



goetzpartners

STRATEGY | M&A | TRANSFORMATION



COVID-19 | goetzpartners' Retail Industry Assessment

MUNICH, APRIL 2022

Retail Industry | Shareholder Sentiment

The retail industry has finally bounced back from the significant Covid impact and only performs slightly below the general market - larger players are benefitting due to insolvencies of several smaller companies

INDUSTRY STOCK PERFORMANCE

Index (Stock price on December 2nd, 2019 = 100)



- Retail industry is recovering steadily, but still **slightly underperforming** the general market
- Slightly counter-intuitive early **recovery of retail stocks** is mainly driven by the **anticipation of a stronger market position** post-pandemic:
 - As smaller retailers have lower cash reserves, they are more prone to bankruptcy
 - This will put larger (and listed) retailers at an advantageous market position
- **Pandemic** can be used by retailers to **evaluate** their **channel mix** (on- and offline presence); retailers were **forced to grow** their **online business**

COMPANY CRISIS MANAGEMENT

SELECTION

"Positive impact": The Home Depot



- **Restructuring of supply chain:** Gaining greater control on its supply chain e.g., by chartering a dedicated cargo ship
- **E-commerce:** Goal to deliver all products sold online by the same or the next day
- **Home improvement boom:** In the first phases of the pandemic, Home Depot was able to benefit from an increased home improvement boom in the US
- **Employee retention schemes:** Extended measures to keep employee retention high

62% increase in stock price since December 2019

Outperformed Nasdaq by **9%**^[1]

"Negative impact": H&M



- **Competition:** Obstacles in online offerings in comparison to competitors, e.g., shipping costs
- **Reliant on offline sales channel:** Stores had to be kept closed due to corona restrictions; offline sales as major channel
- **Ongoing PR problems:** Despite engaging in diversity and sustainability campaigns, PR problems still arise

13% decrease in stock price since December 2019^[1]

Underperformed Nasdaq by **83%**^[1]

[1] since 2nd, 2019
Source: Investing.com, goetzpartners analysis

Retail Industry | The CEO's Agenda

The retail industry has been hit hard by the pandemic as this sector was one of the first that has been (partially) shut down by restrictions; however, some retailers have used the pandemic to optimize their sales strategy and channel mix

LESSONS LEARNED FROM COVID-19 CRISIS



Establish **close supplier relationships** to build a reliable and agile ordering process



Streamlining of online and offline experiences for **hyper-personalization**



Safe service in form of **comfort and security** are key criteria to retain customers



Focus on the **unique opportunities** of **physical retail** that enable **customer loyalty**



Create processes that allow for **quick order fulfillment** by **forecasting demand** accordingly and establishing an **agile organization**



Steady crisis management required to **react quickly** to **changing environment**



STRATEGIC CONSIDERATIONS

DEFENSIVE
(FINANCING,
MARKET CATCH-
UP)

- Are you focusing your **company planning** to have sufficient **financing** in case of **crisis situations**?
- Have you carefully reviewed your **ability** to **reduce** your **costs** on a **short-term basis**?
- Is **customer data** utilized as effective as possible in order to exactly **identify** customer **needs** and **habits**?
- Are **new partners as debt or equity providers** available to support your company in the process of **digital transformation**?

OFFENSIVE
(ACQUISITION,
CARVE-OUT)

- How can the company's **balance sheet resilience** be improved?
- Do **new market opportunities** arise based on the **pandemic** (changed customer behavior)? How can your **organization pioneer** in these areas?
- Are you able to close **new partnerships** to ensure a cross-channel customer experience?
- Are the appropriate **social media presence** and **sales possibilities** ensured? Can the **target group** be reached via **new channels**?

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