

Making stores matter

Redefine roles, curate offering & change employees' mindset

Smartphone penetration in Asia-Pacific sees exponential growth with the highest in Hong Kong and Singapore. The smartphone has become the most favoured connected device that shoppers own. They spend, on the average, more than three hours a day on their smartphones and check them more than 150 times a day.

Multi-screen connected devices and multi-handset ownership is also becoming the trend. Shoppers use these devices for mobile entertainment such as gaming, watching TV or video, social networking, real-time talking and shopping.

The use of online features, such as personal recommendations, product reviews, huge product assortments, availability, information and a-click-for-everything, has afforded shoppers the power to make purchasing decisions on their own terms.

In short, shoppers today are empowered! Nora Aufreiter, Kelly Ungerman and Philip Dalzell-Payne of McKinsey & Company laid out the new 4Ps of today's shoppers:

- **Pervasive:** "Let me shop wherever I am." The channel-surfers move effortlessly across channels in their shopping journey.

- **Participatory:** "I have a voice now and I am going to use it." Online ratings and reviews are the most influential source of information. Shoppers create contents and expect to be heard.

- **Personalised:** "Make it relevant to me." Retailers are expected to customise and make it easy for shoppers to find what they want, browse and buy contents that inspire them.

- **Prescriptive:** "I'm in control of the shopping process." Shoppers are now armed with tools and information that allow them to dictate not just what they buy, but where and how.

Two-thirds of smartphone users shared that mobile has meaningfully changed the way they shop, with more than a third of them visiting fewer physi-



cal stores.*

Given the prevalence of modern technology, how do retailers make their physical stores matter today?

Redefine the roles for physical stores

Physical stores used to be the preferred place for browsing, discovering, trying, buying, making post-purchase adjustment such as returns or refunds and brand building. The conventional formula for growth is to replicate a proven store format in a new catchment area. In this way, retailers could reliably grow their customer base and count on healthy increases in sales.

Truth be told, shoppers have changed. With more than half of them researching their purchases online, purely in-store purchase decisions are shrinking. Today, most retailers lament about being mere showrooms. Showroom refers to the occurrence where shoppers visit the actual store to see and try the products/services via touch and feel but buy it elsewhere or online.

Retailers should re-examine the key roles that their physical stores should assume in a multi-channel retail environment. With clarity on the roles, retailers can re-customise their store format, optimise their merchandise portfolio, apply analytics, reinvent their in-store shopping experience and execute cross-channel operations in an integrated manner.

The following are the key roles that physical stores can assume:

1. **Convenience and proximity:** Prefer offering shoppers the ease and speed of being able to visit a store and get what is needed with minimal effort.

2. **Efficiency:** See the store as a place that helps to make better use of time by enabling faster decisions or by serving as a pickup location for something that was ordered online.

3. **Inspiration:** Keen to discover and be surprised by new ideas and products.

4. **Instant gratification:** Receive purchase immediately; minimise waiting time.

5. **Consultation:** Offer advice, information beyond Internet search and discovering new/better solution.

6. **Entertainment and social interaction:** Perceive stores as places to be entertained and to spend quality time with family and friends.

7. **Experiential:** Make stores a place to touch, feel and be won over by products, services and brands.

Customise store offering to core shoppers

As shoppers engage different channels for the different phases in their shopping journey, retailers should customise their physical stores to the way that their shoppers are using them. For example, the "Click and Collect" is becoming a popular and efficient way to serve customers. This option opens an online channel for shoppers to browse and buy goods anytime, anywhere.

Instead of cannibalisation of store sales, some retailers have seen growth in their online and physical store sales from shoppers who live nearby. For this instance, convenience and proximity matter most to these shoppers who visit the store to collect their online orders and continue to buy more while at the store due to more product range, better in-store experience and convenience. This results in a curated offering based on the trading area.

Delivery points are critical for a digital focused distribution strategy such as "Click-and-Collect". Retailers should leverage their stores to serve as delivery points.

When customers come to pick up

their online orders, the stores should capitalise on these face-to-face moments to offer the most complete brand experience from product presentation, store ambience to relationship building. After all, shoppers visit stores not so much to buy but to look for inspiration, have fun and enjoy social interaction. Online order collection drives more store visits and hence, more sales.

For brand-building purpose, a handful of flagship stores are erected to allow shoppers to experience the brand from merchandise, layout, ambience to service.

Play-up on in-store experience

No longer are physical stores primarily about shopping. Now, when shoppers visit stores, they are looking for experiences that go well beyond traditional shopping.

The trends propelling this change from transaction-based to socialisation-based retailing include changing demographics such as an ageing population and increased urbanisation. This means that more people are living in smaller spaces and reflects a greater need for public spaces to socialise and congregate with their family and friends. Hence, they prefer mixed-use development where they can do many things under one roof — live, work and play. Stores located in these mixed-use developments are most ideal.

Online shopping provides shoppers with convenience. Stores will never be able to compete with the endless product selection, price comparisons and the always-on nature of online. Instead, they need to move in a different direction by playing up on their in-store experiences.

Curate relevant lifestyle events to add novelty to the stores and attract shoppers to visit. These events provide a level of leisure and entertainment that can never be offered online. They are great ways for socialising, networking and generating conversations that can lead to viral marketing.

There is ample opportunity for stores to decrease their shoppers' pain points while creating entirely new delight points. Technology and alert employees can monitor and identify opportunities to delight.

A mobile app, by itself, will not help retailers attract new customers and stay top-of-mind. As the number of shopping apps proliferates, many people seem re-

luctant to use them. An app only makes sense if it provides additional features that customers really value such as fuss-free price comparisons, easy-to-access saved baskets, and delivery tracking.

Implications on people development

To make stores matter in a multi-channel retail environment, retailers need to equip their employees with the following mindset and know-how.

1. Adopt customer-centric and change-ready mindset

Most of the time, employees focus on operational issues rather than their core customers. Multi-channel retailing is at its infancy stage and shoppers are experimenting with different ways to shop. Hence, it is important for employees to maintain line of sight of their core customers and adapt accordingly. Gain deep customer insights and share observations regularly to enable employees to feel the pulse-rate of their core customers closely and align better with their expectations.

Instead of opening more stores, focus on making better use of space based on customer insights. Embark on customer-centric research and analytics to understand customers' expectations. Instead of inside-out approach by focusing on internal issues, employees need to adopt an outside-in approach by sensing things from customers' perspectives to identify future opportunities. Gain deep customers' insights by wandering and observing at the shop floor and chatting with customers.

Emerging skills needed to excel in multi-channel retailing include Customer-centric Business Innovation, Customer-centric Research and Productivity.

2. Work as an integrated team across channels

The online team needs to be fully integrated with the offline team to develop and deliver a shopping experience that allows shoppers to move seamlessly across channels. For example, the logistics and store teams have to work closely with the online team to ensure customers' orders are fulfilled and that they are satisfied.

Store staff should be well trained and comfortable in directing shoppers to the right products using offline and online platform seamlessly. Retail employees need to think and move as one across

“Retail employees need to think and move as one across channels for multi-channel retailing to work.”

channels for multi-channel retailing to work. Building strong team culture, cohesive team relationship and effective team communication are critical soft skills.

3. Enlarge role from order-taker to community-builder

Stores are no longer places to transact, but perceived as spaces where community of like-minded shoppers enjoy visiting, hanging out and talking about with their family and friends. Therefore, retail employees need to redefine their job roles. Going beyond order-taking, employees take on other roles as community-builders, brand-builders and event hosts to create deeper bond with their customers before, during and after these encounters utilising social media, in-store service, apps and loyalty programmes.

On contrary to the common belief that technology drives self-service, the right technology tools actually enhance and empower employees by improving the way they serve. For example, technology-assisted employees can better explain product options, features, order out-of-stock items, and so on, to their shoppers.

Active listening, strong observation, thinking-on-feet, customer-centric, entertaining and team skills are important to build relationship with shoppers and turn them into advocates.

Physical stores are not dead; they just need to adapt to their different roles given the differences in consumer buying process between single channel and multi-channel retailing. Understanding how shoppers shop differently across the channels provides great insights to equipping employees with the new mindset and know-how to serve better. **ra**

* McKinsey iConsumer Research, 2013

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