



Adapting To A New Normal After COVID-19

A Retail Perspective

May 20th, 2020

Perspective is based on three pillars

01. Our retail domain knowledge and observations across our international customer base

02. Analysis by Omnia's consultants on subsection of Omnia Pricewatch database:

- Publicly available data
- NL market
- 2000 Amazon Bestsellers from 21 categories

03. Insights from strategy consultants and market data from third parties



BAIN & COMPANY

KEARNEY

eMarketer™

McKinsey&Company

Agenda

01. The impact of COVID-19 on retail

SHORT-TERM / DURING PANDEMIC

LONG-TERM / AFTER PANDEMIC

02. How should you respond?

SHORT-TERM / DURING PANDEMIC

LONG-TERM / AFTER PANDEMIC

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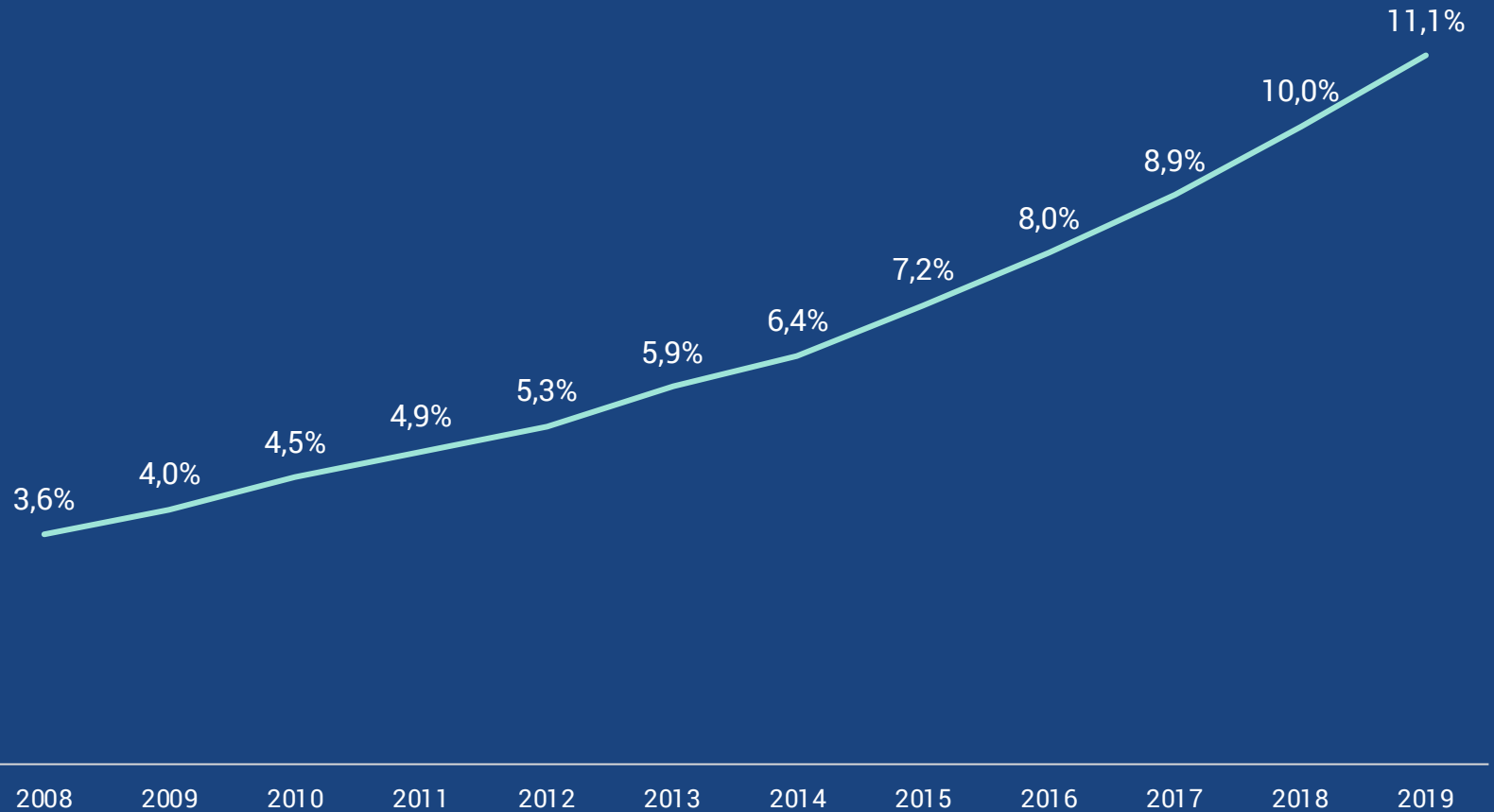
Before COVID-19,
e-commerce's
steady growth
already proved quite
disrupting for retail

SOURCES:

[2008-2014 Source](#)

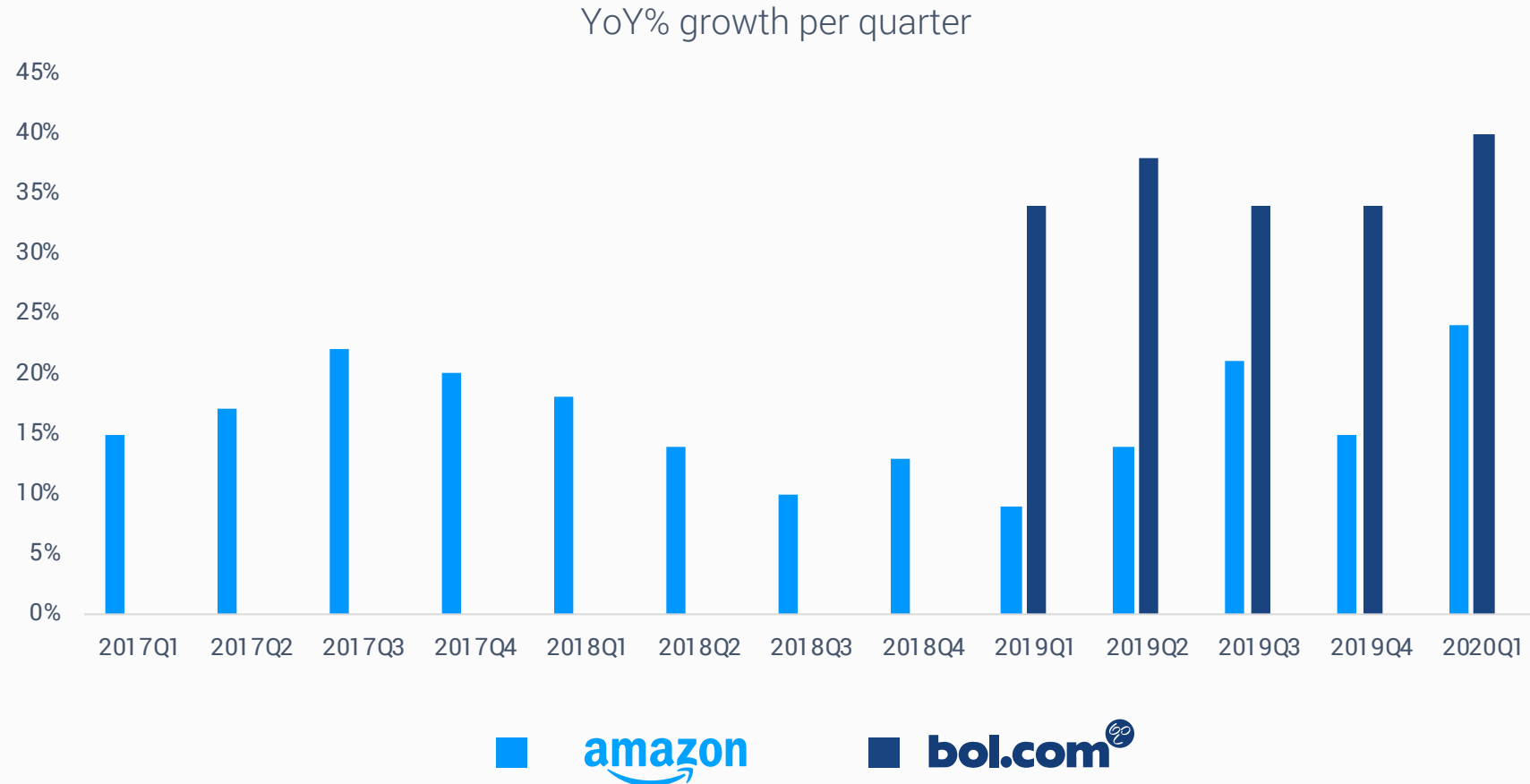
[2015-2019 Source](#)

E-commerce share of total global retail sales



■ Online share of total retail sales

COVID-19 represents very sudden shift in mix towards e-commerce (1/4):
Q1 earnings reports show acceleration, but grossly underestimate impact



SOURCE:

[Amazon.com](https://www.amazon.com) and [Bol.com](https://www.bol.com)

COVID-19 represents very sudden shift in mix towards e-commerce (2/4): more leading indicators provide glimpse of Q2 disruption



SOURCE:

[Bazaar Voice](#)

COVID-19 represents very sudden shift in mix towards e-commerce
(3/4): omnichannel retailers see huge online sales uplift



+275% YoY online sales in April



1 mln delivery slots per week
capacity in April (= 2x that of
January)



Many omnichannel retailers
temporarily turned in to pure e-
commerce overnight

COVID-19 represents very sudden shift in mix towards e-commerce (4/4):
penetration up in less developed e-com markets

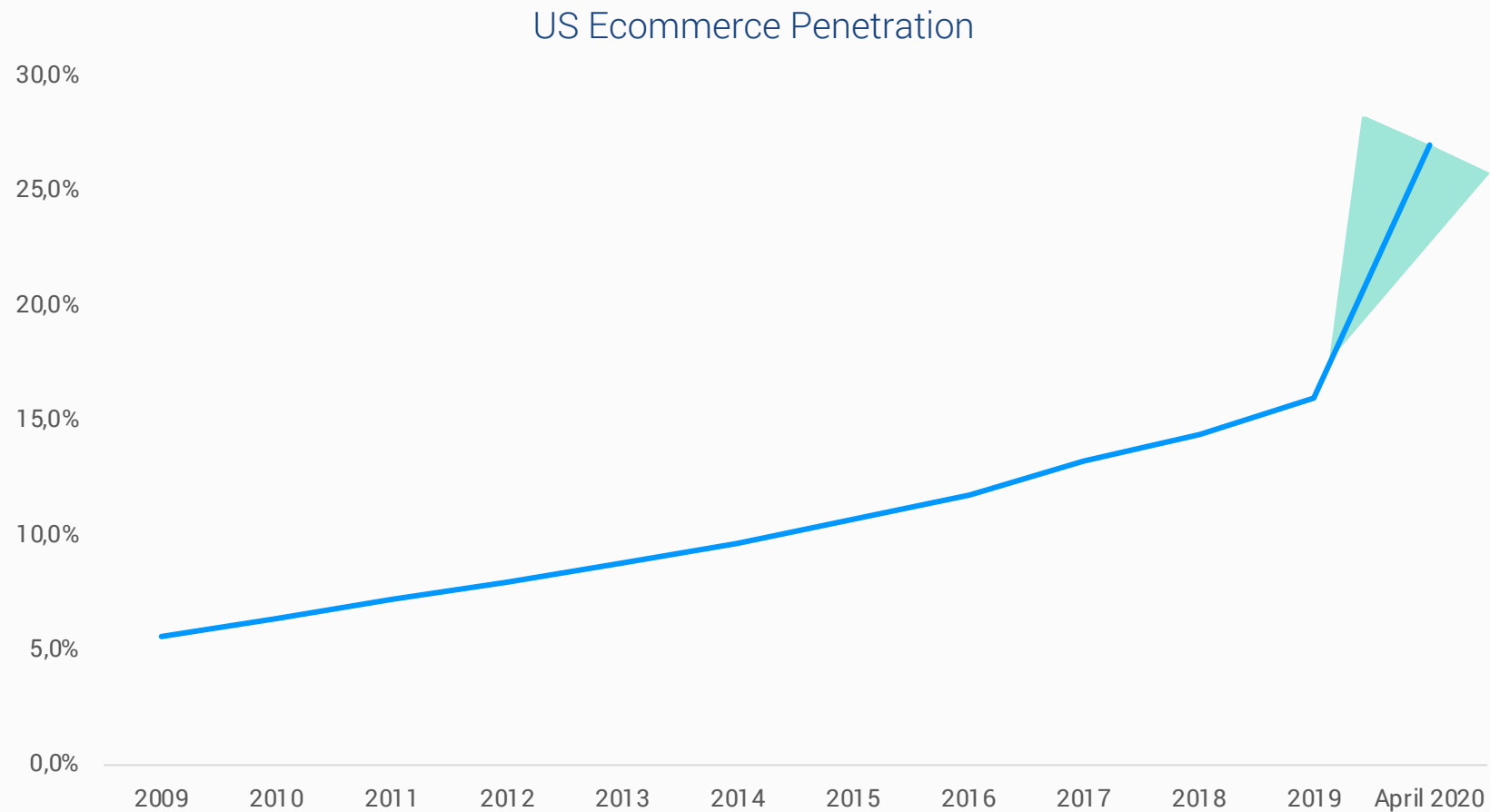


VISA says that

13 million
Visa cardholders
in Latin America

made their first-ever online purchases in Q1

10 years of e-commerce growth in a couple of weeks?



SOURCE:

Bank of America, U.S.
Department of Commerce,
ShawSpring Research

To make things a bit more dynamic, COVID-19 led to big changes in demand of categories...



WEIGHT TRAINING

+800%



LUGGAGE & SUITCASES

-77%



MONITORS

+200%



CAMERAS

-64%



DOG FOOD

+172%



MEN'S SWIMWEAR

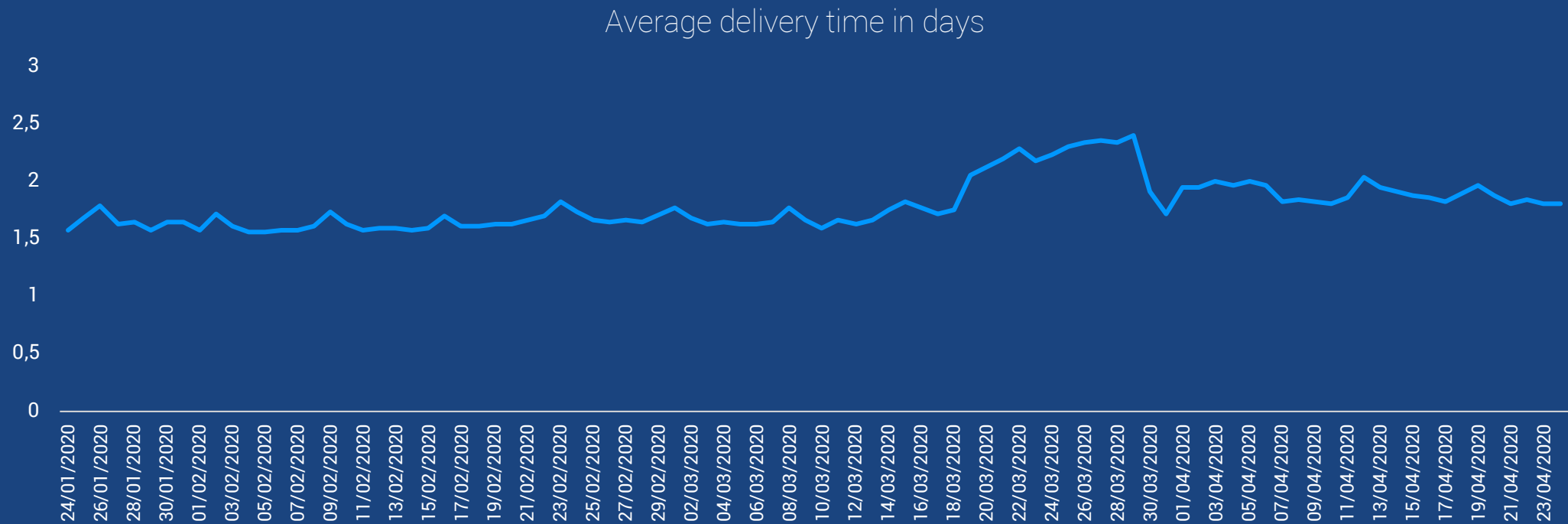
-64%

SOURCES:

[Think with Google](#)

[Stackline](#)

...and supply chain challenges, both in terms of availability and supply chain capacity limits



Based on theory,
scarcity should
lead to higher
prices

May 13, 2020 article

Subject of article: scarcity should lead
to higher prices

"On the short term I don't see prices
have increased". Quote by well-known
retail professor in this market.

NOS

Nieuws

Sport

Uitzendingen

Schaarste maakt duurder, welke prijzen stijgen door de coronacrisis?

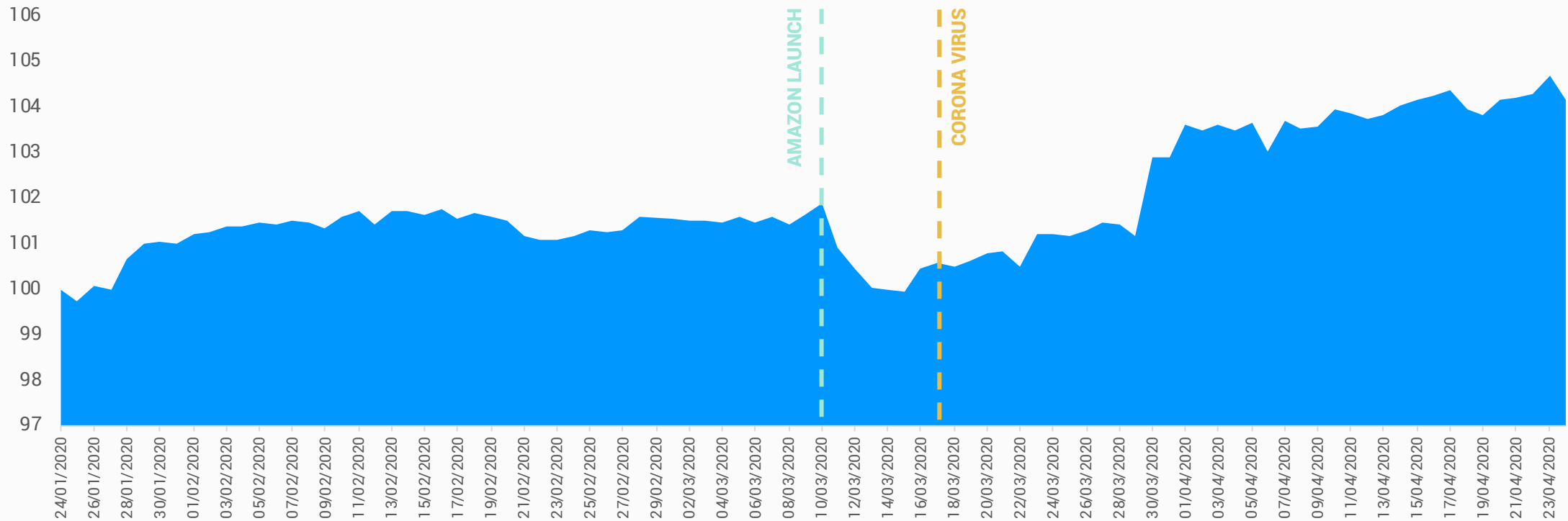


Ondernemers liepen de afgelopen weken veel inkomsten mis, geven nu noodgedwongen geld uit aan aanpassingen die nodig zijn om weer open te gaan én gaan waarschijnlijk een stuk minder verdienen dan voor de coronacrisis, omdat er nog maar dertig mensen in een ruimte mogen zijn. Gaat

"Op korte termijn zie ik de prijzen niet omhooggaan", zegt Kitty Koelemeijer, hoogleraar Marketing en Retail aan Nyenrode University. "Hoewel de marges nu onder druk staan, onder meer door de anderhalvemeterconomie, is het lastig voor een individuele aanbieder prijzen te verhogen zonder dat klanten afhaken. Je zou hierover afspraken moeten maken met je sector, anders prijs je jezelf de markt uit. Alleen: collectieve prijsafspraken maken, is verboden."

That is exactly what we observe

Average price among all categories

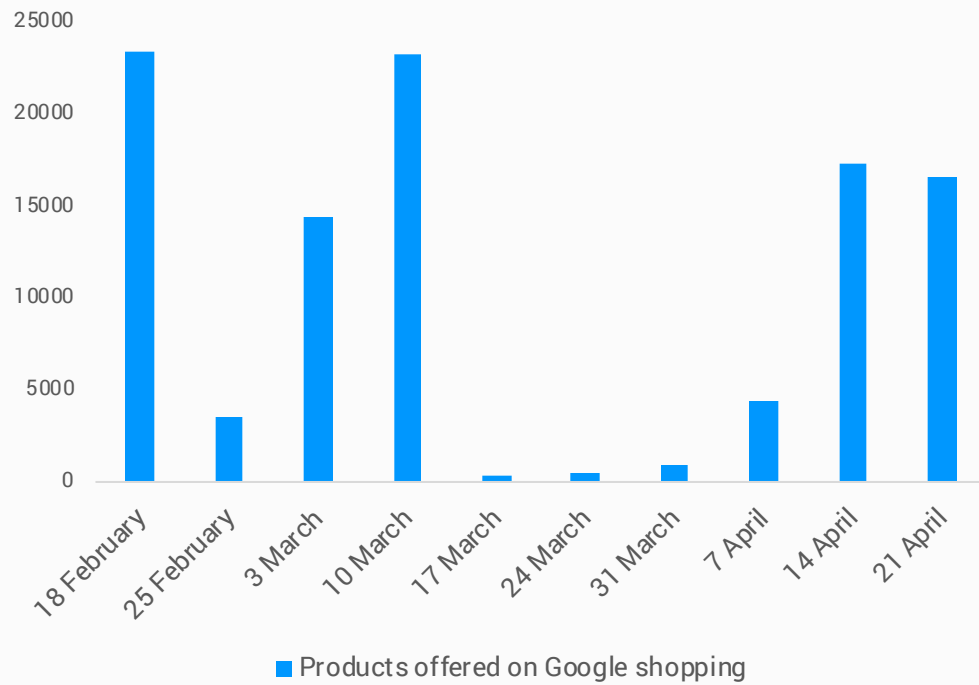


SOURCE:

Omnia Pricewatch Data

Specific example: 2nd largest e-commerce player in this market, coolblue.nl

Products offered on Google shopping



“

We decided to temper sales because production in China is low.

Coolblue increased pricing and switched off online marketing channels.

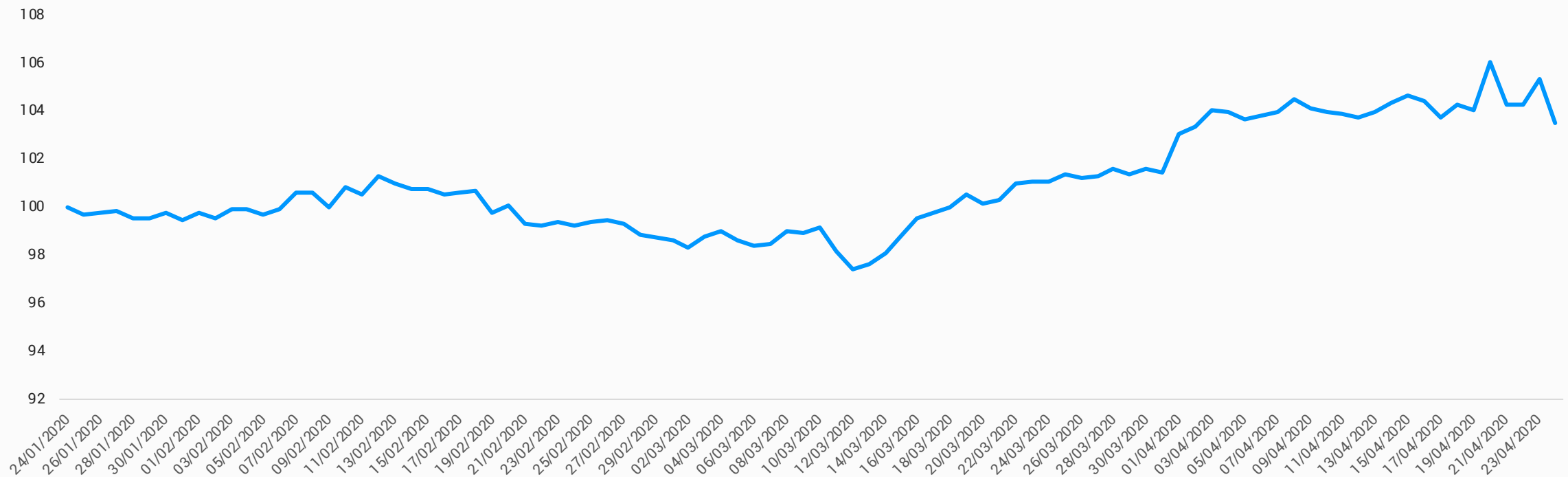
COOLBLUE FEB 2020

SOURCE:

Google Shopping

Categories that are spiking have the highest price increases: DIY (Do It Yourself)

Price Index DIY over time



SOURCE:

Omnia Pricewatch Data

Specific product
example: HP
monitor

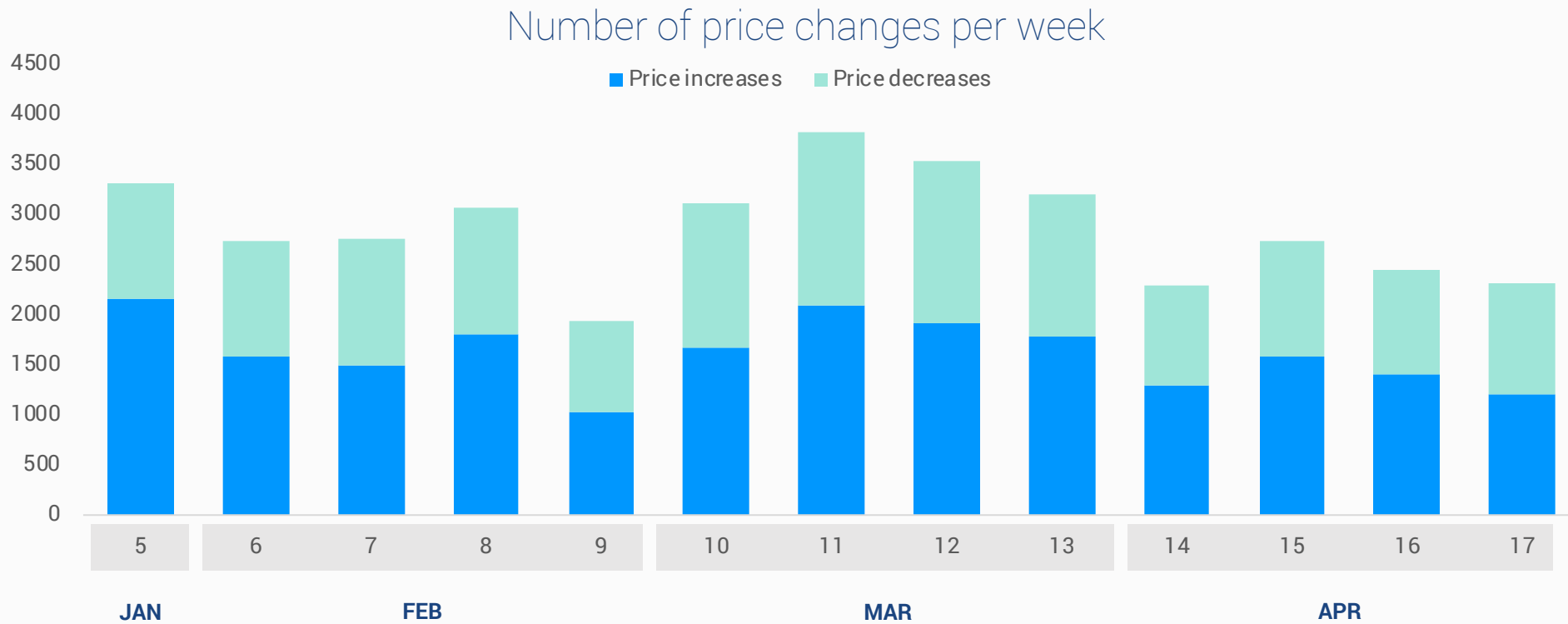
HP Monitor

- Sold on Amazon.nl
- Price beginning of March
vs. end of March +20%



+20%

The number of price changes increased at the start of the pandemic



SOURCE:

Omnia Pricewatch Data

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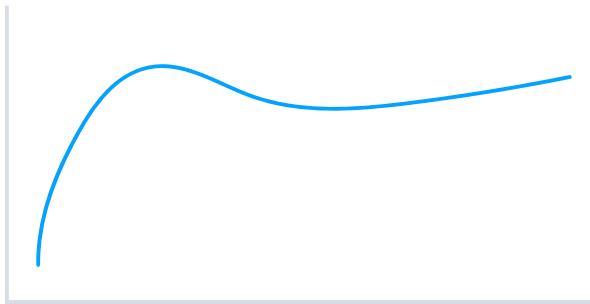
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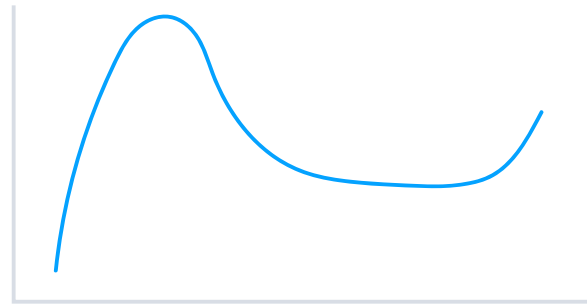
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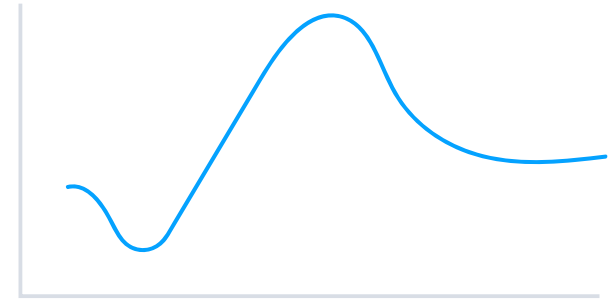
Looking forward: shopper behavior to expect when the pandemic is just behind us



RAPID STABILIZATION



SHORT-TERM PANTRY LOADING



DIP & REBOUND



Adjusting to the new normal from shopper perspective: pandemic is certainly long enough to have triggered a lasting habit change

The screenshot shows the Tesco website interface. At the top, there are navigation links for Register, Sign in, Help, and Feedback. The main header features the Tesco logo and a search bar with a magnifying glass icon. Below the search bar, there are navigation links for Groceries, My Favourites, Recipes, Special Offers, Helpful Swaps, and Delivery Saver. The main content area is titled 'Fresh Fruit' and shows a breadcrumb trail: Home > Fresh Food > Fresh Fruit. The page displays a grid of four fruit products, each with a '3+ days' or '2+ days' freshness indicator. The products are: Tesco Pink Lady Apple Minimum 5 Pack, Tesco Finest Emperor Oranges 4 Pack, Tesco Gala Apple Minimum 5 Pack, and Tesco Lemons 4 Pack. Each product card includes a 'Write a review' link and a 'Rest of shelf' link. On the right side, there is a 'Checkout' button and a message: 'Products you add to your basket will appear here'.

Register Sign in Help Feedback

TESCO Search Search with a list of items >

Groceries My Favourites Recipes Special Offers Helpful Swaps Delivery Saver

Home > Fresh Food > Fresh Fruit

Checkout

Fresh Fruit

Showing 1-24 of 210 items | Show 48 per page

Filter by: New (2) Special Offers (11)

12 Categories 16 Brands Lifestyle & Dietary

Sort by: Relevance

3+ days

Tesco Pink Lady Apple Minimum 5 Pack

Write a review >

Rest of shelf >

2+ days

Tesco Finest Emperor Oranges 4 Pack

Write a review >

Rest of shelf >

Tesco Gala Apple Minimum 5 Pack

Write a review >

Rest of shelf >

Tesco Lemons 4 Pack

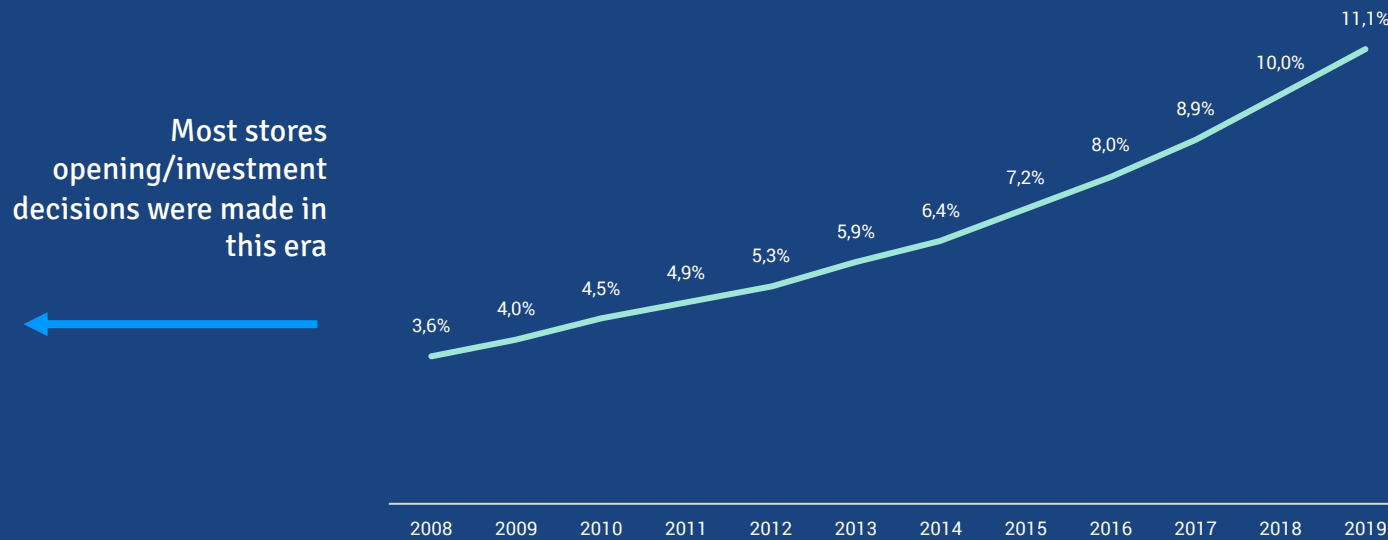
Write a review >

Rest of shelf >

Products you add to your basket will appear here

Adjusting to the new normal from market perspective: sudden e-commerce growth will push retail beyond a tipping point

E-commerce share of total global retail sales



JCPenney

Announced to close 240 stores (30%) in its restructuring plan



Rumored to be closing about half of its 170 stores

SOURCE:

[2008-2014 Source](#)

[2015-2019 Source](#)

The combination of shopper behavior and market factors will lead to a New Normal that is far from "business as usual"



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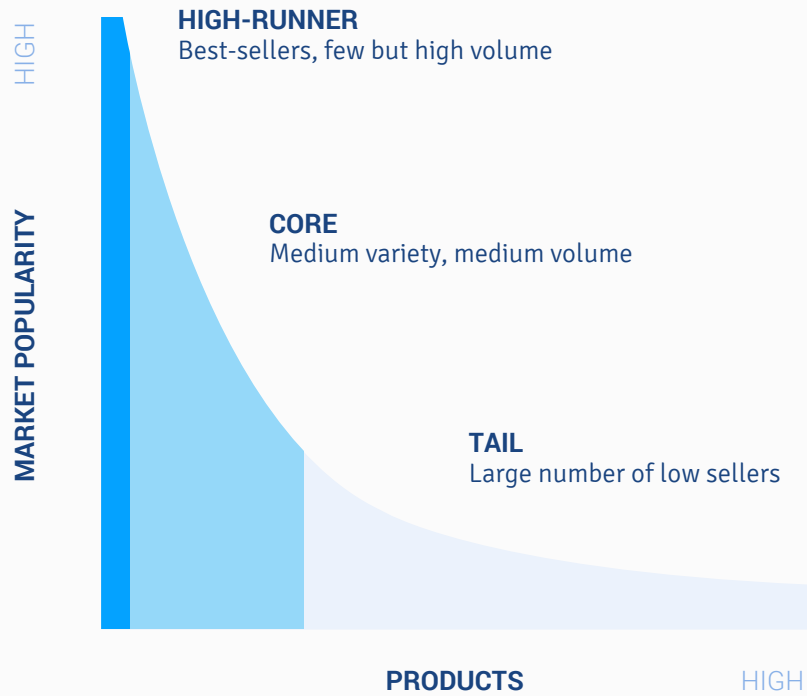
LONG-TERM / AFTER PANDEMIC

With so much variability on both the market side as in your back-end (supply chain), more advanced pricing strategies are needed

The screenshot displays the Omnia Pricing Strategy management interface. The left sidebar contains a navigation menu with the following items: Dashboard, Connect, Marketing, Pricing (highlighted), Product Overview, Pricing Strategy (highlighted), Pricewatch Export, Reports, Performance, Settings, and Knowledge Base. The main content area is titled 'Pricing Strategy' and includes a breadcrumb trail: Strategy > Actions > Competition > Supplier conditions. A 'DEMOV2' dropdown menu is visible in the top right corner. Three pricing strategies are listed, each with a toggle switch, up/down arrows, a delete icon, and a refresh icon:

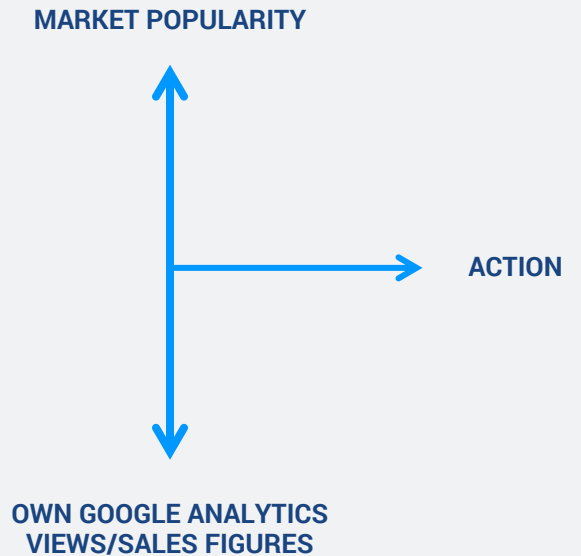
- Set to RSP - low stock - end of season > 120 days**
Monday, May 18, 2020 By: demov2
- Set price to minimum market price minus 5% - high stock coverage**
Monday, May 18, 2020 By: demov2
- Set price to cheapest minus 10% - high stock - end of season < 30 days**
Monday, May 18, 2020 By: demov2

With the big fluctuations in demand per category, take market popularity into account in your commercial strategy



OPTION 1

High-runner strategy based on market popularity



OPTION 2

Take action based on comparison your sales/views rank vs. market popularity

Those big fluctuation in popularity might also lead to different trade-offs with regards to assortment

Identify gaps in assortment via Omnia Assortment Optimization service

CATEGORIES			YOU			KEY COMPETITOR X			
			pieces	minimum price	maximum price	pieces	common	lowest pri	highest pri
Wonen	Opbergen	Kledinghangers	8	5,99	36,99	5161	16	2,17	557,03
Huishoud	Verbruiksartikelen	Schoonmaakmiddelen	269	0,5	57,5	4334	175	1,99	4350,88
Wonen	Opbergen	Opbergboxen	80	2,19	85,21	3052	272	4,25	598,9
Tafelen	Servies	Kannen & flessen	23	2,99	53,85	2496	37	4,5	492,03
Wonen	Opbergen	Manden	62	2,09	18,09	2257	51	3,99	822,95
Huishoud	Bewaren	Voorraadbussen & vershouddozen	76	3,79	89	1682	113	1,95	382,42
Koken	Bak en kookgerij	Thermosfles & thermoskan	42	6,99	59,99	1383	47	4,99	468,8
Electronica	Huishoudelijke apparaten	Stofzuiger	293	4,32	661	1328	234	11,75	2227,95
Wonen	Opbergen	Voorraadwaggen/-rekken	6	19,95	49,95	1296	20	7,64	1119,99
Huishoud	Verbruiksartikelen	Luchtverfrissers	51	0,76	77,8	1178	50	3	1229,95



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Higher share of e-commerce will further increase market dynamics



ASSORTMENT

3K PRODUCTS

That fit in a physical store



20K PRODUCTS ON AVERAGE

across Omnia's customers, and growing 20% in the last 2 years



MARKETING CHANNELS

WEEKLY UPDATE

Of one marketing channel (physical flyer)



HOURLY UPDATE

Of over > 50 marketing channels



STORE FRONTS

PHYSICAL STORE



OMNICHANNEL EXPERIENCE

Stores cannot be slowing down innovation



ESLs (Electronic Shelf Labels) for stores that keep relying heavily on walk in traffic



Fewer stores, but focused on experience and service instead of transaction channels



More and broader online-only assortments

A blurred image of a Formula 1 car on a track, with a white text box overlaid on the left side. The car is white with blue accents and has the Marlboro logo visible. The background is a blurred racetrack with a blue tint.

You can't overtake 15 cars
in sunny weather...but you
can when it's raining.

AYRTON SENNA, 3-TIME WORLD CHAMPION F1 DRIVER