The Role of the Store: The Power of Brick and Mortar Retailing in the Omnichannel Experience
Despite the current surge of technology, innovation, and a mad dash for the “latest and greatest,” brick and mortar retailers still dominate the retail landscape, representing about 92% of total retail sales.\(^1\) However, given double-digit ecommerce growth rates — compared to an average of 3% for traditional retail — companies are facing incredible pressure to meet customer demand, and to effectively utilize brick and mortar to fulfill omnichannel expectations.

Rather than being increasingly viewed as an undervalued resource and even considered fading, physical stores should instead be regarded as a significant source of competitive advantage. Retailers must leverage information and behaviors from other channels to surprise, delight, and drive face-to-face customer loyalty in their brick and mortar environments.

\(^1\) “U.S. e-commerce to grow 13% in 2013,” Internet Retailer, March 2013.
“Risky Business”

Customer needs and expectations vary from retailer to retailer and from channel to channel. Customer use of technology and the overwhelming need for instant gratification has created a "base" level of customer expectations that all retailers need to understand. This might include things like an online presence, seamless checkout processes (both online and in-store), visibility into product availability, the ability to receive customer service, easy product returns, etc. However, a retailer’s business mission and strategy typically defines any customer expectation above this base level.

As an example, Nordstrom’s strategy has always been extremely high-touch customer service. The company sets that expectation for their customers upfront. In fact, in their 2012 Annual Report, they open with the phrase “At Nordstrom, our #1 goal of improving customer service never changes, but we know our customer does….We need to respond by meeting customers wherever and whenever with compelling product and the best experience possible.” Compare this with a mass merchant like Walmart or Target, where customers do not have the expectation of high-touch service for most products. Instead, assortment, in stock and competitive pricing define the expectations of their customers. Customers understand the levels of service they receive will differ greatly from mass merchants to higher-end department stores.

Of course, in between are retailers such as big box home improvement stores, which may have different expectations depending on the customer’s need. A major home-improvement project will require a much different type of service expectation than a simple purchase of light bulbs. Most customers are used to these different models – they expect it because the retailer has built their operating model to deliver on a certain set of service expectations.

Therefore, the first task a retailer must undertake in accommodating today’s omnichannel environment is a thorough assessment of the key elements that drive the customer expectations dictated by overall company strategy and product and service offerings.

2 Nordstrom 2012 Annual Report
Some strategies will require a stronger store associate focus on delivering hands-on, personalized customer service, while others are tasked more with operational aspects like making sure customer checkout throughput is at acceptable levels or product recovery is completed in a timely fashion.

Deciding on a particular level of service does not come without risks. In an omnichannel environment, a store may offer “pick up in-store” as a fulfillment option to meet demand for products the customer does not want shipped. That fulfillment option now opens the store to not only a physical shopper, but also a virtual one. Having two customer bases vying for the same product can now lead to customer dissatisfaction if inventory levels are not managed properly. Additionally, if a retailer offers a mobile website or app that enables a shopper to locate items in a specific store, this same functionality should be available to store associates so they are at least as empowered as their customers. There is nothing more frustrating for a customer to seek help only to find out that the employees have less information that they do about their own store or products.

Lastly, whatever level the retailer’s customer expectation standard is, it must include consistency for the in-store experience.
The Power of “Feel”

Brick and mortar retailers must leverage the distinct advantage of the customer experience. There is no better forum or captive audience for a retailer to showcase their brand, product offerings, and competitive differentiation. A great in-store experience can lead to increased word of mouth, higher sales, and the holy grail of exclusive repeat business, driving sales and reducing abandonment to competitors.

Further, a customer who has a great in-store experience is more likely to join a loyalty program, sign up for offers, and utilize the retailer’s social media.

The customer experience can be greatly impacted through a number of touchpoints: a helpful salesperson while shopping, a cheery register associate, a personal shopper with a great recommendation, or even store greeters placed in the entrances. In contrast, a negative experience, especially one stemming from the negative attitude of an associate, can cost the retailer greatly in lost sales, customer service, and word of mouth.

Arguably one of the most challenging aspects of retailing: finding associates who embrace customer service as a passion must be viewed by retailers as a requirement to do business, not as a bonus achieved after shelves are stocked. Even in low-touch service environments, where the customer does not expect significant interaction with the store staff, a single bad experience with sales associates who are not fully engaged in supporting the retailer’s customer service value proposition can cause irreparable harm.

Through integration of customer data, a driven and trained sales force, and an organizational structure that embraces personal customer experiences, the “Power of Feel” can be a potent asset.

“70% of buying experiences are based on how a customer feels they are being treated.”
- Help Scout

“78% of customers said competent service reps are the biggest driver of a happy experience.”
- Genesys

“96% of unhappy customers don’t complain... 91% of those will simply leave and never come back”
- 1Financial
“Service, Not Selling”

The largest and most complex changes in traditional retailers will come from the ranks of over 4.5 million hourly employees they employ. The role of the sales associate will change and evolve from a “doer of tasks” to a “creator of experiences.” Whether it relates to fulfillment options, item knowledge, or convenience of checkout, as brick and mortar’s role in the omnichannel environment continues to evolve, the responsibilities of these employees will never be the same.

First and foremost, the customer should never know more than the employee about the retailer’s own products or services. Nothing leads to customer frustration faster than unhelpful associates due to inadequate tools, lack of training, company policies or apathy. This seemingly simple concept has become progressively complicated with the increasing use of consumer UPC and QR code scanning as well as mobile shopping.

Employees need technology solutions and training that enable them to speak concisely and accurately not only about the retailer’s products and services, but also regarding payment and delivery options to accommodate customer desires.

**Effective Time:**

“71% of activities employees conduct on mobile devices involve locating product for customers, an additional 66% of activities involve looking up relevant product information”

- Sprint

Secondly, all employees must be empowered actors. While this should be intrinsic to all retailers regardless of channel considerations, it is especially powerful in an omnichannel environment as stores work towards the customer desire for instant gratification in the customer’s selected channel.

Employees should be engaged, involved, and passionate drivers of great service who can solve customer issues on the spot. Company rules, incentives, and expectations should be tailored to reward customer-centric behavior and training should reflect and explain what omnichannel success looks like: **seamless marketing, technology, and inventory management coupled with personalized shopping experiences and loyalty that drive sales and word of mouth.**

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3 Bureau of Labor Statistics
Final Word

Traditional retail will never die, but it will evolve. Brick and mortar retailers have the greatest opportunities to deliver best in class experiences and fulfillment – but only if they are open to change and adopt an omnichannel mindset from the enterprise to the store level. Store employees can drive better service levels than the industry has ever known through embracing technology, better training, smarter operational practices, and a customer-first mindset that supports on-the-spot solutions and best in class experiences that will have customers coming back time and time again. Brick and mortar is not fading, it’s more important now than ever, and successful retailers have tremendous opportunities to reshape the industry.
The Parker Avery Group

The Parker Avery Group is a boutique strategy and management consulting firm that is a trusted advisor to leading retail brands. We combine practical industry experience with proven consulting methodology to deliver measurable results. We specialize in merchandising, supply chain and the omnichannel business model, integrating customer insights and the digital retail experience with strategy and operational improvements. Parker Avery helps clients develop enhanced business strategies, design improved processes and execute global business models.

Learn more about us at:

www.ParkerAvery.com

for more details

contact:

Robert Kaufman
CEO | robert.kaufman@parkeravery.com

Rob Oglesby
Senior Manager | rob.oglesby@parkeravery.com

770.882.2205