

## **What Happens Next – Sunday March 7, 2021**

### **Thomas Edison, MeToo, Bonfire of the Vanities, and Consumer Behavior**

**Leslie Ghize and Michael Duda**

Todd Benson:

This is Todd Benson. So, my first question for the two of you, and you've been terrific, turf divorce at 78 RPM, it's what do you think the impact of the new stimulus checks is going to be? And where do you think that is going to get spent and how much of it is going to be spent on products and things, versus experiences, versus saved? And how's that all thinking to your thinking?

Leslie Ghize:

Being connected to the retail industry directly, we definitely see a spike in sales when the checks come out. So, we know that people are waiting for the checks to do some shopping that they want to do or have to do. So, in terms of shopping, it definitely indicates a spike. A younger generation, in my opinion, is doing more saving than older generations used to do. I think that'll be interesting. And I think we've seen recently the younger generation also getting the investing bug and maybe start trying to turn their money into money. So those would be my quick takeaways on that.

Todd Benson:

Like GameStop, a prior topic of Larry's show.

so, one area that neither of you sort of touched on, but is a big area in terms of value and in terms of products and things like that, has been all around financial services. And if you've thought about things like PayPal having a bigger market cap than not only Goldman or Citi, but Goldman and Citi put together. I'm curious about all the innovation there and Robinhood being one example, you just sort of touched on it, but if there are other things in that space that are interesting to watch?

Michael Duda:

We're not a nation of savers, jumping off where people are spending their stimulus checks— Bob's Discount Furniture sells more couches right after people get their refunds back from the IRS. So that's going to continue. And when we're so flush with capital, because more money in the private markets than ever, the stock market is going up, it's just people aren't saving on that side of it. Now, when we've looked at it from an investment perspective, I mean, Robinhood just filed their IPO, whereas we're going to see more use cases that, because of Reddit and GameStop, it could become more like the official bar bet, is the way people are going to save the future. Sports betting, if that becomes actually more prevalent on a state-by-state basis, that's going to be more.

So I'd love to say it's something like this, could be a new credit card that comes out or people learn to save, but consumers are going to keep being the irrational beasts they are, from what we see.

Todd Benson:

What's your guys' sense of basically when people are going back to work? Meaning, when's people going back in the office, no more hide and seek?

Leslie Ghize:

I have a very contrary opinion to most people on that.

I don't understand the, "we're never going to go back to work full time." I don't understand the, "we're going to go only a couple of days a week." I think that maybe that's how it starts, but it's like an AB weekend in a share house. Like what if there's a friend on the other weekend? Do you never get to see them? What if there's someone you have to work with on the other day? I think what will happen is that people will eventually, like what used to be a 40-hour work week, or supposed to be a 40-hour work week before this, was always a 60-hour work week. I think that it'll just creep. There'll be creeps and it'll creep back. It'll be all herky jerky when it starts, but then I think it just creeps back to regular. I mean, there might be flexibility and options of the platforms and the ways that people work. But I think we got to get back to work. And my big question is, if we don't, what is everybody doing?

Todd Benson:

Mike, would you agree with that?

Michael Duda:

I'm a fellow contrarian, along with Leslie. I think the tech firms got out ahead of it saying like, "Oh, we're going to be working from home until like 2022 or permanent." And those are places that you have a lot of engineers who put on headphones and who don't talk to people on a daily basis. Humans are a very social species; we want to be together. We want to go to a Kansas City Chiefs game and hug somebody next to us after Mahomes throws a touchdown. And then work, that's going to be the same thing. There's a lot of businesses that require some human capital. Now will it be five out of five days a week? Will business travel go the same way? No, but we're looking at 90 million vaccinations distributed so far, we're looking for an opening up. People have returned to the office, absolutely. It doesn't have to be the way it was before, but it's just people look for absolute. So, the whole work from home, I sense we're going to have a narrative shift come actually in the next 60 days.

Leslie Ghize:

I also think that people are going to go old school with entertaining and traveling and trade

events. I have this weird hunch that people are going to be like, "You know what? I'd love to take a client out to dinner again. I'd love to go to a trade show and go on a boondoggle." I think people are going to want to do that again and I think it's going to make business boom.

Todd Benson:

So if you look at the stock market, you'd see you've got a Home Depot, stock price up and Wayfair and Restoration Hardware and all those because we've invested in homes. And even things like Lululemon because of athleisure, and living in my sweats. Your view, basically, you'd be buying men's dress shoes.

Leslie Ghize:

I would not be buying men's dress shoes. Once you get comfortable, you're not going to get uncomfortable. I mean, I do not think that people are going to be getting formally dressed. I think people are going to have style and personal style and they're going to express themselves and they're going to look great and they're going to want to buy clothes again. But I think it's like you have to put the brownie in the broccoli, like no waistband that doesn't have a little stretch in, it is going to be useful to anybody. No shoe that doesn't have some comfort built into it, is going to be useful to anybody.

Michael Duda:

But I do, I think it's splitting hairs here, but anything that you wouldn't Instagram about in 2020, will become they're prolific coming up. So, denim sales were way down last year, whereas the Mack Weldon, the Lululemon weren't. If you don't go out, people aren't showcasing them on some in some way, shape or form should perform. So as social bees, we think there's going to be an uptick in nicer men's apparel in that side of it. Guess what we're learning, is the destruction of used to be is well underway on that side of it. So, what luxury looks like is going to change, and that could be by experiences more than apparel, but I think apparel will go up in the non-sweatpants category overall, but it's just looking good, but with compromise. So, I think Leslie's point is way under the gun.

Leslie Ghize:

I agree totally. It's going to be style, but it's going to be a lot of technology built in to make it comfortable and make all sorts of products do double duty. I think it's going to be all about ingenuity in terms of how you construct things and how you make them look amazing, but feel great.

Larry Bernstein:

I've got a question for Michael. Michael, you mentioned the benefit of immediacy as part of the consumer experience. The example you gave was, I can't wait for my doctor for the answer, I'll go grab the WebMD or go to Zocdoc. I want my answer now. And when I look at the success of

Amazon and the two-day delivery and the amazing improvements in logistics of e-commerce, what's the best way to profit from this consumer desire for immediacy?

Michael Duda:

The best way to do it, is just to know whatever corner of the universe you're attacking to fill that consumer need, it's just like what's being done now, how can I do it better than everybody else and go towards it. Listen, we love Amazon, I think it is 40 to 45% of all e-commerce, but we are going to see a new era of customization and personalization. Function of Beauty is one of our companies, 54 trillion combinations of shampoo and conditioner. Guess what? Delivered to your door in four or five days. You know what's going to help that business? They're going into Target.

So, e-commerce is not going to kill retail altogether. E-commerce has killed bad retail. So, you're going to see companies like Walmart and CVS are doing interesting things to embrace startup DTC brands that we hadn't seen in the past five or six years, that Target got a lot of credit for. So, part of it is this old school game. If I run out of something, I want to be able to go to the store and get it, but it's got to be customized to give me options. And so many times we looked at such absolute, DTC, direct to consumer as one channel in economics. Successful brands will have multiple areas that serve that customer, where they need to be served.

Larry Bernstein:

Can you expand on the direct-to-consumer movement? Amazon now offers certain companies to effectively advertise on the Amazon platform about themselves. And I think in the long run, firms had only an indirect relationship with their consumer. As you mentioned, like Gillette before Michael, Gillette really doesn't, I've been a Gillette user now for 30 or 40 years, though I've never had a direct relationship with Procter and Gamble. How can Gillette benefit by finding a method of having a direct relationship? How can they boost sales, learn more quickly and make that product cycle so much faster?

Michael Duda:

Do something with a product cycle. It's interesting about Gillette, Gillette, I'll say that it is the best shave you can get from the technological basis. They spend tons of money in research. Like Harry's is a great shave at a fair price. But you have to understand what role do you play in life? I run out of razors, I want them right away. So direct to consumer on one hand, be fulfillment versus acquisition, or it could offer up something like new. And take page from Supreme or Fashion World, do a special drop, do a new eight blade, "the ocho from Gillette to a thousand people that most embody how a man can get to be their best on that side of it." Make it something newsworthy, remarkable on that side of it. But not everything was meant to be just purely DTC.

But it's tough for P & G who served their customers, who've been the Albertsons, the Walmarts and the Amazons for years, now to do direct to consumer is a different kind of muscle. To be honest with you, there's a lot of under marketing groups, like African-Americans, who haven't been directly advertised to, and they bought a company Walker and Co, so they could be doing something to very targeted audience as well too.