

# Rethinking retail: The role of the physical store



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# **Rethinking retail:** **The role of** **the physical store**

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# Preface

Take a good look at the store pictured below. It might not look like it, but it is indeed a physical store. For those who have never heard of Gentle Monster before, what would you imagine their product offer to be like? One thing is for sure, I am inclined to check out what their brand represents, and I'm pretty sure you are too by now.

Did this high end eyeglass retailer find the perfect design for the store of the future? Maybe it has for its sector. A one for all solution over various sectors and strategies however will never be found. What can be done is taking a deep dive in the evolutions that are currently turning the Belgian retail sector on its head, which is exactly what we do in this white paper.

What is changing in the Belgian retail landscape? How could you react to prepare for these developments? And where will the physical store remain relevant in the long term? All these findings are summed up in a cooperative paper between PwC, The Retail Academy and the Gondola Group. Enjoy the read!

**François Jaucot**



**Pierre-Alexandre Billiet**



# Intro

In 2008, Belgium counted 89.510 retail stores. In just ten years' time, over 10.000 stores were forced to close its doors, shrinking the total amount to 78.875.<sup>[1]</sup>

There will still be a place for the physical store in the future, as even e-commerce giants such as Alibaba and Amazon are investing in brick-and-mortar shops, with their 'new retail' concept Hema and the acquisition of Wholefoods in 2017 respectively. The role of the physical store is changing. If you fail to adapt you might find yourself in the retail graveyard next to a colossus such as

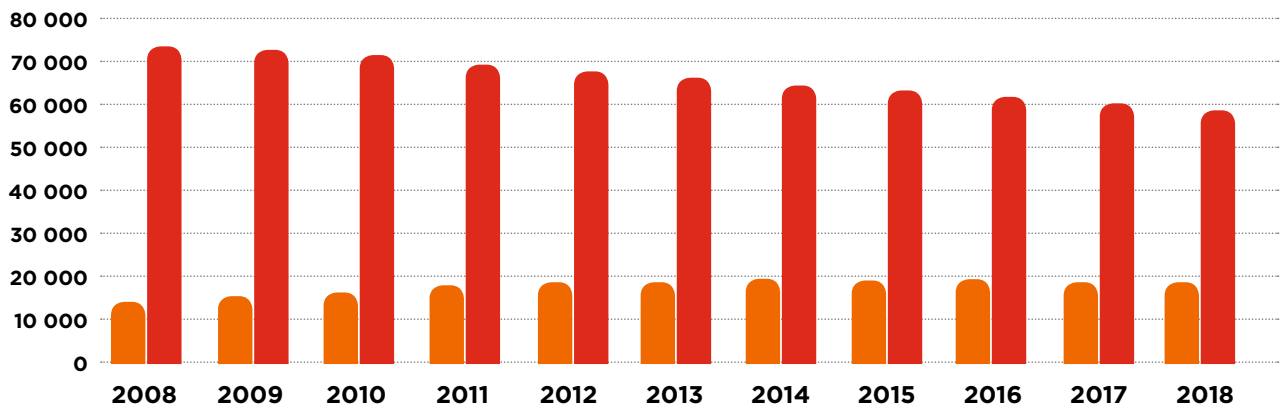
Toys "R" Us, who was forced to file for bankruptcy after years of losing sales to Amazon. Where will the decline end? And how does your store need to adapt in order to stay relevant in the future?

As e-commerce adoption increases, the decline in physical stores keeps on accelerating. In 2017, the Belgian consumers spent 5,842 billion euros online on tangible goods.<sup>[2]</sup> Although the overall online spending is still limited compared to the offline budget, it is increasing at a rapid pace.

## Independents in decline (Belgium)

Retail sales points

● Affiliated ● Independent



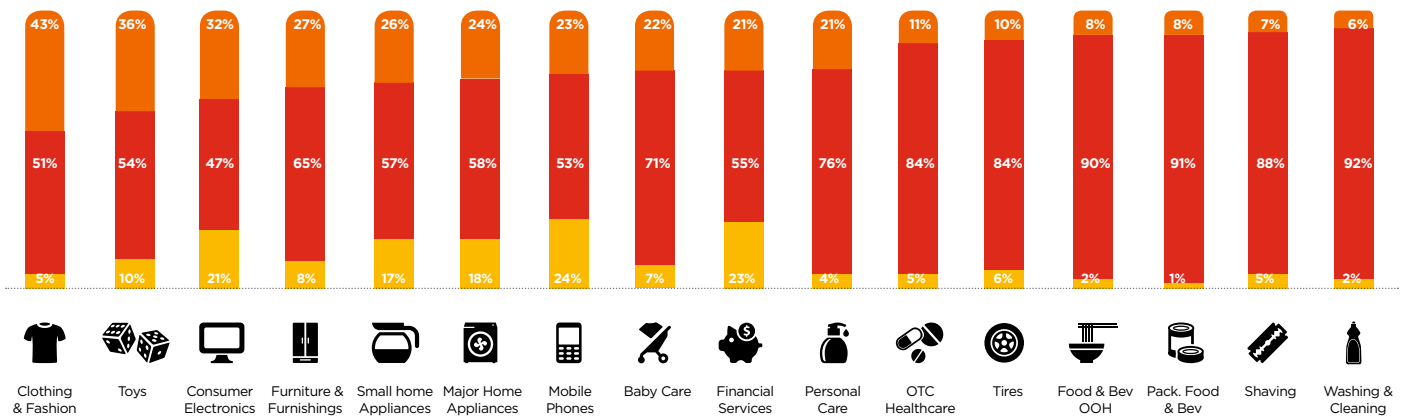
Source: Locatus, Is physical retail futureproof (2018)

## Omnichannel experiences increases

% channels shopped per category

Source: GfK, Futurebuy 2016

● Online ● Physical store ● Omnichannel



In a category such as fashion, 43% of consumers already consider themselves to be omnichannel shoppers, buying both offline and online. For consumer electronics, 21% of shoppers even indicated to be purchasing strictly online. That is over one fifth of consumers no longer finding their way to the physical store. <sup>[3]</sup>

E-commerce adoption is still in its initial phase, but it is already obvious that our ways of consuming are changing.

The physical store, which has historically claimed a dominant position in the retail landscape, has to rethink its role in the customer journey.

PwC, The Retail Academy & Gondola Group examined the Belgian retail market through a survey and testimonials on the evolution of the physical store. Through the collective expertise, a view is given on the short and long term evolutions that are shaping the Belgian retail landscape.

# A brief history of retail

The origin of retail traces back to the so called 'Fertile Crescent', an area surrounding rivers as the Nile, the Tigris and the Euphrates where the earliest human civilizations such as the Babylonians started settling down.

The oldest form of retail is **barter**, dating somewhere between 9000 and 6000 BC. Amidst the first agricultural revolution, where mankind exchanged its nomadic lifestyle for farms. Along with the sedentary way of life came the notion of trading, indicating the inception of retail. Around 3000 BC the region even took retail one step further, introducing worlds' first **currency**, the Shekel, enabling trading to occur on a much larger scale. <sup>[4]</sup>

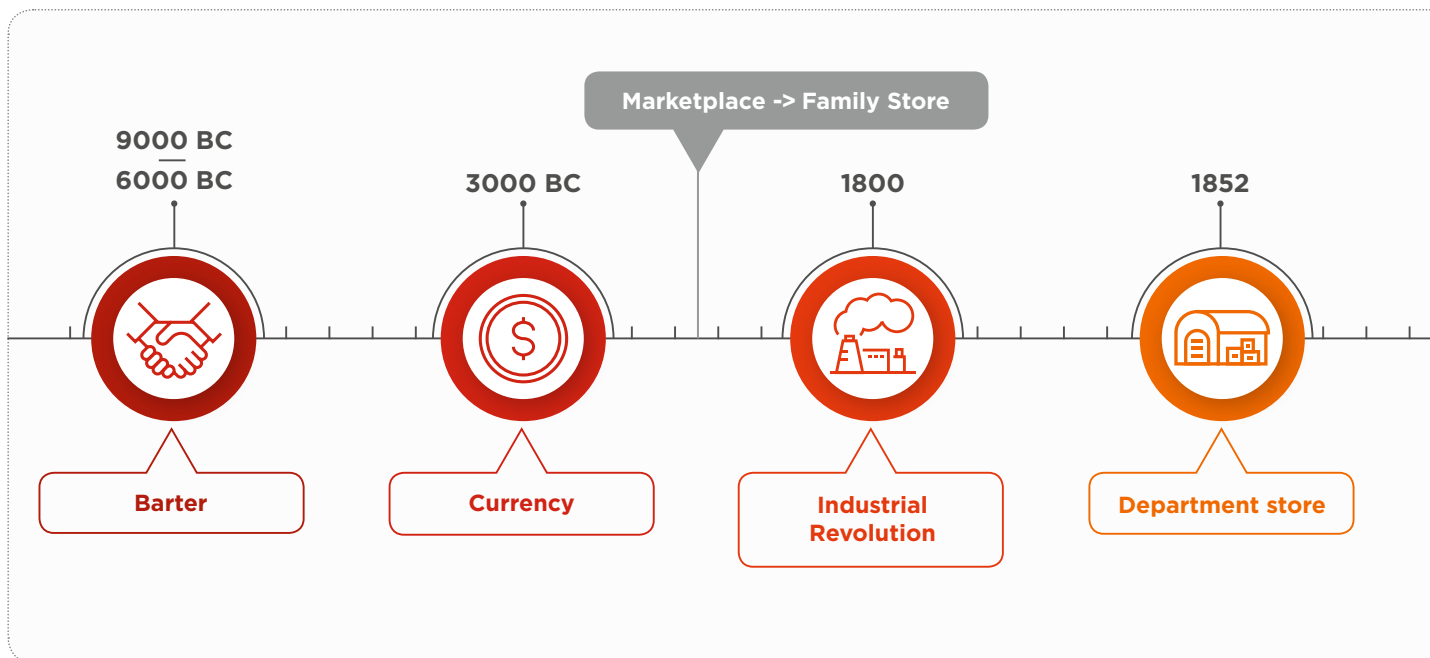
Through currency and trading we find the fundamentals of retail. The phenomenon of marketplaces developed alongside the introduction of currencies, which came in the form of a Bazaar in the Middle East, or as an Agora in ancient Greece.

The concept of marketplaces further developed to the local family stores (such as bakeries, butchers, fromageries) which for a long time reigned supreme in the retail landscape. Up until the **industrial revolution** late 18th - early 19th century, retail was limited to a certain production capacity. Production boomed through industrialization, and for the first time the supply of goods grew beyond the

consumers' demand, giving consumers the powerful option of choice.

The industrial revolutions marks the beginning of commerce and consumerism. The godfather of commerce that shaped the sector is Aristide Boucicaut, who in 1852, revamped a local small shop into worlds' first **department store**, Le Bon Marché in Paris. For the first time in history of retail, a variety of product categories were offered under one single roof. <sup>[5][6]</sup>

Boucicaut didn't stop just there. The French entrepreneur ignited a commercial revolution, introducing the world to concepts such as seasonal sales, loyalty cards, fixed & listed



prices, presenting products in rayons, home delivery, allowing items to be exchanged ... he even came up with the idea to install a donkey at his stores, offering free rides as a means to entertain children while their mothers did their shopping. His ideas quickly became widespread all over the world and still are widely applied today. <sup>[5] [7] [8]</sup>

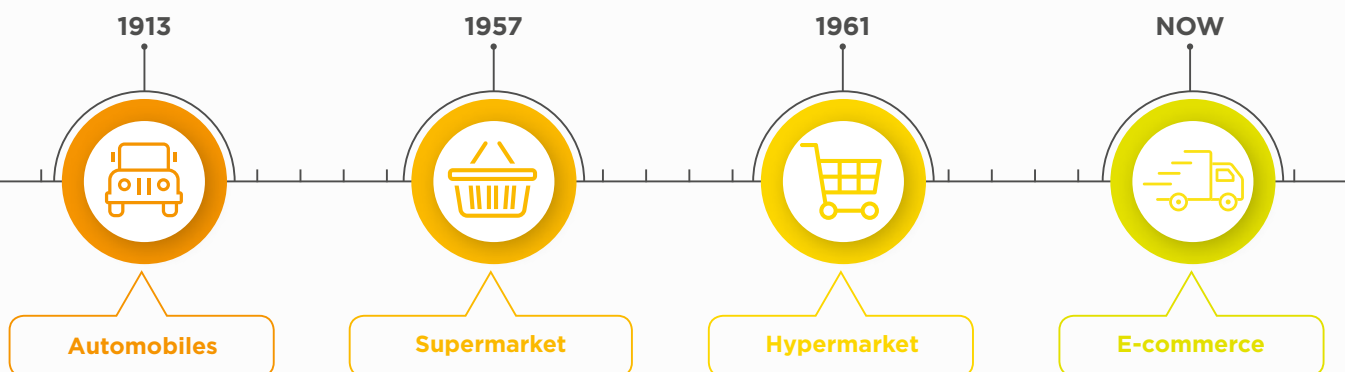
While Boucicaut was introducing the world to the department store, inventors around the world were testing a new form of mobility that propelled the retail industry in its next evolution. The **automobiles** came in many forms, such as steam-powered (1769)<sup>[9]</sup>, hydrogen fuelled (1808) and even the first electric automobile

in 1828. <sup>[10]</sup> Eventually it was Henry Ford that launched the first automobile to be mass-produced, the famed Ford Model T in 1913.

What are the implications of the automobile on retail you might wonder? Where consumers first were limited to a shopping range that extended no further than where their horses could take them, the car gave consumers a convenient option to travel further to fulfil their shopping needs. The concept of department stores transferred to Belgium in 1872 for non-food sector with the launch of the 'Grand Magasins de la Bourse (GMB)', and in 1957 for the food sector with the first **supermarket** opening its doors at place Flagey (Brussels),

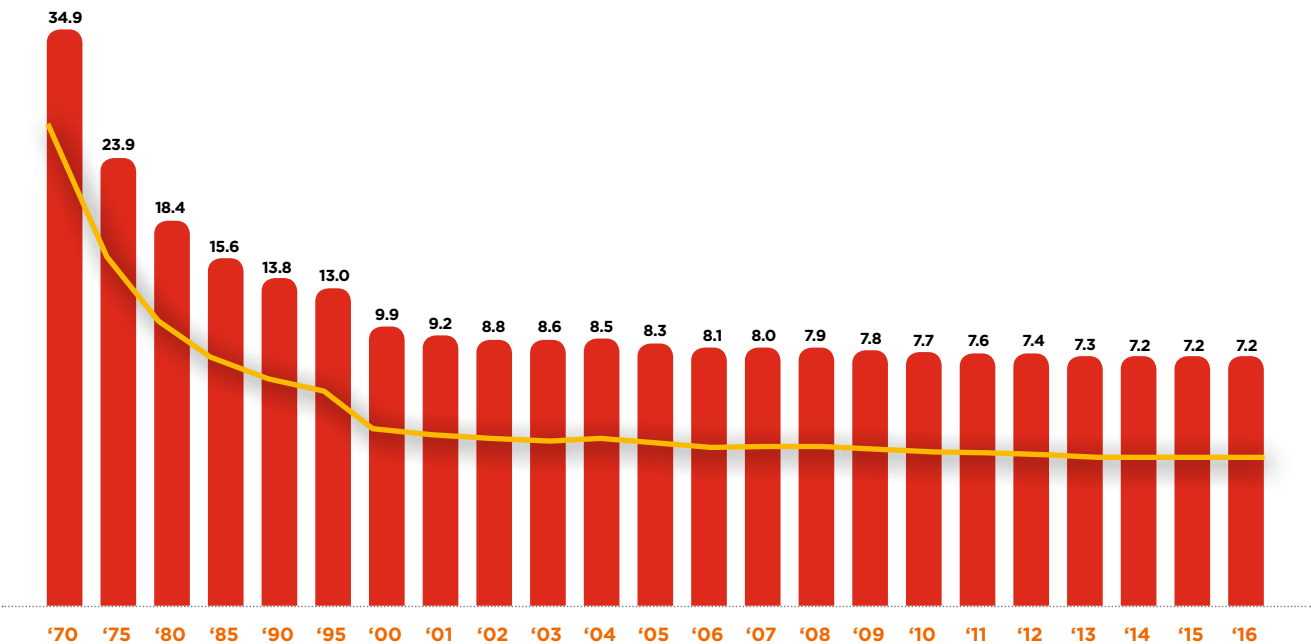
followed shortly by worlds' first **hypermarket**, GB's 'Superbazar' which opened in 1961 in Auderghem. <sup>[11] [12]</sup>

Local stores soon found themselves competing with supermarkets. Fierce competition forced many local proprietors to close their doors as shown in the statistics. In 1970, the Belgian food universe counted 34.900 stores, which 46 years later fell to a mere 7.200 stores. <sup>[13]</sup> For the food industry, the supermarket was the new way of shopping.





Evolution food retail stores (per 1000 stores)

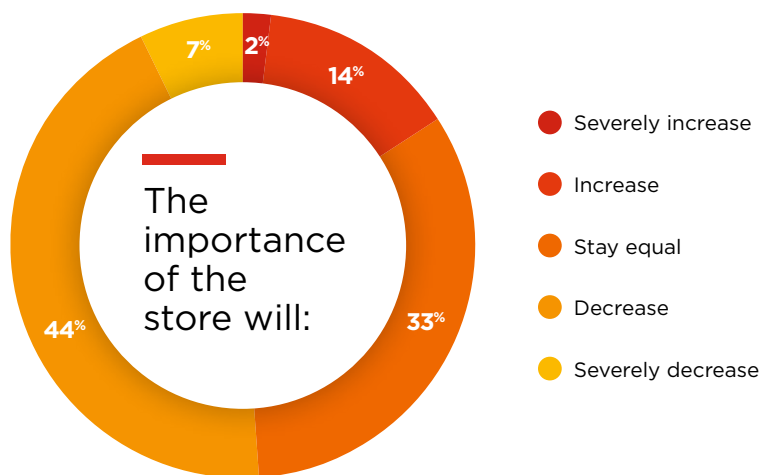


Source: Nielsen, Food Universe (2017)

Today, we find ourselves at the forefront of a new evolution that might reshape the Belgian retail landscape. **E-commerce** extends your shopping range to its maximum limit, allowing consumers to visit any shop, be it Chinese or American, from the comfort of their sofa at home. What are the implications

of this new development? How will the Belgian retail landscape shift in the near future? PwC, The Retail Academy & Gondola Group mapped the ongoing evolutions and indicate the most important developments you need to be aware off.

# Survey results



**“51% believe that the importance of the physical store is declining”**



**“Only 31% of stores claimed to be ready for the future”**

84 retailers and 186 manufacturers were questioned on the role of the physical store. A first clear finding is that the Belgian industry forecasts a grim future for the physical store. Little over half of participants questioned indicate the importance of the store to be in decline. One third believed the importance to remain equal, leaving only 16% who see a bright future for our favourite shopping channel.

## The importance of the store is declining

When asking retailers if their stores were ready for the future, only 31% claimed to be so. 59% stated to be working hard on it, but admitted not to be quite there yet.

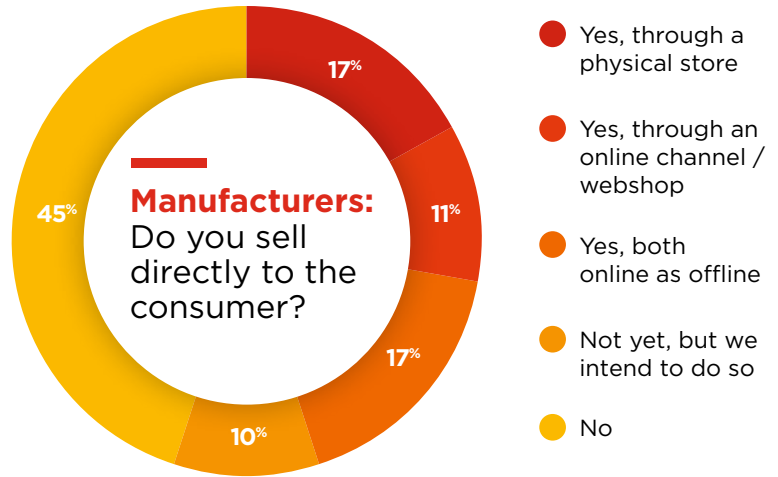
Questioning retailers on their biggest challenges, digitization (equipping their store technologically) came out on top, with going omnichannel (integrating e-commerce channels through the store) following closely on the second place. 72% of retailers questioned already claimed to have made adaptations to their stores due to the threat of e-commerce, yet it remains one of their top challenges to tackle in the near future.

Creating an in-store experience, though being a trending topic, only manages to place third on the retailers' priority list, with merely 41,7% of participants declaring it to be one of their biggest challenges. Smaller stores were generally still stuck in the initial part of transforming to an omnichannel store, finding their biggest challenge in capturing and utilising data, and in putting the customer at the heart of their companies' strategy.

Meanwhile, manufacturers are not waiting for retailers to finish optimizing their store, as they are building their own DTC channels. 45% of manufacturers respond that they have already built their DTC channel, with another 10% of manufacturers planning to build one in the future.

What makes DTC channels an attractive medium for manufacturers? Using retailers as the intermediate between the manufacturer and the consumer of course comes with a cost. Bypassing the retailer lifts the cost, increasing your profit margin.

More importantly, direct channels enable manufacturers to collect data on their customers, which allows them to engage their brands in a personalised relationship, driving brand love and customer loyalty.



**“45% of manufacturers respond that they have already built their DTC channel”**



**What kind of technologies are essential for the store?**

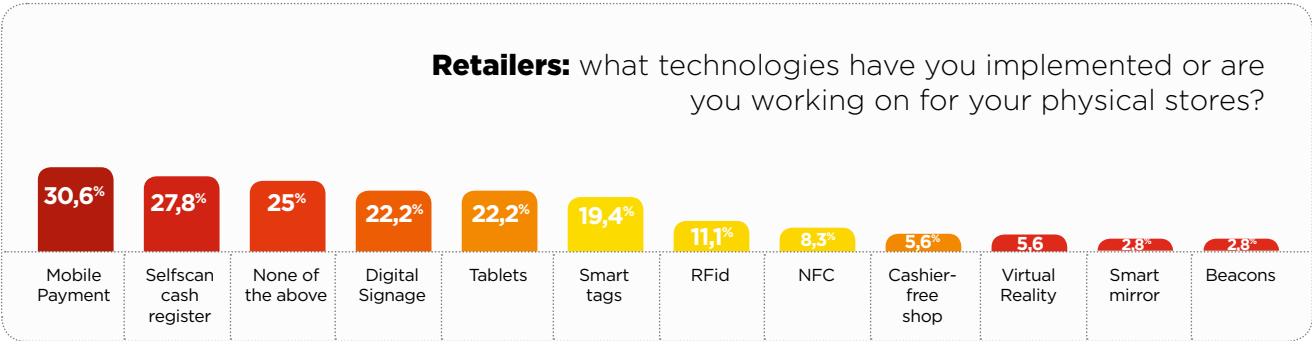
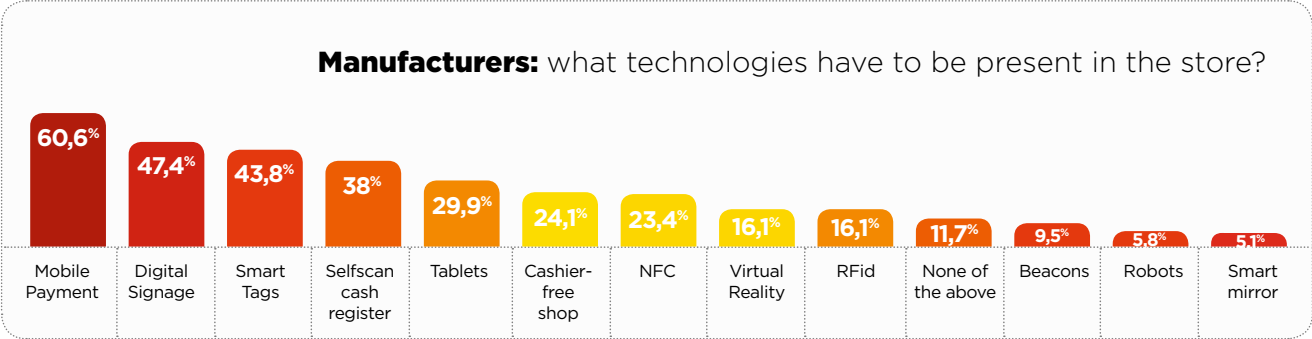
You cannot imagine the store of the future without thinking about technology. We've asked Belgian manufacturers and retailers what technologies they thought to be indispensable for retail stores, and the results for both groups came out to be fairly similar.

Optimising the **checkout process** is one thing both retailers and manufacturers value highly, with mobile payment being number one, but selfscan cash registers

being prioritised as well. Checkout is often seen as an annoyance that needs to be dealt with. Highly anticipated innovations such as 'Amazon Go' seek to eradicate this nuisance altogether. Even closer to Belgium we have Albert Heijn testing their 'Albert Heijn To Go' concept which is fairly similar to Amazon Go, optimizing the checkout process. <sup>[15]</sup>

Logically manufacturers favour digital signage and smart tags, as both technologies enable **extra focus and insight on the products they offer**. Belgian retailers and manufacturers also see the added value

of equipping shops with tablets, which can serve multiple purposes. Personnel can use tablets to better serve customers. 68,8% of retailers questioned believed that the main role of their personnel was to be an advisor, winning over taskforce (50%) and boosting sales (48%). Tablets can empower personnel to give personalised advise based on customer data. Another use of tablets is to link the offline with the online world. Through in-store consoles, customers would be able to browse the online store, essentially connecting both together in an all-round phygital (physical + digital) store.



**Where does the store fit in the customer journey?**

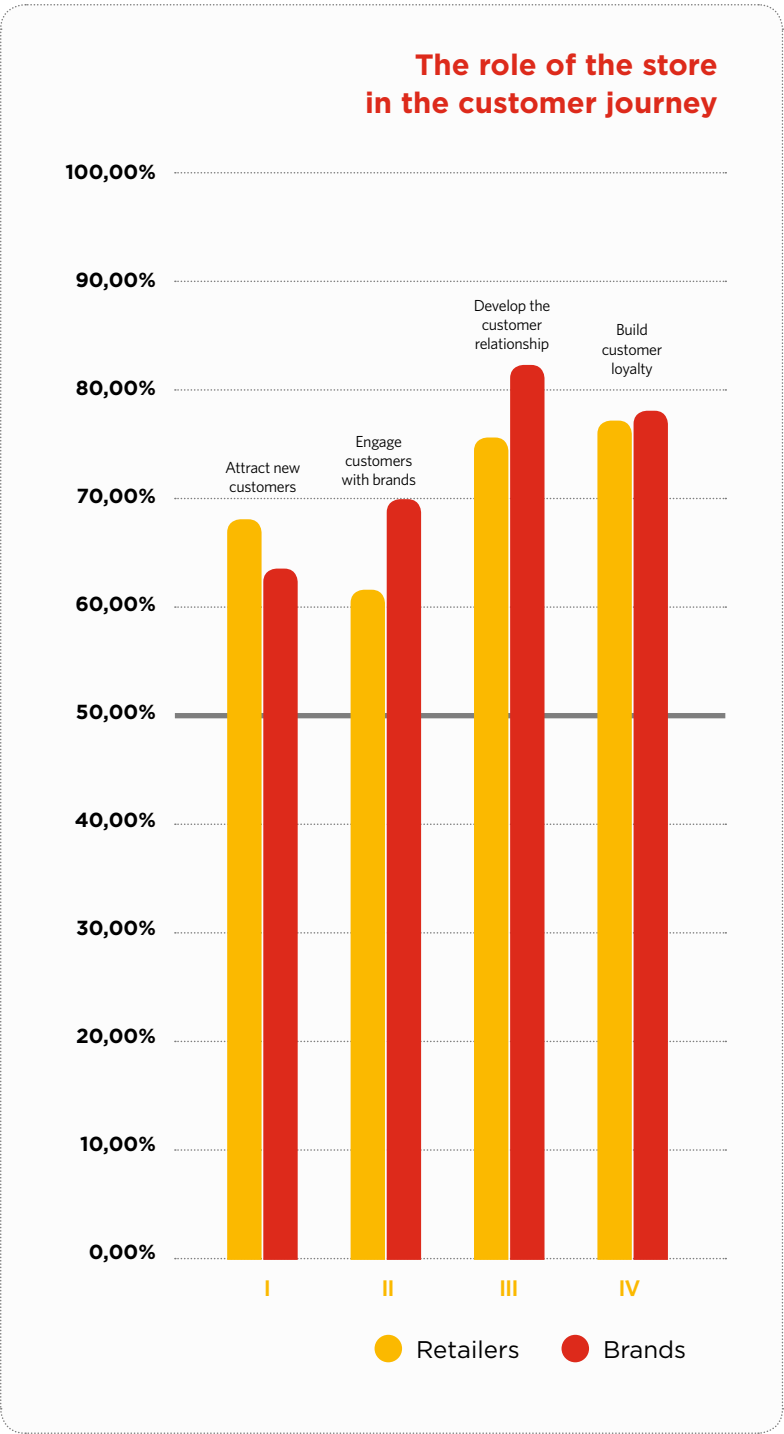
How will the role of the store evolve? Where will it fit in the customer journey? Belgian retailers and manufacturers were asked to rate the importance of the physical store in the 4 phases of the customer journey. These phases being:

- I. Attract new customers**
- II. Engage customers with brands**
- III. Develop the customer relationship**
- IV. Build customer loyalty**

The store is perceived to be important throughout the whole customer journey (100% being very important, 50% neutral, 0% not important at all). Overall manufacturers have a slightly higher valuation of the importance of the store in the customer journey, but both present a fairly similar outcome.

According to the results, Belgian manufacturers and retailers suggest that the role of the store will become more important towards the latter phases of the customer journey, being the development of the customer relationship and building customer loyalty. With this in mind, how can you optimise your store to make sure that your stores remain relevant in the future?

**The role of the store in the customer journey**

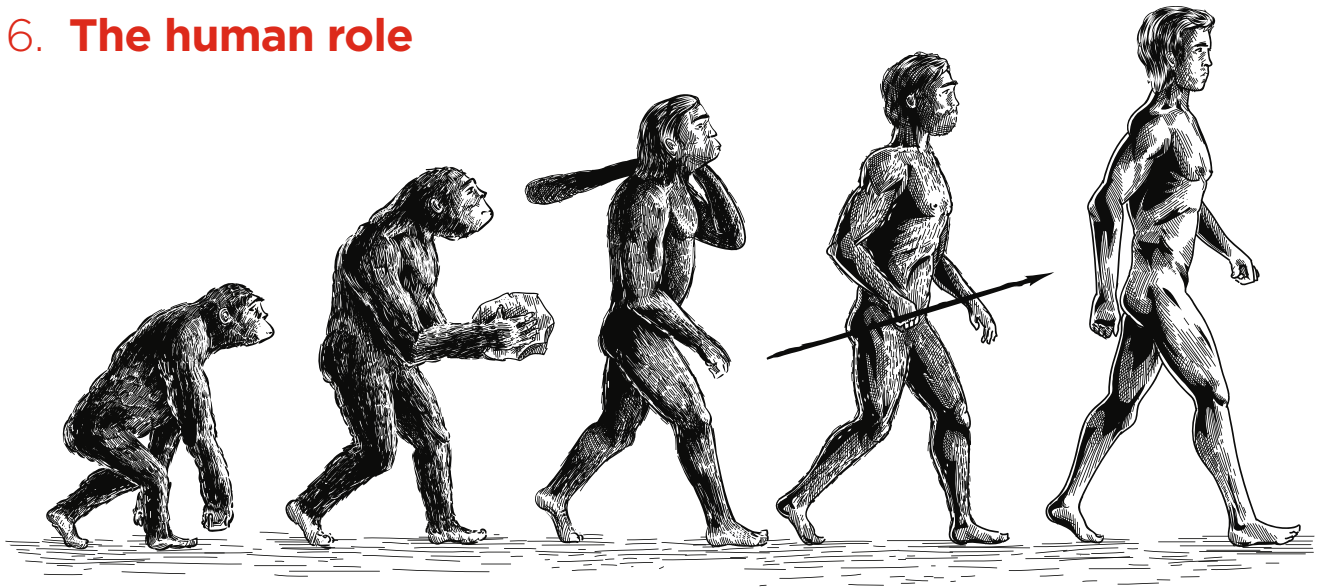


# Ongoing evolutions

What is changing in the retail landscape in the short term?

**PwC, Gondola & The Retail Academy** defined **6 key** evolutions that are transforming the stores today:

1. **Store features**
2. **Shopping behaviour**
3. **Brand behaviour**
4. **Technology**
5. **Channel blurring**
6. **The human role**



# 1. Store features

The average store size is increasing! In 2008 the average store counted 190,3m<sup>2</sup>, which augmented to 239m<sup>2</sup> in 2018. <sup>[16]</sup> The main cause of this increase lies in the disappearance of small local proprietors. In today's retail landscape, the majority of shops are affiliated. Looking at the rate of affiliation based on shopping floor surface, categories such as fashion or supermarkets leave little room for independent owners. <sup>[17]</sup>

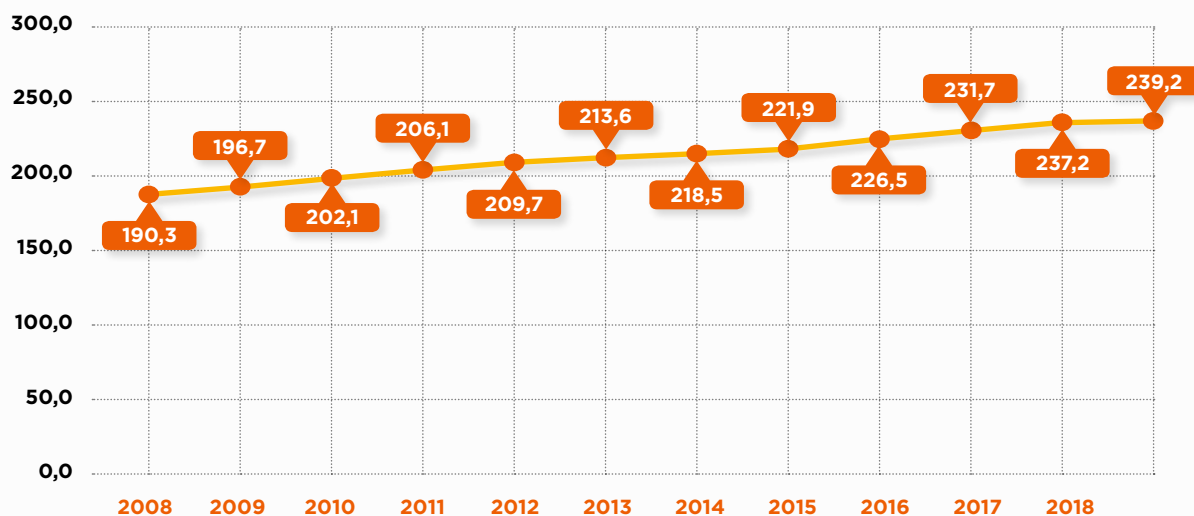
## Top 10 affiliated branches in Belgium

(based on shopping floor surface) :

1.	Supermarket	95,7%
2.	Grocer	94,8%
3.	Fashion	90,5%
4.	Fashion (department store)	89,1%
5.	Hearing aid	83,7%
6.	Home appliances	83,0%
7.	Sports	80,5%
8.	Do-It-Yourself	80,4%
9.	Electronics	79,6%
10.	Department stores	79,2%

Source: Locatus, top 10 branches met hoogste filialisingsgraad in België

## Average Shopping Floor surface (m<sup>2</sup>)\*



Source: Locatus, Evolutie gemiddelde winkelvloeroppervlakte (2018)

E-commerce also introduced a platform for the long tail. Where traditional brick-and-mortar stores are limited to an assortment of top performing products, e-shops become the main destination to browse a broader range of products.

The design of hypermarkets are affected by this evolution. Carrefour for example announced to be scaling back the space provided for non-food, as the category is suffering the consequences of e-commerce. More room will be dedicated towards other categories such as fresh, bio, repair services or even community rooms. <sup>[18]</sup>

The long tail is not the only part of the store that will migrate online. Items that are bought on a recurrent basis, such as toilet paper, can be automatically replenished through apps based on AI models that are able to predict when you are running low on stock. For heavy items that are uncomfortable to ship and carry, the option will exist to be delivered directly at your home.



### Case: Albert Heijn <sup>[19]</sup>

Albert Heijn opened a new store focussing on a 'fresh' experience. The store has wide aisles to offer an enjoyable shopping experience. The Dutch food retailer wants to connect producers and consumers through initiatives as the self-pick-garden, an in-store garden in which consumers can handpick the herbs of their liking.

Through an interactive screen (picture), visitors were able to select heavy groceries to be delivered directly to their homes. Other digital signage showed various content ranging from seasonal sales to cooking recipes.

At the checkout, shoppers had the option to choose between the traditional cashier, selfscan, mobile payment or the scan&go app. Giving consumers the option to choose the checkout which they deem to be the most convenient.

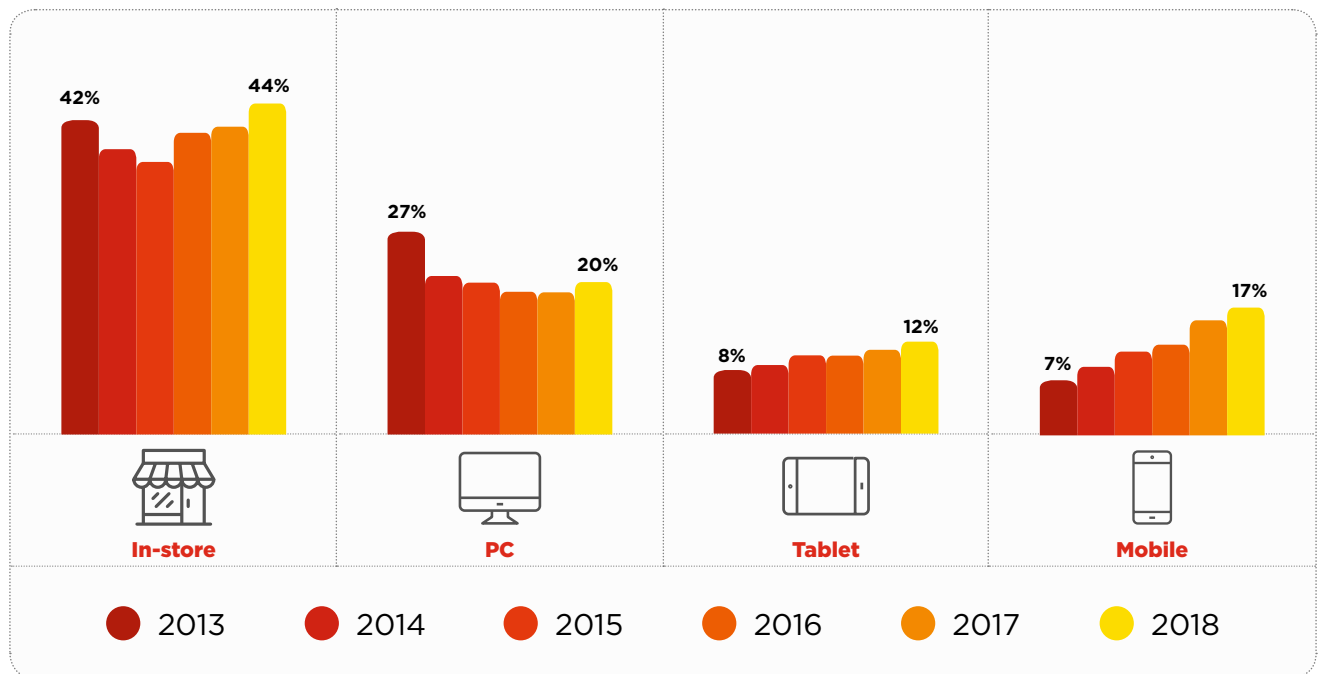


## 2. Shopping behaviour

The physical store is still in favour! In PwC's Global Consumer Insights Survey, 22.000 respondents indicated to have increased their shopping in physical stores. <sup>[20]</sup> Multiple studies even confirm that millennials are more likely to shop in physical stores than older consumers <sup>[21]</sup>

Over all generations, the physical store remains the favoured shopping channel. Definitely for a sector such as grocery, the likelihood of buying online stays minimal. Only 9% of Belgian consumers intend to buy grocery online the next 12 months. Frontrunner in this category is China, for which 59% of the consumers indicated to be buying grocery online in the upcoming year. <sup>[20]</sup>

**How often do you buy products (e.g. clothes, books, electronics) using the following shopping channels?**



Source: PwC, Global Consumer Insight Survey (2018)

## Other than price, what influences you to shop at a particular retailer?



Source: PwC, Global Consumer Insight Survey (2018)

An already well known, but significant evolution is the use of smartphones as a shopping medium, which has more than doubled worldwide since 2013. <sup>[20]</sup>

Smartphones are also widely used as an information channel, with 36% of Belgian consumers using their phones to search for more information about a potential purchase, and 16% searching online reviews while they are in the physical store. <sup>[22]</sup> Smartphones, being the all-in-one device that they are, are also used for payment in brick-and-mortar stores, as indicated by 50% of all respondents worldwide. Mobile optimization is not a luxury, but a must.

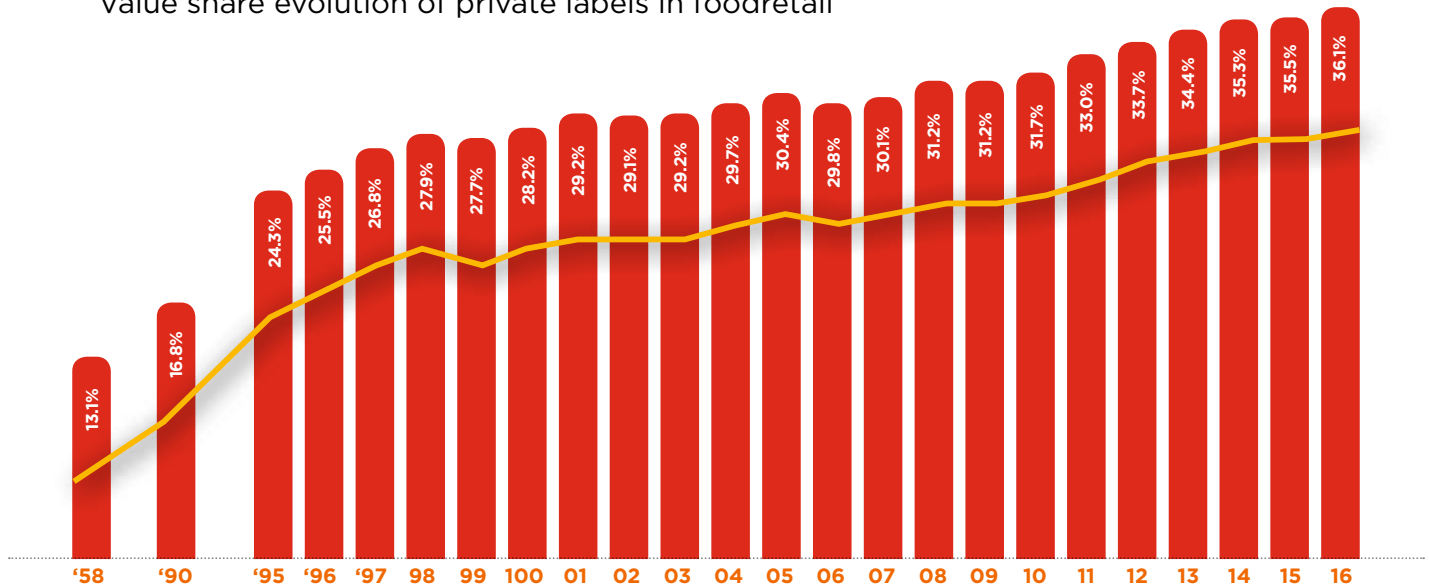
So what drives consumers to shop at a particular retailer? Excluding price as a

factor, it is mainly **brand trust** and a **good location** that stands out, ranking 1st most often. A strong reliable brand does make the difference.

Consumers are looking for an experience! Consumers were asked to name shopping experiences that gave them satisfaction. Face-to-face interaction with knowledgeable, helpful salespeople came out on top (53%), proving the value of using humans to create an experience. Personalised offers (40%) came in second and in store screens displaying product lines (39%) claiming the third spot. Great news for companies with a smaller budget, consumers are not always looking for the latest expensive technology. Personalised human interaction can make up for the lack of digital instore.

### 3. Brand behaviour

Value share evolution of private labels in foodretail



Source: Nielsen, The Retail Society: Economic Expectations (2018)

Brands are evolving in two directions, first one is the private labels coming from the perspective of the retailers. The value share of these labels increases year in, year out. In food retail, **private labels** already represent 36.1% of the average shopping bill. <sup>[23]</sup> An identical trend is seen across other sectors. The most famous e-tailer, Amazon for example employs

over 80 different private labels, of which 86% are in the clothing, shoes or jewellery category. <sup>[24]</sup>

As the quality of these private labels keeps on rising, the customer perception keeps on increasing and the margins for the retailers remain untouched, this trend will continue to uphold.



The question has been asked if retailers still need brands (of course they do), but on the other side, brands are asking themselves a similar question, if the supermarket is still necessary? Which brings us to our second part, which are the **traditional brands, that are building their channels directly to the consumer**. According to our survey, 45% of the brands already built their own DTC channel, with another 10% aiming to do so in the near future. <sup>[14]</sup>

What makes traditional brands stand out, is the experience they provide through consuming their products. A suitable experience can only be provided if you are in complete control of the way it is presented, which can only be achieved through your own channel. Another major benefit of running your own channel is the acquisition of data. In the age of information it is crucial to know what your customers like, to adopt your products to their preferences and to deliver an experience personalised to their wishes.

### Case: Shobr

Danish online FMCG platform Shobr is looking to deliver A-brands directly to the consumer. Financed by the Carlsberg family, Shobr seeks to challenge the supermarket by listening to the needs of brands through giving them complete ownership of their webspace, enabling them to dictate their own prices, offer their whole assortment contrary to the limited physical shelf space and get full visibility on sales data.

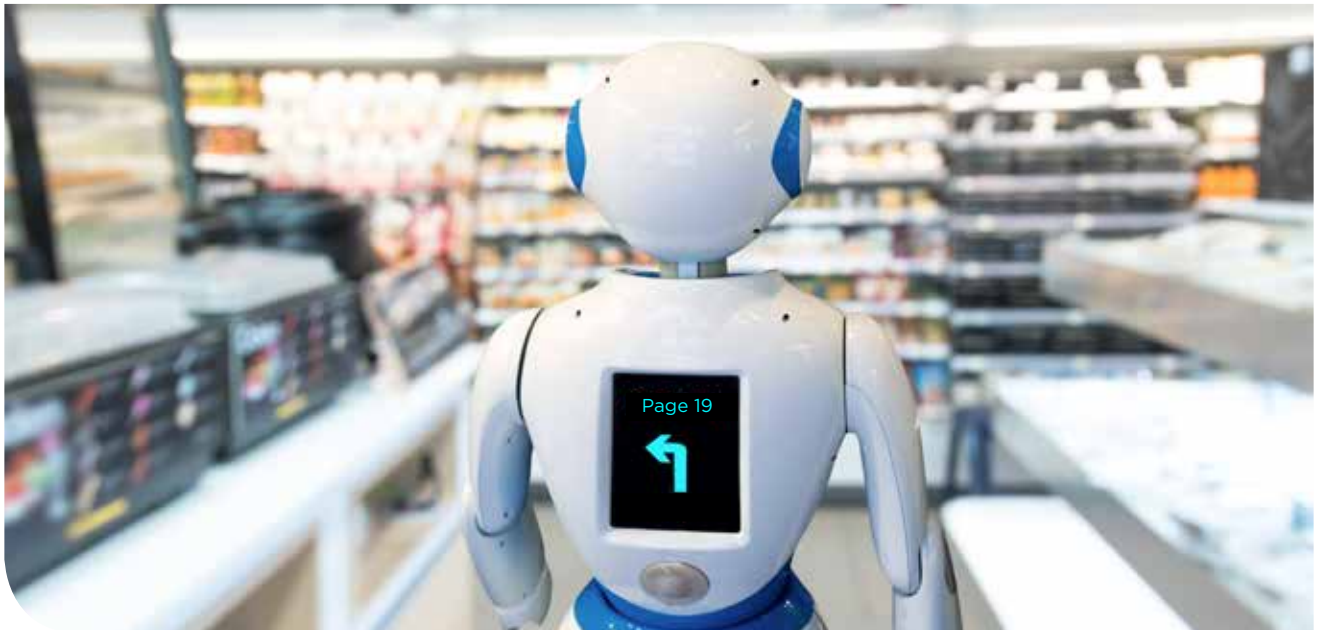
## 4. Technology

In the first phase, technology is looking to remove all friction from the shopping experience. In the in-store customer journey, the checkout process is still one of the biggest hurdle store-owners are trying to improve. This sentiment is confirmed in our own survey, where mobile payment was the main technology which both brands and retailers focussed on. Various forms are being suggested to tackle checkout, Amazon Go being the best-known example. In Belgium, fashion retailer JBC introduced RFID (Radio-frequency identification) to reduce the time lost at the cashier, enabling them to scan all the products at once. <sup>[25]</sup>

The way JBC approached innovation, was to test it out in 2 of its 144 shops while closely monitoring and measuring the results. Based

on the outcomes of the test a decision would be made on how to proceed with the technology. For RFID the impact proved to be significant which signals them to establish the technology over their network. JBC tried out smart-mirrors in the same fashion, but the jury is still out to see if it is worthwhile to further invest in that technology. <sup>[26]</sup>

Technology moves at a paces faster than ever before, and technologies that today find themselves on your company's roadmap might not be relevant in just a couple years' time. To keep up with the accelerating pace of technology, it is important to constantly test small, and to adopt wide once proven to be successful.





### Case: Burberry

The future of retail is phygital, a model in which physical and digital environment are integrated to offer a seamless experience. Burberry's flagship store in Regent Street (London) applies the phygital approach. Other than their 38-square metre video display unit that stretches over multiple floors, the store integrated digital in every aspect of their store.

Tablets are displayed next to their items, taking customers through every step of the process creation. Bringing clothing

pieces to life and giving insights towards its valuation. You have interactive mirrors that turn into personalised screens. Certainly when combined with items, which are tagged with RFid chips, triggering multimedia content, such as a catwalk clip picturing your item when in its proximity.

Meanwhile the sales personnel is equipped with tablets. When an identified customer enters a store, recommendations are given based on purchase history as well as their social media activity. If a customer had previously bought a red coat, a matching handbag would be advised.



## 5. Channel blurring

Today you can find HEMA stores popping up with fully equipped restaurants, or Juttu (A.S. Adventure's concept store) segmenting their store to fit certain lifestyles, providing all the necessary accessories imaginable built around a fitting interior design. The store of the future goes way beyond fulfilling the basic expectations, but seeks to satisfy any relevant need your customers might have.

Consumers do not identify with or understand channels; they simply go shopping. Offering a **consistent omnichannel experience** is essential in this journey. Stores need to aim for a phygital model, seamlessly connecting the digital and the physical world. Your online assortment should always be accessible in the physical store through interactive screens. On the other hand, the data gathered from the online customers journey should be used by instore employees to offer personalised advice when requested.

The physical store is more than just a store, it is a **meeting platform connecting your brand with your customer**, and should be used as such. Fashion retailer



Burberry for example uses its flagship store in London to organise catwalks showcasing new fashion lines. Customers are exclusively invited to attend this high-end event. In Belgium, pet retailer Wellopet organises workshops such as first aid for pets, bringing customers closer to their store, boosting brand attachment and loyalty. Use your stores to do more than just selling products. Engage your customers in a way that suits your brand.



*Juttu showcasing a grand variety of accessories. Going way beyond the offer of a tradition fashion retailer.*



### Case: Alibaba Hema <sup>[27]</sup>

Alibaba's new retail concept 'Hema', not to be confused with dutch retailer Hema, hosts a seafood section in which consumers can handpick live lobsters or other shellfish. After their instore fishing trip, customers can head to the restaurant where Hema chefs prepare your meal while you finish your shopping trip. About 30 minutes later, customers can choose to eat the prepared food in the restaurant area, to take it away or even to have it delivered to their homes.



## 6. The human role

The factor separating the offline customer journey from online, is the human interaction. 71% of consumers indicate that employees have a significant impact on their experience, and 75% wants to interact more with real people

as technology keeps on evolving.<sup>[28]</sup> Humans play an essential role in satisfying the customer. In this evolution we will discuss the steps to take to evolve your personnel from taskforce to advisors.

1.

Free up personnel from routine tasks

2.

Provide both intrinsic and extrinsic motivation

3.

Empower through training and technology

4.

Personalised interaction

Retailers want their personnel to provide an optimal service to the customers. Yet these same employees are often stuck with routine tasks, making customer satisfaction a lesser priority for them. If you want your workforce to actually focus on the customer then you need to make sure they have the time to do so. **Free up time through automating standard methodical work.** In the long term robotics are usually less expensive (nor

less error prone) than humans, enabling the humans to focus on what actually differentiates the physical store, the human interaction.

Ok, great! Now that your personnel has the time to focus on the customer, they will automatically invest themselves in doing so, right? Not really. To get your employees invested you must provide them with both intrinsic and extrinsic

motivation. **Intrinsic motivation** is achieved through communicating and aligning them with the values that your brand wishes to represent. A strong brand such as Coolblue for example makes it their mission to do 'everything for a smile', a statement their employees live and breathe by. The slogan can be found anywhere within the customer journey, ranging from their webshop to an e-mail signature. **Extrinsic motivation** on the other hand is attained through a reward, being your wage package. Minimal wage results in minimal effort, so don't expect anyone to go the extra mile for your customers if you are not willing to do the same for your employees at the end of the month. US retailer Costco for example pays its staff a comparatively high wage, which Costco claims to have helped in creating an engaged staff willing to interact with the customer. <sup>[29]</sup>

The store will always be a place where customers will be able to ask for advice or tips. The risk of not getting this interaction is significant, with 60% of consumers indicating that they'd stop doing business with a brand if the service received was not friendly <sup>[23]</sup>.

**Empower your staff through training and technology** to optimally serve your customer. Train staff to become product experts and teach them how to deal with various situations, while technology such as tablets are enablers to provide the necessary information about a customer to deliver personalised advice based on their own preferences.



#### Case: E5 mode <sup>[30]</sup>

Fashion retailer E5 introduced the concept of personal shoppers. Customers are able to book a personal shopper in-store or through an online agenda, which will then be available to customers advising them in search for their perfect outfit.

The personal shopper starts an appointment through an informal coffee talk where he/she learns about the customers preferences and expectations. Both then head out into the store looking for a suitable outfit, which they can try out in a private dressing room. All means are dedicated to create an optimal shopping experience!

# The store of the future

**PwC, Gondola and The Retail Academy** explored **4 ways** in which the physical store will remain relevant in the long term

1. **Awareness**
2. **Brand connector**
3. **Human touch**
4. **Ecosystem**

In order to forecast how the role of the physical store will change in the long term, we need to **look at retail under the assumption of complete e-commerce adoption**. E-commerce is the driving factor in the changing landscape, which will have a fundamental impact on the way we consume.

Complete e-commerce adoption does not imply that 100% of sales will flow through online channels. Physical stores will always remain present in the landscape and will still be responsible for a part of your turnover. If we look at China, which at the moment is best adapted to e-commerce, offline channels still account for 74% of total FMCG transactions.<sup>[25]</sup> The store will not disappear, but its role is vastly changing.

If you consider the store strictly as a money generator, then it is highly likely that the importance will decline in the future, as consumers move their purchases online. **A physical store however should be regarded by the value it adds to your customer journey**, in which it remains extremely important. So in what aspects will the physical store remain relevant? Where does it add value?

# 1. Awareness



Being present in the streets is a great way to generate awareness. Through your store, consumers should get an **immediate impression of the values that your brand represents**, and how it differentiates itself from other brands.

Your stores should be telling a story. Take Build-A-Bear for example, an American retailer selling stuffed animals. Consumers visiting their shops are taken through the entire stuffed animal creation process, while having the opportunity to personalise their own stuffed animal in each step of the process. Their stores deliver a memorable experience creating a connection between the brand and the customers.

A new shopping concept that is gradually emerging as e-commerce

adoption increases, is the showroom. In a showroom, products are put on display, but the intention is that consumers buy online. Online furniture retailer Made.com hosts a good example of this concept, as their showroom in Amsterdam's shopping street always sends you home empty handed. Products are showcased, but purchases have to be done online, be it from home or from a computer in the store.

The showroom model looks to be an interesting model for non-food players, but rest assured that there won't be a 'one-size-fits-all' model. There will always be a public looking for the instant gratification of buying right now, specifically in the food industry.

## 2. Brand connector



The store is a place where consumers can see, feel and try products. And with try, we really mean experience. Take Nike's flagship store in London for example, in which you are not only able to fit football shoes and walk around in them, they let you kick a ball on their small indoor football pitch as well.

In Globetrotter, an AS Adventure like store, you can try out raincoats in the shower room, or an anorak in the freezing room. Interacting and experiencing a brand builds an emotional connection and stimulates brand love. Combine this with passionate employees with extensive product expertise to not only display your items, but to actually let your customers experience them.

### 3. Human touch



Which brings us back to a topic that we've previously dealt with. The separating factor between online and offline, the human interaction. Of course digital will be able to replace many of the functionalities employees execute today. Chatbots will be dominant in customer service, and expertise can be offered in various forms, such as voice assistants or the YouTube videos. Yet there will always be consumers looking for human feedback. Would you for example prefer to have the honest opinion of Amazons Alexa whether or not those brand new white sneakers fit your style, or rather have a human to judge it?

The depth that digital can offer in the customer journey is immense, but at a certain point human interaction can create a lot of value for your customer. Build your own customer experience journey, dissect the moments in which an experience can be created and evaluate whether or not human interaction adds value for your consumer base.

## 4. Ecosystem

# DON'T BUY THIS JACKET



Retailers shouldn't just be building a consumer base, but an ecosystem with their customers at the heart of it. In this ecosystem, your store should be your central meeting hub designed to bring together your customers. Lucky's Market, a US based retailer understood the importance of the store being a community meeting point, devoting 25% of its stores as nonretail space. <sup>[32]</sup> These areas are dedicated to café areas where people can drink their morning coffee or community meeting rooms used for the weekly Bingo games and wine tasting evenings. Brands and retailers should always be on the lookout for an opportunity to interact with their customers.

Patagonia is a perfect case of a brand that listens to its consumer needs and even adapts its business model to fulfil them. Through its Textile Exchange program, Patagonia brings together brands, retailers, farmers and key stakeholders to teach them about social and environmental benefits of

environmentally friendly textiles. In their Action Works program, Patagonia created a platform to connect their customers with charity organisations in their local area, which is an extra to their 1% for the planet promise, where Patagonia donates 1% of their turnover to environmental causes. Through making it their mission to be a sustainable brand, and to execute this strategy throughout their whole business model, Patagonia is able to create a consumer base loyal to their cause.

Through your ecosystem you can add a lot of value for your customer. Take Amazon for example, with their Prime subscription. If they'd be any other company, then the Prime service would stick to a 'free delivery for members' model, but Amazon seeks to **add as much value for its community as possible**, through adding streaming services, unlimited reading and exclusive shopping deals. In the same way, you should incentivize your customers to be a part of your community.



# The essence of retail

Innovation is moving at a pace faster than ever before. Almost on a daily basis we are bombarded by the newest ideas of Amazon or Alibaba. Yet, the essence of retail remains the same. The milkman was already doing home delivery ages ago, your local butcher knew your grandparents by name, what their preferences were and more. Today we have big data analysis replicating the same process over an entire database and FMCG products being automatically replenished through concepts such as Stockon.

Stockon is an intelligent application through which you can order FMCG products. Over time Stockon learns about your consumption patterns, and will be able to automatically replenish products whenever your stock is low.

E-commerce is a new instrument to bring together supply and demand. Of course this brings implications such as changing customer expectations. The fundamentals of commerce, providing consumers with the products they desire in the best way possible, stays unchanged. Using common sense to tackle problems still gets you far in the game of retail.

## Rethink your KPI's

KPI's need to move away from silo-based thinking, where physical stores are competing with the online webshop. Customer driven measures are essential towards measuring your businesses' performance. A couple of these are:

1. Net Promotor Score (NPS) – How likely is a customer to recommend your company to a friend or colleague?
2. Classical KPI's such as repurchase rate, attrition or customer lifetime value need to extend over all channels, as repurchase in the future will be moving to online channels.
3. Judge a store by the value it adds in the customer journey, not by the sales generated per m<sup>2</sup>.



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