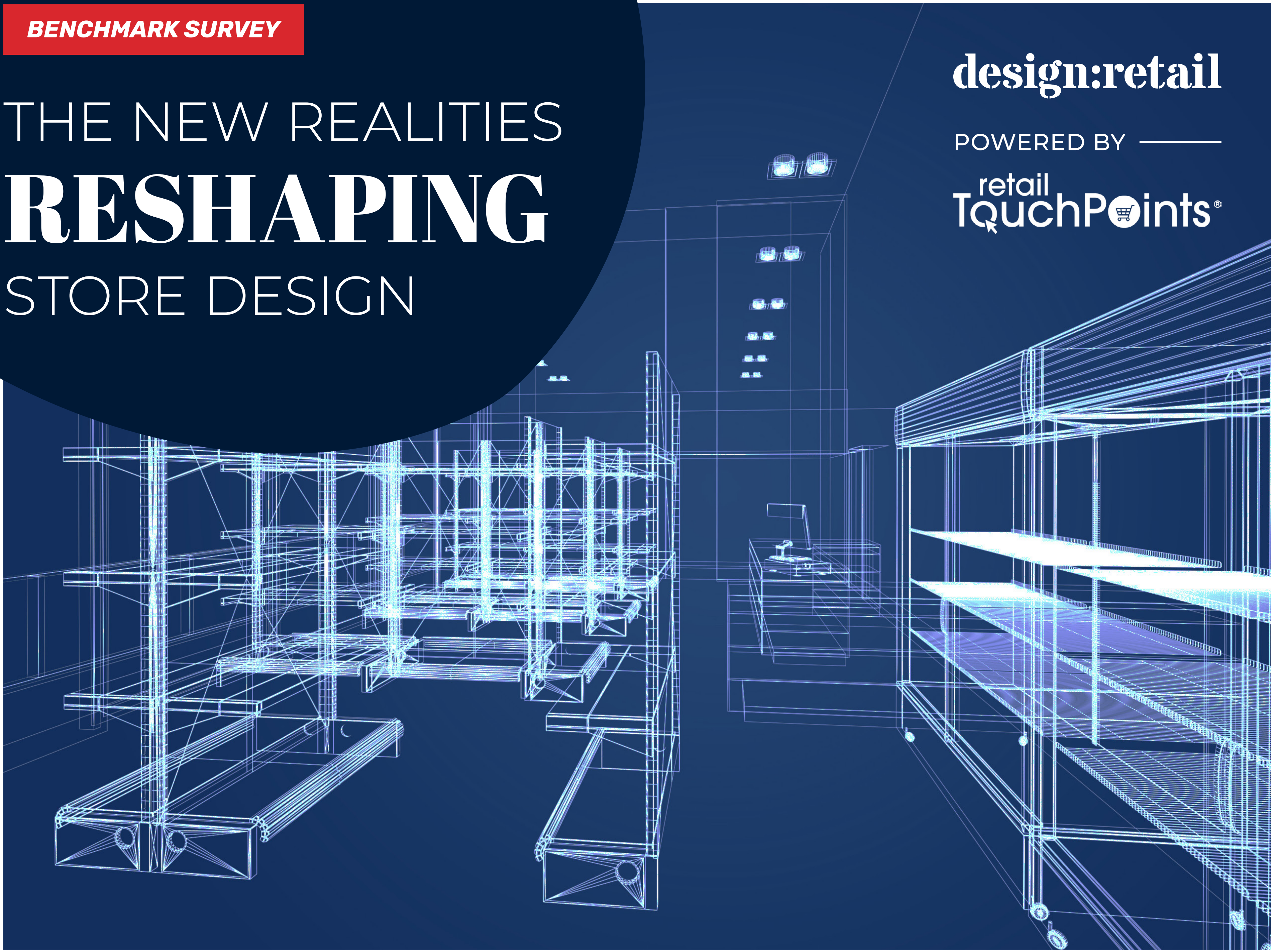
BENCHMARK SURVEY

THE NEW REALITIES **RESHAPING** STORE DESIGN



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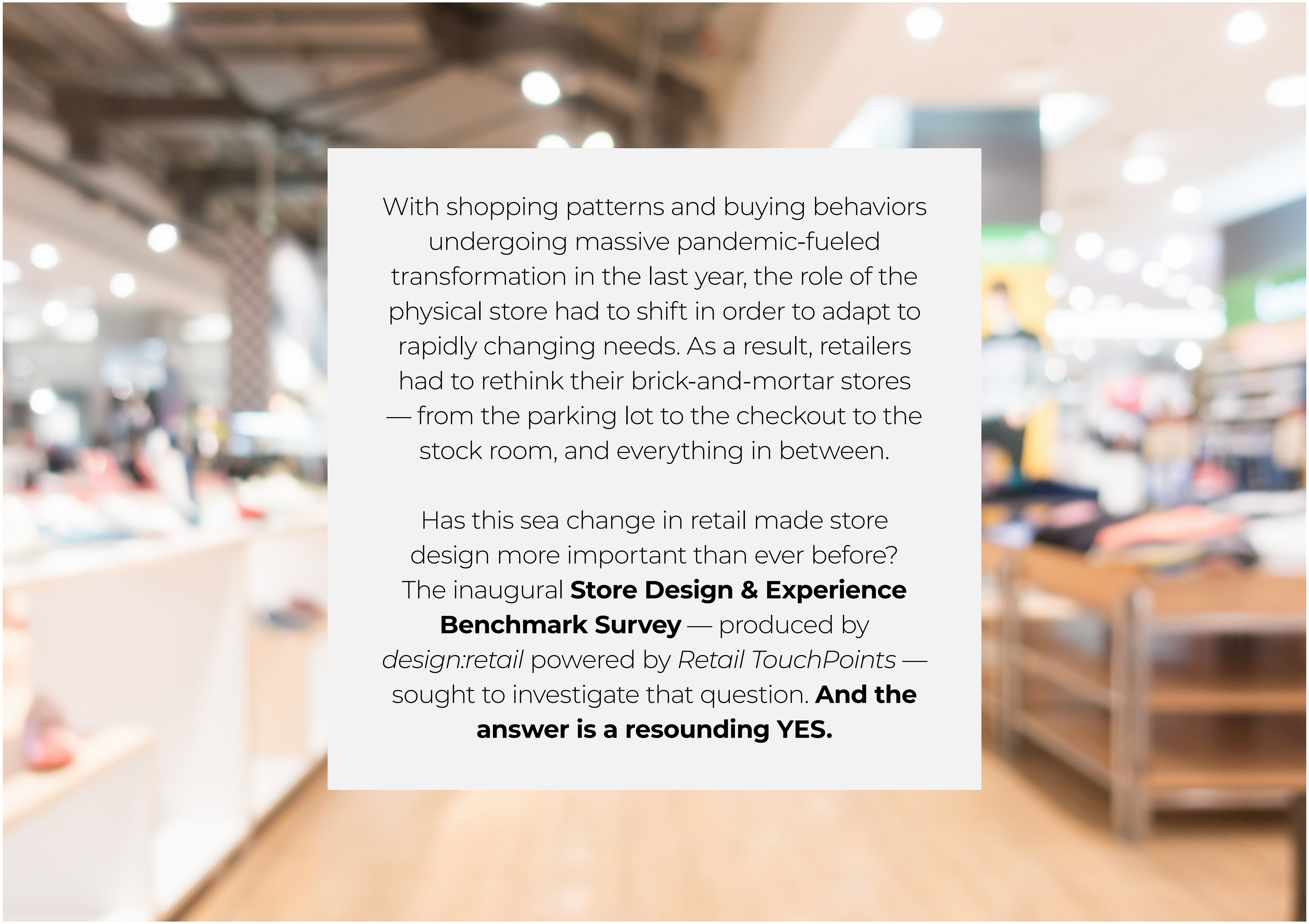


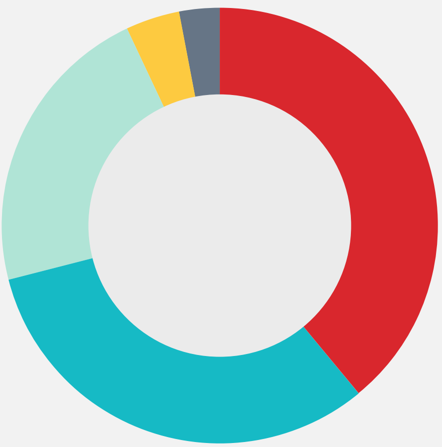
With shopping patterns and buying behaviors undergoing massive pandemic-fueled transformation in the last year, the role of the physical store had to shift in order to adapt to rapidly changing needs. As a result, retailers had to rethink their brick-and-mortar stores — from the parking lot to the checkout to the stock room, and everything in between.

Has this sea change in retail made store design more important than ever before? The inaugural **Store Design & Experience Benchmark Survey** — produced by *design:retail* powered by *Retail TouchPoints* — sought to investigate that question. **And the answer is a resounding YES.**

RETAILERS BELIEVE STORE DESIGN IS MORE IMPORTANT THAN EVER

Of those retailers we surveyed, **71%** said the design/store planning/visual component of the retail industry is “somewhat more” or “much more” important compared to two years ago.

Compared to two years ago, how much more/ less important is the design/store planning/visual component to the retail industry today?



Much more important: ***39%***

Somewhat more important: ***32%***

Relatively unchanged: ***22%***

Somewhat less important: ***4%***

Much less important: ***3%***

That’s evident in personnel levels, too. Despite economic challenges across industries that necessitated layoffs and furloughs, the majority of retailers (**61%**) said that they had had no change in design staff personnel levels in 2020 — and **8%** actually increased head count. Better yet, a whopping **94%** of retailers expect to maintain or increase design staff numbers in 2021.

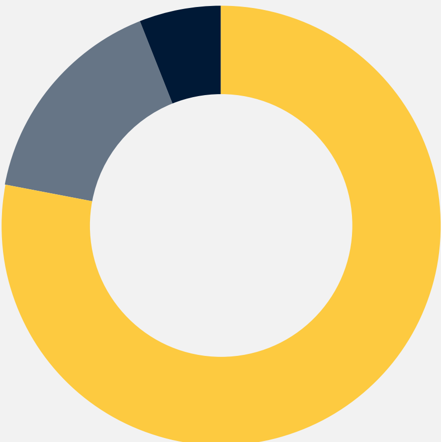
How have your company’s design staff personnel levels been affected in 2020?

No change in personnel/staffing levels: ***61%***

Decreased design staff head count: ***31%***

Increased design staff head count: ***8%***

What are your company’s plans for design staff personnel levels in 2021?



No change in personnel/ staffing levels: ***78%***

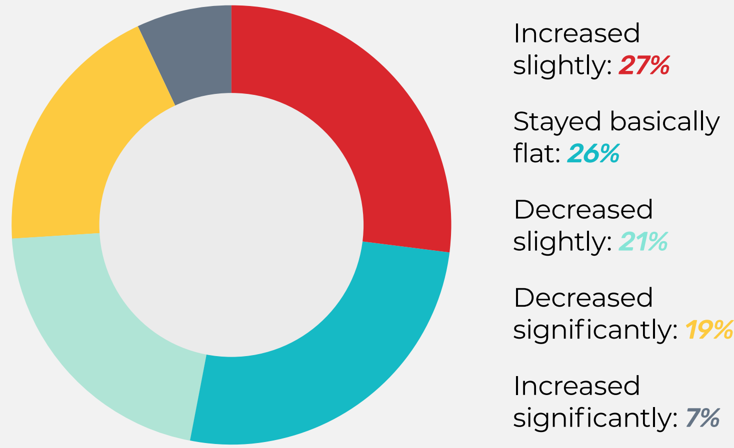
Will increase design staff head count: ***16%***

Will decrease design staff head count: ***6%***

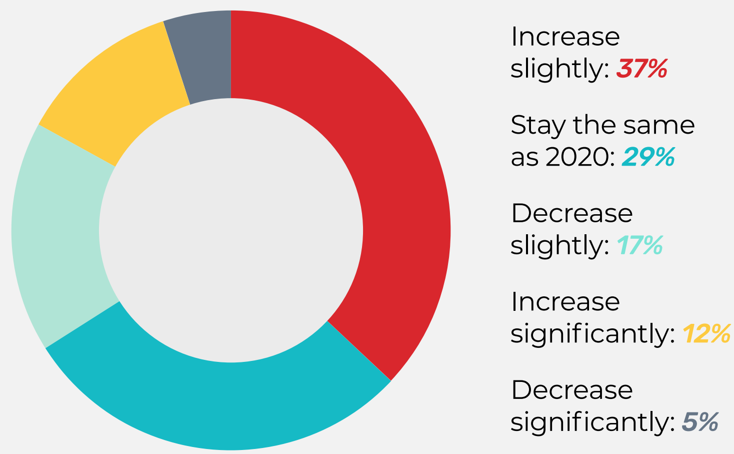
Despite intense business volatility, more than half (**60%**) of retailers surveyed maintained, or even slightly increased, their investments in store design: **27%** said their company's budget for store design "increased slightly," with **26%** saying it "stayed basically flat." Another **7%** reported that their budgets increased significantly, while **21%** said budgets for store design "decreased slightly" and **19%** said they "decreased significantly."

And nearly half (**49%**) of retailers are optimistic about the future: **37%** anticipate 2021 store design budgets will "increase slightly," and **12%** expect them to "increase significantly." Another **29%** believe store design budgets will "stay the same as 2020," followed by **17%** who think they'll "decrease slightly." Only **5%** expect store design budgets to "decrease significantly" in 2021.

How has your company's budget for store design changed in the last year?



Compared to last year, do you expect budget for store design in 2021 to...

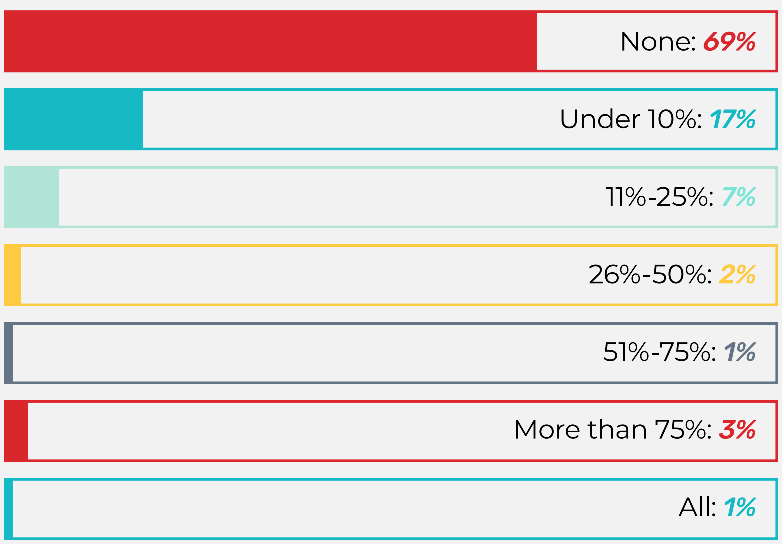


THE IMPACT OF COVID-19 ON STORE OPENINGS AND CLOSURES

Clearly, 2020 presented a litany of challenges for retailers as the pandemic waged war on businesses and lives. Retailers halted — or at least heavily slowed — their store opening plans as restrictions, consumer behavior and budgets put the squeeze on brick-and-mortar. More than half of respondents (**56%**) said they opened **no new stores** in 2020, followed by **38%** who said they opened **1-25** new stores.

While the pandemic resulted in many temporary closures, there also were permanent closures as retailers struggled to maximize their real estate investments and divert funds away from low-performing locations. The survey found that **17%** of retailers had to close **under 10%** of their stores. Fortunately, **69%** of respondents reported no permanent closures.

What percentage of your stores did you permanently close due to COVID-19 in 2020?

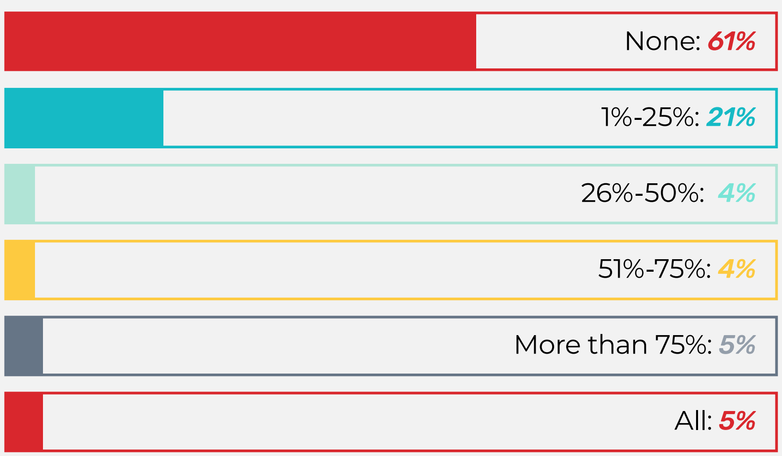


RENOVATIONS TAKE CENTER STAGE

Whether they operated "essential" stores that stayed open or are now in the midst of reopening processes, retailers have had to seriously rethink multiple aspects of their brick-and-mortar operations. Store layouts, checkout configurations, signage (both physical and digital), contactless payment and fitting rooms were just some of the areas affected, along with employee processes and customer activities. The challenge shared by all retailers: Open their doors and adhere to COVID-19 guidelines, while boosting shoppers' safety and their confidence in the in-store experience.

That meant it was time to renovate — and at lightning speed. A little more than half (**57%**) of survey respondents said they renovated stores in 2020, compared to **43%** that did not. Interestingly, of those that renovated stores, **61%** said those renovations were **not** in direct response to needs caused by the pandemic. Retailers may have taken advantage of forced closures or reduced customer traffic to implement previously planned renovations. The other **39%** of retailers said at least some of the renovations they undertook were in direct response to COVID-19 needs.

What percentage of 2020 remodels were in direct response to needs caused by the pandemic?



Renovations are expected to continue in 2021, with 60% of retailers planning to renovate approximately the same number, or more, stores than in 2020.

WHICH STORE AREAS ARE AT THE CORE OF REDESIGN EFFORTS?

So where are retailers focusing their remodel efforts? We asked survey respondents to indicate which areas of the store have been redesigned due to COVID-19's impact. Unsurprisingly, the majority of respondents (**66%**) said that the front of house was reconfigured to allow for changes in checkout procedures and increased demand for BOPIS.

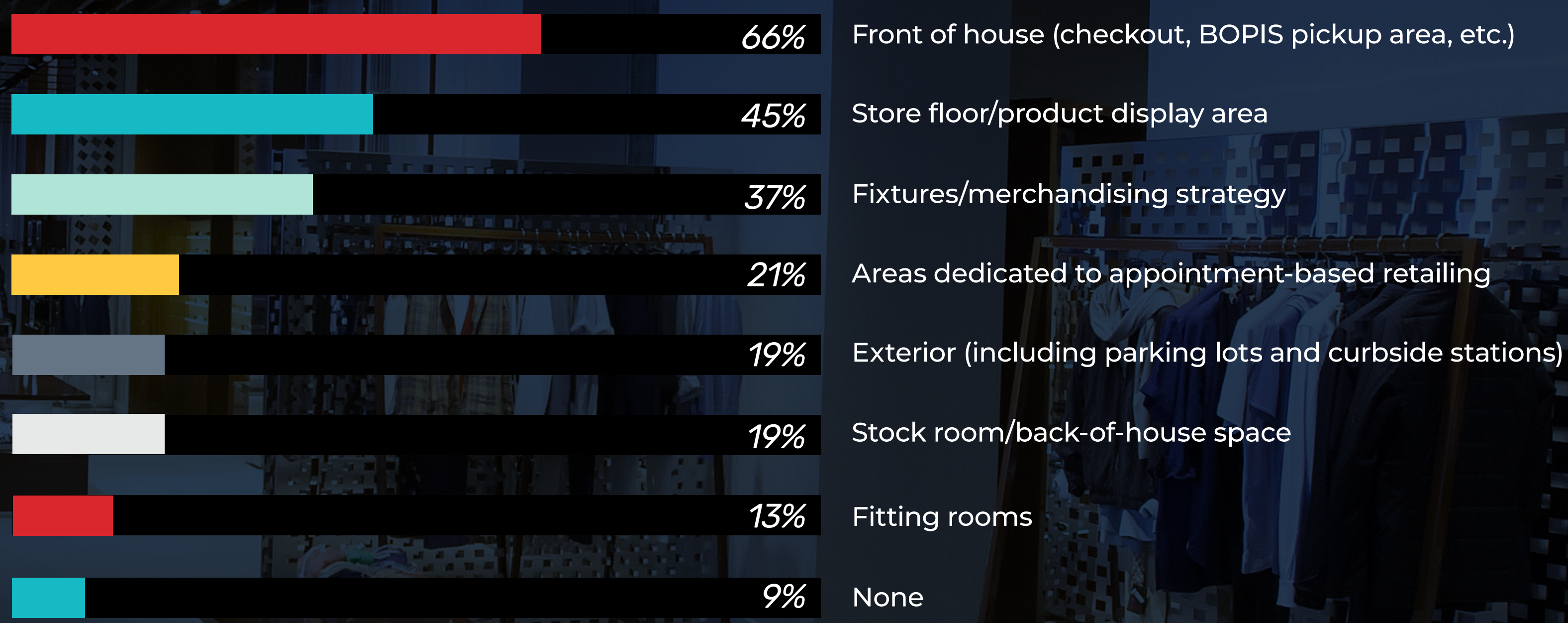
The store floor/product display area also received a good bit of redesign focus (**45%**), followed by fixtures/merchandising strategy (**37%**), areas dedicated to appointment-based retailing (**21%**) and the exterior (including parking lots and curbside stations (**19%**)). Stockrooms and back-of-house space are also getting a refresh (**19%**), as are fitting rooms (**13%**).

The **21%** of respondents that made changes to accommodate appointment-based retailing underscore the importance of this strategy, once limited to luxury retailers and those offering services along with products, such as in-store design consultations. In a post-COVID world, retailers across a wider range of retail verticals are using appointment-based retailing both to control customer traffic flow and to enhance the customer experience.

Store design teams are also deploying new materials in their designs due to COVID (think antimicrobial, more durable and hygienic options): **62%** already are implementing these changes, while another **10%** plan to roll this out in 2021.

> ***Retailers across a wider range of verticals are using appointment-based retailing both to control customer traffic flow and enhance the customer experience.***

Which areas of the store have you redesigned due to the impact of COVID-19? *(Check all that apply)*



TECHNOLOGY PLAYING KEY ROLES IN STORE TRANSFORMATIONS

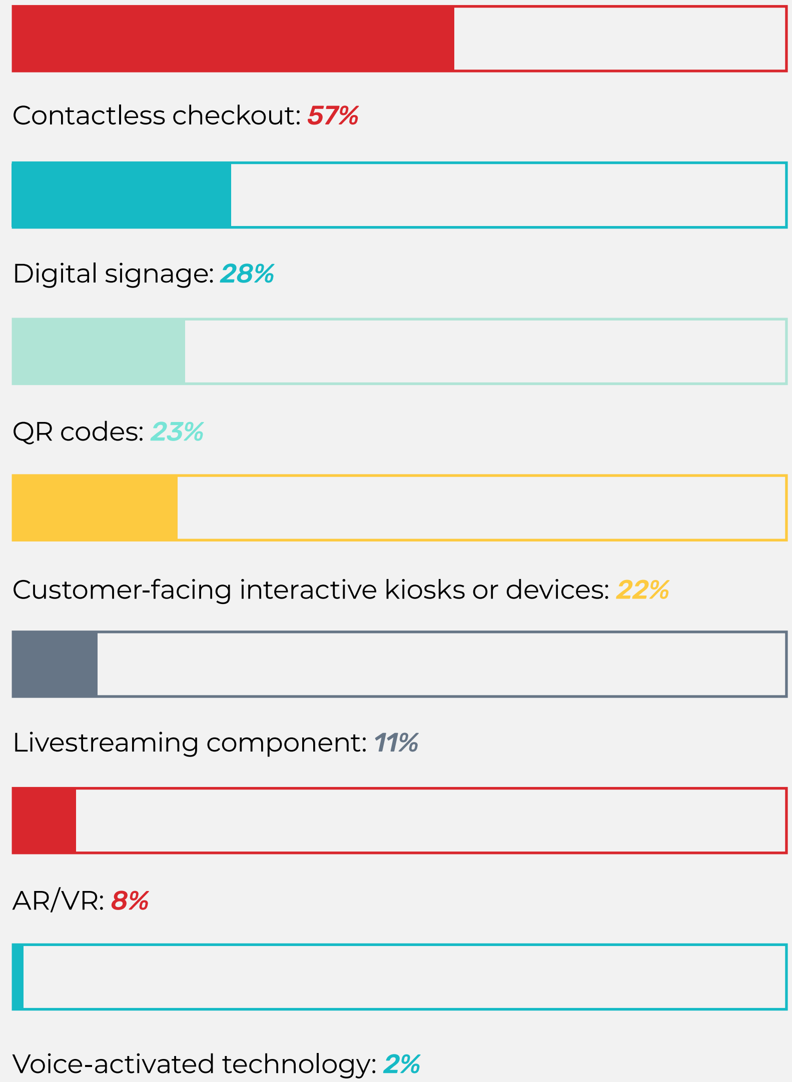
As retailers had to pivot their in-store experience over the last year, technology has been a driving force in redefining physical retail — from how consumers conduct transactions and navigate stores to how they interact with store associates and product.

More than half (**57%**) of the retailers surveyed said they have incorporated contactless checkout in the last year, followed by digital signage (**28%**), QR codes (**23%**), and customer-facing interactive kiosks or devices (**22%**). A handful (**11%**) also are experimenting with a livestream component.

The enhanced integration of technology into the in-store experience has not simply allowed retailers to operate during the pandemic; it also has improved omnichannel capabilities and efficiencies. Tech's role in store design will only continue to increase in importance. Compared to **two years ago**, retailers view the integration of technology as a more integral piece of the store design puzzle. Survey respondents said it was either "much more important" (**44%**) or "somewhat more important" (**40%**). Just **14%** believe the role of tech has remained relatively unchanged compared to two years ago, and only **2%** said it was "somewhat less important" or "much less important."

> ***The enhanced integration of technology into the in-store experience has not simply allowed retailers to operate during the pandemic; it also has improved omnichannel capabilities and efficiencies.***

What technologies have you incorporated into your in-store experience in the last year? *(Check all that apply)*



RETAILERS SHARE INDUSTRY TRENDS AND CHALLENGES

We also asked survey respondents an open-ended question so they could share the emerging trends they're seeing and the challenges they're facing — from dealing with supply chain issues to figuring out how to drive online traffic to offline stores. Here's a snippet of what they're up against:

"Ensuring we are offering **the right experience for how customers want to shop** (brick-and-mortar, online shopping with home delivery or in-store pickup or curbside pickup)."

"**Curbside pickup** is the primary change."

"**Providing access to full assortment through technology** and optimizing the supply chain (what is the right model?)."

"**Time** has become a **very important commodity**."

"**Contactless checkout**, use of mobile, endless aisles."

"Need to move on implementing technology to improve **measurability of store planograms**."

"Design choices based on **material shortages and long delays**."

"More **drive-thru** services."

"More online sales to compete with, although the customers that do come in like the **personal touch, conversation and care**."

"**Supply chain is completely disrupted**, making forecasting, purchasing and inventory control much more difficult and fluid."

METHODOLOGY

The inaugural Store Design & Experience Benchmark Survey — produced by *design:retail* powered by *Retail TouchPoints* — is based on responses from 134 retail executives. The online survey was conducted in February 2021. Following are the respondent breakdowns by retail vertical and annual revenue.

RETAIL VERTICAL

Specialty Hardgoods: **29%**

Big Box: **4%**

Other: **25%**

Electronics: **4%**

Specialty Softgoods: **19%**

Drug Store/ Pharmacy: **2%**

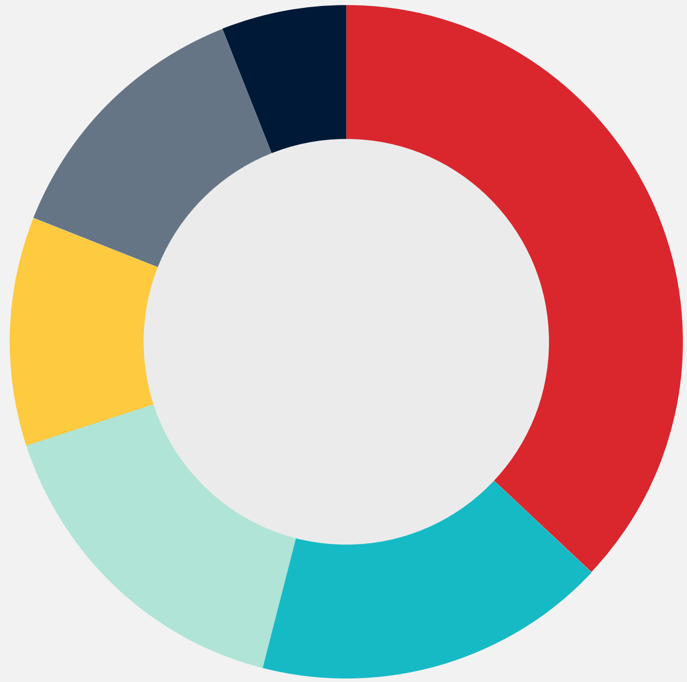
Supermarket/ Grocery: **8%**

Convenience Store: **1%**

Department Store: **7%**

Office Supplies: **1%**

ANNUAL REVENUE



Less than $50 million: ***37%***
$50 million-$100 million: ***17%***
$100 million-$500 million: ***16%***
$500 million-$1 billion: ***11%***
$1 billion-$5 billion: ***13%***
More than $5 billion: ***6%***

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Jessie is a retail expert, design lover and storyteller. She has never turned down an invitation to go shopping — in the name of research, of course.