



## Physical Retail in Future?

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### ABSTRACT

With the onslaught of online, Omni channel is a fast evolving area. There is a kind of convergence happening between offline and online and this model that has emerged is Omni channel retail. In today's Brick and Mortar stores have to innovate to stay relevant. Stores make the foundation of any Omni channel effort but that will happen if the adapt to change in customer shopper behaviour and give new choices to shoppers. Going a step ahead, Retailers today have adopted a variety of technologies to engage with their customers. This paper focuses on "The Future of retailing" by talking about key areas going forward: technology, new software, in store display and merchandise offers, consumption and customer engagement, data collection and its use, and data analytics. Various other relevant issues are covered, as well as emerging areas are covered. The paper also covers the way Brick and Mortar stores will be key foundation for Omni channel retail. Going forward the Brick and Mortar stores will be the key for success of Omni channel retail.

### INTRODUCTION

In fast changing retail space, consumers' needs still are key drivers of shopping decisions. Shoppers make buying decisions, but newer technologies, online shopping, social media shops etc. and data analytics point to fact that the consumer purchase decision making will be a totally changed process. The retail stores will have to change, adapt, and innovate to face this reality. It will be interesting to see how stores of future will look like. What role will the stores of future play?

Quoting from a useful study on Future of Shopping by Harvard Business Review "Every 50 years or so,

retailing undergoes this kind of disruption. A century and a half ago, the growth of big cities and the rise of railroad networks made possible the modern retail store. Mass-produced automobiles came along 50 years later, and soon shopping malls lined with specialty retailers were dotting the newly forming suburbs and challenging the city based stores, The 1960s and 1970s saw the spread of discount chains Walmart, Kmart, and the like and, soon after, big-box "category killers" such as Circuit City and Home Depot, all of them undermining or transforming the old-style mall. Each wave of change doesn't eliminate what came before it, but it reshapes the landscape and redefines consumer expectations, often beyond recognition. Retailers relying on earlier formats either adapt or die out as the new ones pull volume from their stores and make the remaining volume less profitable." (hbr.org, 2012, The future of shopping).

### Retail Scenario Today:

In today's complex Omni channel environment buyers face flood of information. Information about products and services keeps flowing. Customer engagement can be created by giving right flow of information. Technology is useful tool here. Helps retailers do the right targeting. It also helps consumers get all relevant information.

Traditional stores continue in their role as seller of goods but with changing consumer behaviour they need to innovate. They need to adapt to a new model before they become irrelevant. . Store will remain at heart of customer relationship due to physical presence factors. In new role they can help a brand get more customers, build brand loyalty, and improve

customer service. Key is to offer value to customer, make things easy for him.

Not all consumer decisions go through a typical buying process. Some may be spontaneous ones induced by online media, visuals, and new products or urge to shop etc.

A purchase provides the retailer with so much data, transactional data like price, quantity, items shopped, consumer personal details and environmental data like store ambience and comfort etc. Retailers that can analyse this data and make offers, and other strategies based on this can give more value to shoppers. Thus, data can lead to a cyclical process that is beneficial to customer. He keeps coming back, buys more and hence led to increase in sales and profits for the stores and the chain.

### Objectives:

This paper tries to explore these important areas today and how they will shape up the physical retail stores in future:

1. Retail Strategy based on technology and information.
2. Retail Stores stock displays and Consumer offers
3. Retail Customer engagement, sales and profit increase
4. Data capture and its wise usage
5. Data analytics and strategy based on it.

#### 1. Retail Strategy based on technology and information.

Technological changes are working to advantage of consumers and retailers both. Technology enables consumers to make more informed decisions, receive better beneficial offers, and get fast efficient service. It helps retailers in reaching right target consumers. Inman and Nikolova (2017) draw attention to how technologies can benefit both consumers and businesses, which ultimately enhance the sales and profitability. They highlight mobile apps, scan-and-go technologies, self-check-outs, QueVision, and smart shelf technology. For example, self-check-out technology helps shoppers scan, bag, and pay for products without waiting at billing counters.

Customers thus gain control; retailers enjoy reduced labour costs from the fewer number of cashiers required. QueVision gives retailers insights into how many billing counters are needed and the expected waiting times, using data from infrared sensors over

store doors and billing counters, predictive analytics, and real-time data feeds from point-of-sale systems. Using this technology, grocery retailers have been able to reduced wait times from more than 4 min to less than 30 s. Thus, QueVision improves the customer experience, through shorter wait times, and leads to customer delight.

The introduction of smart phones is a revolution for shoppers. From mobile apps, to geo-fenced targeted offers, to constant access to the online shops, this has led to new customer expectations and in turn new challenges for retailers. Scan-and-go technologies allow customers to use their smart-phones to scan items as they shop, then use the retailer's app to pay. Amazon Go from online retailer Amazon is an example of how things will shape up in future, seamless buying experience without any hassle courtesy the new technology. Technology is changing the consumer shopping experience for better. It will set new expectations of what shopping can be in the times ahead.

Mobile technology also allows retailers to offer relevant offers that reflect locational information (e.g., time of day, weather, location), using location-based applications (e.g., Google maps) (Grewal et al. 2016). For example, feel-good products can be promoted effectively when the weather is bad (Rosman 2013). Similarly, mobile promotions can take advantage of indoor positioning information gathered using iBeacons in order to offer location relevant offers.

Personalizing technologies to make them user specific clearly has benefits for both consumers and retailers. However, a personalization–privacy paradox warrants consideration. Personalizing information for customers can both enhance and diminish consumer engagement with the retailer, because consumers may recognize how much data and information retailers have about them and begin worry about their privacy. Retailers therefore need to be careful to use their knowledge about customers in a way that balances out this personalization–privacy paradox (Aguirre et al. 2015).

New technology will affect the retailers as well as shoppers. Retailers through their applications will target deal seeking customers. Shoppers will be able to seek more information whenever they wish to. Role of retail stores will evolve in coming days, Stores will

act as showrooms and also click and collect centres in the new retail scenario.

## 2. Retail Store stock displays and consumer offers communication

Shoppers are loaded with offers from retail chains. The task for retailers is to design offers that induce purchase. Along with these offers the display of merchandise in store becomes very important. Getting it correct can help good sales.

Kahn (2017) highlights the need for manufacturers and retailers to account for a “visual salience bias” and make assortments easier for consumers to process. She recommends several key strategies for doing so, such as reducing the size of the assortment presented, reducing information intensity, making sure, each item relates to the assortment context, and carefully thinking through the spatial positioning of merchandise. Stocking products such that they are in line of sight as well as accessible for picking up for shopping basket are very important in a retail store.

Further evidence on the role of spatial orientation of merchandise presentation is provided by Nordfält et al. (2014). They examine the importance of the vertical, horizontal, and diagonal orientation of merchandise. Their results demonstrate the superiority of a vertical organization of merchandise (e.g., vertical arrays of multiple beverages in a cold case result in more purchases than the same beverages in a horizontal display). Vertical displays, versus a diagonal display, resulted in a more than 90% increase in product pick-ups by customers. These little insights can be very useful for stocking products.

In addition to their organization on the shelf, on the display, or on the website, product packages are an important aspect of the visual scenery. Kahn (2017) highlights the importance of various visual components, such as where an image appears on a product package and the shape of that package. Investigations of packaging typically take a shape or design perspective, but Krishna, Cian, and Aydinoglu (2017) propose extending this view to determine how the different layers of a package might affect consumer shopping engagement. Package types can have significant influences on how consumers consciously and subconsciously engage with products. Inducing a purchase when a product is picked up to seek information and then further make a decision whether to buy or not.

Packaging also might affect consumers’ perceptions and consumption decisions. Visual and spatial components of the packaging, in conjunction with other sensory dimensions (Spence et al. 2014), thus establish customers’ expectations and their consumption experience.

As part of their visual merchandising efforts, retailers must consider locational effects for their merchandise and their sales promotions, both online and in stores. Recent research demonstrates that the location of the sale price in displays and communications online can have considerable impacts. For example, Biswas et al. (2013) reveal that the sale price is more effective when it is to the right of a higher advertised reference price rather than placed to the left. Suri et al. (2017) similarly find that when the price is portrayed to the right of the package, it is more effective for increasing purchase intentions and purchases of lower involvement products (e.g. cold drinks, packed juices etc.) than when it is on the left.

Further in store displays, stocking products at right places, assisting the buyers when he wishes to try or get more information are key elements in this area.

## 3. Retail Customer Engagement

To get more footfalls to sell more is the purpose of all retail stores. Customers keep coming back if they are given value for their money. Creating a superior customer experience can differentiate companies (Grewal, Levy, and Kumar 2009; Verhoef et al. 2009). This experience is created by experience at a retail point as well as by outside factors that are influence of others, purpose of shopping etc.

Retail firms do acknowledge the need of understanding and managing customer experience and engagement levels (Accenture 2015; Marketing Science Institute 2016), as do academics literature (e.g., Grewal, Levy, and Kumar 2009; Lemon and Vehoef 2016; Puccinelli et al. 2009; Verhoef et al. 2009 ok

In todays connected world greater social media engagement can help retailers enhance customer experience. Roggeveen and Grewal (2016) suggest that five effects drive consumers to engage with social media: connected, network, information, dynamic, and timeliness effects. The connected effect is based on the need that people have to connect with others;

social media has changed the format of these relationships.

The network effect refers to an ability to relate to and broadcast information to others. The Retailers use all possible channels today to do it, online as well as the online ones.

Another driver of social media engagement is convenience or timeliness. Consumers can get information whenever they wish to, due to the ever connected mobile devices and specific mobile applications. These applications engage customer by giving information, offers and helping in engage with a brand at his convenience. These information and dynamic effect factors also enhance consumers' desire to engage with their extended social network. Understanding how these various spokes turn the wheel of social media engagement is another way that retailers can enhance their engagement with consumers. The all-pervasive social media is a good tool to keep customers informed about the brand and also the way customers can reach the brand at their convenience.

Today social media has become so important for brands to stay connected with customers. Similarly, retailers must consider how to best engage customers online or in stores using visual cues contained within digital displays (Roggeveen, Nordfält, and Grewal 2016) or dynamic messages (Roggeveen et al. 2015). Dynamic messages (e.g., videos), as opposed to static ones (e.g., pictures), help mentally transport customers into the experience, which creates a stronger emotional connection, which in turn reduces customers' price sensitivity and enhances their consumption of more hedonic options (Roggeveen et al. 2015). The visibility element becomes very important as merchandise that is visible and catchy gets picked up in the shopping basket, this helps get top of mind awareness of the prospect customer and will drive consumption.

#### 4. Data Capture and its use

Retailers today are flooded with data. They have started to use this data to pull customers to stores and drive sales. The power of big data, coupled with effective analytical systems, permits retailers to manage a host of issues.

Thus, big data are helping retailers and researchers understand customer behaviour in a better manner.

Their emergence has led researchers to undertake field studies and experiments that provide clearer assessments of the causality between an independent variable (e.g., promoted price, display location, assortment expansions, and service responses) and a host of dependent variables, from increased store sales and profitability to brand switching. Retailers can rely on survey-based measures, such as purchase intentions or positive evaluations, to generate greater engagement, loyalty, and profits.

#### 5. Data analytics and strategy

Kumar, Anand, and Song (2017) highlight the importance of good retail strategies based on data analytics. They also link these strategies to retail profitability. Such strategies can be in four areas: overall market, Retail chain, Physical store, and target customer. For example, at the physical store level, it is highlighted about strategies associated with marketing mix location and ambience etc., In addition, they lay out actions to implement these strategies. For example at the store level, key executional actions include personalized pricing, dynamic pricing, mobile targeting, and technology to improve customer experiences. These are customer specific based on his purchase history and buying behaviour data with the Retailer.

Retailers must also develop and manage supply chain relationships. Ailawadi and Farris (2017) highlight important issues that retailers wrestle with as they move towards Omnichannel retail operations. There are clear benefits to an Omnichannel structure from a consumer point of view, it ensures transparency, uniform policies and seamless experience. However, for retailers and suppliers, Omnichannel comes with new challenges. To understand the challenges they raise, Ailawadi and Farris (2017) specify some key insights from academic research as it pertains to the focal metrics being used in practice, in terms of the depth and breadth of distribution.

#### Conclusion: The Future of Physical retail stores

Brick-and-mortar is dead?

That's what many seem to believe, and it's not surprising, given the negative outlook on the future of retail stores offered by sources within and outside the sector. Reality, however, suggests a far different picture, one in which stores and store networks continue to play the leading role in building customer

loyalty and supporting financial performance. In fact, AT Kearney online study of 3,200 U.S. and UK consumers shows that stores remain at the heart of retailers' relationships with consumers, even in today's "Omnichannel" world where online and mobile sales appear to rule. The evidence is clear: Consumers value the retail store experience on multiple levels and continue to make the vast majority of their purchases in stores. And, importantly, the value of stores extends well beyond brick-and-mortar to help increase volume and revenue across all channels. Going forward stores will not be the places for sale purchase but something more than that.

Retail is evolving at an accelerated rate due to changes made possible by technologies and evolving consumer behaviours. Integrating channels and the power of big data are not distinctive factors anymore but rather are prerequisites of competitiveness. Where the field goes will depend on even newer emerging forces: The Internet of things, virtual or augmented reality, artificial intelligence, and robots/drones/driverless vehicles (Deloitte 2016).

Research into the Internet of things should clarify how it may influence shopping behaviour, as well as the role of frontline employees (Rafaeli et al. 2017). Smart homes are being designed with a host of smart appliances (e.g., refrigerators) that can reorder products as stocks get low. Similarly, smart cars convey relevant information to service departments and may schedule future service appointments. Thus, research needs to explore whether the Internet of things will increase consumers' engagement with retailers, service providers, and brands or if it will reduce consumer engagement, as machines take over all the "talking" to other machines (i.e., the start of machine-to-machine commerce).

In conclusion, newer forces will influence how shoppers select channels, choose products and services, and make purchases. The worlds of online and offline are converging. Knowing what is different and what is similar in these two worlds, as well as how new technologies are going to impact both, is key for the future of retailing. Innovations are likely to help customers make good decisions, feel less time pressure, or even increase their confidence and satisfaction with their decisions. Retailers in turn need to embrace these new and emerging technologies to make their customers even more engaged, while also making their lives simpler. Finding ways to do so

remains an important area of inquiry, worthy of continued exploration.

Over time, retailers will continue to integrate physical and digital resources and incorporate new platforms and devices as they build an enhanced shopping experience in response to their customers' desire for retail solutions that deliver anything, anytime, anywhere, anyhow.

Tomorrow's consumer will also demand increasingly customized fulfilment of preferences, from convenience and access to exploration and relaxation.

Will online shopping continue to grow? Yes it will.

Will physical stores remain the hub of retailing wheel? Yes they will. In a new role they will be the foundation of what we call Omnichannel retail.

Successful retailing will continue to be based on providing the greatest number of consumer options possible and creating the most value on the customers' terms. And, in the future, that will require physical stores supplemented by digital capabilities, and retailers with the skill to get the most from each channel. Retailing has come a long way since the prehistoric moment when one human bartered with another. What may have begun as a simple one-on-one exchange in barter trade era has evolved into what would have seemed like science fiction only 50 years ago. For all the change we have seen, the basics of retailing remain the same. There is always a buyer, a seller, a product or service, and some location where value is exchanged. And, based on the realities and customer preferences, it would seem that shoppers prefer and will continue to prefer a variety of shopping options, anchored by a physical store. The physical stores that innovate will survive and survive strong.

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