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Click-and-collect is retailers' trump card



I'm sure that we are all thoroughly tired of reading about how the internet is killing shops.

At least the horse meat scandal gave a bit of variety to the media's coverage of retail. The trouble with these simple media stories is always that the truth is more complicated than they portray.

It used to be that supermarkets were putting the high street out of business. Now we find that hypermarkets are suffering from weakening sales as people are less willing to travel far for a routine shop.

So grocers are piling back into local and high street locations as customers increasingly 'proximity' shop. But of course, you don't hear stories of supermarkets helping the high street.

If a customer orders online and then gets the product delivered to them (or even to some third-party pick up location), retail stores become irrelevant. Picking and delivery could as easily come from a depot as a store.

Retailers suffer additional costs in the picking and delivery, which are rarely fully recouped by the delivery charge. Moreover, retailers suffer gross margin pressure as prices are held down by low-cost competition, at least in non-food. Where delivery is digital and free, as in music and books, physical stores stand little chance.

But what happens if the customer orders online, but chooses to pick up in store? This is the physical retailers' trump card against online retailers. It gives a value to the physical store, as well as saving the delivery cost.



Retailers that allow customers to collect online orders add value to their physical stores

“IT IS SURPRISING THAT RETAILERS DON'T DO MORE TO INCENTIVISE ONLINE RESERVING”

Many customers use online check-and-reserve just as a stock check, but provide at the same time valuable advance sales information to retailers.

Retailers hope that the customer will buy additional items while in their store. It is perhaps surprising that retailers don't do even more to incentivise online reserving.

Of course, online reserving reinforces the benefit to stores of having easy access and parking, as well as other shops adjacent to provide support shopping and possibly leisure and catering offerings, to make the trip worthwhile.

Store locations will polarise. There are those in modern attractive centres, to which customers will make 'event' trips, perhaps in the knowledge that they have already reserved some of the items that they definitely need.

On the other hand there will be proximity retailing, which succeeds because it is close to where people live, work or travel. Such locations will have convenience stores, discounters and pound shops, service retailers (for instance hairdressers) and catering outlets.

Given a choice, most retailers would probably wish away the internet. At best, it adds costs that can't be recouped fully from customers. At worst, it makes prices totally transparent and matches property-heavy retailers against low-cost 'virtual wholesalers'.

But online is still growing fast. The debate needs to be framed less in terms of the internet destroying stores, as the disintermediation threat coming is really a technology that's hundreds of years old – home delivery.