IMPACT
ANALYTICS

PLAYBOOK FOR RETAILERS IN THE FACE OF OMICRON SURGE ACROSS THE US

As retailers and restaurant owners seek to understand the potential impact of the Omicron variant surge, we take a look at the Omicron and Delta wave in Denmark, Norway, and the UK for lessons for the US.

What we learned from the Omicron experience of Denmark, Norway, and the UK

First identified in South Africa on 23rd Nov, the Omicron variant of COVID-19 has been raging across many countries since then. Early studies indicate that this variant is highly infectious and hence piqued nervousness among the consumers and business owners alike. Here are a few observations from **Denmark, Norway, and the UK Omicron wave:**

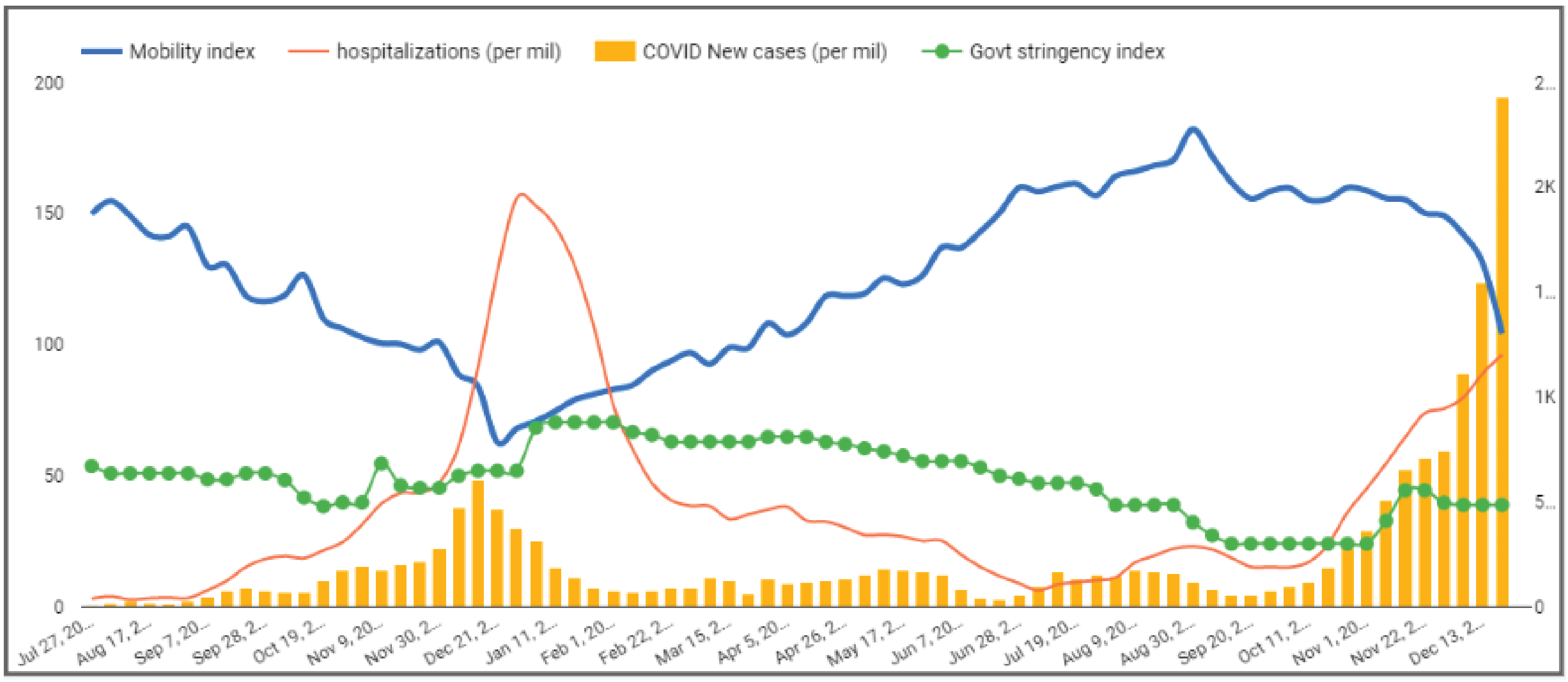
Learnings to date:

Cases high, hospitalizations and deaths lower:
While newly registered cases have moved past 2-3X of all-time high numbers in a matter of 2-3 weeks, other indicators like hospitalizations, ICU admissions, and excess deaths are lagging as compared to previous waves.

Governments seem to be wary of new restrictions:
Governments have started to increase the stringency of guidelines/mandates. However, the overall levels of Govt measures still lag levels in the previous waves.

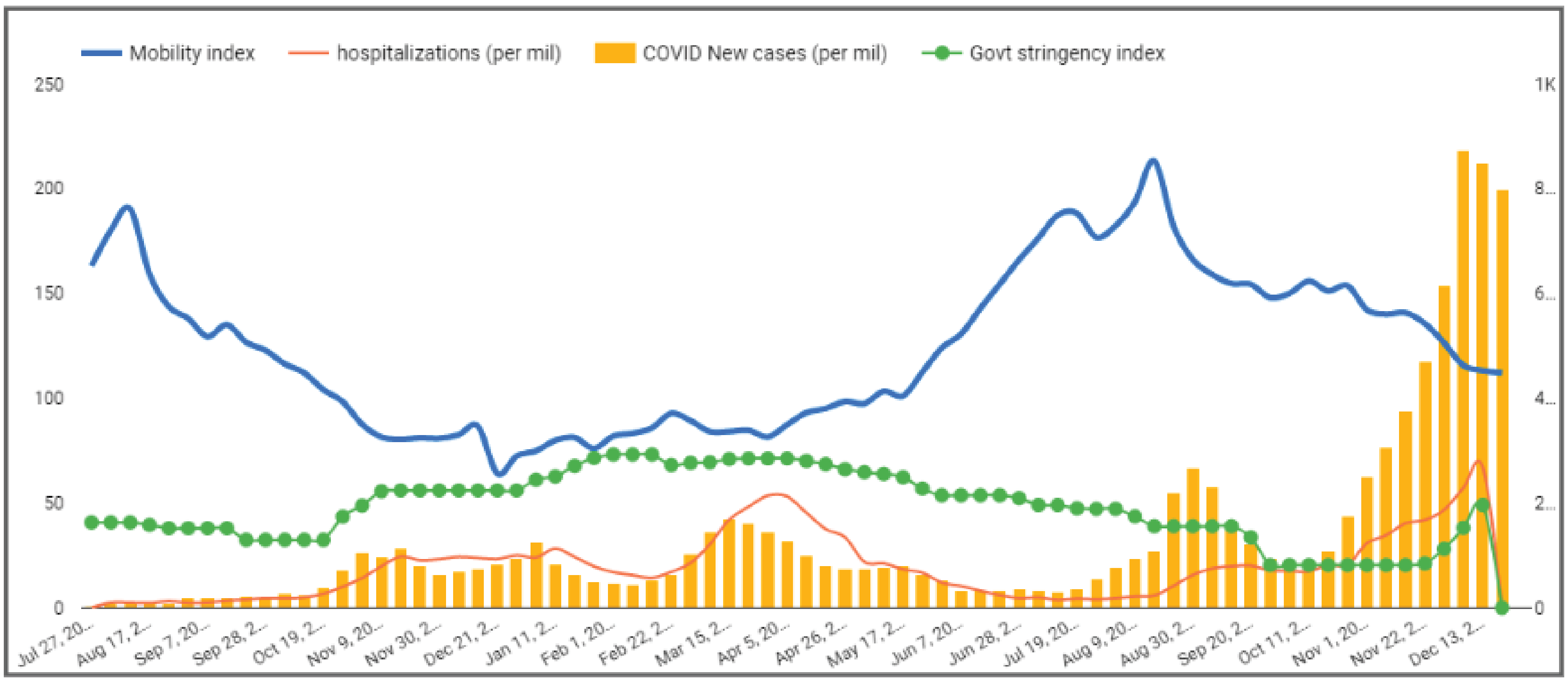
People continue to go out: Observed mobility of people has also started to go down. However, even though people are moving around less, mobility remains higher than the COVID peak of last year.

Denmark



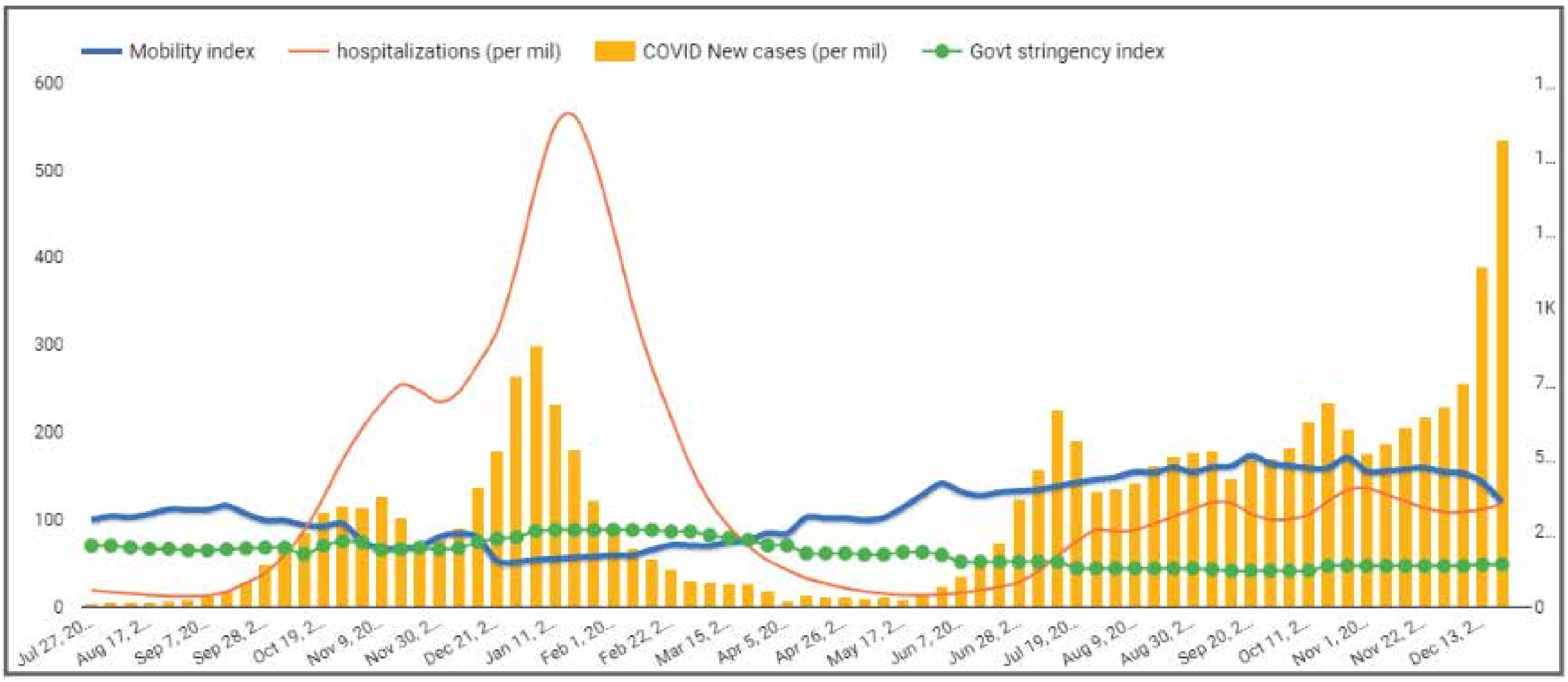
Cases ~4X, hospitalization ~50% less than the previous peak, stringency of Govt measures is still ~12% lower, and mobility ~30% higher than last year

Norway



Cases ~2.5X, hospitalization ~25% higher than the previous peak, stringency of Govt measures is still ~20% lower, and mobility ~50% higher than last year

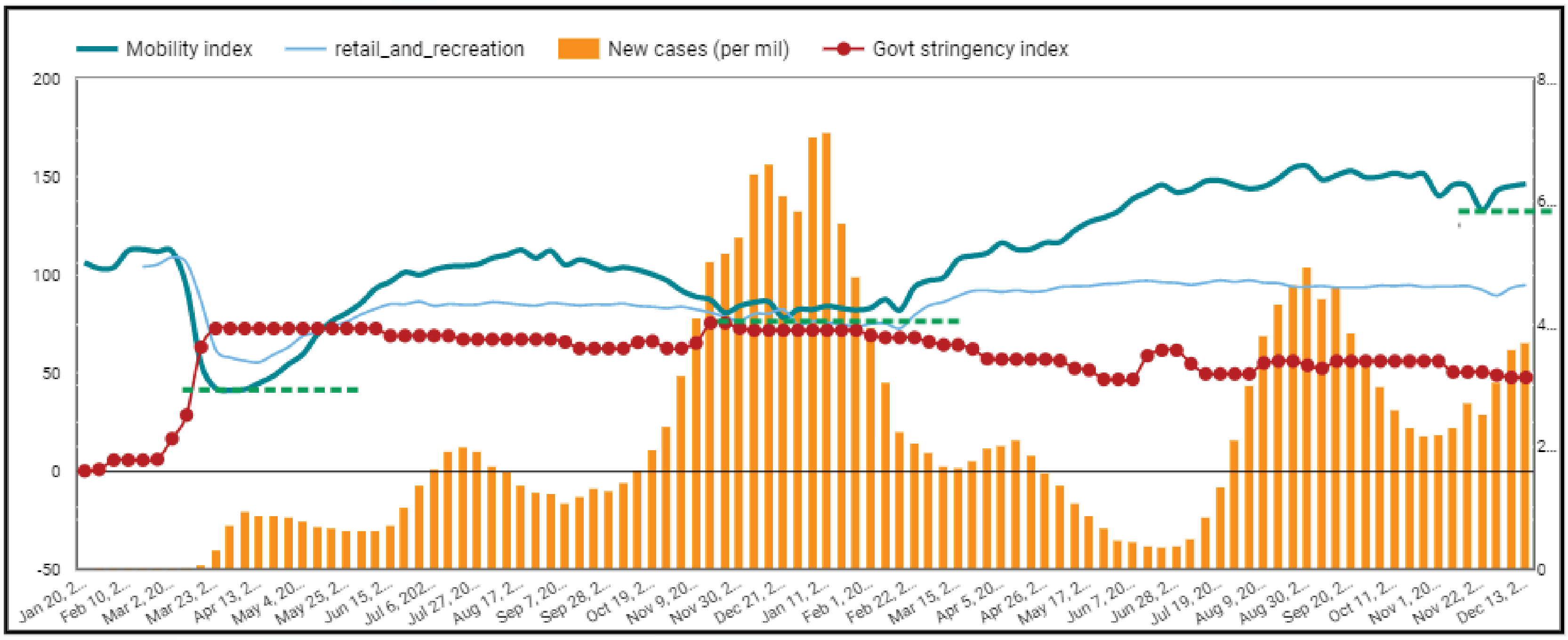
The UK



Cases ~2X, hospitalization ~60% less of the previous peak, stringency of Govt measures is still ~20% lower, and mobility ~70% higher than last year

Learnings from past COVID waves in the US

CDC is estimating an Omicron-induced COVID surge in the US between Jan'22 to as late as Apr'22. New cases in the past few days in the US have zoomed past the ~400,000 mark and are climbing rapidly. With the impending Omicron wave, here are learnings from the past on consumer mobility and expected footfall for retailers

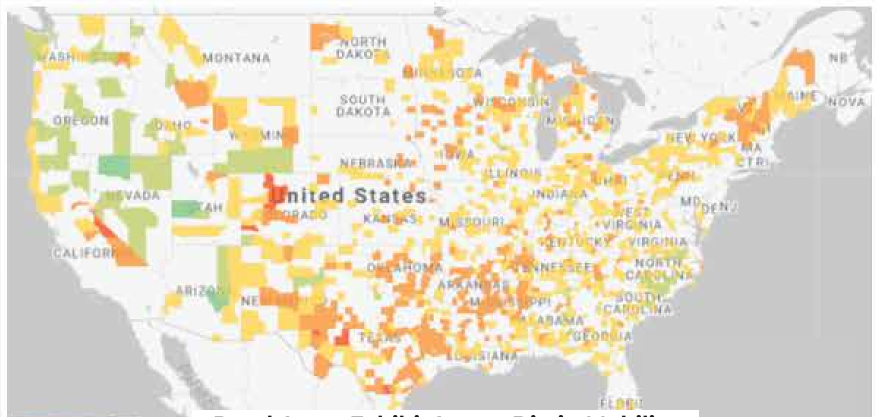


Dip in mobility* reduced with each Covid wave:
With each successive COVID wave, the dip in mobility has lessened; which indicates that consumers are adapting to 'new normal' and are more comfortable with traveling outdoors despite a spike in COVID cases

Sudden mobility changes don't happen:
The rate of mobility dip has flattened out over the period; which also indicates less sudden / more gradual changes in observed community mobility

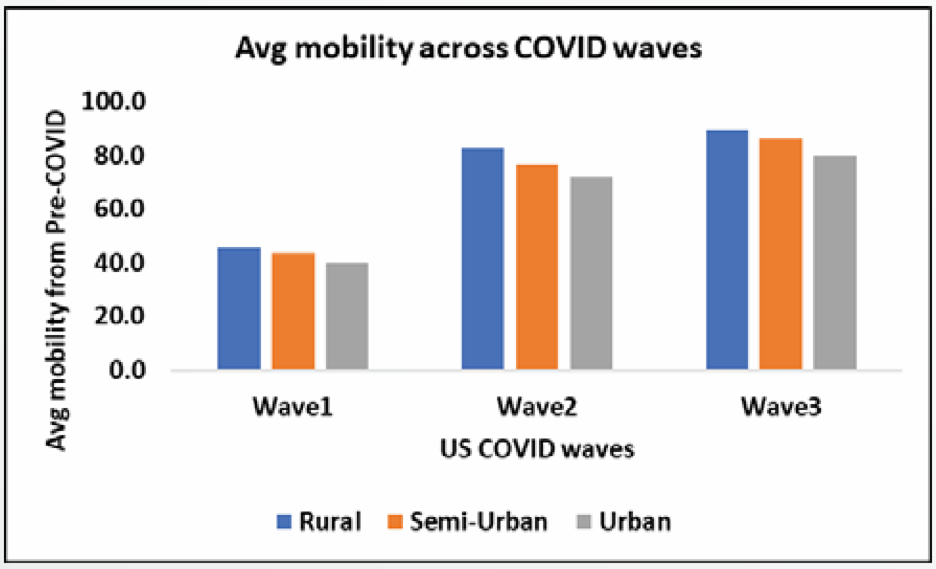
Government restrictions more important than Covid:
The stringency of Govt. mandates has a more significant impact on the overall community mobility (Correlation ~65%) than the incidence of COVID cases (Correlation ~30%). The impact of Govt. mandates and COVID cases on community mobility is almost instantaneous (with minimal lag days)

Urban areas have more change than rural areas:
Across all three major COVID waves since the beginning of the pandemic, Urban areas experienced a larger and more sudden dip in mobility than rural parts :



Rural Areas Exhibit Lower Dip in Mobility

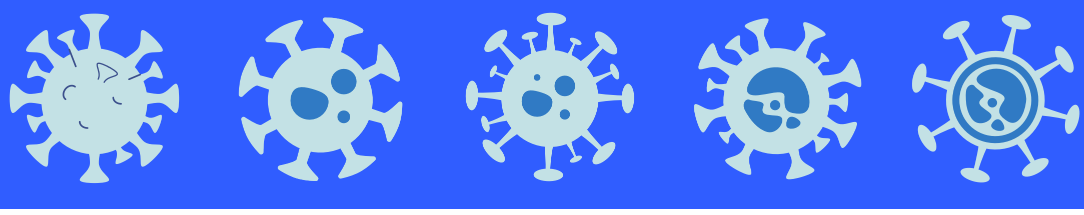
Urban Areas Exhibit Larger Dip in Mobility



Source: *Mobility: Relative volume of direction requests on Apple & Google maps; benchmarked to Jan'20 levels

Retailers' guide for surviving and thriving Omicron

Struggling with the supply-chain woes, retailers are anxiously watching the Omicron wave play out across the country. Here is a playbook for retailers to win in these disruptive times



1. Monitor early indicators that drive footfall

Look at hospitalizations, not cases:
As observed in other countries, hospitalization is a better measure of wave intensity than the new case count in the new Omicron wave. We expect consumer sentiment and footfall to follow local hospitalization rates.

Vaccination rates likely to be key for mobility:
Retailers with a nationwide presence should track vaccination levels across the geography and expect a larger and sudden drop in footfall wherever vaccination levels are low along with a high rate of hospitalizations.

The stringency of Govt mandates matters:
The stringency of Govt mandates is a solid indicator of consumer mobility. Retailers should closely monitor local/state-level COVID mandates and community guidelines to pre-empt footfall.

Labor pressure reamains the biggest challenge:
While footfalls may not decline, rising cases means more employees will get Covid, creating new pressure on an already tight labor supply. Labor pressure reamains the biggest challenge.

Dynamic staffing provides a meaningful competitive opportunity:
Accurate forecasting of demand, incuding by time of day, means retailers can adjust staffing levels, or even store hours, to maximize sales.

2. Moving from digitally-present to digitally-focused

Consumer preference has irreversibly moved to digital:
While the footfalls across malls/retail outlets during year-end sales are better than last year, they have still been lagging behind pre-pandemic levels. Foot traffic was lower by ~8 - 9% in indoor and outdoor malls this year during Black Friday and Super Saturday as compared to 2019*. Overall retail stores visits are even more muted at ~26% lower than 2019 levels^.

Putting omnichannel at the heart of strategy:
Retailers should have a solid digital presence along with an increasing focus on extending flexibility by curbside pickup or BOPIS (Buy-online-pick up-in-store). All key activities including planning, allocating, running promotions, and customer service will require omnichannel focus at its core.

3. Forecasting edge: no longer just a competitive advantage, now also a means to survival

These pandemic years have shown how our world has become more disruptive and unpredictable. Playing with the old rulebook of traditional forecasting is a guaranteed way for a year-long fire-fighting excersise for retailers.

Cannot use last year to predict this year:
No two years are the same anymore. Just as 2020 wasn't a proxy for the year gone by, 2021 isn't a base for the year 2022. Consumer preferences will be highly dynamic and supply chains will be stretched further.

AI forecasting can help:
The good news is with advances in AI and Machine learning, retailers can now gain an analytical edge in forecasting. At Impact Analytics, our contextual forecasting engine uses both recency and history to develop accurate forecasts. We bring external variables, such as Apple and Google mobility data, vaccination rates, employment data, and more, to more accurately forecast demand.

Human intelligence remains a crucial part:
Forecasting will remain part-science and part-art. Hence, while dealing with disruptions like Omicron, retailers must strengthen the science part of forecasting to balance thier expeience and human intelligence to deliver winning forecasts.

Source: *placer.ai | ^Sensormatic Solutions