

# Restarting Retail Post Pandemic Closures

## A Supply Chain Perspective

### Executive Summary

This paper provides recommendations in three main phases: short, medium, and long-term.

#### **Short-Term** (1-2 weeks): *Monitor the Market*

Create a task force to track:

- affected areas of the supply chain
- affected states/regions as they become eligible to reopen
- shifts in consumer demands

As the task force reports actionable findings, a retail business should capitalize on any low-cost efforts to better serve their customers during this time and as re-openings begin.

#### **Medium-Term** (3-6 weeks): *Plan for Flexibility*

Given the fluid nature of the situation, flexibility is vital to success. Consider how easily inventory can be re-positioned or redirected to different regions. Consider if current ship-from-store capabilities are sufficient or can be expanded.

#### **Long-Term** (6+ weeks): *Execute*

As stores reopen, a massive labor effort to re-position inventory will need to be carefully and quickly executed.

### Introduction

Businesses have recently faced unprecedented disruption.

- 90+ retailers have temporarily closed stores in the US.[1]
- 190,000 retail store locations are estimated to be temporarily closed.[2]
- 58% of US consumers have replaced in-person purchases with eCommerce since outbreak.[3]

However, as the old saying goes, “this too shall pass.”

While many are working remotely from the safety of their homes, now is the right time for retail businesses to begin planning for when conditions become safer and stores begin to reopen.

We hope the following supply chain perspective will help retail businesses plan for success in the coming months.

### Monitor the Market

To capitalize on increased online demand, most retailers have already pushed available retail inventory into eCommerce channels.

Retailers with separate retail and eCommerce inventory must evaluate their ability to enable omnichannel fulfillment as soon as possible.

eCommerce trends show that many non-essential categories are experiencing high growth. Inventory permitting, the following items can be made more prominent on retailer websites and in online promotions to help bolster short-term sales.[4]

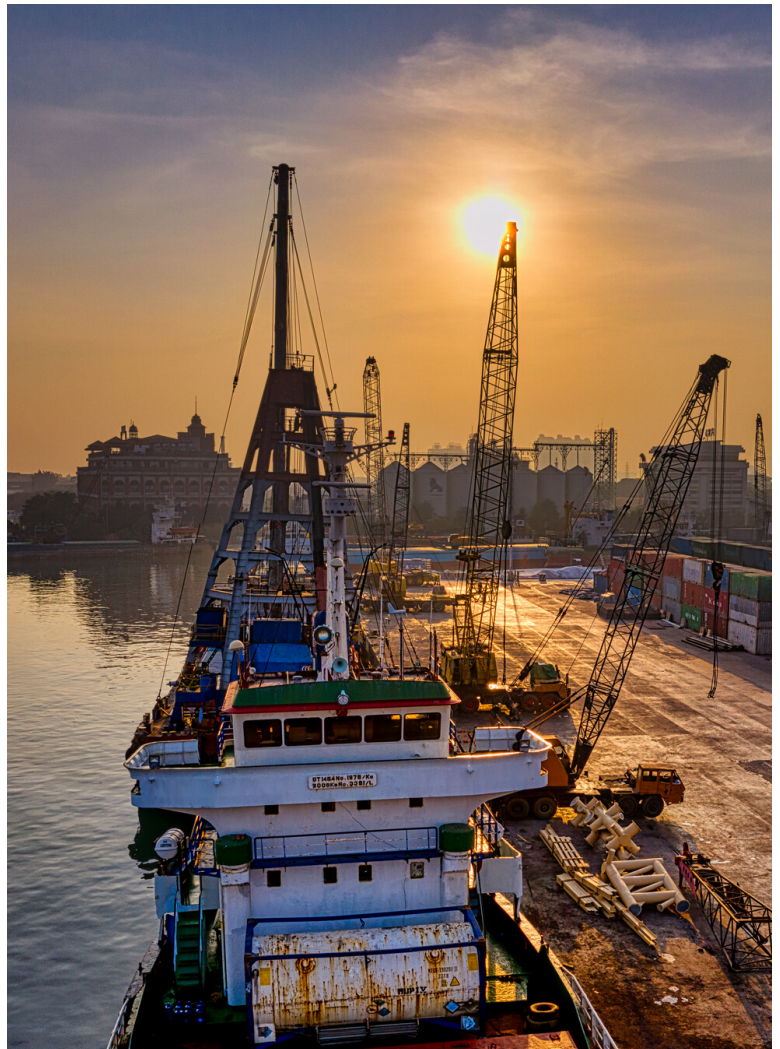
- + 652% bread machines
- + 307% weight training equipment
- + 107% fitness equipment
- + 117% craft kits and projects

As the pandemic unfolds, some states will become epicenters and others will become recovery hot-spots. While many companies made the decision themselves to close nationally, reopening stores may need to come at a state or regional level. To properly prepare for re-opening stores, build a task force to continually monitor probable areas for reopening and document what needs to be done as soon as specific reopen dates are known.

Supply chain disruption has started at the ports of entry into many nations, including the continental United States. Non-essential containers are beginning to pile up at ports, causing delays in the retrieval of new inventory. In addition, airline industry impacts may severely limit air freight capacities even beyond the pandemic. In all such cases, retailers need to analyze any alternative methods necessary to route their inventory to their customers. Retailers may analyze localizing production of merchandise to higher cost centers that come with worse profit margins but would reliably deliver needed inventory with shorter lead times, at least temporarily.

#### Actionable intelligence can help retailers:

1. Shift inventory to eCommerce channels.
2. React to changes in consumer demands.
3. Consider localized strategies for reopening stores.
4. Consider contingency plans for supply disruptions.



## Planning for Flexibility

Based on current realities, retailers may be notified only two weeks before their retail stores are able to reopen. If inventory from March remains in the store if/when the store reopens in June, are retailers agile enough to re-position inventory so quickly?

Within stores, retailers must analyze their inventory for end-of-life and determine timelines for when each item/style will be out-of-season or expired. To clear such inventory from stores at or near full price, retailers may need to re-calibrate their omnichannel fulfillment strategy. Adjusting Order Management System (OMS) settings to ship eCommerce orders more heavily from stores rather than distribution centers may be preferable and is worth analysis. If beneficial, an implementation strategy must be developed in coordination with stores.



Within the entire network, including stores and distribution centers, the retailer must determine the best ways to offload expiring inventory as soon as possible while recovering maximum value, whether that means creating localized online promotions or working with factory outlets, off-price retailers, and/or charities.

After pulling expiring inventory from distribution centers and stores, how much space would remain available for new inventory? Assuming new inventory is available in distribution centers or reliably on its way from suppliers, baseline allocations for new items/styles can be prepared ahead of time, ready for the reopening of stores by state or region. However, if unexpected shifts occur in the ability for certain states or regions to reopen, retailers should be prepared to redirect store shipments to different states or regions without requiring much re-work. Such flexibility may be difficult for retailers to manage systemically without expensive changes to their systems, but the retailers positioned to adapt quickly will be the ones able to bounce back the fastest.



## Execution

Stores may reopen in phases due to varying local regulations. However, reluctance by consumers to return to retail stores may require more long-term adjustments, especially if new habits are formed during this period.

In terms of initial store re-openings, if a phased opening is required by law, a skeleton crew of workers on the ground should immediately begin processing buy-online-pickup-in-store (BOPIS) and ship-from-store (SFS) orders as soon as possible to create space for new seasonal inventory. Once inbound shipments to stores can be dispatched, backroom receivers can be staffed to immediately re-position product in the store.

Unlike the labor market before the crisis, hourly and temporary workers are now more widely available and can be leveraged to complete the inventory redistribution, both in stores and at distribution centers.

As business returns, we envision a new normal where disruptions are considered with greater import. Organizations must invest in reviewing the challenges experienced during this crisis and begin finding new ways to build flexibility into their operations and systems for the next major disruption.

## Conclusion

The current crisis is daunting for many retail businesses, some of which may not survive the disruption. However, for retailers with the resolve to succeed, the current crisis serves as an opportunity for them to evaluate the resilience and flexibility in their supply chains and the technologies that power them.

- [1] Biron, B. (2020, March 23). More than 90 major US retailers are temporarily closing stores in an unprecedented move to prevent the spread of the coronavirus. Retrieved from <https://www.businessinsider.com/13-retailers-announce-temporarily-store-closures-to-fight-coronavirus-2020-3>
- [2] D'Innocenzio, A. (2020, March 30). Macy's, Kohl's, Gap to furlough majority of their workers. Retrieved from <https://apnews.com/ae97f5556ea48ae167636fb50eeb4489>
- [3] Thau, B. (2020, March 20). Coronavirus Effects on Businesses in Major Industries. Retrieved from <https://www.uschamber.com/co/good-company/launch-pad/coronavirus-effects-on-major-industries>
- [4] Styrk, Jenni. "Stackline's News and Insights - Top 100 Fastest Growing & Declining Categories in E-Commerce." Stackline's News and Insights - 31 Mar. 2020, [www.stackline.com/news/top-100-gaining-top-100-declining-e-commerce-categories-march-2020](http://www.stackline.com/news/top-100-gaining-top-100-declining-e-commerce-categories-march-2020).