



What Will Life Be Like Post COVID-19?

How will our lives be different as grocers once we come out of this current public health crisis? It's a question I'm getting a lot. People don't ask me because I have any special medical knowledge, but because we can watch what is happening in our stores in the Far East who are farther along on the experience trail of this disease.

Our IGA stores in China experienced many of the same shopping patterns as we have seen in the USA. Tracking their comp store increases, and aligning that data with IGA USA stores shows a remarkably similar pattern, which leads me to believe that at least some of what we saw happen in China can be predictive in other countries. Here's what I know from the IGA China experience:

1. **Increased store sales could be sustainable after the economy reopens.** After an early stage of panic buying, store sales in China moderated into the 20-40 percent range and have sustained 20 percent+ comps, even after the economy reopens.
2. **With proper training and discipline, it is possible to keep grocery workers safe.** The early adoption of proper protective gear in China (including both masks and gloves) made a huge difference. We know of no COVID-19 cases amongst IGA China staff, and none of our stores were shut down for fears they were spreading the disease (as has happened at other grocery chains across the world).
3. **COVID-19 appears to have been a massive accelerant for shoppers to switch to eCommerce.** Stores that offered digital shopping in China saw their capacity max-out; stores without it rapidly worked to offer the service. But few chains are able to sustain 200-300 percent growth in eCommerce orders, and none of the infrastructure and labor needed to service e-shopping exists.
4. **The real costs of eCommerce are becoming clearer** as volumes increase, and the answers aren't pretty. Picking and delivery charges are bound to rise as grocers realize they can't sustain current costs, forcing retailers to look for other funding models (club-like annual subscriptions, media sales on their websites, etc.).
5. **We might see a total SKU reduction of 5 percent or more** as both suppliers and retailers discover we can all make more money with more efficient aisles. Said simply, we will learn a lot about assortment coming out of this crisis. With most chains on allocations from suppliers, and many aisles seeing reduced SKU availability as brands choose to focus on more efficient pack sizes, many retailers will question why they need as many facings coming out of the crisis as they had going in.
6. **Our supply chain is more tenuous than we thought.** The survivability of our suppliers—and their suppliers—sometimes depends on smaller, less-capitalized companies. We will all need to ask deeper questions about the health of the supply in the future to ensure we have a reliable, secure sourcing network. In China and other countries, we started to learn more about where the weak points exist, from farm to packer to wholesaler, sometimes discovering unexpected players (like label manufacturers who failed because they weren't printing ads anymore), which could derail the entire supply chain.
7. **The economic cost to our communities is deeper than most people realize.** China's entire economy will retrench for the first time in decades. This means our shoppers will need more help feeding their families than at any time since the Great Depression. Any deals, marketing, or promotional funds you've been saving (or our brands have been saving) to avoid promoting things you don't have in stock will need to be re-deployed quickly. In both developing and Western nations, expect to see shoppers looking for more private label options, clipping more digital and paper coupons, and searching for every deal they can find. Expect coupon clipping rates to soar.

8. **Family-owned businesses will likely find themselves viewed more favorably** in the community and in social media, thanks to lower turnover and more inclusive management. As stress on workers, both in grocery and the supply side of our industry, continues to be an ongoing problem, expect bigger national chains to come under more fire as disgruntled employees harness the power of their collective voice in social media about what it's like to work for low hourly wages in higher-risk jobs. I predict a new round of unionization attempts, focused on the bigger chains.
9. **Expect grocers with prepared meals and ready-to-cook and pre-packaged meal solutions to grow share**, as many restaurants won't survive the shutdown (about a third of dine-in restaurants in China have not reopened). Other restaurants will struggle even after they reopen because customers will still be scared. And local governments may enforce strict social distancing rules, which in turn will throttle their ability to fill seats, perhaps cutting their table service capacity in half.
10. **Stores that build services to support the elderly—special shopping hours, prioritized deliveries, prepared meal subscription programs, etc.—will steal share from larger, less flexible chains.** I predict many communities will relax distancing and safety standards quickly, favoring the economy over at-risk shoppers. This will create a world where the elderly and fragile members of our communities find the world increasingly scary and unsafe, so stores who support at-risk shoppers in turn will be supported by those shoppers.

In China, it took over 100 days from first public communications about the infections until they were able to bend the curve and restart the economy. If we followed that pattern, it would be the last week of May or first week of June before most of our communities should probably restart. Unlike China's authoritarian government, we have not applied a single national program. Instead, local and state governments are choosing to accelerate reopening based on local data, making it harder to predict how this will play out nationally as the crisis moderates. Still, I hope these observations prove helpful.

Stay safe, and thanks for all you are doing!

John