

# Mixing bricks with clicks; Retail

[Anonymous](#). [The Economist](#); London [Vol. 406, Iss. 8828](#). (Mar 23, 2013): 70.

## Abstract

Translate [unavailable for this document]

Multichannel (or even better, omnichannel) is something almost every self-respecting retailer wants to be. It means letting customers shop with smartphones, tablets, laptops and even in stores as if waited upon by a single salesman with an unfailing memory and uncanny intuition about their preferences. Pure-play internet vendors are good at this. But most resist the idea that actual stores, with their rents, payrolls and security cameras, ought to be one of those channels.

## Full Text

Translate [unavailable for this document]

Some online retailers are venturing onto the high street

KIDDICARE wants to be as disruptive as the little monsters who use its products. Traditional sellers of baby gear, laden with too many stores and creaky technology, have all the perkiness of sleep-deprived parents. Internet-based Kiddicare should run rings around them. So it seemed odd last year when the British merchant took over ten "superstores" from Best Buy, itself an erstwhile disrupter (in electronics). Far from weighing Kiddicare down like overstuffed nappy bags, the shops will give customers "a true multichannel experience", the retailer vowed.

"Multichannel" (or even better, "omnichannel") is something almost every self-respecting retailer wants to be. It means letting customers shop with smartphones, tablets, laptops and even in stores as if waited upon by a single salesman with an unfailing memory and uncanny intuition about their preferences. Pure-play internet vendors are good at this. But most resist the idea that actual stores, with their rents, payrolls and security cameras, ought to be one of those channels. The thought of having the same costs as bricks-and-mortar competitors "scares the living daylights out of me," says Charles Hunt, owner of Duvet and Pillow Warehouse, a fast-growing online retailer.

Yet Kiddicare, owned by Morrisons, a British grocer, is not the only retailer to shed its online purity. Screwfix, a British supplier to plumbers and electricians, has opened 270 shops since 2005. Bonobos, which sells men's clothing online, has opened several "Guideshops" in America. Zalando, a German online fashion store, opened a physical outlet in Berlin last year. Even Amazon has installed lockers in shopping malls where customers can pick up deliveries: a first step, perhaps,

towardsbricks-and-mortardom. All this suggests that online and traditional retailers are "migrating to a middle ground", believes Matt Truman of True Capital, a fund that invests in consumer companies.

Don't try this on at home

For wares that do not have to be displayed in a showroom, online retailers are hard to beat. They killed Borders, an American bookstore chain, and Britain's Comet, an electronics retailer. But it is easier to judge a shoe's fit or an apple's crispness in a real store. Shoppers who crave instant gratification will not get that online. Tradesmen are last-minute shoppers, which is why Screwfix, part of the Kingfisher DIY group, has so many shops. Car seats must be fitted and parents like to handle baby equipment before they buy it; hence Kiddicare's expansion beyond a single flagship store.

Pure online retailers do not pay rent but their variable costs eat up much of that advantage, says Sophie Albizua of eNova Partnership, a consultancy. Without storefronts to lure in customers they shell out to buy ads linked to Google search results. Delivery, especially of bulky goods, is a headache. Couriers show up at empty houses, and fees often fail to cover the full cost. Shoppers return a quarter or more of clothing they buy, another big expense.

All this looks easier if you have real shops. With "click and collect" customers can order with, say, a smartphone but pick up the item at a convenient outlet. Often, they linger to shop more. Britons pick up something extra about 40% of the time, says Ms Albizua.

Happily hybrid John Lewis, an upmarket department-store chain, says that on- and offline shopping spur each other on. When a new shop opens, online sales in the vicinity can jump by 20-40% "overnight", says Noel Saunders, the manager of the branch near London's Olympic Stadium. New products can be tested online and stocked in store if they do well. Nearly a third of customers who order online pick up their wares in stores. Britons are among the world's most avid online shoppers, but 65% still prefer buying in-store, according to a survey by Hitachi Consulting.

The question for envious e-tailers is how to pluck the benefits of physical stores without incurring the costs. Most proceed gingerly, armed with high-tech weaponry. "Pop-up shops" generate buzz and then vanish. EBay has tried them, and Winser London, a fashion website, plans to. Amazon's ghostly high-street presence helps make delivery cheaper and more convenient, but so far it offers nothing more. Kiddicare plans 15 stores at most in Britain, a fraction of the number operated by its struggling competitor, Mothercare. They will be nimbler than traditional stores. Prices will appear on electronic labels and change with the push of a button.

Bricks-and-mortar merchants are likewise paring space and bulking up on technology. In Britain the number of outlets a retail chain needs to have national coverage has dropped from 200 in the pre-online era to 50-80, says Adrian D'Enrico of AXA Real Estate, an investment manager. House of Fraser is experimenting with shops that are little more than a changing room and rows of screens to order clothes. Hointer, a Seattle start-up, provides just enough space to display a sample of each type of jeans it sells; robots fetch the right size from the stockroom. On today's high street, shopkeepers who stand still are unlikely to survive.

(Copyright 2013 The Economist Newspaper Ltd. All rights reserved.)