



Brown's Rants

Week Ending April 30th, 2022

eCommerce Coming Back to Earth

An interesting statistic emerged this week. Amazon reported its numbers for Q1. They reflected a double-digit gain (+17.1%) for growth in their physical stores, Amazon Go and Amazon Fresh. Online sales, however, fell -3.3% during this same period. Certainly, the accelerated rollout of their "Just Walk Out" technology and expansion of the Amazon Fresh concept have played some role in spiking physical sales. But this is really reflective simply of the growing return to normalcy.

Overall eCommerce sales in March increased annually by just 2.6%. This is the lowest amount of growth recorded by the overall sector since December 2018 and among the lowest year-over-year growth metrics recorded for eCommerce. Since 2000, the only times these numbers have turned negative have been during recessions (2001 and 2009), but they actually may do that in the coming months as consumers not only return to pre-pandemic shopping patterns but also as inflation increasingly impacts shopping behavior.

This was bound to happen for every category of retail that benefited during the pandemic and no other category benefited as much as eCommerce. Whereas eCommerce growth had been averaging in the low teens in the years before the pandemic, those numbers skyrocketed once the US enacted shutdowns. According to the Commerce Department, eCommerce accounted for \$66.9 billion in total sales as of February 2020 (our benchmark for the pre-pandemic norm). By January 2021, they had neared \$91.0 billion. In fact, if you look at where they stood as of last month (\$102.9 billion), they stood a whopping 53.7% over pre-pandemic levels.

Of course, accounting for nearly half of all eCommerce activity in the US (directly and via their marketplace), no company benefited as much as Amazon. They went from a \$999.96 billion total valuation in January 2020 to a peak value of \$1.88 trillion as of July 2021. Those numbers are coming back to earth as pandemic-era market frothiness is getting back to reality. But they still place Amazon within the top five most valuable companies on earth.

That said, we are already seeing a few retail categories that dominated during the pandemic coming back to earth. Sporting goods, which at one point (June 2021) had posted an amazing 154.2% annual

growth figure, closed March out in the red to the tune of -5.6% (year-over-year). Consumer electronics, which surged in 2020/2021 with demand for more home office equipment, was down -10.0% with the last set of data. And, while remaining in positive territory (though just barely), furniture and furnishing stores were up just 0.3% while building materials/hardware/DIY stores were up only 0.7% in March. All of these categories remain up double digits compared to where they stood in February 2020, but those numbers are starting to sharply drop both because consumers are resuming more normalized shopping behaviors and because inflation is starting to take an edge off of spending.

The most telling category for sales growth has been gas stations, which aren't just posting annual growth of 36.6%, but where sales are up a whopping 49.7% over pre-pandemic levels and pricing. The longer these figures remain elevated, the more sharply all other categories will be coming back to earth.

None of this is to say, however, that eCommerce will be giving back all, or even most, of its pandemic gains. But, for physical retail, it is critical to note that we are now reaching a place where the disruption is likely to diminish for most categories. Few retail categories have been left unimpacted by eCommerce. Some, like books, music and media now see over 80% of sales coming digitally. Further significant market penetration for this category is possible, but not very likely. Likewise, a decade ago less than 3% of all apparel was sold online. Before the pandemic, it was roughly one-third. Now it is roughly 45%. The real question physical retailers need to ask is how much higher can it go? Will we become a world where 80% of apparel is sold online? 70%? 50%?

The reality is that the pandemic eCommerce surge has likely moved digital retail much closer to a place where growth rates will normalize. Before CoVid, overall retail sales for the previous 20 years had averaged in the 3% range, while eCommerce sales growth typically grew at five times that rate. These numbers are going to start to track a lot closer to one another. Meanwhile, if eCommerce growth is normalizing, it follows that disruption in the physical retail space will also significantly lessen... at least the kind of disruption that marked most of the past 15 years with retailers needing to downsize their physical footprint while upsizing their eCommerce platforms. This was at the heart of all the "retail apocalypse" headlines. But the record closures and bankruptcies of 2020, despite all their pain, accelerated that extended trend of rightsizing. No doubt there are still a few categories (drug stores, for example) where eCommerce disruption has not fully taken place. And there are certainly many chains and categories where more rightsizing needs to occur. But, by and large, the one upside of the past few years is that the era of retail apocalypse... at least, as defined by eCommerce disruption, is arguably over.

See you next week.
Garrick



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Top 10

Stories of the Week

[Reimagining Malls; Fewer Stores, More Office, Healthcare, Housing](#)

Yahoo Finance 4/30

[Amazon's eCommerce Sales Fall 3% in Q1 as Consumers Return to Stores](#)

Retail Dive 4/29

[Amazon Q1 Earnings Take Big Hit; Sales Outlook Disappears](#)

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[Consumer Confidence Fell Slightly in April; Inflation Concerns Down](#)

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[A Bid for Kohl's: What's Simon Thinking?](#)

WWD 4/27

[Pop Ups Are the New Pop Culture Phenom](#)

TMJ4.com 4/26

[US Economy Shrunk by 1.4% in Q1](#)

Minneapolis Star Tribune 4/26

[Kmart's Last Three Anchor Spaces Seek New Tenants as Iconic Retailer Disappears](#)

Costar 4/26

[Meta Opens First Retail Store](#)

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[Simon & Brookfield Offer \\$8.6B for Kohl's](#)

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Economic Headlines

Stories of the Week

[Retail Falls Out of Favor with Private Equity, Venture Capital](#)

Axios 4/27

[UPS Encounters Unexpected Drop in Parcels as eCommerce Slows](#)

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[US Consumers Still Confident in April, Only Slightly Less So](#)

Miami Herald 4/26

[Wedding Events Set to Soar](#)

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[Yellen Says More Shocks Likely to Challenge Economy](#)

Minneapolis Star Tribune 4/26

[For Furniture Retailers Supply Chain Chaos Has Become the Norm](#)

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Property Trends

Stories of the Week

[Reimagining Malls; Fewer Stores, More Office, Healthcare, Housing](#)

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[Plans Taking Shape for Transformation of Closed Phoenix Mall](#)

AP News 4/30

[Demolition Begins at Eastland Center Mall in Harper Woods MI](#)

Detroit Free Press 4/30

[Tanger Outlets Buys Land to Build New Center in Antioch TN](#)

Nashville Business Journal 4/27

[How Does Chicago's Miracle Mile Get Its Luster Back?](#)

Washington Post 4/27

[Judge Advances Southridge Mall \(Greendale, WI\) Foreclosure Case, Raises Possibility of Sheriff's Auction](#)

Milwaukee Business Journal 4/27

[Dead Mall? Convert it to a Health Clinic](#)

Planetizen 4/27

[Retail Space Now More Scarce Than it Was Before the Pandemic in South Florida](#)

South Florida Business Journal 4/26

[South Florida's Retail Market Rebounds From Pandemic But Could Face Inflation, Russia War Challenges](#)

The Real Deal 4/26

Retail Headlines

Stories of the Week

[Wawa Plans Huge Expansion; Double Stores, New Territories](#)

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[These are the Five Walmart Locations Closing in May](#)

Best Life 04/30

[Carhartt Opens New Nashville Store](#)

Brentwood.com 4/30

[Savage X Fenty Opening in Pentagon City](#)

Washingtonian 4/29

[BJ's Wholesale Sets Opening Date for New Concept](#)

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[More Kohl's Drama: Activist Investor Gets Partial Support](#)

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[Academy Sports Opens First New Store in Two Years](#)

Chain Store Age 4/29

[DTC Hair Color Brand Madison Reed to Expand Retail Store Footprint](#)

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[Floor & Décor Opens 10th Houston Area Store](#)

Benzinga 4/28

[Macy's Debuts New Standalone Backstage Store in Grapevine TX](#)

Culture Map Texas 4/27

[How Brooklinen is Building Out its Physical Retail Operation](#)

Modern Retail 4/27

[RH Sets Sights on Indianapolis Mansion](#)

Home Textiles Today 4/27

[Camp Opens Los Angeles Flagship](#)

Toy Book 4/27

[Old Navy New Problem](#)

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[Digital Brand Still Here Opens First Retail Store in NYC's NoLita Neighborhood](#)

WWD 4/27

[Sportsman's Warehouse Opening in Two More Utah Cities](#)

ABC4.com 4/27

[Meijer Supercenter Opens in Stark County OH](#)

News5Cleveland.com 4/27

[Buc-ee's Unveils Kentucky Travel Center](#)

C-store Decisions 4/27

[Amazon Go's New Suburban Format](#)

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[How Long Might the Mayfield Heights Walmart Sit Vacant After Closing in May?](#)

Cleveland.com 4/26

[Comcast Opens Fourth Xfinity Store in Richmond](#)

Cision 4/26

[Digital Retailer Luca Faloni Announces Global Expansion, New Miami Store](#)

Globe Newswire 4/26

[Kmart's Last Three Anchor Spaces Seek New Tenants as Iconic Retailer Disappears](#)

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[Aldo Stores Say North American Creditors Support Restructuring to Exit Protection](#)

Vancouverisawesome.com 4/26

[Kohl's Reveals Locations for New Small-Format Stores, Opens More Sephora Shops This Week](#)

Milwaukee Business Journal 4/26

[Sunglass Hut Closes Castro District Store in SF](#)

Hoodline 4/26

[Francesca's Expands Franki Tween Brand With Nine Standalone Stores](#)

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[Falling Prices Opens in Santa Rosa, CA](#)

CBS SF Bay Area 4/26

[Meta Opens First Retail Store](#)

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[Largest Pet Supplies Plus Franchisee Has Big Growth Plans](#)

Franchise Times 4/26

[DTC Furniture Brand Burrow Plots 10 New Stores](#)

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[Macy's Sees Path Forward in Large Box Formats](#)

Globe Street 4/26

[Skechers to Open at Tanglewood Mall in Roanoke VA](#)

WDBJ7.com 4/26

[Academy Sports Opens New Store in Conyers GA](#)

Yahoo! Finance 4/26

[Simon & Brookfield Offer \\$8.6B for Kohl's](#)

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Grocery Headlines

Stories of the Week

[Amazon Physical Stores Notch Double-Digit Sales Growth While eCommerce Slows](#)

Supermarket News 4/29

[Amazon Will Close Six Whole Foods in Four States](#)

Bloomberg 4/29

[Pensacola's Second Aldi Opens Next Week](#)

Pensacola News Journal 4/27

[H-E-B Confirms Magnolia TX Store Will Open By End of Year](#)

Community Impact 4/27

[Wegman's Set to Enter Long Island](#)

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[Private Equity Giant Acquires Tony's Fresh Market](#)

Rblandmark.com 4/26

[Wegmans Entering New Market](#)

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[Whole Foods Continues Checkout Tech Makeover with Amazon One](#)

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Restaurant News

Stories of the Week

[Outback Steakhouse Planning Up to 100 New Smaller Format Restaurants](#)

Tampa Bay Times 4/29

[Habit Opening New Unit in Washington State](#)

Fastcasual.com 4/29

[Jollibee Opens in Downtown LA](#)

ABC-CBN 4/29

[Noodles' Growth Journey Hits Major Chapter: Opens More Q1 Units Than Past Six Years](#)

QSR 4/29

[East Nashville Food Hall Opens This Week](#)

Nashville Scene 4/29

[Newest Columbus Food Hall, East Market, Opens This Weekend](#)

NBC4 4/29

[Five Fast Food Chains Opening Unique Drive-Thru Locations](#)

Eat This Not That 4/28

[Peach Cobbler Factory Opening 8 Michigan Units](#)

Dbusiness.com 4/28

[Vegan Fast Food Chain Neat Burger Coming to America](#)

Vegan Times 4/28

[800 Degrees Go & REEF To Open 500 Units in Next 5 Years](#)

Pizza Marketplace 4/27

[Pizza Factory Expanding Washington Footprint](#)

Pizza Marketplace 4/27

[Freddy's Expanding in Chicago](#)

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[Nixa MO Getting Ozarks First Food Hall](#)

Christian County News 4/27

[Local Kitchens Adding 3 Micro Food Halls to Bay Area](#)

Fast Casual 4/27

[Food Hall Coming to Downtown South Bend](#)

16 News Now 4/27

[Big Chicken Coming to Ohio](#)

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[Taos Gets First Food Hall](#)

Taos News 4/27

[Freddy's Signs 69 New Restaurant Commitments](#)

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[Little Caesars Looking to Open 11 Units in Buffalo Area](#)

WIVB 4/27

[Black Rock Coffee Accelerates AZ Growth with Third Tucson Unit](#)

Cision 4/27

[In-N-Out Could Build Another Site at Boise Towne Square](#)

Idaho News 6 4/27

[Bad Ass Coffee is Planning 5 DFW Stores Over Next Few Years](#)

Dallas Business Journal 4/27

[All New Orleans Pinkberry Locations to Close in September](#)

Biz New Orleans 4/26



REITs, Landlord & Development

Stories of the Week

[Phoenix West Shopping Center Sells for \\$16.4M](#)

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[Northcrest Village in Carrollton, TX Sells for \\$25M](#)

Shopping Center Business 4/28

[Power Center in Mount Vernon WA Sells for \\$18.4M](#)

The Registry 4/28

[Gateway Plaza in Sanford FL Sells for \\$23.6M](#)

The Daily Record 4/27

[Retail is Outperforming But Where Are the Investors?](#)

Globe Street 4/27

[Hugh Howell Marketplace in Atlanta Sells for Almost \\$40M](#)

Atlanta Business Chronicle 4/26



eCommerce / Omnichannel / Retail Tech

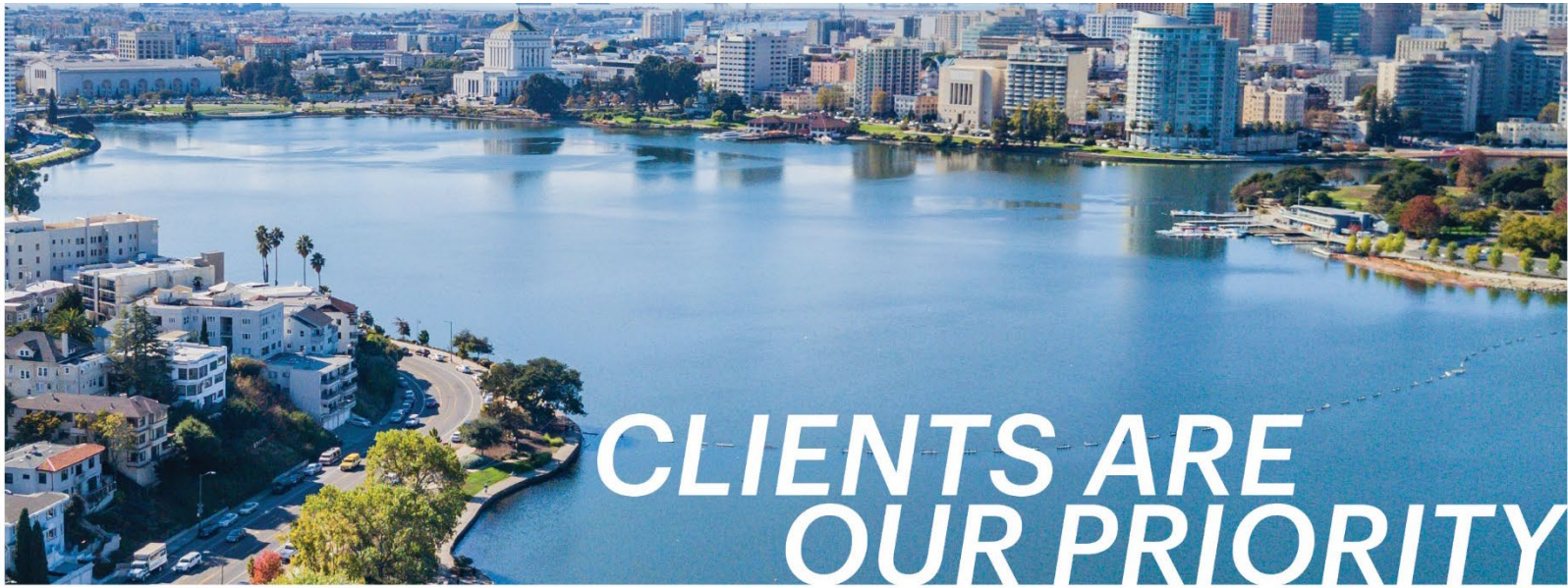
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[Omnichannel and Metaverse: The Future of Retail](#)

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[Jack in the Box to Pilot Robot Kitchens](#)

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