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Responding to the digital revolution was the vexing problem pondered by retail executives and industry experts alike this week at the National Retail Federation convention.

Jan. 18, 2013

Retailers are facing a serious challenge: Change — or go out of business.

But how exactly? Responding to the digital revolution was the vexing problem pondered by retail executives and industry experts alike this week at the National Retail Federation convention.

While generally agreeing that they all need to adapt, retailers are still figuring out a path to success in this new world. The directions range from matching prices to integrating technology among sales clerks, though some wonder if this will be enough.

It's never been a more challenging time to be a traditional bricks-and-mortar retailer amid a "seismic change in consumer behavior," said Howard Schultz, CEO of Starbucks. Any business that sticks with the status quo "is literally facing a collision course with time."

The revolution, first led by the desktop computer, has intensified as smartphone-packing consumers, always connected to the Web, make even greater demands on retailers. These shoppers not only want apps and mobile payments, but they also seek heightened in-store experiences, competitive prices, and speedy delivery to keep up with the online marketplace.

Last week, Target said it would extend its holiday price-matching policy year round to meet the online prices of rivals Amazon, Walmart, Best Buy and Toys R Us. The

announcement came after the company reported flat same-store sales in December

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Jerry O'Brien, director of the Retailing Center at the University of Wisconsin-Madison, said that while it's important to compete on price, it's also a mistake for bricks-and-mortar retailers to make that their only strategy.

"Your strategy should be to bring (customers) in and wow them," he said during a panel at the convention at the Jacob K. Javits Convention Center, where a record 27,000 people from around the world met to discuss industry trends and strategies.

Other retailers are going in that direction by integrating the same digital technology used by consumers in their physical stores.

One way that Macy's has improved its in-store experience is by giving salespeople in the shoe department handheld devices so they can check right away to see if they have a certain size and style in stock without having to disappear in the back room and leave the customer waiting for a long time.

The digital revolution already has had prominent casualties among retail giants, such as Circuit City and Borders. But for now, bricks-and-mortar stores are still king, with online sales accounting for less than 10 percent of all retail sales.

However, a recent survey by IBM indicates that stores are poised to lose more ground.

The survey of 26,000 people worldwide found that 84 percent of shoppers made their last nongrocery purchase in a store. But among that group, 35 percent said they weren't sure if they would make their next purchase in a store and 9 percent said they were going online next time.

"And they're likely not coming back," Jill Puleri, retail industry leader for IBM Global Business Services, said of the latter group, which she termed "store abandoners."

Another troubling sign the survey found is a growing generational divide between customers of bricks-and-mortar and online.

Those who planned to go back to a store tended to be older (55 or above) and not too

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Retailers may want to ignore these shoppers because they only make up about 6 percent of shoppers, Puleri said. On top of that, they don't have a lot of loyalty to any particular retailer and will often take up a lot of a sales associate's time.

But a quarter of showroomers say they had planned to make the purchase in the store, but were turned off for some reason once inside — perhaps because of the price, service or selection, Puleri said.

These customers, she added, tend to be men between 18 and 34 years old who shop more out of desire than want and who often write reviews online, making them more influential.

“This is not the enemy — far from it,” Puleri told retailers. “They are your friends. They are your advocates. You should be bending backwards” to make sure you meet their needs.

As stores work to figure out the right formula, online sales continue to climb, far outpacing the sales growth of physical stores.

Earlier this week, the NRF released its holiday numbers, which showed that overall retail sales in November and December rose 3 percent from a year earlier, missing its forecast of 4.1 percent. (The NRF blamed the lower results on the fiscal cliff and economic uncertainty.)

Meanwhile, online sales grew 11 percent in that same period.

And a survey released during the convention found that Web retailers saw 28 percent growth in sales last year. While sales made on mobile phones are still a pretty small piece of the pie, they are growing by triple digits, according to the study by Forrester Research and Shop.org.

As she surveyed the new digital landscape, Forrester analyst Sucharita Mulpuru, who

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bestowed its highest honor — the Gold Medal award — on the very man who has given many of its members sleepless nights.

In the video introducing award recipient Jeff Bezos, Amazon's founder and CEO, the narrator said he "changed the way the world shops."

Upon accepting the award, Bezos said he didn't expect Amazon to become what it is today when he, in his Chevy Blazer, was delivering packages to the post office himself.

"I can assure you that we at Amazon have had incredible planetary alignment for this to happen," he said.

Perhaps. But it's also been a powerful formula that has kept its bricks-and-mortar competitors scrambling to stay relevant.

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