



invidis happy hour #7

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19|20 May 2020

- **Economic impact & outlook | Consumer spending | Business reaction | Measures**



New Opportunities

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One thing that everyone has learnt throughout this pandemic, is that you can't predict the 'future of retail'.

But what you can do, is

use this opportunity

to force a re-think,

consolidate your business,

shake-off legacy that's held you

back, and develop a plan to come

out of the other side winning

Briggs Hillier 2020



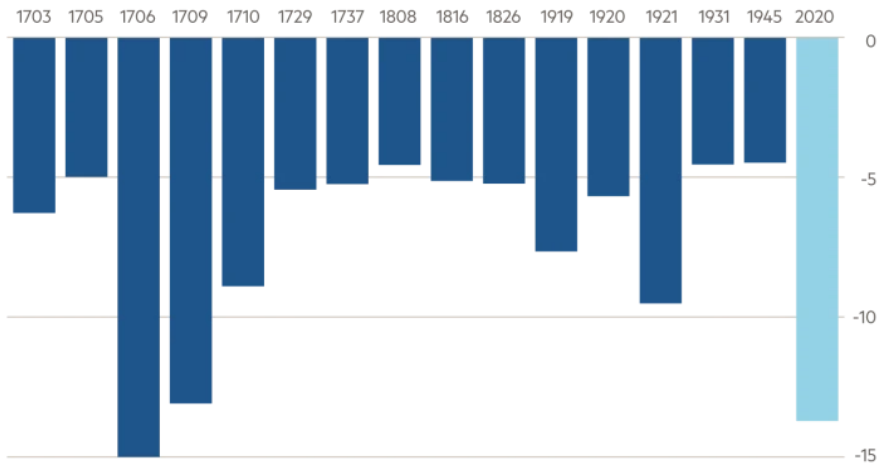
Crisis

A fair being held on the Thames at Temple Stairs during the Great Frost of 1709 © Heritage Images/Getty Images

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This year is set to be one of the worst in 300 years of UK economic history

Annual falls in real GDP of more than 4.5 per cent (%)



2020 = BoE 'illustrative scenario'

Source: Bank of England

© FT

BoE warns UK set to enter worst recession for 300 years

This would mean an almost 30 per cent drop overall in the first half of 2020, the fastest and deepest recession since the “great frost” in 1709. (FT)

Global economy will suffer for years to come, says OECD (BBC)

Retail sales plunge a record 16.4% in April, far worse than predicted (CNBC)

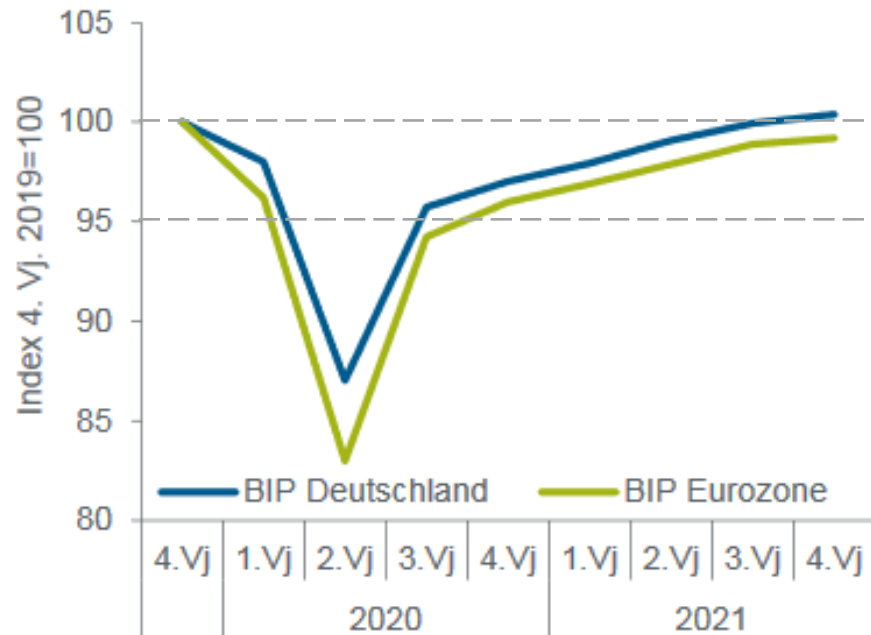
Coronavirus: Worst economic crisis since 1930s depression, International Monetary Fund says (BBC)



Economic impact

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Grafik 1: Basisszenario KfW Research

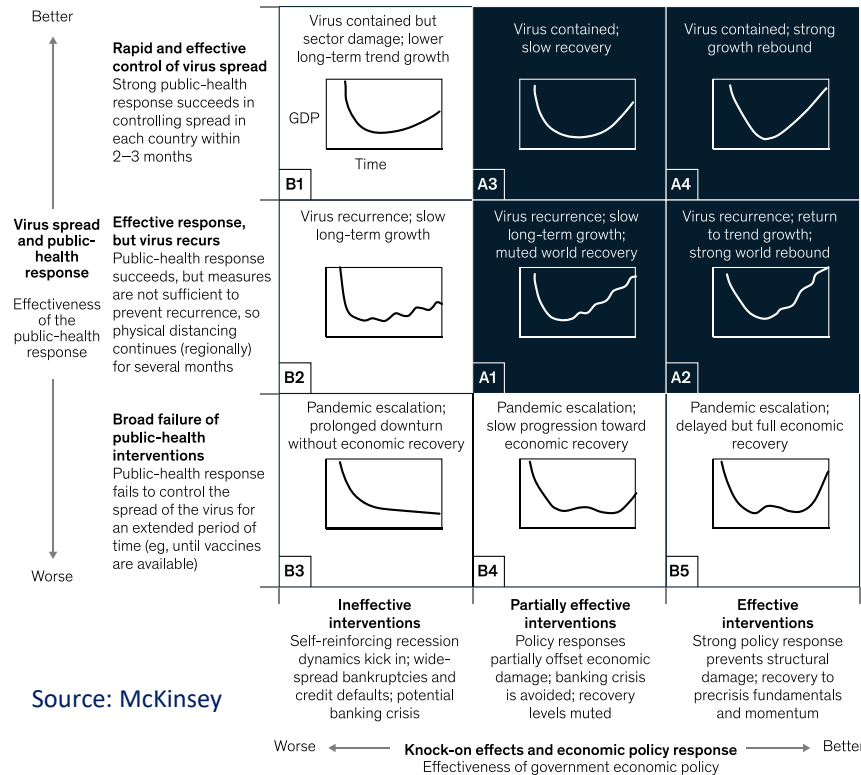


- Economic impact is broad and massive
- Supply and demand side shocks
- Across broad spectrum of industries (manufacturing and services)
- Deep recession even after easing of lockdown (Q3 onwards)

Economic impact

Scenarios for the economic impact of the COVID-19 crisis.

GDP impact of COVID-19 spread, public-health response, and economic policies



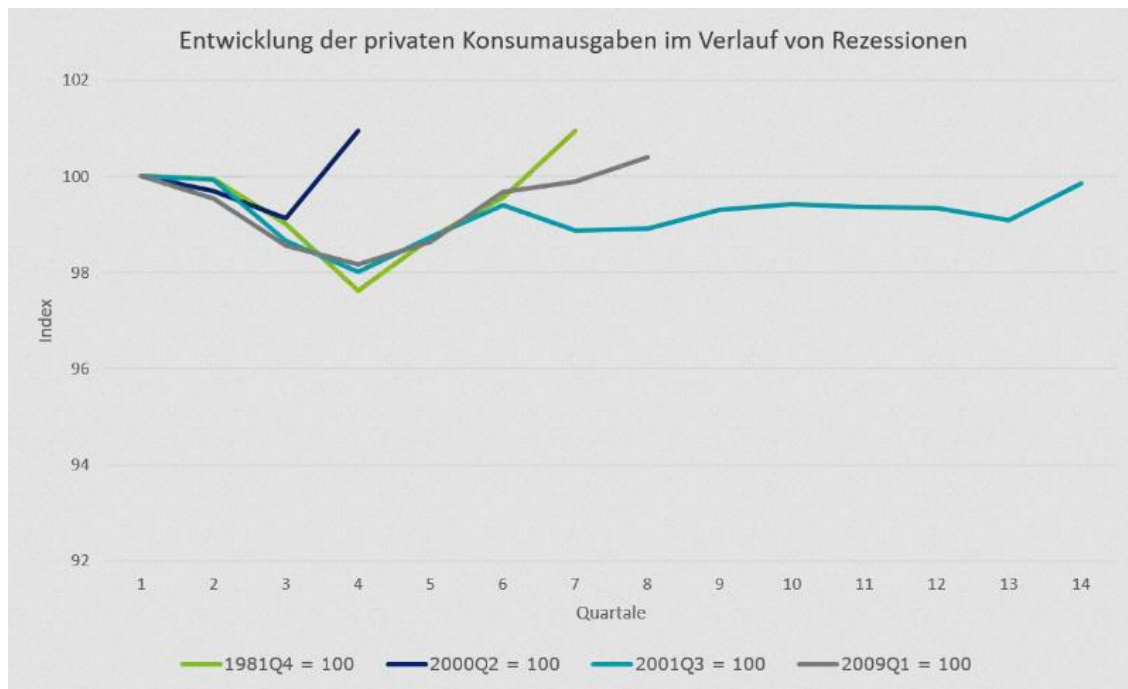
Source: McKinsey

- Most industry leaders expect a slow recovery (A1)
 - Partially effective public health response
 - Partially effective economic policy response
- More optimists (A-scenarios) than pessimists – 60:40



Consumer Spending

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- Spike in unemployment rates and short-term-work (Kurzarbeit) schemes
- Decline in available income
- Substantial decline of consumer confidence globally
- **Consumer spending recovery typically takes 6-8 quarters (-> end of 2021 / beginning of 2022)**

Global consumers anticipate pulling back on spending across categories.

Expected spending per category over the next 2 weeks compared to usual¹
net intent %²



- Strong divergence between categories and countries
- Consumers plan to spend more than usual for **groceries (e.g. Food)** and **home entertainment (e.g. Streaming)**, while spending for **restaurants, jewelry, outside entertainment** and **travel** is very weak
- Geographically spending habits follow the outbreak of the virus from Asia to the Americas. Consumers in **China** and **Korea** plan to spend more, while Europe is just ending lockdown and Americas are lagging behind

¹Q: "Over the next two weeks, do you expect that you will spend more, about the same, or less money on these categories than usual?"
²Net intent is calculated by subtracting the percent of respondents stating they expect to decrease spending from the percent of respondents stating they expect to increase spending.
 For Skin care & makeup, the China data only includes Skin care. Makeup net intent was -4.
 Source: McKinsey & Company COVID-19 Consumer Pulse surveys, conducted globally between March 15 and May 3, 2020

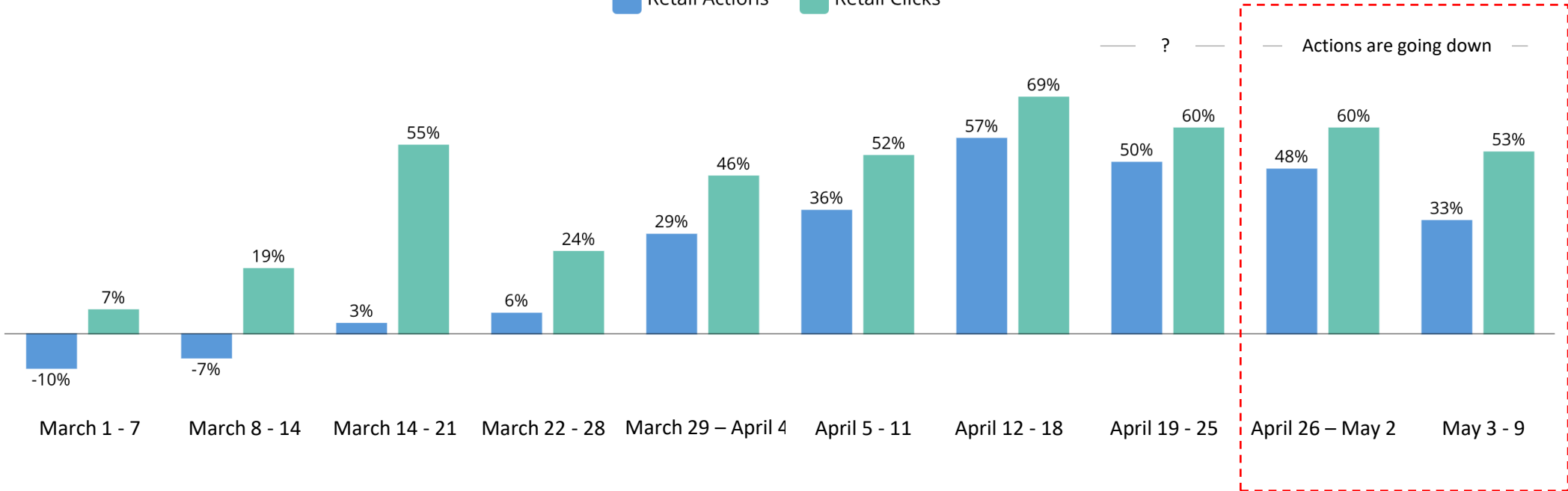
Segment by Week – YoY

This chart is showing actions and clicks by segment by week for March – early May this year vs. last year

Actions and Clicks / Weekly Performance by Segment / March 1 – May 9

YoY development in %

Retail Actions Retail Clicks



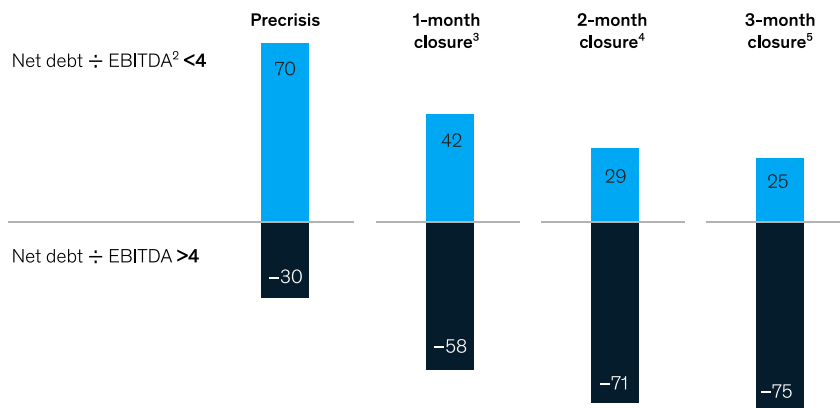
Source: CJ Affiliate



Business impact

Depending on the duration of store closures, 75 percent of apparel and fashion companies could face challenges managing debt levels.

Share of companies with high debt burdens, by duration of lockdown, %¹



¹Analysis of 77 listed apparel and fashion companies in North America. Net debt defined as total debt minus cash and cash equivalents.

²Earnings before interest, taxes, depreciation, and amortization.

³1-month store closure and 1-month lost sales in ramp down and ramp up: equivalent to 17% FY-revenue and cost-of-goods-sold (COGS) decline.

⁴2-month store closure and 2-month lost sales in ramp down and ramp up: equivalent to 33% FY-revenue and COGS decline.

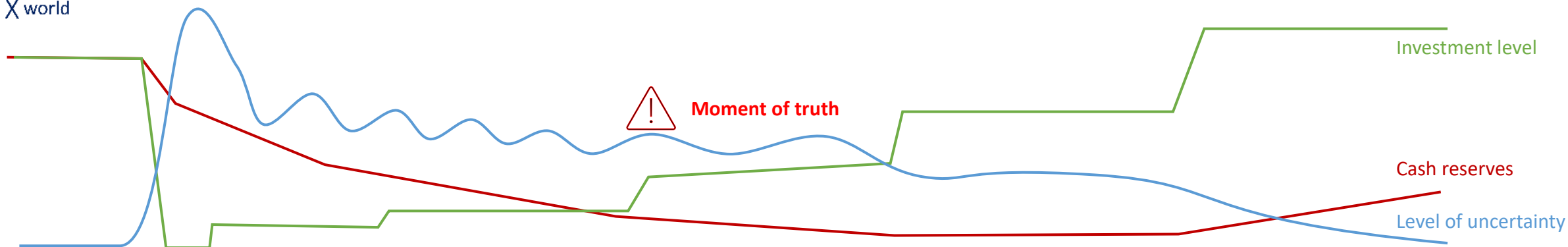
⁵3-month store closure and 3-month lost sales in ramp down and ramp up: equivalent to 42% FY-revenue and COGS decline.

- The hardest time still lies ahead
- Short term support measures help to buy time ...
 - Direct financial support for SME
 - Reduction of staff cost (Kurzarbeit)
 - Postponement possibilities for rent and taxes
 - Easier access to capital (government backed loans)
 - Relaxed insolvency law rules
- ... but will not be enough to save struggling businesses
 - Businesses will use up their reserves
 - Significant increase of defaults and insolvencies expected for fall / winter when short term measures run out



Business reaction

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First shock

- Cash management
- Immediate actions
- > **Hibernate**

Restart

- Adjust processes
- Rebuild consumer trust
- > **Operations focus**

Learn & adjust (or survive)

- Manage cash & costs
- Invest selectively (RoI)
- > **Stabilize**

Adapt

- Manage cash & cost
- Rewire business model
- > **Set for growth**

Grow

- Heavy invest into new business model
- > **Grab market share**

DS Implications:

- Invest freeze
- No new projects

- Quick solutions, e.g. access control

- Nice to have not relevant
- Financing models (CAPEX->OPEX)

- Novel solutions, e.g. Offline-Mobile

- Trusted partnerships
- Relevant competencies



Status Quo Digital Signage

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Digital Signage was **never more useful** than today, but does that **lead to new business** - not necessarily

- Cutting DS costs are not priority for businesses (rents, staff are much higher)
- Short term effects tend to skew the picture
- B2B2C industry - time lag between consumer spend and B2B
- Project business (18 months lead times)
- Challenge DS sales: not just win business, but win business with the right customers



Takeaways for DS

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- Manage cash
- Validate customer portfolio
- Speed matters
 - Innovation
 - Decisions
- Increase flexibility
 - Variabilize cost
 - Seize opportunities, e.g. access control, menu boards, meeting spaces
 - Offer short ROI solutions
- Monitor and react to emerging themes
- Rethink business model, ecosystem, M&A



Store archetypes

Static

Dynamic

Interactive

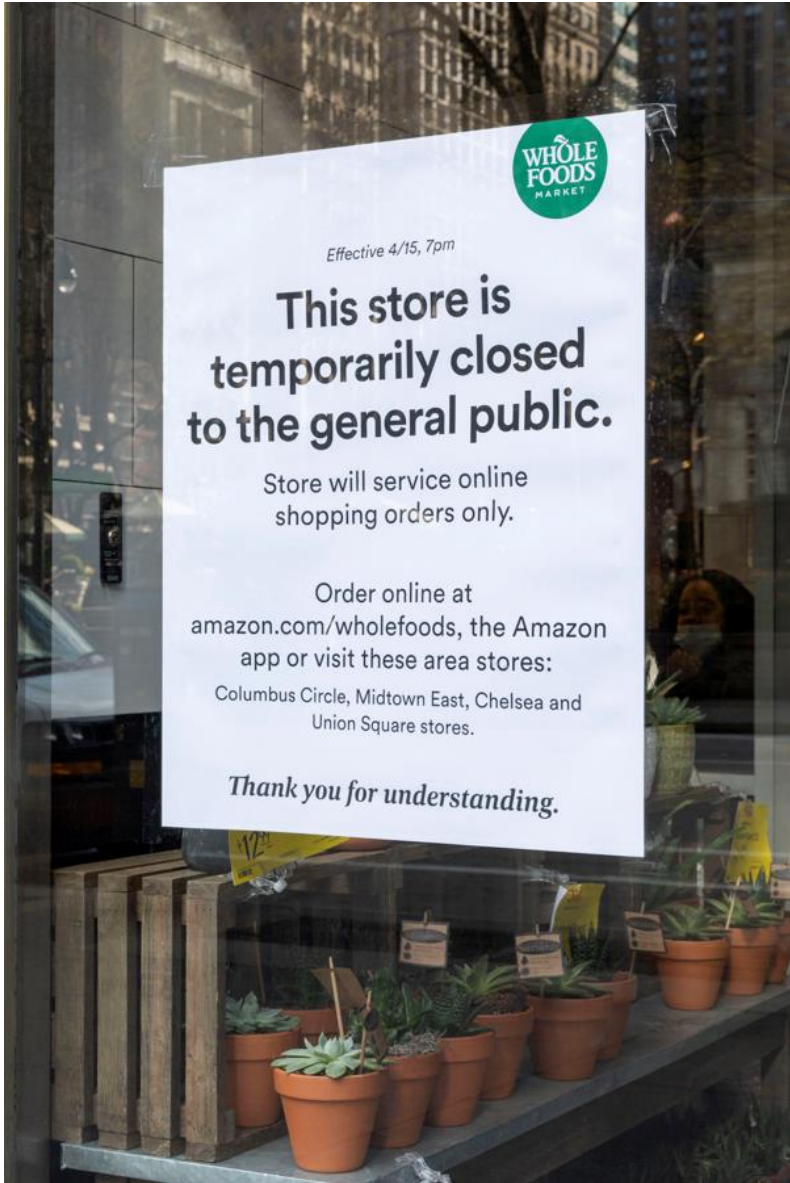
Adaptive

Crisis require **flexible strategies** - especially in retail

Amazon **converts existing** Whole Food grocery outlets in temporary dark stores, either

- by closing the full store or
- fencing of part of the fully operational store

The flexible use of Whole Food store is a prime example for **adaptive stores**



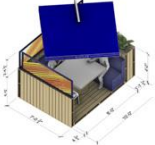


Aldi UK partners Deliveroo for grocery home delivery


TEST FITS

KIT OF PARTS INVENTORY

BASE MODULE TYPICAL




SERVICE & SANITATION

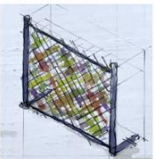


OPEN DECKING

SIDEWALK DECKS

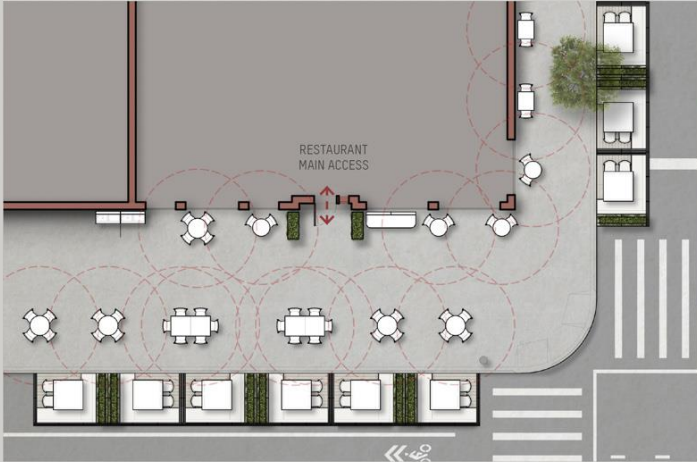


STREET FENCING

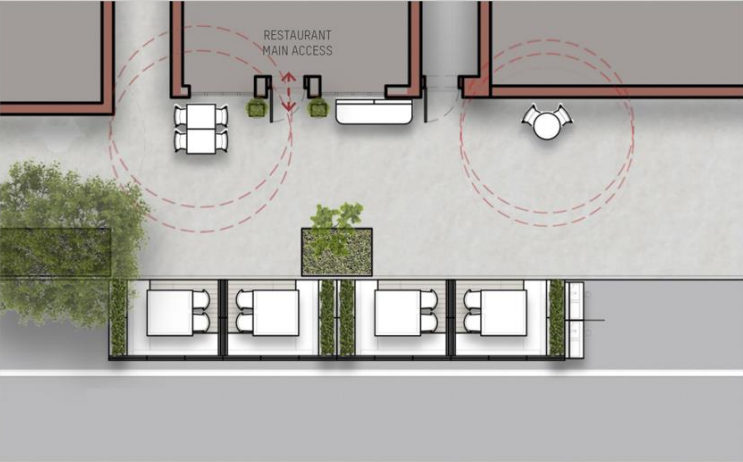


ACCESSORIES

- LIGHTING
- UMBRELLAS
- FANS
- PLANTER BENCH
- MODIFIED STRUCTURE



MELBA'S - 104 SEATS



OTHER - 30 SEATS



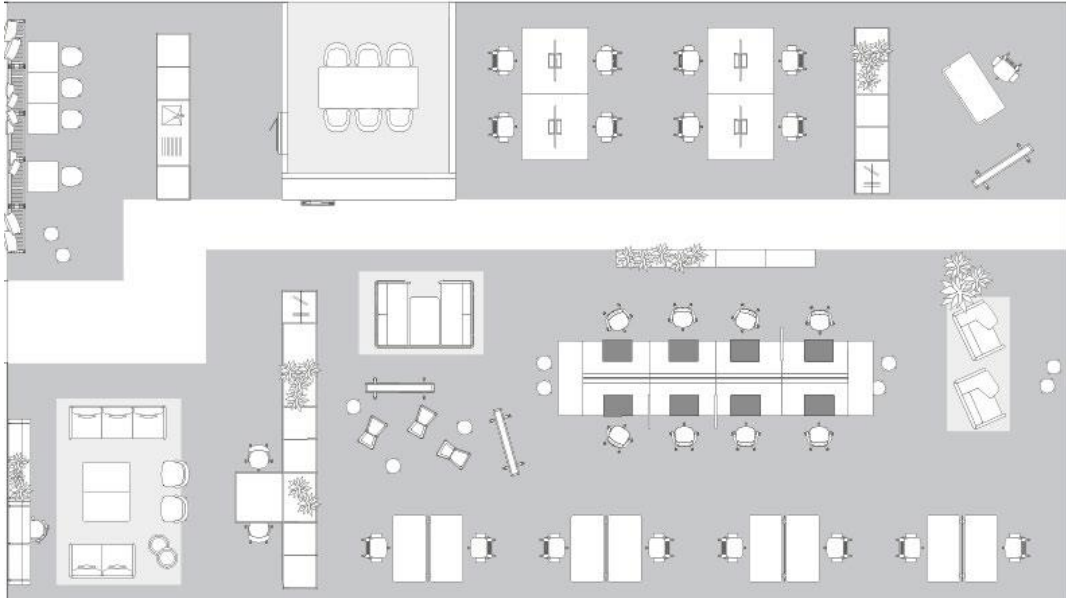
OTHER - 216 SEATS



OTHER - 164 SEATS

rockwellgroup

Adaptable and portable restaurant designs extending to sidewalks and beyond



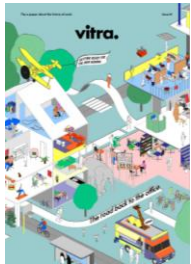
Before: open plan | Space: 371 m² & 64 seats



After: open plan | Space: 371 m² & 35 seats

Source: Vitra

Free Download

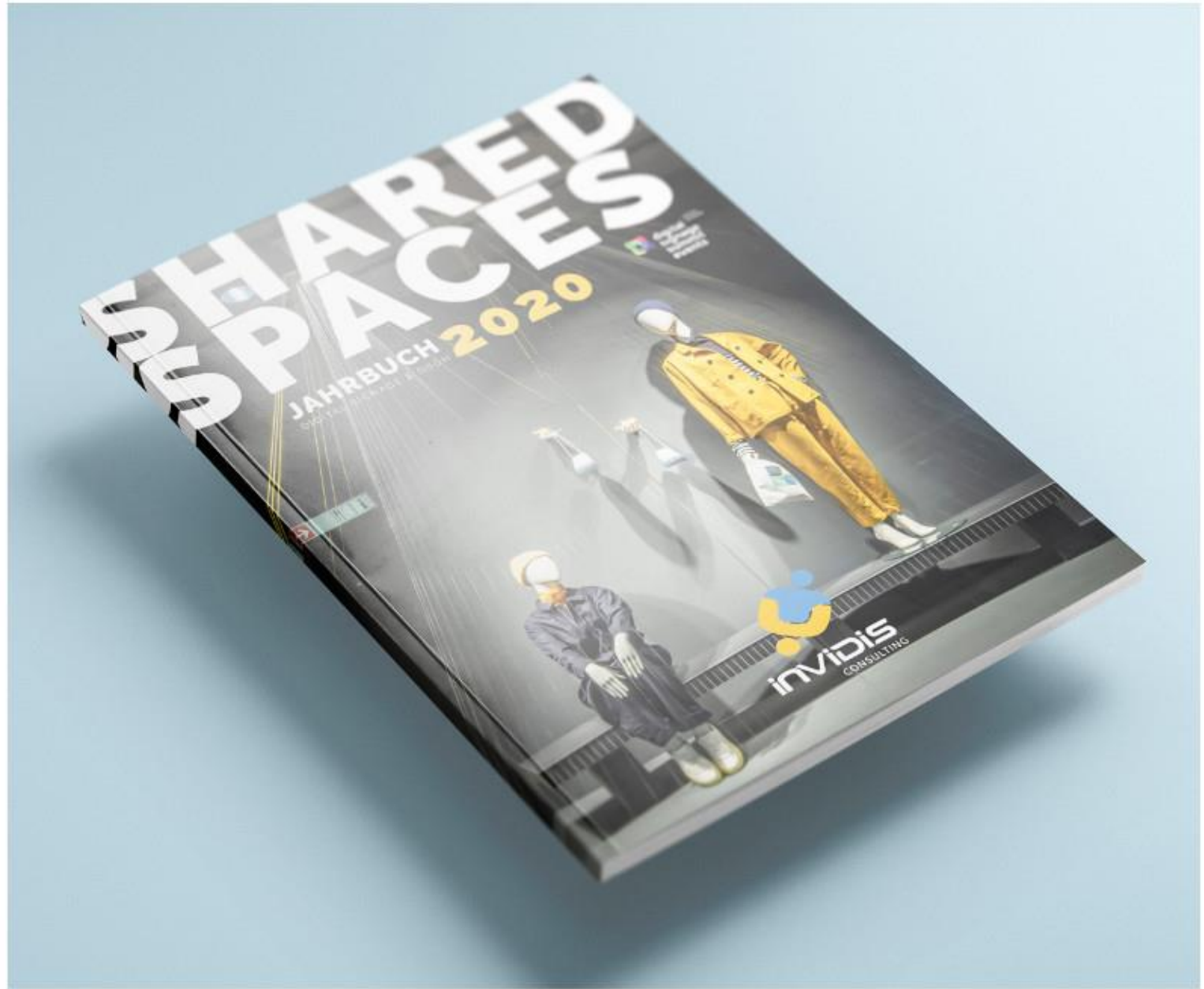




UV- C Sterilizing Chamber in Thai mall



Livestreaming boosts online/offline sales and store footfall (+50% YoY)





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