

2013

Central Ohio *Retail Outlook*

Please join us in exploring *10 key trends, insights, observations, and musings* regarding the retail industry in Central Ohio and beyond.

This is our **9th Annual Top 10 List**. We start from scratch each year and write all new material. We do not try to cover every trend every year so if something is missing from this year's list, it may have been covered in a recent prior Top 10.

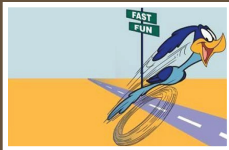
2013 **10**

Cliffhanger Economy: Political Wrangling Over Fiscal Concerns Creates Consumer Uncertainty



I'm a Roadrunner Baby...

Based on Fundamentals, Rip-Roaring Recovery Should Be Under Way This Year



Unemployment

is at 5-Yr. Low Nationally & Locally as 2/3 of Lost Jobs Recovered

Housing Starts, Sales & Prices All on Upswing



Fracking Promises Local Jobs & National Energy Independence

In-Sourcing Trend in Manufacturing Takes Hold

Call Me Maybe: But Consumer Confidence Took a Dive Since October 2012

NRF Predicts Modest **3%** in 2013  Down From **4%** in 2012 **6%** in 2011

Americans, While Better Off Than Before, **Are Still Deep in Debt**

First Fiscal Cliff Averted, But **More Gridlock** on the Horizon



Consumer Worries Range From **Global Recession** to **Local Cut-Backs**

Worried Man: These Concerns Will Manifest Themselves in Many Ways for Retailers

Slower Hiring

Slower Inventory Turnover

Fewer New Equipment & Software Installations

Fewer Start-Up Merchants

Fewer & Smaller New Stores

2013

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Outlet Mall Mania: *Luxury Brands for the Masses*



History Lesson:
We Begin in the Ancient *Pre-2000 Era*...

Outlet Malls Flourished in the 1980's By Going Upscale, Adding Food Courts & Family Entertainment, & Producing Outlet-Specific Goods

Overbuilt in the 1990's, Too Many **Undercapitalized Projects in Remote Outlet Malls Flourished in the 1980's** By Going Upscale, Adding Food Courts & Family Entertainment, & Producing Outlet-Specific Goods

Simon Property Group (#1 Mall Owner) Surprises All With *Purchase of Outlet Mall Company* in 2004

Sales at *Simon's 72 Outlet Malls* **90% higher** Than Its *Traditional Malls*

Distance From Malls Becomes Non-Factor as Department Stores Rely on *Private Label Sources*

8 New Outlet Projects Opened in 2012 (2006 Was Last Time New Enclosed Regional Mall Opened Anywhere in US)

322 Outlet Chains, 208 in Apparel & Footwear, Including Brands Such as:



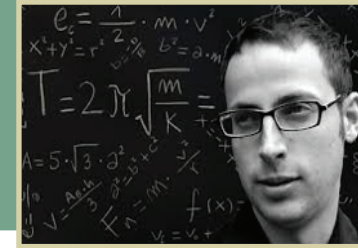
@ 30% to 70% Off

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The Signal and the Noise:

2012 Presidential Election Illuminates the Potential Use of Big Data by Retailers and Service Businesses



Mining for Silver:

Retail Geeks Seek Out *Secret Sauce* That Allowed Nate Silver to Call All 50 US Senate Races Using Other People's Polls

Depending On Who You Ask,
Big Data Involves:

1. More Data From More Sources
2. Analytical Models with Ability to Assimilate Data From Disparate Sources
3. More Real-Time Analytics & Dashboards

Challenges Include:

1. Mining Exponentially Growing Data Streams for Key Insights
2. Using Insights for Real-Time
3. How to Store/Retrieve So Much Data Efficiently

Big Blue Goes Scarlet & Gray: Central Ohio Reels in IBM Big Data Center

With a Little Help From Our Friends at...



IT Spending Tops 2013 Priority List for Retailers, Including *Data Analytics, Digital Marketing, Social Media & Mobile Technologies*

500

IBM Jobs Will Undoubtedly Lead to Future Spin-offs *ala Batelle*

Sometimes, Caring is Creepy: Stores, Websites and Social Media Learn to Talk to Each Other About Their Favorite Person, YOU!

Do **They** Know Things About You That **You** Don't Know About You? **Probably.**

Is **Database Marketing** Just an Update on Good Old-Fashioned Customer Service?

(i.e. Knowing Your Personal Tastes)

Too Much **Targeting**

Can Constrict Choices For Causal Browsers

2013

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Mobile Momentum: M-Commerce Moves Forward on Several Fronts



Keepin' the Faith:
Retailers Double Down on **Mobile Spending** in 2013 in Spite of Low ROI So Far

44% of American Adults Own a **Smartphone**, Up From 36% in 2011

But, **Smartphones** Are Primarily Used as **Research Tool** While Shopping, *Not* to Make Purchases (<1% of All Retail Sales)

Related Problem is that...
Mobile Apps Rarely Sync With Other Devices

Need Dough on the Go?
Digital Wallet Apps Provide Easy Payment Option



... Leads Way in Mobile Checkouts

Smart Stores Put *Smartphones* to Work for Them With ...

Mobile Coupons **Check-In Discounts**

Swipe Fees, Silent Killer of Small Merchants, Have **Tripled** Over the *Past 10 Years*

A Moveable Feast:
Pop-Ups and Food Trucks Take Over Chef Duties

Cost of Operating a Food Truck is About **15%** of Cost of Full-Service Restaurant

ECDI's Food Fort Program *Can Bring Down Barriers* for Mobile Food Entrepreneurs

Dinin' Hall Pioneers Mobile Food Court Concept in Franklinton

2013

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Showroomers of the World Unite: *Amazing Amazon Gains on Best Buy and Wal-Mart in Consumer Electronics*



Giant Strides:

Amazon Leaps Onto Top 10 Retailers List With *41% Gain* in Revenues in 2012

#1 in Customer Satisfaction

Among E-tailers in 2012 for **8th Straight Yr.**

Dynamic Pricing Model Unveiled During Holidays Allows Turnover & Margin Management in Real-Time

No Longer a Perk, *Expected* by Shoppers

FREE Shipping

Next Frontier is...
Same Day Delivery
(for a fee)

Amazon's Showrooms? *Best Buy*, One of the Most Successful Chains of oo's, is Struggling to Stay on Top



Store Count, Employees & Store Sizes Drastically Reduced as **Stock Price Tanks**

Best Buy & Others *Respond* to Showrooming Threats with **Online Price Matching**

Still, In-Store Sales Down **5%** | bestbuy.com Sales Were Up **10%**

Are You Experienced? Luring Online Shoppers *Offline*

(If You Can't Beat 'Em...)

Staples Agrees to be **Amazon Pick-Up Spot** to Increase Store Traffic

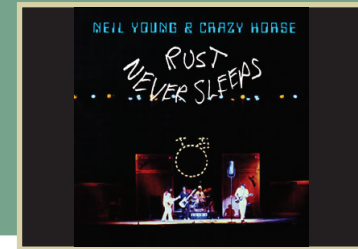
Product Sampling Promotes Trial of New Products & Provides Valuable Consumer Feedback

Downtown & Malls Add...
Dining Events Services **Recreation Arts** ...to Retail Mix

2013

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Old Dogs, New Tricks: *Rust Never Sleeps*



When is the Customer Right (Even When They Are Wrong)?: *Let's Ask JCPenney ("jcp")*



Fair & Square Deal: New CEO From Apple Stores (Ron Johnson) *Slashes Prices 40% Across the Board* & Eliminates **Nearly All** Sales Promotions/Coupons

"We Must **Retrain** the *Customer* to Understand Value"

Consumers Respond By **Retraining** CEO on Understanding Value of JCP Stock is Now Half of What It Was Worth Before

Town Square Concept with Designer Boutiques Looks Promising, Will Take **40% of Floor Space in 2013**, Should **Double Space Productivity** Based on First Year Results

Still, Sales Events & Coupons Are Coming Back (Not 600 Times a Year Like Before, Though)

Average is Over: Even Industry Stalwarts *Still* Must Innovate to Dominate

Nordstrom Direct Offers Seamless Multi-Channel Fulfillment for *Any Product*, for *Any Customer, Anytime, Anywhere*

38%
in 2012



Target Hits **Bulls-Eye** With **Online-Only Brands**



7-11, Home of the Big Gulp **Adds Yogurt, Fruits Veggies & Hummus** to Menu



Meanwhile, Wal-Mart is Adding More **Branded Fast Food** Inside Stores

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We ♥ the Teens: Retail Trends Reflect Popular Culture



"I Can Haz Cheezburger?"

It's Raining Cats & Dogs
Across Ohio

Dog Licenses Growing Twice
as Fast as **Birth** Certificates
Statewide (& there are more
Cats Than Dogs!)



"Typical" Owner Spends
\$600/Yr. Per Dog
\$400/Yr. Per Cat
(\$55 Billion/Yr Industry)



**But For Well-Heeled Empty Nesters, \$6,000
Dog Houses, \$3,000 Jog-A-Dog Treadmills,**
Electronic Fencing, Vet Bills, Grooming,
Daycare, Sitters, Special Foods, Treats, Toys, &
Even Burial Plots Can Add Up

Wal-Mart Rolls Out Private
Label Line (Pure Balance)
of "**Food for Dogs**"



Buffalo Gals, Won't You Come Out Tonight? Gender Blender Trends Alter In-Store Marketing

More **Women Shop Men's Clothing**
to Create Edgy Looks While
**Manscaped Males Accessorize and
Moisturize**

Politically-Correct Toys Like
New Barbie Construction
Sets With **Pink Building
Blocks** Break Down
Gender Stereotypes



Fashion Retailers
Jump on Formerly
Taboo Gay Pride
Bandwagon as
Attitudes Evolve



You Might Be a Redneck If: You Have a Strong Preference Between TSC and Rural King

In This Corner, We Have **Tractor Supply Company**, Heavyweight Champion of the
World in **Farm
Store Category**
With **1,100 Stores**



15% **Growth Spurt** in 2012
Attributed to **Animal
& Pet Food Gains**

And the Challenger in This
Corner of the Corral, **Rural
King** Offering Close-Out
Deals on Outdoor Products



Filling Long Vacant
Wal-Marts is Major
Claim to Fame



2013

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Sector Spotlight: *What's Hot and What's Not*



Hot

Ugly Sweaters

Theme Parties Featuring Yards of Yarn So Hideous That They Embarrass the Sheep That Produced Them Are All the Rage

Guns

Gun Sales Skyrocket in Response to Tragedies...USA! USA! USA!

Afternoon Tea

Starbucks Rolls Out Tazo Tea Stores to Tap Into Growing Market

American Girl

New Tourist Draws at Easton Offers Vintage Dolls, Outfits, & Hairstyling (for dolls)

New Shoes

Footwear Was Surprise Top Seller Over Holidays

Not

Sweating Ugly

Lululemon, Which Specializes in Yoga Wear for Ladies, Grew by 65% in 2012, 4th Fastest in STORES Hot 100

Roses

Also-Ran Discounter Enters Crowded Ohio Market by Going Into Class-C Spaces

Late Night Fast Food

Does America Really Need a "Fourth Meal"?

Fat Grandpa

Sales of \$31,000 Harley 3-Wheelers Up 45% in 2012 to the "Born to Be Wild" Crowd

Wardrobing

Ohio Men Busted for Wearing Gowns to Weekend Transvestite Balls & Returning "Purchases" on Monday Morning

2013

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The Working Poor: Part-Time Work Pushes Retail Associates Into Poverty



Kiss
My
Grits!
xoxo,
Flo

Take It or Leave It:
Chains Slash Hours to <30
Hours Per Week Per Employee to
Avoid Paying Benefits

Average *Full-Time* Associate Earns **\$17.18/hr.**
(**\$12.25** Wages/**\$4.93** Benefits)

Average *Part-Time* Associate Earns **\$10.92/hr.**
(**\$8.90** Wages/**\$2.02** Benefits)

Retail Workforce Now Comprised of **70% Part-Timers**
(vs. 30% 20 Yrs Ago)

Weekly Work Schedules Block Out Several **2-5 Hr. Shifts**
(Engineered to Match Shopper Demand Patterns)

Non-Standard Shifts Wreak Havoc With Workers' Responsibilities Outside of Work, But Same Employees Are On **Last Minute Call For More Hours**

Retail Sales Productivity Increased by **30%** | Retail Wages Rose **<1%**
(2010 vs. 2000)

Wal-Mart is Not the Only One With Labor Issues:
Apple Stores' Unparalleled Sales Productivity Not In Sync With Associate Pay Structure

Apple Stores Generated



\$473,000
Per Employee in 2012
Double 2nd Best in Industry (Tiffany)

(This Would Be Excellent for Retail Consultants)

Apple Store Associates Earn **\$25,000/yr.**
(on average)

In Spite of Coolness Factor, Apple Stores Positions Are ...

Low Paying No Commission No Career Path
Jobs for Recent College Graduates

Enlightenment?
A Few Retailers Invest More Instead of Less Into *Human Resources*

Independent Merchants Still Have **60%** Mostly *Full-Time* Workers on Staff

Hobby Lobby Decided It Needed **Subject Matter Experts**, Not Order Takers, So It Raised Wages... **\$1/hr.** ↑

Limited Brands' Bath & Body Works Named Among **Top 15 Best Places to Work** List in 2012
(Indeed.com)

2013

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Time is Of the Essence: Main Streets Create Memorable Experiences to Remain Relevant in Internet Age



Ohio is *Losing* Its Independent Retailers in Droves:

Small Scale
Establishments
(<20 Employees)

↓ by **30%**
in Ohio

Between 2000 & 2010

EVERY Year, Ohio Loses...

74 Gift Shops **38** Sporting Goods Stores
50 Drug Stores **26** Book Stores
51 Jewelry Stores
39 **37** Toy/Hobby Shops **55** Florists
Women's Fashion Boutiques

Meanwhile,
Big Box
Stores
Are

↑ **2%**
a Yr.

E-Commerce is

↑ **15%**
a Yr.

Restaurants Are Downtown's **New** Anchor Stores:

Independent Restaurants
Held Their Own During 00's
(1% Decline)

Consumers Want Indy
Restaurants That Feature Fresh,
Local Foods, Outdoor Seating
and Alcohol Options

The Menu
of Winning
Formats
is **Endless**:

Chophouse Winery
Grille Diner
Cafe Cantina Deli
Bistro Tavern
Pub Banquet Hall

Events, Arts, Entertainment & Recreation Round Out *Modern Downtown Mix*:

Smaller Recurring Events Are As
Important to **Building Foot
Traffic** as Big Annual Blow-Outs

Merchants Should
Embrace Same
Idea With
*Calendar of
In-Store Promotions*



Many Communities
Restore Old Theatres
to Capitalize on
**Growing Interest
in the Arts**



2013

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About Boulevard Strategies:

Boulevard Strategies provides economic and retail research and analysis, economic development planning, strategic planning, market plan development and program development services to government, non-profit and private sector clients.

Our services support the development of:

- Economic Development Plans
- Economic Impact Analysis
- Real Estate Strategy and Analysis
- Trend Tracking
- Industry Cluster and Baseline Studies
- Business and Marketing Plans
- Competitive Assessments
- Benchmarking
- Business and Retail Audit Reporting

Our clients include:

- Commercial Property Developers
- Commercial Property Investors
- Municipalities
- Government Agencies
- Downtown Business Associations
- Community Development Organizations
- Development Corporations
- Special Improvement Districts
- Retailers
- Manufacturers
- Service Organizations
- Non-Profits

If you enjoyed our Top 10 list, **follow us on Facebook** where we post and comment on articles about the latest retailing, real estate, land use planning, and marketing trends several times a week all-year long!