The Store of the Future:
Surviving and Thriving

zensar

White Paper

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//Executive Summary

As early as 2013, a Retail Systems Research (RSR) study stated, "The store isn't going away, but the retailer's slow pace of change in the store could kill it." Unable to quickly adapt to changing customer expectations and build a great in-store experience, many retailers fell victim to the retail apocalypse. In order to thrive, surviving retailers have had to create connected stores, integrate digital technology with in-store experiences and enable cross-channel commerce. The connected store is crucial to creating a comprehensive, end-to-end experience. Successful connected stores integrate data storage applications and enable the seamless switch between digital and physical channels during the actual shopping experience. A truly connected store benefits everyone on the customer journey — most especially the customer.

This whitepaper focuses on future technologies needed to create a digitally-enhanced physical experience to help stores stay relevant and competitive.

//Store of the Future - A Point of View

It's estimated that approximately 90% of all US retail sales last year happened in brick-and-mortar stores, a surprising statistic given the rapid growth of online shopping. What may be more surprising is that over 80% of these sales will continue to take place in-store - until 2025. Perhaps the narrative predicting doom for brick-and-mortar stores is somewhat exaggerated.

Physical stores are on a path of resurgence, being transformed into experience destinations. Emerging trends demonstrating this include:

● **The entry of pure-play online retailers into the physical store space, such as the acquisition of Whole Foods by Amazon and the foray of Warby Parker into physical stores**

● **The initiation of pop-up stores by technology players such as Facebook, Google, and Amazon to popularize their most-loved products**

● **The trimming down of store sizes by retailers to allow for more targeted offerings, compete on differentiation instead of scale, and improve their overall economics**

There are five key reasons why physical stores exist: place for inspiration, instant gratification, convenience, experience of the joy of shopping, and the touch-and-feel aspect. However, thanks to technology, online commerce beats out physical stores on everything but the touch-and-feel aspect. Brick-and-mortar retailers, feeling the squeeze from online stores, are experimenting with interactive technologies to create digitally-enhanced in-store shopping experiences.

Industry experts identify two types of innovations currently happening in the store environment: 1) Incremental and 2) True store of the future.

Incremental innovation is identified as an effort that does not fundamentally alter how a retailer does business but instead optimizes the existing model. It is incremental simply because new technology is added to an existing operating model to make an impact on some aspects of the shopping experience. One example is Sephora, with its AR-enabled smart mirrors, AI-powered fitting rooms, smart shelves and digital storefronts at the Intersport megastore in China. Grocery store chain Kroger has recently implemented EDGE shelving (Enhanced Display for Grocery Environment) in some stores while Walmart experiments with their new IRL (Intelligent Retail Lab) store.
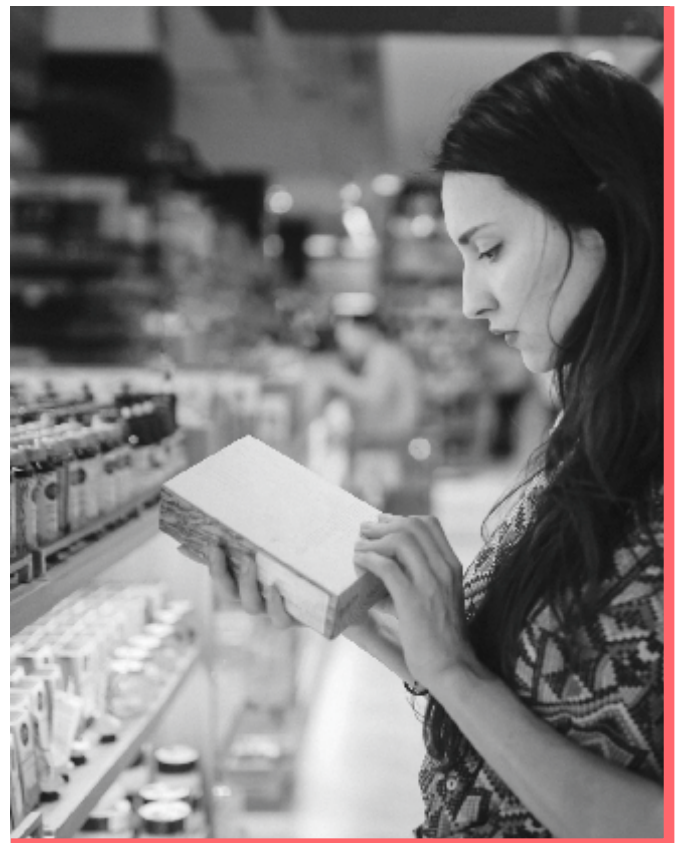
Technology is not the only means of introducing incremental innovation. Redefining business processes also plays a critical role in digital transformation. Traditionally, business processes were centered around business stakeholders (an inside-out view). Today, they are centered around customers (outside-in view). This means today's business processes must be reimagined to deliver a relevant customer experience. Nordstrom Local offers small brick-and-mortar shops with minimal inventory, online pick-up, returns, alterations — even clothing donations. Bonobos' low-inventory stores, and John Lewis' private shopping hours.

The second type of innovation — the store of the future — centers around the deployment of a new operating model. Built fresh from the ground up, it experiments with new concepts in front of live customers before implementing them at scale. Great examples include Amazon Go's cashier-less checkout, BingoBox's unmanned smart stores, and Scan & Go from Sam's Club Now.

In this whitepaper, we present our point of view on some incremental innovations happening in physical stores to enhance the customer shopping experience.

We can categorize the implementation of these technologies within the store environment based on the various stages of the customer journey. Moments of truth can be created at every stage within the store purchase cycle, namely:

REACH
The creation of awareness and visibility for the store and its products

EVALUATION
The process of consideration and selection

PURCHASE
The convenience in completion of transaction and purchase within the store

//Reach

Location-based marketing: Many retailers are deploying these campaigns to entice store walk-ins. Involving use of a beacon-enabled mobile app, pushing contextual notifications, mobile coupons and discounts to customers, these identify high-value customers and trigger certain processes when customers are detected close by. For example, when a click-and-collect customer is detected near the store, backend systems can be notified to bring purchases to the pick-up area so the customer's wait time for their online order is minimized. Some retailers have even enabled activation of store mode on the customer's mobile app when they detect the customer inside the store. This provides relevant information specific to the store (store plans, available offers and store-specific catalogs) on the customer's mobile app.

Interactive window displays: Storefronts with digital displays are emerging as new favorites among retailers. These garner a good deal of attention both in and outside the store. "Shoppable" store windows allow customers to browse catalogs and place orders round-the-clock, even when the store is closed. Interactive windows, equipped with AI and combined with gesture and motion-sensor technology, can even distinguish customers by gender and age and provide appropriate lists of recommended products.

Digital signage: These are playing a major role in creating inviting and enticing environments for shoppers. Helpful particularly for pop-up stores, these can free up the in-store space to display dynamic videos featuring information on brand experience and products. Displays can also be connected to IoT sensors to detect changes in weather and temperatures so promotional content can be adapted to match the weather, such as sales overcoats and umbrellas in case of a snowfall or rain.

//Evaluation

Endless aisles: Bridging the gap between digital and physical channels, endless aisles add an ecommerce component to brick-and-mortar stores. With a full digital catalog of all items a store has to offer, customers can quickly order an item if the product is out of stock or unavailable in-store. A QR code-enabled product page allows the customer to scan products from a mobile app, allowing customers to buy the item on the spot or after leaving the store. The endless aisle is a great in-store option to capitalize on lost sales, especially for smaller format stores and furniture or electronic stores with space constraints and limited on-premise assortments available for selection.

Smart mirrors: Smart mirrors bring an entire product catalog into the fitting room for fashion and department stores to enhance the in-store customer experience. An AI-powered interactive mirror can recommend matching items based on body type, fabric preferences and products that customers have tried on in the fitting room. Shoppers can communicate with store assistants to request additional sizes or items be brought to the fitting room. With sensor-connected fitting rooms, shoppers can even adjust the ambient lighting to make sure their purchased outfit matches the occasion it is intended for.

In the cosmetic and skincare departments, smart mirrors are driving sales by enabling product selection decisions. Mirrors equipped with augmented reality and facial recognition allow customers to virtually try on various products based on skin color and type before making a purchase. This reduces product returns and exchanges, effectively saving the store money.

Digital shelves: Grocery and supermarket stores using paper tags to display pricing spend considerable time maintaining prices and promotional offerings. Digital shelves allow staff to instantly change prices and activate promotions in real-time for the entire store product catalog. This frees up their time to focus on customer service. A digital shelf displays info on pricing and products, video ads, and available coupons. When the product QR code is scanned, these shelves can also communicate with the customer's mobile app to match dietary needs or provide personalized pricing based on data collected from purchase history. The shelf can also be illuminated to highlight the item to be picked up by the customer, guiding the customer right to the item. When equipped with IoT sensors, it can detect the desired quantity required on the shelf and alert the staff for replenishments to prevent a potential out-of-stock situation.

//Purchase

Beacon-enabled in-store navigation: IoT devices are being used today for in-store navigation, mapping of store paths taken by customers and analysis of dwell time in different store departments. Customer journey mapping, with respect to different departments they browsed, can provide the insight needed to optimize store layouts for an overall improved shopping experience.

Digital enablement of store associates: Today's hyper-connected shoppers have embraced digital technologies to access all the right information required to make a purchase. This makes it even more important that store staff be equipped with smart technologies, too. Clienteling applications, for example, provide information about product features, comparison of products, prices and anything that might help the staff break ice with the customer and enable them to close the sale. These applications can connect with multiple backend applications to enable catalog browsing, creation of gift registries or shopping lists, accessing of information about customers, items, and inventory, identification of customer preferences, and curation of conversations related to the shopper's interests. With access to inventory and items, store staff can look up

available inventory in other stores. RFID-tagged products can communicate with the app, helping store associates locate a product in the warehouse. A great way to engage customers in-store and create cross-channel convergence, clienteling can enable the staff to be a mobile point of sale — accepting payment and closing the sale.

As retailers focus increasingly on customers' quick and convenient experiences, smart checkouts are fast emerging, especially in grocery, fashion, and convenience segments. With this, the check-out process control has shifted dramatically from the store associate to the customer. With a steadily-growing adoption rate, this is a solution that can eliminate wait time at the point of sale —a decades-old problem for physical retail stores. In grocery stores, a sensor-equipped shopping cart can synchronize with the shopping list on the customer's mobile app and help the customer navigate the shortest path to product selection. The RFID-tagged products are automatically added to the cart on the app and the customer can check out using a mobile wallet integrated with the app, without having to stand in line to complete the transaction.

//Conclusion

The physical store is becoming increasingly digital while technology is fast becoming the key driver of in-store business processes. Technology is no longer the limiting factor for retailers. Instead, it is the limits of a retailer's imagination or lack of implementation that prevents an enhanced in-store experience. Accordingly, the future of brick-and-mortar stores will depend greatly on whether (and how) retailers leverage emerging technologies to reimagine business processes. No single technology drives the in-store shopping experience. A personalized set of technologies is the key to delivering a relevant, enhanced and superb customer experience.

//About the Author

Arroon Arunachalaiah works as a retail subject matter expert for Zensar's Industry Solutions Group (ISG). He has 18+ years of experience in multi-dimensional roles across supply chain, retail merchandising and business consulting. Arroon's experience spans a wide variety of retail formats, including duty-free retail, super/hypermarket retail, specialty stores and digital channels. He has worked with multiple global retailers in the areas of business transformation, enterprise architecture, package evaluation, customer experience, digital commerce and business intelligence.

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Intersport opens new retail store in Beijing

Kroger is rolling out new technology to nearly 200 stores that could change grocery shopping as we know it

Walmart's new IRL lab store is the Al-Capone vault of retail innovation

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