

1.10: Adaptation in Retail

Learning Objectives

- Explain why a willingness to adapt is essential to a retailer's survival

In previous sections we discussed the changing retail environment from a consumer and technology point of view. Think about the shifts in the retail industry from the modern day department store to the shopping mall and online shopping. As you consider those shifts also think about how you, the consumer, has changed over time. Do you shop differently then you used to a year ago or even a decade ago? What have been some of your biggest influencing factors? What has been a dramatic shift for you in retail? Lastly, think about how retailers must adapt accordingly to stay relevant to the consumer.

Let's look at examples of retailers that have failed to adapt and why. Some of these examples will be more recognizable than others. The video below is a good explanation of what happens when you fail to adapt to change.



Blockbuster Video



Blockbuster had long history in retail. It was founded by David Cook who later sold the company for \$18.5 million in 1985. A mere four years later the company was purchased by Viacom for \$8.4 billion and soon after went public. So what led to the demise of Blockbuster? Late fees! In 2000 alone Blockbuster received \$800 million in late fees and customers hated paying them. Netflix was then founded as an alternative to Blockbuster and the company posted losses of \$1.6 billion.

What was once a phenomenon and a huge success deteriorated very quickly. The customer moved towards the competition and even though Blockbuster eliminated late fees in 2005 it was already too late. Blockbuster was too slow to adapt and make those changes that were needed to stay relevant in the eyes of the consumer and to the industry as a whole.

Borders Bookstore



Once a thriving retailer, Borders filed for bankruptcy in 2011 and closed all of its 400 locations. What led to its failure? They carried everything from music to movies and even e-readers yet they still struggled to fill their stores with an assortment of products that consumers wanted.

From 2001 to 2008, they also outsourced their website to Amazon to create an online presence but, it wasn't enough because they were offering the wrong kinds of products. For example, they continued to offer consumers CD and DVD assortment without consideration of the customer's strong response to online entertainment.

Toys R Us

This is one of the more recent examples of a retailer that failed to adapt. Let's take a look at why. As you watch this video, keep in mind how this impacts the retail industry as a whole. We will discuss human resources a little later but, keep in mind the effect this has on employees as Toys R Us had to lay off over 30,000 employees. In addition, Toys R Us sold 15% of the toy market which had significant effects on toy manufacturers who may have relied on the company for up to 20% of their total sales. Toy manufacturers had to figure out how to make up for those lost sales or, if they couldn't, find a way to cope with the loss.

A link to an interactive elements can be found at the bottom of this page.

You can view the [transcript for "Toys R Us Failed to Evolve Digitally" \(opens in new window\)](#).

Three scenarios above demonstrate how failure to adapt can often lead to the demise of a retailer. However, there are numerous others and as consumer's preferences continuously change this will always be a challenge in the industry.

Ways to Adapt

So how can retailers adapt? How do they change along with the customer? Let's take a look at some of the options they have.

Keep up with customer's shifting preferences and tastes

Trends, music, behavior... These are all things that keep changing but they also have a major impact on how the consumer shops. Remember that 84% of customers use their mobile phone to shop while in store. Nordstrom is a great example of a company that is able to keep up with those shifting preferences. The customer today wants speed, transparency, and control. Nordstrom offers the customer the opportunity to reserve items they want to try on before arriving at the store.

Stay in regular contact with your customer

A [McKinsey Global Institute](#) Study found 85% of retail companies are using social media for marketing as opposed to 66% for other companies! There is a great opportunity to maximize this platform by getting to know the customer, what they like, and what they don't like. It's also a great opportunity for customers to provide information on new products they would like to see from your company.

TorontoVaporizer.ca, an online vaporizer and accessory store, is a great example of staying in touch with the customer. Their sales representatives are in constant communication with customers via phone, email, and online chat to gain data on what people want.

Integrate brick and mortar, online, and mobile shopping experiences

Customers want to buy online, pick up in store, and also have the ability to return to the channel that is most convenient. Retailers such as Wal-Mart are now utilizing 'scan-and-go' technology that allows the customer to scan items as they are shopping. [JCPenney](#), [Urban Outfitters](#), and [Anthropologie](#) all now have mobile devices such as iPhones and iPads available in store to allow

customers to make credit or debit card purchases without going to an actual kiosk. The end goal is to make it easier for the customer to shop seamlessly.

Personalize the Shopping Experience

The customer no longer wants a one-size-fits-all approach when they shop. Retailers can create that personalized experience by gathering data on customer behavior and spending power and using that information to further develop products and experiences that are of interest to the customer. Take a look at the brief video below from [United Sweets](#) to understand how they were able to successfully integrate POS and customer management systems with their loyalty program.

A link to an interactive elements can be found at the bottom of this page.

You can view the [transcript for “How United Sweets is Growing with Vend & Collect”](#) ([opens in new window](#)).

practice questions

<https://assessments.lumenlearning.co...essments/9128>

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