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The Pandemic Fall of Retail Stores: Evidence from North America

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Abstract:- For the past two decades, stylish but affordable products have appealed to consumers, catapulting retailers to be self-made billionaires. With this trend, the market became saturated because of competition and repetitive fashion, resulting in companies, big and small, to file for bankruptcy.

The nail in the coffin with these failing household brands is the ongoing Novel Coronavirus (COVID-19) pandemic, which resulted in lesser foot traffic of physical stores, due to travel restrictions and safety measures.

To survive and thrive in the ever-changing climate of the retail industry, retailers should have a thorough, well-planned retail management strategy, incorporating digital and physical customer experience that creates a lasting value.

One effective strategy of keeping the boat afloat in the industry is for larger enterprises to acquire companies filing for Chapter 11 bankruptcy protection. In this matter, a new management with more effective plans and practices in handling the brand will likely sustain its sales even during catastrophic scenarios.

The purpose of the study is to determine the action plans and strategies to help Company Y survive this retail apocalypse and to maintain its household name in North America.

***Keywords**:- Retail, Retail Stores, Brick and Mortar, Bankruptcy, E-Commerce, Online Shopping, COVID-19.*

I. INTRODUCTION

The retail industry has been supplying consumers with their products and services since 1900s, with the end of the supply chain established through brick-and-mortar medium, and now extended through online means.

Through the years retail businesses posted skyrocketing sales of up to billions of dollars for the past three decades. One retailer even increased its sales into great proportions, catapulting them to become overnight billionaires.

However, since the market was immediately saturated by these physical stores, overnight success stories and competition in sales had been really challenging. It resulted into the eventual closing of some retail companies, and following the COVID-19 pandemic, accelerated the fall of some retail giants.

Company Y has been in the retail industry for over a century and has been a household name in North America, it established itself as a one-stop shop or what we know as a retail store. However, because of decreasing foot traffic in their physical stores and lesser sales during the pandemic, it had recently filed for bankruptcy.

Recently, a reorganization deal was finalized and a reorganization plan started at the beginning of the year. The acquiring company has been the savior of some bankruptcies of the retail industry.

II. STATEMENT OF THE PROBLEM

As evidenced by online news, television and in various social media platforms, a handful of retail stores have filed for a reorganization bankruptcy. Last year, retail bankruptcies totaled to more than a hundred in North America.

Even before filing for bankruptcy, some of these retailers have been permanently closing some of their branches since the 21st century. The remaining physical stores are their flagship and anchor stores.

We now look into what went wrong with these retailers and how these retailers can thrive and get back to their game and not be thrown out of business.

III. CAUSES AND OUTLOOK OF THE PROBLEM

A. Poor Executive Management

Company Y's financial statement shows that their revenues have declined for the past 2 decades. It has been in the news also that Company Y has been suffering from massive debt. Closure of physical stores began later than 2008. When the company filed for bankruptcy recently, it owes less than $5 billion in debt. In addition, there has been an increased rate of turnover for Company Y's key managerial positions or decision makers over the past years which creates difficulty in decision making in the long-term vision for the business.

B. Demand and Supply

Retail stores have proliferated in North America, there is too much competition which resulted to dwindling sales. Customers will shift to other retail brands for functionality, fashionable, good quality but affordable deals. Moreover, Company Y has been unable to keep up with the trends.

C. Lack of adaptability to online marketing

Let's face it, Company Y's e-commerce strategy ultimately faltered. They were once an e-business leader dating back to year 2006 wherein online sales exceeded $1 billion but they failed to sustain its digital channel. In year 2012, online sales dropped by more than 25% due to the focus on physical stores and less value on their e-commerce programs. Last spring of 2020, their online traffic was at over 20 million and at over 50 million during the holidays compared to Company A, which is more than double at more than 50 million and more than 150 million respectively.

D. Pandemic induced shutdowns

Due to health protocols and lockdowns, mall goers have reduced by quite a number. A reduction in mall goers mean less people will shop and the retail stores located in these malls will be ghosted. This is surprising actually, no foot traffic nor parking problems near retail stores or in malls as people observe the new normal safety measures.

IV. COURSES OF ACTION

It has been reported that Company P's (who acquired Company Y) recent retail acquisitions are already paying off. This is the benefit of Chapter 11 Bankruptcy, wherein the company can still survive under new owners. More of a bankruptcy protection, if Company P had some success in retail bankruptcy acquisitions, this could be good news for the future of Company Y.

The company may continue to close non-performing store locations - cooperate or request for reduction on landlord on rent or consider moving to smaller stores. Landlords typically calculate sales productivity against occupied space instead of total space. Since the new owners were pioneers in the shopping mall industry, this may already be a strategy to save up on cost.

Company Y needs a renewal strategy. The strategy should be able to market the old brand with a new face during this time of pandemic wherein necessity matters. If customers can view that their products are timely and relevant to their needs, Company Y should be on top of their minds when they do shopping. This would increase and encourage new customers while retaining loyal customers. For example, Asian Company O is a casual wear specialist and during the pandemic they introduced a facial mask in their product offering. In addition, they also have innovative clothing technology in their products and have produced positive customer reviews that reaffirm the product purpose.

Recently, Company Y created a new women's lifestyle brand which is designed for stay-at-home work lifestyle which accelerated during the pandemic. This maybe a start, since home fashion has been a strength of Company Y and women's wear is also one of their core categories.

Innovation is the key, other worldwide competitors include Company X who is known for its one-stop shop platform and Company Z who has been a technological innovator. Company Y need to level up their online service strategies.

V. CONCLUSION

Company Y has been around for more than a hundred years. It was a household retailer name in North America. However, the new owners may still need a few years to rebuild the brand name. The company started on their marketing strategy early this year by introducing new brands, as evident in their recent online video advertisements. In addition, one of the goals of the new owners is to create a sustainable Company Y. It may not happen overnight but their lights continue to shine and doors are still open.

RECOMMENDATION

Company Y, maybe a brand worth saving since it has been around for over a century.

As we are still experiencing COVID-19 restrictions due to the pandemic and living in the "new normal", we need to procure our necessities and we do it thru shopping – physically or online. We can do it either at "one-stop shop" or at retail stores.

With the new owners of Company Y, the management might be more cautious in making business decisions. If Company Y's management was able to forecast or plot their future, they would have shifted into reducing costs on physical stores, rent, maintenance and labor; which could have given them an avenue to reduce and settle their debts.

The fast adaptability of Company Y to e-commerce in the new normal will pave the way to boost revenues. The physical stores should also create aesthetic value to the customers so in-store experience will be more engaging in providing content to online video advertisements.

In the end, those who will survive are the companies who will continue to innovate and stand out in the market as retail entrepreneurs.

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