Footwear Retailing: Inc Impact of COVID-19 - UK - July 2020

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"The footwear sector picked up in 2019 after a tough 2018. However, the outbreak of COVID-19 in 2020 will have a significant and lasting impact on the sector. The category was previously geared towards the in-store experience, but since lockdown many of the leading retailers have announced significant numbers of store closures."
– Chana Baram, Senior Retail Analyst

This report looks at the following areas:

What you need to know

37% of footwear shoppers still prefer to visit stores for inspiration rather than going online. This has meant that footwear has been particularly hard hit by the COVID-19 lockdown, and the sector is likely to continue suffering in the inevitable economic slowdown.

The footwear market is set to drop by a further 30% in 2020 due to COVID-19, and it is particularly susceptible to any changes in the weather so will likely bear the brunt of post-lockdown discounting, given that many shoppers will not have bothered purchasing summer footwear at full price due to a lack of holiday plans or social arrangements. Additionally, with many people worried about their finances, the category is likely to become even more polarised – which is expected to have a longer-lasting effect on sales as consumers' trade down to lower-priced options.

Leading players have faced challenges during 2019, but COVID-19 has exacerbated these issues in 2020, with many retailers reconsidering their physical presence since fewer people are heading into shops. Clarks announced that it will drastically reduce its store estate; Shoe Zone too shut stores, Aldo's UK arm fell into administration and Hotter entered into a CVA. With so many people still hesitant to go into stores, footwear retailers are going to have to think of ways to make the category easier to shop online.

There are opportunities to fight back, however. Mirroring trends across the retail sector, footwear retailers are looking to digitise their offerings and move away from the in-store retail concept. Some have therefore started to use innovative concepts, such as digital foot measuring apps and online size estimations, to reduce the number of returns. Footwear brands and retailers will need to really focus on offering a fantastic customer experience, whether in-store or online, with unique products to capture shoppers' attentions, while also reassuring customers they have good hygiene practices in place.

Key issues covered in this report

- **The impact of COVID-19 on consumer behaviour when shopping for footwear.**
- **How COVID-19 will affect the market dynamics within the footwear sector.**
- **Brand research on leading players within the sector and key launches and innovations.**
- **Consumer attitudes and shopper behaviours towards footwear.**

Products covered in this Report

For the purposes of this Report, Mintel has used the following definitions:

The Report looks at purchases of shoes for adults and children and uses ONS (Office for National Statistics) consumer spending data, which covers all retail channels – both specialist and non-specialist (eg clothing stores, department stores, sports shops, supermarkets, internet pure players, catalogue retailers, markets, etc.).

This Report covers the following footwear categories:

- **All footwear including trainers.**

Excluded from the Report:

- **Specialist performance shoes (eg football boots, ballet shoes).**

There is a grey area between sports shoes and casual footwear, although sports trainers are classified in the government's consumer spending data under the footwear rather than sportswear category. The latter, in terms of sports shoes, is largely confined to specialist performance shoes, such as football boots, athletic spikes or ski boots.

COVID-19: Market context

The first COVID-19 cases were confirmed in the UK at the end of January, with a small number of cases in February. The government focused on the 'contain' stage of its strategy, with the country continuing to operate much as normal. As the case level rose, the government ordered the closure of non-essential stores on 20th March.

A wider lockdown requiring people to stay at home except for essential shopping, exercise and work 'if absolutely necessary' followed on 23rd March. Initially, a three-week timeframe was put on the measures, which was extended in mid-April for another three weeks.

The Health Protections Regulations 2020 came into effect on 15th June allowing the reopening of all non-essential stores in England as well as the mandatory use of face coverings on public transport. Pubs, restaurants, hotels and hairdressers were able to reopen on 4th July, with many beauty businesses following on 13th July.

Mintel's economic assumptions are based on the Office for Budget Responsibility's central scenario included in its July 2020 Fiscal Sustainability Report. The scenario suggests that UK GDP could fall by 12.4% in 2020, recovering by 8.7% in 2021, and that unemployment will reach 11.9% by the end of 2020, falling to 8.8% by the end of 2021. The current uncertainty means that there is wide variation on the range of forecasts however, something reflected in the OBR's own scenarios. In its upside scenario, economic activity returns to pre-COVID-19 levels by Q1 2021. The OBR's more negative scenario, by contrast, would mean that GDP doesn't recover until Q3 2024..

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Table of Contents

Overview

Executive Summary

The Impact of COVID-19 on Footwear Retailing

Issues and Insights