

# U.S. RETAIL IN THE POST-DEPARTMENT STORE ERA

JUNE 5, 2018

Nick A. Egelanian  
*President:*



# 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”**

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**The New York Times**

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.”

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



**Killed By...**

JCPenney

Sears

NORDSTROM

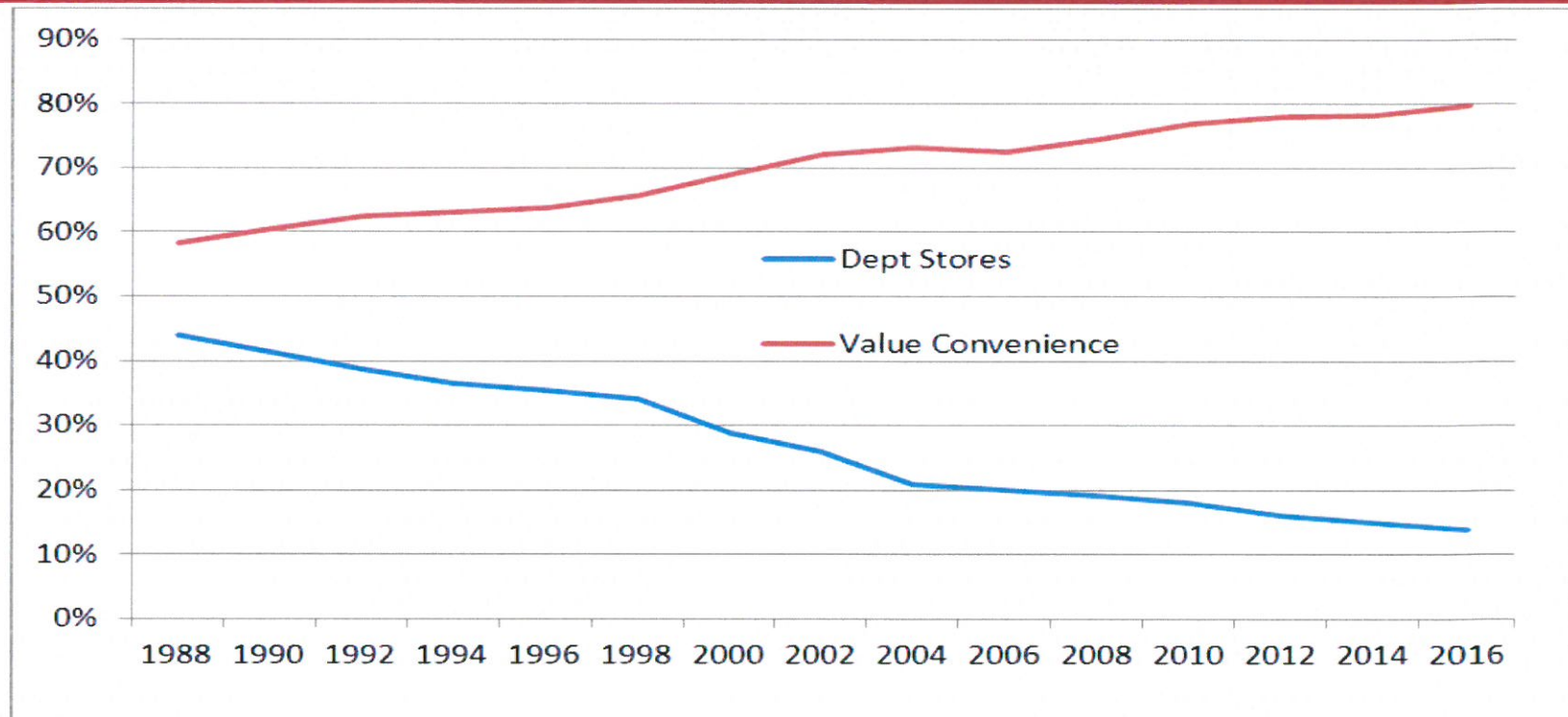
# Department Store Deconstruction And “Big Box” Retail



## COMMODITY RETAIL

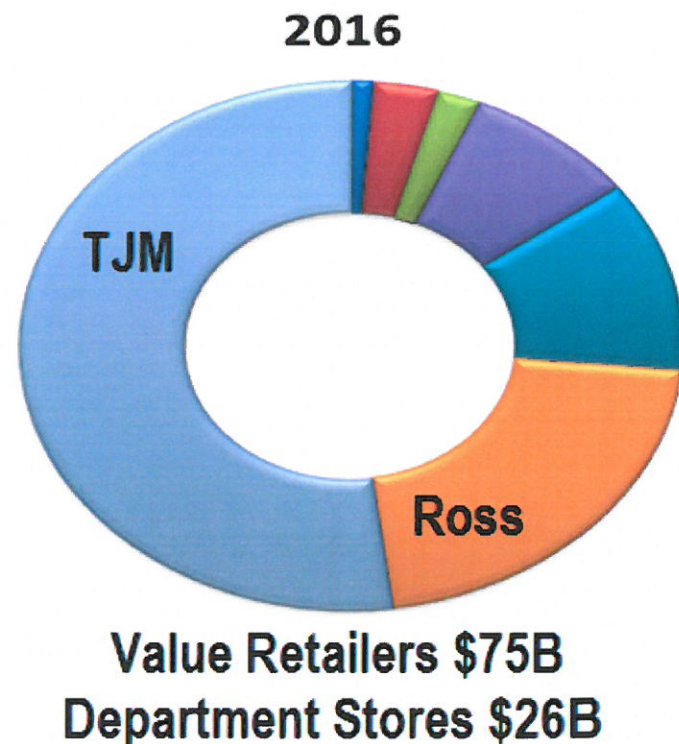
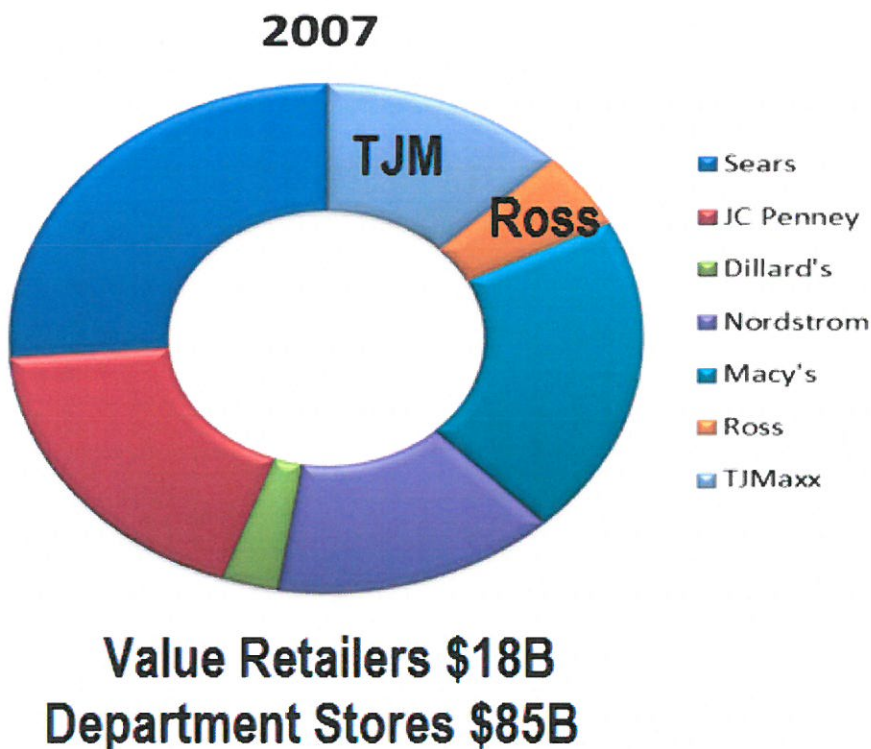


# The Result: Market Share “Big Box” Retailers Vs. Department Stores



Source: US Census Bureau

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

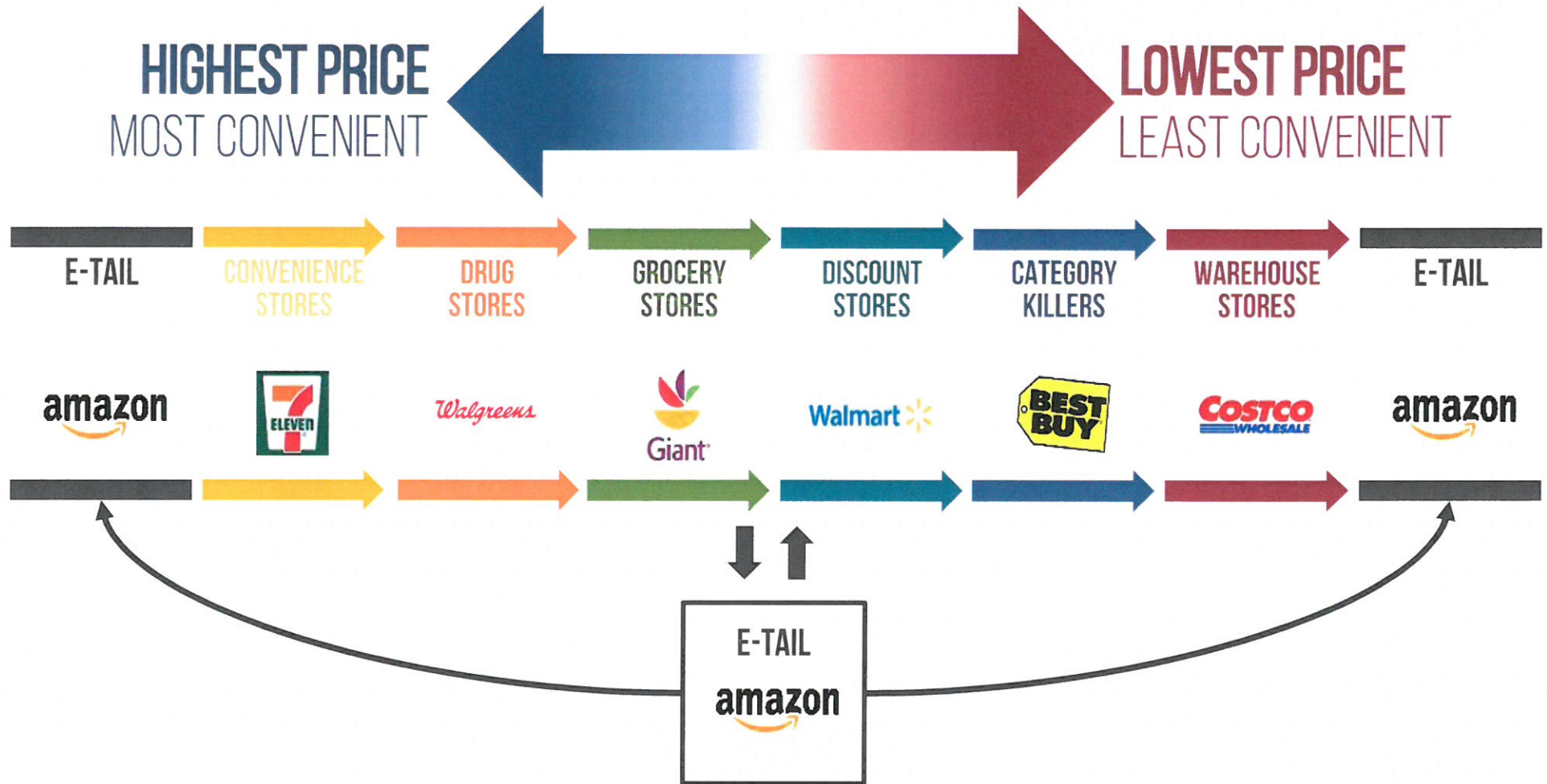


# 21<sup>st</sup> Century Retail Alignment

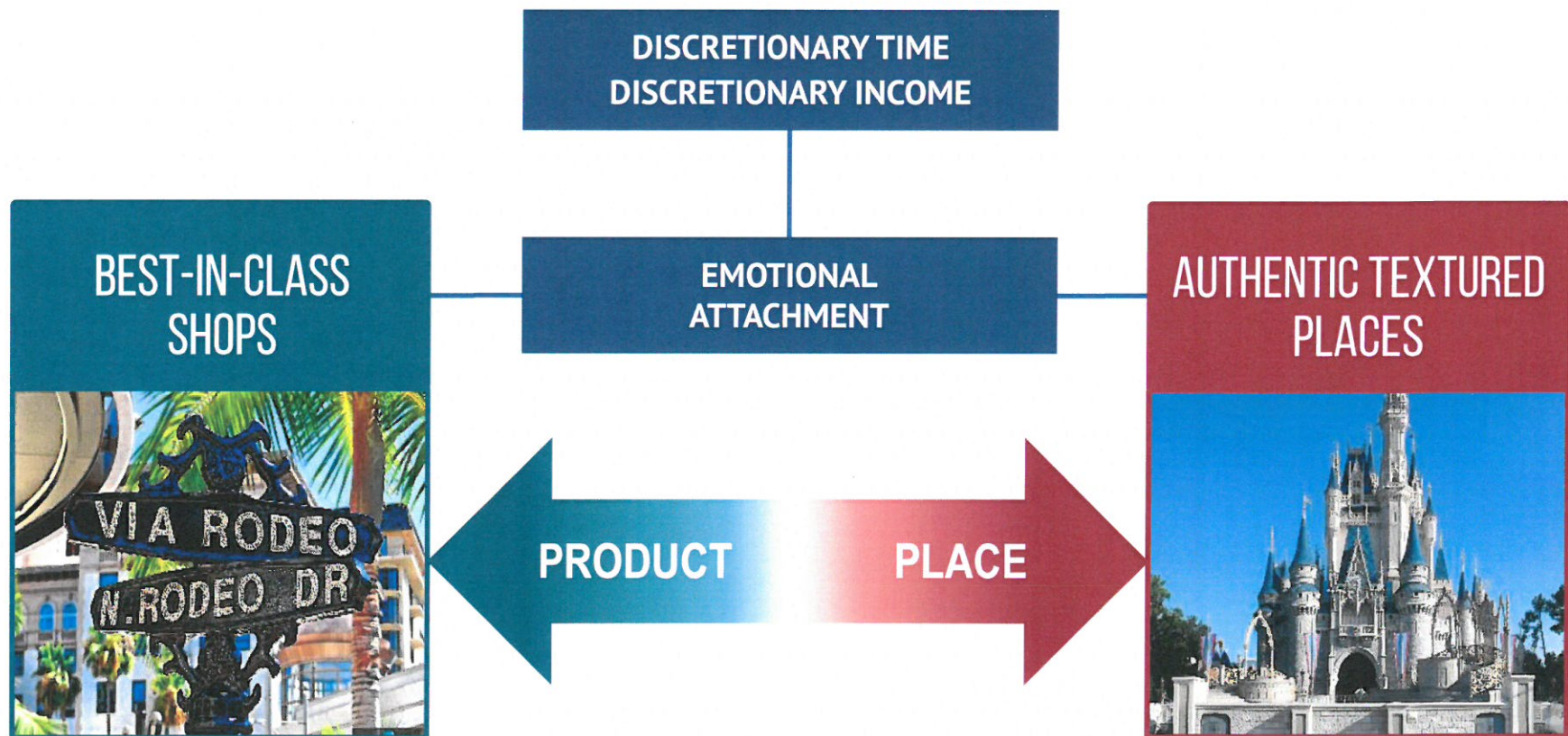
## Two **SEPARATE** Retail Industries



# COMMODITY RETAIL: PRICE/ CONVENIENCE EQUATION



# SPECIALTY RETAIL: EMOTIONAL CONNECTION



# SPECIALTY RETAIL

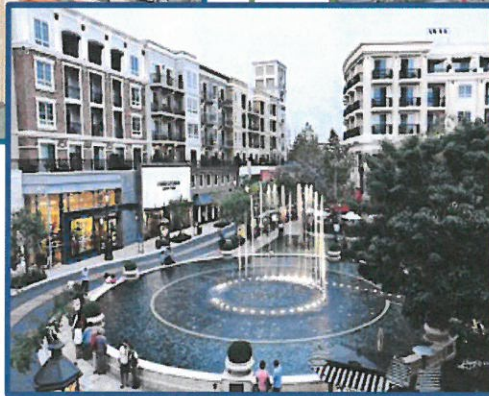
TRADITIONAL MALLS

OUTLET CENTERS

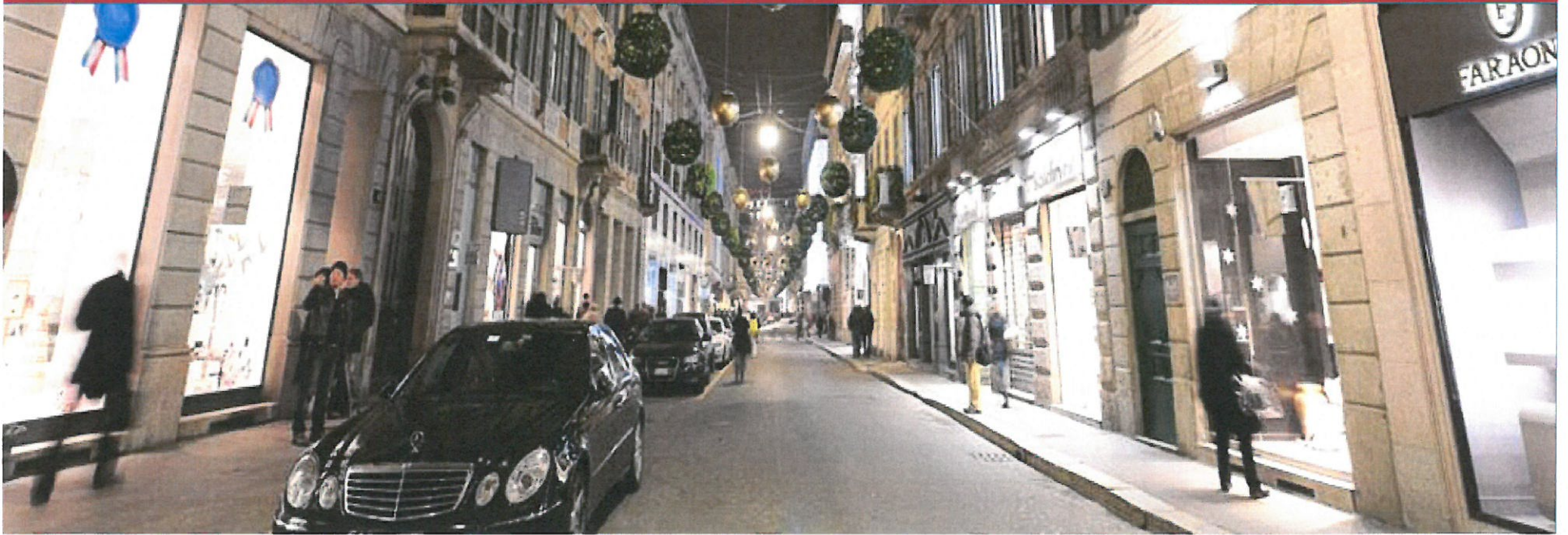
THEMED CENTERS &  
ATTRACTIONS

MIXED-USE &  
OPEN-AIR CENTERS

HIGH STREETS



# The U.S. Has 24.5 Sq. Ft. Retail Space Per Capita



# Where Is All That Extra Retail?



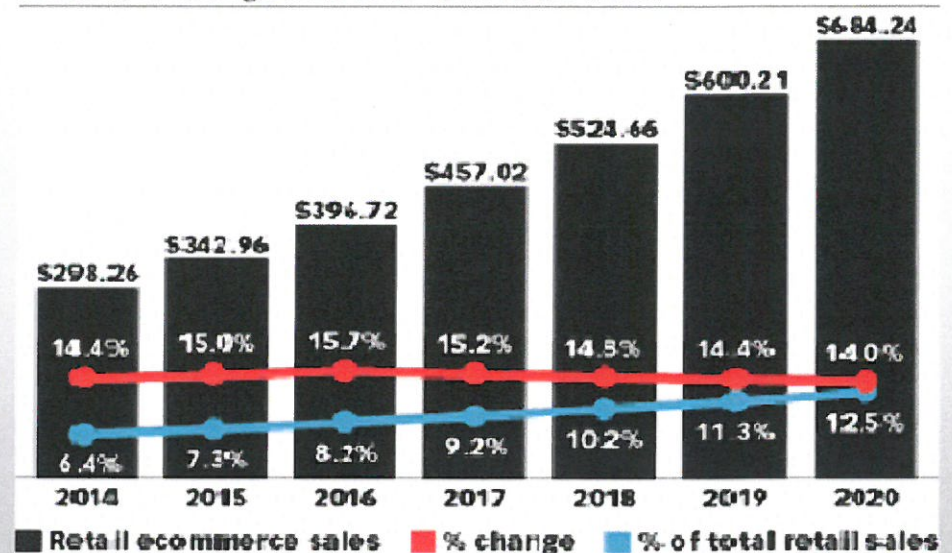
# Ecommerce Share Of U.S. Retail

## 4<sup>th</sup> Quarter 2017 – 9.1%

... and ecommerce sales *do* represent a growing portion of retail sales

- eCommerce constituted **9.1%** of US Retail Sales in Q3 2017
- US retail eCommerce sales will grow by **12.2%** to **\$48.1 Billion** in 2017

**US Retail Ecommerce Sales, 2014-2020**  
billions, % change and % of total retail sales



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets  
Source: eMarketer, June 2016

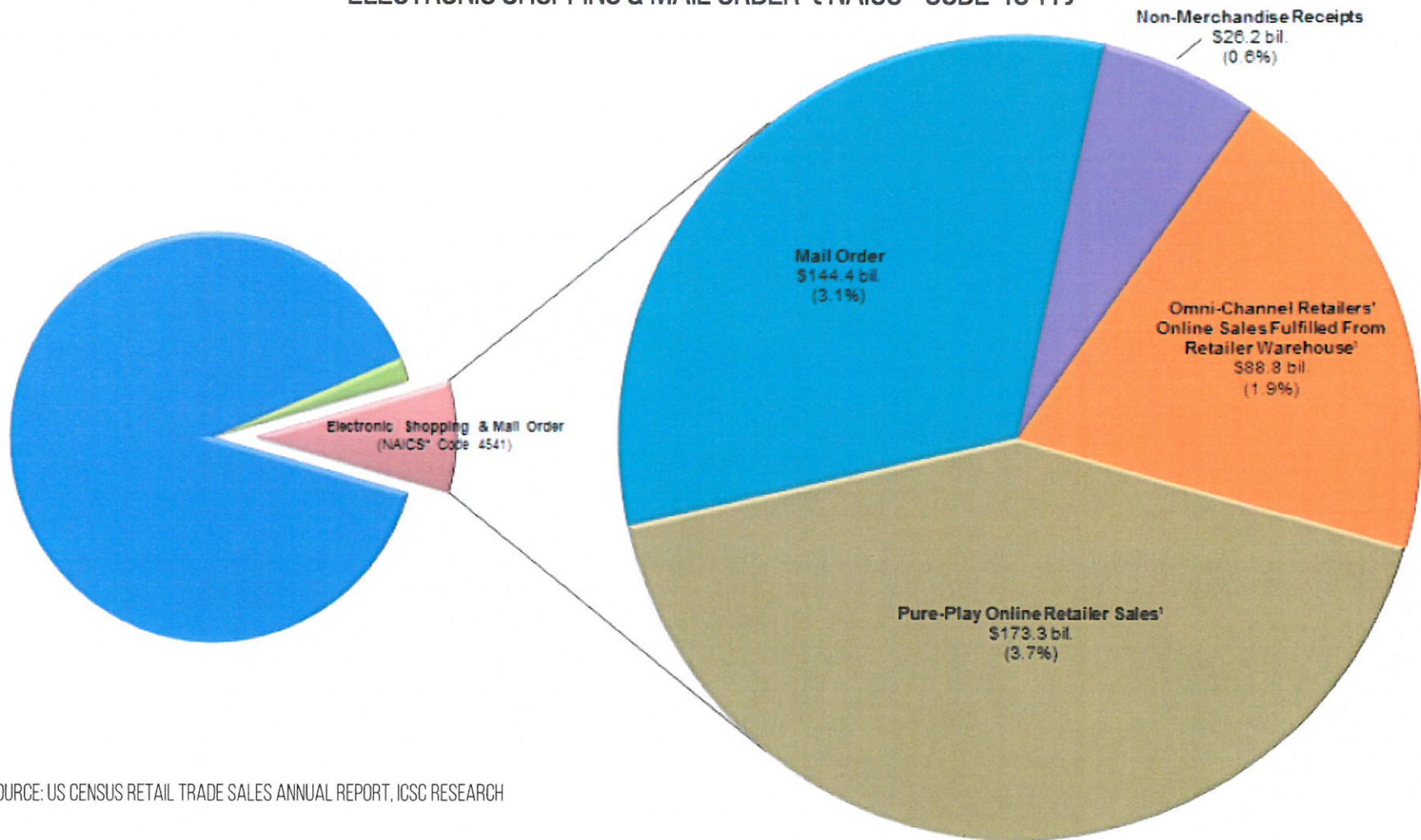
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www.eMarketer.com

# RETAIL SALES DISTRIBUTION (PART 1)

## 2017 SALES AND PERCENT OF TOTAL RETAIL SALES

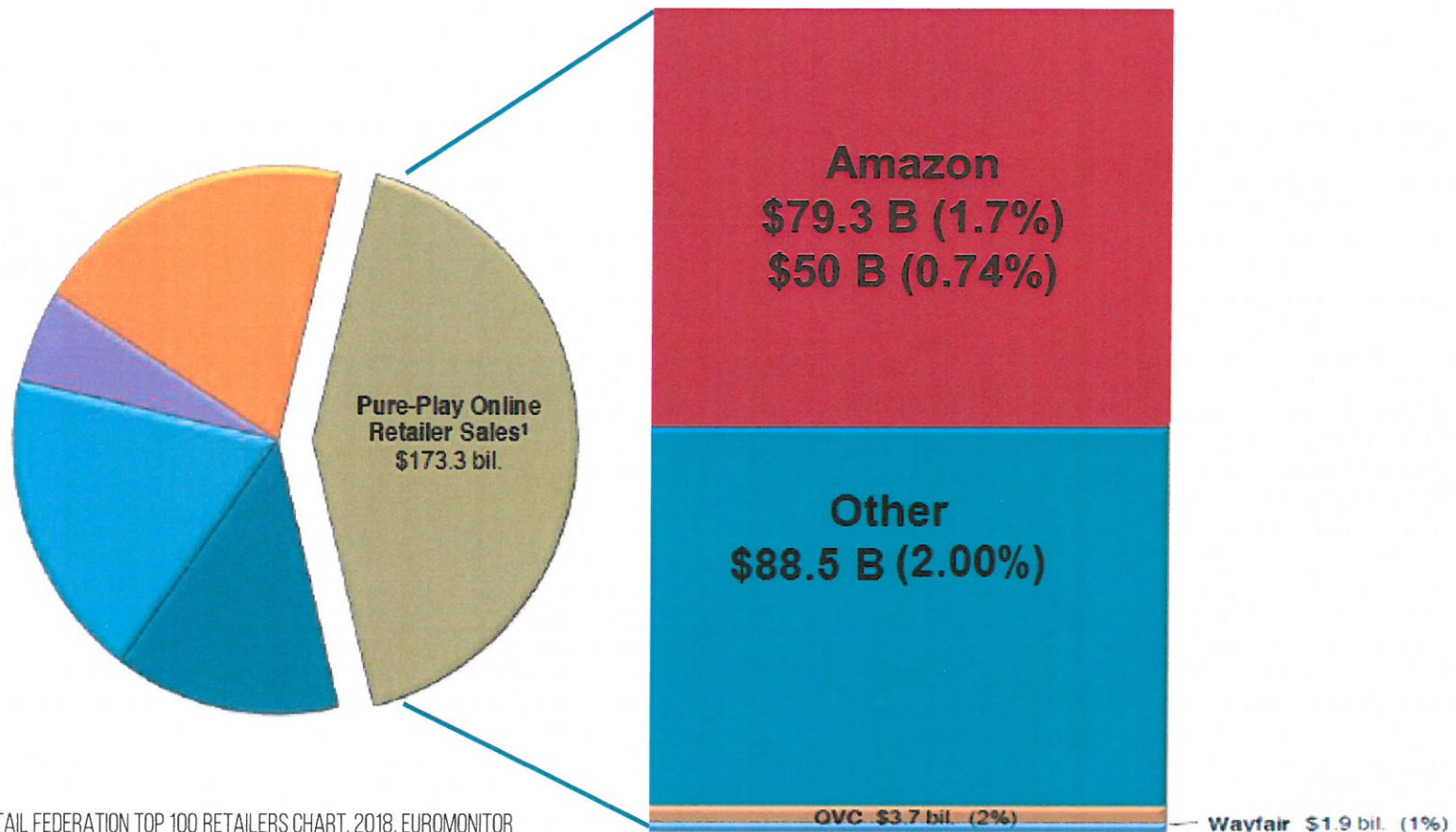
ELECTRONIC SHOPPING & MAIL ORDER (NAICS\* CODE 4541)



SOURCE: US CENSUS RETAIL TRADE SALES ANNUAL REPORT, ICSC RESEARCH

# RETAIL SALES DISTRIBUTION ( PART 2 )

## 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

# Annual U.S. Retail Sales as of Dec. 2017

**\$365 BILLION**

**Walmart** 

**\$126 BILLION**

**COSTCO**  
**WHOLESALE**

**\$80 (\$50) BILLION**

**amazon** 

**\$72 BILLION**

**ALL DEPARTMENT STORES**

**\$14 BILLION**

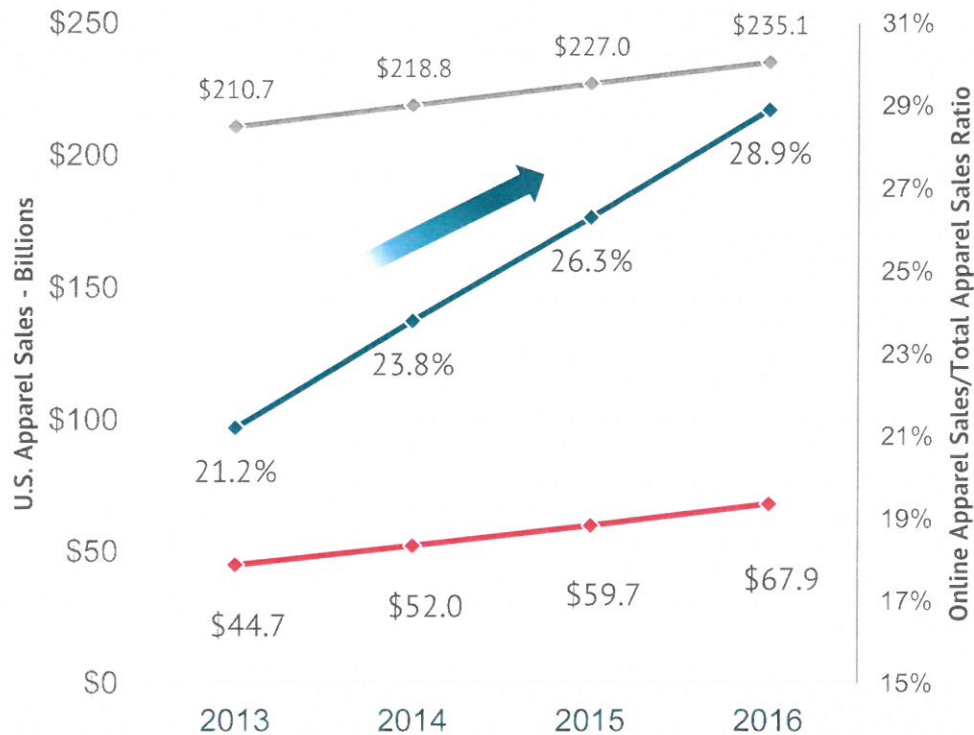
**WHOLE FOODS**  
**M A R K E T**

# What is the Largest Category of Internet Retail?



# What is the Largest Category of Internet Retail?

TOTAL U.S. APPAREL SALES VS. ONLINE APPAREL MARKET SHARE



**28.9%  
AND  
GROWING**

**APPAREL**

—◆— US Total Projected Apparel Sales\*

—◆— US Projected Online Apparel Sales\*\*

—◆— Online/Total Apparel Sales Ratio\*\*\*

\*Alteryx | \*\*eMarketer.com | \*\*\*August Partners

# What is the Fastest Growing Segment of Brick & Mortar Retail?

T.J Maxx, Marshall's, Ross, H & M, Zara and Nordstrom  
Rack Are Opening Hundreds Of Stores Annually

## Apparel

# Amazon's Acquisition Of Whole Foods



**4,672 Stores**

**\$365 Billion**

**Largest U.S.  
Grocery Store**

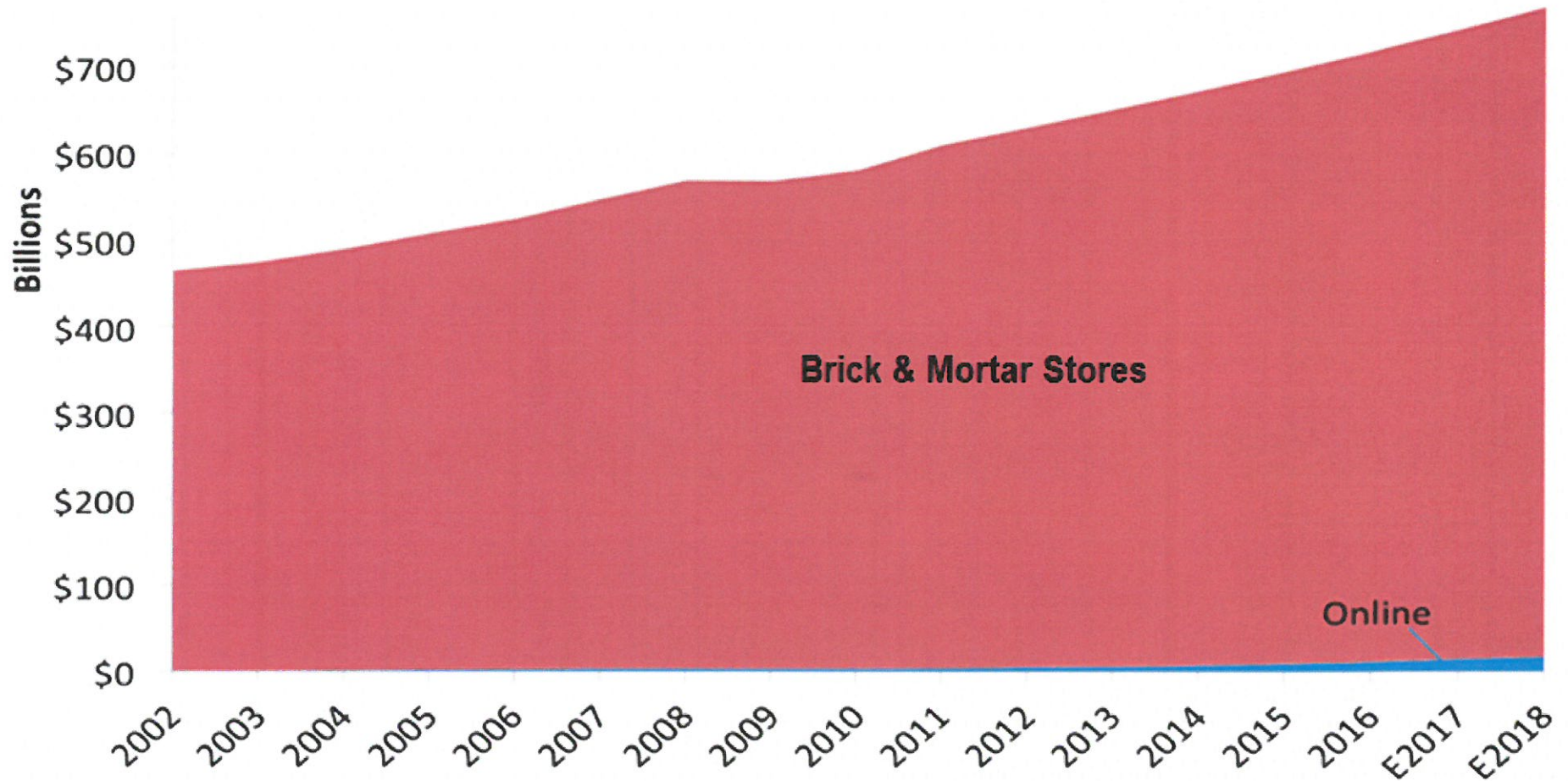


**451 Stores**

**\$14 Billion**

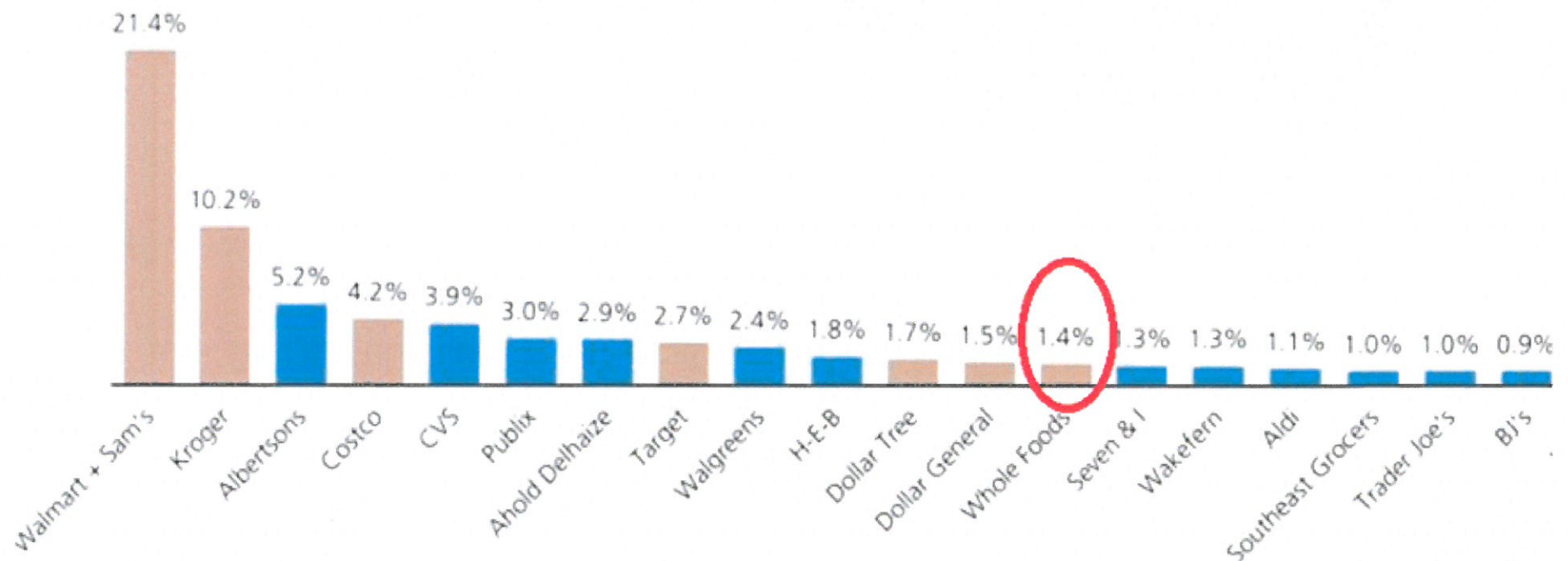
**Largest U.S.  
Specialty Grocer**

# 2017 Annual U.S. Grocery Sales



Source: BI Intelligence

# 2017 U.S. Food Retail Market Share



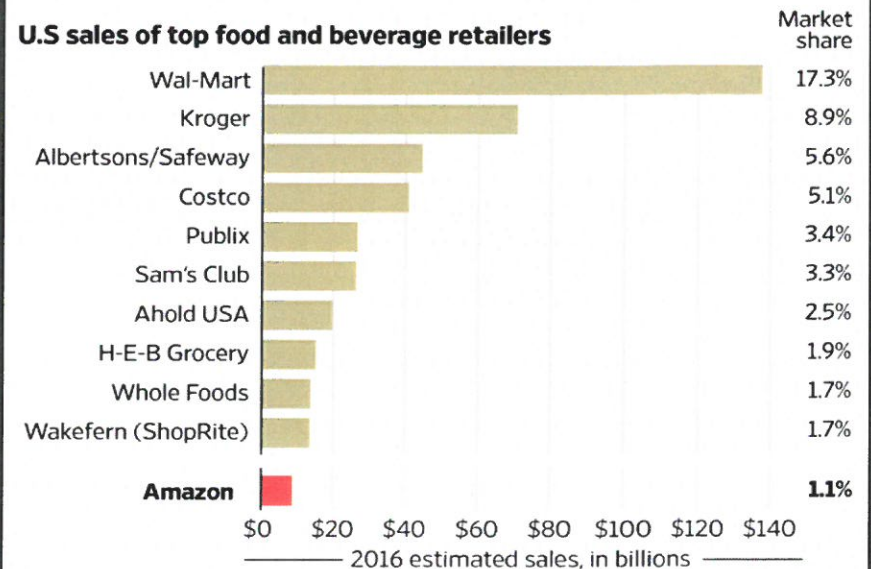
# 2017 Market Share: Amazon VS Largest Food Retailers



## 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



# Market Reaction

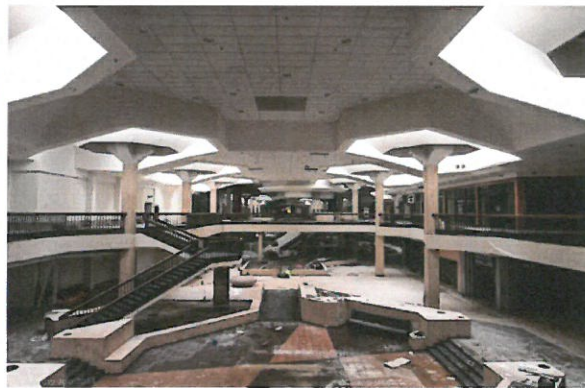
Stock Market Reaction to Amazon's Purchase of Whole Foods Market Inc.



Source: Google Finance, @latimesgraphics

# THE SIX PRIMARY DRIVERS OF U.S. RETAIL IN THE 21<sup>st</sup> CENTURY

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



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



## B. Commodity Retail Maturity: Now Is A Mature “Low Growth” Industry



# C. Shrinking Retail Footprint From 8.5 Billion To 5.0 Billion Sq. Ft.

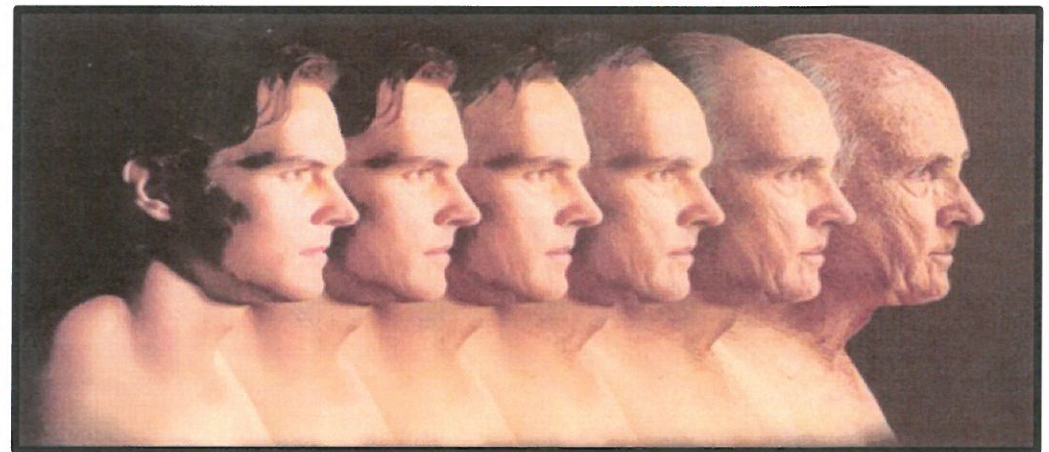
**1 Billion sq. ft.: B & C Malls**



**2.5 Billion sq. ft.: Open Air Centers**



# D. Changing Consumer Demographics And Preferences



# E. Technology/E-Commerce

E-Commerce   Mobile Technology   AR/Augmentation



# F. Transportation Technology

## The Impact Of Driverless Automobiles

**The Washington Post**

**A love affair in  
reverse**



2016 MICHIGAN  
STATE OF THE STATE ADDRESS

*"THE WORLD IS CHANGING.  
WHAT IS THE AUTOMOBILE  
INDUSTRY OF TODAY; IN 10 OR 20  
YEARS WILL BE CALLED THE  
MOBILITY INDUSTRY."*

*-Gov. Rick Snyder January 19, 2016*

# F. Transportation Technology

## Transportation Choices Roads Vs. Transit



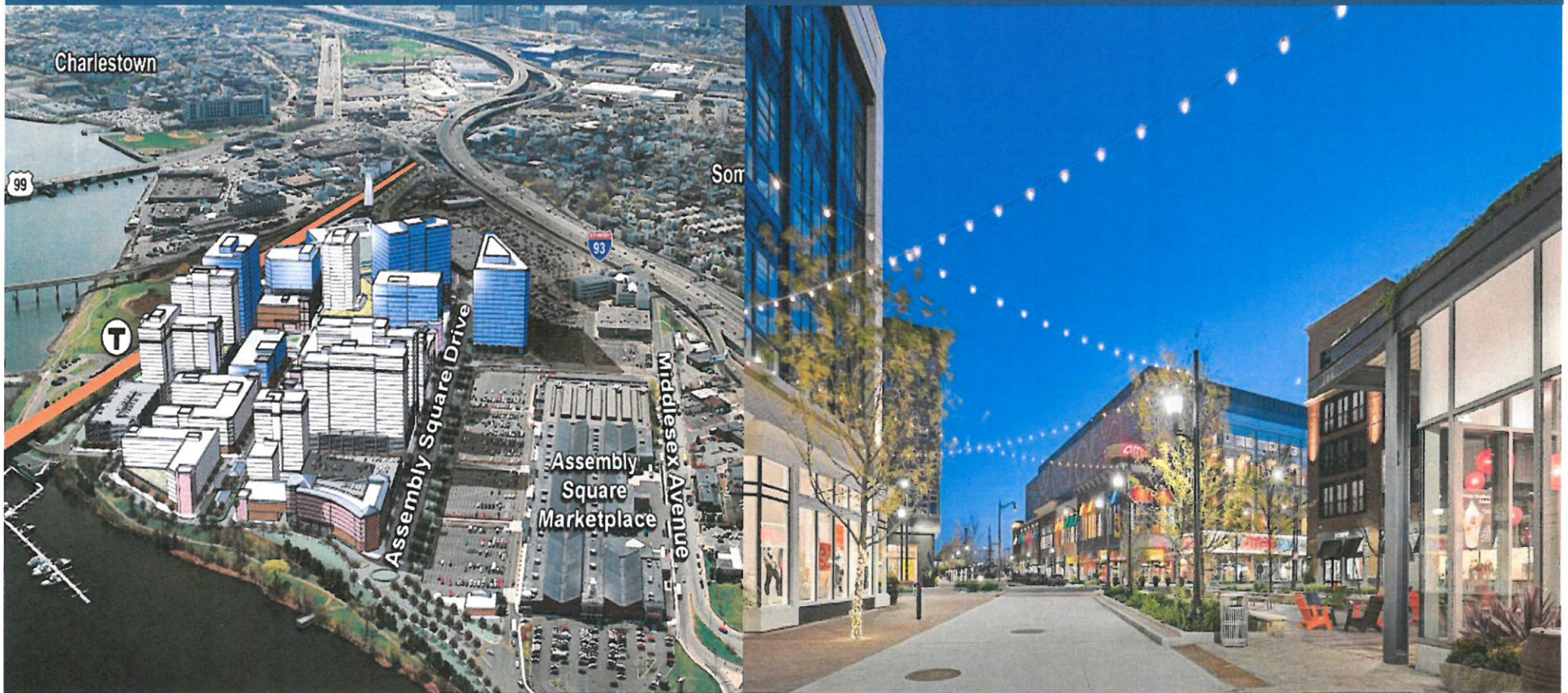
D.C. METRO SYSTEM



I-75 & I-85 DOWNTOWN ATLANTA

# Is This the Future of Specialty Retail?

## ASSEMBLY ROW, BOSTON, MA



# REMEMBER THESE?

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# FAKE NEWS

The New York Times

June, 2016

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

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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  
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the CATALOG for the ultimate in shopping convenience”

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The New York Times

June, 1993

“Mail Order America”

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# Q&A

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