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Retail Struggles Intensify: Why Stores Are Shutting Down

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Retailers across Australia are closing physical stores at an alarming rate, driven by soaring costs, shifting consumer habits, and fierce online competition. In 2024, over 7,300 stores shuttered in the U.S. alone, with projections of 15,000 closures in 2025, per Coresight Research, and Australia faces similar pressures. Economic challenges and evolving market dynamics are forcing retailers to rethink their brick-and-mortar presence, threatening jobs and local economies.

Rising operational costs are squeezing retailers dry. Commercial rents, unchanged despite declining foot traffic, and high energy prices—up significantly since 2022—have hit retailers hard, according to the Australian Retailers Association (ARA). Small businesses, lacking the leverage of big chains like Kmart or JB Hi-Fi, struggle to absorb these costs. “Retailers are battling a perfect storm of rising expenses and shrinking margins,” said ARA CEO Paul Zahra (The Australian). Shoplifting, up 20% in urban areas per Victoria Police, adds further strain, with security costs cutting into profits.

Consumer behavior has shifted dramatically toward online shopping, with e-commerce capturing 27% of retail sales in Australia in 2024, up from 19% in 2019, per IBISWorld. Giants like Amazon and Temu offer lower prices and convenience, drawing customers away from physical stores. Department stores like Myer and David Jones have seen foot traffic drop 15% since 2019, while discount retailers like Kmart thrive, reflecting a consumer pivot to value-driven purchases. Posts on X, such as @RetailInsider’s note that “Aussies are hunting bargains online,” capture this trend.

Retail overexpansion in the 1990s and 2000s left Australia with too many stores, many now redundant as remote work reduces city-center visits. The Australian Bureau of Statistics (ABS) reports retail space grew twice as fast as population from 1995 to 2015, creating a surplus. Retailers also face pressure from private equity firms prioritizing short-term profits, often leading to closures, as seen with Joann’s 800-store shutdown in the U.S. (WWD). Locally, chains like Harris Scarfe have scaled back, citing similar pressures.

Retailers must adapt or perish. Embracing technology, like QR codes to link physical and online experiences, or creating engaging in-store environments, as Lush has done, offers hope. Without innovation,

Australia's high streets risk becoming ghost towns, with communities bearing the economic fallout.