

Music is stopping for ecommerce firms

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Pure-play ecommerce companies are dead or dying as the ecommerce divisions of 'terrestrial animals' make a comeback. 'The music is stopping for ecommerce firms. The new black in ecommerce is stores.'

That is the view that Scott Galloway, professor of marketing at New York University and Founder of L2, a think tank for digital innovation, presented during a galvanising keynote address on the first day of the ICSC European Conference in London on Monday.

Consumers value convenience over speed, he said. 'The biggest trend in retail is click and collect. Click and collect has grown faster than anyone believed it would as consumers discover they can collect their goods from big flexible warehouses called stores.'

During his address, Galloway pointed out that pure-play ecommerce retailers like Net-a-Porter aren't making money while Amazon has yet to deal with its 'Achilles heel' - the last mile in terms of delivery. 'The last mile is extraordinarily expensive. Amazon still hasn't figured it out,' he said.

At the same time, the number of customers using click and collect is growing strongly and currently stands at about two-thirds in the US, 60% in France and 57% in the UK. Germany lags, however, with only around 20% having tried this form of collection.

The future of retail is a great experience in-store, backed up with an attractive and well-functioning website that integrates with the physical offer, he added.

Retailers can drive sales online through content, he stated. 'Everything a retailer spends on digital should be focused on encouraging people to buy online or in their retail stores,' he said. 'Conversion to sales rises when your website or social media content is strong.'

Best Buy, the American multinational consumer electronics corporation which many had written off as a retail dinosaur is now outperforming Amazon as it uses its stores as fulfillment centres, Galloway noted. He also predicted that Amazon will make a 'brick-and-mortar' acquisition this year, top candidates being Radio Shack, HH Gregg or a petrol station chain, giving it the all-important retail footprint that it currently lacks.

Galloway also predicted that Apple - currently the strongest brand in the world - will in the coming year revolutionise the luxury industry as it brings new consumer products like its digital watch to the market.

Apple sold a staggering one million watches in 24 hours following the product launch, he pointed out. 'Luxury retailers don't want to acknowledge what it's going to do to their industry but this year luxury will hit the wall. This is going to hurt retailers.'

Apple didn't have stores 13 years ago, he added. 'But it has expanded its margins as it matures and is now generating \$5,000 per square foot in terms of sales.'