

Bricks Drive Clicks Globally: The Positive Physical-Digital Relationship

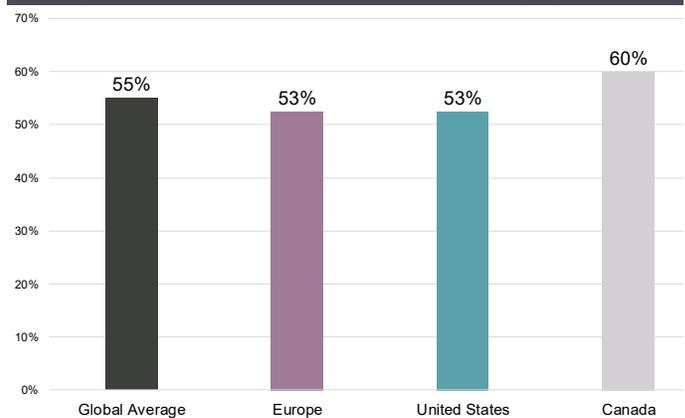
Stores Are Key to Consumer Engagement and Success

A new ICSC survey¹ of over 9,000 consumers in Europe and North America supports the symbiotic connection between the physical and digital worlds and dispels the notion that online channels are eroding the value of brick-and-mortar stores to consumers.

The presence of a physical store nearby is important when making online purchases from a retailer

The survey found that the majority of online shoppers say it is important for retailers to have a physical store presence as well, reinforcing the belief that today's consumers are very much in charge of their journey and demand to shop in any combination of channels, utilising the easiest, shortest and most pleasurable path to accomplish their mission. Chart 1 shows a clear consensus by consumers in both Europe and North America that the store remains a fundamental element in the path to purchase. **Over half of Europeans (53%) and Americans (53%) cite the importance of a physical store, while even more Canadians (60%) indicate the same.** Delving deeper into the European data, this trend is even more marked in Poland, Spain and France, with almost three-fifths of online shoppers valuing the presence of a local establishment when shopping online.

Chart 1
Percentage of Online Shoppers Who Say a Nearby Physical Store Presence is Important When Buying Online



Tellingly, despite being regarded as the more digitally-connected generation, it is the Millennials, rather than their older counterparts, who see the greatest value in a physical presence when making online purchases. In Europe and the United States,

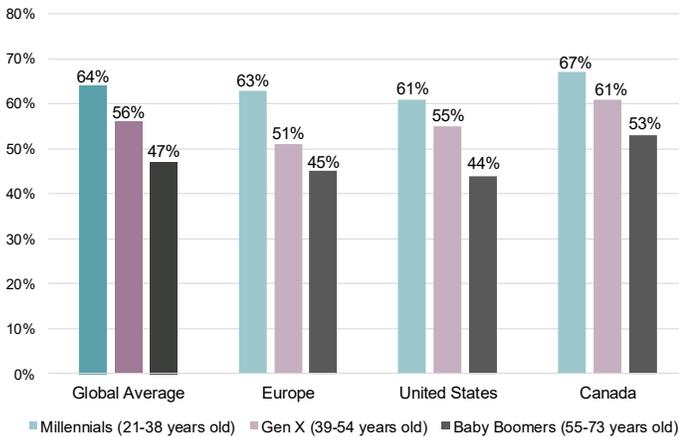
Key Takeaways

- Globally, the majority of online shoppers say that when buying online it is important for a retailer to have a physical store presence near their home or work.
- On average, across Europe, the United States and Canada, nearly two-thirds of Millennial online shoppers say that the presence of a local store is very important or somewhat important, compared with over half for Gen X and over two-fifths for Baby Boomers.
- Exclusivity, variety of offerings and convenience of collection/returns are the primary motivations for shopping online from an omni-channel retailer.
- If a retailer they currently patronise closes a local store, roughly two-fifths of consumers would no longer spend their money with that retailer.
- In Europe, the United States and Canada, the presence of physical stores plays an important role in raising brand awareness and enhancing consumers' perception of and trust in a retailer.
- Approximately one-third of consumers would increase the frequency of visits to a known retailer's website as a direct result of a new store opening near their home or work.
- Globally, more than four-fifths of consumers would visit an unfamiliar retailer's website as a direct result of a nearby store opening.
- If an unfamiliar retailer opened a nearby store, 79% of both European and Canadian consumers and 77% of U.S. consumers would visit both the store and the website, with the majority of these consumers going to the store first.

¹ These findings are based on a survey of over 7,000 adults in seven European countries (France, Germany, Italy, the Netherlands, Poland, Spain and the United Kingdom) conducted 11-16 January 2019; 1,005 adults in the U.S. conducted 7-10 February 2019; and 1,004 adults in Canada conducted 8-13 February 2019 by Engine Group on behalf of ICSC.

slightly more than three-fifths of Millennial online shoppers said that a local store is very important or somewhat important, compared with approximately half of Gen X consumers and over two-fifths of Baby Boomers. (See Chart 2.) A similar trend also appears in Canada; however, the shares of each cohort are even larger—67% of Millennials, 61% of Gen X and 53% of Baby Boomers. Given that Millennials are now entering their peak spending years, *this bodes well for the continued success of brick-and-mortar retailing.*

Chart 2
Percentage of Online Shoppers Who Say a Nearby Physical Store Presence is Important When Shopping Online (by Generation)



The survey revealed that the primary motivations for shopping online from an omni-channel retailer are a wider selection of products that are available online, the ability to return or exchange items in-store (thereby avoiding shipping fees), and exclusive offerings. (See Table 1.) These were the top three reasons across all seven European countries, the United States and Canada, albeit in varying order, and this pattern holds true for all age cohorts. This insight underpins *the importance of the store in the overall shopping journey*, playing a key fulfilment and service role even if the transaction ultimately closes online.

Retailers lose business when they close a store

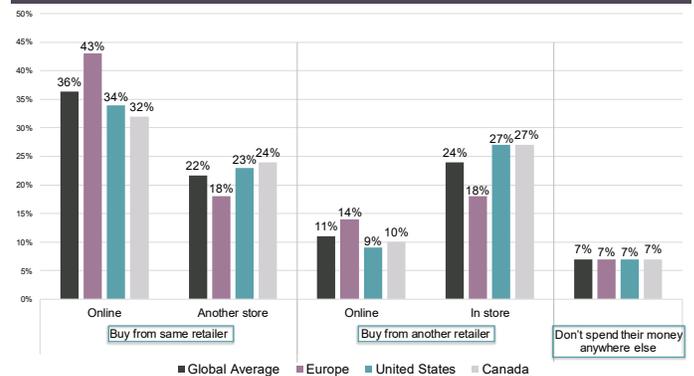
Indeed, the value that consumers place on being able to access a local store is so high that there are notable changes in shopping behaviour when a retailer closes a physical establishment.

Although the majority of consumers display brand loyalty by saying they would continue to buy from a retailer if it closed a nearby store (either moving online or to a different physical location), a noteworthy two-fifths (39%) of European consumers

(even up to 47% in Spain!) would no longer spend their money with that retailer—18% would switch to buying in-store from another retailer, 14% would switch to buying online from another retailer and 7% wouldn't spend the money anywhere else. (See Chart 3.) In the United States and Canada, an even higher share of consumers would no longer spend their money with a retailer who closes a nearby store.

In the United States, 43% of consumers would either switch to another retailer or not spend the money at all if a local store closed down (27% would switch to buying in-store from another retailer, 9% would move online from another retailer and 7% would not spend that money anywhere else). In Canada, 44% of consumers would no longer shop at the same retailer or not spend their money elsewhere. Specifically, 27% would switch to buying in-store from another retailer, 10% would buy online from another retailer and 7% would not spend the money.

Chart 3
Changes in Shopping Behaviour if a Retailer Closes a Nearby Physical Establishment



These figures represent *a significant loss of the retailer's existing customer base* in that catchment area, with the large majority going to a competing brand—something that retailers should consider carefully when making decisions about portfolio rationalisation.

The negative impacts of closing a store are also demonstrated in ICSC's 2018 report, 'The Halo Effect: How Bricks Impact Clicks.'² When stores close, *web traffic* also falls. Generally speaking, the greater the proportion of stores closed in a market, the greater the decline in web traffic in the markets where the retailer has stores.

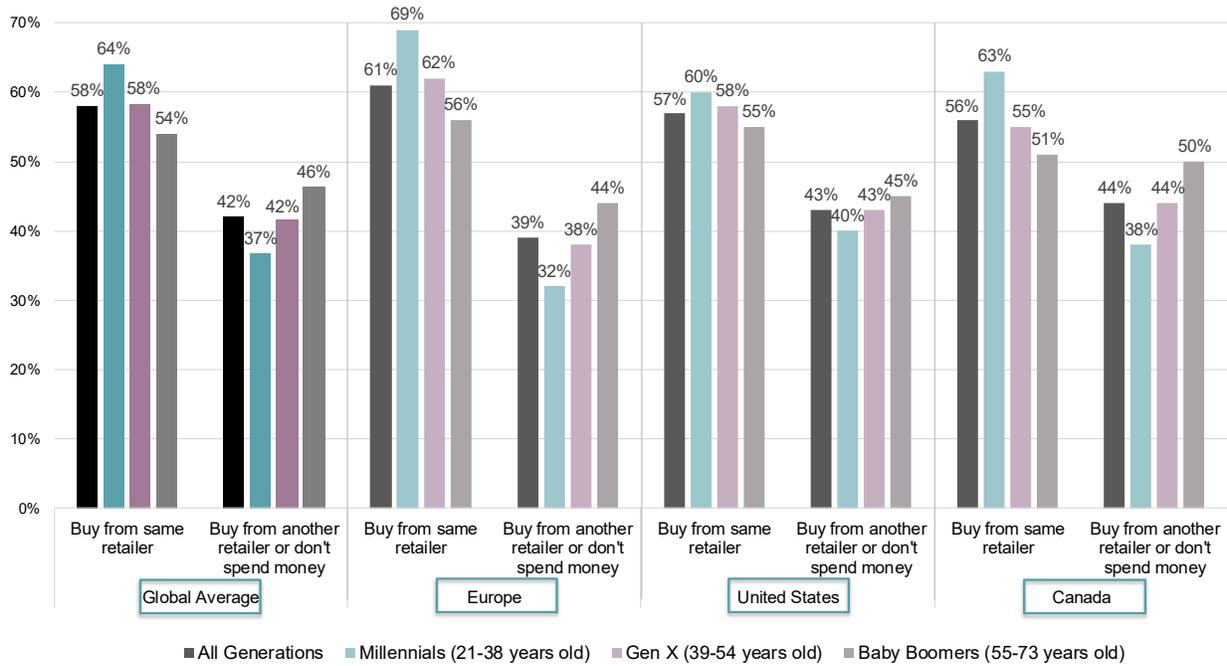
Chart 4 shows that Baby Boomers are the generation that is the most concerned by the closure of a nearby physical establishment—two-fifths of whom in Europe and the United States and half of whom in Canada would no longer spend their money

Table 1
Reasons for Buying Online From a Retailer With a Physical Store Near a Consumer's Home or Workplace

	Global Average		Europe		U.S.		Canada	
	Rank	Percent of respondents	Rank	Percent of respondents	Rank	Percent of respondents	Rank	Percent of respondents
Wider selection online or products unavailable in store	1	42%	2	38%	1	46%	2	41%
Pick up items and/or return/exchange, avoiding shipping fees	2	40%	3	36%	2	42%	1	43%
Exclusive offerings not offered in store	3	39%	1	39%	3	40%	3	39%
Not always ready to make a purchase at the time I see item(s) in store	4	25%	5	22%	4	26%	4 (tie)	26%
Good customer service available if needed	5	23%	4	23%	5	21%	4 (tie)	26%
Trust and value the retailer's reputation and brand more	6	20%	6	21%	6	18%	6	21%

² ICSC, 'The Halo Effect: How Bricks Impact Clicks,' 2018.

Chart 4
Changes to Shopping Behaviour if a Retailer Closes a Nearby Physical Establishment (by Generation)



with a retailer that shuts a nearby store, reaching as high as 60% for Spanish consumers. Across Europe and North America, **the Millennials are revealed to be the most loyal to a particular brand**, albeit they are more likely to move their spending online, rather than to a different store location, whereas their older cohorts are more likely to do the opposite.

Physical stores generate brand awareness and trust

The survey revealed three key reasons why consumers would no longer buy from a retailer that closes a local store, albeit in varying order of importance in different countries, as highlighted in Table 2.

First, **physical stores are a key driver of brand perception**. One-third of European consumers, and nearly as many Canadian and U.S. consumers, said that if a retailer closed a local store, one of the main reasons why they would no longer buy from that company is their concern that the retailer is not doing well and could go out of business.

Secondly, **stores play a significant role in brand awareness**. Slightly more than one-quarter of European consumers and just over one-third of Canadian and American consumers who would no longer buy from a retailer that closes a store near them said

that if they do not see the physical store, the retailer is no longer top of mind. This is of particular significance for UK consumers—39% of whom have an 'out of sight, out of mind' attitude.

These results about brand awareness reiterate one of the key insights from ICSC's Halo Effect report. Based on an analysis of consumer perceptions, in markets where retailers have physical stores, a larger share of consumers (48%) say they are aware of the brands, compared with the overall national average (44%).

Third, when a retailer closes a local store, **shoppers are no longer able to return/exchange items easily or receive customer service**. This ranks third among the reasons for Europeans, first for Canadians and of joint greatest significance for U.S. consumers alongside brand awareness.

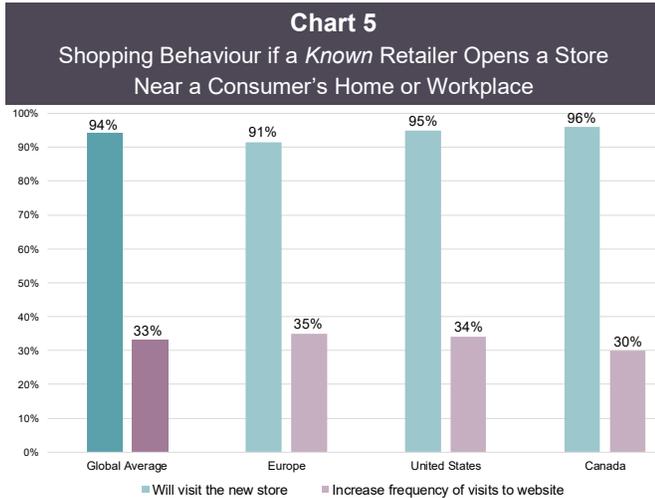
Opening a store boosts online traffic

The direct relationship between the online and physical channels is so marked that when a well-known retailer opens a new store, there is a positive impact on consumers' digital engagement. This too confirms a major finding in ICSC's Halo Effect report. Opening a physical store in a market results in an **average 37% increase in overall traffic to that retailer's website within the local area**.

Table 2
Reasons Why Consumers Would No Longer Buy From a Retailer That Closes a Nearby Store

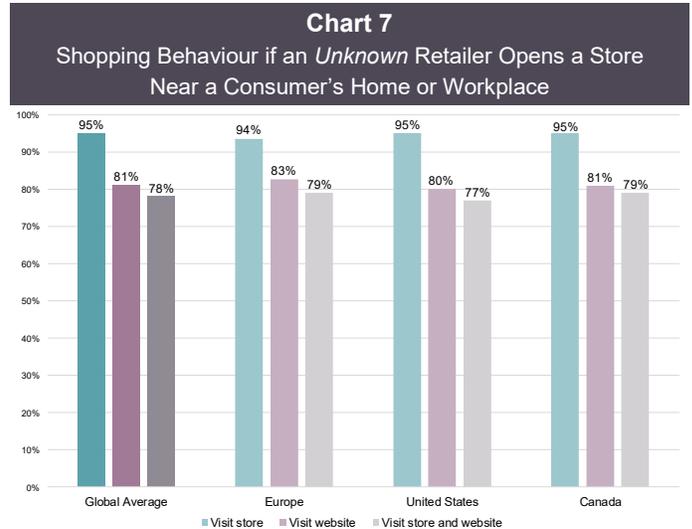
	Global Average		Europe		United States		Canada	
	Rank	Percent of respondents	Rank	Percent of respondents	Rank	Percent of respondents	Rank	Percent of respondents
Not able to return/exchange items easily or receive customer service	1	34%	3	27%	1(tie)	34%	1	40%
Indicates retailer could go out of business	2 (tie)	32%	1	33%	3	30%	3	32%
Retailer is no longer front of mind	2 (tie)	32%	2	28%	1(tie)	34%	2	35%
Buying online and picking up in store would no longer be possible	4	23%	4	24%	4	24%	4	22%
Lose trust in the retailer's reputation/brand	5	16%	5	17%	5	13%	5	18%
Other	6	5%	6	5%	6	6%	6	5%

More than nine out of 10 consumers in Europe, the United States and Canada said that they would visit the new store but, importantly and in support of retailers' omni-channel strategies, over one-third of consumers in Europe and the United States and nearly as many in Canada would increase the frequency of visits to the retailer's website as a direct result of a nearby store opening, regardless of whether or not they also visit the new establishment. (See Chart 5.) Within Europe, this increased online engagement was highest in Italy at 42%, followed by Spain at 39%.

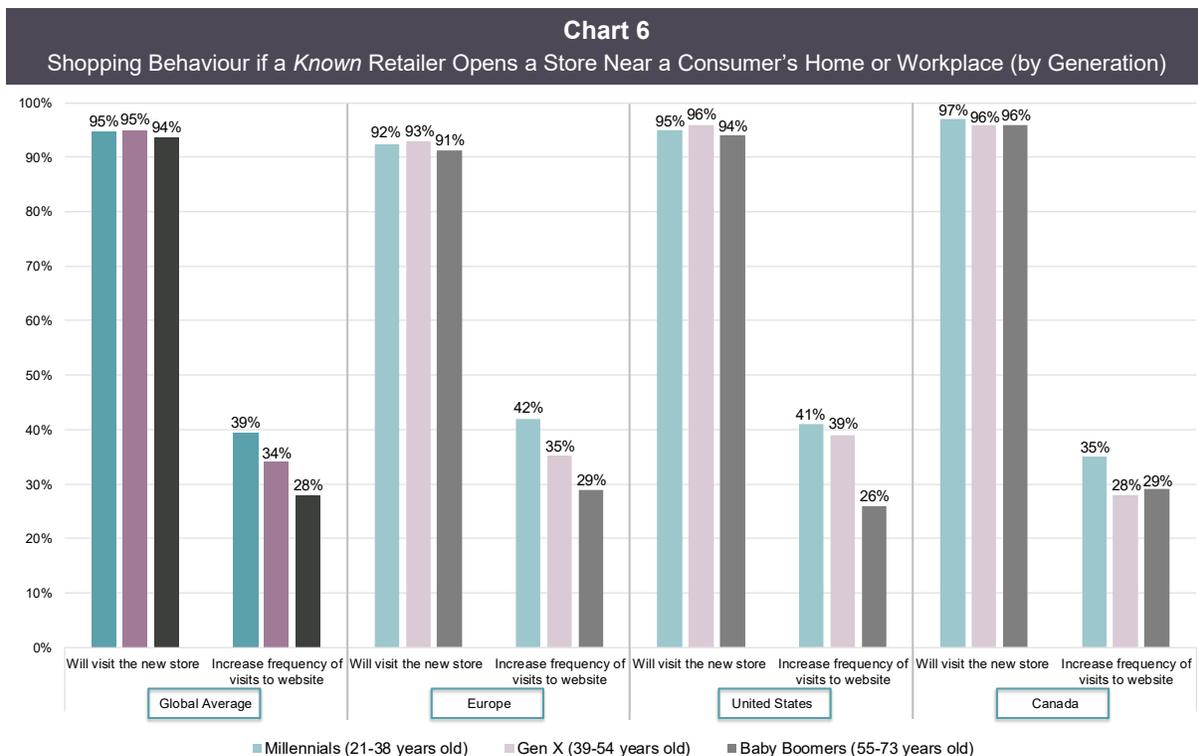


This trend is more significant for Millennials as over two-fifths of them in Europe and the United States would **increase the frequency of visits to a retailer's website as a result of a store opening nearby**, compared with over a third of European and American Gen Xers and just over a quarter of Baby Boomers. (See Chart 6.) In Canada, over one-third of Millennials would increase their visits to a retailer's website after a nearby store opening, while fewer Gen Xers and Baby Boomers would do the same.

Increased consumer engagement as a result of a store opening is **even more pronounced for unfamiliar retailers** (that may also include new and emerging retailers). An overwhelming 94% of European consumers and 95% of both U.S. and Canadian consumers said they would visit a new local store of a previously unknown retailer, while roughly four-fifths would visit the retailer's website in Europe and North America. (See Chart 7.)



What is clear is that for today's channel-agnostic consumers, bricks and clicks is not an either/or decision. They move back and forth between the two throughout the shopping journey and expect the same experience across all channels. Nearly four-fifths (79%) of those surveyed in both Europe and Canada and 77% of respondents in the United States said they would visit both the store and the website if an unfamiliar retailer opens a new store near their home or work—the majority of which would go to the store first.



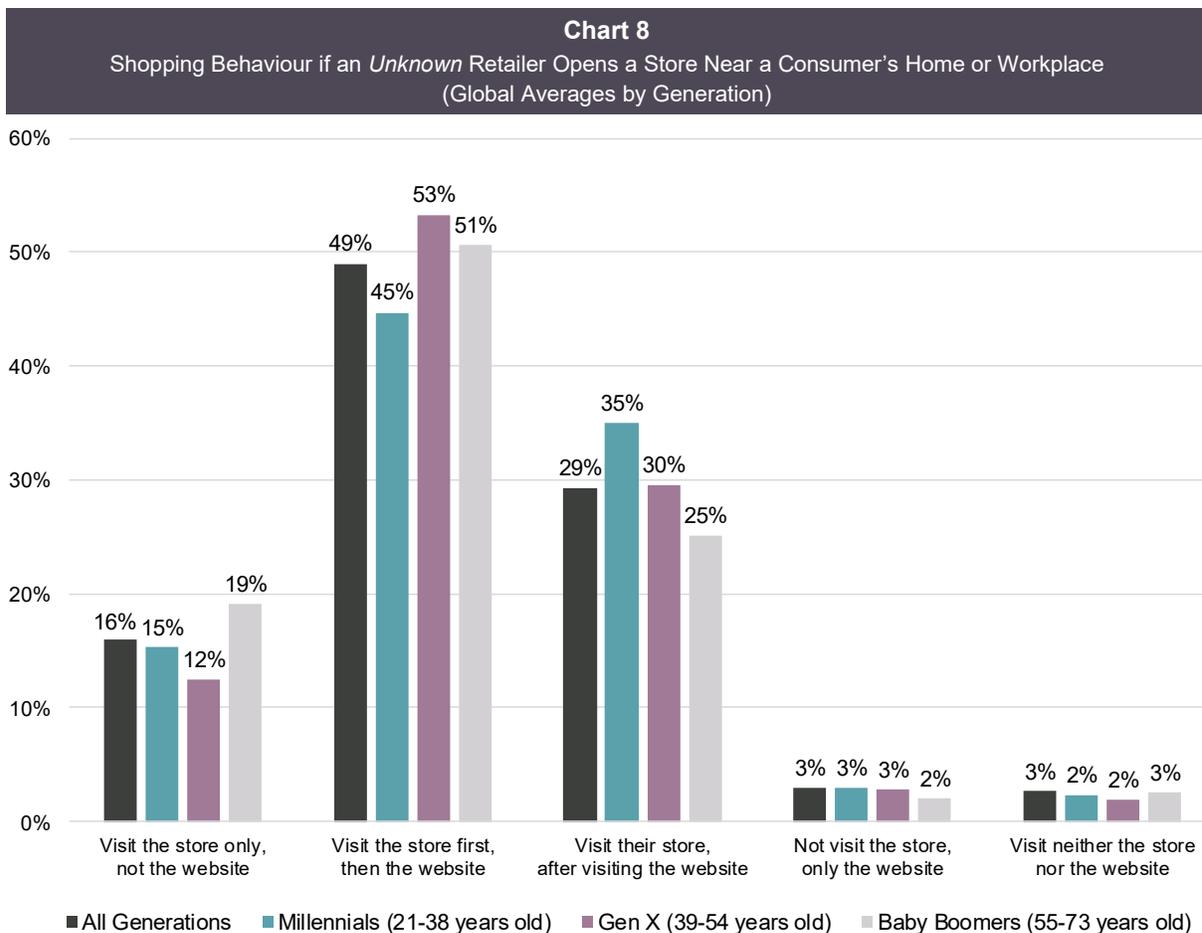
Globally, the largest shares of consumers in all generations are inclined to visit the store first, then the website. Following that, the second most popular behaviour for all cohorts is to visit the store, *after* visiting the website. However, higher shares of Gen Xers (53%) and Baby Boomers (51%) would visit the store first, then the website compared to Millennials (45%), whereas a larger share of the youngest consumers would visit the store after visiting the website compared to the older ones. (See Chart 8.) This trend, which exists across Europe and in the United States and Canada individually, supports the view that *the physical and digital cannot function in silos*—they invariably need to seamlessly co-exist and complement one another in order to preserve and enhance consumer engagement.

Conclusion

The survey results confirm the view that physical stores continue to play a vital role in consumers' shopping journeys and are an

integral part of a retailer's ecosystem, regardless of where the final transaction takes place. Positioning bricks against clicks paints a misleading picture and undervalues the role of the store in consumer engagement and building connections, particularly for unfamiliar retailers. *The presence of physical stores builds trust and confidence in a brand* and provides a crucial opportunity for consumers to access before-sale and after-sale support, as well as fostering click-and-collect.

In short, physical stores are essential to any successful retail strategy. Not only do they drive online engagement, but they also positively impact brand perception and help to attract new customers. Those retailers that innovate and create a true omni-channel experience by leveraging the strengths of both physical and digital will meet the needs of today's informed and empowered consumers and will ultimately come out on top.



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