As they say in fashion, what’s old is new again. And this certainly seems to be the case for brick and mortar retail stores. Once thought to be in danger of becoming obsolete, brick and mortar stores are now viewed with newfound potential, and somewhat ironically, this is largely being driven by what was once perceived as a threat to its traditional business model: new technology. In fact, technology is providing brick and mortar retailers with innovative ways to seize strategic opportunities.

While online and mobile technologies offer consumers convenience, speed, and ease of use, brick and mortar stores have a distinct advantage—face-to-face personal interaction between the consumer and the associate in the store. Leading companies are shrinking square footage and instead allocating investment and innovation dollars toward brick and mortar business models that create a superior shopping “experience” for the consumer. Many are leveraging technology to provide outstanding customer service and increased personalization, all in an effort to make their stores more exciting, entertaining and emotionally engaging. It is, therefore, important not to overlook that the ongoing evolution within the retail industry contains a brick and mortar component, not just a virtual one. And while leading-edge technology may drive both, a winning brick and mortar strategy must also be underpinned by well-trained, friendly and knowledgeable associates that can deliver value to the consumer through unique, memorable, in-store experiences. Personal interaction offers opportunities to expand and enhance the strengths of brick and mortar to attract customers into the store, keep them engaged longer to encourage more purchases, and build customer loyalty.

“...technology is providing brick and mortar retailers with innovative ways to seize strategic opportunities.”
Finding the right fit

To successfully leverage and benefit from technology and innovation, the brick and mortar retailer must understand and clearly define who they are and who they want to be. Whether a retailer uses technology to wow its customers or to make modest changes that personalize the shopping experience should depend on and support their overall business strategy. In either case, brick and mortar stores are now able to customize and enhance the shopping experience like never before.

Delivering unique, unforgettable in-store experiences that differentiate retail formats has been dubbed by many in the industry as ‘shopper-tainment’. Some retailers may choose to define the brand through store design and distinct architectural components, such as the sleek, clean lines found at an Apple Store. Others may include product demonstrations, how-to presentations, or interactive entertainment. And still others may be technologically driven – like the whimsical coat hanger that tells shoppers how many ‘likes’ an item of clothing has on Facebook, or a virtual mirror where you can try on digital versions of in-store products, or even an intelligent, multi-sensory, self-serve coffee station that uses analytics, aroma and sound to mimic the coffee shop experience.

With technology continuing to advance at warp speed, novel approaches seem limited only by the imagination. And many brick and mortar stores have already let their creativity take hold. The following highlights just a few examples of innovative trends within the brick and mortar retail space.

Shopping the endless aisle
Since brick and mortar stores cannot possibly stock every product in their company’s inventory, the endless aisle concept makes it seem like they can. Using an online kiosk or a hot link phone line to a central call center, the store has the ability to facilitate the sale of an item not physically present in the store. For brick and mortar stores, this is critically important as you can no longer offer just a subset of your inventory based on what is physically available in stock but need to provide a much broader selection. The key differentiator will be to use superior customer service to close the sale before the customer walks out of the store or changes his mind because the item is not physically in stock. As retailers look to shrink their footprint to save real estate costs, the endless aisle provides a viable, cost effective and customer-centric alternative.

Deploying the multi-functional kiosk
Kiosks are already deployed in many brick and mortar stores and provide a whole range of information and services. In addition to allowing customers to browse and make product purchases, they can also provide product or store information, access promotional coupons, pay bills, and a variety of other tasks designed to increase customer convenience. Newer kiosk applications also allow customers to find the exact location of the product they are looking for without the assistance of a customer service associate. If the product is out of stock, customers can purchase the product and have it shipped to their homes, resulting in instant satisfaction.

When it comes to big footprint items, such as a refrigerator, full-size kiosks or screens can provide virtual models that allow consumers to browse and compare the different product options available to purchase. This allows stores to limit their display square footage and reap immediate savings. In product categories where the product is large, requires long lead times or is highly customizable, retailers can cater to customer preference while also saving money and decrease floor space by not having to display or warehouse the item before it is sold. Similar to the endless aisle concept, this virtually transforms the way retailers manage inventory.

Providing 24/7 touch screen access
With touch screens becoming a familiar way of life, it’s no wonder the technology is gaining significant traction in retail stores. High-end retailer Marks & Spencer is a good example. The company recently implemented two touch screen order points and two fixed iPads in its Paris store to make it easier for customers to shop for its complete line of products. To ensure a superior customer experience, the store has dedicated customer assistants on hand to help customers place orders directly, which will be then be delivered to their address.

Other retailers, such as Macy’s and HSN, have deployed big, interactive touch screens in their storefront windows, providing a way to inform and interact with customers during and after store hours. This allows customers to get information, browse through products, and even place orders through the touch screen at any time of day. Similar to online strategies, this cost-effective approach allows consumers to purchase items round the clock.

Adidas takes it one step further in its Nürnberg NEO Store, which deploys an interactive digital window concept that connects with consumers’ smart phones making it magically easy to shop at any time without an app or scanning various QR codes. The new storefront window is a fully functioning virtual store with life-size products. The intuitive interface of the touch-screen window lets shoppers explore and drag life-size products they are interested in directly into their smart phone for easy and convenient purchase. Shoppers can also interact with a life-size digital model showcasing NEO’s fashion
range in a fun and engaging way. By touching hotspots on the window, the shopper can make the mannequin show product details and interact with the product.

**Personalizing the fitting room**

Industry statistics show that a consumer’s propensity to make a purchase goes up dramatically after trying something on in the fitting room. Therefore, retailers want to do whatever they can to make the “try on” session successful so that the customer is more likely to purchase merchandise. Many retailers are seizing the opportunity to use technology to tailor the fitting room experience. Thanks to RFID smart tags, retailers are able to play music in the fitting room that matches the style and feel of the clothing a customer is trying, or the songs of celebrities associated with the product. For example, a consumer trying on jeans sponsored by a particular pop star would trigger the singer’s music to play in the fitting room. The Gap, Burberry and Nordstrom are experimenting with tablets mounted in fitting rooms that communicate directly with a store associate so that customers can request a different size or color without having to leave the fitting room. The idea is to deeply engage the consumer with the merchandise in an effort to persuade them to make the purchase.

**Engaging with entertainment**

In addition to technology-driven innovations, brick and mortar stores are also deploying innovative ideas driven by strategic or marketing considerations to create a fun and entertaining shopping environment. The type of “entertainment” may vary, but the goal is essentially the same: to capture the attention of busy consumers in a crowded marketplace and create a unique and memorable shopping experience.

Toy retailer, Build-A-Bear Workshops, has been successful deploying such a strategy. The company offers an interactive make-your-own stuffed animal retail-entertainment experience, complete with added sound and smell options, and a personalized stuffed animal birth certificate. The customer service associates cheerfully interact and engage with the children to create a one-of-a-kind experience, which can further be enhanced online with the company’s virtual world web site, in which the stuffed animal has a virtual presence.

Another good example is Nebraska-based Cabela, Inc., which has created a destination shopping experience that ranks among the top tourist attractions in Kansas and Minnesota. As a retailer specializing in fishing, hunting and other outdoor recreation merchandise, Cabela stores bring the outdoor lifestyle indoors: visitors can enjoy museum-quality wildlife displays, large in-store aquariums, dioramas, horse corrals and even practice archery.

These examples provide just a small sampling of how customer-focused technology is helping brick and mortar retailers secure relevance, protect and increase market share, and grow profits. However, this is new terrain for many and each must determine which innovations suit their business.
The most successful retailers will effectively deploy an omnichannel strategy, where the entire customer experience, brick and mortar, online shopping and all digital touch points, is seamlessly integrated. Managing change of this scale and complexity will not be easy, inexpensive or quick. There are many factors to consider and many challenges to overcome, such as recruiting and retaining quality talent, deploying the appropriate technology, maintaining optimal inventory and effectively managing the supply chain, integrating data across channels, forming strategic alliances and ensuring buy-in from internal stakeholders across the business.

**Talent** – Because the brick and mortar transformation revolves around providing superior customer service and personalization, it is critically important to train employees to operate in this new environment. Retailers also need to consider the incentives and compensation packages they offer sales associates to ensure they reflect and support their omnichannel business model.

**Technology** – Retailers need to acquire an understanding of new and emerging technology innovations and determine what opportunities and threats they may pose to their business. Tablets, smartphones, WiFi, augmented reality, apps, video, virtual catalogs, smart tags are now mainstream, but the list is long, varied, and growing every day. One common reason new technologies fail to fulfill expectations is that management did not fully think through how best to integrate them into the business. The success of many of these initiatives will not be determined by glamorous technology or software, but by the robustness and efficiency of the process that ensures the consumer is not only satisfied, but delighted with their purchase.

**Inventory and supply chain** – Critical to success, a shared view of inventory across all of the retailer’s channels must exist to ensure a seamless experience for the customer. Retailers also must review their supply chain processes to make certain they are appropriately equipped to handle potential demand fluctuations or fulfill order requests as consumer delivery expectations become increasingly challenging.

**Big Data** – From leveraging loyalty card information to tracking customer buying behavior, retailers today have an often overwhelming amount of data available to them. Successful retailers have the ability to manage, interpret and take action based on their data, and can report on critical KPI’s and metrics. Collecting and leveraging customers information to provide personalized recommendations is an integral component of future success. As in the online world, data gathering and analytics will play a key role in evolving brick and mortar business models. Progress in this area varies greatly - some retailers already have sophisticated processes in place, while others need to replace or rebuild their infrastructure to adapt to new customer-centric technology.

**Alliances** – Strategic partnerships and alliances will continue to grow in popularity as retailers seek to further enhance the customer experience. Current examples include Apple joining forces with Wal-mart and Best Buy; the ability to buy Amazon Kindle at Radio Shack; Target aligning with various fashion designers to promote and sell products; offering Starbucks while shopping for books at Barnes & Noble. Alliances between online retailers and retailers, brands and retailers, technology suppliers and retailers, celebrities and retailers, and retailers in different categories to complement marketing strategies offer many opportunities. Making the right strategic alliances is vital for retailers and brands that look to engage more deeply with customers.

**Stakeholder collaboration** – Getting buy in across business functions is critical to achieve transformational success. Whether the retailer is looking to be an early adopter of new technology or the marketing department develops creative concepts to pursue, a collaborative approach with all departments on board is necessary to achieve a successful outcome. As with any business transformation, there are inherent risks that will need to be managed. For brick and mortar retailers seeking to evolve their business strategies, some of these may include the potential to disappoint customers and lose sales through supply chain failures, lack of inventory control, technology glitches or breakdowns, inadequate employee training, or misinterpreting core customer segments by being too quick or slow to adopt new technology. While navigating the complexities of this rapidly changing, technology-driven retail landscape can seem overwhelming, proper planning, training and execution will help brick and mortar retailers move forward and create their own competitive differentiation. In 21st century retail, information, innovations and ideas can flow around the globe in an instant. The best retailers and brands have a deep, broad understanding their hour of technology so they can capitalize as well as defend.

For more information on this topic, please contact:

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Background
Bolette has more than 23 years experience in IT. She has been on the executive teams of very large outsourcing arrangements as a partner responsible for managing Governance, Program Office Functions, major Web sites, and Customer Relationship Management (CRM) projects on multiyear deals. She has a strong background in outsourcing, project and program management, process improvement, business transformation, IT strategy, and custom software development, implementation and maintenance.

Professional and Industry Experience
Bolette is a proven IT Leader who has been driving management outcomes for a portfolio of clients across Telecom, Retail and Consumer Goods. Bolette has managed very large and geographically dispersed organizations. Bolette is a recognized expert on web self service, who has been driving web adoption and new online initiatives for clients. She has broad experience in delivery and program office leadership roles including set-up, run and transformation projects. Bolette has a strong foundation of structured, methodology-based delivery, emphasizing repeatable processes, phase containment and cost management; she has extensive outsourcing and off-shoring experience, including third party contractor- and vendor management experience, and she has global experience including long-term on-site assignments in India and Australia.

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Background
Wayne is a Director in KPMG’s Advisory Services practice with over 25 years of management advisory and business experience. He has a unique background combining 25 years in retail consulting services, and extensive retail industry experience. Wayne’s current and past clients include leading retail companies most recently working globally to solve business issues and provide retail acumen and subject matter expertise.

Professional and Industry Experience
Wayne combines deep retail knowledge and experience leading diverse client engagements consistently demonstrating a proven track record of driving shareholder value, top-line growth, and profitability. Wayne provides strong retail experience and business acumen coupled with extensive knowledge of IT packages, tools, and capabilities enabling a conduit between the Business and IT. This leads to accelerated execution of strategies and initiatives resulting in faster benefits realization. Wayne has focused on developing end-to-end business processes within the areas of Retail Merchandising, Business Effectiveness, Advertising and Pricing Effectiveness, Local Market Assortments, Supply Chain, Inventory Management, Store Operations, Software Selections, and Multi-Channel initiatives. Wayne continually develops thought leadership around retail and takes an iterative approach to creating retail leading practices and processes.
The Retail Insight Center, launched by the National Retail Federation Foundation and KPMG, is a one-stop-shop for data and insights into retail industry trends, from sales, employment, and consumer spending, to the popularity of smartphones and tablets. Users can explore the Insight Center and build a customizable analytic report or find data specific to their research needs, such as up-to-date and historical consumer trend information and key government indicators.

Visit the Retail Insight Center:

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