





THE STATE OF RETAIL MARCH 16, 2020 THRU OCTOBER 15, 2020

U.S. SHUTS DOWN ON MARCH 16TH

- » Stay at Home Orders issued by Federal, State and Local Governments
- » CDC recommends Sheltering in Place, Social Distancing, Wearing Masks
- » Offices close, Workers at home, face-to-face interaction discouraged
- » Zoom, Teams, and Conference Calls dictated for doing business
- » Only "Essential Businesses" allowed to stay open
- » 20+ million workers furloughed or laid-off

INITIAL REACTION FROM RETAILERS

- » Over 50% of Top 100 Retailers stopped paying rent or only paid reduced rent
- » 100% of Bars closed
- » Dine-in restaurants convert to take-out only business to stay afloat
- » Arguments occurred over "Which businesses are essential business?"

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WINNERS (ESSENTIAL BUSINESSES):

- » Grocery Stores (increased sales/profits via stockingup)
- » General Merchandise Stores (Target, Walmart, etc.-\$\$\$)
- » Home Improvement/Hardware/Appliances/Furniture
 - » Appliance Sales Up (remodeling projects up)
 - » Home Improvements (landscaping, newfurniture)
- » Restaurants with Drive-Thru Lanes
 - > Chick-Fil-A sales up in spite of dining room closed
 - > Social distancing by staying in your car
- » Office Supplies/Electronics
 - > Home offices—new printer, new monitor, etc.)
 - > Home entertainment systems, big-screen TV, etc.)
- » Liquor Stores (U.S. sales up \$35 Billion since COVID)
 - > Bars closed
 - > People working from home now and not going out
- » Convenience Stores/Gas Stations
- » Service-oriented retailers like Fed-Ex and banks
- » Pet Supplies (Multi-Billion Dollar business...enoughsaid)



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LOSERS (NON-ESSENTIAL BUSINESSES):

- » Fitness Clubs (Closed)
 - > Gold's Gyms filed bankruptcy
 - > 24-Hour (P.E. owned, \$1B in sales, \$1.5m cash)
- » Movie Theaters, Bowling Alleys, etc. (Closed)
 - > AMC filed BK, talking merger with United Artists
 - > Studio Movie Grill filed BK aswell
- » Dine-In Restaurants (initially closed, then 25% capacity)
 - > Most restaurants owned by local operators
 - > NRA predicts 40% of them will never re-open
- » Entertainment/Concert Venues and Convention Centers
 - > Convention Centers were 85% occupied, now 8%
 - > Live-Shows & Concerts almost non-existent
- » Apparel (Closed, limited in-store shopping, on-line is OK)
- » Bars (Closed...most will not re-open)
- » Nail Salons, Barber Shops, Hair Stylists(Closed)

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2008 FINANCIAL CRISIS HAD CREATED STRESS FOR RETAILERS—COVID EXACERBATED IT

- » Cash-on-hand for many retailers was insufficient to weather the storm
- » Operational and Management deficiencies came to the forefront
- » Technology also separated weaker concepts from successful ones
 - > Just-In-Time delivery
 - > Point of Saledata
 - » Marketing Initiatives
 - » Customer Profiles
 - » Inventory Replacement
 - » Inventory Management
 - > Radio Frequency technology
- » Online Sales as a Competitive Strategy

SUCCESSFUL RETAILERS CONSTANTLY EVOLVED, SO "AT RISK" RETAILERS WERE EXPOSED

- » Tired, old and poorly-conceived retail concepts had no place to hide
- » Under-capitalized concepts were immediately at risk and closed stores
- » Over-leveraged Private Equity concepts (i.e. Toys 'R Us) filed BK





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