Adapting to Change: How Brick-and-Mortar Retailers Responded to Consumer Behavior Shifts During COVID-19

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Abstract. In response to the drastic challenges brought by the COVID-19 pandemic, brick-and-mortar retailers have had to adjust to the new consumer behaviors quickly. This research paper seeks to analyze and comprehend how these retailers responded differently, as described in each case study: J.C. Penney, Neiman Marcus, Best Buy, and Target, representing a spectrum of impacts and strategic adaptations. Hence, the comparison discovers that J.C. Penney and Neiman Marcus filed for bankruptcy because they could not transform themselves and be competitive under the new norms. Contrarily, the situation did not destroy Best Buy and Target's business as it altered the status quo in their favor. Achieving the flexible management of Best Buy and Target, which concentrated on the economic development of e-commerce interconnection of physical and digital operations, was their key achievement in this turbulent era. Only this way they could face the rising challenges. These scenarios demonstrate the role of adaptability and a well-integrated technology in retail. The result of the study denotes that the business would be able to win against its competitor only if it can adjust itself continuously to the drastic change in consumer behavior, including the rapid growth of online purchasing. The study predicts that the future of retail will likely require ongoing adaptability and take further focus on omnichannel strategies more seriously. It represents a shift from an immediate response to an analysis that investigates the long-term consequences for the retail sector.

Keywords: Brick-and-Mortar Retailers; E-Commerce; COVID-19 Pandemic.

1. Introduction

The COVID-19 pandemic resulted in uncharted challenges across several sectors, with the retail industry experiencing some of the most drastic changes. The entry of the virus and subsequent safety measures altered consumer trends, which has seen a significant deviation from conventional shopping patterns to a more digitalized approach. This sudden change has challenged physical retailers who have had to adjust their plans, lower footfall, and high online sales [1]. The research also outlines how brick-and-mortar businesses adapted to these changes, uncovering what worked and did not work in previous strategies and providing a sound basis for future e-commerce strategies. The main reason behind this analysis lies in the evident acceleration of e-commerce before and during the COVID-19 pandemic, which directed all retailers to reevaluate their strategies. Consumer preferences changed overnight with increased demand for online shopping, home delivery services, and curbside pick-up facilities to meet convenience needs and be safe during lockdowns and social distance rules. How quickly these businesses adjusted their model concerning consumer preferences determined whether they would withstand such shocks or succumb.

In this paper, four separate case studies are used to explore these phenomena in detail. These case studies highlight different dimensions of brick-and-mortar retail operations affected by the pandemic. Among them were J.C Penney and Neiman Marcus, whose situations worsened, leading to acute financial difficulties and forcing them into bankruptcy cases due to their adverse effects, respectively. These cases show vulnerabilities such as huge debt burdens and high non-digitization. In contradistinction, Best Buy and Target exemplify success stories; they managed to capture new clients' expectations through modified practices coinciding with new ways while capitalizing on digital platform development trends. To comprehensively analyze all these divergent responses, the paper's structure follows up after this introduction section, where for every retailer, there are narratives about its strategies and their outcomes. This discussion will be set in a broader context of the retail industry's move, thus giving insight into the operational changes and strategic innovations that defined the response to the pandemic. In conclusion, these findings combined reflect lessons learned and suggest possible ways for retailers to prosper in the post-pandemic market.

This study thus aims to determine the underlying factors that have influenced the success or failure of these retailers. It involves assessing financial health before COVID-19, agility in technology adoption, and adaptability to rapidly changing customer preferences. The study also outlines how such adaptations may shape future retailing operations by examining how insights gained from this crisis could influence strategies and practices of brick-and-mortar retailers post-COVID-19 pandemic. As a result, it analyzes short-term responses to the crisis and long-term shifts in the retail industry that could determine its ultimate path. For brick-and-mortar retailers, those who adopt digital technology quickly and realign their strategies towards evolving consumer behavior will thrive, whereas those who do not risk becoming irrelevant due to fierce competition within the retail sector.

2. J.C. Penney

The bankruptcy of J.C. Penney became more or less inevitable due to a very fragile pre-pandemic state, with the Covid-19 pandemic serving as a final straw. With the virus forcing almost everything to close in stores and people not shopping so much, the retailer's financial position deteriorated, leading to a significant sales slump. That crisis culminated in the company filing for bankruptcy in May 2020, resulting from failure to adjust to the rapidly developed retail environment. The problems experienced by J.C. Penney during the pandemic were not solely the result of a pandemic; instead, they were underlying issues that had long been afflicting the company. During its bankruptcy filing, J.C. Penney was carrying a large debt, approximately $4.2 billion in debt [2]. This financial overleveraging constrained the flexibility to ensure that required investments in strategic and technological shifts were made that could have bulwarked the impacts of diminished physical traffic in retail due to the pandemic.

Additionally, J.C. Penney's online presence had some areas for improvement compared to its competitors. While some brick-and-mortar companies rake in massive sales through their e-commerce platforms, an underdeveloped digital strategy was a major pitfall. The brand needed to strengthen its channels to replace the losses from in-store sales. Consumers had already started preferring online shopping before COVID-19, but the pandemic significantly sped this up. J.C. Penney's oversight and failure to make digital commerce an option proved the most significant mistake [3]. Furthermore, its deficient digital infrastructure and unsuccessful product selection and marketing strategies for the young demographics increasingly demanding more dynamic and omnichannel experiences have become major obstacles for the company. The absence of this knowledge about emerging consumer trends, and even being unaware of them, made the retailer disconnected from their product's primary selling propositions to consumers, diminishing the retailer's market share and brand relevance altogether.

The story of J. C. Penney's collapse during the COVID-19 pandemic shows that the weakness within the retail sector, which has stiff resistance to new consumer habits and technological innovations, is broad and, to some extent, traditional. The fact that the company failed to cope with the changes in the business environment shows us how vital becoming agile is in terms of development strategy. Digital transformation and using consumer propositions as an indicator of product tailoring are the beneficial processes that should be applied in this case. The lessons from J.C. Penney's experience are evident for other retailers: the failure of companies to fast-track market changes or to have sustainability plans can easily lead them to bankruptcy. This case study is a lesson from the past and a vivid example of the main factors responsible for a retail entity's success or survival in today's demanding business environment.

3. Neiman Marcus

Neiman Marcus, the well-known luxury department store chain, filed for bankruptcy in May 2020 after being primarily impacted by COVID-19. This result was especially poignant considering the centenary heritage of the brand and the longtime position of luxury retail that the brand was known for. The pandemic intensified the financial and strategic problems existing in the industry, pushing Neiman Marcus to the edge of bankruptcy [4]. Neiman Marcus was in a challenging retail environment long before the COVID-19 pandemic. The weight of much debt through many leveraged buyouts had made debt support more burdensome. The limitations of the retailer's debt prevented it from investing in technological advancements and innovative business methods that would have helped it meet the emerging market's needs. The pandemic's outbreak, accompanied by enforced closures of stores and the subsequent drop in customer turnover, considerably weakened the operational resilience of the company [5]. The main reasons for Neiman Marcus's demise can be traced back to its high-end positioning and changing consumer base. The central part of the luxury brand's business was built on store leisure, where personal service with touch and feel were crucial features—all elements that were impossible to replace online. Shifting in shopping online resulted in the inefficiency of Neiman Marcus's online offerings for affluent populations, who chose competitors with more advanced online platforms.

Furthermore, consumer spending also changed with the pandemic, especially in luxury goods and services. Customers became more careful with spending and buying necessities rather than luxuries during economic challenges. The lockdown and closure of big cities and the cancellation of social events, which used to be a key driver of luxurious fashion and accessories, largely contributed to this significant decline in demand. The core offerings of Neiman Marcus seemed dominated by customer needs that were far different from immediate wants and desires [6]. Neiman Marcus's struggle shed light on broader trends impacting luxury retailers during the pandemic. The transition was painful for many businesses that had to adapt their strategies to cater to the now digital-focused and economically cautious consumers. The Neiman Marcus case study points to the necessity of having versatile business models, especially those deeply rooted in the strengths of the brick-and-mortar companies. Customers rapidly switched to online shopping platforms, dropping traditional ones, but the retailer needed to change its strategy and adapt to the quick digitalization of consumer behavior.

Neiman Marcus's bankruptcy amid the COVID-19 pandemic is the utmost case study for the luxury retailing industry. It underlines the role of innovation in business and the necessity of being up to date with the changes in customer needs and evolving technologies. The lessons for other retailers in similar sectors are clear: failing to adapt to a changing market environment, which is growing daily, may lead to many difficulties [6]. Neiman Marcus' case analysis helps us to understand the main principles of consumer psychology and the tactics of the strategic transformation under extreme external conditions.

4. Best Buy

The impact of the COVID-19 pandemic was much easier for Best Buy, who successfully responded to the adjustments required by the crisis by taking great advantage of digital technology and a well-operated, agile business. To meet emerging demands in the evolving consumer buying patterns, the organization successfully reconfigured its business strategy to prioritize online sales growth and add to the curbside pick-up expertise. These steps gave them an increased advantage in understanding consumer desires and expectations [7]. Initially, while recognizing that there could be high demand for various home technology and entertainment systems, Best Buy needed more effort to prepare for increased demand due to intense home confinement periods. The company prepared for a trend that had emerged – consumers would shop online more and opt for safer, contactless picking-up options – by introducing a well-laminated curbside delivery method nationwide. This service followed social distancing requirements and was convenient, attracting customers who were hesitant to enter the stores.

On the other hand, Best Buy invested heavily in its online platform, carefully optimizing the e-commerce experience to handle the rising traffic and spending much effort streamlining the supply chain to meet the growing demand for online shopping. Integrating an online to offline operation made products accessible quickly and efficiently, the most crucial element in customer satisfaction during dilute times. The improvements in product descriptions, real-time inventory updates, and simplified checkout process implemented in the updated company's website and mobile app significantly ameliorated customer shopping experience [8]. The accomplishment of Best Buy's business strategy during the pandemic can be explained in several ways. Initially, the company's investments in technology and training before the pandemic allowed its employees to be ready for the increase in online orders, curbside pick-ups, and contactless deliveries. In addition, Best Buy's management also exhibited creative ingenuity in decision-making by quickly addressing the changeable market landscape and customers' requirements. Such responsiveness allowed them to make the most of the trends, such as the growing demand for home offices, gaming accessories, and home appliances.

Examining Best Buy's strategy shows evidence of the necessary flexibility and merging of digital and physical retail platforms. The retailer's capability to keep the omnichannel experience consistent was the main element that held customers' trust and dedication during the dramatic restructuring of the retail atmosphere. Employee and customer safety that became the focus of the brand consolidated the market position of Best Buy and made consumers understand that the company cares about their needs and the community's well-being [9]. Best Buy can continue to expand by being innovative with omnichannel retailing. Establishing virtual customer service capabilities like augmented reality shopping tools or superior chatbot services can further distinguish the retailer from competitors by a notch. Moreover, using data science to predict the direction of consumer tastes and reactively vary the inventory and marketing plans will be beneficial. With the e-commerce channel becoming ever more sophisticated, timely adjustments to technological advances and agility in operations will become primary drivers of Best Buy's sustainability in the market.

5. Target

In particular, Target Corporation has proven to be a top performer in the pandemic, leaving no doubt that the future of any company largely depends on the accuracy and flexibility of its supply chain management and the enhancement of its e-commerce capabilities. The retailer efficiently shifted gears during the pandemic by using its established supply chain to offer robust delivery and digital services to meet consumers' rising demands for online shopping [10]. At the dawn of the pandemic, Target saw that customers were increasingly heading online to shop and duly implemented strategies to satisfy this new trend. A year before the pandemic, the company decided to invest heavily in technology, which enabled it to adapt quickly to the market situation. Such proactive planning enabled Target to weather the surge in e-commerce without significant service disruptions, one of the main factors contributing to its strong performance despite the pandemic.

Target's strategy was focused on combining physical stores with its digital platforms, making stores where retail took place and where fulfillment happened. Its dual-function approach of holding fulfillment inventory in the last mile of the supply chain along with traditional warehouses significantly reduced delivery times and costs, giving Target an edge over competitors who relied on traditional warehouses only for order fulfillment [11]. The advantage of this structure was beneficial during a pandemic when quicker supply chain management and delivery adaptations were deemed necessary to fulfill constantly changing consumer requirements. Not only this, but ensuring a good presence of the necessary goods like food, hygiene, and house supplies shows customers the stability of Target as a seller during the pandemic [12]. This trust, established during well-going supply chain operations, was converted to more repeat customers and higher sales volumes. The continuous availability of vital commodities, even during logistical disruptions across the industry, is formidable proof of Target's excellent logistics and planning.

Examining the strategic choices, which were the drivers, that made it possible for Target to benefit from the shift in consumer shopping behaviors, one can easily conclude that its early adoption of omnichannel functionalities was critical. Target's omnichannel strategy, which smoothly combined online and in-person shopping, resonated well with customers, leading to increased sales across both channels. More particularly, the launch of contactless curbside pick-up and enlarging same-day delivery facilities considered customers' increased demand for these services and safety, which were fast becoming their preferences while shopping during the pandemic [12]. As for the future, there are several areas where Target can do better or widen its reach. The company could better observe its customer base by updating its technological infrastructure towards a more customized shopping experience. Moreover, allocating budgets toward advanced analytics to determine consumer tendencies and preferences will be beneficial as Target can anticipate market shifts in advance and adjust inventory and marketing strategies.

6. Conclusion

Analysis of responses of brick-and-mortar retailers to the challenges caused by COVID-19 shows that the retail environment is undergoing changes, and adaptability is necessary in times of disruption. The bankruptcy of J.C. Penney, the survival of Neiman Marcus, the opposite fate of Best Buy, and the prosperity of Target are the cases in point, and their successes are the lessons for the future of retail. J.C. Penney and Neiman Marcus are the perfect illustrations of the significance of the swift adaptation to new market conditions. Both retailers were already suffering from prior issues, which were made worse by the pandemic, such as too much debt and insufficient digital infrastructures. Nevertheless, their experiences underline that although there are a lot of diverse and challenging aspects, effective identification and management of vulnerability is crucial in preventing crisis.

On the other hand, Best Buy and Target are good examples of the possibility for resilience and growth through strategic rearrangement. It helped these retailers react quickly to changing customer requirements with supply chain management and digital innovation. Their resilience proves that agility and innovation are the main imperatives in global competition. Going forward, the fate of physical retail stores will be determined by how well they adapt to digital alteration and integrate online and offline channels. The future is unstable, and the ability to adapt along the way helps businesses thrive. In the aftermath of the pandemic, retailers should be able to keep their flexibility up while responsiveness is incorporated into their operations. Omnichannel retail will keep gaining momentum as it becomes increasingly important for customers to experience a consistent shopping journey over all channels. Consequently, the pandemic has brought home the importance of technology in the sales process to improve websites, auto-pay methods, and virtual shopping solutions. Retailers will keep incurring substantial amounts of digital technology and data analysis expenses to keep pace with the economy, in which digital technology is gradually becoming the leading force.

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