

RETAIL

We are in the middle of experience wars

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The formula for having a successful physical retail is a billion-dollar question. The answer is in the workings of on-demand economy.

In demand-driven markets, service is the key competitive advantage.

When there is an abundance of options to choose from and an abundance of information about these options, we will gravitate towards retailers that put a thoughtful, empathetic and intuitive consumer relationship first.

Herd mentality

In the United Kingdom, Sephora's stores did the simplest thing of all: **they offered black and red shopping baskets** to allow its customers to signal whether they prefer to be left alone when browsing or if they would welcome sales associates' help.

In contrast to this display of empathy and simplicity, there are **Museums of Ice Cream, 29 Rooms** and **Glossier using fried chicken to sell makeup**. It is becoming increasingly hard to find a store where consumers can go with a sole purpose of buying something.

We are in the middle of experience wars.

The appeal of experiential retail is understandable. It promises sensory, tangible, selfie-friendly context to customers who are not buying for themselves, but for their social media feeds.

But today there are too many retail experiences and they are all alike.

As the experiential retail landscape matures, consumer fatigue and market saturation are forcing retailers to explore how having a physical store ladders up to their brand and business objectives and actions.

The confusion is as undeniable as it is understandable.

One the one hand, having a physical store speeds growth, offers customer convenience, and revitalizes neighborhoods.

Physical stores are a cheaper way to acquire customers than Google and Facebook ads. Ninety percent of all purchases still happen in physical stores, and 73 percent of Gen Z prefers to browse in real life, [according to Kearney](#).

Fifty-five percent of Gen Z cite store associates as sources of inspiration for purchases.

On the other hand, there are retail bankruptcies and store closures.

In 2019, retailers in the United States announced a record 9,271 stores to close.

This contradiction reveals the changing role of physical retail, and offers an opportunity to test new business approaches and models.

The springboard in this process is the question of what is the role of physical retail and how is this role different from before.

Role models

Prior to the Internet, the main job of physical stores was to be product distribution and sales channel.

Today, physical stores succeed because their role is defined in relation to the overall brand and business strategy and in terms of "jobs to be done" for a retailer's audience.

In retrospect, they adopted one or more approaches below.

Introduce a new product. The single-product strategy is successfully applied when an established or multi-category retail brand ventures into a new product line or category. This approach has been adopted by Dirty Lemon in its Tribeca Drug Store or Heatonist in Williamsburg.

The Louis Vuitton Virgil Abloh menswear pop-up this summer similarly celebrated Mr. Abloh's Fall 2019 collection for the brand, and featured limited-edition range of day-glow accessories designed exclusively for Chicago.

To announce the launch of its new scent, Byerdo opened a camping pop-up that brought the scents of countryside to the center of Paris.

Enter a new market. Pioneered by Bonobos some years ago, the approach links online audience demand and sales data with merchandizing, and tests demand in the limited-time, cost-effective way.

Recently, this strategy has been adopted by Lord & Taylor to re-enter New York, opening a limited-time pop-up in SoHo a year after closing its Fifth Avenue flagship.

Showcase a collaboration. Currently one of the most common pop-up formats, it was perfectly captured by Supreme and Louis Vuitton celebrating their "ultimate fashion partnership" with a series of eight pop-ups across New York, London, Los Angeles, Miami, Paris, Seoul, Beijing, Sydney and Tokyo.

Hodinkee similarly partnered with Omega to launch a 10-day pop-up store in SoHo, featuring Omega's Speedmaster and Seamaster collections, all available for in-store purchase.

Venture a bit further, and there are a number of food and fashion pop-ups, such as Heineken's collaboration with A Bathing Ape that included T-shirts, outerwear and matching beer carriers, all sold at Japanese restaurant Izakaya in New York's East Village.

Uniqlo collaborated with eight Japanese ramen shops, including Ippudo, for a T-shirt line.

Demonstrate a company's values. Values of sustainability and transparency are strong brand positioning tools. Physical stores are their tangible expressions.

Patagonia opened its Worn Wear pop-up store in Boulder, CO, featuring "gently worn" apparel and a new upcycled product line.

In New York, bedding brand Parachute and apparel brand Cuyana teamed up for a pop-up based on mutual admiration and shared values of quality and customer-centrism.

Offer a service. Local retail is going through a renaissance. Blame the millennials, as for everything else. Their declining car ownership means there is desire for greater convenience within walking distance of their homes.

Nordstrom Local has already pounced on this trend, and opened stores that offer services such as alterations and tailoring, pick-up in-store options, returns and style consulting.

Especially in grocery shopping, there has been an increase in smaller, more decentralized stores revolving around personalization, feature hyper-focused inventory, and aim to increase brand awareness and loyalty.

Looking ahead

This strategic territory reveals three key takeaways for the future of retail:

Define the role of retail. The first step in having a successful retail strategy is to define what business, brand and audience objectives it is working towards. Every single retail action then needs to convey this.

Casper defines itself as a sleep management company that rooted its growth in the premise that customers do not need more mattress choices they need better ways to sleep.

The company opened sleeping pods in its stores, and is hosting meditation sessions and regular speaker series revolving around the importance of sleep.

Casper also offers a number of auxiliary products and services: CBD gummies, bedtime stories, bedding, pillows and Glow, a cordless bedside light designed to expedite falling asleep.

Define the ABC of your story. A perfect story resides at the intersection of: A) audience passions and interests, B) brand values and purpose, and C) cultural mood.

Muji rooted its narrative into Japanese lifestyle, and as this lifestyle evolved and changed, so did the Muji stores and its offerings: stores started dubbing as libraries, tea rooms, restaurants, public places and, most recently, there is a Muji hotel to reflect the growing mobility of the Japanese.

Connect it with everything else that you are doing. Omnichannel is hard, mostly because it requires a single customer point of view and a centralized data bank.

More often than not, a standardized system for evaluating disparate data points along the customer journey is missing.

The customer journey itself also often still serves as a narrative, rather than a path of attribution. The data that is measured needs to evolve as well to include not just sales data, but all points of the customer journey, such as store visits, online sales, and volume and sentiment of social media mentions.

Instead of silos, retail touch points need to be thought of as a network, where each touch point influences and drives revenue for others.

For this to happen, physical retail needs to move from the periphery of the business and the organization to its center.

For many retailers, stores went from being a one-dimensional, isolated, sales channel to being one-dimensional PR channels.

Omnichannel requires a radical rethink of the purpose of the store in the customer shopping journey and the right organizational model and cost structure to support it.

In traditional retail, core value unit is a product purchase. This activity maps closely to how retail business is monetized: to drive sales, retailers open more stores and increase inventory.

In modern retail, the core value unit is not a product purchase. It is service, either in the form of the intuitive and empathetic store layout and customer experience, seamless and quick purchase funnel, VIP membership program, personalization, content, styling and 24/7 customer service, community or expert curation.

In the age of experiential retail and technology, human-centered service still matters most.

THE FUTURE OF physical retail is in its past: in the intimate, local, one-on-one human connections responsible for building enduring relationships in the first place.

Museums of ice cream and the like often miss the mark because they put their *store* experience, not their *customer* experience at the center of their retail.

In contrast, brands that put their customers first, and actively combine the best of direct-to-consumer practices with the best of traditional retail and hospitality will win.

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