

COVID 19: Impact on the Retail Sector

Challenges faced by consumers and retailers amongst the crisis



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Introduction

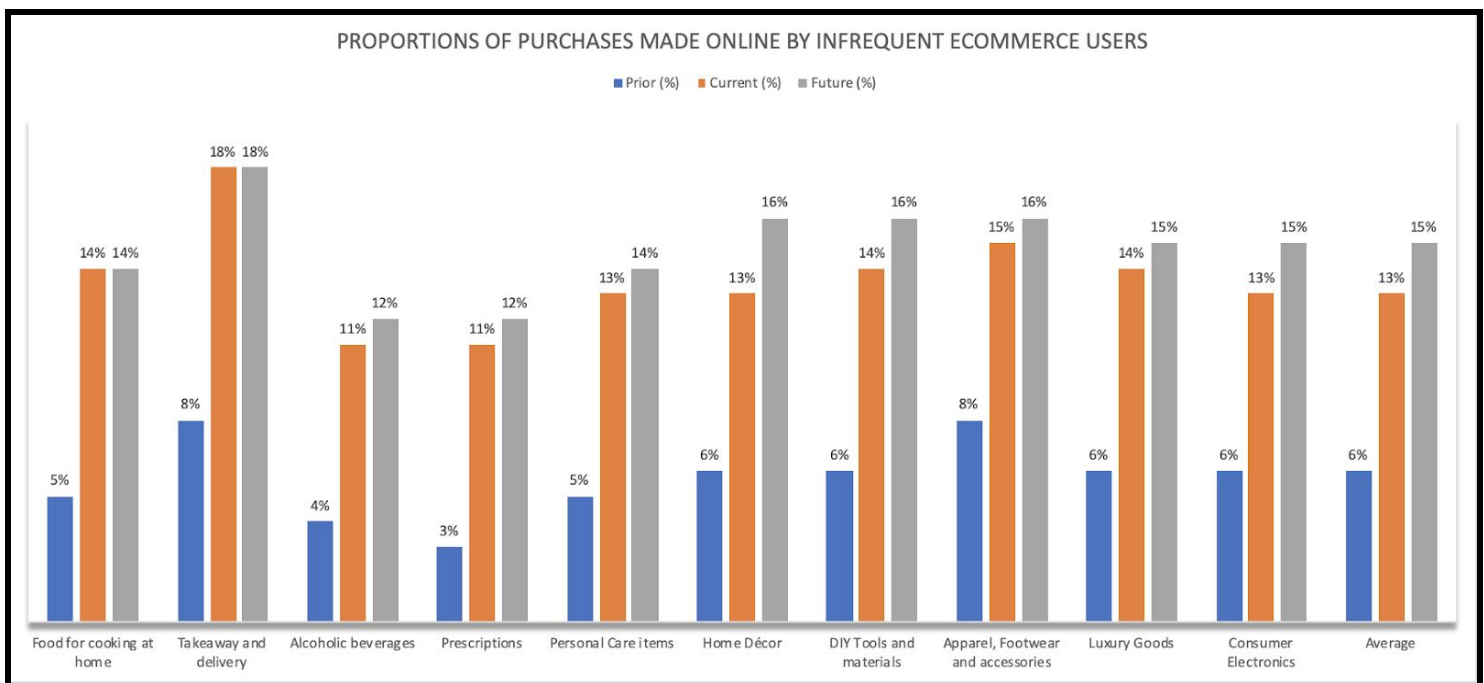
Since the outbreak of the pandemic, almost all retailers have had to adapt to the subtle or direct changes that have been inflicted on them and on their business. Except for those dealing with essential goods and services, all retailers have had to either completely halt their business, or operate with limited staff, deteriorating sales, and strict government restrictions.

Most retailers have had to think about how they can cope with the short term challenges that COVID-19 has brought, but also plan for its long-term impact. Even today, the longevity of COVID-19 is unknown, and there is no doubt that its effects will last for a few years, either directly or indirectly affecting small and large businesses. Planning for the long haul is a necessity for most retailers in these unfamiliar times.



Effects of the Crisis

- The pandemic led to many people losing their jobs or working with unstable incomes. The financial pressures forced consumers to restrict their spending and focus on buying only essential commodities. An article by Accenture quoted that 33% of consumers are finding themselves 'financially squeezed'. This means that their money is being spent more cautiously, compared to when they might have had stable jobs or a regular income.
- Because of the restrictions imposed by the government during the lockdown, the closing down of malls, shopping complexes and outlets, consumers are switching to online purchasing. Even common things like prescription medicines, which were usually bought over the counter, are now being bought online by infrequent e-commerce users.



Source: Accenture COVID-19 Consumer Research, conducted 17-27 April 2020

- Retail outlets, especially smaller retailers having one or two stores and not much of an online presence are the ones that are worst affected. They not only have to bear the cost of overhead expenses but also keep up with the real estate costs, paying their employees and investing in the preservation of their goods, all while experiencing negligible sales to cover this cost.

- Major retail locations have had to drop their rental costs due to the shutting down of several businesses. Popular shopping locations like Khan Market, Connaught Place, and South Extension in Delhi experienced a 14% drop in the average monthly rent for retail space according to Cushman and Wakefield.

Change in Consumer Behaviour and Retail Space

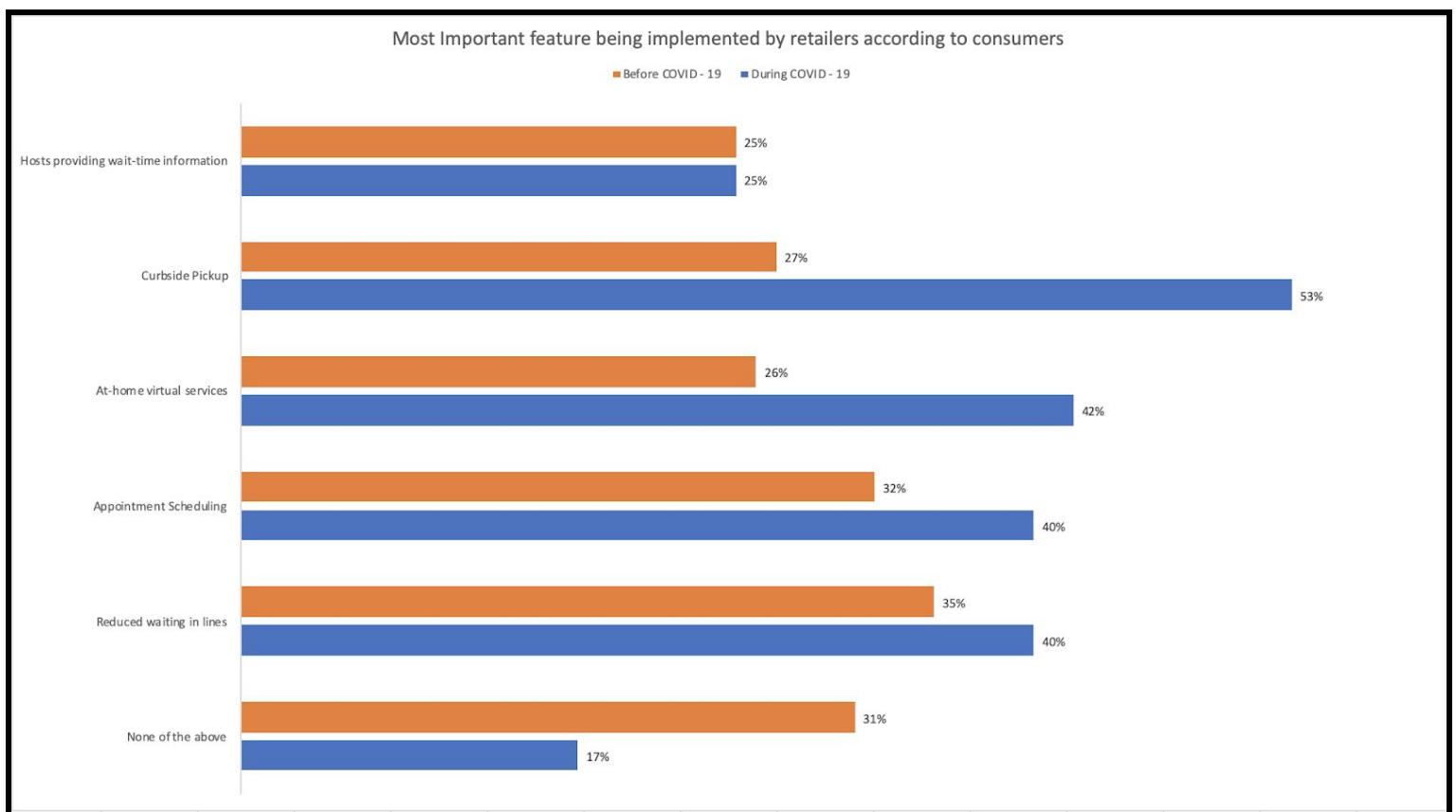
Retailers all around the world have had to adapt to changing consumer behaviour due to the pandemic. Many retail outlets have had to shift all their attention from in-store customers to the customers that are willing to buy online.

Retail stores having essential goods and services have had to implement measures to make the customers feel safe and happy about coming to the store. This may include handing out disposable masks to all customers, limiting the number of customers allowed in the store at a time, making all employees wear masks and gloves, and propagate the frequent use of hand sanitizer.



The following observations were made by Quidini, a customer service provider which works with clients like Nike, Burberry and Tesco, through conducting a survey on 26 October 2020, which included 2,000 U.S consumers:

- 63% of consumers are avoiding stores due to health concerns
- 51% of the people that participated in the survey are avoiding stores since they prefer to buy online
- 56% of respondents are worried about the other shoppers in the stores not wearing masks
- 55% of respondents do not want to get too close to people while shopping
- 45% of respondents are afraid to touch things in the store that other people have touched
- 28% of respondents are avoiding stores because they do not want to be forced to wear masks



Source: Qudini survey of 2,000 U.S. consumers conducted Oct. 26, 2020.

What should retailers do?

The long term effects of COVID-19 are still not fully known. But retailers all around the world can adopt certain strategies to ensure that their business survives the pandemic and they are able to adapt to the changes in consumer purchasing patterns during this time.

- **Utilise online resources to maintain sales:** Many retailers have managed to keep up with sales despite having to shut down all brick and mortar stores. They have made use of online platforms like Amazon to advertise and ship products across the country. Partnering with delivery services can allow shop owners with no online presence to deliver their products without having to invest in making an online website.



- **Protect employees and customers:** The drop in sales is no excuse for retailers to put the lives of their employees or customers in danger. They must adapt to the situation and allow employees to work remotely if possible, make sure their customers are safe and be completely transparent about the safety procedures being followed in their space. For retailers dealing with essential goods, they must provide their employees with appropriate gear, masks, shields, and disinfectants to make sure their workplace is as risk-free as possible. Customers should be given the option for cashless payment, self-checkout and contactless delivery.
- **Manage demand and supply simultaneously:** The pandemic has led to a change in user demands. For instance, according to data published by the market research firm Kantar, U.K, the demand for hand sanitizer had a year on year increase of 255% in February or 2020. Hand sanitizer purchases were up by 73%

in the United States in the same month. Retailers must identify these changes in user demands and make sure they are ready to fulfil any orders they might receive with the proper inventory.

- **Build strong customer relationships:** Retailers must identify what part of their brand brought customers back to shop again and again. They must be able to communicate to the consumers that they will be able to provide a similar customer service experience through online delivery or through restricted in-store shopping. This may include practising a “Contactless” delivery mechanism, offering prompt returns/exchanges of goods, having strict quality control and imposing strict rules for in-store shopping to make sure that all consumers feel safe.



- **Adopt an omnichannel strategy:** Giving the consumer options to shop from the comfort of their homes on a mobile device or laptop, but also making sure that in-store customers have a seamless purchasing experience will lead to higher customer satisfaction and more returning customers. Adopting an omnichannel strategy to keep up with increasing online orders and offer a satisfactory delivery experience for the customers will build trust for the brand. The survey from Qudini revealed that 54% of respondents felt “safer and happier”

purchasing from such retailers. 53% would consider returning to the retailer and 48% would choose the omnichannel retailer over the competition.

Conclusion

Adapting to the changes caused by COVID-19 will not be an easy or immediate task, but the pandemic has acted as a catalyst for retailers to implement these changes to be able to survive. There is no doubt that most of these changes will outlive the pandemic and will become permanent for the numerous retailers that are willing to push forward and beat the odds.