

## East African retailers should go the extra mile to salvage the 2020 festive season



The 2020 festive season will be a muted one for the retail sector as consumers continue to reel under the pressures of COVID-19 pandemic and its resultant impacts. Traditionally, festive seasons have been the ideal occasions for retailers and manufacturers alike to introduce new products and services, capture new markets and engage with their customers through omnichannel brand experiences. It has become a common feature for organisations to offer the market targeted discounts in their stores especially on food items, luxury goods, gift items and holiday packages in order to drive sales and take advantage of festive holidays consumerism. But 2020 has been no ordinary year. Ever since the first cases of COVID-19 were reported in East Africa early this year, a new consumer emerged; one who became financially constrained and more selective in their decision-making. The new consumer has reduced purchasing power and limited spending choices due to pay cuts, job losses and business slowdown. Consequently, the new consumer feels vulnerable, insecure and less in control than ever before but still expects brands to deliver safer, better and more seamless interactions-at a lower cost.

This sense of vulnerability has affected consumer behaviour as most consumers prioritise their personal safety by staying at home and prioritising savings over spending. Today, going for that annual yearend holiday looks like a far-fetched prospect for most people than it was a year ago. The new consumer has also become digitally savvy and is now more comfortable using online channels to access products and services and is also keen on reducing physical purchase occasions and thus gravitating towards touchless shopping and contactless payments. With these changes, the physical retail is under immense pressure and it is not surprising that a recent article by Reuters highlighted a litany of retail casualties around the globe that are at various stages of liquidation or have filed for bankruptcy. Notable departmental stores such as Neiman Marcus, a 113-year-old luxury departmental store chain completed its bankruptcy protection process in September this year, emerging from one of the highest-profile retail collapses

during the COVID-19 pandemic. The Reuters article notes that its restructuring plan eliminated more than \$4 billion of debt and \$200 million of annual interest expenses. Other high-profile retail names hit by the virus outbreak include the UK based Debenhams and Edcon, one of South Africa's oldest retailer, which applied for bankruptcy in April after COVID-19 lockdown shut its stores across the country. Indeed, the 2020 KPMG survey: Consumers and the new reality, notes that nowhere is the combined impact of the global pandemic on consumer trends is more noticeable than in the consumer and retail sectors. The survey further notes that consumers have resorted to going to physical stores only when the price is right, when it is convenient and when it is safe to do so. They expect retailers to ensure physical safety, which is now at the top of their minds.

With consumer purchasing patterns changing largely due to psychological impact from COVID-19 and consumer shifts from discretionary spend to essentials, retailers will have to demonstrate their willingness to go an extra mile to provide unparalleled customer experiences and drive better relationships across all possible channels and touchpoints as they engage their customers during the festive season and beyond. To begin with, retailers in the East Africa must realise that the scales are now heavily tilted in favour of online stores. Very few retailers have invested in digital enablement of their customers in order to provide seamless integrated shopping experiences through their websites. As such, retailers continue to miss out on opportunities to interact and engage with their customers directly, obtain valuable feedback and create a loyal customer base. To bridge this gap, some retailers have partnered with third party online companies to feature their products in their sites and provide last mile logistics and delivery services. However, it is only a matter of time before these online companies begin sourcing products directly from manufacturers at cheaper prices, pass this benefit to consumers and eventually drive physical retailers out of business. Therefore, the market conditions presented by the pandemic should be a wake-up call for retailers still obsessed with physical expansion, and they should instead consider scaling up their digital capabilities in order to capture and retain the digital customer.

Moreover, East Africa retailers need to recognise that the home is the new hub. As governments across East Africa continue to emphasise on social distancing as a measure to control the spread of the virus, the home has assumed a new role as an office, school, church, entertainment centre amongst other roles. As a result, there is increased demand for homeware and food items which offers an opportunity for retailers to tap into this demand through efficient and innovative last mile delivery solutions that are focused on meeting this customer segment's demands. The COVID-19 pandemic has provided a twist such that, because unlike previous years when retail outlets provided avenues for brand and social interactions during the festive season, this year the home



will take centre stage, as consumers will be keen to give such outlets a wide berth in compliance of governments' directives. Whilst this spells doom for retail outlets, especially in the hospitality industry, there is still an opportunity for such retailers to deliver their experiences to customers doorsteps during the festive season through personalised services such as outdoor catering, home entertainment, delivery services amongst others, that will ensure that their customers remain connected to their brands.

Lastly, retailers must focus on building and maintaining brand trust. Trust is a key factor that influence consumer purchase decision and therefore trust between the retailers and their customers must be multi-dimensional and contextual. Retailers must be seen to be seen to be acting in the best interest of their customers, employees and the community; ahead of profits. In the wake of COVID-19 pandemic, retailers must reassure their customers that it is safe to visit their stores or provide online alternatives that customers can engage with. Retailers must also understand that as social enterprises that thrive in certain communities, their actions have direct impact on environment, health and safety of these communities and therefore must take deliberate efforts to conduct their business sustainably as well as have programs that give back to the society; especially during this festive season. This way, they will build much needed trust and be perceived as responsible corporate citizens that connect with their customers and community, and in the end reap benefits of this relationship.

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