



Retail Supply Chain Update

November 20, 2020

Walmart will start counting customers again as coronavirus cases reach record levels

- Walmart has resumed counting and monitoring the number of customers that enter and leave its stores. This comes as coronavirus cases in the United States hit daily highs.
- In April, the company began restricting the number of people to 20% of its store capacity, or lower if mandated by local officials. But for a brief period of the time, its stores stopped counting the number of customers that entered its stores.
- "We know from months of metering data in our stores that the vast majority of the time our stores didn't reach our self-imposed 20% metering capacity," said Kory Lundberg, a Walmart (WMT) spokesperson. "Out of an abundance of caution, we have resumed counting the number of people entering and leaving our stores."
- Like other retailers, Walmart is spreading Black Friday sales over time to limit the number of people in stores during the holiday shopping season.

Walmart continues sales momentum in third quarter

- Walmart posted solid sales gains and topped Wall Street's high-end earnings forecast for its fiscal 2021 third quarter as it continued to adapt to changing consumer behavior and operational challenges presented by the COVID-19 crisis.
- For the quarter ended Oct. 31, Walmart totaled revenue of \$134.61 billion, up 5.2% from \$127.99 billion a year earlier. Excluding the impact of foreign exchange, revenue rose 6.1% to \$135.8 billion, the company said Tuesday.
- At Walmart U.S., third-quarter net sales climbed 6.2% to \$88.35 billion from \$83.19 billion a year ago. Comparable sales grew 6.3% year over year (6.4% excluding fuel), with the average ticket size up 24% and the number of transactions down 14.2%.
- President and CEO Doug McMillon noted that Walmart drove growth despite an "unusual and softer" back-to-school season and less benefit from government stimulus spending versus the first half of the year.

Walmart doubles personal shopper count for holiday season

- With higher use of online shopping expected this holiday season due to the pandemic, Walmart has more than doubled its number of personal shoppers for fulfilling pickup and delivery orders.
- Tom Ward, senior vice president of customer product at Walmart, said in a blog post this week that the Bentonville, Ark.-based retailer will have more than 157,000 personal shoppers "ready to fill grocery orders for all the big meals, as well as pick holiday gifts and stocking stuffers for all." Items ordered for pickup or delivery carry the same prices as those on the shelf in stores, he noted.

Amazon enters prescription drug market with Amazon Pharmacy

- After years of industry buzz, Amazon has formally entered the retail pharmacy market with the launch of Amazon Pharmacy.
- Amazon said Tuesday that the new online store, located at amazon.com/pharmacy, enables customers to complete an entire pharmacy transaction on their desktop computer or via the Amazon App on a mobile device. After setting up a secure pharmacy profile and adding insurance information, customers can ask their prescriber to send new or current drug prescriptions directly to Amazon Pharmacy for fulfillment, choose payment options before checking out and manage their medications.
- Amazon Pharmacy also brings more benefits to members of Amazon's Prime customer program. When paying for prescriptions without insurance, Prime members can get up to 80% off generic drugs and 40% off brand-name medications at Amazon Pharmacy and at more than 50,000 other participating pharmacies. In addition, the Amazon Prime prescription savings benefit includes unlimited, free two-day delivery on orders from Amazon Pharmacy.

Target's Q3 comparable sales leap almost 21%

- Fueled by booming e-commerce business, Target Corp. topped 20% sales growth in its fiscal 2020 third quarter, with Chairman and CEO Brian Cornell citing record-high adjusted earnings per share that more than doubled versus a year ago.
- Minneapolis-based Target said Wednesday that, for the quarter ended Oct. 31, net sales rose 21.3% to \$22.34 billion from \$18.41 billion a year earlier. Total revenue also was up 21.3%, reaching \$22.63 billion.
- Overall comparable sales jumped 20.7% year over year, reflecting gains of 9.9% in same-store sales and 155% in digital sales. Traffic increased 4.5% on a comparable basis, while the average ticket grew 15.6%.

BJ's Wholesale Club maintains double-digit sales growth in Q3

- BJ's Wholesale Club upheld a double-digit growth pace in net and comparable sales in its fiscal 2020 third quarter, lifting per-share earnings 15 cents above Wall Street's high-end estimate.
- For the quarter ended Oct. 31, net sales came in at \$3.65 billion, up 15.7% from \$3.15 billion a year earlier, BJ's said Thursday. Including membership income growth of 11% to \$84.9 million, total revenue climbed 15.6% to \$3.73 billion. The warehouse club chain's member base is up 12% from a year ago, reflecting a net gain of 630,000 new members.
- Comparable-club sales rose 14.1% year over year and were up 18.5% excluding fuel.

Tyson Managers Suspended After Allegedly Betting If Workers Would Contract COVID

- Tyson Foods Inc., which says it produces 20% of the beef, pork and chicken in the U.S., has suspended managers at an Iowa plant accused of participating in a betting pool on how many employees would become ill with COVID-19.
- President and CEO Dean Banks also announced on Thursday the company has launched an investigation led by former Attorney General Eric Holder into the allegations.

- The suspensions come one day after the family of a deceased employee filed a lawsuit claiming "fraudulent misrepresentations, gross negligence, and incorrigible, willful and wanton disregard for worker safety at its pork processing facility in Waterloo, Iowa."
- "We are extremely upset about the accusations involving some of the leadership at our Waterloo plant," Banks said in a statement.
- "We have suspended, without pay, the individuals allegedly involved and have retained the law firm Covington & Burling LLP to conduct an independent investigation led by former Attorney General Eric Holder."
- Banks called the alleged behavior "disturbing."
- He is among those personally named in the suit filed on behalf of Isidro Fernandez, who worked at the pork plant before dying from COVID-19 complications on April 26. Other top ranking officials named in the filing are Tyson Chairman John Tyson, CEO Noel White, President Stephen Stouffer, Vice President Tom Brower, Manager Tom Hart, Safety Lead Bret Tapken, and Managers Cody Brustkern and John Casey.

JBS plant in Greeley working to contain new early-stage COVID-19 outbreak

- The Colorado Department of Public Health and the Environment, which has been tracking COVID-19 outbreaks and displaying them publicly for several months, has identified a new outbreak at the Greeley JBS beef plant, showing 20 cases at the plant as part of an outbreak that it notes as having begun Tuesday.
- JBS was the site of one of the largest single-location outbreaks in the state, totaling more than 290 cases by the time it was considered "resolved" by the CDPHE on Oct. 20 and resulting in six recorded deaths of employees due to the virus.
- A spokesperson for the Brazil-based company that is headquartered in Greeley, and which employs about 4,000 people — more than any other entity in Weld County — said that the number of active cases was down to 12 by Thursday afternoon.
- The spokesperson, Nikki Richardson, pointed out that 12 was just 0.3% of the plant's population of roughly 4,000, and that the positivity rate of the plant's random surveillance testing is 0.5%. She compared that favorably to the positivity rate in Greeley-Evans of 16.69%.

GM cuts production at two plants as pandemic squeezes supply chain

- General Motors was forced to curb production at two of its key assembly plants on Thursday and Friday due to parts shortages caused by the coronavirus pandemic — and industry observers fear that more disruptions could follow as the rate of Covid-19 infections surges to record levels.
- With new outbreaks spreading worldwide, industry officials fear the global supply chain could disrupt auto production on a more frequent basis in the weeks to come.
- "We're going to see other plants hit by this," warned Carla Bailo, the CEO of the Center for Automotive Research in Ann Arbor, Michigan.
- The auto industry has been hit hard by the pandemic. Sales in March and April fell by more than one-third as much of the country went into lockdown. A two-month factory shutdown worsened that situation, leaving dealers with supply shortages, just as new vehicle demand is surging.
- Automakers such as GM are following strict new protocols aimed at reducing the risk of infections on the factory floor — including the use of personal protective equipment, social distancing and apps aimed at keeping those already infected from reporting to work.

- But such steps have made it difficult to get back to normal levels of production and begin to rebuild vehicle stocks. “Inventory levels will remain lower” than a year ago through at least the end of 2020, Acting GM Chief Financial Officer John Stapleton said during a conference call last week.
- Other automakers, including Toyota, have issued similar advisories in recent weeks and they say the situation is complicated by the industry’s dependence upon outside parts suppliers, many of whom are struggling financially and can’t match the strict Covid-19 protocols put in place by automakers.
- GM hasn’t said where the bottlenecks hitting the Kentucky and Texas plants have occurred but several industry insiders pointed to challenges being faced in Mexico, where Covid-19 infection rates have been surging. The states of Durango and Chihuahua have declared red alerts and enacted mandatory restrictions that impact manufacturing operations there.
- There are new outbreaks spreading worldwide, so industry officials fear that with automakers depending on a global supply line, operations could be disrupted on a more frequent basis in the weeks to come.
- A GM statement stressed that the Kentucky and Texas plants are only temporarily affected, adding that the company will “continue to work closely with our suppliers to minimize any parts disruption.”
- But, if the situation worsens, shortages of new vehicles could short-circuit efforts to get the auto industry sales rebound — and financial recovery — back on track, in turn leading to new job cuts.

Supply chain experts say there's no need to stockpile items amid COVID-19 surge

- With the rising number of COVID-19 cases, some consumers are concerned about the availability of products on store shelves in coming weeks. Experts in supply chain management and analytics say there have been lessons learned from the beginning of the pandemic.
- "The supply chain is very good," assured Dr. Kathleen Iacocca, associate professor at Villanova University's School of Business.
- "It's very adaptable, it's very strong, it's learned, it's prepared and you're going to see a much more improved process this time around."
- Iacocca said suppliers have ramped up inventory, production and distribution and are ready to go. Now, she said, analytics and shopping patterns are being used to determine what products are needed in certain areas and how much, even if you are stockpiling products in your basement.
- According to Iacocca, manufacturers have worked closely with farmers and suppliers to ramp up their raw materials.
- "Some have even looked at packaging and changing their packaging modeling so they can fit more pallets in the truck at one time or have a more efficient unloading method," she detailed. "So the supply chain has looked at where they can increase efficiencies and where there were issues in March, and how they can improve."
- Some companies have opened warehouses near communities to store merchandise instead of trucking it long distances in an effort to speed up deliveries.

Stores Re-impose Purchase Limits on Toilet Paper, Soap as U.S. Hits 181,100 Daily COVID Cases

- Grocery stores nationwide are re-introducing purchasing limits on essential goods as the U.S. continues to see record numbers of COVID-19 cases amid the ongoing pandemic.
- Concerns that rising cases will encourage people to buy in bulk and stock up on basic goods has prompted major grocery chains to take pre-emptive action and limit purchases.
- Kroger, the largest grocery chain in the U.S., has imposed purchase limits on essential goods like bath tissue, paper towels, disinfecting wipes and hand soap, according to Fox Business.
- Publix, a chain that operates mainly in the South, imposed restrictions last week on paper towels and bath tissue. This was in response to high demand from customers, according to Progressive Grocer. Limits on the quantity that can be purchased is based on individual stores.