



Covid-19: The consumer goods & retail sector | Impact and responses



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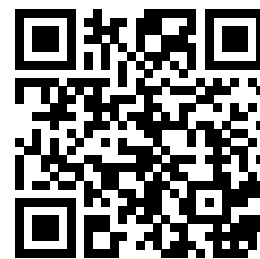
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INTRODUCTION



Executive Summary

The global retail industry is going through tough times since the Covid-19 outbreak has caused insecurity to consumers and disruptions to businesses operating in the entire commercial chain, either in the frontline such as retailers, in manufacturing or wholesaling. Order delays, shortages in high-demand products due to limited exports, consumers' stockpiling, reduced cash flows, high unemployment and a decline in GDP levels are some of the serious effects of the financial crisis from the Covid-19 pandemic.

In response to the turbulent situation, governments have taken harsh measures to support businesses financially and protect citizens from getting sick. As the measures increase, more retail stores are closing and consumers' fears and concerns about how their lives will be afterwards, are growing. A great percentage of them find a way out in online shopping. Among them, are consumers who have never shop online. During the period of quarantine, consumers turn to goods and services that help them control their fears and uncertainty.

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However, unpredictable consumer demand and supply chain issues can affect the e-commerce industry which, will result in delays in deliveries and missing items.

Even in a catastrophic epidemic, some industries like e-commerce, food retail, and healthcare have the potential to prosper in the midst of a pandemic, providing at least some economic growth to offset the damage. Grocery shops are among the big winners in sales and turnover. Due to panic buying, supermarkets have hit sales record in both their physical and online stores. However, even big merchants such as Walmart, face challenges due to a drop in casual shopping, supply chain disruption, and an increase in purchases of essential toiletries, groceries, and other products. Additionally, some market segments have faced huge declines. One of the most affected industry segments due to the Covid-19 outbreak are electronics products since China, the largest producer of the electronic and its parts globally, is the place where the virus has started and is accounting for thousands of cases. According to Accenture's Covid-19 Consumer Pulse survey, 13%-29% of consumers have reduced spending across non-essential product segments, including fashion, beauty, and consumer electronics while a survey by McKinsey added restaurants and travel among the most affected industries.¹

1. McGill University. (2020, June). Consumer behaviour in the post-pandemic retail landscape.



Entrepreneurs are now facing challenges including the urgent need for fast technology integration. in all business processes and the adoption of digital tools and channels to effectively communicate with their customers, suppliers and other stakeholders. Among the difficulties they face are also, the management of supply chain disruptions, the changes in demand for consumer products and the cash flow issues. In addition, they are called to balance between the productivity of employees while working from home and the worries they have about themselves and their families, living in this unprecedented crisis. The Covid-19 pandemic is not only the most serious global health crisis since the Great Influenza in 1918 (Spanish flu), but is set to become one of the most economically costly pandemics in recent history. In this context, the aim of this research is to provide an in-depth analysis regarding the impact of Covid-19 on the global retail and consuming goods industry.

We highlight, through our research, the most important findings that will impact the retail and consuming goods industry during and beyond 2020:



Key Findings

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- **13% - 29%** of consumers have reduced spending across multiple non-essential categories, including fashion, beauty, consumer electronics, restaurants and travel
- It is predicted that in **2020 the global real GDP will drop to 2.4%**, losing 0.5% which is equal to almost USD 3.5 trillion in only one year
- **25 million jobs** were threatened by the current pandemic which equals to almost 2.7 billion workers, and accounting for 80% of the world's workforce
- Food and beverage stores saw a massive **25.7% year-over-year** surge in sales on March
- **Sales of private label brands** jumped by double digits in the 2020 first quarter
- Nearly **75% of companies** are reporting supply chain disruptions in some capacity due to coronavirus-related transportation restrictions
- The fulfilment time for freight shipments during the coronavirus pandemic rose by **433% in May to 75.2 hours** on average from 14.1 hours in April.
- **77% of users** plan to raise their use of touchless technologies to avoid human interactions
- **66% of users tend** to use smartphone devices instead of touch-based alternatives at physical locations such as retail outlets and bank branches whereas 62% would like to continue using it after Covid-19

- E-commerce sales accounted for almost **2.6% of total US** food and beverage retail sales in 2019, but after Covid-19, it is projected to grow, reaching 3.5%, which equals to USD 38 billion
- E-commerce order volume has increased nearly **47% within April**, compared with the February average
- **50% of consumers** bought products they had never bought online before while **70% report** that they are buying online more than usual



As Covid-19 spreads and its impact on daily life continues to increase, individuals and businesses need to strategize a response to the situation. Businesses should be considering measures to mitigate the risk of infection, assess the potential impact and develop plans for protecting revenue while ensuring they can continue to operate. In their effort to reduce the risk of spreading the virus, governments have taken harsh measures to isolate and protect citizens. All physical stores that considered to be delivering non-essential consumer goods and services were required to close for a period of time to limit the virus spread.

In addition, strict measures to protect consumers and workers have been implemented, such as the use of masks, disinfectants and maintaining social distance, as well as the imposition of quarantine for a certain period of time. At the same time, in order to help businesses and citizens survive and maintain the levels of GDP and business cash flow at the highest possible point (avoiding bankruptcy and poverty cases), governments announced exceptional measures of support. Among them are the extension of loan repayments, facilities for work-related issues concerning employees, and various other financial benefits that will keep organizations cash flow at sustainable levels.



CHAPTER 1



The outbreak of Covid-19: Disrupting the economy landscape

1.1. What is Covid-19 and how it appeared

A pandemic is generally defined as a new disease that rapidly spreads in a number of countries and continents. Diseases and illnesses have plagued humanity since the earliest days, our mortal flaw. Over the last century, we have seen three deadly pandemics, the Spanish Flue in 1918, the Asian Flue in 1957 and The Hong Kong Flu in 1968. Novel Coronavirus (Covid-19) is the most recent pandemic which has had unparalleled social and economic effects on society in modern history. The Covid-19 disease comes from a group of viruses that was transmitted to humans from bats.

The most affected geographic areas are cities. Urban areas became hubs for the quick transmission of the pandemic as they contribute a whopping 80% of the total global GDP and host about 50% of the global population. Rapid urbanization, population growth, and increased global travel attributable to globalization have all contributed to this transmission. ²

2. Osterholm, M., (2005). Preparing for the Next Pandemic. Foreign Affairs. 84. 24. 10.2307/20034418.



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