

# THE CHANGING FACE OF RETAIL

And what it means for the  
Independent Retailer

## Introduction

Independent product or service retailers face a world that seems to offer ever-increasing challenges. Just staying in business seems to require a miracle, while flourishing seems an impossible dream. It is easy for “survival” to dominate thinking.



In this short paper, we quickly identify the emerging challenges and changes. They need to be understood and confronted. Finally, we will argue that “nothing changes” and that the traditional competitive advantages of the independent expert retailer remain, now just with more opportunity for leverage.

We need to remind ourselves of those advantages and understand how to exploit the many changes in our environment to capitalize on those strengths.

## The Big Four

There are four areas of change in the retail landscape that are especially relevant to the independent retailer:



### The rise of e-commerce

We have seen the emergence of monster retailers like Amazon, able to offer vast inventory width, rapid delivery, and low prices. Amongst consumers we have seen the progression from online shopping for just the early adopters, to it becoming accepted by the majority of consumers.



## Mobile services

The mobile phone is now ubiquitous. The competition can reach and offer retail services to anyone with a phone through various mobile channels and then use mobile payment systems to complete transactions. They have a 24-hours-a-day, 365-days-a-year connection with the consumer.



## Social media

We live in the era of social media influencers. These are often ambassadors for products and brands and have become an important part of an economy based around known referrals. These channels have also enabled user-created content to supplement brand-expert content to provide the consumer with more knowledge and shared experiences.



## Category killers

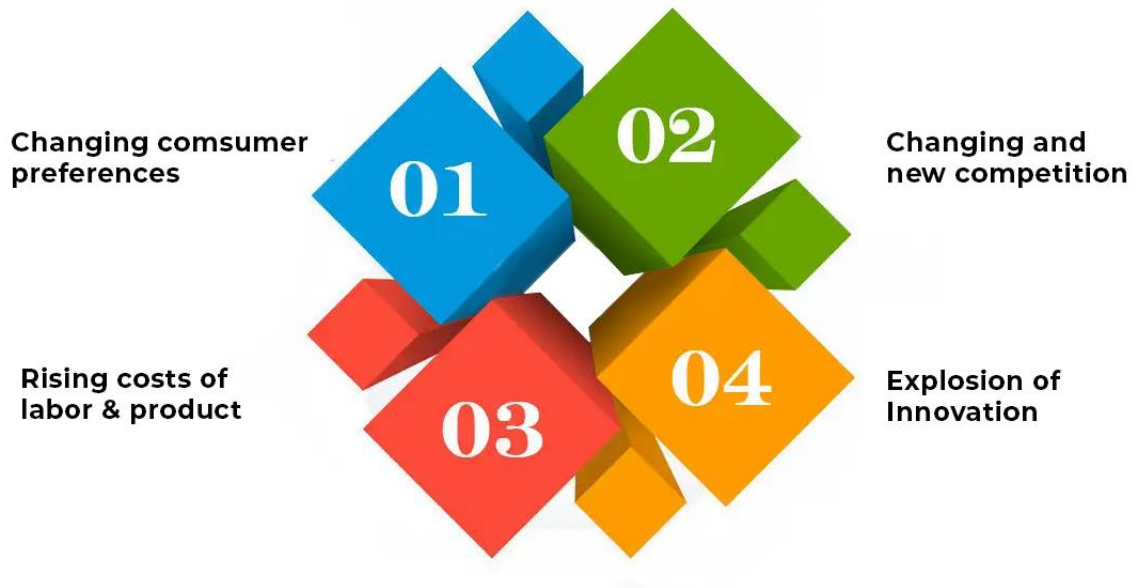
The last 20 years have been the era of the category killer — retailers that specialize in specific product areas. They have gained popularity because they offer a very wide range of choice within their category. Cycle Lab (for cycling), PGA TOUR Superstore and The Pro Shop (golf) are examples.

Evolution doesn't stop though. The same changes that threaten the independent retailer, also threaten the large format retailer, and particularly the category killers. They are especially vulnerable.

E-commerce, web and mobile connectivity, and social media, have all enabled the brands to create direct relationships with the consumer. They have steadily exploited those channels to strengthen their direct relationship with the consumer while weakening the position of the category killer. The bankruptcy of 'Bed, Bath, & Beyond' will not be the last amongst the category killers.

## The changing landscape

These changes can create a bewildering retail environment for any independent.



Consumers are evolving. They demand more choice in customization and optimization and are well prepared to search for that choice at the lowest price using the latest digital access to alternatives.

The mass-market large retailers were once the competition. Now there are mega-retailers on the internet able to offer delivery in 24 hours or retailers from far away where access to very cheap labor allows the supply of products at prices well below what was ever thought possible.

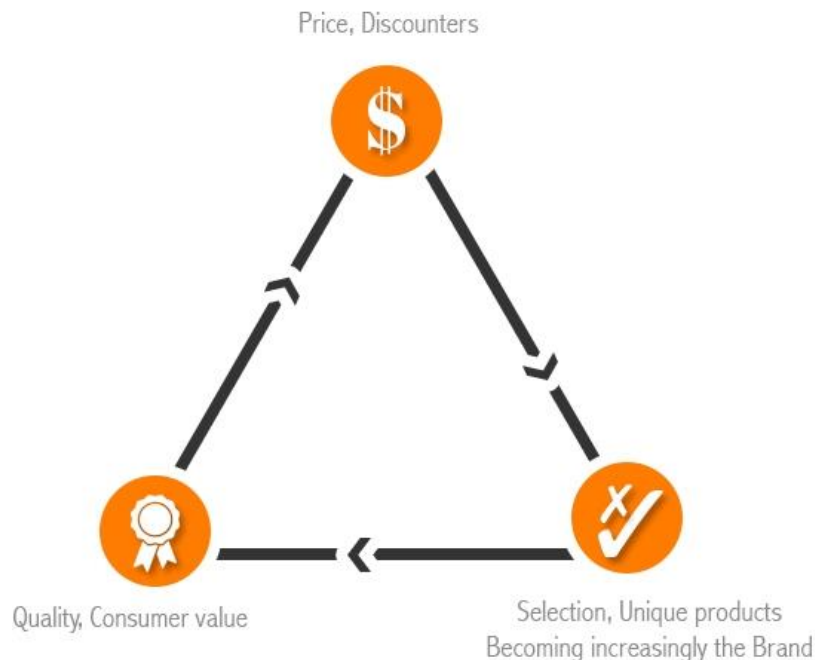
Brands have become much more willing to enter the retail landscape. They have placed intense pressure on the large-formats and category killers. They've expanded choice and pressured price. And they've retained unique products that can only be purchased directly from them.

Innovation isn't slowing down. Technologically driven online retailers now have a growing and intimate understanding of each of their customers. That same technology allows them to create targeted promotions for specific customers that exploit known preferences.

## What now for the independent?

The temptation of the independent retailer has always been to try and mimic their larger brothers or sisters. To price and promote in the same way. To try and compete on their terms.

That has always been a flawed strategy. Even more so now. Below is a diagram that shows the traditional 'Retail Triangle of Competition'. The theory is that any retailer can ONLY be very good at ONE of the points on the triangle.



Nothing has really changed. We just have new occupants at different points, and they have new technologies at their disposal.

The inventory costs of holding a large choice, place pressure on margins and make it impossible to maintain a 'lowest price' position, and vice versa. The costs of delivering quality either through expertise or product also make it impossible to occupy the lowest cost position and to offer the highest quality.

For an independent retailer, their scale and access to resources usually make it very difficult to offer the lowest price or be the retailer with the most choice.

They must occupy the position of quality and consumer value, where quality is measured in the quality of the solution for the individual consumer.

The independent retailer needs to maximize both:

- their ability to offer the best value through a superior solution for the consumer; and
- the education of the consumers, in their market, to appreciate the value that they will enjoy because of that superior solution.

The former requires an investment in the development of personal relationships with consumers, where they gain an appreciation for the 'expert's understanding' of what would be best for them. These relationships must be founded on the consumer's belief that the independent CARES about them and has the EXPERTISE to create the most effective PERSONAL SOLUTION. In these relationships, the independent becomes the EXPERT GUIDE.

In the latter, there needs to be an investment in marketing beyond face-to-face contact. The web, mobile and social channels are all opportunities to:

1. Foster and strengthen relationships with consumers.
2. Showcase how solutions need to be different for individuals.
3. Explain the value to be gained from a personal solution.
4. Highlight through stories that 'hero' consumers' achievements and accomplishments, the benefits to be gained from personal solutions.
5. Provide information and knowledge that will enhance the value the consumer gains from purchases.
6. Differentiate the depth of relationship through the use of personal messaging in email, and through mobile and social channels.

Where once an intimate relationship could be experienced only after the tinkle of the doorbell indicating that a consumer had entered, now that experience can be ubiquitous for the consumer. It's a 365x24 relationship with the consumer's interest and well-being at heart. It is up to the independent retailer to leverage these advantages.