Retail's Renaissance

The True Story of Store Openings/Closings

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State of the Industry

Retail continues to go through radical transformation. While most of the mainstream press has focused on the sensational and negative, the truth is since January of 2017, the US retail industry has increased sales by $565.7billion and 8,575 stores. But not all retailers are equal. In this research IHL reviewed 1,660 retail chains in the US market with more than 50 stores. Of the 9 retail segments we reviewed (see Appendix for definitions), 7 showed an increase of stores in 2019 over 2018 levels and 2 (Department Stores and Specialty Softgoods (apparel and shoes) showed a drop in stores.

While increases in stores are reported by 1,065 chains, the decline in stores is heavily concentrated to a limited number of chains. Just 20 companies represent 75% of all net closings in the report for 2019, a figure that is up dramatically from 53% in 2018. In fact, it is clear that 2018 was a peak for companies who decided to close stores and 2019 is a year of growth for most retailers. **For a complete list of retailers opening and closing stores, we offer this for sale here.**

Some key results from the research.

- **In 2018, 675 retailers in our study showed an increase in stores. For 2019, this increased 56% to 1,065 chains**
- **Chains closings stores peaked in 2018 at 612 chains. This dropped 66% to 206 chains for 2019**
- **Retailers have announced 2,965 more openings for 2019 than closings**
- **Since January 2017, Department and Specialty Stores closed a net 9,651 stores. All other segments had a net increase of 18,226**
- **For every chain with a net closing of stores, +5.2 chains are opening stores overall.**
    - Food/Drug/Convenience/Mass Merchants +9.5 stores opening for every chain closing
    - Apparel/Hardgoods/Department Stores +3.7
    - Restaurants (Fast Food and Table Services) +6.3

As mentioned, the health of retail is widespread, those retailers that are sick are limited to a focused group of retailers. In general, we see company–specific issues (too much debt, over expansion, poor models) in the companies that are closing stores or are going bankrupt, not a systemic overall retail issue. The positives are everywhere, the challenges are in C & D Malls. Without question there are many challenges to retailers today, but overall that state of the retail industry is strong.

Key Trends

Rise of Online

- Much has been written about the rise of online sales spurred mostly by Amazon. No doubt pure play retailers have changed the game and helped increase retail sales, but we are seeing this growth drop in the last two years. For 2019, growth in pure play online sales has dropped to 10.6% annually. The greatest areas of growth are not ecommerce that excludes stores, but rather is inclusive of stores for fulfillment. Further, the pure play and traditional retailers have realized that stores and online create a halo effect for one another and help each other. If stores close in a region, online sales also decrease in the region. There is an interdependent relationship, and this is one of the reasons why many pure-play companies such as Amazon, Warby Parker, Casper and others are rapidly openings stores.

Overstored in Apparel

- The US market is saturated in apparel retail. In fact, some wonderful data from Cowen Research shows that the 2017 square footage per capita for retail in the US was nearly 10x that of Germany. In Specialty Softgoods and Departments Stores we would estimate that number was as high as 20x. This was simply unsustainable. Low interest rates, the rise of short-sighted private equity that leveraged companies with too much debt, and mall properties that were built at 4x the population growth for the last 40 years have led to the bubble in these segments. These companies are paying the price now.

All other segments doing well

- Of the 9 segments we reviewed, 7 are doing well. There are pockets of others, (sporting goods, furniture, books) that are struggling, but generally the data is strong for most areas of retail outside of Softgoods and Department Stores.

Americans Penchant For Eating Out

- The canary in the coal mine for retail is what happens with restaurants. Americans love to eat out. For the last 18 months (Jan 18 – June 19), restaurant sales increased by over $55billion. It's an astounding figure. We are on pace for total restaurant sales of $744billion for 2019. To put this is perspective, this is an amount greater than the entire Gross Domestic Product (GDP) of South Africa!

- The funds spent on eating out are almost purely disposable income in the US and thus can adjust quickly up or down. This means it collectively reflects the view of the economy from consumers, as any cutbacks in their household spending will be reflected in the rise and fall of restaurant sales first. For 2018, those sales increased 5.9% and for 2019 so far we are up another 4.2% which is very strong despite headwinds from tariffs and other economic pressures.

Millennials and Rental Culture

- When it comes specifically to apparel, not only is there competition from all sides for new items but a growing trend where consumers are renting clothing instead of buying. This is just further added pressure to the local malls.

Other Key Trends

- There are several key trends that we have reviewed in the studies for the last two years. Namely, these are changes in demographics, increases in dollar stores and fast fashion, and the rise of haves and have-nots in the economy. Rather than repeat these trends here, we refer you to the reports for 2017 and 2018 where we go into great detail on these trends if you need this data.

2017 & 2018: "Apocalypse" Years 1 & 2

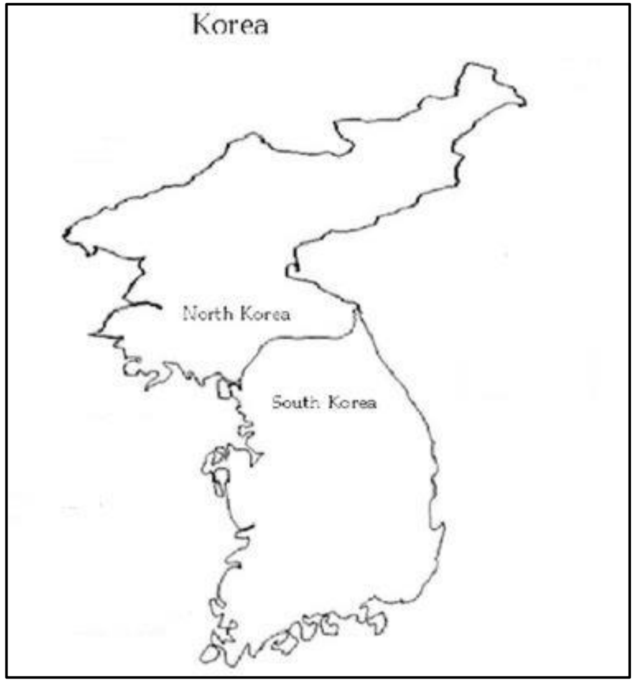
- 2017 – Retail Sales +$232b (+4.5%), Restaurant Sales +$36b (+5.5%)
  - 2017 – Amazon was about $29b of the growth total
- 2018 – Retail Sales +$251b (+5.5%), Restaurant Sales +$44b (+5.9%)
  - **Retail segments/sub-segments don't all perform the same**
    - C-Stores and Mass Merchants were outstanding
    - DIY, Furniture, Liquor Stores and Grocery Stores did very well
    - Department stores and women's clothing really struggled, sporting goods, office supplies both **down >5%**
  - **2018 – Online sales up 17%, BOPIS +50% for Christmas Shopping**

Sources: IHL, Retail Census

Another Way to Look at Growth

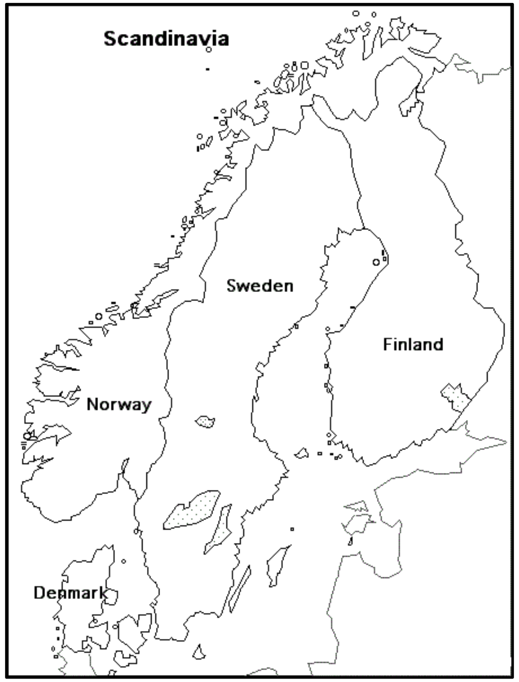
Added Retail Sales of Korea in 2017 and Scandinavia in 2018 – or equivalent of annual revenues of these brands

2017



Kroger
Waffle House
Macy's
Bed Bath & Beyond
Staples
Meijer
Subway
Foot Locker
Publix
Dick's Sporting Goods

2018



BJ's Wholesale Club
JCPenny
Target
TJX
Dollar General
Staples
Bed Bath & Beyond
GAP
Best Buy
McDonald's

2019 US Retail Sales Through June

Year to Year Analysis

- Retail sales up 3.1% (restaurants +4.2%) +$82.7b through June
- Still doing well – Grocery (2.8%), Drug (4.1%), Mass Merchants (2.0%)
- Not so much – Dept. Stores (-4.3%), Sports/Hobby/Books (-6.7%), Electronics/Appliances (-4.6%)
- Pure Play Ecommerce +10.6% (+$34b)

Sources: IHL, Retail Census

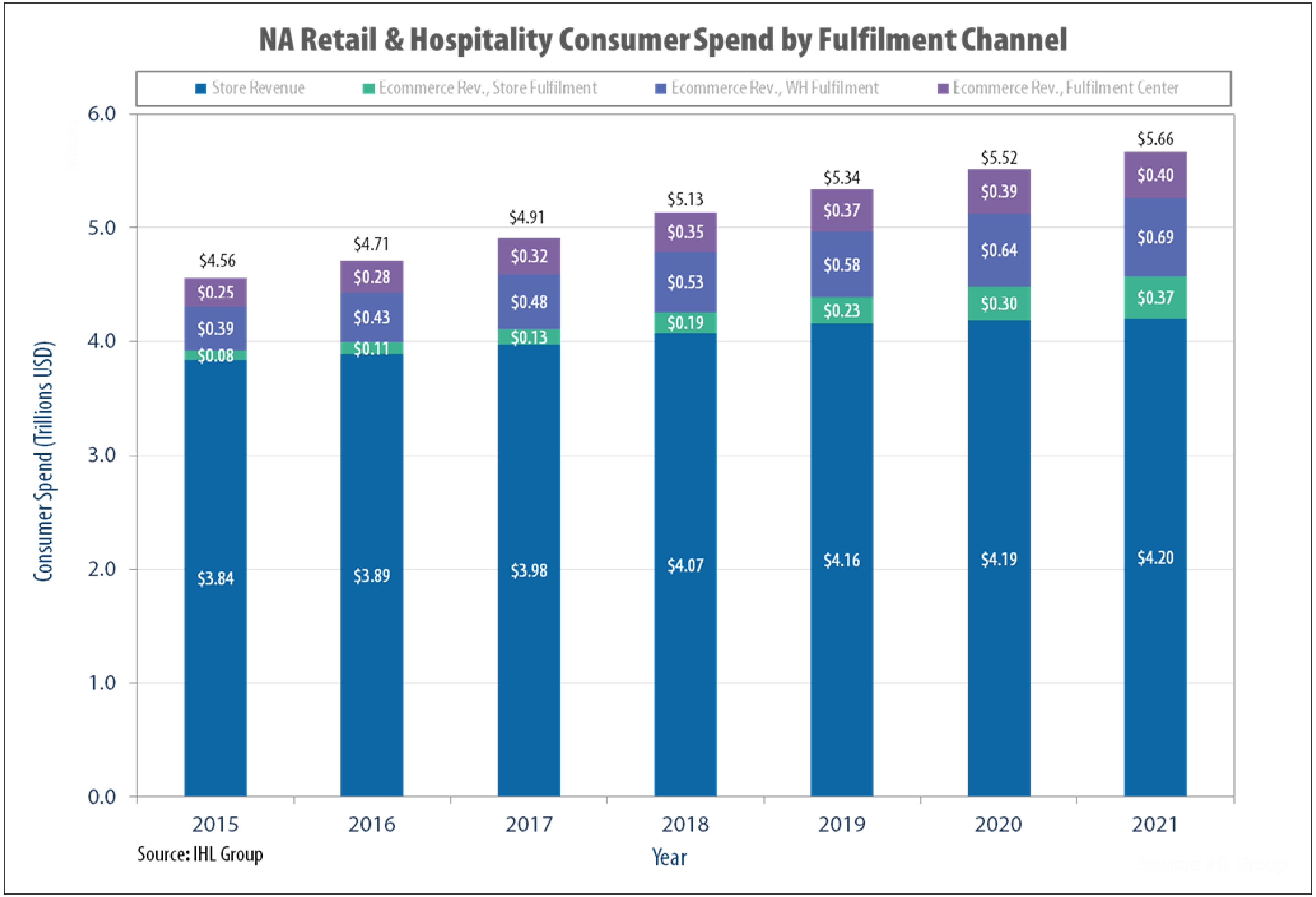
Segment Trends

Shifting consumer demographics/interests continue

- **Food, Drug, Convenience, Mass Merchants**
  - Dollar Stores appeal to a cash-strapped populace;
  - Grocery innovating and effectively competing with Drug Stores and Restaurants;
  - C-Stores innovating with larger formats and prepared foods;
  - Drug Stores Rx increasing while high-margin front-of-store hammered by Beauty.
- **Specialty and Department Stores**
  - Dept stores pounded by Fast Fashion, Beauty and outdated business models
  - Softgoods laden with debt from PE and influenced by Fast Fashion and rental fashion and online
  - Hardgoods generally doing well, but faces strongest online competition
- **Restaurants**
  - Delivery taking a bite out of profits as restaurants struggle with systems and right model
  - Dine-in options fighting hard to enhance the dining experience (including take home options)

Stores Will Still Matter in Online Sales

Despite online sales projected growth to 25% of retail by 2021, 81% of all retail sales will go through stores



- **Rise of Online**
  - E-commerce is about 19% of all retail sales currently. (Pure play retailers represent 10.2% today, the remainder are traditional retailers)
  - IHL projects total e-commerce to grow to 25.7% of retail by 2021
  - IHL expects stores to still be involved in 81% of all retail fulfillment in 2021.

Top Level View

Net Openings vs Closings	Openings	Closings	Net Change
2017 Actuals	18,532	-14,404	**4,128**
2018 Actuals	21,213	-19,731	**1,482**
2019 Estimates	11,393	-8,428	**2,965**
Net Increase In Stores	**51,138**	**-42,563**	**8,575**

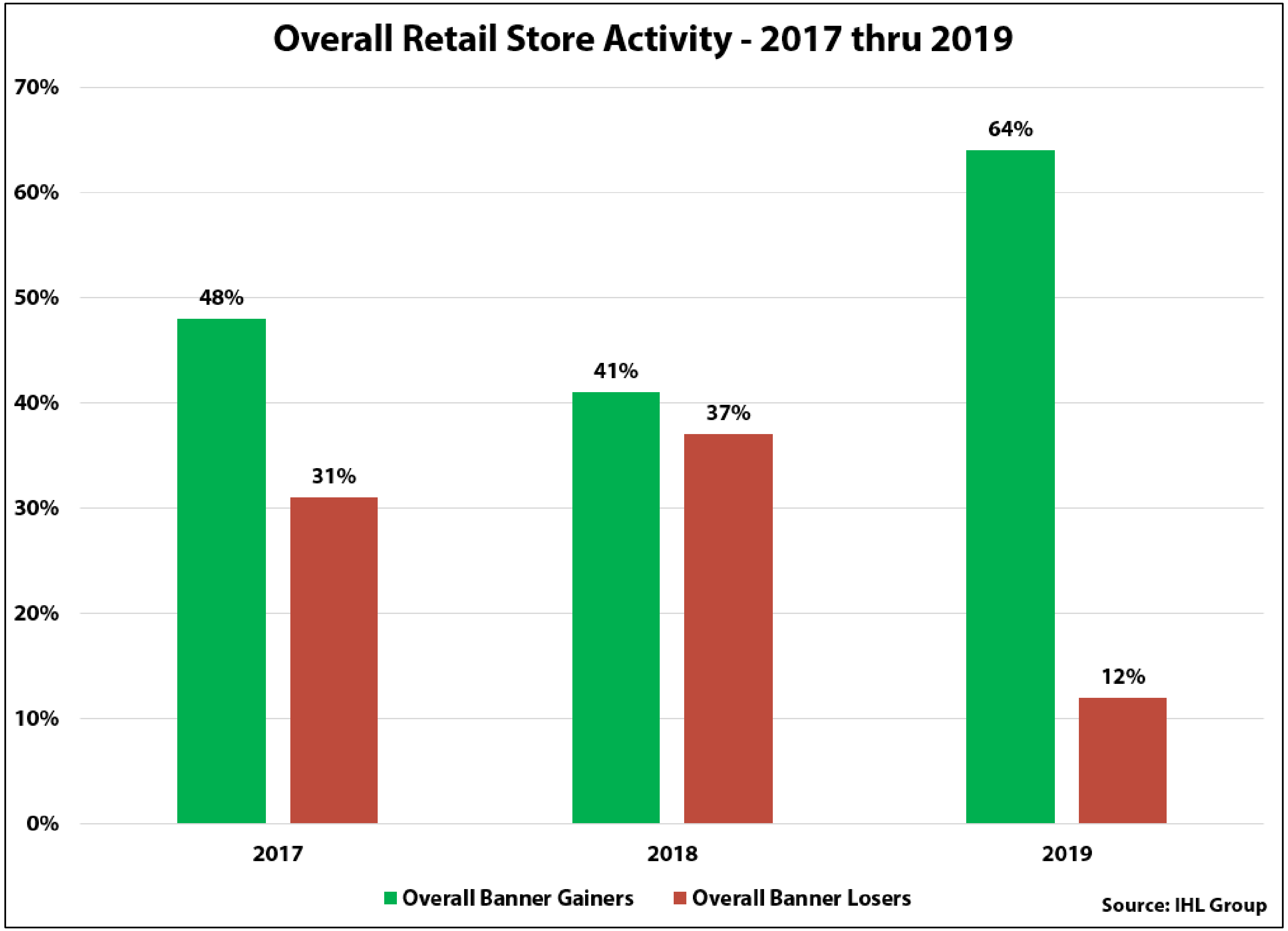
- Includes 1,660+ retailers and restaurants that are public and private in our Sophia system
- Threshold for this study is 50 locations
- Sources include SEC and SEDAR filings, websites, presentations, press releases, phone conversations w/corporate, industry compilations, etc.
- All of the news out there (from other research houses) is based only on large public retailers through 7/31/19
- Detailed list of retailers and opens and closings is available here.

Source: IHL Group

Overall Retail Store Activity

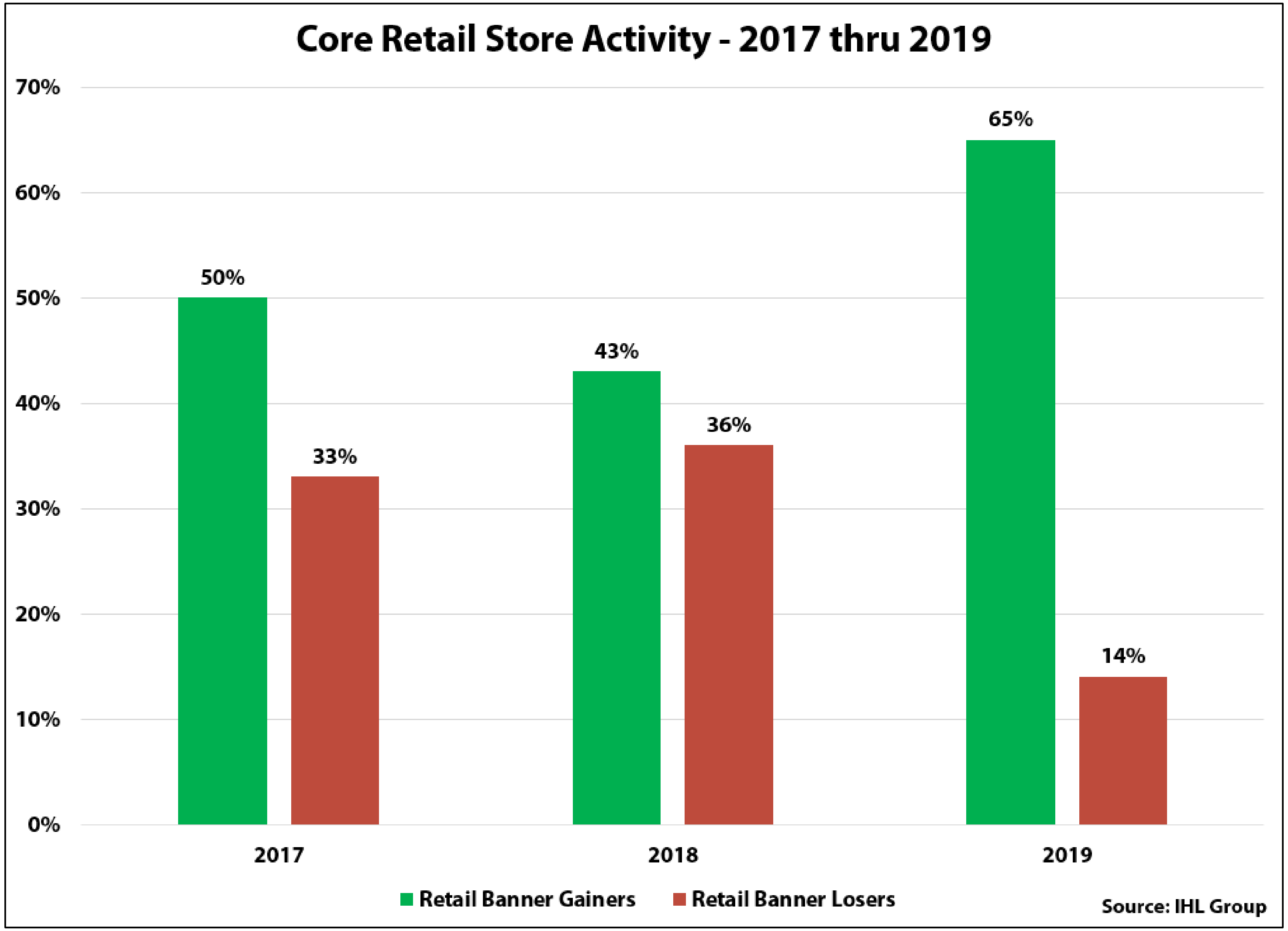
Among 1,660 banners total

- **Ratio of opens to close**
  - This sheet looks at the comparison of chains with net openings vs closings among the all retail and restaurant segments. The number of chains closing stores peaked in 2018 and has dropped by 68% in 2019 vs 2018 levels. Many more retailers and restaurants are healthier and expanding in 2019 than the previous two years.
- **56% increase in chains opening stores**
  - The total number of core retail chains increasing stores rose from 41% of all chains in 2018 to 64% of all chains in 2019. Thus the news overall is good on both openings and closings.



Core Retail Store Activity

Among 1,116 banners total



- **Ratio of opens to close**
  - This sheet looks at the comparison of chains with net openings vs closings among the core retail segments (no restaurants). The number of chains closing stores peaked in 2018 and has dropped by 61% in 2019 vs 2018 levels. Many more retailers are healthier and expanding in 2019 than the previous two years.
- **51% increase in chains opening stores**
  - The total number of core retail chains increasing stores rose from 43% of all chains in 2018 to 65% of all chains in 2019. Thus the news overall is good on both openings and closings.

Restaurant Location Activity

Among 544 banners total

Ratio of opens to close

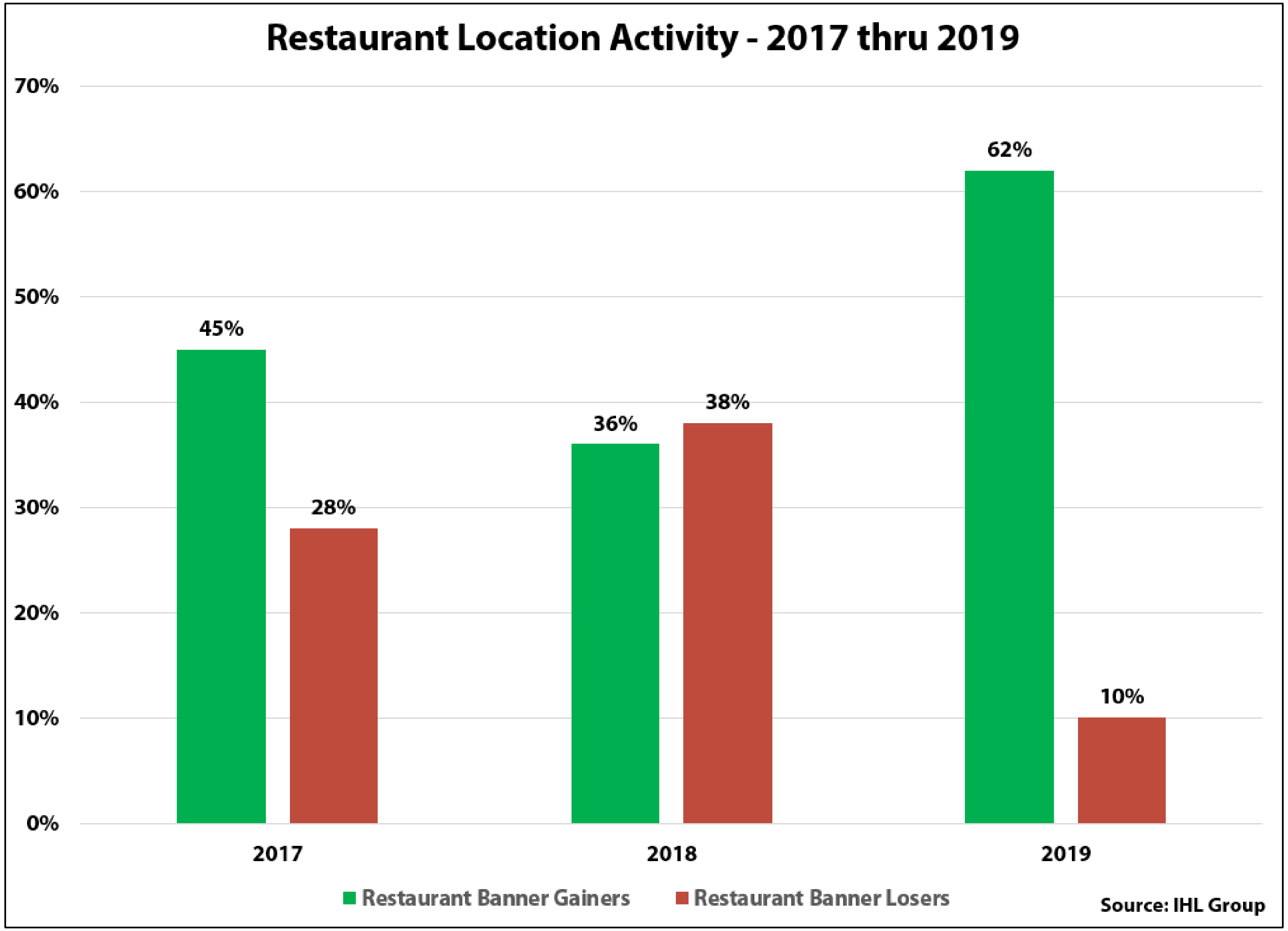
- Among restaurant chains we see similar changes as core retail. The number of chains opening stores increased 72% in 2019 and the number of chains closing stores has dropped 74%.

Front Line of Economy

- More than any other measure, the sales from eating out at restaurants is the first area consumers cut back if there is an economic downturn. They first move from sit down restaurants to fast food, then to not eating out. To date for 2019, restaurant sales growth is 4.2% on top of 5.9% growth in 2019.

Eating Out More and More

- In the last 18 months US consumers (US Census figures) have **increased** their spend on eating out by more than $55b



2019 Enterprise Retail Market

For Enterprise Retailers with 50 or more stores

Segment	Net Store Growth
Food/Supermarkets	383
Drug Stores	480
Superstores/WH Clubs	38
Department Stores	-301
Specialty Hardgoods	1,668
Specialty Softgoods	-3,728
Mass Merchandisers	659
Convenience Stores	855
Bar / Restaurants	2,911

+2,965

Net

Stores Opening

Up 2,965 stores in 2019

- The news headlines on closings really focus on a very small number of retailers and segments that are concentrated in the mall based stores. As we will see later, 20 retailers represent 75% of the total number of store closings
- Instead, store counts are on track to grow by 2,965 in 2019. The areas with the negative store counts are stores heavily focused on malls, namely Department Stores and Specialty Softgoods (mainly due to Payless Shoesource).

Core Retail vs Restaurants

- When we review the data closer, the Core Retail segments are experiencing net growth of 54 retail stores (in chains with more than 50 stores) and restaurants are adding 2,911 locations. The fact that Department Stores and Specialty Softgoods retailers net are closing over 4,000 stores and Core Retail still had positive store count growth is a testament to the resilience of retail. A complete list of retailers and their openings and closings can be found here.

Where the Problem Lies – The Mall

Specialty Softgoods and Department Store Problem

2017 - 2019	Openings	Closings	Net Change
All Other Segments	46,501	-28,275	**+18,226**
Softgoods and Dept. Stores	4,637	-14,288	**-9,651**

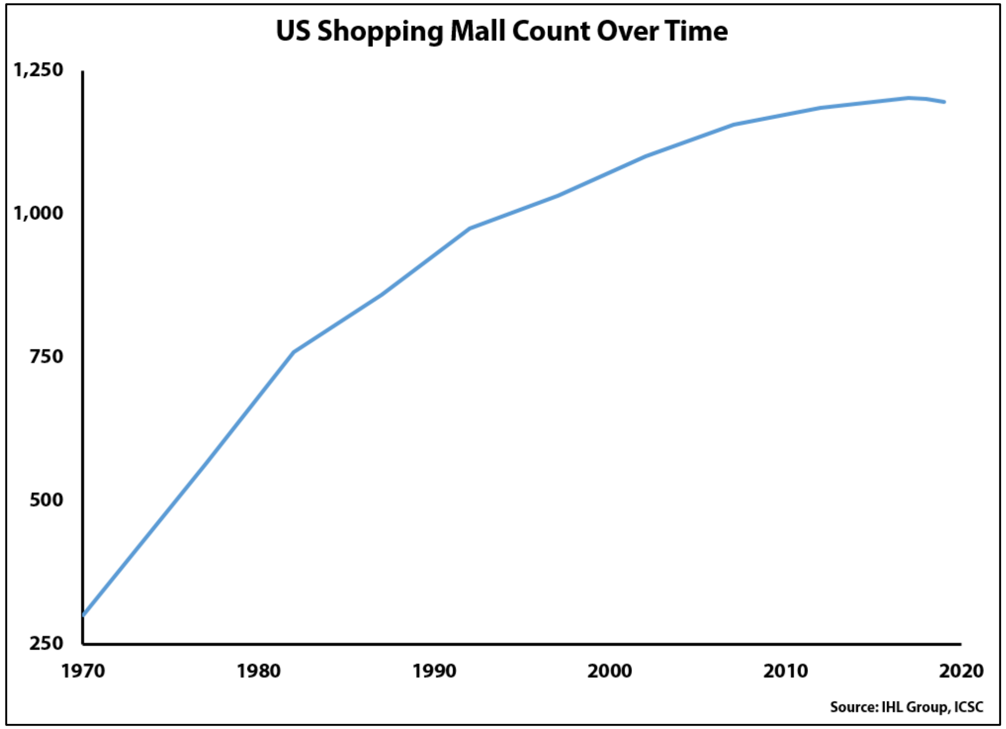
Source: IHL Group

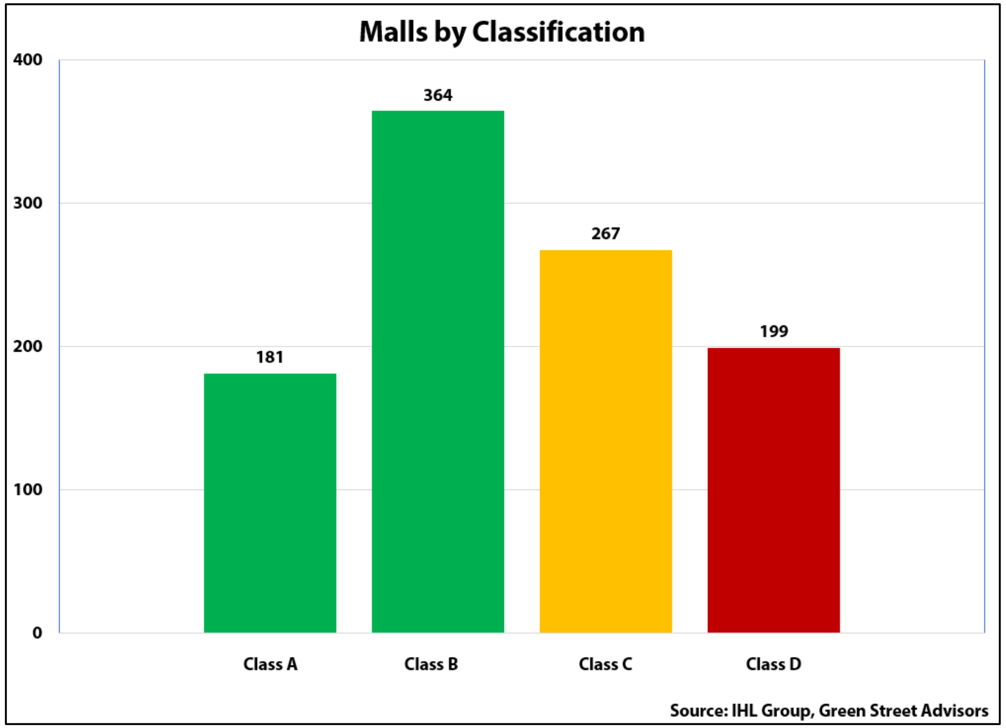
But not all chains are in trouble. The ones that are incurred too much debt, expanded their footprint beyond sustainable levels, or simply did not transform.

Year	20 Companies % of Total Store Closings
2017	34.3%
2018	52.3%
2019	**75.1%**

Source: IHL Group

Malls Have Their Role





A Long Time Ago, In a Galaxy Far, Far Away

- On October 8, 1956, the Southdale Shopping Center opened in Edina MN as the first modern enclosed shopping mall in the nation. It sported two floors, two department stores (Dayton's and Donaldson's) and 72 storefronts.
- In the next 40 years, about 1,000 more malls were built in the US, mostly in locations where the middle-class lived, worked and played, since they had the lion's share of purchasing power. The problem with malls is actually one of mobility; the mall is fixed, and yet the demographics have changed around them.

Not All Malls are Created Equal

- Malls are typically classified as A, B, C or D, with A representing those that are higher-end and prosperous, and C & D being those that are experiencing many vacancies (including anchors) and are in decline. Some analysts have forecast that one in four malls may close by 2022. Clearly, this is directed at the C & D malls in the figure above.

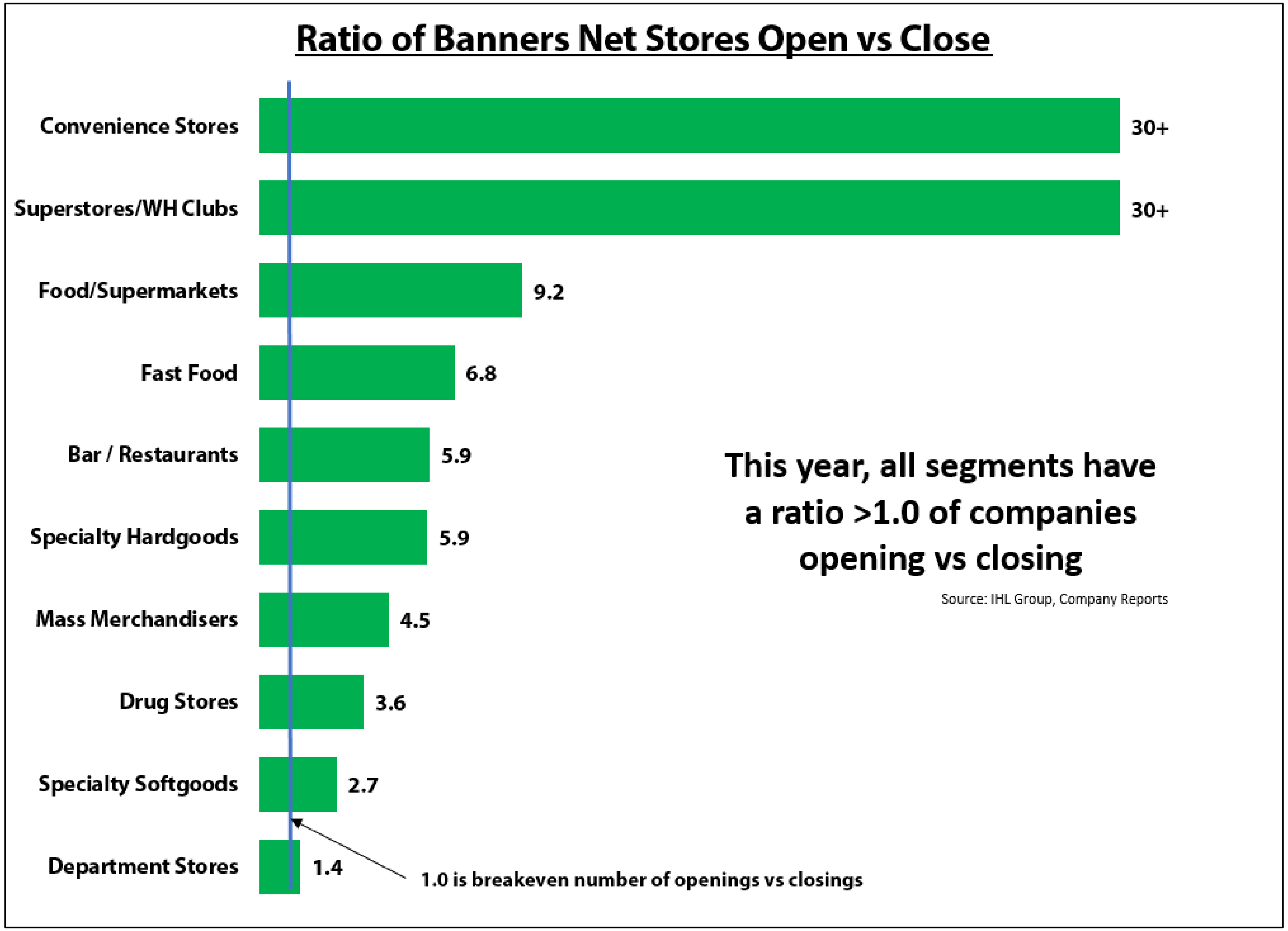
More on Malls

Readers are invited to see our previous reports for the deep background on the Mall Trends below.

- **Historically located where Middle Class worked, lived, played**
  - **85% built before 1997, when Middle Class purchasing power was > 50-60%**
  - **Upper Class moved outward (>49%), and newer malls located near them**
  - **Lower Class increased from 20-29% of population since 1997 (lack the purchasing power for malls)**
- **Many Anchor Stores Have Outdated Business Models**
- **Mall Owners need to do their part**
  - **Drive traffic by using non-traditional anchor replacements**
  - **Fitness and Healthcare are key drivers now**
  - **Upgrade infrastructure, common promotions, think beyond $/SQFT**
  - **Must provide infrastructure for retailers to succeed**

Sources: IHL, Retail Census

Banners Opening vs Closing Stores



Ratio of opens to close

- This sheet looks at the ratio of opens vs closing. This is the first year in the past three where all retail segments, including Department Stores, have more banners opening stores than closing stores. For a complete list of stores and openings/closings, click **here.**

Strong results in most sectors

- Most segments are expanding in stores as well as the number of chains opening stores.
- The anomaly in Convenience Stores and Superstores/Warehouse Clubs comes from the fact that none of the companies in either segment reported a plan to have a net decline in store count for 2019

For each company closing stores,
5.2
are opening stores

Food/Drug/Mass Merchants/Convenience

4,926 additional stores in the last two years

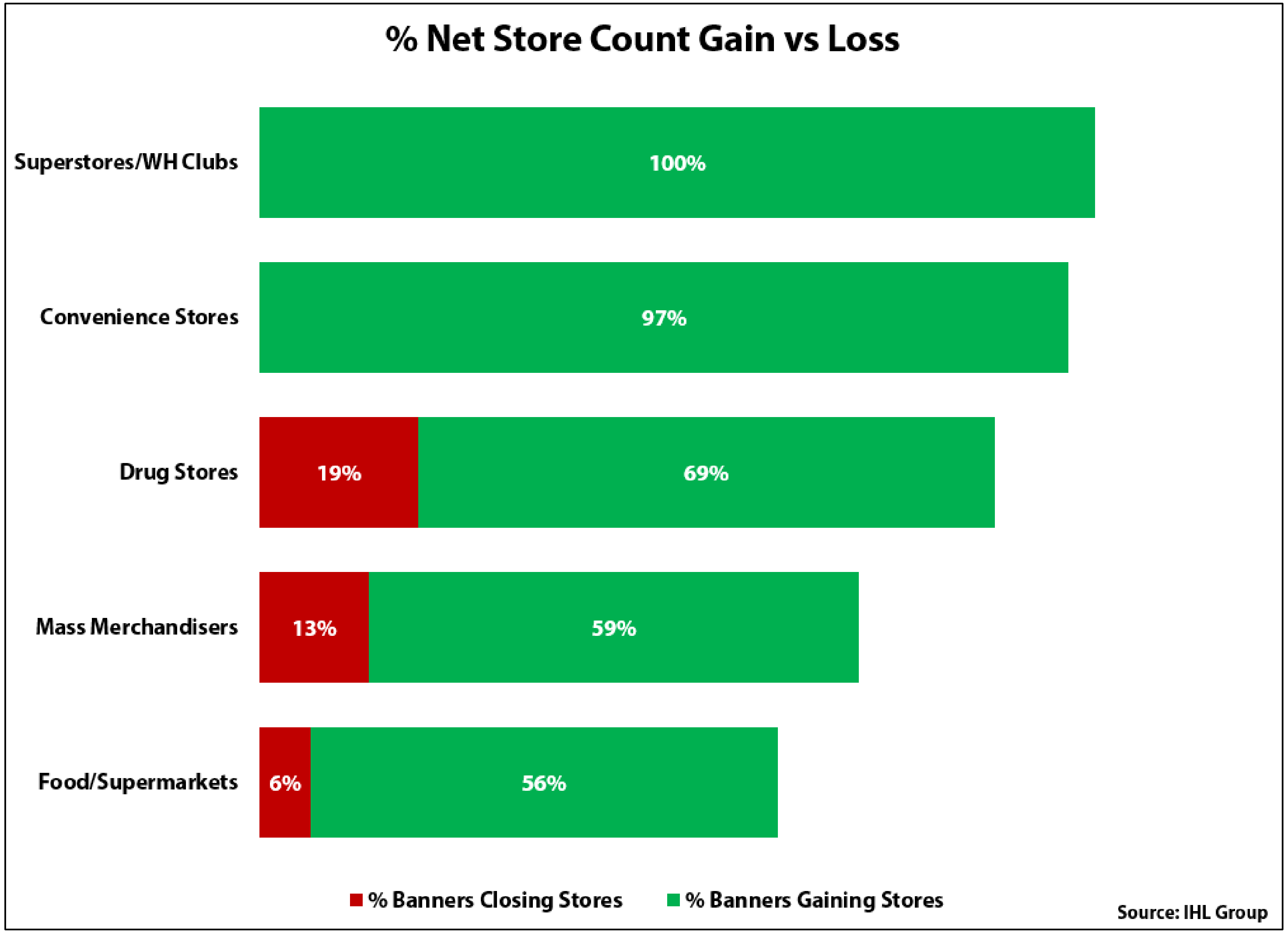
Ramping Up Big-Time

- Here we looked at 402 retail chains. The end result is a net increase of 2,415 stores in 2019 and 4,926 additional stores in the last two years.

9.5:1 Ratio

- Food, Drug, Convenience, and Mass Merchants/Warehouse had 9.5 companies adding stores for every one that decreased stores. 275 companies had net store growth and 29 had net store decrease in 2019.

For each company closing stores,
9.5
are opening stores



Food/Drug/Mass Merchants/Convenience

+ 8,864 Net Stores Added in the Last 3 Years

Fast Growing Retailers

- C-Stores have the most green showing on this slide, and for good reason. Marathon (3,779 stores gained in the past three years), 7-Eleven (1,140) and Alimentation Couche Tard (1,001) have all been on a tear to garner footprint. Most growth is the result of M&A activity.
- Dollar store leaders like Dollar General (2,997 stores added in the past three years), Dollar Tree (973) and Five Below (373) are also having success in not only expanding their store footprint and revenues, but also in keeping their debt under control.
- Supermarkets are expanding also, though nowhere near the extent of the aforementioned segments. Aldi is the leader here, having added 361 stores in the past 3 years. Publix (99), Lidl (92), Sprouts (90) and Whole Foods (88) have done well to expanded their numbers also.

Contraction At Work

- Drug Stores as a whole are seeing an increase in the percentage of sales going to prescription drugs. This means that the majority of their in-store footprint is devoted to an ever-decreasing portion of higher-margin revenue.
- The 2018 negative in Drug Stores was due to merger of Rite Aid and Walgreens and divestiture of stores. The reason the numbers for 2017 and 2018 were not worse than they were has to do with the growth of brands such as Ulta (280) and Blue Mercury (91).

Department Stores and Specialty Stores

A net decline of 4,537 stores in the last 2 years , but more healthier chains than unhealthy

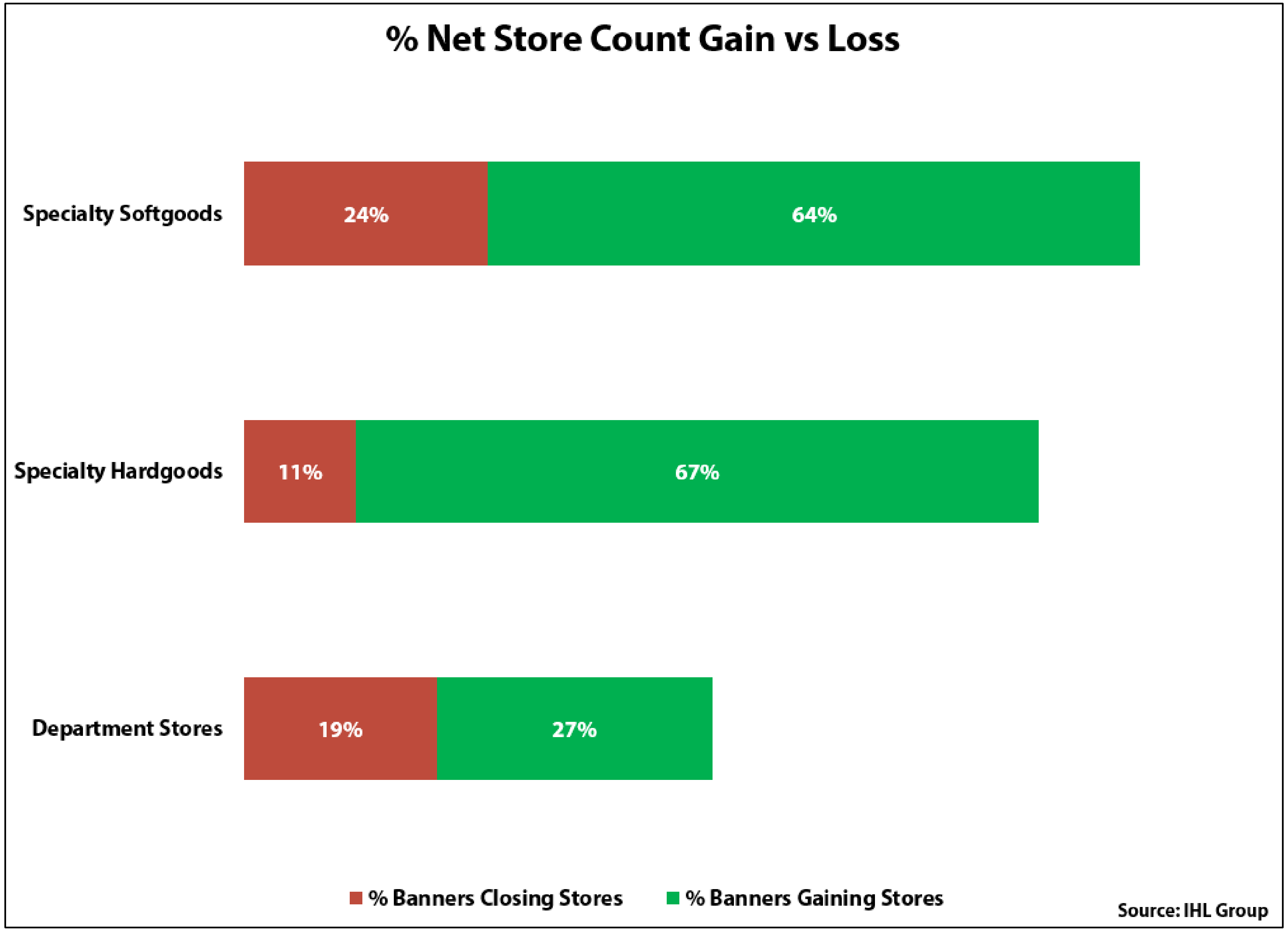
Mall-based Stores Struggling

- We looked 714 retail chains with 50 or more locations.
- This chart has a lot more green than in the past, but another 2,361 stores will be lost in 2019. It is only because Hardgoods retailers are growing stores this is not a bigger loss.
- Overall 3.7 companies opened stores for every company that closed stores. This is much better than last year's 1.5, due in part to some retailers closing up shop.

What Must Malls Do

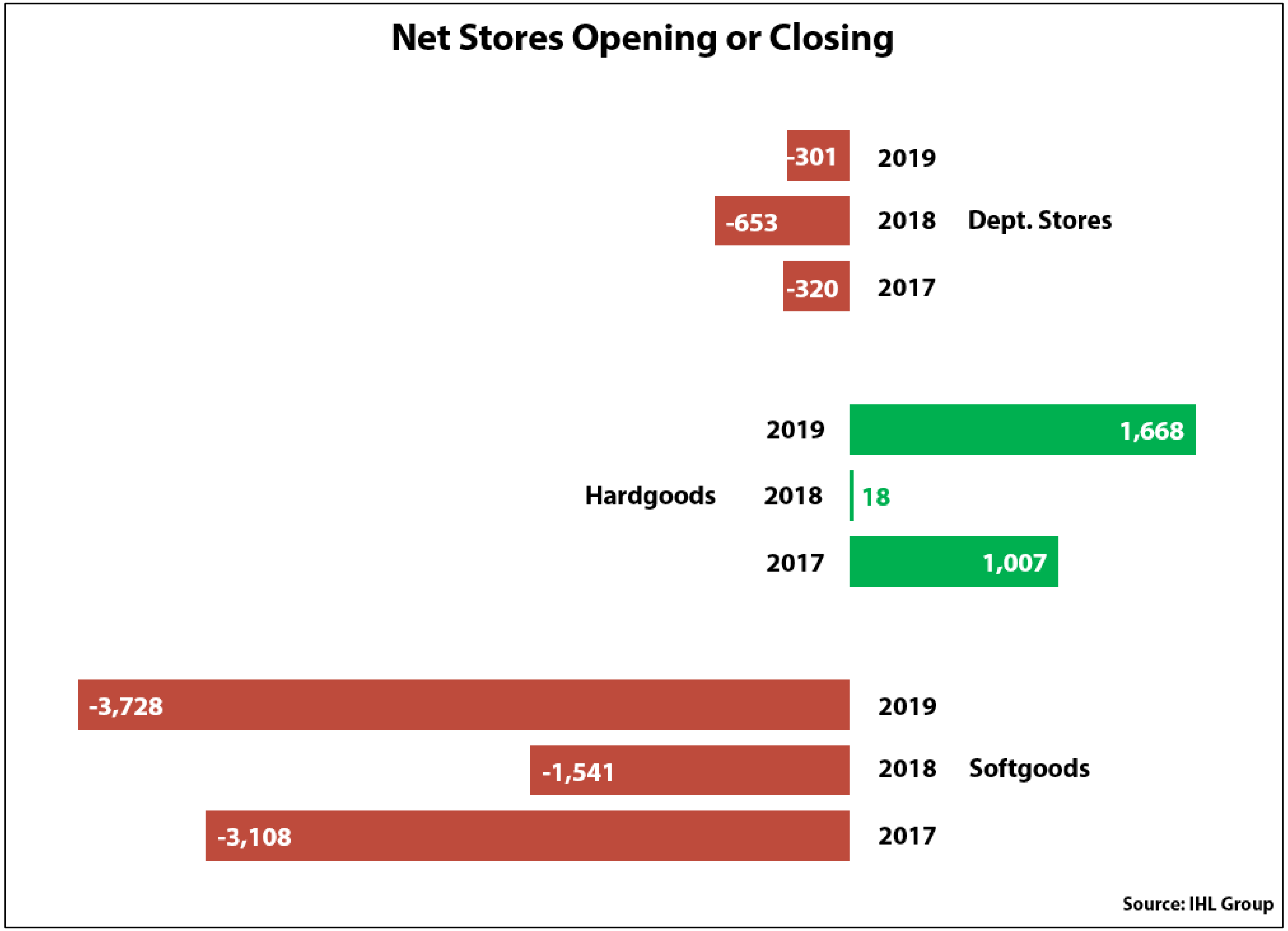
- The malls are where the big issues are today. To succeed, malls must replace departed anchor tenants with FDCM retailers, restaurants, and other non-traditional formats if they are not A or B mall locations.
- Consumers come to stores for expertise and experience. Malls must transition to help drive more traffic for these purposes.

For each company closing stores,
3.7
are opening stores



Department Stores and Specialty Stores

6,958 Net Stores Closed in the Last 3 Years



➢ Just a Few Responsible

- There is a great deal of red on this sheet, but the reality is that there are really just a handful of retailers responsible. Payless (over 3,600 stores lost in 3 years), Gymboree (1,200+) and Ascena (670+) account for 2/3 of the total closings in the last three years.
- Setting aside Shoes, we expect Apparel to close another 1,065 stores in 2019, which represents 1.9% of Apparel stores from 2018.

➢ Dept Stores Still Struggling

- The 301 Department Store may not sound like much when compared with the thousands of closings found in Softgoods, but the impact is greater. Those 301 closings anticipated for 2019 represent 5.5% of Department Stores from 2018. Further, Department Stores have lost 20% of their stores since 2016, and this represents many anchor stores in malls.

➢ Hardgoods – The Bright Spot

- The only green on this sheet belongs to Hardgoods, who have cut their teeth on competition with all comers both inside and outside their segments and sub-segments. They are also the one who tend to be more adapt at competing online.

Restaurant Segments

6,377 additional stores in the last three years

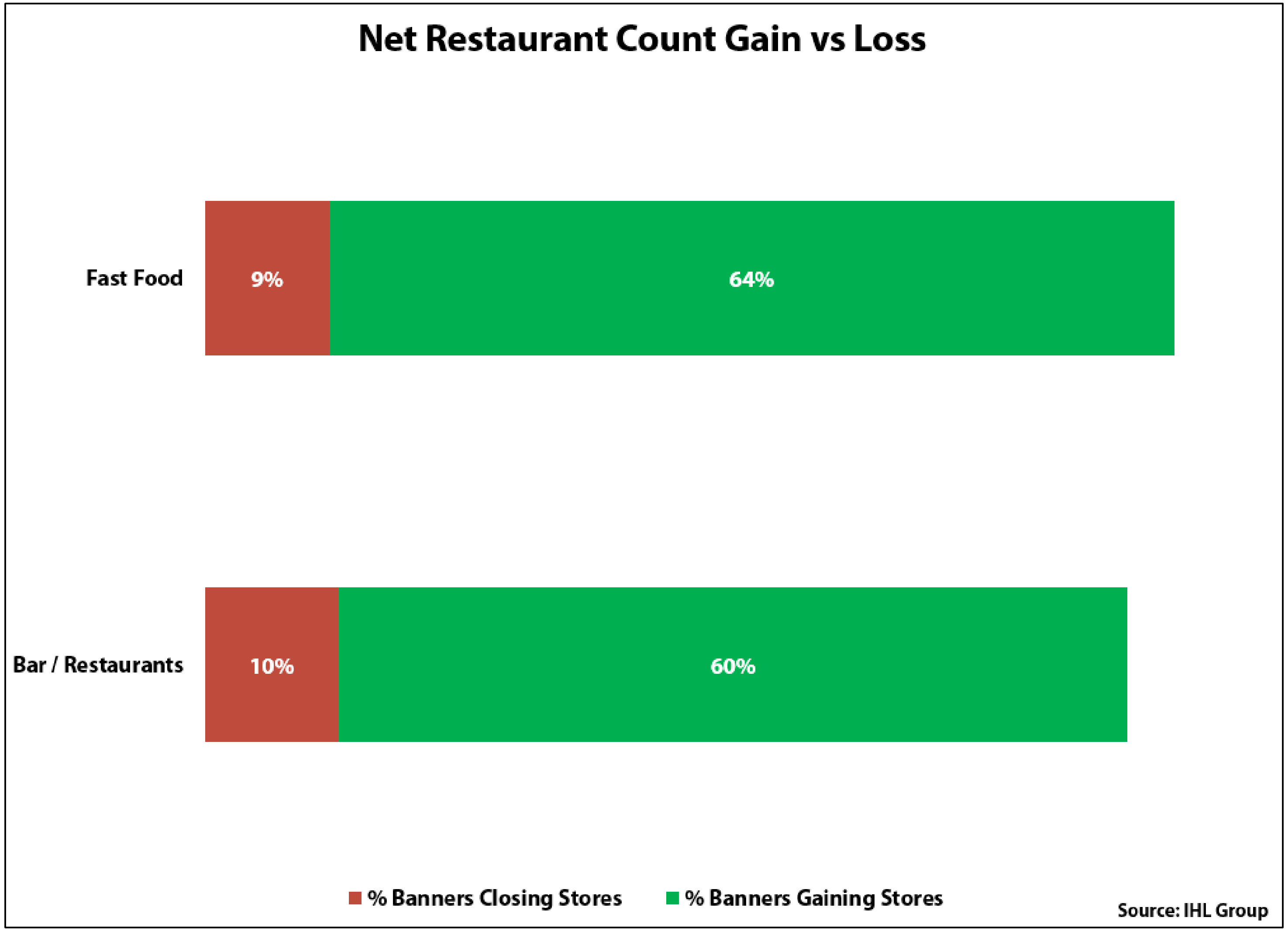
Fast Food Continue Torrid Pace

- This year we reviewed 544 restaurant chains.
- Fast Food will add a net 2,346 restaurants in 2019, while Bar/Restaurants will add another 565.
- For 2017-2019, there were a combined net 6,377 restaurants added, with Fast Food outpacing Bar/Restaurants by a nearly 7:1 margin.
- This is a reflection of income and time pressures on all social classes, along with a rise in healthy eating concepts in both restaurant segments.

Trends Favor Restaurants

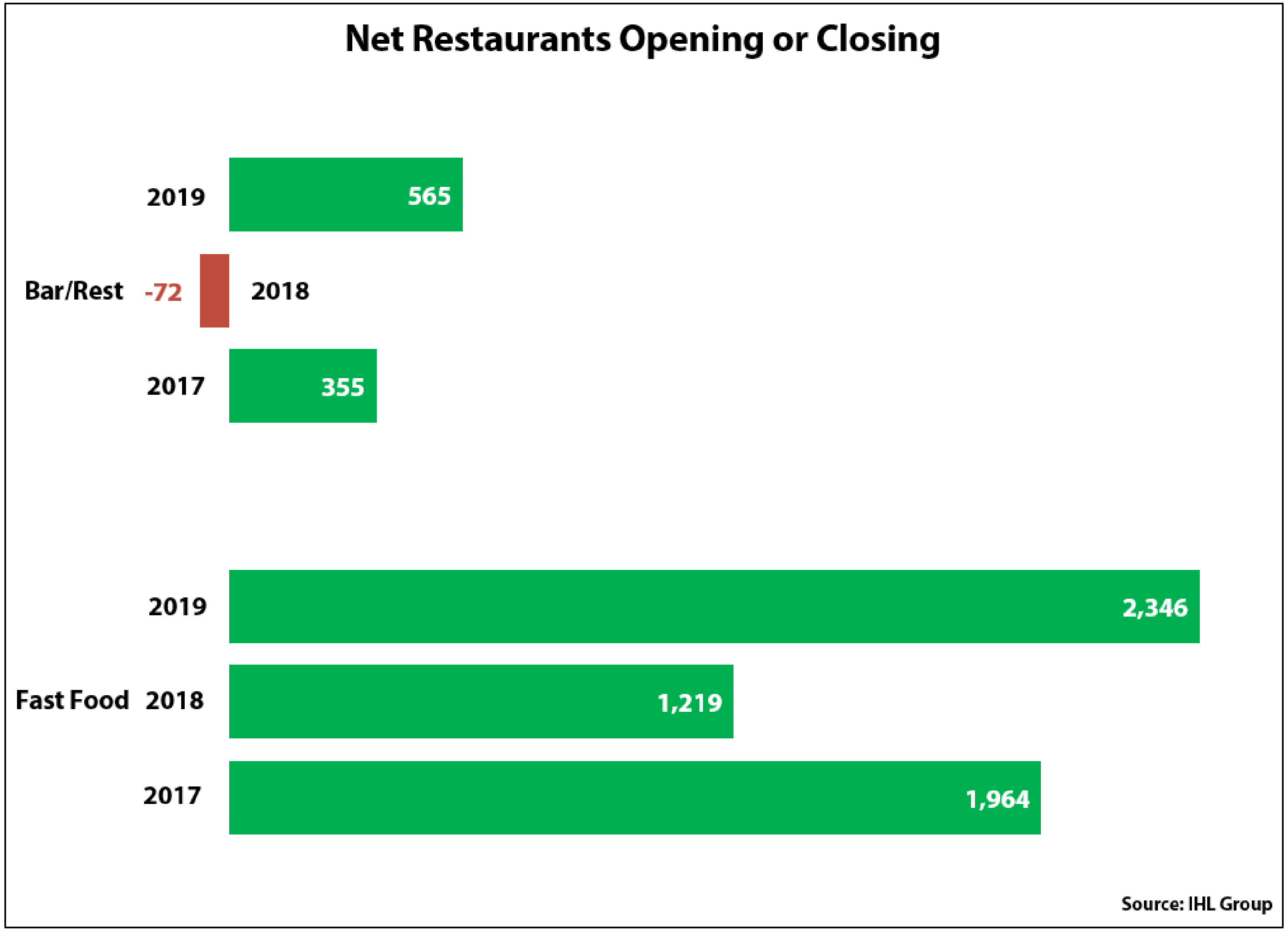
- The increase in mobile order-ahead and delivery options are helping speed the process of restaurant innovation and growth.
- Delivery options provide both opportunity and challenges.

For each company closing stores,
6.3
are opening stores



Restaurant Segments

\+ 6,377 Net Restaurants Opened in the Last 3 Years



Fast Food is King

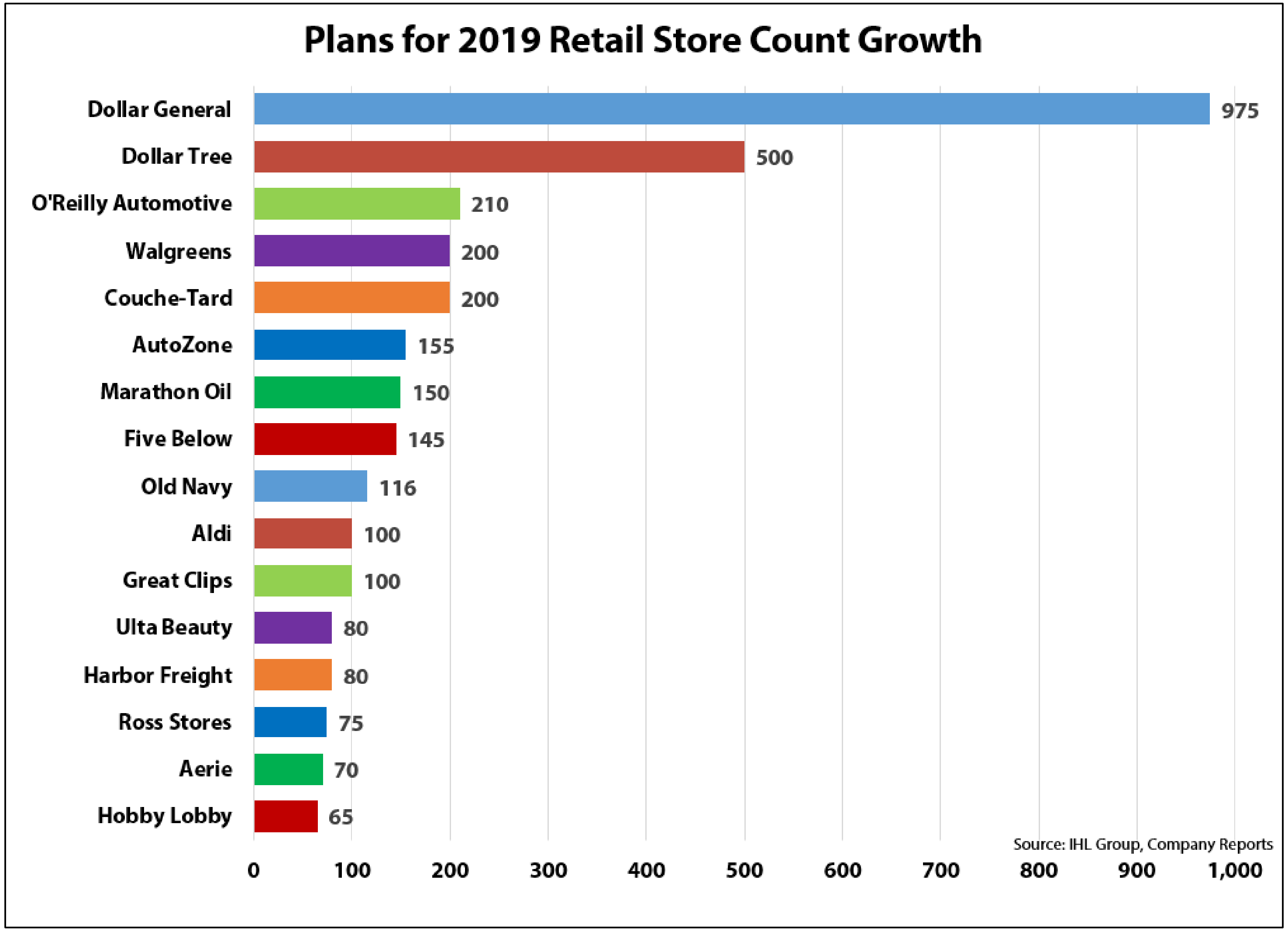
- The 2,346 net openings for Fast Food in 2019 represent just 1.2% of total Fast Food restaurants in 2018. This means there may yet be more market opportunity for them.
- Starbucks (500), Chipotle (150), Dominos (150), Dunkin' (150) and Tropical Smoothies (130) together represent more than half of the of the planned openings for 2019.
- Times have certainly changed in the Fast Food segment. It wasn't all that long ago that most of these restaurants refused to accept any form of card payment, and now one can get Big Macs or Whoppers delivered to one's door.

TSR Growth isn't Shabby Either

- Though Table Service Restaurants show "only" 565 net openings for 2019, this represents 1.1% of TSR's in 2018.
- These restaurants are tasked with not only providing good food, but doing so in an inviting atmosphere in hopes of creating the complete dining experience. Those doing well include Freshii (50 openings in 2019), First Watch (30), Longhorn (12) and Olive Garden (11).

Retail Store Count Growth

Increase of 3,221 Stores for Just 16 Banners



Fast Growing Retailers

- Here we see the makeup of the types of businesses that are growing. They mainly consist of Dollar Stores, C-Stores and various Specialty Hardgoods sub-segments (Auto Parts, DIY).
- It's not all bad news in the Specialty Softgoods segment, as Old Navy, Ross Stores and Aerie are expected to see a combined store count increase of more than 260.
- In contrast to previous years, few of these are the result of acquisition, though there is some rebranding with Dollar Tree (from the Family Dollar banner) and Old Navy (from the Gap banner). Divestitures are captured in next page on reduced number of stores.

Matches the Economy

- We really see growth in stores mostly mirroring what is going on with the incomes of consumers. More discounters, less mid-range or luxury. Increased fuel prices means more opportunities for C-store locations.
- Overall we show 7,962 new stores opened, or 1.2% of 2018 total stores.

Retail Store Count Decline

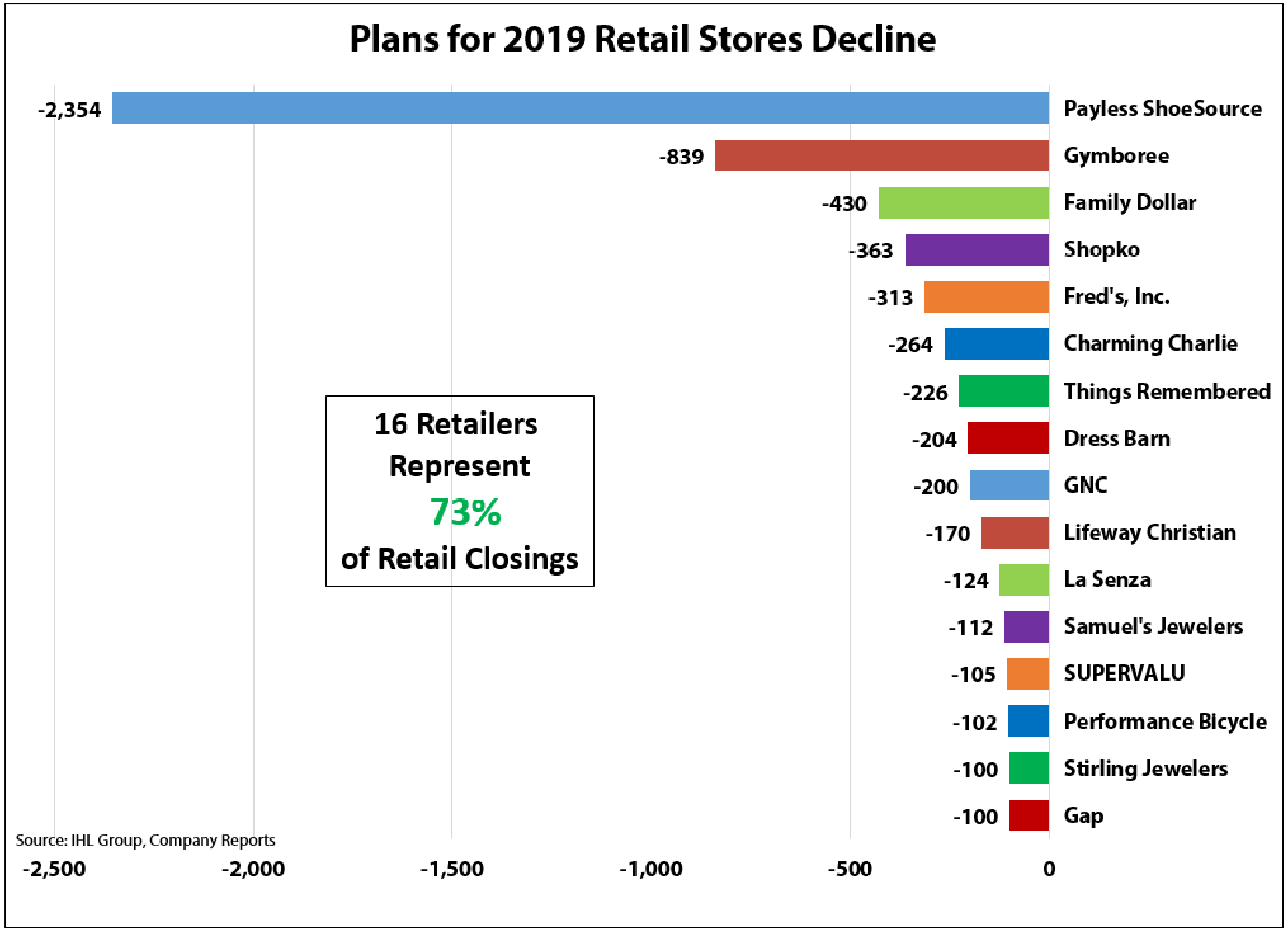
5,780 Net Store Closings from These 16 Banners – 73% of Retail Net Closings

➢ It's Not Systemic…

- Clearly, Payless stands out here, but every one of the other 15 retailers is closing 100 or more stores this year.
- We can't emphasize enough that the closings have been driven by a handful of retailers, not the overall market. These 16 retailers represent 73% of the reported closings.
- In total, we expect 7,908 stores to close in core retail in 2019. This represents 1.9% of 2018's 418,463 stores.

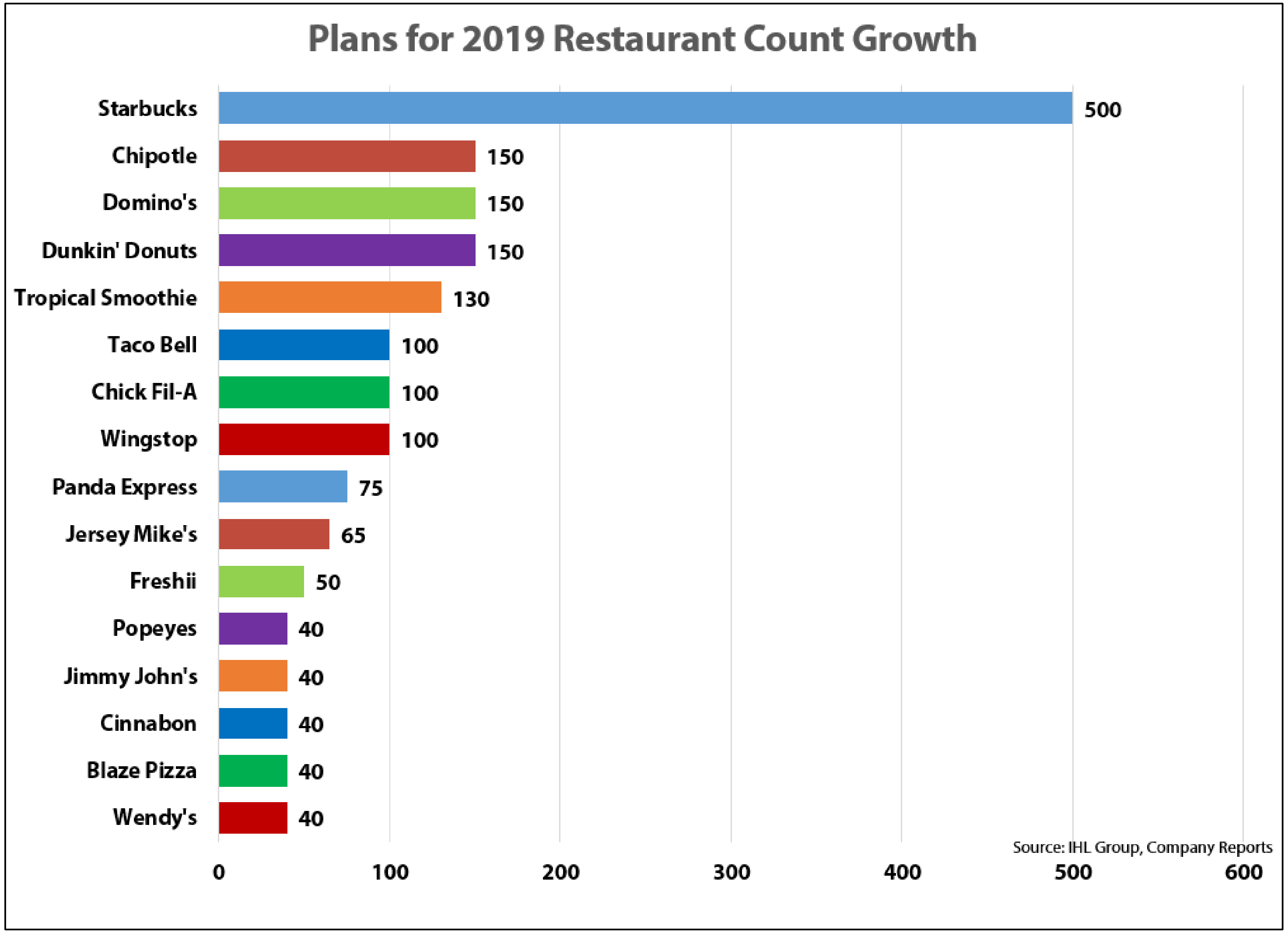
➢ And It's Not the Weather…

- Half of the retailers shown are in the Specialty Softgoods segment, and they populate shopping malls across the country.
- Recent developments have given rise to an interesting phenomena … competition has decreased locally for Softgoods retailers as anchor stores have departed, but with those anchors has gone the traffic upon which the Softgoods retailers depend.
- E-commerce growth is an important part of the equation, and recent IHL research shows that regardless of how quickly e-commerce sales grow, there is still a significant need for stores to support that growth.



Restaurant Count Growth

Increase of 1,690 Restaurants for Just 16 Banners



Coffee Continues to Lead

- Americans love coffee, and 38% of new restaurants in the top 16 (and 21% overall) will have a banner like Starbucks or Dunkin'.
- Tex/Mex (Chipotle, Taco Bell) is next at 15%, but overall they are responsible for only 9% of all restaurant openings.
- Chicken represents 14% of the openings for the top 16, and 8% of all restaurant openings. Chick Fil-A reportedly has an average annual revenue of over $4 Million per location.
- Pizza represents 11% of the top 16 and 8% overall.
- The remaining 22% of the Top 16 (and 54% overall) are attributable to entrants from the other various restaurant sub-segments (Burger, Beverage/Snack, Sandwich, Bakery, etc.).

Driven by Fast Food Growth

- Wingstop is alone in this list as the only player who could be considered a Table Service Restaurant. The other 15 all reside in the Fast Food / QSR segment, which is characterized by a heavy franchise mentality.
- Overall we show 3,351 new restaurants opened, or 1.3% of 2018 total restaurants.

Restaurant Count Decline

361 Net Closings from These 16 Banners – 69% of Restaurant Net Closings

Just a Few Responsible

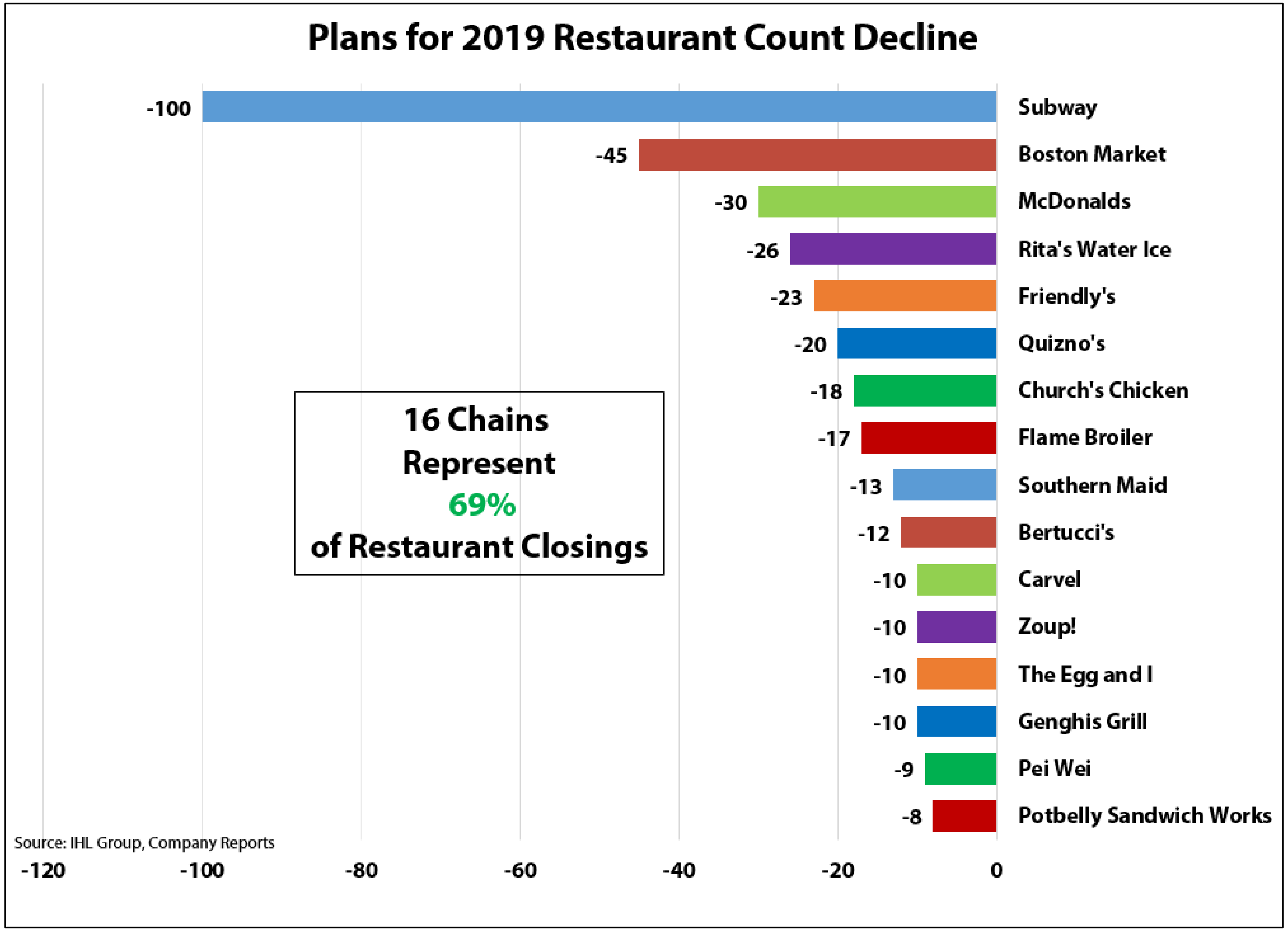
- Restaurant growth, both for TSR and QSR, has been healthy for a while, and here we see most closings across both segments are attributable to just a few chains. Note that only Subway would have made this year's Top 16 (or Bottom 16, if you prefer) in Retail.
- As of now, we anticipate 520 restaurant closings for 2019, which represents 0.2% of total restaurants from 2018.

Big & Small Chains Represented

- Subway and McDonalds have some 43,000 locations between them, so their closings (less than 1% of their total) have little impact on the overall operations of the enterprise. Other chains have less than 100 locations, which means their closings might amount to 20% of their locations, which would result in a significant impact to overall operations.

Again, Closings aren't….

- We mentioned earlier that even good retailers close stores each year. The same is true for restaurants



Bottom Line

- **Mainstream news is in the click-bait business now**
- **Retail is strong but growing and changing - some retailers at risk**
- **Retailers need to invest to stay in business and win**
  - **Tend to your stores -** Keep them up-to-date; Fix your out-of-stocks issues. Customers come because they need items now or more knowledge/experience about products.
  - **Invest –** Leaders are investing in technology at stores at rate 70% higher than average in their segments.
  - **Review –** Update business model; Evaluate every store in the chain (close or invest in underperforming ones); Realize that every out-of-stock translates to lost sales
- **Mall Owners and Property Managers have work to do**
  - **Anchor replacement –** It might involve non-traditional replacements to drive traffic
  - **Lease Review –** It is more complicated than just $/SQFT
  - **Infrastructure –** Successful retailers need more than just run-of-the mill support

Invitation to Other IHL Research

A detailed list of openings and closings with 3 years of data and forecast for 2020 for 1,660 companies in this research can be found [here](#) for a nominal price of $349.

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Methodology

For this research we relied on a few specific sources. The first was the US Census for Retail Trade and the monthly retail sales numbers that are released. For this research we relied on the version that was released on July 16th that shared retail sales through June of 2019. We track this data monthly from the US Census and realize the current figures can be adjusted up or down when the following month's results come out; we wanted to provide the latest data knowing that it may change. As an FYI, when June's data was released, May's figures were revised downwards slightly, so it is likely the figures in the report on sales growth are conservative.

The second primary resource was our Sophia Data Service for North America. Here we track over 2,700 North American retailers and restaurants. We started with that list and then eliminated those with fewer than 50 locations or which were in hospitality segments that differed from those that are included in the US Census for Retail Trade. We then reviewed each entry to make sure we properly identified the differences between enterprises and banners. Conglomerate companies that have many retail banners were sorted and the banners (and their respective segments) were researched so that we did not have double counting. This got us down to 1,660 banners with more than 50 locations as of 7/31/2019.

From that our research team set out and looked at press releases, leveraged the public Fung Global Retail & Technology data, company websites, SEC filings, and many different ways to find the data on store counts and increases/decreases for each of these companies. As this is our third year for this study we had the benefit of full year results after our 2018 predictions. In total, our end store count predictions based on 668,229 locations were off by less than 2,480 stores, or about 0.4%. We face a similar challenge this year with the expansion to over 675,000 retail and restaurant locations at press time.

In our research we look at net opens and closings per retailer. A retailer that opened 10 stores and closed 2 was counted as +8. We did not keep track of every store opening and every store closing, but rather the net change per retail banner. Those were then compiled in aggregate for the results.

Appendix – Segment Definitions

For this report, we break the data down by segments to review what's happening. Below is a list of those segments included in this research with some sample retailers.

FDCM

- **Food / Grocery** – Kroger, Safeway, Trader Joe's, Wegmans, Whole Foods
- **Drug Stores / Cosmetics / Beauty / Vitamins** – Walgreens, CVS, Sephora, Ulta, Vitamin Shoppe
- **Convenience / Gas / Forecourt** – 7-Eleven, Circle-K, WaWa, Racetrac
- **Mass Merchants / Superstores / Warehouse Clubs** – Walmart, Target, Dollar General, Costco, Five Below, Sam's Club

GMS

- **Department Stores –** JC Penney, Sears, Kohls, Beall's, Macy's
- **Specialty Softgoods –** H&M, Zara, Abercrombie, Aeropostale, Gap, TJX
- **Specialty Hardgoods –** Home Depot, Lowes, Best Buy, Rooms to Go, AutoZone

Restaurants

- **Bar/ Table Service Restaurants –** Applebee's, Chili's, Cheesecake Factory
- **QSR / Fast Food** – McDonald's, Subway, Burger King, Starbucks, Taco Bell

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Thank You

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