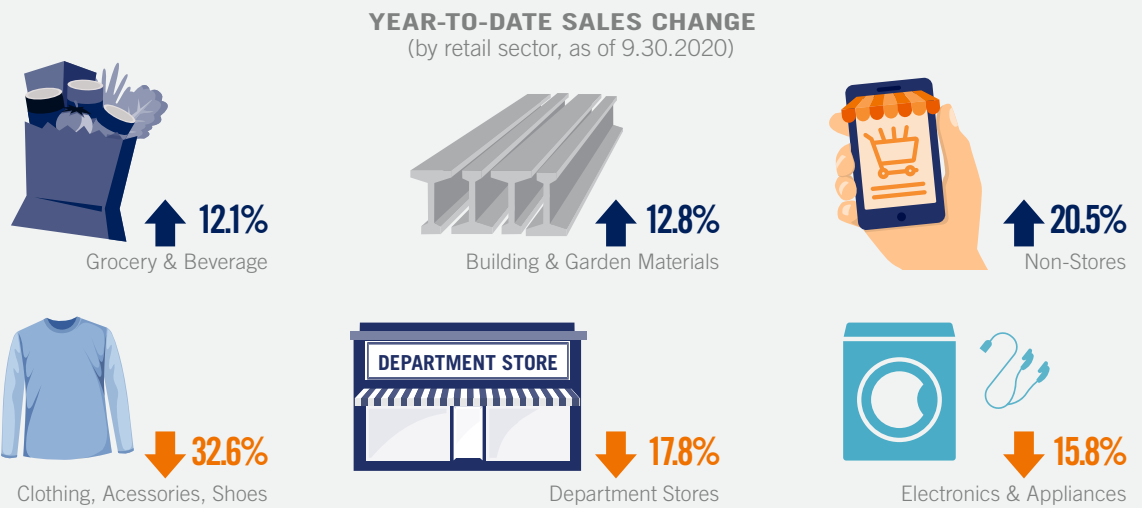


The COVID-19 pandemic has resulted in a dramatic shift in how consumers shop. While some industries have benefited, other industries have struggled. There have already been several bankruptcy filings and liquidations, and there is concern that more could follow.

AN UNEQUAL PRICE TO PAY

COVID-19 has resulted in clear winners and losers in the retail sector. Essential businesses, such as grocery stores, mass merchants and home improvement retailers have fared well, as have major e-commerce players. Conversely, department stores, specialty apparel retailers—particularly those that offer professional attire—and other mall-based retailers have reported sales declines, made worse by an inability to offset brick-and-mortar declines with e-commerce or “buy online, pick-up in store” (BOPIS) sales.

Source: <https://www.census.gov/retail>



NO MASKING IT

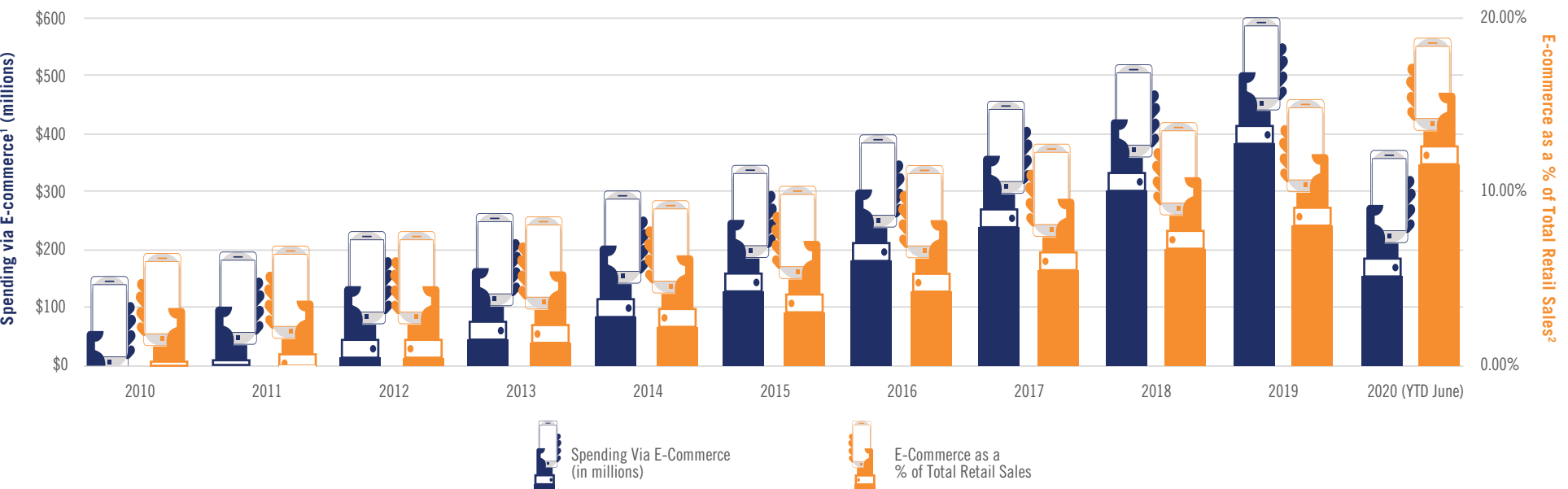
There’s no masking it - the pandemic has exacerbated the decline in brick-and-mortar sales and has accelerated the shift towards e-commerce. This continued trend has helped to offset overall sales declines, with many retailers seeing record-breaking increases in their e-commerce channels.

QUARTERLY YOY INCREASE IN E-COMMERCE SALES



CHANGES IN TOTAL E-COMMERCE SPENDING

(yearly, adjusted basis)

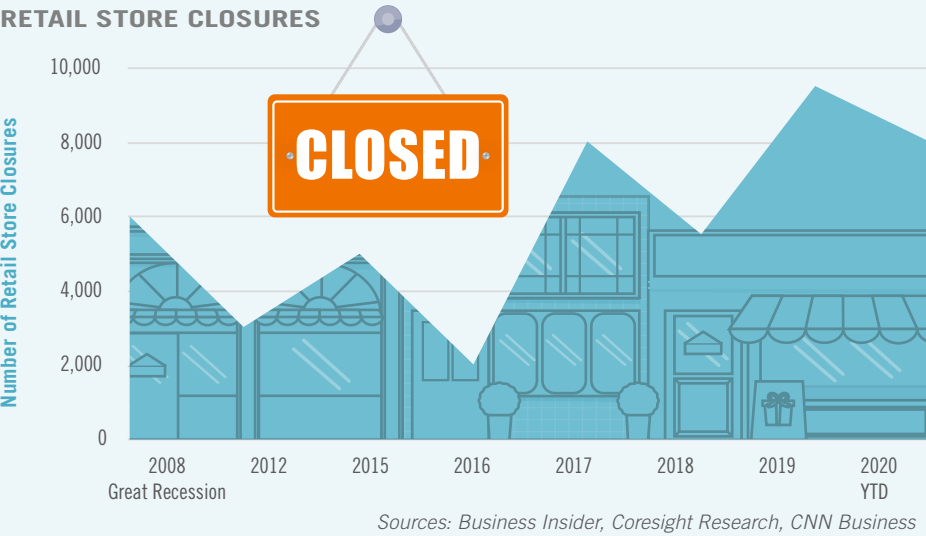


(1) Results are revised estimates as outlined in the most recent press release for the second quarter of 2020.
(2) Total retail sales exclude sales of automobiles, gasoline, and restaurants.

Source: <https://www.census.gov/retail>

SHUTTING DOWN SHOP

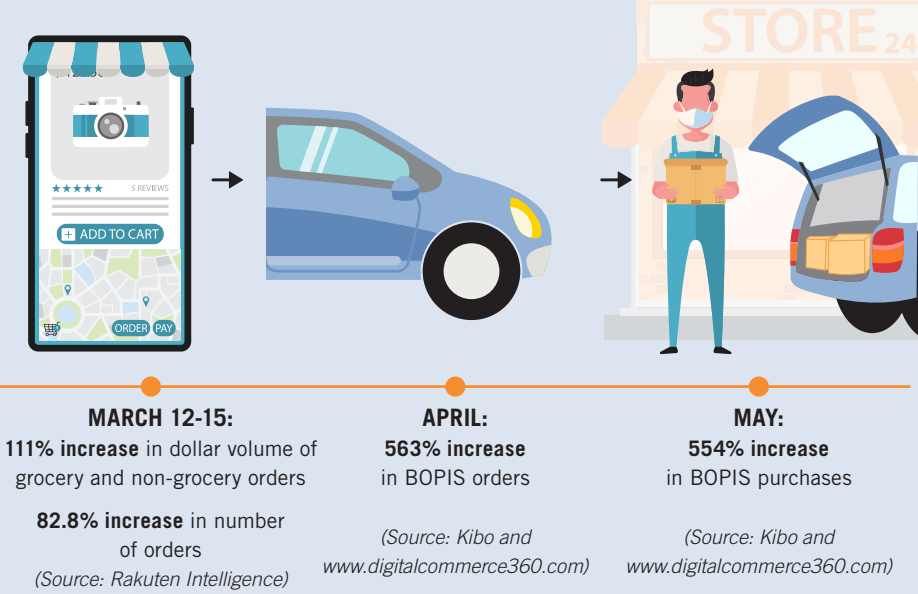
Store closures have been occurring for the past several years, with the number of closures in recent years exceeding that of the Great Recession. The pandemic caused several major retailers, particularly mall-based department stores and specialty apparel retailers, to file bankruptcy. Some have liquidated entire store fleets, while others have only closed a portion of their stores in an effort to right-size or to emerge from bankruptcy.



GOING THE DISTANCE

Once non-essential retailers began to reopen after temporary store closures in March, new rules were put into place. Many stores continue to operate on reduced hours, and shopper capacity allowed in a store at a given time varies by state. An emerging trend is significant growth of options, such as BOPIS or curbside pick-up.

BOPIS STATS (YOY 2020 VS. 2019)



UPENDED BY UNCERTAINTY

As retailers enter the holiday season, which for most is the time when sales are highest, there is lingering uncertainty caused by the pandemic. Examples of such uncertainty include the stores’ ability to reach historical sales volume if stores operate at reduced capacity, Black Friday turnout due to shoppers’ avoidance of large crowds, uneven economic recovery, high unemployment, and how supply chain disruptions will impact inventory levels, receipts and product mix. Although e-commerce and BOPIS will play a large role this year, shipping providers will have to keep up with the ongoing high volume. Only time will tell the fate of the retail sector in this unprecedented and unpredictable year.