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House Call

Since Etro's fame was founded on the paisley pattern, it's fitting that creative director Veronica Etro weaves the motif into each of the brand's collections. For pre-fall, she updated a house classic in bold brights and blended it with graphic patterns, as shown here with this silk cady dress. For more on Etro's lineup, see WWD.com/runway. For more pre-fall, see page 6.

PHOTO BY GIOVANNA PAVESI

M-commerce Drives Online Shopping Shift

By RACHEL STRUGATZ

NEW YORK — Call it Mobile Monday.

While thousands flocked to their computer screens at home and work on Cyber Monday to take advantage of online deals, the digital barrier between Black Friday and Cyber Monday is starting to erode, with more online shopping than ever starting as early as Thanksgiving Day. The breakdown of the barrier results from one simple thing: improving technology.

Smartphones and tablets, as well as more widespread use of broadband Internet connections at home, are beginning to disrupt the retail calendar as consumers become increasingly comfortable transacting online. It's allowing them to shop earlier, taking advantage of sales days before Cyber Monday.

While data for Cyber Monday won't be available for several days, comScore reported that Thanksgiving Day e-commerce sales rose by 32 percent year-over-year to $633 million, and Black Friday sales saw a 26 percent increase to $1.04 billion. Forecasts were that Cyber Monday sales were expected to reach $1.5 billion, a 20 percent increase from last year. Research conducted by BIGinsight for Shop.org revealed that 129.2 million Americans planned to shop on Cyber Monday this year, compared with the 122.8 million who shopped online last year. Over 20 million intended to use a mobile device to shop (a number that's increased more than five times from 3.6 million in 2009).

"More so than just online in general, mobile is solely responsible for this shift in the holiday retail calendar," Steve Yankovich, eBay Inc.'s vice president of mobile, said. Mobile volume on eBay on Black Friday this year was 2.5 times higher than in 2011, with the site offering its iPhone app users exclusive access to mobile deals through Monday evening.

According to year-over-year Black Friday mobile data from eBay, PayPal and GSI Commerce, eBay saw a 153 percent increase in domestic mobile traffic, PayPal a 193 percent increase in global mobile payment and GSI a 198 percent increase in global

Beyond the Digital Divide

By ARNOLD J. KARR

BRICK-AND-MORTAR RETAILERS have lots of catching up to do on the digital frontier, and it goes beyond the basic need to claim market share.

According to a study on "The State of Retail in a Digital World," conducted by WWD in partnership with the executive search firm of Berglass + Associates, brick-and-mortar retailers find themselves at a disadvantage competing with pure-play online retailers on an increasingly multichannel landscape. It's largely one they've brought on themselves.

The majority of executives from physical stores reported that their senior digital leader isn't responsible for multichannel integration and was promoted from within, rather than hired from outside. Similarly, a majority characterized their senior leadership teams and boards of directors as being "not particularly digitally savvy." Nearly a third of this group — 31 percent — don't feel their senior leadership teams understand the digital needs of their customers.

The study included online responses from 77 executives at brick-and-mortar retail operations that also have e-commerce businesses, as well as from 25 pure-play operations, four catalogue merchants and one home-shopping group.

While 86 percent of the brick-and-mortar retailers agree that "multichannel initiatives will be a significant driver of future growth," nearly as many — 81 percent — believe that their Web sites aren't as effective as they could be and nearly half — 47 percent

Brick-and-Mortar Stores Struggle to Close Tech Gap

{*Continued from page one*} — don't feel their investments in digital have been adequate.

"Brick-and-mortar retailers have always looked at their businesses in five- and 10-year increments, mostly because that's the nature of the lease obligations they make for their stores," said Les Berglass, founder and chairman of Berglass + Associates. "But the Internet changes constantly. Smartphones and tablets materialize almost from out of nowhere and demand immediate action at a time when the stores are under enormous margin pressure, are being cautious about budgets generally and have in-store and online inventories to manage.

"The challenge, in operating and in recruiting, is that you're always chasing a train that's in the process of leaving the station," he added. "You need to be ahead of the curve."

Doing that requires the right executive team, an objective that's proven problematic for brick-and-mortar stores looking to get their share of e-commerce and m-commerce and have a more pronounced impact in the world of social media. Judging them on a scale of one to

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five for digital savvy, with one being least and five most, exactly three-quarters of the brick-and-mortar leaders gave their boards grades of three or lower and 52 percent did the same for their executive leadership. Three in 10 said their digital leaders were below the vice presidential level in their organizational hierarchies. While 55.8 percent of the digital leaders reported to the chief executive officer, just under three in 10 — 29.9 percent — reported to another c-level executive.

When asked to classify their hierarchies on the basis of more or less than half, less than half stated that their digital leaders were ultimately responsible for multichannel integration or adaptation to mobile devices and tablets.

Pure-play executives told a much different story when asked how they evaluated their status in the areas where brick-and-mortar retailers traditionally have been fo-

cused: marketing and merchandising. Four in five pure-play executives rated their boards at three or above on this scale and all of them ranked their executive leaders at or above three. For 76 percent of the respondents, the most senior marketing-merchandising executive within the organization was either the ceo, president, chief marketing executive or chief merchandising officer of the company.

The percentage of top marketers and merchants reporting to the ceo was 92 percent. And the pure players were far more likely to go outside the nest when seeking marketing and merchandising expertise than the brick-and-mortar executives were for digital talent: Just 44 percent of marketing and merchandising leaders were internal hires.

"The pure players generally get what they need to do in areas beyond their highest levels of competency," Berglass noted. "They know what they need to get and they go out and get it, for senior positions and their boards."

Berglass, who began his career in retailing, sees the difficulty of fully integrating digital talent to brick-and-mortar operations in historical terms, noting that physical stores had virtually no assets in the Internet world when e-commerce — never mind m-commerce or social media — began to have an impact on American retailing. "At first, they turned to end-to-end third-party providers but then, as it got bigger, they needed to bring it inside, where they may have had great agents for outside online talent, but no particular skills of their own," he said.

For many, he pointed out, there was a sense of victory when online business replaced whatever business the stores had with their catalogue operations. "Initially, they brought in technical people, but it's become more and more apparent that, to do it right, they need brand builders," the executive recruiter said. The preferred scenario is the one adopted at Ralph Lauren Corp., he said, where Web functions report to David Lauren, as executive vice president of advertising, marketing and corporate communications.

Citing the RL example, he mentioned Ralph Lauren's decision, nearly 20 years ago, to open a store at New York's Rhinelander Mansion. "People thought it was crazy," Berglass noted. "They looked at it as nothing but overhead. But you can't look at it as overhead. It's marketing, and it's taking people a long time to understand that on the Web."
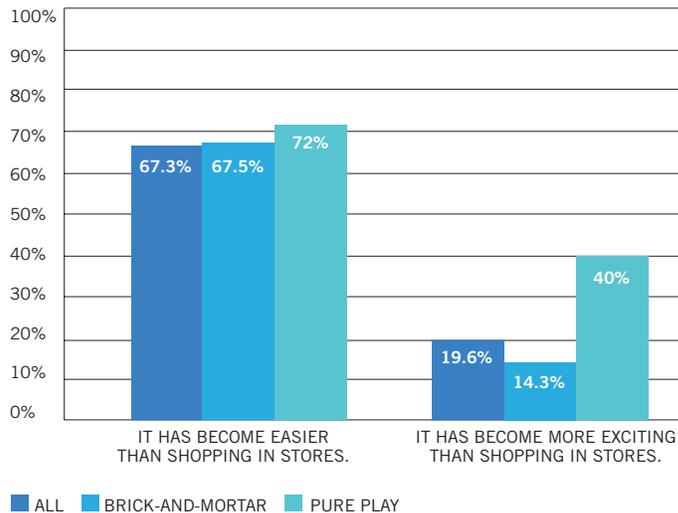
In his company's pursuit of e-commerce leaders for brick-and-mortar stores, Berglass has a list of 10 attributes he seeks. These include general management experience with great brands, a willingness to embrace change and speed and adjectives such as factual and collaborative. The list doesn't include pure-play experience and in fact excludes those who come from the pure-play world.

This points to a compatibility problem and the need to find executives who exist within the brick-and-mortar culture. "Coming from the pure-play world, you'd be lacking other skills," he said. "You're the tail, not the dog. In the pure-play world, they're hiring people with classic merchandising and marketing experience, recognizing their needs in those areas."
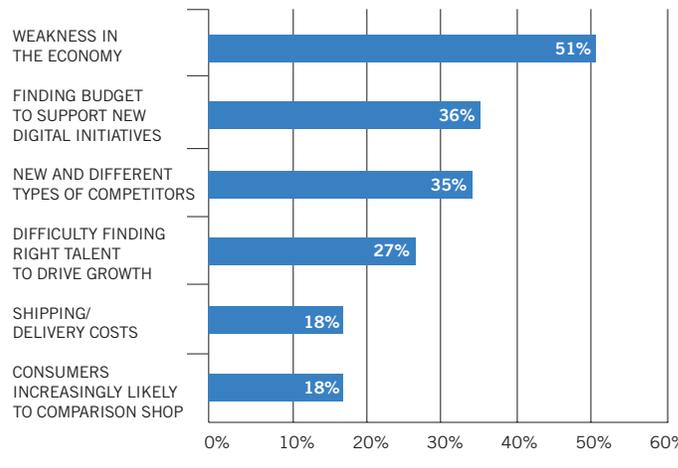
He views the ongoing multichannel challenge for the brick-and-mortar world with optimism, noting that executives overwhelmingly concur that "exciting store experiences will continue to drive shoppers into physical stores," a statement with which 94.8 percent of brick-and-mortar executives and 88 percent of pure players agreed. Yet 67.5 percent of the brick-and-mortar retailers felt that shopping online has become "easier" than shopping in stores, although only 14.3 percent of them believe it is more exciting than the in-person shopping experience.

Berglass likens the situation for physical stores to the one in which the movie industry found itself in following World

SHOPPING ONLINE VS. SHOPPING IN-STORE

	ALL	BRICK-AND-MORTAR	PURE PLAY
IT HAS BECOME EASIER THAN SHOPPING IN STORES.	67.3%	67.5%	72%
IT HAS BECOME MORE EXCITING THAN SHOPPING IN STORES.	19.6%	14.3%	40%

THE BIGGEST OBSTACLES TO COMPANIES' OVERALL GROWTH

WEAKNESS IN THE ECONOMY	51%
FINDING BUDGET TO SUPPORT NEW DIGITAL INITIATIVES	36%
NEW AND DIFFERENT TYPES OF COMPETITORS	35%
DIFFICULTY FINDING RIGHT TALENT TO DRIVE GROWTH	27%
SHIPPING/ DELIVERY COSTS	18%
CONSUMERS INCREASINGLY LIKELY TO COMPARISON SHOP	18%

War II. "Everyone figured television would make movies obsolete, but they didn't, and the industry survived VCRs and DVDs and online podcasts. There's this question of physical theater. It makes it emotional. Stores and malls can have that same pull but we need the next Marvin Traub," he said of the former ceo of Bloomingdale's, who died earlier this year. "Someone who can make retail theater again. When brick-and-mortar stores have that advantage, they always win."

Putting the store experience across to the consumer will be especially challenging in light of the pressure to do more with less. Just over half — 50.6 percent — of brick-and-mortar executives expect stores of the future to be smaller and 70.1 percent of them expect that they will have less inventory on hand in the future. Just more than a third (33.8 percent) expect there to be less staff in stores as well. The pure-play executives expecting less in the areas of size, stock and staff were higher — 72, 76 and 48 percent, respectively.

There was fairly uniform agreement between the two retail models about the impact of the Web on brick-and-mortar retailing. Nearly seven in eight brick-and-mortar retailers (85.7 percent) expect stores without a strong Web presence to have slower growth in the future and 87 percent believe the Web will have a growing influence on in-store purchasing. More

than three-quarters of brick-and-mortar retailers (75.3 percent) expect checkout via mobile device to become standard, and 61 percent of them felt the same way about the use of mobile wallets. Nine in ten of the brick-and-mortar retailers (89.6 percent) and 96 percent of the pure players agreed that customers will make greater use of mobile devices to comparison shop in categories including apparel.

Retailers' overall expectations for the next year were strong, with most seeing their industry in a return to growth mode. More than four in five — 80.4 percent — of the sample expect increases of at least 5 percent in the upcoming 12 months. Among the brick-and-mortar retailers, the figure is 74.1 percent and 88.4 percent for their e-commerce business. However, every single pure player surveyed anticipates at least 5 percent growth. Just 5.2 percent of the brick-and-mortar sample expects their business to be flat or down in the coming year and only 3.9 percent had the same expectation of their e-commerce businesses.

What's impeding growth? Among the leading detriments were finding the budget to support digital initiatives (36 percent) and difficulty finding the right talent to drive growth (27 percent). But no single factor weighed as heavily on the group as weakness in the economy, a concern to 51 percent of those interviewed.