Frank J. Cavaliere, Esq., is University Professor of Business Law and former Chair of the Department of Administrative Services in the College of Business at Lamar University, in Beaumont, Texas. His email address is Frank.Cavaliere@Lamar.edu, and his website is www.webwiselawyer.com.

It is hardly news that retail stores in the United States are having problems. Macy’s, which is not considered a candidate for bankruptcy, has announced the closing of hundreds of stores, which will eliminate thousands of jobs. Chapter 11, Reorganization Bankruptcy, has been declared this year by well-known retail names, such as Gander Mountain, Radio Shack, and Payless Shoes. Other retailers, such as Sears and J.C. Penney are on numerous bankruptcy watch lists. The stocks of retailers have been in decline, while the market at large has been up since the election. So what? What does this have to do with the practice of law? What does it have to do with the interaction of law and the Internet? Three things that I can think of:

First, the decline in mall traffic and retail store sales is largely ascribed to the rise of Amazon.com and other Internet retailers. Law firms are not immune to Internet competition, as this column has discussed before (see, “The Future Is Now: Legal Zoom and Other Discount Online Legal Service Firms,” which appeared in the June 2008 issue of The Practical Lawyer);

Second, the U.S. is over-retailed; we have the largest ratio of population to retail space of any country in the world. (Similarly, the U.S. has one of the highest per capita ratios for number of lawyers to the population);

Third, demographic factors relating to the purchasing characteristics of the Millennial Generation are affecting retailers and down the line may well determine how they purchase legal services.

**AMAZON**

Every story detailing the decline in retail store sales points a finger at Amazon.com for making online buying so easy, comfortable, and affordable. Amazon routinely undercuts brick and mortar stores for the same items, and its “inventory” is far larger than any “real” store can boast. The closest analogy to Amazon in the legal arena is Legal Zoom, which is no Amazon. But, it behooves retailers (including law firms) to understand the reason for the success behind the Amazon juggernaut, and to compare their business philosophies with Amazon’s.

Amazon CEO, Jeff Bezos, is reported to be one of the richest people in the world, recently coming in number three behind Bill Gates and Warren Buffett on the 2017 Forbes list of the world’s billionaires. According to the FAQ on its Investor Relations page: “Jeff Bezos opened the virtual doors of Amazon’s online store in July 1995. The company was incorporated in 1994 in the state of Washington and reincorporated in 1996 in Delaware… Amazon completed its initial public offering in May 1997.” How did he and his company grow so rich, so fast? Well, Amazon stock was priced at only $18 per share at its initial public offering. However, due to stock splits, the effective cost of those initial shares is only $1.50. As I write this, it is slightly below $905 per share. An investment of $1,500 back then would be worth approximately $905,000. Not a bad return. There are different reports on the number of shares of Amazon owned by Mr. Bezos, but a conservative estimate is something over 80 million.

In his 2016 Letter to Shareholders, dated April 12, 2017, he, as is his standard practice, attached a copy of his original 1997 Letter to Shareholders. That Letter, obviously, is the touchstone, or the guiding light for Amazon. According to that letter:

From the beginning, our focus has been on offering our customers compelling value... [W]e set out to offer customers something they simply could not get any other way, and began serving them with books. We brought them much more
selection than was possible in a physical store (our store would now occupy 6 football fields), and presented it in a useful, easy-to-search, and easy-to-browse format in a store open 365 days a year, 24 hours a day. We maintained a dogged focus on improving the shopping experience, and in 1997 substantially enhanced our store. We now offer customers gift certificates, 1-ClickSM shopping, and vastly more reviews, content, browsing options, and recommendation features. We dramatically lowered prices, further increasing customer value. Word of mouth remains the most powerful customer acquisition tool we have, and we are grateful for the trust our customers have placed in us. Repeat purchases and word of mouth have combined to make Amazon.com the market leader in online bookselling.

Is there anything there that could benefit your firm’s approach to doing business?

DEMographics

They may only be a trickle of business for law firms at present, but Millennials will be a flood soon. You may have to prepare yourself to service the Millennials, because they seem to be different from previous generations. The Millennials, according to Goldman Sachs, represent some 92 million people born between 1980 and the year 2000; a cohort larger than the Baby Boomers. If you read the article by Robin Lewis below on the shopping habits of Millennials, you should be concerned, about how they differ from the traditional retail law firm clients. They are said to believe in a “sharing economy,” and they don’t like to pay for intangible things, even things they generally like, such as Netflix. The oldest members of this demographic cohort have just turned 37, so don’t make the mistake of thinking of them as only those born around the year 2000. They are already in your organization and number among your clients; and their numbers and significance will only increase.

As I was in the process of writing this column (yes, it is a process) I received an e-mail from FindLaw’s Lawyer Marketing group offering a free e-book titled, Reaching a New Generation: Tailoring Your Legal Marketing to Millennial Consumers. I downloaded a copy, and it is free, short (only 6 pages of text), and worth reading. It echoes many of the same themes expressed in Robin Lewis’s article. Here is one bullet point from the e-book:

“Millennials look to attorney reviews nearly twice as often as legal consumers in general.” I’ve included a link below from which you can request a copy from FindLaw (hopefully, it will still be available when this is published). If you agree with the ideas expressed here and in the recommended readings, then I suggest that you find some forward thinking person in your organization to head up a Millennial Task Force.

FOR FURTHER READING

1 in 3 American malls are doomed: Retail consultant Jan Kniffen, by Tom Di Christopher, CNBC, May 12, 2016 http://www.cnbc.com/2016/05/12/1-in-3-american-malls-are-doomed-retail-consultant-jan-kniffen.html

Even Developers Agree The U.S. Has Way Too Much Retail Space April 04, 2017, by Ethan Rothstein, BISNOW (“There’s about a billion square feet of retail space that needs to go away, that needs to be converted, for the market to get healthy”) at https://www.bisnow.com/national/news/retail/retail-over-supply-demand-costar-andrea-olshan-72944


The retail apocalypse is creating a “rolling crisis” that is rippling through the US economy, by Hayley Peterson, The Business Insider, April 18, 2017 http://www.msn.com/en-us/money/markets/the-retail-apocalypse
- is-creating-a-rolling-crisis-that-is-rippling-through
  the-us-economy/ar-BBzW1WZ?ocid=spartandhp