The Impact Online Shopping Has Made on Retail Stores
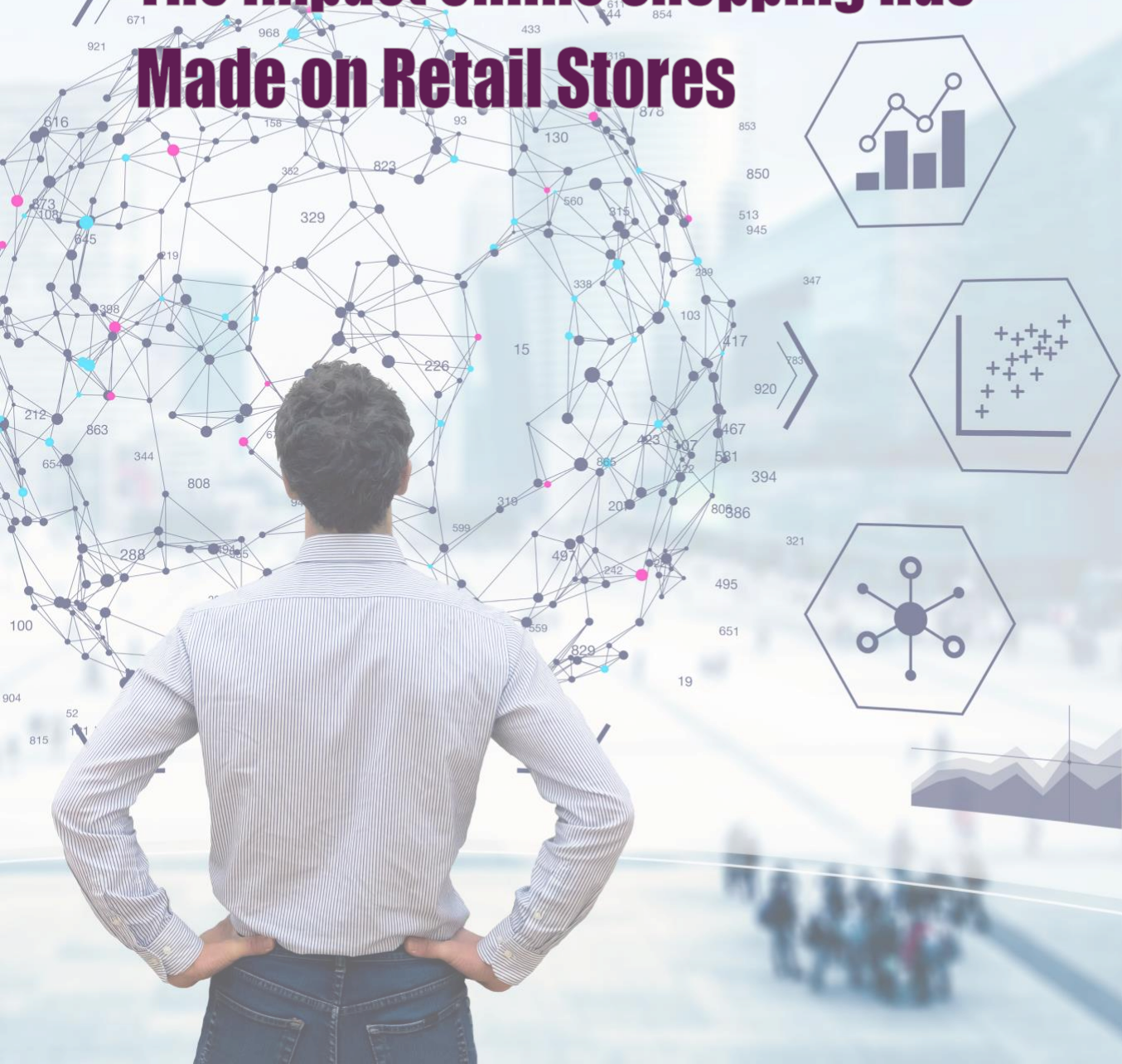
Introduction

Online shopping is still a relatively new concept, but it has changed the way the world works in just a couple of decades. By 2023, the United States alone expects to have 300 million online shoppers: that's about 91% of the entire population! With so many people switching to buying online via smartphones, laptops, and tablets, brick-and-mortar stores are starting to feel the effects. In order to stay relevant, these stores will have to accept the impact of online shopping and adapt the way they do business...

What is a Retail Store?

Retail stores can be traced back as far as 800 BC when Greek merchants would set up market booths in the city. It wasn't until much later that we would see stores that look more like today's standards; by the late 1700s, what we now know as "mom and pop" shops began popping up in every neighborhood. They usually carried a bunch of general goods, spanning from groceries and medicines to toys and cloth. Only 19% of today's shops are family-owned, but many people still prefer these nostalgic and community-driven shops.

The early 1900s saw the rise of the department store, which provided a larger and more exciting experience. Macy's and Sears started showing up in cities across the country, and people loved having a much broader selection of products to choose from. From there, shopping malls, huge grocery stores, and boutiques were developed, and the ability to shop for virtually anything was in full swing. Although retail shopping has changed over the years, the goal has always been the same: to exchange goods and services.

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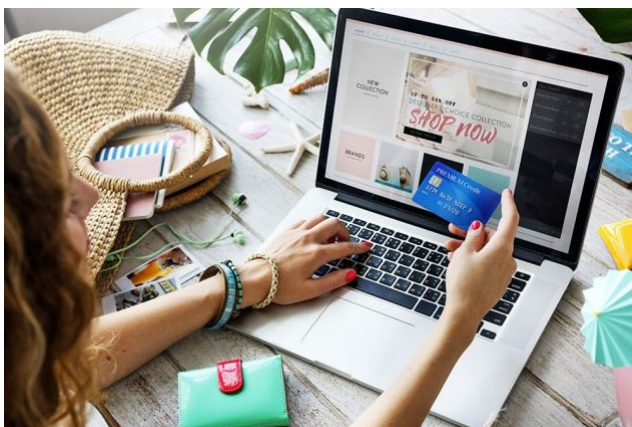
This is the buying and selling of services and products through the internet. The seller usually has an online store, where the products or services are displayed. An individual goes to the seller's website or webpage and selects the desired product. Delivery is arranged by the seller where you pay according to their terms. You often have the option of paying for the goods or services online with a credit card or upon delivery.

Online shopping has grown in popularity over the last few years. Today, you can buy anything online. Retail experts foresee online shopping to overtake traditional shopping in monetary terms.

Has E-Commerce Affected Retail?

In 2019, <u>11% of all retail purchases</u> were made online, and that number is expected to rise quickly each year. While that may not seem like a large number yet, it is already affecting retail businesses across the world. Retail stores have now become a place where shoppers can browse or "window shop" without buying anything. Many feel that they can get a better deal online, so they will wait to make a purchase. It is also easier to compare different products online, which can cut down on shoppers' frustrations in choosing.

Online stores have also made it far more convenient in recent times, due to the COVID-19 pandemic, to avoid the stores and shop online. While people have been precautioned to avoid public areas as much as possible, Amazon has seen a surge in profitability while brick-and-mortar stores have seen a dramatic decrease in business.

Retail store owners have had to change their strategies to stay competitive in the world of online shopping - pandemic or not. Many have adopted an online presence by building a website, creating a Facebook page, or adding their stores to Google's business listings. Larger retailers have been able to expand their store experience by providing online shopping with options for home delivery or picking up the product in the store.

Examples

To better understand the difference, we can compare two well-known businesses. One is a brick-and-mortar store, and the other is an online store. For the brick-and-mortar store, we have Walmart. It is one of the largest retail suppliers in the world. It controls roughly 11,500 stores in more than 25 countries. Customers go to these stores and buy anything from groceries and house supplies to electronics, hardware, and even clothing. They employ approximately 2.2 million people, with more than 75% of these people being from the United States. For the online store, we have Amazon.

This company began as an online book retailer and grew and developed past ebooks and textbooks. Now it incorporates almost everything in the e-commerce market. Both companies are multi-billion companies and excel in their fields.

What these companies have seen are transformations within themselves, driven by the competitive market. Walmart is integrating into an online business, as they provide a platform where people can still go and buy their commodities on their website and pick them up at the store. Amazon is also making moves with brick-and-mortar stores. They are opening stores throughout the U.S. that they call "Amazon 4-star," and plan on selling some of their popular products in these brick-and-mortar stores. They also own Amazon bookstores across the U.S. and have opened Amazon Go Stores in a few major cities.

Online stores are becoming more and more popular. Very few people nowadays find the need to open storefronts, but this does not mean that retailers and businesses work better online. When opening a store, many factors must be taken into consideration. This ranges from the target audience, the product involved, and your business goals.

Some of the bigger brands in the world have found a way to major in both channels. These companies include Nike, Adidas, and many more. Undertaking both channels is not within the budgets of all companies as the cost of investments involved is very high.

Online Stores vs Retail Stores

Best Shopping Experience

Online stores do not offer a complete shopping experience to the customers; they cannot touch, smell, feel, or taste the goods being sold. Retail stores can offer these experiences, giving them a competitive edge. For example, Sam's and Costco are famous for their "try-out" food samples they place around their stores that allow an experience you couldn't find online. You may purchase a product at a brick-and-mortar store (that you wouldn't have considered online) because you had the opportunity to try it out.

Of course, online stores have sought to combat this competitive edge by sending out samples of their products in the mail. This, however, can be an expensive solution and still doesn't offer all the appeal a retail store has to offer.

While retail stores may have the advantage of utilizing senses people don't get from an online experience, online stores can be easier to browse. If you are looking to buy a specific item, it's easier to sit at your computer and type it into a search bar rather than driving out to a store and looking around for that product itself. This is one reason why retail stores have offered online solutions to allow customers to see what they are selling in-house without having to search the store.

High Initial Cost of Investments

When opening a retail store, the amount of money used to stock up your commodities is high. The investments made by these sales channels are very high. For online stores, you can advertise and market what you do not own. Many stores only buy the product upon delivery, which ends up cutting off the amount spent on the initial investment.

While on the topic of initial investments, the cost of renting a physical location can be steep. Some online stores need no physical "space" and can be run by individuals remotely in their own homes. However, renting or leasing property for a store means even more upfront costs than can be difficult for small brick-and-mortar startups.

Overhead Costs

Staff, resources, electricity, and water supply are overhead costs that make opening a retail store even more complicated and ultimately more costly. There are also rental costs that can hold very expensive rates in high-traffic areas. Store maintenance and upkeep also costs money, along with so many other factors that a brick-and-mortar store brings to the table.

Usually, after purchasing a building, the owners must adjust the inside with new paint, flooring, and other structures. This makes the store more appealing, but the changes are costly. They include hiring contractors and purchasing the required resources.

Retail stores also need to train their staff for maximum efficiency and hold interviews to employ new staff. Some online stores use intelligent chatbots. These bots handle the customer's queries. They have also automated the resolutions of some queries. This is to meet the concerns and needs of the customers.

Shipping Times

Retail stores encounter no shipping costs, which saves the company money and is also extremely beneficial for consumers who need a product right away. Online stores must invest in carriers and how the product will reach the final consumer. Depending on the location of the buyer, it may take days, weeks, or even months.

Scope

The number of people a retail store interacts with is generally smaller than an online store. Online stores are always processing sales and can meet the demand of both local and international consumers. The ability to be accessible 24/7 to their customers is another factor that allows them to attract consumers in different time zones.

Customer Service

Despite the heavy investment made by retailers in staff, the money often pays off when it comes to the personal treatment, they can offer their consumers. People prefer personal treatment since it is more clear, direct, and feels like someone cares that your shopping experience is top-notch. Interacting with a person also gives room to ask a variety of questions about a product.

While live chat boxes have come a lot way, they are simply not intelligent enough to answer all pressing questions a consumer may have. Even if there is a live team member available to chat, the lack of human contact can dissuade people looking for that personal touch that retail stores deliver. This is why customer service is so important - it can be one of the most positive factors in a retail store.

Trust is an essential aspect of good business. It is easier to trust a tangible human being, compared to someone you only speak to on your device. It is also easier to have a personal bond to a product you can hold and touch, rather than just browse online. This is where retail stores excel.

Consider the Competition

If you want to venture into any business, you should always consider the competition. With online stores, the competition is generally higher compared to retail stores, since anyone in the world can access any online store, whereas retail stores usually only need to worry about local competition.

If you're opening a retail store, you can survey the area and know how your competitors do their business. You can later make up your mind if you're comfortable setting up in the same area and how you should market your products.

Online, there are many businesses selling the same product. This makes it difficult to break in and set up yours. Online is becoming saturated quickly, and breaking into existing markets can be rather difficult.

Requires Different Marketing Approaches

Having a consistent customer base is an essential component in any business. In a retail store, potential customers are restricted to people living in the surrounding area. The online market is vast and accessible to anyone, and while we have discussed how this can be a difficult thing when starting out, it does allow you to potentially expand as much as you want at a minimal cost.

Overall Experience

Most people enjoy shopping out in the retail stores. Whether in the company of their spouses, family, or friends, people enjoy physical activity. As we've discussed, people seem to have a much more personal connection with retail stores, and the ability to touch, taste, hear, and smell the products you are going to buy gives retailers a great advantage in those areas.

On the other hand, online experiences are extremely convenient and can be utilized at the click of a button. Deals are easier to find, and advertising can be personalized to a particular individual, whereas brick and mortar retailers don't generally have that opportunity.

How Can Small Businesses Take Advantage of Online and In-Store Shopping Trends?

In today's market, many brick-and-mortar retailers have some presence in the online market. The best way to compete with other online platforms is to develop strong relationships with your customers. You can do this by providing fantastic customer service and a very effective and convenient shopping experience.

Setting up relevant social media pages is also crucial. This creates awareness and allows people to discover and research your store without having to stop in.

Many upcoming companies can benefit from both online and retail options. Various retail and online stores can complement each other and pull the benefits from both sides. The future of commerce lies in omnichannel sales - so brick-and-mortar stores need to adapt to digital culture, and online stores have a lot to learn from the perks of an in-person customer experience!

Learn More

LIVE EARTH

Live Earth is the world's most advanced real-time geo-temporal data visualization technology. As an open platform, SaaS-based application, with deep roots in the Department of Defense, Live Earth leverages a technology stack that provides real-time situational awareness and an advanced approach to alerting and incident management. The Live Earth platform seamlessly fuses together millions of disparate data sources and presents them on a common operational picture. This enhanced visualization advances business operations globally with increased safety and security, business intelligence, and operational efficiency. Live Earth is trusted by organizations and agencies around the world to make time-critical decisions with real-world impact.