

Downtown Economics

Ideas for Increasing Vitality in Community Business Districts

Illustrated
by
SAA

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Current Trends in Retail

Looking Ahead to 2020 and Beyond

**Summarized by Karina Ward collaborating with Bill Ryan and an ad hoc workgroup.*

The US is significantly oversupplied with retail space. We have as much as 10-times the square feet per person as Germany. This has contributed to as many as 10,000 store closures this year. Smaller community malls have been hurt the most. Those that remain open typically operate at a vacancy rate of 10% or more. Retail growth in these communities are generally limited to discount grocers and dollar stores.

The following summarize these and other trends that were recently identified by an ad hoc work group of Extension educators.

Less appeal of the indoor mall

In many places, the indoor shopping mall has lost its appeal compared to other newer concepts that often have an open air, community atmosphere. The outdoor open-air mall allows customers to drive up and park near the door of the store they want to shop, allowing time to also experience other businesses in the center.

Some malls are seeking service uses

Some of the smaller struggling malls are being converted to community services, like Boys and Girls Clubs, job centers, and other public services. Other services anticipated by retail experts to occupy the shopping mall include health and wellness centers, fitness centers, medical and dental services, and retail stores geared to these activities (e.g. health food

stores). In addition, these community-based uses include professional and personal services ranging from hair salons to dentists, often reflecting the kinds of businesses currently housed downtown.

A new approach to shopping

Consumer behavior has changed as well. Amazon's rapid growth has challenged the traditional model of having to go to the store to make a purchase. While there have been alternatives like catalog shopping, retail stores have always played a large role in most transactions. Today, the decision to go to the store is the decision to go shopping. The actual buying is usually done online in a faster, more informative and convenient setting. When customers do buy in-store, they typically select two or three stores, make their purchase, and leave. Their goal is to be efficient. Many successful small downtown retailers utilize both online and brick and mortar sales, with 10-30 percent or more of their revenues coming from online sales.

Use of technology in creating in-store experiences

Some customers use shopping as an opportunity to look for products they later buy online. As a result, brick and mortar retailers need to encourage customers to come in and stay by providing them with



a unique in-store experience that accentuates the experience of shopping itself over the product. New retailers who invest in store design and in-store experiences, particularly layout and lighting, are thriving while existing stores are closing, often because they did not invest in the in-store experience.

Improving customer experience without technology

Many small retailers are recognizing the importance of teaching and learning opportunities for their customers. They may offer in-store sampling, demonstrations, and other personalized experiences. Meeting the owner and others behind the counter help strengthen the tie with the customer.

Blending online retail and physical stores

In addition, the Internet has allowed busy consumers to save time by pre-purchasing online. Retailers like Walmart and Target offer car pickup services for purchases made before coming to the store. Small retailers must be creative to compete.

Using social media to extend the market area

In one Wisconsin community, a clothing boutique developed a large online following through Facebook sales from out-of-state clients who support the cost of maintaining a storefront. The boutique's top clients have never been to the storefront but are supporting local retail in another community.

Personalize the retail experience

With the increased use of technology, more retailers are reaching out to their returning customers with personalized promotions, products, sales and events.

Pop-up shops

Pop-up shops are a trend that help incubate new businesses while keeping a downtown district or

shopping center fresh with new things to see. The concept is diverse and can take many forms.

Increase in cross-promotion

Another trend is cross-promotion among retailers with businesses selling products for each other as a way of marketing the community as a whole. Large firms are also pairing up such as Walgreens and Federal Express, and Kohls and Amazon.

Niche development

Other downtowns are creating a niche for themselves. Arts, entertainment, gifts, thrift stores, local handcrafted items and food-based retail are common niches. Food-based retail, microbreweries, and distilleries continue to be popular in communities of all sizes. Providing products that highlight local production can make the niche locally authentic.

Emerging trends in retail

Many advances in serving the customer are on the horizon. For example, Amazon stores that forgo checkout counters are being tested. New delivery methods are being explored. Advances in the use of technology to enhance the shopping experience in physical stores are being evaluated. Downtown stores in most communities may not have the corporate resources to invest in the use of technology, but they can cultivate local connections and reputation to personally engage with the local consumer.

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