How to build shock-resistant stores

Niche stores with small inventories hold the keys to resilience in the face of global disruption.

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Decrease in footfall, competition from online retailers, disrupted supply chains — and now tariffs. In many places, the problems faced by brick-and-mortar retailers are visible for all to see, with main-street stores now shadows of their former selves.

Yet some stores seem able to weather the pain of uncertainty and disruption more than

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others. What sets them apart?

A study published in *Production and Operations Management* by IESE's Victor Martinez de Albeniz and Diego Aparicio, along with Jordi Balsach, examined which Zara and Bershka stores fared best during the COVID-19 pandemic. Their insights offer valuable lessons that extend beyond crisis periods, shedding light on what it takes to survive and thrive in an evolving retail landscape.

Rethinking retail resilience

For decades, retailers placed prestige in flagship stores on the busiest streets of Milan, Paris, New York and Barcelona. But the pandemic exposed a hard truth: the importance of these high-profile locations is more folklore than fact.

The study shows a severe aggregate decline in offline retail sales during COVID. Specifically, units sold by Zara and Bershka declined 43% in 2020 and declined 53% in the six months from March 2020.

Analyzing store inventory management, government policies and store characteristics across 20 countries, the authors found that the impact was most pronounced in cosmopolitan cities like Madrid and London, as well as in smaller but tourist-heavy destinations like the Algarve in Portugal or the Balearic Islands in Spain.

Meanwhile, stores in non-urban spots experienced a modest decline in sales, possibly linked to population inflows that fled cities or to the redirection of shopping expenditure toward local stores instead of shopping while traveling.

So, when it comes to uncertainty, bigger is not always better. In this way, Zara and Bershka's larger stores — especially those in tourist areas or shopping malls — proved less resilient than their small local stores during the pandemic due to rigid inventory management and high overhead costs. In uncertain times, these factors can amplify sales declines.

Conversely, smaller stores in rural areas — which better understand local customer needs and maintain a customized, flexible inventory — are more resilient. These businesses prioritize practicality over prestige, operating in modest spaces with street access rather than prime urban locations. As a result, they foster stronger customer loyalty.

Additionally, specialized stores with carefully curated assortments and faster inventory

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turnover experienced milder sales declines and quicker recoveries during the pandemic.

General strategies of agility

Uncertainty can come in all shapes and sizes, and while no two crises are the same, store managers and retailers can learn from the lessons of the pandemic in a more general sense. Managers still possess several degrees of freedom to increase store resilience:

- **Inventory optimization.** Retailers can make inventory more shock-resilient by: adjusting stock levels; refining store assortments to be more similar or unique based on location; and maintaining flexibility to update product overlap. Managing inventory days and expanding or contracting the brand-wide catalog throughout the season help keep stock lean while meeting customer demand.
- **Local control.** Empowering store-level decision-making allows managers, either locally or from headquarters, to leverage their firsthand market knowledge and respond more effectively to customer needs. While decentralization can seem inefficient and costly to implement, it strengthens the overall resilience of a retail network by making stores more adaptive and responsive to shifting demands.
- **Location diversification.** Retailers must consider risk-portfolio optimization when determining the ideal store mix. While flagship locations enhance brand visibility and marketing, a robust network of local stores fosters customer loyalty and long-term stability. Striking the right balance between the two ensures both brand presence and sustainable growth.

These principles apply across industries — from restaurants and department stores to electronics, fitness clubs and design shops — helping businesses navigate shifting trends, external shocks and evolving customer behavior. They also keep stores in sync with their surroundings, ensuring they adapt to the services, transportation and shoppers that shape the local community.

About the research

The authors reconstructed daily unit sales using high-frequency product inventory data collected via web-crawlers from two large brands: Zara and Bershka. The inventory was collected for thousands of stores across 20 countries. By tracking the variation in units available of a particular product in a particular size at the store (e.g., a green sweater in size M), the study recovered sales on a daily basis. The authors identified store characteristics and strategies that can attenuate or amplify demand swings from external shocks, such as

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store size, store location, market tourism intensity, local population density and local population income. Additionally, they identified store operating choices in terms of assortment overlap (similarity with global assortment) and inventory speed (days of inventory).

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