



buz 

COVID-19

UAE RETAIL RESPONSE
ON COVID-19

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BY BUZ MANAGEMENT AND MARKETING CONSULTING



EXECUTIVE SUMMARY

With the recent phased opening decision for the retail sector, it still remains unclear how businesses will perform and the severity of the coronavirus pandemic's underlying impact to the sector.

Over the past few weeks, we conducted the first phase of our UAE Retail Response on Covid-19 survey with the support of our retail sector partners on the impact this pandemic has had on their business and their immediate action to fight the current economic scenario. Our survey participants represent retail categories including F&B, Fashion, Jewellery, Electronics, Fitness, Cosmetics, Hypermarkets and other segments, along with popular community shopping malls.

As retailers are forced to close their doors to combat further COVID-19 outbreak, one of the biggest concerns (especially among “non-essentials” retailers), is how to compensate for lost in-store revenue.

Retailers and brands face a daunting multitude of short-term challenges around health and safety, supply chain, labor force, cash flow, consumer demand and marketing. Yet successfully navigating these issues alone will not assure a bright future, or any future at all. That's because once we get through this pandemic — and we will get through it — we will emerge in a very different world from the one we left prior to the outbreak.

In order to ensure a future where businesses not only survive, but thrive, it is critical to anticipate what a post-pandemic world will look like, and then begin to transform to better match this new reality.

A STUDY ON IMMEDIATE IMPACT OF COVID-19 ON VARIOUS SECTORS IN THE RETAIL INDUSTRY

With an aim to offer multiple survey reports, this first report from BUZ Management & Marketing Consulting provides a view on the impact of COVID-19 on businesses within the Retail sector, their current sentiment and a quick guide on how businesses have responded.

IMPACT ON BUSINESS AND OPERATIONS



MAJOR RETAILERS REPORT SERIOUS IMPACT

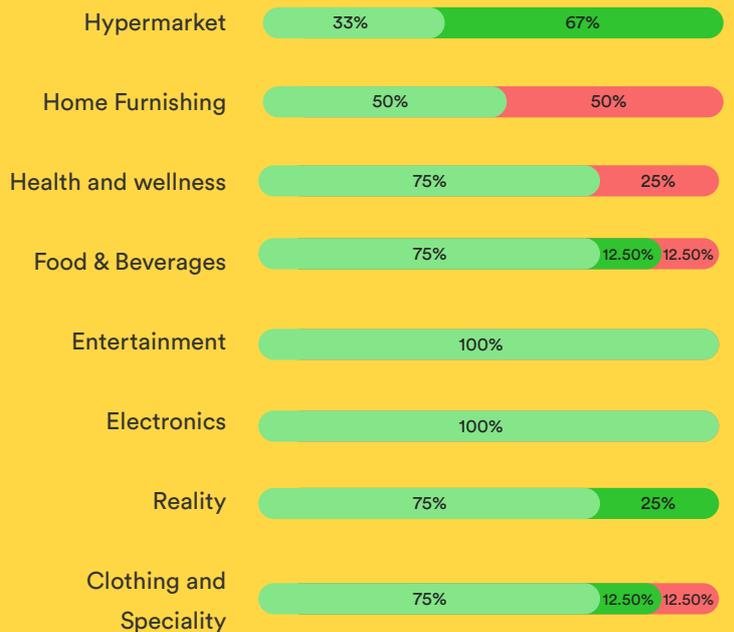
Businesses fear that the spread of the virus will hamper economic growth and that government action may not be enough to recover.

75% of the businesses have reported major negative impact by the pandemic. Most of the businesses that reported high impact were from sectors including clothing & specialty, Jewellery outlet, Shopping Malls, Furniture, health& wellness and entertainment.

13% of the retailers reported a moderate impact and forecast a possible recovery within the coming quarter. The businesses were mostly F&B, E-commerce and Cosmetics.

12% of the respondents indicate significant impact and are not hopeful with a positive recovery timeline within this year.

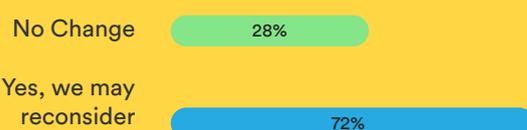
■ High Impact ■ Minor Impact ■ Not sure of Recovery timeline



2020 EXPANSION PLANS

Most multi-nationals and domestic businesses will re-strategize their expansion plans and optimise operational costs in the wake of the COVID-19 pandemic. All these factors will inevitably impact the other GCC investors as well.

Surprisingly, 27% suggested sticking to their expansion plans. These are respondents from the clothing & specialty, F&B and beauty brands.



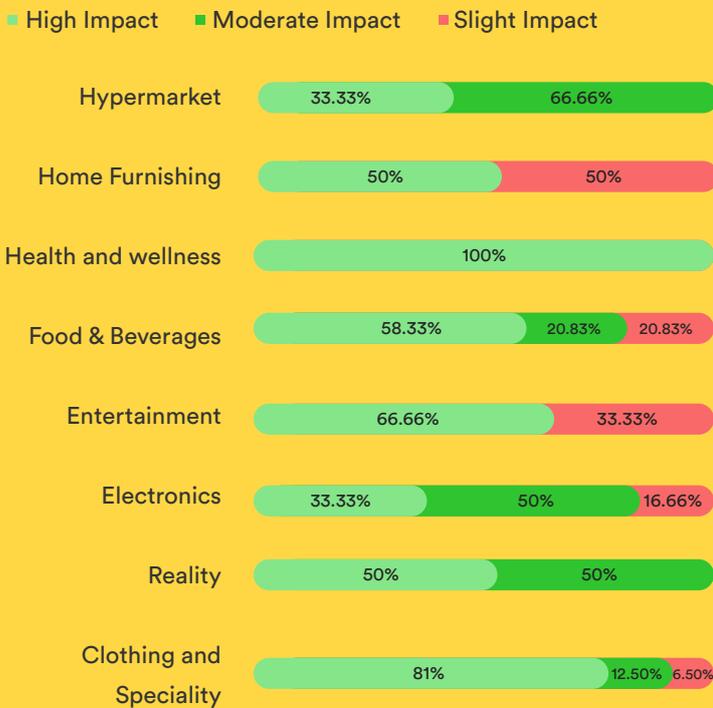


AFFECTED SUPPLY CHAINS

63% of the respondents said that there has been a huge impact on their supply chain. The affected categories include clothing, F&B, health & wellness, entertainment, and electronics.

While 36% of the respondents, mostly from the clothing & specialty category and beauty were not bothered with the impact, in the coming quarter.

Globally, the textile, technology and household goods industry will be the most affected with their supply chain

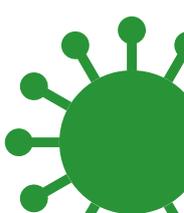
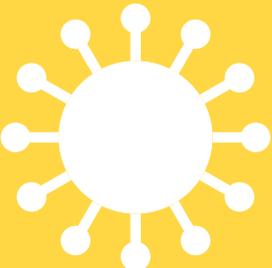
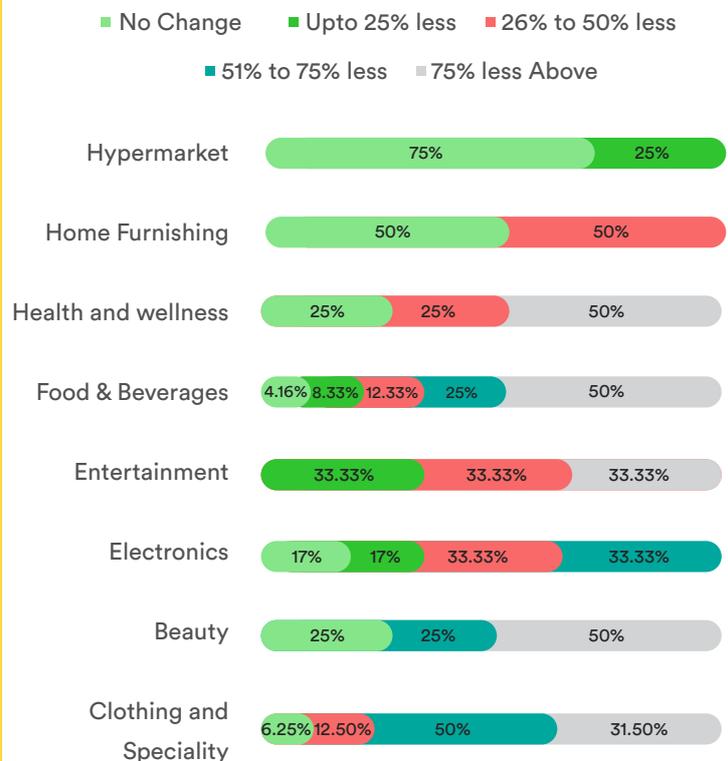


RECONSIDERING BUSINESS FORECASTS

The COVID-19 pandemic is making retailers reconsider their 2020 business forecast.

Majority of the respondents have claimed that they are expecting 75% or more, less than their original business forecast. While fair percentage of the retailers claimed to be expecting 50% less than their 2020 forecast.

Growth estimates for global retail in 2020 will be halved from pre-COVID-19 forecasts, overall, but impacts are uneven.





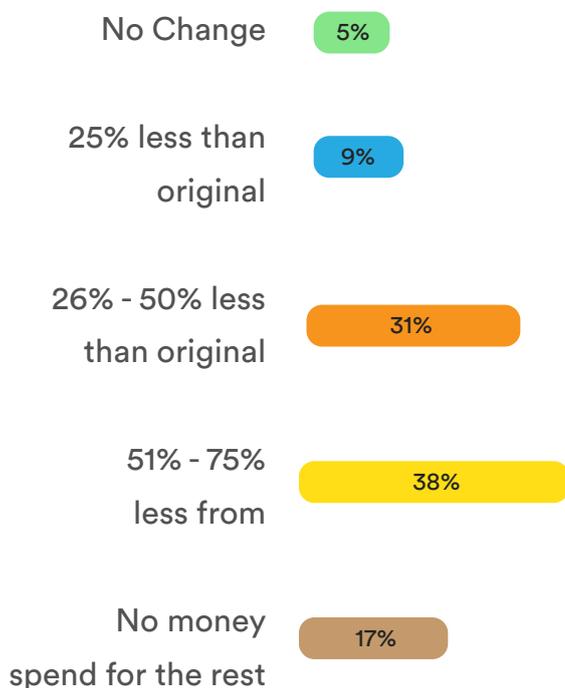
IMPACT ON RETAILER MARKETING ACTIVITIES



MARKETING AND ADVERTISING SPEND

While the first thing many companies do in trying economic times is to immediately cut back on non-essential, and marketing often gets lumped into that category.

Large percentage of the retailers have indicated that there is either a high or possible likelihood that they will be decreasing their ad spend this year. Presumably, some of our respondents will have already stopped ad campaigns for products they cannot currently sell.

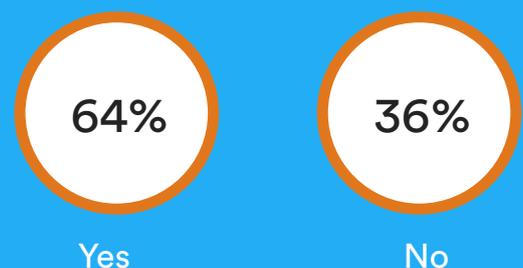


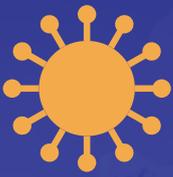
PARTICIPATION IN RETAIL EVENTS

Assuming that consumers will have adopted different buying behavior by the end of this pandemic, retailers are depending on promotional or sales-led activities to encourage the buying trend.

After slow or no sales, companies will lean on retail events to clear out all the inventory and to get shoppers to visit their stores or use e-commerce options for non-essential items.

65% of the respondents confirmed they will consider retail events such as Eid, Back to School, Fall or Winter as part of their plan for business recovery.





MEASURES THE RETAILERS WILL TAKE TO MITIGATE THE IMPACT



SUPPORT FROM RETAIL LANDLORDS

Neither retail landlords nor tenants are immune from the effect of these directives.

While some retail landlords have already offered rent freeze for a set period, 37% retailers are expecting this support from all retail landlords where their stores are present.

However, close to half of the respondents have suggested 25% discount of their current rental fees for the rest of the year.

We conducted a parallel survey with community shopping malls, where majority of the respondents claimed they have offered or in the process of rent freeze for up to 3 months as a support to their retailers

No Support 7%

Rent freeze for
3 months 38%

Rent reduction
up to 25% 48%

Any other
(specify) 10%



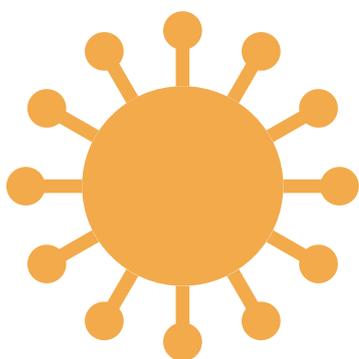
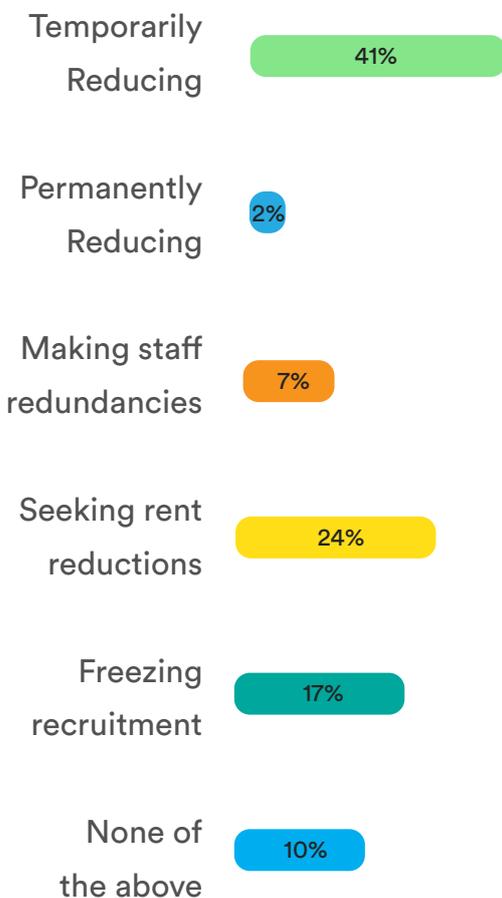
POSSIBLE ORGANIZATIONAL CHANGES

We also verified with the retailers on their workforce management, further to the solutions recommended by Ministry of Human Resources and Emiratization (MOHRE).

Perhaps the most concerning statistic from our respondents was that 60% felt that they may have to let their staff be on unpaid leaves as a result of the worsening economic conditions caused by the Coronavirus.

While, 41% of the surveyed retailers had already resorted to temporary reduction in salary during the crisis, while 24% responded they can avoid such decisions if there is rent reductions.

Minority of the respondents reported considering permanently reducing staff and freezing recruitment.



MORE CUSTOMIZED GOVERNMENT SUPPORT

Govt. entities in UAE are in discussions to formulate an action plan for sharing the financial burden of the lockdown. However, retailers are looking for tailored solutions in the coming few months.

32% of the respondents reported they would seek support in terms of flexibility of staffing regulations, these primarily belonged to the F&B, entertainment and health & wellness sector.

24% suggested tax waivers as a support they would seek from the government, while 22% responded with discounted licensing fee.



CONCLUSION



RETAIL REALITIES

Some retail categories have been severely ravaged while others have seen sustained growth. This mixed impact is one of the most common themes reported by a variety of retail names and business owners.

Fashion, furniture, and electronics retailers were hit the hardest as consumers forego discretionary purchases in favor of stocking up on food and household supplies. Grocers win, but at a higher cost of operations, and will be highly motivated to be better prepared for the omni-channel shopper and responsiveness to demand shifts.

Retail technology investments will continue to reflect digital transformation efforts, as retailers reserve capital for technology investments by reducing spending on store openings and remodels. The ability to adapt responsively to product, workforce, partner, and operations needs will separate the winners and losers during the COVID-19 crisis.



THE NEW CONSUMER LANDSCAPE

Consumers have adopted short-term behaviors during the pandemic that in many cases will become permanent. Consumers will emerge from the pandemic in a new economic reality, changing commerce behaviors in profound ways.

A significant and creative push from retailers will fundamentally alter this new buying behavior.

METHODOLOGY

- A generic survey was designed consisting of 12 questions that investigated effect of COVID 19 on various aspects of the business such as supply chain management, marketing, forecast for 2020 and measures taken for damage control.
- A survey designed consisting of 8 questions specifically for community malls.



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