

Post-Pandemic Retail



June 1, 2020

As this newsletter is being written in May, the number of confirmed worldwide Covid 19 cases is 5.93 million, with 358,000 deaths, and about 80,000 new cases per day. Several promising vaccines are in trials.

While this worldwide pandemic has been absolutely horrible in terms of the loss of life, loss of businesses, unemployment, and trillions of dollars in economic losses, we will emerge from this stronger, more efficient and more capable.

Over the next several weeks and months, phased openings of businesses with restrictions are ongoing in California as we enter an economic recovery phase. Even when the spread of the virus is dramatically slowed due to either the population attaining herd immunity or the successful deployment of a vaccine, some of the changes that have occurred in retail due to the pandemic will likely continue.

There is pressure for some retailers and restaurants to shift towards contactless ordering and contactless payment. Although some of these changes are being made to

decrease the spread of the virus and increase safety, the changes also save customer and employee time, and should continue into the future.

Increasing the efficiency and velocity of sales by contactless ordering and payment means quicker shopping trips, which should allow for more efficient shopping center site plans. Fewer parking spaces may be required if there is a quicker turnover of parking spaces. Quicker fulfillment of drive-thru restaurant orders due to contactless pre-ordering and pre-payment may allow shorter drive-thru queues.

Ultimately retail is not going away, it is just changing. Customers are expected to flood back to shopping centers when the pandemic is over, due to a huge pent up demand for the experiences we have all been missing. Retailers will increasingly use their store networks as fulfillment centers for pick-up orders and deliveries, in addition to offering engaging in-store shopping experiences for their customers.

Retail stores will continue to be the hub of most retailer's strategies for many reasons, including last mile

delivery costs. It is estimated that the last mile delivery costs are 53% of total shipping costs. Although free shipping has been a boom for on-line retail, the days of free shipping with competitive pricing may be limited.

Keep in mind that Amazon's current Price Earnings Ratio is about 115 compared to Kroger at 17 and Walmart at 24. If Amazon and others have to start charging for shipping (or raise the per item cost to compensate for free shipping) at some point in the future to show stronger earnings growth for their shareholders, retail stores will become even more attractive to customers who are pressed to find good values due to the economic pressures of the pandemic. The logical solution for the last mile conundrum is a strong retail store network. Better days are ahead. Stay safe and productive!



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