

MISCELLANEOUS RETAILING: Downtown Federal Way

INTRODUCTION

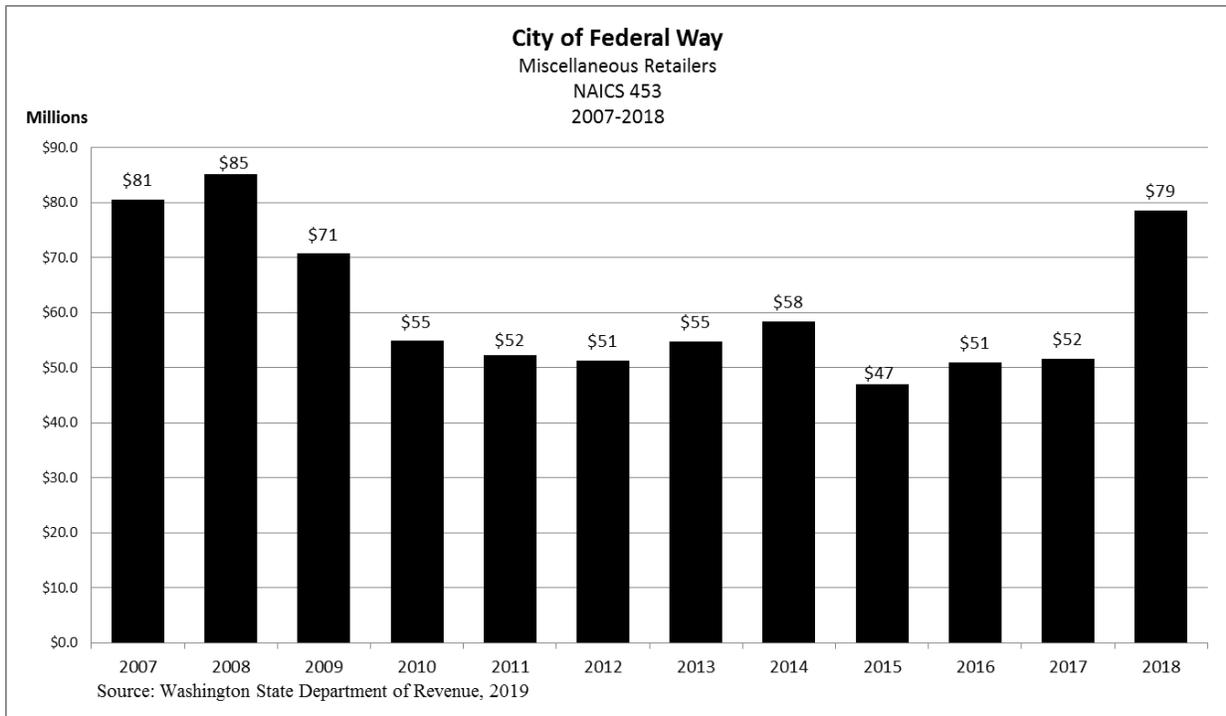
The North American Industry Classification System (NAICS) identifies establishments engaged in Miscellaneous Retailing include stores with unique characteristics like florists, pet and pet supply stores, office supplies, stationary stores, used merchandise stores, as well as other store retailers. For the purpose of this report, NAICS Code 453 was used for this review.

BACKGROUND

According to Annual Retail Trade Survey from the US Census Bureau, Miscellaneous Store Retailers saw sales of \$125.5 billion in 2017. The Federal Reserve Bank of St. Louis identifies that there are over 10,600 retailers in the U.S. Additionally, current employment statistics show Miscellaneous Retail Stores employed over 839,000 according to the Bureau of Labor Statistics.

Nationally, the sector recovered from pre-recession revenue levels in 2014/15. However growth has been increasing since 2012 in the sector. Office Supplies and stationary stores category have seen the greatest decline within this subsector. Gift Stores continue stable same revenues year-over-year, and florists have also recovered from pre-recession levels.

Research on taxable retail sales from 2007 to 2018 in Federal Way, specifically before and through recovery from the “Great Recession,” shows a strange pattern. First, as identified above, the subsector has not followed national growth patterns. Second, the subsector has not recovered to pre-recession levels. Although there was a recent spike in growth that occurred in 2018, sales have yet to return.



MARKET

Downtown Federal Way has 11 miscellaneous retail establishments. Six of these stores are locally owned, and five are national retailers. The local retailers are comprised of one picture frame shop, one pet store, one florist, one glass store; one used clothing store, and two tobacco stores. The national retailers are comprised of two pet stores, one party supply store, and one gift shop.

The majority of products supplied by this industry are discretionary items. A rise in household disposable income increases the propensity of consumers to purchase these goods, leading to growth in demand. However, recent numbers from the 2017 American Community Survey for Federal Way illustrate increases in Per Capita Income; and while forecasters are expecting increase in 2018, the marketplace has yet to provide insight on potential opportunity for the industry.

Florists

According to the Society of American Florists, retail sales figures show nationally that \$35.2 billion in revenues occurred in 2017. However, nationally, it took nearly 7 years for revenues to recover from pre-recession levels. Nationally, there were over 13,188 florist shops. Washington State is the second largest flower growing state in the nation behind California. Major companies in this category include FTD related companies, 1-800-Flowers, Teleflora, and From You Flowers.

Pet Stores

According to the American Pet Product Association's National Pet Owners Survey, households are adopting more cats and dogs, thus creating greater demand for pet-related goods, such as foods, medicines, accessories, and services increases. Nationally, the Association identifies that over \$72 billion was spent in 2018. Additionally, the Association identifies that an average dog or cat owner spends between \$200.00 and \$300.00 annually on food for their pet. The number of pets is expected to increase in 2019, representing a potential growth opportunity for the industry forecasting retail sales of over \$75 million.

TRENDS

According to Zack's Equity Research, there are three major national trends impacting Miscellaneous Retailing.

First, the industry's growth prospects are tied with the purchasing power of consumers. A favorable job market and rising wages have made consumers more confident in terms of spending. Moreover, continued restructuring and expansion initiatives, including store openings and enhancement of distribution centers should improve the performance of industry constituents.

Second, most companies in this sector are working on providing a deep assortment of products, enhancing in-store and online experience, and adopting a favorable pricing strategy in an effort to boost sales and achieve economies of scale. Initiatives like building Omni-channel operations, coming up with reward programs, developing innovative products and services, and looking for buyouts are some of the future elements the sector will embrace.

Thirdly, the brick-and-mortar retail business, which is the model for most of the companies in Miscellaneous Retailing have turned highly competitive since online retailers impacted the marketplace. With the evolving shopping patterns, a significant number of retailers have been making significant investments to bolster their Omni-channel operations. To that end, they are making constant digital innovations alongside undertaking store remodeling and refurbishments.

Flowers

According to the Society of American Florists, 73 percent of Americans have a high appreciation of flowers. By generation, 76 percent of Gen Y have a high appreciation. Generation X has a 73 percent high appreciation and 72 percent of baby boomers have a high appreciation.

Pet Stores

The pet industry has been experiencing explosive growth. According to the American Pet Products Association, almost 85 million households have a pet; and over the last 30 years, pet ownership has gone from 56 percent to 68 percent of all households. Some of the changes in pet ownership are due to technology and the advent of online purchasing. But most of the growth is because of changes in culture. Millennial and Generation Z consumers have embraced the pet-owning and pet-loving lifestyles to a far greater degree than their elders. While baby boomers account for 32 percent of pet ownership, households headed by younger generation account for 62 percent of pet ownership.

“Almost 85 million households have a pet, and over the last 30 years, pet ownership has gone from 56 percent to 68 percent of all households.”

American Pet Products Association

SOURCES

- US Dept. of Commerce, Census Bureau, 2017 American Community Survey
- US Dept. of Commerce, Census Bureau, Annual Retail Trade Survey, 2017
- US Dept. of Commerce, Bureau of Economic Analysis, Personal Consumption Expenditures
- US Dept. of Labor, Bureau of Labor Statistics
- Federal Reserve Economic Data, Federal Reserve, St Louis
- American Independent Business Alliance
- American Pet Products Association
- Society of American Florists
- City of Federal Way
- ESRI
- North American Industry Classification System
- Washington State Department of Revenue
- Zack’s Equity Research

Location of Miscellaneous Retailers



This map is intended for use as a graphical representation. The City of Federal Way makes no warranty as to its accuracy.
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Miscellaneous Retailers

Establishments in this category include stores with unique characteristics like florists, used merchandise stores, pet, pet supply stores, as well as other store retailers. Downtown Federal Way offers a wide variety of miscellaneous retailers by way of pet supply stores, tobacco product retailers, and gift shops. Additionally, Downtown Federal Way is served by one local florist, but limited florist services are offered at Walmart, Safeway, and Trader Joe's.

Year Built is the calendar year in which at least 50 percent of the original construction was complete. Effective Year Built is the adjusted year built taking into account any subsequent new construction or major rehabilitation.

1. Fabio's Frame Shop

31843 Gateway Center Blvd S
Located: Gateway Center
Locally owned frame shop specializing in custom picture frames.
Square Footage: ~1,750
Facility Built: 1988

2. Vapor Cloud

32040 23rd Avenue South
Located: Towne Square
Vaporizer retail store with collection of vape accessories, vaporizers and nicotine products.
Square Footage: ~2,500
Facility Built: 1985

3. Mary Jane's House of Glass

32044 23rd Avenue South
Located: Towne Square
Large collection of high quality glass pieces and smoking accessories.
Square Footage: ~2,000

4. VaporFlavors

2016 S 320th St Suite J
Located: Center Plaza
Square Footage: ~2,000
Facility Built: 1979
Retailer specializing in vaporizers, vaporizer juice and other tobacco products.

5. Flowers by Chi

1748 S 312th St
All-occasion florist offering classic & contemporary arrangements, novelty vases & gift baskets.
Square Footage: 1,266
Facility Built: 1943

6. Hallmark

31309 Pacific Hwy S
Located: Pavilions Centre
Retail chain specializing in greeting cards, gift wrap, ornaments & gifts for all occasions.
Square Footage: 7,815
Year Built: 1995

7. Party City

31417 Pacific Hwy S
Located: Pavilions Centre
Retail chain stocking a wide range of themed party supplies.
Square Footage: 14,997
Year Built: 1995

8. Petco

31419 Pacific Hwy S
Located: Pavilions Centre
Chain with pet food & supplies, such as toys, beds & apparel
Square Footage: 14,993
Year Built: 1995

9. PetSmart

31705 Pacific Hwy S
Located: Pavilions Centre II
Chain featuring a range of pets, supplies & food (most offer grooming, boarding & other services).
Square Footage: 19,107
Year Built: 2003

10. Mud Bay

1706 S 320th St
Located: SeaTac Village Shopping Center
Local pet merchandise retailer offering various foods, accessories and pet health care products.
Square Footage: ~2,000
Facility Built: 1976

11. Heaven Sent

1200 S 324th St # 5

Established secondhand shop
buying & selling kids' clothing &
toys plus baby & nursery
accessories.

Square Footage: ~3,000

Year Built: 1989