

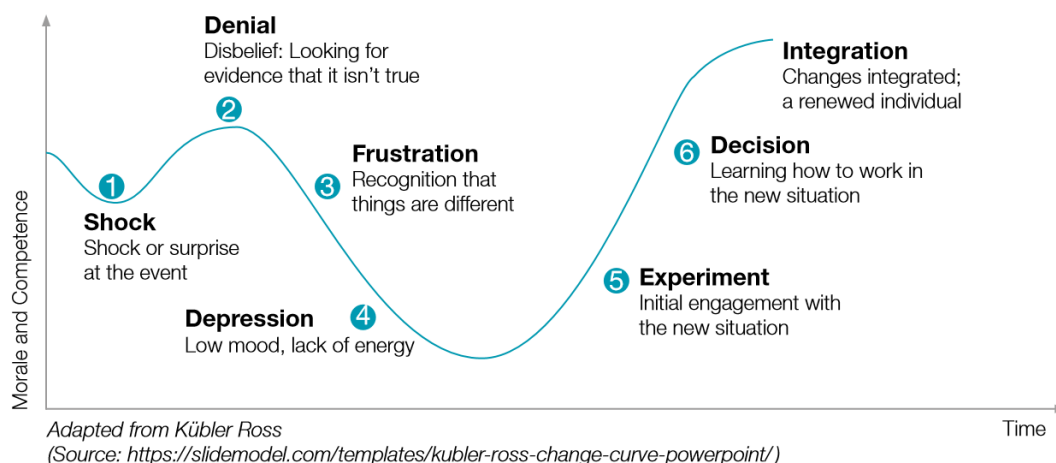
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COVID-19 - Managing transition as a small retailer

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The Kübler-Ross Change Curve¹ describes the process of transition from crisis to being able to implement new ideas and strategies. The COVID-19 pandemic has hit micro and small businesses hard. Entrepreneurs are overwhelmed by the level of uncertainty. Many are looking for personalised support to help with crucial decision-making, protect and save their business or explore other ways to survive. Having a mentor has never been more important. This Thinking Space Paper uses the Kübler-Ross Curve to illustrate the rapid transition of a small retailer from the shut down in Germany on 15 March to the “new normal” at the end of June 2020. The rapidity and intensity of the shock and remaining uncertainty demonstrate the need of entrepreneurs to possess VUCA Skills (volatility, uncertainty, complexity and ambiguity), mindfulness, resilience, creativity and communication.²

The below displayed Kübler-Ross Curve starts with the shock, that paralyses the entrepreneur. Often an entrepreneur knows change is coming, while not taking action upon it in time. The COVID-19 pandemic with its lockdown was not foreseeable for a small entrepreneur. The fast shut down left little time for denial; hard facts pushed the business owner quickly into realising that there is a new reality. The way through frustration and depression (panic) to the lowest point of energy and morale was quick and steep: from hero to zero. Eventually change is accepted, and the individual resolves to face the future, ideally by testing new ideas and experimenting. The entrepreneur learns how to work in the new situation (decision), accepts and implements change (integration). In the following this process is illustrated at the example of a small non-food retailer.



¹ <https://www.ekrfoundation.org/5-stages-of-grief/change-curve/>

² https://www.youtxchbusiness.org/file_uploads/YBI-SoftSkillsForTheFuture.pdf

Actually, 2020 was supposed to be to be a year of economic growth for Rosa Valenz³. Rosa had moved her shop from a side street to a larger shop in the main street of Bad Honnef and renovated it with a bank credit. Client response was extremely positive. The multi-label shop sells shoes and accessories, mostly from small Italian, Dutch and Spanish producers. She has a team of two part-time working women, who help her on certain weekdays and special events. She had introduced a new brand, stopped another, launched an own label and carefully placed orders at shoe fairs in Milano and Düsseldorf for Spring/Summer 2020 to compose a perfectly matching collection for her customers. The orders also included goods, that she had purchased for her most important special event: a four-days “Landpartie”,⁴ that she was attending every year. The Landpartie had always contributed significantly to her annual turnover. The goods had been delivered and were waiting to be sold and paid for. The exception was a small Italian shoe manufacturer who neither delivered anything, nor sent a message or asked for money.

The COVID-19 pandemic started like a background noise in the beginning of March 2020. Rosa had been at the shoe fair in Milano and upon return some customers were enquiring if she was certain of not being infected. She tried to make a test but was sent away by the doctor. When the “noise” of a potential lockdown came closer, she decided, that she would stay open for as long as possible. When the public order to close all non-food shops came on Wednesday 15 March 2020, it was, however, a real shock: lockdown with an open end. For the rest of the week Rosa went to her shop every day, rearranging, cleaning and redecorating the vitrines. The denial mixed with frustration. She had planned everything so well, had selected her products carefully and had arranged every detail. How long would the lockdown last? Doubts on the feasibility were also hanging over her major annual event, but the organisers remained silent. How was she going to sell all her products, in particular the seasonal goods? Selling without a loss. How was she going to be able to pay her rent (her landlord had declined a temporary reduction), to pay staff, running costs, the delivered goods and costs of living for herself? Fear and panic crept in. She countered with more cleaning and rearranging. The German government quickly made funds available for all companies in trouble due to the virus. Rosa immediately completed the online form asking for the 9.000 Euro she was eligible for. Unfortunately, the page was probably a fake⁵; as she did not receive a confirmation. Therefore, she re-introduced her data. This time successfully, but the COVID-19 support money only arrived four weeks later than for other shops, which caused additional frustration at first.

She had already been talking to her mentor before the lockdown looking for growth, but now talked on a very regular basis, several times a week, some times daily. Always trying to make it a happy and relaxing moment, it was mostly about her thoughts and feelings during the first conversations; fear comes in waves and particularly at night. They also looked at rough numbers and figured, that she could manage, if the lockdown would not last too long. The federal German development bank, the Kreditanstalt für Wiederaufbau (KfW), launched a credit line for entrepreneurs struggling in the COVID-19 crisis. She called her principle bank, which is the gate to the KfW credit, but instead of supporting her, they tried to sell her an expensive overdraft line. This hurdle made her and her mentor re-discuss figures. As she was uncertain about the arrival time of the government support, she had moved into a cautious spending mode. As credits need

³ <https://rosa-valenz.de/> .

⁴ A Landpartie is a term for open-air events, that are usually held in the vicinity of castles or manors which also form the framework for fashion shows, classic car exhibitions and rallies as well as for cultural events of all kinds.

⁵ Between 3500-4000 small entrepreneurs were concerned by fraudulent Internet pages, see for example: <https://www1.wdr.de/nachrichten/themen/coronavirus/stopp-soforthilfe-betrug-corona-100.html> .

to be repaid in an uncertain future, they re-questioned the urgent necessity of raising a credit. Finally, Rosa decided to better stick to what you has and make the most out of it (bird in the hand principle⁶).

It didn't take long and she started focussing on her online shop, which had already been existing for a couple of years, but did not generate noteworthy revenues. In addition to that, there was also a Facebook and an Instagram account. Rosa called her photographer and website expert, asked him to fix some issues with the online shop and to teach her how to take pictures and generate more followers on Instagram. She moved her mini photo studio into a corner of her shop, visible from the outside, and arranged it like an internal vitrine. Also, she changed arrangements every day, took photos and posted them on Instagram daily as well as regular Instagram stories. Selected photos were added to her online shop and she kept changing the profile photo of her WhatsApp status, as she is connecting with many customers through WhatsApp. While she did not become an Internet top seller overnight, some old and new customers placed orders and others called, when they had seen her photos. To the latter, whom she knew as long-standing customers, she sent packages with selections of products. It helped to pay some basic costs, to stay in the mind of her customers and support her emotional balance. She also redecorated her window regularly, to keep her shop attractive for passing pedestrians (walking outside alone or as a couple remained possible in Germany throughout the lockdown).

On 20 April small non-food shops would be allowed to re-open in North Rhine-Westphalia, if sanitary rules were respected. The question was now, if Rosa needed to reattract customers with special offers and sales or if they would return for her products and the shopping experience. Pressure from the media (overflowing stock of larger retailers), discussions in the network and her employees pushed towards price reductions. However, Rosa decided not start with rebates; her stock consists to a large degree of classical items. Putting them on sales would risk future sales and current price levels. She opened on Monday 20th April although her shop is normally closed on Mondays. Customers returned right away, looking for the shopping experience rather than a bargain. The flows of customers remained. Perhaps she benefits from the movement encouraging people to support local shops and restaurants and that people are not travelling.⁷ She felt reassured as sector professionals later confirmed that fashion shops are doing well after the reopening and advised small retailers not to reduce early. With the exception of large retailers, summer collection items are limited due to many orders having been cancelled or minimised when the lockdown had started. Also, the summer season collection needs to last longer as the winter season will arrive later due to production delays caused by COVID-19 pandemic.⁸

The government COVID-19 support eventually arrived and provided funds to pay suppliers quicker, as they are suffering too and it is in Rosa's interest that her small Italian, Spanish and Dutch suppliers survive. The small Italian shoe producer, who seemed to have already been in trouble before the pandemic, vanished without further notice. She placed a re-order with her Spanish supplier, whose products were selling particularly well (who actually produces in Columbia). The Landpartie was postponed and finally cancelled. Her strategy of not diving into sales when reopening paid off, not only with regards to revenues, but also with resulting communications possibilities in newsletters and blogs read by potential clients.

⁶ See for example: <http://www.effectuation.nl/en/effectuation#/bird-in-hand-principle> .

⁷ Examples of initiatives supporting local retail, restaurants and bars, such as:
<https://www.gruenderszene.de/business/einzelhandel-corona-krise-unterstuetzung>, <https://www.gofeminin.de/erfolg-finanzen/lokale-handler-unterstuetzen-corona-krise-s4010851.html>
Or <https://koeln.mitvergnuegen.com/2020/lokale-haendler-unterstuetzen/>.

⁸ For example: <https://www.instagram.com/tv/CBQoSIHQwh/?igshid=1g1naau3h9u19> , viewed 14.06.2020.

The Covid-19 lockdown fortunately lasted only a bit more than four weeks for Rosa. She showed resilience, creativity, communications skills and the willingness to learn and experiment, a rather solid set of skills for the future. However, some important lessons, that mentors should check on with their mentees, can be drawn for the future:

- As a small entrepreneur you really need to represent what you sell or provide; authenticity is key for success;
- Reassess the goods and services regularly and let go what does not fit any longer in your overall offer or items that simply don't sell;
- Also let go of partners and suppliers that do not stand by you in a crisis or change their offer, that no longer fits with your own profile; look at price, quality, reliability, goodwill and service;
- Provide quality and invest in long-term customer relationships;
- In times of uncertainty cash flow becomes ever more important; don't spend everything in orders, keep resources for additional purchases or unforeseen events;
- Be cost-sensitive and creative – rather use creatively what you have than using money to solve problems;
- Create several revenue streams;
- Communicate on all possible channels; online communication becomes increasingly important, also for a brick and mortar shop;
- For a solo entrepreneur: don't forget yourself! Take care of your health and cater for your pension – unless you want to work forever.