



National **Retail** Federation

The Voice of Retail Worldwide

Pulse of the Ports: The Retail Perspective

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2006 Retail Sales

- 2006 Sales: 6.3% increase for the year.
- 2006 Holiday Sales: 4.4% increase over 2005.
 - Internet sales and luxury retailers outperformed; resurgence of department stores.
 - Internet Sales: up 26% over last year (5-7% of total retail sales).
 - 2006 Holiday Gift Cards: \$24.8 billion in sales, a 6.3% jump over 2005.
 - 40% redeemed in January, representing a 3-4% bump to January sales.
 - Gift Card trend lengthens shopping season, drives January sales.



2007 Retail Sales Outlook

- “Soft landing” projected for 2007, moderate sales gains of 4.8% projected for the year.
 - Slow steady gains expected throughout the course of the year.
 - Keep in mind retail imports are growing at a much faster rate than retail sales with roughly 10% anticipated growth in 2007.
 - There has been a 60% growth in the value of imports from 2002 through 2006.
- How much will the deterioration of the housing market impact consumer spending?
 - Building material sales down 7% year over year, additional impact on furniture and home furnishings sector.
 - Significant retail indicator, likely to also be a drag on other retail sectors.
 - Many consumers have tapped their home equity and are seeing their adjustable rate mortgages rising and with less disposable income affording big ticket purchases may be more difficult.
 - Retailers catering to lower to mid-level consumers will face a challenging environment.
- Consumer Spending Patterns: Smart Shoppers
 - Consumers shop around for value and price: trading up/trading down phenomenon, difficult to track.
- Holiday Outlook 2007
 - Accelerated growth throughout the year bodes well for holiday season.
 - Continued growth by online, luxury retailers, department stores.



NRF/Global Insight Port Tracker March 2007

- Slow season is on its way out, March container volume at the Ports of LA and Long Beach up 11% over February volume; strong rebound out of slow season.
- Container volume is predicted to positive through July 2007 but growth is expected at a slower rate than 2006.
- July 2007 is expected to reach the same level as last year's peak record volume month in October.



Retailer Strategies for 2007 Peak

- Peak imports moving earlier: July 2007 vs. October 2006.
 - Increased planning and greater integration of merchandising and distribution strategies.
 - Better understanding of costs and alignment of needs with appropriate service levels to drive value.
 - Earlier peak provides retailers with enhanced flexibility, less risk but more inventory at higher cost.
 - Better forecasting of sales and supply chain conditions and information sharing within retail companies and with carriers.



Retailer Strategies for 2007 Peak

- Managing risk is all about having options
 - Port Diversification
 - Greater utilization of Seattle/Tacoma, Oakland, all water routes to the East Coast, particularly in the Southeast.
 - Long term: significant interest in new ports in Mexico (Lazaro Cardenas) and Canada (Prince Rupert).
 - Better use of technology to keep inventory flexible.
 - Increased container productivity.
 - Allocation of inventory on water.



Retailer Wish List for 2007 Peak

- Spread out vessel sailings and arrivals; additional first-call sailings;
- More container-handling equipment;
- Better management of free time and dwell time;
- Enhanced cargo visibility;
- Continued use of off-hours operations and appointment system; and
- Use of chassis pools.



Looking to the Future

- Retailers are committed to finding long-term solutions to infrastructure and environmental challenges at the Ports of LA and Long Beach.
- 3/26/07: NRF-endorsed white paper released regarding infrastructure development and financing and improvement of harbor drayage trucking fleet.
 - Text can be found on the Waterfront Coalition's website: www.portmod.org