

Store

Retail redefined

Natalie Berg, Founder & Retail Analyst



A shopping cart is positioned on the right side of the frame, partially obscured by the text. The cart is a standard metal wire cart with a handle and four wheels. The background is a solid, bright yellow. The text 'What is shopping?' is written in a large, white, serif font, centered horizontally and partially overlapping the cart. Two thin, horizontal white lines are positioned above and below the text, extending across the width of the image.

What is shopping?

“to **visit** places
where goods are sold
in order to **look** at
and **buy** things”

The path to purchase is no longer linear

‘On-my-terms shopping’ is now firmly embedded



Bricks & Mortar



Catalogue



E-commerce



Marketplaces



M-commerce



Voice



Simplified
replenishment



Auto
replenishment



Social shopping



VR



AR

A short decade ago...

The **iPhone** had its 1st anniversary.

Drones, robots & voice technology sounded like **science fiction**.

Under 1 roof shopping made sense.

Click & collect was virtually unheard of.

Multi-day lead times were acceptable.

Ownership trumped access.

Aldi & Lidl = 5% of market

Amazon was the 47th largest global retailer.

E-commerce was the **holy grail**.

The role of the store was **transactional**.



**“The retail
market is
bifurcating.
You’re
disrupting or
someone’s
disrupting
you.”**

- Sir Terry Leahy



Retail apocalypse – reality or myth?



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Retail apocalypse

From Wikipedia, the free encyclopedia

The **retail apocalypse** is the closing of a large number of North American retail stores observed starting in the 2015^[1] and expected to peak in 2018^[2] but which is a result of the delayed effects of the c. 2008 Great Recession^[3]. Over 12,000 physical stores are affected from over-expansion of malls, rising rents, bankruptcies of leveraged buyouts, quarterly profits beyond holiday binge spending, competition and spending habits which have changed. North American consumers have shifted their purchasing habits due to various factors, including experience-spending versus material goods or better homes, lower fashion in relaxed dress codes, and the rise of e-commerce^[4] and competition of companies such as Amazon.com and Walmart, which closed stores in prior years.

Major department stores such as J. C. Penney and Macy's have announced hundreds of store closures, and well-known apparel brands such as J. Crew and Ralph Lauren are unprofitable.^[5] Of the 1,200 shopping malls across the US, 50% are expected to close by 2023.^[6] More than 12,000 stores are expected to close in 2018.^[7]

The retail apocalypse phenomenon is related to the middle-class squeeze, in which consumers experience a decrease in income while costs increase for education, healthcare, and housing. Bloomberg stated that the cause of the retail apocalypse "isn't as simple as Amazon.com Inc. taking market share or twenty-somethings spending more on experiences than things. The root cause is that many of these long-standing chains are overloaded with debt—often from leveraged buyouts led by private equity firms."^[8] Forbes has said the media coverage is exaggerated, and the sector is simply evolving.^[9] The most productive retailers in North America during the retail apocalypse are the low-cost, "fast-fashion" brands (e.g. Zara and H&M) and dollar stores (e.g. Dollar General and Family Dollar).^[10]

Contents [[hide](#)]

- History
- Affected retailers
 - A–D
 - E–H



A Kmart in Lancaster, Ohio closed in 2018.

43



A Sports Authority store in Flemington, New Jersey, as seen on May 26, 2016. The location also has signs announcing the store's imminent closure. The company

43

Some truth to retail apocalypse narrative

- 12,000 US store closures and 22% fewer UK shops expected by end of 2018.
- US has 24 sq ft of retail space per capita.
- Mainland Europe & Asia less exposed though impacted by scaling back/collapse of global giants.



UK retailers facing perfect storm

- Rising costs, subdued demand and seismic structural changes.
- Inflation (cost of imports) hitting everyone from Maplin to Waitrose.
- Leading to one of 4 Cs:
 - Cost-cutting
 - Closures
 - Consolidation
 - Collapse



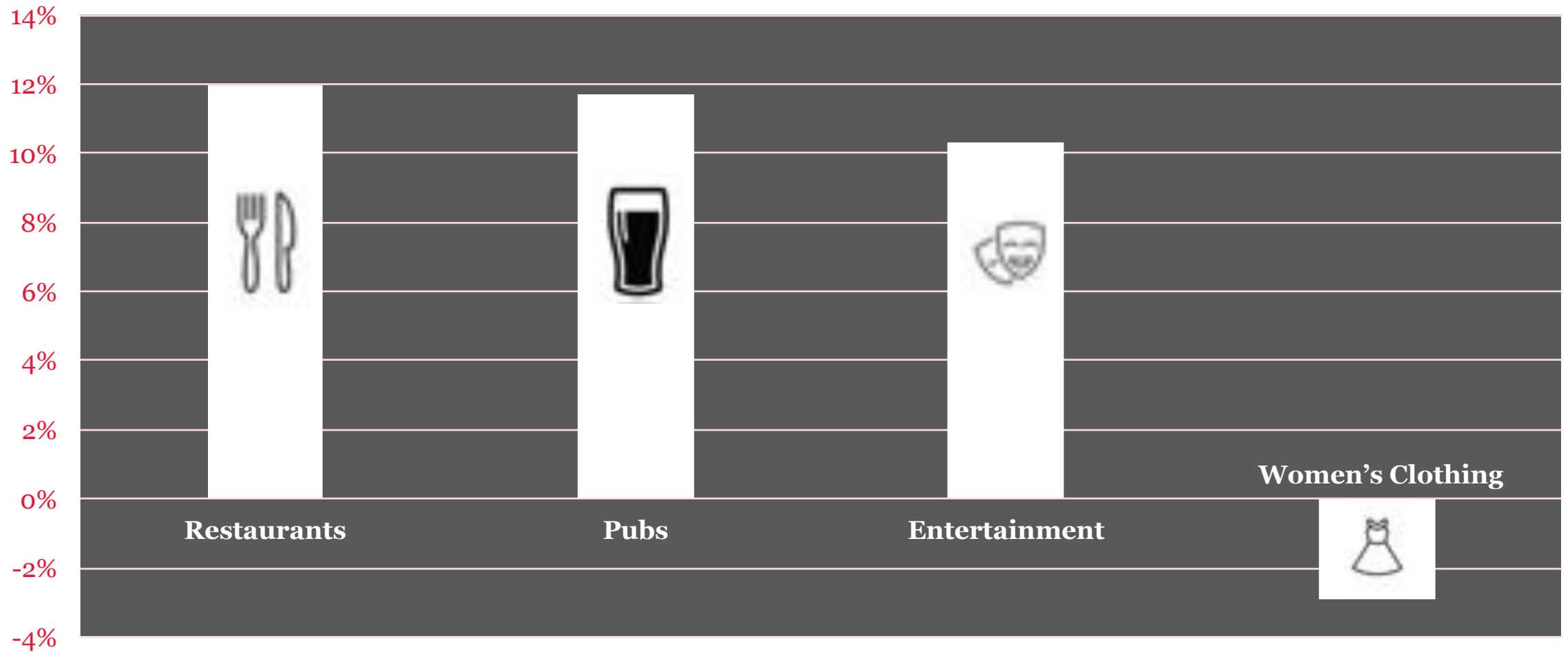


Fundamental shifts in **how** and **what** we're buying

- **How:** ubiquitous connectivity has led to growth of online/mobile and created today's 'on-my-terms' shopper
- **What:** discretionary spend increasingly going towards experiences over material goods

Rise in experiential spending has hit fashion chains hardest

Sector Growth 2016-2017



The background of the slide is a photograph of a clothing rack filled with various colorful garments, including yellow, white, pink, purple, green, and blue items. The image is slightly blurred and has a dark overlay to make the text stand out.

But can't just
blame the
pub for
clothing
sector
troubles

Compounded by:

- Squeeze on disposable income
- Lack of new fashion trends in past decade
- Ageing population
- Growing awareness of sustainability
- More blended wardrobes as a result of more casual workplaces

No surprise stores are closing at record rates

Core category
shift online



More nimble
competitors

Abercrombie & Fitch



NEW
LOOK



Overspaced with
questionable
relevance

mothercare

M&S
EST. 1884

BHS
BRITISH HOME STORES

sears

HOUSE OF FRASER

★ macy's

JCPenney

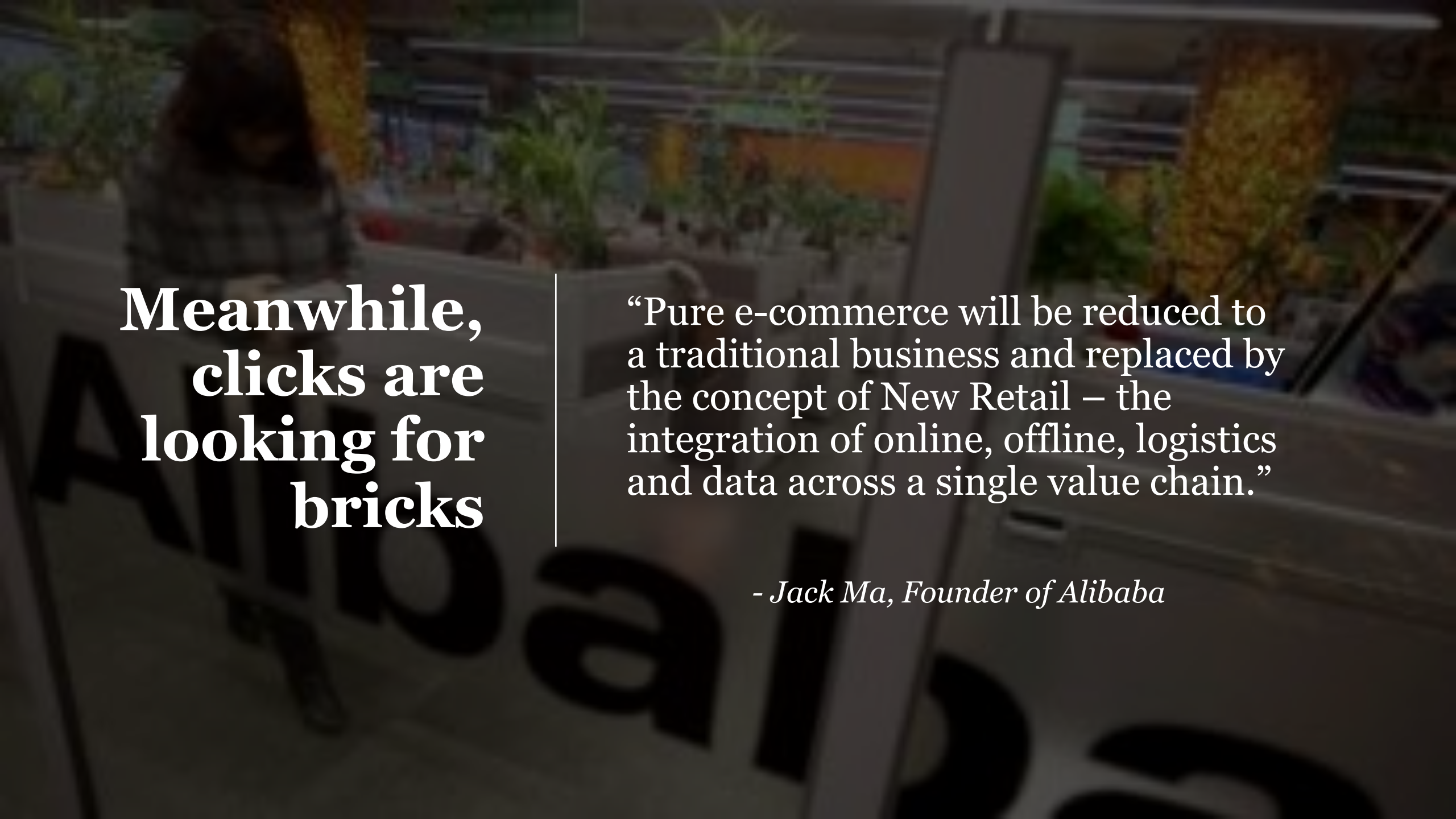
DEBENHAMS

If you can't be relevant to your customers or stand out from the competition, you don't stand a chance.

R E L E V A N T

But death of the store is grossly exaggerated

- 80-90% of retail sales still take place in a shop
- Role of the store is evolving, not dying
- Undifferentiated will be exposed and underperformers weeded out
- But physical retail will emerge stronger, more connected, convenient and customer-centric



**Meanwhile,
clicks are
looking for
bricks**

“Pure e-commerce will be reduced to a traditional business and replaced by the concept of New Retail – the integration of online, offline, logistics and data across a single value chain.”

- Jack Ma, Founder of Alibaba

2015 prediction: death of pure-play e-commerce by 2020

amazon

Boden

SWOON
EDITIONS

GILT


Alibaba Group

WARBY PARKER

BONOBOS

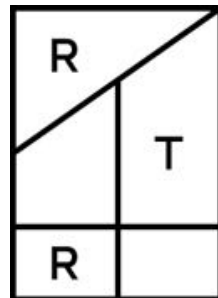
MODCLOTH

JD. 京东
.COM

 blue nile.


wiggle

BRACK.CH



BIRCHBOX ♦

MISSGUIDED
PEACE, LOVE AND FASHION

ASOS

ao.com

Why are online retailers moving on to the high street?

Technology is breaking down barriers between physical & digital

Mobile



Digitally integrated stores



Click, collect & return



Pervasive computing



“No consumer in the world gets up in the morning and says ‘I’m going to buy some shoes online’ or goes into an electronics store and says ‘I’m going to buy a refrigerator offline’. - Terry von Bibra, Alibaba GM of Europe

Having a physical presence also helps to:

- Offset rising shipping costs.
- Reduce cost of customer acquisition – act as a billboard for the brand.
- In Amazon's case, drive adoption of voice technology and grow Prime membership.





NO LINES. NO CHECKOUT.
(NO, SERIOUSLY.)

"We would love to [open stores] but only if we can have a truly differentiated idea. One of the things that we don't do very well at Amazon is do a me-too product offering."

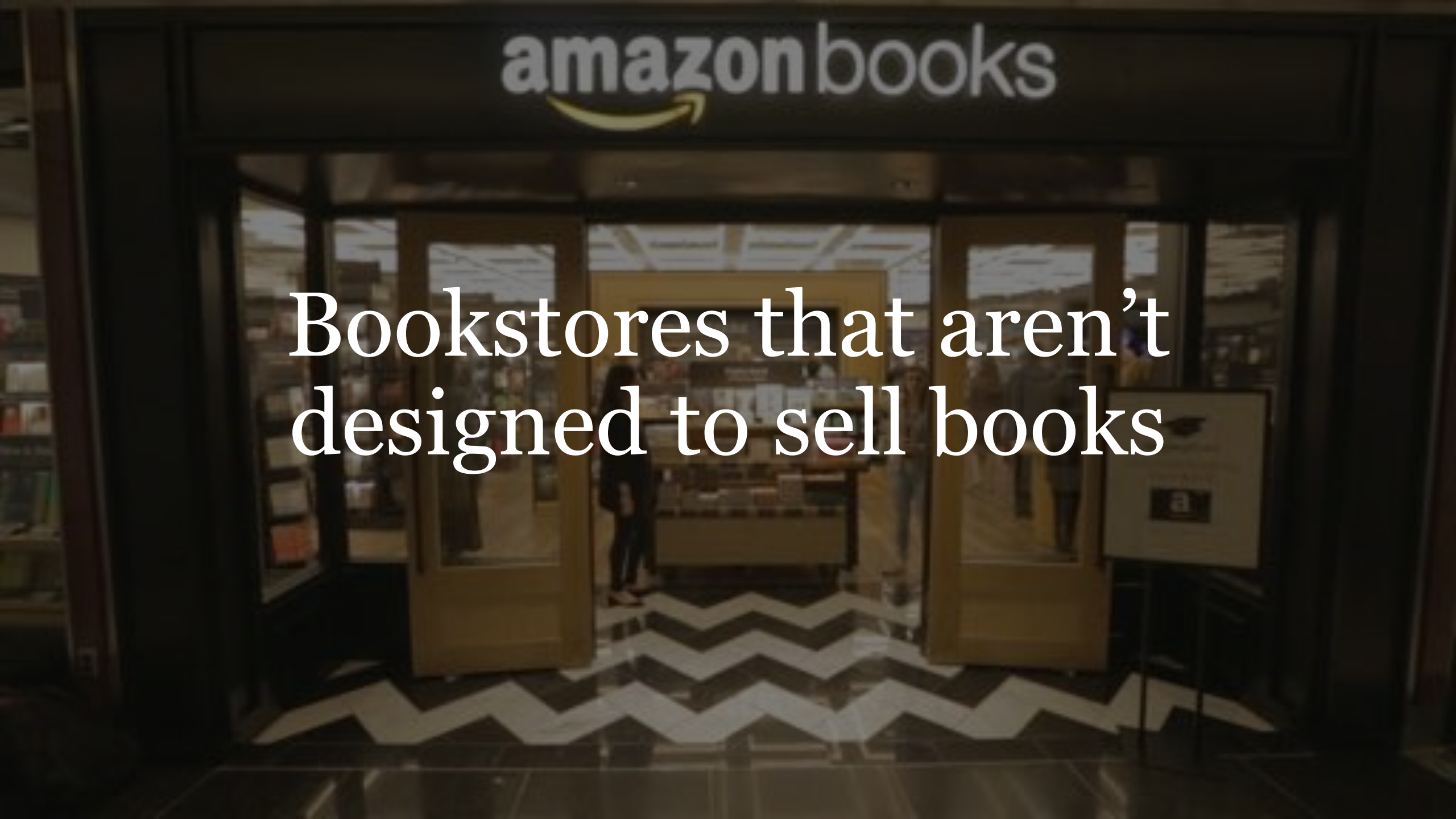
...The question we would always ask before we would embark on such a thing is: what's the idea? What would we do that would be different? How would it be better?"

– Jeff Bezos, 2012

Since that interview, Mr.
Bezos has opened...

Branded kiosks in malls across the US

amazon

A photograph of an Amazon Books storefront. The entrance features large glass doors and windows. Above the doors, the "amazon books" logo is displayed in white, with the Amazon smile arrow in yellow. The interior is visible through the glass, showing bookshelves and a person standing near the entrance. The floor outside has a black and white zigzag pattern. A sign on the right side of the entrance also features the Amazon logo.

amazon books

Bookstores that aren't
designed to sell books

A photograph of an Amazon Go store at night. The store's facade is illuminated, with the 'amazon go' logo prominently displayed in the upper left. The building has large glass windows showing interior shelves. A sidewalk with a street lamp and a tree is in the foreground. The Space Needle is visible in the background on the right.

amazon go

America's first checkout-free store

A photograph of an Amazon Fresh Pickup drive-thru supermarket. The building is a single-story structure with a brick facade and large glass windows. The 'amazon fresh pickup' logo is prominently displayed on the upper left side of the building. To the right, a large green sign reads 'participant entry'. The parking lot in the foreground is paved and features a large green arrow pointing towards the entrance. A green sign on a stand in the lower right corner also indicates 'participant entry'. The overall scene is captured in a slightly dim, overcast light.

A drive-through supermarket

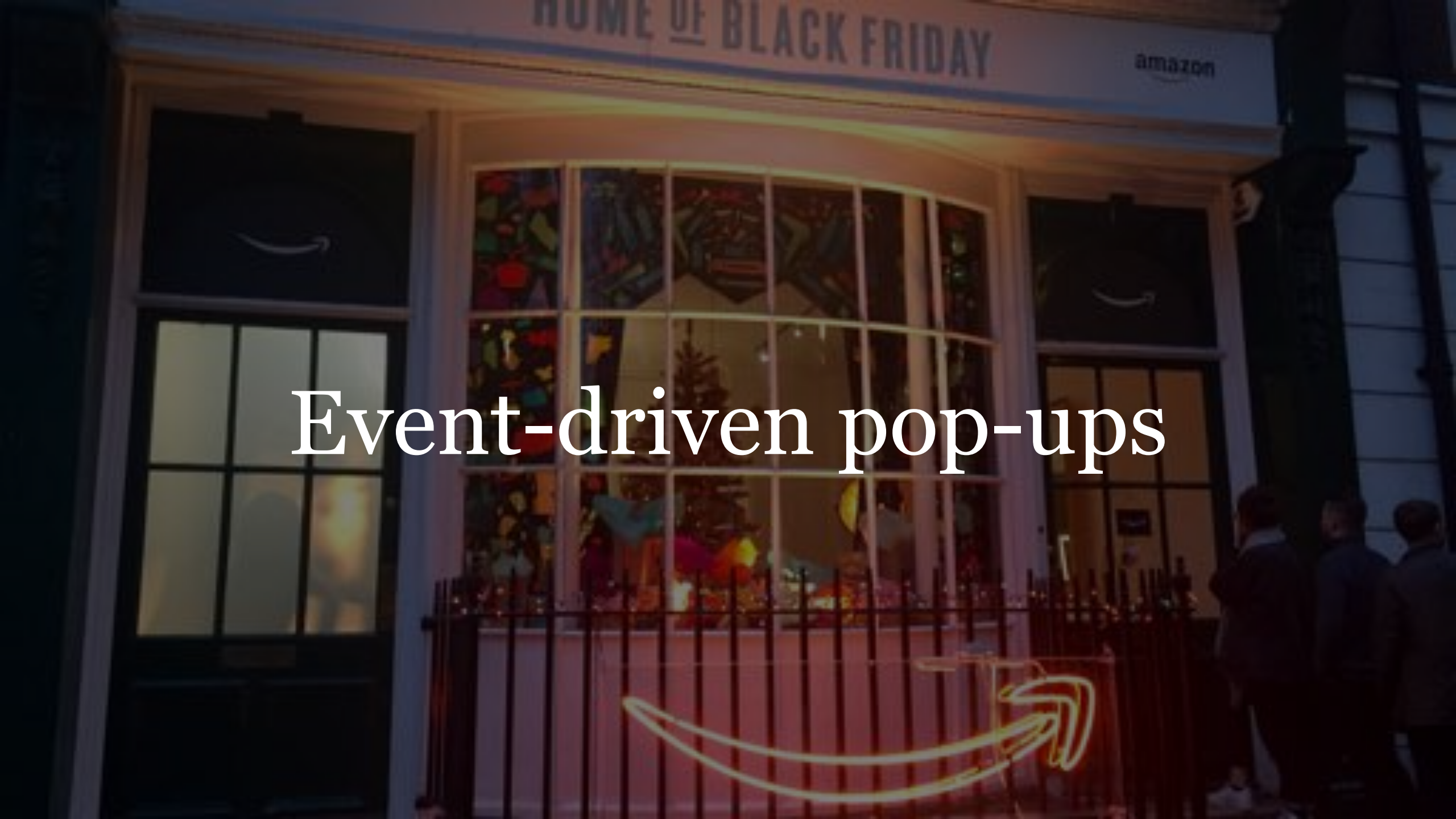
★ INTRODUCING TREASURE TRUCK ★

A NEW WAY TO SHOP WITH AMAZON



At Treasure Truck, we hand-pick our favorite new, trending, local, or delicious items, load them on the Truck, then cruise around town spreading joy for everyone with a smartphone and an appetite for fun.

Event-driven pop-ups





Lockers in all kinds of
unconventional places

A photograph of an Amazon Alexa store display. In the foreground, a black counter with an orange shelf underneath holds several blue and white boxes of Alexa devices. Behind the counter, a large screen displays the Alexa interface, and a sign above it reads "amazon alexa". To the left, a wooden table holds a large Apple logo. The background shows a large, open store space with high ceilings and other displays.

Concessions in some of its
most feared competitors'
stores

A photograph of an Amazon Whole Foods Market storefront at night. The building has large glass windows and doors. The Amazon logo is visible above the entrance, and the words "WHOLE FOODS MARKET" are displayed in large green letters. A man is pushing a stroller with a child inside, walking past the entrance. There are some plants and a small sign in the foreground.

And dropped \$14 bn on
Whole Foods Market

Amazon UK: what's next?

- Alexa integration.
- Prime Now expansion.
- Ink more supply deals: Morrisons, Booths...
- Acquire a UK grocer in next 24-36 months.
This should worry ALL retailers.
- Co-opetition: department store partnership.
- Fashion disruption – addressing sizing and returns.
- Amazon Go launch.
- Prime to become even more attractive – and expensive.
- Bank of Amazon?





Amazon will fundamentally change the way we shop for groceries.

Our homes will do the boring stuff.

Stores will have to get more exciting.



Where are we heading? A greater divergence between functional and fun shopping.

Role of store shifting from transactional to experiential

The Future of Retail Is Stores That Aren't Stores

JULIE ZIMMER SEP 14, 2017

Is this the future of retail?
Nordstrom unveils
merchandise-free store

WeShop? WeWork preps a retail push

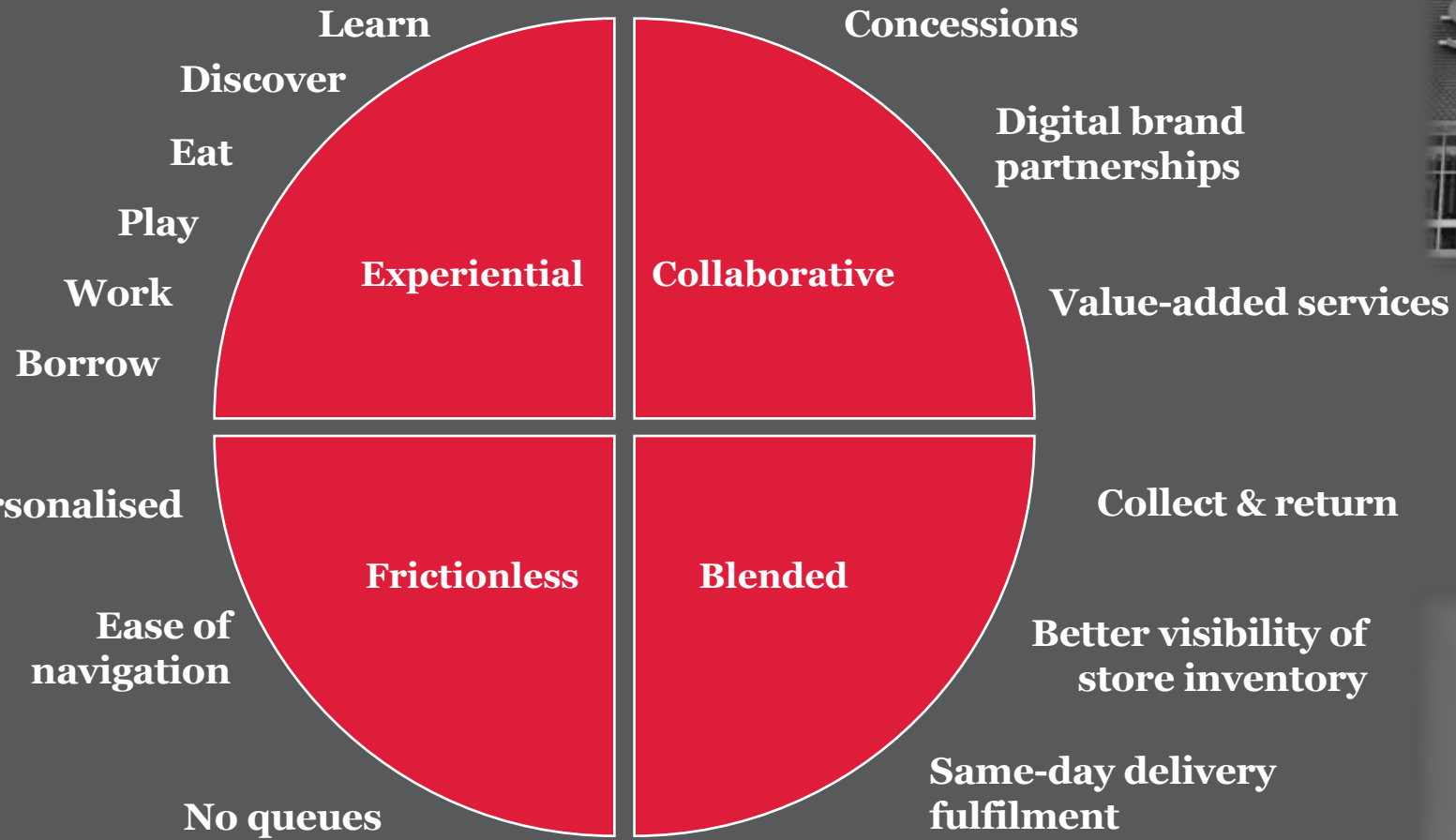
Next bids to be the new John Lewis:
After the toughest trading for 25
years, fashion chain opens in-store
coffee shops, hairdressers, bridal
service... and even a Ford car
showroom

Meet You at the Apple...Town Square?

BY ANGELA MOSCARITOLO 13 SEP 2017, 12:30 P.M.

Disney Reimagines Its Stores to Be More Like a Vacation

Redefining the retail space



In summary

- Urgency to act now. No second chances for retailers that fail to adapt.
- Retailers must stay in the game but avoid competing with Amazon on their terms.
- More bad news to come but high street will evolve to better reflect shifting consumer priorities.
- Collaboration, even 'co-opetition', to better serve the customer.

“Physical stores aren’t going anywhere. E-commerce is going to be a part of everything, but not the whole thing.”
– Jeff Bezos

