

THE SHAPE OF FOOD RETAILING IN THE NEW NORMAL 2:

OPERATING TO THE NEW REALITIES

“We are not using the word ‘back’. It is banned. We only have the future. The future is very exciting for progressive and relevant business. It is our responsibility to emerge from this crisis a stronger society”

— Debbie Robinson,
Chief Executive, Central England Co-operative

“Our ability to change rapidly is, I believe, one of the most important learnings from this pandemic. Rapid change and experimentation must be our new normal. Too many think things will simply return to the old normal and probably most worrying there is little evidence of change in our main supply chain”

— David Sands,
CEO David’s Retail, Scotland

This paper is motivated by a desire to help food businesses to successfully and profitably operate in the new normal.



COMMUNICATION



VOICE OF THE CUSTOMER



TEAM WELFARE



STORE PROPOSITION

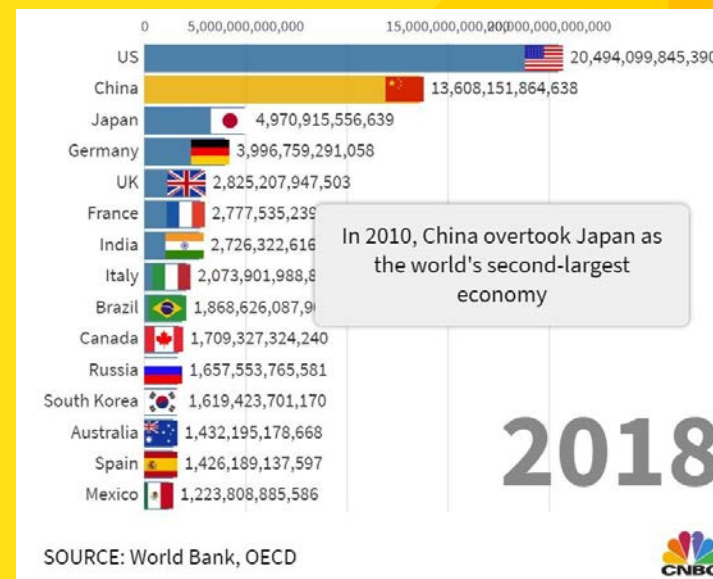
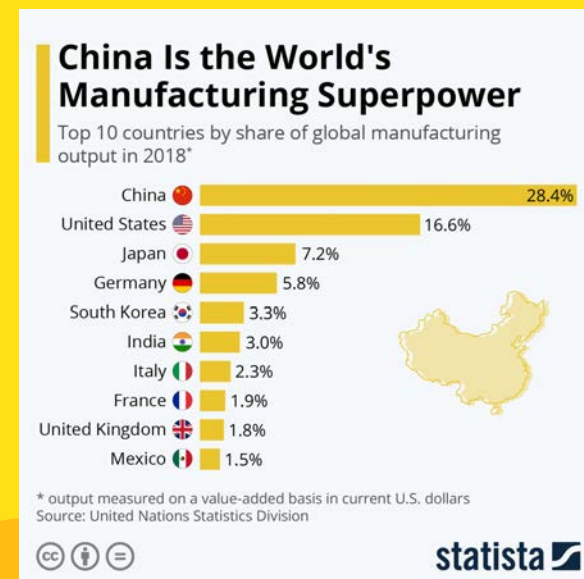
1. THE EMERGING OUTLOOK:

The new normal is now upon us. Three billion people in 70 countries have been asked to stay at home. Full lockdown (referred to as 'Level 5 Lockdown' based on the UK system) has decimated the global economy, sending unemployment to levels unseen in recent history.

Nations are now tentatively removing restrictions, with livelihood decisions beginning to be considered alongside the cautious epidemiological modelling guidance. Political and economic decisions have a major influence as businesses reopen and food retail must operate in the new normal. I am reminded of the economics quote attributed to the US president Harry Truman: "Give me a one-handed economist. All my economists say 'on one hand ...' then 'but on the other...'. We must operate to the facts that we have.

Business choices – like political options – are not black and white. This second paper focuses on operating in the realities of the new normal, where everything from global supply chain connectivity to our restaurant celebration meal experience has changed in three months. Our retail operating procedures will develop over this year and next as businesses adapt to their customers' needs and governments change their priorities.

It is widely covered that many G20 countries have advanced plans to repatriate manufacturing to their home markets or to within one day's shipping. Medicine is the strategic sector of the moment. Europe's last paracetamol plant closed in 2008; the USA's in 2004. China produces many active pharmaceutical ingredients (APIs) for widely used medicines as well as the chemicals used to formulate APIs for processing into drugs in other countries. Part of Japan's economic stimulus package includes ¥220bn (£1.6bn) to encourage big companies to shift strategic production away from China and back to Japan. Other nations including the USA will follow the lead of the Japanese. India may benefit in the food and manufacturing new normal with its common law legal system, English as a national language and a highly educated, technically skilled workforce.



Lean and 'just in time' production from capital goods to food production will evolve to 'plenty in time' with additional capacity added to ride out the next business interruption, be that Covid-19 2021 or a climate change weather incident. A topical example is BWG Foods in Ireland whose Brexit contingency plan saw them holding extra stock levels, allowing for a > 97% retailer order fulfilment through lockdown.



Top Hull retailer 'Sewell on the go' leveraged their Brexit planning and switched-on confirmed local suppliers from day one.

Agricultural production and supply chains have been massively impacted by social distancing requirements and restricted international flights. Expect to see increased automation, reduced complexity and a trimming of ranges in the new normal. The seasonal consumption of fruits and vegetables customary across Southern Europe and Asia will once again become the normal in the UK and Ireland. These changes may increase the economic hardship on 'out of season' growing markets in Africa and South America.

The foodservice and hospitality sector has seen the biggest losses alongside fashion retail with sales from -100% to -75% in those businesses who have launched a take-away offer or a B2C supply.

In Sweden where a less mandated approach was implemented, retailers have still faced a 50% to 90% reduction in revenues as consumers chose to exercise caution.

What is the shape of these cafes, pubs, restaurants and hotels if social distancing is in place, be that through government mandate or consumer demand? If covers or occupancy run at 50% then at least half the furloughed staff will not be required. Many businesses will be unable to operate at this level and will not reopen or quickly close. Eating and drinking out of home is often about celebration, convenience, socialising and fun! Can we achieve 50% in the first year?



The prevailing challenge facing food retailers in the new normal is proving to consumers that their outlets are safe spaces to be in. Image Tesco Youtube campaign

The business conduct section of 'The Shape of Food Retailing in the New Normal: Adapting to the Realities' paper received the most feedback.

Will hospitality be able to attract enough consumers in socially distanced environments?

Image Mediamatic ETEN, Amsterdam

Business conduct that does not add value to society or fails to recognise the role of first level operatives in producing value will be called out. There will be a resetting of pay to value albeit 'our hero' first level employees are unlikely to receive significantly bigger big pay cheques. Expect to see lobbying from industry organisations on affordability and labour unions on a 'health and safety' platform. Some senior leaders will permanently reduce their fixed remuneration and up-weight their performance rewards.

Business conduct within the digital economy has started to come under scrutiny and this pressure will increase as countries look to redress cost inequalities between online and physical retail. Those tasked with reimagining the future of the high-street will have been re-invigorated as the enforced lockdown has reminded wider society just how important these spaces are to community welfare.



Commission caps in San Francisco have led to Uber restricting deliveries to certain areas of the city

San Francisco and other US cities have enforced a policy that Third-party delivery platforms such as UberEats and DoorDash can temporarily charge no more than 15% commission to their retail customers. The margins operated by these platforms have now become a corporate social responsibility issue and this should lead to a fairer operating model for retailers in the future.

Aspiration and conspicuous consumption in the marketing of luxury brands and services will be tempered through 2021 in line with the realities of most people who will 'make do and mend'.

Government loans and big company 'bailouts' are front-page news, especially those with prominent tax-haven-based shareholders. Share buy backs and hedge fund bets against UK supermarkets have also featured. Companies can buy back shares for positive reasons such as company consolidation and equity value increase.

They are typically financed with debt, straining cash flow and, even more relevant today, reducing government taxes. Companies asking for government bailouts with a history of share buy backs or paying offshore shareholder dividends are in the spotlight. Expect governments in the new normal to revisit the tax rules on equity funding versus debt purchasing and to close offshore loopholes. Governments need the money. Also expect a ban on most hedge funds as they add no value to society.



Garment factories in Bangladesh have seen \$1.5bn of orders cancelled in January to April 2020

Business and private landlords have received an inordinate amount of bad press. They are often conveniently blamed for the demise of a local retailer or a national chain. Although this may be true in some cases, UK business rates and Ireland commercial rates have a bigger impact in business failures.

Both governments' Covid-19 recovery plans should include a non-partisan, high-speed review of all business allowances, costs and taxes to the benefit of all stakeholders. The governments should recoup their business and individual relief assistance while ensuring that the new tax systems are fairer, simpler, transparent and work uniformly across all of society.

There is now greater collaboration within retail sub-sectors, and we have witnessed a form of collective bargaining as these sectors directly engage government. It is inevitable that the positive and collective spirit of the first few months will move to confrontation as stakeholders seek to protect their positions. Tensions between retailers, landlords and the insurance industry will play out in the public arena. The emerging reality of half-empty high streets and shopping malls will ensure that this stays as front-page news.

A UK campaign group representing restaurant brands is lobbying the Government for a nine-month rent-free period



It is not all doom and gloom. The food industry and its supply chain continue to perform a remarkable job ensuring that products are available and that consumers have safe access to them. Retail workers, previously undervalued, are now seen as local heroes. Resilient food retailers have shown that they can adapt 'in days' during the Covid-19 crisis.

2. UNDERSTANDING THE PHASES OF LOCKDOWN

As our knowledge of the pandemic increases, it is clear that the global response will require regular interventions on the movement of people. Governments refer to these changing interventions as 'blueprints' for relaxing lockdowns. There is no complete consensus on the best measures but there are common themes around social distancing in the workplace, public transportation and within retail outlets.

The 'phases' of lockdown are not necessarily concurrent and may be reinstated based on the transmission rate (R0) of the virus at different points of the year. Each phase presents its unique challenges and retailers navigating through them with a clear, agile plan will be critical to success.

Convenience retailers continued to operate during Level 4 & 5 Lockdown, experiencing a significant uplift in sales, whereas most foodservice brands shut their doors and focused on adapting their operating models for the next phase (Level 3, partial restrictions). These foodservice operators have trialled new consumer service models in a small number of outlets, refining processes back and front of house and restaging their businesses for a demand that will initially be delivery and takeout. There is a wider lesson for the convenience sector on the need for controlled testing of new initiatives in a limited number of sites as conditions evolve.

McDonald's have integrated social distancing within every aspect of their service model



In the event that a full Level 5 lockdown is reinstated in the future, foodservice retailers will move exclusively to delivery through third party platforms. As consumers, we should expect to see a significant increase in home delivery options as even the most reluctant operators recognise that this is a 'must have' in order to protect revenues over the next 24 months and beyond.

Delivery has been a major contributor to c-store growth and retaining this additional revenue should be a key strategic goal for operators. The increase in formal tie-ups between third-party delivery platforms and symbol/ franchise convenience operators suggests that this new focus does exist. However, c-store operators would be wise to learn from the often-challenging experiences of foodservice brands who have struggled to reconcile the delivery channel with their profit expectations.

Extension of existing tech platforms could provide a

The *Daily Telegraph* has reported that 600,000 households have received deliveries from convenience stores during the UK lockdown.

low-cost entry point for retailers looking at automating their ordering. In India, e-commerce platform JioMart is testing a system that operates through WhatsApp. Unilever CEO, Alan Jope, refers to the pandemic as being the 'inflection point' for online food shopping. There is little doubt that this view is shared by large grocers who are busy building capacity for home delivery.

In the UK, Tesco has added 600,000 slots and is aiming for 1.2 million deliveries per week. In San Francisco, Instacart plans to hire 250,000 additional full-service shoppers to meet the increased demand for online delivery.

For many consumers, a weekly visit to their local big-box grocer has been a stressful enough endeavour to convince them to move their shopping online. It would be a sensible to assume that online grocery sales will increase exponentially over the next 12 months. Cyberspace will be the critical battleground for food retail as large grocers strive to build better user experiences, more intuitive and reliable fulfilment.

Each phase of lockdown will reset the context within which food retailers operate. Adaptability and speed are essential.

<i>Level 5 Critical</i> - Tight lockdown (essential movement only)	<i>Level 4 Severe</i> - Partial lockdown (restrictions on movement)	<i>Level 2 Moderate & 3 Substantial</i> - (restricted movement with social distancing controls)
Consumers opting for one big weekly shop	Consumers will partially revert to more frequent food shops, but not at similar levels to pre-Covid-19	Consumers have become accustomed to social distancing as the "New Normal"
Food consumption is mostly at home and self-produced	The trend towards home-cooking (i.e. from scratch ingredients) will remain	Consumers are now willing to increase their visit frequency to supermarkets as these stores have been able to demonstrate a safe environment through robust social distancing measures
Foodservice brands revert to delivery only through third-party channels	Usage of delivery and takeaway food outlets will soar as consumers seek to replace the dining-out experience	Home-cooking will still be popular, but will have plateaued

Convenience tie-ups with third-party delivery platforms have rapidly increased during Q1 2020. Image Deliveroo



Convenience stores experiencing bigger basket spend and change of sales mix towards grocery, fresh & frozen	Convenience stores will revert towards normal buying patterns, albeit with opportunities to retain custom through initiatives such as home delivery	Consumers will tentatively venture into restaurants, who will now be operating with industry standards on social distancing. This type of experience will not be for all
Most restaurants close, but a portion move to a delivery/ collection model including grocery products	Online grocery shopping will continue to grow, with more consumers looking to secure delivery slots in anticipation of further lockdowns	Progressive convenience retailers will continue to see growth, particularly by attracting home-workers. Other convenience retailers will see sales decline to pre-Covid-19 levels and beyond, as the grocery price war escalates
Demand for online grocery shopping is high, limited by capacity		Large grocers will have built significantly more capacity for online delivery. This channel is universally available to all consumers.

3. NON-NEGOTIABLE ACTIONS FOR FOOD RETAIL

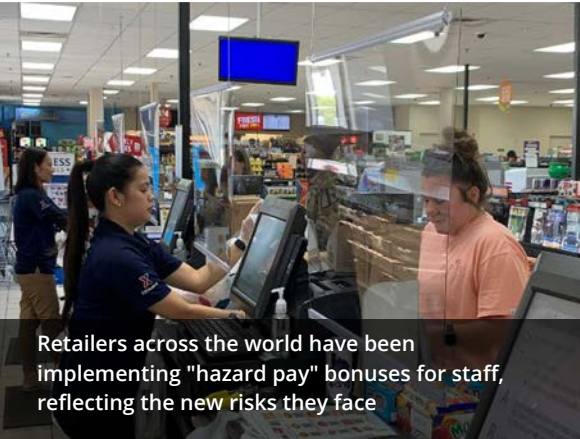
The first few weeks of lockdown created an unprecedented period of change for food retailers, forced to continually adjust their ways of working amid the constant uncertainty in supply and consumer demand. Throughout this period, we have witnessed retailers demonstrate their ability to implement, quickly, a multitude of adaptations in each part of their operating model.

These adaptations are considerable and are likely to be required throughout all phases of the lockdown. Examples of best practice have been shared throughout the industry and despite the pace of change, retailers have settled into a new operational tempo.

Hygiene, safety and product availability are now the primary considerations for customers in the new normal. The immediate impact of this is a new set of non-negotiable requirements for retailers operating in the post-Covid-19 landscape.

Team welfare:

The pandemic has added impetus to the debate on the value of front-line retail workers. Representative bodies, such as unions, are raising questions on staff remuneration, general safety and declining job security due to automation and new technology. Forward-thinking retailers will control their own narrative by putting their teams at the top of their priority list.



Perspex screens are a common feature in the new normal

Never has the welfare of retail workers been a greater consideration for the industry and its operators. Society has acknowledged that frontline retailers are key workers and the risks they are undertaking on a daily basis are tangible. Team safety is and should always be the number-one priority for retail leaders. The food retail sector has demonstrated their commitment to this principle through the rapid deployment of new safety measures such as Perspex screens at till points and PPE.

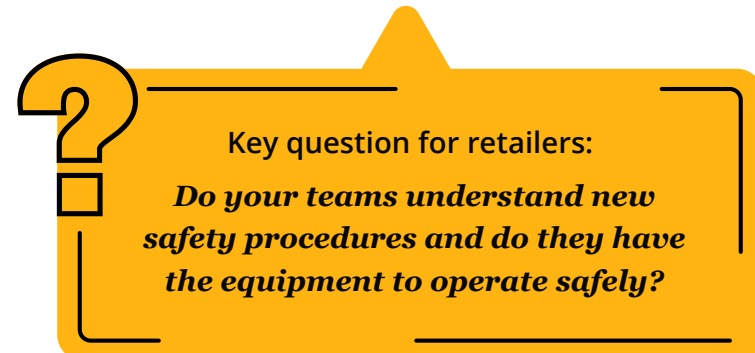
Team engagement	Team safety
Hold daily briefings with team members, with safety as the opening topic	Implement protocols on checking team member health before each shift
Regularly reinforce the principle that any team member who feels ill should stay at home	Mandatory safety education for all team members
Leaders/ owners should be visibly present on the shop-floor to instil confidence in their teams	PPE available as per Government guidance, with training on how to use each item
All team members, including leaders/ owners, must live and breathe safety behaviours	A community of in-store safety champions who can drive compliance and feedback on safety procedures to aid continuous improvement

Provide a forum where team members can raise concerns, anonymously if needed

Recognise that team member stress levels may be elevated and be clear on what support is available

Rosters rescheduled to allow for additional team breaks, and time required for store replenishment and handwashing

Revised guidance on dealing with anti-social behaviour



Key question for retailers:
Do your teams understand new safety procedures and do they have the equipment to operate safely?



The city of York is proposing a one-way pedestrian system through its narrow streets to help consumers feel safe. Space is now a vital commodity.

In-store operations:

Over the past 10 years industry specialists have been promoting a mantra that extra retail space is an unnecessary luxury and new store developments across all parts of food retail have consequently been smaller in size. Life in the new normal has turned this dynamic on its head. Larger stores have been benefiting from new footfall because customers are more comfortable shopping in retail outlets where space allows easier social distancing and a less congested shopping experience.

Creating a safe space that inspires confidence is the most significant customer requirement in the new normal. Operators have taken different approaches to this challenge but there are common features that should be universally applied.

Remove any clutter that inhibits the customer journey, including free-standing display units

Install hand sanitisation points at the start of customer journey and in store if practical to do so

Dedicated staff for trolley and basket sanitisation before and after each usage

Install Perspex dividers between till operators and customer

Contactless and 'scan, pay & go' payments should be encouraged

Team members should be allowed extra time for additional hand-washes throughout the shift

Schedule shop-floor activities such as replenishment to quiet periods or out-of-hours

Staff rosters should be amended to reflect the additional emphasis on cleaning and changes to opening and closing procedures

Any external contractor tasks should be scheduled out-of-hours



Key question for retailers:
Can you make it easier for customers to apply social distancing within the store?

Revised offer:

During Level 5 Lockdown convenience stores experienced increased demand for grocery, frozen food and alcohol while food-to-go and hot beverage demand plummeted. This was a challenging shift for retailers to manage as they were suddenly required to reallocate space to categories and sub-categories that had been consolidated into smaller footprints.

This reallocation, along with wider issues in product availability through the supply chain, meant that planogrammes became redundant. For multi-site operators it also meant that local store management were given a greater responsibility in range and merchandising decisions. Change was constant and decisions were made at pace.

Implement social distancing measures

Limit the number of customers per store at any one time

Implement one-way customer flows

Mark floors every 2m as social distancing zones with a particular focus around till points

Amend operational procedures

Increase cleaning frequency across the store, restrooms, back-office and staff areas

Particular attention should be paid to cleaning touch points such as tills, PDQs, self-service tills, door handles and other surfaces that experience regular human contact



Areas dedicated to food to go are difficult to repurpose and it was common to see parts of the store effectively mothballed. Food-to-go sales will return, albeit reinvented, to give consumers maximum confidence that items have been produced and displayed hygienically. Expect this to be one of the areas that undergoes the greatest innovation in the new normal.

Core categories	Food to go
<p>Ambient shelving space reallocated to grocery products</p> <ul style="list-style-type: none"> Non-essential ranges removed, or facings reduced Categories such as health & beauty consolidated with reduced SKUs and facings <p>Additional freezer storage should be sourced to enable greater stock capacity</p> <p>Gondola ends used for bulk display of essential items</p>	<p>All self-serve food to go with open product (e.g. salad bars) should be closed</p> <p>If lockdown restrictions prevent freshly made food to go, the retailer should shift to their own proprietary or a supplier range of packaged sandwiches and boxed salads</p> <p>Where lockdown restrictions permit freshly made food to go, operations should move from self-serve to assisted-serve</p> <p>Vended coffee and beverage machines will require an increased cleaning frequency</p>

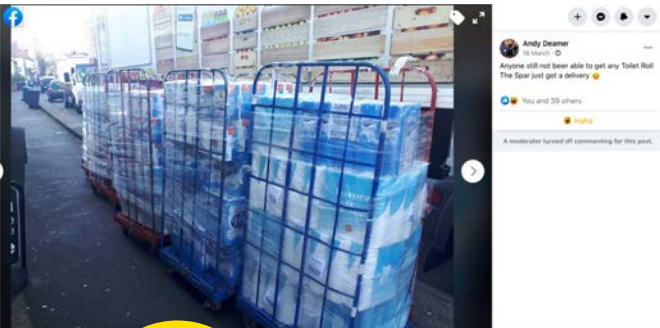


Key question for retailers:
Can you implement fast and substantial changes to the product range when required?

Customer communication:

Successful operators have focused their customer communication on hygiene, safety and product availability.

This has been achieved by stopping non-essential marketing and any noise that detracts from those customer-critical messages. Social media has been a particularly effective tool. Retailers have been able to broadcast live updates on deliveries, availability, new social distancing measures and updates that were relevant to the changing national situation. C-stores have suddenly attracted an abundance of new followers on Twitter and Facebook, connecting with their local community in a powerful way that bodes well for future communication in the new normal.



#toiletpapercrisis trended highly on Twitter

Food retailers have always had compelling stories to tell on their contributions to local communities. This strength has come to the fore over the past few weeks. Some of the best content has been generated by customers as opposed to the retailers themselves.



Key question for retailers: *What are your key messages and are you communicating them consistently instore and online?*

Communicating online	Communication in store
<p>Ensure that your latest opening hours are reflected on Google</p> <p>Use social media to communicate:</p> <ul style="list-style-type: none"> Social distancing measures Regular updates on product availability for key grocery/ distress items Delivery and click & collect options How you are supporting your local community <p>Use team members as the voice of this messaging to add authenticity</p>	<p>Over-communicate at the start of the customer journey</p> <ul style="list-style-type: none"> Signage on new store policies placed at store entrance Where practical, a team member should be based outside during peak times to communicate with customers <p>Remove all non-essential point-of-sale so that social distancing messaging is more visible</p> <p>Your team are the most powerful communication tool. Make sure they are all regularly briefed on key messages</p> <p>Where outlets have in-store radio and screen media these should be used to support safety messages. Tone of voice is important.</p>

4. WHAT NEXT? FOCUS AREAS FOR RESILIENT RETAILERS

The chaos of the first few months of the pandemic has settled and food retailers now wrestle with the challenge of defining their medium-term strategy for the new normal. The sector has attracted new customers and is looking to retain the additional revenue it has benefitted from. The tempo has moved from continuity planning to business-as-usual, but the ‘usual’ has changed in ways that were previously unimaginable. We will collectively draw breath and decide what activity will need to stop, which new actions will need be initiated and reset our business priorities. The time for good governance has returned.

For retail leaders across the board it will be tough to mentally adjust from the adrenaline-fuelled bedlam of the early stages of the crisis, where choices made in the morning were often out-of-date by lunchtime. The new-found ability to make fast decisions and turn them into reality (i.e. real agility) is a positive outcome of this crisis, and retailers should consciously plan to retain this responsiveness. It is equally important that retailers don't lose focus on the non-negotiables, as described in the section above, as failures in these areas would be catastrophic for customer confidence.



Store closures and the growth of online will transform 'main street' retail. The decline in car usage may be a matter of a debate but it is a certainty for some regions. This is the world food retailers will emerge into.

Consumer routes to market:

The food retail sector now has proof-of-concept on whether delivery and click & collect could work successfully with their customer base. The demand exists and emerging trends such as the rise of home-working mean that it will only increase over time.

Retailers that have turned on these services during lockdown are now finding that in some cases their solutions are time-consuming and expensive. These retailers now have the opportunity and time to reassess and refine their approach, factoring in:

- ⦿ **Benchmarked end-to-end costs for different routes to market**
- ⦿ **Off-the-shelf IT platforms vs self-developed**
- ⦿ **Third-party delivery platforms vs self-managed delivery**
- ⦿ **Standardising procedures, including revised training for store-teams**
- ⦿ **Amending store layouts and stockrooms for delivery/ click & collect – At the extreme end stores should have dedicated external collection points**
- ⦿ **Adaptations for food to go (particularly for businesses that have exclusively been offering grocery)**
- ⦿ **A targeted marketing plan to drive knowledge and usage**
- ⦿ **Revising business cases and forecast P&Ls with embedded delivery/ click & collect**
- ⦿ **Factoring in data compliance legislation such as GDPR**

The immediate task at hand for retailers is to plan for the future by making the necessary structural changes to their operating models. These are longer-term actions, with interdependencies and will require more considered planning than the fast interventions made during the first few months of the pandemic.

We have not focused on cost control within this paper. The challenges associated with managing labour, cost-of-sales and other direct costs will only increase due to inflationary headwinds and the additional burden created by new health and safety measures. These challenges existed pre-Covid-19 and managing them should be embedded within the DNA of any successful retail business.



Providing click & collect points will be a big attraction for consumers. Image Shane Cantillon, SPAR & Maxol Cork

Voice of the customer:

The collective shock to the system experienced by the world will lead to profound shifts in consumer behaviour. In the old normal we could see trends emerge in the distance, track them and adapt consumer propositions over time. This luxury does not exist in the new normal.

The catalyst for consumer change is a pandemic – a traumatic event. We are only beginning to understand how this trauma will lead to a different consumer landscape. Themes are already being identified:

Value for money – The impending depression/ recession will put value at the top of customers priority list

Crisis in confidence – Trust in institutions is low, and customers will seek reassurance from providers of products and services

Desire to return to normal - The strongest consumer motivation will be to return to the pre-Covid-19 world. Tapping into this nostalgia is a sales opportunity

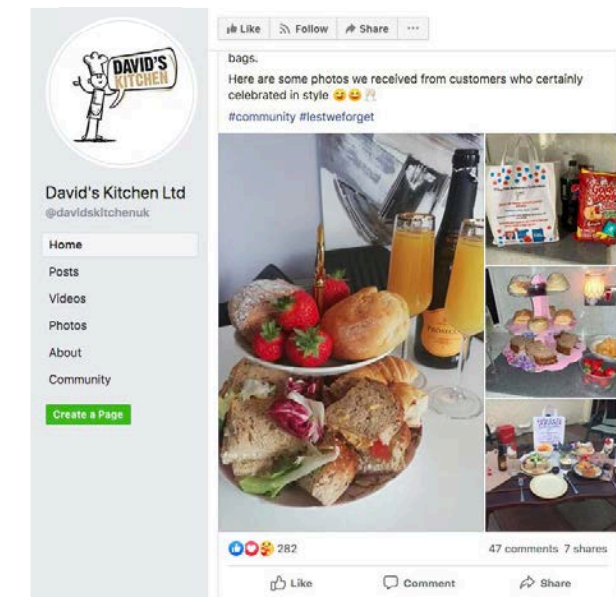
Rise in tech – The role of technology in our daily lives has accelerated during the pandemic. Necessity has forced the uninitiated to embrace technology.

It will not take long before these emerging trends manifest into tangible buying behaviour. Award-winning Scottish retailer David Sands reports that his sites sold 300 afternoon tea packages (delivery and click & collect) in a two-day period of the UK Lockdown, through consumers wanting to give their elderly parents a small treat. He is expecting to drive similar demand with other events as customers look to introduce some normality back into their lives.

To be successful in the new normal, retailers must ensure that there are no blind-spots on their understanding of the consumer. It has never been more important to invest time and resource in building this knowledge.

Internal insight expertise, industry reports and considered insight from suppliers will be invaluable sources to underpin strategic decisions and shape day-to-day activity. Setting up a formal system to track new customer initiatives from competitors should also be a priority.

Now is also the time to be observing customers on the shop-floor and using in-store teams as a feedback loop to help understand how customers are feeling.



Social media helped retailer David Sands bring some fun and normality back to his customers

Range & in-store layout

During Level 5 Lockdown store revisions were made daily, often by local management teams having to make decisions based on the best information at hand. Retailers will now have to consider longer-term adaptations that will future-proof their store formats throughout the phases of the pandemic and beyond. These actions will be more co-ordinated, scalable and involve significant changes to the store proposition and operations.

Macro layout – Stores will need to reflect the shift of sales between ambient, chilled, grocery, frozen and licensed. The aim is to create space for the consumer to shop, and this will require bold decisions around the removal of display space and potential investment in new equipment

Range & category – Trended data will support the consolidation of ranges and SKUs. The discipline to remove low sellers is critical here

Food to go – Retailers must work hard to rebuild sales once customer demand returns. This will require careful adoption of new food-safety measures and other best practice that give consumers confidence on hygiene

Experience – With hospitality and foodservice operating under strict controls, there are opportunities for c-stores to capitalise by enhancing their in-store experience. Retailers should particularly consider upgrading their licensed and hot beverage offers



With bars and cafes remaining closed, can food retail create more inspiring in-store experiences in BWS and coffee? Image Milestone Rathfriland

Stockrooms – An often-neglected part of store design, the role of storage came to the fore as retailers struggled to cope with capacity in the early periods of the pandemic. The insights gained from this time should be used to redesign stockrooms so that stores are better equipped to cope with surges. More efficient racking, applying 'lean' principles and new refrigeration are examples of improvement measures

Promotions – Anecdotal feedback from retailers suggests that promotional activity has not been a key driver of sales during these initial periods of the pandemic. As the economic reality hits the need to communicate value-for-money to consumers will become more important. Targeted promotions, loyalty programmes and meal deals will all be useful tools in the retailer kit bag.

Supply Chain:

A common feature across food retail during lockdown was the failure of traditional supply chains and the emergence of new niche supply routes, often local wholesalers who were previously supporting foodservice/ hospitality businesses. Panic buying at the start of the pandemic was an exacerbating factor.

Some UK and Ireland food retailers benefited from their Brexit contingency planning and were resilient enough to ensure good availability across most categories.



It is testament to the resilience of global supply that food retailers have maintained availability & choice since the start of disruption. Is this guaranteed to continue?

The spirit of collaboration was in evidence across the convenience industry and this acted as further support whilst the supply chain experienced disruption. There are strong arguments that this level of disruption will not occur again, but retailers would be prudent to prepare comprehensive plans that ensure continuity of supply. This should involve the non-traditional routes that have emerged and more local supply chains.

There are also bigger conversations to be had with niche suppliers about the opportunities that they can bring to the table. These suppliers have lost a significant proportion of their traditional hospitality customer base and are open to working with the convenience channel.

Retailers will also need to rethink their approach to retaining residual stock, using the knowledge gained during the lockdown period. Customers will be clear about the 'must-stock' products they are expecting to see in their local outlets.

Data:

The concepts of Big Data, Internet of Things (IoT) and Artificial Intelligence (AI) have been with us for a while now. Yet the speed of development in these areas has increased exponentially over the past decade. The emergence of cloud computing and the dramatic fall in the cost of data storage has meant the routine deletion of potentially valuable data has stopped. Instead, there is a widespread consensus on the hidden value in the data, with storage being a critical prerequisite to unlocking its potential. As such, convenience and grocery retailers have invested heavily in storing huge volumes of data.

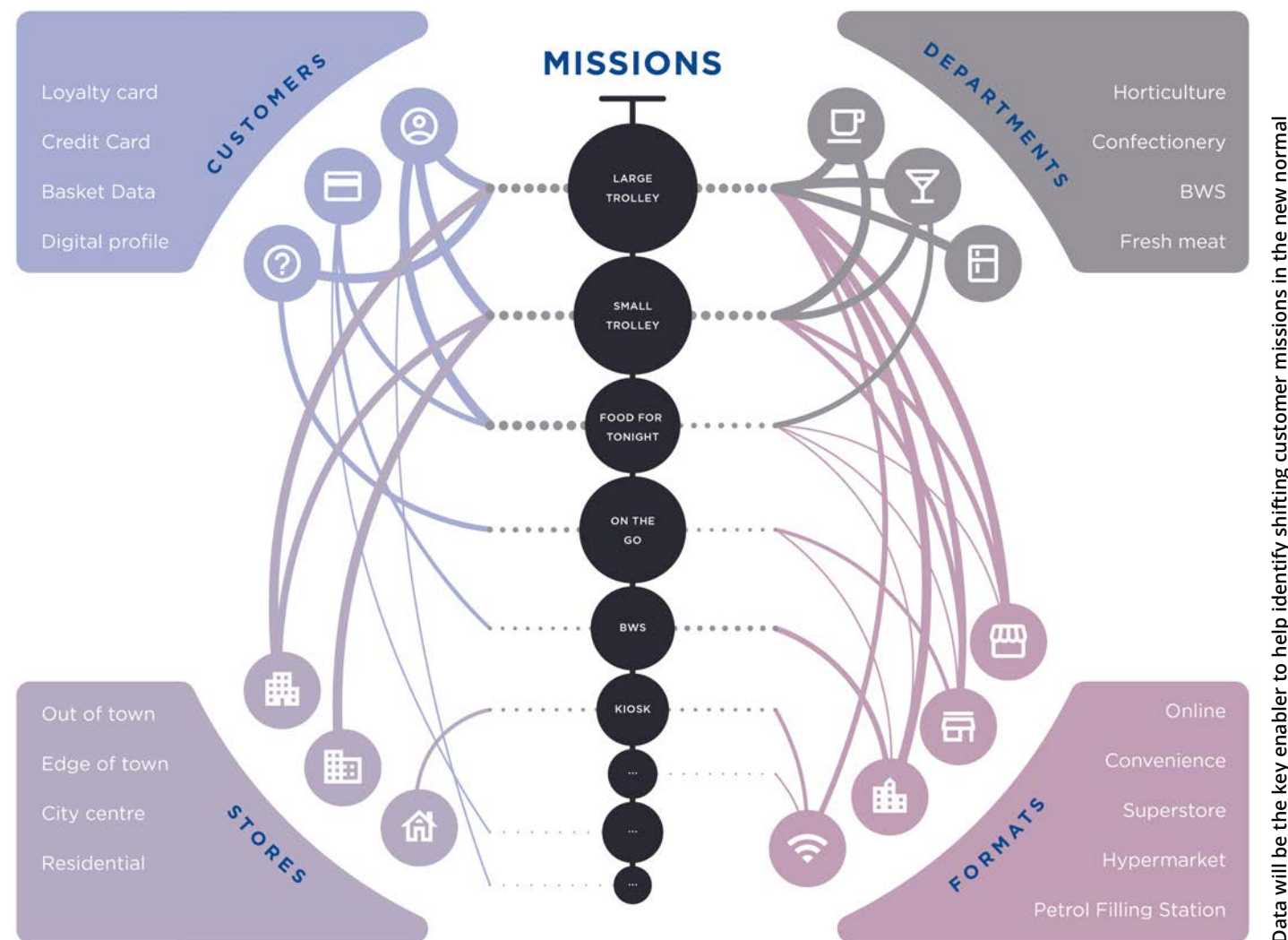
One of the most notable changes in food retail caused by Covid-19 is the flux in customer shopping habits. Large superstores offering a one-stop-shop for food, GM and clothing had fallen out of favour, with the race to grow space declared over by Tesco in 2013. The surge of the discounters Aldi and Lidl and for on-the-go convenience shopping was the order of the day. The new reality is somewhat different. Changes in the USA are more pronounced with convenience taking a \$4.6bn hit while supermarkets and hypermarkets gain \$31.9bn, online is up \$11.9bn and the discounters share falling slightly.

How exactly will the trading environment and customer behaviours land is uncertain. We can be sure that customer missions have changed: maybe for good. Having a clear understanding of the new customer missions and designing the offer that wins as their stores of choice is going to be key. Clear-cut data insight versus computative clutter is critical. Mission profiles form part of an ecosystem with customers, departments, formats and stores. Stocking the right products that customers need is an analytical challenge in multi-store retailers. Getting it right will bring optimal sales, reduce waste, improve on-shelf availability and raise labour productivity.

Storing data without extracting real value from it is pointless. AI-driven algorithmic statistical models that unearth hidden patterns and relationships and allow retailers to inform decisions are now affordable to most retailers. Retailers who succeed in the new normal will be those that use it as a source of competitive advantage.

According to IGD, and in comparison, to 2020 forecasts, supermarkets and hypermarkets look set to grow by a further £4.9bn, convenience by £1.8bn, online by £1.3bn and discounters to lose £0.1bn.

The authors thank Dr Kris Hamer of Retail Insight for his insight on data's role in customer acquisition and retention.



Data will be the key enabler to help identify shifting customer missions in the new normal

Employment model:

The hard-work sacrifice and courage of front-line retail staff was a heavily featured part of the narrative during the early stages of the pandemic. Not only has this highlighted the importance of retail staff to the wider public but it has also raised questions on how the industry, and perhaps society itself, values the retail workforce. Rates of pay, benefits, workers' rights and general working conditions are rising up the agenda for food retailers.



Trade unions have been reenergised by public support and recognition of front-line retail workers during the pandemic

There has been an increase in trade union activity, targeting by unions of front-line staff and early indications of employee-employer conflict. A compounding factor is the two-tier workforce that currently exists in nations operating a furlough policy; i.e. a high proportion of the workforce offline on full pay, while key-workers such as retail staff continue to work in challenging and stressful conditions.

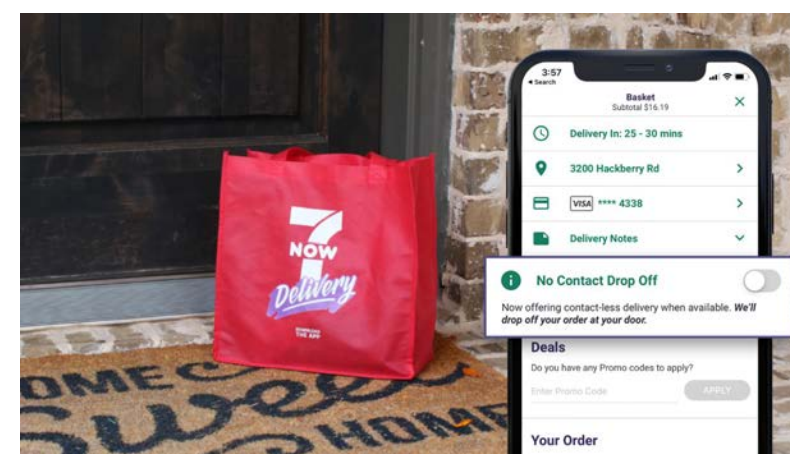
Retailers should use this time to reflect on whether their employment models are now fit-for-purpose. Invariably, the retail brands lauded as being best-in-class and delivering the most memorable customer experiences are those that have compelling employee value propositions to match their customer value propositions. In the convenience industry, we have an excellent example set by US East Coast retailer Wawa. Culture, values and passion live and breathe throughout the Wawa workforce, many of whom are part of the Employee Share Ownership Programme that has 40% ownership of the business. This 'partnership' model is at one end of the employee engagement spectrum, but businesses of all shapes need to plan for a new type of relationship with their employees.

Engagement – Is there genuine two-way dialogue between teams and the management? Are teams rewarded for their ideas and contributions? Have you given teams the opportunity to communicate what matters to them? Can employees 'speak up' anonymously? These are all critical bases to cover and are even more important now that the balance of the workforce has shifted to millennials and Gen Z.

Benefits – The new risks associated with front-line retail mean that the provision of healthcare related benefits is a greater consideration for employees. Employee hardship funds are also a great way of demonstrating that "we are all in this together."

Remuneration – Transparency is vital and can be achieved by regularly reviewing salaries and benchmarking against market-rate pay so there is clear evidence for fair remuneration. There should be an acknowledgement of local factors such as additional transport costs that may lead to pay enhancements. Limiting the level of team member attrition should also be factored when assessing the total cost of labour for a site.

Union relations – There is no standard 'play book' for dealing with unions but honesty, integrity and clear communication are a good starting point. This is not a game for amateurs, and it is vital that qualified HR support is in your corner.



Food retailers have been succeeding through the crisis by acting fast. Long term success will depend on linking strategic plans to a new vision for convenient retail.

PHOTO 7-Eleven home delivery USA

5. CLOSING THOUGHTS

Retailers in the UK, Ireland and around the globe adapted their businesses within days to serve customers in lockdown environments. It is encouraging to hear from retailers in the Independent Retailer Owners Forum that the majority of their store teams are working hard and that family members are also working in their stores. The incidence of Covid-19 sickness in these top independents is zero to few. Energy, passion, speed and care dominate the conversations, even among foodservice retailers that have taken a 75% hit to their sales.

NOTICE

Please do your part to help stop
the spread of germs by practicing
social distancing.

Ensure that there is a gap of
three feet (an arm's length)
between you and others in the
shop, including customers and
employees.

When queueing for the till,
please leave a gap of **three feet**
(an arm's length) between you
and the customer in front of you.

We are now certain that the new normal retailing environment will include most of the points reviewed in this paper. Hopefully governments will adopt the WHO social distancing guideline of 1m / 3' as varying messaging around the world – 1.5m in Australia to 2m in the UK, Ireland and USA – is hugely confusing and totally unserviceable in public transport, foodservice, in regular shopping and across healthy activities such as sport. Expect mandated social distancing to end in 2020.

Levels of concern and awareness of healthy eating and exercise has become mainstream and a wider understanding of how our immune system naturally fights diseases will be the stuff of coffee shop conversations rather than doctors' surgeries. Many of us have turned our hand to scratch cooking at home with fresh ingredients. Retailers will adjust their ranges and foodservice menus to reflect and encourage healthier eating. The reduction in meat and dairy consumption will accelerate as we look to build our personal defenses against illness. Produce is already the largest section in most supermarkets and its 'unknown to many' secret is that it's totally vegan!

It is important to be aware of mental health among our teams and in us as leaders. Anxiety, fear and recession increase the risk of mental health problems and can be a causal factor and a consequence of mental ill health. The authors have experience of the impact of poor mental health and the consequences of 'keeping quiet'. Mental health issues will become more prominent in the new normal. Encourage your team members to talk about their feelings. It's part of taking charge of wellbeing and doing what we can to stay healthy.

Shoppers are fickle and money will be tight for most of us. Goodwill and relevance will be core to all retailers in retaining customers when we return to our new normal living. National retailers will aggressively market their value pricing, safe stores and online services.

Small and now big box convenience, digital, online, click & collect and mobile 'scan, pay & go' are now shopping realities and not future investment considerations. We are confident that flexible and resilient retailers who use competitor intelligence and data analysis to constantly adapt will thrive.

A danger for many retailers is that they have been busy 24/7 and – for some – making more money. They have allocated little energy or foresight to building capability to introduce these new normal measures.

We repeat our recommendation that every business appoint an individual or a team in a bigger business to look at its structure, culture, its purpose and core values to ensure that the routes to market are robust in the new normal.

ABOUT THE AUTHORS

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