ADVICE REPORT
SHOWROOM RETAIL MODEL

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ADVICE REPORT
SHOWROOM RETAIL MODEL

An Advisory report for Visionaries, Entrepreneurs and Business owners.

Written & Designed by
Henjola Veldhoven

Co-created by professionals in marketing, business, retail and scrum development.
Are you facing challenges within your physical retail store(s)?
yes _______ no _______

Are you constantly thinking about how to improve or transform your organization?
yes _______ no _______

Did you notice the changing behaviour of your customer and are you searching for innovative ways of interacting with them?
yes _______ no _______
If you’ve answered “yes” to any of these questions, you’re holding the right booklet!

This is an advisory report for visionaries and entrepreneurs striving to defy the outdated traditional retail business model and design tomorrow’s enterprises with the showroom retail model.
This is the advisory report that is developed by Henjola Veldhoven, a graduate student at the Amsterdam Fashion Institute, and is part of the completion of her Bachelor’s degree. The report is based on the results of the research report which investigated the ‘showroom retail model’ and the future of the physical retail store. The aim of this advisory report is to provide the small to mid-sized retailers, that target the male millennial, with contemporary and relevant improvement suggestions regarding their physical store. Furthermore, the report includes a business model of the ‘showroom retail model’ for retailers in order to employ it into their own businesses with examples and suggestions.
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BACKGROUND

It is claimed that the apparel retail environment is changing and many retailers are analysing which concepts work best in this development in order to fulfil costumers’ needs. On the one hand, it appears that the online market is transcending the offline market. Online sales have been growing and trend forecastings indicate that the online market share of retail trade will keep increasing. On the other hand, online based companies such as Amazon and eBay demonstrate that virtual shops lack the serendipity and experience of the brick and mortar store. Both brands opened up physical stores in order to enhance the customer experience. In addition, consumers’ behaviour and needs changed. Small to mid-sized retailers, in particular, have been affected by these developments. Large companies maintain significant budgets that they can employ to experiment in response to all developments and changes. If small to mid-size retailers want to maintain and elaborate their physical stores they will need to create a seamless omnichannel brand experience with an innovative store concept.
“...will need to create a seamless omnichannel brand experience with an innovative store concept...”
This chapter will discuss the process towards making the business model regarding the showroom retail model developed in response to the findings of the research during this study. By implementing interesting facts examined in the study into an innovative business model, value can be created for companies and customers. The business model in this advice report is focussed on the male millennial as its target group and meant to be integrated into existing or new small to mid-sized apparel businesses in the Netherlands. The model itself is based on the business model canvas that is built out of nine blocks and shows the logic of how a company intends to gain its profits. The nine blocks cover the four main areas of a business: customers, offer, infrastructure and financial viability. (Osterwalder and Pigneur, 2013)
LEFT BRAIN
logic

RIGHT BRAIN
emotion
The traditional retail business model
It is stated by Osterwalder and Pigneur (2013) that the traditional retail model was based on the product and services the companies delivered to the consumer. This lead to products not being sold, services not being used and a consumer that does not feel heard.

The research that led to this advisory report showed that the focus in retail changes from product to consumer, experience and service. By means of an empathy map, this study tried to better understand its consumer, the male Millennial. From the empathy map, the value proposition model will be redesigned to create a better product-market fit. The chance of failure will be reduced by doing this and as a result, a product will be developed that will actually help the consumer. (Toolshere, 2017)

After a product-market fit has been accomplished, a business model is created of the showroom retail model.
BUSINESS MODEL CANVAS OF THE TRADITIONAL RETAIL MODEL

**Key Partners**
- Major brand manufacturers
- Regional & national suppliers
- Local governments

**Key Activities**
- Shopping experience
- Purchase analytics
- Merchandise mix
- Real estate
- Supply chain
- Brand recognition

**Value Propositions**
- Quality
- Best Value
- Lowest costs
- Convenience
- Prestige

**Customer Relationships**
- Self-service
- Pre- and post-sale service
- Personal assistance

**Customer Segments**
- Mass market
- Segmented

**Key Resources**
- Real estate
- Supply chain
- Brand recognition

**Cost Structure**
- Cost driven
- Economies of scale
- Fixed costs

**Revenue Streams**
- Profits on sales
- Manufacturer rebates

**Channels**
- Retail stores
- Website
CUSTOMER EMPATHY MAP MALE MILLENNIAL

THINK & FEEL?
- No more delivery errors
- Sceptical towards retail
- He wants to be a trendsetter
- He wants to help develop products
- He does not feel heard when giving feedback
- He wants to make the world a better place

SAY & DO?
- Online offers better price offers
- Writes online reviews
- He wants to co-create but doesn’t get the chance
- He wants to give feedback to the retailer but doesn’t get the chance
- He wants to help develop products
- He wants to make the world a better place

PAIN
- Overchoice of products in-store
- Does not feel heard
- No flexible store opening hours
- Unpersonal or no customer service
- Availability of items
- Delivery errors

GAIN
- Being a trendsetter
- Making the world a better place
- Omnichannel experience
- Tailored style advice
- Co-creation

HEAR?
- Discount codes from friends for online webshops
- Online media channels: email, youtube, facebook & instagram
- He wants to give feedback to the retailer but doesn’t get the chance
- He wants to help develop products
- He wants to make the world a better place

SEE?
- More webshops
- Messy retail stores: too many products
- Changing retail environment
- Allowing for co-creation
The empathy map
It is essential to know your customers in order to create products they’ll actually buy. By setting up an empathy map you will crawl inside the male millennials mind and understand what drives him and what he feels and think.

First, the empathy map of the male millennial shows that he sees that the retail environment is changing. New technological developments occur but the retail industry is not sure yet how they should use it or it is still too expensive to implement into their businesses. They also notice more physical retail stores close and webshops are arising rapidly. The retail stores that are still opened look messy and the customer service is not very good. The overall image of the retail environment is not looking very positive.

Second, the male millennial hears from his brand confirmations on what he saw himself. In addition, he receives special price discount codes for webshops. His friends tell him about interesting collections from online brands. The most used marketing channels are online media channels such as Facebook, Google, Twitter, Youtube, Instagram and email marketing from fashion retailers.

Third, how does the male millennial think and feel about the physical retail stores? He feels sceptical about fashion retailers and has the feeling he is not being heard when giving the brand feedback. Also, he is frustrated about his delivery that has not been delivered after 8 days while it should have arrived within 2 days. He would like to make the world a better place by buying clothes.

Lastly, the consumer actually is very critical towards the retail experience but is afraid to give feedback or does not get the change. He would like to help develop products but the retailer only maintains a monologue with its customers instead of the dialogue male millennials prefer.

From all these aspirations, frustrations and obstacles, the pains and gains within the empathy model can be developed. What really frustrates the customer and what does he actually long for within the retail experience? Finally, you will be able to fully understand your target group and create a product that makes their life more convenient. After completing the empathy map, the value proposition map can be developed.
Creating the perfect value fit
The value proposition canvas was developed to create the perfect value fit to develop products the customer really wants and needs. Many products nowadays are made from a, often interesting, concept but were developed while forgetting to keep the customer in mind. This created a lot of product failures. The Value proposition canvas is actually a zoomed in version of Value Propositions and Customer Segment of the Business model canvas as discussed earlier. It is in the Value Proposition Canvas to find out what the customer needs in a supplier or retailer, what will provide the customer extra value and what the customer experiences as annoying or disadvantageous. (Toolshero, 2017)

First, the customer jobs are investigated, what does the customer has to fulfil as a task? Which social tasks do you help to reach the customer? The research beforehand this advisory report showed that the male Millennial wants to be a trendsetter and help to make the world a better place. Also they want convenient shopping time windows within their own flexible lifestyle and want to purchase garments that enhances his personal style. Then the pain and gain creators are copied from the empathy customer map.

The idea behind the value proposition canvas is to find pain relievers for your pains and create gain creators for your gains by means of your product and/or services. In the showroom retail model the better stock management solves the availability of items and the longer store opening hours make sure male millennials can now also shop during evening hours after work.
Showroom

Retail model

Shopify POS

Postal service in-store

Information hub in-store

In-store sales through online shop

Social good program - donate €1,00

Employees: more time for customers

User data collection consumers

Selected product line based on consumer data

Profitable delivery & return terms

Longer store opening hours

Better stock management

No shipping and return fees

Value Proposition Canvas Showroom Retail Model

Tailored style advice

Making the world a better place

Co-creation

Trendsetter

World enhancer

Buy clothes that fit personal style

Effective time schedule: shopping

Omnichannel experience

Unpersonal or no customer service

Overchoice of products in-store

Does not feel heard

Availability of items

Delivery errors

No flexible store opening hours

Trendsetter

World enhancer

Buy clothes that fit personal style

Effective time schedule: shopping

Omnichannel experience

Unpersonal or no customer service

Overchoice of products in-store

Does not feel heard

Availability of items

Delivery errors

No flexible store opening hours
The other way around: since the showroom does not maintain a stock room, employees will not have to refill stock in-store all the time or process bulk parcels but instead have more time to help customers with personal style advice. This has proven to increase margins. The Shopify system gives the opportunity to gather consumer data by asking them feedback when making a purchase through the e-commerce platform. This data can be used to let the consumer co-create the collection and send out personal emails with recommended style items.

Whenever every pain has a pain reliever and every gain maintains a gain creator, a good fit between the product and what the consumer actually wants is created. It is essential to look at consumers’ needs and tasks in order to create a product and/or service that they will use.

Finally, from the perfect fitting value proposition the final business model can be redesigned into an innovative business model of the showroom retail.
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Customer Segments
The most important customer for whom value is created in the showroom retail model is the male Millennial in the Netherlands.

Value Propositions
The showroom retail model’s most important value that will be delivered to the customer is a seamless omnichannel experience. This omnichannel experience can be divided into three important aspects that differ the showroom retail model from other retail business models. The three aspects are a personalized shopper experience, an efficient delivery system for the apparel and through a postal service in-store with the efficient e-commerce platform of Shopify.

Channels
The customer segments are reached through the following channel: The physical showroom retail store with the e-commerce platform and online media channels. There are five channel phases.

First, awareness is created about the company and its products. This phase will mainly take place through social media and online media channels such as Google and email marketing in the customer journey. Advertisements through social media appear to be cheaper and reach a relatively big part of the target group. Many male millennials use social media daily. Therefore, the option of creating awareness through social media and the e-commerce platform is a not only cost-efficient but also the most integrated within the customer routine.

Second, all three channels help the customer to evaluate the value propositions of the showroom retail model. By means of the e-commerce platform and the physical store, the customer can leave feedback. This data is collected and used to improve product lines and personal style advice. Through social media channels, transparency is created when customers write online reviews.

Third, the purchase of the products is maintained through the e-commerce platform. However, the customers also have the possibility to buy their apparel through a mobile device in-store after observing the merchandise in the showroom.
Fourth, the value propositions will be *delivered* to the customers through the retail store and the e-commerce platform. Customers have the options to pick up their order in-store or let it be delivered at home. The experience in the showroom will logically be delivered within the store. However, the brand experience will always be seamlessly connected to each other in order to maintain the omnichannel brand experience. The postal service in-store creates a customer friendly environment regarding delivery and returns.

Fifth, the *post-purchase customer support* will be provided through the e-commerce platform, email marketing and the retail store. The e-commerce platform will feature a help desk and customers can always go to the showroom store to get extra information. The personally addressed email will give customers information concerning new collections and recommended items that fit their personal style.

**Customer Relationships**
The customer relationships will exist out of personalized omnichannel customer service.

Since the showroom retail model does not have a stock room, the employees no longer have to restock merchandise in-store. Therefore, the store employees have more time to deliver more personalized customer service. By means of Beacon technology the personalized experience can be improved even further.

Co-creation is seen by millennials as an important aspect of the shopping experience and is likewise integrated into the showroom retail model. Since customers give constant feedback, products and services can be improved and an agile supply chain strategy is applied.

The entire brand experience will be the same across all channels in combination with the latest technology to optimize the customers’ omnichannel experience of the brand.

**Revenue Streams**
The customers in the showroom retail model are willing to pay for the apparel products. By means of fixed prices on the merchandise, the revenue streams are met.
“...A high degree of personalized service characterizes the showroom model and is therefore value-driven. ...”
Key Resources
The key resources the showroom retail model needs to meet the value propositions through the distribution channels in order to meet the customer relationships and revenue streams are personnel, physical store and warehouse, customer data and feedback. With the gathered data, analysis’ can be made and used to improve the customer experience.

Key Activities
The key activities needed to meet the value propositions are analysing purchase and consumer data and delivering the customer service.

Key Partnerships
The key partners within the showroom retail model will be the warehouse, e-commerce platform Shopify, fashion apparel suppliers, local and national delivery services.

Motivations for partnerships are reduction of risk and optimization and economy. Especially small to mid-sized retailers often outsource business activities such as the logistics or marketing of their business since it is too much of a risk to do this all at once.

The purchase platform will be outsourced by Shopify that uses the in-store POS system. Local and national businesses can maintain the postal services outside the physical store.

Cost Structure
The showroom retail model is value-driven which the business is focussed on value creation. A high degree of personalized service characterizes the showroom model and is therefore value-driven. Fixed costs within the model are staff salaries, rent of the physical showroom store and the Shopify subscription. On top of this come the production costs of the showroom samples.
CUSTOMER JOURNEY
The consumer behaviour of the male millennial has a marked effect on marketing and consumer decision-making styles. The consumer characteristics differ a lot from prior generations and since the millennials will be the biggest generational cohort in the near future with strong purchase power, it is only beneficial to understand this consumers' values. The customer journey for the male millennial within the showroom retail model is presented in order to understand their consumer behaviour and create an omnichannel brand experience.
THE CUSTOMER JOURNEY OF THE MALE MILLENNIAL IN THE SHOWROOM RETAIL MODEL

**AWARENESS**
- Online Media Channels: Google Advertisements
- Facebook, Instagram, & Twitter Advertisement

**CONSIDERATION**
- Online Reviews

**PURCHASE**
- E-Commerce or Purchase In-Store

**RETENTION**
- Aftersales: Ask for Feedback
- Personal Email with Style Recommendation Based on Data

**ADVOCACY**
- Invitation via Email
- Brand Advocates
- Loyalty Discount

**WORD OF MOUTH**

**EMAIL SUBSCRIPTION**

**BROWSE WEBSITE**

**SHOWROOM RETAIL MODEL**

**ONLINE REVIEWS**

**INVITATION VIA EMAIL**

**SOCIAL NETWORKS**

**RECEIVE PRODUCTS AT HOME**

**PERSONAL EMAIL WITH STYLE RECOMMENDATION BASED ON DATA**

**GET IN-STORE PERSONAL STYLE ADVICE**

**ASK FOR FEEDBACK**

**INVITATION VIA EMAIL**
The journey of the male Millennial
During the study into the consumer behaviour of the Millennial, it became clear this target group needs a different approach in their customer journey than prior generations. They prefer a personal approach and awareness will be created through online media channels such as Facebook, Twitter, Youtube or Instagram. After a retailer catches the attention of the male Millennial, the consumer will start looking into the brand, collection and online reviews. When the consumer gets a positive outlook on the retailer and product line they can immediately order garments online through the website or come and visit the showroom to gather more information about the clothing.

In-store there will be another moment created in which the consumer can purchase items through the e-commerce platform from Shopify. The Shopify system immediately asks the customer for feedback when making a payment in order to gather personal consumer data and feedback. This feedback will be used to send out personal emails to the consumer with style advice based on his preferences and feedback. By means of a loyalty program, the loyal consumer will receive special offers for buying garments online or in-store regularly. Brand advocates can be created by inviting them to share content about the purchased items on social media in reward for a discount or free items. The personal email will keep the customer informed about new collections and items that would match his personal fashion style.
ADVICE
The retail industry faces an obstacle regarding the creation of experiences in-store. Retailers are plagued by the question how the ideal in-store experience should look like. Many researchers claim that apparel stores will apply admission fees in order to maintain their physical stores. Consumers walk into the stores nowadays and ask for free advice or enjoy the merchandise but do not pay for these values. Retailers face a challenge in which they are asked to create seamless experiences in-store but in which a revenue stream is needed. Because customers nowadays do not pay, yet, for experiences within a retail store. This revenue stream would be the admission fee. The advice in this chapter is based on this fee.

Pine and Gilmore (1998) indicated that if managers of retail stores started imagining running a store that sold experiences for a submission fee this would force them to create a seamless experience that is at a far higher level in the experience economy and worth paying for. The store would have to enhance the consumer experience with events, showcases and demonstrations. No company ever staged experiences for free, yet, the apparel business does.

ADVICE:
In order to create a seamless in-store experience that actually belongs to the experience economy, start thinking of your apparel that would ask for a submission fee at the entrance of the store. Not only will this force you to think outside of the box but consumers might actually pay for the experience you would host in-store. In a retail environment in which customers search for an enrichment and escape of their daily lives, the seamless experience is needed to target the millennial generation.
REFERENCES


