

Welcome to IF Consulting's e-Newsletter

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Our regular email tackles the topical issues that surround all marketing channels and their underlying strategies.

Best of both worlds

A new trend is rapidly developing in the world of online retail; customers are ordering their goods online, but saving on shipping costs by picking the items up at the store. This year, Circuit City, the second-largest consumer electronics retailer in the US, expects in-store pickups to account for 62% of its online business. Launched in 1999, the company didn't expect the approach to be so successful, but it turns out that customers do still like to collect from stores.

The demand for in-store pick-up for electronics goods has arisen because home delivery means customers have to pay extra for the delivery and either wait around for its arrival or take some risks. "Do you really want your \$800 camcorder sitting on your doorstep, waiting until you come home?" asks Fiona Dias, Circuit City's chief marketing officer.

Lauren Freedman, president of E-Tailing Group, an e-commerce consulting firm, believes the approach has many advantages. "For the retailer, it gets the customer into the store," says Freedman. "It also raises the expectation level — people don't want to wait, or to be disappointed if the product is not there."

<http://www.businessday.co.za/articles/ManagementAndLeadership.aspx?ID=BD4A239650>

IF Comment

Many expectations of e-commerce have been confounded or at least, rethought. Now a much shorter permutation of the standard e-commerce distribution chain has emerged with impressive momentum.

E-commerce may be a long-term bonanza for the parcel delivery services, such as UPS, FedEx, and DHL. However, this new trend in e-commerce leaves last-mile fulfilment up to the customer, to come into the store during business hours and collect the ordered items. With this option, customers save on last-mile delivery costs, do not have to linger at home for the delivery van (or risk leaving expensive goods in the post box or on the doorstep), and retailers enjoy much greater footfall with obvious up- and cross-selling opportunities, as well as brand presentation and customer satisfaction advantages.

Retail giant JC Penney reports that for the year 2005, 23 percent of its \$1 billion online sales were in-store pick-ups, and Sears has recorded higher percentages. Circuit City, America's second largest consumer electronics retailer, estimates that in-store pick-ups will account for over 60% of its online sales this year.

Though the #1 US consumer electronic retailer, Best Buy, has also adopted this fulfilment option, the approach is not limited to particular retail segments - the approach is in place at REI (an outdoor gear retailer which has been featured in earlier IF Comments), Autozone



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(auto parts), Gymboree (children's clothing), Crate & Barrel (home furnishing), and Payless (footwear). Even retailing titan Wal-Mart has piloted an in-store pick-up scheme since 2004 that is being slowly expanded.

This last-mile link in the distribution chain is an interesting phenomenon, but of course, there will be a substantial number of customers who will still choose to pay the home delivery surcharge. The in-store pick-up option presents advantages, but it will sit alongside the legacy fulfilment system. What this means for the retailer is additional monitoring and management challenges in order to achieve adequate returns and enhanced customer satisfaction.

Snippets

According to the UK's Sunday Mirror, general merchandise retailer Woolworths is set to sell new cars on its website. The venture, to be operated in conjunction with the Royal Bank of Scotland, will see Woolworths offering cut-price deals on thousands of car models. The struggling retailer claims that it can offer huge savings as the system effectively cuts out the middleman.

<http://www.datamonitor.com/~d0a02ed958754a4683534c30f9588222~/industries/news/article/?pid=EBD93E02-9CCE-42DB-AA3F-AD08F221BE64&type=NewsWire>

Responding to America's changing demographics, fast-food franchisors looking for new entrepreneurs to spur growth are seeing franchisee diversity as not just good public relations but good business.

<http://www.hispanicbusiness.com/news/newsbyid.asp?id=44070>

Global Sources Direct, a new company that sells wholesale products from China online to small- and medium-sized businesses, just added two new categories in response to eBay Live! conference feedback

<http://www.ecommerce-guide.com//article.php/3624516>

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