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2012 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 *7th 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.

Having said that, *there are a few constants*. We always start off by looking at the economy, particularly, consumer confidence, then we review local retail real estate stats and major new projects in the pipeline. We always devote one page to all things Wal-Mart: love 'em or hate 'em, you'd be a fool to ignore 'em. And we'll always serve up our ever-popular "*What's Hot, What's Not"* zingers. Otherwise, we try to share with you what we've been seeing, experiencing, reading about, and thinking about lately…so please read and enjoy!

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10 Fatigue Sets In:

Consumers Spend Away Their Blues in Spite of Economic Uncertainty

Retail Spending Forecast to *Rebound* in 2012 to Pre-Recession Levels.

YET, *Consumer Confidence Index* Remains Stuck

The Conference Board

55% Believe the USA is STILL in a *Recession* (it officially ended in June 2009)

USA Today Poll

Pent-Up DEMAND Leads to Holiday Decorating, *"Self-Gifting"* Splurges at End of 2011

Divide Between Saks & Wal-Mart Shoppers Deepens.

Stocks/Corporate Profits *Rise Much Faster* Than Wages/Govt. Assistance Since 2009

Luxury Retailers Report an Increase in 2011 8%

Marcus & Millichap

Meanwhile, *Wal-Mart* Brought Back its LAYAWAY Program

Workers-Owners Unite! New Wave of Employee-Owned Companies Emerges.

Large Companies Spend on Technology and Equipment, NOT Labor and Training

Self-Employed, 90,000 Strong & Growing in Central Ohio, Represent 10% of Employment Base

9

56 Million Square Feet of Shopping Center Space:

Does Central Ohio Really Need This Much? Will We Ever Need This Much in the Future?

Shopping Center Sq. Ft. Per Capita *Rose* from 12 in 1980, to 18 in 1990 ,to 24 in 2000, to 31 in 2010.

Anybody Notice a Pattern?
If We Reach 36 or 37 by 2020, We Will Add at Least 16 Million Sq. Ft. or **10** Polaris Fashion Places

10 to 11% Retail Vacancy Rate Continues to *Hover* in Double Digits Marketwide

Meanwhile, *E-Commerce 2.0* Effortlessly Adds Another Year of **15%** Growth

What's Up with *Waggenbrenner*?

Grandview-Based Developer Tackles **Problem Properties** in Central Core of Region

Planning/Development Underway at:

Weinland Park
Kaplin Sites
Columbus Coated Fabrics
Timken
Jeffrey Place
Ibiza Condos (former)

What *Else* is Happening in the Region?

The Hills Market Will Fill Niche in *Underserved* Downtown Retail Market

Lane Ave. *Re-Invents* Itself as Modern Entertainment District

Not Much Initial Retail Impact Expected When the **Casino** Opens on West Side

How Does the **36/37 Interchange** *Differentiate* Itself Retail-Wise From Polaris?

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8 Left For Dead:
The Regional Mall Revisited

Number of Enclosed Malls in Ohio *Declined* from 53 in 1981 to 38 in 2011.

Early Mall Pioneers Started in Ohio: Cafaro Jacobs DeBartolo Glimcher and others

Overtaken by *Easier-to-Shop* and More Vibrant Power Centers and Lifestyle Centers

Experts Project Another 9 or 10 of Ohio's *Remaining* Malls Will Close This Decade

However, Survivors Are *Stronger* Than Ever.

STILL HAVE Critical Mass, Best Fashion Selection, High Traffic Locations, Provide Relaxed Social/Family Experience (vs. In-&-Out Mission-Driven Strips)

New Tenant Types: Category Killers Pop-Up Shops Upscale Warehouse Clubs Fine Dining Restaurants Discount Dept. Stores

Mall Sales Up Nationally 4 to 5% in 2011 vs. 2 to 3% for All Retail

Strong Specialty Retailers *Grab* Excess Mall Space in Bid to Become Mini-Anchors.

FOREVER 21 Has Taken Over Several *Empty* Dept. Store Locations

Victoria's Secret *Increases* Footprint by 55%, Still Achieves Over $700 per Sq. Ft. in Sales

LITMUS TEST for Today's *Regional Mall*: Does It Have VICTORIA'S SECRET?

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Wal-Mart Shrugged:

Weak Store Traffic Dampens U.S. Sales at Retail Giant

Many Shoppers Don't Think Wal-Mart Prices Are the *Lowest* Anymore.

WSL Strategic Retail Survey

Concerns About Prices for Gas, Energy and Food as Well as Employment Issues Have Wal-Mart Shoppers on the Defensive

Beyond Traditional Rivals (Target, Kmart, Kroger, Meijer), Dollar Stores & Drug Stores Have Broadened Consumables Selection with *Smaller Size Packages & Lower Price Points*

Wal-Mart Commits to Healthier Food Choices - Less Salt Less Sugar Less Fat More Local Products

Can Wal-Mart Play *Small Ball*? Plans Call for 100 New Wal-Mart Markets or Wal-Mart Expresses.

Wal-Mart Express, Test-Piloted in Arkansas in 2011, is Wal-mart's Answer to the Dollar Store (13K SKUs vs. 125K at SuperCenter). Target Tests *City Target*

Meanwhile, Wal-Mart (aka Wal-Mart Labs) is Investing Heavily in *Online Digital Movies & Social Networking*

Labor Problems Continue to Plague Wal-Mart's *Authortarian Culture*

Westerville Welcomes Wal-Mart! *(Well, Sort Of)*.

Developer (*Hadler*) Sways Wary Officials to Allow Wal-Mart to Breathe New Life into Old Tired Strip at State & Schrock

Potential Benefits Include More Choices & Lower Prices for Consumers, Jobs & Taxes for City & County

Potential Negatives Include Traffic Congestion & Cannibalization of Expenditures at Existing Retailers

Nimble Independents CAN *Thrive* in the Shadow of Wal-Mart

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6 Good Stuff Cheap:
The Wheel of Retailing Turns Again

In Each Era of Retailing, the Original Low-Cost Discounters Gradually *Expand/Upgrade Offer*.
(Amenity Creep)

This Allows for *Newer, No-Frills Formats* Such as Dollar Stores & Close-Out Houses to Undercut Them

Since 2000,
35-40 Net Dollar/Close-Out Stores Opened/Year vs. 9-10 Net Discount Dept. Stores Closings/Year In Ohio

Ohio Has Over 1,100 *Dollar Stores*, 3rd Most in U.S. Behind Texas & Florida

Dollar Stores Love to *Locate Next to Wal-Mart or Target*, Often in Older, Low Rent Strips

Ollie's Bargain Outlet Recently Entered Into Ohio Markets With Sound Growth Strategy, Solid Financing.

Merchandise Sources Include Distressed Lines, Closeouts, Overstock, Salvage Merchandise, Dept. Store Returns, Liquidated Goods, Discontinued Lines, Clearance Items, Ex-Catalog Stock, Freight-Damaged Goods, Irregulars, Salvage Cosmetics, Test Market Items, & Bankruptcy Inventories

Serendipity Doo Dah:
Constantly Changing Product Displays Provide Treasure Hunt Feel During Avg. 10 minute Shopping Visit

Cheap Labor ($14,415 Avg. Annual Wage/Employee)
&
Small Footprints (<10K Sq. Ft.)
Are Also Keys to Business Model

Low-Wage Earners Still Comprise Core Bargain Shoppers, but *Affluent* Are Fastest Growing Segment.

Those Earning $70K+ Shopped Dollar Stores 2X As Much in 2011 vs. 2006

Reality TV Brings *Hard Luck Bargains* Into the Mainstream Mindset

Goodwill Opens Upscale Thrift Shops in *Affluent Communities*

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5 I Love the 10's, Part 2:
Lifestyle Trends Continue to Create Retail Opportunities

Life of Riley: Ongoing *Humanization of Pets* Gives Way to Boomer-Style Indulgences.

Elite Doggie Day Camps, "Human Grade" Pet Foods, Home-Cooked Meals, Designer Dog Doo Bags Drive Another Big Year in Juggernaut Line of Trade **$55 billion**

Incidence of Pet Ownership *Increases* with Household Income (Harris Poll)

Vet Visits Climb **7%** as Pets Live Longer, Due To Better Nutrition & Modern Medicine

Getting Personal While Going Corporate: *Facebook* to Extend $10 Billion IPO in 2012.

Facebook Ads Allow for *Precision Marketing* & *Measurement of Results* at Affordable Rates

Facebook Ad Revenue *Doubled* in 2011

2011 $4 billion
2012 $6.5 billion

58% / **42%** Ratio of Both Social Media Usage & Online Purchases by *Females vs. Males*

Google+ Gains Traction, *Expected to Grow* to 400 Million "Users" in 2012 (vs. 60 Million in 2011)

The Great *Groupon* Debate: In Its Infancy or Rapidly Reaching Maturity?

Merchants Take a *Financial Hit* to Draw New Customers Who Hopefully Become **Loyal Repeat Customers**

38% *Loyal* Customers
27% Lukewarm *Occassional* Customers
31% *New* Customers

Daily Deals Bought **Quadrupled** in 2011, While Daily *Deal Sites* **Dwindled** From 530 to 360

Groupon Mainly **Small Business Phenomenon** So Far As *Chains Just Start to Show Interest*

Groupon Continues to *Expand Reach* Into **Travel**, **Direct-From-Manufacturer** & **Supermarket Channels**

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

Hot

Sea Salt French Fries	*Burger King, Wendy's* Respond to Better Burgers Trend with Better Fries…
Layaway Angels	*Strangers* Flock to Local Stores to Help Out the Needy…
Men Who Enjoy Shoping	*Men's Apparel* Sales Up 7% vs. 1% for Women's Apparel in 2011 (NPD Group)
Shopping Online While Drinking	Women's Fashion Sites Report *Sales Spike After 9 pm*
Gourmet Burger Delivery	Domino's Founder Tom Monaghan Starts New Business With 2 *Burger Minimum*

Not

Pepper Spray in Your Eyes	*New Thanksgiving Tradition* Initiated at Wal-Mart During Midnight Madness Sales
Headless Mannequins	Generic White Skinny Prototypes Pushed Aside for *Highly Customized Realistic Models*
Men Who Enjoy Working	"Mancession" Results in More *Mr. Moms*
Cupcake Backlash	Cupcake *Consumption Down* 18% in 2011 (NPD Group)
Mail Delivery	U.S. Postal Service Slated to *End Saturday Delivery*, Plans to Close 12% of Retail Locations

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3 The New Local Foods Movement:
Local Liquids

Snowville Creamery
Meigs County

"Milk, the Way It Used to Be":
Dairy Sells Milk & Cream **Pasteurized at Low Temperature, Non-Homogenized, On Retail Shelf Within 48 Hours**

Available at...

WHOLE FOODS MARKET · GIANT EAGLE · Kroger

...and Other High-End Ohio Grocers

Key Ingredient in *Jeni's Ice Creams,* Another Local Favorite

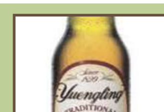
Zauber, Hoof Hearted, and Born Brewing


Columbus

The Latest Additions to Central Ohio's *Burgeoning* Micro-Brewery Menu **(10 Locations, All Independents)**

Mainstream Grocers Add Craft Beer Selections As Sales Increase

Yuengling, Positioned Between Mainstream & Craft Beers, **Captures 12% of Ohio Beer Market Overnight**



Middle West Spirits, Watershed Distillery


Columbus

Local Micro-Distillers Use **Locally-Grown Produce** & Meticulous Processes to Produce *Award-Winning Small Batch Specialty* Vodkas, Gins & Whiskeys

Ohio Missing Out on Global Bourbon Boom Centered in Kentucky & Tennessee Due to **Archaic Prohibition-Era Laws**

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2 Cross-Channel Shopping:

Mobile Technology Bridges Gap Between E-Commerce & In-Store Retail

The Same Shopper Will Often Use a *Combination* of Web/Mobile Apps/StoreVisits to Collect Info, Comparison-Shop, Get Discounts/Coupons, & Make Purchases.

Does This Count As *E-Commerce* or an *In-Store Sale* ??

Web-Influenced Store Sales Are Growing by 9% per year (Group M)

This Adds Fuel to *Online Sales* Tax Controversy

Jobs Creation: Apple Store is Glimpse Into Future of Retailing

35% of American Adults Now Own a *Smartphone*.

(Pew Research)

This Includes … 62% of Millenials (20-Somethings)

Retail Apps Compare Prices, Offer Coupons/Discounts, Compile Shopping Lists, Suggest Recipes/Meal Plans, Track Receipts, Loyalty/Reward Points, Scan Bar Codes, Find Parking Spaces (at least in SF) + *Many Others*

QR Code Scanning, Imported From Japan, Aims at *Young Inquisitive* Mothers at Supermarkets

Cross-Channel Commerce Will *Accelerate* As Tablet Devices Proliferate.

We're All Thumbs: Only 1 in 10, E-Commerce Transactions Completed Via Mobile Device (IBM)

Store Employees Begin Toting i-Pads That Serve as Mobile Catalogs, Digital Inventory Locators, Portable Cash Registers, Customer Files, Virtual Mirrors, Facebook/Twitter Stations

Only 11% of American Adults Own a Tablet Device, But It Was Near *Top of 2011 Xmas Lists for 6 to 12 Year-Olds*

1 Reservoir of Retail Know-How:

Central Ohio Continues Tradition of Innovation

Outsiders Surprised That Sears Used Central Ohio to Blackmail Illinois Legislators,But *Industry Insiders Know Better*.

HQ Impressive *Retail/Restaurant Roster* Ranging From Victoria's Secret, EXPRESS, and Abercrombie & Fitch to Big Lots, Wendy's, and White Castle

American Crossroads: Distribution & Logistics Hub Due to Geography, OSU Expertise, Rickenbacker & Intermodal Hubs

Columbus Consultants Such as Fitch, Big Red Rooster, Chute-Gerdeman, WD Partners, BIG Research Keep Port Columbus Busy as They Service Retail & Restaurant Clients Throughout U.S. and Worldwide

Retail Pioneers Put Columbus on the Map.

In Les We Trust:
Mr. Wexner Re-Invents Mall Retailing (The Limited, Victoria's Secret) Then Re-Invents the Mall Itself (Easton)

Casto Family Opens One of the U.S.'s First Shopping Centers, Town & Country in 1948, Soon Followed by Graceland, Northern Lights, Great Western, Other Early Efforts & Later, Lennox Town Center

Store Design Genius Alton Doody Blazes Trails in Starting 2 of the Greatest Retail "Think Tanks" Ever *Management Horizons & Retail Planning Associates*

Looking Forward, *Millenials* Are Most Entrepreneurial Generation Yet.

50% of 20-Somethings Aspire to Be Their Own Bosses

(Employers Holdings, Inc)

OSU Fisher College of Business & CCAD Introduce 100's of Grads Into Labor Pool Each Year, Many With Strong Interest in Retail Careers, as Profession Gains Credibility

Local Governments Focus on "Economic Gardening" (Nurturing Growth at Existing Small Start-Ups) as Opposed to "Hunting for Big Game" (Using Tax Give-Aways as Ammunition) From Outside the Area

2012 Central Ohio

Retail Outlook

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

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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

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