PARAGON
15+ Years of Retail Excellence

A CONCISE CASE FOR RETAIL

NOVEMBER 2025

Why Physical Stores Matter More Than Ever

A concise outlook on the state of retail.

Large block letters on the front cover of a May 2017 real estate magazine simply read “RETAIL IS F*CKED”. Now, in 2025, that trajectory has reversed course. Retail fundamentals are strong and the case for physical retail investment has arguably never been stronger. The reason for this seismic shift, however, is not intuitive. The entire justification for the existence of the physical retail store has changed. Physical stores no longer exist solely to generate sales; they have evolved into critical brand ambassadors and convenience hubs for both retailers and consumers.

Research from a Chatmeter survey that analyzed 500,000 customer reviews and current shopping behaviors proclaimed 9 out of 10 consumers indicated, “Online shopping can’t compare to the in-store experience.”

While everyone’s been writing retail’s obituary, here’s what actually matters (and the data tells a different story than the headlines):

- 75%+ of retail sales still happen offline in 2025
- 60% of shoppers visit stores because they genuinely enjoy the experience
- 50%+ need to try before they buy—especially in apparel and beauty
- Inventory availability drives more store visits than any other factor

But here’s the kicker: It’s not about the tech.

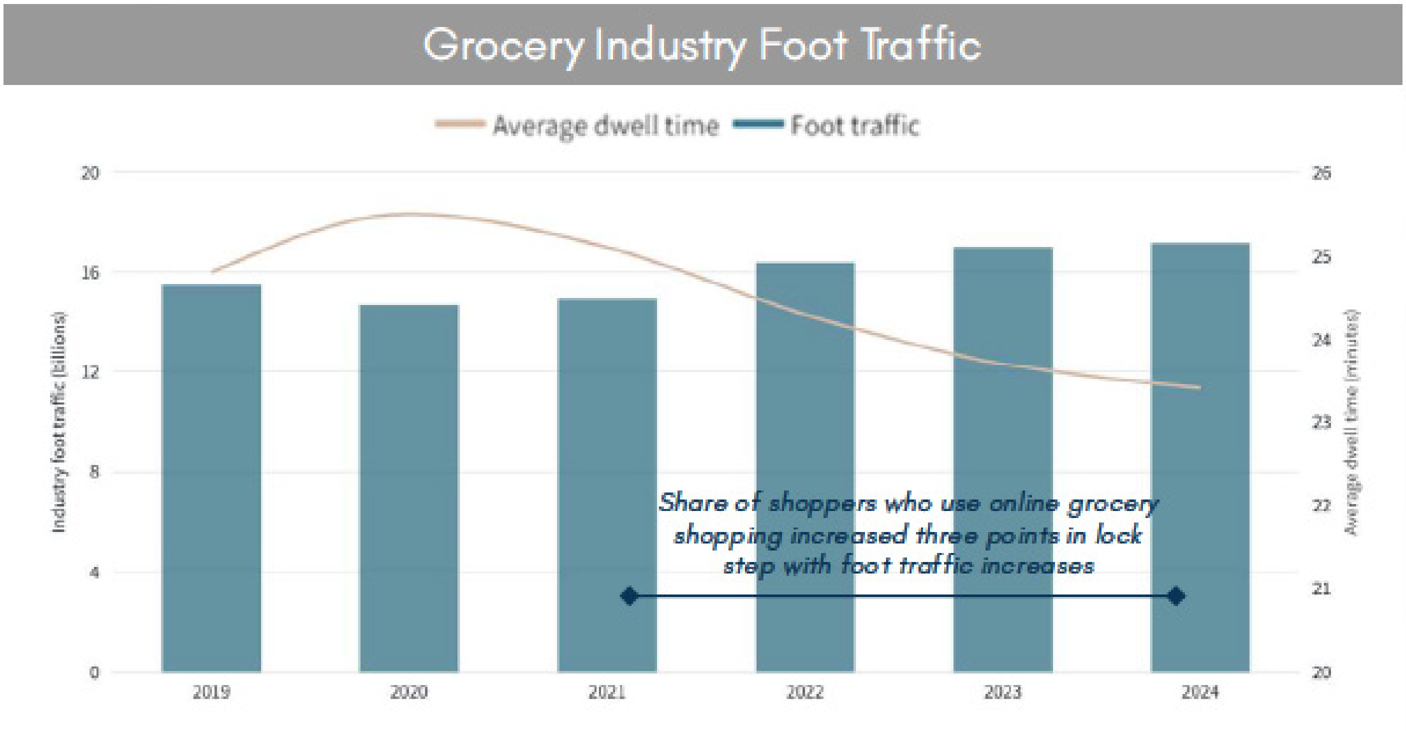
After reviewing half a million customer comments, researchers found that 90% focused on fundamentals—checkout speed, product availability, and knowledgeable staff. Not AR mirrors. Not smart fitting rooms. The basics.

Long lines lose customers. Empty shelves lose customers. Disengaged staff lose customers. No app can fix these problems.

Since the advent of the department store in the late 18th century, the fundamental thesis for investment in physical retail was that stores will always be the intersection of commerce for buyers and sellers. This thesis began to change in the 1990s with the growth of the internet and then was exacerbated during the 2020 covid pandemic with the explosion of e-commerce, which became the new marketplace for commerce.

Post-covid, with “necessity as the mother of invention”, retailers were forced to innovate and create reasons for consumers to return to brick-and-mortar retail stores.

75%+ of retail sales still happen offline in 2025

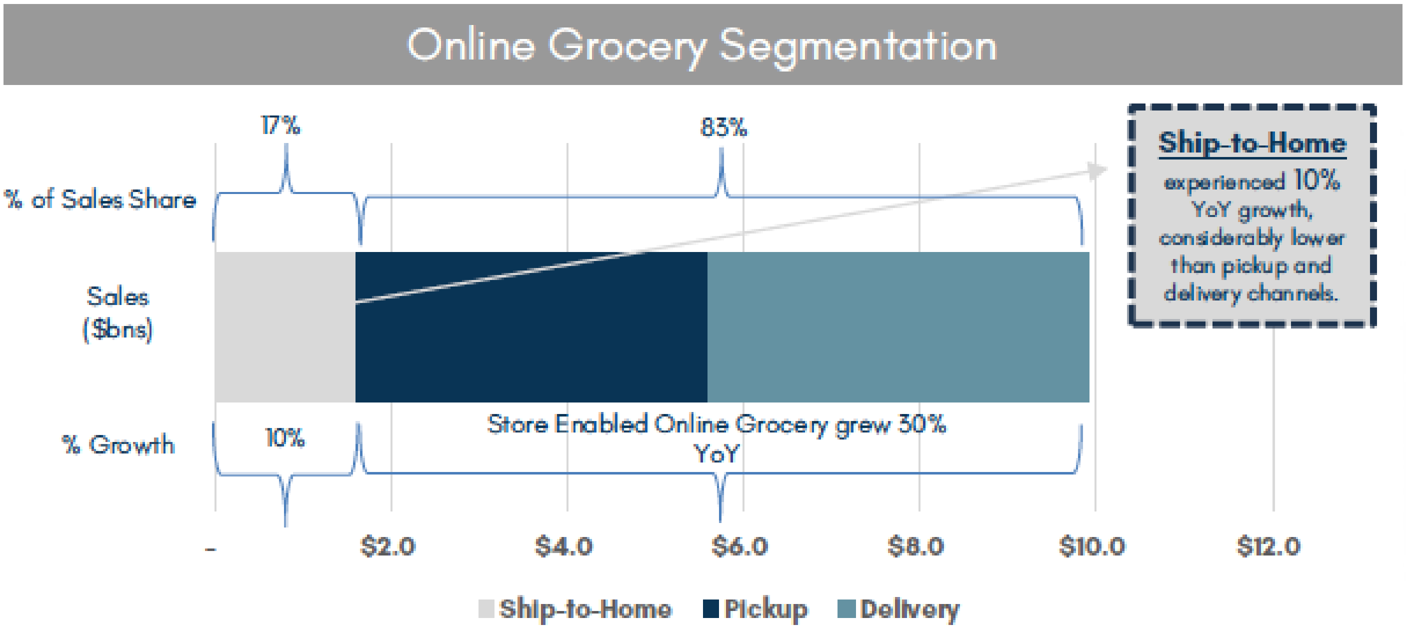


Notes: Reflects Industry foot traffic for all durations. Source: JLL Research, Placer.ai, FMI.

This article outlines methods that retailers have effectively implemented since the so-called "retail apocalypse" to bring customers back to stores; suggests a new paradigm for how the retail industry "values" investment into brick-and-mortar stores; and provides examples of why physical retail will remain a critical aspect of the retail ecosystem for the foreseeable future.

- **Brand Storytelling:** As digital retail marketing exploded over the last decade, so has the industry recognition that retailer brand stories cannot only be told online. Physical stores are critical to the manifestation of the brand story. The in-store experience – from design and layout to customer service and packaging - collectively communicate the retailer's mission, values, and story. A consumer need only walk into an REI store or a Trader Joes to understand the depth and sincerity of those brands and feel connected to their respective stories.
- **Community:** Retailers quickly realized the value of physical retail to creating community and customer loyalty. Nike Training Studios and Nike Running Studios throughout California and Texas, for example, are designed to create customer communities by physically bringing together people with common interests. Lululemon provides regularly scheduled yoga classes. Harley-Davidson rallies owners at hosted events and forums. Lego provides physical stores and engagement while encouraging customers to provide feedback and ideas online. Peloton mixes workouts with live classes, social feeds, and real-time chats blurring the lines between fitness and friendship. Sephora runs beauty insider communities where members swap advice and beauty tips. These brand communities engender customer loyalty and trust which has proven over decades to be a difficult bond to break.

60% of shoppers visit stores because they genuinely enjoy the experience



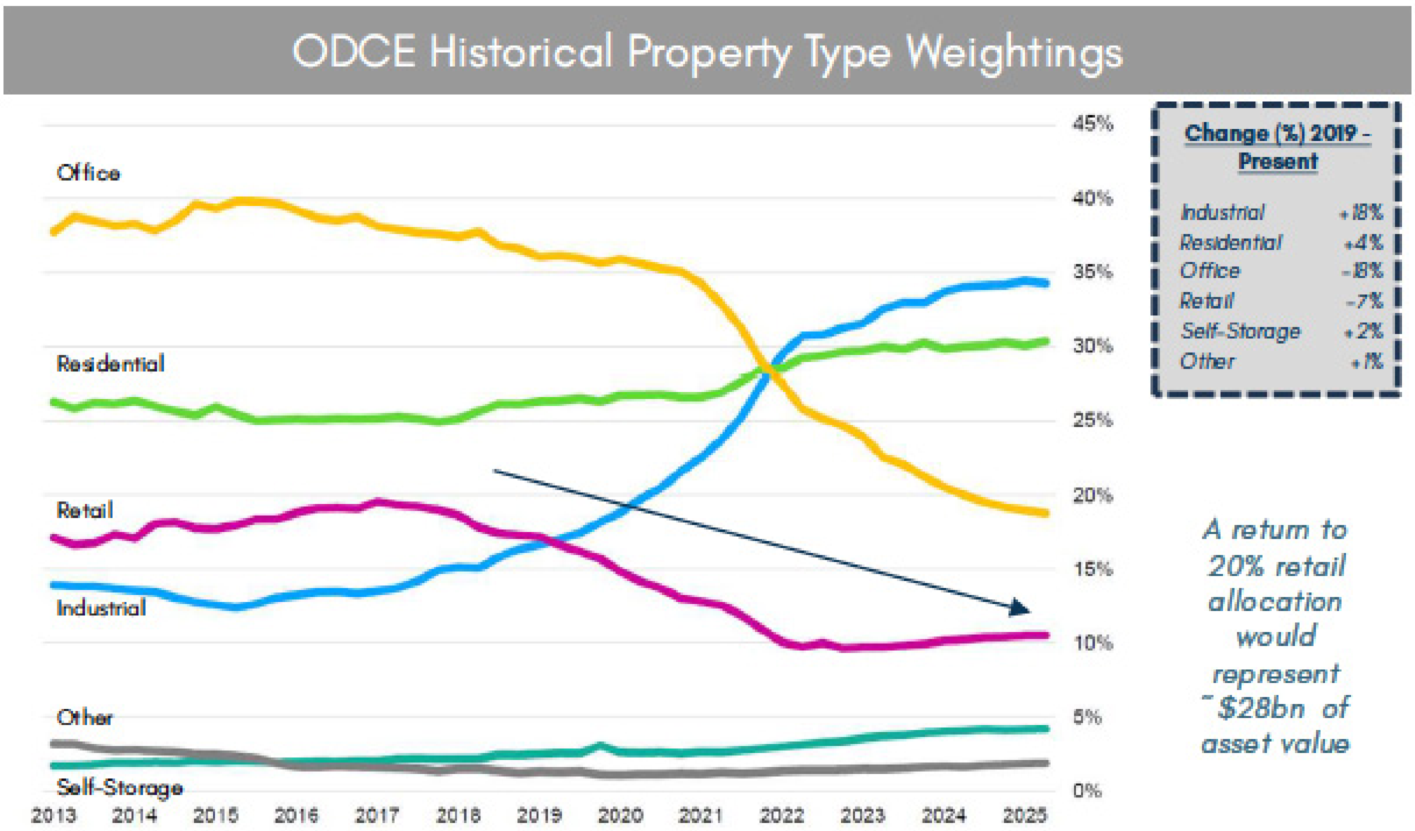
Source: CBRE, Trepp

- **Omni-Channel:** The average retail customer evaluates a material purchase multiple times – both online and instore - before completing the purchase. Noticing something on a social media platform followed by a quick check of websites typically precipitates driving to a physical store to physically engage with the product. Continual touchpoints of consumer engagement each step along that journey is now expected – and even required – by consumers prior to making a purchase.
- **Showrooming & Webrooming:** “Showrooming” is when customers check out products in-store and then purchase them online. Webrooming is the opposite. Direct-to-consumer brands such as Casper, Brooklinen, ThirdLove, Naadam, and Warby Parker have through extensive data mining found a direct correlation between the opening of physical stores and increased online sales in their surrounding “halo” market. A 2023 ICSC report found that opening a physical store can increase online sales in the local trade area by an average of 6.9% while closing a physical store can decrease online sales in that area up an average of 11.5%. Direct-to-consumer brands have experienced an even greater boost with a 13.9% increase in online sales after opening a physical store.
- **Risk-Free Product Sampling:** Physical retail stores allow for risk-free product sampling not easily available to purely e-commerce customers. Volumes of psychological studies have for decades shown the interconnectivity between product sampling, consumer behavior and retail sales. Apple stores, for example, have perfected risk-free product sampling. Consumers touch, feel, poke, drop and otherwise use products as they hold them in their hands. Tesla and Rivian invite you to sit inside their cars in retail

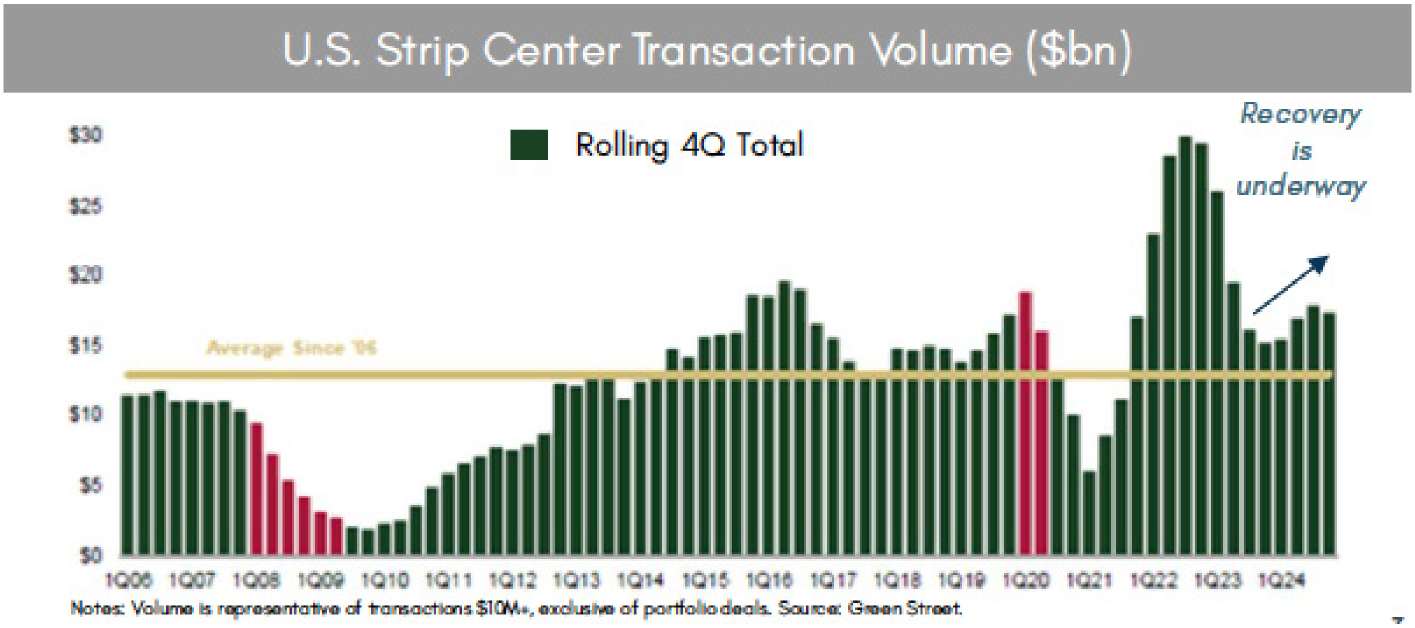
Physical stores are critical to the manifestation of the brand story.

shopping centers; running stores encourage consumers to try-out shoes on treadmills; and, of course, Costco's in-store product sampling has for decades been effective in increasing sales of a showcased product.

- **Comfortable Destinations:** Retail stores are increasingly creating inviting spaces that encourage patrons to visit and stay. Gone are the days of quick store purchase and departure. Some Santander and Capital One bank branches now have cafés. Louis Vuitton in New York City, Zara in Madrid, Printemps in Paris and New York City, and Restoration Hardware in New York City all have bars and/or restaurants that attract customers, encourage them to stay and increase dwell time generally resulting in a higher average spend per visit.
- **"Instagramable" Environments:** Countless social posts have been created from Alo Yoga's airy plant draped spaces where influencers spotlight their leggings, and Sephora's Beauty Studios where customers test makeup under perfect lighting and bold backdrops. Massive LED walls inside the Nike's House of Innovations scream for selfies which turn shoppers into walking advertisements. From the massive dinosaur made of Coach handbags to the oversized Puma sneaker or the giant Under Armor torso, each photo post drives valuable brand awareness not otherwise obtainable without a physical store.
- **Customization:** Product customization elevates a brand from merely to product to an outward expression of individual creativity. Customization is increasingly being offered by stores, from customized sneakers



Retail's former 20% share would unlock nearly $28 billion in asset value.



at Nike and Puma, to personalized construction sets at Lego, to American Girl Dolls that match a child's style and personality, to customized fragrances at Olfactory. In a world where a premium is placed on uniqueness, these brands offer individuality to their customers through their physical stores.

- **E-Commerce Fulfillment:** Last mile e-commerce delivery and returns are famously expensive for most brands. While costs have come down over the last decade, the last mile delivery costs continue to be over 50% of every delivery dollar spent by a retailer. In response, retailers like Zara, Walmart and Whole Foods have dedicated space within their physical footprints to both e-commerce fulfillment and on-line returns. Walmart's 4,700 stores are located within 10 miles of 90% of the U.S. population allowing their brick-and-mortar locations to be utilized as e-commerce fulfillment and return points significantly lowering distribution costs as well as enhancing loyalty due to convenience.

The surrounding physical retail has undergone a profound transformation. What was once considered a dying model has reemerged as a dynamic and indispensable component of the modern retail ecosystem. Far from being obsolete, brick-and-mortar stores now serve as immersive brand experiences, community anchors, logistical hubs, and catalysts for digital engagement. Retailers who have embraced this evolution—by investing in storytelling, personalization, omni-channel strategies, and experiential design—have not only revived foot traffic but also strengthened customer loyalty and boosted online sales. As the lines between physical and digital commerce continue to blur, the physical store stands not as a relic of the past, but as a reinvention of retail's future.

SO CONTRARY TO HEADLINES, PHYSICAL RETAIL ISN'T DYING—MEDIOCRE PHYSICAL RETAIL IS DYING.
The stores winning right now understand something crucial: brick-and-mortar isn't just a distribution channel. It's where discovery happens, loyalty is built, and products become experiences.

The winners aren't choosing between digital and physical. They're making physical undeniably better by obsessing over what has always mattered: having what customers want, when they want it, with people who actually know their stuff.

The future of retail isn't either/or. It's getting the fundamentals right first, then adding the innovation.

PARAGON COMMERCIAL GROUP

A Concise Case for Retail

www.paragoncommercialgroup.com