Understanding the Evolution of Retail

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Abstract

This paper addresses the evolution of traditional retail businesses since the advent of the internet. In this study, I will discuss the benefits of marketing to different generations, practical strategies for businesses to drive consumers to their brick-and-mortar stores, and marketing strategies for targeting the largest consumer demographic of this era, Millennials. Using case studies, this paper determines that repositioning and multi-generational marketing are two effective strategies that any struggling retail business can benefit from.
Understanding the Evolution of Retail

Beginning in the late 1990s, brick-and-mortar businesses began to fail. Initially, experts quickly pointed toward the internet as the ultimate cause of the demise of retail branches. Journalists trumpeted stories of how Netflix and other online-streaming programs put Blockbuster out of business. In the short time between 2004 and 2010, Blockbuster’s revenue fell from $6 billion to total bankruptcy; meanwhile Netflix rose from a $50 million valuation to generate $2.2 billion (O’Neill, 2010). Even still, twenty-some years later, headlines often refer to Amazon as the villain in an attack on brick-and-mortar business. While the internet and global connectedness have almost certainly affected brick-and-mortar businesses, it is important to understand the consumers’ expectations and how they may have been shaped by the internet and by other factors.

The internet, separate from the consumer, cannot threaten an industry. What is it about the internet that so heavily influences consumer behaviors and what can we learn from these new patterns of behavior? It is increasingly important for businesses to be aware of the shifts in their consumers’ behaviors. Blockbuster lost its way because it failed to compete with the online-streaming (O’Neill, 2010; Satell, 2014). Toys R Us, laden with debt, failed to modernize their stores to compete with big box retailers, such as Walmart and Target, and online services, such as Amazon (Isidore, 2018). Both Blockbuster and Toys R Us either failed to understand the modern consumer and his or her buying habits or failed to act upon these shifts.

By understanding consumers’ evolving purchasing habits, researchers might find practical solutions for reaching a business’ target audience. This information could prove
valuable to executives who are searching for ways to keep their business afloat in a rapidly changing, connected, and global economy.

I am researching the alleged demise of brick-and-mortar businesses to find out what is causing certain businesses to fail or to succeed. I want my readers to understand the consumer behavior patterns that may be driving away business, then determine practical ways to retain existing customers, while acquiring new customers.

**Research Questions**

RQ 1: What factors are contributing to the demise of brick-and-mortar retail businesses?

RQ 2: How can retailers realign themselves to better serve consumers needs and wants?

RQ 3: How can retailers meet the traditional demands of previous generations, while also balancing the demands of the Millennials and the coming generations?

**Literature Review**

**The Generations**

In the United States, a generation or a cohort refers to a group of individuals who experience life-defining events together. “They share a common social, political, historical, and economic environment,” (Williams & Page, 2011, p. 2). Typically, generations are defined by time related events. A “cohort” defines a person born to a specific time period (Cutler, 2015). Generations, according to Cutler (2015), refer to the “experiential essence” of a group of people, defined by their shared experiences. When discussing business strategies, researchers should be most concerned with the generation, or the experience of a group of people, rather than the cohort, or the ages of a group of people.
To understand the generations, we must first know how they have been previously defined. There are six generations still living in the United States. While names and exact dates of birth vary slightly, Williams and Page (2011) broadly defined the generations as follows.

First, the Pre-Depression generation, sometimes referred to as the World War I Generation, the Veteran Generation, and the G.I. Generation, was born prior to 1930. According to Williams and Page (2011), this generation is defined by a youth of extreme economic disparity and trauma. They were teenagers and young adults during World War I and World War II. Furthermore, they experienced radical advances in technology and society during the prime of their lives, including vaccinations and the space program. The Pre-Depression generation values conservative behaviors, altruism, and personal security.

Second, the Depression generation, often referred to as the Silent Generation, was born between 1930 and 1945. This generation witnessed the emergence of the United States as a world superpower, spurring waves of patriotism from this generation. The Depression generation, having come of age during social turmoil, value social peace and conformity. Furthermore, they value morals and family.

Third, the beloved Baby Boomer generation, born between 1946 and 1964, was indulged as youths. They were born to economic prosperity following the end of World War II. As such, they value self-expression and optimism. Although they were not born to the technological revolution, the Baby Boomer generation has managed to familiarize themselves with modern technology better than previous generations, thus beginning the generations of “digital immigrants.” Digital immigrants are those who were forced to adapt to the digital age in order to survive (Prensky, 2011).
Fourth, Generation X, born from 1965 to 1977, came of age during tumultuous social and economic times. Generation X values family, though they tend not to marry. This generation crafted and experienced personal computers and the “1990’s dot.com stars” (Williams and Page, 2011).

Fifth, Millennials, often referred to as Generation Y, were born between 1977 and 1994, according to Williams and Page (2011). Millennials are a trickier generation to define, in part because of their size, but also due to their diversity, and their circumstances. Some of their shared experiences include the new millennium, September 11, 2001, rapid technological advances, and the economic recession of 2008. Millennials are considered the first generation of digital natives. A digital native, as defined by Prensky (2001) is a person who came of age during the digital revolution. Millennials have a strong sense of autonomy (Williams & Page, 2011). Furthermore, they value community, relationships, and social good (Campbell & Bickle, 2017; Ristino, 2013).

Finally, Generation Z, born after 1994, is the newest generation. Some social issues that they face and will face include school violence, economic and social unrest, global terrorism, and shifting world superpowers (Williams & Page, 2011). They have never lived a world without the internet. While it is yet to be seen what values Generation Z will acquire, Williams and Page (2011) posit that they are the “new conservatives,” which value authenticity and peer acceptance. Overall, they are optimistic as a generation.

This information is imperative for marketers who must tailor their tactics to target audiences who exist in the modern world, but may or may not prescribe to the new modern values. Businesses which address more than one generation must participate in multi-
generational marketing, or “the practice of appealing to the unique needs and behaviors of individuals within more than one specific generational group,” (Williams & Page, 2011, p. 1). In addition to defining the six generations, Williams and Page (2011) offered their expertise on how marketers could target each of the six generations, which we will explore further later.

**The Changing Landscape of Retail**

Now that we know who the generations are and what they value, it is clear that there have been real shifts in modern perceptions, beginning with Generation X, the pioneers of the dot.com world. This means that the potential for businesses to transform and interact with this changing landscape began as early as the 1980s, when Generation X came of age. But this change didn’t occur all at once, rather it was a slow shift that picked up momentum and snowballed over the past twenty years. Satel (2014) cites the threshold model of collective behavior as one reason why the tides shifted so rapidly. The threshold model states that for any idea there will be levels of resistance. Those who are willing to adopt the concept do so, and as they do so, this convinces people who are more resistant to join in. As Satel (2014) states, “under the right conditions, a viral cascade can ensue.”

Retailers are failing, largely due to an inability to keep up with the changing landscape of retail. The contributing factors to the demise of brick-and-mortar retail businesses include increased consumer access to digital information, changing values of the largest demographic group, Millennials, and economic restraints, both of the consumers, and of the businesses themselves.

The digital native, highly educated Millennial consumer group has access to endless amounts of information, giving them a high degree of “consumer empowerment,” which
marketers must be aware of when addressing this market segment (Hall & Tower, 2017). While digitally native Millennials have access to extreme amounts of information and self-report to use this information, consumers as a whole, even those of the “digital immigrant” generations, also have tapped into the resources that the internet can provide. While individual shopper journeys, or paths-to-purchase cannot be known, shoppers have the potential to engage on an elaborate and complex journey prior to making a purchase, using multiple channels to research a product or a brand or both prior to swiping their card or typing their pin (Hall & Tower, 2017). This increased access to information must play an important role in the modern consumer’s path to purchase, and, for some businesses, might be turning the consumer away altogether.

Because Millennials have surpassed baby boomers as the largest demographic, they are a fundamental target audience for modern business, making up 30% of the United States population in 2015 (Cambell & Bickle, 2017; Cloud, 2015). In addition to their values of community, relationships, and social good, Millennials have high customer service and business-to-consumer relationship expectations. They expect real-time interaction with instant responses and open, informal interaction between the brand and the consumer (Hall & Tower, 2017). Campbell and Bickle (2017), as well as Risitino (2013), determined that Millennials value relationships with brands over the brand itself.

Even though Millennials are better educated than their Boomer counterparts, they are experiencing higher levels of poverty and lower wages, resulting in a “failure to launch” (Cutler, 2015). While the economy has recovered substantially from the financial crisis of 2008, Millennials have not experienced a positive correlation of financial self-identity or stability
(Cutler, 2015). Cutler (2015) argued that Millennials may not self-identify as financially fit due to the disparity between their education, debt, and earnings.

The Millennial generation is not alone in their inability to “bounce back” from the recession. In fact, much of the failures of retail businesses, such as Toys R Us, roots back to massive debt which stifled their abilities to adapt to the new retail landscape. Toys R Us had plans to increase employee compensation and remodel their stores to include play spaces and areas for birthday parties, but their debt swallowed them whole (Isidore, 2018).

**Realignment Strategies**

Despite mass waves of store closings and bankruptcies, the retail industry overall has remained relatively healthy, generating $5 trillion in Gross Domestic Product (Polla, 2017). Furthermore, “85% of retail sales are still made in the brick and mortar channel,” (Polla, 2017, p. 17). Some businesses have even benefitted from the increased landscape for retail distribution, by selling direct to consumer via internet opportunities (Campbell & Bickle, 2017). This information conflicts, however, with the fear-mongering headlines of these dying industries. What is causing some businesses to succeed and others to fail in this changing landscape and how can traditional brick-and-mortar retailers stay ahead of these rapid changes?

A company must have the ability and the flexibility to utilize realignment strategies when their environments change in order to remain profitable over the long term. Mann, Byun, and Li (2015) evaluated popular realignment strategies of businesses during the recession of 2008. Realignment occurs when a business takes existing resources and focuses them in a different way, with the goal of improving performance and strategy to fit the new external environment (Mann, Byun & Li, 2015).
One such strategy is retrenchment, the practice of reducing spending by closing stores or filing for bankruptcy (Mann, Byun, & Li, 2015). For businesses, such as Toys R Us and Blockbuster, retrenchment was not enough to save them. Had these measures been taken earlier, in conjunction with other realignment strategies, perhaps these companies could have survived in the evolution of the retail industry. Other strategies include promotional realignment, organizational realignment, and product realignment (Mann, Byun, & Li, 2015).

Organizational realignment is the most notable strategy that could prove to be particularly useful for businesses struggling to survive the rapid changes of modern retail. Organizational realignment occurs when a company uses current resources to align their value propositions to match consumer needs and wants (Mann, Byun, & Li, 2015). Some examples of organizational realignment might be restructuring offline and online consumer experiences, focusing on branding, and improving service and experience (Mann, Byun, & Li, 2015).

Repositioning, an organizational realignment strategy, occurs when a company shifts primary goals. For example, retailers began to focus on consumer savings and values as a direct result of restricted consumer spending during the 2008 recession (Mann, Byun, & Li, 2015). Other types of repositioning include digital strategies, such as implementing new websites and innovation, as well as brand image repositioning, in which the brand will literally attempt to rebrand itself to change consumer opinions (Mann, Byun, & Li, 2015). Despite repositioning being among the top realignment strategies during the recession, repositioning has trended downwards in the post-recession period (Mann, Byun, & Li, 2015). This, however, might be a mistake for those industries that need to reposition themselves to reach Millennial consumers.
A business should not be in a constant state of repositioning, as that would create brand instability, and likely hurt consumer relationships. However, it is probable that many businesses could still benefit from repositioning as a realignment strategy to connect with Millennial consumers, who are still feeling the effects of the economic recession, whether financially or mentally.

**Discussion**

**The Millennial Consumer**

If digital giants like Amazon are the villains in the modern business equation, the Millennial consumer is the weapon. Millennials have surpassed baby boomers as the largest demographic, and are a fundamental target audience for modern business, making up 30% of the United States population in 2015 (Cambell & Bickle, 2017; Cloud, 2015). Businesses and their marketing teams must take Millennials seriously, as they have $200 billion in buying power each year (Schawabel, 2015).

We have established that businesses must take Millennials seriously. To do so, they must understand Millennials values, financial stability (or lack thereof), and purchasing behaviors. Researchers (Cutler, 2015) have discovered that the Millennial generation is more disconnected from the “fabrics” of society than previous generations, in everything from politics, to religion, to marriage, and finance. Millennials are distrustful of the social structures they were raised within, and have actively taken opposing stances to the constructs of society (Cutler, 2015).

As a group that is defined by setting new trends in all areas of commerce, Millennials have expectedly taken the blame for “killing” many industries, as is demonstrated by numerous
headlines through the recent years. Just some of the industries Millennials have made headlines for destroying include diamonds, casual dining restaurants, mortgage and real estate, and even beer. It is not enough to recognize that Millennials may have contributed to the demise of such businesses. Instead, businesses must determine what consumer behaviors drove Millennials away from their brand and realign effectively.

**Marketing to Millennials**

While, traditional marketing may still be effective on previous generations, Millennials experience an immense amount of advertising clutter. It permeates everything from the radio, to the television, to Hulu, to music listening applications, to social media, and beyond (Campbell & Bickle, 2017). Hall and Tower (2017) argue that all consumers experience so much clutter and conflicting information that they have no choice but to ignore or resist most of it.

For marketers, this clutter poses a unique threat. Marketers must create content that does not feel like clutter to the consumer. It must “create meaning and connection to the brands,” (Campbell & Bickle, 2017, p. 362). Furthermore, marketers cannot assume that messages that are received by older generations will be received at all by Millennials. Millennials hold different communication expectations from businesses and brands than previous generations.

**Millennials customer service expectations.** Because we know Millennials have high customer service and relationship expectations, valuing relationships with the brand over the brand itself, companies should act upon this. When a Millennial engages with customer service agents, they expect that the agent will know who they are and what products they use upon first contact, with no additional explanation required except for the problem that they need addressed.
 (“Understanding Millennials’ Customer Service Expectations,” 2017). This data suggests that businesses and their marketing should first be responsive, even before they are compelling. In this way, businesses may attract Millennial consumers simply through word-of-mouth and retain Millennial consumers through their dedication to customer service.

**T-Mobile: A case study in customer relationships.** T-Mobile, for example, stopped postulating on what their customers liked and did not like, and instead asked them point blank. When they received feedback of things customers did not like, they listened, thus evolving their brand to “The Un-Carrier,” (Swinscoe, 2017). This move consolidated taxes and fees into the reported monthly cost, avoiding unexpected additional costs on customer’s bills. They offered truly unlimited plans with the promise of minimal throttling of data speeds (only during congestion if the person has already used 50 GB of LTE data). The results? Happy customers.

Since the rebranding as “The Un-Carrier” in 2013, calls to customer support have decreased by 31% (Mills, 2017). Why? Because customers don’t call when they are happy. T-Mobile also launched chat support and social media support, so that customers can interact and engage with T-Mobile wherever they are most comfortable. As a result, customers report higher satisfaction with T-Mobile than with any other brand. Furthermore, engaging on social media provides an outlet for viral and word of mouth content that is known to sway Millennials purchasing patterns.

T-Mobile’s success suggests that businesses with strong social media presence, who listen to and actively engage with their consumers, and who create mobile-friendly customer service portals have a high likelihood of thriving in the Millennial driven economy.
Millennials’ social expectations. As we discussed earlier, Millennials value community, relationships, and social good (Campbell & Bickle, 2017; Ristino, 2013). Marketers have attempted to interact with Millennials by engaging in these core values through social marketing campaigns. Researchers presumed that Millennials would resonate well with such social marketing campaigns. However, the research has provided mixed results. For example, despite marketing efforts from Wal-Mart and Kroger to source their products locally, Millennial consumers did not seem to be aware of these efforts when interviewed (Campbell & Bickle, 2017). In short, despite social marketing efforts, Millennials still feel as if companies do not support the causes they care most about (Furlow, 2011).

Yet, if Millennial consumers do feel that a brand is supportive of a social cause, they self-report to buy more products from that company, indicating that all is not lost in the category of social marketing campaigns. In fact, if a social marketing campaign feels authentic to the brand, the campaign may fit the gap that Millennial consumers are missing when they say that a brand does not support the causes that they care about. Authenticity and trust are important to Millennials, who self-report that they do not consume content from brands or companies that they do not feel are authentic or trustworthy (Schawabel, 2015).

Driving Consumers to the Brick-and-Mortar Store

Even when companies engage effectively with Millennials, the largest consumer segment, is it enough to get them out of bed and into their stores? What about other generations who have also all but disappeared from the brick-and-mortar store? As Polla (2017) suggests, we must ask a critical question: what does the consumer use the brick-and-mortar store for? If they
can purchase any item online, review thousands of online reviews and blogs, and ultimately decide on a purchase without ever leaving their bed, who is going to the stores, and why?

Contingency theory suggests that an organization must engage in strategic actions to align itself with its environment (Mann, Byun, & Li, 2015). But what does that look like to a retail industry? To determine what this may look like to a retailer, I have compiled case studies to showcase how some businesses and industries have managed to thrive despite all this change.

**The beauty industry: A case study in the storefront customer experience.** The beauty industry has managed to thrive despite the downturn of brick-and-mortar retail (Polla, 2017). One might assume that this is because beauty products, by nature, demand to be tested before they are bought. While that may be true, there are specific actions that beauty retailers have taken to ensure that their brick-and-mortar locations stay in business. They offer special perks for those who shop in store. Many offer services, such as makeovers and consultations. Furthermore, they take advantage of new technologies and apply these technologies to their customer service (Polla, 2017). In short, they no longer sell products; they sell experience, they sell experts, they sell service. Their success stories indicate that consumers show up for service and experience, not for shopping.

Mann, Byun, and Li (2015) defined this type of strategy as repositioning. When Sephora and Ulta noticed a downturn in customers, they shifted their focus from products and advertising to store locations, loyalty programs, and in-store experiences that could not be matched via online portals, driving consumers to visit their local beauty shops with regularity.
Best Buy: A case study in surviving the Amazon takeover. In 2012, amidst economic struggles and power plays with Amazon, Best Buy hired a new CEO, Hubert Joly. Joly crafted a five-point plan he titled “Renew Blue.” The goal was to stabilize, then grow. The first point of his five-point plan was to revive the customer experience through loyalty and membership programs and improve upon the shopping experience in-store. Second, he wanted to attract leaders and energize employees. Third, the company would work directly with vendors to innovate. Fourth, increase return on investment by increasing efficiency, including cutting unproductive costs. And finally, participate in social change by jumpstarting a recycling effort and providing access to technology to troubled youths (Murray, 2012).

In 2017, just five years later, Best Buy was the market share leader for consumer electronics. Joly declared his “Renew Blue” phase over, and ushered in a new plan to build upon the accomplishments of “Renew Blue.” He dubbed his new plan “New Blue 2020.” The plan is designed to expand what the company sells and evolve how it sells. The three main components of the New Blue 2020 initiative are building a leading position in the smart home market through partnership with Vivint, piloting a new Assured Living service that capitalized on technology to allow adult children to check in the safety of their aging parents, and launching Total Tech Support, a new offering through Geek Squad that would provide ongoing technical support for all of a customer’s electronics, no matter when or where they bought it.

Other retailers can learn from Sephora, Ulta, and Best Buy. Retailers should focus on customer experience and service, both in store, and online. No longer can a store exist only online or only in store. The market demands both – the convenience of the internet and the availability of the retail store. Finally, retailers should engage, not only on their own website
platforms, but also on social media, and should always design web content for mobile-friendliness.

**Multi-Generational Marketing**

Despite the fact that Millennials are the largest consumer sector, they still only make up about 30% of the population. It is imperative that businesses perform a balancing act for all of their target audiences. Applebee’s took a serious downturn, announcing hundreds of store closures, and ultimately blaming themselves for focusing too much on attracting Millennials that they neglected to serve their existing customers. It is more important than ever that brands understand who their target audience is, if they have multiple target audiences, and how to balance their audiences.

Best Buy’s Assured Living program is a prime example of marketing to multiple audiences. Williams and Page (2011) stressed that the Depression generation did not want to be seen as dependent or helpless. Meanwhile, Boomers and Generation X need tools to balance raising their own families while taking care of their aging parents. Best Buy’s Assured Living program capitalizes on the seniors need for autonomy and independence and the adult children’s need to know that their parents are cared for.

No industry or business will have exactly the same strategies or tactics. Looking at the examples of others, however, can help executives to determine the future goals of their own companies, and avoid the unsightly demise of industries like Blockbuster and Toys R Us.

**Conclusion**
Polla (2017) argued that brick and mortar is not dead; it is evolving. This evolution is happening before our eyes, shifting stores from a place to buy things, to a place to engage with the consumer and the community. Retailers must come to grips with this changing landscape and be proactive, rather than reactive. The industries which have embraced the change have continued to thrive. It is time for other retailers to learn from those industries. Repositioning, online and offline dual presence, and understanding the target audience can go a long way toward keeping businesses healthy and thriving, and thus giving back to their communities.

More specific research is needed to understand how certain business sectors can continue to grow in the evolution of retail. Deeper insight into marketing strategies as well as overall business plans can help to show executives how other businesses are succeeding in this environment. Additionally, future research in the areas of the crossover between digital marketing and brick-and-mortar marketing is needed to understand how businesses should best drive consumers from their online portals to physical places of business.
References


