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HOPE FOR THE HIGH STREET? WHAT AMAZON CAN'T DO #WACD

Right across the retail industry, a great deal of time and effort is spent talking about Amazon. And, let's be honest, rightly so. Amazon's rise from online bookseller to the the most dominant and disruptive force in digital retail in little more than 20 years is one of the great tales of commercial success, up there with the likes of Ford, Microsoft and Apple.

With Amazon seemingly at the peak of its power and influence, much of the discussion falls into one of two categories – analysing what it does so well, with a view to applying its methods to other areas of commerce, or else debating whether Amazon's dominance in fact heralds the end of retail as we know it.

What has, until recently at least, received far less attention is analysis of what Amazon's weaknesses are. While it might seem like an oxymoron to talk about 'weakness' in a company that has just posted quarterly profits of a staggering $2.5 billion – more than twice what analysts were expecting – the point is that no business can do everything, not even Amazon.

While trying to learn lessons from a successful company is always useful, there are question marks over how much success simply mimicking the Amazon model can achieve. To put it bluntly, the things that Amazon does really well, it did them first and it does them better.

For retailers and brands looking for ways to grab market share from the Amazon empire, a more fruitful line of inquiry is to ask What Amazon Can't Do – it's even got its own hashtag #WACD. Competition is the law of the commerce jungle – ***"your margin is my opportunity",*** as Amazon CEO Jeff Bezos so provocatively put it – and the fittest survive by preying on the weaknesses of rivals. The things that Amazon does not do so well present much better opportunities for other players to gain traction and add value than trying to beat the master at its own game.

Giving customers what they want

The most important people in retail are consumers, a maxim that Amazon has put at the heart of its rise to global dominance. By innovating with service, product selection, price comparison, order fulfilment, loyalty and technology, Amazon's success has been built around making eCommerce simpler, cheaper and more convenient for customers.

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If we want to uncover areas of weakness in Amazon's business model, then a logical place to start is with customers. In Salmon's recent consumer survey, *The Future Shopper: 2018 and Beyond*, we canvassed more than 3500 regular digital shoppers from the US and UK about their online buying habits. Unsurprisingly, one of the main topics of conversation was Amazon.

The results of our survey underlined the enviable position Amazon enjoys in consumer opinion and in their shopping habits. 55% of respondents said they were more likely to buy online from Amazon than any other site. 51% said they were also more likely to search for goods on Amazon, more than three times the number who said Google, the nearest competitor.

Four out of five participants in our survey (80%) said they used Amazon to check prices even when they shopped on other websites or in a store, and more than two thirds (69%) said they were more likely to buy from a service like Amazon Prime than direct from a brand or a rival retailer site.

There is little argument that Amazon sets the gold standard for online retail. It is renowned as the place where you can buy anything – more than three quarters of the consumers we asked (76%) said they were excited by the prospect of buying all the goods they needed from a single site, which is a key Amazon USP. Nearly half of our respondents (45%) said they now expected next day delivery for online orders, a level of service pioneered by Amazon Prime.

But as happy as the online shoppers we spoke to were to tell us what drew them to Amazon, they also shared their reasons for shopping elsewhere. This, straight from the mouths of consumers, gives us invaluable insight into where Amazon is not meeting the needs of all shoppers, and therefore where the best opportunities for rivals lie.

Using stores to add value

Whilst Amazon is viewed as reference class for value, it's interesting that the highest percentage (46%) for shopping elsewhere is for cheaper prices. Another stat that leaps out from the survey data is the fact that nearly a quarter of regular online shoppers (24%) say they still prefer in-store shopping experiences. As a digital-only company (discounting its recent moves into bricks-and-mortar such as Whole Foods and Amazon Go), Amazon's track record in offering mass market, in-store shopping experiences is close to zero.

Nearly a quarter of regular online shoppers (24%) say they still prefer in-store shopping experiences

What is interesting about this stat is that, contrary to what you might expect, there is little difference in preference for in-store shopping across age groups. In the 25 to 34 year old millennial group, for example, the demographic widely cited as driving the online shopping boom, 23% of survey participants also told us they preferred in-store. So, despite all the doom-and-gloom predictions about how the Amazon-led eCommerce revolution is set to obliterate bricks-and-mortar retail, this appears not to be something even younger, digitally savvy consumers want.

The challenge for retailers and brands which operate a bricks-and-mortar estate is how to best put these assets to use to deliver value-added shopping experiences that digital only channels like Amazon cannot compete with. For Wunderman Commerce's Marketplace Enablement EU Lead, Raghbir Rana, ***"The obvious opportunity is to maximise the value of allowing customers to see, touch, sample and try out goods in person, something they do not get from a digital shopping experience".***

Other things that consumers told us would convince them to shop at places other than Amazon included more convenient delivery options (25%) and more attractive loyalty programmes (25%). This might sound slightly disingenuous considering that fact that we have already identified fulfilment, as a key area of strength for Amazon – especially through Amazon Prime, which many cite as arguably the most powerful loyalty programme on the planet.

But there are already plenty of well-established examples of brands using their store estates to create delivery options that Amazon cannot match. Click-and-collect is growing in popularity all the time, blurring the lines between online and offline commerce to add yet another option for consumers. There is also the example of Argos, which uses its network of stores to offer same-day delivery. Certainly in the UK, this is currently much better established than Amazon's one-hour Prime Now promise.

Why do online shoppers choose not to use Amazon?

Source: "The Future Shopper", a report by Salmon, a Wunderman Commerce company, 2018

Finding a niche, focusing on service

Other areas mentioned by our survey respondents were better or more specialised product ranges (22%) and more personalised service (14%). These are particularly noteworthy for brands looking to establish direct-to-consumer (D2C) retail channels and for smaller retailers which focus on a specific niche. In terms of product ranges, Amazon's marketplace model gives it the benefit of breadth, while its user review approach acts as a proxy for brand provenance. Even if you haven't heard of the vendor or manufacturer of a particular product, you can base judgement of quality etc on plentiful user reviews.

Amazon is, by and large, a one-size-fits-all service, and not great at offering brand exclusives.

What Amazon is not great at is offering brand exclusives. Amazon offers and special deals are very much based around price, and very well it does out of this indeed – we need look no further than the impact of Prime Day to appreciate that. But in terms of limited editions, first look exclusives and similar, Amazon is not the natural place to find these.

It is instructive that in retail categories like fashion, luxury goods and even technology, a real Amazon heartland, more consumers told us they like to shop via D2C channels than the average. These are the categories where brand provenance still holds sway, and the most savvy brands – think Nike, think Apple, think Samsung and more – will keep a close control of their vendor channels so they get first hit at new product launches, limited editions and so on. Amazon makes it easy to find general goods at low prices. If you are looking for something special, named brands still hold the cards if they adopt the right merchandising strategies.

There is also a role here for the niche retailer. Again, if a consumer has a broad idea of what they want, an Amazon search is a quick and convenient way to browse dozens of products from dozens of brands and make your decision based on price and user reviews. But for the consumer who knows exactly what they want, brand, model and make, and wants to guarantee availability, a specialist retailer has the edge.

Similarly, these smaller, more agile businesses are able to focus in on service. As a consequence of its size, Amazon is by and large a one-size-fits-all service, however progressive those service levels are. Whether it is engraving a piece of jewellery or personalising a replica football shirt with a name, arranging for an out-of-stock product to be delivered from another branch or simply greeting a regular customer by name, smaller retailers both online and off have more flexibility to adapt service to the individual requirements of the customer.

Conclusion

So in summary, the message for brands and retailers when it comes to the Amazon conversation is – don't just listen to the doom-mongers and the collaborationists. Amazon does not spell the end of competition in retail, nor is the only way to survive in the retail ecosystem to join up as a marketplace seller. Equally, learning from Amazon's strengths can be instructive – indeed, for many businesses, Amazon tactics and techniques provide 'high altitude training' for the rest of their channels. In other words, thinking in the hyper-competitive context of Amazon will propel you to become a better retailer online and offline. However, let's not forget, there is little value in trying to compete directly with such a powerful operator in the areas where it has established its core competitive advantage.

Amazon is big, but it is not omnipotent in the retail space. As Wunderman Commerce's Raghbir Rana advises, ***"By identifying what Amazon can't do, retailers and brands have an opportunity to add value through straightforward differentiation, and a key differentiator is how to use the store".*** As a digital-only business, Amazon cannot deliver all the things that people enjoy about the in-store retail experience. It then becomes important to work out which aspects of the in-store experience appeal most to customers, how to maximise their impact, and how to link them in with broader multi-channel offers, for example by using stores to extend fulfilment options with things like click and collect.

Amazon also bases its model on scale and volume, it is not set up to dive deep into niche product ranges, to offer product exclusives or limited editions, or to offer highly personalised levels of service that add value to a purchase. Small, agile specialist retailers that remain close to their customer base, and savvy brands that recognise how to differentiate their product marketing across different channels so they keep the highest value sales close, all have opportunities to provide services better than Amazon.

Salmon, a Wunderman Commerce company, has a team of eCommerce multichannel experts who are working with leading brands to address both the opportunities and challenges addressed within this article. These are explored amongst other key themes in its ground-breaking, new report "The Future Shopper". **Download your full copy here**.

In this report, we asked over 3,500 consumers from the US and UK aged between 18-64, and who shop online at least once a month, about everything from automated purchasing and the dominance of Amazon, to the rise of voice-activated devices and the shifting shopper priorities.

Read the full report "The Future Shopper – 2018 and beyond"

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