



Shuttered luxury brand outlets at The Shoppes at Marina Bay mall in April, during the near lockdown to break the chain of Covid-19 infection. PHOTO: AFP

# Navigating retail in the post-Covid-19 era: Welcome to the Paranoid Economy

Retailers have to be both online and offline, and innovative in concepts. And they have to show that they are committed to hygiene and social distancing. **BY PREM SHAMDASANI**

**T**HE Covid-19 pandemic has exacerbated the disruption retailers both big and small have been facing for some time now, due to e-commerce, digitalisation, changing behaviour and shopping preferences of consumers. The writing has been on the wall for more than a decade as iconic, established department store retailers such as Neiman Marcus, Macy's, Nordstrom and Robinsons struggle to re-invent the in-store shopping experience and seamlessly integrate online shopping and fulfilment while managing the high costs of their brick-and-mortar retail operations.

GlobalData Retail reported that more than 190,000 stores accounting for nearly half of retail square footage in the United States have closed due to the coronavirus crisis. Many of these that are non-essential stores may never re-open. Some of the established chains such as Neiman Marcus, J. C. Penney, Pier 1 Imports and J. Crew have filed for bankruptcy. Closer to home, Isetan shuttered its store in Westgate mall in Jurong this year, and Robinsons will close its department store at Jem in August.

On the other hand, discounters and big-box retailers that carry both essential and non-essential products such as Walmart, Costco and Target have transitioned successfully to an omni-channel (online and offline) retail business model offering convenience, variety and value by leveraging on their extensive physical-store network and providing O2O (online-to-offline) services such as order online and pick-up, return or exchange at the store in addition to home delivery to boost store sales.

However, the prolonged Covid-19 pandemic may have brought about a deep paradigm and operational shift in the way retailers deliver the shopping experience and in how consumers prefer to shop. Social distancing, working from home and mandatory precautionary measures such as wearing of masks, temperature monitoring, regular cleaning and sanitising, and testing imposed by governments and businesses over the past few months have made many consumers realise the value, convenience and safety of consuming products, entertainment, education

and essential services such as telemedicine from the comfort of their homes. This has resulted in a big surge in demand for online shopping, streaming services, virtual education, healthcare delivery and remote working and social platforms.

A recent *Forbes* article highlighted the social and lifestyle changes brought about by the growing Isolation Economy catalysed by the Covid-19 pandemic. In particular, people will travel less for work and everyday activities and expect things to come to them. This forced isolation may result in permanent lifestyle changes as consumers become more productive and feel fulfilled working, shopping and being entertained at home.

## A NEW NORMAL

Furthermore, even if vaccines and efficacious drugs to treat infected people become widely available and affordable, many business and healthcare experts are predicting a new normal that will impact the way economies and businesses are conducted. This has serious implications for all kinds of brick-and-mortar retailing as consumers become more comfortable and feel safer engaging in virtual consumption behaviour and social interactions.

The Sharing Economy business models pioneered by companies such as Airbnb, Uber and WeWork are also at risk as consumers become more concerned or even paranoid about contracting the highly infectious Covid-19 virus from sharing lodging, transportation and workspaces.

I would go one step further and encourage retailers in the post-Covid-19 era to transition and be prepared to do business in what I term the Paranoid Economy. The isolation, social distancing and precautionary measures and practices implemented during the pandemic are going to result in new shopping habits and behaviours which will translate to higher expectations and standards of safety and hygiene demanded by consumers when they shop and interact in shopping malls and retail stores.

In fact, malls and retailers need to obsess over inculcating a sense of "healthy paranoia" in re-designing and re-imagining the shopping experience that complies with new

norms of safe distancing and hygiene. It ranges from changes in the store layout and design, merchandising display, product trials and trial room etiquette, contactless payment and transparent standard operating procedures (SOPs) for sanitising products that have been tried-on, returned or exchanged.

Mall owner CapitaLand is deploying autonomous disinfection robots, installing air disinfection systems, disinfection floor mats, and increasing the frequency of cleaning and disinfecting high-contact areas such as escalator handrails, touchscreens and customer service counters to mitigate the risks of infection and ensure that shoppers have a safe and enjoyable experience.

In general, it will be very challenging for brick-and-mortar retailers and shopping malls in the post-pandemic world on several fronts:

First, staying operationally lean and productive to compete sustainably with e-commerce and virtual retailers as more customers embrace online shopping for the convenience and safety.

Second, digitalisation of the retail value chain to provide seamless, omni-channel customer experiences.

Third, continuing to innovate and differentiate based on price, design, quality, assortment, service and ambience.

Most importantly, in the post-Covid-19 era, retailers will have the additional strategic and operational obligation to ensure the psychological and social safety and well-being of their customers by demonstrating strong end-to-end commitment to hygiene, safe distancing and precautionary practices. This consistent dedication to safety and well-being is key to winning back customers who have internalised new habits such as wearing masks and safe distancing, and who still desire the experiential and social benefits of shopping in stores.

Welcome to the Paranoid Economy.

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