

# Digital Stores

How stores will change as retailers embrace internet technologies in the next 5 years  
by Tom Marston

**Over the past decade Retailers have put significant investment into their online channels with mobile increasingly at the fore. In stores, we have seen the emergence of click & collect and some store apps, but few other widely adopted internet applications. We believe that the pace of store innovation will accelerate over the next 5 years with 3 trends developing over this period.**

## This Year: click & collect becomes a key battleground

Click & collect has grown rapidly accounting for 15% of all online purchases and predicted to double in the next 3 - 5 years. We are already seeing significant innovation in this area including wider distribution points (lockers, 3rd party collection points) and Retailers need to re-gain the initiative.

We think that customers are going to want same day pick up and may decide not to visit a store unless they've been able to check availability before setting off. This means that retailers who currently fulfil from distant warehouses need to switch to picking from store stock, or smaller and more local warehouses. The tricky bit is getting stock integrity up so that if the customer orders the item, it really is there. It's not easy, but with improvements in technology such as RFID tagging, retailers such as M&S and Tesco are pursuing this path.

### **"Not many businesses can say with confidence what's in stock in stores"**

Furthermore, click & collect needs to be made an integral part of the store experience and be seen as an opportunity to welcome a valuable customer (rather than an inconvenience as it often is today). Stores know these customers by name and what they're collecting. It's therefore a great opportunity to give them the warmest welcome possible and suggest the matching shawl to complete the outfit.

To get the experience right, we can imagine a reverse in the trend to make the shop floor bigger and stock rooms smaller - we think the walls may be moving back to where they started! It will no longer be good enough to tuck click and collect behind the cash desk, but instead look at how to enhance the pick-up experience with areas to try the products out, or find quick alternatives if they're not quite right.

With volumes growing, stores will need to be set-up for success including the physical space, processes and systems to support this.

## **3 Years: the line between online and physical disappears**

Online platforms have often been built separately to store systems as the pace of growth and innovation has necessitated a targeted approach. This has led in many cases to sub-optimal customer journeys and data not being joined up.

We believe that in 3 year's time successful retailers will be those that:

- Have invested in a single commerce platform
- Are able to identify customers across as many touch-points as possible
- Are using the data to drive decision making across the business

## **"12 months ago retailers would not have considered replacing point-of-sale with ecommerce tools. Now that's changing"**

One of the effects of joining the channels is that retailers can start to measure return on investment through customers rather than channels. A customer might not transact in store, but if they start their browsing journey there, and then make a purchase online then an appropriate store attribution can be made.

It also seems likely that ecommerce functionality will have increasing relevance in stores. Through smartphone wireless technologies such as Wifi, beacons and NFC (near field communication), a more detailed picture of aisle browsing behaviour could be gathered which has strong parallels to capturing and monetising online browsing data. One shoe retailer delivered a 78% open rate to an email campaign sent following customer store visits.

## **5 Years: a return to a personal store shopping experience**

Stores started small and personal and then moved to larger formats as greater choice was cherished. Online technologies now provide access to this greater choice so we could imagine consumers starting to favour a more personal store experience once again.

### **"Retail is going back to the way it was – knowing your customer: 'Hello Mr Jones, how can I help you today'?"**

We have discussed in this paper that one of the barriers to identifying customers in store is having the right platform and data capability in place - but progress will be made here in the coming years. Another is for consumers to have a greater willingness to share personal data. This we also believe will happen as customers become more accustomed to sharing data (e.g. social logins) and, perhaps, industry standards develop to protect consumers and make data sharing more transparent.

We see a third enabler being store staff who can move from behind the tills to front of store. Advancements in self-service seem likely to continue so that traditional check-outs could be done on the shop floor (e.g. Apple stores) or via the customer's phone (again, Apple with iPay). This then frees up staff to be a part of the more personal shopping experience.

Of course, not all customers will wish to be identified all of the time, so we could see a few variations of what a personal store experience means. For some customer visits it may be transient e.g. when prompted in store - "what are you looking for and how much would you like to spend?"; for other visits, a customer may

have previously "opted in" to be recognised in store perhaps via a store app.

The resulting applications from knowing your customer will vary widely and according to what type of retailer you are. However it seems reasonable to believe that consumers will increasingly seek out stores for experiential reasons rather than transactional ones (which could be done online). The personalised store experience should therefore seek to address:

- Who the customer is and how they've engaged with your brand previously
- Why they've come into store today
- How to make their visit a relevant and enjoyable one

## **Conclusion**

The growth in online technologies is driving a transformation in stores. Customer behaviours are changing rapidly with expectations of a seamless journey across all sales channels be it browsing, transacting, delivery, service or returns.

A few Retailers have started to act, but many more need to follow. Tesco's Clubcard is one example of joining the dots around customer transactions. The next generation of Retailers will take this to the next level by understanding the pre and post purchase journey and by joining the dots across online and physical channels.

*This paper captures the view of PatelMiller but taking into consideration the views of the following Retailers and partners: Apax, Arco, Berry Bros & Rudd, Button & Sprung, Conexus, Hammerson, Imagineer, John Lewis, Smart Focus, White Company.*

## **About PatelMiller**

PatelMiller is a business consultancy that works closely with its clients to develop their strategies and deliver their full benefit. Our team have gained their skills from working for leading consulting firms as well as the world's best retailers. We combine the tools, methods and analytics of a strategy consultancy with the pragmatism of a retailer, to make sure potential benefits become real benefits, quickly.

Our service offering includes:

- Vision setting
- Business plan development
- Operating model design and process improvement
- Analytics and operational improvement
- Programme management
- Due diligence
- Digital

Our clients include feelunique.com John Lewis, Monsoon Accessorize, M&S, Morrisons, Tesco and White Stuff

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Tom specialises in leveraging internet technologies to enhance retail and consumer propositions. He has worked with leading retailers to develop their multichannel strategies including New Look, Carphone Warehouse and Virgin Media.



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