

# Downtown Economics

Ideas for Increasing Vitality in Community Business Districts

Illustration  
by  
SAA



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## Storemageddon:

The end of retail as we know it

*From a white paper by Michael Stumpf, AICP,  
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An ever-larger number of communities are investing their economic development resources into attraction programs targeting retail and related businesses. Much of the effort is targeted at chains and at trying to recreate a retail environment like that we have known for the last 20 or 30 years.

Few people are really aware of the changes taking place in retailing, though, or have given much thought to how they may shape the prospects of any given community or business district. Remarkable changes are occurring in a very short span of time, impacting how consumers shop, where retail businesses locate, and how they operate.

These changes will transform our communities. Some will attract new retail businesses. A far greater number will often be trading rather than expanding, attracting one store while losing one or more others in the process.

### How the Retail Sector is Changing

This white paper (as summarized here) touches on several topics in trying to describe how the retail sector is changing, though more topics could still be added. It may be helpful to offer a summary before turning to a discussion of what they may mean for communities and business districts.

- We are spending less. Even while the raw numbers seem higher, when adjusted for

population growth and inflation, spending is considerably below 2006 levels.

- Our preferences and priorities are shifting. This has an impact on what we buy and where we make purchases. Stores are changing their merchandise mix to try to respond to emerging customer desires.
- We are shopping differently. Certainly, the continued growth of online sales has a tremendous impact, but even when we go to the store it is less often and purchases are more deliberate.
- The number of chain stores is declining through consolidation, closures, and market optimization, to capture the greatest possible market share with the fewest number of stores. Rural and urban communities have been negatively impacted by these changes.

### Retail Contributes to Quality of Life

Retail is important to any community. Its real value is not in the jobs it offers, which often pay less than in manufacturing or other sectors. The sales and real estate taxes that retailers generate can be essential, but even these are not the reason that a good retail sector is vital to a community.

The sector's importance is in its contribution to the quality of life of a community's residents. Places that cannot develop a strong retail base will not grow. Retail and dining meet basic needs and desires of residents, and their presence and quality are a factor in most primary business site selection decisions.

Destination shopping, dining, and entertainment districts can even be a magnet to draw in highly-educated and well-paid technical workers, and the businesses that employ them.

- More specifically, the most desirable retail locations have been able to attract or retain specialty retail stores while most secondary (or poorer) locations have lost apparel, furnishings, and other specialty stores.
- While larger stores are in decline, independent “mom and pop” stores opened at a pace more than fast enough to make up for their closures, and to keep the growth in overall store counts positive.
- Department stores continue to close at a significant pace. Closures will continue to present a challenge in the established urban and rural locations where struggling chains like Sears, Penney’s, and Macy’s anchor older malls.
- Superstores, warehouse clubs, and dollar stores have been a bright spot in the retail landscape, expanding through much of the country. Flattening sales and consolidation may be signaling that this, too, will change.

### Implications for Communities and Business Districts

We are faced with a scenario in which a small number of communities within a region, and a small number of districts within communities will be growing while others are in decline. In many places, discussions about retail expansion should really be using the term “trading”. Without substantial growth in the market, new retail development will often only shift spending from one location (and set of stores) to another location and its stores. Those shifts might come at the district, community, or regional level.

If only a relative handful of places are able to attract national retail chains, and particularly the most desirable of them, is your community or district one of those places? Or would you be better served with a strategy that favors

working with local businesses to expand sales and start new retail businesses from within the community? What is apparent is that nearly all places have a greater opportunity to build local businesses than they do to lure national chain stores.

What retailers and strategies can realistically be pursued? Despite the somewhat grim picture painted by recent trends, most places can develop a meaningful retail strategy. What is needed, though, is more than just a leakage report and list of chain retailers downloaded from the internet. Communities and business districts need to embrace a more comprehensive approach that builds value for existing businesses, transforms both businesses and districts to adapt to changing consumers and technologies, and positions districts to retain sales while reaching for new markets.

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*The complete white paper is available at: [www.placedynamics.org](http://www.placedynamics.org)*

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