# L9 PREP - Readings

## Are retail stores broken

* Physical stores are still primary way people acquire materials
* Online is retail extension in a multi-channel world
* Store needs to add value beyond just merchandising or just a transaction – enrich lives
* Department stores have been trying to protect past model – main focus on category selection to be distinctive
* Typically 1-2 leaders per decade: 80s walmart efficiency; 90s Gap model specialty store; 2000s Amazon and Apple. Not if but who will be next?
* What online does best is compete on price and convenience. Race to the bottom; no added value
* Want customers to see one company integrated between online and retail – same products same prices. At Apple, retail and online are separated BUs to allow focus on retail (complex)
* Need to trust intuition more than just the data. If everyone follows the numbers; they would all end up at the same place.
* Building relationships needs to happen face to face
* Fast follower strategy only works if you are low cost; doesn’t work if you are a differentiator
* Can’t follow the customer; need to lead them by anticipating their needs and meeting them b4 they know what they want

## Future of shopping

* Discount dream for shoppers is retailers nightmare
* Automobiles = suburbs malls. 60s70s discount stores and category killers
* ecommerce harder to define (order online pickup in store, try in store order online cheaper)
* Omni channel retailing: leverage countless channels
* Online advantage: huge selection, reviews, price comparison, no gas/parking

Holding back retailers: technological illiteracy and 4 other factors:

* Retailers were burnt by .ecommerce hype in dot com bubble
* Digital retailing threatens existing store economics, measurements systems and incentives
* Retailers focus on wrong metric: profit margins if a change dilutes margins; bad.
* Conventional retailers haven’t had great experience with breakthrough innovation; most comfortable with incremental improvements

Online competition drivers Vs. retail are growing: Price, Selection, Convenience, Trust

Idea:

* After doc come bubble burst, retailers are lagging to embrace digital technolofy
* Need to define omnichannel strategy: integrated sales experience that merges information rich online with advantages of physical stores
* Retailers face challenges; not tech savvy and need to move away from same store sales metrics
* Must transform the one feature online doesn’t have: stores from a liability to an sset. Transform shopping into entertaining and exciting experience

Redesign shopping from scratch

* First face reality: what should be different today assuming that 20% sales will come from online tomorrow?

Basic retail idea:

* Stock products you think customers will want
* Cultivate awareness of what is in the stores
* customers enter the store, make it easy for them to buy

Omnichannel brings challenges:

* Products can be more easily customized
* Awareness also depends on online community
* Shopping experience includes shopping for price/venders