2023 BENCHMARK SURVEY

PRODUCTIVITY AND PERFORMANCE: HOW DESIGN TEAMS ARE MAXIMIZING THE IMPACT OF NEW STORE EXPERIENCES

retail TouchPoints®

INTRODUCTION

In 2022, we saw the awakening of the store.

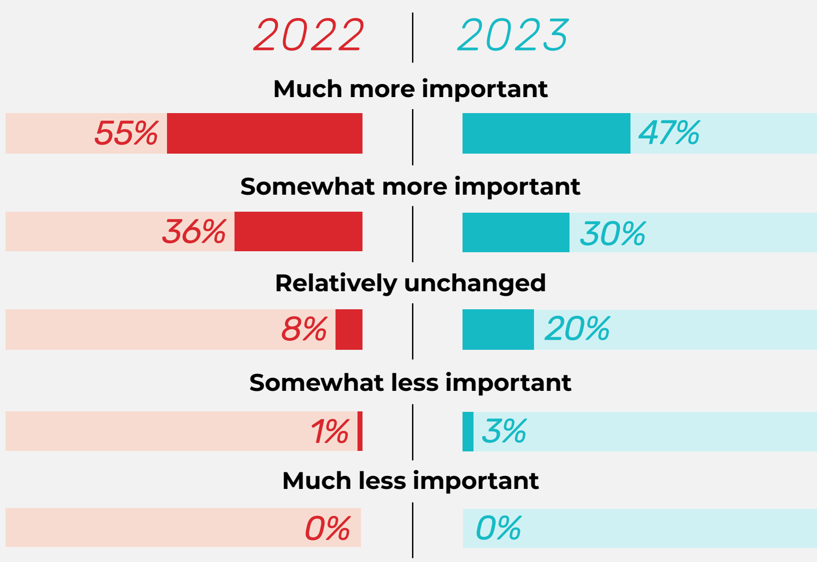
As ecommerce rates leveled and consumers flocked to physical locations, brands and retailers had to see shoppers' behaviors and expectations through fresh eyes.

That's why store design and experience was *incredibly* important last year. **And it's just as important this year.** *(See Fig. 1)*

Respondents to this year's *Store Design & Experience Survey* have recognized a seismic shift in their target customer, especially as digital behaviors take hold. That's why understanding and responding to these behaviors has been spotlighted as the top challenge impacting their store design and experience strategies this year. *(See Fig. 2)*

Fig. 1

Compared to 12 months ago, how important is store design and experience to your brand's business strategy?



But make no mistake, design teams are facing several other challenges around both their strategic priorities and the tactical decisions they make. Tighter store budgets (**38%**) and rising costs of materials (**38%**) rounded out the top three, showcasing the new tug-of-war design teams are facing as they try to bring their big brand ideas to life. As a result, design teams are focusing on:

1. **Optimizing their existing store investments** by remodeling and right-sizing stores;
2. **Elevating store designs and visual elements** to better reflect the unique differentiators of the brand;
3. **Prioritizing cost-efficient yet sustainable materials** that improve the lifespan of their stores and overall ROI; and
4. **Intentionally investing in store technology** that provides value to customers as well as members of the workforce.

Somewhat surprisingly, supply chain issues were cited as the least daunting challenge for respondents, at **22%**. This low number leads us to believe that 1. Material vendors have been able to stabilize their operations, which has gotten timelines back on track, or 2. Design teams have done a better job of collaborating with key partners and adjusting timelines and expectations as delays emerge.

Fig. 2

What are the top challenges impacting your store design and experience strategies? (Ranked 1 to 6, 1 being the top challenge)**

***Top three challenges established based on number of respondents ranking a 1 and 2.*

SHIFTING BUDGETS REQUIRE A SHUFFLING OF PRIORITIES

Consumers have eagerly returned to stores, largely due to the unique opportunity they afford to touch and try on products and have more immersive experiences with brands they love. But at a time of economic instability, consumers are increasingly mindful of the money they spend. Not to mention another key consumer trend: many still rely on the ease and convenience of ecommerce, which has forever shifted what they look for in a physical experience.

Retail organizations are facing their own challenges. Because so many are tightening budgets and reshuffling priorities to focus on short-term returns, they must closely scrutinize every investment they make in their physical locations.

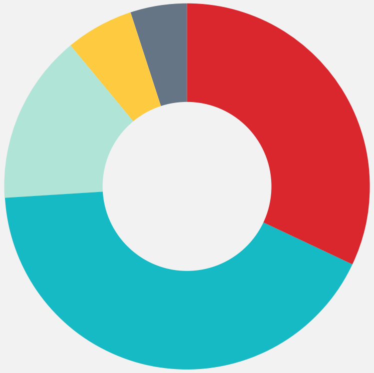
But in terms of how budgets are impacting new store openings and updates, **it's truly a mixed bag**.

Although **52%** of respondents said their budgets will slightly increase in 2023, more respondents are acknowledging the uncertainty of the scenario and believe that there will, at the very least, be slight reductions in their budgets. *(See Fig. 3 and 4)* As a result, most projects this year will consist of updating, remodeling and right-sizing their stores to adapt to new behaviors and capitalize on new opportunities to engage with their customers. *(See Fig. 5 and 6)*

Different retailers will take varying approaches to their store updates and remodels. They must understand their core value propositions and how their physical environments can reflect those unique benefits. For some retailers, a vast inventory selection and convenient store formats are key. For others, product testing, interaction and expert guidance is a top priority.

Once merchants pinpoint what they bring to the table, and what consumers are looking for, they can map out the changes and improvements they need to make to maximize the performance of their stores.

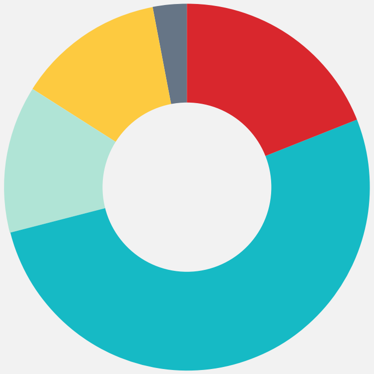
Fig. 3



How did your company's store design budget change in 2022?

- It stayed the same: **32%**
- It increased slightly: **42%**
- It increased significantly: **15%**
- It decreased slightly: **6%**
- It decreased significantly: **5%**

Fig. 4

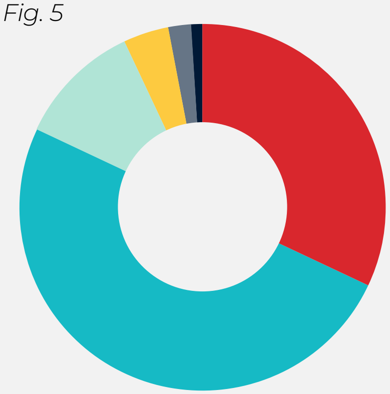


How do you expect your store design budget to change over the next 24 months?

- It will stay the same: **19%**
- It will increase slightly: **52%**
- It will increase significantly: **13%**
- It will decrease slightly: **13%**
- It will decrease significantly: **3%**

Dick's Sporting Goods is a great example of a retailer with a massive store footprint that has intelligently identified opportunities to differentiate locations in key markets. In addition to its standard stores, Dick's is rolling out more warehouse stores and **House of Sport** concept locations. This diversification shows that the retailer is focused on tailoring experiences to specific customer segments and testing new concepts to gauge their long-term viability.

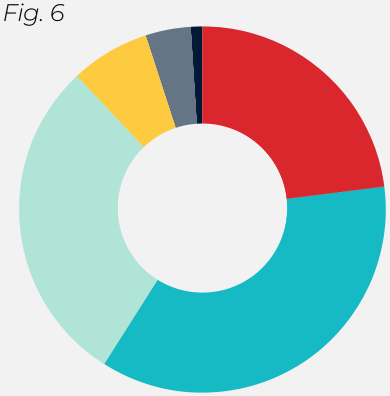
Fig. 5



New store openings planned through 2024

- None: **32%**
- 1-50: **50%**
- 51-100: **11%**
- 101-250: **4%**
- 251-500: **2%**
- More than 500: **1%**

Fig. 6



Percentage of store fleet that will be remodeled and/or renovated through 2024

- None: **23%**
- 1-10%: **35%**
- 11-25%: **30%**
- 26-50%: **7%**
- 51-75%: **4%**
- 76+%: **1%**

DESIGN TEAMS ELEVATE SUSTAINABILITY IN CREATIVE APPROACHES

Design teams are tasked to do more with less and maximize the impact of every dollar spent. That's why 2023 could easily be considered the year of **creative solutions**.

It should come as no surprise that design teams are prioritizing new and more creative methods to tell their brand stories. However, what *is* surprising are the increased percentage of respondents year over year. In 2022, this was a top goal for **71%** of our respondents.

There was a similar uptick in respondents who noted that sustainability was a priority as they developed their store design and visual merchandising priorities for the coming year: while a little more than one-third of respondents (**36%**) named this as a priority in our 2022 survey, nearly twice as many executives (**68%**) said the same this year. *(See Fig. 7)*

Over the past year, ESG (Environmental, Social and Governance) has become a core mandate for organizations, especially retail businesses. The fashion industry alone is one of the biggest contributors to **the climate crisis**, with apparel manufacturers and retailers producing **13 million** tons of textile waste each year. More companies, including **AEO** and **Carter's**, have implemented measurable benchmarks for their ESG efforts and have made sustainability efforts and progress a top talking point in earnings reports.

We predict that stores will play an even greater role in these ESG discussions, especially as retailers consider the materials and overall energy used to bring their store concepts to life. For example, **Sleep Number** integrated sustainability into its new high-touch store concept to ensure flooring, fixtures, wall coverings, lighting and other materials reflected the sustainability mission and values of the broader organization.

Other responses were relatively consistent year over year:

- **Design exclusive/VIP areas** to enhance store shopping experiences (**33%** in 2023 vs. **35%** in 2022)
- **Redesign store exteriors/parking lots** to support curbside pickup (**31%** in 2023 vs. **29%** in 2022)
- **Upgrade employee lounges** and facilities (**12%** in 2023 vs. **12%** in 2022)

This year-over-year consistency indicates that respondents are doubling (or even tripling) down on one or two key priorities and ensuring that they're making the appropriate investments against them to reach their goals. Meanwhile, less-important projects have been paused, temporarily or permanently, over the next year.

Fig. 7

What is your brand's top store design and visual merchandising priorities through 2023? (Top three)

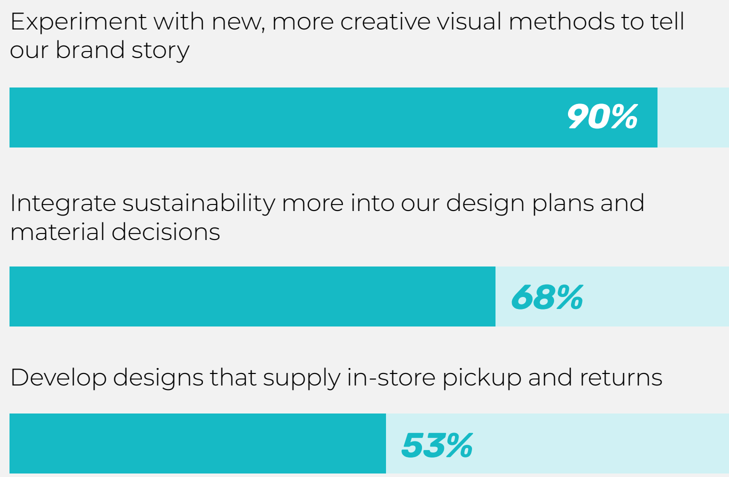
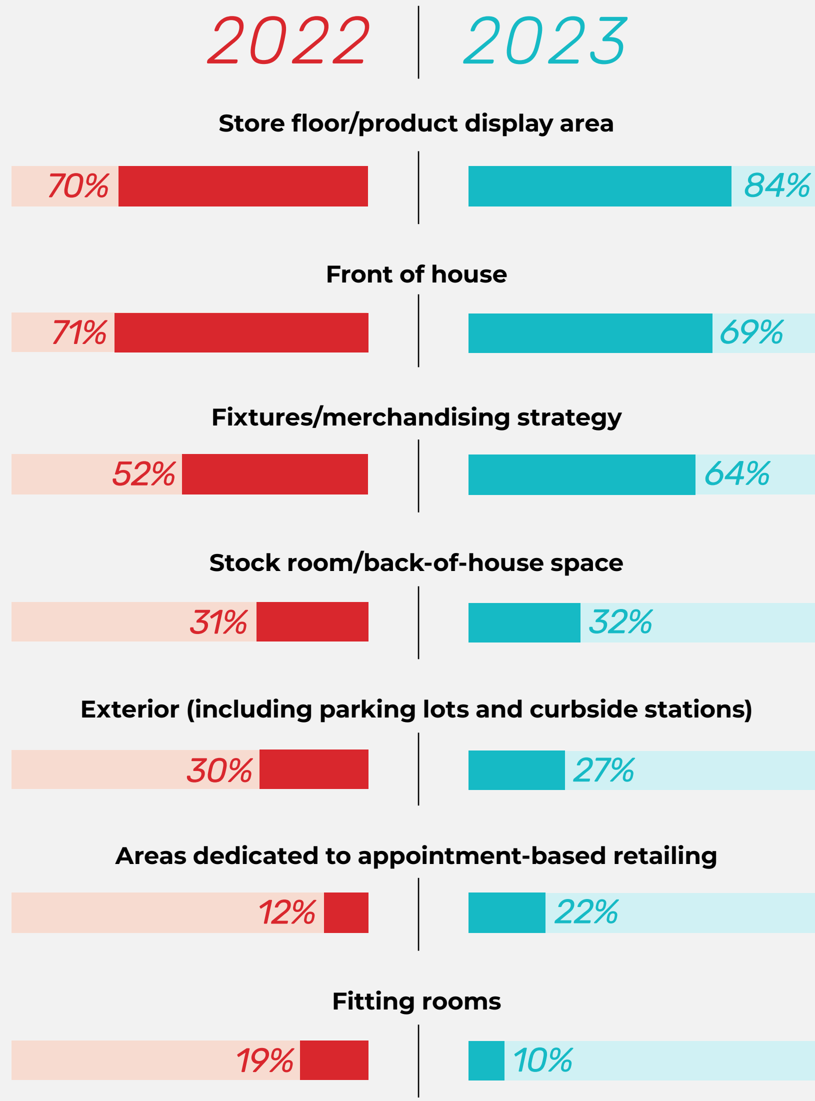


Fig. 8

Which areas of the store have you focused on rethinking and redesigning over the past year?



‘INTENTIONAL TECH’ COMES TO THE FOREFRONT

2022 brought a lot of exciting advancements in in-store technology, from AR and VR to immersive, interactive fit technology. Despite the potential value of these technologies, especially when it comes to driving in-store engagement and overall dwell times, brands and retailers are tabling these touch points for more realistic investments.

After all, **63%** of respondents noted that better integrating technology into in-store experiences is their top priority for 2023, up from **51%** in 2022. *(See Fig. 9)* But because budgets are under significant pressure, design teams are focused on researching and testing technology to ensure possible investments will not only support customers but associates as well. That’s why it’s no surprise to see contactless checkout, QR codes, digital signage and customer-facing interactive kiosks and devices rank as the top tech respondents **have already implemented** and **plan to implement** over the next few years. *(See Fig. 11)*

Many retailers are navigating store associate shortages and the logistical requirements of seamless omnichannel fulfillment. These technologies support operational efficiency by empowering consumers with the information and resources they need to complete their shopping “mission” — even if they can’t find an associate to support them.

Another emerging priority that also incorporates tech is the creation of more active and community-driven spaces. Retailers like **CAMP** excel in this area and have used their events and activations as key differentiators for their physical spaces. Other brands, like **Fiture** and **Argent**, use technology and modular design principles to ensure spaces support high-touch service, events and community engagements — all things that make their stores new places to gather. While this approach may not be a fit for every retailer, it shows that deep understanding of customers’ needs, lifestyles and interests can unlock new ways to elevate the in-store experience.

Fig. 9

What are your brand’s top store engagement and experience priorities through 2023? (Top three)

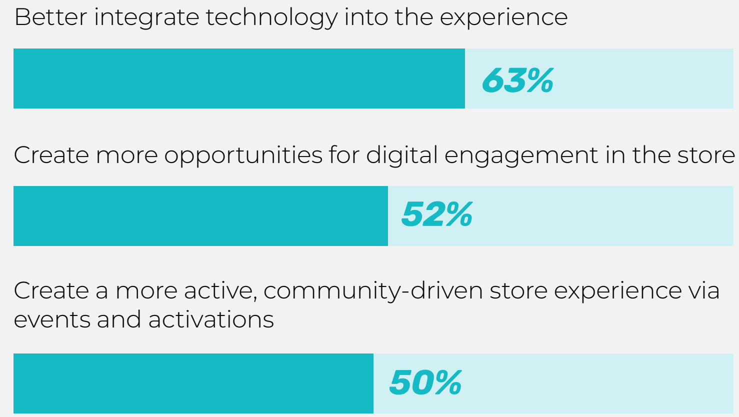
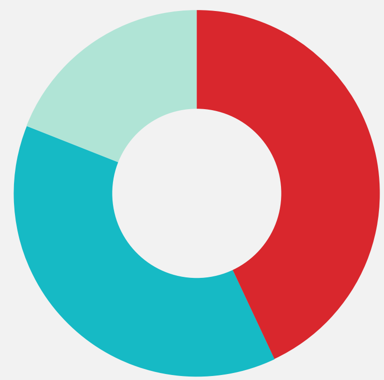


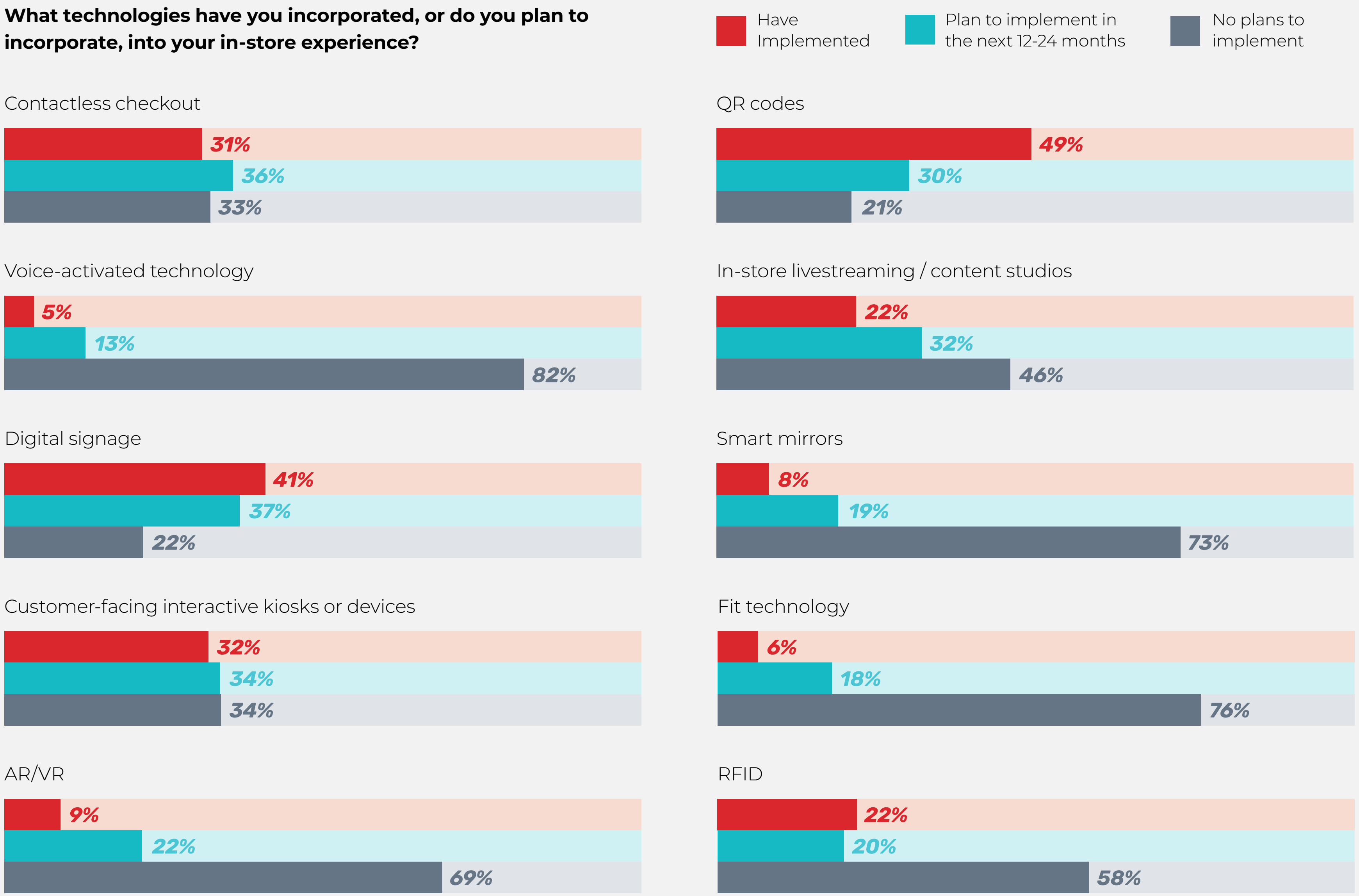
Fig. 10



Compared to two years ago, what role does technology play in your in-store experiences and merchandise displays?

- Much more important: **43%**
- Somewhat more important: **38%**
- Relatively unchanged: **19%**

Fig. 11


What technologies have you incorporated, or do you plan to incorporate, into your in-store experience?
Have Implemented
Plan to implement in the next 12-24 months
No plans to implement
Contactless checkout
31%
36%
33%
QR codes
49%
30%
21%
Voice-activated technology
5%
13%
82%
In-store livestreaming / content studios
22%
32%
46%
Digital signage
41%
37%
22%
Smart mirrors
8%
19%
73%
Customer-facing interactive kiosks or devices
32%
34%
34%
Fit technology
6%
18%
76%
AR/VR
9%
22%
69%
RFID
22%
20%
58%

MORE PARTIES GET A SEAT AT THE BRAINSTORMING TABLE

Last year's survey results revealed that more stakeholders were becoming involved in the store design process. With a greater emphasis on operational efficiency and the need to more thoughtfully integrate technology into stores, we're seeing more organizations apply this cross-functional approach.

The same players — marketing, operations and IT — are typically involved in store design discussions, but their numbers increased significantly this year. Marketing's participation rose from **64%** in 2022 to **79%**; for operations, **61%** rose to **77%**; and for IT, **55%** in 2022 rose to **73%** this year. *(See Fig. 12)*

For the first time in this year's survey, we also asked respondents to share the other external parties they collaborate with on creative ideation and execution. To bolster their creative teams, store design executives are leveraging design strategy firms (**58%**) as well as tech implementors and integrators (**41%**). These partners can pack a powerful one-two punch, helping brands and retailers address new visual merchandising and CX imperatives.

Fig. 12

What internal teams do you need to collaborate with when rolling out new store formats and experiences? (Select all that apply)

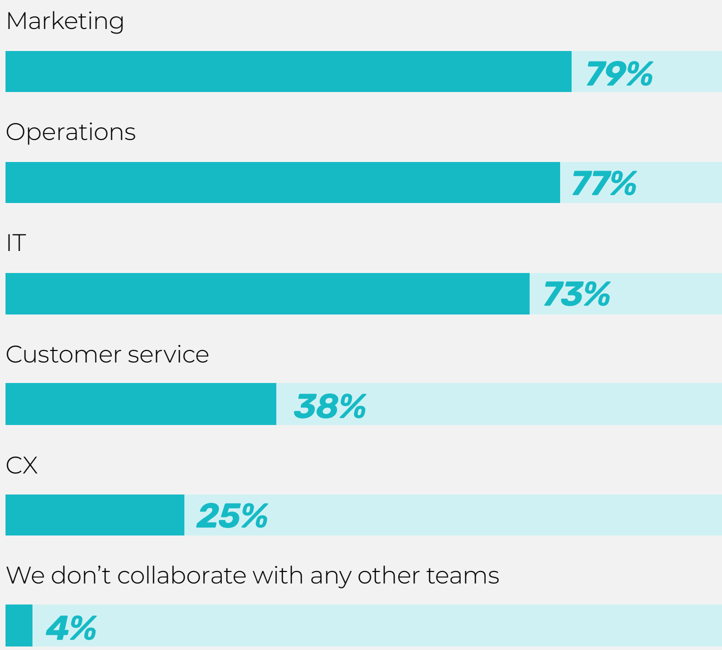
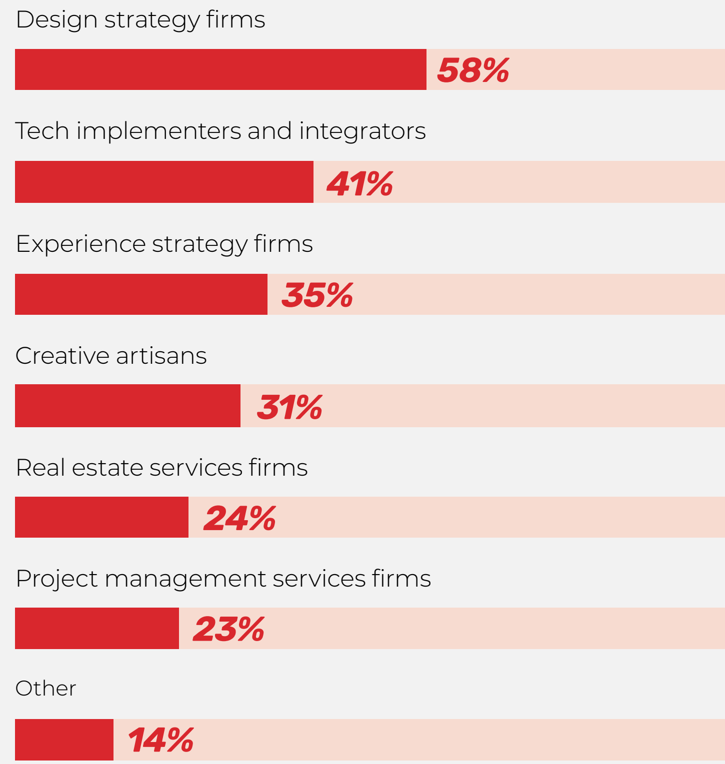


Fig. 13

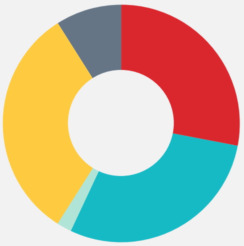
Which external partners do you collaborate with to bring new stores to life? (Select all that apply)



METHODOLOGY

For the *2023 Store Design & Experience Survey, Retail TouchPoints* gathered feedback from 107 respondents representing retail brands and design firms of all sizes and across categories.

Fig. 14



Business Type:

- Retailer - brick & mortar: ***28%***
- Retailer – omnichannel: ***29%***
- CPG/Brand - with brick & mortar : ***2%***
- Design Strategy/Consultant Firm - serving brands and retailers: ***33%***
- Other: ***8%***

Fig. 15

Retail Vertical:

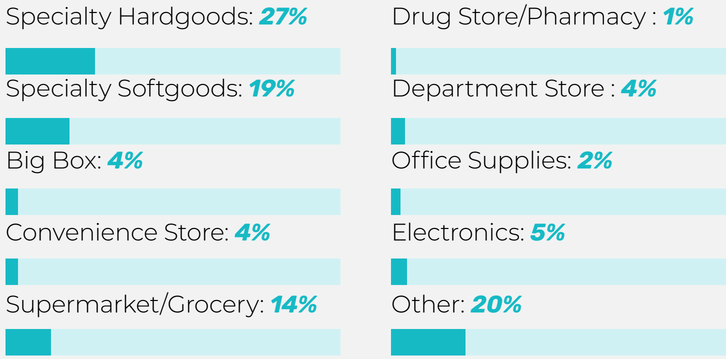
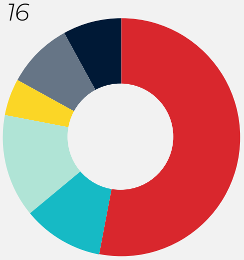


Fig. 16



Annual Revenue:

- Less than \$50M: ***53%***
- \$50M-\$100M: ***11%***
- \$100M-\$500M: ***14%***
- \$500M-\$1B: ***5%***
- \$1B-\$5B: ***9%***
- More than \$5B: ***8%***

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