



**NRF**<sup>®</sup>

THE VOICE OF **RETAIL**

# Perspectives on the State of the Retail Industry

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# NRF Overview

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- NRF is the world's largest retail trade association, representing retailers from the United States and more than 45 countries
- The NRF's mission is to advance the interests of the retail industry through advocacy, communications and education
- 10,000+ members including discount and department stores, home goods and specialty stores, Main Street merchants, grocers, wholesalers, chain restaurants and Internet retailers

# Industry Performance

# The Consumer is in a Strong Position

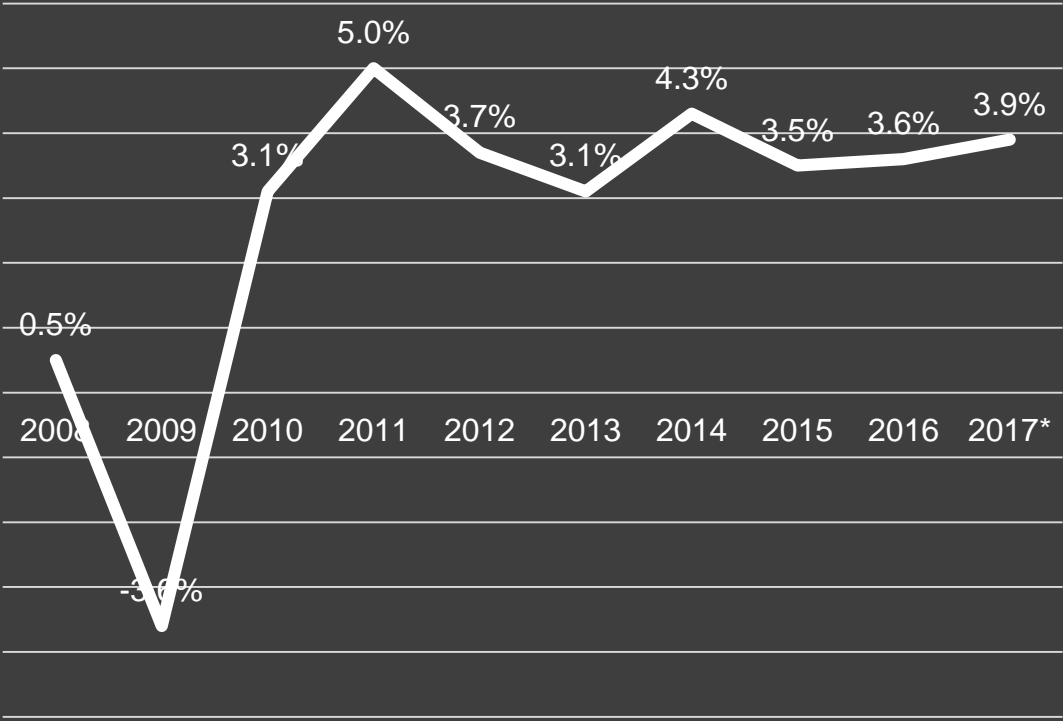
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- Highest levels of consumer confidence in two decades
- Unemployment at historic lows
- Rising levels of disposable income
- Strong equities market and robust housing market
- Lowest debt service ratio in decades but growing usage of credit

*Source: University of Michigan Consumer Sentiment Index*

# Retail is growing faster than the broader economy

Annual retail sales growth year-year



The 2017 holiday season was the one of the strongest since the Great Recession



Retail sales have grown 4.9%, 4.2% and 5.6% y-o-y in July, June and May respectively



2018 retail sales are forecasted to grow between 3.8% and 4.4%

~~3.8% - 4.4%~~  
**4.5%+**

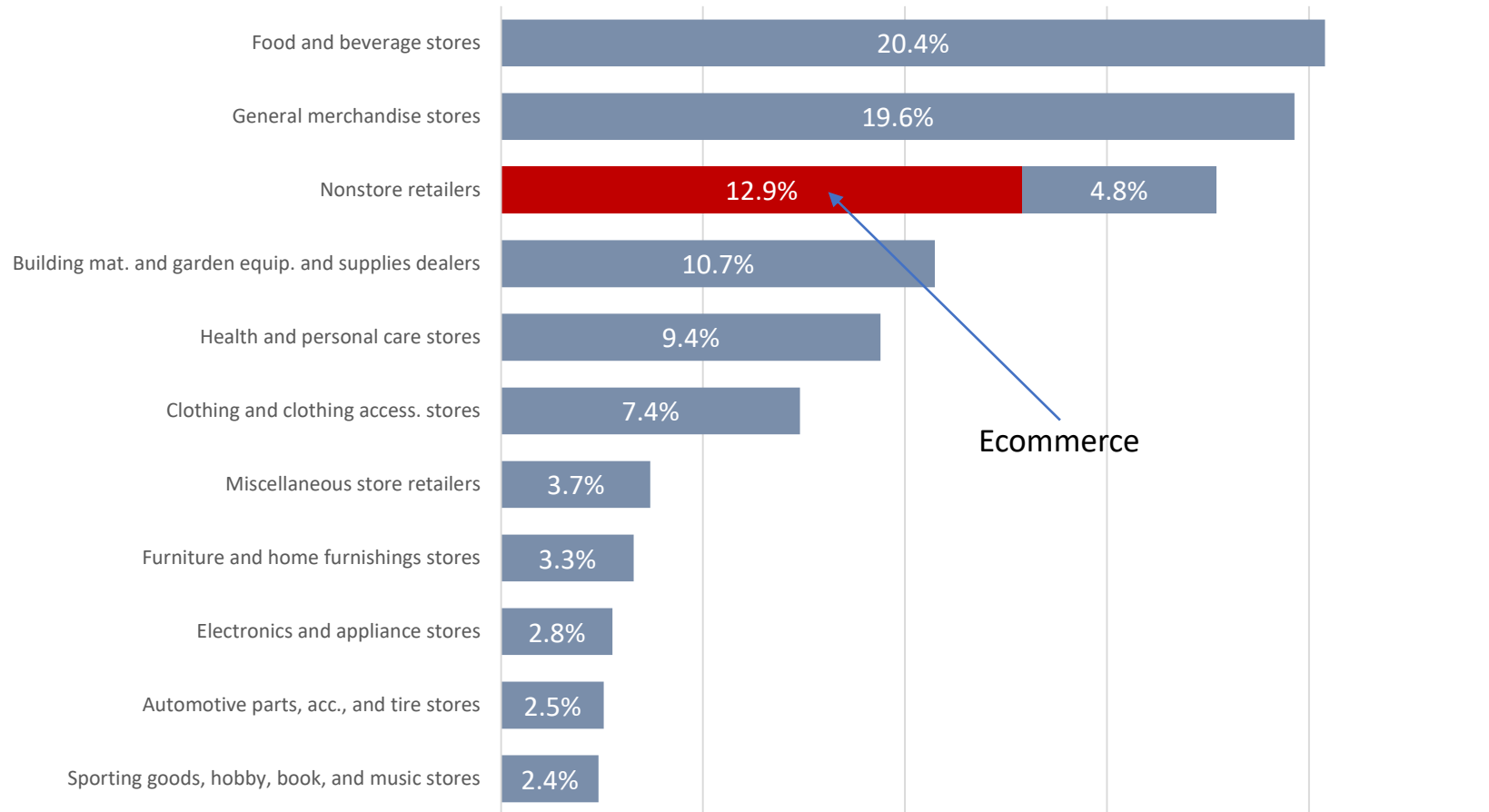
Source: NRF

# Top Growth Sectors

|  | 1-yr Growth | 3-yr Growth | 5-yr Growth |
|--|-------------|-------------|-------------|
| Furniture and home furnishings stores                | 4.7%        | 16.0%       | 26.4%       |
| Electronics and appliance stores                     | -0.3%       | -6.0%       | -4.7%       |
| Building mat. and garden equip. and supplies dealers | 8.0%        | 18.9%       | 34.4%       |
| Food and beverage stores                             | 2.4%        | 7.4%        | 14.4%       |
| Health and personal care stores                      | 0.5%        | 10.6%       | 20.7%       |
| Clothing and clothing access. stores                 | 0.9%        | 4.1%        | 8.9%        |
| Sporting goods, hobby, book, and music stores        | -3.9%       | -0.5%       | 2.5%        |
| General merchandise stores                           | 2.4%        | 3.7%        | 7.7%        |
| Miscellaneous store retailers                        | 3.4%        | 12.4%       | 18.4%       |
| Nonstore retailers                                   | 10.3%       | 32.5%       | 52.9%       |

Source: NRF; Census Bureau

# 2017 Share of Annual Sales by Sector



Source: NRF; Census Bureau

# Understanding Retail Sales Data

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**NAICS 4521**  
Department Stores



**NAICS 4541**  
Electronic Shopping  
and Mail-Order Houses



# Myth #1: Ecommerce is Killing Retail

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- Ecommerce *IS* retail
- All of the top 10 online retailers have physical stores
- Many formerly pureplay online businesses are opening physical stores
- The customer is king and retailers have to cater to how they want to transact
- Stores support online sales – many sales that appear as ‘online’ are actually fulfilled in store via ‘click and collect’

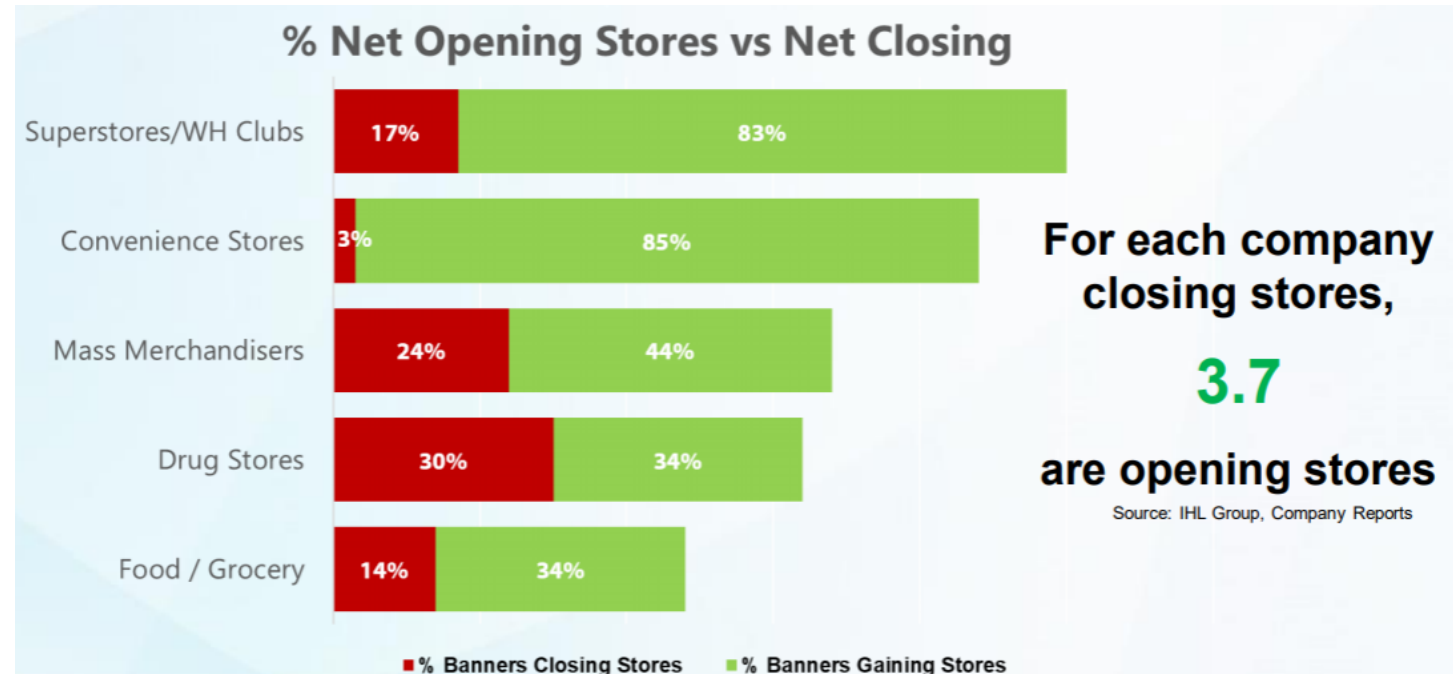
# Myth #2: Retail is beset by store closures & bankruptcies

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- Most counts of store closures only include a small sample of retailers that aren't necessarily representative of the broader retail industry
- A recent study of mall closures showed that most mall closures resulted from either competition or demographic shifts
- A number of other industries have higher bankruptcy rates than retail
- The role of stores is evolving to meet consumer needs
- Lots of stores are opening too...

# Recent data from IHL Group shows...

- Net increase in store openings of over 2,000 in 2018
- For each company closing a store, 3.7 are opening stores
- 16 retailers represent 66% of store closures



Source: IHL Group – “Retail’s Radical Transformation”

# Myth #3: Retail jobs are disappearing

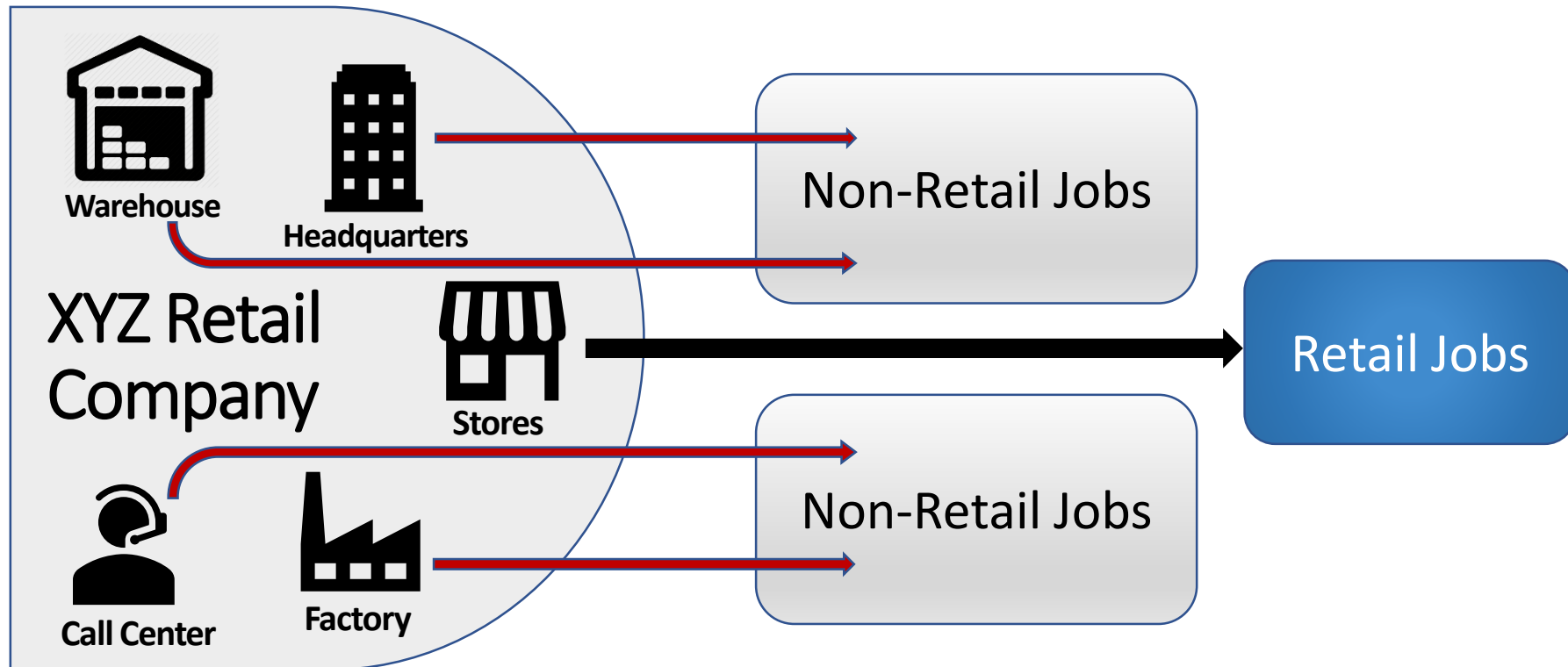
- Retail employment is higher now than it was before the recession
- Employment growth has slowed in the past couple of years
- Nonetheless, over the last 12 months retail has gained 65,000 jobs



Source: Bureau of Labor Statistics

# NAICS classifies you based on where you work, not who you work for

*If you work in a building where retail sales occur, you're a retail employee - if you don't you get classified elsewhere*



# Retail Industry: Key Trends

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- Changing sales mix as technology is changing the way people shop
- New business models such as subscription services are a fast growing segment of the industry
- Growth of fast fashion
- Internationalization
- Growth of value brands and low price-point shopping
- Retailtainment
- Automation, AI and robotics



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**THANK YOU!**

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