“Experiences from transactions: the future of traditional retail stores”

Capstone Project

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II. Abstract

Due to the COVID-19 pandemic, online shopping has become increasingly important and seems to gradually replace retail stores. Therefore, this project aims to answer questions regarding the sustainability of retail stores by analyzing consumer behavior trends and market dynamics. This project employs a mixed-methods approach to achieve its research objectives. This approach combines qualitative and quantitative methods, which involves using various data collection and analysis techniques. The hypothesis that online shopping poses a significant threat to traditional retail stores is only partially supported, as most participants remain favoring physical stores. However, there is a recommendation for offline stores to expand online due to increasing competition and shifting market dynamics.

To conclude, online shopping will continue to grow in popularity. However, retail stores can remain relevant by improving their online presence and creating a unique, multi-sensory shopping experience. Given that this Capstone project is a relatively short analysis of a complex topic, further research is required to include other online and in-store shopping categories, such as groceries or furniture.

1. Introduction

Consumer behavior and retail dynamics have undergone major changes over the past few years, with the rise of online shopping transforming the traditional retail landscape. The reasons for that are among others the COVID-19 pandemic which influenced consumer behavior globally (Sayyida et. al., 2021). The emergence of e-commerce platforms has created both challenges and opportunities for brick-and-mortar retailers, in combination with technological advances and changing consumer preferences (Tiwari et al., 2023). Considering these changes, researchers have been seeking to explore the dynamics between online and offline shopping channels, as well as to identify the reasons behind consumer preferences and behavior. This study aims to contribute to this dialogue by investigating the future of physical stores in the context of the growing online shopping paradigm. With a focus on the impact of the rise of online shopping on traditional retailing, the reasons behind consumer preferences and behavior when navigating between physical stores and online platforms will be examined. Therefore, primary research and secondary research will be used to answer the research question.

Firstly, a literature review is conducted to provide insights into evolving consumer trends and the factors driving the shift to online shopping. It examines the impact of external factors such as the global COVID-19 pandemic, technological advances, and changing consumer demographics on retail dynamics, alongside recommendations for collaboration of both offline and online shopping.

Based on the findings of the literature review, this study formulates a hypothesis and objectives to investigate the extent to which online shopping poses a threat to traditional retail stores. Using a mixed methods approach, this study analyses current trends in consumer behavior, and identifies opportunities for collaboration and integration between online and offline retail channels and formulating recommendations in the end. Moreover, primary research is conducted to investigate how actual customers see traditional retail stores and online shops. By understanding the interaction between online and offline shopping preferences, this paper provides valuable insights into consumer behavior and strategies to change customer needs and expectations. This research intends to add to the knowledge of the authors about the changing retail scene by looking at the future of brick-and-mortar businesses from the perspective of customers' transactional experiences. It aims to be fair by pointing out the

benefits of the digital age while also recognizing the difficulties encountered by conventional merchants.

Overall, by shedding light on the complex dynamics between online and offline shopping channels and providing strategic recommendations for traditional retail stores to thrive in an increasingly digitalized marketplace, this research aims to contribute to the ongoing discourse on the future of retail.

2. Literature Review

2.1 Consumer behavior

To better understand the change in consumer behavior going from retail stores to online shopping we need to define and elaborate the reasons why consumers started online shopping and stopped shopping in retail stores.

As the global pandemic COVID-19 hit the world, the retail industry has recorded a big decline since retail stores were not allowed to open for a long period of time. Therefore, consumers were forced to start changing their shopping habits and switched from retail stores to online shops (Datta and Roy, 2023, p.10). As a result, consumers started to see the advantages and convenience of online shopping. Since then, online shopping has become the new consumer shopping habit and most brands have started investing more in online shops and apps than in their retail stores (Datta and Roy, 2023, p.13).

In relation to this, most studies recognize that there has been a change in consumer behavior when it comes to preferring online shopping over shopping in retail stores. This phenomenon is the result of developing technical devices that are more connected and have more access to different platforms as well as developing more apps for brands that used to have retail stores only (Reinartz and Wiegand and Imschloss, 2018, p.351). Moreover, the further development of e-commerce has not only made consumer behavior shift but also the way retail stores operate (Filipová and Mokrejšová and Zeman, 2021, p.124). In addition to that, this shift also influences the traditional shopping malls. The growth of shopping malls has declined drastically since consumers tend to shop more online than in person (Yan, 2018, p.2).

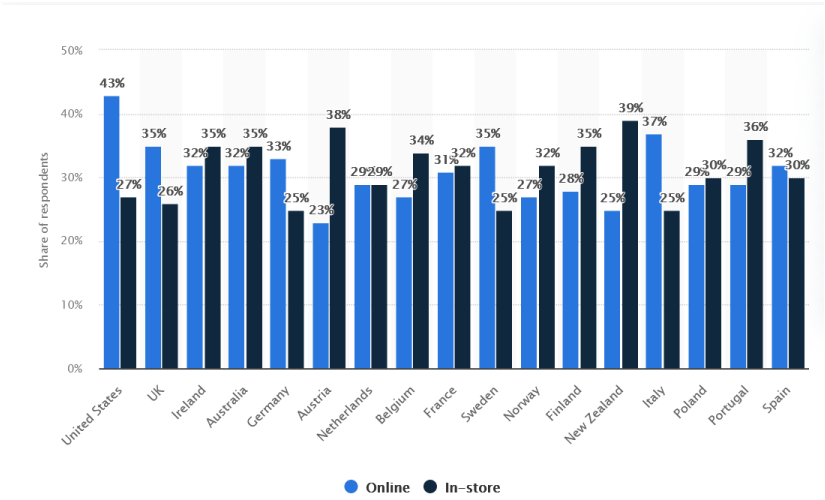


Figure 1, Share of consumers that would prefer to shop mostly online or mostly in-store worldwide in 2023, by country (Statista, 2023)

According to Statista (2023), the majority of countries still prefer to buy in physical stores. However, online shops have a clear share in this chart. The lowest share of online shops is in Austria with 23% and the highest share in the United States with 43%. On the other hand, the lowest share on In-store purchases is at 25% in Germany, Sweden, and Italy. The highest share of physical stores lies at 39% in New Zealand. Hence, online shops have a fair share and are of high importance in today's shopping culture around the world. Nevertheless, there are still countries that still prefer in-store shopping over online shopping, even with a share difference of 15%.

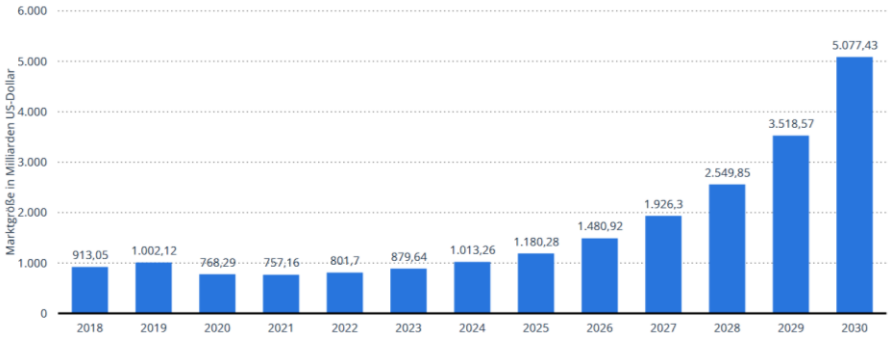


Figure 2, Schätzung der Marktgröße von Cross-border B2C-E-Commerce weltweit in den Jahren 2018 bis 2030 (in Milliarden US-Dollar) (Statista, n.d.).

This figure demonstrates the growth of B2C e-commerce since 2018 and predicts further development until 2030 (Statista, n.d.). Even though the first figure shows that some countries prefer in-store shopping over online shopping, it is clear that B2C e-commerce is predicted to skyrocket in the next six years, even though it stagnated from 2018 until 2024. After 2024, the market share will probably increase until 2030 where it is predicted to be five times as big as in 2024 (Statista, n.d.). As online shopping continues to grow in popularity,

physical stores may face increased competition and lose some of their current prominence.

However, it is important to also focus on the amount of people who are online shopping regularly as well as the categories that are most likely to be online shopped in. Firstly, the Central Statistics Office of Ireland (2021) has published a survey that states that almost eight out of ten people shop online. This is equivalent to 79% of people who have purchased goods or services online in 2021. In this case, the amount of female online users that are shopping online is substantially higher than male online users. There are 83% of women who shop online regularly and 75% of males (CSO, 2022). Moreover, younger generations seem to prefer online shopping over retail stores compared to older generations. Consequently, generation Y, Z and Alpha tend to shop online more often than generation x or the baby boomers (CSO, 2022).

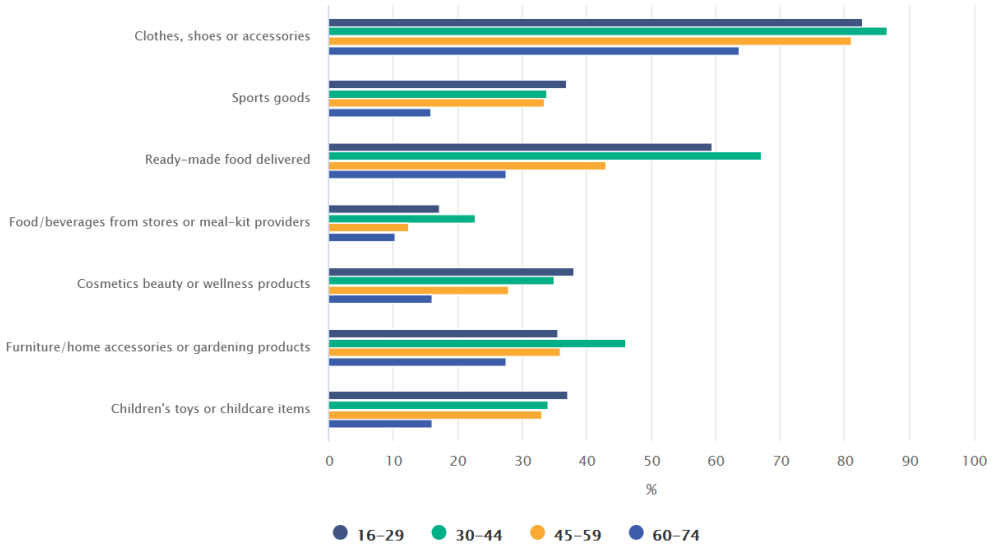


Figure 3, Individuals aged 16 years and over who use the internet classified by types of physical goods purchased online during the last 3 months by age group, 2021 (CSO, 2022).

According to recent statistics, clothes, shoes, and accessories are expected to be the most popular items for online shopping in 2021 (CSO, 2022). Generation Y is the age group that participates in online shopping the most, except for cosmetics and sports goods. Moreover, the statistics reveal that families with children are more likely to shop for goods online. Children's toys and childcare products are among the trending items (CSO, 2022). In fact, 90% of households with children prefer to shop online for goods and services, while only 78% of households without children choose to do so (CSO, 2022).

2.2 Opportunities and Recommendations

Now, even though the statistics and COVID-19 crisis showed that e-commerce is a

strong competitor, brick-and-mortar stores have the chance to make use of the advantages of both e-commerce and traditional retail. They can achieve this by providing customers with an improved shopping experience that blends the ease of online shopping with the real, sensory experiences of in-store purchases (Ahuja, 2021, p.1). In relation to this, the concept of hybrid commerce, which smoothly combines online and offline buying, is becoming more and more important. It satisfies customers' needs for both the convenience of online shopping and the in-person interaction offered by real retail establishments (Ahuja, 2021, p.3). Adding to that Pape and Toporowski (2023) state that businesses should offer services like click-and-collect, in-store pickup, and returns. However, this approach not only satisfies changing customer demands but also puts shops in a successful long-term position in a dynamic economy (Ahuja, 2021, p.7). In general, retailers are significantly starting to recognize the importance of engagement with customers on a personal level as part of their strategy, since their online competitors are offering more and more personalized services (Rodríguez et al, 2016).

A part of the solution are the rising cutting-edge technologies that are revolutionizing the in-store experience which include augmented reality (AR), virtual reality (VR), and artificial intelligence (AI). Customers can enjoy a unique and unforgettable shopping experience thanks to these technologies, which also offer virtual try-ons, immersive product demos, and personalized suggestions (Ahuja, 2021, p.1, 6; Stoica, 2023, p.1-2). For example, incorporating AR and VR into merchandising tactics can greatly improve the way products are visualized, make virtual try-ons easier, and allow for interactive demos, all of which can raise customer happiness and engagement (Stoica, 2023, p.3).

Another technological application that could help to enhance a business's retail experience is the development of an app. In relation to this, experts are highlighting a mixture of two methodologies, consisting of design and marketing intelligence. Meaning that, by understanding the customers desire and implementing a targeted design strategy and enriched customer experience, beyond the mere deployment of advanced technology, is ensured. With this facilitating better decision-making regarding purchases and improving interactions between stores and customers (Rodríguez et al, 2016).

However, there are non-technological strategic elements that can attract customers into the stores as well. Biswas et al. (2023) state that brick-and-mortar stores should focus more on applying multi-sensory experiences. By implementing the five senses – smell, haptic, visual,

sounds and taste – into the shopping atmosphere, stores could not only use a major advantage against online retail but also build an emotional connection with their customers, leading to them being more likely to stay longer in their store and shop more (Danziger, 2019). Furthermore, they are creating a cohesive story around the brand by designing a unique atmosphere (Danziger, 2019).

While implementing the five senses, stores should also tailor the store design more to their target customer instead of the broad masses, and re-evaluate their employees' duties and store layout, making more room for more interactions between customers (Biswas et al., 2023). In addition, they should host occasional in-store events, to build up loyalty and a feeling of community, as well as belonging. Moreover, in-store events can attract new customers and create memories with the brand, as well as differentiating them from other brick-and-mortar stores (Baker, 2014; Biswas et al., 2023; Caboni, 2019).

In addition, retail shops should prioritize sustainable practices due to the growing consumer demand for environmental-friendly products and businesses. According to 27% of respondents, sustainability is one of the main reasons why they might not purchase from online stores, making it a crucial need for companies to develop a business strategy that prioritizes low-priced, sustainable products (Tascioglu et al., 2019).

There are many real-world instances of innovation in brick-and-mortar establishments. For instance, Nike's flagship store goes beyond the typical retail setting by providing customers with immersive experiences through sections that mimic sporting conditions and enable extremely engaging product testing (Harba, 2019, p.5). Likewise, FARFETCH's "Store of the Future" idea combines mobile, internet, and offline buying experiences, allowing store associates to offer customized, individualized service based on a thorough grasp of the client's profile and purchasing habits (Harba, 2019, p.15). Contrary, by not only using technologies, Tiffany enhanced their customer's experience by renovating and reopening their famous store in 5th Avenue in Manhattan, offering an exhibition space hosting "pieces by big-name artists like Damien Hirst and James Turrell", as well as a café with a special menu item in memoire to the famous movie "Breakfast at Tiffany's", an exclusive club and a VIP salon, in addition to their regular retail experience (Cantrell, 2023; Diamond, 2023).

Notwithstanding the promise of these creative strategies, issues like the requirement for ongoing technological investment and adaptation, along with worries about customer privacy, must be resolved (Bălășescu, 2021, p.5; Stoica, 2023, p.2). To successfully implement these revolutionary initiatives, retailers need to invest in infrastructure and technology, participate in strategic planning, risk some costs, and guarantee the protection of customers' personal information, where technologies are implemented (Ahuja, 2021, p.1; Bălășescu, 2021, p.5).

3. Research Methodology

This section explains how the research and analysis were conducted, taking care to follow a clear and thorough approach. By outlining our steps, this methodology provides a clear framework for how the study was conducted and the results interpreted. Through careful planning and adherence to our methods, this research aims to provide valuable insights into the future of traditional retail stores and contribute to existing knowledge in the field.

Research Question

Does the rise of online shopping pose a significant threat to traditional retail stores?

Research Hypothesis

The rise of online shopping significantly threatens the existence and competitiveness of traditional retail stores, as evidenced by shifts in consumer behavior, sales trends, and market dynamics.

Research Objectives

1) To analyze current trends in consumer behavior regarding online shopping versus traditional retail stores
2) To investigate the factors influencing consumers' preferences for online shopping over traditional retail stores
3) To explore opportunities for collaboration and integration with online platforms, then provide recommendations for traditional retail stores to strategically adapt and capitalize on the digital marketplace

3.1 Methodological choice

Research design plays a crucial role in guiding the collection and analysis of data for a study. Different types of research designs can be used, depending on the specific aspect that the authors are trying to address. These include exploratory research, descriptive research, and causal research (Lores, 2014).

In this study, the authors used a mixed-methods approach to address their research objectives. The mixed method approach, a combination of qualitative and quantitative methods, allows the authors to promote the use of various data collection and analysis techniques in one study, acknowledging the drawbacks of relying solely on a single method (Migiro & Magangi, 2010).

3.1.1. Secondary Research

In completing this assignment, secondary research was conducted and analyzed during the literature review phase. Secondary sources were also used to develop the theoretical framework for the methodology. Tools such as Google Scholar, the Findex database at the University of Applied Sciences Münster, and the library resources of the Dublin Business School were used to locate reliable sources and relevant literature. This approach facilitated a deeper understanding of the topic and streamlined the formulation of the research objectives and the derivation of the hypothesis.

3.1.2. Primary Research

Throughout this assignment, a combination of qualitative and quantitative research methods was used to collect primary data. A survey was carried out within this framework.

3.1.3. Exploratory and Descriptive Research

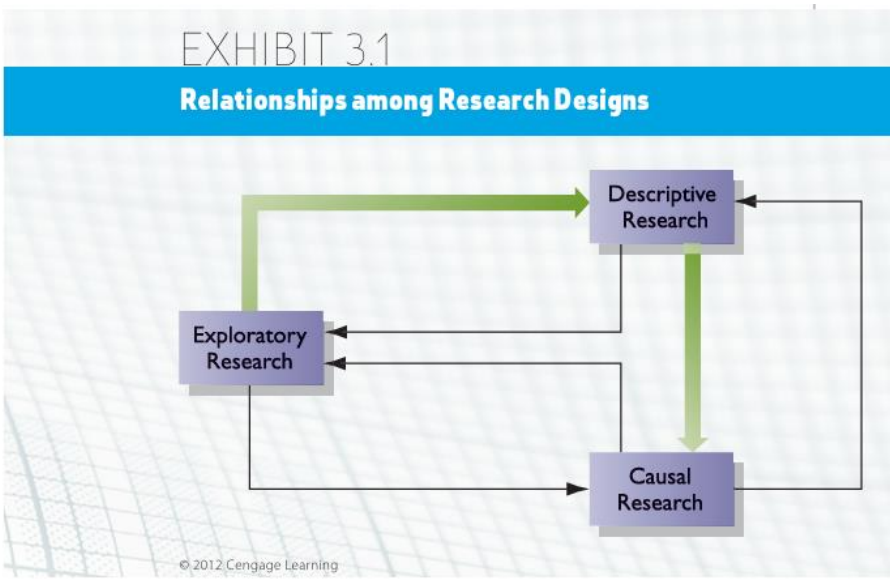


Figure 4, Relationships among Research Designs (Lores, 2014).

To explore the impact online shops, have on traditional retail stores, the paper includes both exploratory and descriptive research design. In this case, causal research was excluded due to the requirement of extensive resources and time constraints. Instead, exploratory, and descriptive research methods were deemed more appropriate for gaining insights and understanding the dynamics of the relationship between online shops and traditional retail stores, without necessitating experimental manipulation.

3.1.3.1 Exploratory Research

Exploratory research is conducted to gain a deeper understanding of a situation without aiming to provide final answers or decisions. Researchers use this method to develop hypotheses about the situation, describing the relationship between two or more variables (Lores, 2014). For the aim of this study, literature research was conducted. Initially, in-depth interviews were scheduled as part of the study, but due to time constraints, the authors opted to exclude them.

Moreover, this method offers numerous advantages. Primarily, literature reviews provide authors with valuable insights and a comprehensive understanding of the topic, particularly beneficial for those initially unfamiliar with it. Additionally, it helps the authors in formulating the study's hypothesis. However, a challenge lies in gathering diverse perspectives on a topic without bias and maintaining neutrality (Lores, 2014).

3.1.3.2 Descriptive Research

In a descriptive research design, a wide array of research methods can be utilized to explore one or more variables. Unlike experimental research, where researchers exert control over variables, in descriptive research, they simply observe and measure them. (Aggarwal & Ranganathan, 2019). For this study, a cross-sectional study was conducted. It involves selecting a sample of items from the population of interest, with the characteristics of those items or sample members measured only once (Lores, 2014).

A sample survey comes with numerous benefits as well as some challenges. First, a sample survey allows for precise targeting of specific populations. In addition, if a probability sampling plan is used, the results can be generalized to the entire population. However, there are challenges to this approach in that it is costly and time-consuming. In our case, we mitigated the cost by using a free tool such as Google Docs. (Lores, 2014).

3.2. Strategy

3.2.1. Sampling Process

First of all, the population needs to be defined. For this research, the survey was distributed in various student group chats, as well as among family and friends ranging in age from 18 to 70 and including different genders to ensure a broad perspective.

3.2.2. Select the sample frame

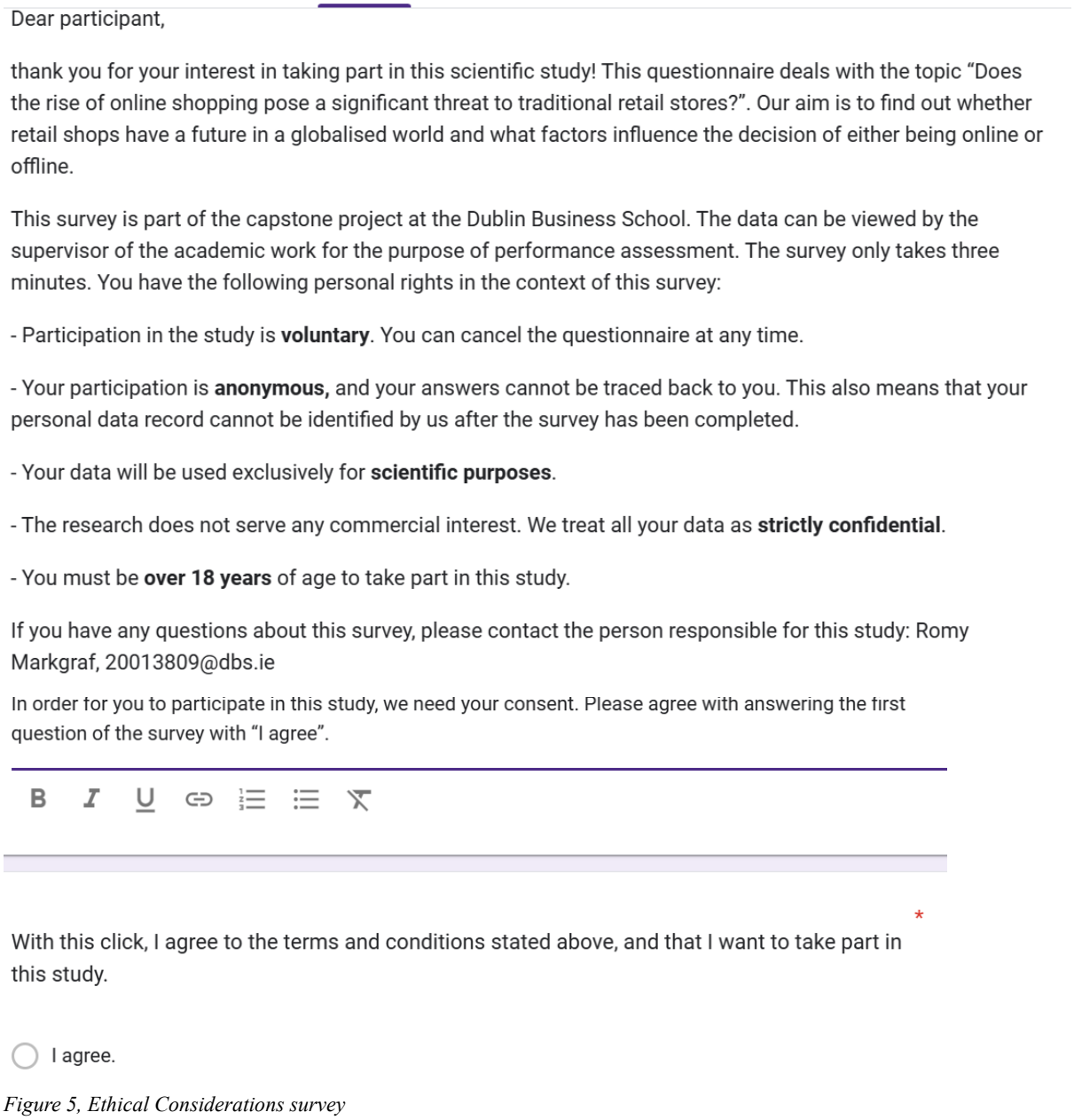
As already mentioned above a cross-sectional study was used in this research, including conducting a survey. For this survey probability sampling was used, with a mix of stratified and simple random sampling.

Probability sampling, often referred to as random sampling, is a sampling technique in which each element of the population has an equal chance of being selected for the sample. It ensures that each member of the population has a fair and unbiased opportunity to be included in the sample, thereby providing an accurate representation of the entire population (Gregg, 2008, p. 98ff.).

Stratified random sampling, a survey sampling technique, involves dividing the population into subgroups or strata based on characteristics relevant to the research objective. These characteristics may include demographic variables such as age, gender, income, or geographic location (Gregg, 2008). This research divided the population by age.

3.2.3. Implementation of the survey

To maximize participation, we aimed to keep the survey short, as lengthy surveys often deter respondents. We carefully crafted 18 short to medium-length questions that took approximately 3 to 5 minutes to complete. In addition, we provided manageable response options to avoid overwhelming participants and to encourage specific responses. Open-ended questions were included to allow participants to elaborate on previous points or responses. Ethical considerations were addressed by emphasizing the voluntary, anonymous, and strictly confidential nature of the survey. Participants were informed of the procedures and purpose of the study, and consent was obtained by asking them to confirm that they had read and agreed to the terms and conditions outlined as shown below.


Dear participant,

thank you for your interest in taking part in this scientific study! This questionnaire deals with the topic "Does the rise of online shopping pose a significant threat to traditional retail stores?". Our aim is to find out whether retail shops have a future in a globalised world and what factors influence the decision of either being online or offline.

This survey is part of the capstone project at the Dublin Business School. The data can be viewed by the supervisor of the academic work for the purpose of performance assessment. The survey only takes three minutes. You have the following personal rights in the context of this survey:

- Participation in the study is **voluntary**. You can cancel the questionnaire at any time.

- Your participation is **anonymous,** and your answers cannot be traced back to you. This also means that your personal data record cannot be identified by us after the survey has been completed.

- Your data will be used exclusively for **scientific purposes**.

- The research does not serve any commercial interest. We treat all your data as **strictly confidential**.

- You must be **over 18 years** of age to take part in this study.

If you have any questions about this survey, please contact the person responsible for this study: Romy Markgraf, 20013809@dbs.ie

In order for you to participate in this study, we need your consent. Please agree with answering the first question of the survey with "I agree".

With this click, I agree to the terms and conditions stated above, and that I want to take part in this study. *

I agree.

Figure 5, Ethical Considerations survey

4. Data presentation and Analysis

A detailed descriptive research study was undertaken to understand how consumer perceptions of both in-store and online shopping are. Therefore, a primary research study was carefully designed to explore the three distinct research objectives in order to analyze the hypothesis if the rise of online shopping significantly threatens the existence and competitiveness of traditional retail stores, as evidenced by shifts in consumer behavior, sales trends, and market dynamics. Through a systematic data collection process, a robust dataset of 109 responses was compiled, providing a rich and diverse source of insights for subsequent

analysis and interpretation. Moreover, it is analyzed if the primary research aligns with the literature findings.

4.1 Research Objective 1: Current trends

The main target group of participants belong to Gen Z with 52.8%. Nevertheless, there are participants from every generation, ranging from Millennials with 12% and Gen X with 29.6% to Boomer with 5.6%. This generation breakdown is based on the Beresford research (2023). Secondary literature clarified that younger generations prefer online shopping, such as Gen Z or Millennials (CSO, 2022).

When asked how often respondents shop offline the majority of 38.5% stated once a month or every two weeks with 17.4%. On the one hand, 21.1% indicated that they shop offline once a week or more often. Compared, 34.9% shop online once a month and 18.3% every two weeks. Respectively, 5.5% shop online once a year or less or every six months. Indeed, 14.7% shop once a week or more often. As stated above, literature found that in Ireland eight out of ten people shop online (Central Statistics Office of Ireland, 2021). Indeed, 57.8% of participants prefer physical shops over online shops.

In terms of behavioral patterns, there is a notable trend among shoppers where the majority with 59.6% buys clothing and fashion at least once a month. Beyond that, 43.1% buy health and beauty products at least once a month with books and entertainment following with 27.5%. Other categories like home, decor, and kitchen essentials (22.9%), hobbies and specialty items (22%), electronics and gadgets (15.6%) as well fitness and outdoor gear (6.4%) are only bought less. It is striking that 10.1% buy none of these categories in a month which shows a tendency to low buying. Aligning with literature, clothes, shoes, and accessories are the most popular items for online shopping (CSO, 2022).

A comparison of the primary research findings with the existing literature reveals a notable misalignment. Contrary to the common assumption that younger generations prefer to shop online, our results show a strong preference for physical stores. This difference disproves the assumption that younger generations are predominantly online shoppers, as suggested in the secondary literature. Instead, it highlights the importance of differentiating consumer behavior within specific demographic segments. Although our findings are not entirely

consistent with the existing literature, they provide valuable insights into the complex dynamics of consumer preferences. Further research may be warranted to explore these gaps and their implications for retailers and marketers.

4.2 Research Objective 2: Factors that influence consumers' preferences

Several responses were gathered on the features the participants value in terms of online shopping versus offline shopping. The most influential factor in terms of choosing a physical store over an online shop is the immediate product availability, which 60.6% of respondents like. Followed by accessibility with 42.2%, customer advisory service with 36.7%, and product variety with 30.3%. However, when comparing these numbers to the factors that influence buying in an online shop rather than a physical store, the majority of 61.5% chose the price as an influential factor. After that, the product variety a customer gets online is voted on with 56%, followed by comfort with 47.7% and online reviews with 39.4%. One can see that these factors should be combined to get the best possible customer experience. When asked what factor is the most important one 19.3% chose price and 15.6% said accessibility.

On the one hand, when looking only at offline stores, there are some aspects that customers find decisive for the in-store experience. Mainly, the customer service is crucial for 56% of participants, followed by the product display with 46% which goes hand in hand with touching, feeling, or trying on the product. Also important is the easy accessibility (43.1%) in physical stores, as you can take the product home directly. Still, 33.9% of participants think cleanliness are the most important as well as in-store promotions and offers with 38.5%.

On the other hand, customers think that a user-friendly website is the most crucial factor which contributes to a positive online shopping experience with 70.6%, followed by secure payments options with 65.1%. Nevertheless, return policy (62.4%), product reviews and ratings (53.3%) and fast shipping (51.4%) are voted for by more than half of the participants. This shows that a wide range of factors are important to make a positive online experience. One could also say that offline shopping can be seen as less complex as not so many factors are crucial. It is also possible that participants prefer online shopping and therefore consider a wider range of factors to be important to enhance their experience. The highlighted factors which are of importance underline the fact that customers want the comfort of online shopping and the face-to-face interaction of physical stores (Ahuja, 2021, p.3). For a big part of

customers, the feeling and haptic of the product is significant for purchasing. This aligns with literature, which states that the five senses are important (Danziger, 2019). Not only does this create an emotional connection, but it also makes the customer come back into store, as online shopping often cannot appeal to all senses.

The findings of the primary research are consistent with the existing literature on the factors that influence consumer preferences when shopping online and offline which highlights a desire for a mix of convenience and personal interaction. Overall, the research highlights the complexity of consumer preferences and the need for retailers to balance different factors to improve the shopping experience.

4.3 Research Objective 3: Opportunities for collaboration or integration

To find a way for physical stores to collaborate or integrate with online shops it was asked how many participants have ever visited a physical store to see a product but buy the product online which 68.8% answered with yes. However, 83.5% said they have browsed for a product in an online shop and then decided to purchase them in a physical shop afterwards. This shows that there are a lot of opportunities to combine the positive features of online stores with physical stores to get the best experience for the customers and the most effective business model for the businesses.

The decision to look offline and buy online is influenced by the easy price comparison you have online as one can compare prices from different websites and find discounts easily. 78.2% stated that this influences their decision. Moreover, the lack of availability in physical stores leads 51.3% of people to buy the product online. For 12.8% it is more convenient to shop online as it can be done from the comfort of their own house. In comparison to that, 50% think the uncertainty about the product quality online makes them look online and buy offline. 46.7% think the availability in local stores is better and for 43.5% the desire for immediate product possession is a crucial factor. For only 28.3% are the shipping costs a factor that makes them buy the product offline. This shows the variety of factors that turn shopping into a good experience. According to Ahuja (2021, p.1ff), hybrid commerce is becoming more important nowadays as it combines these factors to create the best possible experience. The findings of the primary research highlight the need for this collaboration.

Furthermore, the survey used huge online shops like Asos, Shein or Zalando which have a major influence on the conditions in the online market, to explore the theory whether these giant online shops have a chance in retail. 62.4% voted that they would visit these physical shops if there would be the possibility. The study looked at the reasons why people would visit a physical store or why not. Remarkable is that 24.7% answered that they have no interest in these kinds of shops or would never support online giants due to various reasons such as that they are not sustainable. 14.7% prefer physical shops over online shops which is why they would like to shop in their favorite shops offline. Reasons for that are among others that it is more sustainable, or one get the product immediately. In addition, 11.9% like the brands and their products for instance because of their good and broad availability. Of significance is especially that customers want to try the clothes on and see the products live, as they want to test the products, feel the materials, and check the quality. These answers show us that most people would try the physical shop of the companies mentioned. Literature shows that there are already many examples of brands that implemented specific elements to realize a better customer experience such as Adidas or FARETECH (Harba, 2019, p.5-15).

Overall, both the primary research and the existing literature emphasize the need for collaboration between online and physical stores and the importance of addressing consumer preferences and concerns to improve the overall shopping experience.

4.4 Research Hypothesis

According to the findings of the questionnaire, the hypothesis that the rise of online shopping significantly threatens the existence and competitiveness of traditional retail stores, as evidenced by shifts in consumer behavior, sales trends, and market dynamics is only partially met. Even though it was found that online shops are leading today due to external factors, physical shops are still favored by most participants of the study. Clearly, the circumstances of the market are changing due to factors such as Covid19, which has accelerated, for instance digitalization. Still, the findings of the survey show that, 81.7% of participants think that retail stores have a future in today´s society. However, the majority, with 85.3%, recommend retail shops, which are only presented offline, to expand their business to online channels. That matches the literature as it is forecasted that online shopping will increase (Statista, 2023). Due to the increasing competition, it is a strategic guide for physical shops to expand online.

Overall, it can be said that there is a threat for retail stores, however retail still has relevance and appeal for many consumers.

5. Discussion and Conclusions

Retrospective, the exploration of the chosen topic has provided valuable insights into the evolving dynamics of brick-and-mortar stores, and gave answers to the research question, if the rise of online shopping poses a significant threat to traditional retail stores. The methodology clearly showed the approach for this paper and helped to get an overview of the taken steps to reach the prior set aims and objectives, as well as proving or disapproving the hypothesis. It outlaid the technique that was used to conduct the secondary research, in form of a literature review, and the primary research, in form of a survey, as well as explaining the significance and relevance of the methods.

In relation to this, the literature review clearly supported the set thesis, that online shopping significantly threatens the existence and competitiveness of traditional retail stores. The first part went into the consumer behavior analysis and fulfilled our first and second objective of analyzing current trends and investigating influencing factors. It showed that a major contributor to the shift to online shopping was the COVID-19 crisis, as it forced consumers to adapt to the extended store closures. Generally, the development of connected devices and brand-specific apps has facilitated the access to online shopping, influencing consumer behavior and the operational strategies of retail stores. And even with the pandemic coming to an end, consumers still appreciate the convenience of ordering from home, making the trend a reality, as more businesses started to invest majorly in their online platforms. In addition, the significant decline in the growth of traditional shopping malls, as well as the predicted substantial growth of e-commerce, support the set hypothesis. Other pro-thesis findings are that, even though there is still a preference to shop offline, more and more people, especially the younger generations and young families, are turning to online shopping. Furthermore, the analysis of customer behavior has shown, that the most shopped categories online are clothes, shoes, accessories, cosmetics, sports goods, children's toys, and childcare product.

The second part of the literature review, aimed for the third objective, explored opportunities and integration of online platforms, and gave recommendations on what businesses can do to be innovative and become more attractive. The literature showed that, to enhance the experiential aspects of retail stores, businesses should embrace innovation and implement more personalization. Furthermore, brick-and-mortar stores should invest in customer data analytics, and focus on more personalized services, which can involve integrating AR, AI, and VR into the experience, or hybrid commerce, which smoothly combines online and offline buying (click-and-collect, in-store pickup, and returns). Additionally, building emotional connections with customers can be achieved through authentic, immersive experiences like events or open spaces for communication between customers. And, by blending physical elements with cutting-edge digital technologies like apps, stores can achieve a seamless transition between online and offline space. Another strategy retail shops could pursue is to optimize their store design and layout to create a welcoming and customer-targeted environment, incorporating factors like lighting, music, scent, and visual merchandising, making them stand out from their competitors. Moreover, by embracing sustainable practices, retailers can attract and retain environmentally conscious customers, enhancing their brand reputation and competitiveness in the market. Among all these recommendations' examples like Nike FARFETCH and Tiffany, highlight innovative ways to enhance the in-store experience by creating immersive environments and personalized services. However, new strategies come along with challenges. Businesses implementing these or other strategies need to mind data protection, where technology is implemented, as well as costs and continuous adaptations.

Contrary to the performed literature review, the survey results do not prove but also do not disprove the set hypothesis. However, the first two objectives were still achieved. The 109 survey results show that even with the presence of online shopping, some individuals still prefer to shop in-store based on the negative effects, shipping costs, desire for immediate procession of products, that come with ordering online. The findings additionally shed light on the factors that influence consumer preferences and make them vary between in-store and online experiences, emphasizing the need for a hybrid commerce approach. This also supports the recommendations again for physical stores to expand into online channels to stay relevant in a changing market influenced by digitalization and increasing online competition.

To conclude, the hypothesis was partially proven, and all objectives were fulfilled. This paper gives businesses useful insights into the current consumer behavior and gives a forecast for future trends. In addition, recommendations were delivered that can be implemented into their strategy and help them to stay relevant in the age of digitalization. However, with the given time and limitations, an in-depth analysis was not possible, and the study was invited to be added to.

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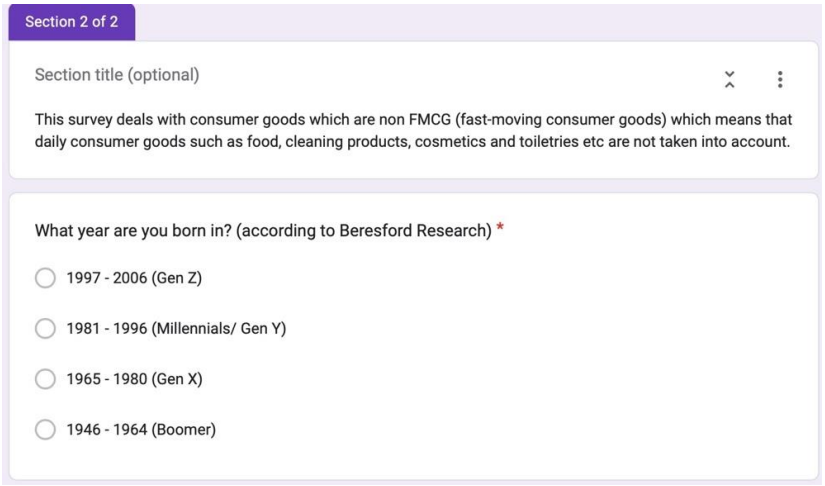
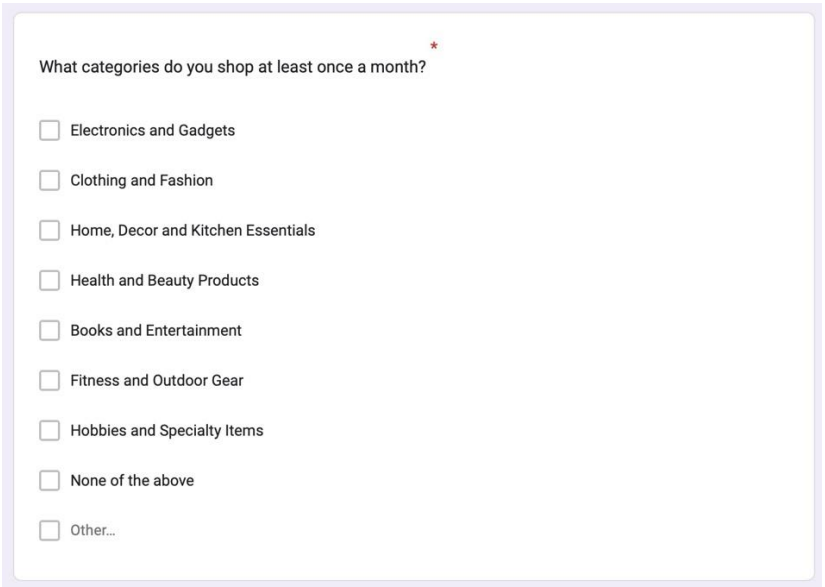
7. Appendix

Appendix 1: Editing of Questionnaires

Incorrectly answered questions and answers were not included and removed from the coding and tabulation. For example, there are open questions such as question 13 (´if yes, what influenced this decision?´) which should only be answered if the previous question was answered with ´yes´. However, some participants gave no as an answer which is removed from the coding. Additionally, open questions have been counted and summarized in order to display the results in the coding and tabulation. This process was carried out to ensure that complete, accurate, and secure data was collected that could be used for further processing in the research. The raw data is included in the charts and graphs in Appendix 3, as well as in the Google spreadsheet in Appendix 4.

Appendix 2: Questionnaire template





Where do you prefer to shop more frequently? *

- ○ physical retail shops
- ○ online shops

How often do you shop online? *

- ○ more than once a week
- ○ once a week
- ○ every two weeks
- ○ once a month
- ○ every three months
- ○ every six months
- ○ once a year or less

How often do you shop offline? *

- ○ more than once a week
- ○ once a week
- ○ every two weeks
- ○ once a month
- ○ every three months
- ○ every six months
- ○ once a year or less

What factors influence your decision to choose a physical retail store over an online shop? (Select all that apply) *

- ☐ price
- ☐ accessibility
- ☐ comfort
- ☐ product variety
- ☐ customer advisory service
- ☐ immediate product availability
- ☐ reviews
- ☐ external costs (shipping, parking costs...)

What factors influence your decision to choose an online shop over a physical retail store? (Select all that apply) *

- [ ] price
- [ ] accessibility
- [ ] comfort
- [ ] product variety
- [ ] customer advisory service
- [ ] immediate product availability
- [ ] online reviews
- [ ] external costs (shipping, parking costs...)

What of the above do you find most important in general? (e.g. price, accessibility) *

Long-answer text

What aspects of the in-store shopping experience do you find most important? *

- [ ] cleanliness
- [ ] customer service
- [ ] product display
- [ ] easy accessibility
- [ ] in-store promotions/offers
- [ ] Other...

What factors contribute to a positive online shopping experience for you? *

- [ ] user-friendly website
- [ ] product reviews and ratings
- [ ] secure payment options
- [ ] fast shipping
- [ ] return policy
- [ ] Other...

Have you ever visited a physical store to see a product but ultimately made the purchase online? *

- ◯ yes
- ◯ no

If yes, what influenced this decision?

- ☐ price comparison
- ☐ lack of availability in-store
- ☐ online reviews
- ☐ convenience of online shopping
- ☐ Other...

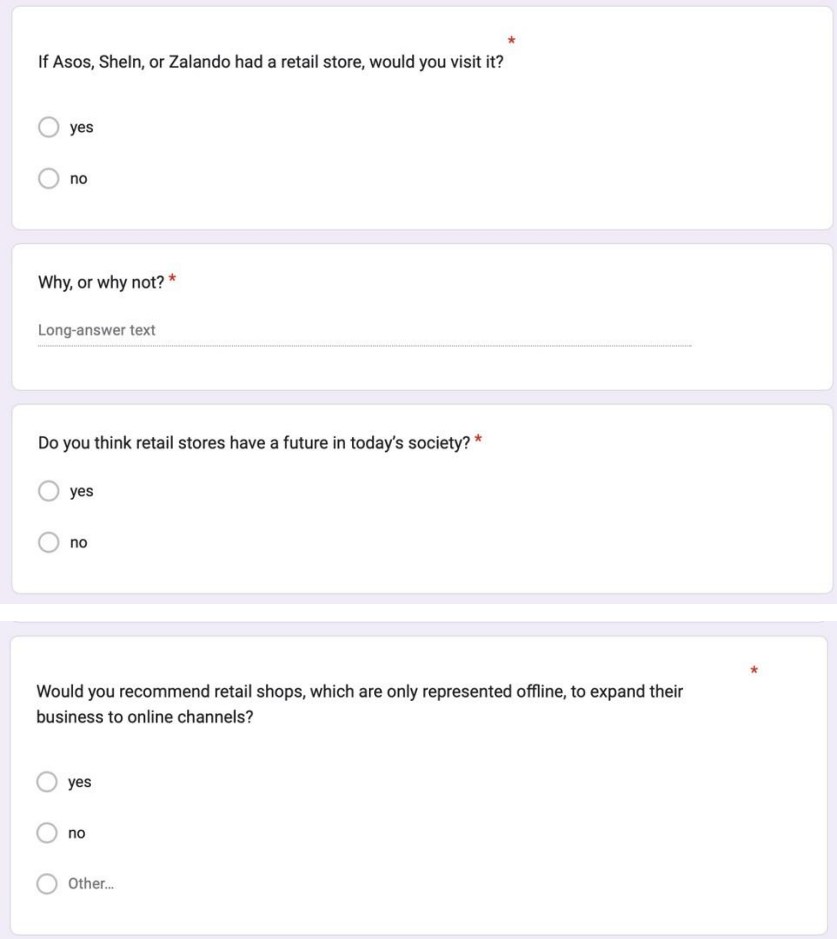
Have you ever browsed products in an online shop but decided to purchase them in a physical store afterwards? *

- ◯ yes
- ◯ no

If yes, what influenced that decision?

- ☐ desire for immediate product possession
- ☐ shipping costs
- ☐ uncertainty about product quality
- ☐ availability in local stores
- ☐ Other...

X



Appendix 3: Coding and tabulation of surveys

1.What year are you born in? (According to Beresford research)

Answers	**Amount**	**Code**
1997 – 2006 (Gen Z)	57	a
1981 – 1996 (Millennials/ Gen Y)	13	b
1965 – 1980 (Gen X)	32	c
1946 – 1964 (Boomer)	6	d

2.What categories do you shop at least once a month?

Answers	**Amount**	**Code**
Electronics and Gadgets	17	a
Clothing and Fashion	65	b
Home, Decor and Kitchen Essentials	25	c

Health and Beauty Products	47	d
Books and Entertainment	30	e
Fitness and Outdoor Gear	7	f
Hobbies and Specialty Items	24	g
None of the above	11	h
Others: Food	1	i

3.Where do you prefer to shop more frequently?

Answers	**Amount**	**Code**
Physical retail shops	63	a
Online shops	46	b

How often do you shop online?

Answers	**Amount**	**Code**
More than once a week	4	a
Once a week	12	b
Every two weeks	20	c
Once a month	38	d
Every three months	23	e
Every six months	6	f
Once a year or less	6	g

How often do you shop offline?

Answers	**Amount**	**Code**
More than once a week	10	a
Once a week	13	b
Every two weeks	19	c
Once a month	42	d
Every three months	16	e
Every six months	7	f
Once a year or less	2	g

What factors influence your decision to choose a physical retail store over an online shop? (Select all that apply)

Answers	**Amount**	**Code**
Price	27	a
Accessibility	46	b
Comfort	31	c
Product variety	33	d
Customer advisory service	40	e
Immediate product availability	66	f
Reviews	15	g
External costs (shipping, parking costs…)	29	h

What factors influence your decision to choose an online shop over a physical retail store? (Select all that apply)

Answers	**Amount**	**Code**
Price	67	a
Accessibility	33	b
Comfort	52	c
Product variety	61	d
Customer advisory service	6	e
Immediate product availability	16	f
Online reviews	43	g
External costs (shipping, parking costs…)	11	h

What of the above do you find most important in general? (e.g. price, accessibility)

Answers	**Amount**	**Code**
Price	21	a
Accessibility	17	b
Comfort	10	c

Product variety	11	d
Customer advisory service	9	e
Immediate product availability	10	f
Online reviews	6	g
External costs (shipping, parking costs…)	2	h
Live interaction & experience with the product	3	i
Online interaction & experience with the product, service	3	j

What aspects of the in-store shopping experience do you find most important?

Answer	**Amount**	**Code**
Cleanliness	37	a
Customer service	61	b
Product display	50	c
Easy accessibility	48	d
In-store promotions/ offers	42	e
Experience	3	f
Quality	3	g
Try-on	2	h

What factors contribute to a positive online shopping experience for you?

Answers	**Amount**	**Code**
User-friendly website	78	a
Product reviews and ratings	57	b
Secure payment options	71	c
Fast shipping	57	d
Return policy	69	e
Low shipping costs	1	f

Have you ever visited a physical store to see a product but ultimately made the purchase online?

Answers	**Amount**	**Codes**
Yes	75	a
No	34	b

If yes, what influenced this decision?

Answers	**Amount**	**Code**
Price comparison	62	a
Lack of availability in-store	40	b
Online reviews	7	c
Convenience of online shopping	10	d

Have you ever browsed products in an online shop but decided to purchase them in a physical store afterwards?

Answers	**Amount**	**Code**
Yes	91	a
No	18	b

If yes, what influenced this decision?

Answers	**Amount**	**Code**
Desire for immediate product possession	40	a
Shipping costs	28	b
Uncertainty about product quality	46	c
Availability in local stores	43	d
Fitting	5	e
Customer service, experience	2	f
Supporting local businesses	1	g

If Asos, Shein, or Zalando had a retail store, would you visit it?

Answers	**Amount**	**Code**
Yes	68	a
No	41	b

Why, or why not?

Answers	**Amount**	**Code**
No interest in these shops/ Not wanting to support these shops due to various reasons e.g. sustainability	27	a
Preferring physical shops because its more sustainable, easier, getting product immediately	16	b
Liking the brands & products, good availability	13	c
Not thinking it would work/ there would be options, busy, messy	7	d
Preferring online shopping because it's easier, more comfort, more accessibility	5	e
Would try it out (under circumstances)	12	f
Try-on, quality, touching, testing	19	g

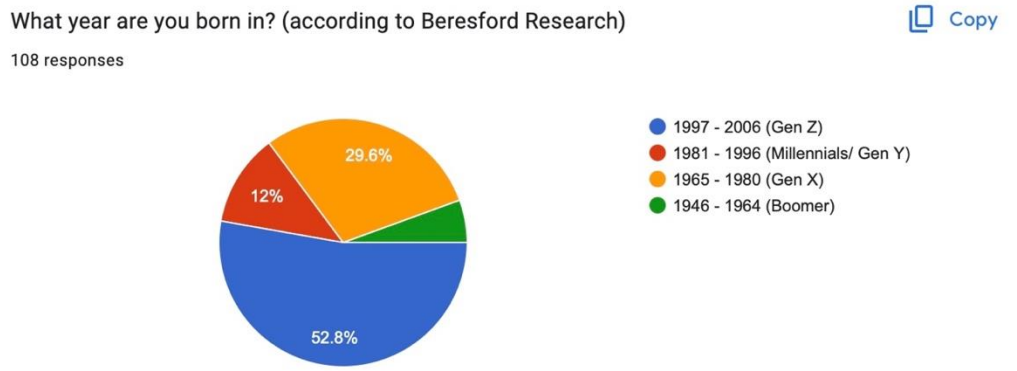
Do you think retail stores have a future in today's society?

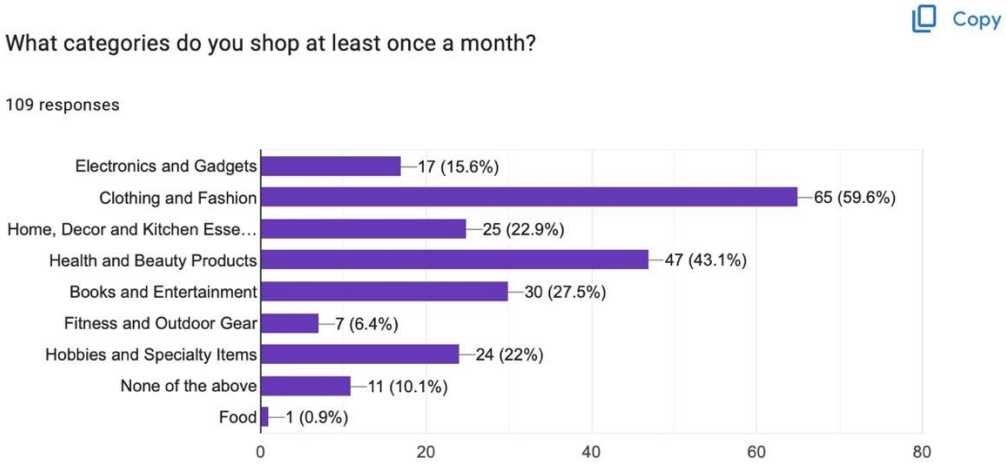
Answers	**Amount**	**Code**
Yes	89	a
No	20	b

Would you recommend retail shops, which are only represented offline, to expand their business to online channels?

Answers	Amount	Code
Yes	93	a
No	15	b
I do not know	1	c

Appendix 4: Charts and graphs from questionnaire findings.





Where do you prefer to shop more frequently?

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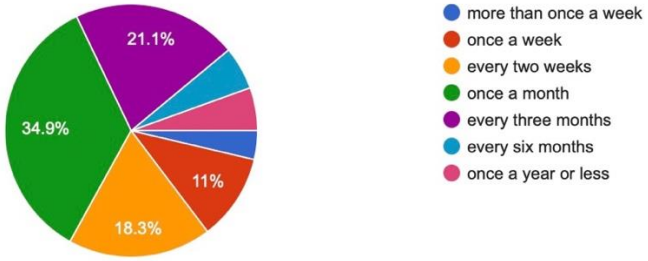
109 responses

How often do you shop online?

Copy

109 responses



How often do you shop offline?

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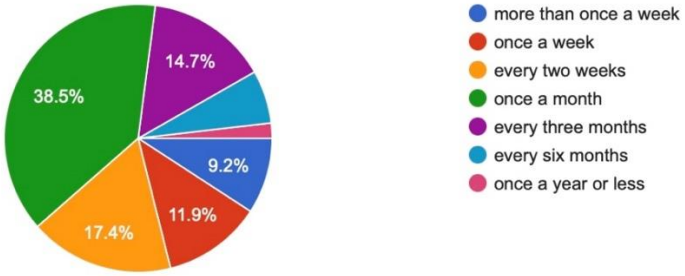
109 responses



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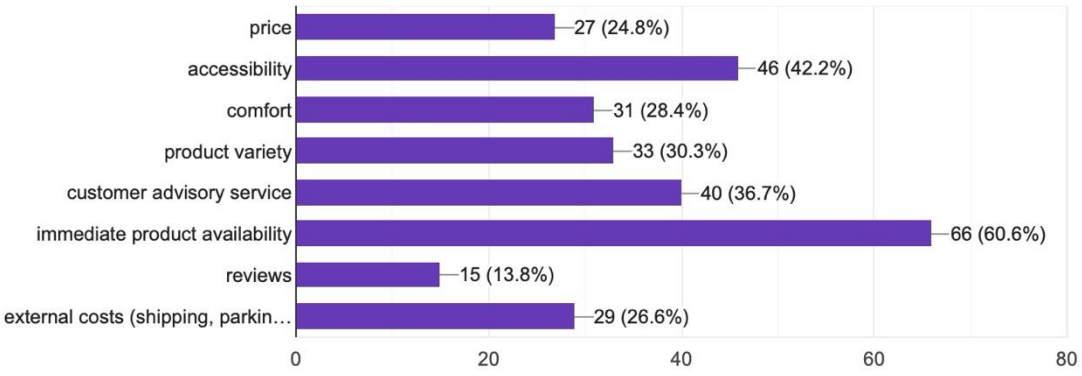
What factors influence your decision to choose a physical retail store over an online shop? (Select all that apply)

109 responses



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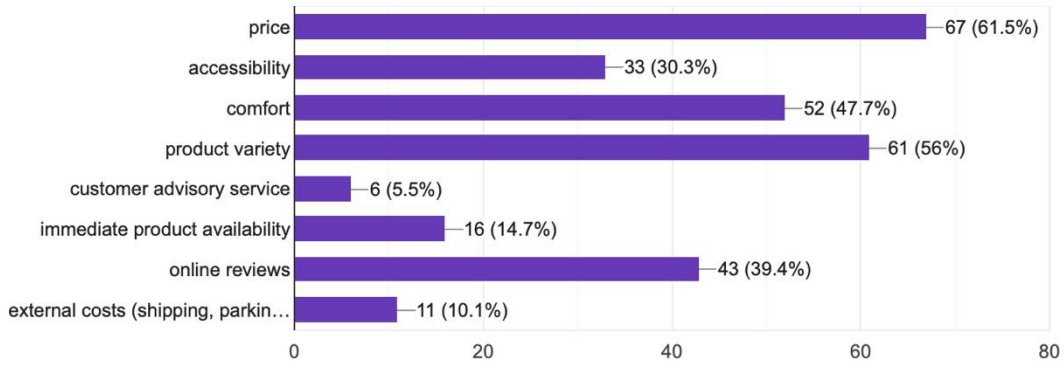
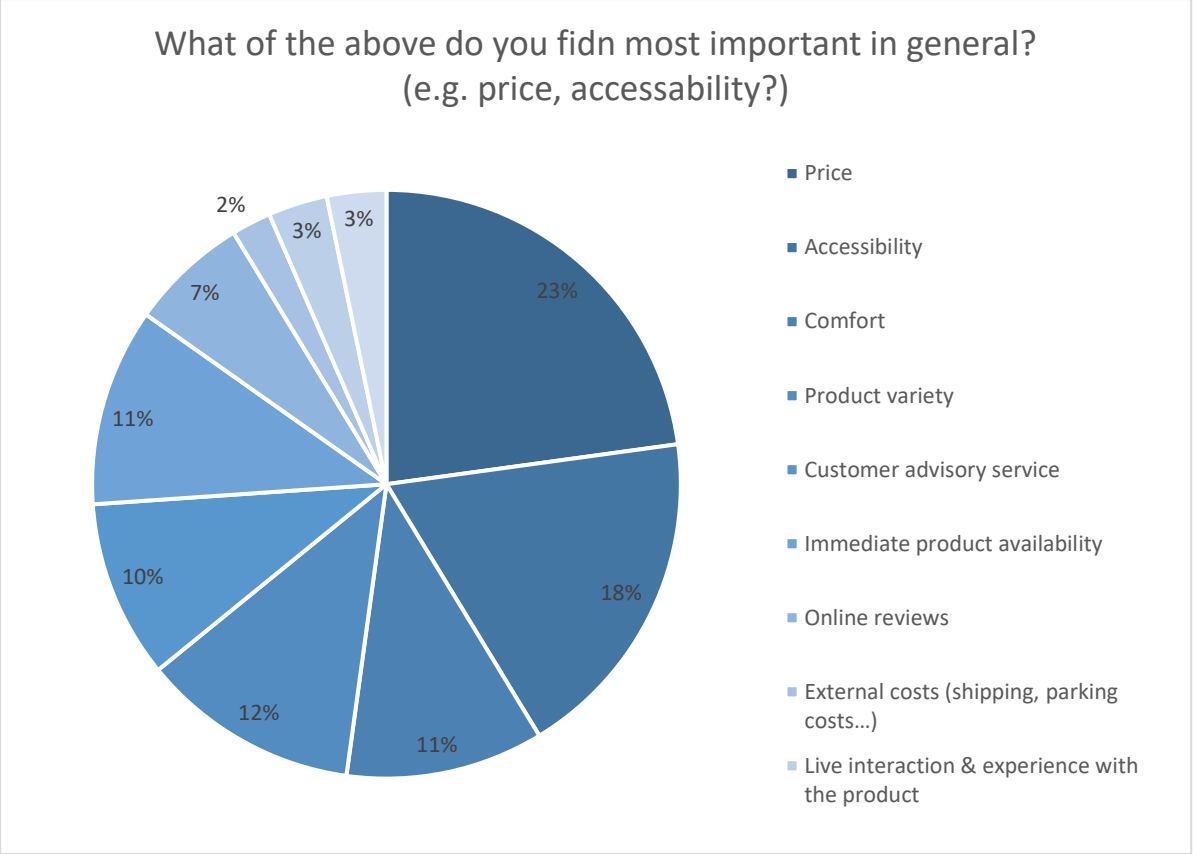
What factors influence your decision to choose an online shop over a physical retail store? (Select all that apply)

109 responses





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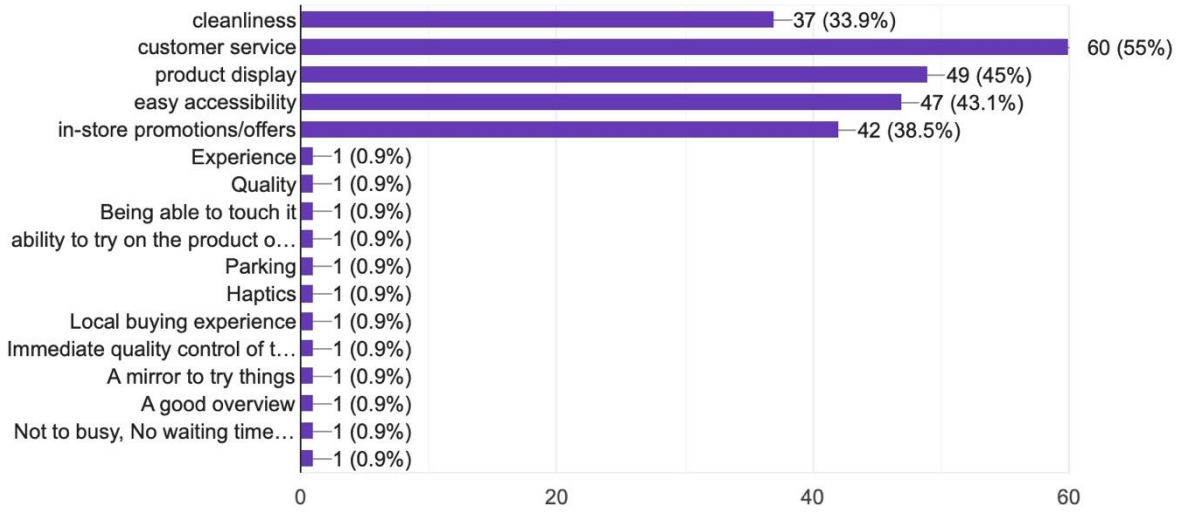
What aspects of the in-store shopping experience do you find most important?

109 responses



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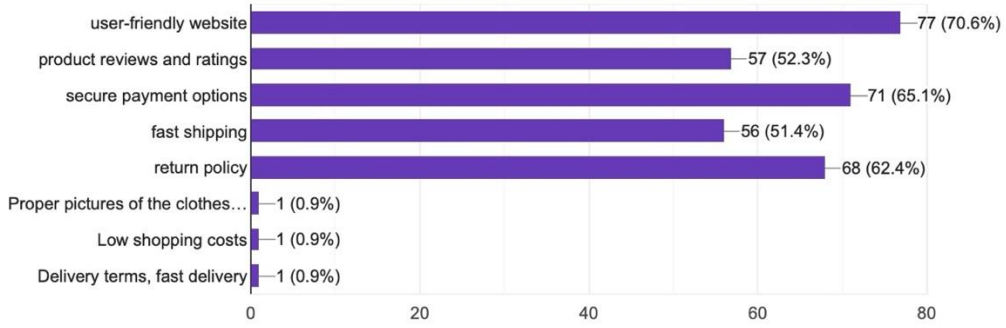
What factors contribute to a positive online shopping experience for you?

109 responses



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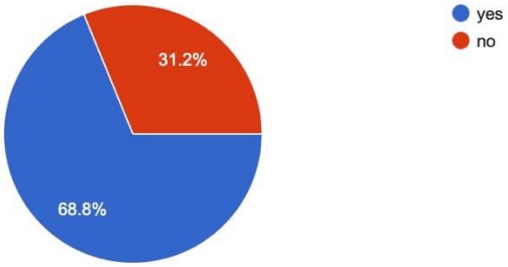
Have you ever visited a physical store to see a product but ultimately made the purchase online?

109 responses



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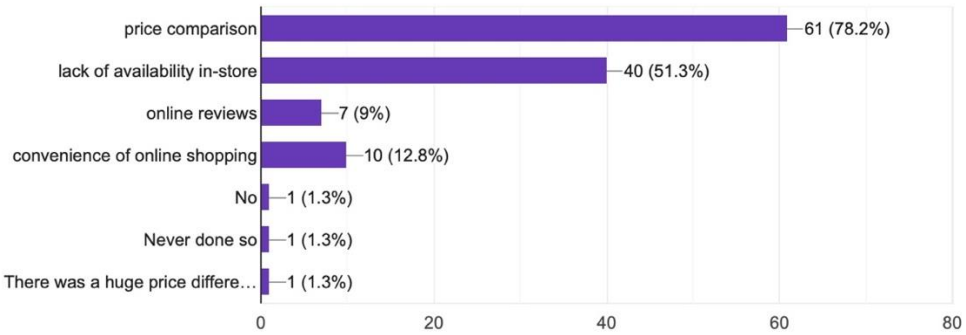
If yes, what influenced this decision?

78 responses



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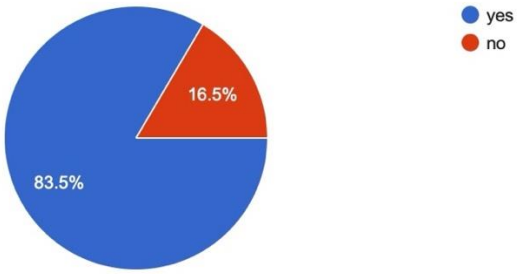
Have you ever browsed products in an online shop but decided to purchase them in a physical store afterwards?

109 responses



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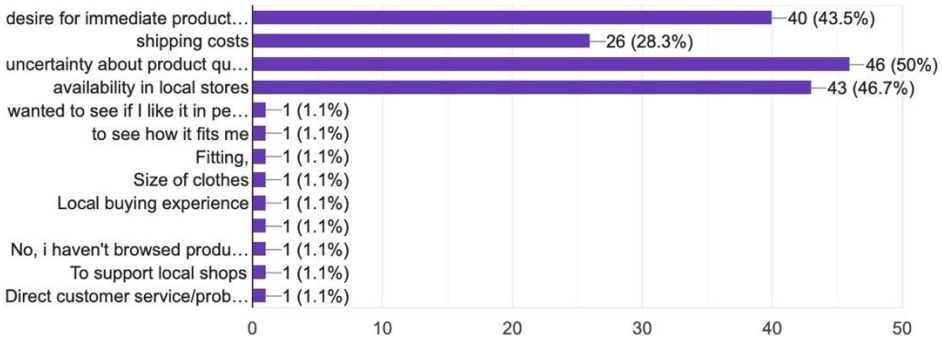
If yes, what influenced that decision?

92 responses



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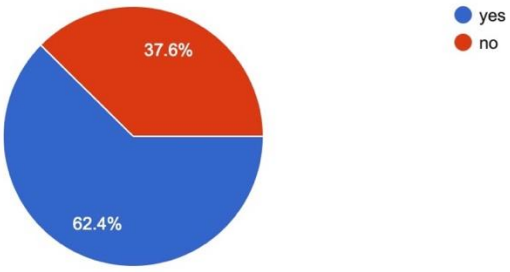
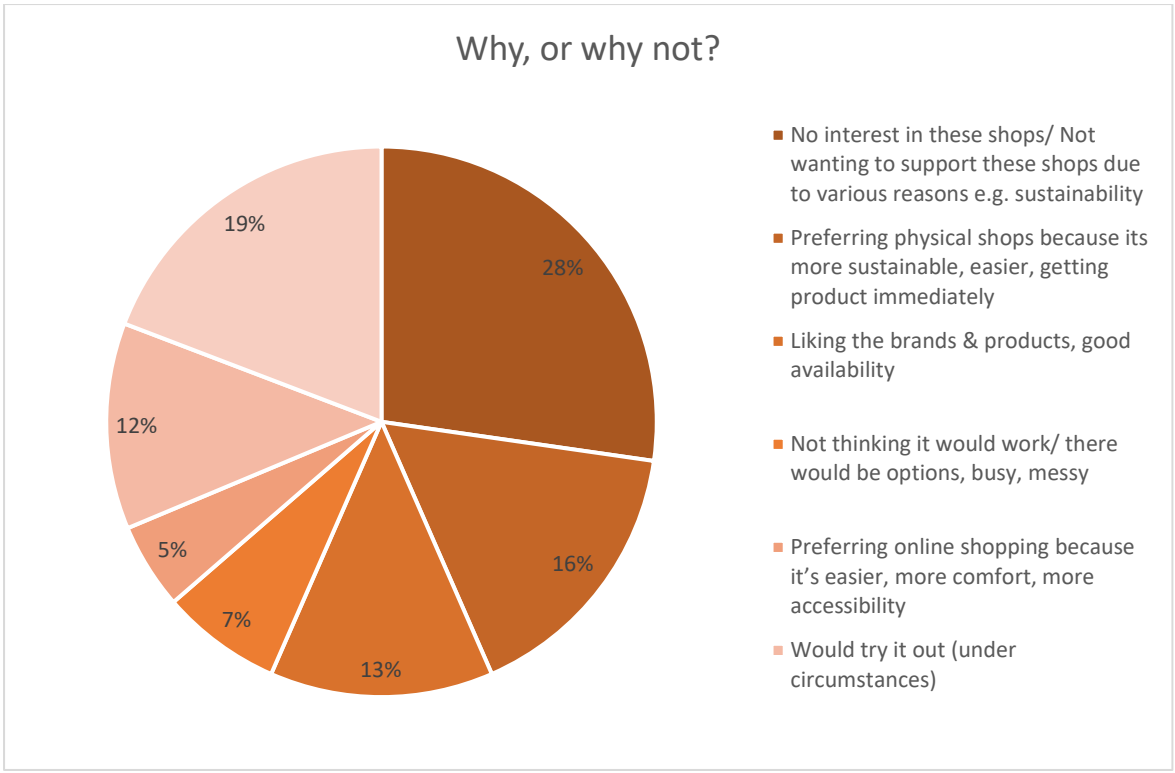
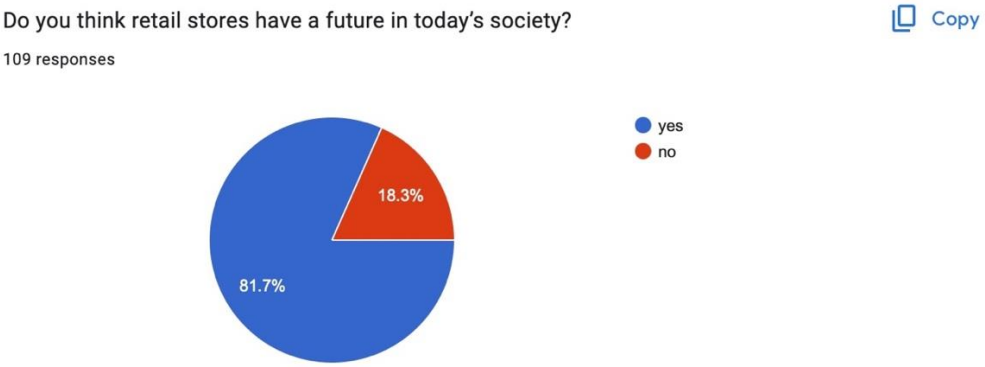
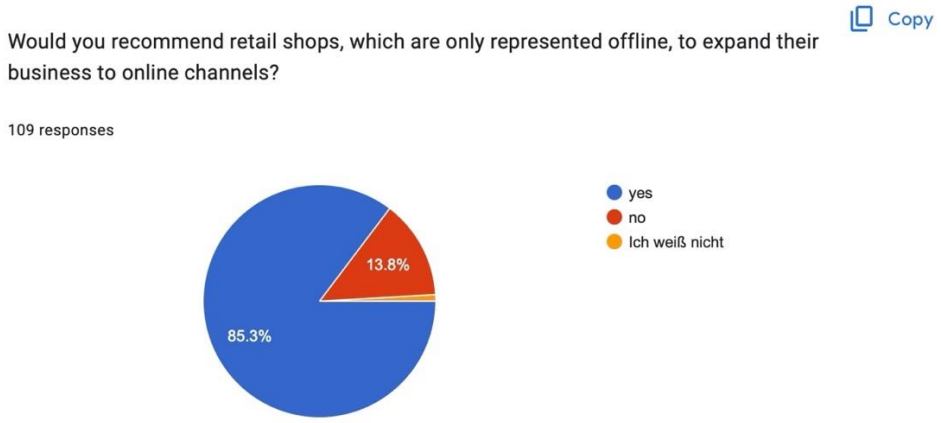
If Asos, Sheln, or Zalando had a retail store, would you visit it?

109 responses




Why, or why not?
28%
16%
13%
7%
5%
12%
19%
No interest in these shops/ Not wanting to support these shops due to various reasons e.g. sustainability
Preferring physical shops because its more sustainable, easier, getting product immediately
Liking the brands & products, good availability
Not thinking it would work/ there would be options, busy, messy
Preferring online shopping because it's easier, more comfort, more accessibility
Would try it out (under circumstances)


Do you think retail stores have a future in today's society?
109 responses
Copy
yes
no
18.3%
81.7%



Appendix 4: Link to Google spreadsheet.

https://docs.google.com/spreadsheets/d/1ZvRDeS5bYOLi0hm_n_3yR94oD77wCd8rbWsq6SLnRSY/edit?usp=sharing

Appendix 5: Meeting Minutes

Date	Team Members Present	Topics
18 January 2024	Anna Lipka Foelke Johanna Wiards Romy Markgraf Viktoria Friederike Zukowski Temitope Oluwadamilare Sonde	- Division of tasks - Review of CA1
25 January 2024	Anna Lipka Foelke Johanna Wiards Romy Markgraf Viktoria Friederike Zukowski Temitope Oluwadamilare Sonde	- First meeting with supervisor to discuss project
08 February 2024	Anna Lipka Foelke Johanna Wiards Romy Markgraf Viktoria Friederike Zukowski Temitope Oluwadamilare Sonde	- Update on progress - Creating the survey

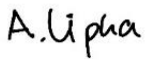
14 February 2024	Anna Lipka Foelke Johanna Wiards Romy Markgraf Viktoria Friederike Zukowski Temitope Oluwadamilare Sonde	- Sending out the survey
24 February 2024	Anna Lipka Foelke Johanna Wiards Romy Markgraf Viktoria Friederike Zukowski Temitope Oluwadamilare Sonde	- Discussion on the first completed parts (literature review)
01 March 2024	Anna Lipka Foelke Johanna Wiards Romy Markgraf Viktoria Friederike Zukowski Temitope Oluwadamilare Sonde	- Update on progress - Clarifying of question
8 March 2024	Anna Lipka Romy Markgraf	- Meeting with supervisor to discuss questions
08 March – 08 April 2024	Anna Lipka Foelke Johanna Wiards Romy Markgraf Viktoria Friederike Zukowski Temitope Oluwadamilare Sonde	- Working independently on the distributed tasks
8 April 2024	Anna Lipka Foelke Johanna Wiards Romy Markgraf Viktoria Friederike Zukowski Temitope Oluwadamilare Sonde	- Discussing last questions
14 April 2024	Anna Lipka Foelke Johanna Wiards Romy Markgraf Viktoria Friederike Zukowski	- Final proofreading

15 April 2024	Anna Lipka Foelke Johanna Wiards Romy Markgraf Viktoria Friederike Zukowski Temitope Oluwadamilare Sonde	- Recording the presentation - Uploading assignment

Appendix 6: Statutory Declaration

We herewith declare that we have completed the present report independently, without making use of anything other than the specified literature and aids. All parts that were taken from published and non-published texts either verbally or in substance are clearly marked as such.

Anna Lipka



Foelke Johanna Wiards

Romy Markgraf

Temitope Oluwadamilare Sonde

Viktoria Friederike Zukowski