Is Nordstrom immune to department store malaise?

By Daphne Howland at Retail Dive
March 7, 2016

Department stores were once magnificent fixtures of downtown America, then strong anchor tenants of malls. Now they can't seem to catch a break. Many experienced tough holiday seasons and their Q4 earnings reports reflected that, missing expectations and leading Kohl's and Macy's to tell their investors that they'd be closing stores.

For a while now, retailers have been betting big on bits and bytes as they invest in retail technology. Overall, retailer IT spend was estimated at $60 billion in 2013. Although e-commerce platform spending gets much of the press, it's only a small portion, $1.2 billion, of the overall retail tech budget.

So where's the rest of that budget being spent? Retail CIOs have spent a majority of their budget on keeping up with the ever-changing technologies that promise to create more compelling — and profitable — customer experiences as well as identifying the right products at the right price points. As technological capabilities advance and consumer preferences change, retailers must be able to tap into trends that currently dominate the marketplace and adapt their approaches, and budgets, accordingly. Therefore, the best technology strategy is fluid and provides the agility needed to manage the ebbs and flows of the industry. There are three key trends that retailers should keep in mind when optimizing their technology spend to ensure they're maximizing return on investment:

Trend 1: Consumers Want New Products Faster

Consumers want new products and they want them now. Today's fast, fickle

Is Nordstrom immune to department store malaise?

By Daphne Howland at Retail Dive

March 7, 2016

market demands retailers dream, design and deliver new products and features before they're replaced in the consumer's consciousness by the next new thing. Speed is the key to success in the consumer product market, so retailers are in a race to the shelf.

However, traditional product development timelines and techniques aren't always built for speed. This challenge is one that all retailers are faced with overcoming in order to succeed. According to Boston Consulting Group, the ability to decrease time to market by seven months (from 22 months down to 15 months) is what separates best-in-class retailers from average players.

Predictive analytics tools can help shorten the product development cycle and align consumer demand with design, enabling retailers to make data-driven decisions. With a near real-time view on the market, predictive analytics allow retailers to course-correct quickly and optimize strategies for success.

Trend 2: Using Data to Tailor Pricing

Flexible or on-demand pricing has been used for years by the hospitality and travel industries. Consumers have grown accustomed to paying more to travel or stay in a hotel during peak times and saving by booking during off-peak or slow periods. This is a global model that enables airlines, hotels and seasonal businesses to incentivize consumers to buy during slow periods. However, this supply-and-demand model is also catching on with sports venues, transportation companies and others implementing some form of flexible pricing.

Retailers may be the next big industry to leverage dynamic pricing. Retailers can employ dynamic pricing to further personalize the customer experience. Unlike a traditional model, which can make consumers feel penalized for paying higher prices, retailers are aiming for a sophisticated version that's more nuanced than on-demand pricing.

Technology empowers retailers with data to customize many elements of the customer experience. Retailers can use this information to optimize the sale of new products and to tailor pricing based on consumer behaviors and preferences. For example, rather than offering a special discount to store cardholders, retailers could tailor coupons to customers most likely to use them. This precise targeting is a smart way for retailers to gain greater returns on marketing efforts and optimize pricing.

Trend 3: Marketing and Data Are Now Inseparable

Data analytics have become crucial to marketing success, offering insights into consumer habits and preferences and, in turn, providing a glimpse at product viability. Companies use data to gain actionable consumer insights and lower the risks of offering products and services that do not align with consumer preferences. Decisions at every step of the process are data driven. As a result, technology related to marketing has grown from 984 marketing technology

Is Nordstrom immune to department store malaise?

By Daphne Howland at Retail Dive
March 7, 2016

vendors in January 2014 to 1,876 one year later.

The key to harnessing this new flood of marketing data is identifying the tools that empower individual marketing teams to act as their own data analysts, as it relates to their role and responsibilities.

Ultimately, you have to take advantage of new technological developments and today's trends to keep pace with the rapidly moving consumer landscape. Survey your market and tap into opportunities to shorten product development cycles to achieve a competitive advantage and keep pace with consumer demands and preferences. Lead with data by adapting to the rise of tailored and dynamic pricing. Data can inform your decisions and enable you to enhance the customer experience at every touchpoint. Significant money is already being spent on retail technology, and you can optimize that spend by using newly available tools to generate more successful product launches and campaigns and enhance your overall ROI.