

COLUMNS

Online or offline retail? 8 ways to decide which is best for business

January 30, 2017



Smadar Landau is founder/CEO of Feelter

By **Smadar Landau**

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

Online versus offline? Which is best for retail? With Amazon Go opening stores as well as a physical bookstore, and major retailers such as Macy's cutting huge costs, that question is as poignant as ever.

The debate over which retail strategy to employ is as passionate as it is unending.

Many issues such as operating costs, convenience and the customer experience should be taken into account when considering whether to employ a primarily online or offline experience.

Below are some pros and cons for each major consideration that a retailer needs to consider:

1. Operational costs

Startup costs for an online retail outlet are significantly lower compared to a bricks-and-mortar store.

Web sites can be set up out-of-the-box rather than customized, with very little technical knowledge required.

Much less inventory would be required for an online store, although a lot more administration and preparation is required in terms of writing product descriptions and photography for the Web site.

Once an online store opens to the public, operating costs remain the same, no matter how many hours of the day it is open. That is not the case for a physical store.

The longer it is open, the higher the operating costs for a physical store not just because of hourly employee rates, but because of added costs of utilities such as electricity and power.

2. National and international reach

Linked to sales is the national and global reach of an online store.

In the modern age of global ecommerce, geographic location of a store is irrelevant other than the issue of shipping. That is not so for a bricks-and-mortar store, which by its very nature has a target customer base restricted by geography and is usually very localized.

3. Convenience

For the most part, online stores are more convenient for consumers, who can peruse when it suits them, and are not be restricted by the store's opening hours.

Consumers can also search the store inventory in their own time and not feel pressured by store employees urging them to make specific purchases.

4. Data collection

A huge benefit of an online store is the data that can be accumulated on its shoppers.

Online analytics programs can record everything from shopping habits of individual consumers to which products they have viewed.

Any consumer data collection in a physical store generally requires some sort of interaction with the customer, which for many shoppers could be perceived as intrusive.

5. Customer contact

Friendly face-to-face contact with a customer can be a sizable benefit in favor of an offline store. That customer-store employee interaction is what attracts many consumers to a bricks-and-mortar store.

It is not the same to just have a text box pop up on screen from a sales representative when an online store is visited.

6. Foot traffic

While not the case for many establishments, a well-located store will enjoy extensive foot traffic.

One of the attractions of being located in a shopping mall, for example, is guaranteed foot traffic, which can be a considerable benefit despite the more expensive store rental fees.

By comparison, online stores need to use tactics such as search engine optimization to generate site traffic.

An online store requires a much higher marketing budget than an offline store. That translates to greater cost, along additional man-hours and resources needed to drive online customers to the store.

A certain amount of technical knowledge is also necessary to understand how the Web works.

7. Customer experience

For the consumer, online buying is fundamentally different from offline buying.

Shoppers often like to touch and feel the products that they are buying to enjoy the tactile experience. They can also compare products and brands and ask for advice from the staff.

Additionally, many consumers see shopping as a social experience, and enjoy chatting with people they meet.

8. Impulse buying and instant gratification

When buying online, consumers tend to be less impulsive than they are when shopping in a physical store.

Products placed next to the checkout line, for example, are intended as classic impulse buys.

Another in-the-moment experience unique to a physical store is the instant gratification of making a purchase without waiting for next-day shipping.

THE EASE of entry and low startup costs will always play in favor of an online store over the high startup costs of a bricks-and-mortar store.

However, retailers should always take the target consumers and their preferred purchase methods into account when considering their ecommerce platform.

*Smadar Landau is founder/CEO of **Feelter**, Tel Aviv, Israel. Reach her at smadar@feelter.com.*