RETAIL BUYERS’ INDUSTRY PERSPECTIVES DURING COVID-19

A Stax engagement commissioned by International Market Centers (IMC) supporting the ongoing recovery of the retail sector

May 2020
EXECUTIVE SUMMARY

As part of ongoing support for the retail, wholesale and design communities, International Market Centers (IMC) has partnered with Stax Inc., a global strategy consulting firm, to provide a real-time representation of retail buyers’ perspectives during Covid-19.

Stax fielded a survey to 180,000 buyers who attended markets in the last two years. Around two-thirds of respondents were CEOs or owners, and respondents were distributed across product categories (apparel, home décor, furniture, and gift), geographies, and sales channels (Figure 1). Retailers across segments expressed that Covid-19 has had a significant negative impact on their businesses. Pending comfort levels around attendance and timing, and with appropriate mitigants and protective measures, markets will continue to serve a critical need both during and after recovery. IMC is utilizing data collected along with additional data from a survey targeting vendors to inform summer and fall market planning.

Figure 1: Retailer Web Survey Demographics
(Percentage of Respondents)

Note: Data and analysis represent survey results as of April 30, 2020. Forward looking expectations are reflective of retailer sentiment as of April 30, 2020 and may fluctuate as situations continue to evolve.
KEY TAKEAWAYS

1. Covid-19’s significant negative impact on retailers has forced a variety of cost-cutting measures and prompted additional promotional activities.

2. Most retailers expect to need inventory in the near-term with a focus on core products and vendors.

3. In-person markets remain critical. While somewhat low today, attendee comfort levels increase over time and with established protective measures.

4. Digital tools will likely play an important role as a complement to in-person markets during recovery.
IMPACT OF COVID-19 ON RETAIL BUYERS

Store closures and limited travel due to Covid-19 has had a significant negative impact on retailers’ businesses with approximately 70% of retailers temporarily closed across a majority or all stores. While online sales have shown resilience, in-store sales have significantly declined, with apparel and gift retailers the hardest hit. Somewhat surprisingly, furniture retailers have been significantly more effective at recouping lost in-store sales via online channels than home décor retailers (Figure 2).

Figure 2: Change in Last 4 Weeks Sales Compared to Same 4 Weeks in 2019 (Percentage Change in Sales)

<table>
<thead>
<tr>
<th></th>
<th>Furniture</th>
<th>Home Décor</th>
<th>Gift</th>
<th>Apparel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>-60%</td>
<td>-67%</td>
<td>-71%</td>
<td>-76%</td>
</tr>
<tr>
<td>In-store</td>
<td>-74%</td>
<td>-79%</td>
<td>-82%</td>
<td>-90%</td>
</tr>
<tr>
<td>Online</td>
<td>18%</td>
<td>-5%</td>
<td>27%</td>
<td>4%</td>
</tr>
</tbody>
</table>

With the substantial decline in sales, retailers have been forced to undertake a variety of cost-cutting measures and are turning to promotional activities to drive sales. 80% of retailers have implemented at least one cost reduction measure (and on average retailers have two cost cutting measures in place today), the most common being budget cuts, furloughs, and store closures. Similarly, in an effort to boost sales, around 80% of retailers have deployed at least one promotion (e.g., free delivery), with the average business having around 2.25 promotions in place today.

70 to 80% of retailers have applied for government funding, with most applying to the Paycheck Protection Program under the Small Business Administration.
RETAIL BUYER OUTLOOK

Retailers across categories vary in how long they expect it to take their business to return to normal after re-opening (Figure 3). Furniture retailers expect the fastest rebound at an average of 18 weeks and gift the slowest at an average of 23 weeks. Once re-opening, around half of retailers expect to require inventory within the first month. While inventory will be needed near-term, 35% of retailers expect the volume of that inventory demand to be reduced, most notably within the apparel and gift segments.

Figure 3: Time Until Retailers Return to Normal and New Inventory is Needed Post Re-Opening
(Cumulative Percentage of Respondents)

All retailers indicate that inventory is needed within 18 weeks of reopening but believe it will take far longer before a return to “normal” occurs.
RETAIL BUYER OUTLOOK CON’T

During recovery, retailers’ sourcing focus will be on **core and best-selling products from existing vendors**. Buyers will also seek incentives from vendors such as extended terms, free freight, and product availability.

![Figure 4: Retailers’ Immediate Sourcing Priorities During Recovery](chart)

74% of retailers indicate **best sellers** will be their top priority when sourcing product during recovery.

![Figure 5: Most Important Criteria When Selecting Vendors](chart)
MARKETS AND MITIGANTS

Though reduced from pre-Covid levels due to both economic constraints (i.e., retailers going out of business or lack of travel budget) and individual comfort levels with attending markets, a **sizeable group of potential attendees for in-person markets in 2H 2020 remains** as of April 30, 2020 (Figure 6).

**Figure 6: Representative Group of 1,000 Retail Attendees Sentiment Toward a 2H 2020 Market**

- 1,000 Represented Attendees
- 80 No Longer In Operation
- 920 Still In Operation
- 375 Not Comfortable Attending Market In-Person
- 545 Comfortable Attending Market
- 97 No Travel Budget
- 449 Potential Attendee Base

On average, for every 1,000 attendees, ~449 would have the pre-requisites to attend a 2H 2020 market.

In-person market attendee comfort levels increase gradually over time with **15% of respondents comfortable attending a market today and 60% by October** (Figure 7). That said, attendees expect to remain uncomfortable traveling by plane or staying in a hotel room in the near-term, indicating market participation in 2020 may be more regional in nature.

**Figure 7: Attendees Comfortable with Various Activities (Percentage of Respondents)**

- Apr. 30, 2020: 10% (16%), 15%
- In June: 17% (22%)
- In July: 27% (32%)
- In Aug.: 38% (42%)
- In Sep.: 54% (50%)
- In Oct.: 60% (58%)

- Attending an In-Person Market
- Traveling by Plane
- Staying in a Hotel
MARKETS AND MITIGANTS CON’T

More specifically, reported comfort levels for participating in various market-related activities is relatively low today. Though the attendee base that may be comfortable with certain activities increases over time, most still expect to be uncomfortable with activities such as walking a tradeshow floor or attending a social event throughout the summer. While the appropriate mitigants can ease this discomfort to an extent, the scope of activities offered at early summer markets should likely be adjusted to match attendee preferences (Figure 8).

Figure 8: Attendee Comfort Levels Participating in Various In-Person Market Related Activities
(Percentage of Respondents that note 6 or 7 on a 1 to 7 scale where 1 = “Not at All Comfortable” and 7 = “Very Comfortable”)

- Being in a Showroom
- Being on a Tradeshow Floor
- Being at a Guest Speaker Event
- Being at a Social Event
MARKETS AND MITIGANTS CON’T

To increase participation and comfortability of potential attendees and to ensure health and safety, the **most impactful protective measures** that increase the likelihood of retailers to attend in-person markets include **sanitizer stations**, **enforced social distancing**, and **showroom density limitations** (Figure 9).

**Figure 9: Most Impactful Safety Measures to Potential Attendees**  
(Percentage of Respondents)

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**Impact on Attendee Likelihood to Attend**  
(Percentage of Respondents That Consider Each Measure to Have a **Positive** Impact on Their Likelihood to Attend an In-Person Market, Percentage of Respondents That Consider Each Measure to Have a **Negative** Impact on Their Likelihood to Attend an In-Person Market)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Positive Impact (Percentage of Respondents)</th>
<th>Negative Impact (Percentage of Respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanitizer Stations</td>
<td>89%</td>
<td>-1%</td>
</tr>
<tr>
<td>Social Distancing Measures</td>
<td>78%</td>
<td>-9%</td>
</tr>
<tr>
<td>Showroom Density Limits</td>
<td>78%</td>
<td>-10%</td>
</tr>
<tr>
<td>Masks Required</td>
<td>73%</td>
<td>-14%</td>
</tr>
<tr>
<td>Reduced Attendee Count</td>
<td>71%</td>
<td>-11%</td>
</tr>
<tr>
<td>Reduced Vendor Count</td>
<td>43%</td>
<td>-25%</td>
</tr>
</tbody>
</table>

**Negative impact on likelihood to attend**  
**Positive impact on likelihood to attend**
ROLE OF IN-PERSON MARKETS AND DIGITAL MARKETPLACES

In 2H 2020, digital tools will likely play an important role as a complement to in-person markets. Roughly half of retailers leverage digital tools for sourcing or purchasing product today (accounting for ~15% of all inventory purchased) and that number is expected to increase post-recovery (Figure 10).

Figure 10: Retailer Purchasing Breakdown by Channel
(Percentage of Inventory Purchased)

Over 50% of retailers indicate a digital marketplace could service their mid-term sourcing needs either somewhat well or very well, though comfort with purchasing online varies by product category and retailer type (Figure 11).

Figure 11: Comfort With Online Purchasing
(Scale 1-7: 1 = “Not at All Comfortable” and 7 = “Extremely Comfortable”)

Among Primary Product Categories

Among Retailer Types

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Comfortable (5,6,7 Out of 7)</th>
<th>Indifferent (4 Out of 7)</th>
<th>Not Comfortable (1,2,3 Out of 7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gift</td>
<td>65%</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Home Décor</td>
<td>63%</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>Furniture</td>
<td>61%</td>
<td>15%</td>
<td>22%</td>
</tr>
<tr>
<td>Apparel</td>
<td>57%</td>
<td>19%</td>
<td>24%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retailer Type</th>
<th>Comfortable (5,6,7 Out of 7)</th>
<th>Indifferent (4 Out of 7)</th>
<th>Not Comfortable (1,2,3 Out of 7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-tailer</td>
<td>81%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Single Door</td>
<td>61%</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td>Multi-Door</td>
<td>58%</td>
<td>16%</td>
<td>26%</td>
</tr>
</tbody>
</table>
ROLE OF IN-PERSON MARKETS AND DIGITAL MARKETPLACES CON’T

In-person markets and trade shows will still play an important role in the future. Despite a reduced level of comfort attending in the near-term, the criticality of markets for retailers across product categories remains high (Figure 12).

Retailers expected back to market sooner are unlikely to seek digital means as an in-person market alternative as only 6% feel digital marketplaces can service their buying needs very well.

Figure 12: Criticality of Markets Held In-Person
(Scale 1-7: 1 = “Not at All Critical” and 7 = “Extremely Critical”)

Among Primary Product Categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Less Critical</th>
<th>Somewhat Critical</th>
<th>Very Critical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture</td>
<td>26%</td>
<td>30%</td>
<td>44%</td>
</tr>
<tr>
<td>Home Décor</td>
<td>18%</td>
<td>14%</td>
<td>68%</td>
</tr>
<tr>
<td>Gift</td>
<td>26%</td>
<td>30%</td>
<td>44%</td>
</tr>
<tr>
<td>Apparel</td>
<td>14%</td>
<td>14%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Among Retailer Types

<table>
<thead>
<tr>
<th>Type</th>
<th>Less Critical</th>
<th>Somewhat Critical</th>
<th>Very Critical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Door</td>
<td>29%</td>
<td>15%</td>
<td>56%</td>
</tr>
<tr>
<td>Multi-Door</td>
<td>28%</td>
<td>15%</td>
<td>57%</td>
</tr>
<tr>
<td>e-Tailer</td>
<td>37%</td>
<td>18%</td>
<td>45%</td>
</tr>
</tbody>
</table>
**SUMMARY**

Data and analysis providing an early snapshot into retailer sentiment as of April 30, 2020 reveals that the *impact of Covid-19 on retailer buyers across categories—apparel, home décor, furniture, and gift—has been substantial.*

Current conditions have forced nearly all retailers to take cost-cutting measures and pivot towards promotional activities to drive sales. Pending a return to normal, *most retailers expect to require inventory in the near-term* and expect to have a keen focus on existing vendors and best-selling products.

Although comfort levels attending a market today are relatively low, mitigants and safety measures will deliver a positive impact on likelihood to attend. *In-person markets will remain critical* in the future and comfort attending is expected to increase gradually overtime.

*Omnichannel buying continues to evolve* with both physical and digital marketplaces serving buyer needs during and after recovery.
Stax Inc. is a global management consulting firm serving corporate and private equity clients across a broad range of industries including software/technology, healthcare, business services, industrial, consumer/retail, and education. The firm partners with clients to provide data-driven, actionable insights designed to drive growth, enhance profits, increase value, and make better investment decisions.

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