**Daily Affirmation**

- What do you want?
- What are your strengths?
- What are your demographics?
- Are you ready?

**RETAIL DOESN’T LEAD... RETAIL FOLLOWS**

WHERE IS THE GROWTH?

- Where do the people work?
- Where do the people live?
- Where is the traffic?
Economy

- 2004-2005
  - New Development and Growth
- 2008 – Recession
  - Development stopped
- 2009 – Current
  - Retailers acquired vacated retail locations
  - Growth in Value Oriented Stores
- 2012 – Current
  - Developers look to renovate older Shopping Centers
  - Second generation space repurposed & now limited
  - Growth through in-fill sites

TODAY’S ECONOMY

Retailers

- Are they doing deals?
- What do they want?
- Where are they looking?
Big Box Stores

- Selling Out Parcels, Carve Outs & Excess Property
- Store Footprints are being reduced
- Fewer New Locations/Closing Less Profitable Units
- Repositioning

Walmart
Efficiencies & Relevancy

Bullish on SuperCenter

- Efficiencies
- Customer expectations
- Capital Expenditure expectations
- Reduction in square footage
  - 70,000 sf. under development Mt Vernon, MO
**Walmart Neighborhood Market**

- Growth is in smaller format stores
- Next year 200 Neighborhood Market stores that are 40,000 sf will open
- Compliment nearby SuperCenters
- Urban and Metro areas and smaller cities
- Emphasis on FRESH groceries, deli, bakery

**Walmart Express Stores**

- 80 opening with approximately 10,000 sf
- Majority will be Rural areas
- Focus on FRESH groceries, name brand items
- Pharmacy and, possibly, Fuel
- Kiosks for online ordering
Target
- Grow through Express stores Urban Markets
- Groceries and Pharmacy
- 10,000 - 40,000 sf size
- Selling Carve Outs or Excess Ground

Dollar Stores
- Family Dollar
  ◦ Closing 370 stores
  ◦ 2015 expansion 350-400 new stores
- Dollar Tree
  ◦ Opening nearly 375 new stores
  ◦ Relocating 75 stores
- Dollar General
  ◦ Opening approx 700 stores
  ◦ Remodeling or relocating approx 525 locations
Walgreens, CVS and Rite Aid

- Walgreens (8,200 stores), CVS (7,600 stores) and Rite Aid (4,700 stores)
  - Focusing on 2 distinct customer groups
    - Convenience seeking Millennials
    - Graying Baby Boomers
  - Expanding grocery, cosmetics, and health care

Grocery Stores

- Traditional grocer competitors
  - big box retailers
  - specialty grocers
  - drug stores
  - dollar stores
- Consolidation of traditional grocers
- Specialty grocers
- Lower-priced grocers and retailers
Brick & Mortar

Challenges
- Online Retailers
- “Showrooming”
- Overhead, Real Estate Taxes, CAM Charges, Insurance, and other Operating Expense

Responses
- Offering their products online
- Reducing expenses by employee reductions
- Right sizing of stores

Store Closings
- **Staples**
  - Closing 225 stores
  - Online sales grew 10% in 4Q 2013 while at the same time sales in Brick and Mortar dropped 7%
- **Radio Shack**
  - Closing 1,100 underperforming stores
- **Office Depot**
  - Purchased OfficeMax in 2013
  - Closing 400 stores
- **Barnes and Noble**
  - Closing a third of its stores over next 10 years
**Store Closings & Downsizing**

- **J.C. Penney**
  - Has plans to close 33 locations
- **Sears Holdings**
  - Is expected to shutter 500 Sears and Kmart locations in the next few years

Potential Growth:
- **Sears Hometown & Outlet Stores**

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**Restaurants**

Challenges – Profits are under pressure
- Commodity prices
- Labor costs
- Economy and fewer meals eaten out per week
- Competitors

Responses
- Reducing labor expenses
- Right sizing of stores
- Aggressive pricing
- Healthier Options
Restaurants

- Full Service Restaurant (FSR)
  - Under increasing pressure
  - High price points and weak sales
- Fast Casual
  - Segment with most growth
  - Perceived as quality food, limited wait time, at a good price
- Quick Service Restaurant (QSR)
  - aka “fast food” these restaurants continue to challenge each other for consumer dollars

Franchise vs. Corporate Growth

Corporations are
- Growing through Franchises – Few corporate stores

Franchisor is not responsible for
- The day to day operation of the store
- Cost and financing of new stores

Franchisor then has
- The ability to focus on opening stores more quickly
- Income through franchise fees and royalties
- Limited risk (profitability)
RETAIL DOESN’T LEAD...
RETAIL follows

- Smaller Footprints
- Convenient Locations for the Consumer
- Profitable Stores
- Support Stores in Your Communities