



How modernized IT systems can help businesses thrive in a post-pandemic world

Recovery and resilience in retail and consumer products

The COVID-19 pandemic has created uncharted waters for businesses across industries, and retail and consumer products companies are no exception. Consumer buying patterns have rapidly shifted to online retailers that offer essential items like food, cleaning mainstays, and medication. So while sales may be robust among retailers that provide essential products, those that sell nonessential products like apparel and beauty services are facing challenges.

Retail purchases at stores, gas stations, restaurants, bars, and online fell by a seasonally adjusted 8.7 percent in March compared with the previous month, according to the US Department of Commerce.¹ That represents the sharpest monthly decline since the government began keeping records in 1992. Despite the bleak forecast, it's important to remember that the economy will recover, and demand for retail and consumer products will likely rebound.

What's unknown is the speed and extent of recovery across sectors, as well as how altered customer and employee behaviors will persist in a post-pandemic world. (For a look at some possible scenarios and insights into resilient responses, see [“The world remade by COVID-19.”](#)) It seems likely there will be a lasting shift toward remote work and mobility. If so, processes, technologies, and work spaces will need to evolve apace. Enterprise systems will need to be modern, flexible, and scalable to support rapid, unexpected changes in processes and controls.

Continue to put people first

As the COVID-19 pandemic unfolds, business executives are continuing to prioritize the health and well-being of customers and employees. Leaders should communicate often and authentically to help alleviate concerns and build trust and transparency.

Retailers can commit to wellness by implementing processes and technologies that promote hygienic conditions and limit the time customers spend in stores. Some processes to curb contact can be implemented without significant capital investments. Supermarkets,



8.7%

Drop in purchases across select retail sectors in March

¹ US Department of Commerce, [Advance Monthly Sales for Retail and Food Services](#), April 15, 2020.

for example, are restricting the number of shoppers allowed in a store at one time and establishing dedicated shopping hours for the elderly and other vulnerable populations.

Another approach is to focus on improving efficiencies of in-store processes to expedite customer shopping. Some merchants, for example, have established “dark hours” during which all or parts of the store are closed for restocking and fulfillment of customer orders. Others have closed stores to the public and refitted them for customer order fulfillment, curbside pickup, and delivery. It’s possible that these “dark stores” will become a permanent variation in retail operating models.

Adding “touchless” technologies can help limit physical proximity by enabling self-checkout and contactless payments. Some retailers are encouraging customers to use branded mobile apps that allow them to pay for purchases without touching point-of-sale checkout screens.

The changes, challenges, and opportunities of fulfillment and e-commerce

COVID-19 has already begun to accelerate the convergence of conventional retail and consumer products business models. Consider e-commerce and fulfillment models.

The retail grocery sector has long been a holdout in adoption of e-commerce—with good reason. Grocers’ profit margins are atomically thin, and delivery is costly because customer orders often contain perishable items that must be delivered quickly. At the same time, many consumers have resisted online grocery shopping because they like to inspect the quality and freshness of meats and vegetables, and that can’t be done online.

Thanks to shelter-in-place rules, however, online grocery shopping has very suddenly become very viable. In fact, online grocery sales in the US skyrocketed 233 percent in March compared with August 2019, according to market research firm Brick Meets Click.²

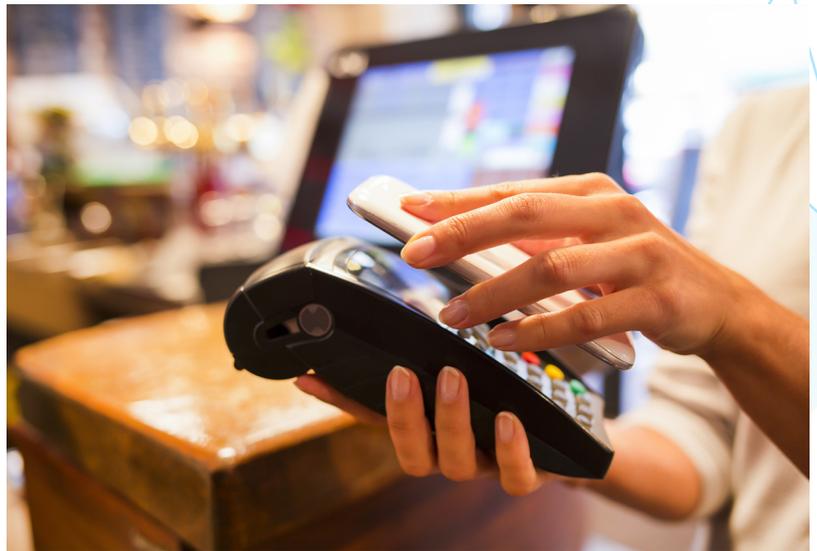


233%

Increase in online grocery shopping

It seems likely that e-shopping for food will continue to gain traction as store shutdowns and social-distancing rules push more digital shopping holdouts to online channels.³ As sales shift to the digital realm, grocery retailers will need more sophisticated, modern IT assets to support a seamless omnichannel shopping experience.

Similarly, more customers are embracing the “click-and-collect” shopping model: purchase an item online, pick it up at a physical store. If this practice becomes a new norm, retailers will need to carefully review fulfillment and reverse logistics strategies, as well as the processes and technologies that support them.



At the opposite end of the fulfillment spectrum are robotic warehouses. In recent years, big business-to-consumer (B2C) retailers have built automated fulfillment warehouses that are staffed by armies of picker robots working alongside humans. The need to limit physical proximity among employees could spur smaller merchants to incorporate robotics in certain roles. But the high costs of robotics may require that retailers form partnerships with others or work with third-party warehouse automation vendors. Fortunately, an expanding ecosystem of companies provides robotic fulfillment services across a variety of models.

Linking flexibility and supply chains

In a matter of weeks, COVID-19 weakened global supply chains by disrupting transportation, logistics, and employee availability. And that has reinforced a critical, if perennial, axiom: An agile, scalable supply chain, alongside creative thinking, is essential to keeping store shelves stocked.

A renewed emphasis on digital transformation

The need to agilely respond to the COVID-19 pandemic has renewed the emphasis on digital transformation. Navigating this type of rapid upheaval requires modern core applications that can be integrated with new technologies like digital distribution channels, robotics, and omnichannel shopping.

² Brick Meets Click, [Online Grocery Delivery & Pickup Scorecard: March 2020 - How do you compare?](#) March 30, 2020

³ [Angus Loten, “Tech Hiring Slows as Businesses Grapple With Economic Volatility,” Wall Street Journal, April 1, 2020.](#)

The IT infrastructure must also support increased mobility and collaboration as more employees work remotely. Moving communications and core applications to the cloud can help improve availability, reliability, and resiliency—capabilities that are essential in crisis and in growth periods. The cloud can also immediately scale to adjust to massive—or everyday—fluctuations in computational needs.

The long view: Adapt and thrive

It's a pivotal moment for retail and consumer companies. The rapidly changing environment will likely offer growth opportunities to businesses that are powered by agile, modern technologies like cloud computing, analytics, and mobility. Those that rely on legacy applications and systems, however, may have difficulty adjusting to a transformed business environment.

That's why application modernization and migration are more important than ever. But in any economic downturn, especially one of this magnitude, cost-cutting is often the first instinct. It shouldn't be.

Application modernization can create efficiencies that lower costs and help build a flexible, agile IT environment. A further benefit is that modernized systems can reduce the need for legacy coders, who are in short supply and tend to command comparatively high salaries. Additionally, migrating applications and workloads to the cloud can reduce computational costs, enhance scalability, and lower operational spending—key considerations for any cash-strapped business.

Retailers that move forward with a modernization and cloud migration initiative will likely be better positioned to adapt in the near term and thrive in the long term. And that can deliver compelling returns on investment and position retailers to seize opportunities to boost growth, define new business models, and lead the market.



Another benefit is that the cloud model can help IT staff, whether in-house or remote, operate more efficiently. That's particularly advantageous right now, as businesses are being forced to trim IT spending in response to the COVID-19 pandemic. A new Gartner survey predicts that worldwide spending on IT services will decrease 7 percent this year, even as businesses rely more heavily on technologies and people to support operations and e-commerce.⁴ If this downward spending trend continues—and many analysts believe it will—adoption of cloud computing and managed IT services is likely to accelerate. Both models offer opportunities to reduce IT system costs, particularly those associated with maintenance and operations.

⁴ Gartner, *IT Spending Forecast, 1Q20 Update - It Will Get Worse Before It Gets Better*, April 2020.

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