



REIMAGINING THE STORE

What happens to the role of the physical store in an omnichannel age?





PURPOSE WITH REPORT

The purpose of this report is to prepare retail for the transformation of shopping that we see right now from physical to digital. More specifically we wanted to focus on what role the physical store will play in this omnichannel age. What are the key drivers for consumers in 2025 to visit a physical store?

WHY WE DID THIS

“Tomorrow’s customers won’t think in terms like physical, online or mobile when they shop. It is vital for us to understand how to meet future needs and expectations from our customers, to develop our own touch points to deliver better and more connected experiences.”

EMELIE AIDEHAG

Head of Insight and Foresight
Telia Company





SETTING THE STAGE: THE OMNI-CHANNEL PERSPECTIVE

The traditional role of the physical store is being challenged

Whereas the store once was the undisputed source for nearly all our shopping needs, this is no longer so. In today's connected age, consumers are increasingly choosing other channels for both discovery, inspiration and guidance as well as transactions.

In an omnichannel age, every channel will evolve to do what it does best

Every retail channel will gravitate towards fulfilling those needs along the customer journey that it is uniquely fit to meet. Because consumer will always look to solve their needs in the most convenient and optimal way.

Consumers will expect the physical store of tomorrow to play to its strengths

We believe that tomorrow's consumer will expect the physical store to play to its strengths. Understanding which those strength might be is crucial to understand.

From stores to spaces

It's time to substitute the word *store* - with its connotations to storage, inventory and transaction - for the more flexible term *space*. This helps us to remember that the physical space of tomorrow might serve more and new purposes.





The role of the store has changed. With customers increasingly shifting their spending online, it's not enough for a brick-and-mortar store to be just a transactional venue. Instead, it now must serve as a brand-building environment in which customers can have special, in-person experiences that can't be replicated in digital channels. To keep their stores relevant, retailers need to make the most of physical stores' built-in advantages. Otherwise, customers simply won't bother making the trip.

McKinsey, "The Ever-Changing Store", April 2019

FOUR CONSUMER DRIVERS FOR PHYSICAL SPACES

While guidance, inspiration and (certain) purchases are likely continuing to migrate to online channels, which are the needs that the physical space will continue to be in a unique position to fulfil? We have landed on four distinct consumer drivers, which we have chosen to call:

**TOUCH AND
FEEL**

**INSTANT
GRATIFICATION**

**MEANINGFUL
CONNECTION**

**HAVE AN
EXPERIENCE**



Tomorrow's consumer will
seek out physical spaces to....

TOUCH & FEEL



YOU CAN'T EXPERIENCE THE BOUNCE OF A TREADMILL ON YOUTUBE...

...or on Instagram. Or on Amazon.se. At least not in the foreseeable future. Because of this, although the vast majority of research and orientation-phase will continue to migrate to online, there will still be certain types on information that only the physical channel will be able to supply.

TOUCH AND FEEL

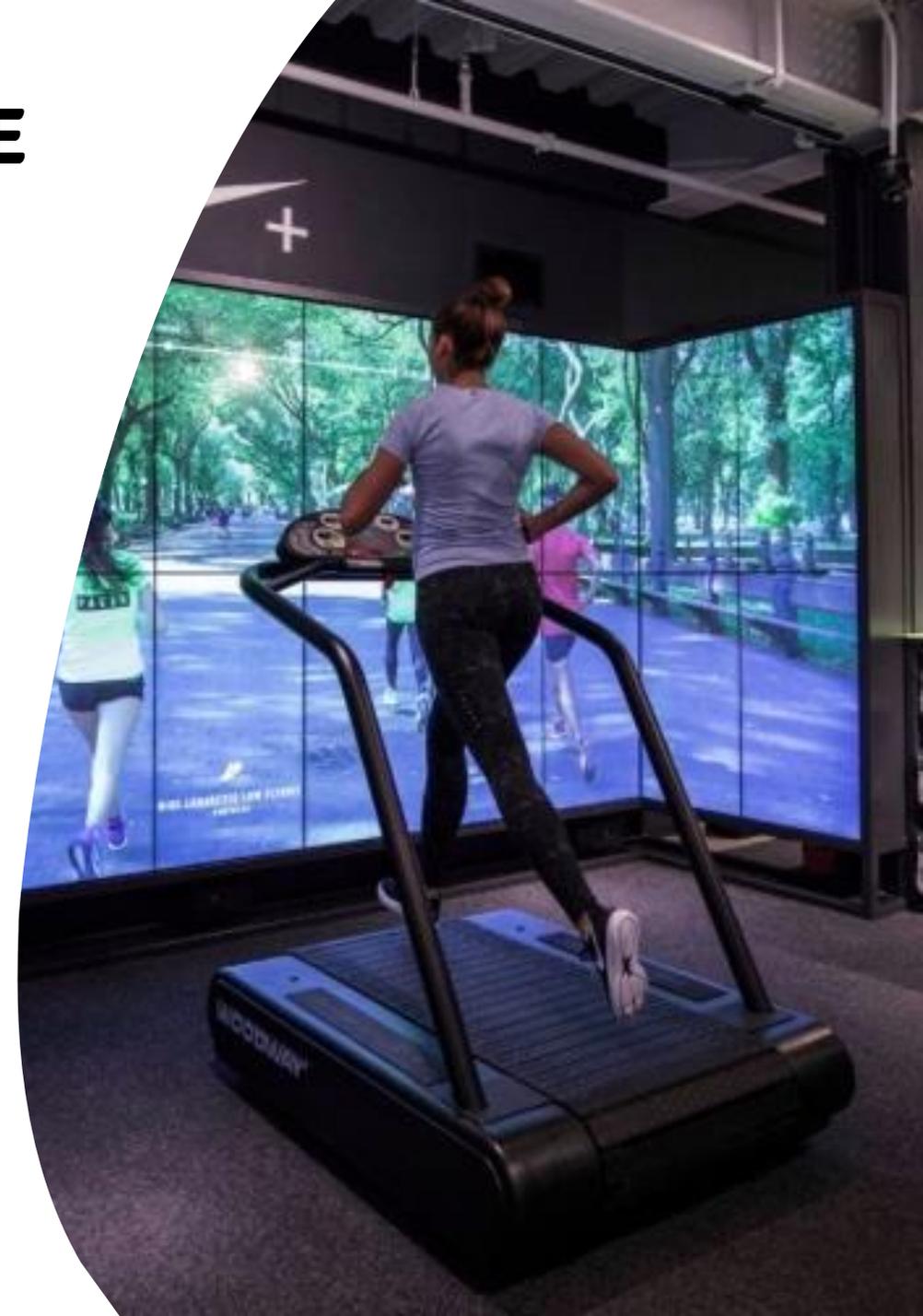
This includes the obvious tactile touch & feel aspects of products, like trying out the actual weight of a smart phone in your hand or the tactile feel of pressing down a home button. It could be to understand what the nuance of grey looks like in daylight, or the fit and softness of a new pair of headphones.

FULL SENSORY EXPERIENCE

Touch and feel can also be understood in a wider sense, like experiencing what wearing a Canada Goose jacket actually feels like in a -5 degree snowstorm, or what sitting in a living room where the TV, smart speaker and lightning all work together in a seamless fashion feels like.

NOT FOR EVERY PURCHASE

It won't be sought out for every product we buy, or in cases where an online review can suffice. In those cases where a truly nuanced feel for the physical aspects of a product (or service) is needed, physical spaces will continue to be an unmatched channel for providing it.



”

I ordered four different pairs of jeans online to see which model that was right for me. But none of them fit, so I had to return them all. At that point, I realized, no, I'm probably going to need a physical store for this.

- Woman, 40, Stockholm

LEVERAGING TOUCH & FEEL



Canada Goose lets customers experience winter

Outdoor Clothing Company Canada Goose's new concept store in Toronto (opened Dec 2019) has no inventory but loads of wintery experiences. There is no product inventory in what the company has dubbed "The Journey," but visitors can try on the brand's \$1,000 parkas in a snow-filled room that dips down to -12 degrees Celsius. The experience ends with an employee, who's been acting as a personal tour guide, helping the customer shop online via touchscreen.



B8ta – Geek space for trying out tech products

B8ta - which opened in 2016 in Palo Alto specializes in showcasing a unique range of connected devices from manufacturers ranging from Fortune 500 to startups. The results is a truly unique mix of products that you're never likely to see in your local Best Buy. The mission of b8ta is not to sell, but rather to treat customers to the best possible product experience. The small space is designed as a geek's paradise - a mini-gallery of awesome and innovative technology products.



REMEMBER: WHAT ONLINE “CAN’T” IS CONSTANTLY RENEGOTIATED



AR/VR is evolving

IKEA lets consumers project furniture into their living room using the AR-function of its app. Similarly, Adidas lets consumers photograph their feet and have sneakers projected in live-sizes directly on the them to evaluate fit.



YouTube substitutes for trying

According to Think with Google, in the past two years, there were more than 50,000 years of product review videos watched on mobile alone.



1h delivery & free returns

As more brands and retailers follow Amazon in stepping up their online-delivery game, outcompeting each other on delivery time and lavish return policies, the need for consumers to try out products before they buy are reduced.



Tomorrow's consumers will
seek out physical spaces for....

INSTANT GRATIFICATION



THERE ARE NO 1-MINUTE DELIVERIES ONLINE...

...but in some cases, that is just what we are looking for.

IMMEDIATE DELIVERY

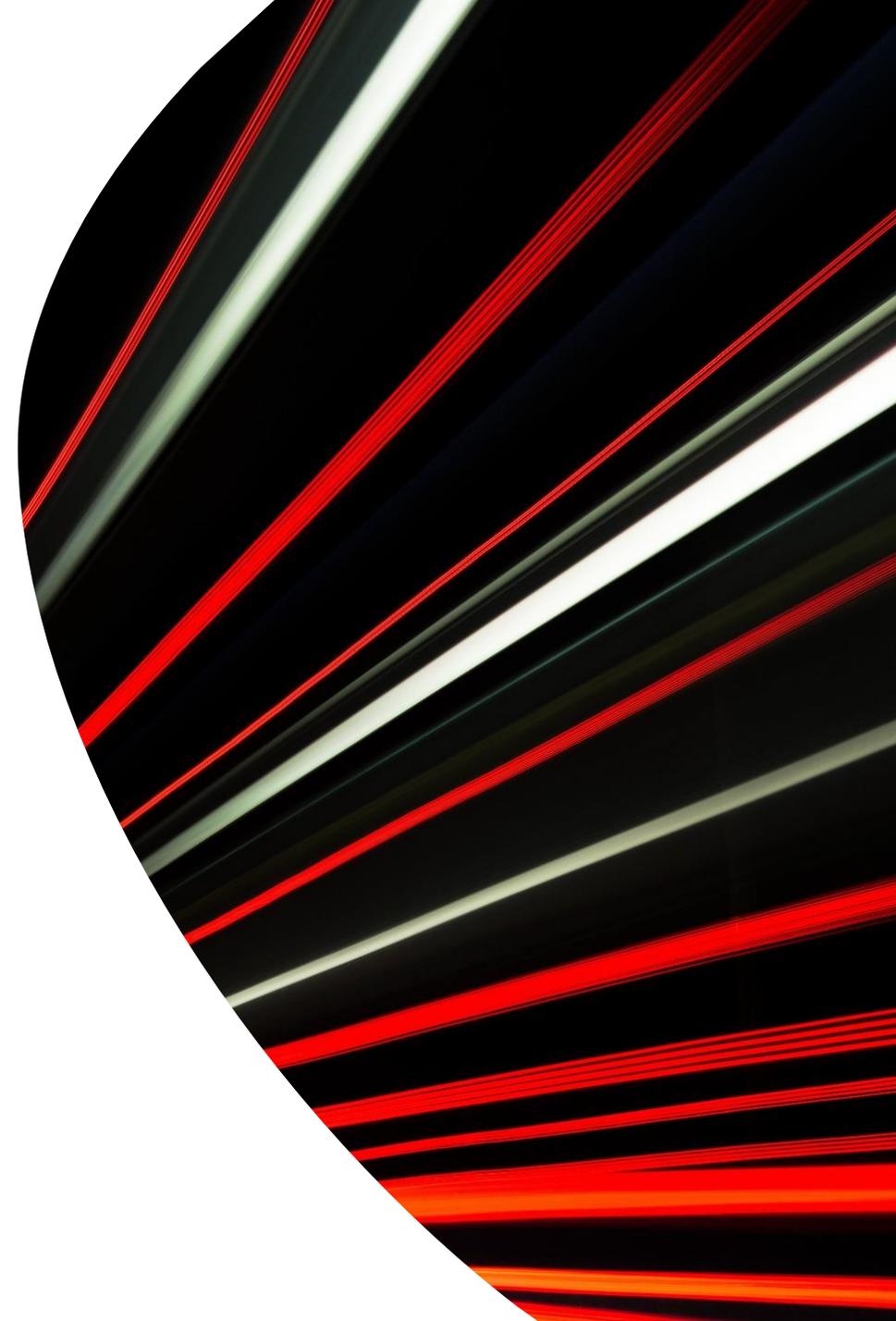
Whether its replacing a USB-charger that broke while commuting to work or buying headsets as last minute gift, the ability to pick up a product straight away offers consumers a benefit which – at least for the time being – there is no substitute for online. Thus, with the right location and the right inventory, a physical space is in a unique position to leverage products and services to consumer immediately.

BOPIS – BUY ONLINE AND PICK UP IN STORE

And if proof is needed for the importance of immediate satisfaction, one needs to look no further than the past years' exploding interest in BOPIS (buy online pick up in store). BOPIS leveraging on the simple fact that a brand's store are often more conveniently placed (and offers a nicer experience) than the standard parcel-delivery points. This shows that consumers are more than willing to visit a brand's physical space if that allows them to pick up their products in a faster, convenient and more inspiring way.

CONVENIENCE IS KING

Instant gratification and convenience are always going to be strong consumer desires. And (at least for now) this is an area where physical spaces have a leg up on other channels. The opportunity for retailers is to understand the context and finding ways to execute on it.



”

I hardly ever use stores anymore. One exception is if I lose my phone. The last time that happened I actually went to the Telia store. Why? Because I can't live without my phone, and in the store I can get a new SIM right away without having to wait.

- Woman, 28, fin-tech consultant, Helsinki

LEVERAGING INSTANT GRATIFICATION



Amazon Go – instant seamless gratification

Amazon Go, which first opened to the public in January 2018, is a new kind of store, which, according to the company, featuring the world's most advanced shopping technology. Amazon describes the concept as "No lines, no checkout – just grab and go!" and has announced plans for an aggressive rollout in 2020.



Pop-up stores in hotel lobbies

This fall, several brands, including Bloomingdales, Nordstrom and Macy's are bringing their products directly to consumers via pop-up store partnerships with major hotel chains. The New York Times reports that for the second year, Nordstrom will have a pop-up presence at the JW Marriott Essex House where it will offer men's and women's clothes.



REMEMBER: WHAT ONLINE “CAN’T” IS CONSTANTLY RENEGOTIATED



Same day deliveries

According to a 2019 press release, Swedish Instabox which offers consumers smart lockers at strategically placed locations in the city can now – using their 350 pick-up locations nation wide, offer same day delivery to 50% of the population.



Netonnet pilots deliveries into home

Swedish home electronic retailer Netonnet recently announced that they will start a pilot project together with the logistic partner Best Transport whereby consumers will have the option to have orders delivered straight into their living room. The solution is based on smart digital locks.



Tomorrow's consumers will
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MEANINGFUL CONNECTION



ULTIMATE BRAND AMBASSADORS AREN'T FOUND IN FEEDS...

...THEY ARE FOUND IN REAL-LIFE PEOPLE.

People we can talk to, connect with, share a laugh with, and listen to for advice. Even in our age, when communication in all its forms is rapidly migrating to digital channels, for most of us, there still remain moments and occasions where nothing but the real thing will do.

TO BE SEEN AND CARED FOR

So, even though YouTube reviews allow us to share and witness a human experience, and provide us with another person's personal view of things, a YouTube review still doesn't see us; it doesn't *care* about us. Because of this, it doesn't allow us to truly share a meaningful moment with another human being.

WHEN IS IT ABSOLUTELY NEEDED?

The opportunity (and challenge) for brands is understanding wherein the real value of a physical human being is to be found in an age where Pinterest, YouTube, Google, and the entire world's shared knowledge is merely a swipe away on the phone. The answer might sometimes be found in the sense of community, of feeling appreciated, the access to services, or something else entirely. It will be important to design environments and settings to accommodate these needs in the best and most meaningful way possible.





Why don't I seek out Elgiganten staff for advice? Because I don't trust them. I mean, at a pharmacy you know that the people have like 4 years of education. But at Elgiganten? What qualification do you need to work in retail? Also I don't really trust their motivations.

- Man, 40, IT-consultant, Helsinki

LEVERAGING MEANINGFUL CONNECTION



Best Buy's in-home consultants focus on relationship

Best Buy's Geek Squad, a group of especially trained tech support experts have long been a popular feature of the home electronics store. According to Bloomberg, Best Buy's in-home advisors are encouraged to establish long term relationships with customers rather than chase sales. They do not need to track weekly metrics and are told to be comfortable not closing a deal by day's end.

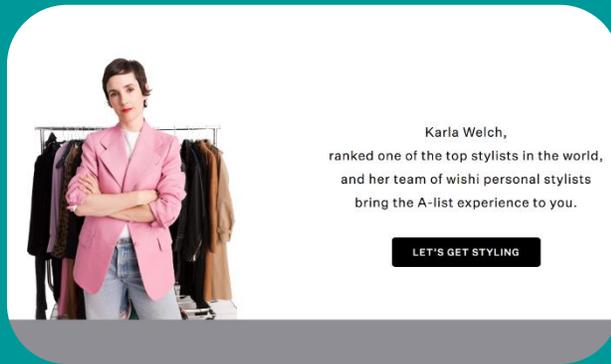


Nike's new small-store format focuses on the community

According to Chain Store Age, Nike's recently opened store in Long Beach California has been designed to serve as a community hub and gathering spot for events and activities, with an emphasis on the human connection. It offers more Nike activities, including group workouts, in-store pop-up events and networking opportunities, which are only available to members.



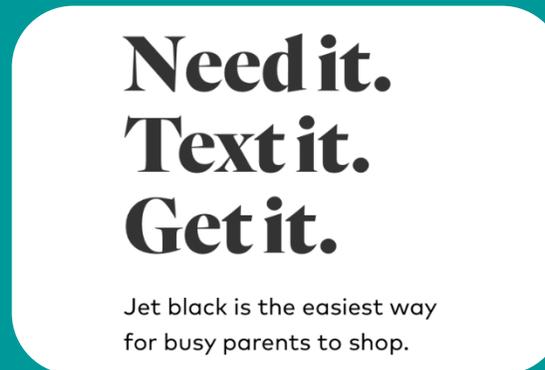
REMEMBER: WHAT ONLINE “CAN’T” IS CONSTANTLY RENEGOTIATED



Online personal stylists

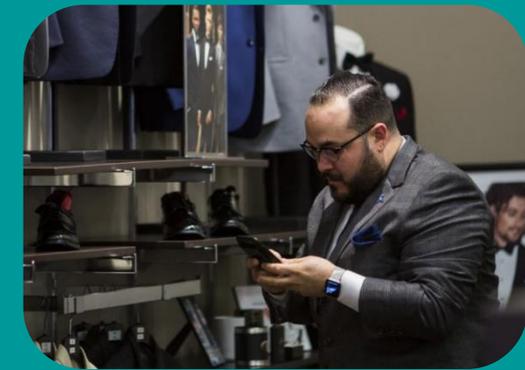
WISHI is a newly launched online platform that connects users with professional stylists handpicked by one of Hollywood's most famous fashion gurus.

Users fill out an online questionnaire describing themselves, after which the app matches the user to stylists. Stylists then roam the web putting together mood boards and suggested looks for the user to choose from.



SMS concierge-services

Walmart's *Jet black* is a new personal shopping service that lets customers order items via a text message with same-day or next-day delivery. Customers text what they are looking for, and have a personal shopper locate and suggest items that match.



Video chat with sales staff

According to *WSJ*, more stores are beginning to redirect the focus of their store staff to helping out online shoppers. Using their smartphones, the store workers can message, video chat and send photos of shirts or ties—and then get paid commissions for online orders the same way they do for ringing up items at the cash register.



Tomorrow's consumers will
visit physical spaces to

**HAVE AN
EXPERIENCE**



WE COULD ORDER EVERYTHING FROM UBER EATS...

...but there are times when we still prefer to go to restaurants. We could watch the movie in VR via Netflix, but there are times when we still prefer to go see it at a cinema. And we could learn everything there is to know about dinosaurs from YouTube, but we still persist in sometimes going to the museum.

UNEXPECTED AND ENJOYABLE EXPERIENCES

In each of these cases, there is something beyond the functional aspects that seems to draw us to physical spaces. As more and more observers have lately begun pointing out, the actual visit of a store might be the reason for going there. It could be to experience new things and environments, to be surprised or wow-ed by something unexpected, to enjoy a designed experience, or simply to pass some time.

EXPERIENCE RETAIL

In this new era of *experiential retail*, discovery and transaction will increasingly happen in different places. Online will be where consumers go to *buy*, physical will be where consumers go to *shop* – *i.e.* to get something beyond the actual product – to be entertained, educated, to escape and explore.

A MEDIA FOR YOUR BRAND

For brands and retailers, this need among consumer might end up becoming the ultimate branding opportunity – the physical space as a way of truly immerse consumers in the brand and its promise. The store, in other words, will act as *media*.





*I just love the Apple store in Täby. I recently took my kids there for a 1h programming course. There were maybe seven kids there who were taught how to code and control a robotic ball via an app. It was a great experience for the kids and for me. And...yes, in the end we ended up buying two of these robots, even though they were ridiculously expensive. *laugh**

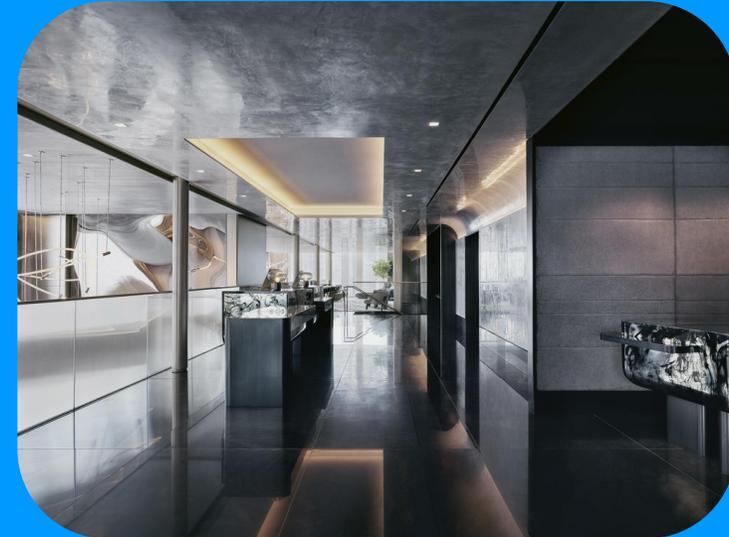
Woman, 37, Stockholm

LEVERAGING AN EXPERIENCE



The most interesting store in the world

The four-story department store Showfields in Manhattan is envisioned as an “immersive retail experience,” combining pop-up shops with art exhibitions, theatrical experiences, community events and food-drink hospitality. Showfields is positioned as “the most interesting store in the world,” and partners with brands to “create a stage for immersive storytelling and unlock new offline channels for growth through revolving experiences with the brands and communities shaping our future.”



Spend a night living in the brand

According to the US chamber of commerce, hotels increasingly are being positioned as ultimate for experiential branding, an opportunity to let consumers live surrounded by their essence for a few days. Brands that have recently started offering their clients a unique night in a branded hotel experience include luxury watch brand Shinola, furniture chain Williams-Somona, the upscale fitness chain Equinox, and even Taco Bell.





IMPLICATIONS FOR ORGANIZATIONS

Everything must start with customer needs

In a retail world where soon every channel can perform every function, the only way to decide which channels should do what throughout the customer journey, must be based on customer needs. Needs come first – channels come after.

Tomorrow's retail channels cannot be designed in isolation

The holistic customer experience is the only thing that matters and the role of each channel becomes to contribute optimally to that experience. As such, no channel – including a physical space - can be planned or designed in isolation.

Capture and leverage omnichannel data will be critical

The ability to track and understand customer behaviour and how they move between channels will become a prerequisite for appraising value and contribution. In order to make the right decisions, brands need to be able to perform cross-channel attribution modelling.

Need for new KPI:s that reflect the new purposes

Sales per square feet might still be an important KPI to keep track of, but it needs to be complemented by other KPI:s capable of capturing other dimensions such as brand awareness, loyalty, customer satisfaction and halo effect on other channels.

Tomorrow's physical spaces will need to be in constant beta-mode

There are two reason for moving into a more constant beta-mode. Firstly, nobody today knows the winning formula for physical retail tomorrow, so experimentation needs to be calculated in. Secondly, as online channels are evolving, the role of the physical space might change.

New types of competences will be needed

As search for information, guidance, inspiration and transactions move online, the sale clerk of today will need to be the brand ambassadors of tomorrow. Tomorrow's retail job will not be primarily about selling products, but about selling the brand and its promise.

ABOUT THE RESEARCH

HOW THIS REPORT WAS MADE

METHODOLOGY

Our approach to uncover trends is to combine external thinking and quantitative data on the topic, with fresh qualitative research, with consumers and experts. The report has been developed in collaboration with Augur during winter 2019/2020.

SUMMARY OF INTERNAL & EXTERNAL THINKING

The report is based on approximately 80-100 hours of desk research. This constitutes the core of the work underlying the report.

14 IN-DEPTH CONSUMER INTERVIEWS

With a foundational insights framework from the desk research in place, we next conducted 14 in-depth interviews in Stockholm and Helsinki (7 each) with consumers identified with a mature digital shopping behaviour.

5 COMPLEMENTARY EXPERT INTERVIEWS

Lastly, to complement insights from desk research and consumer interviews, 5 expert interview were conducted where the central hypothesis of the project were further tested and verified.





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