



BOUNCING BACK FROM COVID-19

Retail & Consumer



The Retail and Consumer sectors were already rapidly evolving prior to lockdown, and so it is generally accepted amongst senior retail strategy leaders that we are now seeing an acceleration of these trends. For many, though, the harsh reality of redundancies, seasonal stock backlogs and shop closures is a painful reminder of the competitive nature and prevalent tight margins.

As we transition out of lockdown – with non-essential retail reopening around the world – we will see some consumer behaviours creep back to normal, while others will have shifted permanently. What we cannot be sure of yet, is how this will fully play out. Through conversations with our clients¹, it is clear that retailers are focused on galvanising current accelerated trends to capture as much market share as possible. Our survey demonstrates that retailers can therefore leverage the following in the medium to long term:

Omni-Channel Strategy:

This lockdown period has increased online penetration, familiarising new customers with the pros and cons of shopping at home and shifted what and how much individuals consume, either through tightening finances or a change in what is important to them.

Bricks & mortar will continue to be crucial to the performance of most existing retailers, and whilst the need for firms to develop and deliver a robust e-commerce offering is no longer in question, the key challenge for omni-channel is in the integration, consistency, balance and flexibility of service and fulfilment across channels.



ACTION POINTS

- It is of primary importance that retailers assess their in-house tech infrastructure and align tech and talent decisions to match priority investment areas.
- Seamless Omni-channel proposition – from ordering and fulfilment - through to pick up and delivery. Solutions need to consider the entire user journey, joining all channels.
- Offer a wide range of payment options to consumers beyond contactless, such as Klarna, Clearpay, Laybuy and Openpay.

1. Qual responses. n=450



Retail businesses are currently going through an unforeseen catalyst for change. Businesses are focusing on digital and e-commerce.

Health & beauty retailer



Ecommerce is now critical to succeed. Bricks & mortar still has a place but mature digital business and great customer experience is the imperative

Multinational retailer



Recovery is dependent on how quickly we, and our customers, pivot towards experiences and products and services that don't undermine social distancing.

Online marketplace



The High Street as a Destination:

Ease of access to retailers' e-commerce platforms has helped businesses re-connect with new and existing customers as well as customers being more responsive to e-approaches while in lockdown. This stronger connection and deeper insight must be leveraged to better understand future customer needs.

For products where online shopping remains the first port of call, retailers will need to offer consumers more reasons than ever to visit in-store and work collaboratively to create collective draw and cross-sell, offering incentives and experiences not available online: physically trying on clothes, socialising (in collaboration with restaurants, bars and food outlets), community building and interaction.



ACTION POINTS

- COVID 19 has placed an emphasis on retailers that are ethical and more values driven. Brand transparency, sustainability and accountability is now more important to consumers than ever.
- Crucially in the short to medium term though, retailers need to offer customers the assurance that safety is their highest priority, which includes managing store hygiene and social distancing and in turn means being patient for things to return to some sort of normality.

Pricing, Promotions and the Shift to Value:

With the longer-term financial impact of the crisis already looking severe, firms are revisiting their cost and operating models to deal with the fallout. How can retailers strike the correct balance between discounting, profitability and market share growth in a shrinking market?

Deals and discounts have noticeably been removed in supermarkets on staple and essential products making the weekly shop more expensive. On the flipside, discounting of seasonal stock can act as a short-term lure for high street retail to capture the remaining share of wallet as shops begin to re-open.

This could be an opportunity for a collective reset of pricing to address margins, as long as this is linked with clarity of value and by pro-actively addressing more recent consumer concerns such as availability and shelf life.



Our focus has been omnichannel and online propositions to counter non-existent footfall in store.

Furniture retailer



Our crisis management strategy has revolved around ramping up our online business, staff health & well-being & cost reduction.

Multinational retailer



Sector expertise is always critical. Now operating expertise is even more important than before.

Private Equity house



Agile and Localised Supply Chains:

Retailers that will prosper will be those with supply/stock availability, fulfilment capacity and a marked improvement on return networks. They will require supply chains that are capable of adapting to changing consumer habits as well as responding to overseas stock delays.

A future crisis causing further shutdown and delays is not inconceivable, so resilience must be built into the agenda. National retailers with a network of bricks and mortar, with more locally-sourced inventory and leveraging the increased insight gained during the initial crisis have the ability to deliver more value at a faster speed, allowing them to compete more effectively with larger competitors with deeper pockets.



ACTION POINTS

- Plan multiple contingency scenarios – COVID-19 is likely to happen again in some form.
- Dependency on one geography or single point of supply will likely lead to future failure in supply chain. Supply chains need to be more localised and diverse.
- Bricks and mortar stores need to be more flexible to opening and closing according to consumer demand. Skilled up colleagues will be able to serve the business in multiple locations where the need is greatest.

The Barton Partnership

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Retail & Consumer Practice

 **Ben Burney**

Director - **UK**

ben.burney@thebartonpartnership.com

 **Douglas Crichton**

Senior Consultant - **UK**

douglas.crichton@thebartonpartnership.com

 **Tuvshin Ganbold**

Principal Consultant - **Asia Pacific**

tuvshin.ganbold@thebartonpartnership.com

 **Benjamin Court**

Director - **France/Benelux**

benjamin.court@thebartonpartnership.com

 **Patrick Blakeney**

Managing Principal - **US**

patrick.blakeney@thebartonpartnership.com

 **Eleanor Barton**

Associate Consultant - **UK**

eleanor.barton@thebartonpartnership.com

LONDON

+44 (0) 207 138 3691

contact@thebartonpartnership.com

NEW YORK

+1 (347) 400 5567

nyc@thebartonpartnership.com

PARIS

+33 7 78 63 22 82

paris@thebartonpartnership.com

SINGAPORE

+65 8571 6950

asia@thebartonpartnership.com