Understanding The Shifting U.S Retail Environment: A Theoretical Economic Cause and Affect Analysis (1996-2018)

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Understanding The Shifting U.S Retail Environment: 
A Theoretical Economic Cause and Affect Analysis 
(1996-2018)

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Submitted by: 
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Chapter Outline

Understanding The Shifting U.S Retail Environment:
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Abstract

In this paper is a theoretical analysis that provides rationalization to identifying and understanding the main determinants that have led to a shifting retail environment. Effectively over the last 20 years the traditional retail industry has had to modify its traditional ways of businesses strategy to better accommodate the latest behavioral pattern shifts of consumer spending in retail environments and non-retail environment externalities. Some of the major factorial determinants that have and are producing retail shifts are; the developments of new technology being introduced into the retail environment, like informational data analytics tools as well as ecommerce, and online shopping platforms. Another major determinant producing shifts in the retail environment is the changing identity of the average consumer, and the evolving spending habits and behavioral objectives and interests of retail customers. It is apparent that as much as consumers have relied on retail companies, retail companies now rely on consumers, specifically consumer’s developing purchasing trends, desires and objectives. This paper will continue to further highlight and rationalize the causes and or determinants of major shifts in the retail environment as well as allocate the effects these shifts have had and will have on producer retail strategy implementation, and the retail environment’s future.
Ch. 1 Introduction:

History/Evolution of Traditional Retail Environment

The US retail market has been a large successful market for countless years effectively contributing to US economic growth, as well as providing numerous employment opportunities and endless goods for consumer utilization. Many Americans have and still do rely on retail and resale stores for every day life needs, from clothing and accessories to electronics and groceries. While retail consumption as a whole have seen no signs of slowing down, traditional brick and mortar retailers are facing tougher times then they have ever seen. Business reports have shown that majority of traditional brick and mortar retail stores have faced large-scale declines in growth and development over the last 8 years. A recent occurrence of major retail brands and companies filling for bankruptcies and closings is at an all time high, which has verified the notion that the retail environment as a whole is changing and developing away from its traditional retail structure. While a recent conception interprets these changes as the imminent demise or the “death of the retail environment” with proper analysis it is elucidated that the retail environment is far from expiry but at a time of crucial evolutionary development.

While exact reasoning of why the traditional retail environment is shifting is not clearly expressed, through data analysis and accumulation we can theorize the major factorial attributes that prompt these changes.
Classification of Retail/Resale Markets and Categories

The North American Industry Classification System (NAICS) defines the retail category as a business or company “engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. (ISIC) defines the sector as “re-sale (sale without transformation) of new and used goods to the general public, for personal or household consumption or utilization. (Page 90)” ¹ The important classification is that retail stores are selling goods not services or experiences, this distinction is incredibly important in the correlation of retail’s evolution with consumers and their shifting behavioral interests. The NAICS describes the industry of Warehouse Clubs and Supercenters as; “establishments known as warehouse clubs, superstores or supercenters primarily engaged in retailing a general line of groceries in combination with general lines of new merchandise, such as apparel, furniture, and appliances.” The development and sales in the warehouse clubs and supercenters grew 10.5 times between 1992 and 2013 from $40 billion to $420 billion, according to US Census data reports. The popularity and productivity increases these warehouse/superstore companies have recently received and developed over the years helps portray evolitional behavioral shifts in consumer interests, consumer objectives and consumer spending, and also helps foreshadow future patterns in consumer shopping interests and experiences.

Retail Bankruptcy & Closings

The accelerated decline of the traditional retail market is an interesting complicated equation. The increased surge in major retail stores filing for bankruptcy and bankruptcy protection is apparent in the traditional retail market and has caused for concern in current retail investment, retail growth and employment in traditional retail. According from Bloomberg’s report on Credit Suisse data analytics by the end of 2017 more than 8,500 brick and mortar retail locations will have closed, which will be the largest number of retail store closings since the financial crisis of 2008. Yearly calculation of brick and mortar store closings by the Credit Suisse analytics has shown that “2,056 stores closed down in 2016 and 5,077 were shuttered in 2015, & the worst in 2008, when 6,163 stores shut down.”² As competition and sheer density and variety of physicals brick and mortar shops across the U.S retail environment reaches its highest levels ever recorded, more and more physicals stores are struggling to produce profitable production while keeping up with developing competitors. 2017 was been a record year for Traditional retail closure and bankruptcy, as there was 8,053 store closings reported, as well as there been over 20 recorded bankruptcies of major retail stores, this includes companies like; J.C. Penney, RadioShack, Macy’s, Sears, Sports Authority, Payless. As well as companies recording record low performances and store closing from other companies like, Ralph Lauren, Lulu Lemon, Urban Outfitters, American Eagle and many others that have filled for Ch.11. Bankruptcy protection.³

² CNN Credit Suisse data analysis
³ B Source: Bloomberg, America’s Retailers Are Closing Stores Faster Than Ever (April 2017)
The effects of large numbers of store closures and company bankruptcies has naturally translated into the loss of thousands of traditional retail orientated jobs. Large retail companies have had to eliminate jobs that are no longer needed in high capacity or produce little value added to the company, as well as having to lay off workers just to balance total revenue and total cost of firm production. Bureau of Labor statistics shows that approx. one million retail orientated jobs have been lost since 2001. The effects of store closings and bankruptcies also will affect the retail real estate market, resulting in millions of square feet of retail stores becoming unutilized and empty, as no new stores will come to replace the old. Replacement or Implementation of new stores is unlikely, as well as the acquisition of the physical retail real estate, mainly due to the fact that previously this location has essentially been unable to produce necessary total revenue to exceed total cost and gain a profit. As consumers interactions with physical retail shops dwindle and the probability that consumers will choose other options than going into physical retail stores increases, it will in-fact cause the utility of retail shops and the physical spaces they exist in to decrease, which will in turn diminish the value associated
with the shop. Explanation to the diminishment of physical retail shopping is explained by efficiency, reasoning shows consumers choose to minimize their shopping travels by only shopping at specific stores, or choosing to shop online instead of in-store. The problem may not be that these locations are void of potential consumers that are looking to spend money, or that varying stores are in deserted areas where consumption does not occur, but that competitors and other choices are so in abundance that the excess of choice and possibility of choice for various retail stores is actually is causing various aspects of turmoil in the traditional retail environment as well as causing problems for the retail real estate environment. The results are apparent that there is a shifting change in brick and mortar closures while the explanation isn’t so clear. While it is apparent that these traditional department and physical big brand stores are trailing behind large developing online retailers, and are essentially playing catch up and emulating the strategies successful retailers have implemented. Companies like JC Penny, Macy, Urban Outfitters and others companies facing bankruptcy are utilizing the bankruptcy period of time to acknowledge the changes they need to make as well as developments needed to be implemented to allow for companies like themselves that are behind the eight ball to catch up to the developing online/digital consumption methods and behaviors of consumers. The confusing part about this shift in traditional retail is that this change is not due to overall poor economic conditions like poor GDP, universal wages or universal employment but actually underlying factors that have developed with the evolution of the retail purchasing structure as a whole and specifically the evolution of customer behavioral purchasing patterns and objectives. My aim is to further explore and theorize how and why certain factors have resulted in changes and effects in the structure of the
retail environment and to dissect how and why these certain factors have effectively developed.

**Development of Competition**

Economic analysts believe an apparent problem in the development of retail over the last 20 years is the sheer quantity and density of constructional developments and implementations of retail stores and shopping malls across the US. This problem started with the excessive sanction of construction and development of retail stores and shopping malls in the late 1990’s and early 2000s in hopes to develop competition that would lead to a stronger economy as well as a strategy to incur larger profits. Retail companies firmly believed that existence of new construction and implementation of stores reaching every location of potential consumers would directly translate into continued growth of consumer purchasing and firm revenue. While in fact this strategy implementation created for a monstrosity of disposal of choice for customers to have. Inherently as consumers are given the possibility to choose from a large variety of choices they will become picky in their choices, as a result universal competition of retail companies against other similar companies will and has dramatically increased. This increase in competition has had huge affects in all aspects of the retail environment, but has dramatically impacted retail stores that only carry sector specific products. An analysis of the Hardware retail industry environment over the past 20 years shows in general how area specific retail shops have struggled to keep up with emerging retail competition. The Hardware retail industry’s decline in growth is mainly in part to the loss of sales to competitors, and by competitors I don’t only mean the rival hardware store across town.
but non-hardware stores like grocery stores or convenience drug stores that have expanded their initial area of merchandise and started to carry hardware related merchandise on top of their normal supply of goods. This change and increase in availability and competition of hardware related retail products have created an outflow of usual hardware sales into sales made by non-hardware retail competitors. What has attracted consumers to this change is the presumed gained efficiency and accessibility to a larger array of goods all at one store opposed to searching many stores. Popularity and success of retail merchandise expansion has developed into retail outlets providing a variety of different merchandise at one store location, which in turn has inspired and evolved into what now is the increasingly popular large retail warehouse distributors like Target, Wal-Mart, Costco, Sam’s Club etc.

While competition levels have dramatically escalated in the retail market the level of consumer demand has not matched the large growth of retail competition. Any sector that experiences success and profit will experience an entry influx of competitors aiming to mimic production in hopes to capture and profit off the inherent demand. The conception that construction and implementation of new additional storefronts will directly result in increased or new consumption of demand for companies’ products is a uniformly flawed theory, that has directly impacted the development of traditional in store retail. As sheer density of competing retail storefronts has caused for tremendous spikes in retail competition that have been proven to be disastrous for retail stability.

CEO of Urban Outfitters, a company who is currently feeling the pressure of the meltdown of traditional retail stores stated: “Retail square feet per capita in the United States is more than six times that of Europe or Japan. And this doesn’t count digital
commerce. Our industry, not unlike the housing industry, saw too much square footage capacity added in the 1990s and early 2000s. Thousands of new doors opened and rents soared. This created a bubble, and, like housing, that bubble has now burst. We are seeing the results: doors shuttering and rents retreating. This trend will continue for the foreseeable future and may even accelerate.”

Due to the amplified density of available choices for retail and alternatives for various stores, competition has drastically increased making it more difficult for stores to lock down repeated customers. Comparatively retail stores will not equally share consumers and profitability, many stores due to the competition will not generate adequate production to compete or stay afloat, competition will and evidently has pushed physical retail stores away from their traditional ways of business strategy. Not only does retail competition occur with physical retail stores competing against other comparable physical stores but also now traditional brick and mortar retail companies are competing with online distributors. This has also created internal competition, where companies online store sales are competing or detracting sales away from their physical in-store shops. Essentially the choices and available options for consumer shopping are too plentiful for the average consumer to pick from. Companies with multiple storefronts have found discrepancies in earnings and profits of certain stores comparative to another in a different location. As certain stores struggle to attract consumers and produce revenue others seem to have no trouble at all, companies are left with the option of maintaining both struggling and successful stores or to close certain locations in hopes for progression. The past success and apparent demand of retail

4 Dwyer Gunn, The Long And Painful Decline Of The Retail Store, In direct quote of Richard Hayne CEO of Urban Outfitters
stores and their products have caused for traditional retail stores and chains to open and fill up shopping malls and centers all over the United States. We know every sector experiences competition, but the way retail stores have developed in the long run with excessive and extensive store chains producing similar goods and competing in a confined area has caused for tremendous problems and deterioration of growth for traditional physical brick and mortar stores.

Other sources of competition in the retail market have developed and will be further analyzed in the following chapters, the most influential being the development of equivalent online stores and increase of ecommerce sales. While these stores still generate money for the companies they make it more unlikely more a consumer to enter a physical location and purchase a product. As more sales are made in a traditional shop it will positively affect the employees being hired and paid to help facilitate the shopping experience, increased sales will also increase the worth of the physical retail location and the capital and investment that is being spent on its rent and up keep. As direct sales are all correlated to the productivity that arises out of the physical shop. So as physical sales and consumers are being developed into digital sales and consumers the earning of traditional brick and mortar retail are being heavily affected. Evidently as more and more stores are closing down physical retail shops, the demand for workers in these shops will follow its decline. As time has shown the increase density and quantity of stores struggling with competition can have a disastrous effect on productivity and growth of a business. As profits decline and marginal benefits of generating and up keeping physical locations dwindles, it only makes sense for more companies to transfer their products onto a more efficient and effective platform, even if that means shutting down shops with
low productivity growth and putting remaining focus on other successful locations and platforms like online spaces.

**Retail Labor & Employment**

The retail sector has also experienced difficulties over time with worker/employee productivity in comparison to matching overall retail employment over time. The impact of the surge of massive retail foreclosures reaches beyond consumers, but also employees and workers in this market. As struggling stores shut down certain retailer locations in hopes to stay afloat, they also must cut jobs to sustain profitability and efficiency. Evidently as more and more stores are closing down physical retail shops, the demand for workers in these shops will follow its decline. This association of need for workers to manage registers or floor showrooms or any other physical retail job need is being minimized by the convergence to the online evolution of accessibility and convenience of websites that can essentially manage themselves or with limited skilled web development workers and still give the consumer the experience and attention they require. According to the official jobs report of US Census Bureau, over the last four years there has been a decline of approximately 200,000 retail jobs, the 2017 report has recorded 38,000 retail jobs have been lost in the 4 month span of the beginning of the year.

In relation to this graph Retail Jobs – YOY Changes by the US Census Bureau, we can see the shift in employment declined by 34,000 in February, 100,000 jobs lost in March and 92,000 lost in April. This graph also shows that this major decline in YOY Retail

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5 US Bureau of Labor Statistics, BRG analysis, retail jobs
jobs is a recent occurrence that started in late 2016 and has progressively escalated into current time.

The mismatch in levels of total employment and value added in the figure below indicates that the labor productivity that is defined through the value added variable for retail workers is lower than what is normally to be expected of the predicted universal worker in the economy today. This divide between these two variables is very important in relation to the change of traditional brick and mortar retail environment over time. “In 2014, value added per employee in the nonfarm economy was $124,000, while in retail it was roughly half this level at $66,000. Bureau of Labor Statistics (BLS) data indicate retail workers averaged about 31.4 hours per week in 2014, about 10 percent below the 34.5-hour average for all nonfarm workers. Value added per worker-hour in retail is therefore still about 40 percent lower than its level in the economy overall.”7 The

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6 US Bureau of Labor Statistics, BRG analysis, Retail Employment

differences shown can be explained through lower retail worker hours provided, and lower wages/salaries in comparison to standard universal economic levels.

Traditional retail jobs are usually considered universally easy jobs or jobs that require less skills to operate and maintain a position. The quantity of hours retail employees’ work and the type of work they perform for the wage they earn does not accurately translate to the sheer numbers and profits retailers bring in and charge for their goods. According to Mishel 2012 “The productivity–compensation gap is more extreme in retail. In the entire (nonagricultural) economy, total real labor compensation per employee rose 1.4 percent per year from 1987 to 2003 and 0.7 percent per year from 2003 to 2013. Thus, retail compensation growth has been even slower than compensation growth in the economy overall, which itself has been lagging behind productivity.”

Foster, Haltiwanger, and Krizan (2006) make a great comment in 2006 on the competition in

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8 Mishel 2012, with The Ongoing Evolution of US Retail: A Format Tug-of-War page94
retail and how retail companies will have to grow and evolve with retail and consumer progression, even if that means taking a one step forward and two steps behind. Their predictions of how certain retailers will have to adjust their business methods was spot on as we see companies doing exactly what was suggested in their analysis. Foster, Haltiwanger, and Krizan (2006)“document that within-store productivity growth accounts for a relatively minor portion of sector wide productivity growth in US retail. Instead, the reallocation of activity across stores drives most of the gains in overall retail productivity, which in turn occurs both through the entry of new, more-efficient firms replacing a set of less-efficient exiting ones, as well as through successful firms adding new stores (rather than expanding their existing ones).” I thought this was a great quote in response to low productivity in certain retail areas and the expanding productivity and growth that certain large-scale distributors are facing in other areas, and how certain retailers facing forceful competition will have to adjust their methods in order to survive and bring up productivity and profit. An interesting discussion in relation to the large presumption of mass job loss in the retail environment is the resulting factors of retail workers deciding to try new employment opportunities in the developing ecommerce market or other various jobs in electronic retail. It is important to note that this notion of job decline is not consistent with every retail sector; certain sectors of retail have been hit by unemployment worse than others and certain retail sectors have faced continuous success, despite shifting interests and patterns.

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9 Foster, Haltiwanger, and Krizan (2006)“ The Ongoing Evolution of US Retail: A Format Tug-of-War page 93
The figure above demonstrates varying employment levels for various retail general merchandise retail stores, and how the affects of shifting trends and behaviors in consumer purchasing vary by retail industry groupings. Currently the most successful retail industry group for traditional in store purchasing is the Warehouse Store and Supercenter Club industry, as popularity has continually been maintained for Warehouse store and Supercenter Club options mainly due to the industries implementation advancements in effective and efficient consumer purchasing abilities and experiences.

Two of the most negatively affected sectors in retail are the Clothing and Clothing accessories sector and the electronic and appliance sector. Both sectors have lost large and seen large portions of their consumer base transferring to online retail shopping opportunities. We can see through the data arranged by the Bureau of Labor Statistics on Sector Retail Employment VS Non-Retail Employment that non-store or online retailers employment has been on a steady progression, with new employees continually being
hired, while in comparison the employment levels of both the clothing sector of retail and the electronic appliance sector of retail have been on a steady downward decline. The question remains whither this increase in online ecommerce employment has or will balance out the decrease in traditional retail jobs. Another question to note, are these jobs on the ecommerce side more appealing for workers? Are there incentives for workers to rather work at Amazon with a better job and the “infamous” 30% wage increase from traditional retail stores, could this be an additive to the explanation of the change of Brick and Mortar retail and the retail environment as a whole? Do the quality of these new ecommerce jobs out way the quantity of jobs being disrupted by this digital evolution? While the developments of ecommerce and distributors like Amazon have definitely affected retail jobs, Amazon’s developments have created significant increases in consumer and producer productivity and efficiency that will help stimulate future economic growth and advancements.

(Electronic and Appliance sided retail store employment)(Bureau of Labor Statistics)
On a larger Macro-economic analysis, the notion that as thousands of retail orientated jobs are lost it will result in thousands of consumers (predominantly the low-middle working class) to have lower restricted incomes, which could theoretically impact the quantity of retail consumer spending in a significant way, and could be another explanation to the shifts traditional brick and mortar stores are experiencing as well as the retail environment as a whole. While in theory this assessment makes complete sense that if people lose their retail specific job that they will now be accumulating zero additional

10 All 3 figures: Bureau of Labor Statistics 2018, Employment in Thousands
income and will have to utilize saved income to exclusively pay for rent and necessities and not purchase additional leisure related retail products. As stated earlier that one million retail orientated jobs have been lost since 2010, exemplifies the degree at which leisure related retail purchases could have been affected over the last 8 years. While non-retail unemployment has been lower than retail unemployment over the last 10 years, so this assumption of retail unemployment directly affecting retail purchasing and the retail environment as a whole may be a strong generalization to make as the experiences retail unemployment have faced can not equate to a generalization of the whole US unemployment experience, and retail purchasing objectives and interests.

**Retail Categorization & Evolution**

Breaking down the distinction of specific retail categories and analyzing their individual growth and decline both with and without ecommerce is incredibly important in understanding the retail sector’s overall progression and evolitional behavior over the last twenty years. I will be specifically analyzing twelve NAICS 3-digit Component Industries; Music and video, Books and magazines, Computers and software, Toys, hobbies, and games Electronics and appliances, Furniture Sporting goods, Office equipment and supplies, Clothing, accessories, and footwear Drugs, health, and beauty, & Food and beverages. With the work of NAICS and Ali Hortaçsu and Chad Syverson on "The Ongoing Evolution of US Retail: A Format Tug-of-War†." In Journal of Economic Perspectives, I will be analyzing various figures that comparatively depict the shares, employment and evolitional progression of these specific retail categories over specific time frame. The figure below depicts the twelve retail categories employment growth over the last twenty-five years, while the employment recorded for each retail sector does
include for both online and physical in store brick and mortar retail employment levels for each varying sector as a whole. While the graph portrays what looks like stagnation in retail employment over time, the data suggests that there has been a seventeen-percent increase in total retail employment since 1990. Categories that saw the greatest incline in employment were, “building materials and garden stores (39 percent employment growth over the period); sports, hobby, and music stores (32 percent); and health and personal care stores (30 percent). Of the sector’s total employment growth of 2.3 million since 1990, from 13.3 to 15.6 million, the three industries contributing the largest portion of these gains were general merchandise stores (gained 630,000 employees); motor vehicles and parts sellers (+400,000); and building materials and garden stores (+360,000).”


12 Ibid page 96
And for the largest decrease in employment were. “food and beverage stores, dropping from 21.0 percent to 19.5 percent of retail sector employment between 1990 and 2014. Gas stations’ share fell to 9.0 percent from 10.0 percent. Gas stations’ share fell to 9.0 percent from 10.0 percent.”\textsuperscript{13} While the determinants of what is causing these increases and decreases in employment over time in these twelve retail categories is not evident as well as the distinction of ecommerce related employment decrease or increase in comparison to physical in-store employment levels. While many believe that ecommerce and online sales are completely separate from traditional retail they are wrong, online sales and ecommerce is still part of retail activity. In the figure below and in the next chapter (Advances in Ecommerce) I will further digress into the impacts and division of ecommerce related sales on the evolutilional progression of traditional brick and mortar and the retail environment as a whole.

**Ch-2 Preface- (Ecommerce)**

As we can see in the figure below (Product-Specific E-commerce as a Share of Product Total Sales) the varying retail product categories result in different levels of consumption performed through physical instore retailers and ecommerce online shopping. Ceratin retail sectors are more successesful and more popular with online shoppers than others, usually dependent on the type of products, like music and videos that consumers would rather get from an online shop due to the products standardizations and unlikelihood of variety as well as to improve efficency in relation to shopping time. While on the other hand retail categories like beauty/health products or food and beverage products tend to attract consumers to a physical store where they physically in

person can determine the product they want, and take more time in inspecting a product to figure out if a product is worth purchasing or not. These types of products are products in which consumers feel more safe in purchasing face to face, opposed to trusting the internet to satisfy desires. While this E-stat recorded in 2013, already calculates that e-commerce is acquiring larger and larger share of retail sales especially in categories like Music, Books, Computers, it also is predicting that this trend or progression in the increasing share of e-commerce retail sales in comparison to physical store sales will continue to increase over time to where they predict certain categories will have e-commerce retail sales shares of 90% in years like 2020, 2028.

<table>
<thead>
<tr>
<th>Product category</th>
<th>E-commerce share of retail sales, 2013</th>
<th>Total retail sales (e-commerce and not), 2013 ($ billions)</th>
<th>Projected year that product's e-commerce share will be</th>
<th>25 percent</th>
<th>50 percent</th>
<th>75 percent</th>
<th>90 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Music and videos</td>
<td>79.6%</td>
<td>$111.8 B</td>
<td>2005</td>
<td>2009</td>
<td>2012</td>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>Books and magazines</td>
<td>44.2%</td>
<td>$23.9 B</td>
<td>2009</td>
<td>2015</td>
<td>2021</td>
<td>2028</td>
<td></td>
</tr>
<tr>
<td>Computer hardware and software</td>
<td>32.9%</td>
<td>$62.3 B</td>
<td>2006</td>
<td>2017</td>
<td>2028</td>
<td>2038</td>
<td></td>
</tr>
<tr>
<td>Toys, hobbies, and games*</td>
<td>28.8%</td>
<td>$25.5 B</td>
<td>2011</td>
<td>2017</td>
<td>2023</td>
<td>2028</td>
<td></td>
</tr>
<tr>
<td>Electronics and appliances</td>
<td>23.1%</td>
<td>$102.6 B</td>
<td>2013</td>
<td>2017</td>
<td>2021</td>
<td>2026</td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td>17.5%</td>
<td>$118.0 B</td>
<td>2016</td>
<td>2022</td>
<td>2028</td>
<td>2035</td>
<td></td>
</tr>
<tr>
<td>Office equipment and supplies*</td>
<td>17.3%</td>
<td>$24.6 B</td>
<td>2014</td>
<td>2020</td>
<td>2026</td>
<td>2032</td>
<td></td>
</tr>
<tr>
<td>Sporting goods</td>
<td>16.9%</td>
<td>$54.1 B</td>
<td>2016</td>
<td>2022</td>
<td>2029</td>
<td>2035</td>
<td></td>
</tr>
<tr>
<td>Clothing, accessories, and footwear</td>
<td>14.9%</td>
<td>$291.1 B</td>
<td>2017</td>
<td>2024</td>
<td>2031</td>
<td>2038</td>
<td></td>
</tr>
<tr>
<td>Drugs, health, and beauty</td>
<td>4.7%</td>
<td>$374.5 B</td>
<td>2028</td>
<td>2037</td>
<td>2045</td>
<td>2054</td>
<td></td>
</tr>
<tr>
<td>Food and beverages</td>
<td>0.9%</td>
<td>$650.9 B</td>
<td>2032</td>
<td>2039</td>
<td>2045</td>
<td>2051</td>
<td></td>
</tr>
</tbody>
</table>

*Figure: Journal of Economic Perspectives—Volume 29, Number 4—Fall 2015—Pages 92
This theory exemplifies the future generations specifically the millenial
generations utilization and reliance on digital shopping and spending, and how through
data pattern analysis firms can generate the degree to which online shopping and
purchasing of specific retail products is important to future emergent generations of
consumers.

**Ch-2 Factors Pt-1 (Advances in Technology / Ecommerce)**

The US Census Bureau defines e-commerce as “transactions sold on-line whether
over open networks such as the Internet or proprietary networks running systems such as
Electronic Data Interchange (EDI),” where EDI is itself defined as “the structured
transmission of data between organizations by electronic means to transfer electronic
documents or business data from one computer system to another computer system,
without human intervention.” (Lieber and Syverson 2012). The biggest shift cause in
change of the traditional brick and mortar retail environment has been the development
and implementation of equivalent online shopping methods and shops. The distinction of
online retail shopping’s effectiveness and efficiency has provided for its continued
growth in popularity over traditional retail shops. “In 2008, total e-commerce-related
sales in these sectors were $3.7 trillion. Offline sales were $18.7 trillion. Therefore
transactions using some sort of online channel accounted for just over 16 percent of all
sales. Not surprisingly, the online channel is growing faster: nominal e-commerce sales
grew by over 120 percent between 2002 and 2008, while nominal offline sales grew by
only 30 percent. As a greater fraction of the population goes online—and uses the
internet more intensively while doing so—e-commerce’s share will almost surely rise.”

Online shopping websites provide consumers a platform where they have an opportunity to comfortably view, search, explore and inspect items before buying, all from the comforts of their homes as well as at their discretion and time schedule. Customers’ ability to reach online stores at any time in their day and at any location has been a huge advancement for retail purchasing. Online store save time for consumers, by providing an ability for consumers to be able to avoid procedures of having to wait in checkout lines or from eliminating consumers from having to make multiple trips just to narrow their search, as they can now do research prep before leaving their homes, this not only saves precious time but saves consumers gas tanks as well as their gas bill from rising.

Utilization of ecommerce has effectively been implemented in the developing retail environment through the ever-expanding technological opportunities connecting the real world to the digital world. The creation of a digital presence of companies through online shopping stores, auctions and distributors has opened up endless opportunities of more effective consumer outreach methods and overall consumption levels. While it is important to understand that these new opportunities in retail could only have been brought to fruition through technological advances, which is why I theorize the implementation and advancement shifts in technology has attributed to be a major factor and explanation of the shifting retail environment. Creation of online shopping websites and centers require for extreme data processing and utilization at a continuous interval of maintenance and updates. Websites must efficiently and smoothly process and store large quantities of data to complete and operate continuous online shopping activity.

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15 US Census Bureau, “Online Vs. Offline Competition” Chad Sverson page 3
Developments in computers capabilities in data processing, usage and storage have allowed for the switch into digital shopping a reality. Without advancements in stronger more efficient technology, digital/online-shopping marketplaces would not be a reality. As we can see from the definition above technology advances in consumer retail tools and applications are generally meant to expedite or elevate the processes (usually in relation to time) of producers or consumer’s. Whither these advances result in developmental progress of producers running and maintaining shops, or for the development of consumers and their shopping experiences, methods and abilities. Technology advances in retail have allowed for easier, more efficient purchasing by eliminating or providing the choice of not having to travel for goods. This newly developing method of purchasing is derived from emerging technology and improved capabilities, these improvements have allowed for more goods to be purchased, as customers are not deterred from having to travel to purchase their desired goods or forced to make an instantaneous in store purchasing decision. The ease, efficiency and speed of searching and purchasing of goods through online platforms, websites and online shops are some of the main focuses of the utilizations of new technology in Retail. Technological advances in retail that reduce travel necessity have also changed the retail environment significantly. As consumer’s desires, tastes and habits have become more personalized and specific to certain name brand companies and specific products, accessibility to them has always been an obstacle. Certain stores containing specific products may only be readily available in specific cities, towns, states, countries etc. Now not only does a customer have to decide wither the product is worth the transactional fee associated with purchasing the product, but also a consumer will have to decide whither
the traveling fee to first of view the product and then obtain the product is worth the trip cost. As a result consumers will at times only make trip to store locations when they are certain of a purchase they want or need to make. Online stores help alleviate this process, by one becoming a platform to previously view and inspect a product before traveling to purchase at a physical shop, or by becoming the sole platform for consumers to shop at, which will effectively eliminate the need to travel to a physical location, which also saves consumers time. It is evident that online shopping and ecommerce transactions are becoming more popular among consumers, between 2000-2014 the fraction of all retail sales accounted for by ecommerce rose from .9% to 6.4%(US Census Bureau Survey Stats 2013) this increase in sales was a 55% increase in retail sales over those years, which allows for us to predict that this increase or shift in type of purchasing given to us in the development of technology is going to continue to progress, grow and consume the retail environment as a whole.

**New Technologies Implemented in Retail**

Advances in new technology continually reshape the retail environment in extraordinary ways, companies and businesses have to react to these changes and strategically implement these new developments to stay profitable. One of the most critical priorities for retail businesses in the past 20 years is the focus on implementing affective, state of the art services (predominantly technology focused) in customer experience. The ability of companies to correctly understand the experiences and needs of their customers as well as efficiently facilitating these changes and needs through new developments in technology allow for company advantage and growth in the retail environment. As we can see retail stagnation in technology and customer experience can
lead to retail bankruptcy, if a company does not meet the expectations or demands of the ever-evolving digital retail customer, their company demand could become non-existent.

**Digital Spending**

The development and new form ability of mobile spending for consumers is effectively transforming consumer retail spending and the retail environment as we see it, and is becoming one of the most influential factors in the explanation of the shifts in the retail environment. As average daily human interaction with the internet and specifically phones, tablets and computers have steadily increased so has the implementation of the ability to shop online, as well as the new formed ability and choice for consumers to be able to shop through their phone, laptop, or tablet. A report from Derek Thompson & The Atlantic on *What in The World is Causing the Retail Meltdown* Shows that the development of mobile spending has risen from 2010 at 1.8% of share of total digital dollar on mobile spending to a 20% of digital spending done through mobile commerce in 2017. This steady progression in digital spending through Mobile commerce as a total share of digital dollar spent displayed in the graph below, presages that future consumer behavioral tendencies and interests in retail purchasing will continue to follow this upwards pattern of increased utilization and operation of mobile/digital spending in the retail environment. Informational trends also show that 75% of consumers report to having a digital device in which they have the capability to utilize for online shopping, this evolitional trend, allows for future predications that as time progresses larger percentages of consumers will have digital devices that have the capability to use for online shopping, and that this means that retail companies will have greater numbers of consumers to reach.
Privacy and security advances have been steadily been implemented into digital spending and online ecommerce stores, making online wallet spaces and apps more convenient and secure to use. Opposed to users having to regularly put in all their shipping and billing information, online stores like Amazon secure and store users private information while allowing the process to be better expedited, which results in more users feeling satisfied and comfortable with digital purchasing and the process.

**Ecommerce and Security Tools**

Security has always been a topic of concern when dealing with retail whether it is defense against cyber hackers of major data and company information or just overall protection during ecommerce transactions of consumers and safe storage of their credit card information while making a transaction through an online store. New technologies in

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16 Figure from The Atlantic & Cowhen & Company
security tools have ensured that digital spending and transactions are a reality and a safe reality. Credit card companies have also implemented the EMV chip into credit cards, to protect from scanner fraud or in-store fraud, this allows for traditional brick and mortar retailers to seem trust worthier due to the increased presumed protection. While EMV chips benefit in-store fraud one of the larger problems consumers face is e-commerce fraud, and hacking and drafting from online bank accounts and credit lines. To prevent and stop these attacks, credit card companies have developed programming for artificial intelligence machines to operate as high tech radars that identify fraud as it is happening and even before it is about to happen. Customarily a majority of trustworthy online retailers will have these security applications and programs implemented throughout their entire website domain, especially advanced security measures during checkout and final purchasing experiences. Websites and online shops have also implemented advances in the securitization of mobile wallets, safely storing user credit and billing information, which allows for more efficient shopping and a happier customer. Applications have also been developed and implemented on phones and computers that scan and authorize certain websites and determine if a website is trustworthy and safe, if these applications run into a type of malware or suspicious data in a cite they will inform the user that something seems wrong and that the consumer is strongly advised to leave the cite for their own security, or to be recommended to be cautious when sharing important personal information.

**Robotics**

Examples of new technology integration is already evident in our retail environment, robotics have been implemented in running day to day supply chain
management and sorting in major warehouse centers, like Amazon’s. Robotics have also been implemented to make checkout experiences and ordering of products much more efficient. Amazon has led the major shift into robotic utilization in retail as they have implemented a new form of robotic technology into their new supermarket venture. Through utilization of Amazon’s Amazon go app as well as newly implemented technology in digital payment and robotic sensors, better described by Amazon itself “computer vision, deep learning algorithms and sensor fusion” they have created a grocery retail environment that requires little to no human interaction, no waiting in checkout lines, and no need to carry physical cash. Effectively Amazon has created an opportunity through robotic utilization that could completely change the way humans traditionally shop. Only time will tell if consumers will embrace the shifts made in robotic utilization and automation or prefer traditional shopping procedures.

Lowe’s has also implemented new robotic technology called the LoweBot that is meant to assist customers shopping in its stores with answering questions or correctly showing where products are, the LoweBot is also supposed to manage the back end of Lowe’s, recording and keeping inventory levels up to date. Chief executive operator Marco Mascorro of Fellow Robots, the company who helped Lowe’s develop this robot said “We designed the NAVii robot to make the shopping experience easier for consumers – simplifying the process of finding the product you’re looking for – while also managing the back-end and keeping shelf inventory up-to-date for the retailer. Leaving the data and simple recommendations to NAVii allows Lowe’s employees to

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17 “Amazon opens a supermarket with no checkouts” Chris Johnston Business reporter, BBC News
devote their attention to the Lowe’s customer, to provide them with thoughtful advice and personalized service.”\(^\text{18}\) While these developments in new robotic technology may seem strange their purpose is to alleviate certain stresses or pressures faced in a retail environment for both consumers and workers, through the utilization of the most recent updates in technology to maximize user efficiency, experience, interest and satisfaction. Implementation and advancement of digital or virtual assistant (hands free devices) have flooded the retail environment lately and have been incredibly popular. Consumers find pleasure or excitement when dealing with hands free tools to help assist in every day needs even shopping, like Amazon’s Echo Dot that can directly add an item to your Amazon shopping cart just by a simple voice command. Countless other major retailers have developed similar digital assistant products like, Apple’s Siri, Google’s assistant, or the famous Alexa voice that is paired with the Echo Dot. As we may question why these virtual assistants are becoming more prevalent is an interesting query. As some analysts believe people are becoming inherently lazier and prefer and enjoy when robots or artificial intelligence perform labor tasks for them. While others theorize that the process of utilizing digital spaces and artificial intelligences is a more enjoyable or entertaining way to perform an ordinary task and that utilizing this mysterious digital intelligence assistant, that speaks to us like a human would, makes an ordinary or boring shopping experience different than what is normally expected and as a result making the process more exciting.

**Consumer Motivations to Shop Online**

Understanding consumer’s motivations and reasoning’s to shop online opposed to in store shopping is critical in comprehending the evolution of the retail environment.

Economist and researchers initially assumed that consumers are motivated to shop online through extrinsic factors normally associated with efficiency and ease, but now due to developing entertainment and greater significance of user experience, intrinsic factors are becoming more significant in understanding consumers incentives and reasoning’s. In a study done by Rong-An Shang, Yu-Chen and Chenysander Shen on extrinsic vs. intrinsic motivations for consumers to shop online, the authors proposed that there are certain specific explanations that directly correlate to what incentivizes customers to shop online. The authors characterize these extrinsic explanations as, perceived usefulness of online shopping and perceived ease of use of online shopping. The intrinsic characterizations are, perceived enjoyment of online shopping, similarly perceived playfulness while shopping, and perceived social influence. Davis, R.P. Bagozzi, P.R. Warshaw, in the article “User Acceptance of Computer Technology” reports that Perceived usefulness means “the prospective user’s subjective probability that using a specific application system will increase his or her job performance within an organizational context” and perceived ease of use is “the degree to which the prospective user expects the target system to be free of effort, If the user believes it is easy to search for the information and make a buying decision on-line, he or she will be more likely to believe that advantages result from on-line shopping.”

Naturally perceived ease of use is incredibly important in maintaining a positive and enjoyable shopping environment, consumers perceived ease

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of use while shopping directly influences attitudes and behaviors of shoppers, and their decisions to continue to shop online or go back to traditional in store shopping methods, or a cite with easier perceived usage. Consumers enjoy when their shopping experiences are easy and efficient and if consumers perceive certain website to be easy to work, search and navigate with, it could essentially determine if a consumer will continue shopping and potentially purchase a product as well as determining if a consumer will return in the future to consumer more. If an online shop is hard to navigate or hard to search for certain information, prices or products, consumers usually will be demotivated to shop and purchase at that specific cite. Ease of websites can be expressed through consumers quickly finding the correct company or product while searching the Internet, without time consuming struggle of searching and scouring for the right product. Perceived usefulness of shopping online is just as significant as ease, perceived usefulness of shopping online is expressed through the beliefs of consumers on wither they are able to get the most out of a transaction. Online shopping has created a mentality of consumers possessing greater ability to be resourceful, smart and savvy while shopping online. Online shopping allows for consumers to obtain information and research products before purchasing, thus consumers are able to compare products across varying companies, determining if one product is better than a substitute or if a certain company is selling a similar product cheaper than another company. Online retail has effectively developed new mechanisms for price discovery abilities for consumers, which has allowed for consumer to have greater more accurate understandings of supply and demand for companies and their products. Online users are also able to scour the Internet for company coupon codes or promotional deals that may not be presently displayed by
companies but are still accepted. These abilities directly translate to the usefulness of shopping online opposed to physical in-store purchasing. When combing these two extrinsic indicators, ease and usefulness, customers are perceived to have an advantage of shopping online opposed to the physical shopping. This perceived advantage derives from the clarity of shopping online, the convenience of online shopping, and the ability to obtain useful and important information on products, prices and competitors.

While most researchers and economists are focused on these obvious extrinsic indicators, the emerging and changing environment has created for intrinsic indicators to be just as relevant. When breaking down and understanding the effects of intrinsic indicators of the retail environment it is important to understand that shopping is predominantly a goal orientated activity. The main idea behind developing intrinsic factors in retail is that opposed to extrinsic motivations intrinsic motivations are presumed to be internal, which allows for consumers to be more excited and absorbed about their purchased products as they have greater personal relation. When consumers intrinsically purchase the mentality that develops in their minds is that of confidence and self-assurance, this is because the consumer had just done something that they presume was internally motivated, and not motivated by society or some external reason. This association with the mentality of excitement or enjoyment while shopping or excitement after purchasing a product is one of the most important factors in understanding consumer’s developing intrinsic motivations to shop. If a consumer finds an online shop to be bleak, dull and boring they will normally associate that feeling towards the products the company is selling. If a website has a quality design structure with lively colors and is full of exciting and engaging content like, videos of products, quality photos of products
that consumers can utilize and interact with it will directly translate into consumer excitement of that specific company and their products. This addictive and desired excitement can only be received from the association of going to that specific company or store and purchasing and utilizing their specific experience and goods.

Engagement is also important in understanding intrinsic motivational factors of shopping, in the same study done by Rong-An Shang, Yu-Chen and Chenysander Shen on extrinsic vs. intrinsic motivations for consumers to shop online, online engagement and enjoyment is coupled with perceived online playfulness. When analyzing intrinsic motivations to shop, it is important to distinguish the extrinsic presumption that shopping is a goal orientated activity, from the intrinsic presumption that shopping is something done for consumers to have fun with and enjoy. While shopping online is usually assumed to be less fun than physical in store brick-and-mortar shopping, due to the lack of physicality with exploring the products, as well the inability to physically explore and experience the vibe and atmosphere of the shop or company, online shopping has started to evolve and expand on the concept of positioning entertainment activities throughout online shopping websites as well as creating “playful” online experiences. Incorporating playfulness into online shopping is something done because it is believed that as consumers or users are more “playful” or engaged online that their online consumption time increases, making the chances of consumption to increase as well.\(^\text{20}\) Computer playfulness is defined in this same experiment “as a state termed, “flow” to describe the

characteristic of the interaction between the user and the system. Flow is a psychological state in which an individual feels cognitively efficient, motivated, and happy, and it is defined as the holistic sensation that people feel when they act with total involvement.”

In this case we are using the coined term “flow” with playfulness to describe the experiences consumers procure while interacting with specific online retail environment atmospheres. A successful sense of flow or playfulness for online retail websites depends on the specific retailers choice, but examples of increased entertainment on online shops have been continuously popping up, like the addition of mini games, auctions or raffles that users can chose to interact with, in hopes to gain some type of reward. As well as the addition and formation of digital social communication interfaces that allow for employee communication to shoppers, or shopper communication to other shoppers. As the exploration of the evaluation of extrinsic and intrinsic motivations to shop online continues to evolve, it seems that the most significant motivators are not the most obvious; like perceived usefulness but instead perceived engagement and enjoyment contribute much more to the understanding of consumer’s choices and objectives in the evolving retail environment.

**Producer Motivations**

Retail companies and producers also have motivations to the shift towards online consumption platforms and methods. While companies aim to operate in whichever fashion that results in greater profit, wither it be through online methods or through traditional in-store methods. Regardless there are still benefits that promote motivation

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for companies to at least participate in offering some sort of online consumption method for consumers. While most producer motivations in the development of online consumption methods lie in cost saving developments that are associated and created through the online commerce structure of business operation. The Internet and related digital technologies have caused the costs of many kinds of market interactions to plummet lower than the price of traditional retail interactions. The sources of cost savings developments for producers who shift to online commerce can include; the reduction of rent costs for physical stores in shopping malls and centers, the cutback of physical handling within physical stores, this means the reduction of hiring and paying workers to consistently pack and unpack new and old products, or to stock and maintain products on showroom floors and shelves. Related to the reduction of utilization or reliance of physical in store employees, is that through online shops companies don’t need to hire physical employees to be present salespersons on company grounds, as now shoppers can instead utilize the information power of the internet to acquire the same information hired salespersons would have provided to customers on physical store grounds. Cost saving methods for producers can also be associated with the delivery of goods, while it is presumed that the direct delivery of products to consumers homes opposed to all products to a store is inefficient for the producers in shipping terms, it is actually less expensive in the long run as a majority of company products are stored and processed in the same place, allowing for efficient shipping and handling. This method of having products directly shipped to consumer’s doorsteps is evidently more beneficial and attractive for consumers. Severin Borenstein and Garth Saloner in “Economics and Electronic Commerce” explain the power of information technology on the Internet in three ways
“The first is the low cost of providing very detailed content. Investors, for example, now have ready access to live and recorded interviews, filings reports of stock market analysts, and filings with the Exchange Commission. Second the Internet allows for effective asynchronous communication, so this information access can take place at any time the investor desires, even in the middle of the night. Asynchronous communication is especially valuable when widely differing time zones are involved, as is increasingly common in the global economy. Third, the Internet allows considerable flexibility in dealing with information, with far greater interactivity and search capability.”

While these assistances in online vary from the benefits experienced from an employee or salesperson in a physical traditional brick and mortar store it is apparent there are cost saving remedies in the shift to the digital world.

**Social (Influence) Media Impact**

In a market of heightened competition, companies must distinguish themselves and take every opportunity to broadcast and highlight their products as well as what makes their company and their products different yet ideal for consumers. With the surge of online users across multiple unique social media platforms, utilization of these social media platforms and their users through company profiles and company campaign advertisements has proved to be one of the most influential tools in retail marketing outreach. The use and exploitation of social media in the B2C market is overwhelming. “In 2014 it was estimated that nearly 81% of small- to medium-sized B2C enterprises (SMEs) used social media to drive business growth, and that over 91% plan to use it in

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the future.” (Eddy, 2014). The retail market is not unlike any other market in that retailers continually search for new ways to excite and sustain existing customers as well as hoping to reach new customer bases to expand business and profits. The ease and efficiency of content outreach to the current millions of social media users allows for increased spread of marketing message and social influence to others consumers as well as a stronger outreach and visibility to new customers. Social Media buzz or popularity can be incredibly beneficial or destructive for companies, as product reviews and social discourse of products and their pros and cons are ever present and available for consumer viewing across various platforms. A shift towards a heavily dominated millennial customer base has forced retailers to recognize the significance of social media and the benefits that can be utilized in the B2C marketplace. Social influence and or pressure is a confounding factor consumers face in their everyday lives, as consumers see products being flaunted on social media platforms by brands and brand ambassadors as well as friends and family. Consumers are more attracted to and more likely to purchase products that have been talked about or seen distributed across social media platforms. Evidence suggests that in today’s mentality social discussion and social posts about products and companies directly affect consumer’s beliefs about a company or product and thus affect the eventual willingness of consumers to buy a product. S. Edosomwan in “The History of Social Media and its Impact on Business” stated, “Social media is meant for conversation and information. If customers who actively use social media believe that

they can get the current, up to date news about products, features, sales, and other
information about a company and its products using social media, they may be very
disappointed if that particular social media site is not maintained and kept current.”

Effectively if a company’s social media presence is weak or non-existent a consumer may stray away for the certain company, or if a celebrity or notable person with a large following speaks out about a company or product, just the social media buzz alone could persuade hundreds of consumers to buy or not to buy a certain product, all determined from a few shared opinions on a social media platform. Another reason why social media is such an integral part of the development of online retail and ecommerce sales is that retail companies are able to improve their communication abilities with customers through social application on various social media platforms. While one of the main concerns or criticisms with online commerce is that customers are lacking the face to face interpersonal experiences that they would experience in a traditional brick and mortar store and that these personal experiences could persuade or lead to larger product consumption. Implementation of company social media pages has allowed for companies to be better connected to their customer base and are now perceived to be more readily available to answer questions about products through online Q&A or private personal chartrooms. Companies like LEGO, Pepsi, and Unilever have utilized online crowdsourcing campaigns to engage customers with upcoming products as well as to collaborate and hear what consumers want out of future products, this is a developed source of customer and product analytics at a much more expedited, cheaper and proficient level. Social Media

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continues to establish itself in the everyday lives of potential retail shoppers, becoming more powerful and integral in explaining social behaviors in retail purchasing and as a social interface for information technology that can be utilized in the distribution of information to customers, as well as information and data distribution to companies and brands in the retail environment. Social media has made its impact clear and distinctive in the retail environment, what dictates whether a company will engage in social media as a form of customer contact, marketing, or other sales strategy is variable, companies and brands have the choice to utilize and perform in the social media world or ignore and hope all ends well.

**Amazon Affect**

Amazon has proven to be a company that has been consistently successful in e-commerce retail distribution in the long run, and aims to implement new improvements and strategies to maintain its customer base and expand its customer base as well. Jeff Bezos, the founder and chief executive officer (CEO) of Amazon.com, said, “No company cares more about long-term profitability and return on invested capital than Amazon.com, but we do think it would be the wrong time to focus on short-term profitability” (*The Motley Fool*, press release, January 3, 2000). Amazon’s proactive forward thinking and customer first satisfaction mentality has allowed for Amazon to separate and distinguish itself from other competitors in the developing e-commerce retail environment. The rapid progress of firms competing in the retail specific e-commerce environment has made it increasingly important to understand and develop strategies that will ultimately be successful in the future digital ecommerce environment and to eliminate strategies that have proven to be unsuccessful. The ecommerce/e-tail market is a new and continually developing market with limited historical support and
information, firms competing in this market will have to learn from doing and making mistakes (in strategy and investment) as well as fixing mistakes on the fly to insure profit and progression. An article by Darren Filson “The Impact of E-Commerce Strategies on Firm Value: Lessons from Amazon.com and Its Early Competitors” Analyzes various crucial strategies that are specifically pertinent to the developing retail environment, as well as an explanation of why and how Amazon has successfully implemented these strategies. As one of the most successful ecommerce/online distributors with the largest targeted audience, Amazon continually faces competition that aim to take their consumers. Darren Filson and other ecommerce researchers theorize that Amazon and other similar firms operate their growth along the lines of these crucial strategy points “(1) Promotional activities, (2) Pricing, (3) Offline Customer Service Center and Distribution Center Expansion, (4) service improvement”\textsuperscript{25} Retail firms utilize promotional events and activities to help spread the word on products and the firm as a whole, in hopes to reach and entice potential consumers. Success of promotional activities are calculated and decided through the quantity of consumers reached and made aware of a company and their products. Amazon specifically utilizes partnerships and agreements with outside companies to help promote their advertising, Amazon will pay various website owners to display Amazon product cookie ads throughout their websites in hopes to attract consumers and to direct them back to the Amazon website.

“Amazon.com’s early alliance with Yahoo!, the popular search engine firm. Yahoo! provided direct links to related Amazon.com book titles from every Yahoo! search result. Searchers were invited to buy books related to what they were searching for on the

\textsuperscript{25} Darren Filson “The Impact of E-Commerce Strategies on Firm Value: Lessons from Amazon.com and Its Early Competitors” page S139
Amazon’s partnerships and affiliate programs with outside publishers and website owners, allows for Amazon’s personal customer outreach to be expanded. Amazon also utilizes promotional sales of certain products throughout its website, by offering discounts on products or special time-orientated offers to attract customers. Amazon’s pricing strategies have proven to be one of the most influential strategy applications that have allowed Amazon to separate itself from its competitors. Amazon initial pricing strategy follows market-orientated pricing, where they analyze market prices of competitors and implement competitor’s prices as their foundation pricing strategy. Next Amazon will utilize and take advantage of their wholesale and manufacturer applications to purchase large quantities of goods at a much lower marginal cost per item, in which they will be able to generate a more competitive and attractive price for consumers in comparison to their direct competitors with identical products. Competitors either react to the lower prices set by Amazon with an equivalent price reduction of their goods and continue to compete in a possible price war with an e-commerce giant, or join Amazon and become a sponsored partner or a third party vendor. Amazon provides two options for brands and companies that desire to work with Amazon and become part of their website and their marketing and promotional efforts. The first option is called SellerCentral, in which brands or companies directly sell to Amazon customers through their interface. Brands that utilize this option then need to make another decision, brands either personally handles the shipping, customer service, returns and other functions of e-commerce or sign up and pay for Amazon’s FBA (Fulfilled by Amazon) program in which Amazon employees handle all the day to day needs of

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26 Darren Filson “The Impact of E-Commerce Strategies on Firm Value: Lessons from Amazon.com and Its Early Competitors” page S141
brands. It is also important to note that Amazon’s SellerCentral is available for any brand or company to utilize at no additional cost, and that with this option brands are able to control the pricing of their products. The other option for brands and companies is an invite only option called VendorCentral, where Amazon asks brands and companies to sell their products in bulk at wholesale prices directly to Amazon, essentially becoming a supplier of goods to Amazon in which Amazon will sell the products to its customer base at their determined price not the supplier. Why companies and brands are attracted to this option is that when becoming a retail supplier partner with Amazon the company products receive all the amenities and advanced opportunities that come with the Amazon brand. One of the most recognizable benefits is that suppliers goods become products that have the Amazon stamp of approval, customers feel assured and safe with products and companies that have the Amazon support or backing, which in turn results in customer loyalty in regards to the trust of quality in featured products and companies that are backed by Amazon. When customers have greater confidence in the quality and utility in relation to the lowered Amazon prices of goods, customers will tend to be more willing to purchase increased quantities of goods and have more confidence in their purchases, which will benefit brands in the long run. The VendorCentral option has greater accessibility to Amazon’s Marketing campaign and their strategies, which include key-word target campaigns to better match customers with VendorCentral products that relate to key-word search combinations. Amazon will also generate marketing ad campaigns on their website, where brands and companies choose the exact placement of

27 Amazon Vendor Central v. Seller Central: What Are the Benefits Trinity Hartman

28 Preston Keaton “What is AMS Amazon Marketing Service” Content 26
targeted ads across the Amazon platform, as well as the quantity of ads distributed to Amazon’s customers, amazingly these ads are generated and placed to the suppliers for free, and companies are only charged when Amazon users click on the ads to view or purchase a product. These marketing tools Amazon makes available to VendorCentral brands and companies increase the probability of content outreach to current potential consumers, and allow for increased discovery by new potential customers. VendorCentral tends to be the more successful route for Amazon as well as brands and companies that hope to integrate with the Amazon customer base and in the long run progress and produce profit alongside Amazon’s success.

Amazon’s Ability to attract trustworthy, quality and popular brands and companies to participate in VendorCentral option is made possible and followed through by Amazon’s Offline Customer Service and Distribution Centers and their proven reliability towards customers and partners. When brands and companies agree to act as suppliers for products to Amazon they sell and transfer large quantities of goods directly to these large distribution centers where the products are stored and processed among thousands of other products for individual delivery. Thousands of varying types of goods from unique brands and locations are all centered in the same distribution center. Not only does this attract more consumer purchases but also it helps Amazon limit the travel costs and improve efficiency that is associated with shipping and handling of goods purchased online. Darren Filson in “The Impact of E-Commerce Strategies on Firm Value: Lessons from Amazon.com and Its Early Competitors” further explains “The benefit of offline customer service center and distribution center expansion is that more customers can be served and shipping times can be reduced. The cost of offline
expansion is determined by the opportunity costs of the facilities being purchased or leased and the resources employed in the service effort.”

Amazon utilizes these distribution centers alongside their digital e-commerce presence to be able to store large quantities of goods bought at low wholesale prices, while utilizing cost effective and efficient methods of storage and distribution of goods and the employment associated. This combination of cost effective distribution and handling of goods in relation to the cost and quantity of goods is the reason why Amazon can utilizes market price discrimination by lowering its prices of goods under market value in comparison to identical goods of competitors and still make a profit.

The last strategy implementation Amazon focuses on is constant universal service improvements and advancements throughout their business, this includes Amazon’s convenience and reliability with shipping and handling and quick and hassle free returns all through their online website which has made tremendous impacts on consumers attitudes towards shopping at Amazon. One of the most famous specialty services that Amazon provides is “Amazon Prime” which is a monthly membership that provides free 2-day shipping to its members, as well as providing information on promotions and special sales and discounts that standard Amazon users don’t have access to. The consistent growth of Amazon Prime subscribers has developed into an enormous following of people with no signs of diminishment, this specialty service as simple as it may seem has again allowed for Amazon to distinguish itself from other competitors

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29 Darren Filson “The Impact of E-Commerce Strategies on Firm Value: Lessons from Amazon.com and Its Early Competitors” page S141
while attracting and satisfying millions of customers.

Competitors have attempted to imitate Amazon Prime services just to keep customers from switching due to the lack of similar advanced services. Derek Thompson & The Atlantic on “What in The World is Causing the Retail Meltdown report” noted that Amazon has grown from 18$ billion in 2010 to 88$ billion in 2016, with approximately half of US households claiming to be Amazon Prime Members. An analysis by Slice Intelligence reported in Business Insider found that 43% of all online retail sales in the US went through Amazon in 2016, according to the same study, Amazon’s 43% of retail sales in 2016 also accounted for 53% growth of ecommerce sales in a year.30 It is evident that Amazon dominates the US e-commerce market, as Amazon continues to account for

30 Business Insider, “Amazon accounts for 43% of US online retail sales” Feb 3, 2017 http://www.businessinsider.com/amazon-accounts-for-43-of-us-online-retail-
larger and larger percentages of total ecommerce sales in comparison to the remaining ecommerce competitors as a whole.

Amazon’s success as an e-commerce retail distributor has demonstrated that interests and patterns in retail spending are shifting and has also established the importance of online e-commerce in the newly developing retail environment. As well as demonstrating consumer interests and acceptance of large scale distributors, or more generally stated single stores that have large varieties of differing products under one rough, or in Amazon’s case one name. Amazon is somewhat of a poster child for e-commerce success, as more and more of its competitors have evolved their retail businesses to emulate the strategies and services that have proved to be successful in obtaining profit as well as satisfying customers and their changing desires and behaviors.

**Ch-3 FactorsPt-2 Evolution of Consumer Interests and Spending**

Consumer interests and behaviors are and have been consistently alterable when it comes to their association with the retail environment. Just as fashion trends can takeover society one minute and then completely evolve in something completely
different the next, the retail environment tends to follow this same cruel fate. The retail environment is an ever changing and never ending market, new variations in business strategies and applications are not put into place because retail brands and companies have nothing better to do with their time and money, but are implemented because of developing consumer interests and their predicted variability in purchasing behaviors and trends of consumers in the retail market. Retail firms do their best to stay updated with varying consumer interests, and tend to have to predict and take chances on what they believe consumers want and expect from their products and the retail market as a whole. Through newly implemented and advanced data and marketing analytic tools, as well as cite monitoring collection on actual consumer shopping data information, has allowed for companies to better calculate and understand purchasing behaviors, interests and objectives of the average consumer.

**Spending Habits and Behaviors**

Consumer retail spending trends and behaviors have continually been developing and evolving throughout time. The most recent shift in consumer behaviors has been shown through a recent shift in consumers purchasing interest that has drifted away from traditional small materialistic product purchasing and instead towards product purchases that generate high levels of consumer utility, quality, user experience and satisfaction. The shift in purchasing desires have led consumers to more likely choose to spend their money on new popular technology, leisure or entrainment activities instead of small physicals products. Another significant change in consumer purchasing behaviors that has recently developed is the desire for immediacy and effectiveness, which is in regards to consumer shopping experiences as well as objective purchasing. Retail firms have
been able to partially satisfy consumer’s desire for immediacy and effectiveness by providing consumers with online e-commerce purchasing options. Shoppers are able to go to online stores to circumvent travel time as well as to circumvent open hours for physicals store locations, as online shops are open twenty-four seven providing accommodation to the busy schedules of consumers. This allows for consumers to have the option to shop wherever they are across the country, as physical location no longer restricts customers from certain shops, as well as any time they need, whether this be late night binge shopping to cure boredom or an urgent need of a product for work. The option of next-day shipping as well as over night shipping has allowed for companies to satisfy the needs of consumer immediacy, allowing for shoppers to pick the date in which they need their product, as well as any location they need the product to arrive at.

One of the most largely impacted sectors in retail is the clothing and small accessory department. Shifts in consumer purchasing behaviors towards the clothing and small accessory sector can be partially attributed to e-commerce and the new variations in purchasing abilities and behaviors of consumers. As clothing and small accessories are more likely to be purchased online due to the efficiency in energy and time associated with their purchase. Consumers will also utilize online shopping as a way to search for online deals and coupons and information on the fly that may not be associated with the physical stores, or are more readily accessible in the shopping process for online users than in store shoppers who need physical coupons when shopping in traditional retail stores. Clothing and small accessory consumption regardless of any e-commerce affect has progressively been shrinking, according to the US Census Bureau, the total share of consumer spending towards clothing has declined 20% in the last year. Behavioral trends
have shown that consumption is shifting away from clothing and small purchases towards travel and dining out. Purchasing of airline tickets for the purpose of leisure and travel has had continued progressive growth over each year according the US Census Bureau data. This increase in leisure travel has also resulted in the demand of hotel occupancy to increase, as well as the demand for food and dining out options that are frequently associated and attributed to travel and vacationing. The restaurant environment has shown continued growth, so much that the growth in the restaurant business utilization has exceeded any other consumer spending market to date, making this market the fastest growing consumer spending market to date.\(^\text{31}\) This growth is resultant from the changes of consumer’s social behavior and interests, which have pertained due to increasing levels of social media usage. Social media has also developed into a type of marketing influence, where peer pressured consumption of similar products and experiences are directly manifested as a result. Social media has created a platform for consumers to flaunt, consumers are now more interested in and focused on showing of fancy food, big ticket unique products, travels, and entertainment experiences to their friends than posting regular everyday items that posses little social media posting value. This behavioral shift has resulted in smaller retail goods like clothing or accessories to be less likely consumed, due to their “unimpressive” or “ordinary” appearance and appeal to social media users. Ordinary retail products are presumed to result in fewer total social media likes or total engagement, while fancy, different, unique items and experiences can result in larger total engagement. These developing consumption methods can be traced back to consumer experience and consumer gratification. The goods and services that are

\(^{31}\) Derek Thompson & The Atlantic on *What in The World is Causing the Retail Meltdown*
being most highly consumed are the goods that give the consumer the highest levels of quality, user experience and gratification. Experiences and entertainment are the main attractors for consumer spending, as physical retail products generally aren’t associated with an experience or entertainment, while restaurants, bars, concerts and other live experiences can provide consumers with time-orientated entertainment as well as real world experiences that can be remembered for a lifetime, as well as content that can be utilized for publishing on social media platforms.

Non-Food Retail Vs. Food Retail 1992-2016

As we can see in the figure above (Non-Food Retail Vs. Retail 1992-2016) behavioral consumption shifts are quantitatively shown that right around the Recession in 2008, food retail exceeded non-food retail consumption growth. The figure helps support that there are structural behavioral changes in retail consumption as time has progressed, also proving that after the Recession consumers receive greater utility and or satisfaction in experience driven consumption over product consumption. While these behavioral variations can be attributed to a variety of underlying fluctuations including but no
limited to, technological advancements, increased social impact and monetary
foundations and limitations.

Customization & Personalization Through Data Analytics

Customization and personalization of retail products is in, and is attracting
growing numbers of potential customers back into retail shopping. While many today
may see the customization and personalization process as a newly implemented consumer
behavior or interest, it in fact is not. Tailors and cobblers have been around for
generations personalizing shoes and clothing to the size and shape of the user as well as
providing personal design requests. As mass production was implemented, which
significantly lowered the cost of goods, tailors and cobblers soon became an unwanted
service. It is interesting to see the varying shifts in consumer interests and behaviors
towards the personalization market over various times, as now a majority of consumers
are more likely to purchase and appreciate goods that are not mass produced.
Customization and personalization of retail products and companies can mean many
different things, in the clothing market customization trends have largely developed, as
more consumers are interested in custom fit suits and dresses that result in greater user
satisfaction, largely attributed to their perceived uniqueness, but as well for comfort in
sizing. Clothing brands and companies are more likely to attract larger quantities of
customers with custom fit services as they can now reach potential customers that walked
away from certain products because of individual fitting or sizing issues, or issues with
certain aspects of design. Fundamental customization of a product usually results in a
production of a one of one; the shoe market is a great example as it is currently one of the
most customized and personalized sectors in retail. But again this customization and personalization process can equivocate to different applications; one example is the booming custom painted shoe and cleat market. Customers are able to utilize ordinary shoes, with the implementation of personalized design and colors. Large shoe brands have implemented websites (ex NIKEID, Vans Custom Shoe Factory) for customers to personally create and design a virtual custom shoe that will be transformed and replicated into a real physical design. The end result is a shoe that is not sold in stores and is tailored to the customers color desires, and may even have their name stitched into them. Even more extreme scenarios exist where consumers purchase a custom shoe that is re-designed and painted with unique colors and images that are again tailored to the customers wishes. There are endless other retail products that follow the same custom color and content design principles. The reasoning why this customization market has become so relevant is that customers want uniqueness in their products, while consumers still are attracted to known name brand companies and products, their true desires are in purchasing something that few or no people have and being able to flaunt them off to the public. Consumers are also no longer interested in buying stock or off the shelf items, but want products that are personalized to them specifically. The shoe market again exemplifies this shift in retail behavior, as shoe brands are developing shoes that are made to personally fit the users foot, no longer are customers forced to apply predetermined sizing in their purchasing process. This example also exemplifies that customization and personalization is not only implemented for aesthetic pleasure and uniqueness, but is implemented to increase performance and functional utility for the unique user. As these products are recognized to directly provide a unique advantage or
benefit to the user over basic universal products due to their personalization, consumers associate greater gains in utility and thus are more willing to purchase these types of goods.

**Shopping Experience Influence**

Similar to personalization and customization process of products, brands and companies also have to personalize and customize users shopping experience to continue to keep consumers interested and satisfied. These personalization changes aim to help implement better shopping experiences through predictive content strategies that are tailored to individual consumers. Karl Wirth, CEO of Evergage noted, “One way to think about online personalization/customization is to “turn your e-Commerce site into your very best salesperson, because a shopper isn’t capable of asking questions online like they would if they were browsing a physical store, there is a potential for the customer to leave the site before making a decision, which is called a “bounce.”” 32 Wirth continues to note that by companies and brands further utilizing personalization strategies, it helps prevent consumers from leaving before making a purchase. Brands and companies utilize consumer data through content and site monitoring, site monitoring is exploited so companies can collect and analyze large distributions of data information on consumer shopping experiences and objectives in hopes to determine and understand developing behavioral patterns. The data information collected allows for brands and companies to understand who their consumers are and the demographics and characteristics associated as well as how consumers are using various cite functions as well as explaining and

showing exactly what consumers are doing while online. The data collected can show where consumers are clicking and moving the cursor along the site, the amount of times they click, as well as how consumers are utilizing search keywords and any other variations of individual cite operation and exploration. As brands and companies calculate and utilize consumer data information, they are able to identify which parts of their consumer strategy implementation are performing or being utilized and which are not. Brands and Companies are also able to identify individual behavioral shopping patterns and thus individually personalize an interest specific shopping experience based on the individual consumers behaviors, objectives and interests. This form of interest specific personalization has been successfully utilized in online retailers and distributors that stock large varieties of differing products. Through data information being collected on consumer’s previous purchases or viewed products, companies are able to produce and display ads and promotional announcements on company websites that are coined with terms like “Recommended Products” or “Because You Viewed”. These strategies in interest specific personalizations will benefit both producer and consumer, as consumers are now not forced to have to sift through endless product pages looking for the right product, as they can now save time by looking at what is recommended to their individual interests, or search one product and be given five other products that are recommended by the company because they believe that they similarly match the initial search choice. The benefits producer’s receive is that through their personalization efforts in marketing of interest specific products, consumers are exposed to products that they might not have known were available, and now are more likely to purchase. Producers also achieve similar success through implementation of personalized e-mail blasts, that notify
shoppers of promotional products that similarly match previously purchased products, or emails that remind shoppers of products saved in their carts or viewed but un-purchased products. According to the 2013 Email Marketing Study, released by Experian Marketing Services, personalized emails generated transaction rates and revenue six times higher per email than non-personalized emails. This shows that e-mail strategies can have large impacts on success as they aim to capture potential customer’s attention outside of retail shopping environments and hopefully motivate and redirect them to physical or online stores where they can purchase the featured products in the emails or any other product the company has to offer. Personalized Emails and messaging have developed through online Loyalty Programs, providing B2C interactions and communication that consumers expect from companies after they buy products from their establishment.

Brands and companies have also implemented research methods like feedback surveys and polls to better assess user experiences, interests and problems consumers face, opposed to theoretically dissecting informational data. Both producer and consumer benefit from these strategies, as producers gain unique quantitative informational data that is contextualized to specific human experiences while shopping, which can then be utilized in company strategy implementation. This form of research provides companies with additional information that cannot be obtained through cite monitoring or data accumulation, which makes it so valuable to brands and companies. These strategies in B2C interactions and informational data also benefit consumers, as consumers’ voices and insights are now more easily expressed to company representatives, which has allowed for customers to feel like their insights are being more valued, and acted upon. When customers believe their insights and their purchasing power are valued and are
being considered by brands and companies, consumers feel greater brand loyalty and are more likely to purchase products from that specific company. If consumers perceive that they are just a source of revenue for a company and that their interests and objectives with a company and their products are dismissed and perceived as irrelevant, consumers will alter their purchasing choices and choose a company that better addresses and appreciates its customers. “The shopper drives the business now and retailers have to respond appropriately or the shopper will go elsewhere,” said Marti Tedesco, Director of Corporate Marketing at Baynote, “Customers can easily bounce to another vendor — price and availability are 100% transparent on the web. This free movement leaves retailers with one primary way to differentiate themselves: Through the customer experience.”

This importance in experience driven products and shopping exploration matter most to none other than the millennial generation, this understanding will be further explored in the next section.

**Millennial Interests**

Millennial purchasing behaviors have drastically changed from previous generations, and have disrupted the traditional purchasing patterns and behaviors that firms and companies have followed and utilized for years. As the millennial generation progressively occupies the majority percentage of retail consumption and spending in comparison to the spending of Generation X, Generation Y, and Baby Boomers consumers, retail brands and companies have had to start to adjust and prepare their strategies to more closely match the interests and behaviors of consumers that identify as

millennial. As millennial purchasing behaviors have foundationally developed around the more prevalent utilization of informational online shopping and digital ecommerce purchasing capabilities. Further determination and identification of the distinctive purchasing behaviors characteristics and patterns of Millennials is the first step in retail brands and companies strategy implementation. The Millennial generation identifies as people whom were born in the years 1982-2004, this generation generally occupies persons who are still in school or just establishing their career in the work force. With this generalization and the real world experience of associating as a millennial there is enough evidence to assume that millennia generally have lower capacities of money to spend freely, due to their age and their time in the work force, as well as fact that millennia are drowning in student debt. “Americans owe more than $1.4 trillion in student loans and the majority of that debt belongs to millennials, according to a survey of 1,000 Millennials by ORC International. While millennials’ may be saving their money, the majority of their income is spent on repaying debt, resulting in depleted savings and lower disposable income.” 34 Despite the tragedy of student debt, millennia still continue to devote portions of their income to retail product consumption, while it is still important to note that student debt and income limitations have undoubtedly resulted in altered behavioral spending choices for the millennial generation. These generational monetary limitations have resulted in millennia caring more about their purchases and the purchasing process. With limited income for retail purchases, millennia are forced to be more distinct in their purchases, and are forced to look for the most affordable goods in relation to their predicted utility, while still focusing on the importance of the uniqueness

34 ORC International Survey, PadillaCRT, The College Investor, “What is the Millennial Age Range and What Does that Mean Financially”
of products. A great example of this behavioral shift being applied is shown through the rise in popularity of second hand shopping or thrift store shopping for millennia. Thrift shopping satisfies the importance of uniqueness and hipness for millennia, as products in these types of stores are generally a one of a kind or are from various time periods and brands, as well as the notion that shoppers must discover the products available during their in store search and not through before hand investigation. Not only do millennia enjoy the lowered affordable prices of lightly used goods but they also enjoy the excitement of the shopping discovery experience associated with these types of stores. Consumers have greater interactions with the shopping process associated with second hand shopping and consumers are perceived to be lucky when they discover an unique product at a reasonable cost and therefore enjoy their experience more and in result want to shop at stores that provide equivalent services and experiences. Second hand stores also satisfy another important behavioral trait associated with millennial retail shopping, and that is the notion that consumers care more about how companies and brands exemplify their image to the world as well how companies provided benefits society. Meaning that millennia care about the environmental impacts associated with companies’ production of goods, as well as the societal impact resultant from production, and especially the degree in which companies give back and donate to communities and organizations. Second hand stores not only benefit the environment through their re-utilization and recycling process of existent goods, but also helps communities struggling with income complications by providing affordable prices for essential goods. Companies like Tom’s Shoes that have promotional deals which say that for every purchase of Tom’s Shoes another pair of shoes is donated to a person in need, have recently developed and
become popular. Promotional strategies like this have shown to be very successful and popular to the millennial generation, as they associate the retail purchase they make as a gain or benefit to them, as well as perceiving that they are creating an opportunity to help someone in need through their donation or purchase of a pair of shoes. Millennial consumers as well as many other generations of consumers are more willing to purchase a good when they believe that they are receiving more from the good than the observed association of the cost. In the case of Tom’s Shoes consumers adequate the promotional deal as getting two pairs of shoes for the cost of one, as well as the benefit they receive from knowing their purchase helped someone in need. Further, consumers perceive that the total price they paid is lower then the actual cost of the pair of shoes because they associate the single price as a combined total price of an amount they perceive they donated, and the remaining price of the shoes they personally bought.

Another significant millennia behavior change is the assigned importance and focus on health and fitness. This behavior change has resulted in extreme growth in the demand for fitness and health related retail products. Examples of this include athletic and performance clothing, workout shoes, weight lifting and other training equipment, sport related gear, as well as nutritional food and supplements and services. “The consumer demand for health and wellness products and services has reached a record high with the global wellness market estimated to be worth $3.4 trillion, making it three times larger than the $1 trillion worldwide pharmaceutical industry, according to the Global Wellness Institute. And under that massive umbrella, there’s been an 108% increase in the healthy eating and nutrition market to $276.5 billion, and a 78% increase in personalized health to $243 billion, proof that Americans are willing to spend more
when it comes to their health.”

Millennia are now designating larger portions of their monthly income on, athletic ware and equipment, gym memberships and other fitness classes, and in result are decreasing materialistic shopping. This behavior towards fitness and health spending has grown to be very popular with millennia because they associate the costs of health and fitness spending to be an investment in bettering their mental health and physical wellbeing. As well as the notion that consumers perceive that these health and fitness related products result in or produce beneficial user experiences and advantages that will lead to better physical and mental well being, so not only are consumers getting the product in their mind, but also are obtaining the effects associated with the utilization of the product. The majority of athletic and health products tend to fall on the expensive side and consumers still purchase them; producers know that these health and fitness goods and services are in high demand and are inelastic due to the health and mental well being association, so producers can stick high profit bearing prices and still attract large numbers of buyers.

As stated earlier in this chapter consumers as a whole have started to shift their purchasing interests from smaller materialistic goods to experiences. The millennial generation is attributed to be the generation that cares most about experiences and spends the most on experience related purchases, and has demonstrated the importance and increased popularity of this behavioral shift through their purchasing habits. Millennia perceive greater reward and utilization with experience related purchases; millennia want to be engaged with the purchasing process and feel valued as customers as well as enjoy their experience while shopping.

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35 Jeanette Settembre, "This is the insane amount millennials are spending on fitness" Moneyish, Jan. 22, 2018
Social media has significantly influenced this behavioral shift in experience driven shopping for millennia. As the millennial generation is the generation that are most predominantly are associated with as well as affected by the application of social media and its capabilities. As millennial consumers see other people posting pictures of their travels and all the amazing and unique experiences they receive, it in turn results in peers feeling a sense of jealousy and envy, that can only be mollified through a comparable experience of their own, which can later be posted on various social media platforms as a way to prove and show to friends and connections that they too are experiencing all the world has to offer. Social media undoubtedly personifies peer pressure driven consumption for the millennial generation, and successful brands and companies have utilized this popular phenomenon of social media marketing to create company social media page accounts that directly engage with millennial customer bases, in hopes to develop desired experiences as well as to provide B2C interactions to make consumers feel appreciated, in hopes they will consume more.

**Conclusion:**

**Rational Future Predictability of Retail**

While a societal conception portrays the U.S retail industry as a dying and crumbling environment, it is in fact not a true or verified statement, but is a misguided and uniformed theory. For in reality the retail environment is in fact at a point of key change, which subsequently is redefining and restructuring the retail environment as a whole. With evidence of increased user reliance and utilization of technology in aspects
of all life not just retail purchasing, it is fair to say that various developments in technology have disrupted traditional retail behaviors, causing for shifts in consumer purchasing interests, purchasing abilities and overall shifts in consumer purchasing patterns and trends. While there still is a mentality that there is a division in the retail market between traditional physical commerce and newly developing electronic commerce, it is without question that in the near future electronic commerce will naturally be associated with commerce in general. A great quote by Chad Syverson explains that online retail and increased technology definitely has its part in the explanation of shifting behaviors and patterns, but that intrinsic or traditional retail characteristics and interest still have influence on the currently developing retail environment. “Some of the most substantial changes within the retail sector may be largely incidental to the growth in online commerce rather than a result of it.” With the understanding that a fully technological retail environment is not yet present it confirms that there are other confounding determinants that rationalize the shifts occurring in the retail environment. An interpretation of this concept has been shown through the expansion and popularity growths of Warehouse/Supercenter Store Clubs across the U.S. As the key dynamisms associated with Warehouse stores and Supercenter Clubs embody developing consumer spending interests, these interests are that of efficiency and effectiveness. Warehouse stores and Supercenter Clubs main business implementation strategy in consumer purchasing effectiveness and efficiency lay in the foundation of

increased scale of retail operations, which provides consumers with multiple sectors of affordable retail goods in a concentrated environment. This process has allowed for consumers to have more effective and efficient shopping experiences, as they can now make fewer trips for a variety of different goods, replacing the traditional process of locating a list of products at multiple store locations. Cost and product pricing strategies also have laid the foundation for developing warehouse stores and Supercenter clubs, as these types of industry specific physical retail stores utilize wholesale purchasing strategies to ensure lower prices for goods. This strategy implementation is incredibly successful and popular for consumers, as now they perceive these shopping opportunities as an increase in shopping effectiveness. Consumers can now get more from their dollar when shopping at one of these stores and save more on their total shopping bill, which effectively could result in more products being purchased. This format has also been developed into large online distributors, mainly Amazon as addressed earlier. Regardless In the future successful retail companies will be those that are prepared to act, evolve and develop quickly in response to continuous changes in consumer behaviors and interests. Retail companies will be forced to determine which trends they believe are foreseeable in the future of retail as well as determining out of those trends which will have the greatest impact on company productivity and growth. While successful retail companies must analyze and utilize predictable trends in retail behavior, it is unmistakable that companies must prepare themselves accordingly to be able to act around unexpected shocks, patterns and developments. Companies that formulate strategies specifically around predictable trends may find struggles in profitability in the long term; retail companies dealing with financial limitations must also effectively utilize current resources and capital to be
financially prepared to enact changes in their business strategies to better accommodate developing technology and developing consumer interests.

While the current dominant foreseeable trends in online ecommerce expansion and Warehouse store / Supercenter club growth show no signs of slowing down, the probability of saturation to the popularity of time-orientated consumer interests continues to affect the retail environment as a whole, as volatility of the retail structure is now variably hypothesized in association to retail environment growth. This leaves us with the inability to effectively theorize the future possibility of a purely online ecommerce driven retail environment or vice versa a retail environment purely encompassed by physical distributor industry driven storefronts. The most rational theory is that the retail environment will shift to an environment that encompasses both popular retail opportunities, pleasing the interests of consumers who wish to shop at home and those who prefer physical shopping experiences. This theory is explained by Ali Hortaçsu and Chad Syverson and characterized as a retail environment of “Brick-and-Clicks”: bricks representing the physical store fronts and clicks representing the online purchases utilized through clicking of a mouse. “Perhaps this concurrent expansion and strength of e-commerce and a physical format portends a retail future not dominated by either, but rather with a substantial role for a “bricks-and-clicks” hybrid. Whichever retail format eventually predominates will not just shape a considerable shares of economic activity but will also sculpt the look and feel of our public spaces."  

The rational when combing hybrid stores is that a retailer must produce an environment where the development of an additional platform of retail purchasing

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opportunity does not infringe itself or turn the initial platform of purchasing into a substitute opportunity but instead becomes a compliment. In our current retail environment and as discussed earlier we have seen scenarios where the developments of online retail ecommerce platform opportunities have replaced or substituted traditional retail purchasing options. We can theorize that successful retail companies must utilize the “Bricks and Clicks” format in the future in a way that utilizes the strengths of one as a support for the weakness of the other and vice versa. In a report from John Lewis in *How we Shop, Live, Look*, he said that “53% of our online purchases are now collected from a store using its Click and Collect option”.

This method allows for shoppers to make online purchases with the option of in store pickup, consumers enjoy these options as they can avoid shipping costs and the time associated with shipping and handling, this is just one of the many ways brick and click retailers are combing methods to satisfy customers while maximizing profits. Hybrid options are theorized to be the most foreseeable future of the retail environment, as hybrid methods understand that shopper’s interests and objectives are not cookie cutter, companies must present varying consumer purchasing options to satisfy the variety of different consumers and their associated behaviors and interests. It is with out question that the retail environment will continually be variable, reacting to technological and socioeconomic developments as time progresses; retailers will have to continually modify business strategies to ensure profit maximization those who act stagnantly will essentially be replaced.

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