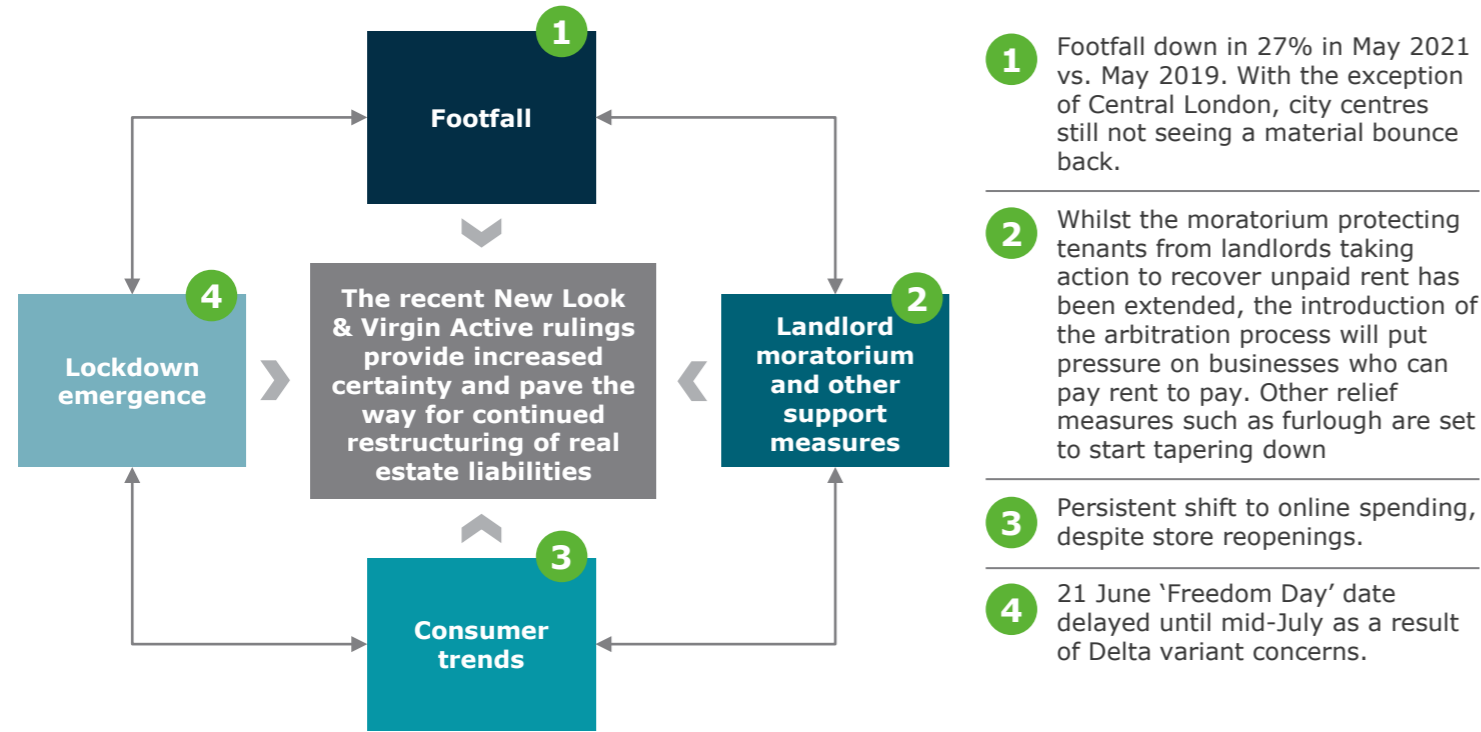


Attention to Retail – H1/2021

Despite a successful reopening, UK retail faces a number of headwinds as the full lifting of restrictions approaches



- 1** Footfall down in 27% in May 2021 vs. May 2019. With the exception of Central London, city centres still not seeing a material bounce back.
- 2** Whilst the moratorium protecting tenants from landlords taking action to recover unpaid rent has been extended, the introduction of the arbitration process will put pressure on businesses who can pay rent to pay. Other relief measures such as furlough are set to start tapering down
- 3** Persistent shift to online spending, despite store reopenings.
- 4** 21 June 'Freedom Day' date delayed until mid-July as a result of Delta variant concerns.

COVID-19 has driven shoppers' channel shifts and cemented new habits to accelerate industry transformation...

Impact of COVID-19 has permanently altered... (% selected 'permanently altered')



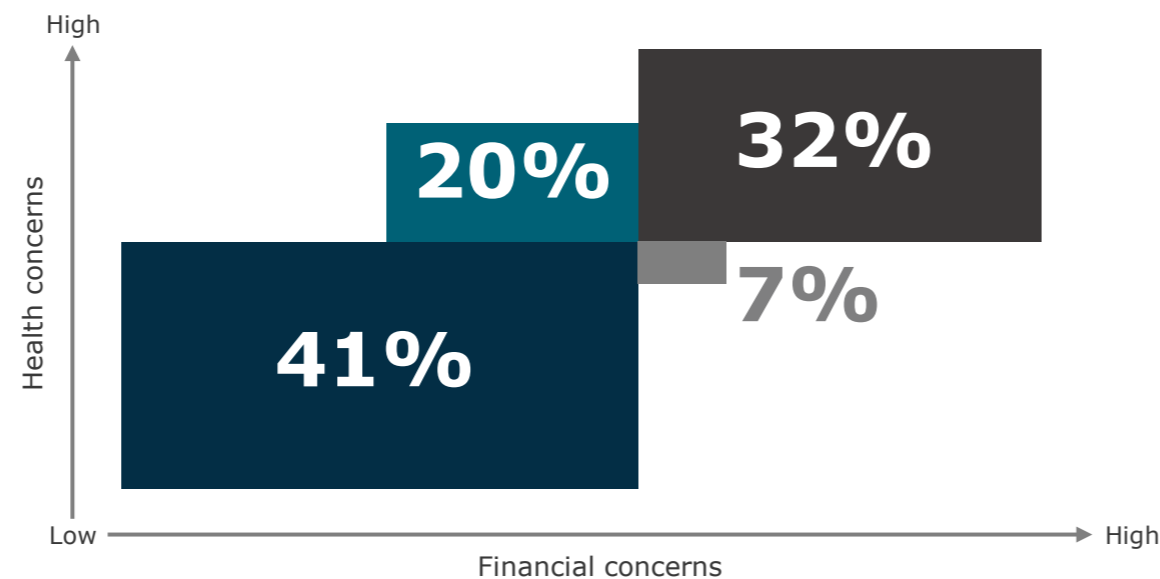
Note: What parts of your organization, if any, have been altered because of the impact of COVID-19?
Source: AlixPartners Disruption Index 2021 survey

“ [COVID-19] has made us pursue **remote working** where applicable as well as increased **e-commerce** competition due to more companies focusing on their online strategy.”

“ There has been an **increasing dependency of e-commerce channels** since the pandemic.”

– UK, Retail

...and nearly one third (32%) of UK consumers have high concern about both health and finances



Health concerns

Top row equals consumers either emotionally, physically concerned about self (i.e., somewhat, very, and extremely)

Financial concerns

Right column equals consumers financially concerned about self (i.e., somewhat, very, and extremely)

- 1. LEAST DISRUPTED**
- 2. HEALTH CONCERNED**
- 3. BUDGET CONSTRAINED**
- 4. MOST ANXIOUS**

Source: AlixPartners Changing Consumer Priorities survey 2021

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Attention to Retail – H1/2021

OUTLOOK: High levels of uncertainty, particularly for core high street retailers. Demand must return as Government support ends

10%

UK sales increase in May 2021 vs. 2019 levels (BRC)

However, the reopening of hospitality venues has not supported a sustained level of increased footfall on retail high streets and in shopping centres.



RETAIL FOOTFALL (MAY 2021)



36%

fall in high street traffic specifically in the same period

27%

UK retail destination footfall decrease in the four weeks to 29 May vs. 2019 levels

While pent-up demand is driving higher in-person retail conversion rates, this is unlikely to be sustainable

RISKS: The level of additional borrowing during COVID-19 is unprecedented...

GOVERNMENT DEBT	VAT	RENT
27% of all businesses in the UK have been provided debt by the Government	599,500 Payments deferred between 31 March 2020 and 30 June 2021	£7 billion Estimated total of unpaid rent for UK commercial property by June 2021 <i>(British Property Federation)</i>
CBILS – £22.0 billion 92,500 businesses	£33.5 billion Cumulative total deferred in this period	
CLBILS – £5.3 billion 705 businesses	Plus...	
BBLS – £45.6 billion 1.5 million businesses	<ul style="list-style-type: none"> Increasing costs (as labour costs and business rates rise) alongside management of capex investments Shifts in the economics of brick and mortar stores, including COVID-19 safety measures Rent appears to be out of line with affordability. Existence of long leases and upward-only rent reviews. 	
Future fund lending – £1.1 billion 1,140 businesses	...and cash levers are providing temporary relief only. Liquidity pressures will increase as cash measures unwind.	

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The AlixPartners view

Retail leaders must consider a range of measures in response to the current environment:

- Define long-term implications and business model end state, in order to start planning transformation actions
- Leverage data intelligence and networks (platforms, ecosystems) to reinvent business and operating models
- Drive simplicity and agility through the business – improve speed of response and develop a high-performance delivery culture
- Strengthen online capability and address channel productivity based on shifting consumer spending patterns
- Reassess assortment, price, promotional offer to match consumer expectations on value and values (sustainability, ethics etc.) and take account of global supplier/supply chain disruption
- Take a zero-based, enterprise-wide approach to cost restructuring, including capex
- Consider ways to exit liabilities through a fundamental restructuring (operational and balance sheet), or strategic use of restructuring tools