

THE RETAIL WORLD 2020

RETAILING IN A TIME OF CRISIS

ISSUE 04



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INTRODUCTION



Welcome to Issue Four of our special series of reports: **The Retail Year 2020: Retailing in a time of crisis**. We published our first issue at the beginning of April, not long after most of Europe followed Asia into lockdown. It seems incredible looking back over

just two months how retailing has been changed. These are such extraordinary times that the recurring question for retailers is to what extent this change – primarily the seismic shift towards online shopping – will remain at such high levels and sweep away so much of physical retail. To answer that is to understand more about the post-lockdown consumer. This issue therefore includes a focus on changing consumer behaviours and in particular a **special video interview with leading consumer trend forecaster, Andrea Bell, Director of WGSN Insight**.

In a wide-ranging discussion, Andrea highlights a new consumer focus on their local community, or 'hyperlocalism'. Across several of our country reports by retailers in this issue, this trend appears to be taking effect, much of it driven by people wanting to stay close to their home and to want to feel safe. This is also manifesting itself from Asia to South Africa and Europe as consumers appear to be shunning larger shopping malls and preferring to visit smaller malls where they apparently feel safer. And if travel restrictions continue, this could be bad news for many international luxury shopping locations if Chinese tourists stay at home and spend their money domestically.

As lockdowns ease across an increasing number of countries, this will serve as the big opportunity to see whether consumer shopping behaviours have really changed and they no longer want to visit stores in quite the same way as they did before COVID-19. How to prepare for store re-openings is therefore featured in this issue together with a focus on how retail supply chains have to respond to this new world and also what this crisis means for sustainability – does it weaken or heighten consumers' focus on this important issue? And I was also pleased to have the opportunity to interview the leading economist, Dr Marek Rozkrut who is EY Senior Economist and Co-Chair EY EMEA Economists Unit to gauge his views and understanding of how COVID-19 is reshaping global economies and what this means for retailers desperately trying to reformulate their future plans.

We hope you find this report helpful in drawing together a wide range of retail experiences that can provide vital ideas and even reassurance about the tentative moves all businesses are making to ease out of this unprecedented crisis. As has to be stated again, this is first and foremost a global health crisis that is affecting millions of people. It is a very human story that has seen many examples of individuals, groups, communities and businesses doing incredible things. To capture that, our partners at WPP created and produced this very special video. It is called simply, **Human Spirit** and those simple words and the images you see sum it up perfectly.

The next report will be published on 18 June. Please do feedback any thoughts or comments directly to us as we look to build on these digital reports and content.

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CONTENT

- ANALYSIS: Smart re-opening** 4
- INTERVIEW: A unique and deep crisis** 6
- CONSUMER TRENDS: Can sustainability survive?** 8
- ANALYSIS: Innovation Spotlight: FRANCE** 10
- ANALYSIS: Balancing retail's supply chain challenges** 12
- CONSUMER TRENDS: The post-lockdown consumer** 14
- LEADERSHIP: A question of leadership: lessons from Chinese executives** 16
- ANALYSIS: What will the store of the future now look like?** 18
- INNOVATIONS: Retail Innovations Responding to Coronavirus** 22
- MARKETPLACES: The challenge of escalating demand** 26

COUNTRIES

- ASIA**
- China: JD Health's Many Hats during COVID-19 28
- China & Hong Kong: Chinese consumers rediscover the joy of shopping 30
- India: I am the consumer, I am the employee, I am the retailer, I am the government 34
- MIDDLE EAST**
- Saudi Arabia: Investing in Saudi's growth opportunity 36
- AFRICA**
- South Africa: Adaptability in the face of change 38
- EUROPE**
- Europe | EuroCommerce: Europe reawakens 40
- Denmark: Danes look to rediscover normal life 42
- France: Tentative return to stores, online remains strong 44
- Germany: Solidarity, social commitment and sustainability – how future consumers will decide 46
- Italy: Prayers, socialising but not shopping 48
- Russia: Go online or go out of business 50
- Spain | El Corte Inglés: A phased re-opening 52
- Spain | Tendam: The excitement of serving customers again 54
- United Kingdom: Getting back to business 56
- OCEANIA**
- Australia: We need consistency 58
- New Zealand: Quick response 60
- LATIN AMERICA**
- Latin America: The retail fallout 62
- Brazil: Creativity at the height of the crisis 66
- NORTH AMERICA**
- United States | NRF: Future of retail will be shaped by first economic responders 68
- United States | Coresight: The post-lockdown consumer and the implications for US retail 70

ANALYSIS

SMART RE-OPENING

With lockdowns beginning to ease, retailers are beginning to plan for store reopenings. Chris Biggs, BCG Managing Director & Senior Partner, and Dewang Shavdia, BCG Managing Director & Partner, offer their perspective about how a smart approach to store re-opening will be the difference between success and demise.



AT THE HIGHEST LEVEL, THREE KEY ELEMENTS TO GET RIGHT IN A HOLISTIC RE-OPENING STRATEGY



SET THE HIGH-LEVEL STRATEGY

Assess long term post-COVID scenarios, and define near term actions to win (offering, ops, network, etc.)

CREATE A RE-OPENING TEAM

Build a dedicated re-opening team and equip them with the data they need

BUILD AND EXECUTE A DETAILED RE-OPENING PLAN



Re-open and constantly iterate



As the COVID-19 crisis continues, markets globally are beginning to emerge from lockdowns. For retailers looking to re-open and return to regular operations, the challenge is far from over. Demand will likely be suppressed for the foreseeable future as record high unemployment leads to lower disposable incomes. Where demand remains, it may shift across categories and channels, requiring retailers to rethink their offering.

BCG's latest consumer sentiment survey, across multiple countries, found that:

- Only 10-15% of customers felt comfortable shopping in-store right now, or when stores opened, for non-essential products (vs. 90-95% when a vaccine or treatments are available)
- 30-45% of consumers expect to spend less in the next six months across categories such as cosmetics, home decor, and home appliances

At the same time, cost relief will soon end. When stores re-open, retailers will have to bear their full cost base, in addition to costs from deferred rents and increased health and safety measures. This will catastrophically impact profitability.

As such, retailers that open too quickly with their pre-COVID strategy and operations will fail. Instead, re-openings should use a data-driven approach that considers various scenarios and reflects changes to customer behaviour and cost structures brought on by COVID-19.

STAND-UP A RE-OPENING TEAM

Retailers must first set up a dedicated re-opening team that has the data and authority to make the right decisions. The team should comprise members from across the organisation and be empowered to build, iterate, and communicate the re-opening plan. They should be equipped with regularly updated internal (e.g. sales, volume) and external data (e.g. social media, COVID-19 cases, unemployment, competitor moves) that are used to develop scenarios of likely future changes.

SET THE HIGH-LEVEL STRATEGY

Before re-opening, retailers must also outline their long-term strategy. Retailers will face significant structural challenges over the next few years as marketplaces and essential retailers disruptively steal share, stores close permanently, and ecommerce share of sales grows. Retailers must form a view on what their future category mix, store network, and operations will look like. All near term moves should be made with that direction in mind.

BUILD AND EXECUTE A DETAILED RE-OPENING PLAN

Once a strategy has been defined, and a team put in place, retailers should execute on a six-step re-opening plan:

- **Protect customers and employees** – The safety of customers and employees must come first. Measures such as health screening, providing protective equipment, maintaining social distancing, and policies to handle confirmed COVID-19 cases, must be implemented. Retailers must clearly communicate safety policies and ensure that costs for safety measures factor into re-opening decisions
- **Re-build forecasting capabilities** – Many forecasts have become inaccurate due to volatile customer demand. In the first few weeks of re-opening, retailers may need to manually forecast and order products based on daily sales and traffic, external demand drivers, and market data. Manual forecasts should eventually move towards AI and advanced analytics to flexibly respond to changing demand
- **Iterate your offering to align with evolving demand** – Strengthen categories with increased relevance or pent up demand by refocusing resources and reassigning store space. Where demand is lower, cut tail SKUs. Consider whether customers respond to promotion or price and communicate value accordingly
- **Sequence your store re-openings** – Sequence re-openings (and closures) based on go-forward profitability, customer coverage, co-tenancy, and competitor moves. Retailers should also be flexible and repurpose stores towards the most profitable models (e.g. click and collect, local fulfilment) now, instead of simply keeping stores closed or opening as usual
- **Align operations and costs to new demand** – Use store closures as a blank slate to re-build your store operations and cost base from the ground. This should reflect lower demand and new operating procedures around social distancing and health/safety. Run lean support functions and renegotiate all costs (including COGS, indirect spend, and real estate)
- **Reactivate demand through marketing and in-store experience** – Give customers a reason to come into stores. Let people know you are open (through digital marketing and updated websites, search engines, and store signage) and reassure them that it is safe to visit. Use re-opening events, in-store promotions, and personalised offers to drive traffic. Where you cannot re-open stores, provide customers with an alternative model to shop, such as curbside pickup

Re-opening effectively could mean the difference between profitability and bankruptcy. But it isn't necessary to wait until a perfect re-opening plan is ready. Instead, retailers should remain nimble and be unafraid to test, iterate, and pivot as they learn from re-openings and when key data changes.

Retailers that succeed over the long term will be those that use store re-openings to fundamentally question their business and position it towards the future.

INTERVIEW

A UNIQUE AND DEEP CRISIS

The scale of this global pandemic is so unprecedented because of its impact beyond the health of millions of people and increasingly on the economic health of countries and the whole world. To try and understand what this could mean in the short to medium term, Ian McGarrigle spoke to **Dr Marek Rozkrut, EY Senior Economist and Co-Chair EY EMEA Economists Unit.**



What we're experiencing is clearly unprecedented in living memory. How would you compare the impact on the global economy with previous international shocks such as the Wall Street Crash or the banking crisis of 2008?

In contrast to other crises, this one is not triggered by financial sector imbalances or asset bubbles or a public debt crisis or a build-up of cyclical excesses. This has of course been triggered by COVID-19 but it is the self-imposed containment policy adopted by governments which have hit production and incomes immediately.

Businesses have responded to liquidity problems and the risk of bankruptcy by cutting wages or laying off workers, which in turn translates into a fall in household income and loss of confidence leading to even further decline in consumer spending. As we know, many consumers at the same time, even if they are in a good financial situation will refrain from spending on certain goods and services, especially those with an increased risk of contagion.

So, you've got a falling consumer demand, you've got business lockdowns. At the same time, there are very strong related supply chain disruptions, reinforced by the global nature of the COVID-19 pandemic and international interlinkages. This combination of supply and demand shocks leads to widespread liquidity shortages and increased risk of mass defaults and bankruptcies. And with more and more defaults and bankruptcies, also, there is a considerable risk that this crisis in the real economy will also spread to the banking sector. In that case that would turn it into a financial crisis.

It is actually the first time since the Great Depression that we will witness recessions both in advanced economies and emerging market economies.

You hear increasingly different views on the shape of the future economic recovery. What is your view?

V-shaped? U-shaped? L-shaped? There is no shortage of potential trajectories for the world economy. At EY, we see something different, a slow "saw-toothed" shaped recovery marked by choppy, uneven growth. And the exact patterns of these increases and setbacks may be heavily influenced by recurring epidemic outbreaks and the abilities of governments to contain and mitigate the

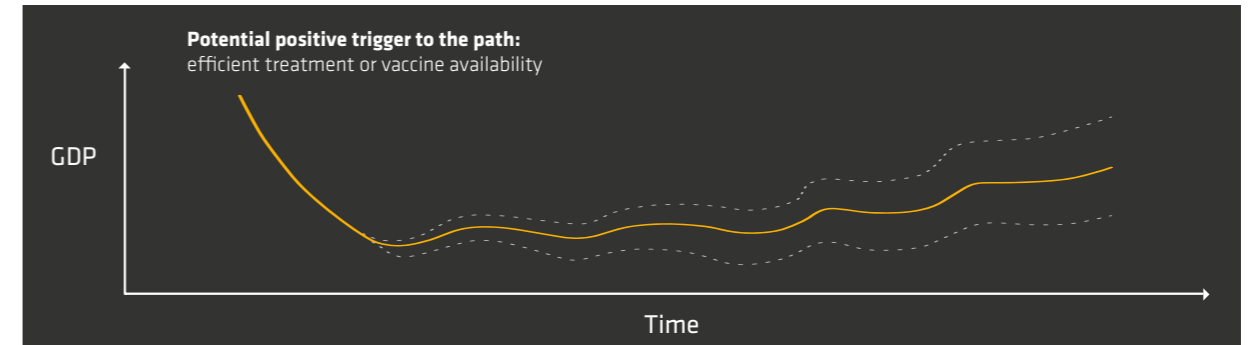
effects of these. And this impact will be different in the case of specific sectors and geographies. But generally, we expect a return to growth to be pretty slow.

The EY Capital Confidence Barometer indicates retailers are particularly pessimistic about recovery - with 92% retailers not expecting the economy to simply bounce back but return gradually, compared to 54% for all respondents.

We can discuss many different shapes of recovery, but if you look at just quarterly figures you may see dramatic shifts up or down suggesting a V-shape pattern. But I believe you need to look across a longer set of statistics and compare the projected GDP level relative to trend. Looking at official data that we have already and available forecasts, there are hardly any advanced or European economies that are expected to get back to their pre-pandemic levels within the next two years.

We are beginning to see real tensions around the world as governments try to balance the needs of the economy versus the needs created by the health crisis. In your view how long can economies be shut down in the way that they have been?

Obviously, not for too long. Whilst the rescue packages limit the cost of a lockdown, the economic and social costs increase with every additional day of freezing an economy. A prolonged lockdown would also damage permanently the supply side of an economy. So, the longer lockdown lasts, the more it will affect not only the depth of the recession, but also the economy's ability to reboot and its future growth trajectory. Based on what we've seen in selected economic sectors, we may estimate that the initial direct impact of a lockdown could lead to a decline in the level of output of 20 to 25% or even 30% during this lockdown period.



As we are beginning to see, a policy of nationwide lockdowns is unlikely to be sustainable. So, I would expect there to be some relaxation with a potential switch to more targeted social distancing. With extensive testing and early warning procedures as well as likely vigilance, contact tracing and isolation of infected persons and vulnerable groups, governments will be much better equipped to respond decisively to a second wave of the coronavirus and avoid costly nationwide lockdowns. This is also based on the assumption that there is no effective treatment available soon.

We've seen different approaches by governments around the world to try and mitigate the economic effects on people and businesses. Enormous sums are being spent. Can countries afford to do this and what will it mean in the long term for national debt and the ability to reinvest in economies coming out of the crisis?

Yes, we are seeing unprecedented measures adopted by governments and central banks in many, many countries. And these rescue packages will result in huge public finance deterioration and record high government debts. As recent European Commission forecasts showed, the government deficit is expected to increase from 0.6% deficit in 2019 to 8.5% of GDP in 2020 in the euro area, and the public debt will increase even more to a new record high of 102.7% of GDP, which is an increase of almost 17 percentage points relative to GDP.

If we extended the lockdown for say, another three, four months, that would be disaster for government finances around the world. And that will be especially limiting for the most indebted economies, especially those that do not have the privilege of issuing reserve currencies.

What is your view on how the world will look, economically, when it emerges from this crisis? Should we be prepared for a completely "new normal" as people are starting to describe?

Well, obviously, what comes next is unknown, but what we do know is that the future will not look like the old normal. These changes will not be uniform for companies in every sector or geography. For example, new normal for companies in the airline industry, transport, tourism and hospitality will be different from companies say in life sciences, food and technology.

Transitioning to what comes next will place heavy demands on companies' ability to adapt and increase resilience to weather after-shocks. Business will need to get prepared for new potential crises by building backup plans. More attention will be paid to sustainability, climate changes and natural disasters. Increasing resilience may

require reorganization of supply chains and moving away from just in time inventory models. Companies will need to accelerate their moves to automate processes from manufacturing to the back office. Robotics will help optimise operations, reduce cost and increase speed.

We can expect to see a lasting impact on consumers. Some form of social distancing could continue to play a part in our new reality and consumers expect it. The EY Future Consumer Index indicates that 38% expect an increased risk awareness and long term impacts on business in a post COVID-19 world.

And in the short to medium term, national borders may not re-open fully. Then there is the question of whether people will fear travelling beyond their borders. Will we switch from some analogue experiences to virtual worlds? At the same time, awareness of health may increase, and as the EY Future Consumer Index indicates, consumers are growing more worried about their financial security and savings. We can expect further and accelerated shift towards online and multi-channel - retail will be dominated even more by the large online platforms. Consumers will also consume more consciously, so sustainability will gain importance.

We may also expect that the role of governments and their presence in our life will increase. But there is the threat of a move to protectionism. Many countries are looking to protect their domestic companies from takeover by foreign capital. That and potential bailouts of the banking sector, if affected strongly by the current crisis, may lead to nationalisation of some top companies and an increased presence of the government in the economy.

In advising senior retail leadership teams, what would you say are the most important areas you think they should focus on in preparing their businesses for the post-pandemic world?

The COVID-19 pandemic has altered our relationship with digital in a matter of a few weeks. Where digitalisation was a 'can' before the pandemic, it is now a 'must'. Companies need to maximise digital customer access. Data analytics across all data sources to analyse customer behaviour will be even more essential. This will also be the time to rethink product and service portfolios. The boom in online shopping and ecommerce, as well as the need of more diversified supply chains will require further structural change and investment. The retail sector will also see an accelerated consolidation. Online players will continue to win and strong differentiated companies will reap market shares.

CONSUMER TRENDS

CAN SUSTAINABILITY SURVIVE?

By Tom Charlick

By Katherine Fiander

RESEARCH PARTNER:

Toluna



Right up to the arrival of COVID-19, the whole world was focused on addressing sustainability and the environment. Has this simply been swept away or are retailers giving this an even greater long-term focus? OCGC Strategy Consultants' Katherine Fiander, Associate Partner, and Tom Charlick, Partner look at how the lessons from this crisis could push it back up the agenda.

Photo by CJ Infantino on Unsplash

In the world pre-COVID, the topic of sustainability was rapidly rising up the agenda for retail boards globally. Consumers were increasingly conscious of environmental and sustainability issues when shopping, and many senior teams were thinking about not only how to satisfy environmental, social and governance compliance, but how to redesign business models for a carbon neutral world.

With the sudden introduction of COVID-19, and the very real risk to survival for many retailers, there was concern that it would once again slip down the agenda – seen as something to pause, whilst the “real” job of survival and recovery took centre stage.

But what is becoming clearer is that the paths to a post-COVID future and to a more sustainable world lead us down the same track. In fact, we believe that there is a need to prioritise sustainability more than ever to revive and rebuild, and that this pressure will come from all angles.

Consumers are seeing the pandemic as an outcome of mankind's general carelessness with human, social and environmental health and they are putting increased focus on the sustainability of the world that emerges on the other side. OCGC research suggests that 81% of consumers care more about sustainability now than they did pre-crisis. This rises to 86% amongst Gen Z and Millennials, who have now weathered one or two economic crises and have seen their education and employment prospects blown as society moves to protect the wealth

and health of older generations. As retail's core customer, their insistence and their actions – through their choices of brands and employers – will drive businesses to commit to more sustainable business practices going forward.

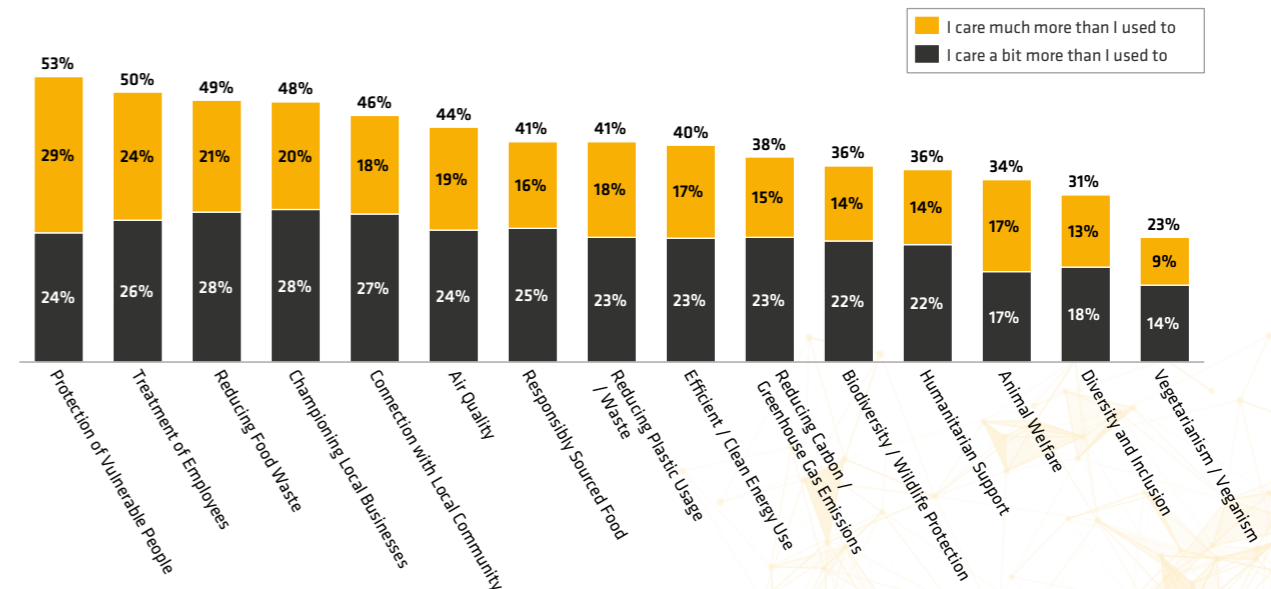
Furthermore, norms forced on us during lockdown will stick at least to some degree, especially where they are more sustainable – such as online retailing, homeworking and reduced air travel. Global carbon emissions are set to drop a record 8% this year, a fall in annual emissions that is six times larger than the previous record set in the wake of the global financial crisis. Consumers, businesses and governments have seen what is possible and there is appetite to avoid an immediate bounce-back to environmentally destructive behaviours. As President Emmanuel Macron put it, people will come out and say, 'I no longer want to breathe this bad air'.

Businesses and government will also have no choice but to revisit the approach to resilience. Historic efficiency practices have left us sailing too close to the wind, with long single-source supply chains and the just-in-time logistics of globalisation offering little margin for error. As the world becomes less predictable, business practices will need to become more agile and prepared for disruption.

In this context, the winning retailers will be the ones who no longer see sustainability as an unfortunate tension that requires managing, but instead make bold efforts to change the proposition and operating model and to build back better.

Consumers state that the COVID-19 outbreak has made them care more about social welfare, waste and air quality

What impact has the COVID-19 outbreak had on how much you care about these environmental and social sustainability issues?
(% of Respondents, N=597, 18 th May 2020)



Source: OCGC primary research 18 th May 2020, OCGC analysis

ANALYSIS

INNOVATION SPOTLIGHT: FRANCE

Olivier Salomon
Managing Director,
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Emilie Dubuc
Vice President,
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Photo by Joshua juan-di-nella on Unsplash

In their third special report highlighting how retailers are developing innovative solutions in response to this global crisis, AlixPartners focus on some outstanding examples of best practice in France.

COMMUNITY COMES TOGETHER

France turned to local produce with the goal of addressing both the food demand and supply situation. Online distribution platforms, such as dansnosregions.fr or “in our regions”, rose up to digitally connect local farmers across the country directly with consumers. With labour in short supply, many city residents volunteered their time to help with farming and distribution activities and support local farmers and food producers. Grocery stores also rose to the occasion, launching a wide range of innovative services to match emerging needs. This included **Carrefour** selling predefined baskets of products online for greater convenience and **Franprix** partnering with sports goods brand **Decathlon** to sell dumbbells, yoga mats, and Pilates bands in their grocery stores.

HOME COOKING, FRENCH STYLE

Confined to home and bereft of their beloved cafes, people unsurprisingly took to home cooking in a big way – but with a decidedly French twist. Upscale restaurants in Paris, Lyon, and Marseille came up with ingenious idea of offering contactless deliveries at home of restaurant-style dishes that could either be easily put together or reheated without any loss of flavour. Star chef Alain Ducasse launched Ducasse chez moi, or “Ducasse at home”, which included a package of 15 different ready-to-cook dishes, dessert included, delivered at home by bike. Adeline Grattard from the highly regarded YamT’Cha also delivered full meals once a week to Parisian neighbours.



CARING FOR CAREGIVERS

French luxury brands had stepped up early by offering up their factories to make hand sanitiser, masks, and gloves. But that’s not where their involvement ended. Even though a lot of apparel and fashion retailers are facing distress of their own, several designers and luxury brands came together for a fundraising auction to benefit healthcare workers, who have been at the coronavirus frontlines. The #ProtegeTonSoignant, or “Protect Your Caregiver,” auction saw more than 80 brands including **Celine**, **Louis Vuitton**, **Chanel**, **Prada**, **Dior**, and **Lanvin** offer up either one-of-a-kind products or items from their archives. All funds are to be used to procure protective equipment and medical devices.



ANALYSIS

BALANCING RETAIL'S SUPPLY CHAIN CHALLENGES

By Thomas Harms, EY Global Retail Leader, and Klaus Ballas, Partner, Advisory Services, EY Germany, Switzerland and Austria



Photo by Joshua Rawson-Harris on Unsplash

Retail supply chains have had to take much of the strain as retailers adjust to unprecedented demand levels. Klaus Ballas, Partner, Advisory Services, EY Germany, Switzerland & Austria and Thomas Harms, EY Global Retail Leader look at how retailers can achieve the right balance across their businesses

Daily life for people around the world has changed in ways that would have been unthinkable a few weeks ago. But as retailers try to find their way through the COVID-19 pandemic, it's important to remember that the global consumer was already evolving at great speed. That process is now playing out faster than anyone imagined.

The COVID-19 pandemic has tested retail supply chains to breaking point. As retailers look to the future, with

those in lockdown gradually reopening for business, now is a good time to take a step back and sense-check your approach to supply chain.

It's helpful to reflect on three key questions here. They are all about finding the right point of balance, and they are relevant to all retailers – from those with supply chains that have withstood the crisis well, to those that have struggled to cope.

1. Do you have the right balance of channels – in-store and online?

With stores around the world closed, retail has become an online and mobile business. Without the need to stock stores in the same way, the supply chain has had to adapt. The challenge is to stock warehouse and distribution hubs in ways that ensure effective home delivery. Is this a permanent shift?

As lockdown restrictions end, stores are re-opening. But the signs from the EY Future Consumer Index* are that consumers are getting more used to buying online. Globally, 28% of consumers think they will shop more online for products they previously bought in store. 44% think they will do more of their grocery shopping online, with 39% saying that's how they will do more of their shopping for durables.

Retailers with limited or zero online presence must find new ways to reach the consumer. Every retailer of any scale must be omnichannel now; and every retailer is likely to need less store space.

2. Do you have the right balance of onshore, nearshore and far-shore sourcing?

It's often more efficient to source products from distant locations where manufacturing costs are lower. But the longer and more complex the supply chain, the greater the risk of it falling down and shortages.

This isn't just a risk issue; consumer preferences are changing. According to our Future Consumer Index, 53% of people around the world want to buy domestic brands made in their own country. And 34% say they will pay a premium for them.

3. Do you have the right balance of efficiency and resilience?

Many companies have focused on cutting costs and reducing the number of suppliers they deal with at the expense of resilience. The result can be a supply chain that's lean and efficient, but less able to deal with sudden change and disruption. The risk environment has changed. It's now clear both are critical.

Now is a good time to reassess risk across the supply chain, from end to end, making sure you work closely with your supply chain partners to drive efficiency and resilience.



*We surveyed 12,843 consumers across China, the UAE, Saudi Arabia, Brazil, Japan, Australia, India, Germany, France, the US, the UK, Canada and New Zealand, during the week of 30 April 2020. The survey questionnaire covered current behaviours, sentiment and intent.

The views reflected in this article are the views of the author and do not necessarily reflect the views of the global EY organization or its member firms.

Establishing the right balance in your supply chain

There are no right answers to these questions. The key is to remain agile and to keep asking them, so you can adapt quickly and start to regain a sense of control over where your business is going.

As you and your leadership team take on the business challenge of a lifetime, here are seven points worth keeping in mind:

1. Focus on the needs of the changing consumer. This is probably the most important point of all. It's clear that the pandemic has had an enormous impact on the way consumers around the world live their lives. But to succeed as a retailer, you need a detailed perspective on how they are changing, what new behaviours and segments are emerging, what will go 'back to normal', and what will stick.

2. Omnichannel will make your supply chain more complex, not less. Retailers that have already committed to omnichannel know the scale of the task. Many retailers will now have to achieve a difficult transformation of their channel mix in a super-fast timeframe.

3. You can't make an omnichannel supply chain work on your own. How quickly could you form the right partnerships? If you led, would others follow? Or can you join an existing marketplace and benefit from its services?

4. Review your store portfolio with an eye to the future. As you reassess your supply chain and its footprint, reflect on what physical presence you want and need in the years ahead. How you can repurpose space to support your business better? As retailers consider micro-fulfillment centres closer to their market to help last mile delivery, some will have a radically different shape as we enter life beyond the crisis. Your supply chain must reflect this reality. Plan for what your supply chain needs will be, not what they are now.

5. Data-sharing is critical to your success. If you don't currently have the data needed to understand new consumer preferences and behaviours, how do you plan to get it? How can you better use your data to create a single view of the customer across channels, and better

6. The right kind of IT infrastructure is critical. A retailer must have agile systems that it can adapt quickly in response to the organisation's changing needs. That's important now more than ever.

7. Remove silo behaviour and thinking. Make sure your supply chain leader has a seat at the top table. Their expertise is now critical. But, make sure your customer experience leader is there too with a laser-sharp focus on meeting the needs of your target consumers.

CONSUMER TRENDS

THE POST-LOCKDOWN CONSUMER



**COMMUNITY
IS
KINDNESS.**

BE KIND. LET'S LOOK OUT FOR ONE ANOTHER.

Photo by Étienne Godiard on Unsplash

Never before has the world been closed down in the way we've experienced over the past few months. We can start to monitor the effect on economies from official statistics, but it is harder to track what effect it will have on people – all of us – as we continue to struggle with isolation in our homes. What does it mean for us as consumers, both during the lockdown and as more countries ease restrictions and we take the first tentative steps back to normality? This is a key question for retailers. To help try and answer some of these questions and to begin searching for discernible trends, we spoke to **Andrea Bell, Director of WGSN Insight**, the global consumer and fashion trend forecaster.

With a team of consumer-watchers around the world, Bell is clear that consumer behaviours have adjusted dramatically during the lockdowns and that if China is a key barometer, then those changes will continue as restrictions ease. The biggest trend is the adoption of ecommerce by wider groups of consumers. As Bell highlights, it was the SARS pandemic in Asia in 2002 that began the wider adoption of online shopping and the rise of **Alibaba** in China. The performance of Alibaba and **JD.com** during China's COVID-19 lockdown reinforces their strength and the important role they now play in consumers' lives. But this can also be seen in the performance of **Amazon** in the US and Europe as well as other online powerhouses. "**Instacart** recorded huge growth in March," says Bell.

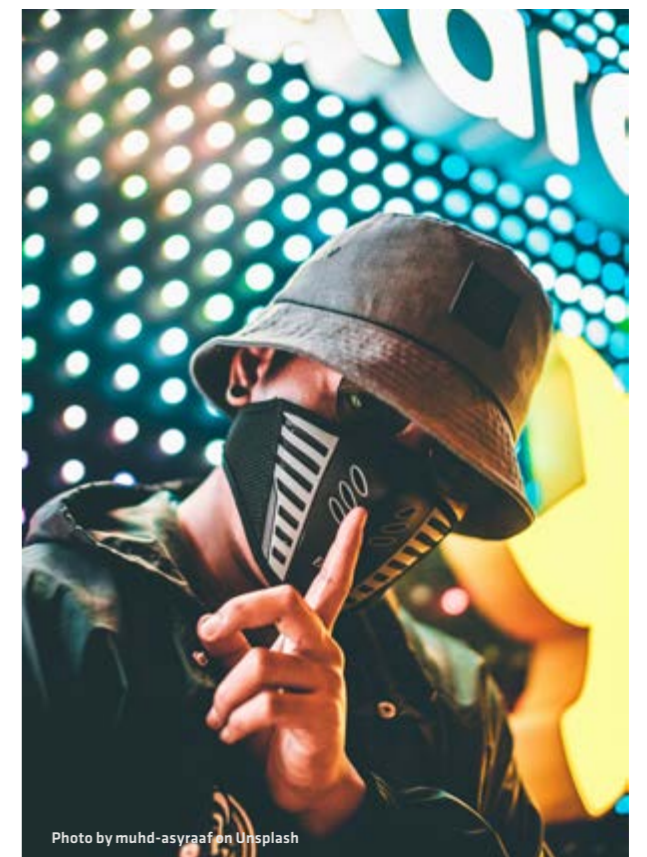
She adds that together with this "techcceleration" towards digital, the lockdowns have also highlighted a return to "localism". There is a greater awareness now of people's **neighbourhood** and **community**. They want to support local businesses and retain that sense of community that has sprung up around the world. Big-space retailers should focus on ways to build stronger links with this "**hyperlocal**" sentiment. In China, Bell says, WeChat and Alipay developed targeted promotions based on hyperlocal postcodes to encourage people to go out to their local stores when the lockdown was first eased.

Another key trend is a greater consumer awareness of **sustainability** and our impact on the environment. We've all noticed how in the world's biggest cities the disappearance of traffic and the closure of factories has cleared the skies and improved air quality. Will people



want to find ways of preserving that experience? By discovering that many people can work effectively from home, will they prefer a different balance between office and home working and therefore reduce the number of journeys they make into a town or city?

The physical store will also have to address a changed world, Bell argues. If retailers are going to have to limit the number of customers allowed into a store for some time to come, then it changes the nature of the environment. It will be vital to offer a heightened sense of **service**, more **product information** and scaled-back ranges as people make difficult decisions when it comes to their needs versus their desires.



The COVID-19 pandemic is already starting to have an impact on new ideas and product innovations by brands and retailers, and this is also driven by consumers themselves setting the pace. In certain parts of the US, Bell says there is a rise in demand for "**defensive wear**", such as hoodies and jackets that pull up over the face for protection, or for jackets with gloves. WGSN is calling the emerging trend, "**post-traumatic stress design**", where brands are accepting that the key, immediate drivers are about safety, protection and comfort.

"Fundamentally, this pandemic has impacted every industry, whether it's fashion, travel or lifestyle, and we are seeing a huge shift towards putting **safety, hygiene and preventative products** at the centre of thinking," says Bell.

To watch the full interview with Andrea Bell, Director of WGSN Insight, [click here](#)

LEADERSHIP

A QUESTION OF LEADERSHIP: LESSONS FROM CHINESE EXECUTIVES

Catherine Kwong
Spencer Stuart
Hong Kong



Sherry Ding
Spencer Stuart
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Sarna Yeung
Spencer Stuart
Hong Kong



As the first country to be hit by COVID-19, its business leaders were also the first in the world to have to find a leadership response to something never experienced before. The senior team at Spencer Stuart in China spoke to a number of senior executives to identify the key lessons they took from the crisis.

What do we tell our teams when we don't have the answers ourselves? This and other questions weighed heavily on the minds of leaders in China as the country experienced the first wave of the coronavirus outbreak.

To learn more about how China's leading companies managed the crisis, we spoke with several leaders in China for their unique perspectives. We hope that leaders and organisations in every country can benefit from these early lessons.

1. Lean on your culture.

Facing an uncertain time, many companies used their cultures as their compass. Leaders told us they made ensuring that employees can focus on taking care of themselves and their families a top priority. Agility and empathy have been tenets of supportive work cultures.

2. Communicate, communicate, communicate ... and then communicate some more.

Uncertainty combined with information (and misinformation) overload from all directions can create confusion and anxiety in people. To cut through the noise, leaders must provide frequent, clear communication that anticipates the questions people are likely to have. Listening is also an integral part of the equation in a crisis – to understand people's fears and concerns and to surface issues and ideas.

3. Examine how you're managing talent and your time. Respect for teams' ability to balance work and other demands led to successful remote working experiences. If employees deliver on their assignments, then work location, hours or patterns are less of a concern. The crisis also refocused companies' people investments – in particular, ensuring that talent management and development are grounded in purpose.

4. Don't overlook employee engagement.

Much has been written about the impact of loneliness and isolation on the human psyche. Video meetings, one-on-one "care" calls and virtual coffee chats, lunches or happy hours help with team engagement and reduce the sense of disconnectedness that can arise when working remotely.

5. Don't let short-term plans derail long-term strategy.

A rapid response is required in a crisis like the coronavirus pandemic. However, leaders in China advised that those short-term plans should not undermine long-term brand equity and strategy. New activities and pivots may be essential to ensuring the survival of the business. Whenever possible, demonstrate how these support future initiatives to provide employees with a sense of continuity and a forward-thinking mentality.

6. Revisit your approach to risk management.

Many took China's growth for granted, some senior leaders told us. In the wake of this major crisis, senior leaders and boards will need to reexamine and adjust their worst-case scenario projections.

7. Reassess digital readiness.

Rapid increases in online shopping during lockdown highlighted the need to accelerate digitization. Consumer shifts to online buying may become permanent after the pandemic. Furthermore, a digital mindset enables remote work, team connectedness, effective data collection and efficient supply chain management, among other things.

8. Rethink how decisions are made.

Because the coronavirus situation differed from region to region, it posed a great operational challenge for multi-regional companies. To manage, organisations had to let go of highly ingrained processes in order to respond to the crisis effectively.

LOOKING AHEAD

While we're still learning the long-term lessons from this crisis, China continues its gradual return to a nearly normal level of work, thanks in part to citizen and corporate efforts to stem the spread of the virus. This is empathy, agility and collaboration in action – a leadership lesson that applies to everyone.

The complete version of this article was published in March 2020 and may be found at www.spencerstuart.com. It is based on interviews with 33 CEOs and CHROs in Greater China and Asia, combining their insights with those of Spencer Stuart's Greater China consultant team.

ANALYSIS

WHAT WILL THE STORE OF THE FUTURE NOW LOOK LIKE?

By Xian Wang



Retailers were already asking questions about how stores should look and function in a digital age. But with the health crisis changing all the existing rules of physical retailing, what will be the new considerations for tomorrow's store? Xian Wang, Global Content Director at Edge by Ascential highlights some of the critical questions to consider.

The COVID-19 pandemic has created an unprecedented challenge for the retail community and its suppliers. In a very short period of time, normal store operating principles have been replaced by new procedures, while new consumer habits borne out of necessity are set to drive a lasting impact across all channels.

In our flagship 'Store of the Future Winning Strategy' report, we previously outlined the five key characteristics of the future store. These characteristics will continue to be crucial to the success of retailers operating physical stores but each will be influenced in different ways by the pandemic.



WE EVALUATE:

The expected short, medium and long-term implications of COVID-19 on the physical store

- The characteristics that will be most important for retailers and brands to focus on
- The actions brands should take in order to best navigate the short, medium and long-term.

The 'Store of the Future' will be influenced by COVID-19 in three distinct phases. The impacts of the pandemic on retail will be experienced at different times in different markets, dependent on infection rates, government controls and financial support, but can be broadly aligned into three phases;

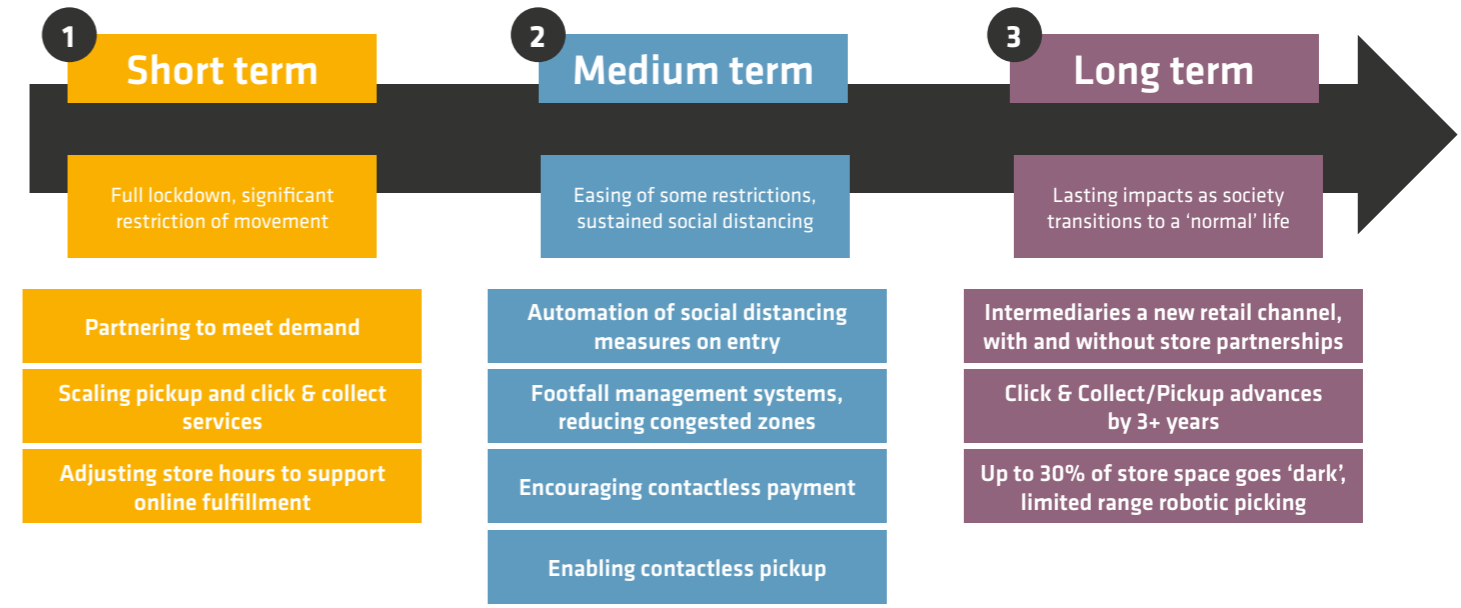
- 1. Short term** - peak lockdown, where social distancing policies are at their most stringent and consumers are broadly confined to their homes.
- 2. Medium term** - governments promote some return to 'normality', with the re-opening of some non-essential stores and a gradual relaxation of social distancing policies.
- 3. Long term** - post the main wave of COVID-19, events, social gatherings and shops are fully reinstated and re-opened, enabling consumers to return to a 'new normal', but with longstanding changes to consumer mind-set, global economic stability and retail operations.



These circumstances have meant that the four characteristics will have a different order of priority across these time frames. Frictionless is set to be of highest importance, especially with the unprecedented surge in ecommerce and click and collect. Social and experiential elements will initially be deprioritised but will still have important roles as society adjusts.

In the short term, in-store frictionless measures focus on the 'immediate' need to meet increased demand for online orders - through the scaling of pickup services, intermediary partnerships, and adjustment of store hours to provide exclusive windows for store picking. In the medium term, focus will shift to the need to manage

prolonged social distancing through automated shopper occupancy and customer health management tools. Longer term, the additional store pickup and fulfilment capacity brought online during the COVID-19 crisis will lead to a significant step change in the utilisation of store assets in online operations.



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focus on value offering in the anticipated recessionary period including a focus on range simplification, margin control and value messaging, harking back to some of the tactics employed in the 2008 financial crisis, which also drove the discount channel growth in markets like the UK.

There is a big question mark around Experiential, especially given social distancing measures and limited space within stores already. Experiential has certainly taken a backseat in the short term as store operations were focus on provision of essential categories and reduction of dwell time and interaction. However, the consumer will still have a desire for connection and engagement, so the question will be how retailers evolve to offer this in a digitally-driven manner.

New store openings and remodels will be scaled back as the retail community prioritise actions to manage the demands associated with the coronavirus pandemic. Retailers however have continued to innovate within their store networks, particularly in response to demand for online fulfilment. With movement restricted and many non-essential stores closed, demand for ecommerce services accelerated. To support capacity, or to continue to sell goods, retailers innovated quickly, with many developing a variety of dark store models, acting either as additional fulfilment centres, pick up only stores, or both. We expect the advances made in the last few months to indicate the direction of travel and impact on the future development of stores, as retailers accelerate their role as local fulfilment hubs. We are likely to also see more in the way of cooperation arrangements, as retailers seek space for ranges in other complementary stores.

Similarly, the 'social' characteristic has also taken a hit, replaced by a focus on safety in stores at least in the short term. In some ways, the role of the grocery or drug store as a key social/community hub has been elevated through the pandemic, by virtue of the fact that few other retail or entertainment locations were open, and it is the one place whereby interaction (albeit at safe distances) with others outside of the households would take place, not to mention the source of critical daily suppliers. We have also seen some retailers e.g. Boots, create "safe spaces" as havens for domestic abuse, or information on mental health or abuse support or assistance. In the long term, social as a store of the future characteristic will still need to be reinvented to encourage traffic and product discovery, this time with ecommerce in mind, perhaps learning from the livestreams and other virtual events that have quickly emerged as a relevant way to engage and interact with shoppers and allow them to do so with each other.

Curated ecommerce growth combined with the economic consequences of the pandemic mean that retailers will revise assortments to support an online offer, as well as

INNOVATIONS

RETAIL INNOVATIONS RESPONDING TO CORONAVIRUS

Justin Sablich, Editor,
Springwise



Photo by Ramon Kagie on Unsplash

As life in lockdown continues to inspire new and innovative ways of conducting business, we've spotted several solutions that aim to take full advantage of what virtual and livestreaming technologies have to offer.

Some established brands are finding new selling opportunities in virtual worlds. The Chinese ecommerce platform **JD.com** is now hosting a weekly livestreamed show, with brands like Rémy Martin and Carlsberg offering beverages to an online audience. We have also witnessed the high-end watch and jewellery sectors – which have largely been resistant to moving online – embrace livestreaming with the annual Watches & Wonders trade fair going all-digital for the first time.

Small businesses and solo entrepreneurs are also making creative pivots, both online and off. The Shanghai-based

make-up artist and influencer Maggie Fu developed a stick-on, DIY manicure kit for her legions of followers to use at home. In the US, Mr. Holmes Bakehouse, a bakery that was forced to close saw an opportunity in the home-baking boom that was fuelled by the lockdown and re-opened to offer home bread-making kits to a very receptive consumer base.

"As the pace of change accelerates, the scale of disruption becomes clearer and we are seeing more and more innovation and inventiveness, which will define the brands of the future," says James Bidwell, Co-Founder of Re_Set, the strategy consultancy for disruption, innovation and sustainability.

We'll be closely tracking which of these experimental approaches gain traction as some regions gradually move to re-open and we will undoubtedly see many more creative innovations emerging from these challenging times.

Anton Mislavsky on Unsplash

BEVERAGE BRANDS AND ECOMMERCE PLATFORM LAUNCH VIRTUAL CONCERT EXPERIENCE

The Chinese ecommerce company **JD.com** has teamed up with **Taihe Music Group** to offer an online clubbing experience. JD is hosting a weekly, three-hour livestreamed show. During the show, brands such as **Budweiser**, **Rémy Martin**, **Carlsberg** and **Pernod Ricard** promote their beverages to an online audience. Viewers have the opportunity to order the advertised products from JD during the show.

Takeaway: As lockdowns and restrictions on socialising continue around the globe, many people are missing their nightlife. At the same time, many alcohol brands are facing a decrease in profits. For both brands and artists, the virtual musical experience is a chance to get in front of an audience again. For JD, this demonstrates the value of a livestreaming platform and audiences benefit from the chance to see their favourite acts. It's a win-win-win. JD has reported that the shows are a success both for viewers and brands, with one brand reporting a 70% increase in the sale of its whisky products.

[Find out more](#)

Kris Atomic on Unsplash

MAKE-UP ARTIST CREATES DIY MANICURE KIT FOR SALON-QUALITY NAILS AT HOME

Inspired by the millions of manicure enthusiasts forced to hunker down during the coronavirus pandemic, Maggie Fu, a Shanghai-based make-up artist and beauty influencer, has created a stick-on, DIY manicure kit. Customers will require no previous skills to apply the nails. For the kit, Fu is sourcing the best materials from Japan. She is also designing the colours and nail art herself to create a unique and exceptional product that reflects her own aesthetic.

Takeaway: In many regions, health and beauty retailers have seen an increase in sales as lockdown began. UK sales during the week commencing 15 March grew by **31.6%**, compared with last year. While there has been less need for make-up and other occasion-reliant products, make-up enthusiasts have more time to experiment, opening up the opportunity to develop a new range of DIY-based products. Over the past couple of months, the internet has seen a train of influencers and their followers sharing photos of their overgrown cuticles and chipped nail polish. This inspired Fu to create a nail product that people could easily apply themselves.

[Find out more](#)



LUXURY SWISS WATCH FAIR GOES ALL-DIGITAL DURING LOCKDOWN

When the coronavirus pandemic forced the cancellation of the luxury Swiss watch fair, Watches & Wonders, the fair's organisers decided to take it online for the first time. The new format also offered livestreamed events aimed specifically at the Chinese market. The streamed videos will remain accessible on the site permanently. Visitors can also access social media content, including promotional videos and online events with Chinese celebrities and influencers.

Takeaway: The world of luxury goods has been steadily moving online, but often in a measured way that targets particular markets and segments. This has now sped up considerably, due to the coronavirus pandemic and global lockdowns. While luxury horologists have been latecomers to virtual marketing, this move to an online fair is allowing brands to widen their net beyond the usual visitors. If successful, the move could be long lasting and could provide the luxury horology sector with an expanded reach, along with a way to cater marketing to specific groups of customers.

[Find out more](#)



Self-checkout App by Perpule

Offline commerce is preferred when the shopper is...
CLOUD-BASED SELF-CHECKOUT PLATFORM IS COMPATIBLE WITH ANY STORE SET-UP

A Bengaluru start-up has developed a next-gen, point-of-sale system designed for the Indian market. **Perpule's** AI-driven platform, the UltraPOS, is designed to enable billing any time, anywhere. The SaaS product is based in the cloud, which allows for self-checkout without the need for in-store servers and bulky computers. Anyone can download the Perpule app and find stores that use the system. Once in the store, customers scan a product's barcode using their phone camera and pay for items through the app.

Takeaway: The organised retail market in India is valued at around €92.5 billion and the pace of technology adoption has only begun to speed up in the past four or five years. This means there is still a lot of room for new companies to move into the self-checkout and automated point-of-sale sector. Currently, Perpule's self-checkout option is being used in some **Hypercity**, **More** and **Spar** stores. The company says the stores choosing to take up the technology is determined largely by demographics and how tech-savvy the store's customers are. At the same time, UltraPOS is running in stores in more than 190 cities.

[Find out more](#)



HOODIE WITH A BUILT-IN MASK MAY HELP PROTECT AGAINST COVID-19

The American clothing company **G95** has created a hooded jersey with a built-in air filter, which uses two types of nanofiltration technology blocking up to 99.75% of particles larger than 0.1 microns, making it more effective than some US-approved N95 respirator masks. The built-in mask can be tightened using a cord at the back of the hood and the hoodie can be washed around 50 times before the filtration efficiency begins to decrease.

Takeaway: Hazel and Carlton Solle founded the G95 clothing company three years ago to make scarfs with built-in air filters for people who wanted to avoid air pollution but did not want to wear masks. This pivot during the pandemic makes perfect sense for the brand. With some medical experts suggesting that everyone may need to wear masks when out in public, depending on the region, there will likely be greater demand for clothing that integrates filtration. While many people have turned to home-made masks to add a bit of style, these may not offer adequate protection. At the same time, there are still shortages of the effective N95 masks in some areas. Offering a reusable mask that is efficient and stylish may gain traction.

[Find out more](#)



BAKERY PIVOTS TO CREATING HOME BREAD-MAKING KITS

A California-based bakery that was put out of business during the coronavirus lockdown re-opened as an ecommerce site, selling bread-making kits to legions of new home bakers. The Mr. Holmes Bakehouse bread kits include everything needed to make a sourdough starter. Other kits available include those for scones and cakes, chocolate chip cookies, pasta and focaccia, with more in development.

Takeaway: At the start of the coronavirus lockdown in California, the bakery's Founder Aaron Caddel was trying to decide how to stay in business and keep his staff employed. Within the space of 72 hours, his bakeries had lost all of their wholesale customers. But Caddel also noticed that the interest in home baking was soaring and at the same time ingredients such as yeast and flour were becoming scarce. Although he had no experience in ecommerce, Caddel did have a huge warehouse, a large Instagram following and a commercial supply chain. He turned all of this over to creating baking kits, which are now for sale.

[Find out more](#)

Every day, powered by its global community of innovators, Springwise spots and analyses the latest innovations that promote positive and sustainable change from around the globe. For further information and to sign up to Springwise visit www.springwise.com/newsletter or email them at info@springwise.com.

MARKETPLACES

THE CHALLENGE OF ESCALATING DEMAND

Online marketplaces, bringing small retail sellers to a global consumer have been one of the great success stories to emerge from the digital revolution in retail. So how have marketplaces performed during this global crisis? What challenges have they had to face? We asked two relatively new marketplace players, Fruugo and ManoMano to share their experiences.



Fruugo
Håkan Thyr, Chief Revenue Officer, Fruugo

Before the pandemic, consumer shopping behaviours were moving towards ecommerce at a steady but fairly gradual pace, but COVID-19 has seen a dramatic acceleration with many ecommerce sites experiencing significant increases in demand. As a global marketplace, our broad range of products and geographical reach resulted in significantly higher than average growth. By the time the major European countries had gone into lockdown at the end of March, our weekly sales had tripled compared to last year and every week since lockdown has seen higher sales than our biggest week of 2019.

While retailers are typically resilient and used to adapting to change, this period represented an unprecedented challenge and we have put a lot of work into supporting our sellers where we can. As ecommerce sales quickly became instrumental, at the start of the crisis we waived our joining fee so that more retailers could access new and valuable sources of sales on Fruugo. For sellers who struggle to meet demand at a time when logistics and supply chains are under tremendous strain, we've also introduced sellers to partners that can help with things like outsourced fulfilment. Staying connected with customers has also remained important and we communicated to customers that fulfilment timelines are likely to be affected by the current situation. We have also experienced an increase in queries to our Customer Support team and have put business processes in place to manage this in collaboration with our sellers.

As we look back, we're able to reflect and take learnings from these extraordinary times. As a digital business, we have the systems in place to enable flexible working and that allowed us to switch the entire business to remote working overnight. Meanwhile from a marketing standpoint, it's been an abrupt switch to webinars and virtual conferences, which have worked remarkably well. The pandemic and surge in online sales have presented challenges to our business as well as our sellers, however we feel that the past two months have validated the resilience of our marketplace model where demand is met by a global network of sellers.

One key observation has been the importance of having your products available in as many countries as possible. We have seen a number of examples of local surges in demand for very specific products. In one case there was a sudden demand for a specific supplement in the Netherlands which led to a spike in sales for several UK sellers. If they hadn't been present on Fruugo.nl, they would never have known about this sudden demand, let alone benefitted from it.

As trends suggest that consumer behaviour has made an accelerated shift to online, we continue to look for ways to support our sellers - not just through this peak but in the long term - by helping them grow their business globally.



ManoMano
Philippe de Chanville, Co-Founder of ManoMano

As an online business we haven't suffered the impacts of closing stores, but we have had to face into increased and unprecedented demand. We are an online marketplace and our philosophy of caring for our customers, sellers and employees has been at the heart of plans as we have navigated through this crisis.

Aside from implementing strict safety measures for our employees and customers our key focus has been to support our sellers, many of which are small businesses, and ensure that collectively we continue to deliver high levels of customer satisfaction. We slowed down recruitment of new sellers so that we could provide more support to the 2,500 sellers already selling through the site - 87% of them needed to sell more to compensate for the losses.

One of the first things we did was increase the contact with our sellers, hosting regular check-ins to see how things are going and to understand the challenges they are facing to see how we could help. Half of them are short on cash so we have multiplied our cash advance to help them get through the crisis. This support has been vital and - where and when - possible we have removed the pressures our suppliers are feeling and helped them to adapt.

Another key support has been ManoFulfillment - a logistics service designed to help our sellers to store and distribute products internationally. One of the biggest challenges our sellers have faced is dealing with the delicate balance of managing increased demand whilst getting orders safely to customers in good time. ManoFulfillment helps to ensure that happens and remove that pressure for our sellers.

The crisis has seen a complete change in how people work and live and adapting to these changes has driven an increased demand for DIY projects. People have invested a lot of effort in feeling good at home. We've seen a huge increase in traffic as people look to get the products, help and advice they need. We pride ourselves in helping customers with projects from start to finish from the comfort of their homes and have a chat function which connects customers - a real community of DIYers to our Manodvisors - alongside a blog full of inspiration. Our strategy and business model has really come into its own.

There are some key learnings that we can take from these extraordinary times, the first one being that people are fully adaptable despite challenging circumstances, whether it's adapting their homes, plans or the way they work. It's important to find positives during these times. We always knew that help and advice was important in our sector, but we have had to accelerate this part of our offering. With people relying on online resources, it has become more apparent that while providing a wide range of products at good value, it is advice, inspiration and support that is key.

ASIA | CHINA

By Hui Zhang and Ella Kidron, JD.com

JD HEALTH'S MANY HATS DURING COVID-19

Before mid-March, most (if not all) of JD Health's users were in China. The company, which is the third launched by China's largest retailer JD.com (after digital technology company, JD Digits and logistics powerhouse, JD Logistics), began as a marketplace platform for third party pharmaceutical businesses and quickly developed first party retail solutions, as well as healthcare management services and solutions.

The outbreak of COVID-19 in China accelerated the adoption of online hospitals and telemedicine, a service JD launched last year. JD Health quickly made its online consultation services available for free across China. With the shift of the virus overseas, JD Health rapidly mobilised to develop a version of its online consultation service in Chinese for overseas users, and shortly after, a bilingual Chinese-English version. From late January to 12 April, JD Health's consultation platform has responded to more than nine million enquiries, with a daily average

consultation volume of more than 120,000. At the same time, to ensure that medication got to patients unable to go to hospital during COVID-19, JD Health offered a delivery service through JD Logistics.

As COVID-19 shifted from emergency to maintenance status in China, JD Health's services have followed suit. At the end of April, JD Health announced a partnership with leading testing institutions in the industry to launch group nucleic acid testing appointment services. In most places in China, a nucleic acid test is the prerequisite for return to work or school. The service is easily booked through JD's app by typing in "Nucleic Acid Testing" (in Chinese) and currently covers 31 cities.

Below is some insight into the company's journey from being not just a pharmaceutical retailer, but rather a comprehensive health management system.

PHARMACEUTICAL ECOMMERCE BUSINESS

In 2013, JD.com entered the health industry with a pharmaceutical ecommerce business – its first step into the pharma retail business. In January 2016, JD Health launched a platform for third-party pharmaceutical retail businesses and opened JD Pharmacy, the first-party pharmaceutical business model, the same year. JD Pharmacy, as a core part of JD Health's B2C business, has become China's largest pharmaceutical retail platform, online or offline in just three years. Its growth rate is four times higher than the industry average in China.

In addition to the B2C business, JD Health also started its B2B business by setting up a medicine procurement platform called 'JD Medicine Procurement' in 2017 to improve the circulation efficiency of traditional channels and increase information transparency. The platform has been one of China's key large-scale third-party pharmaceutical wholesale platforms since its inception, covering 21 provinces and more than 400 cities, with more than 120,000 retail outlets offering more than 600,000 items.



JD.com can achieve such a large-scale pharmaceutical business due to its strong supply chain. Before the establishment of JD Health, JD.com had already integrated the online and offline business by connecting with pharmaceutical, commercial and retail enterprises as well as medical institutions through its supply chain.

Another growth engine of JD's pharmaceutical business is its nationwide logistics network, which covers 99% of the population in China, to ensure drug supply provision to people the same day or next day, or even in just 30 minutes. Through cooperation with offline pharmacies, JD developed an omnichannel medicine delivery service to help pharmacies benefit more financially while providing rapid drug delivery services to patients. The service now covers nearly 150 cities in 25 provinces across China, with the delivery of drugs guaranteed within 30 minutes.

ONLINE HEALTHCARE BUSINESS

Following the successful pharmaceutical business development, JD inevitably sought to integrate medical services. "If you want to expand vertically into the retail drug business, you must be integrated with hospitals and the medical services they provide," said Lijun Xin, CEO of JD Health.

JD started the Internet hospital business in December 2017, offering mobile phone and text consultations to patients. It has attracted over 30,000 doctors from all over the country to join JD's Internet hospital, providing patients with professional medical consultation services that were previously difficult for them to access. 62% of JD Health's doctors come from AAA hospitals, and 90% of patients who choose quick online medical enquiry service can get answers within three minutes.

One of the critical steps for JD's fast expansion in the process of building online healthcare services is cooperating well with hospitals. JD expanded its cooperation with hospitals to speed up the digitalization of hospitals and improve doctors' income. Since January 2019, patients at Suqian No.1 People's Hospital in east China's Jiangsu province can access online consultation services via a "Smart Clinic" WeChat service account, allowing them access advice of the hospital's doctors from home. The Smart Clinic, which is developed by JD, can also facilitate insurance payments for medication in Suqian City.

AI + HEALTHCARE

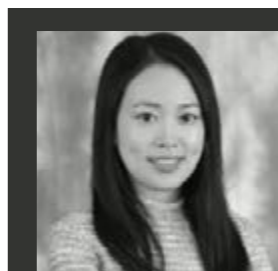
JD Health is also exploring opportunities beyond the online pharmacy model by making its online healthcare "smarter" with artificial intelligence(AI).

AI has been applied broadly as a core component across many of JD Health's services. JD Health uses AI to advise patients on the most appropriate department to make an appointment based on their symptoms. The function already covers 29 online clinic consulting departments, with accuracy exceeding 95%. The function can now offer services for over 77% of online consultation orders, and reduce labour costs by 50%, according to data from JD.

According to the World Health Organization, over half of all medicines prescribed are either dispensed or sold improperly. JD Health is now working with the leading Third Hospital of Peking University to integrate AI technology into the hospital's information management system – introduced an advanced, AI-based prescription review and analysis system called PharmCOO ("Pharma chief operating officer") that optimises the clinical prescription process and improves patient safety.

The pharmaceutical business is only part of JD Health's ambition and strategy in health industry. Xin previously announced that JD Health's business focused on online retail and wholesale of medical products, internet hospital, medical services, and intelligent healthcare solutions. However, Xin readjusted the business focus to the pharmaceutical supply chain, internet hospitals and chronic disease health management in the second half of 2019.

"JD Health was only a pharmaceutical ecommerce company in the past. But now we want to grow into a real health company by offering consumers full life cycle health management services," said Xin.



Hui Zhang, Global Corporate Affairs, JD.com

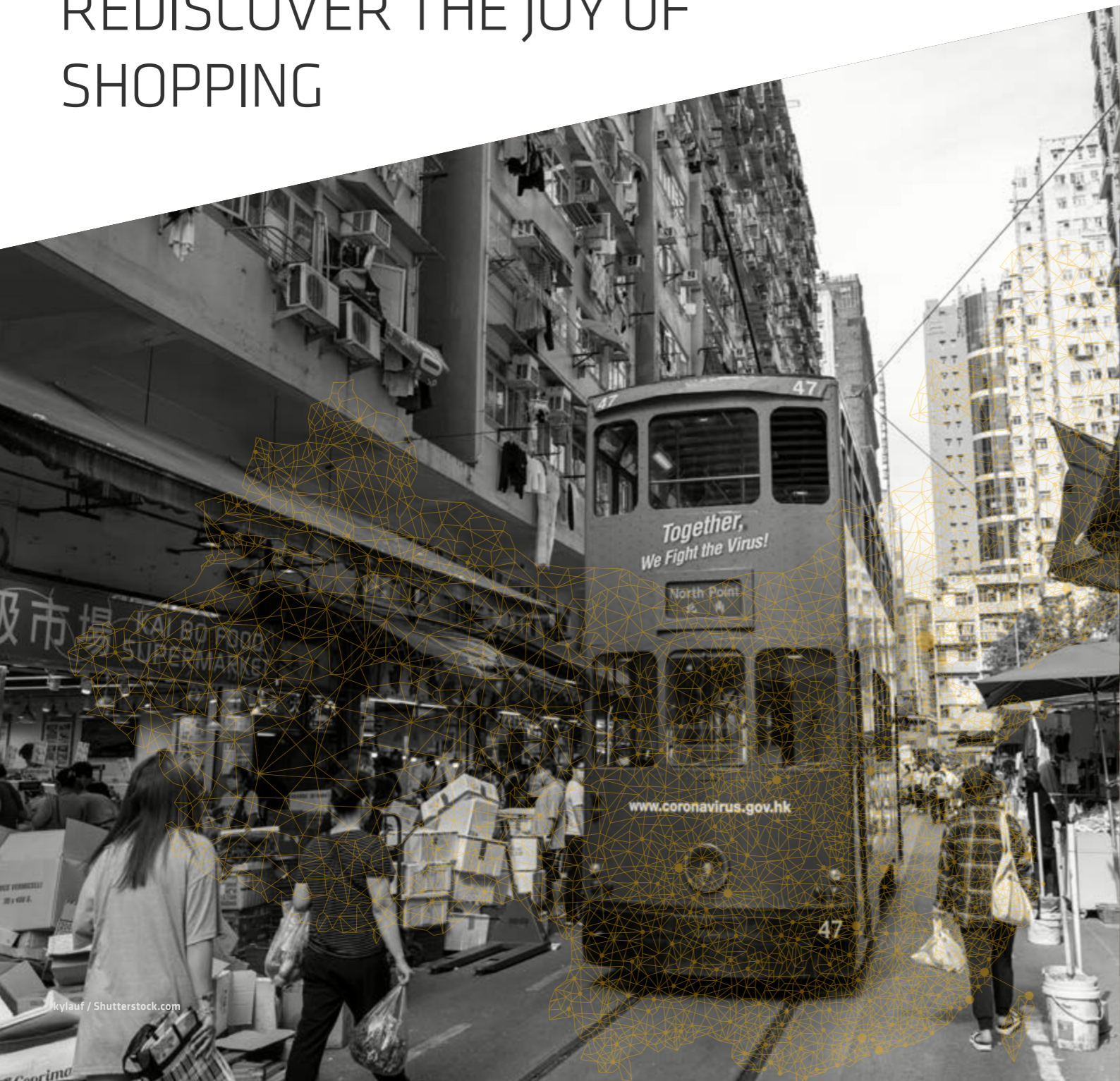


Ella Kidron, International Communications, JD.com

ASIA | HONG KONG & CHINA

by Susan Sams, The Lane Crawford Joyce Group

CHINESE CONSUMERS REDISCOVER THE JOY OF SHOPPING



The China rebound continues to strengthen. While we're seeing a gradual recovery, the momentum is very encouraging, and we are now up on this time last year. Golden Week, which took place from May 1-5th was very strong in China and sales, which normally tail off quickly after the holiday, have continued to increase. Traffic is still down on this time last year, but transaction sizes are higher as we see customers taking a much more considered approach to buying, investing in quality, timeless pieces.

Home and lifestyle continues to exceed expectation. Many customer are looking to redecorate after being at home for so long, while property transactions are now being completed and there is a need for new, quality pieces. Clean skincare and wellness continue to rally. In terms of fashion we are seeing a big return to luxe and designer for essential timeless pieces that can be worn for many seasons. People are appreciating how to buy better - investing in quality and having key wardrobe essentials. That means we are explaining more on how to invest in key pieces that are versatile, and giving ideas and inspiration on how to style pieces for different occasions and with pieces they already own.

We are seeing the rewards of staying close, connecting and sharing inspiration and personalised looks with our customers throughout the pandemic in China, as customers now come back to store with purpose. As such, we've recorded more exceptional transactions this year than last. In Beijing, a customer contacted her personal stylist to say she was going to make one of her first journeys outside after the lockdown and wanted to visit our store. In just one hour, she spent 1.4 million Renminbi (\$197k) on more than 80 pieces of Ready-to-Wear and shoes and accessories. In Shanghai, another customer contacted her stylist and booked an appointment in one of our private suites and spent 1.1 million Renminbi (around \$155k) - she bought ready-to-wear, shoes and accessories, furniture, and menswear for her husband, then returned to shop again a few days later on Mother's Day. In both cases, the focus has been on luxe and designer investment pieces

This is what might be tagged in the Western media as "revenge shopping" but speaking to our staff and customers they recoil at a term that is so negative while the spirit is so very positive. It's an appreciation of life and reveling in the joy - it's a moment to treat one's self.



Live streaming in Lane Crawford Shanghai

Our sales staff have really embraced creating their own content over this period, and this is something we expect to only increase. In Hong Kong, our personal stylists have initiated trunk shows on Zoom which have proved very successful and despite being able to easily access stores now, customers are loving the convenience and intimacy of these presentations. In China, livestreaming events with our brand specialists talking through collections have been incredibly popular with hundreds of thousands of viewers for single sessions. Our staff create their own videos of collection walk throughs in-store, and model clothes for their customers who respond to seeing people they know in the content they receive, while at the same time delighting in meeting someone in store they've only seen on screen, as if they are a celebrity.

As international travel is still off limits, and as the cold war of words between the US and China intensifies and horrendous stories of verbal and physical attacks on Chinese abroad continue to shock, those who once travelled to shop are staying put and could do for some time. But with businesses open and the sentiment to spend bubbling up, luxury consumption in China is a real opportunity for brands on the ground, even more so as the Government reduces luxury taxes.

It is a different story in Hong Kong. Customer sentiment has been greatly affected by 12 months of disruption and uncertainty from social unrest and COVID-19, and now protests have begun again. Last week, the Central Government announced that it will table a resolution on the National Security Law for Hong Kong at the National People's Congress' annual parliamentary session now underway. Under the Basic Law, the constitutional document that enshrines the concepts and laws upholding Hong Kong's Special Administrative Region status and "One Country, Two Systems", agreed by the British and Chinese for Hong Kong's handover in 1997, Hong Kong must fulfil its constitutional duty to enact a National Security Law known as Article 23. However, under the Basic Law, Hong Kong must draft and enact its own laws. While Beijing is defending the move saying it will not impact on Hong Kong's high degree of autonomy, the rights and freedoms of Hong Kong residents, or the legitimate rights and interests of foreign investors in Hong Kong, critics say imposing the law from Beijing and enforcing it through China's security forces based in Hong Kong changes the balance of One Country Two Systems and threatens Hong Kong's autonomy. It is an emotional and divisive subject which has spurred the return of violent street protests. It is a fluid situation. This will, at the very least, be a temporary

setback to the slow recovery we were beginning to see here. We are planning cautiously in Hong Kong, taking control of what we have in our control, while retaining a high degree of flexibility. That is why we are laser focused on further strengthening our relationships with our loyal Hong Kong customers, emotionally connecting with them on personalised product curation and experiences and serving them wherever and however they wish.

Despite the fact that life in Greater China is getting back to normal, safety continues to be our priority. As retailers around the world grapple with how to re-open their stores and what safety measures to implement, we have been open throughout and the measures we have in place including temperature scanning at entrances, frequent and visible cleaning and sanitisation of the stores, and of changing rooms immediately after use, and the request that everyone wears a mask while in store, is just habit and will continue for some time to come. We are now looking at installing thermal scanners permanently. We were surprised by comment from a retail consultant that this sort of protocol wouldn't happen in the West as it compromises the luxury experience. Contrary to this, we believe the luxury of safety is integral to our retail experience and rather than detract from our proposition, it is essential to creating the best possible environment for our staff and customers and is expected by them.

As retailers around the world struggle with accumulated inventory in shuttered stores and warehouses, discounting has begun and will surely continue with a vengeance. But we are seeing customers coming to store and discovering summer collections as if they are new, so we will continue at full price until our end of season sale later in June, though our brand partners have begun marking down in some instances.

What the next season delivery flow will look like continues to be discussed on a daily basis with our vendors. At this stage it looks like those who will deliver will be four to six weeks behind the normal schedule and could be even as much as three months. We're also working on exclusive collaborations, pairing designers with China production, which is open, expanding our China and Asia designer portfolio and creating new retail concepts to ensure excitement and new experiences for our customers next season.

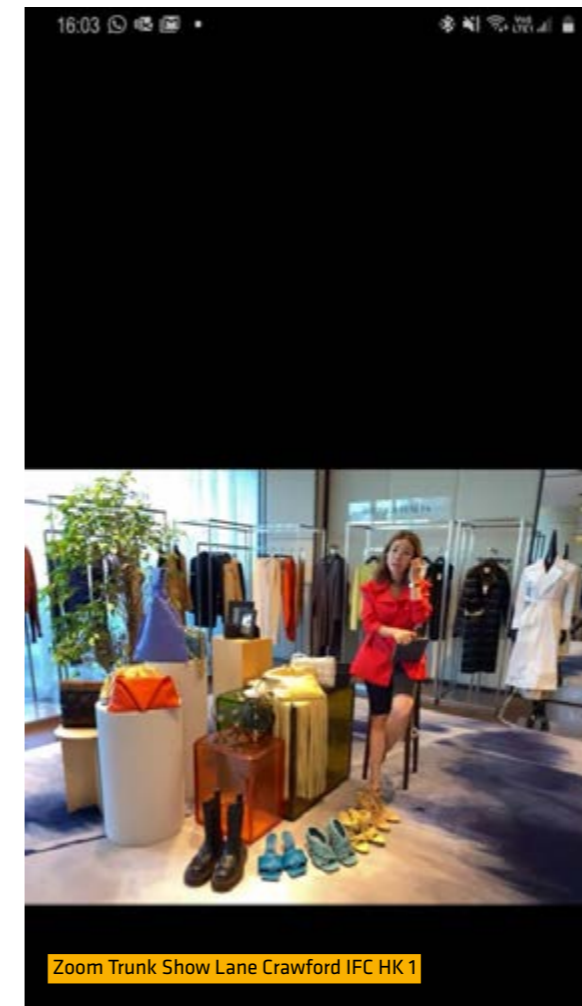
The current environment, while challenging, has created the impetus for industry change. Two forums made up of designers, brand CEOs, and retailers have come together for the first time to discuss the impact of COVID-19 and after weeks of discussion, recently proposed actions to make the fashion industry more sustainable and meaningful. Collectively, there is recognition that the continuous cycle of over production, constant discounting and the frenetic fashion show schedule which has a huge amount of the industry travelling around the world for eight fashion weeks a year, expanding the industry's carbon footprint, is not sustainable. Andrew Keith, the President of Lane Crawford and Joyce, has co-lead the Forum with designer Dries Van Noten, and he is a participant in #rewiringfashion, which is facilitated by the influential industry commentator, Business Of Fashion.

The latter has published a manifesto for change, while the Forum has published a letter calling for greater action to get the fashion cycle back on track, selling in season product, and staging only one markdown a season in January and July, and reducing waste by eliminating unnecessary product and systemic markdowns, and changing the way fashion shows are presented. As both forums discuss ways to collaborate and affect change, the movement is gathering momentum with more and more industry players signing on for change.

forumletter.org
<https://www.rewiringfashion.org/>



Zoom Trunk Show Lane Crawford IFC HK 2



Zoom Trunk Show Lane Crawford IFC HK 1

Susan Sams, Chief Officer
- Strategic Development &
Communications, The Lane
Crawford Joyce Group



ASIA | INDIA

By B.S. Nagesh, Shoppers Stop Limited

I AM THE CONSUMER, I AM THE EMPLOYEE, I AM THE RETAILER, I AM THE GOVERNMENT



India has been in official lockdown since 25 March. Many of us in Mumbai started working from home a week before. We are the middle class who have grown and seen our incomes grow and have savings, but have also committed future earnings to aspirational products. We are also the consumers who shopped in malls and ate at restaurants and watched movies in multiplexes. We also had weekend get-togethers with a glass of wine.

The retail and hospitality industries have missed all of these opportunities to serve their customers and build their businesses as all of them have been closed for two months now. With zero revenue and all costs still to be accounted for, retail in India, especially the non-essential category is in a dilemma.

On the other hand, I could be an employee working in a retail store. My wife works for a restaurant as a steward. Both of us have been sitting at home. We have received our part salary for the past two months, but we do not know whether we will have jobs when stores and restaurants re-open in June. We have two children and parents to take care of. We do not know what lies in the future for us.

The government of India announced a \$266bn stimulus package for India's people and its economy. Until the details of the package were unveiled, the retail industry was hoping to get relief. However, the industry was left highly disappointed as there was no relief either at a company or employee level. Most of the package was directed towards micro, small and medium enterprises (MSMEs).


Unfortunately, the retail sector is not classified under MSMEs. Modern retail as an industry has been sandwiched between large corporations and MSMEs. On top of this, even in the staggered opening of retail outlets, malls are positioned to open last. Stores that were allowed to open in a few areas have seen 40-50% business coming back. This could be the pent-up demand of the past 60 days.

Our only hopes are for the opening up of our stores, and our ability to get customers and manage and steer the business through the troubled waters.



Thrissur, Kerala/India-May 24 2020: people standing in queue in front of Decathlon store for buying sports materials.

B.S.Nagesh, Founder, TRRAIN
Non- Executive Chairman, Shoppers Stop Limited



MIDDLE EAST | SAUDI ARABIA

By Muwaffaq M Jamal

INVESTING IN SAUDI'S GROWTH OPPORTUNITY



Noushad Thekkayil / Shutterstock.com

The Saudi streets are getting accustomed to the fight against the virus. The permitted hours for emergency shopping continue to be between 9am and 5pm every day. Malls and retail outlets are operating within the allowed hours and are full of customers exercising the protective measures of social distancing, masks, sanitisers, etc.

The number of identified cases has been increasing on account of the proactive testing that has been taking place. The number of recovered cases has also been significantly increasing. The total number of cases as of 18 May is 59,854, with 31,634 of those recoveries and only 329 deaths. This results in the number of active cases standing at 27,891, with only 300 critical cases. The announcement made by the authorities to continue the same curfew hours for the next period – apart from the four days of Eid when we should remain at home – confirms the stable situation with all alerts monitoring progress.

The national airline carrier has started accepting reservations for domestic flights from 1 June, but it has confirmed it will not commence domestic flights until the authorities clear domestic travel. Moving between cities will be banned for travellers until further notice.

Repatriation flights for Saudi nationals are increasing in numbers, with flights from the three main Saudi cities – Jeddah, Riyadh and Dammam – also increasing in numbers. Those flights are to carry Saudi nationals back to their hometowns after completing one week of quarantine. Additional fleets of VIP buses accompanied by police patrols will transport the returning Saudis to their homes.

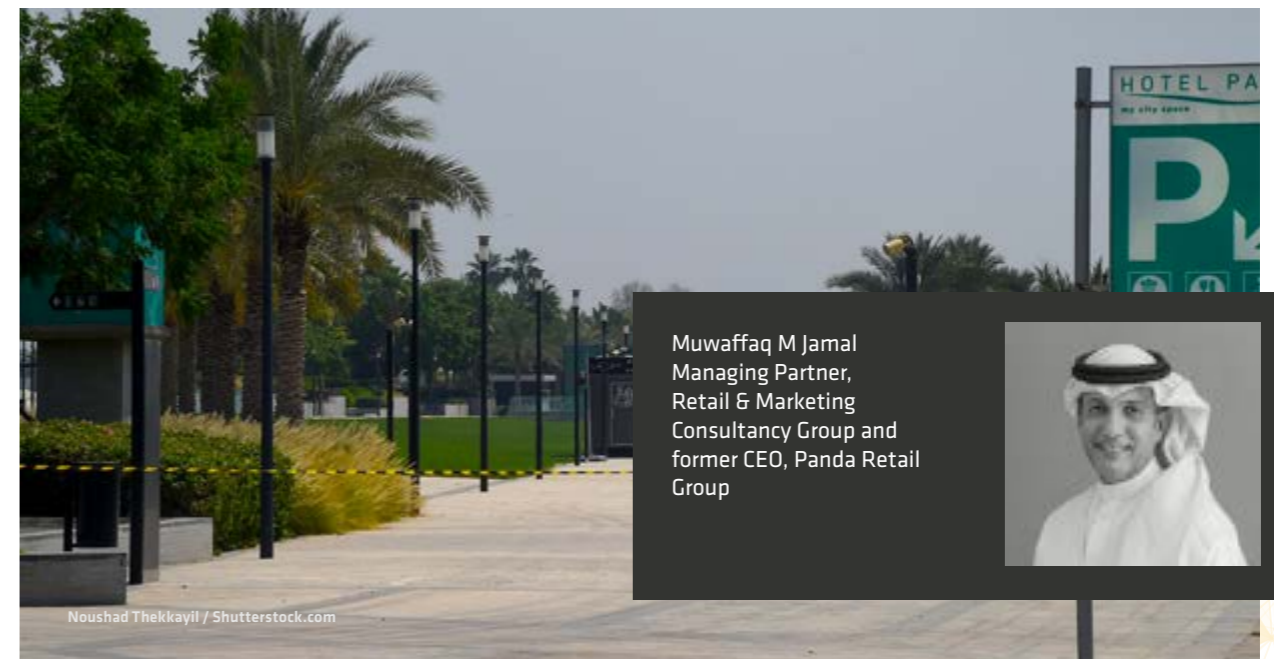
Retailers are scrambling to meet demand due to the pressures of reduced shopping hours. Home-delivery services are also under huge pressure as deliveries to homes can only take place during the hours of curfew. The

Eid period, expected from 23-26 of May, is always slow for retailers as customers move more towards entertainment and out-of-home dining. Therefore, there will be no impact on retail during the coming period, with the impact instead being felt on entertainment and food services.

Fashion is seeing a drop in sales. Sales in the current weeks of the year are always high for fashion and specifically clothing because of Eid season. Limited mobility and pressures on delivery services are going to be delivering a below-average season's sales for fashion. In the same way, stock levels of food items continue to be impressively high in all formats of grocery outlets, which has confirmed the well-planned Ramadan season sourcing.

From the above, online shopping has been limited by the basic home-delivery infrastructure. Even though there has been a quick turnaround in meeting the surge in demand for home deliveries, the services are not coping with the growth in online purchases – which is up more than 230%. For the new landscape to take an efficient form that is on track for growth, innovating the last-mile delivery as well as investing in it is a sizeable area of growth opportunity for retailers in Saudi.

The online platforms have been coping with the higher rates of growth, as well as the new online service providers, apps and platforms that have emerged. To establish acceptable levels of credibility, additional investments are required to secure better levels of service by the online service providers. One form of which started to surface where multiple retailers collaborate in a single online service provider tool. Another that is surfacing even faster is where delivery service providers offer multiple retailers' products without collaborating with the retailers themselves. However, this requires higher levels of stock availability to guarantee a pleasant shopping experience.



Noushad Thekkayil / Shutterstock.com

Muwaffaq M Jamal
Managing Partner,
Retail & Marketing
Consultancy Group and
former CEO, Panda Retail
Group



AFRICA | SOUTH AFRICA

By Simon Susman, Woolworths Holdings Limited

ADAPTABILITY IN THE FACE OF CHANGE



We are starting to see some easing of lockdown but although the Government did well at moving fast to shut things down, we aren't getting the clarity needed in trying to open things up again. There are real worries that many small and large businesses might not survive after weeks of being closed. We have a very large number of smaller businesses employing between 5 and 50 people and I fear for many of them given the financial pressure they will be under.

South Africa has a very young population, where the over 65's account for just 7%. Unfortunately, we also have the highest unemployment of any country in the world at around 50% and this is likely to rise sharply, so I can understand the need to get people back to work.

Our supermarkets are trading reasonably in this market. Anything to do with apparel has been tough as we were not allowed to sell any apparel until we moved to stage four (of five levels) a few weeks ago. We are still limited somewhat illogically by government as to what we are allowed to sell from stores. We've also now been allowed to fully open our online catalogues regardless of the in-store limitations. Online sales are a small part of South African retail suffering from an underdeveloped supply chain. However, all retailers are reporting significant jumps in demand for this channel off its low base.

Having visited a number of malls recently, it is clear that people are more prepared to visit smaller, convenience malls rather than the larger malls, probably because they feel safer. We are maintaining all of the safety measures in our stores such as social distancing and cleaning and

if there are any cases of infection we close that store immediately for 24 hours and undertake a deep clean. I believe we will have to get used to this for some time as we monitor infection rates closely.

The longer this crisis goes on, it is clear to me from all the businesses I am involved with that the most important thing for a brand is "trust". In such an uncertain time as this, when people can't touch things or other people, they will only buy from those brands that they believe they can trust, that the product is of great quality, that it will last or that they are doing good in the community. It has been part of the Woolworths DNA since it launched 90 years ago. Doing good is good business and that is even more important today. When all our stores were allowed to open we could see a pent-up demand for babywear, so we took the decision to take a margin cut to make it more available to more people.

As I've also said before, cash is the other key focus for all businesses. Preserving cash is what is going to get us through this crisis so that means managing everything from product to rents and all other areas of the business. Which is why managing stock is so important. There is inevitably going to be great swathes of discounting around the world as retailers look to clear stock and maybe even give it away. Forward orders have already been aggressively cut back.

And the final point is that we will have to cooperate more with other retailers. This is already happening in South Africa where despite rigid competition laws, the Government has recognised that businesses need to cooperate if we are all going to survive this crisis.



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Simon Susman, Honorary President, Woolworths Holdings Limited, South Africa



EUROPE

By Christian Verschueren, EuroCommerce

EUROPE REAWAKENS

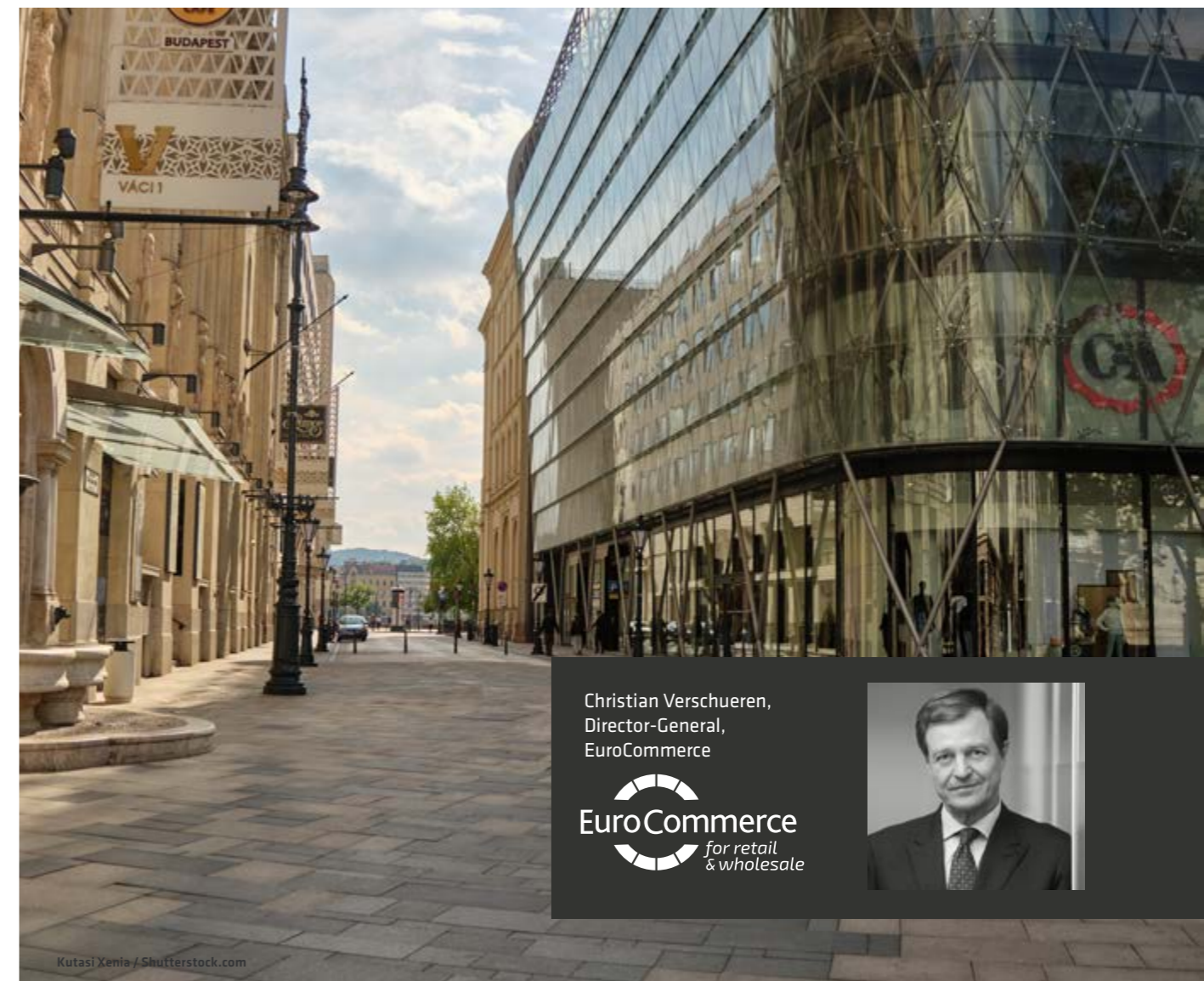


Europe is slowly reawakening from its COVID-enforced slumber. But perhaps not to a very promising dawn. The European Commission is predicting a recession of over 7.5% of GDP this year and only a partial recovery next year. As non-food shops open in many countries, they are starting to assess the damage to their business, and meanwhile see that consumers, anxious about the recession and still subject to many restrictions, are staying away, or if they come, spending less.

The Commission will be launching its proposals for a massive recovery plan, with the EU borrowing an unprecedented €800bn to finance it. This will face scepticism from some countries, but President Emmanuel Macron and Chancellor Angela Merkel have come out with a clear message supporting the idea – and proposing a smaller, but substantial €500bn programme, and apparently overcoming previous German opposition to the EU borrowing on the markets.

The Commission has also recognised retail and wholesale as one of the 14 industrial ecosystems vital to European recovery and therefore eligible for support. We are also involved in two other priority ecosystems on agri-food and textiles. This is an important step, as retail and wholesale were in the shadow of manufacturing until the COVID crisis showed policymakers just how important our sector is for employment, daily living and the economy as a whole.

Given the fragile state of our sector after the crisis, and the massive growth in card payments during it, we have been pressing for EU action to stem the very large rises in fees which merchants are paying for accepting card payments. While the interchange fee for debit and credit cards is regulated, all other fees are not, and the card schemes have increased these fees nearly 50% over the last two years in Europe, costing merchants €800m in extra charges, and cancelling out much of the benefit of the regulation.



Christian Verschueren,
Director-General,
EuroCommerce



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EUROPE | DENMARK

By Peter Husted Sylvest

DANES LOOK TO REDISCOVER NORMAL LIFE



Anna Svetlova / Shutterstock.com

Warehouses across Denmark are bursting with both food and non-food products, as they are unable to leave for export markets or the local physical distribution channels. Normally you would expect businesses to implement deep discounting to move the dead stock, but the government has blocked retailers from encouraging consumers to go to stores in large numbers. As a result, the overstocking crisis only grows more serious.

This is not to say that bargains aren't available. Special offers on wine with Russian text on the labels are now available here in Denmark at very special prices. With closed external borders such stocks are now moved within the EU.

Airport retail is effectively dead, with local airports around the country closed including Copenhagen Airport. Daily traffic is down by 99%, with fewer than 1,000 people visiting per day.

For nightlife and restaurants, Danish passport holders can travel across the bridge to Sweden. Although closed to foreign visitors, it has been a weekend escape for many Danes who want to remind themselves what normal life is like, with eating out, shopping, going to the gym or even getting a haircut.

Level-two opening – with department stores and malls – began on Monday, 11 May. This has been a long wait for the major players who argued that they could maintain the same safe shopping environments as the DIY shops and garden centres that have stayed open for the past two months.

It became a soft and safe opening. Having seen a 90% drop in foot traffic in central pedestrian areas, the department stores are seeing business coming back slowly and key players are hopeful that the re-opening of food and beverage outlets from 18 May will attract more people back into the city centre.

Older school children from grades six to 10 have returned to school. Restaurants and cafes have been allowed to re-open from 18 May as long as they maintain a minimum distance of one metre between people, but with an unclear strategy of what the minimum square meterage available per guest should be, it makes it difficult for many to work out if they should re-open.

For more than two months all stores that have kept their doors open have had a sign saying "No cash accepted". Many speculate that this could kill off cash almost completely, but although the Nordic region is perhaps one of the most digitised, there are still concerns about the old or the homeless, many of whom have no access to digital payments.

Many restaurants are closed until at least early June.. The powerhouse of Nordic cuisine, **Noma**, has re-opened but with an outdoor burger and wine bar, giving the business a few weeks to prepare to welcome customers back to its globally renowned restaurant.



Anna Svetlova / Shutterstock.com

Peter Husted Sylvest is the founder of pH value Aps, a consultancy working with Scandinavian home interior design companies and gourmet food businesses and restaurants. He is based in Copenhagen, Denmark.



EUROPE | FRANCE

By Michel Koch and Anne-Sophie Fernandes

TENTATIVE RETURN TO STORES, ONLINE REMAINS STRONG



Since Monday 11 May, stores have been able to reopen in France, except for shopping centres larger than 40,000sqm. Consumers seem to have been focused on catch-up purchases related to home and the arrival of good weather. **Gifi** (non-food hard discount) and **Mr Bricolage** (DIY) chains are both seeing a surge in garden products.

In the apparel category, the resumption of spending was mainly in childrenswear (aged 0 to 14) and mothers-to-be. Anything more indulgent such as jewellery have not yet seen their customers return.

Despite the possibility of going into the stores, consumers seem to favour click and collect, particularly in the cultural and household electrical goods sectors, a trend shared by **Fnac-Darty** and **Boulangier**. **Auchan Group's** property company, Ceetrus, who have notably agreed to write off all rental costs for their tenants from 15 March to 15 May, are also testing a "click and drive" system in six of

its Aushopping shopping centres. After ordering online, customers do not collect their purchases in-store, but in a dedicated space, outsourced to a car park.

What has been extraordinary is the performance of the convenience sector. Whilst turnover increased by 21.7% during the lockdown period, it fell to 10.9% during the first week of deconfinement. Hypermarkets, on the other hand, saw a good turnaround having seen sales drop -3.2% during the confinement to enjoy a +4.4% uplift. As for the growth of ecommerce, it remains very strong: +69.6% in the first week against +76.4% during the lockdown. While the rate of store visits is still below normal, the conversion rate is often excellent with customers returning to stores with a clear objective in mind. Some retailers, already fragile before the COVID-19 crisis, are in great difficulty. This is the case for **Alinea** (home equipment) and **André** (shoes), both of which are now under administration. The lockdown has clearly had a strong Darwinian impact.

Michel Koch, Managing Director, **Institut du Commerce Connecté** and Publisher, **Global Retail News**



Anne-Sophie Fernandes, Reporter, **Global Retail News** and Content Manager, the **Institut du Commerce Connecté**



EUROPE | GERMANY

By Mirko Hackmann

SOLIDARITY, SOCIAL COMMITMENT AND SUSTAINABILITY – HOW FUTURE CONSUMERS WILL DECIDE



While the re-opening of stores in Germany was initially limited to those of less than 800sqm, since mid-May stores of all sizes have been allowed to start operating again nationwide. But even if people are allowed to go back to the shops, having to wear a mask and socially distance spoils the shopping experience. Normal life is only slowly returning to the city centres. “The shopping spree with spontaneous purchases is rare,” says Stefan Genth, Managing Director of the German Retail Association (Handelsverband Deutschland - HDE).

This is also demonstrated by the measurement of the frequency of customer visits to city centres by the specialist company Hystreet. The number of visitors to key shopping streets in Munich, Hamburg, Cologne, Leipzig and Stuttgart has been significantly lower in recent weeks than before COVID-19. The best of the five cities examined was Hamburg, where 53% of the regular pedestrian frequency was reached on Spitalerstrasse. In comparison, the otherwise very popular Neuhauser Strasse in Munich only saw 42%.

Almost every fifth citizen in Germany (17%) expects a long-lasting recession, according to a “consumer sentiment pulse check” – a survey commissioned by McKinsey & Company conducted with more than 1,000 consumers in Germany. More than half of Germans, according to the survey, are concerned about the development of the economy and the uncertain prospects for the duration of the crisis. The first easing measures had already led to mixed reactions among consumers: 54% of those surveyed stated that since the end of April they had only bought for everyday needs, but had not, for example, bought clothing, cosmetics or electronics.

Companies that had problems before COVID-19 are unlikely to survive the decline in demand without hard cuts. Considerations for the closure of numerous locations of the last German department store group **Galeria Karstadt Kaufhof** have already become known. As a result, up to 80 of the company’s 175 branches could close as part of the upcoming restructuring.

According to a survey by the German Chamber of Commerce and Industry (DIHK), one in ten retailers in Germany sees themselves at risk of bankruptcy. Of the 10,000 companies surveyed at the beginning of May, almost 40% also reported that they wanted to cut their investments for the current year. At the same time, just under a third of retailers said they were so badly affected by the crisis that they would have to let go of staff. Companies are suffering from the slump in demand at consistently high costs and 78% of retailers expect sales to decline.

Fundamentally, who will survive could depend on the question of attitude. For example, in the study “New normal: How does Germany live in the post-corona world?” by the digital retail company QVC in conjunction with the trend researcher Professor Peter Wippermann, two thirds of Germans state that in the future they would rather buy from suppliers who stand for solidarity, social commitment and sustainability. Some 69% plan to pay more attention to durability and timelessness when buying clothes. “Customers are now asking themselves more about the meaning and sustainability of their purchases than before the pandemic,” says Study Director Wippermann. Companies will no longer convince consumers with their products alone, their overall values also playing a huge role.

Mirko Hackmann, Editor-in-Chief, Handelsjournal



EUROPE | ITALY

By Richard Simonin

PRAYERS, SOCIALISING BUT NOT SHOPPING

Richard Simonin, veteran retailer, Vice-Chairman of Al Tayer, long-time supporter of the World Retail Congress and French citizen living in Bologna since 2011, gives his unique perspective on the fast-moving events of the pandemic and their impact on retail.



What has been the reaction from people to the re-opening of shops and some bars and restaurants?

Bars and restaurants have definitely had a lot of success. Initially, the Government considered reopening them on 3 June but then suddenly announced that this would be brought forward to 18 May. One of the great Italian qualities is the ability to react quickly and businesses proved to be well-organised and quickly put in place the now-normal social distancing and hygiene measures together with plexiglass panels between tables if there is too little space, disinfecting areas and waiters wearing masks. But whilst business owners are behaving by the book, their customers are not really doing the same with many groups of people with less than 50% of them wearing masks hugging each other and talking less than one metre apart.

Given the tough constraints on space and capacity it is hard to determine how much turnover these businesses are losing but I would estimate at least 50-60%.

What is the Italian government proposing as the next steps in reopening the economy?

On 19 May, the Italian government announced the biggest support to the economy since the beginning of the pandemic. The decree "Rilancio Italia" has 256 pages (without the indexes...) and 266 articles, it has been already amended twice. People are still studying the detail and it's difficult to figure out how small businesses can have the ability to understand and manage such complexity in order to work out if they are entitled to some temporary financial support. The good news is that all bank loans, short-mid-long term, have been confirmed until end of July, and cannot be revoked even if the borrower has breached their covenants. But, from my understanding, bankers are privately saying that they "will have to become selective" after this deadline.

Can you say which sectors of retail are attracting customers and what safety measures are being used in stores?

As you can see in the image on the opposite page, the only "store" I have seen attracting customers is the San Pietro Cathedral in Bologna. This was the scene from late last week and even though attendance inside the Cathedral is limited, we have not seen queues like this for some time. This proves to me that shopping will take time to return to the top of peoples' priorities. My view is that it is not about security measures encouraging or discouraging people to come back. These measures are accepted and respected (in the shops, if not so strictly in bars and restaurants) by the great majority, but the "spirit" is not there.

Psychologically these are very challenging times and although there is talk of a second wave of the pandemic, you get the impression that people are not that concerned. So far at least, the numbers of new infections are still trending down.

But the next moment of truth will be two to three weeks after the big reopening on 18 May - between 1-8 June. Which does make me wonder why the Italian government wants to authorise travelling between the various Italian regions from 28 May when personally, I think they should wait until 4 June.

What is clear is that people are starting to realise the huge impact this is all having on the economy from inflation to bankruptcies and unemployment.

Looking around retail in Bologna, I feel very sad to report that there are very few shopping bags around. There was a small queue at **Zara**, nothing at **H&M**, **Bershka** or **Sephora**. It was similarly sad to visit the Luxury Galleria Cavour in the heart of the city with no queues at **Louis Vuitton** or **Gucci** but some at **Tiffany** and at another jeweller which is interesting. I understand that in Dubai Mall last week the only store enjoying a long queue was **Cartier**.

Another phenomenon is the attraction to small shopping centres rather than the larger malls which is a trend happening almost everywhere in the world. It seems to me a bit counterintuitive: when footfall is reduced by 50% to 70% due to safety and hygiene measures, one should logically think that people will be safer in a bigger mall.

After so many weeks having to meet the challenge of such strict lockdowns, what do you believe are the main considerations now for retail leaders?

Quite clearly, the main concerns and priorities for retailers have been the health and safety of their staff and customers together with protecting their brands. But as stores progressively re-open the focus for retailers will surely switch to assessing the potential damage this has brought to their businesses and such existential questions as:

- how many of my stores are going to survive this crisis?
- is my company digitized enough to combine smart working and physical working?
- is it digitized enough to develop different kinds of relationships between associates across the business as well as with my customers?
- is there still time for me to build and/or grow an effective omnichannel operation? Or is it too late as I was potentially too far behind or because I am running out of cash?
- Do I want to adopt a defensive or an offensive strategy? Should I make this decision now or wait until we better understand the future retail landscape? My personal view is that to wait too long is riskier than adopting an offensive approach. The longer you wait, the more limited will be the options.

Richard Simonin is a Turnaround Retail CEO - Luxury, High-Street & Discount, Apparel, Shoes, Accessories & Perfumery. He is also the Vice-Chairman of AlTayer, one of the leading Luxury-Retailers in Dubai.



EUROPE | RUSSIA

By Maria Mironovskaya

GO ONLINE OR GO OUT OF BUSINESS



In Moscow, quarantine rules are monitored closely @Kirill Zykov

Just as the officially confirmed number of COVID-19 cases exceeded 350,000 in Russia, the quarantine measures were eased in the eleven less-affected regions, and thirty more regions are getting ready for stage one of the three-step confinement relaxation plan.

This means that non-essential retailers may re-open if they are economically able to. Only stores under 400sqm may resume operations if they comply with the safety standards set by the federal regulator, including: social distancing, sanitising and the maximum of one customer per 4sqm in store.

The Russian government significantly increased its support for retailers, passing the so-called 'rental slavery abolition act' on 22 May. The new law allows small and medium-sized retailers to terminate rental contracts at once, with no fines imposed. The proprietors in their turn will get property tax reductions and credit holidays. The decree came amid lobbying and even turbulent rallies from both sides. The new law allows for a smooth passing, but who will stay in business?



Retailers rally against 'rental slavery' in Tula, central Russia

Will the offline retailers be able to continue operations in the black? Well, the consumer demand for non-food goods is likely to take a nosedive post-isolation, due to pay cuts (-22%) and unemployment (up to 5%). At the same time, the online pureplays are already stealing at least 30% market share from the established retailers. Therefore, the bricks-and-mortar stores will have to manage with only around 50% of pre-crisis traffic.

The dramatic one-day re-opening of **MEGA** shopping malls (**Ingka group**) in the Leningrad region proved the 50% traffic forecast. Shoppers rushed from nearby St. Petersburg, registering 48% like-for-like traffic and jeopardising customer safety. The next day, the malls closed down again.



Just one day of fashion shopping for MEGA customers near St. Petersburg, but no food court @Fontanka.ru

To survive in this new environment, retailers must get creative with cost-saving and go omnichannel at once.

A fresh business case of crisis management comes from the leading Russian premium footwear brand **Ekonika**. When the store chain realised that its slow and failing ecommerce platform was causing customers' anger and obstructing sales, **Ekonika** turned its store managers into remote personal shopping assistants and couriers, and its closed stores into warehouses. They reached out to their customer base through messengers, providing expert advice and next-day delivery.

Other retailers with underdeveloped ecommerce turn to marketplaces and electronic 3PLs as their last chance. Top online marketplaces such as **Wildberries**, **Ozon** and reported three-digit revenue growth in April, while overall national consumption declined by ~11%.



OZON launched express shuttles for food delivery

Maria Mironovskaya is based in St Petersburg and is an omnichannel executive and former chief customer officer and member of board at Rainbow Smile, a leading Russian health & beauty retailer.



EUROPE | SPAIN

By El Corte Inglés

A PHASED RE-OPENING



To help move the country out of lockdown, the Government has set four levels or phases (phase 0 to phase three). A region or city has to meet the criteria of Level One before businesses can re-open. What this has meant is that different regions and cities are being allowed to open when others cannot. This Monday, 25 May, Madrid and Barcelona will be at Phase one, which means only small shops under 400sqm can open. Large stores can also open but only 400sqm of space; the rest remain closed to the public. But where places have reached Phase Two, more businesses and stores can open without space limitation. This means that we will finally be able to re-open almost 50 stores from 24 May in different regions of Spain.

There will be strict limits on the number of customers allowed into stores. This is set at a maximum of 40% of legal capacity and this has to be monitored by our cameras and counters. To prepare for re-opening we have, of course, been taking the lessons from our food stores which remained open, but we are also consulting with other department stores around the world. Staff will be wearing masks and gloves, there will be hand sanitiser available for all our customers and the layout of the stores will allow social distancing. The benefit of our large store space is that we can put this in place and make customers feel comfortable and safe.

We will close every other changing room and pass all clothes that have been tried on through a special disinfecting

machine. All the stores will be completely disinfected every day. It is now mandatory for everyone to wear masks. Fortunately, there is much better availability now to source masks and gloves for staff and to sell to customers.

Our online business continues to grow and is currently showing a 300% increase on where it was before the crisis. Click and Express is performing really well where we are using our stores as warehouses which gives us a lot of flexibility. We are now truly in an omnichannel world. It shows us the relevance and importance of the stores in supplying the online business with close to 200,000 SKUs. This crisis exemplifies the explosion of online but also the relevance and value of the store to help expand the online business.

To help us increase our online food orders and our ability to fulfil them, we have just converted one of our Brico DIY stores into a dark store in just 10 days.

Fashion sales continue to be very slow.

In Madrid it slowly feels like it is returning to normal. However, schools won't open for some time. Bars and restaurants can only provide takeaway services. Offices are slowly opening but we have only 20% of our people working back in the office and we will monitor that. We will do it in phases whilst maintaining working from home. Home working has proved to be a lot more productive than we anticipated because the technology has proved that it works.

El Corte Inglés

EUROPE | SPAIN

By Ignacio Sierra Armas, Tendam

THE EXCITEMENT OF SERVING CUSTOMERS AGAIN

Can you give an overview of the situation in your main markets? How many are still in strict lockdown and which are beginning to relax the guidelines? Which countries have you been able to reopen stores?

We can say that the sun is shining again. Despite some delay in certain territories or regions in some countries, the last two weeks have seen the acceleration of re-openings. We will finish this week with more than 37% of our direct operated stores open and aim to have 60% before the end of May. In the countries with directly managed stores we will have openings in all of them before the end of the month of May, the exceptions are Russia and Mexico where we will have to wait until June. In the overseas franchises most of the markets will be opened next week, the end of May and the rest during the first days of June. There are of course exceptions like Guatemala where they have had to go back to closure due to an increase in infections or Chile where the initial lockdown will last until mid-June.

Are there any differences in the guidelines in different countries?

In general, every country in which we are operating is applying the correct measures to protect people - customers and employees - by promoting the use of masks and social distancing. Prudence, protocols and good citizen behaviour are needed for all to be safe. For us this is the very first consideration.

We are seeing that some are more restrictive than others in terms of commercial space restrictions for non-food, restrictions of malls to operate later than other retail formats, restrictions on capacity or customer in store densities or even a country requiring special bactericide lamps but those are the exceptions.

How are consumers reacting in different countries? Are you seeing real differences in consumer behaviour as people emerge from weeks of lockdown?

Definitely, the people are reclaiming the streets and the public spaces to walk, do exercise and start to do some non-food shopping. To highlight one area, the Balkan region has reacted positively to the stores we have re-opened but in general we are opening to provide a service more than to increase volume for the time being. People are concerned about the economy, the increase in unemployment and there are still fears about the virus itself. Customer behaviour is going to be more about saving, looking for the best value for the same or less money and will be selective in their choice. We are eagerly re-opening stores albeit with caution - the excitement about seeing our customers again and providing them with the service they deserve, and the caution due to the uncertainty in the relaxing of the confinement measures.

What is the situation in Spain now? There seems to be regional variations in the approach to easing the lockdown. When do you believe your stores will be able to reopen?

As you can see from the pictures, our Chairman and CEO Jaume Miquel was one of our very first customers in Madrid last week when we had the first permission to re-open to shop by appointment. The Spanish government has introduced a series of phases to designate the progress toward controlling the coronavirus and, fortunately, movement through these phases is advancing so that 70% of the country is now in phase one meaning that we can open stores of less than 400sqm at 30% of their public capacity, with the exception of those in shopping malls or parks without direct entry from the street. Madrid Region and Barcelona Metropolitan, and the capital cities of Castilla León Region area still in phase 0 but this improved in the second week, beginning 18 May so no previous appointment is now required.

We do expect from 25 May that all territories will advance a phase given the improved evolution of the pandemic with the strong and consistent reduction in infections and deaths reported. From phase two, shopping malls and stores above 400sqm will be allowed to open as well and in store capacity will increase to 40%.

Have you been running in-store experiments to see how the safety measures will work?

We did and now we are operating with all protocols and health and safety measures in place. With empathy, prudence, cooperation from our customers and a positive attitude we will all contribute to a faster and safe return to normal making improvements in-store experience every day.

How are you managing stock levels when, like all fashion retailers, you must have a lot of spring and summer stock that hasn't been sold yet? How are you planning ahead for the development of the season and stock levels?

I wouldn't say that the problem is behind us, but thanks to the plans we put in place at our year end, at the end of February, we have performed very well in stock reduction and tight purchase programmes. Nevertheless, we will be competitive with all the sector in promotions, special offers and sales. Cash and liquidity matter now more than ever.

What is the current situation with your online sales - are they still increasing and are people continuing to buy online as lockdowns ease?

After the initial period of the lockdown, sales started to ramp up and outperform expectations and now back to more than 30% growth. Customers, even the most reluctant ones, are getting used to it and realise that it is simple and convenient. Our online channel has been our means of communication with customers and partners, and this is a fundamental part of our single-channel strategy and a firm pillar for the future growth of Tendam.

What are the key financial issues for Tendam that you are currently addressing?

At the end of February - coinciding with end of the Group's financial year 2019/20 - Tendam was in a solid financial position, with the lowest level of debt in 15 years. Apart from a good cash position and the option to use a revolving line of credit, we signed an additional credit facility for a total of €132.5m to protect the company in case of a worsening scenario. This arrangement consists of a €122.5m syndicated loan plus a further €10m bilateral credit agreement. The institutions lending are Banco Santander, the Official Credit Institute of Spain (ICO), BBVA, CaixaBank, Société Générale, Bankia, Banco Sabadell and Crédit Agricole.

Even with all our stores closed for two months, the company has made up the difference in salary for all its furloughed staff in March and April, as well as granting almost 2,000 zero-interest loans to employees under a Temporary Employment Regulation File, to provide for possible delays in payments from the State Employment Service (SEPE).



Tendam Chairman & CEO outside the first shop to re-open

Ignacio Sierra Armas,
Corporate General Manager,
Tendam



EUROPE | UNITED KINGDOM

By Luke Tugby

GETTING BACK TO BUSINESS



Marks & Spencer boss Steve Rowe summed up the seismic nature of the change facing UK retail in the company's full-year results statement. "The trauma of the COVID-19 crisis has galvanised our colleagues to secure the future of the business," he said.

"From the outset we recognised that we were facing a crisis whose effects and aftershocks will endure for the coming year and beyond. Whilst some customer habits will return to normal, others have changed forever. The trend towards digital has been accelerated and changes to the shape of the high street brought forward. Most importantly, working habits have been transformed and we have discovered we can work in a faster, leaner, more effective way."

To that end, M&S, one of the stalwarts of the British high street, has launched a transformation strategy entitled 'Never the Same Again'. It is a blueprint designed to help the business learn lessons from how it has adapted to the crisis, in order to help it respond to what will be a radically different consumer environment.

M&S recognises the need to be more agile and move much, much faster if it is to thrive in the new world of retail. It recognises that its bricks-and-mortar footprint will need to become more relevant than ever in order to entice people off their sofas and back into stores. And it recognises that now is the time to rip up the traditional retail rulebook, turn its back on legacies of the past and reshape itself for the future.

Almost every retail business in Britain is being faced with similar stark realities – the urgency of which was kicked into a higher gear when Prime Minister Boris Johnson revealed plans for non-essential retailers to begin opening their doors for business again from 15 June.

Retailers are racing to ensure that their stores become environments in which their colleagues and customers feel safe to operate in. **Waterstones** is quarantining any book that has been handled by a customer for three days before it is allowed back on shelves. **Furniture Village** is temperature testing all shoppers and making sure they use hand sanitiser before they enter its stores.

Shopping centre landlords are installing a raft of new measures including one-way systems, floor stickers placed two metres apart and additional security to ensure social distancing measures are being adhered to.

Although such measures are being put in place ahead of 15 June, how consumers will react on that date, and indeed beyond, remains the great unknown.

When **Greggs** postponed re-opening its stores to the public in early May, it did so because it feared overcrowding at its high street sites. But will shoppers really be in such a rush to visit their nearest **Next**, **John Lewis** or **Primark**? Or will the shift to online that has accelerated beyond comprehension over the past two months persist beyond the pandemic?

Whatever the consumer ultimately decides, retailers must be ready to adapt to what will be a brave new world. And that is why Steve Rowe's words should resonate not just across the UK, but across the globe.

Luke Tugby
Editor, Retail Week



OCEANIA | AUSTRALIA

By Bernie Brookes

WE NEED CONSISTENCY



Qian Lin / Shutterstock.com

Australian Retail has had its worst result on record. Is it a one-off lockdown phenomenon from COVID-19 or is it a sign of retail doldrums ahead?

April spending at cafes and restaurants were half of last year, but fashion categories like footwear and apparel were significantly worse. Following record March growth with the fanaticism of stocking the grocery and medicine pantry, came a juxtaposition unparalleled in the measure of retail volumes. Retail sales were down 17.9% compared with last year. If it was not for ecommerce, take-away meals, food deliveries and the odd opening for select retail, the result would have been worse.

As the lockdown is eased gradually, retailers must manage inconsistent approaches from state governments. They need to navigate and understand restrictions on crossing state borders, the challenge of social distancing, the over-burdening of supply chains and variable landlord approaches to relief. Retailers are juggling regulations that are impractical and inconsistent and it makes it difficult for them to build and execute national re-opening strategies.

What will we see happening over the next month? Will there be a retail demise because consumers are unable to spend or hanging on to any little disposable income they have?

We will see the return to spending with a short-term pent-up "revenge spend". The Saturday prior to Mother's Day saw customers hit shopping centres with a vengeance. But that "revenge spend" will find its watermark as consumers battle with their finances and are only able to buy necessities. Retail failures, cutbacks and rationalisations will be the new norm.

We are already suffering from a retail oversupply in department stores and discount outlets and – combined with some of the highest costs of labour and rents in the world – this will see some reach the retail "tipping point".

As fashion stores open with last season's summer stock on clearance and early winter stock entering clearance, margins will be subdued. As customers try to re-establish savings and worry about a second wave of infections, the new normal will be value engineering, discounting and cost reduction.

Australian regulators and governments have propped up retail with subsidies, grants and a short-term release from insolvent trading regulations. As subsidies tail off, it will be a busy time for administrators and those restructuring businesses. The blame for such events will be on COVID-19, but the truth is that underperformers in ecommerce, under-investors in the supply chain and underwhelming strategies will be the real cause of the retail demise.

Bernie Brookes AM
Retail Chairman, Consultant
and Advisor



OCEANIA | NEW ZEALAND

By Kiri Hannifin, Countdown

QUICK RESPONSE

The government four-level alert level system was introduced on 21 March to manage the outbreak of COVID-19 within New Zealand. The alert level was initially set at level two, but was raised quickly to level three on the afternoon of 23 March and level four at 11.59pm on 25 March.

SAFETY

From the outset, the safety of our team, suppliers and customers was our main priority. Our team, like all New Zealanders, were very apprehensive and uncertain about what would happen in New Zealand generally, but also about what would happen with our business specifically.

We were focused on doing everything possible to ensure our supermarkets were a safe place to work and shop. We did this in consultation with our team and independent experts.

In response to the initial heavy demand, which of course was tough on our team, we recruited more staff, used external security to assist with crowd management and limited store opening hours. We implemented all public

health advice on restrictive measures to prevent the spread of COVID-19 and implemented a suite of stringent health and safety procedures across the store and supply chain networks.

We began limiting the number of customers in a store at any one time. Every store was assessed and depending on the size of the store, a limit set. This ensured we could maintain physical distancing measures, give our team safe spaces in which to work and avoid bottlenecks at the checkout. We also closed every second checkout and self-checkout, installed perspex screens and distancing markers, increased cleaning on high touch points and supplied hand sanitiser for customers. We also worked with the major banks to increase the limit for payWave (from \$80 to \$200) so more Kiwis could pay contactlessly.

We had our safety and hygiene processes peer-reviewed by the New Zealand Defence Force.

DEMAND

Countdown began experiencing high levels of demand for food and groceries from 28 February, when New Zealand recorded its first case of COVID-19. The second and third positive cases triggered further spikes in demand and thereafter sales remained steady.

Initially, New Zealanders stockpiled certain products, most noticeably toilet paper and hand sanitiser, but also other long-life lines such as pasta, rice, frozen vegetables and tinned food. This pattern of buying led to a self-perpetuating cycle: empty shelves, panic and then further heavy buying upon replenishment.

In response, the supermarkets, supported by the Prime Minister, began an overt communications campaign asking Kiwis to be fair to each other and shop normally so everyone could get what they needed. The language of "fairness" is very evocative for New Zealanders who pride themselves on this quality.

We also imposed some limits, for example, we had a two-item limit per customer on hand sanitiser, toiletries, paracetamol, antibacterial wipes, disinfectant and household cleaners, toilet paper, paper towels, serviettes, facial tissues, pasta and rice.

THE NZ SUPPLIER COMMUNITY

One of the issues that worried Kiwis when COVID-19 reached New Zealand, was that in a country that is at the end of most global supply lines and exports most of the food it produces, there would be shortages of products. The New Zealand supplier community has without exception risen to the challenge in extremely difficult circumstances. They managed to function through alert levels four and three to make sure Kiwis had the food and groceries they needed. We have been very proud to have worked with them over the past few months.

THE REALITIES OF A FULL LOCKDOWN

As New Zealand entered into alert level four lockdown, the parameters of what that looked like became clearer. Given the very short timeframes, the country as a whole was only given a few days to prepare.

Only essential services and businesses were allowed to operate in level four. For the purposes of supermarkets, this included: "Any entity involved in the supply, delivery, distribution and sale of food, beverage and other key consumer goods essential for maintaining the wellbeing of people." Only the larger supermarket brands were allowed to trade. The vast majority of smaller food businesses such as greengrocers, bakeries and butchers were closed, as well as alcohol stores. Some food and alcohol retailers were allowed to trade via a contactless/online service.

The government asked all vulnerable (for example, immune-compromised) New Zealanders, as well as anyone over 70, to stay at home. This impacted Countdown in two ways – many of our team could no longer work and many of our customers could not access the stores as they usually would.

ONLINE

In response, on 27 March, Countdown launched a new service to prioritise the delivery of groceries to the homes of vulnerable customers. This Priority Assistance service has criteria of use based on the government's guidelines around those who are most at risk or vulnerable to COVID-19. We also extended Priority Assistance to customers who have disabilities that make it difficult to shop in stores and for people who are in self-isolation after returning from travel or coming into contact with someone confirmed to have COVID-19.

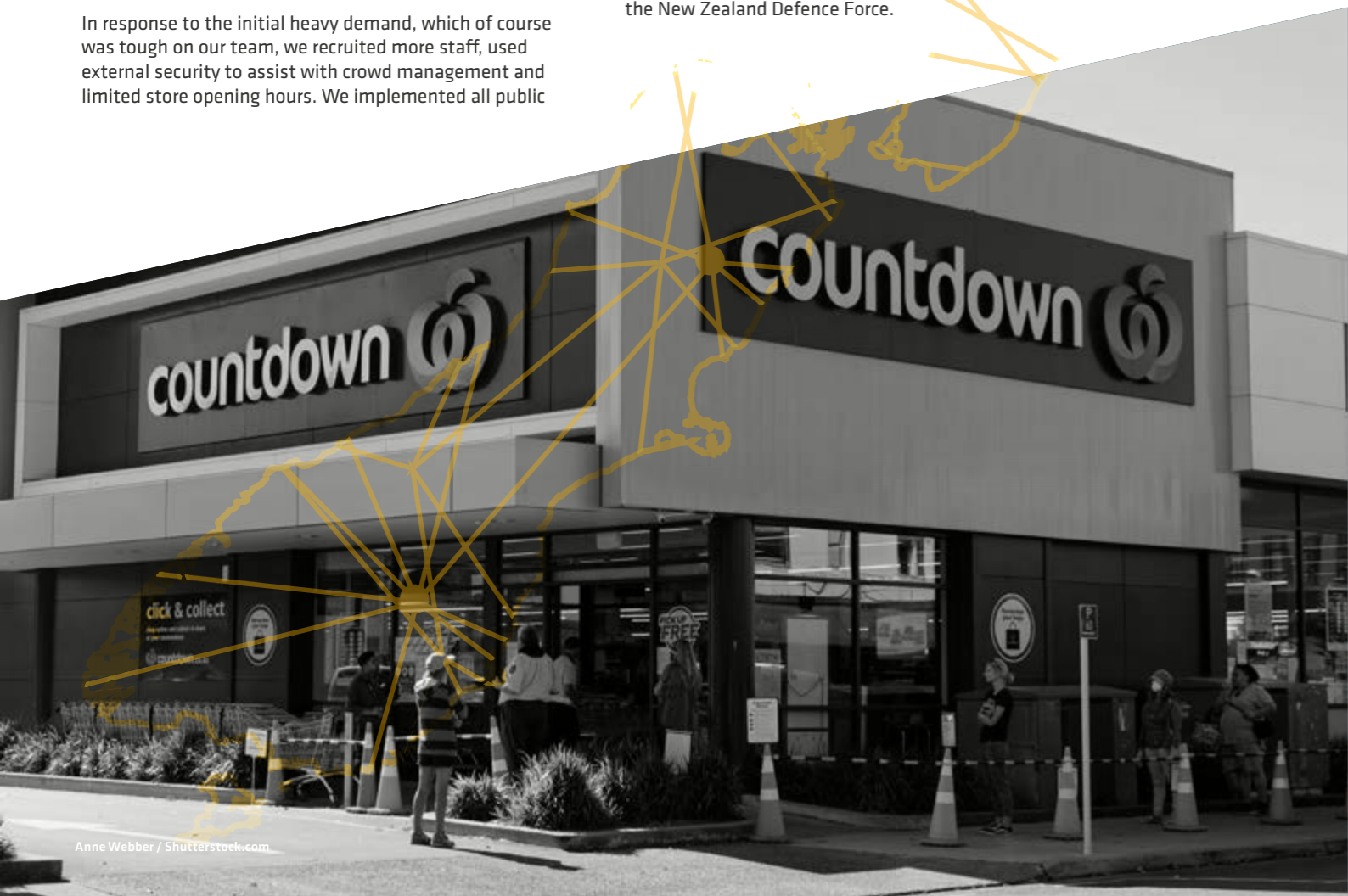
Our online shopping service was already experiencing unprecedented demand (visits to our website increased by 300%) and this new mechanism helped us ensure we could provide food to those Kiwis who were most vulnerable.

To help with the high demand, Countdown also opened up more delivery windows, converted five supermarkets into online-only stores and closed our metro stores to redeploy team members to help online shopping services.

In the middle of the lockdown we also opened our first purpose-built and permanent eStore in Auckland. This really helped our ability to meet online demand and – given it operates 24 hours a day, seven days a week – the 8,800sqm Penrose eStore will have the capability to fulfil more than 7,500 online orders each week, thanks to a layout based on sales data that increases picking efficiency.

GOVERNMENT

During the lockdown period, the New Zealand government, almost without exception, has been completely focused on supporting us to serve New Zealand. We have found the officials we have been working with to be open, responsive and pragmatic. We feel they have adopted a true partnership approach to working with us and we are extremely grateful for their assistance.



Kiri Hannifin, General Manager, Corporate Affairs, Countdown, part of Woolworths NZ



LATIN AMERICA

By Jorge Lizan

THE RETAIL FALLOUT

C OVID-19 landed in Latin America on 26 February, when Brazil confirmed its first case in São Paulo. Aside from the impact on health, the region has experienced an economic impact too.

Fears of a COVID-19 surge in Latin American countries increased after Mexico and Brazil logged their highest single-day death tolls to date amid ambivalent and delayed reactions from the governments.

Publications such as The New York Times, The Wall Street Journal and El País have suggested that the Mexican administration of government under President Andrés Manuel López Obrador is severely undercounting both cases and deaths.

In May, Brazil became the country with the third highest number of confirmed COVID-19 infections in the world, after registering a total of more than 250,000 cases. Only

the US and Russia have recorded more infections to date. Some experts say that Brazil's real figure could be 15 times higher. The country's far-right president, Jair Bolsonaro, keeps dismissing the risks and comparing COVID-19 to a "little flu". His handling of the outbreak, which has included calls for lockdowns imposed by state governors to be lifted, led to criticism and the resignation of his second Health Minister in two months.

Latin American central bankers have put into action a series of measures aimed at softening the impact of COVID-19, as the threat to their citizens and economies grows severe.

ARGENTINA

As of 17 May the country had 8,068 confirmed cases and 374 deaths.



On 11 May, the President added more than \$5.6bn to the public spending budget. A Central Bank poll released on 8 May showed analysts estimating an economic contraction of 7% in 2020.

On 8 May, the government extended the national quarantine, first announced on 20 March, through to 24 May. The government also announced a progressive re-opening of activities, while stricter measures continue in the metropolitan Buenos Aires region. On 27 April, the government imposed a total ban on international and domestic commercial flights until 1 September.

Some shopping malls re-opened little by little in the interior of the country, specifically in the provinces of Jujuy, Corrientes and San Luis, but sales continue to be low. Recently re-opened shopping malls are not allowing children's games or movies theatres and very few have opened their food courts.

BRAZIL

As of 17 May the country had 241,080 confirmed cases and 16,118 deaths.



After less than a month in the role, Brazil's Health Minister Nelson Teich quit on 15 May following disagreements over the government's handling of the country's escalating coronavirus crisis. Teich had criticised a decree issued by President Bolsonaro allowing gyms and beauty parlours to re-open. His predecessor was sacked after disagreeing with Bolsonaro. Brazil has recently surged past Germany and France in terms of its number of coronavirus cases, becoming one of the world's hotspots.

Paraguayan President Mario Abdo Benítez has said the spread of coronavirus in Brazil threatens his country's success in containing the virus. Benítez said more than half of Paraguay's 563 cases were people who had entered from neighbouring Brazil. Paraguay has spent the past two

months under a strict lockdown and most people with the disease are being quarantined in guarded shelters. The two countries share a 400km border that is usually loosely controlled, but President Benítez told journalists that "the most vulnerable parts" of the border had been "reinforced and militarised".

CHILE

As of 17 May the country had 46,059 confirmed cases and 478 deaths.



In a televised address, President Sebastián Piñera announced new measures including: distributing 2.5 million food baskets to low-income families; establishing two new funding institutions to make loans more readily available for small businesses; implementing a mental health plan; increasing the number of quarantine shelters for patients who may not have appropriate conditions for isolation at home; and committing to a better system of releasing more localised epidemiological information.

Real estate funds have dropped by 15% in value in Santiago's stock exchange, as they have looked for more liquid investments.

Falabella's profits plunged 76% in the first quarter despite an increase in sales. The Chilean department store group managed to compensate for the drop in sales through an increase in online operations from March. While its gross operating result (EBITDA) has decreased by 24%, the company has managed to contain the drop in its sales during the period. At the end of the first quarter, Falabella reported a net result of \$20m, while its EBITDA stood at \$248m.

Cencosud supermarkets had growth of more than 300% in April, delivering in excess of 12,000 daily orders. In Chile and Colombia, sales and deliveries increased five-fold, while in Argentina they tripled. The company's great ecommerce results have been possible due to the technological tools developed before the crisis. The company's department store Paris also doubled its sales.

Chilean retail saw an increase in interactions on social networks during the pandemic, with Casaideas leading the charge. The sector category ranking reveals that the Chilean chain generated the most interactions during the third month of the year. Despite having a smaller cross-platform audience than seven other top 10 categories, it generated more than 87,000 interactions. The most recent Comscore and Shareable report on retail companies shows that in March alone, more than 600,000 cross-platform actions (shared posts, "likes" and comments, among others) were generated on Facebook, Twitter and Instagram.

COLOMBIA

As of 17 May the country had 15,574 confirmed cases and 574 deaths.



On 5 May, President Iván Duque extended the national quarantine, which originally went into effect on 24 March, through to 25 May. Under this decree, which has seen three two-week extensions through 27 April, 11 May and now 25 May, land and water borders will remain closed, with domestic and international flights suspended until 30 May.

Duque announced on 12 May that he was increasing Colombia's military presence along its south-eastern border with Brazil, after a surge of cases in its southernmost Amazonas province. The Colombian province shares a longer border with Peru, but that country has closed its borders completely.

Colombia's national airline, Avianca, went bust in the wake of the COVID-19 pandemic. Avianca filed for Chapter 11 bankruptcy in the US Southern District of New York, blaming its collapse on the "unforeseeable impact of the COVID-19 pandemic". Avianca, which was founded in 1919, claims to be the world's second-oldest continuously running airline and is also part of the Star Alliance.

Grupo Éxito's Viva Malls launched its new online shopping centre Domicilios Viva and "Buy and collect". These new alternatives that bring the best from the physical to the virtual world drive the reactivation and preservation of approximately 1,000 jobs in the country. Through this digital platform, the company offers the services and purchase catalogues of more than 50 stores, with a click-and-collect service.

DOMINICAN REPUBLIC

As of 17 May the country had 12,725 confirmed cases and 434 deaths.

On 17 May, President Danilo Medina announced the government's plan to partially re-open the Dominican economy. The plan, which is made up of four phases, will begin on 20 May when micro and small-sized businesses can re-open with up to 50% of personnel, and medium to large businesses with up to 25%. The public sector will re-open at 50% and state public transportation will begin to run at 30% capacity. Phase two is tentatively scheduled to go into effect on 3 June, pending government review of phase one.

Caribbean Cinemas proposes a "special policy and procedures for operation, control, sanitation and security" during the COVID-19 health crisis. The company approved a protocol for the re-opening of the country's movie theatres in the midst of the COVID-19 pandemic. The protocol establishes the rules for the public and all personnel who work or offer services for them. The company that operates a significant number of film exhibitions plans to reduce its capacities by 50% to guarantee social distancing.



ECUADOR

As of 17 May the country had 33,182 confirmed cases and 2,736 deaths



On 5 May, the government announced the extension of lockdown restrictions for 30 days starting on 16 May. Schools across the country remain closed until further notice. When first announced on 16 March, President Lenin Moreno announced the lockdown, during which there would be a nightly curfew from 9pm to 5am, as well as limits on the circulation of cars. Air travel is also suspended until the new date.

Ecuador's shopping centres, closed due to the COVID-19 pandemic, will be able to operate again with a maximum of 30% capacity. Restrictions will include preventing the entry of people with a temperature greater than 37.5°C and the mandatory use of face masks.

More than 20 malls in Quito, Guayaquil, Ambato, Manta and other cities disclosed the measures they intend to apply once they are authorised by the government to completely restart their activities. The shopping centres are ready to open and have biosafety protocols in place in order to welcome the public and resume trading.

MEXICO

As of 17 May the country had 49,219 confirmed cases and 5,177 deaths.

On 13 May, Mexico City's government announced its plan for re-opening the capital, which outlines that offices and schools will not re-open until August, while universities and businesses such as bars and clubs will not re-open until September. Some services, such as restaurants, department stores, religious services and medical centres, could restart as soon as 15 June, but will face occupancy limitations and sanitation restrictions.

On 7-8 May, articles in The New York Times, The Wall Street Journal and El País questioned Mexico's official coronavirus counts. This led to a video response from Mexico's centre for disease control, which said the government had been transparent about count gaps while also questioning the synchronised timing of the reports and their circulation by social media influencers.

US officials continue to raise concerns about disrupted North American supply chains due to Mexico's "essential services" list being out of sync with those of Canada and the United States. On 29 April, a bi-partisan group of 11 US senators addressed a letter to Secretary of State Mike Pompeo, urging him to work with the Mexican government in order to clarify its list of essential services.

Same store sales of the National Association of Grocery and Department Stores (ANTAD) fell 22.9% during April. This was a significant drop, derived from the closure of department stores and a decrease in self-service traffic. The ANTAD is made up of more than 62,000 stores and the total sales area of these establishments amounts to more than 23 million sqm. The results were due to a change in consumer behaviour, which saw spending restricted to purchasing basic necessities only.

Alsea, the largest foodservice company in Mexico and Latin America, announced that it had managed to keep 92% of its employees. Alsea, operator of brands including Starbucks, signed agreements with retailers and pharmacies to temporarily absorb some employees to reduce the economic impact of the suspension of activities by COVID-19. The Mexican company also mentioned that, on 24 April, it began to re-open its units in Europe, equivalent to 9% of the total.



Jorge Lizan,
Managing Director of Lizan
Retail Advisors (LRA)



LATIN AMERICA | BRAZIL

By Estela Cangerana

CREATIVITY AT THE HEIGHT OF THE CRISIS



The situation in Brazil has worsened in recent weeks, made possible by conflicting actions from different spheres of government, rising poverty, and a complete disregard for restrictive measures of social contact by part of the population. The number of cases and deaths by COVID-19 has skyrocketed. The country is going to confirm the forecasts that it will become the new global epicentre of the pandemic. With no prospect of improvement in the short term, retail is having to adapt fast.

Although ecommerce continues to reign as the main channel for most brands, other sales channels alternatives are increasingly gaining consumer support. The drive-thru is one of them. Whilst previously only used by fast-food chains like McDonald's, it is now being adopted by ice cream parlours, bakeries, confectioners, and today it has expanded to a series of sectors in addition to the food trade. From clothing to construction material, the list of products available for sale in the drive-thru system keeps growing.

The Telhanorte home-centre network, which is a brand of the Saint Gobain Distribuição Brasil group, is an example of a retailer that has diversified into new channels. The company's ecommerce continues to grow, and physical stores are still open, as they are classified as an essential activity. However, the company implemented its drive-thru in the store parking lot and created the "Telhanorte at your door", a travelling truck that takes a basket of products to housing estates.

Sales of repair and maintenance products grew by up to 600%, in the case of sockets, switches, and paints. These are items of lesser value, but which show the needs of the "imprisoned at home" consumers who need to take better care of the place where they live and the initiative to carry out projects themselves (a practice not very common in Brazil), as well as small renovations that have stopped due to lack of time before the quarantine.

Drive-thrus are also working for retailers located inside shopping malls, which are still prohibited from opening. Sales of clothes, shoes, cosmetics, and even luxury are often made through WhatsApp, directly by the real salespeople of the stores, and the products are delivered, with scheduled day and time, in the parking lots of the shopping malls. This type of sale appeared a few days before Mother's Day, celebrated on the second Sunday of May and one of the most important dates for Brazilian retailers. Even though the sales in this date decreased 41% comparing with the last year.

Well-known shopping mall chains in Brazil, such as Multiplan, CCP group, and Iguatemi, opened the parking lots of several of their establishments for drive-thru, hoping to compensate a little for the losses of the mandatory closure and to support many of their tenants who are suffering significant losses. According to data from the Brazilian Association of Shopping Centres (Abrasce), Brazil had 577 shopping centres in 2019, which had revenues of R\$192.8bn (about US\$ 39bn) last year, and it employed 1.1 million people and received around 500 million people per month. They estimate, between the beginning of social isolation in March and the beginning of May, the drop in revenues from shopping malls in Brazil had already reached R\$25bn (about US\$4.5 bn).

WhatsApp is booming as the most important channel between retailers and customers in Brazil in many different segments such as restaurants and other kinds of goods. The information collected has helped develop more targeted and personalised offers for individual consumers. Some sellers have even gone to personally deliver purchases direct to the customers' homes, in a return to the old model of totally individualised service. It's a new version of the old "door-to-door" salespeople.

Estela Cangerana is editor-in-chief of Consumidor Moderno, a multi-platform content media from Grupo Padrão.



NORTH AMERICA | USA

By Matthew Shay, National Retail Federation

FUTURE OF RETAIL WILL BE SHAPED BY FIRST ECONOMIC RESPONDERS



The retail industry has experienced the full impact of the COVID-19 shutdown, and the past few weeks have brought tough economic data related to retail sales and job numbers. Although the data is grim, there are signs the worst is behind us as we begin our journey to what comes next.

Retailers deemed essential have stayed open during the crisis, and many more are retooling operations to re-open safely and efficiently for employees and customers. As we put the rest of America back to work, the future of retail and commerce will be informed by the experiences of these "first economic responders".

At NRF, we are working tirelessly to share this operational knowledge and leadership experience with our members. We recently launched the NRF Retail Leadership Series, a new virtual programme that features CEOs from retail brands and leaders across the economy. These conversations offer insights into leading through times of crisis, the state of retail and the way forward for the industry.

Our inaugural session aired on 11 May, with Mike George, President and CEO of Qurate Retail and Chairman of NRF. We had a robust conversation about leading in times of crisis, the post-pandemic consumer and the future of retail. On 21 May, we hosted Neela Montgomery, CEO of Crate and Barrel, for a discussion on how retailers are leaning into ecommerce to meet evolving consumer needs, what reopening stores will look like, and how to manage the health and safety of employees and customers.

You can watch all of these sessions, and sign up for information on upcoming conversations, at nrf.com/leadershipseries.



Matthew Shay, President and CEO, National Retail Federation



NRF NATIONAL RETAIL FEDERATION

NORTH AMERICA | USA

By Deborah Weinswig

THE POST-LOCKDOWN CONSUMER AND THE IMPLICATIONS FOR US RETAIL

At Coresight Research, we have been monitoring consumer sentiment and behaviour week by week throughout the coronavirus crisis. Our weekly surveys of US consumers provide valuable and timely insights into how America's shoppers are acting and their post-lockdown intentions. Here, we pick out three findings from our recent data and consider their implications for US retailing.

1. Meeting up and spending on services are consumers' top post-lockdown priorities

When we asked consumers what they would do in the month after lockdown ends, the number-one option was to visit friends or family locally, with around half of consumers expecting to do this. Spending on services such as haircuts, dining out or going on a trip rounded off respondents' top four post-lockdown "must dos". Spending on retail purchases, including for hard-hit categories such as apparel, are lower priority and do not make the top four.

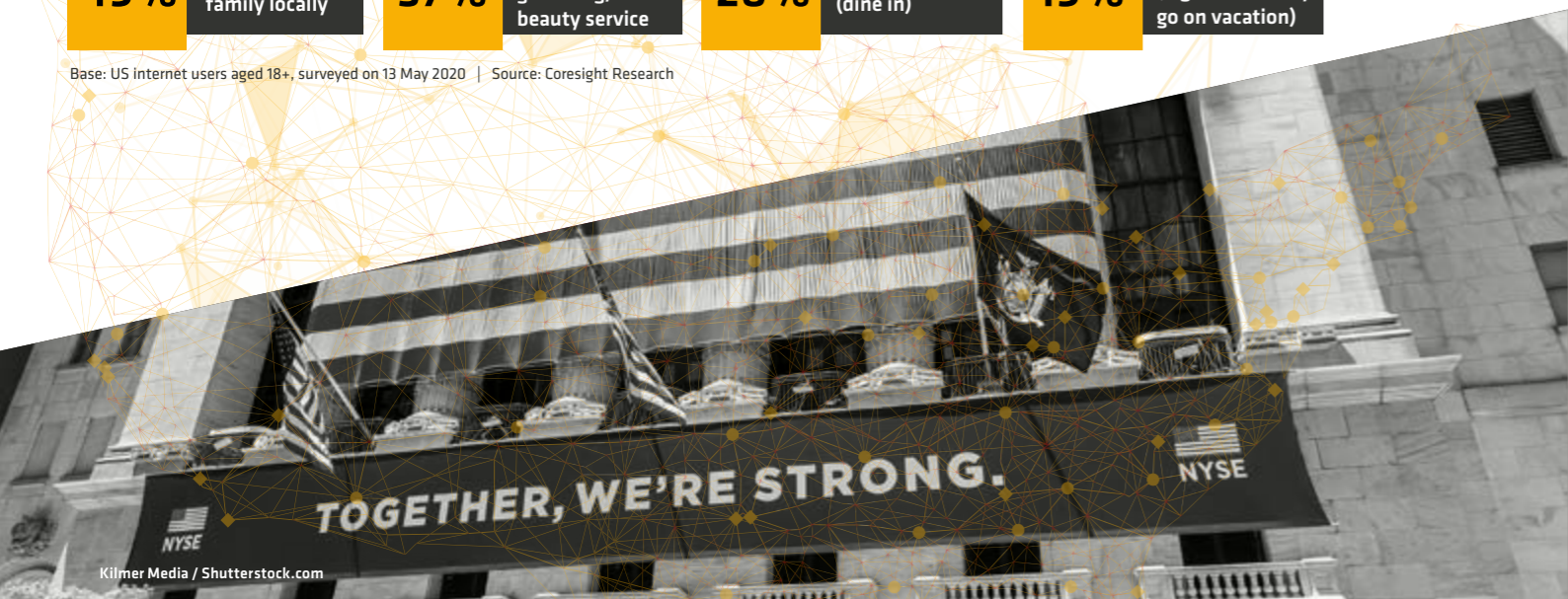
Even among most of the leading options, the absolute percentages are relatively low – for example, despite many weeks of lockdown and our question asking about the whole month that follows, fewer than one in four respondents expect to get a haircut (or other grooming treatment). Our survey also found that relatively few US consumers expect to go to coffee shops or make purchases of discretionary goods such as apparel, homewares or beauty products. Fewer than one in five expect to buy clothing or footwear in the first month after lockdown ends.

Implication: The figures add weight to expectations of a gradual recovery post-lockdown, with shoppers taking tentative steps in returning to leisure activities and discretionary spending.

Figure 1. All respondents: what they expect to do in the month after lockdown ends, Top four options (% of respondents)



Base: US internet users aged 18+, surveyed on 13 May 2020 | Source: Coresight Research



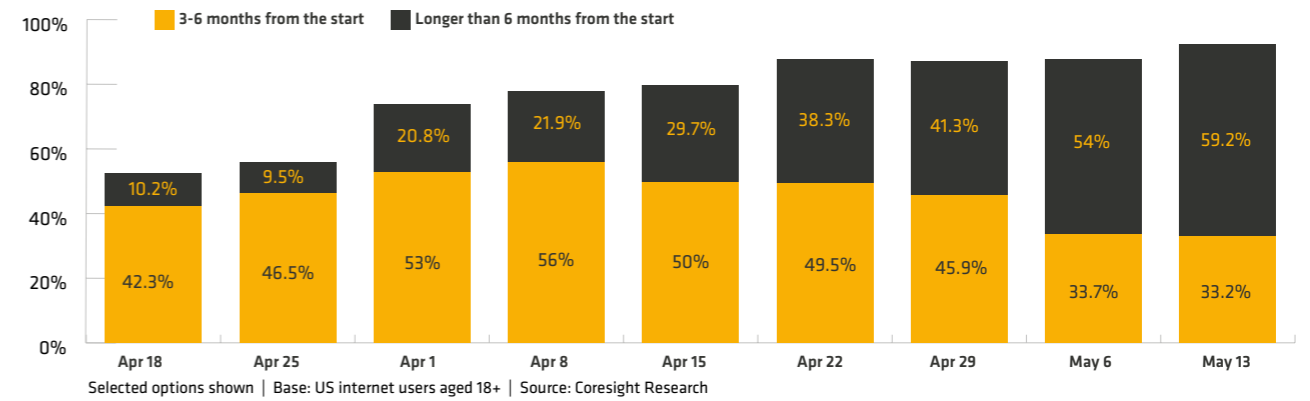
2. Even more consumers expect long-term impacts

Consumers' expectations of the length of the crisis have increased week by week. As of 13 May, 59% of respondents expect the severe impact of the outbreak to last more than six months from its start, up from 54% one week earlier. A total of 92% expect the severe impact to last three months or more, up from just under 88% in the previous week.

Echoing these expectations, our 13 May survey also saw week-on-week increases in how long respondents expect to retain changed purchasing behaviours. Among those who are making fewer purchases because of the coronavirus outbreak, 36% expect their spending to recover to pre-crisis patterns only in more than six months' time from now – up from just under 32% one week earlier.

Implication: More than six months from now takes us up to the second half of November at the earliest – the start of the holiday season. Many consumers are anticipating a gradual recovery, including in their own spending, indicating that the weakness in retail demand will persist into the final quarter of 2020.

Figure 2. All respondents: how long they think the severe impact of the coronavirus outbreak will impact everyday life in the US, selected options (% of respondents)



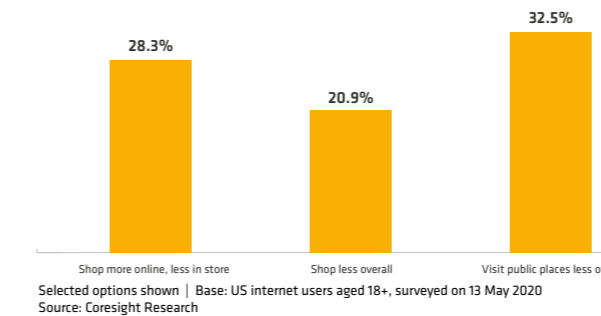
3. Expected behaviours likely to hit bricks-and-mortar retail

Each week, Coresight Research asks US consumers if they will retain behaviours from the crisis and, if so, which behaviours. Three behaviours with direct impacts on retail are as follows:


- Shopping more online, less in stores – with more than a quarter of all respondents now expecting to do so.
- Shopping less overall – with a fifth of respondents saying they will do this.
- Visiting public places less often – with almost a third of respondents expecting to do so.

Implications: The results spell bad news for bricks-and-mortar retail in particular. Avoidance of public places implies less in-store traffic, fewer impulse purchases in those stores and a loss of share for bricks-and-mortar formats in general – and this is echoed by the intentions of many consumers to switch their shopping to ecommerce.

Figure 3. All respondents: selected behaviours they expect to retain (% of respondents)



Deborah Weinswig, Founder and CEO, Coresight Research





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