Fast-fashion retailer Forever 21 to file for bankruptcy, close 178 US stores

Brand succumbs to the onslaught of online sellers

NEW YORK: Fast-fashion retailer Forever 21 Inc filed for bankruptcy late on Sunday, joining a growing list of brick-and-mortar companies that have succumbed to the onslaught of online sellers such as Amazon.com Inc and ever-changing fashion trends.

Forever 21, which popularized trendy and inexpensive clothing, has fallen out of favor with shoppers due to strong competition from other retailers such as H&M and Zara. Adding to its problems, younger and more environmentally conscious shoppers are now choosing brands that ethically source garments instead of retailers that use cheap fabrics to make T-shirts that are snapped up for $5.

"The brand (Forever 21) has lost much of the excitement and oomph, which is critical to driving footfall and sales," said Neil Saunders, managing director of retail research firm GlobalData Retail. Forever 21, which has 815 stores in 57 countries, said the restructuring will allow it to focus on the profitable core part of its operations and shut stores in some international locations.

It has requested approval to close up to 178 US stores, with decisions as to which outlets it will close still pending. Forever 21 still expects a significant number of its stores in the United States to remain open and does not expect to exit any major markets in the country.

Founded in 1984, the teen apparel retailer plans to close most of its stores in Asia and Europe but would continue operations in Mexico and Latin America, it said. Since the start of 2017, more than 20 US retailers including Sears Holdings Corp and Toys 'R' Us have filed for bankruptcy as more customers shop online and eschew large malls. Forever 21 also said on Sunday its Canadian subsidiary filed for bankruptcy and it plans to wind down the business, closing 44 stores in the country.

"Slimming down the operation and reducing costs is only one part of the battle. The long-term survival of Forever 21 relies on the chain creating a sustainable and differentiated brand," Saunders said.

Forever 21 lists both assets and liabilities in the range of $1 billion to $10 billion, according to the court filing in the US Bankruptcy Court for the District of Delaware. The retailer said it received $275 million in financing from its existing lenders, with JPMorgan Chase Bank NA as agent, and $75 million in new capital from TPG Sixth Street Partners and certain of its affiliated funds. —Reuters

NEW YORK CITY: In this file photo, a Forever 21 store stands in Union Square in Manhattan in New York City. Global fast-fashion retailer Forever 21 said it was filing for voluntary bankruptcy on Sunday.— AFP

German economy set for weaker growth, but still showing bright spots

BERLIN: Germany's leading economic institutes have lowered their growth forecast for the economy for this year, sources told Reuters yesterday, adding to fears that a recession among export-driven manufacturers is spreading. The institutes, whose forecasts feed into the government's own growth estimates, see growth of 0.5 percent in 2019, two sources said, down from an earlier figure of 0.8 percent.

Germany's export-reliant manufacturers are suffering from a slowing world economy and business uncertainty linked to a trade conflict between the United States and China as well as Britain's planned exit from the European Union.

The institutes, which will present their new forecasts on Wednesday, expect growth of 1.1 percent in 2020, one of the two sources said, down from a projection of 1.8 percent in April. The German economy, Europe's largest and a bellwether for the economic health of the euro zone, is still showing bright spots despite expectations of a recession in the third quarter.

Data published earlier yesterday showed German unemployment fell unexpectedly in September and retail sales rose in August, temporarily allaying concerns that a manufacturing slump is taking its toll on a consumption-driven growth cycle. Data from the Federal Labor Office showed the number of people out of work fell by 10,000 to 2.276 million in seasonally adjusted terms. That compared with the Reuters forecast for a rise of 5,000.

The office revised down the joblessness figures for August to a rise of 2,000 from a previously reported increase of 4,000. The jobless rate in September held steady at 5.0 percent - just above the record-low of 4.9 percent reached earlier this year.

Robust labor market

Labor Office head Detlef Scheele said the economic downturn was partly reflected in the joblessness data. "But all in all, the labor market is still in a robust shape," he added. Employment remains high but is losing momentum while the demand of companies for new employees continues to slow down at an elevated level, Scheele said.

In a further positive sign for domestic demand, retail sales rose 0.5 percent in real terms in August after an upwardly revised drop of 0.8 percent the previous month, data from the Federal Statistics Office showed. For the year, retail sales rose 3.2 percent after an upwardly revised increase of 5.2 percent the previous month, the data showed. Retail sales are a volatile indicator often subject to revision. Separate data showed German annual inflation unexpectedly slowed for the third month running in September, lending support to doves among ECB policymakers who argue more monetary stimulus is needed to guarantee price stability in the euro zone.

The slowing economy also means that consumer price inflation remains moderate, with the effect that employees have more money in their pockets to spend thanks to wage hikes of up to 6 percent.

Preliminary data from several states released yesterday showed that consumer price inflation slowed in September. It fell to 1.1 percent from 1.4 percent in the previous month in Bavaria and dropped to 1.0 percent from 1.4 percent in Saxony.

Kenyans rush to swap banknotes as cash ban looms

NAIROBI: Last week a man walked into a Nairobi car yard and paid for a luxury Mercedes with a mountain of 1,000 shilling ($10/9 euros) banknotes, desperate to offload cash that within days would be worthless. With a deadline looming before the Central Bank of Kenya bans all old edition 1,000 shilling notes, big fish with their fortunes stashed in cash are under pressure to find ways to jettison their money. A new print of the 1,000 shilling banknote, the largest denomination, was rolled out in June, with Kenyans given to September 30 to exchange their old bills at the bank or be stuck with bundles of useless cash.

The operation is aimed at flushing out dirty money being hoarded by tax evaders, crooked businessmen and criminal groups. Large deposits of the old notes, embossed with the image of Kenya's founding father Jomo Kenyatta, raise alarm bells at banks and require paperwork to prove their origin.

The central bank in June said there were roughly 218 million 1,000 shilling notes in circulation, but declined to say what proportion was being stashed as black money.

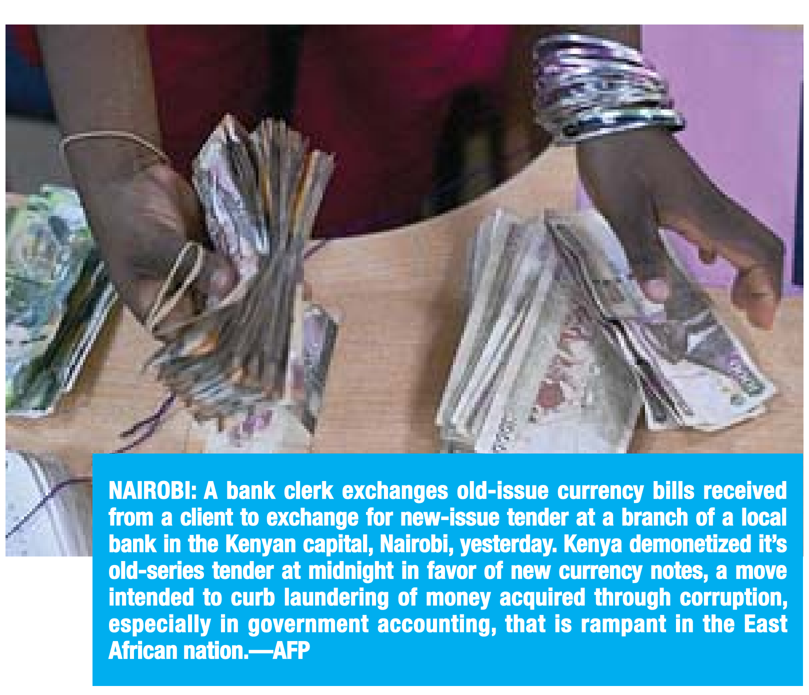
Kenyan economist Aly-Khan Satchu said devaluing these bills works by "taking its owners by surprise".

"Four months is a short period of time when you want to launder big sums of money," he said. "People who have that money will definitely try to save what they can".

Car wash

So people are getting creative, devising schemes to quickly unload small amounts of their cash while avoiding detection by the authorities. John, a car dealer in Nairobi, recalled his customer last week counting out thousands upon thousands of banknotes to purchase a luxury car worth $74,000 (67,000 euros). "People want to get rid of their old notes, but they know very well that questions will be asked if they go put the money themselves in the bank," said John, who declined to offer his real name due to the nature of his business.

"When I go to the bank to deposit money from a car sale, people ask for the papers from the sale, sometimes even copies of emails, but it never goes further." Other businesses are finding a lucrative side trade in washing 1,000 shilling notes through their tills-for a bit in return. —AFP



NAIROBI: A bank clerk exchanges old-issue currency bills received from a client to exchange for new-issue tender at a branch of a local bank in the Kenyan capital, Nairobi, yesterday. Kenya demonetized it's old-series tender at midnight in favor of new currency notes, a move intended to curb laundering of money acquired through corruption, especially in government accounting, that is rampant in the East African nation.—AFP

India infrastructure output down in August for first time since 2015

NEW DELHI: India's infrastructure output in August fell from a year earlier for the first time since April 2015, signalling the economic growth recovery in Asia's third largest economy may be slow despite a cut in the corporate tax rate and other policy measures designed to spur investment.

India's August infrastructure output fell 0.5 percent in August from a year earlier, government data showed yesterday. Infrastructure output, which comprises eight sectors such as coal, crude oil and electricity, accounts for nearly 40 percent of India's industrial output.

The contraction was mainly due to the decline in the five economic segments: coal, crude oil, natural gas, cement and electricity. "The data supports our view that the slowdown is both structural and cyclical and it has started showing up in some of the important indicators like the core sector," said N. Bhanumurthy, an economist at the government funded National Institute of Public Finance and Policy.

India's economic growth in April-June fell to a six-year low of 5 percent. Finance Minister Nirmala Sitharaman announced a slew of measures in the last month including cutting the corporate tax rate to bring it in line with other Asian peers. The government also merged 10 state-run banks into four and made an upfront capital infusion of 700 billion rupees into the state-run banks.

"I think some of the measures the government has initiated together with some of the measures Reserve Bank of India has already taken should help in reviving core sectors in the coming months," Bhanumurthy said.

RBI has cut policy rates by 110 basis points since February to spur investment and demand in the economy through cheaper loans. Economists also think the country's central bank may further cut rates in the next meeting on Oct. 4.

During April-August, infrastructure output grew 2.4 percent from the year-ago period, according to the data. —Reuters

Furthering Kuwait's eCommerce potential with Visa

By Ankush Devadason, Visa's Country Manager for Kuwait

The GCC region has taken a unique route to digital adoption and today, it is one of the fastest-growing markets for eCommerce globally. The total eCommerce market size is forecast to be worth $48.6 billion in 2022, up from $26.9 billion in 2018 . Kuwait has all the favorable factors in place (rising disposable income, growing card usage, young adult demographics, tech savvy consumer base and high internet and smartphone penetration) to further its eCommerce potential.

Ankush Devadason - Kuwait Country Manager - Visa

Consumer experience is key

To capture the eCommerce opportunity that lies ahead, both online retailers and traditional retailers alike in Kuwait should focus on enhancing the consumer experience. And the first step in this process is understanding consumers' evolving expectations and how they can be met.

Visa's 'Stay Secure' study in partnership with the Kuwait Banking Association (KBA) highlighted that Kuwaiti consumers are increasingly comfortable paying and transacting with cards overall (in-store and online), with 92% of respondents finding cards more secure than cash. Among online shoppers, 73% prefer to pay by card driven by factors such as security (77%), budget management (66%), and availability (60%).

So, within this context, two facets about the Kuwaiti consumer's online behavior become apparent. One is the increased penetration and usage of digital payments for online transactions, demonstrating that convenience is a key consideration for the consumer when shopping. The other is that security features as a vital component in the consumer's shopping experience.

Catering to consumers' expectations for increased security and convenience

As consumers increasingly shop online or in-store using their mobile phones, the need for a seamless and secure digital payment experience becomes crucial. And this is where Visa's tokenization technology comes handy. A key enabler for mobile wallets such as Apple Pay, Samsung Pay, and Google Pay, Visa Token Service replaces sensitive account information, such as the 16-digit account number, with a unique digital identifier called a token. The token allows payments to be processed without exposing actual account details that could potentially be compromised.

Tokenization also provides online retailers with an innovative and secure way of handling payments. Visa's tokenisation technology therefore creates a win-win situation for both merchants and consumers by empowering frictionless payments in digital commerce environments.

Like security, online shoppers' expectations related to convenience can be tackled effectively if retailers were to offer card payment option (mobile POS) upon product delivery. This could help with converting Cash on Delivery (COD) customers into digital payers. The survey indicates that 95% of those customers preferring COD would pay by card if a mobile POS machine was available upon delivery.

Another approach is Three-Domain (3-D) Secure, Visa's messaging protocol that gives merchants and issuers a way to authenticate cardholders for eCommerce transactions prior to authorization. The protocol was recently updated to address industry concerns over user friction. Now referred to as 3-D Secure 2.0 (3DS 2.0), the new protocol promotes greater data exchange between stakeholders to collaboratively manage fraud and maximize authenticated transactions.

With this risk-based authentication, issuers can take a more selective or segmented approach and instead of requiring all online transactions to be actively authenticated. Irrespective of their characteristics, banks can identify the small proportion that look in any way suspicious. With such a small proportion of transactions deemed to be higher risk, the bank can invoke a strong and appropriate authentication method - this could include dynamic passwords, the type of challenge questions used in their existing online banking solutions, or one-time-passwords delivered via SMS text messages. Risk-based authentication offers tangible benefits to all parties involved and for a for a consumer especially – the speed, simplicity and convenience of the checkout process is improved – which translates to a better consumer experience. For higher risk transactions, a step-up authentication is invoked – which can bring a sense of reassurance to more cautious online shoppers.

The exciting eCommerce opportunity

Kuwait consumers are increasingly seeking seamless and secure online shopping experiences. Today, an increasing number of Kuwaitis and expatriates in-country are shopping online, driving the expansion of the eCommerce market, which has grown almost 30% over the last three years and is estimated to rise to almost $1.1bn by next year . So, Visa will continue to support an enhanced customer experience with security as its cornerstone in order to help fully harness Kuwait's eCommerce potential and accelerate the country's digitization efforts.