



TOWNS VS CITIES: THE GREAT ONLINE DIVIDE

Retailers that don't maintain a bricks-and-mortar store in a catchment alongside a transactional website typically experience 50% lower online sales compared to those that do. So what exactly does this mean?

Online retailers may enjoy the privileges of meeting customers' needs for convenience and variety, but there are some drawbacks to having an online-only approach. Perhaps the main drawback is how consumers still value the in-store shopping experience.

Last week, research from consumer and location intelligence firm CACI revealed that retailers that do not maintain a bricks-and-mortar store in a catchment alongside a transactional website typically experienced 50 per cent lower online sales compared to those that do have a physical presence.

By analysing data collected via a UK-wide survey of over 2500 consumers, CACI found that online sales were an average of 106 per cent higher within a retailer's physical store catchment.

CACI said that the key to the enhanced performance is the role stores play in influencing purchasing decisions, with over 50 per cent of online spend touching a physical store. This is achieved through click-and-collect; in-store ordering – or via the store's role as a showroom to "try before you buy", with purchases made later online at the consumer's convenience.

"Firstly, brands should carefully consider the unintended consequences of downsizing their portfolios," CACI director Alex McCulloch said.

"What might seem an effective way to reduce costs may also undermine the viability of the business due to the positive impact stores have on online sales."

As importantly, the research also points to the need for landlords and brands to work together. Consumers move seamlessly from one channel to another, which means neither side has the upper hand.

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Both sides must recognise the importance of stores across a retailer's wider business and both should unite in building a stronger, more relevant, and therefore more resilient, offer for consumers."

Doug Tweedie, director of FHP Property Consultants, said CACI's data was down to three key factors: brand awareness, ease of returns and click-and-collect.

"With so much choice it's easy for the consumer to forget about a brand if they don't see them via some kind of channel, be it media, online or a physical store," he told Retail Gazette.

Returning to a store is easier, it's cheaper, you don't have to be ultra neat when boxing or repackaging and the refund is processed and back in your account quicker."

He added: *"Click-and-collect is often more convenient than delivery too, although it does rely on a local store network or partnership."*

It can be argued that online retailers often offer little human interaction. From a service standpoint, this makes it challenging for customers to ask questions about products or promotions. Nonetheless, Santosh Sahu, chief executive of delivery company On the dot, believes online-only retailers are combating this by creating "experiences" for customers.

"A physical presence brings greater understanding of local preferences for particular products and services, but online-only retailers are fast overcoming this, harnessing the data that's available to them through the creation of personalised experiences," he said.

"It's a whole new world out there and one in which Amazon is quickly swallowing up the high street.

"Online giants, free from the cost and administration of bricks and mortar, can rapidly integrate new, digital services at a speed that's so far been unattainable for high street stores."

However, Sahu conceded that online giants have been opening physical stores not just to lure customers, but to also have an edge over their competitors.

"Their physical footprints mean that they are closer to their customers than online-only stores and they bring the experiential dimension of seeing, touching and trying products that consumers still crave," he said.

For online retailers to include regional towns and villages in their catchment areas, it can mean taking on more initiatives. Sahu added that managing or expanding a physical store estate to ensure a presence in countryside can be "costly and difficult to maintain".

"This is where the importance of a retailer's delivery strategy comes into play," he told Retail Gazette.

"The right model can ensure that a brand's footprint stretches far further than the boundaries of its physical stores, catering to a broader set of customers while keeping overheads low."

Multichannel or online-only retailers might have to consider investing in a fast delivery service when it comes to launching their presence in towns and rural centres. On-demand delivery – services such as Asos' same-day delivery – could work well in retailers' favour.

"If they are to thrive in this new, uncertain world, high street and ecommerce stores need to take a proactive approach in making the impact of both their physical store offerings and online channels more powerful and connected," Sahu explained.

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“The place to start? On-demand delivery. It’s very simple.

Online or offline, shoppers will always opt for retailers who can do one thing: make it easy to buy, exchange and return products. Rapid and convenient delivery is a must.”

Andrew Gorry, director of digital at Mojo Mortgages, told Retail Gazette that online retailers were actually being considerate to consumers in rural areas by not launching in those locations.

“In rural communities, it’s often more convenient for customers to buy products online rather than drive all the way into their local town/city – this way retailers are in fact considering their customers in deciding whether to launch physical stores,” he said.

Dan Peden, a strategy director at marketing agency Journey Further, agreed. He added that if retailers have a physical presence and were not optimising based on location, then “it’s a big missed opportunity”.

Josh Wallin, head of career network Smartly UK, said it was important that online retailers recognise and acknowledge that some towns can be some distance from the target consumer catchment area.

“If the nearest store is situated 20 miles outside of a target town, there’s little value in advertising their click-and-collect service,” he said.

“Instead, they should focus on the free delivery aspect of their offering.”

Tweedie added that it was “all about balance”.

“If done in the right way, online and physical stores will drive sales for each other,” he said.

“Physical stores need to perform another function and those who are successfully driving customer loyalty are providing a great shopping experience in-store, in tandem with the ease and convenience that online offers.

Concentrating on fashion, particularly in mid-market towns, the role of the physical store is changing quite significantly.

It might be performing an important function in support of online, but with fewer ranges and less investment resulting in declining footfall, the outlook isn’t positive.”

For further information, please do not hesitate to contact Doug Tweedie of FHP Property Consultants.

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