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ADDITIONAL MATERIALS

RESHAPING FUTURE OF RETAIL AFTER COVID19

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Reshaping the future of retail after Covid-19

While we've shaken off the initial shock of the COVID-19 pandemic, it is still unclear when all this turmoil will find its conclusion and what the landscape will look like post-COVID-19. It is very difficult to find any area of life where the pandemic has not left its mark. It is no different with the retail sector. Massive store closures and strict restrictions or problems with demand on the one hand, and supply and supply chains on the other, have had a colossal impact on the evolution of retailers and consumer behaviour. However, we are now at a stage where we already know much more about the threat than at the very beginning of the fight against the virus, and we can make better decisions and more far-reaching business development plans. The period of return to normalcy is also a time when it is worth asking yourself what trends will stay with us for a long time after the pandemic. So let's try to outline what trends initiated by a pandemic have a chance to settle in our everyday life and the entire retail sector

Customer values and behaviours have changed significantly

As an entrepreneur, you need to know who your client is. You must have been aware of this prior to the pandemic, but you must know that it may have undergone a fundamental change over the last 18 months. Who your customer is and what their shopping habits are will greatly help you realise what your target group is. According to the Deloitte report, these are the factors that must be taken into account, which may have changed as a result of the pandemic:

Demography

Age - On the one hand, young people seem more eager to return to brick-and-mortar shopping, but on the other hand, they are the group that most prefer to shop online, which may turn out to be a permanent habit.

Urban and rural areas - Urban areas have a much greater choice of shops than rural areas.



Geography - Practice shows that restrictions can be introduced and removed by area.

Financial status

Unemployment - its high level means a reduction in demand.

Income - consumers with higher incomes will return to choosing their favourite brands faster, while those less well-off will give them up completely or look for cheaper substitutes.

Approach

Emotional shopping - The pandemic has shown that consumers are able to mass accumulate selected goods, or make purchases out of boredom – while sitting in front of a computer.

Shopping opportunities - without traditional markdowns and sales, the retail sector is more exposed to fluctuations in consumer sentiment.

Core values

Priorities - many consumers evaluate what is important to them, which may affect their purchasing preferences.

Minimalism - some customers will find their current ownership of possessions is more than enough.

Family - Many households with children are looking for ways to make their home life more attractive through various forms of entertainment.

Examples of facts:

"Immediate financial concerns skew young, with 33 per cent of individuals ages 18–34 concerned about making future payments"

"50 per cent of individuals are anxious about their health and insecure about their finances"



"49 per cent of customers intend to purchase apparel or footwear online over the next four weeks, with 83 per cent likely to use BOPIS". (BOPIS is a retail sales strategy that has developed with the growth of eCommerce. It is an omnichannel retail tactic that offers shoppers the convenience of ordering and buying online or on their mobile device, and the ability to quickly pick up their purchase at a local store)

The role of stores from the perspective of customers is likely to change

The return to brick-and-mortar shopping will be characterised by slightly different expectations. The price will include reducing the risk associated with being in contact with other people, as well as finding the desired goods as quickly as possible.

Awareness

Customers may seek inspiration from retailers that convey trust, authenticity and transparency.

Consumers will likely continue to leverage the digital behaviours they forged during the crisis to connect with brands and browse products.

Interest in health and wellness related products will likely accelerate, as customers focus on well-being.

Evaluate and browse

Customers may be hesitant to engage with product or store associates and expect sanitation and social distancing measures in-store.

Customers will likely welcome technology that will reduce friction and minimise contact with products and people.

Omnichannel will likely be critical, as consumers continue to conduct parts of their product journey online.



Transact and purchase

Consumer's discretionary spending is likely to drastically decline.

Customers will likely continue to use omnichannel purchase options, such as curbside pickup and BOPIS.

At checkout, consumers will likely expect contactless payment options, instead of cards or cash.

Service and retention

Customers may have an overall reduced loyalty to brands, as COVID-19 forced them to try new options.

Customers may be hesitant about the sanitation of returns and store services therefore customers may expect changes to policies and procedures to support sanitation and social distancing.

Retailers should take this data into account when creating their sales offering. They should develop a new view of store demand, track and analyse customer movement, behaviours, and sentiment over time to understand the progression of demand signals.

Movement - Watch where people are beginning to move by region, based on satellite and mobile phone data.

Behaviour - As customers begin to shop in-store, monitor how they are spending, what they are spending on, and basket size.

Sentiment - Understand changing consumer perceptions, attitudes, beliefs, and feelings.



New customer habits and solutions that allow to come out against them.

Buy Online, Pick Up In-Store (BOPIS) and Curbside Pickup Methods stays favoured.

Due to the COVID-19 pandemic and new restrictions, it is hard for customers to show up at a store directly.

For this reason, retailers started introducing new methods of shipping among which we can point out BOPIS and curbside pickups.

Such services have been experienced by most consumers in 2020. As a result, a lot of them found such options very attractive and comfortable. According to the survey conducted by McKinsey & Company recently, almost 60% of customers across the United States stated they will continue using these services on a daily basis. A similar survey has been conducted in May 2021 and it shows that BOPIS is “still in use” (almost half of the participants claimed to use such service throughout the last month). It is a number which even increased since the pandemic began.

Sellers use today’s advantages of technology to provide the fluent and successful BOPIS and Curbside Pickup. For example, they use Radio-Frequency IDentification systems (RFID) which helps to avoid any possible cancellations of orders or other issues which eventually may impact the customer service as a whole by offering a wide range of stock. Furthermore, such tools help the sellers to estimate the number of employees needed for handling online orders while heavy workload. And last but not least, using artificial intelligence provides retailers with more details regarding the customers, staff and retail circumstances in general.

Dime stores turned into “Heart of order handling”.

During Covid-19 online shopping developed and that is considered a real challenge for traditional sellers.



They introduced many new methods in order to improve, for example, shipping or delivering efficiency. Some retailers decided to turn the dime stores into order handling and distribution centres, some located their distribution sources much closer to their stores, some established even “dark stores” whose main goal is not to sell but ship only. This is a very successful solution as per the recent acknowledgements. However, such a solution also has its issues, among which include the need for constant stock monitoring. For this reason, a lot of retailers use RFID in order to show an up-to-date availability of their inventory. In general, such stores did better and have been more successful during the pandemic. There are many examples of companies that used RFID methods to provide the clients with their needs quickly depending on the location.

New Free-standing stores open constantly

Restrictions imposed by the pandemic resulted in closing big shopping centres. Therefore free-standing stores were the first choice of potential customers when it comes to shopping in general.

Currently, we observe that many large retail companies have opened free-standing stores independently rather than in big shopping malls. A recent survey confirms the big value and income of them. More than fifty-four per cent of participants prefer buying in less crowded, free-standing stores and this tendency is foreseen to last beyond the pandemic.

The importance of health measures in the store

Even though BOPIS, and curbside orders have helped retailers to reach their customers more effectively during Covid-19, they still encourage them to buy in person, in-store. Current technological solutions provide the stores with innovations that may help the potential customers and ensure them that in-store buying is safe.

For example cameras, sensors and other features can execute the social distance restrictions by detecting queues or crowds. They can also detect if a person complies with other rules.



There are a couple of aspects that helped the customers to buy in a more familiar way during the pandemic: contactless payments, self-checkout and detecting the social distance. Those three factors make today's shopping to be as convenient as possible.

Where is the retail going?

That is not the question anymore if the company should initiate the digital transformation. Every single retailer is aware of the fact that they are expected to provide some changes in order to keep up and catch up during this hard time of the pandemic. Today's technologies offer a lot of services for retailers but they should choose their tools and partners wisely. This is a question of time, which tendencies are going to last even after Covid-19 is over? We believe that trying to predict the upcoming trends, staying open for change and development can make retailers steady no matter what the future holds.



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