



Understanding the impact of COVID-19 Grocery & Food Retail

The period of panic-buying has curbed as consumers have become accustomed to the “new normal” of grocery shopping. New shopping patterns, with higher reliance on online and delivery options, have become commonplace. With customers’ expectations in grocery shopping forever changed, the bar to “thrive” is now set high for all grocery retailers.

Practical next steps:

Many companies globally are still at a *Respond* phase, while others who have been able to withstand the impact may have to rethink their strategies in order to *Thrive*. As they move through *Recovery* toward the post COVID-19 era, some key next steps include:

- Sustain the workforce to ensure rapid and impactful decisions, sustain the organization to create value for all stakeholders, and sustain society as it experiences multiple existential threats
- Realign people operations to the most pressing business and workforce priorities
- Leverage experiences from COVID-19 responses and seize opportunities for future growth

Key questions executives and boards should be asking:

- What channels should we be focusing on? Do we need to invest more into e-commerce or look for partnerships with CPG players?
- Which products have performed well for us during the pandemic? Should we continue to invest in them? Do we collaborate more with local vendors or source branded products that are in high demand?
- Should we be investing more in revamping stores to cater to curb-side deliveries or should we be directing investments in opening new compact stores?
- Is our current payment system safe and secure for consumers? What is going to work best for us, integration with a wallet provider or introducing QR code payments, or both?

Potential long-term impact on Grocery & Food Retail sector:

- **Heightened competition in the online grocery space:** Banking on the growth of “new-to-online” consumers and those permanently moving toward online grocery shopping, CPG players have forayed into e-commerce through their direct-to-consumer channels. Significant demands for certain product types such as packaged food and water have led the CPG companies to race for continuous replenishment of these products at the consumer end without any supply chain delays. The disruption caused by CPG companies may create pressure on grocery channels for their market share as well as a fight for consumer data to respond to changes in consumer behavior and tastes going forward.

Potential long-term impact on retail food & grocery sector (continued):

- **Sustained category changes:** Just as the SARS epidemic in China prompted a sustained shift of health and hygiene habits post pandemic, so may demand continue 24+ months after the epidemic in categories such as yogurt, vitamins, disinfectants, personal care, toiletries, and sanitizers. Coupling what the plethora of data retailers gain from business operations and predictive modeling may help inform decisions for a future crisis.
- **Vocal for local and sustainable:** Concerns on hygiene and contamination in grocery items have led consumers to be conscious about product provenance, while local vendors have benefitted from consumers looking for fresh produce and supporting local businesses amid tough times. This quest for seeking healthy products and making environmentally friendly choices is likely to prevail even when shopping behaviors return to normal, as the lockdown and the pandemic have given many consumers a chance to pause and re-think their own consumption patterns.
- **Store model re-alignment:** Retailers have been experimenting with new retail models that provide economic incentives amid cash crunches as well as best suit the new consumer needs. Pick-up hubs to avoid queues inside stores, compact convenience for cashier-less entry, and dark stores as fulfillment centers to save real estate costs on large formats are some of the models that are likely to see wider adoption. Moreover, formats that complement the e-commerce business for efficient storage and distribution processes are going to gain more importance than before.
- **Safety concerns fueling the “contactless’ concept”:** The current scenario does not favor retailers, who have been reliant on cash and have refrained from investing into integrating digital payments. Digital wallet apps and QR payment codes, in particular, that provide a no-touch experience or contactless payment options at stores are expected to be the key contributors to a previously perceived “gradual shift” to an “accelerated” or “seismic shift” toward a cash-free economy.
- **Rise of private labels and portfolio consolidation:** Rising unemployment rates and uncertain economic growth have led consumers to be careful about their spending patterns and look for value-for-money products. During the initial crisis period, consumers bought more private labels and entry-price products that have now become their go-to choices. This has led to an opportunity for retailers to revise their portfolio and shift volume to products aligned to consumer choices for a simpler and cost-effective supply chain.

For additional steps that companies should consider taking, visit www.deloitte.com/covid

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