Physical Stores vs Online Shopping: Can Traditional Retail Compete?

by Dmitry Bardysh

Quick Intro about me:

6+ work experience at ride-hailing, food-tech and delivery

Career highlights:

- 2015 - 2016 - Operations Manager at Uber
- 2016 - 2019 - RBDO at Yandex Taxi
- 2019 - 2020 - Head of Operations at Yando Deli
- 2020 - 2021 - Head of Growth at Yandex Delivery
- 2021 - …   - Head of B2B Operations at Yandex Delivery

Links to connect:

- https://www.linkedin.com/in/dmitrybardysh/
- Telegram - @dmitrybardysh

E-commerce has undeniably surged in recent years, with sales skyrocketing to over **$5.7 trillion** globally in 2022, and poised to climb further.

Its share of the retail market has also seen remarkable growth, reaching **18%** in 2022 and projected to hit **21.8%** by 2024.

With an estimated **2.71 billion** online shoppers in 2024, the digital shopping landscape is expanding rapidly, fueled in part by the COVID-19 pandemic, which accelerated online adoption during lockdowns.

However, in-store shopping remains robust, bouncing back in 2021 with an **8.2% growth** to **$21.094 trillion**, surpassing pre-pandemic levels.

A 2023 survey highlights that **43%** of consumers still prefer the tangible experience of in-store shopping.

The future of commerce is a **dynamic interplay** between the <u>digital</u> and <u>traditional</u> retail realms.

<u>February 2023 Global Consumer Insights Pulse Survey</u>

Why Can't We Resist Online Shopping?

Understanding the E-commerce Boom

The Rise of Mobile Devices

- Global Reach
  - The Impact on the New Economy
    - Product Variety
    - Personalization
      - Reduced Environmental Impact
      - User Reviews
      - Flexible Payment Options
  - Cost Savings
- Convenience of Online Shopping
  - 24/7 Accessibility
  - The Best option for businesses
    - Data Analytics
      - Targeted Marketing
    - Time Efficiency
    - Ease of Comparison

E-commerce: Main Trends

- **Rise of mobile commerce -** an increase of total e-commerce sales in 2021 was higher by almost 6% compared to 2019 (67,2% in 2019 - 72,9% in 2021)

- **Increased importance of social commerce -** in 2022 55% of American consumers purchased products online right after discovering them on social media

- **User experience (UX) is crucial - 88%** of online consumers are less likely to return to a site after a bad experience

That Old Familiar Place: Why We Still Love Shopping IRL

Tangible Experience

Despite the conveniences of e-commerce, many still favor in-store shopping for its tangible, experiential nature.

Avoiding Online Risks

- In-store shopping circumvents online risks like shipping fees, delays, and potential issues with damaged or unsatisfactory items.
- A Retail Dive survey reveals **62%** prefer physical examination of products, with **49%** aiming to dodge shipping costs.

Face-to-Face Customer Service

According to a PwC survey, **74%** of global consumers desire more human interaction while shopping.

Overall Appeal

Mood, music, scents, and visuals contribute to the overall appeal, as indicated by a survey where **90%** are more likely to purchase when they enjoy the store's environment.

How big companies use a mixed approach: Retailers omni-channel revolution

Successful retailers and e-retailers will use online and in-store experiences to define the unique and successful brand differentiation

Integration of physical and online channels for a seamless shopping experience

Benefits: Enhanced convenience, selection, and personalization for customers.

Success Stories:

01

Starbucks

31 million monthly app users, 41% of U.S. sales from rewards program.

02

Walmart

268 million customers, 63.5% growth in e-commerce sales (2021).

03

Sephora

31 million loyalty members, exceptional customer retention.

Future Trends in Retail

1

Personalized & Mobile Shopping:

- Consumers seek tailored recommendations and experiences via mobile devices;
- Shopify's success: 1.75 million merchants, 86% revenue increase in 2020.

2

Sustainability Practices:

- Growing demand for eco-friendly practices in retail;
- Patagonia as a leader: Donates 1% of sales to environmental causes.

3

Emerging Technologies:

- Augmented reality, virtual reality, and AI enhance immersive shopping experiences;
- IKEA's AR app boosts online sales through visualizing products in customers' homes.

Can retailers **crack the code** to seamlessly **blend** the tactile allure of **physical stores** with the boundless possibilities of **digital shopping,** ultimately sculpting a retail landscape that caters perfectly to diverse consumer needs and preferences?

Short answer is **"yes"**

Diverse Consumer Preferences:

- physical stores appeal to tangible interactions and immersive experiences;
- online shopping caters to innovation, convenience, and personalized recommendations.

Omnichannel Integration:

- blending physical and digital models enhances convenience, loyalty, and data insights;
- ongoing innovations (personalization, mobile tech, sustainability) contribute to reshaping the retail landscape.
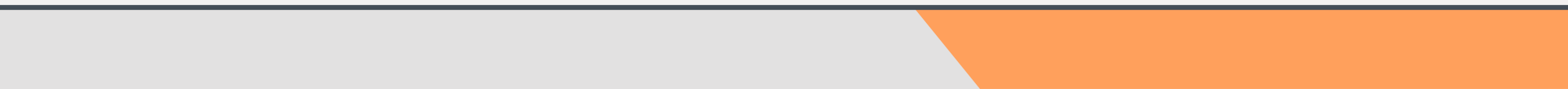
Adaptable Brands for the Future:

- traditional retail's future relies on adaptable, creative brands;
- thoughtful transformation of physical spaces can maintain relevance.

Consumer-Driven Equilibrium:

- future success depends on finding the ideal balance between in-person and digital experiences;
- retailers must listen to consumer preferences and strategically chart an omnichannel course for added value.

Final thoughts

*"E-commerce and mobile POS systems have profoundly impacted traditional retail, leading to disruption and coexistence. The **future** hinges on innovation, seamless integration, and understanding evolving consumer preferences. Traditional retailers embracing change, technology, and prioritizing customer experience will thrive in this e-commerce era."*

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