

BUILDING RETAIL



SCALA 
WHITEPAPER

While spending more time at home, many Europeans are turning to home improvement projects. Retailers have a new opportunity to combine the best of e-commerce, in-store and mobile engagement to optimise the shopping experience and increase customer satisfaction.

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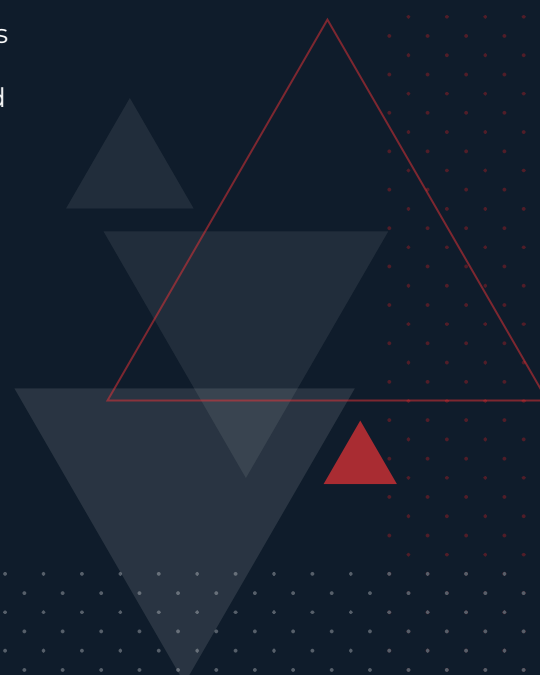
Technology and making in-store something special

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Getting clever with click and collect

This report will cover how:

- ▲ Extended time at home is causing a spike in DIY home projects
- ▲ New customer behaviours are causing retailers to implement new tech-focused solutions: safety and occupancy, in-aisle consultancy and order pickup
- ▲ Digital displays offer dynamic customer experiences and sales opportunities
- ▲ Technology plays an integral role in delivering aspects of shopping that are key to customer experience including safety, speed of service, flexibility and convenience
- ▲ Combining data from e-commerce, physical store and mobile leads to higher customer satisfaction



Introduction



It is an understatement to say that the global pandemic has transformed retail. For some brands the results have been catastrophic while others have managed to adjust and augment their business models to weather the storm. A few brands have been fortunate enough to see a boost to their business.

Beyond being able to pivot their business and operations quickly to adapt in times of COVID, the success of some brands has largely been due to category success. The pandemic has affected all of our lives and when life changes, so do priorities and spending. This Building Retail white paper was inspired by the increased spending we've seen in the home improvement retail category, but the insights are applicable to brands beyond the DIY sector. Using data points gathered from the European market as well as strategic intelligence, Building Retail looks at the ways in which brands have adjusted their models and explores how the strategies adopted in the last year could make a meaningful difference for retailers of all types moving forward. We explore the ways in which the parking lot could become an essential sales space, why we might soon be seeing drive thrus offering furniture (or fashion) as well as fries, and what a "start anywhere, finish anywhere" retail experience really means.

At Scala we believe that it is through an understanding of the customer — their wants, needs and past behaviours — that will give brands the tools they need to deepen their relationships with customers, to secure loyalty and succeed. Through smart use of data, brands can create strong and successful strategies to increase sales, minimise waste and make the most of every opportunity.

Because after all, in the midst of the uncertainty, there are reasons to be optimistic. When restrictions have been relaxed and stores have opened, footfall data (as well as press photos and social media status updates) show that the desire to shop in person is still there for a great many of us. The appetite to shop, to view products, to touch, try on, speak to an associate is still there and, at least I believe, is unlikely to be eclipsed by online. There may even be an argument to be made that this pent-up desire to get into stores may mean that, when restrictions lift, we are about to see a bricks and mortar boom just as we are likely to see high demand in the travel and hospitality sectors. Scala is experienced in those sectors too but for now, and for the purpose of this white paper, our focus is on stores and how brands can go about building retail.

Harry Horn

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Lockdown has seen the world spend more time at home. In Europe, data suggests that close to 40% of those currently working in the EU began to work remotely full time as a result of the COVID-19 pandemic.¹ For much of 2020, kitchen tables have been asked to serve as classrooms as well as boardrooms in addition to their usual domestic duties. As we are spending more time at home, it is hardly surprising that we are looking at ways to make our homes better, brighter and more conducive to a world in which working from home is predicted to be a far more common occurrence.² More time spent looking at the same four walls has prompted many to get those home projects they've always meant to start finally completed. With family holidays limited in 2020, budgets normally spent on flights and hotels have been reinvested into home improvements.

The Office of National Statistics credits spending in DIY shops and garden centres as the main driver in the partial UK retail recovery of May 2020.³ This increase in home projects extends outside the UK. Retail data from Germany shows that the category of DIY was responsible for a growth of 17.8% in e-commerce in March and April 2020. As the pandemic stretched on, June projections were showing that almost 30% of UK consumers were planning on increasing their spend on DIY this year while in July, paint manufacturer Dulux limited stock that could be bought from its online store due to unprecedented demand.⁴

The latest consumer spending results from Barclays Bank suggests that spending in October 2020 declined by 0.1% due to the colder conditions and further national restrictions, but spending on home improvement is set to continue in 2021 with the latest data showing over half of Brits planning to spend over £6000 on home improvements. With further restrictions announced throughout Europe in mid December, more at-home time is on the agenda for the holiday season and beyond.

Research suggests that this uptick in home improvement is largely due to millennials and Generation Z picking up paintbrushes and hammers to upgrade their space. With spending turned to our surroundings, what opportunities lie ahead for home improvement and furniture retailers to keep a nation of new DIY-ers engaged? How can retailers make the most of the new focus on DIY and keep up with demands of a new generation of DIY spending? Further, with shopping regulations and safety needs in place, how can retailers deliver on the expectation of relevance, speed of service and customer satisfaction?

¹ <https://www.eurofound.europa.eu/publications/report/2020/living-working-and-covid-19>

² <https://www.bbc.com/worklife/article/20200824-why-the-future-of-work-might-be-hybrid>

³ <https://www.ons.gov.uk/releases/retailsalesgreatbritainmay2020>

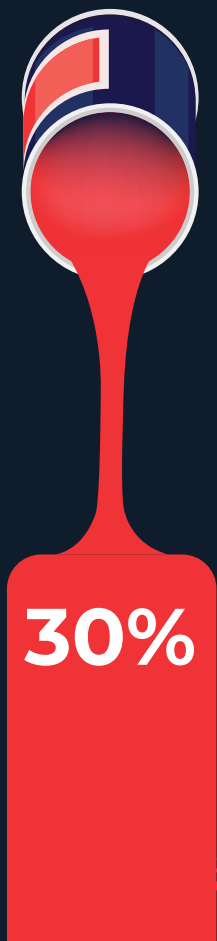
⁴ www.emarketer.com

⁴ <https://www.telegraph.co.uk/news/2020/07/12/dulux-forced-limit-paint-purchases-rise-demand-lockdown-renovations/>

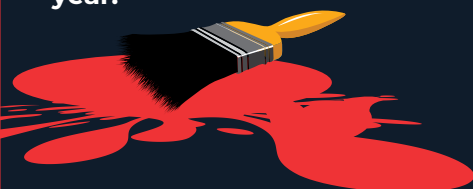
⁵ <https://www.barclayscorporate.com/insights/industry-expertise/uk-consumer-spending-report/>

⁶ <https://uk.finance.yahoo.com/news/half-of-homeowners-to-spend-over-6500-each-on-home-improvements-in-2021-000150346.html>

⁷ <https://www.aldermore.co.uk/about-us/newsroom/2020/06/millennials-and-generation-z-lead-the-way-as-brits-become-a-nation-of-diy-ers-during-the-lockdown-period/>



of UK consumers were planning on increasing their spend on DIY this year.



The current state of shopping has caused new customer and employee behaviours — from an increase in e-commerce to the need for new order-delivery solutions. Technology can play a vital role in creating new opportunities to effectively communicate with in-store customers, passersby and employees in a DIY store environment and beyond. In this report we'll look at some of the ways technology and digital solutions open up engaging next gen DIY-ers in all areas of the store, as well as seasoned shoppers who are becoming increasingly comfortable with technology both at home and in public spaces.

With bricks and mortar retail restricted by lockdown measures, consumers have adopted new behaviours with many of them turning to online. 2020 saw many Europeans turn to digital to buy groceries for the first time. And this wasn't a small increase.



For instance, Spain saw a **30%** increase, while France and Italy followed with **22%** and **20%**, respectively.

However, it is clear that shoppers want to emerge from their houses and gain back the in-store experience. Shoppers' actions speak to their sentiment. For example, the first day of English retail restrictions being lifted was dubbed "Wild Wednesday" with reports of shoppers queuing to enter Primark.⁸ With problems like long queues at the door being an unprecedented challenge, many retailers, such as Australia's Woolworths, are turning to technology to ensure their customers and staff are safe as well as informed.⁹

There are aspects of in-person shopping that cannot be replaced or replicated with an e-commerce experience such as the tactile experiences of touching an item or the immediacy and convenience of going home with a product as well as the benefits of fun, experiential shopping inside the store. The in-person experience is especially important when it comes to home improvement purchases. Subtleties in colouring, textures and finishes can make all the difference when selecting an item, and consumers are unlikely to spend a lot of money on an item or invest in a higher-budget project such as a kitchen or bathroom refit without being completely sure that the items they have selected are just as they want them.¹⁰ Exactly replicating these small yet important details online is simply not achievable.



As retailers look to their survival long term, there is a call from analysts for "Businesses to revolutionise their proposition to ensure longevity."¹¹ Ultimately, it will be those retailers that are truly able to make the most of the omnichannel experience that will thrive. This will mean combining the possibilities of online, mobile app and in-person experiences to develop a true 360 view of their customer, and then apply that knowledge to create seamless and convenient experiences for shoppers. New understanding of customers allows retailers and marketers to apply content and messaging to digital displays of any size — including mobile devices — that are truly tailored and relevant to their shopper. Businesses who are harnessing the potential of omnichannel will access invaluable shopper insights and data that will ensure that not only are they able to make the most of opportunities available now but they will also have the information and tools to capitalise on opportunities in the future.

⁸ <https://www.dailymail.co.uk/news/article-9008761/England-wakes-life-lockdown-people-head-Primark.html>

⁹ <https://www.smh.com.au/business/companies/we-re-all-blobs-woolworths-trials-new-tech-for-covid-safe-christmas-rush-20200917-p55whj.html>

¹⁰ <https://news.osu.edu/you-can-look---but-dont-touch-be-prepared-to-buy-consumers-willing-to-pay-more-for-products-they-touch/>

¹¹ <https://www.cnn.com/video/2020/11/16/retailers-must-avoid-unnecessary-discounting-analyst-says.html>

In-Aisle Experts

Lockdown may mean that consumers are unable to physically set foot in shops or showrooms but virtual consultations for items such as fitted kitchens, curtains or flooring are already being used as a way for brands to conduct business during lockdown. Once restrictions lift or are lessened, online consultations will have a lasting role to play in offering a convenient way for customers to take steps in engaging with a brand. Not limited by trading hours or impacted by travel time, online meetings are a flexible way for customers to be taken through initial options which can then be elaborated on with an in-person experience inside the store. A brand might also want to make the most of a consultation over video call by involving experts and home design influencers who may be physically located across the world. This might be particularly appropriate or lucrative as part of a licensing strategy or new product line launch.

As stores reopen their doors to customers, consultative and informative innovative solutions are being brought into the aisle. Small format and shelf-edge in-aisle displays allow retailers

to help guide product discovery, give advice on projects and generally make a satisfactory and more personal connection with their shoppers. The relationship between brand and consumer could be built upon further with free and relevant “how to” tutorials made available online, through the retailer’s mobile app or even offered via digital displays inside the store. Scanning a QR code or offering an on-screen short URL allows the shopper to use their own device while learning from and connecting to the DIY retailer. Throughout Europe, shoppers are used to seeing digital displays in their everyday life, and bringing them into the store and aisle allows shoppers to interact with technology with which they are already comfortable.



Seamless and Safe Satisfaction In-Store

There is an expectation from the consumer that their interactions with a retailer should be seamless whether they have engaged online, via an app, in the store, or through a combination of all three. Every click and, with relatively simple sensor technology in store, every footstep provides a wealth of information that helps retailers better serve their customers — customers' whose time is limited and have convenience as a top priority. The customer expectation to be able to “start anywhere and finish anywhere” is one that retailers should strive to satisfy. The availability of real-time stock taking, smart personal devices and contactless payments means that there is an assumption from consumers that they should be able to access or collect what they want — whether it is information or product — quickly and in a manner that is convenient and safe to them. That may be delivery, in-store pickup or via click and collect solutions outside the store.

“
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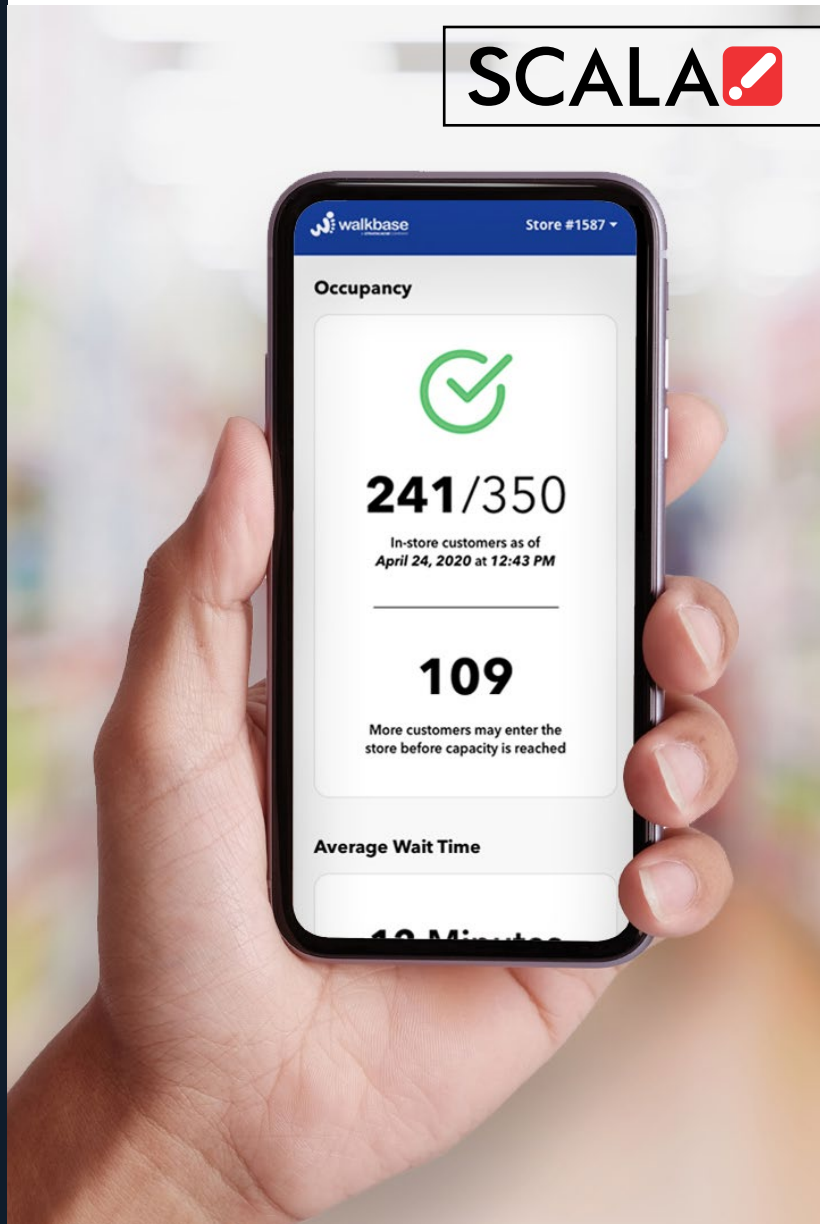


“Wild Wednesday” and retail data show that customers crave the bricks and mortar experience. We know that although much can be investigated and purchased online, in-person shopping for home improvement products, especially high-end products, is important for customers. Shoppers want to come back to stores but retailers will find that their expectations of what is a great in-store experience may have shifted. Further, with a wealth of product information available online, including purchaser reviews and comparison shopping, shoppers are more savvy than ever — sometimes more so than sales associates — and when they enter the store, they have little patience for irrelevant information or unnecessary delays.¹²

¹² <https://internetretailing.net/location/location/consumers-impatient-with-in-store-queues-choice-and-costs-turn-online-to-buy-study-19955>

And while shoppers want to come back to the store, a negative store experience will inspire them to run for the competition, something retailers are more aware of than ever. Safety is understandably a concern for customers as they look to maintain social distancing guidelines and avoid situations of unnecessary contact with those outside of their household. Customer patience for waiting to collect or pay for an item, never in abundance, will be even more diminished for customers keen to avoid other people. Smart technology can play an important part of instilling customer confidence and make the in-store experience as easy as possible.

Using digital signage along with occupancy management software is one way to demonstrate to customers the consideration of safety. With sensor-based occupancy management solutions connected to digital signage, retailers can clearly display occupancy numbers, highlight busy times and busy store areas, as well as direct in-store traffic across aisles. Through digital signs, shoppers can also be entertained and informed during wait times or in dwell areas with content such as seasonal or limited time promotions, store services or loyalty programmes. This information could be echoed via a store app. Signs also provide an opportunity to display messages of reassurance or in-store safety measures, inspiring repeat visits by safety-conscious shoppers.



A screen (or screens) at the front of a retailer, in the window or even upon entry to the car park, when combined with occupancy management and tracking technology, such as Walkbase Intellicount, can show customers **just how busy** the store is and which areas of the store are the most populated.

Data obtained from Walkbase can help retailers to optimise merchandising and staffing, as the technology measures customer behaviours and patterns across the shop floor. With permissions granted by the consumer via a loyalty app for example, shops can serve relevant, personalised marketing messages to the customer via their personal device or screen, alerting them to offers, giving tips on product assembly or even directing them through the store so that they can quickly find an item. Smart screens throughout the store

can change messaging as a customer, who has opted in via the brand's app or website, to share data and receive such messaging, approaches. Smaller screens could also be used at hand sanitizing stations — again providing an opportunity to display relevant promotions, messages or safety information.

The proliferation and normalisation of QR codes across the UK high street provides retailers with a huge opportunity for customer personalisation. The National Health Service (NHS) tracing app — with its QR code check in functionality — has made the average UK shopper familiar with QR codes to the point where, for many, holding up their phone to “check-in” to a location has become as automatic as putting on a face covering. This normalised behaviour of ‘checking in’ should be harnessed by retailers where possible as a way to serve their customers better.

From checking in, and with appropriate data permissions for mobile app users, a customer’s visit to the store can be instantly more relevant and personalised. Shoppers can be welcomed into the store, shown promotions and offered solutions or complementary products to those they may have purchased in the past. Further, digital signage allows a one-to-many increase in relevance, displaying information or promotions that appeal to the current in-store shoppers.



Safe Screens and Screen Synergy

In a virus-aware world, the idea of touching items, including screens and products may dissuade some customers. Touch screens and display screens can easily be made antimicrobial while antimicrobial coating for many household products will become commonplace. Communicating the safety of touch screens and other literal shop touchpoints, while also offering an alternative for the more cautious consumers, is crucial for retailers. Touch screens themselves can demonstrate their own safety features with explanatory graphics and messaging, even letting the consumer know information that retailers never dreamed would be so important, such as the last time that the screen was cleaned. For those unpersuaded by the antimicrobial messaging, it will be key to give them the opportunity to interact how they want. The ability to “bring your own device” (BYOD) and still interact with signage

throughout the store is a new opportunity for retailers to communicate with shoppers. From their mobile phones, customers could interact with in-store screens and operate displays such as switching on bulbs, fans or operating reclining chairs. Giving a customer as many options as possible to interact with, explore and purchase will satisfy the desire for seamless, speedy shopping — forging stronger retail relationships that will ensure loyalty and encourage repeat business.

Making In-Store Something Special

More than just being able to see, safely touch and possibly even sit on the product, shopping for DIY solutions and furniture in-store should offer the customer something that they just can't get online. When time is at a premium and safety a chief concern, customers will return to those retailers that offer something above and beyond their competitors. Relevant experiential in-store activations, backed up by expertise and convenience, will be key to revolutionising the in-store proposition and building business.



Customers want to go back into stores and they want to know the experience will be safe, but shopping sentiment hasn't wildly changed — shoppers have always wanted a shopping experience that is relevant or uniquely personal. They also want speed of service and with it, convenience.

Pre-pandemic, the most agreed-upon reason UK shoppers visited shops on the high street was convenience (63% of respondents).¹³

Millennial shoppers in the UK aren't only unbothered by stores knowing their digital footprint, but, as research conducted in 2019 shows, that almost half (48%) said they *want* to shop at physical retailers who offer personalised product recommendations based on their digital shopping behaviour.¹⁴



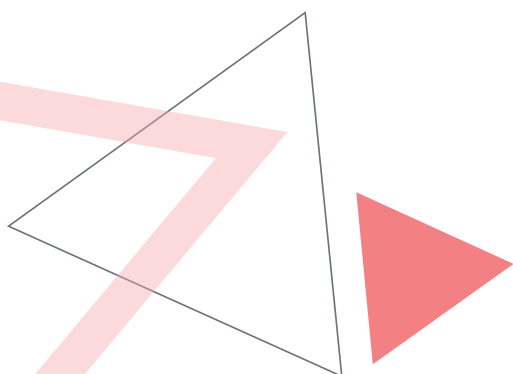
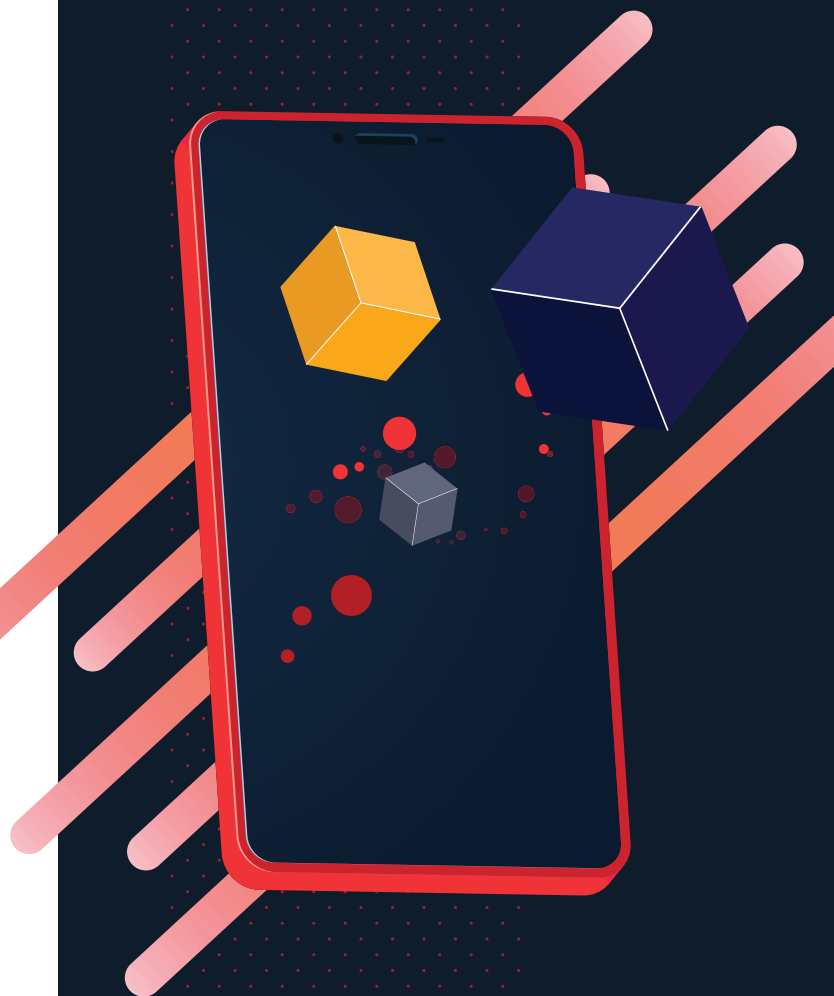
For some retailers, what they will be able to offer will simply be the easiest and most frictionless experience with technology playing a key role in offering a speedy service. Retailers should look to mitigate the common frustrations of shopping in store wherever possible. Lengthy times waiting in a queue to purchase goods can be erased with contactless payment as already utilised by grocers. Where stock is running low or has run out, the customer, who might be frustrated by having made their way to the shop only to find an item unavailable, could automatically be offered an alternative item or have the desired item, sourced from another branch, sent to their home as soon as possible. Screens showing endless aisle solutions can showcase products complementary to those already purchased (or about to be purchased) by the consumer that might not necessarily be available in the store. Contactless payments mean that these items can even be purchased via the display screen with the item automatically delivered to the customer's address.

¹³ Retail Week report: High Street Rebooted, March 2019

¹⁴ Vodati International study "Connectivity Pain Points Survey" May 2019

For other retailers, what will differentiate them from their competitors will be the unique retail experiences that they offer. For DIY and home improvement retailers, screens large and small can create an immersive and creative proposition. Advances in display technology allow retailers to use large screens positioned as walls in a home or even on the floor to showcase unlimited wall covering and flooring options, as well as window treatments such as curtains or blinds — or even a whole room layout. This also attracts the attention of passersby or nearby shoppers. For those boutique retailers or full-service design firms, renderings of the customer's own home could be displayed on large, in-store screens, offering a high-end, bespoke application of the technology. For those stores unable to allocate the floorspace to a room-sized screen set up, something similar could be achieved through virtual reality with the customer view shared on a display in the store. Using technology like this, customers can experience what their garden might look like throughout the seasons as different plants grow. Shoppers could play with placement of garden furniture and landscaping features such as ponds. A garden supplier could maintain the customer relationship across the year with relevant in-app informative messaging on how to, for example, maintain and care for plants they've purchased, or how to make a summer patio set secure for the winter.

Augmented Reality (AR), already being used by some home furnishing retailers, also provides methods by which customers can visualise products in their home or garden. This AR technology can be deployed through a store app. Using a mix of online and in-person, personal services as well as screens, retailers can offer multiple ways for a customer to engage with product ranges — valuable to both the customer experience and the bottom line.



Getting Clever with Click and Collect

Kingfisher, owner of B&Q and Screwfix, reported accelerated sales over the spring UK lockdown, driven largely by e-commerce and click and collect. One London branch of B&Q fulfilled 1500 click and collect orders in one day.¹⁵ With consumers' expectation for speedy satisfaction of orders, click and collect opportunities will remain a massive driver for the home improvement industry. However, the offering of click and collect could be personalised far beyond its current deployment with parking lot activation offering huge potential for retailers.

Grocers, with the car park space to accommodate it, have smartly moved their click and collect service to the store exterior. Appreciating that groceries more often than not are headed straight for the car boot, the car-park positioning of these click and collect collection points recognise the needs of their customers.

DIY and furniture retailers are well placed to offer something similar. A customer using a store app such as the successful B&Q app (downloaded over 500,000 times on Android alone) places an order for click and collect. Picture this: the customer is given a time when their order will be available. When they drive into the car park of the store, the app notifies staff of the arrival of the customer so they can ready the order. Through screens in the car park and the app, the customer is directed to a parking bay to receive their order.

Once parked, the order would be verified using a staff member's personal device or a dedicated shop tablet with the items loaded directly into the car. Screens at the collection points could display care advice for the items purchased, complementary products and information on offers in store. Additional purchases could even be made in-vehicle using contactless payment. This parking lot activation not only provides a convenient and seamless experience for the customer but provides key data for retailers that could be used to improve waste management, monitor stock and more.

Taking this consideration of technology, speed and convenience one step further, it may not be long before we see dining chairs and paint rollers being bought at drive-thrus. Taking best practice from quick service restaurants and exploiting the potential of drive-thru technology, retailers across sectors are poised to offer drive-thru on popular product ranges with home improvement and furnishings potentially exceptionally well placed for a drive-thru sales on seasonal products such as gardening items, artificial christmas trees or portable air conditioners.

¹⁵ <https://www.ft.com/content/dd63703a-ff8d-48fa-bec8-6f84c3b5ed7c>



About Scala

Scala solutions deliver engaging retail experiences by connecting networks of digital signs, kiosks, mobile devices, websites and Internet-connected devices. Scala, a STRATACACHE company, provides the platform for marketers, retailers and innovators to easily create and centrally manage deployment of shopping experiences while retaining the flexibility to rapidly adapt to local business conditions and preferences of customers in the store. With 30 years' experience, Scala is well-known for its innovation and leveraging best-of-breed technologies to create solutions that are easy-to-use, yet infinitely customizable.

Scala has US-based headquarters near Philadelphia, PA and EMEA headquarters in the Netherlands, and has offices in 28 countries, clients in over 100 countries and support for 20+ languages in the platform.



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