

COVID-19 and the Retail Industry

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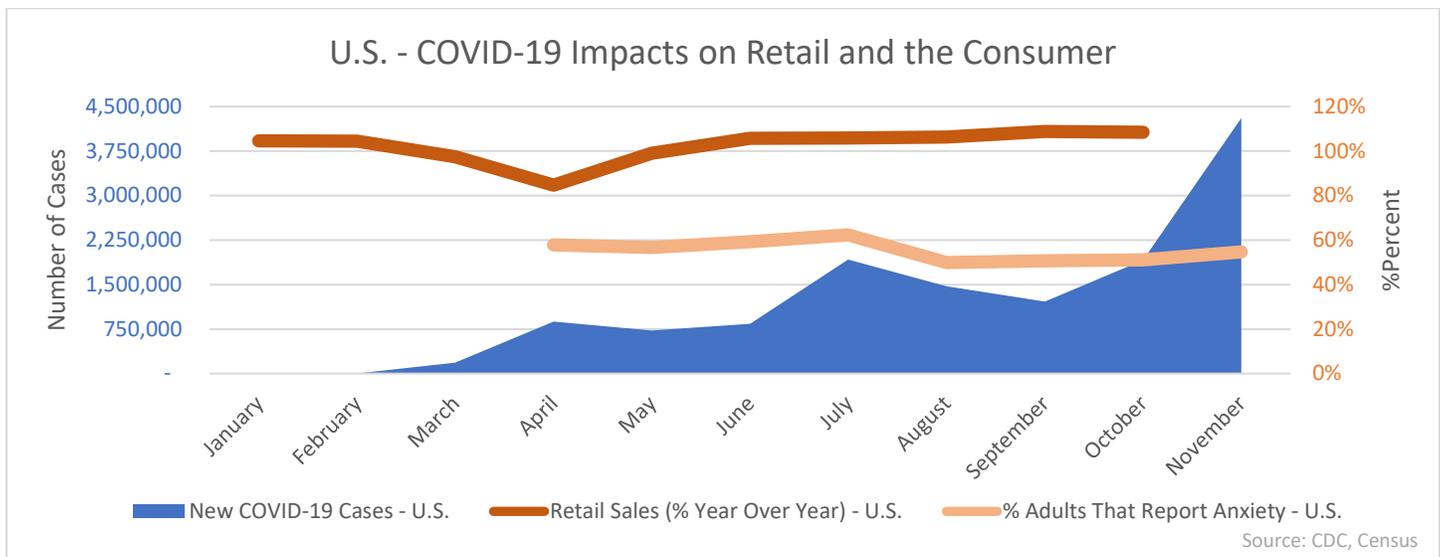
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COVID-19 and the Retail Market



COVID-19 Fallout

COVID-19 is showing no signs of slowing. In fact, the latest data show that the number of cases is on the rise and is not expected to subside in the short term. The [good news](#) is that limited doses of vaccines may begin to be available before the end of 2020, with the hope that widespread immunization can begin in spring 2021. Currently, U.S. retail sales have made significant improvements from a steep drop in April. As cases increase, it remains to be seen whether more strict lockdowns will be required and how that will impact retail. According to Mintel, it may take until 2025 until we see pre-pandemic retail sales growth levels.

E-Commerce

Even before the pandemic hit, e-commerce was showing strong growth. Mintel reports that pre-COVID-19 growth rates were four times that of total retail. The pandemic has strengthened this trend: Mintel forecasts that in 2020 total retail sector sales will grow a meager 0.7%, while e-commerce sales are expected to grow 28.1%. E-commerce is expected to have a 13.8% share of retail sales in 2020, rising to 22.6% by 2025.

Divided Industry

Within the retail sector, the effects are not being felt equally. Retailers selling necessities (groceries, medications) or products that improve life at home (home improvement stores, fitness equipment, etc.) are overperforming, while many non-essential retailers have been heavily hit – especially clothing, luxury, and malls. Gas stations have also underperformed as people stay at home. Online grocery is particularly strong this year as it combines the best of both worlds: grocery shopping is essential, and e-commerce is booming.

Consumers

Values

COVID-19 has shifted consumers priorities towards personal health and well-being as well as that of their community and the environment. Eating healthy and exercising, spending time with family and friends, and home entertainment have become more important. While many consumers report that shopping local is a priority, the level of increased mass-market and online sales may suggest that reality is more complicated.

While consumers have expressed some worry over both the health and lifestyle effects of the pandemic, those concerns have not increased with the latest rises in case numbers. The number of adults in Oregon that report some financial difficulty has hovered at around 50% since mid-August when the Census Bureau began reporting on those figures.

Behavior

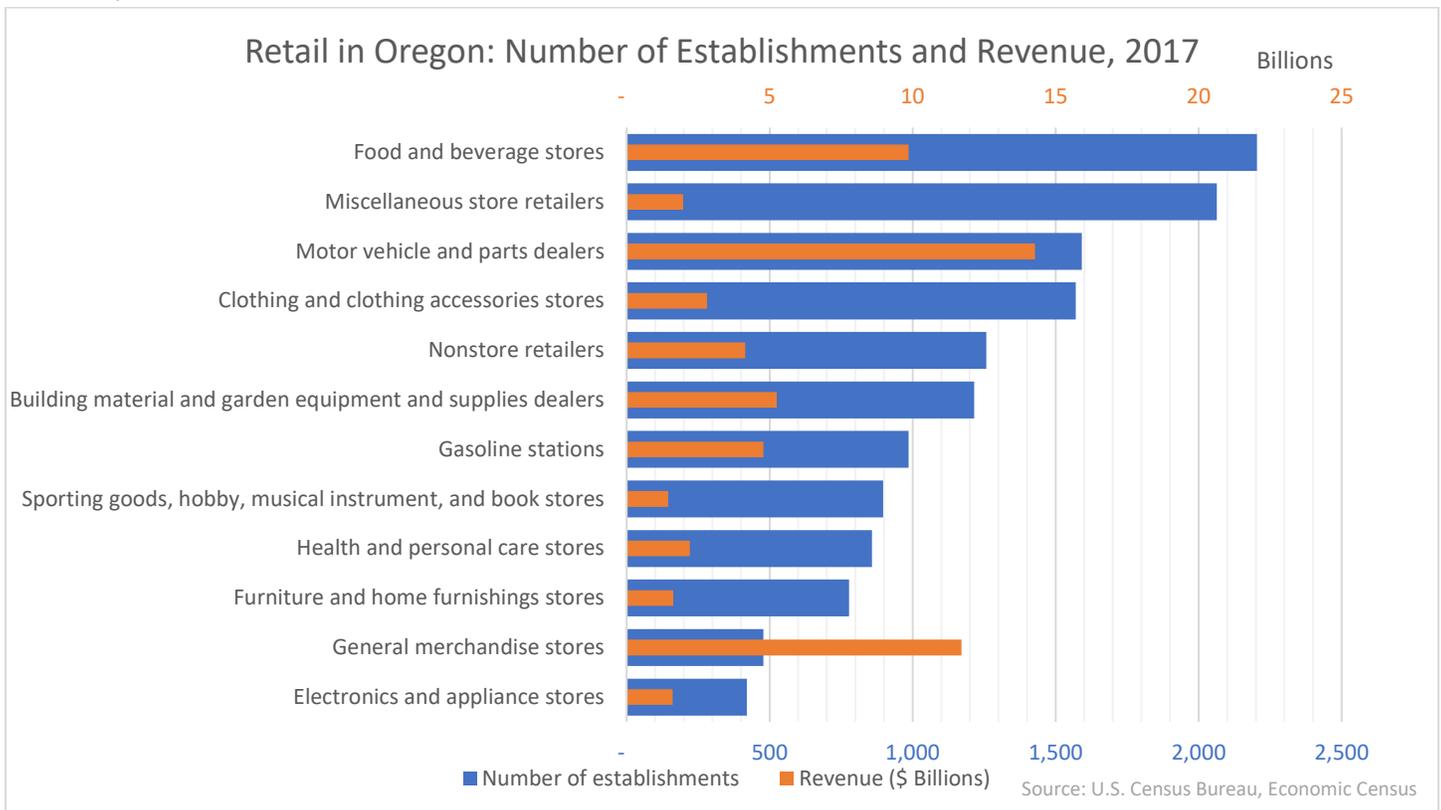
Consumers are expected to shift their spending focus to necessities and perceived value. However, a [Gallup poll](#) conducted November 5 to 19 found that Americans estimate they will spend \$852 on Christmas gifts this year, nearly the same as last year. This is more optimistic than results from an early October poll where respondents planned to spend significantly less, only \$805. However, unemployment remains well above February 2020 levels in [Oregon](#) and across the [US](#).

Mintel reports that in 2019, rural consumers were less likely to shop online at least weekly (31% of rural compared to 40% of urban respondents). The proportion of respondents shopping online at least monthly was more similar (73% rural compared to 78% urban). However, across rural, suburban, and rural areas, about half of consumers are shopping online more as a direct result of COVID-19.

Shoppers are using both delivery and curbside pick-up options to limit their potential exposure to COVID-19. Those who do shop in-store have become more efficient, spending less time browsing in the store and making bigger, less frequent trips. Most shoppers also expect stores to provide safety measures such as sanitizing wipes, barriers, and no-contact purchasing.

Retail in Oregon

Industry Breakdown



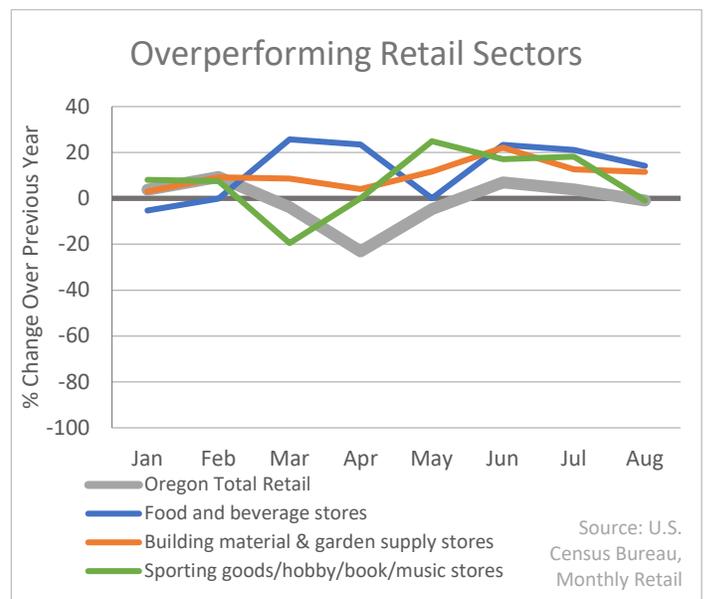
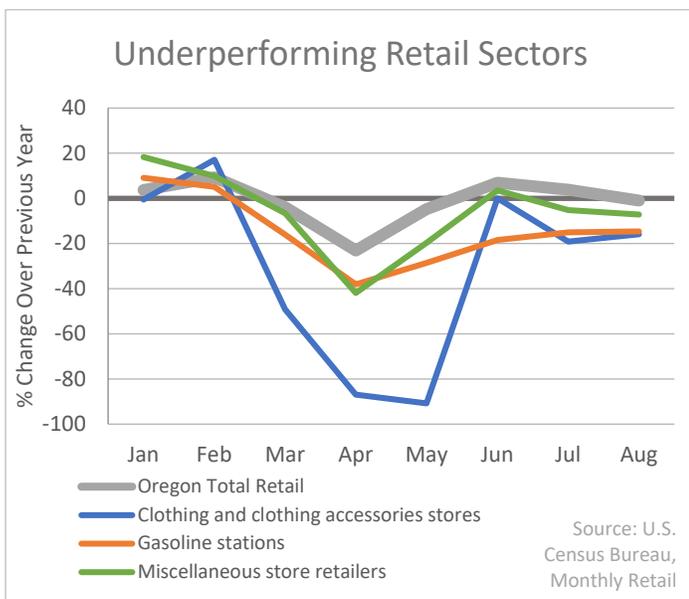
Oregon vs. U.S. Industry Size

Oregon has 5% more retail establishments per capita than the U.S. as a whole. Relative to the U.S., Oregon has significantly more per capita miscellaneous store retailers, non-store retailers, building material/garden equipment retailers, and sports and hobby stores. Oregon has fewer health and personal care stores, general merchandise stores, gasoline stations, and clothing and accessories stores per capita.

Current Performance



- In early March, the number cases of COVID-19 started increasing, prompting the Governor to declare a state of Emergency on March 8th. As a result, the number of retail employees in Oregon dropped 13.4% to 178,000.



- Oregon retail sales recovered to 2019 year-over-year levels by June, but as of October employment numbers have not.
- Clothing retailers were among the hardest hit at the beginning of the pandemic with an estimated 90% decrease in May revenue as compared to May 2019, and in July were still 20% down compared to July 2019.
- Food and beverage retailers have seen increased year-over-year revenue levels as a response to the pandemic.
- Building material & garden supply stores have steadily performed above 2019 levels.
- In spite of an initial dip, sporting goods and hobby stores have seen year-over-year increases in monthly revenues in May, June, and July.
- Electronics retailers' revenues have remained strong for the duration of the pandemic.

Retail Business Strategies

Reflect Customer Priorities and Values

Businesses should shift their priorities to align with consumers preferences and values. Consumers have different outlooks when it comes to buying during the pandemic. Priorities vary depending on qualities such as location, age, and income, but are most strongly driven by political affiliation: Republicans tend to be more optimistic about the economy and less concerned about COVID-19 than Democrats.

Health and Safety

It is important to know your customers and what they expect from where they shop. Build trust - show customers that their needs are being taken seriously. Change the in-store experience to reflect customer priorities. These changes can include:

- Offering masks and hand sanitizer and sanitizing wipes
- Use barriers and physical distancing markings
- Offer no-contact purchasing
- Have an hour reserved for at-risk groups, or offer by-appointment time slots
- [Recommendations for improving indoor air quality](#) are available from the Oregon Health Authority

Financial Support

Many people are financially stressed and looking for good value: simple, reliable, affordable products. Consider offering discounts, free shipping, or other offers that help customers who may be struggling financially.

Emotional Support

Many consumers are worried about the effects of the pandemic on their health and lifestyle. Businesses can provide emotional support to customers via products that support mental well-being but also through things like great customer service or offering content that is genuinely helpful to your customers.

Health Forward

Many consumers report a renewed interest in their physical health and well-being. Feature products that support these interests. For example, food retailers can offer healthy recipes and cooking tips, feature healthy foods, and even offer pre-made meal kits for the health-conscious consumer to cook at home.

Homebodies

Groceries, health care items, household supplies, home entertainment, and products and services pertaining to exercise and well-being will continue to be a priority for home-bound consumers. Products and services to support working from home have also become more important.

Show Your Local Colors

According to Mintel, 84% of consumers either have or are interested in shopping local with the intention of supporting their communities. National retailers have taken advantage of this. For example, on their Prime Day, Amazon promoted small businesses selling on their platform as a way to increase their own sales. Small and local businesses can highlight these facts in their marketing efforts. Also let customers know about things your business does to support the local community or other good works. Be socially conscious - but do not fake it.

Governor Kate Brown launched the “Gift the Gift of Oregon” campaign in mid-November to support local businesses. Consumers are encouraged to support businesses from around the state, including online via:

- [Travel Oregon’s gift guide](#). [Learn more](#) about how your business can participate.
- Oregon Wine Board’s [The Giving Season](#) Efforts
- The [Built Oregon Marketplace](#), an online platform that provides consumers with an opportunity to discover products from Oregon makers. Businesses can join the marketplace [here](#).

- Consumers can also participate by finding businesses taking part in the campaign and share purchases and favorite businesses via the #GivetheGiftofOregon hashtag

Shift Channels

Online Shopping

The pandemic has only accelerated the trend towards ecommerce. Since April 2020, half of consumers report that they are shopping more online and many intend to keep doing so after the pandemic is over. Retail businesses should add or strengthen online shopping capabilities. It's critical that online stores are easy to use and function well across platforms (different web browsers, mobile phones, etc.).

Curbside Pickup

For situations where customers don't want to or aren't able to wait for delivery, curbside pickup has become an important option. Tractor Supply Company, Lowe's, Crate and Barrel, and J. Crew all started offering curbside pickup due to the pandemic. Supermarkets and other similar stores have an area of opportunity for concierge shopping services that enhance the curbside pickup process.

Online Engagement

Along with the opportunity to grab a share of the growing ecommerce revenue, there is the additional opportunity of online customer engagement. Stores like Sephora uses online quizzes that match their customers to products based on their skincare needs. This engagement helps to alleviate customer fears regarding the lack of ability to sample products and ends in a buying opportunity.

Go Outside

As a response to customers safety concerns, some retailers are launching open-air pop up markets. Retailers can set up to sell in outdoor areas, where customers may feel more comfortable shopping. The largest mall in northern California, Westfield Valley Fair, is offering a luxury version of this experience where customers can make appointments to shop.

Adapt Marketing

- Stuck at home, consumers have turned their focus towards their health and the health of their community. Shopping priorities have turned to necessities, entertainment, and self-care. But not all consumers are the same. Understand the needs of your customers and make sure your marketing speaks to them. Focus on the trust you have already built with customers.
- Use targeted marketing to connect with consumers. Focus on community building and support, rather than exclusively on sales and profit. Emphasize local products and services rather than status-based consumerism.
- Many people are stressed. Support customers and make them feel important. Keep things positive.
- Traditional advertising may have a more difficult time reaching the home-bound consumer, so strengthen your online advertising. Social media is an area in which small businesses can compete with larger ones. Maintain an up-to-date online presence.
- Although it's not a new idea, direct mailing may be a good option for some businesses because it reaches people where they are now – at home. Make sure your mailing stands out and is aligned with your messaging. Include QR codes or URLs to connect to online marketing campaigns. Bear in mind the cost of printing and mailing.
- Prepare for rapid changes: use web analytics, lean on employee creativity, and keep in touch with customers.
- With so many businesses focused on survival and consumers changing how and where they shop, there is opportunity to gain new customers.

Plan Ahead

Current data suggests that the number cases of COVID-19 are rising. While the duration of the pandemic is unknown, it will continue well into 2021. Remember that once the pandemic is over, we will likely face a new normal, with increasing ecommerce, continued focus on home, family, and self-care, and potentially increased working from home. Make long-term plans now to give your business the best possible chance for success.

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