It’s a snowy Saturday in Chicago, but Amy, age 28, needs resort wear for a Caribbean vacation. Five years ago, in 2011, she would have headed straight for the mall. Today she starts shopping from her couch by launching a videoconference with her personal concierge at Danella, the retailer where she bought two outfits the previous month. The concierge recommends several items, superimposing photos of them onto Amy’s avatar. Amy rejects a couple of items immediately, toggles to another browser tab to research customer reviews and prices, finds better deals on several items at another retailer, and orders them. She buys one item from Danella
online and then drives to the Danella store near her for the in-stock items she wants to try on.

As Amy enters Danella, a sales associate greets her by name and walks her to a dressing room stocked with her online selections—plus some matching shoes and a cocktail dress. She likes the shoes, so she scans the bar code into her smartphone and finds the same pair for $30 less at another store. The sales associate quickly offers to match the price, and encourages Amy to try on the dress. It is daring and expensive, so Amy sends a video to three stylish friends, asking for their opinion. The responses come quickly: three thumbs down. She collects the items she wants, scans an internet site for coupons (saving an additional $73), and checks out with her smartphone.

As she heads for the door, a life-size screen recognizes her and shows a special offer on an irresistible summer-weight top. Amy checks her budget online, smiles, and uses her phone to scan the customized Quick Response code on the screen. The item will be shipped to her home overnight.

This scenario is fictional, but it’s neither as futuristic nor as fanciful as you might think. All the technology Amy uses is already available—and within five years, much of it will be ubiquitous. But what seems like a dream come true for the shopper—an abundance of information, near-perfect price transparency, a parade of special deals—is already feeling more like a nightmare for many retailers. Companies such as Tower Records, Circuit City, Linens ’n Things, and Borders are early victims—and there will be more.

Every 50 years or so, retailing undergoes this kind of disruption. A century and a half ago, the growth of big cities and the rise of railroad networks made possible the modern department store. Mass-produced automobiles came along 50 years later, and soon shopping malls lined with specialty retailers were dotting the newly forming suburbs and challenging the city-based department stores. The 1960s and 1970s saw the spread of
discount chains—Walmart, Kmart, and the like—and, soon after, big-box “category killers” such as Circuit City and Home Depot, all of them undermining or transforming the old-style mall. Each wave of change doesn’t eliminate what came before it, but it reshapes the landscape and redefines consumer expectations, often beyond recognition. Retailers relying on earlier formats either adapt or die out as the new ones pull volume from their stores and make the remaining volume less profitable.

Like most disruptions, digital retail technology got off to a shaky start. A bevy of internet-based retailers in the 1990s—Amazon.com, Pets.com, and pretty much everythingelse.com—embraced what they called online shopping or electronic commerce. These fledgling companies ran wild until a combination of ill-conceived strategies, speculative gambles, and a slowing economy burst the dot-com bubble. The ensuing collapse wiped out half of all e-commerce retailers and provoked an abrupt shift from irrational exuberance to economic reality.

Today, however, that economic reality is well established. The research firm Forrester estimates that e-commerce is now approaching $200 billion in revenue in the United States alone and accounts for 9% of total retail sales, up from 5% five years ago. The corresponding figure is about 10% in the United Kingdom, 3% in Asia-Pacific, and 2% in Latin America. Globally, digital retailing is probably headed toward 15% to 20% of total sales, though the proportion will vary significantly by sector. Moreover, much digital retailing is now highly profitable. Amazon’s five-year average return on investment, for example, is 17%, whereas traditional discount and department stores average 6.5%.

What we are seeing today is only the beginning. Soon it will be hard even to define e-commerce, let alone measure it. Is it an e-commerce sale if the customer goes to a store, finds that the product is out of stock, and uses an in-store terminal to have another location ship it to her home? What if the customer is shopping in one store, uses his smartphone to find a lower price at another, and then orders it electronically for in-store
pickup? How about gifts that are ordered from a website but exchanged at a local store? Experts estimate that digital information already influences about 50% of store sales, and that number is growing rapidly.

As it evolves, digital retailing is quickly morphing into something so different that it requires a new name: omnichannel retailing. The name reflects the fact that retailers will be able to interact with customers through countless channels—websites, physical stores, kiosks, direct mail and catalogs, call centers, social media, mobile devices, gaming consoles, televisions, networked appliances, home services, and more. Unless conventional merchants adopt an entirely new perspective—one that allows them to integrate disparate channels into a single seamless omnichannel experience—they are likely to be swept away.

**An Industry Stuck in Analog**

Why will digital retailing continue to grow so fast? Why won’t it peak sometime soon, or even implode the way it did the last time around? Anyone who has shopped extensively online knows at least part of the answer. The selection is vast yet remarkably easy to search. The prices are good and easily compared. It’s convenient: You can do it at home or at work, without using gasoline or fighting to park. Half of online purchases are delivered free to U.S. consumers—up 10 percentage points over the past two years. Many returns are free as well. Product reviews and recommendations are extensive. Little wonder that the average American Customer Satisfaction Index score for online retailers such as Amazon (87 points) is 11 points higher than the average for physical discount and department stores.

The advantages of digital retailing are increasing as innovations flood the market. For instance, Amazon has already earned valuable patents on keystone innovations such as 1-Click checkout and an online system that allows consumers to exchange unwanted gifts even before receiving them. Digital retailers drive innovation by spending heavily on recruiting, wages, and bonuses to attract and retain top technical talent. They were also
among the first to utilize cloud computing (which dramatically lowers entry and operating costs) and to enhance marketing efficiency through social networks and online advertising.

Customers are out in front of this omnichannel revolution. By 2014 almost every mobile phone in the United States will be a smartphone connected to the internet, and an estimated 40% of Americans will use tablets such as the iPad. If you doubt whether consumers are ready for technology-driven retail solutions, find a “dumb” video display in any public location and look for fingerprints on the screen—evidence that people expected it to be an interactive touchscreen experience.

Meanwhile, traditional retailers are lagging badly. Online sales account for less than 2% of revenue at Walmart and Target. Nor are traditional retailers pioneering digital innovations in other channels, such as mobile shopping and call centers, or seamlessly integrating these technologies in their most important channel—physical stores.

It’s not surprising that these retailers are bringing up the rear. As a consultant, I often walk through stores with senior retail leaders whose knowledge of physical retailing is impressive: They know precisely where a fixture should be, exactly how lighting is likely to affect sales, and which colors work best in which departments. As a group, however, they are shockingly subpar in computer literacy. Some retail executives still rely on their assistants to print out e-mails. Some admit that they have never bought anything online. Technophobic culture permeates many great retail organizations. Their IT systems are often old and clunky, and knowledgeable young computer geeks shun them as places to work.

But it isn’t just computer illiteracy that holds traditional retailers back. Four other factors are at work as well.
Online competition increases predictably as online prices, selection, convenience, and customer trust improve relative to physical stores. Here’s how three industries scored for key drivers (1=low; 5=high). Try this yourself: If your total is between 30 and 35, digital capabilities are or will soon be a strategic priority for your firm. If it’s below 30, you should focus on developing digital tools to build traffic, enhance in-store experience, and increase basket size before competitors do.

Retailers were burned by e-commerce hype during the dot-com bubble.

Many created separate online organizations to maximize valuations. The separate organizations targeted different customer segments, inhibited collaboration, and created serious frictions and jealousies. When the predictions of dot-com domination proved wildly optimistic, overpriced acquisitions began failing, and store organizations smugly celebrated. A decade later, real collaboration between retailers’ store and digital operations remains rare.

Digital retailing threatens existing store economics, measurement systems, and incentives.

Traditional retailers live and die with changes in same-store sales, in-store sales per labor hour, and compensation systems based on such metrics. That was fine when online sales were 2% to 3% of revenues, but the whole system falls apart when that number reaches 15% to 20%.

Retailers tend to focus on the wrong financial metric: profit margins.

If a change dilutes margins, it’s bad. But Bain’s research shows that retailers’ stock prices are driven by return on invested capital and growth rather than by margins. Amazon’s five-year operating margin is only 4%—far below the 6% average for discount and department stores. But with faster inventory turns and no physical store assets,

https://hbr.org/2011/12/the-future-of-shopping
Amazon’s return on invested capital is more than double the average for conventional retailers. As a result, Amazon’s market value, $100 billion, is roughly equivalent to that of Target, Best Buy, Staples, Nordstrom, Sears, J.C. Penney, Macy’s, and Kohl’s combined.

Conventional retailers haven’t had great experiences with breakthrough innovation. They are most comfortable with incremental improvements and with following the well-known dictum “Retail is detail.” Too many store reinvention programs have launched with great fanfare, only to die unceremonious deaths. Propose a more novel approach and retailers will ask why, if it’s such a good idea, nobody else is doing it.

Retailers tend to believe that their customers will always be there. But as customers grow more comfortable with omnichannel shopping, they grow less tolerant of what they encounter in stores. Sales associates are hard to find. When you find one, he or she doesn’t know much about the merchandise. Stockouts are frequent, checkout lines long, returns cumbersome.

An omnichannel world, in short, represents a major crisis for traditional retailers. Customers are passing them by. Online players are gaining. To keep up, existing retailers will need to create an omnichannel strategy—and pick up the pace of change.

Redesign Shopping from Scratch

The first part of any such strategy is facing reality. Retailing executives must acknowledge that the new technologies will get faster, cheaper, and more versatile. They need to forecast the likely digital density in their categories and prepare for the effects. What should I do differently today if I believe that 20% of our sales will soon come...
based retailer, Barnes & Noble, lost money in fiscal 2011 and struggled to raise additional funding. Physical retailers of music, videos, and consumer electronics face similar challenges. Even apparel and accessories, once considered too experiential to sell online, could approach tipping points in the next five years.

Source: Forrester Research

from digital retailing—and that 80% of our sales will be heavily influenced by it? Should we be opening any new stores at all? And if so, how different should they be? How should we adjust to a world of greater price transparency? What happens when traffic-building categories shift online and no longer pull customers into our stores?

Situations like these call for start-from-scratch, across-the-board innovation. In the book Idealized Design: How to Dissolve Tomorrow’s Crisis...Today, coauthor Russell L. Ackoff recounts a similar turning point at Bell Labs in 1951. The vice president in charge of the labs asked a group to name the organization’s most important contributions to telephonic communications. The VP pointed out that each one, including the telephone dial and the coaxial cable, had been conceived and implemented before 1900. He challenged the group to assume that the phone system was dead and had to be rebuilt from scratch. What would it look like? How would it work? Soon Bell’s scientists and engineers were busy investigating completely new technologies—and came up with concepts for push-button phones, call waiting, call forwarding, voicemail, conference calls, and mobile phones. Retailers need the same start-over mentality.

The design specifications of omnichannel retailing are growing clearer by the day. Customers want everything. They want the advantages of digital, such as broad selection, rich product information, and customer reviews and tips. They want the advantages of physical stores, such as personal service, the ability to touch products, and shopping as
an event and an experience. (Online merchants take note.) Different customer segments will value parts of the shopping experience differently, but all are likely to want perfect integration of the digital and the physical.

The challenge for a retailer is to create innovations that bring the vision to life, wowing those customers and generating profitable growth. Let’s see what this might mean in practice.

Pathways and pain points.
Retailers traditionally defined their job with three simple imperatives: Stock products you think your target customers will want. Cultivate awareness of what’s in the store. When prospective customers enter the store, make it enticing and easy for them to buy. The job in an omnichannel world is more complex. Products themselves can more easily be customized to the preferences of individuals or small groups. Shoppers’ awareness depends not solely on company-generated marketing efforts but also on online expert reviews or recommendations from friends on Facebook and Twitter. The shopping experience includes not just visiting the store but searching for various vendors, comparing prices, quick and hassle-free returns, and so on.

Retailers today have a variety of precision tools that they can apply to discrete parts of these shopping pathways. Consider the job of creating awareness, which in the past relied mostly on mass-market advertising, promotions, and the like. Today marketers can send coupon codes and offers to customers’ mobile devices. They can optimize search terms and location-based promotions. They can provide targeted offers to customers who check in to stores through external platforms like Foursquare. The list of possibilities is getting longer by the day.

Using such tools at each point in the pathway, retailers can identify sets of targeted customers defined by (increasingly) narrow parameters and create appealing interactions. Earlier this year, for example, the UK retailer Tesco studied its South Korean
operation, known as Home plus, to determine how it could increase grocery sales to time-starved Korean consumers. The answer: Bring the store to the consumers at a point in the day when they had time on their hands. In a pilot program, Home plus covered the walls of Seoul subway stations with remarkably lifelike backlit images of supermarket shelves containing orange juice, fresh vegetables and meat, and hundreds of other items. Consumers wanting to do their food shopping could simply scan each product’s Quick Response code into their smartphones, touch an on-screen button, and thereby assemble a virtual shopping cart. Home plus then delivered the physical goods to the shopper’s home within a few hours. According to Tesco, more than 10,000 consumers took advantage of the service in the first three months, and online sales increased 130%.

Omnichannel retailers can devise different ways of wowing each target segment. Some segments can be served much the way they were in the past. Others will require more imagination and innovation. Disney, for example, is reimagining its retail stores as entertainment hubs with a variety of interactive displays that will entice all segments of the family to visit more often and stay longer. But retailers will have to devote resources to this search for innovations along the customer’s pathways. The trick will be to identify each segment’s unique paths and pain points and create tailored solutions rather than the one-size-fits-all approach that has characterized much retailing in the past.

**Bringing Digital and Physical Retailing Together**

Omnichannel retailing is the way forward for retailers seeking to satisfy customers who increasingly want everything. They want the advantages of digital—such as nearly limitless selection, price transparency at the click of a mouse, and personalized recommendations from friends and experts. They also

**The experience of shopping.**

Traditional retailers have suffered more than they probably realize at the hands of Amazon and other online companies. As volume trickles from the stores and sales per square foot decline, the response of most retailers is almost automatic: Cut labor, reduce costs, and sacrifice service. But that only exacerbates the problem. With even less service to differentiate the stores,
want the advantages of physical stores—such as face-to-face interaction with store personnel, products available for trying on or trying out, and the social experience of shopping as an event. Different customers will value parts of the shopping experience differently, but all are likely to want perfect integration of the digital and the physical.

**Advantages of Digital**

- Rich product information
- Customer reviews and tips
- Editorial content and advice
- Social engagement and two-way dialogue
- Broadest selection
- Convenient and fast checkout
- Price comparison and special deals
- Convenience of anything, anytime, anywhere access

**Advantages of Physical**

- Edited assortment
- Shopping as an event and an experience
- Ability to test, try on, or experience products
- Personal help from caring associates
- Convenient returns
- Instant access to products

customers focus increasingly on price and convenience, which strengthens the advantages of online retailers.

If traditional retailers hope to survive, they have to turn the one big feature that internet retailers lack—stores—from a liability into an asset. Stores will continue to exist in any foreseeable future—and they can be an effective competitive weapon. Research shows that physical stores boost online purchases: One European retailer, for instance, reports that it captures nearly 5% of online sales in areas near its physical stores, but only 3% outside those areas. Online and offline experiences can be complementary.

The traditional store, however, won’t be sufficient. For too many people, shopping in a store is simply a chore to be endured: If they can find ways to avoid it, they will. But what if visiting a store were exciting, entertaining, emotionally engaging? What if it were as much fun as going to the movies or going out to dinner—and what if you could get the kind of experience with products that is simply unavailable online?
Help with initial setup or ongoing repairs
Instant gratification of all senses

This is hardly beyond the realm of possibility. Jordan’s Furniture, a New England chain, achieves some of the highest furniture sales productivity in the country by using themed “streets” within its stores, a Mardi Gras show, an IMAX 3-D theater, a laser light show, food courts, a city constructed of jellybeans, a motion-simulation ride, a water show, a trapeze school, and special charity events. Cabela’s and Bass Pro Shops not only have some of the highest-rated websites; they also have some of the most engaging physical stores. These kinds of store experiences are expensive to create. Might digital technology improve the customer experience in stores more cost-effectively?

In fact, it is already doing so. Digital technology can replace lifeless storefront windows with vibrant interactive screens that change with the weather or time of day and are capable of generating recommendations or taking orders when the store is closed. It can allow customers to design products or assemble outfits and display their creations in high-visibility locations like Times Square. It can create engaging games that attract customers, encourage them to stay longer, and reward them for cocreating innovative ideas.

Digital technology—in the form of tablets, for example—can also give sales associates nearly infinite information about customers, describing the way they like to be treated and creating precise models of their homes or body types that enable perfect choices. It can change pricing and promotions accurately and instantaneously. It can provide customized recommendations. Virtual mirrors accelerate and enliven the dressing room experience by connecting customers with trusted friends. Technology can eliminate checkout lines, capture transaction receipts, file rebate claims, and speed returns. It can give a call center operator full access to a customer’s purchase and complaint history.
My objective here is not to enumerate every possible innovation. Rather, it’s to illustrate how the opportunities for digital technology in stores, mobile devices, call centers, and other channels are just as abundant and viable as they are for websites. Moreover—and this is key—retailers in many categories can link these channels and technologies to create an omnichannel experience with stores that is superior to a purely digital retail strategy.

One task is to apply these innovations early enough, frequently enough, and broadly enough to change customer perceptions and behaviors. Adopting successful innovations three years after competitors do is unlikely to generate much buzz or traffic. Of course, many digital innovations will fail, and the effects of others will be hard to quantify. So a second task is to upgrade testing and learning skills to 21st-century levels. It was hard enough to gauge the effects of pricing changes, store-format upgrades, or newspaper versus TV ads in the old world. (Remember John Wanamaker’s famous lament that he knew he was wasting half his advertising budget but didn’t know which half?) An omnichannel world makes those test-and-learn challenges look like child’s play. Retailers must now try to assess the effects of paid search, natural search, e-circulars, digital displays, e-mail campaigns, and other new techniques and third-party innovations such as SCVNGR, a location-based social network game—and must gauge those effects on both physical and digital channels (which include mobile apps as well as the internet).

Leading-edge companies such as PetSmart and the UK pharmacy chain Boots have begun applying science to this task: They are testing digital and physical innovations with clinical-trial-style methodology, using sophisticated software to create control groups and eliminate random variation and other noise. All this is costly, but it’s hard to see how retailers can avoid doing more of it.

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The Near Future of Physical Retail

The Omnichannel Organization
How can retailing companies organize themselves around an omnichannel strategy? Historically, mobilizing an organization to develop and integrate breakthroughs that threaten the base business has been one of management’s greatest challenges. Disruptive innovation requires a separate team that has autonomy, a distinctive set of talents, different knowledge bases, and a willingness to take bold risks. Integrating innovative ideas with the base business, in contrast, requires collaboration, compromise, and detailed planning. It’s a bit like putting a satellite into orbit. Send it too far from the core and it will drift aimlessly into outer space, wasting money and squandering opportunity. Launch it too close to the core and gravitational forces will overwhelm it, causing it to crash and burn. So mobilizing an organization to both develop and integrate omnichannel innovations is challenging. But it can be done.

One approach is to create separate formal organizational structures but coordinate key decisions—something most retailers failed to do the first time around. Apple launched its online store in 1997, midway through the dot-com bubble. When it began opening retail stores in 2001, the company established its online and offline channels as wholly separate organizations, each challenged to maximize sales without worrying about potential conflicts. At first, collaboration between the units was limited largely to
coordinating merchandise assortments, new product release dates, and pricing policies. Fortunately for Apple, its innovative products and unparalleled service trumped its lackluster channel integration. Over time, however, customers began to expect more from a preeminent technology company. Apple increased the level of collaboration, enabling cross-channel returns and using its often frenzied product releases to experiment with new systems for checking a store’s inventory or reserving items online for purchase in the stores. When Apple revamped its physical stores in 2011, it replaced information cards near demo products with iPads, which provide extensive information and product comparisons in much the way the online site does. The iPads also give customers information on omnichannel support options, and they can page an in-store specialist for further assistance.

Innovative organizations also need to attract and retain innovative people—imaginative, tech-savvy, often young individuals who spin out new ideas every day. Retailers haven’t appealed to many of these innovators in recent years. Now that they must compete with the likes of Amazon and Google, they will have to upgrade their recruitment efforts. They may find some of the people they need buried deep within their own organizations. Others they will find in creative centers such as New York and San Francisco, or around college campuses.

In the past, big retailers have had difficulty hiring innovative people and luring them to headquarters operations in Arkansas or Minnesota or Ohio. And they have had little success creating autonomous disruptive groups and linking those groups to their core operations. But the same technologies that are driving omnichannel strategies can help solve both problems. Desktop videoconferencing, mobile applications, social networks, collaborative groupware, shared knowledge bases, instant messaging, and crowdsourcing not only help Amy shop; they also help Sheldon and Rajesh work together—wherever they may live—and integrate their ideas with their employer’s existing capabilities.
The department-store company Macy’s may be showing the way here. In February 2009, when Macy’s consolidated its U.S. divisions into New York, it conspicuously left a digital team in the heart of Silicon Valley. Since then Macys.com has started to add 400 people to its existing team of 300. To attract and retain talented technologists, the division launched its own recruiting microsite touting its enviable location, fashion glitz, and unique blend of entrepreneurial ingenuity and business acumen. It rapidly expanded its participation in the social media most favored by desirable recruits. It studied the characteristics of its most successful executives and then developed professional training programs in communication skills, time management, effective negotiations, and financial expertise so that recruits had opportunities for advancement. It capitalized on the local network of technology entrepreneurs, venture capitalists, and leading-edge software and hardware providers not only to identify talent but also to catalyze collaboration and new ways of thinking. These organizational strategies have helped Macy’s woo and energize technology stars, increase its e-commerce revenue growth to more than 30% a year over the past two years, and attain the top spot on the 2011 L2 Digital IQ Index for specialty retailers.

For most companies, making changes like these is a tall organizational order. Move too slowly and you’re in danger of sacrificing leadership and scale, just at a time when market share is shifting rapidly. Move too quickly, however, and you may not have adequate time for testing and learning. The time-honored rule of the judicial system sets the best course: with all deliberate speed. Retailers need to test and learn quickly but refrain from major moves until they know exactly what they hope to gain. Is it all worth it? A successful omnichannel strategy should not only guarantee a retailer’s survival—no small matter in today’s environment. It should deliver the kind of revolution in customer expectations and experiences that comes along every 50 years or so. Retailers will find that the digital and physical arenas complement each other instead of competing, thereby increasing sales and lowering costs. Ultimately, we are likely to see more new
ideas being implemented as customers and employees propose innovations of their own. In today’s environment, information and ideas can flow freely. Retailers that learn to take advantage of both will be well positioned for success.

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A standout amongst the best articles I have perused as of late: comprehended the potential issue, had certifiable arrangements and proposals on the best way to actualize the arrangements and even had strategic thoughts on how retailers can begin with the writer's thoughts. I just want to add that the future of Shopping will be dependent on Social Media Like Facebook, Google+, Linkedin, etc. So Marketers should focus on these part. For more information you can read Social media marketing blog: http://wikisocialpedia.com/