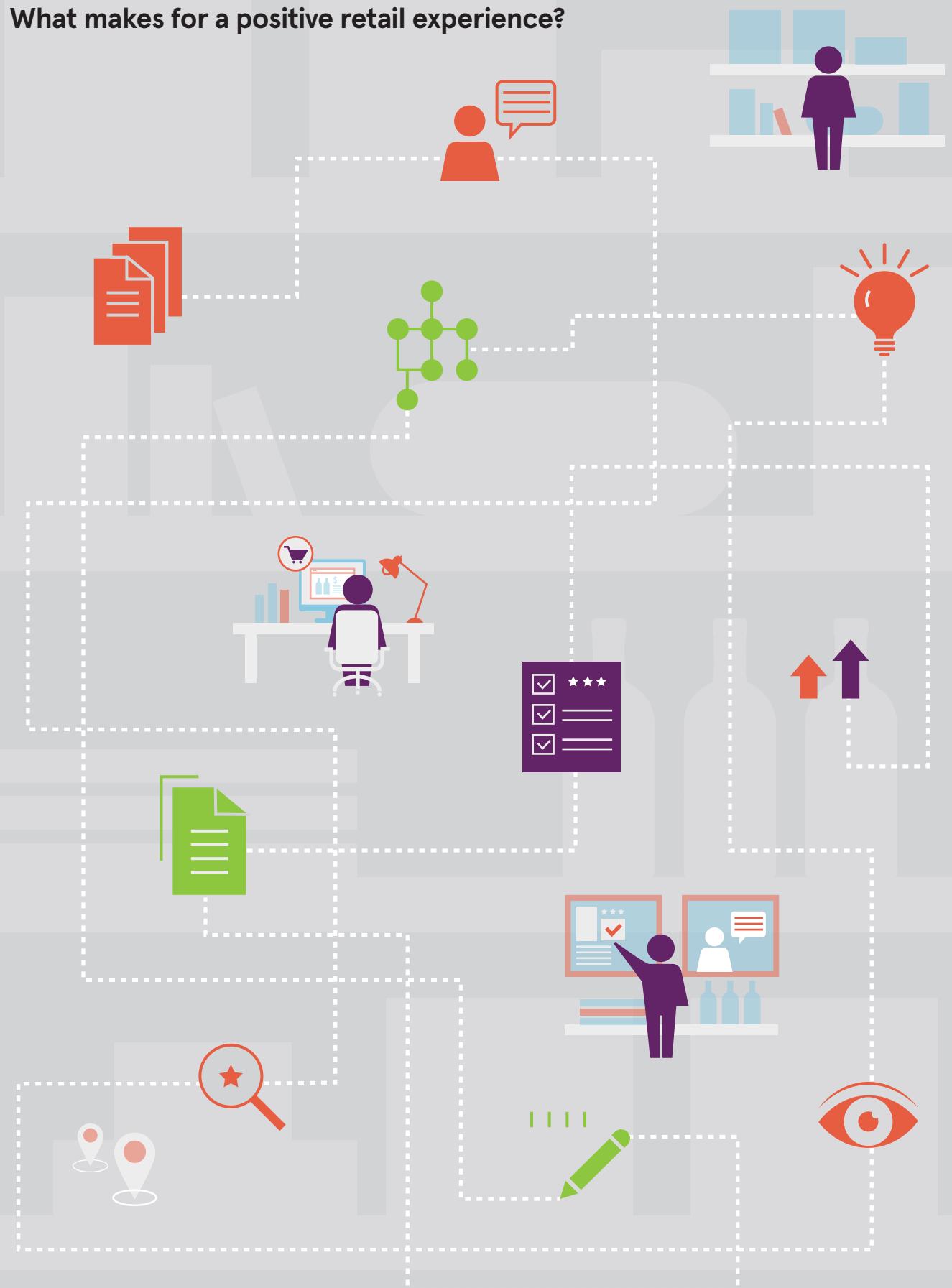


ROI of Retail Design

What makes for a positive retail experience?



Experiential ROI

Can we measure the investment return on retail experience?

Increasingly sophisticated consumers are forcing an alignment of business and store design goals, with customer experience rising to the forefront as the key differentiator for retailers.

WHAT WE DID

We conducted an investigation into the connection between store design, customer experience, and retailer success. Our goal was to develop a framework and metrics that go beyond traditional store design elements to consider the customer experience more fully, and to draw direct connections between environmental design and business outcomes.

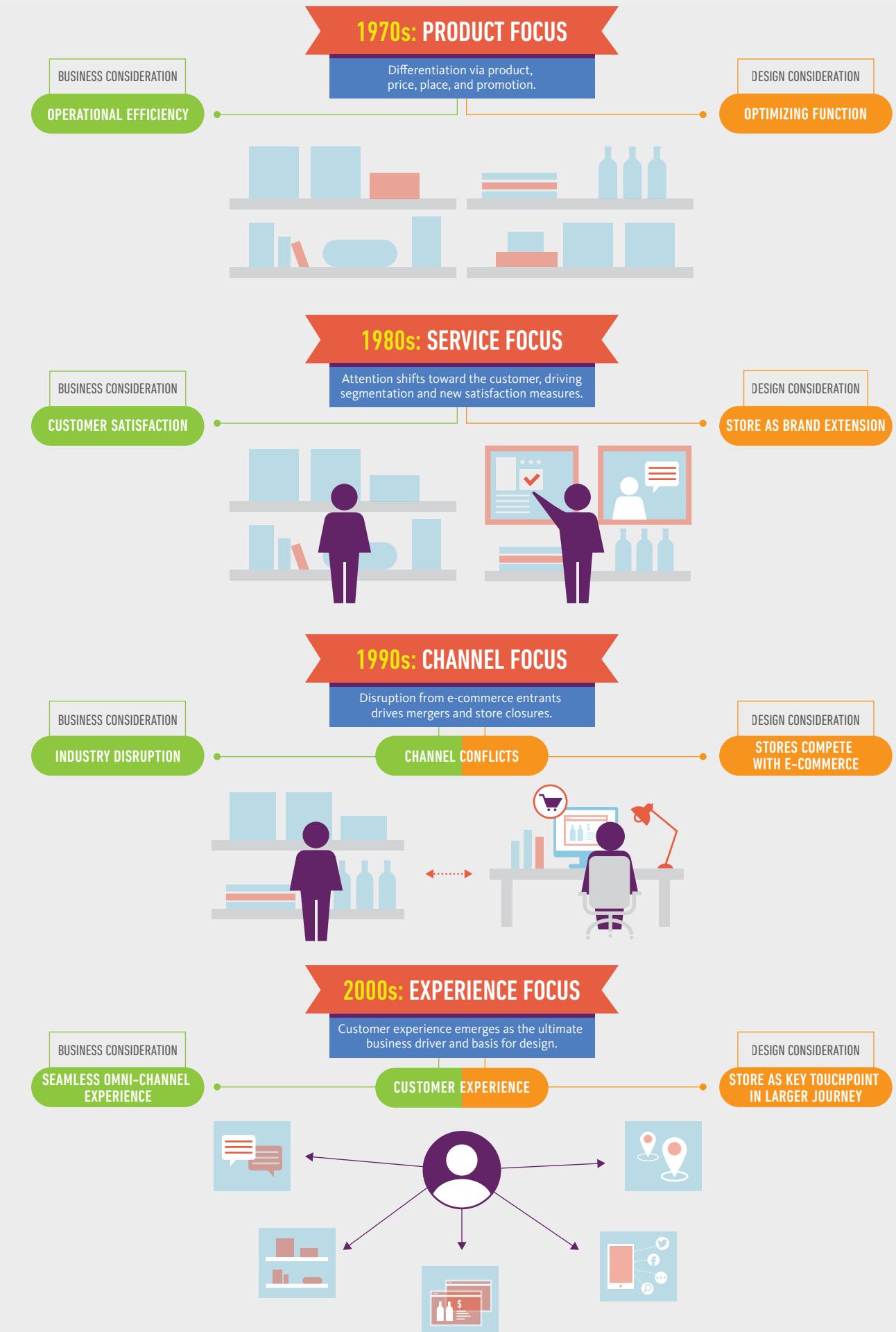
To begin, we reviewed existing research on store design and consumer behavior in the retail setting, and conducted interviews with industry experts, designers, and innovators. We then explored existing theoretical frameworks specific to customer experience and store design. This knowledge helped us develop deeper insights into how consumers perceive value in the retail context, as well as a theoretical construct for understanding and designing for optimal customer experience.

THE CONTEXT

Retail is an industry that is heavily dependent on metrics. Design—though appreciated viscerally and indirectly in business outcomes—lacks robust business-focused metrics as well as a framework to better assess its value. **While quantifying the value of design is notoriously difficult, the importance of design to retail success has never been greater.** In an increasingly competitive market of online, offline, and multichannel operators, it is a strategic imperative to design a store experience that is compelling and differentiating.

The need to maximize experience dovetails with an ongoing evolution of how, and where, retailers connect with their customers. The 1980s saw the emergence of a customer-focused mindset in marketing and store design—and a parallel focus on market segmentation and measuring customer satisfaction. Store design at this time became more expressive of brands, but the customer relationship was primarily single-channel. In the 1990s, the Internet gave rise to e-commerce, disrupting the industry and calling into question the need for physical locations.

At the turn of the century, traditional retailers were scrambling to stay relevant. Though e-commerce didn't replace physical retail, as some expected, it did create a fundamental shift in how consumers perceive value. **In recent years, it has become clear that customers are going to stores less for purely utilitarian needs, and more for hedonic or experiential needs such as social connection or entertainment.** As a result, the basis of competition is shifting from products and services to broader customer experiences.



The value equation for brick-and-mortar retail is shifting from a transactional to an experiential model. Stores designed to optimize the customer experience build long-term loyalty and rise above the competition.

PERSPECTIVES



THE RESULTS

Customer experience has already proven demonstrable value on an empirical and anecdotal basis. A positive customer experience shows a stronger correlation to loyalty than customer satisfaction, which is typically based on a single transaction or point in time. Findings shown above from Watermark Consulting (www.watermarkconsult.net), a U.S.-based customer experience advisory firm, note dramatic differences in the eight-year stock performance for customer experience leaders. Another by McKinsey notes improvements in revenue growth, customer satisfaction, and employee engagement (along with a decrease in cost to serve customers) for companies that designed for an end-to-end customer experience.

It is no longer sufficient to simply have well-priced and well-displayed products in a well-located, well-designed store. Retailers must design for the entire

WHAT'S NEXT

The next chapter for this research is the convergence of business analytics and design thinking to create experiences that engage customers on a cognitive, emotional, social, and psychological level for superlative returns. This will require the development of new performance metrics and benchmarks in regard to store

customer experience—and that does not necessarily begin nor terminate at the store. In this increasingly omni-channel world, traditional metrics such as sales per square foot are also becoming less meaningful. However, despite the mounting evidence and growing business case for customer experience, few companies actually do it well.

Part of this challenge is the lack of visibility to the customer journey across the retail organization. The tools to measure correlations and design performance within the retail space are also lacking. To address this gap, we propose our Framework for Designing Customer Experience, which focuses on the customer journey and integrates multiple perspectives, including those of the company, customer, and frontline staff.

and customer experience design, as well as an evolved approach to the process of retail design and strategy. To begin this process, we are conducting in-depth research and applying expanded metrics to evaluate the impact of design on customer experience, and, ultimately, key performance indicators on the project level.

WHAT THIS MEANS

FOCUS ON EXPERIENCE, NOT JUST SATISFACTION.

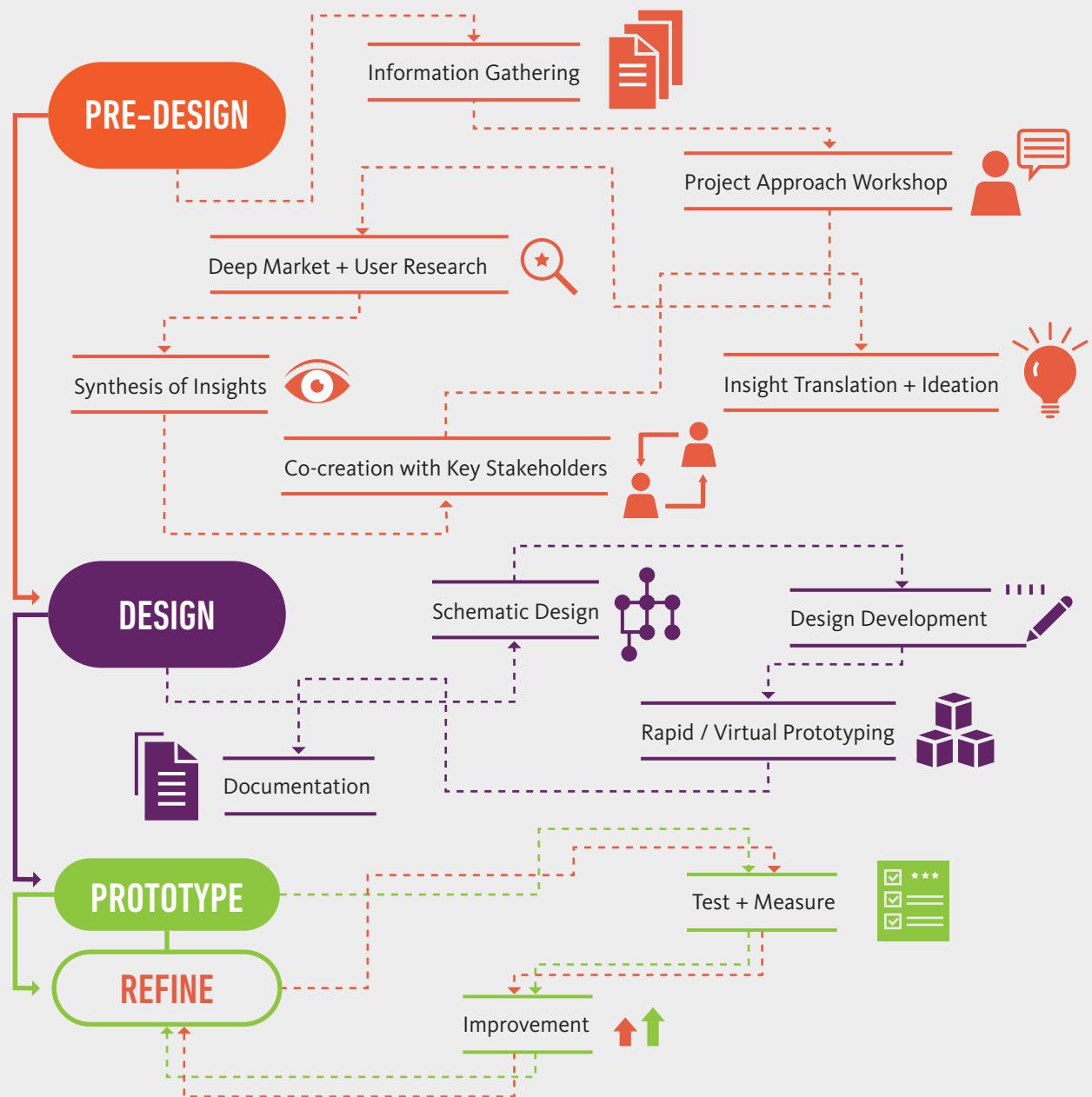
Designing holistically for the customer experience drives stronger brand loyalty and profit growth.

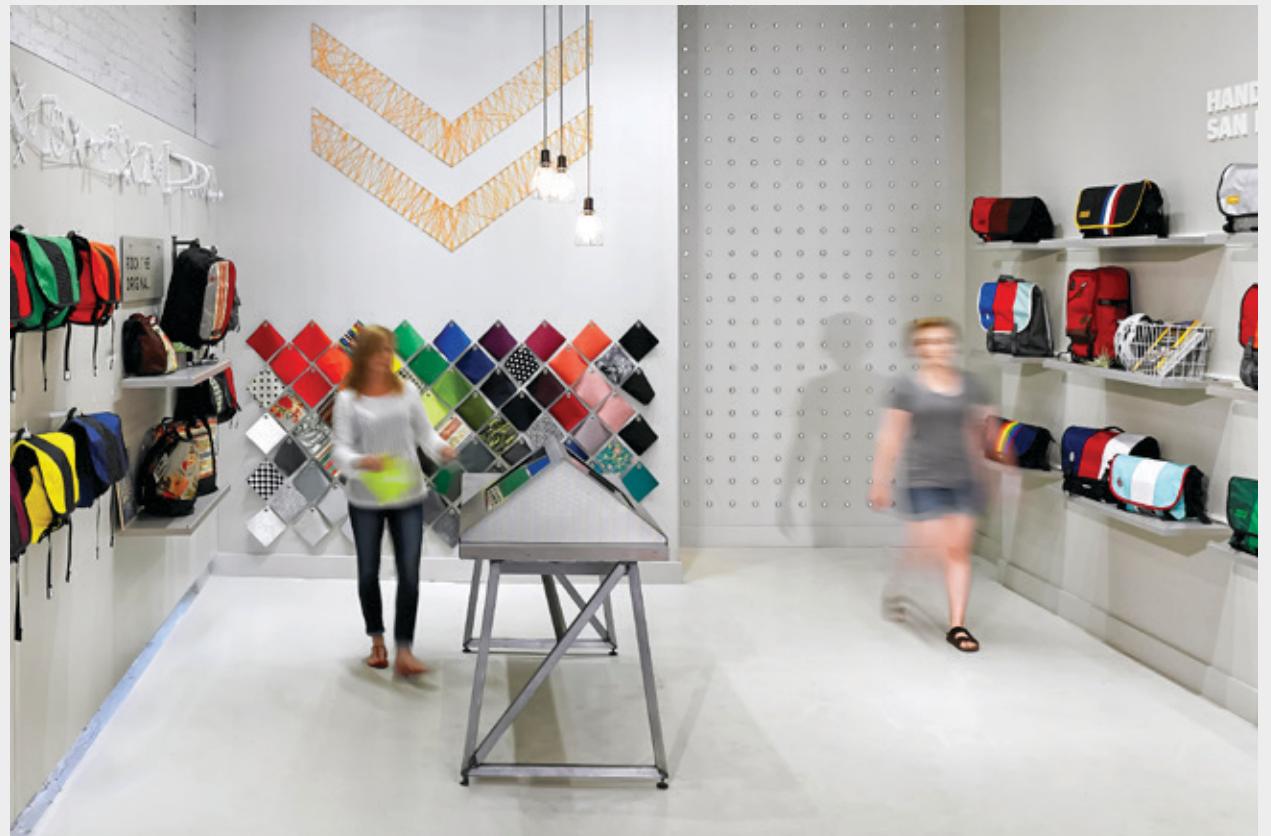
LEVERAGE CUSTOMER AND BUSINESS DATA TO UNDERSTAND EXTERNAL AND INTERNAL ISSUES.

Organizational and customer insights must be an integral part of the design process.

DON'T NEGLECT THE PRE-DESIGN AND POST-DESIGN PHASES OF A PROJECT.

Designing for customer experience requires upfront alignment—and ongoing assessment—of strategic goals, market intelligence, and design performance metrics.





Timbuk2

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Image Credits

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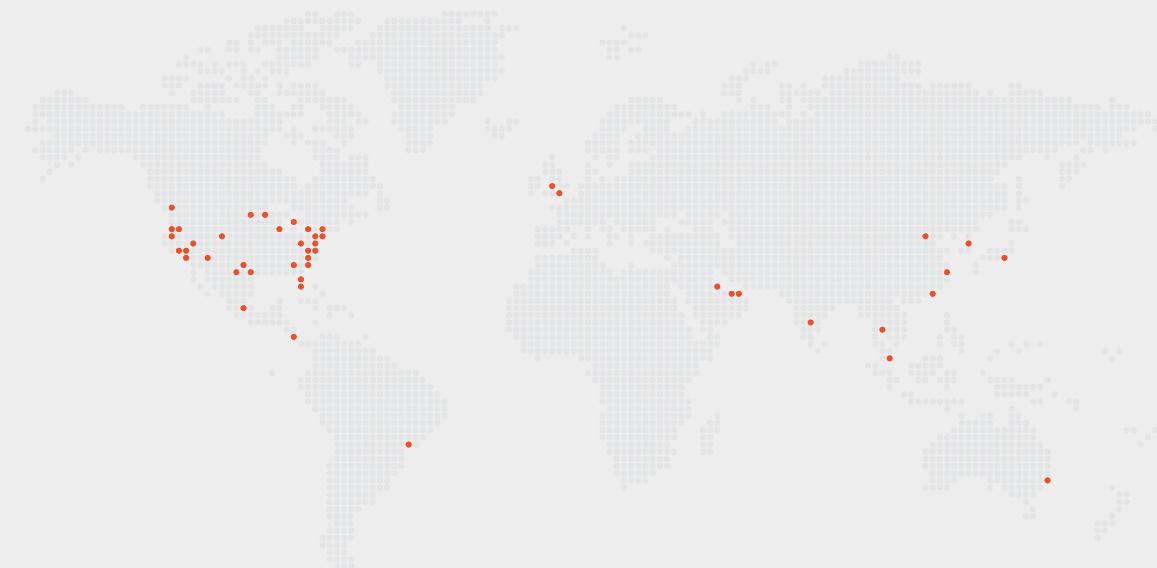
Locations

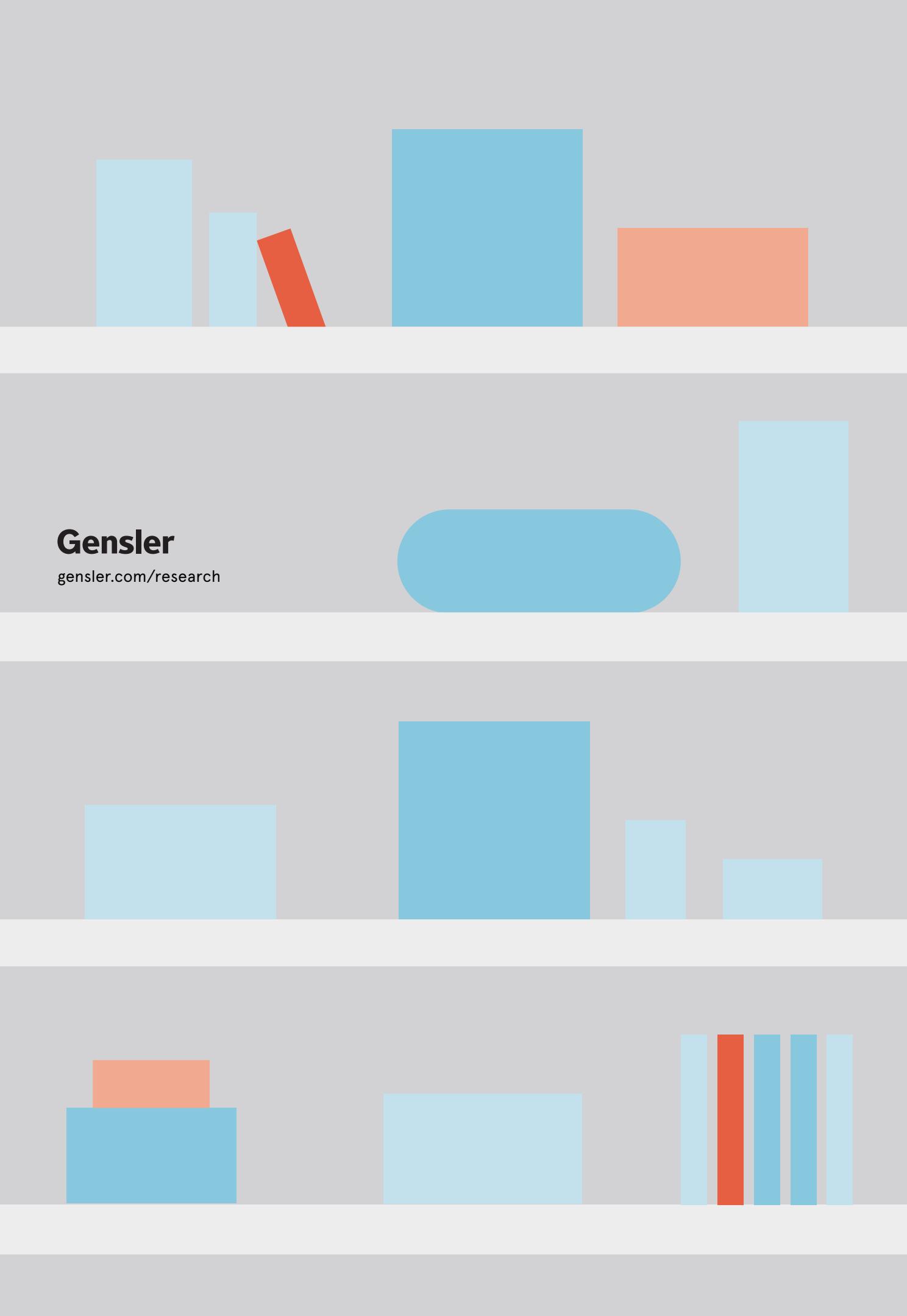
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