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# Amazon,

# *Amazon*

eStar CEO **Andrew Buxton** explains why Amazon coming to Australia is great for competition.

**“AMAZON IS COMING,** Amazon is coming ... abandon ship, everyone to the lifeboats.”

This seems to be the usual refrain from many retailers that Amazon is setting up “fully” in Australia, with even some CEO’s using it in their AGM announcements of impending poor results!

But is this the case?, Who’s at risk?. And what can we do to compete?

First let’s be objective, Amazon is big, but even in the US it’s not all encompassing. There have been many retail store closures in the US, Amazon has an impact but the biggest factor is the rise of digital for all retailers, and a correction because the US had by far the highest retail space per capita 23.5 square feet of retail space per person, compared with 16.4 square feet in Canada and 11.1 square feet in Australia.

Amazon has been operating now for 22 years, and has grown to be 43% of US online retail sales, and total online was just 11.7% of total retail sales ... Amazon is big. It’s about 5% of total retail sales in its most established market. But it’s not all encompassing as you might expect from the number of media articles and Jeff Bezos’s PR! Amazon has had a huge effect on retail, but that depends on the category, and the stage of that categories digital development.

Highly defensible categories are those with distribution challenges. Large cubic items are not easy to ship, so the market is owned by retailers and in the case of beds innovative new suppliers (US) with a focused solution such as Caspers. Despite the acquisition of Wholefoods by Amazon, food (outside US) is defensible,

with limited shelf-life or temperature controlled products, and short customer lead times requiring large store or distribution networks.

There will be categories and retailers impacted by Amazon. Categories that are branded in every retailer, where there is little differentiation beyond price, and where it hasn’t been available from Amazon in the US to Australia – think consumer electronics consumables – Amazon will build a large market share. Beyond that let’s be direct, retailers who have not got their act together will suffer, it’s competition, and it may speed up potentially what would have occurred over time anyhow.

So how do we compete?

It’s great Amazon is coming, increasing competition is always good! The biggest change will be in our customers expecta-





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tions, Amazon has great customer experience, intuitive digital design, product availability, transparent fulfilment options. Just like the simplicity and ease of use with Uber has raised our expectations of digital experience, we are now competing with the Amazon customer experience more than Amazon.

Focus on your customer, delight them whilst making the customer journey easy, leverage your strengths whilst down playing any weaknesses. This is how we compete;

**BUILD YOUR BRAND.** Your brand is everything. It's your unique differentiation with your customers. Define it, build it, and live it through your customer experience so that customers choose to align with and return to your brand rather than the (largely) faceless Amazon. It's no good to be a local "copy" of an international brand with retail globalisation

(think how fast fashion has changed with the arrival of Zara and H&M).

#### DEVELOP YOUR DIGITAL FLAGSHIP STORE.

The most visited store, usually with 10 to 20 times more visitors than your biggest store, the one with most impact on your customers is the online store, truly now the digital flagship store. Most customer journey's take place online even if the sale is ultimately in a store, and with the arrival of Amazon this will be even more so – in the US 55% of searches are on Amazon. But the world would be dull if the only place to eat was McDonalds, similarly if Amazon was the only place to shop. Invest and develop your digital flagship as your top priority.

#### LEVERAGE YOUR EXISTING LOCAL STRENGTHS.

Your store network is a strength. Leverage the skills and experience of your team, the personalised service, and the

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physical network. Digitally make sure that your stores are aligned with your digital offer, that customers can get any item from any store (endless aisles), that you can click & collect, that your customers can “find in store”.

Successful retailers will already be doing these things, in future they will just need to double-down on building a unique brand and customer experience online and in-store that competes with anyone, including Amazon.

Bring it on! ■



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