



# The current and future impact of COVID-19 on London's retail and hospitality sectors

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# Introduction

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# 1. The national picture

# Impact of COVID-19 on the hospitality sector

**Key message: The hospitality sector has been, and continues to be, one of the sectors hit hardest by COVID-19 across numerous indicators of performance.**

Data from the ONS records that:

- 27% of workers in hospitality remained furloughed at the start of August, the highest proportion of any sector.
- 23% of hospitality businesses regard their risk of insolvency as being severe to moderate, the joint highest of any sector, alongside 'arts and entertainment'.
- Almost a quarter of businesses (23%) in the accommodation and food sectors saw operating costs exceed turnover at the end of July / start of August. The third highest of any sector, behind education (30.3%) and arts and entertainment (46.9%).

# Impact of COVID-19 on the retail sector

**Key message: Retail is not the worst hit sector, but it is not the least, with significant amounts of variation across sub-sectors.**

Retail Sales data from the ONS shows that:

- The volume of retail sales in July was 3.0% higher than before the coronavirus pandemic...
- ...BUT, the shape of retail has changed. For instance, food and 'non-store' retail sales have recovered; by contrast, clothing sales are 25.6% down on February 2020.
- The proportion of money spent online in retail was 28.9% in July, compared with 20.0% in February (although the July figure is slightly down on June).

## 2. The story of COVID-19 for retail and hospitality in London

# Falling footfall – the story of demand

**Key message: The centre of London is experiencing an extremely weak recovery. Demand is incredibly subdued. People are not commuting. Visitors are not coming to the city.**

- In an analysis of the strength of footfall and spending recovery in major towns and cities across the UK, London comes bottom (source: Centre for Cities).
- New West Company states that in the middle of August footfall in London's West End remained 63 per cent down year-on-year (source: London Evening Standard).

# A new operating environment – the story of supply

**Key message: The pandemic has changed how businesses supply goods and services, although it is difficult to quantify the extent of the impact (and how long it will last)**

Feedback from Business Improvement Districts and London boroughs suggested that:

- Bars and restaurants have lower capacity because of social distancing, and rely on being able to supply high volumes of customer.
- Anecdotal evidence of affected supply chains – harder to get supplies and some higher costs.
- Shift to digital tools has helped some businesses, but has been difficult for others.

# Examples of innovation and adaptation

Feedback from Business Improvement Districts and London boroughs suggested that the following had been implemented:

- Emergency funding streams (such as the Lambeth Local Recovery Fund).
- Council and BID efforts to understand the frontline business experience, with regular conversations and surveys.
- Recovery plans have been formulated by BIDs and local government.
- Efforts to make places “COVID-secure”.
- Restaurants turning into pop-ups, alongside new menus and staffing arrangements.
- Seeing customers by appointment only.
- Sharing customers locally when pub / restaurant capacity reached, communicated via WhatsApp.

### 3. Where is the impact in London?

# A potential triple-whammy

**Key message:** Retail and hospitality businesses in London are likely to experience changes to the profile of their footfall, influenced by the movement of people under three categories

Where people live	Where people work	Where people visit
Retail and hospitality businesses will suffer in areas where there are relatively few residents that have been – and will continue to – work from home.	Retail and hospitality businesses will suffer in areas where people had previously commuted to for work.	Retail and hospitality businesses will suffer in areas that received domestic and international leisure, tourist and business travellers.

In short, those places in London where people do not tend to live, that were commuting hotspots, and that used to receive visitors face a triple-whammy hit to their customer base.

# Where people live (1)

What the analysis does:

- The chart on the next page shows the size of the local resident population relative to local retail, restaurant and bar businesses.
- The area covers the 12 members of CLF and is split in to small geographic units called “super-output” areas.
- Where there are fewer residents per retail, restaurant and bar businesses, there are darker shades of colour.

Key conclusions from the analysis:

- With more people working from home, the retail, restaurant and bar businesses located in the lighter shaded areas could experience an increase in demand (and schemes like Eat Out To Help Out should encourage this).
- The very centre of London is the area most likely to see a fall in demand on this indicator because of low resident-to-business ratios.
- Westminster, the City of London and Camden are the boroughs that are particularly affected.

# Where people live (2)



# Where people work (1)

What the analysis does:

- Highlights where there are net inflows of people, based on commuting flows before COVID-19.

Key conclusions from the analysis:

- Of the nine London boroughs that received net inflows of people pre-COVID-19, seven are CLF members (see table on next page).
- The sheer scale of Westminster and the City of London's net inflow compared to other boroughs gives them a particular problem on this measure. Camden and Tower Hamlets are also big net recipients of people.

## Where people work (2)

London boroughs that had net inflows of people pre-COVID-19 (from largest to smallest net inflow)	CLF member?
Westminster / City of London*	Yes
Camden	Yes
Tower Hamlets	Yes
Islington	Yes
Kensington and Chelsea	Yes
Hammersmith and Fulham	No
Southwark	Yes
Hillingdon	No

\*The Nomis data source aggregates Westminster and City of London on this measure

NB: A chart of the inflows, outflows and net change of population across all London Boroughs is included in the annex.

# Where people visit

The statistics on visitors to London are split into international and domestic visitors. Some illustrative statistics on this are:

1. International visitors spent a total of £15.7bn in London in 2019.
2. Domestic visitors spent a total of £16.1bn in London in 2019.

We cannot disaggregate international visitors between CLF members and non-CLF members, but this can be done for domestic visitors (see below table, with data taken from Visit Britain).

A full break down of these figures by borough can be found in the annex.

Area of London	Proportion of total domestic visits	Proportion of total spend on those visits
CLF Members	48.8%	61.9%
Outer London	51.2%	38.1%

## 4. Ongoing impact – future scenarios in London

# Factors affecting future retail and hospitality outcomes

- **Levels of consumer confidence.** 60% of consumers would be uncomfortable going to a bar/restaurant; 59% would be uncomfortable using public transport (source: Ipsos Mori).
- **Changing consumer habits.** Over two fifths (43%) of UK consumers expect to shop more online over the next one to two years for items they would have previously bought instore (source: BRC).
- **The extent of remote working.** For the latest available data, 39% of people are remote working. This is much greater in some industries than others, such as information and communication and education (source: ONS).
- **The recovery of tourism.** Forecast for inbound tourism to the UK in 2020 is for a decline of 73% in visits and a decline of 79% in spending. Forecast for a 49% drop in domestic tourism in 2020 (source: Visit Britain).
- **The profile of household spending.** If household incomes fall, it will mean less expenditure. But there may also be positive effects if, for example, households go on fewer holidays and spend all or some of that money in retail and hospitality.
- **Cost pressures.** There may well be knock-on consequences from the pandemic in economic relationships. One example given to us was the future relationship between landlords and their tenants – rent is a fixed cost and cannot easily be reduced for many businesses.

# Scenarios for the future of retail and hospitality

**Key message: Any analysis of future outcomes for retail and hospitality should be viewed through the lens of consumer spending – what paths are there to consumer spending returning to pre-pandemic patterns and levels?**

Scenario for retail and hospitality	Features of scenario	Those that benefit	Those that lose
<p><b>Stuttering recovery.</b> Economic activity sets into a pattern of weak consumer confidence and low growth.</p>	<ul style="list-style-type: none"> <li>• COVID-19 cannot be eradicated, with repeated local lockdowns (and potentially another national lockdown).</li> <li>• Growth-stunting policy decisions, such as higher taxes.</li> </ul>	<ul style="list-style-type: none"> <li>• Those retail and hospitality businesses that see increased footfall as a result of home-working, i.e. where the location of demand has changed.</li> </ul>	<ul style="list-style-type: none"> <li>• Those retail and hospitality businesses that have lost footfall during the pandemic, with only some of that footfall recovered.</li> </ul>
<p><b>Steady recovery.</b> Economic activity sets out on a gradual but clear path to 'normality'.</p>	<ul style="list-style-type: none"> <li>• COVID-19 is contained, but not eradicated.</li> <li>• Policy decisions have some impact, but are not game-changing.</li> </ul>	<ul style="list-style-type: none"> <li>• Those retail and hospitality businesses that can survive on lower levels of turnover, and have seen decreased footfall.</li> </ul>	<ul style="list-style-type: none"> <li>• Those businesses that are sustainable under "normal" conditions, but cannot survive long enough.</li> <li>• Those retail and hospitality businesses that see increased footfall as a result of home-working may see it gradually drop away.</li> </ul>
<p><b>Rampant recovery.</b> The economy recovers all of the output that it lost in a short amount of time and returns to its historic pattern of growth.</p>	<ul style="list-style-type: none"> <li>• COVID-19 well contained, possibly eradicated.</li> <li>• Policy decisions have big impact.</li> </ul>	<ul style="list-style-type: none"> <li>• Those retail and hospitality businesses that have survived, and that have experienced decreased footfall.</li> </ul>	<ul style="list-style-type: none"> <li>• Those retail and hospitality businesses that see increased footfall as a result of home-working may see it gradually drop away.</li> </ul>

# Other considerations

- **Some sub-sectors will be hit by COVID-19 more than others.** Hotels and accommodation providers in particular will lose out on tourism and business trips – the path to normality for these sub-sectors will likely take longer than commuting patterns.
- **Independents may struggle more than chains.** This is perhaps obvious, but worth highlighting.
- **A key consequence of those retail and hospitality businesses in difficulty will be reduced employment.** This will particularly affect young people, who form a large part of the retail workforce.
- **Large set-piece events may not happen in the near-future.** The Christmas period – usually a key trading period for retail and hospitality – is a complete unknown this year.

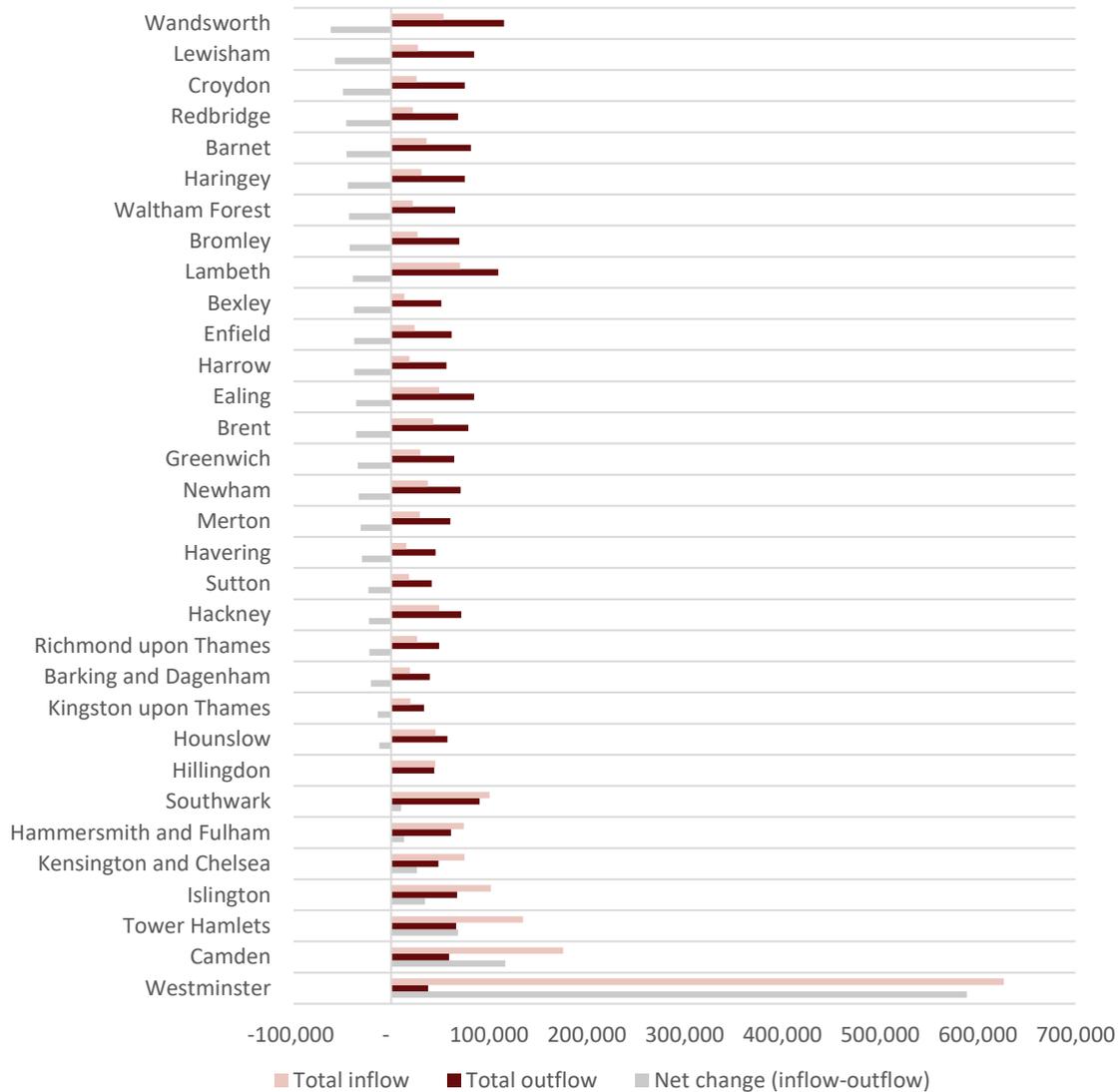
## 5. Policy and lobbying considerations

# Where to focus policy and lobbying

Policy / lobbying area	Rationale for inclusion	Approach to consider
Increasing footfall	Only footfall being on a path to pre-pandemic levels will allow retail and hospitality businesses to become sustainable again.	<p>Making shopping and dining areas more accessible and welcoming - Including better infrastructure, pedestrianisation, green space.</p> <p>Making travelling to shopping and dining areas more accessible, such as increased confidence on the tube.</p> <p>Destination marketing to encourage international visits and ensuring that being “COVID-safe” is possible in London.</p>
Addressing retail and hospitality cost pressures	Some businesses may be sustainable in the long-term, but may need help getting there as the economy returns to normality.	<p>Lobbying government to offer relief on high fixed costs of business, such as Business Rate bills.</p> <p>Providing some relief on the costs of hygiene equipment related to COVID-19.</p> <p>Providing business support – specifically in trying offering help and guidance to businesses negotiating with landlords.</p>
Employment	Retail and hospitality jobs are held by some that have limited options for employment in other sectors – redundancies and few vacancies available will lead to unemployment.	Funding for localised employment support programmes for those that have lost their jobs.
Helping businesses to adapt to a new normal	Regardless of the path to recovery, some types of business process will have changed forever.	This could include grant funding for investment in digital technology, or for some types of digital training to be undertaken.

# Annex – Supplementary analysis

# Population inflow, outflow and net change in London boroughs



Source: Nomis census data

# Domestic visits by borough and expenditure

Borough	CLF Member / Outer London	Visits (million)	Expenditure (million)
Barking and Dagenham	Outer London	6.53	166.45
Barnet	Outer London	8.16	195.49
Bexley	Outer London	7.33	258.99
Brent	Outer London	7.90	277.30
Bromley	Outer London	12.10	410.67
Camden	CLF member	14.10	743.29
City of London	CLF member	56.35	4320.09
Croydon	Outer London	12.51	443.27
Ealing	Outer London	7.60	182.30
Enfield	Outer London	9.61	336.67
Greenwich	Outer London	13.63	532.98
Hackney	CLF member	7.01	285.40
Hammersmith and Fulham	Outer London	7.31	307.20
Haringey	CLF member	4.45	193.37
Harrow	Outer London	8.39	348.20
Hillingdon	Outer London	7.33	213.36
Hounslow	Outer London	6.94	253.04
Islington	CLF member	10.20	443.70
Kensington and Chelsea	CLF member	11.76	876.18
Kingston upon Thames	Outer London	8.71	621.48
Lambeth	CLF member	5.82	238.51
Lewisham	CLF member	7.16	176.60
Merton	Outer London	5.90	232.25
Newham	Outer London	8.35	329.23
Redbridge	Outer London	5.54	131.64
Richmond upon Thames	Outer London	7.14	347.34
Southwark	CLF member	8.38	290.19
Sutton	Outer London	6.59	187.72
Tower Hamlets	CLF member	5.72	262.72
Waltham Forest	Outer London	5.53	159.88
Wandsworth	CLF member	6.90	450.76
Westminster	CLF member	24.82	1705.85

Source: Visit Britain data

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