

Retail hangover or B12 injection recovery in 2021?

By Michael Smollan

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Despite fatigue with overused references to last year like 'unprecedented', 'challenging' and everyone's personal favourite 'new normal', one must metaphorically bundle them up as lessons learnt and opportunities discovered.



Mike Smollan, chief growth and innovation officer at Smollan, says that falling productivity and high deficits will certainly linger as business investment suffers, with a tough forecast in a post-Covid market that will not favour smaller players in terms of closures and retrenchment. The same goes for retailers who are unable to adapt quickly to meet the needs of a more switched-on digitally savvy consumer, with a cost-conscious eye.

"We had so many dynamic moments of change last year, that we could only keep our heads down and focus on getting through this extremely challenging period, and as much as the pandemic exposed vulnerabilities, it has also revealed unseen opportunities. By and large it tested business continuity, planning, digital ecosystems and their stretch capabilities, and supply chain flexibility. This year, retailers will have to continue to pedal fast with adaptability, strategic conviction and an innovative mindset to sustain growth," says Smollan.

Reporting on the UK economy, PwC says, "Our expectation is that the economy will recover on pre-lockdown levels by the end of 2021 under the 'contained spread' scenario and in the middle of 2023 under the 'further outbreak' scenario." A similar footprint will most likely occur in many parts of the world, states Smollan.

In a recent Deloitte Africa report based on a scenario where pandemic containment efforts prove successful, they expect the South African GDP following a decline in 2020, to gradually improve in the second half of this year. If the pandemic lasts longer, naturally the economic downturn will lead to extensive liquidity and balance sheet pressures putting strain on businesses and financial systems.



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The burning question now is how retailers need to adjust to best serve the post-pandemic consumer as comfort levels shift with a sense of slowly getting back to pre-pandemic activities. "Some of the key focus areas for retailers to consider as they begin this year should be around building customer loyalty that is authentic; understanding that trust is the new currency; investing in offline and online strategies with an omnichannel approach as well as keeping a keen eye on managing store assets," says Smollan.

With online shopping seeing promising uptake last year, and an 'offline is online' and 'online is offline' approach to bridging the gap, a new richly interactive environment will benefit both to complement advances in technology and changing behavioural patterns.

Author and CEO of Retail Prophet Doug Stephens points out that "in the future, all but the most convenience-based retailers will begin to use their stores as media to acquire customers and their media platforms as stores to transact sales. Media is now a cost of sales and rent is now a cost of customer acquisition. Retailers that miss or ignore this shift will do so at their peril."

Retail Week UK suggests that retailers should take a leaf out of the grocers' books and, rather than batten down the hatches should further lockdowns occur, instead find new ways to innovate and keep customers coming back. Tesco for example has been on a successful drive to boost customer loyalty with its Aldi Price Match scheme across 500 branded and own-label lines and its Clubcard loyalty scheme.

"It's the retailers that have invested and continue to invest in their offline and online strategies that will reap the rewards," says Smollan. Take Ikea, which opened 26 new locations across the globe last year with a plan to open a further 50 stores.



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In terms of shopping centres and rental space, during a recent presentation on the 2021 property market outlook FNB property strategist John Loos said that the commercial property market would continue to experience rental deflation and "ongoing property value correction and would remain under pressure this year, with retail property having to deal with the emerging online retail trend".

MD of the Sandton City precinct, Preston Gaddy, was interviewed at the Flux Trends Alinea Marketing Masterclass and pointed out that retailers need to invest in their staff – incentivising and listening to them to understand what the consumers are saying. They also to collaborate with landlords, continually engage with centre management, look for opportunities and understand their marketing approach for the coming months.

"Despite shifts both positively and negatively as retailers find their footing, the sense is of an industry re-writing the retail

history books on a new road to recovery – one that is battling back amidst the most challenging of social and economic backdrops," says Smollan.

ABOUT MICHAEL SMOLLAN

Mike Smollan is Chief Growth and Innovation Officer at Smollan.

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