

THE 'NEW NORMAL' IN BUSINESS: HOW RETAILERS NEED TO EVOLVE IN 2020



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Abstract

The retail world is reopening its doors to an uncertain and different future. No one knows exactly what the 'new normal' will look like and core retail sectors such as grocery, homewares or furniture and fashion are only now adjusting to the implications of an enforced shift online for consumers and to a whole season lost to lockdown respectively. The global COVID-19 pandemic has already had a profound and lasting impact on the retail industry. Seemingly overnight, many retailers closed physical stores, furloughed their employees, and rushed to activate (or develop) business continuity plans. As we enter the stabilization phase retail leaders may be tempted to wonder when things will get back to 'normal.' A better question to ask is: how can the organizations be better prepared to react quickly to a sudden change in market conditions?

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Things are unlikely to return to 'normal' as they used to be, but is it likely that there will be future events, big and small, that will cause market shifts. Retailers who can react quickly, glean necessary insights, and translate those into making strategic adjustments will gain a competitive advantage. Likewise, an

accelerated push to digitize will enable a new level of organizational agility, cost efficiency, and ability to engage customers in this new age of ‘no contact’ way of doing business. The current stay-at-home restrictions will end in many areas, but consumer sentiment may continue to be influenced by anxiety of public interaction and a preference to buy online. The following are key areas of any retailer’s business model that need to be evaluated with a strong bias for agility and digital enablement to successfully adapt to a new normal in retail.

Digital engagement. How can a company engage with its customers online? Many people are staying in their homes and are more plugged into their digital devices than ever looking for inspiration, connection, and entertainment. Their journey may not start with the intent of buying a product—retailers need to understand how their customers’ online experience may be changing and adapt the content and experience to engage customers in new ways.

- For retailers whose stores are closed, how can they bring the best of the store online? Many customers enjoy the benefits of a personal interaction with a stylist, the rich experience of feeling the fabric, or seeing how a beauty product looks when applied to skin. Innovative solutions from virtual showrooming, live video product demos, and AR solutions to visualize products at home, enable creating a richer and more interactive digital experience that fills the gap online.
- How can a company create a sense of community online? For digital native retailers this is a natural strategy, and many are well on their way in leveraging social and their own digital content to create virtual communities and interactive experiences. Retailers who’ve optimized for brick and mortar experiences need to change their focus and bring those experiences online. Consider live online cooking demos, make up tutorials, trunk shows, who wore it best contests with actual customers inviting an interactive experience. Technology makes all of this possible and increases geographic reach. The employees know the customers, invite them to innovate and create interactive digital experience that engage and delight the customers accordingly.
- What does the company brand stand for? These are unprecedented times when communities are pulling ever closer together and supporting local businesses and companies that are investing in helping sustain communities. Many companies started campaigns to give products to health care professionals or manufacture in-demand equipment like face masks. Retailers should lead with their brand mission and highlight efforts to source locally, manufacture sustainably, and support local communities. While true for local brands, this is also an opportunity for global brands.

Flexible payment options. Uncertain economic and employment outlook is causing consumers to pull back on discretionary spending. Buy now & pay later, installment payment plans, and payment forgiveness insurance are some of the solutions retailers can offer to incentivize shoppers to buy now rather than waiting. Several flexible payment solution providers offer easy integrations directly into a retailer’s checkout path to support these flexible payment models.

- What type of payment options does the company offer to its customers online?

- There is evidence that offering installment payment options or buy now pay later increases AOV as well as conversion. Buy now, pay later solutions have been in use for several years but were most popular abroad and among big retailers such as furniture and electronics but recently many fashion and consumer goods retailers started offering these solutions to draw in a wider demographic.

- The retailers should consider the target customer demographic and the average order value to determine if offering more flexible payment options is desirable and likely to drive additional conversion.

No contact delivery. ‘No contact’ has quickly entered the retail vernacular and retailers across sectors are rushing to design and deploy no contact curb side pick-up and delivery options. Customers will flex new muscles and learn new habits that will persist beyond the pandemic making no touch delivery and curb side pick up a trend that is here to stay.

- Do the retailers offer a buy online, pick up in store option for their customers? No contact curb side pick-up is quickly emerging as the new version of BOPIS (buy online, pick up in store) for retailers with a brick and mortar presence. A working BOPIS solution can be easily adapted to meet the new no touch guidelines to minimize human contact by considering the physical logistics of the customer interaction during pick up. Map the no contact customer journey to fully understand how to mitigate the safety risks for customers and employees and ensure a positive and re- assuring customers experience. For retailers who have not invested yet in BOPIS, probably the time is now.

- No contact delivery is standard for some retail sectors. The package is delivered via a carrier and left on the customer’s door step or in a building lobby. For other sectors, such as grocery and take out dining the delivery model is changing to offer the customer options ranging from in person door delivery, no contact curb side delivery or no contact door drop off delivery. Enabling online payment at the time of order is an important step in enabling no contact delivery options.

- Another ‘no contact’ solution that’s worth considering especially for retailers who have stores and an idle workforce is last mile concierge services - leveraging store employees for just in time last mile delivery. This could be especially relevant for product categories that require customization or tailoring services, or even to facilitate exchanges for a different size or color without the time consuming process of shipping something back and re-purchasing. Retailers that innovate and offer unique and personalized benefits are likely to inspire customer loyalty.

Buy planning & forecasting. Global markets have shifted significantly since the spread of COVID-19 globally and will continue to shift for months to come. Buy and demand planning needs to be more responsive to fast changing consumer shopping patterns as well as the disruptions to the global supply chain.

- Does the cadence of buy and financial planning cycle enable a quick response to changing market conditions? How much of the planning is manual? A retailer should evaluate these processes, vendor contracts, and enabling technology and look for opportunities to automate. Even small investments in automation will save cost, reduce complexity, and most importantly increase both speed and flexibility in the planning cycle.

- Does the retailer have the necessary data and analytics to pull in most current shopping/returns patterns as inputs into buy/plan decisions? Historical trends are not a good reference point for the current environment and not a sound predictor of the short to medium term consumer sentiment. Today's ML and AI capabilities enable a view of changing consumer behavior that can enable predictive analytics capability to uncover changing trends in customers buying behavior and help forecast short to medium term demand.
- Diversification, is a retailer's supply chain overly reliant on a single manufacturer, a single region, or a single distributor? The retailer should consider if it can source similar products more locally—consumer sentiment has been trending towards a 'buy-local' preference and in the wake of COVID-19 consumers are likely going to continue to want to support their local communities.

Product availability & fulfillment. Current market conditions are creating excess inventory scenarios for some product categories and shortages for others. Now more than ever, retailers need real time omni-channel inventory visibility and flexibility to fulfill from anywhere to anywhere to meet customers' demand especially as distribution networks experience unusual bottlenecks and disruptions. Ability to fulfill customers' orders quickly and safely is even more of a competitive advantage now and investment here will have a good ROI well beyond the COVID-19 pandemic.

- Many retailers allocate inventory to their online channel separated from store inventory and lack true Omni-channel visibility in real-time or ability to fulfill cross channels. A retailer should then question if it has true real-time inventory visibility across all physical and digital channels. Many modern distributed order management systems provide this capability natively—a technology assessment can help understand if the retailer has the right building blocks to unlock true real-time Omni-channel visibility.
- How automated is a retailer's warehouse? Robotics for re-stocking and product picking have been the hype for a while, now may be the time to take a closer look. Robotic solutions provides a 'no contact' way of fulfilling online orders, giving retailers speed (robots can work 24/7/365) and the flexibility to supplement and ramp up / down a work force during demand spikes or unpredictable times such as a pandemic that impacts the safety of the workforce.

Returns. With the closure of stores, more customers will leverage a retailer's online returns process. In the past retailers focused on making returns cost effective, but in today's market more than ever a flexible and easy online returns process is a competitive advantage that will drive customer loyalty. There is mounting evidence that customers would not return to a retailer with a difficult returns process, but on the other hand many customers who had a positive returns experience would prompt them to visit the merchant again.

- A retailer should evaluate its return policy against its competitors. Many retailers don't review their return policy or the return customer journey frequently and treat this as an afterthought. There is increasing evidence that customers prefer to buy from retailers who offer a no hassle return policy.
- Does the retailer require a customer to pay for shipping returns? Can a customer initiate a return online and print a label? With many stores closed and customers unable to drop off returns, making online returns easy will provide confidence with the customers removing friction from a buying decision.

- The retailer should explore additional options to remove friction with returns. Understand the customer's journey and consider offering helpful features: instant credit in customer's accounts when returns are initiated, an 'exchange' option if a customer needs a different size or color of the same product removing the need for a refund/charge from the process. These features encourage customers to find a better option for what they need on the website rather than a competitor's.

Conclusion

Retail is going through a fundamental change as a result of the COVID-19 pandemic. While some sectors like grocery and fitness thrive, consumers have pulled back on many discretionary purchases and are learning new ways of interacting due to social distancing orders. It will be months before the economy and any normalcy begin to emerge out of this crisis. Many retailers have hit pause on investment and are focused solely on cost cutting measures to wait out the pandemic until they can open stores again and get back to normal. That strategy alone is shortsighted, retail as we know it will not get back to normal. Some retailers will see this as opportunity to innovate, automate, digitize, evolve their business models and capture new market share. Even small investments can make a difference in a retailer's ability to emerge leaner and more competitive, for those that take the leap and use this crisis as an opportunity to truly transform the rewards will be much greater.

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