



Handout

# Should Retailers Fear Cannibalization From Digitization?

Digitization doesn't have to signal the end of the physical store. Integrate your offline and online retail business to stay competitive and reap the benefits of both.



There's no getting around it: advances in technology over the last decade have led to a steady increase in retail digitization and major shifts in customer expectations. Global e-commerce sales surpassed 4.2 trillion U.S. dollars last year, and NASDAQ predicts that by 2040, 95% of all worldwide commerce will be done online. Add in the fact that the corona pandemic accelerated online adaptation faster than any forecaster could have predicted, and there's no question that digital is here to stay.

Many business leaders have responded in suit. According to Gartner, 69% accelerated their digital business initiatives in 2020, and over half anticipate a change in their business model towards digital. For retailers who do most of their trading on the shop floor, however, digitization can bring challenges alongside fears that it will spell the end of brick-and-mortar stores. Yet, there are many signs that in-store shopping is far from becoming a thing of the past - for now at least.

So, what does this mean for the future of the retail industry? Is there still a place for the physical store in the pandemic-accelerated digital era? And if so, how do store-first retailers adapt? To answer these questions and more, it's important to begin with the main driver behind this digital evolution: the consumer.



The only way for companies to survive is to constantly adapt to new conditions and evolving consumer demands. Fear of digitization is simply a means of ensuring failure, as it's a fact that customers now want multiple sales channels, including online. 'Death by inertia' is not inevitable - all retailers need to do is embrace change, and go digital."

— Alexander Graf, Co-CEO of Spryker

## Digitization and Consumer Expectations

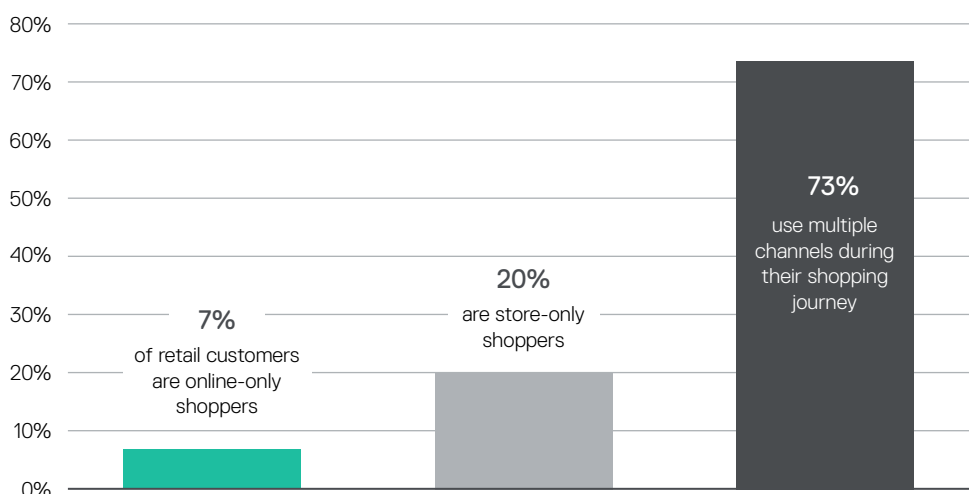
Whether buying a laptop or a kitchen sink, the key terms to understanding today's tech-savvy and corona-wary consumers are flexibility and convenience. They are accustomed to the accessibility and safety that the internet offers them, but also want to be able to interact with your business where and when it suits them, whether that be in-store or online.



Are you a retailer in the food and beverage industry? Flexibility and convenience have also been flagged as some of the most important motivations for online food grocery consumers, as detailed in our **Online Grocery Report 2022**

Harvard Business Review's consumer survey showed that 73% of retail customers nowadays use multiple channels during their shopping journey. For the customer who favors the in-store experience, having the option to transition to an online purchase, for example, if the shoe color they want isn't available

in that location, can make the difference when choosing between your business and a competitor. Don't get caught believing that this only applies to B2C commerce, however, as customers everywhere now expect a multi-channel, frictionless experience no matter what industry they're from.



Source: h2017 Harvard Business Review survey of 46,000 retail customers:  
<https://hbr.org/2017/01/a-study-of-46000-shoppers-shows-that-omnichannel-retailing-works>

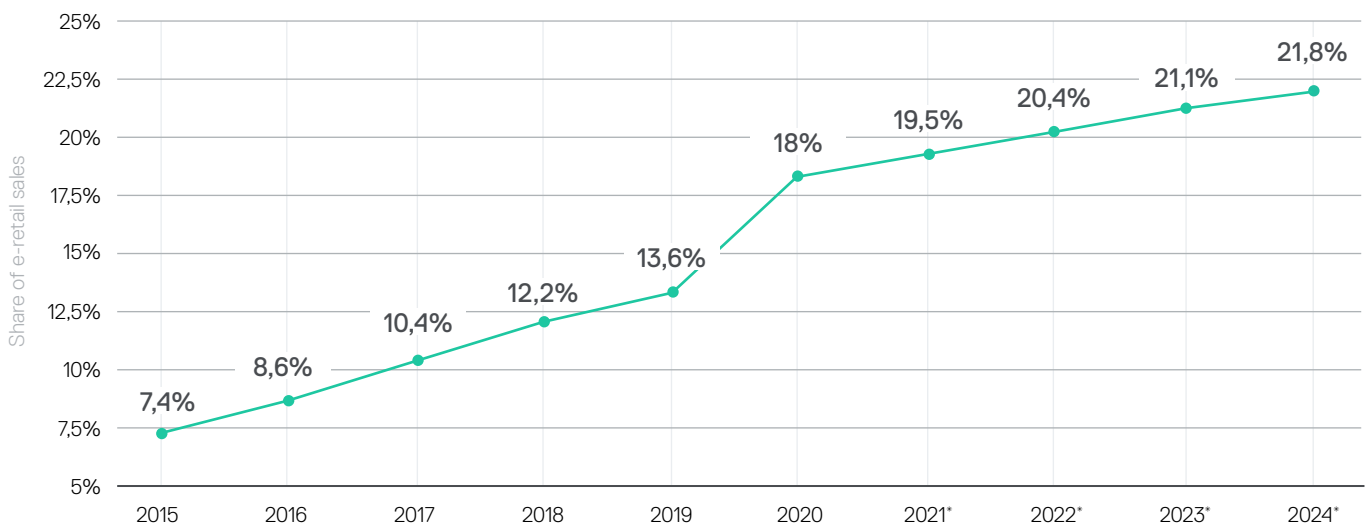
Adding a web store and mobile app for shopping-on-the-go to your physical store is the first step in the right direction. If you want to have a competitive edge, however, offering the customer a seamless integration of the online and offline shopping experience is essential. Think purchase and delivery options

such as **curbside pickup, BOPIS, ship-to-store, and store locators**. We'll get into more detail below, but the takeaway is that in today's crowded digital market, synergizing your physical channels with your digital ones is the only way to keep your customers coming back for more.

## Digitization and the Physical Store

There's no denying that e-commerce has taken a bite out of the brick-and-mortar store pie, with online retail growing on average two percentage points per year in the last decade. The massive spike in digital sales during the pandemic put a further dent in physical revenue. However, the fact remains that e-commerce still only accounts for around 20% of all total retail sales.

**E-commerce share of global retail sales from 2015 to 2024**



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

There is also evidence that the strong momentum of online retail growth due to the pandemic has lost some pace, as brick-and-mortar stores in some verticals are making a comeback following the 'retail apocalypse' of 2020 - which saw a record number of shops closing due to lockdowns. PWC's most recent Global Consumer Survey indicates that in-store shopping has returned to pre-pandemic levels in some areas, with 47% of customers still preferring the in-store shopping experience despite corona restrictions.

What do these trends mean for physical stores? The bottom line is that there's little to be gained from burying your head in the sand when it comes to digitization, but there's no need to give up on brick-and-mortar either just yet. All signs point to a hybrid online and offline shopping experience being the path to future success. The retailers who can successfully provide their customers with both are guaranteed to ride the digital wave no matter which way it turns.

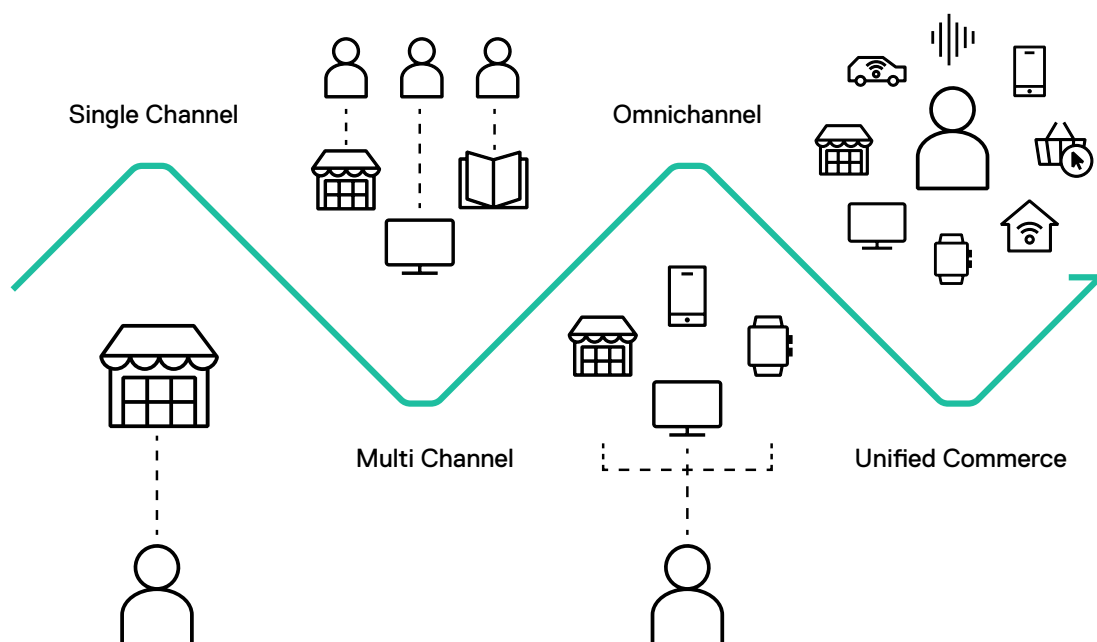
## Hybrid Commerce - The Future of Retail

As mentioned, having a variety of complimentary online channels where customers can interact with the same products or services you have in-store is the first step. The next is to coordinate these offline and online technologies in a way that enhances the retail experience so that your customers have a cohesive buying journey, no matter where it begins or ends. Remember that the modern customer values flexibility and convenience, so any feature that enables these values will help to increase your customer loyalty.

Think, for example, of a customer who starts the morning researching your product on their phone. They look at it in more detail on their laptop over lunch and decide after work that they want to pick it up at their nearest store. In the ideal scenario, i.e. the one that leads to a sale, this customer should be able to find consistent information about the product at each point of their buying journey, for example, an online inventory synched in real-time with the shop floor.

If you really want to take your hybrid business to the next level, having a single e-commerce platform that controls all these channels and their associated technologies is the easiest way to ensure that the customer journey is as frictionless as possible. This strategy, known as Unified Commerce, also allows easy internal management by interconnecting systems such as sales, customer relationship management, inventory, and so on. Moreover, it creates a centralized system to collect data about your customer's movements at every point-of-sale, be it digital or physical, allowing you to identify and react to pain points in real-time.

### What is Unified Commerce?





## Integration is the Key to Success

Whether your offline business was forced to quickly go online at the start of the pandemic, or you are still in the midst of a change, there's no need to panic about the future of physical stores. The key is to follow the consumers, and all signs show that they are far from ready to forego the in-person shopping experience despite the new 'normal' of contact restrictions.

Staying competitive in these times, however, is all about offering these consumers the best of both worlds. The physical store may not be dead (for now), but it certainly can't succeed alone against the digital tide. Start by integrating your online channels with your offline ones. Then seal the deal by making the customer journey between them as smooth as possible through a Unified Commerce strategy.



Find out more about how Spryker can help usher in your digital transformation today.



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