

Market Briefing

2016 Issue 7 News from the month of June 2016



BOSCH
Invented for life

Bosch

Dremel

Skil

RotoZip

Vermont American

CST/berger

David White

freud

Sia

US Economy pages 2-4

Consumer Confidence Rises to 98.0

Consumer Spending Rises 0.4%

Consumer Prices Rise 0.2%

Unemployment Rises to 4.9%

Durable Goods Orders Fall 2.2%

Chicago PMI Jumps to 56.8

Wholesale Prices Rise 0.4%

Q1 GDP Revised Up to 1.1%

Housing & Construction pages 5-6

Housing Starts Drop 0.3%

- NE -33.3%, MW -2.5%, W 14.4%, S 1.5%

- Single-family starts 0.3%

Building Permits Rise 0.7%

- NE -7.8%, MW -9.2%, W 15.3%, S -1.4%

- Single-family permits -2.0%

New-Home Sales Fall 6.0%

- NE -33.3%, MW 12.9%, W -15.6%, S -0.9%

Existing Home Sales Rise 4.7%

- NE 4.1%, MW -6.5%, W 5.4%, S 4.6%

Builder Confidence Rises to 60

Mortgage Rates Drop to 3.48%

Power Tool Industry pages 6-7

Robert Bosch

- Expands Power Tools headquarters

Stanley Black & Decker

- DeWalt introduces voltage-changing battery

Newell Brands

- Updates 2016 fiscal guidance

TTI/Techtronic Industries

- Mississippi approves incentives for Milwaukee

Trimble

- Partners with Gensler
- Partners with AECOM

Iron Bridge Tools

- Files Chapter 11

Retail pages 7-9

Retail

- Retail sales rise 0.5%

The Home Depot

- From the RBC Capital Markets Conference

Lowe's

- Closes Rona acquisition

Walmart

- Tests Uber and Lyft delivery options
- Roles out Walmart Pay mobile app
- Canadian news
- Sells Chinese ecommerce business

W.W. Grainger

- May sales increase 1%

Amazon

- Expands Amazon Dash
- Will host second annual Prime Day

Market Trends pages 9-11

Birth and Death Rates Change

Retailers of the Future

Inventory Management Trends

Digital Assistants

Tax Refunds Survey

Digital Age Construction Trends

Delivery Expectations

Robert Bosch Tool
Corporation

1800 W Central Rd
Mount Prospect, IL
60056 USA

www.boschtools.com

U.S. ECONOMY

EXCHANGE RATES JUNE 30, 2016

| | | |
|------------------------|------------------|-----------------------|
| Euro | 1 Euro = \$1.109 | \$1.00 = 0.901 Euros |
| Canadian Dollar | 1 CAD = \$0.769 | \$1.00 = 1.299 CAD |
| Japanese Yen | 1 Yen = \$0.009 | \$1.00 = 102.902 Yen |
| Chinese Yuan | 1 Yuan = \$0.150 | \$1.00 = 6.645 Yuan |
| Mexican Peso | 1 Peso = \$0.054 | \$1.00 = 18.456 Pesos |

MARKET WATCH JUNE 30, 2016

| | | |
|--------------------|--------|-------|
| DOW | 17,930 | 0.3% |
| NASDAQ | 4,843 | -1.8% |
| S&P 500 | 2,099 | -0.1% |

Markets plunged after Britain's surprise vote to exit the European Union, but surged at the end of June to regain much of their losses. For the second quarter, the S&P gained 1.2%, the DOW gained 1.7% and the NASDAQ shed 0.5%. For the month of June, the DOW gained 0.3% to close at 17,930, the NASDAQ lost 1.8% to close at 4,843 and the S&P, the index most closely followed by economists, fell fractionally to close at 2,099.

CONSUMER CONFIDENCE RISES TO 98.0

The New-York based Conference Board's Consumer Confidence Index rose to 98.0 in June after falling to a slightly downwardly revised 92.4 in May. The Present Situation Index increased to 118.3 from an upwardly revised 113.2 in May and was at the highest level it has been since September 2015. The Expectations Index rose to 84.5 in June from a downwardly revised 78.5. The Conference Board said that consumers remain cautiously optimistic about economic growth. Economists say a level of 90 indicates that the economy is on solid footing and a level of 100 or more indicates growth. Analysts caution that the real driver behind consumer spending is income growth and that labor market trends are a more accurate predictor of consumer behavior. The Consumer Confidence survey closed well before the Brexit vote disrupted the global economy.

CONSUMER SPENDING RISES 0.4%

Consumer spending rose 0.4% in May after rising an upwardly revised 1.1% in April. Incomes rose a solid 0.4% after rising by the same amount in March. Core consumer spending rose a solid 0.3% in May after rising an upwardly revised 0.8% in April. Personal income rose 0.2% after climbing 0.5% in April. The personal savings rate fell slightly to 5.3% from 5.4% in April, the lowest level in a year and well below the near-term peak of 6% reached in March. Core PCE (personal consumption expenditures) prices, the Federal Reserve's preferred inflation measure, rose 0.2% in May after rising 0.3% in April and were up 1.6% year over year, still below the Fed's target of 2%. Consumer spending is closely watched by economists because it accounts for 70% of U.S. economic activity.

CONSUMER PRICES RISE 0.2%

The Consumer Price Index (CPI) rose 0.2% in May after rising 0.4% in April, making for three consecutive months of increases. In the 12 months through May the CPI increased 1.0%. Core prices, which strip out volatile food and energy costs, rose 0.2% in May after rising by the same amount in April. In the 12 months through May core inflation was up 2.2%, the sixth consecutive month of growth of 2.0% or more. The increase in core prices was primarily due to rapidly rising shelter prices, which increased 3.4% in April from April 2015, the largest annual gain for the category since September 2007.

UNEMPLOYMENT RISES TO 4.9%

The unemployment rate rose to 4.9% in June after falling 4.7% in May and the economy added 287,000 new jobs. Job gains were well ahead of economists expectations and a big improvement from the downwardly revised 11,000 jobs added in May. The increase in the unemployment rate was regarded as a good sign, as it indicates more people are looking for work. Wage growth picked up to 2.6%. That's still below the 3.5% or so the Fed would like to see, but it's a healthy bump from earlier in the year when wage growth was barely above 2%. The unexpected jump in jobs relieved concerns that the economic recovery was stalling out. Some of the big gains were due to striking workers at Verizon returning to work. In addition,

there were substantial jobs gains in retail and healthcare; employment in many other sectors, including construction, was little changed.

DURABLE GOODS ORDERS FALL 2.2%

New orders for durable goods fell 2.2% in May after rising 3.4% in April. The drop was larger than economists anticipated, and was led by a 34.1% decline in military aircraft orders. However, orders were generally down across almost every category. Orders for non-defense capital goods excluding aircraft, a category that serves as a proxy for business investment spending, fell 0.7% in May after falling 0.8% in April. Orders in this category were down 3.5% through the first five months of this year compared to the same time period last year. Shipments of core capital goods, which factor into GDP calculations for business spending, rose 1.2% in May after increasing 0.3% in April. The durable goods report is often both volatile and subject to sharp revisions. Oxford Economics expects that the headwinds that are constraining growth, including the strong dollar, weak foreign demand, bloated inventories and low oil prices, will remain for much of the year and limit real GDP growth this year.

CHICAGO PMI JUMPS TO 56.8

The Chicago PMI jumped 7.5 points to 56.8 in June after falling below 50 in May. The rebound offset the previous two months of weakness and left the PMI broadly unchanged over the quarter at an average of 52.2 in Q2 compared with 52.3 in Q1. New Orders increased sharply to the highest level since October 2014, and Order Backlogs broke a 16-month stretch of below-50 readings to rise to the highest level since March 2011. Production also rose to the highest level since January. Firms have been drawing down inventory since last November, but in June inventory increased in the double-digits, ending seven months of contraction. Companies remain cautious about the future, with 46% of respondents anticipating that orders will rise in the third quarter compared to 57% of respondents who thought orders would rise in the third quarter of last year.

WHOLESALE PRICES RISE 0.4%

The Producer Price Index (PPI) rose 0.4% in May after rising 0.2% in April and was down 0.1% from May

2015. The core PPI, which excludes food, energy and trade services, rose 1.2% after rising 0.9% in April and was up 0.8% from May 2015. Economists had expected a 0.3% increase. Energy goods and trade services accounted for much of the increase. The PPI for inputs to construction rose 0.5% in May after rising 0.3% in April but was down 2.1% from May 2015.

Q1 GDP REVISED UP TO 1.1%

GDP grew an upwardly revised 1.1% in the first quarter, up from the 0.5% growth first reported as well as the second reading of 0.8%. Compared with the second report, exports rose 0.3% instead of falling 2% as first reported, and corporate profits grew 3.3%, up from the initially reported gain of 1.9%. Companies spent more than initially reported on software and research and development in Q1. Consumer spending, which accounts for about 70% of economic activity, was revised down to 1.5% growth for the quarter from the 1.9% first reported, which was the weakest showing in a year. However, second quarter data thus far would indicate a pick up in consumer spending. Nonresidential fixed investment dropped 4.5%, rather than the 6.2% drop first reported. Inflation was revised down, with the PCE (personal consumption expenditures) index rising at a 0.2% annual pace rather than the 0.3% pace previously reported. Since the recovery began nearly seven years ago, GDP has been weak in the first quarter of each year, averaging 0.8%, and has then rebounded in the spring, with second quarter growth averaging 3.1%. Economists are expecting a similar pattern this year, forecasting second quarter growth between 2.3% and 2.8%.

JOB OPENINGS RISE SLIGHTLY

The number of job openings rose slightly to 5.8 million in April, according to the Job Openings and Labor Turnover Survey, or JOLTS report. The number of openings matched an all-time high reached in the summer of 2015. The hiring rate fell to 3.5% and hires edged down to 5.1 million while separations were little changed at 5.0 million. Within separations, the quits rate was 2.0%, and the layoffs and discharges rate was 1.1%. Quits rose slightly and layoffs continued to fall. Quits are typically voluntary separations, and an increase in quits generally indicates that people are more confident about their abil-

ity to find another job. The JOLTS report is one of Fed Chair Janet Yellen's preferred economic indicators.

CONSTRUCTION JOBS GO UNFILLED

NAHB reported that 200,000 construction jobs went unfilled in April. That was down from 215,000 in March, which was the highest since the recession. Despite a May industry employment bump of 3.4% from a year ago, the decrease in job openings could mean a labor shortage might be "reaching the point where [it] undermines the sector's growth," according to AGC. The NAHB's Chief Economist, Robert Dietz, said the number of open construction jobs has been going up since the recession, and a January NAHB survey found that 76% of builders anticipate that filling skilled labor positions will be their greatest challenge in 2016.

NO INTEREST RATE INCREASE FOR NOW

As widely expected, the Fed declined to raise short-term interest rates at the mid-June meeting of the Open Market Committee. The decision leaves the federal funds rate at 0.25% to 0.50%. The median forecast of the 17 members of the FOMC expects no more than two more 25-basis-point interest rate hikes this year, however the number of officials who believe there will be just one increase rose from one in the March forecast to six in June. The Fed notes stated that they are confident that labor conditions will strengthen and expects unemployment to average 4.6% both this year and in 2017. Projections now show that the Fed expects rates to rise to just 2.4% by the end of 2018, down from the 3.2% most recent forecast. Economists note that the Fed appears increasingly open to acknowledging a basic shift in economic dynamics that would allow rates to remain low for long periods of time without heating up the economy. Brexit made a rate increase any time soon even less likely.

FED REVISED GDP FORECASTS

The U.S. economy is on track to grow by a 2.8% annualized rate in the second quarter, according to the latest forecast model from the Atlanta Federal Reserve's GDPNow forecast model. The increase in GDP came on the heels of a stronger-than-forecast rise in retail sales that caused the Fed to raise the forecast for personal con-

sumption expenditures for the second quarter to 3.9% from 3.5%. However, the Fed revised its real GDP growth forecast for 2016 overall down from 2.2% to 2.0%. The committee also noted that inflation continues to run below its 2.0% target, but expects to hit that target by 2018.

IMF CUTS U.S. GDP FORECAST

The International Monetary Fund cut its forecast for U.S. growth this year from 2.4% to 2.2%. However, IMF Managing Director Christine Lagarde said the U.S. economy is in good shape, despite some recent setbacks.

IMPACT OF BREXIT ON U.S. ECONOMY

Great Britain's unexpected decision to leave the European Union threw global markets into broad declines in the first few days after the historic vote, and sent the dollar up and the pound and euro down. The appreciation of the dollar is not good news for the U.S. economy as it makes U.S. goods pricier for other countries to buy. Britain's exit from the EU will not actually start until the secession process is triggered when Prime Minister Cameron's successor takes over in October, which gives Great Britain and the E.U. three months to start working out the process. Beginning in October the U.K. will have two years to renegotiate relations with the members of the E.U. No nation has exited the E.U., so the impact and the process itself is still to be determined. Analysts in the U.S. expect little long-term effect on the U.S. economy, but uncertainty may cause the stock market to tread water in the coming months and shave a few tenths of a percent from GDP. However, international publications have pointed out that when European Union negotiators sit down to talk trade deals, they will no longer be able to claim they represent the world's largest economy, as Brexit will put the U.S. economy back on top.

HOUSING & CONSTRUCTION

HOUSING STARTS FALL 0.3%

Housing starts fell 0.3% in May to a seasonally adjusted annual rate of 1.16 million after rising to 1.17 million units in April. **Single-family starts rose 0.3% to 764,000 units, little changed from April.** Single-family starts are up about 10% from May 2015. Multifamily starts dropped 1.2% to 400,000 units from a downwardly revised reading in April. **Regional starts were mixed.** Starts rose 14.4% in the West and 1.5% in the South. Starts fell 33.3% in the Northeast and 2.5% in the Midwest. Builders continue to be plagued by a shortage of lots and skilled labor. Wells Fargo expects starts to gain momentum throughout the year, ending 2016 up 11% to 1.2 million units and reaching 1.25 million units in 2017.

BUILDING PERMITS RISE 0.7%

Building permits rose 0.7% in May to a seasonally adjusted annual rate of 1.14 million after rising to 1.12 million in April. **Single-family permits fell 2%** to a rate of 726,000 units. Multifamily permits rose 5.9% to 412,000 units. **Regional permit issuance was mixed.** Permits increased 15.3% in the West. Meanwhile, the South, Northeast and Midwest posted respective losses of 1.4%, 7.8% and 9.2%. Permits have been above the one million level for twelve consecutive months, the longest stretch in seven years.

NEW-HOME SALES FALL 6.0%

Sales of new single-family homes fell 6.0% in May from a downwardly revised April reading to a seasonally adjusted annual rate of 551,000 units. The inventory of new homes for sale rose slightly to 244,000 homes in May, a 5.3-month supply at the current sales pace, up from a 4.5-month supply in April. In a normalized market, housing is generally at a six-month supply. **Regional sales were mixed.** Sales rose 12.9% in the Midwest. Sales fell 0.9% in the South, 15.6% in the West and 33.3% in the Northeast. NAHB says at the current annual pace of sales, new home sales are still up relative to the first few months of this year as well as compared to last year, and the market continues to make overall gains despite volatil-

ity. Sales of new homes are tabulated when contracts are signed and are considered a more timely barometer of the housing market than purchases of previously-owned homes, which are calculated when a contract closes.

EXISTING HOME SALES RISE 4.7%

Existing home sales rose 4.7% in May to a seasonally adjusted annual rate of 5.53 million units after rising to 5.45 million in April. Sales were 4.5% higher than in May 2015, and at the highest annual pace since February 2007. Total housing inventory at the end of May rose 1.4% to 2.15 million homes. Because sales rose even faster, inventory remained at a 4.7-month supply. Tight inventories mean that homes are selling quickly, with the typical home staying on the market just 32 days. **Regional sales were mixed.** Sales fell 6.5% in the Midwest. Sales rose 4.1% in the Northeast, 4.6% in the South and 5.4% in the West.

BUILDER CONFIDENCE RISES TO 60

Builder confidence rose two points to 60 in May after being unchanged for the previous two months. It was the fifteenth consecutive month the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) remained above 50. The component measuring sales expectations for the next six months rose five points to 70. The component gauging current sales conditions rose one point to 64 and the component charting buyer traffic rose three points to 47. The three-month moving averages for regional HMI scores were mixed. The South rose two points to 61 and the West rose one point to 68. The Northeast dropped two points to 39 and the Midwest fell one point to 57.

MORTGAGE RATES DROP TO 3.48%

In the wake of the Brexit vote, the yield on the 10-year U.S. Treasury bond plummeted 24 basis points. The 30-year mortgage rate declined as well, falling to 3.48%, the lowest level rates have been since May 2013 and only 17 basis points above the all-time low recorded in November 2012. This extremely low mortgage rate should support solid home sales and refinancing volume this summer. In June of last year 30-year rates averaged 4.08%.

POWER TOOL INDUSTRY

ROBERT BOSCH

Robert Bosch Power Tools is constructing a new office building at headquarters in Leinfelden, Germany. The new building will provide space for around 600 employees who have been working in other buildings. Henning von Boxberg, president of the Bosch Power Tools division, said they are going to create a state-of-the-art working environment in the new building that will promote creativity and cross-functional cooperation. The design also incorporates quiet spaces and private areas to enable employees to concentrate on individual work as well. The space is being designed for maximum flexibility so it will be able to meet changing needs. Bosch is also planning the building to be environmentally friendly; the LED lighting will be controlled by occupancy and movement sensors and sanitary facilities will use rainwater. E-bike charging stations will be installed by bicycle parking spaces and changing rooms and showers will be provided for people who cycle to work. The Leinfelden location is the headquarters of the Bosch power tools division. It is home to development, marketing and administration, as well as production. A total of 1,700 employees work at the headquarters location.

STANLEY BLACK & DECKER

DeWalt unveiled what the company says is the world's first lithium-ion battery that automatically changes voltage to fit the tool it's plugged in to. Batteries for cordless power tools usually work at just one voltage level. DeWalt's Flexvolt battery will be able to power their new line of 60-and 120-volt cordless power tools that was introduced simultaneously with the battery, along with all of DeWalt's 65 existing 20-volt cordless power tools. Battery and tools will be available to consumers this fall. SB&D said they are hoping that the new technology could allow some professional job sites to go cordless. They are hoping this latest innovation will help them gain a larger share of the professional power tool market. Authorized online dealer Acme Tools is taking advance orders for the FlexVolt system, and telling consumers that the products will become available in mid-to-late August.

DeWalt reportedly filed a 500-page patent application for their new battery. Among other products being introduced is what the company says is the first cordless table saw, powered by a single 60-volt battery. Frank Manarino, president of the professional products group at SB&D, said the table saw, which has a brushless motor, would be able to cut about 300 feet of wood on a fully charged battery. The battery reportedly provides more than triple the battery power of DeWalt's 18V NiCad battery.

NEWELL BRANDS

Newell Brands gave new fiscal guidance for 2016, with legacy Newell Rubbermaid core sales growth of 4% to 5% and legacy Jarden core sales growth of 2% to 4%, which includes the negative impact of planned product line exits. Newell Brands expects to exit product lines with annual sales of \$250 million to \$300 million across both legacy businesses over the next two to three years.

TTI/TECHTRONIC INDUSTRIES

Sales for fiscal 2015 rose 6% to a record U.S. \$5.0 billion. Sales adjusted for foreign currency grew 10.5%. Power Equipment sales grew 11.8% to U.S. \$4.0 billion, accounting for 78.8% of total sales. The Milwaukee business grew 23.7% adjusted for foreign currency.

Milwaukee will create between 50 and 75 new jobs as part of their planned \$1.5 million expansion in Greenwood, Mississippi. The additional jobs will bring the total number of Milwaukee Tool employees at the facility to 583. The Greenwood City Council approved a proposed Urban Renewal Plan that includes the city-owned building and grounds that Milwaukee is using that will provide up to an additional \$2 million with a 10% match. The city also approved a 10-year ad valorem tax exemption for Milwaukee and the hiring of Mike Rozier Construction to work on the expansion project.

TRIMBLE

Trimble is partnering with Gensler, a leading global architecture and design firm, to collaborate on exploring the intersection of human interfaces, architecture and computing using mixed-use reality technology. With mixed

reality, the primary mode of interaction is spatial. Design teams can review and interact with 3D models in the context of their physical environment and explore previously invisible aspects of a building's performance.

Trimble is partnering with AECOM and collaborating on what they say is the world's first use of Microsoft HoloLens mixed-reality technology for engineering and construction. HoloLens technology adds holograms of 3D objects into a user's view and allows the user to interact with the objects. AECOM is deploying HoloLens devices and Trimble technologies in real-world projects, including the Serpentine Galleries annual architectural program in London which will produce four Summer Houses with complex, unconventional designs and structures using the technology. Designers and engineers can view the complex structures as if they were 3D models placed on a table, and then zoom in to virtually move through the structural framework. This ability allows team members to discover and correct problems and conflicts before actual construction begins.

IRON BRIDGE TOOLS FILES CHAPTER 11

Iron Bridge Tools filed for Chapter 11 protection. The company makes hand tools that are sold in Home Depot, Best Buy, Target, Advance Auto Parts and other retail outlets. True Value is among the creditors named in the filing, along with several companies based in China.

RETAIL

RETAIL SALES RISE 0.5%

Retail sales rose 0.5% in May after jumping 1.3% in April and were up 2.5% year-over-year. May's gain was led by online and nonstore purchases, which increased 1.3% in May after rising 2.1% in April. Nonstore sales were up 12.2% from May 2015. Core retail sales, which exclude automobiles, gasoline, building materials and food services, rose a solid 0.4% in May after jumping 0.9% in April. These core retail sales correspond most closely with the consumer spending component of gross domestic product. Retail sales account for about one-third of all

spending, with services making up the other two-thirds. Analysts said that the report showed that the economy was strengthening.

THE HOME DEPOT

From the RBC Capital Markets Consumer Retail Conference where THD was represented by Richard McPhail, SVP Finance:

They are projecting a 5% appreciation in housing prices this year. They see 2% to 3% as normalized appreciation. They believe that home price appreciation is one of the big drivers behind home improvement spending.

An aging housing stock supports long-term growth in home improvement spending. In the year 2000, about 52% of homes were 30 years or older. In 2015, 65% of homes fell into that age range. This trend indicates growing home improvement spending because people spend more on older homes.

They spend a lot of time working with and studying millennials. They do not think the trend to delaying household formation has hurt their business.

Back in 2008 they looked at the "threat" they faced from ecommerce, and decided to turn it into an opportunity. They grew their online business by more than 20% in the first quarter.

They believe there is a noticeable trend away from DIY to DIFM (Do It for Me). Boomers aging in place either can't or don't want to do all the project work they used to, and millennials often did not grow up in as much of a DIY environment as boomers did.

The pro is the primary target for the DIFM market, as people are generally hiring a pro to do it for them.

Despite the impact of online, having products available in store for people to see and touch is very important.

All of their acquisitions are designed to bring a capability they did not have before and stretch it across the enterprise.

LOWE'S

Lowe's C\$3.2-billion (US\$2.4 billion) acquisition of Canada's home improvement retailer Rona closed in late May, and Lowe's has developed a list of priorities to build their Canadian business. With the acquisition of Rona, Lowe's now has about C\$6 billion in annual sales in Canada, about \$1 billion less than Home Depot Canada. CEO Sylvain Prud'homme says their goal is to become the number one choice for home improvement retail in Canada. Prud'homme says that Lowe's needs to build brand awareness, and that actually the leading brand in Canada is Home Hardware, the number three retailer by volume. Lowe's thinks their mix of super-stores and smaller format stores will give them a competitive advantage.

WALMART

Walmart CEO Doug McMillon expects to add \$45 billion to \$60 billion in new sales over the next three years. He went over the company's sales plans at the Consumer Goods Forum in Cape Town, South Africa.

Walmart is testing a grocery delivery service with Uber and Lyft as part of their efforts to compete with Amazon. What's known as "last mile delivery" has turned into a hotly contested battleground, with startups like Instacart and DoorDash competing with Uber, Amazon and the USPS. Walmart is testing a similar service at Sam's in Miami using Deliv Inc., a startup that handles same-day delivery for Kohl's, Macy's and other retailers.

Walmart rolled out their own mobile pay solution, Walmart Pay, to stores in four more states after slowly rolling their app out in Arkansas and Texas in May. Walmart says the app is "a checkout-changing service." Walmart says there are 20 million active users of the Walmart app each month, and that they are the only retailer to offer their own mobile payment solution that works with any iOS or Android device, at any checkout lane, and with any major credit, debit, pre-paid or Walmart gift card, all through the Walmart mobile app.

Walmart launched a free 30-Day trial of ShippingPass, their two-day shipping program for shoppers designed to compete with Amazon Prime that is timed to coin-

cide with Amazon's second annual Prime Day event. Walmart will reportedly offer new members a free 30-day trial to their ShippingPass program, and existing members will receive an extra free month of service. At \$49, ShippingPass is about half the price of Amazon Prime. However, Walmart offers about 7 million items, and Amazon Prime offers about 20 million, along with member access to a growing library of streaming video and music.

Walmart invited 450 entrepreneurs to their home office to pitch their American-made products, and surprised everyone by promising that each of the 800 products pitched would, at minimum, be available on their website. The unique approach allows Walmart to expand their online inventory, which has grown to about 10 million items, and allows them to test new products in the real world. Walmart has committed to purchase an additional \$250 billion in American-made products by 2023.

Walmart took the top spot on Fortune's Global 500 list, with \$482.1 billion in revenue compared to runner-up Exxon Mobile's \$246.2 billion. Apple came in third with \$233.7 billion in revenue. Walmart has taken the top spot on the annual list a total of 12 times.

Walmart Canada's CEO Dirk Van den Berghe is taking over Walmart's Asia region, which includes China and Japan. Sean Clarke, the current CEO of Walmart in China, is replacing Andy Clarke as head of the Asda, their struggling U.K. unit.

Walmart Canada will no longer accept Visa cards; reportedly they were unable to agree on terms with Visa. Walmart has 405 stores in Canada. Walmart will continue to accept MasterCard, American Express, Discover and other cards. Walmart is also suing Visa in the U.S. over the right to choose how customers verify debit-card purchases at the register. Walmart wants customers to use a PIN number and says Visa has prohibited them from requiring PINS.

Lee Tappenden will take over Walmart's Canadian business from Dirk Van De Berghe, who is taking over operations in China. Tappenden is currently COO of the Canadian division.

Walmart intends to sell their Chinese ecommerce business and form a strategic alliance with online retailer JD.com, China's second-largest ecommerce company. Walmart is essentially handing over its Chinese business for about 145 million shares of new JD.com stock, about 5% of the Chinese company. China is the world's largest ecommerce market, and online sales in China could exceed \$1 trillion by 2019, according to a report last year from Forrester Research.

W.W. GRAINGER

Grainger's daily sales rose 1% in May compared to May 2015. The sales growth included 4% from Cromwell Group (Holdings) Limited, acquired September 1, 2015. Excluding acquisitions, organic daily sales were down 3%, driven by a 1% decrease in volume, a 1% decline in price, and a 1% negative impact from the wildfires in Alberta, Canada. Daily sales in the U.S. were down 3%. Daily sales in Canada were down 20% in U.S. dollars and 15% in local currency.

AMAZON

Amazon is expanding its Dash Button again, adding 50 new brands to the growing program. There are now more than 150 Dash Buttons available compared to 29 last year. The line-up of new names includes Campbell's Soup, Pepperidge Farm, Cascade, Dial Liquid Hand Soap and others. Amazon reports getting Dash orders every thirty seconds, double the rate of just three months ago. The devices are basically free to Prime subscribers. Though there is a \$4.99 charge per button, that amount is credited back after their first Dash order.

Amazon is widely expected to have a second annual Prime Day event sometime in mid-July. Last year the one-day sales event offered thousands of special deals available online only to Amazon Prime subscribers. The day was first announced as a way to celebrate Amazon's 20th anniversary as an e-retailer. Amazon hasn't announced an actual date yet for Prime Day 2016.

MARKET TRENDS

BIRTH RATE DROPS, DEATH RATE RISES

American births declined and the death rate rose last year in a sign of continuing pressure on the country's population growth and future labor force. Preliminary numbers from the Centers for Disease Control and Prevention show there were 3.98M U.S. births in 2015, down 0.3% from 2014. The CDC also found the mortality rate to be 729.5 deaths per 100K people last year, up from 723.2 the year before.

RETAILERS OF THE FUTURE

According to retail real estate trend watching firm Madison Marquette, the most successful retailers of the future will combine all the advantages technology and the digital/mobile age has to offer with enhanced physical locations that reward customers for shopping with unique goods, interesting architecture, appealing landscaping and convenient parking, along with other conveniences like dining and food options.

INVENTORY MANAGEMENT TRENDS

Retailers are rethinking how they manage inventory, according to a recent feature by the *Wall Street Journal*. Home Depot has told stores to get comfortable with having just days of inventory instead of weeks of inventory. Walmart and Target are cutting back on the number of products in backrooms and exploring ways to get products to shelves faster. Walmart has widened aisles to make navigation easier and reduce the amount of goods on shelves, and Target and Lowe's have moved bulky items such as patio furniture into centralized distribution locations instead of keeping them in stores. Inventory is one of retailers' highest costs, and any reduction in the capital that's tied up in unsold goods frees up resources that can be used elsewhere. However, destocking comes with risks of its own. Bare shelves are a major annoyance to shoppers who take the time to go into a physical store to shop. When chains first began selling goods online, many of them opened distribution centers dedicated to ecommerce. However, having separate distribution centers for ecommerce and brick and mortar increased the risk of chains having too much inventory. Now many are

trying to make stores double as online fulfillment centers, which has created more work for employees and logistics puzzles that need to be solved. Home Depot's Project Sync is overhauling most of the chain's supply chain. Among the changes are developing a steadier flow of deliveries from suppliers into THD's network of 18 sorting centers. Instead of having a supplier send five trucks twice a week, Home Depot now wants to have suppliers send two trucks five days a week. When shipments arrive, the goal is to have workers move them right to lower shelves, eliminating the need to store and retrieve products from upper shelves using ladders and forklifts, some of the most expensive parts of the supply chain.

DIGITAL ASSISTANTS

Amazon Echo's voice-controlled assistant is a black cylinder called Alexa, introduced last summer. Alexa responds to spoken commands and questions and can do everything from play music to give weather, traffic and news updates. Alexa is carving out a market no one expected—disabled adults and the elderly. Among more than 30,000 reviews of Alexa are many from caregivers for wheelchair-bound relatives who love the control Alexa gives them over their environment and from family members of older adults praising Alexa for her companionship and help. Alexa wasn't designed for those roles, and experts say that may be why it is so appealing. Only 30% of adults age 71 and over who are online actually own a smartphone, and of those just a tiny fraction use their phone intensively. Currently Alexa costs \$179.99 and must be connected to WiFi to function. One function Alexa does not currently have is the ability to dial 911, something that many people have requested, although she will contact a designated Buddy List on request.

TAX REFUNDS SURVEY

More consumers than ever saved their tax refunds, according to the National Retail Federation's annual Tax Returns Survey. Almost half (49.2%) of respondent planned to save their refund, the highest percentage in the survey's history. The NRF says that money saved is spending potential down the road. In addition to savings, 34.9% planned to use their refund to pay down debt. Perhaps surprising, 57.3% of 18-to-24 year-olds planned to save their refunds. Analysts say millennials are looking for ways to get ahead.

DIGITAL AGE CONSTRUCTION TRENDS

International experts from construction, real estate and financing discussed the major trends and movements affecting construction at the RICS Summit of the Americas and World Built Environment Forum in Washington, DC. One of the most important was the ability of the industry to harness Big Data, which offers the possibility to completely transform the construction process for companies by analyzing massive amounts of data and designing solutions that solve the problems posed. Participants noted that the biggest barrier was the gap between what the software can do and what the industry is doing with it. They also emphasized how important the human connection was to the process; the challenge is making sure the right data is being analyzed, and not getting lost in the seemingly endless possibilities. Technology futurist Daniel Burrus noted that the construction industry has a wealth of software available, such as Construction Manager and PlanGrid, but they are all very underused, as the industry has been notoriously slow to adopt and utilize technological solutions. Google's new Project Tango offers self-3D mapping software along with an augmented reality app called Through the Wall that could allow a user to hold up a device inside any room of a building and be able to see where all the pipes and electricians are positioned. And virtual reality is already being used to allow consumers to envision what their new kitchen or bathroom will look like.

DELIVERY EXPECTATIONS

A recent survey from Forrester Research shows that 29% of online shoppers say they would be interested in same-day delivery options. Not long ago, two-day delivery was considered a premium offering. Amazon is now offering same-day delivery to several metros, and Prime Now will deliver a range of items in just a couple of hours. Start up competitor Postmates offers free same-day delivery with no fees on purchases of \$30 or more from partner merchants. Postmates charges a \$9.99 per month fee. Postmates says it's trying to build a network that lets companies without Amazon's logistics deliver just about anything to anyone with Amazon-like speed. Analysts say retailers need to decide if it's important to their business that they offer instant delivery options, because even if they pass along all of the real costs, they will still incur logistics and other "soft" costs if they offer the service.

DRONES BEING USED FOR INVENTORY MANAGEMENT

Walmart is testing drones that they believe will help them manage warehouse inventory more efficiently.

Walmart is pleased enough with their Last Mile program tests to announce that drones could be rolled out in the next six to nine months across their distribution centers. WM says drones allow them to check inventory in a day or less, something that used to take a month to do manually. Amazon says that its drone program, Prime Air, will one day deliver packages of up to five pounds in 30 minutes or less.