RETAIL INNOVATION...?
LET'S MAKE SENSE OF THIS
To what extent can the introduction of digital capacities aid salespeople create a multi-layered consumer experience in the offline retail environment?

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Signature:
“If you don’t drive your business, you will be driven out of business.”

C B Forbes
I would like to thank my Mentor Constantine Maltzhan, for listening to my underdeveloped ideas and challenging me to think more academically throughout this process.

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Preface

It was during my experience working in the customer service and eCommerce departments of the Kenzo Paris head office that I truly developed my interest on the influence of digital channels for the customer experience. As the digital team focused on developing a more profound and interactive experience with their customers via the online site through their ‘Kenzo Club’ services, I became curious about how we can take this beyond digital. To what extent is the experience that is being providing online, being established in the store? What could the Kenzo Club look like offline?

In my work as a retail sales assistant, I again asked myself: How could the service I’m providing be taken further? How can customers let the sales assistant know, that they have an emotional connection to the brand and that they are a valuable, returning customer?

Through my research I was able to further identify the potential of applying digital tools to the retail environment as an aid to strengthening the operational services, from the sales personnel to the heart of the retailers business. Bridging the gap between online and offline is a multi-layered development, which I believe will carry us on a journey through many portals of technology.
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Executive Summary

E-commerce has created a huge shift in consumer spending behaviours (Ecommerce Land, 2015). Whilst 2013 saw a 17% growth in e-commerce this amounted to only $38 billion in revenue, in contrast, offline retailers amounted to a much more substantial, $144 Billion in revenue next to a 3.5% market growth (Council of Shopping Centers, 2014). Confirming that the physical realm of the fashion store is still considered to be the most important source of income for retailers worldwide (Rosenblum and Rowen, 2012).

The rise of the Internet introduced a multi-channel approach to retail, as businesses try to engage with their customers via multiple touch points, including brick-and-mortar stores, pop-ups, websites/e-shop, mobile platforms, and customer service centers. However as consumers adapt to new services provided online, the consumer path-to-purchase has changed, creating a new empowered customer with new value connection principles: convenience, service and personalisation (Accenture, 2013).

As a result, the retail model is in for another change: Omni-channelling. Providing a seamless more unified experience for customers across all available channels within a brand (Accenture, 2013). As the market stands today, a great deal of companies are still experiencing the disconnection between what they are providing and customer expectations. Yet providing the seamless experience will reportedly serve as a key brand differentiator, therefore, giving brands a competitive leverage if implemented successfully (Forrester, 2014)

Developing the retail experience is therefore a crucial process for an Omni-channel strategy, which aims at unifying the online/offline experience. The retail environment is a central guide to consumers’ perception of merchandise, service quality and personal enjoyment. Putting both personnel and store atmosphere in good synergy has a key influence on the level of customer satisfaction as well as the personnel’s impressionability, and levels of persuasiveness. Introducing technology into the retail domain maybe the best way for fashion brands to achieve a seamless interaction across all channels.

Global market researchers have established the implementation of digital tools as one of the four key challenges of business innovation towards an Omni-channel strategy:

- Hiring good people
- Differentiating from the competitor
- Getting new technologies into stores
- Converging the digital/physical experiences.
The development of a digital strategy is therefore a crucial progressive step for visionary retailers who do not want to risk losing influence on the market (Moore, 2014; Magretta, 2002). As indicated by a Forrester (2014) survey of 1,503 multi-channel customers, 68% of them use their mobiles in stores yet 61% would rather interact with the sales associates for more product recommendations. The importance for more performance enhancing digital tools, such as providing the staff with informative mobile computing technologies, is therefore a top priority for retailers in equalising the conversation between salespersons and their increasingly sophisticated customers (Rosenblum and Rowen, 2012). Implementing the appropriate CRM (customer relationship management) strategies will therefore take a more digital influence in future developments of retail, at which point they become, eCRM plans (Electronic customer relationship management).

Another key benefit to the organisational structure of a seamless retail strategy includes data analysis. Data processing services such as Google analytics, allow e-tailers to see the bigger picture through Key Performance Indicators (KPI’s). As feedback providers, these tools permit organisations to evaluate their situation much more efficiently, allowing them to respond almost instantly to insights made. Empowering the store with this type of technology will therefore become an extremely important development, if retailers want to provide services that are more convenient to the digital customer. This will have a large influence on gaining competitive leverage due to a more rapid rate of responding to consumer needs (PwC, 2013).

Whilst modern applications of technology are continuously being introduced to the digital environment, there is still no foolproof model of how retailers can achieve this. Therefore, an analysis of all the tools available and the ways that they have already been implemented must be made. Technologies available include:

- Digital signage – to display product information, campaigns and moving images
- Interactive displays in store – providing visual content that can be wirelessly manipulated according to consumer demands
- Portable interactive displays on personnel, such as an iPad to allow access to inventory, on-the-go points of sales, etc.
- Website/e-shop – the primary online platform of a brand
- Brand specific apps that consumers can connect to in order to get exclusive and special brand content
- iBeacons - Bluetooth low emitting power signal that can connect to Bluetooth enabled devices to connect, interact and localise
Supporting software – technology that gathers all data and process information into one universally accessible ‘databank’ based on the Cloud

To seriously consider a digitalised retail strategy, it is important to have developed a well thought out and complete solution that focuses on meeting the end-user needs (Amit and Zott, 2012). According to business innovation models, retailers who do this regularly are more likely to be business leaders by focusing on solving the customer’s problems in a way that differentiates them from the competition (Magretta, 2002).

From this point of view I have analysed top innovating retailers who have implemented various retail strategies with CRM plans at the core of their implementations of digitally enhanced business models. As tools are extremely varied and their implications even more so, each strategy takes a different stand point. Retailers such as Zara focus on using advanced data analysis processes in order to put their internalised supply chain to best use by providing customers with more accurate predictions of their needs at a faster rate than their competition. This use of technology has transformed fast fashion retail and has kept Zara at the top of the leader board.

Retailers using data mining technologies as such, are disrupting their markets with speed and at an unpredictable rate. Amazon.com is another example of a market disruptor, by using personalised and efficient services through online distribution and use of customer data; retailers on a global scale have suffered the ramifications.

By further comprehending the benefits of applying CRM principles to super-charge profits, I studied the core principles of KENZO’s online presence strategy. Distinguishing their consumer expectations from the various client typologies, KENZO provides customer focused services, catering to multiple needs in a multi-dimensional and therefore maximising their commercial potential. In future areas of innovation, focus on mobile experiential marketing plans such as the Kenzo loves Printemps App as a digital bridge for a dynamic interaction with their increasingly mobile customer.

To further consider mobile computing implementation in the retail space, I studied the Burberry digital store model, which is by far the most high profile digital luxury retailer. After being one of the first fashion retailers to implement multiple types of technologies into their London flagship store in 2012, Burberry is still considered the leading luxury brand in digital capacitation. iPads on each sales personnel, provide them with customer information for more personalised services alongside access to product information and ability to pay anywhere in-store via the mobile POS application, as a result helping with store functionalities and services.
Further models of experimental applications of customer facing interactive technologies, have taken shape with British retailer Marks & Spencer’s in Amsterdam and the London based digital flagship store of Pro Direct. Marks & Spencer’s small footprint store employed an advanced digital approach to testing the Dutch market. Providing large self-service customer facing touch screens to browse the online store has permitted cross-channelling and enlarged the store offer. With the initial intention of providing less sizes and more digitalised options the store used a ‘magic mirror’ as a replacement for fitting rooms, this application of the service was pulled from the store after one year and replaced with more sizes and a fitting room. Customers still value the interaction with the high involvement fashion product, suggesting that the market is not ready for such dehumanised digital experience.

Finally, Pro-Direct, the online channel for sportswear, implemented a highly interactive digital strategy. By using mobile POS and tablet equipped personnel, wall-sized interactive screens and digital signage they have introduced a completely new type of retailing coined “Digital Mortar”, as an accomplished term for merging online with offline. This model targets an advanced and very niche market, where they have almost no merchandise in-store. Focusing solely on their key product, a small range of high-end limited edition football boots. Their key focus is to enhance marketing and communication initiatives of the brand by bringing the online experience into the physical realm so their highly loyal customers can experience them in new dimensions.

Having analysed this wide range of retailing strategies and the strengths within their implementation, we are able to see potential strengths and weaknesses of each application. Highlighting that it is highly important to consider the readiness of the market and to fully comprehend the needs of the customer.

In the final stages of this report it is essential to return to the practical application of technological applications. When considering digital, service, function and operation are key considerations; the later of these depends upon the employment of a strong company infrastructure. For this we explore the benefits of supporting software such as ERP systems that aid the storing of all data. This Cloud based software, accessible company wide, helps to strengthen a broad range of departments beyond the store, such as merchandising, design, sales, etc. We are able to conclude that using an all-encompassing data warehouse at the core of an organisation will be necessary for all application of digital tools. By looking at the Scala EXP platform design, we can see that the connectivity of all digital tools applied in one strategy can create an all-encompassing experience.
Introduction

Digital innovation has stimulated a new, dynamic, retail transformation that further adds to the general competitive nature of the retail industry. As the interaction between the physical and digital world opens up new business opportunities and challenges, retailers must find the ways of innovating their business model to fit.

The general aim of this research will focus on developing an understanding of the potential use of technology as a service platform to explore the convergence of physical and digital retail experiences. The rise of e-commerce and the Internet has provided retailers with multiple ways of maintain a conversation with their customers, in what has been coined, multi-channel retailing. As the modern customer becomes more educated, demanding and more connected than ever, retailers can envisage the transition from multi-channel retail to a more seamless, Omni-channel structure. Whilst this is still in it’s early days of progression, retailers have the opportunity to start making plans towards a more interconnected operational structure to meet the needs of their customers.

Tools such as digital analytics have provided enough information for retailers to establish a strong understanding of their customers’ behaviour online. However once the customer is offline and enters the physical store, the connection is quite literally lost, and it becomes difficult to understand the consumer path to purchase. Therefore establishing a universal communication between the consumer and the brand, can allow the connection to be made across multiple channels. The stores social dimensions can therefore be used as a real differentiator between what happens online and the physical world. By developing an overview of how new technologies can and are being applied to the retail model, in synergy with the companies global operations and it’s personnel, I will explore the opportunity of filling that void and establish the optimal areas of opportunity in digital implications.
Research Objectives

- Consumer demands: Understanding the dynamics of the new consumer, the needs and demands that must be met in order to potentially loyalize them in the retail environment.
- Identify the strengths and weaknesses of brick and mortar: Understanding what the offline store dimension has to offer the customer, which cannot be achieved via purely digital retail channels, such as human connection, physical touch and environmental experiences. Whilst further identifying the lacking elements, which online channels offer, such as flexibility, personalisation and improved efficiency.
- The use of technology as an enabling tool: to evaluate the major impact factors of technology and what their implementation can provide the retail industry. Further analyse how it is being utilised currently and what the benefits are to compete against a saturated and old-fashion retail environment.
- Challenge the retail framework: By providing an overview of the potential of digital, I explain how digital implementations challenge the business models of brick and mortar

Structure

This report will be divided into two key parts and finalised with a more conclusive study of digital implementations and business innovations.

I will first identify the needs of retailers according to market behaviour, customer desires, and technological innovation. I will then analyse the best ways of responding to the needs identified, by highlighting the necessary principles of business innovation, the relevant technologies, and the current status of retail. Finally, I will conclude with an overall evaluation of the methods that best meet the needs of the retail innovation.

Methodology

The main body of my report will be a literature review of a broad range of sources that I have drawn from in order to establish a diversified overview of the subject in
question. Important sources of information throughout this study are from market research reports by global consulting companies and market research centres that are available on the Internet to the general public. Books on retail, marketing, technology and consumerism have been referenced. Various news articles from respected newspapers, business sites, and agencies have been used in order to establish a broad perspective on the transitioning of the retail industry.

My empirical data primarily comes from personal case studies alongside those that have been published by academic sources, where I have followed current developments of technological trends already taking place in the retail environment. Field research consisted of visiting stores that are experimenting with a digital format and speaking to personnel and managers in order to gain a broad, more realistic perspective on the industry, to move away for the more subjective theories. To understand the middle mainstream market position, I conducted a small survey of personnel in stores in Holland’s busiest shopping street, the Amsterdam Kalverstraat, in order to establish a real positioning of digital integration for the mainstream market. As in-store sales forces play an essential part in my research getting their perspective on digital tools and what they could mean for them was important and constructive for the main body of my research.

Furthermore, a small series of interviews with digital affiliates allowed me to gain insights into how technology functions, its core products and the ways in which these can be drawn upon. I attended the Intergrate Systems Europe 2015 (ISE) trade show, where I was able to talk with industry professionals such as technology providers and developers. Their insights where extremely valuable in order to understand the development of technology, the rate at which it innovates itself, along with its main functioning purpose. Visits to companies where I could experiment and view the products enabled me to understand the value of digital interaction, which I draw upon in my main research question.

Research limitations

1. Brand discretion – (not willing to divulge information)

I had set out this research with the intention of delving deeper into brands retail strategies in order to gain an understanding of what the future of retail innovation entailed for them. This would have given a deeper understanding of where brands
positioned themselves on the road to implementing digital capacities into their retail spaces. Therefore giving a stronger base to the report, where I could have positioned my research upon the core challenges that retailers are facing today. However this proved difficult due to brand discretion and most retailers did not want to share their views.

2. Lack of resources
In an effort to conduct a survey on retail staff and what their views are on the development of my research a great difficulty was to reach a great number of people with the little amount of resources I had at my disposal. As a result I conducted my research by entering the stores and asking in person. This was an active approach yet was still limiting, as staff often had no permission or were unwilling to complete the survey during working hours.

**Definition of Technical Terms:**

**Beacon technology:** A Bluetooth based technology that connects to any passing device with the appropriate application.

**Brick-and-mortar:** the traditional store. Note: also referred to as the physical retail platform/ the store/ the offline selling channel, throughout this report.

**Bring-your-own-device (BYOD):** when customers use their own mobile phone in-store as a shopping assistant.

**Channel:** the platform through which a customer can interact with a brand.

**CRM (Customer relationship management):** To effectively manage relationship and individual communication with customers.

**Cross-Channeling:** Coordinating various retail channels to create the seamless experience as previously mentioned.
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**e-Business**: “an integrated approach to every aspect of online business and features the continuous optimisation of a company’s value proposition through the adoption of digital technology and the Internet as channels of multiple business activities” (Uché Okonkwo, 2012. *Luxury Online*)

**e-Commerce**: the online selling platform for brands where customers can browse through a retailer's collection and complete a transaction that is then home delivered.

**eCRM (electronic customer relationship management)**: Relates to all forms of relationship management where customers make use of information technology (IT).

**ERP systems**: business management software—typically a suite of integrated applications—that a company can use to collect, store, manage and interpret data from many business activities, including: product planning, cost, manufacturing or service delivery, marketing and sales, inventory management.

**Interactive Technology**: IN-store technology where content can be manipulated according to individual requests (e.g. tactile screen).

**Mobile payments**: transaction that are made using digital mobile technologies.

**Mobile technology**: Mobile Internet connected devices used on the move (iPad, Mobile Phone, etc.).

**Multi-channel retailing**: is the use of a variety of channels in a customer's shopping experience. Such as retail stores, online stores, mobile stores, mobile app stores, telephone sales and any other method of transacting with a customer.

**Omni-channel**: A higher level of multi-channel retailing. Aimed at creating a seamless approach to the consumer experience through all available shopping channels (mobile, computers, bricks and mortar, TV, radio, mail etc…)

**Seamless experience**: when multiple channels blend, to create an interaction with a brand that can be started on one channel and completed on another.
Self-service technology: technological interfaces that allow customers to complete their transaction with the retailer independently e.g. self service product scanners, mobile points of sale.

Social Media Platforms/ Network: consumer-initiated communication where people share their interests and use various platforms to create shared-interest communities (Facebook, twitter, online forums, etc.)

Software: code that operates technology.

Software-as-a-Service: monthly charged service provided from a cloud based platform that can run on multiple devices.

Virtual Rails: visualising garments in stores on digital screens, where customers can flip through a portfolio of different garments.
1. Introducing the Retail Revolution

The purpose of this chapter is to set the tone of the report through an introduction of what has been widely referred to as the retail revolution (Clarkston Consulting, 2013). The transformation of the retail environment, driven mainly by the growing needs of the consumer and the rapid rate in which technological innovations it taking shape. We will explore in further detail the types of technologies that can implement this, once we have understood the connection between the services provided by the retailer in relation to the consumer needs.

Digital commerce, commonly known as eCommerce, is the fastest growing retail channel and it is redefining the retail industry in new and dynamic ways. Since its launch in 1991, when commercial use of the Internet was first established, eCommerce has created a huge shift in consumer spending (Ecommerce Land, 2015). As reported on ecommerceeu.org (2015), the apparel and footwear sectors represent the most part of online shopping for the European market with overall e-commerce sales growing from €131.6 billion in 2013, to €156.28 billion in 2014. This growth rate is expected to continue throughout 2015 with an estimated end of year value of €185.39 billion.

As e-commerce continues to grow in a new digital market, it is outpacing the development of the physical store, however, as an older and bigger industry there is less room for growth (Deloitte, 2014). So whilst 2013 saw a 17% growth in e-commerce this amounted to only $38 billion in revenue in comparison to the 3.5% of in-store growth, which amounted to a much more substantial, $144 Billion in revenue for the global retail sector (Council of Shopping Centers, 2014). So while e-commerce is growing mainly due to ease of market penetration at lower risks, the physical retail space remains the prime interface between a brand and its consumers. This confirms that the physical store is still considered to be the most important source of income for retailers worldwide (Rosenblum and Rowen, 2012).

The rise of the Internet however has not only introduced a new sales channel for retailers, but it has opened a world of communication channels with it. Henceforth, retailers began to incorporate multichannel retailing to their business models, allowing brands to reach customers across multiple engagement points in a broad variety of ways (Rosenblum and Rowen, 2012). Today, the great majority of retailers
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maintain an all inclusive retail strategy of the broad range of channels (Retail Customer Experience, 2012). This diversified retail experience can be engaged through various touch points including the brick-and-mortar store, websites/e-shop, tablets, kiosks, smartphones, digital signage, service centres and social media.

1.1 Brick-and-mortar: still relevant

Whilst there remains some room for growth with online retail, “there’s more growth in fitting digital into the physical world”, Kevin McKenzie, global chief digital officer of Westfield Labs Research Center (2015: n.p.).

The growth of online shopping may have reduced the time that consumers spend in stores, but they still prioritise the physical store over any other retail channel (Drapers, 2012). As published by The International Council of Shopping Centers (ICSC, 2014): “78% of consumers prefer to shop-in-store”. In their RSR benchmark report, Rosenblum and Rowen (2012: n.p.) explain that “until computing can offer the tactile and immediate satisfaction of a store visit, a majority of consumers will continue to consummate their purchases there”.

Looking at the growing number of online retailers moving offline, as a necessary step towards market growth, layering of digital and analogue is a common transition for deeper engagement (Westfield Labs, 2014). This presents the store as a new platform to connect the added functionality of digital with an inter-personal experience. In a Forrester report summary (2015), principal analyst Adam Silverman, highlights this move as a way to reap the rewards of both channels, enabling the “influence of sales physically and digitally”. The evolution from digital to analogue will be the designer of a new type of retail platform; he continues, “We’re seeing the desire from retailers to focus on engagement, rather than just selling, since the customer is a click or swipe away from buying from a competitor.”

1.2 The role of technology for the in-store experience

Through a network of high-tech devices, technology is set to disrupt most industries based on increased connectivity and clearer communications.
As a result consumers can expect increased levels of convenience while businesses will have to be revolutionised (Sharma, 2014). The growing number of digital devices that “help us navigate our days” are being produced at such a rate that Intel (2015) has estimated that, by 2020, smart devices will outnumber people by a ratio of 26 to 1. The following diagram indicates the results of We are Social’s (2015) most recent Global Digital Statistics, representing the level of universal connectivity in our hyper-connected world.

![Global digital Snapshot, We Are Social, 2015: n.p.](image)

Emerging disruptive technologies, as the McKinsey Global Institute calls them, have the potential to dramatically change the “status quo” of many global industries (McKinsey, 2013). Examples of these are:

- The mobile phone is the most widely accessible digital device owned by over half of the global population. Google reported that as of July 2014 mobile searches have exceeded PC searches
- Cloud Technology, optimises the accessibility of global access to information
- The Internet of Things (IoT) represents the new interconnectivity of the objects around us as they become individually smart. (McKinsey, 2013; Padgett and Mulvey, 2007; Bell labs, 2013). For example the growth of wearable technology, which collects active data.

The aim of this report will be to identify the impact that technological tools will have on consumer behaviour and understand the potential that retailers have in using them to enhance their services and operations. I will further analyse the ways they are
already being used to revolutionise the retail industry and understand the pros and cons of their implementation.

1.3 Overview of the multiple channels of interaction between consumer and retailer

The following diagram illustrates the organisational structure of a fashion retailer, mapping out the journey from factory to customer, whilst illustrating the areas where various digital tools have been introduced into the retail model to provide new communication and shopping channels. Throughout this report we will go through the diverse stages of this structure to gain a better understanding of the modern digital-analogue journey. This diagram is a result of a series of interviews with digital affiliates from various technology backgrounds including developers, providers, and implementers.

![Diagrams1](Image)

Figure 2: Digital influence on a multi channel operational structure (own diagram)
What this illustration demonstrates is the multiple channels of sales and communication between consumer and retailer. Channels represent the various platforms through which a customer can interact with the brand, such as the eShop, Social Media, and the Stores. Today most retailers operate each channel individually from the other in what has been coined a multi-channel retail strategy.

The purpose of digital platforms, reached via mobile or PC, is to create a digital foundation where the retailer and the customer can connect as easily as possible (McQuivey, 2014). The use of platforms such as Facebook and Instagram (the key players in social media platforms for the fashion industry), allow product information and brand image to be communicated across the brands community and can create a stronger value connection. These platforms however do not connect interchangeably, and their purpose is to bring the consumer towards purchasing channels such as the online shop or the physical store.

The growth of sales channels from brick and mortar to digital was established by the growth of global Internet access, allowing eCommerce and mCommerce channels to continue the sales experience online, which gave brands a more global reach. Exploiting these channels in the appropriate ways is crucial for brands to establish a relevant global presence and choosing these accordingly is just as relevant. The Kenzo case study of their online strategy in Chapter five of this report will take into consideration the measures taken when designing an online presence for the customer, highlighting why each approach of interaction serves a different purpose.

We will later explore the ways in which digital tools can measure customer interactions as valuable data. Supporting software such as ERP systems, which operate largely on cloud technology as identified in the diagram, will centralise this information.

1.4 Meeting customer needs

As a result of multichannel developments, customers have increased their demands according to new standard values: convenience, service and personalisation (Mikhailov, 2015). They are more judicious and measured in their purchases, responding only to a well-curated combination of personalised content, across chosen
platforms such as social networks and websites, allowing them a more authentic engagement with their chosen brands (Forbes.com, 21014).

The modern relationship between retailer and customer is highly multifaceted, describe by Accenture (2013: 3) as:

- Dynamic, due to their unpredictable interchange-ability
- Empowered, due to increased accessibility of information
- Continuous, as information touch-points are always on

According to RSR’s Omni-Channeling report (2014), keeping up with the complexities of the modern consumers needs has become the number one business challenge for high performing retailers. Companies therefore have to apply their CRM (Customer Relationship Management) plans in accordance to the desires of individual customers. The underlying strength of CRM is identifying how best to engage a more meaningful relationship with the customer. Therefore by innovating in the direction of customers needs a good CRM strategy should “supercharge profits” by acknowledging the different behaviours and desires of groups of customers.

As stated by Ramona Tudosescu, ecommerce project manager, during an interview on designing Kenzo’s online presence, (Appendix A) identifying their customer groups was an essential part of their strategy. “Exploiting digital platforms provides a new avenue for connecting with and learning from digital customers. Once the customer leaves the store they don’t necessarily leave the brand as they will wear the brand think about the brand and we have to use digital to keep this relationship going.” In his book ‘digital disruption’ (2014) James McQuivey, further enhanced this point as “thanks to digital, we have the ability to meet more of our needs more often and to a greater degree” than what was previously possible.

As a result, retailers must develop eCRM plans that consider the digital interactions customers encounter today. Customers now expect services to provide optimal convenience, such as the ability to interact cohesively across channels and to reserve products online for an upcoming visit to the store (Accenture, 2013); which takes us to the next step in the multichannel trajectory.
1.5 From Multi-channel to Omni-channel

Due to growing customer expectations, the retail format is in a pivotal transition from multi-channel retailing to Omni-channel retailing. Whilst multichannel retailing focuses on providing a variety of access points by offering the customer more ways of interacting with the brand, Omni-channel focuses on uniting communication and sales channels to create a singular cohesive experience for the customer. For example, a customer’s online activity is completely unidentifiable when he enters a physical store; whilst the anonymity can be of valuable relation to the customer, there are benefits, which might be lost due to this (Moore, 2014). The challenges of implementing digital strategies such as invasion of privacy will be taken into considered in a later chapter.

The transition towards Omni-channel is mainly about customer centricity and has two aims:

1. Creating a single point of view for the customer “We are one brand no matter where you interact with us”
2. Integrating the customer journey across all touch points to have a consistent experience across all available channels (communication and sales)

The following diagram from Accenture’s report on the ‘New approach to serving customers’ (2013) illustrates the aim of an Omni-channel strategy, to seamlessly unite the multiple channels.

Figure 3: Accenture, 2013: n.p.
As illustrated in the diagram, the convergence of channels such as online platforms made available via global use of technology, together with the physical realm and additional customer services shows a transition towards one united experience. Rather than each interaction with the brand being singular and disconnected retailers must offer a more consistent relationship between each channel (Accenture, 2014). For example, whilst a customer will be active on a brands social media platform, and purchase frequently online, this activity will be unidentifiable to the brand when he enters the physical store, therefore creating a disconnection between brand and follower. According to Forrester’s most recent market report on Omni-channel expectations (2014), a great deal of companies are still experiencing the disconnect between what they are providing and customer expectations.

Maturity in providing the seamless experience will reportedly serve as a key brand differentiator, helping to meet the customer’s needs, increase satisfaction, loyalty and brand perception (Forrester, 2014; Kotler, 1973).

The nature of a fashion product means that often consumers use the web as a browsing service and the actual purchase is done in stores (Journal of Electronic commerce, 2014). By implementing an Omni-channel experience, retailers would be able to take this process further through services such as click-and-collect. According to a recent Forrester retail forecast (2013), retail sales that are ultimately completed in stores but influenced by the web (such as click-and-collect services) are expected to reach a value of $1.8 trillion by 2017, from $1.3 trillion in 2013 (Forrester, 2013). Therefore, permitting retailers to meet consumer expectations of a personalised cross-channel experience, with the benefit of a high return value (RSR Research, 2014).
Conclusion

As I conclude this overview on the impact digital technology is having on the evolution of the retail environment, we can consider the significant urgency of the convergence of online and offline retail channels. We have explored the potential that connected tools have for meeting the new standards of the digital consumer. This brings us to look at new ways of designing retail strategies, and asks the question: in what arrears of their retail operations must the physical store innovate its business strategy in order to keep up with the evolving consumer?

The following chapter will embark on understanding the primary decision factors of customers throughout their journey in-store. Moreover, whilst the dynamics of the modern consumer in the digital environment have been touched upon, we have yet to identify the quintessential factors of what makes the role of the consumer experience so important to the success of a store. We will therefore identify the importance of the social and environmental aspects of a store.
2. Role of Experience in offline shopping

Clothing is a high involvement product category (Solomon, 1986), which means the bulk of consumers still appreciate the tangibility of coming into the store and feeling the product before purchase. Allowing time for contemplation and experiencing real compensation for the price paid. The strong physical environments further elevates the mood due to social contact, thorough product evaluation and sensory stimulation, aspects which will transcend further to brand loyalty and durability (Solomon, 1986).

2.1 ‘Total Product’ for Total Experience

Taking the store environment into consideration is key to understanding the value perceptions of the retail experience (Kerin, Jain and Howard, 1992). The retail environment will be a central guide to consumers’ perception of merchandise, service quality and personal enjoyment. According to Kotler (1973), the entirety in which shoppers experience a product, will determine their purchase, if personal values are being met beyond the product itself, such as prices and communication. Kotler goes on to identify the five levels of a product that develop customer satisfaction by meeting the necessary values constructing the ‘total product’.

![Kotler's five product levels model, 1969](image)

Kotler’s marketing model on the five layers of product experience identify it relevance according to how the consumer will experience it. The first three layers, core benefit, generic product, and expected product, account for the physical properties of the product based on consumer needs. The final layer focuses on its
potential journey after purchase and the value this might accumulate. The fourth and crucial layer of brand differentiation is what Kotler calls augmented product. This area of added value represents the added features that differentiate the consumer experience through any added benefits or services. This is comparable to the added product guarantee of big retailers like John Lewis, or the beneficial training sessions offered with the Apple store. As Levitt (1960: 75) put it, “competition is not between what companies produce in their factories, but between what they add to their factory output… the things that people value.’ Therefore, acquiring the merchandise in question, is not the primary focus, but rather the entire consumption experience is (Kotler, 1969).

The three primary sets of atmospheric cues are design, ambient and social cues (Baker, 1986). Design cues refer to the external and internal variables of a space; whilst ambient cues will include merchandising, music, scent marketing, use of technology etc., whilst social cues refer to the interaction between the store personnel and the consumer. Technology has the ability to set new atmospheric advantages and can be used to enhance the experience, for a more attractive and engaging environment (Drapers, 2012). Atmospherics have been identified as key influencers of consumers in-store experience and their willingness to buy (Puccinelli, 2009), and are therefore conductive to setting the mood of the consumer.

As illustrated in a recent Forrester (2014) survey of 1,503 UK based multi-channel shoppers, 73% of the given sample of customers would expect to see in-store stock availability online, before making their store visit. Not meeting this requirement has 39% of consumers citing that this makes them unlikely to visit the retailer. Implementing a closer connection between the online and offline channel, in this case can respond to the development of Kotler’s ‘Total Product’ as a key contributor to meeting the convenience value of a modern consumer.

2.2 Environmental Influence of Salespersons

According to the stream of research by the Journal of the Academy of Marketing Science, consumer judgement is influenced by multi-layered usage of environmental cues (Baker, 1986). Salespersons and their customer interactions are the social
atmospheric cues. The collaborative influence of certain “atmospherics”, such as the combined effects of design and personnel (Mehrabian and Russel, 1974), can act together as a more persuasive experience for the customer. According to a study by Baker, Grewal, and Parasuraman (1994) the store environment will directly effect the consumer’s perceptions of salespeople. Putting both personnel and store atmosphere in good synergy will therefore influence the level of the personnel’s impressionability, and increasing the persuasiveness (Sharma and Stafford, 2000).

Appropriately putting the store design in synergy with the personnel will therefore further influence the customer experience, as doing so can enhance the personnel’s credibility (Mehrabian and Russel, 1974). Credibility is accounted as an important influence on the customers’ experience and their buying intentions as the persuasive power of the sales message is dependent on the level of trust between buyer and seller. Trust is the belief that the seller is motivated to act in the buyer’s interests and would not act opportunistically (Anderson and Weitz, 1989). Proposing a clear rationale for considering social cues in action with technologies, for an enhanced environmental impact in the store. 50% of high performing retailers agree that in-store technologies will help improve their workforce (Rosenblum and Rowen, 2012).

According to Rosenblum and Rowen (2012: 3) “Too many customers have become conditioned to the phone in their purses being more helpful than anyone with a nametag in the store.” Fusing the disconnection between actual services provided and customer expectations can be achieved by equipping the sales workforce with informative technologies that can bring the buyer and the seller to the same level.

2.3 Consumer expectations in store

Retailers are still dependent on sales associates and their ability to pass on product knowledge accurately and effectively to push sales through to completion. This selling process is critical for fashion brands that desire to provide a service alongside their product as the nature of the merchandise is solely based on desire rather than necessity (Gonzalez, 2013). Establishing a convincing and enhanced interaction in-store can therefore be the difference between a sale and no sale.
The impact of customer interactions with salespersons is still a primary element in the retail experience as consumers see service as one of the vital influences on value attributions (Bagozzi, 1992), as captured in the following quote: “The service management literature argues that customer satisfaction is the result of a customer’s perception of the value received… where value equals perceived service quality relative to price.” (Hallowell, 1996: 29).

Buyer-seller interactions have often been described as some of the most important elements of marketing communications” (Weitz, 1978: 502). In selling situations, the communication process between both parties can have dramatic consequences on the purchase completion and more importantly establishing value connection, a topic, which we will explore in more depth in a later chapter. Furthermore, the availability of salespeople to solve customer problems during and after the selling process was considered as one of the most important aspects in the buyer-seller relationship (Jap, Manolis, Barton 1999). Today, despite the increasing trend of a consumer’s mobile induced self-empowerment, customers still want salespeople to be available to help solve their problems. In a Forrester survey (2014), when asked about their expectations towards sales associates, 61% of consumers cited that they still value asking a sales associate for product information, showing that still today, the consumer values the social interaction in-store.

Another Forester survey (2013: 5), illustrates that “consumers expect store associates to be evangelists for products available both online and offline”.

As can be deducted from these figures, the adoption of new technologies has changed the consumer’s behaviour and expectations. The above diagram shows the result of
1,503 multi-channel shoppers that have made purchases either in store and offline in the last three months. The results highlight that sales associates are expected to be aware of products both in the store and on digital platforms, in order to provide the consumer with a holistic brand experience, thus further exemplifying the importance of the social nature of brick-and-mortar stores (Roy, Zhao and Dholakia, 2005).

**Conclusion:**

From this chapter we can conclude that providing technology as an aid to personnel, which increase credibility and thus persuasive power of a sales pitch will empower the staff. Appropriate application of technology in physical retail channels has the potential to equalise the balance between the empowered consumer and the retailer. Designing a store that works in synergy with its staff, by providing an environment that enhances the salesperson’s availability and credibility, will result in a more sophisticated and successful sales message. Technology can be used to enhance the décor and the overall atmospherics, whilst becoming a functional selling tool, creating both a positive and trusting perception of salespersons and a more persuasive effect on the customer.

The following chapter will explore the ways in which technology can truly be applied to provide a more dynamic availability through the use of different digital applications. We will further explore the possibilities of digital tools such as interactive wall screens, mobile devices and how they allow better product demonstrations (Appendix A) to create a more powerful experience for the customer.
3. Market Development

The preceding chapter developed a clear insight of what customers value most from the in-store experience. The following chapters will identify the extent to which retailers are redesigning their business model strategies and proceed to identify the tools that have been made available for doing so. Permitting therefore a more conclusive analysis of what tools are available for the development of an Omni-channel retail strategy.

3.1 Key business challenges

Transitioning to a more interactive and digital interface can present benefits for the operational and service excellence of the brick-and-mortar store. As identified in the previous chapter, it has now become a necessity for maintaining a competitive edge in a multichannel market (Forrester, 2014). The following table identifies that alongside quality of personnel and brand differentiation, integrating digital technologies into the store and bringing the online experience to the store are among the top four Business Challenges as found in RSR’s 2013 Global Study: The Relevant Store in the Digital Age.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Mean</th>
<th>Median</th>
<th>S.D.</th>
<th>Freq.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiring good people</td>
<td>11.4</td>
<td>9</td>
<td>8.1</td>
<td>124</td>
</tr>
<tr>
<td>Differentiating your company from the competitor</td>
<td>11.4</td>
<td>9</td>
<td>8.8</td>
<td>124</td>
</tr>
<tr>
<td>Getting new technologies rolled out in stores</td>
<td>11.3</td>
<td>10</td>
<td>8.2</td>
<td>124</td>
</tr>
<tr>
<td>Bring a more digital/online experience to the stores</td>
<td>11.3</td>
<td>9</td>
<td>8.5</td>
<td>124</td>
</tr>
</tbody>
</table>

Figure 7: Brickstream, 2014. In Store Analytics Survey Report

Having already developed an understanding of the importance of hiring quality in-store personnel in establishing brand differentiation, we can further focus the potential of technological tools and how their integration can help resolve operational challenges for retailers.
3.2 Technology adoption life cycle

Before identifying how to implement technology, we must understand the behavioural transition of how a niche trend such as technology infused into the store can be accepted in the mainstream market. Geoffrey A. Moore’s Hi-Tech Marketing Model; achieves this by analysing the bell curve of the Technology Adoption Life Cycle. Where he has evaluated the adoption life cycle of disruptive technologies and products into any market. From the niche to mainstream to the non-movers, the model analyses what Moore has called the “Chasm” between the Early Adopters and the Early Majority.

![Technology Adoption Lifecycle Diagram]

Figure 8: Crossing the Chasm (1980)

The model, as does all technology, starts with the innovators, referred to by Moore as technology enthusiasts. They are detached from any particular industry, with very little interest in the market development of technology. The Visionaries follow them as early adopters who see marketable potential of new technologies, therefore represent the early market. Described as the most innovative store in London to date, when Burberry opened its digital store in 2012 they became fashion retail’s visionary leader in the retail revolution, providing staff with iPads and the wall sized digital signage displaying the latest campaigns across the store. Today they remain the luxury leader in digital marketing initiatives, due to a retail market full of laggards.
and late adopters (Business of Fashion, 2014). Moore, describes this transition period as ‘Crossing the Chasm’.

Reason being, that beyond the early adopting retailers comes, the mainstream market: the early majority, who make decision on a pragmatic basis and the late majority, who have a more conservative mentality. Their goal is to have a calculated percentage improvement with guarantee for incremental, measurable, predictable progress. They are not interested in being the first to test the product (let somebody else debug your product) and for this reason they represent an essential status of where the retail industry currently lies (Kapoor, 2009).

The late majority represent the more basic stores such as bargain stores and non-innovation focused retailers who’s priority may or may not be to enhance the retail experience, (Kerin, Jain and Howard, 1992). This sector will only adopt the model of a digitally infused; Omni-channel store once it has becomes de facto-standard.

At this present time, a foolproof model of a digitally infused store is still under construction. According to Moore’s model, digital retail innovation segment is still under development by visionary companies, which we will explore in the following chapter. They represent the early market that is changing the retail archetype (Magretta, 2002).

### 3.3 Inhibitors and detrimental considerations

To understand the most beneficial ways of introducing technology into the store, it is important to analyse why retailers are not yet implementing changes and what potentially prevents them from doing so. Top inhibitors for retailers to innovate their retail model have been identified via the RSR global Omni-channel benchmark (August, 2014: 15). In order of priority here are the top 3 results of the identified inhibitors over the course of 2012, 2013 and 2014, based on the results of the highest performing retailers:
To what extent can the introduction of digital capacities aid salespeople to create a multi-layered consumer experience in the offline retail environment?

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As we can see, in 2014, the organizational structure became a more significant inhibitor. Whilst understanding the customer became more complicated due to ever increasing digital touch points that make their consumer journey almost untraceable as explored in chapter 2 (Accenture, 2014). This was once a great constraint with 54% of retailers on a global scale, who perceived this as the primary defect in developing an Omni-channel initiative (RSR Research, 2014). Today, however the primary challenge is the lack of cross channel unification, as most retailers operate their channels on different silos rather than one central operating system (Retail Customer Experience, 2012).

Finding the ways in which store systems and eCommerce platforms can be implemented into the core business strategy may in this case enable companies to challenge these inhibitions. This subject will be explored further in chapter four as we examine the enabling properties of technology.

Furthermore, it is important to understand the slow growth of digital implementation in the market. These views are most often established by what the high tech marketing model describes as the Laggards who are more sceptical about the benefits of technical products due to their non-obvious necessities, through a ‘why fix what’s not broken’ mentality (Moore, 2014). As of yet, Omni-channel retail has no foolproof model and no guaranteed return on investment (ROI)(Brick Stream, 2012). As mentioned earlier, retail innovation is ‘crossing the chasm’ of marketability. The timidity of most retailers is most undoubtedly due to lack of experience in this domain, and for as long as the seamless experience is not a standardised retail model, companies in the mainstream market will avoid the investment risk.
An interview with the manager of the Dr Martens store in Amsterdam highlighted that, the potential failure of implementing a digital strategy in stores is of a higher cost to them than to wait until the technology is well developed, “it is better to wait for a nice system to be designed rather than waste money trying to make it work here”. As described by Chipchase in his book Hidden in Plain Sight, “when the current standard seems to be good enough, why waste time trying something new that may or may not work?” Confirming the position that a large portion of mainstream retailers will take a pragmatic approach, acting as followers, rather than first-movers (Moore, 2014; Bricks Meet Clicks, 2012). However, an inherent problem with taking this laggard position presents the risk of losing market share. Chapter 4 will further delve into the importance of regularly innovating the business model in order to maintain a competitive position.

Another crucial elements to consider in digital inhibitions are the companies who do not believe in the necessity of introducing digital capabilities into their retail strategies. Often high-end luxury retailers find that digitalisation takes away from the personalisation of their services and makes the experience into a less luxurious, perhaps less ‘human experience’. It is therefore important to analyse the types of retailers who might not be suited to this type of retail innovation and who find it detrimental to their experience. LVMH owned Celine, for example, has neither e-commerce nor social media presence in any market (Business of Fashion, 2014).

It has however been considered in a report, by financial services firm Exan BNP Paribas (2014), a detrimental flaw for high-end luxury retailers to view digital capabilities as an unnecessary development. As “digital is expected to produce on average c.40% of growth in the personal luxury market, luxury goods players seem slow in building digital capabilities.” By measuring the digital and ecommerce activity of the top high-end retailers, the report creates a Digital competitive map (Apendix C).

A range of case studies in Chapter 5 will take the implementation of digital strategies into consideration where successes and failures of digital implementation will be taken into consideration. Here we will continue to further explore the potential downfalls of technology.

**Conclusion**
We have identified throughout this chapter that retail is transitioning towards a new industry standard. By identifying the primary challenges in the development of retail operational standards we have set a basis for research in the potentials tools that may help companies tackle these challenges. With the high-tech marketing model, we developed an understanding of the primary hurdles for retail innovation; which we further explored by looking at the key inhibitors of technological advancement.

In the following chapter we can thus begin to identify the digital tools that can enable brands to incorporate a digital capacity within their stores. As retailers have no foolproof model of digital in-store strategies the following research will make an effort towards finding the key valuable enhancements of technology within the store, in order to potentially reach measurable results and respond to consumer needs.
4. Realising the convergence of digital and physical

The eminent Omni-channel revolution is upon us, and retailers who seek to maintain a valuable position in the market will need to do so by re-imagining and remodelling their core strategy. As defended by Levitt (1983: xxii): “The surviving and thriving business is a business that constantly seeks to help people solve their problems - functionally better, valued better, and available better.”

Throughout the following chapter I will map out an overview of the potential for an interconnected digital strategy. I will focus on the digital tools that are available and analyse the potential benefits of their application.

4.1 Value of business model innovations

Redesigning the age-old business model of the store is a challenge for retail developers today. Not only does implementing a digital infrastructure require finding new ways of thinking about a complex retail model; there is a shortage of retailers who will lead the way. Very few retailers have interest in blindly trialling innovative technologies that may not quantify the desired results (Bricks Meets Clicks, 2012; Moore, 2014).

Nevertheless, the retail revolution is prominent, and past successes of the standard retail model will not provide future profitability (Debruyne, 2010). Rather than sticking to their existing conditions retailers have an opportunity to capitalise on integrating disruptive technologies into new business models and seizing a highly desired competitive advantage (Padgett and Mulvey, 2007;).

Within the fashion retail industry there are market leaders such as Burberry London, as identified by financial services firm EXANE BNP Paris Bas (2014), whose success enhancing qualities depend on continually innovating their business models. With the aim to meet customer needs by frequently solving problem in a way that differentiates them from their competition. As Magretta (2002) explains, if a brand innovative strategy within products or services resonates with the right customer group, this can and will become the new standard for that part of the market, leaving other retailers to play catch-up as a result (Baird and Kilcourse, 2014). In order to stay ahead and
To what extent can the introduction of digital capacities aid salespeople to create a multi-layered consumer experience in the offline retail environment?

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4.2 Digital tools

Before moving on to the process of implementing an organisational structure, we will identify the different types of technologies that can be used in such a process. In an interview with digital affiliate, Pascal Claude, technology provider from Airgoo Wireless Media, the following list of technologies along with their potential application has been developed (in no particular order):

- **Digital Signage**: Display product information on screens instead of prints.
  - If operated from one location, central marketing is able to provide the accurate digital content and adapt it according to the day.
  - Cheaper, quicker and more adaptable than printing new campaigns each time.
  - Easily adapt message to changing products or to sales conditions and pricing.

- **Interactive displays in the store**
  - Encourages customer engagement and interest, through a physical interaction.
  - Customer can obtain more information about the products in the store according to personal desired information.
  - Provides information about products beyond the store (e.g. different colours, sizes or different models) but can be ordered. E.g. Marks & Spencers using such screens so that customers can order products and get delivered at home/in-store when unavailable.
  - Beyond just providing customers with the ability to obtain more information, the brand can collect the information and make further statistical analysis to better understand customer needs.
  - Collect information of non fulfilled demands.
  - Collect data in the store when the customer dialogues with interactive screens. E.g. accurate perspective on popularity of a product, how
To what extent can the introduction of digital capacities aid salespeople to create a multi-layered consumer experience in the offline retail environment?

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- **Portable interactive displays on personnel**
  - Give more knowledge to the sales person and improve ability to respond to customers demands.
  - Appear more modern, trendy, by appropriate use of technology.

- **Website/e-shop**: the central online brand platform where customers can view products and purchase
  - Product information and corporate message.
  - Online Ordering.

- **Brand specific apps**: Customers can download the brand app in order to get more information about products and enable a two-way communication.
  - The brand informs customers about new products.
  - Entice customers to go visit the store more often, provide price reduction vouchers, invite to private sales, exclusive events, etc.
  - Collect more information about the customers and profile their preferences better.
  - Enable customer to order online from mobile device.
  - Can use the app when the customer is in the store. (Redeeming promotional offers, voucher, codes, etc.)

- **iBeacons**: Emit permanently a Bluetooth low power signal that can be detected by a mobile phone with the right app. The phone app will send information to the brand central server informing of the customer’s location. Beacons can be in multiple locations in a store for more precise locating.
  - Detect when the customer comes near the shop and send promotional messages to invite him to the store and drive footfall
  - When in the store, identify his location and possibly change the information displayed in digital screens near by to match the customer profile and preference

- **Supporting software**: Gather all information collected through all above tools in order to predict customers demand and match closely the company’s production to the exact need of the market

often people are looking at a particular product, which size colour preferences.

- **Portable interactive displays on personnel**
  - Give more knowledge to the sales person and improve ability to respond to customers demands.
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- **Supporting software**: Gather all information collected through all above tools in order to predict customers demand and match closely the company’s production to the exact need of the market
As we can see the tools available are endless and continuously being innovated. Thus making the design process of an appropriate technology, extremely versatile and leaving brands a lot of room to innovate their strategies (Lewis and Dart, 2014).

### 4.3 Overview of different digital bridges in and out of stores

According to James McQuivey (2014), vice president and principal analyst at Forrester Research, to take advantage of digitalised retail strategies, it is important to consider three main principles, which he defines as “successful platform-exploiting disruption”:

- **Build digital bridges to your customer:** digital platforms such as apps and websites provide “digital bridges” that help brands provide services and connect with their customers.
- **Measure early and often:** the tools built within certain technologies can provide active feedback that give real-time insights of what customers do and want.
- **Respond quickly based on feedback:** by observing how consumers respond to added features retailers can analyse the behaviour and respond to the findings.

These principles show that implementing digital capacities can “provide a new avenue for connecting with and learning from digital customers” (McQuivey, 2014). By using platforms as a way to reach customers, in new ways and analysing their responses, retailers are able to learn directly from their customers what their needs are. It is then up to retailers to respond to this feedback.

The following diagram uses the same foundations as McQuivey’s digital exploitation model, the multichannel journey model explored in chapter 1 alongside information gathered from interviews with digital providers and developers of Airgoo Wireless and Videro. The diagram identifies the use of the cross-channel digital bridges that can be introduced for a seamless interaction with the consumer using some of the technological tools cited above.
To what extent can the introduction of digital capacities aid salespeople to create a multi-layered consumer experience in the offline retail environment?

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![Diagram](attachment:diagram.png)

Figure 10: cohesion of digital bridges in Omni-channel model (own diagram)

This diagram explores the digital capacities available in the exploitation of online and offline platforms. Designed based on conversations with digital affiliates it provides an understanding of digital bridges in a cross channel retail strategy. The technology used here provides frictionless interactions across multiple channels for the consumer. We see that iBeacon Bluetooth technology as connects with the customer’s mobile device providing him with extra services that would otherwise not exist. The relationship between mobile and physical within this diagram highlights the significant enabling opportunities of mobile platforms.

**Enterprise Resource Planing systems (ERP)**

Supporting software is key to enable multi-dimensional strategies that use different types of technologies in cohesion with one-another. Having this at the core of a
To what extent can the introduction of digital capacities aid salespeople to create a multi-layered consumer experience in the offline retail environment?

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company’s digital strategy is extremely important for the organisation of tasks and processes.

ERP system is an important business management software tool that collects information and provides support throughout the main body of an organisation. As identified in figure 10, it feeds from the primary data bank of an organisation’s operational core, it unites all channels and processes by placing them on one platform and is therefore crucial for the development of united cross-channel retailing.

We can take the SAP HANA Platform as an example (a platform also used by Burberry). All data is collected in the Cloud and accessed by the SAP Platform, which processes it in real time delivering precious analytics results crucial for a global organisation. The platform provides ease of access as results can later be exploited by various departments within the organisation, such as marketing, sales, supply chain, etc.

The following case study of the digitally all-inclusive strategy such as the Scala EXP Platform, shows an overview of how supporting software can be designed to interact with various types of technologies to not only provide an engaging experience but also to collect data in the process. The following diagram maps a general overview of the process and opportunities made available through the Scala EXP Platform that was tested out during an interview with Daren Cremings, Scala’s sales manager, where he demonstrated the ways in which interactive technology can engage the consumer, whilst analysing their behaviour for further data analysis (Appendix A),
To what extent can the introduction of digital capacities aid salespeople to create a multi-layered consumer experience in the offline retail environment?

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Figure 11: Functionalities of the Scala EXP platform1 (Own diagram)

This diagram demonstrates the way the Scala EXP Platform uses an interactive digital strategy to provide operational excellence alongside an enhanced customer experience. “The Scala EXP, aims to act as the bridge between online and offline channels and to allow store owners to create, manage and deliver engaging experiences” (Scala EMEA, 2015).

The following part of this chapter will continue to identify the development of digital tools through examples of their application.

1 For more information on how this platform works and video demonstrations, please visit http://scala.com/
4.4 Technology as key enablers of digital bridges

As the plethora of tools that have been made available for the development of the retail environment have been identified and their application has been exemplified, it is essential for the purpose of this report to further identify what these can do in the enabling of a better operational structure in store.

As we continue this report, we will further analyse the extent of how technology can resolve the key challenges previously identified:

- Obtaining good personnel
- Competitive differentiation
- Converging the digital/online experience in-stores

Figure 12: Implementing a digital core, (own diagram)

4.4.1 Digital tools aid personalisation of services

To achieve a high level of connection we can look to Lewis and Dart (2014), authors of: The New Rules of Retail, who state that establishing a ‘neurological connection’ with customers can create a powerful engagement that promises an almost subconscious affiliation in the mind of the consumer towards a particular brand. Achieving this connection will henceforth earn the loyalty of the customer who will
indelibly return to this retailer before any competitor, thus strengthening brand positioning.

To establish this level of connection, a retailer must focus on the co-creation of a unique shopping experience, where the customer enters a predesigned environment that can be personally shaped according to his personal situation, hence, creating a unique neurological experience (Lewis and Dart (2014). In order to achieve such a level of service the most commonly effective tool is well-informed personnel, which we previously identified as one of the key challenges for the future of retail.

An interesting retail strategy that uses advanced and precise data collection for this kind of service is the Albert Heijn (AH) online services, which are enhanced by the Bonus Card, used in stores. By joining the Bonus Card Program in stores AH is able to record purchase history so that when shoppers identify themselves online, AH can tailor make the shopping list suggestions and send exclusive deals based according to the customers preferences (ah.nl, 2015). Whilst this retailer is not a fashion retailer they are successfully creating the online/offline experiences in an inspiring seamless and service enhancing way.

An example of personalised shopping environments with the fashion industry will be explored in the Burberry case study in the following chapter. Where staff are provided with in depth information of the customers purchase history and can cater to the customer based on their individual needs.

4.4.2 Mobile computing for salesforce empowerment:

This topic was further explored during my interview with Johannes Buld, CEO of software developing company Videro (Appendix A), a platform which has been designed for in-store personnel to manipulate content across multiple screens using mobile computing devices such as phones, tablets, interactive TV’s. When asked about the missing factors of the retail environment, Buld further exemplified the need to focus on the development of store personnel: “The most important thing that is missing from stores is the education of staff who are often very young and who only work part time. In most cases the consumer knows more about the product than the staff, because you can access most information online … staff needs to be able to
show and present the collection more immediately to the customer and in new ways.”
This statement was further strengthened by the results of my Amsterdam based survey of Retail Personnel (Appendix B), as 78% of the 72 respondents where between the ages of 16-25 with only 5% in the 30+ age bracket. When asked about their employment status 68% of staff where part time employees, suggesting therefore that many where still in education and who’s priority might not be this type of employment.

Delving further into the matter of training, when asked about the regularity of their training, 60% of the staff said every new season (6 months), whilst a staggering 0% received monthly training sessions. In an RSR 2014 Omni-channel Benchmark Report, comparing 83 high and low performing retailers worldwide, analysts Baird and Kilcourse, found supporting evidence identifying the need for workforce empowerment as a key priority for Omni-channel development. When analysing the behaviour of top performing retailers, what they call: Retail Winners, the importance for more performance enhancing digital tools, such as equipping the staff with portable interactive displays, like iPads and smartphones, came out on top as 78% of the winning retailers cited they where actively involving this in their strategy.

Highlighting that mobile technology on personnel has competitive value within certain setting for meeting consumer expectations (Accenture, 2014), this can be seen in the Apple stores where staff can complete payments anywhere in store via their mobile POS devices.

When considering the nature of the customer-salesperson relationship explored in chapter 2, the customers access to on-the-go information via mobile is having great influence on the imbalance of this relationship. As a Forester (2014) survey of 1,503 multi-channel customer reports, 68% use their mobiles in stores yet 61% would rather interact with the sales associates for more product recommendations, which the reports highlights as the potential explanation why an important 69% expected store associates to have access to mobile devices in stores. This therefore can identify the use of mobile technology as an essential tool for equalising the conversation between salespersons and their customer (Rosenblum and Rowen, 2012).

Retailers who can respond to this imbalance between customer and personnel can therefore establish a big differentiating value within the increasingly competitive
To what extent can the introduction of digital capacities aid salespeople to create a multi-layered consumer experience in the offline retail environment (Doherty and Ellis-Chadwick, 2010; Euromonitor International, 2010). Providing sales associates with the necessary tools and technologies to access any unknown answers as well as improving service efficiency can increase the opportunity to ‘save the sale’ (Rosenblum and Rowen, 2012).

4.4.3 Using ‘smart’ technologies to connect with a mobile customer

Whilst mobile devices on personnel can provide an improved service for the customer and a more empowered workforce, the benefits of mobile do not stop here. Mobile applications have the potential to become the intermediary between stores and online by defining the store as a continuation of the online experience (PwC, 2013). In an interview with Airgoo Wireless Media provider Pascal Claude, Bluetooth technology was highlighted as the optimal way of establishing this connection. He highlighted that the “Trend will be to use beacons so as to “know” who is in the shop and when, and possibly adapt the display content to match the visitors of the moment”. Bluetooth low energy technology, which is used by iBeacons connects the retailer to the customer via their mobile upon passing or entering the store, permitting a seamless and personalised connection between brand and customer upon entering a new channel (Accenture, 2013).

Whilst this technology has not yet been introduced to mainstream retailers, experimentation of this have been found with digital research division Westfield Labs of the indoor mall owners Westfield Group. As they research into innovative approaches of using technology and mobile applications to improve the retail experience within their malls. A new service currently in experimentation at the London Westfield shopping centre uses iBeacon technology to locate and navigate shoppers. This service provides a personal shopping guide, that enables the Westfield Group to “build a one-to-one relationship with [their] shoppers, and better understand their needs, understand the way they shop, understand what they’re looking to buy.” (Westfield Labs, 2015).

An interview with London based Sports Marketing representative, Tom Pearce (Appendix A), further identified Puma’s 2020 retail strategy to focus on the use of iBeacons in an aggressive sales strategy: “The iBeacon can be an essential tool for
competing with other sports retailers. By tracking the location of our customers, we can identify when they enter a competitor's store and send them a promotional notification/email to entice them to buy with us.”

Whilst these examples of mobile connection are both not in place, they give a clear example of what the potential of brands connecting to the customers mobile.

4.4.4 In-store analytics

Access to data is essentially a key differentiator between online and offline today as it plays a big part in understanding the needs of consumers, and evaluating performance. Digital analytics platforms such as Google analytics, allows online tailers to see the bigger picture through Key Performance Indicators (KPI’s). Thus allowing them to actively evaluate the performance of a particular strategy and respond immediately to these (Digital Current, 2015). The store environment lacks the ability to accurately reflect on consumers’ shopping habits and preferences in-store; therefore reducing the ability to respond with optimised engaging strategies (Kilcourse and Rosenblum, 2014; PwC, 2013).

E-tailers have the great advantage of being able to analyse the online behaviour of their customers and instantly react to those trends at anytime of the day. Systems such as Google analytics allow companies to analyse campaign and product performances based on transactions, revenue and average order value. Whilst a more intuitive shopping behaviour analysis is also visible through a purchase funnel that gives insights of the point your consumer might be dropping a sale. Analysing any areas where there is a large flight rate will allow e-tailers to adjust their online store accordingly and rapidly (Google Analytics, 2015). An advantage that physical retailers do not have, besides sales data from POS systems which often require time costly analyses for retail managers (Baird and Kilcourse, 2014).

In order to gain competitive leverage, brick-and-mortar retailers need to find optimal ways of collecting and analysing product and customer behaviour data (PwC, 2013). Today’s customers can be fickle and demanding, therefore responding to demands and in-store flight behaviour with as little “lag-time to action” as possible, is crucial for optimisation of customer satisfaction (Kilcourse and Rosenblum, 2014: 6).
Retailers will make the transition towards Omni-channel retailing with the use of in-store analytics (Brickstream, 2014). The rapid innovation of new technologies has brought to market new digital tools that have great potential in capturing and analysing new data usable for the operational store environment.

4.5 Challenges in implementation
As we continue to consider the potential benefits of implementing digital interface it is important to identify the challenges that digital must overcome before marketable success.

Channels competing against one another
Technology is a new field, which presents both opportunities and threats for retailers; it is therefore crucial that its application must have clear benefits that outweigh the negatives. During several interviews with digital affiliates and retail associates, the words digital innovation came across as threatening with unnecessary implications. A prime example of this was with Floris Klaver, Amsterdam Store manager of Dr Martens, who discouraged the introduction of ordering online via the store. “If we encourage them to buy online, I lose the chance of suggesting an alternative sale within my store. This means my revenue in store will go down and meeting store targets becomes a problem. When I offer an alternative there is a 1 out of 10 chance that someone will buy the suggested alternative, which is better than losing all 10 sales.” This exemplifies how within the same company, channels are competing with one-another rather than being unified as one.

However, when asked whether the online and offline channels are impacting one-another, he added that opening the physical space has had significant benefits to the eShop’s performance within the Netherlands “as online sales for the Dutch website have risen by 60% since the launch of the physical store” (Appendix A). This figure highlights that the channels must work in unison rather than competing, in order to focus on the overall goal of the company. As a suggestion for overcoming this, Klaver suggested that he would consider it “ok, if a percentage of the online sales gets considered in the revenue for his store.”
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Macy’s have exemplified this progressive attitude towards this type of cross-channel retailing by providing access to their online channel in stores. By ensuring that “customers could order and receive products from any store location, in any variety, and, when possible, on the same day” they have created the notion of ‘everywhere retail’. As a result 10% of their online sales are being fulfilled from Macy’s stores (FastCompany, 2014)

Technology perceived as dehumanising

Another threatening perception for most retailers and their customers is the dehumanising aspects of technology. Taking into account what was highlighted in the second chapter of this report, social interaction is an essential part of retail atmospherics (Baker, 1986). Employing screens into an environment that focuses so poignantly on providing a social interaction might take away from the social connection between sales associate and customer. Social detachment therefore becomes an important challenge to overcome for digital teams.

During my survey with Amsterdam retail staff 60% of the 82 respondents found the idea of a mobile app serving as a personal shopping assistant ‘Not helpful’, whilst 30% where unsure of its potential benefits. These results show that a great majority of personnel asked would either find this a futile occupation and as detrimental to their employment prospects. Retail manager of Stone Island Amsterdam boutique further highlighted that “this goes against all that we are aiming for with the experience of the store. It takes away from the personal experience we hope to provide.” A statement that works in stark contrast to this claim, was what sports marketing representative of Puma, Tom Pearce claimed: “Puma is aiming to eventually have no sales associates in stores (Appendix A),. Our target group is more focused on obtaining the product than the social experience of purchasing the product.” These contrasting viewpoints highlight that perhaps the targeted demographics of a brand must be considered in the implementation of digital and the ways in which it can be used, therefore confirming the importance of CRM in the development of digital capacities.

Catering the use of digital according to the retail demographic is therefore an important point to consider. As Jennalee Reiff of global digital agency Blast Radius reported on the ‘Humanising Digital’ discussion at the SXS conference “rather than
using technology to interfere with peoples lives, we need to use technology to deliver on real human need” (Blast Radius, 2015). The Marks & Spencer’s case study of the following chapter will take into further consideration the use of new interactive technologies in a self-service environment.

Invasion of privacy

As online platforms collect more and more of our personal data, data mining has been perceived as an invasion of privacy. As discussed with the store manager of Stone Island Amsterdam, “customers often prefer to pick up in store as they do not want us to have their details, in fear we might abuse the information”. The fine line between providing a personalised service and breaching the customers trust is a big question when using data collecting tools. According to digital affiliate Chris Dancy, who has been coined “the most connected man on earth,” the key for intelligent use of digital analytics and services is to highlight it as a beneficial service (Wired Magazine, 2015).

Conclusion

This chapter has explored the eminent potential of executing digital capacities within the retail space, whilst considering the challenges that can be identified alongside. The following chapter continue this trajectory through a range of case studies of visionary retailers who have begun the realisation of digital into their retail spaces. This will permit an understanding of the extent in which technology can currently be used to respond to the challenges identified and perhaps deliver value.
5. The Connected Store Model: case studies

Modern applications of technology are continuously being introduced to the digital environment and retailers have the opportunity to pick up on these new devices in order to enhance their retail environments, their brand awareness and their sales functions (Rosenblum and Rowen, 2012).

To develop an overview of the digital-physical convergence successfully, we will take a look at various retailers who have implemented strong digital strategies. This will allow us to set an outlook on what the possibilities are within implementing an Omni-channel structure.

5.1 Zara: Mastering in-store analytics

As explored in section 4.4.4 ‘In-store analytics’, collecting in-store data may well be one of the most advantageous technologies for the operational structure of retailing. Integrating a network of data collection points allows the optimisation of service by allocating product offerings according to direct customer insights (Brick Stream, 2013; Kilcourse and Rosenblum, 2014).

Based on a RSR global study on Business Intelligence & Analytics in Retail (Kilcourse and Rosenblum, 2014), the use of in-store analytics is essential for optimising planning and execution in stores and across multiple departments. Whilst, the marketing department is described as the primary sector benefiting from in-store analytics, merchandising, operations, and other departments, are also set to benefit from customer insights. Well-used real-time data therefore becomes a corporate asset across the board (Brick Stream, 2014).

Through a vertically orientated value chain and an efficient use of real-time data analysis, Zara redefined fast fashion for the entire high street by placing “actionable information into the hands of managers” (RSR Research, 2012: p.1). They have developed an internalised, highly responsive communication channel, where store managers communicate sales results on a daily basis throughout the organisation. By focusing both on actual customer behaviour in stores and up-to-date sales results, they are able to know what sells and which styles consumers are responding to in real-
time. Analysis of this data is then communicated to the design teams who work on actual trends rather than depending on hypothetical reports made months in advance. Due to having total control of their production chain which is in close proximity to their head offices, designs can be produced and bought to stores in a turnaround time as short as 14 days (IPR Plaza, 2012). Whilst this is not the type of retail experience that demonstrates an inter-personal connection with the consumer in stores, they are establishing a neurological connection with their customers by delivering according to their desires (Lewis and Dart, 2014).

5.2 Amazon: personalised data

Whilst Zara has applied a broader evaluation of its data for mass consumer trends, data analytics can also be used to create a more personalised value connection, as explored earlier with the Albert Heijn ‘Bonus Card Program’.

Online retailers such as Amazon.com are key players in the use of data analytics for establishing personalised online services. Through the analysis of purchase history and online cookies to monitor browsing, they are able to send customer specific promotional messages based on their collected data. Finding ways of implementing similar in-store data collection will allow retailers to establish more relevant connections with their customers (PwC, 2012). Implementing, therefore, a seamless online/offline strategy will allow businesses to meet the high expectations of the digital consumer who is already conditioned to high levels of personalisation online (Forrester, 2013).

5.3 KENZO: a customer focused strategy with a future in ‘Mobile-izing’

According to RSR’s Omni-Channeling report (2014), keeping up with the complexities of the modern consumer needs has become the number one business challenge for high performing retailers. Companies therefore have to apply their CRM plans in accordance to the desires of individual customers. In my interview with Ramona Tudosescu, digital project manager at luxury retailer KENZO, on creating the “Ideal digital experience” identifying the needs of their customer groups was an
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essential part of designing their online presence, consisting of multiple touchpoints: mobile, stores, website (desktop), events, special 360 degree operations, etc. By analysing their client demographics, they identified the following goals:

- Create an immersive shopping experience with a community aspect for their **best clients**. They achieve this through innovative digital events for enhancing brand connection.
- For the ‘**icon’ enthusiasts**, who make up 80% of KENZO’s revenue, providing a simple and efficient shopping experience via an m-commerce channel was essential. They are further developing an eCRM plan for a strong after sales experience via social media and marketing channels in order to keep their attention.
- Delivering a layered, entertaining experience that would inspire their **fashion clients**, who are up to date on all the latest collection. The browse by print feature on their website is a key focus for this customer.

Throughout this multi-channel strategy the most important digital capability for Tudosescu is the ability to “analyse and talk with our client after purchase… as they are going to wear our brand, think about our brand and we can use digital to keep this relationship going.” For these reasons KENZO envisions establishing new experiences in Omni-channel retail. Delivering cross-channel experiences to customers are often based on providing services anytime and anywhere to satisfy the new found, convenience value of the customer (Clarkson Consulting, 2013). This approach is why KENZO sees the use of “mobile as the intermediary between stores and the offline world [whilst also using] stores in continuation of the online presence.”

In recent years, the massive adoption of “smart mobile” devices means retailers have found a window of opportunity to interact with shoppers the way shoppers like via m-commerce and mobile applications (McKinsey, 2013). As identified in the 1st chapter of this report, mobile searches have surpassed those of PC on a global scale (searchengineland.com, 2015), making mobile an essential influential digital device for any online business. The growing importance of mobile was a shared view by digital affiliates of Airgoo Wireless Media provider, Scala and Videreo software
developers who promoted the use of low energy Bluetooth technologies in association with mobile as key tools for the future of digital retail.

To go back to Kenzo’s vision of a mobile enabled Omni-channel strategy, we can look at the launch of their first mobile application in October 2014. ‘Kenzo Loves Printemps’ was a mobile application designed to enhance the shopping experience during their pop-up collaboration with French department store Printemps Haussmann. The app revolved around a playful interaction with the customer in the form of a treasure hunt; where they had to find letters which when scanned would give a 3D visualisation of various elements of the collection, either promoting the print designs, new product launches or the special edition garments from the initial collection. As customers had to previously download the app, iBeacon technology was also used to “send a push notification to consumers when they get near to Printemps, reminding them of what is in-store.” (Luxury Daily, 2014)

The app was a temporary digital event catering specifically to Kenzo’s ‘best client’ and ‘fashion client’ profiles previously mentioned. Introducing this high involvement occasion created a playful experience with the brand that focused on enhancing the brand experience and establishing the neurological connection (Lewis and Dart, 2014).

When referring to the introduction of more permanent digital capabilities in their stores, Tudosescu highlighted that currently KENZO has “a very small integration of digital, both in terms of functionality and experience”. Progression from here will depend primarily on improving functionalities, for example, personalisation of products, buying online in-stores, and home deliveries. Through the use of simple technologies that help establish a strong infrastructure and at organisational level, in a move towards this type of transition, digital and retail have now converged into one same support system for improved operations. The importance of supporting systems such as enterprise resource planning (ERP) will be further explained in the following chapter. As a secondary priority, improvements of after purchase experiences such as providing “a mobile companion” will aid with developing customer relationships.
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5.4 Burberry: Optimised convenience, experience and service

Burberry gained leverage on Omni-channel retail by weaving technology into all its actions, and by actively involving the customer experience in product, digital media and their stores1 (Morrison, 2012). Since their advanced adoption of technology in their digital flagship store, launched in 2012, they remain the leaders of digital innovation in the luxury sector (Business of Fashion, 2014). Burberry’s digital store incorporates revolutionary front and back office technologies. Improving their supply chain using the latest SAP technology for enterprise resources and improving consumer profiling through real-time analytics. They further focused on using digital installations for a hybridisation of online/offline (Forbes, 2014; Burberry.com 2015). The store uses a plethora of digital technologies with wall sized digital signage displays, an RFID activated ‘magic mirror’ in the fitting rooms and sales associates each armed with mobile devices. Whilst the incorporation of digital signage plays a central role in the environmental atmospherics of the store, it is the optimisation of mobile store services and operational management that has the most benefit to the store reportedly saving them £50 million in recent years (Forbes, 2014).

Burberry’s approach to equipping personnel with mobile technology clearly corresponds to both consumer and retailer needs identified in chapters 2 and 3 of this report. Identifying that, regardless of having unlimited access to their personal mobile devices, consumers still maintain the desire to interact with salespersons in stores, and consequently driving the need to have knowledgeable personnel available at all times (Baird and Kilcourse, 2014).

In a brief Q&A session with associates in the digital London store, each praised the added benefits of having an iPad, filled with the Burberry apps. The device provides them with access to inventory, product information and localisation, internal communication platforms (Burberry chat), customer accounts and a mobile POS device to complete transactions. Thus enhancing a fluid interaction with the store environment and allowing completion of sales to happen easily and efficiently throughout the store. One assistant described this service as “a personalised experience that happens in stores but is realised online”, highlighting the cross-

1 Established presence on facebook, twiter, YouTube, Pinterest and owning their own social media platform ‘Art of the Trench’
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channel initiatives. Mobile POS devices have in this case enabled customers to pay anywhere within the store and have their products delivered directly to their home according to preference. Having a greater percentage of their sales completed ‘online’ and dispatched from central warehouse provides an optimised stock turnover for the store as deliveries are made straight from the warehouse and store replenishments can be made less frequently, therefore easing the planning of merchandise.

Burberry’s employment of digital capacities in store has responded to some key functional elements of the retail space from the personnel’s perspective such as mobile POS services and instant stock checking. A prime example of technology not having found its ‘foolproof’ model is that of Burberry’s RFID operated magic mirror in their London flagship store. In an interview with one of the sales associates, the technology was unsuccessful and was reportedly “never used” due to its temperamental flaws (Appendix 1). Introducing technology in early stages of development therefore presents the risk of not working successfully and can have a detrimental impact that embarrasses personnel rather than empowering them, as my interview with Johannes Buld of Videro instigated (Appendix 1).

However, whilst there are some critical reactions to certain elements of the store, there lies merit in being the trailblazer. Most retailers have only just begun developing their digital strategies towards an optimised set of operational standards (Magretta, 2002). As identified by financial services firm Exane BNP Paribas, Burberry’s established foundations of digital capabilities within their corporate structure and store has kept them at the top of the proficiency league for luxury retailers, with an above-average growth results. Competitors in the luxury business as a result are continuously lagging behind and face difficulties replicating and internalising the processes. Burberry therefore continues to set the new standards for large-scale luxury retailing.

5.5 M&S: A Small Footprint and self-service Strategy

As highlighted by an MIT Management review report (2012) another approach to retail innovation is to innovate the business model design through exploitation of new opportunities in an already existing market. Retailing via a smaller footprint strategy
is a potential way of exploring a new type of business model for middle to large retailers, who often experience high real estate prices that outweigh their revenue due to the online world capturing an increasing amount of sales (PwC, 2013; Forrester, 2014). Marks & Spencers for example, opened a mini clothing department of approximately 40m², to their groceries store on the Amsterdam Kalverstraat. In an interview with the store manager, this strategy has helped them generate greater awareness in a new urban market. The store is technology enabled in order to present a broader selection of garments for customers.

The store, which they call an ‘E-Boutique’, initially opened its doors with a fully implemented digital infrastructure. Fully equipped with a magic mirror, self-service checkout, interactive screens platforms and virtual rails, it provided an experience of the brand with a limited amount of stock. The large interactive screens displayed almost like tables provide an essential cross-selling tool where the customers can continue viewing the collection online and add any extra purchases. To finalise their shopping experience customers are able to self-sweep their card directly into the screen. The store manager confirmed that this experience was highly popular with older generation of customers who find found this a good introduction to online shopping which they normally would find “intimidating”. Due to this virtual rail strategy the small footprint store “only needs to have best selling items in stock” as the website platform provides access to the rest of the collection.

Their self-service retail model, as a strategy provides an extremely different application of retailing, making a value connection principally on the convenience factor. Customer facing touch points, creating a less personalised experience against Burberry’s close associate-customer experience. Nevertheless, due to the size of the store the experience remains intimate and effective for the retailer who will not need to dedicate a lot of space for stock keeping.

Upon opening, the store provided garments in only two sizes, which customers would be able to order in a larger size after viewing on the magic mirror. However, after a year the magic mirror was removed and a full range of sizes have been presented and replaced by a fitting room, which, incidentally, consumers are responding more positively to. This goes to confirm the statement of Pascal Claude from Airgoo Wireless Media, that “interactive [technologies] have not yet been generalised”
making them a bigger investment risk with little guaranteed return on investment (ROI).

Given the success of bringing access to the online platform in-store we can perceive that consumers are responsive to certain technologies, yet they still prefer physical realities. As highlighted by statement from Stone Island’s, Store Manager, who did not see the benefits of introducing the ‘magic mirror’ into in stores yet because “people are not ready for such technologies, it means you loose contact with the product” he did continue however with “perhaps it would be interesting for colour ways” suggesting that consumer technology consumption is still under development. This confirms “human understanding and usage of, and interaction and experience with, ‘smart things’ and the systems they form have not developed at the same pace” (IEEE Computer Society, 2013: n.p.).

5.6 Pro Direct Soccer: Online comes offline in Conceptual Digital Store

A final example of a digitally incorporated store is that of Pro-Direct Soccer in London. In a twist of fate, is an e-tailer making the transition to brick-and-mortar, a transition which has become popular amongst successful online distributors aiming to achieve a greater market growth (Milnes, 2015). This final case study takes into consideration a more extreme approach to the digitalisation of the retail environment, which Pro Direct has coined the “digital mortar” experience (Pro Direct Soccer, 2014; n.p.). As a high-end football boot distributor, they sells top of the range football boots and are the number one global distributor. Their transition into retail domain has taken an extremely conceptualised and highly modern approach of merging the digital and physical channels.

According to the company, Pro Direct’s vision was to capture the dynamic feeling of walking into a physical realization of their website. As Adrian Lake of Pro Direct states, “Our vision was to create a live, connected retail theatre" through a space that “lives and breathes through content working in pure synergy with our online presence.” (Retail Customer Experience, 2014: n.p.)

Using a complete interactive interface on their ground floor, the store has no merchandise and brings the concept of showooming directly into the physical domain
where customers can search in-store and buy online, whilst still in the store (Business Insider, 2014). There are large interactive wall screens and digital signage displaying the latest collections and clips of footballers wearing the collections lining all four walls of the main gallery. With four free standing customer facing touch points (large touch screen tablets) customers are able to browse the full collection as they would online and launch items that gather the most interest onto the facing digital screens. Unable to make the purchase themselves, customers must complete their purchase with the iPad equipped personnel who will assist the customer in ordering desired merchandise or make any further product recommendations.

The basement of the store, takes a similar digital format with digital signage lining the walls, including an interactive social media wall, where customers can view all social media activity related to the brand. This floor presents only the most exclusive football boots, which is the only merchandise actually available to buy in store, thus putting a heavy influence on the importance of this product. Here again we see a ‘magic mirror’ approach to visualising clothes on a virtual body, Pro Direct however has applied the use of interactive digital mannequins that feature life-size video of players and models wearing the apparel that matches the customers choice of merchandise (Retail Customer Experience, 2014). As customers browse through the collection they can swipe the image upwards which will activate itself on the wall sized digital screen and the garments will be visualised on a known footballer, hence playing on the emotional connection the customer may have with the associated footballer (Morrison, Crane 2007).

A brief interview with the sales associate identified the store as a ‘destination’ shop. Their customer demographic is very specific and aimed at football fanatics who come specifically for the shoe. Perhaps explaining why the store environment can afford to be so experimental and offer no merchandise other than football boots.

### 5.7 Evaluating market readiness

Successful business innovation takes flexibility and mistakes are to be expected in the early phases of a strategy. As can be seen both with Burberry and Marks & Spencer’s application of the Magic Mirror, a technology that whilst advanced provided no added
value to either stores. Oversights such as these should not deter retailers from Omni-channel transitions, but corrective actions should be put in place in the process (Johnson et al., 2008).

It was further highlighted by Tudosecu (Appendix 1) as she identified the key growth stunts of digital strategies in the retail environment: “New technologies that are unseen but make a true impact are very difficult to implement as they take a long while to become standardised. For now, the digital departments in companies are only starting to grow. We need to grow the influence of the department in order to bring in new innovative technologies.” Therefore her suggested approach to introducing digital technologies into the retail space revolved around using “the simplest of technologies but with strong infrastructure, to have real impact on the organisational level.”

The execution of a new digital strategy must take into consideration who their target market is and at which point they will willingly embrace new technologies. As Highlighted by Tudosecu, during the design process of a channel it is crucial to know who the customer is and modify the application of technology accordingly (Kenzo interview, Appendix A) for example over 50% of Kenzo shoppers are iOS users, this type of information allows the retailer to know the type of consumer and what is accessible to them (Prensky, 2001). Taking the first step into the digitalisation of retail has high risk as a company may intimidate its customer and loose the personal brand connection (Chipchase, 2013). The question lies therein: at which point can it be identified that the consumer is ready to accept technology in the retail environment?

**Conclusion**

An evaluation of the available services offered in the evolving store, shows waves of technologies taking place in the market. Each in the pursuit of achieving customer satisfaction through enhanced experiences and optimisation of services through operational excellence.
6. Conclusion

Throughout this research I explored the ways in which digital tools could be implemented into retail environments to improve the quality of services in stores. By focusing my research question on the salespeople and how they can enhance the retail experience to provide more functionality in services.

To fully iterate my findings, I will identify the main areas of research in order to be able to answer the essential question of the report.

1. Understand how important it is to meet the customer needs for the ideal experience.
2. Understand the evolution in retail strategies and why the application of digital tools must be considered.
3. Analyse the best ways technology is being applied to the retail environments in stores today.

At the heart of this research we have focused on meeting the customer needs and identifying the ways in which their involvement with a brand is essential in their path to purchase. We discovered that providing the ideal experience in the modern market requires a multi-disciplinary strategy that not only provides a broad range of customer touch points, but that moves towards uniting those into one complete experience.

Through the implementation of Customer Relationship Management, brands must curate personalised experiences that interact cohesively across communication and sales channels.

The hybridisation of online and offline will therefore become essential in the development of future retail strategies. In order to implement the seamless, cross-channel experience it is important that retailers find the optimal tools for achieving this. Enabling technology into the store environment will thus become a key asset to achieving an Omni-channel experience.

New tools are continuously being bought to market, making it difficult for retailers to identify which digital investments should be made. Through the broad range of case studies and real brand examples we were able to see that digital tools offer diverse
business potentials. As a result the research has indubitably brought to the surface, that technology itself is not the answer, but finding the viable ways in which it can be used is.

Retailers must carefully consider their targeted demographic and identify the individual needs they hope to meet. As seen with the ‘magic mirror’ incidents both with Burberry and Marks & Spencer’s, brands must be careful not to leap too far ahead into digital innovation at the risk of presenting services that customers are not ready for. As a result, taking smaller steps and using simple but effective methods of technological integration will provide the smooth transitions of in-store digital capacities.

Strategies that focus on providing functional solutions will most likely generate greater success rates. This was seen with the Macy’s strategy of providing the online experience in-stores, as it creates a broader reach of merchandise going beyond the limitations of in-store stock capacities. We saw that across the multiple case studies the convergence of online and digital took place by establishing digital bridges between the channels such as apps, mobile and interactive screens. Furthermore, as retailers make the shift into data driven decision-making technologies that help with the efficiency of services whilst providing greater insights, will provide the greatest rewards. Supporting software systems introduce data collection tools to provide the necessary feedback on customer needs whilst enabling departments beyond retail to improve their operations.

From this report I have identified four key digital tools that respond to a broad range of needs and therefore should be the first tools considered for retail innovation.

- **Mobile** – connecting to mobile devices in stores will enable efficiency and be a less obtrusive use of technology.

- **Digital platforms** – A disruptive platforms that can transform the ways customers interact with brands play key roles in developing digital bridges between channels in the customer-provider relationship.
To what extent can the introduction of digital capacities aid salespeople to create a multi-layered consumer experience in the offline retail environment?

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- **Smart technology** – Digital devices that communicates with each other allow for a more seamless connection with the customer, providing accessibility and cross channel communication.

- **Supporting software** – enhancing the operational back office of all channels, unifying them onto one main service provider such as SAP will enhance the internal infrastructure. It allows for optimised usage of data analytics to respond more accurately to customer needs than ever before.

Finally, whilst this report has highlighted the benefits of cross-channel retail developments and the growth of digital capacities in stores, we should avoid suggesting Omni-channelling as the only solution for retail innovation. Taking, for example, concept stores or brands whose aims are to maintain a level of inaccessibility, it may be perceived that implementing digital capacities into these types of environments to be undermining to their brand image. Yet on the contrary, what the report has highlighted is that well-applied strategies that are designed in consideration to the particular needs of the retailer and his targeted demographic will introduce new and enhancing dimensions.
7. Remaining questions

Throughout this research I have come to the realisation that the topic of digital capacities within the retail environment, more often than not, provides more questions than answers. The topic remains relatively new and unrefined with immeasurable success rates, which is why I will take the time to consider the remaining question that could be delved into as a continuation of this report.

- To what extent is the level of “customer sophistication” true?
  - How much of a hype is it that the consumer is completely empowered and at which point will creating a desirable product overrule the digital accessibility of the brand?
- How to identify what tools your target demographic will respond to best?
- How long does the adoption of digital tools take for customers?
  - To what extent are customers ready to interact with digital screens and how much would this effect their purchasing power?
- Identifying the key differences between retail markets and their propensity for digital adoption
  - To what extent is each market introducing digital strategies?
  - What are the priorities within each market, for example the mainstream market may have different priorities within its application of digital than the high-end market, e.g. Efficiency vs. quality of service?
- What are the inhibitions within the different levels of fashion markets? For example, high-end luxury in comparison to high-street
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Bibliography

Diagrams and Charts

Figure 1: Global Digital Snapshot

Figure 2: Digital influence on a multi channel operational structure (own diagram)

Figure 3: Omni-Channel Experience

Figure 4: Pick up in store, www.zara.com (n.p.

Figure 5: Kotlers Five Product Levels, 1969

Figure 6: “When shopping in a physical store, I expect the sales associate to…”
Forrester, 2014 UK Survey of 1,502 multichannel consumers

Figure 7: Strategic priorities in key operational challenges,

Figure 8: Technology Adoption Life Cycle

Figure 9: Top 3 Omni-Cannel Organizational Inhibitors (RSR Research, 2014: 15)
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Appendix A

Hereby an overview of topics discussed during my face-to-face interviews with digital affiliates in eCommerce, retail, and technology/software developments.

eCommerce & Retailer perspective

Section 1: Multichannel

How did you take the consumer experience into consideration in the designing of your online platform?

Based on your experience what advantages do online channels have over offline?

Is multichannel retail already implemented in your strategy? If so what platforms are you using and why?

From your personal experience, to what extent would you say that the development of a seamless, Omni-channel retail experience is developing?

Where do you see room for improvement with offline retail channels?

Section 2: Technology

Do you see potential difficulties integrating new technologies into physical retail? If so, where and how can these be solved?

How can digital platforms be integrated into the store to improve the customer experience?

Based on your experience, what do you think is holding retailers back from investing in the digital transformations of the store?

If you don’t believe in the digital development of retail, do you perceive it to be unnecessary or disadvantageous and why?
From a Digital Affiliate's perspective

Section 1: multichannel & Omni-channel retailing:

Where do you see room for improvement with offline retail channels?

From your personal experience, to what extent would you say that the development of a seamless, Omni-channel retail experience is developing?

Based on your experience what advantages do online channels have over offline?

From your personal experience, to what extent would you say that the development of a seamless, Omni-channel retail experience is developing?

Where do you see room for improvement with offline retail channels?

Section 2: Technology

Please elaborate on your product and what it can potentially do for the retail environment.

What technologies are currently available in the market that you respond most well to?

What strengths can interactive screens bring to retail?

What are some of the key issues you have faced with integrating digital into the retail environment over the years?

To what extent are retailers becoming more receptive to this type of technology?

What can interactive technology bring to retail?

What do you think is holding retailers back from investing in the digital transformations of the store?
Appendix B

Questionnaire to Amsterdam Based Sales associates working in Middle to large market stores.

How often do you receive training sessions in your work?

<table>
<thead>
<tr>
<th></th>
<th>Every month</th>
<th>New Season</th>
<th>Odd Occasion</th>
<th>Never</th>
</tr>
</thead>
</table>

Are you always able to provide customers with the information they request about the product? (eg. how a garment is made/ where it’s from / where they can buy it, etc.)

<table>
<thead>
<tr>
<th></th>
<th>Often</th>
<th>Sometimes</th>
<th>Rarely</th>
<th>Never</th>
</tr>
</thead>
</table>

How often do customers come it with specific requests?

<table>
<thead>
<tr>
<th></th>
<th>Often</th>
<th>Sometimes</th>
<th>Rarely</th>
<th>Never</th>
</tr>
</thead>
</table>

If you don't have a product in store, what can you do from the following options? And which do you think are/would be the most helpful

<table>
<thead>
<tr>
<th></th>
<th>We Have</th>
<th>Helpful</th>
<th>Not Helpful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order it to the store</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Get it set to the customer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nothing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nothing, but I can tell them where to find it</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
To what extent can the introduction of digital capacities aid salespeople to create a multi-layered consumer experience in the offline retail environment?

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Please select the technology you currently have available in your store today, and how much it helps you in your work?

<table>
<thead>
<tr>
<th>Technology</th>
<th>Useful</th>
<th>Sometimes</th>
<th>Not at all</th>
<th>Doesn’t work</th>
</tr>
</thead>
<tbody>
<tr>
<td>iPad for customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iPad for staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moving image displays (TV, etc.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Magic Mirror / interactive screens</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please rate how helpful the following technologies/service would be to you

<table>
<thead>
<tr>
<th>Technology</th>
<th>Helpful</th>
<th>I don't know</th>
<th>No helpful</th>
</tr>
</thead>
<tbody>
<tr>
<td>iPad on staff (maybe to help check stock)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital advertising screens</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large tactile screens for social media, product information etc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notifications sent directly to the customers phone (promotions, discount vouchers new collections, etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-service checkout</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Magic mirror</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile app serving as a personal shopping assistant?</td>
<td></td>
<td></td>
<td></td>
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</tbody>
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