

Forbes

Top Predictions for Retail 2021

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The earliest projections have the country moving toward a post-COVID state in summer, which means that 2021 first half will only be more of the same for retail. By the time most of us are vaccinated, we'll have been living in a COVID world for more than a year, and, unfortunately, a return to “normal” may never happen.

The muscle memory we shaped as a society will not be shed overnight, or perhaps ever.

Retailers and brands need to prepare to hunker down some more, while simultaneously looking ahead to what the new post-COVID world might look like.

Here are my key predictions for what the retail industry should expect in 2021:

- 1.) **There will be more bankruptcies across all sectors.** Many companies will see hardships faced during COVID as an opportunity to rebalance and retool their business. They will likely have more flexibility with the courts in the way bankruptcies work, affording them the freedom to restructure their company and get out of situations that they wouldn't be able to otherwise, such as leases. “Walking Dead Brands” like New York & Company will continue to fall, depending on how long lame duck CEOs can keep the doors open. With consumers becoming more accustomed to shopping online, liquidations will be prevalent all throughout next year.
- 2.) **Apparel and footwear will come back strong, even sooner than we think.** But,

what people want to wear and how they prefer to buy it will be different. Consumers are not anxious to give up the convenience and safety of online shopping or BOPIS/Curbside pickup to come back in-store en masse. In a recent survey, we found that many senior industry executives do not understand this reality. Only 16 percent of senior retail executives we surveyed believe consumers are purchasing apparel online only this holiday season, compared to 31 percent of consumers who say they plan to. In the footwear category, only 11 percent of executives believe consumers will buy footwear online only, compared to two times more of consumers (25 percent) who said they will.

3.) **Be prepared for many more innovative startups, brands and manufacturing models.** Gaps left by failed retailers and brands will make way for new innovative startups led by (out of work) Millennials and Gen Zers. We'll also see some past CEOs try their hand at this. Ninety percent will fail, 10 percent will be a huge success. But with taxes likely rising next year, it will be survival of the fittest. One example is the Consumer-to-Manufacturer (C2M) model, which has been gaining traction. With this new disruption model, a manufacturer in China who has significant capacity, for example, would offer a large number of designs directly to consumers which they can produce at their facility. When ordered, the item is quickly made to order and shipped out to arrive in a couple of weeks. Manufacturing facilities are pivoting to produce items after the order is received, not before, shifting from Design-Make-Sell to Design-Sell-Make. Consumers are willing to wait because the price is attractive and they're getting exactly what they want, and manufacturers are happy to pivot to make their facilities more profitable. Examples of this already exist and are thriving and you likely don't know they are this model. Very Stealth. We will see more of this, particularly as retailers like Macy's are no longer buying in bulk from manufacturers through wholesalers anymore. This will also signal the death of more middle-market brands as the market moves to luxury or low-end.

4.) **More Mergers & Acquisitions.** Big companies will continue to gobble up smaller retailers and brands. You'll also see quite a number of bottom feeders looking to scoop up struggling brands on the cheap like Private Equity firm Sycamore Partners' deal to purchase Ann Taylor and other Ascena Brands and Simon Property Group's purchase of JCPenney. Assets will be bought, similar to what happened with Toys "R" Us, with brand names being adapted in new ways like how Barneys New York is going to reopen in Saks Fifth Avenue next year. Can it work going forward? Seems like a stretch.

5.) **Consumer/Employee behavior will not return to the past ever again.** The consumer will not lose interest in online purchasing and will likely maintain the same or perhaps higher levels of online purchasing forevermore. They surely will return to a store on "occasion" to have the in-store experience but it will be far less that retailers expect. The link (and key) between the two channels (online and in-store) is omnichannel strategies like BOPIS and Curbside. One

key factor to online purchasing is that consumers get two highs of dopamine when purchasing products online – once when ordering and another when they receive the product.

Employees will likely never lose interest in working remotely and will likely maintain that desire going forward. Like consumers, they will seek out “the experience” of dressing up and coming to an office setting on occasion, but after a series of long waits at stop lights that interest will wane quickly and they will be asking to work from home ongoing forever.

6.) **The Second Great Migration.** Millennials will be scarred by the pandemic, which came after they were among the hardest hit by the 2008 financial crisis. Now that everyone has become comfortable driving cars, which, by the way, will not change anytime soon, many Millennials will defect to the suburbs at an even faster rate than most people anticipated, where there is more freedom and space. Cars are going to become a bigger part of our culture than ever before. People are going to want to continue to buy vehicles both new and used. They will want to customize them as well.

7.) **Micromarketing and Manufacturing.** Millennials and Gen Z want to personify their lives, and are creating, procuring or curating products from different locations and sources -- and finding ways to monetize this with social media and Instagram. Many younger adults are trying to do this kind of micromarketing - likely because unemployment is high, they're laden with debt, and they are trying to figure out how to navigate this. Younger generations are creating lifestyles, personifying and then going after advertisers to monetize their lifestyle. Micromanufacturing plays a role in this, as waiting for a month for a personalized item is about to “jump the shark”. Having manufacturing hubs closer to the demand signal offers a more profitable model - particularly as the future relationship with China is in question. For example, LA used to be the denim capital, but manufacturing has popped up all over the country – even in Pittsburgh, Pennsylvania.

8.) **Recycling Will Become A BIG Business.** According to a piece in Waste360, in the United States, more than 95 percent of the packages shipped to the country's 200 million online shoppers are sent in containerboard, and this is expected to increase in the coming years as online sales continue to grow. Between January and November of this year alone, American consumers spent about \$547 billion online - an increase of roughly 33 percent from the same period in 2019. Recycling will become a huge business as online retail continues to grow and billions of boxes need to be delivered. The repercussions of this issue truly haven't been acknowledged or addressed yet.

9.) **Startup in National Delivery. In-Store Associates will Shift to Pickers, Packers and Drivers.** Fewer stores does not mean fewer retail jobs. UPS, FedEx and USPS are at their

eventually there will not be enough deliverers. As online shopping continues to balloon, shortages in “the final mile” delivery drivers and warehouse pickers and packers are growing. Starting in July, Amazon brought on about 350,000 employees, or 2,800 per day. Most have been warehouse workers. In September, the Chicago Tribune reported that United Parcel Service plans to hire more than 100,000 extra workers to help handle an increase in packages during the holiday season. This hiring need will continue to support all those packages.

2020 has been the year of mass chaos, but remember, with chaos comes opportunity. Clearly, 2021 will represent great opportunity for those who embrace the change and look ahead to anticipate it. Wishing everyone a very Happy New Year!