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Exploring the Future of Big Box Retail

224 POSTS

21 PARTICIPANTS

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Background and Objectives

Big box retailers have been a mainstay of the American market for several decades, achieving success through a formula of low pricing and wide assortments in a given category (e.g., Home Depot in home improvements, Staples in office supplies, Best Buy in consumer electronics, etc.). In the past decade-and-a-half, these retailers have been especially vulnerable to the rise of e-commerce and mobile commerce, as well as the decline of showrooming, which was once a strong feature of the traditional big box retailer. Additionally, retailers have failed to define innovative business models in this fast-evolving landscape.

While their models of the past were once effective and earned them credibility as “category killers” in their domain, the future of big box retail (for companies like Best Buy, Costco, Macy’s, Staples) is unclear.
Participants

Participants included experts in retail and channel who have insight into the challenges facing Big Box Retailers and the dynamic retail landscape.

**FACILITATOR**

- **James Black**
  Marketing & Insights Consultant and Freelancer

- **Dustin Garis**
  Founder
  LifeProfit

- **Jeff Knott**
  Chairman
  Tintagel Capital Holdings, LLC

- **Mark Scott**
  Marketing Consultant

- **Rick Planos**
  Consulting Partner
  Global Retail Solutions

- **Jaber Sahourieh**
  Director of Sales, Omnichannel Solutions
  Ebates, Rakuten

- **Elaine Boxer**
  Managing Director
  SC Ventures

- **Justin Schuhardt**
  Director of Operations,
  Omnichannel Supply Chain
  Walmart & Sam’s Club
eCommerce

- **Michael A. Disser**
  President
  MAD Marketing, LLC

- **Andres Siefken**
  President, CEO, Chief
  Marketing Officer Advisor

- **Francois Wevers**
  Owner
  Business Consulting

- **Marc Reintjes**
  Owner, Consultant
  Marc Reintjes Consulting

- **Patrick Van Schie**
  Senior Regional Commercial Director
  Heineken NV

- **Doris Hernandez**
  Supply Chain and Operations Consultant

- **Gopi Krishnan**
  VP Digital Innovation & Domain
  Wipro

- **Maria Leo**
  Merchandising Management Consultant
  XpresSpa, Lion
  Merchandising Advisors

- **Peter Dammann**
  Principal
  Redview Digital
Biggest challenge facing BBRs today:
Create a differentiated customer experience

- 53.33% | 8 VOTES
  Creating a differentiated shopper experience

- 6.67% | 1 VOTE
  Delivering customer service

- 6.67% | 1 VOTE
  Having compelling product assortment

- 20.00% | 3 VOTES
  Developing competitive pricing strategy

- 13.33% | 2 VOTES
  Delivering on customers' needs for convenience
Focusing on the customer experience is key for success, but will not be an easy path.
“The BBR needs to find their own paths to glory. It is definitely not possible to continue their formulas without adjustments... The biggest assortments can be found on the internet and prices are very comparable.”

- Patrick Van Schie
Big Box Retailers (BBRs) face three big challenges in adapting to the new retail landscape

Creating a differentiated shopper experience
Big box retailers need to move beyond the “warehouse” and deliver a unique customer experience

Developing competitive pricing strategies
Low pricing strategies are challenged in a world of showrooming and omni-channel competition

Delivering on customer’s service needs and evolving standards for convenience
Big box retailers need to redefine service in the eyes of the consumer and in the eyes of emerging consumer segments like Millennials
Big box retailers need to move beyond the “warehouse” and deliver a unique customer experience

Tailor your assortment to your target and always have the right items in stock

“Attractive and applicable assortments for your clientele. Not one size fits all. Invest in technology and I.T. rigorously to accomplish this. Work closely with your vendors to manage inventory precisely (VMI).”

Marc Reintjes
Owner, Consultant
Marc Reintjes Consulting

Distinguish your product offering to make your store stand out

“If your product is differentiated (and thus, not replicable), there is a good chance of success in the e-commerce front. Unfortunately, BBRs don't fare quite well in this front.”

Gopi Krishnan
VP Digital Innovation & Domain
Wipro
Developing Competitive Pricing Strategies

Low pricing strategies are challenged in a world of showrooming and omni-channel competition

Tactically: Get ahead of showrooming

“As for combating the inevitable problem - Showrooming - the simple answer is: always match price. Just take that right out of the equation. Let customers stand in the store and comparison shop with their smartphone (because they will), and promise always to beat it.”

Elaine Boxer
Managing Director
SC Ventures

Strategically: Develop a holistic omni-channel pricing strategy

“BBRs have learned to leverage data, personalize the shopping experience, ensure more competitive pricing and developing a more ‘omni-channel’ experience.”

Jaber Sahourieh
Director of Sales, Omnichannel Solutions
Ebates, Rakuten
Delivering on Customers' Service Needs and Evolving Standards for Convenience

Big box retailers need to redefine service in the eyes of the consumer, and in the eyes of emerging consumer segments like Millennials

Design the store and the overall shopper experience around how the target defines convenience to them

“Ease of product location, quick online order pick-up, fast check-out options, readily available customer service support, etc. Convenience is not just the products being offered but the service as well.”

Doris Hernandez
Supply Chain and Operations Consultant

Big box retailers need to think about how Millennials are redefining service and shopping elsewhere

“Millennials are concerned with relationships, community, personalization/uniqueness, social responsibility. The very essence of big box stores and grocery stores, from its layout (big) to the assortment (category killers) conflicts with up and coming psyche of this consumer.”

Maria Leo
Merchandising Management Consultant
XpresSpa, Lion Merchandising Advisors
Conclusions

There are a number of key challenges to the future of big box retail that go beyond the threat of e-commerce.

Chief among these are leveraging “big data” to improve customer intimacy and hiring and retaining the right employees in a challenging labor environment as customers’ needs proliferate.

“Big Box retailers can benefit from the use of Big Data and customizing the brick-and-mortar merchandise offering to local market demographics and using the online channel for other items, especially bulky ones which can take up valuable retail space. They can continue to drive higher dollar per square foot productivity while expanding their offering online for smaller customer segments.”

Michael A. Disser
President
MAD Marketing, LLC
Staying the course will be challenging for BBRs

BBRs need to focus beyond price and assortment and revisit service, format, and the customer experience

Rethinking Space
The key opportunity is in rethinking space, with a mix of smaller formats and adding store-within-stores

Leverage brick-and-mortar
BBRs need to leverage their stores to delight customers in ways that online services cannot

Develop winning formula vs. Amazon
To compete against Amazon, BBRs need to offer something more specialized and different
Leverage the large format to drive customer experiences and up-sell customers

Develop an experience that consumers can't get anywhere else

“Recreate the retail space as a destination where customers can participate in experiences offered nowhere else.”

Michael A. Disser
President
MAD Marketing, LLC

Use the space to up-sell and serve customers

“Use the store to provide more services that can attract more customers and up-sell them thinking not only that you should do it with in-store sales because the costs you have, but online as well.”

Andres Siefken
President, CEO, Chief Marketing Officer Advisor
Leverage Brick-and-Mortar

Big box retailers need to harness the inherent advantage in their stores, and to learn from others who are excelling at driving store sales, like Costco

Surprising and delighting the customer in store is an untapped opportunity

“Brick and mortars have an advantage if they choose to use it – people on site. “Surprise and delight” the customer.”

Maria Leo
Merchandising Management Consultant
XpresSpa, Lion Merchandising Advisors

Learn from other retailers that are winning

“[Club retail will win] because they're focused on a few priorities and execute flawlessly such as small assortment of high volume SKUs, high quality items, and perceived value to consumers.”

Francois Wevers
Owner
Business Consulting
Develop Winning Formula vs. Amazon

Competing against Amazon will only get more intense, but Big Box retailers still have advantages they can leverage.

The ability to serve a customer at the precise moment of need is a key advantage.

“The competitive advantage over pure-play e-commerce retailers are one, you can walk out of the store with the product that day, and two, theoretically, you can get someone to help you in a store.”

Peter Dammann
Principal
Redview Digital

Existing strategies, such as low pricing, are useful but retailers will need to implement new ways of attracting buyers.

“BBRs need to reorganize themselves differently, preserving key aspects that make them unique like low prices and assortment, but enticing the customers in a different way.”

Andres Siefken
President, CEO, Chief Marketing Officer Advisor
“Big box retailers need to define and decide what makes them truly distinctive and focus on that point of difference and jettison things that don’t support their POD.”

Mark Scott
Marketing Consultant

“BBRs need to focus on providing a seamless experience for all these transactions and in-store transactions as well...BBRs are not only competing with e-commerce but amongst themselves with the high volume of stores in close proximity of each other.”

Doris Hernandez
Supply Chain and Operations Consultant
Improving the positioning of BBRs

To reposition in the competitive marketplace, BBRs need to improve service and the overall customer experience

1 Drive Service
Service needs to be a priority from the top down

2 Re-focus stores on customers' needs
Make stores more experiential, more efficient and consider new formats

3 Make employees feel valued
Leadership needs to show front line employees that they are valued in order to drive change in performance
Addressing the real and perceived service gap requires (re)creating a service culture and strong support from leadership.

(Re)create a service culture...

“Companies need to foster a culture of service excellence by measuring, monitoring and making adjustments. Then reward those who meet and exceed the goals set forth.”

Michael A. Disser
President
MAD Marketing, LLC

... which requires strong employee support

“The ‘people stuff’ is critical to the successful execution of the new strategy/vision. In order to ensure it does work, the employees need to be viewed as a valuable asset so they can in turn treat the customers the same way.”

Doris Hernandez
Supply Chain and Operations Consultant
Design the store around how the target customer(s) shop

Make sections of the store feel distinct to particular groups of customers

“Making each section of the store look and feel different, so multiple people shopping together can go to “their” section.”

Maria Leo
Merchandising Management Consultant
XpresSpa, Lion Merchandising Advisors

Design the store's flow around how the customer shops naturally

“Relay the floor plan to move customers around from experience to experience (remember IKEA?).”

Michael A. Disser
President
MAD Marketing, LLC
Leadership needs to show how employees’ work ties to the company’s goals and build a customer-centric organization.

Share how front line employees' work contributes to the company’s goals...

“Show individuals how they contribute. Overemphasize the front line in your communication process. Individuals need to know how their work contributes to the organization’s goals.”

Marc Reintjes
Owner, Consultant
Marc Reintjes Consulting

... and reinforce customer-centric behaviors

“If a company wants to be customer-centric, the management needs to demonstrate the right behaviors. Culture is not about what you say, but about what you do.”

Patrick Van Schie
Senior Regional Commercial Director
Heineken NV
Conclusions
While the retail landscape is challenging for Big Box Retailers, they still have a right to win if they evolve to meet customers’ needs.

“Stay nimble and be ready to change quickly!”
Rick Planos
Consulting Partner
Global Retail Solutions

“You’re not doomed. People will always want to go to places with other people.”
Elaine Boxer
Managing Director
SC Ventures

“Look at Wegman’s, Publix, Southwest Airlines, Starbucks, Apple stores, and the like. It’s ALL about taking care of the customer from the time he/she enters your store or your website, until he/she returns again and again.”
Marc Reintjes
Owner, Consultant
Marc Reintjes Consulting