



FUTURE STORES

How to Engage and Convert Consumers
with Great In-Store Retail Experiences



A WBR Digital Benchmarking Whitepaper Presented in Conjunction with CFI Group
September 2014

Executive Summary

How to Engage and Convert Consumers with Great In-Store Retail Experiences

Technology has had an expansive and multidimensional impact on retail in recent years. In particular, the ascendance of multichannel e-commerce platforms has challenged brands to reimagine how they interact with consumers. As a result, today's connected consumers have access to a whole host of digital shopping tools, including interactive websites with high-definition images and mobile-optimized web and email. E-commerce offers variety, convenience, and information, empowering consumers to engage with retailers when, where, and how they please.

Despite e-commerce's growing popularity, stores are still the lynchpins of retail strategy. The Department of Commerce estimates that e-commerce accounted for approximately 6.5% of all retail sales in the U.S. during the second quarter of 2014. Although this reaffirms that physical stores remain retailers' most prominent sources of revenue, it also suggests that there are great opportunities for synergy between a brand's physical locations and its e-commerce platform.

Indeed, many of the technological innovations that have threatened to erode in-store sales have turned out to be great assets to retailers. Mobile devices enable businesses to send extremely relevant and timely messages to consumers by using location-based services and Bluetooth Low Energy (BLE) beacons. Loyalty programs deployed across channels encourage repeat business both in-store and online. QR codes and interactive displays offer customers new ways to engage with and learn about products and services. Omnichannel initiatives (e.g., an option for the consumer to buy online and pick up in-store) promote interchannel traffic. Because of these innovations, today's consumers begin shopping before they walk into the store and continue shopping after they leave, making their in-store experiences the unifying element.

The mission of retail stores has evolved and expanded greatly in recent years, and it has been influenced in large part by technological innovation and new consumer insights. The most successful retail stores not only leverage new technologies to drive in-store conversions, but they also enhance the shopping experience, collect actionable customer data, and serve as a physical extension of the brand. This is the store of the future: a connected showroom that fuses together multichannel experiences to convert and engage customers while also learning from them.

What follows is an analysis of the best practices and paradigm-shifting experiences retailers are creating in their stores. The analysis is based on survey data collected from retail executives and professionals in a variety of industries. This data was collected on-site at the 2014 Future Stores Conference and through an online survey. The findings are based on the insights and practices of some of the world's leading retailers and brands.

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Key Findings



Retailers are increasing their investments in technology in order to make their in-store experiences more relevant and engaging.

Although associates are still the most important in-store sales assets, retailers are investing equally in new store technologies and personnel training. Will this shift in emphasis produce a more technology-driven in-store sales process?



Businesses are struggling to create consistent shopping experiences across channels.

In today's omnichannel commercial world, consistency of experience is key to improving conversions and enhancing consumer loyalty. Unfortunately, most retailers' shopping experiences are only somewhat consistent across channels, resulting in significant missed opportunities.



Retailers must improve in-store data collection in order to create more targeted and personalized marketing activities.

Few retailers are collecting in-store data very effectively, leaving them with an incomplete view of the customer and ineffective marketing messages.



The most effective retail technologies of the future will create seamless shopping experiences and integrate with other technologies and services.

In-store retail technology is constantly evolving. Although many new technologies will arise over the next 2-5 years, not all of those tools will help businesses improve their conversions and experiences. Retailers will need to critically sort through the multitude of solutions and only implement those that enhance conversions while providing customers with effortless, engaging experiences.

Research Findings

Investing in People & Technology to Enhance In-Store Experiences

“Customers always want more of what they’re not getting. They want outcomes to be easier to achieve, and they would like them with greater convenience and at a higher value.”

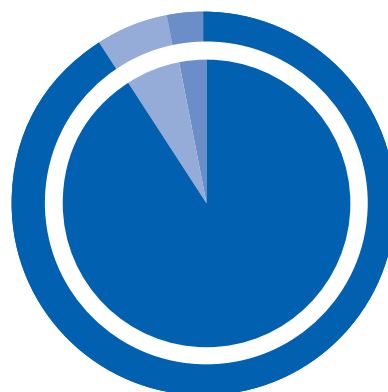
- Mike Wittenstein, Retail Customer Experience Strategist and Designer, Storyminers

Today’s retail stores fulfill a variety of critical functions ranging far beyond simple revenue generation. Stores have become the standard-bearers for a brand’s customer experience, driving consumer loyalty and engagement through innovative interactions and inventive campaigns. Stores are also a burgeoning source of data that can be turned into rich insights into shoppers’ tendencies and preferences. Add in customers’ lofty expectations for shopping experiences and the value of the modern store becomes undeniable. With few exceptions, stores continue to be the backbone of retail businesses, even in today’s world of e-commerce and digital interconnectedness.

The best brands are using their stores as a source of innovation and invention, and they are constantly updating designs, technology, and personnel to get the most out of each location. Creating a store of the future means seamlessly integrating cutting-edge technology with tried and true designs and tactics, providing a strong balance of analog and digital elements that help deliver to customers higher value outcomes that are easier to achieve. When it comes to technology, electronic point of sale (EPOS) tools have become extremely common, with over three quarters of survey respondents indicating that they are already utilizing the capability. A robust 72% are leveraging mobile devices and tablets in stores, and 60% are making use of digital displays or kiosks.

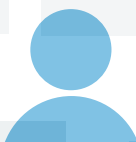
Although retailers indicated that they are investing equally in new technology and training of store associates, 91% of those surveyed said that the greatest sales assets in their stores are still sales associates. New technologies are providing good value to the in-store experience, but they have yet to supplant personnel as key sales elements.

What is the greatest sales asset in your stores?



- 91% Sales associates
- 6% Store format design
- 6% Interactive elements (tablets, virtual displays, etc.)

Respondents Overwhelmingly Consider Sales Associates to Be Their Greatest In-Store Assets



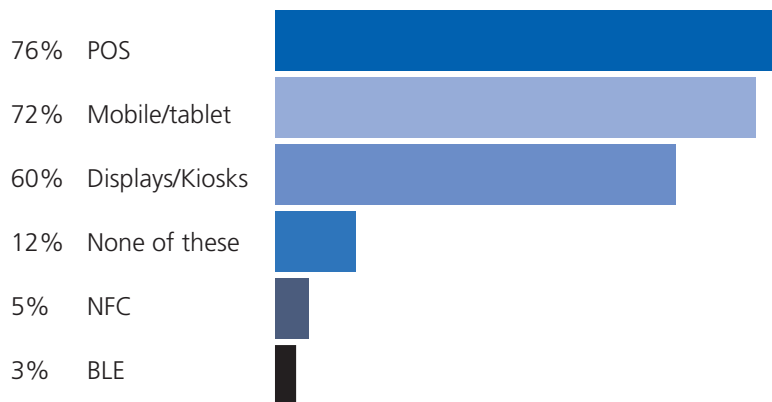
Which of the following are you investing in most to improve in-store conversions?



- 42% New technology (i.e. touch screens, beacons, etc.)
- 41% Training and development of sales associates
- 17% Alternative store formats

Respondents Are Investing Equally in New Technology and Sales Associate Training to Drive In-Store Conversions

Which technologies are you using to enhance the in-store experience



Point-Of-Sale Tools and Tablets Are the Most Common Technologies Being Leveraged to Enhance In-Store Experiences

The Challenge of Cross-Channel Consistency

“The tools are all there to integrate these experiences, they just aren’t always being implemented. There is a resistance to change, because making changes costs a lot of time and money.”

- Jack Shaw, VP North American Sales, Adaequare Inc.

Advances in technology – particularly mobile technology – over the past decade have resulted in a rapid expansion in the variety of commercial tools available to consumers. Today, consumers are increasingly engaging with brands across a variety of diverse media. The customer journey has become expansive, dynamic, and multilayered; it permeates desktop websites, mobile-optimized sites and apps, social networks, and retail stores themselves. For retailers, this has meant a multiplication of consumer touch points and an unprecedented demand for innovative digital shopping tools. However, the challenge for retailers is not just to develop spectacular omnichannel shopping capabilities but also to deliver outstanding experiences across all channels. When it comes to omnichannel customer experiences, consistency is key.

Delivering consistently great customer experiences in-store and online can be a profound challenge for retail businesses. In this study, only 16% of respondents said that their customer experiences are very consistent between their stores and online presence. The majority (60%) of those surveyed noted that their experiences are only somewhat consistent. In their quest to provide a great customer experience, these retailers are facing many complex challenges, including creating consistency across channels, personalizing the experience, capturing and applying relevant customer data, and the implementation of customer experience initiatives across store locations.

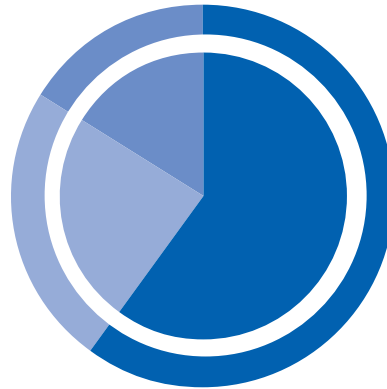
Although the retailer perspective is an important indicator of the state of shopping experiences, an even more critical measure is how consumers perceive those experiences. Unfortunately, the way retailers view their shopping experience can differ greatly from consumers’ perspectives. For instance, in a Bain & Co. customer experience survey, 80% of companies stated that they were delivering a “superior experience” to their customers. However, consumers in the survey said that only 8% of companies were actually delivering high-quality experiences. This discrepancy underlines how critical it is for retailers to listen to their customers, especially when it comes to experiences.

Without a doubt, modern retail businesses must have an omnichannel vision in order to adapt to the changes in consumer shopping patterns brought on by technological advances. In part, a successful omnichannel strategy demands that retailers understand the key actions that consumers take during their shopping experiences, and retailers must then make those actions available across multiple channels. Enabling consumers to engage with multiple platforms en route to a purchase not only improves the shopping experience but also increases conversion rates and reduces cart abandonment.

Two notable omnichannel shopping practices include showrooming and “buy online, pick up in store” options. Showrooming, the practice of evaluating products in a store before buying them online, poses a clear threat to traditional retailers, which are susceptible to customers using mobile devices to compare prices while in the store. Despite the threat, nearly three quarters of respondents reported that they have not seen any sort of impact from showrooming. In fact, 19% noted that showrooming has had a positive impact on their businesses. This is likely because omnichannel shoppers have been shown to spend significantly more than single-channel shoppers. Similarly, “buy online, pick up in store” options, which offer the convenience of an online transaction alongside the satisfaction of instantly picking up an item, are expanding although only 26% of respondents currently have fully-deployed programs.



How consistent is your customer experience between in-store and online?



- 60% Somewhat consistent
- 24% Not consistent
- 16% Very consistent

Most Respondents Say That Their In-Store and Online Experiences Are Somewhat Consistent

What is the greatest challenge of providing a great customer experience?

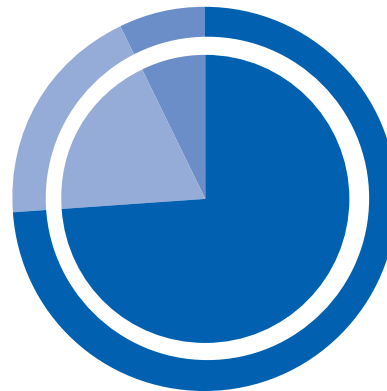


- 34% Creating consistent experiences across channels
- 24% Personalizing customer experiences
- 21% Capturing and analyzing relevant customer data
- 21% Implementing customer experience initiatives across stores

There Are Many Challenges to Providing a Great Customer Experience, with No Single Obstacle Standing Out Above the Rest



How is showrooming impacting your business?



- 74% Neutral – we have not seen much of a change
- 19% Positively – we have adapted and are leveraging it to drive sales
- 7% Negatively – it is hurting our sales

Nearly Three-Quarters of Respondents Have Not Yet Felt the Effects of Showrooming

Do you currently offer a “buy online, pick up in store” option?



- 51% No, we do not
- 26% We have a fully-deployed program
- 23% We currently offer a limited program

Approximately Half of the Retailers Surveyed Currently Offer Some Sort of Option to Buy Products Online and Pick Them Up In-Store



Turning In-Store Data into Actionable Messaging

The age of big data has made retailers keenly aware of the wealth of information that can be collected in their stores. Using BLE beacons, location-based mobile services, loyalty programs, promotions, and sales trends, merchants can uncover valuable data on the in-store customer experience. This data can then help them track traffic patterns, evaluate how customers are interacting with displays, and determine which promotions and marketing messages are having the greatest impact. In other words, these insights lead to optimized stores, improved marketing campaigns, and more effective omnichannel commerce interfaces.

Unfortunately, only 14% of respondents indicated that they believe that they are very effectively collecting customer data in their stores. Similarly, a third of respondents said that their in-store data collection has been ineffective. As a result, just under a fifth of the retailers surveyed said that their marketing activities are very targeted and personalized. This lack of personalization indicates that most retailers are missing major opportunities to reap the many benefits of in-store data insights.

For those companies that are not yet taking advantage of in-store data, it is essential that they build processes to capture that information. Those retailers that have processes in place now have access to a new age of sophisticated key performance indicators, such as conversion rate, shopper yield, Average Transaction Value (ATV), entrance traffic, and sales per square foot, as well as a whole host of omnichannel metrics and capabilities.

How effectively are you collecting customer data in-store



- 44% Somewhat effectively
- 33% Not effectively
- 14% Very effectively
- 9% Unsure

Only 14% of Respondents Reported That Their Businesses Are Doing a Very Effective Job of Collecting Customer Data in Stores

“67% of shoppers are accessing brand-related content and apps while shopping in-store. This embrace of mobile shopping is where the real opportunity lies for retailers to make their store a better place to shop. It is gradually becoming clear: the stores that make proper use of mobile wallets are the ones who will come out on top in the modern retail era.”

- Digital Retail Product Executive, Retail

How would you describe the personalization and targeting of your current marketing activities?



- 53% Somewhat targeted and personalized
- 23% Not targeted and personalized
- 19% Very Targeted and personalized
- 5% Not sure

Most Organizations Are Personalizing and Targeting Their Marketing Messages, but There Is Still Room for Improvement

The Future of Store Technologies

With businesses leveraging their digital assets to drive sales in-store and vice versa, omnichannel execution has become the bedrock of modern retail strategy. In fact, the intersections between physical and digital retail channels have become so extensive that many companies are no longer differentiating between sales made in stores and those made digitally. As Saks Inc. CEO Stephen Sadove has said, “There is so much integration between store and online sales that we can’t report the numbers separately. [That just doesn’t] make sense, because we are moving inventory from one to another all the time.”

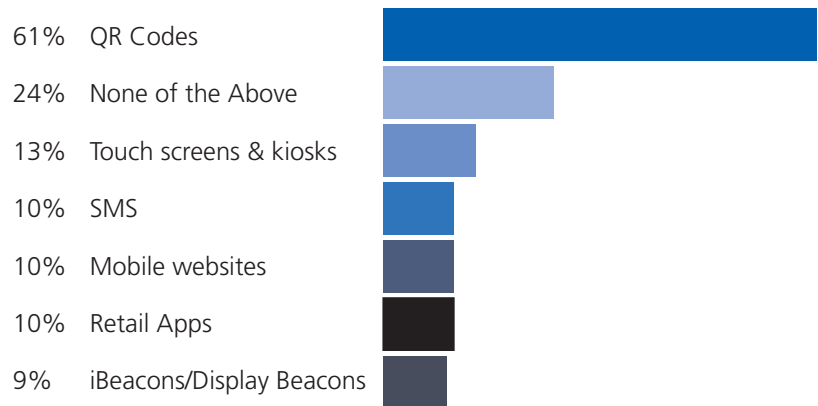
The omnichannel paradigm has an inherent emphasis on technological innovation. New devices, online offerings, and digital touch points are the engines of retail growth because they streamline shopping experiences across channels and engage consumers on their own terms. Novel technologies also enable businesses to gather a massive amount of customer data, which can then be used to personalize marketing messages and shift inventory to the right places. However, given the abundance of tools and technologies available, choosing the right solutions can prove challenging. The best brands are those that cut through unessential capabilities and focus only on those that add significant value to the customer experience.

The technologies that retailers rely on to improve conversions, engage customers, and collect data in stores will inevitably change over time. As a result, which capabilities will be at the center of the stores of the future? Despite the relatively wide utilization of QR codes in retail stores, 61% of those surveyed said that they believe that QR codes will disappear on the next 2-5 years. In contrast, 71% of respondents indicated anticipation that mobile wallet capabilities will become standard over the same time period. In many cases, the utilization of a given capability will not just depend on how sophisticated a technology is but also on how that technology can be leveraged during a customer’s

path to purchase. Mobile wallets, for example, could potentially streamline the payment process and mitigate one possible obstacle to a purchase while also enhancing customer loyalty programs by capturing more data and improving incentives.

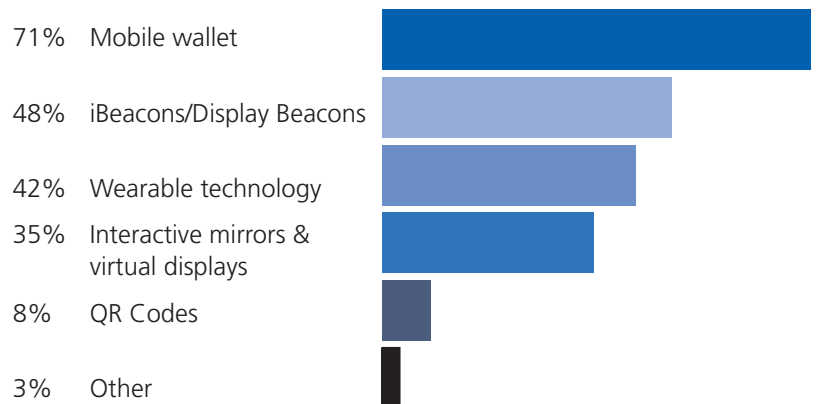
Design will also factor heavily into the retail technologies of the future. According to Mike Wittenstein, Retail Customer Experience Strategist and Designer, Storyminers, some of the most successful retail technologies are the least intrusive and most intuitive for consumers to interact with. This is the principle of Invisible Design: the less intrusive and more streamlined a technology is, the more likely it is to become widely adopted.

What in-store technology will disappear in the next 2-5 years?



A Strong Majority Believes that QR Codes Will Disappear in the next 2-5 Years

What future store technology will become standard practice in the next 2-5 years?



More than 70% of Respondents See Mobile Wallet Becoming Standard over the next 2-5 Years



Which retailers do you believe are providing the most exceptional in-store experiences?

1

NORDSTROM

Nordstrom

2



Apple

3



REI

4



Nike

5

SEPHORA

Sephora

Nordstrom, Apple, and REI Top the List of Retailers Providing Exceptional In-Store Experiences

Key Recommendations



As retailers continue to invest heavily in store technologies, there may come a time when technology is seen as a more critical in-store sales asset than associates.

Insofar as interactive displays, POS tools, and other digital offerings can create a fluid and enjoyable shopping experience, customers will willingly turn to those technologies. As those tools become more sophisticated, they may eventually supersede sales associates as the greatest in-store revenue drivers.



In order to holistically measure how consumers are interacting with their products and brands, businesses must prioritize a new set of consumer engagement metrics alongside traditional measures like conversions.

Customer experiences have become so important that retailers must consider new metrics, including involvement (i.e., whether or not consumers are relying on the brand for information, goods, and services on an ongoing basis) and time of awareness to time of satisfaction (i.e., how long it takes for a customer to acquire a good or service from the time they become aware of it). Improving involvement and shortening the time of awareness to time of satisfaction are becoming central objectives for businesses.



Retail success is increasingly dependent on how well businesses are learning from and listening to customers.

In a customer-centric world, the top-performing organizations are those that sincerely listen to customer feedback and effectively collect customer data. Stores are a great source of these inputs, which enable organizations to optimize their offerings and create personalized marketing messages.



Modern retail challenges organizations to deliver the right services to the right places at the right times while maintaining a consistent feel.

Not only must retail organizations become more agile in order to create the capabilities customers demand, they must also extend those capabilities across a variety of channels without detracting from the overall experience. Many retailers are struggling with this cross-channel consistency, highlighting the need for them to critically evaluate how they interact with customers on different media.



Creating a store of the future means leveraging the right technologies and phasing out anachronistic elements.

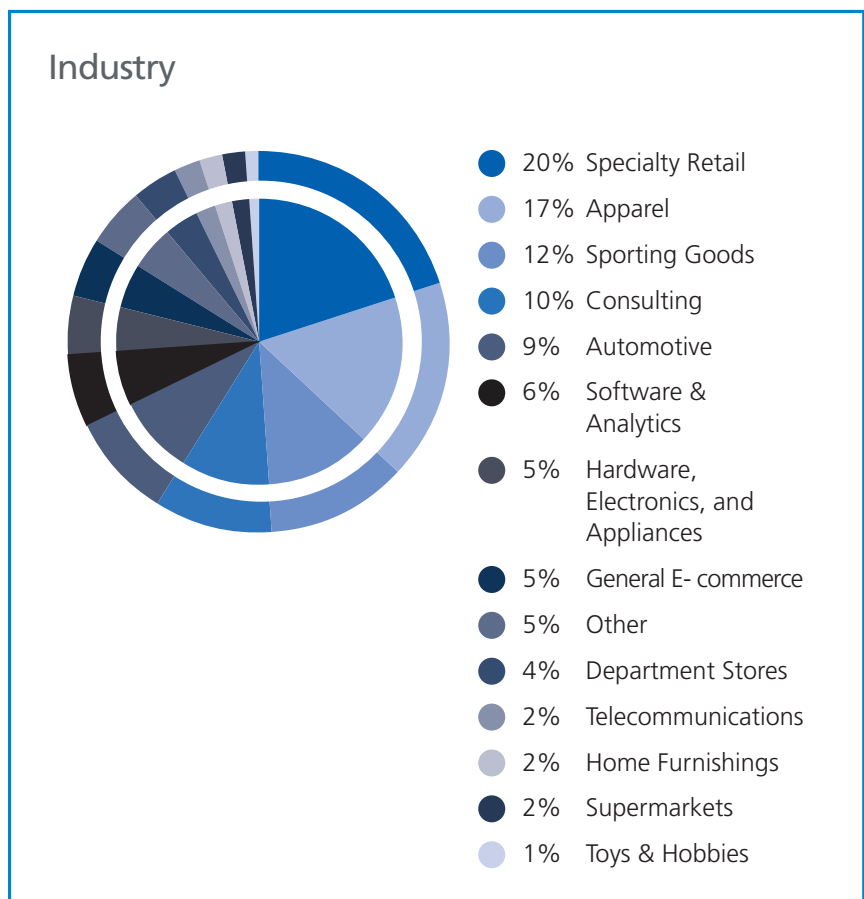
In order to create immersive and satisfying in-store experiences that consistently drive revenue, companies must replace outmoded elements with the right technologies, particularly digital tools that enhance product interactions and capture key data points. This requires constant re-evaluation and, occasionally, reinvention of store components

Appendices

Appendix A: Methodology

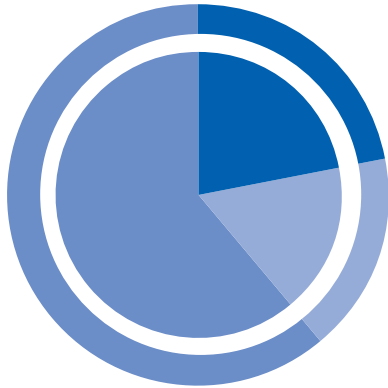
For this report, Worldwide Business Research conducted in person and online surveys of 104 store, operations, IT, cross-channel, and retail customer experience executives representing 14 industries (see Appendix B for demographic information). Survey participants included decision-makers and executives with responsibility for their businesses' in-store and digital experiences and performance. In-person surveys and interviews were conducted on-site at the 2014 Future Stores Conference. Data was collected in June of 2014.

Appendix B: Demographic Information



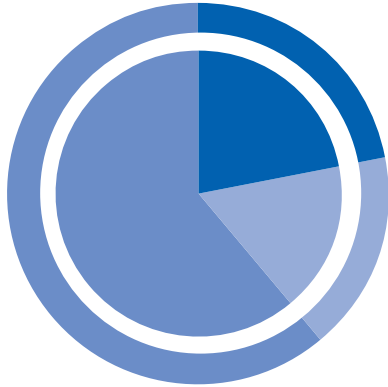


Roles and Titles



- 15% Marketing
- 15% Executive Management
- 15% Information Technology
- 12% Omni-channel
- 12% Customer Experience
- 8% eCommerce
- 6% Operations
- 6% Customer Insights and Analytics
- 6% Consulting & Agency
- 3% Innovation
- 2% Story Design & Management

Revenue Breakdown



- 22% Less than \$50 million
- 17% \$50- 150 million
- 61% Greater than \$150 million

“The event was fantastic. It was very well executed, and I have taken a lot of information from the event that we will be working to implement in our stores.”

- Chanel Chartrand, Visual Merchandiser, Coastal.com

About Future Stores



FUTURE STORES

Future Stores is WBR's intensive event focused on cutting-edge omnichannel retail strategies. From omnichannel marketing and customer analytics to retail technology and store operations, Future Stores will show you how to design and implement winning in-store strategies to beat the competition and boost customer loyalty.

The conference is centered on the pain points of store, operations, IT, cross-channel and customer experience executives to bridge the gap between the store experience and the digital experience. Future Stores provides tactical strategies for brick and mortar retailers to improve and increase conversion rates in-store as well as make the store and cross-channel shopping experiences as seamless and easy as they are online.



About CFI Group



CFI Group is a global leader in providing customer feedback insights through analytics. CFI Group provides a technology platform that leverages the science of the American Customer Satisfaction Index (ACSI). This platform continuously measures the customer experience across multiple channels, benchmarks performance, and prioritizes improvements for maximum impact.

Founded in 1988 and headquartered in Ann Arbor, Michigan, CFI Group serves global clients from a network of offices worldwide. Our clients span a variety of industries, including financial services, hospitality, manufacturing, telecom, retail, and government. Regardless of your industry, we can put the power of our technology and the science of the ACSI methodology to work for you.

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