

RETAIL

## Retailers invest in omnichannel, inventory management to tackle pandemic problems

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Retailers are fighting back as the pandemic takes its toll on foot traffic to malls and shops. Image credit: Simon

By ELLEN KELLEHER

As U.S. retailers struggle to recover from last year's turmoil, a number are adopting similar rules and strategies to maximize their investments in 2021, per a new [Deloitte](#) study.

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With cost-cutting in focus, luxury and non-luxury retailers alike are zeroing in on digital advances, supply chains, inventory and health and safety standards to improve business. Also, a popular trend for the long game is to seek out new revenue models and introduce partnerships to create profitable omnichannel approaches.

"The retailers we spoke to seem to agree that they're going to accelerate their digital tactics, but key to that is having a great supply chain that can respond and be able to move goods around the world," said Rod Sides, vice chairman and U.S. leader of retail and distribution at [Deloitte](#), Charlotte. "The most interesting and surprising fact from this study is that retailers' strategies going forward are almost identical, regardless of whether they had a record 2020 or they were forced to shut down."

The study is based on interviews with 50 retail executives to learn about industry predictions once the COVID-19 crisis is in the rearview mirror.

Stores in focus

Last year was a kind one to essential service providers such as grocers, home improvement specialists and mass merchants such as Amazon. However, it proved dismal for most other retailers.

Heading into 2020, the state of much of the retail industry was already in the doldrums thanks to debt burdens, slow asset turnover and competition, per [Deloitte](#).

Regardless of their performance in 2020, retailers are adopting similar investment strategies and points of focus this year.

Six in 10 retail executives expect an economic recovery to pre-pandemic levels to take place within one to two years. A quarter of executives, meanwhile, predict improvement will not come for two to five years.

Deloitte projects substantial U.S. GDP growth in the second half of 2021 as vaccine deployment becomes widespread. However, the country's GDP will not likely return to Q4 2019 levels until early 2022, according to the consultancy.

Digital acceleration remains the most discussed topic coming out of the pandemic. Only three in 10 executives taking part in the study described their digital platform as "mature" underscoring the need to play catch-up.

As a result, many plan to introduce major ecommerce contactless capabilities as well as upgrade their technology investments.



*Neiman Marcus was one of a number of retailers to introduce contactless curbside pickup during the pandemic. Image credit: Neiman Marcus*

Virtual 3D showrooms, mobile returns and cashierless stores are a few concepts now under consideration.

The new retail model is also about looking for new revenue models such as subscriptions or memberships and forming partnerships to widen omnichannel approaches. Bricks-and-mortar retailers, for instance, are joining forces with digital-only retailers to profit from efficiencies.

Nearly half of executives polled intend to use better customer analytics to improve their decisions this year. Techniques from Asia such as livestreaming, where influencers tout products, may also become more popular in the U.S.

Eight of 10 executives are also addressing supply chain issues by measuring disruptions and centralizing inventory management. Order fulfillment such as curbside pickup is another top priority, followed by warehouse management and procurement.



*Apple Pay allows contactless payments to avoid the spread of germs. Image credit: Apple*

Deloitte is encouraging clients to build loyalty for contactless programs by offering porch pick-up and curbside returns. Inventory systems should also be integrated in an end-to-end manner from production to delivery and retailers should have "clear visibility" on supply chain networks.

Given the recent spike in COVID-19 cases, the majority of executives plan to invest in health and safety in 2021. Three-quarters are looking to pour resources into sanitation and safety barriers, while one-third plan to invest in testing employees for COVID-19.

Lastly, cost alignment is also crucial as margins become even more compressed as consumers shift online. Work-from-home platforms are allowing retailers to reconsider employee counts and the idea of using showrooms

instead of bearing the burden of running stores is also being debated.

#### Other 2021 predictions

Consumers have embraced retailers' expanded fulfillment options, including buy-online-pickup-in-store (BOPIS) and curbside pickup, as many still remain wary of in-store shopping ([see story](#)).

With deployment of COVID-19 vaccines now underway, shoppers are expected to return to stores but it is a matter of when and to what extent.

While omnichannel will be a guiding principle for retailers looking to adapt and meet consumer demand, the health of the sector will ultimately depend on mitigation of the virus, strength of the economy and other incalculable factors ([see story](#)).

"The recovery in 2021 is going to be uneven based on the rollout of the vaccine," Deloitte's Mr. Sides said. "The back half of 2021 will probably be pretty good, but what we're going to find is that retailers have to find a way to redefine their businesses."

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