Building Immersive Retail Experiences
Leveraging emerging technology to bridge the gap between online and in-store
A New Role for the Physical Store

We are all well aware that today’s consumers increasingly look to new technologies to manage their daily lives. For example, in a Capgemini study of over 18,000 customers in 18 countries, more than 70 percent of the respondents stated that they used some form of emerging technology, such as mobile, social media, or online, in their shopping journey. Of these respondents, 41 percent use these channels heavily, and the segment of consumers who avoid technology when shopping is getting smaller, from 13 percent in 2012 down to 11 percent in 2014. And this does not look to be slowing anytime soon. In late 2015, the Adobe Digital Index found that mobile drove 45 percent of online shopping visits, 25 percent of online sales and, for the first time, mobile surpassed desktop shopping visits.

With figures like these, some may think that the physical store is no longer relevant and that digital is the only way customers want to interact. However, although e-commerce is growing rapidly and is an essential channel, it represents just 7.5 percent of total retail sales. The Capgemini study also found that the physical store is still the favored destination for shoppers, particularly in mature markets. For transactions, 72 percent of respondents see the store as important or very important. And yet, the role of the Internet as the preferred channel to inform retail decisions (compared to smartphone apps, social media or in-store technologies) continues to be central, with 75 percent of respondents saying it was important or very important to shopping research.

Moving in the other direction, we see e-commerce retailers recognizing the importance of the physical store and beginning to invest in this channel. For example, both Amazon and Birchbox opened their first retail outlets in 2015. The Amazon store centers around e-Devices for consuming content, like the Kindle Fire, along with a highly curated selection of physical books, each accompanied by customer reviews and ratings from the online store. Birchbox’s New York store, where walls are adorned with Instagram pictures from subscription customers, includes features not possible online, like a “Try Bar” where shoppers can sample products, and a salon where they can enjoy hair, makeup and nail services, all of which are booked on the website.

Clearly, the physical store remains an important channel, but in today’s digitally-enabled world, we need to consider it in a fundamentally different way, not as a distinct channel, or even as part of a step in a journey, but as part of a continual experience that’s heavily enhanced by the smart use of in-store technology. And when done the right way, the results can be astounding. A recent study showed that retailers that have enabled digital capabilities in their stores are experiencing increases of about a third in sales volume, store traffic, and repeat buyers. These benefits are created by merging physical and digital capabilities, like Build-A-Bear and Toys”R”Us are, to create a compelling experience for customers (see Sidebars).

BUILD-A-BEAR CASE STUDY

Build-A-Bear Workshop Inc., the U.S.-based, do-it-yourself retailer of stuffed animals, is a great example of how the integration of digital and physical channels can drive tangible financial impact. With a focus on creating more immersive retail experiences, Build-A-Bear embarked on a two-year modernization program to remodel its stores. With its target customers — young children — ever more familiar with technology, this program brought touch and object and gesture recognition into the retail space. Microsoft’s Kinetic technology was used for games, enabling customers to interact with the latest products, and touchscreen kiosks were introduced to enhance each step of the toy-making process. For example, children can choose personality traits for their toys and add digital music and sounds to give the toy a “voice.” The store modernization has continued with a new Discovery format that has proven to be very popular with these stores seeing double-digit growth compared to heritage stores. Driven by the success of the program, the company plans to extend the format to many more properties.

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Drawing on our experience working with the world’s top retail brands, Capgemini has developed approaches on how to smartly merge physical and digital capabilities to help realize these benefits. In this report, we share our perspectives to help you leverage these approaches and deliver an immersive retail experience that will surprise and delight your most demanding customers and help you accelerate store performance.
Design Attributes of Digitally-Enabled Experiences
Based on our research of companies like Toys”R”Us, Build-A-Bear, and our work with leading retailers, we have identified three highly interrelated attributes, common to all, in how such experiences are designed and executed (see Figure 1).

1. Bidirectional Design
   Although the customer is important and the experience needs to be considered from their perspective, transformative change and real business outcomes will not happen if the operational implications and value aren’t designed at the same time. This means designing the experience from the customer perspective without losing sight of the value it will drive for the company. This benefit may not always be as obvious as driving increased sales. The primary impact (surprisingly) might be that by digitizing parts of the experience, you gain better insights into customer behaviors and preferences that can be used in product placement or development.

2. Seamless Merging of Physical and Digital
   The increasing expectation from today’s consumer is that there is consistency across digital and physical, and the appropriate experience needs to be delivered to meet this expectation. This is more than just multi-channel; it means delivering an experience that moves seamlessly from physical to digital without perceivable lines of separation between the two. Although this is difficult to execute as these channels are often owned by different parts of the business, it’s essential. Customers can be less than forgiving when their buying experience isn’t smooth because the fluidity of this experience isn’t their concern, it’s the company’s.

3. Smart Use of Technology
   While technology has an important role to play, truly immersive experiences arise when technology is working in the background to deliver the frictionless experiences customers expect. With so many new ways to interact and exciting new technologies and possibilities emerging each day, the temptation can be to focus too heavily on what the technology can do and put it at the forefront of the experience. The key is to focus on the intended outcomes and engaging experiences that the retailer desires for their customers. Technology should serve largely as an enabler to enhance the shopping experience, not dominate the stage as the lead actor.

Toys“R”Us Wish List
Toys“R”Us Inc., the world’s leading dedicated toy and baby products retailer with over 1,800 stores in 37 countries, has created a bridge between online and in-store through the Toys“R”Us Wish List. This tool allows customers to create a gift registry of toys using online, mobile and in-store channels. The online version has been offered since 2008, though more recent updates have introduced bridging experiences. For example, in the store, children can use a scanner to select products to add to the Wish List, turning shopping into a fun and interactive experience. The list can be curated by parents to create a tailored list of toys based not only on what the child wants, but on his or her age, interests and abilities. This can be shared with family and friends to avoid duplicate gifts and unnecessary returns. Many Toys“R”Us stores also feature a dedicated Wish List self-service kiosk, allowing gift-givers to quickly print out their loved ones’ wish list. This smart blending of online and in-store experiences is a good example of how relatively established digital technologies can be used to drive customer value and convenience.

Figure 1: Design Attributes of a Digitally-Enabled Experience
It’s critical to consider how technologies connect across the multiple actors involved in the delivery of the immersive experience (see Figure 2), from employees and products to the physical store itself. While the customers, employees, products, and store may serve as tangible endpoints, the true value resides in the ability to develop insights from aggregated data to generate powerful customer engagement, higher conversion rates, and increased revenue per visit.

Figure 2: Capgemini’s Smart Digital Store (SDS) Framework

Achieving the Immersive Retail Experience through Continuous Innovation

With new forms of in-store technology, data analytics, and other rapid digital evolutions, the opportunities for companies to innovate and re-invent the in-store experience have never been greater. Yet frequently, this proliferation can be overwhelming and confusing. In addition, retailers are facing ever-increasing pressure to move faster and faster. On one hand, they’re being out-innovated by emerging retailers who, unencumbered by legacy systems and other traditional retail boundaries, can move more quickly and nimbly. And on the other, their customers continue to demand new ways to browse, purchase, and connect. For retailers, the question becomes: how do you move quickly with new experiences yet prioritize with real business value in mind to avoid the allure (and pitfalls) of the latest trend?
To address this challenge, many companies have set up innovation labs (see Figure 3). Of the 200 largest companies in the world by revenue, 38 percent have taken this step, with over 60 percent of these centers based in Silicon Valley. Although the model for these labs varies widely from startup incubators to university alliances, they share a common purpose: to drive innovation and make sense of emerging technology.

Figure 3: Location of Company Innovation Centers

Although innovation labs are important in providing a focal point for discovering new ideas and devising prototypes, they often struggle to sustain innovation. Of the innovation centers that fail, 80 percent do so because they lack leadership support, have an unclear focus, or struggle to take ideas from concept to full-scale deployments. Based on our studies, successful innovation initiatives extend well beyond the lab and achieve success by balancing these seven elements:

1. **BUILD AN ECOSYSTEM**
   Technology today moves at lightning speed. In contrast to past technology waves, it’s no longer possible to build understanding and expertise across all of these in house. It’s important that innovation be considered as a collaborative effort, driven by an ecosystem that spans startups, academia, venture capital firms and other partners.

2. **LOOK BEYOND YOUR SECTOR**
   Within a sector, the flow of ideas between non-competing retailers in different geographies is typically very good. Executive visits and short-term exchanges of people are commonplace, so retailers generally have a good understanding of what’s leading within their own sector. However, there continues to be room to learn from other industries, and looking to other sectors for inspiration can be a rich source for innovation in the retail sector.

* Based on an assessment of the largest 200 companies by revenue on the Bloomberg list
3. DON'T BUILD ANOTHER SILO
Barriers to moving innovation forward quickly in large enterprises are common, and the temptation can be for innovation teams and labs to “bunker in,” isolating themselves from the rest of the organization to avoid these barriers. Although innovation efforts need to be separate so they can operate under different rules, this doesn’t mean disconnecting them from the rest of the business. This is a fast path to smart ideas that struggle to gain traction and scale.

In addition, although innovation is critical, the journey doesn’t end there. Online, mobile, marketing, and the retail store operations are quite distinct and are managed by different parts of the business. To deliver an immersive retail experience, these need to work in unison to deliver the fluidity customers expect. As a transverse capability that spans all of these, the innovation capability has a key role to play in unifying these functional areas and driving the transformation.

4. CONSIDER SCALE FROM DAY ONE
As companies move through the innovation process, it can be easy to overlook the question of scale. Who wants to risk crushing an interesting idea with practical questions like, “How will it fit into the current technology architecture?” Or, “How will we manage this technology in our retail stores?” In the same way that an isolated lab is doomed to fail, so is an overly protected idea. The practical implications of what it will take to scale it, and where it needs to integrate into the existing technology is critical. Often it will strengthen a good idea and kill ideas which do not have longevity early, avoiding wasted effort.

5. BE COMFORTABLE WITH EXPERIMENTATION AND FAILURE
Failure in the context of innovation is an often misunderstood concept. Some argue that a “fast failing” approach is one that means trying as many things as possible in the hope that the right path reveals itself. But ‘fast failing’ is more than this. It’s about moving quickly enough that there’s a degree of acceptance that things won’t go perfectly. The response of the organization when things go wrong is revealing, and seeing failure as an opportunity to learn is key. As Ed Catmull, President and Founder of Pixar, said: “Failure isn’t a necessary evil, it’s a necessary consequence of doing something great.”

6. LEARN IN REVERSE
For the first time in history, the young know more than the old. The average age of Board members is 63,12 and as technology changes almost daily with far reaching impacts on competitiveness, they need an understanding of technology more than ever. Rather than attend a training course, there’s a deep knowledge base that already exists in the business: graduate recruits. This talent has a level of digital literacy that reverse mentoring programs can tap into to bring this critical learning to the senior leadership.

7. INNOVATION IS REPEATABLE
At its heart, innovation is a repeatable process that can be followed to manage an idea from creation to implementation. True innovation is not the result of being born creative and inventive. Instead, it’s the outcome of rigor, focus, and a methodical approach balanced with the right capability and talent. This is an important distinction and realization that can liberate your business from the disempowering belief that innovation cannot be nurtured and developed over time.
A Way Forward

Addressing these seven elements for successful, sustainable innovation may seem complex, and the temptation can be to sit back and wait. However, when deconstructed, the first steps to develop an innovation-driven, immersive retail experience are not as daunting as they may first appear. Technology investments may already exist, and these are an ideal foundation to expand upon. Look to the Smart Digital Store framework as a reference for how the investments you’ve already made can be connected. Is there something missing in the Process or Capability layer which might enable more effective use of an existing technology asset? Reviewing your existing portfolio using this perspective will help to extend the impact of existing technologies at a lower cost.

Once this is completed, new technologies can be introduced in a way that’s more robust. The Smart Digital Store framework can support this by identifying where current gaps exists and where new assets could close these gaps. Current innovation activities, which many retailers have been running for years, can be smartly expanded by leveraging the guidelines and design principles described here. In this way, new technologies will avoid falling into the traps of being unable to scale or moving too slowly.

The time for waiting has passed. Since 2000, 52 percent of the Fortune 500 companies have merged, been acquired, or gone bankrupt. With this new battleground, companies need to differentiate, and for retailers, building an immersive retail experience quickly may be key to survival. Many of the essential assets and thinking needed to deliver business outcomes may already exist, if addressed and connected in the right way. The journey starts with understanding what’s currently in place and how to best build on this in a way that balances speed, impact, and cost.

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