

Store 3.0—Built by a New Set of Rules

The Monday morning Super Session featured Alison Paul, vice chairman and U.S. retail & distribution leader for Deloitte LLP, discussing a recent Deloitte research study of retail executives' views of stores' evolving role in the retail ecosystem. With her were David Jaffe, president and CEO of the Ascena Group, and Bonnie Brooks, president and CEO of the Hudson's Bay Company, known as the Bay, providing some detail on their own companies' development.

"We are living by a new set of retail rules," said Paul. "A hundred years ago, the store was the shopping experience. Now customers have a wide range of options ... to encounter a brand and fulfill

their shopping requirements."

Since neither the economy nor the population is conspicuously expanding, it stands to reason that as shoppers avail themselves of non-store shopping options, they do so at the expense of in-store sales volume. According to Deloitte, that is exactly what is happening; the average growth rate of on-line sales is about 20 percent annually, while growth for traditional retail sales is averaging about three percent.

So the times are a-changin'. The question, as always, is what are they a-changin' to, and what are we supposed to do about it? "Retailers," according to Deloitte's report, *The Next Evolution: Store 3.0*, "have come to a crossroads where they need to rethink their stores, strategies and operating models into a store of tomorrow—a Store 3.0—to attract the loyalty and larger share of wallet of their customers."

Turf, talent, technology

The key elements of this transformation were identified by surveyed executives as talent, i.e., store associates, the physical store itself and the technological infrastructure—store processes and

systems. In the first of these, talent, respondents identified the three current primary responsibilities of store associates as POS assistance, purchase selection assistance and specialized product knowledge. In five years, however, the top three

will be technology savvy, brand ambassadorship and (a holdover) product knowledge.

As to the physical store, there is general agreement that footprints will become smaller.

(Not universal agreement, however; the Bay has seven enormous stores spread across Canada—the one in Toronto is a million square feet—and sees them as a significant part of its brand identity.) Stores within a store will continue to replace conventional departments, and many retailers will reduce store counts.

There is less agreement about technology, except that it's important and that nonetheless there isn't going to be a lot of extra budget for it over the next few years. There's strong interest in anything that enhances the customer experience (mobile POS, social/mobile media, better inventory to reduce out-of-stocks), and very strong interest in getting the

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maximum bang for the technology buck.

The two retailers present seem to be working hard at all three elements at the same time. The Ascena Group has apparel chains aimed at women ages 35-55 (dressbarn), 17-35 (maurices) and tweens (Justice). The associate base, technology and store environment of each brand, David Jaffe noted, needs to be appropriate to its demographic, which means that the company really runs three strategies.

Hudson's Bay did a survey about its stores a few years ago and discovered that it had a reputation for having no visible staff on the sales floor—despite spending 17 percent of sales on personnel. "We had to completely rethink our back-of-store operations," said Bonnie Brooks, "to be able to move people out of the back room and onto the floor."



David Jaffe

Design And Technology Bring Tomorrow To Today

Lori Kolthoff closed her portion of the Monday afternoon session "Innovation in Store Design, Resource Design and Technology Attracts New Customers: Featuring the Latest Liverpool Department Store" with a warning.

"Don't blink," the creative managing director of FRCH Design Worldwide said. And she wasn't kidding.

The talk, which took place on the EXPO Hall's pavilion stage, included a frenetic series of videos and high-tech advances at dizzying speed. Taberna Retail's Jim Crawford, executive director of the Global Retail Executive Council, introduced a variety of initiatives, all under the umbrella of the three "lies" of multi-channel retail.

The first is that the Internet is no longer a channel where people go to shop. The second is that technology leadership belongs to the IT department. And then there's this whole mobile aspect, a pervasive part of the shopping experience rather than a channel on its own.

"You have to look at the retail experience through the eye of the shopper," Crawford said. And that involves three distinct areas: at home, on the go and in the store. "We need to redefine that experience as it relates to all the touchpoints of the shopping experience," he said. "Only through that experience will we succeed."



Lori Kolthoff opened a Monday session highlighting advances at dizzying speed.

At home, there's augmented reality, which involves holding a mobile device up over an image that then comes to life. Consider, here, an app by Disney that is to be used while watching Blu-ray movies. On the go, he spoke of geospecific couponing, such as Japan's tremendously popular iButterfly app. It turns the "capture" of coupons into a social game, using butterflies seen through smartphone camera viewfinders.

"It's a killer app for redefining how couponing was done," Crawford said.

Then there were Airwalk's "invisible" pop-up stores at spots like Venice Beach and Washington Square Park; consumers had to go to the physical locations and use their smartphones to locate the sneakers, with the ability to buy them through the phone right then and there. In addition, he spoke of virtual storefronts on subways in Asia, stocked with items from Tesco.

If bought before 1 p.m., they could be delivered the same day.

Finally, Crawford offered examples of in-store applications, such as smart windows and "augmented translation," through which customers can use a mobile device for real-time, instantaneous language translation.

All of these technologies offer an incredible amount of power, he said, but without a story, they're nothing. "You always need to come back to the story and the essence of the brand."

The presentation included one such story with the Mexican department store Liverpool (so named because it received goods shipped from Liverpool, England, as far back as the 1800s). Liverpool, with 85 stores and 16 shopping centers across the country, opened six locations in 2010, six in 2011, and plans to open 10 more in 2012. They partnered with FRCH Design Worldwide for a recent reworking of the flagship store in Polanco.

The effort incorporated high-tech BIM, or building information modeling, which uses a 3D model as a common factor for design, documentation, presentations and coordination with structural engineers and others before being put into a database of building components.