

Sample Market Analysis

Research Task

Research industry trends for the following markets, specifically for growth segments and emerging firms, and mergers and acquisitions.

- Retail
- Commercial Banking

Sources Consulted

- **Nexis** – news and business information, including company and financial information, from over 34,000 sources
- **IBISWorld** – US industry reports covering 700 different market segments
- **Business Source Premier (EBSCO Industries, Inc.)** – articles covering management, economics, finance, accounting, professional and trade journals
- **Internet sources and general search engines**

Retail

The recession caused many retailers to go out of business. The overall economy has slowly improved, leading “retailers that delayed potential new store openings and shut down underperforming centers during the recession [to] once again pursue expansion.”¹

Rising unemployment during the recession decreased consumer confidence, as well as disposable incomes and spending, severely hampering retail sales. “Consequently, demand for retail space diminished; vacancy rates at malls and shopping centers rose to their highest level in 10 years at the end of 2008 as consumers curtailed spending.”²

Key External Driver

- Per capita disposable income³

Expansion Potential

“The ability for retailers to expand services or the rise of new entrants into the marketplace is largely dependent on consumer spending, because businesses must be profitable to successfully expand operations.”⁴ When looking for retail space, retailers look for a location that will provide the greatest potential for sales, in particular those that are highly visible and conveniently located.

ChainLinks Retail Advisors annually publishes the [National Retailer and Restaurant Expansion Guide](#). The 2013 guide covers the expansion plans for over 3,000 major national retail and restaurant chains throughout the United States. The report “is the most comprehensive and accurate report on planned and/or likely retail and restaurant real estate activity that exists in the world today.”⁵

¹ Culbert, Kevin. “Shopping Mall Management” *IBISWorld Industry Report OD4700* (7/2012), p. 4

² Ibid, p. 6

³ Ibid, p. 4

⁴ Ibid, p. 12

⁵ *National Retailer & Restaurant Expansion Guide*. ChainLinks Retail Advisors (Spring 2013)
<http://www.midamericagrp.com/downloads/ChainLinks-ExpansionGuide-Spring2013-MidAmerica.pdf>

The report is organized by retail/restaurant category. Within the categories are charts with firms listed alphabetically. Data for each firm includes minimum and maximum square feet, current approximate store count, planned growth within the next 12 months, expansion comments, and areas of expansion or special focus.⁶

Commercial Banking

“The commercial banking industry is composed of banks regulated by the Office of the Comptroller of the Currency, the Federal Reserve Board and the Federal Deposit Insurance Corporation (FDIC). Banks generate the majority of their revenue by accepting customer deposits and then lending these deposits out to individuals and businesses at set interest rates.”⁷

The commercial banking industry suffered greatly during the recession “due to huge losses on home loan defaults at the height of the financial crisis in 2008 that cut industry revenue and profit.”⁸ The industry lost \$119.5 billion over the course of the past five years, with as many as 450 banks failing and a majority of smaller banks being unprofitable.⁹

The housing market is currently in a state of improvement, this coupled with an increase in deposit amounts and corporate profits has allowed commercial banks to start to return to prerecession profit levels.¹⁰



Key External Drivers

- Prime rate¹²
- Aggregate household debt¹³
- Corporate profit¹⁴
- External competition¹⁵
- Regulation for the banking sector¹⁶

Mergers and Acquisitions

⁶ Ibid

⁷ Newsom, Caitlin. “Commercial Banking in the US” *IBISWorld Industry Report 52211* (6/2013), p. 5

⁸ Ibid

⁹ Ibid, p. 7

¹⁰ Ibid, g. 5

¹¹ Ibid, p. 4

¹² Ibid, p. 5

¹³ Ibid

¹⁴ Ibid, p. 6

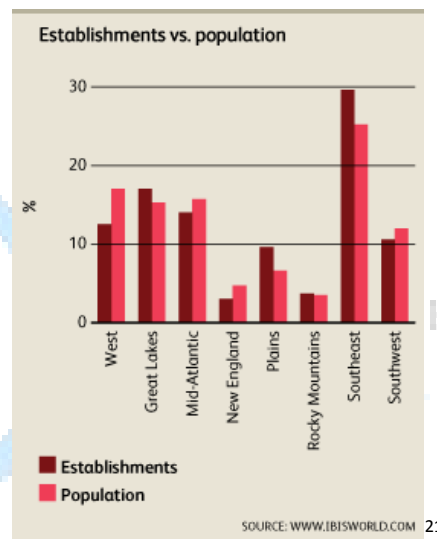
¹⁵ Ibid

¹⁶ Ibid

The subprime mortgage crisis led to an overwhelming trend of larger banks acquiring smaller banks. “In 2008, savings institution Washington Mutual became the largest US bank failure (in terms of assets) in history and was acquired by JPMorgan Chase. In the second quarter of 2008, Wachovia Bank, then the fifth-largest commercial bank, reported \$8.9-billion in losses.” As a result, “Wells Fargo purchased Wachovia for \$15.1 billion in stock, greatly increasing its banking presence on the East Coast and in the South.”¹⁷ Currently, the four largest industry players account for 42.9% of the market share.¹⁸ The top four consist of Wells Fargo, JPMorgan Chase, Bank of America, and Citigroup.¹⁹

Business Locations

Commercial banks are spread all across the U.S. “Unlike many other industries, there is no single state that holds a large market share of establishments. The location trend of the industry closely follows population since banking is still predominantly done at the bank as opposed to online. However, as online banking becomes more popular, the geographic location of banks will become less important.”²⁰



Expansion Potential

While the number of commercial banks will decline at a 1.4% average annual rate over the next five years, “the number of industry establishments is expected to increase at an annualized rate of 2.7% to 107,392 locations. This increase will come thanks to sizable increases in consumer deposits, allowing banks to expand their operations and open new locations around the country.”²²

Expansion Potential

ChainLinks Retail Advisors’ [National Retailer and Restaurant Expansion Guide](#) also includes a section on financial services. For example the following banks have plans for expansion in 2013:

¹⁷ Ibid, pp. 8-9

¹⁸ Ibid, p. 21

¹⁹ Ibid, p. 26

²⁰ Ibid, p. 20

²¹ Ibid

²² Ibid, p. 11

