International Post Corporation

Lockdown fuels rise in start-ups as entrepreneurial brits drive ecommerce boom

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Lockdown had the unexpected side effect of giving rise to a leap in the number of new companies being formed in the UK, with ecommerce delivery start-ups leading the pack, according to a new study commissioned by Royal Mail.

During the lockdown period from March to July 2020, 315,000 companies were incorporated* in the UK - a 7 per cent increase compared to the same period in 2019.

In the second quarter of 2020 from April to June, 176,000 start-ups were recorded, the highest for any second quarter on record, exceeding the previous record high set in 2016.

The data suggests that the unique circumstances prompted by the pandemic and the associated lockdown have prompted a spike in entrepreneurial activity. Many entrepreneurs and small businesses have been quick to adapt to COVID-19 restrictions, which have resulted in more consumers shopping online. Fleet-of-foot entrepreneurs have reacted by creating new business models that cater to growing numbers of home deliveries.

The ecommerce boom

The highest rates of new business creation have been within ecommerce, followed by the services sector, and property.

Leading the pack, UK entrepreneurs have been quick to move into ecommerce to capitalise on consumers' growing embrace of online shopping and preference for home deliveries. Nearly 16,000 ecommerce businesses were created between March and July 2020. The ecommerce boom reflects the changing patterns of consumer behaviour, including the way we shop, that were largely enforced by lockdown measures.
Non-financial management consultancy activities are the next best performer, seeing just over 11,000 new incorporations during the same time period.

The findings mirror what is happening in Royal Mail's delivery network. In the first five months of the year, Royal Mail reported a substantial shift in its business from letters to parcels. Parcel volumes rose 34 per cent (177 million more parcels) while revenue rose 33.1

per cent year on year for the five months ended 31 August 2020. The strong growth in parcel volumes is being driven by B2C and ecommerce.

Royal Mail has been making changes to its operation to support the growth in online shopping. This year, Royal Mail agreed to buy four new fully-automated parcel sorting machines to speed up the processing of parcels in its mail centres. This will expand Royal Mail's parcel processing capacity, with each machine able to process around 180,000 parcels per day and up to 10,000 parcels per hour. They will join 20 automated parcel processing machines the company has already deployed in its Mail Centres across the UK to meet the growing demand for parcels from customers. Royal Mail also introduced c.1,400 parcel postboxes across the country to adapt to changing purchasing habits.

During lockdown, Royal Mail research** revealed more than half (53 per cent) of UK adults felt that receiving parcels had become more important and more than a third (36 per cent) said receiving a parcel was the highlight of their day.

UK-wide

And the growth in lockdown start-ups appears to have taken place across the UK. Many postcodes saw considerable growth in the number of businesses incorporated during the pandemic. Between March and July 2020, 26 postcodes saw the number of incorporations at least double, with growth spread across different regions of the UK.

Nick Landon, Chief Commercial Officer at Royal Mail, said: "It is very promising to see this level of new business creation. The narrative for businesses during and post lockdown is not one purely of survival, but also of resilience, resurgence, and growth. The ecommerce sector has seen huge growth this year and at Royal Mail we understand the importance of our parcel services in keeping the UK connected – particularly during such unprecedented times. 77 per cent of online shoppers trust Royal Mail to deliver. That's much more than any other carrier. In uncertain times a familiar, reliable service matters."

Source: Royal Mail

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