

Henry Ford And Steve Jobs... Retail Revolutionaries

Henry Ford is credited with developing the mass production processes that made the automobile accessible to the masses. Indirectly, he can also take credit (or blame, depending on your point of view) for the shopping mall, the supermarket, big box stores, and most of the other retail formats that currently dot the landscape. None would have been possible without the mobility afforded by the car. Steve Jobs, the father of the smartphone, is likely to have a similarly transformative impact on how we buy things.

A new study from Forrester Research illustrates just how much the smartphone is changing consumer buying habits. There are currently 186 million smartphones in use in the United States today, or one for everyone between the ages of 19 and 64. With access to the internet anywhere, anytime, Forrester reports that 52% of all purchases are now either influenced or transacted online. (9% of retail is done online and 43% of all purchases are preceded by some type of online research.) The percentages are probably higher for m.i. products because two of the largest retail categories, groceries and gasoline, have little online activity.

Online research has become such an integral part of the buying process that, according to Forrester, 89% of all buyers expect to be able to view in-store inventory online and a third of all shoppers said they would be “unlikely” to visit a brick-and-mortar store that didn’t post its inventory online. 75% also said they would be “more likely” to visit a store if inventory was visible on a website and marked “available for purchase online.” The influence of the internet continues all the way up to the cash register. 57% of shoppers between the ages of 18 and 24 routinely checked prices on their phones while shopping in a brick-and-mortar store. “In-aisle” price checking is less prevalent in older demographics—only 16% of baby boomers do it—yet 23% of all consumers engage in the practice. Of those consumers who used their smartphones to check prices at the store, 49% reported buying at the store, 41% made the purchase somewhere else, and 10% either couldn’t remember or made no purchase.

Not surprisingly, price is the most often cited reason that 41% chose not to buy from a brick-and-mortar merchant. Local stores don’t necessarily have to meet the lowest online price; however, there are limits to the price premium they can charge. 52% of shoppers said they would pay 1-5% more for the opportunity to see and touch a product in a store and take immediately delivery. Only 18% said they would pay 6-10% more. The number of consumers willing to pay more than 10% quickly diminished to insignificance.

Based on these findings, Forrester advocates that retailers embrace “channel integration.” In plain English, that means

integrating brick-and-mortar/online shopping platforms to provide a multitude of buying options: shopping online with the option to pick up items at the store; shopping online with an in-store return option; or just browsing or buying in store or online etc. While the logic is indisputable, this widely touted “bricks and clicks” strategy seems to exist more in theory than reality. Amazon.com has yet to open any storefronts, and giant Wal-Mart, despite massive investments, generates less than 5% of its revenues online. Music products retailers confront the same challenges. The skills required to develop a sales-generating website aren’t relevant when interacting with a customer face-to-face, and most of the successful online merchants we’re familiar with admit to being poorly equipped to deal with the occasional walk-in customer. Brick-and-mortar merchants are also rarely “best in class” in developing a website. The head of a successful chain recently said to us, “We’re not good with our website. When we turned it over to some online



guys and stopped offering suggestions, it got a lot better.”

Achieving “channel integration,” in or out of the music industry, is a long-term project. In the near term, Forrester research offers some useful advice. Consider equipping salespeople with mobile devices to integrate into their sales presentations. Simply acknowledging the reality of “in-aisle” price shopping adds to a store’s credibility. In addition, knowing what products and retailers the customer is looking at makes it easier to offer credible alternatives. Also, don’t be hostile to customers who are furiously checking their phones in your store. You may resent being “Amazon’s showroom,” but online research is not going away and survival dictates adapting to it.

In the 1960s, we began running obituaries on retailers who clung too long to their downtown locations after customers had migrated to the suburbs. In retrospect, you could say they were victims of the revolution started by Henry Ford. The challenge today is adapting to the world created by Steve Jobs, where everyone has access to nearly limitless product and pricing information.

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