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Expert: Retailers will downsize

Future is smaller stores, author says

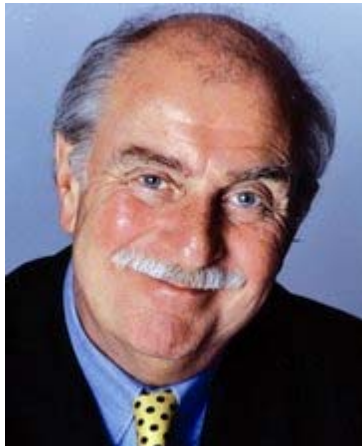
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Big box retailers will downsize, smaller outlets will gain customers, department stores will lease their unneeded space to others, and half of all brands and retailers will eventually disappear.

That's what retail guru Robin Lewis, vice president of a retail consulting arm of Goldman Sachs, told a group of Charleston merchants and business leaders during a meeting Thursday of the local chapter of Fashion Group International.



Robin Lewis

"Why are we at the end of retail as we know it?" he said.

Basically, he said there are too many stores carrying too many products, because the retail industry kept adding more products and building more shelf space in the U.S., even though demand started to wane in the 1980s.

"Success begat excess," said Lewis, the author of "The New Rules of Retail -- Competing in the World's Toughest Marketplace." "We made way more than we need."

America added 4 percent more retail space nearly every year from the 1970s to the past decade, creating 20 square feet of shopping area for every man, woman and child in the country. By contrast, Lewis said, the U.K has just three square feet of retail space per person, the next highest amount of any country.

As examples of excess, he said there were six brands of blue jeans in the 1980s. Now there are 800. Pringles once offered one kind of potato chip. It now has 33. Grocery stores in the 1950s carried 5,000 items. Today they offer 100,000 or more.

And now millions of websites are competing to siphon customers from all those brick-and-mortar merchants, Lewis said.

Market globalization and advances in technology are disrupting the way retailers do business, and they must adapt or die, he said.

"The consumer now has power over all commerce," Lewis said. "If they don't get what their hearts desire, they will get up and walk across the street or get on the phone and access hundreds of equally competing products."

Customers no longer conform, like those in the 1980s who had to have the same cool pair of jeans as their friends, he said. Now, they customize.

"It's how the consumer defines cool individually," Lewis said.

For stores to compete, they must reach consumers first, faster and more often, and get them to open their pocket books when they do.

Before the 1950s, when most Americans didn't live in urban settings, it was an experience to go shopping because it was an adventure off the farm.

To entice customers now, retailers must offer an experience to draw customers in and keep them coming back, Lewis said. They can't open a shop, stand behind the counter and wait for people to come in. They won't be in business very long, Lewis said.

Huge shopping malls, for example, likely won't survive unless they become entertainment destinations, he said.

"People don't have to go there with the Internet now," Lewis said. "What's going to make them go there? It has to be some social experience."

Because of all the overbuilding, customer choice, the Internet and other factors, the footprint of future stores will be smaller, Lewis said.

Larger retailers will start leasing part of their stores to other vendors, and big-box giant Walmart is already experimenting with smaller stores in some communities to compete with dollar stores.

"The future belongs to small retailers," Lewis said.

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