

**THE GOOD, THE
BAD AND THE
UGLY;**

**OPPORTUNITY,
COVID AND
BREXIT**

II. Retail and Hospitality

October 2021





We all have heard how challenging times are a great foundation for new ideas and opportunities, but before we experience the good, there will be several encounters with the bad and the ugly

Looking back,
how has Covid-19 and Brexit
impacted the UK economy?

Looking at the future,
what opportunities resulted
from these challenges?



Brexit and Covid in Retail

On the 24th December 2020 the EU and the UK finally agreed the TCA (Trade and Cooperation Agreement), active from the 1st Jan 2021. The TCA has introduced several changes, affecting many areas in this sector.

Stock shortages have been one of the main pain points suffered by businesses within the retail sector, mainly caused by a shortage of UK lorry drivers, which have resulted in delays and added costs for retailers. With the addition of Covid, national and international security measures have caused further aggravation causing increased delays and increased disruption globally.

With some statistics stating 56% of British businesses are finding it more difficult to buy and/or sell with the EU, this report is one in a series, which shares how British business trading in the Retail and Hospitality sector, have been impacted by Brexit and Covid.

“A net total of 804 locally run retailers, opened in first half of 2021 while 5,251 chain stores closed”

The Guardian (September 2021)/LDC

Brexit facts

Have business costs increased since Brexit?

British businesses say:

- 45.6%: Yes, costs are higher.
- 34.4%: Costs are the same
- 20%: No. costs have reduced

Any impacts on the imports from EU?

British businesses say:

- 34.4%: Yes
- 25.6%: No
- 40%: NA

Any impacts on the exports to EU?

British businesses say:

- 22.2%: Yes.
- 27.8%: No
- 50%: NA

Is accessing supplies from EU more difficult now?

British businesses say:

- 32.2%: Yes. It makes more complicated
- 20%: It's easier
- 18.9%: It's the same
- 28.9%: NA

Covid facts

Has the pandemic affected your business investments?

British businesses say:

- 20%: We are investing more
- 60%: It remained the same
- 20%: We are investing less

In the last year, have you postponed any acquisitions?

British businesses say:

- 10%: Yes, due to the pandemic putting pressure on businesses
- 10%: Yes due to lack of available finance
- 80%: No

How stressed are you about profits decreasing?

British businesses say:

- 30%: Not stressed
- 50%: Moderately stressed
- 20%: Very stressed

How stressed do you feel about cash flow?

British businesses say:

- 50%: Not stressed at all
- 30%: Moderately stressed
- 20%: Very stressed

Brexit and Covid in Hospitality

Since the TCA was agreed after Brexit, Bars, Restaurants, Venues... etc have seen how their staff members have returned to their original countries in the EU. Brexit has had a significant impact in the shortage of experienced workers in this sector, and made it more complex for the remaining ones to stay in the UK.

Together with this, consumers started spending more time indoors than outdoors, which started massive spikes in online grocery orders. As a result, we saw how home consumption grew whilst the high street Hospitality business came to a standstill.

Hit by several lock downs, the Hospitality sector has without doubt been one of the worst affected during the last months since Covid started, particularly because of the nature of this business, which cannot function in a virtual environment where many other sectors exist, or have moved towards.

“UK pubs and restaurants owe at least £8.2bn collectively because of Covid - an average of £48,000 each”

Inews
(May 2021)

Brexit facts

Have business costs increased since Brexit?

British businesses say:

- 41.1%: Yes
- 50%: Costs are the same
- 8.9%: Costs have reduced

Any impacts on the imports from EU?

British businesses say:

- 26.8%: Yes
- 32.1%: No
- 41.1%: NA

Any impacts on the exports to EU?

British businesses say:

- 21.4%: Yes
- 16.1%: No
- 62.5%: NA

Is accessing supplies from EU more difficult now?

British businesses say:

- 28.6%: It's more complicated
- 10.7%: It's easier
- 23.2%: The same
- 37.5%: NA

Covid facts

Did you invest more in digital infrastructure?

British businesses say:

- 33.3%: Yes
- 66.7%: No

In the last year, have you had to postpone any acquisition?

British businesses say:

- 33.3% Yes, due to lack of available finance
- 66.7% No

How stressed are you about profits decreasing?

British businesses say:

- 33.3%: Not stressed
- 33.3%: Moderately stressed
- 33.3%: Extremely stressed

How stressed do you feel about cash flow?

British businesses say:

- 66.7%: Not stressed
- 33.3%: Very stressed

Opportunities generated from Covid and Brexit challenges

There is no doubt the world has undergone a tremendous transformation that has touched every individual and every sector. Having to overcome so many barriers, and wanting to survive this new reality, industries have had to reassemble and reinvent themselves.

And it is so, that after surviving the Bad and the Ugly, we start having a glimpse of the Good.

A few of the new opportunities for both, Retail and Hospitality sectors:

- The E-Commerce space continues to grow at a pace
- Move to an improved supply chain management
- Closer collaboration between suppliers and businesses through technology
- Technology plays a greater role at eateries tables with the addition of self service apps
- Moving to paperless in favour of technology
- Transition from office based work to remote work/home office for some positions
- Online platforms are created to bring entertainment closer to people
- More nutritious/Immune boosting-Ingredients are present in foods & drinks
- Health awareness trends grow, ie: plant based diet gains interest vs meat based diet
- Lock down allowed consumers to save. They have now developed a taste for higher quality, higher premium products

Who to chat to

If you wish to discuss this or any of the other articles in more detail, please feel free to contact Teodora Barr-Gonzalez either by phone or email

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Reporte: "The Good, the Bad & the Ugly; Opportunity, Covid & Brexit (II)"

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Part of the data used originates from a survey carried out by Close Brothers Asset Finance (March 2021). This data is focused on Construction companies across the UK with a turnover greater than 10m pa

