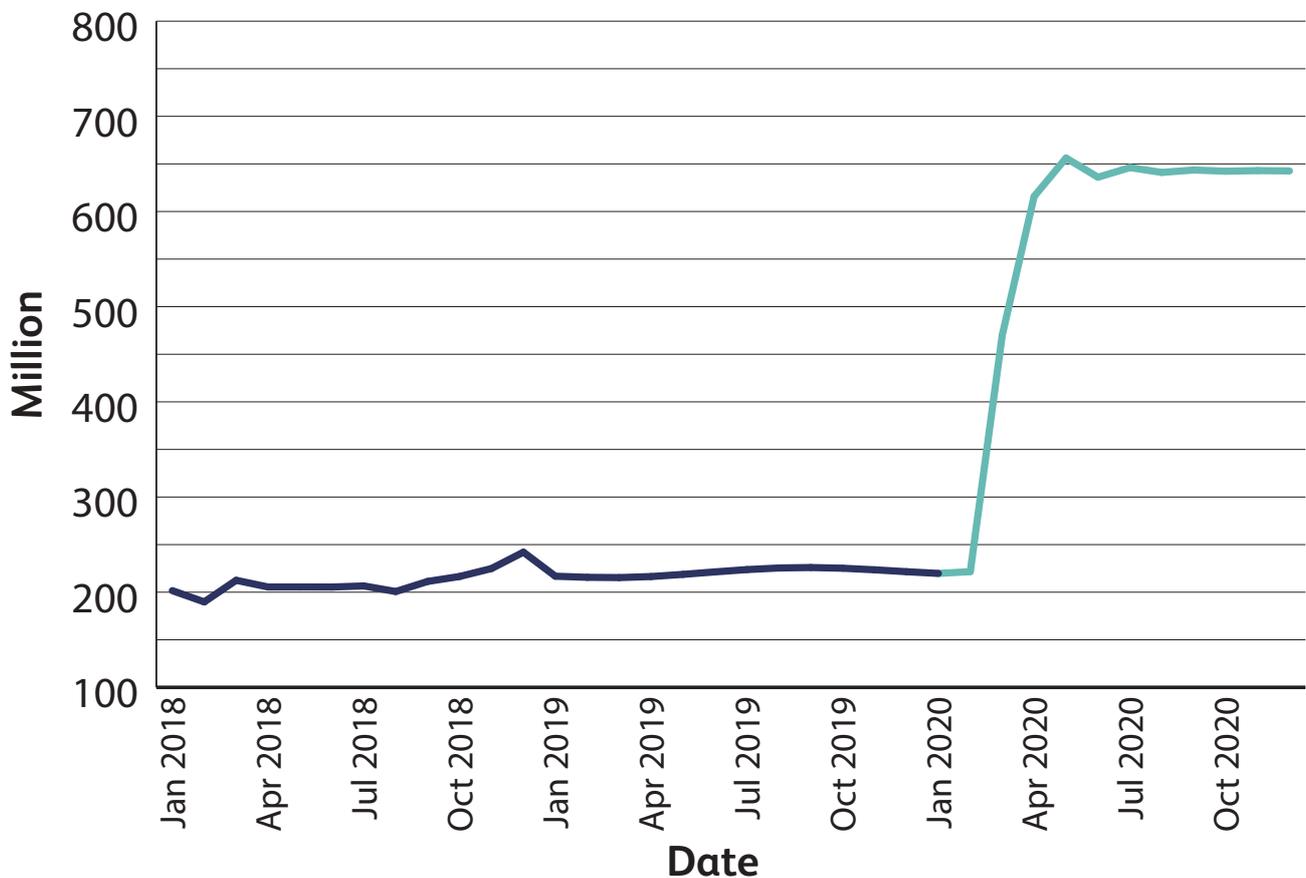
Demand for electricity from data centres in the United Kingdom has been rising, posing as evidence for increasing industry demand.

Much of this increased demand has come from video conferencing software such as Microsoft Teams and Zoom. Microsoft’s video conferencing platform alone announced that its daily number of active users had increased by 12 million between 11 and 18 March, during the start of the coronavirus outbreak in Europe and the United States. Leisure activities such as watching video through on-demand services and online gaming have also supported demand. This, alongside increasing engagement with data centres, has shifted the industry’s focus towards products and services with higher service levels, which offer higher value added and profit margins. In particular, the industry has shifted away from general IaaS, which is provided by colocation facilities, towards PaaS and SaaS services.

Online payment processors

There has been a huge surge in demand for online payment processing, which is offered by payment service providers, as social distancing measures have forced consumers to shift purchases online. According to data from the Office for National Statistics, online sales as a proportion of total retail reached a record high in March 2020, accounting for approximately 22.3% of all retail sales. A survey of 5,500 consumers released by investment bank Jefferies on 21 April 2020 showed that 5% of consumers plan to shift the majority of their store purchases online. Furthermore, at least half of consumers stated they would wait at least a month after social distancing measures have been lifted before returning to retail stores. This poses a strong incentive for more retailers to migrate business processes and retailing online, and is therefore set to benefit the Payment Service Providers industry in the medium term.

Number of online retail transactions in the United Kingdom



SOURCE: UK CARDS ASSOCIATION, UK FINANCE AND IBISWORLD

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Social distancing measures have also encouraged older generations to interact more with technology and shop online. This is expected to accelerate the trend of consumers moving away from physical stores and towards online purchases. Some retail businesses, such as Primark, do not currently have online shopping platforms, often as part of their business strategies to keep costs low. However, should social distancing persist, as has been suggested by England's Chief Medical Officer, who has stated that some kind of measures could be required for the rest of the year, this could threaten Primark's business strategy. Opportunities like these could lead to gaps in the market

for new firms to meet consumer demand for similar products online, further benefiting demand for the services of online payment processors.

Conclusion

The continued adaptation of technologically-focused industries highlight that the coronavirus has generally created difficult operating conditions for most businesses. Those that have the opportunity to develop business processes can increase the quality of their product and service offerings, shifting their focus to products with increased margins and allowing them to benefit from changing consumption patterns.

IBISWorld Industry reports used in this special report:

J63.110	Data Processing & Hosting Services in the UK
SP0.024	CRM System Providers in the UK
SP0.037	Payment Service Providers in the UK
SP0.086	Colocation Facilities in the UK

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