

# Chapter 16

## Retail 2.0:

### The Coming Up of a New Era for Retail Business in the 21<sup>st</sup> Century

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#### ABSTRACT

*Retail was born in 1879 with the first Five & Dime Stores. 130 years after, we still live in the era of Retail 1.5, this means, no real Quantum Leap was made in Customer Experience. However, we strongly believe that, starting half of the first decade of the 21<sup>st</sup> Century, a new Retail Era began. This change is due to the fact that, not only Classic Retailers like Wal-Mart, Tesco and Carrefour started to look to the Persona, instead of a Person among Persons, but also eCommerce Retailers, such as Amazon or eBay showed that eCommerce Retail it's more than a Start-Up, which is something that we can observe by the continued and sustained Double Digit Revenue growths year after year. Social Retail hit the mainstream, when Time Magazine awarded Social Shopping Experience as one of the Best Inventions of 2007. The objective of the present study is to understand what have been done in the field of New Customer Experiences since the beginning of the Classic Retailers, and try to devise what will be the strategic implications for the future, arising from the changes foreseen in the field of retail business. The authors will emphasize the emerging new Trends, and try to foresee what in Social Retail and Online / Shop Customer Experience could be the mainstream for the next decade.*

#### INTRODUCTION

Although some authors, like Drucker (1995) consider that retail was born in 18<sup>th</sup> century, in Japan, the generality of authors seems to be in accordance that, Retail Industry as we know it, was born in

late 19<sup>th</sup> Century (1879) with the opening of Five & Dime store by F.W. Woolworth, which can be considered the father of Modern Retail.

Many others Five & Dime type of stores were followers until the Economic Downturn due to 1st World War and late 20's and early 30' great depression.

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After World War II we saw a new retail boom with the economy growing at a double digit rate. It was during the 50's and 60's that some of today's big name's in Retail were founded. This was the case of Sears, Wal-Mart and many others.

However, in spite of some downturns in this industry, especially in the mid 70's, Retail industry continued to Rise and Shine until today.

With the increasing needs of retailers on the management side and, in particular, regarding Logistics, we have seen during the 50's, a significant contribution of retail business needs for the emergence of the Discipline of Supply Chain Management.

There is no doubt that the way retailers manage their business today (in the so-called retail 1.5 era) represents an important jump from the retail 1.0 era. However, we may say that today's retail megastores are an evolution but they are not really a revolution from the first Five & Dime Store.

Classic Retailers still present a growth of their revenue, but their margins are getting thinner day by day. Important traditional marketing issues like loyalty and customer retention, the reallocation of Store Space or the opening until late hours, don't work anymore. The result is a war for price in Classic Retail, with the known implications in terms of pressure for cost reduction.

Since there is not yet enough intelligence where the opportunity for profitably and the retaining of market share is most promising, Companies tend to invest into too many initiatives that produce zero or negative impact. That can prove expensive, perhaps fatal, since resources are suddenly decreasing. In this framework, getting more for less is the key for survival.

Although Social Retail is commonly misunderstood as ECommerce, it is our understanding that the Socialization of Retail will lead the future and this is a trend that we will see not only on the Web Market.

We believe that, if properly guided by strategic goals, Innovation & Technology can support the 21st Century Retailers to create this Brave New

World, with the capacity to better understand Customers' Shopping Habits, help Shop Managers to know where are the "Hot and Cold corridors", to create Instant Promotions for each Customer in the Basket Case or to guarantee a real Just In Time Retail Logistics.

The objective of this study it's to devise what may be Retailers' (from Small and Medium Enterprises to Large Corporations) future, to help them to prepare strategically for the challenges that are arising, or as Gartner (2008) stated, to support why *"By 2015, more money will be spent marketing and selling to multiple anonymous online personas than marketing and selling offline"*.

## **BACKGROUND**

According to Datamonitor (2009), global hypermarkets and supercenters sector grew by 8.9% in 2008 to reach a value of \$1,476.9 billion. Datamonitor states that in 2013, the global hypermarkets and supercenters sector is forecast to have a value of \$1,923.8 billion, an increase of 30.3% since 2008.

The hypermarket and supercenters sector's annual growth rates fluctuated slightly over 2004-2008, but remained strong overall. The hypermarket and supercenters sector generated total revenues of \$1,476.9 billion in 2008, representing a compound annual growth rate (CAGR) of 8.5% for the period spanning 2004-2008.

The performance of the sector is forecast to decelerate, with an anticipated CAGR of 5.4% for the five-year period 2008-2013, which is expected to drive the sector to a value of \$1,923.8 billion by the end of 2013.

Analysts also expect that there will not be any *New Kid on the Block*, in classic retail since large corporations will benefit from scale economies. So, to create new large hypermarkets companies must invest significantly in things like purchase merchandise, premises, hire and train employees, or marketing (Datamonitor, 2009).

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