

Should Kylie Cosmetics open a physical store location in California?

Word Count: 1,472



26 March 2018

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INTRODUCTION

Kylie Cosmetics is an online beauty store that predominately sells lip kits but has since branched into other beauty supplies. It is run by Kylie Jenner, a reality star from the show “Keeping Up with the Kardashians”, who has built a multimillion dollar company from Kylie Cosmetics. By 2022, Kylie Cosmetics is projected to, “rake in \$1 billion in lifetime sales”, having amassed, “\$420 million in sales in only 18 months” (SD 1 A), cementing her position in the Forbes 100 (SD 1 B). Currently, Kylie Jenner has set-up temporary pop-up shops throughout the nation (SD 1 D) and advertises her products predominantly on social media sites such as Instagram, Twitter, and Snapchat (SD 1 E). Through extensive research, I have crafted a list of five source documents where I will cite my information for my commentary on the advantages and disadvantages of Kylie Cosmetics establishing a storefront:

Good intro. to company.

1. CNBC—“How Kylie Jenner turned her \$29 lipstick business into a \$420 million empire in 18 months”
2. The Balance— “The Pros and Cons of Online Shopping”
3. Chron— “The Pros & Cons of a Retail Store Vs. an Online Store”
4. Retail Dive— “Why most shoppers still choose brick-and-mortar stores over e-commerce”
5. Forbes— “The E-Commerce Paradox: Brick-and-Mortar Killer...Or Is It?”

The business theories used when analyzing this commentary were to focus on the product and specific target markets through the Market Development strategy within the Ansoff Matrix, and to analyze distribution and e-commerce channels. To evaluate the strengths and weaknesses of opening a Kylie Cosmetics storefront, I also used a SWOT analysis matrix to help gauge the internal and external factors of the competitive strategy.

Broad array of TIT/T as framework

FINDINGS/ANALYSIS

Kylie Cosmetics has faced both huge successes and major drawbacks since its opening, which can be used to analyze the feasibility of a physical storefront. Recently, Kylie Cosmetics has launched a line of highlighters called “Kylighters”, which sold out in less than three minutes (SD 1 C). However, instead of receiving the “Kylighter” the consumers ordered, many of the buyers are posting on social media that their product arrived as an empty compact. The customer service department within Kylie Cosmetics has since been actively trying to solve the issue. By establishing a physical location where Kylie Cosmetics merchandise will be sold, it cuts out the potential problem of sending empty products because less stock would be on display, and the display of products would be under more direct quality control (SD 2 B). Additionally, there would be a customer service representative within the store where people can contact to help with their needs directly (SD 2 A). This would be advantageous towards opening a storefront since communicating dissatisfaction online is difficult. While online sales representatives often receive more product training (SD 2 A), problem solving face-to-face with a store employee or customer service representative is often faster and more satisfying (SD 2 B).

When opening a store, the product and target markets are essential in deciding whether a retail storefront or online store will work best (SD 3 A). This ties in with the Market Development strategy within the Ansoff Matrix because Kylie Cosmetics will use their existing products to penetrate new markets.

Considering the product of beauty supplies that are to be sold at Kylie Cosmetics, the physical display allows customers to view the products in person (SD 2 C). A study performed by California Institute of Technology found that consumers pay significantly more for products they can view in person (SD 3 D) and ultimately, consumers are more willing to buy the products they can view in person.

knowing the quality that is inside them, instead of taking risks in the unknown when purchasing online (SD 2 D).

E.L.F. COSMETICS
Baked Highlighter
★★★★★ (778) REVIEWS >
0.21 oz Item 2500364
\$4.00
Special Free Gift with Purchase!
Click for Offer Details
Color: Moonlight Pearls
Qty: 1 **ADD TO BAG**

Example of a Drugstore highlighter

BECCA
Shimmering Skin Perfector®
Pressed Highlighter Mini
SIZE 0.265 oz / 0.43 fl. oz. ITEM 1090467
★★★★★ 3K reviews | ❤️ 40K loves
exclusive
\$19.00
SPEND \$50 FOR
FREE SHIPPING
COLOR: Vanilla Quartz - light gold infused w/ pink pearl

Example of a high-end highlighter

With highlighter examples shown above that were taken off Ulta, Sephora, and Kylie Cosmetics, the products sold on Kylie Cosmetics are generally more expensive than their drugstore and

KYLIE'S FAVORITE
SALTED CARAMEL | KYLIGHTER
KYLIGHTER
\$22.00

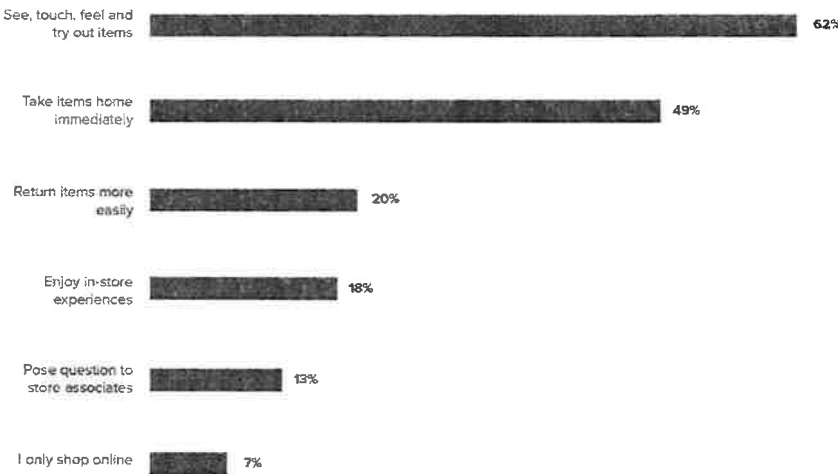
Example of a Kylie Cosmetics Highlighter

high-end counterparts. A retail storefront will appeal more to customers since customers will be able to see the quality of products they are paying for (SD 3 A) (A) storefront performs better for a business that sells a select number of products, such as Kylie Cosmetics (SD 3 E). For this to become successful, Kylie Jenner would need to determine how many products she wants to display if she were to establish a storefront (SD 3 E). One

unclear support

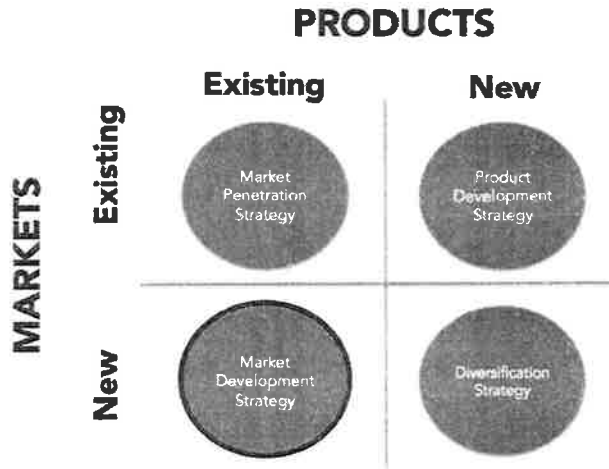
advantage that Kylie Cosmetics has is outperforming competitors. Kylie's products have outsold other competitors online, a place where there are many businesses selling the same products and many of them are already established (SD 3 F). This will make the transition easier when *expand on why* focusing on Market Development in the Ansoff Matrix.

Reasons for Choosing to Shop in Stores vs. Online



The huge advantages of a physical storefront are the tactile experience offered to customers, immediate gratification, and easily returnable products (SD 4 A, E, G). Online shopping is known for its accessibility, and despite the

surge in e-commerce capabilities, mobile applications, and other technological advancements, most American consumers still want the tactile experience offered by physical stores (SD 4 B, H). The ability to touch, feel, and try-out products (SD 4 H) is a main disadvantage to online shopping because by allowing customers to feel their products before they buy, so consumers feel safe within their choice of purchase (SD 4 C, D). One in five consumers also cite easy returns as a key reason for shopping in stores versus online (SD 4 E). The graph above shows the results to a Consumer Survey offered to 1,425 US consumers via Google Surveys and how tactile experience is extremely important (SD 4 F). *good support*



Furthermore, if Kylie Cosmetics opened a storefront, it would reach new potential target markets, delving into the Market

Development strategy of the Ansoff Matrix.

Online shopping is typically done by consumers of the Millennial Generation and Generation Z, so by creating a physical

storefront, it can cater to the older generations who prefer the ‘brick-and-mortar’ businesses rather than those online, since only 10-15% of US adults make online purchases at least once a week (SD 5 C). The annual *Food and Beverage Report*, a recent study done by Forbes, reported that, “less than 5% of adults make at least six online purchases per year. By contrast, 78% of adults purchase regularly at traditional grocery stores” (SD 5 A). Although, the survey was done on grocery habits, the non-effect of online sales was also evident in Forbes’ study on beauty products (SD 5 B). By targeting the adult population, Kylie Cosmetics can use the Market Development strategy to expand their market share and amass new customers from new markets through their already existing products.

From the existing pop-up shops that are located around the nation, we can use the feedback from the pop-up shops to debate whether a permanent storefront would be profitable. ^{good point}

One main problem Kylie Cosmetics has received from their pop-up shops stationed around the world is their uncleanliness due to frenzied customers storming the store and leaving everything a mess. If uncleanliness continues to be a problem, then opening a physical storefront would not be beneficial to the brand image. Additionally, Market Insider recently shared that Kylie Cosmetics has failed to resonate with millennial customers in the US, ranking low on “brand

food
shop

intrinsic
to present

favorability” (PRNewswire). Weak favorability translated into lower brand conversion, since only 9% of those surveyed who indicated they were aware of the Kylie Cosmetics brand actually purchased a product (PRNewswire). However, repeat purchasing was around 40%, which is in line with most other niche brands(PRNewswire). Although Kylie Cosmetics may attract unfavorable sentiments, they have generated a loyal fan base that would continue to buy products if Kylie Cosmetics opened a storefront.

intention for segment partially supported

For the storefront to be successful, Kylie Cosmetics would need to hire special personnel that are equipped to deal in high-stress situations, which would be expensive (SD 3 B).

Moreover, the store would constantly need to be restocked to prevent it from appearing empty, causing distribution costs to rise, which is normal for business in retail, but does cause margins to be lower (SD 3 B).

good application of S.D.

Another disadvantage of opening a storefront is that they are generally more expensive to maintain than their online counterpart. To maintain a storefront, there is rent and other utility bills, while online there is only web hosting and technical support to pay for (SD 3 B). However, the website development and e-commerce platform would be just as expensive as paying for the decoration, signage, and display units needed in a store (SD 3 B, C). Online, the work can be managed alone, but in a store, additional employees would have to be hired, which causes more expenses (SD 3 B, C).

For visual aid, I organized my main points into a SWOT analysis to organize the internal and external factors opening a storefront would create.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Tactile experience (SD 4 A, B, D, H) • Immediate gratification (SD 4 G) • Better customer service (SD 2 B) • Return products more easily (SD 4 E) 	<ul style="list-style-type: none"> • Utility expenses (SD 3 B) • Higher distribution costs (SD 3 B) • Store maintenance (SD 3 B) • Restocking costs (SD 3 B)

Opportunities	Threats
<ul style="list-style-type: none"> • Reach potential new markets (SD 3 A) • Establish a permanent position to establish dominance (SD 3 F) 	<ul style="list-style-type: none"> • Claims of mistreatment of products sold (SD 1 C) • Uncleanliness within pop-up stores (SD 1 B)

good job organizing and sourcing

CONCLUSION

After a thorough analysis of the business situation, I conclude that it is in Kylie Cosmetics' best interest to create a physical store front location in Kylie's hometown, California, while still primarily focusing on the online website. By establishing a permanent store through a Market Development strategy, Kylie Cosmetics can establish their presence and ensure that they will remain competitive in the Cosmetic Industry. Although there are many logistical and financial disadvantages attached to opening a storefront, my analysis reveals that there are clearly more advantages highlighted than disadvantages. The new target markets it will penetrate and tactile experience it will offer to consumers would be profitable in the long run.

- good conclusion
- prevents judgement w/ support

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Source 1

How Kylie Jenner turned her \$29 lipstick business into a \$420 million empire in 18 months

Kylie Jenner, the youngest member of the Kardashian-Jenner family, may only be 20 years old. But she could be the most successful of all the sisters, including older half-sister Kim Kardashian West.

A

In fact, WWD recently announced that what began as an online business selling lipstick for \$29 each has earned Jenner's makeup company Kylie Cosmetics \$420 million in sales in only 18 months. It is projected to rake in \$1 billion in lifetime sales by 2022, according to WWD.

Jenner's most successful launch to date was her 2016 holiday collection release on November 21, when the company made nearly \$19 million that day, according to documentation provided to WWD.

For comparison, Kardashian West's first product launch from her new makeup brand KKW Beauty earned \$14.4 million in sales, Forbes estimates.

But Jenner says she isn't too concerned about competition with her sister, who she initially collaborated with for Kylie Cosmetics before spinning off on her own. She told WWD that she reaches a different demographic than Kardashian West.

Jenner launched her beauty brand on November 30, 2015 with the \$29 Kylie Lip Kit (a liquid lipstick with a matching lip pencil), which immediately sold out.

Within six weeks of the first release, Jenner her mom and manager Kris Jenner decided to partner with their current manufacturer, Seed Beauty.

B

This year, Jenner became the youngest celebrity on Forbes 100 — a list of the 100 top-paid celebrities in the world — having earned \$41 million over the past year, Forbes reports. Kardashian West, 36, also

Forbes 100 places Jenner among other young notable names including Chance The Rapper, Justin Bieber and Taylor Swift.

Jenner's inspiration for the line came from her early obsession with YouTube makeup tutorials as a tween and her desire to have fuller-looking lips, she explained on her new reality show "Life of Kylie."

The popularity behind Jenner's products also stems from the limited number of products she makes available during each launch, which almost inevitably sell out each time. Amidst rumors that Seed Beauty and Kylie Cosmetics are faking scarcity, Vanity Fair reached out to Seed Beauty co-founder Laura Nelson for clarity.

C

For perspective, WWD reported that it took Estée Lauder Cos. Inc.-owned Tom Ford Beauty 10 years to earn \$500 million, it took 25 years for Bobbi Brown to hit \$1 billion in earnings in 2016 and it took L'Oréal's Lancôme 80 years to reach the \$1 billion mark in 2015.

D

These are all brands shelling out costs for brick-and-mortar stores. While makeup stores are generally thriving, this isn't a cost Kylie Cosmetics has to consider. Aside from pop-up stores planned for Chicago and Houston, Jenner's products are only sold online.

Kylie Cosmetics's 2017 sales are projected to come in at \$386 million, according to WWD. Since its launch, the brand has expanded its makeup range to

eyeshadows, blushes, highlighters and brushes. A bundle of these products priced at up to \$325.

The social media star says she didn't always think she would be a businesswoman. She told Complex Magazine that "businesswoman" wasn't a "respectable" title growing up.

Today, Jenner is not only the founder and CEO of Kylie Cosmetics, but she also holds the titles "chief marketing officer" and "chief creative officer," which makes sense given her 97.4 million followers on Instagram, 22.8 million followers on Twitter and she has the most viewed Snapchat account as of August 2016.

] E

Meanwhile, Kris Jenner is the company's chief financial officer.

In the past year, Jenner has made a couple of half-million dollar donations to organizations through sales on Kylie Cosmetics.

She donated \$459,000 to Smile Train, an organization for children with clefts, and \$500,000 TO Teen Cancer America.

Aside from Kylie Cosmetics, Jenner also earns money from her paid app, merchandise sold exclusively through her online store "The Kylie Shop," two apparel lines with sister Kendall Jenner, a book series and partnerships with retail brands like Puma and Quay Australia.

Source 2

The Pros and Cons of Online Shopping

BY DONNA L. MONTALDO

Updated January 22, 2018

The internet can be a great resource for shoppers looking to expand their choices of products to buy and an invaluable way for saving money. Online stores are highly competitive not only with other online stores, but also with brick-and-mortar competitors. Price-comparison websites make **deal hunting** easier and also help guide shoppers to online stores with the best reputations by posting reviews submitted by other shoppers. Point-of-sale advantages include stores offering no shipping charges and free ship-to-store charges. A lot of online stores do not pass on sales tax (unless required by the state) to customers, which can add up to substantial savings for those shoppers who buy primarily online.

Other advantages of shopping online include:

The stores are almost never closed.

Shoppers can shop in their pajamas.

Online shoppers save on gas.

There are no parking hassles.

Online shoppers rarely have to deal with aggressive salespeople.

There are no annoying crowds.

Online shoppers do not have to wait in long lines to check out.

Many online retailers allow shoppers to post reviews about the products that they purchased.

There are more choices for buying **refurbished products**.

A [**Online sales representatives often receive more intensive product training than those at the local stores.**

Online sales representatives often have more flexibility with making decisions such as applying coupons, meeting competitors' prices and expediting shipping at no extra charge.

The Disadvantages of Shopping Online

Sometimes a deal that looks great falls short of what has been advertised.

Communicating dissatisfaction can be difficult online and often takes enormous patience and tenacity to achieve satisfaction. Problem-solving face-to-face with local store employees is often faster and more satisfying.

Contacting the next level of management is much easier at local stores than online.

Other disadvantages of shopping online include:

B

C [Online shoppers do not have the ability to physically inspect or try on the items being considered for purchase.

Online shoppers sometimes lose the power to negotiate the price and payment terms that may exist in local stores.

Items ordered online are sometimes **back ordered**, but shoppers may not find out until weeks later. This is particularly problematic when buying gifts.

Online shoppers do not always know if a site is a **legitimate retail store and if it is safe to shop.**] D

Restocking and shipping costs are often charged on returns.

Online shoppers often do not have a person (or the same person) to talk to when dealing with a problem.

It is sometimes easier to get money refunded locally when the item purchased drops in price within the guaranteed price period.

Online shoppers do not get to take advantage of seasonal statewide tax-free shopping events.

Other Pros and Cons of Online Shopping

Pros: Many online stores sell products at **really low prices** because of the lack of money spent on overhead. Local stores have operating costs like water, heat, and air that are figured, at least partially, into the markup of the products.

Cons: Online stores advertising free products will sometimes increase the cost of shipping so that they profit from the purchase. For example, shoppers may get three free software programs, but paying \$14.95 in shipping or handling charges is higher than what would normally be charged and likely covers the cost of the three items plus shipping.

The Bottom Line

Shoppers will save money and frustration by taking the time to learn the policies of both online and local stores before making a purchase. Sometimes there are hidden charges like restocking fees for some online and local stores. The restocking fee may increase the longer it takes the shopper to return an item.

Since it takes longer to ship a product back to an online store than it does to return it to a local store, this might be the deciding factor on where to make the purchase.

The small print on **return policies** will sometimes state that shoppers must pay to ship products back, even when it arrives with a defect. It is also not uncommon for online stores to deduct the original cost of shipping the product from the return invoice. If a shopper is uncertain of a purchase they are making, knowing the return policy of the online store might affect their decision to shop locally instead.

Another point to consider is how repairs are handled on the products being purchased. It might be easier to return a faulty product to the local store for repair, rather than going through the trouble and expense of shipping it back to an online store.

Reading the customer service policies online and at local stores should provide shoppers with clear answers on all fees and guarantees. If a store's policies are vague and employees seem uninformed, shoppers may want to shop elsewhere. Shoppers have never had such an abundance of choices of online and local stores to buy from.

Source 3

The Pros & Cons of a Retail Store Vs. an Online Store

by Stacy Zeiger



With the popularity of online shopping, someone with an idea for a new retail business no longer has to open a storefront. That does not mean, however, that there is no longer a need for retail stores or that all business ideas work well online. If you are looking to open a store, you must consider your product, the consumer and your overall business goals when deciding whether a retail storefront or online store will work best for your small business.

Costs

In general, opening a business as an online store is much cheaper than a retail storefront. Unlike a retail storefront, there is no rent to pay or other utility bills directly related to the store, except for web hosting and technical support. You do not have to decorate the inside of the store, purchase inside and outside signage or display units. Since you can manage the work yourself, you do not have to hire additional employees. With an online store, your costs are directly related to your website, shipping and accepting online payments. You must pay for your desired domain name and may pay someone develop your website and e-commerce platform, which can be expensive, but is less expensive than opening a retail storefront.

Inventory

A study completed by the California Institute of Technology found that consumers pay significantly more for products they can view in person. For high-value items such as designer clothing, antiques, jewelry, furniture and cars, a retail storefront will appeal more to customers and generate a higher profit margin on individual items. In addition to the price of items that you can sell, you must consider the number of items you wish to sell. A retail storefront will perform better for a business that sells a select amount of products, while an online store may work better for a business that carries an extensive selection.

Competition

Anyone who wants to open a business should examine the competition before jumping into the process. With an online business, the amount of instant competition is much greater than with a retail storefront. When you want to open a retail storefront, you can easily survey an area and determine what other stores are selling the products you want to offer or choose to open in a location where those stores do not exist. Online, there are usually multiple businesses selling the product you offer and many of them are already established, making it difficult for a new start-up to break in and find success. If what you are offering is not unique, then a retail storefront will be more successful at trying to earn new customers than trying to break into an already saturated online market.

Marketing

Building a customer base is one of the most-essential components of starting a successful retail business, online or offline. With a retail store, the potential customer base is limited to the surrounding area. Online, the customer base is vast. Once you open up a retail store, your options for attracting new customers are limited. You are confined to the retail space that you chose and changing logos, signs, shelving and the overall marketing strategy can be expensive. When you work online, changing signs and logos takes mere minutes and you can quickly and easily change the products that you sell and the way you present them on your website.



Source 4

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FEATURE

Why most shoppers still choose brick-and-mortar stores over e-commerce

Online shopping has never been easier. But the majority of American consumers want the tactile experiences offered by physical stores.

By Sandy Skrovan • Feb. 22, 2017

Editor's note: The following is the first installment in Retail Dive's Consumer Survey, a six-part series examining the psyche of the American consumer and the evolving role of the brick-and-mortar store in the shopping journey. Check out all of our results on our landing page.

Long live the brick-and-mortar store.

Everyone knows online shopping has never been easier or more accessible. But despite the surge in e-commerce capabilities, mobile applications and other technology advancements — including voice-activated shopping and the proliferation of Amazon Dash buttons — the majority of American consumers still want the tactile experiences offered by physical stores.

The ability to see, touch and feel products as well as take items home immediately rank highest among the reasons consumers choose to shop in stores versus online, according to Retail Dive's Consumer Survey. For the first question in a six-part series looking at consumer shopping habits, we surveyed 1,425 U.S. consumers via Google Surveys about the reasons why they choose to shop in stores over online.

By a fairly wide margin, the primary motivation for shopping in stores is to see and try out products before purchasing. However, some notable differences exist among shoppers, depending on their gender, age and location.

In particular, female shoppers overwhelmingly want to see, touch and feel products before buying them. Males, on the other hand, skew more toward the immediate satisfaction of taking items home with them.

Shoppers at both ends of the age spectrum — younger and older generations — want to see or try products out in stores more than their middle-aged counterparts. Young shoppers clearly convey an “I want it now” mentality versus older cohorts.

But while physical stores still hold primacy in the American shopping experience, 7% of respondents say online is the only way they shop — a trend expected to grow in the coming years.

Try it and take it

D [“To see, touch, feel and try out items” is the top reason why consumers choose to shop in physical stores versus online. With 62% of shoppers wanting to kick the tires, retailers must take full advantage and up their game to create compelling in-store shopping experiences.

Shoppers also want it now and want it fast. 49% of consumers say they choose stores over the web because they want “to take items home immediately.” This suggests that next-day — let alone two-day — shipping cannot fully replicate the immediate gratification of buying products in store and taking them home. It's why speed to market and figuring out last-mile delivery expectations keeps retail executives up at night.

One in five consumers cites easy returns as a key reason for shopping in stores versus online. Little wonder why Amazon has thrown down the gauntlet and now requires its sellers to offer free returns. Despite the robust e-commerce movement, roughly another fifth (18%) of consumers still seek the enjoyment — and likely social aspect — of going shopping in stores.] E

The ability to ask store associates questions ranks fairly low on the list of reasons to shop in stores vs. online, however, and was cited by just 13% of consumers. Accustomed to having information at their fingertips and on their mobile phones, consumers don't seem particularly motivated to seek

answers from store employees — or at least, it's not a good enough reason to go to the store. Retailers may need to rethink staffing requirements and how to best utilize people power. Maybe those robots aren't such a bad idea, after all.



Credit: Retail Dive

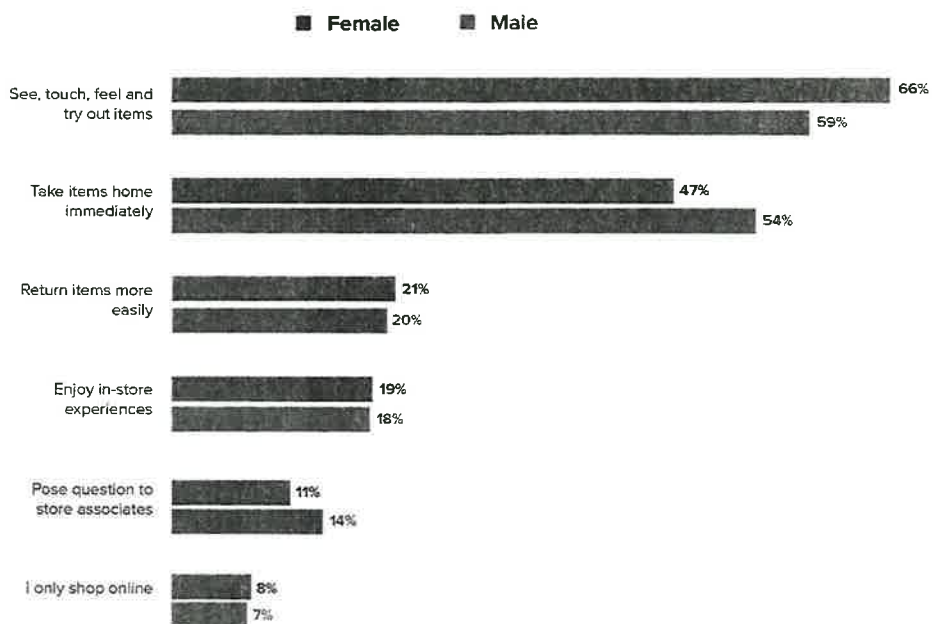
Women want to see; men want to take

When breaking down the data further, significant differences exist between genders when deciding whether to shop online or in stores.

From the female perspective, it's all about the ability to see, touch and feel items. Two-thirds (66%) of female shoppers say trying-it-out is a deciding factor for shopping in stores versus online. Shopping for products with a high fashion quotient — think apparel and accessories or home furnishings — is a likely driver.

While seeing or trying out products is the top-ranked reason given by males (59%) as well, instant gratification is nearly as important. A higher share of men (54%) than women (47%) say that taking items home immediately is why they shop in stores versus online.

| Reasons for Choosing to Shop in Stores vs. Online - by Gender



Credit: Retail Dive

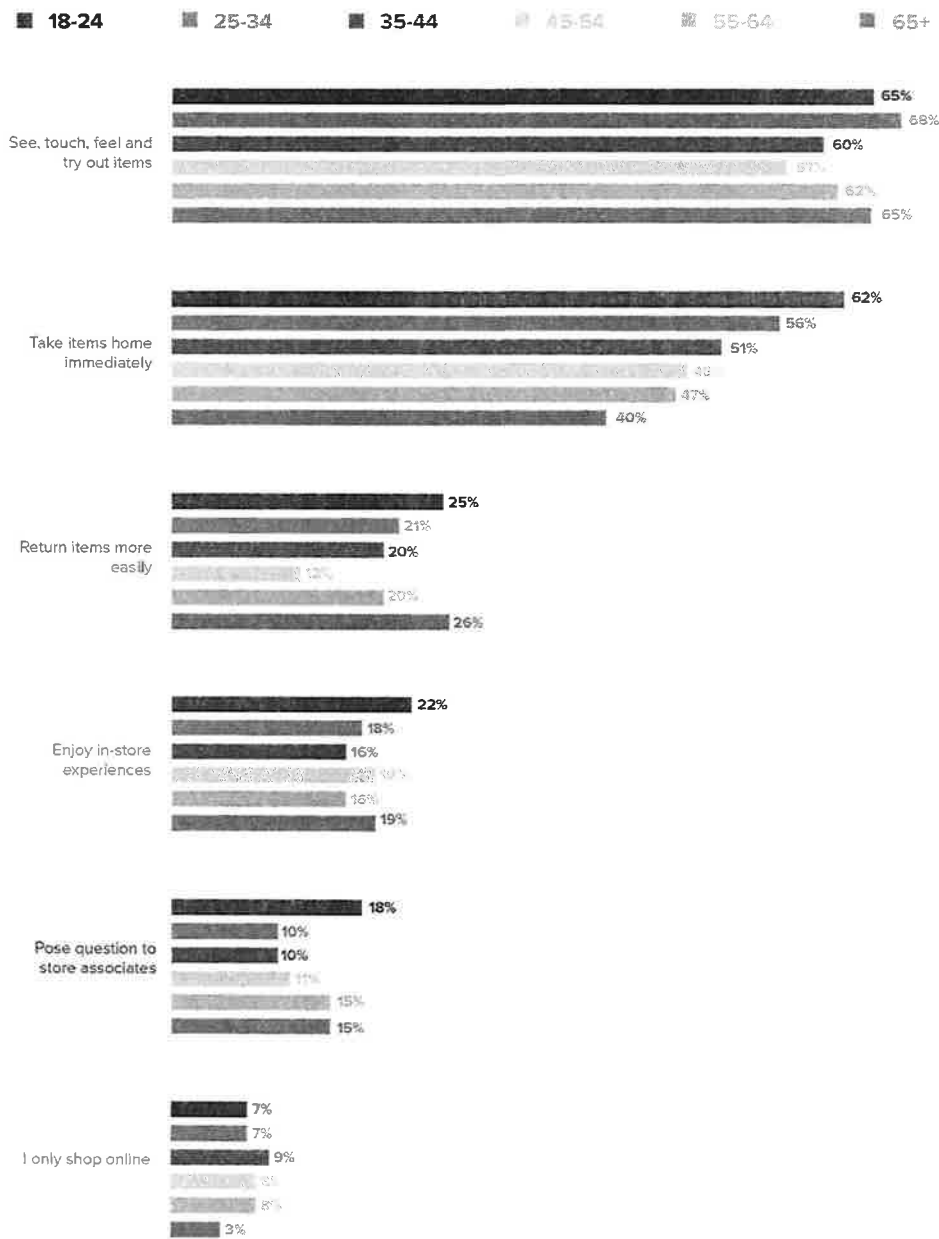
Younger generation has need for speed

Compared with the average, a higher percentage of young (less than 35 years) and old shoppers (65+) cite the need to see, touch, feel and try out items as a primary reason they shop in stores. This appears to be indicative of age groups that have more time on their hands to go to stores and shop around.

G [An interesting relationship popped up between age and instant gratification. Compared with older shoppers, a higher percentage of younger shoppers say they shop in stores to take immediate possession of items. For example: 62% of 18-24-year-olds cite taking items home immediately as a reason they shop in stores vs. online, compared with just 40% of shoppers aged 65+.

The youngest age segment (18-24) also over-indexes on returning items more easily, enjoying the in-store experience and interacting with store associates compared with the overall consumer population.

Reasons for Choosing to Shop in Stores vs. Online - by Age



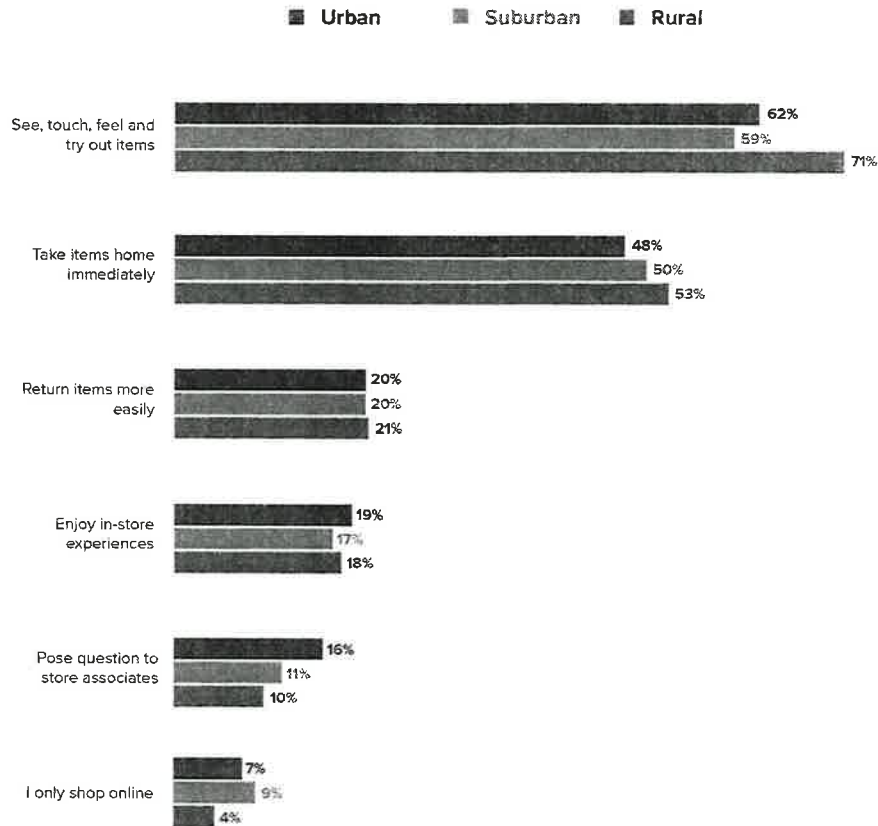
Credit: Retail Dive

Rural shoppers more likely to go to stores

The key figure that stands out when looking across location types — urban vs. suburban vs. rural shoppers — is the low percentage of rural shoppers who say they only shop online (4%) compared with the 7% national average. Undeveloped or underdeveloped logistics and delivery infrastructures in rural areas likely come into play here.

Conversely, a significantly higher share of rural shoppers (71%) say the reason they shop in stores vs. online is to see, touch, feel and try out items. Often needing to drive long distances to shop, rural consumers may well consider in-store shopping an event and a time investment, so they want to be sure to get the items right.

| Reasons for Choosing to Shop in Stores vs. Online - by Location



Credit: Retail Dive

The right store strategy

Given the onslaught of online competition — and the attention and investment dollars being diverted to advancing e-commerce capabilities — it’s important for brick-and-mortar retailers to not lose sight of their physical store strategy.

H [Brick-and-mortar holds an advantage for its ability to satisfy shoppers' needs to try out products and immediately take them

H
(continued)

home. A compelling in-store shopping experience where shoppers can easily see, feel and try-out products — coupled with stellar inventory management to ensure product is in stock — can make or break physical retailers.

Stay tuned for the next part of the Retail Dive Consumer Survey series: a look at which product categories consumers want to shop for in stores vs. online. We'll be back.

Retail Dive's Consumer Survey series is brought to you by iQmetrix. To learn more about their endless aisle solutions, [click here](#). iQmetrix has no influence over Retail Dive's editorial coverage.

Source 5

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The E-Commerce Paradox: Brick-And-Mortar Killer...Or Is It?



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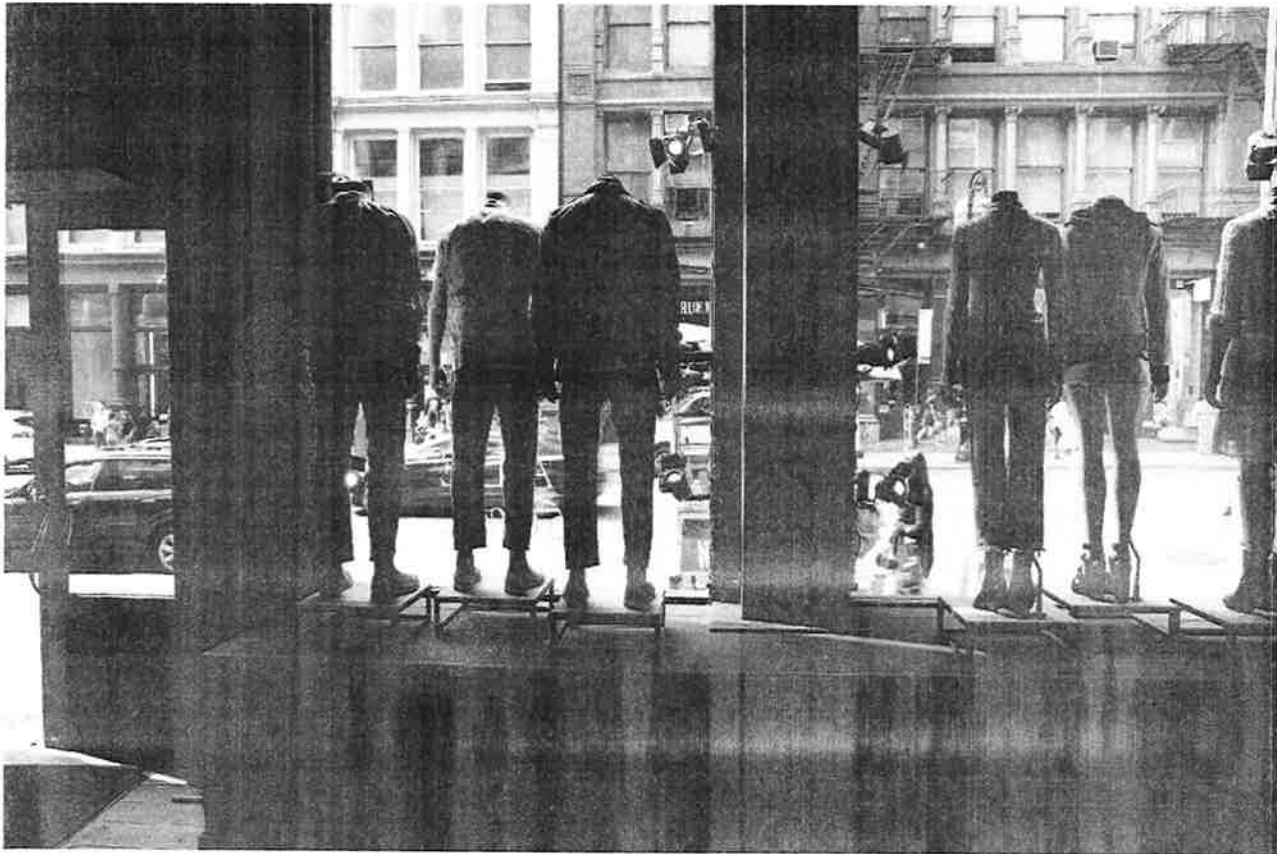
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POST WRITTEN BY

Kurt Jetta, Ph.D.



CEO and founder of TABS Analytics, a technology-enabled retail and consumer analytics firm.



(Photo by Spencer Platt/Getty Images)

For years, business headlines have screamed about the demise of brick-and-mortar retail stores at the hands of e-commerce. The accepted storyline seems to be that the steep drop in business at physical stores is a result of growing online sales.

If you dig deeper into the market of consumer data, you'll find the truth is much less black and white. My company has fielded surveys on outlet buying patterns in most consumer-packaged-goods (CPG) categories. We have found that share gains from online are modest, at best. In some cases, such as baby products, e-commerce increased share but still experienced a sales decline because of weakness in the overall sector. For others, like vitamins and cosmetics, both online and brick-and-mortar sales experienced gains. In no instance did e-commerce share grow enough to materially affect brick-and-mortar sales.

A [Take online grocery. Our fourth annual *Food and Beverage Report* revealed that online grocery share is anemic, struggling to reach the 2% share mark. Less than 5% of adults make at least six online purchases per year. By contrast, 78% of adults purchase regularly at traditional grocery stores, and 56% shop at Walmart. The survey also showed online shopping grew by 14% compared to only 2% growth for physical stores. Brick-and-mortar is dying!

Let's take a deep breath and run through the numbers, something most industry analysts seem loath to do. Analyzing data from the *Food and Beverage Report*, we find that online grocery's share gain from 1.4 to 1.6 equates to \$1.6 billion in extra sales. The 2% growth by physical stores is 10 times that number, \$16 billion. Even if we shift all of the online growth to physical stores, the growth rate would only move to 2.2%, still historically low levels for the CPG industry.

The non-effect of online sales also were evident in our study of beauty products. Walmart was the clear leader in beauty with an estimated 17 share of transactions, and it also posted the highest share gains, along with specialty beauty retailers Ulta and Sephora. Amazon and other e-tailers also grew share, but not as much as the leading brick-and-mortar outlets.] B

C [In fact, only 10-15% of U.S. adults make online purchases at least once a week, according to the Pew Research Center. This statistic calls into question any industry estimates that put online market share above that level. It's certainly possible, and we see sectors, such as baby, to be more like a 20% share. But the burden is on the analysts to support their estimates when we know so few Americans are heavy online shoppers.

Let's go beyond CPG, where data is less prevalent and, therefore, more prone to overstatement. One report by Fung Global Retail & Technology pins Amazon's share of the U.S. apparel market, including third-party sales, at a modest 3.7% for 2016. In the same study, it's revealed through consumer survey data that no e-commerce site made the top 10 of preferred outlets. Despite these data points, Fung provides an estimate from EuroMonitor that pegs apparel online share at 15.5%. That number is not credible given we have two data points that contradict it, and no data that supports that high estimate.