

Physical shopping in the digital era:

Winning at retail



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Introduction

There's a new dawn in sight for brick-and-mortar stores. As the retail industry resurfaces from a year long struggle, it has become crystal clear that crises can serve as a growth agent. In the horizon, the solutions seem to shine through. Now is a once-in-a-lifetime opportunity for retail organizations to transform their business models and rewrite the rules of the industry.

Today, successful retailers are redesigning their offerings to meet consumers both online and in-store, creating a synced experience that blends channels and optimizes opportunity for growth. Retailers are driving this transformation through innovative technology, creative in-store designs and bulletproof business models that improve the customer experience regardless of how they want to shop.

There's a clear thirst for creative reimagination, repeated testing and ongoing pivoting as retail stores rise to the occasion again and again aiming to make sure that their strategy continues to deliver on the core promises. All the while performing a difficult balancing act between delivering on convenience, efficiency, experience and inspiration.

With thorough research and fascinating expert interviews, this white paper aims to direct a spotlight toward the actions brick-and-mortar retailers can take to succeed in the digital era. At IMBOX, we believe in the power of physical retail. Our aim is to support your organization as you succeed.

“There is still a place for stores”

Brick-and-mortar retail is entering uncharted territory as e-commerce gains momentum. But according to retail expert Christine Russo, using the right technological solutions in-store can turn the tide.

Consumer trends are changing rapidly in retail, and brick-and-mortar stores must be vigilant when keeping up with the competition. Across the broad field of retail, transactions increasingly take place through new channels of distribution. While in-store retail is still the dominant channel, non-store retailing is becoming more popular. In essence, e-commerce is carving out a growing share of the retail sector in many global markets.

So how do retailers survive? Becoming a successful retailer today means integrating offline and online channels in a seamless way. That is the main message from New York-based retail expert, Christine Russo, a former Deloitte consultant and VP of Store Development turned agency founder featuring on Rethink Retail's top100 retail influencers in 2021.

– There is still a place for stores. We are past that binary decision of store or e-commerce, says Christine Russo and continues:

– The piece of pie might be smaller for the stores, but the opportunity for sales has never been better. We used to call this model “omnichannel,” but now, the most important factor is to make the store function as efficiently as an online solution.

If not more efficiently. We need to figure out solutions that we can bring into the store to create more value for consumers.

The synced store

Christine Russo's ideas line up with a concept she calls “The synced store”. A store which is fully in line with its online augmentation. But how do retailers get there?

– Consumers will buy what's popular from the brands they respect. So, the stores bear the burden of education. They need to educate the consumers on why their solution makes sense. That's really the most important thing in this awareness raising process, she says.

Retail stores are far from immune to the challenges that rising e-commerce sales pose to brick-and-mortar. Many big brands have closed stores due to low profitability. As a reaction, all brands with owned retail stores have adopted experiential strategies, often based on technology, to enrich their customers' journey with unique experiences built around their brands.

Technology plays an important role

For Christine Russo, technology must lay the foundation when brick-and-mortar stores amp up their ambitions to gain market share in the physical space. As a store designer herself, she experimented with technologies like geofencing and heatmapping in order to optimize sales. However, changing the ways retail businesses operate requires patience.

– These technologies have been available to stores for decades, but the transition has been very slow. And still is, says Christine Russo, pondering an answer to this dilemma.

– There is a lot of risk aversion towards technology in retail, because so many solutions overpromise and underdeliver. But we have to remember that technology is a means to an end. It enables our business to monetize the opportunities. But it is not a hero that automatically solves all our problems.

The Solution

To achieve the ideal “synced store” Christine Russo recommends that management complete a thorough walk-through of the organization and the digital business solutions at hand.

– Every CEO should sit down with the CMO and CFO, look at the organizational chart and pin out which technologies they should be using in every area of the business. It is no longer viable just to rely on human contribution. We must realize that we need to do business in tandem with technological support.



About Christine Russo

Christine Russo is a graduate of Cornell University and the founder and principal of the New York-based Retail Creative and Consulting Agency (RCCA). She entered retail by way of Deloitte and later as Senior Store Planner and VP for popular American brands like alice+olivia and J. Crew. She has served as Chief Strategy Officer of The Robin Report, mentor for NY Fashion Tech Lab and Graduate School Professor of Global Retail for the Fashion Institute of Technology Graduate School. She was named a top100 retail influencer by Rethink Retail in 2021 and a top50 UK retail influencer by the British Retail Technology Innovation Hub.

These factors will be pivotal for future retail success

Here are the three most important factors that will decide the future of retail success, according to retail expert Christine Russo.

1/

Loyalty programs

It might seem simple, but an effective loyalty program is core to brick-and-mortar success, according to Christine Russo. Just take a look at Target or Bed Bath and Beyond who have executed effectively on loyalty programs and are quickly gaining ground.

– The retailers that have monumentally pulled ahead have one killer feature which has been a gamechanger for them: A robust loyalty program. And you can only get there with the right technology, says Christine Russo.

2/

Frictionless payments

Online retail has buy-now-pay-later (BNPL) solutions and swift payments. Physical stores need to get there too. According to Christine Russo, this is an important tool for in-store success.

– Stores need to embrace fintech. That would be a brilliant example of bringing in off-store aspects in-store. Seamless payment solutions can create extremely high engagement which is critical for stores right now. But very achievable, says Christine Russo.

3/

Effective customer feedback

New technologies equal a lot of experimenting. But how do you know if your initiatives are working? According to Christine Russo, effective customer feedback is key in order to iterate and optimize your in-store concepts.

– Good customer feedback is pivotal to optimize the business. But there a lot of bad solutions out there. Try to find digital solutions that ask questions at moments where customers are already engaged. For example, at the payment terminal. In that moment of checkout, you can achieve a great curve of responses which can improve sales.

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- Christine Russo



4 inspirational in-store designs that boost sales

An immersive, experiential store design is of the essence if you want to increase in-store sales in the digital era. Learn from a master of in-store design and get inspired to redesign your own store.

The physical footprint of brick-and-mortar stores is shrinking. In the US alone, the amount of department stores is set to decline 25 % from 2020-2025 and the amount of foot traffic in retail stores has not yet bounced back to the pre-covid heights.

Now, retail stores are bound to utilize the declining number of square meters efficiently to complement the abundance of e-commerce with a mind-blowing physical experience which attracts consumers and increases sales.

– Consumers today have completely different needs than just a decade ago. When they enter a store, they often know the product already because they can look it up online. But what they lack is the experience of the product, says Michael Skjødt, Owner and Creative Director at Ambiente, a world-renowned supplier of creative physical spaces in retail.

As Owner and Creative Director at Ambiente, Michael Skjødt delivers 500 tailor-made designs every year. And his team has designed and built hundreds of in-store concepts for recognized retailers all over the globe.

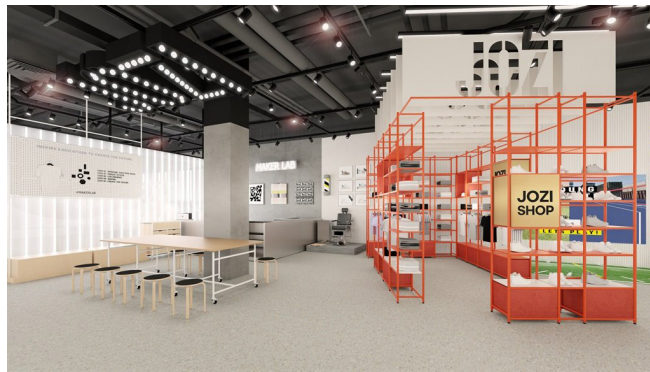
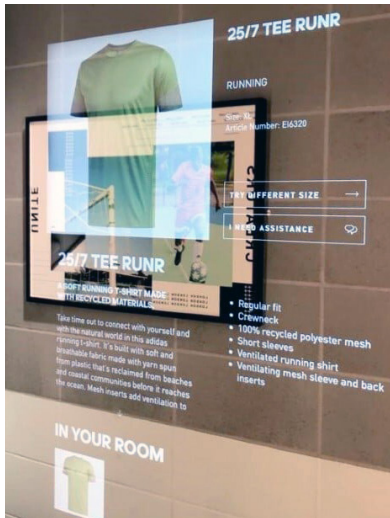
“Entering a brick-and-mortar store needs to become a convenient experience – a space where you can taste, smell and feel the product. Even the most banal products can multiply sales if wrapped nicely in a physical experience”

- Michael Skjødt

– The retail store needs to transform into much more than just a commerce platform where products are picked from a shelf and paid for at the counter. Entering a brick-and-mortar store needs to become a convenient experience – a space where you can taste, smell and feel the product. Even the most banal products can multiply sales if wrapped nicely in a physical experience, says Michael Skjødt.

In the following, you can get a glimpse of some of four recent experiential retail store designs that pose as examples to follow.

Adidas flagship, Johannesburg



Wilson, Chicago

Adidas

In June 2021, German shoemaker Adidas opened the doors to its newest flagship concept store in Johannesburg, South Africa. The store combines digital and physical consumer experiences on a level that few retailers have reached. The store's changing rooms feature interactive digital mirrors, which automatically detects product information to provide consumers with real-time color and style options. With an in-store concierge service, shoppers can have their Adidas sneakers cleaned at no cost. The store also has a personalization hub, and a Maker's Lab, where Adidas footwear and apparel can be personalized. Customers can also opt for the brand's click-and-collect offering when making online purchases.

Wilson

In 2021, sporting goods company Wilson launched its first-ever physical storefront in Chicago to let their customers experience and interact with Wilson's equipment and apparel in person. The 2,247 square foot store opened in July and sells both apparel and sports equipment. Like many in the athletics space, the well-known brand is aiming to bring uniqueness and experiences to its customers through exclusive seasonal drops, limited edition products and special events. Prior to the launch of its permanent Chicago location, Wilson debuted a tennis-focused pop-up in SoHo ahead of the U.S. Open Tennis tournament featuring racket customization, and an entire floor dedicated to tournament viewing and events.



Dick's Sporting Goods,
New York



Dick's

Dick's Sporting Goods opened their unique House of Sport in New York in 2021. The experiential store concept, which includes a 17,000-square-foot turf field, a running track, a rock-climbing wall, a batting cage, golf hitting bays and a putting green, is meant to attract consumers to physical stores. According to foot traffic data, this approach works. The new store attracted 93.5% more visits than other nearby locations and brick-and-mortar sales increased too. The retailer is using the concept to test every experience it could potentially offer and eventually roll out the winning ones to the rest of its stores. Already, some of the golf services offered at House of Sport are being introduced to its golf stores.

Vans

Creating retail spaces that consumers want to relax and spend time in, is the key to projecting authenticity. Vans' latest location in downtown Los Angeles personifies the skate brand's laidback and creative approach to retail. The two-floor, 11,500 square foot space includes an art gallery, skate shop, and studio which offers free art workshops. The brand also partnered with LA non-profits to recruit homeless youth to work at the store, highlighting their commitment to serving their local area. Two-hour skateboarding or BMX lessons are available for free. The venue also hosts live music concerts.



Vans new flagship, Los Angeles

How to design a viable business model in modern retail

There is no golden recipe for success in retail. But designing a value proposition that caters to specific segments of consumers might optimize your chances for success.

The internet is challenging existing business models all around the globe. Customers are increasingly demanding and less loyal to retail brands, leaving physical stores in limbo.

20 years ago, things were more straightforward. Consensus among business researchers was that business models exist to create revenue. But recently, the consensus has changed. Today, the reality is that successful business models do not necessarily revolve around economic aspects. Now, it's all about creating value for customers. This paradigm shift forces companies to become customer centric.

The golden recipe

But how so? Well, you can start by creating a customer centric value proposition. A value proposition is defined as a statement that clearly identifies what benefits a customer will receive by purchasing a particular product or service from a vendor.

“We need to remember that good old salesmanship still works. Added sales designed to cater to the individual customer’s exact needs are still extremely important for any store. And the smarter and scalable you design it, the better”

- Morten Lund

Sounds simple, right? For Associate professor and Vice Head of Aalborg University Business School, Morten Lund, that's a definite no. He has worked closely together with most of the world's experts in the search for understanding how to design Business Models, and he has a clear message to the retailers who find it hard to attract customers.

– Before you throw yourself into completely redesigning your business model, you have to understand that there is no golden recipe. But understanding how to create value for your specific customer segments is the most probable guideline for success, says Morten Lund.

Murky at best

Morten Lund's central claim is that retailers today need to understand that there are different value propositions for different types of customers. Lumping your customers' need all together in one value proposition serves no purpose as there are swathes of factors, trends and stakeholders which render the creation of a successful retail business model a tricky discipline.

In fact, Morten Lund likes to draw on Michael Porter's famous quote "The definition of a business model is murky at best" when giving advice on how to design the perfect value proposition.

– The perfect value proposition is murky at best. But the fact is that physical retail stores are still here means that they still have a role to play, says Morten Lund.

Old virtues still matter

Morten Lund refers to Apple's show stores as a good example of trying to live up to customer expectations. But it's not necessarily smoothly designed stores and fancy tech that makes the difference. Even supermarkets master the art of designing multiple value propositions.

– The big supermarkets are often masters of customer centric value propositions. The most successful ones have features that cater to everyone who enters the store, he says, adding:

– We need to remember that good old salesmanship still works. Added sales designed to cater to the individual customer's exact needs are still extremely important for any store. And the smarter and scalable you design it, the better.



About Morten Lund

Morten Lund is Vice Head of Business School and Associate Professor at Aalborg University in Denmark. Throughout his academic career he has specialized in business model design. He is a board member of several companies and has co-authored the guidebook "Kickass Companies" based on data from more than 900 successful Danish companies. Morten Lund continuously works together with most of the world's experts in the search for understanding how to design Business Models.

2 methods to create a customer centric business model

To get started creating your customer centric business model, Morten Lund recommends using the following models.

1/

Understand your strengths with Business Model Canvas

The Business Model Canvas is a good way to understand the strengths and weaknesses of your existing business model. It reflects systematically on your business model, so you can focus on your value propositions segment by segment. This also means you can start with a brainstorm, filling out the segments that come to mind first and then work on the empty segments to close the gaps. The model encompasses nine components: customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure.

2/

Get quick and dirty with Lean Canvas

Lean Canvas is a 1-page business plan template that helps get an overview of which value propositions attracts different customers. In the model, you can deconstruct your idea into key assumptions. Lean Canvas forces you to distill the essence of your product. The model encompasses nine components, namely problem, consumer segments, unique value proposition, solution, channels, revenue stream, cost structure, key metrics and unfair advantage.



Next steps

We are ready to help you

At IMBOX Protection, we deliver a unique in-store service, which in less than a minute gives footwear an environmentally friendly and high-quality protection. If your business needs a growth driver in the footwear department, IMBOX could be the answer. With IMBOX you get an efficient in-store service, which adds value for you and your customers. Get in touch with us for a walk-through by our experts.

IMBOX PROTECTION A/S

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About IMBOX Protection

The IMBOX is an in-store footwear protection service helping retail stores significantly increase basket sizes. The IMBOX is designed to make footwear become water and dirt repellent, protect against stains, protect from damages, and color fading from the sun. Most importantly, it is designed to prolong the lifetime of your customer's footwear.

The IMBOX is revolutionizing the market for footwear protection by offering a unique in-store service, which in less than a minute gives footwear a professional quality protection.

IMBOX is a plug-and-play service that allows you to dedicate yourself to your core business and at the same time increase sales with no effort, as no extra resources are needed. Your business gets a growth driver and a competitive advantage with the IMBOX in your stores.

