

# Ways and challenges for service retailers to recover from the COVID-19 pandemic

Botao Dong<sup>1, a</sup> and Chuhui Yang<sup>2, b</sup>

<sup>1</sup>Business School, University of Birmingham, Birmingham, UK

<sup>2</sup>School of Accounting and Finance, University of Bristol, Bristol, UK

<sup>a</sup>BXD094@student.bham.ac.uk, <sup>b</sup>mn20677@bristol.ac.uk

**Abstract.** The Covid-19 pandemic has dramatically altered the landscape of service retail. From consumer habits to retail references, service retailers around the world have to transform their strategies in order to first recover and then thrive in the post-pandemic business environment. This essay will attempt to offer solutions on how service retailers may respond to and recover from the pandemic. The essay bases its fundamental organization on the Retail Mix, analyzing the strategy from products and services, brand, price, offers, communications and distributions.

**Keywords:** The Covid-19 pandemic; Retail; Business environment.

## 1. Product innovation

Firstly, in order to respond to and recover from the Covid-19 pandemic, it is helpful for service retailers to engage from the aspect of Product and Services. According to Blut et al. (2018), the products and services that a retailer offers stand at the central configuration to the retailer's business, and henceforth they should carry the most significant weight to the response and recovery strategies. More specifically, in the Product and Services aspect, it is vital for the service retailers to innovate on their respective products and services not only to improve attractiveness to consumers but also to enhance their competitiveness in the post-pandemic environment.

The suggestion of the product innovation stems a recent study conducted by Pilawa et al. (2022). In their research on service innovativeness through 6000 consumers of 28 retailing firms, Pilawa et al. find that high service innovativeness in response to the Covid-19 imposed conditions appears more attractive to consumers. The reasoning behind is clear from the perspective of consumer psychological that because of the shifting environment, a service provider who is able to innovatively adapt to the changing environment must then provide products that are better than that who remain unmoved to the original environment. Hence, it is then of the foremost importance for the service retailers to improve on their product innovations and render new service to consumers not only to appear as innovators and adaptor to the environment but to attract consumers. This recommendation is further consolidated by the research conducted by McKinsey & Co. which reported that over 75% of consumers had tested new brands or products during the Covid-19 pandemic, and among the 75% of consumers, many had shifted their original purchasing behaviors (Arora et al., 2020). Therefore, Covid-19 is not entirely an environment of challenge for service retailers but more importantly, it provides an opportunity for innovation and product launching as many consumers, amid the changing conditions of living, opt for new changes in purchases.

Specifically, the product and service innovation may comprise of many aspects from the retailers. For example, successful innovation response, as proposed by Naeem (2021) includes services to resolve anxiety and self-isolation. Caring services and psychological assistance are provided with the original services to provide the consumers with a much-needed psychological comforting innovation. Furthermore, social aspect innovation in services is also recommended. As self-isolation becomes often the front of pandemic solution, services that resolve the much-needed social aspect may provide the targeted innovation as service response to the pandemic.

Furthermore, as suggested by researches, Product and Services shall shift to more essentials based on consumer behavior. Sheth (2020) and Islam et al. (2021) both suggest a transformation of consumer purchasing behavior towards more fundamental products and consumers are now more

inclined to spend on essentials and categories with positive intent. This means that services and products that does not fall into the the essentials and positive intent shall be moderated in the response to the COVID-19 pandemic. Service products, such as those catering to the essentials of food, drink, sanitation, psychological need and social needs should be placed on the center of response plans for they occupy the center of consumer preference.

It may serve the service retailers further benefit to combine the above two product and service suggestions. That is, it will be most beneficial for the service retailers to construct their Covid-19 response and recovery plan around product and service innovations that resolve central and necessary needs of their consumers.

## **2. Corporate social responsibility construction**

Secondly, based on the Retail Mix, in response to and recovery from the Covid-19 pandemic, service retailers ought to focus on their brands for that branding serves as a source of competitiveness (Blut et al., 2018). More specifically, the Covid-19 has witness an increasing level of corporate social responsibility publicity for branding which contribute positively to the retailer recovery process.

Corporate social responsibility during crisis time has long been a significant source of brand building effort (Nelke, 2021). Not only has the corporate social responsibility efforts been both beneficial to the company and society as whole, during crisis time and crisis response, it is viewed by consumers to be particularly constructive for corporate image. Therefore, in response to the Covid-19 pandemic, it is advantageous for service retails to engage in social responsibility efforts. More specifically, these efforts may include complementary services for medical providers and compensation or relief to employees. For example, in response to Covid-19, Starbucks has issued many solutions to carry its brand forwards in human sustainability (Starbucks, 2021). Complementary coffee is offered to service providers during the pandemic, special promotions are offered for community building, and relief packages are offered to their employees (Starbucks, 2021). It may serve as a positive example for the retailers alike to engage their brand awareness and images through more sustainable and socially-beneficial efforts.

Furthermore, branding also includes promotional effort shifts in response to the changing consumer behavior landscape. According to Bilińska-Reformat and Dewalska-Opitek (2021), the pandemic has brought into popularity a new form of brand promotion: streaming. Based on Taobao sellers alone, it promotes over 600,000 company service and products per day (Bilińska-Reformat & Dewalska-Opitek, 2021). The shocking number of volumes in streaming suggest a new outlet for brand introduction and a new area of increasing competitiveness. Service retailers may benefit from participation in live streaming in order to further adapt to the new era of purchasing and branding trends. Furthermore, compared to the previous effort in branding through physical advertisement, streaming services for brand promotion is more economical for retailers (Bilińska-Reformat & Dewalska-Opitek, 2021). Especially in a time of physical isolation and decreased traffic, physical branding instruments appear less attractive to retailers while the increased online viewing time due to self-isolation suggest a new form of branding efforts through streaming.

## **3. Product Pricing**

The third element in the Retail Mix is Price. As price stands at the central focus for any retailer and consumer (Blut et al., 2018), it clearly shall occupy one of the central efforts in service retailer response and recovery plan. Here pricing efforts are divided into product price management and patronage source management.

For product pricing, it is vital to understand the impact of Covid-19 to the consumer economics. Based on the research conducted by Talwar et al. (2021), the consumer economics, especially on the disposable income and expenditure sector, has been severely damaged by the pandemic, and consumer confidence has also in turn been dramatically decreased after Covid-19. Therefore, the

market witnesses an increase in precautionary savings and decreased impulse spending. This echoes with the previously mentioned consumer inclination on essentials, which also indicates a shift in consumer product and pricing preferences. Therefore, in order to cope with the change in consumer spending habits, pricing strategies of service providers must be more sustainable, differential and competitive. In detail, pricing strategies must match the decreased purchasing intent on non-essential products while for differentiation, pricing may increase to a sustainable range for essential products to match the decreased profit margin in the non-essential products. The differential pricing may draw in more consumers as well as keeping service retailers in operation through the pandemic, which may then give the retailer competitive edge over its latent competitors.

For patronage, service retailers see a similar picture. Talwar et al. (2021) describe the retail investor behavior as increasingly conservative facing the changing and unstable environment post Covid-19. There exists strong inclination of retail investors to save for future exigencies and to limit their trading activity during the pandemic. Therefore, as for pricing strategy, it is important for service retailers to engage in comprehensive planning of resources and patronage both for current operation and for backup purposes. The increase in investor savings may also serve as an opportunity for the service retailers to review their current financial business model and propose an more independent and self-sufficient modes of financial operation in response to the decreased level of investor activities post pandemic.

#### **4. Preferential Activities**

Fourthly, Offers make up a significant segment of the Retail Mix. A successful offer promotion to consumers may not only generate loyalty to the retailers but also encourage long term success towards the brand (Blut et al., 2018). Consequently, in the response and recovery plan for service retailers, it is then vital to compose a offer element, and here this essay particularly focus on building loyalty programs.

According to research conducted by Donthu and Gustafsson (2020), a sense of community that a business may bring forward is essential for consumers during the pandemic as it brings them a comforting sense of psychological anchoring and belonging. As the loyal program, based in relationship marketing, centers on attracting and maintaining customer relationships (Gummesson, 2002), it is then of the utter importance to the recovery plan. The first element that is fundamentally important to building a sense of community is to engage in co-production and co-consumption with the customers. That is, the relationship is built on mutual interaction and activities towards a common goal; in the time of crisis recovery, the service goal is centered on the exact product and the actual care that the service retailers may provide to its consumers. The service is provided not only on market supply-and-demand scheme, but more essentially, the service retailers shall engage in activities that offers sincere and tangible value to their consumers. For example, service retailers like banks should engage in further activities beyond simple save and check but more on financial managements that may engage the customer's actual financial hardships during the pandemic, thus increasing customer loyalty and targeting pandemic response with its customers.

Another element of loyalty as response lies in community building. During the time of psychological suffering, service providers, especially the ones providing direct customer interaction, have the opportunity to share an increased community building environment (Wang et al., 2020). The retailers benefit from the heightened psychological benefits towards the perceivable community and shall value the opportunity to engage the customers into a higher level of loyal to the brand. For example, many retailers, from colleges to hotel chains, have offered options for chat rooms and in-house counselling services for its consumers to share their experience during the pandemic. The act of sharing increasing the stickiness to the brand, and more importantly may be employed as a gateway towards customer integration and retention. Therefore, community building efforts, from forums to chatrooms, are able to serve as effective response and recovery plans for service providers through the Retail Mix of offers.

## 5. Customer Communication

The fifth of the Retail Mix is the element of Communication. As communication serves to continuously establish connection with the customers, it holds considerable effect to the recovery efforts. Here the essay focus on staff interactions from the service retailers. Among many staff interaction improvements during the pandemic, it is surprising that merely wearing a facemask may generate significant benefit to the customer impression and retail service recovery. Based on the research conducted by Liang and Wu (2022), simple wearing a facemask improves customer perceptions on the customer service quality of the service retailers. It also increases the customer perception on employee expertise, trustworthiness, and service trustworthiness as a whole (Liang & Wu, 2022). The reasoning behind ties straightforwardly to the heightened concern for health and safety in the consumer mindset. Given the price of facemasks and the sacrifice of wearing facemasks are next to negligible for service retailers, wearing facemasks as a retail recovery strategy that continues post Covid-19 appears an economical and effective choice.

Lastly, the Retail Mix focuses on Distribution where movements of services from retailers to customers are detailed. Due to quarantine and travel restrictions, the distribution element among the pandemic has been severely disrupted. In order to the rebuild the distribution element, shifts from original model of distribution must be commenced based on new patterns of consumer behavior and preference. The Covid-19 pandemic renders a consumption displacement on the spatial level; online shopping and local shopping activities both increased as a result of the pandemic (Hall et al., 2020). Therefore, service providers, in response to the changing displacement, must alter their providing strategy. Services shall become either redeemable through online interaction or the the service might shift focus towards local community in order to match with the consumption displacement patterns. Furthermore, employing modern technologies from internet of things (IoT) to cyber-physical system (CPS), and from Cloud computing (CC) to Bigdata all have shown positive forecasts during the recovery process of the pandemic (Kumar et al., 2020). A planned integration of technology into the distribution process not only resolves the issues of reduced manpower during the pandemic but also reduces the chance of contamination and infection due to human interaction.

## 6. Conclusion

To sum, service retailers face significant challenges to response to and recover from the Covid-19 pandemic. Segregated into the elements of the Retail Mix, this essay attempts to offer several strategies on how service retailers may cope and thrive in the post pandemic environment. From product and service innovations to differential pricing considerations, and from building loyalty programs to wearing facemasks, the strategies offered are based on the changing consumer behavior and business environment and all centers on the sustainable and practical human element for service retailers.

## References

- [1] Bilińska-Reformat, K., & Dewalska-Opitek, A. (2021). E-commerce as the predominant business model of fast fashion retailers in the era of global COVID 19 pandemics. *Procedia Computer Science*, 192, 2479–2490. <https://doi.org/10.1016/j.procs.2021.09.017>.
- [2] Blut, M., Teller, C., & Floh, A. (2018). Testing Retail Marketing-Mix Effects on Patronage: A Meta-Analysis. *Journal of Retailing*, 94(2), 113–135. <https://doi.org/10.1016/j.jretai.2018.03.001>.
- [3] Building Supportive & Sustainable Communities: Starbucks Coffee Company. (2021). [Www.starbucks.com](https://www.starbucks.com/responsibility/people/). <https://www.starbucks.com/responsibility/people/>.
- [4] Charm, T., Leon, A., & Arora, A. (2020). Consumer sentiment in the US during the coronavirus crisis | McKinsey. [Www.mckinsey.com](https://www.mckinsey.com/business-functions/growth-marketing-and-sales/our-insights/survey-us-consumer-sentiment-during-the-coronavirus-crisis). <https://www.mckinsey.com/business-functions/growth-marketing-and-sales/our-insights/survey-us-consumer-sentiment-during-the-coronavirus-crisis>.

- [5] Donthu, N., & Gustafsson, A. (2020). Effects of COVID-19 on business and research. *Journal of Business Research*, 117(1), 284–289. <https://doi.org/10.1016/j.jbusres.2020.06.008>.
- [6] Gummeson, E. (2012). Relationship Marketing in the New Economy. *Journal of Relationship Marketing*, 1(1), 37–57. [https://doi.org/10.1300/j366v01n01\\_04](https://doi.org/10.1300/j366v01n01_04).
- [7] Hall, M. C., Prayag, G., Fieger, P., & Dyason, D. (2020). Beyond panic buying: consumption displacement and COVID-19. *Journal of Service Management*, ahead-of-print(ahead-of-print). <https://doi.org/10.1108/josm-05-2020-0151>.
- [8] Islam, T., Pitafi, H., Wang, Y., Aryaa, V., Mubarik, S., Akhater, N., & Xiaobei, L. (2020). Panic Buying in the COVID-19 Pandemic: A Multi-Country Examination. *Journal of Retailing and Consumer Services*, 59, 102357. <https://doi.org/10.1016/j.jretconser.2020.102357>.
- [9] Kumar, M. S., Raut, D. R. D., Narwane, D. V. S., & Narkhede, D. B. E. (2020). Applications of industry 4.0 to overcome the COVID-19 operational challenges. *Diabetes & Metabolic Syndrome: Clinical Research & Reviews*, 14(5). <https://doi.org/10.1016/j.dsx.2020.07.010>.
- [10] Liang, L., & Wu, G. (2022). Effects of COVID-19 on customer service experience: Can employees wearing facemasks enhance customer-perceived service quality? *Journal of Hospitality and Tourism Management*, 50, 10–20. <https://doi.org/10.1016/j.jhtm.2021.12.004>.
- [11] Naeem, M. (2021). Do social media platforms develop consumer panic buying during the fear of Covid-19 pandemic. *Journal of Retailing and Consumer Services*, 58, 102226. <https://doi.org/10.1016/j.jretconser.2020.102226>.
- [12] Nelke, A. (2021). Impact of the COVID-19 pandemic on corporate employer branding. *Technium Social Sciences Journal*, 16, 388–393. <https://doi.org/10.47577/tssj.v16i1.2436>.
- [13] Pilawa, J., Witell, L., Valtakoski, A., & Kristensson, P. (2022). Service innovativeness in retailing: Increasing the relative attractiveness during the COVID-19 pandemic. *Journal of Retailing and Consumer Services*, 102962. <https://doi.org/10.1016/j.jretconser.2022.102962>.
- [14] Sheth, J. (2020). Impact of Covid-19 on Consumer Behavior: Will the Old Habits Return or Die? *Journal of Business Research*, 117(117), 280–283. <https://doi.org/10.1016/j.jbusres.2020.05.059>.
- [15] Talwar, M., Talwar, S., Kaur, P., Tripathy, N., & Dhir, A. (2021). Has financial attitude impacted the trading activity of retail investors during the COVID-19 pandemic? *Journal of Retailing and Consumer Services*, 58, 102341. <https://doi.org/10.1016/j.jretconser.2020.102341>.
- [16] Wang, Y., Hong, A., Li, X., & Gao, J. (2020). Marketing innovations during a global crisis: A study of China firms' response to COVID-19. *Journal of Business Research*, 116(1), 214–220. <https://doi.org/10.1016/j.jbusres.2020.05.029>.
- [17] Yuen, K. F., Wang, X., Ma, F., & Li, K. X. (2020). The Psychological Causes of Panic Buying Following a Health Crisis. *International Journal of Environmental Research and Public Health*, 17(10), 3513. <https://doi.org/10.3390/ijerph17103513>.