# What JCPenney's Early Pandemic Failure Means for Its Back-to-School Efforts

**ARTICLE**

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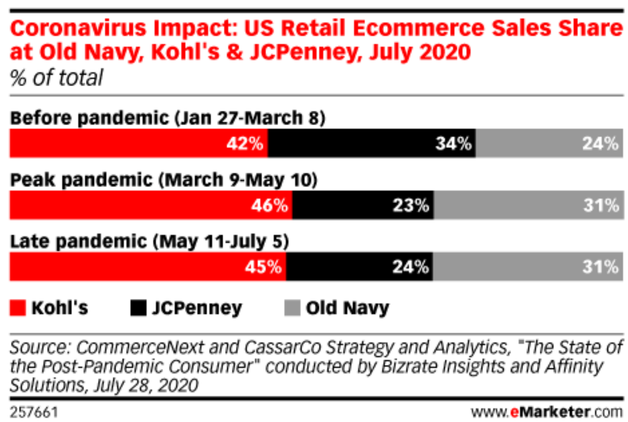
While JCPenney saw solid ecommerce gains pre-pandemic, it struggled to sustain that momentum in the months that followed. Its competitors proved more adept at ecommerce amid shelter-in-place orders, leaving JCPenney's market share to drop—and remain down—before the company filed for Chapter 11 bankruptcy in mid-May. The retailer plans to close roughly a third of its 846 stores within the next two years.

JCPenney missed a major opportunity during the pandemic, which is highlighted in a July 2020 survey for CommerceNext and CassarCo Strategy and Analytics. Conducted by Bizrate Insights and Affinity Solutions, the survey analyzed ecommerce market share among three retailers—JCPenney, Kohl's and Old Navy—before and during the pandemic.

JCPenney may have thought it performed just fine in the pandemic, with average weekly online sales increasing by 12%. But this growth paled in comparison to the gains for Old Navy (79%) and for Kohl's (142%).

During the pre-COVID period of late January to early March, JCPenney had a 34% share of the total US retail commerce sales—the second largest after Kohl's. As category sales flagged at the peak of the pandemic (early March to May), however, JCPenney's share cratered. Its share didn't recover even when stimulus checks and unemployment assistance helped recharge discretionary goods categories. Despite more dollars flowing into ecommerce, JCPenney left more than its fair share on the table. By contrast, Old Navy entered the pandemic with the smallest share (24%) but claimed a 31% share by early July. Kohl's started with a 42% share, which peaked with the pandemic at 46%, and then declined slightly to 45% between mid-May and July.




"Old Navy's average order size has crept down during COVID-19, which leads me to believe that it might have had low minimum-order size requirements, so that might've come into play," said Ken Cassar, principal at CassarCo Strategy and Analytics. "But the other thing that Kohl's and Old Navy have going for them is that their shoppers tend to be younger than JCPenney's.

"A large share of JCPenney shoppers are over 55," he said. "Older shoppers are a bit less likely to be online shoppers."

The data not only underscores how much ecommerce opportunity JCPenney left on the table during the pandemic, but also offers a learning opportunity for retailers in a similar boat. As more consumers continue to lean on online channels for their product needs, brands are likely seeing strong ecommerce sales—but not everyone is prepared for this influx in traffic. In addition, while some brands have successfully pivoted and adjusted their business goals amid the pandemic, others have struggled to get their bearings.

As back-to-school season begins, it will be critical for JCPenney to know where it stands in the market and to have an ecommerce strategy.

"Back-to-school is a promotional period most driven by brick-and-mortar shopping trips, but this year has seen those purchases shift dramatically in the direction of ecommerce," said Andrew Lipsman, eMarketer principal analyst at Insider Intelligence. "Failure to adapt to this channel shift puts already struggling retailers at an even bigger disadvantage—and puts their key competition in position to take market share going forward."

It's going to be especially important for JCPenney to ramp up promotions. "JCPenney should not only advertise online, but offer pretty aggressive shipping promotions in order to win that share back," Cassar said.

"If I were JCPenney, knowing that I lost substantial online share and that shares didn't seem to recover as stores started to reopen, my principle concern would be to make sure people know that I'm available online and that I have the capacity to take their orders," he said.