

Reinventing the Store for the Future of Retail

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December 2021

The retail industry faces remarkable changes in consumer expectations and behaviours, and digital technology has revolutionised the way retailers and shoppers interact. This transformation, which has been accelerated by the recent pandemic, transcends sectors and borders, involving in different ways retailers in segments including grocery, health and beauty, fashion and apparel, DIY, home, furniture, garden products, and consumer electronics, and in European markets such as Germany, France, Spain, Italy, and the UK.

The Store at the Centre of the Shopping Experience

Customer experience is becoming the key factor to define the success of retail operations. With interactions with the shopper occurring across different digital and physical touchpoints, the physical store becomes the focal point of the customer journey. Enhancing customer experience in store is a top challenge for 74% of retailers across sectors and 83% for grocers, for which brick-and-mortar operations play a key role.

The pandemic further highlighted the importance of the store in the shopping journey, according to 80% of fashion, apparel, and footwear retailers, a segment that has been particularly disrupted by the pandemic. The physical store is embracing new purposes in the customer journey:

- For 77% of DIY and garden retailers, and 67% of grocery retailers, the store has become a space for shoppers to experience the product and receive advice and assistance.
- For 59% of home and furnishing retailers and 59% of health and beauty retailers, the store has become a fulfilment hub for online sales.

The role of the store associate is changing in tandem with the new functions of the store to play a bigger role in customer experience and omnichannel fulfilment:

- 75% of grocery retailers consider the store associate to be more important since the pandemic for in-store customer assistance, customer service, and supporting the in-store customer journey.
- 76% of consumer electronics retailers see the store associate focusing more on omnichannel fulfilment since the pandemic, including dark-store operations, click and collect, and kerbside pickup since the pandemic.

The brick-and-mortar store is gaining centrality in retail operations, and across segments physical spaces are expanding their role in customer experience and omnichannel fulfilment.

Transforming Store Operations with Technology

Retailers are transforming their physical venues to respond to the growing importance of the store. Retailers in segments that benefited more from the shift in consumer demand caused by the pandemic have responded with greater transformation of their brick-and-mortar operations. In DIY and garden, for example, 85% of retailers have implemented changes in store layout since the pandemic, compared with 71% of retailers across all segments.

In the transformation of the physical store, since the pandemic retailers have been focusing on the adoption of solutions that enable a frictionless, safe, and efficient in-store shopping experience and greater online-offline integration:

- 91% of grocery retailers introduced in-store traffic analytics and store traffic management systems.
- 77% of fashion and apparel retailers introduced or expanded inventory intelligence and management systems.
- 60% of retailers in France introduced loss prevention solutions.

Following the pandemic, the transformation of the store required the expansion of enabling technologies including advanced analytics, IoT, RFID, and smart sensors:

- 69% of DIY and garden retailers introduced IoT, smart sensors, and RFID technology.
- 65% of retailers in Spain introduced or expanded AI, machine learning, and advanced analytics technology.
- 42% of retailers in France expanded AI, ML, advanced analytics and mobile clienteling tools to enable store associates to access customer information to improve customer experience.

In less digitally mature markets, retailers have been feeling the impact of the pandemic even more. In these markets, retailers see the store as more important than before and have been changing the store layout to accommodate new capabilities more than their peers in other countries. In Spain and Italy, for example, 82% and 80% of retailers respectively consider the store as more important, versus 62% of retailers in the UK, and 84% of retailers in Italy changed the store layout to accommodate new capabilities, versus 63% of retailers in the UK.

The Store of the Future: Smaller, Safer, More Efficient, and Hyperlocal

Retailers are facing a future in which demanding consumers engage in shopping experiences that transcend channels as we know them today. Retailers are preparing their brick-and-mortar operations accordingly, and expect the store of the future to be smaller, more efficient, and able to offer greater personalization:

- 68% of retailers in France and 62% in Germany see the store becoming smaller and more efficient in the next two years.
- 65% of fashion and apparel retailers see hyperlocal assortment as a key feature for the store in the next two years.

Ensuring a safe and frictionless in-store shopping journey will continue to be a key focus for retailers. 81% of grocery retailers consider minimizing the risk of shrinkage a top priority for store operations in the next two years. This would lead to increasing use of solutions including loss prevention, in-store traffic analytics, and management during the same period:

- 56% of grocery and consumer electronics retailers will leverage loss prevention solutions in store.
- 96% of retailers in France will harness in-store traffic analytics and store traffic management solutions.
- 58% of retailers in Italy will leverage in-store customer behaviour analytics.

Retailers see computer vision, video-based analytics cloud, and IoT as the key technologies to embrace to ensure a safe and frictionless customer journey. For example, 72% of home and furnishing retailers and 69% of general merchandise retailers will leverage computer vision and video-based analytics for customer insights, contactless, operations planning, and execution in store in the next two years, while 58% of retailers in Italy will leverage IoT, smart sensors, and RFID for applications including inventory management, contactless, and smart fitting rooms over the same period.

Preparing for the Opportunities and Challenges Ahead

Retailers will continue to operate in a challenging, fast-paced, and constantly changing trading environment that will offer enormous opportunities for forward-looking organizations that can transform their business to meet and exceed customers' expectations. In this environment, successful retailers will see the physical store as a competitive advantage and will continue to work to deliver quality customer journeys by ensuring safe, consistent, personalized, and frictionless experiences for their customers.

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