THE RETURN OF THE BIG BOX

Can brick-and-mortar retailers match the game of online giants?

The battle between online retailers and traditional brick-and-mortar stores is entering a new and exciting phase. Less than a decade ago, experts had predicted the demise of the big box retailer because with online retailing, people could shop for larger inventories from the comfort of their homes and get items delivered in a relatively short time. These experts claimed that traditional brick-and-mortar sales strategies were going to be the cause of their quick demise. And until recently, big box retailers were indeed struggling to beat the large online retailers at their own game.

However, another dynamic came into play: The online-to-offline strategy, which was expected to rewrite the rules of web commerce radically, was not working so well. Fleets of unmanned delivery drones and fulfillment kiosks are yet to manifest and prove themselves. In the meantime, traditional brick-and-mortar stores found their stride, created excellent websites, and armed themselves with a host of IT tools, big data, and analytics.

These traditional stores are changing time-tested strategies. Take, for example, the Adidas store in Lower Manhattan in New York City. It houses a high-tech digital wall showcasing every Adidas offering in existence. The multimedia display is akin to an endless aisle – a small store but with a huge inventory. Customers can scroll through the display and select sneakers, their colors, and features, and plug all the information into the system. Once that is done, the salesman, the first human interaction in the store, appears with the exact pair the customer requested.

Everything is customized and is ready to wear. Should the customer wish to purchase the sneakers, it is instantaneous, without the wait time that one will encounter in an online order. This example of sneakers is one of many. It marks an enormous change in the brick-and-mortar store strategy. Expect big boxes like Walmart and Best Buy – the latter just announced that it would be selling the new Apple Watch at its stores – to use their brick-and-mortar outlets as an advantage.

It marks an enormous change in the brick-and-mortar store strategy – so enormous, in fact, that web retailers are the ones who should sit up and take notice.

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Big box stores as demand fulfillment centers

The growing phenomenon called 'showrooming' is when customers drive to a store, peruse a wide selection, chat with the knowledgeable sales staff, and determine which appliance or item of clothing is right for them. Then they drive home and order that item from a pure-play web retailer for a cheaper price. Not so good news for big box retailers, but then they also figured something out that became a game-changer: What 'showrooming' also implied was that most consumers do not view a trip to a big box retailer as a chore. To them, it is a

pleasurable experience because the displays are always changing and the retailer focuses on promotions and informs them about these on mobile devices while they are in the store. The process of demand fulfillment using IT software, big data, and real-time predictive analytics showed that big box retailers can ensure inventory that beat the prices of online retailers. Likewise, a customer takes pleasure in buying an item on the spot instead of having to drive to some fulfillment center or wait for a courier to bring it to her doorstep, after having ordered online.

Big box retailers have realized that their spacious stores are essentially fulfillment centers – but much better looking. Their

well-trained sales associates are a tremendous advantage over the experience of someone simply scrolling down a web page and looking at products. Customers can continue to drive to their favorite stores to kick the tires. And they can also order the merchandise from the same retailer online should they wish to. Target's newly introduced ship-from-store program at 136 stores in 38 markets has the ability to reach 91 percent of American households by ground transit within two days.

Omnichannel retailing – Where consumers genuinely enjoy a trip to the store

The traditional stores now have websites that are just as good, if not better, than the online retailers. A recent study revealed that 44 percent of American shoppers access their smartphones while they are in a store. They can bring the online experience to the physical store on their mobile devices. So retail chains now have a broader digital (online, mobile, kiosk, social media, etc.) presence than ever before. The digital consumer who prefers scrolling down web pages in the privacy of her home can order products online. But she does not have to wait for the mail to arrive. If she has ordered the item from a big box retailer's website, she can drive (or, depending on where she is, even walk) to the actual store and pick it up immediately. Therefore, we are seeing the rise of the stores as local fulfillment centers.

The reason why a technologically-savvy big box retailer can successfully take on the Internet giants is its ultra-modern command of the supply chain and inventory process. Showrooms and impressive websites are the direct outcomes of the digitization of the supply chain. Inventory fulfillment and operations management have been utterly transformed by IT. Big box retailers can tell in

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real - time which customer has entered what store, and based on her previous purchasing patterns, they can focus special promotions on her within the store. The business model that is now transforming the marketplace is based on an effective combination of digital and brick-and-mortar locations.

Shoppers might not want to admit it, but hunting for deals and discovering sales online can be addictive. Brick-and-mortar retailers are also providing them with the fun shopping experience of hunting for deals in a physical store. They are engaging their consumers in a one-on-one retail relationship. They are achieving this focus by utilizing the very best analytics and big data tools. The result is omnichannel retailing in which customers genuinely enjoy a trip to the store.

Online retailers' answer to 'showrooming'

On the other hand, online retailers, who invented this category, are not standing by. That is because, if a customer decides to 'showroom' and then go back home to order the item online, he might find 10 versions of the item he saw at the brick-and-mortar store. Simply put, online retailers are trying to negate the growing trend of big box stores as fulfillment centers. They are giving brick-and-mortar stores a shot across the bow, demonstrating that whatever a customer might find in a physical store, he will find a far larger and more expansive inventory online. And because of this vast inventory, online stores can afford to cut prices. Brick-and-mortar outlets might have won the initial battle, but the online giants are also making a comeback.

Like every other web success story, this is far from being the last chapter. Expect innovative ideas, fierce strategies, and a gala time for consumers.

About the Author

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Amitabh is a leader in the practice focusing on client relationships globally in addition to focusing on the CoE for Retail Supply Chain and Merchandising Solutions. Amitabh has 19+ years of IT and Business Process Delivery experience with Retail and CPG clients. He has been recognized as a thought leader and has authored several white papers in the areas of supply chain management and merchandising. Amitabh holds an MBA from the Indian Institute of Management, Calcutta, and a mechanical engineering degree.

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