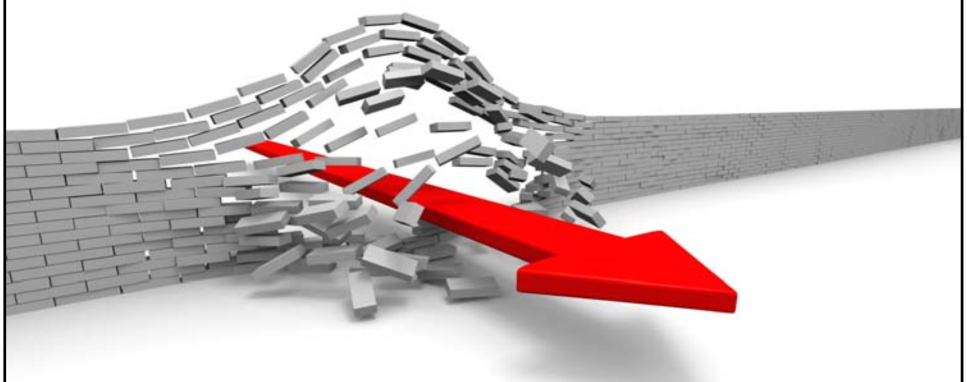


Insights into Retail Disruption and its Impact

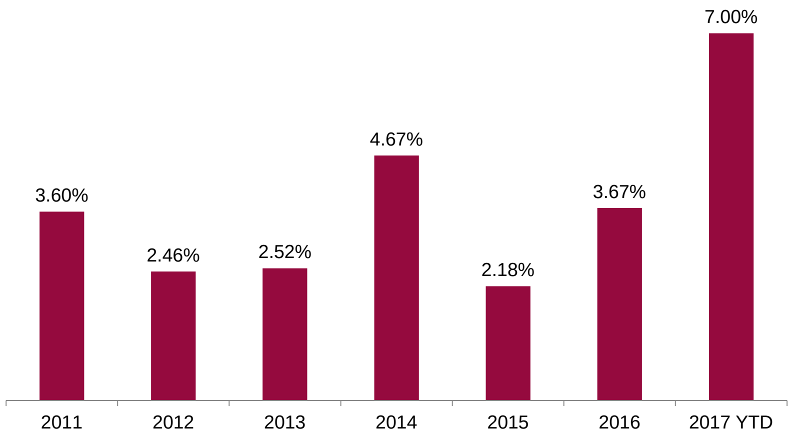
December 2017

J.C. WILLIAMS GROUP

J.C. WILLIAMS GROUP

J.C. WILLIAMS GROUP

Canadian Retail Growth



Source: Statistics Canada

3

J.C. WILLIAMS GROUP

Canadian Retail and Growth

4

J.C. WILLIAMS GROUP

5

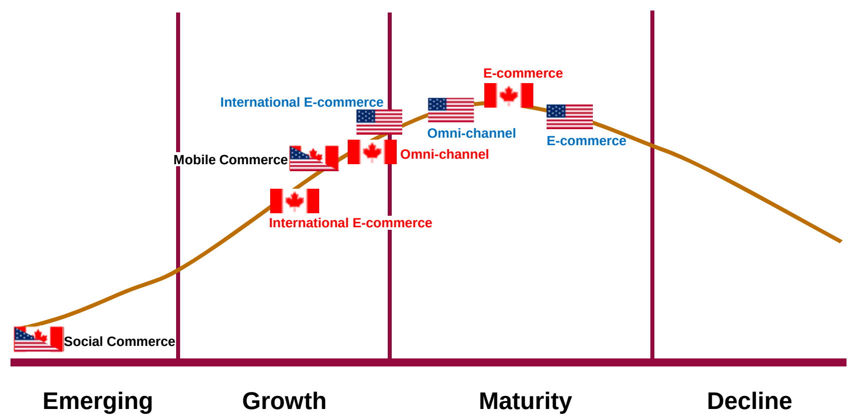
J.C. WILLIAMS GROUP

Omni-channel = Retail

6

J.C. WILLIAMS GROUP

Omni-channel on the Rise



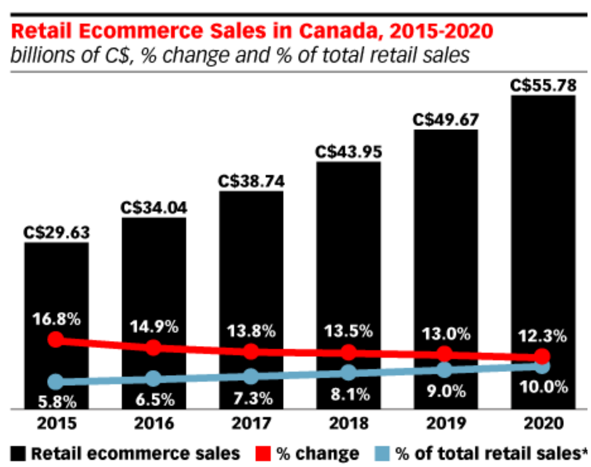
Source: J.C. Williams Group

7

J.C. WILLIAMS GROUP

E-commerce – $38B Industry

- Penetration: 6–7%
- Growth rate: +14%/year (CAGR)



Source: eMarketer

8

J.C. WILLIAMS GROUP

Mobile Penetration

- 85% of Canadian households have a cell phone
- 76% of Canadians have a smartphone (2016)

9

J.C. WILLIAMS GROUP

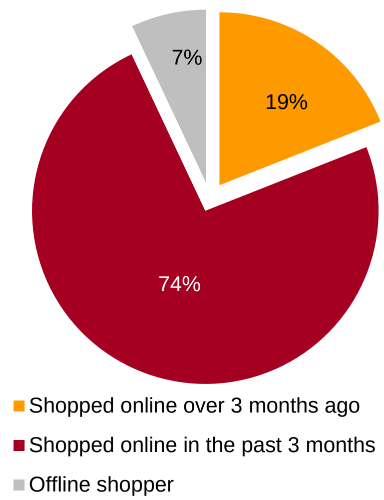
Pulse of the Canadian Retail Market

RetailWATCH

- Canadian E-tail Report – tracks 5,000 Canadian consumers' digital shopping annual
- Partnership with Environics Analytics

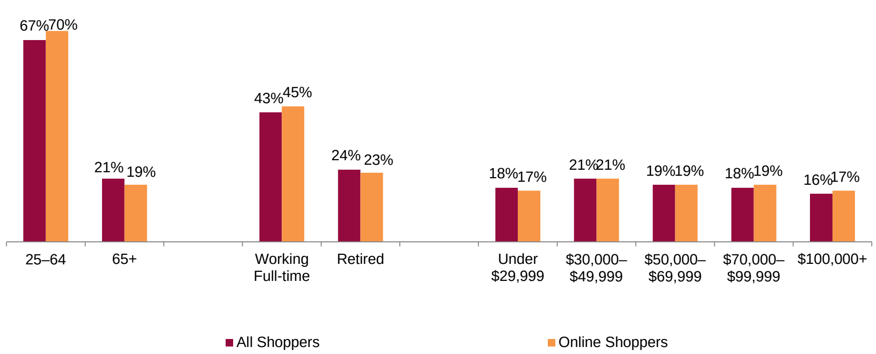
10

Online Shoppers



Online Shopper Mirrors the Population

- Online activity is widespread



© J.C. Williams Group

E-commerce Penetration (Spend)
by Category

J.C. WILLIAMS GROUP

Food is the Next Frontier

- Largest regularly purchased category
- Ripe for disruption
- 28% of Canadians have bought food online

© J.C. Williams Group

Loblaw launches home delivery, but braces for 'difficult year'

The Globe and Mail (Alberta Edition) 16 Nov 2017 +21 more MARINA STRAUSS RETAILING REPORTER

Grocery chain begins plan to compete in retail shift to e-commerce, and sees rising costs

Loblaw Cos. Ltd. is taking big steps to compete in an e-commerce world, and warning the changes will come at a cost.

The country's largest supermarket chain said on Wednesday it is launching home delivery of groceries in two major cities and shutting 22 unprofitable stores as it takes on rapidly shifting consumer preferences along with rising labour costs.

Loblaw is teaming up with the U.S. delivery technology startup Instacart to begin fresh food and other grocery shipments to customers beginning Dec. 6 in Toronto, and early next year in Vancouver before it rolls out more broadly. The service will come with premium prices and delivery and service fees.

The store closings and other efforts are aimed at helping

A Loblaws store at the East Mall in Toronto is seen on Wednesday. The grocer has yet to disclose its home-delivery prices.

Loblaw find ways to shave expenses and gear up for multiple financial pressures that retailers will feel in 2018, including rising consumer demand for e-commerce, higher minimum wages in Ontario and Alberta – and possibly elsewhere – and generic-drug

15

J.C. WILLIAMS GROUP

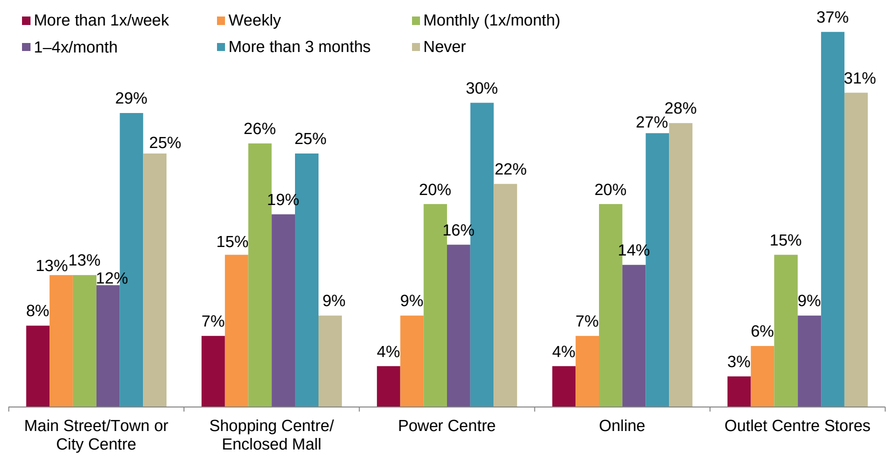
Amazon is a Force

- Last online purchase
  - Fashion – 17%
  - Footwear – 17%
  - Food – 23%
  - Health and Beauty – 26%
- Access to Prime – 29%

16

J.C. WILLIAMS GROUP

Shopping Location Visit Frequency



J.C. Williams Group RetailWATCH - Canadian E-tail Report

Q: How frequently did you visit the following locations AND make a non-grocery related purchase through this location, in the past 3 months?

17

J.C. WILLIAMS GROUP

Consumers

- Continue to move orders online
- Search the world for products they want
- Look to stores and malls for:
  - Immediate gratification
  - Place to experience, not just buy
  - Source of information
  - Engagement/community
- Facilitated by technology
- Judge cities/communities by retail strength

18

J.C. WILLIAMS GROUP

IMPACTS ON RETAIL

Cities and Developers

19

J.C. WILLIAMS GROUP

Issues for Real Estate

- Loss of suitable tenants
- Growth in power centres is slowing
- Retail growth clearly going online
- Rents – where is the sale made?
- Smaller footprints, newer formats
- Re-create the mall

20

Affects on Malls

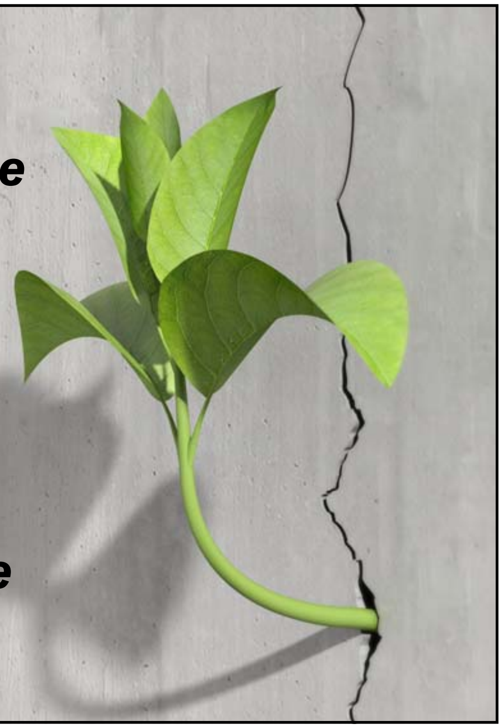
- Class A malls
  - Still strong
  - Where rationalized outlets want to be
  - High levels of rent negotiation (lower in-store productivity)
- Class B and C malls
  - Decreasing levels of traffic
  - Losing chain stores, so accept independents
  - Rents decrease
  - Many not investing, so mall's value decreasing

New Approaches

- Redevelopment and re-tenanting
- Retail uses:
  - Food retail
  - Food service and entertainment
- Non-retail uses:
  - Entertainment (beyond theatres), game centre
  - Medical and related
  - Child daycare and camps
  - Learning and schools
  - Residential
  - Cultural
  - Markets
  - Civic: hall, libraries

© J.C. Williams Group

“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.”



J.C. WILLIAMS GROUP

GLOBAL RETAIL ADVISORS

Maureen Atkinson
matkinson@jcwg.com
www.jcwg.com