

# PERSPECTIVE

Survival of the Retail Store

*Adapting to the new realities of a digital world*



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## Abstract

Over the years, retail has changed with the arrival of the digital medium and its immense possibilities. In this paper, we examine what's in store for retail. We attempt to answer questions such as: Are brick-and-mortar stores really on their last leg? How can the physical-digital divide be bridged? And what does the future look like for retail?

## What lies ahead for retail?

Retailing has profoundly changed. E-commerce and digital platforms are transforming the way the industry fundamentally works. They are shaping how customers shop and decide, even in-store. But with more retailers venturing into omnichannel retailing, are brick-and-mortar shops really headed for doomsday? Last September, PricewaterhouseCoopers (PwC) published its findings in the *Total retail survey 2015: Retailers and the age of disruption*. According to the study, seven in ten internet users worldwide bought products in-store at least monthly, and more than half of that group did so weekly or daily. In another survey by TimeTrade, 87% of respondents said they plan to shop in stores at least as often as they did in 2014 and more than half (65%) of survey respondents reported that if an item they want is available online or in a nearby store, they would prefer to shop in the store.

Clearly, despite the noise – since 2000, shopping malls have been pronounced dead due to e-commerce – physical stores are nowhere near death although e-commerce is a sizable market and continues to grow. eMarketer pegs e-commerce to reach \$424.2 billion by 2017.



## Here's how retail has evolved, over the years.

- Late 1800s, early 1900s** **Independent specialty stores**  
Single product stores
- Mid 1900s** **Department stores**  
Wider choice with more brands and services in one location
- 1960s and 1970s** **Discount chains**  
Operating on a high-volume, low-cost model to cut traditional pricing
- 1980 to 1990** **Catalog shopping, television commercials**  
Experiments with new channels to reach customers
- Beginning 1990s** **E-commerce**  
The dot-com boom gave a new direction with a host of online retailers hitting the market

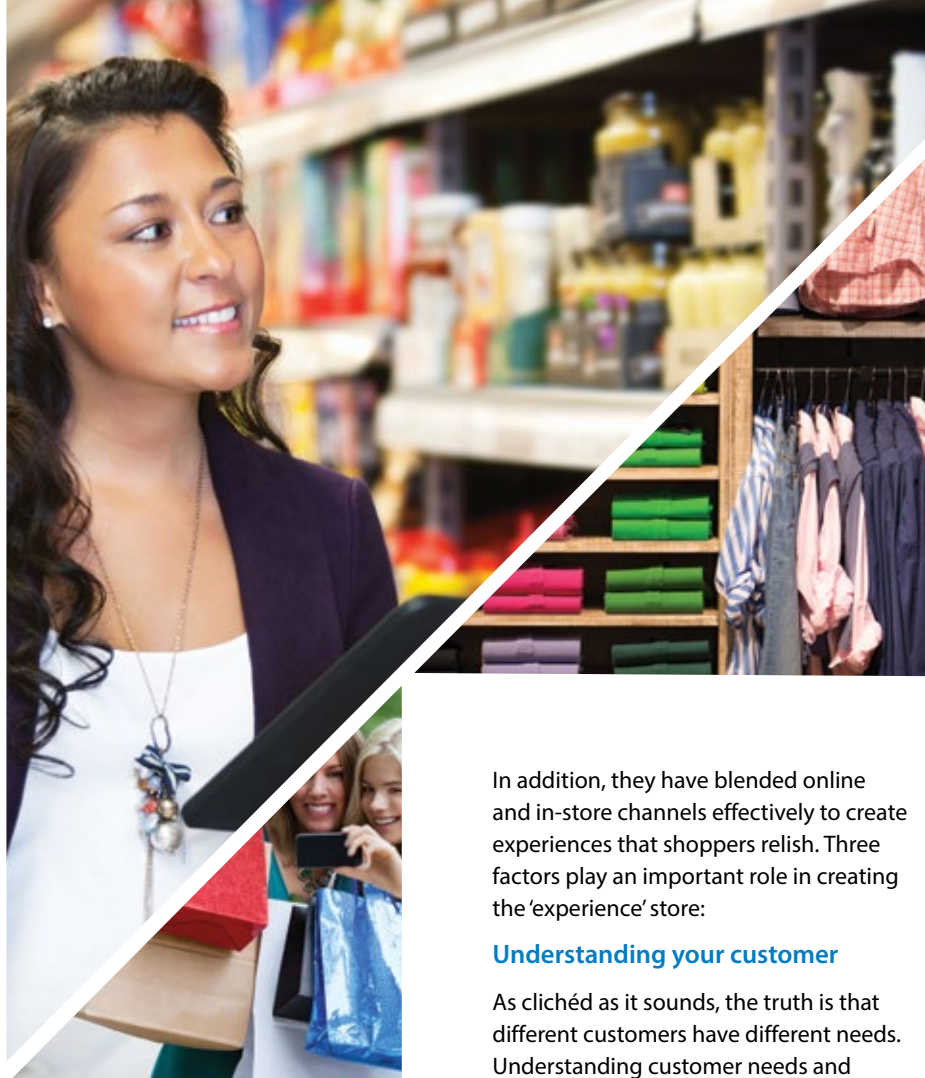
## Why stores matter?

Online retailer Amazon recently announced it would open a physical location in downtown Manhattan to further compete with brick-and-mortar stores. They are not the first pure-play e-commerce ventures to eventually go the brick-and-mortar way. Bonobos, Nasty Gal, Warby Parker, and Piperlime were considered e-commerce darlings but opened up physical stores to drive sales. Stores matter. Here's why.

I frequented bookstores with my kids to view, browse, and select books to read – an experience we immersed ourselves in. Most of the bookstores have now given way to e-readers – Amazon Kindle, Nook, and eBooks. Similarly, visiting the video store, Blockbuster, every Friday evening to browse latest movies and pick one for the weekend was a family activity. While the physical stores have given way to e-stores, the experience isn't the same – we miss the visits.

The biggest attraction of physical stores is that they allow buyers to see, feel, and try products – essentially, indulge all their senses. This is especially important for products such as shoes, clothes, glasses, and others. Some things just have to be tried on before being paid for! In addition, factors such as instant gratification of leaving a store with the purchase in hand, and interaction with sales and service personnel on the floor, weigh in favor of in-store shopping. Certain kinds of products such as perishables and low-priced goods are better purchased in-store. And in certain cases – particularly consumer electronics and cosmetics – shoppers value the in-store associate's expertise while shopping.

That said, the anytime, anywhere convenience of online is significant – no parking worries, no snobby sales associates, no crowds, and above all, a wider variety of products, access to reviews, and product and price comparisons. Competing with these is not easy and warrants some changes in the way stores operate.



## Bridging the physical-digital divide: What needs to change in the way stores operate?

More significant than the anytime, anywhere convenience, what works for e-commerce retailers is the human touch. Online retailers remember customer names, have their browsing history to determine products needed and tastes, purchase delivery address, and of course, always make recommendations. Brick-and-mortar stores inherently allow for this human touch. Leveraging this to the maximum, the traditional store will create its own niche and move towards creating customized shopping experiences. Apple, Nordstrom, and Audi City Digital showroom are some companies that have excelled in creating the 'experience' store.

In addition, they have blended online and in-store channels effectively to create experiences that shoppers relish. Three factors play an important role in creating the 'experience' store:

### Understanding your customer

As clichéd as it sounds, the truth is that different customers have different needs. Understanding customer needs and behaviors through continuous customer research and providing real-time access to that information to store staff is the essential first step in making your physical store relevant. This would require integrating your e-commerce and store strategy to understand the customer and devise customized shopping experiences, giving them the best of both worlds.

### Inviting ambience, in-store amenities

Besides creating appealing and creative in-store displays, retailers have tried workshops on mountaineering, sessions from kayaking to power-dressing, community events, even in-store dining, to allure shoppers. They have added fuel stations, nail salons, body-sculpting classes, and more to their stores. What retailers must think about is what additive service – a gymnasium, insurance services, gaming centers, movie zones, or interactive screens – will appeal to the customer's senses. The key is to find what will make visiting a store exciting, entertaining, and engaging.

## In-store sales staff, warranties, and guarantees

To deliver the same experience customers are used to online, retailers must focus on having knowledgeable, professional, and courteous sales staff with a focus to develop relationships with each shopper, warranties, guarantees and customized couponing.

## The 'experience' store

The concept of shopping malls first came about in the 1930s. Today, it is at an inflection point. The store shopping experience is about to be reshaped with the 'experience' store – that provides a customized and truly unique shopping experience using preference, past purchases, and other relevant information obtained from both online and in-store mediums.

In addition, the last-mile supply chain is transforming itself. With the likes of Uber, two-hour shipping, and online shopping lists on smartphones, it might bode well for retailers to create a 'retail' section for people to browse and buy and a 'pick-up or warehouse' section where shoppers can pick up merchandise ordered online to save shipping costs.

After all, retailing is all about the customer, and reaching, engaging, and even exciting the customer requires a convergence of the physical and digital worlds.



## About the Author



### Aniket Maindarker

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Aniket Maindarker is responsible for running operations for North, Central, and South America at Infosys BPO. Based out of Atlanta, Georgia, he is responsible for revenues and profitability of all of the seven centers that Infosys BPO has in the Americas as well as for driving the growth strategy for the geography.

In the last 13 years, he has played multiple roles at Infosys including sales in the Retail, CPG, and Logistics industry verticals, relationship management for key accounts, marketing, alliances, and sourcing advisor services. Aniket has a deep understanding of the shared services / global business services (GBS) industry and has assisted several Fortune 1000 organizations in developing and executing their GBS strategy.

Aniket has a Bachelor's Degree in Computer Science and an MBA from Symbiosis Institute of Business Management in Pune, India.

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