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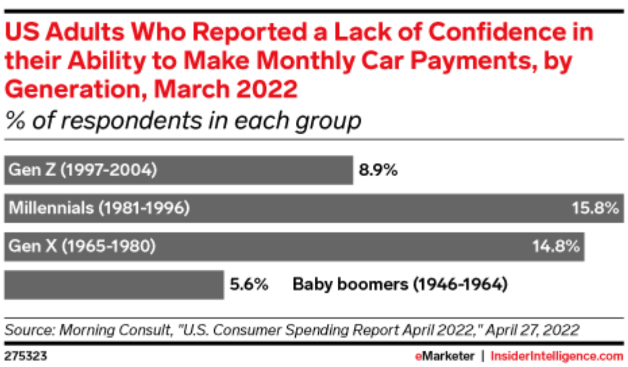
Carvana, Bed Bath & Beyond struggle to stay alive

Article

The news: The outlook is bleak for **Carvana** and **Bed Bath & Beyond**, both of which are inching closer to bankruptcy as worsening economic conditions and a series of missteps take their toll.

Carvana tanks: While the online used car dealer's business boomed during the early pandemic thanks to a confluence of factors—increased auto demand, a chip shortage that significantly reduced new car production, the shift to ecommerce amid COVID-19 restrictions—it now faces serious headwinds as soaring interest rates and inflation deflate demand.

- Retail sales of used cars **in November fell 1% month-over-month and 10% year-over-year** (YoY), per an estimate by Cox Automotives.
- That's a problem for Carvana, which purchased lots of inventory when used car prices were at record highs but is now struggling to offload those vehicles as higher interest rates deter buyers.
- Carvana sold 8% fewer retail units YoY in Q3, while gross profits decreased 31% to $359 million. **The company's net loss in the quarter grew to $508 million**.
- With some analysts predicting Carvana could run out of cash as early as the end of 2023, the company's investors have reportedly agreed to band together for potential restructuring talks, raising fears that it could soon exhaust its resources and be forced into bankruptcy.



Bed Bath & Beyond struggles: Under former CEO **Mark Tritton**, Bed Bath & Beyond switched from being a retailer that stocked mainly national brands to one that focused on private labels—a move that may have helped margins but turned off shoppers who could no longer find their favorite brands.

- Unfortunately for the retailer, its private label switch happened right as the pandemic was starting—and Bed Bath & Beyond's lack of manufacturing and supply chain expertise meant it struggled to get inventory onto shelves and failed to capitalize on strong demand for home goods over the course of lockdowns.
- The retailer has tried to revive its fortunes by firing Tritton, getting rid of most of its private labels, and bringing back popular brands like **OXO** and **All-Clad**.

- But it may be too late: **Web traffic to Bed Bath & Beyond's site fell 19% in November**, according to Jefferies analyst **Jonathan Matuszewski**, while traffic during the Cyber Five was 25% lower YoY.
- And the company's money problems could be hurting its ability to execute its turnaround initiatives. **Over 40% of its products were listed as out of stock online in October**, per research by DataWeave reported by The Wall Street Journal, almost twice as many as in the first half of the year.

The big takeaway: While the precarious situations of Bed Bath & Beyond and Carvana can be attributed to specific decisions each company made—like Carvana's acquisition of used car auction website **Adesa** for $2.2 billion just as sales began slowing, or Bed Bath & Beyond's decision to move forward with its private brands without building out a supply chain first—they also speak to how quickly consumer behavior has changed over the past year, and how ill-equipped many companies were to handle the shift.

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