

E-Commerce

INDUSTRY OVERVIEW

E-commerce was an extremely popular method of purchasing during the holiday period. Throughout 2013, many retailers focused on offering an omni-channel presence to shoppers, allowing for a seamless shopping experience between stores and websites. In addition to showrooming, whereby customers picked out products in stores and then purchased online at a lower price, webrooming has also become popular, where customers first research a product online, and then go to the store to purchase it. Mobile shopping also increased during the holiday season, with more customers shopping via tablets and mobile phones. Promotions have been prevalent, as retailers remain competitive.



TREND TRACKER

Three month NOLVs	Mixed ↕
Sales Trends	Consistent/ Increasing ↑
Gross Margin	Mixed ↕
Discounting	Increasing ↑

NOLVs: NOLVs have ranged from decreasing 0.5 percentage points to increasing up to 0.5 percentage points, depending on the product offering and business model.

Sales Trends: Overall, e-commerce sales trends have been increasing, particularly in the direct segment of multi-channel retailers, driven by expanded merchandise offerings, improved websites, and customized promotions. Those companies that have not been experiencing increases have experienced poor sales overall.

Gross Margin: Many companies have experienced flat product margin results, or increases. Increases have been due to product mix, as well as a shift to more free shipping offers and subsequently lower product discounts.

Discounting: Discounting continues to be an important tool to drive sales based on a competitive marketplace, with many retailers highly promotional during the holiday season in particular.

KEY INDUSTRY DRIVERS

- **Competition:** Amazon dominates the online sector, as it continues to expand and evolve its business. In order to compete, many retailers have expanded into marketplace sales, whereby products are offered on a company's website; however, the company does not own the product and the order is fulfilled by a third-party. Taking this one step further, it was recently announced that major department stores and specialty retailers could be offering product on Amazon in the near future. Examples include J. Crew and Lord & Taylor. Products would reportedly be showcased on Amazon; however, when customers click on the links, they would be redirected to the retailers' own websites.
- **Leverage multi-channel:** Given the competition in the industry, as well as to compete with Amazon's Prime option, which allows customers to pay a yearly flat rate for free two-day shipping, many retailers have been working to leverage multiple channels, highlighting the ability to fulfill online orders from distribution centers as well as store inventory. Other retailers have worked to showcase the convenience of ordering online and picking up at a store location, or allowing customers to return purchases made online to store locations.
- **Business models:** E-commerce companies are always looking to start the next new trend to attract customers. When members-only flash-sale websites came on the scene a few years ago, they changed the e-commerce game. The exclusivity drew consumers in, and the limited-time-only sales events created a sense of urgency. As this model has matured, it has faced saturation. Recently, some companies started offering personal shoppers, as well as subscription services where a customer can elect to have a monthly or repeated order. Examples include companies such as Stitch Fix and Birchbox, which ask customers questions regarding their preferences and budget. Through Stitch Fix, a personal stylist hand-picks clothing to send to the customer, who then decides if they wish to purchase or return the items. Birchbox sends a sampling of cosmetics and other products.

SALES TRENDS

The following table illustrates e-commerce sales as a percentage of total retail sales, as well as the year-over-year change in e-commerce sales dollars, as reported by The U.S. Commerce Department:

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
% of Retail Sales	6.0%	5.9%	5.7%	5.5%
Change Year Over Year	16.0%	17.4%	18.2%	16.4%

Source: www.census.gov/retail. Results are revised estimates, as outlined in the most recent press release for the fourth quarter of 2013.

OUTLOOK

During 2014, e-commerce will continue to grow as a percentage of retail sales. Retailers will continue to attract customers through all avenues, be it online, in stores, or through m-commerce. Companies will continue to look for that next new trend to grow their customer bases and drive sales.

Experience

GA is one of the largest liquidators of retail inventory and has been involved in a variety of liquidations, ranging from the disposition of excess inventory and the closing of underperforming stores, to full-scale liquidations of national retailers with hundreds of stores. GA has experience with full and partial liquidations of companies throughout a variety of retail sectors, some of which are detailed below:

Lillian Vernon	Linens 'N Things	Circuit City	Tower Records
Bakers	Fashion Bug	Mervyns	Payless Shoe Source
Fortunoff	Borders	Whitehall Jewelers	A&P
Ritz Camera	Boot Town	Eddie Bauer	Macy's

These experiences, in addition to numerous others, provide GA with valuable insight into the market trends and the consumer response that can be expected in a liquidation. They give us an understanding as to recovery values that can be achieved for retailers within these industries. In addition to this liquidation experience, GA has worked with and appraised numerous retailers, including industry leaders within each sector. While our clients remain confidential, GA's extensive list of appraisal experience includes:

- Several e-commerce and multi-channel retailers, as well as flash sale websites and auction websites. In particular, GA has appraised 71 of the top 500 e-commerce companies as reported by *Internet Retailer*.
- Direct marketers and multi-channel retailers in a variety of industries.
- Numerous retailers of apparel and accessories, including major department store retailers and a variety of specialty retailers that are found in malls throughout the country.
- Leading off-price retailers of apparel and accessories, including major national and regional chains.
- Retailers of consumer electronics, including smaller, more localized chains, as well as regional, national, and international retailers with close to 4,500 store locations.
- Many jewelry retailers, including one of the largest in the United States, with locations throughout the country.
- Major national and regional discount and dollar stores, including one of the country's largest chains, with over 10,000 stores.
- Leading book retailers, including one with over 700 store locations and sales of upwards of \$4.5 billion.
- Sporting goods retailers that specialize in a number of products, including those for outdoor sports, recreational ball sports, hunting, camping, and fishing, and a variety of other equipment for outdoor enthusiasts.
- Major regional grocery store chains including one with a store base of close to 400 and net sales of nearly \$8.0 billion, as well as smaller local grocery store retailers and pharmacies.

In addition to our internal personnel, GA maintains contacts within the retail industry that we utilize for insight and perspective on recovery values.

Appraisal & Valuation Team

BUSINESS DEVELOPMENT



Mike Marchlik
National Sales & Marketing Director
mmarchlik@greatamerican.com
(818) 746-9306



Ryan Mulcunry
Executive Vice President - Northeast Region, Canada & Europe
rmulcunry@greatamerican.com
(617) 692-8310



David Seiden
Executive Vice President, Southeast Region
dseiden@greatamerican.com
(770) 551-8114



Bill Soncini
Senior Vice President, Midwest Region
bsoncini@greatamerican.com
(312) 777-7945



Drew Jakubek
Managing Director, Southwest Region
djakubek@greatamerican.com
(972) 996-5632



Jennie Kim
Vice President, Western Region
jkim@greatamerican.com
(818) 746-9370



Gordon Tittle
Director of Valuations, GA Europe Valuations Limited
gtittle@gaeurope.co.uk
+44 (0) 20 7318-0574

OPERATIONS

John Bankert
President
jbankert@greatamerican.com
(781) 429-4054

David Triompo
Managing Director, Consumer Products
dtriompo@greatamerican.com
(781) 429-4067

Tracy Foohey
Associate Director
tfoohey@greatamerican.com
(781) 429-4059

Matthew Gins
Project Manager
mgins@greatamerican.com
(818) 746-9386

Nicole Hines
Project Manager
nhines@greatamerican.com
(781) 429-4072

Robert Vaughn
Associate Project Manager
rvaughn@greatamerican.com
(818) 746-9351

Kipp Visi
Associate Project Manager
kvisi@greatamerican.com
(312) 777-7957

Louise Shimazu
Associate Project Manager
lshimazu@greatamerican.com
(818) 746-9339

About Great American Group

Great American Group is a leading provider of asset disposition solutions and valuation and appraisal services to a wide range of retail, wholesale and industrial clients, as well as lenders, capital providers, private equity investors, and professional services firms. GA also offers the *UK Retail Monitor* via its subsidiary, GA Europe Valuations Limited.

Headquarters

21860 Burbank Blvd. Suite 300 South
Woodland Hills, CA 91367

800-45-GREAT

www.greatamerican.com