ROI Standards: Store Design
Retail Employees’ Influence on Customer Experience and How It Ties Back to ROI on Design

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IN TODAY’S SHOPPING ENVIRONMENT, retailers are counting on their suppliers to provide the data they need to demonstrate ROI when they implement changes in store design—whether it’s improved signage, upgraded fixtures, a new mannequin line, or a complete redesign. One often-overlooked key element in a redesign is the store employee.

In our continual effort to drive an industry dialogue on ROI, Shop!, the trade association focused on enhancing retail environments and experiences, has been developing industry standards for Store Redesign ROI. The 2017 Shop! ROI Standards: Store Redesign white paper offered actionable insights, case studies, and best practices based on the findings of our recent studies.

Building off of those findings, Shop! has endeavored to further understand the current ROI measurement habits of retailers, store designers, and manufacturers. In our second white paper in the series—ROI Standards: Store Design - Retail Employees’ Influence on Customer Experience and How It Ties Back to ROI on Design—the focus is to understand the role that employees play in the customer experience.

I hope the takeaways in the following pages will help you justify your investments to create and execute successful store redesign projects that ultimately enhance the retail experience for shoppers.

For questions or more information about the report, please visit the Shop! website at shopassociation.org, email us at info@shopassociation.org, or call Madeline Baumgartner, Shop! Director of Education & Research at 312-863-2917.

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An Empowered Employee is a Profitable Employee

THE IN-STORE CUSTOMER EXPERIENCE is influenced by numerous factors. From the mood of the customer to the behavior of the retail staff, to the design and layout of the retail environment—and everything in between. While retailers cannot control every variable, it is imperative to realize which ones are critical and how to influence their design. Over the years, retailers focused on factors such as the built environment, visual displays, ambient elements such as music and lighting, and more recently, technology. Yet, ask any shopper about their latest retail experience and more often than not, their delight or grievance includes a service story.

Retailers may have taken a step back and forgotten that the customer was king and focused primarily on short-term profits with little attention to customer service. But, most retailers have now realized that those days are over. The customer is king (or queen), and they want their merchandise when they want, how they want, and from where they want it. It’s no surprise to most retailers that the rules have changed and they have to up their game if they want shoppers to come to their stores or even survive.

In-store retailing has become more interactive and experiential. Retailers seek fixtures and displays that are customized to meet increasing interactive and experiential shopper demands. Stores are getting smaller and the number of outlets are shrinking, even though retail value sales continue to grow. Consumers are cutting back on the number of trips and doing more big-box, one-stop shopping trips or shopping online.

To address these trends, retailers are investing more into unique designs and technology in order to create an interesting, interactive, and memorable experience for shoppers. But, retailers need to make sure their staff understands the purpose and value of the technology and how to use it to assist the customer. When shoppers are in the store, technology needs to enhance their experience, not add to the pain points of shopping. This makes it important that the store employees know the technology. This is true not only for technology, but the complete store environment as well. Staff need to not only be able to direct shoppers to the various zones of the store, but also understand the importance of each zone.

Many retail staff over the past few decades have become part-time and/or temporary positions. It is not surprising that these employees are not well-trained, engaged, or brand advocates. However, retailers are rediscovering that well-trained, engaged employees with a sense of purpose can help increase customer satisfaction and thus, in-store sales.

The key differentiator between online and off-line is the physical store and the store employee. A well thought-out store environment based on shopper insights, and the customer experience in mind, coupled with well-trained, engaged employees, is a recipe for success.

This white paper will examine the interrelationship between store environment, shoppers, and the retail employee. The paper will show:
- the key factors/influences on customer experience in the retail environment
- the key factors/influences on the employee experience and its impact on customer experience in the retail environment
- the key factors/influences of store design and how they affect the employee and customer experiences and ultimately return on investment (ROI).
Customer Experience in the Retail Environment

WE ARE CURRENTLY LIVING AND WORKING in the Experience Economy where goods and services are no longer enough. Consumers of all types want experiences—memorable events that engage each individual in an inherently personal way. Shoppers have other options to make their purchases, so it is up to the brands, retailers, and their partners to make the in-store experience memorable.

The in-store customer experience is influenced by many variables from store design, store fixtures, in-store communication materials, technology, mood, and atmosphere.

Ken Niche, Chairman, JGA, outlined the three building blocks of Experiential Retail in his chapter on "Reinventing CX: Mastering the Experience" in the 2017 MaRC Exam Prep Book. These include Content, Context, and of course, Consumer.

CONTENT
• Elements that are considered to be temporal, often localized, sensory elements of sound, scent, and the most difficult ambient element, the human element.
• These elements of content evoke the softer side of experience; all are evocative and sit deeply in our emotional context. Through these emotional triggers we can find a space that is something vertical or one that is cut up and cubby-looking, as if small individual rooms.

CONTEXT
• This has traditionally been the focus of the architect or interior designer and serves as an important tool in organizing and creating rhythm and cadence.

CUSTOMER
• This is a given—without customers to buy products the retail industry would not exist.

Retailers are focused on understanding the customer and the experience they have within the store. They not only want to understand the factors that influence customer experience, but also how to measure these experiences. Besides the traditional brand-based and financial store metrics, retailers now want to understand shopper behavior and performance metrics. They are using beacon technology, motion-sensing technology, in-store/online shopper research, and virtual reality research to understand and measure shopper metrics.

But, if employees are going to be trained to influence shopper behavior to achieve desired outcomes, their behavior needs to be measured against success and relevant metrics. Store employees are often the key to bringing it all together to help make the shopping experience delightful from beginning to end.

CASE STUDY:
Creating a Unique Space to Enhance Customer Experience and Improve Employee Empowerment

Watt International Inc. partnered with Ilusión to create a new vision for the brand that would rally the independent sales agents as a community and strengthen satisfaction and loyalty, while at the same time improve the deployment of services and operations.

Ilusión is Mexico’s market-leading intimate apparel retailer, that also sells product lines including women’s clothing, cosmetics, and homewares. With its primary sales method being direct sales agents, Ilusión has more than 200 retail outlets that perform multiple functions to service the sales agents (called Expertas), operations, and end consumers.

The solution was a store concept that served as a multi-functional space. It included replacing service counters with comfortable service pods where Expertas could enjoy more personalized, one-stop service for ordering, payment, and fulfillment. The front of the store was revitalized to create a theater that more strongly communicates brand values, instills brand pride, and promotes the benefits of becoming an Experta.

The concept also included a business center for Expertas to connect as a community, undertake self-administered training modules, and access a range of business support services. The store concept also redefined the onsite retail experience through the proper integration of this function in this multi-functional space, and the redesign to deliver a truly compelling and rewarding shopper experience.

STORE METRICS

| Brand-based | Loyalty, Satisfaction, NPS, Advocacy |
| Financial   | Store Sales, Basket Size, Share of Wallet |
| Performance | Frequency, Trip Missions, Cross-Shopping, Store Traffic, Shopping Path, Dwell Time, Abandonment, Draw Rate |
| Shopping Behavior | Touching, Holding, Purchasing |

SOURCE: WATT INTERNATIONAL
Employee Experience and Its Impact on Customer Experience

VINCE GUZZI, MANAGING PARTNER at retail consultants Watt International Inc. shared with Shop!, how retailers and brands rarely consider the employee when discussing a new store design or store metrics. In his experience, brands and retailers more often focus their efforts on the outward experience to customers and less often on the inward impact on employees. The reality is that both are equally important in delivering the greatest return on investment. But the fact remains that they do not generally factor in the organization’s culture and employees into the mix, and rarely include employee-based metrics. Brands tend to focus on brand-based metrics, financial metrics, performance metrics, and customer experience metrics without realizing the effect employees can have on them.

Getting retailers to focus on the employee part of the customer experience equation is a tough sell, primarily because you are asking clients to work across silos and incorporating people into a process that traditionally sat miles apart. Until this is done, it is difficult to see the value in it. Guzzi shared a story of how employee feedback was solicited as part of a brand repositioning exercise they undertook for a U.S.-based retailer. The study revealed that employees were unengaged on many levels, so the retailer wanted to develop a strategy to help motivate them. One of the things Guzzi’s team uncovered was that the employees were unhappy with their uniforms and for different reasons: size, cut, fit, and look. Once the employees were able to choose from a set of options for their uniforms, their appearance and behavior dramatically improved. This upbeat attitude resulted in better customer service as measured by improvements in service, experience, and satisfaction scores rated by shoppers.

TRAINING & METRICS

One retailer that understands the value of its employees is Sephora. Efficient store design and empowering employee training make for an excellent in-store customer experience. Sephora is so passionate about its employee training program it outlines it on the company’s careers website. From practical training in Sephora methods, techniques, and products to becoming a beauty expert, store employees are also trained in customer relations and Sephora retail skills.

It is not a secret that well-trained, happy store employees are engaged and productive brand ambassadors, which leads to excellent customer experiences and thus increased sales. Retailers need to create a new model where store staff are appreciated and trained to meet customer expectations. Retailers also need to train their employees to understand the mechanics of the store environment, value of the brand, and importance of customer service.

If there are in-store interactive experiences for shoppers to try (i.e., climbing wall at sporting goods store, virtual reality experience at electronics store, or trying on make-up) the employees need to understand the importance of the experience, how to facilitate the experience, and most of all, understand the importance of capturing the shopper reaction to the experience.

A Global Perspective

PhDr. Ivana Janouchová, Marketing Director at Manufakturatura, a local Czech brand/retailer (www.manufakturatura.cz/prodejny/), shared her retail management perspective on employee training.

What criteria do store managers use in selecting new employees that will interact directly with the customer?

We know the importance of the role the sales staff play. It is essential for the employees to get acquainted with the range of products through training. They are then introduced to the structure and philosophy of the company, so that sales staff can provide customers with as much information as possible and help create an interesting shopping experience. The same training is given to the part-time employees during other parts of the year.

How are store managers trained/introduced to the store environment or new store redesign?

Besides having creative leadership, regional managers and store managers are often inspired by the changes. They are the first to review a redesign and are familiar with the changes at the preliminary stage. After receiving instructions and planograms, they implement the new changes. Stores are seen as a tool for staff to serve the customers.

How do store managers train/introduce their employees to work with the store environment or new store redesign?

A redesign originates first as a [new] project that is then repeated at other stores. Store staff receive instructions for the new design via planograms.

How is the customer experience with the store employee measured/evaluated?

Through quantitative and qualitative surveys we see how the customer reacts to the retail space, the assortment, and the marketing actions. We also look for the details, such as different forms of information and shoppability in the space of the store. We also evaluate the experience of sales staff with our customers’ feedback. The best validation [of a store design] is business success.

How are retail employees directly interacting with the customer motivated, evaluated, and rewarded?

In order to create the optimum sales space, the company solicits customer feedback on their experience with employees.
Empowering Employees with Connected Retailing

In a shifting retail landscape, one emerging trend is pop-up retail, which is said to be a $50 billion-dollar industry. Yet how can pop-up stores deliver the experiences that consumers demand and allow retailers to activate swiftly, capture results intelligently, and execute affordably?

Barrows Global are shopper conversion specialists whose expertise is in “connected retail”—the point where digital technology intersects with consumers in the retail space. Stylmark worked with Barrows to develop a “kit of parts” for the next generation of its retail stores. Samsung provided the next-generation technology components.

In retail, store challenges entail ideation, location, logistics, staffing, point of sale (POS), fulfillment, real-time customer engagement, and content creation. For the pop-up space, “connected retail” takes all of those challenges into consideration and delivers an innovative, turn-key rental model complete with next generation technologies and an IoT (Internet of Things) dashboard to capture store data and analytics.

In “Connected Pop-Up”, the retail employee is elevated as a brand ambassador and allows the technology in the space to do the selling. The technologies range from targeted smart signage, to interactive screen and virtual and augmented reality. The retail employee is aided by smart fixturing tools that are sensing and immersive. The technology tracks real-time data which helps identify the path, dwell time, and demographic (age, gender, and attitude). This optimizes the physical space at a fraction of the cost of traditional audience data methods.

The consumer at a base level demands convenience, personalization, and engagement. "Connected Pop-Up” can deliver on all these points and be where the consumer is when needed, driving easy conversion.

The Connected Pop-Up allows brands to size up or down in modular configurations and the ability to customize and re-skin to suit specific promotions or co-branding efforts. The modular construction allows for easy set-up, tear-down, and transport to the next venue.
Developing Effective Retail Environments takes research, resources, and reliable teams. A well-thought-out store environment is based on shopper insights and has the customer experience in mind, coupled with well-trained, engaged employees. Ultimately, a store is the reflection of its brand and thus any design/redesign must reflect the values of that brand. Helping the retailer achieve such brand alignment and sales increases will help ensure a continued position as a valued partner.

It is extremely important to outline and understand the metrics for success and outcomes based on the impact to staff, customers, and sales, as well as project costs. Often overlooked in the analysis is the employee whose productivity and customer interactions are also impacted by store design. Any challenges faced by store staff can ripple to the customer experience. Service interactions are a critical part of the store experience that must also be “designed.” Thus, staff should understand the impact of the new concept early on, be provided training and support to manage through any changes, and given the other tools to help them deliver the full sensory experience for shoppers.

### THE CUSTOMER

It is vitally important to identify the target shoppers or audience before the design process begins. Retailers must understand who they are, what is important to them, how they think, and where they are in their purchase journey. Answering consumers’ fundamental needs and emotions is much more powerful than simply stating your product’s benefits. Understanding the experiences a shopper has before, during, and after a purchase is extremely important to the success of a product, marketing campaign, and store design.

These experiences can help retailers with insight into what affects their purchasing behavior. Underlying all of these is ultimately the consumers’ needs. These could range anywhere from physical or emotional, immediate or long-term, internal or external. Once retailers grasp shoppers’ motivations and needs, they must understand how customers move through the store and use the various zones in the environment so that they can more accurately design the store.

### THE EMPLOYEE

Training and communication with retail staff is critical when implementing a store redesign project or hiring new staff. Store staff needs to be excited about the brand, the products, and the customers. They need to be fully trained and understand the intricacies of the store environment, including how and why it works.

Corporate needs to be fully aligned and openly communicating with store management on the importance of store design and in-store marketing programs. Communication can make or break a program or project. Management needs to identify and utilize the most effective methods of communication for their teams: whether it is in-person, via email, or even virtual reality training for a new store design. Fully developed training and communication plans are essential for success. Store employees need to be engaged, understand they are part of a team, the value they bring to the team, and why any changes to the store are not only good for them but for the customer. Employees need to be told how they and the customer will benefit from the store design project. Most importantly, give the employees the tools to succeed!

### THE STORE

When doing a store redesign project, it is critical to not only measure the current “standard” store metrics, as talked about earlier in the paper, but also to observe how customers and store employees interact with each other and with the environment and its elements. The various elements within the store environment affect the customer experience differently. The design has to take into account the customer needs and purpose for being in the store. It is critical to understand consumer behavior, customer journey, technology trends, and product preferences.

Everything needs to be prescribed in the store from the store layout and shop-in-shops, to product placement and traffic flow. One thing to remember: there is a “time to normalcy” for retailers after a store redesign project. Customers and staff will need time to get acclimated to the new design and how it functions, the length of which varies by retailer, how often a customer shops the store, and the extent of the redesign.

### TYING IT BACK TO ROI

In this ever-changing landscape, ROI has become a continuous process rather than an annual one. The evaluation process itself needs to be more fluid and more focused to ensure it continues to advance the organization toward its vision and goals. These mid-course corrections also include more frequent competitive reviews. We have seen the recent flurry of downsizing and store closures and wonder what metrics were, or were not, measured.

The key to measuring the success of any in-store design project is to have clearly defined goals. These goals must be openly established and agreed upon in the beginning of each project. ROI is greater when a holistic approach is taken. While objective goals of overall sales and in-store traffic continue to be of high importance, more subjective goals of brand perceptions and shopper engagement are undeniably proving to hold significant value as they often drive overall sales, albeit less directly and immediately. The power of “buzz,” online reviews, bloggers, and others are highly influential, whether positive or negative. The store experience is a key touchpoint that can create passionate brand advocates, or detractors.

### SOURCES:

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- Kathleen M Jordan AIA, CID, LEED BD+C, Principal, Gensler

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About Gensler
Gensler (www.gensler.com) is a global architecture, design and planning firm with 44 locations and more than 5,000 professionals networked across Asia, Europe, Australia, the Middle East and the Americas. Founded in 1965, the firm serves more than 3,500 active clients in virtually every industry. Gensler designers strive to make the places people live, work and play more inspiring, more resilient and more impactful.

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Stylmark (www.stylmark.com) is a leading designer and manufacturer of finished fixtures and full solutions — from aluminum and steel products, to LED lighting and displays, showcases, fitting room systems, cosmetic mirrors, shelving, kiosks, fitting room mirrors, architectural moldings, and more. Stylmark’s extensive inventory of products and solutions are designed to work together, creating comprehensive and distinctive lifestyle environments.

About Shop!
Shop! (www.shopassociation.org) is the global trade association dedicated to enhancing retail environments and experiences. Shop! represents more than 1,500 member companies worldwide from 30 countries. The association brings value to the global retail marketplace through our industry leadership, research programs, industry certification, education and networking events. Shop! produces the award-winning magazine, Retail Environments, offering business-focused content to retailers, brands, designers and suppliers throughout the industry.

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