

FROM WARBY PARKER
TO SUGARFINA, FORMER
PURE PLAYS DISCOVER

*Omni-channel
Success*

retail
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SPECIAL REPORT



The winds of retail innovation have shifted: while traditional brick-and-mortar retailers are still heading online, a more significant trend today is the movement of pure play e-Commerce retailers to the physical space. Consumers want the convenience of online ordering combined with the experience only in-person shopping can provide, and the fastest-growing brands are catering to both.

The top emerging omnichannel retailers have found success through a wide variety of approaches. Some of the most talked-about companies and their unique strategies include:

- **Everlane:** After years of committing to never go physical, Everlane has opened two stores. The retailer has merged its online and offline capabilities, using order data to determine which products to carry in each location based on their local popularity.
- **Warby Parker:** This eyewear retailer has leveraged its delivery network to convert stores into showrooms, where shoppers try on frames but are not able to walk out with their purchase. By minimizing inventory stock at the stores, Warby Parker has been able to open stores with small square footage in upscale areas that might otherwise be prohibitively expensive.
- **UNTUCKit:** Zeroing in on an underserved niche — shirts specifically designed to be untucked — has helped UNTUCKit grow rapidly. Having a tight product focus has provided more detailed customer insights compared to brands with a broader product line, and the retailer is set to operate 50 stores by the end of 2018.
- **Sugarfina:** By partnering with **Nordstrom**, Sugarfina has been able to reach a new audience and build a loyal customer base. Once consumers are sold on the Sugarfina brand, they also seek out the standalone stores.

The top omnichannel retailers are pioneering their own paths to brick-and-mortar success. Innovations include inventory-less shops, store-within-a-store concepts and business models that focus purely on underserved niches.



HOW THE STORE LEARNS FROM THE WEB SITE

The most successful omnichannel retailers are achieving brand-building, customer acquisition and business intelligence goals that are dependent on face-to-face interactions. But establishing a physical presence comes with its own set of challenges. Former pure plays must learn how to build a positive reputation in a completely different environment, while maintaining brand consistency across all shopping touch points.

"It's easy to build a web site, and it's easy to build social media content that looks great, is representative of your brand and can be micromanaged to the Nth degree," said Mike Froggatt, Director of Intelligence at Gartner L2 in an interview with *Retail TouchPoints*. "You can color correct everything on your Instagram page, but you can't color correct in-store."

Several of the top emerging omnichannel retailers, including Everlane, have used their e-Commerce learnings to dictate store design, according to Rima Reddy, Director, Corporate Partnerships at XRC Labs. For example, the physical experiences can be made Instagram-friendly to both draw in customers and further reinforce the brand online.

"At Everlane, the flow and layout of the store is meant to mirror the online navigation experience," said Reddy. "Omnichannel customers feel a sense of familiarity and comfort navigating each channel. Both Everlane and **The Reformation** promote this sense of familiarity by using consistent branding and an aesthetic look across channels."

Embracing the idea of retail as an experience is key to driving success for the many emerging omnichannel brands. The Reformation collaborates with local artisanal coffee brands to incorporate shops in its stores, and hosts collaborations and events with local partners to help facilitate a personal connection with shoppers.

"You can color correct everything on your Instagram page, but you can't color correct in-store."

MIKE FROGGATT,
GARTNER L2

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LIGHT INVENTORY CAN BE A VIRTUE

Warby Parker has been recognized for the success of its physical expansion, and that's no surprise: eyewear was one of the spaces with the most potential for disruption, according to Froggatt. The channel had been dominated by independent optometrists with limited selections. Millennials have grown up dealing with that less-than-excellent physical experience, which couldn't compete with a more compelling and convenient e-Commerce experience.

In the Warby Parker model, a limited selection of products are available in-store, allowing the retailer to occupy prime, albeit small, real estate at a minimal cost, according to Sarah Engel, CMO of DynamicAction. While some industry experts questioned whether shoppers would be okay with leaving the stores and waiting for their purchases to ship, Warby Parker's continued expansion has proven that consumers are okay with the tradeoff.

"They're not holding stock, so they can have a much smaller footprint and gorgeous stores, for example right off the High Line in New York," said Engel. "That would usually be a very, very expensive stay in New York, but they are able to have a smaller footprint, and consumers are still able to have an experience."

Another successful showroom-oriented retailer is **Bonobos**, which has gotten a business boost after being acquired by **Walmart**, according to Froggatt. With access to a large amount of data and marketing strength that Walmart can provide, Bonobos arguably has a leg up over fellow emerging omnichannel brands.

"I think that gives them more runway," said Froggatt. "It gives them a lot of toys when it comes to media buying and planning."

"[Warby Parker isn't] holding stock, so they can have a much smaller footprint and gorgeous stores, for example right off the High Line in New York."

**SARAH ENGEL,
DYNAMICACTION**



SMALLER BRANDS MAY SAVE SOME MALLS

Some emerging omnichannel brands have brought their showrooming capabilities into malls, where inventory storage space often is limited or non-existent. Brands such as **Indochino**, **Allbirds**, **Fabletics** and **Glossier** are opening locations in spaces with footprints that would limit possibilities for more traditional brands.

“You get to start with a blank slate and really get to think about, What service do I want to provide in this space?” said Jennifer Sherman, SVP of Product & Strategy at Kibo Commerce. “There are all sorts of questions associated with it, but you get to build an experience associated with your brand from the bare bones studs of that building.”

In contrast, many traditional retailers have an established in-store experience that defines and limits the type and size of store space needed, Sherman explained. But emerging omnichannel retailers are in the process of defining the physical aspect of their brands, so they are able to design business models suited to a wider variety of potential locations. In the case of mall stores without backrooms, those spaces are limiting for more traditional retail models such as department stores, but a smaller up-and-coming brand can choose to focus on product discovery in the store space, then have purchases delivered to customers’ homes.

“You get to start with a blank slate and really get to think about, What service do I want to provide in this space?”

**JENNIFER SHERMAN,
KIBO COMMERCE**

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OPPORTUNITIES IN UNDERSERVED NICHES

Some pure play e-Commerce retailers achieve success by filling a specific product niche. This approach gives the retailer a tight focus on customer and brand positioning, and provides a better understanding of customer acquisition costs vs. lifetime value, according to Steven Dennis, President and Founder of SageBerry Consulting. The disadvantage is that smaller product niches may not be significant enough to build and sustain a profitable business.

In one example, UNTUCKit received pushback from potential investors for its niche appeal and literal name, which didn't necessarily mesh with a traditional fashion launch, according to Engel. However, that didn't stop the founders. UNTUCKit has been steadily expanding its brand presence and store footprint following the launch of its first stores in 2015.

Stance, a brand specializing in socks with interesting designs, also has found success in a niche market. The brand entered a segment that was previously seen as boring, then disrupted that perception through deals with NBA players and stars such as Rihanna. The approach has worked, and Stance opened its first physical store in New York City in 2015. The chain currently operates six locations in five states.

"Avoiding the one-size-fits-all approach is a clever way to retain a steady, loyal customer base by not only reducing choice overload for a market swamped with options, but also by offering choice-security and consistency to customers within the niche group," said Reddy. "Understanding and focusing on a specific niche allows for a better consumer connection and trust."

However, Reddy added that the UNTUCKit brand name could ultimately define the business' limits: the name relegates the retailer to a specific category, which could make it vulnerable to shifting consumer trends in the future.

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RIMA REDDY,
XRC LABS



GOING SOLO ISN'T THE ONLY OPTION

Going omnichannel isn't necessarily a strategy pure play retailers need to play out alone — some of the most successful e-Commerce brands are teaming up with established, traditional retailers to open displays and stores-within-stores. These partnerships allow up-and-coming omnichannel sellers to retain creative control over their content without experiencing the headaches that come with building a logistics operation from the ground up.

The prototypical example is Sugarfina, which has partnered with **Nordstrom** to sell its adult-oriented candy products. The two retailers share similar clientele, and the partnership helps Sugarfina generate additional exposure without much overhead, according to Carolyn Fields, VP Business Development at Big Red Rooster. Shoppers exposed to the brand at Nordstrom can then also be guided to Sugarfina's standalone stores.

Sherman noted that this model still provides shoppers with knowledgeable sales associates, even if they are employed by another retailer. The smaller partner, though, needs to ensure their customers continue to receive the experience that matches the standards of the brand.

"It presents some challenges if you don't necessarily own the brand that's doing the product delivery," said Sherman. "How do you ensure that they are delivering in a manner that meets your service expectation, and more importantly your shopper's expectations?"

Another potential pitfall is the loss of customer insights, according to Engel. One primary advantage for omnichannel retailers is their innate understanding of shopper data, but with another company handling interactions, they may lose access to that trove of information.

The store-within-a-store model gives pure play retailers a physical presence while minimizing logistical concerns, but they need to ensure their customers receive an experience that matches the standards of the brand.

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PURE PLAYS HOLD THE TECH ADVANTAGE

Perhaps the biggest advantage enjoyed by emerging omnichannel retailers is that they are digital natives. Today's typical shoppers (from a variety of generations) are comfortable with both physical and digital shopping, and smartphones help to seamlessly intersect both, according to Fields. Pure play retailers already have their online systems set up when they open their first store, giving them an advantage in attracting digitally savvy consumers.

"It's more about deploying existing technology than deploying anything totally new," said Dennis. "The brands that originated online have an advantage over traditional multichannel retailers in that they did not have to undo legacy and siloed systems, inventory and data."

Even with their technology advantage, pure play retailers do need to address some previously unknown challenges such as sales attribution, Fields noted. In-store associates will look to receive credit for purchases they drove that were ultimately completed online. Reddy noted several other potential sticking points:

- **Distribution:** Omnichannel companies must make sure they have the most efficient channels possible to take advantage of their format's strengths;
- **Staffing:** The stores need to find the right balance of associates needed to handle in-person and digital customer service interactions; and
- **Inventory management:** Solutions must be able to track both online and in-store inventory and integrate the data to provide a cohesive view.

Ultimately, pure play retailers must continuously evaluate whether they are staying true to their core mission and values as they expand across channels. The most successful brands offer shoppers a consistent customer experience both online and in-store, always sticking to the company's personal aesthetic. They also take advantage of their digital nature to open stores with a light footprint, and aren't afraid to cater to overlooked audiences or form relationships with more established partners.

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**STEVEN DENNIS,
SAGEBERRY
CONSULTING**

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Bryan Wassel covers the retail industry at large, with a focus on contextual marketing, technological innovation and omnichannel developments.

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