

Brick-and-mortar stores must evolve

By Roger Phillips
Record Staff Writer

STOCKTON — Outdoors enthusiasts were saddened late last year when Stockton's REI announced it would be closing early in 2018.

New parents had similar regrets last month when Stockton's Babies R Us branch announced its impending closure, part of the struggling Toys R Us chain's effort to find firmer economic footing.

These days, the most-cited reason for a brand-name brick-and-mortar store's demise is the ever-expanding ability of consumers to purchase similar goods online from the comfort of their home.

"Brick-and-mortar retail is under pressure around the country," said Jeff Michael, director of the Center for Business and Policy Research at University of the Pacific.

"You're seeing waves of brick-and-mortar store closures around the country. Brick-and-mortar retail has suffered as sales migrate to online."

Lisa Hodgson, a Stockton-based senior vice president for Colliers International, said there are many reasons in addition to the internet why some long-established name-brand national retail businesses are struggling.

"One reason some are closing is kind of the natural progression of business," Hodgson said.

"There's a period of time when your goods are desirable to the public, but over time you have competition; or you may not have updated your business model to keep up with customer trends; or there might be competition coming to the market with a hot new approach to a particular good."

Stockton's Babies R Us is being closed by Toys R Us only a few months after the parent company filed for bankruptcy.

REI has yet to provide an

in-depth reason for its decision to end its 10-year run in Stockton. The Seattle-based company reported record revenue in 2016, with more than \$2.5 billion in sales. It had 147 stores that year, a slight increase from the previous year.

Hodgson said struggling national retailers need to learn from those brick-and-mortar businesses that still are performing well.

"The internet phenomenon ... has significantly and permanently changed the way retail sales approaches the customer," Hodgson said.

She cited Macy's and Kohl's as two businesses that have successfully expanded online while also maintaining their storefront presence.

She said one successful approach for large retailers is to charge for shipping on orders sent to a customer's home, but to offer free shipping if the same customer chooses to pick up their purchase at the store.

When a shopper picks up an online order at the store, it provides an additional opportunity for the retailer.

"Often, an online shopper buys more when they pick up their purchase at the store," Hodgson said. "You're seeing more of the brick-and-mortar stores having a hybrid internet presence."

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Hodgson said new retail in a city usually comes at a time when there's lots of new construction taking place. She said more new retail businesses will be likely to consider opening Stockton locations if construction picks up.

Hodgson's employer, Colliers International, is an international commercial real-estate company and one



Stockton's REI store closed its doors for the last time on Feb. 1.

[MICHAEL MCCOLLUM/RECORD FILE 2008]

of its jobs moving forward will be to fill the vacancy at north Stockton's Park West Place that is being by the Babies R Us vacancy.

"It is a big hole to fill but, fortunately, we have interest in it right now from a handful of retailers," Hodgson said. "Hopefully, we can backfill it fairly quickly. But there are no guarantees until you have a signed lease."

She predicted that Stone Creek Village also will ultimately find a replacement to fill the much-lamented void created by REI.

"It's a very vibrant corridor," Hodgson said, referring to its Pacific Avenue location. "It's a beautiful project. I think they will succeed."

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