

Has Coronavirus Changed Retail Forever?

As Chief Executive Officer of the Food and Drink Federation, **Ian Wright** is on the front line of the business fightback against COVID-19. Here, he tells **Emma Carroll** how unemployment may be set to soar to over four million and why the retail landscape might have been transformed for good

Since coronavirus struck, the fulfilment issues in food retail have been playing out in front of our eyes on high streets and online stores. While panic buying has been branded one of the main culprits, the true picture is a more complex one of algorithms, distribution channels and rapid shifts in shopping patterns.

Criticleye spoke to **Ian** two days after the UK government implemented a nationwide lockdown.

Q. What are the main issues leadership teams in the Food and Drink Industry are facing, and how are they working to overcome them?

It's important to understand that there isn't a lot of panic buying.

Yes, shelves are empty in some places but that isn't due to shortages in the supply chain but rather that the landscape of food consumption has changed over the last three weeks.

Three weeks ago, 60 percent of food consumed in the UK was being procured through retail in supermarkets and convenience stores, while the other 40 percent came through a variety of out-of-home channels, like contract catering in the workplace, sandwich shops, out-of-home eating or hospitality. Now, that 40 percent has defaulted to supermarkets and other retail, because all the other channels have stopped. Overnight, 40 percent of food consumption in the UK walked across from one distribution channel to another – that's a massive challenge.

Consequently, the supermarkets are having to provide almost half as much again in terms of capacity. Not surprisingly, the distribution algorithms and complex distribution systems which have kept shelves brilliantly stocked for twenty years can't keep up with the changes.

And it's not just a mathematical problem, the time at which people shop has also changed – people have reacted to the government's announcements and are shopping first thing in the morning to make sure they get their product.

As well as dealing with the seismic change in distribution, leadership teams are also trying to put across the message that there is plenty of food in the system. However, people that go >



to the shop and find a shortage of food go to Twitter, those who find lots of food don't. Social media is a massive concern as it nationalises a specific problem. Probably, very few leadership teams have had to deal with that before.

Q. What the biggest mistake business leaders could make at this point?

The biggest mistake would be to panic. It is a seriously scary situation, but you shouldn't think it's all terrible and there's nothing you can do. That is not the case. The support the government is offering will get many businesses through this, albeit in a state they might not have wanted to be in.

The other mistake would be to underestimate the sea-change that has taken place. The landscape now is foggy, and it won't be possible to assess the true nature of the change for months to come, but once we are out of this, it will be important to recognise that we will not return to the business-as-usual situation that we had before.

Pre-coronavirus, we had full employment with more jobs than people to fill them at most levels within the working population. After this, I think there will be around 4-5 million unemployed people. This will be [resolved] over time, but there is a big question mark over the levels of unemployment and what the economic expectations will be.

Q. Have we seen the start of a permanent transformation of the food and drink industry?

I don't know, but I think the retail landscape in general will have changed. A number of retailers will be taken under

by the crisis. Also, we just don't know what the impact of moving to online as people are doing across all categories will be and whether that will be sustained.

Amazon's product portfolio is probably widening, and their distribution system is pumping more and more through it – that will be true of businesses like Argos and John Lewis online too. The question will be: Is that a permanent change? Will people say, it worked well in the crisis, so I'll stick with it? Or, will the social, going-out dimension of shopping reassert itself?

Also, how long will the fear of going out – FOGO – dominate people's choices about going to shops, cinemas, theatres and bars? Society will probably bifurcate into those who will go out continuously and enthusiastically, including going shopping; and those who will hunker down, because they are still afraid of the virus, but also because they got used to and liked that way of doing things.

People may behave in different ways in different parts of their lives: for example, go out socially but shop online. We don't know how those cards will fall. The online retailers know this is their opportunity, but if they mess it up, they will be forever damned.

Q. Food and Drink has faced the full brunt of coronavirus ahead of many other industries, what do you think others can learn from the sector that will help them over the coming weeks?

We are in the lucky position that our product is essential, but the message is about range rationalisation. In order to produce enough to keep going, our members are having to go from 30 SKUs

to 5, for example. They produce lots of things in different sizes, but that's not going to be possible while getting the volume of production we need, particularly as absenteeism starts to strike. That's coming to our industry first.

Leadership teams must think through the implications of shortages of labour and [weaknesses in] distribution systems, very early on.

What does the supply chain look like? What are its vulnerabilities? What can you do to reinvigorate it and give it resilience? And then, how do you operate it over a sustained period? The analysis of where you can take risk out and add in extra resilience is something everyone is going to have to do. ■



Ian Wright
CEO
Food and Drink Federation

Ian was appointed CEO of the Food and Drink Federation (FDF) in March 2015. The FDF represents the largest manufacturing sector in the UK.

Prior to that, Ian headed a global team of 200 professionals at Diageo, and his remit embraced corporate, brand and employee communications; government affairs and public policy; alcohol and responsibility; and corporate citizenship. Ian was a member of Diageo's Executive Committee from October 2008.

Ian was also an adviser to Liberal Democrat leaders Paddy Ashdown and Menzies Campbell and was awarded a CBE in August 2015.

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