Ipsos | Gensler

Transforming the Retail Experience

June 2018

Welcome & Introductions

Strategy3

Social Media Exchange

Global Design Consultancy

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"The reports of my death have been greatly exaggerated."

~~Mark Twain~~ Retail

Ipsos Gensler

The Atlantic | Popular | Latest

What in the World Is Causing the Retail Meltdown of 2017?

In the middle of an economic recovery, hundreds of shops and malls are shuttering. The reasons why go far beyond Amazon.

DEREK THOMPSON | APR 10, 2017 | BUSINESS

FOOT TRAFFIC 10%

Year over year for last 5 years

25%

US malls will close over the next 5 years

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FEATURE

The running list of 2017 retail apocalypse victims

Retailers are filing for bankruptcy at a record rate this year. Here's a look at which retailers have filed plans to restructure, find a buyer or liquidate through Ch. 11 bankruptcy protection.

MarketWatch

THE WALL STREET JOURNAL

U.S. retail sales rise at best pace since 2011 over holiday period

By Suzanne Kapner

Published: Dec 26, 2017 2:38 a.m. ET

The Atlantic | Popular | Latest

The Future of Retail Is Stores That Aren't Stores

"Honey, I'm about to run to the town square—you need anything?"

JOE PINSKER | SEP 14, 2017 | BUSINESS

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11.24.17

Black Friday might be dying, but traditional retail isn't going away

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BRIEF

Retailers see mobile share of sales growing 10% by 2020, survey says

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OPINION

10 surprising retail predictions for 2018

The industry is hitting a tipping point, writes consultant Christopher Walton, and retailers should brace themselves.

Ipsos Gensler

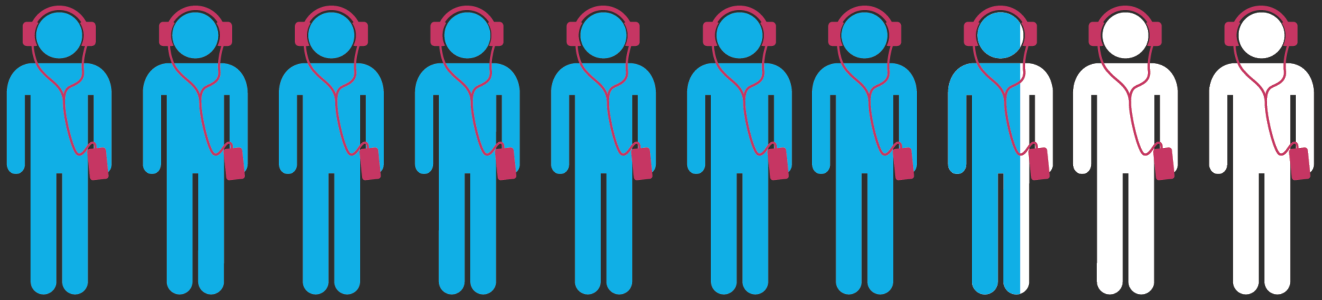
For each company closing a store, 2.7 companies are opening new ones.

Walker Sands Future of Retail 2017

54% of all US shoppers still prefer brick & mortar.

Walker Sands Future of Retail 2017

Ipsos Gensler



77% of Gen Z shoppers worldwide prefer physical stores.

Accenture, 2017

When a retailer opens a new brick and mortar store, traffic to that retailer's website increases by **52%.**

Connexity Hitwise, 2017

Ipsos Gensler

MAR 19, 2018 @ 10:23 AM 41,650

Physical Retail Is Not Dead: Boring Retail Is

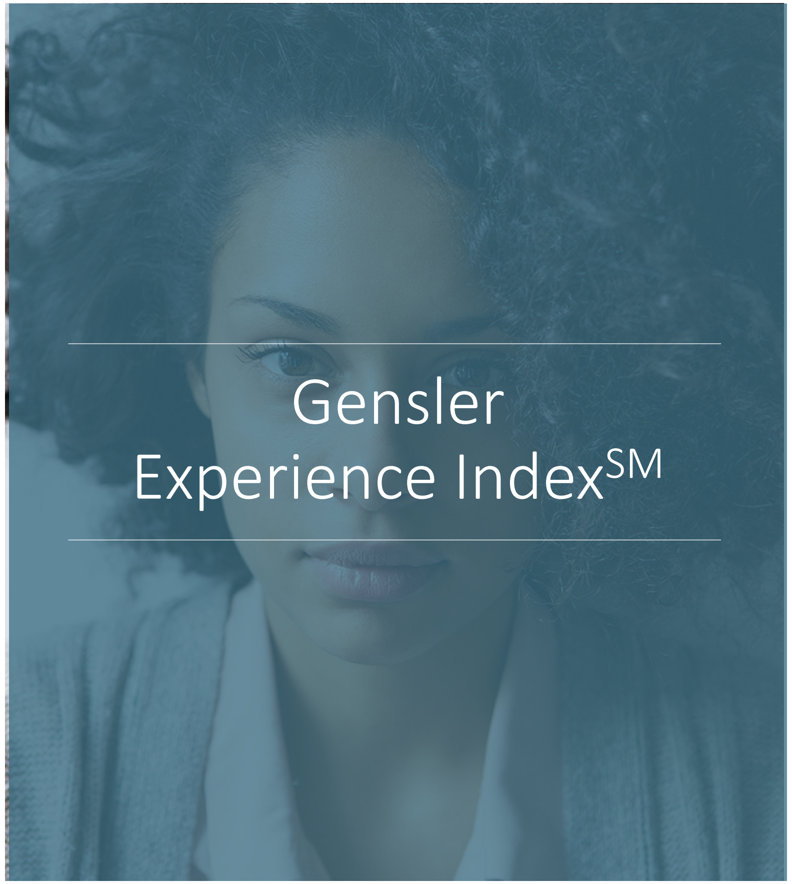
It may make for intriguing headlines, but physical retail is clearly not dead. Far from it, in fact. But, to be sure, boring, undifferentiated, irrelevant and unremarkable stores are most definitely dead, dying or moving perilously close to the edge of the precipice.

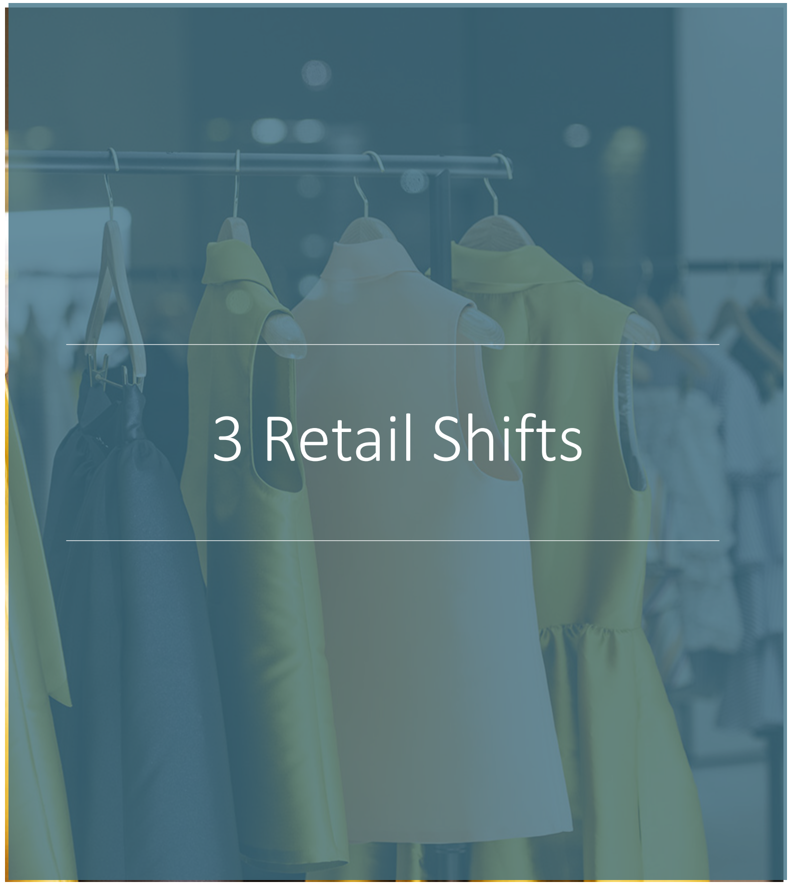
While retail is going through vast disruption causing many stores to close — and quite a few malls to undergo radical transformation or bulldozing — the reality is that, at least in the U.S., shopping in physical stores continues to grow, albeit at a far slower pace than online. An inconvenient truth to those pushing the "retail apocalypse" narrative, physical store openings actually grew by more than 50% year over year. Much of this is driven by the hypergrowth of dollar stores and the off-price channel, but there is also significant growth on the part of decidedly more upscale specialty stores and the move of digitally-native brands like Warby Parker and Bonobos into brick and mortar.

People also seem to forget that, according to most estimates, about 91% of all retail sales last year were still transacted in a brick-and-mortar location. And despite the anticipated continued rapid growth of online shopping, more than 80% of all retail sales will likely still be done in actual physical stores in the year 2025. Different? Absolutely. Dead? Hardly.

I have written and spoken about the bifurcation of retail and the collapse of the middle for years. While I was confident in my analysis, I had concluded much of this through intuition connecting the dots from admittedly limited data points. Now, a brilliant entitled "The Great Retail Bifurcation" brings far great growing phenomenon. Their analysis hammering that

Our Plan for Today: Not Your Typical Trends Presentation





The Gensler Experience Index SM

To identify the factors of a great experience, and quantify the impact of design.

GOALS & METHODS

Qualitative
Ethnographic Study
30 People
5 US Markets

Quantitative
Analytic Survey
5,000 US Respondents

Why Shifts Happen: A Confluence of Drivers

S	T	E	E	P
SOCIAL	TECHNOLOGICAL	ECONOMIC	ENVIRONMENTAL	POLITICAL
Forces ranging from demographics, life stage, aging, household structures to social value shifts.	Digital/mobile technology, including AI, AR, VR and IoT. Also includes forces influencing data privacy and security.	Forces influencing global, national and personal economic realities. Also included are forces influencing payment and value.	Forces concerning natural resources, sustainability, waste, water, energy and weather.	Government regulations influencing various sectors and industries.

How we will present the Future Shifts to you

FUTURE SHIFTS

Future Shifts are multi-year hypotheses / narratives about the most **disruptive and structural shifts** in the future.

DRIVERS OF CHANGE

Drivers of change are the discrete, observable & emerging smaller-scale changes that will influence and shape the future.

EARLY EXAMPLES

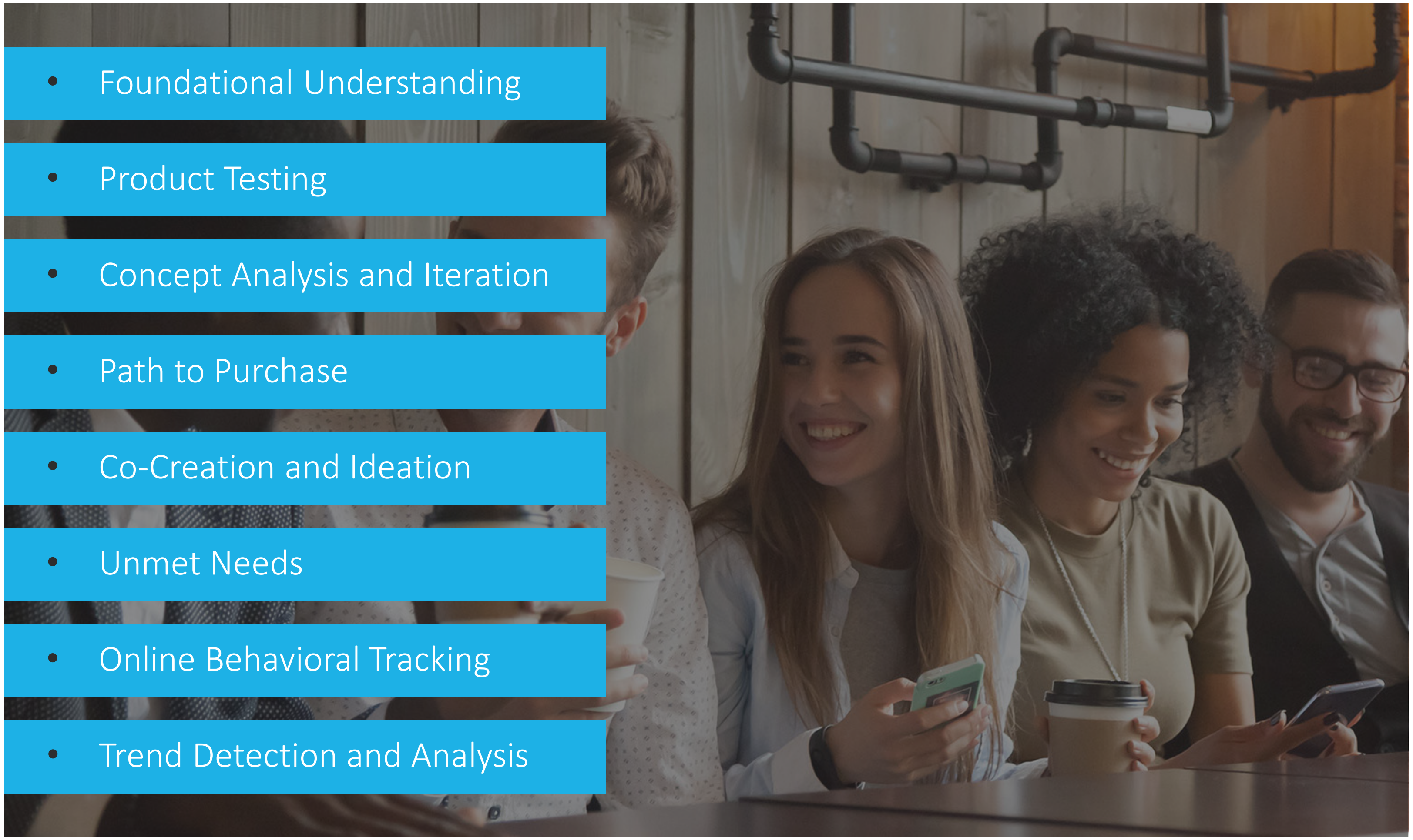
Examples from **today's marketplace that show us what is possible** in your industry.

THE CONSUMER COMPONENT

Generating Deep Consumer Understanding

From Engagement to Insights…

A comfortable environment where community members speak candidly and openly, leveraged in combination with best-in-class online moderation techniques, sector expertise, and proven research methodologies, leads the way to in-depth consumer understanding and discovery.



- Foundational Understanding
- Product Testing
- Concept Analysis and Iteration
- Path to Purchase
- Co-Creation and Ideation
- Unmet Needs
- Online Behavioral Tracking
- Trend Detection and Analysis

Who we talked to…

WHO

We conducted research in our syndicated research community consisting of a mix of men and women aged 18-64 from all different social and economic backgrounds throughout the US.

WHAT

We asked them to share their opinions on technology, shopping in-store vs online, as well as changes in their habits and the role politics and store ethics play in their decisions.

Gensler

Experience Index℠

Gensler
RESEARCH
INSTITUTE

GOALS & METHODS

1
Understand the problem

Client Roundtables: 5 Cities

2
Document the landscape

Incidence Survey: 1,700 respondents

3
Identify the elements that matter

Ethnographic Study: 5 markets/ 30 Respondents

4
Quantify the business impact

Survey: 4,000 respondents

5
Apply to client projects

Diagnostic Tool


COSTCO
WHOLESALE


BERGDORF
GOODMAN
Nº 754
BERGDORF GOODMAN

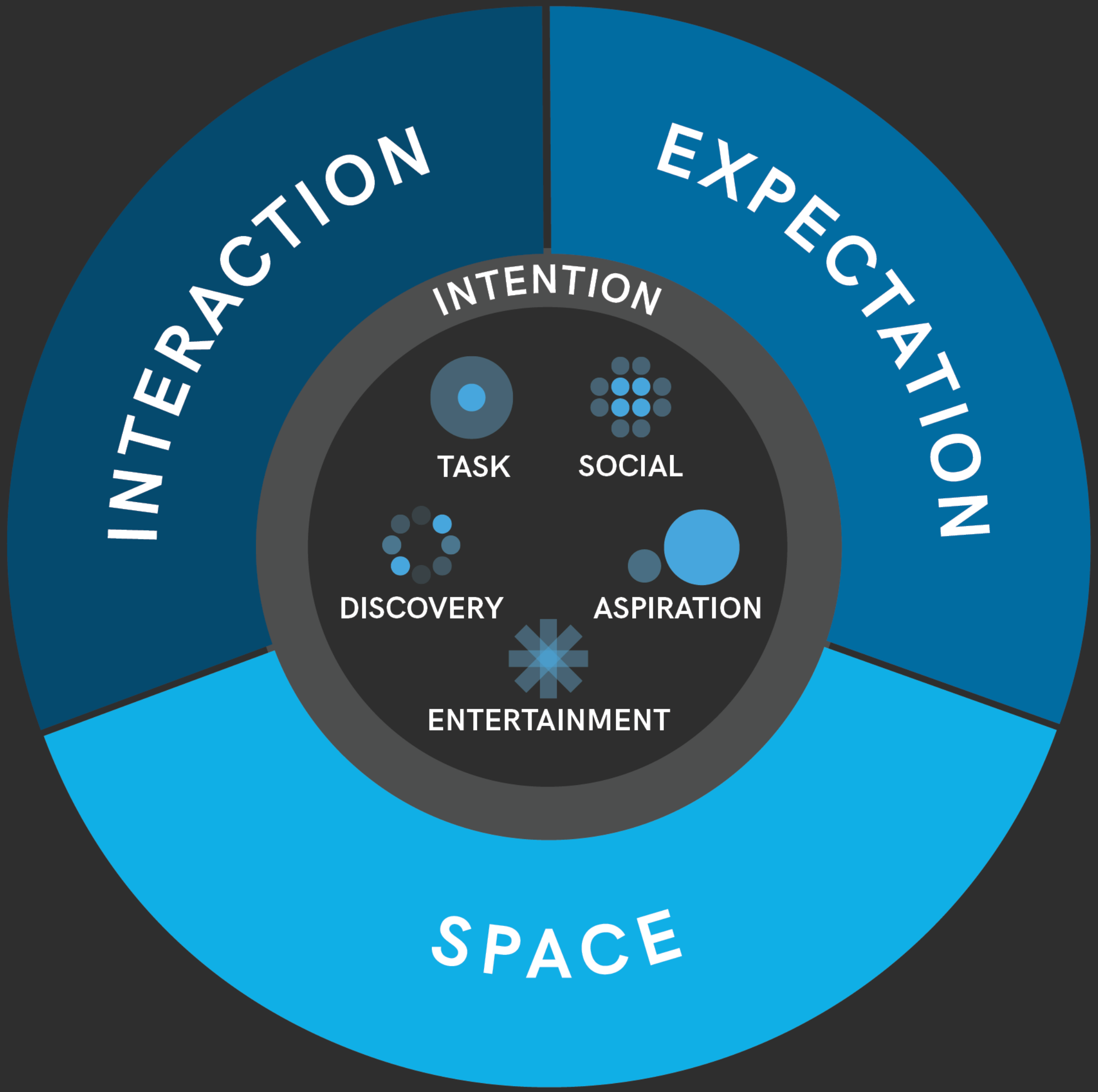
Gensler's Experience Framework

GENSLER'S EXPERIENCE FRAMEWORK

Intention

The reason or "experience mode" behind a given experience, a user's intention frames the rest of their experience.

GENSLER'S EXPERIENCE FRAMEWORK



Factors of experience

Taken together, understanding an experience across all of these factors allows us to paint a holistic picture of an overall user experience.

The Modes of Experience

Task

Task mode describes when a user has a clear task they are trying to accomplish in the space. In task mode users are typically very focused and direct in how they engage with an experience. In task mode, users are not open to distractions.

EXAMPLES

Getting through security at an airport
Having a business meeting
Shopping for a specific purpose

THE MODES OF EXPERIENCE

Social

Social mode describes when the core intention of the experience is engaging with other people. Social mode is frequently combined with other modes.

EXAMPLES

Going out to for a meal with friends
Taking a break during the workday

Discovery

In discovery mode, people often do not have a concrete plan. They are likely to wander, explore, and uncover new things.

EXAMPLES

Browsing in a store with no specific purpose in mind
Exploring a city or neighborhood
Killing time between planned activities

Entertainment

Entertainment mode describes the moments when people are looking to be entertained and brought away from "everyday life."

EXAMPLES

Going to the movies
Seeing a live performance
Visiting a destination store

THE MODES OF EXPERIENCE

Aspiration

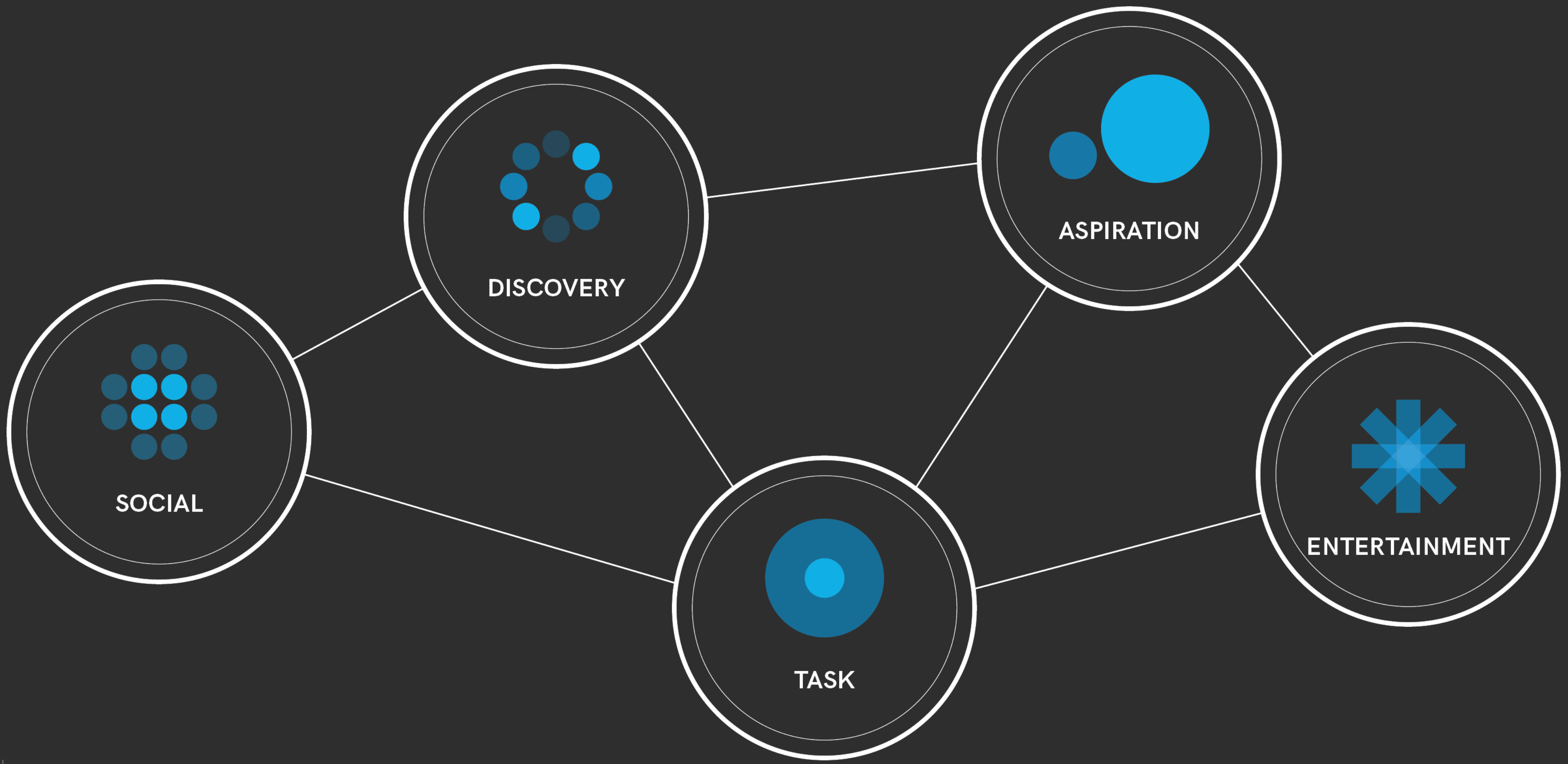
Aspiration mode describes the experiences through which users seek to grow, expand, or be connected to a larger purpose.

ACTIVITIES

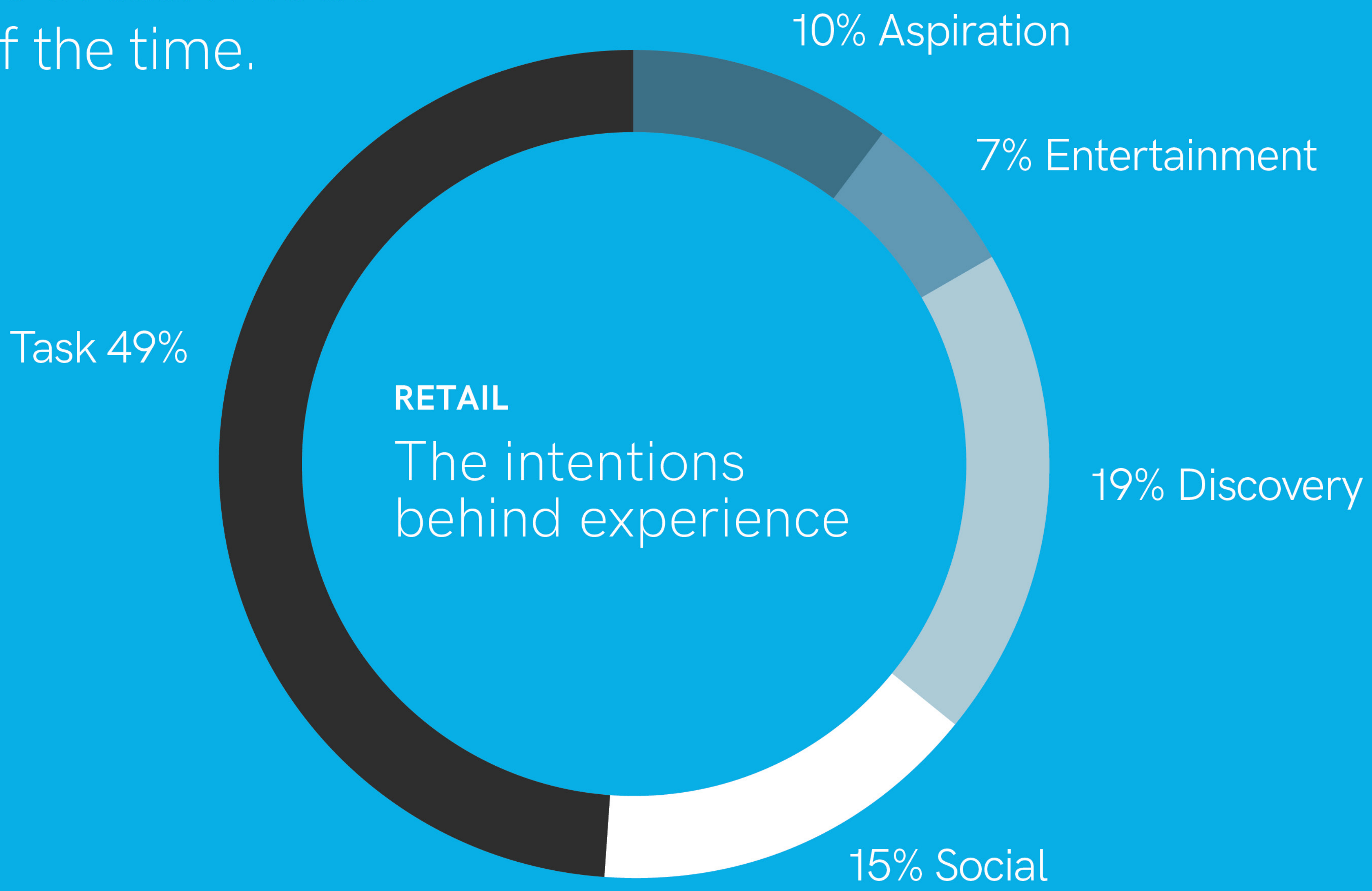
Joining a Gym
Taking a Class
Visiting a global landmark

Users frequently toggle between modes within one experience, or can experience the same place in a completely different way if they are in different modes.

THE MODES OF EXPERIENCE



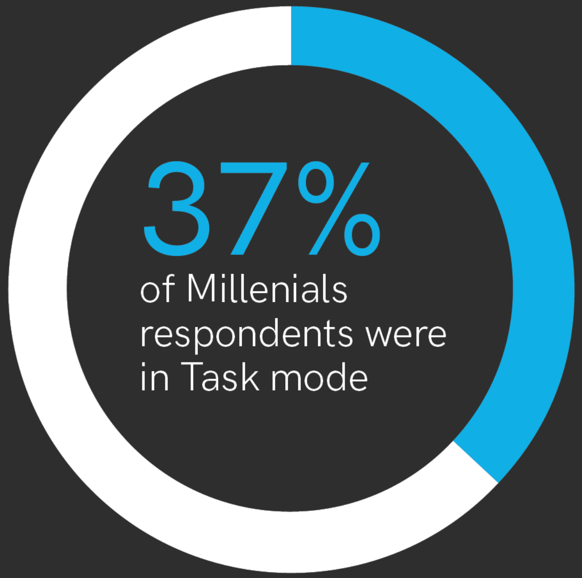
Shoppers are in task mode about half of the time.



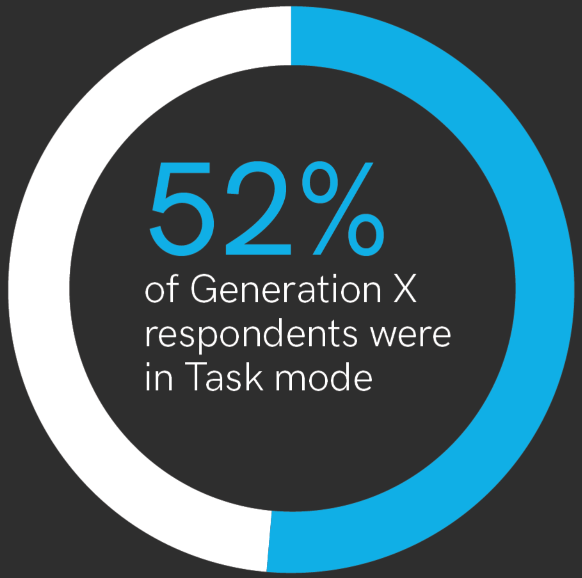
THE MODES OF EXPERIENCE

The older you get, the more likely you are to be shopping in task mode.

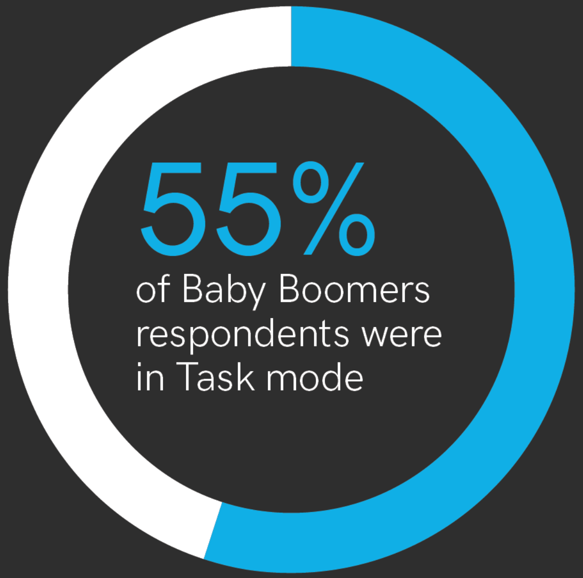
MILLENIALS



GENERATION X

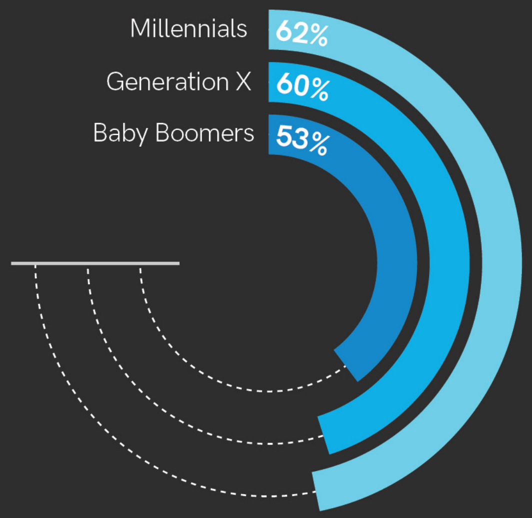


BABY BOOMERS



...and the less likely you are to be having a great experience.

Percent of respondents reporting a great in-store experience by generation.



Solving task mode opens the door to elevated experiences.

CUSTOMER INSIGHT

Technology has disrupted task mode shopping, by delivering better service through online, mobile, and social channels. In-store shopping must solve task mode seamlessly, so the shopper can engage in more elevated experiences.

b8ta, San Francisco, CA

After tasks are done, expand the experience.

GREAT DESIGN EXPANDS EXPERIENCE

Percent of respondents who do more than one activity in well-designed stores vs. in poorly designed stores.

Well-designed stores

Poorly designed stores

Comcast Studio Xfinity, Washington, DC

Multi-modal stores offer the "stickiest" experience.

SURVEY INSIGHT

2x

People who do more than one activity in a store rate that store as one of their favorite places nearly twice as often.

Customers intuitively connect design and value.

CUSTOMER INSIGHT

Customers read a lot into how a store is designed, and how that design relates to the value proposition of the products being sold.

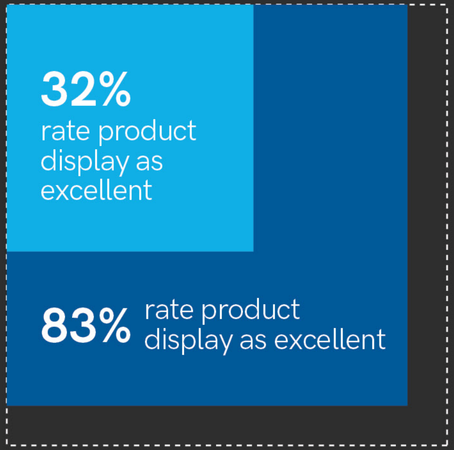
C&A, Belgium

Design improves perceived product quality.

PRODUCTS LOOK BETTER IN WELL DESIGNED STORES

Ratings of product display by users who see products as high quality vs. those who see products as poor quality.

- People who rated product quality high
- People who rated product quality poor



Leverage technology, and keep it fresh

TECHNOLOGY FORMS A STRONG IMPRESSION

Respondents who rated a store as having the latest technology were more likely to have had a great experience.

Places with the latest technology

Places without the latest technology

Primark, King of Prussia

The right level of organization makes a big difference

CUSTOMER INSIGHT

One research participant noted that she likes to “rummage” but she hates to “search,” commenting on the difference between an organized store that leaves space for discovery, and the frustrations of a truly disorganized place.

Adidas Flagship

TOP-LINE FINDINGS

The Higher the Bar, the More Design Matters

Good experience

TOP-LINE FINDINGS

RETAIL
Product Quality
Warm and Welcoming Staff
Product Value
Design Look and Feel
Latest Technology

PUBLIC SPACE
Clarity
Design Look and Feel
Attractive Neighborhood
Ideal Space to Socialize
Beauty
Diverse Mix of People

WORKPLACE
Innovation
Sense of Community
Autonomy
Relationship with Manager
Design Look and Feel

- Space
- Expectation
- Interaction

Great experience

TOP-LINE FINDINGS

RETAIL	PUBLIC SPACE	WORKPLACE
Beauty	Inspirational Design	Inspirational Design
Authenticity		Meaning/Purpose
+	+	+
Product Quality	Clarity	Innovation
Warm and Welcoming Staff	Design Look and Feel	Sense of Community
Product Value	Attractive Neighborhood	Autonomy
Design Look and Feel	Ideal Space to Socialize	Relationship with Manager
Latest Technology	Beauty	Design Look and Feel
	Diverse Mix of People	

- Space
- Expectation
- Interaction

Exceeds expectations

While design is one component of a good experience, when the target is great experiences that exceed expectations, key design factors—beauty, authenticity, inspiration, sense of welcome, and novelty—become critical value-adds.

TOP-LINE FINDINGS

RETAIL	PUBLIC SPACE	WORKPLACE
Novelty	Novelty	Beauty
	Sense of Welcome	
+	+	+
Beauty	Inspirational Design	Inspirational Design
Authenticity		Meaning/Purpose
+	+	+
Product Quality	Clarity	Innovation
Warm and Welcoming Staff	Design Look and Feel	Sense of Community
Product Value	Attractive Neighborhood	Autonomy
Design Look and Feel	Ideal Space to Socialize	Relationship with Manager
Latest Technology	Beauty	Design Look and Feel
	Diverse Mix of People	

- Space
- Expectation
- Interaction

The design factors that matter most

Beauty

Done right, people see a beautiful, well-designed space as a reflection of overall quality; but be careful spaces don't feel more opulent than the brand, products, or services they support.

Novelty

People enjoy the unexpected and being surprised—"wow" moments excited and engage, and our research shows that unique spaces are more likely to be shared and recommended.

Authenticity

Spaces that are reflective of broader brand/company mission, neighborhood context, and those with a history or compelling back-story tend to offer better experiences.

Clarity

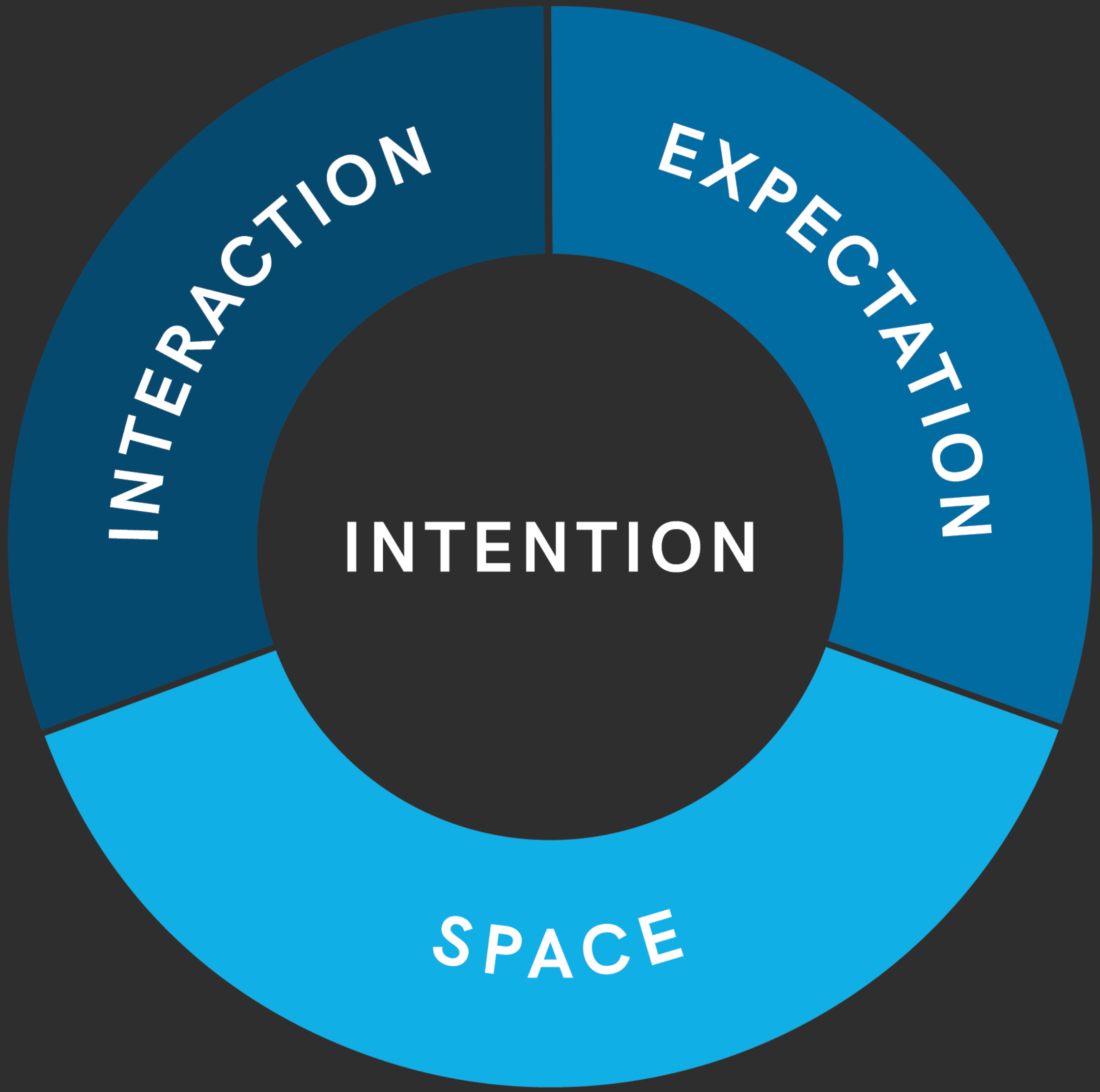
Spaces that are enjoyable and easy to navigate and wander connect to an ingrained human need to feel in control and understand one's surroundings.

Inspiration

The search for inspiration is a core aspect of our behaviors and decision-making, and spaces that are designed to inspire and spur creative thinking offer some of the best experiences.

Sense of Welcome

Spaces that feel welcoming and support a diverse community of people are consistently rated as better experiences.


INTERACTION
EXPECTATION
INTENTION
SPACE

Retail Shifts

3 Big Shifts

1. Augmented Experiences

2. Home Is Where It's Happening

3. Separated at Wallet

Shift 1: Augmented Experiences

Augmented Reality will reframe the human experience through the focused use of tech

As AR becomes more affordable and applicable, and as consumers become increasingly comfortable with it, both parties stand to benefit from the possibilities.

Key Drivers Behind the Augmented Experiences Shift

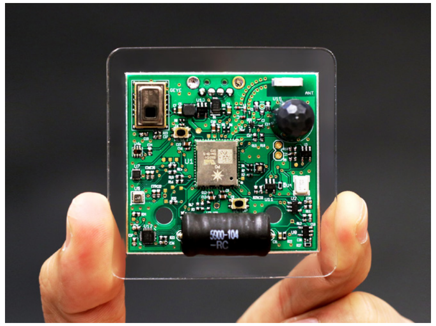
Rising interest in multi-sensory experiences

Evolution of brand engagement

Desire for the human option

Pervasive desire for novel experiences

Social path to purchase

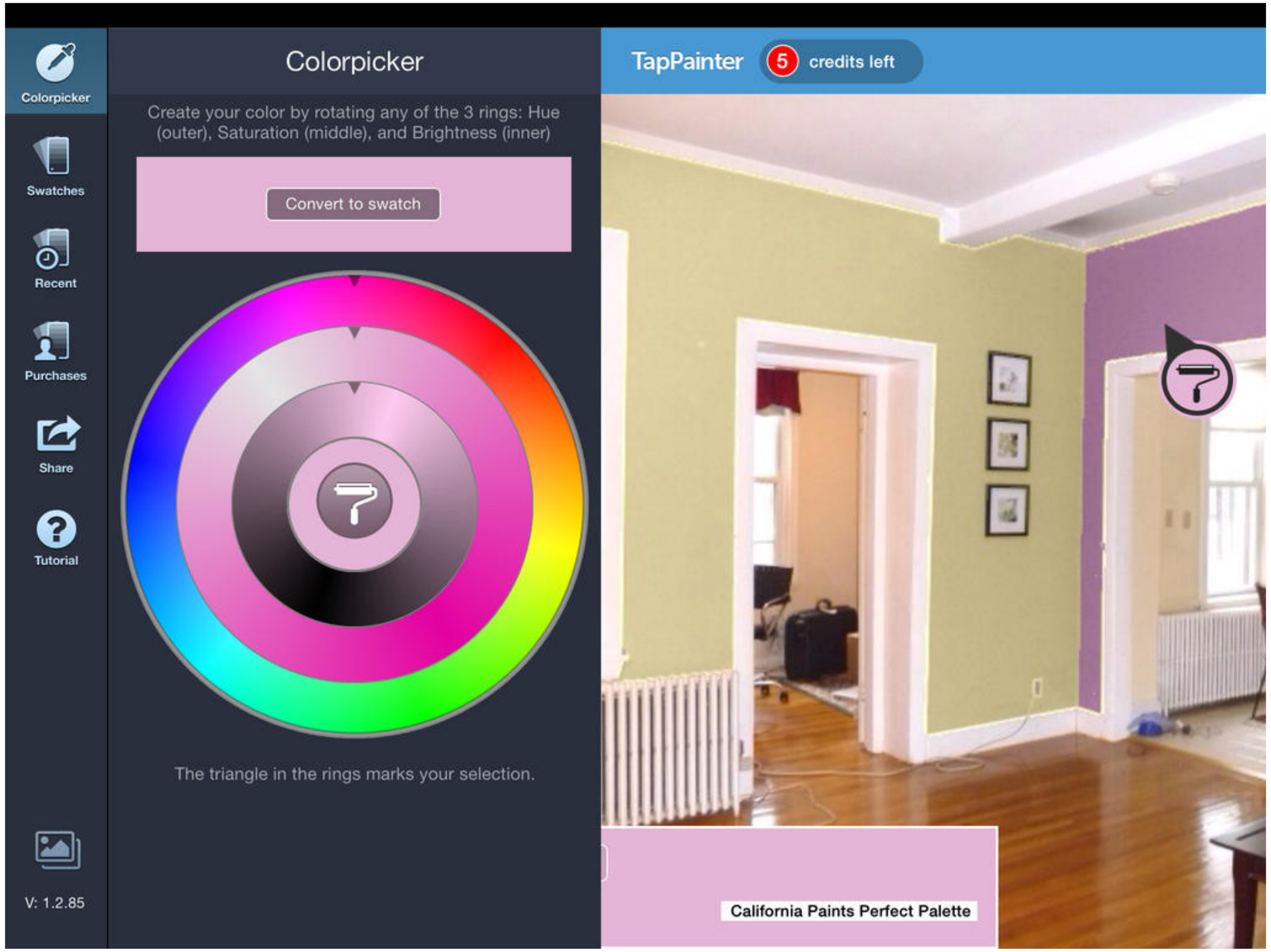


Sensor technology advancements

Augmented Experiences: Where We See This Today

IKEA

Augmented Experiences: Where We See This Today



Augmented Experiences: Where We See This Today

Embracing the Tension

Gensler's research

Places with the latest technology are more likely to offer a great experience…even if most people don't interact with technology directly.

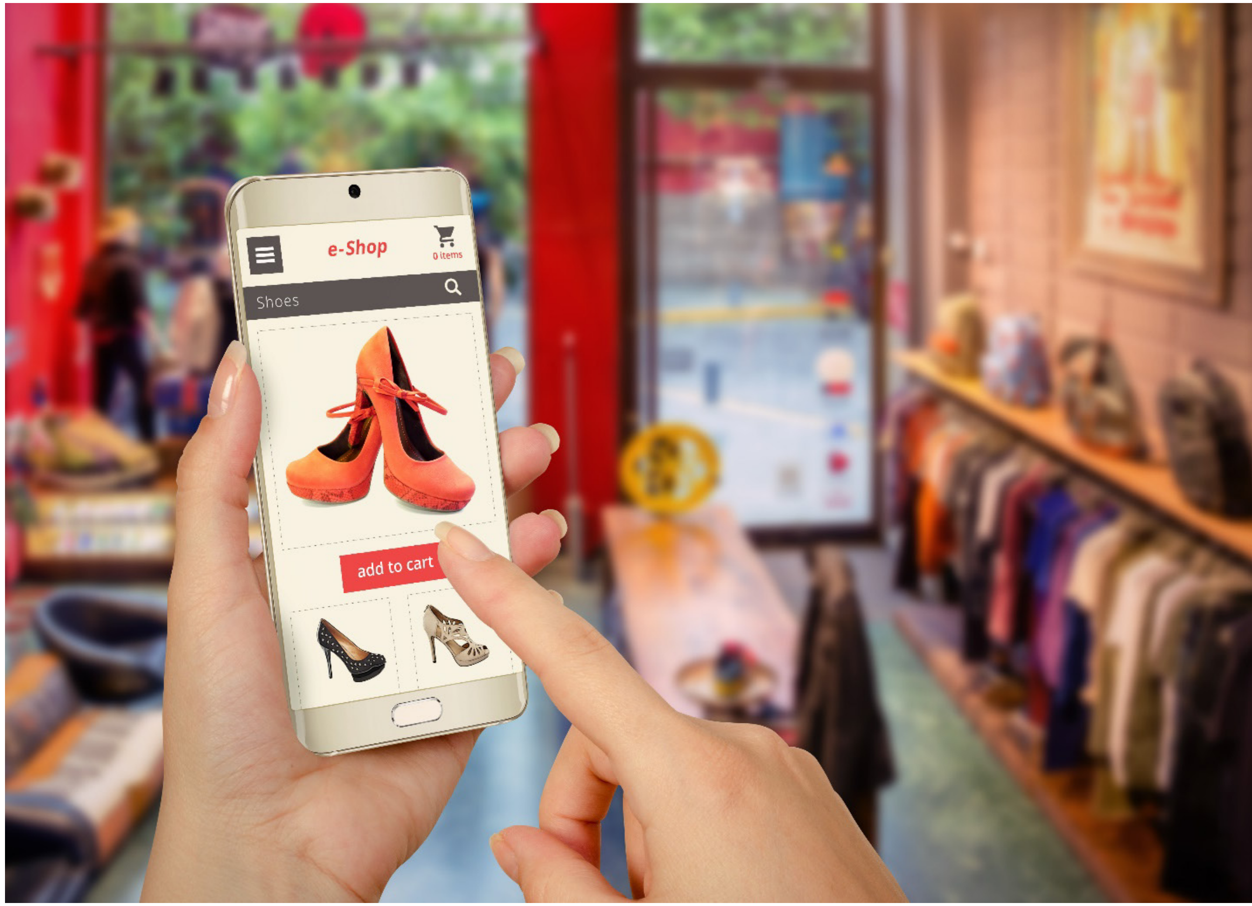
And here's what we found out…

AR is being slowly adopted for specific benefits

Those incorporating technology into their shopping are primarily leveraging it for price comparison and getting the best deal.

> *Technology has made my shopping experiences so much easier. I can look at stock online, even reserve the items I want and need. I can have it delivered or even pick it up. I use my smartphone and computer.*

> *Technology has made it easier to shop at any retailer. I use my phone to shop online at certain retails, I use my phone to find coupons and find deals. I go online on my computer to compare prices at retailers. I think technology has impacted for the better. I like that I can purchase in advance online and go to the retailer to pick up.*



Shift 2: Home Is Where It's Happening

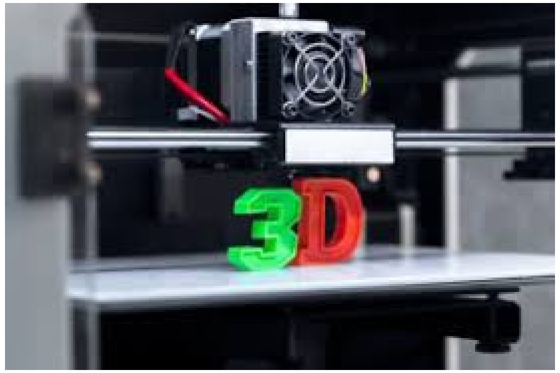
Homes and apartments are the new retail frontier, challenging many brands to adapt

With the continued rise in remote/home work and ease of in-home delivery, it is increasingly difficult to inspire consumers to leave their homes.

Key Drivers Behind the Home Is Where Its Happening Shift

From work/life balance to work/life blend

Success redefined



Decentralization of manufacturing

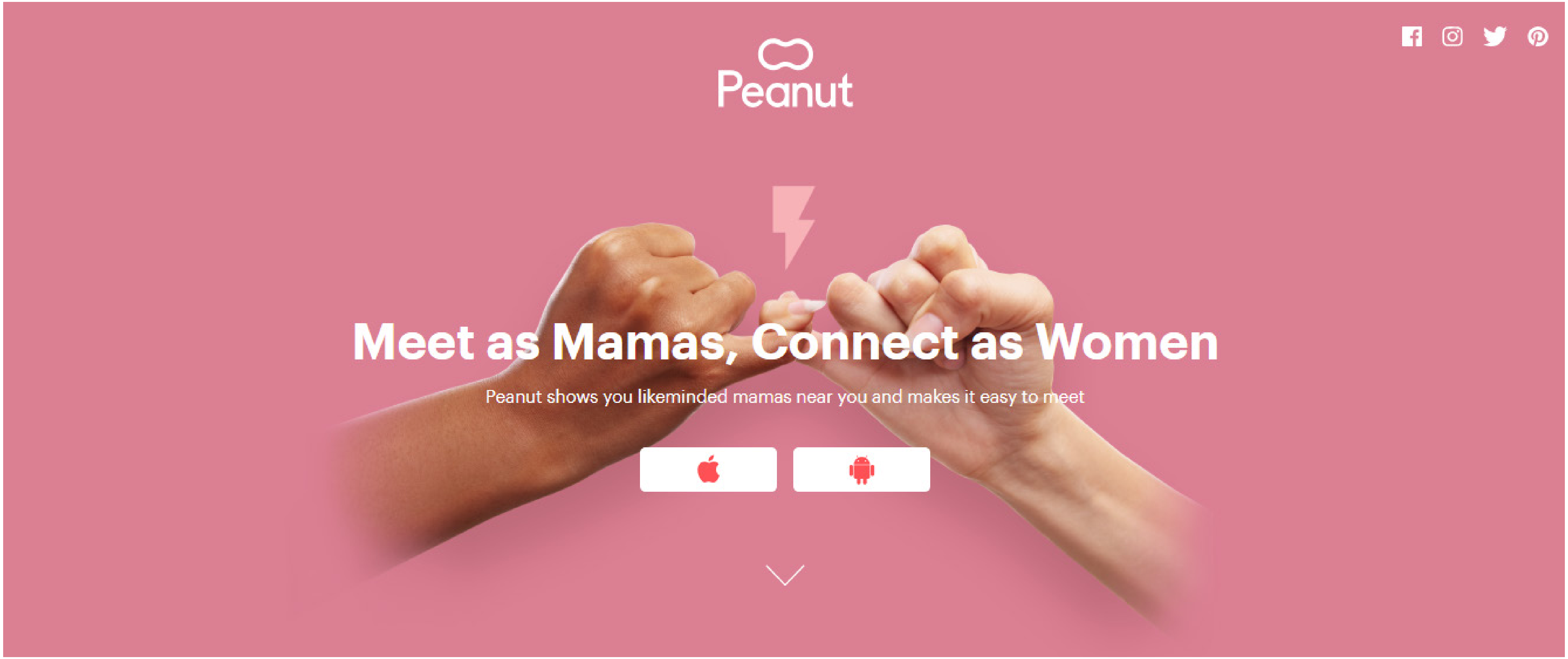
Channel blur

Voice recognition becomes its own platform

Proliferation of home delivery

Home Is Where It's Happening: Where We See This Today

Home Is Where It's Happening: Where We See This Today



Embracing the Tension

Gensler’s research:

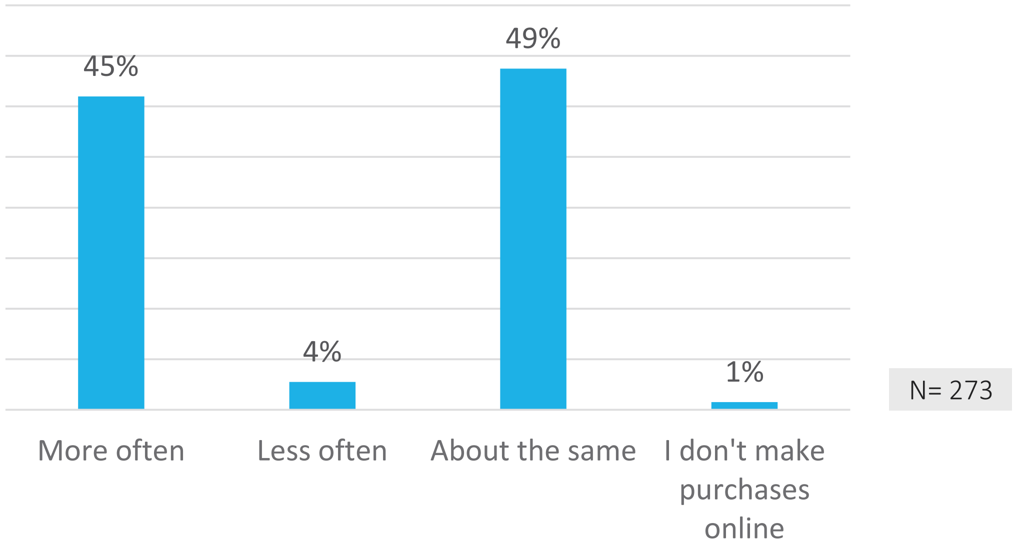
That “design matters” in the bricks and mortar experience is important—it may get people out of the home.

And here’s what we found out…

While many are shopping more online, physical stores serve a distinct purpose

Even with 45% of shoppers saying that in the past two years they are shopping more online, instant gratification, in-store sales and the experience continue to drive customers to visit a physical store.

Thinking about the past two years, are you shopping online…

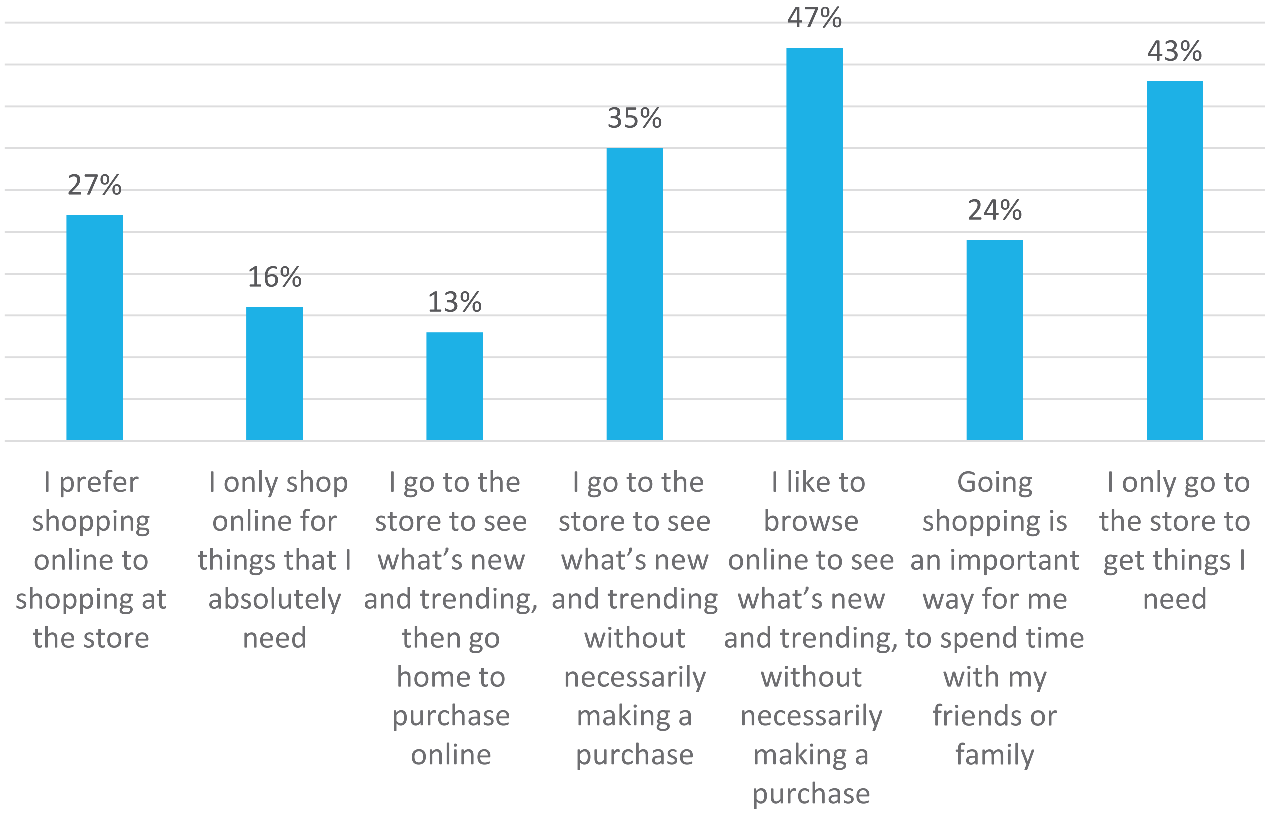


I like being able to see and feel products up close, plus I like browsing different aisles and departments when I'm at a store. I also like the convenience of being able to take the product home right away to use, and not have to wait for it to be delivered days later to my house.

I want to interact with real human beings as I get what we need. I want to able to hold things and see them. I like the sight of the aisles in stores, I can look at the whole aisle in one glance, something that is just not possible online. I like pushing the cart, the music playing, the clearance endcap displays, smiling at other people and smelling the coffee from Starbucks floating on the air…

Exploration is a key driver to in-store shopping

Which of the following statements describe your shopping preferences? (Please select all that apply.)



I like the hands on experience while shopping in store, especially groceries. I don't mind shopping online for minor things that I've bought before.

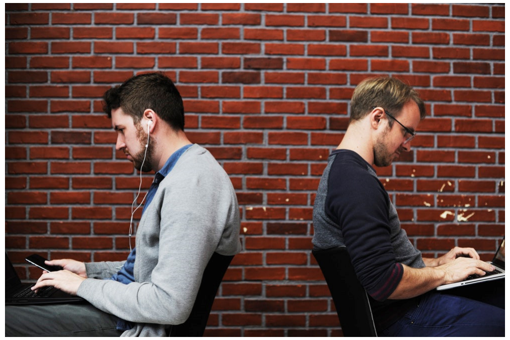
Shift 3: Separated at Wallet

Political & social divisions are passionately expressed at retail

As the American population becomes more polarized politically and socially, and as norms around how people express themselves change, retailers are going to find themselves taking a stand…whether they like it or not.

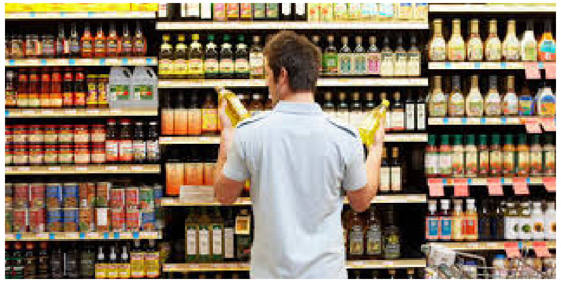
Key Drivers Behind the Separated at Wallet Shift

Changing norms around discourse



Increasing political divide

Pervasiveness of AI



The new curation

Beyond corporate responsibility

Polarization of social circles

Separated at Wallet: Where We See This Today

Masterpiece Cakeshop

Ipsos Gensler

Separated at Wallet: Where We See This Today

NORDSTROM

Separated at Wallet: Where We See This Today

Separated at Wallet: Where We See This Today

Embracing the Tension

Gensler's research:
Spaces that are reflective of broader brand/company mission tend to offer better experiences.

And here's what we found out…

Brands must be aware of social implications.

Shoppers are still split on the impact that a brand's ethics have on their loyalty. However, this seems to be a growing trend that retailers need to pay attention to and those that are impacted have strong opinions.

Yes Absolutely. You vote with your money. I refuse to fund my own oppression or causes I disagree with. Sometimes a true cost of an item is social or environmental. I not a person who complains or protest. I follow the money. I watch where my one goes & how companies use their financial power. It is the only smart way to shop.

I don't eat at Chic-Fil-A because they are an anti-LGBT business. I refuse to support any business or organization that is anti-LGBT or racist.

I like to be aware of retailers' ethics, but I admit to caving and shopping at some stores whose policies I don't always agree with. I won't shop at the ultra-conservatively religious Hobby Lobby.

Yes, unfortunately politics has corrupted our society and I vote with my wallet when deciding where to shop.

Yes to some extent. I will avoid Walmart if I can because of their poor treatment of employees.

However, many shoppers still prefer brands to remain neutral

Those who aren’t influenced by values or politics are primarily driven by price and quality of goods and don’t have the luxury of being selective.

> *I don’t really pay attention to their stances on things. I usually just want to buy a product and leave. It may depend as I hear more about something if the issue is big enough or important to me to maybe consider shopping or not shopping at any particular retailer.*

> *I don't consider a retailer's ethics for shopping there. Important for us is the convenience, the quality of the products and the price.*

> *I don't consider their ethics at all, whoever's got the best price for what i'm looking for gets my purchase.*

Final Thoughts

Shifts and trends are never straightforward—there is often and underlying tension—and it can be a balancing act to capitalize on shifts in the marketplace as a result.

Understanding the drivers behind the shifts can help you interpret and act on them.

Looking outside of our own typical lens to bring in cross-functional viewpoints—like layering on Gensler's design perspective onto thinking about retail shifts—adds depth and dimension and may unlock new thinking.

Thank You!

Please reach out so we can discuss this further with you-

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