THE FUTURE OF STORE DESIGN:

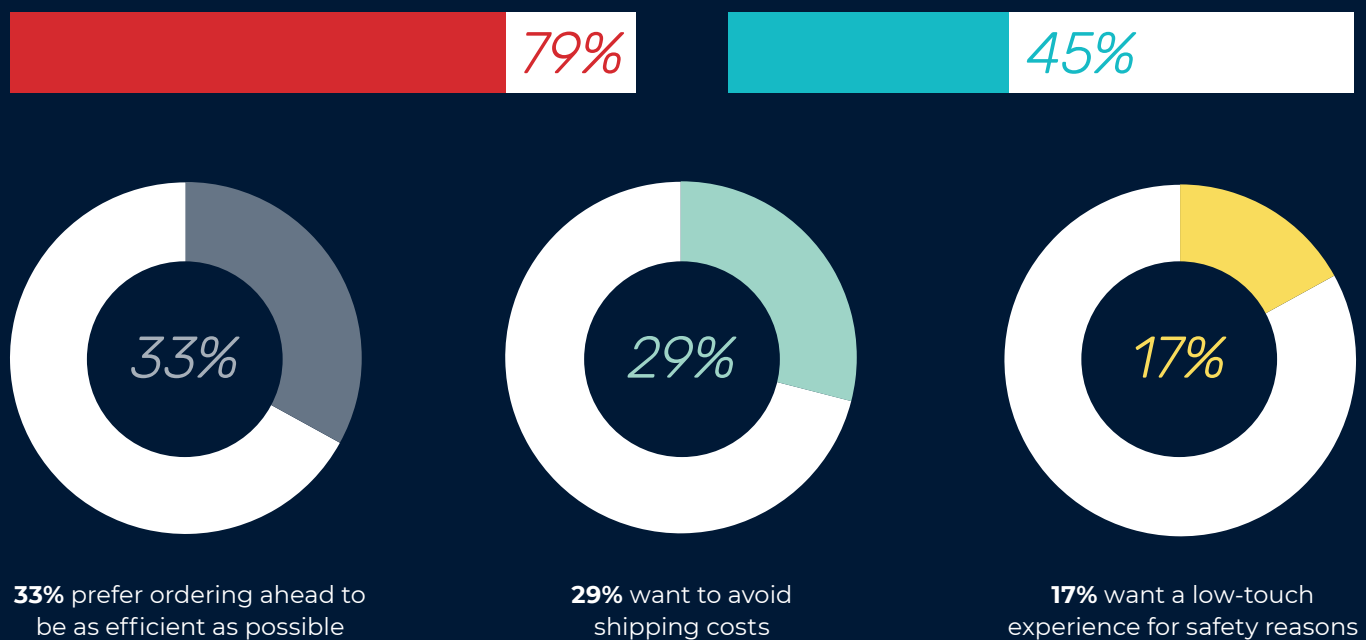## NEW TECH, TACTICS AND FORMATS SHAPING THE FUTURE OF EXPERIENCE

INTRODUCTION

A majority of consumers — approximately **73%**, according to **Deloitte** — feel comfortable going back into stores. While these consumers certainly treasure the tactile nature of the in-store experience, they also have grown accustomed to the ease and convenience of the *digital* experience. Consider the heightened role and influence of buy online, pick up in-store (BOPIS) services, which gave consumers a new level of access, speed and control over their shopping experiences.

A consumer survey from **The Lion'esque Group**, an **MG2** company, found:

79% of respondents currently use BOPIS services and **45%** consider it to be critical for creating a positive in-store experience moving forward.

79%	**45%**

33%

33% prefer ordering ahead to be as efficient as possible

29%

29% want to avoid shipping costs

17%

17% want a low-touch experience for safety reasons

As a result of new and continually evolving consumer behaviors, brands and retailers are attempting to rethink the role of the store — and the value that specific technologies can add to it.

"It all ties into this concept of 'the store as media,'" said Melissa Gonzalez, Founder and CEO of The Lion'esque Group and Principal at MG2. "It requires a careful blend of technology — it's not about making the store completely digital. It requires storytelling and there's still a very tactile and physical aspect of that storytelling we have to maintain. Designers need to be purposeful and intentional about what that balance looks like."

Here are *five key trends* and technologies that are driving the future of store design and experience:

QR codes were one of the shining stars of the pandemic. They were the connecting point for consumers as they accessed menus, product and service information, and other content they needed to ensure a safe experience.

Did QR codes merely address a timely need or is there long-term value potential? Experts believe that, when used correctly, QR codes can create moments of turnkey "phygital integration," enabling consumers to quickly and easily access information. Through a quick call-to-action via signage and displays, brands can easily drive in-store shoppers to digital products and content.

However, Justin Hill, Principal and Market Leader of the Consumer Experiences Market at MG2, warns that as with any technology, QR codes need to be used thoughtfully. Design and marketing teams should work closely to ensure that QR codes are working properly, promoted successfully and create tangible value for the shopper at that moment.

"I think QR codes are quickly becoming a lazy way of doing digital in a store," Hill said in an interview with *Retail TouchPoints*. "The answer used to be just putting screens in the store, but then the question became 'Who is going to create all the content we need to drive the screens?' QR codes face the same predicament. You can't just throw a QR code on a sign and figure out what to do later."

Want to add QR codes to your omnichannel toolkit? Be sure to ask these questions first:

- ✓ What possible value can QR codes add to your customer experience?

- ✓ Does this value make sense in the context of your customer's journey?

- ✓ How will QR codes be presented and integrated into the store? Will it be through physical signage, digital signage or a specific display?

- ✓ What will consumers see or be asked to do once they scan the QR code?

- ✓ How will you be measuring value and overall success?

SCAN

2 REINVENTING THE POINT OF SALE

Of the tech trends that have come out of the pandemic, experts believe that touchless commerce, or autonomous checkout, will continue to play an important role in the future of store design. Branded by one retailer as "just walk out" (JWO) technology, touchless commerce is lauded for its ease and efficiency. In fact, **52%** of consumers surveyed by the Lion'esque Group who used this technology cited efficiency as their main driver.

"Retailers are focused on this whole idea of touchless, which includes autonomous checkout, because they want to replicate the 'Amazon model,'" Hill said. "The idea is you can walk in as soon as you turn on your app, grab your stuff and walk out. You don't have to talk to anybody or touch anything at checkout — it's all seamless."

Although **Amazon** has dominated the headlines for its JWO innovation, other retailers are starting to reap the benefits. For instance, both **Circle K** and **7-Eleven** have enhanced their mobile apps to include seamless checkout capabilities. **Nourish + Bloom**, a grocery startup, aims to scale its **"frictionless grocery store,"** which includes touchless checkout, to more than **500** locations.

Adoption is also spreading into other categories, especially those that serve a high volume of shoppers per day. **Disney** and **Hudson** have both rolled out technology to reduce lines and accelerate checkout speeds, and Hill believes that adoption will only continue to grow as retailers look to touchless checkout as the "perfect blend of digital and physical." These experiences are mobile-driven and guided by the consumer, which helps alleviate the workforce pressures many retailers are feeling. The checkout experience is powered by a mobile app that is tied to digital profiles and loyalty information, which gives retailers greater context into consumer behaviors and makes it easier for them to collect, and use, first-party data.

"While just under **30%** of respondents have utilized [just walk out] technology to purchase food at the airport, **93%** [of them] reported a positive experience."

| 30% | 93% |

— The Lion'esque Group, *Designing Store Experiences for Today's Consumer*

3 RETHINKING THE TRY-ON EXPERIENCE

Among the consumers who said they preferred to shop in-store, the ability to touch, see and feel products in full context was a big value driver. Conversely, when asked about the biggest pain points of online shopping, **29%** of consumers said products looked different when delivered than they did online, according to the Lion'esque Group survey.

Digital try-on and fit technology are poised to help retailers tackle these issues by allowing consumers to quickly find their ideal size, color and fit. The end result is improved customer trust and bigger basket sizes. Beauty brands and retailers in particular have seen a lot of success with digital try-on experiences powered by augmented reality (AR), because it helps consumers get more context into how specific products and shades look on their face.

In 2020, **MAC** brought AR-powered "try-on mirrors" to its concept store in New York, which helped create an immersive, contextual experience that also eliminated the need for sampling.

"While **35%** of survey respondents maintain a preference for online shopping, **65%** indicated a continued need or desire to shop in-store."

35%	65%

— The Lion'esque Group, *Designing Store Experiences for Today's Consumer*

The brand has a similar feature on its ecommerce site, so consumers can upload a photo or use their live camera to digitally "try on" products. Although only about **16%** of consumers have used AR capabilities both online and in stores, according to the Lion'esque Group survey, **30%** have used them online. This indicates a lot of growth potential as consumers become more comfortable using AR in their daily lives.

While they have had a slower adoption curve, fashion brands also are starting to realize the value of fit tech. As more consumers relied on ecommerce during the pandemic, retailers saw a staggering increase in online returns. The **National Retail Federation** estimated that about **16.6%** of all U.S. retail sales in 2021, or **$761 billion** in merchandise, was going to be returned. A big driver of this returns surge? A lack of clarity around sizing.

Fit tech companies see this as a big opportunity to build trust, minimize fashion waste and drive conversions for brand partners. Some companies, like **Dickies** and **Walmart**, have implemented fit tech to improve confidence and conversions among online shoppers, but now we're seeing this technology creep into stores. Lingerie brand **Savage X Fenty** outfitted its Las Vegas store with **AR technology from FIT:MATCH** to analyze shoppers' body shape data and help them find their "fit twin" from a unique database. FIT:MATCH then recommends the sizes and styles that have been proven to fit the twin best. The integration of additional product details and recommendations shows the true value of bringing digital screens into stores, especially if brands are thoughtful about the execution, according to Gonzalez.

"It's about making the consumer's life easier and giving them access to the same information as when they're browsing a website or reading a product page," Gonzalez explained. "But it also is about lessening pain points and making things easier for the customer, and determining how to marry technology and store design together to create that experience."

This is where brand values play a big role in the decision-making process. "There's always that discussion around brand promise and meeting customer expectations," Hill explained. "In some cases, like in luxury, the goal is to wow and woo. But in others, like in the cereal aisle, that's not the priority. **Brands and retailers always need to focus on making sure whatever the experience is, it's appropriate to the brand.**"

4 REIMAGINING THE FLAGSHIP STORE

During the pandemic, there were certainly some retailers that pared back their store footprints, restructured their stores and, in many cases, minimized the overall square footage of their locations. But experts argue that now more than ever, consumers are looking for experiential flagships that emphasize storytelling, curation and localization.

For example, **Ralph Lauren** has doubled down on its brick-and-mortar strategy and is investing more than ever in its flagship experiences worldwide. "We still believe in the role of stores," said Patrice Louvet, CEO of Ralph Lauren during a fireside chat at **the NRF's 2022 Big Show**. "We went through the big digital experiment [over the past two years] and there was a conversation of whether that was the future. But we've seen that isn't sustainable." Louvet pointed to Ralph Lauren's Milan and Shanghai flagships, which incorporate elevated hospitality components, as a model for differentiating the experience within these locations.

Gonzalez noted that experiential flagships hold a lot of potential for brands that have a strong vision: **75%** of consumers said they were likely or very likely to purchase from a brand if they have a positive experience at an experiential flagship, according to the Lion'esque Group survey. However, the key driver for a flagship's success is a highly localized, community-driven experience.

"This consumer experience is so much stronger and more powerful because there's more connectivity to the brand," Hill added. "You can do more, pack more things in and also be more intentional, guiding the consumer through an actual story or journey through the flagship. There's been a dearth of flagship development over the last several years because people have pulled back on their capital investments, but there's a whole new purpose to this experience."

"Consumers are **2.5X more likely** to complete a purchase after visiting an experiential flagship."

— The Lion'esque Group, *Designing Store Experiences for Today's Consumer*

5 REFRAMING THE POP-UP SHOP

For years, the question on executives' minds was: "Should we do a pop-up?" But now, it is no longer a question of "if" but "how" and "when."

The evolution of the pop-up and its role in a brand's holistic brick-and-mortar strategy has inspired new models and new opportunities for innovation. Many brands still embrace pop-ups to support key selling periods such as the holiday season. However, pop-ups are increasingly being used by direct-to-consumer brands and pure plays that want to test the viability of physical selling experiences, and even specific services, in market.

After testing a physical showroom pop-up, baby brand **Lalo** recently opened its first "retailtainment" concept in New York City. The pop-up showroom was a way for the brand to assess the value of classes, high-touch services and even partnerships with local organizations, before determining how to scale these elements that are core to the in-person experience.

Modular and rotating concepts, such as **The Lion'esque Group's Periodic concept** in Seattle, are making the pop-up process more seamless. This category of "pop-up as a prototype" makes rolling out and testing new concepts faster and more efficient for teams, and even allows them to use in-store technology to test and adjust elements of the pop-up based on consumer behaviors.

CREATING INNOVATIVE PHYSICAL EXPERIENCES IN THE TIME OF THE METAVERSE

As brands and retailers continue to ponder the future of their store strategy, they also need to consider the role of a new kind of experience…found in the metaverse.

Some brands, like Ralph Lauren, are using metaverse worlds to create digital iterations, or twins, of their physical experiences. Other use cases — like **Nike's** foray **into Roblox** — are all about pushing creative limits. But brands that embrace the metaverse can also create stronger synergies between their digital and physical platforms by "gamifying the physical experience with immersive digital layers," according to Gonzalez. To that end, Hill added that as the metaverse evolves, retailers should take note of new virtual currencies that may arise. And while NFTs are not a currency, they can hold significant value, similar to that of a product. Brands can use NFTs to create digital twins of products and exclusive "drops" that drive brand equity and even loyalty.
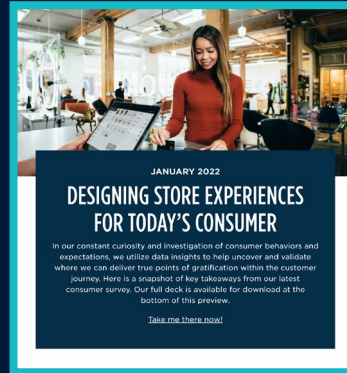
On the surface, all of these trends seem extremely diverse, but one overarching reality connects them: **the line between digital and physical is practically nonexistent, and consumers are expecting more synergy between their digital and in-person lives**. Design and experience teams must take note and find meaningful yet innovative ways to use technology to power their stores.

RECOMMENDED READING

Designing Store Experiences for Today's Consumer

READ

JANUARY 2022

DESIGNING STORE EXPERIENCES FOR TODAY'S CONSUMER

In our constant curiosity and investigation of consumer behaviors and expectations, we utilize data insights to help uncover and validate where we can deliver true points of gratification within the customer journey. Here is a snapshot of key takeaways from our latest consumer survey. Our full deck is available for download at the bottom of this preview.

Take me there now!

THE LION'ESQUE GROUP
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347.321.6800
Info@lionesquegroup.com

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Guided by our vision to create transformative experiences, MG2 has been delivering award-winning projects for over 50 years. In retail and beyond, we partner with some of the world's most recognizable companies and brands to bring exceptional design solutions to life through full architectural, strategic planning, cost management, interior design, brand strategy, and program consulting services. At MG2 our greatest strength lies in our people, our partnerships, and our commitment to helping them succeed.

206.962.6500
info@mg2.com

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201.257.8528
info@retailtouchpoints.com

ABOUT THE AUTHOR

Alicia Esposito, VP, Content

Alicia is an editor-turned-content marketer, with a passion for all things focused on digital-powered experiential retail.