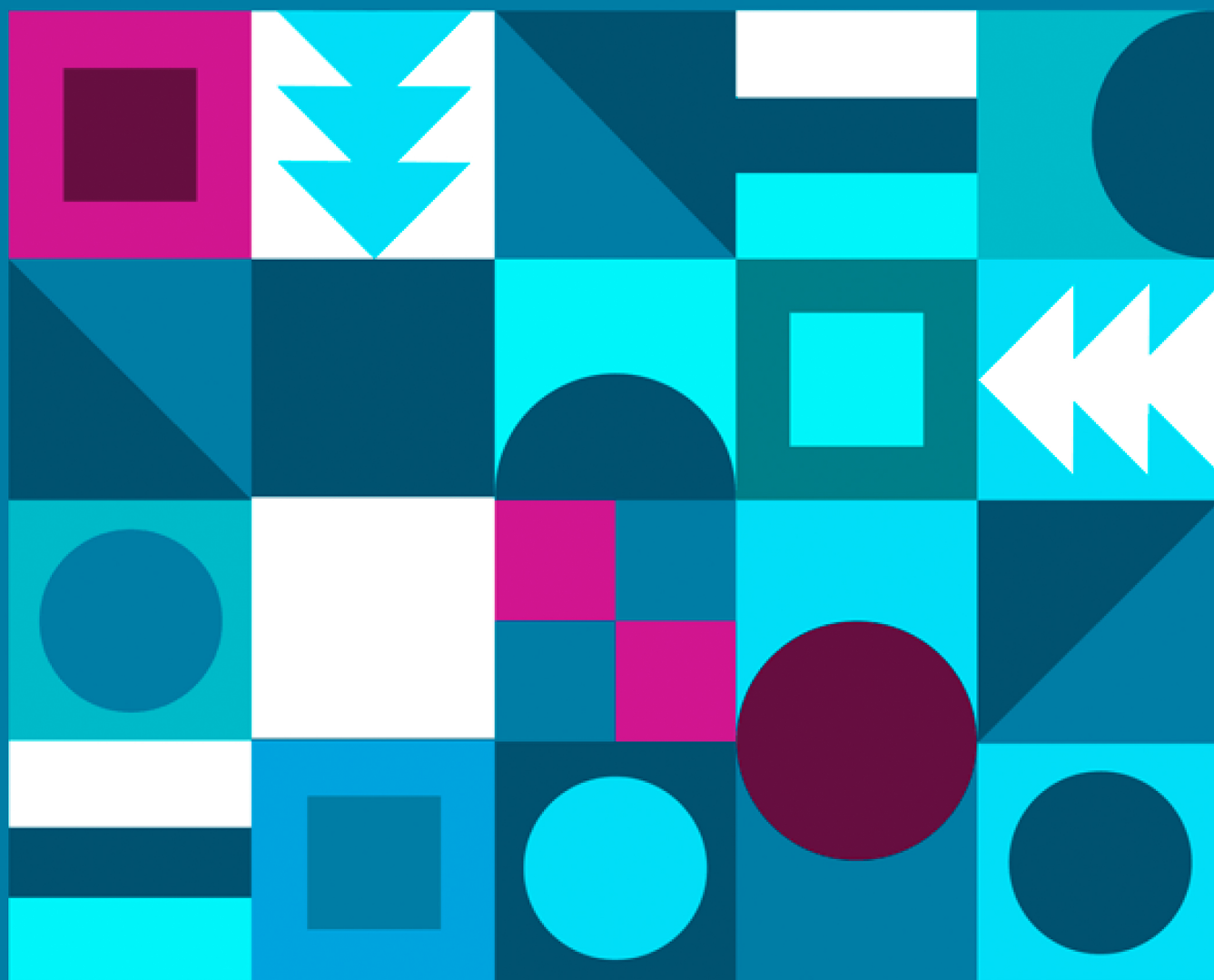


EBOOK



REPORT

# The state of the business landscape for manufacturers and retailers in the wake of the impact of COVID-19

# The impact of the global health crisis on offline and digital businesses

Despite the fact that the first reports about COVID-19 emerged out of China in late 2019, the outbreak of the global health crisis in March 2020 took the general public, as well as all professional and industrial sectors, by surprise.

Measures to combat the virus, including most prominently quarantines and the closure of all kinds of public establishments, have radically transformed consumption habits along with the very fabric of the international economy.

Retail is one of the sectors facing the greatest setbacks and challenges, especially in light of the fact that sales in physical stores have been decreasing in recent years. Likewise, manufacturers and distributors are encountering logistical, communication, and business continuity problems given that in-person presentations and the exchange of information via analog media have been suspended indefinitely.

52%

Consumers who will no longer buy food as often at supermarkets, preferring instead to use online grocery stores

Source: PYMNTS

60%

European consumers who will maintain their new and increased level of online shopping after the end of quarantine measures

Source: Kantar

58%

Consumers who expect to buy more online in the coming months

Source: Digital Commerce 360

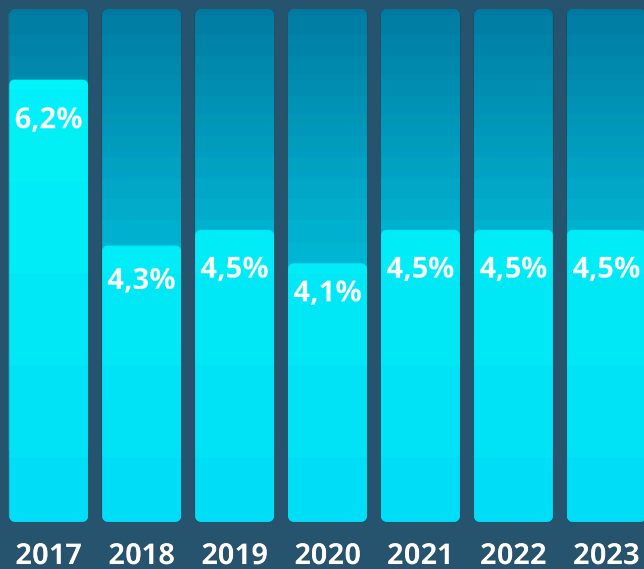
Although some sectors—in particular food and pharmacy—are benefiting from the current situation, all spheres of industry face a fluctuating and unpredictable market, one whose future depends on the disease control measures that are implemented in each country, the opening up of borders, and the economic impact of the crisis on investments and types of consumption among the general public.

According to revised forecasts for global retail sales, there is expected to be a substantial drop in 2020 in contrast to the trend of recent years, with growth not likely to recover past 2019 levels for the next three years.

One trend that may be considered identical across all parts of the world with Internet penetration is the rise of online sales. As of March 15, 2020, half of China’s population had increased their online shopping activity compared to the previous month.

Forecast for global retail sales growth from 2017 to 2023

Source: Statista

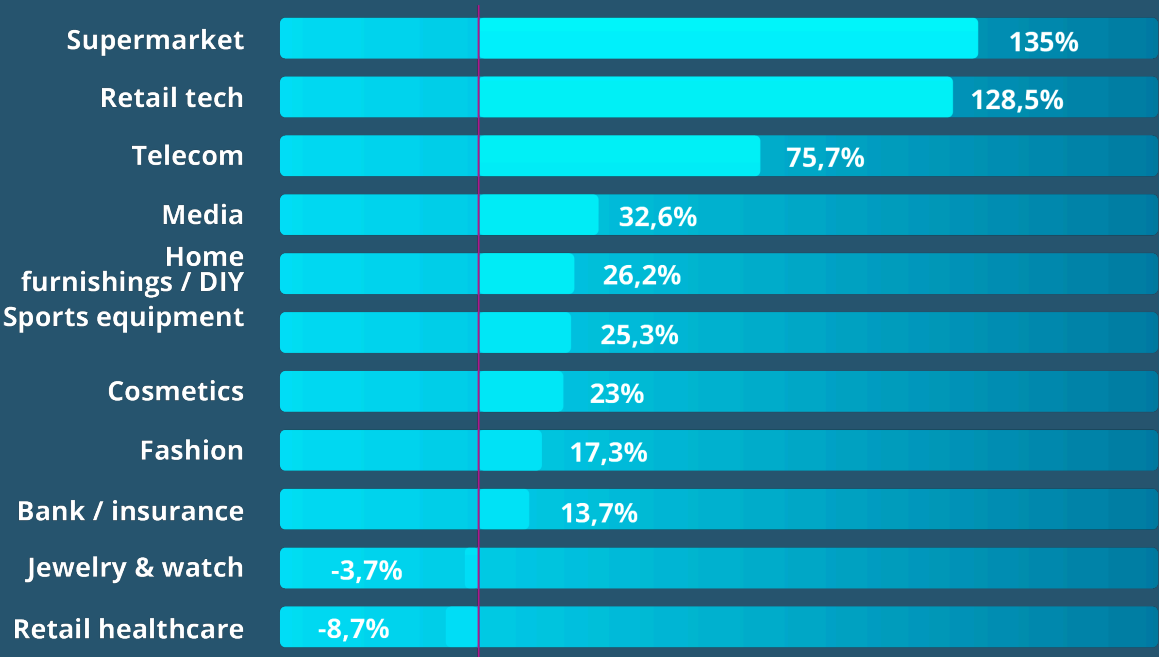


The sectors that have benefited most from this increase in online traffic are the same ones that have been able to keep their physical stores open, albeit during more restricted hours: supermarkets and pharmacies.

As of April 26, 2020, online traffic on supermarket websites had grown by 135% compared to the period from January to February of the same year and on tech company websites by 128.5% due to the expansion of teleworking and the need for employees to have equipment at home. Meanwhile, the tourism sector saw its online traffic drop by 72.9%, revealing a change in consumption priorities as a result of the pandemic.

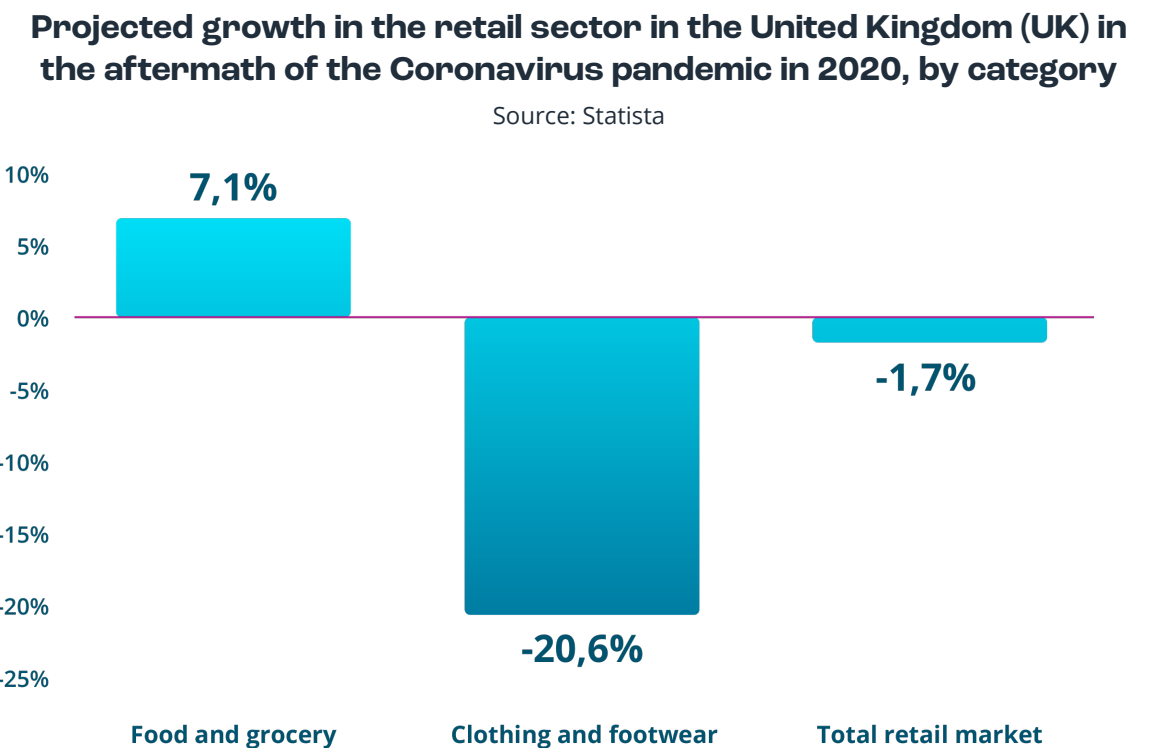
Coronavirus impact on online traffic of selected industries worldwide in week ending April 26, 2020

Source: Statista



Losses in the retail sector will be the most serious, especially for fashion and consumer goods businesses, which have become less of a priority for consumers worldwide.

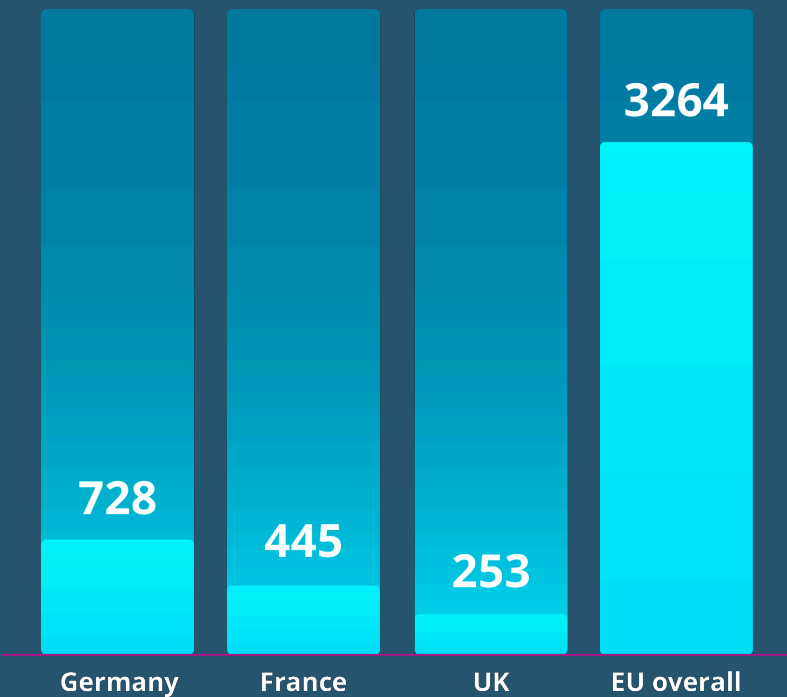
As an example, growth projections for the United Kingdom reveal a drastic difference between the food and fashion industries:



According to a study on the impact of COVID-19 in Europe between March 9 and April 21, 2020, retailers can expect losses of 3.74 billion euros. The most affected market at the moment seems to be Germany, whose losses reached 834 million euros during that same period.

**Expected cumulative impact of lost retail sales caused by the coronavirus outbreak in the United Kingdom (UK), Germany & France from March 9, 2020 to April 20, 2020**

Source: Statista



**4,1%** Global retail sales growth in 2020

**SUPERMARKETS**  
Industry with highest increase in online traffic

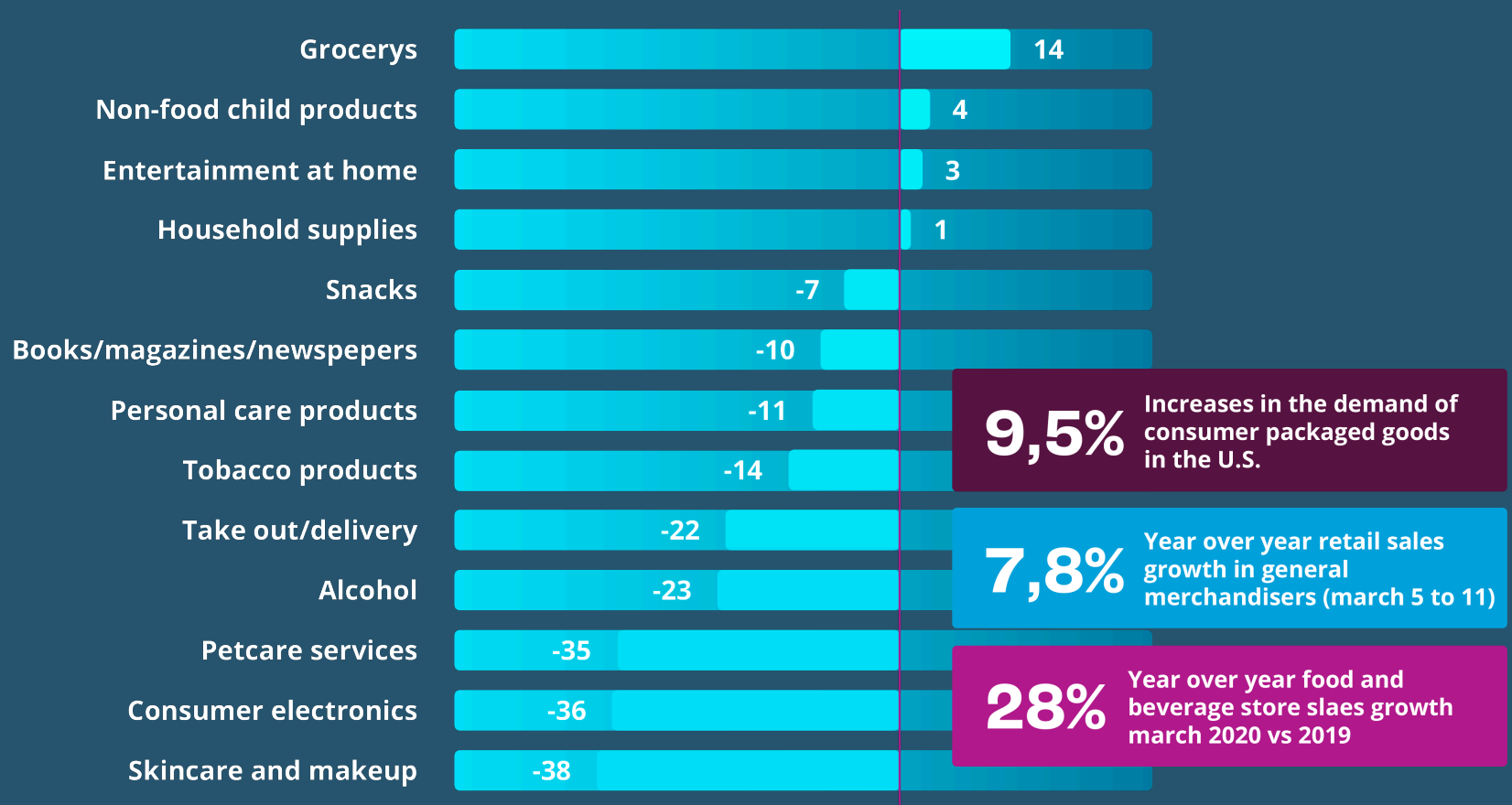
**3,2 bn EUR**  
Retail sales lost in the EU

The same trends are being observed in the United States, with an increase in consumption in the food, children's products, and household goods sectors and a decrease in practically all other areas.

As with Europe, the sheer size of the United States means every region will recover at a different pace and implement specific COVID-related measures that may affect manufacturers and retailers in varying ways depending on the location of their headquarters and distribution zones.

### Impact of coronavirus (COVID-19) on consumer spending in the United States as of March 2020, by retail category

Source: Statista



*The COVID-19 crisis has unevenly affected the retail sector. While supermarkets and pharmacies have been overwhelmed by online demand—to the point that some have needed to temporarily suspend their Internet sales channel—other sectors such as fashion, beauty, and sports, which are more dependent on sales in physical stores, have no choice but to endure temporary losses.*

*Businesses that had previously invested in strengthening their online channels are now being gratifyingly rewarded, especially those belonging to sectors with a traditionally limited digital presence.*

Javier Gómez Laínez  
Nousmedis





**Gonzalo Pérez Gasca**  
Aktios

*Digital retail companies, in particular those selling foodstuffs, have seen a surge in the number of hits and orders received on their online stores.*

*The impact has been such that everyone is finding themselves completely overwhelmed and lacking the operational capacity to meet consumer demand.*

*However, many companies have reacted very swiftly and creatively to improve their levels of service as well as boost their level of preparedness and delivery efficiency.*

*It seems clear that this increase in online demand is a trend that will continue after the crisis and represent an opportunity for enhancing and improving all aspects of business operation.*

*This time of crisis has been a wake-up call for everybody. If digitalization was important before all this happened, now it's urgent in sectors such as installation and construction materials.*

**Fede de Gispert**  
Telematel



*COVID-19 is pushing consumers to buy mostly online. This is forcing retailers to change their focus to online sales.*

**Jack Kurtz**  
Fortuitas



*The global crisis, despite how bad it has been for everyone, has opened the doors for digital retail to gain more relevance worldwide.*

*Many companies that until now had not seen online sales as a priority are opening up exclusively digital sales channels and having to improve their processes to cope with the rise in demand. In this way, the pandemic has accelerated the digital conversion of a large number of companies.*

*Regarding those businesses that were already selling online before the crisis and have now become saturated with demand, I think this is a good time for them to improve their processes so they are able to meet what will continue to be a growing demand.*

**Gabriel Seijo Leiro**  
Webmefy



# The level of digital readiness among manufacturers and retailers in the face of COVID-19

Before the outbreak of the global health crisis, not all sectors and businesses were equally serious about digitizing their communication network, supply chain, sales channels, and processes related to warehousing and the management of company and catalog data.

When the market was doing well and consumption levels were on an upward trajectory following the last economic crisis, incorporating new technologies seemed like something that required a stable economic environment. Now that profits are stagnating once more, many companies will again opt for conservative game plans, when in fact this is the right time to pursue digitization in all areas of business without further delay.

Another benefit of going digital is that technology helps to streamline internal processes. Automation enables manufacturers to move from a supply chain of mass manufacturing to one of mass customization, something that will be key to meeting consumer needs in the future.

Both in China as well as in Europe and the United States, the economic impact of COVID-19 will be devastating for many sectors, especially international trade, car manufacturing, transportation, and tourism (the latter two industries will experience a downtrend similar to that caused by 9/11).

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*It was very difficult to be ready for a situation like the one we are experiencing, but I think that a number of companies were already preparing for an increase in direct online demand.*

*In some cases, demand has grown so much that it has saturated Internet sales channels, causing their stakeholders to miss out on a golden opportunity. For many other businesses that were not selling online before, this crisis has meant a complete shutdown of their main sales channels.*

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**Gabriel Seijo Leiro**  
Webmefy

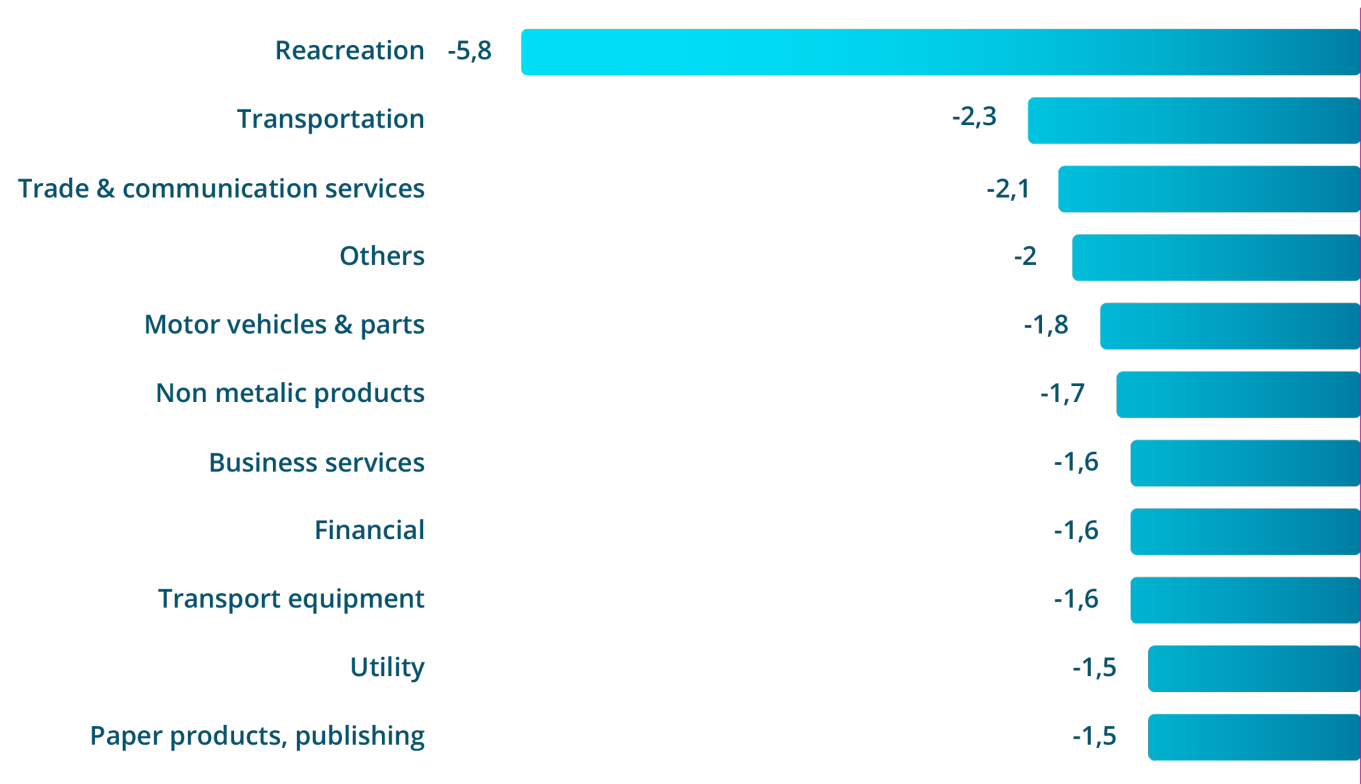




Retailers and manufacturers could face this same financial fate if companies do not commit to launching or reinforcing their digital strategy with the goal of retaining the attention of consumers and distributors in a marketplace where offline commerce no longer exists.

**Estimated percentage point change in economic industries  
caused by the outbreak of coronavirus COVID-19 in China in 2020**

Source: Statista



**Gonzalo Pérez Gasca**  
Aktios

*No one expected a situation like this. All operations to service online demand were designed to handle a maximum sales volume of 2.5-3%.*

*Between the limiting of access to physical stores and the sharp rise in online stores, it's become very clear that the main problem in meeting customer requirements has been the difficulty in sufficiently scaling up logistics networks.*

*In some cases, online stores have not been able to support the massive demand, but, in general, operations remain the primary bottleneck, as they were especially at the beginning of the crisis.*



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*Digitizing a company is a fairly long process, one that entails the involvement of multiple departments including logistics, marketing, IT, and sales. It requires the use of new tools, new concepts and, broadly speaking, the learning of “modern” sales techniques. All this with an expectation of a return on investment in the medium to long term. Digitization is, ultimately, a commitment to the future.*

*While a handful of forward-looking manufacturers are already 100% online, most have been caught unawares by the current crisis, having digitized only halfway or, in the worst cases, not having yet considered digitizing at all.*

*There is also the paradox of those sellers who, despite their investment in an online presence early on, have not known how (or have not been able) to respond to the tremendous increase in demand. As a result, they have delayed and canceled orders or, worse yet, temporarily closed their web sales channel.*

*The moral here is clear: it's not enough just to have an ecommerce website—businesses must also build up their online presence and give it the importance it deserves.*

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**Javier Gómez Laínez**  
Nousmedis



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*Most of the industry was not prepared. Right now, manufacturers are in a rush to improve the quality of product information and make it easier to share. Sellers can be divided into two categories: those who recognize the importance of the digital medium and those who think that the crisis is temporary and will not change much about the way business is done.*

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**Fede de Gispert**  
Telematel



**Jack Kurtz**  
Fortuitas

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*You would be amazed how many retailers weren't prepared for already declining brick and mortar sales over the past couple of years. Things have been changing for a while. Some of the larger retailers were prepared, but most mid-market and smaller retailers were caught completely off guard with COVID-19.*

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## Future opportunities in a post-coronavirus landscape

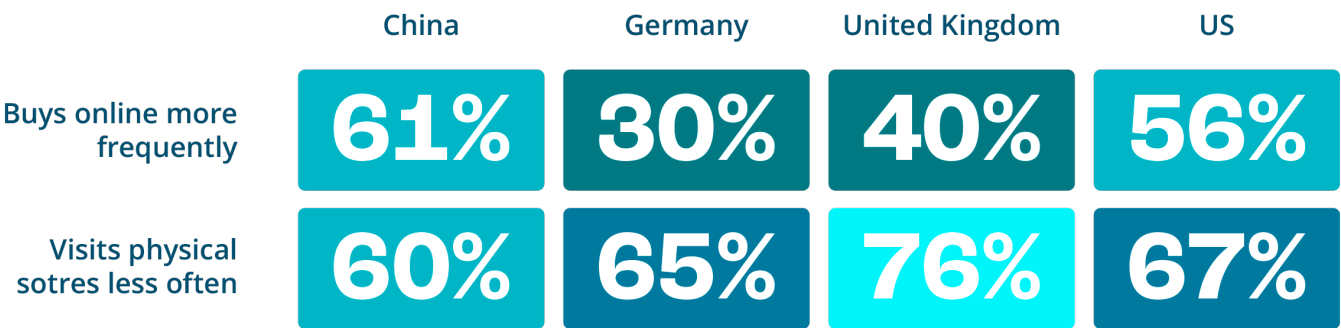
Fewer sales overall, but more sales online.

The post-COVID consumer will be thrifty, digital, and focused on buying basic, fresh, and healthy products.

For businesses looking to multiply their exposure, their best bet is the Internet. According to another study conducted by Ipsos/Google in April 2020 in the United States, 3 out of 10 online consumers are today purchasing brands that they did not previously consume or know about.

Despite all the negative impacts of COVID-19 beyond simply the industrial and economic spheres, the current crisis has nonetheless opened up windows of opportunity for manufacturers and retailers. It has allowed offline businesses in particular to gain insight into the benefits of the digital medium and the return on investment that it yields.

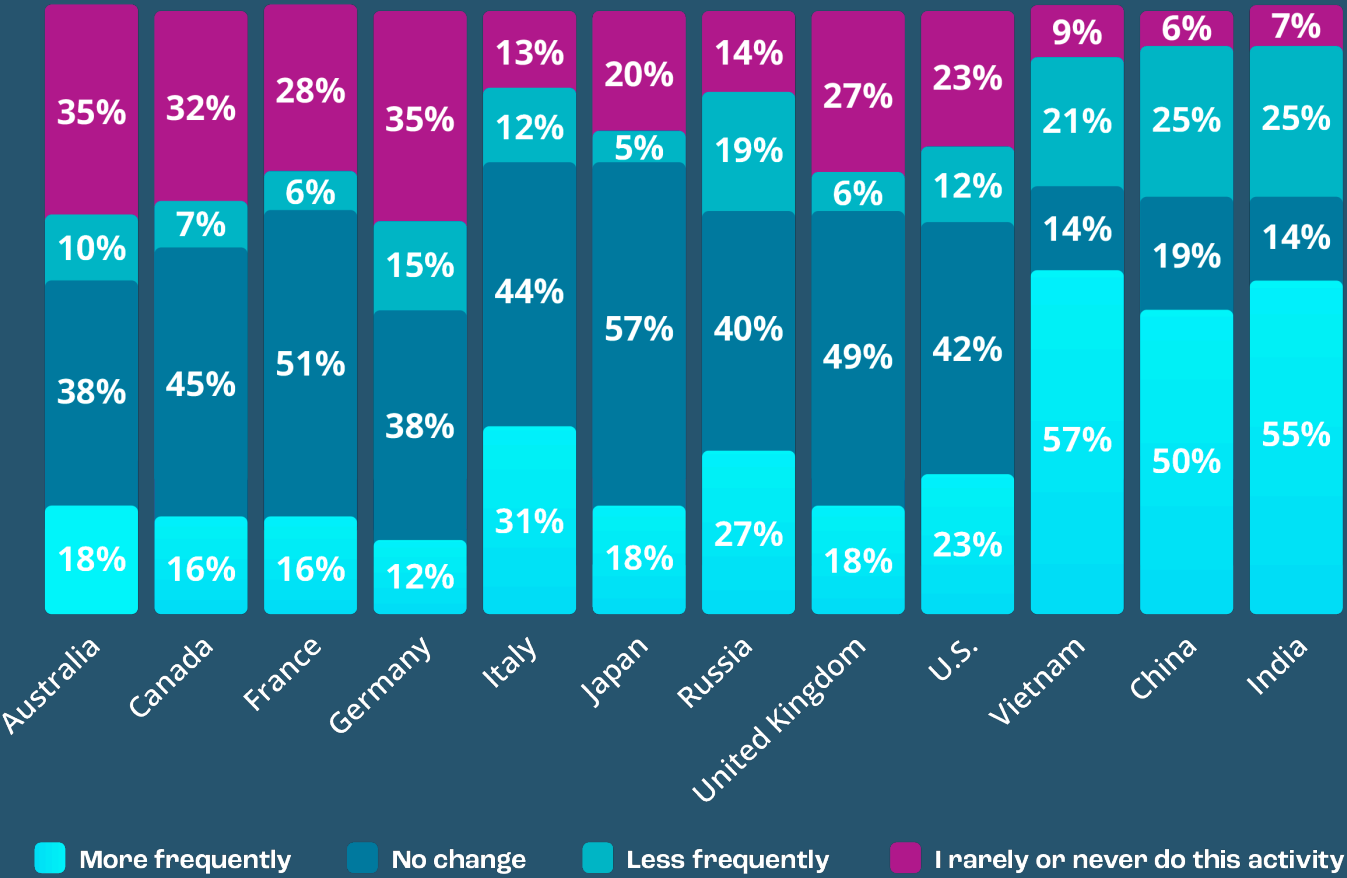
According to an analysis by Statista, as of May 3, 2020:



Globally, the frequency of online shopping has also spiked, especially in countries with more of a tradition of shopping at street stalls and physical stores, such as India and Vietnam. By comparison, countries with more digital experience like Japan, Australia, and France have seen only a slight rise in Internet purchases.

Change in e-commerce usage to purchase products normally bought in-store due to coronavirus (COVID-19) worldwide as of March 15, 2020, by country

Source: Statista



After an initial wave of pandemic-induced panic surrounding the supply of food and other basic sanitary products, the attitude of many consumers is now as conservative as that of retailers who have had to close up their stores and logistics centers.

Once market anxieties eventually settle down, consumption will resume, albeit at lower levels compared to the previous quarter or year, while traffic from physical stores will be directed toward ecommerce. Similarly, even after the reopening of stores under new safety measures, a large part of the general public will still prefer shopping online and receiving home deliveries.

In addition, over the past few months, there have been changes in demand that could persist in the long term as a result of the adoption of a more prudent and health-conscious buying mentality among all segments of consumers.

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*Things are changing daily. But I do see more a sense of urgency from companies to get their products available for online sales. Some companies are taking orders with credit card information over the phone. While this is better than not selling anything at all, it's not secure nor is it scalable.*

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**Jack Kurtz**  
Fortuitas



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*The greatest opportunities arise in the wake of a paradigm shift in demand. In the coming months, buying online is going to be the main way, or perhaps even the only way, for many customers to access products.*

*For companies, this will mean opening up to selling online, and for those who already do, optimizing processes and systems in order to be prepared for a more dynamic and changing market than the one we knew.*

*In addition, barriers to successfully entering the world of online sales have been greatly reduced. This ecosystem will continue to grow and having a good strategy in place will make a difference in the coming months.*

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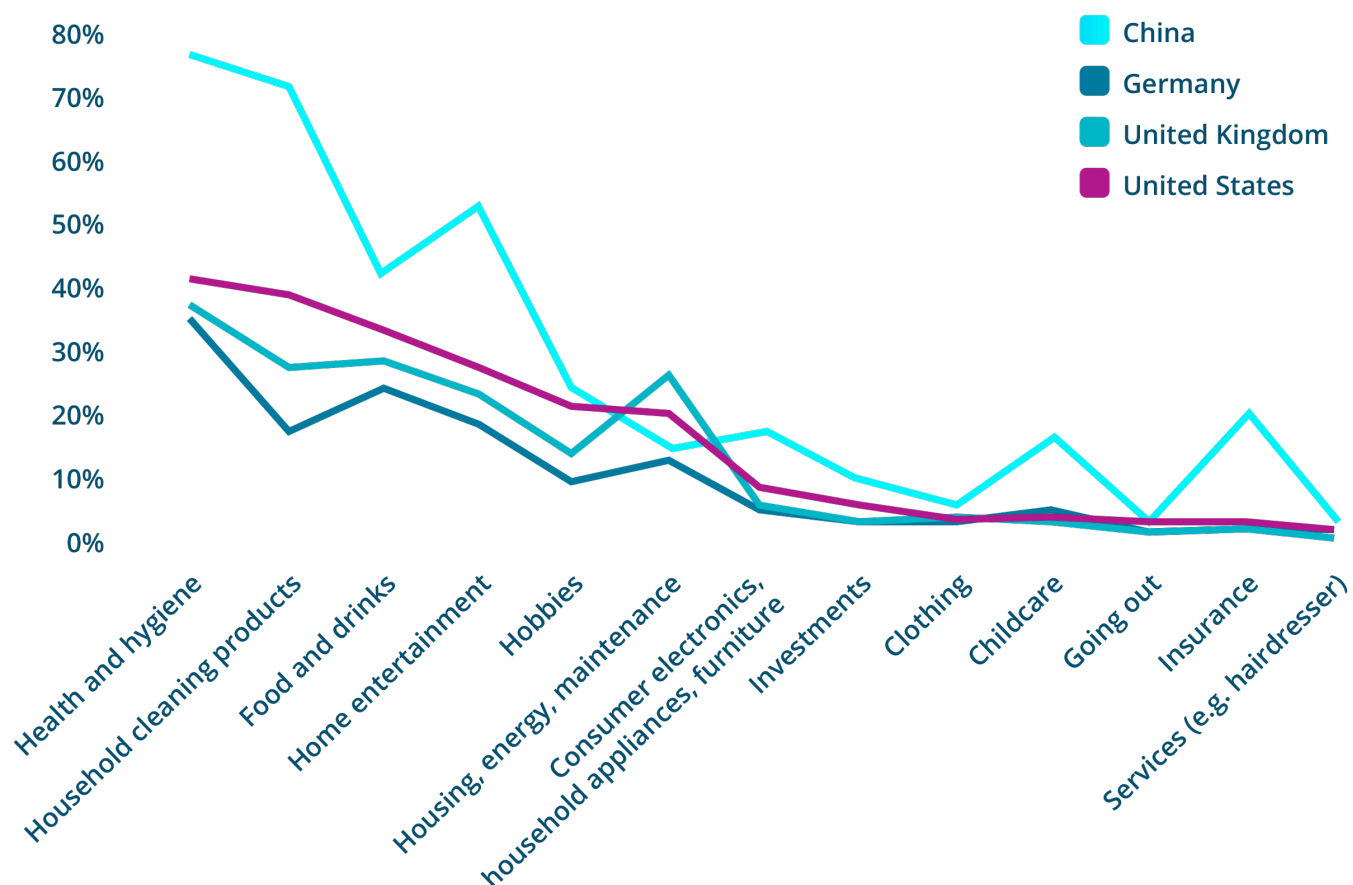
**Gabriel Seijo Leiro**  
Webmefy



Since the start of the pandemic, demand for healthcare, home cleaning, food, entertainment, childcare, home appliance, and electronics products has grown in China, the United States, and Europe. The digital marketplace is open to all industries, but particularly those sectors that perhaps until now have not activated online strategies for enhancing their commercial and sales networks.

### Products and services people spend more than usual on due to the COVID-19 / coronavirus pandemic in the United States, United Kingdom, Germany and China 2020

Source: Statista



Hundreds of thousands of customers have placed their first online orders during quarantine and those who were already accustomed to using digital commerce (mainly in sectors such as consumer electronics, technology, and photography) have discovered that it works equally well in sectors that have traditionally had less of an Internet presence, such as food, fresh produce, consumable goods, or spare parts.

Now more than ever, online presence is key to the future of any business. Marketing departments must modernize their sales techniques and knowledge because the internet is a huge global-scale market, one that we have to know and master.

Javier Gómez Laínez  
Nousmedis



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*Many industries and companies are going to increase the percentage of their online sales, something that will encourage distributors to invest in an omnichannel model. This will favor digitization of the supply chain for manufacturers, leading some to begin interacting directly with the B2B end customer.*

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**Fede de Gispert**  
Telematel



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*The opportunities are clear. Online commerce is going to receive a boost and will begin to comprise a percentage of sales that is no longer as negligible as it was before the crisis.*

*Novel needs will appear in connection to usability and functionality, since a higher volume of online sales will always give rise to new market circumstances that can improve a digital channel's levels of quality and service.*

*The digital channel was already here to stay, but now it's going to take on a much greater role, one which companies will have to consider in a far more relevant way when formulating their commercial and marketing strategies.*

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**Gonzalo Pérez Gasca**  
Aktios



## Measures taken to combat COVID-19

Apart from the closure of physical stores, which has ended up becoming an imperative policy measure for governments around the world keen to contain the virus, not all companies had contingency plans in place for a situation of this magnitude.

**As indicated by Harvard Business Review,** most companies do not even have succession plans for their CEO or other senior executive positions, a delicate issue in the midst of a pandemic (according to the magazine, 83% of companies in Spain lack such a plan).

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*It is important for businesses to adapt their supply portfolio to new opportunities, review their internal capabilities in order to focus more on digital media while setting aside analog media, and, finally, train their employees to thrive in a new work environment.*

**Fede de Gispert**  
Telematel



**Jack Kurtz**  
Fortuitas

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*The focus is more on selling online, business continuity and providing cloud systems that allow people to work from anywhere at any time on any device.*

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Among the specific courses of action most widely adopted by the world's biggest manufacturers and retailers, the following trends have been consistently observed:

### **Corporate level**

- ✓ Remote work or rotating shifts for employees in offices with low staff density.
- ✓ Salary cuts and bonus freezes for CEOs, executive board members, and managers. For example, Foot Locker announced a salary reduction of 40% for its CEO, 20% for executive board positions, and 10% for general managers. Other major brands like Best Buy, Levi's, TJX, and Nordstrom have also adopted similar measures to deal with falling profits as well as to avoid mass layoffs.
- ✓ Other more compulsory and adverse policies include the suspension of bonuses, salary increases, and hiring processes for the rest of the year.
- ✓ The return of inventory to suppliers who wish to reclaim it, as announced by Primark before the closure of the company's physical stores due to its lack of an online store through which to release merchandise.
- ✓ Hourly or overtime bonuses for employees in physical stores and distribution centers, as implemented by Walgreens and The Home Depot.
- ✓ The strengthening of operations in digital channels, distribution centers, and customer call centers, which highlights the positives of digitization for maintaining employee networks and the pace of business activity.
- ✓ The expansion of BOPIS (buy online, pick up in-store) networks.
- ✓ The adaptation of physical store networks in order to enable logistics centers to meet increased online demand and provide home deliveries. Bed Bath & Beyond has done this for 25% of its network of stores in the United States.
- ✓ The bolstering of affiliate networks in retail stores as well as distribution and logistics centers. Since the crisis began, Walmart claims to have invested in 200,000 relationships with the aim of sustaining its commercial network in the face of the current digital boom.

### **Customer service in physical stores during and after quarantine**

- ✓ Strict policies on hygiene, cleanliness, and social distancing.
- ✓ Remote customer service channels.
- ✓ Payment with cards and contactless systems along with receipts that are exclusively electronic.
- ✓ The reserving of the first hour of opening at physical stores for elderly and vulnerable customers (pregnant women and those at risk).
- ✓ The limiting of the number of shoppers allowed in a store at any one time.
- ✓ The discontinuation of product testers.



**Javier Gómez Laínez**  
Nousmedis

*We are expediting the closing of agreements with strategic partners in order to meet the coming demand for digitization. Catalog and brochure automation must be complemented with other output channels, for example, via catalog integration with ecommerce stores or the creation of virtual catalogs.*

*We will all come out of this crisis different, but stronger.*

*It's important to constantly maintain the functional and technological updating of those online platforms through which we serve multiple companies in the commercial distribution sector.*

*Functional and usability improvements will no doubt have to be incorporated into all businesses in order to meet new requirements and regulations that may arise.*

*This health crisis has pushed online commerce to levels that we once imagined would be reached a few years from now.*

**Gonzalo Pérez Gasca**  
Aktios



*We are helping companies to create scalable system architectures and improve processes so they can keep up with market dynamics. We must continue pursuing innovation because we believe that it's the best response to a fluctuating market like the current one.*

**Gabriel Seijo Leiro**  
Webmefy



