

BUILDING THE FUTURE OF THE STORE:

8 Experts Reveal the Trends and Tactics That Will Drive Success



Don't let the headlines fool you. While negative narratives surrounding the Retail Apocalypse paint a grim picture, many brands and retailers have turned disruption into new ideas and opportunities.

For many, the biggest area of opportunity moving forward is within the four walls of the store.



Shifting consumer behaviors have created urgency for omnichannel investments.



Adoption of digital channels has inspired fresh use cases for cutting-edge tech.



Expanded use and trust in omnichannel fulfillment services support new value drivers for dark stores and fulfillment hubs, which have their own experience implications.

All these opportunities, however, present even more questions. The most notable is: **How can we best assess and optimize the in-store experience?**

We brought in eight retail experts to find the answer. In the following pages, our contributors shared their candid thoughts on the future of the store, as well as the tools and techniques they believe will drive success.

Contributors to this report represent a diverse cross-section of people from throughout the industry – from analysts and strategic consultants to innovation experts and creative directors.



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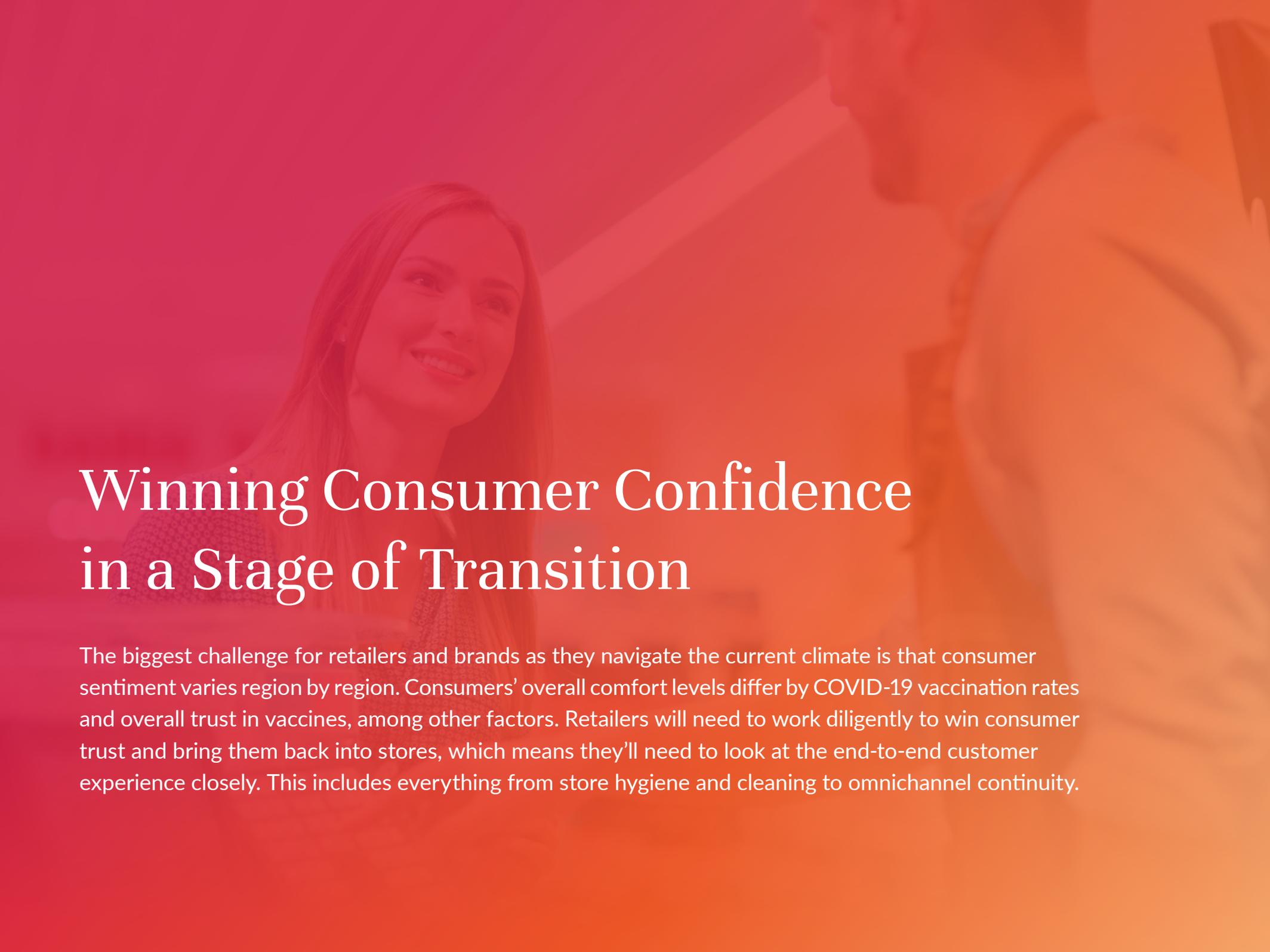
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Winning Consumer Confidence in a Stage of Transition

The biggest challenge for retailers and brands as they navigate the current climate is that consumer sentiment varies region by region. Consumers' overall comfort levels differ by COVID-19 vaccination rates and overall trust in vaccines, among other factors. Retailers will need to work diligently to win consumer trust and bring them back into stores, which means they'll need to look at the end-to-end customer experience closely. This includes everything from store hygiene and cleaning to omnichannel continuity.



As vaccines continue to roll out, do you believe we'll see recovery at the store level? Will footfall improve through the end of the year?

Tyler Higgins: Pre-pandemic, and before anyone thought there'd be a need for vaccines, foot traffic at physical stores was already declining. Retailers had spent the prior two or more years trying to solve the foot traffic conundrum, and then the pandemic hit, steeply accelerating the decline. Now, as vaccines roll out, I expect there to be a sudden jolt as people have some pent-up desire to be out and about. One such outlet for that sentiment is visiting physical stores. But after the first couple months of recovery, I would not expect foot traffic to continue increasing.

Leon Nicholas: Because channels focusing on CPG had a fantastic year in 2020, their sales will actually likely fall; however, footfall is likely to improve in CPG channels, even as baskets get smaller with less stocking up. For channels that suffered during 2020, both footfall and sales are likely to grow.

Mohit Mohal: Retailers need to temper their expectations around what store-level recovery means. Although there is pent-up demand that will come out in waves, especially as the weather turns warmer in many parts of the country, social distancing is not going away anytime soon. There has been an accelerated structural loss of foot traffic to online that will simply not come back. The pandemic has created long-lasting structural shifts, such as working from home and more people moving out of urban high-density areas, as well as changes in consumer buying behavior like the shift to ecommerce, subscription services and trade-up programs, which are all here to stay. For some of the retail subsegments, we anticipate full recovery might take till 2022 or even 2023.



What will retailers need to do to instill consumer confidence and drive traffic to stores in this new era?

Mohit Mohal: Retailers need to be thinking about more visible, customer-focused communication around the measures they are taking to ensure a safe shopping environment. Think of the ways airlines have partnered with cleaning supply companies to brand their cleanliness measures and find the retail equivalent. For example, United and Clorox teamed up for “United Clean Plus.” Delta and Lysol have developed a similar partnership. It is not just about doing the right things. It’s about making those things easily visible and marketed to the consumer.

Michelle Collins: Consumers are now very aware that the direct-to-consumer (DTC) online world can satisfy their immediate gratification without the travel. However, the pleasure of the visual and sensory experience of the store will be more important now than it has been. Windows used to be the technique to bring consumers to your storefront. From there, it was in-store redemption offers and special ways to unlock rewards in the physical store. Now, I suspect consumers will become bored of the same inventory and same look of a store. It’s quite possible the idea of a static interior store design may need to be the next footprint of innovation.

Andrew Smith: Today’s invention is tomorrow’s expectation. Consumers have learned new ways to shop that are convenient and are going to become an expectation for a lot of brands. The obvious ones are buy online, pick-up local: pick up in-store is one version of this, pick up at a hub, pick up at a public transport location – don’t pigeonhole this to pick up your store’s curbside. But it goes beyond that for different categories. Grocery is seeing a growth trend in cook-at-home kits. Livestreaming and social commerce are picking up speed at a phenomenal pace as they are great mediums to share brand storytelling and build relationships outside of the store. And of course, the good old “omnichannel” buzzword is now such an expectation that not having it will test even the strongest of brand loyalty.



Technology: From Bells and Whistles to Critical Experience Drivers

In any discussion about store experience, technology always comes up. “The store of the future” has been a long sought-after vision, but retailers are thinking about new ways technology can support their consumers and associates. While contributors outlined varying applications and value drivers, two things are clear: tech is critical and, as a result, IT spending will continue to rise.



What role will tech play in the store of the future, with all consumer behaviors and needs considered?

Leon Nicholas: We think tech will be focused across a spectrum, ranging from operations-based store efficiencies (such as cleaning, unloading, inventory management) to shopper-based shopper engagements (like beacons, responsive displays, connected surfaces). In the middle of that spectrum will be tech that enables the shopper to be more efficient (including self-checkout, kiosks and navigation aids). We think there will be an interplay between retailer implementation of capabilities and consumer devices to interact with those capabilities.

Melissa Gonzalez: Purpose-driven technology is going to be a top priority because it's going to help retailers illuminate the attribution of a physical retail visit by a customer to the overall lifetime value of a customer. Measuring that attribution will be critical. It's also going to continue to be helpful in things like contactless payment, access to endless-aisle inventory and enhancing education around product knowledge. I think those are going to be some of the key priorities, but you're still going to see it in an experiential way as well. While I think luxury brands are more likely to lean into tech like AR and VR, I think purpose-driven technology is going to take the limelight on a more national level.

Michael Brown: Technology will be critical to meeting consumer expectations for safety, speed and access. Contactless and self-help will be priorities and will be delivered via customers' and employees' own devices. Customer-based deployments of new technology will be focused in the areas of self-payment, virtual shopping, product information look-up and in-store access to expanded assortments. On the employee front, retailers will be working on self-service scheduling, punch in and out, training and task management applications to employees' phones. Investments in retailer-implemented devices will be focused on the elimination of store-based tasks through automation.



How can retailers best determine which technology is right for their business and the experience they want to create for consumers?

Andrew Smith: Retailers should never, ever start with the technology. It is an enabler of innovation, not core retail innovation. What are you trying to create? Start with the value statement of either a business driver (like “we need new customers” or “we need higher margins”) or a customer driver (like “my customer wants their order in 30 minutes or less”). Then, run a design session on the different ways your driver can be enabled. Technology may be the answer — it might not be. If retailers constrain themselves to the trendiest technology, they usually achieve mediocre results compared to what could have been achieved if they focused on the biggest problems or opportunities.

Melissa Gonzalez: The most successful technologies are those that satisfy a pain point but are also so intuitive that they complement existing behavior. For example, we’ve seen a huge rise in the adoption of QR codes because the phone allows the camera to identify a QR code and seamlessly direct you to a link. If a consumer is interested in a product in-store, they want to take a photo of it. Now they can extend and go a step further to gain additional product information. That also opens a channel of communication between the brand and the consumer. Brands can easily add a call to action and collect email addresses. I think QR codes are going to continue to show legs, and I think we’re just scratching the surface of what can happen with this technology.

Michelle Collins: I stand behind the belief that consumers are more fluid now. The retailer needs to rethink their value in the consumer’s lifestyle. Technology should advance to provide a more on-demand history of the consumer’s interest and purchases as well as their virtual lifestyle. AR has improved vastly and is now understood to provide practical uses. Retailers of home furnishings, art and other perspective and space-dependent decisions should continue to see growth. In fact, I can see this vertical of the business delivering unique consumer experiences that offer real value. What if it was a white box store and the whole premise was a design-your-space, technology retailer?



Pondering the New Role of Pop-ups

During the pandemic, we saw the role of pop-ups and their overall business value evolve. Brands and retailers will still look to short-term leases and pop-up experiences to test new experience concepts and celebrate product launches and key holidays. However, pop-ups will play a more central role in retailers' efforts to test new markets and conduct market research, and even establish brand partnerships to split rent costs.

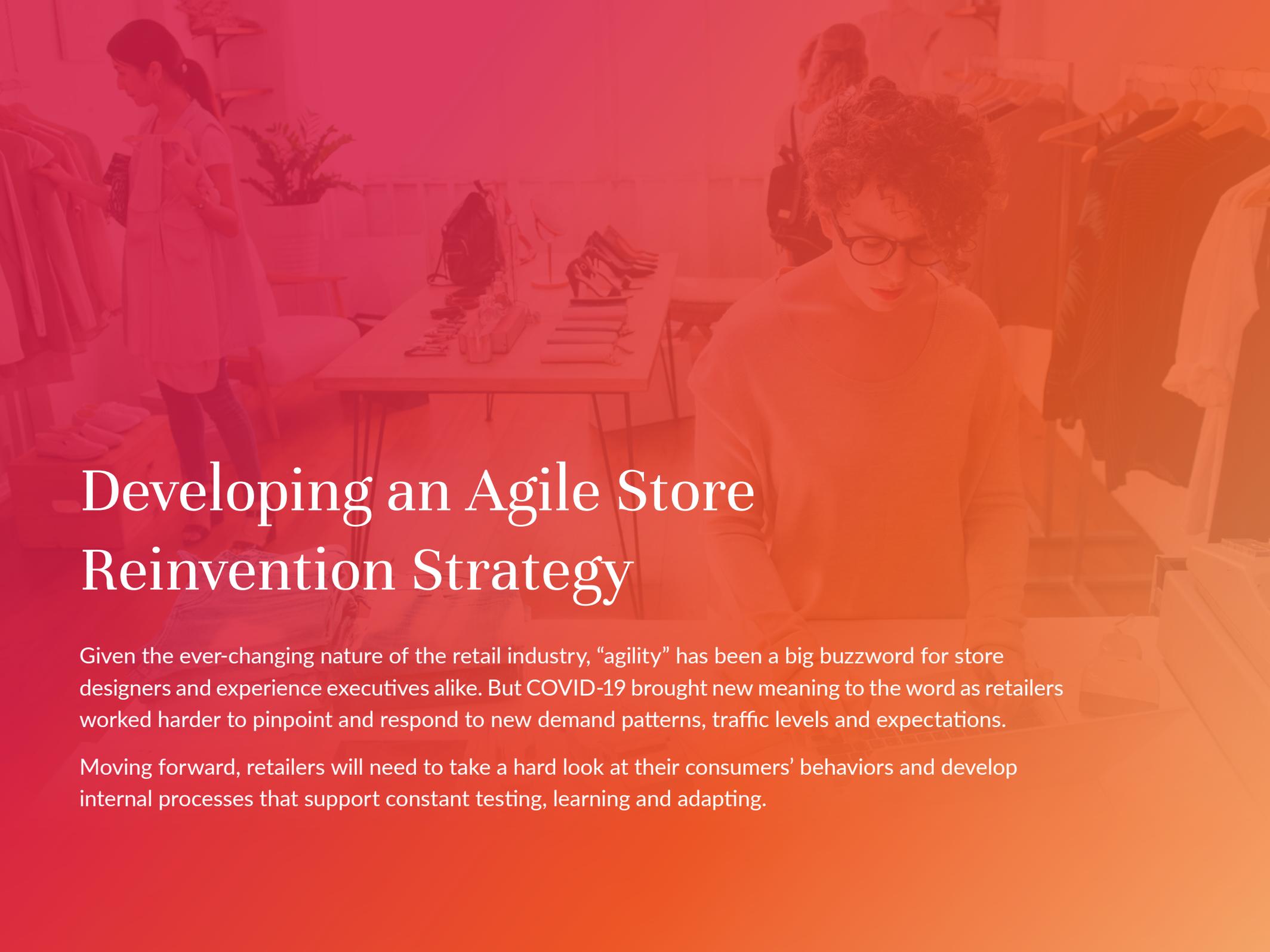


We're seeing new pop-up use cases emerge. How can retailers best determine whether pop-ups and other short-term leases are the right fit for them?

Melissa Gonzalez: Pop-ups are a really good solution as brands trim their footprint nationally due to being more conservative or as they identify that certain markets make sense for flagship destinations year-round, but others make sense to show up in the short-term. Also, as everyone is dipping their toes back into physical retail, it's a perfect way to test. You're seeing a lot of brands and retailers wanting to take short-term leases to ensure the longer-term viability of that particular location, that footprint or that store format. You're starting to see the use cases continue to expand for pop-ups and, as a result, you're also seeing more creative terms in agreements, so companies can easily go from pop-up to permanent.

Michael Brown: Pop-ups are a great vehicle to test concepts or markets and capture short-term opportunities such as seasonal spikes or event-driven traffic. Pop-ups should be a part of every retailer's strategy along with a network of flagship, local and special concept stores such as showrooms or service centers. Determining the right format for the right market should be based on consistency of demand and traffic in both physical and digital stores.

Deborah Weinswig: Pop-ups will certainly play a role, but they also won't be able to function as distribution centers the way a permanent store can, potentially limiting their effectiveness. If retailers are looking to expand their omnichannel network and fulfillment capacities, permanent stores are key. If they are looking to make a splash and attract consumers with an exciting experience, pop-ups may be the way to go.

A woman with curly hair and glasses is working at a computer in a clothing store. The store is filled with clothing racks and a table with various items. The background shows other people in the store, and the overall atmosphere is bright and modern.

Developing an Agile Store Reinvention Strategy

Given the ever-changing nature of the retail industry, “agility” has been a big buzzword for store designers and experience executives alike. But COVID-19 brought new meaning to the word as retailers worked harder to pinpoint and respond to new demand patterns, traffic levels and expectations.

Moving forward, retailers will need to take a hard look at their consumers’ behaviors and develop internal processes that support constant testing, learning and adapting.



How can retailers determine how to best refine and adjust their store experiences?

Michelle Collins: Repeat visits and frequency. This is a clear indicator of a consumer's perceived in-store experience. There's an interesting shift whereby consumers who wish to explore and discover may not want to be in a crowded store; meanwhile, the consumer who has a purpose and is an intentional shopper may wish to be serviced faster. The retail experiences may need to become two different experiences: one that fulfills orders and the other that encourages the investment in time and the brand.

Deborah Weinswig: Retailers need to make shopping attractive to consumers who are looking to get out and about and socialize. Consumers — particularly those with high incomes — have pent-up spending power that they will likely want to spend on experiences rather than goods. They have been able to shop for goods online over the past year but have not been able to have engaging real-life experiences. To appeal to these consumers finally venturing out after being mostly antisocial over the past year, retailers will have to ensure they can compete with other attractive experiences that consumers will soon have the option of spending on.

Tyler Higgins: The criteria for retailers will be to devise a strategy that layers technology into a brand's identity, then use that technology to make shopping fun. Retailers will need to build a "cool factor" into the shopping experience through a variety of approaches — it could be done through pop-up shops or finding smart, intuitive ways to put the customer first, and it can be done by connecting to the shopper with technology.

Andrew Smith: Now is the time to realize that we need to have innovation as a capability embedded into the fabric of our business. That is why we, at ThinkUncommon, recommend that retailers do an innovation diagnostic. Where are the points of friction in the way the organization works that are slowing down their ability to be agile and respond to market disruptions and opportunities? Then work to get rid of the friction!

After you've done that, it's time to start to filter ideas down to the best and most viable ones for your brand. In our book, *[Retail Innovation Reframed](#)*, we provide the tools to do that in what we call the golden rule. This is a set of exercises that generates a heap of ideas – from simple to blue-sky imagination – and then assesses them objectively against three elements:

- **Does this align with our brand's purpose?** Does it make sense that we are doing this? Does it align with how we define and describe our brand and our ambitions? Silly example: if we are a healthy lifestyle brand, is entering the duck fat market a good plan even if it is lucrative?
- **Does this add value to our customers?** Are we adding customer value or at least not diluting it? There are a bunch of times when innovation imposters pop up that aren't true innovation, but something else dressed up to appear that way. These imposters can usually be avoided with a few tests of genuine value for your current and target customers.
- **Does this add value to our business?** Does the idea generate a cost reduction, a productivity boost, improved sales, an increase in customer experience that will generate acquisition or retention or grow lifetime value, etc.

We're seeing a lot of dialogue around ways brands and retailers can be more agile and flexible about store decisions: agile design principles, short-term partnerships and even shorter lease agreements. Is this a long-term reality for the industry?

Andrew Smith: The single biggest existential crisis facing retail isn't COVID-19, it isn't new competition, it isn't online, it isn't the decreased traffic in malls, it is the ability to change quickly and broadly. The "how" of innovating in retail is incredibly more important than any single "what." If you focus on building agility and embedding innovation as a process into the fabric of your business, being agile with store decisions, technology deployments, partnerships and collaborations, curations, pop-ups, short-term leases, etc., are all a lot easier, faster and more effective.

Mohit Mohal: This is clearly where retailers need to pivot next. We have this interesting dichotomy happening. On the one hand, retail operations are about standardization and compliance, but then we miss opportunities to test, learn and adapt. What we see in the digital space are tools that allow brands to customize, personalize and test. The major opportunity in stores is to become better at testing, learning and adapting. Once you find things that work, standardize what is working. There is an opportunity to allow for experimentation and leverage those learnings for more standard operations.

The speed of decision-making is usually dictated by the speed at which data and analysis is available, and the culture within an organization around how decisions are made. The tools exist today to be able to be agile; we believe this is not just a long-term goal, but a short-term potential reality for retailers willing to adapt.

Melissa Gonzalez: We've seen brands dip their toes in modularity, focusing just on the fixture package alone. But now, it's a rethink of the entire environment and how to make that environment more flexible and modular in everything from front-of-house to back-of-house. We're seeing the option of flexible fulfillment emerge and retailers needing a space to be able to flex on what could accommodate for back-of-house needs in high-traffic times or during the holidays, for example. Meanwhile, other times of the year, they may focus more on an event-driven strategy, and the front-of-house footprint may need to be bigger. You're seeing modularity around walls, dressing rooms, even the cash-wrap experience. Fundamentally, it's about looking differently at the footprint as a whole and how it needs to flex and modulate throughout the year. Finally, we're seeing more conversations pick up around lease sharing. It hasn't been used as much, but brands are starting to split leases throughout the year, creating a turnkey space for them to rotate every season.

Looking to the Future

The store will always play a central role in the omnichannel customer experience, but the ways consumers engage with and define the value of the in-store experience will continue to change. As a result, we'll see new trends emerge and evolve over the coming decade.

But for now, let's focus on 2022. Experts revealed the trends they're keeping a close eye on:

- ✓ How changes in urban density and work-from-home policies will change physical store footprints for the long term.
- ✓ Shifts in leasing terms and overall landlord-leaseholder relationships, including the rise of rotating store concepts.
- ✓ The evolution of the store as a social place, not just a space to buy things.
- ✓ The diversification of mall tenancies to include grocers, healthcare tenants, DTC brands and specialty CBD stores.
- ✓ Deeper integration of personalization into the store experience.
- ✓ In-store gamification as a way to engage and convert consumers.
- ✓ Digital payments becoming a core contactless offering.
- ✓ The reimagination of the fitting-room experience.

Although no one can say for certain what the future of the store will hold, it is clear that there are many new and exciting ways for retailers to engage, excite and empower their consumers and associates.



About Retail Innovation Conference & Expo

The 2022 Retail Innovation Conference & Expo (#RICE22) brings together a cross-section of established C-suite executives and up-and-coming leaders to discuss the state, and future, of connected commerce. Representing the industry's best and brightest executives – from Directors of Digital, Design, Marketing and Ecommerce, to Heads of Store Ops, CMOs and even Chief Innovation Officers, #RICE22 provides distinct content and learning opportunities that inspire collaboration and innovation.

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About Retail TouchPoints

Retail TouchPoints and design:retail give all members of the retail world access to a vibrant community that combines insights, inspiration and opportunities to interact with their peers. We sit at the intersection of the art and science of retail strategy, providing granular data, high-value commentary, and aspirational success stories to help readers optimize customer experiences across all channels. Touching all facets of the retail ecosystem, including store experience and design, workforce management, digital marketing and engagement, and omnichannel optimization, our editorial content, multi-media resources and events take timely news and trends and transform them into tactical takeaways that meet the unique needs and priorities of our executive readers.

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