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The Age of Customer-Driven Everything

Introduction – From Horse-Drawn Carriages to Mobile Apps

In his book *The Tipping Point*, Malcolm Gladwell illuminates the phenomenon of a seemingly magic moment when a social behavior crosses a threshold, reaches critical mass and then spreads like wildfire (2000). Leading up to such large-scale behavioral occurrences typically are preceding, sometimes concurrent, circumstances that are serving to create just the right conditions for a new paradigm. In the case of the seismic impact of the internet on American retail, surprisingly, the conditions were formulating for nearly one hundred years prior to the actual launch of ecommerce using the World Wide Web.

How is it possible the roots of ecommerce extend far back into the 1900's, a time of horse-drawn carriages, daily reliance on the Farmers' Almanac and non-voting women? To the casual observer, ecommerce appears to have been born around 1995 when the actual functional platform for a virtual customer store interface reliably arrived on the retailing scene. An even more pressing current question is, twenty years later, what has been the impact and importance of virtual retailing in the ensuing years and what must retailers address with urgency now in the present age of multi-channel user experiences and customer-driven everything?

As the history and conditions set in place pre-internet are reviewed, we begin to sense the first winds of change and small incremental shifts of power away from the retailer and to the consumer. Continued major events such as the entrepreneurial development of internet pure-play websites and search engines as well as the harsh mark left in the wake of the 2008/2009 worldwide recession further allow a clearer picture to come into focus in our understanding of the journey to the present. Lastly, as the more recent mania of mobile devices and lightening-speed mass consumer adoption has deeply infiltrated everyday behavior, the dialog for retailers is no longer should they participate in multi-channel and digital, but rather, how soon will be their demise if they choose not to?

This paper will seek to first lay the foundation of understanding of the conditions that allowed ecommerce to be successful and irreversibly shift consumer behavior. It will then review current conditions and challenges and then finally, and most importantly, it will offer a summary and recommendations on the key areas where retailers should focus now to remain a viable consumer choice in the new multi-channel, experiential shopping world.

Multi-Channel Retailing in the 1900's

To comprehend the environment of present-day multi-channel retailing, it must be appreciated that the roots of experiential shopping are found in the mid-19th century in America with the opening of the first department stores, long before Tim Berners-Lee began planting the original seeds of the internet in 1980. Soon to follow, Gordon Selfridge, an American and former Marshall Field's junior partner, was the mastermind behind the famous Selfridge's Department Store, opened on London's Oxford Street in 1909 and which was built upon the principle that shopping should be enjoyable, not a chore, imbuing a deep passion for the customer experience (Cavendish, 2009). The one-of-a-kind sensory delight sprawled over one city block, employed 12,000 people and featured grand bouquets of greenery and flowers, live orchestra music, a library, a theatre booking office, galleries with art, a post office, restaurants and a rooftop garden. Highly innovative for the time, merchandise was put out on display for customers to touch, experience and interact with, as opposed to being encased behind glass, under counters and in drawers. While impossible to replicate on a mass scale, the highly sensory shopping experience challenged all previous norms. These early pioneer department stores took the experience of the customer from one of simply making a retail transaction with a shopkeeper to a new level, changing the purchase from not just a singular isolated interaction of the exchange of money for product but transforming it into an event.

The customer shopping experience evolution next continued as pioneering retailers sought to begin bringing product to potential new rurally dispersed audiences without easy access to physical stores, first beginning in 1894 when Sears, Robuck and Co. mailed its general catalog, which facilitated delivery of product directly into the customer's home. This long ago model later paved the operational path for catalog shopping experience pioneers to hyper-focus on merchandise category assortment depth. These early innovators included Victoria's Secret, Pottery Barn and Patagonia, which attempted to not just show a picture and product details as Sears had pioneered, but to go further by creating an emotional connection with the target consumer via beautiful and target-market appealing photography and expansive, often story-telling selling copy. Next, direct home selling product companies such as Tupperware and Avon flourished in the early 20th century, further challenging the previously established in-store selling models by also delivering product directly to the customer. The in-home parties and the legendary Avon and Tupperware ladies who facilitated them were yet another type of experience that challenged the physical store model. Huge technology innovations such as cable TV enabled an inexpensive platform by the early 1980's for the birth and wide-spread acceptance of home shopping television channels like QVC and Home Shopping Network as well the mass appeal of infomercials, laying even further groundwork for products to be sold and delivered to consumers in a one-to-one experience external to physical retail stores. These models leveraged a real-time television experience coupled with the human interaction of a customer call center agent to instantaneously complete the purchase transaction. The common factor inherent in all of these models was that product came to the customer, versus the customer physically seeking it out at a store. It is critical to understand and acknowledge the journey of these numerous and very early alternative and independent shopping channels because their operational infrastructures were all built to market, sell and support the one-to-one delivery of products directly to consumers. Without strategy or intention, these models that developed over many years and simultaneously in different independent channels were unwittingly laying a solid and scalable foundation for the possibility of the internet commerce yet to come, and further, were paving the way for its unprecedented and rapid adoption and success as the dawn of the online technologies were concurrently and separately being developed. Ecommerce rapidly developed and exists in its current format because all of the previous one-to-one customer experience interaction, operational, supply-chain and infrastructure setup was already in place. For this very reason, catalog and store retailer JCPenney enjoyed an early ecommerce lead, because their catalog warehouse and call center operations were in place, easily able to fulfill and manage online orders. Without the previous customer adaptation and acceptance of catalog, direct in-home and television selling and the supply chain, corporate retail and warehouse infrastructures that were already designed to sell and ship one-to-one to consumers, the developing ecommerce internet in the late 1990's could never have evolved at the rapid pace it did.

U.S. Retail Store Landscape 1990 – 2010 – Domination by Mass and Category Killers

During the twenty year retailing period of 1990 - 2010, large scale retailers were the survivors, establishing their leadership positions with mass buying power and deep control of supply chains. The most impactful leader was Wal-Mart, which boasted over 10,000 locations in 2010. Also prevalent during this time period was the rise of a new type of retailer dubbed category killers. These retailers dominated with extensive assortments, negotiating hard with suppliers and selling at low prices that were difficult for smaller or independent retailers to compete with. They often also leveraged their power and might with real estate holdings, marketing, and such large volume orders within the supply chains that they could not be ignored. Much is written about the devastation to American small and medium size independent and local retailers during this time period due to these brick-and-mortar powerhouses.

While these mass merchant and the numerous alternative selling channels were evolving, behind the scenes in buying offices, the product development, sourcing and customer input to product choices remained virtually unchanged. Assortments to support the channels were founded on manufacturing, marketing and making available products for sale to customers based on what the retailer sourced and delivered, not necessarily based on what the customer wanted or offered at what price they wanted to pay. It was not a democracy or a two-way flow of communication between merchant and customer, but rather a one way presentation, regardless of the channel. The customer's voice or power was extremely limited as there were no mechanisms or platforms for feedback or input. Each channel also operated independently, with physical stores and direct home selling based upon geographical limitations and one-way purchasing such as catalog and television home shopping order placement.

Beginning in the mid-1990's, the speed of change required to take advantage of developing internet technologies started to challenge the very foundations of these mass retailer successes, cracking open the door to the possibility that some of these assets might turn in to liabilities. The internet, supporting technologies and changes required to order fulfillment, delivery and the customer experience made the competitive advantages afforded by the previous strategies now a challenge in defending their customer base. Complex legacy computer systems that are difficult to rapidly change and large staffs trained to support these old slow processes ironically began to hinder the ability to evolve quickly and adapt to this entirely new shopping channel. The internet and digital retailing had begun its relentless march to irreversibly change the retail commerce playing field. No longer was there a guarantee that the largest and mightiest would assuredly be there for the long haul. Now, the nimble, fast thinkers and quick adopters of continual change might actually have the greatest chance of long term survival. *"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change." – Darwin*

Digital Disruption - The Opportunity for a Shift

While routine and expected in some industries such as science or engineering, by comparison, technology changes in retail up to the point of the launch of ecommerce powered by internet occurred over broad periods of time, often took years for mass adoption and were typically of a non-disruptive nature, so that retailers who lagged or did not participate could usually still compete and survive. Examples include 1970's point-of-sale data systems, the rise of UPC barcodes in the 1980's and electronic data interchange, or EDI.

The internet, however, was of such an unprecedented, large-scale and fast moving disruptive nature, and when partnered with the previously established consumer acceptance of alternative shopping channels and overwhelming customer interest, there was little choice but for most retailers to find a method to adapt and participate. Classified as an economically disruptive technology, the internet enabled new business models, transformed the way we work and live and opened the door for new competitors to upset the previously established order (Manyika and Chui, 2013). Once major new technology and the ensuing different way of doing things has had the opportunity to be mastered, lasting change is created, and cultures and businesses do not ‘unlearn’ (Manyika and Chui, 2013).

The chasm had been crossed and suddenly, what had seemed like an assured demise reversed as the local shop owner now had a platform to take back the one-to-one personal relationship with the customer. Mass retailing models of the previous 30 years had virtually eliminated this opportunity, but now, retailing had come full circle. The ecommerce internet allowed the personal back in, creating a new selling environment to reinvent the definition of a retail user experience.

The Early Wild West of Ecommerce Internet Up to 2015

The technology of the internet was of such a disruptive nature, it caused new companies and business models by the hundreds to develop, many of them created by entrepreneurs who were supported by deep-pocketed investors hoping to make fast fortunes and stake their claim in the potential action. These were not only actual ecommerce selling sites, but also encompassed entirely new types of ancillary companies born to support these retailers, such as shopping portals, analytics and product review software and search tools. Early innovations included development of powerful search engines such as Google and software platform tools for sorting, filtering and searching for products on these ecommerce websites. Affiliate model websites developed, creating avenues for revenue sharing by delivering ready customers to potential retailers. Entirely new retail companies debuted with immediate consumer acceptance, including the online auction site eBay and Amazon, originally on online book seller which continually reinvented itself by adding thousands of merchandise categories. All of these companies shared one thing in common; they leveraged the power of harnessing data, analyzed it and delivered the user experience digitally based on the results of the customer's actions and preferences. The internet gave the customer power, a voice and a platform for an ongoing dialog with the merchants where they chose to spend money. Most importantly, a shift had occurred as the consumer now had a vote in the retail process. The age of customer-driven everything had begun.

The phenomenon and rapid development of online-only retailers, or pure plays, epitomized economist Joseph Schumpeter's theories of creative disruption which holds that innovations cause industries to be rearranged, profits shifted and the strongest incumbent businesses to no longer hold the prime positions when such a significant advance as the internet is in play (Caballero, 2000). This new breed of retailer required many of the same business practices as traditional retailers to deliver product to customers, however, unencumbered by legacy systems and infrastructure, they designed and invented from scratch with no predetermined limitations, approaching the solutions for customer acquisition, marketing, inventory management, process design and customer service from a new point of view. This allowed them to evolve in the space far faster than their established retail counterparts. Many also architected their websites from inception with built-in data analytics tools to monitor customer actions, setting the stage for confident, fact-based ongoing testing and adaption of future versions. One additional significant outcome that should not be overlooked is that traditional wholesalers and manufacturers who previously were relegated to service of the retailer supply chain quickly discovered that they too, could easily build an ecommerce website and sell directly to customers, further disrupting the previous order. The early results and surrounding excitement had some observers stating that pure play retailers would permanently replace traditional brick and mortar retailers.

Traditional retailers scrambled to create online versions of their brick and mortar stores or catalogs. Many divisions and large retailer websites were developed as stand-alone entities, with little governance and having no semblance of similar branding to their physical store counterparts. They often employed in-house built standalone architectures that today they find unable to scale or integrate into store technology and inflexible to adapting to new fast-moving paradigms such as mobile. Rapid development of price comparison sites and shopping portals aggregated together similar types of retailers, pure-play or traditional, and powerful engines democratized available options and prices for consumers.

As all of these technologies and consumer behaviors began converging, the shift of power continued its irreversible movement from the retailer to the consumer. The customer now was empowered with tools and information to become well-informed about the product they were considering to buy, further opening the door for alteration of the decision-making and purchasing process.

Momentum Interrupted – Summary of the 2008/2009 Recession

The 2008/2009 worldwide recession was an extraordinary time in history, leaving many business segments ravaged, not the least retail. According to Kantar Retail ShopperScape research of the time period, two-thirds of all shoppers changed their behavior, aggressively decreasing overall spending and shifting focus to deals (Gildenberg et al, 2012). While the recession was a temporary condition, the consumer permanently adopted a new behavior pattern of deal-seeking. In a 2010 survey of U.S. consumers by Booz & Company, consumption patterns were reshaped as a result of the recession, demonstrating a new frugality characterized by decision-making based on low prices (Egol et al, 2010). Concurrently, during the ensuing five years, the large portion of baby boomer segment of the population has been moving toward a slower consumption rate, as is typical when consumers age. Several large scale and countless smaller retailers did not survive the upheaval of the recession time period, including Circuit City, Linens 'N Things, Mervyns and KBToys.

According to Prosper Insights & Analytics, it was not until June 2012 that consumer confidence began showing any signs of recovery, and cautious, mindful and pragmatic spending continued for the majority of consumers, with six out of seven reporting they researched products online before making a store purchase (Prosper Insights, 2013). The overall significance of this time period in retail history is that the internet was already firmly in place, which allowed the rapid development and flourishing of online price comparison sites. Additionally, the new ecommerce retail business models of flash sale and virtual coupon daily deal sites emerged seemingly overnight. This included, mid-recession, the creation of Groupon, which launched in November, 2008 and went on to become the second fastest online company to hit a billion-dollar valuation (Steiner, 2010). Other early daily deal sites included Gilt Groupe, HauteLook and One Kings Lane. The rapid expansion of these sites was aided by the then-emerging mobile device technology that could deliver price comparisons and deals nearly instantaneously wherever the customer was located.

Which is better, shopping in store or online?

In the early days of the internet, a constant dialog prevailed regarding the assumed threat ecommerce posed to the existence of brick-and-mortar retail stores. Within traditional retail organizations, competing divisions perceived they were fighting against each other for the same customer dollar. It was a common early practice for large retailers to develop different, opposite or even replicated assortments with siloed, separate buying and planning teams supporting each channel. Showrooming is a recent term assigned to the customer practice of examining product in a store and then later going online to purchase elsewhere, often at a lower price. As retailers have evolved to break down traditional sales attribution models across their channels, synchronized store and online assortment parity and developed internet price-matching policies, the fears of showrooming have largely dissipated. The large electronics retailer Best Buy, which experienced plummeting stock valuations in late 2012 due to analyst warnings of the impact of showrooming, attacked the problem head-on in 2013 by implementing in-store price matching strategies and improving customer service (Fitzgerald, 2013). New research indicates that two-thirds of consumers who make a purchase online go to a physical store to test, taste or have a friend contribute to the decision prior to purchase (Ben-Shabat and Moriarty, 2014). The even newer term, webrooming, or reverse showrooming is the opposite practice, where customers research and shop online first, then go into the store to make their final purchase.

Now that online selling has been in existence for twenty years, it seems plausible that the retail store will continue to exist, albeit in ever-changing formats. However, there remain many differing authoritative opinions on the subject, such as prominent internet pioneer Marc Andreessen’s 2013 prediction that traditional retail stores will become extinct due to the fixed costs of real estate and product inventory (Shontell, 2013). The more likely reality is that digital, mobile and ecommerce will together continue to expand the opportunities and platforms to sell product in all channels. The distinct difference will be defined by how the retailer responds to customers in a digitally enabled world.

While many early conclusions drawn were that internet shopping was without question best, time has demonstrated that the discussion should not be around which is better or more preferred by the customer, in-store vs. online, but rather, it should be acknowledged and embraced that each channel has its strengths. In PricewaterhouseCooper's 2015 Total Retail survey, respondents identified that the top three reasons for shopping in-store were the ability to touch, see and try on merchandise, immediate acquisition and certainty about suitability and fit, while the top reasons for online purchasing were better prices, 24/7 shopping availability and the lack of need to travel to a store (2015). The next evolution, which is presently developing, includes shop online, pick-up in store as well as shop in store and purchase expanded assortments online. This blurs the lines and allows the customer to take full advantage of the strengths of each channel.

While the debate for some retailers continues over which is better, pure-play or brick and mortar, mobile devices and technology are further shifting the dialog. Previously not anticipated or considered in the early debates was mobile internet. These portable devices, in just a few short years, have gone from a luxury device for the few who could afford or those who invested in leading technologies, to a way of life where users are able to routinely research and interact with the physical world easily and routinely (Manyika and Chui, 2013). Almost two-thirds of Americans own a smartphone, using it to connect the online and offline worlds, and 46% state they could not live without it (Smith, 2015). This new paradigm establishes the core reason that mobile devices will drive future commerce; customers already own the device and the retailer simply has to build the engagement tools and platforms around it.

It's 2015 - Now what?

Retail now is a consumer centric playing field, and being a retailer no longer means the company is in charge. The customer drives the outcome of everything, from product assortment they will purchase to what they will pay to the level of customer service that is required to earn and keep their business. Customers changed, fueled by the technology of the internet and mobile devices and traditional retail industry models have no alternative options but to adapt.

Many traditional retail organizations have for the most part been randomly only addressing the most visible digital consumer-facing areas, such as developing and maintaining a website or a social media presence. These operators have mostly built separate digital or ecommerce divisions in addition to their historical store divisions, with the net effect outcome that each division has been creating, managing and delivering their own consumer experiences and touch-points, often in conflict with the other. Only now is it becoming blatantly apparent they are not organized correctly to meet customer demands and many are struggling to create one unified division or find a way to integrate all together.

The three core challenges these retailers are facing are that their digital and mobile operations are built within disparate silos operating independently from their core retail store operations, there are not system-wide standards that govern all consumer touch-points, and there is no one customer advocate with strategic oversight and cross-divisional decision-making that is overarching. Traditional retailers now must face the reality they need a business model evolution that will effectively guide how to invest money, time, and resources in breaking down barriers and silos and reinventing, changing and evolving their businesses from the inside. Central is the analysis and change required to assess and eliminate time and resource burn on functions and work that is no longer needed or adding value as well as re-engineering of internal operations to become customer centric. Some very traditional retailers may also face the reality that internal staff is resistant to process change, which impedes business, growth and ultimately, survival. Adding more urgency to the need for quick adaptation to the new retail landscape is that those competing retail companies and supporting businesses born post internet are already operating without these historical, legacy constraints.

The unrelenting pressure from competitors is having the effect of challenging how retailers are organized and structured. This disassembling of and reframing the organizational structure and job functions and creation of new ones, particularly where digital initiatives are an output will cause a massive sea-change within the inside ranks of corporate retail structures. This includes product inventory management, marketing, order status, fulfillment and customer service. It is imperative that the retailer now address the customer holistically. Where individual retailers have not moved quickly enough to solve some of these challenges on their own, third-party companies have been born out of these needs and are filling in the voids. These innovators, such as third-party ecommerce warehouses or call centers specifically built for ecommerce, are able to deliver a seamless experience to the consumer, without the customer realizing it is not the retailer.

Most retailers are presently at a crossroads regarding how they will participate and form consumer engagement strategies that will set in place the roadmap to success or failure in the new digitally integrated model and they must make critical decisions related to investments in support of both technology and the consumer's continually changing behavior. There is no turning back to the pre-internet and pre-mobile environment and there are great challenges and decisions to be made regarding financial, infrastructure and human capital investments, with far too many options for any retailer to attempt to implement all.

Many leading pure play and traditional retailers have been developing their sites for numerous years. Consumers have adapted, learned and in fact, now expect core best-practice site merchandising functionality, including robust search and filtering, product reviews, color swatches and image zoom. The next generation of sites must invest in adding deeper, accurate content to fulfill customer research demands, as well as information videos and site personalization.

There is no question the now fully empowered customers demand a basic best-practice technical framework but evolving quickly even more so, what will determine which retailers they choose to spend money with will be driven by their consistent overall experience when interacting with the retailer. The role of the successful retailer will be to continually shape and build customer relationships. This does not just simply mean the actual shopping experience, but rather, an all-encompassing, channel agnostic, singular view of the retailer to include the physical store environment and atmosphere, which includes digital and product interactivity, the ecommerce website, mobile experience, but also all pre-purchase email or print marketing, post-purchase digital communication, chat and phone communications, the experience of the package that arrives, the experience of an online order completed with in-store pickup, the product return and customer service experience and even the store associates. Concurrently, the power of brands, both retail and product, has also shifted to the customer. Where previously retailers such as Abercrombie could set the bar of what was considered cool without input from the consumer, the customer now dialogs socially, validates or dismisses virally and virtually, often almost instantaneously. The input is visible and transparent to all customers through social media and through video documentation and online reviews. The retailers who want to avoid extinction must acknowledge this and transform the customer experience with urgency.

The customer’s expectations are quickly moving toward the desire and rapidly moving toward demanding seamlessly experiencing the brand the same at all touch points and contacts. In addition, the voice of the customer and their opinion about the success or failure of the retailer or product to meet their expectations at every point of customer interaction is now quickly disseminated in the new digitally enhanced shopping experience due to the inherent viral nature of social media and the first person accountability delivered by online reviews and videos. Those retailers who understand and embrace fully integrating their online and offline experiences will have the advantage. The consumer path to purchase product is no longer a singular, direct route, but now has many different paths to the sale and ultimate satisfaction. While the majority of customers will always care about price and delivered product, within the next five years, the end-to-end experience with the retailer will become their true measure of value, the determining factor in customer loyalty and repeat purchases and ultimately, the reality of which retailers survive.

Present U.S. Retailer Challenges

Digital engagement within the physical store is the next new retailer frontier. Retail is in the maturation stage, but is quickly evolving into the post-modern, as we are already seeing a shift away from supercenter formats from retailers such as WalMart toward small, urban “alternative” retail formats to yield future growth, with a net effect that a dismantling will occur of mass homogenization (Gildenberg et al, 2012). As consumers have enthusiastically embraced digital shopping, the opportunities for impulsive and ‘surprise discovery’ of products and experiences in a retail store have largely been stripped away due to pre-research and shopping performed on mobile devices. This has eliminated much of the need for customers to spend long periods of time browsing in-store. The logical next evolution for the retailer to set themselves apart from the competition is to create unique consumer experiences, while embracing the digitally savvy shopper. According to a recent article, U.S. consumers are demonstrating a growing preference for experiences, spending up to 40% more if they encounter integrated, interactive spaces that engage and tell a story (Byron, 2015). Not unlike Selfridge's in 1909, retailers that are embracing the new slow shopping movement are integrating experiences such as cozy lounges, art installations and coffee bars, while updating them with a modern-day twist of interactive display screens, digital price tags and selfie stations. The success comes when they are able to emotionally connect with their customers.

Re-engineering store spaces and keeping up with the connectivity and functional requirements to deliver a flawless interactive and digital experience to the customer is a unique and evolving challenge. The physical store is rapidly being redesigned to facilitate interaction with the customer. Often, old buildings and mall locations don't have technical infrastructure that will support these new technology needs. Additionally, pricing and promotions will continue to be delivered real-time, based on nearby competition and the customer's previous behavior and preferences, utilizing digital price tags and mobile device scanning capabilities.

Reporting, forecasting and inventory for many traditional retailers is presently set up separately for store and digital, however, the convergence renders this infrastructure obsolete. In addition, standard store productivity measurements such as inventory turn, staffing and overhead costs have historically been measured in terms of dollars per square foot. However, the purchase online, pick-up in store model changes this accountability. Retailers will need to quickly evolve to one single view of inventory. It will be necessary to see and fulfill inventory from any location within the retail organization, and inventory accuracy at each location will become critical.

Two of the largest ongoing expenses for a retailer are inventory and staff labor costs. Embracing both showrooming and webrooming, with the goal of delivering product to the customer regardless of the channel where they purchase will cause a need for new methods of forecasting inventory and staffing needs. Retailers such as Urban Outfitters have already redesigned to serve digital and stores from one inventory pool.

To support decision-making, retailers will need to move from the present common activity of collecting data to one of mining and taking action based on accurate results, testing and findings. The speed of technology change, particularly the collection and mass accumulation of ‘big data’ and how to harness it to expose the big trends is critical to learn and react based on the findings in order to improve profit and efficiencies.

Unquestionably, retailers must embrace the consumer mobile mind shift. All retailer future strategies must have as a core basic a fully integrated mobile experience. There is presently an ongoing dialog of the merits of a site optimized for mobile vs. building multiple apps. There is likely a need and room for both. The customer who uses the website is likely researching or seeking deeper information prior to making a buying decision. The speed and visual information presented are very important to this user. On the other hand, mobile app users are likely the retailer’s smaller, more loyal group, and they are seeking a specific value proposition, such as an easy payment method, digital coupons or credits in a loyalty program. Customers are showing some signs of fatigue with the overload of apps, primarily because many of the early versions developed from retailers were simply desktop applications that had been poorly ported to mobile. There is a lot of friction around online payments and sales completions, as many companies create their own mobile versions, which customers do not want to learn and keep up with. As retailers have to make tough decisions regarding human and capital investments, customer input and conversions are pointing in the direction of investment in sites optimized for mobile as opposed to continued multiple app development (Mulpuru, 2015).

What Must A Retailer Do Now

Now empowered with digital communication devices, organizations are being pressured by customers to deliver innovative experiences in order to garner share of wallet (Platt Retail Institute, 2014). However, it’s important for the retailer to recognize that not all consumers behave the same when empowered with technology. Consumer groups are rapidly dividing into two dominant generational segments that have very different motivations and purchase drivers, defined by the large baby-boomer population over age 50, and the under age 30 segment. The older group is more technically skeptical and retailers likely need to adapt to appeal to them, particularly if digital initiatives such as geofencing seem like big brother or invasive and intrusive. The younger segment is much more adaptive and less suspicious of continual online interactivity with the businesses they engage. Based upon these two different major groups, it’s possible that one technology strategy will not suffice for both. The young ‘digital native’ group immediately reaches out to the digital environment for information and to make buying decisions while the older group uses alternative or additional methods. Developing navigation and content to address the different behaviors is key for the two groups, acknowledging the same approach will not necessarily yield the same output.

Many retailers have figured out how to reinvent their supply chains in order to deliver new product faster and more efficiently, and to continually revise their processes. Those who have not invested in these areas are now lagging exponentially behind. Additionally, as the large format stores continue to downsize, the larger remaining footprints may become the warehouses to service inventory for perimeter stores. As retailers work to develop and refine their order online and ship-from-store infrastructures, consideration will have to be given to new complexities such as store labor, space requirements for packing and shipping and employee training of online order fulfillment.

The most critical investment now is for the retailer to develop their own version of experiential shopping. The core requirements are that it must add new customer value and set apart how they engage, then ideally, how it will change their life. Almost of equal importance is determining how to create a new organization that has at its foundation delivering a seamless customer experience with one voice, no matter the consumer touch-point. Solutions must be a team-based effort, cultivating the conditions within the organization to allow the best consumer experience as the end result. No longer can one part of the organization, such as marketing, product buying, IT or logistics work independently. Additionally, there has to be a culture shift, one of enabling experimentation and a forum for continually updating how the customers are viewed and thought of. Employees at all levels must embrace, buy-in and engage with a full understanding of this mission.

Conclusion – The Customer is in Control

The reality of retail today is that success and survival will be earned by those retailers who are able to adapt and innovate faster than their competitors. The overall business model must be agile, flexible and able to scale with ease. Among the constantly changing business conditions and requirements retailers of all types face today, the certainty is that the customer is continuing to evolve at an unprecedented pace, fueled by digital and mobile. The convergence and blurring between digital and the physical store environment now requires the retailer to become customer-obsessed and architect and deliver a seamless customer experience. Retailers must not forget the basics of thinking like their own consumers, examining everything through their eyes. They must have a superior understanding that customers do not think or decide to shop in channels, but rather, are motivated to purchase when they are delighted and have a great experience, end-to-end.

This requires a core understanding of the value of technology, of testing, learning and walking away from failed initiatives and of quickly building upon successes, which of course, requires investment in harnessing accurate shopper and product data to understand. Those retailers who ensure their version of experiential shopping is unique and personal, create a value difference, is pleasurable and enjoyable and fulfills not only the tactical need but the emotional and personal will create a true connection, which will translate into unwavering loyalty and revenues. And finally, a reinvention of the internal organizational structure, revenue attribution, employee functions and buy-in is required to support execution of the vision. Embracing these factors will position retailers to navigate the complex online and offline retailing landscape of the future.

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