



RETAIL TRENDS FORECAST 2017

Experiential spaces, digital integration and Gen Z are top of mind as retailers, designers and architects look to the coming year.

By Steve Kaufman, Contributing Writer

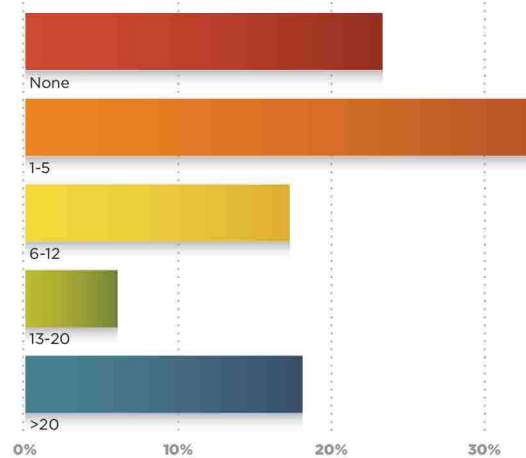
At its core, retail in the future will continue to be what it has always been about: the relationship with the customer. It's just that the means by which we establish and maintain that relationship are continually changing, propelled by unprecedented advances in technology and changes in popular culture, which in turn drive the new trends for 2017 and beyond.

What are the implications for retail? We decided to ask. We surveyed our readers for their thoughts and observations, then compared them to the insights we gleaned in speaking with some of the industry's thought leaders. This is what we discovered:



Lululemon Lab, New York

How many experiential retail spaces has your company been a part of in the past year?



SOURCE: 2016 VMSD READER SURVEY

EXPERIENTIAL RETAIL

Consumers have challenged retailers to deliver more than just transactional experiences in stores. They're looking for memorable experiences that give them a reason to visit and keep coming back for more. In fact, more than half of *VMSD*-surveyed readers declared that it's no passing fad; experiential is here to stay.

"The basics of retail are changing," explains David Kepron, vp, global design strategies, Marriott Intl. (Bethesda, Md.). "It was always about merchandising. Today, it's

about connecting the customer to an emotional interaction with the brand."

He says that while the idea of delivering a good experience is not new, the nature of the experience has changed.

"If we can get people to a more full-bodied, immersive encounter with a brand, we're more likely to build strong memories and deeper connections," he says. "Those are the things that count, the things you carry home in your brain and heart, not the things you carry home in your bag."

And retailers and designers are listening;

Of those respondents, 34.5 percent reported that their organization has been involved in designing an experiential space within the past year.

Lee Peterson, evp, brand, strategy and design, WD Partners (Dublin, Ohio), says retailers that offer up their stores as places to gather, socialize, listen to music, eat and drink, understand the value of these experiences beyond simply increasing dwell time.

"It's pure brand-building," he says. "Retailers have to forget about the old ROI model of measuring what their spaces pro-

“The days of shopping the Internet solely for the lowest price have passed ... [shoppers today] don’t bat an eye at ordering the same product from multiple retailers and returning all but the one they wish to keep.”

— VMSD Reader

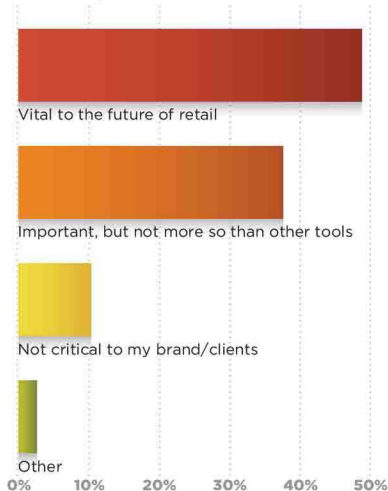
SOURCE: 2016 VMSD READER SURVEY



Amazon Go, Seattle

COURTESY OF AMAZON, SEATTLE

How critical is digital integration into store environments to brands/retailers?



SOURCE: 2016 VMSD READER SURVEY



adidas Originals 'Future House DXB,' Dubai, U.A.E.

MARVIN BURAYAG, DUBAI, U.A.E.

duce. Sales per square foot might be an obsolete parameter.”

DIGITAL INTEGRATION

How critical is it for a store to be a digital, interactive playground? Roughly half the respondents said it was “vital to the future of retail.” Interestingly, the other half said it wasn’t. (See chart above.)

The thing to remember about using any type of in-store technology is that you’d better understand why you’re doing

it, says Brian Dyches, principal, Atmospheric Design + The Digital Experience Lab (New York).

“Store planners may not understand it entirely, but they know they need it, and there are a lot of ways to overuse it or use it inappropriately,” Dyches says. “Ultimately, they have to figure out what they want to accomplish with it.”

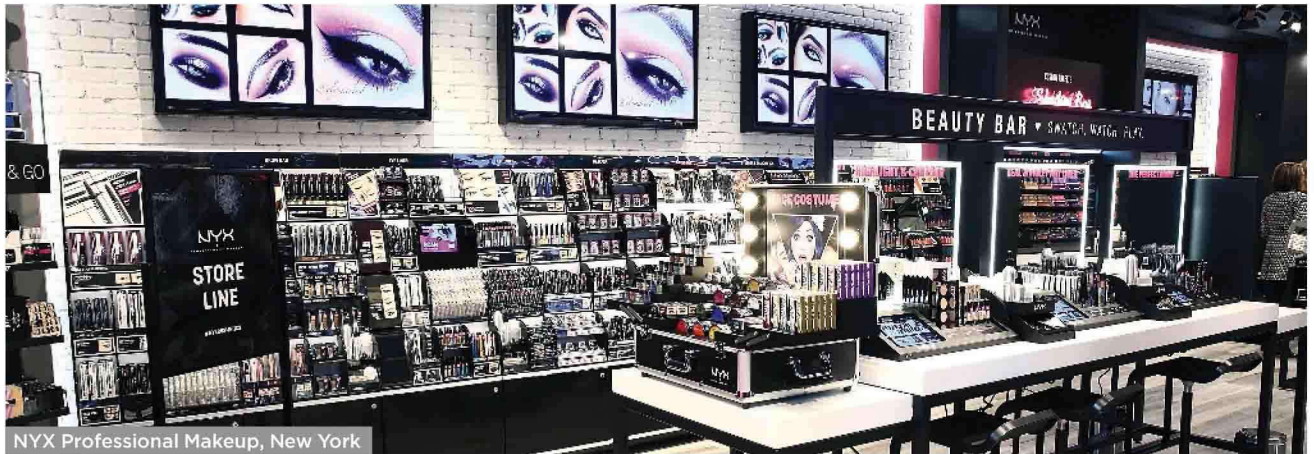
Kepron says the challenge to implementing digital elements is finding the right approach to engage consumers in

relevant ways.

“There’s still a lot to be said for the one-on-one, face-to-face embodied interaction between people that’s so foundational to how you experience an environment,” he says. “And that has nothing to do with technology.”

INTERACTIVITY, YES, BUT HOW?

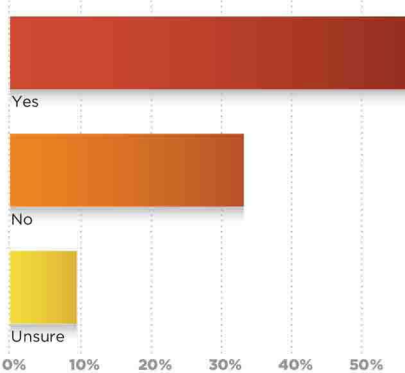
Once you’ve committed to integrating digital technology into your stores, the next step is to decide what tech tools best sup-



NYX Professional Makeup, New York

COURTESY OF NYX PROFESSIONAL MAKEUP, NEW YORK

Has marketing/designing for Gen Z entered the conversation at your organization?



SOURCE: 2016 VMSD READER SURVEY



West Elm Hotels, San Francisco

COURTESY OF WEST ELM HOTELS, SAN FRANCISCO/BUSINESS WIRE

port the brand. More than 60 percent of survey respondents said some form of in-store interactivity was the most important component. In-store digital signage followed (21.7 percent), along with beacons (8.7 percent) and augmented/virtual reality (7.8 percent), according to our survey.

But Peterson says that investing in expensive hardware may not be the best strategy. A few years ago, he says, WD Partners conducted a consumer survey about what digital components or tools they wanted most to see in stores. Mobile check-out? In-store customer reviews? Retina scanning? Thumbprint identification?

“The number one [response] was BOPIS, the ability to buy [a product] online

and pick it up in the store,” says Peterson “Three years later, we surveyed again, and BOPIS was still the number one digital integration tool.”

What does that say? The conclusion we drew is that stores need to be two things: one is a fulfillment center. But if [consumers] do go into your store, they want technology that makes it easy, efficient and convenient to make their purchases and get out,” Peterson says.

WHERE RETAIL ENDS AND HOSPITALITY BEGINS

West Elm (San Francisco) is among a number of retailers opening their own branded hotels. Is it a trend? And does it make sense?

More than 60 percent of our survey respondents said “yes” and “yes.” Another 32 percent were on the fence.

Said one reader about his or her experience at RH, the Restoration Hardware club in Chicago: “A perfect opportunity to present a product to a customer by offering a chance to sit and relax and enjoy the furniture.”

Gary Friedman, Restoration Hardware chairman and ceo, says the company has always tried to blend the barrier between retail and residential, in a promotional video for RH. “The next logical step was, how do you blur the line between home and hospitality?”

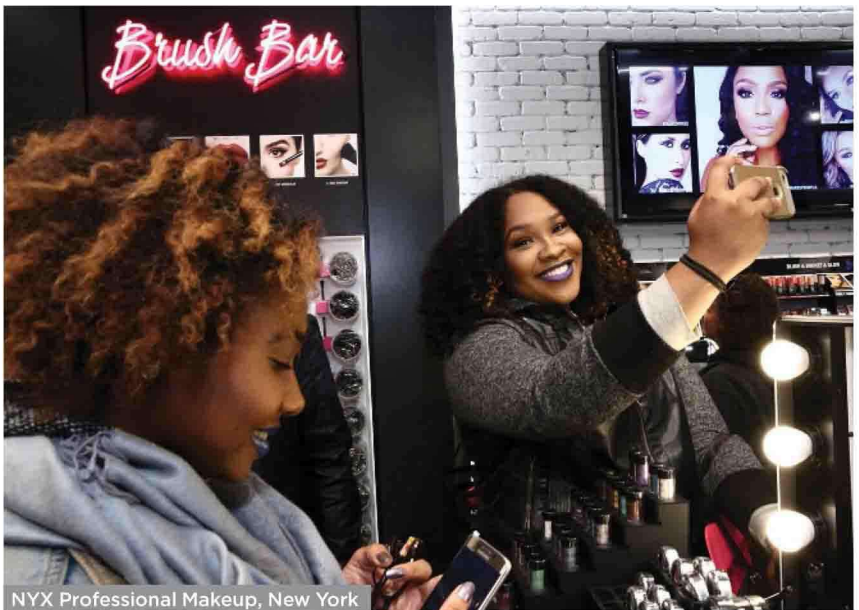
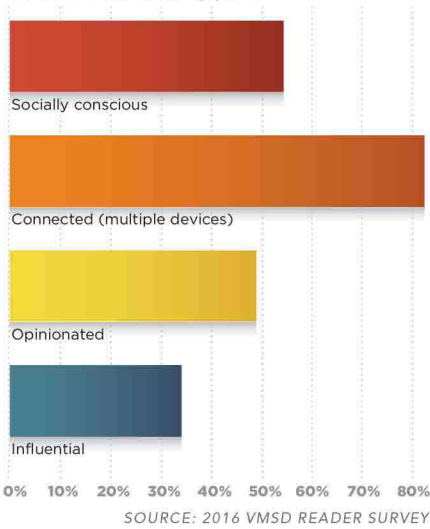
Similarly, West Elm (San Francisco) recently announced its own hospitality

“We are heading toward a group similar to that of the '60s/'70s. Socially and environmentally conscious, wanting transparency in their brands ... Money is less important than happiness and experiences.”

— VMSD Reader
SOURCE: 2016 VMSD READER SURVEY



Which of the following characteristics are typical of the Gen Z shopper?



venture, West Elm Hotels, with five U.S. locations planned to open by late 2018. The boutique hotels will feature distinctive designs that reflect the communities in which they operate, with a “focus on making real community connections for visitors and residents alike,” explained David Bowd, co-founder of DDK, West Elm’s partnering management company, in a release.

Leather goods retailer Shinola (Detroit) and Venice Beach, Calif.-based bedding startup Parachute have also announced they will throw their hats into the hospitality ring.

GENERATION Z

We’ve spent the past few years trying to figure out what makes consumers from Gen Y, or millennials, tick. But the next influential wave of consumers on the horizon is the 21st Century generation, born around 2000. Should they be a critical part of retailers’ thinking? A clear majority of respondents think so, with 57 percent reporting that marketing and designing for Gen Z is already on their radar. (See chart on page 14.)

“I do not feel the Gen Z shoppers have quite found their voice,” shared one reader,

“but when they do, watch out!”

The future is always fuzzy, full of unknown challenges and unexpected developments. But retailers heading into 2017 know a few things: The store of the future will look, feel and act very different than the store of the past. Getting a grip on technology is elusive, but the best time to start is right now. Building your stores is important, but building your brands is imperative. And tomorrow’s consumer is already here, looking very different and presenting a host of new challenges. ▴