SHOPTALK VIRTUAL CONFERENCE:
Retail Framework for COVID-19

Timeline	March - April 2020	May - June 2020	Q3 2020 - Q1 2021	Q2 2021 and Beyond
Phase definition	**COVID-19 curveball/chaos:** In early March 2020, a growing number of individual states declared States of Emergency. Business slowed as many brands and retailers preemptively opted to close their stores, and consumers became leery of leaving their homes. President Trump declared a national State of Emergency on March 13, and widespread consumer panic set in. Mandates to close all nonessential stores meant physical store shopping effectively ceased for all but essential retailers.	**COVID-19 crossroads:** May 2020 marked a small inflection point for many retailers, as increasing numbers of states relaxed restrictions on nonessential businesses. Stores began to reopen at a measured rate where legally permitted, but with heavy restrictions and safety protocols in place. Still, many questions remain heading into June, including whether newly opened stores and states will once again be forced to close with COVID-19 cases still rising.	**Rapid reengineering:** From mid- to late 2020 into the beginning of 2021, the retail industry (along with broad swaths of government, society and the economy) will engage in a comprehensive reengineering process, deploying systems and technologies to improve agility and resiliency. At the same time, several quarters of uncertainty will endure. America's COVID-19 response will be the pivotal issue in the US Presidential election.	**Upturn: digital, accelerated:** Starting in mid-2021, the COVID-19 crisis will begin to abate. The new world will not be the same as it was back in early 2020. However, retailers and brands that survive to enter this phase will start to see opportunities increase as economic growth slowly returns.
New strategic imperative	**COVID-19 Response-led**	**Recovery-led**	**Reemergence**	**Resilience**
Retailer sentiment	- **Shell-shocked:** Knee-jerk reactions where retailers scramble to solve immediate issues and in-store spending grinds to a halt on nonessential items	- **Deeply uncomfortable:** Skeleton crews operating businesses are figuring out which route to take as decreased consumer spending leaves businesses distressed	- **Refocused:** Retailers begin to execute strategies set during Q2 and get used to the new ways of operating - **Demographic shift**: Culls of middle / senior management as younger, cheaper doers are preferred over experienced leaders	- **Veterans:** Having managed through the crisis, companies have built cohorts of employees who are comfortable with change at the most fundamental levels - **Experiential Retail 2.0**: Roaring 20s-style return to in-store experiences once the pandemic passes
Key theme 1: Changing approach to innovation	- Enormous social and economic pandemic shocks impact all sectors of the economy - Retail industry in survival mode: little strategy, mainly reacting quickly to unforeseen challenges	- Retailers begin to develop more thought-out survival strategies, either "back to basics" (hunkering down and cutting costs) or a "new normal plus" mindset (doubling down on digital and innovation) - Retailers and brands remain agile in order to react to further shocks	- Businesses engage in an effort to reengineer their businesses while managing shocks along the way (new outbreaks, regulations, etc.) - Investing in technologies, capabilities and innovation becomes crucial—both for the present and thinking ahead to the post-COVID-19 world - Supply chain reengineering becomes a critical business issue	- Companies with genuine innovation, digital cultures and capabilities soar - Companies that only just survived the COVID-19 period invest in critical technologies to prepare for future crises
Key theme 2: Shifting driver's seat in retail	- **Government-led** responses dictate majority of retail industry actions (store closures, furloughing, distancing and other safety measures) - **Brands** step up as leaders, including taking steps like supplying PPE to frontline workers and taking a stance on social issues that are important to consumers	- **Company-led** responses shape how and when to reopen, with some large retailers playing a leading role in providing guidelines to others in the industry - **Individuals** start making their own decisions based on their own risk assessments	- **Consumer behavior** begins to shape retail industry responses as consumers understand the new retail landscape and act within it	- **Consumer behavior** continues to drive, with ecommerce penetration accelerated by 2-3 years as the pandemic permanently increases digital acceptance - Brands and retailers drive more stable and consistent company-led responses. Shopper behavior is established, so fewer businesses are thrown off by rapidly changing consumer concerns.
Key theme 3: The stratification of retail	- All retailers (strong or weak) are hit by unpredictable, big changes in demand - The divide of essential versus nonessential shapes revenue outlook - Having a strong balance sheet is vital as many businesses shut down	- Divide between retail "haves" and "have-nots" returns, accelerated by COVID-19 - Retail industry stalwarts, as well as some direct-to-consumer startups, enter bankruptcy (liquidation and reorganization) - Business failures create opportunities for companies that have invested and adapted to meet changing consumer demands - The strong get stronger: Amazon, Target, Walmart, Dollar General - COVID-19 retail leaders now responsible for nearly all industry job growth	- Market shakeout: Retail loses 20-30 long-standing brands and retailers forever - Fewer mom-and-pops come back, creating opportunity for market leaders to take greater share of their categories - Consumers face a less fragmented retail landscape - Some bankrupt businesses reemerge stronger after restructuring	- Big companies become ever more adept at launching new brands - New challengers are required to have faster paths to profitability - New startups emerge, targeting post-COVID-19 behavioral shifts
Political	- Lockdown and social distancing measures are put into place as the preservation of life becomes the key objective - Congress quickly agrees on historic stimulus package - State versus federal governments are not aligned on response - Public / private partnerships and mandates emerge to mitigate the impact of COVID-19 (providing testing, addressing supply shortages, etc.)	- States are under great pressure to mitigate economic mutilation by reopening - State and federal actions shift decision-making onto companies - Federal government debates additional stimulus packages - Disagreements on policy between federal and state levels add complexity to managing the crisis - Reopening of stores opens liability issues if shoppers contract the virus; government intervention possible - Cities consider or pass hazard pay bills and permanent protections for delivery drivers and other essential workers - The presidential race gets tighter as workers in key swing states are among the hardest hit by job losses during the pandemic shutdown - Relations with China take center stage in politics, including tariffs and trade	- Lack of bailout for retailers means many mid-sized retailers saddled with debt are forced to go under - As the virus resurges, local and state governments put more regulations in place to reopen the economy safely - Response to potential COVID-19 second wave becomes the defining issue of the November elections - Both parties make significant pandemic-related election promises - The new administration takes its first actions based on election promises	- The next president focuses on resuscitating the American economy - Policies are enacted and government departments are reshuffled to protect the country from future pandemics
Economic	- Economic shock - A large-scale stimulus is applied nationally - Jobless claims hit historic highs - Both household debt and US personal savings rate hit historic highs - US personal savings rate hit a historic high of 33% in April while spending declined by a record 13.6% for the month - Initial fear and uncertainty lead to massively reduced consumer confidence - Layoffs and furloughs severely impact purchasing power - Financial markets struggle to fully understand uncertainty, creating disconnects and volatility	- Recession hits, as the US economy shrinks at a record 33% pace during Q2 2020 - Sectors face significant constraints as they begin to open, moving toward a new "normal" over a series of phases - Unemployment improves, but remains elevated at near 15% - New job roles are created in wake of the pandemic, from contact tracers to "health bouncers" at checkpoints - Income inequality grows - Additional stimulus packages help businesses and consumers - Consumer sentiment remains uncertain, with a significant share of the population dependent on unemployment and other stimulus / relief funding - Public markets reward companies with a digital focus while punishing those with extensive physical footprints - For the first time in 6 years, Americans have less debt due to spending less during lockdowns	- Recession conditions continue - Wall Street rewards tech giants' stellar earnings, which stand in stark contrast to declines in the broader stock market - Stores / other sectors continue to move toward normal operations, but with restrictions and uncertainty - Unemployment rises again, over 15%, as short-term furloughs become long-term job losses - A second wave of layoffs affects sectors dominated by white-collar workers - Workers look to the gig economy and side hustles as employees seek multiple income streams - At the same time, high-profile gig employers downsize, making these roles less lucrative - Distressed local businesses add to economic pressures - Additional need for government stimulus packages as benefits expire and coronavirus aid talks hit stalemate in Congress - Strength of economic recovery varies by state, driven by factors including the severity of COVID outbreaks, political leanings and presence of major urban centers - Low mortgage rates and surging interest in suburban living spark concern about a looming housing bust	- Economy returns to growth as employment rate rises and consumer spending picks up - Consumer confidence rises post-vaccine / therapeutic - Employment opportunities are fundamentally changed; many jobs and specific positions never return
Societal	- Denial of longevity of lockdown - Lack of definitive information - Uncertainty about trusted sources of information - Social media companies try to control spread of rumors and misinformation - Awareness of outsized impact of virus on minority communities - School closures reshape family / work dynamics - Remote working dynamics and videoconferencing fundamentally alter dynamics of work and communication	- Increasing divide between political left and right on how to handle the crisis and stay-at-home orders - Rising tension between mask vs. non-mask wearers, distancers vs. non-distancers - Stress and mental health issues arise as individuals cope with health and economic concerns - Pressure starts to mount on governments and companies to reopen and reignite the economy - Contact tracing becomes a topic of debate as technology partnerships make new options available; individuals and states are hesitant to adopt a technology-centric approach, voicing privacy concerns - College experiences remain in flux as many students are unable to return to campus in the fall and accepted students debate gap years, throwing off internship and hiring cycles - Women are more likely than men to leave the workforce due to childcare requirements and family demands	- Consumers take on varying levels of risk when it comes to returning to daily activities - Pandemic continues to affect lower-income and minority communities disproportionately - Corporate workers continue remote work, minimizing risk of exposure to the virus - Renters start to leave urban centers as leases are up - Mass public transit becomes a less popular option and urban planning adjusts for renewed interest in biking - Consumers struggle with lasting mental health issues associated with the pandemic	- Even once vaccine / therapeutic options are available, those most at risk (e.g. immunocompromised) continue to take caution given the lack of any long-term understanding of the virus - The societal bifurcation between those who favor more government oversight (i.e. contact tracing) vs. those who are against it remains - Homeowners start to leave big cities as they evaluate new housing options in smaller cities or cultural exurban areas; urban real estate markets become more affordable - A 2021 baby bust will have lasting effects on society and the economy even long after the end of the pandemic
Technology	- Ecommerce technologies, especially logistics-related technologies, are put to the test at large retailers seeing spikes in demands - Inventory and supply chain management become critical to success - Stores are shut, leaving store tech investments unrealized - Companies seek out tools that enable store associates to continue communicating with customers despite store closures	- Ecommerce logistics companies receive new funding rounds or are acquired by large retailers - Contactless payment and checkout options grow as stores reopen - New technologies emerge that are based on distancing scenarios: optimizing store traffic flow, etc. - Companies retain narrow focus on technology investments that are directly related to the COVID-19 response - AI algorithms thrown off by very different shopping patterns during the pandemic; use cases such as demand forecasting, fraud detection and product recommendations all have to adapt	- Accelerating adoption of post-virus technologies that include: robotics and automation, next-generation supply chain optimization, fulfillment and delivery, POS, online customer service, remote hiring / training, shared workforce platforms - Development and trials of autonomous vehicles and drones for last-mile delivery accelerate - Shopping via livestream becomes embraced by more US shoppers - China solidifies its role as the primary driver of retail innovation globally (given that the country emerged from the pandemic quickly), outpacing its American and European counterparts	- Government regulations surrounding autonomous vehicles loosen and their rollout accelerates - Technology rollouts that were put on hold during COVID-19 are revisited - Automation becomes more widely accepted by consumers and workers - Facial recognition (allowing for mask-wearing) becomes more widely used to identify shoppers in contactless environments - Voice is used far more extensively as a communication interface - Every aspect of the store—from shopping carts to coolers—becomes more intelligent to serve shoppers quickly
Consumer spending patterns	- Shift toward non-discretionary items as income / savings levels decline - Imperative to save money / be more thrifty due to uncertain economic times - Fewer, larger shopping trips; emphasis on plans and lists - Buying bulk-sized and packaged products; stockpiling - Shift in preference toward retailers that “have it all” in one location to reduce the number of trips required to hit your shopping needs - Shift to at-home eating as restaurants close or shift to pickup / delivery only models - Shift away from convenience store buying as fewer consumers are grabbing immediate consumption items on the go - Further shift toward offprice and other discount retailers - Increase in Club memberships - Changing consumer order of values, i.e. hygienic > natural, public health > sustainability - Sales and promotions extend into categories like prestige beauty and luxury that have traditionally not been discounted - Remote appointments and consultations become the norm for any services that can be rendered virtually, e.g., telehealth	- Consumers make select splurge or impulse purchases as life starts to feel slightly more normal; at the same time, customers are cutting back on overall spending as uncertainty continues - High-income earners reduce consumption of travel, experiences and personal services; lower-income shoppers return to pre-pandemic levels of spending - Both value and premium products report strong sales growth as consumers seek comfort while cutting spending - Consumers invest more into their homes / in-home entertainment - Home decor for Zoom accelerates: People invest in products that enhance the aesthetics of home areas featured on video - While beauty/skincare spending initially shifts to drugstores given their essential store status, consumers quickly shift spending online - In the era of face masks, "Eyeliner Effect" or "Mascara Index" are used to describe upward trends in makeup for areas of the face not covered - Sales of pet care products increase, driven by premium options, as consumers seeking companionship adopt pets and spoil their companions during quarantine and extended periods of remote work - Stores that have reopened are seeing quick acceleration of foot traffic and sales that sometimes exceed average daily rates from a year ago - Some dollars shift back toward restaurants as they start to reopen - Consumers spend less on prominent sales holidays including Mother's Day and Memorial Day - Consumers partake in mission-driven shopping as opposed to retail therapy - Tax filing deadline may be extended further to help restart the economy	- Overall retail spending returns to pre-COVID levels in many states, though the expiration of unemployment benefits at the end of July sparks concern of a looming dropoff - Consumers remain skittish, prone to panic buying / stockpiling based on news of the outbreak worsening or specific supply chain problems or shortages - At the same time, they broaden the number of retailers and brands they shop when seeking novelty and variety - More affluent consumers who did not lose significant savings return to spending - Consumers become more conscious of their health and wellness, and retailers that introduce new products and services to meet their needs flourish - Reversals of school reopening plans drive changes in back-to-school spending patterns, with a shift to categories like technology and home decor - Ecommerce gears up as holiday shoppers make even more purchases online than in past years, though overall demand is lower than initially projected	- Consumer confidence starts to return to pre-COVID-19 levels - Digitally native younger consumers, particularly Gen Z, are shaped disproportionately by COVID-19 and emerge with reduced potential to earn / spend money - Savings rates for Millennials and Gen Z, already high, may trend even higher - Less demand for convenience stores and grab-and-go food in the long run, as a portion of the workforce works from home permanently
VCs and startups	- Already unfavorable market conditions for unprofitable startups are amplified by the crisis - Tech startups whose products address an immediate need for retailers in crisis become higher priority and do deals - VCs assess their portfolios to determine which companies have a viable future to help them through the crisis and evaluate additional funding - IPO activity comes to a halt	- Funding continues for companies capable of adding value in the upturn - VCs concentrate on existing investments and add fewer new companies to their portfolios - VCs require more capital efficiency with new investments - VCs favor startups with SaaS models and easy remote onboarding, moving away from capex-heavy businesses - Valuations come down to more reasonable levels - Startups pivot their business models to align their value proposition to COVID-19 challenges and opportunities - New startups are founded that are set to become the next round of unicorns in a post COVID-19 world	- Funding continues for startups whose products or technologies allow them to continue to thrive during COVID-19 - Several startup rockstars emerge during COVID-19: Zoom, Instacart, etc. - Novel business models and technologies emerge to manage the post-COVID-19, accelerated-digital environment - Investors continue to invest in Angel, Seed and Series A rounds, while overvalued later-stage startups see funding dry up or receive down-rounds - Unprofitable startups will go under as investors become less willing to subsidize their losses in a tough economic climate - DTC brands permanently close physical stores and scale back expansion plans, shifting focus back to online	- New technologies disrupt the "survivor" landscape of retail - VCs and portfolio companies will have diminished access to capital and will expect startups to show higher revenues, greater margins and faster paybacks - Power shifts toward investors as available pool of capital diminishes - A new class of unicorns emerge that were founded during or right after COVID-19
M&A	- High-profile M&A deals are called off as deal activity comes to a standstill - Investment banking revenues start to decline - PE firms focus on triaging companies in their portfolios - Shift to favoring a buyer's market	- M&A plans are re-evaluated by investors and companies; deals are called off at an accelerated rate - Deal negotiations are extended due to new due diligence requirements and remote conversations - Companies on weak financial footing become the targets of more hostile takeovers / activist activity - Successful direct-to-consumer startups are opportunistically sought after as partners and acquisition targets for established retailers	- Well-capitalized companies opportunistically acquire distressed assets and innovation - Investors make fewer large deals, focusing more on small / tactical deals - Partnerships gain importance as companies seek mutual advantage without major capital outlay - PE firms will account for a greater share of M&A activity versus corporations - Online food delivery providers consolidate	- The strongest retailers emerge even stronger, having built out their products / capabilities through M&A as others retrenched - IPO activity returns and investors re-engage in selling off assets / taking companies public
Retailer business models	- Brands and retailers strike unlikely partnerships to reach or win customers - Rental businesses struggle as consumers no longer have events / social outings to attend and are concerned about cleaning protocols - Recommerce works through operational headwinds, such as having enough supply - Ecommerce, delivery and curbside pickup see a huge uptick in interest - Subscription services, especially in food and CPG, grow in popularity - Businesses providing in-home services grind to a halt	- Retailers forced to continue adapting to shoppers' COVID-19 behavior as consumers remain reluctant to visit stores - Retailers redeploy store staff to support online sales via livestreaming, chat and other communication channels - Few new business models emerge as both established and startup brands and retailers focus resources on staying afloat	- Accelerated ecommerce adoption - Greater focus on automation for both fulfillment and delivery - Importance of flexible business models becomes evident - Recommerce accelerates again as consumers seek value and are reassured about safety / cleaning protocols, but rentals continue to struggle as consumers have little need to dress up for work or events	- In-house startup accelerators / incubators become increasingly important in driving innovation at large brands, given that slow-moving product development processes can no longer keep up with the pace of change - Retailers who failed to keep pace with the acceleration of ecommerce, pickup and other growing business models can no longer compete - New business models that were introduced in response to the pandemic will be finetuned and productized as new revenue streams - Many traditional retail store locations will be transformed into pickup / dropoff-only locations

Brand marketing and distribution	- Flight to trusted brands as shoppers seek comfort in the products they buy - Tensions rise with wholesale partners / manufacturers - Brands dramatically reduce overall marketing budgets due to uncertainty and the need to conserve cash - Brands' marketing budgets swing from experiential / outdoor to social / digital - Messaging shifts to security, togetherness, empathy - Brands build out their direct relationships with shoppers and rely less on wholesale partners—at the same time, brands value their best wholesale partners more than ever as the fastest way to scale	- Consumers will prioritize spending their money with brands that did right by employees / customers during the crisis - COVID-19 pushes brands to leverage social media even more strongly and to launch into new social platforms (e.g., TikTok) - Retailers deliver more personalized online experiences as they try to incentivize consumers to purchase additional products - Marketers become more adept at measuring the value of the influencers they select and work with - Earned media becomes increasingly important to brands as they receive coverage of the work they are doing to help people and communities - As brands restart paid media spending, they continue to prioritize mobile as a key digital platform; however, the fact that people are still generally not out and about reshapes their targeting and creative strategies. - Product manufacturers that depended on trade shows must seek new ways to reach retailer partners - Private brands flourish as consumers seek value	- Brands that continued to invest in marketing / product innovation throughout the crisis are rewarded - Consolidation will take place as larger legacy brands snap up smaller upstarts - Brands invest more and more to understand and meet the needs of Gen Z given the profound impact of the virus on their formative years - Marketplace offerings become more critical to brands as they look to diversify distribution channels - As brands start spending again on advertising / marketing, they require greater accountability and insights into new paths to purchase - Brands and retailers that invested in technologies to capture, share and respond to the insights from customer data are better positioned to communicate directly to shoppers as spending on nonessential items picks up - Brands use digital marketing to drive customers back to stores - As the US reopens at varying rates, marketing campaigns increasingly have to be localized in their depiction of consumers enjoying their products - Brands balance discounts and promotions to drive traffic over the holidays while maximizing profitability - Experiential marketing budgets remain depressed amid muted consumer demand - Contact tracing data reveals new patterns of consumer behavior as thousands of new government workers start to track movements, but strict laws prevent marketers from gaining access	- New brands emerge that meet consumers' new needs (products focused on safety, efficacy, etc.) - Brands seek new distribution channels given wholesale partner consolidation - Brands sold through retail stores are once again evaluated for their potential to engage shoppers through experiences - Brands and retailers have a better understanding of shoppers' intent and emotions, using optimized language and offers to create emotional responses from their customers - Having spent the past year largely buying through ecommerce, shoppers increasingly expect AI-based product recommendations and extremely relevant suggestions - At the same time, longer life expectancies mean brands need to pay attention to health-conscious older generations who have new spending patterns and have been deeply affected by the virus
Travel industry impact	- Tourism grinds to a halt - Airports, city centers and outlet malls close	- Gradual reopening but without tourist dollars - Early signs of recovery include an increase in demand for domestic vacation rentals and flights for the summer, though overall levels remain severely depressed - Spending on travel and experiences is redeployed to retail in the short term	- Permanent closure of expensive flagship stores on prominent shopping streets - Disproportionate impact on luxury retail - Consumers spend less on vacation clothing, leading to a further decline in apparel sales - Consumers reallocate part of their travel budgets to physical goods, serving as a slight tailwind for traditional retail categories	- With less savings and a reluctance to travel in enclosed public spaces, consumers elect travel to closer destinations, not major global tourist hubs, creating opportunities for smaller, regional retailers
Store operations and experience	- Social distancing measures are put in place, including limits on capacity, marking out six-foot intervals in stores and sneeze guards - Non-essential retailers are forced to close - Safety measures are put in place for employees, including testing, masks and temperature checks - Stores start to double as fulfillment centers, as sections are blocked off to shoppers and designated for filling online orders - Stores operate off-hour shopping for at-risk consumers	- Stores cautiously reopen, taking an iterative approach and working out protocols with potential rocky path forward - Experiential retail is severely curtailed - Accelerated shift away from cash to contactless digital payments - Shift away from touchscreen ordering and interactivity to working with store associates or from your own device - Retailers incorporate heightened safety initiatives like new cleaning protocols, hand sanitizer availability, appointment shopping, monitoring of shopper temperatures, and far-UVC light cleansing tools - Retailers identify and implement other touchless solutions (e.g., for doors, elevators, restrooms) - Retailers prioritize shopper convenience in store layouts to limit time spent and manage safety concerns - Even as stores reopen, product sampling, in-store product testing and other high-touch experiences remain on hold - Appointment and concierge shopping becomes a common offering as part of omnichannel retail	- Using learnings from the past two months, retailers reimagine the role of the store in a COVID-19 and post-COVID-19 world - Safety measures remain top of mind for retailers and consumers alike - In-store consumer behavior and traffic data inform planograms and visual merchandising strategies to prevent particular areas of the store from overcrowding - Advances in scheduling and employee training tools will result in better customer service in stores - Cashierless checkout becomes far more common, with scan-and-go or camera-based systems contributing to more frictionless retail experiences - Stores change their layouts in the era of cashierless checkout, with impulse purchases at checkout moving to strategically placed locations throughout the store - Mobile-enabled shopping experiences play a bigger role in stores as they allow shoppers to navigate stores, learn more about products and add them to their baskets for checkout - Robotics become increasingly common in store aisles, handling repetitive human tasks like auditing store shelves and freeing up labor for more customer-facing tasks - Once retailers clear through current inventory backlogs, they will stock fewer SKUs - Businesses juggle reopening plans with concerns about liability or potential lawsuits if employees or shoppers become ill, putting pressure on Congress to pass a liability shield to protect employers from coronavirus-related lawsuits - Major retailers announce that they will be closed on Thanksgiving Day, giving essential employees the day off and encouraging shoppers to go online instead	- Stores are reinvented—they are no longer the centerpiece of a retail business, but rather one part of the omnichannel experience - Decisions are made about what changes to store layouts and distancing will be permanent, versus what can be relaxed or removed - Experiential retail evolves, but will be less focused on drawing in large groups for high-touch experiences - Digital shelves proliferate to allow retail employees to refocus efforts on shopper safety and other new initiatives
Retail real estate	- Nonessential stores are required to close, causing strain between retailers and their landlords as retailers threaten to withhold rent - Mall traffic grinds to a halt given their tenant makeup of predominantly nonessential stores - Prominent retailers promise to leverage their parking lots for drive-through testing - Commercial real estate values drop, led by malls	- Retailers and landlords battle about rent payments and renegotiate deals - Landlords find creative ways to provide relief to their tenants, including programs where they provide funding and take a noncontrolling stake in the retailer - Retailers assess which stores will remain permanently closed and make initial cuts to their store count - Property owners struggle with their mortgages and to pay for enhancements made to their properties before COVID-19 hit, with some defaulting	- The retail real estate market evolves to feature smaller footprints including expanded pickup points, pre-built-out stores and shorter-term leases - Commercial real estate market continues to soften, as more retailers fail to pay rent and permanently close stores, sending more property owners into default - Malls and property owners rethink their tenant makeup amid reduced consumer demand for experiences and retailer struggles - Commercial real estate owners increasingly seek creative uses for vacant retail stores, for example repurposing them into office space - Mall operators consider turning vacant spaces left behind by bankrupt department stores into ecommerce fulfillment centers for strong retailers like Amazon - City center retail struggles to stay in business as a lack of commuters and tourists leads to a dropoff in traffic and sales - As anchor stores close, co-tenancy clauses are triggered, putting further strain on malls - New lease agreements are negotiated that include clauses specific to pandemics - Parking spaces are used for outdoor seating	- Shopping center operators that survived COVID-19 offer far more digital in-store options to their tenants, providing less tech-savvy retailers with the ability to provide new services - Retailers no longer use cookie-cutter designs for their stores, but rather will customize each location for its specific market - Malls close at an accelerated pace and get repurposed for new uses - Fewer DTC startups will view permanent stores as necessary for growth
Ecommerce operations and experience	- Ecommerce operations become strained as consumers flood digital channels to place orders - Desktop shopping experiences become increasingly important as consumers spend more time at home and opt to shop on their computers vs their phones - Customer service and support become much more helpful and proactive, alerting consumers before they are aware of problems - Pickup options become more diverse and widespread, and there is a greater focus on drive-through offerings	- Technologies like AR that enable shoppers to visualize products on their faces and bodies, and in their homes and gardens, become more important in the era of remote buying - Virtual shopping with store associates scales as shoppers seek advice but remain hesitant to return to stores - As the amount of time consumers spend on social media grows, social networks' ecommerce offerings gain momentum, with buying options being seamlessly integrated into feeds - Much of retailers' digital focus shifts toward alerting customers about the status of their local store, including when it will reopen, new hours, whether it's open only for curbside, etc. - Fraud mitigation grows in importance amid rising number of scams - Product information and online reviews become increasingly important to shoppers as ecommerce grows	- Ecommerce tools are used to drive demand back to stores and enable smoother experiences when customers arrive (appointment booking, etc.) - Ecommerce operations become less strained as consumers start returning to stores, though online shopping levels remain elevated - White glove / concierge service moves online as consumers of high-ticket items look for guidance and the emotional experience of shopping in stores - Stores that invested in continuous / perpetual inventory tracking prior to the pandemic are better able to fulfill from stores as ecommerce grows - Retailers look to new technologies and capabilities to mitigate delivery costs as online shopping remains elevated - Return rates remain high as more items are purchased online than before the pandemic - Automated warehouses—combined with new pickup and delivery options—become more mainstream, reducing fulfillment times and changing consumers' definition of immediacy	- Ecommerce penetration accelerates as consumers' preference to shop online sticks - Shoppers are less impacted by out-of-stocks as endless aisle capabilities and delivery options improve - As pressure mounts on customer service teams, search results and customer service responses are increasingly generated through natural language text and voice, and nearly flawlessly match the intent and preferences of the shopper
Supply chain	- Retailers delay or cancel orders amid dropoff in demand - Retailers must seek alternate suppliers as factories / producers are also affected by COVID-19 - Algorithm-based demand forecasting fails as demand becomes unpredictable	- Retailers face challenges restarting supply chains following freezes or changes in production - Labor shortages in retail warehouses contribute to shipping delays - Retailers face delivery challenges working with a struggling USPS and overwhelmed carrier networks - Companies reassess entire geographic distribution of supply chain, including reliance on China - Retailers recalibrate holiday orders to align with more muted demand, with some planning for inventory declines of up to 40% - Tensions arise between brands and retailers as credit insurance policy writers cut back on coverage for struggling retailers - Retailers are more thoughtful about returns processes / policies to ensure items are properly cleaned and safe before they are put back up for sale - Delivery companies impose surcharges as they struggle to manage increased shipping demand and costs; retailers are forced to decide whether to raise prices or absorb costs - Government agencies relax regulations such as food labeling to reduce disruption of supply chains	- Companies shift away from the just-in-time supply chain model - Significant reengineering of the supply chain is required, as companies rethink location of suppliers, warehousing, inventory, relationships with suppliers, ecommerce and fulfillment capabilities, packaging, private label and more - Artificial intelligence and machine learning are deployed across the supply chain, optimizing the most inefficient parts of retail - Some outsourced manufacturing comes back to the US for strategic reasons, reversing the trend of increased globalization / international trade since 1990 - The role of China as a manufacturing partner diminishes, leading to new opportunities for other countries - Delivery companies implement additional surcharges in anticipation of peak shipping during a busy holiday season, providing further incentive to retailers and consumers to use BOPIS or Curbside offerings	- Supply chain capabilities become a source of strategic advantage - Microfulfillment centers (MFCs) are used for same-day delivery in different retail categories with high-volume purchases, including mass merchants, drugstores, home improvement and more - Shortened supply chains mean faster access to cutting-edge products and design, allowing them to order products to more closely match demand - Re-engineered demand forecasting solutions make DCs more efficient and reduce out-of-stocks at physical stores - Retailers find ways to limit waste throughout the supply chain as consumers grow more concerned about sustainability - The supply chain is increasingly transparent as consumers demand more information on where their products come from and how they're produced
Financial management	- Companies' access to capital becomes crucial for business survival and necessary investments - Immediate cost control measures are put in place, including furloughs, canceling orders with suppliers and withholding rent - Companies begin to suspend or cut dividends - Companies begin to suspend share buybacks - Retailers issue debt to strengthen their financial position - Retailers draw down on credit lines to shore up their finances - Brands / retailers withdraw financial guidance	- With cash tied up in inventory, retailers seek ways to move their product (promotions, offloading to offprice/recommerce sites, etc.) - Retailers that furloughed staff at physical stores may ultimately lay off some employees given changed staffing needs - Retailers reduce orders for the holiday season to save cash/align their inventory levels with lower projected demand - A growing number of retailers tap restructuring experts - Businesses evaluate and pursue insurance claims due to COVID-19; resistance from US Chamber of Commerce - Businesses that furloughed workers under CARES Act face financial choices related to re-hiring some or all of their employees - Retailers prepare for a surge of online order returns as stores reopen and consumers start to frequent returns facilities again	- Retailers look for ways to monetize their assets, but shaky public markets remain a challenge for those looking to raise cash through IPOs and brand spinoffs - Retailers invest in better solutions for problems that arose as a direct result of COVID-19 (for example, a more streamlined curbside experience) while other long-term strategic investments remain on hold	- Companies begin to reinvest in critical areas that were put on hold during COVID-19, though still exercising restraint - Positions are refilled at the corporate level as the focus shifts back to growth, but staffing levels remain lower than before the crisis to preserve cash - Salaries that were reduced during the crisis return
Organizational changes	- Furloughs and layoffs impact frontline workers as well as corporate staff at many retailers - A growing number of experienced retail executives seek new roles	- Acceleration of ecommerce means digital expertise is a hiring factor in every role across the organization - Businesses undergo organizational restructuring to cut costs / focus on new priorities - Ability to work cross-functionally improves, born of necessity - Racial disparities uncovered by COVID-19 and Black Lives Matter protests become front and center, with organizations changing approaches to hire more diverse workers	- Ecommerce and stores teams work in tandem more than ever before to ensure digital is supporting physical store networks - Opportunities to innovate will be more democratized, spreading to every role within the retail organization, and empowering employees to create more useful offerings based on insights from the field - Concerns over privacy and the use of customer data create new roles in the retail organization as stores collect and use health- and safety-related consumer data	- The next generation of retail leaders hail from digital or startup backgrounds - The C-Suite becomes more female as well as more diverse, as organizations continue to value different perspectives - As retailers seek to create more agile organizations, employees will increasingly move between departments to improve their understanding of all aspects of the business
Workplace changes	- Most white collar workers immediately shift to working from home - Companies adapt to telecommunications and online hiring - Employees invest in home offices and remote working tools - New "blue collar / white collar" distinction emerges: essential services workers continue working with few protections - Blurring of personal / professional lives increases as work becomes a part of home and vice versa - Companies become more accommodating of employees juggling key personal needs during work hours, i.e. childcare - Companies become accepting of at-home distractions, i.e. pets	- Most companies choose to continue allowing work-from-home; big tech companies like Google and Facebook announce work-from-home option to extend through year end - Safety features are expanded for essential workers (customer and worker masks / sanitation, shorter store hours) - Leadership skills to manage a remote workforce become increasingly valuable, with empathy playing a larger role amid ongoing uncertainty and layoffs - "Zoom Fatigue" sets in for remote workers - New senior-level titles emerge around health and safety roles	- Slow move back to working in an office begins with new safety features (less face-to-face time, new office setups, checkpoints for entry like temperature checks, staggered hours / workdays); office work comes back more quickly in places where workers commute by car, while workers who rely on public transportation continue working at home for longer - Some companies that do go back to the office will require employees to download contact tracing apps as a security measure - More videoconferencing leads to less travel for in-person meetings and corporate offsites - Office spaces are downsized and businesses based around central business areas are hurt - Workplace values continue to move beyond shareholder value to focus on CSR - Vendor selection process increasingly takes into account location of vendor and available collaboration tools - The gradual return to the office is hampered by school closures or staggered learning, forcing remote work to become the norm	- Some companies shift to being entirely remote - Workplace flexibility becomes more ingrained in corporate culture - As distributed workforces become more common, companies can hire the very best employees, regardless of their location, caretaking responsibilities, disabilities, etc. - De-urbanization occurs in the US as remote workers move to less expensive regions and as some companies relocate offices to suburbs and smaller cities - Employers allow existing employees to work remote from any place but may adjust salaries to location
Product and packaging	- Bulk packaging options increase - Hygienic properties of products are of paramount importance - Brands cut number of SKUs, focusing supply chains on products in highest demand	- Both single-serving and bulk-sized product options increase as consumers seek value - Consumers become more leery of opening packages on their doorsteps over safety / hygienic concerns - Consumers become more cognizant of the environmental impact of online shopping as they order more to their homes - The safety of reusable bags / packaging comes into question	- Retailers consider new packaging options as home-bound consumers put a spotlight on reducing waste through products or packaging - CPG and other product categories accelerate package redesigns specific to ecommerce - As consumers go "back to basics," packaging copy will emphasize functional benefits, i.e. scientific claims and hygienic properties, over clean / natural claims - Brands begin to return to more diverse product lines, introducing new products to combat consumer boredom and address desire for comfort	- Brands and retailers look for sustainable packaging options to reduce their carbon footprint as ecommerce and delivery continue to grow - Packaging is redesigned for hygienic purposes—sometimes contrary to green imperatives
Category implications: Grocery	- Huge rise in sales driven by panic buying - Basket sizes increase significantly - Major focus on stockpiling essentials: paper products, disinfectants, canned and frozen foods - Rapid rise of ecommerce; pickup and delivery options expand - Being an essential retailer forces companies to implement hygiene and social distancing early - Shift to at-home eating as restaurants close or shift to pickup / delivery only models - Restaurants and grocery stores both partner and compete, merging concepts to meet shopper needs; more "grocerants" emerge	- Buying patterns shift away from essentials toward comfort food - Having already stocked up, consumers ease up on bulk purchasing - Swings in supply and continued high demand drive unexpected price hikes - Meal kits and prepared meals expand as areas of opportunity - Consumers experiment with new brands when preferred ones are out of stock - Possible new competition in some markets as restaurants sell groceries - Grocery retailer private brands' popularity increases - CPG brands launch direct-to-consumer sites to meet the needs of shoppers looking for trusted products online - Frustration with poor online grocery experience drives some shoppers back into reopened stores - Sales of substitute products such as alternative meats soar as shortages kick in - Accelerated rollout of microfulfillment centers in grocery - At-home alcohol consumption grows, as does ecommerce and delivery of beer, wine and spirits - Grocery sales growth slows down as restaurants begin to reopen	- Retailers seek new equilibrium between ecommerce and brick-and-mortar - Salad bars and self-service bulk food offerings are replaced with packaged products or other services in grocery stores - Retailers and brands work together to increase impulse buying opportunities around orders for pickup - Retailers and partners gain better view into how scale improves the economics of delivery - In-store sampling resumes, with safety restrictions in place, in order to drive in-store traffic - Consumers who have placed their first grocery ecommerce orders have a much easier time reordering - CPG brands look for more efficient packaging as more of their products are bought online - CPGs invest more in end caps as customers change their in-store journeys - Changes in warehouse / shipping infrastructure made in support of ecommerce	- Online grocery buying doesn't stay at COVID-19 levels, but edges closer to 10% penetration - CPG brands develop viable direct-to-consumer businesses - Acceleration of shopper marketing dollars moving to digital with both legacy and new partners

Category implications: Apparel and Accessories	- Shift to nearly 100% ecommerce as stores close - Kinds of clothing people need changes: even less formality / office wear while athleisure grows - Discounts and promotions used extensively to attract shoppers who are not buying - "Waist-up chic" drives purchases of tops over bottoms	- Consumers start to spend more on apparel online as the promise of openings makes life beyond the home seem possible - Comfort remains a key attribute in apparel purchases - Physical retail begins to reopen in some regions / states - Retailers forced to liquidate stranded inventory - Bankruptcy hits the sector, with other possible bankruptcies on the horizon - Face mask fashion officially arrives as consumers flaunt their style through different looks - Companies see increased sales as people emerge from lockdowns with new size needs and preferences	- Stores reimagine fitting rooms and try-on processes given hygiene concerns; product cleaning costs mount - Stores reevalute showroom models over hygiene concerns - Office apparel continues to struggle as more people WFH - Brands look to offload excess inventory through partnerships with offprice retailers, resale platforms and charities, as well as recycling efforts - Fashion retailers rethink traditional calendar, for at least the next year - Handbag makers shift to more casual and utilitarian options amid sales declines, as women have fewer reasons to carry purses	- Apparel enjoys a significant rebound as people refresh their wardrobes - Once assured of safety, fashion recommerce comes back strong - Following COVID-19, new fashion trends emerge that are tied back to the pandemic experience
Category implications: Home Improvement and Furnishings	- Being an essential retailer forces companies to implement hygiene and social distancing early - Consumers cut spending, focus on necessary home improvements as lockdowns begin - Consumers also build out and outfit home offices	- People stuck at home undertake DIY home improvement projects to make home more comfortable—or safer - Major spring sales events, which drive traffic during the category's biggest season, are canceled to manage crowds - Outdoor furniture sales grow as people prepare to stay home for summer vacation	- Consumers undertake outdoor projects like gardening and landscaping as a means for entertaining themselves - Retailers realize an opportunity to help consumers make home improvement shifts for safety—for example, contactless dropoff boxes on front porches	- Consumers continue to invest in their homes to drive their value higher - Contractor business rebounds as non-DIYers proceed with delayed home improvements
Category implications: Department Stores	- Shift to 100% ecommerce as stores close	- Huge discounting of stranded inventory online and offline as stores in some areas reopen - Department stores evaluate which stores will never reopen - Bankruptcy hits the sector, with other possible bankruptcies on the horizon	- Massive wave of consolidation - Rethinking physical layouts / experiences as consumers are wary of product trial - As offprice retailers reopen, they benefit from deals on excess inventory	- Surviving department stores employ a "shrink to grow" mentality - New retail experiences emerge to replace traditional department store concepts
Category implications: Luxury	- Shift to nearly 100% ecommerce as stores close	- Sales in major cities are severely impacted by lack of tourists - Luxury ecommerce holdouts embrace the channel for the first time - China reopening helps global luxury brands, even as rest of world is a few steps behind - Sales and promotions are offered by luxury brands that typically don't offer discounts - High-end retailers seek to close expensive flagship stores on prominent shopping streets	- Luxury brands and retailers that excel at digital see growth, while others continue to struggle - Livestreaming and one-on-one video with clients become increasingly viable sales channels - Manufacturing / supply chains become distributed, i.e. Louis Vuitton "Made in Texas" - Growing importance of ecommerce prompts rethink of working with Amazon; Amazon expands options for luxury brands - Recommerce and rental companies sign deals with luxury brands who are trying to offload excess inventory	- More luxury spending goes toward physical goods than experiences as travel remains muted - Accessible price points become more important to drive sales