

Where did all the Shops go?

Posted At : January 15, 2016 9:14 AM | Posted By : Dr. William (Bill) Johnson
 Related Categories: Retailing



The decline of physical shopping experiences has been widely reported across many of the western markets. Consumers in the US and the UK admit to spending roughly 11 hours online each day, and globally around 35% of purchases are made online. This trend is even more evident within younger age groups, and as technology increasingly plays a bigger part in their lives so we should expect to see fewer retail experiences occurring in physical stores and more online. E-commerce continues to grow rapidly, expected to total \$334 billion in 2015, and predicted to surge to \$480 billion by 2019 according to Forrester Research. Over the past decade, US e-commerce has grown almost 18 percent a year, representing slightly less than 10 percent of total retail sales--some analysts predict a jump to 30 percent by 2030. With the accelerating adoption of mobile--today nearly two-thirds of Americans own a smartphone--digital commerce is poised to explode, bringing further changes to retail shopping including a shrinking physical retail footprint. Sears has indicated that it would accelerate the number of store closings during this year, from 130 to 235. RadioShack, which is negotiating with lenders to gain approval to shutter 1,100 stores and has already closed 175 locations in 2014. The past four years has also seen the death of more than two dozen indoor malls, with another 60 hanging in the balance, according to data from Green Street Advisors as was first reported by The New York Times.

According to a Wall Street Journal article ("Shoppers Are Fleeing Physical Stores"), U.S. retailers are facing a steep and persistent drop in store traffic. Shopper visits have fallen by 5% or more from a year earlier in every month for the past two years, according to ShopperTrak, a Chicago-based data firm that records store visits for retailers using tracking devices installed at 40,000 U.S. outlets. Another article ("Where Have all the Shoppers Gone?", FORTUNE, September, 2014), suggests that retailers continue to face a "Darwinian struggle for survival", which will ultimately take down some of the best-known brands. This year's "Black Friday" results confirm the troubling downward path for brick-and-mortar stores, showing a 10.3 percent drop in sales, down from \$11.6 billion in 2014 to \$10.4 billion this year. Online sales on the same day grew 14 percent from last year, bringing in a total of \$2.72 billion.

The number of buying options available to consumer will continue to grow. As a recent Cisco survey of retail trends discovered, e-commerce has added about 40 possible shopping options for a typical shopper. With the rise of the Internet of Everything (IoE) -- the explosion in networked connections of people, process, data, and things -- potential shopping journeys will expand to 800 and beyond. Some of the new options coming into play could include mobile devices equipped for live Web engagements, checkout optimization, mobile payments, wearables, augmented reality, ride-sharing (e.g., Uber same-day delivery launched just over a year ago) and drone delivery.

Finally, consumer discovery is upending the traditional hierarchy of effects model (i.e. awareness---knowledge---liking---preference---conviction---purchase) that has guided marketers for decades and been instrumental in establishing retail brands. For example, unlike traditional advertising, individuals in the social media era have access to content that is not necessarily associated with commercial intent (e.g., to make a purchase); consequently, if a person likes the content, he/she is likely to pass it on to their peers, families, and so on via social sites, then the content will be quickly diffused without the help of traditional marketing.

So, how do you view the prospects of traditional retailers and what do they need to do to survive in the digital age?

William (Bill) Johnson, Ph.D., is a Part-time Participating Faculty in Marketing in the Huizenga College of Business and Entrepreneurship, Nova Southeastern University. He can be reached at billyboy@nova.edu