Mark Twain Was Right
There Is No Such Thing As A New Normal (In Retail)

SVEDA
November 10, 2022

Michael Berne
MJB Consulting
Today’s False Narratives

- Separating the signal, from the noise

It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so.

Mark Twain
No Such Thing as a New Normal
No Such Thing as a New Normal

- Why do we listen to these people anymore?

The leap

How fast is the world moving around us? Consider how quickly e-commerce has replaced physical channels in three months.

US e-commerce penetration, %

Source: Bank of America; Forrester Analytics; ShawSpring Research; US Department of Commerce; McKinsey analysis
Bullish on Brick and Mortar

- Ceiling to consumer demand
  - Revealed by the pandemic

The Pandemic Was Supposed to Push All Shopping Online. It Didn’t.

E-commerce retailers that rode a surge of online purchases in 2020 are now grappling with the fact that some customers have returned to stores.

US ecommerce adoption growth rate

% of addressable retail

Source: US Census Bureau
Bullish on Brick and Mortar

- Physical stores in the ecosystem
  - Sales origination versus fulfillment
  - Transactions versus discovery
    - Sensuality of retail
    - “Sport shopping”
  - Shopping as leisure
    - We *like* doing this…
Bullish on Brick and Mortar

- Costs of online selling
  - Retailers cannot make money *without stores*
Bullish on Brick and Mortar

- “Clicks and bricks” expansion
Bullish on Brick and Mortar

- A “changing of the guard”, not a “retail apocalypse”
  - Self-inflicted wounds by legacy brands…
    - Leveraged buyouts
    - Stagnation
    - Overexpansion
  - Competition from better mousetraps
    - Value-oriented concepts
Bullish on Brick and Mortar

- A new (Class A) retail mix for the 2020’s
  - Digitally-native joining other expansion-minded brands
Bullish on Brick and Mortar

- Flight to quality
  - Strong getting stronger…
    - Lure of co-tenancy / critical mass, anchors
Bullish on Brick and Mortar

- Back to pre-pandemic in Class B locations
  - Food and beverage
  - Personal services (e.g. fitness, medical / wellness, pet, etc.)
  - Essential needs (e.g. grocery, variety)
  - *Even* comparison goods

**Coronavirus Changed Everything. Except T.J. Maxx.**

While many retailers pivot for a post-coronavirus future, discount chain doubles down on stores; ‘Nothing will change’
Bullish on Brick and Mortar

■ Robust leasing market overall

Analysis

Simon: Retail "Flight to Bricks and Mortar" is Real

Mall leader reports another record quarter in Q3, with strong leasing momentum.

By Jack Rogers  |  November 03, 2022 at 08:11 AM
Bullish on Brick and Mortar

- Macro / longer-term bullishness
  - Successful Downtown / Main St formula
    - Should *also* work against e-commerce
  - Needed correction to pricing
Bullish on Brick and Mortar

- Macro / longer-term bullishness
  - Equilibrium / undersupply on the strip
    - Redistribution of inventory
    - Retail / fulfillment hybrids
Remembering Mark Twain

- No new normal(s), of course...
  - Will clicks-and-bricks prove profitable?
  - Post-pandemic demand reversals
  - Suburbanization of hip / Gen Z in cities
  - Macroeconomic forces

Store Expansion May Not Be A Slam Dunk For Struggling Digitally Native Brands

![SVG Image](image-url)
The Need for Nuance

- Retail happens in the micro...
  - Big-city CBD’s in a state of flux
  - Winners… and losers in the shake-out
The Need for Nuance

- Roles in the retail ecology
  - Where is retail still viable (for sales tax)?
  - Which streets call for more flexibility?
Contact Info

Michael J. Berne
President, MJB Consulting

85 Fourth Avenue, Apt 6A
New York, NY 10003

2730 Forest Avenue, Suite W
Berkeley, CA 94705

Office | 510 356 4956
Mobile | 917 816 8367

E-Mail | mikeberne@consultmjb.com
Web | www.consultmjb.com

“Retail Contrarian Blog” | https://www.linkedin.com/in/michael-berne
9179442/detail/recent-activity/shares/