

# THE FUTURE RETAIL-SCAPE:

## *How Environmental Forces Will Shape Shopping Over Time*

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### **Overview**

This study explores and describes fundamental changes occurring in the environment that will affect retailing in the next five years. Based on responses from International Council of Shopping Center (ICSC) members, we identify 79 key themes. Among other areas, these themes show an emphasis on topics such as industry structure, competition, rising costs, consumer trends and economic trends. We introduce a “stakeholder” model to summarize these key trends and show how they may affect different participants in the overall industry. New retail ideas emerge from a knowledge of what is possible, what (goods, services, atmospherics, utilities) consumers desire and what areas could be improved or developed.



### **■ Introduction**

*The end goal of a futures orientation is to enable management to develop a flexible, managerial mind-set that will better allow managers to cope with a*

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*dynamic future environment by visualizing its possibilities for the organization's products and markets (Laczniak and Lusch, 1997).*

*In this business, we base our predictions on demographic and historical data, on experience and gut (Arlen, 2001).*

Retailing has evolved rapidly in the past 10 years, due in large part to technological advances. E-commerce, in the form of Internet retailing or "e-tailing," has remarkably risen, fallen and recovered, giving pause to entrepreneurs and investors about its viability. Some seemingly promising formats have struggled and failed in this competitive environment, while others maintain a mature status. As a result, many retail forms co-exist and tremendous choice alternatives are available to consumers in a global marketplace.

What the future holds for the retail-scape is a matter of speculation. Marketing strategy should be driven by developments in a number of other realms beside the technological, including the legal/political environment, the behavior of channel and consumer stakeholders, the economy and competitive activity. Consolidation in the industry and competition for the value conscious consumer has led to an identity crisis and redefinition for formats such as the department store (Merrick, Trachtenberg and Zimmerman, 2002) and factory outlets (Haueisen, 1990). Even those formats or specific retailers who perform splendidly under certain economic conditions or experience an extended growth phase cannot rest easy. A particularly cynical view of the future of shopping malls was voiced by Dator (2001) who predicts that they will become "quiet, protected place(s) for the huge number of elderly people . . . to hang out" (p. 108). Likewise, Shils (1998) points out that severe competition from discount chains "has begun to disfigure and transform grandiose retail malls into replicas of city ghettos" (p. 12).

The first rule of thumb is to recognize the dynamic nature of retail competition and develop ways to address it proactively. In order to plan strategically for the future, retailers must take stock of developing trends. Previous research points to the need for shopping malls and department stores (especially) to monitor consumer sentiment and behavioral patterns (Balazs, 1994; Ghosh and McLafferty, 1991; Turchiano, 1990). Recent reports have focused on the consumer-based trends as central to the future of retailing (Scansaroli and Szymanski, 2002). Here, we provide a comprehensive study of environmental trends with a focus on emerging opportunities. In brief, we present a stakeholder model to illustrate key relationships in the shopping center industry. Then, we identify "future-oriented" themes and superimpose those themes onto our stakeholder

model. To identify these key trends, we interviewed ICSC members in a variety of formats (e.g., group interview, depth interview, survey).

## ■ Background

There are a variety of models and theories to explain retail evolution. From natural selection to the wheel of retailing to the dialectical process, the general pattern is similar. A status quo exists in which there are many competing retail forms. Over time, environmental changes stimulate a chaotic state from which a new stasis is reached. All models heretofore have been developed with the benefit of hindsight. Not one is capable of accurately explaining the changes in retailing over time. Each theory is intuitively pleasing and simplistic. The problem is that the context in which retailers operate has become increasingly complex, with influential factors weighing in more frequently and heavily than in the past. The evolutionary process has accelerated, making the industry's future very tentative indeed.

Natural selection theory or a "survival of the fittest" model would neatly explain contemporary changes in the retail-landscape such as the proliferation of supercenters and the slow demise of the traditional grocery store. As superior retail formats take hold and drive out smaller and/or less productive businesses, they leave a trail of fledgling and weak forms in their path. Store closings and subsequent expansions are part of the natural order of things, a cycle that retailers go through as they strive for efficiency and profitability (Lillo, 2001). History has shown, however, that the formats making up the top five retailers in the country have been of different types over time, thus not one format dominates forever. In fact, size may become the significant weakness of the most successful retailers.

Hollander's Wheel of Retailing theory debuted over 40 years ago to explain the cycle from entry to exit of low cost, low price, limited service providers. It offered an alternative explanation to simplistic growth and extinction theories such as natural selection. As retailers traded up and added on new services, new product lines and more amenities, they were met with competition from another low cost, low price, limited service entrant which took their place as the preferred format. There was an inevitability associated with this theory as well, that retailers would always trade up and always cycle out of their once thriving profitable position. Hollander suggested in 1960 that successful management of the retail enterprise "(could) avoid wheel-like maturation and decay," but this relied on the Wheel turning slowly. A half century later, the market is moving very fast indeed.

In her assessment of the Wheel theory, (May 1989) acknowledges that the spin has increased. Consumers' demand for value, their shrewd assessment of service, lack of time and new competing forms have accelerated change in the market. By ignoring the needs and wants and values presented by consumers (in the U.S. and world wide), retailers have been replaced by those formats better able to deliver and meet consumer demands more quickly.

Yet another well-known theory provides a sufficient interpretation of the retail industry's development. Borrowed from Hegelian theory, a dialectic pattern occurs when a retail form enters the market, threatening current participants. Those threatened formats negate the difference between themselves and the new entrant by adapting or borrowing some of its distinctive competency. Thus innovations are quick to be neutralized or copied and the whole industry is affected by rapid fire change in the process. There is little time for the innovator to profit from its unique offering and the market returns to a "thesis" once again. Kaufman (1985) argues that the dialectical process is evident in retail evolutionary patterns. A recent example of this is the adoption of websites by traditional, store-based retailers.

Retailers do not compete in a vacuum. There are a variety of influences on their competitive strategies (or failure to compete effectively). Whence does the shock of an evolutionary turn arise? What kinds of environmental factors are responsible for such tumult? Is it possible to identify the causes before they take effect?

"Disruptive technologies" (e.g., those associated with today's Internet retailing and in the past, new forms of transportation) are one obvious catalyst for change (Christensen and Tedlow, 2000). Internet traffic growth is still tripling every year (Kessler, 2002), and one outcome is the hybrid model, where a "bricks-and-mortar" retailer simultaneously maintains an online presence. Such an option is especially attractive for traditional retailers, because it allows them to generate sales from markets where their traditional coverage may be sparse or nonexistent. In other parts of the world, retail forms have established themselves (or refused to fold) due to unique conditions that allow them to flourish, such as the *conbini* (convenience) stores of Japan and the *fieras* (open air markets) of Brazil (Zinkhan, de M. Fontenelle and Balazs, 1999). Evans, Barnes and Schlacter (1993) posit that part of the success of a new institutional form rests with the existing retail forms' willingness to accept and embrace the innovation being introduced. Information plays an important role in their "general systems approach to retail evolution." Those retailers that monitor the environment and pay close attention to threats and opportunities will most likely respond and survive, versus inwardly focused retailers

refusing to let go of what once worked. As Edith Weiner, the retail futurist, notes, "As we head into tomorrow, the challenge (to retailers) is not so much learning as forgetting (p. 4, 1994)." And learning as an organization to be innovative and creative beyond the simple response to customer feedback, according to Carpenter (1998). This is the acid test of a retail leader in the future.

## ■ Method and Analysis

To investigate future paths of retailing, a three-stage process was undertaken, consisting of exploratory methods. First, an extensive literature review was conducted from the areas of futurism, marketing, management information systems, urban development and consumer behavior, to name a few. Current trends related to key environmental forces (legal/political, technological, economic, competitive behavior, channel behavior, consumer behavior) were included in this research. Consultation with professionals in retail consulting, management and practice to coalesce current thinking on current developments took place via both depth and group interviews. From the literature review and probe of experts, a survey was developed to query retail experts about the future of retailing and shopping centers.

### *Group Interviews*

A script of open-ended questions was developed for the depth and group interviews. Informants were asked about the current challenges to shopping center success and the most significant influences on their operations. They were also asked to envision the retail-landscape in five years and offer insight into trends they saw developing. Lists of pre-registered attendees at ICSC meetings were provided to the researchers from which to choose potential participants. A purposive sample was chosen to reflect varying perspectives. A cross-section of individuals from industry were consulted, including those in real estate, finance, shopping center management, retailers and academics. Registrants at ICSC meetings in Norfolk, Virginia, Plano, Texas and New York City were contacted by e-mail, phone and in person and recruited for the focus groups. The response rate was low, but every effort was made to encourage people to attend and participate (an honorarium of \$50 was offered, confidentiality was promised). Focus groups met in a conference room at the conference hotel and the meetings were tape recorded and transcribed for further analysis.

Individual interviews were held at the same events and/or at the corporate offices of those recruited.

## *Survey*

The objective of the survey portion of the study was to identify what trends impact the industry, to learn in what ways they affect managers, to find out how significant they are perceived to be and to learn how shopping center executives are challenged by dynamic forces. A survey was used to probe a wider group on the challenges in the industry and forecasts of the future retail-scape. The questionnaire included five open-ended questions regarding challenges in the industry, dynamic changes affecting the industry, the future prospects of the shopping center industry, characteristics of a successful shopping center and the changing nature of their job over time. A five point Likert-type scale item was used to evaluate to what extent the professionals felt they had any control over the changes taking place. Respondents were asked to rate a list of 22 environmental trends culled from the literature and focus groups as to their potential impact on the shopping center industry. A fill-in option was added for additional trends observed by the respondents. Finally, gender, job title, type of company and number of years in industry were queried for purposes of categorizing the respondents.

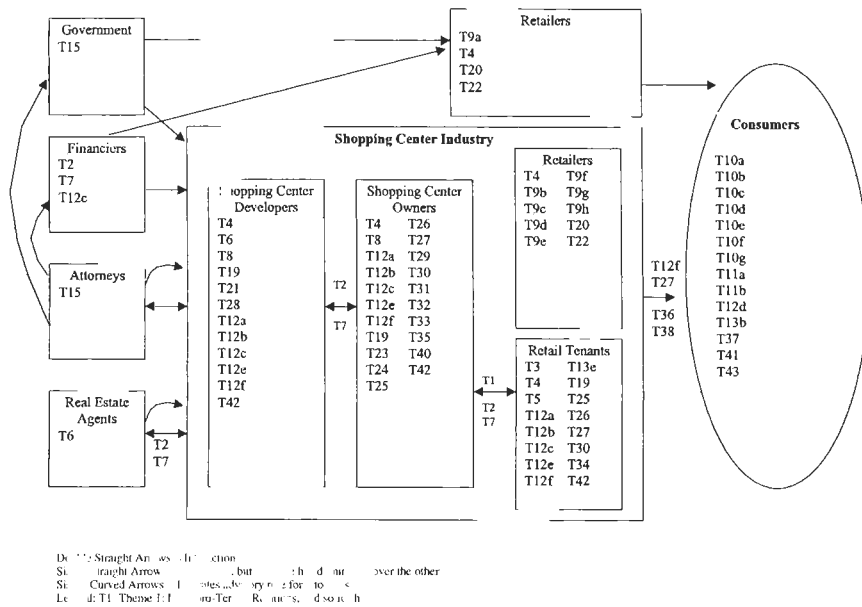
## ■ Results

A list of shopping center executives was obtained from ICSC. (These informants were not necessarily ICSC members.) The list was cleaned for duplications and a sample of 321 names with complete contact information resulted. The questionnaire was faxed to the individuals and 31 usable responses were obtained for a response rate of 10%. The low response rate was similar to other such surveys of executives on futuristic themes (Laczniak and Lusch, 1997). To analyze the retail trends they identified, Scansaroli and Szymanski (2002) used a team of only 20 experts. The sample consisted of 10 females and 19 males (two were unidentified). The most common title (41.9%) was that of General Manager and the next most frequent was Marketing Director. Property Managers, Marketing Researchers, Vice Presidents and Owner/Developers were also represented. The types of businesses for which they worked were grouped into shopping center developers/managers, real estate brokers, managers and investment trusts, shopping malls and owners. The range of experience was from one year to 40 years with an average of 17 years.

## The Shopping Center Industry: A Stakeholder Model

Every industry has key stakeholder groups that interact to create economic value. A stakeholder model for the shopping center industry is shown in Figure 1. This model is not meant to be complete, in the sense of depicting every possible stakeholder and every possible relationship. With this caveat in mind, key members portrayed in the Figure 1 model

**FIGURE 1 Stakeholders in the Shopping Center Industry—Current and Future Trends**



include developers, retail tenants and their competitors, government bodies, financiers, attorneys, real estate agents (REAs), alternative retailers (e.g., online and direct marketing firms) and consumers. Here, we employ this stakeholder model to illustrate the key themes that emerge from our qualitative analyses (e.g., the survey and group interviews).

Our Figure 1 model outlines a simplified view of key relationships between stakeholders in the shopping center industry, but other participants also interact. For example, in some instances, shopping center developers may also serve as owners (and this possibility is not shown directly in Figure 1). In the same way, Internet retailers and direct marketers have important relationships with government and financial stakeholders (and these are not shown explicitly in Figure 1). However, Inter

TABLE 1. CURRENT CHALLENGES/DYNAMIC CHANGES TO THE SHOPPING CENTER INDUSTRY

Topic Area	Sub-Areas	Themes/Examples
Industry	Structure	<p><i>Theme 1 (T1)—Landlord-Tenant Relations:</i>            "Landlord-tenant relations. Retail sameness. Corporate focus on profits rather than product and the economy"            "What to do with out of date facilities"            "Saturation . . ."</p> <p><i>Theme 2 (T2)—Cost Structure</i>            "The changing of the traditional cost structure for new leasing deals. More emphasis on total gross number"            "Cost of operating covered centers . . ."            ". . . apparel price deflation . . ."</p> <p><i>Theme 3 (T3)—Changing Nature of Anchor Store</i>            "The inability to get or retain strong anchor tenants or popular tenants will have a major impact on commercial property values (declining NOI and less borrowing power . . . Repositioning a property that has decreased in value will add on even more debt and there are no guarantees for recovery. Companies with strong cash flows will benefit by acquiring some of these properties at an under-valued price."  <i>Theme 4 (T4)—Consolidation</i>            "Consolidation"            Retail store/chain consolidations, more rapidly changing trends . . ."            "Retailers" consolidation . . . market saturation"            "Consolidation of ownership; too much sameness; not enough diversity"            "Pushing out of the small retailers by the mega size corporations"            Reduction in number of outlets in a particular market sought by retailers            ". . . consolidation"            "Acquisitions, consolidation of developers"            "Retailer consolidation"            ". . . retail store/clerk consolidations . . ."            "Consolidation . . . lack of innovation among retailers"            "Lack of national retailers"            ". . . mergers . . ."</p>



TABLE 1. (CONTINUED)

	<p><i>Theme 5 (T5)—Lack of Store Differentiation (Lack of Exciting New Store Concepts)</i></p> <p>"Lack of new and exciting retailers; shrinking pool of retailers that are expanding locations"</p> <p>"Too many sites (that are also undifferentiated)"</p> <p>"Lack on new 'hot' retailing concepts"</p> <p>"Duplication of uses"</p> <p>"A lack of new retail concepts"</p> <p>"Lack of independent new concepts"</p> <p>"95% of today's enclosed centers are the same. Same stores same merchandise . . ."</p> <p>"Duplication of retail concepts and merchandise."</p> <p><i>Theme 6 (T6)—Overbuilding</i></p> <p>"Failing retailers; a glut of rentable space . . ."</p> <p>"Too much space and too few tenants! . . ."</p> <p>Some developers will have to consider alternative uses for the property, i.e., medical centers, apartments, condos, assisted living, etc . . .</p> <p>These companies will also lead the way in creating new strategies that attract shoppers and more tenants"</p> <p>"Competition from overbuilding"</p> <p><i>Theme 7 (T7)—Financing Trends</i></p> <p>" . . . lack of risk based capital to fund new retail concepts"</p> <p>"The REIT phenomenon has put increasing pressure on the industry to show consistent profitability at all costs. The result will be a 'brain drain' in the next five years"</p> <p><i>Theme 8 (T8)—Redesign/Redevelopment of Existing Centers</i></p> <p>"Redevelopment of older shopping centers"</p> <p><i>Theme 9a (T9a)—Internet Competition</i></p> <p>" . . . increasing Internet usage"</p> <p>"Internet . . ."</p> <p>"The Internet has provided customers with the ease of at-home shopping"</p> <p>" . . . Internet sales"</p> <p>"The Internet . . ."</p> <p><i>Theme 9b (T9b)—Discounter Competition</i></p> <p>"Discounter competition . . ."</p> <p>"In our area, shopping centers are challenged by discount retailers such as Wal-Mart, Fred's and Dollar General"</p> <p>" . . . Wal-Mart entering the grocery business . . ."</p> <p>"Continuing growth of giant discounter chain stores and membership warehouses"</p> <p>"Difficulties experienced by development stores in competing with value retailers"</p> <p>"Dominance of Wal-Mart/Target and the resulting loss of 'Mom and Pop' tenants"</p>
Industry	Competition

TABLE 1. (CONTINUED)

Topic Area	Sub-Areas	Themes/Examples
		"Wal-Mart . . ."
		<i>Theme 9c (T9c)—Strip Center Competition</i>
		"Loss of tenants to strip centers"
		"Ongoing increase in strip centers showing up in expanded suburban areas . . ."
		<i>Theme 9d (T9d)—Big Box Competition</i>
		"Increase in 'Big Box' users; over saturation of retail by discount operators"
		"Free-standing big box discount retailers . . . ?"
		"Big Box . . ."
		<i>Theme 9e (T9e)—Lifestyle-Center Competition</i>
		"The lifestyle center concept is new and exciting. Retailers are the same but promoted differently . . ."
		"A move toward lifestyle centers as opposed to enclosed regional centers"
		"The development of lifestyle centers and the trend for upscale retailers to pursue these types of centers"
		<i>Theme 9f (T9f)—Sheer Number of Competitors</i>
		"Newer formats increasingly taking sales for established formats. Examples are supercenters, power centers, freestanding retailers found in centers"
		"The new number of retail outlets, including the?"
		"Competition"
		". . . increasing competition"
		"Less traffic, more competition outside the mall . . ."
		"Proliferation of shopping opportunities, too much competition"
		<i>Theme 9g (T9g)—Threats to Traditional Department Stores</i>
		"Demises of traditional department stores"
		"Failure of so-called traditional retailers"
		<i>Theme 9h (T9h)—Retailers' Expanding Product Offerings</i>
		"Wal-Mart entering the grocery business . . ."

TABLE 1. (CONTINUED)

Consumer Trends and Characteristics	Trends
	Theme 10a (T10a)—Consumers Expect Good Service
	"Another challenge is increased consumer interests in services"
	Theme 10b (T10b)—Increase in Number of Upscale Consumers
	"Changing shoppers trends—upscale customers willing to shop discount and better stores"
	Theme 10c (T10c)—Changing Interests and Lifestyles
	"Customers changing interests . . ."
	"The lifestyle is better fit for the lifestyle of today's consumer"
	". . . changes in consumer patterns . . ."
	Theme 10d (T10d)—Fickler Consumers
	"The increasing satisfaction of the American customer and the fickle (sp?) tendencies generated by media together"
	Theme 10e (T10e)—Changing Perceptions of Shopping Activity
	"The most dynamic changes are customers not viewing shopping as a leisurely activity"
	Theme 10f (T10f)—Consumers' Negative View of Business
	". . . lack of consumer confidence in big business . . ."
	Theme 10g (T10g)—Consumer Confidence
	"Lack of consumer confidence and lack luster in retail sales"
	Theme 11a (T11a)—Aging Population
	"Aging baby boomers"
	". . . and the aging population"
	". . . Consumer aging"
	Theme 11b (T11b)—Unpredictable Demographic Shifts
	"Changes in demographics—the retailers can't keep up!"
	". . . Demographic shifts . . ."
	Theme 12a (T12a)—Operational Costs
	". . . spiraling operational costs (taxes, power rates, security, etc.) . . ."
	Theme 12b (T12b)—Labor Costs
	"Labor costs"
	Theme 12c (T12c)—Bankruptcies
	"Store bankruptcy, economic instability . . ."
	"Tenant bankruptcies . . ."
	"Trend of stores sucking their profits dry and then declaring BR"

TABLE 1. (CONTINUED)

Topic Area	Sub-Areas	Themes/Examples
		<ul style="list-style-type: none"> <li>“... bankruptcy used as a financial tool . . .”</li> <li>“... bankruptcy . . .”</li> <li><i>Theme 12d (T12d)—Cost of Living</i></li> <li>“... rising costs of living”</li> <li><i>Theme 12e (T12e)—Flattening of Corporate Leadership Structure</i></li> <li>“The effort to flatten corporate leadership structure . . .”</li> <li><i>Theme 12f (T12f)—Customer-Focused Management</i></li> <li>“Making our centers relevant so that customers want to return time and time again”</li> <li>“... lack of exciting new department and specialty stores . . .”</li> <li>“To find new ways to draw customers, most anchors lack excitement and the draw they used to have to a center. Traffic in malls is decreasing—retailers do not have any exciting merchandise—or that item everyone wants. Retailers have become too conservative in product lines and need to start taking risks again”</li> <li><i>Theme 13a (T13a)—Recession and Deteriorating Economic Conditions</i></li> <li>“Recession”</li> <li>“a stagnant economy”</li> <li>“... economic slow-down . . .”</li> <li>“Weak economy, rising costs . . .”</li> <li>“Economic conditions . . . operational costs, utilities, insurance, technological advancements, security”</li> <li>“Economy . . . unemployment”</li> <li>“... changes driven by shopping center owners and retailers affected by stock market factors unknown at this time”</li> <li><i>Theme 13b (T13b)—Credit Card Debt</i></li> <li>“Credit card debt . . . 401K and investment collapses and the middle income job market decline . . . these factors have taken a major cut out of the dollars that have generally been allocated for fashion, fun, and frivolous spending”</li> <li><i>Theme 13c (T13c)—Tenant Bankruptcies</i></li> <li>See theme 12c above.</li> </ul>
Macro Environment	Economic Trends	

TABLE 1. (CONTINUED)

Political Trends	<p><i>Theme 14 (T14)—Terrorism</i>            "... terrorism . . ." (and its effect on economy)            "Terrorism fears . . ."</p> <p><i>Theme 15 (T15)—Government Regulation</i>            "... the high cost of government regulation"</p> <p><i>Theme 16 (T16)—Health Care</i>            "... health care issues"</p> <p><i>Theme 17 (T7)—Urban Sprawl</i>            "... cities growing out into agricultural areas—urban sprawl"            "Surrounding development, some suburban centers are finding themselves in towns"</p> <p><i>Theme 18 (T18)—Technological Innovation</i>            "Increase in technology—this is good"</p>
Societal Trends	
Technological Trends	

TABLE 2. FIVE-YEAR INDUSTRY FORECASTS

Topic Area	Sub- Areas	Themes/Examples
Consolidation & Consequences		<p><i>Theme 19 (T19)—Consolidation</i>            "More consolidated, more lean. Both in companies and malls"            "Extreme consolidation with one or two 'big' players"            "Comprised of small number of large shopping center companies; more standardized (rents, charges)"            "More consolidated . . ."            "Owned by a handful of developers"            "Fewer, but more powerful and ? pleasing centers will be in existence."            "More vibrant than ever, after consolidation and reprionitization . . ."            "Totally owned and controlled by Simon" (Not sure what this means?)</p> <p><i>Theme 20 (T20)—Competitive Trends</i>            "More homogenized and difficult to distinguish. Trade zones will become serious areas of conflict as powerful REITs compete for stronger consumer bases."  <i>Theme 21 (T21)—Overbuilding/Overdevelopment</i>            "More overbuilt than today"            "Overbuilt"            "Still facing the problems of too many retail sites who share the same or similar tenants"  <i>Theme 22 (T22)—Minor Competitive Threats</i>            "Loss of market share to non-physical venues will be minor and generally limited to certain types of goods and services"  <i>Theme 23 (T23)—No Changes Foreseen</i>            "None"</p>
Industry Structure		<p><i>Theme 24 (T24)—Little Change</i>            "Still successful and for the most part follow the same principles as today"            "Still thriving"  <i>Theme 25 (T25)—Diversification</i>            "More diversified, less traditional retailers, and less independent stores"  <i>Theme 26 (T26)—Shake-Out</i>            "Going through a 'shake out' of low performing centers. Centers will close and new uses found for unproductive buildings"</p>

TABLE 2. (CONTINUED)

	<p><i>Theme 27 (T27)</i>—<i>Market-Focused Management</i></p> <p>"Viable for companies continuing to change and respond to shopper and retailer and retailers needs"</p> <p>"Principal outlet for consumer goods and services"</p> <p>"... offer goods and services the customers want ..."</p> <p><i>Theme 28 (T28)</i>—<i>Size of Centers</i></p> <p>"Huge shopping centers"</p> <p><i>Theme 29 (T29)</i>—<i>Center Format</i></p> <p>"... strip center/power centers almost entirely"</p> <p><i>Theme 30 (T30)</i>—<i>Entertainment Orientation</i></p> <p>"More entertainment oriented, overly sponsored"</p> <p>"Entertainment and food will play a bigger role in attracting and keeping customers"</p> <p><i>Theme 31 (T31)</i>—<i>Lifestyle Centers</i></p> <p>"The trend of shopping centers going from enclosed centers to lifestyle centers, which provide ease of entrance"</p> <p>"There will be a trend to bring a 'street type' landscape back to shopping centers"</p> <p><i>Theme 32 (T32)</i>—<i>One-Stop Shopping</i></p> <p>"Shopping centers are also having to become one-stop shopping and entertainment avenues"</p> <p><i>Theme 33 (T33)</i>—<i>Open Concepts</i></p> <p>"Moving from enclosed to open concepts with expansion area further toward entertainment"</p> <p><i>Theme 34 (T34)</i>—<i>Fewer Small Retailers</i></p> <p>"Substantially similar as today except there will be fewer 'small shop' spaces"</p> <p><i>Theme 35 (T35)</i>—<i>Urban Retail</i></p> <p>"Smaller with more urban retail ..."</p> <p><i>Theme 36 (T36)</i>—<i>Customer Friendly</i></p> <p>"More appealing to consumers as developers improve the shopping experience"</p> <p>"... More customer friendly"</p> <p>"Developing more urban sites"</p> <p><i>Theme 37 (T37)</i>—<i>Low-Income Consumers</i></p> <p>"... Creating safe centers that serve the low-income (have not) populations"</p> <p><i>Theme 38 (T38)</i>—<i>Customer Focus</i></p> <p>"Focusing more personally on our shoppers"</p>
Store Formats	
Customer Experience	

TABLE 2. (CONTINUED)

Topic Area	Sub-Areas	Themes/Examples
Globalization		<p><i>Theme 39 (T39)—Global Markets</i>            "A global marketplace! . . ."            ". . . They will need to understand foreign markets, especially China and South America . . ."</p> <p><i>Theme 40 (T40)—Technology</i>            "Technology will make the world smaller . . ."</p> <p><i>Theme 41 (T41)—New Markets</i>            ". . . and it will open up new markets. . . ."</p> <p><i>Theme 42 (T42)—Responsiveness to Globalization</i>            ". . . Tomorrow's retailers and developers will need to have an international business plan . . ."</p> <p><i>Theme 43 (T43)—Ethnic Markets in United States</i>            ". . . Hispanic and minority markets within the United States"</p>



net retailers do not necessarily require a physical location. They attempt to realize efficiencies through “disintermediation” (Watson et al., 2000). This differentiation leads to a unique set of stakeholder relationships for the Internet retailer (and these are not explicitly shown in the Figure 1 model).

Not every theme from Tables 1 and 2 is represented in the Figure. Nonetheless, the major themes are depicted. In some cases, a theme appears more than one time. For instance, theme 12a (operational costs) is classified as being relevant both for center owners and center developers.

### *The Shopping Center Industry: Key Themes*

Based on survey responses and group interviews, we identify 79 distinct themes related to the future of retailing. Many of these themes are closely related and thus overlap to some extent. Themes from Tables 1 and 2 are imposed onto the stakeholder model represented in Figure 1, showing which stakeholder groups may be most affected by anticipated trends.

### *Current Challenges and Dynamic Changes*

Table 1 shows themes 1 through 18, which are concerned with current industry challenges. We classify these themes into five broad categories: industry structure; competition; consumer trends; firm-related trends; and the macro-environment. Themes affecting industry structure include landlord-tenant relations, cost structure, the changing nature of anchor stores, consolidation, lack of store differentiation, overbuilding, financing trends and redesign of existing centers. Competition-related themes suggest that the Internet, discounters, strip centers, big-box retailers and lifestyle centers pose the biggest competitive threats to traditional shopping centers. Other competition-related themes include the sheer number of competitors, threats to traditional department stores and retailers’ expanding product offerings. Important consumer trends include expanding expectations about service, the growing number of upscale consumers, changing interests and lifestyles, fickle tastes, changing perceptions of shopping as an activity, negative public opinions about business activities, consumer confidence, the aging population and unpredictable demographic shifts. Major firm-related themes include: operational and labor costs, bankruptcies, the rising cost of living, flattening corporate leadership structures and customer-focused management. Finally, current challenges from the macro environment include the economy, political developments, societal trends and technology advancements.

## *Industry Forecasts*

Table 2 highlights forecasted developments for the shopping center industry over the next five years. We label these as themes 19 through 43. Participants foresee changes in the key areas of: a) consolidation and its consequences; b) industry structure; c) store formats, d) customer experience and e) globalization. Some respondents predicted changing competitive trends and over-development associated with industry consolidation, while other participants saw little change and only minor competitive threats. Accordingly, some forecasted little change in industry structure, while others predicted diversification, shake-out and market-focused management taking on increased importance. Changes to store formats that were mentioned include size of shopping centers, center format, entertainment orientation, growth in lifestyle center concepts, one-stop shopping, open concepts, fewer small retailers and a growth in urban retailing. Respondents predicted the need for a more customer-friendly shopping experience, attention to low-income consumers and an overall increase in customer-focused retailing. The major themes related to globalization include the growing importance of international markets, technology, new markets and attention to ethnic minority consumers in the U.S.

The responses to the question about job description in the future, a more personal question, resulted in a range of responses from optimistic to uncertain. (See Table 3, themes 44 through 52). Some felt their job would be different in scope, perhaps more interesting or simply one more focused on real estate transactions. Another theme was the potential for the job to be more complex and challenging, requiring greater technological skill. Predictably, satisfying consumers was part of the job (although curiously one respondent mentioned that he would be "less focused on consumers"). Pleasing tenants was a major theme as was the drive for profitability. A few respondents were pessimistic and foresaw decline, obsolescence or no change from the current challenges. It is safe to say that most expect change, but are open to the possibilities and not particularly anxious about the future.

Table 4, containing themes 53 through 79, summarizes respondents' predictions for the successful shopping center of 2008. First, respondents foresee the need for changes in the tenant mix, to include value and discount retailers, a variety of retail concepts, catalog retailers, box retailers and specific retail brands such as Wal-Mart. Second, many respondents focus on the growing popularity of the lifestyle concept. In this regard, future retailers must concentrate on issues such as entertainment, community and the experiential aspects of shopping. Third, respondents forecast the inclusion of non-traditional tenants in shopping centers, such as services, health and fitness, physical goods, community and residential

TABLE 3. CHANGING JOB DESCRIPTIONS WITHIN THE INDUSTRY

Themes	Examples
Theme 44 (T44): Different Type of Job	<p>"More interesting"</p> <p>"Merged with other positions"</p> <p>"Consulting or brokerage"</p> <p>"A real estate broker"</p> <p>"Just as complex, but in some different areas"</p> <p>"Changed in scope or responsibility"</p> <p>"More standardized"</p> <p>"... Encompassing all facets of mall management"</p> <p>"Require more specialization"</p> <p>"Expanded"</p>
Theme 45 (T45): More Tasks/More Complex	<p>"Multi-tasked/multi-property oriented. Future property managers will oversee multiple properties and manage all facets—leasing, operations, administration, accounting, marketing, and security. Typical in-house procedures will be out-sourced to specialized companies that take on the burden of employees, benefits, and the risk associated with each specialty . . ."</p> <p>"Same, more difficult"</p> <p>"More complex, more organismic"</p> <p>"Broader"</p> <p>"Even more challenging"</p> <p>"Still have, but probably encompassing more responsibilities . . ."</p> <p>"... with the aid of technology"</p> <p>"More technologically oriented"</p>
Theme 46 (T46): Technology-Focused	<p><i>Theme 47a—More Customer Focused</i></p>
Theme 47 (T47): Customer-Focused	<p>"Figuring out what . . . consumers want"</p> <p>"More customer-service oriented"</p> <p>"Customer focused and sales driven—not even driven"</p> <p><i>Theme 47b—Less Customer Focused</i></p> <p>"Less focused on customers . . ."</p>

TABLE 3. (CONTINUED)

Theme 48 (T48): Retailer-Focused	<p>Theme 48a—More Retail Focused "Figuring out what the retailers . . . want"</p> <p>Theme 48b—Less Retail Focused "Less focused on . . . tenants." "More focused on revenue enhancement for the developer . . ." "More sponsors-driven to help offset costs of lost rent as revenue" ". . . How do I produce to the bottom line. Marketing is needed to drive sales and increase no. 1" "Likely gone" "Eliminated" "None" "Obsolete at this location" "Just as challenging and exciting as ever . . ." "Still required" "The same" "?"</p>
Theme 49 (T49): Financial Considerations	
Theme 50 (T50): Obsolete or Less Important	
Theme 51 (T51): The Same/Very Similar	
Theme 52 (T52): Not Sure	

properties, business and financial services and the increased use of technology. Fourth, respondents predict the need for customer-focused marketing, including one-stop shopping, customer service, convenience and expanded amenities. Retailers will be required to monitor customer tastes, maturing consumers and families and possibly offer longer hours of operation. Some respondents predict little or no change in requirements for success.

### *Trend Evaluation: Perceptions of Importance*

The environmental trends rated as having the most extreme impact include industry consolidation, general economic health, spending power of children and “tweens,” aging of the population and shopping center security. The five trends with the lowest rated impact are the prospect of war, increasing focus on health and fitness, concern for the environment, move toward wireless telecommunications and supply chain management issues.

With respect to whether the respondents felt they had any control over the changes, the results were interesting. A slight majority (54.9%) disagreed or strongly disagreed with the statement, “The changes taking place in the industry are largely uncontrollable.” (The mean response to the question was 2.67 and the median, 2.0). The remaining 45.1% either agreed or strongly agreed with the statement. The split opinion on the locus of control these executives and managers maintain may provide insight into the future of their organization’s success. If one believes that environmental influences are beyond the control of the manager, then the response may be more reactive than proactive and less competitive. Lusch and Laczniak (1989) mention this “business luck” theory in their study of responses to macro-environmental forces. The focus of this study was not on the psychological profile of the respondents or their management capabilities, but our study paints a unique portrait of the strategic orientation of today’s retail and shopping-center leaders. It would be worthy of future research to investigate, in more depth, the relationship between the psychological profiles of managers and their perceptions of key environmental trends.

## ■ Conclusion

Most theories of retail evolution are developed ex post facto and have little predictive power. Ours is not necessarily designed to be a predictive model, but does provide insights about industry perceptions of key trends. It is relatively easy to extrapolate from our listing of trends to emerging industry practice. For example, since teen spending is a prom-

TABLE 4. THE SUCCESSFUL SHOPPING CENTER: CIRCA 2008

Themes	Examples
Tenant Mix	<p><i>Theme 53 (T53)—Value &amp; Discount Retailers</i></p> <ul style="list-style-type: none"> <li>"Greater number of value retailers . . ."</li> <li>"More off-price anchors or value-oriented anchors such as Target, as opposed to more traditional department stores"</li> <li>"A combination of convenience/value and discount—with fashion, prestige, image formats"</li> <li>"Discounters as anchor stores—restaurants-service stores"</li> </ul> <p><i>Theme 54 (T54)—Variety of Retail Concepts</i></p> <ul style="list-style-type: none"> <li>"A balanced mix of retail shops"</li> <li>"The right mix for the trading area where it is located"</li> <li>"A mix of anchors, "junior" anchors . . ."</li> <li>" . . . unique local retailers, national/regional retailers . . ."</li> <li>"Retailers of goods and services supplying consumers with goods and services consumers want or need—Brand mix of tenants and merchandise"</li> </ul>
	<p>"Small retail spaces combined into larger spaces"</p>
	<p><i>Theme 55 (T55)—Catalog Retailers</i></p> <ul style="list-style-type: none"> <li>" . . . catalog sales companies' contingents open retail stores"</li> </ul>
	<p><i>Theme 56 (T56)—Box Retailers</i></p> <ul style="list-style-type: none"> <li>"Larger box retailers . . ."</li> </ul>
	<p><i>Theme 57 (T57)—Specific Retail Brands</i></p> <ul style="list-style-type: none"> <li>"Wal-Mart, Target, Kohls, Lowes, Sears, and a few international invaders! These retailers seem to be well positioned for the next five years. They appeal to a broad market with their merchandise and pricing schemes. Having these tenants will allow the shopping center to continually attract the smaller, trendy tenants that are created due to the market demands of the time. For the exception of Kohls and Sear," the department store industry is cluttered with too much duplication and the market is oversaturated. They all have the same merchandise and it's overpriced. . . . Reputable designer brands will also seek other distribution channels, which will further diminish the department store concept. A department store chain will emerge as the leader through a process of elimination, but which company that is, remains to be seen."</li> </ul>
	<p>"Anchored by Wal-Mart or BE a Wal-Mart"</p>
	<p>"If popularity continues, Target, Kohl's as center anchors."</p>

TABLE 4. (CONTINUED)

Lifestyle Concept	<p><i>Theme 58 (T58)—Entertainment Orientation</i>            "... and entertainment. So will be larger and more entertainment focused"            "... and entertainment components"            "... music ..."            "... entertainment components ..."            "More entertainment ..."            "Entertainment ..."            "Entertainment ..."</p> <p><i>Theme 59 (T59)—Lifestyle/Community/Experiential Orientation</i>            "A strong connection to the experience"            "A strong connection to the community ..."            "Less position and more lifestyle (home) stores"            "Balanced or niche presentation depending on market area"            "More lifestyle and ..."            "... lifestyle format"</p> <p><i>Theme 60 (T60)—Shopping Environment</i>            "Safe and clean shopping environment"</p> <p><i>Theme 61 (T61)—Food</i>            "Food ..."</p> <p><i>Theme 62 (T62)—Child Care</i>            "... child minding"</p> <p><i>Theme 63 (T63)—Unspecified New Concepts</i>            "Different uses from what we are today"            "A mix of on-site uses ..."            "New retail concepts that do not exist today"            "More non-traditional retail ..."</p> <p><i>Theme 64 (T64)—Services</i>            "... services"            "... more services"            "... tenants such as services"</p>
Non-Traditional Shopping Center Business	

TABLE 4. (CONTINUED)

Themes	Examples
	<p><i>Theme 65 (T65)—Health and Fitness</i>            "... health, personal care ..."            "Doctor's offices, pharmacies, fitness centers ..."</p>
	<p><i>Theme 66 (T66)—Physical Goods</i>            "... outlets providing variety of goods ..."            "... household variety retailers, clothing ... furniture ..."            "Grocery stores"            "retail"</p>
	<p><i>Theme 67 (T67)—Community and Residential</i>            "... built-in or adjacent high density residential"            "Community use, i.e., libraries, community gathering spaces"            "... higher land-use density and concomitant amenities (mixed transportation, greenery, etc.)"            "... residential ..."</p>
	<p><i>Theme 68 (T68)—Business and Financial Services</i>            "... office ..."            "... banks ..."</p>
	<p><i>Theme 69 (T69)—Use of Technology</i>            "Interactive Internet purchasing stations in select stores"            "Personalized services such as customers ordering from a center store and the merchandise being delivered"            "... avenue for online shipping as stores will become more of a showroom"</p>
Customer-Focused	<p>"There will be large cyber type venues for people to meet and interact"</p>
Marketing	<p><i>Theme 70 (T70)—One-Stop Shopping</i>            "One-stop, retail will be very important"            "basically one-stop shopping"            "... one-stop shopping"</p>
	<p><i>Theme 71 (T71)—Customer Service</i>            "... retailers providing high level of service to customers ..."            "Huge focus on customer service"            "Shopping centers need to focus on customer service and meeting the needs of their patrons"</p>



TABLE 4. (CONTINUED)

Themes	Examples
Little or No Change	<p>Theme 72 (I72)—Convenience            "convenience . . . very important"            "Retail tenants and services that appeal to . . . convenience"            Theme 73 (I73)—Amenities            "Services and amenities . . ."            "More amenities for shoppers . . ."            Theme 74 (I74)—Customer Taste            "Retail tenants and services that appeal to the . . . taste of the consumers"            Theme 75 (I75)—Mature Consumers and Families            "Services and amenities for active seniors as well as families"            Theme 76 (I76)—Longer Hours of Operation            ". . . Longer open hours"            Theme 77 (I77)—Little Change in Shopping Centers            "I don't see shopping centers changing that drastically . . ."            Theme 78 (I78)—Little Change in Consumers            ". . . Shoppers still desire convenience, updated centers, and still most of all it's the products customers desire"            Theme 79 (I79)—Development            ". . . more construction"</p>
Development	

ising trend, then tenant mix is likely to change and certain specialty retailers are likely to emerge. It is curious that the impact of war and terrorism was not a heightened concern among our informants. However, economic health and shopping center security are related and critical issues. Perhaps concerns about terrorism are more relevant and direct in markets outside the U.S.

The complexity of the retailing industry is revealed by the sheer number of trends that we identify here. For instance, our informants are able to identify more than 79 trends (see Tables 1 through 4). These themes include concerns about industry structure, competition, labor costs, consumer trends, economic trends and other issues. Many of the trends interact in important ways. For instance, in many U.S. markets, there is a lack of space to develop new centers (e.g., themes 6 and 21). As a result, we see the development of urban malls (see themes 17 and 35), a concept that was quite rare just five years ago. But then, the urban mall itself raises a whole set of challenges. The city government and members of the local community (see theme 15) often want to provide input about how development takes place, so urban projects typically take a long time to complete and are quite expensive, as a result.

In the next five years, it will be interesting to see if the themes that we discuss will continue to dominate the industry. Or, it may be that an expected event (e.g., a terrorist attack) causes a radical change in the flow of anticipated events. It is, of course, quite difficult to predict events that will happen tomorrow, so the effort to predict the shape of an industry five years out is quite a challenge. However, as revealed by our interviews, ICSC members seem to have a steady and consistent vision of things to come.

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## ■ Acknowledgments

The authors would like to thank ICSC staff members Jodi Uiberall, Susan Pistilli, Michael Tubridy, Judy Wander and Bill Taylor for their assistance, Mr. Charles Grossman of Clarion Partners for his mentorship, our respective research assistants Karla Nicholson and Sarah Smith and all the participants in our focus groups, interviews and survey research.