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Supply chain disruptions did in Bed Bath & Beyond's CEO

Article

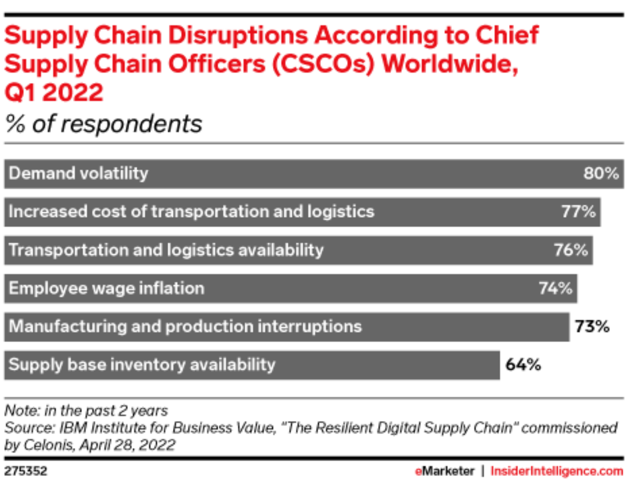
The news: **Bed Bath & Beyond** ousted CEO **Mark Tritton** following another quarter of declining sales and a significant net loss. **Sue Gove**, an independent director on the company's board, will serve as interim CEO.

- The retailer's **net sales fell 25.1%** year-over-year (YoY).

- Its net loss widened to $358 million, a marked increase from its $51 million loss a year earlier.
- The retailer also named **Mara Sirhal** as chief merchandising officer. She replaces **Joe Hartsig**, who left the company.

The context: After an activist investor unseated the retailer's executive team in November 2019, Bed Bath & Beyond hired Tritton, who had spent over three years as chief merchandising officer at **Target**.

- **Tritton quickly shook up the senior management team, sold several businesses, and closed about 200 stores**.
- He then **turned to the Target playbook** as he drove the retailer to **remodel its stores**, **reduce its in-store SKU count**, and **upgrade its omnichannel capabilities.** He also sought to boost margins and differentiate its offerings by **launching private-label brands**.
- But just a few months into his tenure, the pandemic disrupted the global supply chain. **The retailer's limited product selection left customers with fewer options when items went out of stock**, per The Wall Street Journal.
- **Bed Bath & Beyond missed out on $175 million in Q4 sales** due to out-of-stock merchandise, as goods got trapped in ports and arrived late.



Challenges ahead: In addition to fixing its supply chain issues, Bed Bath & Beyond needs to cut costs and improve its balance sheet.

- The retailer's **gross profit shrunk from 32.4% in FY Q1 last year to 23.9% in FY Q1 2022**.

- It also faces pressure from activist investor **Ryan Cohen** to improve performance and explore the sale of its buybuy BABY chain.
- “We must deliver improved results,” Gove said in a statement. “Our shareholders, associates, customers, and partners all expect more.”

Knowing what people want: The retailer’s supply chain challenges drove it to order inventory earlier than usual. That left it vulnerable to shifts in consumer demand, which will force it to discount excess inventory, as Target and other retailers have had to do.

- A mismatch between inventory and consumer demand led Bed Bath & Beyond to carry approximately 15% more inventory than last year. At the same time, its sales were 25% lower. That delta of almost 40 percentage points between sales and inventory was worth more than $500 million in cash in Q1, said **Gustavo Arnal**, chief financial officer.

The big takeaway: Tritton’s timing was terrible: He arrived just before the global pandemic upended the retail landscape. That left him attempting to execute a challenging shakeup plan amid a swirl of headwinds, including a dip in demand for home goods in Q1. While there’s clearly more work to be done—starting with its supply chain challenges—Tritton’s initiatives provide Gove with a head start at turning around the retailer’s business.