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ICSC: Store openings, closings greatly impact online sales

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Store openings increase a brand's e-commerce business. Closing a store has the opposite effect.



Opening a store leads to a 6.9% increase in online sales in the surrounding trade area.

Opening a store leads to a 6.9% increase in online sales in the trade area surrounding that store for the following 13-week period, according to a new report from ICSC. For emerging retailers, the number jumped to 13.9%, signaling the importance of in-store shopping for brand growth.

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The study, "The Halo Effect III: Where the Halo Shines," which analyzed 69 retailers from 2019 to 2022, found that opening a new [physical store](#) leads to a 37% average increase in overall web traffic. The positive halo effect in e-commerce sales varied by category, with department stores experiencing a 50.6% increase in online spending, followed by apparel retailers, which saw an 11.6% rise in e-commerce sales. Only cosmetics brands saw a dip in online sales (-4.6%) after they opened a brick-and-mortar location in a new market area.

ICSC's report also noted that when retailers open a new location within a designated market area, their average online basket grows. Among established retailers, the average online basket was \$94 prior to opening a store, and increased to \$104 after opening a physical location. Emerging retailers saw a similar bump, with the average online basket rising from \$111 to \$120.

Two categories saw the biggest increase in the average online basket after opening a brick-and-mortar store were big box specialty retailers and home goods. The average online basket among big box specialty retailers increased from \$85 to \$111 following the opening of a physical store. The range of spending was even greater among retailers that specialize in home goods, driving the average online basket from \$194 to \$243 following the opening of a physical store.

"ICSC's data has always shown that consumers prefer shopping in-store over other channels," said [ICSC](#) president and CEO Tom McGee. "While our earlier research on the halo effect demonstrated

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how physical stores drive web traffic and brand awareness, our latest report dives deeper by analyzing actual spend data. The findings quantify just how important brick-and-mortar is to today's omnichannel consumers and underscore what retail experts already knew: The core of the omnichannel experience is the retail store."

Store Closings

With store openings increasing online sales, store closings proved to have a negative impact on e-commerce. ICSC found that across all retailers, closing a store reduced online sales in the trade area surrounding that store by 11.5%. Emerging brands saw less of an impact, as online sales for largely DTC brands that closed a store decreased by 5.2%.

Home stores experienced a 32.2% decrease in online sales following a brick-and-mortar closure. Department stores followed with a 26.1% dip, and apparel chains took a 19.4% decrease in online sales.

For both in-store and online channels, home stores suffered a 59.3% drop in total spending, department stores experienced a 48.9% decline, and discount department stores saw a 41.6% decrease.

"Closing a store often feels like a clear-cut action," Simeon Siegel, BMO Capital Markets' senior retail analyst said in the report. "The problem with North America retail is not an oversaturation of stores, but an oversaturation of discounts. People have watched the brand value they create fade. It's not to say that you shouldn't prune stores if they are cashflow negative, but not when the recapture rate of sales on a closed

store is materially lower than it was initially hoped to be.”

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