

## **Too Slow to Adapt?**

Department stores have tended to be less relevant in today's environment than in the past. Your task in this activity is to identify the various environmental factors that contributed to the downfall of some major Australian department stores.

You also need to consider, as you review the case study information, whether the firms should have recognized and responded to the changes in the macro-environment.

### **Department Stores: The Former Kings of Retailing**

About 50 years ago, the city district of Sydney was the center of retail shopping. All the major department stores were located in the heart of city. And the reason was simple, the major form of transport for people was the train. At that time, shopping centers (malls ) did not exist in Australia.

People did their day-to-day shopping in their local suburb (where they could walk to the shops) and their major shopping in the city. And, of course, the major department stores (being located in the city) were very popular as they offered the convenience of a broad range of merchandise in the one store.

After World War 2 ended in 1945, Australia went through a period of good economic growth. People felt more confident in the future and even more babies were born as a result (a generation we now know as “baby boomers”).

This economic prosperity created more disposal income for families and (with the increased efficiency of car production) average people then found that they could actually afford to buy a family car for the first time. This gave families enormous traveling freedom that they really hadn't experienced before (as they were no longer solely reliant on train transport).

One of the changes as a result of this increased mobility was the advent of shopping centers. Although extremely common today, in the late 1950's and 1960's they were a novelty. Naturally, the major department stores were all invited to open stores in these suburban shopping centers.

Obviously, a number of firms decided that they would – after all department stores were in the business of providing convenience. However, there were a number of department stores that decided that shopping centers were just a fad and wouldn't last.

Their view was that the city had always been the center of retailing and a few shopping centers wouldn't change that! But, as we now know, shopping centers were here to stay.

Over time, the government approved many more shopping centers and relaxed the laws regarding shopping hours (for example, it used to be illegal to open a shop on a Sunday). Today, over 50% of all retail stores in Australia are located in shopping centers.

Therefore, a number of major department stores, that had one time had been 'retail giants', eventually closed their doors, as they were no longer suited to this new environment.

### **Student Discussion Questions**

1. What are the major environmental changes to be highlighted in this case?
2. How are these environmental changes interrelated? (That is, one change triggered/encouraged another change.)
3. Do you think that these changes should have been identified by the major department stores?
4. Why do you think that they did not adapt to this changing environment?
5. In hindsight, what would you recommend that these retailers do to adapt to this environment?
6. Do you think that department stores are a viable form of retailing in today's environment?