

A TECTONIC SHIFT

Welcome to the new retail landscape.

BY DAVID J. KATZ

Overall, the fashion apparel/retail industry experienced a challenging first half, a tough third quarter... and then things got worse. It wasn't the weather or the strength of the U.S. dollar. Nor was it product assortment or brand relevance or fear of terrorism, although these all contributed to the challenge.

2015 was the retail apparel industry's most promotional year on record yet department and luxury stores continued to brim with too much inventory and too few shoppers. The word "disruption" is too moderate to describe what's occurring. The retail landscape is in a state of upheaval and there will soon be a tectonic shift, after which, the new landscape will not resemble anything we've previously known.

The Internet's influence on consumer spending is exceeding all expectations and the rate of that influence is increasing. Ubiquitous price transparency has escalated and allows, even encourages, consumers to be more discount- and value-oriented than ever before. Unbiased product reviews are available at the click of a button. Today, to paraphrase Sy Syms, educated consumers are no longer our best customers, they are our only customers. No longer can a brand, a vendor or a retailer exploit the ignorance of their customers; it's now the other way around.

Not only have the path-to-purchase and products purchased changed, the planning and timing of these purchases are evolving too. "Buy now, wear now" is enabled by next-day, even same-day, availability. One can find a full assortment of seasonal brands and sizes on Amazon 365 days a year, with no advanced planning required.

Welcome to the "New Retail Landscape." Retail and brand partners cannot successfully navigate tomorrow's landscape with yesterday's maps. Their strategies, tactics and infrastructure must be rebuilt.

All is not lost. Out of necessity, retailers are re-evaluating their door counts, store locations, web presences and how human, inventory and other resources are deployed to support all channels of shopping. "Stack it high, watch it fly," resulting in stores that often resembled warehouses, will be replaced with integrated online and offline "experiences." Stores will curate assortments with consumer-relevant points of view and new pay-and-carry models.

As for e-commerce, it is neither Savior nor Satan. Depending upon whom you believe, e-commerce is 10 to 20 percent of apparel purchases, leaving at least 80 percent of sales occurring in physical stores. The new landscape overwhelmingly includes smart devices to inform purchase decisions in new and evolving ways. Some interesting new service models are evolving. Deliv supplies same-day delivery service for retailers and merchants, while Curbside.com provides drive-thru pickup and return for any store in a mall. Increasingly, mobile devices are becoming our "go-to" source for product, brand and retailer experiences. Savvy retailers will weave the online world into real-time enhanced shopping experiences providing information on inventory, size and color assortment, features, benefits and delivery options.

New landscape retailers will offer in-store experiences that leverage technology to invisibly fulfill a customer's desires, immediately and without friction. Expect big data, 3-D printing and artificial intelligence to enable personalization and mass customization on a dramatically increased scale and with improved customer engagement. Add social media, smart phones, beacons, and other localized technology, and watch personalization become omnipresent (and possibly an invasion of privacy). Technology will also provide for better fit measurements, augmented and virtual reality to model clothing, and A.I. to design and select it.

The bottom line: successful new landscape retailers will offer great products, extraordinary value, remarkable experience, frictionless 24-hour shopping, immediate availability and outstanding customer service. Survival requires one or more of these attributes; industry leaders will deliver them all.

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