



A photograph of a modern retail space, possibly a mall or a large store. The ceiling is made of glass with large blue stars. People are walking through the space. In the foreground, there's a chalkboard sign.

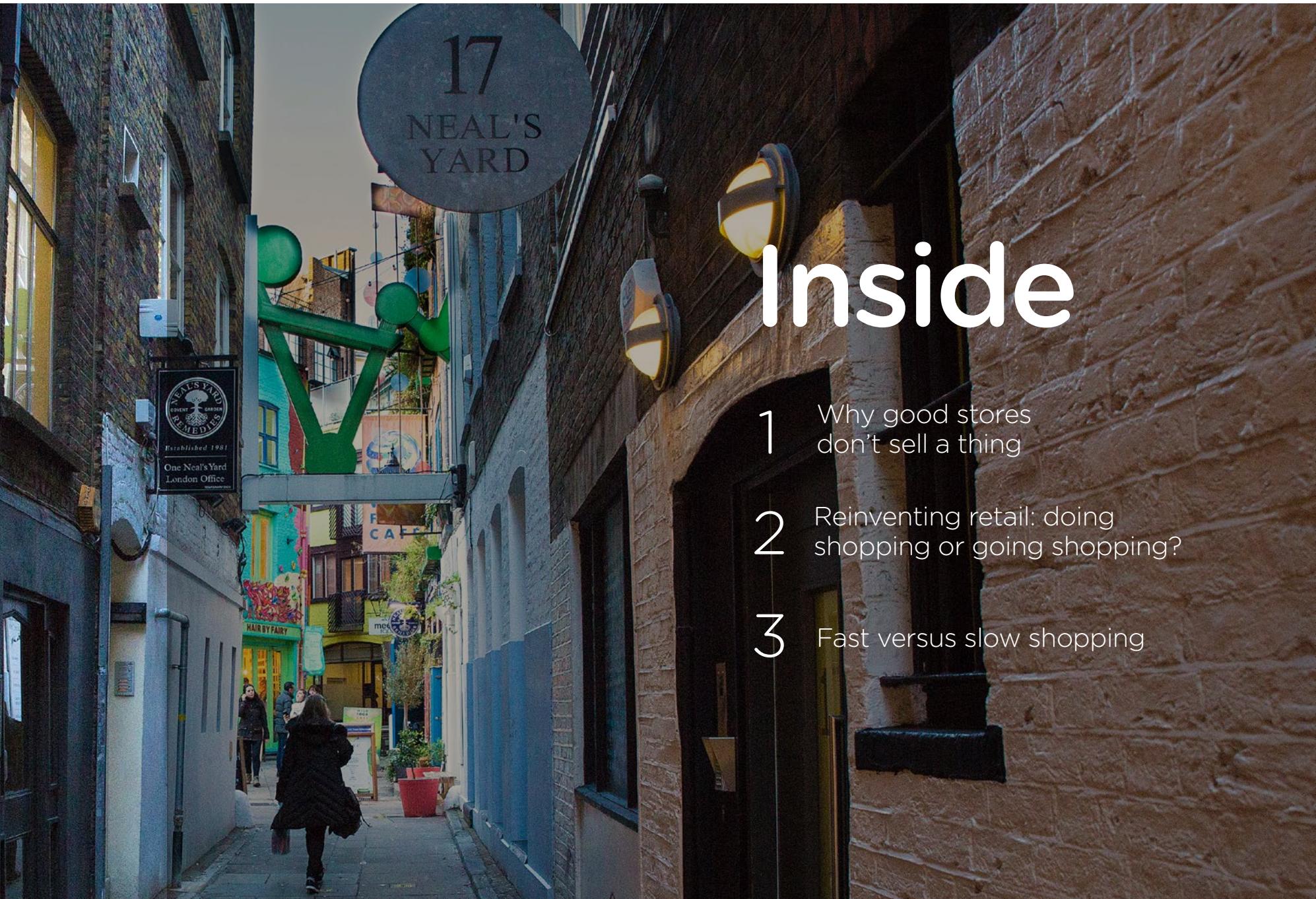
Start Thinking

The Future Of Retail - Part One

Why good stores don't sell a thing

.start®

You can't buy
HAPPINESS
BUT YOU CAN BUY
WIN
AND THAT'S KINDA
THE SAME THING



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Foreword by Kevin Gill

UK CEO, Start.

Why good stores don't sell a thing.

"Let's talk about selling. Selling products has become the secondary focus of a good store today. Good stores, really successful stores, are actually not trying to sell anything. Instead, they're focused on giving customers better experiences. The better the brand's experience, the more likely people are to spend time and money with them. Put simply, if a retailer is not innovating, then it's not differentiating – and soon it'll be closing.

"Having built store experiences for brands like Sephora, Adidas and Oxfam we know that retail planning – in every

sector, on every high street, through every device – is now dependent on better design, and better experiences.

"We also know that in the minds of millions, shopping comes down to two things: convenience and leisure. And yet the polarisation of these two motivations today – caused by changing technology and customer expectation – is pulling retailers in seemingly opposite directions. The big test now is, how to make 'doing shopping' even more convenient, and 'going shopping' even more enjoyable.

"Finding a solution that bridges these two ever-intensifying consumer needs whilst bringing an in-store experience

to life, is the heart of our work at Start. To help clients get there, we share with them the Fast Versus Slow Shopping strategy, along with our Four Habits of Highly Successful Retail Brands. We'll outline how we're reinventing retail in an environment that's never been more competitive, examine how smart brands have responded so far and look at what experiences are carving the change.

"If, while reading this, you have any questions, we would love for you to get in touch: info@startjg.com."



Reinventing retail: doing shopping or going shopping?

Retail is about making shopping either hassle-free or highly enjoyable. It's why two overriding consumer motivations will continue to dominate its future: convenience and leisure. But only those retailers who match climbing expectations around both threads will be successful. They'll be focused on making 'doing shopping' even more convenient, and 'going shopping' even more entertaining.

Convenience and leisure are the two polarities between which retail is being

pulled. And yet, they are not mutually exclusive either; just because you do one does not mean you don't do the other. In fact, the best experiences of retail today are a unique combination of both. These two motivations are shaping the way the industry is evolving. It's a cyclical process. One that we see working like this:

- ▶ New technologies create capabilities
- ▶ New capabilities create new customer behaviours
- ▶ New behaviours create new opportunities for technologies

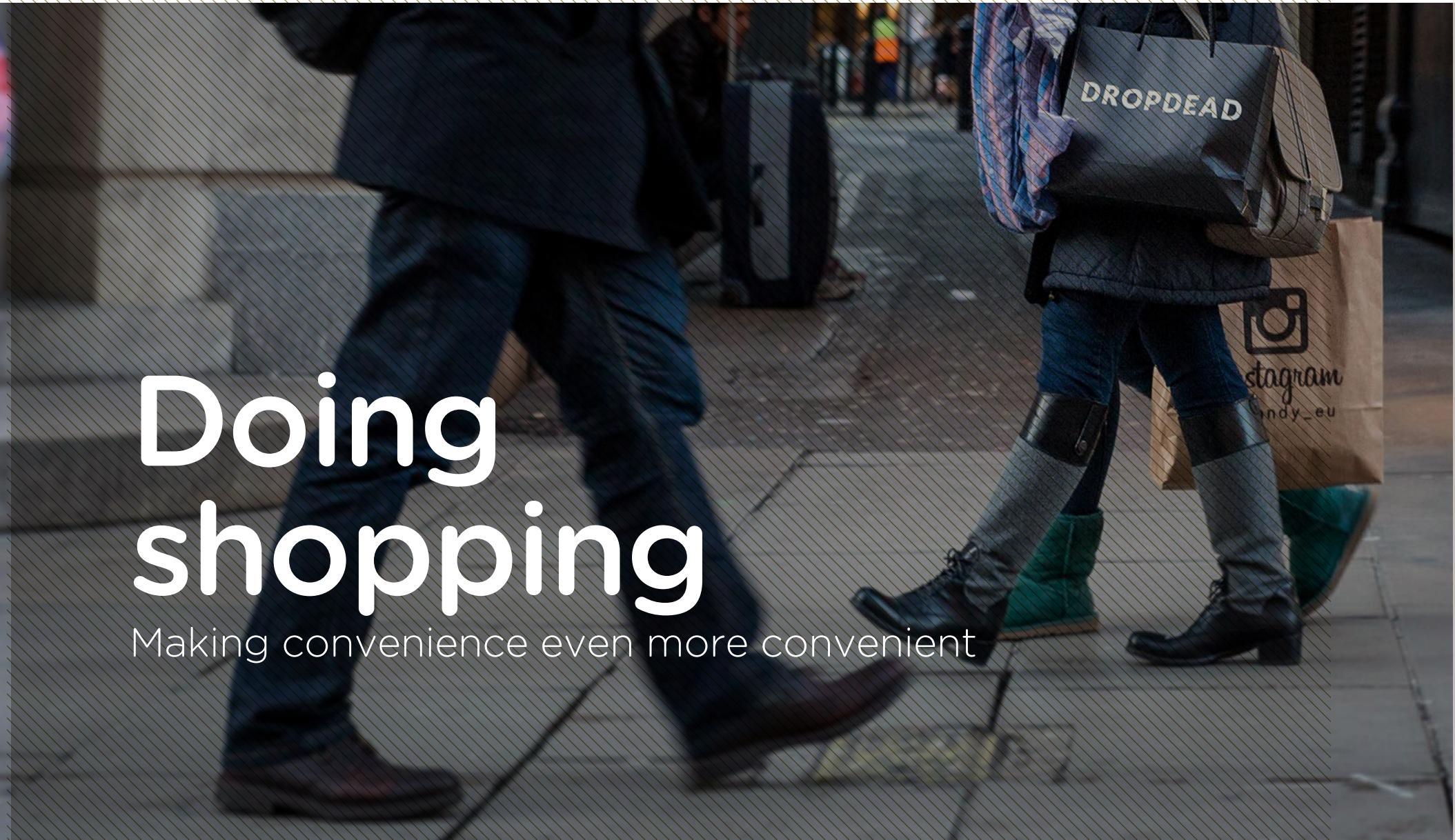
Endless demands for convenience and the mounting value we place on leisure are now driving the retail innovations we see on the high street, on our mobile phones and in our homes. It's clear that consumer priorities are shifting at a rapid rate – at the heart of it lies more heightened expectations.

So how do retailers merge these two demands that have seemingly different results? Let's explore convenience and leisure a little further...

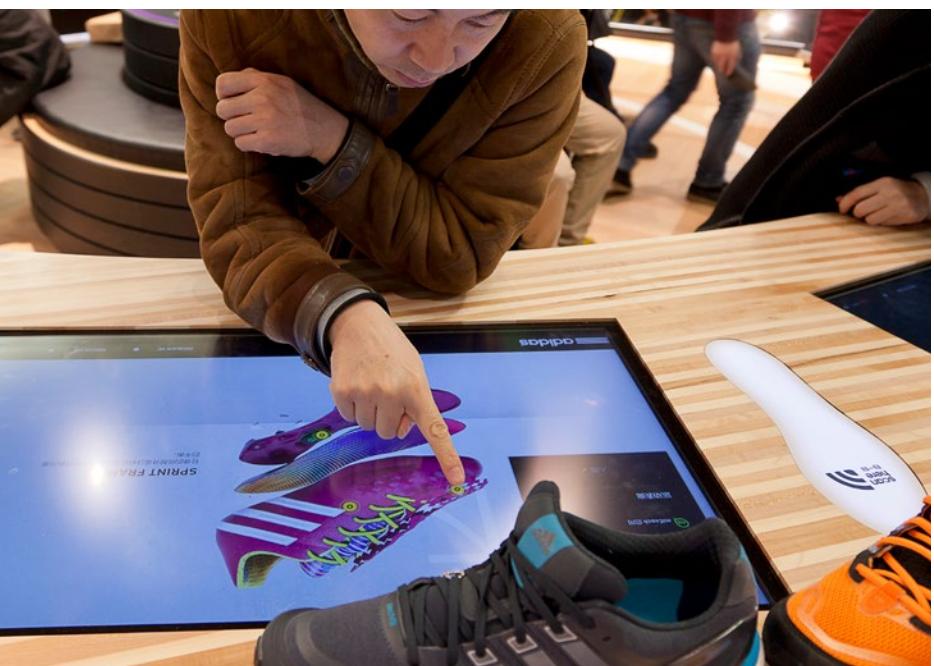


Doing shopping

Making convenience even more convenient



“According to a 2015 report by Retail Week, 67 percent of UK consumers now rate convenience and speed as one of their top three priorities.”



From the beginning of catalogue shopping in the 1930's to the revolution of serve-yourself supermarkets in the 1950s, convenience has driven innovation. What's different now is that today's game-changing technology has made the basics of shopping – browsing, comparing prices, making a purchase, fulfilment – more convenient than ever before. Fingertip access to product reviews and pricing information, ever-quicker same-day delivery, faster checkouts and new payment technology – all make doing the shopping easier and are redefining our idea of how convenient convenience-shopping can be.

Impatience is a virtue

In essence, we've become a very impatient bunch. Time is highly valued and our perceived lack of it a constant source of stress. Finding ways to save time has become a modern obsession. Hence, we hate nothing more than the feeling of being inconvenienced.

According to a 2015 report by Retail Week, 67 percent of UK consumers now rate convenience and speed as one of their top three priorities when shopping for food and clothes online, whilst just 35 percent list cheaper

prices. It also seems that a shopping trip is just too time consuming for many of us. Recent research carried out by UK retailer Argos found that the slow pace of the high street deters almost half of British shoppers from visiting the shops.

And yet, our patience doesn't extend much further online; for every 10th of a second the customer is made to wait for, say, a web page to load, they lose one percentile of purchase intent. That's a 30% decrease in just three seconds.

The Amazons of this world have set an incredibly high benchmark for convenience, and we now expect this same level of ease and speed from all of our brand interactions. Product quality and price are clearly still important factors – as the popularity of price comparison sites and online reviews clearly shows. But as products commoditise and pricing becomes more competitive, we look to other factors to help us make decisions about what we buy. Saving time and making life simple – these attributes are now integral to ‘good value’ in the eyes of today's consumers.

Best practice

The Amazon effect

Much of Amazon's service innovation – Amazon Prime Now, Amazon Fresh and the Amazon Dash replenishing button – is resolutely aimed at eliminating the tedium of everyday shopping. Amazon's 1-Click checkout was reportedly estimated to be worth around 5 percent in additional sales each year when it launched. Its annual revenue in 2013 reached \$74.45 billion, an increase of 22 percent on 2012. Elsewhere, Google's Buy button is streamlining the shopping journey. By using the button, consumers can bypass a retailer's website altogether, allowing them to purchase an item from within a Google Ad and pay using Google Wallet.

The birth of super convenience

UK retailer Argos has been a unique proposition for many years, clouding the boundary between traditional catalogue and high street shopping. But with many of its competitors now increasingly multichannel, Argos is intent on evolving its retail experiences to reinforce its 'value, convenience and choice' offer. Starting with a potential bold new venture with Sainsbury's.

If the duo have their way, Argos will become integrated into the supermarket super chain, extending the brand's reach across the UK, with all 750 Sainsbury's convenience shops and 600 stores having a version of the Argos offer. An endeavour that

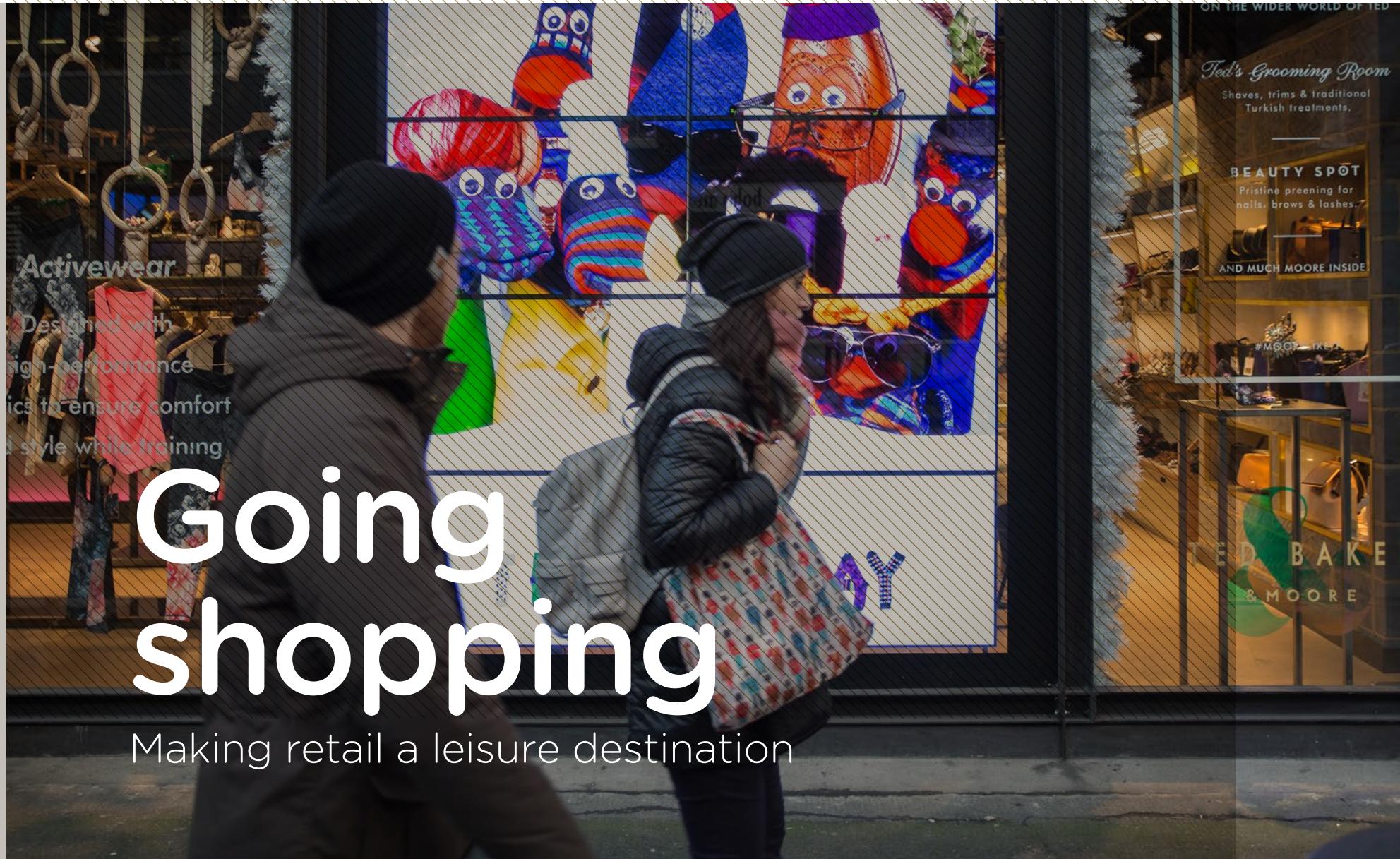


could lead to it becoming the UK's largest non-food convenience retailer. This will place Argos at the centre the race to eradicate barriers to purchase, spearheading an entirely new era of super convenience shopping. And Sainsbury's? They could see themselves competing with the likes of upmarket department stores like John Lewis or even Amazon as they help customers better accomplish their 'doing shopping' goals.

"Saving time and making life simple are now integral to 'good value' in the eyes of today's consumers."

‘Doing shopping’ represents the first customer mindset...

- ▶ Time is highly prized; saving it has priority
- ▶ Attention spans are short
- ▶ Expectations of convenience have rocketed - and continue to.
- ▶ Effort is kept to absolute minimum
- ▶ Brands must optimise experiences for speed and ease.



'Going shopping' presents a totally different set of attitudes to 'doing shopping'. Modern day stresses around work-life balance mean 'time off' is hard won; we're looking for new, ever more exciting, adventurous and satisfying ways to spend our leisure time.

Recent research by O2 asserts that for this reason leisure has new meaning for consumers today. Many of us now value the quality of a new experience more than the ownership of yet another 'thing'. Disposable incomes are also rising, making us feel more secure about spending on non-essentials and driving growth in the leisure market. At the same time, a tougher post-recessionary attitude to value means we're more demanding leisure-seekers.

'Going shopping' depicts that retail and leisure are becoming

increasingly indistinct in the eyes of consumers. Research carried out by the Urban Land Institute in the US shows that 85 percent of Millennials (those born after 1980) enjoy shopping, whilst half of the men and 70 percent of women consider shopping a form of entertainment, even something to share with friends and family. 'Going shopping' today needs to compete with other leisure activities in our lives. Entertainment, education, social interaction – stores need to deliver an engaging experience that people can't get elsewhere and consistently rewards them for visiting.

So the pressure is building for brands to create a retail experience that's a destination in its own right – one that's coherent with the more indulgent way we want to live in our free time.

"As technology increasingly takes care of 'do shopping', we need new motives to 'go shopping'. This is where experience design comes into play."

Millennial power

Millennials – the key demographic – love shopping. Numbering 80 million in the United States alone, Millennials are predicted to spend \$1.4 trillion annually by 2020. Aged between 18 and 35, they value the novel and authentic more than previous generations – and have the spending power to pay for experiences that define them. Digitally native, technology is now simply a means to an end for Millennials, allowing them easy and fast access to products and experiences. But data from Accenture shows they want more than just the convenience of a quick transaction, with 82% of Millennials still preferring to shop in stores.





Best practice

“Because finding an opportunity to unwind is so difficult, consumer expectations for leisure time increase as they push to ensure they get as much out of each activity as possible.”

The Future of Leisure, O2

From spare rooms to hotel rooms

Most sectors today are looking to create Uber-like convenience for customers. But, even if they can Uber their offering, few will be able to compete without the promise of a memorable experience bolted-on. Last year's most disruptive player, Airbnb, managed to tap straight into both desires, replacing the sameness of luxury hotel rooms with the chance of kipping in someone's funky city abode, in almost any city of choice. The brand delivers much more than a platform for booking good value accommodation too – it's a gateway to thousands of unique, personalised and differentiated adventures around the world. Similarly, 2016's most anticipated entrants Breathr (which makes professional-to-professional networking easy) and WeWork (which offers drop-in access to shared workspace in London's most sought after postcodes) are beginning to show how tech for the working world can leverage the experience era.

From shipping containers to shopping malls

Boxpark – dubbed the world's first pop-up mall – is a retail park with a difference, and not just because it's built from used shipping containers. Instead of the usual homogenous high street experience, it offers visitors to Shoreditch High Street a carefully curated 'taste-test' of both independent and established stores, pop-ups, cafes and bars. Its new venture in Croydon, to open in 2016, takes the same approach, but will be twice the size and dedicated to dining out. Success is down to Boxy Park's mix of entertainment and retail, that regularly refreshes to provide new experiences – making it a standout destination in its own right.

'Going shopping' represents the second customer mindset...

- ▶ Want to invest in an experience
- ▶ Spend time well, not save it
- ▶ Make the effort to get there
- ▶ Prepared to pay a premium
- ▶ Attention is high because people want to engage

Products and services are no longer enough to differentiate a brand; now that so much is digitised with little distinction, value increasingly lies in the unique experiences that are created around them. And it is the Millennials that are driving growth. Instead of accumulating possessions they are looking for ways to create memories through shared experiences, a phenomenon clearly evidenced by the growth of brands like Airbnb.



Fast versus slow shopping

“As shopping fast becomes the norm, we believe that the future of retail lies in the hands of those creating experiences that stimulate people, getting them to shop slow...”

As we've covered, convenience and leisure aren't new needs. They are, however, becoming magnified in today's retail space. To match both, brands need to understand the constant interplay between them, and rework their retail experiences to address each throughout the customer journey.

Combining the two in a physical space presents the biggest challenge for retailers today. And whilst 40% of small online businesses still seek lodgings in a physical store, few are succeeding in making real impact.

To get ahead, it's important that convenience and leisure be treated as two sides of the same coin. They're not mutually exclusive. They can – and should – be used together: by making shopping easy, the more time and attention shoppers will have to invest in your brand. By making it entertaining, the more shoppers will take your brand to their hearts and share their feelings with others.

To help clients better understand this thinking, we teach them to adopt a two-speed mentality towards new retail: fast and slow.

Knowing when and where to use each helps build better experiences...

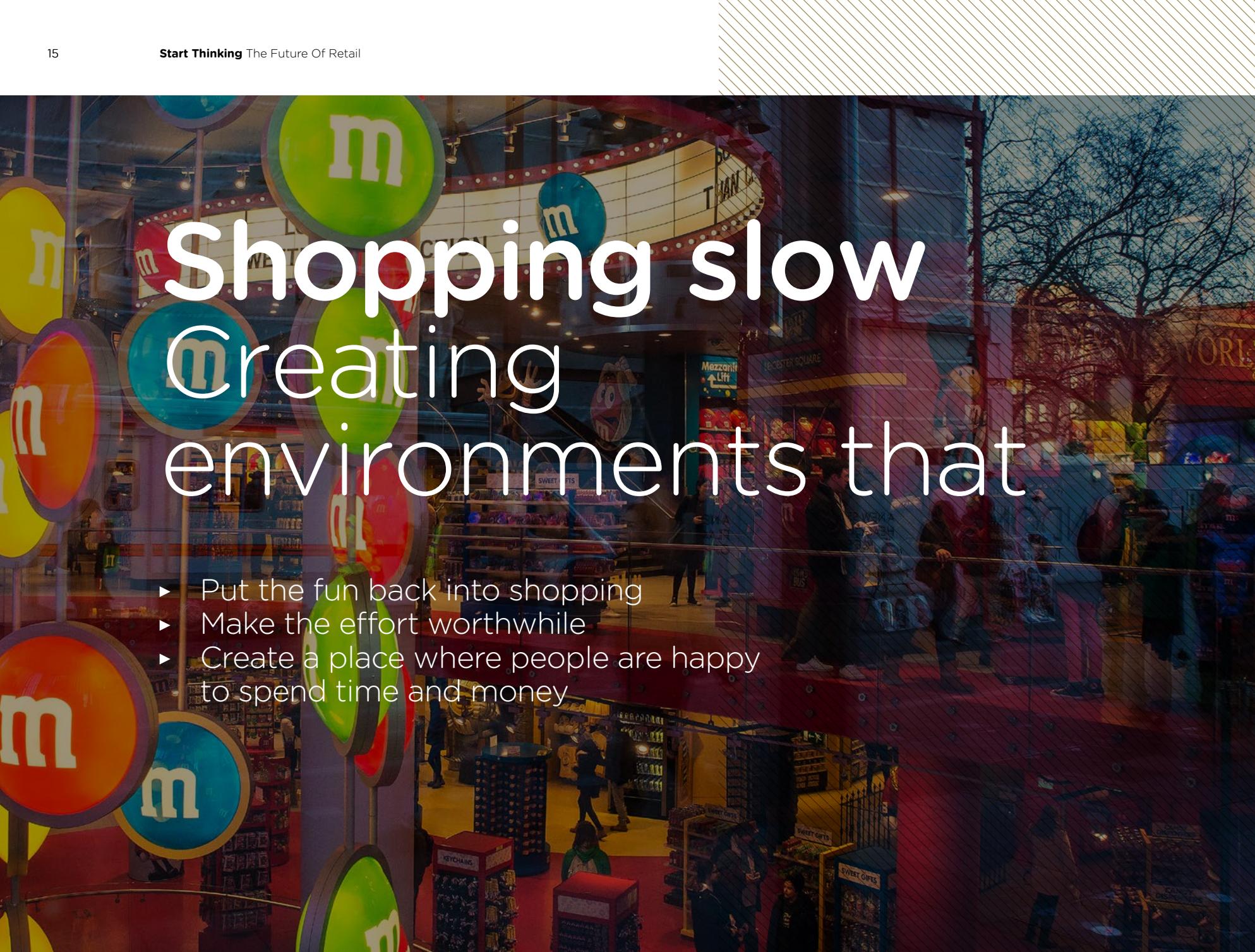
Shopping fast

Creating environments that

- ▶ Take the hassle out of every experience, large or small
- ▶ Eradicate any pain points
- ▶ Save time, make life simple and put speed at the heart of it

Shopping slow Creating environments that

- ▶ Put the fun back into shopping
- ▶ Make the effort worthwhile
- ▶ Create a place where people are happy to spend time and money



Best practice

New retail is slow retail: Altrincham Market, UK.

Built around a magnificent 800-year-old structure, the original Altrincham Market (Manchester) had been famed for its flourishing trade. Like most historical English market towns, however, the rush for convenience left this one-time shopping-artery full of pound-shops and TO LET signs. By year 2000, serious regeneration and reinvigoration was needed to give this town back its heart, and its trade.

As a result of seeing his affectionate local market go down the pan, property developer Nick Johnson teamed with

the council in 2014 to return the hub to its glory days. But a new strategy was needed – one based on the power of experiences.

Budgets that were once allocated to street lighting and road maintenance were instead funnelled into the 1800's hall resurrection in order to attract the UK's proudest independent retailers. Providing free local entertainment, themed events and even live music from the Philharmonic Orchestra became a priority strategy, making Altrincham Market an obvious choice for people wanting to spend disposable time and income.

In the main hall, ugly shutters were swapped for original wooden counters. Huge tables were laid-out to encourage people to sit, eat, chat. The hall was fully-fitted with heaters and traditional fixtures were hung once more. With a thirst for quality over quantity – or experience over convenience – only traders with the best reputations and highest standards were invited to trade; from fishmongers, to bakers to cheesemongers to ice-cream sellers.

The market even boasts “the hardest-working butcher in Britain,” hand-picked and beaming with pride.

Today, Altrincham Market is humming with activity – with an estimated 6,000 visitors a week. But the beauty of the project doesn't just lie in its popularity with locals, it lies in the richness of the experience.

Johnson and his team have successfully transformed and built a thriving retail ecosystem for today's experience-hungry millennial, where skilled services are cross-pollinated, where passions are shared and where extracting maximum value from every second is paramount.

“Forget the Apple store. The big guys are missing a trick. The more we can do this, the more retail becomes the enabler for rebuilding and reengaging regressive communities.”

Kevin Gill, Start UK CEO

Final thought Disney

Provide greater convenience to save time, create more opportunities for consumers to enjoy time-out.

It's imperative for brands to create both fast and slow experiences to let consumers do their shopping and inspire them to go shopping. If you're just doing it the convenience way then, sadly, you're already doing it the old way – and people will leave you for stores that better satisfy their leisurely appetites.

Let's not witness another death of the high street. Join us for Part Two...

In the second part of our Future of Retail series, The Crisis Of Inconvenience, we reveal why there's nothing magic about Disney, and introduce our Four Habits of Highly Successful Retail Brands.

