

TRANSFORMATION IN RETAIL LANDSCAPE AND CONSUMER BEHAVIOUR POST COVID-19

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ABSTRACT: The global pandemic which has hit the world in 2020 has completely derailed the retail industry and has caused severe disruptions in all spheres of industries across the globe. This kind of disruption the world has not seen in decades, hence people are adjusting to the new normal. This has caused an overwhelming sense of concerns and fears, and has severely impacted the transactions in retail on all fronts. The corona virus pandemic will be a game changer across the retail formats of the world, and will have effect on both the online and brick and mortar retail, and it seems will take a long time to overcome these disruptions. This paper will share light on the impact of the pandemic on the various retail formats in the country and how it has impacted the retail landscape and the consumer behaviour post the pandemic and the way forward. The Indian consumer market has higher disposable income the development of modern urban lifestyles. Increase in consumer awareness has affected buyer's behaviour in cities, towns and even rural areas. According to a report by McKinsey & Co., India is set to grow into the fifth largest consumer market in the world by 2025. The covid pandemic has changed the world significantly. People are now living differently, shopping differently and also thinking differently. Consumers across the world are seeing products and brands with a new perspective. The pandemic has reshaped the consumer goods industry. The research done in this field indicates that new habits formed by the consumers now will stay permanent post the pandemic as well, changing the values systems, shopping mechanisms, and how we live and work. The retail world over is coping up to derive mechanisms for the way forward and how customers shop. Many new initiatives are being world upon to minimise the losses faced by the retail industry and this landscape is changing dynamically.

KEYWORDS- retail disruptions, consumer behaviour, new normal, in store communication

I. INTRODUCTION

“Customer experience isn't an expense. Managing customer experience bolsters your brand.” Stan Phelps

The first global pandemic in over 100 years, covid spread across the world at an unprecedented speed. Over 4.5 million cases have been confirmed and more than 300,000 people have perished. Populations in 120 countries have been subjected to lockdowns to control the virus and prevent health systems from being overwhelmed. This triggered an economic crisis with dire societal consequences, affecting the lives and livelihoods of most of the global population, 500 million people are at risk of falling into poverty.

Key Variables

The four key variables which are very crucial in the current retail landscape will be studied in detail. These are the following-

Retail segment: The effect of this pandemic on the average mass merchandise stores as compared to all the lifestyle formats and malls, will be differentiated.

Inventory and supply chain: Due to the current prolonged lockdown, some categories and industries will have huge pile up of inventories and some other categories will have huge supply chain issues, as the production is halted and come to a screeching halt.

Working capital and the fund flow: the retail sector will be impacted the most as the fast rotation of inventory has been halted. Many retailers are facing this crunch of hard cash and capital due to prolonged closure of businesses.

The pandemic has transformed the way consumers are shopping. Many have moved to the online platforms due to the current situations and many consumers who were not internet or online savvy have gradually shifted to these platforms with ease. Another impact has been on the use of cashless payments and people have started using the online wallets for their purchases. People are mostly buying for the essentials and many categories like fashion, travel etc. have taken a severe toll on the daily sales, in spite of the high street and the malls being opened, but there are hardly any consumers.

Here's a look at the impact of these four variables on key retail segments across the country.

Standalone stores: These stores are the lifeline of the country and in these pandemic, they have provided a pivotal role in the supply chain of essentials. These neighbourhood shops which were ignored all these years have come to limelight and the people have trusted them and have come to their rescue. They have braved the situation and continue to remain open and have a good supply chain and turnaround of the supplies.

Mass merchandise stores: The supermarkets have seen a lower impact because they are selling mainly essential products. But these stores can face the fire of the lockdown as most of them are located in the big malls. The standalone stores need to majorly focus on the essential categories. As these mass market stores have very higher inventory levels, there will be a very tough situation in this regard. Many products in the FMCG sector which have very limited shelf lives would have gone out of expiry which is not fit for consumption anymore, tending to loss of these products.

Even the non FMCG merchandised which was bought due to the panic buying would only get stored which would definitely effect the future sales of these products. The huge stocks in the category of fashion and apparels will have to put on huge discounts post opening of the lockdown to liquidate the stock inventory. The summer collections of these brands had barely seen only a few weeks of the sale window and due to the lockdown all these merchandise now have to be pushed to the autumn winter season, and many brands have also cut the autumn winter production. They have also pushed the summer merchandise to their inline verticals. The brick and mortar channel have seen huge disruptions and as even the lockdown is lifted many consumers are reluctant to visit the stores for shopping.

IT products and consumer durables: These category of stores will be hit very hard, the first will be the loss of sales from the seasonal products like the air conditioners etc. linked to the summer season. Due to the disruption in the logistics, many of these brands would have to stall their production due to the non-availability of the raw materials from countries like china. These would cause the disruptions in the supply chain and delivery of the products. Many consumers have also delayed the purchase of these products due to an uncertain future which will also take a toll on these stores.

Fashion, apparel and accessories stores: These stores are facing the biggest challenge of excess unsold stocks. Brick and mortar stores would have to put the stocks of the previous season on sale to start displaying the stocks of the new season. The season sales and huge discounts may have very few takers, keeping in mind the mood of the consumers due to an uncertainty caused by these pandemic.

Any retailer holding the inventory of merchandised sourced from China may take a significant hit in sales. Discount formats might benefit as they source inventory at throwaway rates, and their shoppers are drawn by prices and not the latest fashion or trend.

Online retail: Online retail is not one single segment, and most of the points made about the various categories and segments would apply to different online retailers. In addition, they will face the challenge of resuming their sourcing from various smaller vendors. Medium and small-scale enterprises, hit hard by the lockdown, form a significant chunk of the vendor base for various non-food categories, and this will impact the businesses of online retailers.

Online vs offline dynamics: Experience will be the key in the future going ahead for both the online and the offline platforms. Due to the lockdown the online sales have surged for almost all the categories and this is due to the ongoing situation worldwide. People across age groups and social backgrounds have moved to online shopping and how, which has led to these online portals to go ballistic and ramp up their logistics and supply chains.

The customers will however will look for the interaction and immersive experiences at the brick and mortar stores. This will be the key differentiator and game changer, and any offline retailer who doesn't pay heed on that front would certainly lose out to the online retail. In many countries, some retailers focus on sourcing stocks from retailers who are shutting down, and are selling such products are unbelievable discounts till stocks last.

Economic risks

The World Economic Forum surveyed 347 senior risk analysts on the impending threats most likely to contribute to a global fallout — and no area from the economy to the environment is untouched. Here are the top 20 major risks, ranked across five major categories, that we will most likely face in the aftermath of the pandemic: Prolonged recession of the global economy: 68.6%, Surge in bankruptcies (big firms and SMEs) and a wave of industry consolidation: 56.8%, Failure of industries or sectors in certain countries to recover properly: 55.9%, High levels of structural unemployment (especially youth): 49.3%, Weakening of fiscal positions in major economies: 45.8%, Protracted disruption of global supply chains: 42.1%, Economic collapse of an emerging market or developing economy: 38%, Sharp increase in inflation globally: 20.2%, Massive capital outflows and slowdown in foreign direct investment: 17.9% Another global outbreak of Covid-19 or other infectious disease: 30.8%, Governmental retention of emergency powers and/or erosion of civil liberties: 23.3%, Exacerbation of mental health issues: 21.9%, Fresh surge in inequality and social divisions: 21.3%, Anger with leaders and distrust of government: 18.4%. Geopolitical risks-Tighter restrictions on the cross border movement of people

and goods: 48.7%, Exploitation of Covid-19 crisis for geopolitical advantage: 24.2%, Humanitarian crises exacerbated by reduction in foreign aid: 19.6%

Consumer Behaviour in store

Customers are being very cautious during the interaction with store staffs, maintaining social distancing norms of standing 2 feet away, which is the norm will almost all brands. The customers are asking for new pieces after the trials, due to apprehensions about the safety of the merchandise. They are also keen to know whether the store has been sanitized time to time, which the brands have prominently displayed in the store, mentioning the safety standards. The window shoppers are less compared to pre covid time, as most customers are preferring to stay at home during the pandemic. Customers are walking in with an intent to shop and the conversions have gone up compared to the earlier times. So serious buyers are only coming for shopping in the physical stores in this pandemic. The customers are expecting the store to have more discounting due to online sales & competitive brands giving out discounts. The walk-ins are reducing day by day due to the increase of covid cases and thus impacting the offline sales. The visual merchandising as a function has also undergone many changes to cope up with the new normal. Cycle of changeover has been maintained irrespective of store visits and less man power through follow up over phone / video calls and pictures. Store visits have been reduced from every day to alternate days. More of online trainings have been initiated for the store staff by most of the brands. Visual Merchandising budgets have been drastically reduced due to the pandemic. Less time consumed in maintenance of store due to less walk-instable to give more time to Focusing of other channels as well apart from EBO's. First is the aspect of money in hand, which is critical for retail. Although the government has appealed to businesses to continue paying their employees, this cannot happen for an indefinite period. Already, there are representations to the government that such payment is not viable or sustainable. Therefore, any move to contain manpower costs by salary cuts or layoffs will hit spending sentiment hard. Even those with no such cuts or threat to employment would become cautious and tighten their purse strings, thus impacting all discretionary categories, especially lifestyle products. The consumers buying behaviour is changing due to the covid pandemic outbreak. The consumer priorities have become prioritised on the basic needs, demand for personal hygiene, sensitization and staples products are surging, while the non-essential categories like travel, fashion etc. are facing the slump. The major factors that are influencing the brand decisions are also seeing major shifts as a "buy local" trend is amplifying. Ecommerce and online shopping has seen a major surge as new consumers are moving online for the grocery shopping which is likely to be sustained on a long term basis even post-outbreak. In these tough times the need for basic needs of life is becoming most important. The pandemic has made the consumers come out of their daily normal routines. Consumers are adapting new habits and behaviours that will continue in the long term. The pandemic has resulted in three long-term trends: The increasing focus on health Brands should understand this change and then make it a major priority to support positive healthy lifestyles for the consumers, employees and the shoppers. To have a sustainable health plan strategy will be a major game changer for the future. Conscious consumption will be on the rise and the consumers will pay more attention to what they are buying and where it is sourced from. Limiting food waste, shopping more cost consciously and buying sustainable products is the way of the future. The love for local will be a major trend and thus supporting the local communities will be very crucial. The brands going forward will have to connect locally and engage with the local communities to remain relevant and also sustain in the future.

Communication at retail

Mandatory communication as per the regulation, like the communications on the easel standee, window vinyl, floor vinyl and in store communication like tent cards and pos materials kept at prominent locations. Customers are more aware about self-care and not dependent on communications displayed by brands. Verbal communication by the store team is much more effective than material communication, as it comforts the consumer and gives them a sense of security. Communications across brands have been very minimalistic due to over flow of information on the social media. As each and every person walking in is aware about the precautionary measures, sanitization process has been communicated to each and every customer walking in the store which is very encouraging.

Way Forward

Many companies across various segments have to change their existing business models to survive this pandemic. During this tough period, companies must be willing to adapt and innovate rapidly or will be phased out of the market by more agile competitors. The consumer purchasing power has been hit by the economies which are in lock down worldwide and with an expected global recession, the companies need to take a very proactive approach to keep the customers by discounts or providing some schemes. Adapting to a new business model will likely be a huge logistical challenge during this pandemic lockdown period. Innovative thinking is

very critical throughout the current crises. The customer experience and the brand connections have been closely associated to the buying habits, as we go into the new era of buying it will undoubtedly be even more so, but social distancing norms provides a physical divide and also an emotional fear of being close to one another. The brands will now have to focus on the details to make sure new store layouts and mechanisms, such as virus guards, sanitizers and space markers are implemented in such a way that they increase the brand environment inside the stores rather than giving a stark visual reminder of the troubled times. By adopting the virtual opportunity the retail world has the opportunity to reinvent the new retail experience at all levels. Due to the need of maintaining the social distancing this is a great opportunity to embrace new technologies in-store which diffuses the lines between online and offline communication, creating an exciting interactive store environment. Digital dressing rooms are making customers reduce unnecessary contact with the merchandise while still promoting the interaction. Brands can leverage their membership schemes which can be created online to offer discounts in-store, welcome messages can be sent to customers which will create a never ending bond with the customers. The use of technology such as QR codes, can be utilized to give the consumers an immersive experience. Brands which are leveraging these technologies will certainly overcome the situation and create an enduring relationship with the consumers.

II. REFERENCES

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