

Online just new retail phase

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The world's first recorded shopping mall survives near the Roman Forum. Trajan's Market, built between 107AD and 110AD, was five floors high and they were connected by staircases.

According to P.D. Smith in his book *City — A Guidebook for the Urban Age*, the market contained about 170 rooms that sold everything from fruit and flours to live saltwater fish.

Jump forward to the 1780s and the Duc d'Orleans appears to be the first shopping arcade.

The gardens and arcades of the Palais Royal were converted into a shopping area which included restaurants, shops and coffee houses.

From this and other arcades developed department stores which were established in both the United States and Europe by the middle of the 19th century.

Built in city centres, the idea of the department store was to offer a welter of goods in eye-catching displays.

Just going to the department store was an event — and still is for those who know Myer in Melbourne.

Haggling was replaced by marked prices. Cash registers were introduced. Mail order sections to the department stores were established, enabling people from other parts of the country or even overseas to buy the latest in home wares.

As Smith points out in his book, the rise of the department store was also important for women who were free to socialise without the presence of men.

Indeed, women were employed in large numbers by department stores. One critic of the stores accused them of being "towers of Babel" which were immoral as they seduced women into buying products and neglecting their families.

By the 1950s, however, department stores were on the move.

The first enclosed shopping mall, the Southdale Shopping Centre in Edina, Minnesota, was opened in 1956.

Malls were set up in the suburbs where people would drive their



Shopping evolution: Going to a department store like Myer in the Melbourne CBD is still an event. Picture: Bloomberg

cars. Central city shopping started to tank.

And now we arrive in 2012 where the bricks-and-mortar retailers of Australia are becoming increasingly shrill about the threat posed by online shopping.

As this potted history shows, however, retailing in its many guises has undergone tremendous changes through the centuries.

This year alone, the proportion of Australian online buying climbed from 4.9 per cent of total retail sales to 5.6 per cent. A report by the NAB reckons online shopping is growing about the 25 per cent a year mark.

The bank's chief economist, Alan Oster, reckons growth above 20 per cent for the next four to five years in the online retail space will be the norm.

That would take online retail to about 10 per cent of the total retail spend.

Clearly, online retail is, to use the jargon, a "disruptive technology" in the retail world.

Despite the complaints of Gerry Harvey and the like, NAB found local shoppers were more likely to tinkle the keyboard towards Australian-based online shops.

And the use of domestic online portals is growing faster than overseas sites.

Mr Harvey sounds almost like the critic complaining about

department stores as towers of Babel from the 1790s.

However, it is understandable how he and other bricks-and-mortar retailers fear what's ahead and particularly around this time of year.

To give you some idea of the importance of the Christmas season, consider these figures.

In November last year, West Australian retailers sold just under \$60 million worth of recreational goods and about \$25 million worth of books and newspapers.

In December last year, they sold more than \$90 million worth of recreational goods and more than \$40 million worth of books and newspapers.

Clothing sales jumped about 50 per cent between the two months, department store sales rose two-thirds while even food sales increased 14 per cent month-to-month.

If you're in the toy business these next four weeks effectively deliver the entire year's profit.

But to believe that shopping trends will remain the same, especially in the face of new technology, is like setting up a blacksmith operation in Hay Street.

One of the growing Australian online retailers is good self-promoter, Kogan.com, run by Melbourne-based Ruslan Kogan.

Last week, he released a survey of the habits of people on his website which showed more than half of all purchases were made during the working hours 9am to 5pm.

And the busiest period of that was between noon and 2pm — lunchtime.

So instead of wondering around the streets through the local mall, workers are looking for bargains from across the country, or across the world, from their desks.

"Shopping online is so easy these days. If you know what you want, it only takes a few clicks to get a computer game or a book — whatever you want," Mr Kogan said.

It's clear some of the brighter bricks-and-mortar retailers realise how quickly online is growing and the advantages it could deliver.

Retailers are already looking at the logistics involved in same-day or near same-day delivery of products from warehouses dotted around the country.

The transport sector is also looking at how to handle the pressure from those major retailers demanding that same-day delivery.

As Tiernan White, the NAB's retail sector head, told me last week: "The opportunities and challenges faced by our retail clients, both domestic and

international, online and traditional, high street versus shopping centres, have a direct flow-on effect and implications for other sectors from transport, logistics and property."

Interestingly, the fastest growing area of the online sector in this country is regional WA.

Obviously, these are people who can't get to a bricks-and-mortar retailer so they are doing their shopping on the internet.

Purchases by regional West Australians grew 45 per cent over the 12 months to the end of October.

It's almost a return to the mail order services offered by department stores but at a much accelerated pace.

Statewide, online retail sales have grown 36 per cent over the past year. Twelve months ago the growth rate was 24 per cent.

Looked at in the context of retail history, the rise of online — and there are suggestions of it grabbing 20 per cent of the total retail market — is simply another change.

From Trajan's Market to Duc d'Orleans to the Southdale Shopping Centre, retailing has changed over time.

And it will continue to change as it caters to the desires and tastes of shoppers.