

#imaginemore

COVID-19: Impact on Retail (non-food)

A manual to understand the impact and what businesses can do today to ensure a better tomorrow.



STIRIXIS >
Imagine more.

The pandemic of COVID-19 has disrupted our lives and led to the enforcement of a number of strict measures globally.

Now, more than ever, we need to prove our resilience, stay proactive, be determined to face all new challenges, and be committed to building a better and truly prosperous tomorrow for all.

Together.

We now need to *#imaginemore*.



Fear will probably take long to fade away. This will hugely impact Retail in both positive and negative ways and result in new trends. Fear will also create a crisis in trust, producing a wave of introvert strategies for people and businesses, turning more to local suppliers and customers. The same introversion will be true for nations.

A new era of why, what, how and where people are buying forming, making the need for retailers to re-invent their business models - infuse agility, open-up new channels and new markets, upgrade their offering - crucial and urgent.

This paper elaborates on the current situation and the next steps retailers can take to face the challenges of how **non-food Retail is transforming.**

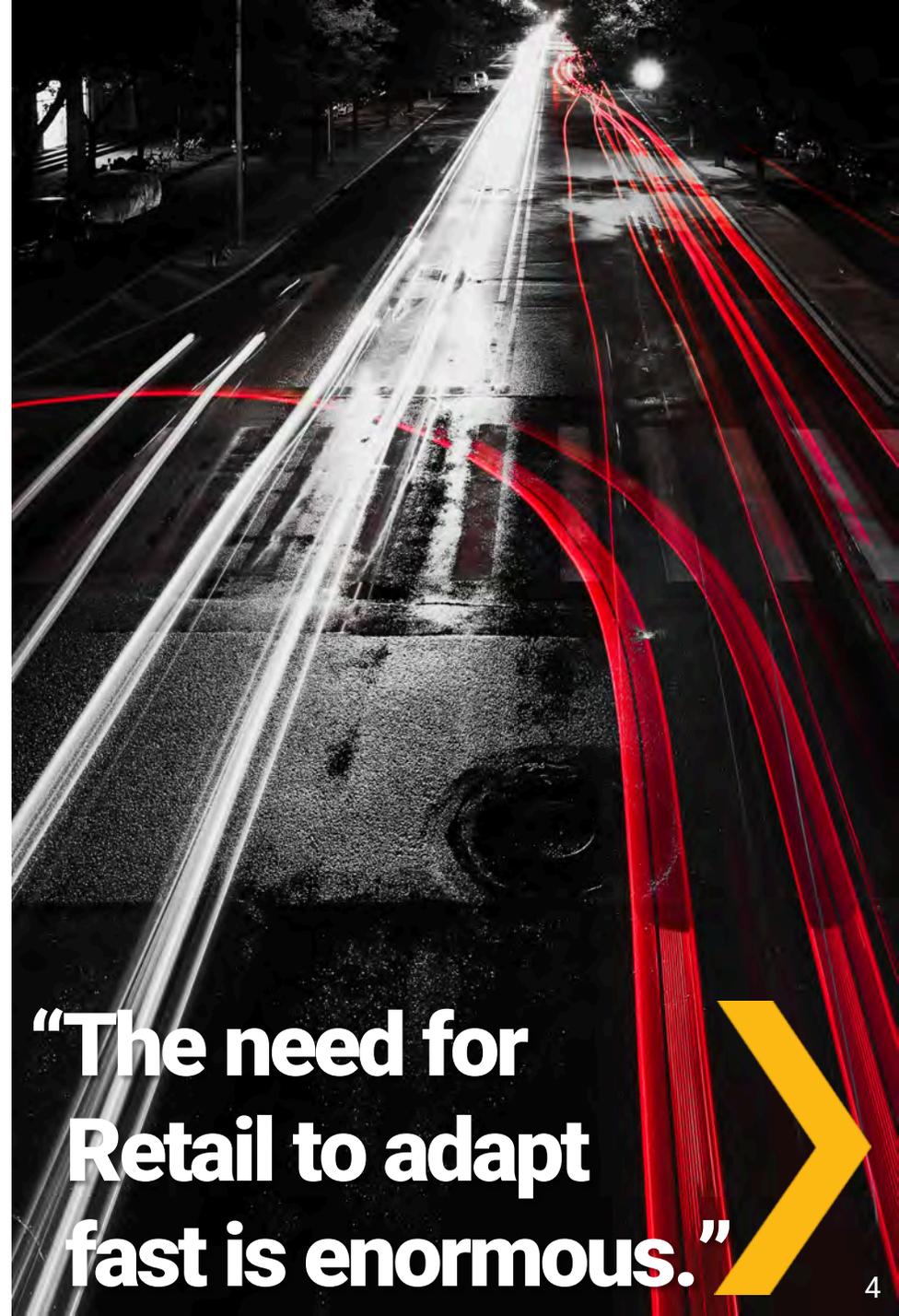


If you exclude the short-term total disruption from lock-down measures imposed, the future of retail and the trends of buying behaviors have been significantly accelerated and in some cases disrupted. In other words, what we mostly see happening today is what was predicted to happen in 10 or 15 years. **The need to adapt fast, the need to change proactively and redefine Retail today is enormous.**

The outbreak has led to the enforcement of a number of measures globally. These include social distancing, rapid deployment of remote working, restrictions on transportation and mobility in general, and a constant control and assessment of physical and mental health status.

But these are “yesterday’s news”. What lies ahead is what we must work on. **Tomorrow is based on four main social, interrelated trends, affecting retail** that were there long before COVID-19, but are accelerating incredibly fast:

- **Social Isolation.**
- **Cocooning.**
- **Technology.**
- **Health, Safety and Wellbeing.**



**“The need for
Retail to adapt
fast is enormous.”**



Social Isolation has been building up for years, already an important trend to follow still. **Extensive research shows that people are living more and more in isolation** and feeling that way too; be it the way we now use technology, how physical interaction has been replaced by social media or even by texting. The pandemic has reinforced this trend while at the same time re-establishing the value of social interaction and sharing.

Cocooning, in other words “staying home and limiting mobility”, enforced by law during the outbreak, is not something new to trendwatchers either. The **combination of remote-working with the rise of e-everything**, from e-shops to e-banking, or e-fitness apps to e-food ordering, and - of course - streaming services, slashed the need to leave your home. COVID-19 multiplied the need of, use of and familiarity to all e-abilities and accelerated this already existing trend.

Technology is once again “cool” after decades of being “nerdy”. It renders possible for people to freely connect remotely to work, buy or order on-line, “socialize” remotely, and upgrade, at very affordable prices, the experience you have when at home, from gaming consoles to personal assistants to high-quality audio and video equipment.

Health, Safety and Wellbeing shape another mega-trend, accelerated and heightened by COVID-19. With a violent shift to more critical forms - all the way down to the need to survive - **health, safety and wellbeing are defining the new way we now live** and behave. New forms and norms of ensuring, measuring, controlling, assisting and assuring health, safety and wellness are booming and will be swiftly implemented in Retail.



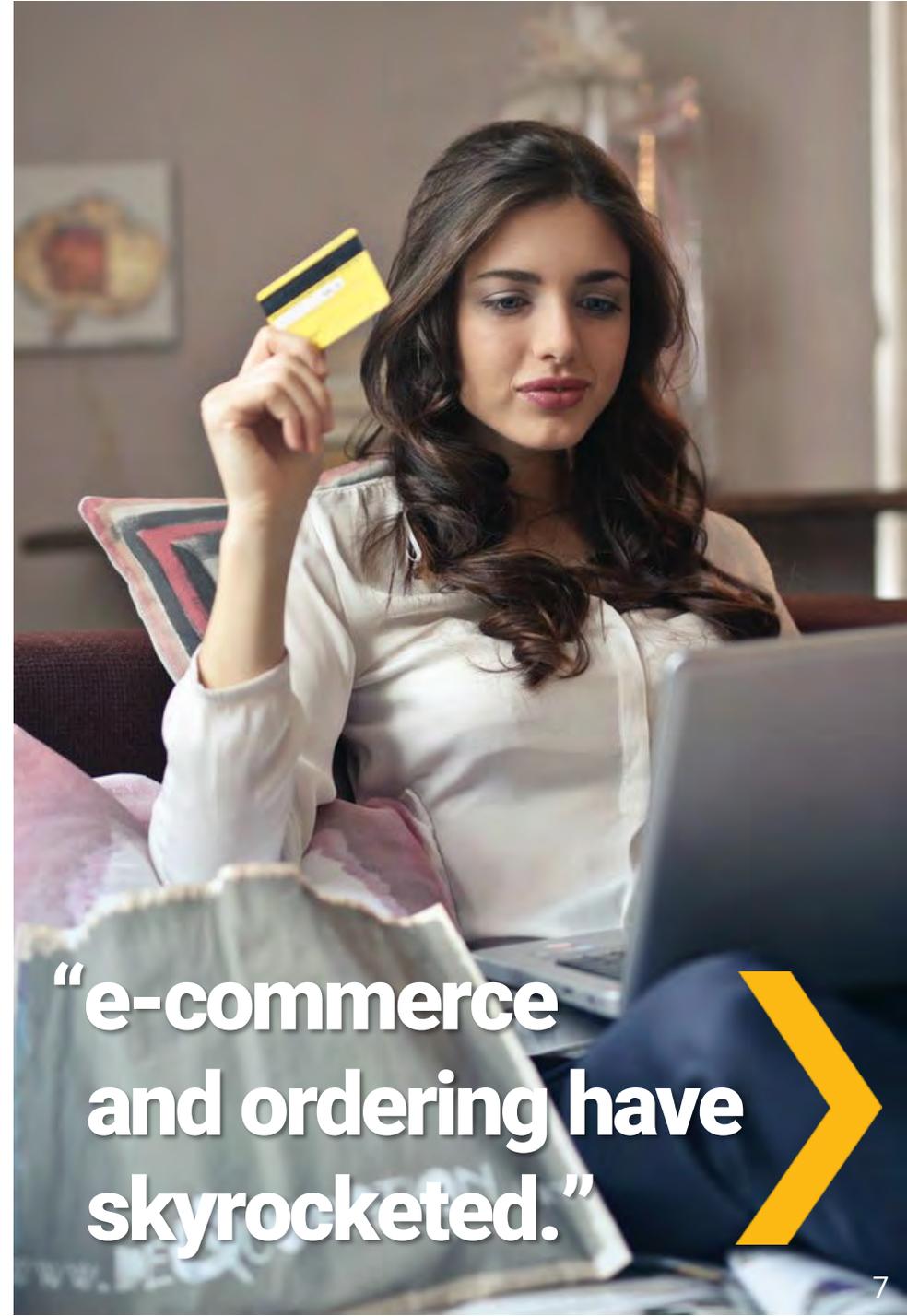
**“Social Isolation
has been building
up for years.”**

**“Retail trends
are significantly
accelerated or
disrupted.”**



Our society is a system. Social trends and behaviors, could not leave retail trends unaffected. Here is how Retail trends are impacted by and in some cases formed from the outbreak of COVID-19. Once again these are profoundly and systemically interrelated.

1. **Value for Money** is the new name of the game. As in all financial crises consumers resort to demand value for money, this across all retail sectors. We see this happening already, with private-label sales increasing, and retailers focusing on emphasizing value in pricing and promotion strategies.
2. **Functionality & Necessity** drive retail post COVID-19. Returning to “basics”, non-essential retail has been hit the most, even for brands with online and delivery well established. People are reluctant to spend money on non-essentials, a trend based on the feeling of uncertainty and fear that will take long to fade-away. In parallel, the elevated value of “home” and all things related, combined with social distancing, and a surge in unemployment will leave a permanent mark on the sales of non-essentials. Consumerism will be diminished.
3. **New goods are now of “value” to consumers.** Shifting needs and lifestyle, changing behaviors and expectation lead to new categories. Beyond the obvious work-from-home equipment and home-entertainment systems, we see a rise in houseware, pets, preventive health and wellness products, gym and fitness equipment are a few to mention. Short-term disposable income is higher, as spending on traveling, vacations, going-out, and luxury goods all are decreased.

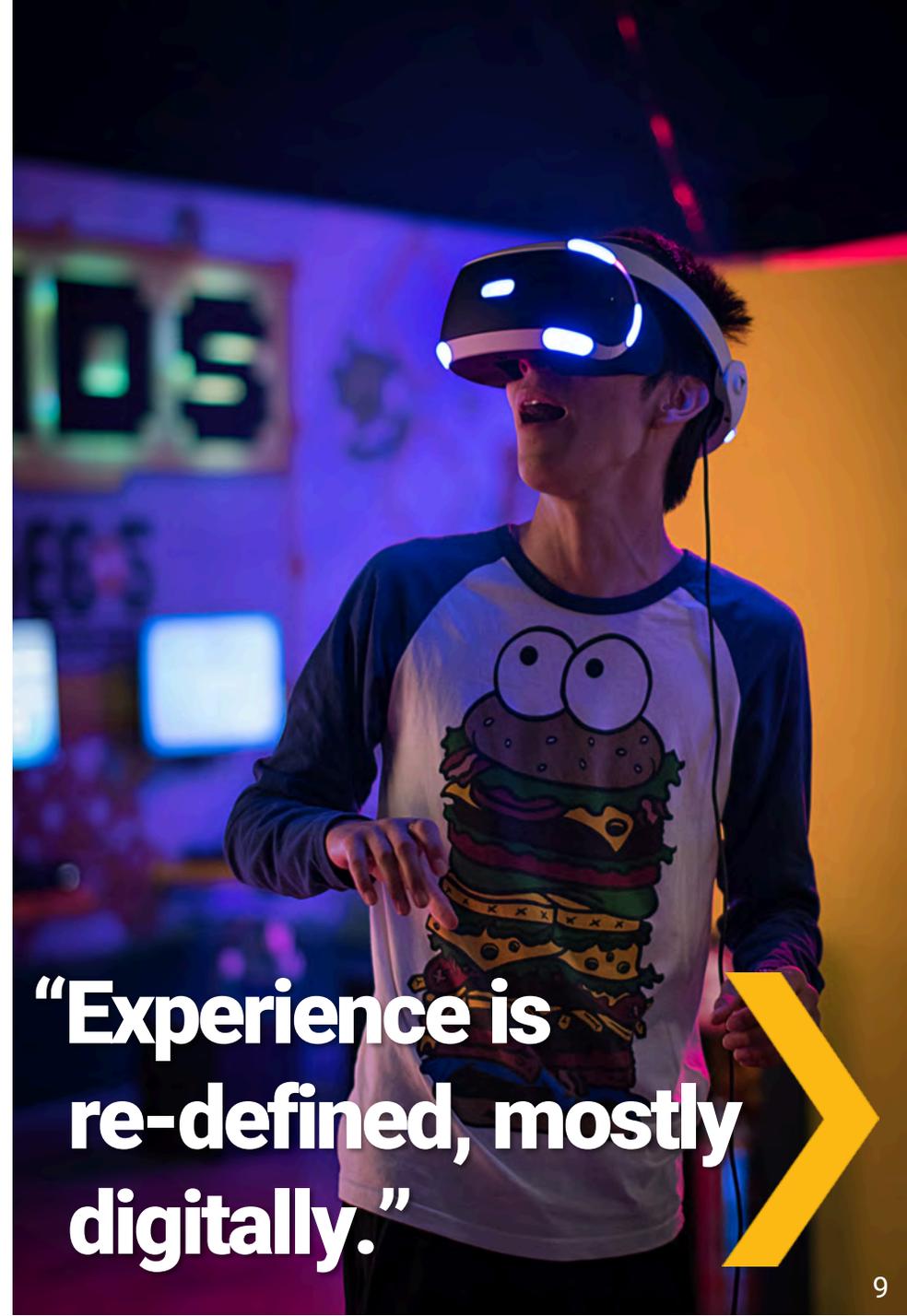


**“e-commerce
and ordering have
skyrocketed.”**

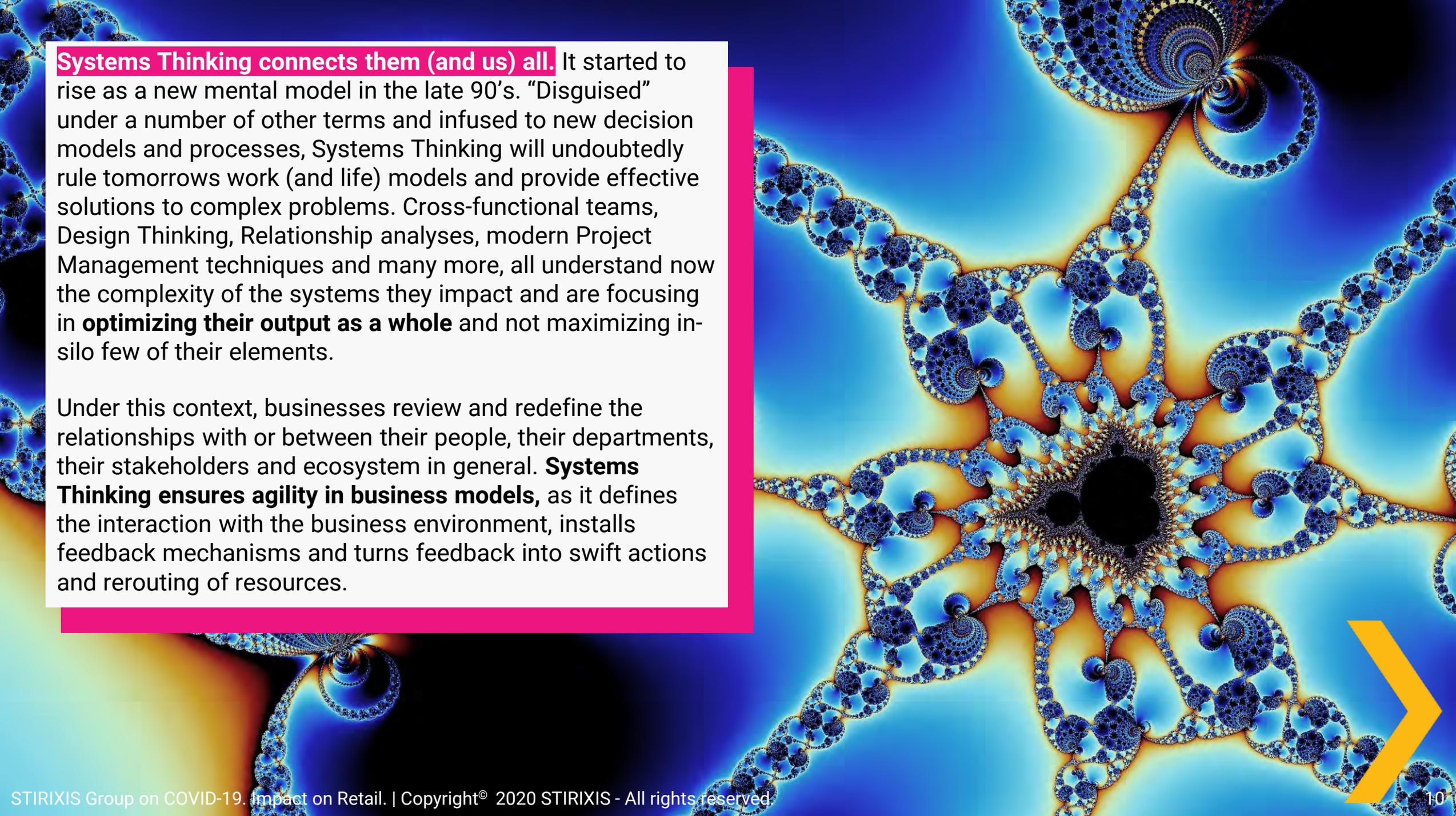


Luxury and non-essential goods are suffering as consumers turn to value-for-money and goods directly related to necessity and functionality .

4. **Health and safety vs Experience.** New rules enforced will require even luxury stores to implement hygiene practices found in grocery stores. Safe, controlled and monitored access, limited presence in headcount and time spent, visit by appointment, no-contact transactions are slowly becoming the norm. Re-defining the experience in this environment will become very difficult for physical retail. AR, VR and holographic experiences will upgrade the digital retail experience by placing consumers in pseudo-physical store conditions.
5. **E-commerce, and click & collect** are here to stay. During the last 15 years, the growth of e-commerce has profoundly rewired consumer behavior. Now, newly “converted” consumers who have experienced delivery, click & collect and e-commerce will surely turn these into habits changing their everyday lives for good. Constraints in providing experience in physical stores feed the loop and enhance these services more.
6. **Established Loyalty suffers** and is at large re-defined. It is now challenged by proximity and availability, ease of use and safety considerations, and locality. Loyalty “re-shuffling” will create new opportunities too.
7. **Size matters.** Large format retail, Department Stores, Big Box retail and Malls, are about to suffer. Proximity, locality, customer density or headcount or amx area restrictions, and the lack of personal customer service will result in major changes. E-commerce has made easy to find everything under “one roof” while “hanging-out” there, is no longer an option either.



“Experience is re-defined, mostly digitally.”



Systems Thinking connects them (and us) all. It started to rise as a new mental model in the late 90's. "Disguised" under a number of other terms and infused to new decision models and processes, Systems Thinking will undoubtedly rule tomorrow's work (and life) models and provide effective solutions to complex problems. Cross-functional teams, Design Thinking, Relationship analyses, modern Project Management techniques and many more, all understand now the complexity of the systems they impact and are focusing in **optimizing their output as a whole** and not maximizing in-silo few of their elements.

Under this context, businesses review and redefine the relationships with or between their people, their departments, their stakeholders and ecosystem in general. **Systems Thinking ensures agility in business models**, as it defines the interaction with the business environment, installs feedback mechanisms and turns feedback into swift actions and rerouting of resources.



“Large Retail formats, i.e. Department Stores, Big Box, and Malls are likely to suffer the most, short- and mid-term.”

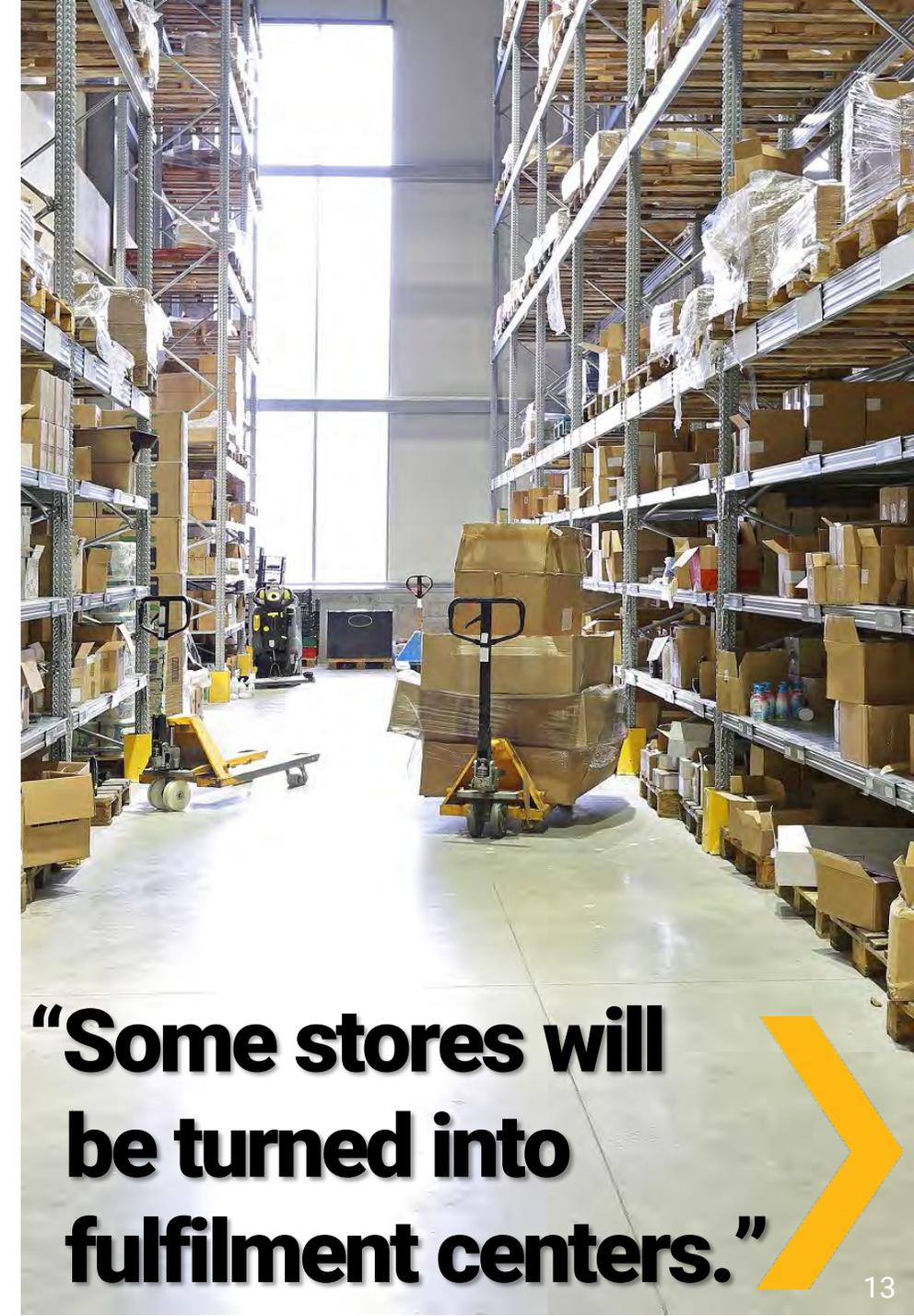
So how are these trends and related strategy, marketing and operations impacting Retail design?

Here is how Retail-design and Retail-development are changing, what happens next and what organizations can do about it.



COVID-19 is changing Retail, its concepts, its tomorrow in a permanent way. Either through the acceleration of existing trends or by introducing completely new one, change is broad, exponential and not temporary.

1. **Retail networks and Retail real-estate** needs re-evaluation and swift decisions. Store concepts will be vastly redesigned. Changes required will render implementation at low performing stores financially unreasonable. Based on each organization's model, stores will need to be closed, relocated or opened fast. In the US non-performing stores are turned into "dark stores" used as fulfillment centers to accommodate e-commerce orders swiftly.
2. **Technology is winning over tradition.** Even the late adopters now admit that retail and technology go together. Omni-channel is upgraded through a true fusion of physical and digital experience and customers require to seamlessly move from one to the other. Technology is now also becoming a vital part of the infrastructure of retail spaces. It provides the platform that enables retailers to ensure safe access, customer tracking, contactless transactions, digital signage, loyalty schemes and customized service.



“Some stores will be turned into fulfilment centers.”

3. **Health, Safety and Wellbeing is now of the outmost importance.** The movement must be now re-enhanced by elements that were once considered as given, work to fight the spread of deadly viruses. But more than the impact on workplace itself, we are now moving towards a “health reputation management”, equal to the social reputation or ranking that one can find in online platforms. We will all need to not only be healthy but also appear healthy and be able to prove our health status with related results and certificates, as part of our everyday work and social life. Businesses will need to promote this by ensuring an ultra-safe environment, not only on-site but off-site too, strongly and visibly promoting health, safety and wellbeing and extending this to their overall ecosystem in a 24/7/365 way.
4. **Renewed emphasis on Design, Ambience and “ease of use”** will also result from the new way we will use the Workplaces. Far from a “heavy” corporate environment, they must now become more up-lifting, vividly yet carefully branded, with an emphasis on technology and use of all sensorial tools. Materials used must be durable, easily cleaned, yet the overall feeling must be that of comfort, shelter, exclusivity and warmth.



**“Health and Safety
are of the outmost
importance.”**

“Loyalty schemes must be re-designed due to the impact of COVID-19 but also due to AI used for retail decisions more and more.”



“Embrace change. Stay ahead. Act now.”

So what are the **immediate actions** businesses can take for their retail chains?

One.

Work closely with your HR team, a Health and Safety Expert and a qualified Retail Design Consultant to understand and decode all Health and Safety directives, legislation protocols for re-opening of your outlets. These will affect the design, installations and operations for more than a few months. However, Compliance must be smart. Providing the best results. Think before you act.

Two.

Plan the immediate and effective reconfiguration of your retail outlets. As legislation and protocols will change and evolve, work to smartly re-configure your outlets and optimize them while avoiding high costs. Density, zoning, flow and distancing will influence on top of consumer behavior your category management, merchandizing and customer experience. Optimize your current workplace.

Three.

Go Phygital. If not already there, make sure you swiftly offer all digital, physical and omnichannel services seamlessly as well as fulfillment basics. Contactless is the new norm for fulfillment options, so introduce out-of-store pickup, “buy online, collect from store”, and constantly track, optimize and re-position these services.

Four.

Re-define the function of the store in your assets. Unique customer experiences are needed today more than ever. But it will be hard to bring customers back to your stores. So offer exclusive products or attractive offers in physical store only, or launch products “only in physical stores” first. Make sure you take advantage of store visits to record data, identify customers and build relationships.

Five.

Design memorable experiences in a new way by correct, strategically chosen, use of branding, imagery, lighting, music, scent and biophilic design. Adding to your in-store customer experience, it will also uplift your people’s morale, boost engagement and support a high performance culture that is so needed today.





**“ We cannot
change our Today.
But we must plan
wisely today
how to change
our Tomorrow.”**



“Be resilient. Keep evolving. Re-imagine.”

So what are the **next mid-term actions** retailers can take for their retail chains?

Six.

Study and understand Social and Retail trends.

As the world is changing faster than ever, huge changes will take place in Retail. COVID-19 is only a part of this. Technology, Energy and Mobility, will change where we live, how we move, how we socialize and inevitably **how and where we buy from**. Keep a close track to stay ahead. Invest in in-house trend teams but also keep outsourced consultants to ensure variety and openness.

Seven.

Authenticity rules.

COVID-19 accelerated this GenZ-based trend by highlighting what is truly essential and of real value. Beware of what you do, how you do it and how it impacts your communications. Honesty, Sincerity, Openness and Trust are, and will be for the years to come, top of the list. This must be actively and efficiently reflected in how Retail stores are designed, operated and constantly optimized.

Eight.

Work to rightsize, optimize, and incorporate your future vision into store opening plans, on a long-view of store performance. The need to create new and impactful experiences, the shift of convenience to on-line channels, and the victory of destination on impulse due to mobility changes will change the size, the position and the nature of physical stores, creating a Retail real-estate landslide that only the fastest and smartest will survive.

Nine.

COVID-19 inflicted changes give the “kiss of life” to local, small-scale stores, and create a bifurcation to the previous point making decisions on this even more difficult. This said, social changes based on mobility and technology will eventually prevail as permanent. For the medium-term decisions, however, a transition road map should be drafted and a detailed business plan to allocate investments produced.

Ten.

Retail will be mostly social. As its functional benefits will be mostly covered by e-commerce, the need is to re-define and redesign customer experience based on “positivity and optimism” as a concept. A fusion of physical and digital uplifting ambience, vivid colours, careful lighting design, customization and a pampering customer service will help your business stand out.



About STIRIXIS Group.

We are an internationally awarded strategy-through-execution design & consulting firm that focuses on ensuring long-term success and maximizing RoI for our clients.

Delivering More. That's our promise. That's our passion.

We define, design and optimize Retail concepts globally and have been awarded numerous times in Europe, Middle East and Africa for our projects. Always based on Strategy, we provide a systemic set of services including User Experience Design, Architecture, Branding, Interior Design, Mechanical Electrical Design, Procurement and Tendering, Construction Management, Supervision and Handover. Seamlessly.

[Contact us](#) now or [learn more about us](#).

#everybusinessasuccess



Contact us for more.



Athens, Greece

Alex Athanassoulas

Group President & CEO



London, UK

Elena Kyrnassiou Athanassoulas

Group Executive Director



Bucharest, Romania

Mihaela Dobra

Country Manager

If you need further information on this presentation and its subject, waste no time and contact us now at advance@stirixis.com



Imagine a company that turns your business idea into your ideal business.

Imagine a company that merges design with business planning, value engineering with implementation, and strategy with project management, creating immense emergent values. And then delivers it all seamlessly to you.

Imagine Stirixis.



DISCLAIMER: This presentation is for general informational purposes only and is not intended to address the circumstances of any specific entity. It is based on information available up to 5th of May 2020, the current public health, economic and market conditions and is subject to certain reservations in terms of uncertainties resulting from changes to key factors such as future adjustments or amendments of the legal and technical status, changes in the financial and economic circumstances, political risk, country risk etc. STIRIXIS Group and all related companies disclaim to the fullest extent permitted by applicable law, any and all liability for the accuracy and completeness of the information in this presentation and for any acts or omissions made based on such information.

STIRIXIS and its logo are registered trademarks and trademarks of STIRIXIS SA.