


Why Amazon keeps experimenting with physical stores

Article



The trend: Amazon last week announced plans to launch **Amazon Style**—a technology-focused store that features clothing, shoes, and accessories—in an upscale Los Angeles shopping center.

- The store will be roughly 30,000 square feet, significantly larger than the typical mall-based specialty retailer.

- The move is the latest offline experiment by Amazon, which last year passed Walmart to become the **largest apparel retailer in the US**, per Wells Fargo research reported by CNBC.

More on this: Amazon Style builds on a number of efforts that Amazon has taken over the past few years to boost apparel sales, including:

- **Launching** a range of **basics**, such as men's pants and underwear and women's denim and intimate apparel
- Developing **exclusive relationships with brands** such as children's clothing retailer **Carter's** and designer **Calvin Klein**
- Rolling out a **Stitch Fix-like personal shopping service**
- Introducing **luxury fashion online shops** for designer fashion brands

The Style shopping experience is facilitated with the mobile Amazon Shopping app. In-store consumers can use the app to:

- Send items to a fitting room or pickup counter
- Scan an item's QR code to view more sizes, colors, and customer ratings
- Access real-time recommendations
- View personalized deals

Amazon's store footprint: Amazon operates over **600 physical stores in North America**—more than 500 of which are locations of Whole Foods Market, per its latest filing. The others are Amazon-branded stores, including Amazon Fresh (grocery), Amazon Go (cashierless convenience stores), Amazon 4-star (featuring products with a four-star rating or higher on amazon.com), Amazon Books, and Amazon Pop Up (which highlights various brands and trends).

- Those stores generated just \$4.27 billion in sales in Q3 2021, a far cry from the \$49.94 billion generated from Amazon's first-party online sales, per its **earnings release**.

The appeal of the physical store: With stores, Amazon can broaden its appeal by offering shoppers the ability to touch and feel items.

- While online retail sales are growing at a faster clip than offline sales, physical stores still account for the vast majority of US retail sales—particularly in the apparel and accessories

category. Roughly 62.1% of US apparel and accessories sales will occur offline this year, according to our estimates.

Retail Ecommerce Sales Share, by Product Category

US, 2022, % of total retail ecommerce sales

Apparel & accessories

19.1%

Auto & parts

6.5%

Books, music & video

5.0%

Computer & consumer electronics

20.0%

Food & beverage

7.4%

Furniture & home furnishings

13.0%

Health, personal care & beauty

10.6%

Cosmetic & beauty

1.6%

Pet products

1.9%

Office equipment & supplies

1.9%

Toys & hobby



Other categories



Source: eMarketer, October 2021

eMarketer | [InsiderIntelligence.com](https://www.insiderintelligence.com)

The opportunity: Style aims to help Amazon address a long-standing shortcoming: It doesn't offer a fun, curated experience, nor does it offer retail as entertainment. Amazon Style store renderings showcase “looks designed and inspired by top influencers,” and the retailer says the store will “offer a shopping experience that inspires discovery.”

Beyond sales, Style and Amazon's other non-Whole Foods stores provide the retailer with branding in prominent, highly trafficked areas, as well as locations where consumers can return items they purchased online. (Shoppers will also be able to return purchases at Amazon Style.)

Focusing the store experience through the Amazon Shopping app will enable the retailer to gather a wealth of data about in-store shoppers. That information will bolster its ad business from both a targeting and measurement perspective.

The bigger picture: Sales are far from the primary driver behind Amazon Style. The retailer will allow Amazon to gather valuable information about consumers and their offline shopping habits, as well as provide a testing lab where it can experiment with in-store technology.