CONSIDERATION OF RETAIL COMPANY FROM THE SERVICE POINT OF VIEW "RETAIL AS A SERVICE / RAAS"

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Abstract - Many retailers suffering from deteriorating business performance considers the rapid growth of Internet companies such as Amazon as its main cause. However, it is an old type of retailing that secure inventory and distribute products as its main function, which is losing its value and losing its position in the market. If they continue to do business as it is, they will not be able to survive the market. Only companies that can create additional value at the retail stage can survive. The retail industry must reconsider its value from the service industry perspective.

Index Terms - Direct to Consumer, Retail innovation, Service Innovation, Wheel of Retailing

I. THE BIRTH OF A NATURAL MONOPOLY

Every business is about to transform under the pressure of time change now. The energy driving the change is technology. Among the rapidly evolving technologies, the total amount of information communicated between business and consumers or between business and business is exploding. It will not be so long before the sender and receiver of information are replaced by AI due to the rapid evolution of AI. In the future, the time will come when various B2B or B2C transactions are completed only by AIs without the real people.

All such social penetration of ICT, the rapid evolution of IT and AI has a great impact on business. Currently the most attention is on giant enterprise group called GAFA. These companies are paying attention not only to the size and size of corporate value. Every time they do business, it is certain that the data on consumers and consumption behaviors that are automatically accumulated in their servers, will be a major issue of survival in the future business. They can take advantage of it exclusively which has led to a mechanism to expand their business more and more.

A company that succeeded in building a business on advanced IT technology will become a huge enterprise that will rapidly grow by monopolizing the market in a short period of time and quickly overwhelm other companies in a blink of an eye. Kevin Kelly, first editor of "WIRED", had predicted over 20 years ago in his book "New Economy", he named this situation "Natural Monopoly". Today technology is the main issue of business, it is natural that companies with excellent technology monopolize the market and it is natural that no one can stop growing. The companies have to go as far as it can go.

However, monopoly companies created by Natural Monopoly have different characteristics from monopolies in earlier industrialized societies. A monopoly company in an industrialized society can freely control the prices of goods and services by making full use of the monopolistic position in the market. In order to maximize growth and profit, the price of goods and services provided by them will naturally rise. For consumers, it is the biggest disadvantage of monopolized market.

However, the price of goods and services provided by natural monopoly companies in the information society with the Internet as infrastructure tends to be lowered on the contrary. As a result, most consumers will benefit greatly from monopoly companies. In the future more and more products and services will become free of charge. For example, all services provided by Google and Facebook are free from the beginning. Unlike monopolies in the industrial age, the natural monopoly in the information age is not necessarily bad for consumers.

II. NATURAL MONOPOLY COMPANY AMAZON.COM

Natural monopoly exists naturally also in the retail industry. Typical example is Amazon.com which was founded in 1994. Started its business as an online book shop, the company has expanded its product lineup to all sorts of fields and continues to grow. With about 178 billion dollars of sales and employs 600,000 people, Amazon has grown into a global company.

No one doubts that Amazon is a natural monopoly company in the retail industry. Here, many improvement efforts to improve customer service and increase customer satisfaction are constantly being updated, and the speed of improvement is overwhelming to other companies. In the United States, Amazon acquired the upscale supermarket chain Whole Foods Market. The business domain of Amazon is spreading not only to the Internet business but also to the real world.

This is expressed as an Amazon effect, and it is now one of the biggest concerns in the retail industry. The

idea is to believe that the causes of the sales recession that many retail companies are suffering are in monopolistic rapid growth of Amazon. Amazon as a natural monopoly company will deprive customers from all companies in the retail industry. In fact, in the field where Amazon has expanded, there are situations in which stock prices of companies in the field are falling across the board.

In addition, Amazon is keen to develop retail new business models that make use of the latest technology, such as Amazon Go, unattended shops. In addition, new marketing methods utilizing devices such as Amazon Alexa, smart speakers and Amazon dash buttons, rationalization of logistics systems utilizing robotics, new business models such as Prime member system and development of subscription type business, and development capabilities of new technologies. There are no aligned companies. Moreover, it is easy to guess that it will demonstrate outstanding power in financial strength and will continue to keep its position for a long time in the future as well.

III. WHEEL OF RETAILING THEORY IN NATURAL MONOPOLY AGE

Wheel of Retailing Theory advocated by Malcolm P. McNair is a very simple theory to explain the constantly changing business conditions in the retail industry. Company A had acquired a large market share in a certain market, but with efficient operation and lower pricing strategy, company B starts stealing market share from company A. Customers who used the company A until then will soon begin to use company B, and Company A will soon be kicked out of the market.

Customers who have started to shop at Company B will demand “something more” to Company B. Company B that cannot betray customer’s expectations will continue to improve operations so that they can provide “something more”, such as increasing the range of assortment or increasing the customer service. Low cost operation and low price that should have been realized by a superior new business style will collapse gradually while responding to the many small requests from customers. The price gradually rises as the operating cost increase. It is company C that appears there. Company C is developing innovative new business format beyond company B and performing low cost operation that only company C can realize, so it is possible to sell products to customers at a lower price than company B. Eventually company B will lose its customers and disappear from the market.

We think that the price reduction realized by the efficiency improvement and rationalization of operation by the development of a new business style is the energy driving the evolution of business style, and the wheel of retail theory is based on the evolution and change of such repeating business situation. In the history the Wheel of Retailing Theory has always been showing its effectiveness. Lower prices have always functioned as the greatest motivator to drive consumers, and the retailing industry has continuously evolved by consumer motivation. Will the Wheel of Retailing Theory be effective also in the age of the natural monopoly in which Amazon was the leading role?

They are companies that have gathered consumer support by pursuing the evolution of technology quickly and thoroughly and pursuing the reduction of commodity prices to the utmost. Furthermore, as a characteristic of natural monopoly, there are even cases where the products or services are free. In terms of providing convenience to consumers, they streamline the act of purchasing goods by just one click and arrange operation to deliver goods in a few hours after ordering. It is trying to realize the service that drone delivers goods from the sky in the near future. I wonder whether energy will continue to turn "the Wheel" even in that era.

IV. MANUFACTURING INDUSTRY, RETAIL INDUSTRY AND SERVICE INDUSTRY

The main purpose of the retail industry is to deliver the products produced by the manufacturing industry to consumers. In other words, Retail Industry is an industry aimed at distribution of products. On the other hand, the service industry is considered to be an industry that provides some added value or service to products and provides them to consumers.

In order to distribute the products produced by the manufacturing industry to the hands of consumers, companies like the Amazon have built the most efficient and reasonable mechanism. By making most of the mechanism of distribution work on technology, it is possible to lower the cost required, and as a result, low price has been realized. It is no doubt that Amazon is one of the companies building the ultimate mechanism with regard to the task of distributing products.

Consumers are not simply buying products to survive. From the viewpoint of consumer behavior theory, consumers select, buy, and consume products and services as a social being. Also, they express what they are by consumption acts and form an identity by consumption acts. Although the product itself may be an important element of identity, the value added to the product may play a major role in building consumer identity. In highly information-oriented society, consumers cannot fully express themselves with products that just satisfy their survival needs. In addition to the functional value of the product, services added by the service industry are often emphasized as added value.

The manufacturing industry is an industry that produces and reproduces goods. And the retail industry is an industry that connects products and consumers by distributing goods. If the distribution

industry is an industry that merely acts to distribute products produced by manufacturers to consumers, products received by consumers do not have a value greater than the product value at the factory shipment. Of course, in order to distribute, the work to be carried out as a distribution industry is distributed using various mechanisms, such as distributing necessary products by the necessary amount at the necessary time according to the needs of consumers. Nevertheless, the value of the product itself distributed to consumer is not increasing or decreasing compared at the time of shipment from the factory.

Currently what Amazon is doing is exactly a reasonable and efficient distribution of products. Amazon is a product distribution company that utilizes technology to perform highly efficient streamlined distribution acts. On the other hand, certain service industries give consumers greater value by adding new service value to products and providing them to consumers.

Products shipped from production factories are distributed to consumers very rationally and efficiently by Amazon's technology. The cost of distribution is kept to a very low level by technology and the merit of the scale can bring greater price competitiveness by Amazon.

In this way Amazon can establish a solid position in the leading part of the Wheel of Retailing Theory. According to the Wheel of Retailing Theory, these leading companies are supposed to be replaced by emerging companies. However, companies that surpass technology with Amazon, which became a natural monopoly company by advanced technology, are probably not born. The energy of low price which has been driving the wheel of retail so far cannot be enough energy to rotate the wheel anymore.

V. SERVICE BEYOND DISTRIBUTION

In general, when a consumer goes to a shop to purchase a product, he or she selects the product, pays the price, and brings the item home. In the case of Amazon, this series of actions will be completed in one click. If that is the only thing a consumer wants, there is nothing better than Amazon, considering the range, depth, width and prices of the assortment. Companies that exceed Amazon in the act of distributing products do not yet exist.

The value of the retailing is not limited to the distribution of products. If a company that provides value, that cannot be provided by an e-commerce company that only deals with consumers with a digital device, appears in a real store, customers should receive a value more than the value of the product at the time of factory shipment.

Services that can only be realized only by humans are good examples. Bonobos.com which sells men's apparel through the Internet, has deployed nearly 60 shops to US major cities. The store is named a Guide Shop. All of these shops are operated by reservation, and a counselor with expert knowledge provides various human services according to customer's request. For example, they measure the size of customers at a professional level, provide advice on coordination, and propose styles that suit customers. He also responds to consultations such as costumes for wedding ceremonies. A shop clerk with a rich knowledge about men's apparel gives a professional and friendly advice in 30 minutes or 60 minutes session. All of which are free of charge.

You cannot buy any items at Guide Shops. No products are for sale here. In other words, apparel experts who do not force you to buy any products will measure your size, find best suit and shirt for you, give advice on style and coordination. All the items in the shop, are only for fitting and not for sale. Consumers who wish to purchase tried-on items should order their products via the Internet. Customer’s size and style will be displayed on the special page in company's website linked to their email address.

For internet-based apparel companies, knowing the size of customers is a big challenge. There are quite a lot of cases where apparel goods bought by Internet mail order are returned due to size problem after purchase, furthermore the size indication is slightly different for each brand, and the size feeling also often changes depending on the design.

Japanese Internet apparel e-commerce company "Zozo Town" is trying to solve this size problem with technology. Zozo Town distributes huge quantities of “Zozo suits” for free of charge. Which is a wet suit-like clothe with a lots of dot markers on the surface, dedicated to only body measurement. When wearing a suit and shooting with a smartphone installed with a dedicated application, the measuring is completed automatically. The 3D model can be created automatically from data measured by the application, so customers can see their appearance from a viewpoint of 360 degrees.

However, the reputation of Zozo suits is not good at present. The precision of the measure However, the reputation of Zozo suites is not very good at present. It is the accuracy of the measurement that is regarded as the main task. It may be improved by further evolution of technology in the future. Still, it is difficult to create value by technology that only Bonobos' professional human guide offer at the Guide Shop can produce. Bonobos' guide shop is providing a human relationship that directly connects to making fans beyond acts of measuring and fitting by professionals. All of the guides who work at Bonobos are people who love fashion and the experience that they fully utilize real shops and pick different clothes like their friends for themselves is too much to make humans a fan of Bonobos. Customers who have already undergone measurement can select as many items as they want from the company's online shopping site and ask them to send the products to the

designated guide shop, try on clothes while listening to the advice of the guide and purchase only those they liked.

VI. D2C TO CREATE "BEYOND PRODUCT VALUE / BPV"

SPA is already a common business form in the apparel industry. SPA has already become a general business form in the apparel industry. SPA does product planning and design at its own responsibility, manufactures and sells products at their own risk. Bonobos is also SPA companie, and there are many SPAs among companies selling apparel on the Internet.

Among these companies, there are a number of companies that are growing with popularity by adding new value to their products. Everlane.com is one of them. The company, which is an apparel SPA, publishes all of the production process of goods on company's website that should normally be considered trade secrets. From the supplier of raw materials, sewing factory, production cost, logistics cost, to the company profit, all the information is disclosed. The working environment of workers at the garment factory is also introduced with images and everything is clearly stated there. Because consumers today concerned about low wage labor etc. in low-developed countries.

SPA companies that use Internet as their main place of business are called D2C. For example, WarbyParker.com selling eyeglasses, Allbirds.com selling sneakers are two of the corporations gaining big popularity.

Each of the products manufactured and sold by these D2C companies has a value considered sufficient to construct one brand simply by the value of the product. However, in addition to the value of the products they deal with, D2C is common in that "Beyond Product Value / BPV" is added somewhere in the brand touchpoint. They have gained a lot of consumer 's support to pay attention to those points and give high evaluation. They have succeeded in differentiating themselves from huge e-commerce companies such as Amazon and thereby growing.

What is making its popularity? For example, it may be Everlane's attitude to open up all of the product manufacturing information and acquire a complete understanding and sympathy from the consumer or all of the fitting and advice by professional guide at the Guide Shop of Bonobos. Many e-commerce companies are doing simple and basic tasks as a retail company where consumers select products, push purchase buttons, and distribute items. However, the D2C company is doing the creation of "Beyond Product Value / BPV" that is more than the basic work of the retail industry.

VII. BUILDING STRONG BRAND BY CREATING COMMUNITY

One of the trends that is attracting attention in the fashion world today is "Athleisure". This is a word synthesizing "athletic" and "leisure", Yoga wear SPA company Lululemon is gaining popularity as its leading brand. It's a brand that celebrities in the United States started to love their products as fashion items. The popularity of the brand has attracted big attention from Wall Street, and the uniqueness of the management policy at that store also draws attention from the business world.

People who meet customers at stores are not sales people but "educators", their main role is not product sales, but friendly communication with people entering the store. The company expresses it as "Do not sell, Educate!" There are no special provisions, but many of them are yoga instructors and those practicing their own yoga lifestyle. There are also no sales norms as imposed on many retail shop clerks. Their role is to expand the Lululemon community through communication with customers.

There is also an ambassador system that makes he or she an advertisement tower. Although an ambassador can be an active instructor at a nearby yoga studio, they and Lululemon do not make financial contracts, but the Lululemon product is provided free of charge. They plan their own yoga events and sometimes Lululemon support it. Ambassadors often actively cooperate in Yoga events sponsored by Lululemon, and through such ambassadors Lululemon will expand its brand recognition.

Ambassadors and educators are the subjects of admiration for the surrounding people, and therefore the Lululemon yoga wear they wear becomes more valuable than functional value. Lululemon's products have only functional value beyond its premium price, but other brands also achieve the same level of quality and price. Through the existence of the community as mentioned above, Lululemon has gained great support over other brands.

The attraction of human beings such as Educator and Ambassador and the community formed around them are the largest brand base for Lululemon and the expansion of the community leads to the expansion of sales. Therefore, attracting attention to their events is of great interest to shop managers. Educators also strive for positive and friendly communication with customers for the purpose of attracting the event.

Lululemon is a sales outlet based on a real store, not a D2C company specializing in the Internet. But it is still a company pursuing "Beyond Product Value / BPV" as a matter of fact. Existing retail companies are also paying attention to the growth of such BPV type companies. For example, Bonobos becomes a company operating under the umbrella of Walmart, the world's largest retailer, and is accelerating growth with large capital. Allbirds has started selling shoes, for a limited time, within the premium department store Nordstrom, which is well-established for selling shoes.

VIII. MILLENNIUM GENERATION AND RETAILING AS A SERVICE "RAAS"

In recent years, behind the rapidly growing e-commerce enterprises, many retailers are suffering from sluggish sales, and the number of chain companies that start closing unprofitable stores is also increasing. Especially slumping business performance in the apparel industry is serious, bankruptcy of famous chain is also increasing. The number of shops to be closed has reached several thousand shops, and the shopping center with high empty rate will be closed. But this situation is a good opportunity for new startup companies that utilize real shops to create BPVs, it is a good opportunity to develop shops with excellent conditions in prime locations.

It is the baby boom generation that has supported the growth of consumption in the United States. When they were young, their vigorous consumer confidence produced a consumption culture called mass production mass consumption, their desire to lower prices has continued to circle the retailing wheel. Sears and other GMS, discount stores such as Walmart and targets, category killers such as Toys R Us and Best Buy are chain stores that have evolved and are growing with the support of the baby boom generation.

However, what is now the leading role in the US consumer market is the successor to the baby boomer called the Millennium generation born between 1980 and 2000. As of 2018, this generation already exceeds the baby boomer generation with about 73 million people in the population. They are digitally native consumers who have grown surrounded by the Internet and digital devices. SNS supports their communication, and they are completely new human beings who carry all the information in the world to the palm of their hands. It is certain that they are already the largest generation in the workforce and will change the consuming society in the future. And exactly what they are growing with great support from them are D2C and BPV companies. And the D2C companies and BPV companies are growing with their big support. Internet companies such as Amazon are also growing with the support of their digital native support, but they also support BPV companies that create value that Amazon cannot produce.

The only thing left out of such a change is the old-fashioned company as if it only took charge of the display stock and distribution function of products, many of which are disappearing from market. It seems that the roles that shops should play as a real entity are entering a turning point. Even so, some companies that blame Amazon's growth for the causes of their deteriorating businesses are reckless companies thinking to compete against them by incorporating technology into stores.

However, the store that is a valuable social asset that has supported the needs of consumers for a long time requires the development of a service that can add products to new value in stores beyond the fundamental mission of distribution such as simply distributing products. Shops in the era of digital transformation must be reborn as a place of BPV creation, essential for the distribution industry to evolve into a true service industry, that is, "Retail as a Service / RaaS ".

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