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Bed Bath & Beyond Bankruptcy: Chapter 11 and the Fall of Brick and Mortar Stores

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Linens, death, bankruptcy. These terms do not seem to go together, but they all play a role in Bed Bath & Beyond's continuing demise. The company began shutting down brick and mortar locations since October of 2019, with the final goal of shutting down twenty-one percent of its stores, amounting to around 200 storefronts.¹

Bed Bath & Beyond is Fortune 500 company known for its wide assortment of home goods in stores across the United States, Canada, and Mexico. The company is traded on the NASDAQ (ticker BBBY) and owns buybuy BABY and Harmon – both of which are home goods stores similar to the flagship company.² The company competes with Walmart, Target, Ikea, and similar stores. However, as with most brick and mortar companies, the chain is faced with the challenges of an ever-increasing online marketplace.

After completing the scheduled closings, Bed Bath & Beyond was still in financial straits. In August 2022 the company announced its turnaround plan, which included reducing an additional twenty percent of its workforce across the nation, closing an additional 150 stores, and issuing new shares of common stock.³

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¹ Kelly Tyko, *Bed Bath & Beyond Announces Plans to Permanently Close 200 Stores over Next Two Years*, USA TODAY (July 8, 2020), <https://www.usatoday.com/story/money/2020/07/08/bed-bath-beyond-store-closures-coronavirus-impact/5401627002/>.

² *Investor Overview*, BED BATH & BEYOND (May 28, 2022), <https://bedbathandbeyond.gcs-web.com/>.

³ *Bed Bath & Beyond Stock Craters After Announcing Layoffs, Store Closures*, ASSOCIATED PRESS, (Aug. 21, 2022), <https://nypost.com/2022/08/31/bed-bath-beyond-unveils-restructuring-shares-tumble/>.

Around the time of the August turnaround plan announcement, many of Bed Bath & Beyond's officers were sued in federal district court for being involved in a pump and dump scheme with Chief Financial Officer Gustavo Arnal as a named party.⁴ Tragically, in September 2022, between the company's financial demise and the looming lawsuit, Arnal committed suicide. This drew more attention to the already tumultuous company.⁵

Personnel changes abounded prior to Arnal's death. One key change was the removal of Mark Tritton. Tritton served as Chief Executive Officer (CEO) from November 2019 to June of 2022 as sales continued to decline, his strategy of focusing on store brands instead of nationally recognized brands proved ineffective. Tritton served at Target for years, where his focus on launching store brands revitalized the chain.⁶

In June 2022 Sue Gove was appointed interim CEO and was soon named full-time CEO.⁷ Gove has years of prior experience in retail and hopes to turn the company around.⁸ But after a disappointing Q4, the time when holiday sales could have relieved the debt-ridden company, Bed Bath & Beyond "is facing an existential crisis for its survival."⁹

Murmurings of Chapter 11 bankruptcy were introduced in the dawning days of 2023, as the company failed to timely file Q3 reports with the SEC.¹⁰ Chapter 11 allows a debtor to remain in control of the property while a debt repayment plan is agreed upon by the parties. While bankruptcies are a common occurrence in our commercial society (434,540 in 2021), relatively few of them (5,622) are Chapter 11 bankruptcies.¹¹

If Bed Bath & Beyond continues down the projected path of bankruptcy, it will be interesting to see how swiftly the company moves through its bankruptcy

⁴ Si v. Bed Bath & Beyond Corp., 22-cv-02541 (D.D.C., Aug. 23, 2022).

⁵ Jesse O'Neill, *Bed Bath & Beyond's Gustavo Arnal Was Considering Taking Break from Work Before Suicide: Report*, NY POST (Sept. 7, 2022), <https://nypost.com/2022/09/07/bed-bath-beyond-cfo-gustavo-arnal-was-overwhelmed-before-suicide/>.

⁶ Lisa Fickenscher, *Bed Bath & Beyond CEO Is Pushed out as Sales Plummet*, NY POST (June 29, 2022), <https://nypost.com/2022/06/29/bed-bath-beyond-ceo-mark-tritton-ousted-as-sales-plummet/>.

⁷ Melissa Repko, *Bed Bath & Beyond Appoints Interim CEO Sue Gove to the Position Permanently*, CNBC (Oct. 26, 2022), <https://www.cnbc.com/2022/10/26/bed-bath-beyond-appoints-interim-ceo-sue-gove-to-the-position-permanently.html>.

⁸ *Id.*

⁹ SC 13G for BBBY, filed July 21, 2022, <https://www.sec.gov/edgar/search/#/q=bbby>.

¹⁰ Joe Toppe, *Bed Bath & Beyond Bankruptcy Could Happen 'This Month'*, FOX BUS. (Jan. 6, 2023), <https://www.foxbusiness.com/markets/bed-bath-beyond-bankruptcy-could-happen-this-month>.

¹¹ *Bankruptcy Filings Continue to Fall Sharply*, U.S. COURTS (Nov. 8, 2021), <https://www.uscourts.gov/news/2021/11/08/bankruptcy-filings-continue-fall-sharply>.

proceedings. With the company knowing it has been facing insolvency for quite some time, it is possible that Bed Bath & Beyond has been in communication with its creditors, attempting a pre-packaged bankruptcy. A bankruptcy of this size would take considerable judicial resources. In an economy that rewards risk, corporate bankruptcies offer us a chance to consider how much value we place on protecting the entrepreneurial spirit versus letting the free market eliminate companies that cannot meet all their obligations.