

In Retail, Everything Old Is New Again

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When speaking about retail trends, forecasters tend to focus on the latest fads: Social media. Omnichannel. Mobile. And down the line.

And yet, lately, some of the most-talked-about trends are very old ones:

Brick-and-mortar

As Lucie Greene of JWT told me last week, brands are starting to take a different view of physical stores. They now consider them showcases for the brand experience rather than the principle point of commerce.

“Stores are just becoming places to hang out,” she says. “With mobile, at this point, it doesn’t really matter where the transactions take place, as long as they take place.”

That is how Chinese jeweler Chow Tai Fook sees its stores, according to managing director Kent Wong:

Our brick-and-mortar stores are a place where we can let the customer enjoy the shopping experience. We invite them to come and feel and touch the jewelry. When the customer selects a product, they can have the product in their mobile, so when they make the purchase decision, they can just click and buy it and have it delivered. It is a wonderful shopping experience.

All this can make physical retailers sound like second-class citizens. But in fact, CTF plans to *double* its number of physical stores, from 2,000 to 4,000. In the United States, we have seen former pure-play companies such as James Allen and Blue Nile experiment with selling diamonds at physical locations. Ritani—headed by a former Blue Nile exec—has embraced a full-fledged

clicks-and-bricks model.

Outside our industry, e-commerce brands such as Bonobos and Warby Parker are opening stores, according to Kit Hickey, the owner of one such brand, in a recent blog post, which

says many see opportunities amidst the turmoil engulfing retail:

In retail, the old guard is clunky and slow-moving and has millions of dollars tied up in inefficient stores: huge retail locations, 10+ year leases, costly inventory, and experiences that, frankly, [stink].... Vacant storefronts, a greater willingness among landlords to do short-term leases, and rental sites like the Storefront are all making it easier for e-commerce startups to enter the retail environment, quickly learn what does and doesn’t work, and then build upon those cheap, low-risk learnings.

Brick-and-mortar retail “is a great driver of sales and profitability,” Hickey concludes.

A Bloomberg article from this week also argues shoppers are increasingly returning to stores:

In-store revenue growth will accelerate to 4.9 percent in 2019 from 1.6 percent in 2013, while the expansion of e-commerce sales will slow from 21 percent to 12 percent, Euromonitor predicts. Store-based shopping still accounts for more than 90 percent of global retail revenue....

“People are craving real-life interaction for shopping,” said David Hayes, head of creative strategy at blogging site Tumblr, which he says has worked with Gap and Levi Strauss & Co. to guide customers to events such as musical performances and promotional parties in stores. “There’s a trend going from URL to ‘IRL’—‘in real life.’”

Catalogs

In this day and age, nothing seems more outdated and wasteful than getting a print catalog in the mail. And yet, many retailers are starting to look at that again.

Last week, news stories appeared that J.C. Penney is bringing back its famed Big Book, the storied 800- to 1,000-page catalog that it eliminated

in 2009. As it turns out, that’s not true, according to spokesperson Kate Coultas. But it is issuing a catalog for its home division.

“Our research has shown that our customers, particularly when it comes to shopping for home merchandise, still prefer to browse a traditional print piece but will then go online or in store to purchase the item,” she says.

Retail consultants Kurt Salmon Associates has found much the same: Some 58 percent of online shoppers say they browse catalogs for ideas, and 31 percent have a retailer’s catalog with them when they make a purchase online.

Women ages 18 to 30 are especially motivated by catalogs, claiming that they enhance their impression of a retailer. More importantly, 45 percent say catalogs stimulate their interest in a retailer’s products, and a whopping 86 percent have bought an item after first seeing it in a catalog.

Compared with customers who use only the web to shop, those who use catalogs spend more money and return more often.

It concludes: “The future is omnichannel and that includes catalogs.”

Local businesses

In the jewelry business, while many local stores are doing well, the consensus is the number of independent stores will likely shrink.

But a recent *New Yorker* article argues that smaller retailers in other sectors are rebounding, citing increased numbers of craft beer operators

and—surprisingly—local bookstores

Author Tim Wu argues the secret to competing with the big players is what he calls “true differentiation,” citing the craft-beer example:

[C]raft beer succeeded by opting not to compete directly, instead pursuing

what can be called a “true differentiation” strategy. That means they established a product that, in the mind of the consumer, is markedly and undeniably different (as opposed to “false differentiation,” which is more or less the same thing with different packaging). True differentiation, if it works, actually changes consumer preferences. The dedicated craft-beer drinker, once he’s hooked, no longer cares if Coors Light costs three dollars less. True differentiation isn’t always possible, he admits: The true-differentiation strategy seems to work best when scale,

despite its efficiencies, also introduces blind spots in areas such as customer service, flavor, curation, or other intangibles not entirely consistent with mass production and standardization. Where getting big begins to hurt the product, small can be bountiful. In the jewelry business, that could mean great custom design, top service, and in-depth education. But it must mean a different—and better—experience. No retailer has best exemplified the new world of retail more than the Apple stores. At the AGS Conclave in 2010, a Harvard business

professor examined their success. They have good service. They display the product well. And they offer a fun environment for consumers. In the end, he concluded, it’s all basic retail—just executed to the nth degree. The basics of the business have not changed. Many of the old techniques and best practices still work and hold considerable power. And while the environment is still tough, opportunities may still remain for retailers who get things exactly right.