



Busting down the doors while still social distancing: Retailers grapple with a holiday season like no other

By Staci Jennifer Riordan, David Kaufman, and David Allswang

We all have visions of a typical Black Friday—door busting specials that draw huge crowds of shoppers waiting to cram into stores. This scene sounds problematic as we are currently experiencing a pandemic. The United States Centers for Disease Control (CDC) classifies “[g]oing shopping in crowded stores just before, on, or after Thanksgiving” as a “higher risk activity” in its recent “Holiday Celebrations” guidance. So, how are retailers pivoting to the current environment—balancing the need to protect their customers, make holiday wishes come true, and bolster their bottom line? We have been listening to our clients and industry experts and can share some of what we are currently hearing and observing.

Lining up

While they vary from state-to-state, county-to-county, and even city-to-city, a large portion of the U.S. still mandates capacity restrictions for retail stores. Many guidelines limit the actual percentage capacity utilized in a store, while others dictate the number of customers per square foot. Retailers have been successfully managing these restrictions by limiting indoor access. However, as winter—with colder and more inclement weather—is on its way, retailers will be struggling to keep customers out-of-doors while regulating capacity. Plus, of course, we would normally see an uptick in foot traffic and bag counts this time of year. Some stores are also facing reduced store hours as they adjust to enhanced cleaning schedules, dedicated senior and other at-risk population shopping hours, and scheduling issues regarding break times and other factors related to crowded common areas.

Stretching out the savings

To avoid long lines of shoppers, who may or may not be allowed in, retailers are stretching out the holiday savings season. To those who think that it immediately becomes Christmas after Halloween decorations come down, this year, you definitely will be correct. Wal-Mart, for example, is planning a four-part Black Friday rollout starting virtually on November 4, in-store promotions on November 11 and 14, and culminating on the actual Black Friday, November 27. The goal is to take the pressure off of those final days and eliminate massive crowds. We have been providing advice to clients about how to deal with crowds if they do show up. These approaches combine the guidance of local, state, and federal officials and medical experts, including entry checks in some

instances, PPE for employees and customers, and social distancing (including in the aisles, fitting rooms, and cashier stands.)

Owning online

Almost every successful retailer has learned over the past several years the importance of online sales. However, retailers can't simply dust-off their holiday 2019 playbook for online success. We have experienced a major shift in the entire dynamic. The CDC guidelines even suggest "[s]hopping online rather than in person on the day after Thanksgiving or the next Monday." Retailers are facing customers who are more demanding online shoppers AND supply chains are more strained by the pandemic. Deloitte predicts an explosion of e-commerce growth of 25% to 35% from November through January this year. Retailers are struggling with the cash flow, staffing, and logistical challenges of dealing with this uptick in demand. Distribution facilities face similar COVID-19 infection risks as retail stores. This month, Amazon announced 19,000 infections in its workforce over the course of the pandemic. Also, retailers are facing the possibility of their delivery partners being overwhelmed with demand. Last month, UPS announced it's going to try to hire 100,000 new employees to help deal with the holiday crush. As opposed to other items, as we know, not having that must-have product delivered by Hanukkah (early this year, December 10) or Christmas can lead to reputational, legal, and financial issues. Retailers have often little leverage with suppliers and service providers.

Virtual events

In addition to big sales, the holidays have typically included big events either in-store or store-adjacent to draw in shoppers and increase brand awareness. However, like everything else this year, these large events are problematic. The CDC points out "[a]ttending crowded parades" and "[a]ttending large indoor gatherings with people from outside of your household" as "[h]igher risk activities." While some events like menorah and tree lightings are outdoor events, crowd issues still are a factor. To replace these in-person programs, retailers continue to be creative in developing virtual events that attempt to capture the magic and excitement of the season, while customers stay safe in their homes with their families.

Dealing with the demand

Retailers do have a few important arrows in their quivers to help them deal with increased virtual demand:

Curbside pick-up

Customers are definitely warming to the concept of picking up their products just outside a retail store. This concept allows retailers to leverage their physical footprint, utilize in-store inventory, and reduce that final mile delivery risk.

Customer data

Retailers now have a lot of additional data on their customers—especially good ones. This data allows them to better focus their energies and marketing muscle on getting these customers to purchase early AND can better predict their buying habits. Plus, customers are demanding more "personal engagement" with retailers. Without this data, retailers are flying blind when it comes to connecting with their client base.

Social media

Retailers are much savvier at using social media to drive demand—even to particular products—compared to just two years ago.

While this season will not be like any holiday time we have experienced, many analysts are bullish on shoppers transferring the money they would have spent on trips and other gatherings into special presents this year. This could result in a boost to holiday retail sales. However, retailers will struggle to satisfy this demand safely and effectively. Nixon Peabody's Retail team is helping clients focus on safety and pivot their strategies to succeed in this unprecedented environment.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

- Staci Jennifer Riordan, 213-629-6041, sriordan@nixonpeabody.com
- David Kaufman, Director of Global Strategies, 415-984-8241, dkaufman@nixonpeabody.com
- David Allswang, 312-977-9242, dallswang@nixonpeabody.com