

Here Are Three Ways Retailers Are Ditching Worn-Out Business Models

Article



omnichannel retailing means meeting shoppers' expectations in their channel of choice, digital or physical. But more retailers are breaking out of their molds and

experimenting with new models, including using stores as pickup-only locations, online retailers embracing brick-and-mortar and traditional brands trying subscription commerce.

Here are three areas in which retailers are expanding the business models they were founded upon.

Drive-thru Groceries

Walmart, a traditional big box store, has already experimented with automated grocery kiosks and is now proposing using a 41,700 square foot former Dominick's store in the Chicago area as a warehouse and pickup-only facility. The new model, called Walmart Pickup, will use the physical space for inventory to supply home deliveries and 24 stalls where customers can drive-up and have groceries loaded into their cars. According to **Supermarket News**, Walmart estimates 1,960 trips daily when the nonshoppable store opens in spring 2019.

Amazon opened two drive-thru grocery locations in Seattle last year and in August debuted a Prime Now service for **Whole Foods** shoppers to drive up and get groceries in select markets.

Most US grocery buyers still shop the old-fashioned way, but according to **Market Force Information** digital orders obtained at a drive-thru has gained popularity since 2016 and nearly an equal number of shoppers have purchased groceries in that way this year (9%) as those who've ordered online for delivery (10%).

Methods Used by US Grocery Buyers to Purchase Groceries, 2016-2018

% of respondents

	2016	2017	2018
Traditional store visit and take groceries home	99%	99%	99%
Order digitally and have groceries delivered to home or office	5%	8%	10%
Click and collect (order digitally and collect groceries at store's drive-thru window)	2%	5%	9%
Order digitally and pick up groceries inside the store	2%	4%	6%
Order at a kiosk within the physical store and then pick up in the store	1%	1%	1%
Other	1%	1%	1%

Note: ages 18+; in the past 90 days

Source: Market Force Information, "US Grocery Benchmark Study," June 19, 2018

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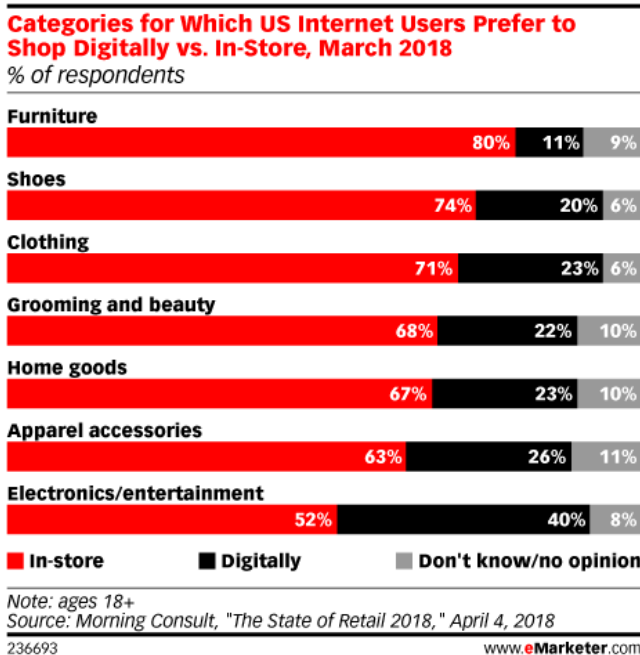
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Digital Natives Expand

Following an opposite trend, Amazon—once ecommerce-only—has been expanding its physical footprint with last year's Whole Foods acquisition, opening a chain of bookstores, Amazon Go convenience stores, and last week opening an Amazon 4-Star store in NYC selling top-rated items.

Digitally native retailers expanding offline isn't a wholly new trend—Warby Parker did it in 2013—but it's becoming more common, especially among clothing brands where shoppers like to see items in person.

For most retail categories, US internet users prefer shopping in-store. According to **Morning Consult**, furniture is the product with most in-store preference but shoes, clothing and accessories all have a majority of internet users in the US buying them in-store.



Eco-friendly apparel retailer Everlane has opened two stores with bookable styling sessions, reseller thredUP also has two stores and aims to open 10 by the end of the year, and Walmart-owned Modcloth is opening brick-and-mortar locations that serve as "fit shops"—similar to Bonobos' approach where shoppers can try on items and consult with stylists but ultimately order the clothing online.

Subscription Commerce

Despite subscription commerce's so-so performance, more retailers—especially those with children's clothing brands—have been dabbling in periodic shipments of curated boxes. Consumers might not be able to justify monthly purchases of adult apparel and accessories, but kids outgrow clothing and many child-focused boxes are sent quarterly.

Target introduced its private label Cat & Jack box in February and Stitch Fix launched a line for kids in June. However, both Old Navy and **Gap** ended their children's clothing subscription programs in July.

A **small number of consumers currently use subscription boxes**. Some 11.4% of US internet users had received one in the past 30 days according to "The eMarketer Ecommerce Insights Survey" conducted in June 2018 by Bizrate Insights. But younger consumers have higher rates of adoption: 21.3% of those ages 30 to 39 and 20.5% of 18- to 29-year-olds had received a shipment.

Additionally, roughly one-third of US digital buyers had interest in either a curated subscription (31%) or a subscription where they chose their own products (36%), according to **RIS News**.