

COLUMNS

7 areas for retailers to pay attention in year of cautious optimism

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By **Pat Dermody**

With what appears to be a strong holiday performance and gas prices predicted to stay low through at least the first half of 2015, retailers are entering the New Year with a sense of possibility.

There is no doubt that there are challenges ahead for retailers, but in general, conditions are being termed as cautiously optimistic. With that said, here are a few things to pay attention to as we wrap up January.

1. Continued growth in omnichannel shopping

Whatever you want to call it, shopping and buying through multiple channels is here to stay.

As an example, the stats on mobile coming out of the holidays are impressive, both in terms of the online and in-store traffic driven off of mobile devices.

Actual purchasing from a mobile device was also a big hit this winter. Consumers like the flexibility afforded through different channels.

Retailers need to configure their operations to keep at pace with this seismic shift in behavior and deliver what shoppers are coming to expect. Shopping and researching in one channel, buying in another, and returning in a third are quickly becoming the norm.

2. An ongoing development of various payment solutions

Thanks to Apple Pay, mobile pay made its real debut in 2014 and will continue to evolve in 2015.

Whether it will be the replacement cycle and upgrades of iOS devices that enable Apple Pay, the proliferation of retailers accepting mobile payment options, or the build-out of the CurrentC consortium, mobile pay adoption is poised to grow.

Shoppers will look to experiment more in this area in the coming months, while credit card companies do battle to hold on to their share of the pie.

3. The ongoing pursuit of same-day delivery

Same-day delivery sits at the intersection of online and offline retailing. To be able to look, reserve or buy something from your phone or laptop and have it delivered that same day is a retail merchant's and customer's best dream, and potentially a logistic expert's biggest nightmare.

Whether it be by building additional distribution centers, learning how to manage pulling from store stock, partnering with third-party delivery vendors or launching your own drone force, in 2015, you can bet that there will be

lots of work around this objective.

4. Shifting and spreading promotional cadences

As we saw during the holiday season, customers are willing to shop when they see a great deal and not necessarily when a retailer says it is a great deal.

This year, from retailers, look for a lot of experimentation with start dates, durations and flash sales yes, still as well as daily deals and shifting promotional calendar cadences.

At the end of the day, however, the question to be answered will be whether these shifts drive actual incremental sales and margin, or do they just spread them out?

5. Consolidating and cleaning up the over-stored

There is little doubt that the United States retail landscape is, in general, over-stored.

Those retailers who have overbuilt in recent years will look to close underperforming stores and those who are in consolidation mode will do the same.

We are already seeing that play out only a few weeks into the year. Real estate that depended upon those stores as anchors will become even more challenged.

6. The continued love affair with data

Retailers and their support partners have been busy collecting, analyzing and optimizing petabytes of data over the years with a particular crush in the last decade.

The challenge is in activating that data to improve their business operationally and through customer insight.

Retailers naturally gravitate to finding a one-customer view, attempting to use data to isolate and predict the buying behavior of customers across channels and the best media channels to reach those best customers most efficiently.

This is another way to streamline operating costs and develop more efficient go-to-market strategies. Whether this can be done and executed against at the scale that some retailers need remains to be seen.

7. More than ever, it is still all about the customer

The customer wants the right product at the right price wrapped in the right service experience every time. That has not changed, except that perhaps customers are less forgiving of perceived transgressions than they used to be.

Customers want to traverse screens and channels just as easily as they go from their phone to their laptop to their television screen. It is easy to lose sight of that as an organization grapples with the changes that must take place and the resource needs that must be spread against a ballooning list of internal initiatives.

ALL THESE CHANGES and operational improvements must not come at the expense of the customer experience in any channel. Retailers know that, have seen others who have forgotten this suffer, and will be hard at work in 2015 not letting that happen to them.

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