



THE ULTIMATE GUIDE TO EXPERIENTIAL RETAIL

Innovative tactics to reinvent the brand experience
and keep customers coming back

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The retail industry is undergoing a major transformation as e-commerce disrupts traditional brick-and-mortar store models and gives rise to new modes of “experiential retail.” The experiential retail trend is being driven by a number of factors, including the increasing popularity of e-commerce, the decline in traditional department store traffic, and the proliferation of mobile devices.

Just as e-commerce pioneers like Amazon.com provided exceptional online customer experiences, experiential retailers are reinventing the in-store experience, creating environments that attract and delight consumers through features like spas, cafes, theaters, art exhibitions, and a host of other amenities, along with personalized service, in-store kiosks, 3-D experiences, pop-up shops, mobile commerce, and more.

Customers are demanding more than ever before in the way they interact with a brand. Retailers can no longer only offer a friendly interaction with a sales associate complimented by a high-quality product and expected a satisfied customer. Now, they must also provide an immersive customer experience that keeps them coming back.

HOW TECHNOLOGY IS DRIVING INNOVATIVE RETAIL EXPERIENCES

A key element of experiential retail is the innovative use of technology to provide interactive and immersive experiences. Retailers are employing artificial intelligence (AI), virtual reality (VR) and augmented reality (AR) to give shoppers experiences that engage, inform and entertain.

The success of brands like Sephora, Ulta Beauty and Rebecca Minkoff shows that consumers are responding to retailers that provide state-of-the art shopping experiences that are more sensory, information-rich, convenient and personalized.

Sephora, for example, enables shoppers to find products that match their skin tones by scanning their faces to get their “Color IQ.” Rebecca Minkoff’s stores in New York City and Los Angeles feature an interactive video wall and self-checkout for small items and accessories. A list of the items customers have tried on can be saved and sent to their phones so they can order later via e-commerce.

As brick-and-mortar stores compete with e-commerce, they’re realizing they need to up their technology game. A brick-and-mortar store can provide a sensory experience that no computer screen can deliver, and consumers are responding to experiential retail in a big way.

WHAT EXPERIENTIAL RETAIL MEANS FOR THE FUTURE OF THE INDUSTRY

Going forward, retailers will continue to employ technology to enhance the in-store experience and integrate online and offline experiences. As technologies like AI, AR, VR and the Internet of Things (IoT) continue to advance, retailers will be able to provide ever-more sophisticated personalized offerings, feature-rich interactive applications, engaging environments and elevated levels of service.

Retailers will employ an array of leading-edge technologies, such as chatbots and live streaming video, to give shoppers compelling new interactive experiences. As home voice devices proliferate, ever richer modes of home shopping will be part of the experiential landscape.

Small-scale shops, pop-ups and other streamlined establishments increasingly will be integrated with mobile and web channels to facilitate on-demand product fulfillment, including pickups, deliveries and returns.

Shoppers will be able to procure rapidly produced and customized products, such as on-demand tailored clothing, individualized make-up and formulated scents, and products created in-the-moment through AR-aided design and 3-D printing.

We're only on the cusp of what experiential retail can become. As the old department store model disappears, we're witnessing a disruption and rapid technological evolution that's ushering in an exciting new age of reinvented retail.

6 TYPES OF EXPERIENTIAL RETAIL

Experiential retail takes quite a few forms, which individual retailers can incorporate as makes sense for their businesses. The important thing to remember is that none of this should be tech for the sake of tech. Instead, the end goal must always be to provide a richer, more immersive, more satisfying customer experience for the retail shopper.

Augmented Shopping

AR is proving to be a compelling way to enable consumers to envision and try products in different styles, colors, sizes and settings. Sephora, for example, is using AR to enable customers to experiment and interact with its cosmetic lines. Sephora's mobile app, Virtual Artist, leverages AR to enable users to digitally try out different shades of lipstick, eyeshadow and other cosmetics. As previously mentioned, users are able to find shades that match their skin tones by scanning their faces to get their "Color IQ."

AR applications also enable shoppers to insert products into scenes virtually. Ikea, for example, has introduced Ikea Place, an iPhone app that lets shoppers preview how furniture will look in their homes.

Virtual Experiences

While AR provides layers of digital interactivity within the real world, VR is a self-enclosed immersive experience that brands can employ to whisk shoppers away to thrilling exotic places and to showcase their products. The most natural way for brands to promote their products and services is to employ VR in harmony with their industry and offerings. Marriott, for example, lets customers take virtual tours of its hotel properties in Hawaii and London. Likewise, Lexus and Volvo allows customers to test drive their vehicles virtually.

One retailer that has fully embraced VR in a traditional store environment is North Face, which offers shoppers a number of in-store 3-D immersive experiences, including 360-degree virtual tours of Yosemite National Park and the Moab desert using Google Cardboard glasses. In North Face's flagship stores, shoppers can sit in a sled, don Oculus Rift VR goggles, and be pulled by a pack of huskies through a breathtaking snow landscape.

Interactive Spaces

Besides offering shoppers spas, theaters, cafes and other amenities, experiential retail technology is elevating the shopping experience by providing higher levels of service. Apple, though not a traditional retailer, has been the consummate leader in providing state-of-the-art in-store experiences through the intelligent use of mobile devices for scanning, checkout, ordering and payment.

Rebecca Minkoff's stores in New York and Los Angeles take it one step further with touchscreen walls and fitting rooms outfitted with "magic mirrors" that enable shoppers to see different styles and colors of clothes, change mood lighting, and order free beverages. The stores also feature self-checkout systems that uses RFID chips and iPads to enable shoppers to pay without waiting in line.

Live Viewing

Live streaming video is a hot medium, and this past year saw an explosion in the use of live video in retail throughout the world. The first wave of live streaming retail events included fashion shows by Gucci, Tory Burch and many more; live streaming makeup demos by L'Oreal; new car launches by Ferrari; and live streaming promotions by a slew of brands, including McDonald's, Kohl's and iHop.

However, live video doesn't just drive customer engagement and awareness; it can also be a medium for transactions. For example, beauty brand Maybelline ran a live streaming campaign that drove 10,000 lipstick sales in under two hours. And whereas adding live video to a retail platform was complex and expensive in the past, cloud-based, real-time communications platforms like Agora.io allow retailers to add live streaming video with much greater ease and lower cost, making it easily accessible to retailers large and small.

Beyond the Store Walls

Pop-up shops are a relatively new form of experiential retail that has become a \$10 billion industry almost overnight. Pop-ups are theme-oriented shopping experiences that appear unexpectedly, are marketed as events, and often carry items not found anywhere else. The pop-up store has become a go-to marketing strategy for retailers looking to extend their brand and introduce new products.

Pop-ups are being staged in empty storefronts, as standalone kiosks, in trucks, and within traditional brick-and-mortar stores as a store-within-a-store. Nordstrom, for example, hosts a recurring series of Pop-In@Nordstrom specialty shops, which feature products not typically found in a Nordstrom store.

Participatory Retail

Participatory retail — the practice of bringing customers closer to the brand and making use of them in product development — is becoming more and more common. Customers are no longer passive consumers, but are both able to and expect to have a hand in the development of products.

Volition is a company that has benefited from this behavior, and gets its customers involved in its product development process. Customers can submit proposals for new ideas and concepts. The ideas that garner the most votes are implemented by Volition, and the customer gets to share in the sales proceeds generated by his or her idea.

Other examples of companies where customers are highly involved in the product development process are Rent the Runway and B8ta, which both harness technology and data collection in order to obtain continuous customer feedback (consumer-to-business) so that they can improve their services and products.

3 STEPS FOR CREATING EXPERIENTIAL RETAIL: A LOOK INSIDE SEPHORA'S STRATEGY

To become experiential, brands must first define what that means. Cosmetics brand Sephora has committed itself to experiential retail, so it's not surprising that its CEO, Calvin McDonald, has a pithy summary of what that means: Be memorable. Be sharable. Be repeatable.

The cosmetics and beauty products retailer is working to make shopping with it experiential for its customers (which it calls "clients") and 20 million Beauty Insider loyalty program members, who shop with it on a daily and weekly basis. Sephora sells thousands of products from more than 100 brands across its stores and digital properties.

"We connect clients with product, but we want it to be more than just transactional relationships. We want to create demand through emotional relationships that will drive long-term loyalty." Calvin McDonald, president and CEO, Sephora Americas.

McDonald cited three ways that Sephora is developing a community of beauty enthusiasts that exist within the ecosystem of its brand: through teaching, inspiration and play. These steps are connected across the retailer's physical stores and digital assets, which McDonald believes help Sephora differentiate itself in a very crowded market.

1. Teach: Sephora has begun offering beauty classes in its stores. Customers love to learn about beauty, and our classes provide an environment for that, McDonald said. Sephora conducts hundreds of classes per week, with thousands of clients participating. All of the class activities are hands-on and playful for participants, such as trying new makeups and styling techniques. The classes are anchored in the store, but the interaction continues outside the store online and via mobile, said McDonald. The classes strengthens connectivity to the brand, he added.

2. Inspire: Sephora launched Virtual Artist, a 3-D tool on its mobile application, in February 2016. Virtual Artist lets users digitally play with product — e.g., lip shades, eyeshadows, false lashes — watch virtual tutorials that teach new techniques (e.g., Smokey Eye), and get inspired and try new looks created by Sephora experts. Virtual Artist is anchored in digital, but this is also behavior we see in-store, noted McDonald.

3. Play: Launched in August 2015, Play! by Sephora is a subscription box service from the retailer. Subscribers to the service receive monthly curated product selections from Sephora's merchants. The subscription service also brings members together in-store for "Play" dates, where they can share beauty secrets and tips with each other. In addition, subscribers get access to "Play" passes, which they can use to schedule appointments with beauty agents in-store. While its origins are online, Play! by Sephora connects the home to the store, said McDonald.

WHO WE ARE

TotalRetail

Total Retail is the go-to source for retail executives looking for the latest news and analysis on the retail industry. Featuring a daily e-newsletter (Total Retail Report), daily-updated website, virtual and live events, comprehensive research reports, podcast channel, and more, Total Retail offers retail executives the information they need to do their jobs more effectively and grow their professional careers.

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EXCERPTS FROM THE FOLLOWING ARTICLES WERE USED IN THE CREATION OF THIS REPORT:

How Experiential Retail is Disrupting an Industry

Date Published: 1/18/2018

Author Info: Bart Mroz,
CEO, SUMO Heavy

How Retailers Can Get 'Experiential' With New Technologies

Date Published: 3/20/2018

Author Info: Bart Mroz,
CEO, SUMO Heavy

The Death of Retail or a Retail Renaissance?

Date Published: 6/15/2018

Author Info: Funda Denizhan,
Consultant Manager, Valtech Sweden

Inside Sephora's Formula for Creating Experiential Retail

Date Published: 3/21/2017

Author Info: Joe Keenan,
Executive Editor, Total Retail