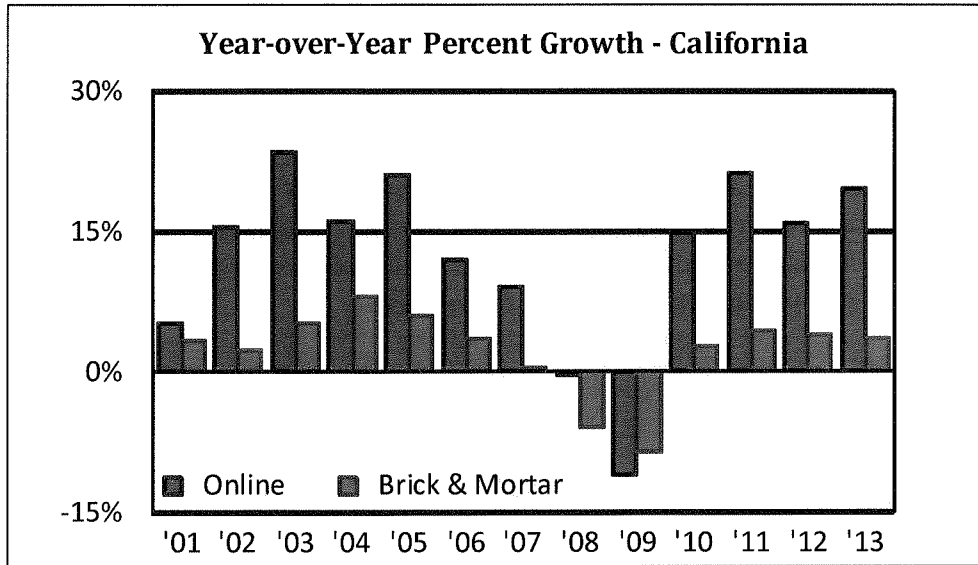


**How Retail is Changing:  
 Traditional “Brick & Mortar” vs. Online Shopping**



The graphic above illustrates the growth in online sales of General Consumer Goods\*, which made up 25.1% of the statewide taxable sales in 2013. Online sales in this segment grew 19.7% in calendar year 2013 and made up 10.3% of total General Consumer Goods sales. With the shift to online shopping, more sales tax dollars flow through the countywide pools, rather than being directly allocated to the jurisdiction where sales take place. Some large retailers are closing stores in favor of larger distribution centers in order to keep pace with growing online demand. Additionally, Forrester Research reports that web-based business-to-business purchases are twice that of web-based consumer purchases. A recent study by Google revealed that 79% of technology business to business purchases are made online.

<b>Statewide Local 1% Sales Tax            Fourth Quarter Holiday Spending Percent Change from 2012 to 2013            (Selected California Retailers)</b>		
	<b>Brick and Mortar</b>	<b>Online</b>
<b>Apparel Stores</b>	<b>6.8%</b>	<b>29.0%</b>
<b>Department Stores</b>	<b>-0.4%</b>	<b>41.1%</b>
<b>Discount Department Stores</b>	<b>2.9%</b>	<b>22.4%</b>
<b>Home Furnishings</b>	<b>7.4%</b>	<b>42.2%</b>
<b>Consumer Electronics</b>	<b>4.2%</b>	<b>21.9%</b>
<b>Retail Fulfillment Centers</b>	<b>-</b>	<b>33.8%</b>
<b>Total Statewide Consumer Goods</b>	<b>2.3%</b>	<b>16.0%</b>

\*See reverse for more information about HdL’s General Consumer Goods Group