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## U.S. Small and Middle Market Outlook 2009, Retailers and Suppliers Take Stock of Economic Downturn

with Burt Feinberg, Group Head, CIT Retail Finance and Stuart Feil, Editorial Director of Forbes Insights  
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**Elliott Forrest:** Welcome to [5 Minute Capital](#), CIT's executive insight series, which takes on financial issues in about five minutes.

Today we're discussing the report "[U.S. Small and Middle Market Outlook 2009, Retailers and Suppliers Take Stock of Economic Downturn.](#)"

Our guests are [Burt Feinberg](#) of [CIT Retail Finance](#) and Stuart Feil editorial director of Forbes Insights. Thank you both for joining me.

**Feil:** Nice to see you again Elliott.

**Feinberg:** Great to see you Elliott.

**Forrest:** Let's get into it if we can. Certainly retailers are holding on through this recession in various ways. Can we talk about that, particularly the middle market retailers and how they are doing that?

**Feil:** Well, you know, it's been a really tough year for retail in general. I think there is no hiding that. Consumer spending is way down. Certainly the study backed that up. They are really feeling the impact.

**Feinberg:** Well retailers are focused on maintaining their liquidity. Consumer demand is not there so investing in large inventories for demand that may never be there is not good use of capital. Instead retailers are keeping their inventories low. A lot of retailers have stopped or temporarily stopped some growth plans. They're focused on operations; they're using technology to track their inventories, they're creating less SKU's. So they are really trying to streamline their businesses to maintain good levels of cash flow during this recessionary environment.

**Forrest:** Are retailers changing their business models in any way?

**Feinberg:** In some cases some retailers have re-focused on their business models, but I think it is really more an issue more of tactics. Given that consumer demand does not appear to be back yet, as opposed to focusing so much on generating incremental sales, retailers, in order to generate cash flow, have to focus on operations again, on inventory management.

**Feil:** Inventory is really a critical issue, and inventory turns, how quickly you're able to move and replace your inventory. And one of the things we saw was something like 40 and I want to say 43% of the retailers we surveyed said that their inventory levels today are significantly lower than they were a year ago.

**Forrest:** As revenues have fallen what have retailers been doing to cut costs and conserve cash?

**Feinberg:** There has been a great opportunity for retailers to go back to their landlords because of all the bankruptcies of retailers there is a lot of vacant space, there are loopholes in leases that relate to whether anchor tenants exist in malls and similar types of provisions that enable retailers to go back to their landlords to renegotiate leases. So real estate has been a great opportunity for retailers in this recession in terms of some cost reductions.

**Forrest:** Almost every consumer I know has called their credit card to try to renegotiate their credit personally. Are we retailers doing the same thing?

**Feinberg:** It's sort of the opposite. Capital is now more expensive. So a retailer that has a decently priced credit facility that was put in place a few years ago they are not changing their credit facility and the credit is available to them. If the retailer is having problems, and they are having some issues with their financial covenants or their facility is coming up for a maturity, then they are in a difficult position.

**Forrest:** Let's talk a little bit more about this upcoming holiday season. What do you think?

**Feil:** This is an area where inventory, I think, is going to play a really big role. Shelf space is going to be much looser. There is going to be less merchandise out there on shelves. Retailers are buying less. They are planning to discount. They are looking to start their sales earlier. It is really a time where there is great amount of caution.

**Feinberg:** Retailers don't want to get caught they way they got caught last holiday and hence they are taking a conservative approach.

**Forrest:** We're about out of time. Any final thoughts on the study or the retail economy at this point?

**Feil:** I guess I would say is that most retailers and the suppliers are really looking forward to 2010. I think they really want to look to the future.

**Feinberg:** I would agree with that. I think the retail industry is sort of playing to not lose any ground in 2009 with the hope that better times are ahead.

**Forrest:** Burt Feinberg, of CIT Retail Finance and Stuart Feil, editorial director of Forbes Insights. Thank you for being here.

**Feinberg:** Thank you.

**Feil:** Thank you.

**Forrest:** And thank you for listening to 5 Minute Capital. Please log on to [5minutecapital.com](http://5minutecapital.com) for a link to the full report and more. I'm Elliott Forrest. This has been a production of CIT--Capital Redefined.