



FOOTWEAR RETAILERS

CURRENT TRENDS

- Shoe store sales in the U.S. decreased just over 30% in 2020, with the largest declines seen from March through May as stores were closed.
- Athletic and sports footwear were the sector's best performers in 2020, with the greatest weakness in dress and fashion footwear.
- Despite the downturn in 2020, trends are expected to stabilize and recover through 2021.
- Vegan and sustainable footwear options have gone mainstream.

PROJECTED VALUES (12-MONTH OUTLOOK)



APPROXIMATE NET RECOVERY ON COST

60-75%

family chains

70-85%

athletic chains

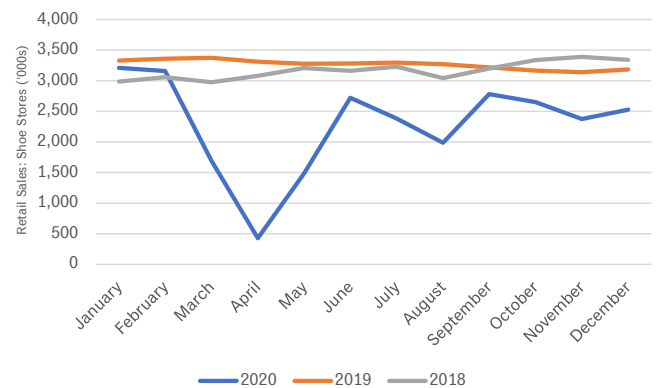
75-90%

mid-priced designer

65-90%

high-end designer

U.S. SHOE STORE RETAIL SALES



NOTE: THIS PUBLICATION IS PROVIDED FOR INFORMATIONAL MARKETING PURPOSES ONLY. THE MATERIAL CONTAINED HEREIN SHOULD NOT BE REGARDED AS ADVICE, NOR RELIED UPON TO MAKE FINANCIAL, OPERATIONAL OR OTHER DECISIONS; NOR SHOULD IT BE USED AS A SUBSTITUTE FOR AN ASSET APPRAISAL. ACTUAL RECOVERY VALUES MAY VARY FROM TRANSACTION TO TRANSACTION AND THE RECOVERY VALUES REFERENCED HEREIN ARE FOR REPRESENTATIVE TRANSACTIONS WITHOUT REGARD TO SPECIFIC KEY FACTORS. THIS MATERIAL MAY BE REDISTRIBUTED ONLY IN ITS ENTIRETY, INCLUDING NOTICE OF COPYRIGHT. ALL RIGHTS RESERVED. ©2021 GORDON BROTHERS, LLC. REFERENCE SOURCES: U.S. CENSUS BUREAU, THE NPD GROUP, CREDITINTELL, PETA, TIEKS, FOOTWEAR DISTRIBUTORS AND RETAILERS OF AMERICA, INFINIUM GLOBAL RESEARCH, FOOD & LIVING VEGAN

PANDEMIC CHANGES FOOTWEAR FOCUS: The COVID-19 pandemic's lifestyle changes drove consumer behavior shifts beginning in early 2020. Many shifted to work and attend school virtually, causing a major downturn in retail shoe store sales. While retail sales for stores in the U.S began the year down slightly at negative 3.5% in January 2020 over 2019, sales soon plummeted hitting a low of negative 87.1% in April over last year as non-essential retailers were forced to close their stores.

Heading into the fall season, the still negative trends showed improvement at negative 13.5 and negative 16.3 for September and October, respectively, based on U.S. Census Bureau data. With many school districts continuing remote learning, the normally busy back-to-school season got off to a very slow start in August. This negatively affected Famous Footwear's sales, which represent 60% of parent company Caleres' total sales. Caleres' sales decreased 9.4% in total for the third quarter ended October 31, with Famous Footwear sales coming in at negative 12% for the period. Given the overall decline in its brand portfolio business, the company announced it would close almost all of its Naturalizer stores by the end of fiscal 2020 to focus on the chain's e-commerce channel and brand profitability.

Holiday sales for footwear retailers in 2020 were mixed with store traffic down 14% and 4% in November and December, respectively, over 2019 for western and hiking footwear retailer Boot Barn. However, despite the decline in foot traffic, the company's retail store comparable sales were up 1.9% for the quarter ending December 31, 2020, over the same period in 2019. As was true for many retailers, e-commerce sales were a bright spot for Boot Barn, increasing 16.3% for the same period. Men's and women's footwear retailer Johnston & Murphy did not fare as well with eight-week holiday comp sales down 34% over the same period in 2019. Ultimately, as one of retail's hardest-hit sectors for 2020, total U.S. retail shoe store sales ended the year down 30.1% over 2019.

Industry analysts expect better trends ahead for the footwear industry. Improved fashion footwear and performance sales are expected to drive an increase in sales for the overall industry through 2021, though sales are forecasted to remain below 2019 levels based on data from market research firm The NPD Group.

CONSUMERS LEAN INTO VEGAN AND SUSTAINABLE FOOTWEAR: An extension of the sustainable fashion movement is influencing the footwear sector as animal rights and climate change move to the forefront of consumer preference conversations. These movements have touched the fashion industry as consumers, especially younger consumers, make responsible and green product selections.

Vegan "leather" is a well-known material used more and more widely in footwear, handbag and all other traditional leather category manufacturing. The market for vegan leather is forecast to reach up to \$89.6 billion by 2025, with a compound annual growth rate of 49.9% in the forecast period of 2019 through 2025 based on information from research firm Infinium Global Research.

Vegan sneakers were especially popular in 2020. Shoes in general were among the first forays of mainstream brands into vegan territory, per information published by the *Food & Living Vegan* magazine. Tiefs, Zappos, Marks & Spencer and Topshop are among the major retailers now offering vegan shoe lines. Younger consumers, particularly millennials and Generation Z, are very concerned about the environmental issues associated with industrial manufacturing, according to a 2019 study by The NPD Group.

As one of the most broadly traded commodities in the world, traditional leather made from animal skins requires a considerable amount of energy and many, often toxic, chemicals to produce. These include mineral salts, formaldehyde, coal-tar derivatives and various oils, dyes and finishes. Large quantities of fossil fuels are also consumed in livestock production, and cow-derived leather has almost three times the negative environmental impact as its synthetic counterparts, including polyurethane leather per information published by animal rights group PETA.

Major brands are stepping up their efforts to include vegan product lines in their collections, as younger demographics claim an increasingly larger share of retail dollars spent in the footwear space.

STOCK LEVELS DRIVE IN-STORE SALES: To maintain in-store sales volume retailers must maintain considerable inventory levels and stockroom space. For every pair of shoes on display in a retail store, there may be a dozen or more in stock. The range of sizes, widths, colors and fabrications needed to drive successful footwear sales can be a challenge as part of normal-course business and can present sell-through issues in a liquidation.

A typical size run may include 12 pairs of shoes for a single style, ranging from size 6 to 10 for women and 8 to 12 for men in the U.S. with duplicates of the most popular middle sizes. Add less popular sizes on the high and low end, as well as narrow and wide widths, and a retailer may have 15 to 20 pairs or more in backstock for every pair on the sales floor. Without this level of stock, retailers may suffer lost sales from consumers who do not want to wait for an item to be shipped. In a liquidation it is important to understand stock levels for footwear, especially related to size ranges, since availability of popular sizes is a primary driver of recovery value. Broken size runs, those missing the most popular sizes, lower gross recoveries.

Similarly, inventory mismanagement and shrink at the store level can contribute to instances of mis-mated pairs and single shoes. Significant numbers of mis-mates and single shoes translate to lower gross recoveries on those units.

For lenders with footwear retailers in their portfolios, partnering with an appraiser to analyze a company's in-stock position and understanding how to track sizing availability as part of routine collateral monitoring can be an important factor when faced with a liquidation.

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. Prior to joining valuations, Becky was responsible for the financial analysis of retail dispositions across all industry sectors. Read her full bio [here](#).



GORDONBROTHERS.COM
+1.617.426.3233