

# Twin Cities retailers struggle with excess inventory because of COVID, one has an answer

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By **John Ewoldt** Star Tribune

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The switch to "quarantine style" clothes — sweats and T-shirts and occasionally a "zirt," a stylish shirt to throw on before Zoom meetings — is yet another hit to apparel stores, already a suffering sector before the coronavirus pandemic.

The result is a glut of inventory, especially late winter and spring clothing, rampant discounting and retailers needing to reinvent their assortment as consumer preferences change. The disruption also created a windfall for companies such as Eagan-based Proozy.com, built as an e-commerce clearance store for excess, unsold inventory.

"Apparel retailers have seen a world of pain, nearly as much as travel and entertainment," said Beth Perro-Jarvis of Ginger Marketing in Minneapolis. "They were wobbly going into the pandemic because we're over-retailed. Everyone's selling a white T-shirt, blue blazer

and jeans."

The result of stay-at-home orders that closed brick-and-mortar locations, along with the style shift, has accelerated financial issues for the industry.

Last week, Ascena Retail Group — which owns Ann Taylor, Lane Bryant and Justice — filed for Chapter 11 bankruptcy. It joined such players as Brooks Brothers, Neiman Marcus and J.C. Penney.

Nearly 25,000 retail stores are expected to close by the end of the year, according to Coresight Research in New York. Nearly 60% of the closures are expected in U.S. malls.

### Hammer Made

After Hammer Made's Italian supplier of ties switched to making masks, the retailer decided to turn it into a fashion statement, allowing the masks to do double duty as pocket square.

Yet specialty stores, including those based or located in the Twin Cities, are also feeling the pinch, both in terms of sales dollars and reacting to the change in preference.

"Customers used to come in regularly to the stores, but without that traffic, retailers have to let them know what's new in the store and why they need it," said Kevin Quinn of Styled Retail, a consultant based in western Wisconsin.

Hubert White in the IDS Center has closed and reopened twice, first because of the pandemic stay-at-home order and then because of unrest following the Memorial Day police killing of George Floyd.

"Or sales are nowhere near normal," said Bob White, president of the 104-year-old men's store. "The two worst retail scenarios right now are indoor malls and downtown retail. The IDS Tower is probably only 5 to 10% occupied now."

Plus, the store serves professionals, many of whom are working at home and dressing down.

Natalie Sudberry, owner of Style Niche in Rosemount, has done what she could this year. She quickly put up an e-commerce site when the state's stay-at-home order came down. She pushed curbside pickup with regular customers.

But not nearly as much inventory as expected moved.

"The amount we had left over from winter definitely weighed on us," Sudberry said.

Rather than putting it on clearance racks when her store reopened in May, she put new summer merchandise out, trying to draw customers back in.

She plans to clear out the winter leftovers with a preseason clearance in August. "We'll start the season with a bang-up blowout event with everything marked "\$10, \$15, \$20 or \$30."

It looks like Edina-based Evereve, which has 90 stores in 26 states, will close only one store because of the pandemic and has moved ahead with five new planned stores this year, said Mike Tamte, co-founder and co-CEO.

Still, like for other retailers, it has been a bad year.

"We lost about \$8 million in eight weeks, \$150,000 a day," Tamte said. "We'll probably have sales of about \$120 million this year. Without COVID, it probably would have been about \$200 million."

Evereve launched "Dressing Room to Go" in which a stylist picks 12 to 15 items based on a customer's preferences. After pickup, the customer has 48 hours to try the outfits and return items not wanted before being charged.

"It was created for COVID for the customer who wants to skip the store but still have the guidance of a stylist," Tamte said.

Jason Hammerberg, founder of Eden Prairie-based Hammer Made men's sport shirts, has seen sales decline about 30% since the pandemic and has had to try to get consumers buying where he can.

For example, the store pre-pandemic sold a lot of ties, but he found a way to transform an out-of-favor product — men's ties — into an item that fits the times.

"We took the fabric that an Italian neckwear company made for us and shifted it from ties to a pocket square that's also a face mask," he said.

The silk mask is worn over a cotton mask, and it has sold out online and in the nine Hammer Made stores across the country, four of them in the Twin Cities. The retailer recently got in the second shipment of the masks.

Yet Hammer Made and other retailers still need to deal with the switch to casual styles.

"Everyone is feeling price pressure on unsold inventory," said Rob McGovern, chief executive of consumer-data company PreciseTarget in Washington D.C. "Holding your ground on price can be risky these days."

Hubert White is discounting high-end brands Zegna and Brunello Cuccinelli 30%, which rarely go on sale except at the end of the season.

Reddit's message boards are lighting up with consumers sharing major markdowns. Macys.com had 85% off suits for women and men last week. J. Crew recently had a flash sale with dresses under \$20 and men's tech pants for \$24.50.

Eagan-based Proozy.com, an apparel clearance site, found itself in the right place at the right time since the pandemic.

"The new hot product isn't our niche," said Proozy founder Jeremy Segal. "We deal with the C-Suite to move older [brand name] inventory."

The company just had its three biggest months since it was founded five years ago. Sales are up 400 to 500%, which means Proozy will likely end next year with \$140 million in sales, Segal said.

Proozy sells brand-name overstock from previous seasons at 50 to 90% off, including tees, shorts, joggers, shoes and hoodies from Nike, Under Armour, Adidas, Oakley, Ray Ban and Reebok.

Proozy has added other customers this year because of overstocks or canceled orders caused by the pandemic, including Nordstrom, Kohl's, Costco, Sam's Club, T.J. Maxx, Dick's Sporting Goods and Sierra Trading Co., Segal said.

Sales for Proozy, a made-up name that sounded like "Google" to Segal, have been so strong for so long that Segal is looking to expand in the Edina area. The 65,000-square-foot location would house more warehouse space but also be a step similar to those taken by Amazon and other successful e-commerce businesses — a clicks-to-bricks retail store.

Segal hopes to have it open by the holidays.

"I used to believe we could be a \$500 million company in five years, but COVID has expedited that," he said. "Now I think we can do it three years. We're in complete shock and feeling blessed."

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