

# RETAIL TODAY:

## ADAPTING, EVOLVING AND EMBRACING TECHNOLOGY.

**By Patrick O'Keefe**

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As traditional retail struggles in many ways with new realities, there exists a pair of myths that persist and pervade most conversations related to the industry. They are:

- Retail brick and mortar is shrinking
- Technology will eventually destroy brick and mortar retail

Such myths are exactly that and, upon further examination, quite far from reality. That said, there are a dizzying array of trends and data that should be reviewed and scrutinized in order to understand what is really going on and the best way forward.

### E-COMMERCE IS GROWING:

There is no denying that e-commerce is on the rise and growing at a faster rate than in store with sales values expected to reach \$414 billion this year. Not surprisingly, Amazon is still king with 44 percent

of all e-commerce sales, roughly four times that of Ebay. Amazon does struggle, however, you might be interested to know, with luxury offerings as consumers are both fearful of knock-offs (watches and jewelry) and desirous of experiencing (touching, feeling, trying on) such items in person.

Much of this e-rise is generational. Generation Z, despite having ultra low incomes, spend the highest percentage of their income online of all demographics (9 percent), while 40 percent of men and 33 percent of women (18-34) say they would ideally like to buy everything online. Convenience is another key factor with 60 percent of all adult Americans saying they like avoiding a crowded mall or store. For some traditional retailers it is not hard to fathom a disdain for technology. However, when understood and utilized correctly, tech can and does serve as an important driver for brand loyalty and creating a true customer experience.

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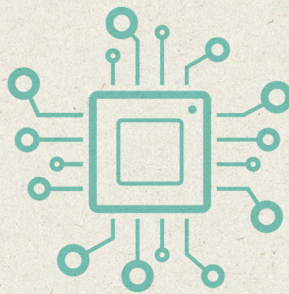
## TECHNOLOGY AS A TOOL

While there have been a tremendous amount of store closings over the past four or five years, the pendulum appears to be swinging the other way with more and more physical stores opening their doors. In fact, when you look at overall statistics, store sales still make up a strong 85 percent of all retail sales. And while technology has been the bane of existence for many traditional sellers (look at consumer electronics) many savvy retailers understand if you can't beat it, join it – and improve upon it. Statistics show, in fact, that 55 percent of online shoppers would prefer to buy from a merchant with a physical store presence over an online-only retailer. Seventy-two percent of young shoppers research online before purchasing in a store to check prices and customer satisfaction ratings. Moreover, three out of four customers are more likely to visit a physical store if its online information is useful – with digital interactions influencing 36 cents of every dollar spent in a brick and mortar store.

Doing this as well as anyone I've seen of late is international clothing retail company Hennes & Mauritz, better known as H&M. They have proven that they understand the importance of melding online with in store. A recent video ad demonstrates this well. A young woman is sitting on a bench outside watching friends play basketball and flipping through a magazine. In it, she sees another girl wearing clothes and shoes and jewelry that catch her eye so she takes a picture with her cell phone. The phone then details the items' brands, prices and where she can shop locally to purchase them. As she is leaving to head to an H&M someone else sees the clothes and shoes the first woman is wearing and takes a picture of her – and the experience begins anew. And that is what is key for established in store retailers today: creating a unique, positive and meaningful experience; one that provides current and potential customers with the ability to interact and be informed – in person and online.

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## INTERACTION LEADS TO ACTION

And when you talk about interaction, that discourse not only means communication between retailer and consumer. Online reviews and recommendations from family, friends and other online users also greatly influence spending. In fact, 55 percent of shoppers say that online reviews influence their shopping experience, while 36 percent of consumers spend 30-plus minutes comparison-shopping before making a decision on purchasing a commodity product.

And while many seek to avoid crowds while shopping in person, data shows we are still quite literally social animals. From Facebook to Instagram and everything in between, social media is becoming more and more influential in consumer buying decisions.

### **Consider the following:**

- 85 percent of orders from social media originate with Facebook.
- 62 percent of consumers share local deals with friends.
- 40 percent of 18 to 34-year-olds are likely to use social media for gift ideas.
- 25 percent of U.S. consumers will consult social media before buying a gift.

For retailers, here's the real kicker: 78 percent of small businesses attract new customers and engage current ones using social media.

### **The positive customer experience imperative**

Earlier in this article I referenced the work of H&M in creating and promoting a unique shopping experience. It is also vital that that experience is a positive one – whether online or in store. The facts are, once again, in the data. U.S. brands are losing approximately \$41 billion each year due to poor customer service; 65 percent of consumers have cut ties with a brand over a single customer service experience; and 64 percent of people believe customer experience is more important than price.

To be sure, brand loyalty is essential. And here's why: The probability of selling to a new customer is between five to 20 percent, while, the probability of selling to an existing customer is between 60 to 70 percent. Further, it costs six times more to attract

a new customer than to retain an existing one and loyal customers are worth up to 10 times as much as their first purchase.

## CHANGING IN-STORE EXPERIENCE

We've established that for today's brick and mortar retailers, technology should be embraced and not eschewed. But what else are today's savvy marketers doing to stay viable and attract shoppers to their storefronts? How are they adapting and evolving? Again, it is all about offering unique experiences, products and other offerings. Seventy-three percent of consumers say they prefer to do business with brands that personalize the customer experience. Saks offers in-store technology that allows you to see yourself in a variety of hair and makeup styles with virtual and augmented reality. Similarly, visit Ikea and they'll demonstrate how new furniture and home décor offerings will look in your home. Visit Dresden Optics and you can customize your eyewear, with a variety of interchangeable lenses, frames, sizes and colors. Never mind Build-A-Bear, now we can build a watch or a purse or virtually anything. And, to get you coming back, technology prompts and pings make sure consumer and retailer stay in close contact with a range of coupons and other incentives. Remember H&M referenced earlier? They now offer the opportunity to return and recycle old clothes. Target, meanwhile actually has three varying store concepts – traditional, downtown and small – to more effectively fit into the fabric of the particular community it is serving. Small in fact is big. To stay nimble, more and more smaller stores are opening up. This is particularly ideal for independent and start up retailers as there is less need for working capital to fund and carry inventory.

## FINAL THOUGHTS

As has been demonstrated, for traditional retail, the sky is far from falling. Rather, the focus should be on embracing technology and social networks and the big data information it brings along with the ability to more inter-personally interact with customers. The foundation of good retail, however, has not and will not change. It must evolve but will forever be predicated on good old-fashioned customer service – giving the customer what they want, how they want it and when they want it. That, in turn, breeds loyalty, sales and a healthy bottom line.