



WHERE KNOWLEDGE IS POWER

|| INDUSTRY REPORT 44-45

Retail Trade in the US

In the mail: Rising per capita disposable income is expected to support industry growth

Brigette Thomas | April 2023

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Recent Developments

The CHIPS Act aims to combat increased automobile prices

The price of automobiles has continued to increase partially due to supply chain issues. Specifically, chip shortages have been a significant disruption for auto-related industries and have contributed to increased prices. This has led to the passing of the CHIPS and Science Act of 2022, which aims to increase domestic production of semiconductors and ease supply chain issues. However, prices are not expected to decrease quickly.

Rising interest rates have increased auto loan payments

The Federal Reserve has increased interest rates in 2022 to combat rising inflation. With inflation contributing to increased prices and rising interest rates, consumers are increasingly taking out larger and longer loans to be able to afford big purchases. Larger loans are expected to limit consumers' disposable income.

Increased demand and supply chain disruptions keep prices high

More home improvement activities and continued supply chain disruptions have kept the price of furniture and home improvement goods high. Additionally, many key inputs, such as the price of lumber, have increased, furthering high prices for consumers.

Inflation Reduction Act aims to lower energy costs

The Inflation Reduction Act, which was passed in August 2022, may decrease oil and energy prices for Americans through incentivizing clean energy. As a result, demand for oil is expected to decrease, driving down prices. Although gas prices have begun to decrease month-to-month, they are still higher than in 2021.

Retail sales rose in January

Retail sales rose in January 2023, following a decline in December, as consumer demand remains resilient in the face of continued inflation.

This section last updated May 04, 2023

About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions that benefit you, your company and your clients. We offer research on industries in the US, Canada, Australia, New Zealand, Germany, the UK, Ireland, China and Mexico, as well as industries that are truly global in nature.

About This Industry

Industry Definition The Retail Trade sector is the final step in the distribution of merchandise and includes retailers operating brick-and-mortar locations and nonstore retailers operating via mail-order, door-to-door, kiosks and internet mediums. Merchandise sold by retailers is purchased from suppliers and is then sold to consumers through the retailers' store or other mediums. This sector excludes the physical manufacture of merchandise and operators that primarily trade as wholesalers.

Major Players

- Walmart
- Amazon.Com
- Kroger
- Home Depot
- Best Buy
- Hapman Conveyors

Main Activities

The primary activities of this industry are:

- Motor vehicle and parts dealers
- Furniture and home furnishings stores
- Health and personal care stores
- Building materials and garden equipment and supplies dealers
- Food and beverage stores
- Gasoline stations
- Clothing and clothing accessories stores
- Sporting goods, hobby, book and music stores
- General merchandise stores
- Nonstore retailers

The major products and services in this industry are:

- Motor vehicle and parts dealers
- General merchandise stores
- Nonstore retailers
- Building material and garden equipment and supplies dealers
- Food and beverage stores
- Health and personal care stores
- Gasoline stations
- Other retailers

Supply Chain



SIMILAR INDUSTRIES

Manufacturing in the US



Wholesale Trade in the US

Direct Selling Companies in the US



Accommodation and Food Services in the US

RELATED INTERNATIONAL INDUSTRIES

Global Cardboard Box & Container Manufacturing

Industry at a Glance

Key Statistics

\$8.1tr
Revenue



\$268.5bn
Profit



3.3%
Profit Margin



3m
Businesses



21m
Employment



\$676.5bn
Wages



Key External Drivers

% = 2018–23 Annual Growth

0.1pp National unemployment rate	-5.4% Consumer confidence index
1.2% Per capita disposable income	0.7% Number of households
2.2% Consumer spending	0.5% Population

Industry Structure

POSITIVE IMPACT

Capital Intensity Low	Concentration Low
Industry Globalization Low / Steady	

MIXED IMPACT

Life Cycle Mature	Revenue Volatility Medium
Regulation & Policy Medium / Steady	Technology Change Medium

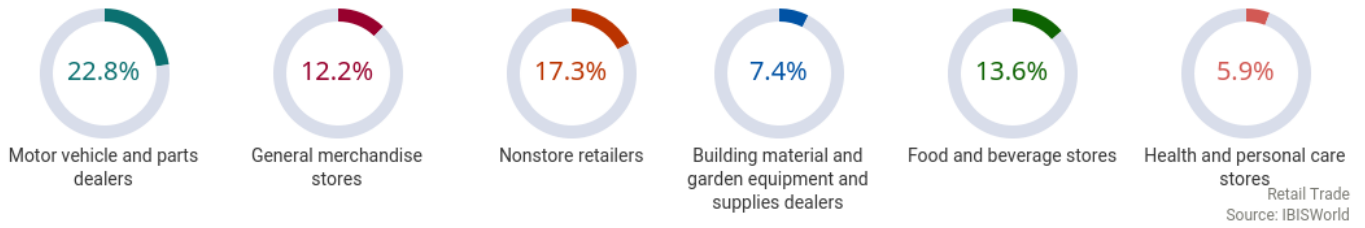
NEGATIVE IMPACT

Industry Assistance Low / Steady	Barriers to Entry Low / Steady
Competition High / Increasing	

Key Trends

- Disposable income and consumer spending growth have driven the sector's success
- Supermarkets and grocery stores implemented new delivery services to drive demand
- Many retail operators employ a significant number of part-time employees
- Consumers with high-incomes will continue to opt for high-end merchandise
- A larger portion of operators' total revenue is anticipated to stem from online sales
- Operators are expected to continue investing in automated technologies
- Retail operators have benefited from increases in per capita disposable income

Products & Services Segmentation



Major Players



- 5.5% Walmart
- 4.9% Amazon.Com
- 2.0% Kroger
- 1.9% Home Depot
- 0.7% Best Buy
- 85.1% Other

Retail Trade
Source: IBISWorld

SWOT

S

STRENGTHS

- Low Customer Class Concentration
- Low Product/Service Concentration
- High Revenue per Employee
- Low Capital Requirements

W

WEAKNESSES

- Low Profit vs. Sector Average

O

OPPORTUNITIES

- High Revenue Growth (2018-2023)
- High Revenue Growth (2023-2028)
- High Performance Drivers
- Consumer spending

T

THREATS

- Low Revenue Growth (2005-2023)
- Low Outlier Growth
- National unemployment rate

Executive Summary **In the mail: Rising per capita disposable income is expected to support industry growth**

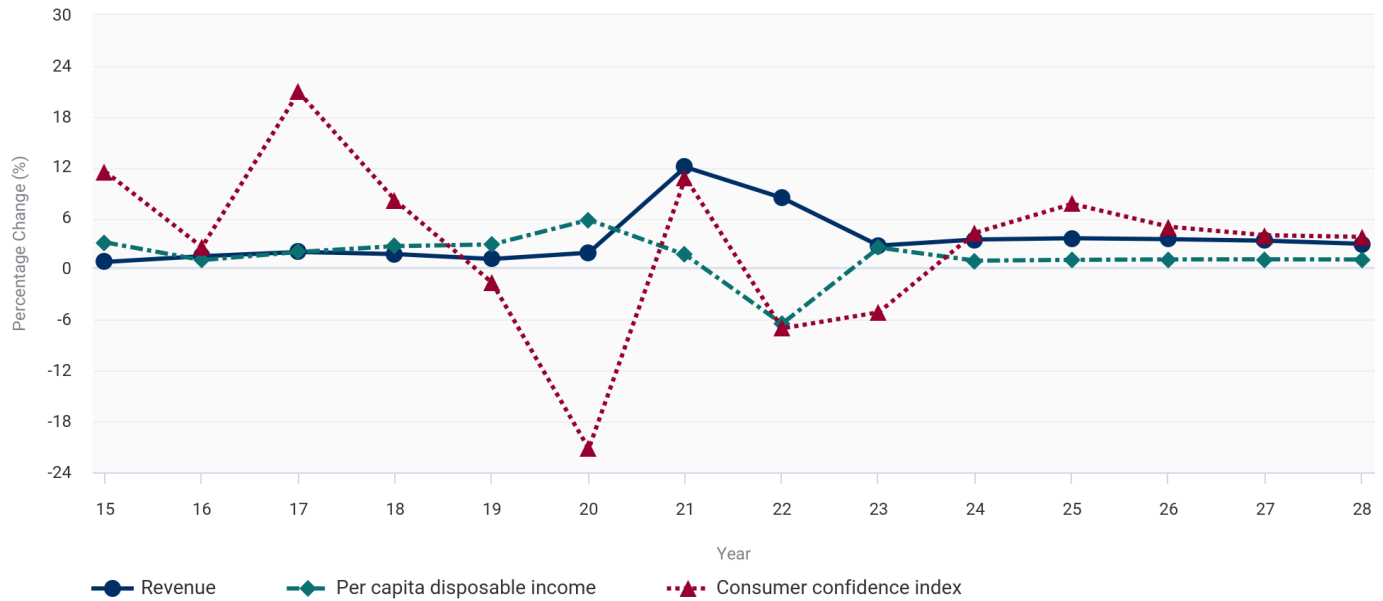
The Retail Trade sector includes 12 diverse subsectors of the US economy, from food and beverage stores to motor vehicle and parts dealers. Retailers purchase merchandise from suppliers that are then sold through both brick-and-mortar establishments and nonstore outlets, including via mail-order, door-to-door sales, kiosks and internet mediums. While some products sold by retailers are staples, others are more discretionary in nature. Retail operators have benefited particularly from increases in per capita disposable income and consumer spending, which have enabled consumers to increase their purchases of discretionary goods. In 2020 alone, industry revenue increased 1.9% despite the poor economic conditions brought by the coronavirus, as e-commerce sales skyrocketed. Overall, sector revenue is expected to increase at a CAGR of 5.2% to \$8.1 trillion over the five years to 2023, including a 2.8% increase in 2023.

Trends in the domestic economy and consumer behavior have a significant effect on the sector's performance. Over the five years to 2023, growth in per capita disposable income and consumer spending have driven consumers' purchases of retail goods and enabled them to opt for high-end and costlier products. However, the national unemployment rate has fluctuated significantly during the period, increasing volatility within the sector. Nonetheless, industry profit, measured as earnings before interest and taxes, is anticipated to increase from 3.1% of industry revenue in 2018 to 3.3% in 2023.

Over the five years to 2028, the Retail Trade sector is expected to continue to grow. Per capita disposable income is expected to increase, enabling consumers to spend more during the period. Furthermore, the Consumer Confidence Index is anticipated to increase during the period. E-commerce businesses will continue to drive growth over the next five years as consumers continue to benefit from the convenience of online shopping. Overall, the Retail Trade sector is expected to increase at a CAGR of 3.4% over the five years to 2028 to total \$9.6 trillion.

Industry Performance

Key External Drivers 2015–2028



Retail Trade
Source: IBISWorld

Key External Drivers

Per capita disposable income

Per capita disposable income determines an individual's ability to purchase discretionary goods and services. When per capita disposable income declines, consumers limit purchases to essential items and more affordable brands, curbing demand for higher-end retail products. Conversely, when per capita disposable income increases, consumers are more able to purchase products. Per capita disposable income is expected to increase 0.2% in 2023.

Consumer confidence index

Consumer sentiment levels influence the spending patterns of individuals. A decline in the Consumer Confidence Index may lead to lower spending on big-ticket items, such as automobiles and furniture, but typically will not affect the purchase of most staple goods, such as groceries. In 2023, the Consumer Confidence Index is expected to stagnate.

Consumer spending

Consumer spending measures the total amount spent by Americans. Since individuals comprise the majority of retail purchases, sector operators benefit from increases in consumer spending but may experience declining demand during drops in spending. In 2023, consumer spending is expected to increase 0.3%, representing a potential opportunity for the industry.

National unemployment rate

The national unemployment rate has an important influence on consumer confidence and spending, which ultimately determine demand for many retail products. When individuals are out of work, and in turn earning little or no income, their spending on discretionary products typically declines. Conversely, when unemployment is low, more consumers have the ability to spend on retail products. The national unemployment rate is expected to increase 20.3% in 2023, posing a potential threat to the industry.

Number of households

A household is considered to be a person or group of persons occupying a single housing unit, such as a house, apartment or mobile home. Changes in the number of US households have an influence on the purchases of many major retail items, such as furniture, floor coverings and domestic appliances, as individuals must typically completely furnish a new dwelling. In 2023, the number of households is expected to increase 0.9%.

Population

Since individual consumers comprise nearly 90.0% of retail demand, changes in the US population have an influence on sector sales. When the population rises, demand for retail goods typically follows suit. The US population is expected to increase 0.7% in 2023.

Industry Performance 2015–2028



Retail Trade
Source: IBISWorld

Current Performance

The Retail Trade sector revenue has increased at a CAGR of 5.2% to \$8.1 trillion over the past five years, including an expected increase of 2.8% in 2023 alone, with profit margins set to reach 3.3%.

The coronavirus increased revenue

- The coronavirus significantly disrupted the US economy as a whole in 2020. Temporary shutdowns of businesses, social distancing regulations and a 120.4% increase in the national unemployment rate, altered the landscape of many industries within the Retail Trade sector.
- In general, industries with brick-and-mortar locations or that sell more discretionary products, experienced the most significant decreases in revenue during 2020.
- Industries that operate online were largely able to remain operational and even experience large increases in demand. For example, the E-Commerce and Online Auctions industry (IBISWorld report 45411a), benefited from social distancing regulations as consumers increasingly turned to shopping online for both discretionary and nondiscretionary purchases.
- Although, some industries within the sector were negatively affected by the pandemic, the sector as a whole experienced growth in 2020.

Increased consumer spending drove growth

- Boosts in per capita disposable income during the period have enabled consumers to make more discretionary purchases, leading consumer spending to rise over the past five years.
- Higher income levels also enable consumers to opt for costlier, high-end goods. Since individual consumers make up the majority of sector sales, this trend has been a primary driver behind the sector's success.
- Premium products are typically accompanied by higher profit, as a result, the average profit margin, measured as earnings before interest and taxes, is expected to increase during the period from 3.1% of industry revenue in 2018 to an estimated 3.3% in 2023.
- Although profit increased during the period, increasing competition within the sector is expected to have limited growth slightly.

E-commerce enables price comparison

- Consumers are increasingly choosing to shop online rather than visiting brick-and-mortar locations, prioritizing convenience over physically viewing their items prior to purchasing them. As a result, the E-commerce and Online Auctions industry (45411a) has substantially outperformed all other retail industries during the period.
- To capitalize on this trend and continue to compete effectively, many companies that traditionally operated through brick-and-mortar locations now also operate websites that enable their customers to shop online.
- However, this trend has also presented a challenge to sector operators in the form of increasing price competition. Shopping online makes it much easier and quicker for consumers to compare prices and discounts offered by numerous operators in search of the best deal. As a result, operators are now competing to offer the best online-only deals, price discounts and shipping options.

Internal competition is high within the sector

- Due to the sector's all-encompassing nature, many homogenous products can be purchased from operators in various industries from both the same and other subsectors, resulting in high internal competition.
- For example, rugs are available from several industries within the furniture and home furnishings stores subsector, including floor covering stores (44221) and many furniture stores (44211), as well as from the mass merchandisers of the Warehouse Clubs and Supercenters industry (45291 of the general merchandise stores subsector).
- This has particularly harmed operators in the miscellaneous store retailers subsector. Many of these operators are small, nonemployers that retail products that can often be found at establishments of other subsectors.
- These operators typically cannot offer the low prices that large companies with established supply chains and strong purchasing power are able to offer.

Historical Performance Data

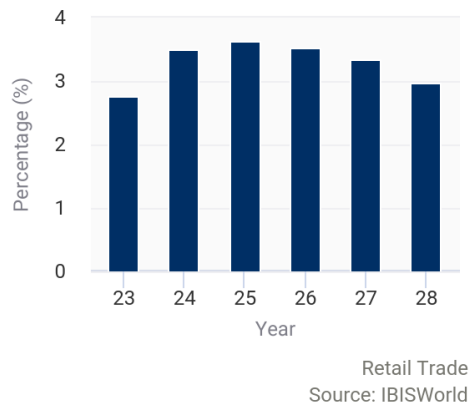
Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Per capita disposable income (\$)
2014	5,944,456	746,614	3,026,050	2,611,528	17,333,314	N/A	N/A	520,725	N/A	40,117
2015	5,994,626	782,709	3,055,762	2,637,971	17,689,720	N/A	N/A	542,924	N/A	41,383
2016	6,086,023	798,920	3,072,765	2,654,666	17,971,562	N/A	N/A	549,393	N/A	41,822
2017	6,209,245	758,579	3,157,908	2,741,386	17,799,267	N/A	N/A	547,464	N/A	42,669
2018	6,319,403	790,371	3,153,574	2,746,219	17,786,546	N/A	N/A	550,233	N/A	43,826
2019	6,394,722	795,676	3,184,867	2,776,470	17,833,200	N/A	N/A	556,071	N/A	45,105
2020	6,518,222	810,751	3,207,712	2,797,712	17,979,356	N/A	N/A	565,725	N/A	47,733
2021	7,303,035	899,274	3,383,539	2,939,336	19,506,567	N/A	N/A	617,791	N/A	48,553
2022	7,917,354	969,286	3,530,336	3,059,155	20,728,278	N/A	N/A	659,140	N/A	44,762
2023	8,136,981	995,229	3,614,047	3,131,030	21,268,688	N/A	N/A	676,546	N/A	44,829

Industry Outlook

Outlook

The Retail Trade sector revenue is expected to increase at a CAGR of 3.4% to \$9.6 trillion over the five years to 2028 when profit will reach 3.3%.

Industry Outlook
2023–2028



Positive consumer trends will boost revenue

- Over the next five years, per capita disposable income and consumer spending are expected to increase as the economy continues to recover from the coronavirus.
- Consumers will continue to purchase discretionary goods in addition to their everyday needs. Consumers with particularly high-income levels will also continue to opt for high-end merchandise, the high price tags of which will boost sector revenue.
- Although positive economic trends benefit the sector, since the sector includes industries that sell both discretionary and nondiscretionary products, the sector is relatively immune to economic swings.

E-commerce will continue to experience growth

- Consumers are expected to continue using the internet to do their shopping.
- Individuals seeking to save money on necessities, particularly those who became unemployed during the period, as well as those hoping to find the best deals on discretionary goods, are expected to turn to online operators and the websites of brick-and-mortar operators to search for the best prices.
- Large operators with well-established e-commerce operations are expected to direct their focus more toward those operations, while smaller retails will invest in getting their websites up to par.
- As a result, a larger portion of operators' total revenue is anticipated to stem from online sales.

A rise in online retailers will increase price competition

- Internal competition will continue to increase over the next five years because of the low barriers to entry to set up shop online. Since operators in the Retail Trade sector sell relatively homogenous goods, price competition among retailers is incredibly high.
- This competition is expected to become an even bigger threat to operators during the outlook period as more consumers use the internet to price check by browsing company websites before placing an order online or visiting a brick-and-mortar store.
- Operators that are unable to move their operations online or offer competitive pricing may struggle to stay afloat. Even so, the sectors largest and most competitive operators are anticipated to continue expanding, targeting new markets and focusing on their online operations.

Performance Outlook Data

Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Per capita disposable income (\$)
2023	8,136,981	995,229	3,614,047	3,131,030	21,268,688	N/A	N/A	676,546	N/A	44,829
2024	8,421,281	1,028,422	3,715,775	3,217,863	21,940,124	N/A	N/A	698,360	N/A	45,240
2025	8,728,529	1,065,718	3,822,803	3,308,776	22,681,777	N/A	N/A	722,342	N/A	45,716
2026	9,037,401	1,102,638	3,941,123	3,409,904	23,465,665	N/A	N/A	747,425	N/A	46,221
2027	9,340,968	1,140,197	4,067,377	3,518,401	24,277,852	N/A	N/A	773,142	N/A	46,775
2028	9,619,339	1,175,532	4,200,178	3,633,514	25,084,268	N/A	N/A	798,295	N/A	47,324
2029	9,896,612	1,210,151	4,327,696	3,743,975	25,854,210	N/A	N/A	822,499	N/A	47,948

Industry Life Cycle The life cycle stage of this industry is ☹ **Mature**

LIFE CYCLE REASONS

IVA is anticipated to grow at a faster rate than the overall economy over the 10 years to 2028

There is widespread acceptance of most sector products and the sector is characterized by moderate technological change

The sector has become increasingly concentrated, but enterprise figures have continued to grow

Contribution to GDP

The sector has been growing along with the economy. This highlights that the sector is a consistent contributor to US GDP.

Market Saturation

Although variations of basic products may become available, many sector product lines have largely reached saturation. Additionally, many sector products can be purchased from operators in numerous different industries, including those in the same and other subsectors.

Innovation

Innovation differs between sub-sectors but general trends in innovation revolve around developing an online presence and utilizing automation.

Consolidation

Consolidation trends vary between subsectors. Industries in the declining phase of their life cycle tend to have more consolidation while growing industries experience less consolidation.

Technology & Systems

The sector has a moderate level of technological change. Larger operators are typically more technologically advanced and efficient than smaller retailers since they can invest more heavily in outfitting their stores with the most advanced and up-to-date technology available. In general, operators are increasingly focusing on online sales.

Products & Markets

Supply Chain

Key Buying Industries

1st Tier

Educational Services in the US

Professional, Scientific and Technical Services in the US

Consumers in the US

Arts, Entertainment and Recreation in the US

Information in the US

E-Commerce & Online Auctions in the US

Healthcare and Social Assistance in the US

Real Estate and Rental and Leasing in the US

Key Selling Industries

1st Tier

Wholesale Trade in the US

Transportation and Warehousing in the US

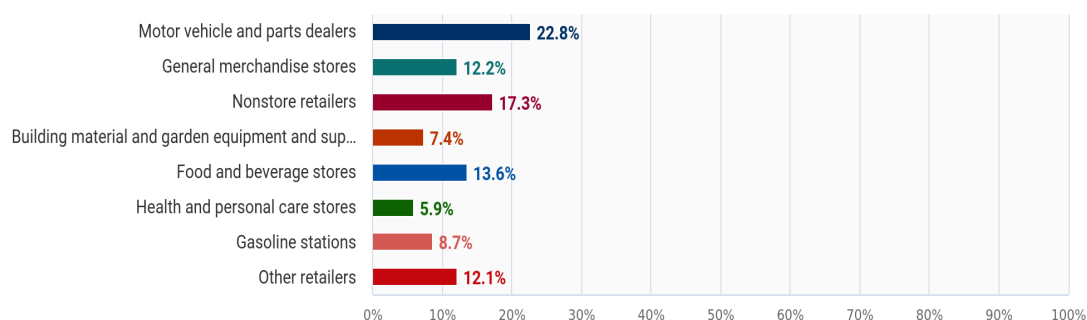
2nd Tier

Manufacturing in the US

Agriculture, Forestry, Fishing and Hunting in the US

Products & Services

Products and Services Segmentation



2023 INDUSTRY REVENUE

\$8.1tr

Retail Trade
Source: IBISWorld

Motor vehicle and parts dealers is the largest segment

- This subsector includes both new (IBISWorld report 44111) and used (44112) car dealers, recreational vehicle dealers (44121), motorcycle dealerships (44122a), bicycle dealers (44122b), boat dealerships (44122c), auto parts stores (44131) and tire dealerships (44132).
- The Retail Trade sector is largely dominated by motor vehicle and parts dealers. The subsector's majority share of industry revenue is primarily because of the high costs associated with most goods sold by these industry operators.
- Over the past five years, this subsector has remained relatively stable as a share of revenue as a result of strong growth in per capita disposable income.

Nonstore retailers have experienced growth

- Nonstore retailers include e-commerce and online auctions (45411a), mail order operators (45411b), vending machine operators (45421), fuel dealers (45431) and direct selling companies (45439).
- This diverse subsector has increased significantly over the past five years because of strong e-commerce and online auction growth, especially in 2020 due to the coronavirus.
- This is primarily due to the increasing popularity of online shopping, with e-commerce sales expected to increase at an annualized rate of 15.2% during the period.
- In 2023, nonstore retailers are the second-largest segment in the Retail Trade sector.

Nondiscretionary nature of food and beverage stores keeps demand high

- Supermarkets and grocery stores (44511), convenience stores (44512), meat markets (44521), seafood markets (44522), fruit and vegetable markets (44523), specialty food stores (44529) and beer, wine and liquor stores (44531) comprise this subsector.
- The food and beverage stores subsector is the third-largest segment in the Retail Trade sector.
- The nondiscretionary nature of many food and beverage goods is the primary driver behind its large share of the industry.

- Although many of the subsector's industries have experienced growth during the five-year period, it has been relatively slow and outpaced by other subsector's growth.

General merchandise stores have had varied growth

- Operators in the general merchandise stores subsector retail a wide range of products and include department stores (45211), warehouse clubs and supercenters (45291) and dollar stores (45299).
- Department stores have faltered during the period as consumers have increasingly opted to shop online for many goods typically retailed by these operators, leading the subsector to fall as a share of industry revenue.
- However, this decline has been mitigated by the success of retail industry giants such as Walmart Inc. and Target Corporation.

Gasoline stations pressured by electric vehicles

- This subsector includes both gas stations with convenience stores (44711) and those without (44719).
- Gas stations have increased as a share of the retail sector over the past five years because of an increase in the world price of crude oil.
- However, the emergence of hybrid, electric and biodiesel vehicles has disrupted demand for traditional gasoline station operators.

Renovation activity has increased demand for building material, garden equipment and supplies dealers

- Building material and garden equipment and supplies dealers include home improvement stores (44411), paint stores (44412), hardware stores (44413) and lumber and building material stores (44419), as well as lawn and outdoor equipment stores (44421) and nursery and garden stores (44422).
- Most of these industries have experienced growth during the five-year period as rising confidence in the economy and higher per capita disposable income have encouraged consumers to begin renovation and new building projects.
- The building material and garden equipment and supplies dealers subsector has increased over the past five years.

Health and personal care stores supported by an aging population

- This subsector includes pharmacies and drug stores (44611), beauty, cosmetic and fragrance stores (44612), eyeglasses and contact lens stores (44613) and health stores (44619).
- Over the past five years, these industries have benefited from rising per capita disposable income, an aging population and growing health consciousness across the nation.
- However, this subsector has remained relatively stable as a share of the sector during the period as its growth has been outpaced by that of other subsectors.

Macroeconomic conditions drive demand for the remaining subsectors

- The remainder of the Retail Trade sector is comprised primarily of specialized brick-and-mortar consumer goods industries.
- The largest of these subsectors is clothing and clothing accessories stores, which comprises men's (44811), women's (44812), children's (44813) and family (44814) clothing stores, as well as lingerie, swimwear and bridal stores (44819), shoe stores (44821), jewelry stores (44831) and handbag, luggage and accessory stores (44833).
- Other subsectors in this category include miscellaneous store retailers, such as florists (45311) and pet stores (45391); furniture and home furnishings stores, including furniture stores (44211), floor covering stores (44221) and home furnishing stores (44229); electronics and appliance stores, including consumer electronics stores (44311), computer stores (44312) and camera stores (44313); and sporting goods, hobby, musical instrument and book stores, such as fabric craft and sewing supplies stores (45113) and record stores (45122).
- These sectors are primarily driven by macroeconomic trends, including per capita disposable income and consumer spending. When consumers have more money on hand, they are more likely to make new or additional purchases of goods retailed by the industries of these subsectors, sometimes even opting for higher-end and costlier varieties.

Demand Determinants

While demand determinants vary between subsectors, sales of most goods in the Retail Trade sector are primarily affected by trends in the domestic economy, including per capita disposable income, consumer

confidence and the number of households.

Additionally, the price of sector goods and advancements in product design and functionality also have an influence on demand for goods in the Retail Trade sector.

Economic and consumer trends

Per capita disposable income influences the timing, quantity and quality of goods purchased from operators in this sector. When the level of per capita disposable income declines, households respond by reducing or postponing purchases, specifically of large and discretionary products. However, higher income levels enable consumers to more easily afford to purchase new goods, sometimes even opting to upgrade from their prior purchases by choosing higher-quality goods. These premium products are typically more expensive, generating higher revenue for sector operators.

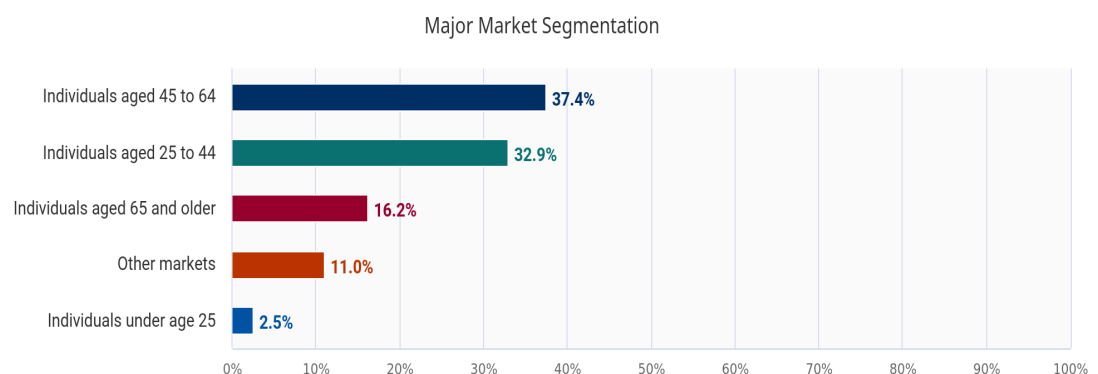
The number of households also has an influence on demand for many retail goods, particularly those sold by the furniture and home furnishings stores subsector. Growth in the number of households typically boosts sales of large items, such as furniture, floor coverings and appliances, since new homes must often be outfitted with these items prior to a family moving into the dwelling. Moreover, members of these households may wish to make upgrades to or customize their new residences, boosting demand for building and home improvement products retailed by operators in the building material and garden equipment and supplies dealers subsector.

Product trends

Consumer demand for products sold by this sector is also affected by price. In general, prices influence the quantity and quality of goods purchased. Higher than average prices, potentially the result of high input prices on the manufacturing level, may lead consumers to choose the most affordable option available or decide to repair goods rather than replace them, resulting in lower overall sales.

Advances in product design and functionality, along with the introduction of new products, influence consumers who prefer to have the latest and greatest models on the market. When companies release a new model or product, many consumers will jump to be among the first to own the product. This is particularly true for stores that sell brands with strong consumer loyalty.

Major Markets



2023 INDUSTRY REVENUE

\$8.1tr

Retail Trade
Source: IBISWorld

Individuals under the age of 25 are limited by income

- This segment includes individuals under the age of 25.
- These individuals are less likely to have full-time jobs, leaving more leisure time to spend at retail stores; however, this also limits these consumers' disposable income levels, reducing the amount of money they can spend at said establishments.
- The money these younger individuals do spend at retail operators is most likely to be spent on less-expensive products or at more cost-efficient retailers, such as general merchandise stores, further reducing revenue generated from this demographic.
- Additionally, demand from this group is often realized in other individual groups, as parents tend to purchase items for their children.

Individuals aged 25 to 44 are a key market for retailers

- This segment includes consumers aged 25 to 44, which represents the second-largest market across the Retail Trade sector.

- Unlike their younger counterparts, individuals in this age range are typically employed full-time with a steady stream of income, making them far more likely to spend on discretionary goods.
- Furthermore, shoppers of this demographic are likely to have young children at home who depend on their parents to make purchases for them, further boosting this segment's share of the sector.
- As individuals in this age group begin to form families and purchase their first homes, they are more likely to spend on decorating, renovating and outfitting their homes to fit their personal styles. This benefits numerous retail subsectors.

Individuals aged 45 to 64 are the largest market for retailers

- This segment includes individual consumers aged 45 to 64 comprise the largest share of revenue for the Retail Trade sector by just a marginal amount.
- These consumers typically have even more well-established careers and income levels than those aged 25 to 44, enabling them to shop for the quality and quantity of items they desire with less regard to cost than their younger counterparts.
- Since these consumers are likely to opt for higher-end goods with bigger price tags, this generates more revenue overall for the sector and boosts this segment's share of total revenue.

Demand from individuals aged 65 and older is limited

- This segment includes individuals aged 65 and older.
- Consumers in this demographic are typically retired or work just part-time hours, limiting their income levels. Additionally, many elderly consumers move into retirement communities or nursing homes, which reduces demand from this demographic.
- For example, they are less likely to require home improvement materials and tools retailed by building material and garden equipment and supplies dealers.
- Moreover, this age group is generally the less tech-savvy than younger generations, limiting the amount of revenue generated for the nonstore retailers subsector by these individuals.

Businesses and other wholesalers have low but steady demand for retailers

- The remainder of the Retail Trade sector is composed of a wide range of customers, including businesses and building contractors for use in their own operations, as well as wholesalers, distributors and other retailers for resale.
- Businesses purchasing retail products for their own use comprise a small market for retail operators. However, the trend is more prominent in some subsectors and industries than others, such as the building material and garden equipment and supplies dealers subsector.
- For example, operators in the Lumber and Building Material Stores industry (IBISWorld report 44419) are estimated to generate close to 50.0% of their revenue from professional contractors, while consumers account for just over 30.0% of the market.
- Another practice within this sector is for other retailers, wholesalers and distributors to purchase merchandise from retailers for their own resale. This trend is especially prevalent in subsectors such as motor vehicle and parts dealers.

Exports in this industry are Low and Steady

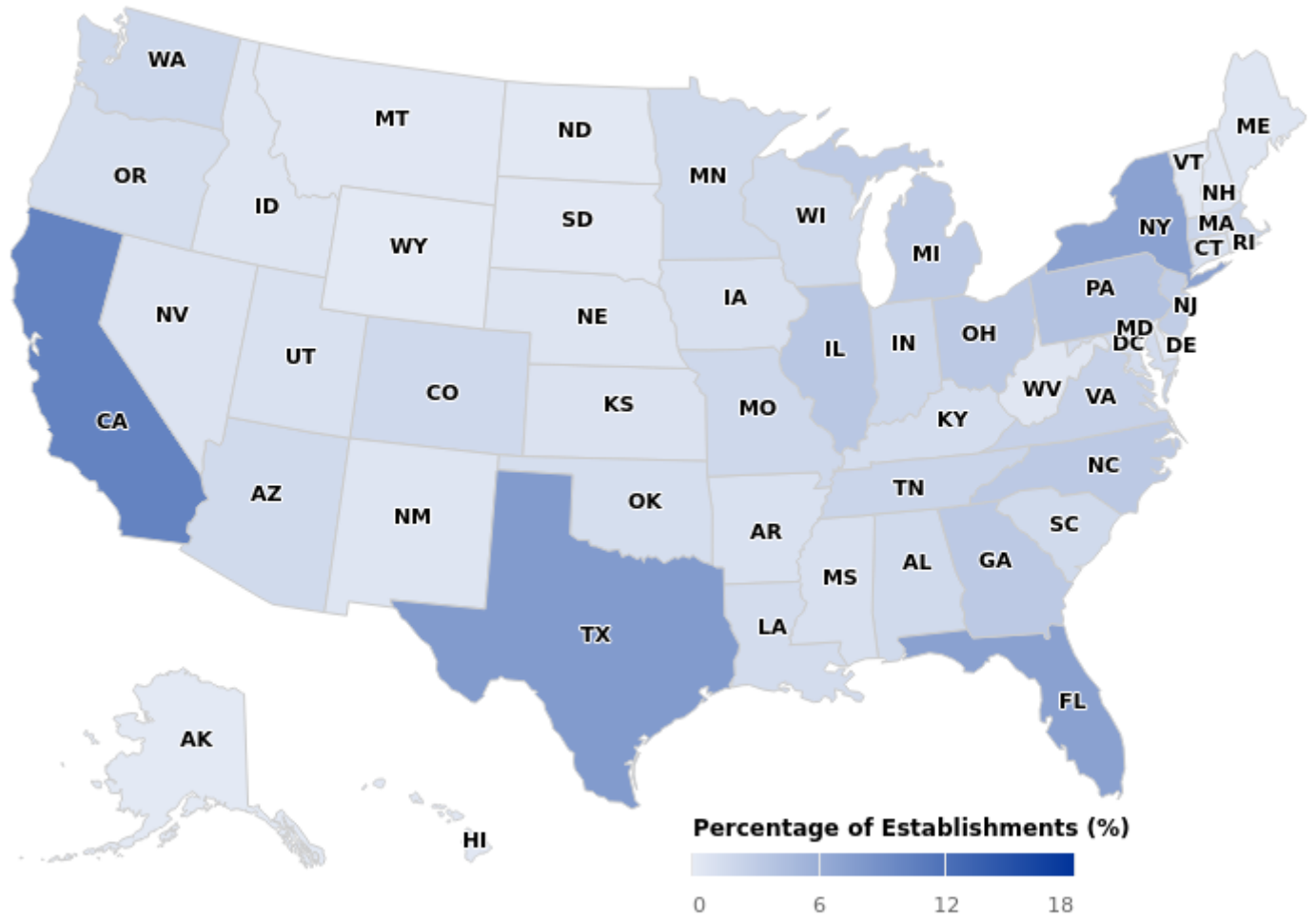
Imports in this industry are Low and Steady

The Retail Trade sector does not include international trade data, as it is incorporated at the manufacturing level to avoid double counting. However, retail goods can be sourced from both domestic and international manufacturers and wholesalers, with some subsectors relying more heavily on either US-made or imported goods than others. For example, women's clothing stores (IBISWorld report 44812 within the clothing and clothing accessories stores subsector) sell goods sourced from the Women's, Girls' and Infants' Apparel Manufacturing industry (31524), in which imports satisfy over 90.0% of domestic demand. Conversely, meat markets (44521 within the food and beverage stores subsector) source their products from the Meat, Beef and Poultry Processing industry (31161), in which imports fulfill less than 10.0% of domestic demand.

Exports also have varying degrees of importance across different retail subsectors. For example, new car dealers (44111 within the motor vehicle and parts dealers subsector), source their vehicles from the Car and Automobile Manufacturing industry (33611a), in which exports account for nearly 50.0% of industry revenue. Conversely, exports account for less than 10.0% of revenue for the Women's, Girls' and Infants' Apparel Manufacturing industry.

Geographic Breakdown

Business Concentration in the United States



Retail Trade in the US
Source: IBISWorld

Business Locations High population drives demand from the Southeast

- The Southeast is home to the largest percentage of the US population, expanding retail establishments' potential customer base.
- Favorable weather conditions in the Southeast attract consumers to the region year-round, further increasing potential customers.
- Many coastal states in the Southeast are close in proximity to major trading ports, enticing operators who rely on imported goods to locate there.

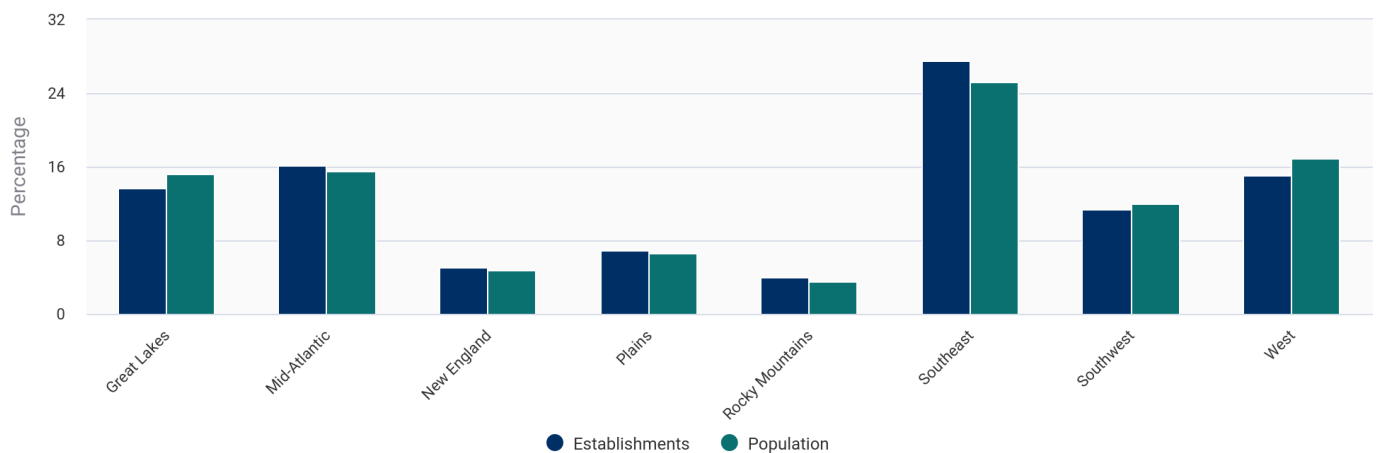
California leads demand from the West

- The West region is the second most populated region in the US. Since consumers are retail operators' largest market, it is strategic to locate within populated areas.
- California is the most populated state in the West and has a higher-than-average household income, attracting retail businesses.
- Consumers in the West region lead active lifestyles because of the natural environment. This attracts many outdoor or activity-based retailers to locate in the region.

Demand from the Mid-Atlantic is spurred by urban hubs

- The Mid-Atlantic region is home to urban hubs including New York City and Philadelphia, giving retailers a large customer base.
- The region has a higher-than-average disposable income, which allows customers to spend more at retail establishments.
- The region is home to many trading ports, further attracting retailers to locate in the area.

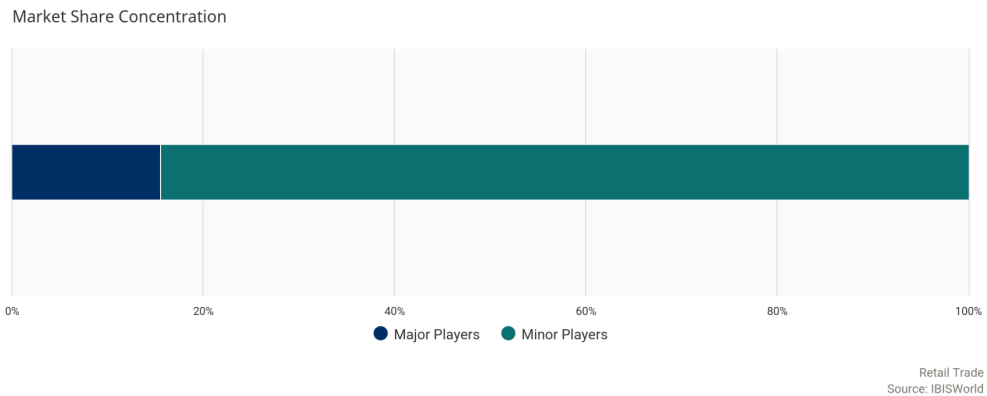
Distribution of Establishments vs Population



Retail Trade
Source: IBISWorld

Competitive Landscape

Market Share Concentration



Concentration in this industry is 👍 **Low**

Market share concentration varies by industry

- The individual industries that comprise the Retail Trade sector are characterized by a wide range of concentration levels.
- For example, more than half of the revenue generated by the Pet Stores industry (IBISWorld report 45391, an industry of the miscellaneous store retailers subsector) stems from the two largest operators.
- Conversely, the Meat Markets industry (44521, an industry of the food and beverage stores subsector) is highly fragmented, characterized by a low level of market share concentration.

The expansive sector keeps concentration low

- Because of the large number of industries and subsectors within the retail sector, the market share concentration of this sector is very low.
- Just two operators, Walmart Inc. (Walmart) and Amazon.com (Amazon), account for a significant share of industry revenue.

Key Success Factors

IBISWorld identifies over 200 Key Success Factors for a business. The most important for this industry are:

Experienced work force:

Operators may benefit from employing experienced employees who can provide a pleasant experience for consumers through good customer service and clear knowledge of products being sold, both in-store or via online chats.

Having a clear market position:

Clear branding and marketing assists consumers in identifying stores with particular goods and brands.

Having a loyal customer base:

By working to build strong relationships with consumers operators can encourage repeat buyers.

Close monitoring of competition:

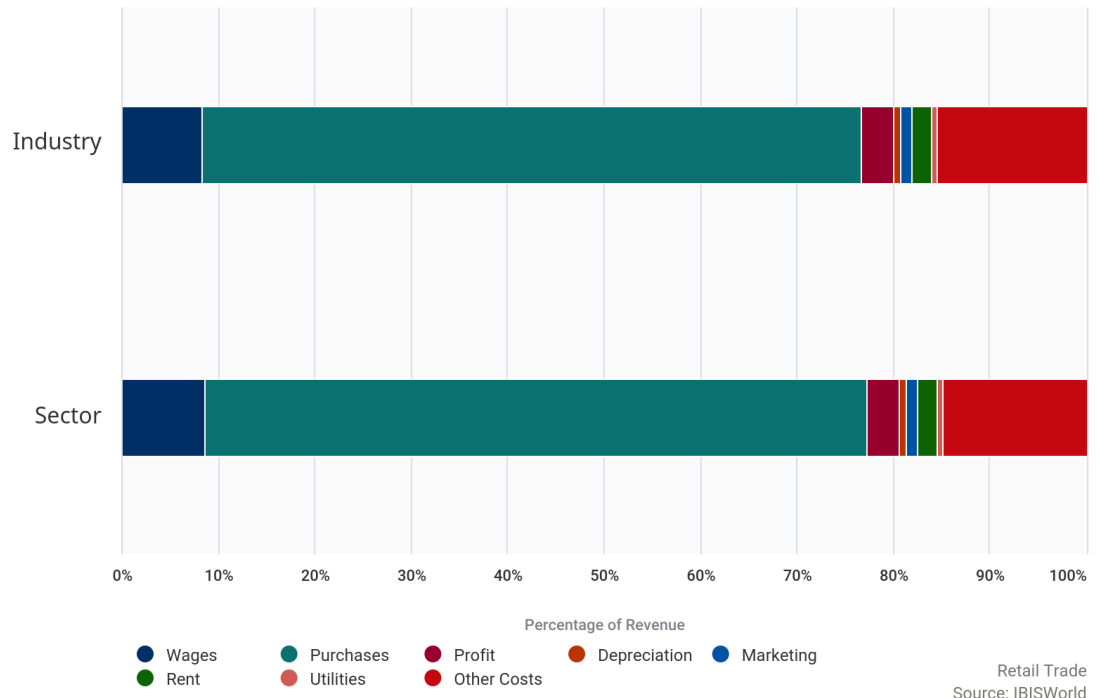
Monitoring competition enables operators to offer competitive prices while ensuring the range and quality of their products matches those of other players.

Economies of scale:

Operating as part of a chain, franchise or co-operative helps to provide buying and marketing power to players.

Cost Structure Benchmarks

Cost Structure 2023

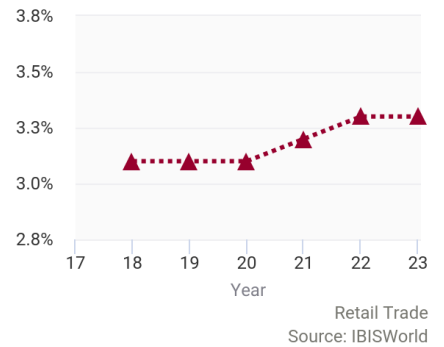


Profit

Profit varies between subsectors

- Profit, measured as earnings before interest and taxes, is expected to account for 3.3% of sector revenue in 2023.
- Profit is affected by several factors, including the overall retail trading environment, demand for the product, the cost strategies implemented and the company's input costs.
- Profit varies significantly across subsectors. For example, profit comprises 9.7% of industry revenue for art dealers (IBISWorld report 45392 of the miscellaneous store retailers subsector), as operators mark-up items and charge commission for their services. Conversely, profit accounts for 1.8% of industry revenue for supermarkets and convenience stores (44511 of the food and beverage stores subsector) due to the fragmented nature of the industry and high price competition.

Profit as a Share of Revenue 2018-2023

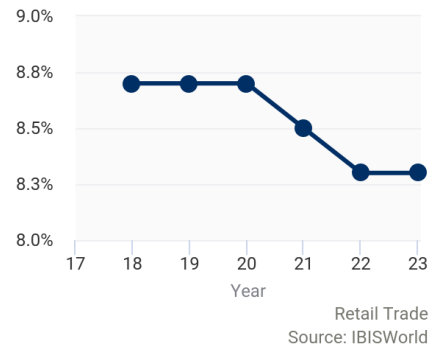


Wages

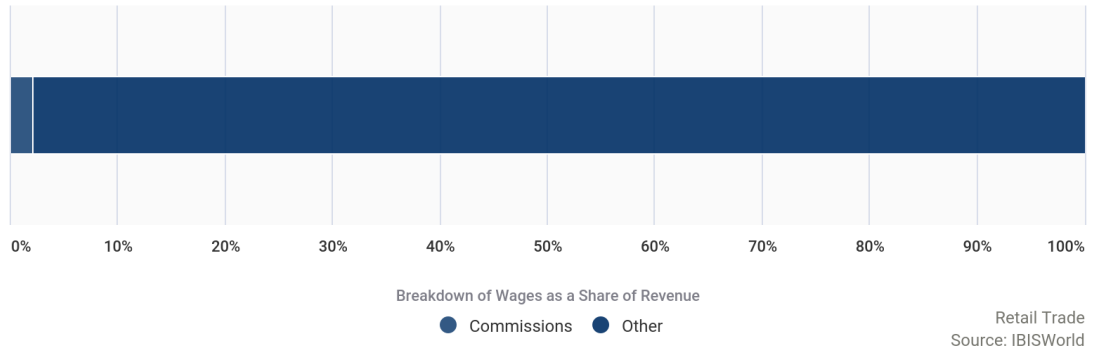
Necessary employees keep wage costs significant

- The Retail Trade sector is moderately labor intensive, with wages accounting for an estimated 8.3% of revenue in 2023.
- Despite the introduction, implementation and advancement of employee-replacing technologies, such as point-of-sale systems and electronic data interchange systems, all industries within this sector must still employ staff members to perform numerous tasks, such as greeting and assisting consumers with their purchases, processing transactions and restocking shelves.
- Wage costs are also influenced by the size of the operation, the number of staff members employed, the applicable trading hours and the tasks to be undertaken.

Wages as a Share of Revenue 2018-2023



Wages Breakdown (% of Total Wages in 2023)

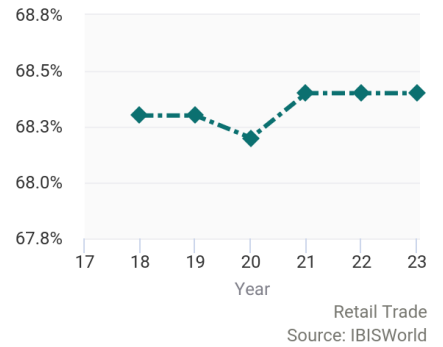


Purchases

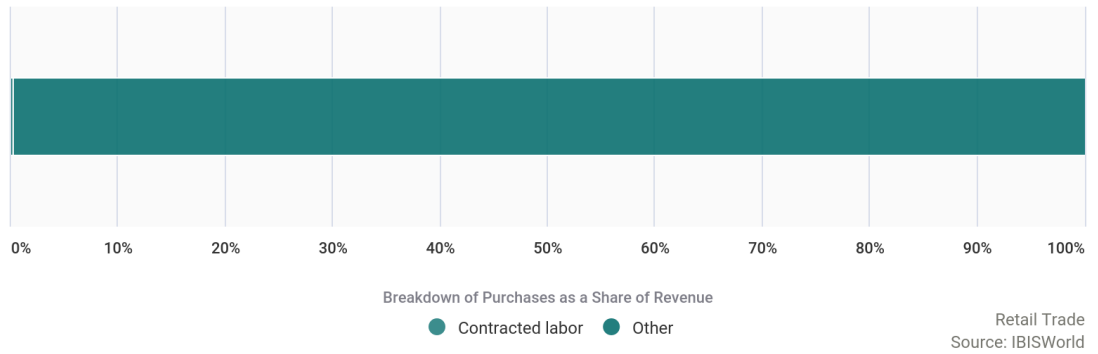
Purchases are the largest cost for retailers

- Purchase costs include all products purchased from manufacturers and distributors, domestic or international, for resale to customers.
- To operate effectively and efficiently, operators must maintain fully stocked shelves, causing purchases to comprise the single largest cost for most retail operators. However, these costs comprise vary across different subsectors and industries.
- In 2023, purchase costs are anticipated to comprise 68.4% of revenue for the average retail operator.

Purchases as a Share of Revenue 2018-2023



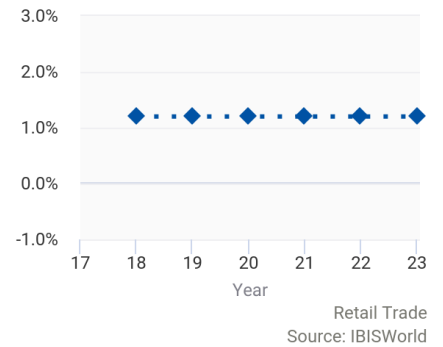
Purchases Breakdown (% of Total Purchases in 2023)



Marketing

Marketing costs are expected to account for 1.2% of revenue in 2023.

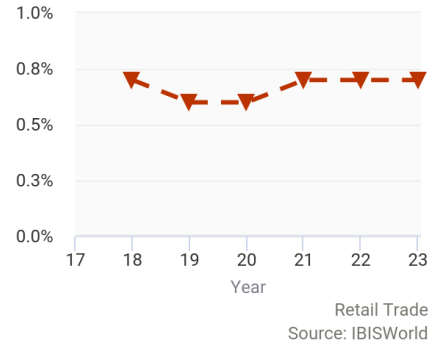
Marketing as a Share of Revenue 2018-2023



Depreciation

Depreciation costs are expected to account for 0.7% of revenue in 2023.

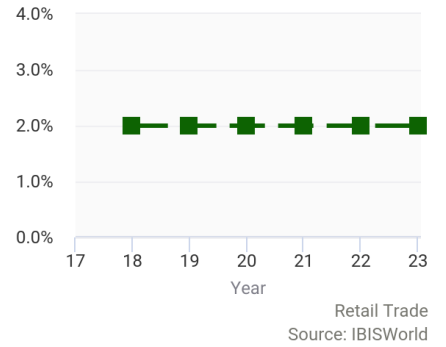
Depreciation as a Share of Revenue 2018-2023



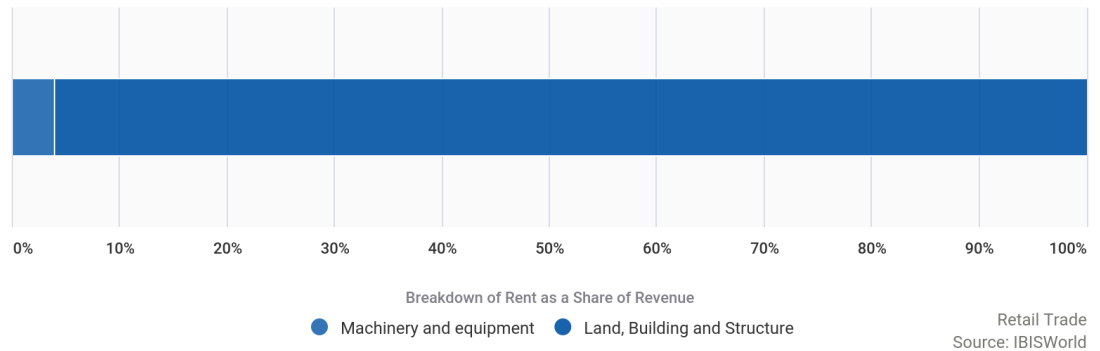
Rent

In 2023, rent costs are expected to account for 2.0% of revenue in 2023.

Rent as a Share of Revenue 2018-2023



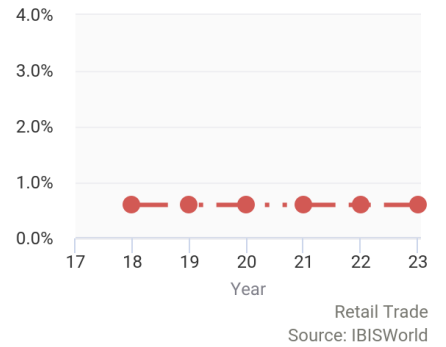
Rent Breakdown (% of Total Rent in 2023)



Utilities

Utility costs are expected to account for 0.6% of revenue in 2023.

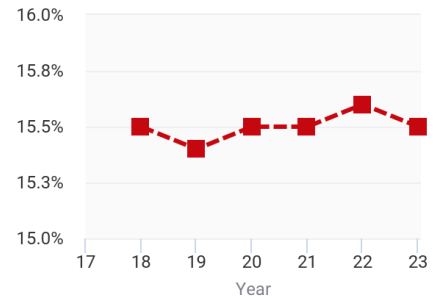
Utilities as a Share of Revenue 2018-2023



Other Costs

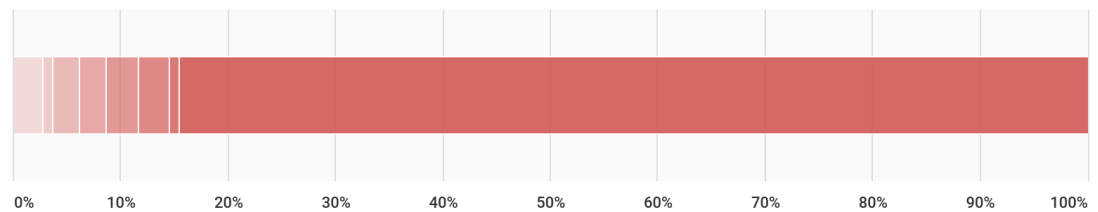
In 2023, other costs are expected to account for 15.5% of revenue.

Other Costs as a Share of Revenue 2018-2023

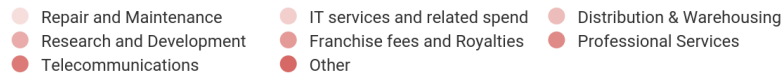


Retail Trade
Source: IBISWorld

Other Breakdown (% of Total Other in 2023)



Breakdown of Other as a Share of Revenue



Retail Trade
Source: IBISWorld

Basis of Competition

Competition in this industry is **△ High** and the trend is **Increasing**

Retail Trade sector operators do not experience significant levels of external competition.

However, companies in the retail trade space experience significant competition from other operators within the sector, as most products retailed by one industry may also be purchased from alternative retailers. For example, operators in the Warehouse Clubs and Supercenters industry stock massive and diverse product lines that often include products also sold by specialty stores, but at a much lower price. Generally, operators in the Retail Trade sector compete on price, product range and quality, brand strength and location.

PRICE, RANGE AND QUALITY

Across most industries in this sector, price remains an integral part of the competition between operators.

Due to the competitive nature of this sector, operators tend to match the price of merchandise offered by rival players. Some companies even offer price-match guarantees; if a consumer can present proof that an item is readily available for a lower price from a company's competitor, operators enable customers to pay the lower price for that item.

Many retail operators, particularly those in the general merchandise stores subsector, use a pricing model that encourages shoppers to buy in bulk to achieve more savings through a lower price-per-use. Industry operators that can offer the most per-unit cost savings on the largest variety of and most popular products are likely to attract the most shoppers. However, operators that offer unique items typically unavailable at substitute retailers experience significantly less internal price competition. For example, operators in the Musical Instrument and Supplies Stores industry (IBISWorld report 45114 of the sporting goods, hobby, musical instrument and bookstores subsector) retail high-quality brands and specialty models of instruments and equipment that are typically not sold by alternative retailers. This somewhat protects these operators from some price competition and enables them to charge higher prices for their items.

The range and quality of goods offered by operators also have a bearing on their success. A broader product range provides convenience to consumers by enabling them to get the majority of their shopping done in one place. Moreover, retailers can appeal to a larger group of consumers with different income levels by offering variations in

the quality of merchandise offered.

BRAND STRENGTH

Operators often stock brands that are well known and regarded by consumers.

This is particularly prevalent in the Supermarket and Other Grocery Store industry (44511 of the food and beverages stores subsector), where sales volumes are affected by strong competition between operators.

An operator's own brand strength is just as crucial as those of the products they stock, as customer loyalty is another important competitive factor. To encourage customers to return, stores provide convenient front parking, logical layouts, clear signage, generous operating hours and convenient locations while maintaining a clean, friendly and professional atmosphere. Additionally, industry operators encourage repeat customers through loyalty cards, which entice consumers to buy more to incur better cost savings or earn cash back.

LOCATION

Easily accessible establishments with ample parking, clear layouts and signage illustrating different departments are much more likely to attract and retain customers.

The ideal location for an industry establishment is one populous enough that many consumers have easy access to the store, though secluded enough that the necessary square footage is available and reasonably priced.

However, some sector establishments require more space and compete more heavily on location than others. For example, due to the amount of land required to develop warehouse clubs and supercenters (IBISWorld report 45291 of the general merchandise stores subsector), competition for a prime location is fierce. Small cities and large city suburbs are ideal locations for industry operators and major industry players heavily compete for prime establishment locations. Conversely, operators in the Pharmacies and Drug Stores industry (44611 of the health and personal care stores subsector) may be able to operate out of a much smaller space.

Barriers to Entry

Barriers to Entry in this industry are **▲ Low** and the trend is **Steady**

Legal

Retailers must obtain any needed business registration and licenses and adhere to all common labor and employment laws.

Start-Up Costs

Start-up costs vary between industries but include purchasing inventory, investing in any needed equipment, and acquiring an operating space.

Differentiation

Although small operators may specialize in specific product lines, most industries within this sector experience little product differentiation, as products retailed by one industry may also be purchased from substitute industries. New operators may struggle to stand out by offering different products or lower prices compared with preestablished retailers.

Labor Intensity

The retail sector remains labor intensive since industries within the sector require employees for the majority of day-to-day operations. Employees are needed for providing customer service, restocking products, running the cash-register and any other required tasks.

Barriers to Entry Checklist

Competition	High ▲
Concentration	Low ☺
Life Cycle Stage	Mature ☹
Technology Change	Medium ☹
Regulation & Policy	Medium ☹
Industry Assistance	Low ▲

Industry Globalization

Globalization in this industry is ☺ Low and the trend is Steady

The Retail Trade sector is marked by a low level of globalization, which measures the extent of foreign activity by domestic operators and the dominance of foreign operators in the domestic market. Most sector operators are predominantly domestically owned and earn most of their revenue from domestic operations.

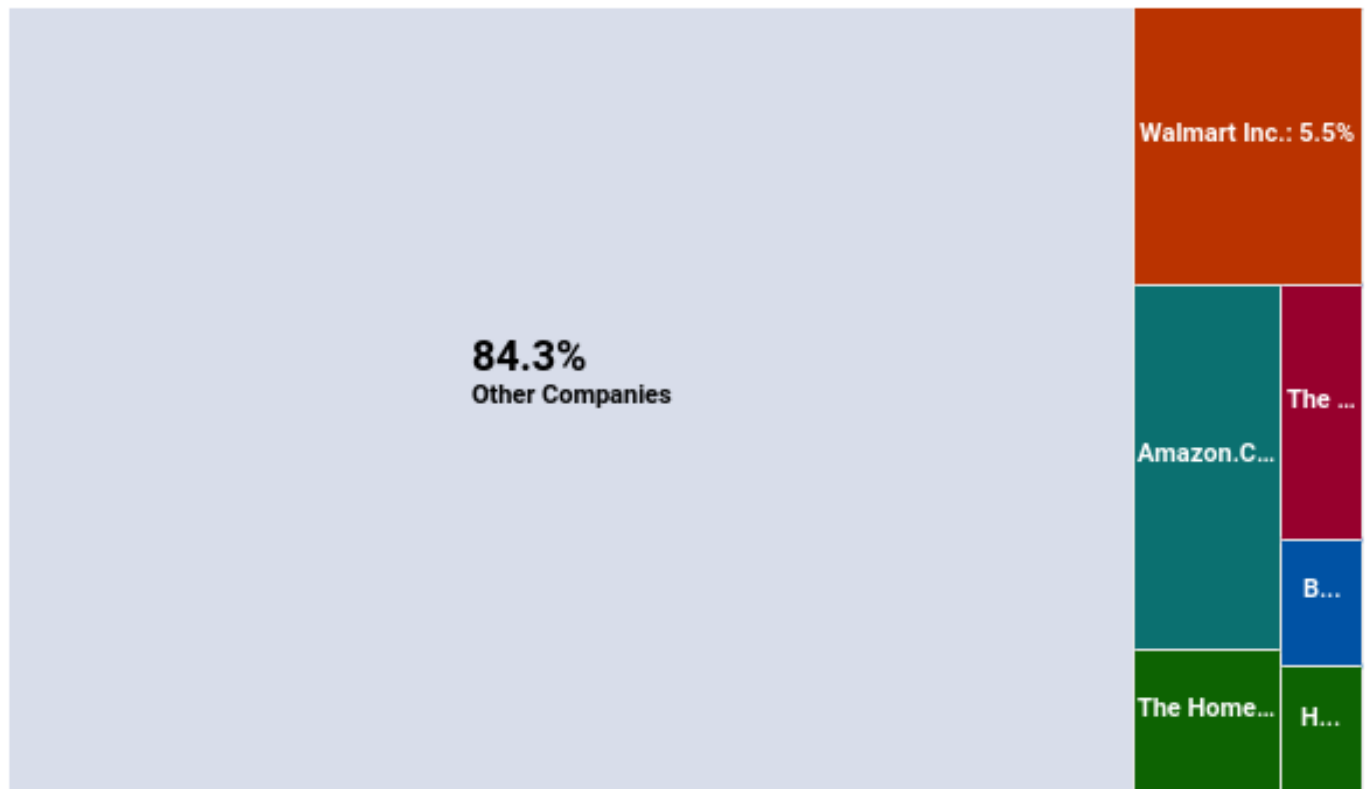
However, some US-based retail enterprises also operate in foreign markets. For example, The Home Depot Inc. is among the largest operators in the retail sector and is the single-largest contributor to the Home Improvement Stores industry (IBISWorld report 44411 within the building material and garden equipment and supplies dealers subsector). Although the company is based in Atlanta and has close to 2,000 locations across the United States, it also operates an estimated 200 stores in Canada and Mexico.

Additionally, some sectors include foreign operators with domestic operations. For example, Inter IKEA Systems BV is based in the Netherlands and operates over 400 stores worldwide. However, the company is also the largest operator in the Furniture Stores industry (44211 within the furniture and home furnishings stores subsector) and operates nearly 50 stores in the United States.

Major Companies

Market Share Overview

Breakdown of Industry Market Share (2021)



Source: IBISWorld, Retail Trade

Related Companies

Competitors	Company Type	Employee Segment	Revenue (\$m)	Market Share (%)	Profit (\$m)
Walmart	Incumbent	500+ Employees	359,761.1 ▼	5.5 ▼	14,886.7 ▼
Amazon.Com	Disruptor	500+ Employees	318,341.9 ▲	4.87 ▲	25,897.0 ▲
Kroger	Golden Goose	500+ Employees	129,880.0 ▼	1.99 ▼	3,271.0 ▲
Home Depot	Rising Star	500+ Employees	125,930.0 ▲	1.93 ▼	17,937.9 ▲
Best Buy	Laggard	500+ Employees	42,805.7 ▼	0.65 ▼	2,215.3 ▲
Hapman Conveyors	Rising Star	20–99 Employees	42,805.7 ▼	0.65 ▼	2,215.3 ▲

Companies with 5.0% industry market share are displayed in the PDF version of this report. You can view insights for all companies associated with this industry on my.ibisworld.com

Walmart Inc.

Company Overview

Brands & Trading Names

ASDA Joyrun Ans Commerce Cleartrip Phonepe Walmart Supercenters Jet.com Flipkart.com Sam's Club Liv.AI Eloquill Botmock Carezone Alert Innovation Bonobos

Description

Walmart is a public company headquartered in Arkansas with an estimated 2,100,000 employees. In the US, the company has a notable market share in at least 16 industries: Retail Trade, Pharmacies & Drug Stores, Warehouse Clubs & Supercenters, E-Commerce & Online Auctions, Discount Department Stores, BBQ & Outdoor Cooking Stores, Online Home Furnishing Sales, Online Computer & Tablet Sales, Online Television Sales, Online Grocery Sales, Online Children's Toy Sales, Online Office & School Supply Sales, The Retail Market for Home Furniture & Bedding, The Retail Market for Seasonal Decorations, The Retail Market for Toys, The Retail Market for Outdoor Furniture and Online Children's Toy Sales. Their largest market share is in the Online Home Furnishing Sales industry, where they account for an estimated 329.1% of total industry revenue.

COMPANY TYPE	Public Company
TOTAL COMPANY REVENUE	\$359.8bn
EMPLOYEES	2,100,000

Other Industries

Pharmacies & Drug Stores in the US
Warehouse Clubs & Supercenters in the US
E-Commerce & Online Auctions in the US
Discount Department Stores in the US
BBQ & Outdoor Cooking Stores in the US
Online Home Furnishing Sales in the US
Online Computer & Tablet Sales in the US
Online Television Sales in the US
Online Grocery Sales in the US
Online Children's Toy Sales in the US
Online Office & School Supply Sales in the US
The Retail Market for Home Furniture & Bedding in the US
The Retail Market for Seasonal Decorations in the US
The Retail Market for Toys in the US
The Retail Market for Outdoor Furniture in the US

Analyst Insights

Walmart Inc. is committed to protecting the environment

Walmart Inc. (Walmart) has implemented numerous sustainable practices and goals concerning issues related to governance, the environment and society. An example of the company's efforts toward protecting the environment involve its objective to restore, renew and replenish the environment. In that regard, the company expects that, by 2025, it will be able to sustainably source at least twenty more of its commodities. Additionally, by 2030, the company expects to reduce its greenhouse gas emissions by an estimated 1 gigaton. Furthermore, by 2030, the company anticipates that it will help restore and better manage 1 million square miles of ocean and fifty million acres of land through its Walmart Foundation. Lastly, another goal of the company is to reach zero emissions by 2040.

ESG New Activity Structural

The company highly values diversity in the workplace

Walmart is a company focused of the inclusion and empowerment of its workforce. In that regard, the company's employees continue to become more diverse, including more people of color, in addition to more Latinx and Asian individuals. Additionally, the company launched its Accessibility Center of Excellence in May 2021 to help advance inclusion and equity for people with disabilities. In fact, the company scored 100% on the Disability Equality Index (DEI) in 2021, for the sixth year in a row. Moreover, the company donated an estimated \$20 million toward furthering equity for Black and Indigenous Canadians.

New Activity Structural

The company has partnered with BEAUTYSPACENK to launch a new collection of beauty products

On March 7, 2022, Walmart announced its collaboration with Britain-based retailer Space NK to offer exclusive,

Walmart Inc.

Company Overview

high quality beauty products on its website and more than 200 of its physical stores. The products are expected to launch on March 15, 2022 on its website and during this summer within its stores. According to Walmart, this collaboration will make it even more convenient for shoppers to purchase specialty beauty items, in addition to staple beauty products, all in one trip to Walmart.

New Activity

Walmart Inc.

Company Overview

Industry Market Share, Revenue and Profit

Market Share

5.5% Strong **-0.8%** ▼

Current Year (2021) Annual Growth (2017-21)

Change in Market Share



Retail Trade Source: IBISWorld

Industry Revenue

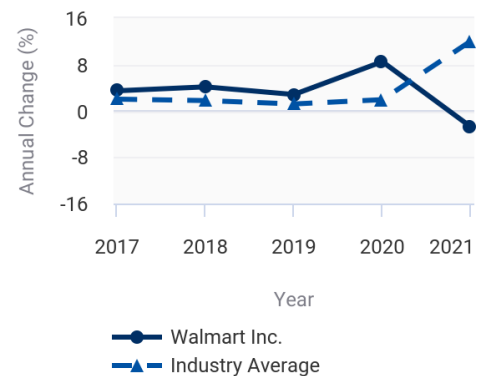
\$359.8bn Strong

Current Year (2021)

3.1% ▲

Annual Growth (2017-21)

Change in Industry Revenue



Retail Trade Source: IBISWorld

Profit Margin

4.14% Weak **0.1%** ▲

Current Year (2021) Annual Growth (2017-21)

Change in Profit Margin



Retail Trade Source: IBISWorld

Amazon.Com, Inc.**Company Overview****Brands & Trading Names**

AmazonFresh Ring amazon studios EastDane.com amazon books 6pm.com Amazon.com twitch Woot.com AWS Zappos.com

Description

Amazon.Com is a public company headquartered in Washington with an estimated 1,541,000 employees. In the US, the company has a notable market share in at least 33 industries: Online Hardware & Tool Sales, Online Camera & Camcorder Sales, Online Computer & Tablet Sales, Online Television Sales, Online Small Electrical Appliance Sales, Online Large Kitchen Appliance Sales, Online Grocery Sales, Online Pet Food & Pet Supply Sales, Online Perfume & Cosmetic Sales, Online Vitamin & Supplement Sales, Online Shoe Sales, Online Men's Clothing Sales, Online Women's Clothing Sales, Online Jewelry & Watch Sales, Online Book Sales, Online Children's Toy Sales, Online Hobby & Craft Supplies Sales, Online Office & School Supply Sales, Online Computer Software Sales, Online Baby Product Sales, The Retail Market for Headphones, The Retail Market for Laptop Computers, The Retail Market for Home Furniture & Bedding, The Retail Market for Toys, The Retail Market for Audio Equipment, The Retail Market for Outdoor Furniture, Music Streaming Services, Video Streaming Services, Retail Trade, Data Processing & Hosting Services, E-Commerce & Online Auctions, Speech & Voice Recognition Software Developers, E-Book Publishing and Music Streaming Services. Their largest market share is in the Online Book Sales industry, where they account for an estimated 81.3% of total industry revenue and are considered an All Star because they display stronger market share, profit and revenue growth compared to their peers.

COMPANY TYPE	Public Company
TOTAL COMPANY REVENUE	\$318.3bn
EMPLOYEES	1,541,000

Other Industries

Data Processing & Hosting Services in the US
 E-Commerce & Online Auctions in the US
 Speech & Voice Recognition Software Developers in the US
 E-Book Publishing in the US
 Online Hardware & Tool Sales in the US
 Online Camera & Camcorder Sales in the US
 Online Computer & Tablet Sales in the US
 Online Television Sales in the US
 Online Small Electrical Appliance Sales in the US
 Online Large Kitchen Appliance Sales in the US
 Online Grocery Sales in the US
 Online Pet Food & Pet Supply Sales in the US
 Online Perfume & Cosmetic Sales in the US
 Online Vitamin & Supplement Sales in the US
 Online Shoe Sales in the US
 Online Men's Clothing Sales in the US
 Online Women's Clothing Sales in the US
 Online Jewelry & Watch Sales in the US
 Online Book Sales in the US
 Online Children's Toy Sales in the US
 Online Hobby & Craft Supplies Sales in the US
 Online Office & School Supply Sales in the US
 Online Computer Software Sales in the US
 The Retail Market for Headphones in the US
 The Retail Market for Laptop Computers in the US
 The Retail Market for Home Furniture & Bedding in the US
 The Retail Market for Toys in the US
 The Retail Market for Audio Equipment in the US
 The Retail Market for Outdoor Furniture in the US
 Music Streaming Services in the US
 Video Streaming Services in the US

Analyst Insights

Acquisition activity, coupled with innovative technology and scale, allow Amazon to thrive
 In 2017, Amazon acquired Whole Foods for \$13.7 billion and vowed to decrease prices at the grocery retailer known for high-prices. Amazon immediately began to decrease Whole Foods' prices, extended Whole Foods discounts to Amazon Prime members and made products available online. This has the effect of making products more affordable and accessible to a larger demographic. Most importantly, the company was able to leverage this partnership and the scale of its online business to grow substantially during the COVID-19 (coronavirus) pandemic, as consumers increased their purchase of groceries, especially online.

Amazon.Com, Inc.

Company Overview

Competition COVID Product Innovation

Amazon, already dominant in online retail, booms during the pandemic

Amazon has consistently outperformed the industry and other large online retailers, such as Walmart Inc. and Target Corporation. As the coronavirus pandemic continues to alter and reshape the economy, Amazon has been able to significantly increase its online sales. As many brick and mortar stores shuttered in 2020 to stem the spread of the coronavirus, consumers shifted their shopping to online platforms, with Amazon best positioned to benefit. In 2020 alone, Amazon's annual revenue soared upward by 38.0%.

Competition COVID Product Innovation

Amazon continues to dodge labor complaints

Amazon, which employs more than 1.0 million people or nearly one out of every 500 Americans, has been dogged by complaints about its labor practices. Amazon has been accused of substandard labor conditions, especially at its warehouses, and labor groups across the country have accused the company of illegally undermining unionization efforts. In 2021, Amazon defeated a unionization drive at 6,000-person warehouse in Bessemer, Alabama, although additional unionization efforts are expected at other locations throughout 2022.

Competition COVID Labor Product Innovation

Innovation primes Amazon for success

In 2015, Amazon Inc (Amazon) released the artificial intelligence technology, Echo, in the United States. The Echo is a voice-controlled unit that enables consumers to have Alexa, a digital assistant, complete a wide range of tasks for them. It was not until late 2016 that Google released the Google Home, a potential rival to the product. However, Amazon still dominates the smart speaker market, according to a Voicebot Smart Speaker Consumer Adoption report from January 2018. Amazon sold over 100 million Alexa devices in 2018 alone.

Competition COVID Labor Product Innovation

Amazon.Com, Inc.

Company Overview

Industry Market Share, Revenue and Profit

Market Share

4.87% ModerateCurrent Year
(2021)**2.8%** ▲Annual Growth
(2017-21)

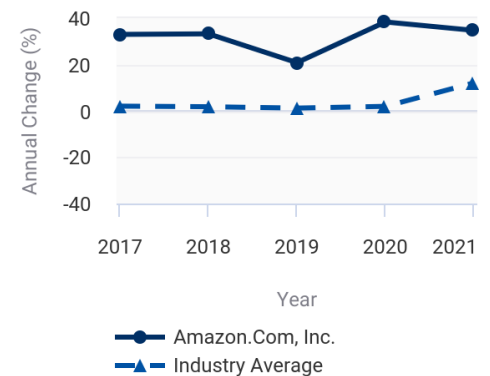
Change in Market Share

Retail Trade
Source: IBISWorld

Industry Revenue

\$318.3bn ModerateCurrent Year
(2021)**31.6%** ▲Annual Growth
(2017-21)

Change in Industry Revenue

Retail Trade
Source: IBISWorld

Profit Margin

8.13% ModerateCurrent Year
(2021)**5.8%** ▲Annual Growth
(2017-21)

Change in Profit Margin

Retail Trade
Source: IBISWorld

The Kroger Co.

Company Overview

Brands & Trading Names Home Chef Bakers Roundys Marianos Rvler Foods Dillons Gerbels QFC Jay C Food Stores Smiths Kroger FredMeyer CityMarket Foods CO Fred Meyer Jewelers Pick N Save Food4less Harris Teeter Owens Pay Less

Description

Kroger is a public company headquartered in Ohio with an estimated 420,000 employees. In the US, the company has a notable market share in at least three industries: Retail Trade, Supermarkets & Grocery Stores, Online Grocery Sales and Retail Trade. Their largest market share is in the Online Grocery Sales industry, where they account for an estimated 18.1% of total industry revenue and are considered a Rising Star because they display lower market share, but displaying stronger profit and revenue growth than some of their peers.

COMPANY TYPE Public Company

TOTAL COMPANY REVENUE \$129.9bn

EMPLOYEES 420,000

Other Industries

Supermarkets & Grocery Stores in the US
Online Grocery Sales in the US

Analyst Insights

Kroger to buy Albertsons, pending regulatory approval

Though still to be approved by the Federal Trade Commission, in early October 2022, grocery retail chain Kroger announced they would be purchasing competitor Albertsons for \$24.6 billion in one of the largest grocery mergers ever. Overall, the combined entity is expected to have pre-forma results of \$209.0 billion across almost 5,000 stores. This move comes as a strong inorganic growth opportunity for Kroger, as rising inflation trims margins, increases prices and competition among other retail giants such as Amazon and Walmart. This purchases should allow Kroger to better lever scale economies as well as give the company some more buying power when it comes to negotiating with suppliers, boosting overall sales and margin performance.

M&A

The Kroger Co.

Company Overview

Industry Market Share, Revenue and Profit

Market Share

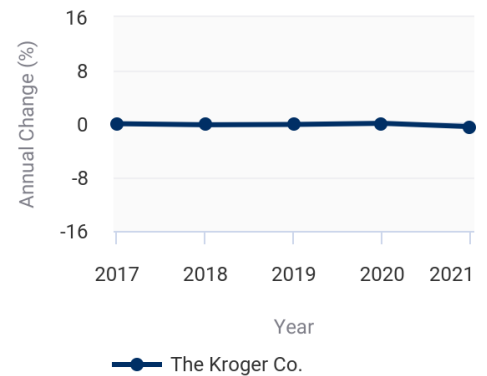
1.99% Moderate

Current Year (2021)

-0.4% ▼

Annual Growth (2017-21)

Change in Market Share



Retail Trade
Source: IBISWorld

Industry Revenue

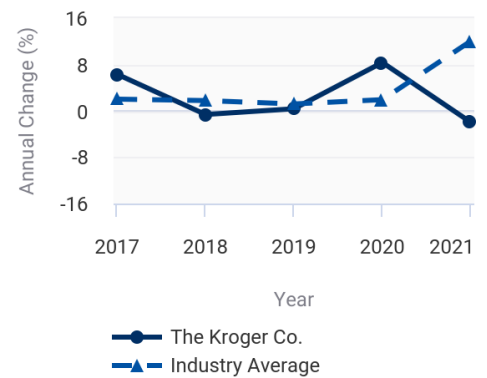
\$129.9bn Moderate

Current Year (2021)

1.4% ▲

Annual Growth (2017-21)

Change in Industry Revenue



Retail Trade
Source: IBISWorld

Profit Margin

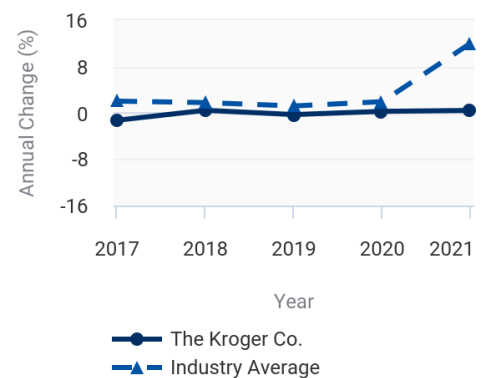
2.52% Weak

Current Year (2021)

0.8% ▲

Annual Growth (2017-21)

Change in Profit Margin



Retail Trade
Source: IBISWorld

The Home Depot, Inc.

Company Overview

Description

Home Depot is a private company with an estimated 471,600 employees. In the US, the company has a notable market share in at least seven industries: Retail Trade, Home Improvement Stores, Online Hardware & Tool Sales, Online Plumbing & Electrical Supply Sales, Online Small Electrical Appliance Sales, Online Large Kitchen Appliance Sales and Lawn & Outdoor Equipment Stores. Their largest market share is in the Home Improvement Stores industry, where they account for an estimated 53.3% of total industry revenue and are considered an Incumbent because they display strong market share, but lower profit and revenue growth than some of their peers.

COMPANY TYPE	Private Company
TOTAL COMPANY REVENUE	\$125.9bn
EMPLOYEES	471,600

Other Industries

Home Improvement Stores in the US
Lawn & Outdoor Equipment Stores in the US
Online Hardware & Tool Sales in the US
Online Plumbing & Electrical Supply Sales in the US
Online Small Electrical Appliance Sales in the US
Online Large Kitchen Appliance Sales in the US

Analyst Insights

Home Depot increases its sales force for spring 2022

Home Depot increases its sales force for spring 2022. In Birmingham, Alabama it is hiring 1,275 employees for full-time and part-time jobs, to do work in customer service, sales, store support, freight, merchandising and warehouse. In Puerto Rico, it is hiring more than 2,300 part-time and full-time positions for the spring season, but who can stay long term. Additionally, for its 37 stores in South Florida, it is looking to hire 2,000 new employees. Overall, Home Depot is seeking to hire 100,000 new workers for the busy spring season.

[Balance Sheet](#) [COVID](#) [ESG](#) [Labor](#) [New Activity](#)

A significant acceleration in sales with strong performance across its departments.

Due to the COVID-19 (coronavirus) pandemic, it saw a significant acceleration in sales with strong performance across its departments. It credits these robust levels of sales due to customers focusing on home improvement projects and repairs. Additionally, online sales increased by 86% in fiscal 2020, as lockdown and distancing measures pushed many consumers into online shopping. Moreover, in order to better support its employees, the company implemented permanent compensation enhancements for frontline hourly associates. Overall, the enhanced pay and benefits enacted in fiscal 2020 cost an additional \$2.0 billion.

[Balance Sheet](#) [COVID](#) [Labor](#)

Elevating and expanding its Office of Diversity, Equity and Inclusion

The Home Depot Inc. (Home Depot) attributes a diverse and inclusive workplace as being key to its success. In 2020, it elevated and expanded its Office of Diversity, Equity and Inclusion to focus on associate diversity, supplier diversity and support of community and education-related programs designed to close the wealth gap. Specifically, it believes it needs to increase diverse representation in its associates across the organization. As well as creating an environment where every associate feels valued for who they are and included.

[Balance Sheet](#) [COVID](#) [ESG](#) [Labor](#)

The Home Depot, Inc.

Company Overview

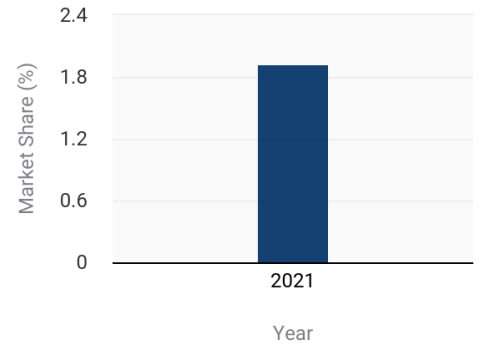
Industry Market Share, Revenue and Profit

Estimated Industry Market Share

1.93% Moderate

Current Year (2021)

Estimated Market Share



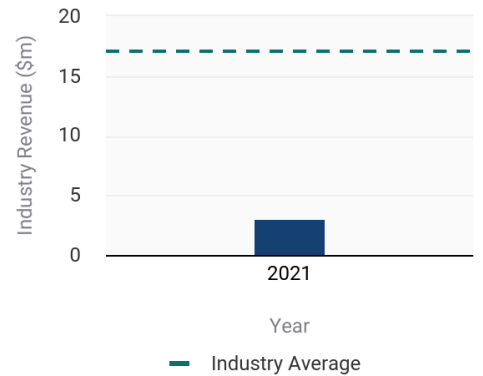
Retail Trade Source: IBISWorld

Estimated Industry Revenue

\$125.9bn Moderate

Current Year (2021)

Estimated Industry Revenue



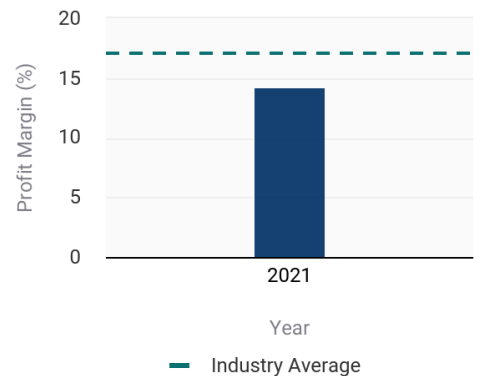
Retail Trade Source: IBISWorld

Estimated Profit Margin

14.24% Strong

Current Year (2021)

Estimated Profit Margin



Retail Trade Source: IBISWorld

Best Buy Co., inc.

Company Overview

Description

Best Buy is a public company headquartered in Minnesota with an estimated 105,000 employees. In the US, the company has a notable market share in at least 13 industries: Retail Trade, Consumer Electronics Stores, Electronic & Computer Repair Services, Online Camera & Camcorder Sales, Online Computer & Tablet Sales, Online Television Sales, Online Small Electrical Appliance Sales, Online Large Kitchen Appliance Sales, The Retail Market for Headphones, The Retail Market for Laptop Computers, Cell Phone Repair, The Retail Market for Audio Equipment, The Retail Market for Smartphones and Online Television Sales. Their largest market share is in the Consumer Electronics Stores industry, where they account for an estimated 20.4% of total industry revenue.

COMPANY TYPE	Public Company
TOTAL COMPANY REVENUE	\$42.8bn
EMPLOYEES	105,000

Other Industries

Consumer Electronics Stores in the US
 Electronic & Computer Repair Services in the US
 Online Camera & Camcorder Sales in the US
 Online Computer & Tablet Sales in the US
 Online Television Sales in the US
 Online Small Electrical Appliance Sales in the US
 Online Large Kitchen Appliance Sales in the US
 The Retail Market for Headphones in the US
 The Retail Market for Laptop Computers in the US
 Cell Phone Repair in the US
 The Retail Market for Audio Equipment in the US
 The Retail Market for Smartphones in the US

Analyst Insights**Best Buy continues investment in the healthcare sector**

In October 2021, during a quarterly conference call, Best Buy announced its plans to acquire Current Health, a leading remote patient monitoring platform based in the UK, for \$400.0 million. This acquisition continues Best Buy's penetration into the healthcare market. Deborah Di Sanzo, Best Buy's President of Health, believes the future of consumer technology is connected to healthcare. The company's large scale, alongside Current Health's platform, will enable Best Buy to create a "holistic care ecosystem" for its customers. The acquisition was finalized in November 2021.

M&A

Best Buy taps into Amazon's advanced cloud computing service

In February 2022, Best Buy announced it had entered into a partnership with Amazon Web Services Inc. (AWS) as its cloud provider for cloud infrastructure services. At the beginning of COVID-19 (coronavirus), Best Buy used AWS's cloud technology to deploy curbside pickup, enabling customers to safely pick up products with minimal risk. While Best Buy already uses AWS for its digital commerce business, this partnership will expand its cloud footprint, as Best Buy is expected to accelerate its cloud migration, adopting a cloud-first strategy.

M&A New Activity

Best Buy closes down all 250 US mobile stores due to high operation costs

In 2012, Best Buy Co., Inc. (Best Buy) decided to shift its focus toward smaller, specialized stores that produced high profits. However, in 2018, the company announced it would reverse this expansion by closing down all 250 of its Best Buy Mobile standalone stores. It stated that smartphone sales had matured and were no longer meeting revenue and profit expectations. Additionally, the cost of operations was higher than its big box stores. Best Buy decided to continue focusing on its big box stores and deployed all mobile employees to other parts of the company.

Best Buy Co., inc.

Company Overview

Industry Market Share, Revenue and Profit

Market Share

0.65% *Weak* **-0.1%** ▼
 Current Year (2021) Annual Growth (2017-21)

Change in Market Share



Retail Trade
Source: IBISWorld

Industry Revenue

\$42.8bn *Weak* **2.6%** ▲
 Current Year (2021) Annual Growth (2017-21)

Change in Industry Revenue



Retail Trade
Source: IBISWorld

Profit Margin

5.18% *Moderate* **0.8%** ▲
 Current Year (2021) Annual Growth (2017-21)

Change in Profit Margin



Retail Trade
Source: IBISWorld

Operating Conditions

Capital Intensity

The level of capital intensity is  **Low**

The Retail Trade sector is characterized by a low level of capital intensity, with the average sector operator anticipated to spend just \$0.08 on capital for every \$1.00 spent on wages. Generally, the capital costs are limited to purchasing fixtures and fittings to hold inventory, such as display shelves and racks, and cash registers.

Other capital costs vary across industries. For example, for operators that offer their own delivery services, rather than sending purchases through the United States Postal Service or another delivery courier, the appropriate vehicles must be purchased to deliver orders to consumers. Some operators may also invest in machineries such as forklifts to more easily transport inventory, such as those in the motor vehicle and parts dealers subsector that sell larger goods or those in the general merchandise stores subsector that have massive inventories. Additionally, operators in the nonstore retailers subsector may spend on technology and machinery to ease warehouse operations, such as handheld scanning devices to speed up processing.

Most of the industries in this sector are highly labor-intensive, as workers are required for a wide range of tasks, including interacting with customers, ringing up their purchases, tracking and reordering inventory, stocking shelves and maintaining a clean and organized store. In 2023, wages are anticipated to account for 8.3% of revenue for the average retail operator. This figure has decreased over the past five years because of the implementation of wage-cutting technologies, such as self-checkout registers.

Technology & Systems

Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruptive Effect	Description
⚠️ Unknown	Rate of Innovation	Unknown	A ranked measure for the number of patents assigned to an industry. A faster rate of new patent additions to the industry increases the likelihood of a disruptive innovation occurring.
⚠️ Unknown	Innovation Concentration	Unknown	A measure for the mix of patent classes assigned to the industry. A greater concentration of patents in one area increases the likelihood of technological disruption of incumbent operators.
⚠️ High	Ease of Entry	Likely	A qualitative measure of barriers to entry. Fewer barriers to entry increases the likelihood that new entrants can disrupt incumbents by putting new technologies to use.
⚠️ High	Rate of Entry	Likely	Annualized growth in the number of enterprises in the industry, ranked against all other industries. A greater intensity of companies entering an industry increases the pool of potential disruptors.
✅ Low	Market Concentration	Unlikely	A ranked measure of the largest core market for the industry. Concentrated core markets present a low-end market or new market entry point for disruptive technologies to capture market share.

This technology trend is underscored by structural factors that support new entrants. An accommodative structure can create a situation where small entrants can focus on less profitable albeit innovative industry entry points. Or, large operators in other industries can leverage expertise in other areas to enter the industry from a new angle.

Major market segments for industry operators are relatively diversified. The spread of market segments suggests that there are limited entry points other than those already served by incumbent operators.

Over the past five years, the Retail Trade sector has experienced some technological disruptions.

The rise in e-commerce sales and online stores has pushed operators within the retail sector to expand or move completely online to capture a larger share of the market. The accessibility of e-commerce and technological advancements within online stores have helped operators reach a wider domestic and international audience, proving to be beneficial. Some industries have suffered from the shift to online stores, such as clothing retailers that only have a physical location. This has changed the sector's landscape because as more consumers conduct their services and shop online, less will visit a retail location.

The level of technology change is ☹️ **Medium**

The Retail Trade sector has a moderate level of technological change.

Larger operators are typically more technologically advanced and efficient than smaller retailers since they can invest more heavily in outfitting their stores with the most advanced and up-to-date technology available. Because the expansive coverage of this sector, not all technological advancements are applicable to all subsectors or even all operators within a single industry. For example, the self-checkout machines commonly used by operators in the Supermarkets and Grocery Stores industry (IBISWorld report 44511 within the food and beverage stores subsector) are not typically found in beer, wine and liquor stores (44531 of the same subsector). This technology is also not applicable to industries in other subsectors, such as most large-vehicle retailers within the motor vehicle and part dealers subsector. Moreover, smaller industry operators may not have the need to use the same technologies as their larger counterparts or may not be able to due to monetary constraints.

Inventory tracking and checkout

Some of the most common advancements across the sector have focused on checkout and inventory tracking.

The adoption of point-of-sale systems, which maintain an online record of all transactions and enable management to track the performance of products, has been relatively common across the sector. Additionally, radio frequency identification tags, which store product information and provide real-time information on inventory, enable operators to keep better track of inventory and monitor products to reduce shrinkage.

Checkout processes have also changed over time. Some operators, particularly supermarkets and grocery stores, offer self-checkout lanes, making checkout speedier for consumers with just a few items. The way customers pay for their purchases has also evolved, leading payment options to become more advanced during the period. Many operators now permit consumers to pay by scanning their phones or using third parties such as PayPal and Google Wallet.

Online and mobile accessibility

Operators are increasingly focusing on online sales, as consumers are seeking to save both time and money while shopping.

Some of the sector's largest operators have well-established websites that, by enabling consumers to make purchases online, generate a growing portion of their total sales, while smaller operators use more basic websites to simply advertise their company or promote product specials.

Some operators have also invested in mobile technologies to make their products more accessible and their stores more easily navigable for customers. For example, the Home Depot Inc., the largest operator in the Home Improvement Stores industry (IBISWorld report 44411 within the building material and garden equipment and supplies dealers subsector), has enhanced its customers' in-store experiences through a mobile application. In its latest version, the company's app enables consumers to search for products and find their aisle location, visually and audibly search for items, scan barcodes to read product reviews and ultimately order products for in-store pickup or delivery. However, since the operational size is often also a determining factor in a company's adaptation of certain technologies, some small single-store operators may not even operate a website, let alone an advanced mobile app.

Theft and fraud prevention

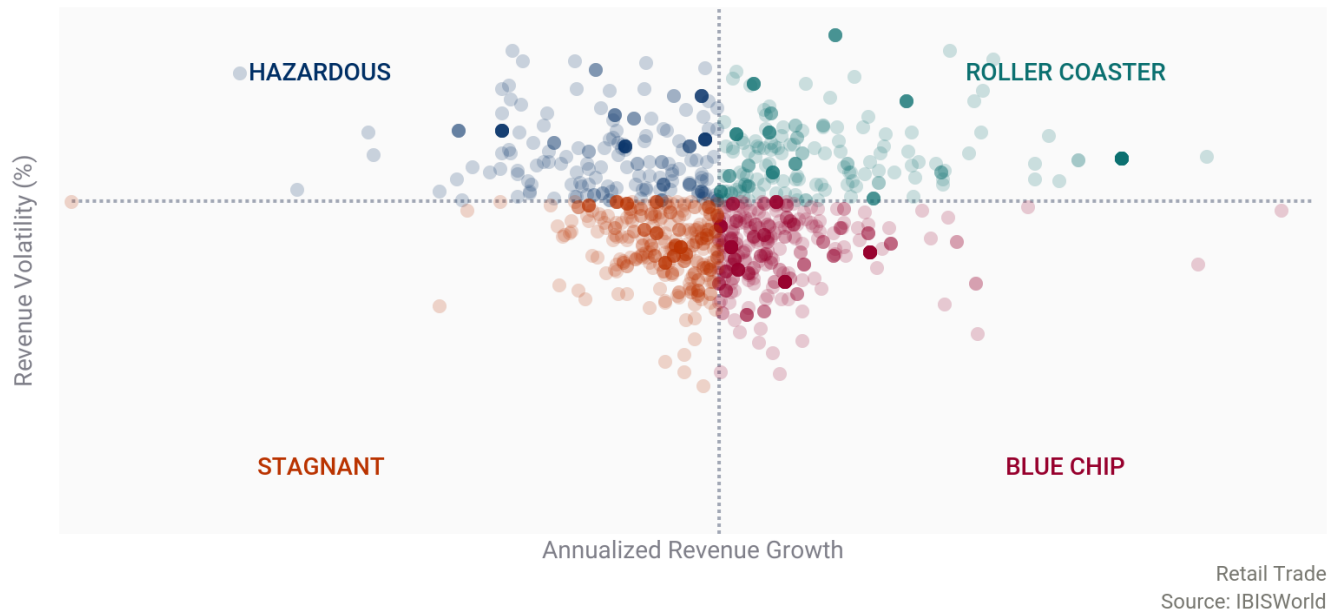
Each operator in the Retail Trade sector spends on some sort of security technology.

These products range from something as simple as a lock on a door or a signature following a credit or debit card transaction to more advanced technologies such as closed-circuit TV cameras and even fingerprint-scanning systems. Operators that retail high-end or expensive products are more likely to spend on these high-tech security systems. Moreover, data breaches have presented a new threat to the sector amid the growing importance of online shopping, and operators are increasingly implementing new technology to use in the prevention of credit and debit card information security breaches.

Revenue Volatility

The level of volatility is  **Medium**

Volatility vs. Growth

**Volatility is limited because of the variety of industries**

- The Retail Trade sector typically does not experience significant fluctuations in revenue.
- Consumers are increasingly choosing to purchase goods online rather than from brick-and-mortar operators, but because the revenue generated from these purchases remains within the sector, this has further stabilized revenue trends.
- Although some retailers, such as those of the gasoline stations subsector, experience higher volatility due to changing input prices, this is balanced out by the lower volatility experienced by others. For example, the food and beverage store subsectors experience very little revenue volatility due to the typically non-discretionary nature of most subsector products.

Coronavirus increased volatility

- The coronavirus significantly disrupted industries throughout the US economy in 2020 because of supply chain issues and poor economic conditions.
- Sub-sectors within the retail trade sector were affected differently by the coronavirus, causing volatility to increase in 2020.
- Volatility continued into 2021 as the economy reopened and many industries benefited from consumers' pent-up demand.

Regulation & Policy

The level of regulation is ☹ **Medium** and the trend is **Steady**

The Fair Labor Standards Act (FLSA)

FLSA contains the details for the federal minimum wage. Currently, the federal minimum wage is \$7.25 per hour. Some states have additional minimum wage laws. FLSA also contains regulations for businesses that employ children under 18, which are bound by extensive child labor laws. The FLSA covers minors' wages, when and how long they may work and what tasks may be performed. These laws may vary from state to state.

The Occupational Safety and Health Administration (OSHA)

Under the US Department of Labor, OSHA works to promote safe and healthful working environments. OSHA guidelines include safety equipment requirements, hazardous and toxic material handling, building design and maintenance regulations, medical and first aid protocol and many others.

Antitrust regulations

The Sherman Antitrust Act and the Clayton Antitrust Act regulate against monopolies, price fixing and price discrimination and generally ensure a certain level of fair competition in the retail sector.

Federal Trade Commission (FTC)

Created in 1914, the FTC operates as an independent agency aimed at maintaining a competitive environment for both consumers and businesses and enforces consumer protection laws that prevent fraud, deception and unfair business practices. Federal antitrust laws are also enforced by the FTC.

Other

Operators in this sector are also regulated by various federal government agencies, including the US Food and Drug Administration (FDA), the US Department of Agriculture (DoA) and the Environmental Protection Agency (EPA). Moreover, retail regulations may also stem from other federal, state and local agencies. For example, alcohol sales by retail operators, such as those of the Beer, Wine and Liquor Stores industry (445314 of the food and beverage stores subsector), are regulated on the state level.

Industry Assistance

The level of industry assistance is ▲ Low and the trend is Steady

Private

The National Retail Federation

The National Retail Federation is the world's largest retail trade association. It conducts programs and services in research, education, training, information technology and government affairs to protect and advance the interests of the retail industry.

Public

COVID-19

In response to the COVID-19 pandemic, the US government passed the Coronavirus Aid, Relief and Economic Security (CARES) Act (2020), the Coronavirus Response and Consolidated Appropriations Act (2021) and the American Rescue Plan (ARP) (2021). These acts provided economic assistance to American workers and businesses. Within the CARES Act, the Paycheck Protection Program (PPP) specifically aims to assist small businesses by providing funds to maintain their payrolls and cover applicable overhead costs. The ARP furthers many of the programs from the CARES and Consolidated Appropriations Acts and adds new phases to address the continuation of the coronavirus.

Key Statistics

Industry Data

Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Per capita disposable income (\$)
2014	5,944,456	746,614	3,026,050	2,611,528	17,333,314	N/A	N/A	520,725	N/A	40,117
2015	5,994,626	782,709	3,055,762	2,637,971	17,689,720	N/A	N/A	542,924	N/A	41,383
2016	6,086,023	798,920	3,072,765	2,654,666	17,971,562	N/A	N/A	549,393	N/A	41,822
2017	6,209,245	758,579	3,157,908	2,741,386	17,799,267	N/A	N/A	547,464	N/A	42,669
2018	6,319,403	790,371	3,153,574	2,746,219	17,786,546	N/A	N/A	550,233	N/A	43,826
2019	6,394,722	795,676	3,184,867	2,776,470	17,833,200	N/A	N/A	556,071	N/A	45,105
2020	6,518,222	810,751	3,207,712	2,797,712	17,979,356	N/A	N/A	565,725	N/A	47,733
2021	7,303,035	899,274	3,383,539	2,939,336	19,506,567	N/A	N/A	617,791	N/A	48,553
2022	7,917,354	969,286	3,530,336	3,059,155	20,728,278	N/A	N/A	659,140	N/A	44,762
2023	8,136,981	995,229	3,614,047	3,131,030	21,268,688	N/A	N/A	676,546	N/A	44,829
2024	8,421,281	1,028,422	3,715,775	3,217,863	21,940,124	N/A	N/A	698,360	N/A	45,240
2025	8,728,529	1,065,718	3,822,803	3,308,776	22,681,777	N/A	N/A	722,342	N/A	45,716
2026	9,037,401	1,102,638	3,941,123	3,409,904	23,465,665	N/A	N/A	747,425	N/A	46,221
2027	9,340,968	1,140,197	4,067,377	3,518,401	24,277,852	N/A	N/A	773,142	N/A	46,775
2028	9,619,339	1,175,532	4,200,178	3,633,514	25,084,268	N/A	N/A	798,295	N/A	47,324

Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Per capita disposable income (%)
2014	2.17	6.19	1.87	2.07	2.38	N/A	N/A	3.06	N/A	3.00
2015	0.84	4.83	0.98	1.01	2.05	N/A	N/A	4.26	N/A	3.15
2016	1.52	2.07	0.55	0.63	1.59	N/A	N/A	1.19	N/A	1.06
2017	2.02	-5.05	2.77	3.26	-0.96	N/A	N/A	-0.36	N/A	2.02
2018	1.77	4.19	-0.14	0.17	-0.08	N/A	N/A	0.50	N/A	2.71
2019	1.19	0.67	0.99	1.10	0.26	N/A	N/A	1.06	N/A	2.91
2020	1.93	1.89	0.71	0.76	0.81	N/A	N/A	1.73	N/A	5.82
2021	12.0	10.9	5.48	5.06	8.49	N/A	N/A	9.20	N/A	1.71
2022	8.41	7.78	4.33	4.07	6.26	N/A	N/A	6.69	N/A	-7.81
2023	2.77	2.67	2.37	2.34	2.60	N/A	N/A	2.64	N/A	0.15
2024	3.49	3.33	2.81	2.77	3.15	N/A	N/A	3.22	N/A	0.91
2025	3.64	3.62	2.88	2.82	3.38	N/A	N/A	3.43	N/A	1.05
2026	3.53	3.46	3.09	3.05	3.45	N/A	N/A	3.47	N/A	1.10
2027	3.35	3.40	3.20	3.18	3.46	N/A	N/A	3.44	N/A	1.19
2028	2.98	3.09	3.26	3.27	3.32	N/A	N/A	3.25	N/A	1.17

Key Ratios

Year	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee (\$'000)	Wages/ Revenue (%)	Employees per estab. (Units)	Average Wage (\$)
2014	12.6	N/A	N/A	343	8.76	5.73	30,042
2015	13.1	N/A	N/A	339	9.06	5.79	30,691
2016	13.1	N/A	N/A	339	9.03	5.85	30,570
2017	12.2	N/A	N/A	349	8.82	5.64	30,758
2018	12.5	N/A	N/A	355	8.71	5.64	30,935
2019	12.4	N/A	N/A	359	8.70	5.60	31,182
2020	12.4	N/A	N/A	363	8.68	5.61	31,465
2021	12.3	N/A	N/A	374	8.46	5.77	31,671
2022	12.2	N/A	N/A	382	8.33	5.87	31,799
2023	12.2	N/A	N/A	383	8.31	5.89	31,809
2024	12.2	N/A	N/A	384	8.29	5.90	31,830
2025	12.2	N/A	N/A	385	8.28	5.93	31,847
2026	12.2	N/A	N/A	385	8.27	5.95	31,852
2027	12.2	N/A	N/A	385	8.28	5.97	31,846
2028	12.2	N/A	N/A	383	8.30	5.97	31,825

Figures are inflation adjusted to 2023

Additional Resources

Additional Resources

National Retail Federation
<http://www.nrf.com>

Retail Industry Leaders Association
<http://www.rila.org>

National Grocers Association
<http://www.nationalgrocers.org>

National Automobile Dealers Association
<http://www.nada.org>

ERA Global Electronic Retailers Association
<http://www.era-global.org>

US Census Bureau
<http://www.census.gov>

Industry Jargon

HOMOGENEOUS GOODS

Items that are similar among retailers, with little or no differentiation.

MASS MERCHANDISER

A large retail store that offers a wide range of product categories.

POINT-OF-SALE SYSTEM

A hardware or software system that traces where a transaction occurs at a retail establishment or store.

RADIO-FREQUENCY IDENTIFICATION

A technology that tracks products from the time they leave the assembly line to the time they leave the store by releasing continuous signals from a chip.

Glossary

BARRIERS TO ENTRY

High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY

Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

CONSTANT PRICES

The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND

Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT

The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE

A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT

The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS

Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS

Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION

An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE

The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA)

The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE

The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE

All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT

Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT

IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

REGIONS

West | CA, NV, OR, WA, HI, AK

Great Lakes | OH, IN, IL, WI, MI

Mid-Atlantic | NY, NJ, PA, DE, MD

New England | ME, NH, VT, MA, CT, RI

Plains | MN, IA, MO, KS, NE, SD, ND

Rocky Mountains | CO, UT, WY, ID, MT

Southeast | VA, WV, KY, TN, AR, LA, MS, AL, GA, FL, SC, NC

Southwest | OK, TX, NM, AZ

VOLATILITY

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years.

Volatility levels: very high is more than $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

WAGES

The gross total wages and salaries of all employees in the industry.

Call Preparation Questions

Role Specific Questions

Sales & Marketing

Does your company specialize in one corner of the market or do you retail a diversified range of products?

Although many retail products are homogeneous, some operators specialize in particular product lines.

Are your company's sales heavily dependent on the health of the US economy?

Demand for retail goods is determined primarily by several macroeconomic factors, including per capita disposable income, the national unemployment rate and consumer spending.

Strategy & Operations

What steps do you take to retain talented employees with specialized knowledge?

Although many retailers employ temporary or part-time workers, hiring knowledgeable staff can help operators stand out among the competition.

Has your company explored acquisition opportunities in order to expand reach and reduce overhead expenses?

Some of the sector's largest operators have grown significantly during the period as they have acquired other companies from both their own and other subsectors.

Technology

Does your company use point-of-sale (POS) systems to ensure that the most popular products are kept in stock?

POS systems maintain an online record of all transactions and allow management to track the performance of products.

Have you been able to reduce wage costs through automation over the past five years?

For subsectors where wages comprise the majority of industry revenue, operators may benefit from investing in automated technologies, such as self-checkout lanes, to reduce wage costs.

Compliance

Have any regulatory expenses significantly impacted profitability recently?

Operators that do not follow mandatory regulations, such as Occupational Safety and Health Administration guidelines, are subject to penalties.

Do you work with trade associations or other interest groups to advance your company's interests?

Operators may benefit from memberships to both sector and industry-specific trade associations.

Finance

How does your company's profit compare with your main competitors'?

Profit varies across subsectors, with specialized industries such as art dealers generating substantially more profit than larger operators like supermarkets.

In 2023, the average industry operator's profit is expected to account for 3.3% of revenue.

How does your company compensate for cash flow seasonality?

Sales for retail operators typically peak in the winter months.

External Impacts Questions

Impact: Consumer Confidence Index

How do you encourage purchases during times of high consumer confidence? Do you find consumers spend on different products when levels are low?

A decline in the Consumer Confidence Index may lead to lower spending on big-ticket items, such as automobiles and furniture, but typically will not affect the purchase of most staple goods, such as groceries.

The Consumer Confidence Index is expected to decrease in 2023.

Impact: National unemployment rate

Do you monitor unemployment rates to plan your business accordingly? Do sales of your costlier products decline during peaks in the unemployment rate?

When individuals are out of work, and in turn earning little or no income, their spending on discretionary products typically declines.

The national unemployment rate is expected to increase in 2023.

Impact: Per capita disposable income

Do you expect major changes in demand as a result of rising disposable income? How do you stimulate demand when disposable income levels are low?

When per capita disposable income declines, consumers limit purchases to essential items and more affordable brands, curbing demand for higher-end retail products.

Per capita disposable income is expected to increase in 2023.

Internal Issues Questions

Issue: Having a loyal customer base

Do you have a large base of returning customers? Do you offer reward programs to entice consumers to return?

By working to build strong relationships with consumers operators can encourage repeat buyers.

Issue: Availability of car parking

How much parking is available at your establishment? Must customers pay for parking and if so, can they receive discounts via parking validation?

Ample parking at brick-and-mortar locations provides an incentive for consumers to shop with easy access to stores.

Issue: Effective product promotion

Does your storefront have clear signage promoting products? Do you run specials to promote particular products?

Product promotion ensures that consumers are made aware of the latest additions to store stock and help increase sales of said products.

The logo for IBISWorld, featuring the word "IBISWorld" in a white, serif font inside a black, rounded rectangular shape.

WHERE KNOWLEDGE IS POWER

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