



How to reconnect with consumers on the high street



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Experience-led DTC retail concepts will incentivize consumers to return to the high street post-pandemic, providing brands with the physical connections they need to emerge stronger

COVID-19 has accelerated the high street revolution exponentially. In 2020 the entire retail industry, already facing massive disruption, was instantly impacted by government stay-at-home orders everywhere. The UK alone saw a 35% YoY increase in ecommerce sales in 2020¹ and 15,000 permanent store closures.² It's estimated the pandemic advanced the growth of ecommerce by five years. These trends are expected to

continue, with 55% of consumers planning to shop more digitally in the future and similar scenes being replicated on high streets across the globe - stores that simply stock and sell products will continue to close in the face of far more convenient, socially distanced online shopping.³

For brands and retailers to encourage consumers back to typically higher-margin physical channels, they must gain a clearer understanding of what makes in-store shopping compelling. A recent study suggested that 40% of consumers are seeking more creative, in-person, physical experiences that ecommerce simply cannot offer.⁴ Clearly, consumers will continue to crave the kinds of retail experiences that are only possible in physical stores. And post-pandemic, experience-led stores will be the primary reason consumers return to the high street.

Traditional CPG-customer relationships can no longer cater to the tailored and immersive experiences consumers are demanding. Retailers lack the brand expertise, motivation and capacity required to personalize consumer brand engagement. To truly take advantage of the opportunities ahead and re-engage with consumers, brands must differentiate themselves with bold new strategies fit for the physical world.

A physical direct-to-consumer (D2C) strategy

DTC strategies offer brands access to the entire consumer journey – enabling ownership of everything from product pricing to consumer data. Physical DTC locations take this one step further by enabling brands to independently tailor real-world experiences for their consumers.

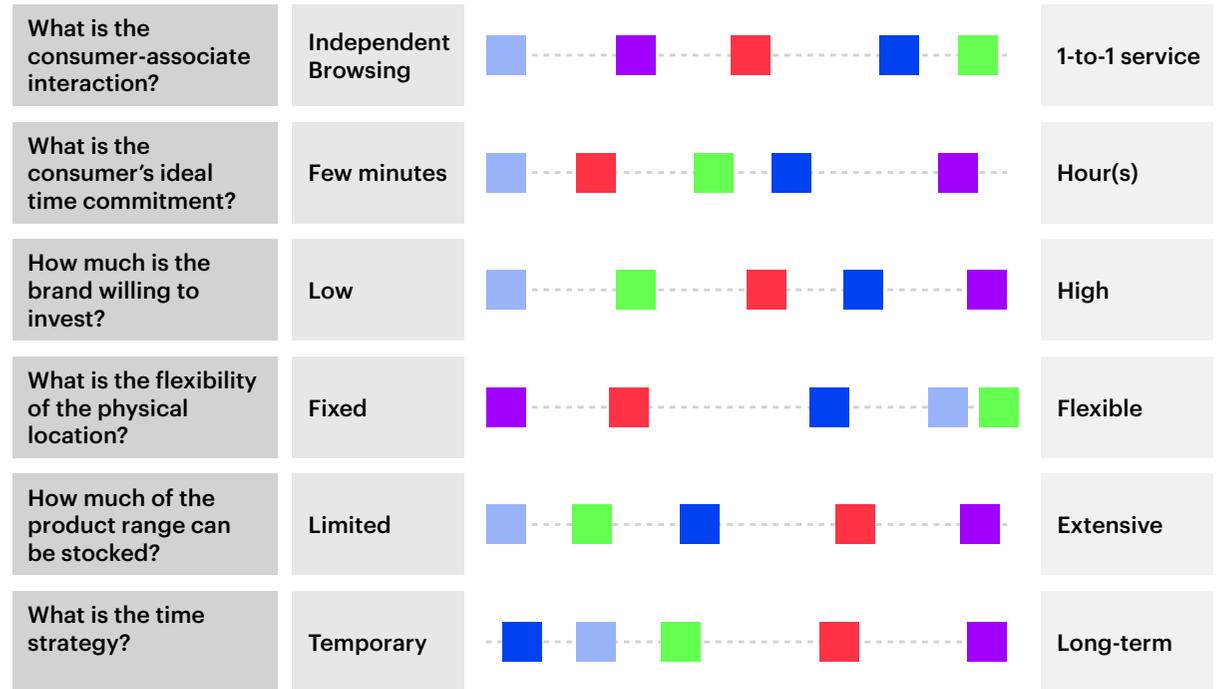
Digital-native brands, such as Allbirds and Warby Parker, have already tapped into the benefits of personal consumer connections by opening physical locations. Online mattress company Casper now has more than 60 stores in North America including “The Dreamery” in New York, an innovative concept store featuring a nap bar where consumers pay for 45-minute naps.⁵ For brands not interested in operating an independent store, there has been an influx of new department stores. Neighborhood Goods and Showfields are centered around experiences and provide a space for DTC brands to connect with consumers in the real-world. These strategies are paying off. Brands operating tailored physical experiences are seeing a decrease in returns and more repeat purchases than their digital-only competitors.⁶ And with rent for retail spaces falling, now is the time for brands to explore this clear opportunity.⁷



Innovative business models with a clear purpose

Brands must be ultra-clear on the purpose of their physical location to realize its true value. What is the intended experience? Who is it serving? What is the consumer value? The purpose will be dependent on factors such as brand category and brand strength. The playful and fun experience for a confectionary brand may look rather different to the more educational, intimate and personal experience for big ticket consumer electronics. Both are ultimately serving to drive new forms of brand-consumer connection. Brands must be innovative and reimagine traditional retail concepts. There are a variety of new and established physical concepts to explore, from flagship, store-in-store, pop-up, mobile store, or vending machine. The framework (Figure 1) distinguishes between each concept's characteristics, and we have highlighted some of the most innovative use-cases out in the market today.

Figure 1:





Flagship

Flagship stores were once big, busy, and largely intended to shift volumes. Today, brands are building engaging flagship spaces to inspire and educate consumers. Johnnie Walker's flagship store in Madrid offers cocktail making classes and a tasting table where consumers can explore the flavors that constitute the famous scotch.⁸ The company plans to open a bigger flagship store in Edinburgh this year where tourists can immerse themselves in the 200-year-old Scottish brand's history and heritage.⁹ Dyson connects with consumers at its Demo flagship stores by offering appointments and allowing product trials – consumers can even have their hair styled and dried with the brand's Supersonic hairdryer. These experiences are ideal marketing tools since they have a profound impact on a brand's consumers. The experiences increase brand loyalty and equity, ultimately driving sales for other channels.¹⁰

Shop-in-shop

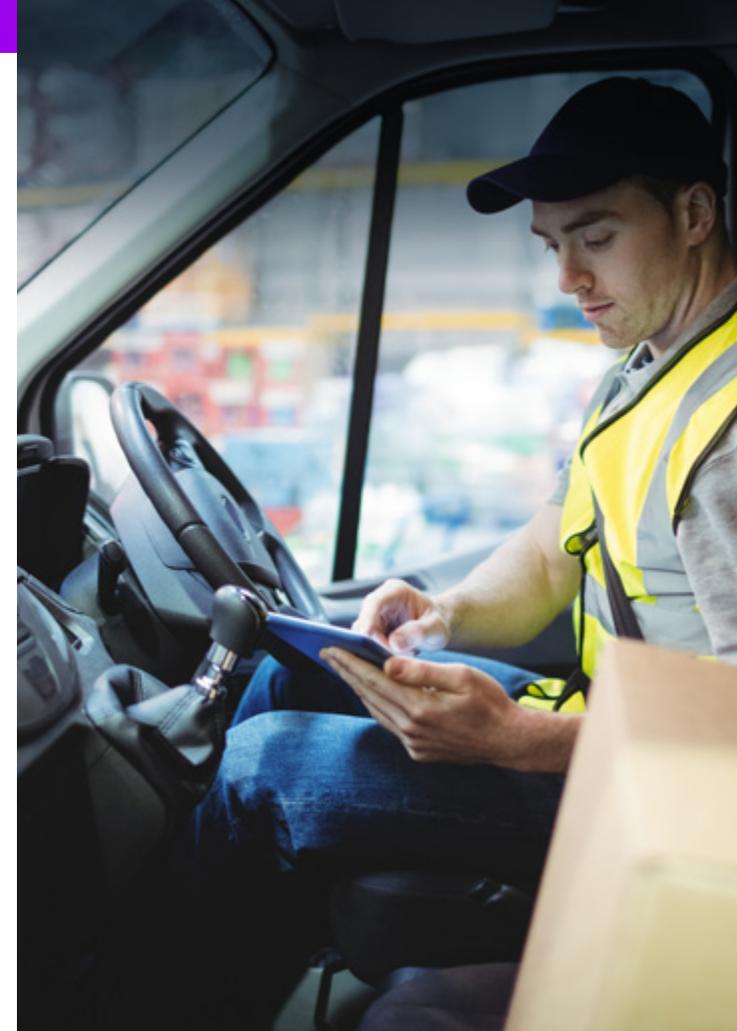
The shop-in-shop model is a win for both retailers and brands, increasing the former's footfall and reducing costs, while providing the latter with a space to completely control operations and consumer engagement. Such partnerships have typically been between brands in the same sector, for example Samsung and Best Buy. However, brands should be creative and carefully evaluate the consumer journey to choose suitable partners - the Costa coffee and Next partnership is effective because consumers enjoy coffee breaks during shopping trips. Department stores are heavily investing in shop-in-shop, evidence that such partnerships have a healthy future. For example, Target recently partnered with Apple, and Nordstrom has ongoing collaborations with various brands.

■ Pop-up

A pop-up store is the ideal format for specific, temporary brand objectives, such as a marketing campaign or new product education. The temporary location allows brands to be flexible and experiment frequently. The IQOS Director of Marketing says the brand's heated tobacco products require a lot of explanation, and pop-up stores serve that purpose perfectly.¹¹ The concept is especially lucrative for digital-native brands that want to flexibly trial physical operations at a low cost – companies such as Birchbox continue to use pop-ups as part of its brand and growth strategy. Retail start-ups such as Sook are pushing the boundaries by allowing brands to rent pop-up locations by the hour, offering hyper-flexibility. Brands can use the rental spaces to host events or offer appointments, helping build on the consumer relationship.

■ Mobile store

Mobile stores have evolved beyond festival food trucks. They are now a flexible and innovative way for brands to serve consumers, enabling a fluid location strategy so the brand is always in the right place, at the right time. IKEA trialed this concept with two showroom trucks in Mumbai. Consumers could book appointments and receive one-to-one advice from experts, facilitating an intimate connection between the brand and its consumers. The future of driverless vehicles exponentially increases the possibilities for this concept - start-up Robomart is currently trialing its driverless, mobile grocery store in California and Moby Mart is trialing a driverless convenient store in Shanghai.





Vending Machine

The vending machine is a well-established and efficient business model for items such as confectionary and beverages. However, with the evolution of 3D printing and other technologies they are now being transformed into experiential machines. Oreo trialed a vending machine concept at South by Southwest where attendees could customize their cookies.¹² Start-up Popcom makes smart vending machine software that enables brands to offer engaging experiences via a touchscreen, while capturing data such as dwell-time and conversion. The touchscreen model enables brands to recognize the consumer by asking them to sign in or scan their loyalty card, making the machine a digital touchpoint that connects the consumer to the brand's ecosystem. Brands can then personalize the content on-screen and monetize the space through digital ads.

Explore “the art of the possible”

These five retail concepts continue to evolve as brands increasingly adopt experience-led DTC strategies. Brands must explore what’s possible within each concept and identify the best experience for their consumers. Approaches must be iterative and remain flexible in the face of market change and disruption. Adoption of any of these concepts must also be complemented by a comprehensive, multi-channel approach in order to minimize sales cannibalization and generate value for other channels.

In a post-COVID world where many tens of thousands of retailers may potentially have been shuttered, this approach helps brands differentiate themselves and explore new growth channels. A physical direct-to-consumer strategy with a clear purpose and tailored retail concept will set these brands apart in the eyes of consumers, ultimately maximizing ROI in the long-term.

Contact us



Karan Shah

karan.b.shah@accenture.com

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