CHANGING RETAIL LANDSCAPE

ÖZGE ÖNER, PHD

LECTURER – DEPARTMENT OF LAND ECONOMY, CAMBRIDGE

RESEARCH FELLOW – RESEARCH INSTITUTE OF INDUSTRIAL ECONOMICS, STOCKHOLM

Bollstabruk, 1910-1919
“L'Angleterre est une nation de boutiquiers.”

Napoleon
800 BC
Merchants in Ancient Greece at the ‘Agora’

13th-16th Century
The medieval market places (e.g. The Raw), Bazaars of Middle East (e.g. Grand Bazaar in Istanbul)

17th Century
Local stores substituting market stalls

19th Century
Modern day department stores

20th Century
Out-of-town shopping malls, supermarkets, chain stores, multicategory stores

21st Century
Online retailing (e.g. click-and-collect, one-click purchasing and next day delivery & Down-town shopping malls

Share of the population living in urbanized areas
Share of the total population, in a particular region or country, who live in urbanized areas.
21st Century Trends

1. Large firms have grown faster than the retail industry itself

2. There has been a decrease in the number of small and micro firms

3. Strategic management is not an exception but a rule

4. Big retailers have started to coordinate their own value chains, and big retailers have earned a stronger position compared to suppliers.

5. An increase in the market concentration → Spatial consequences

6. Branch categories are not as straightforward – multiple use of space (e.g. café/shop)

7. Structural change (e.g. online retailing) favored larger retailers over smaller peers, larger places over smaller places.
Retail and wholesale services account for 11.1% of the EU's GDP and provide around 33 million jobs (almost 15% of total employment in the EU). In retail alone, there are about 3.6 million active companies representing 4.5% of value added and accounting for almost 9% of EU jobs. They act as intermediaries between thousands of product suppliers and millions of consumers. E-commerce has increased the potential market for retailers and the scope of products available to consumers. The European Commission aims to ensure that EU wholesalers, retailers and consumers enjoy an integrated retail market.

Why has this guide been produced?

The vast majority of retailers in Europe are small or very small. A thriving small retail sector is essential for keeping European town and city centres vital and retaining a healthy retail sector in rural areas. Small retailers are an important source of employment and economic activity. They also strengthen communities and bring proximity, approachability and personalised services to customers.

However, small retailers have been facing an increasing number of challenges over the last few decades, largely due to dramatic changes in buying and selling habits. The retail sector has experienced a widespread move from small, generalist stores to large stores, which has increased the need for local shop owners to be competitive on price. More recently, they face the digital revolution.
“Mrs. Blank, who buys her staple groceries at a neighborhood store, may be willing to motor 100 miles or more if she thinks she can find a hat that she likes – a hat that her friends at the bridge party have never seen and will admire because it came from a distant and larger city.”

Reilly, 1931, pg.1
Retail & Local Market Size
The optimal lambda is defined as the value where the explanatory power ($R^2$) of the model is maximized. Finding the different lambdas entails determining the $\beta$-coefficients by OLS while simultaneously optimizing the value of lambda in a non-linear manner. The algorithm we use is the Generalized Reduced Gradient Algorithm (GRG).

$$MP_{r,s} = \sum_{k=1}^{K} W_k \cdot e^{-\lambda_s \alpha_{rk}}$$
<table>
<thead>
<tr>
<th>Market potential</th>
<th>Food</th>
<th>Clothing</th>
<th>Household goods</th>
<th>Specialized</th>
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![Graph showing probability distribution for market size](image)
The curious case of Food retailers – food deserts?
Change in population, number of food shops and their employment 2002-2015 in **City Municipalities**

Change in population, number of food shops and their employment 2002-2015 in **Rural Municipalities**

Change in population, number of food shops and their employment 2002-2015 in **Sparsely Populated Rural Municipalities**
Population & Retail (to sum)...

At the municipal level population change → retail change
Is it linear? → What happens when the last shop dies?
Scale of analysis? → Smaller aggregation, e.g. neighbourhoods?
Borders matter?
  ◦ In Sweden, the maximum distance in the two nearest food store has actually decreased by 13 km
Place Attractiveness
What makes places attractive?

- LARGE LABOR MARKET - HIGH RELATIVE WAGES
- A DIVERSITY OF SERVICES AND CONSUMPTION
- AESTHETICS AND BEAUTY
- HIGH QUALITY PUBLIC SERVICES
- HIGH ACCESS TO “THINGS” AND “PLACES” - SPEED
*Consumer city

Two important trends:
Reverse commuting (work in suburb live in the city)
Rents going up faster than the wages (consumer amenity premium?)
What happens when IKEA comes to town?

Market prices of single-family residential properties in the entry regions as a proxy for place attractiveness and estimate the changes in these property values that are due to the entry of IKEA.
Results *summed*

The average change in residential property prices within the city of entry when IKEA enters is 4.40%

→ an average increase of 487 SEK (52 USD) in the pre-IKEA average price per square meter for properties located within 10 km of new IKEA stores.

→ an increase 60,425 SEK (approximately 6,400 USD) in the total price of the average house located within 10 km of a new IKEA store.

However, the effect of IKEA entry is not significantly different from zero for the properties that are located 1 km away from the new IKEA store, while the prices of properties located beyond 1 km are positively affected when IKEA enters the city.

→ Prices of properties located at 1.5 km away from the entry location increase by, on average, 6.87% when IKEA enters.

→ The positive effect of IKEA entry on property prices reaches a maximum (6.95%) at about 2 km from the new IKEA store.

→ The effect then decreases smoothly so that properties located 10 km away from the entry location experience an average increase of only about 2% due to the entry by IKEA (Figure 3). At an exchange rate of 1 USD = 9.47 SEK, 8 March 2019.
Town Center & High Street – UK
The recession stemming from the 2008 banking and credit crisis has seen major alterations to the high streets of the UK, with a large spike in vacancy rates and retail failures.

Post-recession overlays more fundamental structural change in retailing, consumer behaviour and how people use places generally.

- decentralisation of activities (and not only retailing) and the technological advances of the internet (as in online and mobile shopping) has had far-reaching effects
3 Reviews of UK High Street

*UK Government in early 2011 asked Mary Portas to make a review*

**Portas review** → supply side

*Ex-retailer Bill Grimsey produced an alternative review*

**Grimsey review** → demand side (changing consumer behaviour)

*Scottish Gov. asked Malcolm Fraser to produce a review*

**Fraser review** → town center instead of high-street / different levels of government and people in place-making
Supply

- Running Town Centres like a business
- Deregulation of land use
- Employment regulations
- Cooperation between large and small retailers
- Disincentivising landlords to keep stores vacant

Demand

- Household / demographic heterogeneity
- Extent of the market boundary
- Changing consumer behaviour
- Collective demand (understanding communities)

Built Env.

- Co-location patterns
- Free parking(?)
- Optimal height
- Mixed-use
- Digital / smart town center
- Accessibility
The narrative is important!

Security and retail → “Eye upon the street”

Local resource framework

Analogous relationship between place attraction and retailers

Policy? Flexibilities at the local institutional level

Geography of technology → Small places, small retailers