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REINVENTING RETAIL: MALLS, DISCOUNTERS & AMAZON IN THE DIGITAL ERA

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Abstract

Retail activities occupy a prominent position in contemporary suburban areas, both in terms of their visual imprints on the landscape and economic significance. Shopping centers of varying scales and vitality seem to appear wherever two major arterials converge or are located at the foot of key freeway off-ramps. The largest of these are the regional and super-regional malls, typically covering 80 to 100 total acres, of which three-quarters of that area is devoted to parking. At the opposite end of the spectrum, however, are countless unnamed strip centers, each with fewer than a dozen tenants, scattered like a rash on the suburban skin. Today's economically powerful large shopping centers may achieve annual sales in excess of $400 million per year. Such high performers are especially valued by municipal governments as the sales taxes which they generate frequently surpasses a city's revenue from local property taxes.

The retail environment is a highly dynamic one in which individual firms as well as entire shopping centers must compete for customers' patronage and jockey for valued positioning within their local and regional setting. At the scale of the entire retail center, responses to competition include expansion programs, renovations and rebranding, along with diversification and/or specialization efforts. The particular mix of strategies followed is, of course, dependent on the health and age of major tenant firms, maturity of the center as a whole, shifts in community demographics and customer demands, and the rise or disappearance of key competitors.

Recent months have seen a plethora of alarming headlines about the supposed "Death of the Shopping Mall" or "Imminent Demise of Legendary Retailers X and Y" ---- read Sears, JC Penney, or a storied local chain. The blame for many retail difficulties (and future fate) typically is laid at the feet of the two national/global giants, Walmart and Amazon. In light of the inherent challenges facing retailers and the current tone of such commentaries, we need to address a fundamental question that has meaning for our immediate region: "To what extent do competitive pressures and such headlines reflect conditions in our own region, specifically Orange County, California?"

More precisely, pressing related questions include the following:

> "What is the form and general health of our retail landscape now at mid-decade?"
>
> "How prominent are Walmart and other leading discounters locally and what impacts have those retailers had on traditional shopping centers?"
>
> "What is the current status of e-commerce and of Amazon in particular at mid-decade? How is this internet/digital era reshaping legacy retailers?"
>
> "How might existing retail centers remain vibrant when facing such challenges?"
>
> "What does the future of retailing portend for those of us who are [aging] consumers and for the landscapes of the communities in which we, and successive generations live?

As a [partial] response to those questions and concerns, the objective of this presentation is to examine the current status of core retailing segments in Orange County and to reveal notable trends over recent decades. I begin with a focus on three major categories of brick-and-mortar general merchandisers: legacy department store chains, the discounters, and then the price-point variety stores. That coverage follows a dozen well-known national and regional players with such local representatives as Macy*s, Nordstrom and Sears (department stores); Costco, Sam's Club, Target, and Walmart (discounters and wholesale clubs); then Dollar Tree and 99 Cents Only (price-point stores). Next, we consider how these cluster to shape the upper-levels of a shopping center hierarchy

as well as that hierarchy's dynamic character over time. Finally, I offer a somewhat detailed examination of Amazon corporation to uncover the degree of its reach into traditional retail product lines and its ever-widening diversification beyond retailing. This survey concludes with notes about how traditional brick-and-mortal firms are adapting to become "omnichannel retailers" and making operational adjustments to compete, not only with Amazon, but with each other to focus more closely on strategies that promote their viability and enhance consumer satisfaction.

Topical Outline

A. INTRODUCTION
- Fortuitous Timing
- Background as Urban Geographer/Planner
- Requisite Disclaimer

B. FOUR OVERVIEWS: PLAYERS AND THE SHOPPERS
- Prominent Centers and Firms on the OC Retail Landscape
- Retail's Significance in the Urban/Suburban Realm
- **Gender Differences in Shopping Behaviors**
- **Behind the Headlines: Competitive Change as the Constant** Even Among Iconic Brands
  - Gone But Not Forgotten: A Glance Backward 30 Yrs. Ago
  - Recent National-level Shifts Since 2010

C. INTERPRETING OUR RETAIL LANDSCAPE
- Traditional Center Hierarchy of Scale and Market Reach
  - *(with visual examples)*
- How Shopping Centers Survive and Thrive
  - (***Case Study of Brea Mall***)
- O.C.'s Shopping Center Leaderboard
- **Cultural Messages** From the Mall and Spatial Organization within Retail Centers: Interpreting Signs and Symbols

D. RISE OF DISCOUNT RETAILING
- How Discounters Arose in Climate of 1950s Competition
- **Simultaneous Roots in the Ground** - 1962 Milestone, Market spread
  - *(focus on **Walmart, Target & Costco**)*
- Mapping the Discounters' Presence in Today's Orange County
- **Power Centers / Hybrid Retail Centers**
- Price-Point Firms on the Ascendancy

E. FROM INTERNET SHOPPING TO E-COMMERCE
- From Online Product Browsing to Digital Ticketing & Payment
- Scale of E-Commerce in USA - $451 Billion annually; 15% annual growth rate
- **Amazon: Pioneer and Pacesetter**
  - *Corporate pillars – Customer Focus, Long-Term Perspective, Continuous Innovation, Frugality, Diversification Indicators*
- E-Bay as a Mere Footnote

F. ISSUES AND CONCLUDING THOUGHTS

Maintaining Center Health amid Market Saturation and Innovation
Striving to Improve the Customer Experiences & "Path to Purchase"
Swipe Your Credit/Debit Card or Show QR codes on your Device
Parting Shots

Suggested Readings

"Amazon Primed," The Economist (March 25, 2017)

Cohen, Nancy E. 2002*. America's Marketplace: The History of Shopping Centers*. Greenwich Publishing.

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Fishman, Charles 2011. *The Wal-Mart Effect: How the World's Most Powerful Company Works.* Updated Edition. New York: Penguin*.*

Graff, Thomas 2006. "Unequal Competition Among Chains of Supercenters: Kmart, Target, and Wal-Mart," *Professional Geographer, 58 (1): 54-64.*

Horowitz, Julia 2017. "Amazon-While Foods Merger Gets Green Light from U.S. Government," CNN Money (August 23); Downloaded 08/24/2017.

Howard, Vicki 2015. *From Main Street to Mall: The Rise and Fall of the American Department Store*. Philadelphia: University of Pennsylvania Press.

Lichtenstein, Nelson 2010. *The Retail Revolution: How Wal-Mart Created a Brave New World of Business*. New York: Picador division of Henry Holt and Company.

Madans, Hannah 2017. "From Modest to Posh," *Orange County Register* (September 10). *50th Anniversary Celebration of Fashion Island.*

Sharon, Keith 2017. "From Lima Beans to Couture,'' *Orange County Register.* (March 15). *South Coast Plaza Turning 50.*

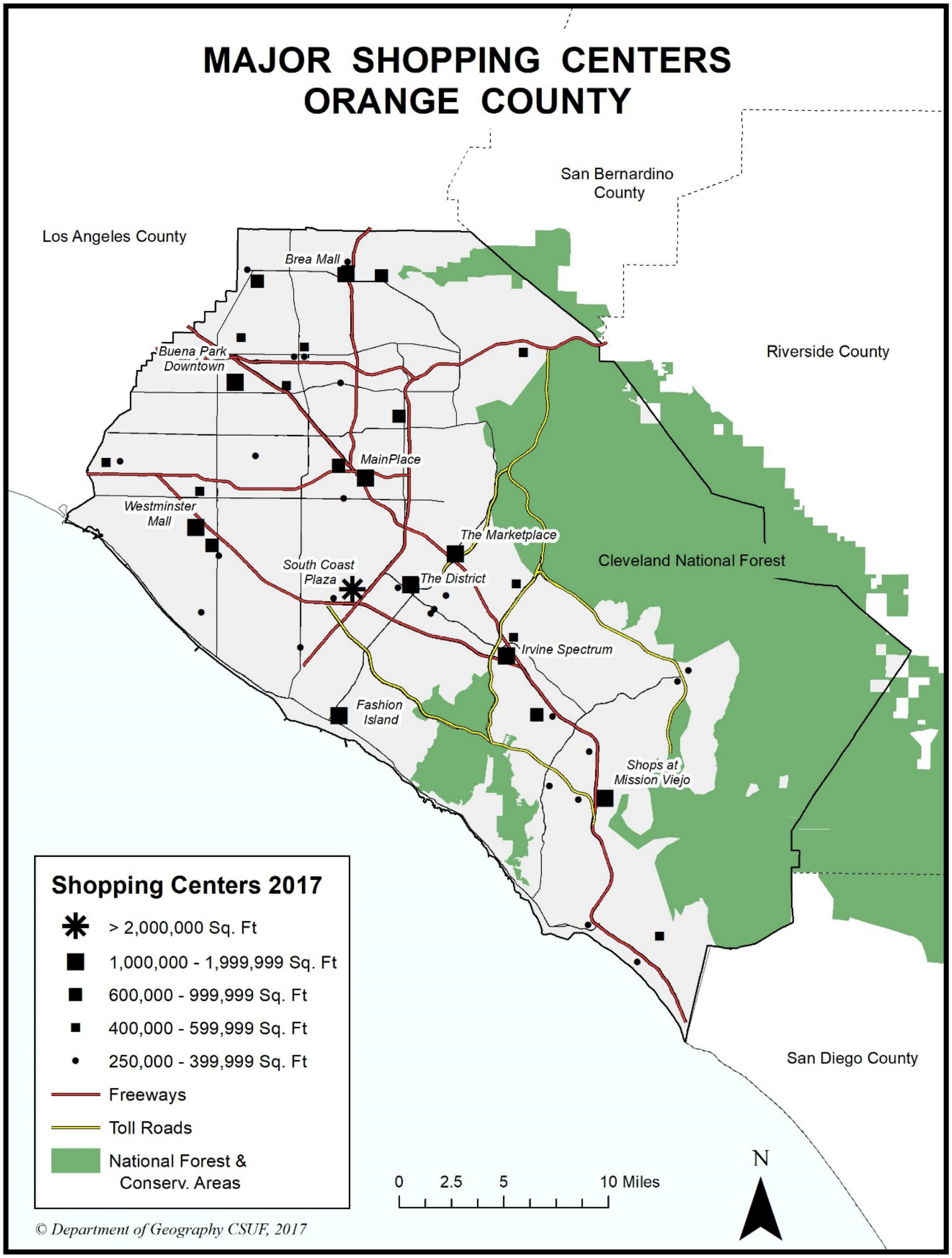
Smith, Aaron and Monica Anderson 2016. *On-Line Shopping and E-Commerce*. Washington: Pew Research Center.

Steinberg, Jim 2017. "Kaiser, Target to Roll Out 31 Store-based Across Region," *Orange County Register* (September 15).

Stone, Brad 2013. *The Everything Store: Jeff Bezos and the Age of Amazon.* New York: Back Bay Books. Little, Brown and Company.

Thomas, Lauren 2017. "Sears to Shutter Another 28 Locations, As Same-Store Sales Tumble 11.5%," CNBC.com (August 24, 2017; Downloaded September 16, 2017). [Note: All closures from Kmart division, not Sears stores]

Thompson, Derek 2017. "What in the World Is Causing the Retail Meltdown of 2017?" *The Atlantic* (April).



MAJOR SHOPPING CENTERS
ORANGE COUNTY
San Bernardino County
Los Angeles County
Riverside County
Cleveland National Forest
San Diego County
Brea Mall
Buena Park Downtown
MainPlace
Westminster Mall
The Marketplace
South Coast Plaza
The District
Irvine Spectrum
Fashion Island
Shops at Mission Viejo
Shopping Centers 2017
> 2,000,000 Sq. Ft
1,000,000 - 1,999,999 Sq. Ft
600,000 - 999,999 Sq. Ft
400,000 - 599,999 Sq. Ft
250,000 - 399,999 Sq. Ft
Freeways
Toll Roads
National Forest & Conserv. Areas
0 2.5 5 10 Miles
N
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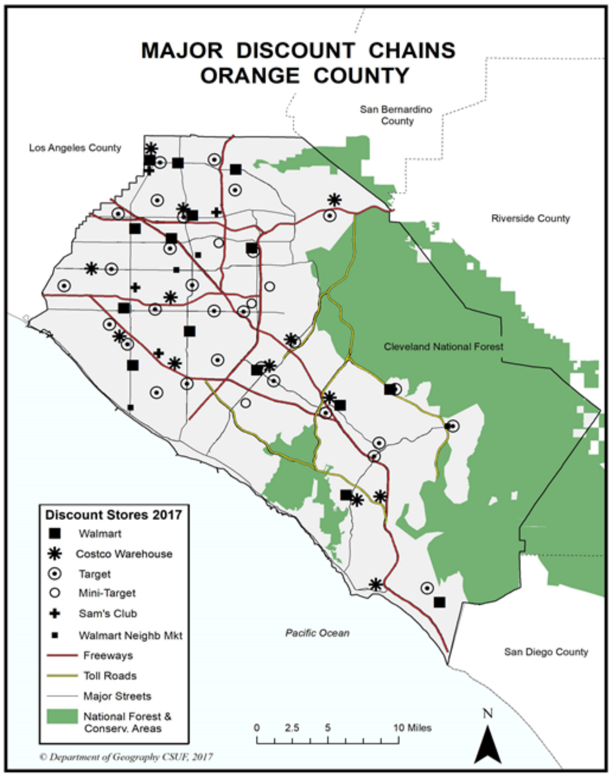
MAJOR DISCOUNT CHAINS
ORANGE COUNTY
San Bernardino County
Los Angeles County
Riverside County
Cleveland National Forest
Pacific Ocean
San Diego County
Discount Stores 2017
Walmart
Costco Warehouse
Target
Mini-Target
Sam's Club
Walmart Neighb Mkt
Freeways
Toll Roads
Major Streets
National Forest & Conserv. Areas
0 2.5 5 10 Miles
N
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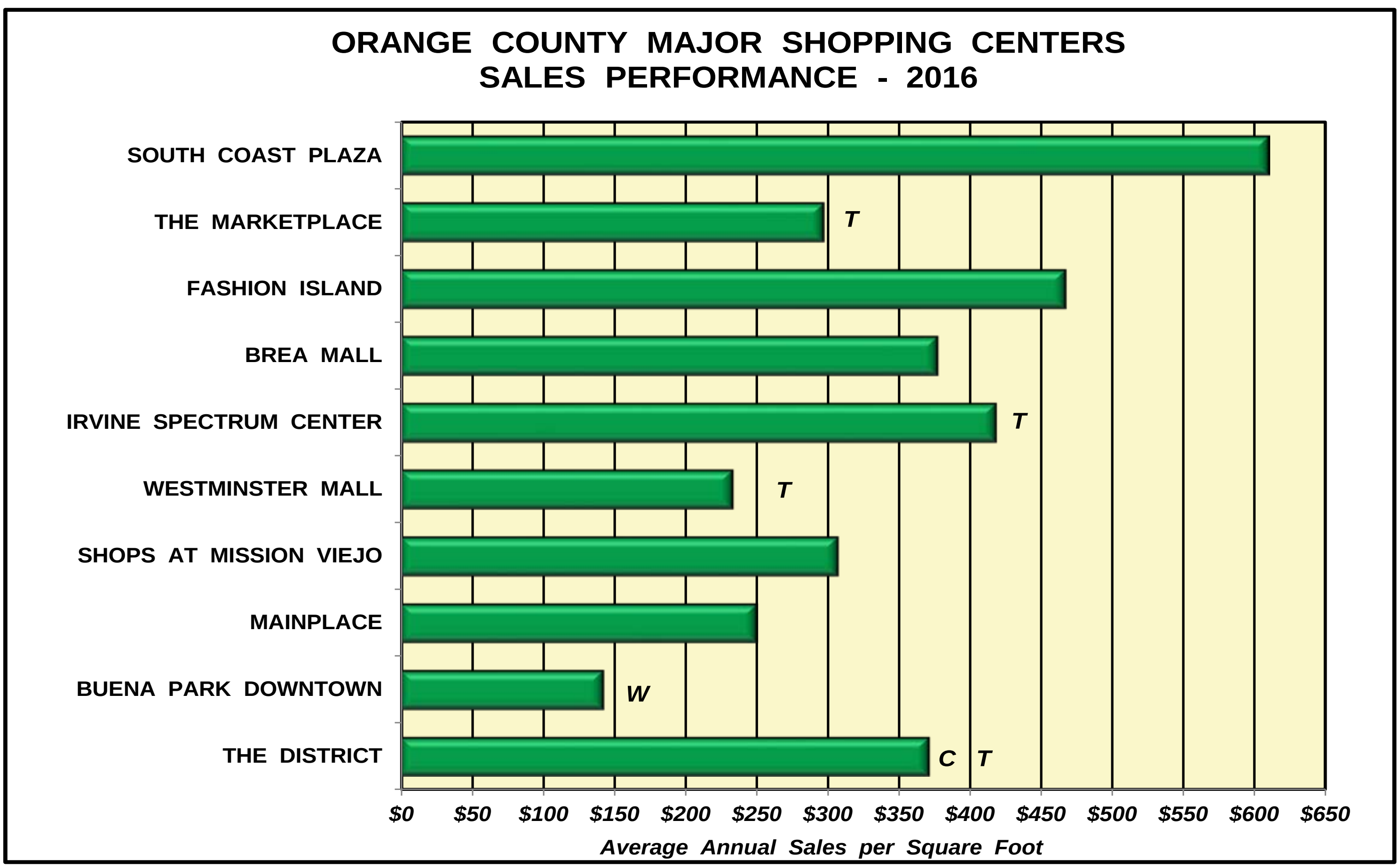
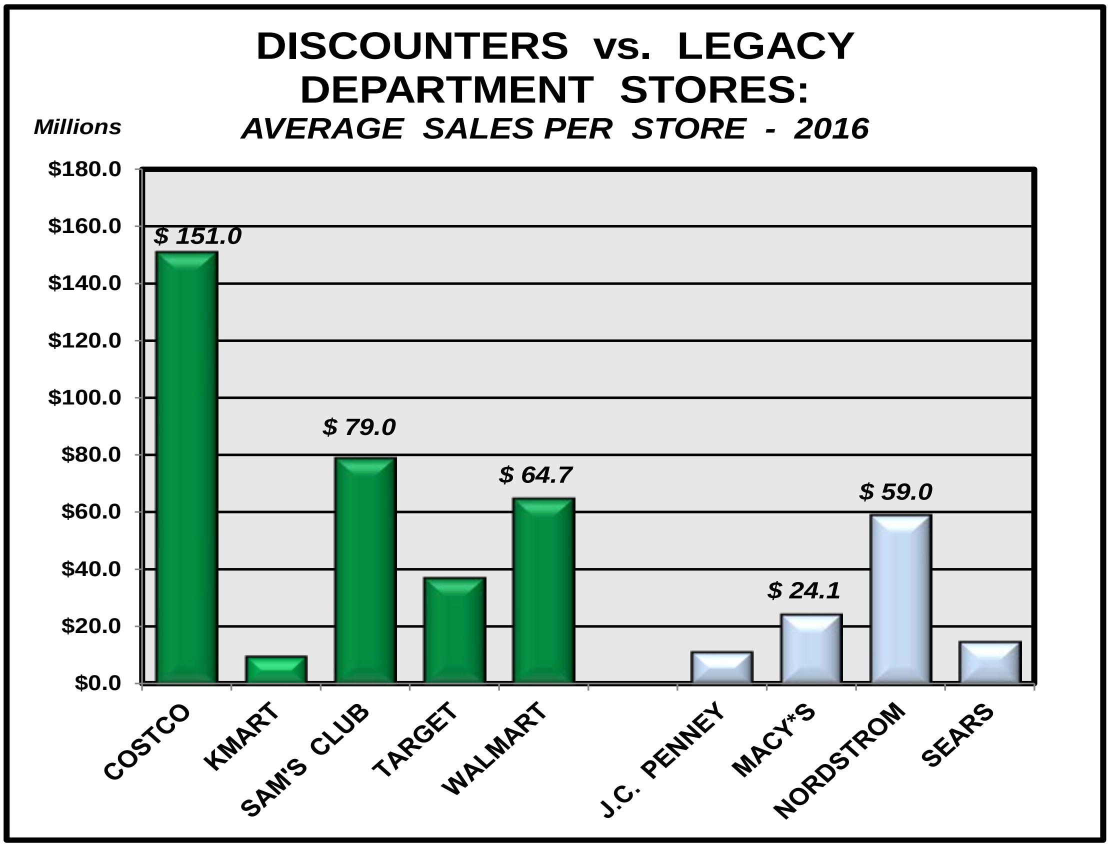
BIZARRO: By Dan Piraro
FREE HUGS
I'm going to pop down to the mall and pick up some dinner.
BIZARRO.COM
Facebook.com/BizarroComics


ORANGE COUNTY MAJOR SHOPPING CENTERS
SALES PERFORMANCE - 2016
SOUTH COAST PLAZA
THE MARKETPLACE
T
FASHION ISLAND
BREA MALL
IRVINE SPECTRUM CENTER
T
WESTMINSTER MALL
T
SHOPS AT MISSION VIEJO
MAINPLACE
BUENA PARK DOWNTOWN
W
THE DISTRICT
C T
$0 $50 $100 $150 $200 $250 $300 $350 $400 $450 $500 $550 $600 $650
Average Annual Sales per Square Foot



INFILL LOCATIONS
REPURPOSED FOR RETAILING

BREA-OLINDA HIGH SCHOOL
TARGET -- BREA MARKETPLACE 1992/2008

CHEVRON OIL FIELD RESEARCH CENTER, LA HABRA
WALMART & SAM'S CLUB -- WESTRIDGE SHOPPING CTR. 2004

FRIENDLY HILLS MEDICAL CENTER, LA HABRA
COSTCO -- 2005

HUGHES GROUND SYSTEMS GROUP, FULLERTON
TARGET -- AMERIGE HEIGHTS TOWN CTR. 2001

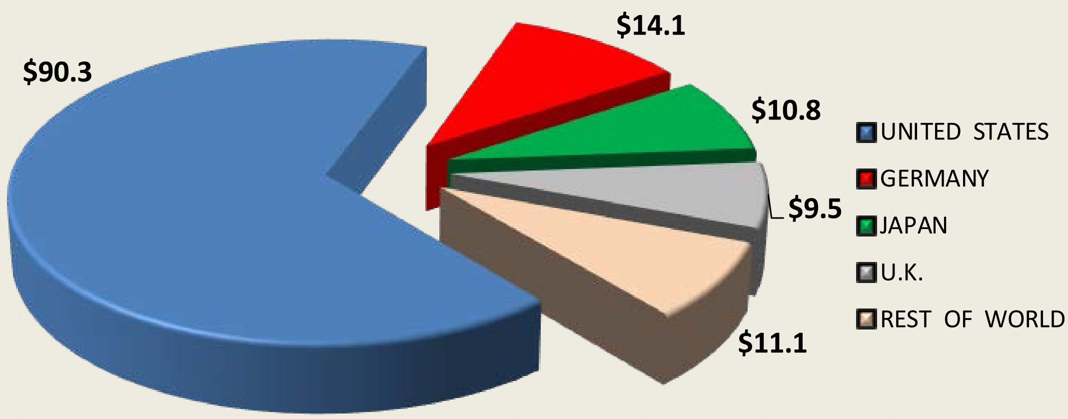
LOS ALAMITOS RACE COURSE PARKING AREA, CYPRESS
COSTCO -- CYPRESS 2005

TUSTIN MARINE CORPS AIR STATION, TUSTIN
COSTCO & TARGET -- THE DISTRICT 2007

UNOCAL CHEMICAL PLANT, BREA
WALMART -- BREA UNION PLAZA 1998

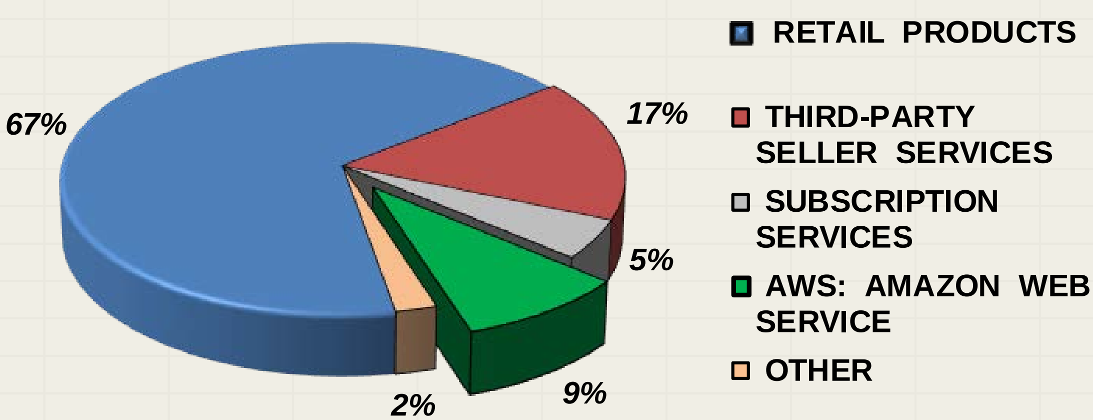
Compiled by R. Young, October 2013.

AMAZON'S GLOBAL SALES - 2016



Total Revenue of $ 139.98 Billion

REVENUE CONTRIBUTION OF PRODUCT AND SERVICES SEGMENTS



Consolidated 2016 Net Profit of $ 2.4 Billion
($3.1 Billion from AWS)