



RETAIL'S RESPONSE TO THE PANDEMIC:

## Insights from Sellers and Consumers for 2020 and Beyond



## Introduction: Adapting to Thrive

The COVID-19 pandemic sent shockwaves through America's retail sector like few other events in modern history.

Stores everywhere felt the effects of state-mandated shutdowns, forced closures of non-essential brick-and-mortar outlets, and limited hours of operation. The fates of numerous stores still hang in the balance with one report suggesting **up to 25,000 retail stores** could close for good in 2020 due to the pandemic's impact.<sup>1</sup> Globally, supply chains slowed or stopped altogether, creating product shortages and wreaking havoc on inventory management.

Closures and a massive economic downturn colluded to dramatically cut consumer spending. For March 2020, retail sales fell 6.2% year over year, according to the U.S. Census Bureau. Some retailers, like clothing stores, reported drops of 50%.

This harsh reality sharply contrasted optimistic predictions from earlier in the year. The National Retail Federation (NRF) in February 2020 forecasted growth in retail sales to reach between 3.5% and 4.1%.<sup>2</sup> But that forecast came with a condition: that coronavirus would not escalate into a global pandemic.



<sup>1</sup> "Are More Store Closings Coming? As Many as 25,000 Stores Could Shutter in 2020 Due to COVID-19 Impact", USA Today, June 2020

<sup>2</sup> "Retail Sales Expected to Climb Between 3.5% and 4.1% in 2020, Unless Coronavirus Derails Growth, Trade Group Says", CNBC, February 2020



## Putting the Customer First

Even before COVID struck, a survey conducted by CCW Digital<sup>3</sup> revealed retailers were failing to live up to the promise of customer centricity. Despite the constant pivoting of operational strategies, consumers adapted to change quickly and were more forgiving to retailers as they navigated the changes necessary to continue conducting business. But as the pandemic's initial impact evolved into a new way of life in 2020, consumers ramped up their expectations for retailers to offer expanded options and convenience with the same or higher level of customer service than they enjoyed pre-COVID-19.

This changing consumer behavior led to an extraordinary surge in eCommerce growth seen typically only once a year during holiday peak season. Many retailers with eCommerce platforms saw digital sales make up for those lost in-store.

To keep pace with rapidly changing customer needs and peak level eCommerce demand, retailers looked to implement and expand omnichannel fulfillment options, including Buy Online Pickup In Store (BOPIS), Buy Online Pickup At Curbside (BOPAC), pop-up fulfillment centers and dropshipping. They also scrambled to address significant spikes in inquiries to overtaxed customer service centers and mitigate risk associated with fraudulent online transactions from new and unknown customers.



Since April, Target reported a **275% increase** in digital sales, contributing to one of the brand's best quarters since 2000, according to Digital Commerce 360.<sup>4</sup>

The question facing the industry now: Are these changes temporary, or are they here to stay?

While so much about the pandemic and its fallout remains unpredictable, all signs point to changes lasting through the 2020 peak holiday season and beyond. By gathering data directly from retailers and consumers, this study explores the many drivers responsible for the surge, with a focus on consumer behavior, retail's response and what leaders can expect for the months and years to come.



<sup>3</sup> "August Market Study: Customer Experience Trends, Challenges & Innovations", CCW Digital, August 2020

<sup>4</sup> "Target's Digital Sales Are Growing More Than 100% So Far This Quarter", Digital Commerce 360, April 2020



## Methodology + Demographics

Radial surveyed 92 retail industry executives in July 2020 and more than 1,000 consumers in June 2020 to gain insights about the global pandemic's impact on several areas, including shopping behavior, eCommerce and retail fulfillment strategies, and financial outlooks for the 2020 peak season and beyond.

### About the Respondents

#### Retail Industry Executives

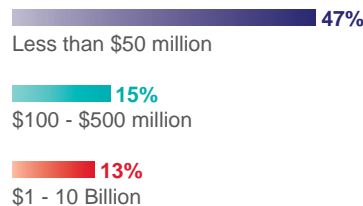
The largest segment of executive respondents (35%) represented the apparel/accessory industry. Other segments included hardware/home improvement, health/beauty, automotive, consumer electronics, food/beverage, housewares/home furnishings, outdoor/sporting goods and toys/hobbies.

Nearly half (47%) of the respondents reported annual revenues less than \$50 million, with 15% in the \$100 million to \$500 million range and 13% in the \$1 billion to \$10 billion range.

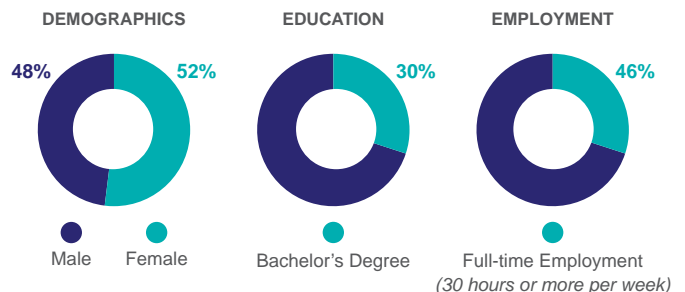
#### Consumers

The majority (52%) of consumer respondents were female. Of all consumers, 30% had a bachelor's degree and 46% were employed full time (30 hours or more per week). In terms of annual household income, the largest subgroup (19%) earned \$100,000 to \$149,000, with the next largest subgroup (17%) earning \$50,000 to \$74,999.

#### RETAILER RESPONDENTS' ANNUAL REVENUES



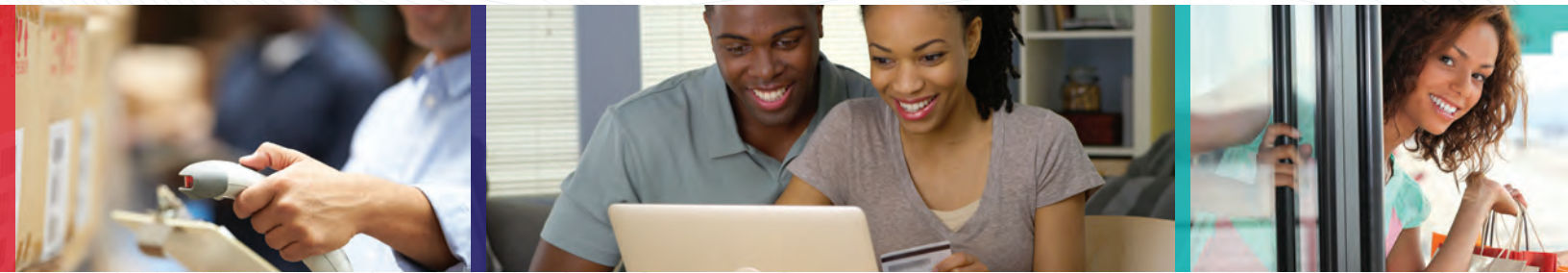
#### CONSUMER RESPONDENTS





## Key Findings

- ▶ **42%** of retailers expect a significant negative impact to their topline revenue in Q4 2020 compared to last year due to the combination of store closures, consumer fears, layoffs and supply chain disruptions.
- ▶ At the same time, participants saw a **16%** increase in eCommerce revenue in Q2 2020 as a direct result of store closures, and expect an additional **10%** growth in 2021, indicating a shift in consumer shopping behavior.
- ▶ An overwhelming majority of retailers (**85%**) anticipate making long-term changes to their eCommerce strategy leading into 2021, citing order demand from consumers (**24%**), improving the customer experience (**23%**) and financial impact (**20%**) among the top drivers.
- ▶ As a direct result of store closures, **46%** of retailers added BOPAC options to address changing consumer behavior and need for alternative distribution methods.
- ▶ From August to October 2020, retailers planned to expand their omnichannel fulfillment options to meet demand and deliver a seamless customer experience. Specifically, **29%** plan to implement a dropship strategy, **20%** say they plan to incorporate BOPIS, Ship from Store and pop-up options, and **45%** anticipate outsourcing their fulfillment functions due to pandemic-related events.
- ▶ Acting fast to operationalize omnichannel fulfillment methods is key, as **60%** of consumers said they plan to avoid in-store shopping this holiday season due to COVID-19 fears. In addition, **59%** of consumers said they anticipate shopping earlier for holiday gifts this year, with **39%** planning to start between October and early November.
- ▶ During this year's peak, most consumers (**52%**) said they will spend about the same amount they did last year across all shopping channels, while **22%** said they would spend slightly less.
- ▶ Much of that spending will come through eCommerce, with **66%** of consumers saying they anticipate purchasing more holiday gifts online in 2020 than in 2019, with **19%** saying they will likely buy most of their holiday gifts online.
- ▶ Regarding shopping methods, **55%** of consumers say they will increase the volume of holiday gifts they purchase using the BOPIS option this year versus last. Just over half (**51%**) said they would be more likely to purchase from a retailer that offered curbside pickup, ship-to-store and BOPIS options in addition to online order delivery and in-store shopping.



## What's Ahead for 2020 Peak Season

Retailers often rely on a strong holiday peak to meet or exceed annual revenue projections. Given that 2020 is no ordinary year, what should retailers expect headed into the holidays?

Major outlets like Wal-Mart, Target, Best Buy and Kohl's already announced they will break with recent tradition and keep store locations closed on Thanksgiving Day. That means more employees can spend the holiday with their families. Moreover, it underscores the realities of consumer behavior during the pandemic.

According to our survey, **60% of consumers** said they plan to **avoid in-store shopping** this holiday season due to COVID-19 fears. That's not to suggest they won't be shopping at all. On the contrary, **66%** said they anticipate purchasing **more holiday gifts online** in 2020 than in 2019, with 19% saying they will likely buy most of their holiday gifts online.

### Out of the Bleak, Into the Black

Even amid economic uncertainty, most consumers (52%) in our survey said they will spend about the same amount they did last year across all shopping channels, with only 22% saying they would spend slightly less.

Retailers should start preparing now: 59% of consumers said they anticipate shopping earlier for holiday gifts this year. Specifically, 39% of consumers plan to start their holiday shopping from October to early November, followed by 30% joining the rush in late November with Black Friday weekend.



### Seeing Is Achieving

Being proactive can help retailers address their biggest concerns heading into the 2020 peak. According to our survey, most (80%) worry about a second wave or worsening of the COVID-19 crisis. Other top concerns include significant changes to consumer spending (63%), timely order fulfillment (42%) and meeting customer service capacity (42%).



Alleviating these concerns with a bigger push toward eCommerce and omnichannel fulfillment requires enhanced inventory visibility and order management to ensure a seamless customer experience.

***Despite the drop in 2020 retail sales, shoppers' demands haven't gone away, they have evolved. Retailers must find ways to adapt. Enter omnichannel fulfillment and a core focus on customer service.***

Pandemic-related supply shortages and shifting consumer buying habits forced many retailers to revisit the capabilities of their order management systems and technology infrastructure. Without the proper inventory or order management solutions in place, retailers have no accurate read on what inventory is available where—a surefire recipe for disappointing customers at the worst possible time.

Having real-time access and data visibility into orders and returns becomes even more important with the consolidation of in-store and online inventory. With the rise of eCommerce purchases comes the rise in returns. This increase further necessitates a flexible order management system to help ensure returns are quickly and

easily placed back into inventory for purchase, while at the same time, fulfilled from the closest location to the customer. For instance, retailers offering buy-online-return-in-store options can have inventory shipped from one fulfillment location where the SKU's are accounted for and returned at another where they are not.

With the complexity involved in fulfillment networks and inventory disposition, the sooner retailers can migrate to a robust order management system, the better.

## Top 4

### Retailer Concerns Entering Peak Season 2020



**1.**

A second wave of COVID-19



**2.**

Significant changes in consumer spending



**3.**

Timely order fulfillment



**4.**

Customer service capacity



This year's shopping shift to eCommerce continues a trend from the 2019 peak, when Black Friday recorded higher one-day online shopping numbers than Cyber Monday for the first time, according to the National Retail Federation.<sup>5</sup>



**52%**

of shoppers say they will spend about the same amount across all shopping channels.

<sup>5</sup> "Thanksgiving Weekend Draws Nearly 190 Million Shoppers, Spending Up 16 Percent", NRF, December 2019



## Meeting the New Demand

To succeed in the uncharted territory that is the 2020 peak season, retailers need to draw on a proven, age-old formula: Give customers what they want, how and when they want it.

As more brick-and-mortar locations closed or operated at limited capacity, more retailers turned to eCommerce and omnichannel fulfillment options to satisfy rebounding consumer demand. Crate & Barrel and REI were among

the major brands implementing no-contact BOPAC option,<sup>6</sup> which has soared in popularity as a way to provide consumers with maximum convenience and minimal risk.



### Succeeding with Omnichannel Fulfillment

Retailers found out quickly; the more fulfillment options they could offer, the better. Options such as buy online, pick up in-store (BOPIS), buy online, pick up at curbside (BOPAC), warehouse fulfillment, and store fulfillment all require one thing for success: the right order management system (OMS). The right OMS provides retailers and customers real-time information about available inventory and arrival times while providing flexibility and maintaining accurate inventory counts..



of retailers surveyed **added BOPAC options** to counter the effects of the pandemic in 2020.

<sup>6</sup> "Ecommerce and Content: How Retailers Have Shifted Strategies During the COVID-19 Pandemic", Digital Commerce 360, August 2020





Retailers and consumers appear aligned in their desires to continue these adjustments for the holiday season. From August to October 2020, retailers planned to expand their omnichannel fulfillment options to meet demand and deliver a seamless customer experience. Specifically, among retailers surveyed:

- ▶ **29%** planned to implement a dropship strategy
- ▶ **20%** planned to incorporate BOPIS, Ship from Store and pop-up options

Among consumers, 55% say they will increase the volume of holiday gifts they purchase using the BOPIS option this year versus last. Just over half (51%) said they would be more likely to purchase from a retailer that offered curbside pickup, ship-to-store and BOPIS options in addition to online order delivery and in-store shopping.



*Meeting consumers where they are is a huge step and a great start. But omnichannel fulfillment isn't going away anytime soon, which means retailers need to build their options for the long-haul.*



of consumers say they will **increase the volume of holiday gifts** they purchase using the BOPIS option this year compared to last.



## Riding the Momentum

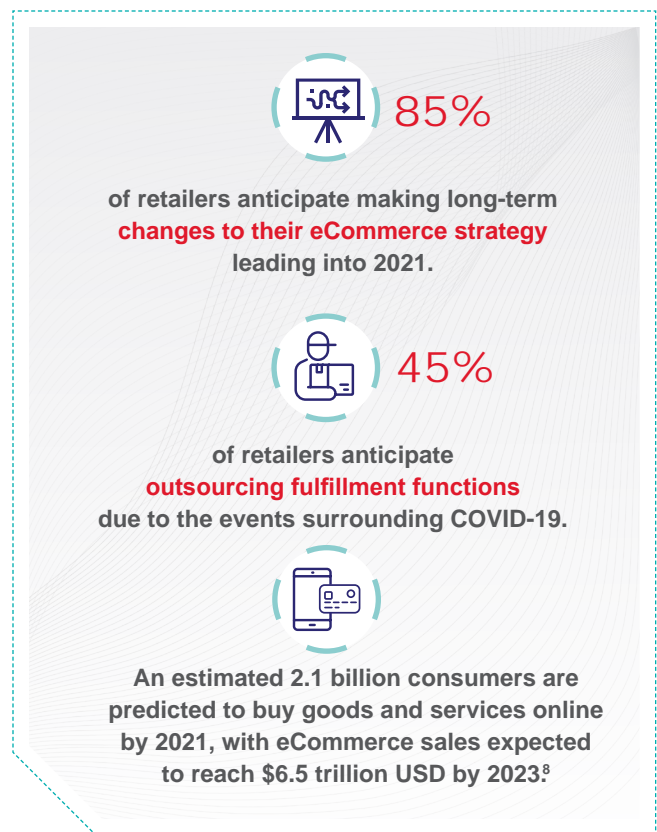
Many of the omnichannel fulfillment changes implemented to satisfy peak 2020 demand could be here to stay. The overwhelming majority of retailers in our survey (85%) anticipate making long-term changes to their eCommerce strategy leading into 2021. Why? Because consumers are making long-term changes, too.

More than half of the consumers who switched to digital grocery shopping during the pandemic say they won't go back to in-store shopping, and 60% of those who shifted to online shopping and curbside delivery for other goods say the same, according to a customer survey by PYMNTS.<sup>7</sup>

In addition to meeting them where they are, consumers want transparency and accuracy in every step of their buying journey, from pickup and delivery windows and anticipated wait times to real-time product inventory across all channels.

By combining a customer-first approach with an advanced omnichannel strategy, retailers substantially increase their likelihood of:

- ▶ Improving customer loyalty
- ▶ Mitigating the pandemic's financial impact
- ▶ Leveraging eCommerce's resiliency
- ▶ Diversifying sales channels



<sup>7</sup> "Navigating the COVID-19 Pandemic: The Post-Pandemic Reset", PYMNTS, April 2020

<sup>8</sup> "Global Retail eCommerce Sales 2014-2023", Statista, June 2019



## CONCLUSION: Rising to the Challenge

For retailers, the pandemic underscored the vital importance of business continuity and contingency planning. As consumer needs and expectations evolve during a crisis (and in its aftermath), agility and responsiveness ultimately drive success.

More retailers are turning to omnichannel fulfillment, bolstered customer care solutions, and fraud mitigation efforts to enable this agility while meeting consumer demand. Radial works in partnership with retailers to implement best-in-class omnichannel technology solutions that enhance operational performance across core functions. The world's most popular brands leverage Radial's expertise to develop strategies and infrastructure capable of weathering a crisis and improving customer satisfaction throughout the year.

By partnering with Radial, retailers see a bottom-line difference resulting from:

- ▶ Highly personalized customer care
- ▶ Regional returns at local distribution centers

- ▶ Inventory and order management systems that power BOPIS, BOPAC and online shopping experiences
- ▶ Fulfillment infrastructure and technology, including order management systems and dropship solutions
- ▶ Fraud prevention

To learn more about how omnichannel technology can seamlessly improve agility and profitability in your operations, contact the Radial team today.

[www.radial.com](http://www.radial.com)

### **About Radial**

*Radial is the leading provider of omnichannel commerce technologies and operations. We enable you to profitably exceed customer expectations by taking on the complexity of your omnichannel retail business and transforming it into a seamlessly orchestrated customer experience. Our expertise and services include omnichannel technology, fulfillment and shipping, customer care, and payments and fraud management.*