

**RETAIL TRENDS TODAY AND TOMORROW – IS “PHYGITAL” THE NEW SUCCESS FACTOR?**

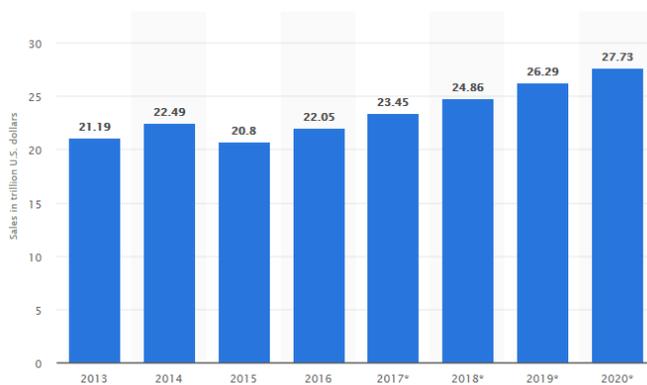


The strong growing e-commerce presents a challenge and has no doubt taken its toll on traditional retail sales, but a new trend shows that e-retailers open physical stores as hubs of inspiration and to boost visibility and sales. To apply the “Phygital” strategy and add a digital approach to the classic physical store may be the road to success in the retail landscape today and tomorrow.

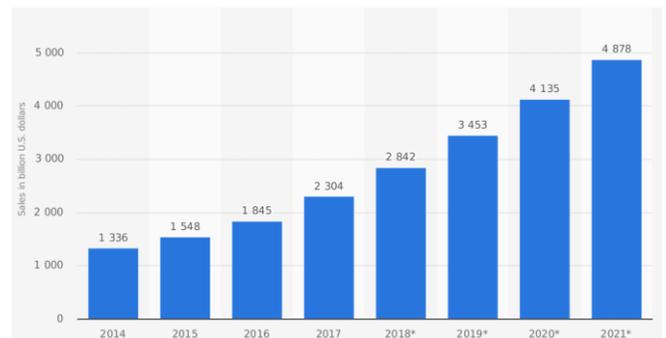
**Strong growing e-commerce vs traditional retail sales**

The total retail sales, including both online sales and sales in physical stores, worldwide have been growing and are projected to continue to grow the coming years, but the total retail sales growth rate is quite modest compared with the e-commerce development. Globally, e-commerce is a strongly growing domain with no signs of decline - a trend that can be confirmed by specific numbers and forecasts from Statista.

**Total retail sales worldwide 2013-2020 (trillion USD)<sup>1</sup>**



**Retail e-commerce sales worldwide 2014-2021 (billion USD)<sup>1</sup>**



<sup>1</sup> Source: eMarketer ©Statista 2018

When measuring the e-commerce share of the global retail sales, it started out at 7.4 % in 2015, reached 11.9 % in 2018 and is expected to increase to 17.5 % in 2021 according to a statistics report from Statista<sup>2</sup>.

The strong wind in the sails of e-commerce is obviously challenging and takes its toll on traditional retail sales. In the US, online retail has grown 300 % between 2000 and 2018, while during the same time, department store sales have dropped by almost 50 %<sup>3</sup>. To take some real-life examples; in 2000, Kmart was the third-largest US retailer, with 36 billion USD in sales, but by 2014, its annual revenues had declined by two-thirds. During the same period, Amazon's annual sales grew from about 2.8 billion USD to 89 billion USD<sup>4</sup> and the annual sales 2018 amounted to 232.9 billion USD!

### **E-retailers open physical stores**

What do all these figures tell us? What will the trends in retail and the shift in shopping behavior and choices of channels take us tomorrow? Are the physical stores doomed and will the shop windows in the city centers gape empty in the future, while only e-commerce distribution centers flourish?

No, the future is not that bleak, and several recent reports show some interesting facts. More and more e-commerce companies (e-retailers) open physical stores! Some of these stores are mainly showrooms serving as points of inspiration and hubs to interact with customers. It is not just about the stores anymore. It is about the touch points before the actual purchase! Surveys show that a growing portion of the consumers find traditional shopping boring and that they seek inspiration and an experience when they enter a store. One successful example is the Audi City Show Rooms offering a digital experience, where the visitors can make a variety of selections and watch their car in action on a big screen. [Watch the Audi Showroom in Beijing.](#)



### **The experience in focus**

Another example is Chanel in SoHo, NYC, which is not a shop but an “atelier de beauté”. The experience and the iPhone are in focus, makeup artists are on site, the customer buys samples and when ordering the real products later online, they get a discount.

However, e-commerce retailers do not only open stores as showrooms and points of inspiration to boost their sales online, some also open physical stores with a carefully selected range of products based on statistics from their online sales in that geographic area. It can for example be that exclusive lifestyle, sports and home decoration items in the e-commerce store sell very well in a specific residential area

<sup>2</sup> Source: <https://www.statista.com/statistics/534123/e-commerce-share-of-retail-sales-worldwide/>

<sup>3</sup> Source: <https://www.thebalance.com/u-s-retail-sales-statistics-and-trends-3305717>

<sup>4</sup> Source: <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-consumer-sector-in-2030-trends-and-questions-to-consider>

and based on that the e-commerce company decide to open a physical store, carrying only those products, in that area to stimulate spontaneous purchases.

Digitally native brands in the US are expanding their physical (so called brick-and-mortar) presences and plan to establish 850 stores across the US over the next five years. NYC is the most popular place, followed by other urban markets, for e-retailers to open stores.<sup>5</sup> Another example is Amazon that considers open up to 3000 new Amazon Go shops, the cashierless convenience stores, in the US by 2021.<sup>6</sup>

### **“Phygital” – the new success factor?**

Many retailers today have managed to adjust to the trends, seize the new business opportunities and offer the customers both an inspiring physical store and a well-functioning digital shop.

The new term “Phygital” represents a strategy that more and more retailers adopt to run a profitable business in the new retail landscape. It is about combining two worlds and make the most of them - to add a digital approach to the classic store! To be successful today and tomorrow, it is important to find the balance and integrate digital and physical channels to provide the best possible service and customer experience.<sup>7</sup>



<sup>5</sup> Source: <https://www.businessinsider.com/etailers-opening-physical-stores-2018-10?r=US&IR=T>

<sup>6</sup> Source: <https://www.bloomberg.com/news/articles/2018-09-19/amazon-is-said-to-plan-up-to-3-000-cashierless-stores-by-2021>

<sup>7</sup> Source: Source: <https://www.ecommerce-nation.com/merging-a-physical-store-and-an-e-commerce-phygital-store>