

How coronavirus is changing the retail industry

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Social distancing has fundamentally changed shopping behaviors and

thereby the retail industry—but what will happen next? What opportunities may arise as the dust settles and we move toward a new normal?

The corona pandemic has struck a hard blow to the retail industry. Social distancing means fewer customers passing through brick and mortar stores, and people overall are not eager to spend money during a crisis.

"Shopping behavior and demand has changed fairly radically. These changes are due to the consumer psyche and something we've seen during previous pandemics, natural disasters and other tumultuous events," says Jonas Colliander, Assistant Professor at the Center for Retailing. "Customers feel more anxiety, uncertainty and an increasing loss of control and that in turn fuels a reduction in purchases other than the essentials."

Those who do want to make purchases are increasingly opting for online [shopping](#). Offering a viable shopping alternative to customers staying at home can help businesses survive—but they spell increased costs due to shipping. And for many smaller businesses without a wider [customer](#) base and the basic infrastructure for online sales the transition has been hard. But it's a reality that is likely here to stay.

Accelerates shift toward e-commerce—and sustainability

"This pandemic will accelerate the shift toward e-commerce. It's likely that the levels of online will remain at a higher level post-pandemic than they were before the outbreak."

The pandemic might also speed up other trends and change the way we think of our consumption overall, Colliander adds. He believes there will

be a shift toward more localized production as well as shopping. Sustainability has been a growing trend for some time, and when something like this happens it makes us rethink the idea of globalization. Supply chains will have to be rethought and secured, so that we have options and aren't dependent on one single factory on the other side of the world.

"There will be a lot of other interesting changes. In the long run I think there will be a potential shift both in what we buy and where we buy it. If more of us work from home, then we can work pretty much anywhere. That, in turn, will give growth to a whole new business in more suburban locations. We could see more restaurants and local retail locations—the countryside might see an uptick in retailers and retail businesses," says Jonas Colliander.

Opportunities for companies

While it may be tough right now, there are other positive aspects for retailers who are able to adapt and lean into the new normal, Colliander insists. And that is due to a little-known mechanism known as behavioral primacy.

"Consumers tend to alter consumption patterns during major life changes and stick to the first brands they choose in new product categories. This presents an opportunity for companies since a lot of consumers are trying out new product categories during the corona crisis," Colliander explains.

When restaurants, bars and concerts are off the menu, people might instead opt for [social activities](#) outdoors and increase their spending on appropriate clothing and gear. And when many more are working from home rather than the office, new needs may arise that offer companies in the right category a solid customer base.

"Capturing these new category users should be a major strategic goal of companies since they are likely to remain at least partially loyal and could contribute to the bottom line for a long time."

Provided by Handelshögskolan i Stockholm

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