OPEN FOR BUSINESS

RETAIL EXECUTIVE INSIGHTS

TRENDS & TECHNOLOGY IN AN ERA OF ACCELERATION & UNCERTAINTY

SUMMER 2020   |   Views & Insights from 3 Retail Industry Leaders

www.1010data.com
INTRODUCTION

AMERICAN CONSUMERS RETURNED TO THE NATION’S #1 PASTIME IN MAY 2020—GOING SHOPPING AND SPENDING MORE MONEY THAN ECONOMISTS HAD LED RETAILERS TO EXPECT.

The month of May’s 17.7% growth was double what experts had forecast and the biggest 30-day surge in three decades. The next month, market researchers at Euromonitor announced that U.S. retail sales will be down 6.5% on the year. Simultaneously, states like Arizona and Florida that had boldly re-opened were experiencing spikes in COVID-19 cases, thought twice and took one or even two steps back.

Welcome to an era of mixed messages—and some hurry-up-and-wait. Amidst COVID-19, social movements and an election year, one crystal ball is as good as any. What will American consumers purchase—when, where, why, and how much?

In this report, RETAIL EXECUTIVE INSIGHTS, three retail industry leaders—from radically different practice areas—share their own pragmatic outlooks, based field data, trends and new technology.

While no single source can predict the future in these uncertain times, thought leaders like Inna Kuznetsova at 1010Data and Chris Gibson at InVue are tuned in to the quantitative and qualitative sides of the retail world’s equation. Add John Morris from The Beam Team, and you have three definitive points of view—from 10,000 feet to boots on the ground.
As an expert in enterprise analytics, what are the key learnings you have discovered in working with your clients that can help others understand how to best navigate through these times of uncertainty?

INNA KUZNETSOVA
Chief Executive Officer

RESPONSE

KUZNETSOVA: Our goal from the outset has been to provide our clients with an unsurpassed visibility into their operations and the marketplace at large, and to help them identify enhanced ways to view data and address new market demands as they continue to evolve during these times of uncertainty.

In working even closer together these last few months, we have learned three important key takeaways:

• The value of historical performance data has been minimized and near-real time reporting is crucial to acting on marketplace opportunities

• The future is now, and third-party market intelligence data can help decipher, in near-real time, what is happening and what is next to come

• A hyper-local strategy and supplier collaboration are crucial to optimizing today’s results while simultaneously planning for tomorrow’s challenges

While volatility within retail was already at a high, the impact of COVID-19 has sent things to unprecedented levels. Today, current social and economic unrest will continue to exacerbate this volatility.

We had expected to see significant growth in categories like hand sanitizer, toilet paper, home office supplies, and food and beverage, but could we have anticipated seeing the home improvement channel experience 60% growth year-over-year at its peak during initial lockdown? Or, that one retailer would experience 7516% year-over-year growth in online porch swing sales?

250%
HAND SANITIZER/ HAND SOAP
Online category sales year-over-year, Jan.-April 2020
Due to the idiosyncratic nature of COVID-19, which has created what may be a “new normal,” historical data may no longer be the sole reliance to understanding how to fulfill evolving market demands.

Diving into the obvious category winners, hand sanitizer and soap, who would have predicted these items would have helped office supply stores see positive sales growth year-over-year for the first time in more than three years? Where hand sanitizer was once an impulse buy at these locations, it is now a purchase driver and has helped office supply locations increase online basket sales and further partnerships with delivery service providers.

A recent article published by Forbes reviewed a report measuring the influence COVID-19 has had on the accelerated growth of e-commerce, and their data suggests current online sales to be the size anticipated 4-6 years in the future. An obvious example of this future growth is within the category of food and beverage delivery sales. While we expected continued growth, no one could have anticipated 425% year-over-year growth for alcohol delivery sales at its peak in late April.

Disposable items, like masks and gloves, will always experience peaks and valleys based on events such as pandemics. The resurgence we are seeing in the news or in social media can create immediate demand, causing severe shortages of these specific items.

By having a hyper-local focus, we can monitor demand shifts globally while anticipating the impact to local markets based on granular-level, time-sensitive insights. By sharing these insights and collaborating with supplier partners, retailers can best address volatile consumer demands–ultimately changing the ways supply chains deliver and fulfill orders.

"According to our data, it would’ve taken between 4 and 6 years to get to the levels that we saw in May if the growth continued at the same levels it was at for the past few years.”

Forbes: June 12, 2020

SOURCE:
https://www.forbes.com/sites/johnkoetsier/2020/06/12/covid-19-accelerated-e-commerce-growth-4-to-6-years/#6266dd44600f
QUESTION
What can we say about the health of the market—beyond forecasts of retail sales? What’s happening in development, in terms of decommissions or remodeling and fixture installation?

RESPONSE
**MORRIS:** COVID-19 paralyzed what was to be a record year for construction contractors in 2020. On the flipside, what emerged was a completely different goal: to create safe customer experiences for the essential businesses, like home improvement, grocery and club warehouses.

Acrylic shields and new signage were in high demand, so employees and customers would have confidence being inside a retail environment. About 42% of our work became dedicated to helping retailers with shields, signage, curbside, and putting in locker systems for pick-ups.

No doubt, many of the chains paused their CAPX projects, while others did continue. Interestingly, those that continued already were on track for strategies more or less involving technology.

So, newer point of sale systems that heighten security and integrate more customer engagement and marketing stayed the course. For example, cellular and mobile stores put in new cabinetry that have these security devices embedded, so that the customers need less interaction from an associate. This is safer for everyone, and the security in the systems keep the merchandise more secure.

General contractors often are thought of as old school. But we have software and technology touching everything we do at The Beam Team. In many ways, COVID-19 called upon us to double-down. For Domino’s, we brought in high-definition digital cameras, so we could virtualize our walk-through inspections.

When we finished remodeling a Domino’s property, our best inspector would log into a 360-degree camera at the site and zoom in on every detail. This reduced travel and reduced exposure for the client and our own people. Plus, it put one pair of very experienced eyes—who knows the Domino’s brand inside, out—looking at every property for greater consistency.

Looking ahead, it is the retailers investing in making their spaces clean, safe, ready for curbside, installing lockers, and so on, that will be ready for retailing. Those are the ones who seem to have brisk traffic when we are out in the field. They have stayed in the game and anticipated issues like convenience, speedy shopping experiences and safety for the shopper and the employee.

As general contractors, we’re following the same principles. When we’re onsite, reduce exposures for the customer, their customers and our own people. Reduce travel, and leverage technology to its fullest.
WHAT’S HERE TO STAY?

- Acrylic Shields & Upgraded Breakrooms
- Online Pickup, Curbside & Lockers
- Using Fixtures to Create Separation of Shoppers
- Replace Temporary Installations with Permanent Solutions
Several trends and innovations in retail were accelerated overnight in retail. Ecommerce goes without saying. How do retailers sort out what is here to stay? What can retailers say for certain about the future of the store experience?

**GIBSON:** The last several months have been an opportunity to dialogue with several dozen retail executives about this topic of change acceleration. Rather than focus on the bad news, we discussed what the changes in consumer behavior mean to retail. While the pandemic is causing drastic changes to operating procedures in some regards, it is also accelerating changes already planned by many retailers.

What consumer behaviors will change forever? Which technologies will become must-have’s? What behaviors and operational changes are trends, which ones are here to stay?

We saw six themes emerge from these conversations.

Obviously, safety and sanitization came first. The presence of things like shields, gloves, even masks are part of the norm for the foreseeable future in U.S. retailing.

Next, convenience has made technology a central ingredient in retailing. Convenience once meant what we put on an endcap. Today, it is the availability of any SKU to any customer, however they wish to buy it.

This leads to the theme of the role of our stores. Is the store a place to shop, a place to pick things up curbside, or are we all becoming warehouses? Each brand is wrestling with identity, what a store means to its customers and how stores become an extension of a harmonized brand experience.

This ties into the blur of the main floor and the backroom. With fulfillment being the priority, what is the technology and experience needed, to optimize the flow of goods from the back room to the collection points as well as the store floor?

The fifth theme, a consistent concern, is theft and shrinkage. Now, with conditions more conducive to enterprising shoplifters (less associates in store, masks compulsory, and economic hardship), shrink is on the rise.

Lastly, ecommerce and data protection are becoming more critical, not only online, but also for the rapidly expanding cloud server physical infrastructure. Cybersecurity has been a priority for retail, hospitality and banking for years. Even small retailers see the thin the lines of defense with nearly all their operations running on the cloud.

These major themes driven by our customers inform our product and technology roadmap at InVue. This running dialogue with our key retail and consumer electronic brand partners allows us to keep our fingers on the pulse of retail and ensure we have readily available offerings to solve these critical challenges as they emerge.
The Beam Team is a General Contractor licensed across the United States. We deliver integrated solutions that include construction, remodeling, fixture installation, rollouts, and decommissions. Teams across the USA serve some of America's most legendary brands.

Our clients are global leaders and market disruptors in retail consumer electronics, home warehouse stores, pharmacy chains, grocery stores, restaurant chains, and premier hotels.

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InVue is a global technology company that provides retailers and brands with innovative merchandising, software and security solutions. Its products seamlessly promote and protect retail merchandise, enhancing the in-store experience to improve our customers' profits.

The company backs its commitment with a 90,000 square foot innovation, quality, design and service center in Charlotte, NC. InVue's quality control facilities in Charlotte and China use custom designed testing equipment to simulate daily in-store use of its products.

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