

## 2018 IN REVIEW

By Ron Friedman, Partner, Assurance and Advisory Services, Marcum, LLP



**H**ello again and Happy New Year to all! It has been a while since my last article, and a lot has happened with our economy in the intervening weeks. So, let's get started with a review of 2018, which is coming to an end as I write. By the time you read this, the results will be in for Holiday Season 2018, and I expect that retailers will be smiling. The year will wrap up as I predicted 12 months ago, when I anticipated that 2018 would be a strong year for manufacturers and retailers of consumer products.

Black Friday is one of the leading indicators as to how a given year turns out for retailers. Traditionally, retail profitability (or not) on the day after Thanksgiving has been considered a bellwether for the year as a whole. Today, I would not say that is the best way to judge profitability because it is virtually impossible to make up for 11 months of losses

in a single day or even a good holiday season; profitability is a year-round necessity.

That said, Black Friday 2018 was a record-breaker, with reports as high as \$23 billion, followed by Saturday's Support Your Local Retailers, Cyber Monday, and Charitable Giving Tuesday. Sales for these days also beat all-time records, as more consumers spent the dollars they have been saving from lower tax rates for most Americans.

What are some of the factors that led us to this great holiday spending season? Tax cuts have stimulated the economy, and big corporations are investing in their businesses. We are currently experiencing the lowest unemployment rates in the last 50 years. Companies are not able to hire enough staff to fill all the positions they have available, salaries are on the rise, and consumers have more spendable dollars. Consumer confidence in the economy is reaching highs we haven't seen in many years. These trends combine to make for a strong retail environment.

But not everything was rosy in 2018. We saw a number of financial failures, which led to bankruptcy filings for Agaci, Bon-ton, Charlotte Olympia, The Walking Company, Claire's, Remington Outdoor, Southeastern Grocers, Nine West Holdings, Rockport, Samuels Jewelry, National Stores, Brookstone, Mattress Firm, Toys R Us, and Sears. Some were caused by excessive debt, compounded by the failure to keep up with the changing buying habits of the consumer. More retail stores is not the answer; moti-

vating shoppers is what's needed. Today's brick-and-mortar retailers need to add more to the shopping experience than just products. In my previous articles, I have discussed some of the ways malls are tackling this challenge, including adding more restaurants, movie theaters, concerts, and other non-traditional mall experiences.

We are going to see more brick-and-mortar stores adopting social media and e-commerce to their platforms to meet the needs of the customer. We have been advising our retail clients to budget more to grow their online businesses. This will require hiring experts inside the company and using consultants with the expertise to supplement their staff.

In keeping up with the new changes required to be a successful retailer, Marcum will be presenting our third retail symposium on May 9, 2019, at the JW Marriott in Los Angeles. Our media sponsor, Fashion Manuscript, and Jeff Mann are working closely with the Marcum team to ensure our 2019 event continues to lead the dialogue about the future of retail on the West Coast. Be sure to save the date—more information to follow.

Until my next article, remember that if you are not having fun, then do something else.

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