



Gold Sponsor

2019 SPECIAL REPORT: The Future Store

THE FUTURE STORE KEY FINDINGS

CUSTOMER EXPECTATIONS



32% are likely to shop at a store offering an augmented reality experience

29% are likely to shop at a retailer offering virtual reality in their store

36% will shop at a store offering virtual mirrors to envision themselves in different garments, glasses or cosmetics

27% will shop at a store where they can videoconference with an in-store associate from their home



RETAILER CAPABILITIES

9% currently offer augmented reality and another **29%** plan to within three years

7% offer virtual reality to customers and another **23%** plan to add it within three years

9% offer virtual mirrors to allow customers to virtually see products in use and an additional **23%** plan to within three years

21% currently offer videoconference capabilities and another **25%** plan to offer it within three years

Based on findings from BRP's 2019 POS/Customer Engagement Survey and the BRP Consumer Study.

The store is not dead, it's digitized...

We are in the midst of a retail renaissance as the industry moves from the 'olden days' of a person walking in to a store to simply purchase a commodity, into a new technologically advanced era where artificial intelligence helps customers make informed purchasing decisions and augmented reality enables them to view products on their body or virtually in their homes.

Technology is bringing new life to brick-and-mortar stores as the physical and digital worlds collide. The physical store must transform to adapt to new technology and rising customer expectations to add value beyond simply offering merchandise – it must offer a truly personalized experience to remain relevant.

The digital world is infiltrating brick and mortar stores, where consumers are equipped with smartphones and high expectations. The new ways that consumers acquire goods and services has contributed to higher consumer expectations, and new entrants, such as Amazon, have disrupted the traditional retail model. While this is very challenging for retailers, the reality is that retail has weathered periods of disruption before and will likewise withstand this turbulence. Catalogs, the move to suburban malls, Walmart, and the rise of e-commerce are all great examples of retail disruption and transformation cycles. The current rate of disruption and subsequent transformation is just the ever-evolving nature of retail and consumers.

Over the past twenty years, many in the retail industry have predicted the demise of the physical store. That seemed like a reasonable assumption given the accelerated growth of e-commerce and advancements in mobile technology; however, the reality is, the store is still the foundation of retailing. It is where the

tactile and sensory experience comes together for the consumer, but the traditional store concept is changing.

Disruption and adaptation are changing the retail model and blurring the lines among retailers, brands and wholesalers. Online pure-plays are opening brick-and-mortar stores and traditional retailers are experimenting with new store models and in some cases, expanded experiential brand strategies that include new revenue sources, such as services or food and beverage options. Retail is theater and with technologies like augmented reality (AR) and virtual reality (VR), the retail store is no longer the only stage where the theater of retail can take place. New technology will further empower customers as they can dictate their own personal stage and experience.

Stores still represent the majority of retail purchases, but the definition of what a store is continues to change. This, coupled with digital experiences that are increasingly personal and mobile, has blurred the lines between channels and created the expectation of anywhere, anytime, anyhow shopping. This fundamentally redefines the retail store experience, requiring a balanced blend of physical and digital working seamlessly with any customer touch point, creating a complete brand experience. The physical store remains the foundation of retail; however, a significant and fundamental transformation of retail is underway and will change the requirements for the store of the future.

The **SPECIAL REPORT: The Future Store** is based on findings from the BRP Consumer Study and the 2019 POS/Customer Engagement Survey. To download the POS/Customer Engagement Survey visit <https://brpconsulting.com/download/2019-pos-survey/>

Physical and digital worlds converge

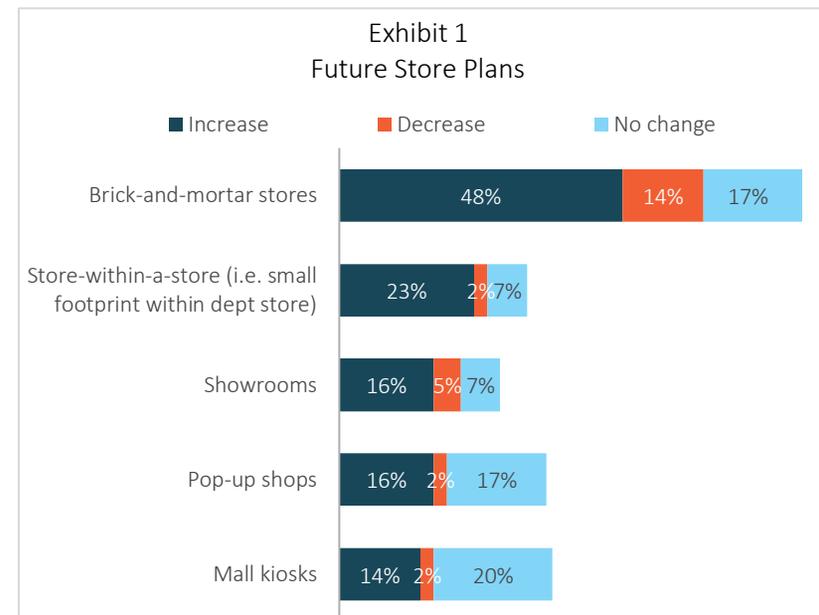
The physical and digital worlds will be forever intertwined as we look to the future. Stores must now encompass both worlds as customers expect a personalized experience in any channel. Customers want the sensory experience generally available in the physical world, such as touching and feeling merchandise and personally interacting with a knowledgeable associate, married with the unique and personalized shopping experience common in the digital world.

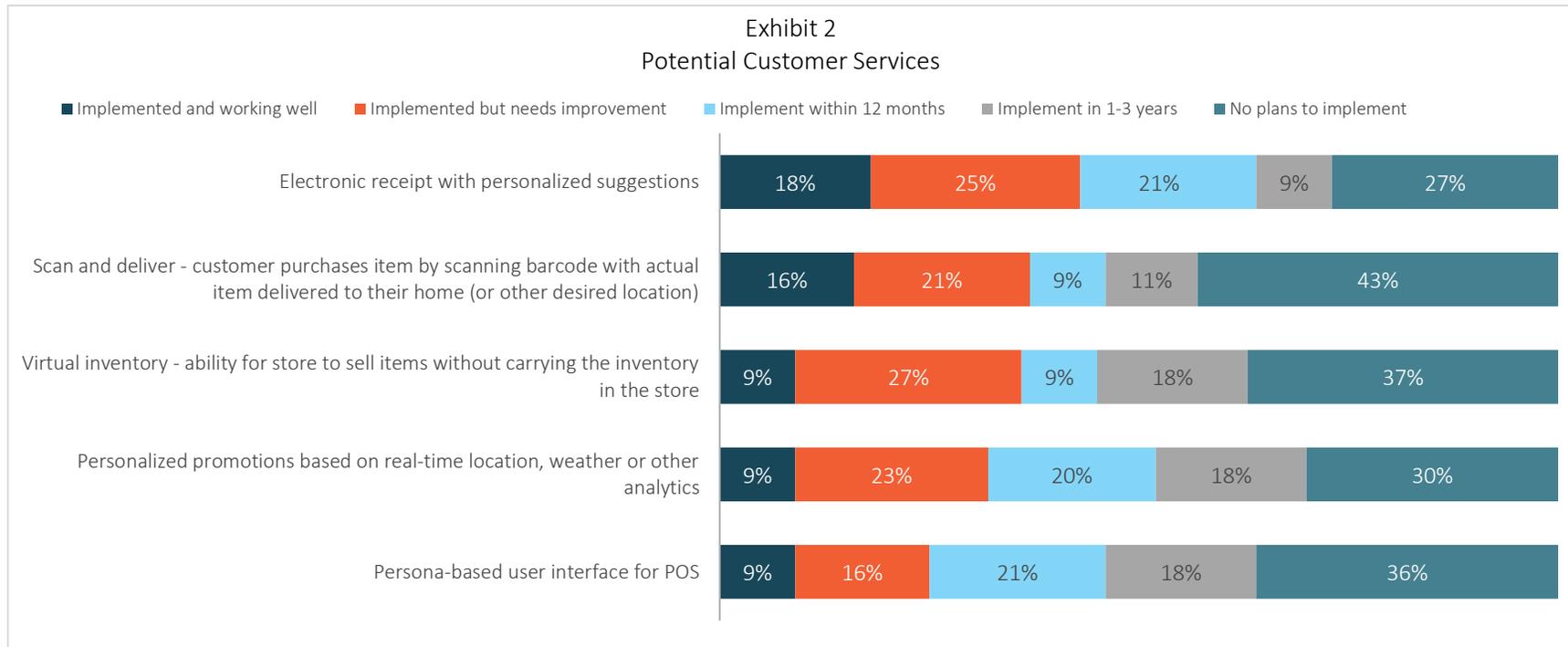
Consumers love the theater of shopping, which is why we are seeing many pure-play online retailers starting to open brick and mortar stores and store concepts continue to change. The in-store experience is paramount for apparel and other products that consumers want to touch, feel, demo or try on. Customers want a multi-dimensional or multi-sensory shopping experience. For retailers selling commodity products, you could argue that the experience is the best way to differentiate their brand.

Customers are willing to try new technologies if it improves their in-store shopping experience. According to the BRP Consumer Study, 32% of consumers are likely to shop at a store offering an augmented reality experience and 29% would like a virtual reality experience as part of their shopping environment. Consumers are also very interested in relying on technology instead of human interaction if it makes the purchase process quicker and easier. For example, 55% are more likely to shop at a store with self-checkout vs. a store without and 57% will choose a store offering automated returns to avoid human interaction.

While e-commerce and mobile continue to grow and garner attention, the store remains a key component of the customer's brand experience and the central point of the shopping journey. However, the role of the store continues to change. The advent of the digital world offers consumers new ways and 'places' to research and shop. These digital possibilities, along with mobility, have modified consumer expectations and behaviors, and retailers must transform to succeed.

The concept of the store is evolving with new formats, such as pop-ups and store-within-a-store, or even stores as mini distribution centers. 23% of retailers are increasing the number of store-within-a-store concepts and 16% are planning to increase the number of showrooms and pop-up shops (Exhibit 1).





As a means of increasing inventory options for customers, retailers realize that their brick-and-mortar locations can sell products without actually carrying the inventory within the stores. 36% of retailers have implemented virtual inventory and another 27% plan to implement this within three years (Exhibit 2). Rather than sourcing and warehousing large levels of inventory for each store, they can provide stores access to virtual inventory, which offers customers a much broader assortment of product options.

A number of retailers currently offer and plan to offer electronic receipts with personalized suggestions for their customers. Within three years 73% plan to offer electronic receipts (Exhibit 2). Offering customers an electronic receipt after a purchase in a physical store gives them the peace of mind that they'll have a copy on file. In addition, retailers should use electronic receipts as a means for

suggested selling by offering recommendations for potential purchases based on previous purchases, elevating the customer's current and future shopping experience.

Offering customers personalized promotions based on customer context is the future of the store environment and it is gaining traction with 32% having implemented (up from 17% last year) and 70% planning to offer this service within three years (Exhibit 2).

Younger customer segments, such as Millennials, have grown up in the digital age where they have access to everything at their fingertips with their smart phone, and they have high expectations for service. They expect everything wherever and whenever they want it. They assume they will receive the same level of personalized recommendations they receive on Amazon when they

visit a store. With higher expectations for personalized experiences, they expect sales associates will cater to their needs. They don't care if personalization is delivered by a human or a robot, as long as they get the information and service they expect. And many consumers actually seem to enjoy the novelty of the robot, as long as it offers efficient and quality service.

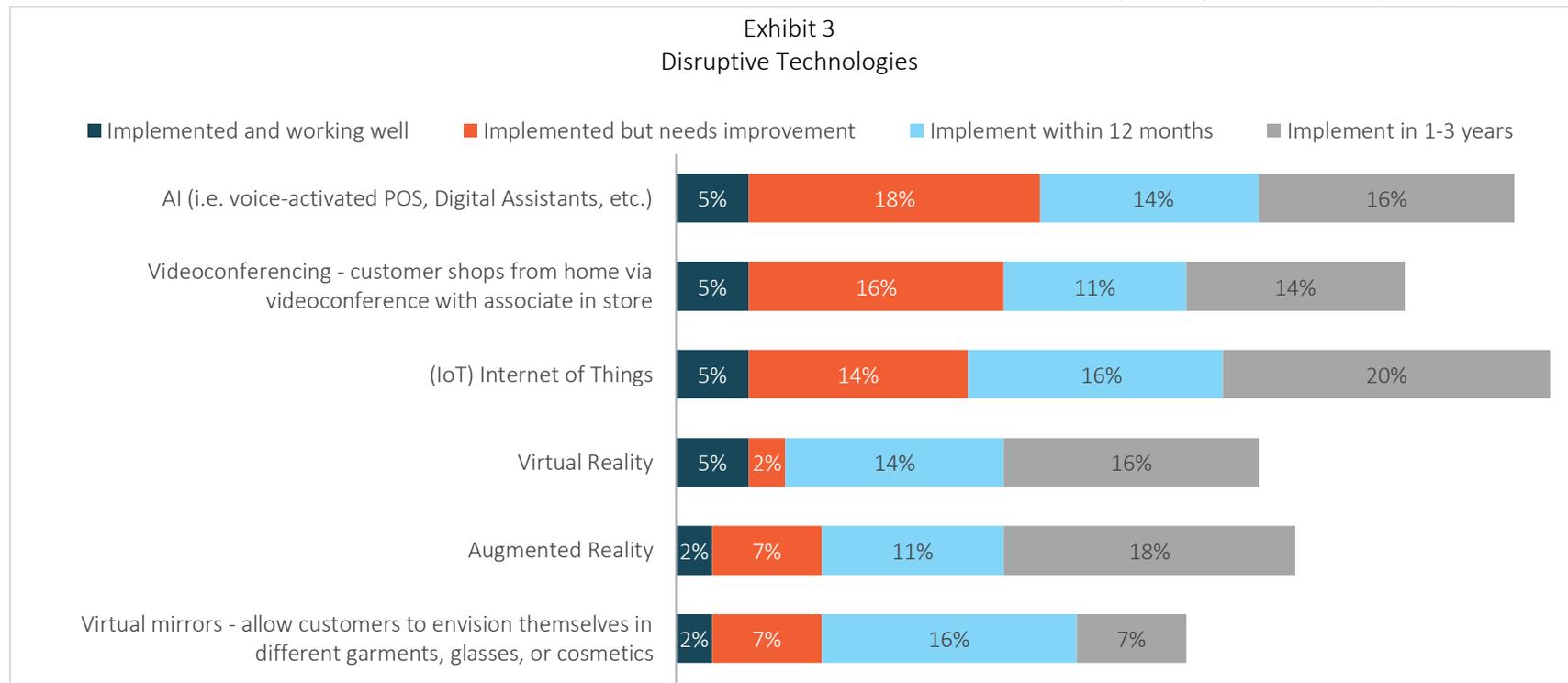
While automation can be a way to cut overall costs and improve customer service options in some retail segments, some highly personal product decisions and luxury brands likely will not adopt automation to replace humans. The real-time retail trend of identifying a customer and guiding the customer through the sale via human interaction won't soon be replaced by automation. The process of customer engagement, context (time of day, how the customer is dressed, what department they are shopping, if they

are wearing a wedding ring, etc.), responding to visual cues, as well as cross-selling and up-selling, requires a finesse that robotics will likely not perform as well as humans.

Disruptive technologies such as artificial intelligence, virtual reality and the Internet of Things (IoT), offer further possibilities for the convergence of physical and digital environments (Exhibit 3).

Artificial Intelligence (AI) offers the ability to pair the vast amounts of data gathered on customers and their preferences and synthesize this information to help personalize the customer experience. Some retailers are experimenting with AI to offer purchasing suggestions based on answers to a series of questions.

The disruptive technology that is of most interest to retailers is the IoT, with 55% of retailers planning to have this capability within



three years. IoT describes an environment where the Internet is connected to physical objects embedded with sensors that can then communicate. The IoT is not just about gathering data but also about the analysis and usage of that data. It has the potential to change the way the customer shops, modify the checkout experience and transform the point of sale. We see IoT and similar technologies as great examples of how unified commerce will continue to evolve into the future and further shape the customer's experience and their associated expectations.

Virtual reality (VR) and augmented reality (AR) are hot topics again this year with more options in the marketplace putting the technology in everyone's hands. Currently, 9% of retailers offer AR and another 29% plan to add it in the next three years. We are beginning to see further use of these technologies with retailers adding AR features to let customers see how furniture will look in their homes.

'Smart' fitting rooms utilize virtual mirrors or motion sensors to interact with customers to offer product information, suggest complementary products or notify an associate that a different size is needed. Currently, 9% of the retailers surveyed offer virtual mirrors to their customers and another 23% plan to add it within three years. Virtual mirrors allow shoppers to easily envision themselves in different garments, glasses or cosmetics. These technologies coupled with a personal digital assistant can make recommendations based on customer information, purchase history and current promotions within the store. Smart fitting rooms can further encourage store visits as an effective means to touch and feel the product and virtually see a variety of sizes and colors on your body.

Customer engagement in the future may allow a customer to videoconference with their favorite store associate – from home.

The customer could request to see different products and even get a better understanding of size and color options based on interactions with an associate. 21% of the retailers surveyed already offer this service to their customers and another 25% plan to add it within three years.

Reimagining the future of retail

Consumer expectations have never been higher and will continue to rise. The digital world offers consumers new ways and “places” to research and shop. These digital possibilities, along with mobility, are raising consumer expectations and forcing retailers to transform and evolve to succeed.

The store of the future requires a personalized and secure customer experience across and within any channel to meet these rising expectations. Defining what you want your customer experience to be is key to successfully building your store of the future. Each retailer’s customer journey will vary by retail segment and retailers within each segment. Having the journey defined allows a retailer to build and deliver components of the journey based on business value and impact. Developing these components using modern technology and with a holistic view of the customer journey will allow retailers to adapt to continuously evolving consumer expectations.

The next few years will bring further transformation driving fundamental changes in the customer engagement model as we reimagine retail. While retail is definitely going through challenging times, the transformation is exciting with new technologies and opportunities arising to enhance the customer journey. The time is now to innovate the customer experience by reimagining your retail technology and operations.

About BRP

BRP is an innovative retail management consulting firm dedicated to providing superior service and enduring value to our clients. BRP combines its consultants' deep retail business knowledge and cross-functional capabilities to deliver superior design and implementation of strategy, technology, and process solutions. The firm's unique combination of industry focus, knowledge-based approach, and rapid, end-to-end solution deployment helps clients to achieve their business potential.

BRP's consulting services include:

Strategy
Point of Sale (POS)
CRM
Order Management
Supply Chain

Business Intelligence
Mobile POS
Unified Commerce
E-Commerce
Networks

Business Process Optimization
Payment Security
Customer Experience & Engagement
Merchandise Management
Private Equity

For more information or assistance on any of the topics covered in this white paper, please contact:

Brian Brunk, Principal
(405) 590-0542
Brian.Brunk@brpconsulting.com

Perry Kramer, SVP and Practice Lead
617-899-7543
Perry.Kramer@brpconsulting.com

David Naumann, VP of Marketing
(916) 673-7757
David.Naumann@brpconsulting.com

Ken Morris, Principal
(617) 880-9355
Ken.Morris@brpconsulting.com

Kathleen Fischer, Director of Marketing
(330) 289-3342
Kathleen.Fischer@brpconsulting.com

BRP

Atlanta | Boston | Chicago | Dallas | Denver | San Francisco

www.brpconsulting.com

©2019 BRP. All rights reserved

No part of this publication may be reproduced or transmitted in any form or for any purpose without the expressed permission of BRP. The information contained herein may be changed without prior notice.

Gold Sponsor – Diebold Nixdorf



About Diebold Nixdorf

Diebold Nixdorf, Incorporated (NYSE:DBD) is a world leader in enabling connected commerce for millions of consumers each day across the financial and retail industries. Its software-defined solutions bridge the physical and digital worlds of cash and consumer transactions conveniently, securely and efficiently. As an innovation partner for nearly all of the world's top 100 financial institutions and a majority of the top 25 global retailers, Diebold Nixdorf delivers unparalleled services and technology that are essential to evolve in an 'always on' and changing consumer landscape.

The company has a presence in more than 130 countries with approximately 23,000 employees worldwide.

Visit www.DieboldNixdorf.com for more information.