

U.S. Retail Industry Experiences the Worst and Best of Times Amid COVID-19 Pandemic

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U.S. retail businesses have never faced challenges as severe as those of the past half-year, with the Coronavirus disease (COVID-19) pandemic massively disrupting the global supply chain of merchandise just as businesses sought to adapt themselves to the rise in e-commerce.

While some retailers have faced serious downturns, others have been able to adapt, innovate and persevere.

While it may feel like “the worst of times” for many companies, there are also countless opportunities to shine through, to push themselves to new limits and forge success from chaos.

Even before the World Health Organization declared the outbreak of COVID-19 a pandemic in March, importers faced rising tariffs, potential disruption from Brexit, economic volatility and a growing commitment among consumers and businesses to comply with socially-responsible governance (such as ensuring products resulted from fair trade and labor practices). An overdue spotlight on human rights abuses has led many companies to rapidly and voluntarily change manufacturing partners, or insist that they document compliance with international labor standards.

Then came the pandemic and closed or reduced capacity factories and labor shortages in both manufacturing and shipping. Freighters and their crews are stranded at sea, unable to reach ports to load goods due to quarantine. At home, the shuttering of non-essential businesses for months left an overload of inventory, with greatly reduced ability to rotate seasonal items or plan for the all-important fall fashions. Raw materials like denim became extremely hard to come by. No one knows when the pandemic will end, if a viable vaccine is in our near future or if herd immunity is possible for COVID-19 — and nothing is more detrimental to fashion and

its forward-looking business model than uncertainty. As McKinsey and Company noted in a recent report, “even brief, 30-day disruptions caused by supply chain vulnerabilities can result in 3-5% EBITDA margin gaps.”

At the outset of the crisis, Forbes reported that 94% of Fortune 1000 companies were experiencing disruptions. Many faced difficult choices because shutting down production makes it extremely difficult to re-start. The impact was far more difficult on companies that hold less inventory and rely more on a steady stream of components and ingredients. In some cases, the industry saw rapid adaptation, such as distilleries pivoting from liquor to hand sanitizers or apparel makers shifting to personal protection equipment. Executives had to reassess stock-keeping units, delivery schedules and payment terms. Diversifying locations has been a key strategy, for instance, looking to factories in Bangladesh or Vietnam to reduce risks posed by geographic instability and redeploying (or in some cases re-training) staff.

Consumer tastes and needs at this moment are not hard to discern. While businesses that manufacture formal business attire and high-end accessories have struggled and in some cases filed for bankruptcy, some of our clients in these categories have pivoted and devoted resources to much-needed medical supplies, manufacturing lab coats, hospital gowns and masks. Simultaneously, the enormous, unprecedented shift to working and staying at home in recent months has led to opportunities for comfortable clothes and the category known as “athleisure.” This trend will continue with public hesitancy about socializing, though there will be a higher demand than usual for winter outdoor clothing/gear so that people can continue to seek a reprieve from their homes even as the winter weather arrives.

Manufacturers who can shift to home furnishings and décor, including bedspreads, pillow shams or sheets have also seen opportunity. In fact, the home furnishing space is very optimistic. As people are home more, they are making purchases to increase enjoyment of their space. As has always been the case, those who move with the market will carry the day.

Serious challenges lie ahead, especially if the fall and winter lead to another spike and mass shutdown. But, when it comes time to looking back on this particular era, it will be filled with pride and a sense of resilience.

Read the original article on [Supply and Demand Chain Executive](#)