

RESEARCH

58pc of retail execs think bricks-and-mortar will not survive

November 12, 2015



Value Retail promotional image

By JEN KING

In the near-future, retailers plan to grow and invest in Web, mobile and social technologies as these channels continue to yield strong sales results, according to survey conducted by CIT Group.

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Similar to consumer outlook, most retailers feel confident about sales and revenue growth as 2015 comes to a close and 2016 begins. Ending the year on a high note, 58 percent of respondents of CIT Group's seventh annual "CIT Retail Outlook" study predict that holiday sales will increase by 6 percent or more.

"The report corroborates what we have been observing over the past few years with our clients and provides us insight into what retail executives are focusing on, both in terms of their near-term tactics and long-term strategies," said Burt Feinberg, president of [CIT Commercial & Industrial Finance](#).

For the [CIT Retail Outlook report](#), 250 senior middle market retail executives took an online survey produced by Harris Poll, on behalf of CIT Group, between Aug. 26 to Sept. 21, 2015. The retailers that participated have a revenue between \$5 million and \$3 billion.

Staying competitive

In addition to a successful holiday season, 70 percent of respondents predict continued positive sales across all channels. Integration of various channels has benefited retailers instrumentally, but there is a never-ending need to maintain a competitive edge as technologies evolve.

Technology is clearly a priority for the coming year in the retail space. Survey respondents characterized revenue growth 71 percent from Web sites and 57 percent from mobile sales.

While still vital to conversions in many ways, in-store sales characterized 59 percent of revenue sales. Interestingly, a majority of survey respondents, at a rate of 58 percent, feel that bricks-and-mortar stores will become obsolete in the future.



Image courtesy of Burberry

The bricks-and-mortar landscape is also changing with 45 percent of respondents feeling that the "bell is tolling for malls" as the retail format increasingly becomes irrelevant. Sixty-two percent believe that pop-ups will replace mall culture as temporary storefronts create greater competition for larger, more established retailers, but there is a looming threat from "one-stop shops."

Physical bricks-and-mortar's decline may be related to six in 10 of respondents feeling that omnichannel strategies have been challenging to implement as consumers have come to expect a seamless experience across all channels.

Going forward retailers will continue to increase investments for mobile strategies as the channel has proven to increase revenue. A large majority of retailers that participated in the CIT Group survey feel that having a mobile application, although commonplace nowadays, provides a competitive edge.

The investment on mobile extends not just to consumer-facing apps, but to how sales associates are placed. Two out of three retailers, or 62 percent, plan to increase the number of sales associates they devote to Internet and mobile sales channels for the holidays and into the new year.

Trending

Sixty percent of retailers indicated that 2016 will see a number of trends including new products creating a Web presence, better use of data analysis and chip-enabled credit and debit card transactions.

Likely the most important trend agreed upon by survey respondents in free shipping and seamless return policies both in-store and by mail.

Retailers need to look at free shipping as an investment, weighing the short-term expense against what can be recouped in the long run, according to a recent report by L2.

With players such as Amazon offering expedited, free shipping options, other retailers have been pushed to adopt similar services, but keeping up can be costly, as brands need to absorb the price of delivery. However, compared to a solely ecommerce business such as Amazon, retailers with a bricks-and-mortar presence are at an advantage when it comes to earning back the price of shipping through upselling and in-store conversions at the point of return ([see story](#)).

A number of retailers have recently began same-day shipping options to better serve consumers

For instance, U.S. retailer Barneys New York is now letting its consumers place an order midday and wear the merchandise purchased later that night.

Barneys is the most recent retailer to introduce same-day delivery options within New York for ecommerce purchases. As retailers have struggled to strike a balance between in-store experience and ecommerce, many have introduced delivery options emphasizing service and reliability ([see story](#)).

"We're witnessing an increased fusion between bricks-and-mortar, Web and mobile strategies intertwined with social media to build brands and customer loyalty," Mr. Feinberg said. "The use of improved customer data is helping to achieve efficient targeted marketing using these mediums to build sales to all generations from millennials to baby boomers."

Final Take

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