Electrical Goods Retailing - UK - February 2021

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"Spending on electricals fell by 7% as it was hit by COVID-19 in 2020. This was underpinned by a sharp decline during the initial lockdown, a polarisation of demand and sales losses beyond household and personal care appliances. Accordingly, sales dropped despite the surge of new opportunities amid extended periods inside and the rise of flexible living."
– Marco Amasanti, Retail Analyst

This report looks at the following areas:

- **The impact of COVID-19 for spending on the electricals.**
- **How this disruption will change demand in the short, medium and long term.**
- **Opportunities for retailers amid this disruption and extended periods inside.**
- **The future of the purchasing journey and the growing role of online-only retailers.**
- **How multichannel retailers, and particularly specialists, can boost market share, and revive the role of the store moving forward.**
- **The opportunity for wellbeing and sustainability in the market.**
- **Technological innovations to bridge the gap between multichannel retailers and housebound consumers.**
- **The opportunity for increased engagement on mobile apps.**

Spending on electrical fell by 7% as the market reacted to the impact of COVID-19 disruption in 2020, thereby ending five years of consecutive growth. This decline was underpinned by: the sharp decline in sales in April and May, in both household appliances (-21.6% and -10.2%) and computers and telecoms (-69.3% and -64.2%), respectively; continued decline in the latter throughout the course of the year; and a growing polarisation of demand within the marketplace.

These conditions combined to contract the market, even amid the surge of new opportunities since the outbreak in March. Much of this resulted from extended periods inside, and the rise of flexible living, as sales surged with the rise of home-cooking, baking, mounting interest in wellbeing, the shift to increased childcare and working from home, and more broadly from increased wear and tear, and the renewed focus on capacity and performance.

Moving forward, the prioritisation of the home amid extended periods inside, redirection of demand online and the polarisation of demand within the marketplace, are set to remain, not least given the third national lockdown in January 2021. However, the past year will also hold longer-lasting implications. Perhaps the most stark legacy from this will be in the surge of online penetration, with a net-long-term benefit for the channel in the past year, although this will also raise questions for multichannel players, both in-store and online, in coming years.

Ongoing disruption will maintain the polarisation of demand, with the unequal impact of this fallout disproportionately hitting less affluent consumers. However, alongside denting total expenditure, this polarisation will offer new opportunities to electrical goods retailers. At the lower end of this split, the introduction of more savvy shopping behaviours will open up opportunities for more circular business models, such as in-store exchanges and second-hand ranges, while at the other end, the upscaling of purchases, buoyed by that money redirected from other non-essential sectors, the housing market and increased uptake of major renovations will open avenues for more premium goods and retailers at the higher end of the marketplace.

DID YOU KNOW? This report is part of a series of reports, produced to provide you with a more holistic view of this market

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