

Al Rodenbostel

Managing Principal



General Store

- 2/3 of the population lived in rural areas
- High living standards
- Basically a monopoly in their respective regions

Wards/Sears & Catalog Retail

- Aaron Montgomery Ward the traveling salesman
- He saw an opportunity for a **Price and Convenience Advantage** by skipping the retailer and going direct to the customer with goods they could order through a catalog and receive a week or two later from a warehouse.
- Sears Roebuck came along and copied the concept and did it even bigger and better.*
- **Similarities to today**
 - Warehouses were massive and a marvel to see where people came from all over the country to tour them.
 - It was the country's growing **Rail Lines** making most of this possible
 - US Post office played a role and was part of the conversation like it has been recently.

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Automobiles

- Provided convenience by transitioning from catalog warehouse to bricks and mortar stores closer to home.
- Sears was the first to recognize that he could open stores in the suburbs and other markets and people could easily drive and get their goods the same day.
- The automobile ultimately allowed for the birth of the mall.
- Sears was the largest retailer in the U.S. up until the 80s.

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Discount Department Stores (WM, Kmart, Target, Meijer)

- Off Mall and even closer to the neighborhoods
- Drove lower prices with greater convenience
- They took huge market share from Sears and Wards and they were.....

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Category Killers (1980's through early 2000's)

- Joined the discount department stores in serving the population closer to home. Off-mall locations and sub-regional/community scale.
 - Dicks Sporting Goods
 - Best Buy
 - Bed Bath & Beyond
- They all perfected their categories and took share from Sears, Wards and the Main St. retailer.

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Today / E-Commerce

- The **CATALOG** has been replaced by a web page CHEAPER MORE EFFICIENT
 - **The last Sears** catalog was printed in the spring/summer of 1993.
- **CONVENIENCE** is now more than closer to home its at your doorstep.
 - The existence of Fed Ex, UPS, and the US. Postal service stepping up their game.
- **PRICE**
 - Lower occupancy costs with warehouses (that was offset by shipping costs somewhat).
 - Lower labor costs
 - Originally the biggest price advantage was the ability to avoid sales tax.

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Digitally Native Brands ("Category Killers of Today")

(slide)

- **LOW BARRIERS TO ENTRY** Brand ideas can be built and launched with relative ease
- **BRAND IDENTITY**
 - Tougher to get online. Obtained through word of mouth, social media, and celebrity endorsements
 - Because of low barriers it has gotten extremely competitive and more difficult to differentiate from the pack.
 - Value, quality, fashion, etc. are hard to portray online

Digitally Native Brands

A.L.C.



BONOBOS

Charlie
Holiday.

CRIQUE



H A T C H

KOIO



NAADAM

PUBLIC REC

RHONE
XXX



State & Liberty
CLOTHING CO.
ANN ARBOR, MI

TAYLRD

WARBY PARKER
eyewear

Digitally Native Brands ("Category Killers of Today")

TRANSITION TO BRICKS AND MORTAR

- Brands are now opening **offline bricks and mortar** stores to test how they will boost their brand identity and allow them to differentiate themselves from their competition.
- Brands are reporting a **400% increase** in sales on average from the zip codes surrounding their new stores
 - Orvis when they close stores see a huge dip in their catalog sales from zip codes once served by the closed store.
- As a result, more and more digital brands are in the process of or planning to open offline stores in the future.
(Leap Slides)

Emerging Brands

Emerging brands:
>600 stores added
>2,000 stores expected

Amazon:
3,000 stores to come



Stores Drive Profitable Growth

**Elevated
brand
experience**

**High
conversion**

**Valuable
customers**

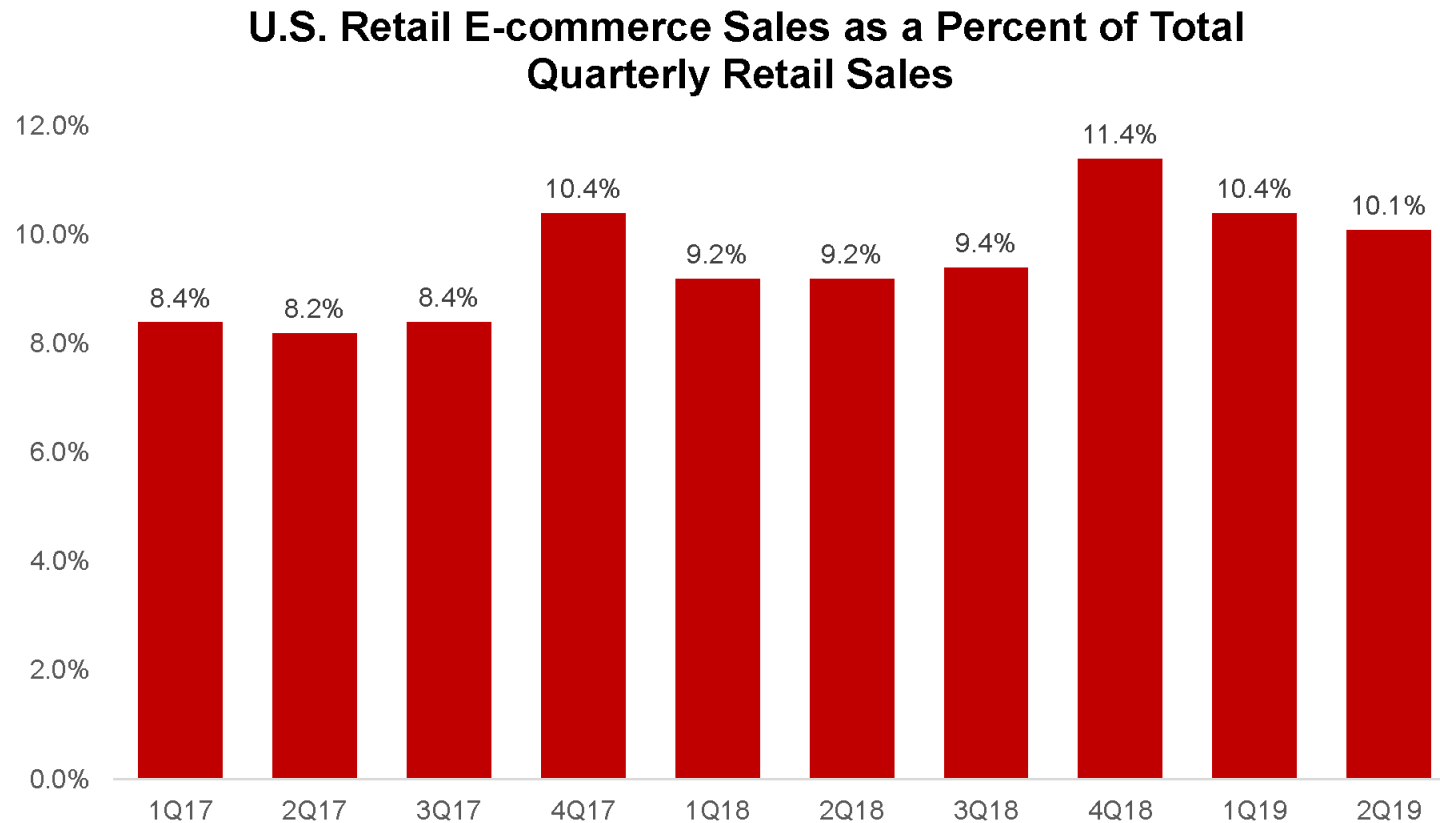
**Fewer
returns**

**Online
sales lift**

Covid Impact

- **TRANSITION TO OFFLINE** stores is being delayed.
- **ACCELERATION OF ONLINE** The biggest impact has been the acceleration of bricks and mortar stores to improve upon and fully adopt their online presence. Target, Costco, Williams Sonoma and many more doubled their online sales during the pandemic.
- **OMNI CHANNEL** retail has become increasingly more important and now widely considered the recipe for success and survival in the new digital age.
 - **Best Buy** example of embracing showrooming.
 - **Wal-Mart** membership plan and leverage of their retail locations which Amazon does not have.
- **EXTERIOR/TOUCHLESS IMPACT**

US Ecommerce Share of Retail Has Stabilized



Source: US Census Bureau, seasonally unadjusted data

**E-commerce
grew 13.6%
(SA) in 2Q19**

These Restaurant Chains Are Unveiling New Designs Inspired By The Pandemic

