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### Retailers Syncing Up to E-Commerce

By Pam Baker  
CRM Daily  
July 6, 2004 10:48AM

"A Wal-Mart customer is always going to want the cheapest price, while a Tiffany's customer is willing to spend a lot more to get more elusive product and preferential treatment," says Rob Garf of AMR Research. "If retailers fulfill those expectations, all will be well at the cash register."

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Despite continued consumer worries over using credit cards for online purchases, buying over the Internet has become as routine as shopping at the local mall. Even so, it is anything but business-as-usual in virtual shopping.

"In the real world, the mega-discounters have the edge, and they [also] did online for a while, but now specialty and department stores are turning the tables," analyst Rob Garf of [AMR Research](#) told NewsFactor.

## From Cheap to Elite

Garf cited seamless, multichannel retailing that caters to a more savvy and discriminating shopper as the primary reason for the shift from cheap to elite. Among retailers topping the list as superb at seducing this lucrative shopping crowd: [Staples](#) , Best Buy, REI, Home Depot, CVS, Crate and Barrel, the Gap, Sears, JC Penney, Nordstrom, LL Bean and Victoria's Secret.

"This is in no way a quantitative assessment, and in no particular order, but nonetheless they are very good at handling customers well online and off. They are setting the standards for how great retailing is done," Garf said. "Notice all except CVS are specialty and department stores. Not one is a discounter."

The fact is, competition is stiff in both the click and the brick worlds, pitting retailing Goliaths against one another, and against a growing number of smaller, aggressive retailing Davids.

"We try to make customers drive past the closest discounter and come to us," Pete Howard, vice president of business delivery at Staples, told Newsfactor. "We try to do that through the ultimate in convenience, some exclusive products, and a variety of customer reward and membership programs."

## Same Store, Different Prices?

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One noticeable point of difference between a Staples and a [Wal-Mart](#) scenario: online versus offline pricing. Staples' pricing is consistent online, in the catalog, or in the store. "We try to maintain consistency in pricing and in experience, creating intimacy and convenience," said Howard. "Customers that shop cross-channel spend four times the amount, on average, as customers that shop only one channel. It doesn't take a rocket scientist to figure out that's the customer you want."

Mega-discounter Wal-Mart, on the other hand, often has cheaper prices online than off, and does not give the customer the cheaper price if called on the difference. "Wal-Mart is set up to be competitive inside each community; that's how customers know they will get the best price in their town at Wal-Mart," Sharon Weber, spokesperson for Wal-Mart, told NewsFactor.

"We consider online to be a different community, and we are competitive in that community just like in any other," she said. But we do not compete with ourselves."

## **Ordering Online In-Store**

As a part of its multichannel transparency, Staples has had computer kiosks in all its stores since 2001 to aid customers in ordering items that might be temporarily out of stock, on back order or in need of pre-order, or for any other reason a customer might want to use the convenience. "Customers can order by phone, e-mail, Internet, in store, or by kiosk -- whatever is most convenient for them -- and we will make it happen fast," said Howard.

Wal-Mart is just beginning to test computer kiosks in selected stores to see how consumers respond, according to Weber. "Some of our product is only available online," she said -- "things like hot tubs that can be delivered to a customer's home, for instance."


Wal-Mart is not concerned about the difference in on- and off-line pricing on some merchandise, Weber says, pointing out that in all likelihood, prices will be similar once taxes and shipping are added to the online price.

## **Back to Basics**

"Five or six years ago, online retailing was a spinoff of existing retailing and the idea at the time was to present consistent pricing," says Garf. "But what evolved over time was pricing customization in order to compete. Customers upset the pricing scale."

"The two markets were different and separate, but now they have blended, and online discounters with a brick-and-mortar presence will sooner or later have to be flexible enough in their operations to honor the lower price or risk losing the customer who may








perceive the difference as offensive," Garf remarked.

In the end, retailers have to stay true to their mission, he cautions. "A Wal-Mart customer is always going to want the cheapest price, while a Tiffany's customer is willing to spend a lot more to get a more exclusive product and preferential treatment. If retailers remember that customers come with a certain set of expectations, and they fulfill those expectations, all will be well at the cash register." 

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