

Key Findings

The Transformed Consumer.

Technology has migrated from behind the counter into consumers' hands—and retailers now face a thoroughly new breed of shopper.

The Responsive Retailer. Retailers have linked back-end operations to point-of-sale to an unprecedented degree and can now incorporate responsive tools/personalization.

Design Power. Through environmental and experience design, retailers can reposition their retail channels into lifestyle destinations.

Technology Power. Interactivity, guided shopping and cross-channel information sharing can deliver personalization across the shopping experience.

Customer-Retailer Symbiosis ("Good Chemistry"). Priorities compel shoppers to value brands for the experience they provide—prizing reciprocal, individualized relationships.

A Challenge to Tomorrow's Retailers. Retailers must reconceive their customer contact to differentiate successfully—using the combined powers of design and technology.

Experience Synergy

Design and Technology at Tomorrow's Retail

> BY D. MARK SNELL

Today's retailers face the Experience Economy—a playing field leveled by technology and filled with consumers who are eager to be engaged, but on their own terms. Tomorrow's retail leaders will find their point of differentiation in a new and bold fusion of design and technology, delivering the customer experience that today's shoppers deserve and expect.

In tomorrow's retail experience, the customer is not a faceless member of the buying public, but a valued member of a brand family. Desires and buying preferences are known and instantly accommodated. The store delivers a brand experience specific to each consumer.

The Transformed Consumer

Consumer expectations at retail have never been higher. New technologies and customers' growing design acumen have transformed expectations for the shopping experience.

In the 1950's and 60's, most adults in the U.S. could be informed about a product with a single ad in the *Saturday Evening Post* or *Life Magazine*.¹ As recently as the 80's, 40% could be reached with a single 30-second TV ad in prime time, shown on only three networks.² Today, led by the Internet, new technologies continue to change how consumers engage with brands. Limitless online resources empower consumers to personalize shopping, seeking information whenever and however they like. Consumers choose not only products, but also how they shop. Shopping has become a lifestyle experience.

The technologically-enabled, on-demand world brought new focus to the customer experience. What was once a reasonable waiting period for information or products is now unreasonable; what was a once a tolerable environment is now intolerable.

These higher expectations increasingly include design. With the rampant popularity of the iPod, the Mini Cooper and method home products, any business can see that—from low-end products to luxury items—consumers prize good design. And increasingly, they demand a designed experience from their purchase. *BusinessWeek* reports growing consumer preference for "personal meaning" in products and services. Emotions, distinct to individuals, are squarely in play.³

You might assume that Internet "pre-shopping" would marginalize the in-store experience, but retail is more relevant than ever. According to a study reported by *The Economist*, more than 90% of adults aged 18-54 say they look to the Internet first for product information.⁴ But the Internet still only accounts for 3% of all retail sales (with the off-line exceptions of car dealers and gasoline stations).⁵

Consumers prefer retailers who offer an online presence as a resource—but who still primarily move product at physical stores. Shoppers still come to retail. They are just very different shoppers than they once were.

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The Responsive Retailer

Retailers adeptly learned to communicate across channels. Using the Web and retail in tandem, brands have revolutionized the search process, creating online tools that acknowledge individual preferences. Today, it is the online experience that is supported through print and advertising media and then continued in-store.

Retailers are also trying harder to engender loyalty. Research firm Best Practices, LLC reports that 78% of surveyed companies launched temporary or permanent “customer ‘delight’ programs” in an effort to connect with customers.⁶ Memberships include discount offers and volume purchase rewards. Consumers participate by agreeing to share information about themselves through online or in-store portals.

Executive-level positions elevated the visibility of customer experience specialists, whose role is to foster goodwill and increase purchase and loyalty by any means—price, service, better sales representation, etc. Companies have invested massive sums into these efforts, with inconsistent rates of success.⁷ Even today, silos remain that separate retailers’ technology, store design, customer experience design—and the brand.

Consider the myriad customer touch points (Web sites, mail order, at retail, etc.). If every touch point is integrated, if information is shared—and transferable across channels (e.g., research conducted online is available at an in-store kiosk)—a relationship can build. Technology stands ready to further transform retail—but can only realize this transformation through a fully-integrated approach and application of mature experience design principles.

What is missing, simply, is the brand and its story. Better design of both environments and experiences can make technology-enabled personalization strategies actually personal. Retailers can tap into experience design as the great differentiator.

Design Power

To forge connections with consumers, brands can wield two powerful design innovations: environmental design and experiential engagement.

Researchers Mehrabian and Russell found that environments are capable of inspiring positive emotions and that these environments are where people are more likely to spend both time and money.⁸ Sterling Research concluded that environments set consumer expectations for the quality of products as well as the quality of experience.⁹

The best place to immerse consumers in a brand’s differentiating values is in the store. There, the full array of design tools are at a brand’s disposal: materials, shapes, sounds, imagery, color and media. Design instills in the consumer a sense of familiarity and affirmation of personal choices. These feelings accumulate to the state of membership—a baseline requirement for brand loyalty in a lifestyle-motivated marketplace.¹⁰

The customer experience must begin with the customer’s first engagement with a brand (whether through a Web site, customer service line or direct contact with an employee) through integration of the product into the customer’s lifestyle. Design should extend a brand’s presence across the full shopping spectrum—positioning retail as the climactic engagement point.

Technology Power

Back-end technological advances for the retailer have been substantive. A relatively untrained retail associate can call up product information within seconds, locating and requesting inventory from other stores. Employees routinely communicate using hand-held and wireless tools.

With technology handling so much of supply chain, inventory, check-out and pricing, in-store priorities have shifted to providing more of a consultancy. Retailers are now testing guided shopping tools: digital devices that remind shoppers of past purchases, direct them to products and alert them of specials. The devices reduce wait times, improve store navigation and increase shopper response to special offers.¹¹

But poorly-designed guided selling aids can go unused. The largest problem with in-store technology, Sterling Research found, is lack of integration—a failing in both environmental and experience design. Retailers may try to replace associates with self-service kiosks—frustrating beginners. (Even among the technologically savvy, it is a mistake to try to replicate the human touch of a live, on-brand associate.) Software may be off-brand. The technology may merely replicate at-home shopping, bringing no added value to a retail visit.¹²

These shortcomings should not lead to the conclusion that technology to support design is lacking. Technology exists that can project images onto walls, floors, shelves,

or even onto products themselves. In some cases, customers can even interact with these projections.

It is important to remember that consumers embrace self-directed technology throughout their lives: at ATMs, self check-in at airports and card-vending machines on urban transit systems.¹³ Guided selling tools, complete with personalization options, can become quite powerful aids. Displays, signs and advertising stand to be revolutionized.¹⁴

But these applications still reflect retailers' desire to provide access to products and faster or more convenient service. The retailer of the future will use technology to not only link shoppers with information or products, but also guide them through the shopping experience they prefer.

Customer-Retailer Symbiosis ("Good Chemistry")

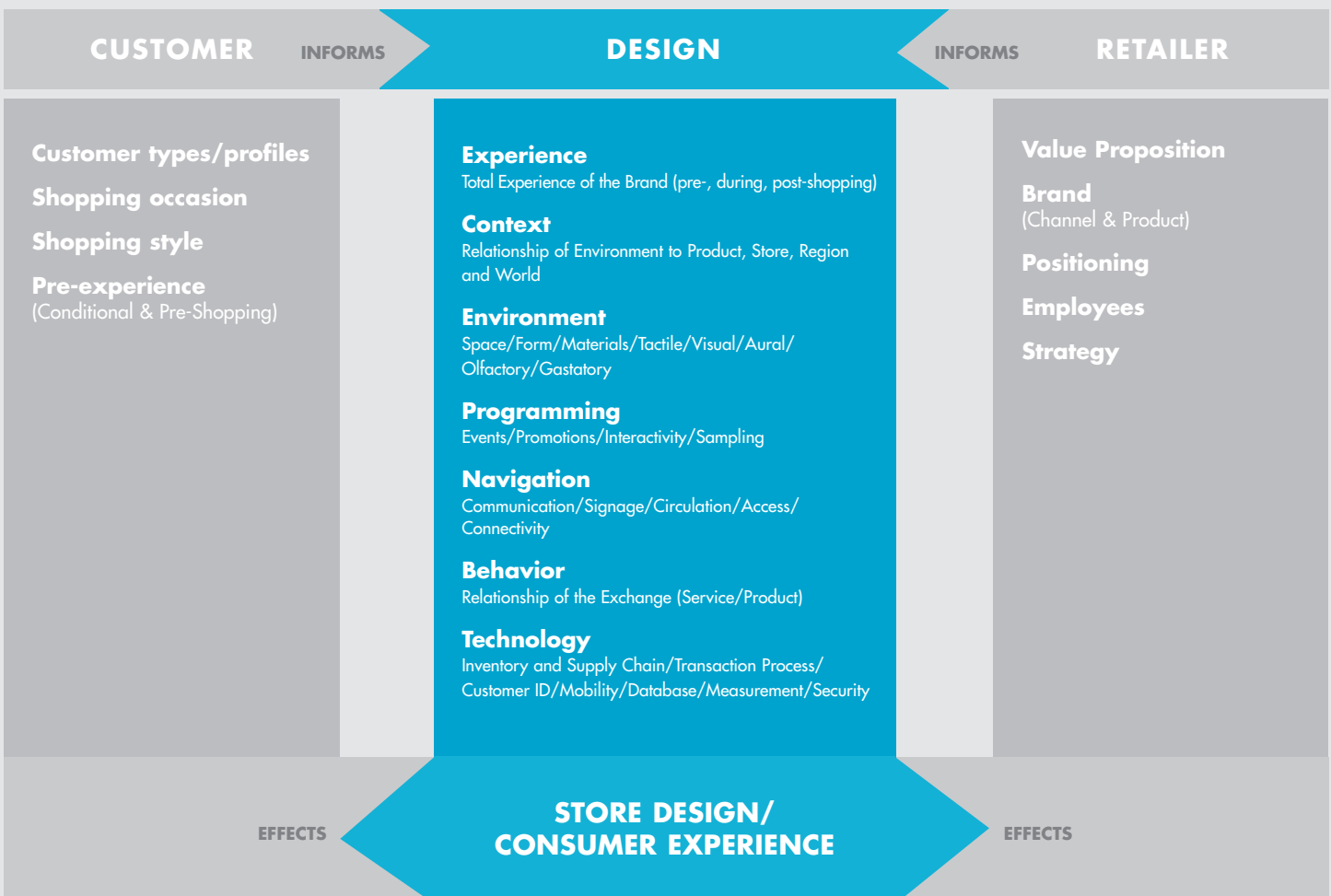
Retail has traditionally been an environment that serves many. Combining the emotional power of design and the tools available through technology, it can be remodeled into an environment that serves one. Retailers can not only broadcast brand messages and provide fast service, but inspire in-store interaction—dynamic give-and-take that compels a brand and an individual to have "good chemistry."

Some shoppers browse, others prefer to talk to an associate, others prefer self-service. As a customer fills a cart, relevant information can be delivered to them—through a range of on-brand media. The architecture of the space can provide guidance and

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Designing the Retail Customer Experience

Every retail space has the potential to provide an Experiential Environment[®] that communicates the brand story, encourages engagement and invites membership. This chart identifies the many factors that must be integrated into store design to accomplish this.



feature imbedded tools or entertainment. Associates, freed from busywork, can be personal consultants.

At the store of the future, the consumer is aware of neither technology nor design. The shopping experience is simply easier and faster, more intuitive, responsive and relevant. Why should retailers prioritize delivering this experience? Because engagement is prized. Jack Morton's 2005 Experiential Marketing Survey found that shoppers will spend up to 15 minutes engaging in a relevant brand experience at retail.¹⁵ And Sterling Research reports that the more consumers engage with a product, the less likely they are to bring it back for a refund.¹⁶

A Challenge to Tomorrow's Retailers

For decades, the overarching goal of retailers has been to streamline and improve every out-of-sight function and service. For tomorrow's retailers, the challenge must be to perfect every visible—and experienced—facet of the brand.

First, retailers must use technology to learn about their most loyal customers. Do they come to retail to learn, to quickly buy or to entertain their families? This will determine whether the retail environment should be modeled after a museum or learning center versus a high-speed depot with multiple checkout options.

Next, retailers must define their brands—perhaps more clearly than ever before—and deploy environmental design and technology in equal measure. Environmental design brings values and promises into three dimensions by integrating architecture, entertainment, media, graphic design and psychology.¹⁷ Technology brings functionality to form, delivering not only efficient transactions, but unique ones. As the final step, retailers must embrace experience design—a sophisticated contract between brands and customers that makes a personal promise: "I know you. I promise you a better experience."

The transformed consumer today sees a world of ever-expanding choices. What is unique—and defies competition—is a shopping experience that dimensionalizes a brand's values and engages instantly with individual consumers. The combined powers of technology and design absolutely make consumer-focused, irrefutable differentiation possible. The challenge is to see—and embrace—the future of retail-consumer contact.

NOTES

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6. "Design Services to Increase Customer Loyalty." Best Practices, LLC, 2005.
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ABOUT JACK MORTON

Jack Morton Worldwide is an experiential marketing agency that helps the world's leading companies build brands, increase sales and improve performance. The agency creates live events, branded environments and interactive experiences that engage, educate and entertain employee, business and consumer audiences—offering design-build as an integral aspect of experiential marketing strategy and services. Jack Morton has a staff of 600 employees throughout the United States, Europe and Asia-Pacific, and is part of the Interpublic Group of Companies, Inc. (NYSE: IPG). More information is available online at www.jackmorton.com.

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