SHOULD WE WELCOME A FUTURE IN WHICH EVERY STORE FRONT READS 'POWERED BY AMAZON'?

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Tuft & Needle rendering, Seattle

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— Peter Maxwell, senior journalist, LS:N Global

Amazon has been labelled by the media as a brand whose continued success will ultimately destroy the high street retail business model as we know it today. The e-commerce giant is **'eating the retail world'**, says Rob Sanderson, an analyst at MKM Partners, who recently released data that suggests that Amazon's rate of growth will rapidly outpace that of physical store sales in the US, despite the e-commerce platform only accounting for 5% of total US retail sales in 2017. In a further blow for traditional retailers, bricks-and-mortar stores are closing at a faster rate in 2017 than they were in 2008 during the last US recession. At LS:N Global, we've long been tracking the development of **mega-systems** such as Amazon, but over the past 18 months the digital superstore has perhaps become the first brand to truly fulfil that trend's potential, from the rise of its artificial intelligence (AI) assistant Alexa to its disruption of the grocery market.

It would be wrong to assume that Amazon is focused on eradicating physical retail, however. The company is, after all, investing in its own **bricks-and-mortar stores**. But if Amazon's intention is to infiltrate what's left of the high street to the extent it has done with e-commerce, it will not achieve this through own-brand outlets or acquisitions of established brands such as Whole Foods. Rather, it is likely to manifest through a new form of collaborative enterprise – parasitic or symbiotic, depending on your perspective – where it provides the technological and logistical backbone, and to some extent, the brand experience.

This is the route pioneered by mattress brand Tuft & Needle, which reportedly gets 25% of its sales through Amazon. In the concept renderings, the signage at its forthcoming Seattle showroom carries a 'Powered by Amazon' tagline alongside the brand's own insignia. Inside the store, customers will use QR codes to make a one-click purchase of their desired product through the Amazon app, while iPads placed around the shop floor will enable visitors to browse online Amazon reviews of Tuft & Needle products and Amazon Echo devices will answer customers' questions. Amazon will also handles fulfilment, naturally.

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'We had a lot of internal debate about this since the beginning – the approach to resist Amazon as a force and see how we can go head-to-head against it,' Daehee Park, co-founder of Tuft & Needle, told **Recode**. 'But with where we are at right now, we have decided to embrace them. It is the future of retail and e-commerce.'

While legacy brands are unlikely to tolerate such a shift, it is an attractive proposition for new businesses exploring the viability of opening their own stores. As Park explains: 'We focus on what we're good at and plug in Amazon technology for the rest.' But how much scope is there for store representatives to be 'good' at anything when Amazon's technology is capable of handling customers near-seamlessly? And what is the long-term impact on a brand's ability to build brand equity when Amazon controls many of its touchpoints? If your competitors make the same Faustian pact, will you be comfortable with the similarity of your stores' layout and functionality?

We talk a lot about investing in **experiential retail** at LS:N Global. We believe that it is key to luring shoppers away from their digital baskets and has the potential to redefine what it means to come face-to-face with a brand beyond the exchange of money for goods. This is often a costly and conceptually challenging route to take, especially for new businesses, but due to the level of brand engagement and trust it creates it is also the surest path to long-term sustainability. A future in which every storefront reads 'Powered by Amazon' is only good for one brand in particular, and it does not make mattresses.

For more on how to ensure your retail experience is fit for the future, read our ***2017 Retail Futures*** report.