The Future of Stores: Yes, There is One

The key is digitally retooling the store experience to deliver on consumers’ social shopping preferences and desire to feel valued across every touchpoint.
The Store-Closure Headlines Have Been Ugly

Some retailers over-expanded, others sagged under the weight of debt. Looming over all? The shadow of e-commerce.

More than any other factor, online retail is forcing changes to the store experience. Just ask Amazon, Whole Foods, Walmart and Bonobos.

The truth is, that’s good news.

Experience is stores’ strong suit. It’s where traditional retail offers the real-world advantages that shoppers love. It’s a natural edge.

How do retailers adjust the lens of experience to gain customers and profits?

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### 2017 store closures at an epic pace ...

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Store Closures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>5,077</td>
</tr>
<tr>
<td>2016</td>
<td>2,056</td>
</tr>
<tr>
<td>2017 (predicted)</td>
<td>8,600</td>
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</tbody>
</table>

Source: Credit Suisse

### ... but retail continues to grow as a category

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Growth</th>
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<tbody>
<tr>
<td>2015</td>
<td>3.4%</td>
</tr>
<tr>
<td>2016</td>
<td>3.8%</td>
</tr>
<tr>
<td>2017 (projected)</td>
<td>4.2%</td>
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</table>

Source: National Retail Foundation, CNBC
Behind its buzzword status, “authenticity” offers retailers a lifeline: It has a universal appeal that resonates with shoppers. Who doesn’t want a shopping experience that feels genuine and fun?

Understand that desire, and retailers understand the new foundation for their business.

What tactics detract from creating a distinct retail voice and brand? For one thing, traditional advertising. Two in three consumers trust custom content more than the hard sell of conventional ads.

For another, stagnant aisles. Authenticity implies a vibrancy that keeps shoppers coming back. New York merchant Story rotates its merchandise and concepts every few weeks. The 10th Avenue retailer partners with large brands that pay several hundred thousand dollars to use its storefront as a lab of sorts to try out new products and ideas.

Authenticity also means thinking like a customer. In Manhattan, Bottlerocket Wine & Spirit organizes its inventory not by region or variety but by categories that match the way its customers buy wine: to pair with particular foods, or for special occasions like birthdays.

Shoppers’ desire for keeping it real has also driven the rise of the brand influencer. Popular retail bloggers — such as Leandra Medine for fashion and pop culture, and Lisa Eldridge for beauty — not only create content that appeals to followers but they also embed click-throughs into their posts that take readers directly to websites where they can purchase items. It’s authentic — and profitable.
Stores Are About Experience, Not Stuff

Here’s where stores need to adjust their lens for millennials. More than other demographics, millennials seek experiences over material possessions. While their parents may have put a premium on automobiles and houses, three out of four millennials prefer spending money on events and experiences, everything from fashion weeks to music festivals and yoga classes.

It’s not about just the stuff anymore. Retail stores that successfully grab their attention offer similar kinds of fun, one-of-a-kind experiences. Burgeoning categories for millennial spending include travel, food and entertainment. Think weekend trips, cold-press juices, and brunch.

25% OF MILLENNIALS’ 2016 HOLIDAY SPENDING ON EXPERIENCES, COMPARED WITH 20% FOR CONSUMERS OVERALL.
The ways in which shoppers want to connect with retailers is an extension of the way they connect with each other. They love to share. It’s stores’ job to tap into consumers’ penchant for participation and sharing.

That’s everything from promoting social engagement on Twitter (Burberry, averaging five posts daily) to driving engagement on Instagram (Zara, 21 million followers), to installing selfie stations (pretty much everybody).

Supporting shoppers’ sharing preference also means creating a fluid retail experience that eliminates any boundaries between physical and digital. For example, to promote a pop-up store it opened during fashion week, Marc Jacobs rewarded customers who tweeted or posted about the new line with freebies such as perfume and jewelry. The final social-media tally was 13,500 Twitter mentions and 4,300 Instagram posts, but the more important metric for Marc Jacobs? Increased market penetration.

Capitalizing on sharing requires stores to act fast – literally. In particular, millennials expect shareable content and experiences to come their way at a rapid-fire pace. Accustomed to swapping Snapchat images and video snippets that disappear in 24 hours, many millennials look forward to a similar stream of change from apps and websites.

They’re not the only ones, however. Facebook’s typically older users are growing accustomed to retailers’ content and ads on the social network. So while potential social engagement may be more interactive with millennials, more seasoned generations are also likely to be receptive to a steady flow of fresh content.
Make It Easy

It’s no secret shoppers are keen on multi-tasking and convenience. Making in-store purchases without interrupting what they’re doing, whether it’s browsing Snapchat or checking e-mails, is as basic as air to many shoppers.

Digital payments may soon be as ubiquitous as credit cards. While consumers overall have been slow to embrace paying for purchases with their smartphones, early-adopter millennials are paving the way: Compared with other age groups, they’re more likely to use peer-to-peer (P2P) payments like social-finance app Venmo and digital wallets from providers such as Apple and Samsung. Expect other demographics to follow millennials’ lead.

Furthering the cause for digital payments are snazzy mobile apps from merchants such as Starbucks and the increasing number of outlets such as salad chain Sweetgreen that are nixing the use of cash in favor of credit cards and mobile apps.

The downside for retailers? Payment processing companies can charge extra fees for digital wallets as “card not present” (CNP) transactions. Although most P2P platforms circumvent the contracts retailers’ sign with credit-card companies for their point-of-sale systems, some retailers’ are enabling P2P payment in their mobile apps.

With fulfillment now a merge of multiple methods (i.e., buy online with pick up in store, buy online with locker delivery, buy in store with locker delivery, etc.,) retailers’ fulfillment strategies must be agile and efficient. There’s growing interest in self-service lockers, which have gained traction in western and central Europe. Located in public places like shopping centers, the lockers let customers enter access codes to retrieve their parcels. Lockers are a handy option for shoppers in urban locations and those who prefer secure, 24x7 drop-off. No doorman or front porch? No problem. The lockers assist retailers with the challenge of last-mile-delivery and provide a secure, convenient location for millennials to pick up their packages.

2/3 OF SHOPPERS HAVE USED AT LEAST ONE OMNICHANNEL FULFILLMENT OPTION SUCH AS BUY IN STORE/SHIP TO HOME.
Anonymity runs counter to shoppers’ growing desire for experience and connection. Is it any wonder that perusing retail aisles unknown and untargeted by tailored offers fails to resonate with them?

Shoppers expect curated experiences shaped to their preferences.

But individualization isn’t just about deals. Shoppers want to feel valued. They expect a retail experience that’s both built from a customer perspective – their own – and easy to understand. In-your-face sales techniques are deeply impersonal and based on sales goals instead of customer needs. They create negative shopping experiences that may discourage purchases.

Shoppers want to be in control of their store experience, and more brick-and-mortar merchants are giving them the green light with physical redesigns. Target drew headlines for its prototype stores that feature two entrances, one for quick trippers and one for browsers. Pharmacy chain CVS is following consumers’ lead by renovating its stores to allocate more floor space to health and wellness products. Makeovers at Apple and WalMart have shaken up their physical spaces with updates that improve shopper experiences.

Individualization requires retailers to move from what they think consumers want, to what they know. Sell-through metrics will always be important, but finding out why those sales happen is at the heart of individualization.

How can you put your organization’s digital touchpoints to work to provide the answers? First, analyze the touchpoints. Ensure they collect the data you need to enrich the in-store experience and better understand customer intent and preference. They should. If in-store digital touchpoints are limited, consider establishing a business case to create them.
Price Is Only Part of the Equation

Credit millennials with the renewed emphasis on quality and products that last a lifetime, which is rubbing off on the rest of us.

Their focus on value has cemented the popularity of brands that emphasize durability, such as outdoor apparel retailer Patagonia. Similarly, value drives millennials’ preference for local goods. For national brands that make local commitment a priority, that preference is translating into success. Home goods chain West Elm reports that offerings through its program for regionally-sourced products are often its stores' top sellers, despite higher price points because of local manufacturing costs.

Yet because millennials spend more heavily than previous generations on “experiences,” they’re careful shoppers. The result? They like deals. They’re willing to search for the lowest price, but they’re also more measured and patiently wait for the right deal.
What’s a Retailer To Do?

Strengthen your organization’s interactions with customers.

Get to Work on Individualization

Today’s customers expect tailored, one-to-one approaches. They want individualization. For retailers, the shift requires redefining and redesigning the in-store shopping experience. Instead of pushing store sales goals, the emphasis is on understanding and catering to what customers want to buy.

Key elements that can help in-store individualization include:

• Dynamic targeting. Create customer personas and design in-store experiences for each type. Dynamic targeting advances segmentation by delving into the who, what, when, why and how for each customer type.

• Brand promise ubiquity. Ensure that store interactions live up to the brand promise. Retailers that align with the sustainability movement can advance that message with in-store furnishings made from reclaimed wood and all plastics such as clothes hangers made from recycled material. Curate interactions to reflect the desired brand experience and build on the brand’s authenticity, mission and philosophy. Be sure the experiences reach your customers at all touch points.

• Reinforced cross-channel data collection. Examine data collected at various points in the customer experience holistically to glean the best insights and create a unified, actionable view of the customer.
Develop Branded Content that Reinforces Engagement

Content creates more opportunities for engagement. It also translates into sales: A recent study found millennials base purchase decisions on content that’s authentic and truthful, not sales-y.

Kate Spade’s ongoing web series #missadventure follows stars through a variety of travails, such as actress Anna Kendrick making her way through the holiday season (in the apparel company’s attire, of course). The hit comedy serial is now in its third “season.”

Dollar Shave Club is a great example of using branded content to disrupt an industry. The upstart start-up grew an audience for its humorous videos satirizing the razor market. It convinced consumers that razors sold in brick and mortar locations were over-priced – and launched a new e-commerce retail star.

Creating branded content that’s easy to share requires a long-term strategy – and patience. A good starting point is taking the time to develop a distinct voice that consumers can relate to. Keep your content dynamic, iterative and provocative.
Focus on Experiences

In-store experiences put the joy back into brick-and-mortar stores for consumers regularly distracted by the convenience of pointing, clicking and buying from home.

Experiential retail is playing out in several ways. Some brands undertake major expansions, such as Tommy Bahama’s in-store bars and restaurants. Immersive experiences are also emerging. Shoppers in Toms retail stores can don VR goggles to view the philanthropic-minded company’s work in Peru.

Less splashy but far more affordable efforts include Costco’s family-friendly food court (don’t forget the fresh pizza), and WalMart’s hosting of professional bull riders at stores in South Dakota and Arkansas. Class sponsorships are increasingly popular among niche retailers. Athletic apparel maker Lululemon offers fitness instruction. Consumers can sign up for fly-fishing lessons at L.L. Bean stores.

Evaluate new technologies such as 3-D body scanners and digital changing rooms. New advances offer a competitive advantage by helping retailers deepen their understanding of traffic patterns and shopping habits, and by providing the opportunity to leverage real-time connections. New York clothing store Rebecca Minkoff credits its interactive store experience with tripling sales.
Create Hassle-Free Purchase

Omnichannel fulfillment has proven wildly popular, with two out of three shoppers having used at least one option. Perhaps more important, hassle-free purchases such as click and collect boost store traffic and sales. Today's fulfillment options won't make you competitive in the long run.

When it comes to checkout, retailers such as Apple, Bloomingdales, Nike, and Sam's Club are already succeeding with mobile options such as tablets. Look to Toshiba’s Touchless Commerce for the next big leap in self-checkout. Clocking in at two seconds, the system uses facial and 3-D recognition technologies to scan a shopper’s face and basket items, and then automatically charges the purchases via the consumer’s pre-registered payment option.
References

The following resources were used in the creation of this e-book.

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• “Goldman Sachs says millennials didn’t inherit a spending habit companies have capitalized on for years,” www.businessinsider.com/goldman-sachs-millennials-spending-habits-2017-1.
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