

RETAIL

## The pandemic accelerates retailers' need for digital operations

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The pandemic's impact on retail is a story of two halves.

Many firms have felt the pain of store closures and need to adapt their operations to online-only sales and social-distanced operations across warehouses.

This, alongside consumer spending focusing on essential spending, means that retailers and brands are split into two groups:

- Essential categories in adaptive/growth modes (e.g., grocery, household goods and healthcare)
- Nonessential categories in survival mode (e.g., luxury goods, clothing and high-ticket items)

As lockdowns ease across markets, retailers will be managing inventory liabilities and store openings, likely with social distancing requirements remaining in place.

But recovery will not be immediate.

Even as stores open, traffic and sales will only increase gradually based on consumer comfort levels.

The pandemic recovery period will bring preexisting strategic objectives into sharper focus and accelerate the need to execute on them. These objectives include:

Rebalancing stores and digital presence. Store closures and forced ecommerce throw an existing quandary into greater focus: how to redefine the role and number of stores a retailer has, where overall growth was already driven by digital before the pandemic crisis.

The surge in digital traffic and demand across key retail sectors during the pandemic gives a misleading impression that consumers will shift dramatically to buying online post-pandemic.

In fact, 47 percent of U.K. consumers are hoping to return to normal shopping habits, with only 16 percent saying that they will shop much more online in the future.

Maintaining flexible and robust digital operations. Businesses that have not already embraced ongoing transformation or have delayed it altogether will suffer the most.

The crisis will force businesses to bring forward the execution of strategic plans for digital operational excellence.

As brands and retailers struggle to manage disrupted supply chains, the need to evolve to a **connected digital supply chain** is highlighted.

Strengthening values-based, direct customer relationships. Dealing with a period when stores were effectively unavailable has reinforced the value of digital sales and customer relationships.

This is particularly true for business-to-business-to-consumer brands reliant on retail partner sales and traditionally one step removed from the consumer and luxury brands that typically place higher value on the in-store customer experience.

These **brand manufacturers will double down on their efforts to drive direct-to-consumer digital sales** and to increase their influence on indirect sales through retail partnerships.

*Michelle Beeson is retail analyst at Forrester Research.*

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