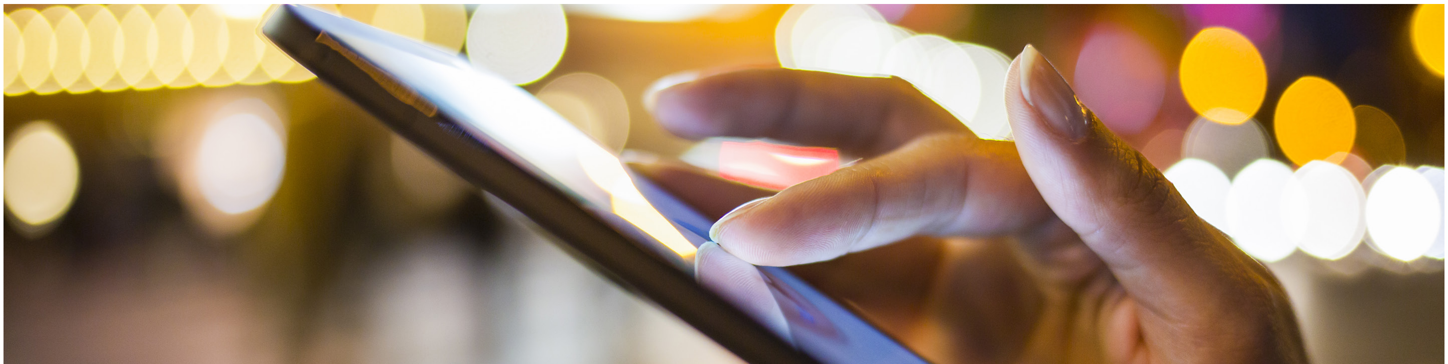


E-COMMERCE RETAILERS

CURRENT TRENDS

- As shutdowns began across the globe in March 2020, e-commerce sales in the U.S. skyrocketed, growing 44.5%, 36.6% and 32.1% for the second, third and fourth quarters of 2020, respectively, over 2019.
- Online holiday shopping increased 32.2% in 2020 over 2019, according to Adobe Analytics.
- November e-commerce sales, which included Cyber Monday, reached $100 billion for the first time.
- Black Friday weekend sales were predominantly online, while in-store traffic declined significantly for many retailers.
- Several prominent brick and mortar-based retail brands transitioned to online only formats in 2020.

GORDON BROTHERS

Exclusively online

undertook the first exclusively online disposition event

Pioneered

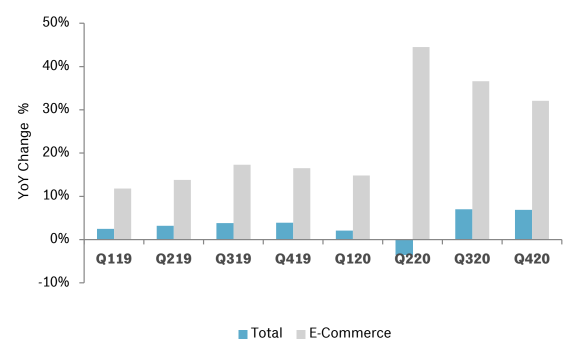
launched our own e-commerce platform that later developed into one of the largest flash sale sites

U.S. ONLINE HOLIDAY SALES

	$ in billions	YOY Change
Thanksgiving	$5.1	21.4%
Black Friday	$9.0	21.6%
Cyber Monday	$10.8	14.9%
Three-day Sales	$24.9	18.3%

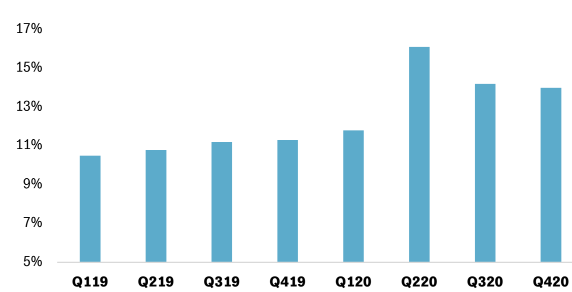
Source: Creditntell

YEAR-OVER-YEAR GROWTH IN RETAIL SALES



Source: U.S. Census Bureau

E-COMMERCE SHARE OF RETAIL SALES



Source: U.S. Census Bureau

Gordon Brothers 1903
GORDONBROTHERS.COM
+1.617.426.3233

E-COMMERCE TO THE RESCUE: It comes as no surprise the e-commerce channel has grown significantly over the past decade and has been a consistent bright spot for retail trade overall. However, as retail stores began to close in March 2020 because of rising coronavirus infection rates, e-commerce quickly became the preferred shopping channel for millions of consumers. As stores around the world closed based on government-established essential and non-essential classifications, consumers chose to shop online out of convenience as much as caution. Retailers that pivoted immediately to established omni-channel platforms successfully made the transition right off the bat. Others had to quickly assess capacity and system capabilities to shore up online sales channels as their brick-and-mortar sales evaporated. Accordingly, U.S. e-commerce sales grew 44.5%, 36.6% and 32.1% for the second, third and fourth quarters of 2020, respectively, over 2019.

Online holiday shopping increased 32.2% in 2020 over 2019, according to Adobe Analytics. Additionally, November e-commerce sales, which included Cyber Monday, reached $100 billion for the first time. Retailers began promoting deals earlier than in prior years when Black Friday typically signals the official start of the season. In 2020, many consumers started their holiday shopping in October as retailers launched Black Friday-level discounts early.

Major retailers like Target and Dick's Sporting Goods that offered curbside and other convenient pickup options for online orders saw even stronger holiday sales, according to data from Salesforce. Their analysis found that digital sales increased an average of 49% over last year, compared with approximately 28% for retailers that did not offer curbside pickup and similar options. Target performed especially well as sales through its curbside service grew by 500%, while its digital comp sales increased 102%.

Amazon continued to outperform in 2020, which is not surprising given the company's expansive product lines and delivery capabilities. Amazon pushed its Prime Day event back to October 13-14 from mid-July in prior years to capitalize on early holiday shopping. The company's fourth-quarter performance, labeled "monster" and "blockbuster" by news outlets, included a record-breaking holiday sales performance. North American fourth-quarter sales increased 46% year over year to $75.3 billion as shoppers turned to the e-commerce leader during a winter surge in COVID-19 cases and disruptions to holiday shipping driven, in part, by postal service capacity issues. Additionally, sales were up 50% for independent sellers on its Marketplace, which enables third parties to sell products on Amazon's platform. While the company added more than $1 billion to its fourth-quarter domestic operating profit over 2019, its success did not come without the burden of added expenses. Amazon's North American operating expenses grew by nearly 40% to $72.4 billion and the company expects COVID-19-related costs of $2 billion in the first quarter of 2021.

During the pandemic, digital sales initially jumped over 100% for many grocers. Instacart, the largest third-party provider to most grocers, reported volumes up as much as 500% since the pandemic began and reported first-time profits in April 2020. Nearly 750,000 professional shoppers, more than half of whom were hired since the coronavirus outbreak, have been shopping on the Instacart platform per reporting by grocery industry publication *Progressive Grocer.* With many online delivery slots reserved for the elderly or more vulnerable, the biggest change in e-commerce may be the addition of the elder demographic, who have overcome anxieties about using technology to shop online.

With much of the world still under some degree of travel restriction, e-commerce has been a key option for purchasing essential items, and for many consumers remains the primary way to purchase non-essential items.

RETAIL BRANDS SHIFT TO ONLINE-ONLY: The ongoing COVID-19 pandemic continues to alter the retail status quo and shape industry trends globally. Mandated closures, capacity limitations, social distancing measures and supply chain issues accelerated many industry changes that were already underway.

In 2020, approximately 160 consumer-focused companies filed for bankruptcy according to reporting by financial analyst S&P Global. Among them were high profile names such as Neiman Marcus, J.Crew and GNC. For retail bankruptcies, 2020 comprised the largest number of filings since the 2009 financial crisis. While some predominantly brick-and-mortar-based chains liquidated entirely, others emerged from bankruptcy in a stronger financial position. Still others sold their intellectual property, data and other e-commerce assets to firms that took the brands entirely online.

Increasingly, a shift to e-commerce is a viable option for struggling retailers even after brick-and-mortar locations close. Despite a downturn in business, a retailer's brand may still hold significant value and consumer support to reemerge in an online-only format. Brands are a powerful differentiator in distinguishing a company or products from competitors and creating a lasting impression in the minds of customers. A combination of a brand's identity, personality, product design, awareness, loyalty and various branding or brand management and communication strategies help define and build a successful brand. Since there is often little to differentiate between several types of products in an increasingly global marketplace, branding is one of the few remaining and powerful forms of product differentiation to attract new and retain loyal customers.

History has shown online success can be found where physical stores did not. Over Gordon Brothers' decades of brand management, Laura Ashley, Linens-N-Things and Sharper Image each found renewed success in other formats after their freestanding stores closed, and 2020 saw more brands make the transition.

In July, home goods retailer Pier 1 Imports, Inc.'s owned intellectual property (IP) and other online assets were purchased for $31 million, according to bankruptcy court documents. The company's website relaunch went live in late August and now features over 20,000 items. Discount department store Stein Mart, which filed for Chapter 11 bankruptcy in August and subsequently closed all 282 of its stores, sold its brand, domain names and other IP and has since relaunched as a growing online-only retailer. Similiary, plans are currently underway by the new owners of the Justice brand for the relaunch of its online business after previous owner Ascena Retail Group winds down the closure of over 750 of the former chain's retail stores in early 2021.

Meanwhile, momentum for the channel continues to increase exponentially; online retail sales in the U.S. are projected to reach $1 trillion by 2023 according to global consulting firm FTI Consulting, which is a year earlier than its 2019 projection. This growth, which is due largely to online shopping adoption gained during the pandemic, is expected to become permanent. Additionally, the company projects total online market share will reach 27% by 2025 and 33% by 2030, compared with the actual rate of 14% for 2020 indicating significant growth still to come.

THIS ARTICLE CONTINUES ONLINE. READ MORE HERE

The Expert: Becky Goldfarb

Bringing over 15 years of experience in the disposition and valuation of retail and consumer products, Becky Goldfarb oversees all aspects of retail asset valuations. Previously, Becky was responsible for the financial analysis of Gordon Brothers' retail dispositions across all industry sectors. Read her full bio here.

Gordon Brothers
1903

GORDONBROTHERS.COM
+1.617.426.3233