



# BRICKS, MORTAR, THE INTERNET AND MULTI-CHANNEL RETAILERS

## Is this the end of high-street shopping?

By **Craig Armstrong** and **Gareth Stokes (Birmingham)**

Today it is unthinkable for a major retailer not to have an online presence. In less than 20 years, consumer retail channels have revolutionized the way that the retailer interacts with its customers. It was as far back as 1995 when Amazon.com launched its online offering and this upstart quickly caused its bricks and mortar competitors to launch competing sales websites. Since then, Amazon has branched out from selling books to almost every type of product, and is now a major presence in a wide range of retail sectors.

From a consumer's perspective, one downside to shopping online rather than in bricks and mortar retail stores is the lack of immediacy and product intimacy. The most obvious manifestation of this is that the consumer must wait for their goods to be delivered (and potentially wait at home for delivery). This also impacts upon the ease with which the consumer can return goods to the retailer, and the ability to test, feel, handle or try on the goods. Finally, shopping online generally requires the use of a payment card (whether a credit card, debit card or prepayment card) or an account with a payment services provider such as PayPal.

The trade off is that consumers are able to find goods at lower prices and order goods at times when bricks and mortar stores would usually be closed. In many cases these benefits have outweighed the drawbacks, as we have seen, and continue to see, a steady trend towards online sales at the cost of the high street.

Multi-channel retail is an attempt to address some of the inconveniences of online shopping – or alternatively to bring the benefits of online shopping to the high street. For example, the offer from some retailers to order online

and collect in-store gives consumers the ability to order online whenever it suits them (including when the stores are closed) and to collect from a store whenever is most convenient. For consumers, this avoids the need to wait for potentially slow postal services, the need to pay postal charges and the need to wait in for a delivery. Similarly, returning goods to a store, or paying in cash upon collection rather than using a payment card, gives consumers more flexibility. Frequently these retailers also offer lower prices to consumers online, and the multi-channel buyer will generally be able to benefit from these prices even if collecting in-store.

While multi-channel retail can have real advantages over traditional online-only or bricks and mortar only models, it is not a universal panacea. To work to its best advantage, it requires that the retailer properly addresses the technical, commercial, operational and legal challenges.

The retailer needs to ensure that its IT systems are sufficiently integrated such that no discrepancies can occur as to actual stock levels in-store (although this is also hampered by in-store thefts that have not been accounted for within the stock system) and that the ordered item is promptly put aside by the in-store sales staff.

The retailer also needs to make clear in its customer terms that stock errors can arise, and that a telephone call to the store is recommended if the customer is travelling a considerable distance to collect. This at least limits the contractual ramifications (though perhaps not customer disappointment), particularly where there is unexpectedly high demand for a particular item.

Clearly, the decision to offer an online ordering service which involves putting aside stock in-store does have implications for the usage of existing store retail space. Reassigning shop floor for back room stockholding is not cost effective, but this has to be balanced against the reduction in shopping immediacy if the ordered item has to be shipped from a distribution warehouse to the store in question.

Multi-channel retail inevitably involves more complex warehousing, distribution, fulfilment and stock control arrangements which need to work together to deliver a seamless experience for the customer. This means that stock control systems need to be fed live data about goods in and goods out at each point in the chain, and each retail channel (such as online, in-store ordering points, telephone contact centres.) must have access to that data. Similarly, data will then drive the stock holdings at the fulfilment centre, which in turn will drive the retailer's ability to have orders picked, packed and ready for delivery.

All of this requires that the retailer ensures that each of its suppliers that is involved in the fulfilment chain, and its own business units, commit to tight service levels (ideally backed by meaningful service credits). There needs to be clear hand-over of responsibility across each link in the chain.

While finding it challenging to compete solely on price with Internet-only businesses, the likes of Argos, Currys and PC World have successfully combined their existing store network and their online presence. The result is an attractive "click and collect" proposition for the customer who prefers to use the Internet as a research and purchasing tool, but also appreciates the convenience of quickly collecting from a local store within minutes of making the purchase. Many of these retailers have had to overhaul their ERP systems to fully automate and integrate their online sale systems with in-store stock control systems to ensure that the customer does not arrive in-store only to discover that the chosen item has not been put aside for collection, or worse, sold to another customer in-store before the item has been put aside.

These activities cost money, and retail businesses have had to invest considerable sums in new systems and processes for multi-channel retail to become a reality. All of this is in addition to any infrastructure that the retailer maintains for its bricks and mortar store network. Purchasing from a multi-channel retailer will never be as cost effective as from a purely online retailer, as the multi-channel retailers cost-per-sale will be commensurately greater. On the other hand, if packed and presented correctly, consumers are happy to put a value on convenience and immediacy. The challenge for multi-channel retailers is to ensure their cost base is as low as possible in the first place, and then to persuade consumers of the added value of that convenience.

The challenges faced in developing a multi-channel strategy for a premium brand selling high value items are quite different to

those in volume sectors. Consumer experience is even more key to success, and regardless of how the customer chooses to browse, purchase and contact the department store, it needs to match up to the high standards of the carefully crafted in-store experience. Even more critically, the precise accuracy of stock control systems (including in-store picking and reservation of items) and having accurate live data available to all channels, including the web store, becomes critical where the item being purchased is rare and luxurious.



A further development in the business landscape for retailers is the arrival, and overwhelming popularity, of the smartphone. For those retailers with a bricks and mortar store network, the availability of apps such as that offered by Amazon, allowing the consumer to scan product bar codes and, in the case of the Amazon app, to check Amazon's own price for the product and order it directly through the app using Amazon's one-click process, represents a significant commercial challenge.

## THE FUTURE

If price were the only consideration, then why would anyone still shop on the high street?

Clearly interaction with the product and the intimacy of the shopping experience remain important factors, and price and convenience alone will not dictate the evolution of retail. Therefore, a retailer who cannot, or chooses not to, provide consumers with a multi-channel offering should not be on the defensive, but rather empower its store staff by providing better product training to store staff to enable them to answer consumer questions and enhance the in-store experience. Multi-channel retail will inevitably continue to have a big impact on low value commodity goods but human beings are not computers (yet!) and we believe shoppers will continue to pay a little extra for the human touch – especially in relation to higher value, prestige and luxury goods.