Retail Industry Development and Impact of Technology
Retail Industry Development

The retail industry business has been around for centuries in the United States. It all started with a community general shop where people of the community would shop for items of necessity. Single general stores by local residents were the most common because specialty stores were not really necessary due to limited population within the city and dis-connectivity of people. As societies advanced with population increase leading to expanded cities, and new advanced technologies gave rise to interconnectivity as well easy communication between distanced cities or societies, opportunity for specialty stores was formed. But before the specialty stores formed into a business the function of the general store was most essential because they provided the varied needs of the local community.

Also the reason for the striving success of these general stores then was "necessity". People around had no other options but to go for the general store.

In the current scenario, the US retail industry is thriving and booming. With the exponential growth of the retail business across the whole of the United States, it is more likely to predict that this industry will very soon come in to the category of the infrastructure industry.

Adaptation is the most essential aspect of a Retailer’s business as trends of society as well as the taste for new product variety change and people demand more. If a business is unable to meet the demands of the market then they will very likely to be eliminated from the business they practice. Managing customer relations and attending their needs is a
very important issue in business-to-business markets. Customer is the prime focus in retail business and only they matter because they are the ones who buy the retailer products. If my sole business function is to sell complete products and I want a loyal and squandering customer, then I must keep them happy and provide for them what they want, otherwise they would take their business somewhere else.

Just as people’s preferences changed with time, just as business functions of a retailer adapted, just like that the informal markets evolved over time to formal and more permanent markets. As a result of this transformation and evolution of the market, travelers began traveling around to sell their goods and so they were known as “peddlers.” Retailing is a term for collective selling from any of the retail sectors of business, either from regular market, a permanent market, or even peddling of goods.

Today, retail is one of the biggest employers in the world and a large portion of the world economy. The retail industry is a sector of the economy that is comprised of individuals and companies selling finished products to end user consumers. Retail chains in the U.S. are publicly traded on the stock exchange and privately owned. An estimated two-thirds of the U.S. gross domestic product (GDP) comes from retail consumption. Retail industry is a good indicator of the well-being of the U.S. economy. According to the latest annual report from the U.S. Census Bureau (2009), the total amount of sales for the U.S. Retail Industry (including food service and automotive) was $4.13 trillion. Of the world’s 10 largest retail companies in the world, five of them are from the US and five are from Europe. The top ten global retailers had combined sales of $1.15 trillion in 2008, according to international consulting group, Deloitte. According to the U.S. Bureau of Labor Statistics, around 14.4 million people were employed in the U.S. Retail Industry as of April, 2010. Although retail employment was increasing every month at the beginning of 2010, due to the recent recession of the economy, the retail employment numbers were still the lowest they’ve been for the past decade. Due to the decline in retail jobs and the increase in overall unemployment, the retail job market in 2010 is extremely competitive at all levels.
Traditionally business drove innovation and technology within a business sector. As industries grew with increasing consumer demand for product variety and enhancements, in order to face these challenges and alleviate business concerns, enterprises heavily invested in Research & Development which led to innovation and technology, which is a direct result of increased need of business functions. This provided an opportunity for business growth and efficiency that eventually led to a successful business model. However, that is not the case today within the vast technologically advanced society as roles are reversed and information technology drives business success. Today’s retail business is highly dependent on information and if barriers are not met, a thriving business will soon be doomed.
Now information is considered a highly valued asset to an organization and if businesses do not address these information barriers soon, they will face the compound in accelerated growth in information which will drive organizations out of business. In the highly competitive consumer/retail industry, any information about your customer spending pattern/habits/preferences is an asset and competitive advantage to you over your competitor. Unfortunately, if you do not invest acquiring relevant information that is a business necessity to survival of the company as competitive advantage, then the company will lose business with poor customer relationships. Today’s customers are highly informative and price sensitive, so if they are not satisfied there are many more options available to them. As a result they will substitute to another vendor.

As I have mentioned in the previous paragraph, information is vital to continuance of a business in the age of information and advanced technology. Information system, technology, the emergence of the World Wide Web, and instant connectivity although has helped but made it more difficult and burdensome for retailers to operate in their business niche. With an informed, educated, and price sensitive customer base, it has gotten merely more difficult for businesses to thrive as their profit margins shrink due to reasons mentioned above as well as increased competitiveness of the industry and importance of value of information. To provide more credibility to the argument and claims which I am making, here is an excerpt compiled from various sources, www.ezinarticles.com, www.retailindustry.about.com, etc which support my point of view:

"Society regards information as a commodity and the possession of it as an asset. Information has become an element of commerce. In earlier times, success was based on such criteria as control of finance, physical resources, writing, food, fire or shelter. Today, successful people and businesses are those who control information: its development, access, analysis and presentation. We refer to this era as the "Information Age." We buy and sell information, sometimes with money and sometimes by trading it for other information. Information, as an element of commerce, is a commodity, yet there are no cogent, universally accepted accountings or economic theories of information. In the for-profit world, information is a prized possession. It is often how a company creates its "competitive advantage" in the marketplace. Knowledge is king, and companies spend millions of dollars not only protecting their "intellectual property," but also developing information systems that allow knowledge to be collected and used effectively throughout the organization. Ten to fifteen years ago, corporations realized that the numerous, unconnected software programs, spreadsheets, and databases that had been developed over the years by various departments of the company were becoming a liability rather than an asset. Internally, the company couldn't talk to itself. The solution has been an integrated approach to information, sometimes known as "enterprise software" or "customer relationship management (CRM)." Both systems take a company-wide approach to information. It is imperative of business success that companies take a leadership stance and become information leader to thrive in the retail industry. Organizations must take appropriate measures to acknowledge that information is a valuable asset of the organization, and make certain that it is treated with the appropriate resources, policies, priority and security. As part of continuous business process, organizations must develop information management/strategic technology plan which contain the information needed for business to operate effectively, make good decisions, and how that information is collected, stored and used. It will also incorporate policies, procedures, training, and reach down to the level information retention. To the extent possible, develop information systems and information protocols and policies centrally. The proliferation of individually developed spreadsheets and databases impact collaboration, create fragmentation and add
expense when there is staff turn-over. Information is an organizational asset far more

important than the actual hardware that houses it. When this fact is

neglected, this asset literally and figuratively walks out the door at considerable expense to the organization.”

To be a successful organization and information leader, you must treat information as a valuable asset, with the related priority, resources, and procedures.

Observing from the information provided by the graph, we can conclude that information access is the top priority for the IT department in every major line of business. As information grows exponentially, it has become a serious challenge for businesses to possess the right information at the right time to help them make important informed strategic decisions. Information lifecycle is essential and top priority for IT departments across all business sectors. According to another research survey by Capgemini, “information opportunity report confirms that better information exploitation offers organizations substantial opportunities for business performance improvement. The prize for those that succeed will be significant; the consequences for those that fail, or don’t even try, will be dire.” Research indicates that 43 percent strongly agree and 37 percent agree that exploiting information is critical driver for world class business performance. Also, Capgemini research shows that if organizations were to successfully exploit its information, business performance would improve by as much as 32 percent within the retail and consumer industry. We can conclude from the above research facts that not only information exploitation is vital to the organization, but if not utilized the consequences of not adopting are dismal. With an accurate and reliable data, the retailer

Will have an opportunity to reduce the time to implement promotions, gain control in negotiating provisions with suppliers, or implement real-time merchandising by enabling a “read and react” replenishment of merchandise as it’s pulled off the shelf. Or enrich the
forecasting process with insightful demographic and market analyses. In retrospect, information is the most prized possession of retailers in the most competitive retail industry today, as companies strive to convince highly informative and price sensitive consumers to buy their products or merchandise on the basis of sheer differentiation.

Traditional growth models that focused on rolling out more stores and adding more product lines, no longer enjoy the return on investment they once did. Yet, despite the many challenges and pressures in today’s tough retail environment, a handful of retailers are significantly outperforming the market. These retailers are succeeding because they are able to adapt and change to the environment and develop new ways of serving customers respecting the dynamics of retail industry trends and adapting accordingly.

The retail industry is in a state of explosive growth. One does not have to look much further to locate the nearest mall or shopping complexes to appreciate the enormity of this growth. For many years the retail industry had been disorganized and consisted mostly of single-store outlets, a few retail chains and a large number of friendly neighborhood shops. These outlets had pre-historic supply chains, inefficient inventory management; very few were customer focused and most were in the small to medium category. The sudden surge in demand and a greater awareness amongst buyers for quality products and services, created a space that could only be met by an organized retail sector. With successful supply chains, efficient inventory management and a totally customer focused view that was nonexistent. One of the key factors in achieving an organized and efficient retail operation is the use of technology as an enabler as I have mentioned before.

The right implementation of IT solution is the key difference maker between a successful and thriving retailer and a failing one. IT is the solution to efficiencies, extending profitability, and most importantly customer satisfactions. National chain
retailers have multiple warehouses, offices, and retail outlets. The right IT solution which will enable the headquarters to have a real time central connectivity to all the data from all various sources will allow the central headquarters to react on impulse on daily inventory turnover rate at each outlet, will know the stock-out items and immediately replenish, products which are selling the most and in which region and which stock-out inventory is available in another retail location or warehouses closest. The ability to have current information on a real time basis and analyzing that data for better forecasting are some of the benefits provided by technology.

In a competitive retail industry, the right IT and telecommunications infrastructure will be an immense difference and a huge competitive advantage over competitors in terms of cost savings, productivity and inventory management. In the age of modern technology, digital signage, customer relations, relative advertisement, marketing, and improved pricing strategy should be implemented to enhance customer experience immensely to distinguish your business from competitors. By offering store and loyalty cards to customers is an example of an advantageous implementation of current technology which enables vendors to not only enhance customer experience by rewarding shoppers with discounts but also tracking spending habits and buying trends of their customers. By knowing customer buying patterns and tailoring their promotional campaigns consistently, vendors will be able to anticipate customer preferences so they can staff and stock levels accordingly. Retail branding is an important and current trend of the retail industry to tailor the unique taste of every consumer. Although pricing seems to be an issue to almost every consumer but it is not the only consideration for them. Focusing only on price will make a vendor only one dimensional and diminish the customer experience, increase dissatisfaction, loss of reputation, and overall devaluation of brand in an important branding trend. This will all lead to what we have witnessed in 2009, a complete business failure. As I mentioned before, evolution of business practices and product variety is most crucial to success of a business and as economy shifts and consumers demands change, retailers must tailor to that change and refine strategy. “Brands should be continuously evaluated to better reflect the needs of ever-changing marketplace.”
There are other examples of IT solutions that are implemented daily for improved business efficiencies. For example, there is IT solution to send alerts for out-of-place or out-of-stock merchandise. Magnetic strips or barcodes, RFID, are used to place merchandise in proper location on the floor or in the stock room. It provides vendors with a reference point to locate certain items. There are numerous benefits and advantages to implementing these technologies. For example, RFID or magnetic strip or barcodes can actually contribute countable financial benefits by properly placing items to locations where customers wonder the most and impulse shop. Or when customers place items at the wrong locations where they are not in an easy view or are blocking or items which causes disorganization. All these situations described, if properly managed, will bring monetary benefits to the vendor.

An excerpt from an article from www.ezinearticles.com stating the importance of technology and implications for retailers:

“Technology has grown in leaps and bounds over the last decade and will continue to grow in a geometric progression. In the retail industry profits are not made through a single transaction but by establishing a rapport and a long term understanding with customers. It is all about building reputation and customer relationships to profile customer buying patterns. Technology has vast and major implications in virtual shopping, where a customer can shop anything he wants within a few clicks of a button. The best part of having an online shop is that it is accessible all the time. Most stores have an integrated online shopping option which enables customers sitting from their offices.”

“Although e-commerce product sales totaled $146.4 billion in the United States in 2006, representing about 6% of retail product sales in the country, but its impact on the other 94% is substantial and growing.”

According to U.S. Bureau of Labor Statistics, 15% of Americans use the internet to research products. According to shop.org, 2009 holiday season, the majority of working Americans with internet access on the job, 55% or roughly 73 million people did their holiday shopping research and some purchasing online. The web has helped consumers to find discounters on instant access and they are taking advantage of it. Amazon had a $19
billion annual revenue and continues to grow, really without any difficulties even during the recent recession where every other major retailer struggled to generate positive numbers. Wal-Mart also reported an astonishing $404 billion revenue in 2009 recession as well but with profitable $13.4 billion net revenue. But again, who are we kidding because Amazon.com and Wal-Mart are on the top ten lists of retailers and they have a very well established reputation. These two retailers are as unique and distinguishable as black is from white. Those retailers who cannot tread the surface with these two giants on price or convenience have to find other ways to differentiate their products or leave the business. If retailers who are unable to compete on price and convenience with retailer giants like Amazon and Wal-Mart, according to retailindustry.about.com, vertically integrate.

“Retailers have become vertical integrated product designers and developers. We are certainly in the early days of this transformation which has not been easy for retailers of relatively small size, but a growing number of proprietary products and services that make them unique, giving consumers a reason beyond price to shop with them. The retail territory of the next 10 years is a unknown. New retail concepts and even manufacturers that want their own stores have big opportunities to become big retail success. Distinctive product offerings and unique but satisfying customer experience is the success story of the future retail industry.”

![Bar chart showing US online retail sales reaching $248.7 billion by 2014](image1)

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<thead>
<tr>
<th>Year</th>
<th>US online retail sales (in billions)</th>
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<tbody>
<tr>
<td>2009</td>
<td>155.2</td>
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<tr>
<td>2010</td>
<td>172.9</td>
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<tr>
<td>2011</td>
<td>191.7</td>
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<tr>
<td>2012</td>
<td>210.0</td>
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<tr>
<td>2013</td>
<td>229.8</td>
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<td>2014</td>
<td>248.7</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>% of total US retail sales</th>
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<tbody>
<tr>
<td>2009</td>
<td>6%</td>
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<tr>
<td>2010</td>
<td>7%</td>
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<tr>
<td>2011</td>
<td>7%</td>
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<td>2012</td>
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<td>2013</td>
<td>8%</td>
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<td>2014</td>
<td>8%</td>
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**Q:** How frequently do you use the following tools when shopping online. "Top Two Box"

- Search engines: 61%
- Coupon sites: 35%
- Retailer emails: 29%
- Online reviews: 24%
- Shopping comparison sites: 22%
- Shopping portals: 19%
- Social networks: 10%
The economy is still in the process of recovery from recent recession and tough economic conditions will continue to exist for retailers. Revenues and profits for most retailers are going to be dismal except for a few successful giants like Wal-Mart and Amazon who can offer low prices. The retail industry has evolved and continues to grow.

The important issues now for retailers are to create brand recognition by tailoring to customer’s needs and preferences. One of the techniques utilized for doing this is digital signage rather than traditional paper signs which are static and boring. Digital signage is an electronic display that provides advertisement content in electronic form which can be changeable and creative. Digital signage is preferable because it can provide more like animations and creations functions.

In concluding remarks, the retail industry has transformed from what it used to be single shops, to what is now a much complex chain stores with world wide customer base. Globalization has expanded the market in which retailers operate so this transformation has led to advanced information technology necessity to connect all the shops to one central hub system to manage. As a result of advancement in technology and informed and price sensitive customers, information has developed to be the most vital asset of the successful retailers today. Information as an asset and information system technology is the most important tools available to retailers. Technology has had a huge impact on the retail industry transformation.
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