WWD

Spotlight: Retailing

MARKET OVERVIEW

Retail Market Remains Challenging, Despite Strong Sales

Store closures are expected to continue, but retail sales are poised to gain this year. BY **ARTHUR ZACZKIEWICZ**

When it comes to the state of the retail and fashion apparel industries, the glass is either half full – or half empty. It depends on who you ask.

Online brands and the retailers who fared well during the 2017 holiday shopping season see the glass as half full. Sales were strong, with gains coming in at 4.7 percent while online sales rose 16 percent, according to some analysts. The National Retail Federation is also optimistic, and it recently issued a bullish outlook for the industry. But for many of the traditional retailers such as chain stores and department stores, the retail landscape is so challenging that stores must be shuttered and employees laid off.

Meanwhile, on the back end, shorter lead times remain a top priority, but is hard to achieve. And the convergence of online and in-store is not going as smoothly for many retailers and brands as they had hoped – despite investments in various technologies. The end-goal of creating a seamless and delightful shopping experience for consumers regardless of whether they're shopping online, on a mobile device, a desktop or in a store remains elusive.

But for retailers who are not over-stored, over-inventoried and who have a solid omni-channel strategy in place, this year will be better than prior ones.

In its 2018 economic forecast, the NRF said it was "projecting that retail industry sales [excluding sales of automobiles, gas and meals at restaurants] will grow between 3.8 and 4.4 percent over 2017. Online and other non-store sales, which are included in the overall number, are expected to increase between 10 and 12 percent," the NRF said in its report.

Matthew Shay, president and chief executive officer of the NRF said that a robust holiday season for retail sales "is just one of many barometers that points to a consumer that is clearly feeling positive about their financial health. Despite headlines to the contrary, the retail industry is strong, growing and meeting consumer demand with the products they want at the prices they expect and the shopping experience they want to have, online or in store. With consumer confidence high, unemployment low and wages growing, there is every reason to believe that retail sales will be robust throughout the year."

Jack Kleinhenz, chief economist for the NRF added that the "underpinnings of the economy are very good and consumer spending is at the center of our outlook." As such, the NRF expects a good year.

But there are fundamental changes occurring in the market that is making traditional retailing difficult. In a recent Fitch Ratings report on the sector, analysts at the firm said that retailers are "facing a number of structural changes to shopping patterns."

"Consumers are increasingly focused on value, particularly regarding price," authors of the Fitch report noted. "Discount-oriented models are taking share across categories, and include discount general merchants, deep discounters, club stores, dollar stores, off-price retailers and fast-fashion players, as well as online discounters such as Amazon.com Inc."

Case in point: amid numerous store closures in 2017, Dollar General opened 1,000 units. And online, consumer behavior is rapidly changing. "Consumers are using the online channel for not only convenient shopping experiences, but also pre-purchase brand discovery and product/pricing research," Fitch analysts said. "Expectations regarding robust and convenient shopping experiences across stores and online, the speed of online delivery and pickup/return optionality for online orders have increased."

The Fitch report also noted the ongoing change toward consumers buying services instead of things.

And regarding the need for a more seamless and integrated shopping, retailers still have a long way to go. Researchers at NewStore issued a report recently that showed a lack of clienteling capabilities at the store level. The "Omnichannel Report" by the modular cloud platform provider showed that 19 percent of retail brands provided clienteling information to store associates while 7 percent of the companies "offer shared access for store associates to view a customer's online shopping cart."

Photograph by Thomas Iannaccone/WWD

MOBILE COMMERCE

Mobile Commerce In 2017 Hit $1.35T In Sales

● The substantial increase signals to retailers a need for seamless, omnichannel experiences.

BY **ELIZABETH DOUPNIK**

It's a mobile world. According to eMarketer's latest research, mobile commerce hit a new benchmark in 2017: sales increased year-on-year by almost 59 percent, reaching $1.357 trillion. The contributed immensely to the near 25 percent annual rise in e-commerce sales, which resulted in $2.304 trillion globally.

According to eMarketer's research, m-commerce also drove an expansion in average online shopping cart sizes. International accessibility to online shopping platforms democratized e-commerce, and widened brands digital footprint, which injected revenue, too. "In Asia-Pacific, the proportion grew from 70.3 percent in 2016 to 76.1 percent in 2017. In Western Europe – where tablets play a role in several countries – it jumped from 31.3 percent to 35.4 percent over the same period," said the eMarketer report, "Worldwide Retail and E-commerce Sales: EMarketer's Updated Forecast and New M-commerce Estimates for 2016-2021."

This echoes the robust earnings during the Black Friday and holiday shopping period. As reported by Adobe, mobile collected its first $2 billion on Cyber Monday. And while mobile continues to become the preferred device for product research and discovery, retailers should maintain physical footprints for enhanced customer service – and shipment pick-up.

According to eMarketer's report, mobile commerce only devised 6 percent of all retail sales worldwide, though it predicts by 2021, it will double to more than 12 percent – especially in Asia-Pacific markets. Nielsen reported in its latest white paper, "What's Next for China's Connected Consumers" that 84 percent of Chinese consumers used their mobile device to shop – marking a 71 percent uptick from 2015.

Brands and retailers looking to break into new markets would be well-suited to ensure that cross-border commerce platforms are deployed to confirm speedy shipment and delivery, with accurate inventory transparency. What's more, aligning mobile commerce shopping preferences and behavior with in-store technology to elevate the role of the store associate will aid in building consumer loyalty.

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Candor's Role in Transforming Retail

Sam Kliger, founder of KWI, takes a page from Jack Welch to change his company, and help retailers too.

Sam Kliger

● Sam Kliger, founder and chief executive officer of KWI, departed a formal education in computer science and math in the mid-1980s to pursue a vision of offering computerized systems to specialty fashion apparel retailers.

The genesis of his vision was based on observing long lines of shoppers at a Benetton store. After unsuccessfully finding a computer system to help the retailer out, Kliger created the first cloud-based platform. Today, that solution has evolved into a "unified commerce" cloud-based platform that is used by fashion brands such as 7 For All Mankind, Bandier, Veronica Beard, David Yurman, Tom Ford and Nars, among others.

And amid the current changes in the retail and fashion apparel space, Kliger's company recently acquired e-commerce firm Best Retail in a deal that he describes "wasn't a rocket science acquisition, but kind of a common sense acquisition." Changes in the retail industry - such as the growth of e-commerce and the Amazon-effect - are forcing companies to transform themselves, and Kliger said there's a lot of pain points in the process - mostly of the internal kind at each brand.

Kliger has some advice for retailers and brands, and it isn't about investing in the latest e-commerce or CRM platform. His advice has to do with people, and it's based on the transformation of his own company that started with insights from a guy called Jack Welch.

Seven years ago, Kliger found himself - at first - unwillingly attending a three-day conference in Palm Beach. But the management sessions with former GE chairman and business guru Jack Welch captivated Kliger. He learned about the importance of candor and of resistors.

"Candor refers to the absolute necessity of an organization and its people to be candid with one another," Kliger explained. "And when I mean candid with each other, I mean two-way candor up and down the organization. To be candid with his or her prospective team members, his or her peers and his or her boss, and vice versa."

Why candor? Candor is not just about the courage to have an open conversation. "Candor is a critical component of agility, because those who react the quickest, get to the quickest outcome," Kliger explained.

It's noteworthy that candor plays a key role when KWI is working with clients. For example, the implementation of "agile development" has allowed for candor to play a critical role in the development process, Kliger said adding that when the company built its most recent Cloud 9 POS software, "it had the feedback of our clients at the heart of the product."

Kliger said a "lack of candor is an absolute killer in any business in today's world." He cited the board members of Blackberry at the onset of touch screen technology. It was a lack of candor that contributed to the misguiding of the company, Kliger said.

"Candor is easy when there is good news to share," he added. "We believe it is equally, if not more, important to share bad news. And we celebrate when that happens."

With retailers, it is a lack of candor that causes the systems they invest in to not be fully harnessed. Often, they're more focused on the "shiny new object," but don't utilize the full benefits. Kliger said this is why it is critical to galvanize the people, the employees, within the organization.

With "resistors," Kliger said many businesses "are resistant to change" and it is across all levels of an organization. "Resistors are the cancers to every organization and that's why people don't change, and that's why companies falter."

For his part, KWI transformed itself by fostering candor with the organization and letting go of the resistors. Kliger said retailers and fashion brands need to deploy the same approach. "I think retailers in general have a resistive tendency, because they've been doing things such a long time that they have difficulty changing." And that includes being open to the idea of using new technologies to improve the shopping experience or increase internal efficiencies.

To make it work, though, Kliger cites the wisdom of Jack Welch, who noted that business is people-driven. And that's where the change needs to occur. "If the director of HR reports to [chief financial officer], fire that person immediately, and find the smartest person in the world that you can find and have them report directly to you." And put them in charge of employees. You have to make your organization a "people first" one, Kliger added.

At KWI, "we're all together in one building where we can learn from each other," Kliger explained. "Retailers have a challenge with their employees being geographically dispersed. It makes it harder to communicate effectively."

When asked about KWI's solutions, and "unified commerce," Kliger is blunt, and said it's not jargon. "What does unified commerce mean?" he said. "Unified commerce means that a customer should get the same experience online as they do in the stores and vice versa. Unification of commerce."

Kliger acknowledged that while unified commerce is straightforward, there's a lot of catchphrases in the market - much of it misleading. "Tech companies use it to lure people in," Kliger said. "But machine learning and artificial intelligence is the biggest quack of falsehood in the world. A computer cannot think. Show me a computer that can think. That doesn't exist. Retailers think that by buying artificial intelligence and machine learning, that they can replace the job of a buyer. Imagine someone like a Marvin Traub being replaced by machine learning. Is that a fantasy? It's impossible."

"Unified commerce means that when I shop online, I'm able to transact pretty easily and when I walk into a store I can transact pretty easily - online and point of sale are the same," the ceo said adding that most retailers have separate systems for online and in-store and never shall the twain meet. "Which makes marking down items difficult," Kliger added.

Kliger was quick to note that there's no silver bullet solution to be successful during retail's transformation. Even with unified commerce, organizational silos have to be removed. Again, Kliger goes back to the wisdom of Jack Welch. "You have to implement candor," Kliger said. "You must have an organization that can have a candid conversation with each other, because if you don't you don't have a shot."

"And the customer too," Kliger added. "The customer has to come first."