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Fashion at your fingertips ... and why traditional retailers should be very worried.

Back on September 21, 2016 in the Miami Herald newspaper, I read a very interesting editorial by Shelly Banjo of Bloomberg Gadfly detailing how Amazon, already the largest online retailer of apparel, is positioning itself to overtake its brick-and-mortar retail rivals in fashion sales. And sure enough approximately four weeks later the television commercials started airing advertising fashion apparel on Amazon.

As Shelly lays out the history, fashion brands had initially shunned Amazon and stayed true to their own web sites and their brick-and-mortar department store partners. Amazon started making and selling their own private label apparel and then purchased Zappos in 2009, fast-tracking shoe sales. Amazon also focused on selling accessory items and the basics, essentially what people feel comfortable buying online, eroding the fear-factor of making more expensive apparel and accessory purchases on their web site.

According to trade publication Internet Retailer, Amazon's apparel sales in 2015 were \$16.3B, more than the online sales of its five largest competitors: Macy's, Nordstrom, Kohl's, Gap, and L Brands (Victoria's Secret parent company). Sure, this is still behind Walmart's \$24B in apparel sales, but it is close to Macy's \$21B in apparel sales, and darn close to TJX's \$17B in apparel sales. And Amazon has overtaken Gap, Kohl's, Target, J.C. Penney, and Nordstrom in 2015 apparel sales.

And Amazon purposefully attacks department store prices by significantly discounting products which cause retailer web sites to automatically match Amazon's prices, especially those with price-match guarantees, thus negating any profit the retailer is likely to make.

Shelly's article continues that with Amazon's Prime service and logistics capabilities, many consumers also favor the online retailer due to its ease of shopping and convenient free delivery service (the latter for Prime members).

Sixty percent of survey respondents said they would purchase more apparel on Amazon simply if Amazon had a wider selection of well-known and fashionable clothing according to a Morgan Stanley analysis.

What is a department store to do?

It is not as if Amazon does not have its own complex construct of vendor compliance requirements. And it is not as if traditional retailers do not have a web of physical locations between their own distribution centers and brick-and-mortar stores. The distinction I see is that department stores need to think more like marketplaces and leverage their locations to their benefit in order to survive.

Traditionally buyers have been isolated behind fortress walls ... forget about even approaching a retailer with an innovative product idea. Vendor compliance requirements can be so dizzying to the point of dysfunctional that I have had selling companies tell me over the years that they just refuse to sell their products to different retailers due to the excessive chargebacks or hardships in just trying to meet the expectations which seem to go beyond reasonable standards and common sense.

If traditional retailers are going to survive and compete against Amazon and the Amazon look-alikes (e.g. eBay, Fingerhut, HSN, and QVC) they will have to change their traditional thinking and vendor relationship models, which means doing a much better job internally and externally of supply chain vendor compliance.

To review Shelly Banjo's insightful article in full, go to:

<https://www.bloomberg.com/gadfly/articles/2016-09-20/amazon-clothing-sales-could-soon-top-macy-s>

Happy holiday shopping.

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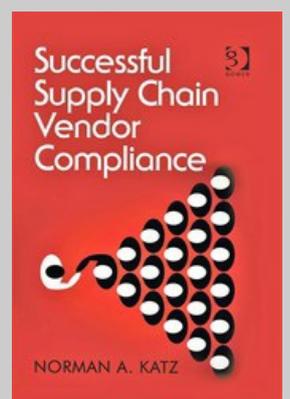
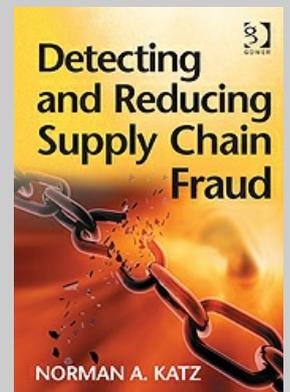


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