

# WWD

## Crisis Management Amid COVID-19: What Must Be Done

Industry executives are anxious, worried for their workers and taking aggressive action to keep their companies alive.

By [WWD Staff](#) on March 23, 2020



Retailers nationwide selling non-essentials are temporarily shut down due to the pandemic.  
George Chinsee/WWD

The [coronavirus](#) is shutting down the global economy and propelling industries into crisis management. And that means retail and fashion companies must act fast to rapidly changing situations and any number of surprises as they grapple with the well-being of their workforce and the viability of their businesses going forward.

Just on Friday, New York Gov. Mario Cuomo ordered the shutdown of all nonessential businesses and services, leaving pharmacies and groceries alone operating in the Empire State. His decree followed a similar one the day before in California that required people to “shelter in.”

Managing in the [coronavirus](#) crisis is about real-time reacting to disruption. It’s about transformation, prioritizing and finding new ways to work and communicate to workers, clients, partners, suppliers, as well as public officials and government agencies.

To whatever degree possible, companies must find ways to carry on during this crisis while simultaneously planning for a recovery — whenever that may come. It’s not the first virus outbreak to trigger a health and financial crisis, yet the COVID-19 pandemic is unprecedented with its lethal and rapid spread and its truly global reach. Recovering is a matter of leadership, decisiveness, coordination and agility.

WWD canvased leading industry figures on their take on how to respond to this ongoing — and ever-growing — crisis and what specific actions to take, from dealing with employees and suppliers to managing finances and fears and anxieties. Below, reactions to the crisis and recommendations on how to cope.

**Allen Questrom, former chairman and chief executive officer of Macy’s, J.C. Penney Co. Inc., Barneys New York and Neiman Marcus**

If everything is closed down for two months or more, we could find ourselves in something worse than the Depression, I hope that’s wrong. I hope to see a reduction of coronavirus cases starting in the next few weeks or so.

We are all in financial peril, and the smaller businesses are really going to be hurt by this. Private equity, retailers, many will go out of business. Those retailers that have a lot of debt on their books are most in peril. If I was still running a retailer, I would cut all my expenditures to the bones. I want the company to be alive at the end of this and to bring my people back to work. [If I was running Macy’s](#), I would be very aggressive with all my costs, stop all my receipts until I can see the light at the end of the tunnel. Full-time employees should be paid for a certain period of time, reduce all my executive pay considerably so you can afford to pay some lower-wage earners, cut part-time employees off for the time being but keep some of the best part-timers. Put everything on hold. Push receipts out into the future. Don’t pay any bonuses this year or any from last year that haven’t been paid already. You’ve got to protect your cash so you can restart businesses when it’s OK. From my experience handling bankruptcy situations, you learn that there are many different ways to protect cash.

There’s not much need for fashion right now. No one is going out. You don’t need as much cosmetics if you are staying home all day. Online there could be a demand for basics, like underwear. You can discount, but the problem is I don’t think there will be a big demand even with discounts if people worry about their cash.



The closed Urban Outfitters store in New York City. George Chinsee/WWD

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### **David Shiffman, co-head of consumer retail at PJ Solomon**

The industry needs access to capital. We're in an environment where cash is king. Both healthy and struggling retailers have drawn down on their existing capital facilities. Retailers are in discussions with banks to expand their existing facilities and private equity firms and alternative asset managers stand ready to invest large sums of capital into strong and well-positioned retailers that may be in need of incremental liquidity.

We need capital markets to be functioning whereby you can match up...buyers and sellers in the mergers and acquisitions market, or those in need of liquidity with capital. There are hundreds of discussions going on in the sector with those in need of capital trying to marry up with capital providers to bridge toward a more normal or rational environment. The unknown is how long this will last.

### **Stefano Martinetto, co-owner and chief executive officer of Tomorrow London Ltd., a business and creative platform for designer labels**

The virus disruption presents an opportunity for stores to sell merchandise that's aligned more with the seasons, and set later markdown periods. This would help smaller, independent brands, which are inevitably going to have cash-flow problems due to all of the delays resulting from the virus. I think in exceptional times, the larger balance sheets need to take care of the smaller balance sheets, and I'm not being naïve when I say the stores have to postpone the markdown season. It's an incredible opportunity to fix the absolute derelict system of markdowns. If the big retailers collectively extend the lives of this season until July — like it used to be — and realign the seasons to the weather, this will allow them to accept [later] deliveries from smaller companies and brands.

### **Helen Brocklebank, ceo, Walpole, a lobby group for British businesses, speaking prior to the British government unveiling a job retention plan**

We are very pleased with what the British government has been doing so far to help businesses, giving them a (business tax) holiday for 12 months, and it has not forgotten the retail, hospitality and leisure sectors. And (property owners) the Cadogan Estate and the Crown Estate are also trying to renegotiate rents. It was crucial the government also pay attention to regional manufacturers in the U.K., keep people in employment and offer support around payroll.

### **Bayard Winthrop, founder and ceo of the American Giant apparel company**

"We're getting pummeled from the demand side right now, as everyone is. There's the practical reality of navigating that from a cash point. We've got a bunch of inbound raw materials. We've got a bunch of cut and sew contracts with suppliers all over the country and are really aggressively trying to slow them down. That is creating a domino effect upstream for us."

There are efforts in Washington to make sure businesses have the liquidity they need, but Winthrop said government leaders need to create a process that allows companies — including those not as well positioned as American Giant — to get the funds they need and quickly. “I really worry about bureaucratic red tape and people getting in the way right now. We were a very good, healthy business growing rapidly before this. We expect to be a good, healthy rapidly growing business after this. This is about bridging that. This is a temporary thing, not a long-term thing.”

### **Douglas Hand, industry attorney, Hand Baldachin Associates**

Traditional brick-and-mortar retailers are all in a very difficult position. They have to evaluate staffing and their leaseholds when they have stores that cannot open. Add to that the fact that they may be forced to furlough workers, which opens up legal and cultural ramifications. Stores can consider invoking “force majeure,” that says contracts may be unenforceable due to unforeseen circumstances. Many brands are facing canceled orders from retailers in situations where there are generally not traditional contracts. In ordinary times, most vendors will “bite their tongues” to not irritate their customers. But these are not ordinary times and a signed purchase order could be enough for a brand to sue a retailer. In normal situations, this would torch a relationship, but if that is the only way for a brand to stay solvent, the decision is pretty easy. Loans being made available to businesses that prove a dramatic drop-off in sales. In New York City, \$75,000 interest-free loans are being offered, which can be a godsend to help bridge the gap over the next month or two.

### **Mortimer Singer, ceo, Traub, and partner Geoffrey Lurie**

First and foremost, everyone needs not to panic. This may cause you to overreact and shoot from the hip. Companies need to calculate their cash-flow situation before the crisis emerged, and outlays. Then do a stress test to figure out cash shortfall if business drops 20 percent, 50 percent or 80 percent. [Businesses need to invite their customers to shop with them online](#) by offering promotions and other incentives to help bring in cash. Then they need to turn to the hard decisions, such as delaying the payment of rent for 30 or 60 days, pushing back other bills, and even asking the entire staff to withhold a percentage of their salaries until business conditions normalize. Companies should not be afraid to communicate with their banks and be completely transparent about their situation as they look into government incentives to help them get through the next couple of months. Requests you might never have been able to make of suppliers, landlords, retailers, are now all on the table.





Kohl's department store at the closed Gurnee Mills Mall. TANNEN MAURY/EPA-EFE/Shutterstock

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**Andrew Jassin, managing director, Jassin Consulting Group**

We as a country will start thinking more and more about localized sourcing in our hemisphere. That will be a net result of what's going on. One of the disasters we've learned is that a good amount of our medical product was made in China. Vendors have to be thinking of sourcing alternatives. Most vendors are trying to cancel orders coming in from factories because the retailers don't want the goods yet. For the owners of well-known international brands like Nike, Adidas, Reebok, Calvin Klein, there will always be a market at T.J. Maxx, Ross, Burlington or Macy's Backstage, but those goods in two weeks are no longer going to be fresh for department stores. The inventory of well-known brands will always have a home in the discount stores.

Every one of my clients that we've spoken to in the last week was looking for relief from the shipment of goods coming in. They were trying to cancel the goods. I'm thinking about the wholesaler point of view. The retailers don't want product for the moment. A lot of companies have cut back staff. A lot of my clients have begun to lay people off. A lot of companies had a tough year and they're thinking about what to do to save capital. I'm sure all the banks and all the factors are being asked for advances right now, and I'm sure the factors are not advancing any money. The Small Business Administration

has a disaster loan assistance program. It's for businesses, nonprofits and renters. The garment area has been declared a disaster area. There's an application process at [sba.gov](http://sba.gov). A lot of companies in the apparel industry are marginally financed and without cash flow, are precarious. A lot of designers will go out of business. A lot of young designers work from their homes. A lot of products from young designers were sold into specialty stores, and a lot of them are closed. Firms like PVH and G-III will come back because they're well financed. Just because their stock is down doesn't mean they're out of business.

### **Allan Ellinger, cofounder and senior managing partner, MMG Advisors**

"If you're a manufacturer or a retailer, conserving cash is an absolutely important thing, having liquidity and understanding the assets you have on your balance sheet, which is typically trading assets and inventory, are going to be worth a lot less money. Which means you'll have to bring down your expenses. If you have a strong balance sheet, and there are many companies out there that have a strong balance sheet, they can weather this storm. What they're going to have to do is take a very, very conservative and holistic look at their cash flow over the next 120 to 150 days. It could be 180 days, and understand what their cash needs are going to be, so they can adjust their overhead accordingly, and decide who's important on their payroll that they have to keep. A lot of companies are doing the best they can to maintain full employment if it's possible, and others are saying they can't. They're going to be lowering their overhead, in many cases they're not going to be paying their landlords. They're going to go through their P&Ls on a line by line basis, and they're going to cut back their expense base and eliminate payments wherever possible, so their cash will last them as long as possible."

### **Guram Gvasalia, chief executive officer of Vetements:**

"What currently is happening in the world should be a wake-up call for everyone in the industry. It is unclear how long it will last and depending on it what damage it will bring along. What is clear is that the world is damaged already and it will take a lot of effort to put it back on track.

"To keep the luxury and high-fashion industry afloat, the main requirement would be for retailers to stop doing special promotions trying to overbid each other by starting a price war, thus devaluing the product.

"The smartest way around would be to go from the fast-fashion approach into the direct opposite — starting a slow fashion movement: buy less, buy quality and buy long-term!"

### **David Haigh, ceo of London-based consulting firm Brand Finance**

Without cash any business is out of business. This means speeding up debtor receipts, slowing down creditor payments and making sure the available credit sources are also in place. Bank overdrafts and shareholder loans may need to be extended.

Stable revenues have suddenly gone wobbly and uncertain. Management needs to work out what is the minimum revenue they can rely on. Also, what action can be taken to get clients over the line to secure revenues such as offering promotional deals, price discounts and extra services free of charge. Having stable revenue is key.

Everything has to be looked at and any nonessential costs need to be axed even if they are sacred cows. Can you survive without the cost? If yes, axe it! For most service businesses — including advertising agencies, consultancies and media — by far the biggest cost is personnel. Firms need to firmly axe freelancers and selectively lay off, putting employees on part-time or make permanently redundant those full-time staff that are nonessential to survival. This seems ruthless, but in the long run many people rely on companies to give them a living. It is therefore the duty of management to make sure that they stay in business and preserve the jobs of as many staff as possible. That may necessitate some tough and upsetting decisions.

**Luca Solca, senior research analyst, global luxury goods, Sanford C. Bernstein**

Retailers and brands need to focus on cash. They need to be like a bear in the winter — ready to wake up and start again. This means that you need to keep all of your vital organ and functions in good health and vital, but you need to minimize any unnecessary elements. Employees may have to accept lower pay for a little while. Banks may have to offer debt repayment holidays. There should be an effort to maintain as much of the personnel as possible — or make sure there is a government safety net for those who are dismissed. People will find it impossible to find jobs in this context. From the government, what's needed? Some help, I expect, especially in the shape of credit in case they don't have enough money to support minimum vital functions.

**Gary Wassner, ceo, Hildun Corp., which finances and factors fashion firms**

All cash flow has disappeared. Clients can't ship. They've (brands) produced April, May and June deliveries, they've already paid for in some cases, in credit and have bills coming due, and in some cases paid for out of pocket. They're left with no cash until they ship. And now the stores are canceling orders, and the brands have zero cash flow, no revenues, they can't pay their employees, they can't pay for production for the next season even, they can't pay for product development for resort, and they can't pay the rent. They either have to close up shop or the government has to step in and recognize that our industry is a very large industry of small businesses. And we have to come up with a formula to provide them with enough working capital to get through the next three months, at least. Because they're not going to be shipping. Once they start shipping again, then they generate cash flow. They're furloughing people, they're laying off all nonessential staff, they're not paying the rent, they're not paying anything that's not essential to keeping the doors open.

Everybody is preserving cash as best as they can. My clients are asking for advice. We're in a panic stage...things will stabilize to some extent. That will take a good four weeks until the end of April probably at which point, we'll start looking at what's next and



we'll start planning for recovery. Everybody I talk to is laying off nonessential personnel — bare bones until they have some revenue. You can't keep them there and not pay them. They will get unemployment....Some (companies) will have to go bankrupt. It doesn't matter the size of the company. If you have no cash flow, you can't function. If you're huge or you're public and you borrow from the public, or you have a private equity firm or hedge fund behind you that won't let you go under because they put too much money in already, they'll cover your overhead. For the independents, which is the majority, they don't have any place to turn. We're financing so many of them. We're supporting them as best we can. But there's a limit to what we're able to do.

The bottom line — stores just went out and canceled all April, May and June deliveries. No discussion, no compromise. I said to the brands and multibrand showrooms, a purchase order is a contract and it means something. You just can't cancel it. You need to go back and say "it's not OK, you can't just cancel it. We understand the problem you're in. We're in as deep a problem as you are, we need to work together and we need to share this pain." Some are compromising. I've had to remind some of the larger retailers, it's one thing if you cancel a \$500,000 order from Gucci, they're not going to be happy but it's not going to make much of a difference to their company. If you cancel a \$500,000 for a Maria Cornejo or Ulla Johnson, that makes a difference. You have to be very careful when you wholesale cancel orders and go across the board and slash, slash, slash. You can't put all these people out of business and have it on your conscience and your shoulders and on your reputation. There are compromises to be made. All the retailers have significant e-commerce business. Shift some of your product to what's more suitable for the web. Have the designers curate it for you so they're selling product you can sell digitally. Have it be more comfortable product that you can wear at home. Fix the assortment. Have extra dating on the invoices so you have a longer period of time to pay, discounts off the wholesale price because nobody's selling at full price. There are many ways to approach this sort of, "don't talk to me, I'm not receiving goods, I'm canceling." A lot of companies are canceling fall production and trimming down fall production. When the stores go back online and open up, where are they going to get the merchandise from? Not all stores are canceling fall merchandise and pre-fall, they're canceling April, May and June.



H&M closed it's doors. George Chinsee/WWD

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**Dan Bartlett, executive vice president, corporate affairs, Walmart Inc.:**

We're going to hire another 150,000 associates for our stores. We've been reaching out to restaurant and hospitality associations. Many industries are seeing acute pain. Many of the 150,000 will start as temporary jobs, but often they turn into permanent jobs. We can provide jobs to people who may be hurting and help meet the demand we're seeing in Walmart and help ease this broader kind of downturn the coronavirus is causing. Walmart is spending \$550 million on a special bonus and early payment of a first-quarter bonus for all existing U.S. hourly associates in stores, clubs, supply chain and offices. The \$300 cash bonus for full-time, and \$150 for part-time associates, is in recognition of their hard work and dedication to serving customers in a time of an unprecedented national health crisis.

Walmart is accelerating the next scheduled quarterly bonus for associates by one month for a late April payout to help provide more cash in hand for associates sooner. The company will pay these bonuses as if it achieved its first-quarter plan, and Walmart is benefiting from its experience operating stores in China, where it has 400 units. Only two shut down. Others went to reduced hours, and did different things. We're trying to find out where our new normal is. We're already seeing shopping behaviors change in

China. Typically, when you have this kind of tipping point of behavior, they usually don't go back.

**Nicolas Santi-Weil, Ami, ceo:**

First of all, it is important to preserve liquidity — cash is king — by limiting expenses and drawing on all types of aid and financing possible, while trying to anticipate the length of the crisis as well as the possibility that no cash will be coming in throughout this time. Secondly, to respect a simple principle: Do not impose anything on suppliers that you would not want your clients to impose on you — like not canceling orders drastically, or using the crisis as a pretext to stop paying for orders already delivered. In times of crisis, civic values are key to avoiding looking inward, which can lead to short-term reactions that amplify the consequences of the crisis. Third, communicate as much as possible, with employees, suppliers, clients and creditors, even when it comes to bad news of tough decisions — to have the courage to communicate frankly — also among peers, in order to find solutions. Finally, try to look where the post-crisis rebound will come, to hold your head high and prepare for it.

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**Hilldun Corp. Recommendations to the Accessories Council**

- If a retailer contacts you to cancel an order, do not accept that as the final answer. Most will work with you to seek solutions.
  - Stagger the deliveries.
  - Look for “shared risk” solutions; discounts, reimbursements for costs.
  - Look at fall production, if the items aren't already being made, reevaluate the need.
  - Focus on producing bestsellers.
  - Push off any unnecessary expenses.
  - Work with your landlord on rent reduction or forgiveness.
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