



IMPACTS OF COVID-19 ON RETAILING

ABSTRACT

With many countries around the world still in lockdown due to the coronavirus pandemic, retailers are forced to find new ways to cope and meet the increase in ecommerce demand.

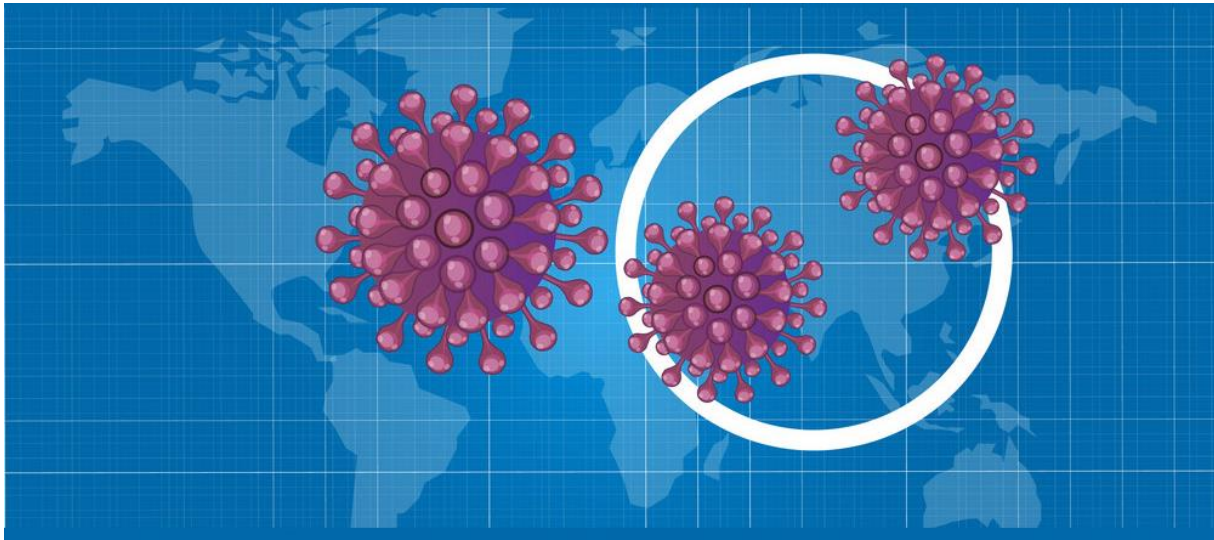
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THE AGE OF PANDEMIC



The coronavirus has caused almost every Fortune 1000 company to experience an interruption of their routine business operations. Across nearly every industry, multinational companies are confronting the stark reality that business will not go on as usual. Further, economists have warned that the coronavirus outbreak could cost the global economy an estimated \$1.1 trillion in lost income. Some predict that the epidemic's after-effects will cause the global economy to shrink this quarter—for the first time since the end of 2008, when a shock to the financial sector caused turmoil for businesses around the world.

Many countries plan to implement stimulus packages to mitigate coronavirus impact. On March 3, 2020, the Federal Reserve slashed interest rates by half a percentage point; the first unscheduled, emergency rate cut since 2008, and the largest one-time cut since then. The International Monetary Fund has announced it will provide additional support to poorer countries by way of grants and debt relief. But such efforts cannot save certain businesses and industries from the substantial

losses that will inevitably result from a pandemic.

Specifically, experts expect that technology companies, apparel makers and industrial-equipment manufacturers, as well as shipping companies, hospitality chains, airlines and the luxury goods sector will be among those hardest hits by the coronavirus. The economic slowdown could also derail US plans to increase exports of farm produce, energy and manufactured goods to China, delaying any real recovery in the distressed farm and rust belts and other areas of the US economy that rely on the US-China trade relationship.

THE TOLL ON RETAILERS

Auto Parts & Accessories		Department Store		Health / Pharmacy	
Baby / Children's Clothing		Electronics		Home Décor	
Beauty & Personal Care		Footwear		Home Improvement / Hardware	
Clothing / Fashion		Furniture		Housewares / Kitchenware	

As the pandemic has been unfolding, grocery retailers have seen massive sales and stockouts with customers pantry loading and panic buying in anticipation of an extended lockdown. If we come out of this in a shorter timeline, retailers need to be conservative and re-stock items close to their normal sales levels or slightly above as consumers will not continue their pantry-loading behaviour.

In the short term, the product mix will be heavily focused not only on home consumption and health but also on entertainment, toys, home gym, and home improvement. These categories should also see short term growth in demand as we keep busy during an extended stay-at-home mandate. Accurately anticipating these changing customer behaviour dynamics and the impact on the product mix will be crucial to retailers.

A long period of sheltering-in-place will have significant economic impact on travel, entertainment, sports, restaurants, bars and non-essential retail. Substantial layoffs will occur as businesses simply try and stay afloat. Although food retailers — and particularly

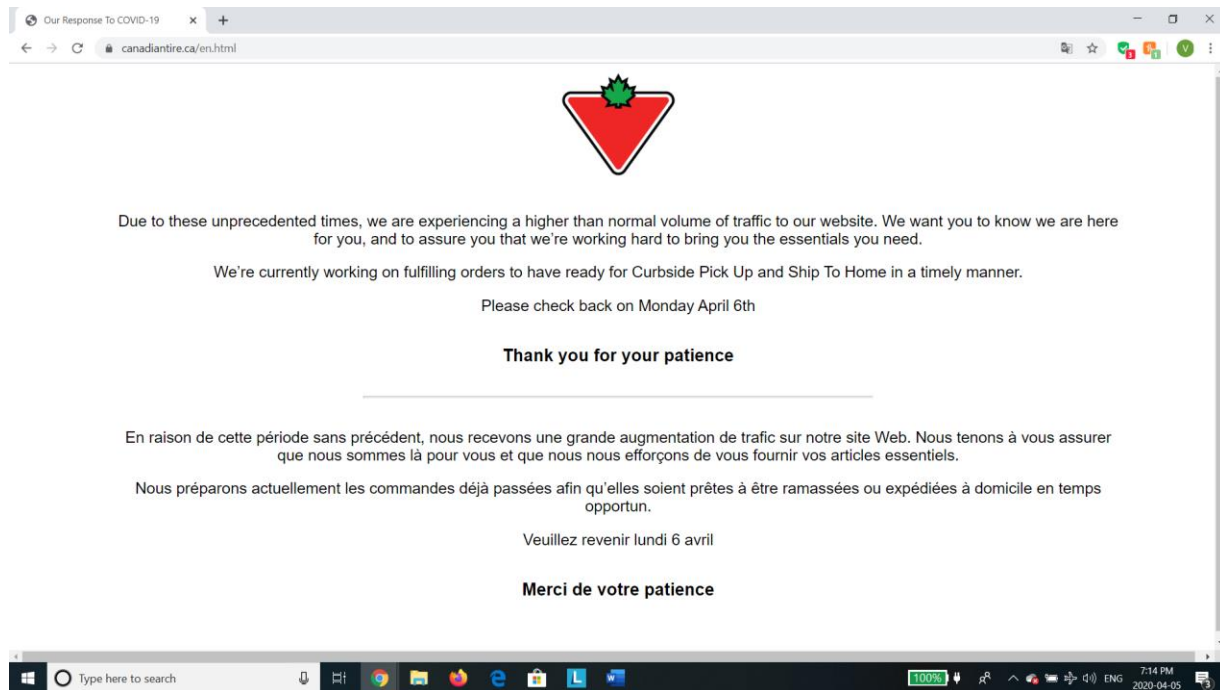
discount banners — will fare well during this time, consumer shopping behaviour going forward will certainly change.

So, when we do fully move past COVID-19, it will be in an economy that has tipped into a recession and a period of increased unemployment. Customers will increasingly rely on retailers to provide the right items at the right prices to accommodate fundamentally changed shopping behaviours and patterns.

This economic slowdown will impact the average basket size and mix of products as well as put pressure on prices and sales overall. In an industry already margin-challenged before COVID-19, an extended lockdown and recession is a further test for the retail sector. Cost reduction strategies including innovative technologies will be more critical than ever.

It's hard to imagine that a year from now grocery retail, or any industry for that matter, will operate like it has historically. The COVID-19 pandemic will push us all to adapt, and we will.

WHAT HAPPENED TO CANADA TIER?



Responding to the new COVID-19 measures announced by the Ontario government, Canadian Tire Corp. (CTC.TO) said it will limit its 203 Canadian Tire stores in the province to serving customers only through Curbside Pick Up or eCommerce home delivery.

This will be effective from close of business on Saturday, April 4, 2020, for a minimum of 14 days. Canadian Tire Auto Service Centres and Gas+ locations in Ontario will continue to operate.

In accordance with new COVID-19 measures announced Friday by the Ontario government, Canadian Tire Corporation (TSX:CTC, TSX:CTC.a) (CTC) will limit its 203 Canadian Tire stores in the province to serving customers only through Curbside Pick Up or eCommerce home delivery.

"While Ontarians will not be permitted to shop in store, our customers will still be able to access many of the essential products they need online and can choose either Ship to Home or our newly launched Curbside Pick Up,"

said Greg Hicks , President and CEO, Canadian Tire Corporation.—

However, the Canadian tier is struggling to cop up with the large influx of customers shopping online. Their Website was crashed due to this unexpected surge in online traffic. According to a Canadian Tire spokesperson who said the website crashed "due to equipment failure during routine maintenance."

Clearly this problem needs to be fixed and it needs to be fixed ASAP.



IS CLOUD COMPUTING THE ANSWER?



Any retail chain that wants to successfully sell products online as well as offline needs an ecommerce platform along with the service centers. In the case of Canadian tier, they have a lot of service centers all across Canada, but their Ecommerce platform looks outdated, hence they are facing the problem of scalability during the time of Corona crisis.

Cloud might be the answer, However, a cloud-based online interface is a choice that not only dictates capital and operating budgets, but also determines a brand's ability to grow and respond aptly to market opportunities.

Lets see some benefits of cloud computing.

1. Scalability

Cloud hosting allows you to build your e-commerce presence as quickly as your business grows. The scalability of the cloud perfectly complements the needs of the retail sector. Provisioning more servers on your own or securing the funds to build a bigger IT infrastructure will slow down the growth.

2. Stability

New ad campaigns or a new product launch mean one thing for the e-commerce site: traffic spikes. The power of cloud hosting provides

superior stability for online retail. Prepare for those traffic spikes by hosting your IT infrastructure in state-of-the-art data centres for peace of mind.

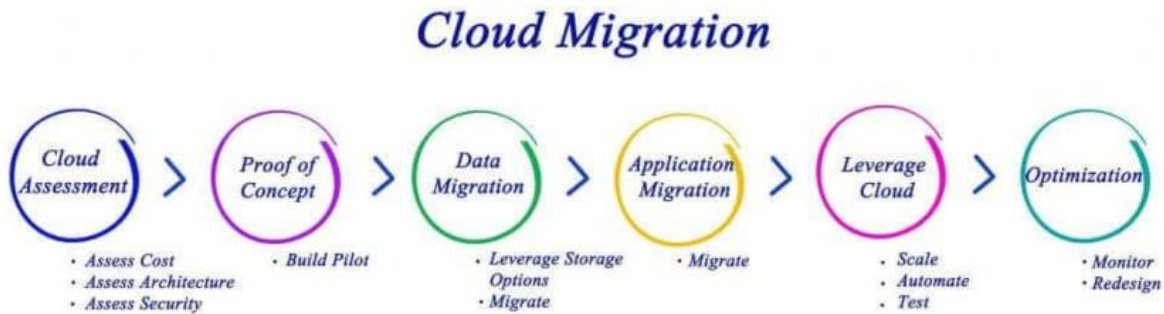
3. Speed

If your e-commerce site is hosted on a powerful cloud platform, then you'll benefit from speeds that no on-site infrastructure could promise. A reliable e-commerce site will translate into positive sales for your business.

4. Savings

For SMEs who are beginning to build their online presence and reputation, cloud computing offers crucial savings. Because you only pay for what you need and use with cloud hosting, profits can be re-invested into creative ways to grow your business.

THE BIG THREE – CLOUD MIGRATION APPROACHES



There are three cloud migration strategies that companies should consider when taking advantage of the available cloud computing for their business. Depending on the nature of their business, some companies can settle on one migration plan that works across the board. For others, though, a hybrid cloud migration approach may be needed to achieve the best results for migrating data.

These three approaches are:

1. Lift and Shift

Lift and Shift is the primordial cloud migration strategy that most companies have already used in some capacity when migrating data. Think of this as getting out of the data center. On-premise servers are no longer taking up valuable office space, costing excessive amounts of money to keep from overheating.

In addition to the reduction in costs for server maintenance, you do not need to spend resources retraining staff on a new system – the method for saving a file hasn't changed, just where it is saved to – which reduces workloads and could make cloud adoption easier for employees.

2. Application refactoring

Application refactoring is also called application modernization. This is the preferred approach for companies that utilize specific applications

that would reap the benefits of being refactored for cloud-based usage. The key difference when an application is refactored is that it not only pulls data from cloud storage for analysis but it also completes its analytics and computations within the cloud as well.

3. Re-platforming

Re-platforming is best for companies looking to embrace the potential of the cloud adoption across every aspect of their business. This migration strategy typically takes place after lift and shift and application refactoring have already begun and performance is exceeding expectations.

This migration strategy comes with the most upfront costs and planning but it's also the only one with the potential to take full advantage of cloud-based applications. Re-platforming allows for rapid increases, decreases, and changes regarding company resources and capabilities that would not be possible without it.

OTHER ASPECTS OF ONLINE RETAILING

Even though the notion of retailing online is not new, many retailers still do not operate an e-commerce website. Online retailing is growing at an astonishing rate, with online sales now accounting for around one quarter of the total retail market. Retailers who ignore e-commerce may see their trade lessening as customers continue to shift to ordering products online.

However, it is important to weigh all the advantages and disadvantages - backed by good market research - before deciding on whether or not to trade online.

Advantages of online retail:

Easy access to market - in many ways the access to market for businesses has never been easier. Online marketplaces such as eBay and Amazon have been around for more than a decade.

Reduced overheads - selling online can remove the need for expensive retail premises and customer-facing staff, allowing businesses to invest in better marketing and customer experience.

Potential for rapid growth - selling on the internet means to eliminate traditional constraints to retail growth. A good digital marketing strategy and a plan to scale up order fulfilment systems, businesses can respond swiftly and boost growing sales.

Easily widen the market / export - one major advantage of online retailing is the ability expand the market beyond local customers very quickly. If there is a demand for the products in other countries, its possible to offer the website in different languages, or perhaps partnering with an overseas company.

Customer intelligence - ability to use online marketing tools to target new customers and website analysis tools to gain insight into the customers' needs.

Disadvantages of online retail:

Website costs - planning, designing, creating, hosting, securing and maintaining a professional e-commerce website isn't cheap, especially if large and growing sales volumes are expected.

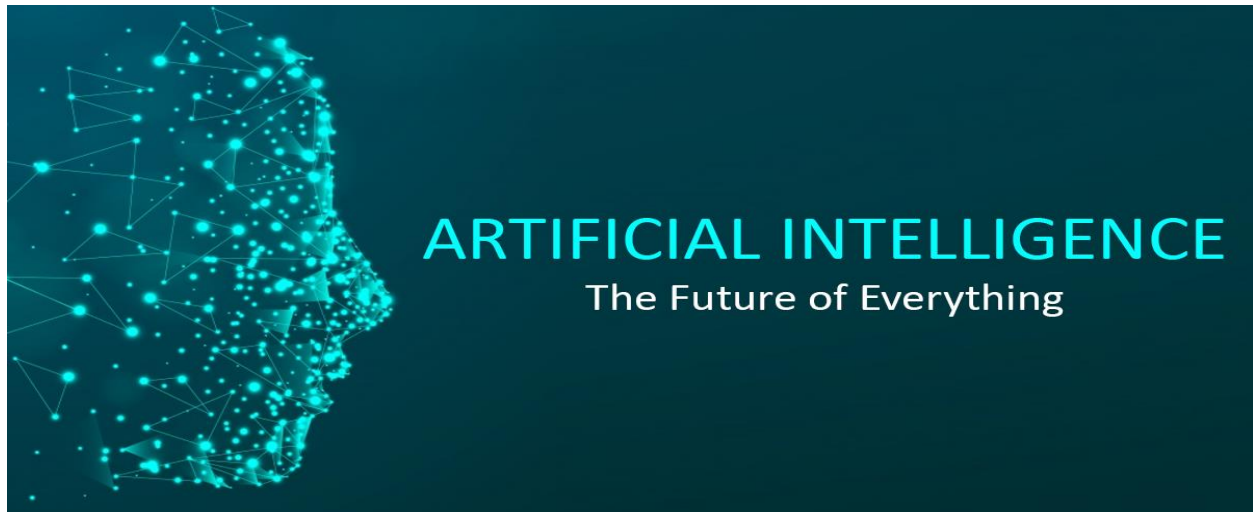
Security and fraud - the growth of online retail market has attracted the attention of sophisticated criminal elements. The reputation of the business could be fatally damaged if the business fails to invest in the latest security systems to protect the website and transaction processes.

Legal issues - getting to grips with e-commerce and the law can be a challenge and its important to be aware of, and plan to cope with, the additional customer rights which are attached to online sales.

Advertising costs - while online marketing can be a very efficient way of getting the right customers to the products, it demands a generous budget. This is especially true if we are competing in a crowded sector or for popular keywords.

Customer trust - it can be difficult to establish a trusted brand name, especially without a physical business with a track record and face-to-face interaction between customers and sales staff. Its mandatory to consider the costs or setting up a good customer service system as part of the online offering.

CAN ARTIFICIAL INTELLIGENCE MAKE A DIFFERENCE?



According to an IBM report, which surveyed 1900 retail and consumer product companies across 23 countries, 85 percent of the retail companies plan to implement intelligent automation for supply chain planning by the year 2021, and retailers believe that the introduction of AI will result in 10 percent annual growth. Let's see how AI will transform the retail industry.

These are some of the ways AI is changing the face of the retail industry. Artificial represents the future of modern business. For retailers to stay in the competition, it's time to put AI to good use.

Better Customer Service

AI has the ability to revolutionize the retail industry by making web-shops a possibility that helps companies in marketing their items based on the consumer's past purchases and search habits. Retailers realize that excellent customer service is critical to running a successful business.

MAP Monitoring

Minimum Advertised Price (MAP) is the lowest price that a retailer can advertise the product for sale. Products sold at a price lower than their MAP price can badly affect the business for retailers. It also dissolves a brand in the eyes of the customers. Therefore, it is important to track the sellers who violate MAP pricing. Retail analytics firm, Intelligence Node, uses AI to help

the brands selling online to prevent the violation of their MAP pricing.

Better Data accumulation

Artificial Intelligence can help retail companies in better accumulation and organization of the massive customer data. Using this data, AI can draw conclusions and create a more personalized shopping experience for the users.

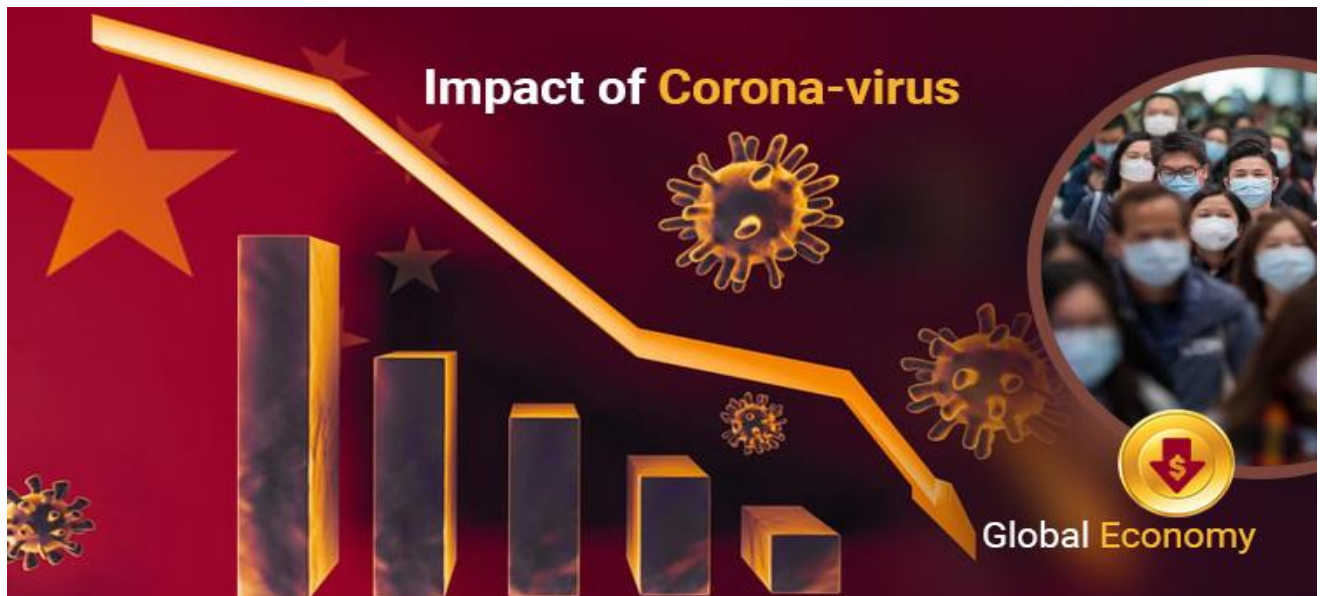
Targeted Marketing Campaigns

Using AI algorithms, retailers can run targeted marketing campaigns. By creating customer specific ads based upon their region, preferences, and purchase habits, the conversion rates can skyrocket.

Virtual Trial Rooms

Trying out different dresses can be quite overwhelming. Virtual trial rooms are equipped with digital mirrors that make it possible for shoppers to try different dresses without having to wear them. Shoppers can experiment with their outfit using a touch-based interface.

THE AFTERMATH



The long term social, economic and health impacts of the COVID-19 virus are still unknown. Let's hope that current global efforts to contain the virus and its impacts are successful. Retailers are thinking about all of the scenarios and planning accordingly.

Online retail, already booming, will grow even more as consumers spend less time in public. Expect massive gains in e-commerce delivery services for grocers and restaurants. And of course, the general retail market will continue to shift dollars on-line.

Retail, which had been on a decade-long growth spree, will likely show contraction for the first time since the recession. And this is the relatively positive scenario with a quick return to normalcy.

Whether this situation lasts weeks or months, it is clear that the global response to this virus has fundamentally changed the reality for retailers. It's time to face that fact and start adapting.

