

A photograph of a waiter in a white shirt holding a white sign that reads "QUARANTINED". The sign is overlaid on a dark blue diagonal band that runs across the center of the image. The background is a blurred indoor setting, possibly a restaurant or hotel lobby.

**COVID-19**  
**THE CONSUMER GOODS**  
**& RETAIL SECTOR:**  
**IMPACT & RESPONSES**

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## Executive Summary

Today, the global retail industry is going through tough times since the Covid-19 outbreak has caused insecurity to consumers and disruptions to businesses operating in the entire commercial chain, either in the frontline such as retailers, or in manufacturing or wholesaling. Order delays, shortages in high-demand products due to limited exports, consumers' stockpiling, reduced cash flows, high unemployment and a decline in GDP levels are some of the serious effects of the financial crisis from the Covid-19 pandemic.

In response to the turbulent situation, governments have taken harsh measures to support businesses financially and protect citizens from getting sick. As the measures increase, more retail stores are closing and consumers' fears and concerns about how their lives will be afterwards, are growing. A great percentage of them find a way out in online shopping. Among them, are consumers who have never shop online. During the period of quarantine, consumers turn to goods and services that help them control their fears and uncertainty. However, unpredictable consumer demand and supply chain issues can affect the e-commerce industry which will result in delays in deliveries and missing items.

Even in a catastrophic pandemic, some industries such as e-commerce, food retail, and the healthcare industry can be benefited, providing at least some economic growth to offset the damage. Grocery shops are ~~ef~~ among the big winners in sales and turnover. Due to panic buying, supermarkets have hit sales record in both their physical and online stores. However, even big merchants such as Walmart, face ~~difficulties and challenges as they are experiencing a~~ due to a drop in casual shopping, supply chain disruption, and an increase in purchases of essential toiletries, groceries, and other products. ~~One~~ On the other hand, some market segments have faced huge declines. One of the most affected industry segments due to the Covid-19 outbreak are electronics products since China, ~~which is~~ the largest producer of the electronic and its parts globally, is the place where the virus has started and is accounting for thousands of cases. According to Accenture's Covid-19 Consumer Pulse survey, 13%-29% of consumers have reduced spending across multiple non-essential categories, including fashion, beauty, and consumer electronics while McKinsey in its survey added restaurants and travel among the most affected industries.<sup>1</sup>

Entrepreneurs are now facing challenges including the need of the rapid integration of technology in all business processes and the adoption of digital tools and channels to effectively communicate with their customers, suppliers and other partners. Among the difficulties they face are also, the management of supply chain disruptions, the changes in demand for consumer products and the cash flow issues. In addition, they are called to balance between the productivity of employees while working from home and the worries they have about themselves and their families, living in this unprecedented crisis. The

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<sup>1</sup> McGill. (2020, June). Consumer behaviour in the post-pandemic retail landscape. Retrieved from <https://www.mcgill.ca/delve/article/covid-19/consumer-behaviour-post-pandemic-retail-landscape>

Covid-19 pandemic is not only the most serious global health crisis since the Great Influenza in 1918 (Spanish flu), but is set to become one of the most economically costly pandemics in recent history. In this context, the aim of this research is to provide an in-depth analysis regarding the impact of Covid-19 in on the global retail and consuming goods industry.

## **Key Findings**

From the research that we have conducted, we highlight the most important findings that will impact the retail and consuming goods industry during 2020:

- 13% - 29% of consumers have reduced spending across multiple non-essential categories, including fashion, beauty, consumer electronics, restaurants and travel
- It is predicted that in 2020 the global real GDP will drop to 2.4%, losing 0.5% which is equal to almost USD 3.5 trillion in only one year
- 25 million jobs were threatened by the current pandemic which equals to almost 2.7 billion workers, and accounting for 75% of the world's workforce
- Food and beverage stores saw a massive 25.7% year-over-year surge on March
- Sales of private label brands jumped by double digits in the 2020 first quarter
- Nearly 75% of companies are reporting supply chain disruptions in some capacity due to coronavirus-related transportation restrictions
- The delivery time for freight shipments during the coronavirus pandemic rose by 433% in May to 75.2 hours on average from 14.1 hours in April.
- 77% of users plan to raise their use of touchless technologies to avoid human interactions
- 66% of users tend to use smartphone devices instead of touch-based alternatives at physical locations such as retail outlets and bank branches whereas 62% would like to continue using it after Covid-19
- E-commerce sales accounted for almost 2.6% of total US food and beverage retail sales in 2019, but after Covid-19, it is projected to grow, reaching 3.5%, which equals to USD 38 billion
- E-commerce order volume has increased nearly 47% within April, compared with the February average
- 50% of consumers bought products they had never bought online before while 70% report that they are buying online more than usual

## **Introduction**

As Covid-19 spreads and its impact on daily life continues to increase, individuals and businesses need to respond. Businesses should be considering measures to mitigate the risk of infection, assess the potential impact and develop plans for protecting revenue while also ensuring they can continue to operate. In their effort to reduce the risk of spreading the virus, governments have taken harsh

measures to isolate and protect citizens. All physical stores that considered to be delivering non-essential consumer goods and services were required to close for a period of time that would ensure that the virus will not spread. In addition, strict measures to protect consumers and workers have been implemented, such as the use of masks, disinfectants and maintaining social distance, as well as the imposition of quarantine for a certain period of time. At the same time, governments, in order to help businesses and citizens survive and maintain the levels of GDP and business cash flow at the highest possible point (avoiding bankruptcy and poverty cases), governments announced **extraordinary** exceptional measures of support. Among them are the extension of loan repayments, facilities for work-related issues concerning employees, and various other financial benefits that will keep organizations cash flow at sustainable levels.

## Chapter 1

### The outbreak of Covid-19: Disrupting the economy landscape

#### 1.1. What is Covid-19 and how it appeared

A pandemic is generally defined as a new disease that rapidly spreads in a number of countries and continents. Diseases and illnesses have plagued humanity since the earliest days, our mortal flaw. Over the last century, we have seen three deadly pandemics, the Spanish Flue in 1918, the Asian Flue in 1957 and the pandemic of 1968. Novel Coronavirus (Covid-19) is the most recent pandemic which has had unparalleled social and economic effects on society in modern history. The Covid-19 disease comes from a group of viruses that was transmitted to humans from bats. The most affected geographic areas are cities. Urban areas became hubs for the quick transmission of the pandemic as they contribute a whopping 80% of the total global GDP and host about 50% of the global population. Rapid urbanization, population growth, and increased global travel attributable to globalization have all contributed to this transmission.<sup>2</sup>

~~This newly identified~~ The novel coronavirus was first seen detected in Wuhan, the capital of central China's Hubei province, on December 31, 2019. As of the end of February 2020, almost 90,000 people have been infected by the virus, leading to over 3,000 deaths. Despite travel ban and other tough measures government have taken and China's Hubei province's efforts to prevent the spread of the virus, the goal has not been achieved and COVID-19 has already spread globally.<sup>3</sup> At the time of writing this report, there are over 16,739,530 confirmed cases of COVID-19 and 660,407 deaths across the globe. According to official reports, the largest numbers of confirmed cases are in the US, Brazil, India, Russia and South Africa whereas the largest numbers of deaths amid Covid-19 are in US, Brazil, Mexico and from Europe, UK and Italy. As many as 188 countries and territories have registered COVID-19 cases.<sup>4</sup>

##### 1.1.1 COVID-19 in comparison with previous pandemics and economic crises

The novel coronavirus outbreak is similar to other pandemics in history in terms of its origins, the reactions of societies and individuals and possible social and economic outcomes, according to experts. The big difference as Nukhet Varlik, a history professor at Rutgers University in the US said, ~~is that~~ "it is spreading faster than previous pandemics due to its ability to travel quickly through the air".

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<sup>2</sup> Osterholm, M. (2005). Preparing for the Next Pandemic. *Foreign Affairs*. 84. 24. 10.2307/20034418. Retrieved from [https://www.researchgate.net/publication/270195622\\_Preparing\\_for\\_the\\_Next\\_Pandemic](https://www.researchgate.net/publication/270195622_Preparing_for_the_Next_Pandemic)

<sup>3</sup> Deloitte. (2020). COVID-19: Managing supply chain risk and disruption. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/finance/Supply-Chain POV EN FINAL-AODA.pdf>

<sup>4</sup> COVID-19 map. (2020, July 29). Johns Hopkins Coronavirus Resource Center. Retrieved from: <https://coronavirus.jhu.edu/map.html>

"In terms of social responses, we also observe similarities to many past pandemics. There is a broad spectrum of human responses in times of pandemics including denial, panic, flight, racism, xenophobia, spreading of false rumors, profiteering, and other opportunistic behaviors, businesses closing and even abandoning the sick to die alone, but also empathy, altruism, caring and helping others," she added.<sup>5</sup> The practice of quarantine that all countries applied for fighting the virus, began for the first time during the 14th century, in an effort to protect coastal cities from plague epidemics. Port authorities required all ships arriving in Venice from infected cities to sit at anchor for 40 days before landing.<sup>6</sup> Professor Varlik, emphasized that the total number of deaths, worldwide, from the Covid-19 remains relatively low compared to past pandemics in history which killed tens of millions of people. "The biggest pandemic known in human history was the Black Death of the mid-14th century that killed at least 30% to 50% of the population" she said.<sup>5</sup>

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<sup>5</sup> Hamit, D., & Zontur, E. C. (2020, March). COVID-19 outbreak similar to previous pandemics. Retrieved from <https://www.aa.com.tr/en/economy/covid-19-outbreak-similar-to-previous-pandemics/1777389>

<sup>6</sup> LePan, N. (2020, March). Visualizing the history of pandemics. Retrieved from <https://www.visualcapitalist.com/history-of-pandemics-deadliest/>

## HISTORY OF PANDEMICS

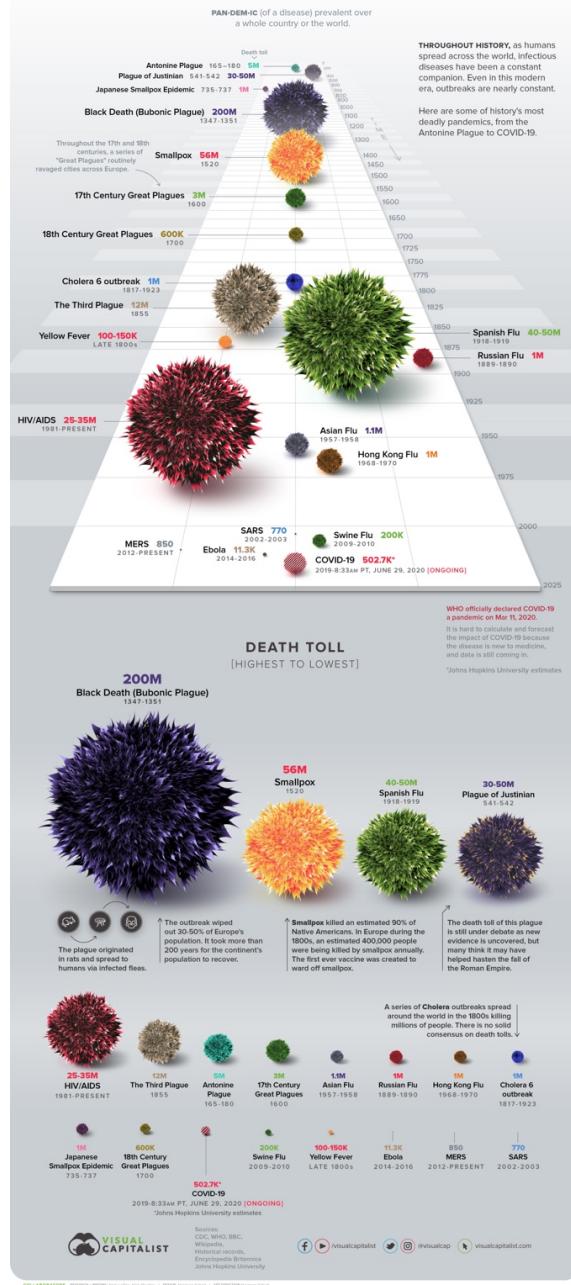


Figure 1: History of Pandemics. LePan, N. (2020, March). Visualizing the history of pandemics. Retrieved from <https://www.visualcapitalist.com/history-of-pandemics-deadliest/>



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## Chapter 2

### The economic impact on the global retail

#### 2.1. Introduction

Most economists believe that Covid-19 will have significant longer-term effects on the economies of states, developed and non-developed, and in all sectors. In the short-term, the ~~one~~ sector that is estimated to be ~~hurt~~ affected the most is the consumer goods and services ~~sector~~.<sup>7</sup> In the first half of 2020, restaurants, bars, retail, and travel services, automobile dealers, gas stations and fuel dealers, ~~in the first half of 2020 have been faced with~~ experienced the largest decline ever in monthly retail sales, according to Diane Swonk chief economist at Grant Thornton, which affects enormously their funding.<sup>8</sup> But in addition to declining sales, the industry is experiencing the effects of the turmoil in the global supply chain, mainly due to its dependence on China's production and distribution.<sup>9</sup>

#### **There is high economic uncertainty so people hesitant to spend.**

~~Consumers~~. Although ~~they~~ consumers have increased their spending online, ~~in total~~ their total spending have reduced ~~by restricting~~ as they restrict their purchases to essential items. This is due to the great insecurity they feel about the future or the reduction they see in their personal or household income (in some cases they also experience unemployment).<sup>10</sup> A very common reason, as reported in the 1,000 consumers survey of the digital fulfilment platform Blue Yonder, has to do with the fear of consumers going out of the house. 59% of respondents said they are purchasing less than they normally would "because they are avoiding going out in public and cannot purchase things in-person."<sup>11</sup>

#### **2.1.1 Brick-and-Mortal Stores Bankruptcy**

The impact of Covid-19 on retail industry is a combination of three factors. ~~Therefore, depending on~~ The type of ~~business~~, and the dynamics of each business and the flexibility of the company in managing

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<sup>7</sup> Deloitte. (2020). COVID-19: Managing supply chain risk and disruption. Retrieved from [https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/finance/Supply-Chain\\_POV\\_EN\\_FINAL-AODA.pdf](https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/finance/Supply-Chain_POV_EN_FINAL-AODA.pdf)

<sup>8</sup> Domm, P. (2020, April). March retail sales will look horrible after the coronavirus pandemic forced consumers to stay home. Retrieved from <https://www.cnbc.com/2020/04/14/march-retail-sales-will-look-horrible-after-pandemic-forced-consumers-to-stay-home.html>

<sup>9</sup> AON. (2020). COVID-19 and the Retail Sector. Retrieved from <https://www.aon.com/getmedia/9dac03ec-2655-4d33-9eee-06d717573905/COVID-19-Impact-On-The-Retail-Sector-March-2020.aspx>

<sup>10</sup> Palmer, A. (2020, April). How the coronavirus and retail closures are accelerating the rise of Amazon. Retrieved from <https://www.cnbc.com/2020/04/19/coronavirus-retail-closures-speed-the-rise-of-amazon.html>

<sup>11</sup> Biron, B. (2020, April). Rampant shipping delays and limited stock amid the coronavirus outbreak reveal why e-Commerce hasn't defeated physical stores just yet. Retrieved from <https://www.businessinsider.com/online-order-delays-during-coronavirus-e-commerce-limits-2020-4>

emergencies are what will determine the ~~exploitation~~ potential of an opportunity or the possibility of bankruptcy of a business. **First**, whether the product distributed by the store is considered essential or not. ~~In the first case, where the product is not considered essential, the store was forced to close.~~ This translates into zero sales and therefore significant cash flow issues.<sup>12</sup> The "non-essential" retailers are ~~being defined as stores~~ that are those who trade in discretionary (clothing, home furnishings, electronics, beauty etc). On the other hand, if the retail business is considered by authorities as essential, it remains open. According to authorities, essential retailers are considered all mass merchandisers and dollar stores that sell food and household supplies, grocery and drug stores, hardware stores, convenience stores as well as e-commerce retailers.<sup>13</sup> The stores that remained open were faced with many challenges such as labor supply shortages, major disruptions in supply chains and working conditions, and sometimes large spikes in demand for specific items.<sup>77</sup> ~~Although the~~ In spite of the difficulties, the shifts happening in the retail industry right now are boosting sales for some grocers, big-box retailers such as Walmart and Costco, and other stores deemed "essential."<sup>14</sup> **Second**, social protection measures such as social distancing, mandatory mask use, disposable gloves and antiseptic fluid use, affect retailers with physical stores more than online retailers, and may ultimately accelerate the ongoing shift from brick-and-mortar to online retailing. **Third**, the sector is characterized by the coexistence of businesses with strikingly different abilities to weather the crisis, linked to different liquidity positions and access to outside finance.<sup>77</sup>

There was a decrease in traffic in retail stores and malls, before lockdown. ~~More specifically~~, Morgan Stanley led analysts found that total retail traffic in the US fell 9.1% during the first week ~~on~~ of March ~~in~~ US, ~~total retail traffic fell 9.1%~~. Moreover, according to Coresight Research mall traffic was already down in February. The US Wedbush analysts note that traffic to theme parks, sporting events, concerts and other venues with large crowds was also down, and that consumers were cancelling travel plans.<sup>15</sup> This indicates that many retailers have entered weakened the lockdown and crisis brought by the pandemic.<sup>78</sup>

Consumer habits and ~~consumer~~ priorities are changing because of the mockery that seems to be bringing changes to the retail landscape, that will remain after the end of the pandemic. According to retail experts and analysts a surge in bankruptcies and store closures is expected ~~expecting~~.<sup>79</sup> This

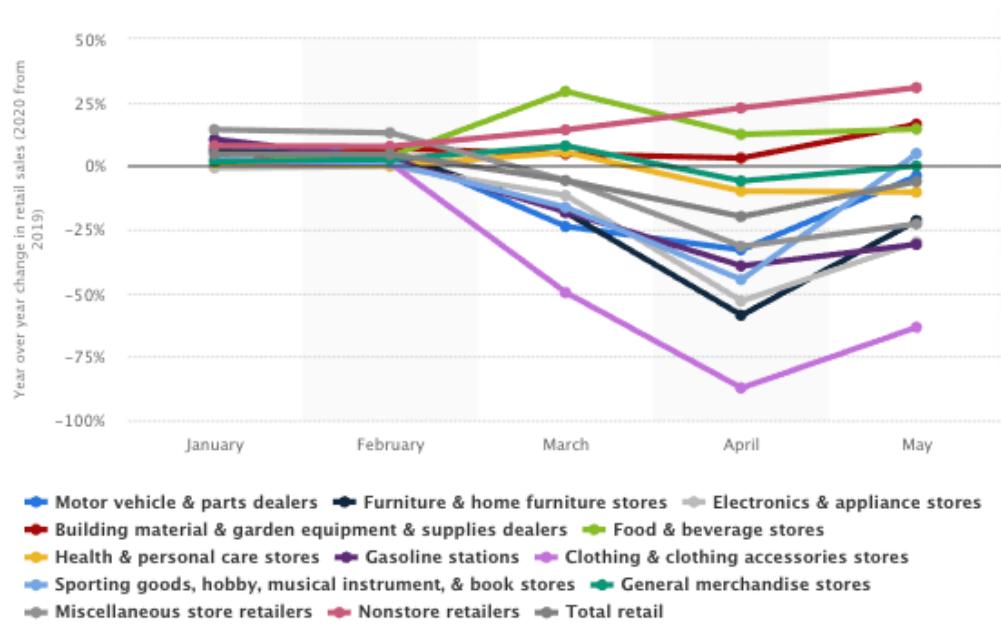
<sup>12</sup> Organisation for Economic Co-operation and Development. (2020, June). COVID-19 and the retail sector: Impact and policy responses. Retrieved from <https://www.oecd.org/coronavirus/policy-responses/covid-19-and-the-retail-sector-impact-and-policy-responses-371d7599/>

<sup>13</sup> Danziger, P. N. (2020, April). List of retail companies on bankruptcy watch is growing fast amid coronavirus crisis. Retrieved from <https://www.forbes.com/sites/pamdanziger/2020/04/03/retail-companies-on-death-watch-is-growing-fast-as-covid-19-puts-non-essential-retailers-on-life-support/>

<sup>14</sup> Peterson, H. (2020, April). Coronavirus could trigger a Second Coming of the retail Apocalypse, with a new wave of bankruptcies and store closings expected to sweep the nation. Retrieved from <https://www.businessinsider.com/coronavirus-could-trigger-retail-bankruptcies-and-mass-store-closings-2020-4>

<sup>15</sup> Howland, D. (2020, March). Coronavirus is hurting store traffic and e-Commerce won't help much, analysts say. Retrieved from <https://www.retaildive.com/news/coronavirus-is-hurting-store-traffic-and-e-commerce-wont-help-much-analysts/573929/>

theory is supported by the big-box retailers, Macy's, Nordstrom and many others. Macy's announced in early February the closure of 125 underperforming stores over the next three years as part of its new retail strategy plan. Nordstrom also announced the permanent closure of 16 of its full-line department stores.<sup>16</sup> "Bottom line, I expect there will be fewer retail chains surviving post-Covid-19 and the surviving chains, particularly apparel and other mall-based specialty stores, will reduce the number of brick & mortar store locations," BDO's David Berliner said. <sup>78</sup>



January		February	
Motor vehicle & parts dealers	6.7%	Motor vehicle & parts dealers	5.8%
Furniture & home furniture stores	5.6%	Furniture & home furniture stores	4.7%
Electronics & appliance stores	-0.8%	Electronics & appliance stores	-0.2%
Building material & garden equipment & supplies dealers	1%	Building material & garden equipment & supplies dealers	6.9%
Food & beverage stores	1.5%	Food & beverage stores	3.8%
Health & personal care stores	1%	Health & personal care stores	0.1%
Gasoline stations	10.5%	Gasoline stations	2.6%
Clothing & clothing accessories stores	1.8%	Clothing & clothing accessories stores	1%
Sporting goods, hobby, musical instrument, & book stores	2.5%	Sporting goods, hobby, musical instrument, & book stores	1.1%
General merchandise stores	1.7%	General merchandise stores	2.6%
Miscellaneous store retailers	14.3%	Miscellaneous store retailers	13%
Nonstore retailers	7.9%	Nonstore retailers	7.7%
Total retail	4.7%	Total retail	4.6%

<sup>16</sup> Howland, D. (2020, June). Brick and mortar's next chapter. Retrieved from <https://www.retaildive.com/news/brick-and-mortars-next-chapter/578768/>



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## Chapter 3

### The way retail businesses are responding to the Covid-19 Crisis

Covid-19 marks a historic pivot point for the global economy. There is a sharp turn of business both internally and externally, in digitization which creates many challenges. ~~On the one hand, Companies are forced to close offices and remote work, work remotely and conduct their meetings and communication via computer and on the other hand, while they are required to respond to the growing online demand, are some of the challenges that~~. Businesses are called upon to manage ~~today~~ those current challenges in order to continue to provide exceptional customer experience, while remaining competitive at the market.<sup>17</sup>

Internally, it is important for businesses to find ways to engage with employees, to create a good working environment and suitable conditions so that workers can continue to be productive while working from home. The key to achieving this is continuous communication and the provision of appropriate tools that will serve this purpose. Laptops, digital trainings, integration and familiarity with video conferencing tools such as Zoom are some of these tools. ~~On the other hand, externally, in terms of customers, On the external side, companies need to invest in the right digital tools and channels, through which they will be able to maximize the user experience at all stages of the online consumer journey and thus boost their sales growth. Transparency during and after the transaction as well as easy navigation and non-complicated checkout process will ensure customer loyalty that which will keep them coming back retain their commitment posts-crisis.~~<sup>18</sup>

#### 3.1. Digital transformation readiness

Covid-19 has revealed the importance of digital readiness. Adopting a digital culture allows business and everyday routine to continue as much as close to the normal life during crisis. Investing in infrastructure needed to support a digitized world and stay up-to-date with the latest technologies will be key for any company or nation to remain competitive in a post-Covid-19 world, as well as taking a human-centric and inclusive approach to technology governance.<sup>19</sup>

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<sup>17</sup> Business Wire. (2020, March). Kantar and Profitero Survey Reveals Nearly Three Quarters of Consumer Brands Believe They are Merely Keeping Pace or Catching up in eCommerce. Retrieved from <https://finance.yahoo.com/news/kantar-proftero-survey-reveals-nearly-120000573.html?guccounter=1>

<sup>18</sup> Boker, A. (2020, June). After COVID-19, the importance of the digital experience will endure. Retrieved from <https://www.digitalcommerce360.com/2020/06/16/after-covid-19-the-importance-of-the-digital-experience-will-endure/>

<sup>19</sup> Xiao, Y., & Fan, Z. (2020, April). 10 tech trends getting us through the COVID-19 pandemic. Retrieved from <https://www.weforum.org/agenda/2020/04/10-technology-trends-coronavirus-covid19-pandemic-robotics-telehealth/>

**Digital transformation for business growth and company health:** The global Covid-19 pandemic impacts firms equally depending on their experience in digital retail. ~~For some, it is about being sustainable; The main drive for some firms is business sustainability; for many others it is about~~ other firms are adjusting to becoming a digital-first business; ~~and for more, it~~ while others can offer new are attempting to spot opportunities for further growth.

Prior to lockdowns and Covid-19 economic crisis, 90% of businesses did not treat digital commerce on an equal footing with physical commerce. However, they had in their ~~plan within the~~ next three years plan to develop it and invest in it, ~~–agreed~~ persuaded that going digital is the future of their companies. For these companies, the pandemic accelerated their plans. Many businesses, on the other hand, operate exclusively or mainly through the internet. Not only did they not face many challenges during the crisis but ~~on the contrary~~, they further took advantage of their know-how and expertise. For others, digital commerce is a way out and an opportunity to develop and build better communication with consumers.<sup>20</sup>

**Digital transformation in workplace:** Now that governments are urging employees to work from home, companies are called to invest in technology and infrastructure to support remote work and virtual collaboration capabilities. They are forced to upgrade their information systems by allowing paperless operations, automating workflows and enabling modern cloud apps for employees. Companies that are not already tech-oriented and digital-friendly or are not ready for such a transformation, are predicted to face many challenges.

**Digital transformation in consumer journey to meet customer expectations:** Brick-and - mortar organizations in all business sectors were required to drastically minimize in-person customer service. Innovative companies, are creating consumer-friendly, contactless services and procedures.<sup>21</sup> According to a research conducted by Forrester Consulting, 72% of consumers say they face challenges, both in product search and in buying process including out of stocks, and difficulties in ~~finding~~ to find answers to questions, inaccurate search results, confusing product information, poor or missing imagery, lack of reviews or ratings, and inflexible delivery and payment options. Another important outcome of the same survey is that consumers face the above issues in their interaction with the most frequently used channels including online marketplaces, ~~an~~ the online reseller's direct website, and ~~a~~ the manufacturer's or brand's direct website, while only 14% say their most recent online experience was completely personalized to them.

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<sup>20</sup> Forrester Consulting. (2020, June). The State of Commerce Experience: Shifting Priorities Reshape Digital Commerce Investment. Retrieved from <http://go.bloomreach.com/rs/243-XLW-551/images/The-State-Of-Commerce-Experience.pdf?>

<sup>21</sup> EWeek. (2020, May). Why digital transformation equals survival during COVID-19 era. Retrieved from <https://www.eweb.com/enterprise-apps/why-digital-transformation-equals-survival-during-covid-19-era>

*"65% of consumers and 79% of B2B customers face challenges when researching or purchasing online. And only 14% of consumers and 22% of B2B customers say their most recent online experience was completely personalized to them"*

Poor customer experiences are cost ineffective. Nearly 80% of the responder's report abandoning a purchase or switching merchants due to inadequate experiences and that they are willing to tell others about the negative experience primarily through word of mouth or online reviews.

**Businesses in order** In order for businesses to meet their consumers expectations, they should know how to satisfy them in every touchpoint and every interaction they have across the entire buying journey, keeping in mind how they are searching goods and reviewing alternatives and what personalized assistance and services they may need along the way. In addition to consumer side, the survey also looked at businesses' efforts to satisfy their customers in relation to the easy search and navigation, the product information display and other related features as well as the purchase process and support. The data presented in the figure 64 are the findings of the research on the question "Which of the following capabilities are part of your e-commerce strategy?".<sup>189</sup>

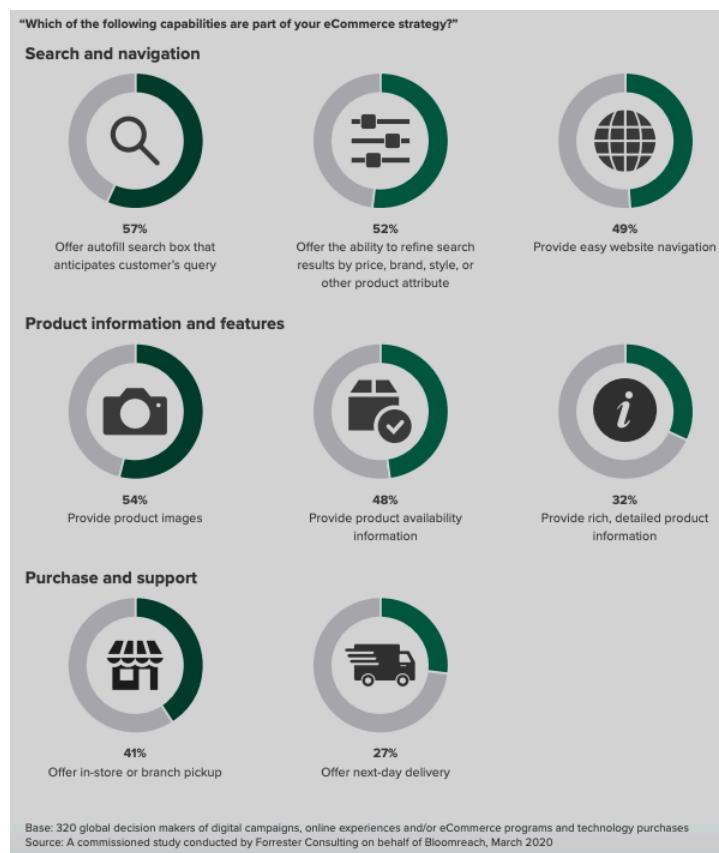


Figure 64: Percentage of Capabilities are Part of the E-commerce Strategy.

Forrester Consulting. (2020, June). The State Of Commerce Experience: Shifting Priorities Reshape Digital Commerce Investment. Retrieved from <http://go.bloomreach.com/rs/243-XLW-551/images/The-State-Of-Commerce-Experience.pdf?>



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## Chapter 4

### Possible future scenarios and ways to build resilience

#### 4.1. Possible future scenarios until complete recovery

The most important questions that arise in times of crisis have to do with the duration of the recession and the time it will take for the economy to recover. According to experts, the answers to the above depend on the shape of the recession. ~~Speaking of shapes, economists refer to one of the following:~~ Economists distinguish between the following recession shapes:

**V-shaped are recessions** starting with a sharp fall out eventually hitting a bottom quickly, turning around and going rapidly upwards. These forms of recessions are a best-case scenario.

**U-shaped are recessions** that begin with a marginally quicker downturn but then remain at the bottom for an extended period of time before turning around and heading higher again.

**W-shaped are recessions** which start like V-shaped recessions but end up turning back again after showing false signs of recovery. These forms of recessions are often referred to as "double-dip recessions," since the market sinks twice before complete recovery.

**L-shaped** are quickly declining recessions and struggling to recover. These types of recessions are a worst-case situation since little prospect of recovery is given.<sup>22</sup>

Retailers need to think rapidly a range of scenarios about how Covid-19 could affect their consumers and suppliers as well as their own activities. Below are presented some forecasts and facts based on each scenario.

#### **Covid-19 Baseline Scenario (or the Economic Slowdown):**

Global GDP growth of 1.5% to 0.5% in 2020

- The Covid-19 pandemic peaks in late May/early June under the baseline forecast scenario. Thereafter, measures to control the virus spread are eased, and the economy is rebounding.
- From those who have been checked, about 1-10% of the world's population gets contaminated.
- Globally, the mortality rate for the infection is on average 0.8%. Many healthcare systems across the world treat the epidemic fairly effectively and are not overwhelmed, with just a handful of exceptions as social distancing mechanisms tend to alleviate the burden.
- Fiscal strategies efficiently boost aggregate demand by reducing emergency loans and temporarily rising unemployment insurance to enterprises.

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<sup>22</sup> Hansen, W. (n.d.). Understanding V, u, W, and L shaped recessions. Retrieved from <https://www.learningmarkets.com/understanding-v-u-w-and-l-shaped-recessions/>

- The economic turmoil triggered by Covid-19 limitations will not spill over into a significant number of bankruptcies, restricting the duration and severity of the crisis in most countries. Similarly, financial crisis is avoided. Hence, economies rapidly recover once the restrictions are relaxed.<sup>23</sup>
- Retail, manufacturing, and distribution infrastructures remain relatively unchanged and as demand stabilizes, food retail returns to normal from Q3 2020.
- Online grocery trends are rising as the economy is gradually growing at the start of Q4 2020.  
<sup>24</sup>

**Covid-19 Deep Recession (or V-Shaped recession):**

Global GDP growth of -3.5% to -1.5% in 2020

- In this scenario, the pandemic extends until June / July 2020, by which time about 15% of the world's population is contaminated.
- Just in a few regions the healthcare system is overwhelmed and the mortality rate remains close to 1.0%. The mortality is measured among all those affected, not only from reported cases.
- Global supply chains are disrupted and cashflow reductions contribute to an increase in bankruptcies. Significant government measures, however, reduce the number of bankruptcies.  
<sup>208</sup>
- Coronavirus remains widespread until Q2 2020. Strong quarantines and restricted living stays in place until Q3 2020 resulting in a rapid downturn of consumer spending and a recession.
- In Q2 and Q3 2020, retailers and marketers rely on main SKUs. By Q3 2020, social life and daily business activity were gradually returning to normal. Consumer confidence will recover starting in Q4 2020
- Economic recovery starts at the end of Q4 towards Q1 2021 and therefore a sharp rise in online grocery subscriptions, primarily at the expense of physical hyper stores.<sup>209</sup>

**Covid-19 Crisis (or Severe and prolonged recession):**

Global GDP growth of -5.5% to -3.5% in 2020

- Under this scenario, during the summer, the pandemic slows down then rises again on September. Nonetheless, by around November it is fairly preserved.

<sup>23</sup> Euromonitor International. (2020). The impact of coronavirus on the global economy. Retrieved from <https://www.euromonitor.com/the-impact-of-coronavirus-on-the-global-economy/report>

<sup>24</sup> Edge by Ascential. (2020, March). COVID-19: Future Retail Disruption Planning for Scenarios. Executive Summary. Retrieved from [https://www.ascentialeedge.com/insights/ecommerce-report/apac/covid-19-future-retail-disruption](https://www.ascentialedge.com/insights/ecommerce-report/apac/covid-19-future-retail-disruption)

- In fact, up to 25% of the world's population is contaminated but not all are checked. Compared to a less severe scenario, the death rate increases and hits around 1.5% when most of health organizations are overwhelmed and health care services fail to manage, leaving some patients lacking the medication they require.
- This condition brings a large portion of businesses to bankruptcy.<sup>208</sup>
- Coronavirus is proving to be non-seasonal. Quarantines and lockdown measures go through alternating on off phases well into 2021. Unemployment is soaring
- Over a prolonged time, consumer trust erodes and consumer become more price-sensitive
- Retailers and suppliers focus on essential products and services on a basis of fluctuating staff levels.
- Supply chains localized, and workflow processes simplified to enable faster recruitment of untrained labor.<sup>209</sup>

#### **Covid-19 Deep Crisis:**

Global GDP growth of -9.0% to -5.5% in 2020

- The pandemic returns in the autumn with a greater impact in this most extreme scenario, which lasts until spring 2021.
- More than 30% of the world population is infected with the virus, and healthcare systems in certain regions collapse completely: hospitals and health care services are unable to treat most patients and the mortality rate is rising to about 2.5% worldwide.
- Fiscal and monetary recovery packages are ineffective, and a significant number of businesses go bankrupt, contributing to a skyrocketing worldwide unemployment rate.<sup>208</sup>

	Global infection rate	Mortality rate	Pandemic duration	Stock prices decline by	Private vs Government interest rate spreads rise by	Probability	Global real GDP growth in 2020
Baseline	1-10%	0.3-1.3%	1-2 quarters	Rebound by 0-30% in H2 2020	Around current level	40-50%	[-1.5%, 0.5%]
COVID-19 Deep Recession	5-25%	0.5-1.5%	1-3 quarters	10-30%	1-2 percentage points	20-30%	[-3.5%, -1.5%]
COVID-19 Crisis	15-35%	1.0-3.0%	2-4 quarters	25-45%	2-4 percentage points	15-25%	[-5.5% , -3.5%]
COVID-19 Deep Crisis	20-50%	1.5-3.5%	2-6 quarters	30-70%	3-6 percentage points	2-10%	[-9.0%, -5.5%]

Figure 66: Possible Future Scenarios in Short. Euromonitor International. (2020). The impact of coronavirus on the global economy. Retrieved from



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