

Why physical stores
are **still an essential**
part of the retail
experience



According to data from IBM's U.S. Retail Index, the pandemic accelerated the shift from in-person to online shopping by roughly five years. During the same months, overall retail spend decreased – but not online. **Online sales grew** over the previous year.

eCommerce has quickly become a fundamental channel for retailers, and while it had been gaining ground for years, many retailers weren't ready when shoppers massively moved to digital. As in-person traffic to the stores massively decreased, many were left to wonder whether physical stores are still relevant in an increasingly digitized landscape.

Here's why they are.

While e-commerce has been growing steadily in the past ten years, **online still represents just a small percentage of total retail sales**. In the U.S., the number is as low as 14%, according to U.S. Census Bureau data. This means that over **85% of sales still happen in physical stores**. The key to retail success remains a **synergy between online and offline, rather than a focus on eCommerce alone**.

It still makes sense to invest in brick-and-mortar stores, but retailers need to rethink their role for the future. Here are eight ways you can use your physical locations to enhance the customer experience and optimize your operations.

1. **Increasing revenue with click & collect**
2. **Reducing the cost of returns**
3. **Convincing undecided customers**
4. **Delivering more personal service**
5. **Immersing customers in the brand experience**
6. **Optimizing the supply chain**
7. **Understanding customer preferences and habits**
8. **Expanding your footprint**



1. Increasing revenue with click & collect

Click & collect (also known as BOPIS, buying online and picking up the purchases in store – usually at a desk, lockers, or on the curbside) has become extremely popular both with customers and retailers. According to Invespcro, two out of three (67%) consumers in the US have used BOPIS in the past six months.

Consumers are especially attracted to the convenience and immediacy of in-store pick up: not only it's both cheaper and faster than traditional delivery, you also don't need to sit at home waiting for a courier to arrive. Some consumers say they like it because it's faster and more effective than traditional in-store shopping, Deloitte reports.

To be able to offer this in-demand service, retailers need to have **physical locations** they can rely on. While some online retailers have partnered up with other businesses, using their stores to gain a geographical presence (sometimes simply adding special lockers), being able to offer pick-up in your own stores brings extra advantages. According to Forrester research, 30% to 40% of consumers who pick up their items using click & collect **buy additional items** when they get into the store, leading to extra revenue.

To manage orders that start online but are fulfilled at the store – as is the case with both click and collect and curbside – you need seamless communication between online channels and stores. That requires a unified commerce approach.

Discover the benefits of a unified commerce platform



2. Reducing the cost of returns

Product returns can be extremely costly for retailers. According to NRF research, last year alone consumers returned an estimated \$428 billion in merchandise – that's approximately 10.6% of total U.S. retail sales!

While you can't expect to get zero returns, studies show that **items bought in physical stores are less likely to be returned than products bought online**. According to David Sobie, co-founder and CEO of Happy Returns, "shoppers return 5–10% of what they purchase in store but **15–40% of what they buy online**."

This means that by having a physical location chain, you can **reduce product return rates**. But that's not all – you can also use your physical locations to **cut the cost of returns**. By letting shoppers exchange or return in-store the items they bought online, you can remove shipping and transportation fees. Offering in-store returns can also help you increase consumer satisfaction: according to NRF data, **80% of shoppers say they'd rather return products to a store than ship them back**.





3. Convincing undecisive customers

Even if online has become a common shopping channel, people are still more **likely to buy an item when they've seen it in person**. According to research by Shopkick, **82%** of consumers say that **seeing, holding, or trying out a product in person makes them more inclined to buy**.

According to KPMG research, the ability to **experience and test products** before buying is the **top driver** for consumers to shop in brick-and-mortar stores.

Having a physical location where people can go and see that, yes, this paint is exactly the shade of grey I want, can **dispel consumer doubts**. It helps close the sale – and reduces the risk that a product will be returned later because it's not the right size/color/material.

“

Shoppers who buy both online and in physical stores tend to spend more on average compared to those who interact with a business on only one channel.

Harvard Business Review

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4. Delivering more personal service

Online shopping is quick and convenient, but it lacks a fundamental part of the retail experience – the human touch.

In your physical stores you have the opportunity to enhance customer connections with **personalized, one-to-one service**. Transform a transaction into an engaging conversation by employing skilled, knowledgeable sales associates who can deliver expert advice, product demos, and personalized suggestions that go beyond just showing what's on the shelf.

According to research for RetailEXPO, almost two out of three (64%) of shoppers say that **knowledgeable sales associates make them more likely to visit a physical store**, and three out of four (75%) of shoppers **are likely to spend more after receiving high quality service from staff in-store**.





5. Immersing customers in the brand experience

Retail is a highly competitive industry, and while it can be hard to stand out online, a physical store gives you a chance to **create a unique, immersive brand experience**. You don't even need a traditional retail chain: retailers have been using **temporary storefronts** and opening **pop-up stores** within malls and retail parks to build a physical presence with limited investment.

To grow engagement, retailers have focused on creating new, experiential spaces that go beyond the display of items. Examples vary from **showrooms** that have items only on display, and not for sale; concept stores focusing on just **few product lines**; **pop-up locations** and events that have the goal to build engagement and surprise.

When you plan your experience, focus on finding the **right balance of excitement, originality, and convenience** (keeping in mind that while some customers will want to lose themselves in your store, others will want to find the items they're looking for as fast and efficiently as possible). **Play with diverse elements** like music, materials, colors, shapes, and consider using technology like smart walls, augmented reality and digital assistant to create the right brand atmosphere and differentiate yourself from the competition.

6. Optimizing the supply chain

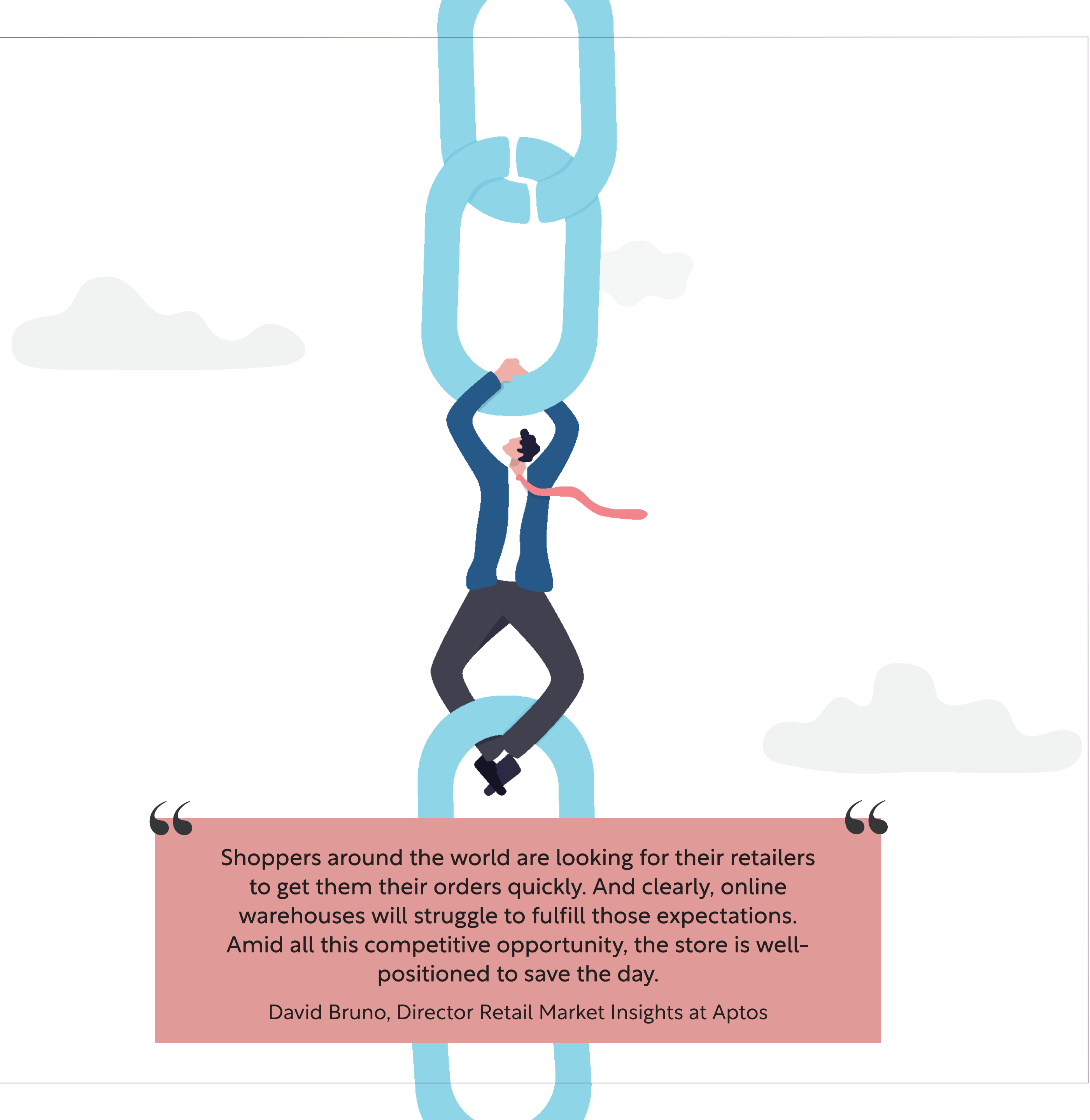
In omni-channel retail, logistic costs can easily spiral out of control, significantly eroding a retailer's margins.

To limit the costs that come from product storage and shipping, some retailers have been converting their physical stores, in part or completely, into **warehouses and fulfillment centers**.

These micro-fulfilment hubs, commonly known as “dark stores,” can serve multiple functions:

- they allow retailers to make good use of **low-footfall locations**.
- they can help **reduce costs of inventory management**.
- they strengthen the supply chain, enabling **faster, more effective distribution** across larger geographies
- they help ensure **fast delivery** for specific products.

“Every chain in the world will be doing this in the future. And the future is now, because COVID-19 has pushed the timeline up for a number of these kinds of initiatives,” says Ken Morris, managing partner at Cambridge Retail Advisors.



Shoppers around the world are looking for their retailers to get them their orders quickly. And clearly, online warehouses will struggle to fulfill those expectations. Amid all this competitive opportunity, the store is well-positioned to save the day.

David Bruno, Director Retail Market Insights at Aptos



7. Understanding customer preferences and habits

Fashion retailer ModCloth opened its first brick-and-mortar store after they'd already been successfully selling online for thirteen years. It was a counter-intuitive move – but a successful one.

“We discovered small things, the details our customers love,” Matt Kaness, president and CEO at ModCloth, told USA Today. “They loved linings in dresses and skirts, and they loved pockets.”

Although the data you collect from the online store can help you spot trends and large changes in behavior, **retailers can learn much about their customers just by watching them shop, interacting with the space and products.**

“From a market research standpoint, [a store] pays for itself. The amount of market research you gain just by observing people, it's the equivalent of 100 focus groups,” said Sucharita Kodali, Principal Analyst at Forrester Research.

8. Expanding your footprint

Even as more sales happen online, the physical locations can become a key element by offering services that complement the products for sale.

Many retailers have already redeployed their storefronts into community hubs and service centers where people can come together, have fun, and take advantage of high-value services such as product adjustments or repairs, rentals, product customizations, live demonstrations, expert consultations, and even courses and classes.

By giving customers diverse reasons to enter the store doors, retailers can use their physical locations to maintain a relationship with consumers and foster brand loyalty in ways that go beyond purchasing.

“Mega-flagship stores in major cities with a full line of merchandise [are] no longer as significant to consumers... retailers must rethink their real estate strategy and portfolio. Some stores may not focus on selling product, but instead, adopt a showroom model or offer relevant programming or services. The key will be connecting with shoppers in a meaningful, authentic way.”

Heesun Kim, Creative Director at Nelson Worldwide





Building operational resilience across the channels

As online becomes a more prominent channel for both sales and product discovery, retailers must rethink their physical store strategy with a focus on building experiences, brand value, and operational efficiency.

With all-channel shopping becoming the norm, retailers need to implement retail technology that covers their entire business. By collecting data online and in the stores, a unified commerce software enables retailers to recognize customers across their entire shopping journey, and offer consistent, personalized experiences whether online or in person.

Retailers that rethink their omni-channel strategy with clear objectives and stay ready to react with agility and innovation will fare better in the months and years ahead.

Don't let the wrong technology destroy your customers' experience

It's hard to deliver a great shopping experience when the technology you are using stands in the way between you and your customers.

Make a strategic decision for your business and invest in a retail system that helps you see your consumers and create fantastic experiences online and in person.

We can help you find the right solution for your needs.

[Contact us](#)

A background image of a modern retail store with two men standing and talking. One man is wearing a blue button-down shirt and jeans, and the other is wearing a dark blue polo shirt and jeans. They are in a brightly lit store with various products on display.

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