

1.12: Why Working Retail Is Tough

Learning Objectives

- List some challenges of working in the retail field

It is important to understand the key challenges retailers face as well as how today's retailer is working to overcome these challenges.

Inventory Levels and Assortment

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. Today's retailers must ensure the right amount of product is available at the right times and in the right places. Mark & Spencer's sales losses in 2012 are a key example of how low inventory levels can affect the reputation of a retailer. First quarter clothing sales were down 6.8% compared to the prior year. There were several reasons but, one was that they didn't order enough inventory for popular items which caused many customers to leave their store without purchasing what they wanted. While having too little inventory is a significant issue, you can also have too much inventory that leads to unprofitable markdowns.

A lack of the right type of inventory also affects customer perception which could, in turn, affect sales. For example, a customer wouldn't expect to see Christmas trees in August in their favorite retailer. It would signal to the consumer that the retailer doesn't understand the trends or the season. Therefore, the consumer might be influenced to shop elsewhere. Also consider the other potential impacts of inadequate inventory levels as well as not having the right type of assortment for the customer.

Mobile Experience and Engagement

In 2013 mobile was almost 25% (\$60 billion) of e-commerce revenue. For any retailer that has online operations this is a significant part of the business. Consumers use their mobile phones for everything from shopping for different prices for products and even shipping costs. More and more are doing this inside of the store as well as outside of the store. In fact, 90% of consumers use smart phones while shopping in the store. So how can retailers push the envelope here to engage the consumer even more? By 2021 mobile revenue is expected to be \$420 billion in the United States. 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. Decision to purchase
5. Post-purchase evaluation.

You have probably experienced this yourself in your own consumption experiences. First there is a recognized need for an item. Then you look for products that fulfill your need. Social media sites such as Facebook, and Instagram have revolutionized how fast and to what extent consumers can receive information about a product which, in turn, helps fulfill the information search stage. Consumers can rate products and share with their friend base on these sites allowing for more information search as well as evaluation of alternatives. They are also able to communicate directly with the company via these social platforms creating an opportunity for them to offer post-purchase evaluation. 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.

Lastly, it is important to note that there are generational differences in how technology is utilized and received by today's consumer. For example, 47% of millennials are influenced by social media as opposed to 19% of other age groups. Retailers use this information to adapt their marketing strategies based on the target demographics of the products they are selling.

The Socially Conscious Consumer

Consumers have tremendous power to drive trends of which products are available and how those goods are produced. More and more consumers are questioning the political and environmental impact of their purchases which has led to the rise of the socially conscious consumer. For evidence of this phenomenon, one need look no further than the recent explosion of organic products on the market. Over the last 15 years, organic products have gone from being a little-known niche market to one of the fastest growing, increasingly mainstream sectors in American Agriculture. According to a United States Department of Agriculture (USDA) 2016 press release “[USDA Reports Record Growth in U.S. Organic Producers](#)”, the number of certified organic operations in the United States has increased by almost 300% since the agency began keeping records in 2002 with most years seeing double-digit growth in the organics sector. Significantly, growth in demand for organic products continued throughout the economic recession, suggesting that more and more shoppers are convinced that the health and environmental benefits associated with organic products outweigh the higher cost.

Similar growth has been observed in demand for “eco-friendly” or “green” products, particularly among millennials. Citing a 2015 Nielsen study, Michael Hozik of the [Georgetown Environmental Law Review](#) states, “Just over the span of one year, millennials willing to pay more for products and services from companies committed to positive environmental and social change increased from 55% in 2014 to 72% in 2015.” In response to increased demand, the number of applications for eco-friendly labels doubled between 2006 and 2007 and the selection of eco-friendly products made available by retailers increased by 73% from 2009 to 2010. Household names like [Walmart](#), [Nestle](#), [Proctor & Gamble](#), [Sony](#), and many more have created ambitious targets for reducing [greenhouse gas emissions](#) and pledged to increase the sustainability of their supply chains. Big name brands are increasingly recognizing the necessity of wooing the growing number of eco-conscious shoppers while also recognizing this trend may cut into their profit margins.



Summary

Above are a few key challenges in detail. However, as I stated before there are numerous others as well. 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?

Additional Resources

- [Retail's Biggest Challenges](#)
- [What are the Top Challenges Facing Retailers in 2018?](#)
- [Retail Industry Leaders Association \(RILA\) Supply Chain Report](#)

practice questions

<https://assessments.lumenlearning.co...sessments/9130>

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