



IS BRICK AND MORTAR A PASSING FAD?

Q: Is the online world the best place to sell a product or service these days? My friends seem to think that brick and mortar stores will totally disappear in the future. I debate this all the time with them, but it seems to be heading that way. Your thoughts?
- Alex H.

At last report, Alex, Sam Walton was still resting comfortably in his discounted grave, so I'd say brick and mortar is safe, at least for the next few years.

During the dot-com boom the mantra was "Brick and mortar is dead!" Then when most of the dot-com's crashed like an elephant sitting on a wicker chair, the mantra suddenly changed back to "The Internet is dead! Long live brick and mortar!"

In both instances those doing the shouting were dead wrong (and highly annoying). The correct mantra should be "Long live ecommerce enabled brick and mortar!" It's not as catchy, but a lot more accurate.

So to formally answer your question, Alex: I have to agree with you: brick and mortar is safe for many years to come. That's not to say that online selling will not continue to grow and overshadow in store sales in the coming years. But smart retailers realize the potential - and limitations - of the internet and are making plans accordingly.

Smart retailers know that while the Internet has the potential of opening up new sales channels for them, they also know that not all customers will shop online, at least for another generation or two. Until every man, woman, and child on the planet can operate a computer as easily as a cellphone, there will always be consumers who will not buy online.

Smart retailers also understand that a successful online strategy depends on the mindset of the buying public. They understand that the internet is not erasing business models: it is changing business models. Those that adapt will succeed, those that do not, will one day close their doors.

When <http://Amazon.com> burst onto the scene with big plans to change the way people buy books, Barnes and Nobles did not close their brick and mortar stores out of fright. They also did not ignore the trend toward online shopping. Instead they directed resources toward building their own online sales arm to compete in the online marketplace.

Many large retailers that were slow to jump on the online shopping bandwagon are now getting serious about online sales. They are using the Web to launch new product lines and sell things you normally would not find in their stores. Wal-Mart for example, sells products online that would be too pricy for their retail stores, like \$6,000 plasma TVs and expensive sports memorabilia.

Setting up an online shop is also cheaper than ever before. A web store that would have cost hundreds of thousands of dollars just a few years ago can now be built for less than \$10,000. Online retailers can also stock more items than brick and mortar stores that only have so much shelf space.

As more consumers have access to broadband you will continue to see a rise in online shopping and a rise in the number of companies setting up online points of sale. One example is <http://Sears.com>, which saw online revenues skyrocket 40% in the past year. Forrester Research says US online sales will hit \$145 billion in 2005, which translates to 7% of US retail sales. That's a 26% rise in 2 years.

Wal-Mart will no doubt have a big effect on online sales as they bring their "lower prices everyday" mentality to the Web. Just as they muscled suppliers for the lowest prices in their stores, so will they bring their weight to bear online. This is great news for consumers. As more retailers go online consumers will have more choices and find lower prices.

One thing that may ensure that some brick and mortars never go away is what I call "The Try It On Factor." If you have to try it on or want to see how you look in it, there will always be a need for brick and mortar stores. For example, I wear cowboy boots (I have a pointed foot) and I would never buy a pair of cowboy boots without trying them on first, so until some genius comes out with a way for me to hold my big foot up to the computer monitor and get a perfect fit, I will only buy my boots in the store.

I do believe that someday the majority of products will be purchased online. We are already seeing this trend in many industries. DVDs, CDs, videotapes (which will definitely go the way of vinyl records in a couple of years), books, cellphones, televisions, computers, stereos, etc. are all big sellers online. It's also possible to buy a car from the comfort of home and shop for a house. I know because I've done them both several times.

When debating the death of brick and mortar you must also consider the fact that shopping is a social experience for many consumers, i.e. females, who happen to control the purse strings and make most of the buying decisions for their families.

Case in point: Every year my wife and her mother trek to Birmingham and Atlanta for annual shopping trips. When I point out that there are perfectly good malls right here in our own backyard, I am told that I'm missing the point. The point of these trips is not to buy anything. The point is to shop, to eat, to hang out, to bond. If a purchase is made, oh well. Scientific studies on these phenomena have concluded that "It's a girl thing..."

For men, shopping is a chore. For women, shopping is an experience. So until my wife and mother-in-law can get the same satisfaction sitting in front of a computer monitor as they do exploring the malls, there will always be brick and mortar.

Here's to your success!

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