

The Transformational Impact of eCommerce on Retail Stores

Retailers should take note of the benefits eCommerce offers to consumers, and incorporate digital touchpoints into brick-and-mortar locations that simulate the advantages of online shopping.

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It is time for retailers to transform the store shopping experience to include Web access. eCommerce sales are growing rapidly. Consumers have heightened expectations for self-service, especially as their time and budgets are increasingly constrained. In addition to shopping online, more people are using their mobile phones and tablets while on the path to purchase. And finally, the availability of pervasive, web-based analytical capabilities makes it an ideal time for smart retailers to take advantage of what technology has to offer them.

According to comScore, online retail sales increased by 14 percent in the fourth quarter of 2011, and 13 percent for the full year. comScore chairman Gian Fulgoni noted that, “in the face of continuing uncertainty regarding the U.S. economy, consumers increasingly went online for their shopping needs. Price and convenience continue to be the critical value drivers for eCommerce, and unless those conditions change, we can expect to see more channel-shifting to online in 2012 and perhaps even an acceleration in the current growth trend.”

Online sales, whether accessed by computer, tablet or smartphone, offer the greatest growth potential for retailers. In a January 2012 survey of 94 retailers by Retail Systems Research, it was found that 63 percent of multichannel retailers expect the online channel to account for a sharp increase in their total sales by 2015. The study, “eCommerce 2012: Back to the Future,” also found “the number of retailers committed to stores as a major growth strategy declining, and the need to do a good job integrating the customer experience across all channels more and more of an imperative.”

Why eCommerce?

Why is eCommerce outpacing in-store retailing in sales growth and customer experience satisfaction? There are three important answers to this question.

1. eCommerce provides shopping advantages over in-store environments.

eCommerce delivers superior product information to consumers. It enables rapid product feature comparisons and reviews based on criteria provided by the consumer. The store shopping experience, on the other hand, is mostly dependent upon sales associates’ knowledge and motivation to provide consumers with similar product information. eCommerce often provides excellent product context via application videos as well.

eCommerce makes it easier to perform price/feature comparisons, allowing consumers to rapidly “design” the “solution” that is best for their needs. It offers access to the best product experts via linkage with call center experts. eCommerce enables consumer-based product reviews. Social network reviews are a critical component to converting shoppers to buyers through reducing the perceived risk associated with the buying decision. eCommerce also provides superior product bundling: Digital bundling is much easier than physical bundling.

eCommerce delivers superior options for product availability. It is much easier (and less capital-intensive) for a retailer to be in stock on an item through access to its enterprise

inventory, versus having to be in stock on an item in every single store location. Customer out-of-stock occurrences are much lower when shopping on the Web than they are in an individual store visit. Finally, eCommerce has a perceived positive “green” impact, as it requires no driving and no wasted trips, should the retailer be out of stock on a desired item.

2. Consumers are becoming increasingly comfortable with self-service (Web-based) capabilities. Consumers are increasingly exposed to self-service to transact their business. A typical day could include interacting with self service to obtain the price of an item in the store, buying groceries, filling the car with gas, getting cash at the ATM, checking in for flights and hotel stays, purchasing stamps, ordering photos and assessing health conditions. An IHL Group survey of consumer checkout preferences found that 98 percent of consumers have used self-service checkout, and 45 percent of consumers strongly or somewhat prefer self-service checkout.

3. eCommerce provides management advantages as compared to stores. Retail management is able to measure consumer behavior during every step of the shopping process with eCommerce, including the conversion performance from entry, to search, to selection, to checkout. Currently, measuring conversion in a store environment is imprecise, but this is changing with the deployment of more analytically advanced tool sets.

Retailers are also able to quickly test alternative products, messages, promotions, and placement to establish consumer reaction and sales performance results.

Retail management can customize components such as the shopping experience, product placement and messages to the individual consumer. Also, retail management can enable customers to tailor their own experience, creating a more relevant dialogue and shopping experience, which produces increased conversion (sales) results. The best retailers have customized their assortments and store layouts based on local market data, but find it almost impossible to offer an individually tailored experience.

Transforming Stores to Stimulate eCommerce

How should stores be reconfigured to leverage the advantages of eCommerce?

One of the simplest ways to bring the advantages of the Web into the store will be to provide Web access that is easy to find and easy to use. Retailers should also enable rapid product comparisons via self-service devices and mobile phones.

Shopping is declining as a source of entertainment for consumers. Retailers will make changes to their stores to increase their attractiveness to customers. The main tool for improving a store’s entertainment value is the deployment of digital media and large digital display screens. Retailers have successfully tested coupling eCommerce with large digital display screens, enabling consumers to tailor the content they want to see (i.e., product information, product comparisons, product context and bundling).

Macy’s department stores are pursuing several initiatives in this area. The Macy’s Beauty Spot, one of the interactive shopping solutions showcased by Intel at the NRF show earlier this year, is a kiosk application that brings together information on a variety of beauty brands available in the cosmetics department. Currently being tested in a small number of Macy’s stores, the kiosks allow customers to compare similar products from several different cosmetic brands without going from counter to counter. The

kiosks are integrated with macys.com to provide a seamless experience for customers and the kiosk includes a social media component, with users being able to share their choices with friends on Twitter or follow brands on Facebook.

Macy's also is expanding its "Search & Send" initiative, which allows customers to order products in-store for delivery to their homes or offices. And, the retailer is testing in-store delivery of products purchased online.

Bloomingdale's, Macy's sister store, is testing the use of tablets and other hand-held devices to allow customers to select from a wider variety of shoe styles and colors than it carries in-store. In another cosmetics department initiative, Bloomingdale's will use tablets to help customers select products at the Clinique counter.

These are examples of some of the ways retailers can improve the store experience with initiatives extending beyond eCommerce availability. These include touch-enabled customer interaction devices, and employing other in-store self-service transaction opportunities. Consumers are rapidly migrating toward touch interface as their preferred method of interaction, thanks to the iPad, the iPhone, other touch-based mobile phones and touch-based self-service options. This is a longer-term effort, but one that can successfully create a positive difference in how customers perceive their experience and their level of satisfaction with a retailer.

Retailers are beginning to recognize the importance of integrating digital technologies into their stores, including customer preference, increased message accuracy and analytic outcomes. The influence of eCommerce on the store experience will drive retailers to determine how best to incorporate the advantages of eCommerce and other digital technologies into their stores' transformation initiatives.

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