

The Math of Modern American Retail



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THE U.S. TREASURY department announced earlier this year that, for the first time in almost a decade, the median annual family income had increased to more than \$59,000. It is hard for us who live in New York, San Francisco, Atlanta or much less Columbus, Ohio, to understand the economics of mainstream America. We can understand poverty, we witness homelessness, but the math of how a typical middle-class family of four lives on a take-home paycheck of less than \$5,000 a month is telling.

That salary is gross, meaning before taxes—federal, state, local—and probably some shared healthcare costs. We can assume the actual take-home is just north of \$4,500 a month. The old 20th-century measure is that 25 percent of post-tax income is spent on housing. In 2017, how much home do you get for \$1,000 a month, much less a mortgage? Cell phone bill for two adults is \$150; utilities another \$100. Transportation costs between car payments, insurance, gas and maintenance: \$300. Clothing and groceries, cable TV or at best Netflix—even more. Disposable family income is less than \$2,000 per month. That is for goods, clothing and discretionary services. Realistically, the figure is half that.

Are they going to be shopping at the new Nordstrom? Is Bonobos up on their radar screen? Rent the Runway is part of the context of a television show, and fine dining is limited to Chick-fil-A. Sam's and Costco are not practical, they don't have the cash and they tend to buy what they need for the week, not for the month. The family credit card is guarded and rather than a tool for budgeting, has been subject to abuse issues.

Should we feel sorrow for them? The answer is



no. This is a middle-class family with two working adults living in a small town. They go to church, parent-teacher meetings and care for their children. They have pride and dignity. The question for us is how do we in the retail industry relate to them?

They might have an Amazon account, but they are not in a position to get deliveries at home during the day because both Mom and Dad are working. Nor are they able to get deliveries at work. Mom is an aide in a daycare center, and dad works on a road crew for the county. Their money is carefully spent. The dollar store comes first, before they go to Walmart—the deals are better and the Dollar/99 Cent/Ollie's channel is increasingly stocking grocery items and, in some cases, produce. If they are lucky, they have an ALDI nearby.


There is no shame going to a Goodwill. Flea markets, church sales and consignment stores are cherry-picking opportunities. Vintage is the new word for used, and there is no shortage of bargains.

Digital literacy is mixed. The teen in the house is consulted, but a certain level of computer access is at the public library, or if the kid is lucky, in a computer center at the local public school. Yes, some pre-shopping may be done online. But for the kids,

smartphones are recycled from their parents and are used for family communication and for gaming.

In small-town America, Main Street is challenged. Cafés, bars, antique stores, ethnic groceries and small business services—accountants, real estate brokers and lawyers—have moved into the storefronts. There are independent merchants trying to make a go of it. With rents down, they can afford the risk. The mall is at best a B Level, with a 30 percent or higher vacancy rate. The anchor spaces are occupied by the 20th-century giants on life support: K-Marts, Sears and sometimes a regional department

store. Payless Shoe Source and other mainstays are going or gone. H&M and Century 21 are fast-fashion brands that are urban-based. In mainstream America, fashion tends to be local, not global. Jeans and boots. Tees and sweats. Sneakers and flip-flops.

Small-town America is caught between the digital revolution, which is global but still dependent on bandwidth and credit cards, and the painful truth that fewer and fewer families have benefited from that revolution. In a country where significant pieces of our infrastructure are crumbling, are we going to jump from the 20th to 22nd century and just leave all this behind? Shopping remains part of the DNA of our species. Part of the DNA is also shop-keeping. The tools of modern visual merchandising and store design are all subject to the triumph of creativity over budget. From Williamsburg, Brooklyn, to Susanville in northern California, the small merchant is trying hard to be relevant to the \$59,000 family. How about us? 

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