



Santa behind plexiglass? How retailers are pivoting to keep up holiday spirits and sales

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Nothing speaks to the innovation and persistence of American retailers, like the fact that, despite the coronavirus (COVID-19) pandemic, children are still telling Santa what they want for Christmas, and parents are capturing that iconic photo. Undisputedly, however, it's not the same experience as in years past when kids were hoisted onto St. Nick's lap. Now there is social distancing, temperature checks, masks, and plexiglass shields. Outdoors retailer Bass Pro Shops calls the plexiglass in its Santa's Wonderland a "Magic Santa Shield," explaining that "an innovative, glare-free clear protective barrier will be in place between Santa and families at all times to allow for a contactless experience." Holiday 2020 is truly unprecedented as retailers struggle to react to a surging pandemic that has upended even their revised holiday plans.

New lockdowns

Last summer, when retailers began to re-imagine their holiday plans, they were hopeful that the outbreak would be waning or even just plateauing by the time the holiday season came around. Unfortunately, as many health experts predicted, virus transmission began to surge as the holiday selling season was picking up steam. As a result, some states and locales are starting to re-impose restrictions on activities, including shopping.

Unlike the blanket restrictions imposed in the spring that closed all stores, other than those deemed "essential," the recent orders are more targeted, focusing on capacity. For example, California's new "Regional Stay at Home" order mandates most retailers in the most restrictive regions operate at only 20% capacity. This has required retailers to dedicate employees to monitor their shopper count and has created, in some instances, long lines to enter stores. These lines, too, need to be regulated and socially distanced, creating additional challenges. The prospect of cues at grocery stores led to the California Grocers Association successfully lobbying the state to increase the limit for those stores to 35% capacity.

New techniques being used by governments to curtail the virus include the use of nightly curfews. While many local law enforcement officials have vowed not to enforce these restrictions, these curfews continue to impact retailers as they contemplate store hours during the pandemic. Many retailers had already adjusted their hours to implement new cleaning protocols in their locations

and are now making further adjustments based on such curfews and customer demand influenced thereby.

Retailers are also being impacted by the mandated closure of bars and restaurants. In many shopping complexes, these hospitality businesses constitute a significant portion of the tenant mix and are big drivers of traffic. In the regions of the state that are seeing the most widespread community spread, California is now curtailing outdoor dining. This change has made an impact on store scheduling. Retailers, just like in the spring, need to closely consider the public health orders as they have a material impact on their businesses.

You should have ordered it yesterday

Of course, the pandemic has directed a huge amount of consumers to online shopping. Most retailers advised customers to order early and even moved up their “Black Friday” sales to late October and included e-commerce in their offers. However, the delivery network is showing signs of cracking under the strain, and retailers are now fretting that customer orders may not be delivered until New Year’s or beyond. Even though companies have hired more employees, including drivers, shippers can’t get their hands on enough vans to keep up with demand. The ripple effect of the pandemic is seen here as even rental fleets are smaller as a result of shutdowns of auto production lines at the beginning of the pandemic. Although delivery may be outside the control of retailers, consumers usually take out their ire on the retailer, as much if not more than the shipping company.

As a solution to solve both logistical concerns and shipping delays, retailers are pivoting by pushing shoppers to order online and choose either curbside or in-store pick-up of items at physical stores. Curbside pickup has exploded during the pandemic. As an incentive, retailers are promoting “virtual gift cards” that will hopefully get recipients to shop for items online after the pre-holiday rush or back in-store into next year. Some, like retailers who were notoriously understocked with the extremely popular new gaming consoles that are now on the resale market at double or triple the retail price, are even encouraging customers to print out a picture and wrap that with cute “IOU” and urging people to celebrate the holidays again, likely in February. Facing delivery uncertainty and higher rates from traditional shippers, retailers are also turning to delivery services like Shipt, DoorDash, and Postmates.

It’s not just toilet paper

We recall the shortages of essential products like cleaning supplies, toilet paper, and work-from-home items in March. However, as the holiday celebrations have been impacted by the pandemic, retailers are also adjusting to new demands from consumers. As individuals are spending more time at home, they are spending more of their money on items related to their house or apartment. This trend has now extended to holiday decorations, as consumers want to at least make their homes look as festive as possible. This has led to a holiday decoration shortage at many stores. Retailers are scrambling to scoop up as much supply as possible from any source they can find. Now more than ever, merchants need to be tweaking their inventory to anticipate significant demand changes as a result of the pandemic.

2021 and beyond

The holiday season typically ushers in a period of self-examination for retailers as they contemplate their financial condition and strategies for the future. This year stores face a higher degree of uncertainty. While the roll-out of a COVID-19 vaccine offers hope that the industry will return to

business as usual, even before the pandemic, a large portion of retailers were struggling as online shopping was roiling their businesses. Retailers will need to consider how to leverage what they learned during the pandemic—innovating to reshape their business model—to achieve success in 2021 and beyond.

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