The Digital Evolution of In-Store Retail

How connected associates, cross-channel data, and personalized in-store technologies are driving retention and customer satisfaction

A 2018 Future Stores Industry Benchmark Report featuring quotes from industry leaders who participated in the study

Tulip   WBR INSIGHTS   FUTURE STORES

Outlook for the Future of In-Store Retail

Although consumer preferences have shifted to online channels, retailers are now adapting their in-store strategies, blurring the lines between digital and physical environments to create a seamless experience for customers. They are looking upon the latest in-store technologies and data tools to engage customers and study their responses. They are empowering customers with in-store technologies and the support of increasingly connected in-store associates as well.

But while retailers are offering in-store mobile, tablet, near field communication (NFC), and display technologies in the vast majority of their stores, very few offer next-generation technologies like augmented reality (AR), beacon technology, and virtual reality (VR) for customers. This is despite their acknowledgement that AR and AI "are the future, and have to find a place in stores to better customer shopping experiences," as one retail leader explains.

Retailers acknowledge that customers need a data-driven experience the moment they enter the store. That means transforming stores into data hubs where they collect information on customers during their visits. They must leverage both online and in-store customer data to improve the way they engage with customers at every touchpoint of their brand experience. They must integrate next-generation technologies that leverage this data in a way that drives in-store sales as well.

WBR Insights and Future Stores conducted a study of leading industry retailers to measure their successes in these areas and to identify how they are responding to evolving consumer expectations. Researchers also analyzed how retailers represent their stores in social and other digital environments, focusing on how they influence the in-store experience.

Key insights from the study include:

Retailers want to utilize customer data from digital and physical channels to stay ahead of in-store customer expectations

Leveraging social engagement and digital assets to drive customers into stores is difficult for most retailers

Delighting customers with in-store technologies and driving them to purchase more quickly are among retailers' top priorities

Driving loyalty with customer-centric experiences at all digital and physical touchpoints is a top aspiration for retailers in 2018

About the Research

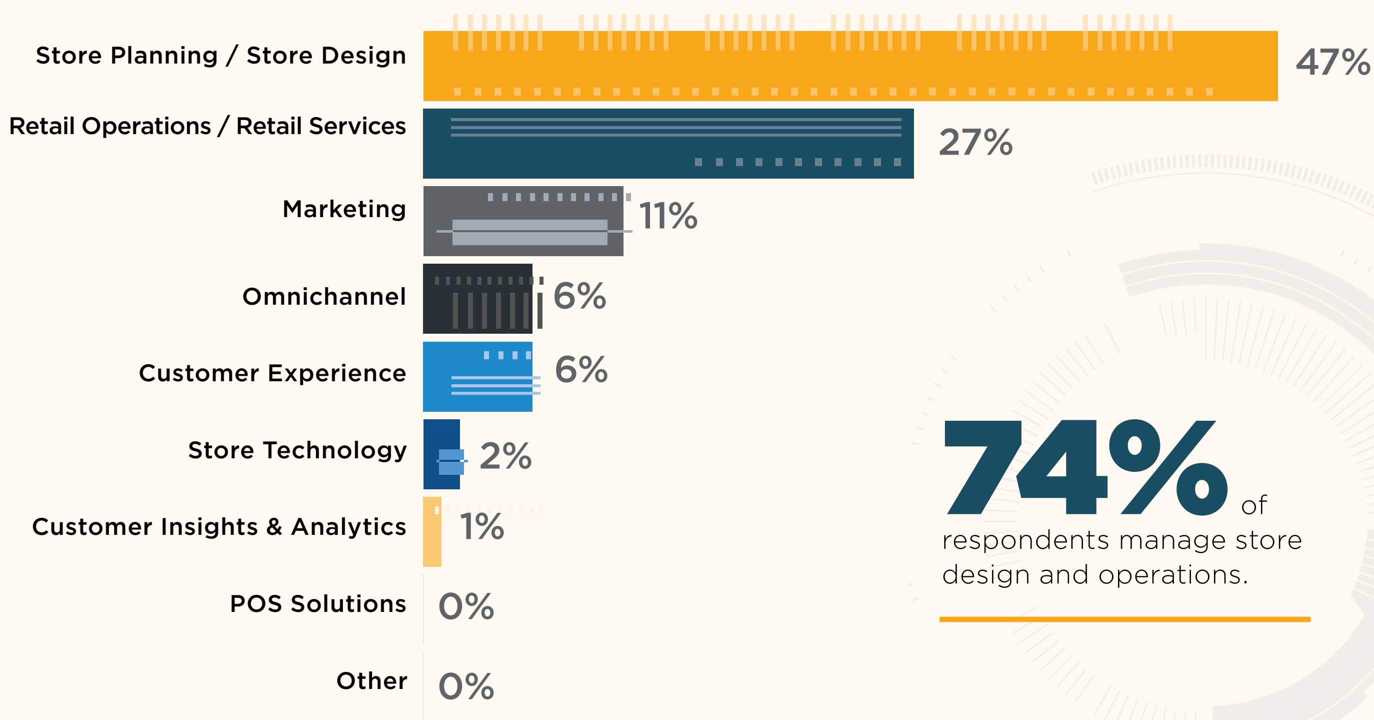
WBR Insights conducted a survey of over 100 in-store retail leaders across company sizes and verticals. Quotes in this report come directly from retail leaders responding to open-ended questions submitted during the survey.

The vast majority of respondents (74%) manage store design and operations. Nearly half of respondents (47%) are leaders in store planning and store design. Another 27% of respondents are from retail operations and retail services.

The remaining respondents were divided between marketing (11%), omnichannel (6%), and customer experience (6%) professionals. Two percent of respondents are store technology professionals, and 1% of respondents come from customer insights and analytics.

> **"We are purely extending our customer experience to a different level.** We are giving [customers] options right in our fitting rooms where customers will get a unique experience of high tech collaborative technology, without harming their privacy. Customers need to experience the fact that they have entered a world-class store and we are on it to provide them with this experience."

What is your job function?



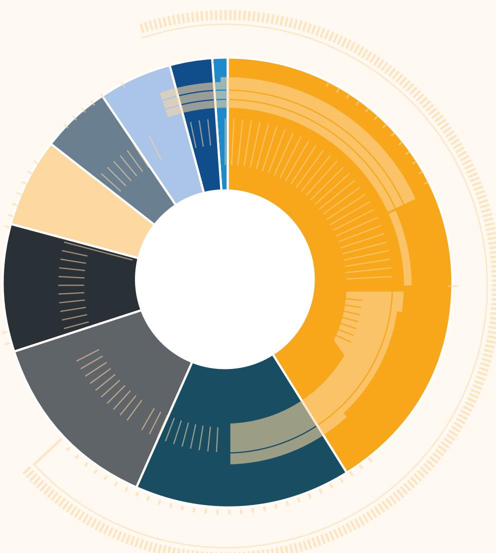
74% of respondents manage store design and operations.

The two largest groups of retailers sell in the personal retail area. A plurality of respondents (40%) comes from the apparel retail sector. Departments represent the next largest group at 18%.

Another 13% of respondents come from specialty retail, and 9% represent supermarkets.

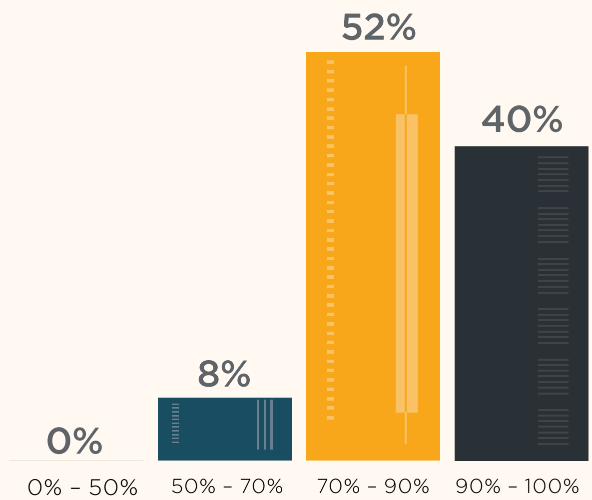
There are much smaller groups of respondents in the remaining sectors. These include sporting goods (6%); home furnishings (5%); and entertainment, food, and travel (5%). 3% of respondents represent toys and hobbies retailers; and 1% of respondents come from hardware, electronics, and appliances.

In which retail sector is your organization?



- **40%** Apparel
- **18%** Department Stores
- **13%** Specialty Retail
- **9%** Supermarkets
- **6%** Sporting Goods
- **5%** Home Furnishings
- **5%** Entertainment, Food, and Travel
- **3%** Toys & Hobbies
- **1%** Hardware, Electronics, and Appliances

What percentage of your revenue comes from in-store sales?



All retailers receive a majority of their revenue from in-store sales. The vast majority of retailers (92%) receive 70% or more of their revenue in this way.

Only 8% of retailers receive 50% - 70% of their revenue from in-store sales, and no retailers receive 50% or less.

92%

receive 70% or more of their revenue from in-store sales.

Creating the Connected In-Store Experience

Launching connected physical stores is still in development for most retailers. They have struggled with driving in-store traffic through digital channels. Many lack the capabilities to leverage customer data from digital channels to enhance in-store experiences as well. And as we will find, most retailers' social strategies are only partly aligned with in-store success, or they are not aligned at all.

Now, retailers are both focusing on enhancing the in-store experience and determining how it fits within the greater context of their business.

> **"We will integrate first- and third-party customer data to gain a consistent and 360-degree view of each customer.** These robust customer profiles will enable us to create personalized customer experiences that would seamlessly connect online and in-store interactions and turn customers into cross-channel shoppers."

Which technologies is your company utilizing to enhance the in-store experience?

Percentage	Technology
99%	Mobile/ Tablet
86%	Mobile point of sale
81%	Near field communication
77%	Displays/ Kiosks
41%	Augmented reality
29%	Bluetooth low energy beacon technology
20%	Virtual reality
0%	Other

Multi-touch technology.

The use of multi-touch technology allows retailers to make in-store experiences very similar to those supported by mobile devices that customers carry with them every day. Retailers can integrate the experience of smartphones with multi-touch interfaces so that in-store shopping becomes natural and easy to use. They can gather data about customer behavior this way.

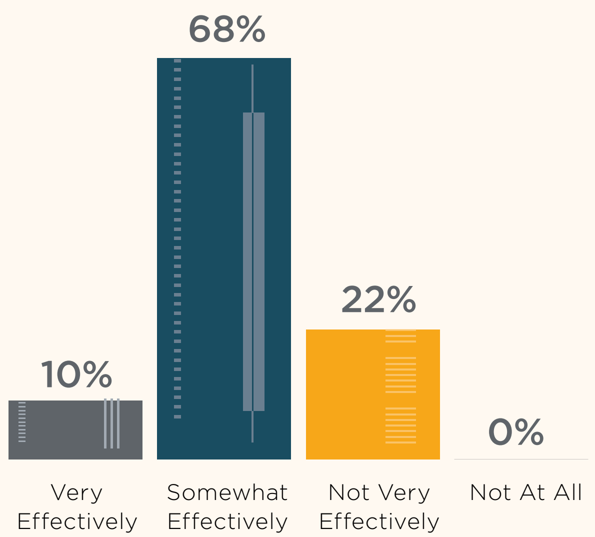
Retailers have made progress in utilizing the devices and capabilities familiar to most customers. In fact, nearly all retailers (99%) are utilizing mobile or tablet devices to enhance the in-store experience. The vast majority of retailers use mobile point of sale (86%) and either displays or kiosks (77%) as well.

Additionally, retailers are increasingly exploring how customers' mobile devices can be used in stores. A majority of retailers in the study use near field communication (81%) for either customers' or in-store devices.

Fewer retailers use next-generation technologies to enhance the in-store experience.

For example, customers may enter a store with a long list of products. Some of these products might be unavailable. In at least one instance, an augmented reality solution has allowed a customer to try out products and make purchases based on those experiences. The products would be shipped later.

As part of your connected in-store strategy, how effectively are your in-store associates utilizing customer data from one or more digital channels?



> **"The level of how smart the technology has now become is tremendous.** The introduction of AR has assisted us in taking in-store shopping experiences to another level. We have been able to collaborate with developers and create apps that use this technology to simplify the shopping experience of our customers."

According to survey results, many retailers are now using their stores as data-gathering points. They can leverage this data to better understand behavioral patterns and customer spending habits. This includes studying how loyal customers respond to promotions and other efforts through which they can test their responsiveness. They can leverage this data to make required changes and launch campaigns that will help them better serve these customers. Retailers can use data collection to optimize the behaviors of their in-store associates as well. They can measure the impact of in-store tactics and then improve upon specific associate behaviors to help build stronger customer relationships.

99%

of retailers are utilizing mobile or tablet devices to enhance the in-store experience.

Many retailers are not confident in how well they are leveraging data from digital channels to improve in-store associate behavior. However, all retailers claim they are doing this to some effect.

As part of their connected in-store strategy, 10% of retailers claim their in-store associates utilize customer data from one or more digital channels 'very effectively.' A majority of retailers (68%) claim their associates use customer data from digital channels 'somewhat effectively.'

> **"Our staff is our main point of contact with our customers.**
> We are training them to help customers more skillfully so that the customers have an ease of proceedings. Our staff will be able to provide more solutions to the customer at the point of contact and also be able to provide feedback on how customers do respond to various situations and campaigns."

10%

of retailers claim their in-store associates utilize customer data from one or more digital channels very effectively.

> **"We are improving on our real and virtual experience that we are providing our customers in our stores.**
> We have been able to create hyper realistic visualizations that our customers can utilize to make a decision on the products that they want to choose."

Meanwhile, 22% of retailers admit there is some room for improvement—their in-store associates are not doing this very effectively as part of their connected in-store strategy. But zero retailers claim they are not utilizing digital customer data at all.

Retailers realize that both connected tools and informed associates can guide customers through buying decisions in an intelligent way. Retailers want to influence thought processes in the minds of their shoppers, provide them with more personalized services, and encourage them to make quicker decisions in choosing products.

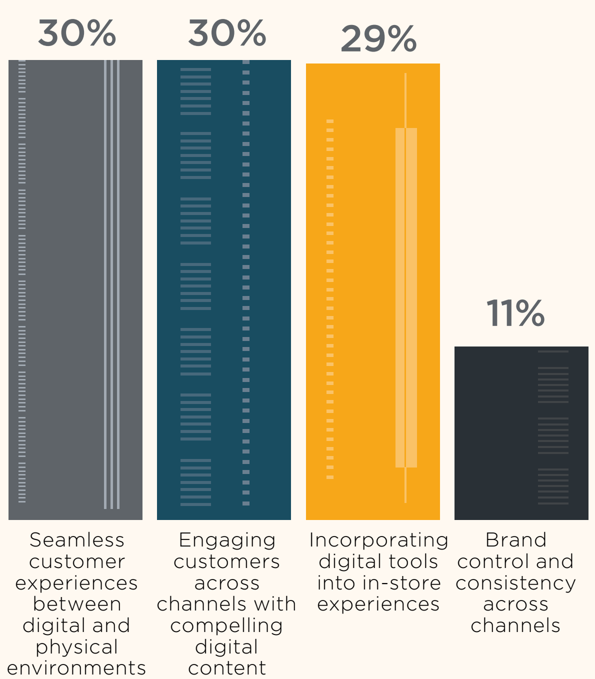
Meanwhile, customers are developing more sophisticated expectations. They are demanding better tools and more personalization. In response, retailers must begin investing in technologies that perform for themselves. As the customer experience expands beyond digital channels and into physical stores, those technologies must leverage customer data to provide superior experiences the moment customers walk into their stores.

Responding to Evolving Consumer Expectations

Consumers are looking upon retail brands with the same expectations across all channels. As one of those channels, physical stores now hold equal responsibility to service customers as any other. That's why retailers are making digital in-store engagement and interactivity key contributors to their overall customer experience.

This poses unique challenges for retailers. While omnichannel approaches usually consist of brand management and customer engagement across digital channels, retailers must search for methods to incorporate in-store retail into those unified strategies.

Among the following top challenges for omnichannel retailers, which is of greatest importance or concern to your organization?



What's more, those omnichannel challenges differ among retailers. The study shows that retailers are equally divided across three different challenges when asked to select their greatest one.

Thirty percent of respondents claim seamless customer experiences between digital and physical environments is of greatest importance or concern. Another 30% identified with engaging customers across channels with compelling digital content. Twenty-nine percent claim incorporating digital tools into in-store experiences is of greatest importance or concern to their organization. As we will find, most retailers are confident with their current brand control and consistency across channels.

30%

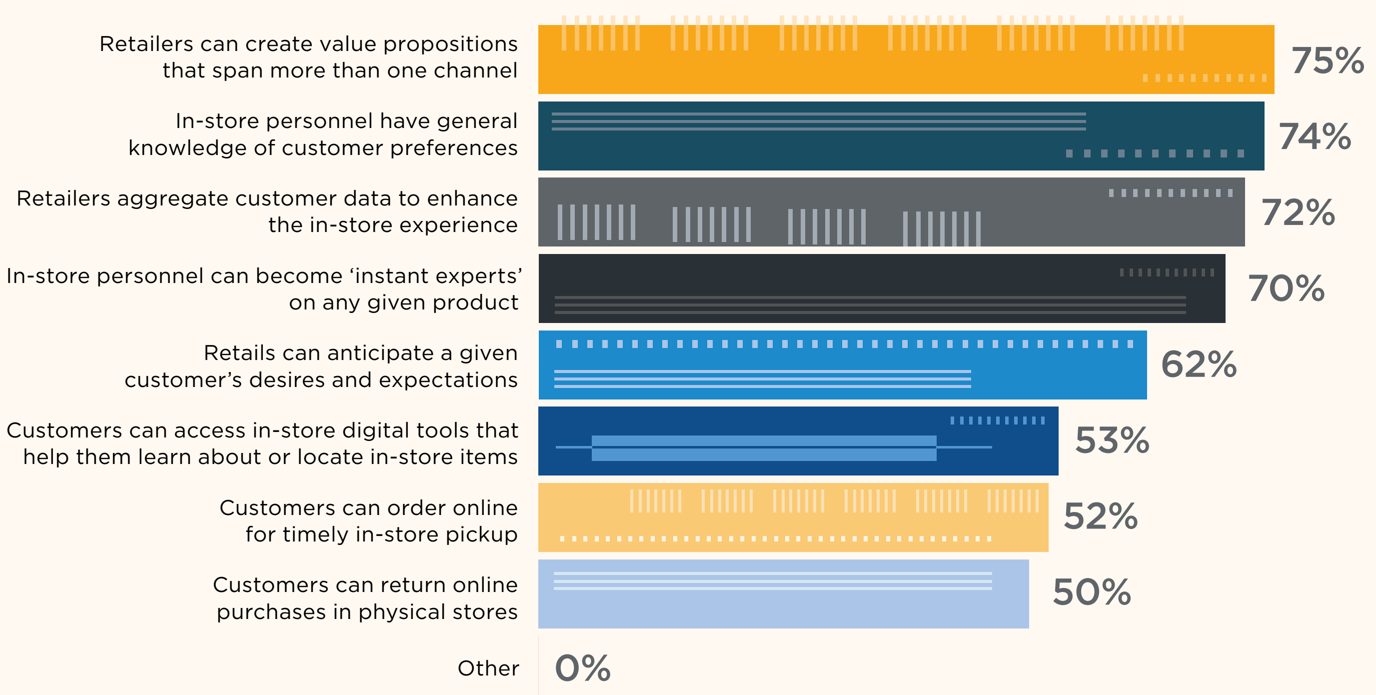
of respondents claim seamless customer experiences between digital and physical environments is of greatest importance or concern.

Upon **deeper analysis of the data**, researchers found some insights into how company types aligned with omnichannel challenges. For example:

Almost half of apparel retailers (43%) claim incorporating digital tools into in-store experiences is of greatest importance or concern. This is the most-rated challenge by companies in this category—the largest in the study. Also in the study, augmented reality solutions were cited often as advantageous to apparel retailers.

Besides the two smallest groups, at least **one-third of every company type rated engaging customers across channels with compelling digital content as being of greatest importance or concern.** According to one retailer, "We are looking to merge our web presence and online storefront to provide more engaging web content, but also deliver real-time offers to customers who are shopping in-store."

The following is a list of some modern consumer expectations. Which do you find to be the most challenging, whether or not you currently support them?



Retailers' greatest challenges involve leveraging customer data to improve experiences across channels, especially digital-to-physical. The most common challenge among retailers is creating value propositions that span more than one channel (75%). An almost equally referenced challenge is consumers' expectation that in-store personnel will have a general knowledge of their personal preferences (74%). Seventy-two percent of retailers claim aggregating customer data to enhance the in-store experience is one of the most challenging customer experiences as well.

Fewer retailers—though still a majority—struggle with anticipating a given customer's desires and expectations (62%), which could be accomplished with sophisticated in-store analytics. Fifty-three percent of retailers find providing in-store digital tools that help customers learn about or locate in-store items—one of the most commonly cited goals by retailers in the study—to be the most challenging. And the smallest majority of retailers (52%) finds the expectation that customers can order online for timely in-store pickup also to be a challenge.

Nearly every consumer expectation in the study is one of the most challenging for a majority of retailers, except for one—returning online purchases in physical stores. Nonetheless, half of retailers claim this is one of their most challenging consumer expectations.

Customers have grown more accustomed to shopping online. Now, they are bringing an expectation of convenience and universal service to physical stores, but retailers are wasting no time to unify in-store and online customer experiences.

They will find opportunities to bring together customer data collected through both digital and physical channels. In turn, they will leverage that data to provide more personalized service and delight customers using next-generation technologies.

72%

of retailers claim aggregating customer data to enhance the in-store experience is one of the most challenging customer experiences.

Creating Digital Strategies for In-Store Retail

In 2018, retailers are leveraging their existing integration points to merge their web presence and online storefronts. They want to go beyond providing more engaging online content to delivering real-time online offers to customers while inside stores.

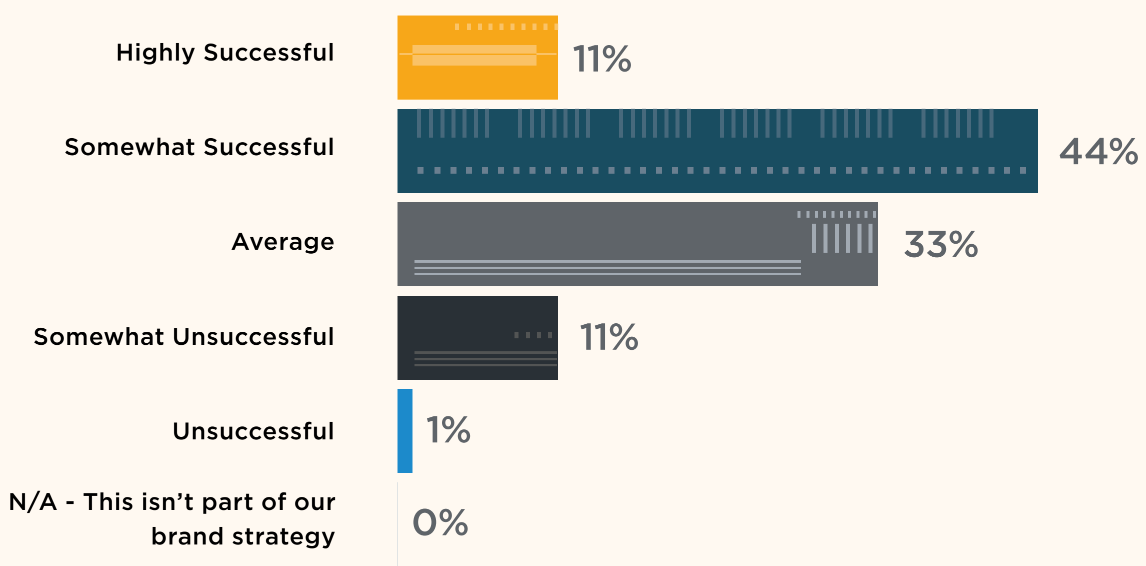
Retailers are adjusting their brand strategies as well. Part of their goal to create a more inclusive digital-to-physical environment is to unify their messaging across channels. This will create a natural response in customers who will associate their brand not with any single environment, but all environments. This must hold true from their homepage to their in-store associates.

Most retailers rate their current strategy for delivering a unified 'brand voice' across all channels as at least somewhat successful, and some even consider it very successful. All retailers include this as part of their brand strategy.

Now, retailers are increasing their brand presence via social channels. They will incorporate social into their brand strategy and leverage it to connect online customer data with in-store sales as well. This will help them build stronger strategies for business promotion and customer service.

Most retailers have already had some success aligning social engagement with in-store sales. Twenty-one percent of retailers completely align their social strategy with their in-store success, and almost half of retailers (45%) at least partially align their social strategy with in-store success.

How would you rate your current strategy for delivering a unified 'brand voice' across all channels?

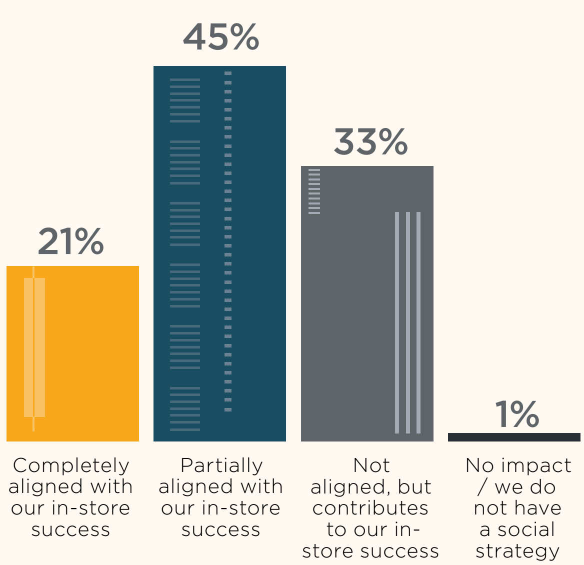


> **"We are a brand offering high-level style and products to our customers...** Our customers were lacking an option where they could share their shopping experience online immediately as they walked in into our store. We are giving our customers this privilege of connectivity, and we are improvising on how to make their experience more digitally inclusive."

About one-third of retailers (33%) do not align their social strategy with in-store success, claiming it nonetheless contributes to that end. One percent of retailers claim they do not have a social strategy or it makes no impact on in-store success.

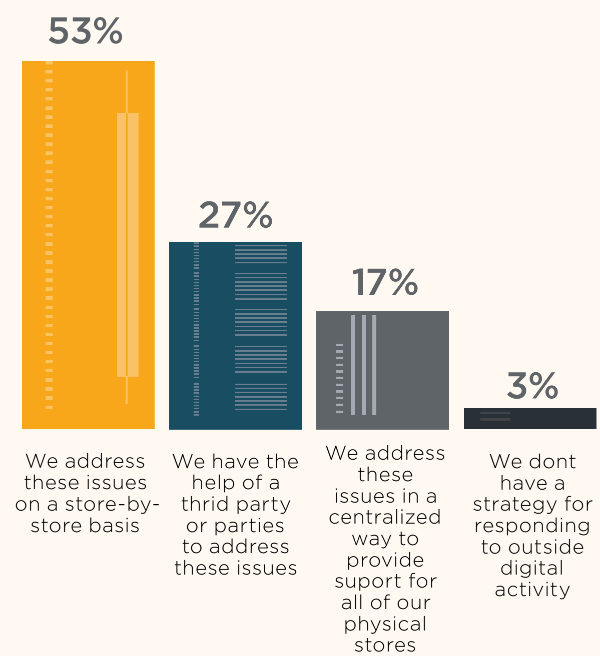
On the customer side of social engagement is the inevitability of online criticism. Responding to criticism against multiple stores can be daunting, especially for companies managing dozens of stores. As a result, a majority of retailers (53%) manage their responses to outside digital activity directed at individual physical stores on a store-by-store basis.

To what degree is your social strategy a part of your in-store success?



Over one-quarter of retailers (27%) free themselves of the responsibility by delegating to a third party or parties. Meanwhile, only 17% of retailers address these issues in a centralized way to provide support for all of their physical stores. Three percent claim they have no strategy for responding to outside digital activity.

How do you manage your response to outside digital activity—social reviews, for example—when they pertain to individual physical stores?



Upon **deeper analysis of the data**, researchers found that certain company types aligned with each of these omnichannel challenges. For example:

78% of **supermarkets** manage outside digital activity concerning individual stores **with the help of third parties**.

68% of **apparel retailers** manage outside digital activity concerning individual stores on a **store-by-store basis**.

47% of **specialty retailers** manage this on a **store-by-store basis**, and 39% use the help of third parties.

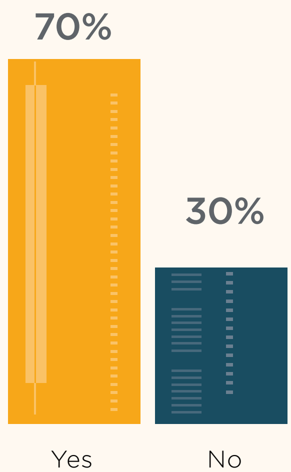
The data shows that companies' strategies vary by how much revenue they receive from their physical stores as well. For example:

48% of companies receiving **90% – 100%** of their revenue from physical stores **use the help of third parties** to manage responses to outside digital activities targeting individual stores—over three times that of any other revenue category.

62% of companies receiving **70% – 90%** of their revenue from physical stores address these issues **on a store-by-store** basis.

38% of companies receiving **50% – 70%** of their revenue from physical stores address these issues **in a centralized way** to provide support for all of their physical stores—a greater share than that of any other revenue category.

Do you respond to online criticism directly, using the platform on which that criticism appears?



Many of the most successful brands are known to respond quickly to online comments and through the channels in which they were originally transmitted (e.g. a company's Facebook page). But surprisingly, almost one-third (30%) of retailers do not respond to online criticism directly on the platform in which it appears.

Meanwhile, 70% of retailers respond to online criticism directly, using the platform on which that criticism appears.

Some retailers have more sophisticated digital customer engagement strategies than others. This can especially be seen in their everyday online practices—namely, engaging with consumers at critical moments when their brand image is at risk.

As online and in-store become more integrated, there will be no gaps between the two business channels. Online engagements—good and bad, and at all levels of the organization—will have a greater impact on in-store performance.

But retailers are adjusting their strategies to provide simpler experiences for customers, improve social engagement, and even stay one step ahead through smart use of customer data.

> "We are keeping a close watch on how customers respond once they are in the store.
> We are analyzing their responsiveness to changes and improvements. We will use this data to develop a seamless shopping experience for our customers."

Retailers can analyze how digital promotions influence in-store sales and optimize how they utilize specific channels. They can identify which in-store technologies best drive purchases as well.

70%

of retailers respond to online criticism directly on the platform in which it appears

Realizing the Future Store in 2018

In 2018, data has become the great unifying force across channels. In time, this will give retailers a foundation to focus on customer-centricity rather than putting together the pieces of technologies and channel integrations.

> **"We are planning for a single, comprehensive solution that will unify all aspects of our commerce with store innovations, distributed inventory management, and cross-channel data integration.** We will also have a rich set of ecommerce capabilities that will encompass mobile, social, and web all powered by the flexibility and agility of the cloud."

Seamless connectivity to online customers will be retailers' first great achievement in 2018. They will improve their brand messaging across channels in a unified way, and customers will interact with all retail touchpoints both inside and out.

Retailers will move to incorporate next-generation technologies in a meaningful way. They will not only delight their customers, but fulfill desires and expectations carried over to the store from digital environments. They will introduce customers to endless, interactive possibilities through their in-store digital tools.

According to the study, most industry retailers have the same message: we will adopt customer-centricity using an analytics approach. Soon, all of their in-store and digital assets will help them analyze what customers do. Then they will anticipate their needs at all of their touchpoints, be they in-store, on an ecommerce website, or on a social media platform.

As retailers analyze their multi-channel customer data, they will steadily move changes into their remaining stores. Customers will have the same quality experiences no matter where they connect. The intended result: inspiring loyalty and evolving with their customers for years to come.

About the Authors

Tulip

Dedicated to store associate empowerment, Tulip is bringing the best of online to the selling floor into a beautifully designed mobile application platform that transforms the in-store customer experience, drives sales, improves service and lowers operational costs. Leading retailers like Saks Fifth Avenue, Kate Spade, Coach, Bonobos, and Toys "R" Us use the Tulip Retail mobile application platform to help their workers deliver an unparalleled omnichannel shopping experience. **Learn more at www.tulip.com**

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