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Retail 2021: Key Actions to Survive and Thrive

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It's clear that 2020 has been one of the most challenging years that the retail industry has ever faced. After years of declining store traffic, competitive pressure from Amazon, dramatic changes to consumer behavior, and an influx of digitally native brands, COVID-19 has exasperated retail industry stressors.

Broad-based store closures, waves of Chapter 11 bankruptcies, and constant liquidity worries are in lock step with dramatic customer spending reductions, significant shifts in consumption patterns across sectors and categories, and 10 years of projected e-commerce growth achieved in six months.

Successful planning, amidst the swirling industry chaos, rests on incorporating foundational “survive and thrive” tactics for meeting the 2021 retail challenges that lie ahead. These include:

Established crisis management; employee wellness; and customer safety protocols. These procedures and processes can serve as the base for more advanced management and performance improvement approaches moving forward.

- **Appreciation of a slow emergence from the pandemic.** The first and second quarters will likely look the same as 2020 with a slow reopening and return to a “revised equilibrium” in the back half of 2021.
- **Continued stress on consumer spending.** Future stimulus checks could have a short-term impact on spending, but reduced consumer budgets is a trend that’s likely here to stay throughout 2021 and beyond.
- **Permanent customer behavior changes.** Many of the behaviors and preferences spurred by the pandemic are here to stay—e-commerce, category shifts associated with working from home, along with less focus on discretionary spending are primary examples of the new normal impacting consumer attitudes.

Beyond these relative certainties, retail in 2021 will face a wide range of challenges and opportunities. History suggests that retailers who lean into difficult times and embrace change will emerge as the winners in the face of hardship.

Heading into 2021, there are five actions that retailers must consider in order to survive the pandemic and emerge as healthier, more agile organizations.

1. Aggressively map your assortment to changing consumption trends: For example, the morning coffee trip has changed. Today’s consumer is spending more time at home in casual and athleisure wear, cozy slippers and leggings. They are spending money to upgrade home spaces, turning bedrooms, foyers and garages into offices. This will change product assortment strategies for 2021 and beyond.

Retailers need to map their assortment to these customer preferences as soon as possible while they continue to analyze and measure what is driving 80 percent of their business, adapting accordingly.

2. Quintuple down on digital: Direct-to-consumer websites, mobile commerce, buy-online-pick-up-in-store, and curbside pickup are table stakes. These are fundamental and foundational ways that provide customers the means to buy when

and where they want to buy.

Retailers have to be there today but also need to think about how they are using data to understand what their customer is buying and why they are buying it along with leveraging predictive modeling to forecast future purchasing patterns. Now is the time to embrace machine learning.

3. Be ready for flight to value: The consumer is going to expect to pay less—less discretionary spending, trading down, more promotions, a shift in spending away from apparel. Gross margins are expected to be lower in 2021. Strategic pricing and promotional strategies become even more critical, even for luxury brands.

Retailers that aren't vertically integrated need to triple down on private label and to find more dollars to invest back into the consumer offer. Companies need to keep pushing on ruthless cost management and take a zero-based approach, if possible.

4. The role of the store needs a fundamental rethink: We are overstored and oversized. Tough decisions need to first be made around the size of the fleet, size of the store, and role of the store. Then, the store experience needs to be re-imagined to deliver to a consumer that will be demanding both pick up in-store or curbside AND expects an experiential atmosphere featuring a high touch fitting room and selling floor accoutrements. What is the right store labor model to deliver against this?

Lastly, to service all of the above, what is the right fulfillment model? It is no longer about distribution centers, but micro-fulfillment centers, dark stores and other local hubs.

5. Become high-intensity interval training (HIIT) ready from the retail floor to the C-Suite: The organization needs to be ready to go 20 seconds on, 10 seconds off, switching from exercising one muscle to the other. The HIIT approach to retail focuses on agility and readiness. It's about a store manager who sets up the logistics to deliver buy online pickup in store (BOPIS) while delivering the right customer experience in the fitting room.

It's about the brand marketing manager who realizes that paid social isn't delivering the right return on ad spend (ROAS) as part of the marketing mix and needs to pivot.

It's about the general merchandise manager pivoting to increase the number of casual/athleisure customer choices. HIIT-ready retail is about everyday agility that allows you to read results, react to them and know who is responsible for implementing the necessary changes.

Retail in 2021 will be incredibly challenging, however, embracing the fundamental certainties and understanding the core trends will enable you to prioritize and execute a set of actions. This bulwark, in conjunction with resilient leadership, sets the stage for strong financial results and positive business growth.

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