

Puget Sound Business Journal

With Seattle-area retail sales results in, Amazon is 'just having everyone's lunch'

Puget Sound Business Journal
By Coral Garnick
24 March 2017

© 2017 American City Business Journals, Inc. All rights reserved.

Annual financial results are in from all of the Seattle-area's publicly traded retailers, and they offer a clearer picture of what brick-and-mortar retailers are facing across the country.

Amazon.com has been drawing business away from national retailers for years. Macy's, J.C. Penney and other retailers recently announced store closures in an effort to overhaul their retail strategy and strengthen operations as customers lose interest in malls and shop more online.

"Amazon is the gorilla out there," said Ron Friedman, co-head of retail at accounting and advisory firm Marcum. "They are just having everyone's lunch. ... Costco, Nordstrom, Macy's just can't keep up with what Amazon is doing."

Amazon's retail sales jumped 19 percent last year. Most brick-and-mortar stores, on the other hand, faced slowing or declining in-store sales as well as slowing online sales. The exception is Costco, which has implemented online offerings at a more cautious pace.

Friedman says traditional retailers are going to have to step up and make in-store shopping more of an experience.

Nordstrom Inc. has tried pop-up stores within stores. Friedman also gave the example of a recent event in Los Angeles where Nordstrom brought in a band and served cocktails from 5 p.m. to 7:30 p.m.

"It was a personal shopping experience," he said. "You have some wine and shop and it was successful."

Meanwhile, the National Retail Federation estimates online sales will grow by 8 to 12 percent in 2017, up to three times higher than the growth rate expected for the wider retail industry.

Amazon captured about half of the online sales growth in the U.S. last year though, according to a report from Slice Intelligence.

Traditional retailers will have to up their online game to try and keep up, Friedman says.

"The key to online business is to figure out who your customer is and then get the data to directly drive your business model toward them and place your webpage in front of them," he said. "If I buy something on Amazon — every few months they send me an email to see if I need to reorder it. They know my buying habits."