2017 Retail Trends & Factors

Basic Factors Impacting Retailer Demand/Expansion

- The Economy
- Encroachment of E-Commerce
- Trump
- Millennials
Retail is undergoing many changes, challenges, disruptive technologies, crises and opportunities.
91% of retail brands use two or more social media platforms
Each Millennial spends $2,000 on average online each year.
"I MIGHT SEE IF THEY'RE ANY CHEAPER ONLINE."

2017 RETAIL TRENDS & FACTORS
THE ONLINE IMPACT
Online retail sales will grow at a compound annual rate of 10% from 2012-2017.

By 2017, the web will account for 10% of U.S. retail sales.

2017 Retail Trends & Factors: The Online Impact

Source: Forrester Research
FAMILIAR BRANDS IMPACTED BY ONLINE SALES:

- **STAPLES**: The Office Superstore
  - Closing stores and downsizing retail square footage in some stores that remain open

- **Sears**:
  - Closing dozens of stores across the country
  - Eliminating hundreds of jobs to respond to lackluster in-store sales

- **Walmart**:
  - Will close more than 35 stores in 2017

- **macy's**
  - Closing 40 stores, expanding off-price brand, plans to reach 30% of sales online

- **NORDSTROM**
  - Eliminating hundreds of jobs to respond to lackluster in-store sales

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**2017 RETAIL TRENDS & FACTORS**

FAMILIAR BRANDS IMPACTED BY ONLINE SALES:
INTERNET SHOPPING GROWTH IS EXPECTED TO SHARPLY SLOW IN THE NEXT THREE YEARS.

HOWEVER, MAJORITY ARE INCLINED TO MAKE THEIR PURCHASES IN STORES:

ONLY 21% bought an item on a smartphone after going to a physical location.

37% of shoppers start on a mobile device.

72% are researching an item or checking prices on a smartphone before buying.

Source: Nielsen Report 4Q/2015
REMEmBER THE EARLIER SLIDE?

ONLINE RETAIL SALES WILL GROW AT COMPOUND ANNUAL RATE OF 10% FROM 2012-2017

BY 2017 THE WEB WILL ACCOUNT FOR 10% OF U.S. RETAIL SALES

SOURCE: FORRESTER RESEARCH

THIS MEANS 90% OF ALL U.S. RETAIL SALES WILL STILL OCCUR IN A BRICK-AND-MORTAR SITE

2017 RETAIL TRENDS & FACTORS
THE ONLINE IMPACT
National retail chains - including those that are doing well - are boosting their online sales, while reducing physical stores or store size.

2017 Retail Trends & Factors
The Online Impact
STORE OPENINGS
AND
CLOSINGS
The National Restaurant Association projects that restaurant-industry sales will reach $798.7 billion in 2017, a 4.3 percent gain over the industry’s estimated sales of $766 billion in 2016.

**Roughly 40% of retail growth is in the restaurant sector.**
Restaurant Spending > Grocery Spending
2017 Supermarket Store Openings

New Stores 2016-2017

- **Aldi**: +400
- **Lidl**: +100
- **Walmart**: +59
- **Target**: +30
- **Costco Wholesale**: +24
Planned Store Openings Over Next Two Years

Off-Price Retailers

- T.J. Maxx: +150
- Ross Dress for Less: +100
- Nordstrom Rack: +30

Grocers

- Whole Foods Market: +83
- Sprouts: +65*
- The Fresh Market: +70**

Discount Stores

- Walmart: +300
- Dollar Tree: +600
- Family Dollar: +1,000

Quick Service Restaurants

- Chipotle Mexican Grill: +180
- Panera: +210
- Smashburger: +200

*Current Pipeline per 1Q15 earnings call transcript
**Planned store openings over next 3 years

2017 Retail Trends & Factors
Store Growth
2017 Retail Trends & Factors

Retail Growth 2016-2017

- Fitness/Health/Spa Concepts
- Drug Stores
- Thrift Stores
- Grocery (smaller format)
  - Discount, Ethnic, Organic, Upscale
- Fast Food
- Fast Casual Dining
- Trendy, "Cool Streets" Brands

Retail Contraction 2016-2017

- Bookstores
- Video Stores
- Do-It-Yourself Home Stores
- Mid-Priced Apparel
- Mid-Priced Grocery
- Office Supplies
EXPERIENTIAL RETAIL

SHINOLA

Is it a bicycle store?
Is it a watch store?
Is it a furnishings store?

It’s a Lifestyle Store.

And it’s Interesting!

2017 RETAIL TRENDS & FACTORS
“COOL STREETS FACTOR”

Source: CUSHMAN & WAKEFIELD RETAIL TRENDS TO WATCH 2016
EXPERIENTIAL RETAIL

KING OF “THE COOL STREETS”

WHOLE FOODS 365 CONCEPT
Smaller Concept with Record Stores, Tattoo Parlors, and Hipster Apparel

URBAN OUTFITTERS / PIZZERIA VETRI
Offering an Interactive Shopping Experience while snacking on a piece of pizza and a cold beer

2017 RETAIL TRENDS & FACTORS
“COOL STREETS FACTOR”

Source: CUSHMAN & WAKEFIELD RETAIL TRENDS TO WATCH 2017
EXPERIENTIAL RETAIL

2017 RETAIL TRENDS & FACTORS

“COOL STREETS FACTOR”

Source: CUSHMAN & WAKEFIELD RETAIL TRENDS TO WATCH 2017
RETAIL ECONOMIC DEVELOPMENT IN YOUR COMMUNITY
MUST BE A COMPONENT OF YOUR COMMUNITY’S COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY
CAUTION PREVAILS

Despite an improving economy, recession-weary retailers remain cautious. The retailers and site selectors who survived the recession are taking an analytical, data-driven approach when choosing locations for new stores and restaurants.

Retailers are looking for the sure thing.
STRATEGY: ASSESSING YOUR RETAIL OPPORTUNITIES

AREA MARKET ANALYSIS

Retailers look very closely at store spacing.

Know your Competition!

Document and Analyze your Existing Retail Base.
STRATEGY: ASSESSING YOUR RETAIL OPPORTUNITIES

RETAIL TRADE AREA

Determine and Map your Consumer Draw - Retail Trade Area boundaries.

Analyze the largest in-flux or outgoing traffic patterns.
STRATEGY: ASSESSING YOUR RETAIL OPPORTUNITIES

RETAIL TRADE AREA

Cell Phone Data Studies:
• Home Locations
• Path to Purchase
Cell Phone Analysis
STRATEGY: ASSESSING YOUR RETAIL OPPORTUNITIES

DEMOGRAPHIC PROFILING

Understand consumers for their unique attributes, including:

- Population
- Population Growth
- Race Classification
- Median Age
- Education
- Household Income
- Per Capita Income
**STRATEGY:**
**ASSESSING YOUR RETAIL OPPORTUNITIES**

**KNOW YOUR RETAIL TRADE AREA PSYCHOGRAPHIC SEGMENTATION AND PROFILE**

Consumer values and lifestyles drive a desire for particular products/services.
**STRATEGY: ASSESSING YOUR RETAIL OPPORTUNITIES**

**DETERMINE YOUR RETAIL SALES LEAKAGE**

Identifies sales leakage occurring when residents dine or purchase products outside of your community.

Measures consumer demand and retail opportunity.

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<th>DESCRIPTION</th>
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<td>722</td>
<td>Foodservice and Drinking Places</td>
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STRATEGY: ASSESSING YOUR RETAIL OPPORTUNITIES

KNOW THE WORKFORCE / DAYTIME POPULATION

WHAT SPECIFIC TYPE OF EMPLOYERS?
(Manufacturing, HighTech, etc.)

Particularly important for restaurants.
STRATEGY:
DEVELOPING A PLAN
KNOW AVAILABLE SITES AND PROPERTIES FOR DEVELOPMENT

The first questions an interested retailer asks: “Where can I put my business?” “Send me possible sites that match fit my needs.”

Be able to clearly communicate and demonstrate your vision for revitalization.
STRATEGY: DEVELOPING A PLAN

CONDUCT A LAND USE ANALYSIS

• Analyze sites and identify those not serving their highest and best use and make recommendations for improved uses.
• Identify land assemblage opportunities for retail development.
STRATEGY: DEVELOPING A PLAN
MARKET YOUR VISION FOR RETAIL REVITALIZATION

- Retail Market Snapshot
- Community Highlights
- Appropriate Location Maps
STRATEGY: DEVELOPING A PLAN
BE INNOVATIVE

Data-driven Retail Website with Available Retail Site Locations and Interactive Data Visualization.
STRATEGY: IMPLEMENTING THE PLAN

RETAILER TARGETING & RECRUITMENT

- Target retailers that “fit” your community based on results of market analysis
- Understand their location criteria
- Research their store size and growth territory plans
- Research the regional or state real estate contact
STRATEGY: IMPLEMENTING THE PLAN
REPRESENTING AT ICSC

What is the International Council of Shopping Centers?

Founded in 1957, ICSC is a global trade association of the shopping center industry. Its nearly 60,000 members in over 90 countries include shopping center owners, developers, managers, marketing specialists, investors, retailers and brokers, as well as academics and public officials.
STRATEGY: IMPLEMENTING THE PLAN

REPRESENTING AT ICSC

- A Booth can be a huge investment depending on the conference, so make sure you are prepared and have enough staff to represent your Community well and time to facilitate meetings.
STRATEGY: IMPLEMENTING THE PLAN

RECRUIT RETAILERS AND DEVELOPERS WITH DATA, SITES, AND A REALISTIC PLAN

- Conceptual Site Plans
- Incentive Packages
- Proactive, Business-Friendly City
STRATEGY: IMPLEMENTING THE PLAN

TAKE A LONG-TERM APPROACH

RETAIL RECRUITMENT IS A PROCESS, NOT AN EVENT.
AARON FARMER
SENIOR VICE PRESIDENT

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