The Dramatically Changing World of Retailing

Retailers need to continue to rationalize non-productive outlets by eliminating marginal stores. Productivity metrics must be used to determine the optimum number and location of outlets. Rethinking store size and merchandise mix may be important for retailer survival.

The omni-outlet customer requires new services to allow online ordering and home delivery, online ordering and in-store pickup, as well as in-store returns regardless of the point-of-purchase. Major improvements in computer systems and logistics are required to achieve high levels of expected customer service. In-store service delivery of online orders, handling online returns, and processes for product exchanges require new in-store facilities ranging from storage space for online orders to be picked up, computer terminals, and well-trained employees to handle the service desk. Importantly, signage at the store entrances must direct people to where they can pick up their online ordered merchandise.

Customer experience is key to increasing store traffic. Retailers must stay current in changing customer lifestyles and merchandise changes that drive altered shopping behavior. Having high demand items in stock and enhancing the shopping experience as a treasure hunt can increase traffic and the number of items
bought. Surprise customers with a small gift or token of appreciation. A local grocery chain offers a free cookie to children when they approach the bakery department. Compete on the basis of customer experience and merchandise selection rather than price.

- Retailer websites must be inviting, easy-to-use, and above all engaging. According to research cited by HubSpot, 81% of shoppers for high ticket items conduct online research before making their purchase, 44% of people go directly to Amazon to start their product searches compared to 34% who use search engines such as Google or Bing. Therefore, it is imperative that retailers use search engine optimization and other tools to make sure that their websites and product offerings show on the first one or two pages of search results. Beyond the inviting website, retailers must develop a strong social media presence and use it to communicate new merchandise and promotional offerings. Digital media can be used to drive in-store traffic.

- New merchandising techniques need to be added. Consumers who order online miss the ability to touch, feel, and try on merchandise before they buy. Several merchants are offering customers the ability to order online several different items, select the one they want, and return the others at no return shipping charge. Amazon is testing Prime Wardrobe which allows customers to do this. Warby-Parker allows customers to receive up to five eyeglass frames to try prior to purchase. Customers of Trunk Club and Stitch Fix receive merchandise for selection and return.

- Offering unique or highly customized merchandise can add value and exclusivity. High quality store brands such as Costco’s Kirkland brand now accounts for 25% of the retailers sales. Many Costco HDTV and other electronic products have unique model numbers making comparison shopping difficult. Retailers who can develop unique or customized products can compete more effectively.

- Clarity of brand positioning is critical. Having the consumer know who you are and what you stand for can differentiate the retailer mean the difference between success and failure. Retailers such as T.J. Maxx and Marshalls have clarity in positioning as outlets for newly available brand-name merchandise on a regular basis at competitive prices. Walmart has low everyday prices, but service is low on consumer expectations. Publix Super Markets are well-positioned for convenience, customer service, fast checkout and helpful employees.

- Using market research and data analysis studying customer behavior can be turned into actionable marketing strategies to increase traffic. Insight into customer loyalty, what influences them to buy and to buy again, why customers are lost, should be used to enhance marketing decision-making.

- Mobile apps are a critical part of the communications with customers. According to Internet Research, mobile commerce makes up 30% of all United States e-commerce. More Google searches take place on mobile devices than computers. Careful use of mobile apps can help build consumer engagement and the selective use of emails can increase online sales, store visits, increased order size, and should be part of business building marketing strategies.

- Strategies to reduce showrooming must be developed and implemented to turn a shopping customer into a purchasing customer. Matching online pricing or providing added services such as extended warranties can be used as an added value to the customer to keep them in the store and prevent them from going online. The world of retailing is changing dramatically from the anticipated growth rates of the past. Malls and retailer overbuilding have caused issues in this sector. The changing consumer and e-commerce have had a dramatic impact in industry restructuring. Both malls and retailers must move quickly and decisively to reconstruct their marketing to be assured of having a profitable future.

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