

Location and the Dynamics of a Changing Market

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As the market changes and households increasingly embrace ecommerce and the online shopping mall, retailers both large and small face mounting pressure to adapt. This situation though is not unusual for an industry that has undergone continuous transformation for centuries. From open air public markets, to the development of permanent shops in the 18th and 19th centuries, to the rise of the department store, mail order, and the big box stores of the late 20th century, retail trade has changed dramatically. Whether it is specialty goods, electronics, shoes and clothing, or even groceries, households have fully embraced online shopping.

Ecommerce is changing the way firms conduct business, consequently impacting individual firm's location decisions. Being located in the central business district or in or near a mall may be critically important for some types of transactions, for example purchasing luxury items such as jewelry, some specialty products, and high end fashion. Commodity products though such as paper goods, common grocery items, and most home electronics are readily found online. Traditional bricks and mortar organizations in order to compete have built up their online presence – some with great success. Similarly, online retailers, most notably Amazon, have begun to open traditional retail outlets of their own.

A recent working paper by researchers Jason Barr from Rutgers University and Troy Tassier from Fordham University describes the reorientation of trade and residential activity towards Midtown Manhattan in New York City during the latter half of the 19th century as a result of scale economies arising from shopping. This case is a great example of how trade patterns impact the location preferences of both firms and consumers and may reshape a city's geography.

The implications for Long Island resulting from the continuing rise of ecommerce are yet to be fully realized. Some large retailers are thriving and even expanding. Smaller companies though are facing

keener competition with their profit margins narrowing as consumers search for lower prices. Services such as Amazon Prime, and many other online retailers offering overnight and two day shipping and delivery options only increase the pressure on local firms' bottom lines.

The Island though has seen significant change over the last century, moving from its early agricultural base to manufacturing, to the rise of the service sector. Long Island's towns and villages are in the process of rebuilding and creating new urban residential and business centers as can be seen in places like Farmingdale, Wyandanch, and Huntington. Business success though, for both small and large firms will require firms to find ways to adopt and adapt to the ever changing economic environment.