

## Economic Implication of Event Marketing in stationary trade under the influence of SARS-CoV2 - "First Out Last In" -

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### Abstract:

**Background:** An impact analysis against the backdrop of the Covid 19 pandemic on brick-and-mortar retail and consequences for event marketing, with a focus on Germany.

The Covid 19 pandemic has put tremendous pressure on the retail sector. Across the entire breadth of the market, significant declines in sales have already been observed, particularly in the assortments relevant to city centers, as a result of the 1st lockdown in March and April 2020 and the subsequent restrictions (accessibility of stores, masking requirements, spacing, etc.). However, delayed effects as well as the effects of the 2nd lockdown imposed from mid-December 2020 in conjunction with the Christmas and spring business in 2021, which will be cancelled to a large extent for the stationary trade, will further exacerbate the situation.

**Conclusion:** This article sheds light on the current economic starting point, carries out a scientific, but also in particular practice-oriented, literature research of renowned business enterprises, and is intended to offer future trends and action implications from the crisis.

**Key Word:** Stationary trade; Eventmarketing; Crisis, SARS-CoV2; Implications

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### I. Introduction

The global effects of the SARS-CoV-2 pandemic are hitting all economies hard and highlighting the weaknesses of the interconnected world.“ (cf. (Mohammed 2020) Despite all the normalization of everyday life and the acceptance of a so-called "new normal," this also applies to the German economy. Even if the perceived mood currently seems to be better than the actual reality, the continuing and rising infection rates in the fourth quarter of 2020 document a permanent burden, with the time extension of the lockdown to the first quarter of 2021.

With these framework conditions, the following article is intended to present a picture of reality and shed light on the question of:

*What implications event marketing is exposed in stationary retail, under the influence of SARS-COV2?*

Governments around the world have taken unprecedented steps to help rescue companies and entire economies and yet Germany's gross domestic product fell by 10.1% from April to June 2020 compared with the previous quarter (Bocksch 2020; Statistisches Bundesamt 2020). In all likelihood, the measures and efforts will have to continue for several years to be able to contain the health, social and economic effects of the pandemic (Baldwin and Di Weder Mauro 2020). A purely regional view of individual countries is misleading in this respect, as the closely interconnected global economy has considerable influences and interactions regarding the international upswing but also the downturn (McKibbin and Fernando 2020).

The German economic sectors are asymmetrically affected by the pandemic. While the tourism, event management, hotel and catering sectors, for example, are exposed to a considerable threat to their existence, as is a large part of the stationary trade, the mechanical engineering and construction sectors are affected with a time lag. This trend will also continue (Börsch-Supan and Rausch Johannes) in secondary sectors such as the German pension insurance. Online retail, medical technology, food and furniture, on the other hand, are the first "winners" of the crisis.

## II. Literature Review

The literature review used here deals with the economic challenge of the stationary trade, caused by the Corona Pandemic in 2020 and 2021, as well as with economic expertises of recognized business companies.

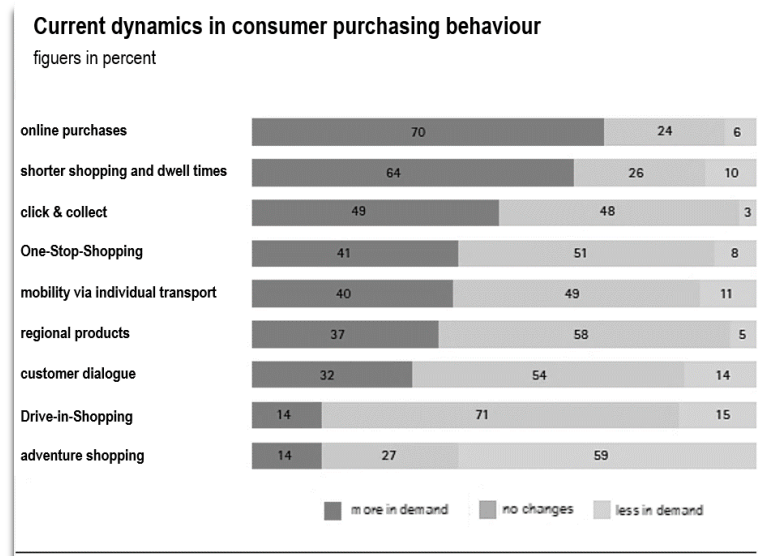
**Table no 1:** Initial results of the literature search.

Search Term	Science Direct	Google Scholar	PubMed	Results after Removing duplicates
stationary trade AND covid IN YEAR 2021	167	933	167	881

## III. Material and Method

Stationary retail has already been undergoing structural change for several years. "Innovative online providers are attacking established business concepts and securing ever larger shares of sales. The online channel advantages are relevant for many customers and they can no longer be imagined without them. "(cf. Haug 2013) This disruptive process has accelerated and become irreversible under the current conditions, as was thematized within the 12th Retail Real Estate Summit 2020.

The winners and losers of recent years can be identified in different ways. Whereas in the 1980s and 1990s German food retailers focused primarily on size, low prices and a correspondingly plain ambience in their stores, a rethink set in with the upturn in 2006/2007. (Nierhaus 2006) Among other things, the reworking of the point of sale, higher value products (Adler and Wohllebe 2020), more convenience, innovation and quality were prioritized. Likewise, discounters followed this trend. Between 2008 and 2019, sales in the sector increased by 32%, according to retail expert Manuel Jahn. (cf. ACROSS | The European Placemaking Magazine 2020) Parts of the non-food retail sector, such as the fashion industry, on the other hand, have been increasingly affected by store closures, especially in 2017. Corresponding distribution channels, such as department stores with their high fashion share and many shopping centers with their classic tenants from the sector, are following this degressive market trend. In these sectors, the pressure on rents is growing enormously. According to Jahn's estimate, the apparel sector could lose about a third of its sales by 2030. This would free up retail space - on upper floors - that would have to be rented elsewhere. This could allow other sectors, such as cinemas or cabaret, to return to the city centers and bring about a more diverse sector mix. (Matkins 2021)



**Chart no 1:** Current dynamics in consumer shopping behavior (EHI Retail Institute, Hahn Group).

However, digitization with omnipresent e-commerce and almost full product availability with ever shorter delivery times with the objective of "same day delivery" will further accelerate structural change, cause downtown areas to suffer in terms of vitality, and further erode market acceptance of stationary retail.

Retail-relevant key performance indicators can visibly represent the inherent competition of the stationary retailer in every microlocation and help to assess the market situation. For this purpose, structural indicators such as

- sales area per inhabitant,
- retail-relevant purchasing power,
- population and

-development.

in a national comparison with regard to location and market attractiveness. Changing market conditions and constantly changing customer preferences make it more difficult to address and retain customers in the long term. This is also driving competitive dynamics. Around 84 percent of Britons have bought a product online in the last twelve months. No other country surveyed can boast such a high e-commerce penetration rate. The USA has a rate of around 77 percent, and in Germany it is estimated that just under three quarters of the population made a purchase online last year. (Bocksch 2020)

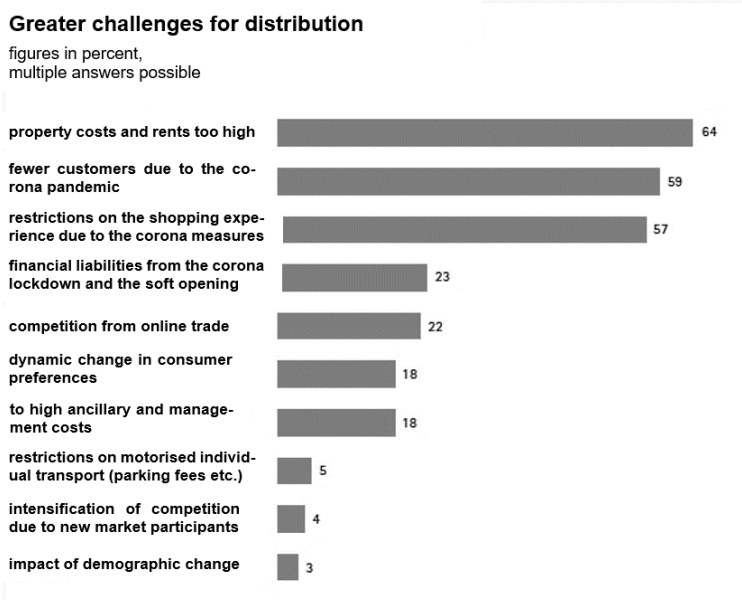
In this area of tension, only retail agglomerations that can demonstrate the following can succeed in stationary retail

- a good location,
- a balanced mix of industries,
- Convenience factors, such as parking spaces and good public transport connections, and
- an appealing architectural dwelling zone.

Then further economic potential can also be developed. The key differentiating criterion here was experiential shopping, which enabled a sustained customer approach, customer activation and customer loyalty. In detail, by means of specifically designed events of the stationary trade, added value could be created for the customer in the otherwise always homogeneous retail landscape. The successful communication of the brand message through emotional attachment of the consumer to the respective staged brand world was able to enjoy an advantage through event marketing and the dialogic communication structure. Similarities in products and industry mix can be balanced through unique positioning strategies with emotional appeal via the experience character. In particular, the shift in values with regard to consumers' awareness of leisure and enjoyment makes emotionally charged positioning strategies necessary. In this way, brand messages can have a lasting effect. Even in the case of always homogeneous forms of supply, clever marketing events can contribute to products being experienced and sensually experienced together. With such essential unique selling points, target groups can be activated even under difficult conditions. Despite degressive trend development, there are positive examples that stand out from e-commerce, such as

- Christmas market openings in city centers,
- Fashion Days with open Sunday (VOS),
- the World Children's Day on June 1 or also
- Back-to-school celebrations.

The coronavirus pandemic is an essential threat to the established strength of brick-and-mortar retail and strategic experiential shopping (OECD 2020). Politically imposed measures, such as hygiene concepts, partial lockdowns and various forms of contact reduction are essential to contain the pandemic and, most importantly, save lives. However, the strength of experiential shopping, which is an important element for brick-and-mortar retail, has been hit hard by this.



**Chart no 2:** Biggest challenges for the sales divisions (Berens 2014).

This contradiction can also be found within the Saxon Shop Opening Act, in which Sundays open for sales can only be justified and carried out by an "event reason". If this event occasion is missing due to comprehensible refusals of the municipalities by means of Corona legal ordinances, VOS without occasion-relatedness are not legitimate. In the committee meeting of the Saxon State Ministry of Economy, Labor and Transport on 15.09.2020, this contrast, which leads to the practical cancellation of all VOS in Saxony in 2020, was criticized as in need of improvement, specifically by the member of the state parliament Jan Hippold. On the contrary, however, the current Saxon regulations do not show any omission of the occasion-relatedness, as compared to the regulations in North Rhine-Westphalia. The stationary trade and the event organizers of the VOS will not be able to achieve economic or political success. The positive synergies of the stationary trade and the event industry can no longer be used due to the risk-averse legal framework for the containment of the SARS-CoV-2 pandemic.

After a "positive false reality" in the summer of 2020 following the first lockdown in Germany - because the case numbers only fell temporarily - the second pandemic wave is now gripping society, the healthcare system and, in particular, retail, the event industry and the catering trade all the more strongly.

#### **IV. Lockdown – Industry sees red**

With the so-called "lockdown light", the German catering and event industry will be considerably restricted as of November 2, 2020, which is an existential threat for many businesses. The rising number of cases, with almost 20,000 new infections in week 43 in 2020, prompted the federal government to take such consistent action by means of regulations.

From an economic point of view, this second lockdown will offer companies in the event industry little prospect of financial regeneration, and will probably, on the contrary, cement insolvency inescapably. In this context, we will take a closer look at operating leverage:

1. Company with 100% variable costs

- No costs due to downtime
- no turnover = no costs
- No profit = no loss, private costs remain

2. Company with 100% fixed costs

- Costs are incurred even if no production takes place
- Insight for stationary retail and its P&L:
  - approx. 80 % less events / frequency (averaged)
  - approx. 80 % less turnover (averaged)

As a result, solo self-employed persons, for example, can show a lower loss situation, but without further assistance their business basis remains in deficit, also due to the often existing combination of private and commercial costs.

Larger companies in the event industry, gastronomy and stationary retail with personnel and rental costs as well as further bank liabilities will remain in the loss zone due to their high fixed cost structure without corresponding revenues.

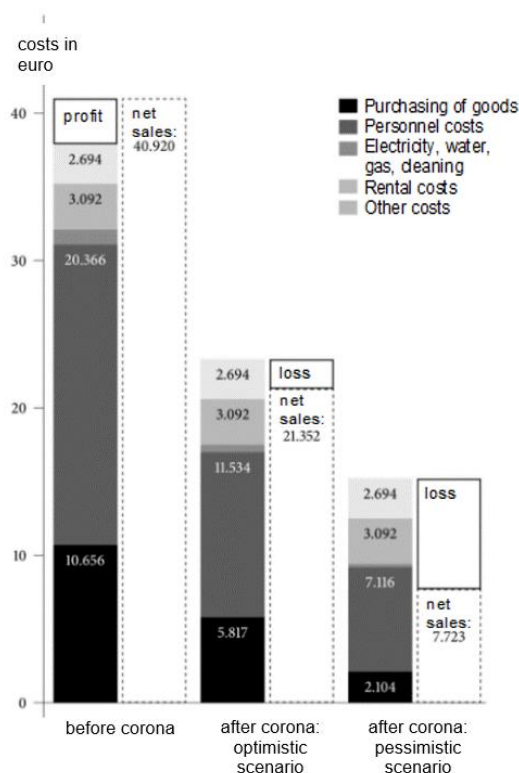


Chart no 3: No return to trend growth after Corona (Stelter 2021).

### V. Outlook and Containment

In order to contain the rapid spread of the coronavirus in Germany since late summer, a politically ordered "breakwater shutdown" is currently being implemented, with an extension option still open. This severely restricts the catering and event industry in its business activities. In particular, over-night stays, indoor catering and events are prohibited. Among other things, the current increased 7-day incidence of more than 25 cases per 100,000 inhabitants is now present in 371 of a total of 401 counties. Of these, 113 urban or rural districts even have an incidence of more than 100 cases per 100,000 inhabitants. (Robert Koch Institute) In this respect, the hard lock-down was decided in December 2020 and for the beginning of the first quarter of 2021, with further negatively intensifying economic interactions for the gastronomy, trade and event industry. Above all, negative effects on the demand side result directly from domestic economic processes, in that "social consumption" is now massively restricted, in particular through strict contact restrictions of the regulations. These include restaurant visits, domestic tourism, attendance at cultural events, trade fairs, etc. (Wren-Lewis 2021). After a number of prominent events (such as the Hanover Fair or the Leipzig Book Fair) were cancelled early on, followed by Christmas markets, all federal sports leagues have now ceased operations or only the first federal league is playing. Across Germany, cultural institutions, pubs and clubs have been closed. A particular problem for this drop in demand is that it is not necessarily possible to expect catch-up effects over time. In the case of interrupted supply chains, it can be expected in many cases that the corresponding purchases and sales will take place later (possibly still in the course of 2020 / 2021). If a car cannot be produced and sold today, it may be in a few months. This is different for social consumption. Restaurant visits or private trips that do not take place today will not necessarily be made up for later. Private consumption has so far proved to be a pillar of the economy. Due to the cancellation of trade shows, trips and events, a consumption recession has become very likely in H1 2020 in addition to the industrial recession that has already been going on for several quarters. Whether full compensation for these effects in subsequent quarters appears realistic is at least questionable, as certain demand components will not necessarily be made up.

Scientific research on the SARS-COV-2 virus and COVID-19 disease is in the early stages worldwide (Li et al. 2020). There are a variety of different research approaches that can only be differentiated and not yet conclusively evaluated. Scientists, policy makers and people worldwide are unprepared to find a way to deal with this unknown, death and suffering causing disease.

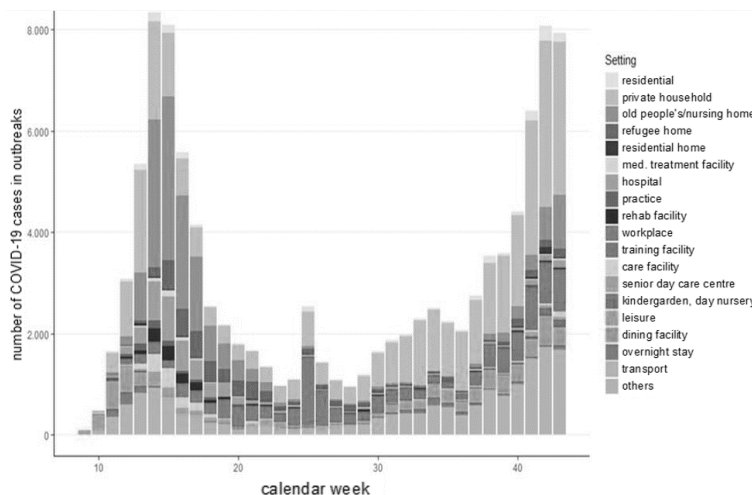
The Robert Koch Institute (RKI) currently assumes that a large proportion of people in Germany become infected with the coronavirus in their private environment. Measures in this area are all the more important, emphasized RKI President Lothar Wieler in a press conference on 29.10.2020 in Berlin. This assessment fits with a report by US researchers in the journal Science (Lee et al. 2020).

They describe three main drivers of the pandemic:

- Infection in the private environment
- Superspreading events
- interregional to international travel

In summary, the authors emphasize that these three "engines of trans-mission" can provide starting points for how to contain the pandemic.

However, the relative risk of transmission in different community settings, such as restaurants and retail stores, is an open question. It is also not yet possible to accurately predict the impact of measures to mitigate transmission in these contexts. "Realtime" research and testing is underway around the world on how to reduce and identify transmission routes and protect and treat people.



**Chart no 4:** Daily situation report of the RKI on coronavirus disease-2019 for 2020 (Robert Koch Institute).

Until SARS-CoV-2, COVID-19, possible sequelae, or even therapeutic and preventive measures are researched, the situation remains critical and the world burdened by the pandemic (World Health Organization 2020).

The event industry in particular has been affected by the corona lockdown for the longest time and has now been without a corresponding business basis since the first quarter of 2020. The regulations agreed by the state governments are equivalent to a ban on activities and have severely restricted this sector of the German economy - with 130.0 billion euros in sales and 1.0 million employees - since the beginning of the pandemic. (AlarmstufeRot e.V. i.G. 2021)

The future of stationary trade with the decisive differentiating feature of experience shopping with event companies seems to have no possibility of being exercised until further notice. Politics, economy and society will have to represent and live these newer framework conditions in the future, conditioned by containment measures of the pandemic.

This pandemic can only be tackled jointly and with solidarity. The light lockdown and the subsequent hard lockdown in mid-December 2020 until the first quarter of 2021 will once again pose considerable challenges to the economic resilience of the heavily affected sectors such as gastronomy, retail and the event industry. In this respect, the government measures must be selected and implemented with extreme strength and precision in terms of timing, targeting and timing in order to prevent an economic insolvency spiral (Gaspar and Mauro 2021).

Immediately, the situation regarding the Corona crisis is changing in a highly dynamic way and may be containable in the future with the hope of a vaccine and what is happening can be controlled.

The present text will therefore in parts be overtaken by reality at the time of publication but should be understood until a possible herd immunity is reached for a common and solidary solution of all challenges, in constructive cooperation.

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