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BLOG

All change at retail

OPINION

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Retailers need to rethink eight key areas to adapt in 2020, says Graham Staplehurst, Global BrandZ Strategy Director at Kantar

Retail has changed and brands that were once giants of the high street or mall have fallen victim to technology, changes in consumer behaviour and disruption.

Consumers have redefined what’s premium in multiple areas. For example, a high-end ready meal might once have been a Friday-night treat, now a really special meal is one made from scratch, using the luxury of time.

Thriving as a retailer today requires brands to be not just omnichannel but also something special. Merely being present with a good range of products and acceptable prices doesn’t cut it any more, as brands such as Toys R Us have discovered.

To adapt successfully, retailers need to rethink their behaviour in eight key areas.

That means:

1. Rethink the offer

Brands need to decide what they are good at and what they stand for, and then make sure every aspect of their operation reflects that proposition. This is far bigger than marketing.

The whole package needs to answer the question: why do people come to you? Patagonia, for instance, is about sustainability and this is part of its business model as well as its communications promise.

2. Rethink distribution

Being able to sell direct has been a boon for many brands from personal care products to flowers, snacks and more. Even Ben & Jerry’s ice cream can now be bought direct and shipped in dry ice.

DTC, however, does not mean there’s no role for retail. In the UK, for instance, snack brand Graze built its name selling direct but has since moved into mainstream retail for distribution at scale. Other brands are using DTC as a way to test new products, but sticking with retail when it comes to shifting big quantities.

3. Rethink expansion

Becoming a bigger retailer used to be about having more square feet than the next guy. That ended with the rise of e-commerce giants, who achieved near-global domination with little more than some offices and warehouse space. Some didn’t even need that.

Today, profit growth can come from con-traction – closing unprofitable stores and pulling out of poorly performing business areas that are ‘non-core’. Tesco, for example, has closed its Tesco Direct general merchandise arm, and its Hudl tablet computers are no more.

4. Rethink retail space

Stores are becoming places to do more than just shop. Many supermarkets are doing likewise, upgrading lighting and lay-outs; ARKET (owned by Sweden’s H&M) unites fashion, home and a café while IKEA is using smaller, urban locations to demonstrate what a 200-square-foot flat can look like. Amazon is becoming a fixture of the high street in the UK, experimenting with retail stores that create an offline experience to go with the original online portal.

Chinese retail brands are taking it a step further. Alibaba is moving away from the traditional “hub and spoke” model, for example. Super-fast delivery – and that means within minutes and hours, not days – depends on having stock on stand-by, close to where consumers want it. The solution is to use space in its Hema network of physical stores as fulfilment centres.

5. Rethink experience

Now that shoppers don’t need to visit a shop when they want to buy something, people are coming to stores for an experience. That experience could be something as simple as inspiration for tonight’s meal, through the sight and aroma of in-season vegetables. Or maybe it’s the chance to feel a piece of furniture that looks great.

Nike, Samsung and Nordstrom are among a host of global brands experimenting with experiential stores designed to provide a more personalised interaction with expert staff. Rapha cycling clubs are as much a place for socialising as they are a place to buy.

Another incarnation of retail experience is Showfields in NYC, which, as well as events, features an ever-changing selection of direct-to-consumer brands, offering shoppers an experience of discovery and fun.

6. Rethink competition

In the era of experience, a consumer is not just deciding which shop to go to, but perhaps considering shopping as an alternative to the cinema, a live event or a meal out.

Consumers who love your brand love other brands too. Tesco, for instance, is trialling Next concessions in selected stores and is selling its own F&F clothing range through Next online.

McDonald’s is working with what might easily be seen as a rival, Uber Eats, on expanding delivery. But you don’t have to be huge to benefit. Becoming part of an eco-system for delivery, for example, enables small brands to boost reach.

Indonesian banana fritter seller Nanik Soelistiowati has used delivery services to massively expand her reach and even became involved in a tug of love between rival brands Gojek and Grab.

7. Rethink innovation

Smart retailers know they have to innovate. Many are using technology to offer innovative services and help create a new layer of experience in store, such as Sephora’s Virtual Artist, which deploys augmented reality to let customers “try on” a range of make-up before they buy.

Being innovative requires creativity but also decisiveness. That means being quick to decide what to try, quick to determine whether or not it’s working – and then quick to decide whether to adapt and try again, or just can the idea.

The UK department store chain John Lewis – over 150 years old – has established JLab, a forum for working with, and investing in, hot new start-ups it hopes will help the brand “shape the future of retail”. Fast-growing German online fashion retailer Zalando even hosts annual Hack Week events to ensure it always appeals to the technology focused young consumers that buy its clothing.

8. Rethink success

Success is not always defined by profit. Amazon famously didn't turn a profit for almost a decade, but it now spends more than almost any other business on research and development.

Not everyone can be Amazo, but there's a big lesson in learning to think more long term and reconsider the metrics of success. The right metric might be maximising basket size or considering an individual's online and offline baskets together, or moving from championing transaction value to the value of a customer over their lifetime.

Subscription models and partnerships can create years-long relationships between consumers and brands, for example. The price paid by the consumer for their first product is but a small piece of a much more complex equation.

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