



COVID-19 Response Planning

Playbook on Merchandising & Marketing for RCC Members

EDITION #1 : MAY 2020

RCC RETAIL
COUNCIL
OF CANADA

Context for this document

The following document has been prepared to provide members of the Retail Council of Canada a perspective on practices from retailers around the world on operating their business during the COVID-19 pandemic.

We have compiled these materials through a scan of practices observed from companies in countries that have started to emerge from the government imposed restrictions on the essential, non-essential and restaurant sectors.

These materials are intended to provide you with a framework for key considerations and relevant global best practices as you operate your business in today's challenging environment.

These are not intended to be legal advice or to replace local health and government guidelines. The COVID-19 crisis is rapidly evolving and there are different considerations for retailers in different regions and sub-sectors of the retail industry. Readers should consult the applicable laws & regulations, and guidelines issued by federal & provincial health and labor authorities, to make the best decisions for their respective businesses.

Where feasible, sources & links have been provided & identified but, given the rapidly changing environment, sources are not possible for all statements. Members should perform their own research before executing any measures herein.

This is a non-exhaustive document and the Retail Council of Canada is keen to solicit your feedback on additional topics that may be relevant for your business for future iterations of this playbook.

What this document is

Framework of key issues to consider as retailers prepare to operate within the ongoing COVID-19 pandemic environment

Examples of practices observed from retailers across various sub-sectors around the world

Key issues to consider in implementing examples from other regions/countries and sectors

What this document is not

Exhaustive list of all issues that retailers may face in the current environment

Legal advice on practices businesses should follow. Please consult appropriate legal channels, Health Canada or other RCC resources on appropriate guidelines

Tactical advice on how to implement each potential action. Local realities in each region will dictate what is actionable

Playbook for retail re-entry: Merchandising & marketing

Note: This is 1 of 6 Chapters produced by the RCC to support members in COVID response planning



Customer health & safety

Ensure customers are & feel safe while shopping

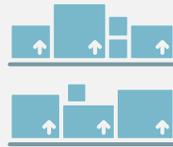
- Customer screening
- Social distancing
- Checkout & payment
- Store cleanliness



Employee wellbeing

Keep employees safe & healthy

- Protective equipment
- Confirmed case response
- Employee testing



Retail operations

Continue to deliver product & operate stores

- Supply chain mgmt.
- Inventory mgmt.
- Store operations

Focus of this document



Merchandising & marketing

Provide relevant offering, given new context

- Product offering / assortment
- Pricing / promo / markdown
- Advertising & comms



Store network & channel

Adjust to new demand & operating needs

- Store network
- Omnichannel capabilities & fulfillment
- Returns management



Finances

Maintain balance sheet to fund operations

- Cash & liquidity mgmt.
- Rent renegotiations

Context: Past crises past have markedly accelerated changes in consumer behaviour



Assortment preference

The Financial Crisis rapidly increased CPG private label penetration in Europe¹ (+22pp in Spain, +10pp in Italy, and +8pp in France)



Price & promo sensitivity

Four years after the Financial Crisis, 44% of Canadians said the recession influenced them to shop around more for the best price



Accelerated eCommerce shift

After the 2002-2003 SARS crisis, eCommerce adoption rates increased 5x in China

1. 2012 vs. 2014

Source: Charged Retail; NBC; PLMA (Private Label Yearbook), Euromonitor; Kantar Worldpanel; Planet Retail (using Nielsen and Gfk data); Statista



Merchandising & Marketing:

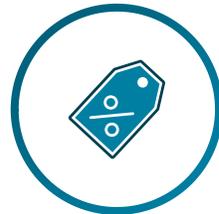
Three key priorities for retailers



1. Product offering/assortment & presentation

- Adapt assortment & selling approach for retail re-opening post-lockdowns

Define what products, & how to sell



2. Pricing, promotions, and markdowns

- Stimulate demand, while managing emerging operational complexities

Generate traffic & support sales



3. Advertising & communications

- Optimize marketing spend, reactivate demand to support re-opening, and drive loyalty



Merchandising & Marketing:

Three key priorities for retailers



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Product offering / assortment & presentation: Five practices leading global retailers are pursuing in response to COVID-19

		Applicable to:		
		Essential	Non - essential	Restaurant
Define assortment	1 Pivot and adapt offering across categories for post-COVID world			
	2 Simplify offering / assortment within a category based on profitability & supply base			
Adapt in-store experience	3 Adjust visual merchandising / display practices			
	4 Modify fitting room protocols			
	5 Temporarily close high-touch operations			



Pivot and adapt offering

Note: This topic discusses which items to carry based on changes in demand, for guidance on estimating demand please refer to the "Retail Operations" and "Store Network & Channel" playbooks

Context & rationale

- Many companies continue to advise their employees to work-from-home, and many consumers remain uneasy in public settings, even as countries begin re-opening
- With lock downs impacting consumption patterns, different categories are expected to perform differently during the COVID-19 crisis (see next page)
- Retailers are shifting product offerings to cater to changing consumer needs

Examples

- **Lowes (Canada):** Emphasizing 'Quick DIY' home projects & assortment on website ([Link](#))
- **H-E-B (US):** Carrying ready-made meals from five local restaurants at 29 supermarkets in San Antonio, Houston and Austin ([Link](#))
- **Lettuce Entertain You (US):** Launched "Lettuce Take Care of You", a program that provides 3 meals each week that feed a family of four for US\$150 with options from their many restaurants (e.g. RPM, Beatrix, Ramen-San, etc.) ([Link](#))
- **Fat Rice (US):** Pivoting from full service restaurant to 'corner store' providing meal kits; intend to eventually provide ready-to-heat dishes ([Link](#))
- **Chuck E. Cheese's (US):** Now selling family fun packs and party packs for delivery, including goody bags with toys, a doll, cake and gaming tickets for a future visit. ([Link](#))
- **Primark (UK):** Has announced plans to re-open with inventory appropriate to the region and season ([Link](#))

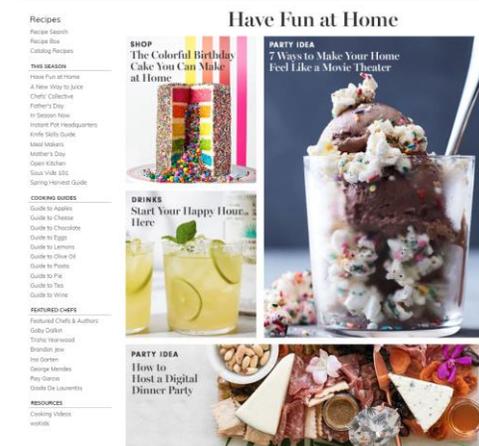
Execution considerations

- Retailers should consider segmenting categories by archetype and forecasting expected demand curve post re-open to plan to changes to offerings
- Communicate new offerings to customer base via existing channels

Fat Rice (US): Full service restaurant re-opening as a corner store carrying pantry staples



William Sonoma (US): Promoting stay-at-home activities and assortment



Asda (UK): Featuring loungewear

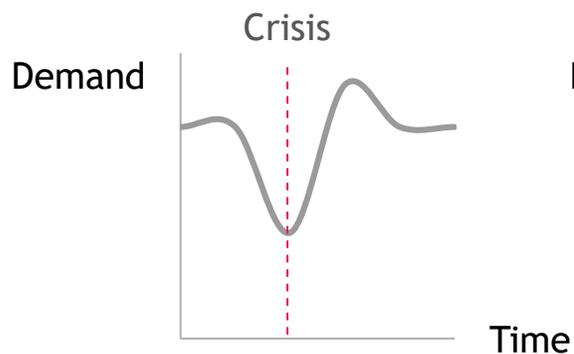


Categories will behave differently as crisis continues

Given different expected demand curves, new offerings will be necessary to remain relevant to customers

Few common category archetypes expected, although degree & duration of demand swings will vary within each

V-Shape

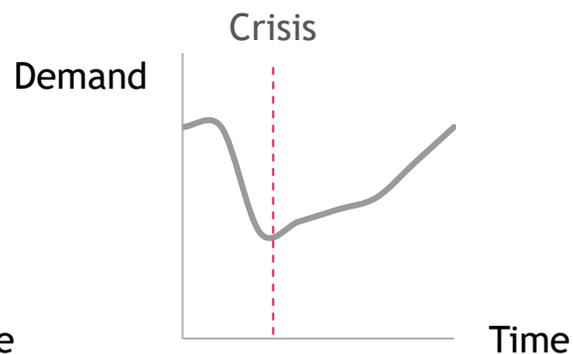


Demand stays constant, but faces channel constraints that when unlocked drive a 'spike'

POTENTIAL EXAMPLES

E.g. Automotive parts

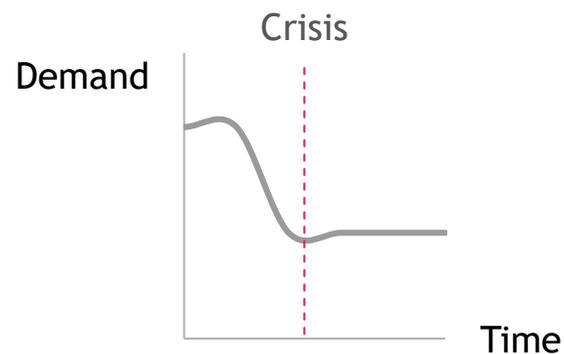
U-Shape



Demand is reduced, but likely to increase as interventions are gradually reduced as retail begins to open

E.g. Apparel

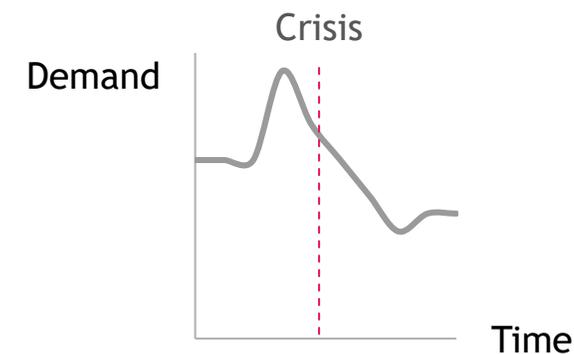
L-Shape



Demand is reduced and facing longer-term government intervention and / or consumer behavior challenges

E.g. Luggage

Δ-Shape



Demand drops well below pre-COVID-19 levels as consumers work through excess supply from panic buying

E.g. Canned goods



Simplify offering / assortment

Context & rationale

- Suppliers are facing multiple challenges, resulting in interrupted availability of product: i) Gaps in production inputs; ii) High demand in core assortment, requiring trade-offs producing secondary SKUs; and iii) Transport and logistics availability
- In both the Essential and Non-essential retail sectors, removing slow-turning inventory & assortment can free-up cash & space for more productive uses
- For restaurants, missing a single ingredient can result in loss of multiple menu items
- Simplifying recipes can also allow for increased social distancing in the kitchen, given fewer steps in preparation process

Examples

- **Shop-Rite (US):** Dramatically simplified flyer assortment to focus on keeping items in-stock and maintaining health & safety standards ([Link](#))
- **Grocers (global):** Working with suppliers to rationalize SKUs to increase production efficiency
- **Panda Express (US):** Removed five main dishes and sides of brown rice from its menu to ease kitchen stress ([Link](#))
- **McDonald's (global):** Stopped offering all-day breakfast ([Link](#))

Execution considerations

- In a resource-constrained environment due to disruption, there is a tendency to focus on top selling items - suppliers are likely to prioritize the biggest SKUs, and opportunity cost for maintaining a 'long tail' of less productive items increases
- Performance of top/bottom items also tends to be accentuated in a crisis, since consumers also prioritize their spending
- Consider starting with a reset of assumptions on fast/slow moving SKUs, including online performers (which may differ from in-store); for Essential retailers, review SKUs unpurchased during the COVID-19 crisis
- Review assortment profitability by-SKU & critically assess the long-tail of unprofitable items; but be wary of demand transference (confirm a substitutable item remains in assortment)
- Incorporate impact of pent-up demand on non-essential items
- Evaluate alternative uses for shelf space, including expansion of categories/SKUs with low on-shelf availability due to constrained display space; if space or inventory constrained on top selling items, re-consider value of slow moving SKUs





Simplifying assortment during COVID-19: A simple framework

How productive is this product/category?

How much sales does it generate each week in each store relative to peers?

How do these revenues compare to the costs to maintain category (margin, space, supply chain complexity)?

High	 Selective removal (sales high but recapturable)	 Maintain & grow
	 Aggressively remove (sales low & recapturable)	 Selective removal (sales lost but low)
Low	Low	High

How incremental are the sales of this product/category?

Are there substitutes the volume could go to & have consumers shown a willingness to shift to them¹?

Is the product important in generating trips and/or starting baskets²? Do consumers associate this product with our store?

1. Historical willingness of consumers to reduce purchases of this product/category when another is promoted is a strong signal of substitutability;
2. Consider value of items frequently purchased as part of same basket as this item



Adjust visual merchandising / display practices

Context & rationale

- Visual merchandising and displays are typically touched by many customers and employees and, thus, increase the risk of transmission from COVID-19
- Without due processes to minimize risks, customers will be reluctant to touch merchandise that others have touched

Examples

- **Best Buy (North America):** Plans to wipe down gadgets and other items before and after each in-store shopper touches them ([Link](#))
- **Macy's (North America):** Customers will be required to use hand sanitizer before trying on fine jewelry and watches ([Link](#))
- **Estee Lauder (US):** Partnered with AI and AR tech solution provider Perfect Corp to create virtual try-ons for their cosmetics products ([Link](#))
- **Bulk Barn (North America):** Some locations have stopped customer self-serve of bulk goods; moved to model where only 2-3 customers allowed in store at once, each accompanied by a store associate who scoops the product

Execution considerations

- Displaying a single unit can minimize items touched (in apparel, consider displaying one size of each item, which can also minimize the number of articles requiring steaming / other sanitization)
- Where possible, customers should be offered hand sanitizer and or PPE (gloves) before touching products
- Demonstration products could also be sanitized before and after each use; most products with hard surfaces can be easily sanitized (e.g. consumer electronics, jewelry and watches)
- Locked items/cases can be moved closer to cash desk to facilitate staff assistance with purchase

Best Buy (US): Sanitization of surfaces and products before/after customer appointments ([Link](#))



COMPANY NEWS

APRIL 28, 2020

Best Buy To Offer New In-Store Consultations

KATIE KORANDA STAFF WRITER

Independent retailer (Germany): Single unit of each item on display





Modify fitting room protocols

Context & rationale:

- The ability to try-on product is important to drive conversion, particularly in categories where finding the correct size is important (e.g., apparel, footwear)
- All retailers will need to follow local regulations, but regardless of regulation many customers will appreciate reassurance that safety measures are being taken; to further encourage them to try on product and/or using fitting rooms in stores

Examples:

- **Levi's (China):** Disinfects fitting rooms after each use, as well as clothes tried on ([Link](#))
- **Nordstrom (US):** Closing some fitting rooms, cleaning in between uses; holding tried-on merchandise for unspecified time period before returning to shop floor ([Link](#))
- **Macy's (US):** Opening minimum number of fitting rooms; holding tried-on items for 24 hours before returning to rack; holding returned items for 24 hours before returning to shop floor ([Link](#))
- **H&M Group (Sweden):** Closed fitting rooms across H&M, Monki, Cos, Weekday and &OtherStories stores in Scandinavia ([Link](#))
- **Mango (Spain):** Keeping every other fitting room open; quarantining garments tried-on for 48 hours before making available for re-sale ([Link](#))
- **Desigual (Spain):** Limiting entrance to fitting rooms to single person, disinfecting after each use, and notifying customers of last time cleaning was carried out ([Link](#))

Execution considerations:

- Consider closing every other fitting room, or use only one fitting room if needed, to meet distancing requirements
- Permit only 1 person per fitting room, and only person(s) trying on items to enter
- Increase cleaning of fitting rooms, similar to other high traffic areas by sanitizing surfaces after each use
- Consider installation of fitting room doors to replace curtains, if necessary to ease sanitization process (as hard surfaces easier to clean)
- Remove unnecessary/decorative objects from inside of fitting rooms
- Isolate unpurchased merchandise for at least 1 day before returning to shop floor, similar to returns - may require re-considering inventory on-hand depending on expected daily traffic to stores



Temporarily close high-touch operations

Context & rationale

- Given customer concern regarding risk of transmission of COVID-19 and public health regulations in many jurisdictions, self-serve options and high-touch services will likely be closed during re-opening phase (e.g. buffets, self-serve counters, in-store sampling, in-store makeovers)
- In addition, customers will be reluctant to use testers in many categories (e.g. beauty)

Examples

- Meijer (US):** Shut meat and seafood and delis, shift to pre-packaged ([Link](#))
- 7-Eleven, Kwik Trip and Kum & Go and others (US):** Eliminated mini-mart staples such as roller grills, nacho and chili cheese machines, soup bars and self-serve coffee ([Link](#))
- Kroger (US):** Closed self-serve bars (salad, olive, bakery, candy bars, etc.) and bulk-bin options ([Link](#))
- Walgreen's (US):** Stopped in-store sampling and removed testers for perfume and beauty products ([Link](#))
- Sephora (global):** Cancelled in-store makeup and skincare services and classes ([Link](#))
- Space NK (UK):** Anticipating the removal of testers ([Link](#))
- Marks & Spencer (UK):** Removed all testers from beauty department ([Link](#))

Execution considerations

- For self-serve prepared food (restaurants and grocery/food retail): Determine if feasible to replace offering with pre-packaged options
- Consider repurposing space for high-demand categories with constrained shelf space (e.g. paper products) or to facilitate distancing in store
- Careful consideration should be undertaken for use of cosmetics testers, even in jurisdictions where these continue to be permitted; potential alternatives include: testers used on hands only, sanitized after each use, single-use samples, virtual demos

Whole Foods (US): All open prepared food areas closed / emptied



Ulta (US): CEO message announcing removal of all testers from beauty department ([Link](#))

A Message to Ulta Beauty Guests about the Coronavirus, from CEO Mary Dillon

With our guests, associates, and their families at the center of everything we do as a company, I'd like to take the time to address concerns about the novel coronavirus (COVID-19) and the steps we're taking in our stores, our corporate office, and our distribution centers to continue our focus on keeping people safe and healthy.

We're closely monitoring the situation and following guidance from public health officials and government agencies, including the Centers for Disease Control and the World Health Organization, so we can make ongoing assessments and stay in constant communication with our associates to provide information and guidance as developments unfold.

of our stores is always a top priority for us, and now more attention to our regular cleaning procedures, increased disinfecting, and extra attention to high traffic areas. For any guest wanting to use a tester or sample, please ask an associate to assist you. In addition, GLAMLab, our virtual beauty experience in the Ulta Beauty App, is a great way to virtually explore our products and shades.

Skincare, brow, and makeup services, hygiene is always a focus and we've added additional steps here as well. For guests who have services booked, we're happy to reschedule your appointment for a later date. We understand this situation is top of mind for all of us right now. As circumstances continue to change, our goal is, and will continue to be, to provide a safe and welcoming destination for all guests and associates across our communities.

Associate care is always at the core of our commitment. For all store, corporate, and distribution center associates, we continue to be flexible, continue to focus on prevention, and continue to encourage them to stay at home if they are not feeling well. Additionally, U.S. travel has been limited, and international travel restricted.

We understand this situation is top of mind for all of us right now. As circumstances continue to change, our goal is, and will continue to be, to provide a safe and welcoming destination for all guests and associates across our communities.

Mary Dillon
CEO, Ulta Beauty



Merchandising & Marketing:

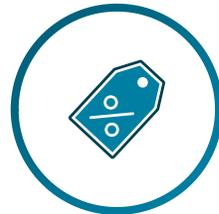
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Pricing, promotions, and markdowns: Five practices leading global retailers are pursuing in response to COVID-19

		Applicable to:		
		Essential	Non - essential	Restaurant
Drive demand	1 Review and modify promotion calendar to consider COVID-relevant 'themes'			
	2 Use promotions to stimulate demand in non-essential categories			
	3 Manage price perception across your portfolio			
Institute new approaches	4 Adjust promo approach to protect operating margin			
	5 Postpone seasonal assortment, decrease markdowns, & adjust buys			



Review and modify promotion calendar to consider COVID-relevant 'themes'

Context & rationale

- Promotions can be used to focus on consumer-relevant activities through the lockdown / restriction phase (e.g., home baking, family cooking), and drive meaningful connections with retail brands

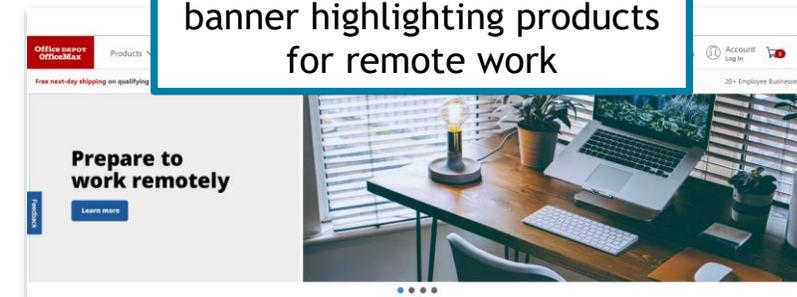
Examples

- Geconomy (Germany):** Launched new campaign, provides discounts for product combinations including domestic use products, “home entertainment” and home office products ([Link](#))
- Ulta, BIC, Coca Cola (US):** All have recently contracted brand ambassadors / influencers through Obviously to produce content ([Link](#))
- McDonald's (Belgium):** Offered 500-piece burger puzzles as a prize in a contest, responding to the early surge in demand for puzzles as lockdowns began ([Link](#))
- Reebok (US):** Launched #ReebokLove campaign, where consumers could nominate heroes in their community - incl. delivery people, postal workers, and healthcare workers - to receive a free pair of shoes ([Link](#))

Execution considerations

- There may be some sensitivity from the public about taking advantage of COVID-19 for marketing - ensure that any ads run are truly relevant to customers
- Retailer examples thus far have focused on tangentially related themes such as 'home living' and 'cozy dressing' - avoiding mention of the pandemic directly ([Link](#))
- Relevant themes will vary over the course of re-opening and potential returns to lockdown, and may differ locally
- Review and update plans weekly, to incorporate new learnings and adjust for demand signals

Office Depot (US): Website banner highlighting products for remote work



Eataly (US): "One click to fill your pantry" bundles



Big Lots (US): Promoting health & wellness products





Use promotions to stimulate demand in non-essential categories

Context & rationale

- Given store closures and lower demand due to economic uncertainty, consumption has been subdued, particularly in many non-essential categories
- Carefully designed promotions to support store re-openings can influence customer behavior and help reactivate otherwise latent demand
- Some promotions can also bolster short-term cashflow (e.g. discounted gift cards)

Examples

- **Rainbow Fuel Stop (US):** Offering discount of up to 10 cents per gallon if paying cash to attract customers coming into the shop, driving higher-margin ancillary purchases ([Link](#))
- **Big Lots (US):** Providing coupons for in-store purchases to reduce strain on online ordering ([Link](#))
- **Bonefish Grill and Black Angus restaurants (US):** Launched gift card promotions ([Link](#))
- **Burger King, Cheesecake Factory, Firehouse Subs, and Olive Garden (US):** Offering deals to promote takeout and delivery ([Link](#))

Execution considerations

- Promotions should focus on categories where underlying consumption/use is likely to have remained strong, but - given availability & recent priorities - the decision to purchase has been delayed (e.g. apparel, discretionary foods), promoting these items to raise awareness is more likely to stimulate purchase than those where use has fallen
- As always, promotions should only be done with an eye to encouraging incremental visits, drive incremental basket/transaction activity, or maintain price perception
- Avoid promoting supply-sensitive items as further exacerbating supply shortages is likely to frustrate customers, while limiting sales
- If considering promotions to drive in-store visits, avoid promotions that lead to crowds (e.g. door crashers)
- Consider promotional events or days to drive demand once retail opens (e.g. Black Friday, Prime day, etc.)

Cracker Barrel (US): Promoting family meal baskets ([Link](#))



Panera (US): Gift card promotion ([Link](#))



20% Off Panera® Gift Cards*

For a limited time only, save 20% on Gift Cards when you buy online. Send a Panera Bread gift card and brighten someone's day, show appreciation to doctors and nurses working overtime, say thanks to a teacher giving classes online, treat Mom and Dad to a meal, or even keep some for yourself!



Manage price perception

Context & rationale

- In many categories, customers are becoming more price-sensitive given economic uncertainty - and reacting to perceived instances of price-gouging or unfair prices
- Due to retailer missteps early in the crisis (e.g. raising prices on key goods - [Link](#)), governments have closed in on price gouging & many retailers are wary of negative press associated with these instances
- Given the focused attention on prices, retailers should be wary of any pricing increases

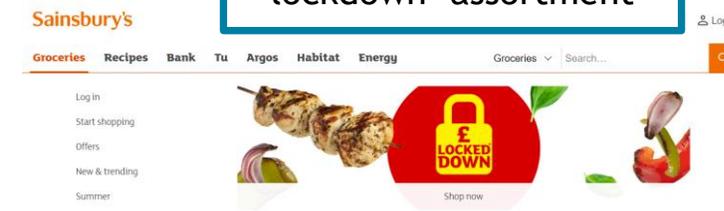
Examples

- **Walmart, Meijer, Rite Aid, Walgreens, Target, and others (US):** 15 major retailers voluntarily agree to maintain existing prices - generally all items ([Link](#))
- **SAQ (Canada):** Agreed with its suppliers to postpone retail price increases on wines and spirits normally planned for May ([Link](#))
- **Haidilao and Xibei (China):** Restaurant chains reversed price increases after customer reaction ([Link](#))
- **Del Taco (US)** Revamped dollar menu during pandemic ([Link](#))
- **Big Y Foods (US):** Instituted a price freeze on over 10,000 items as a way to help financially challenged customers ([Link](#))
- **Sainsbury's (UK):** "Price lockdown" assortment of essential items discounted for min. 8 weeks ([Link](#))
- **Tesco (UK):** £2 offers on fresh products ([Link](#))
- **ASDA (UK):** Price roll-backs across top selling SKUs ([Link](#))

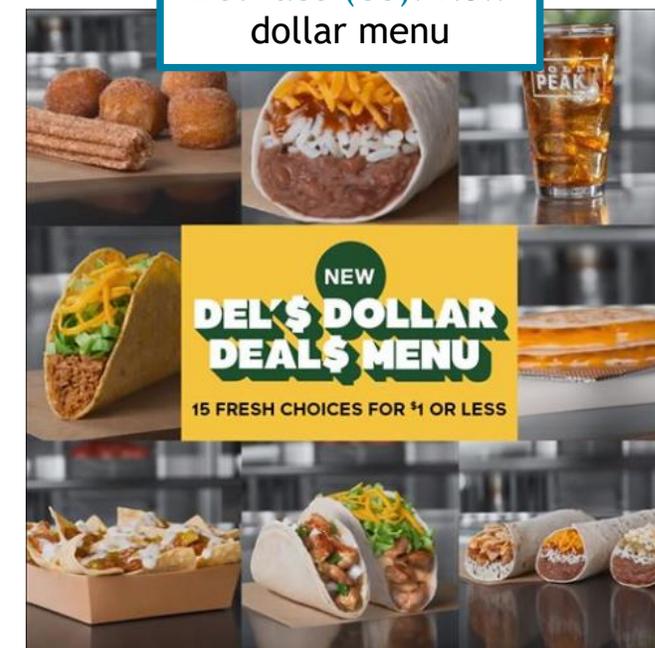
Execution considerations

- Be wary of any planned pricing increases, and consider pausing or adding additional validation to any algorithmically driven pricing systems
- Review all pricing changes (+/-) with a lens to the current environment and anticipated consumer response/perception
- Consider leveraging social media to monitor response to any price changes
- Maintain awareness of competitive regulations regarding permanence of price changes

Sainsbury's (UK): "Price lockdown" assortment



Del Taco (US): New dollar menu





Adjust promo approach to protect operating margin

Context & rationale

- Unprecedented demand volatility means old norms & practices defining which products were fast or slow and well suited to promotion no longer apply
- Given uncertain demand, scale of promotion should be adjusted to preserve margin, reduce in-store labour requirements & prevent further strain on the supply chain (where relevant)
- Given dramatic changes in consumer behaviour, traditional trip drivers & basket builders have likely changed; necessitating a change in promotion items as well
- Increased promotional intensity has been observed in many non-essential categories, placing downward pressure on margins
- Conducting promo optimization to reduce inefficient promos can improve margins, while enabling reinvestment to the most effective promos to help recover demand

Approaches to consider

Re-determine appropriate level of promo activity given new reality (if at all)

- Many items - such as 'Trip drivers' - unlikely to perform as effective promotion items given consumers' general aversion to trips in current environment
- Promotions generally drive incremental effort/touching in store & can further strain supply chain

Reduce in-store labour effort

- Increasing length of promos can reduce store labour required (e.g., lower frequency of tag changes) and also reduce business complexity (e.g., planning)
- Developing central signage with discount to be applied at check-out (vs. individual shelf tags or re-tagging items) can also help minimize labour and physical contact with the product

Promote 'basket builders' and high-margin products

- Enhancing in-store promo and discounts on tag-on SKUs, can help increase basket size
- Increased visibility can increase purchase of highest margin items (e.g., own brands if carried)

Implement iterative learning

- Controlled trials can be used to test new optimal promo parameters (elasticity, relative appeal)

Go digital

- Consider personalized promos to re-engage customers and foster cross-selling online to help reduce reliance on public promos; alternatively, tailor promos to different customer segments
- Consider 'digital only' promotions oriented to new customers

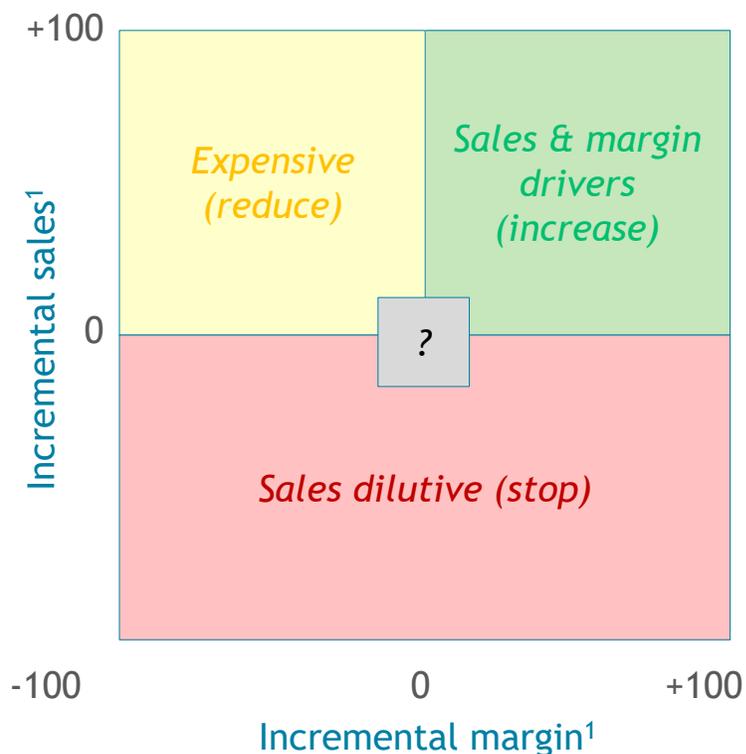


Managing promotion during COVID-19: A simple framework

Retailers must ensure fundamentals of promotions still hold true, then screen for new realities

Reassess incrementality of promotions in new environment and continue to prioritize sales & margin drivers

Confirm sales & margin driving promotions will be compatible with current environment



Will this promotion drive larger baskets?
(be wary of incremental trips/traffic)



Can it be done without inducing material
incremental strain on the supply chain?



Can in-store employees safely & efficiently
execute the promotion?

1. Incrementality must include measure of impact on entire basket size & trip count.



Postpone seasonal assortment, decrease markdowns & adjust buys

Context & rationale

Apparel, footwear, and other seasonal retailers face 5 challenges as stores re-open:

1. Significant stock on-hand, with Spring/Summer inventory mostly unsold and Fall/Winter orders already in place
2. Short recovery window, with less <1/2 typical time left to sell Spring/Summer season, assuming re-opening by June
3. Limited and less elastic demand, given lower anticipated consumer demand given reduced discretionary spending
4. Cash shortages, having paid for Spring/Summer collections while still needing to pay for next season
5. Need to free-up space in stores to introduce new Fall/Winter collections and further minimize losses



Key considerations for retailers

Maintain the season:

- Is it feasible to extend the seasonal calendar?
- Is it feasible to postpone part of the Spring/Summer 2020 assortment into the next season?

Increase sales & margin:

- Can we bias channel/store mix to more active channels?
- Can seasonal markdown discounts be reduced?

Manage inventory:

- Can Fall/Winter 2020 and Spring/Summer 2021 buying targets be reduced?
- Is there available space to accommodate extended seasonal inventory?



Examples

Extend Spring/Summer seasonal selling period to allow more time for full price sell-through

- **Chanel:** Will keep SS20 ready-to-wear collection in stores for longer, future collection to arrive in July (instead of May)

Continue to sell parts of Spring/Summer assortment during following seasons

- **Balenciaga** states that its spring show collection will become part of the fall 2020 collection

Shift inventory to stores with stronger demand; consider transferring inventory to DC's to re-deploy based on store re-openings and sell-through

Based on narrower end-of-season assortment, potential to de-average markdowns and focus discount investments on select items

Edit future seasons assortment, given that prior season assortment will continue to be sold

Hold in DC's, if space in DC's and stores not sufficient, consider selling inventory to off-price retailers

- **PVH** considers holding Tommy Hilfiger & Calvin Klein spring & summer collections until future seasons to avoid selling at massive discounts



Merchandising & Marketing:

Three key priorities for retailers



1. Product offering/assortment & presentation

- Adapt assortment & selling approach for retail re-opening post-lockdowns

Define what products, & how to sell



2. Pricing, promotions, and markdowns

- Stimulate demand, while managing emerging operational complexities

Generate traffic & support sales



3. Advertising & communications

- Optimize marketing spend, reactivate demand to support re-opening, and drive loyalty



Advertising & communications: Five practices leading global retailers are pursuing in response to COVID-19

		Applicable to:		
		Essential	Non - essential	Restaurant
Optimize spend & tactics	1	Optimize marketing budgets and shift spend to most relevant channels & formats		
	2	Communicate re-opening, including new health & safety practices		
Communicate re-opening & drive traffic	3	Use new product launches and special editions to drive traffic to stores		
	4	Consider alternative approaches to customer outreach		
Support community	5	Support and highlight CSR initiatives		



Optimize marketing budgets & shift spend to most relevant channels & formats

Context & rationale

- Rapid shift of consumer behavior due to prolonged lockdown has changed media consumption habits toward digital channels
- Consumers are adjusting shopping behavior (e.g., increased online adoption, category preferences), values (e.g., more focused on sustainability, society and wellness), and lifestyle (e.g., home-centered lives, focus on hyper-local)
- Many companies are reducing traditional TV & Print advertising and re-allocating funds towards digital formats, in many cases shifting from media to content generation

Examples

- **Perfect Diary (China):** Overall 2020 Q1 marketing spend reduced ~30% vs. original budget (-50% offline and -20% online, prioritizing historically high digital media ROI) ([Link](#))
- **Adidas (China):** Launched "Adidas Original x Tmall Super Brand day" and "Live Streaming Week" in Feb., shifting from a 10-day offline event to 5-day online event live-streamed to more than 2M people, with Adidas Tmall sales reaching 200M RMB in first 10 hours on Feb. 21 ([Link](#))
- **Hy-Vee (US):** Offering a free fitness program for kids as schools remain closed due to the coronavirus pandemic - will release 15- to 20-minute videos seven days a week ([Link](#))
- **Popeyes (US):** Launched a "Fried Chicken N Chill" campaign, offering to give out login information to the company's Netflix account so customers can enjoy the streaming service with their at-home fried chicken orders ([Link](#))

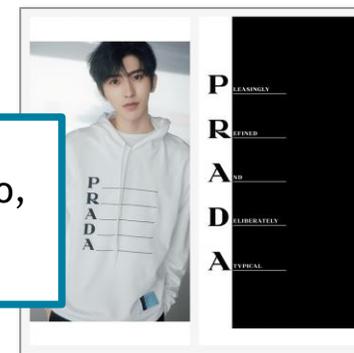
Execution considerations

- Repurpose low ROI marketing spend to different channels / initiatives - esp. digital
- Review and update marketing plan, assessing portfolio wide impact
- Pause media spend in geographies and categories where inventory is challenged, and redeploy online or on other products
- Revisit traditional B&M vs. E-Comm-oriented marketing mix given elevated consumer bias to online and potential for staggered store re-openings across provinces
- Evaluate new capabilities required to succeed, given acceleration of current trends: digitization, casualization, and personalization



REWE (Germany): Facebook & Instagram posts with content to engage customers spending more time at home

Prada (China): Launched campaign over WeChat, Weibo, and Douyin; leveraged influencers ([Link](#))



Chipotle (US): Hosting series of daily 'Chipotle together' sessions via Zoom with celebrity guests



Communicate re-opening, including new health & safety practices

Context & rationale

- Customers may be unaware of store re-openings in the absence of communication, given that many retailers have chosen to remain closed or modify their opening hours, during initial days/weeks of permitted re-opening
- In addition, customers may be reluctant to visit stores, without knowing the extent that health and safety practices have been adopted
- Digital communication has proven the best way to reach consumers during re-opening in many countries

Examples

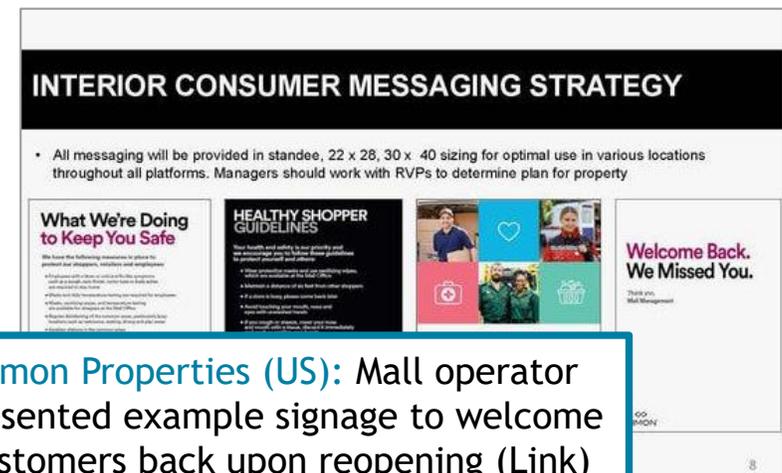
- **Carrefour, Mercadona, Tesco (Europe):** Retailers issuing statements of public assurance to customers that there is no risk of shortage in the supply-chain ([Link](#))
- **H-E-B (US):** Released video to customers showing a fully stocked warehouse, cautioned against panic buying ([Link](#))
- **Coles & Albert-Heijn (Australia, The Netherlands):** Some flyers are outlining specific health and safety measures being taken, by the store as well as guidelines for customers ([Link](#); [Link](#))
- **Taco Bell (US):** Newest campaign shows brand fans embracing the drive-thru process including sticker-sealed bags (new norm during COVID-19) ([Link](#))

Execution considerations

- Tactfully (but visibly) highlight safety procedures to create confidence without hurting enjoyment and re-assure customers of availability
- If re-opening part of store network, clarify which specific locations and opening hours



Aldi (US): Instagram post with health & safety updates



Simon Properties (US): Mall operator presented example signage to welcome customers back upon reopening ([Link](#))



Use new product launches and special editions to drive traffic to stores

Context & rationale

- While marketing and in-store experience and support demand re-activation, unique product is often the most compelling reason for a shopping trip
- New product launches have the potential to re-engage loyal and lapsed customers

Examples

- **SKP Beijing (China):** Hosting pop-up stores that will bring in brands that are extremely rare in China as well as limited-edition collaborations that will only be available at the physical stores ([Link](#))
- **Hermès (China):** Shipped in rare bags for the reopening day of its flagship store in Guangzhou's Taikoo Hui; it is said to have brought in at least \$2.7 million in sales that day ([Link](#))
- **Swarovski (China):** Launched 125 year anniversary celebration and collection ([Link](#))

Execution considerations

- Limited edition products or limited availability can drive a sense of immediacy
- Use product launches / exclusivity strategically to drive traffic to the channel with excess capacity (may be online or in-store) - and if driving traffic to stores and anticipating major response, prepare ahead of time with additional social distancing measures and security
- Use in conjunction with employee outreach to service customers that might still be reluctant to visit store locations



Adidas (China): Debuted exclusive sneakers on Tmall live stream, known as "See Now, Buy Now" - as livestreams continue to gain momentum in China ([Link](#))



Consider alternative approaches to customer outreach

Context & rationale

- With consumers indicating they will take fewer trip to stores, even once re-opened, retailers should consider alternative approaches to catering to customers in-store
- Retailers should prioritize personalized outreach to high value customers

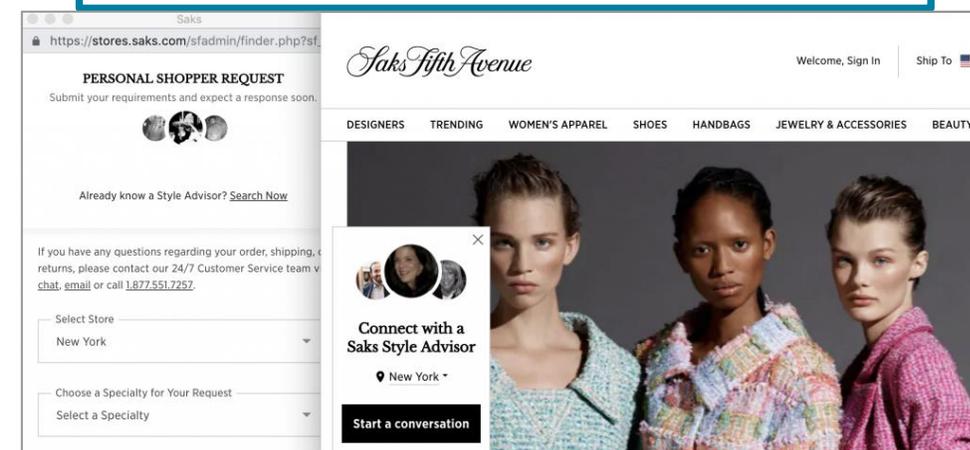
Examples

- **Gucci (China):** Deploying highly targeted messages & guidelines to store associates in China (e.g., special messages to Chinese students returning from overseas studies due to COVID-19)
- **Neiman Marcus and Saks Fifth Avenue (US):** Leveraging Salesfloor program to enable stylists and personal shoppers to check in with clients, driving online sales ([Link](#))
- **Bandier (US):** Intends to re-purpose in-store sales associated to discuss products with customers over the phone, and ship the products to customers' homes for at-home try on ([Link](#))

Execution considerations

- Ensure store associates contacting customers are enabled and have sufficient information to tailor their approach (e.g. contact information, purchase history, product images, etc.)
- Enable store associates to clientele during “idle time” when instore traffic is low and/or from home (may vary based on contract and labour regulations)
- If establishing customer contact for the first time, ensure a central system is used to track outreach to avoid duplication of effort between employees

Saks (US): Website includes portal for customers to connect with sales associate, or contact a specific advisor they are already familiar with





Support and highlight CSR initiatives

Context & rationale

- Social impact initiatives during crisis not only critical to supporting the communities in which we operate, but can also support brand image amongst customers & motivate employees

Examples

- **Sainsbury's (UK):** Donated £3m to the leading food aid charity FareShare and pledged to make its surplus produce available to the group for distribution, so struggling food banks can get more of the supplies they need ([Link](#))
- **Walmart (US):** \$10 million donated to nine organizations that support food banks, schools and senior meal programs ([Link](#))
- **El Corte Inglés (Spain):** Donated 50 mattresses and other essential items to make-shift hospital ([Link](#))
- **Gap, Eddie Bauer, UNIQLO, Brooks Brothers and Canada Goose (North America):** Using facilities to make protective medical equipment ([Link](#))
- **Auchan and Leroy Merlin (France):** Plan to turn a Romanian warehouse into a field hospital for COVID-19 patients
- **Aldi (UK):** Created limited edition doctor and nurse Kevin the Carrot to raise funds for NHS ([Link](#))
- **Costco (US):** Gave first responders and healthcare workers priority admittance into their warehouses ([Link](#))

Execution considerations

- Initiatives should ideally have a logical connection with the core business and/or local community, leveraging natural strengths and or resources available to the retailer
- Apply social listening, where available, to monitor customer sentiment; adjust actions and messaging as needed

Sainsbury's (UK):
Donated to food aid
charity FareShare



Rag & Bone (US):
Creating face masks,
with \$5 from each sale
being donated



COVID-19 Disclaimer

The situation surrounding COVID-19 is dynamic and rapidly evolving, on a daily basis. Although we have taken great care prior to producing this presentation, it represents a view at a particular point in time. This presentation is not intended to: (i) constitute medical or safety advice, nor be a substitute for the same; nor (ii) be seen as a formal endorsement or recommendation of a particular response. As such you are advised to make your own assessment as to the appropriate course of action to take, using this presentation as guidance. Please carefully consider local laws and guidance in your area, particularly the most recent advice issued by your local (and national) health authorities, before making any decision.

A hand with red nail polish holds a black smartphone over a payment terminal. In the background, a white plate contains several chocolate chip cookies. The scene is set in a retail environment.

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