

# How Digitally Native Brands Will Shape Brick-and-Mortar Retail in 2019

## ARTICLE |

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**L**ost amid headlines about a retail apocalypse has been a surprising rejuvenation across brick-and-mortar retail as it deploys the lessons of digital to win back customers.

The consumer retail economy, buttressed by low unemployment and rising wages, is experiencing its best growth since 2011. And despite the 2018 demise of old-retail stalwarts like Sears and Toys R Us, recent gains at retail stores aren't flowing only in the direction of digital—although they do increasingly bear hallmarks of its influence.

Digitally inspired innovation is now helping brick-and-mortar regain relevance and get shoppers back into physical stores. This includes aggressive moves by dozens of digitally native direct-to-consumer retailers to plant their flag in brick-and-mortar.

Brands like Warby Parker, Casper and Allbirds are expected to open 850 new locations over the next five years, according to JLL. Others such as Brandless and Glossier have rolled out splashy pop-up stores to give their online customers a way to physically experience and interact with the brand. Traditional retailers are also getting into the act by inviting these brands into their stores through partnerships, such as those between Target and Harry's Razors, Walgreen's and Birchbox, and

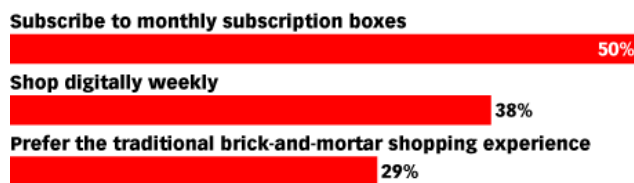
Nordstrom and Bonobos. Even Macy's is rolling out a Facebook-branded "store within a store" concept across several locations that features best-selling products from Instagram.

And this trend seems to be luring digitally inclined shoppers back into the store. According to a survey from Euclid, 50% of internet users most likely to check out pop-up stores subscribe to monthly subscription boxes, and 38% shop online every week. Just 29% prefer the traditional brick-and-mortar experience.

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**US Internet Users Who Are Likely to Check out a Pop-Up Store, by Shopping Habits/Preferences, March 2018**

*% of respondents*



*Note: ages 18+; in the next year; read as 50% of respondents who subscribe to monthly subscription boxes are likely to check out a pop-up store*

*Source: Euclid, "The Store of the Past Meets the Shopper of the Future: Can Retailers Adapt to Modern Consumer Expectations?" April 11, 2018*

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As digitally native brands establish their physical footprints, they're also applying digital best practices to create a better retail experience. They've learned from their digital storefronts which products, styles and sizes are in demand and use that data to make more relevant merchandising decisions. They know which geographies generate the highest online customer concentration and use that to pick the right locations. They rely heavily (and sometimes exclusively) on online fulfillment methods that reduce in-store inventory and keep real estate overhead to a minimum. As a result, brick-and-mortar is quickly transforming into a smarter and more relevant experience.

All told, it turns out that rumors of brick-and-mortar's death have been greatly exaggerated. Shoppers just needed a reason to hit the stores, and that inspiration is—somewhat ironically—coming from digital.

Interested in more about the future of retail? Look out for a report, "The Future of Retail 2019: coming out later next week on the topic. Not

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