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Do bricks-and-mortar stores matter in digital era?

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Physical retail has become more challenging – that much is certain. Maintaining profitability in an industry rife with online competition and in-store product researching has become a challenge paramount to long-term success.

In the music and entertainment and consumer electronics industry, online mass merchants have made the market smaller for retailers such as Best Buy and Barnes & Noble. These two industries are likely the most negatively impacted from online sales.

However, music and entertainment products are mostly available in a virtual form – e-reader books and MP3s – and consumer electronics are repeatedly tested in the store and bought online.

There are a variety of other retail categories that have products with tactile qualities, which encourage physical interaction, such as viewing and testing the product in the store.

Apparel, accessories, health and beauty, pet supplies, furniture, auto and home improvement categories all have the potential to encourage in-store purchases.

Retail detail

According to the McKinsey & Co.'s customer insights report, [“How is the American Online](#)

Consumer Evolving,” survey respondents bought 80 percent and 44 percent of music and electronics, respectively, online.

In contrast, only 14 percent of clothing, 11 percent of health and beauty and 3 percent of pet supplies were bought online. While ecommerce is still an important component of retail, it may not be the absolute future.

Last year, investor Jeff Jordan wrote that he predicts offline retail will cease to exist and be replaced by more innovative online retailers.

While Mr. Jordan has solid points and research that back up his assertion that offline sales are declining, he mainly focused on the categories that look most bleak: consumer electronics and entertainment.

For a majority of other consumer retail categories, I believe that offline retail will remain, but retailers will need to work on points of differentiation and deliver benefits that customers will not necessarily receive online.

Offline and online retail must coexist – this is the future of retail.

Not glassy eyed

Shoppers are accustomed to multichannel shopping behavior.

According to the McKinsey report, more than half of Americans visit a retailer’s online store to check availability of an item and to print coupons before they visit the physical store.

More than three-quarters consider multichannel functions important in their choice of retailer.

McKinsey has found that a large proportion of consumers have already integrated their online and offline behavior. Both have become part of shoppers’ routine, as “[shoppers are increasingly] going to stores to touch, feel and compare clothing, but then buying online. Or they check out online prices before going into the store itself. It’s not a matter of either/or but of both.”

There are retailers who have caught on to this trend, and are adjusting to offer both online and offline experiences where previously, they were either offline-only or online-only.

Warby Parker, an exceptionally successful eyewear online retailer, opened a flagship store in New York this year.

At Internet Week 2013, Warby Parker cofounder Neil Blumenthal said, “We believe the future of retail is at the intersection of ecommerce and bricks-and-mortar.”

Gap agrees, as it opened a physical location last year for its ecommerce brand, Piperline. This is the second ecommerce brand for which Gap has launched physical stores.

In 2011, Gap launched the first physical store for fitness brand Athleta, and now the brand has more than 43 locations in the United States.

Pop-up stores such as the New York Warby Parker store are becoming a trend, as consumer demand for physical interaction with products maintains its stronghold, even with the growth of online commerce.

Hitting home

Some retailers well established in the physical space have set their sights on the online market, as well.

In 2011, Walgreens bought Drugstore.com for \$429 million to add about 60,000 products to its online offering.

Last year, Home Depot acquired home services marketplace Redbeacon to offer customers and home improvement/construction professionals – both possible Home Depot customers – a more integrated way to connect with each other.

Home Depot's move places its presence even further down the purchase line, into project fulfillment and beyond the store.

The landscape of bricks-and-mortar retail is changing, not disappearing, and the industry's most innovative brands and retailers that can offer unique in-store experiences, combined with omnichannel capabilities, will succeed.

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