
THE RETAIL DESIGN GAME IS CHANGING

RED DESIGN GROUP
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ARE YOU ON THE WAVE?

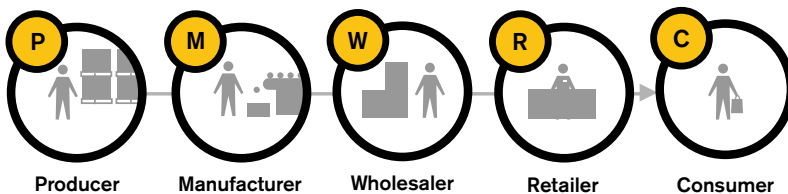
There is a major game change under way in retail as we know it – and all of us – including designers – need to get to grips with some of the underlying reasons.

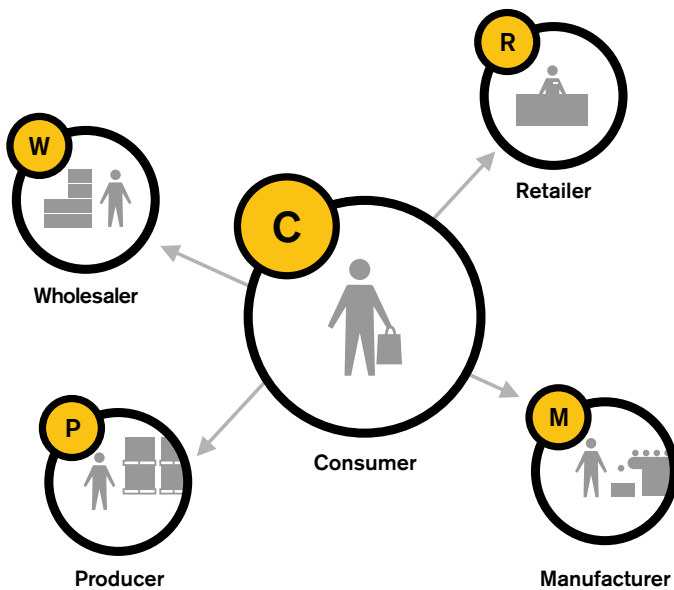
In the past it was little easier to write an article about store design trends – if you stuck to new concepts, look and feel, innovative format, colour palettes or technology. However, when retailing is undergoing such a fundamental transformation, designers need to look beyond store aesthetics.

I believe there are a number of trends – better described as waves – at play. The scary thought is that – much like in the ocean – waves can combine to form a tsunami given the right conditions.

THE OMNI SHOPPER WAVE

Far more powerful than the concept of multichannel which a store-centric view of life, is the Omni Shopper who has wrestled the power away from producers, manufacturers, wholesalers and retailers – effectively spelling the eventual death of the Supply Chain as we have come to know it.



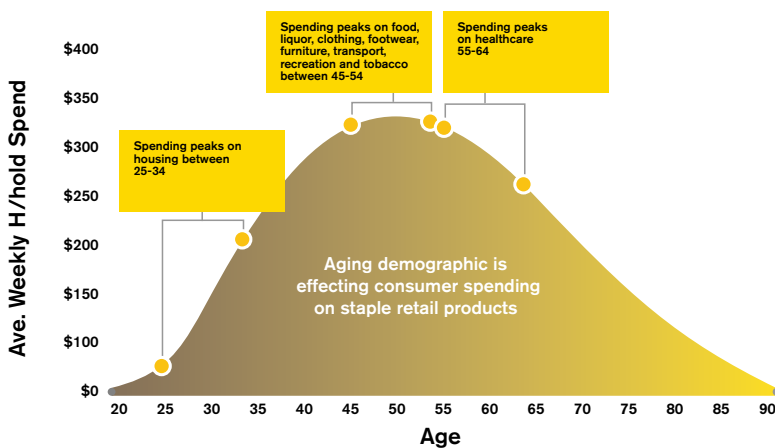


In its place is a new demand-driven economy in which consumers have un-paralleled access to global products and services – and the customer is finally in charge!

THE SPENDING WAVE

In Australia, as in the US and Europe, aging populations are dramatically reducing retail expenditure on apparel, furniture, homewares. When consumers reach their late fifties, their spend on these key categories falls sharply, in favour of services such as travel, entertainment and healthcare. Have store layouts and department sales budgets kept pace with the decline in spend in these categories? I fear not.

Consumer Life Cycle



Source: ABS HES Survey 2009/10

THE STORE WAVE

Consumers don't need stores as much as they used to, but they do need better networks to buy the products they want. So it is not surprising that enterprising online retailers have filled this gap whilst bricks-and-mortar retailers struggle to maintain sales and margins. For example Walmart's new 500sqm To-Go format with only 3,500 SKU's – at the same prices as their Super-Centers, will be paired with new On-Line Pick up stores of 1,500smq offering the full assortment.

We have already seen in our practice that some new store concepts have reduced in size, therefore in capital cost, by up to 25%. We have also been part of the move to add an element of digital technology into stores in place of fixtures and joinery. The store wave is in danger of slowing to a ripple.

THE NETWORK WAVE

In basic terms retailing is about buying and selling- and that adds up product distribution. We all knew about the right product, at the right price in the right place. Now things are not quite so clear and the cost of not having the answers is reducing margins, increased inventory costs and high markdowns. Expect to see more extensive networks, not only for the distribution of products, but also of services and information.

Digital touch kiosk brings online shopping instore RED is already working with clients whose networks will have include fewer, smaller stores, click-and-collect access points, pop-up sites, digital kiosks, powerful mobile apps – giving their customers more touch points – not less – better assortments and more convenience than ever before. Our clients will dramatically lower their CODB (cost of doing business) – and we suspect their customers will be better served than ever before.



Helloworld – digital design

“The world we know is gradually being digitised. It’s an inevitable process, and one that is better embraced than ignored.”

THE SERVICE WAVE

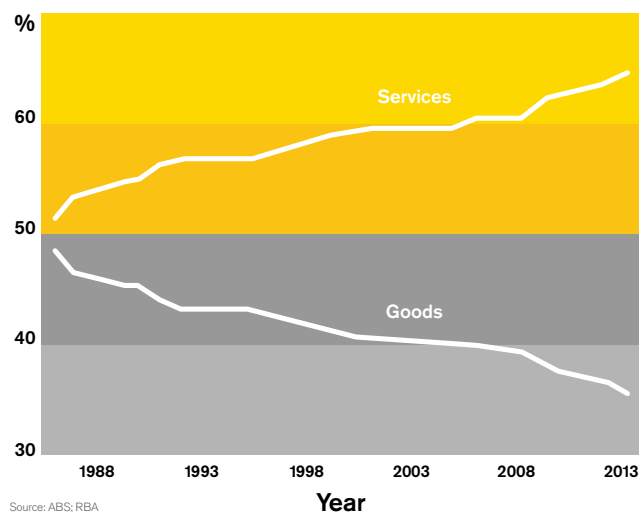
Consumers don’t want as much “stuff” as they used to. I wonder how many retailers are aware of the huge shift shown by the RBA analysis - consumer expenditure on goods:services has changed from roughly 50:50 in 1988, to 35:65 in 2013. During this period retail store numbers and total GLA increased substantially, creating even larger inventories that customers increasingly didn’t want – at the same time as food and beverage outlets picked up some of the slack.

It is hardly surprising that customers who are less inclined to buy fashion and homewares, have become fair game for discount retailers such as Aldi, and online retailers offering lower prices. Don’t blame the Internet or the GST – it’s basic supply and demand theory.

Talking of service, there is another fundamental change – the growing trend to self service. Far from rejecting self-service technologies that remove the human element from service, customers have embraced them in every facet of their daily lives from supermarket shopping, banking, gambling, betting, travel – even their local Centrelink office.

Goods and Services Consumption

Per cent of total consumption



THE DIGITAL WAVE

It is difficult to underplay the importance of the ISE trend. It can be described in 3 simple words: digitise, customise, personalise.

DIGITISE

While some retailers remain in denial – instore digital technology is a big growth trend in US and Europe. The aim is simple – use technology to improve the customer experience. At RED we like to think about shoppers in 3 states – Online – Inline – EnRoute. As designers we have to ensure that the customer is engaged with the retailer – regardless of whether they choose to shop in stores, on the Net – or on the mobile. This requires architects, interior designers and graphic designers to collaborate with digital designers. The word as we know is gradually being digitised – it's an inevitable process – and one that is better embraced than ignored.

CUSTOMISE

Customers are more likely to buy something that meets their specific needs – rather than a product that a retailer wants to sell them. Walking through stores loaded with rack upon rack of sameness you soon realise that their only way to persuade customers to part with their dollars is to cut prices. Remember consumers are buying less “stuff” – you need to appeal to their precise needs and tastes to get them interested.

Technology is already there in the form of 3D printing, instore digital-to-fabric printing, online selection of designs combined with Click and Collect instore. Two great examples are the new Audi and Tesla retail outlets. But this is only the beginning – expect a whole lot more customisation in retailing in the future.

“No longer can retailers rely on gut feel, nor designers operate on creativity alone.”

PERSONALISE

In this digital age we have run out of good reasons not to personalise our offer. I lived through the database marketing boom of the Nineties – only to be dumped into the post Millennium habit of unwanted, spam emails touting yet another 25% off already marked down stock. Have we not learned anything?

We have issued millions of customers with smart cards – but what is smart about not knowing anything about the individual carrying the cards. We issue ‘rewards’ in order to bribe customers into allowing us to track their behaviour – and we call that loyalty. Technology is not the answer to personalisation – it’s only a tool. I suspect the secret to personalising lies with the Omni Shopper concept – customers will dictate who they want to be addressed – and then assume you have the tools to do so. Giving your seat preference on an airline is one very small step forward – but how can a supermarket shopper find all the gluten free products at a glance? Paper ticketing and signage is not going to cut it. I predict all eyes will be on ISE.

THE DATA WAVE

No longer can retailers rely on gut feel nor designers operate on creativity alone. This was brought forcefully to my attention when we recently persuaded our first client to embrace customer analytics as a new approach to replanning a site earmarked for a major refurb. We realised that there was no information on customer numbers, flows or dwell times for this project. Even less did we understand the effect of these metrics on sales – or the differences across different day parts. This crucial information could form the basis for a far better design brief for the RED store planners and creative teams.

Our client approved the budget for RED to join the data wave, and our digital team is currently managing the installation of 3D customer tracking cameras and Wi-fi access points that will track the movement of mobile phones. We know the customer insights gained from this analytical approach will greatly improve the effectiveness of our design solution. Once the project is completed we will leave the analytics devices in place so we can undertake the most accurate post-implementation review ever.

Together with our spin-off digital solutions business, Nuon, we are already developing more and more ways to gather the crucial data we need to better understand the effect of design on customers. This includes Bluetooth beacons, touchscreen analytics, mobile analytics, loyalty and POS sales data, weather and environmental data – along with the heatmapping and flow analysis we can do with cameras and wifi. We call it the business of design – and it's going to change the way we think and design.

WHAT DOES THIS MEAN FOR RETAIL DESIGNERS?

Understanding some of these underlying Waves will make us all better designers, of that there is no doubt. But here are some implications that are a little more specific.



Helloworld – digital experience screen

1. DESIGN THROUGH THE EYES OF THE CUSTOMER

Using your newly discovered customer insights, imagine you are the shopper – not the designer. What kind of customer experience do you expect? How do you want to be served online, inline and en-route? What kind of store will entice you to shop Bricks and Mortar? What do you want to see when you stand at the threshold of the store? What digital devices do you want to use, your own or the retailer's?

2. BRING NEW SKILLS TO YOUR TEAM

Traditionally planners, architects, interior and graphic designers have designed stores. Now you need to add digital designers to create compelling content, CX designers to create the customer experience, UX specialists to design user interfaces, hardware and software designers to bring all the technology elements together. You need customer insights experts to convert tracking data into meaningful inputs into the design process, and most importantly you need to employ – design thinking before you create – a design approach that has empathy with the customer and works with collaborative teams to a common goal that can be measured. Design, prototype, test, measure, roll out. Do this swiftly using what the IT community calls the agile methodology – be flexible and open to change. We are living in unpredictable time in which the stock standard solutions of the past won't make the grade.

3. DON'T FOLLOW TRENDS, CREATE THEM

Retail is arguably a bit like the Wild West at the moment – some refer to it as Disruption. Throughout history the most dramatic changes in business have occurred in times of uncertainty.

The tools are there – technology is cheaper than you think – and can do more than you know. Consumers still respond to changes in store design - and react very well to improvements in their shopping experience. They respond in the best way they know – they spend more. Stores won't ever disappear, but they may look very different than we know now. Technology in itself won't save retailers who just don't understand the underlying changes in their market. Those who do understand – and invest time and money in designing new solutions for the future – have at least a chance of survival.

4. BUILD PARTNERSHIPS, BUT LET DESIGN LEAD

It is impossible for any designer to have all the required skills in this new era of retail. The key is to build partnerships with those individuals and firms whose skills complement your own.

Today's store designers have to consider materials, technology, lighting, fixtures, graphics, signage, digital content, colours, finishes, customer insights, installation, project management, prototyping and cost control to name but a few. I suggest you may need some help. The crucial lesson, however, is to make sure your project is Design Led in every discipline.

5. RIDE THE WAVE, YOU'LL ENJOY IT

We may well be in the most exciting time that retail has ever experienced.

Don't miss the wave



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