

Retailers' Reinvention in Harmony with the Shopping Tendencies

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Abstract

Challenged to build high value retail experiences, retailers are investing accordingly, struggling to better understand customers' context and offer them a true Omni channel experience, developing POS capabilities and becoming more technology-enabled. It is interesting to note within this context the impact of Amazon's involvement in U.S. grocery ecommerce's fierce competition with Walmart, Kroger etc., a competition which stimulates the innovation. New research confirmed that: BOPIS is considered the most valuable aspect of the retail shopping experience, and that reputed retailers are planning for leveraging BOPIS, which ensure clear benefits for both customers and retailers, and can be enabled with the help of an adequate AI-powered personalization engine integrated with the in-store customer engagement analytics; retailers need to prepare for the impact of automation and AI technologies across all core functions, taking into account the workforce implications and the shopping tendencies defined by generational gaps, the shopper behavior being reinvented by the digital revolution. All this evolution also reconfirmed that the next-generation retail merchandising will be driven by analytics and digital, organizational enablers being essential in this retailers' approach.

Keywords: Experiential Retailing; Business Models' Transformation; Next-Generation Point of Sale;

Technology-Enabled Revolution in CX and Efficiency; Shopping Tendencies

JEL Classification: L81, L86, M31, Q55

Is there a key for key for “Next level” in-store experience? The reinvention of retail

In June last year we show, among other aspects, how retailers are challenged to ensure a smart and seamless shopping experience in the current digital landscape, using proper digital marketing strategies, considering both marketing's hidden treasure of CPG companies, and the entrance of Amazon into grocers' industry and its true technological battle with Walmart. We underlined within this framework retailers' imperative of creating a digitally connected environment. (Purcarea, 2018)

Awareness, sales, and loyalty are clear targets for the physical spaces of the U.S. best-in-class retailers which are acknowledging that brick and mortar stores are still living and healthy, within the context in which from the total retail sales ecommerce sales accounted for just 9.9% in the fourth quarter of 2018 (according to the U.S. Census Bureau), and this beyond all the well-known store closures and debate on the so-called death of physical retail. There are significant current pledges for combining tried-and-tested strategies with modern and digital solutions, considering this balance as the key for “Next level” in-store experiences (see: The Disney Store for *Delight*; Atelier Beauté CHANEL for *Ease + Elegance*; Showfields for *Eye-Catching*; Athleta for *Partnership*; Target for *Niche Labels*; Sephora: *Human + Tech*). (Nicasio, 2019)

Experiential retailing confirms consumers' curiosity and pleasure of seeing, touching and feeling beautiful things, their emotional engagement with authentic stories. (Stein, 2019) In the opinion of the retail designer and trend forecaster Sanford Stein (author of the book “Retail Schmetail™”, Beaver's Pond Press, February 14, 2014) a meaningful and memorable customer experience (CX) has three distinct levels of experience (engagement, immersion, and transformation), being necessary a mix of great skill and much orchestration in order to move customers right up the experience ladder (what the best brands are often able to do it). According to him, building high value retail experiences involves enabling face-time between brand ambassadors and customers with the help of new brand-stands behaving as much like media as store (ensuring this way a more comprehensive view of the customer's purchasing behavior on and offline, enabling personalization, and improving customers' movement from engagement to immersion, and the blending of online with offline selling). Retailers need: to invest in highly narrative spaces with short half-lives, considering the impermanence of the pop-ups which is drawing out the reaction to Fear of Missing Out (FOMO) factor influencing those customers expecting the unexpected (mainly Gen Y and Z); to move customers across the experience spectrum by creating emotion around retailers' brands (using a pull marketing approach, deploying solution-based selling); to develop Consumer Engagement Spaces (CES), which are mixing aspects of socialization, cultural relevance and multifaceted engagement; to face the Omni channel world by offering Display Only Retail Environments (DORE), which ensure visitors assisted and unassisted selling (on the basis of digital and physical tools).

Recent opinions underline that the business models are forced to transform by Millennials' shopping behavior all over the world, being necessary a new marketing's mindset to

convert this Gen Y (who also enjoy shopping in brick and mortar stores – not only online – if they perceive an engaging shopping experience) to loyal customers. The majority of retail sales in Southeast Asia, for example, are made up by the traditional retail, but the small mom and pop stores are reinvented thanks to the new retail which ensures (with the help of new inventory selected by algorithms) true complete store makeovers, so as that the modern retailers are competed at every corner by a lot of “everything stores”. (Solvsteen, 2019) The right approach of Millennials by the physical stores in this new environment is seen as being either experiential or functional, or combining both, but delivering simplicity, authenticity, and intimacy. What presupposes to understand customer context, ensuring relevant and personal engagement at every touchpoint in the customer journey (the right interaction at the right moment).

Transforming the in-store experience with the help of a next-generation point of sale

As argued by McKinsey’s representatives in May this year, the future of retail belongs to companies that can offer a true Omni channel experience, retailers being challenged to transform the in-store experience by using emerging technologies and adequate data on their customers wanting personalized shopping experience (which can increase store revenues by 20-30%), the shopping experience being reshaped by technologies (shopping convenience being powered by technology, as shown in the figure below).

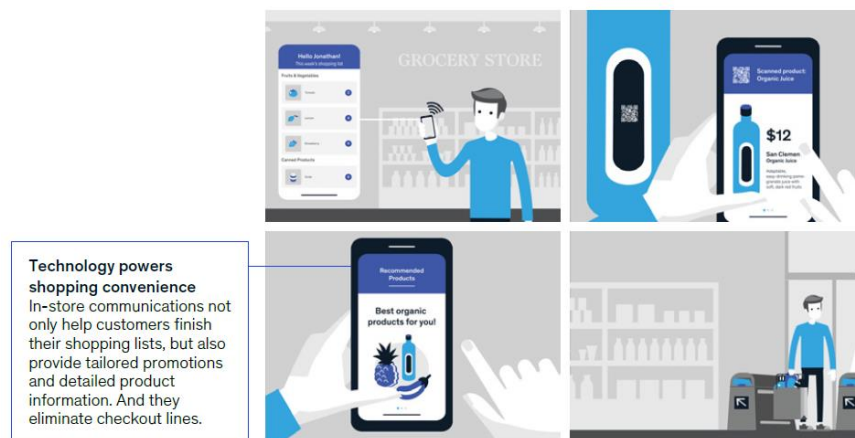


Figure no. 1: The consumer’s journey is evolving

Source: Adhi, P., Burns, T., Davis, A., Lal, S. and Mutell, B. (2019). A transformation in store, McKinsey & Company, May, p. 3 (work cited)

McKinsey’s representatives also demonstrated that there is a clear financial impact of in-store technology in the store of the future, and expressed their belief that technology will likely double store profitability (EBIT margins - the operating earnings over operating sales), considering the benefits added by an improved CX, a better employee engagement, and an easier-to-run store (see the figure below). McKinsey’s recommendation for retail leaders is to be already prepared for a technology-enabled revolution in CX and efficiency. (Adhi et al., 2019)

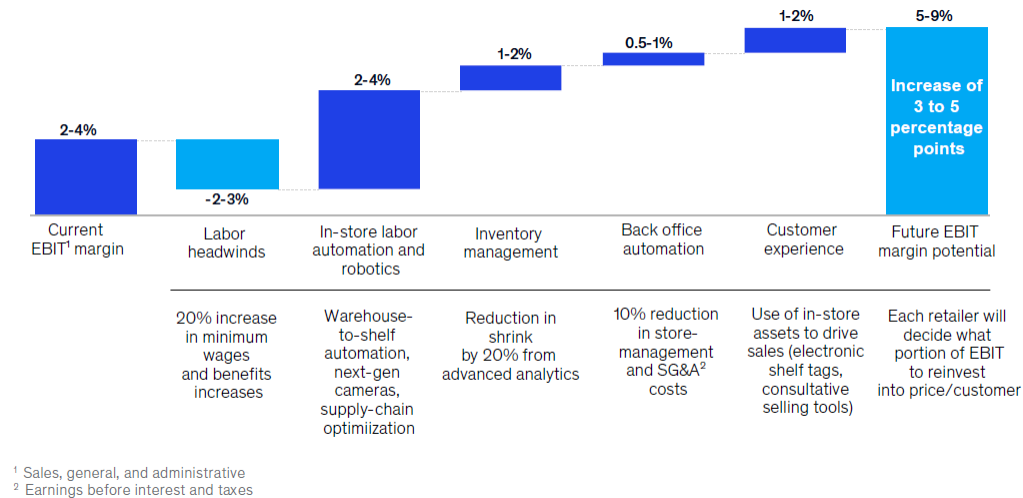


Figure no. 2: Technology will likely double store profitability

Source: Adhi, P., Burns, T., Davis, A., Lal, S. and Mutell, B. (2019). *A transformation in store*, McKinsey & Company, May, p. 5 (work cited)

On the other hand, observing with care consumers' desires to be more environmentally conscious, the majority of retailers (as revealed by a January 2019 report from online resale marketplace thredUP) want to advance their company's circular fashion efforts by 2020, the implementation of a circular business model presupposing to consider both their product offering and how it fits into the fashion ecosystem. (Koch, 2019) More recently, new research revealed that for higher-priced markets the circular business models is most profitable (applying to all), mid-level and premium markets having also the possibility of benefitting of this model (a report from Accenture Strategy and Fashion for Good, May 2019). The implementation of the circular business initiatives in the fashion industry has been introduced by companies with the view to cut back on their carbon footprint and to appeal to conscious consumers.

Incisiv Inc. in partnership with Manhattan Associates provided this year a so-called "The Next-Gen Point of Sale Buyers' Guide", which prioritized features and capabilities useful in the selection criteria of a company's point of sale. From the very beginning this guide underlined that the physical stores changed forever their role by: fitting into shoppers' lives more seamlessly, offering customers personalized service, being profitable hubs of Omni channel fulfillment, and creating an emotional bond with shoppers. According to this guide:

- retailers' next-gen POS must be both functionally rich (enabling the business to create brand ambassadors, drive profitable fulfillment, and delight customers with personalized service), and technologically modern (offering rapid innovation, risk-free resilience, and future-proof architecture);
- there are clear POS capabilities for CX roles (focused on redefining the CX) in context of key business needs, as shown in the table below:

Table no 1: Next-Gen Point of Sale Capabilities for Customer Experience Roles in Context of Key Business Needs

	 Enable new experiences quickly and efficiently.	 Test and scale customer experience innovations quickly.	 Ensure the customer promise is always met.
Business Needs	Experiment with or scale new store formats, such as pop-ups, showrooms and flagships.	Launch and scale new store services, such as home delivery or curbside pickup.	Provide a continuous service experience across channels.
POS Capabilities	Easily access all POS capabilities in any store format, without additional deployment. Flexibly configure POS for pop-ups and other store formats to be full featured or limited to specific use cases.	Integrate with third party platforms quickly, seamlessly and securely.	Provide 360-degree omnichannel visibility into customer profile, past purchases, open orders and customer service issues to store teams with appropriate role-based access.
Business Needs	Offer customers greater flexibility for in-store pickup and returns.	Enhance in-store customer experience through flexible checkout.	Be more transparent with shoppers, and offer them the opportunity to self-serve.
POS Capabilities	Easily enable standard and advanced BOPIS use cases, including in-store pickup and even or uneven returns and exchanges.	Support store workflows and guide associates in managing new store order types or other services, including seamless integration to third party partners like delivery partners.	Be able to deliver automated, in-context alerts related to order or service status to any customer touchpoint - digital or in-store.
Business Needs	Provide a seamless commerce experience across channels.	Lower the change and training impact with the launch of new experiences.	Predict and address potential customer service issues proactively.
POS Capabilities	Carry the customer's context, cart and lists seamlessly across all channels.	Enable store associates to navigate selling, customer service and store fulfillment capabilities within a single, unified interface.	Detect issues using predictive notifications from order management to initiate cases. Listen and respond to customers across social channels.

Source: The Next-Gen Point of Sale Buyers' Guide, Incisiv Inc. in partnership with Manhattan Associates, 2019, p. 6 (work cited)

- there are clear POS capabilities for brand management roles (focused on elevating the shopper-brand relationship) in context of key business needs, as shown in the next table below:

Table no 2: Next-Gen Point of Sale Capabilities for Brand Management Roles in Context of Key Business Needs

	 Deepen brand engagement.	 Build more personal relationships with customers.	 Enhance brand trust.
Business Needs	(Re)design stores as brand storytellers, creating more fluid, immersive experiences.	Empower associates to provide greater value to shoppers.	Make sure the customer experience is always consistent.
POS Capabilities	Offer unlimited flexibility in terms of POS device, operating system, form factor and customization choice so design teams have greater control and flexibility of store design.	Provide product, order, service and customer information to store associates in a simple to use and intuitive interface that enables them to deliver higher levels of service. Enable associates to digitally engage with shoppers pre- and post- visit.	Ensure high availability and performance during peak demand, such as during holidays or new product launches.
Business Needs	Inspire shoppers with compelling content and personalized curation.	Offer richer, personalized promotions based on history, preferences and context.	Be more proactive and transparent with shoppers about order and service lifecycle.
POS Capabilities	Serve context-aware and rich product content, curated look books, and personalized recommendations in any scenario - digital self-service or staff assisted.	Deliver personalized promotions consistently across customers' buying journeys. Support rich variations in targeted promotional events and types considering multiple characteristics of the sale.	Offer shoppers deeper visibility into and greater control of order and service status at any store, including pop-ups.
Business Needs	Use every impression as a branding opportunity.	Help store teams provide elevated service to customers.	Protect customer data through best-in-class security.
POS Capabilities	Tailor your store processes to align with your brand, turning customer-facing use cases, such as assisted selling or self-service, into branded experiences.	Enable store teams to book appointments, make contact notes, share inspiration and share tasks and insights for more effective team selling.	Offer industry-leading security, including encryption of personally identifiable information, role-based access to customer information and configurable customizations, such as inactivity timeout.

Source: The Next-Gen Point of Sale Buyers' Guide, Incisiv Inc. in partnership with Manhattan Associates, 2019, p. 8 (work cited)

Of course, there are also other POS capabilities revealed by this guide, such as: for store ops & supply chain roles (focused on executing CX flawlessly at scale), for solution architecture roles (focused on creating an agile platform to support future growth), and for executive management roles (focused on maximizing business value), all of them in context of key business needs.

Drones' use for home deliveries and the struggle of the early mover status. Could be a connection including with the involvement in US grocery ecommerce? Adequately enabling BOPIS

On the occasion of the Amazon re:MARS 2019 AI & ML Conference (a new global AI event on Machine Learning, Automation, Robotics, and Space; this new event was inspired by the well-known event MARS hosted by Jeff Bezos dedicated to advance a golden age of innovation), which took place at the beginning of June this year, was announced a new Prime Air delivery hybrid drone functioning as part helicopter and part plane. The recent discussion questions launched by RetailWire (Retail News and Analysis) brought to readers' attention interesting comments from practitioners with regard to: (Anderson, 2019) the uncertainty about the drone delivery services' future considering the many challenges with this type of delivery; the lack of real "highways" for drones to stick to; the risks related to the air full of delivery drones; the need of exploring both the technologies and the potential regulatory and cultural barriers involved in the automated delivery; the need of a better system taking into account the carbon footprint of human appetite for goods etc.

It is interesting to note within this context the impact of Amazon's involvement in U.S. grocery ecommerce (where one of the key drivers of this fastest-growing product category online is "Buy Online, Pick Up In-Store" - BOPUS or BOPIS), Amazon being ranked as No. 1 digital retailer for US online grocery sales in 2018, followed by Walmart and Kroger. (Koch, 2019) According to a June 2019 report from Edge by Ascential, the considerable increase of Amazon online grocery sales in 2018 was fueled by the retailer's evolving omnichannel grocery strategy. It is known that Amazon: expanded a year ago its same-day Whole Foods delivery service Amazon Prime Now to 88 US markets and by 2021 it will open thousands of Amazon Go stores; following its other Key offerings (in-home delivery/launched in 2017, and in-car delivery/launched in 2018), it announced in April 2019 its in-garage delivery program – "Amazon Key for Garage" – to Prime members in carefully chosen US cities. And taking into account the recently introduced "InHome" groceries delivery (the Walmart employee delivering groceries directly to the shopper's fridge), there is no doubt that the competition is fierce and it stimulates the innovation.

It is also known that four years ago Amazon began to introduce U.S. locations for same-day pickup, and two years ago launched "Instant Pickup" points (BOPIS) around five college campuses, planning to add the program to more sites by the end of 2017. (Dastin, 2017) As shown by Reuters at that time this Instant Pickup program targeted impulse buys, appearing (as a cited analyst from Morningstar highlighted) as a natural extension of Amazon's larger push into the grocery deliveries, also entering in competition with vending machine services.

A February 2019 report from iVend Retail Globally confirmed that for more than four in ten consumers BOPIS is considered the most valuable aspect of the retail shopping experience, big-box retailers – such as Walmart (announcing announced its Grocery Pickup offering) and

Target (offering its Curbside Pickup, allowing its store employees to bring out the products customers ordered to their vehicles) – announcing their plans for leveraging BOPIS. (Ewald, 2019) And as argued very recently by a representative of Reflektion (Real-Time Intelligent Personalization Platform), BOPIS ensure clear benefits for both customers (flexible fulfillment; avoidance of the shipping costs, inspection of the product) and retailers (solution for online cart abandonment; stimulus for impulse buys or some window-shopping; generation of more cross-sell orders through interesting offers via personalized promotional emails or messages). And taking into account the more and more higher customers' expectations (for personalization, meaningful experiences, and relevant engagement) from retail marketers, in the case of those retailers with both offline and online presence BOPIS can be enabled with the help of an adequate AI-powered personalization engine (which powers the eCommerce experience for shoppers) and by integrating this personalization engine with the in-store customer engagement analytics (completing the online-offline-online feedback loop by shaping the future online engagement for those customers via search or recommendations).

It is well-known that with a view to know who the company's ideal customers are and give them a superior customer engagement experience, companies need to profile their database. Going on this way they can not only use than that information accordingly to generate additional sales from their existing customers, but also to find new customers interested in buying from such companies. (Allan, 2019) Coming back to the above mentioned Reflektion (Real-Time Intelligent Personalization Platform), it is also worth underlining their pledge for delivering connected shopping experiences across all touchpoints (search, recommendations, pages, personalized content, email), their approach presupposing retailers' struggling to deliver on the promise of eCommerce personalization (through 1:1, real-time, AI and NLP-powered personalization across these touchpoints) by implementing strategies improving conversion rates (see the figure below). (Verma, 2019)

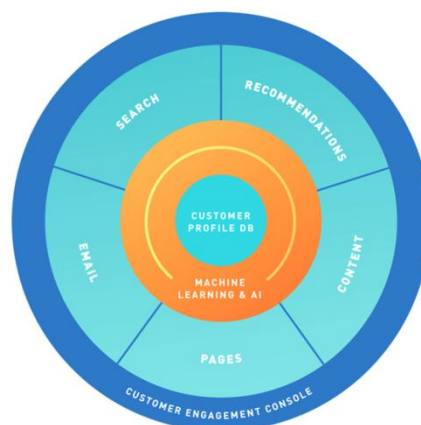


Figure no 3: Strategies improving conversion rates

Source: Verma, G. (2019). (Final) Part 5 – Practical tips for growing your eCommerce conversion rates, Reflektion, June 4 (work cited)

On the other hand, we should not forget:

- (as the French Professor François Lévêque showed in May this year) Amazon's appetite for competitors and former associates, within the context in which competing with it is far from being simple; Lévêque argued that Amazon uses all three models generally used by the brick-and-mortar or online retailing (reselling products purchased from third parties, mainly for popular products; a marketplace with its very specific network effects; partial vertical integration), shifting its position over time (looking at good expectation of higher added value), prioritising growth over profit, while learning continuously from what is happening on the marketplace; (Lévêque, 2019)
- (as demonstrated by Ralf Seifert, Professor of Operations Management, IMD Business School and Richard Markoff, Supply Chain Researcher, EPFL- École Polytechnique Fédérale de Lausanne - Swiss Federal Institute of Technology in Lausanne) that Amazon's most of the profit in 2018 was not from retail activities, more operating income being generated by Amazon Web Services (a cloud-hosting business unrelated to ecommerce); the small margins or logistical challenges of the so-called CRaP products ("cannot return a profit", such as bottled water, fizzy drinks and snack foods) will put the online giant to choose between charging more for them or delisting them; Walmart's new approach to CRaP products (in order to make online sales more profitable) is to hide these products from view in Walmart consumer search results, showing them as out of stock alongside alternatives); The new report by the Capgemini Research Institute, "The last-mile delivery challenge: Giving retail and consumer product customers a superior delivery experience without impacting profitability" (which showed that retailers' profitability will be hurt by their efforts of meeting demand and service-level expectations from consumers shifting to online ordering and expecting frequent deliveries), revealed that online grocery orders have a negative margin of about 15%. (Seifert and Markoff, 2019)

Instead of conclusions

In our last issue we have seen that digital transformation, new shopping behaviors and values, Omni experience, in-store personalization, and retail's convergence are some of the retailers' current topics in discussion. We also underlined the need to rethink strategy assumptions by better understanding CX, caring for customers and inspiring their loyalty. (Purcarea, 2019)

At the top of every retail management team's agenda, highlighted McKinsey's representatives in May this year, should be to address automation (preparing for the impact of automation and AI technologies across all core functions) – which will reshape retail business models and the broader value chain – and the workforce implications (a workforce empowered by real-time data and analytics). (Begley et al., 2019) Within this context it was showed that automation will have an impact on most elements of the merchant role (see the figure below):

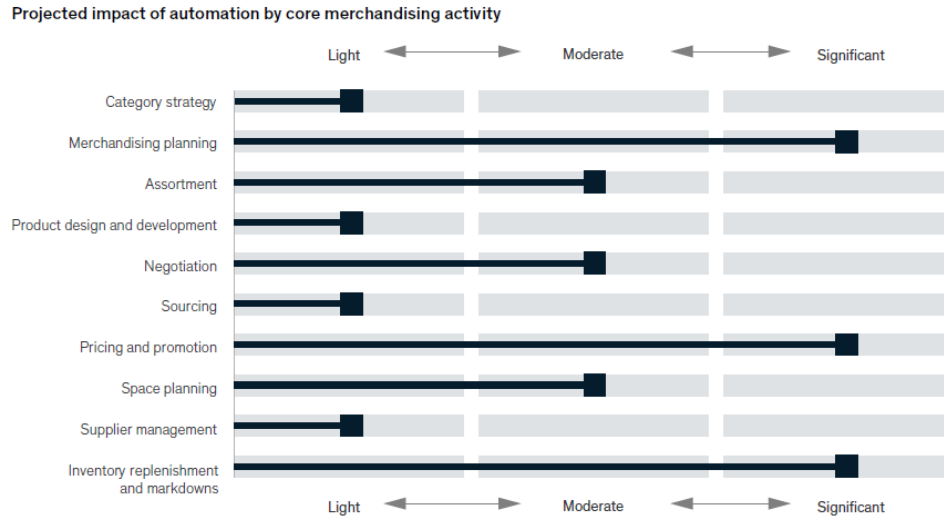


Figure no 4: Automation will have an impact on most elements of the merchant role

Source: Begley, S., Hancock, B., Kilroy, T. and Kohli, S. (2019). *Automation in retail: An executive overview for getting ready*, McKinsey & Company, May, p.4 (work cited)

Retailers also need to take into account the shopping tendencies defined by generational gaps, tracking closely both digital (who are using almost any technology making their buying process more speedier and self-sufficient, being mobile apps' or social media's users) and traditional consumers (who are driven more by cost and ease of use), both of them: researching prices online before they visit a store, sharing experiences via word-of-mouth, and looking for a wide range of simple and value-driven experiences. (eMarketer Retail, 2019) There is no doubt that the physical and digital worlds are brought together by the Omni channel, a huge factor shaping purchases being represented by consumers' pre-store preferences, the shopper behavior being reinvented by the digital revolution (the digital retail landscape being enabled by technology) and that we are witnessing a continuous evolution of new disruptive e-commerce models. (RetailWire, 2019)

It is also worth remembering finally what McKinsey's representatives demonstrated a year ago the fact that the next-generation retail merchandising will be driven by analytics and digital. (Begley et al., 2018) They underlined within this context that with the view to setting up next-generation merchants for success the following organizational enablers will be critical: Digital-talent management (key elements: talent quality, recruiting, and value proposition); Digital culture (key elements: risk culture, leadership style, and vision and values); External networks and partnerships (key elements: partnerships and expert networks); Key performance indicator (KPI)-based steering (key elements: measurement and communication, steering, and performance culture); Performance management (key elements: continuous improvement culture, collaboration and process automation).

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