

Social and Economic Impacts on Retail and E-commerce in COVID-19 Pandemic

Cheyenne N. Darcy

New York City College of Technology

Abstract

This study reviews the economic and social impacts that the COVID-19 pandemic has had on the retail sector, and argues why e-commerce has modernized consumer buying demand to match the norms of today. The extent of the problem explains that the COVID-19 pandemic has created a disruption in commerce, causing havoc on the economy, and has altered people's lives. Retailers are feeling the impacts of COVID-19, including changes in consumer behavior and their spending patterns. Due to the pandemic, consumers are conscious of what they are buying, and changes in income are affecting consumers' purchases. If the majority of retailers don't consider the short term and long term effects that e-commerce will have on retailing, it may negatively impact their business. E-commerce purchases have become a way of survival for consumers, and these behaviors may permanently become common in years ahead, leaving the future of retail at stake. Consumers may get used to new forms of shopping, as the shift to online retailing continues to grow.

Keywords of study: Retail; e-commerce; consumer; social impacts; economic impacts

Biography of Author



Cheyenne Darcy is 21 years old, born and raised in Brooklyn, New York. She is half Jamaican and African, being the only girl of three older brothers. Her mother and father are two very loving, and supporting people who strive to see Cheyenne succeed. Since she was young she's always been hard working, determined, and motivated to work to her full potential. Her hobbies include shopping, watching youtube, listening to music, and spending quality time with friends. With a passion for fashion, she loves the industry for what it truly is. As a college student she's studying to receive a degree in the Business and Technology of Fashion, and wants to apply her degree to a career at a fashion company.

*Corresponding author

Email address: cheyenne.darcy@mail.citytech.cuny.edu

The global coronavirus pandemic (COVID-19) has captured the zeitgeist of the times, not limited to humanitarian and health challenges of millions of people, but created impacts on a variety of sectors (Atmar et al, 2020). Across the nation, retail is one of the highest affected sectors of COVID-19, as the pandemic has constituted a shift in consumer behavior, creating many uncertainties for retail businesses and shoppers worldwide (COVID-19 has Changed the Fashion Industry: Here's How Retailers Should Prepare for Holiday and Beyond, 2020).

In an economic aspect, the coronavirus has heavily impacted the economy in a multitude of ways. We've witnessed a decline in consumer demand, stay-at-home orders be put into effect, and a reduction in entertainment spending is prevalent (Pandise, 2020). In the midst of the pandemic, self-quarantine became a norm, which limited consumers to their homes, thus inviting them to pivot to economic commerce. According to Shopify.com, e-commerce otherwise known as economic commerce, "refers to the buying and selling of goods or services using the internet" (Ecommerce Definition - What is Ecommerce, 2020). Major companies such as Lord & Taylor and Century 21 Department Stores have filed for bankruptcy during the pandemic, as more consumers are purchasing online. Accenture states that "33% of consumers are finding themselves 'financially-squeezed', with less disposable income compared to before the crisis, and are shopping more cost consciously, whereas 26% (the 'Resource-Rich') have increased both their disposable income and free time, and are enjoying new leisure pursuits" (Pandise, 2020). Economic concerns are at a high, consumers are conscious of their purchases, and changes in discretionary income are impacting how consumers make purchases.

In a social aspect, the economy gradually reopened as COVID-19 cases in the United States were leveled; however social distancing heavily impacted retail store capacity, which created more problems for retailers. Social distancing is the idea of taking measures to prevent

the spread of the coronavirus disease, through means of maintaining a physical distance between people. Generally, consumers are going into physical stores to get items that typically can't be purchased online. Otherwise, consumers are driven to spend the least amount of time in stores, to limit physical contact with others (COVID-19 and Social Distancing Impact on Retail Customer Experience: KPMG vision & approach for Large Retail Chains, 2020). Upon this idea of social distancing, e-commerce purchases have become a focal point and a way of survival for many, and such behaviors may permanently become common for consumers. This research paper aims to discuss the economic and social impacts that the COVID-19 pandemic has had on the retail sector, and why e-commerce is rejuvenating consumer buying demand to match new societal norms of today.

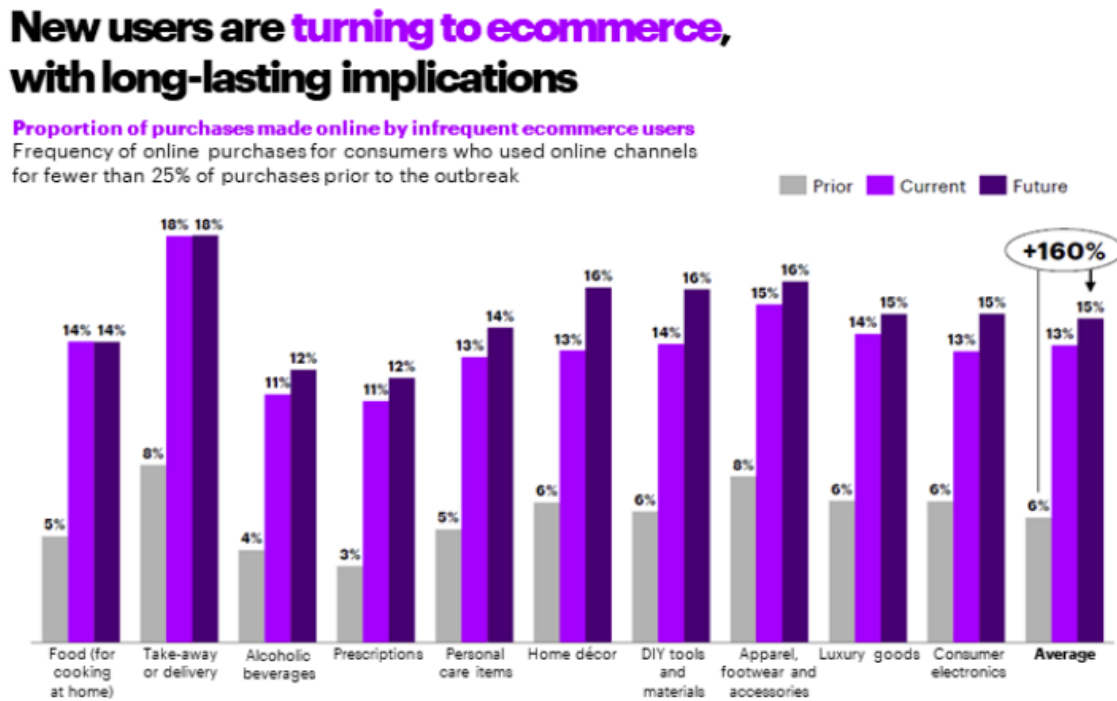
Extent of the problem / how bad is it?

The COVID-19 pandemic has created a disruption in commerce, causing havoc on the economy, and has altered people's lives. Retailers who sell essential goods are facing an increase in demand to serve consumers who are staying at home. Not only is a shift to e-commerce becoming a problem for retailers, but businesses have to ensure that inventory, delivery, supply chain management, and the safety is kept at bay. On the contrary, retailers of non essential goods such as apparel, are facing a decline in sales. Ultimately, consumers are becoming accustomed to new ways of shopping from home, which creates a shift in commerce behaviors (Roggeveen & Sethuraman, 2020).

As represented in Table 1 located below, from Accenture COVID-19 Consumer Research, it explains that in April 2020 new users are returning to the use of e-commerce, and it can have long lasting impacts on the future of retailing. There is an uptake in the amount of users who

make online purchases now, in comparison to before the pandemic. On average there is a 160% spike for the future of e-commerce.

Table 1: New Users are Returning to E-Commerce, with Long Lasting Implications



Source: Accenture COVID-19 Consumer Research, conducted 17-27 April 2020

Individuals should be concerned about the lasting economic and social impacts that the COVID-19 pandemic has had on the retail sector. Consumers may get used to new forms of shopping, as the shift to online retailing continues to grow. This sudden imbalance between online and offline sales are causing retailers problems, more than what was visible prior to the pandemic. Despite the fact that lockdowns have eased, consumers still have the desire to stay at home. Many businesses have reopened, yet the home continues to be where the majority of activities takes place. Accenture states that “The latest data suggests there will be a huge increase of 169% in ecommerce purchases from new or low frequency users, post-outbreak. And the vast majority of consumers who have increased their use of digital and omnichannel services, such as home delivery, curb-side pickup or shopping via social media platforms expect to sustain these

activities into the future” (COVID-19: Retail Consumer Habits Shift Long-term, 2020).

E-commerce may take over retailing long term due to this shift in consumer buying habits over the past months, and where might this leave brick-and mortar-stores or mom-and-pop stores?

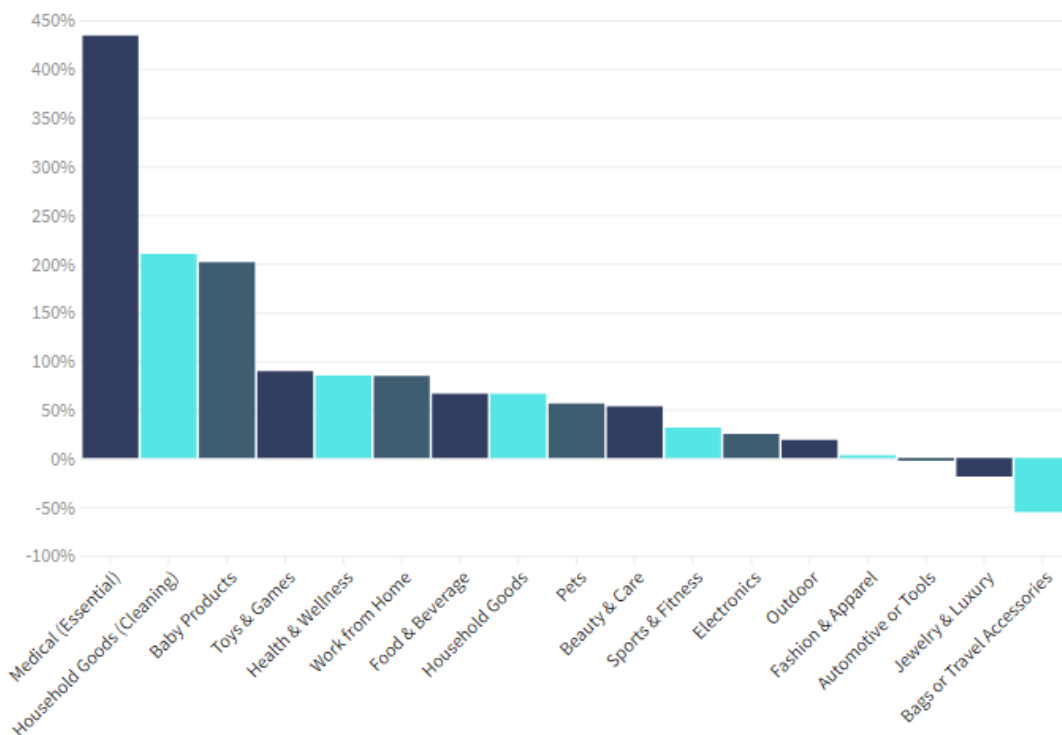
Who is affected / how are they affected?

Retailers are feeling the social and economic impacts of COVID-19, from changes in consumer behavior to their spending patterns. Ranging from small retailers to larger structures like Macy’s and Nordstrom, have been compelled to create new business strategies to support the pandemic (How Retailers are Feeling the Effects of COVID-19, 2020). As there is a shift in retail strategies, retailers must understand how essential e-commerce presence is, in an era of social distancing. Delivery services from online purchases have now become a focus for many. Along with this issue, retailer managers must monitor the health of employees, practice social distancing, and use essential protection equipment such as face masks.

Table 2: Ecommerce Consumer Sales (COVID-19) +52.20%

Ecommerce Consumer Sales (COVID-19) +52.20%

Aggregated via ShipBob, ShipHero, Attentive, Stackline, CTC, Klaviyo, Emarsys, Rakuten & Adobe



As represented in Table 2 located above, from the Common Thread Collective, we see that there is a significant rise in e-commerce spending for certain goods than others. Economically, consumers are spending more on essential goods such as medical, household goods, and baby products compared to other goods like fashion and apparel, and automotive or tools. Socially, consumers are driven to do their purchasing, online rather than to be physically present in stores.

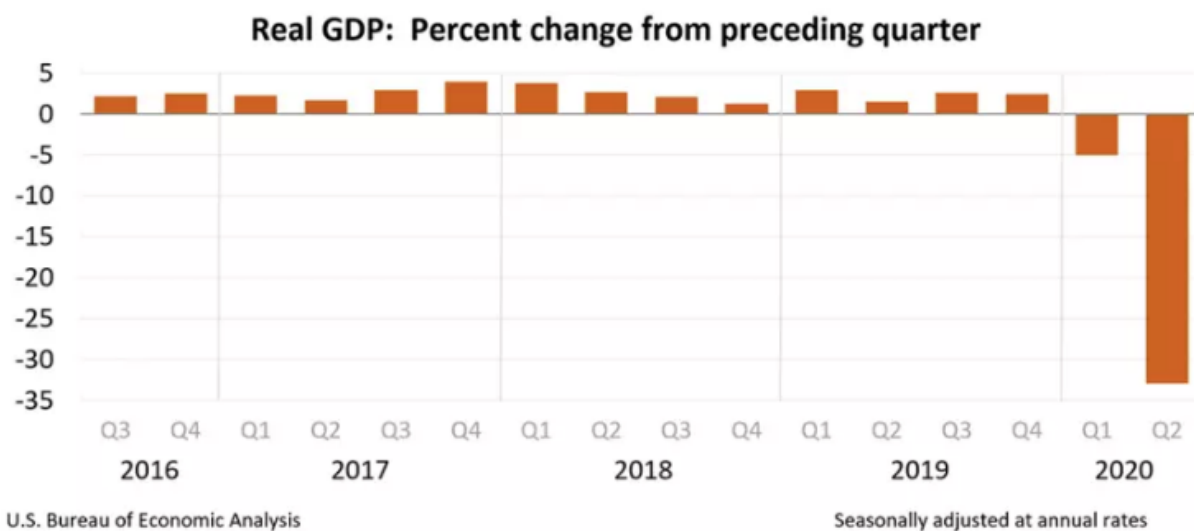
The economic disturbance that the COVID-19 pandemic has had worldwide, has led to a significant amount of bankruptcies in the year 2020 (COVID-19 Pandemic Wave of Mega Corporate Bankruptcies, 2020). An uptake in bankruptcies is seen in apparel retailers, as consumers are purchasing less of these products during the pandemic (Retail decline continues with Bankruptcies and Closures Sped up by the Pandemic, 2020). Apparel retailers such as Lord & Taylor and Century 21 Department Stores, have had liquidation issues and filed for bankruptcy since the beginning of the pandemic. According to NBC News “Lord & Taylor, the nation’s oldest department store, filed for Chapter 11 bankruptcy on Aug. 2. The company sold to French retailer Le Tote and sold its 11-story New York City flagship location last year. The chain operates dozens of locations nationwide” (Pandise, 2020). NBC News also states that “Off-price retailer Century 21 filed for Chapter 11 bankruptcy on Sept. 10. The department store chain, which operates 13 locations in four states, has been offering shoppers low prices on designer goods since 1961. Co-CEO Raymond Gindi cited lack of insurance funding as a reason for the business closure” (Pandise, 2020). Non essential businesses such as retail department stores are in a fight to meet the ever demanding needs of consumers.

Cause / Effect

Across the globe the infectious coronavirus disease has had significant impacts on retail, both socially and economically. Conventional business models have been changed, particularly

those with an online platform, while the offline stores are struggling to stay in operation (Impacts of Coronavirus turn into Opportunities, 2020). In a social light, consumers are engaged and shopping at home, for the safety of themselves and others. Retail brands are expanding their online presence to social media, with the desire to create quality and engaging content for new and existing customers on the internet. In an economic light, the pandemic has been the hardest hit to the US economy since the Great Depression, impacting business and consumer spending. With consumers losing their jobs in the midst of the pandemic, they are spending less, and are more conscious of their spending habits (Mutikani, 2020).

Table 3: Real GDP Percent Change from Precedent Quarter



The biggest fall on record [Image: US Bureau of Economic Analysis](#)

As represented in Table 3 located above, from the US Bureau of Economic Analysis, it is noted that the Gross Domestic Product has fallen at a 34.1% rate in the quarter of April-June. The output has shrunk 10.6% in the first half. Such impacts that have risen due to the pandemic, may become an issue for the future of retailing.

Repercussions of the Problem

If the majority of retailers don't consider the short term and long term effects that e-commerce will have on retailing, it may negatively impact their business. It's possible that consumer behavior will change subsequent to the pandemic, causing e-commerce to become the new norm. Due to social and economic impacts on the pandemic, retailers must adjust certain aspects of their businesses to meet the needs and wants of consumers in today's society (Roggeveen & Sethuraman, 2020). In the fashion retail industry, approximately 47% of retailers have yet to adjust e-commerce practices since the rise of COVID-19, although a shift is present in online shopping. Lisiewski from New York Fashion Week states that "Online shopping has been steadily growing over the past several years, but we have seen a massive acceleration during the pandemic," "This is a coming-of-age for e-commerce, and it's here to stay well past the pandemic." He explains that businesses who fastly adapted to the new age of e-commerce have been the most successful in converting in-store foot traffic to online traffic (COVID-19 has Changed the Fashion Industry: Here's How Retailers Should Prepare for Holiday and Beyond, 2020). Consumer spending and behavior is typically altered during the times of a recession, and retailers must look online to seek success (How Retailers are Feeling the Effects of COVID-19, 2020).

Possible Solutions

Will work: Retailers can use specific tactics to prepare for retail success in the COVID-19 pandemic. Not only has the pandemic changed consumers buying habits, but it has created a larger shift in how retailers must respond to this change. Retailers that are lacking in online presence, like brick-and-mortar stores can strengthen this presence by optimizing their customer experience. These retailers can adhere to basic customer expectations, and comply with

health-and safety regulations. In relation to in store presence, the use of personal protective equipment (PPE) like masks, keeping a headcount of the number of customers in physical stores, ensuring social distancing, and providing contactless transactions are important. One may argue that to strengthen e-commerce presence for brick-and-mortar stores, these retailers can create a consistent e-commerce platform good for purchasing, returning/exchanging, selecting, and researching. The digital experience should be smooth, mobile responsive and offer services such as “buy online and pick up in store” (BOPIS) (Yohn, 2020).

Won't work: Given that e-commerce is dominating, retailers should create effective in-person retailing. Prior to the pandemic, some retailers would feature special experiences in their stores, with gained foot-traffic, convincing them to stay longer in stores, and purchase more products. However, now retailers must comply with the safe, protective measures in stores or it may be detrimental to consumers (Yohn, 2020). One may say that yes, elevating the in-person shopping experience and driving consumers into the stores is good, but it may pose health risks to many. Creating fun, entertaining spaces in store wouldn't be the best idea because maintaining social distancing is important. Essentially, when consumers go in-store for shopping, rather than going online, they evaluate their experiences differently than prior to the pandemic. Now when consumers go into stores their experiences are evaluated by the cleanliness of the store, and whether the store is large enough to practice social distancing measures (Roggeveen & Sethuraman, 2020).

Possible oppositions: Increasing the use of robots in store can limit person-to-person contact in stores. According to Steven Keith Platt, research director for the Retail Analytics Council and adjunct professor at Northwestern University “I strongly believe that the current health crisis will accelerate the adoption of robots in retail” (How Retailers are Feeling the

Effects of COVID-19, 2020). One may believe that using artificial intelligence will eliminate tasks that humans have to complete, but will displace more employees, leaving them without jobs. XPO Logistics supply chain managing director Richard Cawston told Retail Gazette “Further, the robots will handle the heavy lifting and moving of inventory, making warehouse operations safer for workers” (Szajna-Hopgood, 2020). In the pandemic, people are struggling financially,. and replacing jobs with artificial intelligence robots wouldn't be economically wise.

In conclusion, this research paper examined the economic and social impacts that the COVID-19 pandemic has had on the retail sector, and argued why e-commerce has rejuvenated consumer buying demand to match new societal norms of today. Consumers are conscious of what they are buying, and changes in income are affecting consumers' purchases. Social distancing measures have impacted retail store capacity, creating problems for retailers. E-commerce purchases have statistically become a prime way of shopping since the pandemic arose. It has become a way of survival for consumers, and these behaviors may permanently become common in years ahead, leaving the future of retail at stake. Consumers may get used to new forms of shopping, as the shift to online retailing continues to grow. The difference between online and offline sales are causing retailers problems, more than what was visible prior to the pandemic. In a technology driven age, what will the future hold for retailing? Will e-commerce officially become the new norm?

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