

Are consumers checking out of traditional retail?

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Poor performance over the festive season suggests shoppers are spending elsewhere.

The festive season is traditionally the retail sector's best performing period. Yet for some – including Woolworths, Truworths and Mr Price – it was more damp squib than a very merry Christmas.

While reduced discretionary income and a tightened credit environment are the widely acknowledged culprits, underwhelming financial results from traditional retailers also indicate that shopping habits are changing. Consumers – particularly those in higher income segments – are savvier and more connected than ever before. Gridlock traffic, queues and mall crowds, coupled with poor in-store service and limited product availability make armchair shopping a more convenient and appealing alternative.

To compete for their share of wallet and remain relevant in an increasingly competitive sector traditional retailers must take heed of declining non-food sales and develop strategies that embrace digital as the touchpoint of choice for the next generation of consumers, while providing compelling in-store experiences that drive traffic to their bricks and mortar locations. To do this, retailers should change their thinking about stores as transaction centres (which can now be done faster online) and focus more on what their customers want in-store: experience, convenience, integration and personalisation.



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Experience

Retailers will need to provide more than just product to the masses. They need to give shoppers something they can't get online: a tangible experience.

Too often a consumer will walk into a store and not receive any help. It sounds simple, but an engaging interaction with a knowledgeable staff member can transform an experience from mediocre to memorable. Upskilling employees is an essential starting point. Training and encouraging the front line to actively assist customers will not only contribute to better sales volumes, it also helps consumers build a positive relationship with the brand.

Retail stores also provide an opportunity for consumers to test, try and learn about products. This aspect of the shopping experience cannot be replicated online. E-tailers have identified this limitation and are also beginning to enter the traditional players' space. Internationally, Google and Amazon were among the first to open physical stores, while locally Discovery has been among the first to set up shop. These physical e-tailer stores often feature product demonstrations, interactive displays and consumer education. Traditional retailers would be wise to leverage the in-store experience to their advantage.

Convenience

Consumers are highly connected, yet time-poor. With a growing supply of online alternatives, a visit to the local mall on a Saturday morning may not be an appealing option. Add an impatient child to the mix and the experience becomes even less so. In addition to streamlining transactions, retailers must also implement ways to bring the products to the people, not the other way around.

Branded pick-up points and pop-up shops provide a viable solution. Consumers order what they want online and, if a delivery service option doesn't suit them, they can collect their goods at convenient points closer to work or home. In an effort to meet ever-changing consumer needs, American courier firm UPS has successfully rolled out self-service lockers for its retail clients, while at home Makro offers lockers at select Sasol petrol stations for customers to collect goods bought online.

Checkout queues are also contention hotspots. An Achilles Heel for retailers, pre-purchase and self-check-out options ease the congestion. Starbucks recently implemented a feature allowing customers to place an order through the app, and then collect their coffee directly from the barista counter, eliminating the need to pay in-store at all. Amazon has taken this concept one step further allowing customers to literally grab-and-go without paying in store. This exact approach may not be viable in South Africa for security reasons, but it does suggest the kind of alternatives that are being explored.

Integration

While most traditional players now have a virtual presence, e-tailers have the design advantage and have built their systems around their customers. Established businesses, on the other hand, are often saddled by legacy IT and siloed structures. This not only hinders their ability to be agile and adapt to the changing consumer, it also means they struggle to unite their

e-commerce and physical stores channels to deliver an integrated experience.

Apps and social media are here to stay and retailers must up their game when it comes to integrating their on- and offline businesses. When returning an item bought online to a bricks and mortar location for instance, the retailer's system must be able to accept the goods and reimburse the customer. The same consistency should also apply to discounts and promotions. To the consumer, the physical and online store are one in the same.

Retailers can use digital channel integration as an opportunity to use the practice of 'showrooming' – the act of examining a product in-store and then purchasing it online from a competitor at a lower price – as an asset. By enabling staff members to instantly price match and process transactions as they assist customers on the sales floor, retailers can turn smartphones to their advantage.

Personalisation

Big data is giving e-tailers the edge when it comes to intimately understanding what their customers want. By tracking consumer IP addresses and other digital data, e-tailers can understand their customers and then provide them with customised offers and experiences in real-time. Traditional retailers rarely, if ever, have the same level of detailed information about individual consumers who walk through their doors – at least until a rewards card gets swiped at the end of the customer journey.

While food retailers are creating customised convenience through concepts like 'meals for under R100', the jump to personalisation requires more information about individual preferences and patterns. For this reason, traditional retailers who integrate their on- and offline channels, and can engage customers while gathering data through digital means as consumers shop in-store, will have the most success delivering personalised experiences. In the future, perhaps these same food retailers will offer recipe recommendations and personalised deals via a location-based service on a shopper's mobile.

The way forward

What is happening to retailers is not dissimilar to what happened to travel agents years ago and to the publishing industry more recently. Online alternatives that are faster, cheaper, more convenient and customised have significantly changed how these sectors do business; retail is simply the next in line.

To stay relevant, retailers must create physical shopping environments that engage the customers, and offer a valuable – even memorable – consumer experience. In the near future, retailers will also need to provide a personalised journey tailored to a customers' lifestyle habits and preferences. Failing to do so will, in all likelihood, see sales decline as the effort it takes a customer to visit a physical shop won't be worth the transaction and this time next year retailers' financial results will again have taken a big beating.

ABOUT JULIA AHLFELDT

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