



WISCONSIN RETAIL CONFERENCE

APRIL 2, 2019

POTAWATOMI HOTEL & CASINO

INSIGHTS | INFORMATION | NETWORKING | KNOWLEDGE

U.S. RETAIL IN THE “Post-Department Store Era”

April 2, 2019

Nick A. Egelanian
Founder & President



e-Commerce: The Elephant In The Room

THE WALL STREET JOURNAL.

June, 2016

“Internet America”

“SOMEHOW, OVER THE course of the past 15 years or so, our collective attitude toward shopping-or at least toward the idea of it-seems to have shifted from delight to LOATHING...
INTERNET shopping is about sheer convenience: the **INTERNET** has done to stores what videos could do to movie theaters.”

e-Commerce: The Elephant In The Room

THE WALL STREET JOURNAL.

January, 2012

Shopping at Home: “Convenience & Price Lure More
Customers to Buy From The Internet”

“There’s a consumer REVOLT taking place. Highways are cluttered and many stores don’t have adequate service. So, many shoppers are swearing off self-service shopping and turning to the **INTERNET** for the ultimate in shopping convenience”

PART ONE: U.S. RETAIL EVOLUTION



From Downtown Shopping



To The Department Store Era And 3,000 American Regional Malls



Killed By...

JCPenney

Sears

NORDSTROM

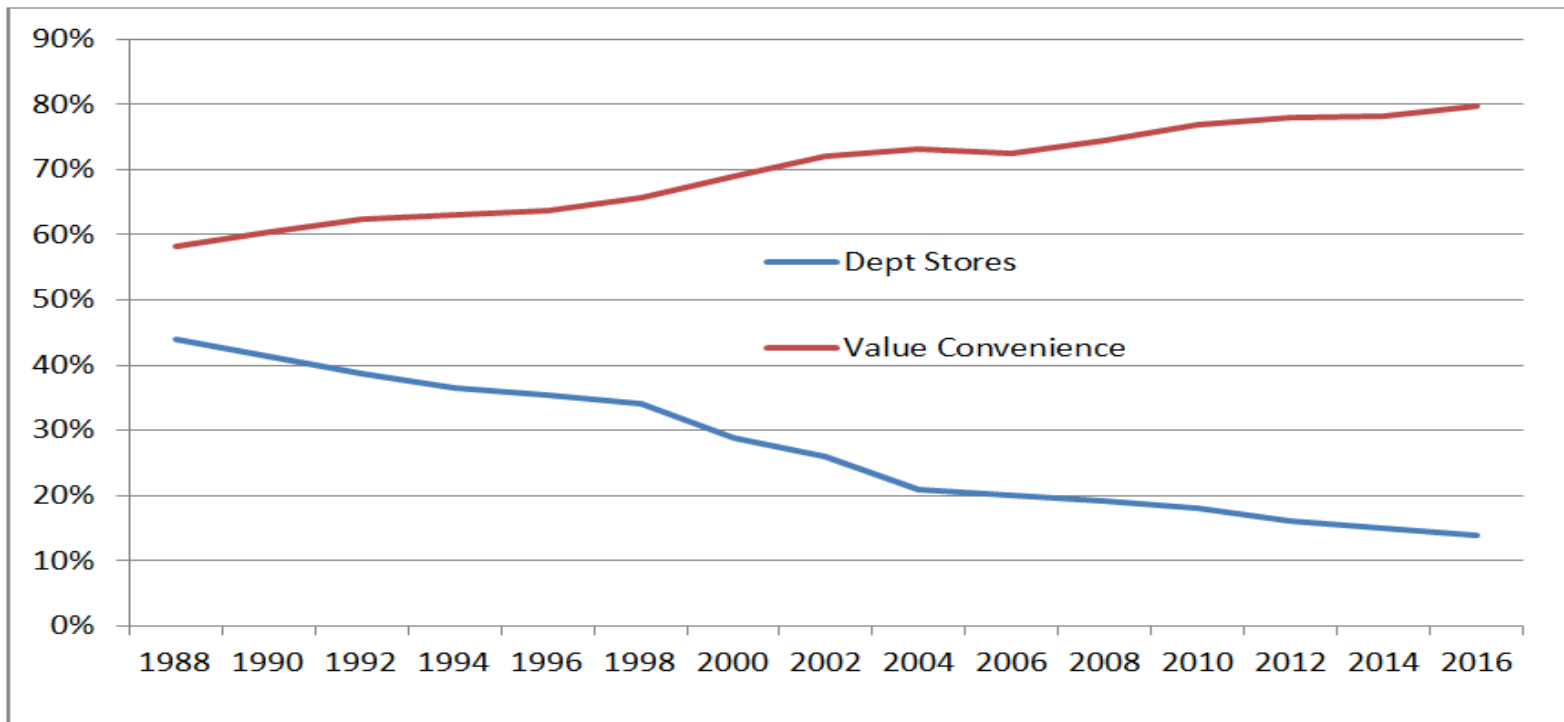
Department Store Deconstruction And "Big Box" Retail



COMMODITY RETAIL



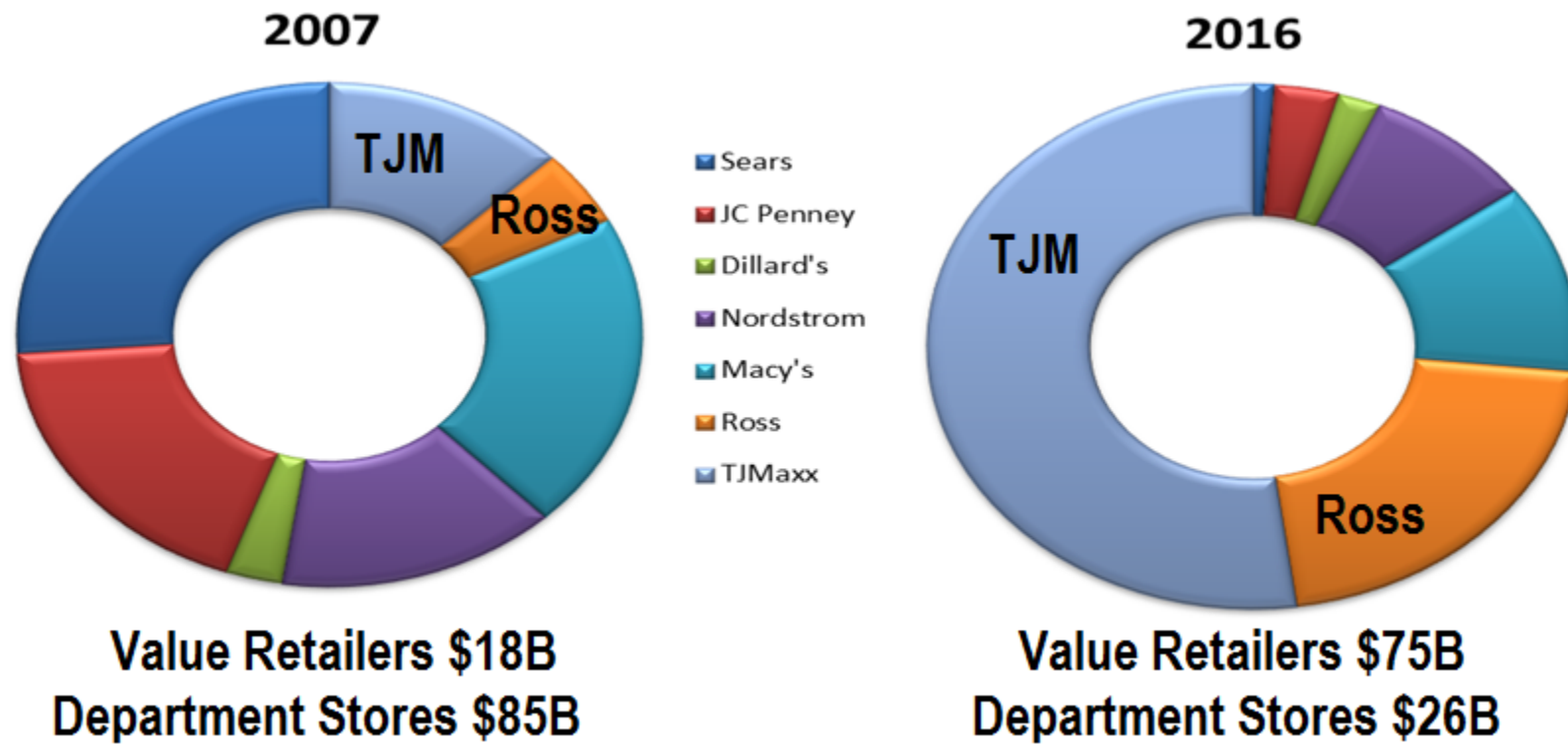
The Resulting Market Share: "Big Box" Retailers Vs. Department Stores



Source: US Census Bureau



Commodity Retailers Vs. Department Store Market Cap (\$B)



PART TWO: 21st CENTURY U.S. RETAIL ALIGNMENT



21st Century Retail Alignment

Two SEPARATE Retail Industries

85%

**COMMODITY
RETAIL**

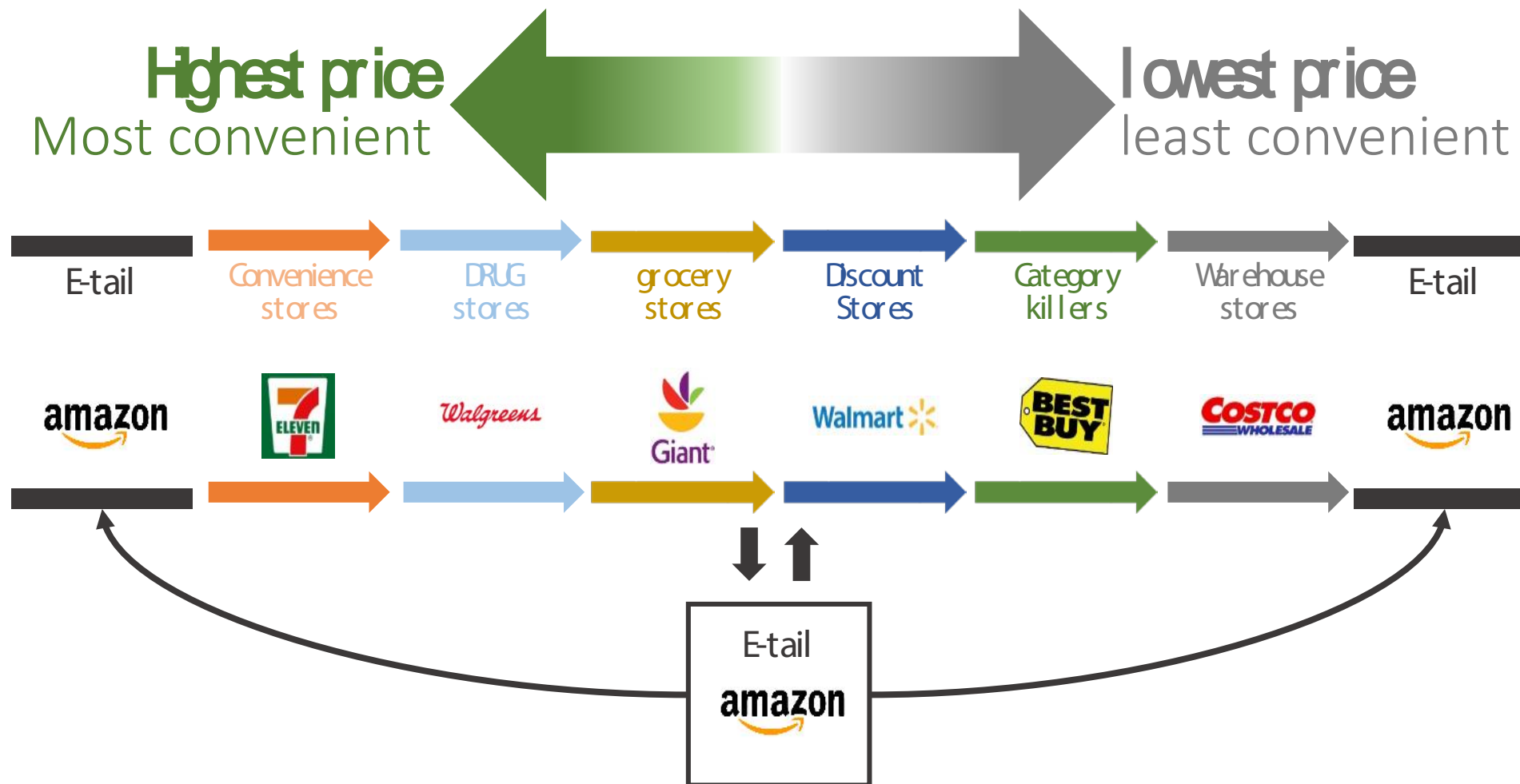
PRIMARY
HH INCOME
AND PURCHASES

**SPECIALTY
RETAIL**

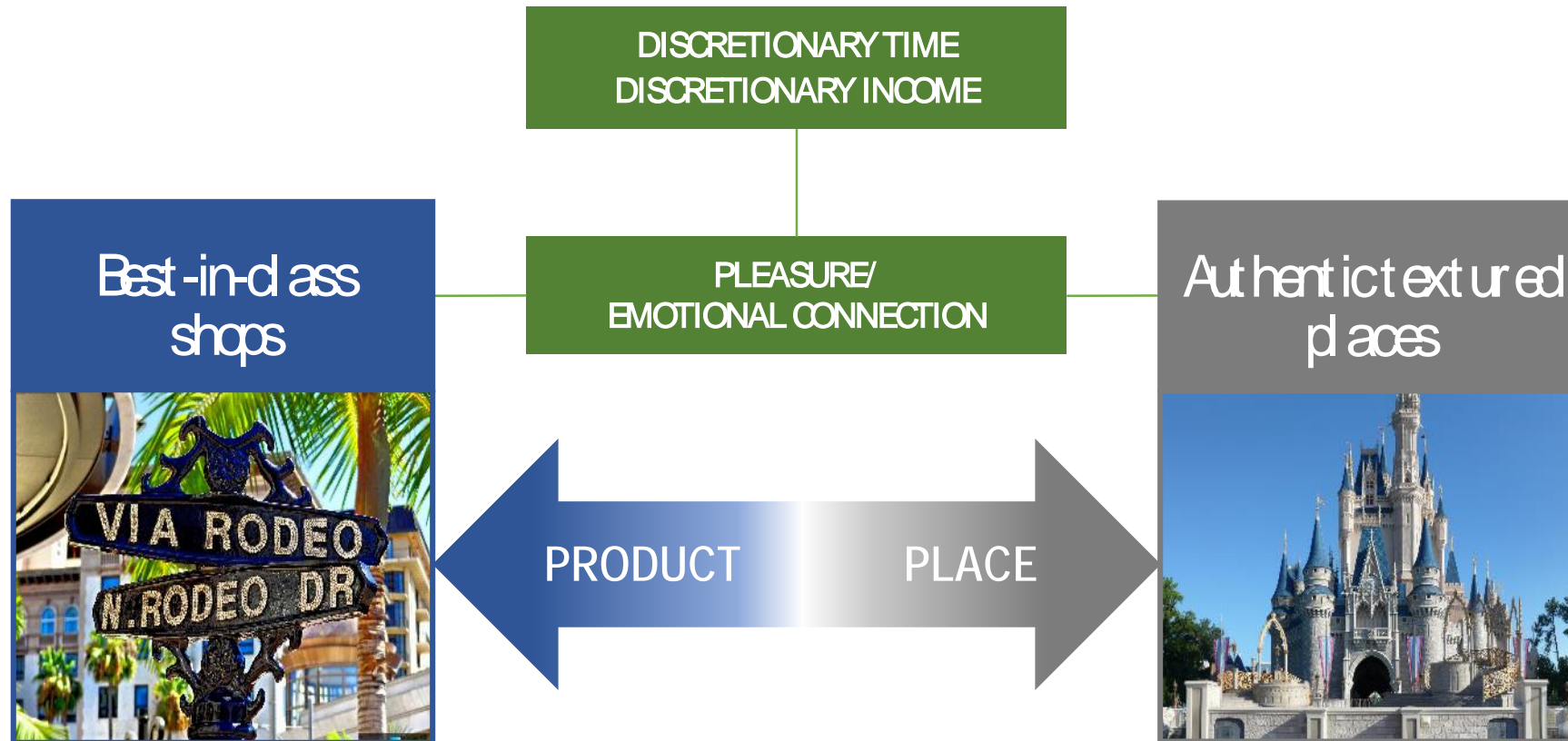
15%

DISCRETIONARY
TIME AND
PURCHASES

COMMODITY RETAIL: PRICE Vs. CONVENIENCE EQUATION



SPECIALTY RETAIL: PLEASURE/EMOTIONAL CONNECTION



SPECIALTY RETAIL FORMATS

TRADITIONAL MALLS



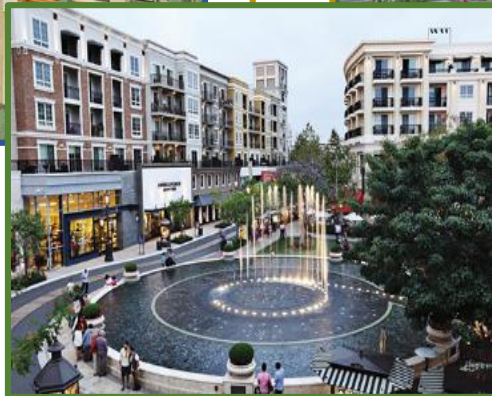
OUTLET CENTERS



THEMED CENTERS & ATTRACTIONS



MIXED USE & OPEN AIR CENTERS



HIGH STREETS



PART THREE: E-COMMERCE & AMAZON



OnlineShop



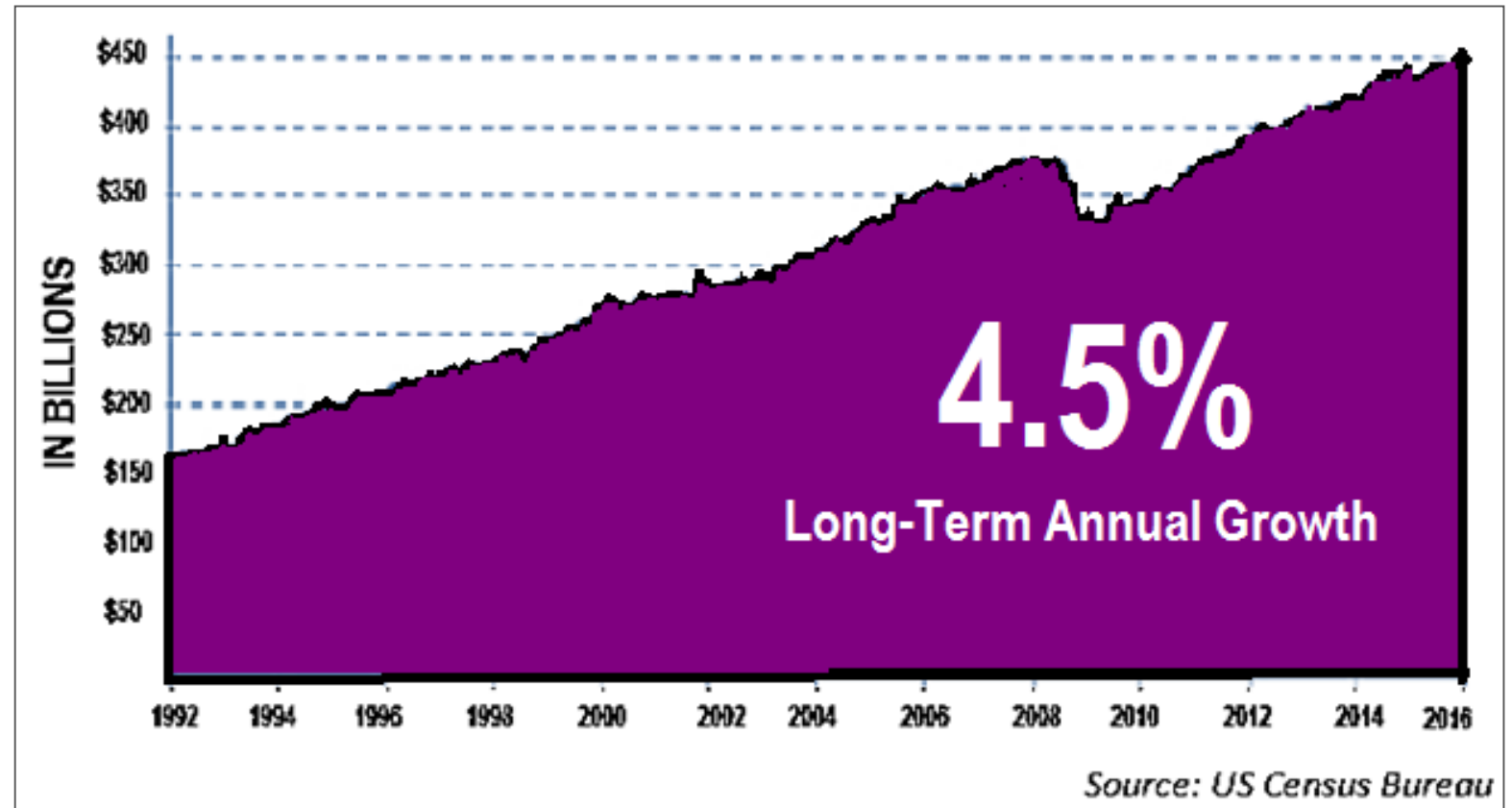
OnlineShop



OnlineShop

U.S. Retail Sales Growth Rate

**ANNUAL
U.S. RETAIL
SALES:
\$5.15
TRILLION**



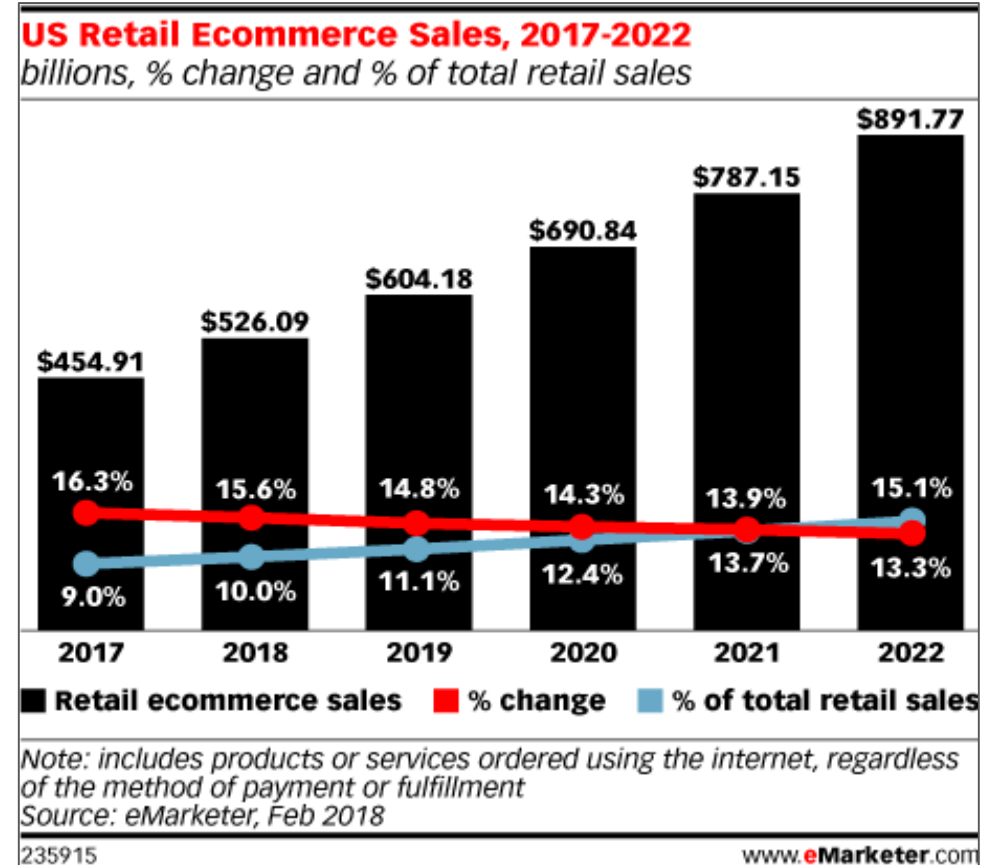
eCommerce Share of U.S. Retail: As of 2nd Quarter 2018 – 9.7%

U.S. E-COMMERCE FACTS

eCommerce Represented
9.7% Of U.S. Retail
Sales As Of Q3 2018

U.S. eCommerce Sales Are
Estimated To Have Grown By
15.6% In 2018 To \$525 Billion

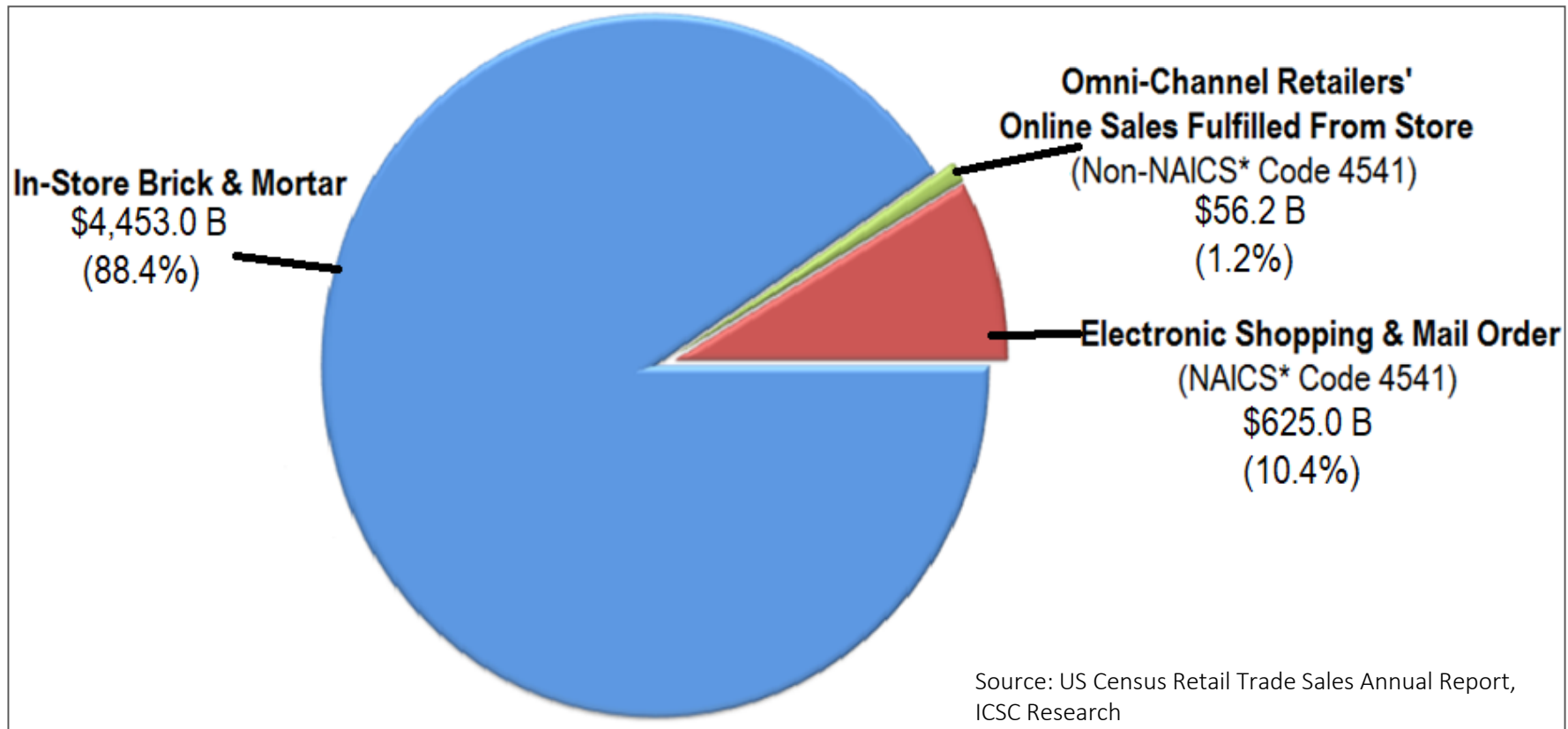
Amazon Accounts
For Approximately WHAT %
of U.S Retail Sales?



RETAIL SALES DISTRIBUTION (Part 1)

2017 Sales and Percent of Total Retail Sales

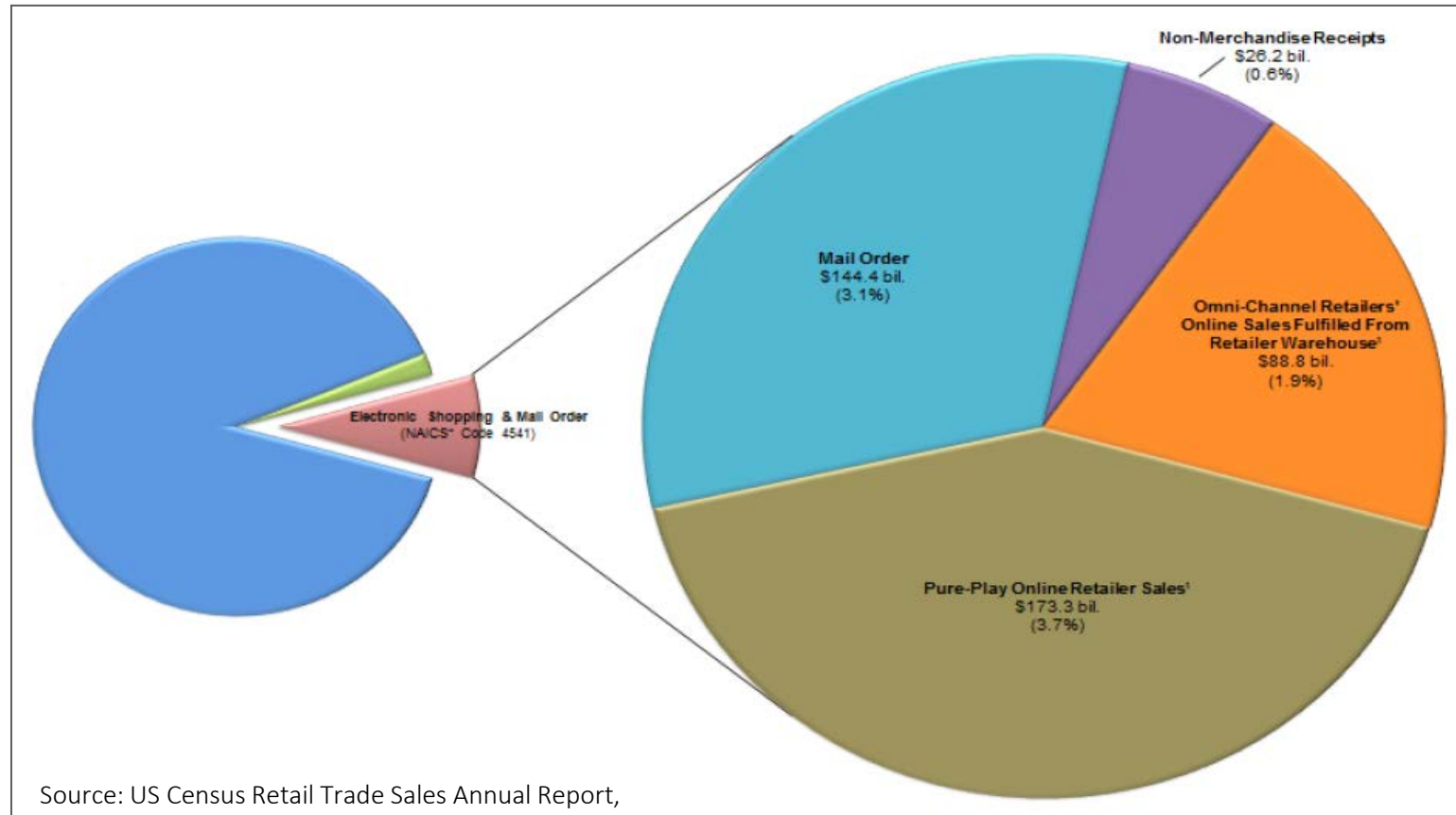
Total Retail Sales – 2017 \$5,134.2 Billion



RETAIL SALES DISTRIBUTION (Part 2)

2017 Sales and Percent of Total Retail Sales

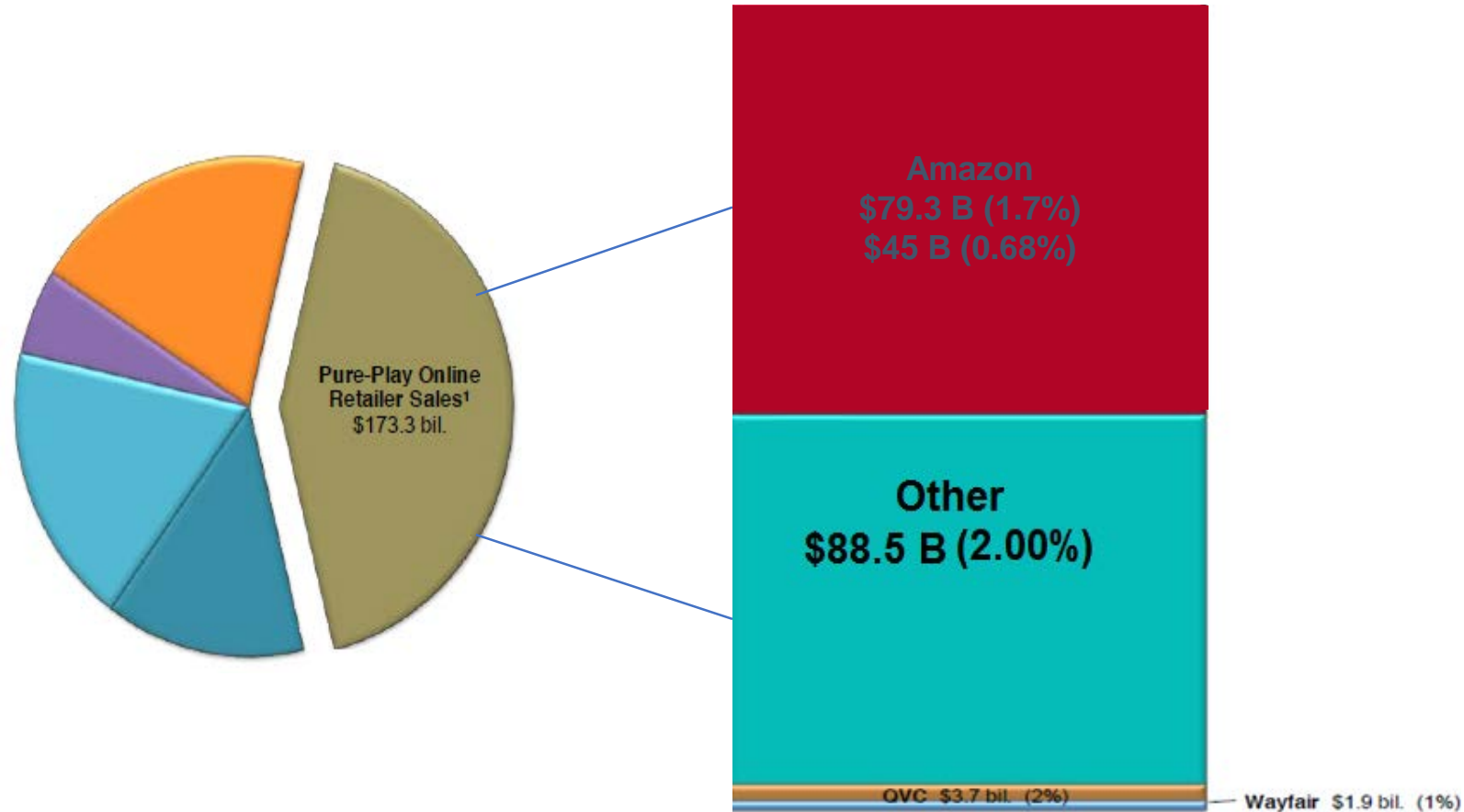
Electronic Shopping & Mail Order (NAICS* Code 4541)



Source: US Census Retail Trade Sales Annual Report,
ICSC Research

RETAIL SALES DISTRIBUTION (Part 3)

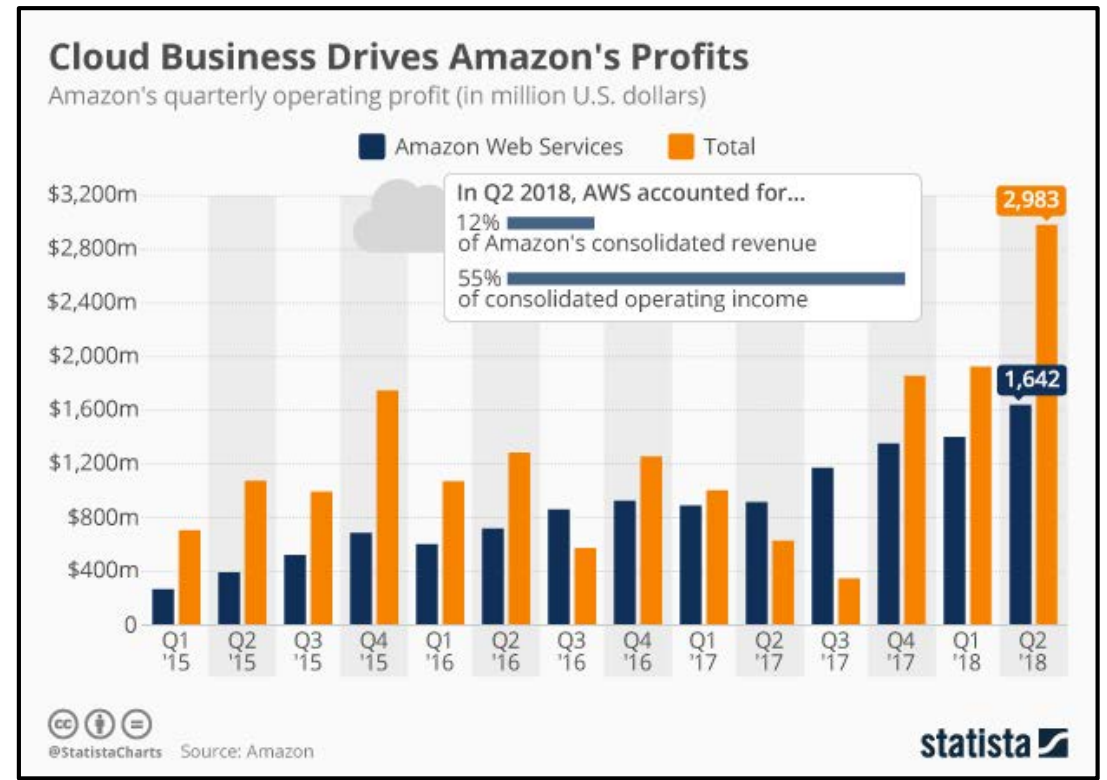
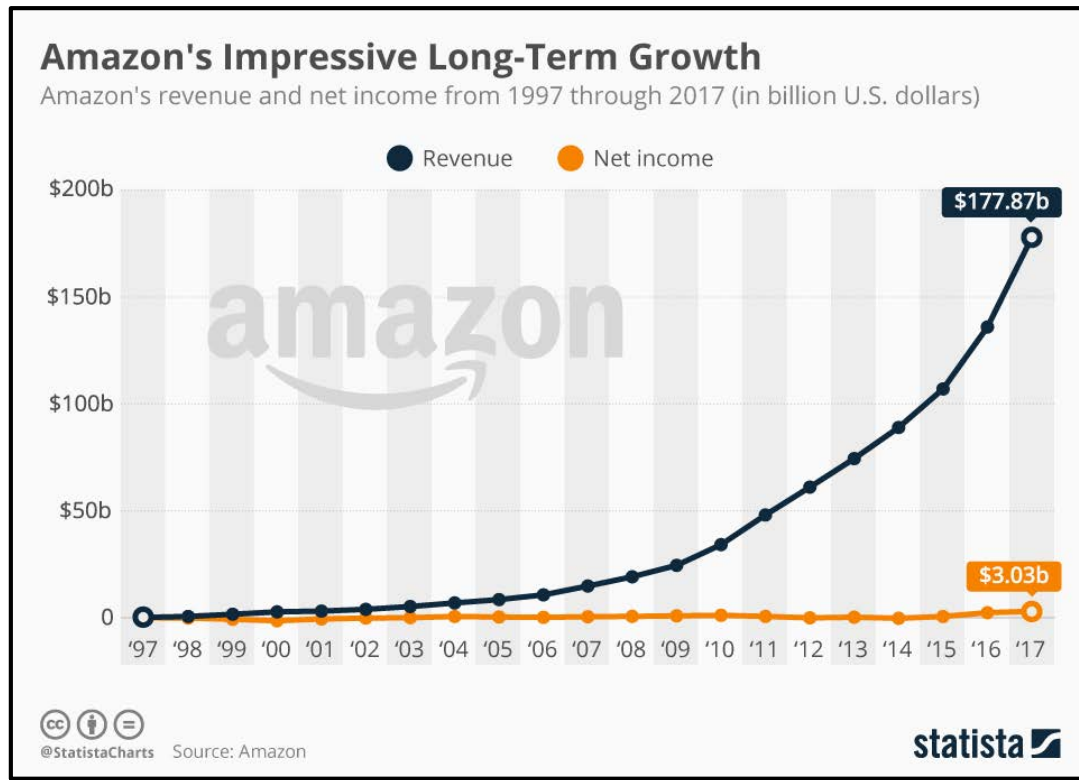
2017 Pure –Play online retailer sales and percent of total Pure-Play E-Commerce Sales



Source: national retail federation top 100 retailers chart, 2018,
euromonitor

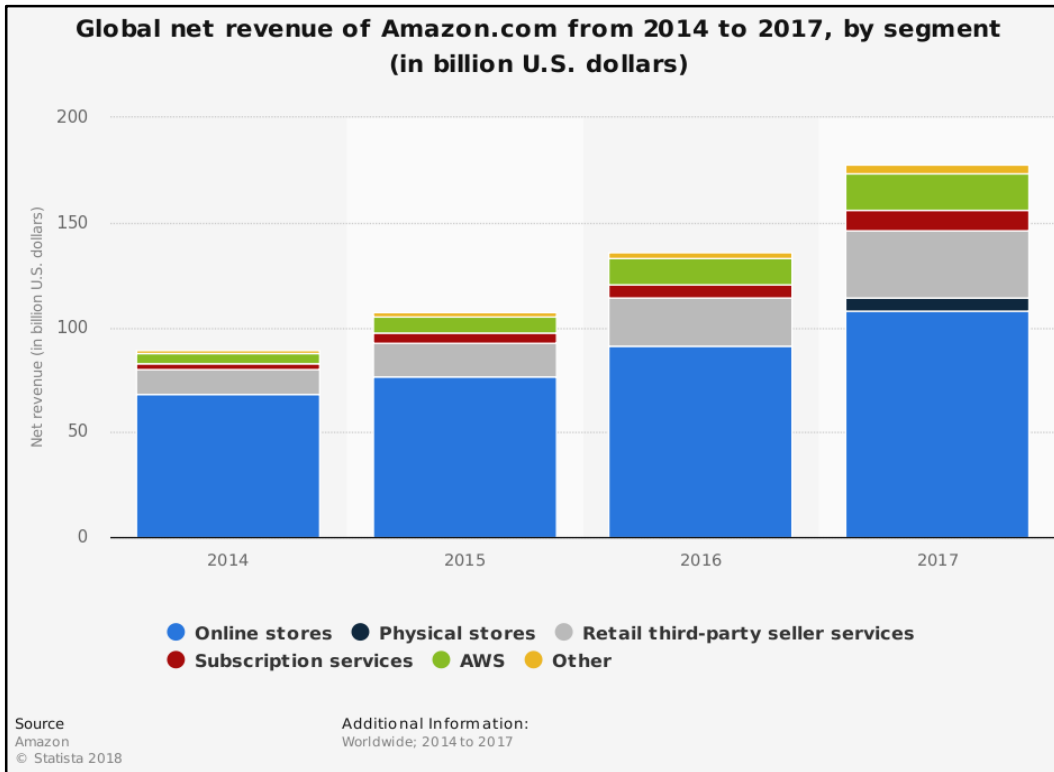
Is E-Commerce Profitable?

Amazon Retail Sales Vs. Overall Sales & Segment Profit



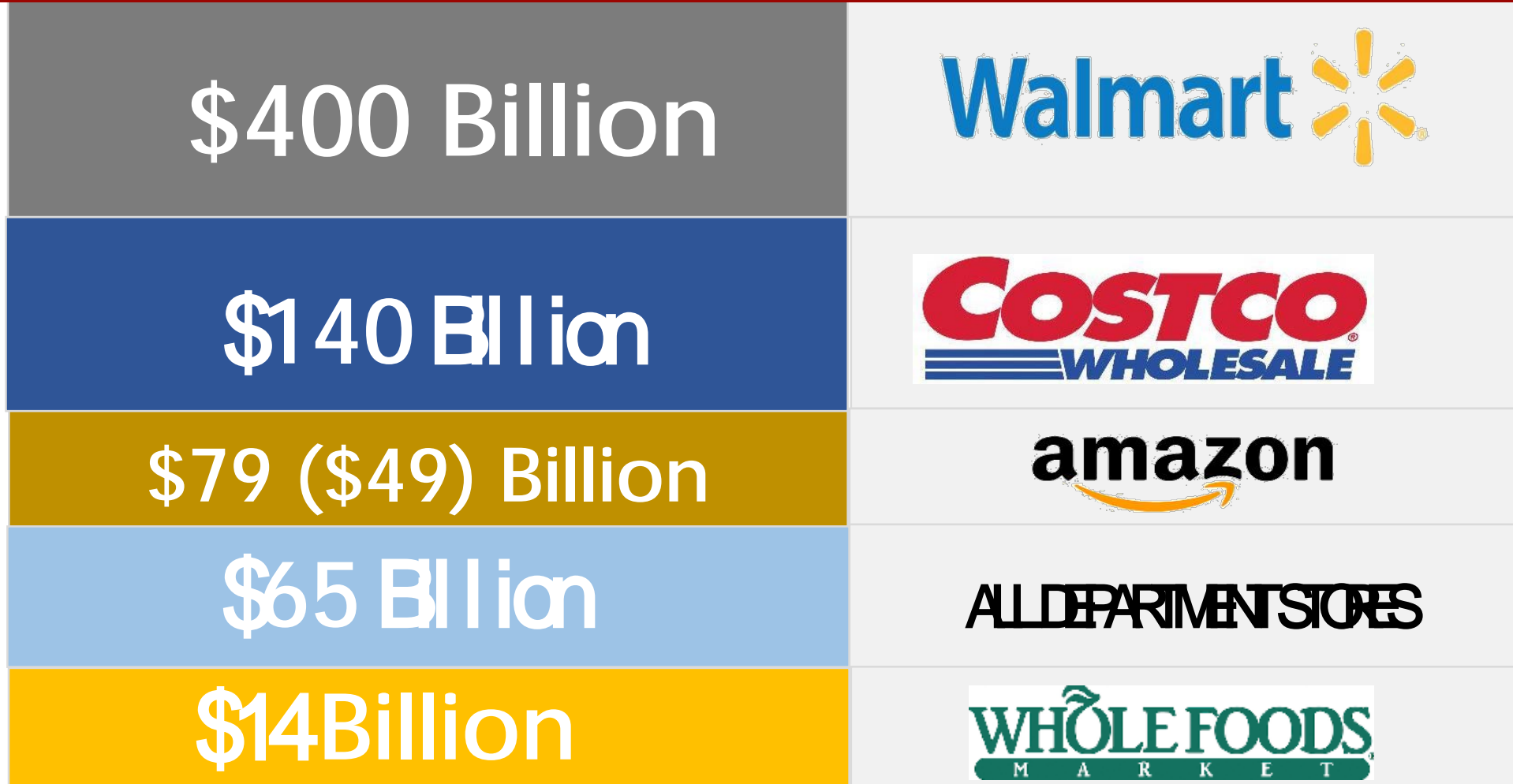
Is E-Commerce Profitable?

Amazon Retail Sales Vs. Shipping Costs



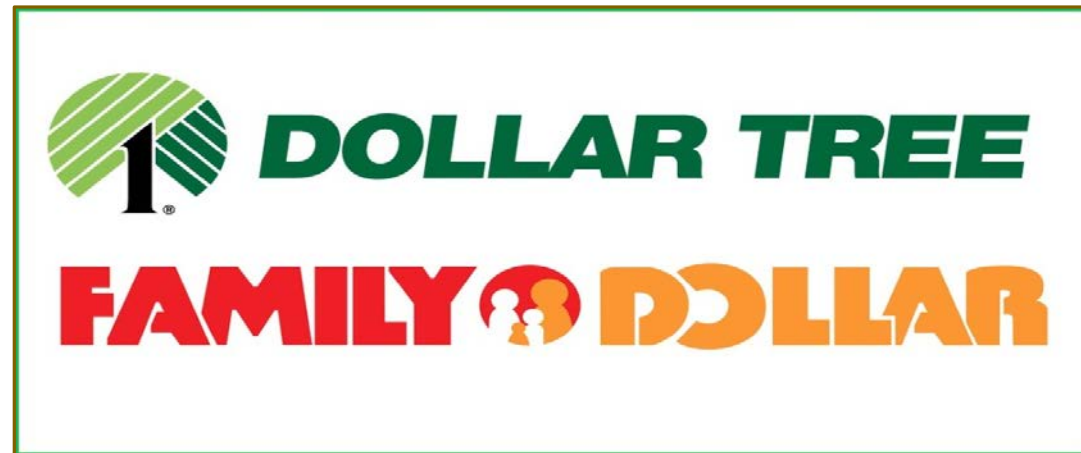
**Estimated 2018
AMAZON
SHIPPING COSTS
\$29.5 Billion**

Annual U.S. Retail Sales as of January, 2018



Which U.S. Retailers Are Opening the Most Stores Annually

DOLLAR GENERAL®



PART FOUR: AMAZON'S WHOLE FOODS ACQUISITION

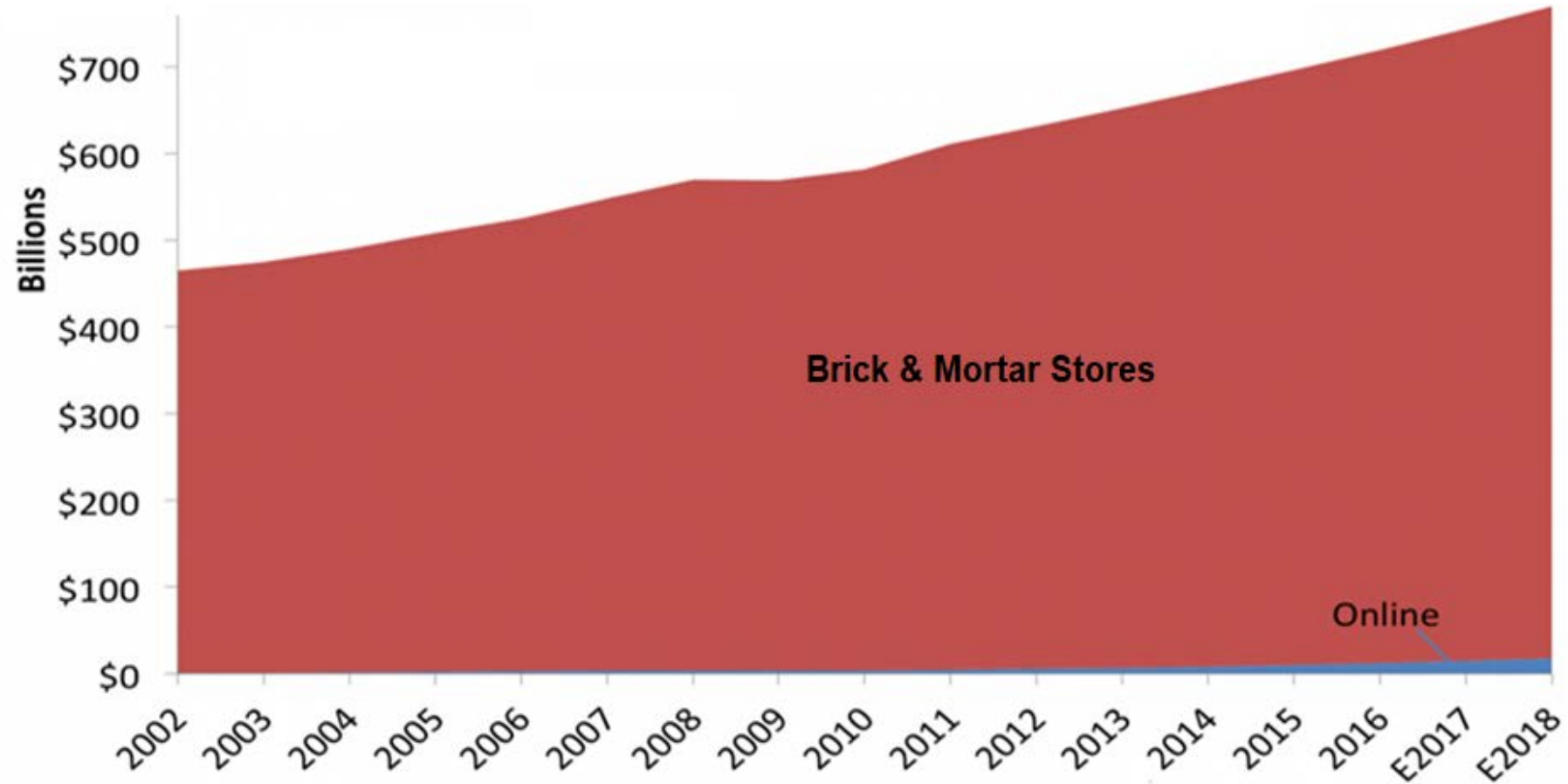


amazon



WHOLE FOODS
MARKET

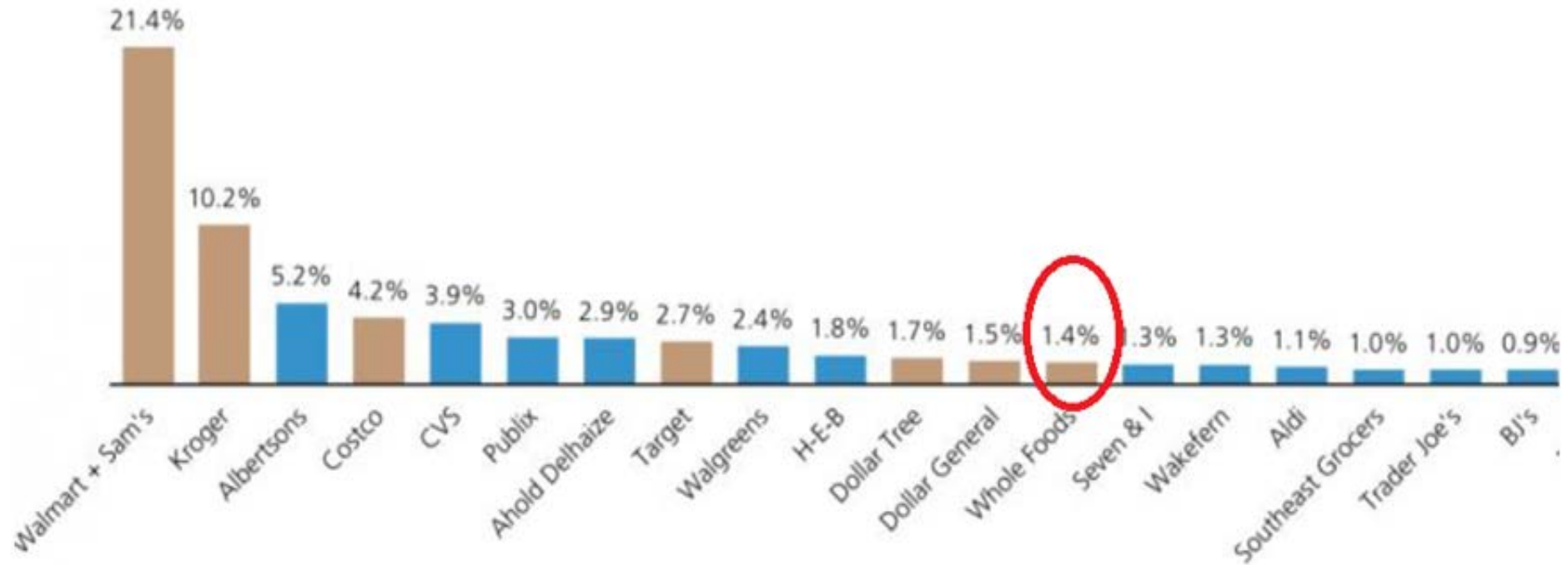
2017 Annual U.S. Grocery Sales



Source: BI Intelligence



2017 U.S. Food Retail Market Share



2017 Market Share: Amazon VS Largest Food Retailers



Uphill Climb

Amazon is looking to be a bigger player in the highly competitive grocery business.

U.S. sales of top food and beverage retailers



Source: Cowen and Company
km

THE WALL STREET JOURNAL.

Merger Reaction – PART 1

Stock Market Reaction to Amazon's Purchase of Whole Foods Market Inc.



Source: Google Finance. @latimesgraphics

Merger Reaction – PART 2



Merger Postscript: AMAZON GROCERY STORES

THE WALL STREET JOURNAL

Amazon to Launch New Grocery-Store Business

First outlet could open later this year; chain would be distinct from company's Whole Foods unit

*By Esther Fung and
Heather Haddon*

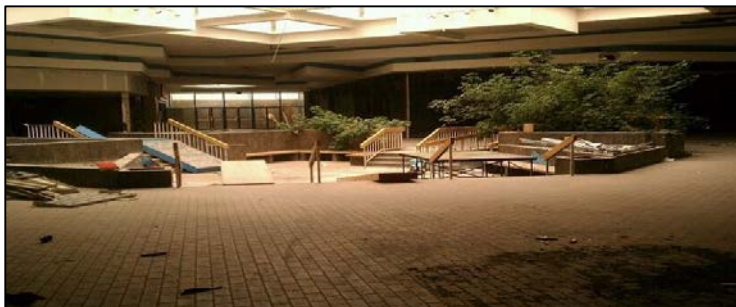
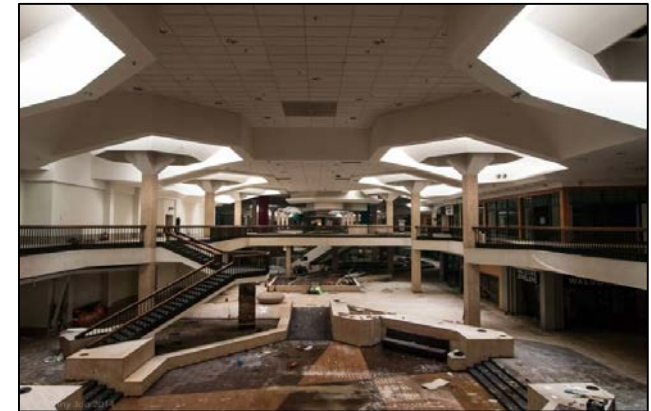
Updated March 1, 2019 7:08 p.m. E



PART FIVE: THE PRIMARY DRIVERS OF U.S. RETAIL IN THE 21st CENTURY



A. Department Store Obsolescence & Mall Failures (Department Store Deconstruction)



B. Commodity Retail Maturity: Mature, Stable, and Here to Stay



Commodity Retail Maturity: Now Is A Mature "Low Growth" Industry



C. Shrinking Retail Footprint: From 8.5 Billion SF To 5.0 Billion SF

ENCLOSES MALLS: 1 Billion SF



STRIP CENTERS: 2.5 Billion SF



D. THE RISE OF ENTERTAINMENT:

LEGACY Hall
Plano, TX



AMERICAN DREAM
Meadowlands, NJ



Assembly ROW
Boston, MA



PART SIX: AND ONE MORE THING...

REMEMBER THESE?

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THE WALL STREET JOURNAL.

January, 2012

“Shopping at Home: Convenience & Price Lure More Customers to Buy From The Internet”

“There’s a consumer **REVOLT** taking place. Highways are cluttered and many stores don’t have adequate service. So many shoppers are swearing off self-service shopping and turning to the **INTERNET** for the ultimate in shopping convenience.”

THEY WERE

The New York Times

June, 2016

“Internet America... **SO FREAKY, OVER THE** course of the past 15 years... so our collective attitude toward shopping-or at least toward the idea of it-seems to have shifted from delight to **LOATHING**... **INTERNET** shopping is about sheer convenience: the **INTERNET** has done to stores what videos could do to movie theaters.”

FAKE NEWS

Here's The REAL NEWS

CATALOGS: The Elephant In The Room

THE WALL STREET JOURNAL.

January, 1963

“Shopping at Home: Convenience & Price Lure More Customers to Buy From CATALOGS”

“There's a consumer revolt taking place. Highways are cluttered and many stores don't have adequate service. So, many shoppers are swearing off self-service shopping and turning to the CATALOG for the ultimate in shopping convenience”

Here's The REAL NEWS CATALOGS: The Elephant In The Room

THE WALL STREET JOURNAL.

June, 1993

"Mail Order America"

"SOMEHOW, OVER THE course of the past 15 years or so, our collective attitude toward shopping-or at least toward the idea of it-seems to have shifted from delight to loathing... MAIL ORDER CATALOGUES are about sheer convenience: the CATALOG has done to stores what videos could do to movie theaters."

OUR PANEL:

Nick A. Egelanian
Founder & President

