interact Retail

Trend report

When a store is more than a store

Smart retail

Contents

01.
Introduction

Brick and mortar retail is in a state of thrilling transition.

True, a period of rapid transformation can breed casualties, as any witness to an urban downtown with more than its share of empty storefronts or a mall that grows less populated with every passing month can testify.

But while much remains to be determined, the brick-and-mortar store is evincing a protean ability to creatively adapt. It's reconstituting itself in response to new consumer modes, needs, and desires.

Thus are we seeing retail establishments recast themselves as community hubs made for lingering—social "third places" that mediate between home on the one hand and the workplace on the other.

We're also seeing retailers bring back business models that predate the mass production era, defying the standardization and efficiency imperatives that largely defined retail in the twentieth century. Traditional services and rituals are returning. So is the very idea of craftsmanship.

Retailers are also catering more to kids, on the theory that happy children increase the number of parents who aren't compelled to flee a store before the day's shopping is done. Food and drink and in-store educational workshops are increasingly common tools for keeping shoppers on-site. 3D printing tech has colonized stores in the hopes that the customization of products will add another dimension to the retail experience. And none of that is to mention brick-and-mortar retailers' new tendency to appeal to the consumer's social conscience.

These new phenomena represent just some of the ways that stores are adjusting to a changing retail environment. By focusing on these phenomena, this report explores what we can expect in an era when a store will no longer be just a store—at least in the way we've gotten used to it.

02.
Kicking back and buying stuff

Much of e-commerce involves the hard sell. Programmatic advertising stalks shoppers from site to site. Retail apps pepper them with notifications. E-commerce platforms, pulling in data from myriad sources, create the unsettling sense that they know what you're looking to buy even before you select it.

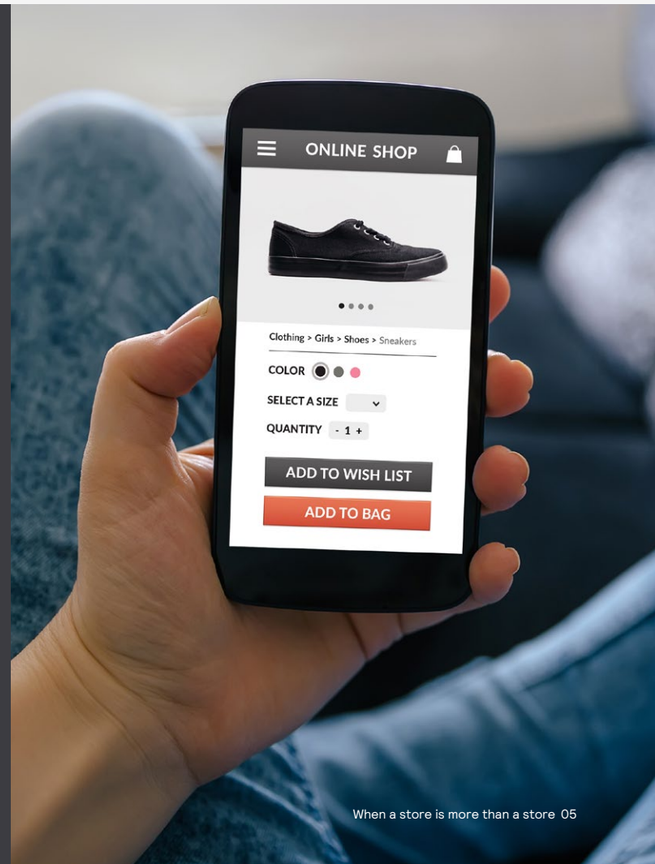
In contrast to this ruthlessly efficient dynamic, some canny retailers have determined that the soft sell can sometimes be the most effective sell of all. Sometimes it might make sense to deprioritize selling altogether, in favor of cultivating a welcoming environment for one and all.

Whole Foods offers a great example here. The high-end grocer has long dedicated store space to food-centered socialization. Whole Foods locations feature beer bars, coffee bars, and juice bars, not to mention areas where people can settle in to consume items they've purchased from the stores' buffet areas—or just settle in without buying anything at all.

In Sydney, Shirt Bar sells men's shirts, suits, and accessories in premises that physically mash together the haberdashery and the old-school bar, complete with exposed brick and clubby polished wood. In addition to men's clothing, Chicago's BOGA Menswear Retail Lounge offers a lounge era complete with sofa and bar cart. And Berlin's Tommy Hilfiger's store features a lounge area centered around one of the most impressive fireplaces in retail.[1]

Coffee bars, of course, have been trafficking in this retail trend for a generation now, with the ubiquitous Starbucks—associated perhaps more than any other retailer with the idea of the "third place"—leading the pack.

The soft sell can sometimes be the most effective sell of all.



03.
Artisanal retail

“Artisanal” is everywhere in retail today.

The word denotes an approach to production that prioritizes the handmade, the small-scale, and the quirky. It’s prominent in the food space, where you can find “artisanal” versions of most every food product under the sun, and it’s struck a particular chord among younger consumers.

But the trend, which offers an appealing way to “fight back” against the mass scale and standardization of big-box retail and e-commerce, has also pitched its flag beyond comestibles.

And its appeal extends beyond the younger generations. This is especially so at a moment when an environmentally aware consumer base is looking askance at indiscriminate consumption. The sense is spreading that owning one well-made product, one that will last for years, is better than owning many that won’t.

One brand that’s embracing the artisanal concept is the Detroit watch and accessories maker Shinola. The brand, which launched in 2011, vaunts its “team of artisans,” which “hand assemble” the brand’s goods in an iconic building in its home city’s downtown.[2]

Another company that both cultivates an artisanal image and vaunts its Detroit ties is Carhartt, the work-clothing manufacturer long popular with workers and hipsters. A page on the Carhartt website profiles Detroit-area businesses that embody a hard-working, old-fashioned, independent-minded business philosophy grounded in craftsmanship. These range from a farm-to-table restaurant to an outfit that produces historical wood typefaces to a small bicycle manufacturer.[3] Carhartt is itself a sizable company, but it recognizes the value of the artisanal mystique.

Cole Haan has also embraced the aura of localist authenticity and heritage that the “artisanal” label confers. In 2016, the shoe manufacturer launched a collection of shoes made entirely by hand in Lewiston, Maine, by local leather workers. Each pair took more than 24 hours to make, an eternity in the mass production age. The project was “part of the company’s strategy to tap into its long history of artisanal craftsmanship,” according to a report.[4]

Larger companies have embraced it, but the artisanal movement also continues to solidify itself at the startup level. In few places is it impossible to buy a range of artisanal goods, from cheeses to beers to wines to hats to pickles to soaps to watches. Mass production is going nowhere soon. But neither, it seems, is the artisanal movement, which is satisfying a real need among customers. It’s also raising the quality bar for merchandise in general.

04.
In-store services

The artisanal movement isn’t the only phenomenon in retail today that hearkens back to a better retail past. The return of in-store services does much the same thing. Such services make sense from a business perspective. One thing that you can’t buy on Amazon, after all, is a haircut.

Barbershop chains that revive the atmosphere of the old-school tonsorial establishment offer a prime example of this phenomenon. Take Fellow Barbers, a chain that embodies what its website calls “contemporary barber culture.”[5] Fellow, which runs nine establishments in New York City and two in San Francisco, offers hot shaves in addition to haircuts. If it’s rejuvenating a lost craft of barbering, however, it’s doing so in a distinctly contemporary way. Many of Fellow’s barbers are female, taking the edge off the sense of unreconstructed masculinity that might otherwise cling to the barber shop—a sense that’s not quite the thing in the #MeToo era.

Fellow isn’t the only business driving the contemporary tonsorial renaissance. Establishments like it have been cropping up across the country. Canadian clothing startup Frank And Oak, for example, excels in the provisioning of onsite services. Though founded as an online retailer, Frank And Oak now maintains stores in a number of Canadian cities. But “stores” might not be the right word, as these locations are less about moving merchandise out the door (that’s what online is for) than about winning customers over to the brand. At Frank And Oak’s Montreal flagship, you can visit a barber, consult with a stylist, or get yourself fitted for a suit with a personal consultant.[6]

Frank And Oak is a higher-end establishment. But personal shoppers are popping up at more popular establishments, too. Guideshops, the brick-and-mortar arm of e-commerce platform Bonobos, now offer personal shopping services. So do H&M, Topshop, and Topshop’s brother establishment, Topman.

Healthcare is a service, too, if one of a greater moral significance than the attentions of a personal shopper. And at least one iconic retailer, Walmart, is offering it. September 2019 saw Walmart announce the launch of its Health Centers, the first two of which would open in the state of Georgia as full-fledged clinics offering a wide range of medical and dental care, at accessible prices no matter the patient’s insurance status.[7]

05.
Kid stuff

Kids aren't always the most welcome visitors in the retail universe. But recently, various brick-and-mortar retailers have started catering to the little ones, perhaps having intuited a simple truth: kids tend to be accompanied by money-spending adults. At the same time, in an age when even younger children have access to e-commerce platforms via their smartphones, children represent a consumer bloc like any other—and one that deserves cultivation.

To publicize its Disney Channel show Doc McStuffins, about a girl doctor who heals toys, Disney set up a replica of the young physician's clinic in UK Toys R Us, Tesco, and Smyths stores.[8] Visiting children could role-play to their hearts' content. American Girl, the doll-store chain, offers in-store Halloween decorating and "Doll Hair Salon Spectacular" events, among other things.[9] Dutch shoe and clothing chain Shoeby has staged afternoons specifically geared to child shoppers. IKEA and Kroger stores offer childcare services.

Kroger, for its part, offers free cooking classes for kids.[10] The home and hardware giant Lowes holds building and work-skills classes for kids.[11] Its competitor Home Depot holds kids' DIY workshops.[12]

Another bellwether here might be the high-end restaurant industry, an infamously—if perhaps justifiably—child-averse mini-sector. At his very adult New York City restaurant Per Se, legendary chef Thomas Keller served a free lunch for kids that included blini with white-sturgeon caviar and a Caesar salad with parsley shoots. (The adults who accompanied the lucky kids each paid $215 for the honor.)[13] When the world's temples of haute cuisine start welcoming children, then the sky is indeed the limit.

06.
Edible retail

Retailers have always known that an army of shoppers runs on its stomach. It was that realization that birthed the department store restaurant—an institution that dates back to the golden age of the great department stores, when retail institutions like B. Altman's, Wanamaker's, and Marshall Field pioneered smart eateries.

The store restaurant survives today. Saks Fifth Avenue's flagship store in Manhattan this year opened a refurbished eatery on an upper floor.[14] Nordstrom's New York City flagship, which opened in October 2019, features seven places to eat.[15] The ambition of such places isn't so much to generate revenue from comestibles as to increase shopper "dwell time," to borrow a phrase from the Web. Retailers have everything to gain by keeping customers within their walls instead of letting them wander elsewhere to satisfy their hunger.

And it's not only big department stores that seek to feed their clientele. Ralph Lauren's New York City flagship is home to Ralph's Coffee, a refuge for shoppers—or anyone else who would like to patronize it, for that matter. Burberry's London flagship is home to the elegant Thomas's Cafe. New York's upscale fashion emporium Barney's has long been home to the restaurant Fred's, by now a neighborhood standby. The Gucci Osteria, a co-production of the Italian luxury brand and star chef Massimo Bottura, opened in early January in Florence, hard by a Gucci retail location, if not quite in it. Gucci also maintains cafes in its Tokyo store and elsewhere.

On the more demotic end of the fashion industry scale, Urban Outfitters in 2015 bought six restaurants from Philadelphia's Vetri Family restaurant group, with the goal of integrating eateries into its store locations. Nor would it do to forget Barnes & Noble's symbiotic relationship with Starbucks.

07.
Ready, set, shop!

Not everything associated with the new store environment is necessarily positive. Take the phenomenon of "extreme couponing," which involves collecting and redeeming coupons in massive quantities with the intent of acquiring heaps of redundant packaged goods. This behavior has—like its cousin, hoarding—served as a theme for a reality show on TLC.

Another newish extreme retail behavior is the Black Friday near-riot. Black Friday, as even some non-Americans will by now know, is the day after Thanksgiving—generally accepted as the first day of the holiday shopping season, and the day on which stores often see their yearly balance sheets transform from red to black. How Black Friday become an occasion for an intensely physical variety of "competitive shopping," in which mobs of shoppers rush mall retail locations and grab merchandise, not infrequently damaging store property (and themselves) in the process is a subject for the sociologists of the future.

If Black Friday is a resolutely popular phenomenon, it finds an upper-middle-class analogue in the tendency of tech aficionados to camp out in front of Apple stores with the goal of being the first to purchase new versions of the company's iPhone and other merchandise.

Not every "extreme" retail behavior need be off-putting or futile. Shoppers in China's IKEA stores have been known to take naps on display furniture. IKEA employees leave them alone, operating on the basis of that old retail adage: Keep your customers in the store, no matter what.[16]

08.
Create what you consume

Manufacturers make things, and consumers buy them. Right?

In a new era characterized by more supple production technology, that's no longer always the case. These days, the customer can co-create a wide range of goods.

Take juice. Korean juice bar chain Beesket offers "D.I.Y. 100% Natural Juice," which means that customers get to devise their own juice recipes.[17] What distinguishes the Beesket experience is that Beesket has codified the DIY drink-concoction process. Rather than relate his or her creative juice idea to the employee beyond the counter, the customer collects in a basket plastic capsules, each of which colorfully represents a type of fruit or other juice ingredient.

The customization trend isn't restricted to foodstuffs, either. Muji, the Japanese retailer of affordable household and other goods, offers embroidery customization. Customers can choose to have certain fabric items decorated with an embroidered design. The store offers more than 200 embroidered patterns shoppers can choose from.[18]

Los Angeles online startup Sene is bringing made-to-order clothing to millennials, making "everything from suits to dresses to jeans on demand, to the customer's exact specifications." The customer submits his or her proportions online, then awaits the garments' delivery.[19] Online company AlpStories offers "custom organic skincare made for you." Customers work with the company's "BeautyWizard," an algorithmic engine, to devise unique products.[20]

Big brands as well as bold startups have jumped on this train. Customization has become a standard offering in the sneaker world, with industry giants Nike, Converse, and Puma all giving customers the chance to participate in the design of their shoes. As the online economy continues its progress towards ever finer targeting and segmentation, the customization trend will continue to burgeon.

The trend will also profit from improvements in tech. As it gets better, 3D printing, which generated a buzz in the middle part of this decade before fading somewhat from the public consciousness, could play a role in retail customization.

The maker movement, the vast network of do-it-yourselfers and artisans who have established a coherent community via real-life "faires" and the Web, could also impact retail.

How should retailers approach a movement that encourages not buying things, but rather making them yourself? One way is to assimilate the "maker" urge into traditional retail.

And, in fact, whether in response to the maker movement or not (most likely not), retailers have long been offering clinics and workshops in the areas in which they specialize. Apple and Microsoft offer coding and digital product skills classes for kids. Florists, like London's Grace and Thorn, have offered floral arrangement workshops. Waitrose, the UK supermarket chain, has offered cooking classes. So have the Sur Le Table and Chef's Central kitchenware chains in the United States. More wine merchants than we can list here offer wine tasting and education classes. This contemporary tendency to make stores into schools, of a sort, is one of the more appealing trends in today's retail scene, answering a public need for both education and community.

The customization trend will continue to burgeon.

09.
Shopping with a conscience

We live in an era when corporations are at pains to highlight their social responsibility, particularly as it concerns diversity and sustainability. This commitment is often chalked up to corporations' desire to appeal to younger consumers—and it appears to be a phenomenon with staying power. The release of the corporate social responsibility (CSR) report, drafted each year by executives hired to oversee CSR initiatives, has become an annual marker on the typical company's calendar.

What remains to be seen is how this commitment will express itself on the level of the store. Models for how a store can "channel" social responsibility are both obvious and few. There are the stores that prominently call attention to the sustainability of both their merchandise and their labor practices—cosmetics chain The Body Shop comes to mind. There are establishments founded for charitable purposes, like Twins for Peace, the Paris sneaker-seller that donates a pair of shoes to a child in need for every pair it sells.

And there are the resale boutiques associated with charitable associations, from Goodwill to the Junior League to the Salvation Army.

That representation seems meager given the wide scope of the new corporate commitment to social issues. How the retail imagination will find a creative way to make its stores comprehensively embody the new corporate social conscience remains an interesting question.

10.
Built-in accelerators and the store's future

E-commerce may not be killing the store, but it's forcing it to change, largely by performing an end-run around online commerce and offering experiences that the Web simply can't. The human need for the give and take of interpersonal interaction and for lived social experience suggests that this strategy could be a good one. Commerce can't completely be reduced to e-commerce, useful and welcome though e-commerce very often can be.

As the store continues to be "more than a store," what shapes will it take? It's easy to imagine that the consumer appetite for "artisanal" goods and experiences will continue to get more mainstream. The store as a place of instruction, where customers learn cooking, carpentry, or other skills is another concept that would seem to be ripe for continued development.

On the other hand, it's important to note that some retailers are meeting the challenge of the tech-enabled world—the world that gave us e-commerce—head-on. Some big retail establishments are starting business accelerators and innovation labs. These are workshops in which the retailers' own experts or outside entrepreneurs can develop products and techniques that will appeal to customers and foment change. Target, for example, maintains its long-established Retail Accelerator program in concert with Techstars. Walmart in October 2019 announced the launch of its accelerator program Tailfin Labs, in concert with Green Dot, a financial services provider. SPACE10 is IKEA's innovation-driving "research and design lab."[21]

In short, if some retailers have embraced a backwards-to-the-future strategy that involves rejuvenating old retail models and cultivating an analogue-era model of human interaction, others aren't, or aren't exclusively. They're embracing exactly that Silicon Valley-style ethos of tech innovation and forward-looking entrepreneurialism that produced e-commerce itself.

In other words, all options seem to be on the table as the store reinvents itself. What stable models will result from the churn remains to be seen. But as all successful versions of the store throughout history have done, these new models will fulfill human needs. Among these are not only the basic need for this or that piece of merchandise, but also the need for community, comfort, entertainment, and maybe even enlightenment itself.

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