

Reinventing Retail: How Ecommerce and In-store Sales are Striking a New Balance



One of the biggest shakeups to come out of the last few years has been the continued evolution of the retail sector. Retailers, both online and in-person, have had to adapt to shifting customer demands, new timelines and new ideas about what adds value to the shopping experience.

For commercial real estate (CRE), the challenge has been equally daunting. CRE has had to work with clients to meet their changing needs, reimagining how space is used, especially as logistics and 'brick and mortar' demand responded to changing restrictions on physical spaces.

A big part of the narrative throughout has revolved around disruption. How much has ecommerce disrupted traditional retail? And what does that mean for the corresponding CRE sectors?

Facts and Figures

Unsurprisingly, the ecommerce market underwent a major boom during 2020. Online sales increased around 43%, and made up nearly 85% of total retail growth according to ecommerce researchers Digitalcommerce360.

Naturally, those figures were largely outliers based on the prevailing conditions at the time. That said, the question of where this new-found ecommerce momentum would settle was still up for hot debate in the year that followed. It's only now, as things begin to stabilize for the sector, that we seem to be finally getting a clearer picture of retail's 'new normal.'

Digitalcommerce360's data for 2022, for example, shows that while ecommerce sales topped \$1 trillion (up from \$960 billion in 2021), year-on-year growth was actually only 7.7%. They add that this is the "slowest growth rate since the 2.8% growth in 2009."

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Data from the National Retail Federation (NRF) adds to the picture, showing that the ecommerce sector is expected to grow another 10-12% in 2023 to around \$1.43 trillion, as retail sales overall start to stabilize (4-6% growth, \$5.1-5.2 trillion).

NRF adds that online shopping now makes up around 15% of total retail and that this appears to be the 'new normal' for the sector, based on data from the US Census Bureau.

Online and In-Person

Another conclusion from the NRF forecast is that "much of [the] growth is driven by multichannel sales, where the physical store still plays an important component in the fulfillment process."

So instead of disrupting 'brick and mortar' retail, online interactions are supplementing it and driving the creation of new, blended retail approaches.

This isn't a new concept for CRE. The shift towards omnichannel has, after all, been happening for a long time. What's different right now, however, is the degree to which those separate experiences (online and in-person) are being blended.

Streamlined Retail

More than ever before, consumers want to merge the convenience of in-person and online shopping for a new, seamless experience. A trend that's becoming increasingly popular is the Buy Online Pick Up In-store (BOPIS) model, where consumers pay for an item online and then collect it curbside or in-store.

The big draw is that customers can make their selection in the comfort of their own home, and then do away with the need to wait for a delivery by simply picking up their item whenever suits them best.

Advancements like Amazon's 'Just Walk Out' add another layer of convenience, simplifying the payment process and removing a potential point of friction from the shopping experience.

In their recent 'State of Retail' update, NRF points out some additional interesting figures about this blended approach, stating that:

- According to surveys, 50% of retailers plan to add 'ship-from-store' capabilities to their offering, and
- Two thirds of stores either offer BOPIS, or will add it, in the coming years.

They add: "Ecommerce and in-store retail complement each other and often create a 'halo effect' — ICSC finds opening a new store increases traffic to that retailer's website by an average of 37% and drives up share of web traffic within that market by 27%."

Growing the Retail Sector

The above figures show one fact very clearly: the value proposition for physical retail is shifting but still very strong. In fact, with the right changes to strategy, ecommerce becomes an enhancer of physical retail, rather than competition.