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The Trend of Small Retail Moving to the Web

Posted By [Anita Campbell](#) On June 14, 2007 @ 9:30 am In [Retail Trends](#) | [9 Comments](#)

The Discovery Channel's brick-and-mortar retail stores are all closing. Discovery Communications will retain its online store, as online sales are up 144% in 2007.

Why? Cost savings. A [1] [Washington Post article](#) points out:

"We realized we could reach millions of people without having to build out an independent chain of stores, have a staff, pay for the lights and air conditioning" and absorb other costs associated with maintaining stores, [CEO David] Zaslav said. As a unit within Discovery, the stores booked about \$130 million in revenue last year but had a net loss of about \$30 million, according to a Discovery executive who spoke on condition of anonymity because the figures are not publicly reported. The savings from closing the stores could run as much as \$75 million per year, the company estimates.

I am already seeing signs of this same trend playing out with smaller retailers.

Increasingly I see small retailers who are giving up their physical locations and moving to "online only." And it's partly for the same reason: you can save a lot of money if you don't have to pay for rent, utilities, and staff.

In fact, in my May 29, 2007 radio show my Today's Trend segment (where I spend 4 or 5 minutes outlining a trend affecting small businesses) was on this very topic. Here is the text of that Today's Trend segment:

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Today's Trend is the migration of small retail toward the Web.

Not long ago I was driving through my small town in Ohio when a sign in a storefront caught my eye. It was for an accessories shop and it said, "We're moving."

Now, I know what you're thinking. What's the big deal about that, right? Retail businesses move all the time.

Ah, but this was different. You see, instead of giving a new physical address for the store, it gave a website address. It said: We're moving to www - dot ... and then gave the URL.

That same day I drove one more block and saw yet another "We're moving" sign. And once again, it gave a Web address rather than a physical location.

It turns out these two retail stores — both small, specialty retail businesses — were moving not to new physical locations, but were moving online. They were giving up their brick and mortar retail outlets to become onlineetailers.

Two signs in a small Ohio town do not necessarily a trend make.

Yet — when you think of a small Ohio town, it actually explains the motivation behind this kind of migration to the online world — and explains it very well.

Now this little town is picturesque with a lovely town square and strict zoning codes requiring all storefronts to adhere to the Victorian standards under which the buildings were originally built. But the problem with the square is that it does not get much foot traffic. Not many buyers.

And for specialty or niche-interest shops — as these were — it is much easier to find large numbers of buyers online, where you can draw from customers all over the country, even all over the world, who are interested in your particular specialty. In other words, you can find more customers interested in a niche online, than you can in a small town. In a small town, the numbers of people interested in that particular niche may be few and far between.

And obviously, without the overhead of a brick-and-mortar store, you may even make more profit at the end of each month.

Finally, let's face it: a retail shop requires long hours by the proprietor, who can feel trapped in the store if he or she can't afford to hire help (or at least not many people to run it). So in a way, moving to online etailing can be liberating, not to mention dropping money to the bottom line.

Everywhere we turn we see stories of small retailers being driven out of business by huge companies like Wal-Mart. But what about the flip side: retailers who move to Web-only and find it can be a liberating — even growth — move for their businesses?

Statistics show that [2] [small retailers account for more than 40% of online retail sales figures](#) (at least during the big Holiday season).

So my point is, instead of crying over the loss of small retail storefronts and assuming that it's 100% bad news, consider that things may simply have changed. More and more, small retail is about an online-only approach. Instead of thinking about loss of small retail, look at the growth of small etailing and online sales.

And that concludes Today's Trend.

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URLs in this post:

[1] Washington Post article: <http://www.washingtonpost.com/wp-dyn/content/article/2007/05/17/AR2007051701403.html?hpid=sec-busines>

[2] small retailers account for more than 40% of online retail sales figures:
<http://blog.dmnews.com/2005/12/19/forrester-says-small-retailers-getting-more-online-sales/>