Brick-and-click
Understanding physical and online retail convergence

Technology has fundamentally changed the consumer retail experience, which has led to evolving consumer behaviors and expectations. Consumers have become more demanding, requiring the convenience and information of online shopping with the service and feel of the in-store experience. This modern consumer has necessitated a new type of business model, one that must seamlessly provide both online and in-store shopping alternatives integrating customer service, systems, supply chain and execution.

Smart Business spoke with Frank Balestreri, audit partner at Sensiba San Filippo LLP, about the changing landscape of the retail industry.

Are brick-and-mortar stores heading for extinction?
It wasn’t long ago that many believed that brick-and-mortar stores were going the way of the dinosaur, yet changes in consumer behavior brought on by online retail have led to something altogether different.

Instead of eliminating their demand for in-store experiences, consumers are now demanding the best of both worlds. They want the convenience of online shopping along with the service and hands-on feel of the in-store experience. Brick-and-mortar stores might be shrinking in size, but they aren’t going away.

How are changing buying habits affecting business strategies?
Changes in consumer demands and behaviors have led to changes in strategy for traditional and online retailers. Online retailers are increasingly realizing that they need to have a physical presence, while traditional big-box retailers continue to enhance the online experiences they provide to their customers, leading to the rise of an integrated retail business model known as brick-and-click.

To be successful, the brick-and-click model requires aligning all retail channels to create a uniform buying experience. The white glove customer experience of a store must also be available online, while the convenience and information of online shopping has to be present even inside of a store. We are now seeing sales representatives in stores carrying tablets that connect in real time with integrated global inventory systems, while online retailers are using data and systems to offer suggestions for complementary purchases, just like a live sales associate.

What does the emergence of brick-and-click mean for accounting systems?
The brick-and-click model has tremendous potential, but it doesn’t come without challenges. To be successful, businesses must coordinate their warehouses, stores, online distribution channels, and even sales and support functions.

As companies face changes in purchase and return cycles, we help them reinforce internal controls and develop accounting policies critical to managing the increased return volumes over longer time periods. Smart retailers are using technology, information and training focused on customer service to minimize returns while keeping their customers happy.

Elongated exchange cycles and online consumer buying behaviors have also led to difficulties in establishing effective revenue recognition policies. Online purchases can have greater return volumes that stretch over longer time periods. For example, consumers may purchase multiple sizes or colors of the same item, planning to return what they don’t want, knowing that in many instances the shipping is free. This behavior presents a revenue recognition challenge. It’s important to capture and analyze data necessary to incorporate buyer behavior into revenue recognition policies.

Finally, integrating sales across multiple channels can stress inventory management systems. Systems must be able to track inventory levels, sales and returns across multiple channels and locations. This requires integrated systems, proven policies and real-time data.

While brick-and-click strategies are being successfully implemented by both traditional and online retailers, the strategy doesn’t come without obstacles. To be successful, systems, processes and people must be aligned to achieve a uniform and optimized customer experience.