

## CHANGES IN THE ONLINE RETAIL SECTOR

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**W**e have had a very rainy January and February, which should lead to a beautiful springtime. But with all of this rain coming after the massive fires at the end of last year, the floods have followed. What does this have to do with fashion and the retail economy? Well, this may just have a negative impact on certain sectors of the economy. The construction industry and retail home centers will see a surge in business as the rebuilding process starts to take hold.

Retail has been performing well after a strong 2018, with a record-breaking holiday season followed by continued growth in 2019. I expect this year will be good for retail, but the growth rate will not match 2018's. The economy historically has done well when we have a divided Congress because not much gets done in Washington, which provides businesses with a certain degree of confidence.

We can look back on 2018 and see that we had the lowest unemployment rates in 50 years and a tax cut that has stimulated the economy, with consumers having more money in their pockets to either pay down debt or spend more on goods. Consumer confidence is high and that's good for retailers. With the low unemployment rate,

we're seeing wages on the rise and, as I talk with employers, they are finding that it is more difficult to hire now than it was several years ago.

My prediction in 2018 was that online retailers were going to continue to grow at 15 percent per year, and they did hit that target. Millennials are big online shoppers, and the iPhone and iPad will drive the business. Furniture online sales are growing nicely and that trend will continue. What I did not predict was the tremendous growth in the cannabis business. As more and more states are approving the sale of marijuana products, the industry is in a rapid growth phase.

While we can expect more retailers to look for growth in their online businesses, this comes with a great deal of concern. At Marcum, we are working with many of our online retail clients to help them deal with cybersecurity issues. The Marcum Retail Symposium on May 9, 2019 will have several experts in the industry discussing how businesses must protect their customers' information from theft. We are hearing on the news how large businesses are being hacked, with millions of records being stolen. Nobody can afford this risk.

My opinion from last year is that nothing ever stays the same. Retailers and manufacturers must be innovative in their approach to growing their brands. We live in a time where social media is a must. Know your customers and understand how they will respond to your marketing campaigns. I am a true believer in hiring the right professionals to help you grow. Public relation firms will help those companies that cannot do this internally, but PR is crucial for any business that wants to brand itself. The more contacts you have with the customer, the greater the chance for a sale.

Also, stay ahead of the curve and change as your customer changes. Today's prod-

uct will not be tomorrow's. I like to tell the story of a client that my firm had that manufactured a lady's pant, which was the hottest item in the market at the time. The company grew steadily on just this one pair of pants, and customers kept buying it. The problem was that the customer got older, and eventually that generation passed away. The company also passed away because it never adapted to a new audience. Change is necessary—today even more so than in generations past.

My final thought about what we can expect for 2019: Experience, entertainment and innovation. This will be a continuation from 2018. Shoppers want an experience in stores, they want to shop where they can be entertained and they want to see innovation. Retailers will have to make it easier for shoppers to buy. This may include shipping the product directly to the home or office on the same day. Music and wine and cheese parties for the customer are big winners. Private sales for your best customers before the general public are also big winners.

My concerns for 2019 include a potential rise in interest rates by the Federal Reserve. One sure way to slow down the economy is to raise the cost of money. We also have tariffs that could have a major impact of the cost of products coming from China. As I am writing this article, Chinese and U.S. representatives are negotiating a trade agreement to avoid the increase in tariffs. I expect some good results from these negotiations, but any negative results will have a major impact on our economy. Tariffs will elevate the cost of everything, and you can bet the importers will pass on some of this cost to the consumer, thus reducing potential sales.

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