



# Evolution of the Retail Store in an Omnichannel, Tech-Heavy World

White Paper  
Retail Industry



# Executive Summary

The only constant in retail is change. Retail outlets open and close. Entrepreneurs experiment with smaller and bigger store formats. Innovations are tested on e-commerce platforms to increase sales, customers, and brand value. Supply chains are modernized in the hope of becoming more efficient. Inventory management and optimization are everyday battles brands aim to tackle.

However, these are all minor changes in the grand scheme of retail plans. If we were to look at the evolution of the retail store over decades, there are three major instances that come to mind. Each of these occasions was transformative enough to change the face of retail in its time.

This whitepaper's aim is to focus on today's omnichannel, technology-driven world and how personalization has the capability to do wonders for your business. It also hopes to provide platforms and tools that can support your personalization journey and enable you to become a top contender in the retail playground. Without further ado, let's address the evolution of the retail store over the last few decades.

## The Evolution of Retail Over the Years

To understand where retail is today, it's essential to go back to the start and explore each of its transformational stages in more detail.



### The Supermarket and Hypermarket Age

The supermarket age had its start at the beginning of the 20th century when Piggly Wiggly was the first self-service store to open in 1916 in Memphis, Tennessee. Prior to Piggly Wiggly, all purchases happened at smaller grocery stores, offering the bare minimum without much scope for customer choice. Foreseeing an opportunity to provide users with the option to purchase items off shelves, Clarence Saunders, the founder of Piggly Wiggly launched the self-service revolution with the birth of the first modern supermarket. Saunders conceptualized the layout of the supermarket by renovating his own store – removing countertops and replacing them with cabinets arranged in a continuous path, with a cashier stand at the end. The store incorporated shopping baskets, self-service branded products, and checkouts at the front. By eliminating unnecessary clerks and creating elaborate shopping aisles, Piggly Wiggly nudged customers to look at all the options available in store, before making purchase decisions. The store concept was patented in 1917 and by 1921, there were 615 Piggly Wiggly stores in 200 cities and 40 states. This number jumped to 1,267 stores (667 by the company and the rest by franchises) in 1923. With the self-service concept firmly enshrined in the average American's mind, incremental changes were included from lower prices and larger stores to attached parking lots and in-store promotions. Similar self-service supermarket chains were founded across America and even in Europe.

With its obvious success, a supersized sibling of the supermarket was born – the hypermarket. By 1963, Carrefour became Europe's first hypermarket, while Walmart opened the same concept store in the US around that time. By combining a large supermarket and departmental store, the hypermarket's bid to fame was having everything you wanted to purchase under one giant roof. Even though fresh food would not be introduced at hypermarkets for a few more years, this modern store concept was a radical leap towards bringing more value to customers at lower prices, all while increasing space utility, efficiency, and product choice. This format took over Europe within the next 15 years and was soon embraced by emerging markets like China, Brazil, and Thailand too. Today, hypermarkets are commonplace and adopted throughout the world for their great value to shoppers with lower prices and greater choice. It was now time for the next big leap in the retail store evolution – e-Commerce.



## The e-Commerce Age

Since the mid-1990s, the Internet has had a revolutionary impact on culture, commerce, and technology. In 1995, a young man named Jeff Bezos felt the Internet was the perfect platform to sell bulky items like books, thus signaling the birth of Amazon, one of the largest online sales companies in the world currently. This was also around the time when customers were discovering how integral their choices were in the new online, retail ecosystem. They were looking for convenience and immediate gratification when it came to shopping, due to which brick and mortar stores were shutting down and being deemed irrelevant in comparison to online platforms. Bezos had the foresight to not restrict himself to just creating an online book store, but a much larger e-commerce universe. Amazon tried to do what brick and mortar stores couldn't do automatically – determining the popularity and relevance of books based on past customer searches and purchases, thus building their famous recommendation engine and driving repeat traffic to their site as well. In 1998, Amazon diversified its selling to music and video. By the end of the year, they started listing a variety of consumer goods on their website. Today, Amazon isn't an anomaly to the retail store concept, but an integral part of the retail establishment. While Amazon is one of the biggest names in online retail, it must compete with many e-commerce players who are leaders in their own rights – tackling categories like clothing, footwear, grocery, auction sites, and more. Take Alibaba, for example. The Chinese multinational conglomerate specializing in e-commerce, retail, and technology currently provides B2B, B2C, and C2C services via its online portal, in addition to its own electronic payment services, shopping search engines, and cloud computing services. Alibaba is intent on blurring the lines between physical and online stores to create an effortless, multichannel world. Thus, begins the advent of the omnichannel experience.



## The Age of Omnichannel

Using laptops, tablets, smartphones, and other devices to gather information before purchasing products has become second nature to us all, regardless of the channel through which the actual purchase happens. Not only is it convenient, but you get information on deals, discounts, and product features at your fingertips. While the e-commerce industry is thriving on this development, physical stores aren't that far behind in the game. Many retailers are testing "virtual stores" to captivate audiences. The idea behind a virtual store is to allow you to shop anywhere, at any time. Instead of wasting time dragging shopping carts around, waiting in line to purchase a product, or even searching for goods online, what if you had an interactive kiosk instead? This kiosk could be at a store, the subway, on a sidewalk, or anywhere else where footfall is guaranteed. It could allow you to "try" products at your convenience. This is a great fusion of the brick & mortar store concept with e-commerce technology, and one of the many types of omnichannel experiences.

This virtual store concept comes from a much broader concept that is thriving in retail today - Virtual Reality (VR). VR uses technology to create simulated environments that can be truly immersive. When used well, VR can even provide a "physical" experience in an otherwise simulated situation. TOMS, a leading footwear brand uses VR to make a positive impact on the world. For every pair of shoes purchased, TOMS provides a pair of shoes to someone in need. The company leverages VR chairs to demonstrate "a walk in their shoes" campaign. Shoppers can use the VR chair to experience the journey of a customer traveling from the US to Columbia to "meet" a child who benefits from the shopper's shoe purchase. This "physical" experience or simulation can stimulate real empathy in shoppers and create a positive impact in the world.

Alibaba is another great example of the omnichannel experience because they're bravely innovating and going beyond creating physical or digital experiences for consumers. Their idea of an omnichannel experience involves blending physical and digital lines to create a "New Retail" model.

In a 2017 letter to Alibaba shareholders, founder Jack Ma said the retail world was moving beyond the “physical vs digital” debate and progressing towards a new combination model. He wrote “Commerce as we know it, is changing in front of our eyes. 'E-commerce' is rapidly evolving into 'New Retail.' The boundary between offline and online commerce disappears as we focus on fulfilling the personalized needs of each customer,”. Alibaba even has a working model of the ‘New Retail’ experience – the Hema Supermarket, a first-of-its-kind, personalized, physical space with digital components. With its large spaces and abundant range of products, each with a unique barcode, Hema ensures the ‘physical shopping experiences’ of sensation, discovery, and camaraderie are retained while removing the boring ‘buying experience’ of waiting in long queues to acquire products. Hema gives you the convenience, immediate gratification, and payment platform of the digital world with its easy-to-use mobile app while blending it with touching, feeling, and personally choosing the experience of the physical world. This provides a new, hyper-personalized experience to every consumer, thus making Hema your market of choice.

Alibaba has not just restricted themselves to revamping their own businesses by leveraging technology but has heavily invested in Chinese retail stores and malls to create omnichannel experiences at a much larger scale too. Today, if you go to one of these Alibaba-invested mall outlets in China looking to buy a dress, the experience is completely hassle-free. Say an Alibaba customer wants to try out a few dresses, simply loves one of them and the store, unfortunately, doesn’t have it in their size at the time, there’s no reason to worry. Alibaba has virtual shelves (or kiosks) installed at stores so that customers can choose the correct size of the dress they want to buy and pay for it right then and there. They don’t even have to wait in line at the checkout, the dress is simply delivered to their home.

Alibaba has reinvented even a simple pitstop to the ladies’ room at these malls. Waiting in queues at washrooms can seem like a pointless waste of time, causing frustration during mall visits. The mall’s washroom mirrors are revamped into virtual “magic mirrors” so that different types of makeup products can be displayed. Customers can now leverage the frustrating restroom wait-time to see how different lipsticks look on them and buy any products they like from the vending machines nearby. These are the kinds of omnichannel experiences that every retail store should aim to achieve and further innovate upon.

## What Makes a Difference in Today’s Retail Experience?

The simple answer to this question is “personalization”. When done right, personalization can be powerful stuff, especially in the omnichannel age where physical and digital lines are blurring. It has the capability to transform a generic customer interaction into a lifelong, loyal relationship. A personalized customer relationship should be practical, addressing a consumer’s imminent needs, and psychological, so the customer realizes they are being treated as an individual and not as part of the crowd.



The key to personalization in retail is to ideally make every decision about the customer and not about your organization. Customers are wholly uninterested in your business goals as a company and how you treat other customers. They want you to cater to them as individuals with unique needs and expectations from a shopping experience. Hence, treating them as an entity or even as target groups or segments is not a solution anymore. Instead, organizations need to bring the personalization experience of a smaller store and amplify it at a much larger scale. While this sounds difficult, it is not impossible with the technology and human capital available at hand.

Back in the day when smaller, family-owned businesses were most commonly available, personalization was just expected if they wanted to succeed. The local grocer knew customers personally and selected which fruits and vegetables were to be set aside just for them. Certain items would be procured especially because they knew of some customers' unique interest in them. They would even provide house deliveries because they knew it would make someone's day a bit more manageable. This ticked off both the checkboxes for a personalized experience – it was practical as it satisfied imminent customer needs and it was psychological because customers felt their grocer knew them personally and was invested in catering to their unique requirements. However, there are challenges to the smaller business personalization model too. As they are smaller stores, customers are often left stranded due to the limitation on operating hours or when store-owners are away on break or a personal emergency. However, if businesses can get inspired by the small-scale personalization model and recreate it at a bigger level with backend technology to understand customers more intimately, they should have a personalization strategy that won't fail.

There are two key elements when it comes to providing a personalized customer experience at a larger scale:



#### **Well-Trained Employees**

*The backbone to creating meaningful customer experiences in-store*



#### **Intelligent Digital Assistance**

*To provide next-level personalization and make a difference to an organization's bottom line*



## **Well-Trained Employees**

Properly hired and well-trained employees are an asset to every single organization. They play a crucial part in creating happy and meaningful customer experiences for every consumer they interact with on the shop floor. Take the example of an employee helping a customer purchase a new television (TV) set. A well-trained employee would know that it's important to understand the customer's entertainment requirements before generically pitching the top TV model with a set of accessories. By investing in training employees to ask the right questions and figure out important aspects of a customer's life, they can select the right categories of TVs that are within the customer's expectations, quality-wise and budget-wise, and pitch only those to the customer. This way, customers walk out of the store thinking your organization cares about their unique needs rather than selling whatever is the top gadget on the market.



## Intelligent Digital Assistance

Today, technology is an integral part of the personalization model. An intelligently designed digital assistant, combined with the human touch can take personalization to the next level and make a difference to an organization's bottom line. Studies have proven that being recognized by an establishment increases the amount of time and money a customer wants to spend on them and the speed and enthusiasm with which they want to return to the establishment. Your organization's digital assistance can provide data on what customers prefer based on previous interactions, and human assistance can interact with customers to determine needs and expectations.

Take the same instance of a customer coming to a store to buy a television set. In this case, the well-trained employee now has digital assistance to improve customer experience further. For customers who have purchased other gadgets from the store before, employees could be given tablets so that they can access customer data before pitching products to them – all in real-time. Preferences in categories, styles, brands, colors, price points, and more can be noted based on previous interactions. This could further help the employee provide better and more relevant suggestions to the customer rather than blindly shooting darts in the dark.

Digital assistance can also fuel deeper relationships with your customers. For example, if a customer buys a product in-store, the customer and product details can be recorded, and an email receipt can be sent to the customer. A simple email trigger can be created so that relevant products or accessories can be sent to support their recent purchase after a few days. This could also be leveraged when a customer returns a product to any other store branch due to some incompatibility. The cause for return can be noted and more relevant products can be pitched to the customer digitally to drive deeper connections. This way, you can still interact with a customer whose business you would have otherwise lost.

## How can personalization create the ultimate omnichannel customer experience?

The value of using digital tools and departmental coordination at the backend is to restore the informational imbalance that is happening today. Customers are more informed about what they want than ever before and technologically-disabled employees are at a disadvantage as they're losing the informational battle. If by using a combination of digital tools and employee-customer interaction, a customer can order products on their phone, track the order via email, get it delivered home, go to a store to return a part of that order, go to a different store to look at an alternate product accessory and have the customer's journey up to date at the cashier's desk in real-time, you have succeeded in creating the ultimate omnichannel experience, all while personalizing for your customer along the way.

# Creating a Truly Omnichannel Experience

Now that we have established that the evolution of the retail store is slowly but surely moving towards omnichannel and that personalization can be an important factor in the customer experience journey, how exactly can the modern omnichannel experience be created? While the Hema Supermarket model may sound difficult to replicate, it's quite simple once broken down. For creating Hema's 'New Retail' model, the approach is three-pronged:



## Cloud Commerce

*Process customer data across channels and transactions to keep a log of all customer interactions for easier coordination in real-time*



## Digital Shopping Applications

*Hardware or software to allow customers access to products they want to research both online and in-store to create a better retail experience*



## Data Analytics

*Leverage and analyze real-time data from cloud about shopper journeys to create more personalized experiences*



## Cloud Commerce

Cloud commerce brings a lot of value to the retail setting as data needs to be processed securely and quickly on a large scale across departments to pull off personalized experiences for customers. Let's take the example of Billabong, a sports apparel retailer that wanted to leverage cloud computing to support omnichannel retailing across its global enterprise. The retailer brought in a vendor to build a cloud-based system to merge Billabong's physical and digital retail channels to have a single view dashboard of customer information, orders, and inventory among a myriad of other operations. Along with point-of-sale management, the cloud-based solution also took care of the brand's Customer Relationship Management (CRM), order and inventory management, merchandising, and auditing functions. Billabong's aim was to deliver a truly seamless and hassle-free experience for customers regardless of where, when, and how they shopped with them. Billabong's transition to a cloud-based platform also allowed the company to consolidate its retail technology stack, so that the future implementation of new solutions could be convenient and quick. Should Billabong be interested in automating any operation in the future, their new retail technology can easily be integrated with their existing cloud platform.



Even today, most retail outlets do not have adequate cloud computing platforms in place that ensure smooth coordination between various departmental systems across store branches. This creates a divide between the physical and digital worlds, leading to clunky, non-personalized experiences. By investing in quality cloud platforms that allow different departmental systems to “talk” to each other, a more smoother end-user experience can be created, leaving customers happy and satisfied.



## Digital Shopping Applications

The next step in creating the New Retail experience is supporting retail technology with relevant shopping platforms. These platforms could be software applications or hardware devices that can be designed and utilized as per the retail experience an individual organization is trying to tailor for its customers.

For Hema Supermarket, Alibaba created an application that could be downloaded on any device. When customers are browsing items in the store and they select the one they want to buy, the Hema application allows customers to scan the unique barcode on their chosen item and place it in their online shopping cart for purchase. It also provides more information on the item they're planning to buy and allows them to browse similar items that are available in store that could be relevant to them. All customer activity data is tracked and makes for easy checkout later so that the shopping experience is quick and delightful.

Similarly, depending on the retail experience you're looking to create for your organization, a relevant digital shopping application can be chosen that integrates well with the in-store experience. So, whether it is digital shopping mirrors, shop-and-go mobile solutions, or any other type of relevant application, a unique soul can be given to your brand within the inner workings of your business model.



## Data Analytics

The third and final step to creating a truly personalized and satisfactory omnichannel experience is utilizing analytics for all the customer, employee, and store-level data. When real-time customer transaction data processed via the cloud is combined with customer and employee activity data, retailers get an unprecedented level of coordination between data captured online and offline. This depth of data also provides a bigger picture of customers' mindsets, so that retailers can tailor extremely personalized experiences for every customer they interact with. The store experience then ends up being a manifestation of every explicit and implicit customer need, all in real-time.

Data analytics should ultimately provide the tools to understand each unique customer journey so that organizations can serve customers' needs at an individual level. After all, a one-size-fits-all sales strategy has never worked for customers who want to be treated as individuals with unique sets of desires and expectations. By integrating customer information across different channels and sources, data analytics can be leveraged to build complex personalization models that assist each customer through their unique, omnichannel shopping journeys. Through predicting what customers need at every stage of their purchase journey, opportunities for cross-selling and up-selling will arise too.

While this three-pronged approach may sound quite difficult to implement, it really isn't. Alibaba manages this level of personalization in its omnichannel retail setting regularly. The reason they are so successful is that they are willing to approach new ideas and innovations with an open, experimental mindset – something large retailers struggle with. Whilst experimenting with new retail innovations is scary, if successful, it has the ability to transform retail store journeys and create new experiences for customers and retailers alike.

## Going Beyond Data Analytics

While data analytics can broadly provide a sense of customer needs and expectations, retailers can go one step further by investing time and effort in customer behavior analysis.

Organizations worldwide have aspired to decode customer behavior to better satisfy their needs, increasing loyalty for their brands and reinforcing positive referrals, thus improving business growth along the way.



Today, customers have come to expect personalized experiences from brands and anything short of that can be disappointing, resulting in bad reviews and negative word of mouth. Leading brands like Spotify and Amazon rely heavily on in-depth consumer behavior research to determine their brand strategy, though it can be difficult to get right.

Spotify, a digital music service that provides access to millions of songs and podcasts creates a weekly curated playlist of tracks called "Discover Weekly" which a given user could potentially 'like'. It functions the same way that many personalizations or recommendation platforms do – by using an algorithm that generates a "taste profile" for users based on their individual listening behavior, as well as what's currently popular on the whole site itself. While it has been reported that Discover Weekly's tracklist is hit-or-miss with customers, the main takeaway here is that personalization is expected regardless of success or failure. Many personalization initiatives aren't perfect. However, with patience and experience, these personalization platforms can take more behavioral inputs to provide better recommendations over time.

Amazon, on the other hand, is a shining example of a brand that weaves behavioral analytics into its growth story. Leveraging the extensive amount of customer activity and analyzing it to determine choice patterns, Amazon recommends relevant items to other users who are searching in similar categories. An estimated 35% of Amazon's revenue is driven by its recommendation engine – a large piece of the revenue pie that no organization can ignore.

Every organization should leverage analytics that shapes resonant communication and brand strategies to positively influence customers' minds with personalized messages that speak directly to them. Behavioral analytics can do just that for you.

## Behavioral Analytics to Further Improve Personalization

Behavioral analytics is the process of decoding customer behavior based on their interactions with an organization across various channels. These channels of interaction could be in-store communication, social media platforms, e-commerce sites, online reviews, mobile applications, and more. When retailers leverage this customer data to generate insight into a customer's decision-making process, they can predict their customers' unmet needs and design personalized interventions, or "nudges" that are relevant to each customer. These personalized nudges towards certain choices can generate loyalty in customers and push them to make the right purchase decisions. With its 360° view on customer behavior and choice patterns, behavioral analytics brings about a superior level of personalization, as it treats every customer as a unique individual with a different set of expectations and experiences.

Behavioral analytics goes beyond the "who" and "what" of customer choices and focuses on the "how" and "why" behind them instead. This data can enable retailers to design and deliver superior customer experiences that keep them engaged in the long term. Behavioral analytics is a forward-looking methodology, as it can tell retailers how their customers might behave in the future. With this intelligence in your arsenal, you can assess which communication strategies will work best on your customers at a store level, which promotions can be pitched to drive sales, which additional relevant accessories will pair perfectly with the products customers are already looking to purchase, and so much more. Behavioral analytics can create a resonance with your customers more than ever before. Therefore, investing in a personalization platform that leverages behavioral analysis is a must to survive and thrive in today's retail landscape – it is the key to personalization in a competitive, omnichannel and tech-heavy world.



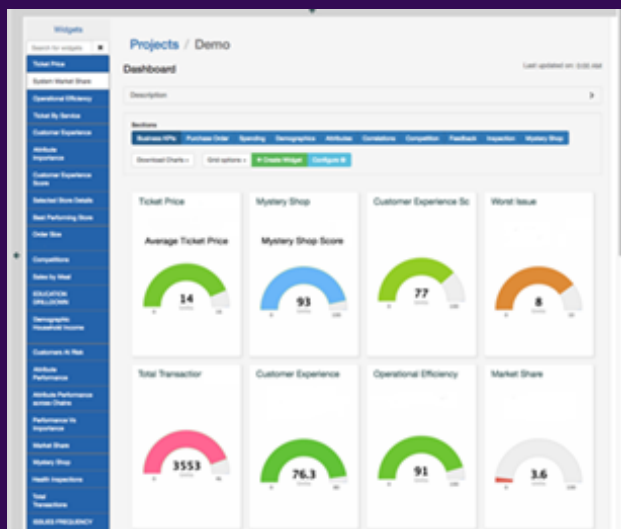
# Conclusion

Ultimately, even in the omnichannel age, what holds is what we always knew – the customer is king. Today's retail store still needs to keep customers at the heart of its business decisions if it hopes to succeed, especially as we are in an era where competition is fierce. It is essential to never forget the importance of treating people as individuals with unique needs and expectations. To cluster them together into a single entity does no justice to them or your organization. It is important to personalize your services to your customers' desires to maintain a loyal partnership with them.

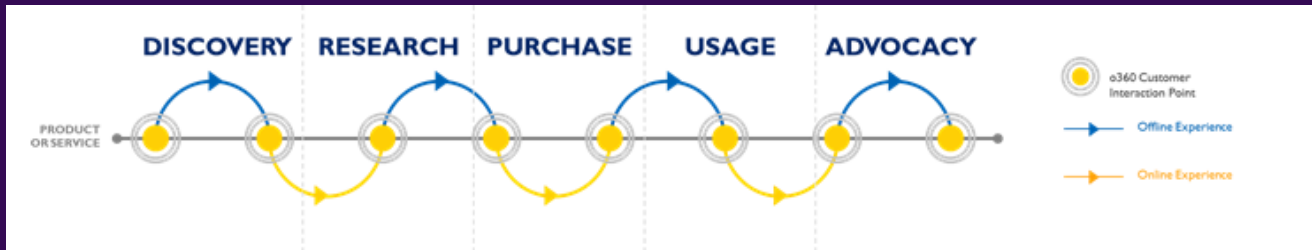
The ideal personalization platform should be able to help you create a business strategy that is unique and resonant with your customers at an individual level. Superior experiences can't be delivered unless you have a 360° view of your customers' expectations and integrate them across all channels, whether physical or digital. Your platform should be a culmination of the personalization model example listed in this paper – a combination of a cloud computing system, data analytics to analyze your customers' omnichannel journey, and software or hardware shopping applications that make your customers' lives simpler. This type of personalization platform powered by behavioral analytics should be able to give you an accurate reading on your customers' choice patterns in the future too. This is the direction your retail store evolution should be heading in if you're looking for success in today's omnichannel, tech-heavy world.

## How Can We Help?

OSG's customer engagement tracking platform, RetailX360™ can be an essential tool to develop your personalization journey. RetailX360 provides a 360° view of all customer interactions in real time at every engagement point outlet, with its easy-to-use, fully configurable dashboards. You can view all your customer data sources across different systems and platforms conveniently in one place, review trends and set alerts to enable the monitoring and tweaking of your business and stores at multiple levels. With RetailX360, you can create the most appropriate tailored promotional messages and nudges to maximize store revenue.



To map customer journeys and fully understand your customers' omnichannel behavior, we also offer research supported by OSG o360 technology. An OSG o360 installation tracks a consumer panel, recruited by OSG, recording all their interactions both online and offline with your stores and those of competitors from their discovery phase of searching for a retailer right through to purchase, usage and recommendation. Rich, detailed data is gathered at each interaction point and analyzed with OSG o360's powerful behavioral analytics platform.



## About the Author

*Haveesha Ryali – Manager, Marketing, OSG*

Haveesha has over five years of experience in go-to-market strategy. She has worked with leading, global organizations and provided marketing expertise across industries like financial services, retail, CPG and manufacturing. Her work in content marketing, digital strategy, event management and product marketing has resulted in brand outreach and revenue impact for the organizations she has worked with. Haveesha has a Master of Business Administration (MBA) degree in Marketing and International Business from Symbiosis International University.

## The Power of OSG Analytics

OSG is a **global technology and analytics provider** that delivers outcomes on customer engagement to Fortune 500 clients with the help of leading analytical technologies and world-class global resources. OSG uniquely combines historical data with the future needs of patients, physicians, consumers, or customers of our clients by going beyond the “who” and the “what” and understanding the “how” and “why” **behind their decision-making**. OSG focuses on the 3E’s, Behavioral Expectations, Superior Experiences, Guaranteed Engagement, to help drive growth through **customer-centricity**.

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