Location Is (Still) Everything: Why The Real World Matters for E-Commerce

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Location Is (Still) Everything

The Surprising Influence of the Real World on How We Search, Shop, and Sell in the Virtual One

David R. Bell

“A must-read for anyone who runs an Internet business.”
— Brad Stone, author of The Everything Store
18,000 orders per day

1.2m sq ft

$5455m Amazon acquisition
Warby Parker

$95
PRICE POINT

world class
CUSTOMER SERVICE
1,000,000 $100m+ No. 1

Metaphor and Framework

\[ M_{AB} = \frac{D_{AB}}{1 + \sqrt{\frac{P_B}{P_A}}} \]
Aggregate Space-Time Sales Pattern
(Shaded areas: Zip codes and at least 1 customer within the cumulative time period)
Disaggregate Space-Time Sales Pattern
(Shaded areas: Zip codes and *at least 1* customer within the *cumulative* time period)
Month 1
Month 2
Month 3
Month 5
Adjacency
Crate & Barrel Experiment

**Treatment Group**
Crate & Barrel store within 50 miles

**Control Group**
No store within 50 miles
Impact of Buy Online, Pick-Up In-Store

- 7% online sales decrease
- 1% cart abandonment increase
- 6% store sales increase
- 13% store traffic increase
Resistance
Warby Parker

$95
PRICE POINT

world class
CUSTOMER SERVICE
Channel 1: Online
Channel 1: Online
Channel 2: Sampling
Channel 2: Sampling

5 DAYS 5 FRAMES 100% FREE
Channel 3: Showroom
Home Try-On
Impact of Showrooms on Sales

- Total Sales: 8.8%
- Web Sales: 3.5%
- Home Try-On Sales: 5%
Impact of Showrooms on Operational Efficiency

- Home Try-On Orders: 7.8%
- Home Try-On Repeat: 1.5%
- Web Returns: 1.2%
Topography
The Importance of Offline

Source: Euromonitor, Morgan Stanley Research; excludes travel
Implications for Offline-Online

- Information Drives Choice
- Online needs Offline
- Some products now best fulfilled online
- Mobile changes the game
Five “Game-Changers’ of Mobile
THANK YOU
How to Win in an Omnichannel World

By David R. Bell, Santiago Gallino and Antonio Moreno
SIX PRINCIPLES OF GRAVITY

**GEOGRAPHY**— Real world options shape virtual world behavior.

**RESISTANCE**— Frictions frustrate — identify and eliminate.
SIX PRINCIPLES OF GRAVITY

A DJACENCY—Seed local demand and let proximity power it.

V ICINITY—Form communities around preferences.
SIX PRINCIPLES OF GRAVITY

**I SOLATION**—Identify and invest in the isolated.

**TOPOGRAPHY**—Use each world—real and virtual—to enhance what you do in the other.

**YOU**