

THE EVOLUTION OF RETAIL ENVIRONMENTS, PART TWO



The Experience Factor

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As brands and retailers work to elevate the in-store experience, marketers must raise the bar for the future.

By Michael Applebaum

What do a beverage company, fashion retailer and technology service provider all have in common? Each one increasingly views the physical retail environment through the lens of a successful shopper experience. And while marketers for those companies agree on the importance of delivering a positive experience as one of the few remaining differentiators (if not the only one) for brick-and-mortar stores, exactly what those experiences look like and the role they play for retailers may be vastly different in each case.

For Coca-Cola, creating retail experiences is about providing shoppers with “points of inspiration” that help bring marketing solutions to life, says April Carlisle, vice president of shopper marketing, Coca-Cola Co. “More than ever, shopping needs can be fulfilled without leaving one’s home. This means that shopper’s expectations for the retail experience in-store are heightened to make the trip to the store a value proposition.”

Consumer packaged goods companies such as Coca-Cola are hoping to elevate the in-store experience as a way to energize retail traffic at a time of surging online sales. E-commerce sales of CPG products jumped 16% last year to about \$453 billion, according to Statista.com. By 2025, the online grocery market is predicted to reach \$100 billion and capture one-fifth of total U.S. grocery retail sales, based on a study by Nielsen for the Food Marketing Institute.

Michael Rudolph, senior brand manager for Stella Artois, Anheuser-Busch, says that while beer, wine and spirits marketers can count on the majority of sales coming from retail stores, it is growing more difficult to gain shoppers’ attention in a way that adds clear value to the physical experience. “Today’s shoppers are distracted constantly,” he says. “You want to disrupt them at very specific locations inside the store without taking too much time away from their mission. Any experience that you create has to clearly tie in with your overall campaign or message.”

For Stella Artois, that includes enticing shoppers to participate in a charitable tie-in (for example, the brand donates water to developing countries based on sales of a limited-edition Chalice as part of a clean water campaign) as well as educating shoppers about food pairings through sampling events. As consumers continue to trade up across all beverage categories, their standards and expectations for an experience will only become higher, says Rudolph. “We have to deliver on our brand promise in every way, including the shopper experience.”

Defining Experience

According to industry observers, marketers are not thinking holistically enough about the definition of an experience. Retailers tend to compartmentalize factors such as customer service, merchandising and store layout/design, and when improvements are made in any of those areas, the company mistakenly touts a better overall customer experience, says Doug Stephens, marketing consultant and author of “Reengineering Retail: The Future of Selling in a Post Digital World.”

Stephens argues that a “true” customer experience overhaul means deconstructing the entire

customer journey into its smallest component parts and then reengineering each component to look, feel and operate differently than before. “The customer experience is a unique alchemy of organizational culture, design and staging that is very difficult to replicate,” he says. “Consider how long companies like Microsoft have been trying, unsuccessfully, to replicate the Apple experience.”

Curt Munk, SVP, group strategic planning director, FCB/RED, agrees. “True experiences are designed and are intentional, not cobbled together in hopes of improving satisfaction scores. It should be thought of as an entire experience redesign, not a tweak of materials.”

Comcast knows this well. Over the past year, the company has put considerable resources into transforming some 250 customer service centers across the U.S. into true retail experiences. Comcast spent months studying consumer preferences in the category and making plans to reimagine the space in support of its Xfinity Mobile brand. The goal was to help transition shoppers from a transactional mission (e.g., returning or servicing equipment) to a more open and welcoming environment where customers could interact with a variety of products and test out TV, cell phone, internet and Wi-Fi service features. The new design includes lighter (“residential”) wood flooring, large (signage-free) windows, bright lights and community tables where customers can recharge devices and conduct informal business meetings.

“We wanted to create a warm and inviting atmosphere where customers could touch and feel the products, but also build a sense of community around our lifestyle Xfinity brand for which it is no longer a quick trip in and out of the store,” says John Giacomazzi, vice president of retail merchandising and design, Comcast.

Having previously held marketing roles at Sephora and a variety of other fashion and consumer products brands, Giacomazzi says that the value of this kind of holistic customer experience extends to virtually every product category. “I would advise every marketer to go back to the drawing board, look at their product assortment and determine what is the best way to bring that category to life,” he says. “It is important not to try to force an experience. It has to be meaningful.”

For grocery/CPG brands in commoditized categories that may not lend themselves to an experience, it is especially critical to collaborate with marketing and merchandising teams and figure out ways to become an integral part of that retailer’s experience, says Tina Manikas, president of FCB/RED. “An engaging experience can drive traffic to the center-store or other areas that have been neglected. If executed well, it can generate repeat visits and build loyalty over the longer term.”

Adds Munk: “Marketers today need to think of shopping in terms of occasions and moments. If I am a shopper at a Whole Foods and I see their new wine bar, the next time I need to buy wine I am more likely to think of Whole Foods because they provide a wine experience in addition to the wine itself. That’s an occasion and a new purchase moment that didn’t exist before.”



Style influencer Sheree Frede (@SheSheShow), above, highlights her favorite pieces from Chico’s spring collection at an in-store event in Woodlands, Texas. At left, Deborah Boland, a former TV personality turned fashion influencer, presents style tips to guests at a Chico’s in Burlington, Ontario.



Measuring Success

The intensely competitive retail landscape is putting even more onus on marketers to develop ideas for experiences that can be differentiated by individual retailers and from other brands in the category – and, of course, deliver their target objectives. “We’re looking at traditional metrics around displays and incremental sales, but we’re also doing a lot of social listening to see how the experience is being amplified,” says Rudolph. “The program has to have enough different levers that you can change. If a consumer were to shop at seven different grocery stores in California in a three-month period, every time they engage in a Stella experience it is a little bit different, but it’s still consistent with the overall campaign idea.”

Shelagh Stoneham, senior vice president of marketing at women’s apparel retailer Chico’s, says that the key to a successful experience is “doing your homework” and understanding what success looks like at the outset. “For our in-store styling events, we do a lot of research in order to identify the right influencer, market and store location to support the program,” she says. “We’re seeing traffic and sales lifts immediately following

the events, as well as increased engagement on social media. We’re also strengthening relationships with customers and adding new customers through our loyalty program by providing an experience they cannot find anywhere else.”

A recent event at a Chico’s location in Atlanta featured a personal appearance and styling tips from *O, The Oprah Magazine* creative director Adam Glassman. Stoneham describes the event as a “party,” complete with hors d’oeuvres, a DJ and social media influencers outfitted in clothes from the store. A serious note was also struck through a philanthropic tie-in with Habitat for Humanity. “Every aspect of the event was planned down to the last detail,” notes Stoneham. “We had nine times more new customers than expected and twice the social media impressions we were counting on.”

Improvements in customer experience have been proven to result in higher average customer transaction values, according to research tools like the Forrester Customer Experience Index, as well as increased trip frequency. “Ultimately, we all look for a return on investment that can come in many forms from traditional metrics, including sales, trial rates and basket size,” says Carlisle.

Coca-Cola has been able to customize experiences using attribution measurement techniques that allow marketers to connect out-of-home experiences with in-store sales down to the individual level. “We can move from experiences that benefit the masses, such as in-store sampling, to experiences that benefit the individual shopper, such as targeted sampling during click and collect order pick-up,” explains Carlisle. “This enables us to truly partner with our retailers to deliver shopping experiences that truly feel personalized and valued by the shopper.”

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Michael Rudolph, Stella Artois

Experiences of the Future

Imagine a retail future in which the experience itself becomes the product, a trend so powerful that stores like the ever-changing Story in New York City, which former Home Depot CMO Trish Muller described as “ephemeral retail – the concept of product as content,” become the norm. That’s a future envisioned by independent thinkers including Stephens, who expects the quality of experiences to rise to the point where retailers can charge for admission. For example, U.S. retailers could follow the model of European retailers like Gucci, which recently unveiled a multilevel galleria called Gucci Garden in Florence, Italy. For Gucci customers, entry to the main floor is free but access to the second and third floors, which include a museum and a cafe, costs 8 euros.

In such an environment, Stephens believes, brands will also pay retailers (in the form of a “media fee”) to be a part of the experiences that retailers create. “In essence, physical stores will become powerful media channels where brands can garner valuable and measurable media impressions,” he says. “In a world where attention and engagement becomes evermore fleeting and elusive, brands will willingly pay great merchants who are able to design and curate remarkable experiences. These retailers will care less about where the customer actually buys the product and much more about delivering a truly outstand-

ing experience that catalyzes a relationship between the consumer and the brand.”

Some CPG brands are already pushing the boundaries on what retail experiences of the future might look like. Kellogg has revitalized the on-premise concept of its NYC store at a new 5,000 square-foot space in Union Square, while Hershey says its store-within-a-store concept at 20 locations across three national retailers boosted aisle visits and buys by four percentage points while cutting product search time in half. Of course, none of these moves exists in a vacuum. In Hershey’s second annual grocery report, “The Power of Search in a Shopper’s World,” the company highlighted efforts to integrate its e-commerce strategy with personalized experiences at retail stores, noting that a seamless transition between all platforms prompted consumers to spend six times more.

“Retailers more than ever are looking for ways to drive trips and loyalty to their stores by offering unique products, services and branded experiences,” says Carlisle. “By leveraging their branded touchpoints as media touchpoints for brands, they look to create unique experiences for shoppers. A retailer’s expectations grow in parallel with its investment and development in true insight-driven programs that go beyond price and pack promotions. When we can jointly measure an equity and category/sales lift with an agreed upon ROI, we all can win.” SM



Hershey has tested a “Candy Experience” concept in a Winn-Dixie (Southeastern Grocers) store, pictured, and multiple Cub Foods (Supervalu Inc.) locations.

KEYS TO A SUCCESSFUL EXPERIENCE

Make it unique.

“Our in-store events are powerful ways for us to connect with our customers and for them to connect with each other. We provide a gathering place where like-minded customers can be inspired by fashion influencers and have an experience that they wouldn’t find anywhere else.”

Shelagh Stoneham, Chico’s

Build ownable elements for individual retailers.

“We seek to co-create experience platforms with our retailers in ways that are truly differentiated. When we focus on a key retailer opportunity, such as driving afternoon day part trips through Coke Happy Hour programs, we can leverage existing platforms in new and different ways.”

April Carlisle, Coca-Cola

Put more resources behind the activation.

“As our programs have become more interesting and complex, we found that we needed to add more bodies in the field. We’ve created one-pagers for our field teams to simplify the execution with five keys to success so they can literally check off boxes as they go.”

Michael Rudolph, Stella Artois

Create a lasting impression.

“Experiential marketing is not the same thing as experiential retailing. The former is usually a short-term activation that’s designed to garner attention. The latter is a rigorous and ongoing curation of people, place, technology and design that creates a distinctly different buying experience.”

Doug Stephens, consultant and author

Keep it authentic and real.

“When we set out to convert our customer services centers into a true retail environment, we went back to the drawing board and made sure we knew exactly what customers were hoping to get out of the in-store experience.”

John Giacomazzi, Comcast (Xfinity)

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FCB/RED is an award-winning, top-ranked retail agency specializing in shopper marketing, brand engagement, environmental design and digital to physical commerce. The agency exists to improve the lives of shoppers. From innovation to implementation, FCB/RED provides strategic perspective and 360° tactical breadth to ignite the shopper experience. In 2017, FCB/RED acquired top-ranked environmental design firm Chute Gerdeman. Together they offer world-class, seamless solutions that holistically address the needs and desires of today’s in-control, omnichannel shopper in 80+ markets. Visit them at fcbred.com and chutegerdeman.com.