

# BUILDING A STORE THAT DRIVES TRAFFIC & SALES IN THE NEW ERA OF RETAIL

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While online shopping is growing, brick-and-mortar remains key to success. Learn how the landscape is evolving and what leading retailers are doing to stay on top.

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© March 2018



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## OVERVIEW - STATE OF INDUSTRY

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Last year, 10,168 retail stores shuttered their doors. News outlets reported on what many started calling the “Retail Apocalypse.” The hype aside, store openings actually surpassed the number of closures by more than 4,000, according to the IHL Group report Debunking the Retail Apocalypse.

Moreover, the report projects over 5,500 retail locations to open in 2018.



## CUSTOMER PREFERENCE

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Despite increasing difficulty to drive store visits, e-commerce retailers are investing in physical space. Why? Because brick-and-mortar is still king.

According to Alliance Data's 2017 research report, Generational Perspective, 75% of customers still want to see a product in-store before they buy it. Though the desire to see a product in-person before purchase remains similar to shopping pre-digital era, expectations are changing. Consumers are demanding more than ever from retailers.

## PREFER TO SEE IN-STORE

75%

75% customers want to see a product in-store.

Source: Alliance Data 2017 Generational Perspective report

## THE NEW ERA OF RETAIL

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To succeed in this new age of omni-channel shopping, retailers are forced to adapt. Smaller, interactive stores are emerging with immersive brand experiences. These showroom-style stores offer the traditional store benefit of touch and try but greater store efficiency, without traditional store inventory.

More and more stores are becoming tech-enabled spaces that offer the simplicity and convenience of online shopping, with the offline advantage of dynamic experiences and exceptional in-store customer service.

## SALES MADE IN-STORE

# 91%

With 91% of Total Retail Sales made in-store, e-commerce accounts for a mere 9% share.

Source: US Census Bureau, Q4 2017

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## WHY TOP E-COMMERCE BRANDS OPEN BRICK-AND-MORTAR LOCATIONS

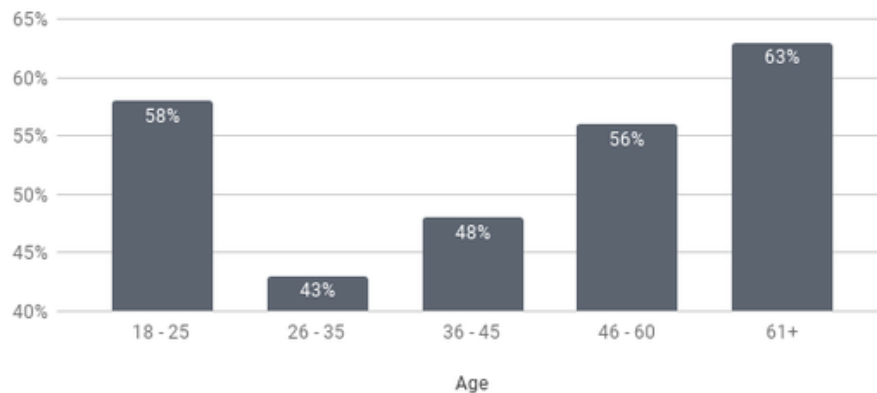
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Despite the popularity and ease of online buying, in-store shopping remains the most popular buying channel. Shoppers still like to touch, feel, and try products to purchase. Only 9.1% of retail sales are from e-commerce (US Census Bureau, Q4 2017). With more than 90% of retail sales made in-store, retailers can't afford to ignore physical presence.

Against notion that online shopping is preferred channel of shopping for the younger generations, the Walker Sands Future of Retail 2017 study reported that 58% of consumers between the ages of 18 and 25 prefer to shop at brick-and-mortar locations. Some analysts believe that Gen Z prefers in-store shopping because they crave instant gratification and authentic experiences.

### Percentage of Consumers Who Prefer Shopping in a Physical Store by Age

Source: Walker Sands Future of Retail 2017



## PHYSICAL ADVANTAGE

Brick-and-mortar locations give customers the ability to see, touch, feel, and try on products. This intimate connection is an experience that cannot be replicated through online and digital channels.

Furthermore, knowledgeable, attentive staff positively influences sales conversion within a retail space. In-person, retailers can offer a deeper brand experience, and have the opportunity to upsell and cross-sell to increase revenue.

## PHYSICAL LOCATIONS CULTIVATE BRAND AWARENESS

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Another reason retailers are investing in brick-and-mortar is brand awareness. “Startups have the surprisingly affordable opportunity to leverage a brick-and-mortar to boost brand trust signals, offer an in-person touchpoint to a digital brand, and take advantage of the space as an additional marketing resource for building brand awareness and rallying the community” says Carl Waldekranz, founder of Tictail, an online platform that helps entrepreneurs build online shops.

He describes the value of a physical store, in his article at Forbes “At a time when anyone can create a professional-looking website at no cost and start a US corporation regardless of where they are located in the world, having a physical presence is a clear metric of brand legitimacy and perceived success.”

Tictail, which Waldekranz started with a business partner in Stockholm, Sweden, needed to build brand awareness after its relocation to New York City. The fastest and most economical way to achieve this was to open a retail location.

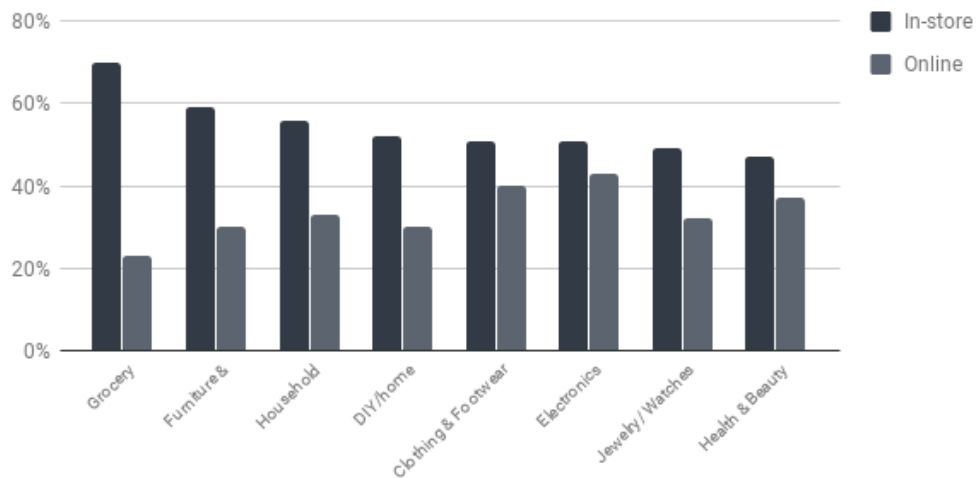
Waldekranz adds “Brands today beg, claw, and bite for seconds of consumer attention. But when someone enters your storefront, the rules change. For a few minutes, a shopper’s focus will be on your brand and your brand only. This is a precious time to learn, teach, and engage.”

*“Brands today beg, claw, and bite for seconds of consumer attention. But when someone enters your storefront, the rules change. For a few minutes, a shopper’s focus will be on your brand and your brand only.”*

## IN-STORE SHOPPING IS OFTEN STRONGLY PREFERRED

### Preference to Buy In-store vs Online

Source: PwC Total Retail Survey 2017



Based on PwC's 2017 Total Retail survey, consumers strongly prefer in-store shopping over online for a number of categories, the top being: grocery (70%), furniture & homeware (59%), household appliances (56%), DIY/home improvement products (52%), jewelry and watches (49%), clothing & footwear (51%), sports equipment/outdoor (44%), and health & beauty cosmetics (47%).



## CLICKS TO BRICKS

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e-Commerce retailers, such as Warby Parker, Allbirds, Away, M. Gemini, Everland, Birchbox, and Casper Mattress, have recognized the brick-and-mortar advantage and put stake in ground.

Case in point, making the move into physical retail: Casper started selling its mattress in partner store, Target, along with a series of temporary pop-up shops. In February 2018, Casper opened its first permanent, physical location in New York City. Consumers can lay down on Casper's beds in one of the shop's six miniature home displays. These interactive retail fixtures exhibit Casper's mattresses with the goal of making the shopping experience entertaining and educational.

## HOW BRANDS ARE USING STORYTELLING

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Stores have become a place where prospective customers have an immersive brand experience. Their physical design caters to customer efficiency and reflects the brand's unique heritage, from its employees to its products to store design.

Warby Parker's Co-founder and CEO Neil Blumenthal has steered the eyeglass company's retail presence with focus on unique store design and in-store experience. Inspired by bookstores and libraries, Warby Parker locations feature elements like marble terrazzo floors, dark wood, or gold-trimmed bays- fixtures to build a strong foundation for the store experience. Similar to Apple's Genius Bar, each Warby Parker location has a help desk in the back of the store, which its founder says is a nod to a library's reference desk.

The store design is helping drive Warby Parker's commercial success. Founded in 2010, the company is currently valued at over \$1 billion. It will have more than 70 locations open by the end of 2018.

## BRINGING STORIES TO LIFE IN-STORE

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Another premium retail brand yielding success through storytelling is Shinola. The luxury lifestyle brand known for its watches and leather goods, brings its story to life in-store with tribute to its artisan designers and home roots of Detroit.

The store design and environment is foundation of the brand image, every fixture and display is carefully considered and crafted.

“The fixtures we craft for Shinola help build an image and tell their brand story. The stores share a cohesive look and feel that support the brand, but every location is different with unique features for the community and customer experience,” explains Chris Dee, President of GLW, high-end retail fixture manufacturer.

Top retailers tell their story through product, store environment, and brand experience.

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Stores can't be just about distributing products. They need to be about distributing experiences: less stores, more stories. That means putting less emphasis on shopping and more emphasis on entertainment, hospitality, and community.

...

DOUG STEPHENS

RETAIL INDUSTRY FUTURIST, FOUNDER OF RETAIL PROPHET AND AUTHOR OF  
'REENGINEERING RETAIL: THE FUTURE OF SELLING IN A POST-DIGITAL WORLD.'

# EXPERIENTIAL RETAILING

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With the ease of shopping online, customers need more of a reason to go to a physical store. Retailers are driving sales in-store by leveraging unique services and experiences that cannot be replicated online.

MaxMedia's Vice President of Strategy Ed King explains, "As bricks-and-mortar retailers try to figure out how to compete with the ease, selection, price and convenience of online shopping, a few savvy retailers have looked to human behavior for the answer. Emotional storytelling, sensory immersion and human connections are the new tools retailers are using to lure shoppers off the couch and happily into their stores."

Retailers are increasingly driving traffic through experience:

- Restoration Hardware owns a restaurant & wine bar for a unique restaurant-furniture showroom
- Williams-Sonoma offers cooking classes, knife sharpening and other educational in-store events
- Nordstrom launched a concept store called Nordstrom Local, which offers personal styling and service but the location doesn't carry any physical merchandise. The concept is envisioned as a 'neighborhood hub'
- Sephora opened new 'studio' locations that are half the size of traditional stores, to focus on makeovers and digital integration
- Lululemon built a meditation studio for its customers to relax with 'zen pods'

## STORE EXPERIENCE

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“Stores are no longer places, but experiences,” says PwC Consumer Market Leader Steve Barr. “The feelings retailers try to evoke from customers through marketing and products is now coming to life in stores. Stores are not warehouses; they are environments to entertain, educate and discover.”

PwC’s 2017 Total Retail survey reports that 37% of retailers say they are planning to increase their investment in the store experience in 2018.

Oliver Chen, the head of retail and luxury equity research at the investment-research firm Cowen and Company, says retailers are asking two questions, “What are modern consumers enjoying doing, and then how can retail solve into that experience?”

## STORES ARE TURNING TO SHOWROOMS

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New showroom style stores focus on customer service and brand experience in an inviting environment. Premium brands are building luxurious environments for customers to peruse products, get advice and place an order. In contrast to traditional stores built to hold large volumes of inventory, this showroom style format effectively combines experience retailing and efficient inventory management. With inventory held and distributed from fulfillment centers, retailers have more space for better displays and visual merchandising. The trend of 'less is more', smaller stores and greater quality, is on verge of mainstream.

The trendy men's clothing company, Bonobos, calls its showroom stores "Guideshops" and its staff "ninjas."

Customers reserve appointments, or grab a limited number of walk-in appointments. As they relax and enjoy a beverage, Ninjas take measurements, find sizes, and give style advice. Customer orders are placed online and shipped directly to their home. Bonobos achieves great savings with their small store footprint and off-site inventory strategy.

Similar to Bonobos, MMLafleur, the women's workwear brand that ships curated boxes, stepped into physical retail. The brand recently launched two showrooms in New York, where customers have an appointment with a stylist to review wardrobe options personally curated to size and style. Customers place their order in-store and the package is delivered direct to doorstep.

## ONLINE CONNECTION

# 60%

According to iQmetrix, 60% of consumers would shop in-store if physical locations offered online services on-site.

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## HOW RETAILERS ARE INTEGRATING ONLINE AND OFFLINE FOR A SEAMLESS SHOPPING EXPERIENCE

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According to iQmetrix, 60% of consumers would shop in-store if physical locations offered online services on-site. Seamless shopping bridges the online and in-store experiences by giving the customer ultimate freedom in purchasing a product how and where they choose, in-store and/or online.

Online-offline integration minimizes pain points the customer typically experiences in either an online-only or physical-only retail shop. It saves customers time and streamlines the shopping experience from browsing to checkout.



# RETAILERS CREATING A SEAMLESS SHOPPING EXPERIENCE

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Retailers are increasingly finding unique ways to merge the digital and physical world:

- Warby Parker's employees carry an iPad where they can access customers' accounts, see which frames they prefer, answer product questions, and check them out.
- M.Gemi, an online shoe retailer for high-end Italian shoes, opened a small shop for customers to try on M.Gemi's handmade shoes and purchase in-store through the company's e-commerce site. The order is then shipped to the customers home.
- Amazon Go stores uses technology for cashierless checkout for customers to grab and go.
- Nike's experiential store features customer terminals connected to an ERP catalogue to check real-time product availability. The store has a digital media wall with posts for product updates; customers can get relevant content through Nike's mobile app. Customers can also customize products and checkout from digital kiosks.
- American Eagle installed iPads in its dressing room for customers to communicate with sales staff and exchange or purchase their selection. Staff are equipped with mobile point-of-sale devices for fast and easy checkout made straight from the dressing room. If an item is unavailable, the order can be placed in-store and shipped directly to the customer.

## KEY TAKEAWAYS

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- Despite the growth of online shopping, e-commerce only account for 9.1% of total Retail Sales. More stores opened than close in 2017, and growth is predicted for 2018. Top e-commerce retailers are expanding through brick-and-mortar.
- 75% of customers want to see a product in-store before they buy it. In-store shopping is strongly preferred over online shopping for several retail categories.
- Retail stores give customers the ability to see, touch, feel, and try products, an experience that cannot be replicated online. Physical locations also cultivate brand awareness and earn consumers full attention.
- Retailers are bringing their brand to life through storytelling and immersive experiences in-store. Unique services and events are being leveraged to drive foot traffic.

## KEY TAKEAWAYS

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- The foundation of brick-and-mortar experience starts with the store itself. The environment look and feel sets a tone for the brand and drives customer experience. Leading retailers are paying attention to every detail in store design. Carefully crafted fixtures and displays bring the brand to life.
- Showroom stores are on the rise. These smaller format, better quality stores focus on customer service and brand experience. Inventory is held in fulfillment centers off-site, providing more space for better displays and visual merchandising.
- Retailers are increasingly finding unique ways to integrate online-offline channels for a seamless shopping experience.



## Ready to build a new store or renovate?

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