

RETAIL: CHANGES & CHALLENGES

By Anne Marie Soto of Retail Marketing Society



Breakfast Banter, a new series sponsored by the Retail Marketing Society, offers attendees the opportunity to engage in meaningful conversation, led by well-known retail industry personalities, on some of today's key retail issues.

The series debuted with Robin Lewis, founder and CEO of The Robin Report, and Jan Rogers Kniffen, CEO of J. Rogers Kniffen World Wide Enterprises and a regular contributor and commentator on CNBC. The event was moderated by Richard Baum, Managing Partner, Consumer Growth Partners.

The Changing Role of Brick & Mortar Stores in the Shopping Equation

Kniffen: The retail apocalypse is far from over. It's just in phase one. We saw record store closings in 2017; 2018 was a little better. Now we are back over the record pace of 2017. In 2019, approximately 6,100 stores are scheduled to close.

But even with all these store closings, there are still plenty of people buying stuff. People buying things in brick-and-mortar stores, okay, maybe it's still 90% of the buying, but it's basically none of the growth.

So, we've got a big issue with what we are going to do with brick-and-mortar. We're going to continue to see store closing announcements, store shrinking announcements because every retailer I

talked to says "my stores are too big" and "I have too many of them." Even Walmart will tell me [its] stores are too big. If they could do it over, they would be building smaller stores.

Lewis: We know that the physical stores are going to be around forever. But what percentage of the retail business will go online? We don't know yet. By default, the space is shrinking like crazy. But physical stores have a tremendous advantage; they can compete on both playing fields and have something the Internet players don't have, that will take them a long time to get: a physical three-dimensional place where one can create compelling experiences that will steal those young people away from their phones.

It's harder and more costly for the Internet players, including Amazon, to come into the physical world than for the brick-and-mortar retailers to move into the online world. We are seeing that play out with Amazon. Even if Amazon takes the time necessary to build out on their own physical spaces, Walmart is going to be ahead of them big time. What Walmart is doing now is incredible. They are moving fast, and they already own those physical spaces.

Survival & Transformation of Legacy Retailers and Brands

Lewis: There are barriers to surviving and creating a transformation. The first, and perhaps the most important is mindset. These aren't buildings; they are platforms upon which they can do anything they want. Second: leadership, leadership, leadership.

Third: culture, which may be the biggest thing to overcome. These cultures have been growing for a hundred years. They have become sclerotic in a way — too bureaucratic, too deep. Fourth: capital. These legacy guys have got to have the capital to be able to invest in technology and those that cannot are not going to make it.

The last barrier is speed. They've got to move fast. We know nine out of 10 startups aren't going to make it, but the one out of 10 here, the one out of 10 over there,

the one out of 10 over time — as Warren Buffet would say about money over time, a million here, a million there and pretty soon you've got real money. Pretty soon, all these upstarts in the aggregate are going to be taking huge chunks unless the legacy guys move quickly, change and reposition their businesses.

The Rising Importance of Personalization and Customization

Kniffen: I'm very big on personalization and customization. I believe that all the brands have to do it because it's what the customer wants. Every brand must be able to customize to you the consumer because that's what the consumer wants.

Once we get to the point of 3D printing and automatic knitting and all kinds of stuff that we can do, it will get progressively cheaper to make that pair of Nike's in your color with your face on it as opposed to just any other pair of Nikes. The only reason they don't do it right now is it's a little more expensive.

But it's a double-sided sword. If you talk to Coach, they will tell you people want a customized Coach bag. That's why they have Coach custom shops in so many of the stores. If you talked to Nike, they will tell you people want to customize their shoes and have them be one-offs. But the worry is that once everybody starts customizing everything, once you can't tell it is Louis Vuitton anymore, do you really want to carry it?

Brands are going to have to be very careful to maintain their personality and still let you customize.

Once it gets to the point that it's so customized that nobody knows what it is, you can go to Amazon and get a very similar product customized by somebody you've never heard of. That's the risk.

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