

Small Specialty Retail Stores in the US

Priceless artifact: Industry revenue will likely increase as low barriers to entry encourage new entrants

Grace Wood | April 2023

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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 Industry operators retail specialized lines of goods: kitchenware, art supplies, cigarettes and cigars, collectors' items, fireworks and trophies. This industry also includes general merchandise auction houses (except electronic auctions), but excludes mass merchandisers, department stores, grocery stores, warehouse clubs and supercenters.

Major Players Leslie's Poolmart
Williams-Sonoma

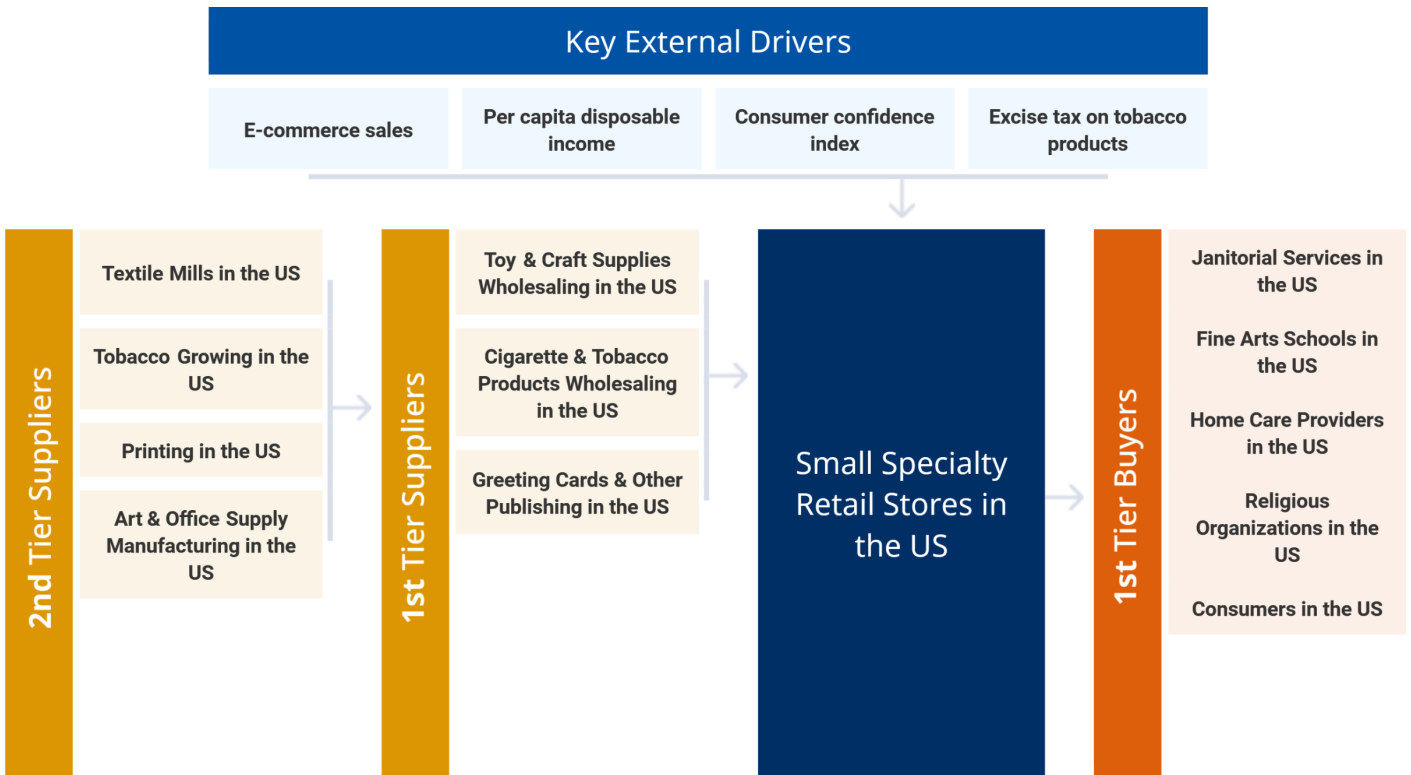
Main Activities **The primary activities of this industry are:**

General merchandise
Tobacco and tobacco products
Art supplies
Collectors' items
Fireworks
Candles
Home goods
Books
Specialized occupational supplies
Sports equipment

The major products and services in this industry are:

Tobacco products and smokers' accessories
Collectibles and used goods
Home and garden
Groceries and alcoholic beverages
Other

Supply Chain



SIMILAR INDUSTRIES

Jewelry Stores in the US



Department Stores in the US



Gift Shops & Card Stores in the US



Used Goods Stores in the US



Art Dealers in the US



E-Commerce & Online Auctions in the US



Mail Order in the US



RELATED INTERNATIONAL INDUSTRIES

Tobacconists in the UK

Tobacconists and Specialised Grocery Retailing in Australia

Small Specialty Retail Stores in Canada

Industry at a Glance

Key Statistics

\$73.7bn
Revenue



\$3.9bn
Profit



5.3%
Profit Margin



171k
Businesses



346k
Employment



\$8.7bn
Wages



Key External Drivers

% = 2018–23 Annual Growth

-5.4% Consumer confidence index	1.2% Per capita disposable income
1.7% Excise tax on tobacco products	15.2% E-commerce sales

Industry Structure

POSITIVE IMPACT

Capital Intensity Low	Concentration Low
Technology Change Low	Industry Globalization Low / Steady

MIXED IMPACT

Life Cycle Mature	Revenue Volatility Medium
Regulation & Policy Medium / Increasing	

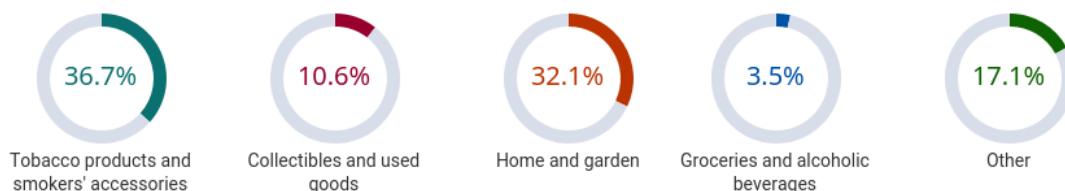
NEGATIVE IMPACT

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

Key Trends

- Large retailers can achieve cost savings through bulk purchasing
- The percentage of smokers in the United States has been steadily decreasing
- High wage costs have put slight downward pressure on profit
- Consumers are expected to increasingly shift to online shopping
- An increasingly stringent regulatory environment will continue to hinder demand for tobacco products
- Industry viability will become increasingly reliant on servicing particular local needs
- External competition has driven underperforming retailers to exit the industry

Products & Services Segmentation



Small Specialty Retail Stores
Source: IBISWorld

Major Players



- 2.0% Leslie's Poolmart
- 0.6% Williams-Sonoma
- 97.4% Other

Small Specialty Retail Stores
Source: IBISWorld

SWOT

S

STRENGTHS

- Low Imports
- High Profit vs. Sector Average
- Low Customer Class Concentration
- Low Product/Service Concentration
- Low Capital Requirements

W

WEAKNESSES

- Low & Steady Barriers to Entry
- Low & Steady Level of Assistance
- High Competition
- Low Revenue per Employee

O

OPPORTUNITIES

- High Revenue Growth (2018-2023)
- High Revenue Growth (2023-2028)
- High Performance Drivers
- Per capita disposable income

T

THREATS

- Low Revenue Growth (2005-2023)
- Low Outlier Growth
- E-commerce sales

Executive Summary **Priceless artifact: Industry revenue will likely increase as low barriers to entry encourage new entrants**

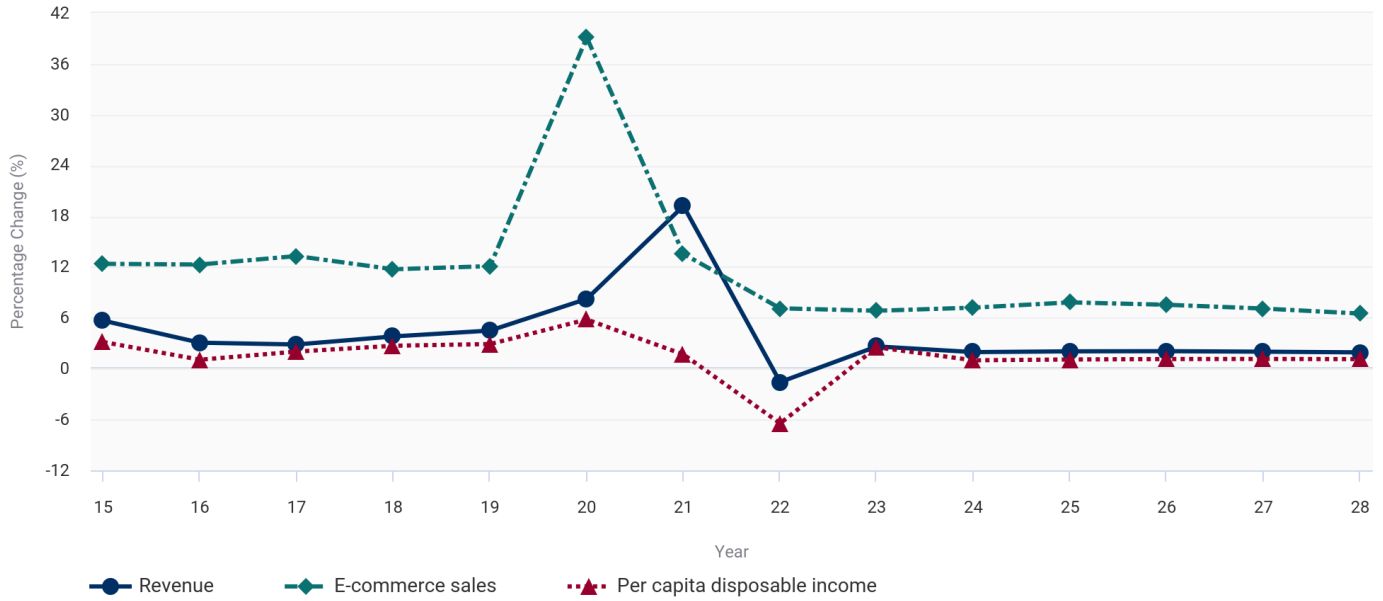
The Small Specialty Retail Stores industry is driven by broad macroeconomic variables rather than product-specific trends. Still, individual segments do respond to specific shifts in consumer preferences. Over the past five years, rising per capita disposable income has sustained demand throughout the retail sector. A recovery from the pandemic boosted consumer spending and encouraged consumers to return to brick-and-mortar stores. Specialty retailers were relatively unaffected by coronavirus declines as high-income consumers and tobacco users, two significant markets for the industry, continued to spend. Competition from online and big-box retailers has risen, putting downward pressure on industry profit. Overall, industry revenue has expanded at a CAGR of 6.4% over the past five years, reaching an estimated \$73.7 billion in 2023, when profit will comprise an estimated 5.3% of revenue.

Despite intensifying competition from discount department stores and online retailers, specialty retail store sales will rise an estimated 2.6% in 2023. Big-box stores offer a one-stop shopping experience with lower prices for similar products. External competition has driven underperforming retailers to exit the industry, leaving nonemployers and small retail stores with low barriers to entry. Still, rising demand has prompted the emergence of many new specialty retailers seeking to capitalize on the postpandemic trend of shopping locally and broader sustainability trends. Small retailers have maintained a strong customer base by offering a unique in-store experience and high-quality products.

Moving forward, small specialty retailers will continue expanding, albeit at a slower rate than the previous five-year period. Over the next five years, revenue will swell at a CAGR of 2.0% to reach an estimated \$81.4 billion in 2028, when profit will fall to an estimated 5.2%. A rise in consumer spending and consumer confidence compounded by growing environmental awareness will support specialty retail store sales. Ongoing competition from large-scale retailers and declining smoking rates will mitigate specialty retailers' expansion.

Industry Performance

Key External Drivers 2015–2028



Small Specialty Retail Stores
Source: IBISWorld

Key External Drivers

E-commerce sales

Giant e-commerce retailers often offer substitute products at heavily discounted prices. In addition, specialty items, like rare cigars and collectibles, are sometimes easier to find and purchase online. Demand for brick-and-mortar establishments will fall as more consumers visit online retailers for their shopping needs. E-commerce sales will expand by an estimated 6.8% in 2023, posing a potential threat to the industry.

Per capita disposable income

The majority of products supplied by specialty retailers are discretionary items. A rise in household disposable income increases the propensity of consumers to purchase these goods, leading to growth in demand. Per capita disposable income will swell by an estimated 2.5% in 2023, representing a potential opportunity for the industry.

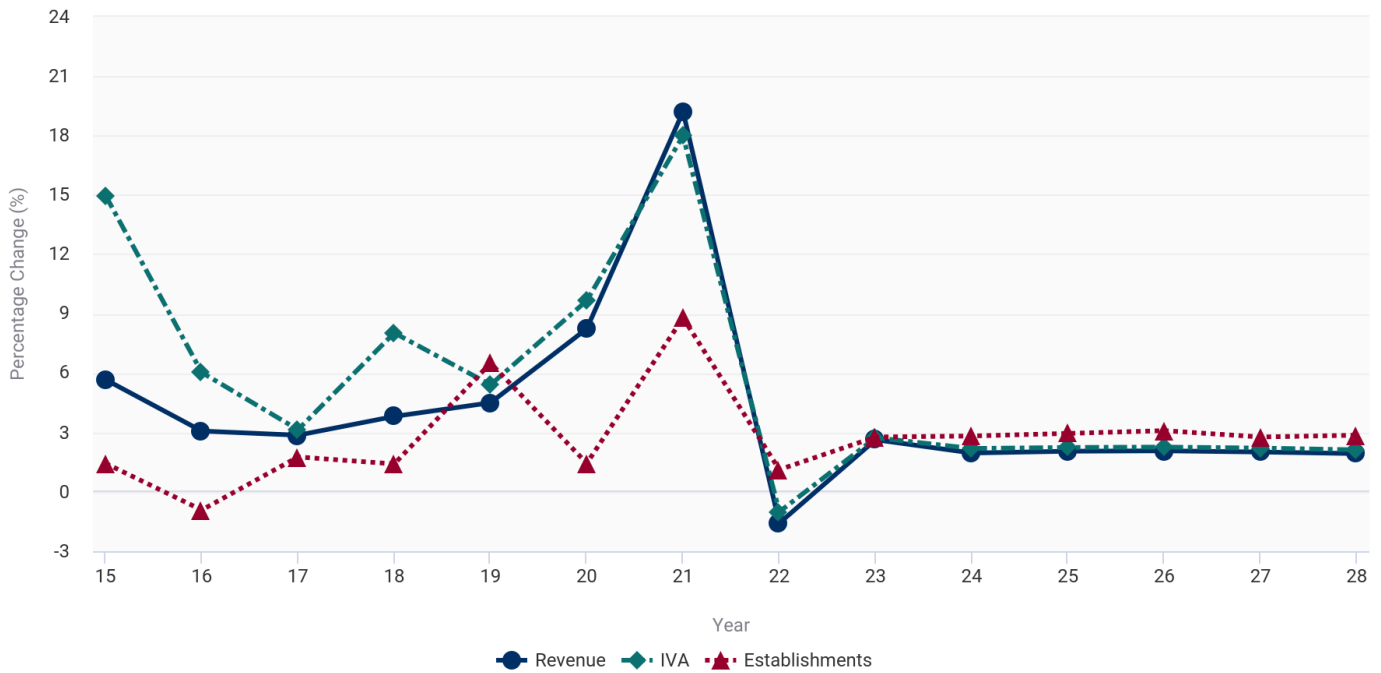
Consumer confidence index

The Consumer Confidence Index measures consumers' propensity to spend their discretionary income rather than save. Since products sold by specialty retail stores tend to be discretionary, revenue correlates positively with the index. The Consumer Confidence Index will shrink by an estimated 5.1% in 2023.

Excise tax on tobacco products

Tobacco sales comprise more than one-third of revenue for the Small Specialty Retail Stores industry. As the excise tax level on tobacco products increases, tobacco purchases fall, curbing revenue. Excise taxes on tobacco are expected will rise by an estimated 2.4% in 2023.

Industry Performance 2015–2028



Small Specialty Retail Stores
Source: IBISWorld

Current Performance

Industry revenue has expanded at a CAGR of 6.4% over the past five years, reaching an estimated \$73.7 billion in 2023, when revenue will rise by an estimated 2.6% and profit will comprise an estimated 5.3% of revenue.

A postpandemic revolution drives shoppers to specialty retail stores

- Pent-up demand following COVID-19 pushed consumers to do their shopping in person.
- The pandemic also incited a trend of shopping locally and sustainably, boosting demand for specialty products.
- Postpandemic trends coupled with rising consumer confidence sent specialty retail sales soaring in 2021.

E-cigarettes replenish demand for tobacco stores

- While the percentage of traditional cigarette smokers has fallen steadily over the past five years, e-cigarettes have picked up a new market of younger consumers.
- During their debut, e-cigarette producers marketed heavily toward younger adults through fruit-flavored products.
- Although flavored cartridge-based e-cigarettes were banned in 2020 and the minimum purchase age was raised to 21, e-cigarettes still drive shoppers to tobacco stores.

E-commerce siphons sales from small retail stores

- Broad trends toward online shopping have mitigated specialty retail sales over the past five years.
- Modern consumers prefer the convenience and ease of shopping online for basic products like grocery items and home supplies.
- E-commerce giants like Amazon sell a wide range of products at varying price points, attracting both low- and high-income consumers.

Big box retailers heat the competitive landscape

- Large-scale retail stores like Walmart use economies of scale to sell similar products as specialty retailers at lower prices.
- Consumers are also attracted to the convenience of big box retailers since they act as one-stop shops for various items.

Historical Performance Data

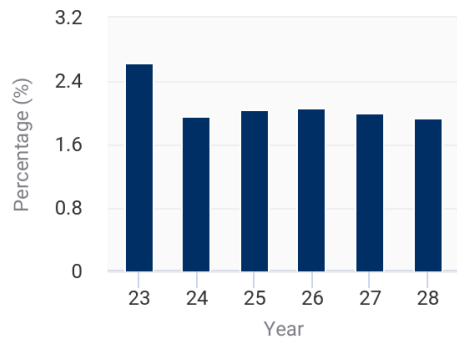
Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Per capita disposable income (\$m)
2014	46,509	7,082	140,578	135,888	231,795	N/A	N/A	4,781	N/A	40,117
2015	49,151	8,143	142,606	138,005	243,530	N/A	N/A	5,298	N/A	41,383
2016	50,661	8,635	141,295	136,694	251,293	N/A	N/A	5,653	N/A	41,822
2017	52,114	8,906	143,790	137,762	253,315	N/A	N/A	5,636	N/A	42,669
2018	54,103	9,622	145,827	139,964	261,498	N/A	N/A	6,004	N/A	43,826
2019	56,541	10,143	155,315	149,476	279,997	N/A	N/A	6,560	N/A	45,105
2020	61,205	11,123	157,567	151,656	292,994	N/A	N/A	7,362	N/A	47,729
2021	72,967	13,124	171,431	163,937	334,234	N/A	N/A	8,474	N/A	48,534
2022	71,819	12,992	173,358	166,049	335,468	N/A	N/A	8,472	N/A	45,406
2023	73,710	13,348	178,177	170,655	345,830	N/A	N/A	8,726	N/A	46,557

Industry Outlook

Outlook

Over the next five years, revenue will swell at a CAGR of 2.0% to reach an estimated \$81.4 billion in 2028, when profit will fall to an estimated 5.2%.

Industry Outlook
2023–2028



Small Specialty Retail Stores
Source: IBISWorld

Work-from-home will limit foot traffic to specialty retail stores

- As many companies maintain fully remote or hybrid work policies, commuting rates will dwindle.
- Specialty stores are often located in high-foot-traffic areas to attract consumers; fewer commuters will lessen specialty stores' visibility.
- Specialty retailers will have to focus on marketing to draw in local consumers.

Rising environmental consciousness will boost specialty store sales

- A desire to shop sustainably has steadily expanded alongside environmental awareness and following COVID-19's economic impact on local businesses.
- Supporting small businesses coincides with sustainable shopping since small retailers often source their goods locally.
- As information spreads rapidly in the digital age, more shoppers will gain an environmental awareness that pushes them to specialty brick-and-mortar businesses.
- Younger generations leading sustainability initiatives will gain more disposable income as they age, driving demand for specialty products.

Health and wellness trends set to expand demand for organic goods

- Many specialty retail stores sell organic and health-related products, like natural-ingredient cosmetic products.
- Health consciousness will expand over the next five years, urging shoppers to stop by small health and wellness retailers.

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 (\$m)
2023	73,710	13,348	178,177	170,655	345,830	N/A	N/A	8,726	N/A	46,557
2024	75,155	13,641	183,215	175,554	355,143	N/A	N/A	8,948	N/A	47,021
2025	76,703	13,947	188,635	180,853	365,202	N/A	N/A	9,188	N/A	47,533
2026	78,294	14,264	194,477	186,572	375,638	N/A	N/A	9,436	N/A	48,077
2027	79,868	14,581	199,880	191,842	385,537	N/A	N/A	9,673	N/A	48,633
2028	81,412	14,891	205,600	197,441	395,359	N/A	N/A	9,907	N/A	49,182
2029	83,105	15,206	210,557	202,258	404,120	N/A	N/A	10,124	N/A	49,899

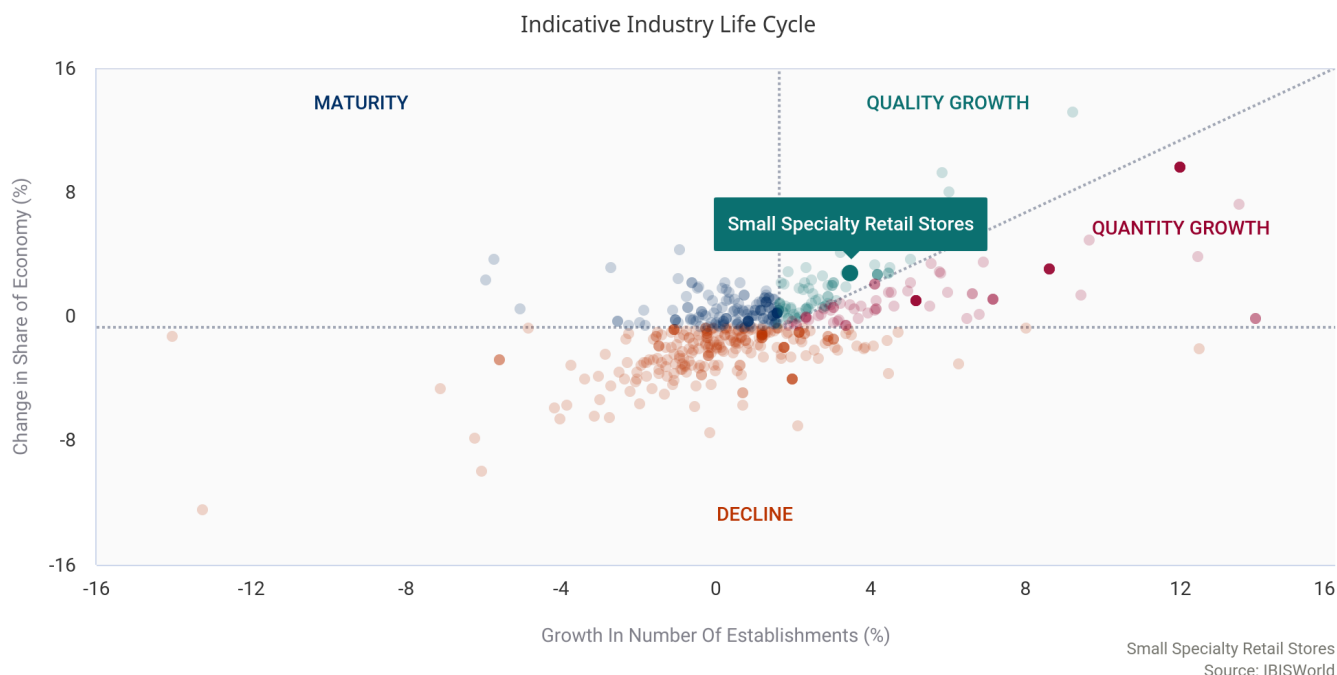
Industry Life Cycle The life cycle stage of this industry is **⊖ Mature**

LIFE CYCLE REASONS

IVA growth is roughly in line with that of US GDP

The industry exhibits little technological innovation

Industry products have reached market saturation



Contribution to GDP

The Small Specialty Retail Stores industry is growing faster than the US economy because of an uptick in sales following the pandemic. Still, growth in specialty retailers will normalize and slow over the next five years.

Market Saturation

The Small Specialty Retail Stores industry has become saturated with competitors, making it difficult for new entrants to gain a foothold in the market.

Innovation

There is little innovation among specialty retail stores. Innovation in products like e-cigarettes occurs more so at the manufacturing level.

Consolidation

Larger specialty retail stores are consolidating to cut costs and increase efficiencies amid rising competition from big box retailers.

Technology & Systems

Specialty retail stores have been slow to embrace technology. Technological advancements largely surround inventory and payment systems.

Products & Markets

Supply Chain

Key Buying Industries

1st Tier

- Janitorial Services in the US

- Fine Arts Schools in the US

- Home Care Providers in the US

- Religious Organizations in the US

- Consumers in the US

Key Selling Industries

1st Tier

- Toy & Craft Supplies Wholesaling in the US

- Cigarette & Tobacco Products Wholesaling in the US

- Greeting Cards & Other Publishing in the US

2nd Tier

- Textile Mills in the US

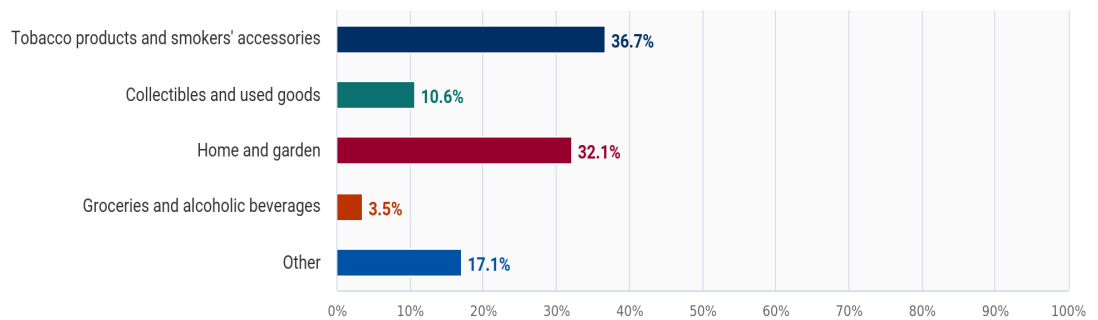
- Tobacco Growing in the US

- Printing in the US

- Art & Office Supply Manufacturing in the US

Products & Services

Products and Services Segmentation



2023 INDUSTRY REVENUE

\$73.7bn

Small Specialty Retail Stores
Source: IBISWorld

E-cigarettes keep tobacco product retailers afloat

- These products include cigars, cigarettes, chewing tobacco and snuff, and accessories like lighters, pipes, rolling papers, vaporizers and hookahs.
- Social and governmental efforts, including national antismoking campaigns and state excise taxes, have reduced the number of smokers over the past five years.
- E-cigarettes have replenished much of the lost revenue from declines in the popularity of traditional cigarettes and tobacco products.
- Expenditure on cigarette and tobacco products from consumers between the ages of 25 and 44 has swelled in recent years, driving sales for these specialty retailers.

Home and garden stores emphasize the in-store experience

- This product segment includes kitchenware, cleaning supplies, various toiletries and home improvement supplies.
- Specialty home goods retailers sell higher quality or more niche products than big box stores.
- Home and garden stores rely on shoppers deriving value from the quality of their products and the in-store experience.

Collectibles and used goods wane amid inflated income levels

- This segment includes antiques, art works, collectibles and other used goods.
- Consumers often resort to purchasing used goods when disposable income levels shrink.
- Although a strong pandemic recovery has driven some shoppers away from used goods stores, a trend of supporting small businesses has prompted other consumers to purchase used goods.

Groceries and alcoholic beverages benefit from organic trends

- This segment includes grocery items and alcoholic beverages sold at small specialty stores.

- Grocery giants like Walmart and Costco have increasingly threatened specialty grocery retailers.
- Demand for specialty grocery items relies on economic conditions and consumer confidence since these items tend to be high margin.
- Shifting consumer preferences have aided this segment, as consumers are increasingly interested in organic and specialty grocery items.

Small bookstores benefit from postpandemic trends toward in-person shopping

- This segment includes calendars, candles, emergency preparedness equipment, flags and banners, artificial flowers, fireworks, clothing and accessories, books, cosmetics and personal hygiene products and sports equipment.
- These products are all considered discretionary, directly tying the performance of this segment to changes in consumer spending.
- A growing preference for in-store shopping experiences following the pandemic has supported bookstores.

Demand Determinants

Small specialty retail stores sell a wide variety of goods affected by unique trends of their own, along with the broad economic trends that affect discretionary purchases in general.

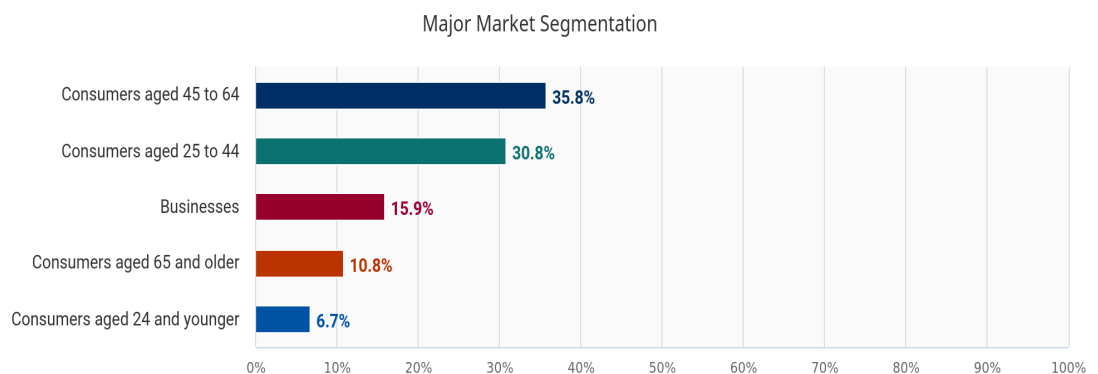
Most specialty products are considered discretionary or nonessential, so disposable income levels determine spending at small specialty retail stores. Higher discretionary income enables consumers to spend on higher-margin and higher-quality specialty goods.

Consumer confidence also drives demand for specialty products. Movements in consumer confidence take into account household finances, business conditions, unemployment, inflation, interest rates, income and government economic policy. When consumer perceptions of the economy are positive, consumers spend more on specialty items. Inflated consumer confidence following the pandemic, compounded by a trend to support local businesses, has boosted demand for specialty retail goods.

Social perception and trends significantly affect demand for tobacco products, which comprise more than one-third of specialty retail store sales. Greater public awareness about the health dangers of smoking has fueled a decline in the percentage of smokers during the past few decades. Many cigarette and tobacco product retailers remain competitive by providing a retail environment that caters to consumer preferences, like luxury imports or organic goods.

External competition from department stores, warehouse clubs and e-commerce websites unfavorably affects demand for specialty goods. Comparable items offered at lower prices from external competitors shift consumer spending away from specialty retailers. Although competition has intensified over the past five years, small retail stores have increased foot traffic by focusing on customer service and product quality. The store layout, design and location help companies provide a shopping experience that limits the effects of price competition with large retailers.

Major Markets



2023 INDUSTRY REVENUE

\$73.7bn

Small Specialty Retail Stores
Source: IBISWorld

Shoppers under 25 have limited incomes

- This market includes consumers aged 24 and younger.
- Most consumers in this age group have limited disposable income, mitigating their demand for high-margin

specialty products.

- This demographic typically buys necessary items, like art supplies for school, or inexpensive products, like souvenirs or novelties.

Consumers aged 25 to 64 spend on tobacco products

- This market includes consumers between the ages of 25 and 64.
- Consumers in this age group are more established in their careers than younger individuals, enabling them to spend on specialty goods.
- This demographic includes more cigarette smokers and tobacco users who purchase products despite price fluctuations.
- In recent years, expenditure on cigarettes and tobacco products from shoppers between the ages of 25 and 44 has inflated.

Consumers over 65 grow in numbers

- This market includes consumers aged 65 and older.
- Consumers in this demographic are less familiar with big box stores and e-commerce retailers, making them more likely to frequent small shops than younger consumers.
- Although this age group is somewhat limited by diminished income, retirement-age consumers have more time to spend at small shops.
- The number of adults aged 65 and older has expanded substantially over the past five years, supporting demand for specialty goods.

Businesses recover from pandemic declines

- This market segment includes businesses, wholesalers, retailers, restaurants and government bodies.
- Certain businesses frequent specialty retail stores to stock up on supplies, like home goods or art products.
- The number of active businesses in the US has grown moderately in recent years.

Exports in this industry are 🟢 **Low and Steady**

Imports in this industry are 🟢 **Low and Steady**

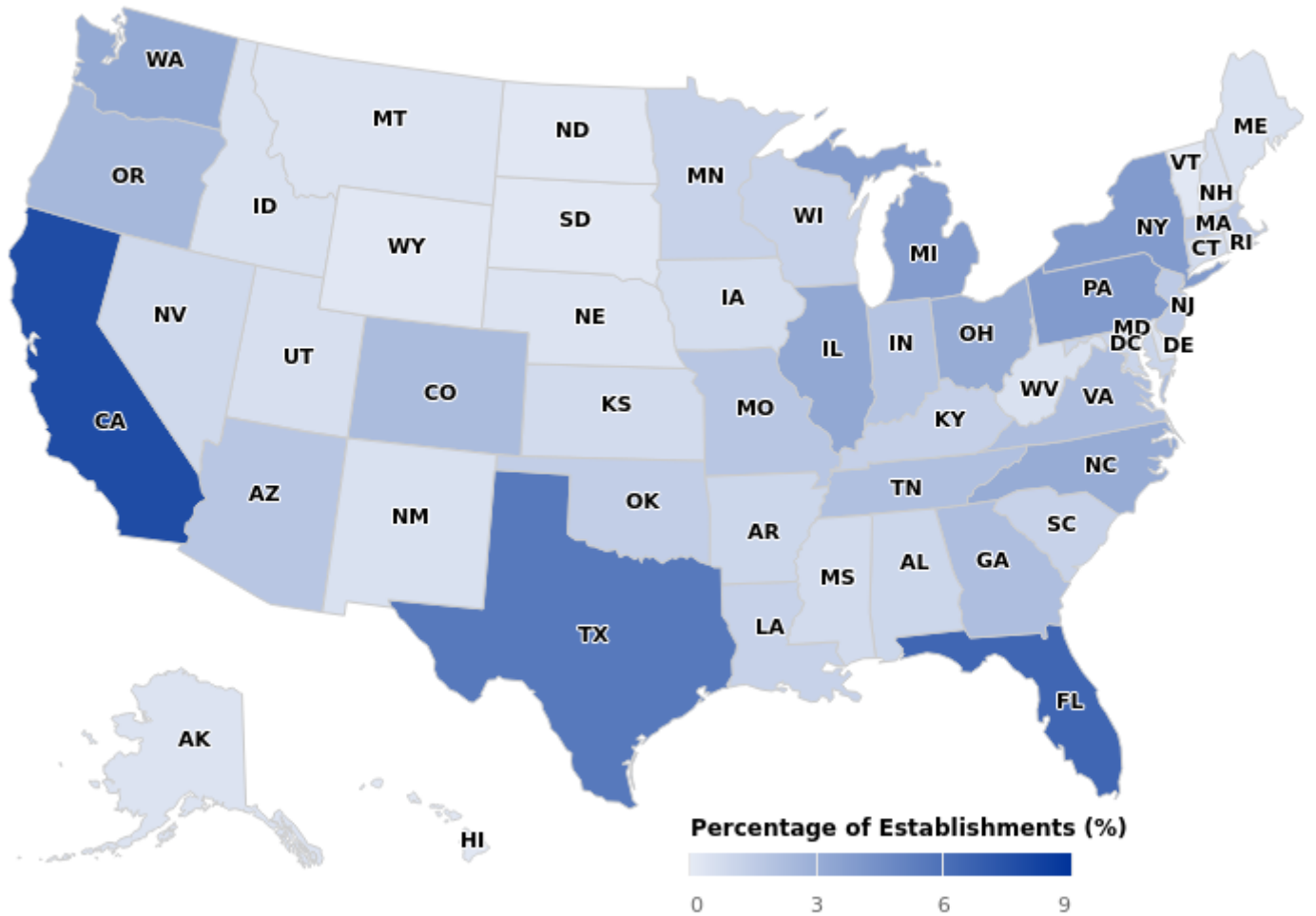
Since merchandise trade figures are classified into the relevant upstream production industries, small specialty retail stores do not engage in international trade. Specialty retailers do sell a wide range of products sourced from foreign suppliers, including cigars and cigarettes, art supplies and collectible items.

Geographic Breakdown

Key Insights

California	California	Alaska	Louisiana	Massachusetts	California
13,917 Est.	\$4.5bn	15.7%	-1.5%	\$35,290.6	25,396
Most Establishments	Highest Revenue	Fastest Growth	Slowest Growth	Highest Average Wage	Most Employees

Establishment Concentration in the United States



Small Specialty Retail Stores in the US
Source: IBISWorld

State Data for Small Specialty Retail Stores in the US (2023)

State	Establishments	Establishments Growth Rate (2018-2023)	Revenue	Revenue Growth Rate (2018-2023)	Employment	Employment Growth Rate (2018-2023)	Wages	Wages Growth Rate (2018-2023)
Alabama	1,832	0.56%	\$326.6m	0.88%	2,434	-0.20%	\$41.1m	-0.06%

State Data for Small Specialty Retail Stores in the US (2023)

State	Establishments	Establishments Growth Rate (2018-2023)	Revenue	Revenue Growth Rate (2018-2023)	Employment	Employment Growth Rate (2018-2023)	Wages	Wages Growth Rate (2018-2023)
<u>Alaska</u>	735	8.01%	\$331.1m	15.70%	1,171	7.52%	\$41.0m	14.25%
<u>Arizona</u>	3,180	-0.22%	\$1.2bn	3.93%	7,243	1.40%	\$156.5m	2.96%
<u>Arkansas</u>	1,751	0.41%	\$394.2m	2.55%	3,363	-0.02%	\$49.4m	1.55%
<u>California</u>	13,917	0.26%	\$4.5bn	3.35%	25,396	1.43%	\$566.2m	2.37%
<u>Colorado</u>	4,073	2.45%	\$3.1bn	7.59%	18,955	6.95%	\$388.0m	6.59%
<u>Connecticut</u>	1,402	0.58%	\$321.4m	-1.14%	2,063	-0.84%	\$40.6m	-1.99%
<u>Delaware</u>	729	0.84%	\$339.6m	9.89%	1,438	1.65%	\$42.6m	8.82%
<u>Florida</u>	11,554	-0.39%	\$3.4bn	3.40%	21,387	1.21%	\$432.3m	2.41%
<u>Georgia</u>	3,951	2.41%	\$892.8m	1.77%	5,977	0.59%	\$112.1m	0.79%
<u>Hawaii</u>	425	1.53%	\$175.4m	2.59%	904	0.27%	\$22.1m	1.64%
<u>Idaho</u>	812	-2.08%	\$185.1m	1.77%	1,566	0.91%	\$23.3m	0.82%
<u>Illinois</u>	5,815	0.92%	\$1.5bn	3.08%	8,834	0.78%	\$186.7m	2.10%
<u>Indiana</u>	3,350	-0.25%	\$937.6m	1.75%	6,836	0.23%	\$117.2m	0.69%
<u>Iowa</u>	1,193	-0.74%	\$295.0m	0.48%	1,924	-1.84%	\$37.1m	-0.47%
<u>Kansas</u>	1,369	0.63%	\$278.9m	0.73%	2,182	-0.26%	\$35.0m	-0.24%
<u>Kentucky</u>	2,289	-0.69%	\$552.7m	1.05%	4,326	-0.06%	\$69.2m	0.02%
<u>Louisiana</u>	2,147	0.43%	\$465.4m	-1.53%	3,126	-3.10%	\$58.4m	-2.49%
<u>Maine</u>	843	0.60%	\$322.2m	6.01%	1,409	1.59%	\$40.3m	4.93%
<u>Maryland</u>	1,870	-0.29%	\$514.1m	1.79%	3,035	-0.23%	\$64.2m	0.72%
<u>Massachusetts</u>	3,010	1.62%	\$1.1bn	3.80%	3,832	-1.78%	\$135.2m	2.85%
<u>Michigan</u>	6,709	0.88%	\$1.1bn	1.43%	7,996	-0.70%	\$143.6m	0.46%
<u>Minnesota</u>	2,199	-1.60%	\$546.0m	1.38%	3,848	-0.12%	\$68.3m	0.34%
<u>Mississippi</u>	1,484	0.10%	\$253.3m	-0.23%	2,316	-1.04%	\$31.7m	-1.27%
<u>Missouri</u>	3,153	0.31%	\$818.7m	2.58%	5,931	0.60%	\$102.6m	1.57%
<u>Montana</u>	737	3.12%	\$193.8m	5.37%	1,234	2.76%	\$24.3m	4.34%
<u>Nebraska</u>	733	-1.31%	\$209.7m	0.67%	1,558	-1.25%	\$26.3m	-0.34%
<u>Nevada</u>	1,654	-0.78%	\$1.1bn	9.43%	5,974	5.45%	\$144.2m	8.40%
<u>New Hampshire</u>	1,019	0.85%	\$335.6m	2.90%	1,871	0.98%	\$42.0m	1.83%
<u>New Jersey</u>	2,909	0.21%	\$722.8m	-0.02%	4,172	-0.12%	\$90.2m	-1.08%
<u>New Mexico</u>	859	-1.91%	\$324.0m	3.74%	2,098	0.87%	\$40.7m	2.74%
<u>New York</u>	7,004	-0.12%	\$2.1bn	1.44%	9,905	-1.31%	\$264.8m	0.47%

State Data for Small Specialty Retail Stores in the US (2023)

State	Establishments	Establishments Growth Rate (2018-2023)	Revenue	Revenue Growth Rate (2018-2023)	Employment	Employment Growth Rate (2018-2023)	Wages	Wages Growth Rate (2018-2023)
<u>North Carolina</u>	5,577	3.40%	\$853.0m	0.22%	6,518	-0.25%	\$106.7m	-0.82%
<u>North Dakota</u>	280	0.07%	\$106.7m	1.80%	762	3.20%	\$13.3m	0.68%
<u>Ohio</u>	5,583	0.67%	\$1.4bn	1.62%	9,666	0.53%	\$170.0m	0.53%
<u>Oklahoma</u>	2,534	0.57%	\$493.3m	-0.80%	3,266	-4.07%	\$62.0m	-1.71%
<u>Oregon</u>	4,515	6.59%	\$1.9bn	11.75%	12,391	8.94%	\$234.6m	10.58%
<u>Pennsylvania</u>	6,962	0.59%	\$1.7bn	1.28%	11,846	-0.02%	\$213.4m	0.26%
<u>Rhode Island</u>	379	-0.77%	\$182.0m	5.64%	1,152	4.71%	\$22.7m	4.46%
<u>South Carolina</u>	2,192	0.60%	\$491.1m	1.55%	3,781	0.85%	\$61.7m	0.61%
<u>South Dakota</u>	415	-2.04%	\$125.1m	0.06%	679	-1.76%	\$15.6m	-0.99%
<u>Tennessee</u>	3,685	0.69%	\$988.4m	3.22%	6,638	1.16%	\$123.7m	2.16%
<u>Texas</u>	10,014	0.40%	\$2.7bn	0.92%	17,086	-0.58%	\$331.4m	-0.14%
<u>Utah</u>	1,095	-0.82%	\$305.5m	-0.60%	1,985	-2.26%	\$38.4m	-1.54%
<u>Vermont</u>	326	0.75%	\$120.0m	4.98%	561	1.49%	\$14.9m	3.77%
<u>Virginia</u>	3,898	0.73%	\$1.0bn	4.08%	6,975	1.29%	\$130.2m	2.91%
<u>Washington</u>	5,660	3.30%	\$3.1bn	11.35%	19,072	9.97%	\$385.9m	10.33%
<u>West Virginia</u>	865	-1.31%	\$181.3m	-0.20%	1,542	-1.37%	\$22.6m	-1.33%
<u>Wisconsin</u>	2,163	0.17%	\$440.2m	-1.44%	3,506	-0.38%	\$55.5m	-2.30%
<u>Wyoming</u>	267	-1.77%	\$60.6m	2.56%	401	-0.44%	\$7.6m	1.68%

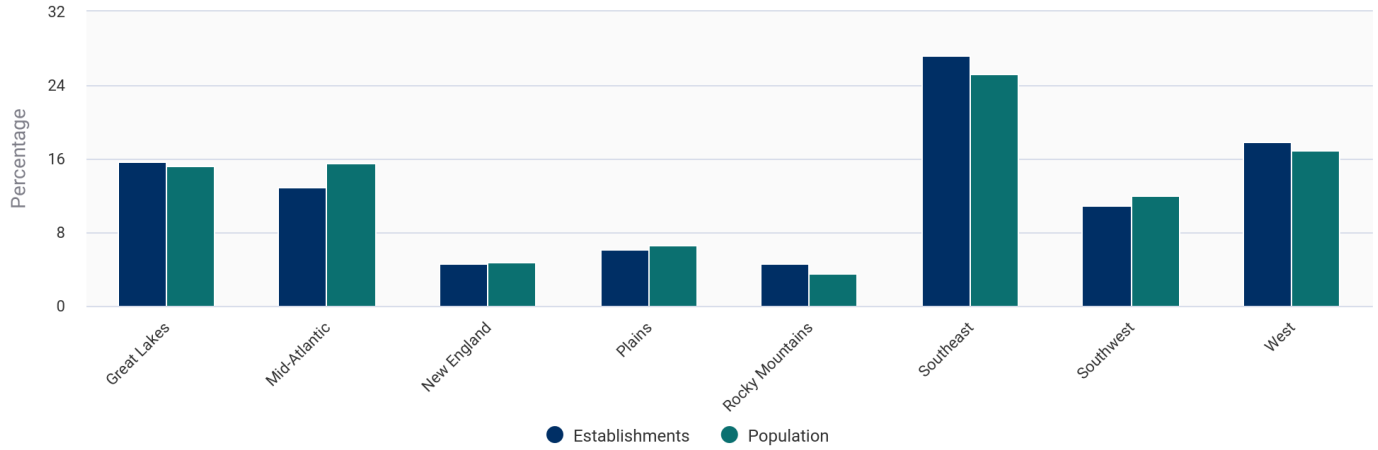
Business Locations A populated Southeast brings specialty retailers to the region

- The Southeast is the most populated region in the US, providing a broad pool of customers for specialty retail stores.
- Specialty retailers locate in populated hubs, like cities and town centers, to boost foot traffic to their stores.

California leads cigarette and tobacco sales in the West

- Cigarette and tobacco products comprise over one-third of specialty retail sales.
- Higher disposable income levels in California support demand for cigarettes and tobacco products.

Distribution of Establishments vs Population



Small Specialty Retail Stores
Source: IBISWorld

Competitive Landscape

Market Share Concentration



Small Specialty Retail Stores
Source: IBISWorld

Concentration in this industry is ✔ **Low**

Selling specialized goods prevents stores from expanding

- By nature, specialized retail stores sell specific product lines, like art supplies or tobacco products.
- Because there's limited variety in any one line of goods, specialty stores struggle to expand their customer base.

Competition from big box retailers boosts concentration

- Intensifying competition from large-scale department and variety stores has pushed specialty retailers to expand geographically.
- Leslie's Pool Mart, the largest specialty retailer, has expanded to over 900 locations through a series of acquisitions over the past five years.

Key Success Factors

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

Ability to control stock on hand:

Operators should ensure that sufficient stock levels are maintained at all times by reordering popular items and dispensing of low-selling merchandise.

Access to niche markets:

Having access to niche markets will help shield operators from external competition, particularly from warehouse clubs and large-format retailers.

Attractive product presentation:

Industry stores should have effective layout and design, as well as good shelf management, with products clearly presented to grab customers' attention.

Effective product promotion:

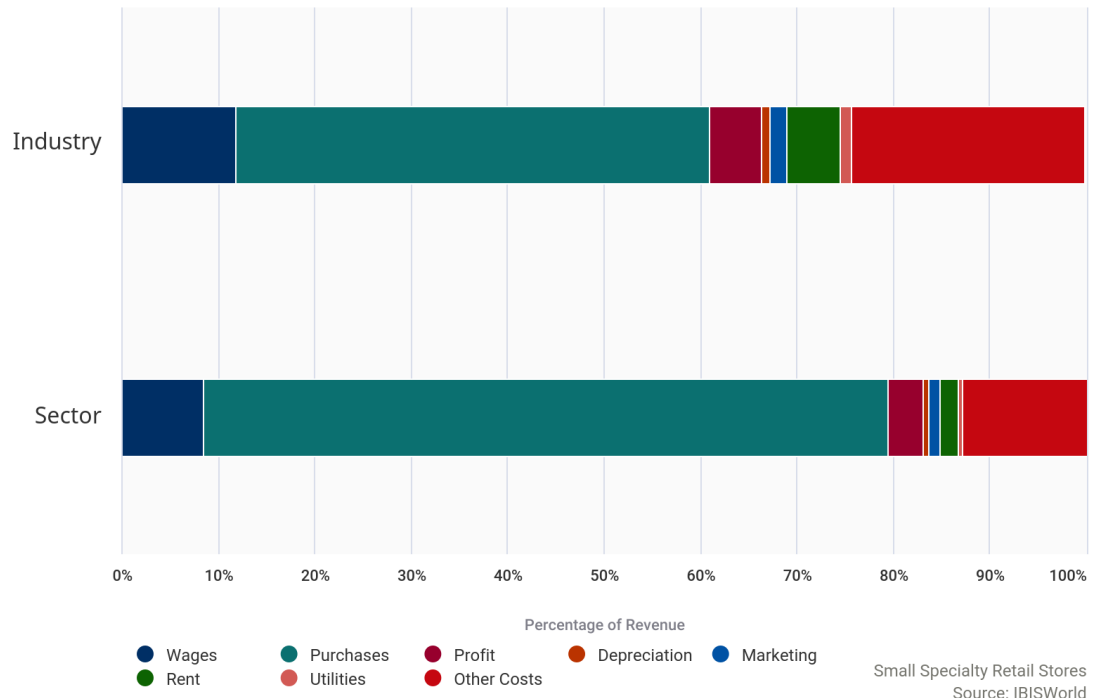
Effective advertising and marketing initiatives will generate extra revenue for industry operators.

Ability to continue paying suppliers during economic downturn:

As small specialty stores re-open, operators must ensure that they are able to continue to stock products at stores or risk losing customers to competitors.

Cost Structure Benchmarks

Cost Structure 2023

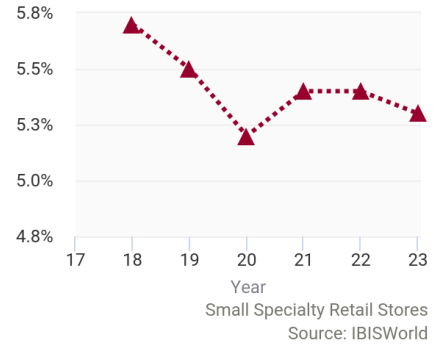


Profit

Profit wanes as competition heats up

- Competition from mass merchandisers, discount retailers and e-commerce websites has stifled specialty retailers' profit over the past five years.
- Large retailers have attracted shoppers by offering a wide variety of products at lower prices.
- Specialty retail stores have focused on providing added value through customer service, raising wage costs.
- In 2023, profit, measured as earnings before interest and taxes, will comprise an estimated 5.3% of revenue.

Profit as a Share of Revenue 2018-2023

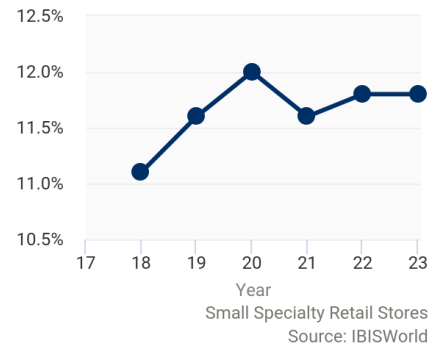


Wages

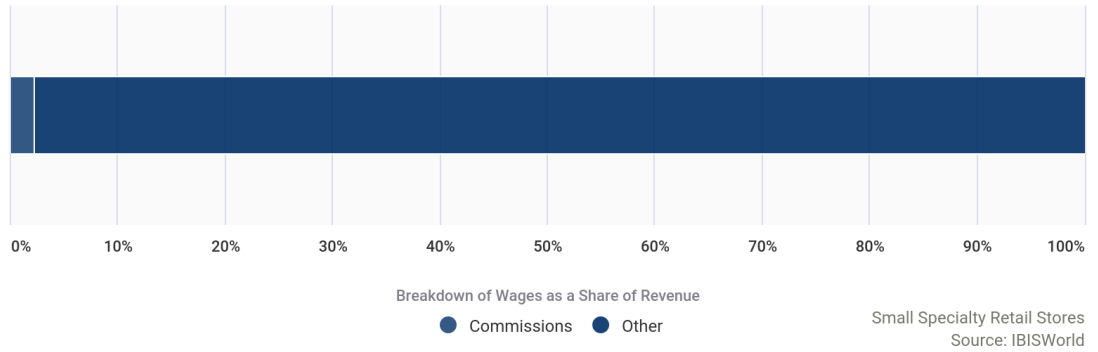
Wage costs expand to provide specialized customer service

- Specialty retail stores heavily rely on employees for daily operations and customer service.
- The high number of owner-operated stores in the Small Specialty Retail Stores industry keeps wage costs low.
- Wage costs have expanded over the past five years as specialty retailers have increasingly focused on customer service to remain competitive.
- In 2023, wages will account for an estimated 11.8% of revenue.

Wages as a Share of Revenue 2018-2023



Wages Breakdown (% of Total Wages in 2023)

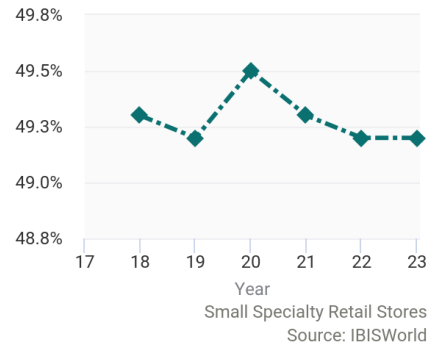


Purchases

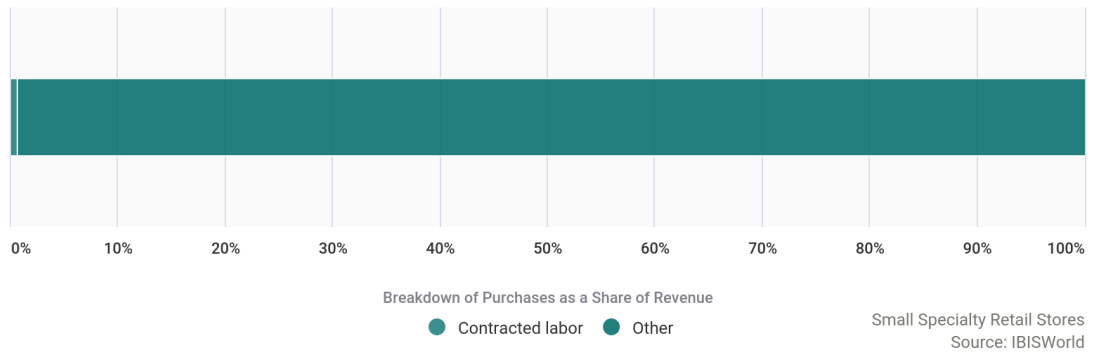
Large inventories keep purchase costs high

- Specialty retailers must keep a substantial inventory on hand to meet consumer demand.
- Although increased penetration of low-cost imports has reduced product prices, purchase costs have remained largely steady.
- In 2023, purchases will account for an estimated 49.2% of revenue.

Purchases as a Share of Revenue 2018-2023



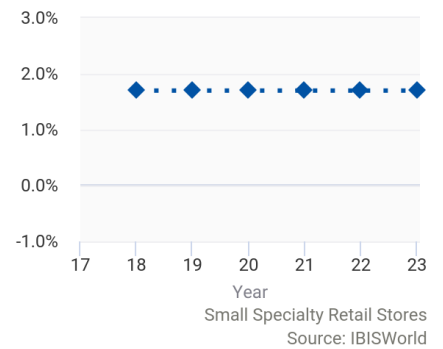
Purchases Breakdown (% of Total Purchases in 2023)



Marketing

In 2023, marketing costs will account for an estimated 1.7% of revenue.

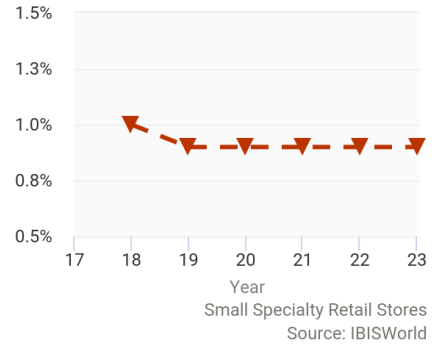
Marketing as a Share of Revenue 2018-2023



Depreciation

In 2023, depreciation costs will account for an estimated 0.9% of revenue.

Depreciation as a Share of Revenue 2018-2023

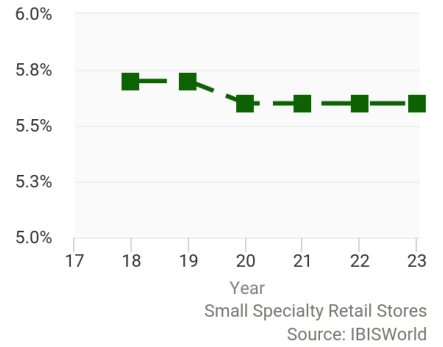


Rent

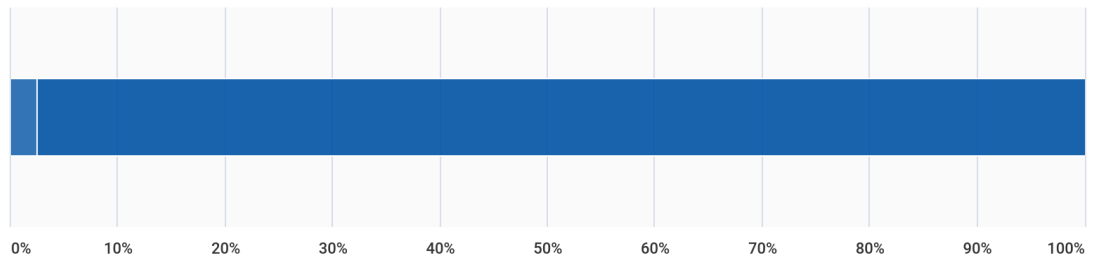
Specialty retailers pay high rents for prime real estate

- Most specialty retail stores rent store space since they lack the capital to purchase property.
- Rent costs largely cover leases paid on store premises and additional expenditure on rented equipment.
- To maximize foot traffic, specialty retail stores must settle in populated areas with higher rents.
- In 2023, rent costs will comprise an estimated 5.6% of revenue.

Rent as a Share of Revenue 2018-2023



Rent Breakdown (% of Total Rent in 2023)

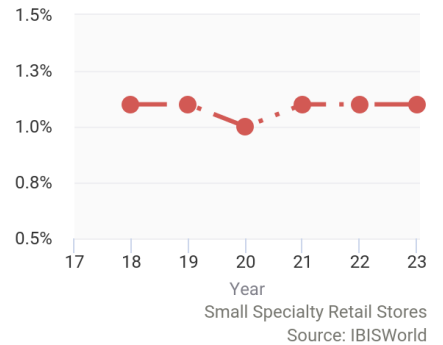


Breakdown of Rent as a Share of Revenue
 ● Machinery and equipment ● Land, Building and Structure
 Small Specialty Retail Stores
 Source: IBISWorld

Utilities

In 2023, utilities will account for an estimated 1.1% of revenue.

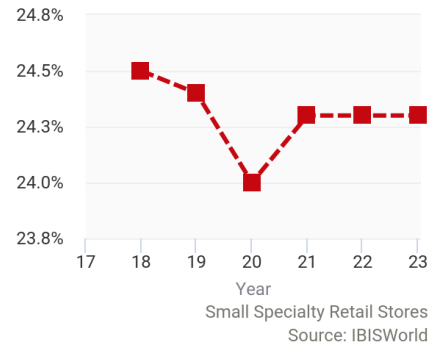
Utilities as a Share of Revenue 2018-2023



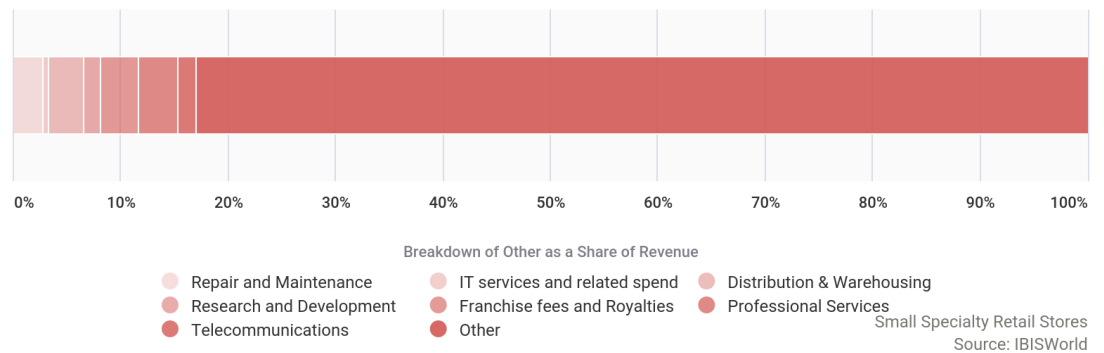
Other Costs

In 2023, other costs will account for an estimated 24.3% of revenue.

Other Costs as a Share of Revenue 2018-2023



Other Breakdown (% of Total Other in 2023)



Basis of Competition

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

INTERNAL COMPETITION

Because of the wide range of specialty retail products, only moderate competition exists among small specialty retailers.

Most specialty stores don't compete with one another because they retail entirely different merchandise. For example, tobacco shops and candle stores retail lighters and matches, but they're not natural competitors.

Still, a high level of competition does exist between retailers that sell the same products. Since most products are discretionary and specialized, consumers tend to shop for bargains and unique items. Specialty retailers compete on pricing to drive foot traffic to their stores. Customer service is also an important basis of competition among specialty retailers since products often require specialized and specific knowledge. Consumers are more likely to shop at stores where they're confident they'll receive informative advice from employees. Beyond customer service, stores compete on customer experience. Consumers are more likely to become return customers after an enjoyable experience, and the stores are more likely to gain vital word-of-mouth exposure.

EXTERNAL COMPETITION

Specialty retail stores face high competition from other types of retailers, like warehouse clubs, discount department stores and online-only retailers.

These competitors use economies of scale to maximize cost savings by purchasing large volumes of inventory at once, enabling them to offer heavily discounted products to consumers. Specialty stores have been pressured to lower product markups and absorb the associated losses to match mass merchandisers' lower prices.

Small specialty retail stores can differentiate themselves through the quality and range of products offered because external competitors typically only carry low- to moderate-quality goods. Specialty retailers can appeal to consumers by featuring a wide selection of high-quality products with a tailored customer experience in mind. Specialty stores also contend with competition from online-only platforms that sell the same variety of products. Online shopping makes it easy for consumers to shop around for the lowest price on the same products offered in-store, making it an attractive and convenient alternative. Specialty retailers that incorporate e-commerce into their operations are better

positioned to compete with e-commerce giants.

The pandemic prompted a trend of buying local, which has helped specialty retailers stave off competition over the past five years. Consumers that are eager to support small businesses have been flocking to specialty retail stores.

Barriers to Entry

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

Legal

There aren't any significant licensing requirements for specialty retail stores besides sales of tobacco products and alcohol. Tobacco retail licenses are relatively easy to obtain through state governments.

Start-up Costs

New specialty retail stores face minimal start-up costs, primarily rent, inventory and marketing. Some retailers need a tobacco or alcohol retail license.

Differentiation

Competition from established specialty retailers or department stores may prevent new specialty retailers from entering. New entrants without a unique and compelling brand or an established presence in the local community may find it difficult to remain profitable.

Labor Intensity

Although small specialty retail stores rely more on labor than capital, wages are low and few employees are needed to keep a store running.

Barriers to Entry Checklist

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

Industry Globalization

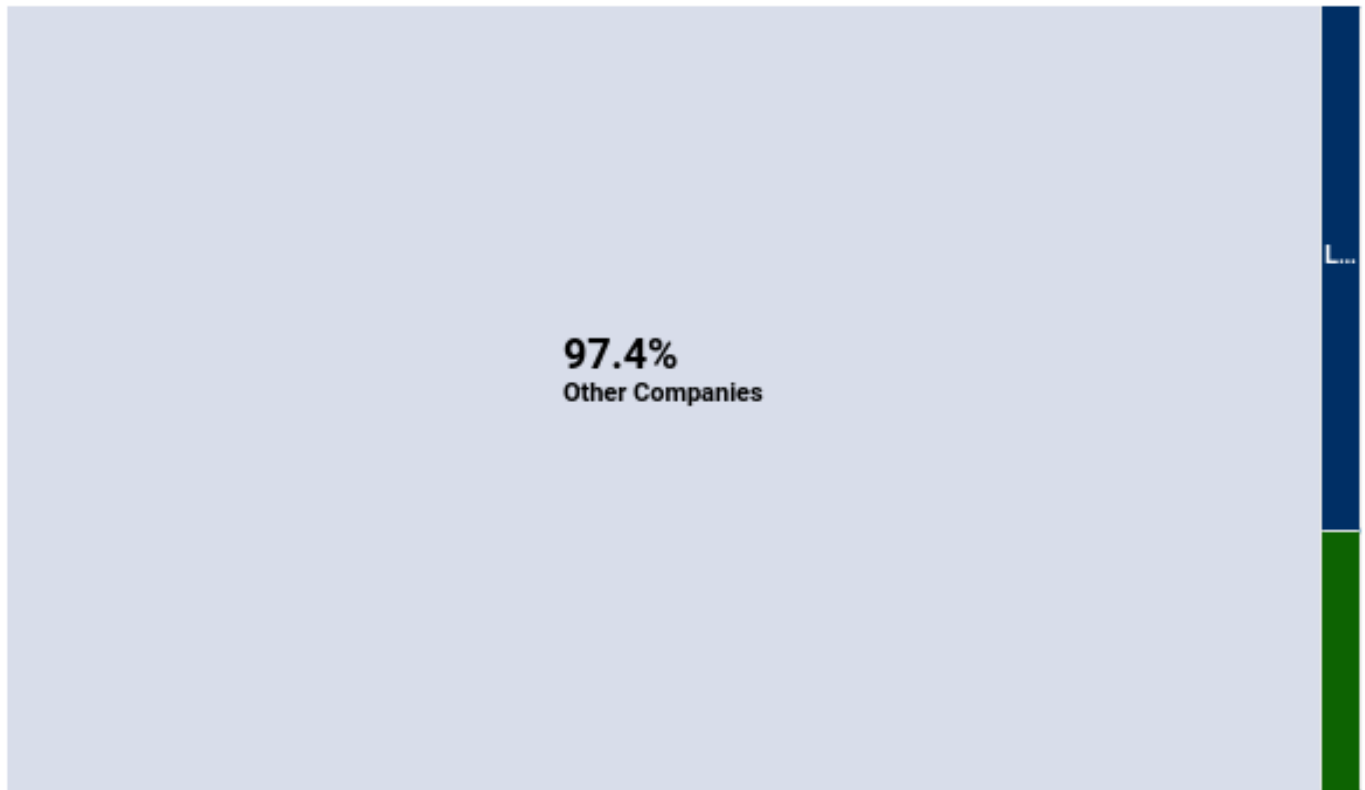
Globalization in this industry is ☺ Low and the trend is Steady

The Small Specialty Retail Stores industry has a low level of globalization. Most specialty retailers are small- to mid-sized businesses and lack the resources to operate globally. Specialty retailers typically generate revenue from domestic operations on a local or regional basis. Since international trade is accounted for in the respective upstream production industries, specialty retailers aren't involved in trade either.

Major Companies

Market Share Overview

Breakdown of Industry Market Share (2022)



Source: IBISWorld, Small Specialty Retail Stores

Related Companies

Competitors	Company Type	Employee Segment	Revenue (\$m)	Market Share (%)	Profit (\$m)
Leslie's Poolmart	All Star	500+ Employees	1,381.9 ▲	2 ▲	130.9 ▲
Williams-Sonoma	Rising Star	500+ Employees	401.2 ▲	0.58 ▲	58.8 ▲

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

Leslie's Poolmart, Inc.

Company Overview

Description

Leslie's Poolmart is a public company with an estimated 3,700 employees. In the US, the company has a notable market share in at least two industries: Small Specialty Retail Stores, Swimming Pool Equipment Stores and Small Specialty Retail Stores. Their largest market share is in the Swimming Pool Equipment Stores industry, where they account for an estimated 20.6% 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	\$1.4bn
EMPLOYEES	3,700

Analyst Insights

Leslie's introduces new marketing capabilities to build loyalty

Leslie's has supported growth in its consumer markets through newly introduced marketing capabilities. In May 2021, the company launched Leslie's Pool Perks, a loyalty reward program providing shoppers points with each purchase, in addition to numerous benefit upgrades. Leslie's took an omnichannel approach to increase sales through the deployment of Leslie's Connect, which offers consumers a variety of in-store and online shopping capabilities.

New Activity

Leslie's pooled its resources to extend to 952 locations in 2021

Leslie's Poolmart, Inc. (Leslie's) 2021 sales increased 20.7% year-over-year, outperforming its competition. The company undertook several acquisitions to expand its presence in growth markets, including the 2021 purchases of B&L Pool Repair and Supply, Inc. and Oregon Hot Tub. Acquisitions added 16 locations to Leslie's network in 2021, ending the year with 952 physical locations.

Discontinued Activity M&A New Activity

Leslie's Poolmart, Inc.

Company Overview

Industry Market Share, Revenue and Profit

Market Share

2% **0.0%** ▲
 Current Year (2022) Annual Growth (2018-22)

Change in Market Share

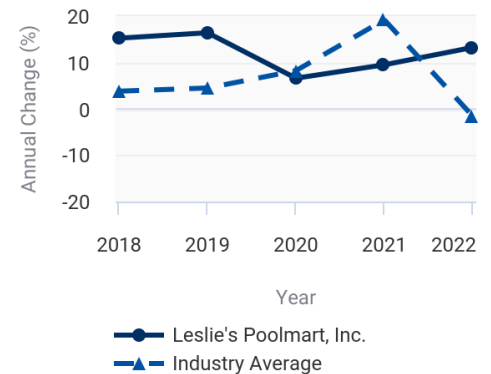


Small Specialty Retail Stores
 Source: IBISWorld

Industry Revenue

\$1.4bn **11.4%** ▲
 Current Year (2022) Annual Growth (2018-22)

Change in Industry Revenue



Small Specialty Retail Stores
 Source: IBISWorld

Profit Margin

9.47% **0.0%** ▲
 Current Year (2022) Annual Growth (2018-22)

Change in Profit Margin



Small Specialty Retail Stores
 Source: IBISWorld

Williams-Sonoma, Inc.

Company Overview

Brands & Trading Names Rejuvenation Pottery Barn Kids Williams-Sonoma Mark Graham Williams-Sonoma Home Pottery Barn West Elm Williams-Sonoma California

Description

Williams-Sonoma is a public company headquartered in California with an estimated 21,000 employees. In the US, the company has a notable market share in at least eight industries: Furniture Stores, Home Furnishings Stores, Small Specialty Retail Stores, Kitchen & Cookware Stores, Online Home Furnishing Sales, Online Kitchenware Sales, Online Household Furniture Sales, The Retail Market for Home Furniture & Bedding and Online Household Furniture Sales. Their largest market share is in the Online Home Furnishing Sales industry, where they account for an estimated 24.0% 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	\$401.2m
EMPLOYEES	21,000

Other Industries

Furniture Stores in the US
Home Furnishings Stores in the US
Online Home Furnishing Sales in the US
Online Kitchenware Sales in the US
Online Household Furniture Sales in the US
The Retail Market for Home Furniture & Bedding in the US

Analyst Insights**Williams-Sonoma Inc. announces new sustainability goals**

Williams-Sonoma Inc. recently announced its new sustainability goals in regards to its commitment to ethical production. Along with the purchases of Nest Ethical Handcraft products, the company has also committed to doubling its investments in Fair Trade USA programs by 2025. Williams-Sonoma Inc. was the first home retailer to offer Fair Trade Certified products with the launch of its rug factory in India. The company has expanded its Fair-Trade Certified products offering and now works with 17 Fair Trade certified factors in five countries. <https://ir.williams-sonomainc.com/investor-information/news-releases/news-release-details/2021/WILLIAMS-SONOMA-INC.-EXPANDS-INDUSTRY-LEADING-COMMITMENT-TO-ETHICAL-PRODUCTION-WITH-NEW-SUSTAINABILITY-GOALS/default.aspx>

ESG

Williams-Sonoma Inc. partners with Nest Ethical Handcraft Program

Recently, Williams-Sonoma Inc. partnered with Nest Ethical Handcraft Program in order to celebrate International Woman's Day. The program will showcase the work of more than 3,600 global artists that produce over 400 handcrafted products for William-Sonoma Inc's family of brands. Nest and Williams-Sonoma Inc. have partnered since 2014 and most notably, have worked together to develop and industry-wide set of compliance standards for home-based craft production. Additionally, as part of the program Williams-Sonoma Inc. has pledged \$50.0 million to purchase Nest's Ethical Handcraft products as part of the company's larger pledge to have 75.0% of all Williams-Sonoma Inc's products meet one or more of the company's social and environmental initiatives. <https://ir.williams-sonomainc.com/investor-information/news-releases/news-release-details/2022/WILLIAMS-SONOMA-INC.-PARTNERS-WITH-NEST-ETHICAL-HANDCRAFT-PROGRAM-TO-EMPOWER-FEMALE-ARTISANS-GLOBALLY/default.aspx>

ESG

Williams-Sonoma, Inc.

Company Overview

Industry Market Share, Revenue and Profit

Market Share

0.58% **-0.1%** ▼
 Current Year Annual Growth
 (2022) (2018-22)

Change in Market Share



Small Specialty Retail Stores
 Source: IBISWorld

Industry Revenue

\$401.2m **8.5%** ▲
 Current Year Annual Growth
 (2022) (2018-22)

Change in Industry Revenue

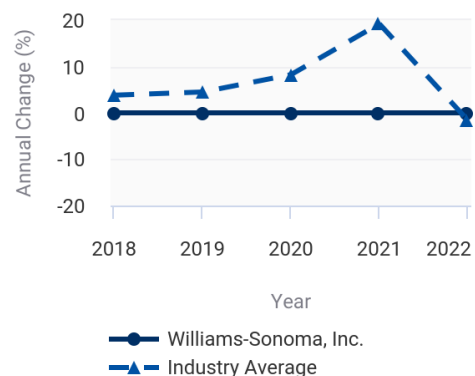


Small Specialty Retail Stores
 Source: IBISWorld

Profit Margin

14.65% **0.0%** ▲
 Current Year Annual Growth
 (2022) (2018-22)

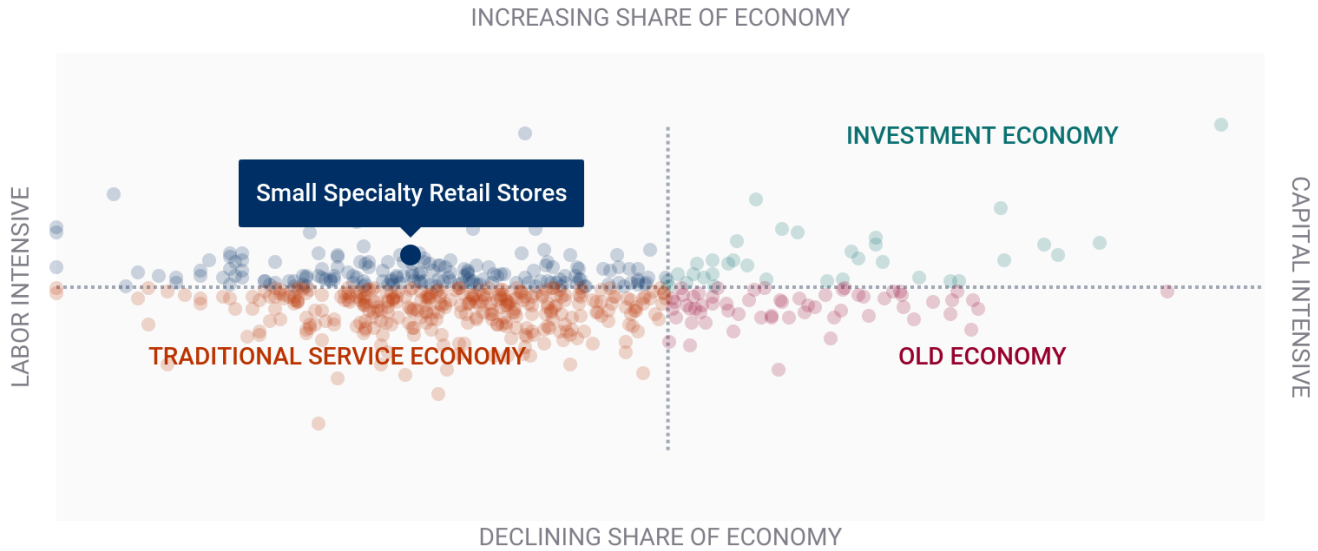
Change in Profit Margin



Small Specialty Retail Stores
 Source: IBISWorld

Operating Conditions

Costs of Growth: Targeting Capital vs. Labor



Small Specialty Retail Stores in the US
Source: IBISWorld

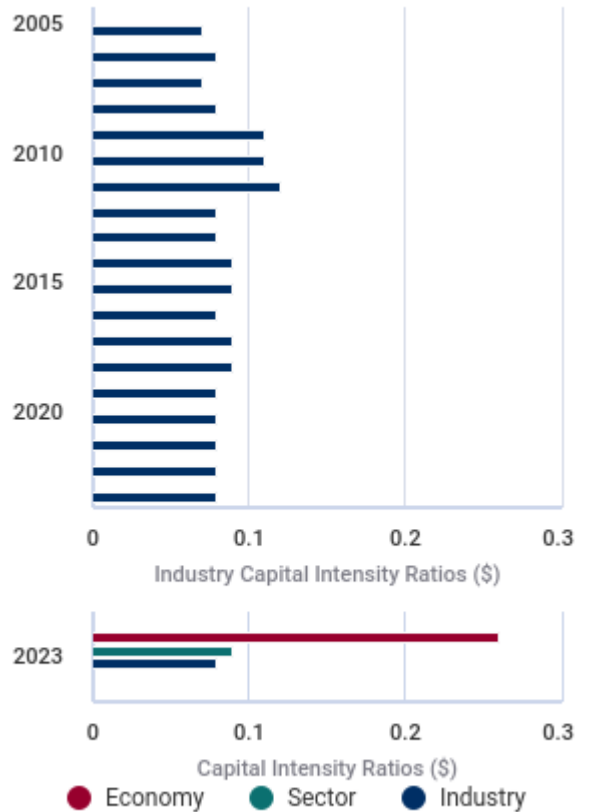
Capital Intensity

The level of capital intensity is 🟢 **Low**

The Small Specialty Retail Stores industry has a low level of capital intensity. IBISWorld estimates that for every \$1.00 spent on wages, specialty retailers will spend \$0.08 in capital investment in 2023. Capital investment primarily includes fixtures and fittings, cash registers, point-of-sale systems and storage units. Some niche retailers, like swimming pool supplies stores, provide in-store repairs requiring specialized equipment. Over the past five years, capital intensity has fallen slightly. Capital investment for specialty retailers increases in accordance with a store's size and inventory. Still, smaller retailers make up most of the industry and typically have very low capital costs.

Small specialty retailers rely heavily on labor for daily operations. Employee duties essential to the success of a specialty store include customer service, maintaining store displays and processing consumer purchases. Unlike capital costs, which can vary year-to-year, labor costs are a consistent annual expenditure.

Capital Intensity Ratios



Small Specialty Retail Stores
Source: IBISWorld

Technology & Systems Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruptive Effect	Description
✔ Low	Rate of Innovation	Unlikely	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.
✔ Very Low	Innovation Concentration	Very Unlikely	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.
⚠ Very High	Rate of Entry	Very 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.

The industry is experiencing a low level of both the rate of new patents and the concentration of patents in the industry. This creates an environment where the threat of new technologies driving disruption is low.

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.

While e-commerce platforms have changed the retail market landscape, many retailers, like the Container Store Group, have leveraged this technology by establishing an online presence.

Since specialty retailers sell such a wide range of products, it's difficult for a specific technological advancement to disrupt the entire industry.

The level of technology change is ✔ **Low**

Technology that specifically pertains to the Small Specialty Retail Stores industry has remained largely unchanged over the past five years.

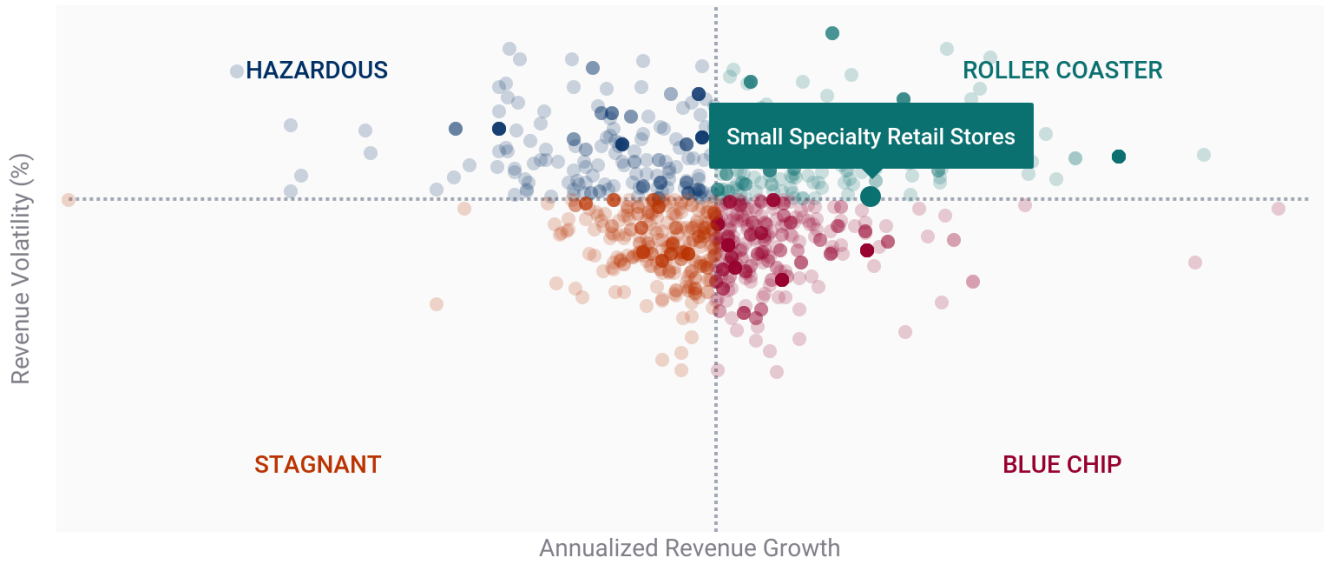
Some retailers have benefited from technological advances, including computer-scanning cash registers and electronic data interchange. The implementation of these advances has enabled specialty retailers to control and record merchandising, distribution, sales and stock markdowns through point-of-sale systems. Radio-frequency identification (RFID) provides real-time information on inventory, helps reduce shrinkage problems and improves efficiency. The declining costs of RFID systems enable smaller retailers to implement this technology in their business. The growing simplicity of credit and debit card readers from companies like Square have enabled small retailers to move past cash-based operations. This adds to convenience in an industry struggling to give shoppers a reason not to bypass them for larger retailers.

Advances in technology have also altered the way consumers shop for industry goods. In recent years, e-commerce has expanded significantly and many specialty retailers have recognized the need to offer some form of online presence to remain competitive.

Revenue Volatility

The level of volatility is ⊖ **Medium**

Volatility vs. Growth



Small Specialty Retail Stores
Source: IBISWorld

A pandemic recovery fuels demand for specialty goods

- Expanding consumer confidence levels in 2021 boosted retail sales of various goods.
- The pandemic precipitated a trend of supporting small and local businesses, driving consumers to specialty retail stores.

An explosion in e-cigarette usage boosts foot traffic to specialty retail stores

- Specialty retailers generate over one-third of sales from cigarettes and tobacco products.
- Although the percentage of traditional cigarette smokers shrank over the past five years, consumers have shifted to e-cigarettes and smokeless tobacco products.
- E-cigarettes have been heavily marketed toward younger consumers, creating a new generation of nicotine users.

Regulation & Policy

The level of regulation is ⊖ **Medium** and the trend is **Increasing**

Cigarette and tobacco product regulations

Retailers must apply for and obtain state tobacco licenses to sell cigarettes and tobacco products. On a federal level, the US Alcohol and Tobacco Tax and Trade Bureau (TTB) ensures the collection of federal excise taxes and undertakes tobacco inspections to verify an applicant's qualification information, check the security of the premises and ensure tax compliance. Retailers are prohibited from selling tobacco products or e-cigarettes to consumers under 21.

Fair Labor Standards Act

The Fair Labor Standards Act establishes a minimum wage, overtime and other working conditions. Recent trends toward increasing state-level minimum wages have stifled profit margins for small retailers that rely on low-wage labor to run specialty stores.

Industry Assistance

The level of industry assistance is △ **Low** and the trend is **Steady**

Public

COVID-19

Specialty retail stores were eligible for assistance programs included in the Coronavirus Aid, Relief and Economic Security

(CARES) Act, like the Paycheck Protection Program (PPP). The PPP provided forgivable loans for small businesses and non-forgivable loans for larger businesses.

Upstream tariffs

Several tariffs apply to imported specialty products, like tobacco, at the manufacturing level. Restricting the importation of foreign brands or imposing import quotas on specialty goods can raise purchase costs, forcing retailers to pass on price increases to consumers.

Private

The National Retail Federation (NRF)

As the largest retail trade association, the NRF provides resources and education on industry trends, best practices and compliance issues to help small retailers stay competitive. The association's more than 16,000 members also provide small retailers ample networking opportunities.

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 (\$m)
2014	46,509	7,082	140,578	135,888	231,795	N/A	N/A	4,781	N/A	40,117
2015	49,151	8,143	142,606	138,005	243,530	N/A	N/A	5,298	N/A	41,383
2016	50,661	8,635	141,295	136,694	251,293	N/A	N/A	5,653	N/A	41,822
2017	52,114	8,906	143,790	137,762	253,315	N/A	N/A	5,636	N/A	42,669
2018	54,103	9,622	145,827	139,964	261,498	N/A	N/A	6,004	N/A	43,826
2019	56,541	10,143	155,315	149,476	279,997	N/A	N/A	6,560	N/A	45,105
2020	61,205	11,123	157,567	151,656	292,994	N/A	N/A	7,362	N/A	47,729
2021	72,967	13,124	171,431	163,937	334,234	N/A	N/A	8,474	N/A	48,534
2022	71,819	12,992	173,358	166,049	335,468	N/A	N/A	8,472	N/A	45,406
2023	73,710	13,348	178,177	170,655	345,830	N/A	N/A	8,726	N/A	46,557
2024	75,155	13,641	183,215	175,554	355,143	N/A	N/A	8,948	N/A	47,021
2025	76,703	13,947	188,635	180,853	365,202	N/A	N/A	9,188	N/A	47,533
2026	78,294	14,264	194,477	186,572	375,638	N/A	N/A	9,436	N/A	48,077
2027	79,868	14,581	199,880	191,842	385,537	N/A	N/A	9,673	N/A	48,633
2028	81,412	14,891	205,600	197,441	395,359	N/A	N/A	9,907	N/A	49,182

Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Per capita disposable income (%)
2014	-0.66	2.80	1.30	1.33	3.47	N/A	N/A	5.86	N/A	3.00
2015	5.67	15.0	1.44	1.55	5.06	N/A	N/A	10.8	N/A	3.15
2016	3.07	6.03	-0.92	-0.95	3.18	N/A	N/A	6.70	N/A	1.06
2017	2.86	3.14	1.76	0.78	0.80	N/A	N/A	-0.30	N/A	2.02
2018	3.81	8.03	1.41	1.59	3.23	N/A	N/A	6.51	N/A	2.71
2019	4.50	5.41	6.50	6.79	7.07	N/A	N/A	9.25	N/A	2.91
2020	8.24	9.66	1.44	1.45	4.64	N/A	N/A	12.2	N/A	5.81
2021	19.2	18.0	8.79	8.09	14.1	N/A	N/A	15.1	N/A	1.68
2022	-1.58	-1.01	1.12	1.28	0.36	N/A	N/A	-0.02	N/A	-6.45
2023	2.63	2.73	2.77	2.77	3.08	N/A	N/A	2.99	N/A	2.53
2024	1.96	2.19	2.82	2.87	2.69	N/A	N/A	2.54	N/A	0.99
2025	2.05	2.24	2.95	3.01	2.83	N/A	N/A	2.67	N/A	1.09
2026	2.07	2.26	3.09	3.16	2.85	N/A	N/A	2.70	N/A	1.14
2027	2.01	2.21	2.77	2.82	2.63	N/A	N/A	2.50	N/A	1.15
2028	1.93	2.12	2.86	2.91	2.54	N/A	N/A	2.42	N/A	1.13

Key Ratios

Year	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per estab. (Units)	Average Wage (\$)
2014	15.2	N/A	N/A	201	10.3	1.65	20,624
2015	16.6	N/A	N/A	202	10.8	1.71	21,754
2016	17.0	N/A	N/A	202	11.2	1.78	22,496
2017	17.1	N/A	N/A	206	10.8	1.76	22,251
2018	17.8	N/A	N/A	207	11.1	1.79	22,959
2019	17.9	N/A	N/A	202	11.6	1.80	23,427
2020	18.2	N/A	N/A	209	12.0	1.86	25,126
2021	18.0	N/A	N/A	218	11.6	1.95	25,353
2022	18.1	N/A	N/A	214	11.8	1.94	25,255
2023	18.1	N/A	N/A	213	11.8	1.94	25,232
2024	18.2	N/A	N/A	212	11.9	1.94	25,196
2025	18.2	N/A	N/A	210	12.0	1.94	25,158
2026	18.2	N/A	N/A	208	12.1	1.93	25,120
2027	18.3	N/A	N/A	207	12.1	1.93	25,089
2028	18.3	N/A	N/A	206	12.2	1.92	25,059

Figures are inflation adjusted to 2023

Industry Financial Statement

					Historical Average		
	2018	2019	2020	2021	3-Year	5-Year	10-Year
Industry Multiples							
Industry Tax Structure							
Income Statement							
Expenses							
Other Income							
Balance Sheet							
Assets							
Liabilities and Net Worth							
Liquidity Ratios							
Coverage Ratios							
Leverage Ratios							
Operating Ratios							
Cash Flow & Debt Service Ratios (% of sales)							
Debt Service P&I Coverage	1.7	2.3	1.8	1.3	1.8	2.0	1.8
Interest Coverage (Operating Cash)	12.9	16.3	5.6	2.8	8.2	12.0	12.0

Source: IRS SOI Tax Stats; US Census Bureau; IBISWorld

Additional Resources

Additional Resources

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

Tobacco Merchants Association
<http://www.tma.org>

iAMart
<http://www.iamart.org>

National Candle Association
<http://www.candles.org>

Awards and Personalization Association
<http://www.awardspersonalization.org>

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

Industry Jargon

BIG-BOX STORE

A retail store that is differentiated by its sheer size and large range of products, including electronics, household goods and other consumer products.

BRICK-AND-MORTAR STORE

A store that has a physical presence and location, as opposed to an online retailer.

E-CIGARETTE

A device that vaporizes tobacco liquids, to avoid inhaling smoke.

E-TAILER

A retailer that primarily sells goods and services via the internet. Many of these companies do not have brick-and-mortar locations.

ELECTRONIC DATA INTERCHANGE

The transmission of electronic documents between businesses from one computer system to another.

HOKKAH

Pipe instrument for vaporizing and smoking various tobacco products.

POINT-OF-SALE

A system used at checkout in retail stores using computers and cash registers to capture transaction data at the time and place of sale.

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?

Industry operators sell a diverse range of products, from premium cigars and groceries to art supplies and grave markers.

The broad customer base helps smaller specialty retailers maintain a steady stream of revenue.

Are your company's sales heavily dependent on the health of the US economy? How have company sales performed in light of the ongoing pandemic?

Due to its fragmented nature, the industry is not driven by product-specific trends but rather by broad macroeconomic variables, such as the unemployment rate, consumer spending and disposable income levels.

Strategy & Operations

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

Larger companies have acquired smaller, localized companies due to decreasing demand as a result of intense external competition.

However, the majority of small specialty retailers are single-store companies that serve a specific geographic area. As a result, merger and acquisition activity is less common in this industry compared to other retail industries.

Many retailers work directly with manufacturers to cut down on purchase costs and increase profit margins. Do you contract directly with manufacturers to reduce costs?

Large operators work directly with manufacturers to cut down on costs; however, the majority of operators are small, local operations that purchase from wholesalers that purchase from manufacturers.

As a result, industry operators were hurt by the supply chain disruptions caused by COVID-19 since they dealt with delays from manufacturers and wholesalers. However, this did not ultimately affect revenue.

Technology

Radio frequency identification (RFID) is becoming a key technology for retailers. RFID tags help retailers monitor inventory and can assist with loss prevention. Do you use RFID or any other inventory management technology?

RFID tags provide real-time information on inventory, which helps reduce shrinkage problems and improves efficiency.

Additionally, the declining costs of RFID systems allow smaller industry operators to implement this technology.

Many brick-and-mortar retailers are struggling to increase foot traffic in-stores as e-commerce sales rise and individuals increasingly opt to shop online. How has your company reacted to the rise of online sales over the past few years?

The rise of online sales has mitigated revenue growth and forced many companies out of the industry as online platforms offer the same products at a lower price and with the added convenience of one-stop shopping and delivery.

Compliance

What does your company do to remain compliant with new consumer regulations, such as the Family Smoking Prevention and Tobacco Control Act and new regulations imposed by the Food and Drug Administration (FDA)?

Operators stay up-to-date on consumer regulations by working with industry associations and analyzing customer data compiled through point-of-sale systems.

Additionally, stores that sell tobacco products follow new FDA and Alcohol and Tobacco Tax and Trade Bureau (TTB) regulations closely.

A lot of new regulation regarding how to safely operate a store during the coronavirus pandemic have been introduced. Have any coronavirus related regulatory expenses significantly impacted profitability recently?

Typically, specialty retail stores are subject to very little regulation.

However, capacity limits, protective personal equipment requirements and social distancing guides have negatively

impacted profitability due to higher purchase costs and limited the ability to generate sales as a result of capping foot traffic.

Finance

Many retailers have increasingly implemented financing options through third-party applications, such as Afterpay and Klarna. Do you have any challenges with customers paying on time?

The majority of goods sold by operators are small and discretionary and, therefore, financing is typically not provided to customers.

Therefore, industry companies do not usually run into problems with customers paying on time.

How has your company's profit margin been impacted by the coronavirus pandemic?

Profit margins across the industry declined in 2020 as many brick-and-mortar specialty retailers were forced to temporarily close for several weeks in order to mitigate the spread of the virus.

External Impacts Questions

Impact: E-commerce sales

Do you sell any of your products online? Can your company move to a web-based model that would reduce the need to maintain brick-and-mortar stores?

E-commerce retailers often offer substitute Small Specialty Retail Stores industry products at heavily discounted prices.

Impact: Excise tax on tobacco products

How much of your revenue is generated from sales of tobacco products? Have these sales declined due to rising excise taxes and reduced tobacco use?

Tobacco sales have historically comprised nearly one-third of revenue for the Small Specialty Retail Stores industry. As the excise tax level on tobacco products increases, tobacco purchases fall, harming industry revenue.

Impact: Per capita disposable income

Does your revenue trend in line with the level of household disposable income? Do you plan to implement any changes to your pricing or portfolio?

The majority of products supplied by this industry are discretionary items. A rise in household disposable income increases the propensity of consumers to purchase these goods, leading to growth in demand.

**Internal Issues
Questions****Issue: Access to niche markets**

Which niches, if any, do you cater to? How can you diversify your product mix? How do you keep track of the latest trends, such as the surge in e-cigarettes?

Having access to niche markets will help shield operators from external competition, particularly from warehouse clubs and large-format retailers.

Additionally, operators utilize point-of-service systems (POS) to access real-time purchase data to more accurately keep up with the latest customer trends.

Issue: Experienced workforce

How do you hire workers? What is the training process for new hires like?

Successful operators employ workers who are friendly and knowledgeable about specialized products offered, which differentiates the shopping experience from that of larger stores.

Due to the nature of the industry, operators are able to hire part-time workers to cut down on wage costs.

Issue: Attractive product presentation

How do you ensure your products are well present and clearly displayed? What obstacles do you experience in this area?

Industry stores should have effective layout and design, as well as good shelf management, with products clearly presented to grab customers' attention.

COVID-19 forced many operators to reconfigure store layouts to better accommodate for social distancing within the store.

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

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