What effects might new and convenient options offered by online retailers have on local businesses and their respective economies?

Nelson D. Schwartz (NS) has been a writer for The New York Times for the past 10 years, specializing in economics for the past 5 years. He is the author of the article “The Economics (and Nostalgia) of Dead Malls”. In 2014 he was awarded the Nathaniel Nash Award, which is given to those who “excel in business and economics news”. He believes that online shopping contributes little to the decline in local spending, in this case malls, and more to do with changing habits and demographics.

Jim Louderback (JL) is the CEO of VidCon and the editor and chief of PC Magazine, a well-known publication on all things computers. He has published a book and many articles in many different publications and held jobs in many technology related fields, including TechTV. His article “Web Shopping’s New Wave” shows his beliefs that online sources aren’t just used for purchasing these days, but more so for informing the purchaser on the product.

Pamela Jones Harbour (PH) is a former partner in a Global law firm and is the former Commissioner of the Federal Trade Commission. Her publication in The Antitrust Bulletin regarding “RPM and the Rule of Reason” is a peer reviewed article that shows how resale price management (RPM) has slowed internet sales by strictly regulating the low-price ceilings set by these online retailers.

John Fernie (JF) is an author and editor who has over 70 works in nearly 250 different publications. These works are published by academic publishers like Kogen Page and others. His book “Logistics and Retail Management: Emerging issues and new challenges in the retail supply chain” makes clear his beliefs that online retailing is considered one of these “emerging issues and challenges” referred to in the title. He believes that these retailers exploit internet users through potential social network interactions to further their business.

Brian Kirby (BK) is a local business owner in Richmond, VA that I interviewed regarding his one site sales versus internet-based sales. His business is classified as an art gallery and production studio where the art is made and sold. Everything from paintings, clothing and jewelry to old records and trinkets are sold here. He tells me that with the decline of in store purchases have come an increase in internet sales, something he has had to evolve with since its inception.
Reynolds Student (RS) is a business student at Reynolds Community College with hopes of transferring to a four-year school next year. He is a small business owner who lives in Richmond, VA and needs just 16 credit hours to receive his AS in Business. Jason is doing a research project for his English class in which he is trying to answer the following question: What effects might new and convenient options offered by online retailers have on local businesses and their respective economies? He believed that the answer to this question was that ecommerce has greatly affected local economies negatively, but upon further research his point of view has begun to change.

Dialogue

RS: I have asked everyone here today to gather your thoughts and opinions on a topic that becomes more relevant every day. The question at hand is “What effects might new and convenient options offered by online retailers have on local businesses and their respective economies?” and I would like to ask each of you a question that might help me better come to a conclusion to this question. Mr Schwartz, let’s start with you. After reading your article it seems that shopping malls that used to be bustling with activity are now sometimes seen vacant. Do you have any explanations for this? Could this be related to online shopping?

NS: Thank you for asking. Shopping isn’t quite what it used to be. We used to look at shopping as a leisure activity, something that we did to socialize and relax. A number of things have contributed to this, but online shopping is not the culprit. Online shopping only accounts for about 10% of retail sale and it seems that the big box stores are the ones feeling the effects the most. People still go out to purchase most specialty items, including clothes. I feel that the biggest reason for the appearance of online shopping taking over is really a change in demographics. Income inequality continues to increase, leaving more people unable to leisure shop.

RS: Thank you Mr. Schwartz. It seems that other factors certainly are at play when you look at the “death of malls”. Ms. Harbour thank you for joining us today. Being the former Commissioner of the Federal Trade Commission I would like to ask you about ecommerce. As we all know, ecommerce has continued to grow into almost every retail sector, even the grocery industry. Can you tell me how the health of the ecommerce landscape currently is?

PH: Sure, no problem. When we all think about ecommerce we think of it as the new way of shopping, and inevitably the way most shopping will all be done one day. One thing that stands in the way of this is RPM or resale price management. Laws have been passed that regulate price ceilings and keep online retailers from setting prices too low. This is rather hard to police in the physical world, where prices can be changed, as well as the reported sales prices. In the ecommerce world shop bots and other online monitoring services are constantly keeping these online retailers honest and enforcing RPM. These new RPM polices have caused many online retailers, who relied exclusively on their ability to offer the lowest possible prices, to close shop. Ecommerce faces many difficulties not witnessed by consumers.

RS: Thank you. On to Mr. Louderback. Can you counter this with some things that the ecommerce world has done to maintain its popularity?
JL: Yes, thanks for having me. One thing that has become very important to buyers are reviews. What other people who have already bought a product think about the product influence peoples decisions more now than ever before. Many websites are capitalizing specifically on this. These days the most important things to most people have become their time and money. Internet shopping saves both of these. Regular search engines and even sites used for online shopping have become old, tired and boring. A new wave of shopping sites, like Cairo.com, have made the shopping experience more pleasant for buyers by offering additional adds while searching that pertain to the item you are searching. Marketing statistics and other forms of data collection are giving website developers the edge when it comes to appealing to our senses and keeping us entrenched in the web pages. This is a good sign for ecommerce.

RS: Thank you. Moving on to Mr. Fernie. May I ask you a question regarding your book?

JF: Sure, thanks for having me.

RS: Can you touch on how the grocery market has tapped into the etail craze?

JF: With convenience becoming something that more and more people are willing to pay for these days, the grocery sector has jumped full force in to online sales. This began with online ordering services that would allow you to just pick up your groceries, but this has now expanded to the actual delivery of these groceries. Even big-name stores like Amazon have jumped on board. The biggest hurdle for these companies is battling the high cost of deliveries while keeping their own delivery promises to customers. The grocery sector has helped bring ecommerce back alive right as it began to see a slight downturn. Take a look at the charts in my book and compare internet usage among consumers. I think you will find the information intriguing.

RS: Thank you. Lastly, I would like to ask local business owner Brian Kirby, Mr. Kirby, since you own a business that relies heavily on foot traffic can you tell me how the internet shopping fad has affected your business?

BK: Jason, thanks for having me. When I first started to notice the online shopping thing start to take off, I thought for certain that my business was doomed. The type of goods that I sell people mostly buy after having a certain feeling or reaction to seeing it in person, holding or touching it. I did notice that foot traffic in the store had slowed and realized I wouldn’t be practicing good business if I didn’t attempt to evolve with the times. I set up an eBay account, and later Etsy came along, I and began to list my products for sale online. To my surprise my sales started to increase. I can honestly say that this whole internet fad has increased my total sales and decreased the actual amount of work involved.

RS: Great answer Brian. I want to thank all of you for your time today. I think it’s clear to say that after gathering the opinions of so many knowledgeable people I have come to a conclusion. Although internet shopping is here to stay it faces a number of challenges, just like any other aspect of business, and its best chance at survival is to do what it has forced local retail to do…evolve. People will always need to try on clothes, buy fresh fruits and fill their free time with leisure activities. Retail stores are here to stay.
References


