Retail apocalypse

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Retail apocalypse

Entrance to former Sears store at Hudson Valley Mall in Ulster, New York, closed in 2018. It had been the mall's last anchor store.

Date	1 January 2010 – present
Location	Worldwide; initially began in the United States, Canada, the United Kingdom, Ireland, Australia, and New Zealand
Cause	• Financial crisis of 2007–2008-related downsizing of retail chains caused by rise in global e-commerce operations • Accumulation of corporate debt for retail overexpansion • Changes in spending habits • Impact of COVID-19 pandemic
Outcome	• Numerous bankruptcies of retail stores began in early 2010s • Major decline in revenue from suppliers • Bankruptcies began accelerating in March 2020 as a result of the COVID-19 recession

The **retail apocalypse** is the closing of numerous brick-and-mortar retail stores, especially those of large chains worldwide, starting around 2010 and continuing onward.[1][2] In 2019, retailers in the United States announced 9,302 store closings, a 59% jump from 2018, and the highest number since tracking the data began in 2012.[3] Over 12,000 physical stores have closed due to factors including over-expansion of malls, rising rents, bankruptcies of leveraged buyouts, low quarterly profits outside holiday binge spending, delayed effects of the Great Recession,[2] and changes in spending habits. American consumers have shifted their purchasing habits due to various factors, including experience-spending versus material goods and homes, casual fashion in relaxed dress codes, as well as the rise of e-commerce,[4] mostly in the form of competition from juggernaut companies such as Amazon.com and Walmart. A 2017 *Business Insider* report dubbed this phenomenon the "Amazon effect," and calculated that Amazon.com was generating greater than 50% of the growth of retail sales.[5]

The rash of bankruptcies and store closings is expected to greatly intensify due to the COVID-19 pandemic, with most retail stores, particularly already struggling mall-based retailers, closing for extended periods of time.[6] J. Crew, Neiman Marcus, Stage Stores, JCPenney, and Tuesday Morning were among the retailers to file for bankruptcy during the pandemic.[7]

The most productive retailers in North America during the retail apocalypse are the discount superstores Walmart and Target, the low-cost "fast-fashion" brands (e.g., Zara, Uniqlo, Cotton On, and H&M), off-price department stores (Ross Stores and DD's Discounts, Marshalls and Burlington) and dollar stores (e.g., Dollar General and Dollar Tree).[8] Pop-up retail, including seasonal retailers such as Spirit Halloween, operating temporarily in vacant spots after companies go out of business which has become more common during the retail apocalypse.

Research from IHL Group finds that when a retailer closes many stores, it says more about the individual retailer rather than the retail industry overall. In 2019, the 20 stores announcing the most closures represent 75% of all closures. IHL found that for each retailer that is closing stores in 2019 more than five retail chains are opening stores, which is up from the 3.7 ratio in 2018. IHL also reported that the number of chains adding stores in 2019 has increased 56%, while the number of closing stores has decreased by 66% in the last year.[9][10]

Contents [hide]

History [edit]

The term "retail apocalypse" began gaining widespread usage in 2017 following multiple announcements from many major retailers of plans to either discontinue or greatly scale back a retail presence, including companies such as H.H. Gregg, Family Christian Stores and The Limited all going out of business entirely.[11] *The Atlantic* described the phenomenon as "The Great Retail Apocalypse of 2017," reporting nine retail bankruptcies and several apparel companies having their stock hit new lows, including that of Lululemon, Urban Outfitters, and American Eagle.[2] Credit Suisse, a major global financial services company, predicted that 25% of U.S. malls remaining in 2017 could close by 2022.[12]

Since at least 2010, various economic factors have resulted in the closing of many stores in North America, the United Kingdom, and Australia, particularly in the department store industry. For example, Sears Holdings had more than 3,500 stores and 355,000 employees in 2006.[13] By the end of 2016, Sears operated 1,430 stores.[14] In October 2018, Sears filed for bankruptcy and announced they would close an additional 142 of their 687 stores.[15] At the time of filing, Sears had 68,000 employees.[15]

The retail apocalypse has had a domino effect on suppliers; Hasbro, for example, cited the loss of the Toys "R" Us chain as a major cause for lost revenue and layoffs the company imposed in October 2018.[16]

As of May 2020, the rash of bankruptcies and store closings is expected to greatly intensify due to the financial impact of the COVID-19 pandemic. J. Crew, Neiman Marcus, Stage Stores, JCPenney, and Tuesday Morning were among the first major retailers to file for bankruptcy during the pandemic.[17]

Factors [edit]

Shift to e-commerce [edit]

> ... several trends—including the rise of e-commerce, the over-supply of malls, and the surprising effects of a restaurant renaissance—have conspired to change the face of American shopping.
>
> *The Atlantic*[2]

The main factor cited in the closing of retail stores in the retail apocalypse is the shift in consumer habits towards online shopping.[18] Holiday sales for e-commerce were reported as increasing by 11% for 2016 compared with 2015 by Adobe Digital Insights, with Slice Intelligence reporting an even more generous 20% increase. Comparatively, brick-and-mortar stores saw an overall increase of only 1.6%, with physical department stores experiencing a 4.8% decline.[19]

Over-malled [edit]

Another factor is an over-supply of malls,[20] as the growth rate of malls in North America between 1970 and 2015 was over twice the growth rate of the population. In 2004, Malcolm Gladwell wrote that investment in malls was artificially accelerated when the United States Congress introduced accelerated depreciation into the tax code in 1954.[21] Despite the construction of new malls, mall visits declined by 50% between 2010 and 2013 with further declines reported in each successive year.[22]

Experience economy [edit]

Main article: Experience economy

A major reported factor is the "restaurant renaissance" and shift in consumer spending habits for their disposable income from material purchases such as clothing towards dining out and travel.[2]

Shrinking middle class [edit]

Another cited factor is the "death of the American middle class," resulting in large-scale closures of retailers such as Macy's and Sears, which traditionally relied on spending from this market segment.[23] Particularly in rural areas, variety stores such as Dollar General, once thought to be unaffected by the apocalypse since they have continued growing rapidly, are now perceived as being at best a symptom of the phenomenon, and at worst a direct cause of rural, independent retailers collapsing, unable to compete with the lower margins that national chains can sustain.[24][25]

Poor management [edit]

The final factor in poor brick-and-mortar sales performance is a combination of poor retail management coupled with an overcritical eye towards quarterly dividends: a lack of accurate inventory control creates both underperforming and out-of-stock merchandise, causing a poor shopping experience for customers in order to optimize short-term balance sheets,[26] the latter of which also influences the desire to understaff retail stores in order to keep claimed profits high.[27] Furthermore, many long-standing chain retailers are overloaded with debt, often from leveraged buyouts from private equity firms, which hinders the profitable operation of retail chains.[28][29]

COVID-19 pandemic [edit]

Main article: Impact of the COVID-19 pandemic on retail

The COVID-19 pandemic exacerbated many issues affecting retailers, as many were forced to shut down due to non-pharmaceutical interventions that were issued in an effort to mitigate the pandemic.[30]

At the same time, online shopping has been booming during the coronavirus-related lockdown. Most of the major e-commerce retailers in the United States were classified as essential businesses and were not required to shut down. Buyers stated that they would deliberately buy products from such categories as food and drinks, hygiene, household cleaning, clothing, health, and consumer electronics online rather than in person due to COVID-19. The outbreak is said to have changed shopping behavior permanently: in the US, 29% of surveyed consumers stated that they had no intention to ever go back to offline shopping. In the UK, this number reached 43%.[31]

On June 9, 2020, Retail research firm Coresight reported that they estimated the number of store closures due to the pandemic and ensuing recession will exceed 2019's record of 9,302.[32][33]

Retailers [edit]

Main article: List of retailers affected by the retail apocalypse

Store closures and bankruptcy filings

Company name	Time period	Number of stores closed	Bankruptcy	Open stores	Source
Borders Books	2011	Closed all stores	Liquidated	None	[34]
The Bon-Ton	2018	Remaining 267 locations liquidated	Filed February 2018	1 Carson's [citation needed]	[35]
Sears Holdings	2013–2020	1,380 Kmart and Sears stores	Filed October 2018 Acquired out February 2019	≈100 locations (2020)	[36]
J. C. Penney	2015–2020	200	Filed May 2020	850 stores open in February 2020	[37]
Toys "R" Us	2018	Closed all US and UK stores.	Filed 2017 Emerged 2019	Two small stores, 80 Canada stores, 160 Japan stores	[38]
J. Crew	2018–2020	54	Filed May 2020	492	[39]
Barneys New York	2019	15	Filed 2019	All closed	[40]
Forever 21	2019		Filed September 2019		[41]
A.C. Moore	2019–2020	145	Filed September 2019	Became Michaels	
Payless ShoeSource	2019–2020	All 2,500 stores in US and Puerto Rico closed as of 2019.	Filed February 2019 Emerged January 2020 (second bankruptcy)	Some international stores remain open	[42]
Pier 1	2020	Remaining 942 stores	Filed February 2020	None	[43]
Neiman Marcus	2020		Filed May 2020		[43]
Tuesday Morning	2020	230 of the remaining 687 stores	Filed May 2020		[44]
GNC	2020	800-1200 stores	Filed June 2020		[45]
RTW Retailwinds Inc.	2020		Filed July 2020		[46]
Brooks Brothers	2020		Filed July 2020		[47]

Strategies [edit]

Researchers have identified customer experience and brand reputation as two factors that can influence whether a retailer will survive. Some more established retailers like Toys R Us may not have been as responsive to changing trends in consumer behavior. Some researchers have made recommendations based on trends and technologies to improve the outlook for traditional brick and mortar retailers.[48]

Ikea became one of the first retailers to use Apple's ARKit to develop an augmented reality app that allowed customers to visualize 3D renderings of Ikea products as they would appear in a certain room or place.[49][50] Macy's, American Eagle, Nike and Sephora were reported to be implementing various technologies to integrate digital experiences to improve consumers' physical shopping experiences. Sephora has installed smart mirrors that use augmented reality technology to allow customers to try on makeup.[51]

Kohl's has reduced the size of some stores from 90,000 to between 60,000 and 35,000 square feet. Walmart has automated some aspects of its supply chain.[52] Walmart has started using robots to help with cleaning and stocking shelves. Company executives have said robots lower costs and improve efficiency, but employees report they don't like working with robots. Lowe's has been using LowesBot to help customers find items.[48]

According to a study from the International Council of Shopping Centers, new stores can increase traffic to retailer websites by an average of 37% and drive up share of web traffic within that market by 27% in what is called a "halo effect".[53]

See also [edit]

- Dead mall
- Economic history of the United States
- Experience economy
- Pop-up shop
- Direct-to-consumer

Business portal
History portal
Companies portal
United States portal

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v · t · e **Economic histories by country** [hide]

Current nations/regions	Africa · Arab world · Argentina · Australia · Brazil · Bulgaria · Cambodia · Canada · Chile · China · Colombia · Ecuador · Europe · France · Germany · Greece · India · Iran · Ireland (Republic of Ireland) · Japan · Mexico · Morocco · Netherlands · Nicaragua · Nigeria · Pakistan · Peru · Portugal · Russia · Scotland · Somalia · South Africa · Spain · Sweden · Taiwan · Turkey · United Kingdom · United States · Vietnam · Zimbabwe
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Historical economies	Confederate States of America · Empire of Brazil · Byzantine Empire · Dutch Republic · Ancient Greece · China (Han Dynasty · Song Dynasty · Ming Dynasty · Republic of China) · Habsburg Monarchy · Muisca · Ottoman Empire · Roman Empire · Scotland in the Middle Ages · England in the Middle Ages · Iroquois

Categories: Economic history of the United States | Urban decay | Economic problems | 2016 in economics | 2017 in economics | 2018 in economics | 2019 in economics | 2020 in economics | History of retail in the United States | Economic impact of the COVID-19 pandemic