



The changing face of brick and mortar retail: Collective retailers create small business incubators

Rachel LoMonaco-Benzing and Dr. Pamela Norum, University of Missouri, USA

Keywords: independent retail, retail format, entrepreneur, B2B sharing

Two changes in the way goods are consumed have dominated recent media: the uncertain future of brick and mortar retail and the rise of the sharing economy. Brick and mortar retailers are under considerable strain, both large and small, with many store closings happening every month, as they struggle to keep up with the success and ubiquitous nature of e-commerce options (Abrams & Gebeloff, 2017). For the past 20 years, independent, locally-based businesses have also faced fierce competition from online retailers and big chains alike (Lund, et al., 2015; Tolbert, 2005). At the same time, consumers increasingly support peer-to-peer sharing platforms. This ‘sharing economy’ arose from Botsman’s definition of the collaborative economy as, “an economic system of decentralized networks and marketplaces that unlocks the value of underused assets by matching needs and haves, in ways that bypass traditional middlemen” (2015, para. 12). This encompasses recirculating goods, exchanging services, increasing the use of durable goods, all through the Internet, and the sharing of business resources (Schor, 2016).

This study aims to understand independent collective retailers who share resources with one another outside of online platforms, as they have the potential to address concerns in today’s hypercompetitive retail market, including the role of the Internet in shifting money out of the local economy (Lund, et al., 2015; Stoel, 2002). Locally owned and operated businesses also have the potential to “create new jobs, increase local wealth, keep dollars circulating in the community, and connect community residents” (Frazier, et al., 2013, p. 445). Given that the B2B sharing economy and independent collective retailers are both often overlooked, not only in the media but in academic literature, there are gaps that this study seeks to fill.

Viewing the topic through the lens of institutional theory, collective retailers potentially represent two types of institutions. First, as a new form of business organization and second, as a convention of sharing resources. Institutional theory provides a means of understanding why businesses form the way they do and helps explain how social change itself may affect the types of opportunities or new formats that entrepreneurs choose to engage in (Tolbert, et al., 2011).

Collective retailers may provide a way to keep providers and users as the primary stakeholders and power-holders (Schor, 2016), and strengthen the long-term viability of independent retailers and entrepreneurs. As such, the study focused on understanding the following research questions: 1) To what extent do collective retailers exhibit a new retail format? 2) What strategies do owners use when forming and running a collective retailer? 3) What benefits and challenges do owners and members in a collective retailer experience?

Using purposive sampling, five retailers were included in the study, across five different regions of the country, all in small or medium-sized urban areas. Retailers were selected based on the use of shared space, product categories, and geographic locations. Product categories ranged from apparel alone to a mix of craft, art, apparel, home goods, and antique products.

Triangulation of data collection methods and data sources was used to aid in credibility and confirmability of information revealed. These included interviews with owners, managers, and vendors, in-store observations, and text analysis of retailers' websites and local media coverage.

The results indicate that these collective retailers do provide an evolutionary, amalgamated retail format. Most of the owners have combined the formats of cooperatives, antique malls, flea markets, and boutiques, developing strategies to weather tough economic times and make the most of changing environments. Their development may be related to social and economic change as four stores opened between 2007 and 2009, when the recession was at its height, and the maker movement was gaining ground. Others opened in 2014 and 2016, when these were in full swing. Four retailers found a way to bring temporary craft markets and online maker markets like Etsy to the everyday, physical retail space. Taking what works best from each format, they attract a wide range of consumers and reduce risks for both themselves and the vendors. Most stores provide an entertaining and nostalgic shopping experience, creating rich connections with consumers.

In business operations, most use the practice of renting space or charging a flat monthly fee to members, alongside charging sales commission. However, the level of involvement of members and the use of additional employees varies by space, as does the availability of shared resources beyond space. The most common term used by the owners and managers to describe their format is a "collective." All provide an inviting space for consumers, within popular downtown shopping locations, breaking from the typical feel and offering of an antique co-op or flea market. In essence, by shifting the controllable variables within the retail mix, such as organization, product, location, and atmosphere, these collective retailers have been able to adapt to volatility in the marketplace. As one owner describes, his product assortment is largely built around the idea that shopping in a multi-vendor space should not be "boring" like a typical antique mall, and instead avoid repetition, a sentiment echoed by another who wants to avoid the "boring" merchandise that big chains offer. Having multiple members provides a low-cost way for owners to provide this exciting and varied inventory, as they do not have to buy up front.

For the member vendors, the space tends to function as a retail business incubator. Two owners referred to the store as a "home base" for its vendors. All but one owner discussed their belief that the store allows them to provide opportunities to local entrepreneurs. The benefits not only reduce the vendors' own risks in terms of taking on rent, employees, and marketing on their own; but also allow them to test different products and activities regularly without added costs. Some vendors note this explicitly, and state it is a reason for joining the space. Others realize after joining and appreciate the ability to learn from other vendors and better meet customer needs. Others use the space to expand their business beyond an online or temporary physical presence, or even into a second brick and mortar store in a desirable location.

The study's findings provide practical implications to business, government, and academic sectors regarding the future development of the local retail environment and the opportunities to enable entrepreneurial businesses. Implications for sustainable business practices are also possible, with local production, consumption, and shared resources at play.

- Abrams, R., & Gebeloff, R. (2017, June 25). In towns already hit by factory closings, a new casualty: Retail jobs. *New York Times*, Retrieved 6/25/17 from <https://www.nytimes.com/2017/06/25/business/economy/amazon-retail-jobs-pennsylvania.html>
- Botsman, R. (27 May 2015). Defining the sharing economy: What is collaborative consumption—And what isn't? *Fast Company*. Retrieved from <https://www.fastcoexist.com/3046119/defining-the-sharing-economy-what-is-collaborative-consumption-and-what-isnt>
- Dubb, S. (2016). Community wealth building forms: What they are and how to use them at the local level. *Academy of Management Perspectives*, 30(2), 141-152. doi:10.5465/amp.2015.0074
- Frazier, B., Stoel, L., Niehm, L., & Eckerson, N. (2013). Optimism for new business survival in rural communities: an institutional perspective. *Journal of Small Business & Entrepreneurship*, 26, 443–462. <http://dx.doi.org/10.1080/08276331.2013.876761>
- Lund, D.J., Cid, C., Robicheaux, B., & Kozlenkova, I. (2015). Brick vs. click: A resource based view of community engagement. In R. VanMeter & J. Weiser (Eds.), 2015 SMA Proceedings: Real Time Marketing, Paper presented at Society for Marketing Advances Annual Conference, San Antonio, TX (pp. 338-347).
- Nelson, T., Nelson, D., Huybrechts, B., & Dufays, F. (2016). Emergent identity formation and the co-operative: theory building in relation to alternative organizational forms. *Entrepreneurship & Regional Development*, 28, 286-309.
- Schor, J. (2016). Debating the sharing economy. *Journal of Self-Governance and Management Economics*, 4(3), 7-22.
- Slagen, D. (2014, Sept 8). From P2P to B2B: The next phase of the sharing economy. *VentureBeat*. Retrieved from <https://venturebeat.com/2014/09/08/from-p2p-to-b2b-the-next-phase-of-the-sharing-economy/>
- Stoel, L. (2002). Retail cooperative groups: Effectiveness in a hypercompetitive market. *AMS Conference Proceedings*, Volume XXV, pp. 16-24.
- Swidler, A. (1986). Culture in action: Symbols and strategies. *American Sociological Review*, 51, 273-286.
- Tolbert, C.M., (2005). Minding our own business: Local retail establishments and the future of southern civic community. *Social Forces*, 83, 1309-1328.
- Tolbert, P.S., David, R.J., & Sine, W.D. (2011). Studying choice and change: The intersection of Institutional Theory and entrepreneurship research. *Organization Science*, 22(5), 1332-1344. doi:10.1287/orsc.1100.0601
- Winborg, J. & Landstrom, H. (2001) Financial bootstrapping for small businesses: Examining small business managers' resource acquisition behaviors. *Journal of Business Venturing*, 16, 235-254.