YOUR BUSINESS IS OUR FOCUS
- HOW CAN WE HELP?

Happy Spring from Security Bank! We hope the first quarter of 2017 has gone well for you and your business!

We received feedback from some of you on topics that you would like to see addressed in future months. One such topic that is pertinent to many businesses in our communities is how a “brick and mortar” business competes with online retailers such as Amazon. This month’s article, while a couple years old, has some handy pointers for business owners to consider that are still true today.

Remember, if you have a topic that you would like us to research for future mailings that would help your business, don’t hesitate to contact one of our loan officers!

Best Regards,

KEITH KNUDSEN
PRESIDENT/CEO | SECURITY BANK

HOW DO YOU COMPETE WITH AMAZON? www.kabbage.com/blog | August 22, 2014

Whether you’re an online retailer, the owner of a brick and mortar retail store, or a combination of the two, Amazon is almost certainly your most formidable competitor.

Founded in 1994 by Jeff Bezos, Amazon has become the world’s largest online retailer. It first started as an online bookstore, but the company soon began offering everything from electronics and apparel to toys, jewelry, furniture, and even food.

To put Amazon’s size into perspective, it’s bigger than the next dozen largest e-retailers combined. Amazon’s customer base exceeds 30 million people, and it made nearly $75 billion in revenue in 2013. This is no small-time operation!

For those who pride themselves on being small business owners, Amazon is an ever-present behemoth that is next to impossible to compete with on many levels. In almost all cases, Amazon offers the lowest online prices on the products they sell, and with fast, inexpensive shipping, they offer a bargain that’s hard for consumers to resist. With their latest plans to invest in high tech drones to drop packages on customer doorsteps in 30 minutes or less, ordering a new sofa could soon be as quick as pizza delivery.

Still, there is a place for small retailers, and many are continuing to find success despite the near omnipotence of Amazon. Those that are making it happen realize that they might not be able to compete with the company when it comes to price, shipping costs, or speed. Fortunately, there are plenty of other ways a retailer can offer value to customers in ways that Amazon cannot.

If you’re facing the challenge of competing with Amazon, take a deep breath and keep reading. You may just find that you actually have the competitive edge.
What Makes You Unique?
Before you begin slashing your prices to undercut Amazon, start with an assessment of what makes your business unique. Do you cater to a specific market segment? Do you sell one-of-a-kind products? Are you known for going the extra mile for a customer to locate a hard-to-find product?

Amazon can’t compete with your business based upon your differentiators. They are focused on price and the speed in which they can get products into your hands. Bringing your uniqueness to the forefront for customers to see is the start of making your business relevant in the age of Amazon.

Sell Something Different
Take a look at what Amazon sells. You’ll primarily see lots of “hard line” products like electronics, home and garden merchandise, toys, and media. With these types of products, price is the primary differentiator, and nobody is more effective at selling them than Amazon. So it makes sense to sell products in categories where Amazon isn’t as dominant. Soft line goods and one-of-a-kind items are all options that a small retailer can get a competitive edge.

Create Your Own Products
Some of the most recognizable brands have taken the strategy of creating their own products to compete with Amazon. Victoria’s Secret and Land’s End both sell their own products without them being sold by other online retailers.

For a small online or offline store, it can definitely be a challenge to either create or source unique products that can’t be found elsewhere. However, it often pays by offering the ability to achieve higher gross margins and avoiding direct competition on pricing.

Merchandise Specifically to Your Customer Base
Take a close look at Amazon’s website. With its stark white background and floating images of products, its design is akin to the aisles of a club store. The pages are void of personality for a specific reason. They have stripped down the online shopping experience to its simplest form because of the large number of products they sell. In the most basic of terms, Amazon is a search engine that enables you to find products quickly. It’s not designed for browsing or online “window shopping.”

With a small retail business, you have carte blanche to design your online and offline spaces to display your products in a way that’s engaging for your specific market. In other words, you can compete against Amazon by creating a fantastic browsing experience.

Images that jump off the page, descriptions that resonate for readers, and navigation that’s intuitive and fun can all make the online shopping experience pleasurable. For brick and mortar retailers, it’s often about creating great window displays and in-store end caps to effectively showcase products.

Build an Online and Offline Community
Hand-in-hand with great merchandising is community building. Amazon is very aware that their customers are there for one very specific reason – great prices. Thus, community building is not a necessary strategy for them. Yet a small business can build a community of loyal customers both online and offline that return again and again to make purchases and provide great word-of-mouth marketing to others.

To develop a community online, unique content is essential. This means having a blog that people actually want to read, videos, and active social media channels. Make it aligned with your brand, geared to your audience, and interesting to achieve the best results.

Offline communities can be developed through events that cater to the specific interests of your customers. For example, Lululemon offers complimentary, in-store yoga classes each week. These events are not only a way to get customers into the store on a regular basis but they also build a community of influencers who tell their own networks about the classes.

Smaller retailers can leverage events with similar results. The Doll House and Toy Store in Scottsdale, Arizona, has regular events for kids and their parents. While they can’t compete with Amazon’s prices on most toys, they still get plenty of customers who will pay a premium for their products because they’re getting added value with what they buy.

Offer Alternative Distribution
Online sites like One Kings Lane and Gilt are competing against Amazon by offering “flash sales” that deliver merchandise at very affordable prices. With usually 24 hours or less to purchase, customers know they either buy now or they won’t get it.

Another distribution strategy is the subscription model. Could you launch a “product a month” club that would offer a highly curated selection of your products? These can be very successful for some retailers, especially those that cater to upscale markets.

Focus on Your Local-ness
A growing number of consumers are tired of big box retailers and mega e-retailers because they are not specifically tied to their local area. In many areas, local business organizations are popping up to support retailers that cater to their communities. By promoting your commitment to where you live and run a business, you will definitely differentiate yourself from Amazon. You may just be surprised how many people will actually go out of their way to specifically shop in a locally-owned store. Be proud of where you hang your “open” sign, and let your customers know you’re focused on supporting their community.

As Amazon continues to gain market share, it can definitely seem overwhelming to try and compete. The secret to your success is to not compete. Rather, differentiate your business so that you’re on an entirely different playing field. By doing so, you’ll get customers. And you’ll also get the comfort that they’re choosing to buy from you because you’re offering something other than just the lowest prices.