

1.6: Challenges in Retailing

Learning Objectives

- Summarize the key challenges facing retailers

In today's economy retailers are facing a unique set of challenges. It is important to understand what they are as well as how today's retailer is working to overcome these challenges.

Inventory

Adequate inventory levels are essential for today's retailer. Having too little or too much can have a dramatic affect on the retailer's reputation as well as the consumer's perception. A key example of how low inventory levels can affect the reputation of a retailer is that of [Marks & Spencer](#) in 2012. First quarter clothing sales were down 6.8% that year because they didn't react to accelerated selling on key items. If they had ordered additional inventory to meet consumer demand, they likely would not have lost out on those sales. While having too little inventory is a significant issue in today's environment you can also have too much inventory that leads to unprofitable markdowns.

Mobile Experience and Engagement

In 2013 mobile was almost 25% (\$60 billion) of ecommerce revenue and by 2021 mobile revenue is expected to be \$420 billion in the United States. For any retailer that has online operations, mobile engagement must be a significant part of their business. Consumers use their mobile phones for everything from shopping for different prices for products and even shipping costs. In fact, 90% of consumers use smart phones while shopping in stores. So, how can retailers push the envelope here to engage the consumer even more? An example of a company capitalizing on this trend is Walgreens. More than 60% of the retailer's online traffic is from smartphone devices. Their mobile app includes services such as prescription transfers and Quick Print. In addition, they are partnering with a service called MDLive to provide customers with medical doctors 24/7 via smartphone cameras.



Digital Disruption

Technology is continuously changing the way consumers shop. There are five stages consumers go through whenever purchasing a product. These are

1. Need recognition
2. Information search
3. Evaluating alternatives
4. Purchase decision
5. Post-purchase evaluation.

Social media sites such as Facebook, and Instagram have revolutionized how fast and to what extent consumers can receive information about products. Consumers can rate products and share with their friend base on these sites and communicate directly

with companies. According to a Deloitte report, consumers who utilize social media are four times more likely to make a purchase than those who don't. In addition, 29% are more inclined to make a purchase the same day.

It is important to note that there are generational differences in how consumers use technology. For example, 47% of millennials are influenced by social media as opposed to 19% of other age groups. This might change a retailer markets using social media based on the product offering and target market.

Watch the video below to gain an understanding of a few other challenges that have a significant impact on today's retailer. Consider how these are impacting you now as a consumer and an industry professional. What else do you believe could be some other notable challenges in the future and what actions do you believe today's retailer could take to work through these challenges and stay more competitive in today's environment as well as that of the future?

practice question

<https://assessments.lumenlearning.co...sessments/9125>

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