



COVID-19

UPDATE: RETAIL

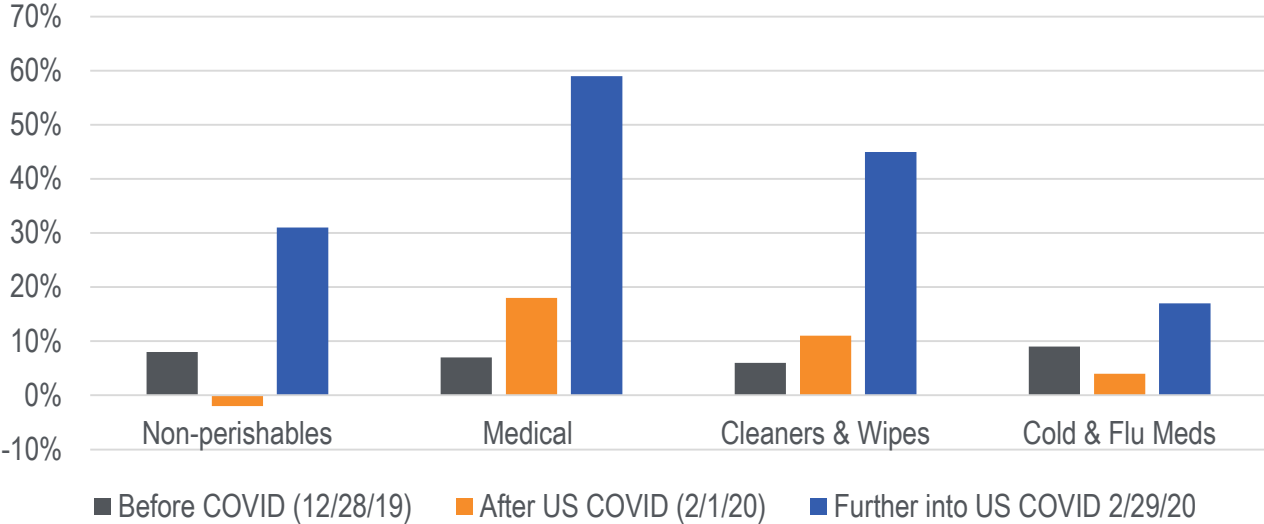


April 2, 2020

CPG GROWTH OVERALL IS DRIVEN BY DEMAND OF ESSENTIALS

As expected, essentials such as groceries, cleaning supplies, and medical supplies have boosted sales for CPG retailers

US Sales % Growth YoY



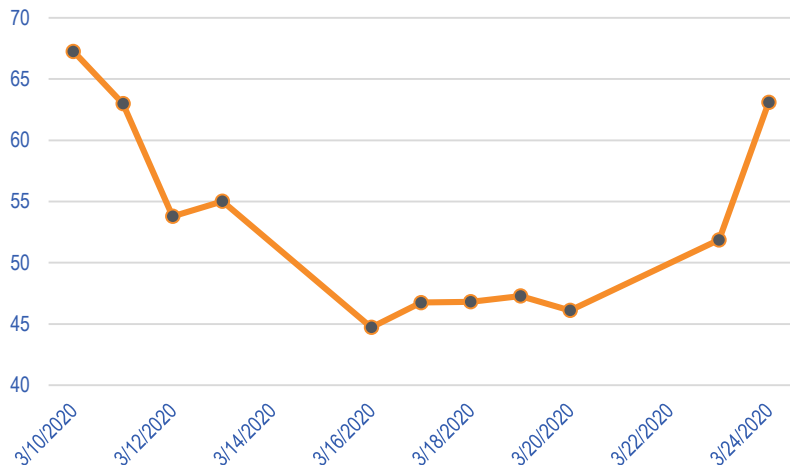
Retailer	Jobs Added March 2020
CVS	50,000
Walmart	150,000
Instacart	300,000
Amazon	100,000
Albertsons	30,000
Dollar General	50,000



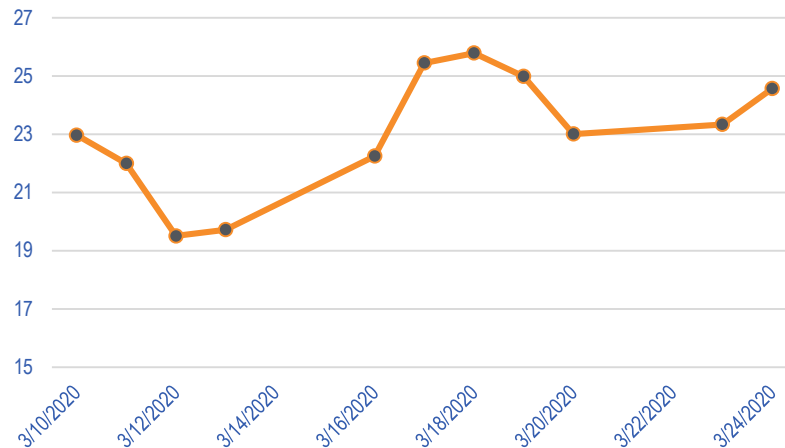
ISOLATION IS SHIFTING DEMAND TO DURABLE GOODS THAT NORMALLY FALL DURING RECESSIONS

Contrary to most recessions, sales in certain entertainment, exercise, and technology companies are rising due to the need to continue some semblance of a normal routine.

Hasbro Share Price



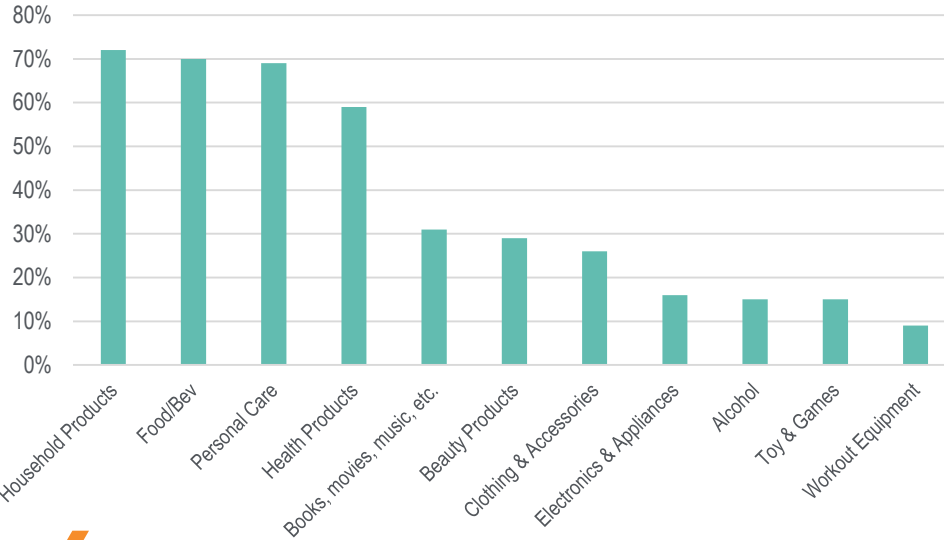
Peloton Share Price



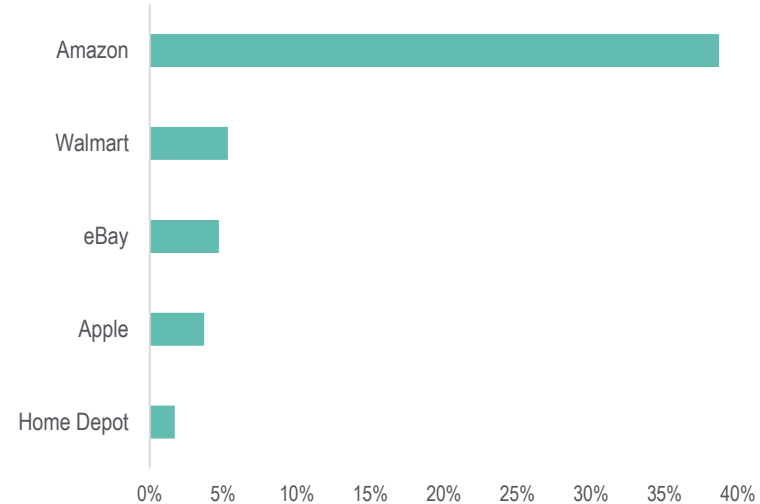
ECOMMERCE IS PROFITING FROM INCREASES IN BOTH TYPES OF GOODS AS RETAILERS SUCH AS **AMAZON AND WALMART SEE BOOSTS IN AVERAGE ONLINE ORDER VALUES**

<u>Average Online Order Value</u>		
<u>Sector</u>	<u>March 2019</u>	<u>March 2020</u>
Grocery	\$78.24	\$104.28
Retail	\$84.52	\$155.85

What Consumers Expect to Buy Online



% of US Retail Ecommerce Sales; 2020



SOME BRANDS TURN TO VENDORS WHEN BRICK & MORTARS ARE FORCED TO CLOSE



As stores close, via business slowdown or government mandate, brands are taking on different strategies depending on their structure and industry.

AMAZON

- ▶ Relatively easy solution to **reroute resources** for some retailers
- ▶ **Two key limitations**; shipping & product category
- ▶ Significant delays in shipping have brands concerned about cancellations and missed sales
- ▶ Currently, only **“essential items”** prioritized for shipping (grocery, baby, pet, household, beauty & care, industrial & scientific)
- ▶ Many of 2.5mm sellers depend on Amazon don't qualify as essential
- ▶ Personal care items up +70% from beginning of month

WHOLESALE

- ▶ Some brands **relying on vendors** continuing to buy wholesale
- ▶ **Smaller brands** with smaller scale could weather the impact if vendors continue to order enough inventory, especially if the brands drives traffic
- ▶ Fashion brand Amanda Uprichard expects vendors such as Rent the Runway and large department stores will continue to have interest in their lines

OTHER BRANDS ARE FOCUSING ON A STRONG DTC DIGITAL APPROACH



As stores close, via business slowdown or government mandate, brands are taking on different strategies depending on their structure and industry.

NATIVE DIRECT-TO-CONSUMER

- ▶ **Native DTC** companies who expanded into brick & mortar
- ▶ Closing stores an easier process as these businesses were built online
- ▶ Brands **shifting in-store experience** online
- ▶ Marketing critical when selling all DTC, and media consumption changing → **Reassessing marketing mix** and optimization is key
- ▶ Apparel brands Buck Mason and Vuori using this time to **update logistics and processes**
- ▶ Despite easier logistical change, most brands still need to cut ad spend

BRICK & MORTAR + ONLINE PRESENCE

- ▶ **Traditional brands** with online presence
- ▶ SW Retail Advisors predicts minimum **-50% in sales** of discretionary apparel & accessories
- ▶ American Eagle offering **deep discounts**; Sephora extending its **return policy**
- ▶ Nike seeing a portion of sales made up online (+30% in Q1 digital sales)
- ▶ Nike points to well integrated tech and **strong digital strategy**
- ▶ Most are willing to make short term financial sacrifice to maintain **positive long term brand perception**