

June 2, 2020

Retail Liquidations Post-Covid

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THE WALL STREET JOURNAL.

Shoppers Can Expect A Season of Store Sales

By AISHA AL-MUSLIM

A glut of pent-up inventory is waiting to be dumped on consumers this summer as retail stores reopen in the U.S., and shoppers for everything from shoes to sofas should be able to find major bargains.

Still-solvent retailers will go head-to-head with bankrupt rivals: Big reopening blowouts will be vying with going-out-of-business sales to get shoppers in the door, experts say.

“There will be an unprecedented amount of discounting and merchandise that will be on sale starting in June,” said Scott Carpenter, president of retail solutions at Great American Group LLC, a subsidiary of B. Riley Financial Inc.

Consumers also can expect some discounting online, but the real bargains will be in stores. Apparel and footwear companies are sitting on tens of billions of dollars of unsold merchandise they need to get rid of. The potential winners will be shoppers, dollar stores

and discount chains such as T.J. Maxx, Marshalls and HomeGoods, all part of TJX Cos.

Though some stores reopened in May, many retailers such as Macy’s Inc. and Bed Bath & Beyond Inc. said they aim to reopen most locations by the end of June. Discounts are expected to last through the summer as retailers work to get rid of inventory before the start of the fall season, experts say.

Given a record unemployment rate and the uneasiness over the coronavirus pandemic, “people may need a bigger discount to compel them to go out of their homes and go into some of these stores to buy the liquidating goods,” particularly when it comes to apparel, furniture and other nonessential goods, said David Berliner, a partner in the business restructuring and turnaround services practice of professional-services firm BDO USA LLP.

The deep discounts are ex-
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JEFF LAUTENBERGER FOR THE WALL STREET JOURNAL

As stores reopen, owners hope to lure customers—but moving inventory will be harder because of social-distancing rules. A Texas mall.

Season of Store Sales Is Coming

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 expected to hurt sales at stores that aren't permanently closing as they might be pressured to mark down prices to match nearby competitors, experts say.

"Bankruptcy sales tend to cannibalize sales at other stores," Mr. Berliner said. "Consumers may go to the going-out-of-business store rather than buy at the normal store, where they're not offering a discount."

Bricks-and-mortar closures are expected to accelerate post-Covid-19, bringing lots of clearance sales. The pandemic is expected to lead to record store closures this year, with more expected in the future, analysts say.

Roughly 100,000 U.S. stores are expected to close over the next five years—more than

triple the number that shut during the 2007-09 recession—as e-commerce jumps to a quarter of U.S. retail sales from 15% last year, financial-services firm UBS Group AG estimates. Real-estate research firm Green Street Advisors LLC forecasts that more than half of all mall-based department stores will close by the end of 2021.

The pandemic has triggered a spate of retail-sector bankruptcies in recent weeks, including discount home-goods retailer Tuesday Morning Corp., department-store chain J.C. Penney Co., luxury retailer Neiman Marcus Group Inc., apparel seller J.Crew Group Inc., rural department-store operator Stage Stores Inc. and branded-apparel maker Centric Brands Inc.

The coronavirus also has devastated business for other retailers, driving Pier 1 Imports Inc. and Art Van Furniture Inc. out of business after they filed for bankruptcy. **Modell's Sporting Goods Inc.** also is expected to resume its going-out-of-business sales after having to halt them because of the pandemic.

Selling inventory will be harder and will take longer because of staggered store openings and social-distancing restrictions.

That means stores slated for closure will rack up higher expenses such as rent and payroll the longer they stay open, lowering the value of liquidating, liquidators and analysts say.

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"It puts a margin pressure on everyone when you have competitors that are also liquidating merchandise," said Monica Aggarwal, a managing director at Fitch Ratings Inc. "The thing that is going to be interesting is how the promotional environment will look in the second half of the year."

Liquidators are working on strategies to get stores Covid-19 ready as some shop-

pers worry about the risk of contracting a potentially fatal virus, according to liquidation firm SB360 Capital Partners LLC.

"They're going to need to do a good job at making sure you know that the store is not overrun with people," Mr. Berliner said. "A lot of times in going-out-of-business sales, people are touching all the merchandise and it gets kind of messy."

The new normal for store closings and sales will include restricting the number of customers allowed in stores, requiring customers and employees to wear masks, providing hand sanitizer and marking floors at the check-out lines for social distancing. Some stores could reward customers with coupons for wearing masks, SB360 said.

"Even with limitations, when consumers go to the store, it's actually an occasion and they're really motivated to buy," said Jamie Merriman, a Sanford C. Bernstein U.S. retail analyst.

"People still want to be in the store environment, as long as they feel like it's safe."

