

## Retail Apocalypse's Impacts and Opportunities for Local Retailers

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Keywords: Retail apocalypse, local retailers, consumers in small towns and cities, apparel shopping

**Background.** The retail industry not only creates jobs and tax revenue but also makes an essential contribution to the quality of life of a community's residents. However, the U.S. retail industry has been rocked by record-high store closures, dozens of high-profile bankruptcies, and the death of hundreds of shopping malls over the last several years (Chatterjee et al., 2021; Childs et al., 2020; Mao, 2022). This dramatic closing of a large number of physical retail stores in the US has been called the "retail apocalypse."

While store closings are spread among urban and rural markets, communities in small towns/cities throughout the U.S. are hit the hardest by the retail apocalypse (Center for Retail Research, 2023). Many retailers have closed locations in smaller towns/cities because these places have lower populations than large cities or the demographics and populations in these communities don't grow fast enough to maintain sales and profitability (Schenke, 2017). Closing retail stores in small towns/cities can have effects far beyond empty retail spaces. In some cases, the job and the sales tax losses can impact the whole community (Helm et al, 2020). It also has unwelcome impacts on consumers living in these communities (Childs et al., 2020). Closure of favorite stores would force them to alter their established shopping patterns (Childs et al., 2020; Haans and Gijbrecchts, 2010). These consumers have found that there are fewer places to shop and they have fewer choices than they used to have. If they want more selections, they either need to drive to bigger cities or shop online.

While it is true that online sales are growing at a faster rate than offline, the majority of American shoppers are still visiting physical stores. Physical stores provide consumers with a sensory experience that allows them to touch and feel apparel products, immerse in brand experiences, and interact with knowledgeable sales associates (Dalmoro et al., 2019). At the same time, the reasons for shopping in physical stores vary with age, gender, location, and other socio-demographic factors (Kim et al., 2021). Some of these consumers have to turn to local retailers after big retail chains close stores in their communities. We believe these consumers represent new business opportunities for local apparel retailers. According to a report from Forbes, there already has been a return of locally owned businesses, filling a void left by the loss of national retailers in small cities and towns across the country (Schenke, 2017).

**Purpose and Research Questions.** Despite its importance to local communities, store closure and its impact have not received enough attention in economics and retail literature. A few studies have been done to empirically assess the impact of retail store closure on consumers and

local retailers in small towns/cities. Therefore, the present study aims to answer the following research questions (RQ):

**RQ1** How does the retail apocalypse affect small-city consumers, and how do they cope with it?

**RQ2** Does the retail apocalypse affect consumers in different demographic groups differently?

**RQ3** What opportunities does the retail apocalypse present to local apparel retailers?

**Methodology.** Interviews are frequently used as a qualitative approach to gain an in-depth understanding of consumer and community issues (Creswell, 2003; Fossey et al., 2002). In this study, 16 individual and 3 focus group in-person interviews were conducted with 28 consumers living in two small cities located in the southeast region. As of the 2020 census, the two cities' total population was 150,000. Like many other small cities and towns across the country, many national chain stores such as Kmart, Sears, Toys R Us, and Gap have closed their stores in this community in recent years. Participants were recruited at local college campuses and community centers. Semi-structured open-ended interview questions used in this study include participants' experiences and opinions about local store closures, their strategies to cope with them, and their expectations from the local apparel retailers. With participants' consent, interviews were audio recorded. The interviews lasted between 30 to 60 minutes, and all the recorded interviews were transcribed verbatim. The participants consist of 15 young consumers (*19 to 25 age range; 2 males and 13 females*), 8 middle-aged consumers (*35 to 55 age range, all females*), and 5 elderly consumers (*65 to 75 age range, 2 males and 3 females*). The thematic analysis procedure was followed to identify the emerging themes from the qualitative data (Braun & Clarke, 2006).

**Results.** Regarding RQ1, the impact of the retail apocalypse, two major themes were identified: *fewer stores available for local people and higher prices*. 24 out of the 28 participants (86%) indicated that they and their families were affected by store closures. Because of store closures, they have fewer stores where they can shop and buy apparel products, and in some cases, they need to pay higher prices for the same quality of products. Regarding the coping methods, three themes have emerged: *buying online, traveling to bigger cities, and shopping at a secondhand store*. In order to cope with this situation, the majority of participants are buying online or buying more online. Although online retailers offer them more product choices and sales, they cannot see, touch, and try on products before purchasing. It is a real issue, especially for shoes and underwear. If the products don't fit or meet their expectations, they need to deal with returning their online purchases. For example, one participant explained that "my dad is tall, so he has to have a big shoe size. It's difficult for him to order shoes online and make sure they're going to fit right. We have to do a lot of sending back. It gets really annoying." About half of the participants said they have to travel to bigger cities occasionally or every season to get what they need. One quote from a participant is, "my family has a favorite store in the local mall that ended up closing, so now we are going further to different malls that still have my favorite store." Additionally, a few participants mentioned that they started to shop at secondhand clothing stores because of reduced store choices.

Regarding RQ2, the findings of the study suggest that *elderly consumers* are impacted more than young consumers by closing brick-and-mortar stores. While all the elderly participants have indicated that they have been embracing online shopping, it's clear there is still a preference for shopping in physical stores among them when it comes to apparel shopping. They want and miss the tactile experiences offered by physical stores. As an elderly participant explained, "I like to buy apparel products in store because I can make sure they fit correctly, feel the texture of the cloth, and tell what the colors are, and it's easy to mix and match."

For RQ3, after the department stores or national brands close their stores in small towns/cities communities, it brings an opportunity to reshape local retailers. Young and middle-aged consumers agreed that many local apparel retailers don't clearly understand their target audience. They think local stores should focus on *providing unique merchandise and shopping experiences* to draw consumers to their stores. They hope the future shopping center in their cities will have a wide variety of stores available and is a fun and safe place for them to shop and hang out. Elderly consumers wish for *smaller-size and better-organized apparel stores*. These stores carry fewer items, but it is easier for them to navigate and offer the personal experience many older shoppers desire. This study provides a unique contribution to understanding the retail apocalypse's impact on consumers living in small towns/cities. It can also help local retailers identify the specific group of consumers that national retailers leave behind.

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