

A hand holding a smartphone in a warehouse setting. The background is a blurred warehouse with high ceilings, yellow structural beams, and various equipment. The lighting is warm and focused on the hand and phone.

Retail in 2021: A New Variation on Retail 4.0

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Retail in 2021: A New Variation on Retail 4.0

A. Introduction

Before COVID-19, observers could trace a clear progression through Retail 1.0, 2.0, and so on, up to Retail 4.0.

However, consumer trends have changed so significantly as a result of COVID-19 that Retail 4.0 doesn't accurately describe the industry right now. Retailers now deal with unique circumstances exclusive to 2021.

In a time when in-person interactions are difficult, companies are in many ways less personal and more abstract than ever in the eyes of consumers.

As many companies do their best to seem empathetic, the sheer influx of empathy can ultimately fatigue or alienate customers. This means that building an emotional connection is not enough; that connection has to be reinforced by concrete action to keep workers and employees safe.

Because of the perceived risk that poorly managed employees will transmit disease, customers will now be much more sensitive to the way companies operate behind-the-scenes, even post-pandemic. Scrutiny will fall not just the product, but how it was made. This could even result in some unusual preferences - for example, people may prefer slower deliveries if they believe it results in safer handoff procedures.

There is no reason to panic. A retail outlet embracing responsible and ethical retail 4.0 practices will already be mostly ready for retail in 2021. The only difference for 2021 is that retailers should make these key practices known to customers. These include a focus on employee safety, consistency, awareness of analytics data, and more.

Let's begin by quickly exploring what Retail 4.0 means, and how the retail industry reached that point. Then, we'll review just how COVID-19 changed customer preferences and best practices, and what that means for retail firms in 2021.

B. The Road to Retail 4.0

Retail 1.0: The Supermarket

Many of the practices we now associate with retail - such as an emphasis on self-service, upselling and consumer choice - began in the early 20th century with the first modern self-service grocery stores.¹

Retail 2.0: The Big Box Store

While supermarkets served as the cutting edge of retail for much of the 20th century, massive outlets such as Wal-Mart made waves in the 1960s and onwards by offering services of all kinds under one roof.

Retail 3.0: The E-Store

The 1990s introduced the world to e-commerce, as exemplified by Amazon. As shoppers could easily order all kinds of goods online, physical retail outlets faced a challenging climate. On the other hand, e-commerce outlets sometimes struggled to establish a strong identity without a physical storefront for customers to visit.

Retail 4.0: A New Kind of Store

Retailers of all sizes now harness both e-commerce and physical retail outlets. While e-commerce offers unparalleled convenience, physical storefronts provide the ability to see goods before purchasing them. By offering both offline and online options and profiting from purchases made through either, modern retailers can provide both convenience and strong brand identities.²

C. How Has COVID-19 Disrupted Retail 4.0?

It's clear that retailers worldwide have taken losses as a consequence of COVID-19, sometimes to the point of bankruptcy³. It's easy to say that shoppers are simply unwilling to spend money in uncertain times, but the truth is more complicated. After all, some industries substantially

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[https://www.mckinsey.com/~media/mckinsey/dotcom/client_service/retail/articles/the_future_of_retail_grocery_in_digital_world%20\(3\).pdf](https://www.mckinsey.com/~media/mckinsey/dotcom/client_service/retail/articles/the_future_of_retail_grocery_in_digital_world%20(3).pdf)

2 <https://coreshopsolutions.com/evolution-of-retail-and-its-customers>

3 <https://www.forbes.com/sites/jasongoldberg/2020/03/29/the-impact-of-covid-19-on-us-brands-and-retailers/?sh=7e0b11e61452>

benefited from pandemic conditions, as consumer spending on video games exploded during quarantine.⁴

There are several reasons that the retail 4.0 approach struggled to endure the difficulties wrought by the pandemic.

Retail 4.0 aimed to seem convenient above all else

In order to stand out from competitors, pre-pandemic retailers needed to maximize convenience to customers without sacrificing quality or safety. More specifically, retailers needed to maximize the *perception* of convenience.

Retail 4.0 includes all kinds of technology and automation, but typically as a means to an end; namely, providing a personalized experience that addresses the individual's needs.⁵ If anything, this will sometimes result in technology being downplayed in favor of a "human touch."

However, pandemic conditions have caused consumers to prioritize safety as much as, or more than, convenience. In turn, companies have pivoted to promote safety and the perception of safety above all else.⁶

Unfortunately, this shift in marketing strategy has likely driven many customers *away* from retail. With so many companies shifting to empathize with the quarantine-bound consumer, customers may find it hard to view any given message as unique.⁷ After all, if every company is equally empathetic, no company can be exceptionally empathetic.

Plus, in pandemic conditions, consumers likely want technology to play an obvious role in retail interactions, even if it results in the experience being less personal. This has led to a complete shift in what companies need to provide - and simply professing concern via ads is not enough. Many consumers now likely focus on monitoring companies' proven commitment to safety and responsibility, rather than taking advertising at face value.

4 <https://www.forbes.com/sites/mattperez/2020/08/10/video-games-set-record-second-quarter-spurred-by-pandemic-sales/?sh=648795ba6f4e>

5 <https://www.forbes.com/sites/adrianswinscoe/2018/12/02/how-to-get-the-human-touch-and-technology-balance-right-in-customer-experience/?sh=7595a1e63503>

6 <https://www.forrester.com/report/The+New+Unstable+Normal+How+COVID19+Will+Change+Business+And+Technology+Forever/-/E-RES161461>

7 <https://www.wsj.com/articles/in-these-uncertain-times-coronavirus-ads-strike-some-repetitive-notes-11587355261>

A shift to digital purchases creates stock uncertainty

As might be expected from pandemic conditions, consumers will not (and in many cases, cannot) visit physical stores for recreational shopping. This is an enormous boon for e-retailers⁸, and made things harder for companies with smaller online presences.

However, there is a downside to online shopping that impacted many customers: the difficulty of ensuring that whatever the customer wanted was in-store. Panicked customers raided both physical and online storefronts for essential goods like toilet paper.

Even if customers ordered what they wanted online, they weren't guaranteed to obtain it until they received shipping confirmations. Out-of-stock online items also rarely provided an anticipated restock date, pushing people into stores to fight over small stockpiles of toilet paper and the like.

This ultimately may have given some customers the impression that neither in-person shopping nor e-shopping would provide what they needed, driving them away from the retail industry outside of essential purchases. This likely drove the newfound popularity of delivery and curbside pick-up options⁹, possibly because these offer guaranteed stock with minimal contagion risk.¹⁰

Customer loyalties fade

As mentioned above, Retail 4.0 has been driven by the recognition that in-person experiences are useful for building brand image. Throughout most of 2020, consumers were forced to interact with brands remotely, weakening many consumer-brand relationships. Without the benefit of distinct in-person experiences, brands needed to fall back on quarantine-related messaging as a way to communicate with customers, but this was not as distinctive

Unfortunately, fading loyalties go both ways. While consumers grew distant from retail, retail also grew distrustful of its customers. The frequency of theft and shoplifting rose substantially during 2020¹¹, as frontline workers struggled to enforce security measures. This is nothing new, as it consistently occurs during periods of economic depression. However, social distancing

8 <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-global-view-of-how-consumer-behavior-is-changing-amid-covid-19>

9 <https://www.nytimes.com/2020/10/09/business/retailers-curbside-pickup.html>

10 <https://www.42gears.com/blog/contactless-shopping-and-the-3-ways-retail-is-surviving-covid-19/>

11 <https://www.securityinfowatch.com/retail/article/21150307/a-covid19-tsunami-of-crime-threatens-to-overwhelm-retailers>

requirements, masks, and other measures made it especially difficult to stop would-be shoplifters.

D. Trust: The Heart of Retail in 2021

Note that “retail in 2021” refers to a post-pandemic time period.

Trust is the most important factor in determining post-pandemic shopping patterns

When customers can return to stores without restrictions, those stores will have the chance to secure customer loyalty. Even once-loyal customers will need to be persuaded to return to favorite retail spaces after being absent for the better part of a year. At first, the novelty of shopping without extensive protective measures may bring customers to a store, but customers will only return if they feel safe.

This means that the most important factor for succeeding in retail in 2021 is *trust*. Trust requires a proven commitment to safety.

Digital technology is a key component of trust

Smartphones and tablets are essential to keeping people safe during and after quarantine. One of the biggest examples comes in the form of contact tracing applications. While controversial, these apps can create electronic records of daily activities. Then, if an individual discovers they have COVID-19, the app can anonymously alert any other devices with which the device was in contact, as well as local authorities.

Modern technology can prevent exposure to illness in the first place, too. Temperature-scanning apps and kiosks ensure that no one will enter the workplace with a high fever, minimizing the risk of contagion. Plus, smartphones facilitate workarounds to in-person retail like contactless pickup, streamlining the process of coordinating a safe pickup spot that does not endanger anyone involved.

Behind-the-scenes processes become a key part of the product, allowing responsible and transparent brands to stand out from competitors

Companies cannot afford to cut corners in making sure employees and customers stay safe during every step of producing and selling a product. While this has always been true, customers may have prioritized convenience over safety in the past, with the assumption that corporations would keep workers safe. Now acutely aware of the possibility of contamination, customers no longer operate on this assumption.

In 2021, two identical products are unequal if one was produced in a less safe way than the other. Even when COVID-19 completely subsides, there will always be other health risks looming large in the public consciousness. Anything that endangers employees could also endanger the consumer, and so scrutiny is unlikely to fade.

This provides an opportunity for companies that can clearly communicate and demonstrate safety measures at every possible step. This includes something as wide-spanning as compliance with best practices in manufacturing, or as specific as ensuring that employees use work phones responsibly to track contact tracing. If a company cannot explain and justify how it keeps employees, facilities, and products safe, customers will not give them the benefit of the doubt.¹²

Frontline workers and the technology they use play the biggest role in building trust

In-person interactions have always been essential in the digital era - and this is true more than ever.¹³ In retail, these interactions largely take place through frontline workers - clerks, customer service workers, and so on.

There are two aspects to employee behavior that matter in 2021. The first, as always, is professionalism; frontline workers must be helpful, friendly, and respectful. The other is the degree to which the company mandates and enables professionalism through technology.

If an employee is courteous and competent, customers will surely be grateful for the employee; yet, this may not manifest as gratitude for the company as a whole. If an employee is clearly

¹² <https://www.forbes.com/sites/hbsworkingknowledge/2020/07/10/what-customers-need-to-hear-from-you-during-the-covid-crisis/?sh=3c38255b515e>

¹³ <https://www.forbes.com/sites/ellevate/2015/02/20/why-face-to-face-meetings-are-so-important/?sh=7179fec9aee9>

following corporate guidelines while being courteous, and is given the company-branded technology needed to do so, customers will appreciate both the employee and the larger corporation.

This means corporate guidelines need to be clearly promoted, both behind-the-scenes and on the front lines of retail. Ideally, in-person experiences will also be convenient and memorable for customers, but trust and a tech-driven approach to safety are the catalysts for brand loyalty in 2021.

E. How to adapt to Retail in 2021

The benefit of understanding retail in 2021 is that you can prepare for it. There are concrete steps that businesses of any size can take to build trust more effectively with customers.

Manage employees more with modern technology - and let the customer know

As mentioned above, it's important to show customers that each individual frontline worker and your company as a whole are all working towards a safer retail experience.

One way to implement this is by adopting mobile device management (MDM) technology. As the name suggests, MDM technology lets you keep track of the devices you hand employees. With the right MDM solution in place, you can add company logos to employee devices, restrict phones to company apps, and more. This allows you to keep employees responsible - and improve efficiency and safety at the same time.

Posting employee protocols in public retail areas is another simple step in the same direction. By making employee workflows as transparent as possible, you show customers that there is nothing to hide. No amount of advertising can convey transparency as well as actual transparency can.

Audit and improve any process of producing, packaging, and selling goods for which you are responsible

This will be an essential differentiator in 2021. While the last thing any company wants is to make workflows slower or more costly, it will pay major dividends in the long run when it is needed.

Temperature-scanning equipment, habit-coaching wearables, and similar technologies¹⁴ will be key to surviving and thriving as a company in 2021.

No organization is perfect, but an overarching good-faith effort to keep everyone safe will help to deal with inevitable issues. In other words, your overall approach to safety will contextualize any individual safety incidents that occur. Are minor violations a sign of organization-wide disarray, or breaches of company-mandated protocol that will not be repeated?

Advertise, but only make claims you can support through action

Even though customers are tired of pandemic-related ads, you shouldn't give up on ads. If you can point to specific actions or benchmarks, like equipping employees with connected devices to keep them accountable at all times, this will stand out from the competition, regardless of industry.

After a pandemic full of logistical challenges, consumers are likely well-aware that there is a tradeoff between convenience and safety. By that same logic, customers may be suspicious of firms that claim to have maximized safety without reducing convenience in any way. This is not to say that convenience *should* be lower, just that it should not be maintained at the cost of safety.

F. What comes after retail in 2021?

If pandemic conditions become a distant memory, it is possible that the trends of retail 4.0 will be in high demand once again. A resurgent emphasis on convenience over all else may scare companies that (rightfully) chose to focus on safety during 2021, but there is no cause for alarm. Improved technology infrastructure, through strategies like mobile device management, can improve safety and convenience at the same time. This means any investment you make in adapting to retail in 2021 will continue to be useful for years to come.

One easy first step towards preparing for the future is implementing mobile device management. If you would like to see an MDM solution in action, you can try SureMDM by 42Gears risk-free for a month.

¹⁴ <https://www.42gears.com/blog/4-new-inventions-for-a-post-quarantine-world/>