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The end of retail as we know it?

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Eighteen years ago, when the commercial Internet took off and online retailers such as Amazon appeared, the vast majority of retailers barely reacted.

Initially dismissive, they slowly started building online presence, but did so in small, and often erroneous, steps, unwilling or unable to make any dramatic strategic changes.

Instead of thinking about how the Internet would change the retail experience and their own businesses, they initially attempted to create an online replica of their offline channel – early online catalogs being the worst illustrations.

Fast-forward 18 years and most retailers still have not mastered the online experience. They unfortunately pale in comparison to where Amazon was at the beginning of the century.

Many retailers, such as bookstore chain Borders, could not adjust their core strategy, which ultimately led to their demise.

That said, most retail segments were largely untouched by the Internet revolution, which remained true until the advent of the iPhone.

Ring of truth

Before the iPhone, and the following boom of perpetually-connected mobile devices,

there were two distinct retail channels, the online and offline ones.

The fact that the Internet was only available to consumers at home or at work created a natural barrier between the two different channels: consumers could not leverage the power of the Internet and be in the store at the same time.

The iPhone disrupted this equation and dramatically changed the nature of the game.

Along with the plethora of ubiquitous and constantly connected mobile devices, it is rapidly removing the online-offline shopping gap that shielded offline retailers from the Internet threat and creating a whole new breadth of shopping opportunities outside of the retail stores.

Shopping is now morphing into a set of new consumer experiences and behavior, in which the lines between online and offline disappear, and where consumers are able to buy anything they want, anywhere, anytime.

But the reaction of most retailers feels like *deja-vu*.

Five years after the launch of the iPhone, half of the largest retailers still do not have a mobile presence, and the ones that do often make their desktop operations accessible on mobile devices, just thinking of mobile as an additional channel.

What is equally and potentially even more worrisome is that most retailers are currently focusing their energy on building or refining their mobile sites and applications, instead of thinking about how the Internet, accessed via always-connected mobile devices, will completely revolutionize shopping and disrupt most retail stores.

In other words, most retailers are currently building barriers to deal with small waves, while a tsunami is fast approaching.

Amazon surges

While it is a known fact that large numbers of consumers are shopping online while standing in physical stores, this behavioral change represents just the tip of the iceberg.

We are starting to see a metamorphosis in the way consumers, brands and retailers interact.

The shoppers of tomorrow will buy products by scanning QR codes on billboards or offline magazines, seize last-minute deals sent via text message, replenish their regularly bought items from home with their tablets and smartphones, and make impulse purchases on the fly through radio or television commercials.

Though the trip to the mall will remain one of the many options available, consumers will increasingly use mobile devices as the gateway to many more compelling shopping experiences taking place anywhere, anytime.

The 800-pound gorilla in the room, Amazon, has clearly taken notice of this massive disruption and is, once again, paving the way for tomorrow's retail.

Not only does it have a clear lead in online and mobile shopping, but given its recent

moves – \$750 million-plus purchase of Kiva Systems, a maker of highly sophisticated robots for shipping centers and multi-billion dollar investments in same-day/next-day shipping, for example – it is gearing up for market domination.

Amazon is combining extensive mobile hardware and software, breadth of product offerings, customer-centric approach, competitive pricing, free shipping, same-day delivery and immediate gratification, all intertwined to provide a ubiquitous and highly satisfying consumer experience.

Not constrained by costly legacy stores in valuable locations, Amazon has, and will continue to make expensive, yet game-changing moves to leverage the amazing opportunities derived from the tectonic changes affecting retail.

IN THIS NEW world, the traditional retail adage – location, location, location – will likely become a thing of the past, and spell the end for several big retailers.

The retailers that will survive will be not be those that designed cool mobile apps and created a new mobile channel, but the ones that understood the fundamental shift affecting retail, re-thought their value proposition to consumers and revolutionized their core operations.

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