Lisney

RETAIL REPORT

Q4 2020

RETAIL SECTOR IN NUMBERS

CONSUMNER SENTIMENT

74.6

KBC
CONSUMER
SENTIMENT INDEX

RETAIL SALES

+29%
HARWDARE & PAINT

LARGEST INCREASE
OF ALL RETAIL SECTORS
BETWEEN **FEBRUARY**
& **NOVEMBER**

RETAIL SALES

-4%
ALL SALES

BETWEEN
FEBRUARY &
NOVEMBER

ONLINE SALES

12.4%

PORPORTION
OF TOTAL SALES
COMPLETED ONLINE

CANADA GOOSE, GRAFTON STREET
- OPENED IN DECEMBER

OVERVIEW

2020 was the year that fiction became a reality. In the retail market, it started-off relatively positive but quickly turned in March as COVID-19 intensified and non-essential retail closed. In hindsight, there was no comprehension at the time of the huge impact on trading conditions the pandemic would have (the volume of retail sales overall fell by 12% in March and then there was a further decline of 36% in April). With the first lockdown in place for almost three months, consumers were forced online whether they liked it or not (the proportion of online sales of the overall market went from about 3% to over 15%). As such, retailers that had a good online presence benefitted the most. The summer did bring some positivity and improvement with sentiment rising sharply, albeit still below the strong levels witnessed 12 months prior. In addition, the volume of sales increased and was back to February levels in June.

It was the year of the staycation and with savings made from not traveling on holidays overseas, along with many benefiting from savings from working for home, money was spent on bigger ticket items such as house refurbishments. This benefitted those in the DIY, furniture, tiling and electrical sectors. Retail sales of such items was between 25% and 35% higher in October than in February. When the second lockdown occurred in the final months of the year and indeed the third following Christmas, a greater number of retailers were set up online and could sustain a certain level of trade.

Unfortunately, there were casualties during the year, many of which are high profile brands. The closure of Debenhams was announced in April and was followed by brands such Monsoon, TM Lewin, Le Pain Quotidien, Aldo, Oasis, Warehouse, Cath Kidston and Laura Ashley. Towards the end of the year, liquidators were appointed in Ireland to the Arcadia Group, which includes the Topshop, Dorothy Perkins, Evans, Miss Selfridge and Wallis brands.

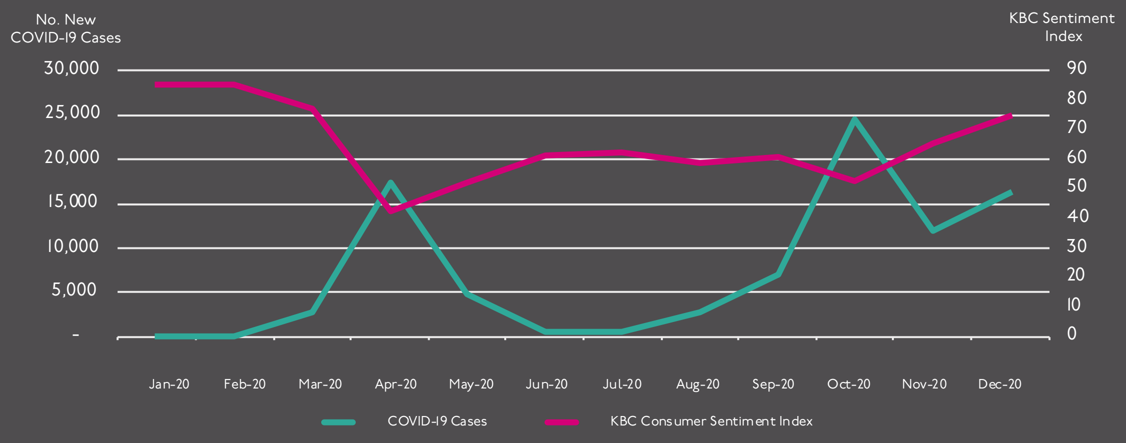
Those following the retail crisis in the UK will be familiar with this trend. Many of the brands that have closed were experiencing difficulties pre-COVID and administration was already likely. The CVA (Company Voluntary Arrangements) process in the UK has been a mechanism used by retailers and the F&B industry since 2015 to close unwanted premises, renegotiate rents with landlords and generally tidy up property portfolios. COVID-19 just accelerated the demise of these stores as they were not as future proof as they needed to be or for some, were marred by controversy.

RETAIL

CONSUMER SENTIMENT

Consumer sentiment improved each month in Q4 2020 as the COVID-19 cases stabilised, the economy somewhat reopened following the second lockdown and there was positive news on vaccines. The December sentiment index figure from KBC Bank Ireland, at 74.6, was the highest reading since pre-COVID, albeit still not at February levels. Over the course of 2020, it was evident that consumer sentiment was very much linked to reported numbers of new COVID cases and this is likely to continue to be the case in 2021. With the number of COVID-19 cases increasing rapidly towards the end of December and a further lockdown announced, January's sentiment reading is likely to fall back significantly.

KBC CONSUMER SENTIMENT INDEX

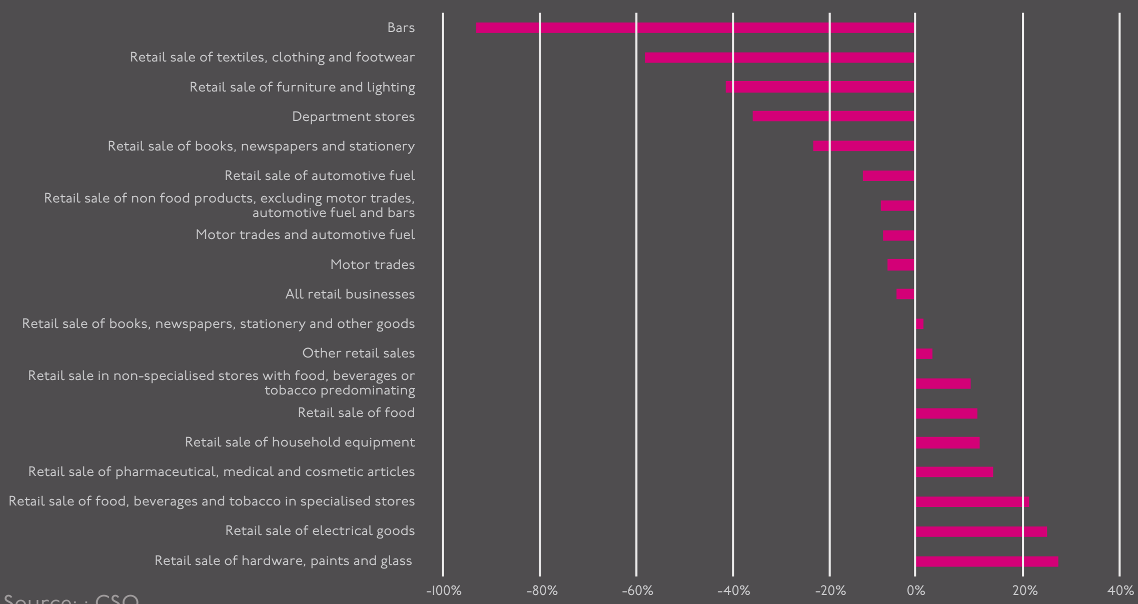


Source: KBC Bank Ireland, HPSC

RETAIL SALES

The indices tracking the volume and value of retail sales had improved significantly from lows in April to a more stabilised level in July when most non-essential stores reopened following the first lockdown. The volume of overall sales remained relatively stable over Q3 and into Q4 despite the second lockdown, however, in November, sales fell again, by 13% in the month. Comparing November to February, overall retail sales were down by 4%, but with variations across sectors. To be expected, sectors such as bars, clothing and footwear, department stores and automotive fuel were all well below February figures. However, sectors such as hardware and paints, electrical goods, food, pharmaceuticals and household equipment were all higher.

RETAIL SALES INDEX – VOLUME OF SALES
FEBRUARY – NOVEMBER 2020



Source: : CSO

OUTLOOK

1 The prime shopping streets and shopping centres in Dublin will be hardest hit with the closure of high profile brands in 2021. Historically, they offered landlords strong covenants, paid the highest rents and were excellent footfall drivers. Unfortunately, there will be no quick fix solution and in the absence of established overseas brands entering the Irish market, much of the unoccupied space will be taken on a short-term, pop-up basis.

2 When we emerged from the financial crisis in 2014, the world of retail had changed because of online shopping. Undoubtedly, as we emerge from this pandemic, once again there will be shift with AI (Artificial intelligence) and AR (Augmented Reality) becoming a greater part of the shopping experience. This will bridge the gap between the physical store and the online store with 'try before you buy' technology in place across beauty, clothing and footwear, among others.

IN-FOCUS: ONLINE SHOPPING & SUPPORTING LOCAL

The importance of having an omni channel presence became vividly clear in 2020 with survival often depending on it. Consumers are now shopping online for things they would have previously only bought instore. In spite of this, online has become a highly competitive and noisy space. It is increasingly difficult for retailers to be found unless the shopper is already aware of a particular brand with search engines automatically bringing up the online giants such as Amazon, eBay, boohoo and ASOS. The bricks-and-mortar store gives smaller brands a face and personality and allows the consumer to interact with products and the retailer's values. It also allows for click-and-collect and instore returns, both of which are very important features of retailing now due to the pandemic.

During the first two lockdowns, consumers chose to stand in line to avail of click-and-collect or once stores reopened, carry out instore returns rather than wait for home deliveries. As physical store retailers move online, the trend of online retailers taking stores is increasing and will continue in 2021. This is particularly true where landlords can be flexible on lease terms, giving retailers the opportunity to experience in store trading for the first time.

In the run up to Christmas, there was an increased backlash towards some of the global online giants. Many consumers moved towards supporting their local shops, some of which recently established an online presence; those focused on selling sustainable products; or those highlighting their corporate social responsibility pledges. This trend is likely to continue this year and beyond as greater numbers of small retailers move online and use social media as a platform to generate a loyal consumer following. With these consumers engaged on social media and buy into the ethical values of the retailer, they will act as word of mouth ambassadors of the brand, one of the best forms of marketing.

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