

When omnichannel fails: Lessons from Amazon, HomeGoods

Article



HomeGoods shut down its ecommerce business in October because it was unable to recreate the treasure-hunt experience online. Meanwhile, Amazon is struggling to master brick-and-mortar because it doesn't know what in-store shoppers want.

Here's what retailers can learn from their omnichannel struggles.

Digital defeat: It's rare for a retailer to shutter its entire ecommerce business, so when **HomeGoods decided to shut down its online store**, it made headlines.

In an email to customers, HomeGoods announced it would focus resources on its brick-and-mortar stores and online shopping would no longer be available after October 21, a little more than two years after it initially launched the site, per Business Insider.

Why didn't it work? Net ecommerce sales represented less than 3% of parent company TJX's total sales in both FY 2022 and FY 2023, per the company's annual report.

- Part of the appeal of shopping at HomeGoods is the treasure-hunting experience that customers have when they walk in the store. But that is hard to translate to an online format.
- Shipping large items like chairs or lamps can be costly, outweighing profits.

The lesson for retailers: Pay attention to the way your customers shop and what brings them to your store. If you can't replicate that online, it may be hard to build out an ecommerce business.

Physical check-up: Amazon opened its first physical store in 2015 and it's been struggling to make its brick-and-mortar business stick ever since, **opening** and **closing** a variety of stores (including Amazon Go and Amazon Fresh locations) as it tries to figure out how to court in-store shoppers.

Most recently, **the ecommerce giant has closed its two Amazon Style stores** just 17 months after they first opened.

- These stores sought to use technology to **rethink the in-store experience**, enabling customers to use the Amazon Shopping app to see product sizes, colors, and details.
- Shoppers could send items to the fitting room with the touch of a button or send it directly to the pickup counter to take home.

Why didn't it work? The things that make Amazon so good at ecommerce—including a massive product selection and the fastest delivery speeds—don't really give it an advantage when it comes to more niche retail categories like apparel.

Amazon also seems to overestimate the role that technology should play in brick-and-mortar shopping, which can detract from the customer experience.

But Amazon hasn't given up on physical retail. Following a successful redesign of two locations in the Chicago area, **Amazon will continue to roll out more Amazon Fresh grocery stores next year.**

The lesson for retailers: If you want to invest in a new channel, you may have to switch up your strategy while maintaining your brand identity. Identify ways you can enhance the customer experience without overwhelming shoppers.

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