

The future of shopping and online retailers - according to Newsweek

Newsweek's current issue features a nice story by Megan McCardle about shopping, selling and the future of retailers - online too.

The article deals with Amazon, Best Buy and a lot more.

Sales were \$12.1 billion in the third quarter of 2011; a year later, that number had shrunk to \$10.7 billion, with net income working out to just 3 cents a share. Five years ago, in December 2007, a share of Best Buy was worth more than \$50; today the company is trading just under \$13. This may be some sort of record—from profit powerhouse to basket case in under five years.

What about this kind of competition?

Best Buy used to be the king of the “category killers”—the big-box stores like Blockbuster, Borders, and Toys “R” Us that dominated their market segments, driving out thousands of smaller retailers who simply couldn't compete with each chain's reach and buying power. But as that list suggests, it's no longer a very safe kingdom to rule. The category killers are getting slaughtered by the competitive forces they themselves unleashed; the wave of relentless bargain hunters who once flooded their stores has now flowed onto the Internet, and especially to Amazon, where nearly anything can be purchased at bargain prices and delivered to your home in days. You might call them the “new window shoppers”: whenever they want something, from a flat-screen television to a 36-pack of toilet paper, they just open a new window in their Web browser. Their disappearance from stores has left mass retailers like Best Buy with a lot of expensive real estate that sales can no longer support.

Oh, these bits about Apple are very interesting:

If Best Buy is going to thrive, it will probably start with moves like this, following the examples of the Internet era's great retail success stories. Apple stores have an average revenue per square foot of \$6,000—higher than Tiffany's. High-end kitchen retailer Sur la Table has been opening stores straight through the recession. Clothing retailers like Brooks Brothers and Jos. A. Banks saw double-digit sales growth last year.

Sales per square foot

- Apple store: \$6,050
- Tiffany & Co.: \$3,017
- Lululemon Athletica: \$1,936
- Coach: \$1,871
- Michael Kors: \$1,431
- Select Comfort: \$1,314

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- True Religion: \$1,227
- Vera Bradley: \$1,186
- Birks & Mayors: \$1,082
- Best Buy: \$823

[Via [Newsweek](#)]