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# Fashion Retail & the COVID-19 Crisis

Strategies on safeguarding your business, staff and  
customers through coronavirus, and beyond.





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## Executive Summary

Fashion retailers across the globe are scrambling to survive. Offline sales are plunging due to shuttering stores, e-commerce platforms are facing immense competition, and consumer demand is weakening as pessimism looms.

While China is on the road to recovery, other countries are feeling the pinch. Italian Prime Minister Giuseppe Conte announced late March 21 that manufacturing for luxury goods must be halted, [disrupting a \\$107.9 billion dollar industry](#). The future for retail businesses in other countries is facing a similar predicament, such as the UK, the Middle East, Portugal and Spain, remains bleak.

From luxury to fast fashion, no segment is left untouched by the outbreak. Luxury brands are estimated to lose up to €10 billion in profits - fashion groups Capri Holdings and Tapestry Inc. are a testament to that. Others like Prada and Ferragamo have since scaled back on orders to mitigate risks. Similarly deteriorated numbers were seen for Inditex too, as the Zara-owned fashion group announced it also wrote off US\$300 million inventory.

Retailers that were struggling prior to the outbreak are most vulnerable. Both Laura Ashley and Neiman Marcus are in the first wave of retail casualties. The former fell into administration, while the latter is considering filing for bankruptcy. As the pandemic edges on, more retailers are expected to face the same fate.

**Yet, in crisis, there is light at the end of the tunnel.**

Despite the outbreak, Nike's sales beat estimates, [its digital sales increased by 36%](#). Gucci and Moncler, too, moved stagnant stock quickly to minimise losses.

Fashion retailers must innovate to become more resilient.

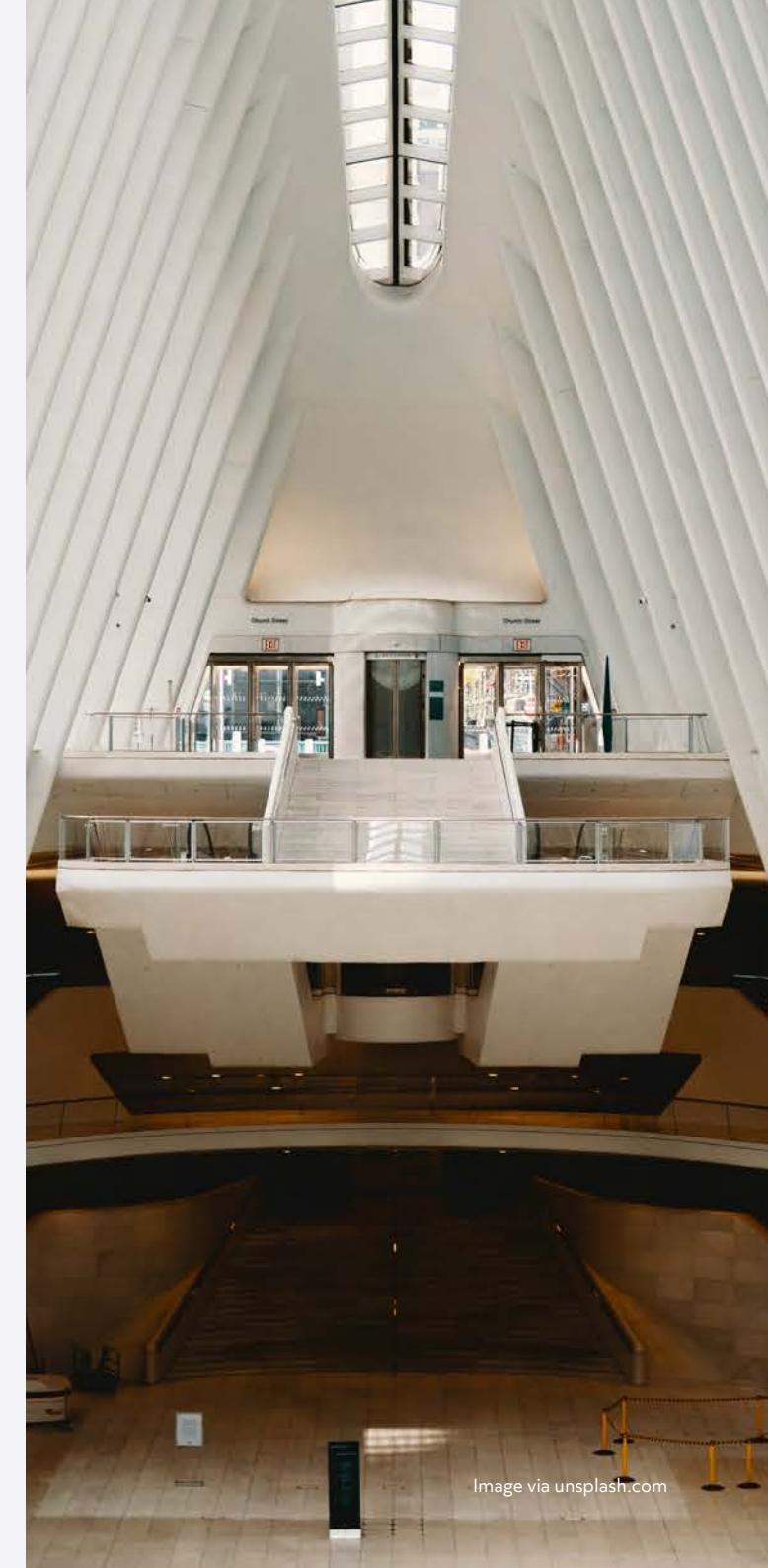
This report helps you to navigate this crisis successfully, covering how to:

- **Determine strategies to strengthen and secure sales**
- **Detail key solutions to stabilise inventory**
- **Break down steps to develop dynamic merchandising**
- **Expand on communication hurdles with consumers**
- **Develop a business continuity plan**
- **Direct an action plan to manage the workforce**

In moments of crisis, pockets of opportunities will also emerge.

Kendrick Wong, CEO of Omnilytics, echoes: "Times like these call for transformative actions. Create new values for your team, prepare solutions to deter external impacts, and most importantly, build resilience through this crisis and beyond."

The pandemic will not be easy to overcome. Those that find resilience, will not only be the ones that survive, but also thrive.



# Magnitude of Impact

The fashion retail landscape is currently facing its biggest disruption yet: the coronavirus pandemic.

At the time of writing, it has spread across 167 countries, with reported cases increasing exponentially in countries such as Italy, Iran and the USA. To contain the virus, governments of several countries have taken unprecedented measures: restricting movement, limiting travel, and in severe cases, implementing strict lockdowns.

**This has, undoubtedly, changed retail.**



# Covid-19's Impact to the Retail Business, Globally

The outbreak has not only halted any sense of normalcy, but it also delivered an economic impact. Implications were felt as early as January 2020, when domestic and foreign manufacturers halted operations to curb the spread of the virus.

- **16 MAR 2020**  
The Met Gala was postponed indefinitely.
- **10 MAR 2020**  
Coachella was officially postponed to October 2020.  
*Further impact:* Brands missed out on a lucrative avenue to launch new products in front of new audiences.

- **17 MAR 2020**  
Following Italy and Spain, France imposed national lockdowns and turned Paris into a ghost town.
- **9 MAR 2020**  
Italy announced a nationwide lockdown, home to many famous fashion makers.
- **24 FEB 2020**  
Milan Fashion Week concluded with an audience-free Armani show, while the number of confirmed coronavirus cases in Italy grew to more than 200, including 6 deaths.
- **21 FEB 2020**  
Italian luxury brand committee Altagamma, in collaboration with consulting firm BCG and asset management firm Bernstein, predict that the luxury industry may lose €30 to €40 billion in sales this year.  
*Further impact:* The same survey also estimated that the luxury brands will lose up to €10 billion in profits in 2020, with little chance to return to normal trading conditions before the beginning of 2021.
- **16 MAR 2020**  
China reported a steep decline in new cases, yet recovery will take time.  
*Further impact:* Chinese businesses may find overseas demand slumping for their exports because of worsening coronavirus epidemics in other countries.
- **12 MAR 2020**  
Chinese luxury shoppers are leading a renewal of spending.
- **8 MAR 2020**  
Chinese shoppers were spotted queueing up outside a Chanel store in China, an indication of recovery.
- **31 JAN 2020 - 6 FEB 2020**  
Levi's, Nike and Ralph Lauren shuttered half of their stores respectively in China.
- **27 JAN 2020**  
The Chinese government announced an extended Lunar Holiday to curb the spread of the coronavirus.  
*Further impact:* Both domestic and foreign manufacturers halted operations, resulting in uncertainty globally.

## Current Perspectives of Socio-Economic Factors

**F**rom luxury to fast fashion, fashion retailers across all segments are bracing for impact.

After estimating a US\$100 million hit in sales for the next quarter, Capri Holdings, parent-company of Michael Kors and Versace, [saw a plunge of 40% in shares](#). Similarly, Tapestry Inc., which owns Coach, [estimated a US\\$200 million loss in sales](#). Other legacy brands, such as [Burberry](#), [Gap](#) and [Ralph Lauren](#), estimated similarly deteriorated numbers too.

In fast fashion, Zara-owner Inditex announced sales [fell 24%](#). What's more alarming, however, is that this is just the tip of the iceberg. With store closures worldwide ([3785 stores in 39 countries](#)), it's likely this is just the beginning of the coronavirus crisis.

Sportswear titans aren't exempt either. With the cancellation of the NBA season, postponement of Copa America, and store closures in Canada and the US, experts predict bleak numbers for Under Armour and Adidas. In February, [Under Armour estimated reduced sales of \\$50m-\\$60m for its fiscal first quarter](#),

citing shipping delays from China as a factor (on top of its store closures - 600 in total - across China).

Some brands, however, may take more than just a hit in sales. Laura Ashley, a quintessential British brand, is reported to be the first textile brand casualty of the outbreak, as it filed for administration, sending its share price down by 60%.

But the most vulnerable group affected amidst the pandemic isn't the fashion retailers - but the factory workers. Due to a shortage in raw materials from China, garment factories in Bangladesh, Cambodia and Vietnam have closed down - effectively leaving millions of workers with no source of income.

"While it is understandable that companies are focusing on the needs of their local staff, clothing retailers must accept that if they choose a business model that relies on the labour of millions of garment workers overseas, then these people are their workers as well," says [Scott Nova](#), executive director at the Worker Rights Consortium.



## Global Retail Statistics

**€300M**

Worth of inventory write-off by Inditex fashion group, as sales declined by 24%

**\$200M**

Loss in sales as estimated by Tapestry Inc.

**€30-40B**

Loss in sales as predicted for the luxury segment

**>25%**

Retail sales in Italy plunged and expected to drop further

**40%**

Plunge in shares of Capri Holdings, with estimated US\$100 million hit in sales

**50%**

Slump in retail sales in China, while the market is slowly recovering

**>30**

Major retailers' stores closed in the US

## Common Issues As A Result of the Impact



Social Distancing in the Workforce



Supply Chain Bottleneck



Low Sales, Inventory Issues



Operational Setbacks



Consumer Demand Shifts



Marketing/PR Communication

## 1. Social Distancing in the Workforce

**H**istorically, work within the fashion industry has typically been location-specific. Remote working wasn't optimal for creatives, merchants and buyers, as they needed to be physically present to complete daily tasks. Digitisation has, of course, made it easier to have flexibility, but there are still limitations.

The latest social distancing policies implemented across the globe (the severity dependent on recorded new cases) are forcing fashion brands to find new ways to work.

These three main areas in the fashion workforce (that require high touch-points) are gravely impacted:

### Fashion buyers and designers

If buyers aren't at their desks, they're flying across the globe to visit factories, attend trade shows and competitive shop. Travelling, however, is restricted - and key events have already been cancelled in light of the virus. This poses a challenge for buyers and designers, as the 'touch-and-feel' aspect in apparel is of high importance.

### The marketing and PR team

Highly physical collaboration is commonplace between marketing and PR teams. Constant content generation, including model styling and advertisement photo-shooting, is required to engage customers and maintain newness across all channels. Working-from-home, however, would mean less content to produce, which could result in reduced engagement.

Freelancers tied to fashion brands are impacted too, as fewer photoshoots and less creative work means a slowdown in income.

### Staff on the shop floor

France is the latest from the EU region to join the

coronavirus lockdown, temporarily shuttering non-essential businesses for 15 days -fashion retail among them.

This means that staff working in physical retail stores, nationwide, must self-isolate at home and limit movement. Neighbours Spain and Italy enforced a similar restriction, impacting businesses' usual day-to-day.

Businesses in the region will indefinitely see footfall numbers plunge, as the EU has high offline retail representation. However, retail store staff are the most vulnerable in this scenario, as their wages were impacted the earliest with many working on commission basis.



## 2. Supply Chain Bottleneck

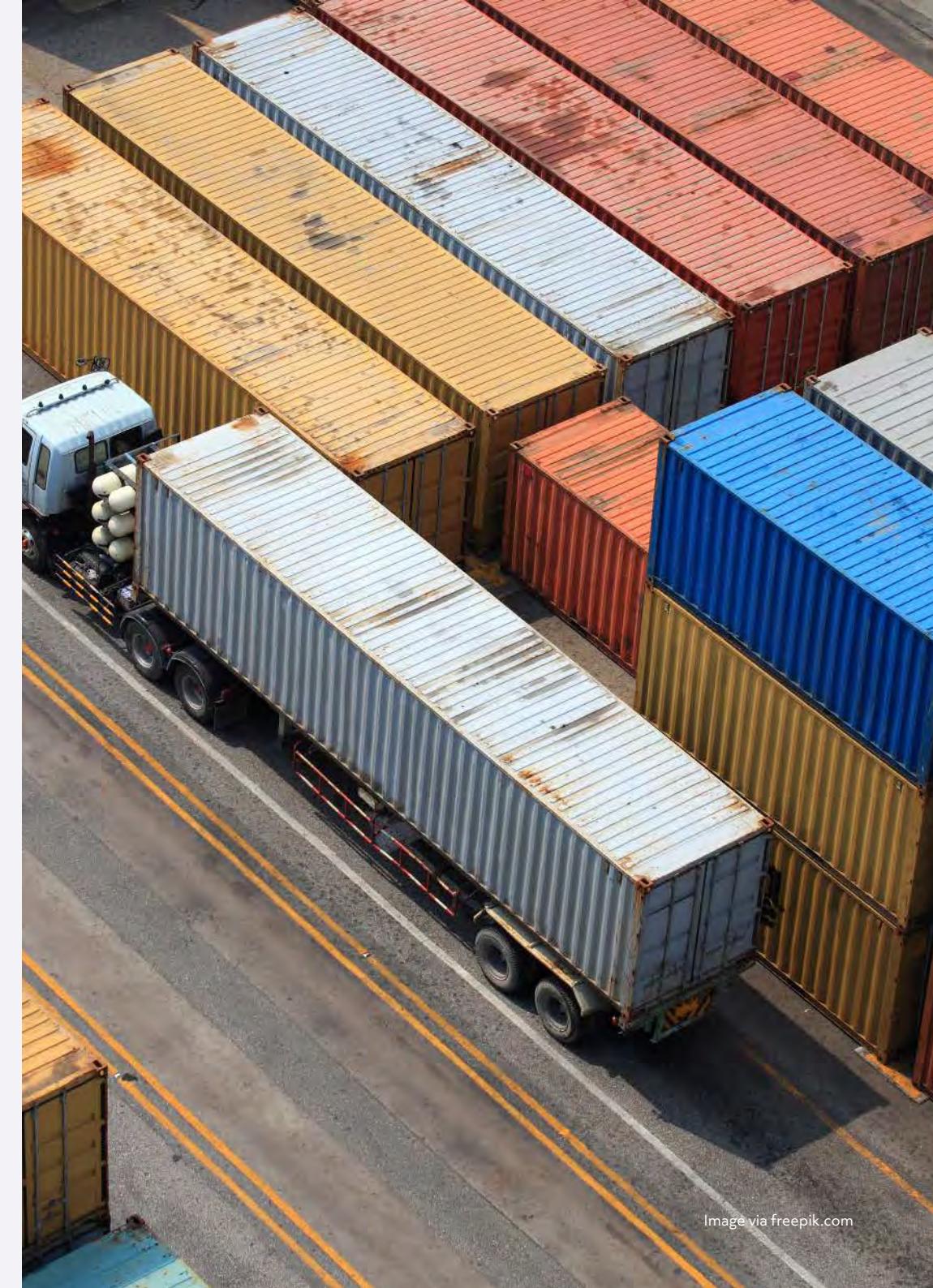
**W**hen China extended its Lunar New Year Holiday in late January, it not only caused a drop in foot traffic, but it also halted manufacturing - a decision that affected retailers globally. In 2018 alone, [the country exported \\$157.8 billion worth of clothing](#), and remains one of the world's largest clothing manufacturing hubs.

With little-to-zero manpower in the factories, however, fashion brands will feel the impact of production delays. Under Armour and Nike are just two of the affected so far, with the latter sportswear brand lowering its sales projections in accordance.

Disruption in the supply chain means a delay in speed-to-market, and the largest segment that will feel the impact is trend-led fast fashion.

For this segment, speed across the supply chain is heavily compressed (with much shorter lead times), and delays would jeopardise the timing of new launches. This leaves retailers little bandwidth to race against time, because trends, despite the outbreak, will continue to shift quickly.

Fashion's seasonal operation isn't of help either, because if the shortages in production continue, it'll further impact newness for the incoming seasons.



### 3. Low Sales, Inventory Issues

**A**fter 11 years, S&P 500 entered a bear market after seeing its worst percentage drop since the 2008 financial crisis. Financial turmoils are being seen across fashion holding companies, as shares continue to take a plunge.

What does this mean for the fashion market?

For one, it reflects weak consumer confidence. Concerns for the financial markets are skyrocketing, in fear that the outbreak might trigger a recession. Consumer spending will reduce, and demands for non-essential products will falter.

The luxury market is a prime example.

#### Turbulent Times Ahead for Luxury

According to a survey by Italian luxury brand Altagamma, consulting firm BCG and asset management firm Bernstein, [luxury brands will lose up to €10 billion in profits](#).

In the past few weeks, the luxury market has felt the impact of its reliance on Chinese consumers. French fashion group Kering experienced

a drop in traffic and sales in China, while luxury fashion house Prada recently announced the outbreak had “interrupted [its] growth trajectory”.

Globally, Chinese consumers represent 33% of luxury spending, and according to a Bain & Company report, China saw a 20% growth for luxury goods in 2018 and 2019. “The Chinese have been the single biggest driver in luxury and fashion in the last 10 years,” says Pauline Brown, the former chairman of North America at LVMH.

The luxury market has had to rethink its strategies too. Its high-touch, deeply personalised service has now become obsolete. In a pandemic, priorities change. Brown adds that as consumers are increasingly focused on health, they’re less likely to shop for luxury goods.

For now, luxury players are taking precaution in their supply chain. Louis Vuitton, Prada and Ferragamo were reported to have scaled down on orders, to mitigate the impact.



### 3. Low Sales, Inventory Issues

#### **Legacy Brick-and-Mortar Stores Jeopardised**

A sharp drop in footfall across shopping malls and retail stores was reported worldwide - even before the announcement of preventive lockdown measures. In New York, popular shopping districts Fifth Avenue and Madison Avenue had few patrons - an alarming sight for store owners. Before it announced its closure, Saks President Marc Metrick [sent an assurance email to shoppers](#): "Our stores are open for business and continue to be a safe place for you to shop."

Traditional brands that heavily lean on brick-and-mortar sales are facing challenging times. In Italy, [retail sales dropped by 25%](#), while China's plunged by 50%.

As movement continues to be restricted, these brands have to go digital to sustain the business and stay competitive.

Retailers and brand owners that distribute to department stores, on the other hand, are increasingly

burdened by overdue payments from outright and consignment terms.

These arrangements typically come with varying payment terms. But in times of crisis, payments will be delayed even further - leaving brands cash-strapped.

For retailers that were already struggling before the coronavirus outbreak, the bleak situation is twofold. JC Penny and J.Crew [both saw a sales decrease in the fourth quarter of 2019](#) - and are over a billion dollars in debt, respectively. What's more, as both retailers have yet to create a game plan to shift current focus online (or to pull up their online numbers), their weakened situation may edge them closer to a collapse.

#### **Inventory Issues**

With supply chains disrupted, inventory levels are facing the same volatility. Merchandisers have minimal insight to assess current demands, thus affecting their ability to accurately forecast future production and buys.

With the present issue, retailers are either facing an understocking

or overstocking problem. Retailers will fall at either end of that spectrum, with few in-betweens.

#### **Understocked**

Overseas suppliers are cancelling orders they are not able to fulfil due to the slow recovery on production. Even though signs of recovery in China are emerging, [more than 50 million workers have yet to return](#).

Private labels or smaller brands are the most affected in this situation. They're experiencing a shortage in stock, but cannot easily switch suppliers.

#### **Overstocked**

With a drop in sales across brick-and-mortar stores and e-commerce, brands are finding themselves stuck with mounting stock.

Zara recently wrote off €300 million of inventory, a result of slow sales and a high number of off-season styles.

Typically, retailers resolve the problem with discounts. But at this stage, there aren't many avenues for clearance until the outbreak is contained.

The type of product matters too, as some categories will be more impacted than others. Occasionwear will be hit hard. What was once a lucrative opportunity (especially as the wedding season in the Northern Hemisphere comes into focus) can now hurt sales. Accessories and leather goods are also likely to suffer. Rolex, for example, has [shut down all of its plants in Switzerland](#), while Richemont has been offering discounts for second-hand Cartier timepieces on Watchfinder, its vintage resale site.

On the flipside, loungewear will be a potential boom area as the majority of the population is ordered to stay home. The same goes to activewear. For brands that stock up on these categories, they might experience low inventory.

## 4. Operational Setbacks

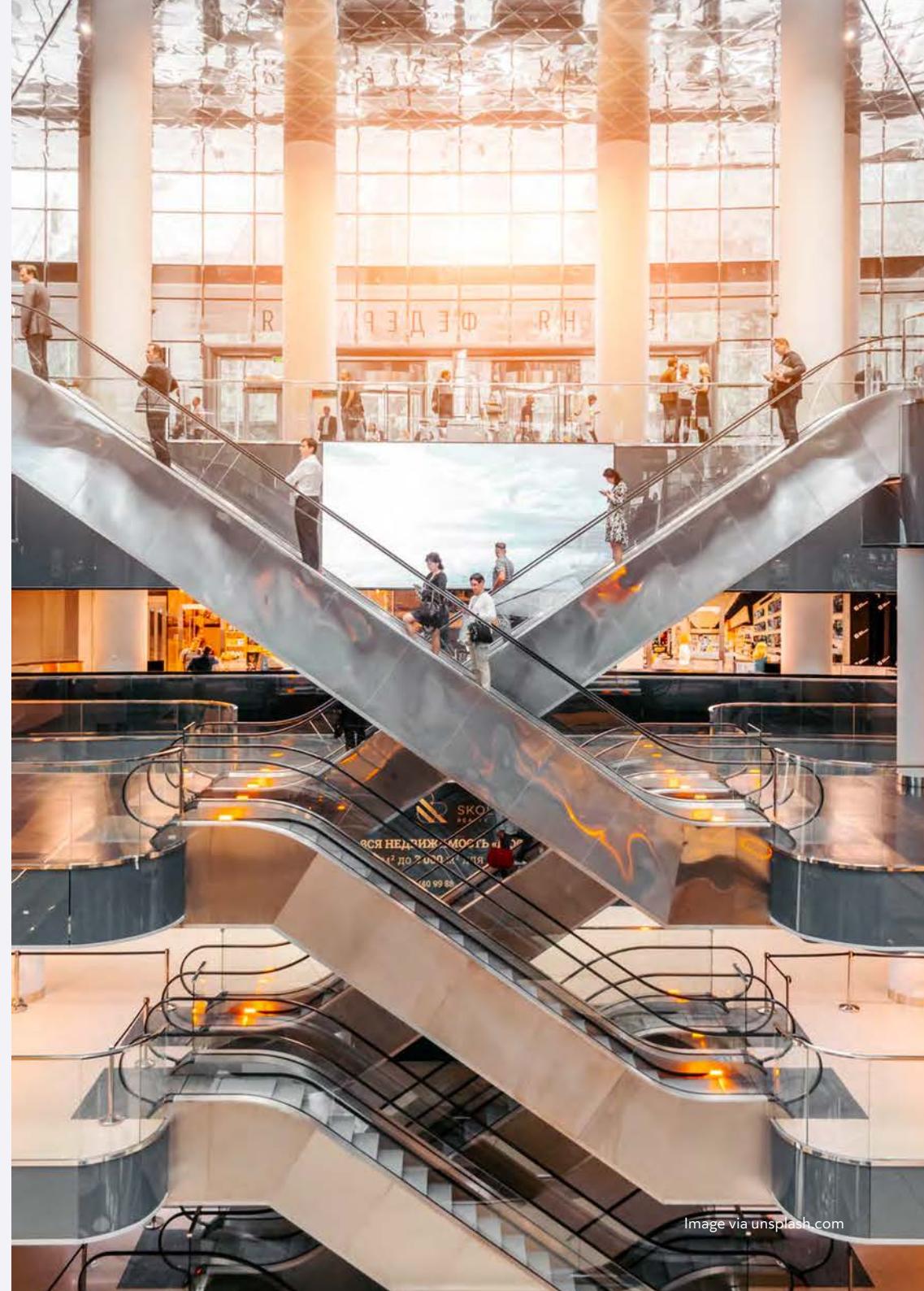
The first wave of store closures started in China, as Michael Kors, Nike and Uniqlo shut their doors to the public. Hong Kong, Italy, the USA and Spain soon followed suit. Over 30 major US retailers across all segments, including Reformation, Levi's and Guess, have announced their temporary closures. Store openings have indefinitely been postponed, too.

Retailers, depending on their level of digitisation, will each have a set of challenges to solve. For traditional brick-and-mortar stores, it's going online; for omnichannel retailers, it's staying competitive online. E-commerce brands, on the other hand, will face an influx of competitors as the landscape moves online to sell.

In operations, there's another criterion that will impact the fashion world: cancellation of key events. Runways shows are either cancelled or postponed, along with other key fashion events such as Coachella and the Met Gala. Over in Southeast Asia and the Middle East, the spread of the virus disrupts Eid, a festivity widely celebrated by Muslims in the region.

With the fashion calendar wiped clean, retailers miss out on sales opportunities, and some of them would have been accounted for in the sales forecasting budget and the buying process. Modest brands, for example, prepare for Eid almost a year in advance. Coachella, on the other hand, is not just a strong revenue driver for Western brands, but also a high media-earned value.

With the outbreak and the preventive measures in place, operations for these events will be thrown into disarray, unquestionably affecting the bottom-line.



## 5. Consumer Demand Shifts

It's uncertain how long the pandemic will last, which means social distancing is the new normal for now.

There's already been a large shift in consumer behaviour as many populations are instructed to stay indoors. The most obvious change is the concentration on digitisation, as everyone exists online for work, shopping, health and fitness, entertainment and everything in between.

The bigger issue here, however, isn't going online - it's consumer appetite for newness. If the situation continues to worsen, retail may no longer be of high importance, especially for cash-strapped families and individuals who will need to spend on essential items to survive.

Compared to other segments such as fast fashion and value-buy, luxury has been the slowest to adopt e-commerce. Going online surfaces another issue for the luxury segment: counterfeits. By selling online, it's much easier to inspire counterfeits - something the luxury brands have clamped down on in the past.

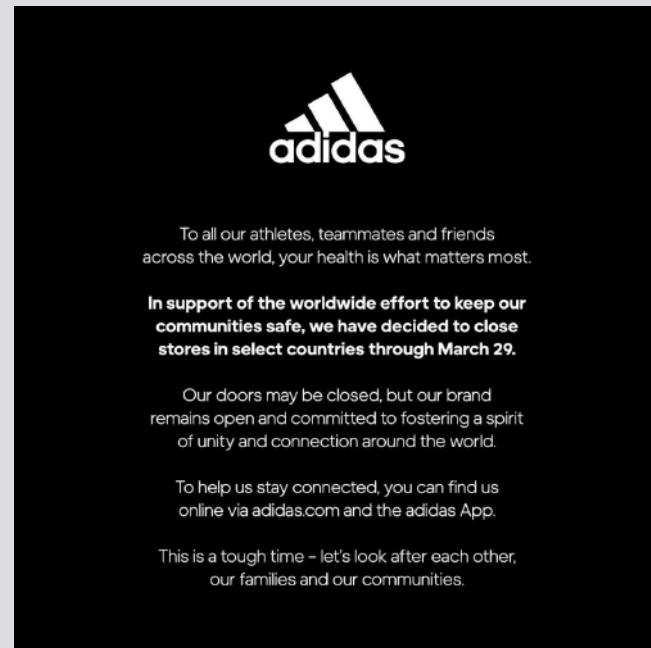
## 6. Marketing & PR Communication

In the fashion industry, marketing spend is the first to be sacrificed if there are more pressing issues that require immediate attention, such as supply chain disruptions or inventory cost. Kering, for example, [suspended advertising in China](#). Fashion brands are struggling to connect with both new and old audiences - especially for those that have long relied on physical event launches to raise awareness.

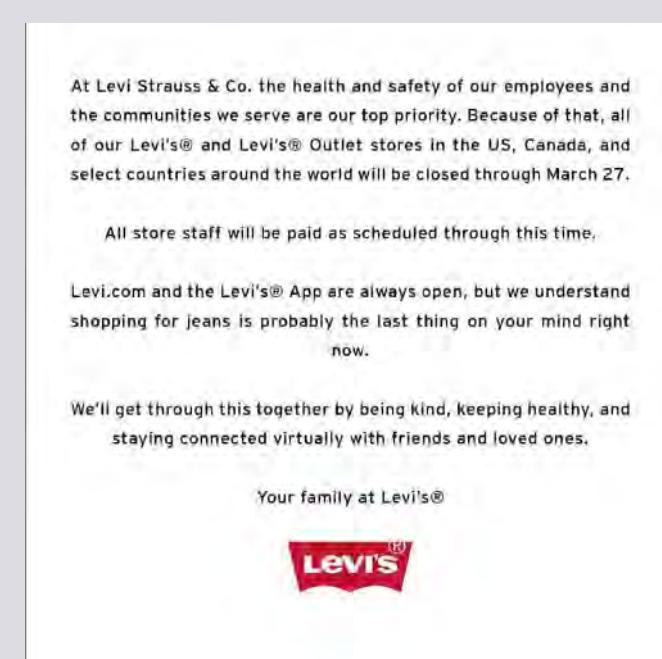
Now, brands must find new ways to connect with audiences. Not only must they pay attention to customer shifts in how they shop, but also how they consume content.

The majority of the population will be online, but so will the rest of the competition - along with companies from other industries.

A tricky balance for marketers will be between relationship-building and selling. Business-as-usual posts may come across thoughtless or insensitive, and in today's value-driven world, it's important to recognise that customers will have new priorities.



The Adidas logo is displayed at the top. Below it, a message reads: "To all our athletes, teammates and friends across the world, your health is what matters most." A bold statement follows: "In support of the worldwide effort to keep our communities safe, we have decided to close stores in select countries through March 29." Further down, it says: "Our doors may be closed, but our brand remains open and committed to fostering a spirit of unity and connection around the world." Another message encourages staying connected online via adidas.com and the adidas App. At the bottom, a final note reads: "This is a tough time - let's look after each other, our families and our communities."



A statement from Levi Strauss & Co. emphasizes the top priority of employee and community health and safety. It notes that all Levi's® and Levi's® Outlet stores in the US, Canada, and select countries around the world will be closed through March 27. Staff will be paid as scheduled. The Levi's® App and website remain open. The company encourages staying connected virtually. The Levi's® logo is at the bottom.

# Crisis Response & Management

In this time of crisis, it is important to develop a tactical response plan that takes full account of the current market condition and end-to-end supply chain process. The decisions made in tackling this crisis will not only impact retailers but the entire ecosystem in which they operate. Based on the six common problems faced by retailers identified in the previous section, the solutions offered are as follows:



## Managing the Workforce

Agility and flexibility in company structure is key to surviving this crisis.



## Mitigating Supply Shocks

A clear understanding of the pandemic's impact on production means retailers can prepare their supply chains and establish the right contingency plans.



## Stabilising Sales & Inventory Levels

Most companies are suffering a retail downturn due to the virus but it is important to remember while consumer demand is in decline, it is not gone.



## Reinforcing Operations

Retailers must maintain a pragmatic approach to operational planning to stabilise the outcome of this crisis.



## Navigating Consumer Shifts

Consumer behaviour will undoubtedly change due to this crisis, conditions will not return to pre-crisis levels immediately as seen with other 'black swan' events.



## Marketing/PR Considerations

Maintaining a dialogue with consumers during this uncertain period allows retailers to stay front of mind.

## Managing the Workforce

**⚠ Immediate action:** Determine the level of exposure within the organisation, identify if any member of staff have been affected by the virus or facing the symptoms. Exercise full precaution and adhere to the necessary protocols as outlined by local health authorities. [Nike's Oregon and European HQs were shut down and sanitised](#) as members of staff were confirmed to be infected with the virus.

**⚠ Immediate action:** Activate the appropriate guidelines for daily operations in offices or stores. Based on the impacted business functions, create an execution plan for recovery. Define each members' role or task clearly based on the guidelines, enforce limited physical contact and travel where possible.

**⚠ Immediate action:** Implement remote working and halt business-related travels in accordance with social distancing. When the outbreak began in China, many Chinese buyers were unable to attend fashion shows and showroom appointments in Europe due to restricted travel regulations. [Digital alternatives including live-streaming were introduced to help buyers place their orders.](#)

**Establish direct two-way communication** between management and staff to avoid panic and confusion among staff. Appoint a person-in-charge for any staff enquiries.

**Find ways to uplift staff morale.** Ensure employees' best interests and health are constantly prioritised.

## Mitigating Supply Shocks

**⚠ Immediate action:** Re-evaluate current supply levels and identify the affected links. Analyse any short-term or long-term implications based on the severity of the impact. The fast fashion retailers and mass brands will suffer the most. Possible short-term implications include missed deadlines, inadequate product levels to launch newness or logistics challenges. Long-term implications could be cost impacting or issues in demand-planning. Assess the pros and cons fully before coming to a solution. Sportswear brands like Nike and Under Armour are undergoing demand issues as their production is extensively tied to China.

**⚠ Immediate action:** Determine the statuses of key stakeholders. This includes manufacturers, tier -1,-2 and -3 suppliers. For those sourcing in China, identify which factories are currently operating, which are under restricted activity or are temporarily closed. Most factories have returned to operation, however raw materials may be subject to rationing due to low supply and back-orders may provide further delays. Factories will also likely prioritise production based on the size of the purchasing order. [For a large retailer such as H&M, this is less of a concern - 50% of its total inventory is produced in China.](#) Its bulk orders will be prioritised over smaller retailers.

Assess insurance policies to ensure coverage for production delays. This may off-set any extra cost incurred due to diverted logistics and tariffs.

**Pre-book freights and optimise network channels to avoid missing deadlines.** Ramp up logistics across all channels. Many companies are resorting to air-freight to expedite international deliveries.

**Explore alternative near-shore suppliers or manufacturing opportunities.** Although this strategy may risk an increase in COGs, a localised production allows for more rapid response and faster lead times. [Inditex brands including Zara will be relying more on suppliers closer to Europe such as Turkey and Morocco](#) to avoid disruptions in China.

## Stabilising Sales & Inventory Levels

### **⚠ Immediate action: Move stagnant stock quickly.**

Re-allocate stock intended for affected areas to higher performing regions and use remaining inventory for e-commerce or online marketplaces. A number of brands including Gucci and Moncler are using this strategy as the first step to reduce losses.

### **⚠ Immediate action: Capitalise on increased online spending.**

As stores remain closed or operate for limited hours, most consumers are turning to online shopping. E-commerce platforms like Farfetch and JD.com are more immune to the virus's effect as sales remain uninterrupted. Retailers must take advantage of online opportunities to off-set the retail slump.

**Test omnichannel distribution to the fullest.** Use this period to trial various channel distributions including different online marketplaces and exploring social media sales channels such as Instagram shopping and WeChat e-store. Identify which platforms consumers are moving to. Stay nimble, ensure full visibility on sales performance and constantly monitor sell-throughs. Increase or decrease efforts based on results.

**Avoid price hikes.** The impact of contingency plans may incur additional costs which can affect selling price but deter from increasing prices by a huge margin as it risks damaging the relationship with customers in the long-run.

### **⚠ Immediate action: Stabilise volatile inventory levels.**

Many retailers are at risk of stock shortages due to supply chain disruptions. In this situation, retailers must implement a safeguard against depleting inventory. Merchandisers will need to improvise their newness phasing strategy.

### **Allocate buffer stock and adjust the newness launch schedule.**

Sporadic launches may occur due to delayed deliveries, reflect changes in timelines according to current production capabilities. Identify buffer inventory as gaps between launches could be unpredictable. Hold-off on selling seasonal stock immediately and focus on driving core product or clearing last season's stock first. Any trans-seasonal products can be launched at a later date to conserve inventory levels.

### **Be flexible with profit margins.**

Markdowns may be required to encourage consumer appetites and kick-start spending. Many fast fashion retailers such as Boohoo and Forever 21 are running special promotions to increase sale conversions.

**Secure additional stock or strategic stock via new manufacturers/suppliers.** During this period, it is important to maintain balanced inventory levels. Empty stores could have detrimental effects on retailers and maintaining constant cash-flow is absolutely crucial at this time. Stock up on core products like t-shirts and jeans which can easily be reproduced with another supplier.

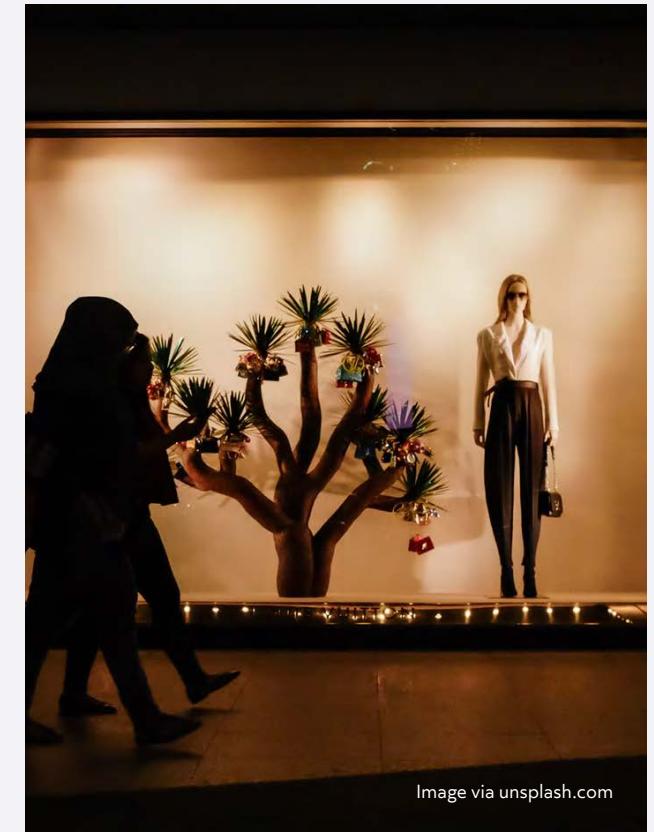


Image via unsplash.com

## Reinforcing Operations

### **Establish a plan for two main scenarios:**

- Covid-19 crisis curbed by Q2, operations see a return to normalcy within 2020.
- Covid-19 crisis continues to Q4, leaving lasting impacts for the next 1-3 years.

Investigate which factors will affect future growth and how this will impact any long-term plans such as product or market expansions, especially in Europe and Asia-Pacific. [Several luxury brands' store openings in Asia have been postponed](#).

**⚠ Immediate action: Expand e-commerce channels quickly.** At this time, resources should be directed to expanding e-commerce capabilities, ensuring e-commerce platforms are fully-functional, stable and equipped with the necessary tools and tracking for performance monitoring. Scale logistics, warehousing and last-mile delivery to accommodate online sales.

**⚠ Immediate action: For brick-and-mortar locations, practice reduced operating hours and close stores in low footfall areas** to conserve cost. [Brands like Nike, Uniqlo, Burberry and Michael Kors closed more than half of their stores in China within the first two months of the outbreak](#). This was also mirrored in Hong Kong, Italy, Spain, France and the US.

**Convert fixed cost to variable cost** where possible, however, carefully consider the upstream and downstream impacts this may leave within the organisation.

**For wholesale distribution, explore new methods to market and sell products.** As nationwide lockdowns are occurring in most major countries, showrooms and trade shows may no longer be operating. Find new points-of-contact with buyers and re-engage current ones via online communication. Create a comprehensive digital pack and be transparent with current production capabilities or required minimum order quantities (MOQs). [Asian buyers banned from travelling to Europe to place orders were able to view the collections through video, live-streaming and 360 technology](#).

## Navigating Consumer Shifts

**Anticipate how consumers will react during and after this crisis.** This crisis will likely lead to a global recession, it is inherent that retailers must now have a clear understanding of customer motivations, align their values and build loyalty.

**Monitor economic changes.** It is important for retailers to prepare for all the possible economic outcomes of this crisis. Analysts predict a slower, elongated U-shaped recovery will take place due to the slow crisis response in the Western markets.\*

**Expect a change in values.** Research from the recovering Chinese market shows health is now the top priority. This indicates upmarket sales will decline, however retailers can learn to adapt. As health and fitness become the focus, [activewear, sports and lifestyle segments are the brightest opportunities](#).

\*The report has been updated since its original publication to reflect changes in the economy. Previously, it stated that a V-shape recovery is the likely outcome.

## Marketing/PR Considerations

**⚠ Immediate action: Evaluate marketing budgets and media spend.** Halt any unnecessary marketing such as offline campaigns and events. [Luxury brands like Gucci, Prada and Versace have cancelled resort collection presentations held overseas along with events and exhibitions scheduled this year](#). Much of the festival season including Coachella and Ultra have been postponed, capsules and products related to these events should be re-marketed.

**⚠ Immediate action: Activate social media driven strategies.** As social distancing and remote working are keeping people at home, social media activity has increased. Re-invest offline marketing budget towards digital marketing efforts.

**Keep communication going.** Do not ignore the crisis across any communication channels. Use this opportunity to engage with consumers while their attention is on the screen. Use creative means to increase views such as live-streaming and TikTok videos.

**Find the correct tone-of-voice online.** Sensitivity should be the first concern - avoid posting seemingly offensive or frivolous content during this crisis. Carefully consider the language and wording of captions. Many brands such as [Mango](#) and [Adidas](#) have chosen this opportunity to send out warm messages and communicate initiatives being taken for relief efforts.

**Be transparent with customers.** Actively communicate products gone out-of-stock or delays in deliveries due to the crisis.

**Find methods of support.** Allocate a portion of the budget to donations, if possible, or find other means to contribute. [A number of major brands including Prada and Nike have stepped up to donate money, ventilators and masks to frontline healthcare professionals](#). LVMH has also offered its pharmaceutical and beauty factories to produce alcohol-based sanitisers for the French health authorities as shortages in supply were encountered.

# Covid-19 Response Checklist

## Managing the Workforce

Identify if employees within the organisation have contracted the virus or experiencing symptoms.

Exercise protocol and guidelines in accordance with health authorities such as WHO, CDC or local government.

Create a response plan and organisational ground rules for daily operations.

Halt all unnecessary business-related travels and limit physical contact.

Establish a direct communication channel with members of staff.

## Reinforcing Operations

Begin scenario planning and define factors that may hinder short-term and long-term growth.

Prepare to scale e-commerce capabilities.

Close physical stores in highly affected areas or limit operating hours.

Evaluate fixed costs and convert to variable cost where possible.

Establish communication with wholesale distributors via digital channels.

## Mitigating Supply Shocks

Determine current supply levels and identify broken links in the supply chain.

Check-in with suppliers and manufacturers to understand current operating status.

Assess insurance policies and coverage.

Organise alternative logistics arrangements. (\*if required)

Find substitute suppliers or manufacturers. (\*if required)

## Stabilising Sales & Inventory Levels

Move stagnant stock to other sales channels; higher-performing stores, e-commerce or online marketplaces.

Prepare inventory for omnichannel distribution.

Revise profit margin to accommodate markdowns and avoid price hikes.

Adjust newness launch schedule according to changes in production timeline. (\*if required)

Allocate buffer inventory or secure additional stock from alternative suppliers/manufacturers. (\*if required)

## Navigating Consumer Shifts

Define the severity of market impact and stabilise business for economic downturns.

Prepare for a spike in consumer spending once the crisis is contained.

Analyse product performance to identify category shifts.

Study customer sentiments via social channels to align with consumer values.

## Marketing/PR Considerations

Allocate a significant portion of the marketing budget towards digital marketing.

Revise marketing and media budget.

Form a social media strategy tailored to the crisis.

Support pandemic relief efforts where possible.

# Crisis Response Actions with Omnilytics

Omnilytics has identified actionable steps for retailers to tackle the most critical areas of retail during this crisis; sales, inventory and merchandising through data and market insights.



# Strengthen and Secure Sales

## Common Challenges

- ⚠ Drop in footfall to brick-and-mortar stores has resulted in store closures, whether permanent or temporary.
- ⚠ Retailers and wholesale distributors are cancelling orders with brand owners.
- ⚠ Retailers and brand owners are increasingly burdened by overdue payments from outright and consignment business terms.
- ⚠ Retailers are implementing heavy discounts and promotions to drive sales.

## Proposed Actions

- **Move offline to online.** Shift stock from offline stores to online for higher chances of sell-out. Zara Singapore online had a 44% growth in SKU sell-out during this tough quarter against the same period last year (Chart 1).
- **Diversify sales channels** to include online marketplaces and social media e-stores. Track sales performance rigorously. [Prada joined Tmall in Feb 2020](#) in addition to its website and marketplaces, Secoo and JD.com.
- **Focus on local sales demand** due to travel restrictions.
- **Deter from price hikes.** Selling prices may be affected due to inflations but avoid price increases to maintain customer relationship.

## How We Work Alongside You

- ✓ **Analyse the performance of competitors.** In doing this, retailers will develop greater visibility in understanding their own position in the market and against the competition to inform re-strategising or re-forecasting exercises.
- ✓ **Identify the right online channel or marketplace** to partner with, by gaining deep insights on the performance of marketplaces and e-commerce sites.
- ✓ **Optimise pricing strategy** with real-time data from other brands/ retailers and market demands to maximise margins.
- ✓ **Rigorously monitor competitors' marketing and promotional activities** for smart and tactical discounting and promotions.

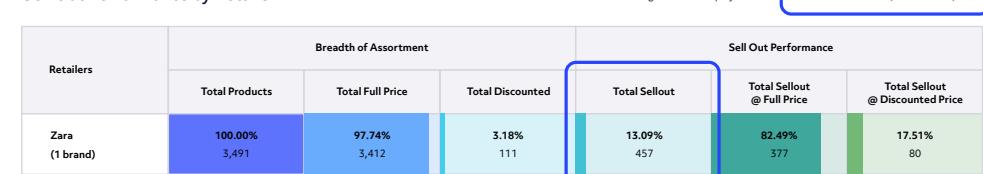
Chart 1: Online Total Sell-Out by Zara Singapore Year-to-date TY vs. LY

7,156 data points were analysed on products retailing online by Zara Singapore from January to March 2019 & 2020, as tracked by Omnilytics

Sell Out Performance by Retailer



Sell Out Performance by Retailer



# Manage Inventory Effectively

## Common Challenges

- ⚠️ Overseas suppliers are cancelling orders they are not able to fulfil due to the slow recovery in production.
- ⚠️ Understock due to delay or shortages in production, as well as delay in logistics and shipping.
- ⚠️ Overstock due to the decline in sales and off-season styles, with no clear avenues for clearance.
- ⚠️ Retailers are unable to assess current sales demand to forecast future productions and buys, due to the lack of business tools and knowledge in best practices.

## Proposed Actions

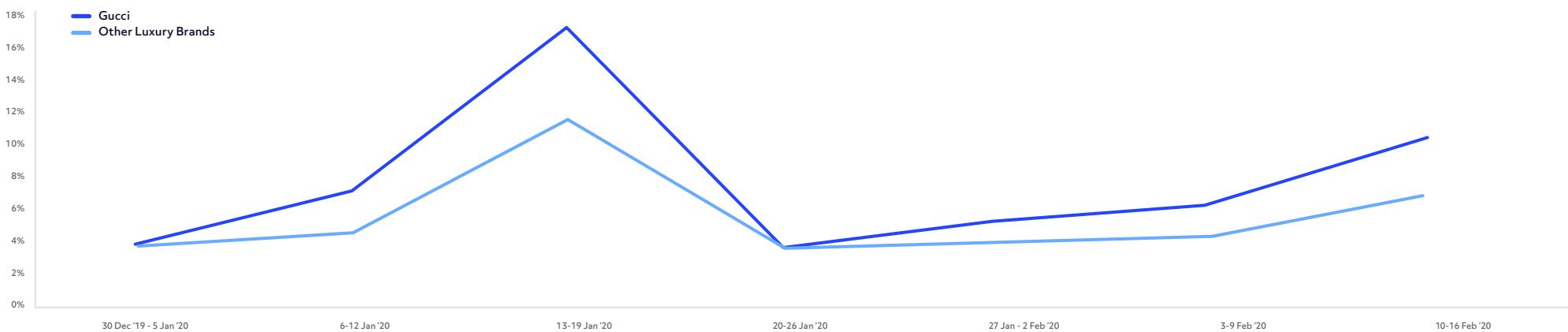
- **Analyse and understand the impact of shortages or delay** in production and shipments lead times.
- **Re-distribute stock** intended for slow-performing channels to better-performing ones and use remaining inventory for e-commerce or online marketplaces. This is the first step most major retailers are taking to mitigate losses.
- **Act fast to route products globally**, whilst avoiding closed markets. With stall in China for luxury goods, [Gucci's quick adaptability](#) in its supply chain paid off (Chart 2). Inventory that was originally intended for China was redirected to other markets.

## How We Work Alongside You

- ✓ **Optimise assortment allocation** to different online channels to clear inventory. Tailor the right assortment down to subcategory-level and colours to the right channel.
- ✓ **Plan phasing of product launches** with insights on competitor shifts in launch frequency and newness rates, given the current climate.
- ✓ **Perform market-level analysis** to spot opportunities and risks across segments and distribution channels.

**Chart 2: Online Weekly Sell-Out by Gucci vs. Others from January - February 2020**

More than 110,000 data points were analysed on products retailing online by luxury brands across US and UK markets from March 2019 to February 2020, as tracked by Omnilytics



## Develop Dynamic Merchandising

### Common Challenges

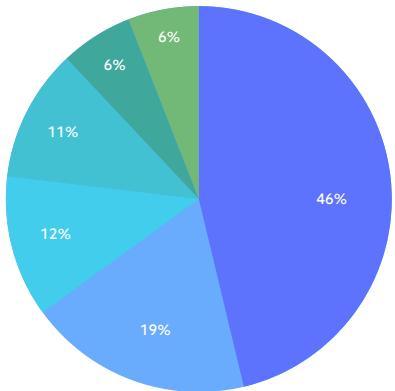
- ⚠️ Uncertainty in managing trend-driven stock cross-seasonally.
- ⚠️ Merchandisers and buyers lack clear direction on actions for next season's planning, in view of the production halt.
- ⚠️ Retailers are at a loss for alternative solutions and are missing foresight in planning amidst the uncertainty.

### Proposed Actions

- **Go granular** when assessing stock on hand and incoming stock, as well as against current performance to derive multiple potential scenarios leading to execution.
- **Expand on the categories** that are undisrupted or with higher profit contribution.
- **Exercise creative sourcing** domestically where disruption is least affected.
- **Craft a robust merchandising strategy**, with variable elements for multiple scenarios planning, in preparation for the recession that is expected to be the likely outcome of this pandemic.\* Recovery will take place after confidence and disposable income returns.

### How We Work Alongside You

- ✓ **Analyse and confirm decision-making with benchmarking** against the right market and the relevant competitors.
- ✓ **Constantly validate the right assortment** for future buys by monitoring the shifts in consumer demand. Outerwear in Streetwear (Chart 3) may be overtaken by Tops in terms of assortment contribution, if working-from-home became the "new normal".
- ✓ **Spot opportunities** in product category expansion and pricing with data-backed insights.
- ✓ **Monitor category-specialist retailers' activities** for future product innovation or expansion into new categories or capsules, such as loungewear and activewear.\*



**Chart 3: Online Luxury Streetwear Assortment Mix by Category**

More than 110,000 data points were analysed on products retailing online by luxury brands across US and UK markets from March 2019 to February 2020, as tracked by Omnilytics

- Outerwear
- Tops
- Dresses
- Pants & Leggings
- Jeans
- Others

\*The report has been updated since its original publication to reflect changes in the economy. Previously, it stated that a V-shape recovery is the likely outcome.

## Case Studies

### Strengthen and Secure Sales

With the nationwide lockdown imposed in the wake of a health crisis compounding the already weakening demand, a client with 20 brick-and-mortar stores in fast fashion risked losing more than 50% of their sales target in the first quarter of the year.

The retailer was able to mitigate its loss by quickly pivoting its distribution strategy - moving stock from offline to online and staying ahead of competition through a series of creative marketing campaigns to win consumer confidence.

#### How we work together

We worked closely with our client to identify the right online marketplace to partner with. We do this by first analysing and understanding the assortment mixes and price positioning of a few marketplaces, before short-listing those that best meet the client's brand positioning.

Next, we dived into comparing the assortments and prices of these marketplaces against the client's own, to identify white space that can be capitalised.

### Manage Inventory Effectively

Our client, a footwear-specialist brand, faced mounting pressures of rising costs with at least 2 months of delayed shipments, when news broke that China was undertaking an indefinite shutdown due to Covid-19. With most of its bestsellers sold out earlier in the month, the client had limited styles in stock to meet its upcoming launches.

By mid-March 2020, the brand was able to meet at least 95% of its sales target by tactfully phasing its product launches and re-launching older slowmovers by refreshing the catalog photos.

#### How we work together

We guided our client by showcasing competitors' shifts in newness launch strategies, which allowed them to re-strategise on phasing their product launch for maximum impact.

We also provided them with a database of visuals as styling tips to guide them on how to re-style and optimise the sell-out on slow movers.

### Develop Dynamic Merchandising

With the impending pandemic, an SME startup client who focuses on trend-led products that rely on short lead times, was struggling to stay on top of the quick shifts in trends with no clear direction on next season's planning.

In any crisis, a clear action plan is required to weather the storm to allow the retailer/brand to emerge out of the crisis in the best possible position.

#### How we work together

We walked our clients through a crisis response checklist and guided them on how to spot category opportunities to identify and validate trends they can capitalise on.

We went on to guide the client to create an action plan for managing the existing stock and provided the direction to chart next season's planning.

## Our Recommendations

### Perform Risk Assessment

- Establish crisis response structure with clear responsibilities and accountabilities.
- Identify the potential crisis that would impact the following business functions and processes:
  - Merchandising
  - Buying
  - Supply Chain
  - Store Retail Operations
  - Marketing
  - E-commerce
- List all the threats and vulnerabilities.

### Determine the Business Impact and Outline Scenarios

Quantify the business impact of operational disruption scenarios with the following components:

- Revenue**  
Lost or delayed sales.
- Cost of goods**  
Potentially higher estimate with high freight costs.
- Inventory**  
Current position with future forecast.
- Markdown**  
Potentially higher estimate with revenue decline.
- Margins**  
Both profit and product margins.
- Intake**  
Phasing consideration depending on production and shipment lead times.
- Stock ageing**  
Product seasonality as well as ageing days/months.

### Identify Contingencies and Build a Business Continuity Plan

- Review sales and marketing strategies to adapt to current consumer spending behaviour and the competitive/challenging environment.
- Establish inventory flow visibility to optimise inventory management in light of the changes to potential lead times and consumer demand.
- Stabilise the supply-chain and critical operations.
- Identify opportunities to mitigate loss and expedite recovery.

# Immediate Action Plan on Inventory Management

## A. Assess

1. Assess current inventory levels in detail based on seasonality and category (stock ageing).
2. Check with suppliers on production lead times.
3. Obtain from logistics the shipment delivery schedules and freight charges.

### **Understock Situation**

- Adjust the phasing of product launches with the revised lead times.
- Prioritise stock allocation to better performing channels.

### **Overstock Situation**

- Negotiate with suppliers on the possible options in light of late deliveries:
- Cancel the order
  - Extend payment terms
  - Discounts on order

## B. Re-strategise

1. Based on the new product launch plan (or intake plan), re-work marketing strategy on activations and promotional activities.
2. Identify and assess new online channels to partner with, and start reaching out to negotiate on business terms.
3. Formulate the product retail pricing plan based on the new cost of goods, and measure against market demand and competitors' pricing.
4. Reforecast sales, markdown, inventory and margin targets with the existing and projected new sales channels, as well as the adjusted intake plan.

## C. Action & Monitor

1. Based on the performance of the different online channels, allocate the right product assortment by category and price level to the right channels.
2. Track sales performance and sell-through across the different channels weekly. Be agile to move stock quickly based on the performance.
3. Monitor competitors and market performance for indications of consumer demand shifts for quick adaptability.
4. Spot opportunities in new categories or existing category expansion, to mitigate loss and protect margins.
5. Continue periodic check-ins with suppliers and logistics to obtain the latest delivery schedule and costs to ensure that plans are met.

## Actions on Timeline

Week 0	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6 →
Immediate Priorities			Critical Action Plans			Medium to Long Term Plans
<b>Establish the crisis response structure</b> <ul style="list-style-type: none"> <li>Align the senior team to the reality of the situation.</li> <li>Put in place a retail insights dashboard for real-time updates on the market to constantly trade with best practices.</li> </ul>	<b>Protect Employees &amp; Customers</b> <ul style="list-style-type: none"> <li>Follow CDC guidance and local government protocols.</li> <li>Develop a communications plan to reassure customers.</li> </ul>		<b>Strengthen &amp; Secure Sales</b> <ul style="list-style-type: none"> <li>Reforecast sales, markdown, inventory and margin targets.</li> <li>Move to online and diversify online sales channels.</li> <li>Identify new sales opportunities.</li> <li>Trade competitively and optimise pricing with market demands to maximise margins.</li> </ul>			<ul style="list-style-type: none"> <li>Sales and marketing strategies to continuously adapt to current consumer spending behaviour.</li> <li>Constantly validate the right assortment for future buys, by monitoring the shifts in consumer demand.</li> <li>Always look for opportunities in new sales avenues, category expansion or pricing to optimise profit.</li> </ul>
	<b>Financial Stress Test</b> <ul style="list-style-type: none"> <li>Conduct initial assessment on external and internal scenarios across revenue, cost, cash and operations.</li> </ul>		<b>Stabilise Supply Chain</b> <ul style="list-style-type: none"> <li>Assess the inventory position with supply chain disruption.</li> <li>Re-negotiate terms with suppliers where necessary.</li> <li>Seek alternative manufacturers.</li> </ul>			
	<b>Realign Goals &amp; Strategies</b> <ul style="list-style-type: none"> <li>Research competitors and market performance.</li> <li>Analyse market performance for benchmarking.</li> <li>Gain deep insights on the performance of online marketplaces to identify the right platform to partner with.</li> </ul>		<b>Stabilise Operations</b> <ul style="list-style-type: none"> <li>Adapt critical supply-chain operations: sourcing, manufacturing, logistics and deliveries.</li> <li>Implement an e-commerce retail insights dashboard to do competitive shopping remotely.</li> <li>Build contingency plans for other operations, namely e-commerce operations, customer service, marketing, finance, IT, etc.</li> </ul>			

## How We Work Alongside You

Goal Setting	<ul style="list-style-type: none"><li>Support the realignment of goals and strategy with retail insights.</li><li>Guide the development of the business continuity plan.</li><li>Share best practices.</li></ul>
Research	<ul style="list-style-type: none"><li>Analyse competitors and market positioning.</li><li>Identify new sales channels i.e. online marketplaces.</li><li>Track weekly performance and market indicators.</li><li>Keep up-to-date on the latest marketing campaigns in the market.</li></ul>
Business Planning	<ul style="list-style-type: none"><li>Monitor market and competitors' performance.</li><li>Collate market data and insights through comp shopping or syndicated reports.</li><li>Identify new sales channels to potentialise revenue.</li><li>Curate assortments based on different online channels and meet consumer demand.</li><li>Optimise pricing based on actionable insights on current consumer spending behaviour.</li><li>Plan seasonal sales and tactical promotions.</li></ul>
E-Commerce	<ul style="list-style-type: none"><li>Develop a strategy for fast adaptability to shifts in consumer demand.</li><li>Monitor e-commerce movements daily to identify the trading patterns of brands and competitors.</li></ul>
Build team competencies	<ul style="list-style-type: none"><li>Equip teams with innovative tools to develop a holistic view, by combining external and internal data for well-informed decision-making.</li><li>Train the team to develop a commercial mindset backed by strong analytical skills.</li></ul>

“We are facing some of our biggest challenges as an industry. There is a lot of fear and anxiety at every level of fashion retail, supply and production. Times like these call for transformative strategies and actions, which is why we have mobilised to generate this report for retailers, brand owners, brand managers, merchandisers and designers alike who are greatly impacted by the crisis. We are happy for you to share this report with people whom you know will benefit from its content.

Meanwhile, we are committed to continue sharing data and insights from the market through the crisis and beyond, by fluidly adapting and iterating our approach to safeguard your business, staff and customers.

It is a difficult and challenging time for many and my heart goes out to all who are impacted. We will get through this together.”



*kendrick Wong*

CEO of Omnilytics

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Amelia has over 18 years of experience working in retail with leading brands like Levi Strauss and Topshop. She now harnesses that expertise to provide insight on commercial planning and decision-making with data.



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Elaine is an industry professional with 15+ years of retail expertise in merchandising, who previously worked under Chanel, Louis Vuitton, Versace, Gap and Banana Republic.



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After working as a freelance Business Development Manager for a number of Fortune 500 companies throughout the APAC region, Matthew joined Omnilitics as the Director of Retail. He is responsible for growing Omnilitics globally and driving automated retail strategies.



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Having seen data's ability to transform buying and merchandising as Zalora's regional buyer, Amanda Liu, now as Regional Associate Director, helps fashion brands bolster their own decision-making processes.



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Barry was the former CEO of Twenty3, a fashion eCommerce brand that grew from an initial capital of USD2,500 to over USD1 million in annual revenue. Today, he is the Director of Fashion Analytics at Omnilitics, powering brands and retailers with insightful data.



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Ela is Omnilitics's Retail Strategist for Australia. With experience working with international retail companies in China and Europe, Ela now uses Omnilitics data and market insights to help retailers make smarter business decisions.



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Caroline Lie is the Country Manager for Indonesia at Omnilitics. She has more than a decades' worth of experience in fashion merchandising, having previously worked at global brands FJ Benjamin, Zalora and Debenhams.



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With a solid 6 years experience in client management at Ernst & Young, Hui Chin went on to gain retail experience at Bata and FashionValet. She now leads the Client Success Management team to help brands grow.



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Having honed her expertise in the retail industry as a Presales & Fashion Consultant, Azureen is a Retail Strategist at Omnilitics, currently leading the Sales Development team to help fashion brands and retailers grow on a global scale.

Learn how we can  
help you navigate  
this crisis

[Book A Strategy Call →](#)

## About Omnilytics

Omnilytics is a retail data platform, powering business decision-making with deep and actionable insights.

We scrape over 400 retailers' sites and more than 88,000 brands globally every single day. These data points are processed daily utilising a combination of keyword analysis, object detection and image recognition, before they are transformed into visual elements for best-in-class user experience.

Our core purpose is to pair deep industry expertise with groundbreaking technological innovation to bolster business agility with data-driven insights.

[Visit Omnilytics](#)



25B+

Daily Tracked Product  
Data Points

400

Retailers

88K+

Current Tracked  
Brands

47

Countries

4+

Years of Product  
History

We work with ambitious brands, big and small, globally



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CLOTH INC

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