






History of Disruptions in Retailing

Mission of Retailing: The right product, In the right place, at the right price and at the right time

Adapted from HBR Article "[Patterns of Disruption in Retailing](#)" by Clayton M. Christensen and Richard S. Tedlow & [The Piton](#).

Profitability: Largely determined by two factors: Margin and Turn

	Original State	1 st Disruption	2 nd Disruption (Sustaining Innovation)	3 rd Disruption	4 th Disruption
Timeline	Before 1900s	1900-1940	1940-1970	1970-1990	1990 to Present
Profitability	GM=45% Turn=2.5x ROI=113%	GM=40% Turn=3x ROI=120%	GM=40% Turn=3x ROI = 120%	GM= 23% Turn=5x ROI=115%	GM=5% Turn=25x ROI=125%
Retailer Types	Specialty Stores Aka Local Corner Stores 	1. Department Stores Aka General Merchants  Example: Macy's Marshall Fields 2. Catalog Retailers	1. Malls Aka Strip Centers, Mass Retailers  Example: Gap, Malls 2. Specialty Catalogs	Discount Dept Stores Aka Category Killers, Value Players, Club Stores  Example: Costco, Kmart, Target ▪ Also include specialty discount stores – HomeDepot, Staples, etc	Internet Retailing Aka e-commerce  Example: Amazon, eBay, Dell ▪ Introduced "Navigation" as a business where business can become affiliated with the customer by providing info.
Business Model	<ul style="list-style-type: none"> Higher service, high inventory, high prices, and local knowledge. <u>Shopping Experience:</u> Behind-the-Counter 	<ul style="list-style-type: none"> lower service, lower prices <u>Shopping Experience:</u> Self-Service Shopping Cart <u>Enabling Technology:</u> Railroad (department stores) and Rural Free Mail Delivery (Catalog Retailers) <u>Product Selection:</u> Standard Products 	<ul style="list-style-type: none"> Targeted selection <u>Shopping Experience:</u> Suburban Life <u>Enabling Technology:</u> Automobile <u>Product Selection:</u> Mass Market Products 	<ul style="list-style-type: none"> lower service, lower prices <u>Shopping Experience:</u> One-Stop Shopping <u>Enabling Technology:</u> Computer Systems, Distribution Systems, and Vendor Management <u>Product Selection:</u> Commoditization (global megabrands) and private brands 	<ul style="list-style-type: none"> <u>Shopping Experience:</u> Online Virtual Shopping and Services <u>Enabling Technology:</u> Internet and Navigation-as-a-business. <u>Product Selection:</u> Infinite and Customization