



# THE FUTURE OF RETAIL

## EMILY BURROWES

URP 590



# HISTORY OF RETAIL

9000 BC

- Trade of animals
  - Use of barter systems
  - Animals = currency



3000 BC

- Currency changed to a measurement of weight



800 BC

- Emerging of the marketplace in Greece = the Agora

200 BC

- Chinese invented the first form of written documentation for accounting

# HISTORY OF RETAIL CONT...

1883:

- First cash register was invented by James Ritty

1890-1920:

- Modern day department stores arise
  - Mom-and-pop shops, general stores, department stores, etc.

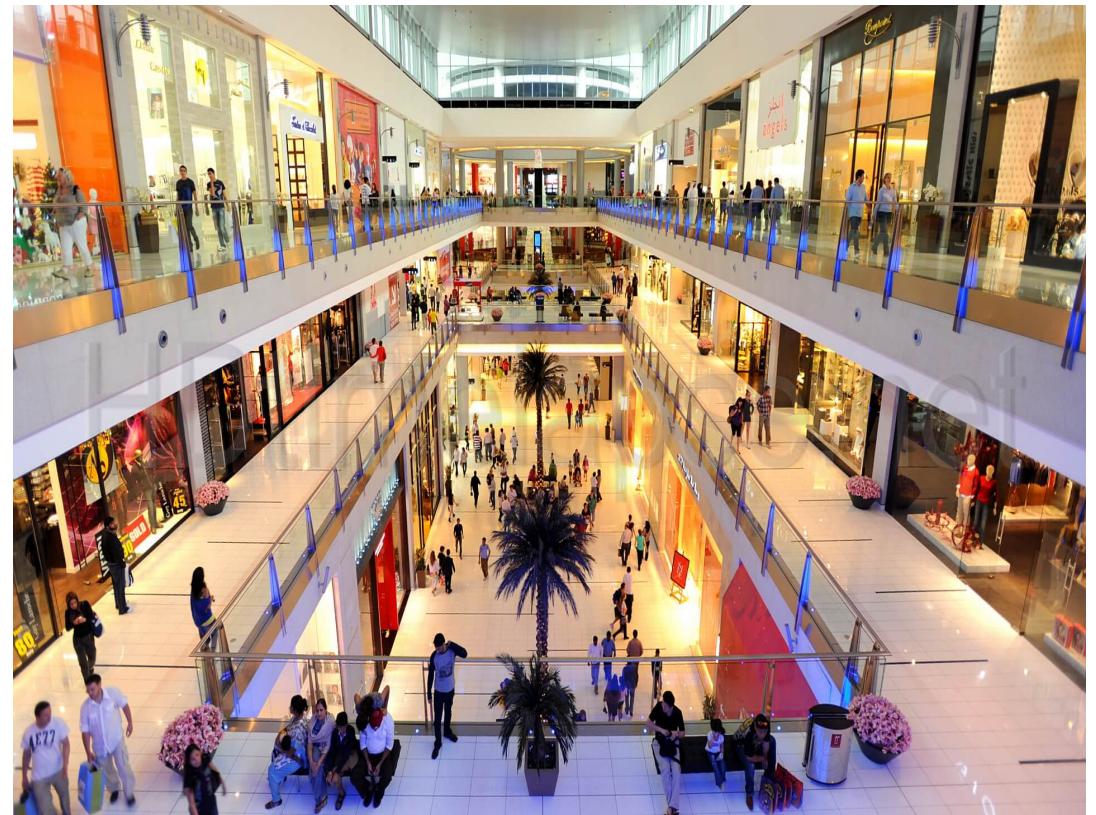
1920: Start of the credit card

1929: Supermarkets start

1930: First shopping mall

1962: Emerging of Big Box retail stores

1994: Online shopping is born



# 7 MAIN TYPES OF RETAILERS

1. Department Store
2. Supermarkets
3. Warehouse Retailers
4. Speciality Retailers
5. E-tailer
6. Convenience Retailer
7. Discount Retailer



# INTRODUCTION OF ONLINE SHOPPING

- 1982: Internet web arises
- 1994: Online shopping starts
- 1995: Amazon arose
- 1998: Intro of Google
- 2002: PayPal was introduced, changing the way we purchased items
- 2005: Social commerce boost sales from social media platforms like Facebook and Twitter
- 2007: iPhone brings online shopping to mobiles
- 2011: Online grocery starts
- 2012: Interactive TV services create more shopping opportunities





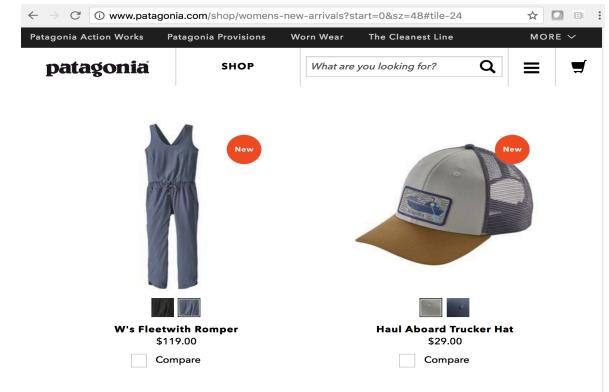
# COMPARISONS

## RETAIL STORE

PROS	CONS
In-person experience	Real estate fees
Appeal to generate higher profit margin if consumers can see it in person	Employees
Better idea for inventory numbers	Maintenance
Not as much competition vs online	Must have additional physical space for inventory
Can cater to the area easier	Marketing is expensive

## ONLINE STORE

PROS	CONS
Cheaper – no rent, utility bills, etc.	Finances for web and tech support
No interior or exterior decor and maintenance needed	Have to have physical location for inventory
Can be a “one man show” if needed	Much higher competition



# SHOPPING TRENDS

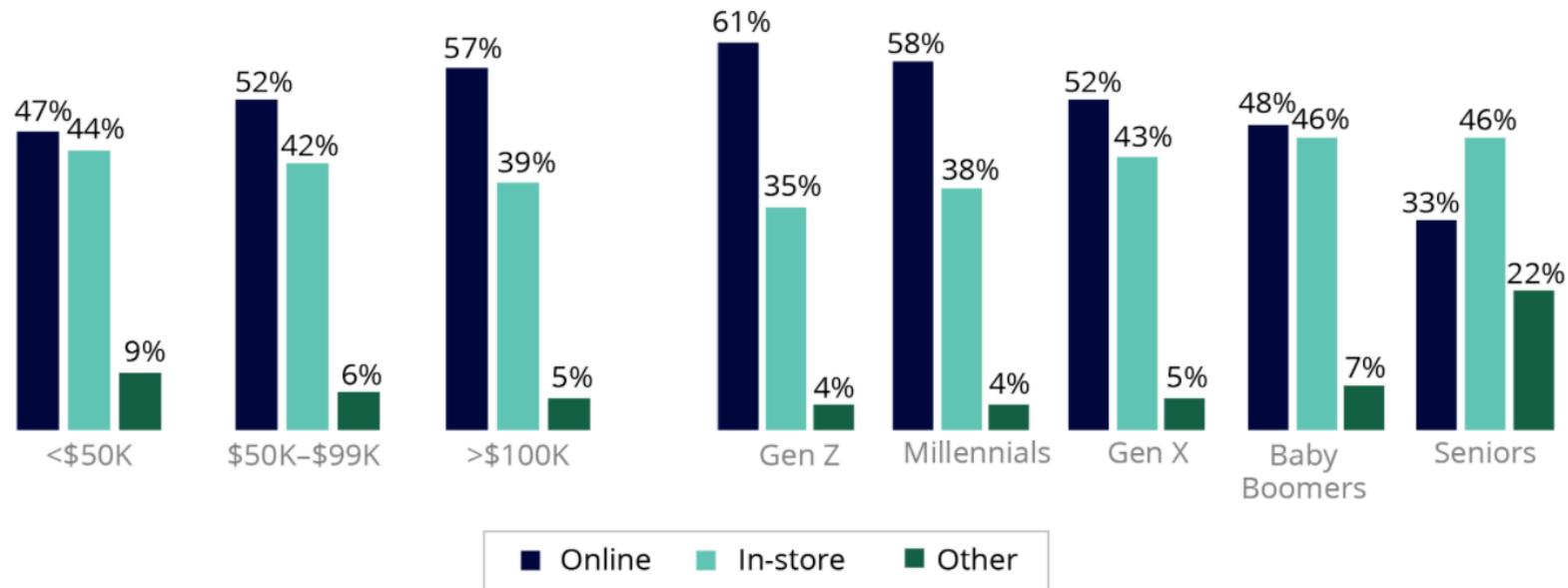
"What percentage of your total holiday budget do you expect to spend (online vs. in-store vs. other)?"

TOTAL HOLIDAY BUDGET



BY HOUSEHOLD INCOME

BY GENERATION



\* "Other" includes catalogs or direct mail promotion.

Source: Deloitte 2017 holiday survey.

Deloitte Insights | [deloitte.com/insights](http://deloitte.com/insights)

# HOW IT WILL AFFECT REAL ESTATE

Retail selling space: Here's who's growing and who's shrinking stores

This chart represents the year-over-year percentage change of certain retail categories' square footage from 2016 to 2017.



# HOW IT WILL AFFECT REAL ESTATE: ARE WE DOOMED?!



# FINANCES OF RETAIL OWNERS

*The fundamentals of commercial leases:*

- Rent
- Marketing budget
- Utilities, insurance, and property taxes
- HVAC – Heating, ventilation, and air conditioning
- Security and property maintenance
- Tenant improvements
- Capital costs
- Net rent
- Non-economic terms
- Signage
- Operating costs
- Length of lease
- Expansion rights
- Usage restrictions
- Location assignment
- Parking
- Security deposit

# .....VERSUS E-COMMERCE (FOR SMALL BUSINESSES)

- Rent
- Marketing budget
- Utilities, insurance, and property taxes
- HVAC – Heating, ventilation, and air conditioning
- Security and property maintenance
- Tenant improvements
- Capital costs
- Net rent
- Non-economic terms
- Signage
- Operating costs
- Length of lease
- Expansion rights
- Usage restrictions
- Location assignment
- Parking
- Security deposit
- Web development
- Distribution centers (if necessary)

# FINANCE BREAKDOWN COMPARISONS

## COSTS OF A TRADITIONAL RETAIL STORE:

What:	Costs:	Notes:
Monthly retail lease	\$4166/month	Average costs \$50-75 per sq ft, average retail shop is 1000 sq ft, min lease period usually is 6 months
Up front investment	\$10,000	Includes renovations, sign creation, lease closing costs, and equipment costs
Staff	\$6720/month	Assuming you at least 2 members, working 9:00 am - 7:00 pm, 7 days/week, working for \$12/hour
<b>TOTAL initial costs for month:</b>	<b>\$20,886</b>	<b>\$10,000 initial investment and then \$10,886 in monthly costs</b>

VS.

## COSTS OF AN ONLINE E-COMMERCE STORE:

What:	Costs:	Notes:
Web development costs	\$6,000	Includes complete shopping cart functionality, blog, social media integration, reviews, full analytics
Web hosting costs	\$30/month	For a reliable company to host on high-speed servers
No sales staff costs	\$500/month	Invest money in highly-targeted pay-per-click (PPC) advertising to drive online traffic to your website
Technical and marketing support	\$2,500/month	Charge per order fulfilled
<b>TOTAL initial costs for month:</b>	<b>\$8530+</b>	<b>\$6,000 initial investment and then \$2,530 in monthly costs, plus future shipping and handling costs</b>

# RETURN FOR RETAILERS:

## WHERE DO APPAREL RETAILERS MAKE THE LARGEST PROFIT?

SOURCE: ALIXPARTNERS

IN STORE



PROFIT MARGIN

**32%**

ONLINE



PROFIT MARGIN

**30%**

ONLINE  
IN STORE PICK UP



PROFIT MARGIN

**23%**

ONLINE  
SHIP FROM STORE



PROFIT MARGIN

**12%**

# CASE STUDY: APPLE TREE BOUTIQUE RETAIL STORE

Started in 1979

Locally owned

Location: Oxford, OH

Current status: still in business

Product: gifts, jewelry, home goods, and apparel

Target audience:  
college-students (mainly for the mothers and daughters)

Why it has been successful: location, proximity, products catering to audience, limited competition



# CASE STUDY: TOBI COMPLETE ONLINE RETAIL

Started in 2007, CA based

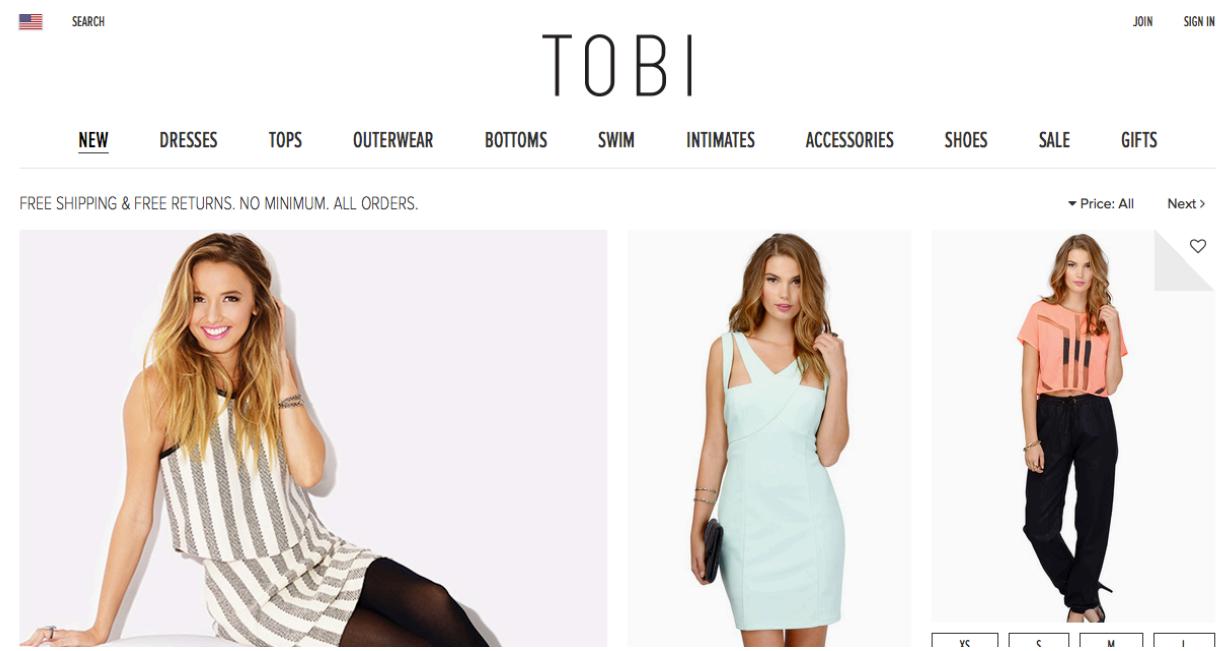
- Serves over 100 countries with over 300 employees

Product: clothes and accessories

Target audience: young women

Why it has been successful:

- Audience appeal
- Affordable, 50% off first order
- Mobile app
- Data driven for styles, demands, etc.
- Style quick turn-around
- Takes customer review constantly for future improvements
- Large social media presence



# CASE STUDY: AMAZON, AMAZON GO, ETC.

Seattle based

- Worldwide consumer base
- Offices and distributor centers around the US and world

Currently the largest internet company by revenue in the world

8<sup>th</sup> largest employer in the US

4<sup>th</sup> more valuable public company in the world

Around 54 million Prime members and 500,000+ employees

- Currently looking for site to open up 2<sup>nd</sup> headquarters
- People are suspecting it to be on the East Coast



# CASE STUDY: AMAZON, AMAZON GO, ETC. CONT..

First launched in 1995 as a website that only sold books

- Fun fact: Jeff Bezos, creator of Amazon, originally wanted to name it “Cadabra” or “Relentless”, but after the lawyer convinced him those names were not the best for marketing, he chose “Amazon” because he wanted it to be named after the largest river in the world

Late 90s – early 2000s: struggle period to build up to the top

2005: Amazon Prime, to allow membership with benefits

2007: Beginning of Amazon Fresh and the Kindle

2015: Opens its first physical store

2017: Acquired Whole Foods

2018: Opened its first Amazon Go store to the public

# CASE STUDY: AMAZON, AMAZON GO, ETC. CONT..

Capitalization: \$450B+

## Acquisitions highlights

- Zappos, IMDb, Alexa

## Subsidiaries

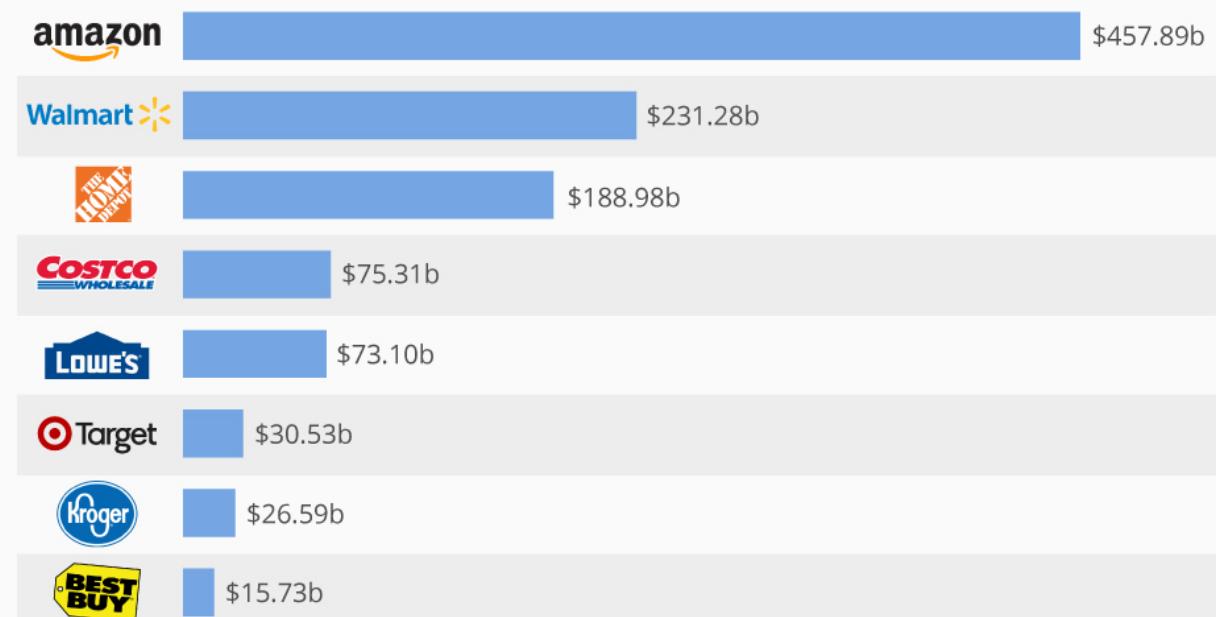
- Amazon Maritime, Inc., Audible.com, Beijing Century Joyo Courier Services, Brilliance Audio, ComiXology, Goodreads, Shelfair, Twitch, Whole Foods Market, Junglee

## Controversies

- Selling counterfeit items
- Sales and use taxes
- Poor working conditions for workers

### Amazon Dwarfs U.S. Retailers in Terms of Market Cap

Market capitalization of selected U.S. retail companies (as of May 15, 2017)



@StatistaCharts Source: Yahoo! Finance

statista

# SUMMARY: WHAT'S THE FUTURE?

The way of shopping is indeed changing as more have access to goods online

But there is still hope for store retailers with the following approaches:

- Differentiating the consumer offering, with a focus on experience and convenience
- Transforming the mall experience by leveraging technology and multichannel strategies
- Exploration of new formats and commercial real opportunities



# DISCUSSION QUESTIONS

1. From the articles and this presentation, what do you personally think the future of retail will be?
2. Where do you see companies like Amazon in 10 years? Do you see online distributors like these hitting holes in the future? Why or why not?
3. Do you think department stores, like JCPenney, Sears, etc., have a chance for a comeback?

# READING LIST

1. "Will millennials kill Costco?" by Abha Bhattarai
2. "The Future of Retail in the age of Amazon" by Austin Carrlong Read
3. "Why Amazon's grocery store may not be the future of retail" by Nick Harrison, George Faigen, and Duncan Brewer
4. "The Future of the Shopping Mall" <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-future-of-the-shopping-mall>