

Evolution, not Revolution: What Retail Apocalypse?

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How Ecommerce Creates Jobs and Reduces Income Inequality

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...And puts pressure on brick-and-mortar retailers

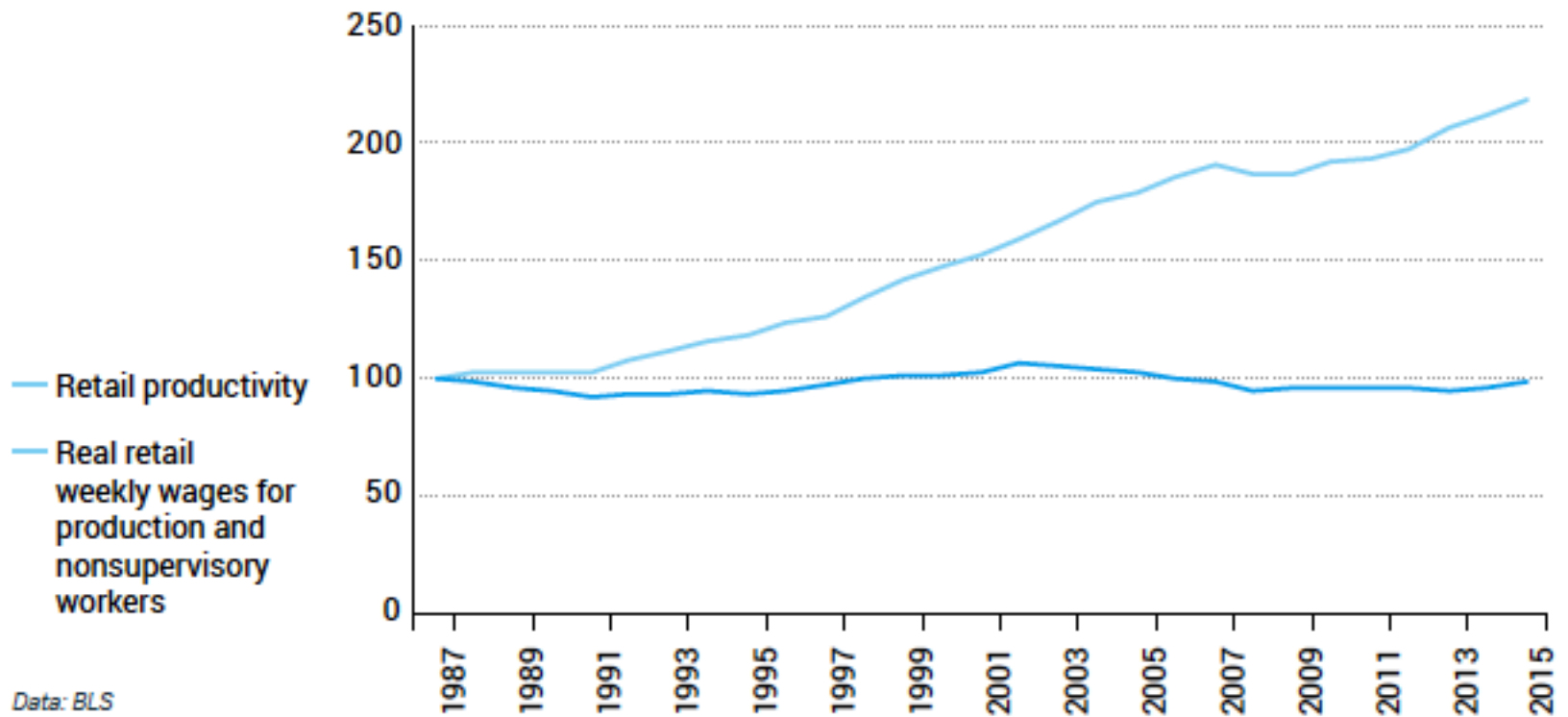


History is littered with dead retailers.

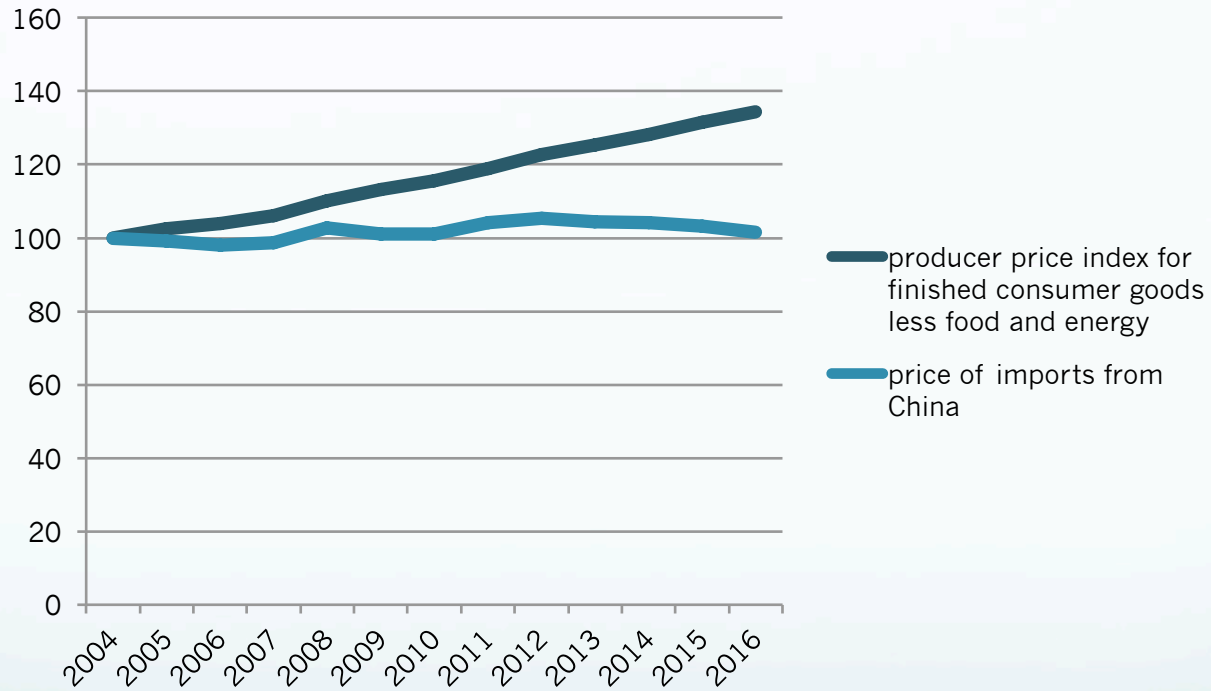
Wikipedia's list of defunct department stores is 30 pages* including Wanamaker's, Hecht's, Jordan Marsh. The list of other defunct retailers is 11 pages* including KB Toys and FAO Schwarz.

*Not including references

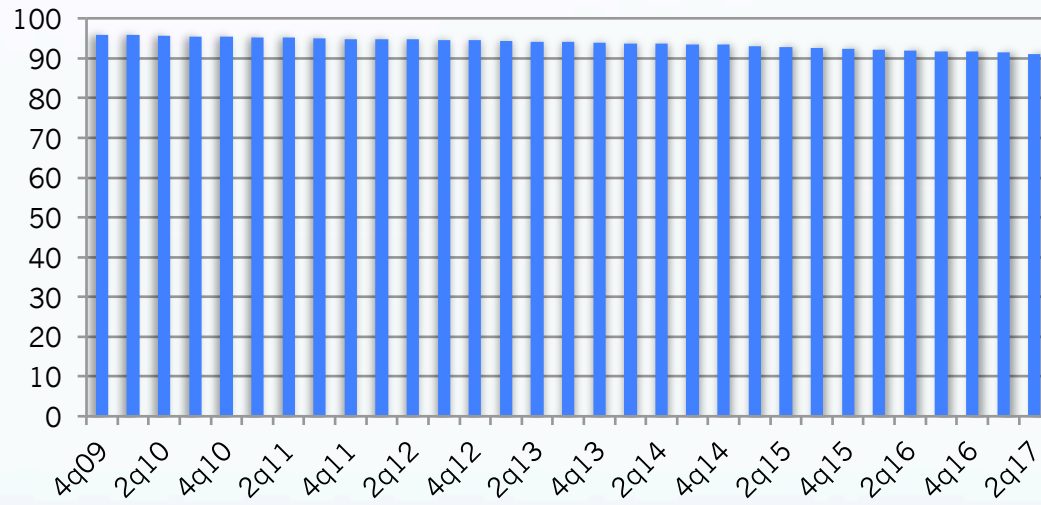
FIGURE 1: Productivity vs Pay in the Retail Sector (1987 =100)



Price of imports from China have not risen



Brick-and-mortar share of retail sales



Brick and Mortar Sales (year over year growth)

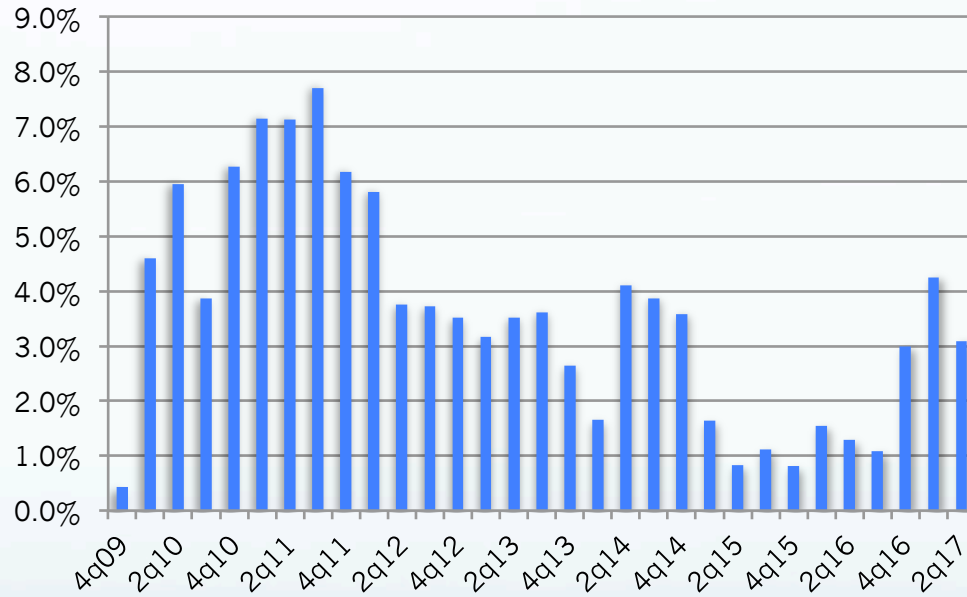
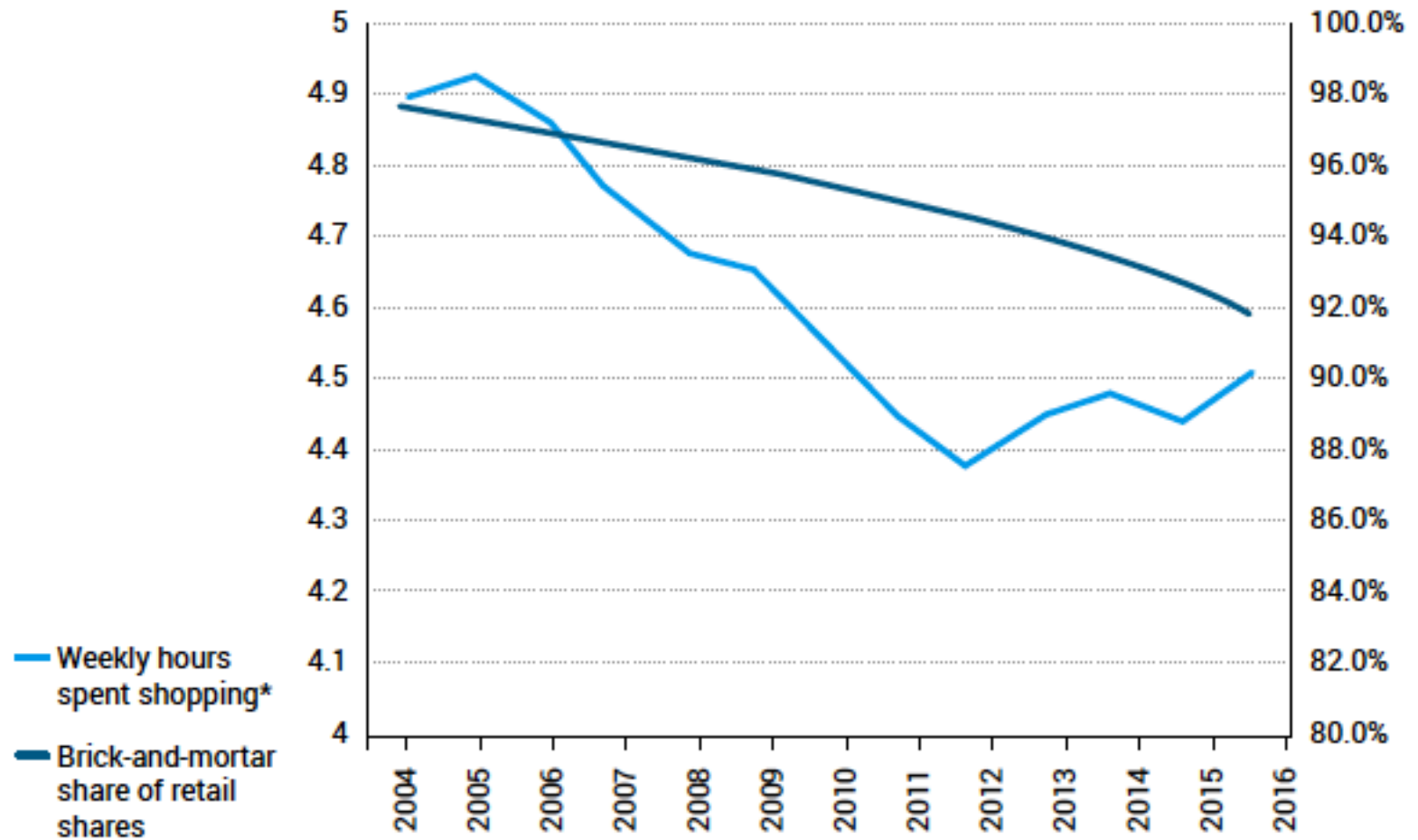
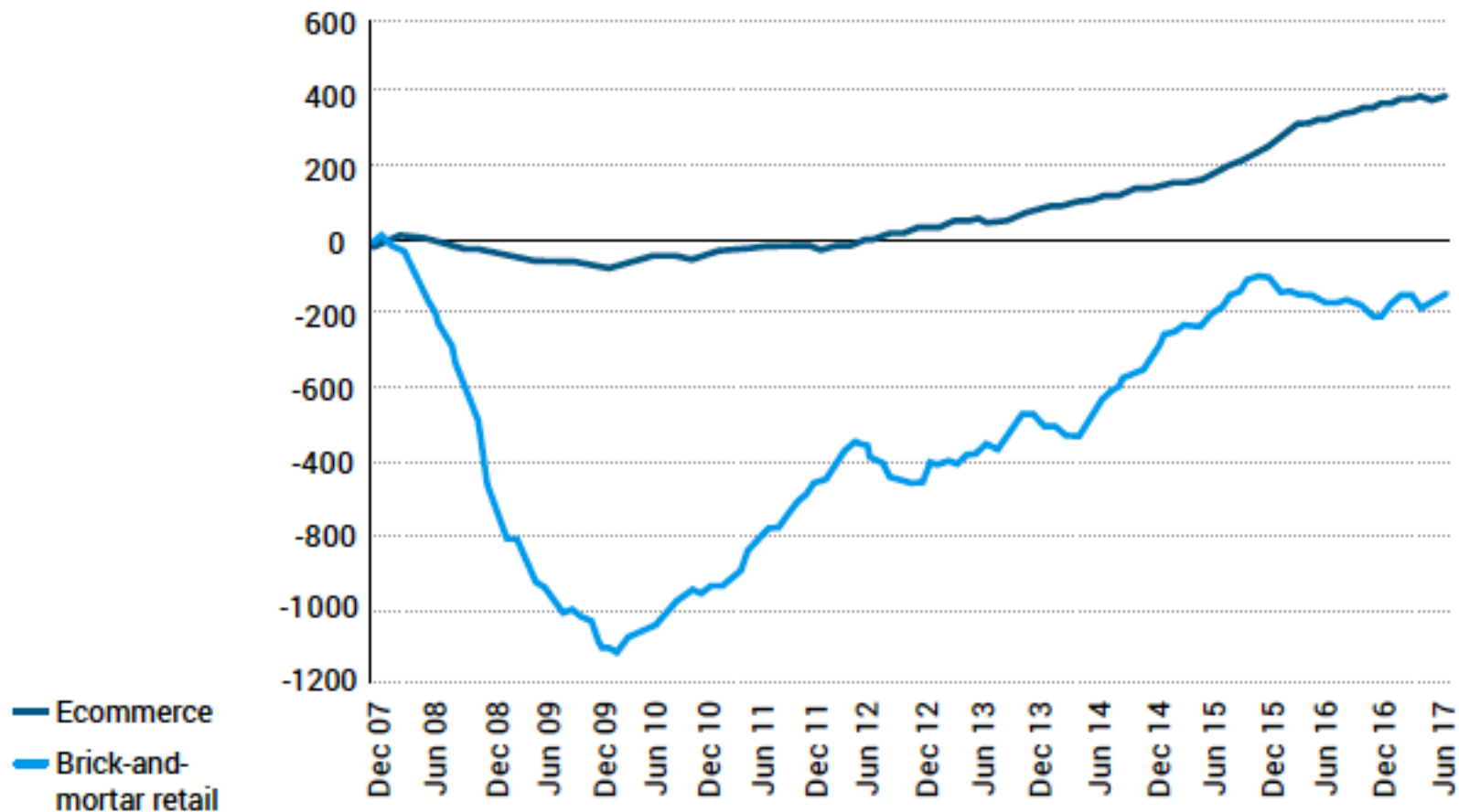


FIGURE 4: How Ecommerce Affects Household Shopping Hours



*Two-year moving average. Shopping for consumer goods plus travel related to shopping.
Source: Census Bureau, Bureau of Labor Statistics

FIGURE 3: Ecommerce vs Brick-and-Mortar Retail
 (change since December 2007, thousands of FTE jobs)*



*Three-month moving average. Assumes 40-hour work weeks.
 Source: BLS, PPI

Change in FTE, three month average, July 2016-July 2017

	Percent	Thousands
Total retail	-0.1%	-7
Auto	2.6%	48
Furniture and home furnishings	-0.4%	-1
Electronics and appliance	-7.2%	-34
Building material and garden supply	-0.1%	-1
Food and beverage	-0.3%	-6
Health and personal care	1.2%	10
Gasoline	1.7%	13
Clothing and accessories	1.3%	11
Sporting goods, hobby, book, and music	-1.5%	-6
General merchandise	-1.9%	-45
Miscellaneous	-1.8%	-11
Nonstore	3.1%	15
Electronic shopping	3.4%	11
Truck transportation	2.3%	35
Support activities for road transportation	1.1%	1
Couriers and messengers	4.1%	24
Warehousing and storage	4.4%	42
Brick-and-mortar retail	-0.2%	-22
Ecommerce	4.2%	54
Trucking	2.7%	60

We will see a restructuring of brick-and-mortar retail as the front end for fulfillment centers and custom manufacturing.

- Less inventory, better organized showrooms to touch and feel potential purchases.
- Better trained and higher paid sales people to walk you through customization options.

Big question!

What will happen to price of goods sourced from China? The price of Chinese imports has been flat for a long time, setting the tone for retail prices.

If that price starts rising, will have a bigger impact on retailing than ecommerce.

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Dr. Michael Mandel is Chief Economic Strategist at the Progressive Policy Institute (PPI) in Washington, President of South Mountain Economics LLC and Senior Fellow at the Mack Institute for Innovation Management at the Wharton School.

Key research interests include the impact of innovation and technology on job creation in developed and developing countries; new ways of tracking the data-driven economy; and the link between regulation and innovation.

In July, August and September 2017 alone, Dr. Mandel's research was cited by *Wall Street Journal*, *New York Times*, *PBS Newshour*, *NPR*, *Washington Post*, the *Boston Globe*, the *Financial Times*, the *BBC*, and *Forbes*. His most recent *Wall Street Journal* op-ed was entitled "Robots Will Save the Economy."



Dr. Mandel regularly speaks on growth and innovation in Europe, Asia, and Latin America. Before joining PPI, Dr. Mandel was Chief Economist at *BusinessWeek*, where he was recognized as one of the top 100 business journalists of the 20th century for his writings on innovation and growth.

Dr. Mandel has written four books, including *Rational Exuberance: Silencing the Enemies of Growth and Why the Future Is Better Than You Think*. His textbook, *Economics: The Basics*, is in its third edition. Dr. Mandel received a PhD in economics from Harvard University.