One Step Ahead of Amazon: Enhancing the Main Street Experience

Future of Local Government Conference 2018
Dr David N Mepham
Presentation – Issues:

The rise and rise of Amazon

Does the rise of Amazon mean the demise of the Main Street?

Five ideas for revival/survival.
Amazonian Facts

• Amazon valued at $AUD630 billion – now twice the value of Walmart, traditionally USA’s largest retailer.

• Focus on brand name clothing, accessories, sports, books, music.

• “Death Star” Company – “Amazon pays no tax, sends everyone broke then puts up the price.”

Jeff Bezos
CEO and Founder, Amazon.com

$130.7 B

• Amazon’s chief Jeff Bezos is the first person to top $100 billion as number one on the Forbes list of the World’s Billionaires.
• He owns 16% of e-commerce colossus Amazon, which he founded in a garage in Seattle in 1994.
• Bezos attended Princeton and worked at a hedge fund before quitting to sell books online.
• His other passion is space travel: His aerospace company, Blue Origin, is developing a reusable rocket that Bezos says will carry passengers.
• Bezos purchased The Washington Post in 2013 for $250 million.
Morgan Stanley:

"Amazon effectively is a pure play online department store that is super customer-focused and has a very long-term investment horizon, so it doesn't mind losing money in the build-out phase."
America's malls are rotting away

Here's what could happen to America's hundreds of dead malls

Net loss: How online shopping is hammering Main Street retailers
'What we're seeing is a revolution': How the internet is remaking the British High Street

OSCAR WILLIAMS-GRUT
AUG 18, 2017, 4:00 PM

- British High Street in flux as shops close, sales fall, and visits decline;
- The rise of online shopping is to blame, with traditional retailers struggling to adapt;
- But experts say High Street will adapt — expect to see more coffee shops in supermarkets, DJs in clothes stores, and other “experiences” to draw people in.
Amazon's $12b raid on Australian retail: Who'll feel the pain and why consumers won't gain (too much)

By business reporter Stephen Letts
Updated 2 Jun 2017, 11:34am

The monolithic online retailer Amazon — well known for devouring anything with a cash register in its path — is set to take a $12 billion bite out of Australia's retail pie within the next decade.

That's the analysis from the big broking house Morgan Stanley, which has found Amazon's imminent arrival will have a "profound" impact.

With an extraordinary 370 million items stacked on its digital shelves, it is difficult to imagine a retailer that wouldn't be affected when Amazon sets up shop in Australia.

PHOTO: For many retailers Amazon is akin to a "Death Star". (ABC News)
So who will be hit hardest?

On Morgan Stanley's calculations, department stores and perhaps oddly enough, that other big digital disruptor from the US, eBay, will be the most affected.

Australia has more department stores per capita than anywhere else on earth — 807 all up, or one for every 30,000 residents.

In the US it is one department store per 62,000 people and France — that great defender of small retailers — it is close to 800,000 people to every department store, although you wouldn't guess in the checkout queues.

Australian department stores can't close, even when generating losses, because of the "must trade" clauses in their long-term leases, which leaves them pretty much as high-cost, sitting ducks.

Upmarket retailers collapse

Herringbone and Rhodes & Beckett have fallen victim to Australia's struggling retail environment

Department stores here are also heavily dependent on sales of apparel — more than a quarter of their sales are in clothes and footwear — which just happens to line up with one of Amazon's strengths.
Surviving Amazon...

• Larger centres are more likely franchised with strong branding of shop/product and focus on the label and price – also able to change/adapt quickly – autocratic.

• Main Street economies are more focused on the unique/bespoke. Can be slow to change – need to respond.

• Evidence – Points to local place experience as critical to Main Street success.
My five Key Points for Revival/Survival

1. Change or die!
2. Creating a Great Place Experience
3. The Slower You Go - The More You Spend
4. Access to Mobility #1 - Planning for Transit
5. Access to Mobility #2 - Planning for Parking
1. Change or die!

• Main Streets centres have been adept at survival/revival – demonstrating flexibility, adaptability, innovation and creativity – responding to new technologies/trends, economic downturns, changing tastes, demographics and lifestyles:
  • Post war car ownership and shift from Main Street to suburban big box drive-in shopping centres.
  • Late C20 gentrification - rediscovering the urban experience, changes to work, recreation, notions of access/mobility, housing choice.
  • C21 Rise of on-line shopping (Decline of Drive-in Shopping Centres?)

• C21 Successful Main Streets are thriving with local leisure economy – food, drink, D2D Goods & Services.
2. Creating a Great Place Experience

- Power of Ten’ – variety, reasons to come and to stay (sticky places).
- Main Streets tend to offers unique, memorable, authentic place experience, also a place for local economic and social/community space - fun, playful, engaging.
- Local Government services enhance centre - libraries, child care, customer services, Councillor office.
- LG can broker/support precinct with branding and place improvements.
3. The slower you go, the more you spend.

- Walking is great for business - Shopping centre rents are based primarily on shop frontage and ‘footfall’.
- **For every $100 you spend in a local businesses, $68 stays in the community.** [www.independentwestand.org](http://www.independentwestand.org)
- Place/access focus - transition from ‘hit & run’ shopping to a recreational/social shopping experience.
- Main Street walking experience includes side streets/laneways connections to transit/parking.
  - Side street/laneway places – for seating, dining.
  - Main Street permeability – traffic/parking v place.
  - Quality of the street edge – buildings and windows.
4. Access to Mobility #1 - Planning for Transit

• High level of place/transit reciprocity – walking/spending.

• Challenge – achieving highest and best land use and local amenity - parking v TOD outcomes – increase population density in walk-up to transit/centre – supporting a culture of walking, parks and public spaces as key routes.

• Move to improve urban station land use, visual amenity, traffic congestion.

• Planning – Thinking beyond the silos to improve local access/mobility.

• Rethinking connecting side street/laneways as elements in the access/place network.
5. Access to Mobility #2 - Smarter Parking

- Local government directly/indirectly involved in provision of parking.
- Smarter parking – Access to wireless parking technologies – real time data for improved management and pricing.
- Ending the free parking myth - If people come to spend then will they be discouraged by convenient paid parking?
- Better/smarter on/off street parking – real time signage, improved safety and a higher quality walk-up experience.
- Trends: SFpark - Demand Responsive Parking and revenue sharing.
- Q- Why does Council own/provide parking – who pays/who benefits?
In conclusion …

• Winners or losers? – Change or Die!
• Innovation matters – some shops/places are thriving – how/why?
• Main Street centres seen as local economic hubs but also valuable community places.
• Place/access reciprocity – Transit/MS and walking - slower you go the more you spend.
• Role of LG: balancing and enhancing Main Street access - transit, walking and parking.
• Note that the background paper is available at: http://www.victoriawalks.org.au/OneStepAhead/
<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weaknesses/Challenges</strong></th>
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<tbody>
<tr>
<td>Offer unique, bespoke product</td>
<td>Lack of size scale</td>
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<tr>
<td>Small/flexible/independent</td>
<td>Lack of branding</td>
</tr>
<tr>
<td>Circulation of local wealth</td>
<td>Control; of anti-social behaviour</td>
</tr>
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<td>Connection and support of community</td>
<td>Feral footpath dining furniture/signage</td>
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<tr>
<td>Everyday D2D shopping – goods and services</td>
<td>Lack of decisive decision making – conflicting interests</td>
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<td>Supermarkets, liquor, food/drinks/gourmet foods</td>
<td>Absent stakeholders – property owners, developers</td>
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<tr>
<td>Place quality - Community/social function</td>
<td>Lack of ability to organise $ for SCIP</td>
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<td>Reciprocal relationship with transit - footfall = trade</td>
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<thead>
<tr>
<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
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<tr>
<td>Develop place/precinct themes/branding</td>
<td>Increased vehicle traffic/congestion and parking (Ai?)</td>
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<tr>
<td>Develop/shape character of the place</td>
<td>Side Street traffic to parking – impact on footfall</td>
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<td>Be unconventional – take risks</td>
<td>Poor weather protection – heat/cold, rain, wind.</td>
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<td>Licence for busking – h/quality entertainment</td>
<td>Increasing homelessness – Impact on public realm</td>
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<td>Use of NT to promote place/events</td>
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<td>Temp/perm closure of streets/laneways</td>
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<td>Create buildouts for trees/dining</td>
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<td>SS/LW closures for peak period activities/markets</td>
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<tr>
<td>Re-purposing of car parking space – flex uses</td>
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Active, animated, accessible Main Streets connect people to and from transit

1 in 4 Melbourne stations - 70%+ walk up by foot.
While its costs are marginally higher than the likes of Woolworths, Coles and JB Hi-Fi, its sales efficiency is significantly higher.

<table>
<thead>
<tr>
<th>Store</th>
<th>Sales/sqm ($'000)</th>
<th>Costs/sqm ($'000)</th>
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<tbody>
<tr>
<td>Coles</td>
<td></td>
<td>16.40</td>
</tr>
<tr>
<td>Woolworths</td>
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<td>15.60</td>
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<tr>
<td>Bunnings</td>
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<td>5.4</td>
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<tr>
<td>David Jones</td>
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<td>4.7</td>
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<tr>
<td>Kmart</td>
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<td>4.5</td>
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<td>Big W</td>
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<td>Harvey Norman</td>
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<td>Super Cheap Auto</td>
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<td>Rebel</td>
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<tr>
<td>JB HiFi</td>
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Source: Morgan Stanley