

# Beyond Covid-19: How retail and the food & beverage industry will evolve

Five weeks ago, it was business as usual. Four weeks ago, it became business unusual. Three weeks ago, the national lockdown gutted an entire industry and everything we thought we knew has come to naught. This is according to Mozambik group CEO Manny Nichas, who says that the rapid change in the trading environment has left an industry reeling with uncertainty.



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"Nobody can deny that throughout the value chain the initial shockwave and concomitant aftershock of Covid-19 and the global lockdown was akin to a deer caught in the headlights," he adds.

But what seems like a paralysing surprise at first is likely just an acceleration of what was to come, notes Nichas. "The way we do business has been fundamentally flipped in a really short time, and it's the decisions and new momentum during this period that will determine survival. Difficulty can tap unexpected strengths in us all.

With a looming global recession on the heels of the pandemic on top of the step-change, "the next while will be a litmus test of determination and innovation," he says.



## Covid-19 will bring about a retail apocalypse

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## 10 key industry shifts

Nichas believes that there are ten ways in which the retail and related food and beverage industry will fundamentally shift.

1. **Last-mile economics will no longer be the domain of large online retailers.** From restaurants through to boutiques, grocery stores and department stores must plan now to create and implement delivery services and a significant online retail presence.
2. Concomitant to an accelerated digital revolution in the middle- to upper-income sectors, so **we may see the evolution in retail accelerate.** Floor space may very well shrink and generalist department stores will likely see a trend continuation and either change the way they do business or disappear altogether. Think Garlicks, Stuttafords, Greentemans and John Orr's that have all disappeared in the past two decades already. Boutiques and specialist or bespoke retail with a smaller footprint and lower overall overheads with business agility will likely see a comeback.
3. **It will be a tenant's market.** With a significant supply in retail space in South Africa coupled with an instant contraction forced by circumstance, high rentals and an ivory tower landlord perspective will leave a lot of empty spaces in months and years to come unless conversations are had now about saving both sides of the tenant-landlord value chain.
4. **Supply chain and origin of goods will become important** not only for consumers as an act of conscience and perhaps a newly embedded fear, but localised sourcing and manufacturing or widening a supply chain may become critical for business continuity just in case a similar threat to Covid-19 lies in the near to medium-term future.



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Nielsen 9 Apr 2020



5. **Brand collaborations and cross-pollination is the way of the future.** Mozambik has already experimented with this, but it will become imperative to do so. In the past, who would have thought that a restaurant brand could partner with a car insurance brand, for example.
6. **Many restaurants will have to rethink their menus and the way that they remain commercially viable.** Marrying a takeout and delivery service with dine-in means everything from packaging, pricing and presentation will eventually change to accommodate a new way of doing business.
7. **Hearts and minds.** This is where the common denominator lies with all customers, whether they are generation Z, millennial, generation X or baby boomers. Segmentation will start with the simple notion of creating and sustaining an emotional and no-nonsense relationship with consumers.
8. In tandem with an expected proliferation of smaller, agile retailers, **community engagement and community marketing by brands will become more critical than ever before.** Mass media will become the domain of insurance brands and the financial sector while retail and related sectors will see a deep-dive into community-related activity. Whether this means the 10km radius from a store or a niche market community.
9. **Shop floor inflation will remain low with margins squeezed even harder** as retailers fight for rands in an 18-month post-Covid period that will see casualties pile up and new, agile players emerge.

10. **Social distancing and sanitising will become a way of life** with retail and restaurants continuing safer practices across the board, and consumers will demand it.

## **CX transformed**

“In addition, I think we should add that the whole customer experience as we know it, needs to be revised and changed to suit the dramatically changing environment. Collaboration with experts in various fields will help manage the expectations of the customer in various trading formats,” notes Nichas

“A quick response to a changing environment that none of us can really predict means that strategic implementation of traditional business thinking goes out the window now. It is, in a sense, a very exciting albeit scary time. We are living in historic times, and every step we take will be recorded and studied for years to come,” says Nichas. “While none of us know the final post-Covid destination, the current journey holds a myriad of lessons for us all.”

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