

Market Dynamics and the Commercial Center

by Sherman Whipple

Understanding why a business district, town or shopping development works, where it is going and how to build prosperity is key to urban planning and development. Traditional market analysis techniques, while applicable, cannot fully enable one to gain a perspective on a commercial center.

Unlike a single product or service market or marketplace, a commercial center is far more complex and almost totally organic in nature. The multiplicity of market vectors combined with the momentum of established patterns of commerce make analysis of commercial centers a study of what one cannot change rather than what one can do to bring about change.

We have found that the best way to approach an analysis of a commercial center is through an historical perspective which tracks the center's formative criteria, growth and evolution. Following are a few of those criteria or dynamics which should serve as an introduction to the services provided by Whipple, Sargent & Associates

Market Formative Criteria:

The first step in analyzing a commercial center is to determine why it first came to be. This means defining the commercial center based upon the demand and circumstantial criteria which first made commercial development possible. Every town, village, shopping center, business district or country store must satisfy one or more of the following roles to exist:

Port of entry - Commercial development formed around a harbor, rail head, landing area for goods, trade, immigrants. Often a central distribution point or transportation destination.

Crossroad - Any intersection of two or more major routes of commerce. Typically this juncture produces a twofold increase in both customers as well as availability of goods and services. A multi-route crossroads is typically referred to as a *Hub*.

Resource - Availability of marketable natural, human or cultural resources. This would include power, fertile soil, minerals, laborforce, recreational areas, historical sites, etc.

Accommodation - Proximity to populations either in-transit, working or residential.

These categories are the criteria which cause a town or marketplace to form and the components necessary for a commercial center to survive. Since they evolve over time, a current analysis of these criteria, and how they have changed, forms the basis to plan for and forecast areas of future growth or decline. As long as commercial centers continue to satisfy one or more of the above criteria, they flourish, when the needs no longer exist, the commercial centers decline.

Historical perspective

In 17th. century America, the first commercial centers were nearly always port of entry based. They started with a single merchant or trader at a harbor, landing, or trail's end who built a storeroom. People came from the surrounding area to buy and trade for hardgoods, drygoods and staples which they could not provide for themselves. The term "store" when used to describe a type of retail establishment comes from "storefront" or the area in front of the storeroom where the merchant would conduct business.

The term "shop" is distinguished from a store by being a place in which a tradesman performed a service or added value to a good. The formation of commercial centers at ports of entry and crossroads were typically built around stores, while commercial centers which evolved around availability of resources (including human resources such as blacksmithing) or for accommodations were typically dominated by shops. Commercial centers are a mixture of shops and stores, but the composition will vary depending on how and why the center was formed.

This is an important distinction, since the growth potential and success of a shop based marketplace is totally dependent on the availability of human and natural resources within the trading zone of that marketplace. For the store based marketplace, growth potential is limited only by patterns of commerce and supply.

Open Markets vs. Closed Markets

An open market is one in which any merchant or vendor may sell or trade goods and services. The opposite is a closed market in which one must first receive permission from the other merchants to conduct business in a given town or commercial area.

Most early commercial centers recognized the need for an open marketplace and, regardless of whether the center was shop or store based, would allow anyone to swap, buy, or sell on their land. On market day, people from surrounding areas (the trading zone) would bring their surplus, goods or handcrafts to a common area and conduct business out of baskets, carts or the tailgates of wagons. Many set up temporary stalls to protect their goods from the elements. Others traveled from marketplace to marketplace.

In a given region, each community would have their market day on a different day of the week to allow the merchants and peddlers to go from town to town. This also promoted inter-town commerce so the shopkeepers and storekeepers from one local marketplace (commercial zone) could sell their wares over a large area (trading zone).

In early days, all an entrepreneur needed to go into business was find a free spot to show his wares or offer his services. When marketplaces became overcrowded, many town leaders would guarantee a space to an individual merchant for a small fee or percentage of sales. Ultimately, the most successful merchants became fixtures of the marketplace while there was a high turn-over of start-ups.

In southern climates, the open marketplace continued, but in the north where winter forces most activities indoors for six months out of the year, the central marketplace was soon replaced by privately owned shops, where goods were made, and storefronts for specialized merchants

who purchased inventory or took goods on consignment. Successful merchants expanded to contain increased inventory or craftsmen and, ultimately, took all the available space in the marketplace.

In commercial centers with year round, open markets, successful store and shopkeepers developed properties surrounding the marketplace. The marketplace remained open space and permanent structures typically radiated outward. New enterprise was focused at the center of the town. This not only helped the start ups become more successful, but continued to funnel high traffic to the established businesses.

In areas where the marketplace itself became filled with permanent stores and shops, the open marketplace was forced out of the commercial center and dissipated into undeveloped areas surrounding the shops. Many farmer's markets became located on the outskirts of the towns and peddler's villages began to spring up in direct competition to the towns. This hurt the established businesses by reducing the concentration of traffic.

This is the greatest drawback of a closed market central business district and decentralized open markets. In northern towns, businesses often lost customers to seasonal farm stands and peddlers on the outskirts of town. By the early 18th. century, many shopkeepers organized trade organizations and chambers of commerce to create protectionist policies to prevent open markets from operating adjacent to their commercial zone.

It is not uncommon to read accounts of local merchants banding together against peddlers who they tarred and feathered and ran out of town on a rail. There are even tales where traveling peddlers were murdered and their merchandise burned or stolen by the local merchants.

The Growth of Commercial Centers into Business Districts

Whether the central business district retained or lost its open marketplace, it became not only the commercial focus of a community, but the cultural and social center as well. It formed the community identity and seat of political and economic power. The composition of businesses and the people who worked in or patronized them formed the community standard.

By the beginning of the 19th. century, towns with strong protectionist policies experienced such decline that many re-opened their commercial districts to seasonal retail trade or set aside peddler's greens in or adjacent to the main shopping centers. Many communities established permitting processes to control competition.

By the mid 19th. century, within the commercial districts themselves, another phenomenon was occurring. As some storefronts and shops became more successful, they began to expand their frontage and take over neighboring buildings. With the advent of railroads and the availability of a more diversified selection of goods, stores were able to increase inventory and range of offerings for their customers. They became general stores and ultimately many general stores grew into department stores.

The Role of the Department Store

By the early 20th. century, nearly every large town in the United States had at least one large central department store which had its roots in either an early clothing store or a drygoods store. Many of these stores including such famous names as F.W.Woolworth, Sears Roebuck and J.C.Penny outgrew their original trading zones and began to expand all over the country.

For smaller towns which had maintained diversity but had no major department store, the chain department stores were a welcome addition to bring the local populace the benefits of the industrial revolution. You could buy anything from Sears Roebuck from false teeth to a complete house kit.

With the emergence of the automobile and need for parking, many peddler's greens and open marketplaces had become town squares and public parking lots. Because towns wished to attract national chain department stores like Sears Roebuck to their commercial districts, and these chains required on-site parking, they gave or leased their peddler's greens to the chain department stores as part of the deal. It was believed that the diversity of a chain department store would be an even greater benefit than the transient and entrepreneurial retailers of the peddler's green.

Main Street USA

The presence of a major department store became the anchor of a town's commercial economy. The department store attracted shops, restaurants, boutiques, offices, banks and service providers. This stimulated adjacent residential development and regional prosperity, which, in turn, attracted even more commercial enterprise. This phase of commercial zone centralization, often referred to as the "Main Street Era", while having profound and long-term impact on the way we think of towns, lasted less than 40 years between 1900 and 1939.

During that period, Main Street became a category killer. Shops and stores not in the commercial center, or at least on the major routes to the commercial center, disappeared. If a business was not on Main Street, it was nowhere. The only retail enterprises to thrive on the outskirts were roadhouses, farm stands, motels, cottage businesses, businesses requiring extensive space, and undesirable businesses.

By 1945, the growth of downtown commercial centers had already come to an end, in terms of numbers of new retail establishments and numbers of commercial centers being formed. The Main Street Era was over and the commercial centers began to coalesce. Big commercial centers got bigger but small centers began to decline.

The Emergence of Decentralized Patterns of Commerce

As America began its love affair with the automobile, commercial zones expanded from one mile to seven miles and trading zones (which has come to mean the area from which a commercial zone attracts customers) went from ten miles to thirty miles. Thriving commercial centers in one town could even cause weak commercial centers in nearby towns to fail.

By 1950, the retail marketplace began to decentralize as a direct result of the increased use of the automobile. First to abandon the commercial center were the grocery stores whose parking and access requirements could not be met in overcrowded commercial centers. This was followed by drug stores and other retail establishments who could be distinguished as drive-up destinations. These businesses opened branch stores or moved to the fringe in both open marketplace commercial centers as well as in centers without an open marketplace.

By 1960, even the anchor department stores and chains began to abandon downtown locations for the greater access in the suburbs or surrounding areas. The new structures they built or occupied, unlike those in downtown locations which were geared to foot travel, were designed for automobiles. Storefronts became huge billboards to pull cars full of shoppers off the streets and into massive parking lots. The bigger the store, the bigger the signage and display windows. Businesses lined up in rows facing highways to become strip malls filled with stores, shops and retail service establishments.

Since truck transportation of goods had long since replaced boat and water transport, any location with access to a highway could be defined as a port of entry and resources could be moved great distances. Port of entry and resource criteria, therefore, became secondary and crossroad and accommodation criteria were believed to determine whether a location would be profitable.

Commercial Centers as Entrepreneurial Incubators

One would imagine that the old central commercial districts would have failed during the decentralization of stores and the loss of their port of entry base during the late 60's and early 70's. On the contrary, this created a new wave of entrepreneurship. In much the same way the open marketplace of the 17th. century or the later creation of peddler's greens provided fertile ground for new enterprise, the space vacated by the decentralized stores spawned thousands of new forms of retail business.

The downtown areas still offered the key criteria of accommodation, as well as human, capital, and cultural resources. Offices, government, education, entertainment, banking and other service industries flourished in central business districts. Further, consumers had not completely abandoned the use of their feet to ride around in cars. Many urban areas also retained their role as a port of entry, not just for imported goods and immigrants, but for dollars, technology and culture. They became cultural crossroads.

The era of the strip shopping center growth, while recent, lasted barely twenty years and, in many cases, was the downfall of many who selected the wrong location or felt, because one type of business would do well at that location, any business could be successful. Strip shopping centers were designed for the automobile. Therefore, for a strip to be successful it must appeal to patterns of commerce in which access by, or proximity to, an automobile is integral to the product or service being offered. Supermarkets, dry cleaners, drug stores, and hardware stores are all auto related destinations as are restaurants, bank branches, liquor stores and fitness centers.

For department stores, boutiques, specialty stores and shops, strip malls not only restricted commerce, but proved to be over sensitive to even subtle changes in patterns of commerce.

While offering convenience, strip centers could not concentrate traffic or provide the cultural identity necessary to sustain all the needs of a diverse market.

Once the novelty wore off, many decentralized commercial strip developments failed. By the mid-60's, starting with reverse frontage to create a central courtyard, and, ultimately, enclosed environmentally controlled space, retailers discovered they could re-create the environment of the downtown commercial center, but with parking.

The Shopping Mall Era

Since 1970, we have been in the era of the enclosed shopping mall. Surrounded by parking and filled with fountains, plants and even amusement parks, the shopping mall has re-invented the commercial center. Taking a lesson from the peddler's green, progressively managed malls have created enterprise zones in their corridors for entrepreneurs to sell their wares from pushcarts and kiosks. Many enclosed malls have strip mall annexes for the drive up trade and food courts with movie theaters to appeal to the cultural component.

But what is happening to the old downtown area? Main Street USA appears to have reached a dead end. For many this may be true, but for others, a favorable environment for a new era of commercial activity and enterprise is forming.

The time has come for city planners to go back to their roots and assess the opportunities and criteria which will determine the future of their commercial centers. Are they still a port of entry? Are they a crossroads? How has their resource base changed over the years and what underutilized resources do they have to offer? Most important, what human, social or business needs can they accommodate?

Sometimes the answers to these questions can be painful, but the questions must still be asked and the results viewed objectively. This is the role of Whipple, Sargent & Associates. We help both public and private enterprise determine a course for the future by answering these questions and presenting strategies for revitalization and growth.