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ANNOUNCEMENT

The IADS releases an exclusive study of department stores' handling of worldwide spring lockdowns

In its "Global pandemic, local department stores" White Paper, the IADS reviews its members' actions and draws key learnings to prepare new crises and address the future of the department store industry, at a moment when some regions are facing new episodes of lockdown.

A comprehensive review of business practices developed as an aide for crisis management

According to the UNWTO, the 2020 Covid-19 global pandemic triggered a crisis forecast in July to lead to a 5.2% worldwide GDP contraction by the end of the year. Border closures meant an unprecedented decrease of international tourism, estimated to fall by 67% this year alone. With its ties to tourism, retail, representing 1 out of every 12 workers in OECD countries, is durably affected.

Department stores play a central role in the retail landscape by mixing experience and curation in landmark buildings open to everyone in the heart of our towns. They bridge the gap between cities and regions, tourists and locals, online price-oriented convenience and offline emotion and discovery. The Covid-19 context doubly penalises department stores through the drop in tourism and lockdowns of non-essential retail stores, significantly curtailing their domestic markets.

IADS members manage in total 233,000 associates spread over more than 495 points of sales in 19 countries. On average, they had to close in Spring during a period equivalent to 19% of their total 2019 opening time. The IADS dedicated its yearly Academy programme to understanding how its 12 members steered their businesses during lockdowns until reopening. The result of this extensive analysis translates into the first White Paper of its kind, shared by the Association with its members and their peers. Now that a second Covid-19 wave is hitting markets, exchanging learnings is key to allow all retailers to adjust their business practices to the new realities. This White Paper was conceived both as an inventory of practices across the board and as a source of ideas for immediate and future actions.

IADS department stores were driven by agility, commitment and responsibility

Notwithstanding their size and complex organisations, department stores were surprisingly agile in addressing the pandemic issues, without losing focus on their social role and responsibility. All IADS CEOs swiftly adjusted their strategy to protecting staff and customers, acceding to government requirements, maintaining and nourishing relationships with customers and suppliers, while defending their businesses and preserving cash. This translated into a remarkably fast and coherent position change from all IADS members towards each stakeholder:

- **Communities:** support medical activities (**El Corte Inglés** in Spain provided medical supplies to IFEMA, Europe's largest field hospital, and rented an hotel for Covid patients) but also care for the vulnerable (**El Palacio de Hierro** in Mexico bought production from farming families to redistribute to local communities),
- **Customers:** show both concern and attention through appropriate messages and measures to maintain distancing protocols with signage, equipment or initiatives (such as **Magasin du Nord** in Denmark with the "Social Distance staff") to avoid potential clusters; and create new shopping channels to replace the tourist business with a new relationship to locals via a wide range of setups ("click&collect", "click&car", **Breuninger** "teleshopping" in Germany, or the "call to

deliver” option by **SM** in the Philippines, compensating for the closure of its 64 stores and still generating 15% of daily orders after reopening),

- **Staff & sales associates:** in record time, IADS members had to provide protection equipment and testing options for a total of 233,000 employees, reach agreements with labour unions to propose working arrangements to the teams (work-from-home, specific measures for essential workers), ensure emotional and psychological stability and set up new communication processes (such as the all-employee inclusive approach to maintain company cohesion at **Galeries Lafayette** in France) while ensuring salaries payments at all times,
- **Suppliers:** as the situation required an unprecedented level of fairness and communication, brands and stores cooperated on stock, invoices and deliveries management in spite of difficult international flows (**Manor** in Switzerland created a “suppliers’ conference” to discuss these topics in full transparency).

A leap forward for department stores

Such changes in a limited period of time deeply affected corporate organisations. On the one hand, with tourism disappearing and stores closing, it became necessary to talk and sell to locals in new ways. Marketing and digital departments were brought to the fore and made responsible overnight for business continuity, generating many original initiatives as shown by **Beco** in Venezuela which launched its e-commerce website in record time. On the other hand, companies’ working organisations were radically revised to provide more flexibility and resilience, as exemplified by the setup of “corona teams” in many organisations to handle and steer the response to the crisis. As an illustration of how deep those changes went, **Manor** in Switzerland and **The Mall** in Thailand both decided to strategically transform their structure at the end of their respective lockdowns with an emphasis on corporate simplification, team agility and a direct relationship with customers.

These agile evolutions effected in a short time helped to accelerate the adaptation of department stores to new market realities: all IADS members, following the lead of peers such as **Falabella** in Chile or **SKP** in China sped up their digitalisation, even if it meant in some cases adapting to different market specificities. For instance, **Sogo** in Hong Kong improved its CRM programme while simultaneously accelerating its marketplace relaunch. Agility also contributed to enabling store teams to mitigate the absence of tourist customers by exploring new ways of building ties with locals. Their proposals included adapting assortments to new trends, new marketing messages or ways of voicing them.

Looking back, the store closures significantly accelerated the department stores’ digital alignment while re-emphasising, where needed, their roots in their local communities.

Giving perspective: department stores are taking back the initiative

More than compiling stories of endurance during the crisis, the IADS White Paper findings show that the context provoked an upgrade within department stores. They have a clear and positive role to play in the digital age, provided they inject the necessary amount of energy to adapt, whether it is about curing their addiction to tourists by caring for locals, defining the role of stores and their number, or rethinking the flagship’s place in the city.

Keeping as close as possible to the customers’ new realities and expectations will also be a central topic, by defining the nature of the offer and how it is sold - online and offline – while always safeguarding the surprise factor inherent to this format.

Finally, reviewing and digitalising operational processes will also be crucial to ensure that department stores, renovate their organisation and decision-making processes, to both address sustainability topics and be prepared for any potential next crises, whatever their nature (cyber, political or weather emergencies).

While these strategic topics are detailed in the White Paper, the key conclusion for department stores is that to be ready for their upcoming challenges and potential future crises, scenario planning is central to ensure long-term sustainability in a world dominated by short-term deadlines and quarterly reports. Since 1928, the main role of the IADS has been to design with and for its members the appropriate strategies drawn beyond the immediate horizon and consider scenarios for the future.

About IADS

The IADS is the most exclusive and oldest professional department store think tank in the world. Its uniqueness lies in the close relationship between its member CEOs, making it a very powerful asset for decision-making at the highest level.

Today, the Association gathers a group of 12 members across the world, all leaders or key players on their respective markets, and represents more than €31bn cumulated annual turnover, achieved through more than 490 stores with 233,000 associates in 19 countries.

Members are: Centro Beco (Venezuela), Beijing Hualian Group (PRC), Breuninger (Germany), El Corte Inglés (Spain), El Palacio de Hierro (Mexico), Falabella (Chile), Galeries Lafayette (France), Lifestyle International Holding (Hong Kong), Magasin du Nord (Denmark), Manor (Switzerland), The Mall (Thailand), SM (Philippines).

The wide variety of business models and cultures represented provide the Association and its members with a richness in the exchange which is all the more valuable for the solutions and thought-provoking debates that it generates.

About the IADS Academy

The IADS Academy is an IADS initiative started 25 years ago to develop young talented executives into future leaders, by giving them exposure to international markets and working methods as well as a long-term network. For several months, they collaborate in groups on issues raised by CEOs and are asked to provide concrete and actionable answers. Among current members, 3 CEOs and 1 COO are Academy Alumni. Over 25 years of existence, 28 companies from 21 countries have participated and the Academy trained 180+ high potentials.

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