Since the outbreak of Covid-19, global economies have been disrupted and consumer behavior has shifted drastically. Consumers’ priorities changed and many were refrained from going out because of the movement restrictions in many countries. For the retail sector, this resulted in a range of consequences, highly dependent on the sub-sector. For example, grocery retail is experiencing a major spike in demand while the current operating model is evolving to address this surge in demand. On the other hand, non-essential retail such as fashion is facing a tough time as a result of the lockdown.

Many non-essential retail operators around the world have been affected, with some of the largest operators in the region noting up to 80-90 percent shrink revenues as a result of the lockdowns. Similarly, chains with many global outlets reported significant revenue losses because of store closures; in late March, H&M reported 3,441 of its 5,062 stores were temporarily shut down.

2 - Acceleration of digital channels - make it or break it

In some countries, life is returning to normal, and notably China, where the outbreak started, has opened stores and restaurants again in the recent weeks. Still, retail stores are not witnessing a full recovery of their sales. Some fashion apparel brands have experienced a 50-70 percent sales drop in the brick-and-mortar stores due to social distancing and health safety cautions that remain in place. That said, e-commerce is booming. The number of consumers using online shopping channels for their retail purchases skyrocketed since the outbreak of Covid-19. Grocery retailer Danube reported that its online sales increased with 200 percent, with a 400 percent increase in new app downloads.

Online shopping is curving upwards and customer online acquisition is growing for many retailers. There are however common mistakes ecommerce retailers neglect which may cause potential loss of customers who may never come back. For example, out-of-stocks, delay on delivery, limited payment options, and product quality being below the expectations are some of these common mistakes.
As Jeff Bezos once said: “If you make customers unhappy in the physical world, they might each tell 6 friends. If you make customers unhappy on the internet, they can each tell 6,000 friends.”

Retailers have a make or break opportunity to strengthen their online presence, adopt the direct-to-consumer business model, integrate digital into the customer journey and focus the physical stores on customer experience.

3 - Back to the basics: essential purchases

Covid-19 created a moment of panic and uncertainty in consumer markets, leading consumer shopping behavior to go back to bottom of Maslow’s hierarchy of needs. Consumers changed their behavior to primarily focusing on groceries and basic hygiene products. As a modern update to the hierarchy of needs, an internet connection was added to the bottom of the pyramid, as people increased their online shopping.

Overall, the initial panic buying affected grocery retailers in their business models and operations. Many supermarkets applied purchase limits to balance demand and equal distribution and worked with the government on assurance and communication campaigns on consumer behavior, while investing in increased online capacity.

4 - Health and safety are the first and foremost priorities

In a recent study by Kantar in Saudi Arabia, consumers in the Kingdom currently prefer to be able to have contactless payment over better prices or promotions. In Saudi Arabia, several CEOs and executives of grocery retail chains appeared in public to reassure consumers on the health and safety measures taken to protect both its employees and customers and conveyed assurance messages about the stock availability to meet the increased demand.

Proactive retailers are using the lockdown period to address the crisis by redesigning their store planograms and layouts to become Covid-19 compliant, adopting precautionary measures such as payments by cards only, providing customers with masks and gloves, increasing sanitizing protocols, maintaining social distancing and performing highest cleaning standards.

5 - Despite crisis times, customer and community engagement remains vital

As the lockdown leads to less physical interaction with customers, brands are rethinking customer experience by creatively engaging with their customers. Warby Parker, an optical brand and retailer in the US, launched a virtual try-on tool in their app to help customers try on glasses while staying at home.

With regards to community engagement, brands are actively exploring CSR activities, with some great initiatives around the world. The footwear brand Crocs known for their popularity amongst medical workers are donating 10,000 pairs of free Crocs to US healthcare workers every day until stock last. The famous toys brand LEGO announced a $50 million grant to families affected by Covid-19, and it is also making 13,000 facemasks for workers on the frontline. The British fashion brand Ted Baker launched ‘Ted’s Bazaar’, an online pop-up shop featuring exclusive limited-edition merchandise, with 100 percent of profits going to local communities facing current and future challenges.

“The current Covid-19 era, consumers spend considerable time online, resulting in a massive shift towards ecommerce while customer experiences in stores will change fundamentally. An omni-channel approach remains the answer as a sound consumer strategy in the retail industry.”

The post-Covid-19 retail world is shaped by governments, retailers and consumers alike, through regulations, shifting business models and evolving customer behavior.

Around the world, governments are expected to continue introducing new policies to ensure health and safety measures, while they remain mindful to protect jobs and business sustainability in the retail sector. That includes new regulations related to social distancing and hygiene in retail outlets and new incentive schemes or tax holidays to boost certain segments of the economy and support SMEs.

Today, retailer brands should further activate their omni-channels, integrate and improve their e-commerce presence, engage with their communities through social media platforms, use data analytics for customer personalization and leverage technology to enhance supply chain and logistics. During the current Covid-19 era, consumers spend considerable time online, resulting in a massive shift towards ecommerce while customer experiences in stores will change fundamentally. An omni-channel approach remains the answer as a sound consumer strategy in the retail industry.

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