Chapter 8

REVERSE RETAIL

What's the Trend?

Brands increasingly invest in high-touch in-store experiences as a way to build brand affinity and educate customers, while seamlessly integrating with online channels to complete actual purchases and fulfill orders.

At the National Retail Federation's annual expo event in early 2013, the rise of "showrooming" was a hot topic. The term was first coined to describe how consumers would visit a physical store to see and try out a product, and then go online in order to purchase it (often from a different retailer).

The annual IBM Business Value Global Consumer Study released around the same time validated retailers' concerns. IBM's survey of 30,000 global consumers concluded that nearly 50% of all online purchases made by consumers followed from some type of showrooming.

The numbers alone were enough to cause a ripple of panic for any retailer making big investments in maintaining a bricks-and-mortar location and losing significant revenue to online sales. How could they fight back?

Several panels at the National Retail Federation expo offered some relatively predictable strategies, from investing in a competing ecommerce store to somehow improving the retail customer experience. Retailers at the show left knowing they had to do something or risk facing obsolescence.

A year later when IBM came back to present the results from the 2014 edition of the same report, the data showed an unexpected conclusion. Even though consumers were increasingly shopping online, the data showed that only about 30 percent of all online purchases *actually* resulted from showrooming, a drop from nearly 50 percent in 2013.

The study concluded that showrooming was no longer a top threat for retailers. How could consumer behavior change so dramatically within a year?

The truth was, it hadn't.

Instead, retailers were increasingly becoming smarter about engaging what the industry had already started to call an omnichannel approach to retail by creating a seamless online and offline experience for customers. Some even started calling this fusion of physical and digital retail a "digical" or "phygital" experience.

Buzzwords aside, 2014 was the year that many pioneering retailers started to evolve how their retail stores could create experiences that inspired more brand loyalty and affinity, increasingly without selling *any* products in the stores at all.

The Tech Showcase

Samsung has been particularly aggressive in trying to get consumers to try their mobile devices in a bid to fight back against Apple's growth in the smartphone market. To help, the brand launched the Samsung Galaxy Studio in New York's fashionable SoHo shopping district as a way to showcase products and innovations without actually selling them directly to customers (which still mainly happens through third-party retailers).

Intel took a similar step in 2014 by partnering with a retail space called STORY created by entrepreneur Rachel Shechtman as "a retail concept that takes the point of view of a magazine, changes like a gallery and sells things like a store." The store featured a showcase of wearable technology products using Intel's technology as a component.

Even the world's largest retailer is looking at the rise of showrooming as an opportunity to grow sales. During a recent interview, Walmart's president and CEO of Global eCommerce, Neil Ashe, promised that showrooming "is not a bad word at Walmart … if people want to showroom, then we are going to be the best darn showroom in town."

As more brands consider using a retail space as a showroom to build brand affinity and educate customers rather than directly sell, they are also rethinking one of the most fundamental assumptions of traditional retail: that consumers want to walk out of a store carrying their purchase.

Magic Mirrors & Bagless Shopping

If an exec in charge of innovation at a large brand predicted that "a physical retail showroom will never go away" because people will always want to use all five senses when shopping—it's tempting to dismiss it as a perfect example of how short-sighted executives can be the slowest to evolve.

When that exec happens to be at a brand that has no retail showrooms and exists entirely online, it's worth paying attention to. eBay's head of innovation and new ventures, Steve Yankovich, is a believer in the power of the retail experience. At the new Rebecca Minkoff retail store in San Francisco, for example, his team has created the technology to power several interactive mirrors to help shoppers select fashions to try on and match. The aim is to merge the physical experience in store with the ability to have products custom ordered and sent home.

Back in 2012, UK-based supermarket chain Tesco launched several virtual supermarket kiosks that allowed commuters in South Korea (and later other places) to use their mobile phones to scan QR codes of products that could be delivered later to their homes.

In 2014, the brand took the next step by piloting a virtual reality shopping experience in Berlin where consumers would use Oculus Rift goggles to simulate a virtual shopping experience integrated with online ordering and delivery.

Each of these efforts provides an interactive retail experience without the inconvenience of having products in the way.

The $1 Million Lobby

When Andy Dunn, the founder of popular ecommerce fashion brand Bonobos, decided to sell shirts from the company's website, he also built several fitting rooms in the lobby of the brand's headquarters to allow customers to try them on. Within months they were on track to do $1 million in sales directly from the lobby and he realized the potential of having a physical presence to augment their online sales.

By the end of 2014, the brand had opened 10 shops across the United States with plans to add 30 more in the next three years. The vast majority of orders still come through the online system. Dunn's major insight from that lobby experience was that most of their customers (almost entirely male) usually didn't mind leaving a store without a purchase in hand.

It is the perfect example of a *Reverse Retail* experience: one that was designed to create affinity in store and inspire a purchase that could be completed online and fulfilled later.

This approach of merging the physical and digital experiences together is one that Ron Magliocco, global head of shopper marketing at ad agency J. Walter Thompson Worldwide, calls "living websites," where an increasing number of shops flip the traditional retail model and simply become showrooms.

"Why would a store today stock 500 slightly different cameras?" Magliocco recently asked in an interview, "that's what the Internet is for."

Why It Matters

For years when retailers talked about the promise of creating multichannel experiences for customers, it basically meant having an online site as a way to avoid losing sales to competitors while focusing mainly on sales through retail locations—and the numbers supported that choice.

In 2015 and beyond, the connection between physical retail experiences and online buying is starting to reverse itself. The real life experiences are tailored to deepen brand engagement, and offer something memorable and valuable. The purchase itself, and how it gets fulfilled, is increasingly moving to the online environment where the "endless shelf" allows retailers to provide exactly what consumers want, customized to how they want it.

Thanks to increasing speed and capabilities for home delivery, this entire process becomes more and more seamless for customers so they can have goods delivered almost immediately, enjoy them soon, and leave a retail store with a memorable and shareable experience rather than a shopping bag.

Who Should Use This Trend?

Clearly the biggest users of this trend will be retailers or brands that make a product sold through some type of retail channel who must think about how to create an engaging live experience. The real life theater of retail has become the sales engine for later conversion online. This is also a clear win for any company that helps retailers to create these real life experiences or offers some type of event based service or platform to help make the retail experience more interactive.

Beyond retail or products, there is also an implication to reverse the sales process for many other activities, such as getting hired for a job or even teaching a group of people a new skill. No matter what you sell, this trend should inspire you to flip the model for selling it to use real life experiences as a way to entice an online engagement and purchase.

How to Use This Trend:

✓ **Create your own Genius Bars** – The most visible inspiration of the *Reverse Retail* trend is certainly Apple's long-standing Genius Bar method of putting experts in the store to offer customers help with their products (which have been mostly purchased online). The reason this works is because people often want personalized help with technology—and love the experience when they are able to get it.

✓ **Pilot new technology** – One of the ways that fashion retailers in particular are trying to stay ahead of this trend is to find new pioneering technology to test in stores, using everything from "magic mirrors" to interactive touch screens with automated product ordering. Regardless of the technology, working with partners and experimenting with existing technology allows you to be innovative without the burden of building it yourself.

✓ **Embrace spectacle for marketing** – BMW Performance Driving School teaches driving and offers factory tours without ever selling any cars. Microsoft puts motion-controlled Xboxes in the middle of shopping malls to let passersby play or watch motion-activated games. Both tactics work because they offer a highly engaging spectacle that encourages consumers to consider a later purchase of a larger and more expensive car or video game console system.

Chapter 23

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The 2016 Perspective

When this trend was first introduced, the idea of Reverse Retail was heavily driven by traditional retail brands in industries like fashion and electronics struggling to find the balance between maximizing in store revenue and creating a truly "omnichannel" retail experience where consumers could interact with a brand in any way they chose.

In the past year, the trend came to life through initiatives like a push by The SPC Mall in Singapore to integrate online and offline shopping. A new mall development introduced by the Singpost (Singapore's postal service) aims to merge the logistics of home delivery (potentially even using drones) with in store shopping and online ordering. The new mall concept is due for completion in mid-2017 and is already being promoted as the "mall of the future."

Adding an interesting dimension to the trend, over the past year there was growing discussion of the emerging potential for "nearables"

– a term used to describe smart connected objects that leverage data about proximity (usually from your mobile phone) in order to improve a consumer experience or better personalize offers.

In 2016, these nearables will create a new battleground for companies who want to leverage real time location data from your mobile device to share relevant messages with those who opt in to receive them. Early tests focused on delivering simple promotional offers, but future applications could range from collecting browsing data from consumers (ie – how long they pause to look at a particular shelf) to providing instant assistance to consumers via roaming sales assistants.

Outside of location based opportunities in retail stores, the other interesting development in Reverse Retail was how the idea has spread to unexpected industries like healthcare. Pharmacy brands like Walmart and CVS are each investing in creating more of a retail experience with mobile apps, location data and on-site clinics staffed by doctors. Online and telemedicine providers are getting better at providing virtual advice and treatment. As we move into 2016, this expansion of the Reverse Retail trend with better technology and adoption from new surprising industries will continue to grow consistently.

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