END of the LOCAL TELECOM STORE?

NOT SO FAST...

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TELECOM RETAIL STORES
HAVE BEEN THE MAINSTAY
OF COMPANY GROWTH FOR
YEARS, ACCOUNTING FOR
A SIGNIFICANT PORTION OF
WIRELESS HARDWARE SALES.
HISTORICALLY, THEY'VE DRIVEN
MORE CONSUMER WIRELESS
ACQUISITION AND RENEWALS
THAN ANY OTHER CHANNEL.

BUT THAT WAS
YESTERDAY.

The market is changing drastically. Customers now demand tailored experiences across the board. Stores can no longer function as islands, but must be better connected with all other channels a communication services provider (CSP) offers. The one-size-fits-all store approach is yesterday's news.

Success for telecom retail stores no longer equates to delivering the highest sales. Rather, store footprints should vary according to consumer need and what customers seek to accomplish. Some may need to be experiential showplaces, offering consumers the latest products and experiences, even those not associated with the brand. Others may be better suited as small focused kiosks, where customers can only pick up or drop off a device. Still others may simply be self-service outlets, used to pay bills and buy accessories. And some will need to offer the best of all of these worlds.

SUCCESS FOR TELECOM RETAIL STORES NO LONGER EQUATES TO DELIVERING THE HIGHEST SALES.

Rather than being the primary sales outlet, telecom stores now need to be part of a seamless network of customer channels, each underpinned by digital technology. All drive toward a better customer experience and ultimately, a sale. But no one store stands on its own.

Telecom stores have a future, but only if it is a completely reimagined one. By rethinking store format and strategy—reducing cost and increasing interactivity—we have seen companies reduce store costs by as much as 35 percent.[1]

RETHINKING CATCHMENT

A catchment area is the locale from which a store pulls most of its shoppers. Historically, getting catchment right meant placing a number of stores in the right geographic locations to draw in consumers, in an attempt to maximize retail sales at each store.

In today's digital- and experience-focused world, CSPs need to rethink their store placement to maximize overall versus individual store sales. CSPs could learn from innovators in other industries. For instance, grocery and merchandise retailer Tesco chooses from multiple retail formats based on catchment profile and shopper needs, with stores ranging from Superstore to Express.[2] For CSPs to meet a diverse set of customer needs, similar multiple formats—suited to a locale's specific needs—are necessary.

Rather than creating a mass of undifferentiated stores, CSPs need to decide on a set of store formats that work together for the modern customer.

SAMPLE STORE FORMATS

FULL SERVICE
This store handles all support services and transactions, with a broad range of SKUs.

EXPERIENTIAL SHOWROOM
This large-format location offers customers the opportunity to experience products, particularly new lines or unrelated products that provide an experience. The showroom promotes brand awareness and marketing.

EXPRESS STORE
Focused only on a customer's most critical needs, this is a smaller store with SKUs customized to local clientele.

KIOSK
A self-service format focused on low-touch convenience, the kiosk provides accessories and quick transactions.

FLASH RETAIL
This format offers test-and-learn opportunities and is designed to drive brand awareness and customer engagement.

POP-IN
This format allows a CSP to inexpensively test local market traffic and conversion potential prior to a larger investment. It also can be used to battle competitors who are saturating a market at any given time.

Because of the digital/physical retail blur, customers may not always buy in-store. But, they might want to see and touch the latest devices or technology a CSP offers, buying online later. An experiential showplace store would satisfy that need. For the customer who just needs a quick fix for a phone—an entirely different set of needs—a quick in-and-out store, focusing primarily on speed and convenience, is a better fit. CSPs must use analytics to determine the types of stores best suited for their customers, and build a network of differentiated stores based on those needs.

Retail stores no longer need to drive a CSP's business model. Rather, they need to enable it. If a customer experiments in store but buys online, that is still a win. One in four customers use the store as a means of evaluating products, while six in 10 use it to ask for advice.[3]

This scenario requires CSPs to rethink how they evaluate the success of a store—no longer will the raw sales versus footprint equation work. A showplace needs to drive brand loyalty and entice new customers. It may not log significant in-store sales, but it could contribute greatly to enhancing the CSP's brand. **In today's environment, CSPs need to look more broadly at how a network of local stores, with different formats, drive overall sales and brand loyalty.**

NO MORE TYRANNY OF THE "**WHERE**"

Customers now want a seamless experience across channels. When switching channels, three out of four customers expect to pick up where they left off—not having to re-enter information or re-inform a customer service representative of their issue.[4] It does not matter whether they are in-store or online—they want to be "known" in the same way. In a retail-enabled business model, consumers can do just that. In a world where seven out of 10 customers who start in a retail store close in a different channel, getting the physical/digital mix right is essential.[5]

SEVEN OUT OF 10 CUSTOMERS WHO START IN A RETAIL STORE CLOSE IN A DIFFERENT CHANNEL. GETTING THE PHYSICAL/DIGITAL MIX RIGHT IS ESSENTIAL.

Again, CSPs can learn from their retail and consumer goods counterparts. Nespresso has built a strong brand and impressive sales with 6,000+ "coffee specialists" spread throughout an international retail network of over 450 exclusive boutiques, a 24/7 online boutique and a global network of customer relationship centers staffed with on-call Nespresso coffee specialists.[6] The Nespresso Cube, the company's latest retail concept, is an automated boutique where customers can order and pick up speedily, thanks to a robotized order-picking system.

When CSPs merge their digital and physical worlds, they also create a more flexible workforce. A Nespresso coffee specialist could work in a store, via the online platform or in a call center. And theoretically, most could be moved per fluctuations in demand among the platforms. As customer needs shift, having the agility to shift workers accordingly becomes key.

Whether from the customer or employee vantage point, "where" a purchase occurs becomes less and less important as the physical and digital worlds meld into an integrated, seamless network of channels.

SEPHORA
EXPERIMENTS WITH NEW STORE FORMATS

Sephora has experienced success with its traditional store format, despite so many companies struggling in the brick-and-mortar space. But, the company is proactively switching up its stores to keep up with its customers. The Sephora Flash in Paris spans the gap between digital and in-store shopping.[7] It is a quarter of the size of a traditional Sephora store, filled with digital technology meant to make shopping easier. A robot greets customers at the door, giving them a card that serves as a virtual shopping basket so they can combine online and in-store purchases, paying for everything at one time before they leave the store.

In a more recent experiment with the Sephora Studio in Boston, the company has created a more intimate boutique atmosphere, nestled in a neighborhood setting. The Studio has no cash registers, since staff members can process payments digitally, on their phones. At makeup stations, beauty advisers can email a client a list of all products used, along with a photo. "The goal of the Studio is to foster personal connections between our clients and our beauty advisers," said Mary Beth Laughton, Sephora's Senior Vice President of Digital. "But we're using technology to ease that relationship building. We're not interested in using technology for technology's sake."[8]

THE FUNDS FOR CHANGE ARE ALREADY IN-HOUSE

Many CSPs angst over where the funds for investment in a new format will come from. But, most companies don't need to look too far. Rationalizing their existing retail portfolio—downsizing formats as necessary and closing outdated retail outlets—frees dollars to invest in a more integrated digital/physical model. Also, digitally enabled stores are vastly more efficient than traditional ones, freeing up funds to reinvest for the future.

Accenture Strategy worked with a CSP to change the way it evaluated its stores. The company was able to streamline and close 20 percent of its portfolio without negatively impacting sales. Moving from the outdated sales per square foot measurement, updating with a model that showed it which stores were truly profitable, allowed the company to evaluate its physical footprint to be better suited for the digital age.

A FOOTPRINT
WITH OOMPH

The telecom industry shows no sign of slowing competitively. As nimble digital competitors turn up the heat—targeting new store openings in the hundreds and thousands annually—established CSPs need to find a way to reinvigorate their store footprint. Moving to a retail-enabled model is key to moving successfully into the future. As customers move constantly between the physical and digital worlds, the reimagined CSP store handles the flux with effortless agility.

To get to that point, CSPs should consider a few first steps:

DETERMINE THE DIGITAL/PHYSICAL MIX THAT WORKS FOR CUSTOMERS

In-store interactions and transactions are no longer as simple as they were, given the digital channels available to customers. Using analytics to determine the right mix of in-store versus digital options is key to mastering catchment. Analytically refining store placement is the wave of the future.
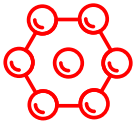
SILO-BUST ACROSS CHANNELS

The modern CSP will redesign its channels based upon the desired customer experience. One channel should be able to pick up where another left off, supporting the customer journey.

REDEFINE THE "SUCCESSFUL" STORE

Sales per square foot is no longer the measuring stick for store success. Rather, CSPs will need to evaluate how well each store format is meeting its designed purpose—whether that means enabling digital sales, introducing new products or just being a stellar brand ambassador.

INCENT THE RIGHT PEOPLE, AT THE RIGHT LEVEL, IN THE RIGHT PLACES

Redefining a successful store means redefining compensation strategies for retail staff. CSPs need to leave the static staffing model behind, creating one that works for an adaptive, on-demand workforce.

The reimagined CSP store can still be at the heart of the business. It just may not be the same store in every location. Rather, it will be designed to function within a retail network based on the science of data analytics and the art of a tailored customer experience.

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NOTES

[1] Accenture Strategy insight based on client experience.

[2] Kester Eddy, "Tesco: Multi-channel is key," *Financial Times*, November 7, 2013.

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[6] "Unique Business Model and Route to Market," Nestlé Nespresso SA, Corporate Communications, May 2016.

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[8] Elizabeth Segran, "Sephora Is Experimenting With A Boutique Format To Prepare For The Retail Apocalypse," *Fast Company*, July 20, 2017.

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