



NRHA

North American Retail
Hardware Association

The **AMAZON** Effect

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NRHA

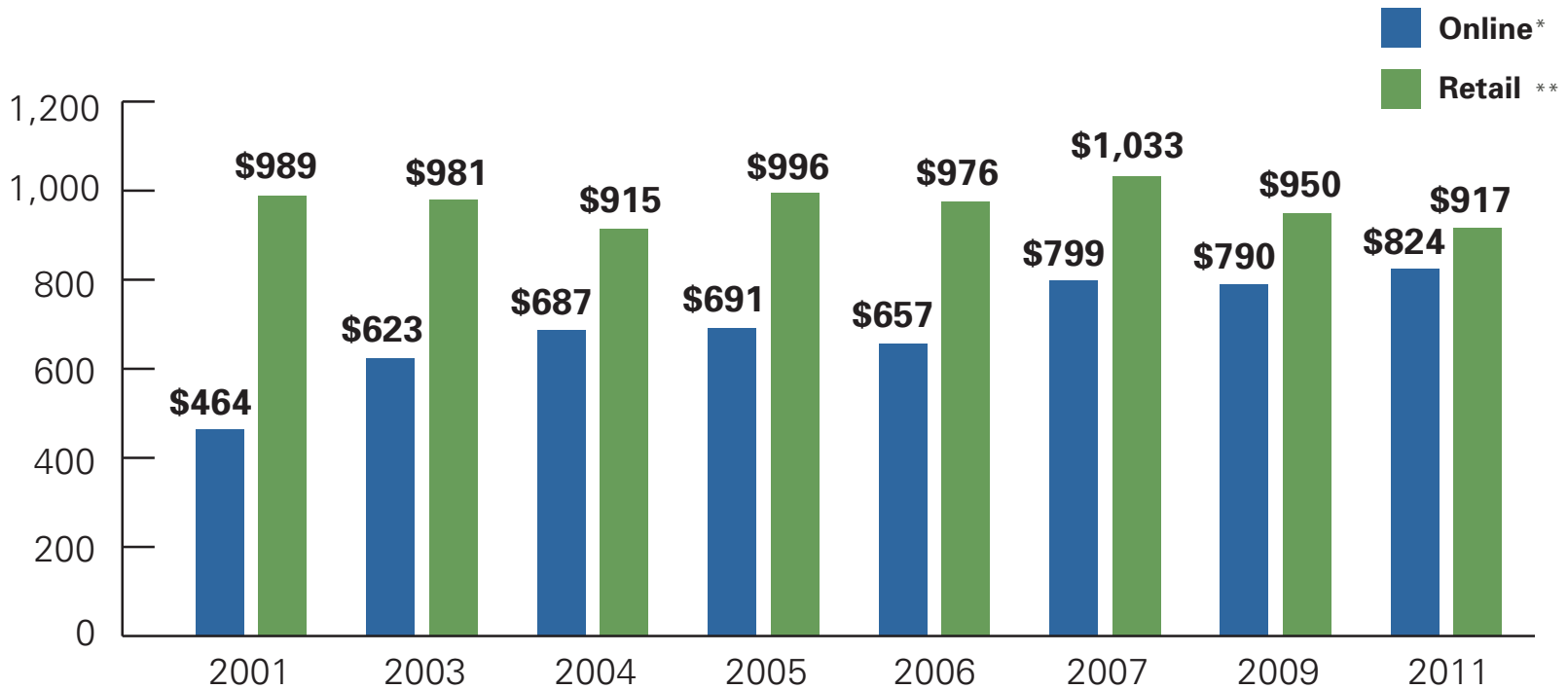
North American Retail
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HARDWARE
Retailing

Comfort Levels

Online Shopper Spending Versus In-store Shopper Spending

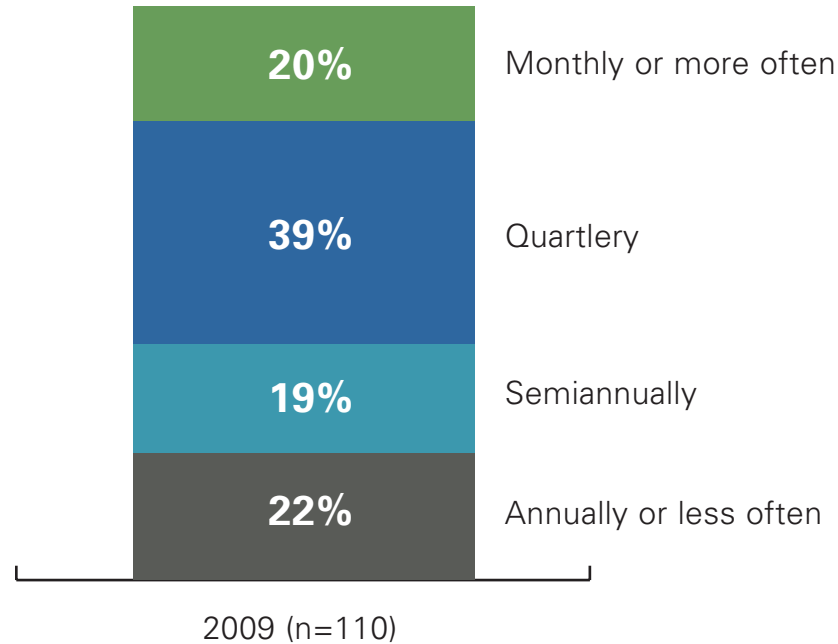


*Online Spending indicates spending from consumers who indicated they primarily purchased home improvement products online.

**Retail Spending indicates spending from consumers who indicated they primarily purchased home improvement products in retail outlets.

Source: Home Improvement Research Institute (HIRI)

Online Shopping Frequency



Average = 5 times/year

Source: Home Improvement Research Institute (HIRI)

Source for Advice

47 Percent of respondents say they turn to Big Boxes as their FIRST source of information for D-I-Y projects.

26 Percent of respondents say they turn to the Internet as their FIRST source of information.

7 Percent of respondents say they turn to Independent Retailers as their FIRST source of information.

Who Do They Trust

48 Percent of respondents say Big Boxes are the most reliable source of information for D-I-Y projects.

24 Percent of respondents say the Internet is the most reliable source of information.

9 Percent of respondents say Independent Retailers are the most reliable source of information.

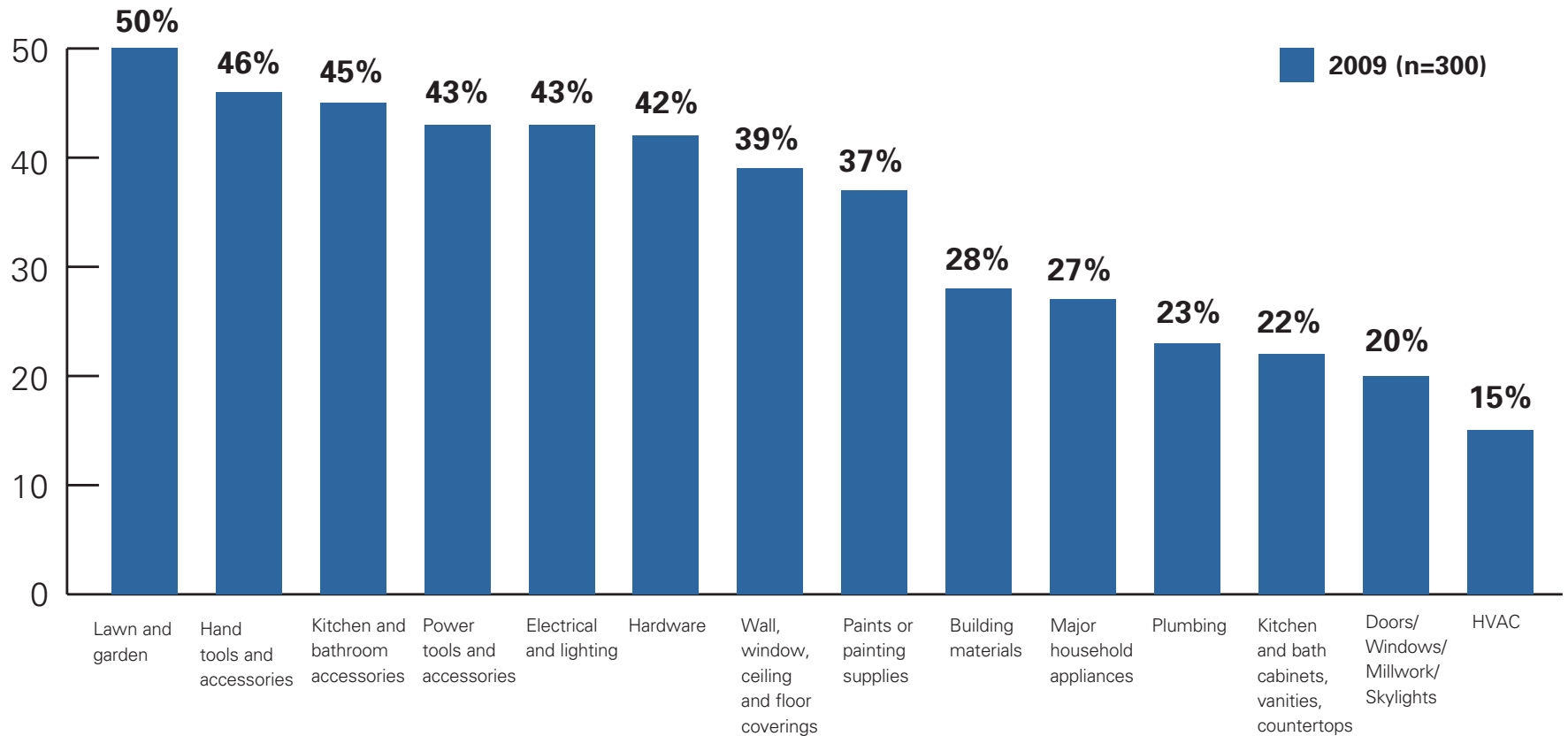
Average Spending Online

Amount Spent	Total Consumers*	
	2001 (A)	2009 (G)
Base: Total Consumers	(n=322)	(n=300)
Light Spenders		
\$0	0%	<1%
\$1 to \$50	1	3 ^D
\$51 to \$100	4 ^B	4 ^B
Medium Spenders		
\$101 to \$250	8	9
\$251 to \$500	19	18
Heavy Spenders		
\$501 to \$750	13	15
\$751 to \$1,000	13	14
\$1,001 to \$1,500	12	11
\$1,501 to \$2,000	7	7
More than \$2,000	21	19
Average	\$989	\$950

*Total consumers indicates consumers who purchased a home improvement product online

Source: Home Improvement Research Institute (HIRI)

Categories Sold Online



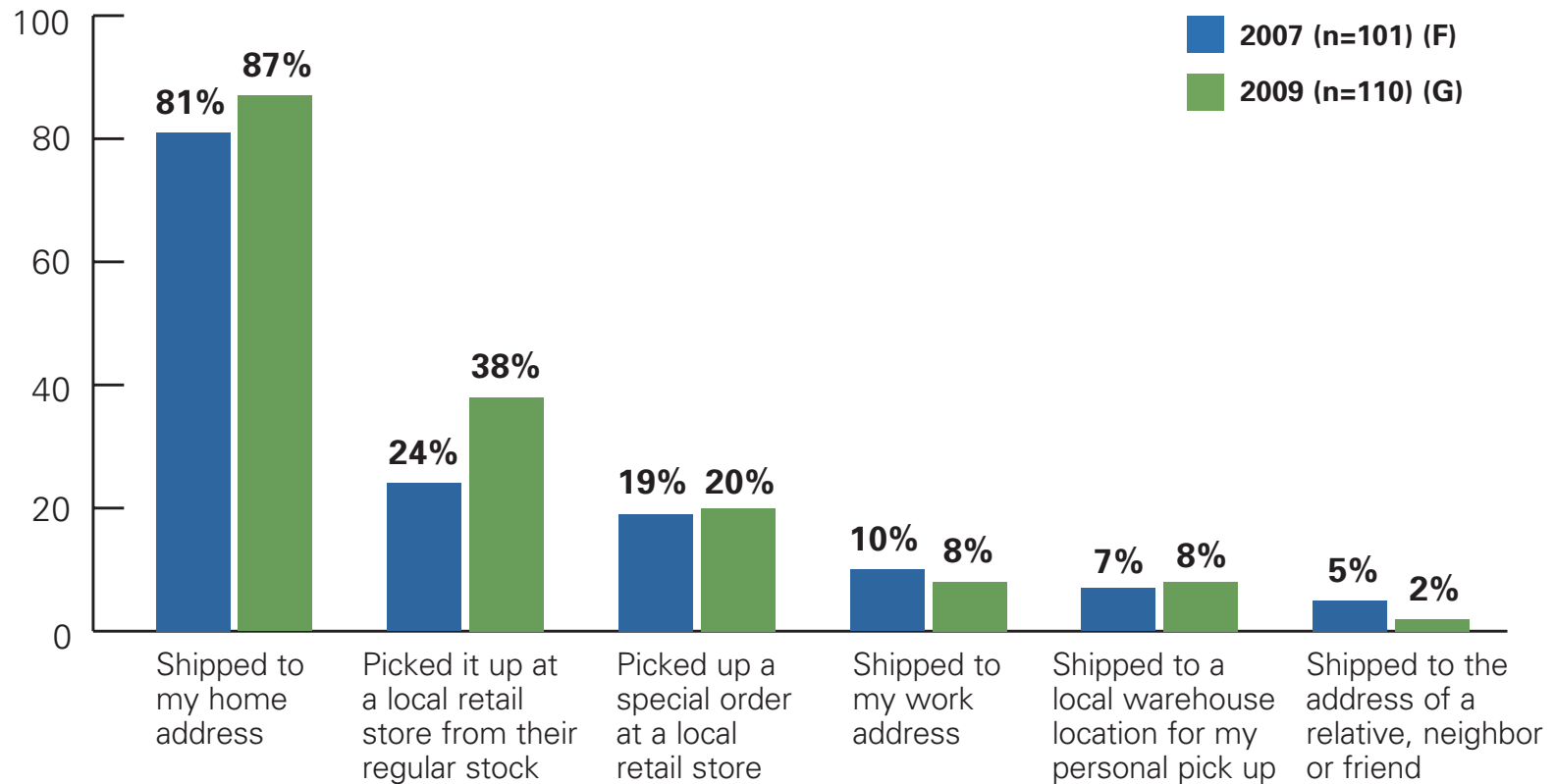
Source: Home Improvement Research Institute (HIRI)

Why They Shop Online

Reasons	Total Consumers
Base: Researched Home Improvement Products Online	(n=293)
More Convenient	70%
Compare Prices	66%
More Information Available	65%
Faster	57%
Ability to Read Ratings and Reviews	55%
Easier	53%
Greater Variety of Products	43%
Some Other Reason	4%

Source: Home Improvement Research Institute (HIRI)

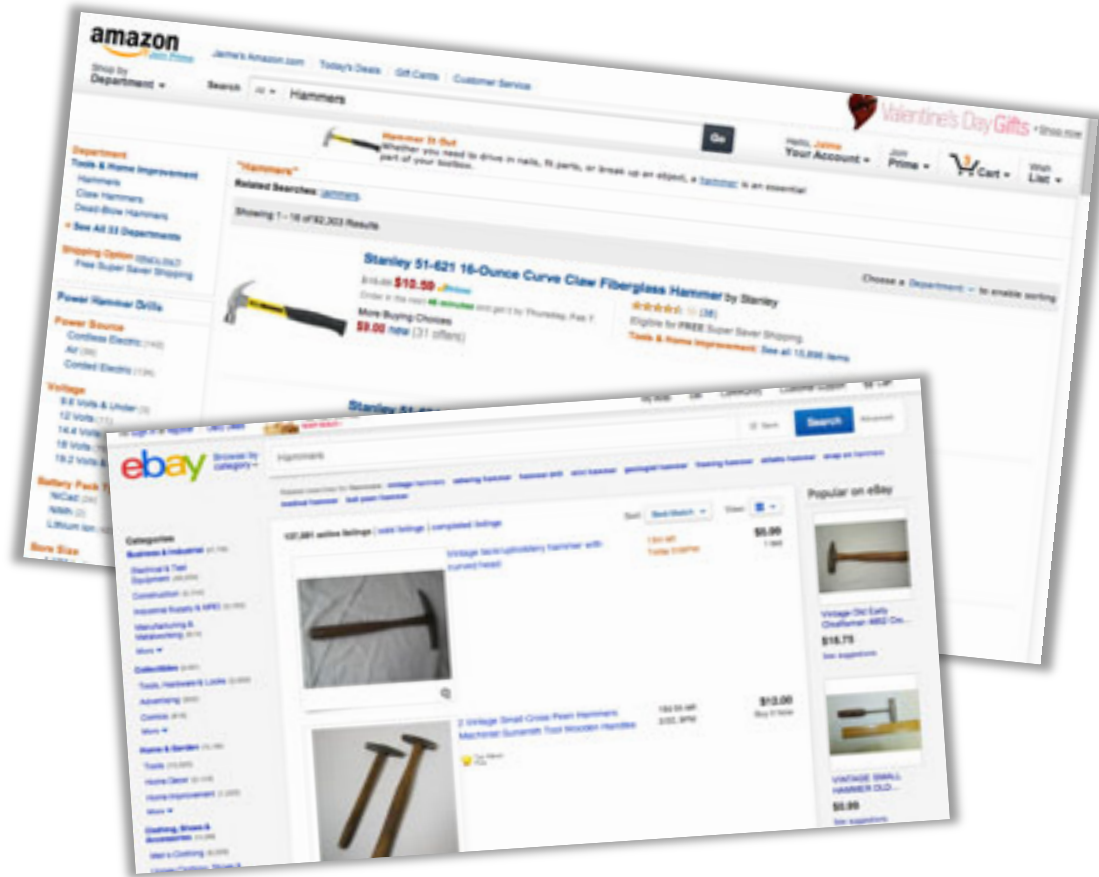
Where They Ship



Source: Home Improvement Research Institute (HIRI)

Why Retailers Love Online?

- Eliminates geographic barriers.
- Creates a “limitless” marketplace.
- Lowers overhead.
- Allows for extensive data collection.
- Sales tax exemptions.



Amazon: The Game Changer

The New Kid On the Block

amazon.com[®]

- **1995 Jeff Bezos created Amazon Bookstore**
- **Internet was growing at 2,300 percent annually**
- **Introduced new technologies: Kindle**
- **Partnerships: Google**
- **Created Amazon Marketplace**



Amazon At a Glance

- **Opened: 1995**
- **# Active Customer Accounts: Over 152 Million**
- **# Active Seller Accounts: Over 2 Million**
- **# Fulfillment Centers: 69**
- **# Employees: Over 51,000 (as of 2011)**
- **Ships to : Over 170 Countries**

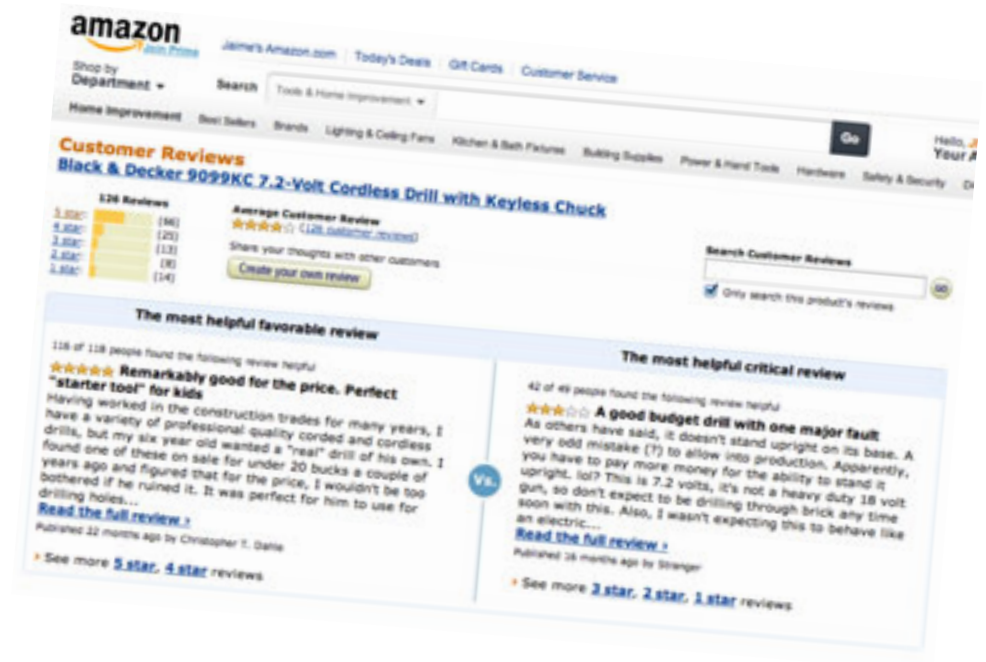
- **2002 Revenue: \$3.9 Billion**
- **2006 Revenue: \$10.7 Billion**
- **2011 Revenue: \$48.1 Billion**



Consumers Want More

Consumers want and expect:

- Information
- Pricing
- Reviews
- Side-by-side comparisons



Truth is, the strength behind Amazon's success isn't as much about the company as it is about the way consumers are reacting to the company.

Big Boxes Online

Big Boxes and Online

- \$634 Million : Home Depot (2011)
- \$510 Million: Lowe's (2011)



*"The Internet will have an enormous impact on brick-and-mortar retailers. A third of all retailers will be wiped out because of dot-com competition. We are concerned about a level-playing field
- Frank Blake, CEO, Home Depot*



Home Depot



- **\$370 million in planned annual IT spending over the next three to four years will be online.**
- **Restrictive manufacturing agreements**
- **HD claims 45 percent of the 9.5 million consumers who visited the Home Depot website visit a Home Depot store, which translates to about 225 customers a day per location.**

Where Do Independents Fit?

The Independent Role

Ask Yourself:

- How will new consumer shopping habits change my business?
- How can I adapt to these changes?
- What should my strategy be online?

Getting online will help retailers connect with local consumers and build on the innate strengths of being an independent retailer.

Independents Prevail

Play up the strengths of your brick-and-mortar stores

- Instant Gratification
- Avoid Shipping Damages
- No-hassle Returns/Money Back Guarantees
- Knowable staff and Personal Service
- Socializations/Sense of Community
- Multiple Payment Options
- Credibility



What About Pricing

Amazon's infrastructure allows it to offer incredibly low prices, how can an independent compete?



- Price Match (Make Sure you Ask about Shipping Costs)
Ex: Target
- Focus on a Specific Niche
- Provide Information online

Using Online Tactics Offline

Redefine Customer Service

Why it Works Online:

- Access to more info online creates an empowered consumer
- Turned off when employees talk “at” them
- Less interpersonal, Less pressure

Make it Work In-store:

- Faster service, more selection and information is key
- Ask once if you can help, then back off
- Be available when needed

Harness Consumer Data

Why it Works Online:

- Natural process of order placement
- Save customer information automatically
- Personally suggestion ability
- Data helps utilize trends and respond fast to real-time data.
- Helps retailers target efforts, manage relationships and save on overhead

Make it Work In-store:

- Collect your own data, Utilize POS systems to full potential
- Track coupons
- Gather data from loyalty programs
- Create similar customer profiles for easy checkout

Offer Deeper Product Range

Why it Works Online:

- “Limitless” marketplace

Make it Work In-store:

- Convenience Drives online sales more than product diversity or price.
- Focus on creative merchandising solutions, best real estate utilization
- Offer special ordering services that allow access in store
- One retailer uses in-store kiosks to place orders

Mix in Entertainment

Why it Works Online:

- Consumers expect shoppertainment
- Easy medium to create unique experiences:
- 3-D ads, background music
- Easy to keep Fresh: Update Coding

Make it Work In-store:

- Many experiences can't be replicated online
- Think Bass Pro, Sephora, Fresh Market
- Focus on your strengths: product demos, hands-on special events.
- Learn how to be Expert Companions instead of sales reps.

Invite Technology In

Why it Works Online:

- Nearly 70 percent of smartphone planned to use the devices for holiday shopping (survey by Deloitte)

Make it Work In-store:

- Immerse technologies into the store
- In-store kiosks
- Interactive touch screens
- Digital signage
- Personal scanners
- QR Codes

Comparison Shop

Why it Works Online:

- Apps are free
- Ease of Use
- Real-Time Accessibility

Make it Work In-store:

- Use the apps your customers are using!
- On down time, have employees surf the web with a purpose
- Price match

Adopt the Flash Sale

Flash sale = online sale where retailers feature goods in limited quantities for extremely limited times.

Why it Works Online:

- **Appeals to today's value-oriented consumer.**
- **Time-sensitive prompts action**

Make it Work In-store:

- **Be aggressive with your sales/[promotions**
- **Limit the time consumers can get a deal (Think Black Friday)**

Let Them Talk

Why it Works Online:

- **Social media will influence a larger portion of sales**
- **Peer testimonials are highly rated by today's consumers.**
- **Today's consumer values transparency and expects to be part of collaboration of a sale.**

Make it Work In-store:

- **Employee Training on "collaborative selling"**
- **Host focus groups**
- **Hand out customer surveys**
- **Be active on Social Media**

Shipping

Why it Works Online:

- **Slashing shipping costs/returns**
- **Increasing delivery times**
- **One of the biggest challenges for independent retailers**

Make it Work In-store:

- **Explore shipping options**
- **Don't limit yourself to one carrier**
- **Have a dedicated person constantly reviewing deals/overheads on shipping**
- **Tap into Ship-to Store**

Final Notes: From the Consumer

“I like shopping online because it's convenient and it gives me the ability to truly research an item. Not only can I compare between sites to get the lowest price, I can also read reviews from other consumers to see if it really is worth the purchase for me. More often than not I will even have a coupon code to make it cheaper than it would be in the store. Plus, thinking of those winter months, items get shipped directly to me instead of being forced to go out in the snowy cold.”

-Consumer from Michigan





“If I'm shopping for something I need right away, I can't rely on the company to send it and the shipping company to get it to me on time, however, if it's something that I want and it saves me money, I will buy online depending on shipping time. I always check places like Amazon and the online store of the place I'm shopping because company's usually offer free shipping and some places have different online sale prices.”

–Consumer from Washington

“I do not like shopping online! I love to shop; its my hobby. I rarely shop online and it would have to be a great deal w/ free shipping. I would and will never pay for shipping. Paying for shipping infuriates me! I feel like I get the best deals when I am in the stores, looking at the sales and using coupons.”

--Consumer from Indiana





THANK YOU!

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