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ANALYSIS: DIXONS MOVES ONLINE

Dixons' move to become an exclusively online brand could be the most significant example yet that the internet is finally having an effect on the high street.

DSG's decision to ditch the Dixons store format – on which a 70-year-old, multibillion-pound company has been built – shows that anyone who continues to ignore the power of the internet is living in the dark ages.

Having been hit by cheaper internet rivals such as Dabs.com – which stole a march and customers from the high street chain – DSG has finally decided to fight back and is now preparing to flex its muscles and its buying power solely in the online arena with the Dixons brand. Meanwhile, Dixons stores will be converted to the Currys.digital fascia.

The big question now is will other brands follow suit? During the dotcom boom, the word was that the internet would kill off the high street – a notion then derided as the bubble burst. But with Dixons now dead as a physical format, is this the start of the end for bricks-and-mortar retailers?

Most experts think not. Many see the Dixons move as more of a cost-cutting exercise by a multi-brand business and believe only similar multiple competing brand retailers – of which there are few – would follow suit.

The likelihood is that successful retailers will focus on multi-channel approaches, rather than abandoning high street brands altogether.

"The high street won't die or anything like that," says IMRG chief executive James Roper. "The internet is becoming a central part of retail. It fulfils a certain part of the function – particularly researching and sourcing products – but for certain products you will still want to feel and touch them."

Roper says the high street balance will shift as retailers reassess their floorspace needs, adding: "We think it will be the first of many such moves right across the retail spectrum." He cites examples such as British Airways, which closed retail stores as internet retailing took off.

However, Roper believes the changes will be more limited to the markets where the internet really comes into its own – travel, house buying, banking or replenishment buying such as grocery shopping, for example.

"The internet is taking more and more of trade and the multi-channel phenomenon is also going to change the requirement for shops," says Roper. "There will be a reduction in the needs of floorspace, but it will be very specific areas of services and products, such as holidays. It won't go as far as replacing the high street."

However, it is guaranteed to grow. This year, it is estimated that the internet will account for about 10 per cent of retail sales. By 2016, that figure will be



As DSG ditches its Dixons store format to take the brand online, Liz Morrell asks if this is the beginning of a high street exodus

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closer to 25 per cent, claims Roper.

The more likely trend seems to be a rebalancing of web versus high street priorities, rather than other retailers exiting the high street. So has Dixons made a mistake by abandoning the high street entirely?

Many think so. "I think it was motivated by cost," says Stuart Whitwell, joint managing director of brand value and strategy consultancy Intangible Business. He says Dixons will lose the "future for less" foundations on which it has built its reputation of late, because customers will still want the physical side to their shopping and won't necessarily feel comfortable going to Currys.digital. "When new products come out, you still want the touchy-feely experience in-store," he says.

Retail Knowledge Bank research director Clark believes Dixons has exited the market before a shakedown from which it could have benefited – and it won't reap those benefits online. "Increasingly, service and credibility will become more important and I think Dixons is best placed to do that, so I'm surprised it has taken this method," he says.

But could Dixons surprise its doubters and start a stampede from the high street? Certainly Dixons will be powerful as an online player, but the retailer is coming late to market.

"It could have dominated the online sector as [it has] the high street," says Roper. "The problem for Dixons is it hasn't kept up with its customers. It's not too late for them, but it has lost a lot of ground. However, it can buy at

better rates because of the volume, so it has still got everything to play for, but will have to meet the competition on its own terms."

Others doubt DSG will give Dixons' online venture the backing it needs and say the talk may simply be lip service. "Do they actually believe it's going to work and will they put the resources behind it?" asks Whitwell.

Abandoning the high street will enable Dixons to escape the poor service reputation that has dogged its business, but is this not a rather extreme reason for such a drastic move?

The experts are uncertain what the future holds. "I would be surprised to see Dixons do well. If it does, many will follow," says Whitwell. Realistically, it seems further such moves are unlikely. **RW**