

2022 BENCHMARK SURVEY

CONNECTIVITY, COMMUNITY AND COLLABORATION:

INSIDE THE NEW ERA OF STORE DESIGN

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EXECUTIVE SUMMARY

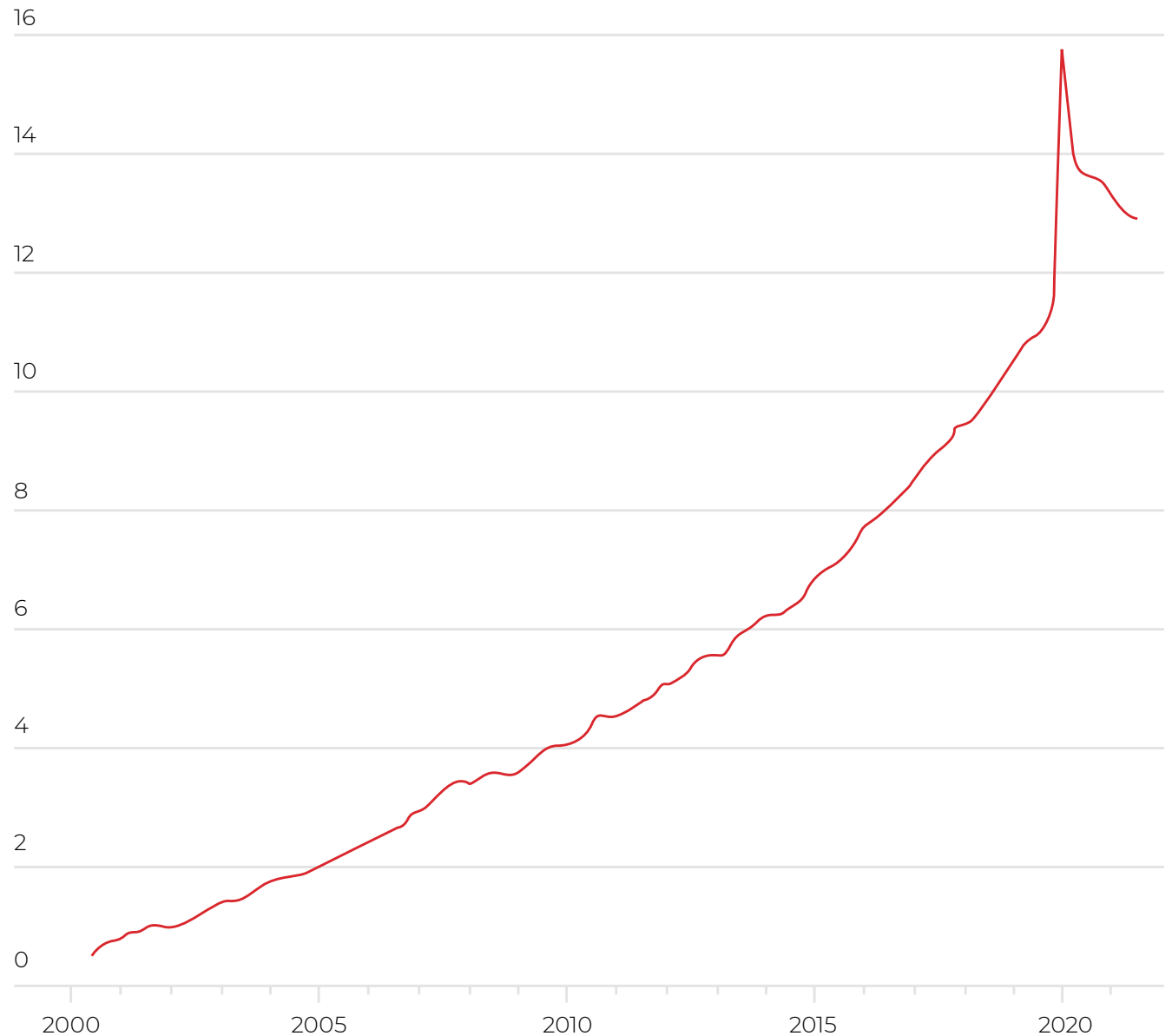
Ecommerce had its time in the limelight during the pandemic's peak — when stores were shuttered and many of us were sheltered in place, we didn't have much of an option.

But two-plus years later, we're witnessing a great awakening of the store.

Data from the U.S. Census Bureau indicates that ecommerce sales are leveling, while consumer surveys point to a strong desire for more immersive and tactile shopping experiences. Couple these points with the fact that stores have become central hubs for community activation and order fulfillment, and it is clear we are embarking on a new and exciting era of design and experience innovation.



Estimated ecommerce as a percentage of total retail sales



Source: U.S. Census Bureau

But how significantly are retailers investing in their physical spaces, and where do their priorities lie over the next 24 months? *We surveyed 150 retail executives to find out.*

Our findings point to **five key trends** that are shaping the future of store design:

- 1** With most store budgets increasing over the next 24 months, more time and capital are being invested in **remodeling and updating existing stores**.
- 2** Among respondents who are opening new stores in the next 12 to 24 months, **rotating concepts, pop-ups and immersive experiences rise to the top**.
- 3** While ensuring speed and seamlessness is a priority for respondents, many confirm that **storytelling and merchandising are even more critical** as they strive to differentiate through their physical environments.
- 4** Design teams are thinking more critically about how they can use technology in stores. Digital signage, QR codes and kiosks are lauded for their ability to support **omnichannel engagement**.
- 5** To ensure new concepts and experiences are implemented successfully, **design teams are collaborating more frequently with colleagues** in marketing, IT and other functions.



BRANDS PUT MORE DOLLARS TOWARD STORES

After years of prioritizing digital-driven experiences, the vast majority (**91%**) of respondents agree that store design and experience are “somewhat” or “much more” important to their business strategy (See Fig. 1). This is even a significant increase from the 2021 results, when many retailers (**71%**) scrambled to update their stores to accommodate new safety requirements and fulfillment offerings.

The reasons for this increase become clearer as we look at the evolution of consumer behavior and the unique value that stores provide:

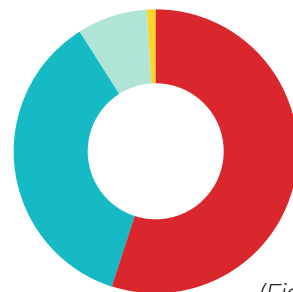
- **79%** of consumers currently use buy online, pick up in-store services;
- **65%** of consumers have a continued need or desire to shop in stores;
- Consumers are **2.5X** more likely to complete a purchase after visiting an experiential flagship; and
- **30%** of consumers say the ability to try on products is the highest in-store value-add.

Source: *The Future of Store Design, Retail TouchPoints, MG2, The Lion’sesque Group*

To effectively respond to these trends, retailers are investing more in their physical spaces. As noted in Fig. 2, more than half (**52%**) of respondents are forecasting at least a *slight* budget increase over the next two years. The percentage of retailers reporting flat budgets has decreased from **24%** in our 2021 survey to **14%** this year.

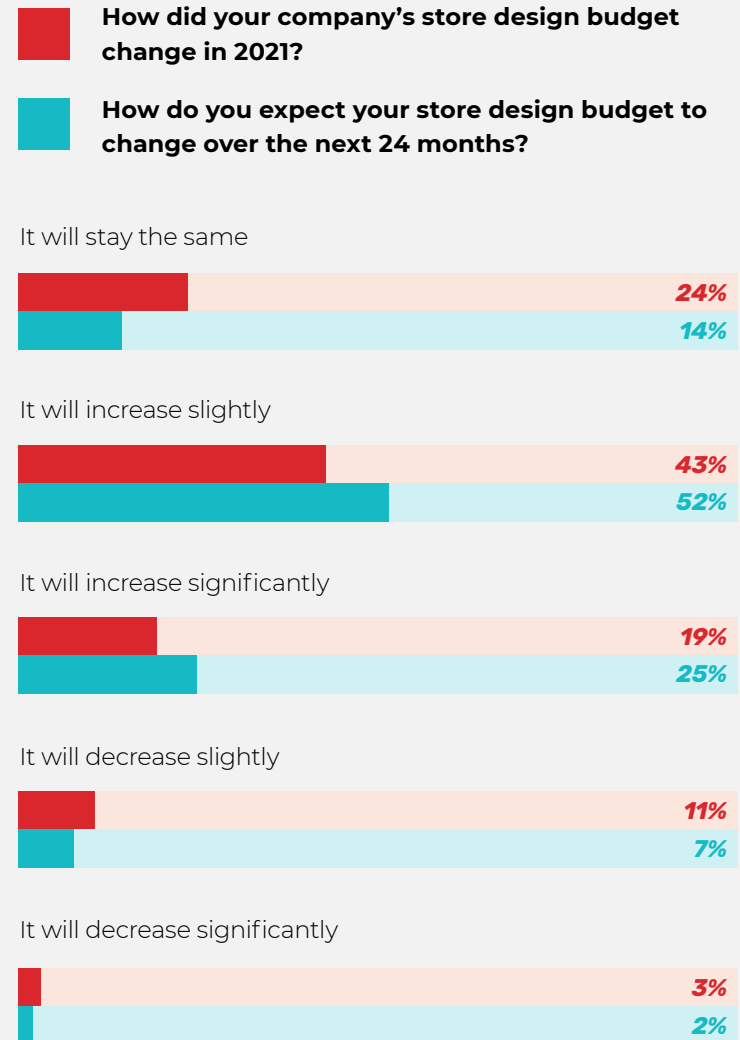
Compared to two years ago, how important is store design and experience to your brand’s business strategy?

- Much more important: **55%**
- Somewhat more important: **36%**
- Relatively unchanged: **8%**
- Somewhat less important: **1%**



(Fig. 1)

(Fig. 2)



REMODELS HELP MAXIMIZE BRICK-AND-MORTAR INVESTMENTS

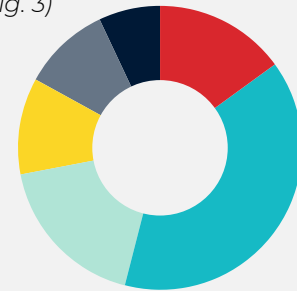
To recoup losses and stabilize their businesses during the pandemic, many retailers closely assessed their store footprints. While some companies closed underperforming locations, others attempted to right-size and remodel their existing fleet to ensure it reflected evolving customer behaviors and brand strategies.

The 2021 iteration of this survey found that **57%** of respondents renovated stores in 2020. Our findings show that this trend will continue through 2023, with nearly half (**46%**) of respondents saying they plan to remodel and renovate a *minimum* of **11%** of their store footprint (See Fig. 3).

As in 2021, most of this year's respondents said they plan to rethink and redesign their front-of-house experiences. In fact, this percentage increased year-over-year (from **66%** in 2021 to **71%** in 2022), likely because many brands and retailers are in the process of further refining and improving these spaces. For example, during the pandemic many stores made quick adaptations to accommodate the popularity of BOPIS and curbside pickup. Now that these behaviors are established and almost certainly here to stay, some retailers are thinking less about short-term adaptations and more about long-term, revenue-driving strategies.

The top three priorities for store updates remained consistent this year, but larger percentages of respondents will be investing in these areas. For example, while only **45%** of respondents to the 2021 survey said they were focused on the store floor and product displays, **70%** said the same this year. Additionally, while only **37%** focused on fixtures and merchandising in 2021, **52%** identified this as a priority in 2022. (See Fig.4).

(Fig. 3)



Estimated store remodels and renovations planned through 2023

None: **15%** 26-50%: **11%**
 1-10%: **39%** 51-75%: **10%**
 11-25%: **18%** 76+%: **7%**

(Fig. 4)

Which areas of the store have you focused on rethinking and redesigning over the past year? (Select all that apply)

Front of house (checkout, BOPIS pickup area, etc.): **71%**

Store floor and product displays: **70%**

Fixtures and product merchandising: **52%**

Stock room/back-of-house space: **31%**

Exteriors, including parking lots and curbside stations: **30%**

Fitting rooms: **19%**

Areas dedicated to appointment-based retailing: **12%**

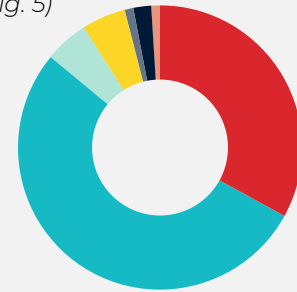
NEW OPENINGS REAFFIRM THE VALUE OF DIVERSE FORMATS

Although the largest group of respondents (**53%**) said they plan to open **fewer than 50** stores through 2023, this forecast represented a notable improvement over 2021. In last year's survey, **56%** of executives said they hadn't opened *any* new stores in the previous year. As retailers map out the next two years, however, only **33%** said new store openings were on the horizon. Moreover, the number of respondents who said they planned to open **up to 50** new stores **increased** year-over-year, from **41%** to **53%** (See Fig. 5).

As we dig deeper into new store plans, formats become a critical topic. Given the even spread of the top results, it seems some brands plan to test several different formats over the next two years to see which performs best (see Fig. 6), with pop-ups, rotating concepts and experiential formats the top choices.

Despite the buzz surrounding dark stores and fulfillment centers, these types of store formats seem to be appealing investments primarily for retail verticals that offer fast-moving consumer goods. Given our large specialty respondent pool, it is clear why experiential concepts are being more widely prioritized (See Fig. 12).

(Fig. 5)



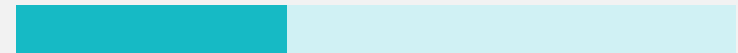
Estimated new store openings planned through 2023

None: **33%** 251-500: **1%**
 1-50: **53%** 501-800: **2%**
 51-100: **5%** 801-1,000: **1%**
 101-250: **5%**

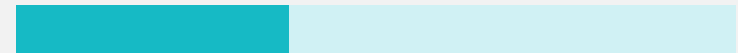
(Fig. 6)

Which of the following store formats do you plan to open over the next 12 to 24 months? (Select all that apply)

Pop-ups: **37%**



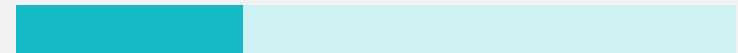
Rotating concepts: **37%**



Experiential concepts, such as content studios and activations: **35%**



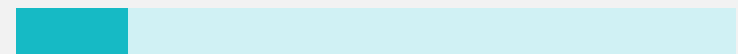
Flagships: **32%**



Dark stores/fulfillment centers: **18%**



None of these: **16%**





3 REALITIES DRIVING STORE EXPERIENCE INVESTMENTS IN 2022

Joseph Scaretta, Co-CEO and Founder, CS Hudson



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As consumer behaviors continue to evolve, retailers of all sizes and across categories are thinking critically about their stores: How they're designed, how they're structured and how they use technology to guide consumers from point A to point B. Over the past year helping brands build new stores and embrace new concepts, I've uncovered three new realities that are driving executive decisions and, most of all, retail investments in 2022.

Reality 1: The definition of “experiential retail” has evolved

Pre-COVID, “experiential retail” was all about immersiveness. How engaging could brands make their stores to keep people in them as long as possible? Now, “experiential” is evolving to not just touch on engagement but also safety and shopping efficiency.

Although many executives prioritized storytelling and visual merchandising in the *Retail TouchPoints* survey, there is an opportunity to blend both concepts together. Storytelling should drive your omnichannel offerings. And most of all, technology should be used to support, even enhance, the story you're trying to tell. Technology like selfie stations, digital-powered fitting rooms and even targeted mobile notifications powered by in-store WiFi are not just cool, glitzy tech. They're intentional and meaningful for the customer and what she now expects in stores.

Reality 2: Pop-ups and rotating concepts inspire retail collaboration and experience innovation

We're reaching a new, exciting era of short-term stores, powered by the evolution of pop-ups, rotating concepts and incubator spaces operated by landlords and real estate developers. Brands and retailers fully understand the value of these short-term spaces, but now they need to understand which approach is right for them. Over the next year, we'll continue to see new examples of store concepts and activations that blur the line between digital and physical; commerce and community; as well as products and artistry. Landlords and developers will help drive this innovation, turning their vacant stores into retail playgrounds and generating new revenue for their business.

Reality 3: Brands need to focus more on store revenue than store growth

We've all seen the headlines. Retailers, from traditional powerhouses to those digitally native DTC brands, are betting big on physical retail. But they're not just placing bets; they're going all-in and setting sights on significant store growth. But at a time when many retailers are scrutinizing their budgets, many are finding that their resources are better spent on a smaller number of high-performing stores. Retailers need to find their “magic number” when it comes to store count. This number should allow them to maximize revenue and margin per location, but also give them the financial backing to test short-term formats and new concepts as part of their ongoing store strategy.

DESIGN TEAMS CENTER ON THE BRAND STORY

In recent years, conversations about store experience have focused on ease and utility — more specifically, unique ways brands and retailers can use digital technology (especially mobile devices) to drive product education, facilitate omnichannel engagement and get customers in and out of stores as quickly as possible.

Technology may be a key driver for in-store activation, but leading design teams know that a powerful brand story — supported by beautiful aesthetics and powerful merchandising — is what truly helps physical spaces stand out.

When asked to identify their top store design and visual merchandising priorities through 2023, significantly more respondents this year said illustrating the brand story in an innovative way was most important (**71%**). There's a significant drop-off for the second- and third-most popular responses, supporting in-store pickup and returns (**48%**) and creating a fast in-and-out experience (**40%**) (See Fig. 7).

While the top three design priorities reveal no surprises, other results point to two key trends to watch: **sustainability** and **community commerce**. Edelman's **2022 Trust Barometer** found that **58%** of consumers will **buy or advocate for brands based on their beliefs and values**. Sustainability has become a vital component of brand values, but goals have typically centered around product sourcing and manufacturing, shipping and packaging. Now, store teams are considering the role they can play in helping businesses reach their sustainability goals: 36% are exploring ways to incorporate more sustainable building materials into their locations.

Consumers also are thinking more critically about how brands make them feel. Do the products truly represent them? Is there a larger culture or community tied to the business that consumers resonate with? Retailers like **CAMP**, **Foot Locker** and **goodMRKT** are leaning into community-driven commerce and using their stores as community hubs. There are significant design implications that are tied to this trend: **35%** of respondents are attempting to design distinct areas to create more curated and exclusive shopping experiences.

(Fig. 7)

What are your brand's top store design and visual merchandising priorities through 2023? (Select top three)

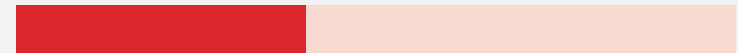
Experiment with new, more creative visual methods to tell our brand story: **71%**



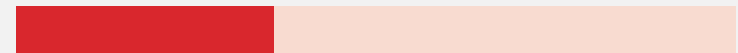
Develop designs that support in-store pickup and returns: **48%**



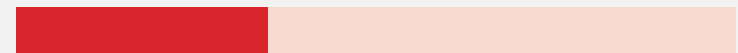
Roll out store designs that allow customers to get in and out quickly: **40%**



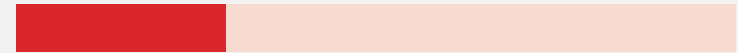
Incorporate more sustainable building materials into our stores: **36%**



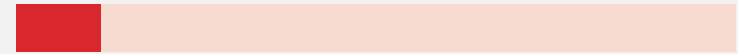
Design exclusive/VIP areas to enhance store shopping experience: **35%**



Redesign store exteriors/parking lots to support curbside pickup: **29%**



Upgrade employee lounges and facilities: **12%**



THE EVOLVED ROLE OF STORE TECHNOLOGY

“Store of the future.”

It's a phrase that is bound to get a lot of clicks and a lot of retail executives clamoring for answers. What does the store of the future look like? What role does technology play? And most of all: How can we do this in *our* stores?

While futuristic, tech-enabled experiences drive excitement, they also can create a lot of confusion — even frustration — if retailers are not intentional about their execution. If executives are focusing more on PR mentions and news headlines than serving their customers, they are heading down the wrong path.

The good news is that most of our respondents are trying to be more thoughtful about in-store tech investments. Specifically, respondents are thinking of how they can better integrate technology into their store journeys (**51%**) and finding new ways to spark digital engagement while consumers venture through store aisles (**44%**) (See Fig. 8).

There is a clear correlation between the goals outlined above and the technologies respondents have implemented, or plan to implement, in the near future. For example, the most widely used technologies are digital signage (**50%**), contactless checkout (**48%**) and QR codes (**40%**) (See Fig. 9). Digital signage is a powerful tool for reaffirming brand messaging and promoting key products and partners, especially as retail media networks are more widely adopted. Contactless checkout solutions help create seamless, touch-free experiences powered by consumers' personal devices. And QR codes have become widely used to create a connection between store signage and displays, with digital content, product pages and other calls to action.

As we see the lines between digital and physical continue to blur, retailers will continue to find ways to balance high-touch service, tactile experiences and powerful digital technology. **Whole Foods**, for example, is embracing just-walk-out payment technology while staying true to its immersive, highly curated merchandising strategy.

Meanwhile, other retailers are testing more cutting-edge technologies to stand out from their direct (and indirect) competitors. For example, while **50%** of respondents said they had no plans to roll out smart mirrors in their stores, brands like **Savage X Fenty** are bringing powerful 3D tech from FIT:MATCH into stores to offer consumers more granular fit and product recommendations.

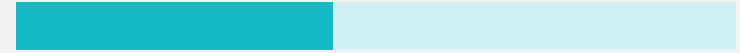
(Fig. 8)

What are your brand's store engagement and experience priorities through 2023? (Select top three)

Better integrate technology into the experience for product customization, endless aisle, etc.: **51%**



Create more opportunities for digital engagement in the store (via AR, QR codes, etc.): **44%**



Create a more active, community-driven store experience via events and activations: **44%**



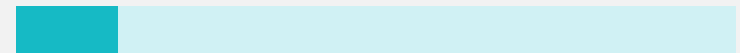
Test new formats, such as pop-ups: **31%**



Find new ways to spotlight brand partners and local organizations: **22%**



Create spaces specifically for try-before-you-buy services: **14%**





MEETING DEMANDS OF THE NEW CUSTOMER EXPERIENCE: THREE KEY POINTS TO CONSIDER

Kelly Amaroso, VP, Customer Engagement & Product Marketing
Scala, a STRATACACHE company



Introducing technology to meet or exceed customer expectations can, at first, seem daunting. There is strategy every step of the way — consideration, discovery, implementation, measurement, success and, ultimately, scale. When meeting shopper demands and daily challenges, such as lack of labor or supply, technology introduces automation and efficiency that has customer experience sitting soundly at the core of your in-store strategy.

1. Prioritize an integrated store-wide strategy and solution

When considering new retail technology, it's important to think about the “why.” Do you have a clear understanding of your customer? Consider their pain points, how they use technology and how they move throughout the store. These insights inform how you evaluate and select new retail technology for your store. Once you choose the technology, you need to ensure the store is properly set up for successful adoption. Are the network and connectivity adequate? Consider any additional hardware that will be needed. How will the new technology work with your store's existing technology ecosystem? How will the success of the technology be measured, as well as adjusted, if needed?

You don't need to answer these questions alone. An experienced retail technology partner helps navigate these questions — making sure all the puzzle pieces are fitting together securely — and ensures that your store is ready to realize the full impact of your technology investment.

2. Create a positive experience, then make it consistent across channels and stores

Today's consumers move with ease between online and in-store for their purchases. Expectations have shifted toward shoppers wanting technology that brings together the best of both worlds. Incorporating technologies in the store — guided selling, personalized recommendations, and simplified checkout or order pickup — levels up everything customers have experienced online and brings it into the store. Creating collaboration and convergence between online and offline channels will allow customers to seamlessly switch between channels, and ultimately drive increased customer satisfaction and loyalty. Consistency is key. Be prepared to introduce digital solutions at scale to ensure shoppers have a positive experience no matter where they choose to shop.

3. Invest in customer experience

New technology requires an upfront investment, which can be challenging to overlook. Varying departments from marketing to innovation teams and even IT have been tasked with exploring and justifying the adoption of new digital solutions. The big question is: will technology impact the value of the business to the customer? Consumer sentiment indicates a strong desire for a seamless online/offline experience, as well as technology to help with guided selling, automation, relevant information and convenience in the store. Shopper expectations are soaring. When technology delivers a better customer experience, it will show a return on investment through sales uplift, increased loyalty and turning a casual shopper into a lifetime customer.

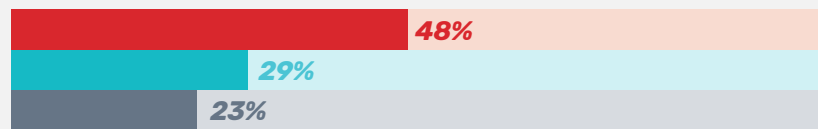
(Fig. 9)

What technologies have you incorporated, or do you plan to incorporate, into your in-store experience?

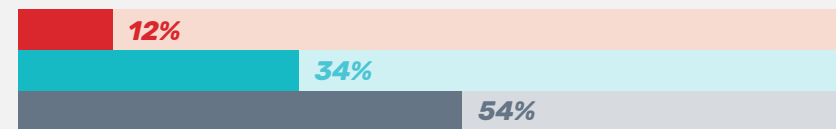
(Please provide a response for each technology)

■ Use now ■ Plan to add in next 12 months ■ No plans to implement

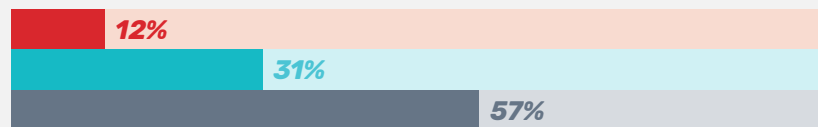
Contactless checkout



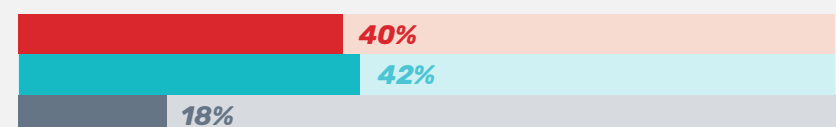
AR/VR



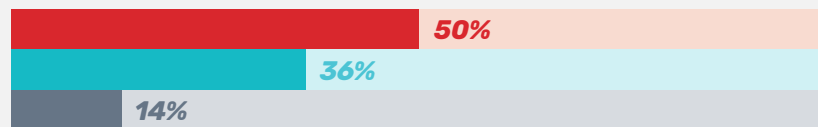
Voice-activated technology



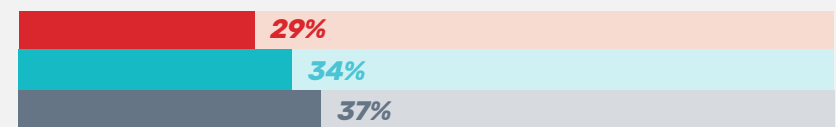
QR codes



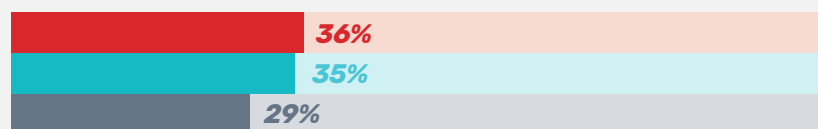
Digital signage



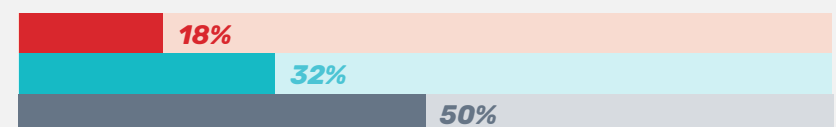
In-store livestreaming / content studio



Customer-facing interactive kiosks or devices



Smart mirrors



THE AGE OF DESIGN COLLABORATION

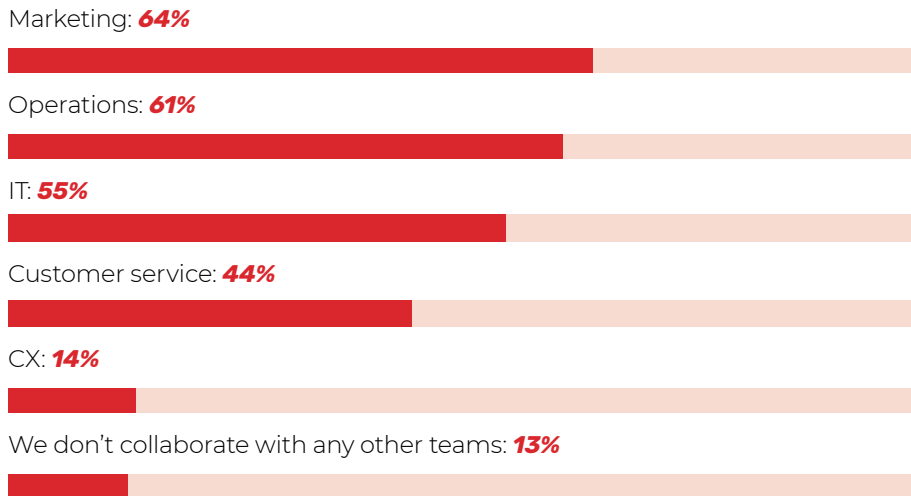
As design teams seek new ways to innovate within the four walls of the store (and beyond), they should look to their colleagues across functions for insight and inspiration. For example, if they want to successfully roll out technology in their locations, they'll need guidance from IT. If they want to use QR codes effectively, they will need to align with marketing and operations.

Cross-functional collaboration and agility have become critical over the past two years, but as consumer behaviors and expectations continue to evolve, these principles will become table stakes for brands and retailers. Respondents realize this and, in turn, have begun collaborating more consistently with these teams (See Fig. 10).

There is no silver-bullet solution for store design success, but store design and experience teams are empowered with the budget, tools and resources they need to succeed. The question is: which ideas and concepts will rise to the top?

(Fig. 10)

What teams do you need to collaborate with when rolling out new store formats and experiences? (Select all that apply)

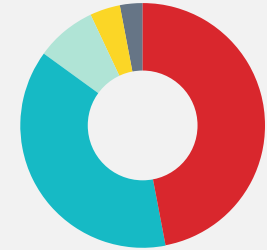


About Our Respondents

(Fig. 11)

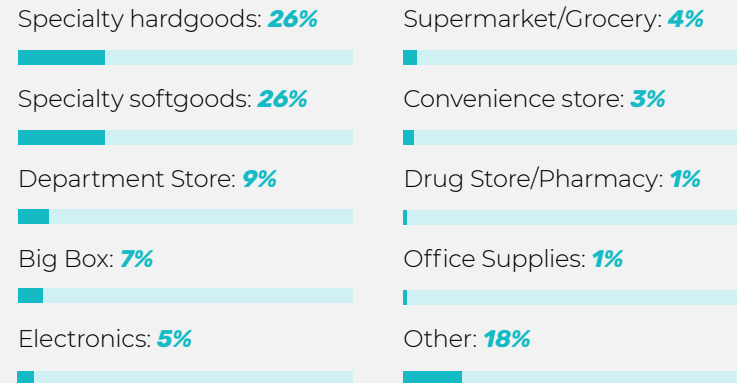
Business Type:

- Retailer - Brick & Mortar Only: **47%**
- Retailer - Omnichannel: **38%**
- Store Design Firm: **8%**
- Other (please specify): **4%**
- CPC/Brand - with Brick & Mortar: **3%**



(Fig. 12)

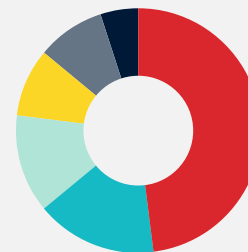
Retail Vertical:



(Fig. 13)

Annual Revenue:

- Less than \$50M: **48%**
- \$50M-\$100M: **16%**
- \$100M-\$500M: **13%**
- \$500M-\$1B: **9%**
- \$1B-\$5B: **9%**
- More than \$5B: **5%**





NEW ERA OF STORE & EXPERIENCE DESIGN: CONVERGENCE COMES TO THE FOREFRONT

Paul Nieboer, Principal, Temeka Group



Experience Design is often talked about as the new trend or the future of brick-and-mortar retail, but in truth, it has been around the whole time. When we look back 60 years at the original shopping malls, the idea of putting retail stores together in one building, was in fact an experience that brought people to shop. At the same time, the store design for each unique space was the physical experience each customer had while they spent time and money shopping.

Decades later, with the introduction of technology, we now have a new and third way to experience retail that moved shopping online and seemingly killed brick-and-mortar stores. As an industry, we had to reinvent how we do retail and bring a convergence of the online experiences and the physical space.

Amazon Go is a great example of how technology improves the shopping experience and mimics online shopping. Customers get to physically place items in their shopping basket and automatically check out as they 'just walk out' of the store. This technology reflects how the online shopping experience converged into a physical store.

Augmented reality is another way that a customer can experience a song or video when looking at an item on a shelf through their phone camera that will connect them emotionally to the product and increase the chances of making a purchase. This emerging technology is gaining traction at museums, events, and theme parks.

RFID technology has been a great way that customers can learn and experience a product beyond what they see in the packaging or marketing in the physical store. When a customer lifts a product from the shelf, a video screen brings up pictures and videos talking about the product and asks the customer if they would like to learn more or add the item to their virtual shopping cart.

At Temeka Group, we challenge our customers to blend their marketing and store design budgets and consider the ROI if they merge these two opportunities. The experience needs to start online, defining the brand using social media, and carry right into the physical store, providing their customer a cohesive experience that is congruent through all channels.

The convergence of store experience and store design is constantly evolving, and both have co-existed from the beginning. Brands that recognize this and the need to evolve will continue to be successful and thrive.

LEARN MORE...



Temeka Group is a turn-key design to fabrication house established in 1991. Since our beginning, we have been creating environments for retail stores, team stores, museums and dispensaries. We specialize in turning your vision into reality and have delivered projects for some of the best brands in the world. Whether it's ground up construction, a new build out, or an existing space, Temeka Group is ready to handle every aspect from start to finish.

951.277.2525

info@temekagroup.com



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CS Hudson is a leading facility, project and program management firm serving nationwide facilities, capital projects and immersive activations including experiential pop-ups, shop-in-shops and graphic rollouts. Our industry expertise covers retail, restaurant, light healthcare, storage, banking and Cannabis. In addition to industry-renowned core services, CS Hudson's experts provide project development, implementation and management programs that streamline processes, reduce expense and mitigate risk through a commitment to understanding individual client needs. Deep roots in retail, facilities and construction and a passion for giving back to the community have made CS Hudson a trusted advisor and partner to some of the world's most successful enterprises. For more information, please visit www.cs-hudson.com.

631.260.1976

BD@CS-Hudson.com



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helpdesk.us@scala.com



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Retail TouchPoints and *design:retail* give all members of the retail world access to a vibrant community that combines insights, inspiration and opportunities to interact with their peers. We sit at the intersection of the art and science of retail strategy, providing granular data, high-value commentary, and aspirational success stories to help readers optimize customer experiences across all channels. Touching all facets of the retail ecosystem, including store experience and design, workforce management, digital marketing and engagement, and omnichannel optimization, our editorial content, multi-media resources and events take timely news and trends and transform them into tactical takeaways that meet the unique needs and priorities of our executive readers.

201.257.8528

info@retailtouchpoints.com



ABOUT THE AUTHOR

Alicia Esposito, VP, Content

Alicia is an editor-turned-content marketer, with a passion for all things focused on digital-powered experiential retail.