Logistics, E-commerce and Attention Spans!

Perhaps the most fascinating thing about the future of retail is that e-commerce, or virtual commerce – which was so hyped in the late 90's and then came into it's stride in the last decade –will probably come to define the future of the physical retail experience. Jim Carroll, a futurist trends and innovation experts with clients such as The Gap, the Walt Disney Company, the Professional Retail Store Maintenance Association, Loblaw and other, has an interesting take to share on the future of retail.

Isn't that the obvious conclusion in a world in which, in the US at least, Amazon.com is now promising same day delivery? Buy online, get it delivered, all in an instant. So imagine that you go into a store, see something you like, buy it and the same e-commerce system kicks in to deliver it to you later in the day! Why? Well, why carry inventory if you don't have to if you've built a big e-commerce infrastructure for your brand, you might as well use it!

This is the obvious conclusion in a world in which the customer in the typical retail store probably spends more time looking at the screen on their smartphone than looking at store shelves. So why not adapt to that reality?

Certainly it is becoming more difficult for retailers to keep the attention of their customers. It is said that the average consumer scans some 12 feet of shelf space per second - because they are spending a lot of other time looking at their phones. In a recent keynote with a world-leading retailer, I made the observation that most retail experts believe that over time, retail stores will evolve, so that they simply become showrooms for a massive backend logistics system that

Source:Nielsen

is their e-commerce system. Stores won't carry much inventory anymore, and instead will become integrated into the sophisticated e-commerce systems which they have built for the online shopping experience.

Anne Zybowski, an analyst at Kantar Retail, stated this possibility perfectly: “A few years ago retailers spent a ton of time trying to make their online stores look and act like their physical stores. Now they've sort of reversed course, and the challenge is how to take that online shopping experience that's so personalized, socially connected and heavily layered with data, and essentially bring it into a physical environment."

And it is for reasons like that, that we have Ron Boire, the chief marketing officer at Sears (and former chief executive of Brookstone Inc.), commenting that his focus is about “creating more and better theater in the stores.” In other words, pump up the in store experience to grab the attention of the customer. Send promo codes to their smartphones, interact with them heavily through technology, give them the excitement of shopping and deliver the product to them the same day through the logistics system that you have already put in place.

Continual re-invention

Of course, if the consumer is losing their attention, then retail needs to ensure it can do the right thing to stay relevant.

We are seeing this as many retailers invest heavily in the in-store experience. In the UK, Marks & Spencer is spending $600 million revamp of its High Street Kensington store! And Macy's in New York is spending $400 million on flagship store.

But it's not just big global mega-stores, mega brands that are reinventing. Trends involving everything from safety to energy to health are causing retail chains to reformulate their stores at a fast pace.

Consider Fresh-Stop, a chain in South Africa that is own owned by Chevron. With the push to healthier diets in the country, the gas-bar chain is now moving away from a mix of unhealthy snack foods, to shelves that offer fresh produce, meat, fish, a delicatessen and even up-market meals! And they are converting stores at a furious pace with results. Converted stores have recorded a 12 per cent footfall increase and a 40 per cent sales increase in 2010 against the background of a convenience store sector where sales fell 6 per cent. What's most fascinating about this is the fact that they are learning how to change an entire store extremely fast. They can convert an entire store in just two weeks so the future belongs to those who are fast!

And then the credit card disappears

The biggest change to the world of retail comes about as credit cards disappear - because our cell phones become the credit card!

This is a huge trend in North America, it is estimated that payments using digital wallets will grow from $4 billion in 2012 to $191 billion in 2017, breaking $100 billion in 2016. 'We're already seeing the signs of this change consider the Silicon valley upstart Square. Plug the little (square device) into your iPhone, and all of a sudden, you can accept credit card payments. The service is growing at a furious pace with over 2 million users in just 2 years. They're doing $8 billion in payments, and just had equity investment by VISA. Even more momentum Starbucks planning a massive rollout to 8,000 stores throughout the US. Square has an unmitigated cool factor!

Yet, despite the excitement of such initiatives, it will take some time for the 'digital wallet', or mobile commerce, to become real. Even Google admits this their VP of Wallet and Payment Systems, Osama Bedier, commented that “there's a lot of ideas and not a lot of problems being solved.” That's because there are a lot of BIG problems that need to be solved concerning credit card infrastructure.

The New York Times noted this, commenting that “one of the bigger problems that has to be overcome is that mobile payments involve deals between companies that aren't used to working together like wireless carriers and banks.” (Mobile Payments Slow to Catch On, New York Times, March 2012). Certainly smartphones are everywhere but retail stores and credit card companies are going to have to invest a HUGE amount of money to put in place the technology that will support near-field-communications.

How much work? “Yankee Group analyst Nick Holland estimates it will cost $15 billion to deploy the technology that will make mobile payments ubiquitous.” Wall Street Journal, November 2011.