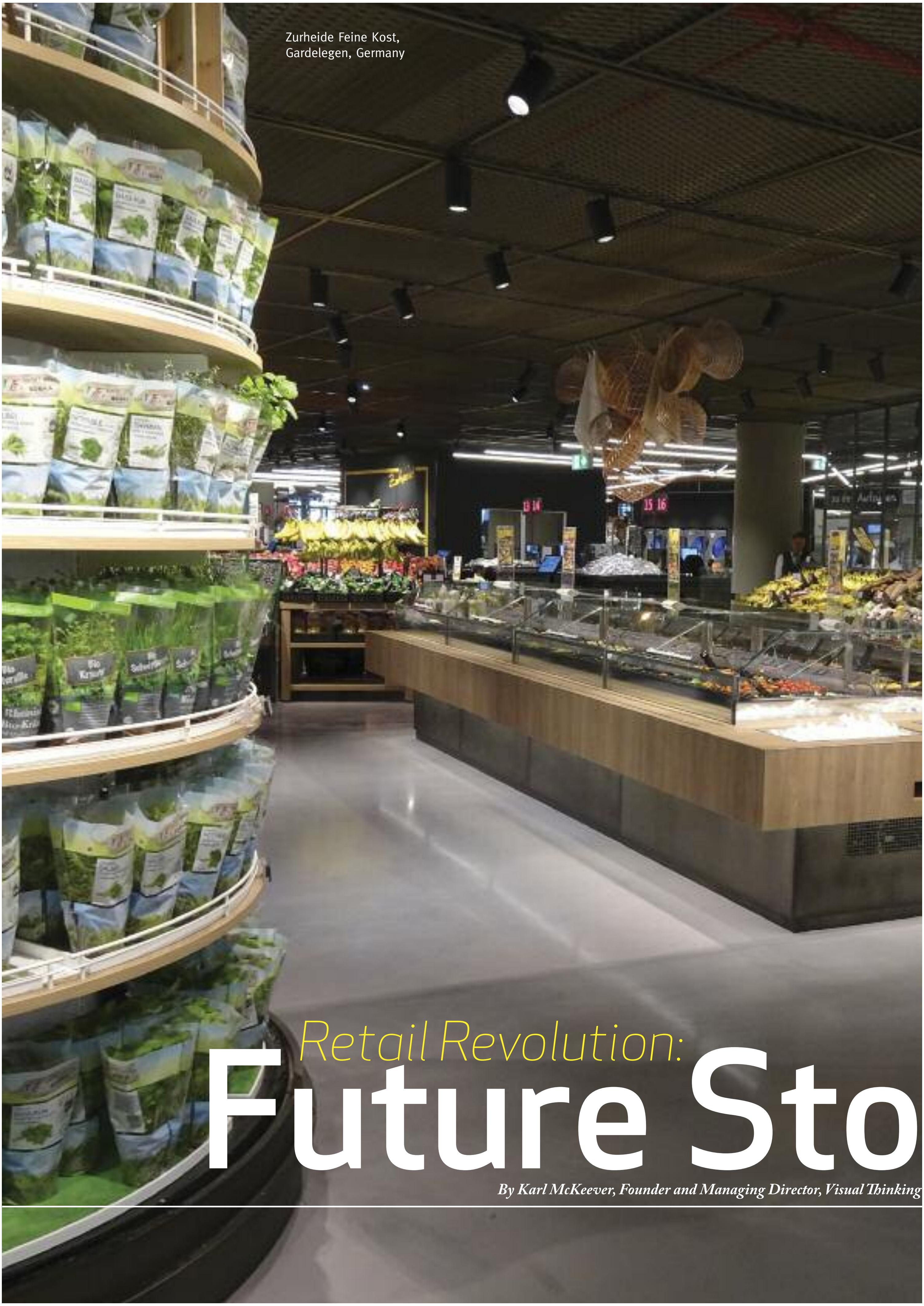
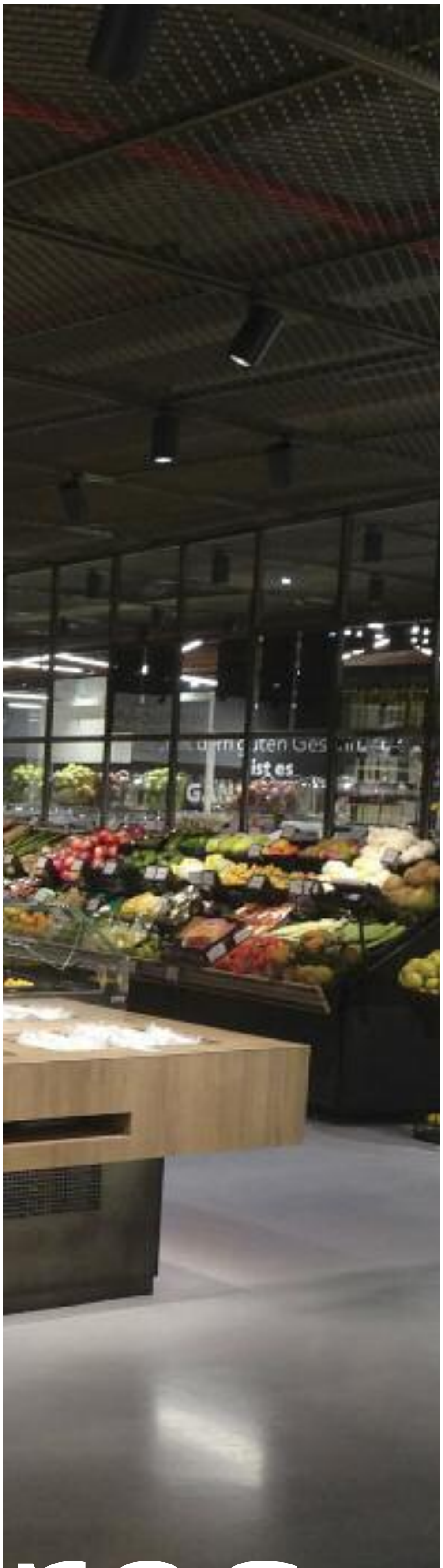


Zurheide Feine Kost, Gardelegen, Germany

Retail Revolution: Future Sto

By Karl McKeever, Founder and Managing Director, Visual Thinking



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and The Retail Exchange podcast.

Change is a constant in retail. Sometimes these are little more than a passing trend or phase. But every so often we see periods of great innovation that have a seismic effect and represent generational change.

These 'mega trends' can be a result of cultural or technological change or social, economic and political events that leads to new opportunities. Some can strike a chord with people seeking something new, and indirectly stimulate change. Such developments can unleash highly disruptive forces that act to form powerful influences on consumers, creating new demands and changing their shopping behaviour and along the way, raise expectations. Others have the potential to alter the course of retail history.

The rise of online retailing was one such 'mega trend' that remains the highest performing star for many retail brands. At the same time as enjoying enormous growth, the Internet has been criticised in parallel for inflicting deep wounds and, in some cases, even killer blows on the traditional high street as we used to know it.

But despite what the media headlines would have us believe, there have been many other threats to the established order in the past.

Each new generation – with its own experiences and shopper preferences – drives change. The 1960's ushered in a dynamic phase of self-expression resulting in the rise of Carnaby Street and rule breaking boutiques. Designers like Mary Quant ruled supreme and Biba brought this together in a new type of free-spirited department store. The 1970's were about the rise of the shopping centre and latterly retail malls. Within a vast indoor space, established chains like Littlewoods, BHS and Woolworths dominated the scene with their safe, respectable family friendly formats. The 1980's saw the birth of lifestyle retailing, with a new breed of retailer, such as Next, challenging the established players thanks to an elevated product, marketing and store design – rolling out store formats nationally, with consistent repetition. The 1990's trend for designer brands and celebrity culture created new 'wannabe consumers' with changing tastes, while retail parks and out of town shopping drew shoppers away from the high streets in their cars, sending new signals that old formulas must change.

For the last ten years, online shopping has reigned supreme. For the most part, shoppers have been 'willing participants' in this great experiment, with the public unwittingly aware of their own small-scale revolutionary impact and the consequences this would have on the retail sector at large. Through their simple everyday actions of browsing online and 'adding to basket', instead of shopping in stores – as countless family generations had done before. Each tiny click of the mouse sent an electronic message to retailers that their high street businesses were less relevant and appealing. Shoppers now wanted something different, and for physical stores to start offering 'more'.

The efficiency and profitability that online retail operations initially promised made a strong case for brands to shift their focus, and quickly. Now that more of the true costs have become much clearer, the traditional retail model has started to look increasingly attractive for many brands to reconsider again. For many retailers, the task of initially setting up online operations is seen to have been done (in part, and at least for now…). With it has come a growing recognition by industry voices that for high street stores to 'survive and thrive' with their own distinct place in the brand mix, working alongside online; the time to reboot investment in physical stores is now.

Until only recently, the desire to create an omnichannel strategy was seen as the key for brands. Fast-forward to today and that thinking is being replaced by the pursuit of sophisticated multiple channel brand delivery goals. The reality is that the easy 'fulfilment' of goods, is not the same as creating customer satisfaction. In future, this is as much about selling ideas, as offering 'more stuff' to buy through whichever channel.

This change in approach recognises the need to create easy and inspiring shopping wherever the consumer shops, and also the need for specific characteristics to serve each channel better. But, the bigger change is the absolute need to create clarity and cohesion of messaging and affirm 'purpose' to underpin and cement brand positioning. This is what we see and can understand by the huge growth in the concept of 'storytelling', a


David Jones, Sydney, Australia

narrative that provides non-transaction content to add meaning to online shopping, and storytelling that presents a full sensory, interactive and engaging ‘customer experience’ instore.

All this is a demonstration that strong brand vision, great agility and execution ability are the most important attributes for retailers to keep navigating the ‘latest’ way forward and coping with the increasing speed of change. Managing a course today, while constantly updating the coordinates and scouring the horizon.

Far from online retailing being the critical ‘mass extinction’ event that many said would ‘be the death of the high street’, with the benefit of time and a longer view it is the runaway success of online retail that is proving to be the catalyst for the next wave of bigger changes instore creating the spark for an exciting renaissance of high street stores…and momentum is building.

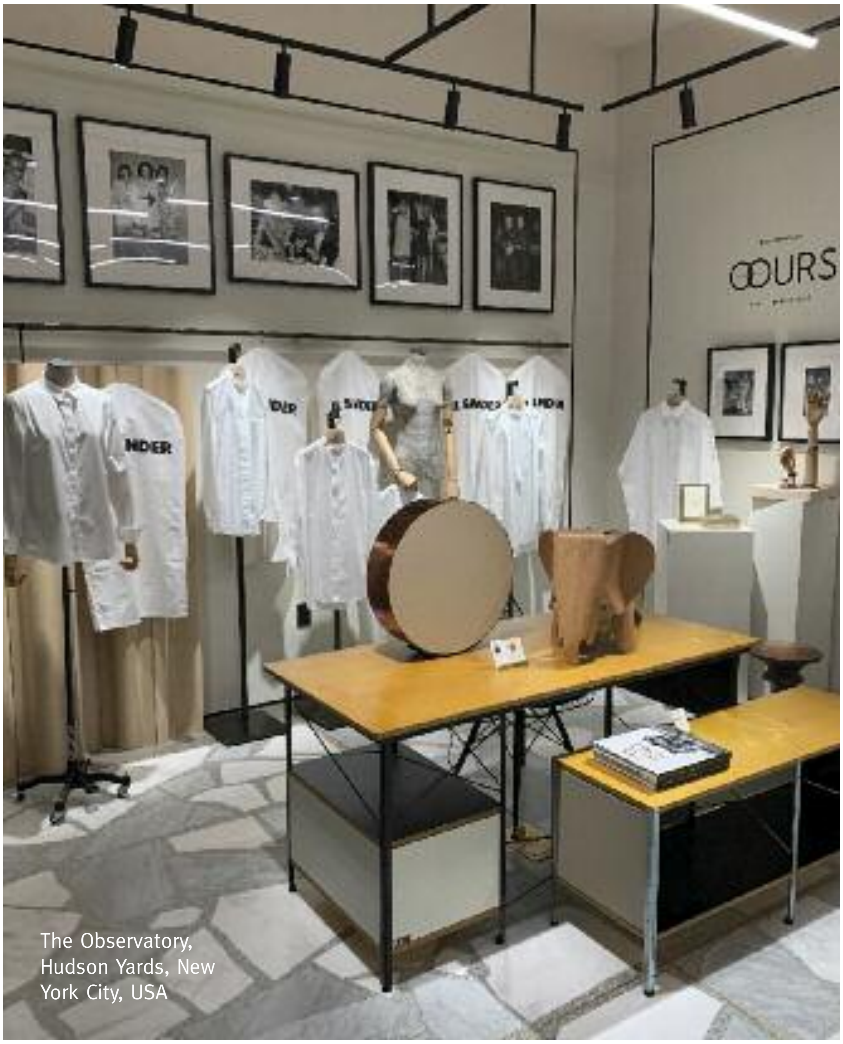
So after a dangerous period of headline grabbing brand failures, store closures and gloomy news affecting much of the retail sector, it’s really positive to see brands recognising that all channels present good opportunities to make money. It also confirms that many of the current woes afflicting much of the high street are self inflicted from over supply, too many ‘ordinary’ shops offering too much of the same, and failing to really listen to and recognise that the consumer that was simply ‘crying out’ for something more.

One of the most interesting aspects about the huge rise in online retail is how it has reduced the value of goods, and not just value as meant by price. In real terms, such easy price comparison and transparency between different suppliers has hurt margins and profits; just ask John Lewis.

Similarly, the increased use of online promotional activity as a quick and easy stimulant to drive online sales has created a situation of ongoing and painful discounting. In response, shoppers have become comfortable with the idea of searching for offers, online discount codes and other ways to save more money. Shoppers have become programmed to wait, knowing that the next sale will be along soon. This is a drug that many retailers have found increasingly hard to swallow, whilst ironically becoming reliant on its short-term sales spiking fixes.

But I also mean value as measured in less tangible terms. When goods are so accessible and easy to obtain, paradoxically they become less valuable. The Internet has commoditised acquisition and with it, created less meaning, removing the psychological and emotional boost of interaction, experience and memories once formed. Achieving a sense of good value is important to all shoppers, but it’s key to know where that real value must be added back to make the purchase or experience worthwhile. This is where the new gap and opportunities in retail are really opening up.

Many brands are switching attention to reinventing their physical retail space as a result. Previously imbalanced investment decisions are being exposed all to clearly, to retailers and shoppers alike. Cost cutting in the wrong places has lead to a general deterioration in standards, quality and performance of many high street stores, versus their new virtual outlets.
Where physical stores do still exist, or where


The Observatory, Hudson Yards, New York City, USA

L'Occitane,
Regent Street,
London, UK

there are new opportunities to open further retail outlets, these must have a clear and compelling proposition to vie effectively with online competitors, offer a strong complementary asset to internally served online presence, or create a point of difference to a retail brand competitor. In short, more distinctiveness and better stores are what's needed.

Revolutionary thinking? No, this is a return to what made traditional retail work before – but reimagined. A period of brand strategy delivery that must be both focused and super-charged.

Future stores will need to be 'value adding' to consumers' lives in ways that Internet shopping can't. It requires stores to have more experiential, stimulating and fully engaging retail environments, engaging marketing and superior service.

Stores with a higher level of thought that offer a different type and level of social and emotional rewards to the functional benefits of speed, convenience and efficiency of online shopping. Stores that to some extent help to fill the physical, emotional and social emptiness that exists today as a result of technology, regardless of how socially-enabled, fantastically created or conveniently packaged it is.

In time this phase will, I believe, be cited by the period of 'hyper storytelling' where the brands that provide fully immersive narratives and an absorptive, integrated connection with shoppers (personalisation, customisation and community etc.), will win out.

To those who say that high street retail is dead, I say this: it is only boring, dull or irrelevant stores that die. I think we are on the cusp of an exciting new dawn and 'next phase' of retail transformation, when high street stores progressively and dramatically reinvent and renew, ultimately providing better places, and more reasons to shop again instore.

As a frequent traveller to major global cities in my work for clients each year, I see this 'new wave' of exciting retail happening for real, transforming the shopper experience in retail developments and store openings worldwide.

Kit Kat Chocolatory,
Melbourne, Australia

Restoration Hardware, Chicago, USA

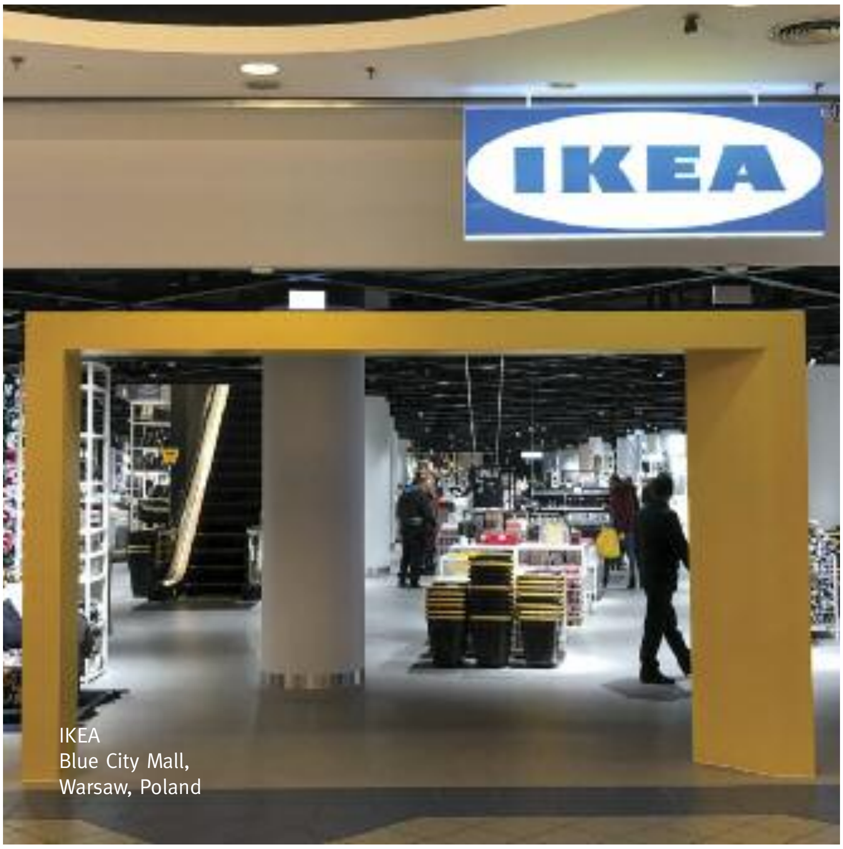
Stores that are all demonstrating the emerging characteristics and hallmarks of this new wave of transformational thinking that's emerging now. The locations blend retailing with hospitality, with entertainment and new services. Connected, distinctive and differentiated. Places to shop, hang out, experiment, test, do and learn. Places to be introduced to a brand or to deepen their relationship and enjoy new experiences. All confirm the amazing, multi-sector opportunities for vibrant new high street, physical retail experiences. You can transact online but instore offers a place for so much more.

This is evidenced by the steady flow of originally online only disruptor brands who are now opening their own stores, recognising the benefits of having shops with 'street visibility' and a human connection to enhance their brand purpose, message and performance. From mattresses to underwear, cosmetics to organic farm produce; there is a new wave of online disruptors who are increasingly investing in opening their own stores. But doing things quite differently. Without the weight of history to hold them back, these brands are free to be courageous, bold, experimental and even 'curiosities' – with a fresh point of view, raw energy and vitality they are trying, doing and playing by new rules. And consumers are increasingly noticing and responding enthusiastically. Even Amazon, the 'prime disruptor' online, sees the value in the traditional retail model, whether with its own retail brand acquisitions (The Whole Foods Market) or its fledging entry into US high streets with its Books, Go and pop up store formats. This is not one-way Internet only traffic.

For me, this phase of retail transformation is being marked by the escalation in revolutionary and radical thinking about how retail brands can create compelling store based, retail propositions that attract new consumers, as well as maintaining full engagement with existing shoppers. Of course, the added challenge is to integrate their online retail operations smoothly and cohesively within an overarching brand narrative, experience and service instore. This offers a clear path for brands into the heart and minds of consumers because, as humans, we are hardwired for storytelling, meaning, and exploring our own sense of purpose.

In future, stores will not be seen as things hurting the business but as helping to create stronger propositions and sales performance overall – a 'retail therapy' antidote to tedium, frustration and the considerable sensory limitations of two-dimensional online shopping. Engaging, social and human in its experience.

Retail is emerging 'phoenix like', with renewed confidence. And having worked with major retailers in recent months on instore transformation projects I am clear that visible and positive change is possible. Not in some distant future time… but in the here and now.



IKEA
Blue City Mall,
Warsaw, Poland

For anyone who wants to experience what the future of retail looks like instore, I recommend you visit the following stores. These are exciting places to be.

David Jones:
Sydney, Australia

Daylesford Organic:
Gloucester, UK

Gro: Warringah Mall
Sydney, Australia

Gucci:
SOHO, New York City, USA

IKEA:
Blue City Mall Warsaw, Poland

Kit Kat Chocolatory:
Melbourne, Australia

Levi's:
Times Square, New York City, USA

L'Occitane:
London, UK

Lush:
Liverpool One, Liverpool, UK

Muji: Pacific Place
Hong Kong, China

Nike: House of Innovation 0001
5th Avenue, New York City, USA

The Observatory:
Hudson Yards, New York City, USA

Restoration Hardware:
Chicago, USA

Singtel:
Singapore

Starbucks Reserve:
New York City, USA.


Gro, Warringah Mall
Sydney, Australia

Levi's,
Times Square,
New York City, USA

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