Six lockdown learnings from the retail sector – in-store and online

BGF

Coronavirus has created significant challenges for the retail industry, but for the e-commerce sector, the crisis has proved a once-in-a-generation market shift. We explore the trends across our portfolio of retail and e-commerce companies during lockdown and beyond.

Lockdown has accelerated the trend towards online shopping

It is no secret that lockdown gave a huge impetus to e-commerce, with consumers having no other option to shop. While some product lines have seen a temporary bounce, the view is that the general shift to online is here to stay. The brands that manage to keep both new and existing customers engaged and spending in the long term will be the real winners. For multi-channel businesses, the role of the store is not redundant, but it is pivotal that their offering adapts to deliver real brand experience that cannot be replicated online.

There has rarely been a better time to engage with customers

Lockdown has been a stressful time for many, but one benefit is that customers have been more engaged than usual, for instance spending more time on laptops, mobile phones and other devices. Click-through rates on emails have been high as has social media engagement. This has required marketing departments to become more agile in their content production, with many brands favouring a "little and often" approach rather than producing one big photoshoot every six months.

Creativity in the use of premises has been rewarded

Flexibility and nimbleness are essential. For some companies, shops that were forced to close to the public during lockdown have been used as mini warehouses. Firms that had invested in their own distribution facilities, rather than outsourcing, have had more flexibility to ramp up scale at a time when e-commerce demand has stretched the capacity of suppliers.

Supply chains have been put under pressure and need to become more resilient

The past few months have focused attention on supply chains like never before, with global lockdowns impacting manufacturing capacity and the ability to get the right products in the right places. Companies have been reviewing stock buffers in the event of further lockdowns. They have also undertaken resilience and scalability reviews to safeguard future supply.

The e-commerce space is becoming more competitive

While e-commerce sales have boomed for many, there are now more brands going after the same wallets. In addition, large brands that previously had limited online presence are investing heavily to reach their customers digitally. It is important that smaller brands remember to keep building brand loyalty with their existing customers rather than only chasing new customers. The use of videos on social media is a way many brands can be transparent with their customers – something larger corporates struggle to replicate with the same authenticity.

A recession will inevitably squeeze consumer spending

Finally, despite its recent successes, the e-commerce sector is not immune from wider trends in the economy, and many indicators suggest there will be a squeeze on consumers' disposable income in the months to come. This will create challenges for e-commerce, and companies must be alert to this risk. There is a careful balance to maintain between discounting to attract sales and upholding

brand values. The use of data is fundamental to assess how best to target different cohorts of customers and maximise the return on investment from marketing spend.

Do you work in e-commerce? Have you observed examples of good practice you'd like to share? As our economy recovers from the coronavirus, we think it's essential to bring together skills, expertise and learnings. Please share your thoughts with us on social media or by email.

We know retail and e-commerce

BGF has backed 18 companies in the retail and e-commerce sector with a total of £123 million invested and 7 exits to date.

We are the most active growth investor in the world. If your business needs funding to grow, we can help.