

THE FUTURE OF THE PHYSICAL STORE:

Empowering
change
through
experiences

EMPOWERING CHANGE

The future of the physical store goes **beyond the discussion of channel formats** but is one that considers **all aspects involved in the design and management of the business model** so as to shape and reflect the updated direction of the industry.

Changing consumer demands and **technological innovation** are two of the key factors driving most of the change across on and offline channels.

From a first revolution grounded in **outsourcing**, to a second one with the introduction of **e-commerce**, we are now witnessing a more **revolutionary change** due to impact not only businesses but **society as a whole**.

EMPOWERING CHANGE

According to the world economic forum (2017), the **empowered consumer**, **disruptive technologies** and **transformative business models** are central themes to understand this change.

With widespread access and unlimited choices available, it is crucial for retailers to understand **how to build value beyond the traditional measures of cost, choice and convenience.**

Rise of **experiences** as a **way to disrupt and empower change** in the physical store and better **connect** with the consumer of the future.

EMPOWERED
CONSUMER

DISRUPTIVE
TECHNOLOGIES

TRANSFORMATIVE
BUSINESS MODELS

"I don't think retail is dead. Mediocre retail experiences are dead."

Neil Blumenthal, Co-CEO @ Warby Parker, 2017

#EMPOWERED CONSUMER

Consumers now hold **higher levels of control** to access more **information more often and more accurately** than with conventional media (Jackson and Shaw, 2009) as well as **choice over their purchasing decisions** through various touch points (physical stores, online, mobile, social) resulting in **holistic and consistent consumer-brand interaction**.

Hyperconnectedness is the status quo and **technology** is part of our daily lives allowing consumers to make more **informed choices**, constantly questioning the consumption value gained from physical retail stores (Hoang, 2016).

This new consumer has **high value expectations** and values brands that are able to respond to their concerns and needs. They question the traditional model of retail and **demand more dynamic experiences**.

#DISRUPTIVE TECHNOLOGIES

Omni-channel - facilitated by all the technological developments as well as by the need to grow and **diversify ways of connecting and engaging** with the target audience.

Integration of the advantages from **physical** experience with the **digital** convenience, was the way to **better meet the expectations** of consumers as well as create higher margins.

An integrated Omni channel approach can provide **wider brand reach, richer consumer insights** due to amount of data collected, **improve supply chain efficiencies, drive further footfall** in-store, higher **conversion rates, bigger order value** and improved **brand loyalty**.

#TRANSFORMATIVE BUSINESS MODELS

Emergence of new business models - companies continuously assessing how they engage with consumers, determine their product/service mix, prioritize channels and capture value.

These **new operating models** need to be accompanied with **newer capabilities and resources** so as to manage and grow them more efficiently.

Business models of the future have to accommodate these advances and evolutions and accommodate both the **physical and digital** world into **one unified experience**.

Collaboration among stakeholders is key as well as **intra, extra and public-private partnerships**.

WHY DO
WE NEED
PHYSICAL
STORES
ANYWAY?

THE NEED FOR PHYSICAL STORES

Physical stores are the **most visible factor of tangible benefits** of a brand, impacting largely on the **brand image** as well as its **market positioning**.

Newly created and updated concepts of physical spaces are a clear representation of a strategy entitled **experiential retailing** - *“a retail strategy that transforms products and services into a total consumption experience. It satisfies emotional or expressive (hedonic) desires, as well as rational or functional (utilitarian) needs of the consumer”* (Kim and Sullivan, 2007, p. 3).

Retail property group British Land (2017) reinforced that a **physical store increases local online traffic to a retailer’s website** by an average 52%.

Physical stores can then be an **engine of online growth**, with consumers being able to **choose the channels that best align** to their lifestyle and values.

*The aim is however not just to entertain but to create a **relevant emotional connection** where the **memory becomes the product**, through immersive experiences.*

PHYSICAL STORES - ROLE AND PURPOSE

Branding Activation	Immersion	New product development	Entertainment and escapism	Touchpoint	Enhanced Loyalty
<p>Educate consumers about the brand mission, values and DNA.</p> <p>Serves as a branding tool, helping to differentiate and position the brand.</p>	<p>Allows consumers to be fully immersed in a 360 experience.</p> <p>Atmospherics - through the use of colors, visual displays and interactive features, consumers are able to fully experience the brand.</p>	<p>The physical space can also be used to test new products, limited editions, exclusive collaborations, customization developments etc.</p>	<p>Provide a fluid environment, allows for consumers to be entertained and experience the brand in its full scope.</p> <p>Connects closely to the creation of relevant emotional values.</p>	<p>The physical store serves as an additional touchpoint.</p> <p>Stores also become collection points and stock centers for all channels (e.g. "click and collect" and ship from store).</p>	<p>Store as a focal point to forge relationships</p> <p>Allow for personal interactions that will have a direct impact on conversions with engaged consumers.</p>

CREATING MEANINGFUL SPACES

FOCUSING ON:

#SMALLER STORES

#STORE AS EXTENSION

#COMMUNITY & COLLABORATION

#FROM STORES TO STORIES

#THE INTELLIGENT STORE

#AGILITY & INNOVATION

SMALLER STORES / SHORT LET RENTALS

With brands connecting directly to consumers selling online, retail landlords are being forced to be **more flexible** and allow for **increased fluidity** in terms of rentals - **short term rentals** are then seen as the future of retail real estate. (Saunter, 2018)

The size of stores is also being questioned with **smaller format stores** allowing for increased **flexibility, experimentation and increased curation** in an attempt to look for **new ways to bring inventory** to the customer with less room to display.

This also allows for more **innovative design concepts** to be explored and more experiential shop fits allowing to create a more **unique connection** with customers.

REINVENTION OF STORE AS EXTENSION OF CONSUMERS BELIEFS

The new consumer is one that is very actively concerned with topics such as **health and well-being and sustainability**.

Development and implementation of **store concepts** that focus on providing an experience around these themes so that consumers can experience the **store as an extension of themselves and their beliefs**.

Well-being is another major trend with some players focusing on having **facilities and dedicated store areas** to address this.

Encouraging **mindfulness, self-improvement and on-trend spiritual concepts** are arising as a way to satisfy consumer's needs for meaningful experiences. This can also include a **stronger focus on exterior zones, gardens**, meaningful product demonstrations or brand partnerships.

The store space should respond to the change in cultural messages and allow for inclusivity around **race, gender, disability and age** so as to promote a closer connection with their audiences.

COMMUNITY & COLLABORATION

Leveraging **collaborative innovation** and **partnerships** is seen as a preferential way of taking advantage of complementary capabilities. Some retailers are using **shared store space** as a way to bring two or more **complementary** businesses together and create a **collaborative retail space**.

This strategic move allows for **increased reach and exposure** as it widens the audience for both sides by exposing brands to a new customer base.

The physical store is also being developed to **repurpose physical stores as hubs for social interaction, centers for community building and communal experiences**.

A MOVE FROM STORES TO STORIES

The physical space is used as a way to **generate content** and **create narratives** that enhance a brand's ability to create **storytelling** strategies.

The physical space can be used to **educate and entertain** as well as drive **conversations on and off line** and is also seen as a way to capitalize on the power of **individuals**, through the use of **social media** and **user generated content**.

Connectivity in store moves beyond the use of technology and Wi-Fi access in the physical space.

Brands need to acknowledge consumer's need to constantly connect to social media and **use their accounts as an extension of their personalities**.

The creation of **shareable experiences** allows for the **creation and dissemination of content**, both brand and user generated.

THE INTELLIGENT STORE

Digital screens in store, self-service tills as well as the recreating of the online experience in the physical space, through increasingly **personalized and optimized experience**.

Smart fixtures allowing for the **tracking of customer data** through the use of **proximity sensing, light, motion and video**; use of **connected screens and shelves** to educate consumers about the brand and the product and the use of **sensor technology** that triggers digital information once the product has been picked up.

Augmented reality is increasingly a preference for consumers.

Frictionless payments - solutions that enhance and streamline the shopping experience. (e.g. Amazon Go)

Biometric technology - such as **facial technology** allows for this experience to be enhanced, by **identifying consumers and aggregating preferences and payment details**.

Automation - key role as well, with **tech enabled solutions** that help retailers make **in-store collections and returns frictionless, automated warehouses, use of robots for deliveries and automated tills** for easier returns.

Artificial intelligence - ability to **empower sales associates** through the use of **automated robots** to guide and great consumers in store and **freeing up store associates** to engage in **more meaningful interactions**.

AGILITY AND INNOVATION

Retailers that will succeed in this new era are the ones that possess the **tools and ability to engage** in a deep analysis of the **consumer journey**.

Need to consider how they **start**, where they **look** for information, where they **finish**/ complete transaction and where they go **in between**.

This is made possible by the **use of technology** that is aimed at increasing the value of the interaction and at impacting the **end-to-end industry value chain**.

Business models of the future have to accommodate these advances and evolutions and **accommodate both the physical and digital** world into one unified experience.

In sum...

IN CONCLUSION

Understanding the **role and impact of consumers** will be key to discuss the future of the physical store.

Changes challenge the industry to **adapt and evolve** accordingly.

To survive, retailers will have to **actively pursue innovation** and **coexist with the technological developments**.

Technological and social changes have paved the way for a **new society and new ways of working**. This poses as a challenge to retailers in order to keep up with the pace as well as **anticipate needs and skills needed**.

Through a strong focus on **curation** as well as **social intelligence** – skills that AI can't yet replace - businesses will be able to meet the changing expectations and lifestyle of the new consumer.

With **activities that don't drive value** becoming **automated**, the **focus will be on personalized services** and experiences requiring **high levels of interaction** with products and staff.

The focus is therefore on creating **differentiated customer experiences and dynamic interactions** with **stores resembling media platforms** and allowing for constant interaction and for a unified customer experience and customer centricity.

STAY IN
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