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The real reasons shoppers aren't returning to your stores.

The State of Brick & Mortar Retail Report

Overview

Welcome to the retail (a) apocalypse (b) recession (c) evolution.

Welcome to the retail (a) apocalypse (b) recession (c) evolution. Which one is it? Since 2015, 68 retailers have filed for bankruptcy, including Sears, Sports Authority and Radioshack, and analysts expect nearly 6,000 more store closures in 2019. In just the first two months of the year, more than 41,000 people have been laid off from retailers like JCPenney and Payless.

But, in the midst of all this, some brands are leaning into a brick-and-mortar strategy. Over 2,100 stores will be opened by Amazon, Target, Costco, lululemon, Aldi, Arie, Burlington, Peloton, Dollar General, Madewell, TJ Maxx, Ulta, Family Dollar, Five Below and Dollar Tree in the coming year. Restoration Hardware aims to "revolutionize physical retailing." Apple's new Milan store is the centerpiece of an urban revitalization project. Digital-first brands like Casper, Away and Allbirds are all opening beautiful physical locations to build their brands. Recently, Walmart announced that it is investing $11B in its stores to improve the customer experience.
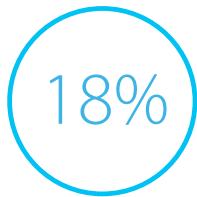
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Overview

What's going on?

Many would blame e-commerce for sector churn, but online retail accounts for only 14% of total retail purchases. The real problem is that too many retailers have abandoned the basics that matter most to consumers, subjecting shoppers to terrible in-store experiences like disorganized shelves, dirty bathrooms, and burned out light bulbs. In fact, 70% of shoppers report a negative experience in the last six months at physical retail stores, according to ServiceChannel's State of Brick and Mortar Retail Report, which surveyed 1,521 shoppers about their recent experiences at brick-and-mortar locations.

Similar studies have found that only 18% of consumers think brands are delivering great customer experiences while 84% of shoppers said that the physical environment was an important feature when shopping.

Smart retailers know there are trillions of dollars to be made.

According to the report findings, 86% of consumers still make more than half their purchases at physical stores. When retailers offer great in-store experiences, shoppers spend more time in stores, make more impulse purchases, come back more often and think more favorably about the brand. Smart retailers view their physical locations as a strength and invest accordingly.

This report identifies the big and surprisingly simple reasons that consumers aren't returning to some brick-and-mortar stores, lays bare the financial and reputational consequences, and provides guidance on what retailers should be focusing on in the brick-and-mortar experience. Consider this a blueprint of how to avoid joining the ever-growing list of retailers who disappoint consumers in their brick-and-mortar experience, see smaller basket sizes, and experience fewer impulse purchases from consumers.

Smart retailers view their physical locations as a stength and invest accordingly.

70%

of shoppers report a negative experience in the last 6 months.

18%

of consumers think brands are delivering great customer experiences.

[1] Digital Commerce 360. (2019). Ecommerce Sales vs. Retail Sales 2007-2018. Retrieved from https://www.digitalcommerce360.com/article/e-commerce-sales-retail-sales-ten-year-review/
[2] RedPoint Global. (2019). Addressing the Gaps in Customer Experience. Retrieved from https://www2.redpointglobal.com/white-paper-customer-experience-harris-poll
[3] HRC Retail Advisory. (2018). New Survey Reveals 95% of Shoppers Want to Be Left Alone in Stores Unless They Specifically Need an Associate's Help. Retrieved from https://hrcadvisory.com/in_the_news/new-survey-finds-95-percent-shoppers-want-left-alone-stores/

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Key findings summary

The real reasons shoppers aren't returning to your stores.

1

The store is a mess. Consumers still do most of their shopping in stores, and the younger generation of shoppers is following the trend, yet 70% of shoppers have had a recent negative experience in stores, from dirty bathrooms to empty and disorganized shelves. Many stores are failing to tidy up before their guests come to shop. These issues have an outsized effect on female shoppers, a powerful cohort in the world of retail.

2

Consumers have already had a bad experience in your store. That broken light or messy floor leads to a bad shopping experience, which can lead to a consumer writing off your whole brand. Customers care greatly about consistent experiences and when brands get it wrong, 69% of shoppers are more likely to shop at a competitor.

3

Stores should be shoppable before experiential. Shoppers return to stores when the basic amenities they need – the ability to touch, try-on, and take home purchases immediately – are working. Brick-and-mortar stores are often unshoppable – two out of five shoppers were met with empty shelves and had trouble with disorganized inventory.

4

Basics first. Bleeding edge technology second. Four out of five shoppers would rather have a clean store than one that prioritizes tech, and two-thirds of shoppers think retailers are too focused on tech and not on the basics. Make sure your store is spotless before addressing the tech amenities that shoppers want, which as it turns out, are relatively simple like Wifi and mobile app integration.

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70% of shoppers have had a recent negative experience in stores, from dirty bathrooms to empty and disorganized shelves.
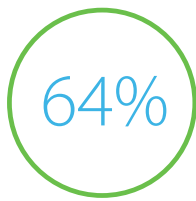
86% of all respondents and 82% of Millennials and Gen Z respondents still buy half or more of their goods in stores. But many shoppers are frustrated with the basics of the in-store experience.

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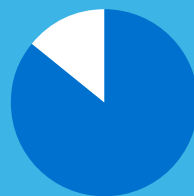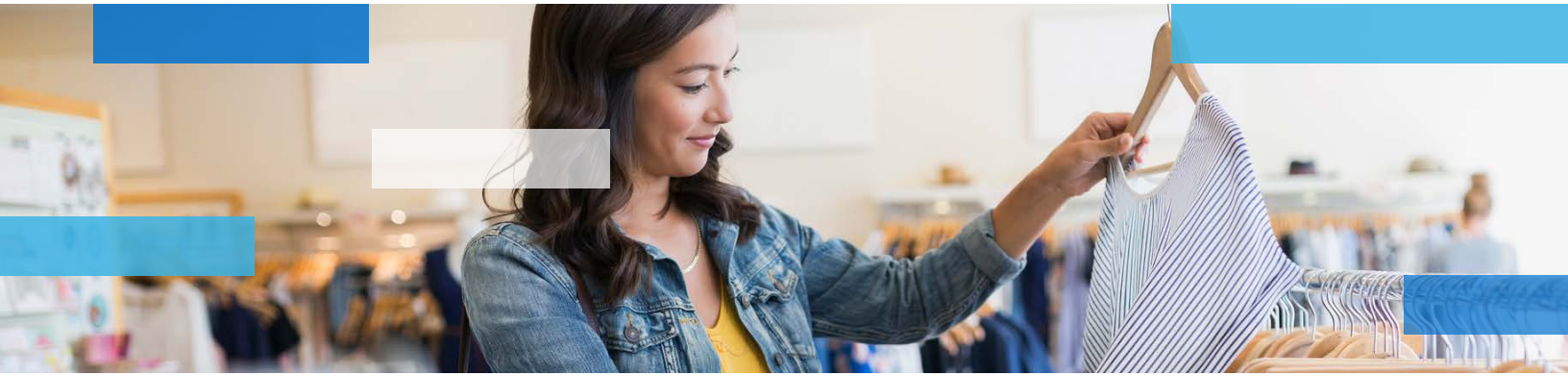
The real reasons shoppers aren't returning to your stores.

Because the store is a mess.

64%

have walked out of a store because of physical appearance.

3/5

consumers said their primary location for making impulse buys was "in person in a store".

Consumers still do most of their shopping in stores, and the younger generation of shoppers is following the trend. 86% of all respondents and 82% of Millennials and Gen Z respondents still buy half or more of their goods in stores. **But many shoppers are frustrated with the basics of the in-store experience.**
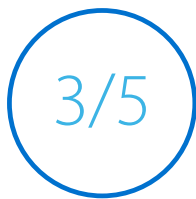
- 70% have had a negative experience at a store in the past 6 months.
- This includes: empty or broken shelves, disorganized inventory, dirty bathroom, parking lot issues (lack of snow removal, potholes).
- 64% have walked out of a store because of the physical appearance or disorganization.
- 20% have encountered spilled products or messy floors.
- Women control 60% of personal wealth in the US and account for 85% of all consumer. purchases[4], and are much less tolerant of a mess: a majority of women say messiness. would keep them from returning to a store; only 39% of men say the same.

Bathrooms matter, a lot.

- 1 out of 3 consumers encountered a dirty bathroom in the last 6 months.
- 1 out of 5 would not return to a store because of a dirty bathroom.
- But 1 out of 4 say they'd return to a store for a clean bathroom.
- Other studies show you might be flushing away profits.[5]
  After encountering gross bathrooms:
- More than ¼ of shoppers leave without doing business.
- More than ½ are less likely to ever return.

Nice stores translate into a nicer bottom line.

- 86% of respondents tend to spend more time in nice stores.
- Consumers are 2x more likely to make big purchases ($101-$250) in stores vs. online.
- Consumers are 3x more likely to make an impulse purchase in-store vs. online.
- Serendipity and sales: unplanned purchases are a huge opportunity.
- Nearly 1 out of 5 of all purchases are unplanned, meaning potentially more than $558 billion up for grabs.[6]
- 3 out of 5 consumers said their primary location for making impulse buys was "in person in a store".
- 4 out of 5 impulse purchases are made in a brick-and-mortar store.[8]
- 40% of in-store shopping trips result in 3 items being purchased on impulse.[9]

[4] Girl Power Marketing. Statistics on the Purchasing Power of Women. Retrieved from https://girlpowermarketing.com/statistics-purchasing-power-women/
[5] The Voice. (2019). New Survey: Consumers Spend More at Businesses with Clean Restrooms. Retrieved from https://thevoicecalifornia.com/new-survey-consumers-spend-more-at-businesses-with-clean-restrooms/
[6] University of Pennsylvania. (2013). Unplanned Category Purchase Incidence: Who Does It, How Often, and Why. Retrieved from https://repository.upenn.edu/cgi/viewcontent.cgi?article=1391&context=marketing_papers
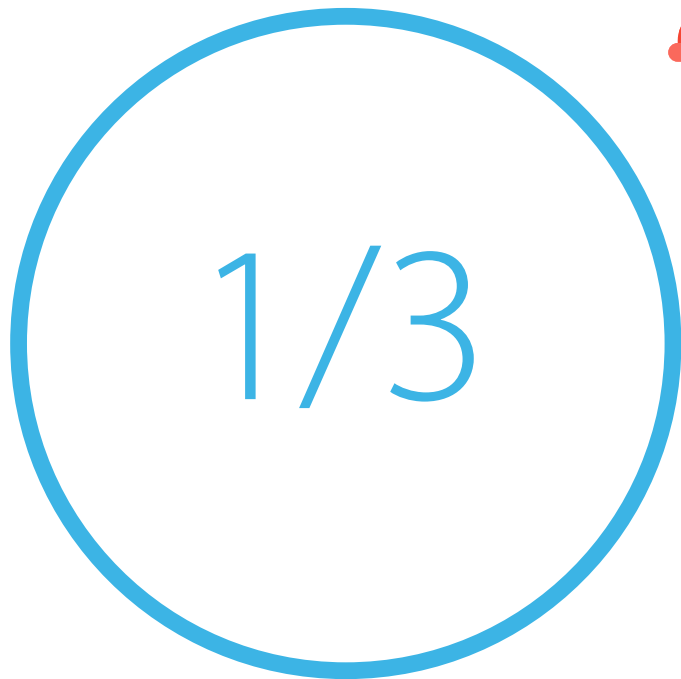[7] eMarketer. (2017). Impulse Purchases Still Happen Mostly In-Store – For Now. Retrieved from https://www.emarketer.com/Article/Impulse-Purchases-Still-Happen-Mostly-In-StoreFor-Now/1015229
[8] Invesp. The State of Impulse Buying Persona – Statistics and Trends. Retrieved from https://www.invespcro.com/blog/impulse-buying/
[9] Invesp. The State of Impulse Buying Persona – Statistics and Trends. Retrieved from https://www.invespcro.com/blog/impulse-buying/

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The real reasons shoppers aren't returning to your stores.

Because the store is a mess.

1/5

would not return to a store
because of a dirty bathroom.

1/3

consumers encountered
a dirty bathroom
in the last 6 months.

25%
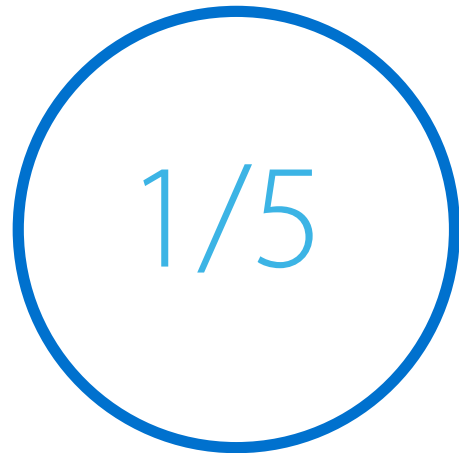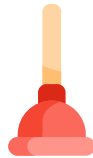
of shoppers leave without making
a purchase after encountering
a dirty bathroom.

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The real reasons shoppers aren't returning to your stores.

Because they've already had a bad experience.

80%

of high-income shoppers like
stores less after they have
a bad experience.

70%

of consumers think less
of a brand without
consistent experience.

So a light fixture is out. No big deal, right?

Turns out small problems in a single store can turn into big negatives for the whole brand. To borrow a lesson from the broken windows theory: small, visible problems create a negative environment which in turn can cascade into much more serious issues. That broken light or messy floor leads to a bad shopping experience, which can lead to a consumer writing off your whole brand.

Consumers care greatly about consistency. Get it wrong and it will affect your brand.

One bad experience can really hurt your bottom line. After one bad experience:

- 40% of shoppers spend less money in a store.
- 52% of shoppers will leave without making a purchase.
- 69% of shoppers are less likely to return.

Loyalty.

- 41% of consumers are less likely to return to any store under that brand name again.
- 46% of consumers will shop for the product(s) online – but at another brand's store.
- 69% of shoppers are more likely to shop at a competitor.

Consistency matters, a lot.

- 82% of consumers think brand should be consistent across locations.
- 70% of consumers think less of a brand without consistent experience.

The higher the income, the higher the expectations. Consumers making more than $100k have higher expectations and the strongest reactions to poor in-store experiences.

- 80% of high-income shoppers like stores less after they have a bad experience (average: 71%).
- 79% of high-income shoppers spend less time in a store if they have a negative experience (average: 76%).
- 70% of high-income shoppers spend less money (average: 64%).
- 76% of high-income shoppers are less likely to return (average: 69%).
- 76% of high-income shoppers more likely to shop at a competitor (average: 69%).
- 71% of high-income shoppers have walked out of a store because of physical appearance (average 64%).

Increasingly, if a consumer has a bad experience, you can count on bad word-of-mouth:

- Half of those 55 and older say they would tell a salesperson or call customer service if they had a bad experience in a store, but only 31% of those 18-24 would.
- Nearly half of respondents (49%) said they would tell a friend if they had a negative experience at a store.

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After one bad experience, 52% of shoppers will leave without making a purchase.

69% of shoppers are more likely to shop at a competitor

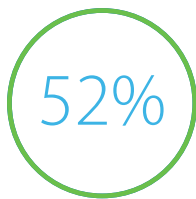**70%** of consumers think less of a brand without consistent experience
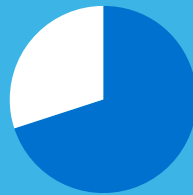
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The real reasons shoppers aren't coming to your stores.

Because your store is unshoppable.

56%

of shoppers want their products now and don't want to wait for delivery.

52%

of shoppers would return for ability to try on and touch items.

The most important experience for shoppers is… shopping.

"Experiential shopping" is having a moment, and resulting in some undeniably awesome destinations like Canada Goose's Cold Rooms, or the Buzzfeed-backed grown-up playground Camp.

But what keeps shoppers coming back is a store's basic "shoppability." Customers like to visit physical stores because they want to touch, try-on, and take home their purchases immediately. If your store can't meet these primary desires, no amount of interactive marketing or entertainment will make them loyal. Stores should be shoppable before experiential.

Shoppers just want to shop.

- 56% want their products now, and don't want to wait for delivery.
- 44% want to be able to browse.
- 31% simply enjoy the shopping experience.

And these simple attributes make shoppers more likely to return to your store.

- 52% would return for ability to try on and touch items.
- 45% would return for ability to bring items home instantly.

But some brick-and-mortar stores are disappointing them.

- 2 out of 5 shoppers were met with empty shelves.
- 2 out of 5 shoppers had trouble with disorganized inventory.

And making consumers less likely to return.

- 2 out of 5 said limited product availability would make them less likely to return.
- 1 out of 4 said disorganized inventory would make them less likely to return.

The in-store experiences (food, drink or entertainment) that you think are attracting consumers don't compare with the draw of a physical space that's clean, inviting and convenient. Make sure your house is in order.

- Only 19% of consumers seek out retail stores because of the experiences and perks.

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The real reasons shoppers aren't coming to your stores.

Because your store is unshoppable.

2/5

shoppers had trouble with
disorganized inventory.

2/5

shoppers were met
with empty stores.

2/5

said limited product availability
would make them less likely to return.

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The real reasons shoppers aren't coming to your stores.

Because you don't have the tech they want.

You must handle the basics before even thinking about the futuristic bells and whistles to your brick-and-mortar stores.

Remember:

- 4 out of 5 shoppers would rather have a clean store than one that prioritizes tech.
- 2 out of 3 shoppers think retailers are too focused on tech and not on the basics.

Once your store is spotless, you can start to address the tech amenities that shoppers are looking for.

KISS. Keep it simple, seller.

The tech amenities shoppers do want are relatively simple:

1. Wi-Fi, (37%)
2. Customer service/product lookup kiosks, (35%)
3. Mobile app integration, (29%)
4. Curbside pickup for online orders, (27%)

1 out of 5 consumers have walked out of stores without tech amenities they want.

- 15% would return for wifi
- 9% for mobile checkout
- 9% mobile payments (e.g. Apple Pay)

Invest smartly.

At the bottom of the list of tech that shoppers want:

- VR / AR previews (12%)
- Virtual dressing rooms / digital try-on capabilities (11%)

Or because you have tech they don't want.

- 43% of consumers are less likely to shop at a store they know uses Facial Recognition tech, citing privacy concerns.

- Other studies show shoppers find it significantly more creepy (61%) than cool (24%) when facial recognition IDs you as you walk into a store.[10]

- This is exacerbated by the never-ending news of retail security breaches: only 8% of consumers trust retailers with their data, and only 11% feel confident that retails are properly prepared for breaches.[11]

[10] RichRelevance. (2018). Creepy or Cool 2018: RichRelevance Study Finds 80% of Consumers Demand Artificial Intelligence (AI) Transparency.
Retrieved from https://www.richrelevance.com/blog/2018/06/20/creepy-cool-2018-richrelevance-study-finds-80-consumers-demand-artificial-intelligence-ai-transparency/
[11] eMarketer. (2018). Many Consumers Still Don't Trust Retailers With Their Data. Retrieved from https://www.emarketer.com/content/many-consumers-still-don-t-trust-retailers-with-their-data

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4 out of 5 shoppers would rather have a clean store than one that prioritizes tech.

2 out of 3, or **67%** of shoppers think retailers are too focused on tech and not on the basics.

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What it all means.

Brick-and-mortar retail is undergoing an evolution and reckoning brought on by the changing demands of the savvy modern consumer. Smart retailers know their physical locations are their best assets and treat them as such. But too many brands have neglected the basics of their physical locations, leaving billions in profit on the table and their damaging brand image and their customer loyalty. Stores that are not clean, organized and properly-stocked can have a lasting negative impact on a brand. Retailers must cover these basics before even thinking about tech features like mobile checkout, AR or virtual dressing rooms.

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The real reasons shoppers aren't coming to your stores.

What it all means.

Takeaways for Retailers

1. If you are going to invest in physical locations as part of your strategy, then really invest in physical locations. In other words, do it right. Most people still buy a large part of their items in stores and the incoming Millennial and Gen Z generations are continuing the habit. Simply having shoppers in store is itself a huge opportunity that leads to bigger purchases and impulse buys. It's a mistake not to invest in maintaining the physical space and focusing on getting, and keeping, shoppers in store.

2. Nail the basics of store upkeep before investing in fancy tech amenities. Consumers want retailers to do better. They'll spend more time and money in stores that are clean, organized, well-stocked and well-designed. Consumers are interested in tech amenities and will appreciate them, but not if the foundational shopping experience is negative.

3. Realize that consumers enter stores because they want to shop. Consumers want to be able to browse, try things, and leave the store with their purchase. Retailers should be sure they are enabling the consumer to do so by ensuring they can browse easily and find the items they want in a pleasant environment. Relying on attractions like food, entertainment, or "cool" experiences is putting the cart before the horse.

4. Negative in-store experiences have far-reaching ramifications for profit and brand. Stores are the front line for a brand and consumers perceive them as such. Any examination or analysis of a brand's image and reputation must take into account the physical store experience. Great stores means happier, more loyal customers who spend more time and money with a brand, while a single bad experience can drive consumers straight to its competitors.

Methodology

An online survey was conducted with a panel of potential respondents. A total of 1,521 respondents 18 years and older in the US who made an in-store purchase in the past six months completed the survey. Sample was provided by Market Cube, a research panel company. All were invited to take the survey via an email invitation. Panel respondents were incentivized to participate via the panel's established points program.

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