

POINT OF VIEW

5 Requirements for Successful In-Store Digital Experiences.

For many retailers, the future hinges on successfully transforming stores through digital experiences. Increased technology investment alone, however, will not guarantee success.



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In summary.

- 1** Shoppers' expectations from online and offline experiences are converging. And, with most shopper journeys beginning online, **digital is now the front door to the retail store.**
- 2** Retailers are investing heavily in transforming retail stores via in-store digital investments. Often, their **future viability relies on the success of these initiatives.**
- 3** **Fusing digital within their stores is a foreign muscle movement** for most legacy retail organizations. Success, therefore, isn't as simple as putting more technology into stores.

Retailers must retain sharp focus on 5 key imperatives that will enable them to translate intent into ability:



Redefine

the value of their stores, and judge in-store digital initiatives accordingly.



Focus

on what matters most to their shoppers and avoid a me-too strategy.



Redesign

processes to align with digital experiences.



Empower

store teams with the right tools, training and incentives.



Consistently

execute digital experiences at scale.

Digital is the front-door to the store.

Digital influences more than 75% of retail store visits today, and is projected to impact 58% of all retail sales by 2019.

As consumers' online and offline journeys blur together, they expect "digital level" convenience and empowerment, if not more, from their in-store experiences.

Recognizing the opportunity, retailers and brands are focusing on more tightly integrating their online and offline experiences via digital investments in the store.



75%

of consumers expect a consistent experience wherever they engage - social networks, in-person, online or via mobile.



60%

of retailers plan to add in-store customer facing technology experiences in their stores by 2019.



87%

of consumers think brands need to do more to provide seamless experiences.



Personalization, providing more accurate inventory visibility and delivering a richer customer loyalty experience are the top 3 strategic priorities of retailers to drive the store experience in 2019.



But, fusing the physical and the digital is easier said than done.

Building in-store digital experiences that work at scale requires fortitude, foresight and focus. Be it traditional brick and mortar retailers or digitally native brands, simply sticking technology in a store just does not work.

Digital investments in the store alone do not guarantee success.

TEAVANA[®]

Starbucks could not parlay its leadership in in-store digital experiences to Teavana, shuttering all 379 stores by spring 2018.

sears[®]

Without associated investments in store design and associate training, **Sears'** in-store digital investments failed to prevent its steep decline.

PIRCH[®]

Pirch - an innovative try-before-you-buy appliance showroom - cited operational scaling challenges as it closed most of its stores.

Walmart 

Walmart abandoned its cashierless checkout "Scan & Go" experience after its pilot revealed low customer participation and high friction.

The digital transformation journey of the store is likely to create a range of challenges - from inadequate training of store associates to difficulties in measuring the return on investment. To succeed, retailers and brands need to look beyond the bells and whistles of the latest technology, and focus on 5 key imperatives that reduce the risk of failure.



5 Requirements for Successful In-Store Digital Experiences.

1. Be Clear on Why.

Change how you value stores, and redefine how the success of in-store digital experiences is measured.

In-store digital investments are often prioritized based on a traditional definition of success - an increase in same-store sales, impact on store revenue or profit. Yet, as stores and digital sales increasingly influence each other, retailers and brands are experimenting with new types of stores (and new ways to measure success).

5 emerging economic models for stores



Showrooms & Service Hubs

Small store footprint differentiated by new digital service experiences, limited yet curated inventory, and highly trained staff.



Self-Driven Experiences

Fast and efficient store experiences driven by efficient infrastructure and digital capabilities.



Shared Experiences

Interactive store concepts bringing together communities of shoppers through experiences beyond the core of product.



Marketplaces & Platforms

Store experiences focused on redefining the value of the store, often through synergistic partnerships or retail-as-services model.



Immersive Storytellers

Store concepts that drive authentic brand storytelling through digital physical fusion.

Success Imperative: Invest in in-store digital experiences that match the strategic intent of the store. Define how you will measure the success of these investments through nuanced metrics that match that stated intent.

What leaders do.

BE CLEAR ON WHY

Showrooms & Service Hubs



PetCoach (acquired by Petco) - an online veterinary platform - launched a small store focused on curated assortment and services for personalised pet needs.

Self-Driven Experiences



Walmart is installing pick-up towers across 700 stores to allow shoppers to complete online order store pick-up on their own. They are further trialling using the same towers to accept in-store returns for online orders.

Shared Experiences



Hub Seventeen is a 3,500 square foot space dedicated to community, located underground at the Lululemon Flatiron store in NYC. Lululemon calls it a "gift to New York City".

Marketplaces & Platforms



Story (acquired by Macy's) is focused on constant freshness of assortment and experience through synergistic partnership with brands.

Immersive Storytellers



Sonos' flagship stores include "pods" designed to mimic its shoppers' listening environment at home - a living room or a book nook - allowing them to experience, not imagine, the quality of Sonos' speakers.



2. Focus on key shopper imperatives.

Avoid falling into the me-too trap. Focus on what matters most to your customers.

As retailers redefine the value of the store, they should avoid chasing competitive parity for in-store digital initiatives. Instead, they should focus on understanding what matters most to their shoppers and invest in digital in-store initiatives accordingly. Based on the analysis of 6,500 US shoppers and high-performing in-store digital experiences, there are **8 distinct shopper imperatives**.



Efficiency

Save me time by reducing friction across the customer experience - from research to checkout to fulfillment.



Transparency

Be more open with me - about what's in my product to how it was made to where my order is to why it is priced as such.



Seamlessness

Embrace my platforms of choice and be where I am - on social media, delivery services or marketplaces.



Empowerment

Let me manage my relationship and interactions with you at my pace, my time.



Immersion

Entertain me. Engage all my senses to create a more emotional bond with your brand.



Curation

Learn from my engagement with you to personalize the experience to better suit my needs.



Expression

Stand for the values that matter to me. Help me stand out in the sea of sameness.



Belonging

Help connect and surround me with other like-minded people.

Success Imperative: Use customer insight to identify the imperatives that matter most to your shoppers. Prioritize investment in digital in-store initiatives that eliminate friction from related in-store customer journeys.

What leaders do.

FOCUS ON SHOPPER IMPERATIVES

Efficiency



Kroger's grocery pickup service allows shoppers to shop from their website and choose a time-window for pick-up up to 3 days in advance.

Transparency



Everlane provides customers with radical pricing and sourcing transparency, including detailing its costs and mark-up.

Seamlessness



Pandora offers shoppers an intelligent chatbot that can help them easily find new products, or match recommendations based on a product image they provide.

Empowerment



Panera Bread's self-service kiosks allow guests to customize their order, access their loyalty program benefits and apply personalized promotions to their order.

Immersion



Missguided offers open layout digitally immersive store experiences with real time social media feeds running product reviews and ratings from influencers.

Curation



Fleet Feet stores provide customers with personalised recommendations based on their goals, foot size and running habits.

Expression



St Ives Mixing Bar is a traveling pop-up concept that allows shoppers to create their own products made with 100% natural ingredients.

Belonging



North Market combines the experience of a grocery store with a clinic space for health services providing shoppers a more holistic wellness experience.



3. Build operational readiness.

Redesign processes to align with digital experiences.

In-store digital initiatives are not just about adding technology. They require a fundamental change in business processes, capabilities and organizational culture.



Change Management

What changes are needed to our processes and organization? E.g.:

- ✓ Add additional process steps in store fulfilment SOP for curbside pickup, return of online orders, etc.
- ✓ Re-align store and digital teams' KPIs to be focused on the global maxima.



New Capabilities

What new capabilities are critical to deliver on digital in-store experiences? E.g.:

- ✓ Access enterprise-wide inventory to fulfill in-store orders that include items that are out-of-stock at the store.
- ✓ Access a customer's order history, current online cart, wishlists and other profile data to personalize interactions in-store.



Store Redesign

How does the store design and layout need to evolve? E.g.:

- ✓ Dedicate more space to omni channel fulfilment such as pickup towers, online return counters, etc.
- ✓ Add new customer facing technologies such as digital kiosks, smart dressing rooms, etc.

Success Imperative: The impact of adding or upgrading digital experiences on the current state should be managed through necessary redesign or upgrade of workflows, capabilities and store layout. This should be coupled with targeted change management initiatives to ensure a smooth transition.

What leaders do.

Change Management



Starbucks learnt from its initial lack of preparedness when launching mobile order-ahead, and strengthened operational processes to make the order-ahead customer experience more efficient, seamless and consistent.

New Capabilities



To ensure digital orders receive the same McDonald's speed-of-service and quality that in-restaurant diners enjoy, **McDonald's** devised a user experience (through geofencing) that only puts an online-order through to the kitchen after the guest arrives at the restaurant.

Store Redesign



DSW is re-imagining its stores for the digital age. At its concept Polaris store in Columbus, OH, it has dedicated more space to services (such as a W Nail Bar), built a flexible layout that can be refreshed frequently, and reduced the amount of fixed space dedicated to displaying inventory.



4. Empower the workforce.

Ensure store teams are adequately trained and prepared.

An amazing customer experience cannot be built on top of a miserable associate experience. As new in-store digital initiatives create a greater volume, variety and velocity of tasks for store teams, it is critical retailers provide them the right tools, training and incentives to be able to deliver.



What tools and technologies do store teams need to support in-store digital experiences? E.g.:

- ✓ Mobile-enabled, easy-to-use store systems with consumer-grade UI.
- ✓ Mobile devices to fulfil BOPIS orders, curbside delivery, mobile checkouts, etc.
- ✓ Mobile applications to manage schedule and payrolls on the fly.



How can we train store associates and managers to be more effective and efficient? E.g.:

- ✓ Ergonomics training for store associates to use in-store technology more effectively without creating a barrier with customers.
- ✓ Instituting technology use and soft-skills training with each digital initiative launch across stores.



How do our incentive programs need to evolve for store teams in the digital age? E.g.:

- ✓ Additional payroll hours for fulfilling BOPIS, online, curbside, etc. orders at the store.
- ✓ Include customer feedback or rating as part of incentive plan for store associates.

Success Imperative: Invest in empowering the store associates with adequate tools, technology and incentives to deliver on the promise of the digital in-store experience.

What leaders do.

EMPOWER THE WORKFORCE

Tools



Dixons Carphone, a mobile electronics retailer, developed a tablet-based assisted selling and CRM application, PinPoint, to arm its associates with tools to help customers select the best mobile device and data service plan based on their needs.

Training



Starbucks uses its flagship Roastery & Reserve store in Seattle to train Baristas on the process of brewing its signature blends. Adopting a train-the-trainer approach, it further empowers the Baristas to train partners (what Starbucks calls its store associates) in their local markets.

Incentives



Costco has always been employee-centric - offering one of the highest average hourly wages even at the height of the economic recession. It has since added stock benefits, health coverage and paid leave to its benefits program for store associates. All this translates to single digit attrition, compared to an industry average 66%.



5. Don't just make the promise; keep it.

Deliver a consistently awesome experience at scale.

What's worse than no WiFi? Bad WiFi. The same applies to any in-store digital experience - be it self checkout, interactive displays or kiosks. If these experiences suffer from poor performance or inconsistency, they will serve to raise customer expectations first, and then fail them. Worse, if critical experiences such as payment or checkout are impacted, the only thing customers will leave the store with is a bad experience.



Ability to build and manage consistent experiences across digital business formats.

- ✓ Can I scale digital store experiences across all stores and formats?
- ✓ Can I deliver consistent experiences across a variety of scenarios during peak store traffic?



Ensuring safety of information and resilience of infrastructure across digital experiences.

- ✓ Can I ensure safety of customer and business data from data breaches?
- ✓ Can I enable quick and secure integration with third-parties (such as delivery partners)?



Managing new technology and upgrades quickly with limited impact on current state.

- ✓ Can I quickly integrate new in-store technology experiences?
- ✓ Can I ensure real-time update of information to systems?
- ✓ Can I prioritize experience priority based on business or customer need?

Success Imperative: Invest in technology infrastructure that ensures digital experiences can be scaled consistently across channels. The infrastructure should be easy to integrate with new technologies, flexible, frequently updated and secure.

What leaders do.

KEEP THE PROMISE

Scalable



McDonald's UK was able to scale the deployment of digital ordering kiosks and cashless payment solutions to 1400 restaurants in the UK by upgrading to a SD-WAN network infrastructure solution.

Secure



Aldo is upgrading to a cloud based cognitive automation solution to ensure consistent execution of digital experiences and reducing operational risks.

Flexible



Forever 21 could quickly integrate with a third party visual search service to deliver AI based visual search capability to customers.



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