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The great retail bifurcation

Consumer economics driving industry change





Retail apocalypse?

US economy is strong ...

4.1%

unemployment

US economy is strong ...

\$58K

median income

US economy is strong ...

2,665

S&P 500

... retail is growing!



3.5%
Industry
Growth
vs. 2.3%
GDP
Growth

2007

2017

... retail is growing!

\$30_B

brick and mortar

\$40_B

e-commerce



“

Conventional wisdom serves
to protect us from the painful
job of thinking.

- **John Kenneth Galbraith**
Economist

”

Let's start with the customer

Percentage of US households¹

Income range

Low income



Lower 40%

<\$50K

Middle income



Middle 40%

\$50K - \$100K

High income

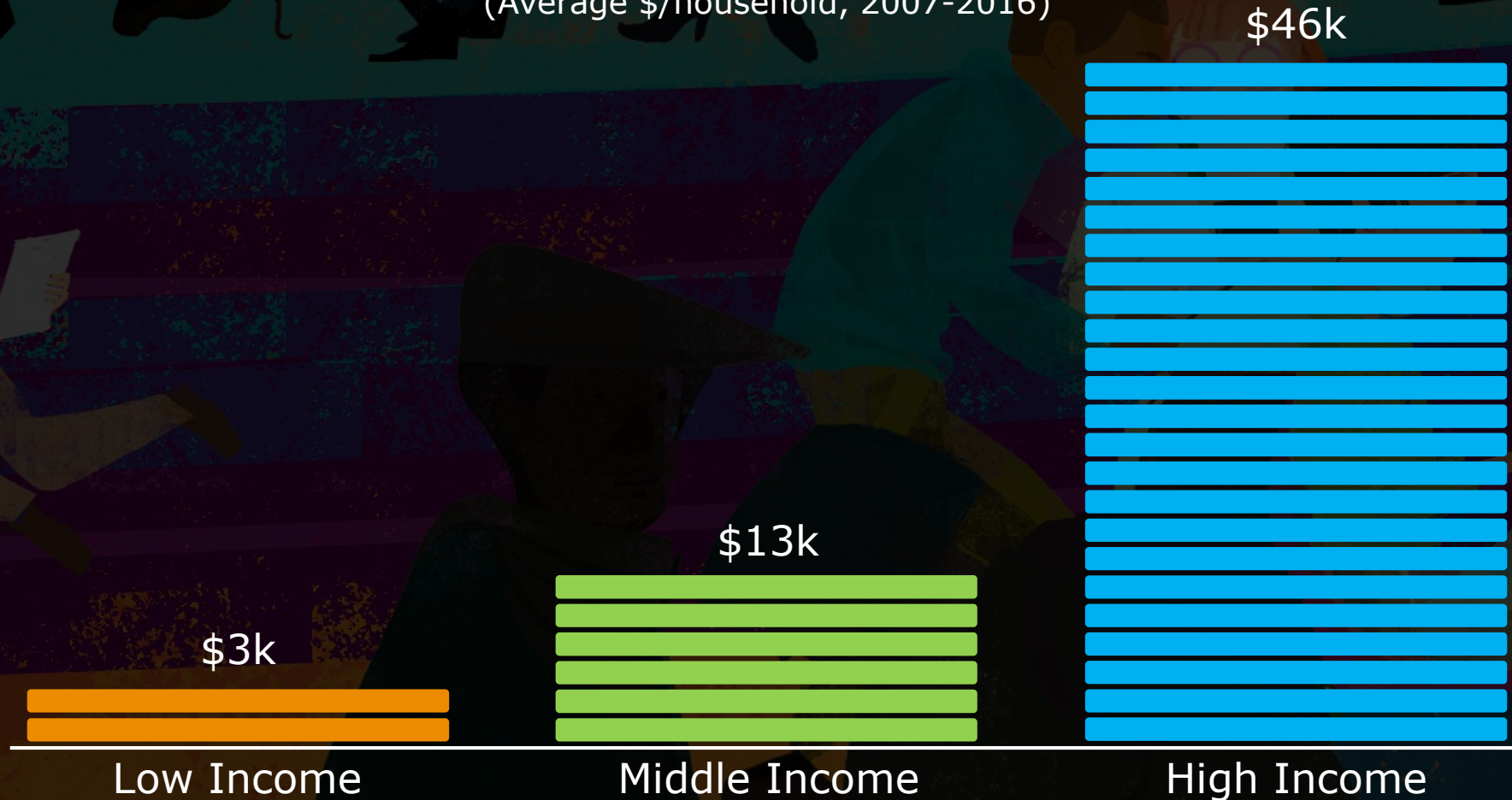


Top 20%

More than \$100K

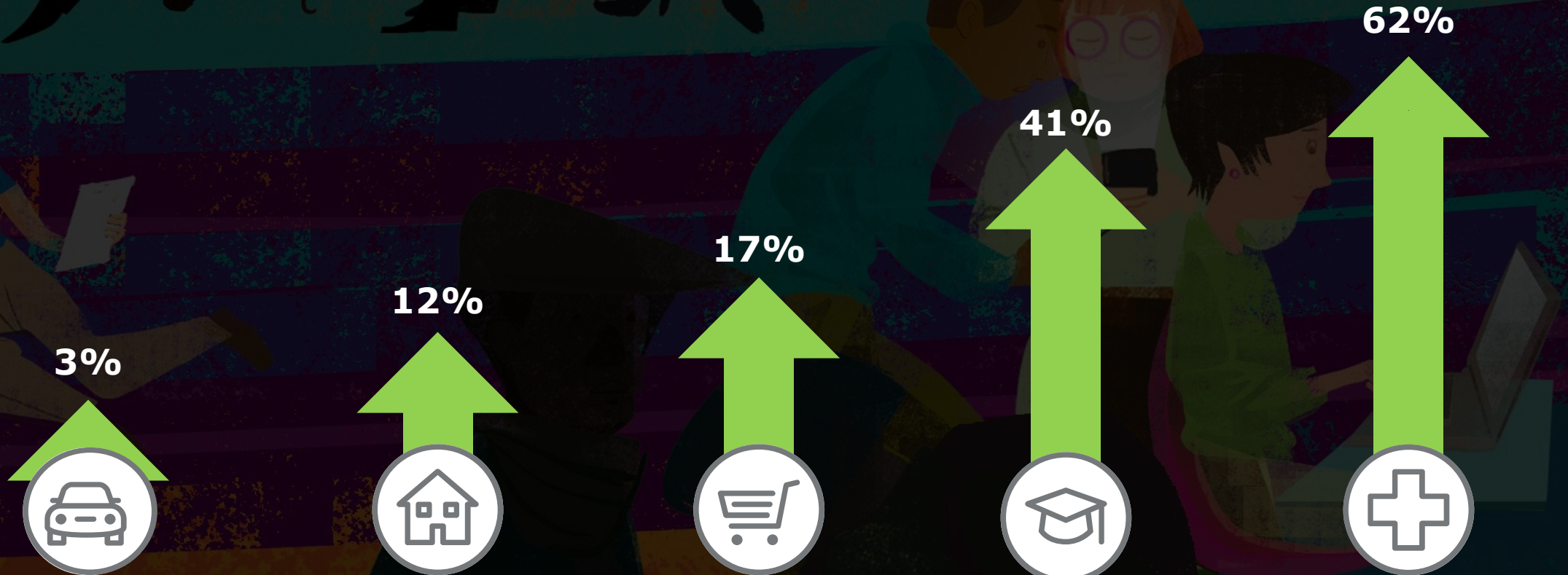
The overall income gap is widening ...

Household Income Growth (Average \$/household, 2007-2016)



... and non-discretionary costs are rising ...

Increase in Non-Discretionary Expenditures
(% increase, 2007-2016)



Transportation

Housing

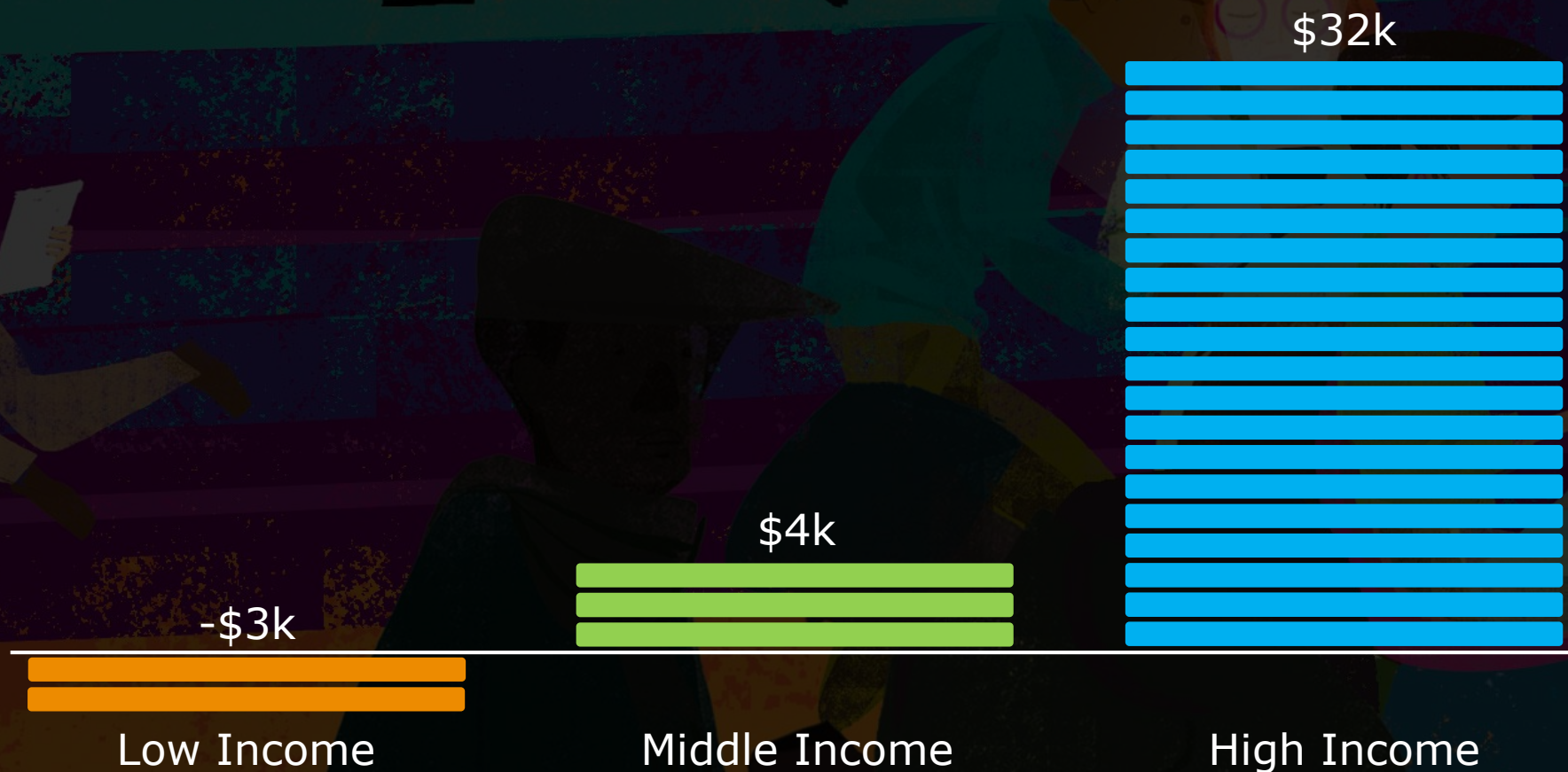
Food

Education

Health care

... and discretionary income gains flow to the top

Net Change in Discretionary Income
2007-2016





What does this mean for retailers?

We view retailers across a continuum

Price

Customer value proposition spectrum

Premium



Price-based



Balanced



Premier

Retailers are displaying bifurcating growth ...

5yr Revenue Growth



Source: Various annual reports

... bifurcating store openings/closings

Net Store Openings

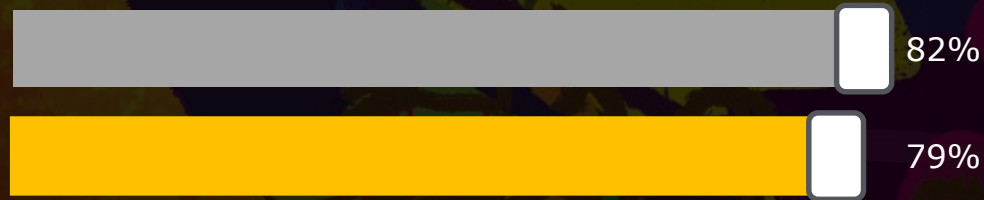
(Data from 2015-2017, when available)



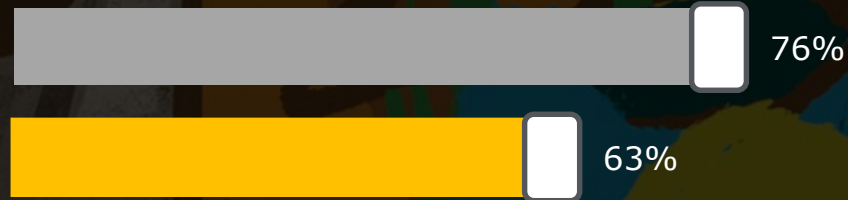
... but what about the millennials?

Likelihood of in Store Spend

Bottom
80%



Top
20%



High income
millennials
make up

6%

of the total
population

■ All Generations
■ Millennials



This is not a retail apocalypse. It's a retail renaissance.

For more information ...



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Deloitte Insights

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