

WholeFoods Magazine
Tip of the Month
June 2022

SHOPPERS SHIFT BACK TO BRICK & MORTAR.

By Jay Jacobowitz

When the pandemic struck two years ago, consumers went online and away from risky in-store shopping as lockdowns, social distancing, and work-from-home trends took effect. Easy, but above all safe, online commerce looked set to displace brick-and-mortar shopping forever. But it turns out, maybe not.

The U.S. Census Bureau reports that by the fourth quarter 2021, online retail sales had retreated to their pre-pandemic market share of 12.9%, down from 15.7% in the second quarter of 2020, when lockdowns first flared. According to Mastercard Spending Pulse, for the first time during the pandemic this past March, e-commerce sales declined compared to year-ago 2021 while in-store sales rose. Online sales in March declined 3.3%; the first year-over-year decline since 2013, while in-store sales grew 11.2%.

What's up?

First, people, along with government, are reassessing risk. The newest variant over the winter, while easily spread, didn't increase hospitalizations, which are at pandemic lows. On Tuesday, April 19, in answer to a reporter's question, President Joe Biden, mirroring newly relaxed guidelines from the U.S. Centers for Disease Control, said wearing a mask should be a personal choice, and "should be up to them."

Because the pandemic was always going to recede and become *endemic* like the seasonal flu, perhaps the more important signal is recognizing our human spirits have been suppressed by only buying stuff off a digital screen. When spending our money we want to feel something beyond completing a task: the joy of seeing, touching, and breathing in the things we buy—before we buy them.

In his recent remarks to the Wall Street Journal, Bernstein Research analyst Mark Shmulik summed it up nicely: "We've got over 100 years as a society of going into a store to buy something. That muscle memory doesn't just switch off because you were forced to buy things online a couple of times during a pandemic."

Shopper foot traffic to malls and to stand-alone brick-and-mortar stores is rebounding while digital stores offering clothing, home goods and—most relevant to the natural products industry—groceries, have tailed off, shifting growth momentum back towards in-person shopping.

And while buying groceries online was a safe temporary substitute for in-store shopping, trusting a third-party "order picker," no matter how well trained, would always be a leap of faith; one that could not replace hands-on, eyes-on the exact fruit, vegetable, candle or makeup we choose for ourselves.

And then there's discovery. Even though online algorithms may suggest related products, or remind us of previous purchases, these functions do not replace serendipity; finding unlooked-for items while casually wandering the aisles. And what about bumping into friends and having that two-minute catch-up chat that will *never* happen online? These unplanned happy events are an irreplaceable thread in the daily fabric of 21st Century American life we won't easily give up.

Keep in mind, operating online is *expensive*. Advertising, attracting and keeping customers, fulfilling and delivering orders, and handling massive returns, have made affordable the relative value of having a brick-and-mortar presence, with many pure-play online retailers opening real-world stores. Amazon is wedded to brick-and-mortar grocery, with Whole Foods Markets and Amazon Fresh stores. The company just raised the price of a Prime subscription to \$139 from \$119 to help offset these higher online costs.

If you've got the stomach for the battle, you can keep eating your piece of the brick-and-mortar pie. **JJ**