The great retail bifurcation
Why the retail “apocalypse” is really a renaissance

We looked at the US economy to see how it’s performed over the past decade, and dug deeper into the retail industry through a macro lens. What we found told the story of a robust economy and a retail industry thriving across both brick-and-mortar and online channels.

...And incomes have climbed back to 2007 levels.

The retail industry has shown consistent growth across channels...
Both online and brick-and-mortar are contributing significant absolute dollar growth to overall growth.

...Yet industry reports and news headlines seem to point to a struggling, or even failing, industry.

“DEPARTMENT STORES HAVE LOST MORE JOBS THAN COAL MINES”
“MAJOR WALL STREET FIRM EXPECTS 25% OF US MALLS TO CLOSE BY 2022”
“RETAIL BLOODBATH: BANKRUPTCY FILING RILES UP”
“What in the world is causing the retail meltdown of 2017?”
“RETAIL APOCALYPSE: 20 Big Retailers Closing Stores in 2017”
“What will become of the retail worker after the ‘apocalypse’?”

So what is everyone missing? Consumer economics and associated behaviors have changed dramatically over the last decade.

During 2007-2016, the highest cohort’s income grew more than the lowest cohort’s income.

High-income consumers own 93% of stocks

The bottom 80% of lower-income consumers have received only 7% of capital gains since 2007

The income gap is widening. High-income consumers are the only ones to see an increase in disposable income.

The industry is showing weakness in some areas while also demonstrating strength in others. This divergence is what we refer to as the great retail bifurcation, and we view the change as highly related to changing consumer economics.

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