

Retail *versus* Online – THE GLOVES ARE OFF

With the battle heating up between online and offline retailing, it is inevitable that traditional retailers need to make the transition to online in order to compete and survive.



BY TONY EADES



The 131-year-old film pioneer Eastman Kodak recently filed for bankruptcy protection as the company struggled to adapt to an increasingly digital world. Kodak has become the latest giant to fall in the face of advancing technology. Last year, the Borders Group liquidated after failing to gain a stronghold in e-books, while Blockbuster, the video-store network, sold itself to Dish Network in 2011 as its retail outlets lost ground to online competitors like Netflix. Australia's retail environment has to change or face imminent extinction.

The internet, and in particular social media, can pack a pretty powerful punch – four billion views per day on YouTube, the average Twitter user boasts 126 followers, most of whom they've never met, and more than 10 million Australians claim to use Facebook each month.

Welcome to the world of the new consumer, where time and place are a thing of the past. When was the last time you queued in a bank to pay a bill? Most of us do it online at any time; time is no longer important. Booking tickets for a movie or concert, a hotel room or getting a case of wine delivered to your door is now all done via your Smartphone, iPad or tablet. In today's digital world, a physical place is no longer relevant.

Now that all sounds great for the time-poor consumer, but it's a real challenge for traditional bricks-and-mortar retailers who operate from a single location, six days a week, 9–5.

While traditional retail struggles, online retailing has grown because it offers 24/7 convenience and, in most cases, attractive cost-savings too. Apple has embraced the new consumer with the roll-out of flagship Apple stores across the country. Tech-hungry purchasers of all ages swarm on their minimalist, modern stores to try out, discuss and experience the latest the brand has to offer.

But there's not a cash register or an in-your-face salesperson in sight. Instead, the store is full of tech-savvy, T shirt-wearing staff armed with an iPad that instantly turns into a transaction terminal when you are ready to make a purchase. Consumers could easily test-drive the products at the physical Apple store and then go and buy them online or direct from other leading resellers – so why don't they? Because while their unique business model allows other competitors to stock their products, Apple controls the recommended retail pricing.

So, when it comes to the purchase, is price really the only deciding factor for the new consumer?

For starters, online retailers can only effectively provide a transaction, whereas bricks-and-mortar retailers offer a great deal more in added value. This is the point of difference that traditional retailers have over their online competitors – so much more than a

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mere discounted price: after-sales support, real product warranties that can be serviced, experienced staff who can assist with your purchase, real-time delivery. In addition, the hands-on dynamic and a personal shopping experience with physical products (not just a picture and a brief description) are worth something tangible in the minds of the new consumer. They are certainly valued much more than the price-saving of buying the product online.

But that doesn't mean traditional retailers don't need an online presence – statistics show that 80 per cent of mobile users prefer local-based ads and 75 per cent say they are more likely to take action after seeing a relevant local advertisement.

With this kind of activity, you would think most businesses would want to be a part of it; yet in Australia, a recent MYOB survey found that nearly two-thirds (64 per cent) of small-to-medium businesses don't even have their own website. Add this to the fact that three quarters (75 per cent) don't use social media for business purposes, and you have to question whether Australia really is keeping up in the digital age.

Social media growth in Australia has continued to make the headlines, with Facebook leading the way. The social media kingpin announced last August that it had 9.5 million subscribers in Australia, with one in four Australians 'liking' or interacting with a brand through Facebook every week, according to Stat Counter.

That accounts for about 65 per cent of internet social media use across the country.

It's vital that traditional bricks-and-mortar retailers embrace new technology and start playing in the online space of their competitors. A prominent online presence with an interactive website that allows consumers to search for and purchase products – especially when the store is closed – is the key to meeting cyber retailers head-on. An active Facebook page can help build customer loyalty; a regular e-newsletter can establish customer relationships; and a content-driven interactive e-store can capture customers when they are ready to buy – or at least connect with them when they are doing their online research before making their buying decision. ▶



Traditional retailers can then bridge the gap between online and offline by offering in-store discounts or incentives that need to be downloaded from the website. When scanned by a Smartphone, quick response (QR) codes will take a consumer to a landing page of 'secret' daily specials or email invitations to a sneak preview of a new product prior to its public release.

The new consumers are here. They're called 'Gen Y' and 4.65 million of them currently comprise 21% of our workforce. However, by 2020 that will almost double to 35 per cent, while the traditional retail-loving baby boomers will decline from 36 per cent of our workforce to just 15 per cent.

Our new consumer is a digital junkie, with 93 per cent of teens 12–17 and young adults aged 18–29 regularly going online. And they're the ones spending the money. According to American Express, 18–29-year-olds continue to purchase high-end goods, ramping up their spending on premium brands by 33 per cent last year. To satisfy this new group of big spenders, retailers must stay on top of e-commerce, mobile apps and social media, in addition to keeping the bricks-and-mortar experience customer-service-driven.

So with the gloves off and the battle lines drawn, here are five ways traditional retailers can win against their online competitors:

1. Enhance the shopping experience

Take a leaf from Apple and their shopping experience. Apple stores house some of the most beautifully designed high-tech gadgets and their efficient teams know how to translate technology into value. Then there's Nespresso's ultimate coffee experience, with more than 270 boutiques worldwide as at the end of 2011 – from just one in 2000. The Nespresso boutique boasts a 'Discovery Wall' that showcases their range of coffee machines while the 'Coffee Room' invites you to discover the art of Nespresso-tasting. As with Apple, trained Nespresso coffee specialists are on hand to answer questions and provide expert advice.

2. Build your online presence

The online space is not just for the big players; customers need to find you and buy from you 24/7. Last year, \$23 billion was spent online, and online sales are expected to grow by 9 per cent this year – faster than sales from traditional stores.

Research shows that half of Australian shoppers go online before they go into a shop, so if they can't find you on the web, there is a good chance they won't be coming into your store.

3. Own the customer

Customer loyalty is paramount to building repeat business and referrals from happy consumers. Innovative in-store promotions with incentives such as bring a friend, VIP evenings to launch a special sale, Facebook competitions, weekly email updates on the latest trends in your industry and so on go a long way to building a relationship with your customer. Online retailing is generally driven by the sale – not the experience – so traditional retailers need to capture this void and exploit it.

4. Embrace technology

Australian retailers need to bridge the gap between online and offline by embracing new digital technology like mobile device apps, QR codes, NFC (near field communication) and in-store technology such as magic mirrors – the new 3D digital fitting room which allows shoppers, with the help of a 58-inch plasma screen and a depth-sensing camera, to sample outfits without actually putting them on.

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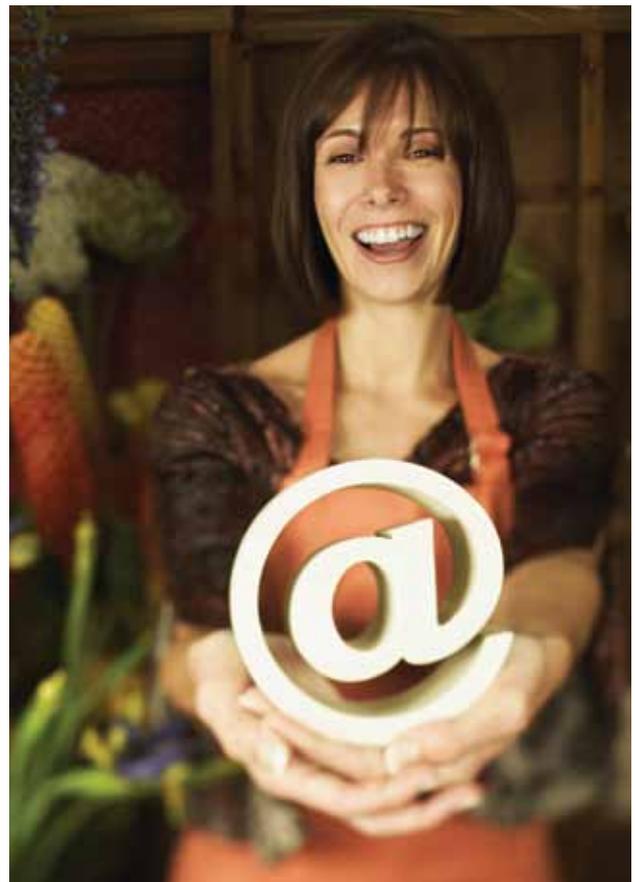
5. Social, Local and Mobile (SoLoMo)

Identify and create social media channels that are the best fit for your retail business, with the must-haves being Facebook, Twitter and Foursquare – that's the social part.

Next, stake your claim on the web. Having a website is one thing, but being found locally is another. Your website must be search-engine friendly with relevant keywords. You need to be included in any relevant, localised, industry-specific directories, and engaged in targeted online campaigns like Google AdWords and search-engine optimisation to generate both local and search-engine-related traffic and referral traffic.

Finally, you need to get an app and a mobile-friendly version of your site. You need to be found and accessible from a mobile device.

Traditional retail just doesn't work any more in today's world, and it has to change for your brand to continue to engage with its customers, stay relevant in an ever-changing and competitive digital market space and, most importantly, take its own rightful place in the minds of the new consumer. ■



About Tony Eades

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