

# Five Steps

## Toward Reimagining The Physical Store



Extending Endless Aisle Benefits To Create  
A Truly Connected Selling Space



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## Introduction

Despite the many changes that have rocked retailing in recent years, the majority of consumers still do their shopping in-store. As many as 90% of all U.S. retail sales currently are completed in brick-and-mortar stores, according to A.T. Kearney in the *Omnichannel Shopping Preferences Study*. Shoppers continue to visit stores for the same reasons they always have: to find the products they need or want; to be inspired and informed; and to make purchases.

What has changed is the increasing number of interactions that now take place outside the physical store environment — before, after or even during the customer’s shopping trip. For example, much of the browsing or research that used to take place in the physical space now occurs in cyberspace: “More than half of consumers now research their retail purchases online, making purely in-store purchase decisions the shrinking minority,” stated a December 2014 McKinsey & Co. report titled *Making Stores Matter in a Multichannel World*.

When consumers do visit stores, they now want assurances that the products they have researched will be there — or at the very least will be available in a relatively short period of time. This fact alone opens the door to retailers capable of offering “endless aisle” options, which reveal their full inventories via in-store and mobile technologies. Research indicates that if a customer desires a specific product enough to spend time researching it online, she will be willing to wait for it to be shipped — even if it is not currently in stock at the store she is visiting.

According to the *2014 Motorola Solutions Shopping Study*, based on surveys of 1,371 North American shoppers and 462 store associates and managers, 67.3% of shoppers would be satisfied if the store could arrange home delivery for an out-of-stock item. An even higher percentage, 71.3%, would accept a promotional offer to return to the store when the item comes in. (See sidebar: “New Pickup and Delivery Options Improve Customer Service”)

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**67.3% of shoppers would be satisfied if the store could arrange home delivery for an out-of-stock item.**

- 2014 Motorola Solutions Shopping Study

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Many retailers that have experienced the impact of omnichannel technology, including the highly disruptive effects of mobile devices, have already taken advantage of these types of opportunities. Their big challenge now is to make physical stores into vibrant, highly connected “players” in the consumer’s radically reshaped shopping journey.

There are numerous tools capable of leveraging endless aisle to bridge the gaps between channels while creating a unique, highly customer-oriented store environment. This report will explore five key dimensions of reimagined physical stores:

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### One

Blending the physical and digital worlds

### Two

Digitally extending the store’s shelf space

### Three

Saving the sale with endless aisle solutions

### Four

Maintaining brand consistency across channels

### Five

Optimizing product merchandising using shopper data

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# One

## Blending Physical With Digital

Consumers already have taken the lead for this dimension of reimagining the store. The ubiquity of smartphones means shoppers have a digital experience at their fingertips while in the store. The Motorola survey indicated that 61% of shoppers use smartphones, and that the vast majority, 85%, use them for shopping-related activities. These already high numbers are likely to grow even further: Smartphone usage for shopping-related activities is higher among Gen X (73%) and Gen Y (81%) shoppers than it is for baby boomers (55%). Only the pre-boomer generation's smartphone usage is below 50%, at 36%.

What kinds of tasks are shoppers using their smartphones to accomplish in stores? According to the survey, approximately half are using their devices to check for sales, specials or coupons, or are browsing an online website for products (50.4% and 49.8%, respectively). A large group of smartphone-wielding shoppers, 44.7%, are using mobile coupons sent to their devices as either text or email messages, and 40.7% are comparison shopping and/or looking for competitive pricing information.

These figures indicate shoppers' desire to replicate the convenience, deals, and rich product and pricing information available online during store visits. Retailers can take the opportunity to provide these elements via increasingly sophisticated in-store technologies, such as interactive digital signage and electronic shelf display units. These technologies provide an additional point of contact for the growing cohort of in-store smartphone users; and they offer key online-style benefits to shoppers who do not currently use their phones in the store.

In-store technologies can be used strategically. "Content, promotions and pricing strategies can now be based on unique business goals, as well as consumer demands," stated a 2014 white paper titled *Keeping Up With A Competitive (Shelf) Edge: Digital Signs And Labels*. "Prices, promotions, markdowns and merchandise displays can change on a dime across all stores, and associates can focus their time and energy on more important, customer-facing tasks."

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- 2014 Motorola Solutions Shopping Study

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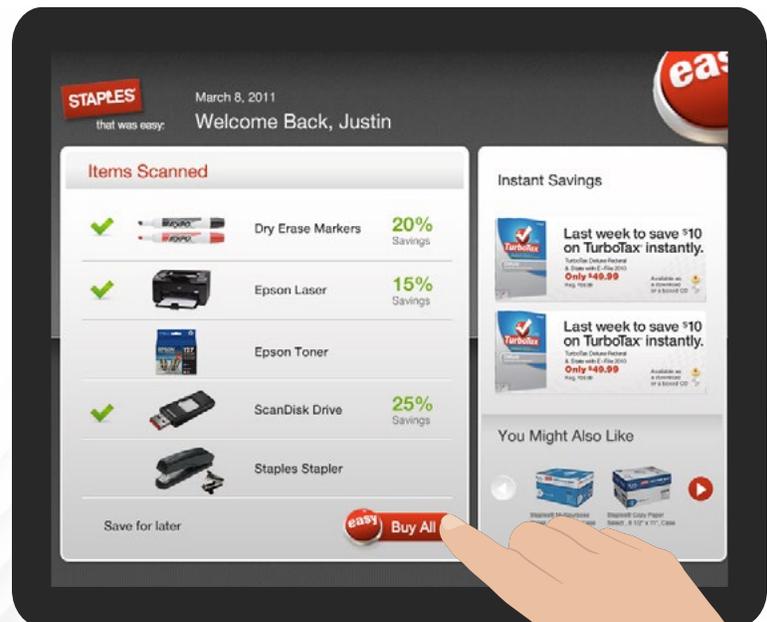
In addition, retailers have new opportunities to reach these “smart” shoppers with targeted messages. For example, beacons using Bluetooth Low Energy technology can sense when consumers who have opted in are near shelves containing key products, and store staff can program marketing systems to push alerts or text messages to these shoppers. In this way, brick-and-mortar retailers can replicate the responsiveness (and data capture) inherent in e-Commerce experiences.

Equipping store associates with handheld devices via an in-store mobile platform is becoming a popular way of improving customer service and learning more about customers. Such data gathering has the potential to become more automated, and thus more scalable, with the advent of the Internet of Things (IoT). As everyday objects — including smartphones, wearables, and home environment and security controls — get smarter and more connected, a store’s mobile technology can become the vehicle for gathering valuable information about customer behavior and preferences.

Combining this information with other enterprise data sources, such as customer data and purchase histories contained in loyalty programs — and presenting it to associates in easy, actionable formats — gives retailers the ability to deliver one-to-one experiences for store shoppers while also enabling more efficient operations.

Retailers that are not ready to undertake this level of investment can easily implement and maintain simpler solutions capable of bridging the digital and physical environments. In-store kiosks, for example, allow shoppers to research and order products. These self-service kiosks could also incorporate other technologies, such as beacons or NFC-enabled payments, that help create more personalized and seamless experiences for shoppers.

**Staples** is just one of many retailers using such a solution. The retailer recently reported that its kiosks contributed to double-digit sales growth in stores where they were deployed, according to a September 2014 article in *Integrated Solutions for Retailers*. And retailers that track activity at these kiosks also can learn more about what shoppers are seeking — and in some cases, not finding — in their stores.



## Two

# Digitally Extending Stores' Shelf Space

Kiosks and other touch-screen technologies are proven tools for displaying a retailer's entire inventory to shoppers without the expense of maintaining every SKU of inventory at multiple store locations. A dramatic example of this is the recent move by online shoe retailer **Zappos** to deploy kiosks in partner retail locations (as well as at pop-up Zappos stores), offering same-day shipping. If a particular style, color or size is not in stock, customers can scan a barcode on these kiosks to have the appropriate product shipped to their home.

According to a November 2014 *VentureBeat* article, "Zappos is hoping to create a symbiotic network of small retailers that act as 'shipping nodes' to the big online retailer (i.e., supplier). The online retailer gets local 'reach' in terms of personalized service, product curation and order fulfillment. In return, the small



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retailer gets access to a broader inventory base and is able to close more sales as a result.” In addition, customer connections in physical stores will provide Zappos with shopping behavior data that it would be unable to learn from its website alone.

Endless aisle solutions can now leverage a wide range of touch screens and other interactive technologies, including digital signage capable of displaying rich video and audio content. These screens are available in multiple sizes and configurations, and are compact enough to be placed on counters as well as on store shelves and endcaps. Store employees can program them to display the various colors that an item comes in, as well as products that shoppers frequently purchase in combination with those on the shelf, creating save-the-sale, cross-sell and upsell opportunities for retailers.

For example, if a shopper is able to view an entire outfit that can be worn along with the blouse she has selected, she is more likely to purchase some of the associated items. Similarly, a consumer may not have considered the barbecue tools, grill cover and other outdoor cooking products that will make the overall gas grill purchase complete. Interactive digital screen solutions help shoppers feel confident in making choices for accessories and other items that will complement a single purchase.

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# Three

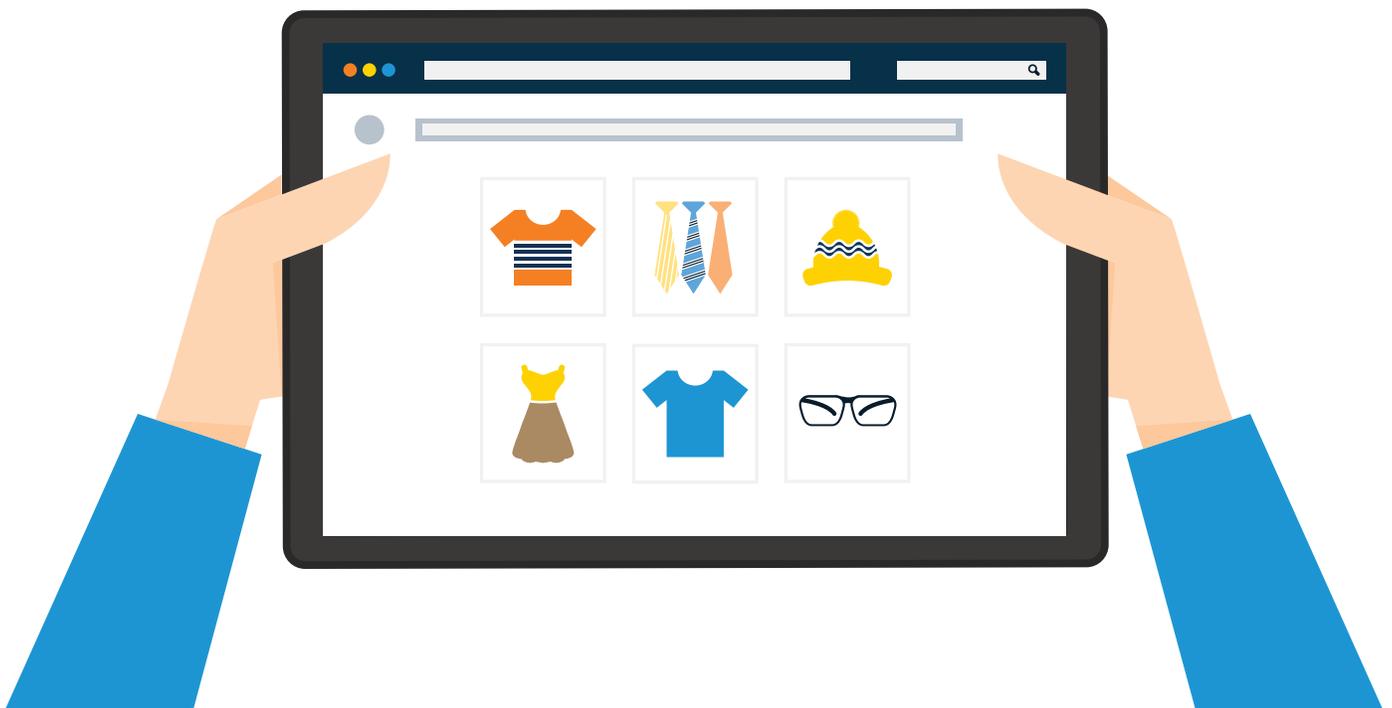
## Saving The Sale Via Endless Aisle Solutions

As noted above, kiosks and other self-service devices are useful tools for displaying a retailer's complete inventory to customers, creating the endless aisle that helps solve the long-running industry challenge presented by out-of-stocks and the inherent limitations of physical shelf space.

**Foot Locker** takes a holistic approach to its save-the-sale efforts, making its "entire inventory available to our customers and our stores," as CEO Ken C. Hicks told *Retail TouchPoints* in August 2014. He explained: "A customer may come into one of our Foot Locker stores looking for a particular Jordan basketball shoe in a size 12. If we don't have that size or color in the store, an associate can look on the register or their mobile

device to find a Foot Locker store nearby where the customer can go and pick up the shoe right away. Or the customer can order the shoe they want in the store and have it shipped to either their home or to the store so they can pick it up later."

This tactic also provides value by offering a view of a product's color or style choices. Retailers could, for example, stock a sweater in one color while displaying other options on a digital screen. This allows shoppers to touch and feel the product while accessing information on other available color or style choices. Then shoppers can order the items versus walking away unsatisfied and empty-handed.



Some product categories require an assisted or consultative sales approach, and some customers are uncomfortable with self-service technology. In these cases, retailers can still leverage the benefits of an endless aisle solution by providing store associates with handheld tablets capable of accessing real-time product and inventory information. Associates can complete transactions and/or arrange for delivery on the spot. These types of in-aisle solutions are in line with the McKinsey principals' belief that saving the sale also means making the in-store shopping experience as streamlined as possible:

*"A multichannel mindset must be embedded in the store design and in employees' new ways of working," wrote authors Louise Herring, Tobias Wachinger and Chris Wigley in [Making Stores Matter in a Multichannel World](#). "Retailers could, for instance, give store staff easy access to detailed and up-to-date product information so that they can provide knowledgeable customer service without needing to memorize too many specifics. Mobile devices that tell store employees where exactly in the store an item is located and how many units are in stock could enable them to better assist customers. Handheld payment points would allow customers to avoid long checkout lines."*



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- Louise Herring, Tobias Wachinger and Chris Wigley, *Making Stores Matter in a Multichannel World*

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## New Pickup and Delivery Options Improve Customer Service

Many of the save-the-sale options currently reimagining the role of physical stores incorporate new (and in some cases, not-so-new) product delivery options. Offering a buy online/pick up in-store option used to be a bold competitive differentiator for a retailer. While it still represents an improvement in customer service and an opportunity for additional sales when customers come in for pickup, it no longer sets a retailer apart from the crowd.

**Sears** is offering a unique take on bridging online, mobile and store channels with its Shop'in feature, part of its Shop Your Way mobile app. This allows the retailer's online shoppers to both pick up and return merchandise without leaving their cars. Customers first visit the Sears website to identify the item they want to purchase, return or exchange. When the desired item is ready, Sears emails the customer with a confirmation. Customers park in specified In-Vehicle Pickup spots at the store, then access the mobile app to alert the store that they have arrived. Within five minutes, a store associate arrives at the customer's car to complete the pickup, return or exchange process.

While Walmart has tested a local store pickup option for online grocery shoppers only in the Denver market, Sears is making its car-based pickup option available in all of its full-line stores.

Home delivery is also attracting strong attention from retailers. "Omnichannel consumer demands and the ecosystem's need to be faster and more flexible are forcing a re-evaluation of home delivery, moving it from a necessity for selling furniture and white label goods to a service that differentiates potentially every type of consumer good offering in the marketplace," wrote Retail Systems Research's (RSR) Nikki Baird and Paula Rosenblum in *The State of Home Delivery 2014: Issues and Answers*. A large majority, 88%, of the RSR survey's retailer respondents identify their home delivery offering as a competitive differentiator.

Retailers face two big challenges in this area. One is simply mastering the logistics of the "last mile," either on their own or via third-party shipping providers. The other challenge is doing so profitably, or at least with methods that balance the customer service and competitive differentiation advantages of home delivery with its operational and dollar costs.

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- Nikki Baird, Retail Systems Research

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The use of drop shipping directly from manufacturers and suppliers has the potential to solve some of these issues, with the added benefit of offering customers a wider range of inventory without the retailers having to find actual shelf space for these items. RSR recommends that retailers look more closely at drop ship options despite their perceived drawbacks: "Retailers have long resisted drop ship services, in great part because they have been uncomfortable with the lack of visibility and control they are able to achieve over a drop ship process. But one way to avoid having to charge consumers for service may be to offload some home delivery to a drop ship situation."

Technology solutions that provide visibility into all aspects of order management and fulfillment, from in-store pickup to home delivery, have the potential to both improve the customer service elements of these processes and reduce costs.



## Four

# Maintain Brand Consistency Across Channels

Even as retailers rethink and revamp the store environment, it is important to consider brick-and-mortar as just one of the multiple touch points consumers are using during the shopping journey. But managing multiple channels makes maintaining brand consistency a challenge. Retailers must ensure they are not only delivering consistent pricing, but also consistent and high-quality media, product information/descriptions and product inventory availability.

To emphasize this point, Cisco reported that the shopping journey (product research, purchasing the product, receiving it and obtaining support) previously (during the pre-Amazon.com era) consisted of only three linear interaction paths: in-store, catalog or advertising (via print or broadcast ads). However, with the advent of e-Commerce, the number of potential interactions jumped to about 40.

Today, rapidly multiplying touch points result in more than 800 unique variations of possible shopping journeys. According to the January 2015 Cisco

Consulting Services report *Winning the New Digital Consumer With Hyper-Relevance*, "As technology innovations (such as wearables and augmented reality) increase and consumers' digital lifestyles evolve, these shopping journeys will multiply further."

One way retailers can deal with the complexity of today's shopping journey is to use platform management solutions capable of disseminating marketing content across their networks, regardless of physical display form factor, geographic location or operating system. By using cloud-based solutions to build, maintain and deploy marketing content in one place — for use in multiple channels — retailers can effectively maintain brand consistency.

Then, when a retailer like Foot Locker launches a new sneaker, it features that shoe both online and in-store. If there is a price break on the item, it is reflected in both places.

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## Five

# Optimize Product Merchandising Using Shopper Data

It is important to note that brand consistency does not necessarily mean pricing and promotion cannot vary from region to region, or even from store to store. The ability to respond to competitors with dynamic pricing – or to address high inventory levels in one store with a rapidly implemented, product-specific promotion – has become a hallmark of agile retailing.

Retailers also have new opportunities to shape stores' product assortments to more closely match each location's shopper profile. For example, analysis of online searches in a given store's area might indicate a significant percentage of high-value shoppers purchase a specific designer's handbag as an accessory to a skirt-and-blouse combo. Armed with this information, the retailer can place the frequently purchased items in close proximity to each other. If that is not practical, the retailer can place an electronic shelf display that shows shoppers how the complementary items look together. Even if the store does not stock the accessory item, the interactive display – or an associate using a handheld device – can order it for home or store delivery.

Regional or store-specific product merchandising based on a deeper understanding of shoppers' lifestyles and buying habits is another way for retailers to bring the personalization

and product curation of online shopping into the brick-and-mortar environment. In some cases, multi-store retailers may want to rethink their entire merchandising strategy. The new competitive landscape means that "some retailers are reshaping their store networks in response," according to the McKinsey report. "One approach is to lead with a handful of flagship stores – which essentially become a marketing and service channel for the online business – supported by numerous smaller outlets that offer convenience and a curated product offering."



**"Some retailers are reshaping their store networks. One approach is to lead with a handful of flagship stores supported by smaller outlets that offer convenience and a curated product offering."**

- McKinsey & Co., *Making Stores Matter in a Multichannel World*

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# Conclusion

Virtually all retailers see the value of learning more about not just who their shoppers are, but what they want from their in-store shopping experiences. Some customers may be looking for as complete a product selection as possible under one roof. Others may appreciate the value of a more targeted, curated assortment, particularly if they have a range of endless aisle options to zero in on their desired item, using a device that best suits their needs, and having the product delivered to them on their terms.

Rapid and far-reaching industry changes have given retailers the motivation – and in some cases, the permission – to radically rethink the purposes of their brick-and-mortar stores. Tools that allow them to replicate key elements of the e-Commerce experience

are proving beneficial to both the shopper and the retailer, and form the basis of the many endless aisle/ save-the-sale solutions being developed today.

In-store display, interactive and mobile technologies both enhance customer service and allow retailers to learn more about the myriad twists and turns of modern shopper journeys. While maintaining brand consistency and optimizing pricing across multiple channels remains a difficult challenge, new merchandising concepts may find a “sweet spot”: meeting customers’ needs while helping retailers trim and more effectively manage inventory. In all these cases, the traditional retail store is in for a raft of changes, both large and small.



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## About iQmetrix

At iQmetrix, our purpose is to create great retail experiences. Our products bridge the gap between physical and virtual retail channels. XQ Interactive Retail brings elements of online shopping into the physical store to facilitate the purchase process. RQ Retail Management is a complete system for managing all aspects of a store chain operation. Founded in 1999, iQmetrix is a privately-held software as a service (SaaS) company with offices in Canada, the U.S. and Australia.



## About Retail TouchPoints

Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The Retail TouchPoints network is comprised of a weekly newsletter, special reports, web seminars, exclusive benchmark research, and a content-rich web site featuring daily news updates and multi-media interviews at [www.retailtouchpoints.com](http://www.retailtouchpoints.com). The Retail TouchPoints team also interacts with social media communities via Facebook, Twitter and LinkedIn.



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