REDESIGNING RETAIL

PART TWO

What does the future of **physical retail** look like?

THE CHALLENGE CONSUMERS POSE IS THE SPEED AT WHICH THEY MOVE

Retailers and shopping centres are operating faster and more flexibly than ever before, to enable the customer-centric experiences that modern shoppers crave. However, keeping pace with these ever-quickening demands is no easy feat, given the fact that no two consumers behave in the same way, and their retail demands and expectations are not easy to predict.

Delivering sophisticated, consumer oriented interactions against this complex backdrop involves retail businesses knowing what shoppers will want right now, and what they will want tomorrow as well.

To understand what the future of physical retail looks like, ShopperTrak has surveyed consumers across five key European markets – France, Germany, Italy, Spain and the UK. Through the voice of these shoppers, we will explore where bricks-and-mortar must innovate to meet ever evolving expectations, and the technologies that consumers are most willing to embrace to enhance the offline shopping experience.

ShopperTrak has surveyed consumers across five key European markets

To discover more about the store's current role in an omnichannel world, download part 1 of our Redesigning Retail series: **Where does bricks-and-mortar fit for the modern shopper?**

What elements of the physical retail experience need to evolve?

The influence of digital has fundamentally changed bricks-and-mortar's role, as we discussed in the first part of our Redesigning Retail series.

The store is now part of a multi-touchpoint journey. It is an advice source; an inspiration station; a fulfilment and collection point; a social hub. As James Daunt, managing director at Waterstones neatly sums up, "High street retailing is a recreational rather than a practical exercise now to a significant degree. The days of an absolutely practical stand-and-deliver shop are limited".

A knock-on effect of this complexity is that consumers expect more from the store – and although retailers are taking great steps forward, there are still areas in which the bricks-and-mortar experience can be further optimised.

In order to make effective change, we first need to understand where the priorities for improvement currently lie in the store journey. To determine the greatest disconnections between consumer expectations and what retail businesses can deliver, we asked European consumers to rate their greatest frustrations with store shopping, to reveal critical areas for improvement.

We will outline our findings now…

SECTION 1

WHAT MORE DO SHOPPERS EXPECT FROM BRICKS-AND-MORTAR?

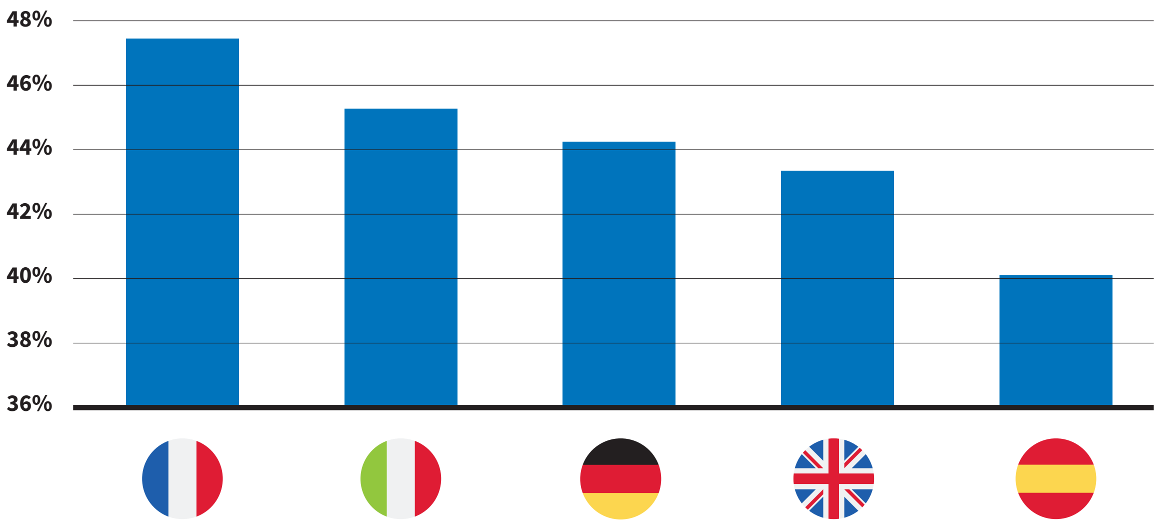
Our research revealed five key areas in which customer expectations exceed what bricks-and-mortar is currently offering

GREATER CONVENIENCE

Time is an extremely valuable currency in the modern world, and this is reflected in the feedback from our study. **Almost half (44%) of the consumers we surveyed want shorter queues in the store** - rising to 47% in France, the highest of all surveyed nations – and **31% will abandon their purchase** if they perceive the queue to be too long.

This fires a real warning shot to retailers about the sales cost of failing to optimise shopper traffic flow at all times. Even when they reach the checkout, there is a demand for a quicker transaction process, **as a third (31%) want faster payment options,** such as contactless card facilities and mobile payments.

In the future, I would like stores to have shorter queues



TRANSPARENT PROPOSITION

One of the challenges retailers face in the digital era is ensuring their proposition is consistent online and offline.

By its nature, ecommerce is much more agile than the store, and with shoppers able to check information on their smartphone at the shelf edge, channel disparities can quickly be identified.

This is reflected in the fact that **36% of the consumers we surveyed want European stores to offer clearer pricing and promotional information.**

Not only that, shoppers want the same clear, structured browsing experience and endless aisle availability they have become accustomed to on the web; **40% get frustrated by poor stock availability, while a quarter (26%) wish that stock was more clearly laid out** – with the UK and Italy most affected at an average of 29%.

BETTER QUALITY OF SERVICE

Bricks-and-mortar's unique advantage over online shopping is its human touch.

The ability to see a product up close and ask an expert more about it should not be underestimated. It's one reason we're seeing pure play brands and retailers like Amazon, Birchbox, Fabletics, Hawkers, Mister Spex and Warby Parker begin to explore physical retail. In fact, analyst Planet Retail has predicted the death of pure play retail as we know it by 2020.

As such, there are great expectations on what store associates can deliver to make offline shopping special. **A quarter (25%) of European consumers want staff to be better skilled**, so they can offer ecommerce-style services such as sharing detailed product information **(15% are actually deterred by store associates with poor product knowledge)**, access to online reviews, and the ability to carry out real-time stock checks if an item is not available at the shelf edge.

The general feedback is that there is work to be done – and that customer service has the power to make or break shopper experiences. There are already a number of retail organisations implementing customer-facing technology such as tablets to enrich the consumer experience, however store associates must be thoroughly trained in order to solve some of the challenges we have previously mentioned.

Poor staff knowledge is not the only issue that shoppers find with customer service; at the other end of the spectrum, sometimes being too eager can prove a deterrent. Our research discovered that **more than a quarter (27%) of consumers will leave the store if they find salespeople too pushy**, save for Germany, where tolerance is slightly higher.

EXPLORATION OVER TRANSACTION

On the subject of pushy salespeople, it is more important than ever for front-line staff to acknowledge bricks-and-mortar's role in an omnichannel customer journey.

Increasingly, retailers are viewing stores as a 'brand engagement vehicle', to drive sales in other channels as well as being a purchasing point. Therefore, consistency is critical to upholding brand identity, and to ensure consumers have a satisfying experience in wherever they choose to shop.

This is reflected in our European research; **a third (32%) of shoppers use the store to browse products** and familiarise themselves with a brand. Meanwhile, **1 in 5 visit physical retail locations to research an item prior to purchase**. That purchase could ultimately be made in-store, but equally it could take place online.

Not enabling consumers to use the store for exploratory purposes, or having major inconsistencies between the online and offline proposition, can devalue a retailer's brand perception, with a long-lasting impact on the retailer/customer relationship.

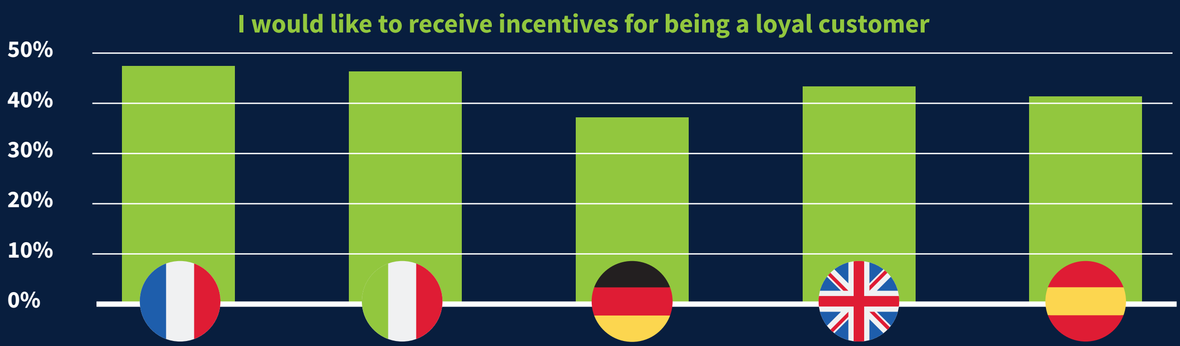
TRANSPARENT PROPOSITION

Personalisation is hugely topical in retail right now, and there is a real disparity between retailers' ability to create customer-centric experiences in the store compared to online.

This is because shoppers generate a 'digital footprint' when they shop through the web, whereas it is much more challenging to track and respond to bricks-and-mortar behaviours. However, this is not something that the consumer acknowledges or cares about.

1 in 5 (17%) of the European shoppers we surveyed expressed an appetite for marketing offers and in-store service tailored around their personal tastes and buying history – although interestingly, responses across markets range from 23% in France to 10% in Germany.

This need for recognition as an individual becomes even greater when they are shopping for their favourite brands; **43% of store visitors want discounts or incentives for being a loyal customer,** but again Germany has a lower appetite for personalisation than other regions, at 37%.



SECTION 2

How do consumer expectations differ across retail sectors?

While many of the challenges we've outlined are applicable to all retail organisations, the truth is that which of these key improvement areas matter most to a retail organisation will depend on who they are as an individual brand.

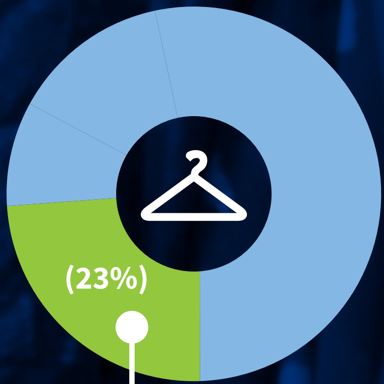
Ultimately, what shoppers want from a store visit will vary hugely according to sector; the expectations placed on a beauty store, for example, are very different to that of a supermarket. Even within sectors there can be major variations, such as expectations of premium versus fast fashion.

In order to help retail organisations prioritise change in their business, we asked European consumers to provide feedback on bricks-and-mortar strengths and weaknesses across **five key sectors:**

1. **Fashion**
2. **Technology**
3. **Department stores**
4. **Beauty and healthcare**
5. **Supermarket and grocery**

Fashion

Key strengths	Biggest weaknesses
Easy to try on items before buying	Unpleasant atmosphere when the store is busy
Enjoyable retail experience	Not always enough changing rooms
Attractive product displays	Over-keen salespeople
Logical store layout	Price can be too high
Quick checkout times	



As we've previously mentioned, the expectations of consumers shopping in a designer clothing store from a fast fashion outlet will be very different, but there are some key trends that are worth noting.

Although generally fashion retail is an enjoyable experience, there are clear frustrations when the store is busy, with factors such as **the number of changing rooms causing problems for a quarter (23%) of consumers.**

Fashion retailers need to develop strategies for improving the atmosphere during peak trading periods. This could mean increasing the staff-to-customer ratio or implementing processes to streamline the shopper journey through the store.

Technology

Key strengths	Biggest weaknesses
Easy to find products	High product prices
Attractive product displays	Stock availability
Logical store layout	Over-keen salespeople
Quick checkout	Irrelevant in-store offers
Enjoyable shopping experience	Long customer service queues

User experience is a major factor in technology purchases, and this spills over into the shopping journey. Quick, convenient access to products is key – and the good news is that logical store layouts and attractive displays make it easy for consumers to locate the items they want.

However, retailers do need to pay attention to what happens if shoppers have a query or problem, especially given the key role of technical expertise in the sales and aftersales process. Over-keen salespeople are a turn off, while **1 in 10 of those we surveyed complained about long queues at customer service points.**

Supermarket and grocery

Key strengths	Biggest weaknesses
Easy to find products	Unpleasant atmosphere when the store is busy
Logical store layout	Checkout assistants too quick
Attractive product displays	Hard to find staff when help needed
Enjoyable shopping experience	Stock availability
Easy to try items before buying	Long queues at the customer service point

Of all the sectors, supermarket and grocery behaves most differently because it plays a more intrinsic role in consumers' daily lives than other store types.

On the whole, the experience is straightforward with logical store layouts and easy to find products increasing the convenience of food and beverage shopping. Although, staff are perhaps a little too efficient when it comes to running those orders through at the checkout, given that 'too quick' transactions were named as a weakness.

However, like with technology stores, there seems to be a sticking point when consumers have a query; **1 in 5 think it's hard to find staff to answer a query, while long customer service queues are also an issue.** As a result, supermarkets and grocery stores would be well advised to measure the quality and depth of service on offer, as well as the speed.

Department stores

Key strengths	Biggest weaknesses
Easy to find products	High product prices
Attractive product displays	Stock availability
Logical store layout	Over-keen salespeople
Quick checkout	Irrelevant in-store offers
Enjoyable shopping experience	Long queues at the customer service point

Given the variety of products on offer in department stores, the fact that store layouts are generally deemed logical and items are easy to find are a big tick in the box. However, department stores need to look at the role store associates play to compliment this layout, as **1 in 10 European consumers complained about over-keen salespeople.**

Department stores should also look at their marketing and loyalty propositions, as irrelevant offers are a key complaint about the current customer experience. Stocking a wide variety of brands and products is naturally going to attract a broader shopper demographic than many other sectors, and therefore it's important for department store managers to capture and analyse data on shopper behaviour, which can then be segmented to increase marketing effectiveness and customer value.

Beauty and healthcare

Key strengths	Biggest weaknesses
Attractive product displays	High product prices
Lots of staff on hand to assist	Over-keen salespeople
Logical store layout	Unpleasant atmosphere when the store is busy
Quick checkout speed	Stock availability
Enjoyable shopping experience	Irrelevant in-store special offers

Shopping for beauty products, especially when exploring a new look or brand, can be quite a time-intensive process, so it is a positive reflection on the sector that the number of staff on-hand to assist is a key strength of this store type. However, as with several other verticals, it is important for associates to toe the line between helpful and over-keen.

One interesting point to note is that irrelevant in-store special offers are a major weakness in the health and beauty proposition, as **1 in 10 believe the promotions they receive are not relevant to them.** Many of these promotions are set by the brand, so it is important that retailers increase communications with these brands to feed back which incentives are working.

SECTION 3

Getting closer to customer expectations: the ‘phygital’ opportunity

We’ve discussed where improvements in the physical retail experience are most needed, and how key sectors should prioritise change to best meet shopper expectations, but how can retail businesses actually deliver the sophisticated service standards their future customers crave?

Technology, is the short answer. Now more than ever, retail stores and shopping centres must seek ways to bring digital into the physical space, to create a richer, more connected customer experience. This is something that is often referred to as the ‘phygital’ opportunity. Blending technology with the store’s human touch is the only way to deliver the omnichannel, ‘best of both worlds’ encounter that shoppers will expect going forward.

However, we all know that budgets are tight, and risks are high; back the wrong solution and retail businesses could end up with a very expensive store feature that nobody actually uses. The challenge is pairing what consumers want from their physical journey with the digital tools they are most ready to embrace.

“THE ABSOLUTE NECESSITY IS FOR PHYSICAL STORES TO CREATE AN EXPERIENCE THAT IS EVERY BIT AS STREAMLINED, WELL-STOCKED, SEAMLESS, EASY TO USE, AND FAST AS WHAT CUSTOMERS HAVE GROWN USED TO ON THE WEB.”

- Forbes

SECTION 4

WHAT TECHNOLOGIES DO SHOPPERS WANT TO SEE IN-STORE?

To fully understand where retailers should be investing for the future, we asked European consumers which technologies they would be willing to embrace to solve some of the frustration we have highlighted.

GREATER CONVENIENCE

Key frustrations:

Queue lengths, checkout speeds

Solution:

In terms of easy to implement changes, the appetite for faster payment methods is high; **a third (31%) of European consumers would like 'tap and go' options such as contactless card payments and Apple Pay.**

However, there are other, more progressive, solutions they would like to see to reduce the need for queueing in the first place. These include a 'scan and shop' mobile app to add items to their basket as they move around the store (requested by 24% of respondents), while **1 in 3 would like an automatic queuing system** that allocates shoppers a place in a virtual queue, so they do not have to stand in line.

TRANSPARENT PROPOSITION

Key frustrations:

Pricing/promotion inconsistencies, stock availability and layout

Solution:

Visibility across channels is very important in this area, as **4 in 10 European shoppers would like the ability to price match in-store.**

However, the concept of transparency stretches far beyond cost for the modern consumer; they want technologies that allow them to discover more about a product at the shelf edge, such as electronic shelf labels (35%) and QR codes (26%). **1 in 3 would like self-service tablets** so they can independently order items that are out of stock.

BETTER QUALITY OF SERVICE

Key frustrations:

Staff knowledge and capability, staff availability

Solution:

There's one straightforward way to immediately improve in-store service in the eyes of European shoppers, and that's putting technology into sales associates' hands.

A quarter (24%) would like to be served by staff equipped with a tablet device, so that they can look up product information and availability, recommend related products, collect and redeem loyalty points, and share feedback such as product reviews and social media comments.

EXPLORATION OVER TRANSACTION

Key frustration:

Not being allowed to just browse

Solution:

Putting this solution under the banner of technology is a slight misnomer, because the main change that retail businesses need to embrace is mindset. Bricks-and-mortar should not be looking at online as a competitor, but as a collaborator. The important thing is that the consumer leaves the store satisfied, even if they are empty handed.

Having said that, our study revealed some interesting technology trends when it comes to exploration in fashion retail. For example, **a quarter (27%) of European consumers would like to use virtual reality changing rooms**, which enable them to try on clothes without physically having to get changed. Additionally, 1 in 10 would like to be able to take photos of themselves using the changing room mirror, and post them to social media networks.

INDIVIDUAL VALUE

Key frustrations:

Lack of personalisation in offers and service, insufficient loyalty rewards

Solution:

Being smarter at communicating offers based on previous buying behaviour is really the key to nurturing and growing long-term customer value. **3 in 10 consumers would like to receive offers to their smartphone** when they are shopping in-store, while a further quarter (26%) would like to receive push notifications as they walk past a store, tempting them in.

The more targeted that proposition, the greater chance retail businesses have of increasing conversions and loyalty. For example, **25% of European shoppers would visit a store more often if they were offered an exclusive incentive**, such as access to a preview collection or product launch, and a quarter (28%) would spend more as a result.

Bricks-and-mortar's biggest challenge is not just to use technology to bring more data-driven insights into the physical retail environment, but to combine statistical knowledge with human warmth to make stores and shopping centres truly unique, fulfilling touchpoints.

"DATA-BASED PERSONALISATION IS ONE THING, BUT PERSONAL SERVICE CAN MAKE ALL THE DIFFERENCE.

A NEW WAVE OF BUSINESSES ARE EMERGING, ONES WHICH OFFER PERSONALISED ADVICE AND SUPPORT AS PART OF A PURCHASE."

– Deloitte

SECTION 5

Know your audience

Of course, these technology trends are based on a sample size of equal age, gender and country location in the five markets we surveyed. In truth, retail organisations tend to find their core audience much more targeted, and therefore the tech they are most willing to embrace may vary.

Our study found some interesting demographic variations across Europe. For instance, older shoppers are much more interested in technology that allows them to shop independently. **55% of those aged 59+ would like self-checkout options,** compared to 45% of under 29s. Meanwhile 48% would like self-service information kiosks, compared to 34% of 30-44 year olds and 30% of those aged 16-29.

Unsurprisingly, mobile opportunities resonated more highly with younger shoppers, but in different ways. 16-29 year olds were the age group most interested in smartphone scan and shop capabilities, while those aged 30-44 were most receptive to special offer push notifications as they walk past a store.

Therefore, in order to truly understand where to direct their digital investment, retail businesses must have a thorough understanding of their bricks-and-mortar visitors – not just those who convert, but those who enter the store and leave empty handed, too.

Retail intelligence analytics should be at the top of all retailer and shopping centre investment lists. **Shopper analysis is the foundation of retail innovation, influencing not only which technologies work best, but how and where they should be deployed for the greatest ROI.**

SECTION 6

Four principles for creating a store for the future

1. **Understand who your customer is, and where they are right now.** Taking the temperature on your current store or shopping centre estate is vital in order to analyse where the weak points lie in the current customer experience, and where innovation is needed

2. **Listen to what shoppers want from their physical retail experiences.** As our sector breakdown shows, it's important to appreciate what shoppers specifically want from your business, so you can build a strategy around their desires

3. **Prioritise change.** Our analysis shows that there are many sophisticated pieces of next generation technology out there - from scan and shop mobile applications to virtual reality changing rooms – that shoppers would love to use, but most retailers simply do not have the budget or resources to implement them all. Therefore, prioritise which technologies you want to introduce, and spend time making sure they are working successfully and driving more profitable customer engagement before moving on to the next set piece of tech

4. **Never rest on your laurels.** Change is the only constant in retail, and that means businesses have to make a concerted effort to keep up with consumer behaviour. Ultimately, driving revenue and lifetime value rests on understanding each shopper in granular detail, and working out the best technology to serve their needs, in order to create fantastic customer experiences

About ShopperTrak

ShopperTrak is the leading global provider of location-based analytics, offering insights into consumer behaviour to improve profitability and effectiveness. Through the use of analytics, ShopperTrak enables clients to better understand their customers, enhance the shopping experience, and ultimately increase traffic, conversion and transaction size.

ShopperTrak is now part of Tyco Retail Solutions, the leader in retail performance and security solutions.

Find out more at www.shoppertrak.com.

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