

The Big Bad Threat Of Online

The hype and melodrama that has been whipped up by the media about the threat to retail of online shopping to traditional bricks and mortar retail has prompted me to put finger to keyboard!!

The media focus is totally in the wrong place; Online shopping is threatening Australian retailers, the high dollar is threatening Australian retailers. The solutions that have been offered are laughable; add 10% to items ordered online from overseas and increase the hours of operation for retailers..... C'mon?!!!!

The **real** threats to Australian retailers are:

1. **Partly themselves;**
 - a. **Their lack / slow movement into the online space** has meant that their customers have moved on after not finding them online. The customer does not wait for any business, they simply go and find an alternative. The 'good old days' of the retailer controlling what the customer has access to are gone. Online has also moved beyond simply having a website, e-commerce is a must for every store and site! I am sorry to say that there are a lot of retailers who still don't get this!
 - b. **Their lack of retail expertise in creating an exceptional retail experience**, has meant that they are seen as boring and not contemporary and customers look elsewhere. Exceptional retail is created online and offline. Many retailers stopped innovating and spending on new stock post GFC which was absolutely the wrong thing to do. Savvy retailers have a strategy to handle all types of economic situations. Customers need a good reason to go to a store today, they want to be excited and are demanding good customer service.
 - c. **Their lack of awareness and reaction to the change in consumer behaviour**. Today's connected post-GFC consumer, who trades online and offline, is also a cautious customer and does not spend easily. Retailers must define what motivates the customer to buy and tailor their business to meet this need.
2. **They are also 'victims' of the GFC**. The fact that GFC **and** the emergence of the web and online shopping coincided is unfortunate for retailers. Alone each of these factors is bad for business, together they can be catastrophic. The GFC impacted consumer spending as well as the supply chain. The majority of Australian retailers and wholesalers buy from Asian manufacturers whose main customer was large American stores. When these stores stopped buying, suppliers were greatly impacted, some going out of business.

All of this has meant that the last 2 years have seen irregular deliveries, wholesalers and suppliers going out of business, 'exclusive' agreements being cancelled and as we don't have local manufacturing to draw on, this leaves retailers with less room to move.

Obviously this reduced spending negatively impacts on the retailers cash flow which then impacts on what the retailer can do in the business.

3. **They are also victims of a government that doesn't support independent retail**, who simply focuses on ripping resources from the ground rather than support the industry that supports a large percentage of the Australian workforce. I think the government payments post GFC were absurd!! They didn't help struggling retailers and independent business owners. The money was not spent in these stores either. At the time, people in the industry predicted a tough time ahead for independent retailers, so I don't understand why the current government did not. I think it simply shows they are short-sighted and rather than support an industry that helps the country, they blindly hinder it.

4. Lastly let us not forget **that they are victims of escalating rent from greedy exploitive landlords**. This is a huge issue, especially in Sydney, that does not have an easy solution. I am appalled by the greed of landlords of commercial property. Retailers all around Australia share the cost of rent with me and also the rate of increases in the last 3 years and I am shocked. A lot of retailers are simply closing their doors in response to exorbitant increases in rent. There are many empty stores around Australia, which landlords seem to be happy to have vacant as opposed to negotiating with long term tenants.

A sad example of this is the store 'Booked Out' which has been forced to close because of rising rent, after 18 years next door to the Ritz Cinema in Randwick, Sydney. Owner Shirley McKinnon, said that the space was likely to become another food outlet in an area of ever growing eateries, which are the only stores able to afford such high rents. [See story here](#). She makes a comment that the area is losing its village feel, most of the eateries are only open at night so the area is empty during the day.

Local councils and Chamber of Commerces should address this mix yet they don't. For people to support local villages, the mix of stores needs to be more than food outlets. This is happening all around the country and is a massive loss for consumers as well as business owners.

Retailers who have not evolved their business in line with the changes in the market, especially in the last 5 years, are the ones who are suffering now. In Australia this seems to be a large number of retailers which is unfortunate.

The suggestion that adding 10% to online purchases as they enter the country will make help retailers or reduce online purchases is ludicrous. The customer is not only buying online from overseas stores based on price. The Australian offer pale in comparison to the choices available in international stores. The service and speed also impact the customers' decision.

As for the suggestion that longer shopping hours will help Australian retailers - I would love to know which fool made this statement!! Where will the money come from to pay these increased wages? The issue is not that the customer does not have access to stores - which are open 7 days a week as it is - it is that the Australian customer is thoroughly dissatisfied with the current offer!

Something that will help Australia Retailers is more Australian Made options as well as a new updated and contemporary Support Australian Businesses campaign. Customers need to be made aware that we have a struggling market and need their support. Of course retailers need to address the areas they are currently lacking in, to be inline with today's market, in order for this campaign to be effective.

Retailers need to act now!

About Nancy

As The Retail 'Miss Fix It' and the Chief of Ideas at [Magnolia Solutions](#), I have drawn on my own experience of over 20 years in retail and with my first business [Paper Magnolia](#), to help clients create integrated marketing solutions online and offline that are based on sound retail practices.

In June 2011, I released my first book "[7 Powerful Ways to Boost Retail Profits, in any economic climate](#)", to help retailers identify the 7 key things they need to address in today's market.

In 2009, I gave myself the challenge of finding a super low cost solution to get [Paper Magnolia](#) started selling online and am now developing a website & e-commerce solution for retailers and business owners.

At the same time, I started to use this new 'thing' called Social Media with great results! In 2010 I co-founded [Social Media Women](#) and continue to support new social media users.

I hope my experience will help you start off on the right foot.

I work with retailers, manufacturers, brands and service-providers in various roles including external Marketing Manager. My focus is on Customer Service, marketing, new media, product, retail principles and retail as a craft. I utilise online and offline tools in a wholistic approach. I am an avid user and participator in Social Media as an extension of my marketing activity.

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