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The New Retail Paradigm: A Postscript on the Covid-19 World

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This insight paper examines the economic importance of the retail industry, the value of consumer experiences, and digital transformations. The new retail paradigm is described from the need for integrated research, data and analytics where the differentiator becomes the consumer experience. A postscript on the Covid-19 world highlights the importance of these factors.

We hear a lot of commentary about a 'Retail Apocalypse'; however, it is overstating reality. There is clearly a shift in the retail industry, and dramatic headlines sell, however, I would rather consider the state of retail as a 'Retail Renaissance'. The customer and how the customer shops have changed. Retailers have not kept pace with the change and the result is obsolescence. With a proliferation of options, the customer has the power to reject a retailer or brand that doesn't address their unique needs, in real time.

Retail's Economic Importance

Retail is a significant employer and economic segment in the U.S. As an industry, retail results are tracked monthly and viewed as a key economic indicator. The impact of retail is everywhere. Retail performance affects not just retail businesses, but its entire

supporting infrastructure including financing, commercial real estate, manufacturing, sourcing, and transportation.

The importance of retail to the economy is highlighted by extensive data from numerous industry and government reports. Retail supports approximately 1 in 4 jobs and it is the largest private sector employer. The industry contributed over \$1.6 trillion in labor income with estimated contributions of over \$2.5 trillion to the US GDP with sales over \$6 trillion in 2018. Large numbers of retail businesses employ fewer than 50 people. This is significant as these retailers provide a significant number of retail jobs. While recent results show a slowdown with more stores closing or projected to close, retail remains a vibrant channel with incredible opportunities (National Retail Federation, 2019).

Customer Experience – What Is It All About?

The customer wants an experience that is worthy of their time and money. For decades the human experience was a factor largely ignored by retailers. Creating an optimal customer experience is difficult as it is built on a continuum. It is a journey versus a project. Some retailers consider the customer experience to be 'soft', yet human – design is a disciplined, fact-driven process exploring questions before deciding answers. For many companies, focus and attention span is the challenge. Dedicating time to more thoughtful co-creation of experiences and curation of assortments is complex. For the customer, that is the minimum viable option. Quality is expected and assumed. Future business strategies need to re-calibrate processes and align and adjust resources to serve the customer more effectively and efficiently.

At the end of the day retail is an experience business. It is less about margin and more about value creation. Less about sales per square foot and more about emotion per square foot, because emotion drives behavior. If we connect on an emotional level results are an outcome. Retailers must earn the customer's loyalty. When the customer gains hedonic benefit through a positive experience it helps promote loyalty. The customer must be at the center of everything we do. Retailers, brands and people are in the business of serving people; all must adopt an outside-in approach to achieve sustainable growth.

Customer experience doesn't just happen. It is not an initiative but an imperative that requires intentional design and a change in mindset and behavior at all levels. It is no longer enough to have a unique selling proposition. Companies must develop a unique emotional connection to get out of the commodity trap and closer to the customer on a human level. Continuity in the physical, digital and human journeys is crucial. The driver of satisfaction is not what the company does for the customer, but how it makes them feel. The volume of available options is a mandate for retailers to change, if they want to differentiate.

Digital Transformation

The World Economic Forum estimates the value of the current digital transformation to business and society will top \$100 Trillion by 2025 (World Economic Forum, January 2016). Retailers must get on board or be left behind as a statistic. The digital landscape has evolved rapidly. Retailers and businesses are facing a 'Digital Darwinism' where technology and society evolve at a faster pace than the company's ability to adapt. A majority of retail experiences begin online. We need to be omnipresent with the customer on their journey. Research indicates that the customer expects a seamless and consistent experience across all channels (Roesler, P., 2018). This is important because customers who shop online and in stores spend more and have a higher lifetime value to the retailer. The challenge is how to bridge the chasm between digital minds and analog hearts. Collaboration across disciplines can bring that new reality to life.

Need for Integrated Research, Data and Analytics

A discussion about retail would be incomplete without inclusion of research, data and analytics to inform the business framework. Ethnography is an invaluable method to gain real-time understanding of the customer experience. Journey mapping provides a visual articulation of where process flaws, pain points, challenges and opportunities might exist.

Putting the magnitude of understanding consumer data into context is to recognize that there is now more data available on mobile devices than was used by the NASA teams for the first flight to the moon (Madrigal, 2019). The key is to better leverage information and unify data resources for richer insights to inform business decisions. It is important to ask how data can be democratized and technology humanized to improve outcomes, elevate performance and results. Data is critical, not to validate beliefs, but to inform the processes and designs that will enable creation of relevant solutions to serve the unique needs of the customer, while driving results.

Customers expect retail associates to be knowledgeable. This means retail associates must be equipped and potentially re-skilled to be effective. Co-creating a seamless experience requires all people engaged in the service chain to have access to the same data available to the customer. The evolving landscape and added complexity of low unemployment numbers dictate a need to radically change how retail associates and support functions (including call centers) are recruited, hired and educated. The mindset must evolve and change to give the work meaning and importance. If front-line associates have a positive experience, the customer will too. Retail leaders need to conscientiously serve the workforce.

Success can be articulated as the sum of small efforts repeated day in and day out. Synthesizing, socializing and cross-pollinating ideas, leveraging human capital and unifying cross-functional capabilities to become part of the culture will fuel the mission forward. Cross disciplinary alignment is critical for optimal success. The retail landscape

requires changing from a functional perspective to an integrated enterprise view. The vertical organizational chart should not disrupt the horizontal experience journey for the customer. Multi-channel orchestration helps redefine the customer shopping journey. This translates the shopping experience into more of a channel agnostic effort reflecting how the customer shops. Re-calibration will help elevate results.

While much of the information here might seem logical, the reality is, most retailers are behind in evolving to meet the changing needs of the customer. The current environment is a mandate for change. Change is difficult and progress has been slow. Many of the failures seen in the industry could have been avoided. A report by Forrester Research summarized that retailers are leaving millions on the table (Bhawalkar, 2019). In a 2018 report, Forrester estimated that a one-point improvement in the Customer Experience Index could generate \$244 million in additional revenue for big box retailers (Forrester, 2018, June 28). Another interesting data point, also by Forrester and validated by others, found that 80% of CEO's believe they are doing well on Customer Experience. However, less than 20% of customers agree with this assessment (Lumoa, 2019). Moreover, 70% of customers say that companies are struggling in proving a seamless 360 experience (Salesforce Research, 2019). That gap alone represents an amazing opportunity for course correction to drive exceptional returns. Expanded retail channel options offer immense future opportunities.

A New Retail Paradigm – Consumer Experience as Differentiator

Retail is about people. People like to shop. While most shopping journeys now start online, the tactile validation in-store of the item seen online, coupled with a positive human interaction in the store, make shopping in-store an enjoyable experience for the customer. The new path to purchase starts with homework using digital tools with 79% of shoppers researching what they will buy prior to making an in-store purchase. But it is the consumer's experience with a company that is the differentiator; it is as important as the products or services that are sold (Beerman, 2017). Ensuring the customer has a positive in-store experience requires interactions with knowledgeable associates. This interaction is more likely to lead to purchasing in-store versus online. The retail experience is part of our social network. How we behave and provide will determine if we are invited back!

Retail is vibrant and growing. Its continuing success will require a new generation of talent with new skill sets and insights to propel the business forward even more effectively. Six key elements are required for optimal success in retail businesses. These include: (1) smart, committed people, (2) digital understanding, (3) industry research, (4) continuous learning, (5) hands-on retail experience, and most importantly (6) customer experience. Not coincidentally, all-of-these elements are included in the foundational curricula at the University of North Texas (UNT).

For over two decades, UNT has led curriculum innovation in support of the retail industry. UNT students are distinctly equipped, qualified and prepared to be pioneers in the emerging retail renaissance. This is an exciting time for students as they master a solid academic foundation which prepares them to excel as the next generation of retail leadership. The future is bright!

A Postscript on the Covid-19 World

Since this article was originally written, we entered the unknown universe of COVID - 19. Its impact across all service industries including retail, hospitality and tourism has been dramatic. The best retailers will survive and thrive as the customer helps define his or her new reality of consumer engagement.

That said, two key changes have emerged as the result of the coronavirus. First, there is a need to focus on creating a “360 Experience” for the customer. Second, all businesses in the service sector need to accelerate their plans for change in digital domains. The opportunity to better leverage the digital customer relationship is real but not fulfilled. Customer experience is not an initiative but an imperative. Whereas most businesses have loosely discussed a one-to-three year plan, the timing to activate those efforts has moved forward to now. Timelines to implement have accelerated as businesses simply cannot afford to wait, if they want to survive.

Online has become the dominant venue for customers. Retailers have access to new, incremental, rich data on the customer. Leveraging and analyzing data, sales, purchase patterns, and touch-points will help create and provide more personalized offerings to drive sustainable long-term relationships and loyalty. Retailers and business leaders across the service sector have to simplify the process to amplify the experience. Experience excellence and business performance are inextricably linked today.

Businesses should proactively and conscientiously consider a modified framework to assist associates in the delivery of services. This new environment requires radical collaboration across functional disciplines, meaning we cannot allow the vertical lines of the organizational chart to get in the way of the horizontal work flow. It's an exciting time when courage, collaboration, fortitude, analysis and experience will elevate results, if we rise to the challenge.

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About the Author

Ruth Crowley' has diverse experiences across consumer-facing industries which has given her a unique ability to see business differently and to serve businesses more effectively. Her professional background includes: experience design, retail, hospitality, theme parks, entertainment, brand design, licensing and consulting. Ruth has worked with iconic brands including Lowe's Home Improvement, Harley-Davidson, Universal Studios, Nickelodeon, M&M Mars, and Host Marriott in the U.S. and in Global Markets. She is currently with Hudson Group a division/subsidiary Dufry AG of Basel which is one of the largest travel retailers in the U.S. with world-wide operations. Ruth has held positions across various retail functions including store design and visual merchandising, brand strategy, product design, concept and portfolio development, merchandising, operations, marketing and international business development, and consumer experiences. Yet, Ruth will tell you she is a continuing student as "life is a learning journey." Ruth is actively involved at the University of North Texas, College of Merchandising, Hospitality and Tourism. For over 20 years, she has served as a student mentor, an Executive-in-Residence Speaker, and a Board Member.