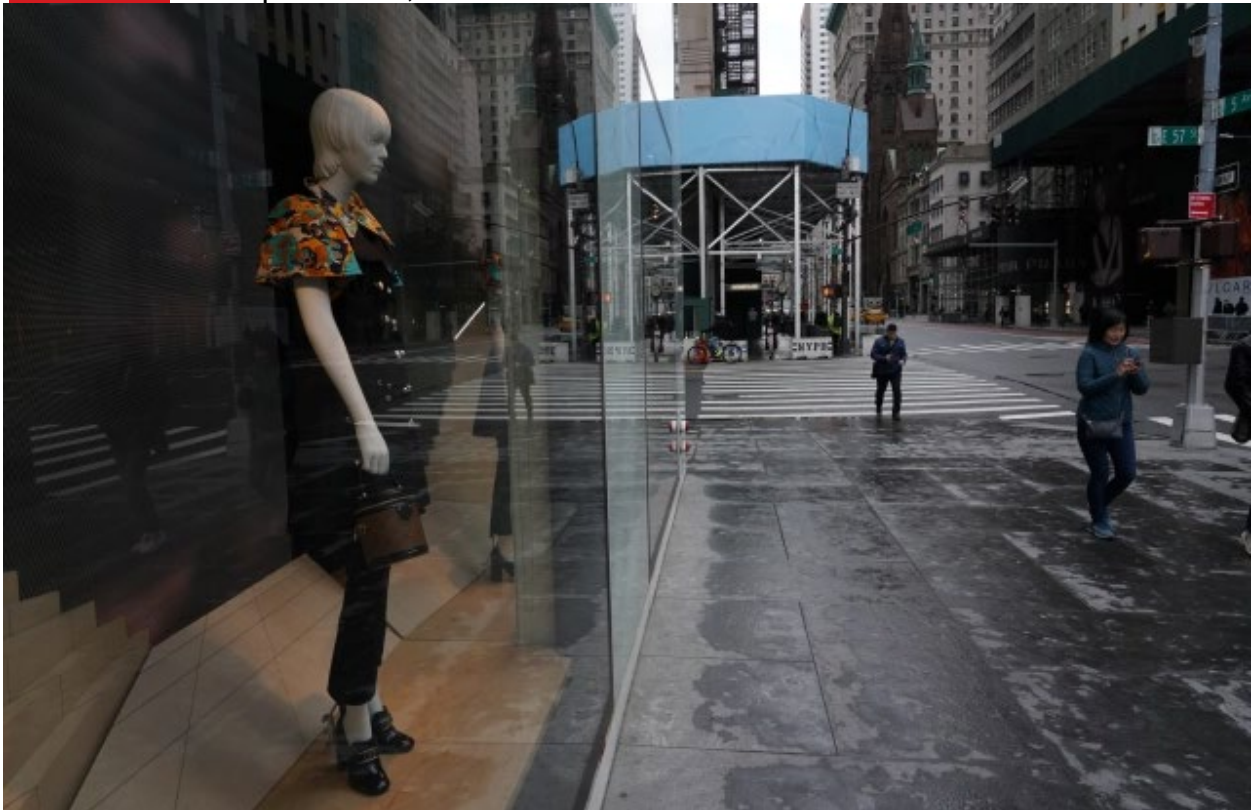


WWD

The Perplexity of Planning in a Pandemic

Across the spectrum of retailing, executives maintain their organizations are agile and their business adaptable to coping with the pandemic.

By [David Moin](#) on September 1, 2020



Many retailers have had to adjust their practices due to the coronavirus.
George Chinsee/WWD

Throw out last year's data.

There's greater guesswork for retailers as COVID-19 pushes them to rely on different criteria and processes in their seasonal planning.

It's about shorter lead times, favoring different merchandise categories, shifting inventory allocations to web sites versus stores, managing rising shipping costs as shopping online escalates, quicker reordering and good old-fashioned gut instinct.

No one knows to what degree retail sales will rise or fall with spikes or declines in **coronavirus** cases, or when a vaccine will be available en masse to help eradicate the

pandemic. Medical professionals are predicting a second **coronavirus** wave and a rough flu season this fall and winter, potentially crushing retail sales.

Retailers are further troubled that Congress hasn't reached a deal on a second stimulus package to help the millions of Americans out of work and struggling to pay rent and food bills.

"There's just a lot of unknowns — a lot of uncertainties," said Jamie Nordstrom, president of stores for Nordstrom Inc. "Is this a one-year thing, a two-year thing, a five-year thing? To be prepared for any of those eventualities, that's the hard thing. There is a lot of anxiety around the duration."

"As we look forward, it's hard to know what fall/holiday season will look like," said Mike George, president and chief executive officer of Qurate, which in the pandemic has the advantage of operating websites, home shopping networks and catalogues and having virtually no stores.

At Target Corp., "We've learned to be really adaptable, flexible and nimble, because every week has been different during the pandemic," said Brian Cornell, chairman and ceo. "We have to be more flexible and adapt along the way. The horizon and the window where we can see is much shorter than it used to be and we're going to have to constantly adjust and recognize that we'll place a few bets that won't work out, but we're going to have to continue to listen to the consumer, see what's happening in the economy, understand the different trends and perhaps into early 2021, we're going to have to operate very differently.

"How is the economy is going to recover. Is there a second wave? There are so many new dynamics," said Cornell. "We are putting a premium on being really responsive, being real agile. We are taking a much shorter-term horizon as we are thinking about the business."

Target, Walmart Inc. and Amazon Inc. are better positioned to excel during the pandemic due to their breadth of offerings, the "essentials" they sell, and their deals for shoppers. Home Depot, Lowe's, Wayfair, groceries and pharmacies will continue to fare well, too, because they sell what consumers need or want most.

But fashion retailers and department stores face greater uncertainties.

Retailers are pretty much finished planning holiday 2020, and it's clear they anticipate sales to be down from last year. Saks Fifth Avenue is said to be planning 10 to 20 percent down, for example.

Gift assortments will be dramatically different and marked by lower prices and a rebalancing of categories, deemphasizing eveningwear, workwear and tailored apparel in favor of ath-leisure, casual sportswear, loungewear and footwear. Presentations of home and tech products will grow at stores that traditionally haven't thought much or allocated much floor space to those categories during the holiday.

"We can change tomorrow items based on how they perform today. We are constantly changing the programming," said Qurate's George.

“We have been sort of surprised and encouraged by the resilience of the consumer,” he told WWD. “She is shifting her spending.” Noting a slight increase in the average retail price, George said, “She’s investing in good quality PCs for the home office and she’ll buy a good quality KitchenAid mixer for the kitchen.”

“We recognize this is more about market share gain. Overall spending has been down through the pandemic but [the customer] has been willing to spend.”

“Today you’ve got to be more of a gut merchant than ever before and try to anticipate what the customer wants,” said Tom Burns, senior vice president of The Doneger Group. “You’ve really got to think through it. But certain technology is more important also, particularly replenishment programs with vendors. Their systems are all the time monitoring what’s sold — what styles, what colors, what sizes are selling. There is going to be less inventory in the stores for the time being, but you’ve got to be working closer with the vendor community.”

“Partnership,” said Burns, “is a term everybody uses very loosely until all hell breaks out. The key now will be stronger relationships between retailers and the vendor community. Those retailers that have developed their own brands that stand for a lifestyle, that speak to the customer, and have developed strong relationships with factories overseas will come out ahead. There has to be a tighter control of the flow and for that you’ve got to have strong partners in factories and agents overseas. There must be a balance having those gut merchants on the team and the right technology.”

Amid the health crisis, store executives are trying to calm the markets and consumers, and create an impression of being able to manage their businesses and meet consumer expectations in these unprecedented times. The “retail speak” has expanded to such buzzwords as safety first, being agile, chasing orders, staying flexible, and cash liquid. Retailers still talk up their “omnichannel” capabilities, conveniences, experiences, personalization and A.I.

For spring 2021, “retailers may not make commitments on fabrics colors and silhouettes until maybe November instead of making commitments now,” said one retail analyst recently, who requested anonymity. “That takes a very well-developed manufacturing base that can work that way. It might be a little more expensive because it’s working closer to time of delivery.”

“The second part of this is being able to chase into demand. Say the blue shirt sells like hotcakes, but the pink shirt is not selling. Break the commitment on the pink and up the commitment on the blue. Hypothetically, the fabric commitment may have been made, but maybe they haven’t dyed it yet.”

“Many things are unknown to executives. They still don’t really know how many customers are coming back or when they are coming back for good,” said veteran retail analyst Walter Loeb. “Retailers are not funding Christmas and Thanksgiving sales as much as last year. What could happen is that they end up rushing back to manufacturers to get them to ship them more goods,” if there’s still time before the end of the season.

“I am of the opinion that many customers are scared to go into stores,” said Loeb. “It is not easy to keep your distance when you are in a store. Macy’s is planning to have a 45 percent increase this year online, but that doesn’t make up for all the brick-and-mortar they are losing.

“The whole way of purchasing has to be different,” Loeb added. “It has to be done quicker. The key is to cut lead times, cut expenses, and retailers must be smarter flexing the labor schedule for sales associates to be commensurate with sales.”

“The biggest challenge right now is planning inventory levels. You don’t know who is coming through the door to shop,” said Allan Ellinger, cofounder and senior managing director at MMG Advisors.

“If there is a second spike or the current spike gets worse, how comfortable will people be going to stores? How do you plan your inventories for this? This is the single biggest issue.”

While the situation is “perilous” for retail, “stores have been very quick to adapt by selling personal protective equipment, furniture, more products related to staying at home, loungewear,” said Ellinger. Retailers were pretty quick to adapt their online businesses for growth, at least those that had the right technology and ability to process lots of orders simultaneously, he added.

“All this talk about agility comes down to what products are you offering, changing the mix and how you adjust your inventory levels to accommodate the unforeseen and unknown,” said Ellinger. “It is a lot of guesswork. No one knows what’s going to happen. Retailing is a very tough business and is getting tougher because of all of the unknowns.

“But we have such an opportunity to reset a lot of the ways the industry has done business in the past, with things like just-in-time deliveries,” Ellinger said. “Why do stores have fall goods in July? Put them out in September when you really need them.”