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Retail Transformation and Old Retailers: Can They Adapt to Change?

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A B S T R A C T

Over the past decades there have been changes in cities with consequences for its vitality and viability. Recently we have witnessed new changes with the increase of new city centres scattered around the city and surroundings. The retail sector has followed this trend, and can even be considered as one of its anchors, through the construction of large shopping centers. These changes have caused impacts on the retail structure of the once dominant historic city centre. With less capacity to adapt to the changes that have been affecting the sector, the old retailers of these areas have seen their importance shrink. The consumption patterns have been changing quickly and the communication between retailers and consumers have been using new tools. Based on data collected through interviews conducted under REPLACIS project, into three areas of Lisbon, this article aims to confirm whether it's possible to classify the profile of retailers based on the use of new forms of communication and age stratum. After the analyses of the data we confirm the relation. In terms of retail planning this means that new measures should be implemented in order to revitalize city centres.

1. INTRODUCTION

This paper was developed based on the project REPLACIS - Retail Planning for Sustainability Cities. This project was conducted in partnership between universities of Portugal (Lisbon and Oporto), France (Angers), Sweden (Malmoe) and Turkey (Ankara).

Considering the importance of the retail sector in the dynamic of city centers, the object of study of the project was the resilience of retail areas. Originally this concept arises from others sciences. The relevance of resilience is related to the importance that this concept could have in the analysis and understanding of the various phases that the retail areas cross, from success to crisis. It is observed empirically that these periods of crisis does not affect all areas equally. Conversely, when these periods arise from exogenous reasons, some areas can be less vulnerable and when affected can more easily overcome adversity. This adaptability, after suffering some kind of shock, is called resilience.

In the project REPLACIS, the resilience of retail areas is defined as follows: *"The resilience of an urban retail system is the ability of different types of retailing, at different scales, to adapt to changes, crisis or shocks, challenging the system's equilibrium, without failing to perform its functions in a sustainable way"* [1] .

In this article we present some data obtained in interviews with retailers of the areas selected as case studies. We intend to analyse if there is a connection between the age stratum of retailers and two main aspects: (i) their ability to use new forms of communication and technology (ii) their attitude towards business.

The understanding of this relation it's important to retail planning. So far, most of the interventions, in the Portuguese national context, have been based on individual financial support to modernize the outlets. However it is not certain that this kind of support produce the required results. This financial support is given in a certain point of time. However if retailers, individually, cannot have the capacity to keep adjusting and acquire new attitude towards business, this support will only produce ephemeral effects. If so, another kind of intervention is required.

2. THEORY AND METHODOLOGY

2.1. Methodology

Assuming the importance of retailers as one of the factors that may intervene in the resilience of retail areas, three case studies were chosen in Lisbon: Baixa-Chiado, the historic city center, possessing a retail offer significant when analyzed as a whole, although with a declining trend, mainly driven by the emergence of new retail developments in peripheral areas, in the form of large shopping centers; Campo de Ourique, a historic district centre, with a semi-peripheral location in relation to the historic city center; Telheiras, neighborhood of recent construction, located in an area that until recently was considered to be peripheral but increasingly, due to construction of new roads, is becoming integrated into the city of Lisbon.

Assuming that profile of retailers is one of the most relevant factors to the vitality and viability[1] of shopping areas, this article will examine whether it is possible to classify retailers according to their profile, in particular the age stratum, and according to the use of new forms of communication and marketing. It is considered that changes in consumption patterns have led to the creation or implementation of new mechanisms of communication between retailers and consumers. It is intended to develop such a classification, assuming that it may indicate weaknesses in the retail area, being more susceptible to external shocks and therefore less resilient.

With a spatial component, through case studies, this article intends to focus primarily on retailers and their profile. In particular the aspect concerning the age stratum, assuming that influences the ability to adjust to rapid changes that have been observed and that are expected to happen in the future. The data was collected through individual surveys to the retailers of the three case studies mentioned above.

It were conducted between 2010 and 2011, 125 surveys and they were divided into the case studies in the following way:

- Baixa-Chiado: 47 surveys;
- Campo de Ourique: 46 surveys;
- Telheiras: 32 surveys.

It was intended that the distinction between the numbers of surveys in various areas follow the total of the existing establishments. For this purpose, it was used as a reference, the last functional survey carried out by the City Council, dated 2007. Although statistical significance in terms of the number of surveys does not occur, there was, however, a concern for having a match at the level of existing retail sectors. Despite the effort there was an under-representation on the part of franchising and establishments comprised in chain stores. Given the complexity of the organizational structure of the retail outlets it wasn't always possible to interview someone responsible that could guarantee the reliability of the data. Therefore, we choose to interview only the managers in which we could obtain reliable information for the project.

Under the same project were also carried out surveys of consumers of the same areas. Not the subject of this article, we will not focus on them.

2.2. Cities and retail

Cities are not static. Throughout history many changes have been felt, shaping their face. Times of crisis and splendor leave marks in the cities [3]. Today, the pace of change appears, however, accelerate. In recent decades we witnessed a process of expansion and dispersion of cities which has no parallel in urban history [4].

This rapid change has had and continues to have repercussions in the retail sector. The wide dissemination of new shopping centers, with a very significant retail offer, equipped with new mechanisms to attract consumers and an integrated management structure, put into question the dominance of the old retail areas, the city centre, usually one of the most historic spaces in the cities.

These areas are important in the Portuguese and European context for several reasons: (i) They still have a significant number of retail outlets; (ii) it still is one of the more accessible areas by public transport (although it is difficult to access by individual transport), which attribute an important social role; (iii) most of the times, due to historic reasons, it's the area that represent the city in itself. The local citizens see in this area the places were the memory of the city is felt. The tourists recognize some authenticity in the historic centre and transform it into the main place to visit.

It is clear that their location in areas easily accessible by private transport and the large-capacity parking is clearly in contrast with the old city centres,

[1] As it was defined by URBED [2]:
Vitality: refers to how busy an urban centre is at different times and in different parts.
Viability: ability of the centre to attract continuing investment, not only to maintain the fabric, but also to allow for improvement and adaption to changing needs.

where accessibility is made essentially by public transport. With the increase of the rate of motorization, this contrast has become more pronounced, with advantage to the new retail formats. We should emphasize the importance of the mobility, enhanced through the increase of the motorization rate. This should not be underappreciated partly because this process is not exclusive of the Portuguese context. In fact it is similar to what happened in other national contexts across Europe like in Sweden [5] or in the Netherlands [6] for example.

The emergence of this new retail offer meets the needs of consumers and gains market share from older retailers, located mainly in the historic centres. The new retail offer was a response to consumer needs but in itself provokes and continues provoking this need. That is, this new retail offer is, most of the times, embedded, in large companies capable of causing changes in consumption patterns, inducing new needs, which later they will comply. As such, the older retail outlet, in the majority of cases, composed of individual enterprises or properties of small families do not have the capacity (economic capacity but also personal capacity that arises from the fact that this retailers are aged, with low education (most times) and with little capacity and motivation to modernize their outlet) to adjust to these new patterns of consumption. As these patterns continue to change, the old retailers will become more and more away from it.

We also must consider that the promotion of the distinctive character of the cities and their city centers is one important aspect in the attraction of consumers. However, currently, what we see is the dissemination of the same outlets, owned by few business groups, in all cities. This is leading to a phenomenon already observed in others national contexts: the creation of similar retail landscapes in the city centres [7, 8].

As an example the case of the Inditex group and the Regojo group, which have, or are associated with the following brands: Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho; Friday's project, Red Oak; Throttleman[2]. The spread of these and other brands through several city centres makes these areas similar between them. Because many of these brands are also in the new shopping centers, the old retailers of the traditional retail areas are competing with existing retail offer in modern shopping centers and also with the new retail offer that is located in traditional retail areas.

With the first, the old retailers are unable to compete with aspects such as: common management of spaces and amenities, parking, animation, marketing, commercial mix previously defined; suitable air temperature, space for rest, among others. With the second, the competition removes market share from old retailers, almost always in favour of those outlets that causes this "cloning" of areas.

This point applies particularly to larger city centres because they are more attractive for the installation of most modern outlets. In small cities, towns and villages the competition is mainly through the new shopping centers, located outside these areas but easily accessible by private transport.

3. ANALYSIS OF INTERVIEWS

3.1. Retailers profile

Its present the image of decline of the city centres. We assume that this image is connected with the stagnation of the retail sector that exists in this area, mainly the ones who are owned by old retailers.

As can be seen in the following graph the two oldest areas of analysis, the Baixa-Chiado and Campo de Ourique are those where there is a tendency for a greater aging of entrepreneurs.

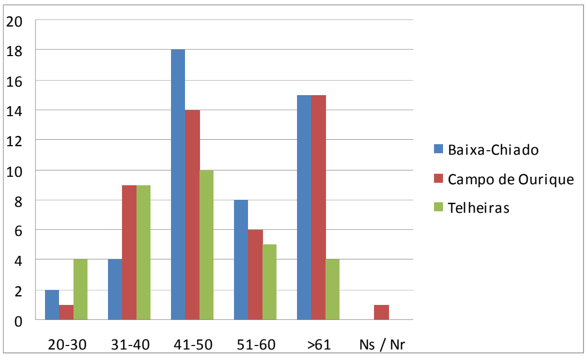

Fig. 1. Retailers interviewed, by age stratum and by case study *(source: Data obtained in the project Replacis. Processing performed by the author).*

The aging of the retailers is thus associated with the aging of the area where they are located. A very significant number of those, as it is shown in the figure below, are already working in the profession for more than 21 years. We must consider the positive aspect that arises from the acquisition of experience that may allows for better exercise their profession. Nonetheless working in the same field for a long time is not automatically synonymous of success.

The changes that have been affecting the retail sector have been very significant and concentrated in a very short timeline. Thus, although the change has always been present in this sector, in the past the change was less deep and held to a slower pace, which allowed easy adaptation, through several generations. At present, this older generation of retailers, being accustomed to the slow pace, didn't manage to keep the pace of change that characterizes today's society and retail sector in particular.

[2] According to information available on the website of the respective groups:
http://www.inditex.com/en, seen in: May, 2012
http://www.Rejogo.pt, seen in: May, 2012

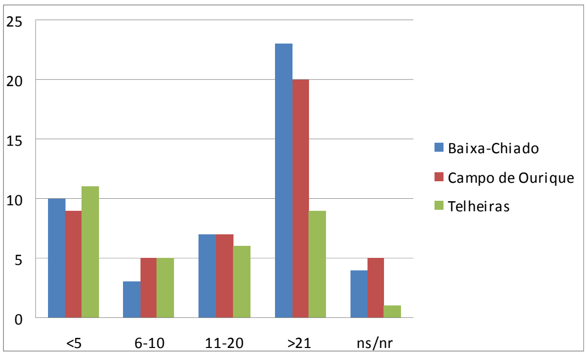

Fig. 2. Total retailers, by number of years in the profession and by case study *(source: Data obtained in the project Replacis. Processing performed by the author).*

3.2. Professional training

Professional training for employees and owners of the outlets in the retail sector is assumed to be crucial for the acquisition of new knowledge, essential for the modernization of the establishments and subsequently the increase of sales. What was found with the analysis of the interviews is that in most cases there isn't any training. To this effect it was considered training activities both those that would be contracted to an external firm, expert in the field, such as those given by the owners or managers. This option allowed the inclusion, in this category, of those cases in which a small number of people are trained in an external firm (usually the owners and/or managers) and subsequently transmit the knowledge gained to other employees. In these cases, it is possible to reduce a significant cost. However, even considering this possibility, the lack of training is the most prevalent. There are however some differences, according to the age stratum.

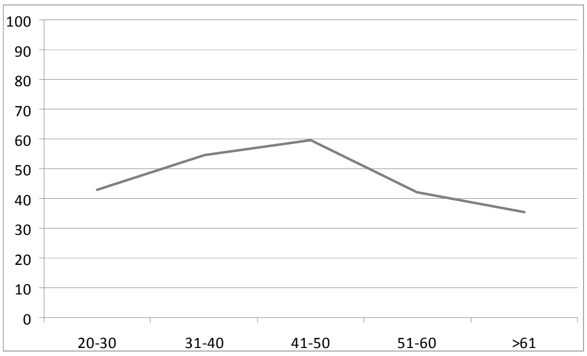

Fig. 3. Retailers involvement in professional training, by age stratum, in % *(source: Data obtained in the project Replacis. Processing performed by the author).*

The entrepreneur with a greater predisposition to conduct training is aged between 41 and 50 years. It was noticed during the interviews that retailers with over 50 years could not perceive the advantages of training and employers with 40 or fewer years have not found it necessary to obtain. In this last case, especially because, most of them, had recently obtained a university degree that, they assume, would assist them in their professional duties.

3.3. Communication and marketing

The implementation of measures of communication and marketing is in itself one of the main aspects to take into account in the current competitive market. With the rapid expansion of information and communication technologies, the consumer has access to information that before would hardly have access.

Changes in the rate of motorization provoke changes in the location where consumption is made. It became easier to purchase somewhere more distant but who is more accessible by individual transport and where parking is easier. Former retailers who relied on customers that were by the physical proximity felt a sharply decreased in its market share.

New forms of communication have been initiated by several retailers, in addition to the strong campaigns carried out by the big shopping centers and large enterprises, owners of various brands. Despite some difficulty in highlighting the budget for this component, through the interviews, we noted an effort to use new forms of communication, including: creating a company blog or site and its email address (using these tools as a means for communication with their clients); customer card, providing benefits to regular customers; distribution of flyers; advertising in magazines and guides, creation of database of customers and further contact with them via mail or SMS; participation in retail fairs (mainly local); creation of facebook page. The use of these tools is done primarily by young entrepreneurs, aware of the importance of them.

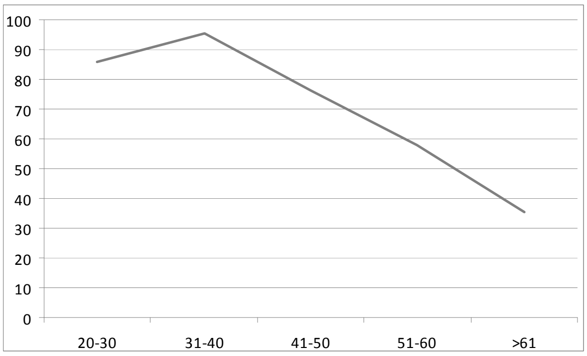

Fig. 4. Retailers involvement in communication and marketing strategies, by age stratum, in % *(source: Data obtained in the project Replacis. Processing performed by the author).*

There remains a group of aged retailers that rely on "mouth-to-mouth" marketing strategy or claiming that there is no need for any kind of measure because they are located in the same place for many years and people "know them". Nevertheless we assume that not all the passivity is desired by these retailers. In fact, we believe that some of them don't have the capacity to adjust to the new forms of communication. It was noted that, in several cases, retailers rely upon their sons (remind that much of the business, property of the old retailers are family businesses) to introduce new tools. However, in most cases, it was found, by interviews, a certain isolation which doesn't allow them to modernize.

Although it still is a family business, possessing a small independent retail business it's not as attractive as it was in the past. Because of that, most of the young generation are not interested in maintain the business and eventually disconnect from it.

3.4. Turnover

The evolution of turnover presents a less favorable context for retailers with more age. In fact, in the case of retailers with more than 61 years, the vast majority have been decreasing their turnover. In other cases, the situation is only positive for the two groups with 40 or fewer years. In the case of retailers with age stratum between 31 and 40 the tendency to increase the turnover is higher.

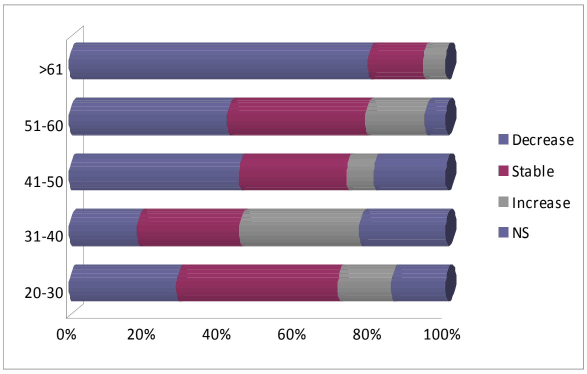

Fig. 5. Evolution of turnover, by age stratum, in %. *(source: Data obtained in the project Replacis. Processing performed by the author).*

In case of the retailers with age between 20 and 30 years the stability was unexpected to us. The explanation to this data must be done based on the answer given during the personal surveys. It was detected that these retailers have turnover expectation smaller than the aged retailers.

These last ones have entered in the retail business when the competition was less important and the shopping centers were inexistent or still located in the city centres.

This was a period where the market share possessed by independent retail was high and so as the profit. So, these aged retailers still have expectations according to a period that no longer exists. On the other side, the young retailers are totally conscious about the possibility of market share that they can achieve.

They have smaller expectations which are, in fact, more adjust to reality. With this, they prepare their business in the best way possible in order to have the fewer turnover variations as possible. The retailers with age between 31 and 40 years are in the mature phase and so it's normal that they see their turnover increase.

3.5. Associations

The surveys also allowed us to conclude the relationship between membership of an association and the age of the retailer. In fact, as noted in the figure below, the older retailers are mainly the ones who are associated with at least one association.

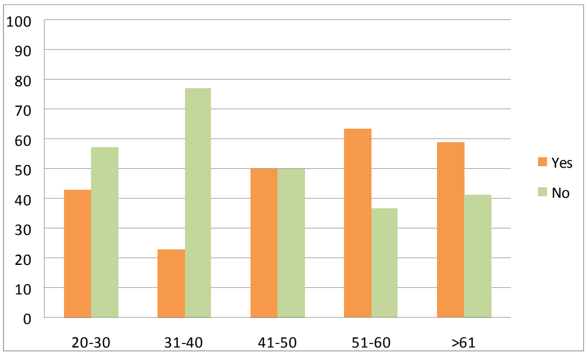

Fig. 6. Retailers association membership, in %. *(source: Data obtained in the project Replacis. Processing performed by the author).*

In this case, it was possible to refine the analysis and it was found that, in most cases corresponds to the traditional retail association, in this specific case, the UACS. Young retailers don't see any advantages that justify the payment of a fee to the traditional association. According to the interviews, we also perceived that the young retailers who are members of one or more associations are more likely to be associated with new associations that have developed different types of activities. Rather, the traditional retail association is seen as relatively stagnant.

The information collected in the interviews is even more significant, because it was normal the response in which retailers that are associated admitted that the main reason was the "tradition" and not because any kind of advantage that may arise.

Currently, there are several examples of private associations set up by retailers, characterized by greater informality, greater involvement by the retailers and develop a set of initiatives to promote their areas. This is the case of AVC – Associação de Valorização do Chiado (Chiado Enhancement Association); Associação de Dinamização da Baixa Pombalina (Baixa Revitalization Association), among others. Because this kind of association establishes closer links with the retailers it allows these ones to involve deeper with the projects. In the near future, it's expected to watch an increase of such structures.

3.6. Retailers classification

Adopting the classification already used [9, 10] to classify retailers according to their attitude towards business, we distinguish the following categories: proactive, reactive and passive.

Proactive: Assuming that is necessary the passage from retailer to a businessman, pro-activity derives from the ability to introduce new strategies. This category includes retailers with intermediate or higher education, usually inserted in chains of stores or franchises. While there may be individuals who are able to take a proactive stance we assume that the inclusion in a larger firm or an economic group with greater financial capacity may facilitate the adoption of new strategies including information and communication technologies and marketing strategies. These retailers, in general, have the ability to induce changes in the market. With this they are able to be at the forefront of these changes.

Reactive: Retailers who are reactive to the changes that affect the sector. They adopt strategies that allow them to maintain their market share. However, this category can be divided into two: (1) those who, reacting to the changes through minor modifications, for example, adopting communication strategies already used by other companies, aims to maintain the business and the market share; (2) those whose reaction translates into a stiffer attitude and introduce more significant transformations. For example, changes of traded products to suit the changing needs of consumers and even sometimes the change of places where they are located, looking for new locations that may be more near or accessible from the target consumers.

Passive: Retailers who, in general, are aged and who are working in the retail sector for a long time. As such, they have difficulties in adapting to new demands of the sector. The lack of motivation for modernization derived in many cases by their inability to change. This is due to less knowledge of tools that enable them to reach their modernization.

4. DISCUSSION AND CONCLUSION

The analyses of data collected in the surveys allow us to realize the relation between the age stratum and the characteristics mentioned during this article. It was intended to verify if the differences were felt between the various age groups, which was confirmed. The age of the retailer is clearly associated to the positions they adopt in subjects such as professional training, use of information and communication technologies and marketing strategies, associativism with implications in the turnover.

Comparing these profiles with the theoretical categorization of retailers according to their attitude towards business, it seems that aged retailers have a passive attitude. Adopting the classification we could fit in this category retailers with over 51 years.

The passivity of some businessmen, especially those that are located in the old historic center of town has been criticized. However, this resistance to change should be seen as an inability of entrepreneurs to modernize. More than resist to change in most cases they don't have the ability to do so. This happens for two reasons: (i) incapacity that derives from the personal characteristics of these retailers, aged and with many years working in a certain way and, until recently, in a successful way, (ii) high pressure from businesses classified as proactive that dictate the pace of change.

The reactive entrepreneurs make up the majority of respondents. In this group we found especially retailers up to 50 years. Realizing the existing changes they introduce measures to modernize. The decrease in the turnover which appear to affect the majority of independent retail has led to these reactive measures, especially through the use of digital tools like websites, blogs, emails, facebook pages but also using others means such as participation in promotional guides. In accordance with the age stratum it seems also be possible to make a subdivision into this. The retailers aged between 20 and 30 years (to some extent up to 40), in addition to extensive knowledge of digital tools, also run their business without having too high expectations, in what seems to be a more adjusted way to face the retail sector in the present. Because they don't have a significant mental reference to the period prior to the changes experienced (especially the spread of large shopping centers), they take the present as being the standard and the measures introduced are perceived as natural. By contrast, in the remaining retailer the reactive posture appears almost as an imposition for the maintenance of the establishment, almost forced.

For proactive retailers, after the interviews and subsequent analysis, it wasn't possible to classify according to the age stratum, unlike what happened with the previous two classifications. We conclude that proactivity in the retail sector requires that companies and retailers have the capacity to introduce new changes in this sector which, eventually, could influence consumer patterns. This capacity is almost always a characteristic of large enterprises, possessing different brands or chain stores.

Thus we conclude that there is a link between the age of retailers, the use of new forms of communication and their attitude towards business. So, this relation also helps the classification of retailers. However, we conclude that this classification shall be limited to retailers regarded as passive or reactive. The implementation of a profile for the proactive retailer has not proven to be possible, based on the age stratum and use of new forms of communication. This is due to the fact that it was considered that proactivity is a characteristic unique of large companies. Currently, the ability to introduce changes in the retail sector and in the consumption patterns isn't inherent to independent retail. Regarding the various areas that served as a case study, and considering only the indicators examined here, it seems that both the Baixa-Chiado and Campo de Ourique are more susceptible to external shocks, being less resilient. On the other hand, the profile of Telheiras suggests that retailers can better respond to changes in the retail sector that may suffer in the future, considering that it may be more resilient and better able to meet their business functions. Regarding spatial planning in general and retail planning in particular this means that new measures should be applied to improve the vitality and viability of city centres. Although financial support have already been given [11] to help the modernization, the new measures would probably have to go in another direction. As we seen, the ability or capacity to modernize isn't high. In this case one of the solutions can be the implantation of professional structures that could manage the city centres like observe in other national contexts [12, 13]. Improving the area by introducing a structure of management would help improve the vitality and viability of the city centre and it's resilience.

4.1. Final notes

The classification is valid in the present, although there are no guarantees that it remains valid in the future. That is, initially we referred to the pace of change in the retail sector. Because it's so high some of the older retailers didn't have the time or ability to adapt. The analysis elaborated took into account this change. So, it's likely that this new generation of retailers is already adapt to the speed of change. Consequently, in the future, when they fit in under the category of old retailers, they should be able to modernize themselves, unlike what occurs with the old retailers in the present.

5. ACKNOWLEDGEMENTS

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