



POV

**Brick-and-mortar, online,
or hybrid? A look at the
possibilities in “store”
for the future of retail**

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How the shopping experience has evolved

We've seen technology evolve in the last few decades. From stationary landlines to portable smartphones, bulky CRT tubes to sleek LEDs, and desktop computers to tablet PCs, we've come a long way. Evolving technology has also revolutionized shopping over the years. A couple of decades ago, who would've believed that we could shop without visiting a store in person? It was still the era of planning shopping trips. We'd spend time looking at all possible options available in the market, probably even trying on things before buying them. Even after that, we'd probably end up skipping some items on the shopping list, because we didn't like the options. We'd probably plan the whole day around the activity and prefer a place that offers many options. Such a place would be where a lot of brands would want to establish their presence to attract customers and get their wallet share. A brand that didn't establish its presence in such a place would obviously lose out on visibility and revenue.

In present times, however, getting things we want is a matter of a few clicks. We can scroll through a wide variety of options, buy what interests us, keep what we like and return things we don't want. Many well-known brands established their presence online, to offer the convenience of shopping anytime, anywhere. Among them were Warby Parker, Casper, and one of the most famous brands, Apple. Yes, Apple started with only online stores after its inception. Does that mean brick-and-mortar stores would cease to exist? Well, that's not even a remote possibility! Surprisingly, there is enough evidence to prove that it'll be otherwise. Let us put down some interesting case studies that will change the way you think.

What brands are doing to make their offline stores a success?

Though online shopping has given a tough battle to retail stores, brick-and-mortar stores are still a preferred shopping channel among many consumers. Even the generation that's born digital prefers real experiences over virtual ones. Brands are therefore focusing on strategies to offer impressive in-store experiences. Many studies, in fact, predict that retail stores will offer seamless, hybrid shopping experiences, flexible payment options and leveraging retail media networks, technology. As per a report about the Future of Retail by Square, retail stores are "shaking up things" to offer memorable experiences.

Let's take the example of Apple. In 2001, for the first time since its inception, the brand opened its first retail store. Analysts had expected the move to backfire, but to everyone's surprise, it was a huge hit. When it comes to retail, Apple Stores have set a high standard, achieving considerable sales per square foot. They've also raised the bar, demonstrating how to execute retail effectively, when online sales have somewhat subjugated the retail stores. There are a million reasons mentioned behind their success, but let's focus on the three major factors.

- They invested in large spaces and interactive product displays. That made it was easier for customers to discover products. The cooperative staff available at the store respond to queries, whenever needed.
- In 2001 people used PC (Microsoft) and the thought of using Mac computers was intimidating. Though advertisements demonstrated how seamless and user-friendly Apple products were, it still did not translate into sales. However, when customers entered the Apple store, they quickly understood how Apple stood at par with other brands.
- A major role behind their success were the employees, who provided technical support and individual guidance. They demonstrated to the customers the key features and their benefits, so that the customers could make the most of the product.

With well-informed sales associates, exclusive events and instore classes, Apple remodeled the physical stores to provide memorable brand experiences that encourage loyalty with every visit.

Another brand which has a unique way of engaging customers offline is Casper Sleep. They offer their customers an opportunity to book nap appointments for testing their mattresses, pillows, and sheets before buying them. Customers have their private shopping sessions at Casper, which allows them enough time and understanding before they take their decisions.

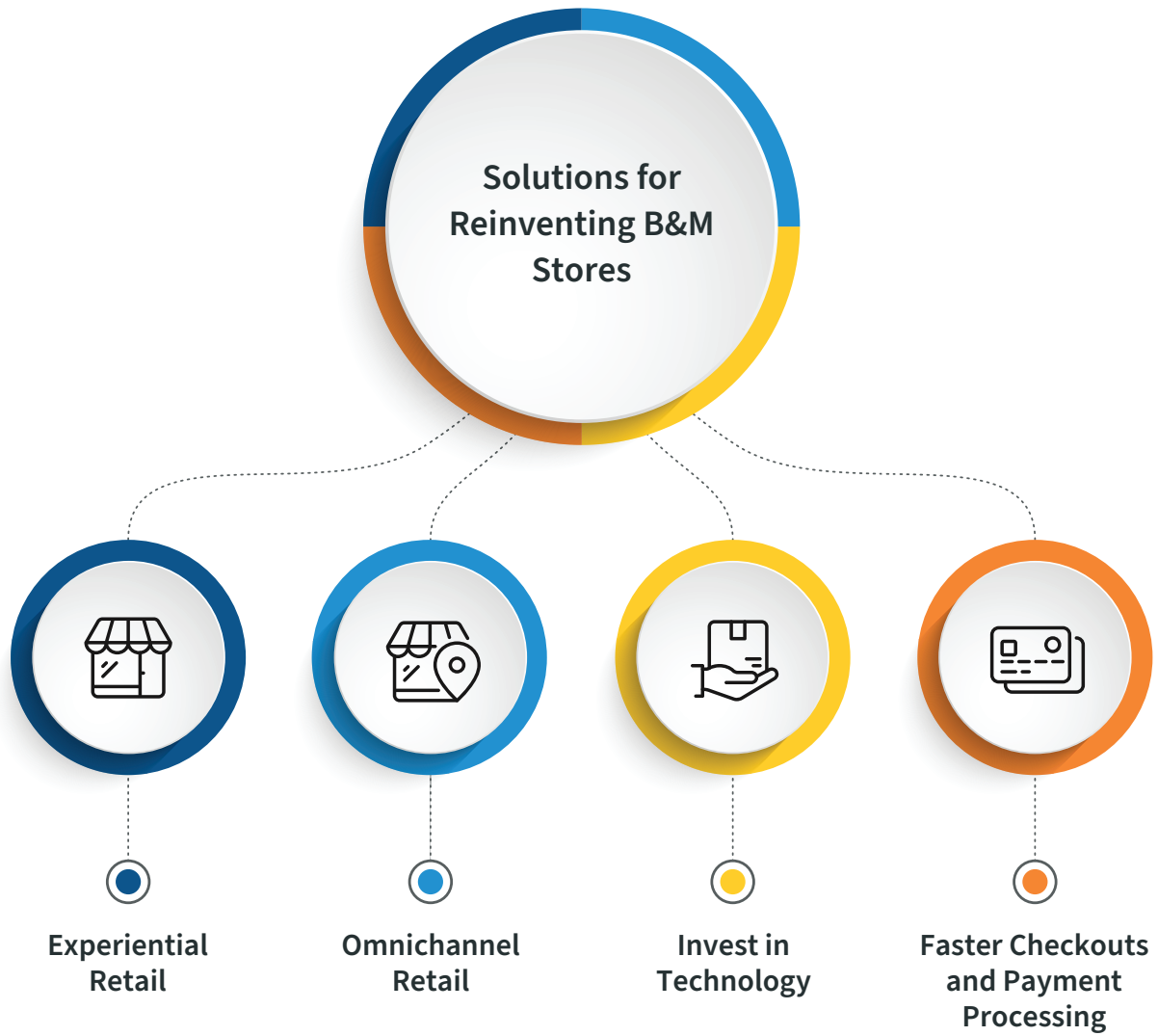


One brand which has always actively engaged customers with the very latest technology is Nike. Their stores in some locations use Augmented Reality (AR) to allow customers to test different colors for their sneakers. Apart from this, Nike Fit uses computer vision and machine learning to scan a customer's foot and measure its full shape. The application uses the rear-facing camera of smartphone to find 13 data points on the customer's foot. An accurate size is calculated, based on their actual dimensions. The Nike Fit retail version adds a mat for an even better fit and calls for the in-store sales staff to do the scanning. As the foot size is determined, the app automatically shows a catalogue with the shoe size filter on or various category filters like walking shoes, running shoes, cleats and so on.

Challenges and solutions for brick-and-mortar stores

Shopping is in a whirlwind of change. Sales through online channels is increasing at a rapid rate, as compared to retail sales, especially after the pandemic. However, modern-day retail stores are not just places to buy things. They are hubs for gathering information. This is where consumers connect with a brand, compare prices and features, and spend leisure time. However, they may not make a purchase there, and prefer ordering online instead. That's a real challenge faced by retail stores today. In addition, there's rent and employee wages that add to it.

Let's see some solutions that the brick-and-mortar stores can focus on which can make them a big success



- **Experiential Retail** - Experiential Retail helps offer an unparalleled, personalized experience, which leads to an increase in loyalty and advocacy. The motive is beyond just selling the products and services. The intention is to create an everlasting memory for their customers and build a strong relationship that goes beyond transactions.
- **Investment in Technology** - New technologies and in-store concepts provide a boost to the idea of Shopping 2.0, where customers prefer meaningful and personalized experiences. Artificial Intelligence, Data Analytics, Machine Learning Augmented Reality and other fourth generation technologies will help the retailers to target the customers optimally. Brands are using AI /ML models for better demand prediction which leads to less inventory losses.

LTIMindtree has helped many big retail brands to boost sales by implementing the latest technologies. Our Vision Analytics solution has benefited more than 2000 stores by helping them achieve improved on-shelf availability of their preferred products. It helps in processing the images of the shelves to detect attributes such as the SKU Unit, category & sub-category, and the quantity for both the customer and competitor products. Automating the process of analyzing SKU placement in retail stores saves efforts and improves productivity of the sales representatives.

- **Omnichannel retail** - Omnichannel means integrating the user experiences across multiple touchpoints, including brick-and-mortar, web, and mobile devices. The number of consumers constantly dwindles through the variety of touchpoints (digital & non-digital). We must learn to enhance the CLV (Customer Lifetime Value), by tracking them and providing seamless and worthwhile experiences throughout their journey. Brands should emphasize capturing customer feedback and work on customer recommendations. This will not only improve the quality of service, but also make customers feel more valued and improve the Customer Lifetime Value.

Here's an interesting use case. A well-known brand wanted to offer meaningful experiences to their customers. The dilemma was whether to invest in large showrooms or relatively smaller demo stores. They chose the latter option and went on to open several of them. During the times of restricted movement, these stores transformed into virtual experience centers. Strategic locations were identified, and a mixed model of online and offline channels was adopted. The clients did not have to wait in long service queues to get their queries answered. Even sales and delivery were handled to some extent.

- **Faster checkouts and payment process** - Both these factors are crucial for a great shopping experience. There are very few brands that have worked on minimizing wait times at the checkout points and making payment processing faster.

Amazon lays a lot of emphasis on studying customer behavior and they continuously strive to explore ways to improvise the customer experience. Amazon Go is a great example of an exceptional omnichannel retail experience, where there are no queues or checkout counters. A customer simply walks into the store, picks up items from the shelves and walks out, once done. A receipt with the details is sent to them on their mobile, without having to interact with the store staff or cashiers. The use of computer vision, deep learning algorithms, mobile app and sensor fusion has made faster purchase, checkout, and payments possible.

The way ahead

As the famous saying goes, "Change is the only Constant", businesses must continuously reinvent themselves to adapt to the latest trends. It's the only way to stay competitive and relevant. It is very interesting to note that more than 50% of people still prefer to shop offline, because they like to touch and feel their products. Also, around 70% of people claimed that if buy things in a physical store, they are more likely to spend more than they would have spent online. Brands can consider leveraging this to boost their sales. Even 60-70% of Gen-Z claimed that they would most likely visit stores, either for an authentic experience or for enjoying the aesthetic beauty of the place. As is evident from the examples above, it is neither online sales nor brick-and-mortar stores will survive on their own. An amalgamation of both is the key to the future ahead. Advanced technologies may be invented, newer possibilities may arise, and will be harnessed to enhance the experiences at these stores. Retail shopping will co-exist with online shopping and experiences will continue to evolve, with advances in technology.



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