



Retail Shoppability: A Measure Of The World's Best Stores

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The ultimate goal of retailing is to bring together supply and demand; to provide consumers with a selection of goods and services that satisfy their needs profitably. During the last 30 years, retailers have made considerable progress on the supply side, developing sophisticated logistical systems to streamline product distribution, manage inventory, allocate shelf space efficiently, and replenish stocks on a just-in-time basis. Stores can now do a much better job of providing consumers with the right product at the right place at the right time.

The news is not as good on the demand side. Retailers continue to have difficulty creating shopping environments that engage consumers' needs and convert these desires to purchases. One critical concern is with product proliferation and duplication. Manufacturers rely heavily on line extensions to increase volume, and retailers (often mistakenly) believe stocking more products means selling more products. This has led to an explosion in the number of products available in many retail channels. In the 1950's, a typical U.S. grocery store carried about 5,000 different items; in the 1990's, the number topped 30,000. Today, a supercenter carries upwards of 100,000 products! This dramatic increase in the number of products

and the expanding footprint of retail stores has made it increasingly difficult for consumers to find their way through stores, differentiate between brands, and assess product quality. In a 2001 consumer survey reported by Marketing Week, 75% of consumers agreed, “These days there are so many products and services that it’s often hard to choose which is best for me.” Further, 78% of consumers said, “Companies like to pretend that their brands are really different, but actually there’s rarely any substantial difference between them.”

The problem is magnified for complex products with short life cycles. For many high-tech products, shoppers are forced to digest volumes of information to understand what benefits these goods provide, how they operate, and how they perform relative to competitors. Sometimes there is no visible difference between competing brands because it’s the chip inside that determines product features. While navigating through the roughly 180 different models of televisions in a consumer electronics store, one customer noted, “It’s too many choices. You can’t just walk into the store and buy a TV these days. It’s like a research project.”

Beyond the dizzying growth in the number of products on store shelves, there has been a dramatic increase in the volume of in-store messaging and the number and complexity of consumer promotions. In order to receive a promotional discount, consumers may be required to use a loyalty card or to submit rebate forms to manufacturers or retailers. The high levels of message clutter make it difficult to navigate through the store. These issues are layered on top of the problems that have always plagued retailers, such as high employee turnover, long lines and poor service.

Such shopping difficulties have had a substantial negative impact on consumers. A recent Datamonitor survey found that 47% of consumers experience significant levels of stress. According to 1999 research by Sujan, Sujan, Bettman and Verhallen, 45% of the reasons consumers mention for being stressed relate to the in-store environment (can’t find desired product, long lines, messy shelves, pushy or slow personnel, parking), while 32% are choice-related (too many brands, deciding which brand is best, comparing information across brands, having enough product information). A study by Donovan, Rossiter and Nesdale revealed that consumers under stress will still make planned or nondiscretionary purchases, however they won’t spend as much time or money on unplanned purchases.

Purchase conversion rates have also suffered. It is common for 75-85% of specialty-store shoppers, and up to 95% of department-store shoppers, to leave stores without making a purchase. In a 2003 *Chain Store Age/Cap Gemini* study, two-thirds of the consumers surveyed said problems with the shopping experience had caused them to stop shopping or to shop less frequently at a particular store. Consumers have cut back on the time they spend shopping, spend less on discretionary purchases, and procrastinate longer when they need to buy an item.

What Is Retail Shoppability?

The creative retailers featured in *40 Of The World’s Best Stores* have successfully overcome these challenges to deliver superior retail shoppability: the capacity to transform consumer needs and desires into purchases. This impressive feat is accomplished by marshalling all of an organization’s assets — people, places and practices — to deliver rewarding shopping experiences to customers. While the experience is different in every store, the result is the same for every shopper: customer delight. Store personnel may streamline the shopping trip, provide expert advice and assistance, or create a strong sense of community. Stores themselves may be community centers, mega-stores, spectacles or oases. Business practices may be focused on masterful marketing, powerful presentation, or spectacular service.

But what defines a great store? One of the most striking features of many of these stores is their attractive appearance. The visual appeal goes beyond the unique design and aesthetic beauty of the retail space. They have the ability to engage shoppers by making a connection with the salient and latent needs that drive purchase. Each retailer understands his or her customers and presents an appropriate and appealing selection of merchandise. The store layouts, fixtures, lighting, and merchandising all call the customer’s attention to the products and their benefits, while reinforcing the retailer’s brand identity. And the stores keep the experience fresh by providing a steady stream of innovations — new goods and services, promotions, and special events — to entertain and delight shoppers.

A second distinguishing trait of many of the stores is their visual simplicity and transparency. A transparent store is one that is easy to navigate. When you walk into the store and through the aisles, you see what there is to see. You immediately know if the store has what you want and where it’s located. Visual clutter is minimized. A transparent store is also one that consumers can understand. It feels familiar and comfortable. Products are organized in ways that make sense. The store layout and product presentation are consistent with expectations. Transparency must be

balanced with a sense of discovery to hold shoppers' interest, especially in stores that sell high-ticket, infrequently purchased items (e.g., home furnishings) or unexpected, constantly changing merchandise (e.g., dollar stores).

A third and related theme is that the best stores provide a convenient and enjoyable shopping experience. Shoppers can enter the store, pick up what they need, and check out in a reasonable amount of time. Destination categories and promoted items are easily accessible and complementary products are located nearby. There are no physical obstructions and no long lines. Products are in stock and priced competitively so customers don't need to comparison shop. The stores deliver an acceptable level of comfort even during the busiest shopping days. The aisles are wide enough to accommodate the traffic flow, the fitting rooms stay clean, and there are places to sit and relax when shoppers are tired.

The 10 Principles of Retail Shoppability

This *40 Of The World's Best Stores* analysis — as well as an extensive review of prior academic and commercial research — identifies 10 principles that can help retailers improve the shoppability of their stores, leading to increased sales and customer loyalty. The most effective application of these important business-building rules results when retailers and manufacturers work closely together to meet the needs of their shared consumers. In contrast to the often-misaligned past efforts of stores and their suppliers, these two groups must now cooperate to:



Show the Product

The product is the focal point of the shopping experience. It's what draws consumers into the store and energizes the shopping process. Retailers need to recognize the primacy of the product in the design of their stores and in the presentation

of merchandise. Products should be clearly visible as consumers walk into the store and through the aisles. Fixtures should be selected and arranged to improve sightlines (e.g., by placing lower fixtures in the foreground). Products should be displayed at comfortable heights and viewing angles with adequate lighting. Consumers should be able to see the entire product, not just stacks of inventory or "sleeves and shoulders."

Retailers in *40 Of The World's Best Stores* provide excellent examples of effective product presentation. WHSmith Guildford (UK) has clear and unobstructed sightlines to improve visibility into the aisles. Leder & Schuh, an Austrian retailer, uses spot lighting to draw consumers to displays and increase footwear sales. Empório Santa Maria, an upscale grocery store in São Paulo, uses distinctive fixturing to showcase products while keeping inventory readily accessible. Selfridges, a UK department store, displays a sweeping panorama of shoes that allows customers to quickly identify products of interest.

Where possible, retailers should encourage shoppers to examine and interact with products. When the Once Upon a Toy store at Walt Disney World in Orlando removed miniature collectible figures from their boxes and put them in open display units that provided kids with a bird's-eye view of their favorite characters, sales skyrocketed from 40 to 900 units per week! Mountain Equipment Co-op in Quebec hangs sleeping bags in front of store stock so shoppers can see and touch the products.



Products are the stars at Once Upon A Toy with good reason...miniature character sales skyrocketed from 40 to 900 units per week when toy figures were taken out of their boxes, then displayed in transparent units (i.e., vitrines) that encouraged kids to gaze longingly at the products.



Provide Effective Navigational Aids

In the real world, if you do not know where you are going, no road will get you there. In the retail world, the situation is no different. When visiting a store that is unfamiliar or shopped infrequently, consumers need a visual roadmap to help guide them through the assorted goods and services. If consumers don't see the desired products and can't find them, then, for all practical purposes, they're not for sale.



The Carrefour Le Collégien hypermarket in France attracts shoppers to its important Health & Beauty Care department with a striking vertical pylon that is visible throughout the store (unlike traditional navigational signage), and that features attractive shots of featured cosmetic products.

A first step towards improving in-store navigation is to make sure destination departments, categories and products are clearly visible. These might include products purchased on a routine basis, merchandise exclusively available from the retailer, new items featured in advertising, and existing products sold on promotion. For items that are purchased less frequently, clear and consistent signage should direct shoppers to appropriate sections of the store. The goal is to make the entire store's inventory available through visual and physical navigation paths.

Signs and maps should use familiar language and visuals to aid comprehension. The size of the graphics and text and their illumination and contrast should be appropriate for the viewing distance and visual acuity of customers. Navigational signs should have a consistent appearance that stands out from the background so customers can spot them at a distance. Signs should be positioned and angled so they can be easily seen as customers walk through the aisles: the greater the speed of approach, the shorter the message. Merchandise featured in ads and circulars should be flagged.

Section-specific color schemes, materials and ceiling heights can facilitate product department and category identification and discrimination. The store should provide clearly visible circulation routes and access ways, with visibility to other floors in multi-level stores.

For example, Hracky Toy Store (Prague) facilitates product visibility and store navigation with a unique raised platform that allows shoppers to look over the entire store by climbing a pedestrian ramp. Landmarks like checkouts, escalators and architectural elements can also create points of reference and assist with wayfinding. Guest greeters and store employees can answer questions and provide directions.

Products themselves are also powerful navigational aids. Merchandise featured on end-of-aisle displays can signal the location of departments and categories. Products or product images can be positioned high on the walls and above shelf fixtures to serve as navigational beacons. If consumers are looking for a set of related products, the items can be grouped together into a billboard to facilitate recognition. Familiar brands — such as Tide detergent, Dockers pants, and the Sony Walkman — serve a special role in consumer wayfinding. These marketing icons provide easily recognized reference points to aid category identification and discrimination.

These concepts are clearly practiced by retailers in *40 Of The World's Best Stores*. The Auchan Val d'Europe hypermarket (France) displays simple color-coded maps that can be understood in the time it takes consumers to ride an escalator to the store entrance. The Decathlon Campus sporting goods store in Lille, France uses color blocking to highlight departments, with same-store sales in stores using this concept up 8% in 2003 and 9% in 2004. Superquinn, a leading Irish food retailer, uses backlit signs with text and graphics to clearly delineate product categories. Carrefour Le Collégien hypermarket (France) draws attention to Health & Beauty Care with a highly visible vertical pylon.

Simplify Product Organization and Presentation



Stores that offer a large selection of similar products, especially in complex or infrequently purchased categories, create a difficult task for consumers. In order to pick the best alternative, shoppers must closely examine each product, read the product packaging and associated literature, or consult a salesperson to understand what each product does and how it is different from competing brands. Some shoppers, unwilling to invest significant time and effort in their purchase decision, will simply pick whichever item is on promotion. Others will become frustrated and postpone the purchase or visit another store.

Retailers should avoid turning love at first sight into death by analysis. When shoppers have limited motivation or ability to process information, the store should provide a small set of visually distinct alternatives where the visual differentiation reflects important differences in features and benefits. Product assortments should be de-



Simple, elegant product organization and presentation permeates Lavinia, a French wine superstore that groups its merchandise the way oenophiles shop — by variety, vintage, price, and product characteristics (i.e., sulfite-free) — to help shoppers sort through its vast selection.

finied by the variety of consumer needs satisfied, not the number of stock-keeping units. Branding and packaging should communicate real product differences, not hide the similarities between commodity products.

Sometimes retailers must offer an extensive product assortment to satisfy the needs of a heterogeneous customer base, convey an image of variety, provide a one-stop shopping experience, or respond to competitive pressures. In such cases, the products should be arranged and presented in ways that simplify the purchase decision. Product organization should reflect the mental categories that consumers use to classify products and the steps in the decision process. For example, if consumers select the brand first and then choose a size or color, the products should be grouped by the major brands, and then by size or color within brands. Video-rental stores often arrange the same products in several different ways to meet the needs of different consumer segments and shopping occasions. Selections are grouped by ratings (award winners, top picks by store employees), genre (action, comedy, drama), format (DVD, VHS, game system), and of course, alphabetical order. It is also important that the store layout and product category organization be consistent with consumers' expectations from their experience at other stores, both within the chain and across competitors.

Retailers among *40 Of The World's Best Stores* demonstrate effective product organization and presentation. Lavinia, a specialty wine store in Paris, helps customers sort through its vast selection of wines by grouping products by type and consumer need. At Waitrose Food & Home (UK), breads are neatly stacked on open shelves so shoppers can quickly compare the different loaves on display. Brazilian clothing boutique Daslu organizes salons by designer, or by color in the case of its private-label apparel, so clients can easily coordinate the perfect look. Laresse Apotheek, an avant-garde pharmacy in Amsterdam, displays conventional and alternative medicines side-by-side in 522 green-fronted translucent drawers so shoppers can choose the treatment that is right for them. Once Upon A Toy is divided into five themed rooms appealing to boys and girls of different ages and interests, with play areas at just the right heights to accommodate the rooms' targeted guests.



Minimize Clutter

Clutter is the enemy of retail transparency. It interferes with the consumer's ability to visually and physically navigate through the store and to find desired goods and services. It distracts people from their shopping goals and reduces the efficiency of in-store communication. The best stores minimize clutter to focus customers on the unique value provided by the merchandise.

A common source of retail clutter is sign pollution. While a few signs can be helpful, more signs are not necessarily better. It's important to manage the visual load for customers and maximize the signal-to-noise ratio of in-store communications. Retailers should remove signs that provide irrelevant or inconsistent information and consolidate signs with redundant information. For example, if a new product



Playboy Tokyo minimizes clutter by displaying small selections of merchandise on simple, attractive fixtures with virtually no price or merchandising signage, but with an ample supply of the brand's Rabbit-Head logo known around the world.

line is introduced, it's better to have a single large sign highlighting the set of products and summarizing their benefits rather than several small and uninformative “new” signs attached to each individual product. The retailer can improve the efficiency of in-store messaging by establishing standards that manage the number, size and appearance of signs and promotional materials.

The actual merchandise can also be a source of clutter. Retailers can reduce category clutter by using simple, functional fixtures; keeping shelves straight and products organized; grouping products together based on similarity; and limiting out-of-season, unpopular, and discontinued merchandise. Aisles need to be wide enough to accommodate the merchandise and customer traffic, and shelves should be restocked when stores are not busy to limit obstructions. Among *40 Of The World's Best Stores* retailers, Bang & Olufsen (Denmark) uses minimalist store design to allow their high-tech products to stand out as heroes. Playboy Tokyo and Prada New York Epicenter minimize clutter by displaying small sets of products on simple, attractive fixtures with selective signs and merchandising.



Maximize Product Affordance

The appearance of each product should clearly convey the benefits it affords. In part, this is the responsibility of the manufacturer, who must design the product and its packaging to effectively communicate the product's value.

However, it is also the job of the retailer to enhance this value through excellent presentation and merchandising. For familiar products, this can be as simple as making sure the brand name and package are clearly visible. For more complex goods, it may involve taking the product out of the box, attaching the instruction manual, providing sales literature, and/or displaying product ratings and reviews. The amount and complexity of the information provided should be consistent with the consumer's information requirements and his or her motivation and ability to process this information. In the case of a difficult or expensive purchase, shoppers may need more time, space, and privacy to make their selections.

Looking across *40 Of The World's Best Stores*, we see several examples of retailers maximizing product affordance. For perishable goods, Superquinn food stores (UK) uses simple, relevant signage to communicate freshness: “Scones were baked at noon today”; “Avocados [ripe] for today”; and “Picked on Monday.” FNAC, a leading European retailer of cultural and leisure products, provides on-shelf book and music recommendations (“toma nota” or “take notes”) from 300 sales clerks in their Spanish division. Working with personal-care manufacturers like The Gillette Company and Procter & Gamble, Extra Future Store in Germany is testing a variety of in-store electronic systems — hair-care advisory service, baby-care information terminal, and smart-shelf tags in men's grooming — that provide information enabling shoppers to make better purchase decisions. The Apple Store SoHo displays signs listing the top 10 reasons to switch to an Apple computer.

In addition to product information, there are several other ways to communicate a product's value. Product sampling and trial can engage the customer and clearly demonstrate the product's benefits and applications. At Decathlon Campus, customers can ride bicycles around a track that doubles as an extra-wide aisle circling the store interior, test shoes and sports equipment on Astroturf, and try out air mattresses on a bed of rocks. Retailers can show products in a realistic context. Bang & Olufsen often features the same product in three different configurations (floor, pedestal or wall-mounted) to help consumers visualize products in their homes. Retailers can present product solutions through adjacencies and merchandising. These adjacencies do more than cross-sell merchandise. They help consumers recognize and understand the value a product provides.



Superquinn perpetually and persuasively communicates important product benefits to its shoppers in a wide variety of ways...even extolling the virtues of a simple paper sack on its Potato Bag that keeps customers' tubers fresh by protecting them from light, and by letting them breathe.

PRINCIPLE
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Showcase New Items And New Ideas

New products are the lifeblood of retailing. They lure new shoppers into the store and entice existing customers to return. They are beacons of innovation, reflecting changing consumer tastes and signaling new trends. And they can be engines for sales growth since stores with effective new product strategies can satisfy both the expressed *and latent* needs of shoppers. Despite the importance of new products, retailers often lump them in with existing merchandise and rely on manufacturers' advertising and promotions to stimulate demand.

While many new items appear on store shelves, only a few — the genuinely new products — deliver novel and important benefits to their respective product categories. Retailers should showcase these innovations, using product placement, merchandising, and demonstrations to attract consumer attention and communicate their unique features. The focus should be on the excitement and rewards of using the new products rather than price. As these items become familiar, the marketing emphasis should shift to more recent product introductions.

Retailers can use new products to help identify unmet consumer needs and gauge demand. New product ideas can originate from many sources; from customers and employees who understand local preferences, to retail buyers and vendors who monitor global trends in consumer tastes and technology. To help manage the uncertainty and risk associated with carrying innovative products, retailers can ask shoppers to evaluate products shown in concept form, with a possible option to place an advance order.

Alternatively, the store can display samples of merchandise available online. Retailers should listen closely to customer feedback on new products. Early sales data, repeat purchase behavior, and consumer comments can serve as a weathervane to help track the changing direction of consumer tastes. New products often appeal to a select group of buyers, so initial sales may be low; however results may improve if these buyers are opinion leaders or heavy users.

Retailers featured in *40 Of The World's Best Stores* excel at delivering great news and great new products. Twice a year, Daslu presents the world's finest fashions to Brazilian women in intimate salons that are completely redecorated to match the new merchandise. Carrefour Le Collégien highlights new products to French shoppers by placing items on mini-display fixtures recessed into the shelf, rather than on their traditional end-aisle merchandising vehicles. FNAC promotes new artistic talent, along with their merchandise, through thousands of in-store events each year. At Central Market, a Texas retailer passionate about food, in-store chefs offer mouth-watering samples made with seasonal ingredients, and then promote the fresh food used in their creations to shoppers.



Twice a year, Daslu is a world-class showcase for new fashions, as this Brazilian boutique completely redecorates its intimate salons to match the season's new merchandise from the world's foremost international designers.

PRINCIPLE
7

Make The Shopping Experience Convenient

Consumers often have competing demands and time constraints that limit how long they can spend shopping. They enter a store with specific products in mind and this narrows the focus of their attention. If the retailer makes it easy to locate and choose these destination items, then shoppers will have more time to browse for complementary products, new merchandise, and impulse purchase items. This can boost the size and profitability of the shopping basket, as well as enhance customer satisfaction and loyalty.

One way to increase shopping convenience is to streamline physical navigation: the path and distance a customer must travel to purchase desired products. Ideally, the store is sited at a convenient location with ample parking near the store's entrance. Doorways and aisles are wide enough to accommodate customers and their children, coats, packages, shopping carts, baby strollers and wheel chairs. Destination categories and featured items are

easily accessible. Complementary products are co-located or bundled into solutions to address shoppers' needs. Ladders and poles are available to facilitate product access in self-service environments.

The best retailers also deliver convenience by selling an attractive selection of quality merchandise at a fair price. Consumers don't need to shop around because they know that the store will have the desired products in stock, the merchandise will perform well, and the prices will be reasonable for the value delivered. They are not forced to submit rebate forms or buy unwanted extras in order to receive a discount. Some retailers take additional steps to encourage customers to buy now: offering price-matching guarantees to minimize value concerns; displaying signage that compares the store's prices on selected items to competitors' prices so shoppers trust they are getting good value for their money without having to travel to other stores; generous return privileges and product warranties to reduce performance concerns; and product trade-in programs or upgrade paths to minimize obsolescence concerns. For impulse-purchase items, a small discount (of unknown value) is often all that is needed to give shoppers permission to buy.

It is also critical to eliminate unproductive delays and waiting during the shopping process. Common bottlenecks include the customer service desk (returns, gift cards, registries, credit), access ways (elevators, escalators, stairs), fitting rooms, and the cash wrap. These friction points can cause consumer impatience and complaining, and increase the psychological cost of shopping. Retailers can improve shopping efficiency by increasing customer service levels; staffing with multi-lingual personnel; improving communication between staff members; maintaining accurate price tags and promotional signs; providing customers with hand-held scanners, checkout terminals, and other self-service technologies; using high-bandwidth internet connections to speed credit-card authorization; providing legible register displays; accepting multiple forms of payment; and saving customer preferences and billing information to speed repeat orders. This convenience can extend to fulfillment: bagging and delivering merchandise to the customer's car; holding merchandise for later pickup; and shipping out-of-stock or heavy items to the customer's home or office.

Retailers in *40 Of The World's Best Stores* deliver convenience in many ways. Several retailers make creative use of product adjacencies to increase shopping efficiency. Auchan Val d'Europe provides convenience to families by merchandising products for mothers and their babies in a Baby World section combining products traditionally stocked in separate departments. Lavinia offers convenience to shoppers on a budget by clearly grouping a selection of 45 quality wines for less than €10 a bottle. Other retailers have developed innovations to speed checkout. Portuguese food retailer Continente provides ample checkout lanes to reduce queue length, and encourages customers to shop anywhere at anytime by using the Pocket Continente service on their Personal Data Assistants. Superquinn introduced a reusable Greenbag shopping tote that has reduced checkout time by 15%. Kroger College Station (Texas) uses biometric technology to speed up check authorization and checkout, and Extra Future Store in Rheinberg, Germany, has installed IBM's Vegivision technology, which can accurately recognize, weigh and price produce in a self-service environment.



Auchan Val d'Europe makes shopping convenient for families in a prominent, easily accessible Baby World section that combines a wide variety of products — from baby formula to Fisher-Price toys — that are typically offered in separate departments.

Make The Shopping Experience Enjoyable



Walt Disney once said, "People spend money when and where they feel good." Research has confirmed this to be true. When customers enjoy the shopping experience, they will spend more time browsing in the store and are more likely to make discretionary purchases. On the flip side, stress and negativity narrow the consumer's focus. Shopping becomes a chore, and people buy just what they need and leave.



Shopping at Fashion Show is not only fashionable, but enjoyable, as this Las Vegas shopping mecca conducts more than 1,200 fashion events annually to showcase the latest apparel, most of which is appropriately available at mall retail tenants.

How can retailers make people feel good? The first priority is to engage customers in the experience by stimulating shopping-related needs and goals. The store should present an attractive selection of merchandise, including new and fashionable items to keep the experience fresh and interesting. The environment should stimulate consumers' senses with appealing sights, sounds, smells, tastes, and touch. These stimuli can evoke powerful emotions by connecting with consumers' past experiences and memories. The store can heighten consumer involvement by creating a sense of adventure and discovery. For some retail formats, this may take the form of bargain hunting. In others, it can involve special displays, product demonstrations, events and/or entertainment. In any case, these new and surprising experiences must be consistent with the retailer's brand image.

Retailers among *40 Of The World's Best Stores* feature outstanding products in starring roles. Prada New York Epicenter is a retail laboratory that showcases the newest and most unusual fashion ideas that made designer Miuccia Prada famous. Central Market lures shoppers through its serpentine perimeter of fabulous fresh foods by creating an irresistible feast for the senses. In Las Vegas, M&M's World takes its love of candy-coated chocolate to extremes in a colorful store selling everything from every variety

of M&M's in the world to every possible item that can carry the brand's logo. Once Upon A Toy offers exclusive toys with an unmistakable Disney theme to steal shoppers' hearts and wallets during their time at Walt Disney World. Instead of conducting the same scheduled promotions each year, Selfridges employs always-unique and sometimes-controversial blockbuster promotions that keep shoppers coming back to see what cutting-edge fashion and fun this bold retailer has in-store for them.

Retailers also need to consider the social aspects of the shopping experience. Employees who are friendly and attractive, who can identify with customers, and who are enthusiastic about their job and the products they sell, can significantly enhance shopping enjoyment. Retailers among *40 Of The World's Best Stores* feature outstanding employees. Daslu's upper-class salesgirls and working-class assistants collaborate to pamper the store's exclusive clientele. At the world's only supermarket for children, Pão de Açúcar Kids, employees work with local teachers to educate visiting students about responsible consumption. Lavinia's sales staff of sommeliers share their love and knowledge of wine with appreciative shoppers. Las Vegas Harley-Davidson personnel share a rebel lifestyle with their customers through HOG, the Harley Owners Group. The multi-ethnic staff at food-retailer Fiesta in Texas is ideally suited to serve the store's diverse customer base.

Special events are another tool for managing a store's social atmosphere. They can attract groups of customers with common interests and lifestyles, creating social opportunities for patrons and economic opportunities for merchants. Retailers among *40 Of The World's Best Stores* conduct a variety of outstanding events. Roots One Hundred Bloor, a Canadian outfitter, throws star-studded parties at its in-store bar to attract adoring fans. FNAC hosts more than 15,000 artistic and literary functions each year to build a community of like-minded cultural enthusiasts. Playboy Tokyo entices young female shoppers and their companions to its branded boutique with popular Playmate appearances. In Las Vegas, Fashion Show stages 1,200 fashion shows annually to showcase the latest apparel sold at mall retail tenants. The Forum Shops at Caesars attracts visitors with mega-entertainment such as boxing matches in the adjacent casino or spectacular animatronics in the retail space.

A well-designed store should address consumers' needs throughout the shopping journey. If people will be visiting for an extended period of time, the retailer should provide refreshments, clean restrooms, and a place to sit and relax. For example, Auchan meets the needs of new mothers by providing changing facilities with rocking chairs and free diapers. When shoppers' arms are full with merchandise, the store should have shopping carts, baskets, and counter space available to set things down. Play areas can help parents entertain children and gain

a few extra minutes of shopping time. Merchants should make a special effort to enhance shopping enjoyment when selling products that offer positive benefits such as sensory stimulation, intellectual stimulation, self-enhancement, and social approval. If consumers like a store, they will be inclined to like its products. That is why Canada's Couche-Tard convenience stores encourage loitering in comfortably furnished lounge areas decorated with local artwork, equipped with high-speed internet access, and stocked with reading materials.

PRINCIPLE
9

Speak with Authority

The best retail stores send a clear, confident message to the customer that his or her needs will be satisfied. This message is reinforced by all aspects of the store environment: the store's appearance and ambiance, the salespeople, the product selection, prices, merchandising and advertising. Together, these elements define the retailer's brand soul and create equity in the minds of customers.

One way to speak with authority is to demonstrate expertise in subject areas related to the products being sold. Retailers can hire personnel who have product-related skills, knowledge and experience. Employees at companies profiled in *40 Of The World's Best Stores* demonstrate world-class expertise. Decathlon Campus conveys its sporting goods authority by showing how professional athletes participate in the development of the store's private-label products. Central Market demonstrates its passion for fine food by hiring only culinary enthusiasts eager to share their skills with shoppers who love to eat. Las Vegas Harley-Davidson demonstrates the quality of its service department by providing customers with viewing platforms so they can watch their motorcycles being serviced. The Apple Store SoHo flaunts its technical expertise at a Genius Bar staffed by the store's best trouble-shooters, and equipped with red phones linked to software engineers at company headquarters.

Another approach is to include elements in the shopping environment that symbolize the benefits being provided. BIG Hypermarkets lives up to its name with larger-than-life display props such as oversized pencils that have made this retailer the destination of choice for back-to-school supplies in Brazil. Mountain Equipment Co-op features an in-store climbing wall that allows both daring shoppers and accomplished employees to demonstrate their vertical skills. Roots One Hundred Bloor displays its "blueprint" on store walls and fixtures to communicate the brand values of tradition, sportsmanship and casual athleticism. FNAC places a seal of approval on each product certified by its Consumer Testing Lab to reassure shoppers they are purchasing a high-quality item. Laresse Apothek has a lifelike ginkgo tree, known for its medicinal properties, growing through the floor, and semi-transparent partitions allow customers to see their prescriptions being filled.

A third way to establish authority is through the product selection. Customers should be impressed with the quality of the products, their exclusivity and authenticity. The assortment of goods should convey product variety, not redundancy. And the selection should be relevant, addressing the unique needs of the customer segment. Daslu is the undisputed home of good taste in Brazil because it brings the world's finest fashions to an exclusive class of shoppers hungry for merchandise from the finest international designers. Empório Santa Maria offers an unparalleled selection of the world's most exclusive and upscale foods to satisfy the discerning palettes of affluent São Paulo residents. Fiesta builds loyalty among its international clientele by selling authentic products from shoppers' various homelands. Prada New York Epicenter showcases striking handbags and accessories onboard its cylindrical glass elevator so shoppers on the move are never far from the merchandise.



The Apple Store SoHo clearly speaks with authority, especially at its wildly popular Genius Bar where shoppers can have their problems solved by the store's best trouble-shooters, supported by company software engineers connected to the store via hotline.

PRINCIPLE
10

Maintain Flexibility

Change for the sake of change can cause consumer confusion and frustration. However, the best stores are continually testing new concepts and refining the in-store environment to address trends in consumer preference, technology, and fashion. These changes go beyond the seasonal variations in product displays and signage that occur in most retail stores (e.g., replacing barbecue grills with Christmas trees in the fall). The most flexible retailers have the ability to manipulate store layouts, fixtures, merchandising, lighting and other elements of the store's appearance and its product offerings to keep the experience fresh, interesting and relevant.

Technology is an important enabler of retail flexibility. By creating digital representations of physical products and promotional materials, content can be manipulated in real time to respond to changing market conditions. Electronic shelf labels can instantly update prices to reflect temporary price discounts, current levels of product inventory, and new competitive conditions. Digital signs can vary message content by the time of day, day of the week, and geography. Handheld scanning devices can speed up the checkout process on busy shopping days. Kiosks and electronic ordering systems allow shoppers to check inventory at other stores and order products online when these items are out of stock or otherwise not available. In each case, digital product representations augment rather than replace physical products that are the focus of the retail shopping experience.

Retailers in *40 Of The World's Best Stores* are incredibly flexible. Leder & Schuh's Humanic shoe stores combine constantly changing *merchandise* with constantly changing *merchandising* since its European locations have virtually no permanent fixtures. Every eight weeks, the latest fashions are displayed in an entirely new retail theater created by set designers using mobile fixtures, lighting and props. Washington Mutual cross-trains its personnel so that employees are always able to perform whatever function a customer needs whenever they need it. Extra Future Store employs the world's leading technology to create a constantly changing store to satisfy constantly changing shoppers.



Demonstrating ultimate flexibility, Leder & Schuh's Humanic shoe stores constantly change their *merchandise* and their *merchandising*, as set designers create an entirely new retail theater every eight weeks by using mobile fixtures, lighting and props.

Measuring and Managing Retail Shoppability

These 10 principles provide a starting point for evaluating the shoppability of existing retail stores. They ensure that a store's design and product presentation are consistent with basic retail design principles, and can help identify deficiencies and suggest remedies. The problem with this approach — or any similar checklist — is that the desirability of specific features of the shopping environment depends on the characteristics of the retailer's brand, the products sold, and consumers. It is impossible to define one ideal shopping experience for all retail formats and product categories. Retailers need to consider the distinctive challenges in their stores, develop solutions that will address the needs and expectations of their customer base, and weigh the costs and benefits of making changes.

Unfortunately, most merchants and suppliers do not have the tools required to measure and manage retail shoppability for their unique customers, products, and contexts. Retailers typically assess store performance using measures like change in same-store sales, gross margin, direct product profit, sales per square foot, and return on inventory investment. While these metrics can help guide store operations and improve productivity, they provide little insight into the best ways to improve the customer experience. They have the inherent limitation of being based on sales that have already occurred; that is, realized demand. But what about demand that has not yet been converted to sales? The retailer may lose the opportunity to satisfy consumer demand because it is difficult for shoppers to find the desired merchandise, the store carries the wrong product assortment or presents it in an unappealing way, it charges too high a price, provides poor customer service, or has long lines at the register, among other reasons. Sales data alone provide no insight into these purchase obstacles or the potential level of unrealized demand.

Retailers featured in *40 Of The World's Best Stores* clearly understand how to convert consumer demand into consumer purchase at *their stores*. In response to research indicating one-quarter of Las Vegas consumers were dissatisfied with their current banks, Washington Mutual created its successful Occasio branches offering customers a superior banking experience based on consumers' favorite retail stores. Superquinn gets constant feedback from its customer panels, and store managers call top customers every month to better understand how their store is performing. Retailers searching for similar insight into not just what is happening in their stores, but why it is happening, must listen to their customers, observe their behaviors, and track their responses to point-of-purchase innovations. For organizations interested in such shoppability measurement, three principal internal or external research techniques include:

Survey Research

The most direct method for measuring retail shoppability is to talk with customers. This can be as simple as asking shoppers what they like and dislike about the store, or a more structured questionnaire where people evaluate the quality of the shopping experience on several dimensions. Focus group studies can be a useful first step to identify problems with the shopping environment, but surveys are a better tool for the ongoing measurement and evaluation of store performance. A survey might ask shoppers to rate the store on specific features, including the breadth and depth of product assortments, the perception of product quality and value, the attractiveness of displays and merchandising, the ease of navigation, the level of shopping convenience, the availability of product information, the frequency of out-of-stocks, the quality of service, and the speed of checkout; as well as collecting more general reactions, such as overall enjoyment of the shopping experience, satisfaction with the products purchased, likelihood of recommending the store, and intention to return in the future.

One common technique for collecting this information is the exit interview, where customers are asked to share their reactions after completing the shopping trip. The survey can be conducted immediately following the store visit — shoppers are intercepted and questioned as they leave the store — or at a later time using the customer's phone number or e-mail address captured at checkout. Alternatively, the retailer can print the telephone number or web address of an automated survey on the sales receipt, along with an incentive to complete the interview. Another popular data-collection method is the critical incident technique. Shoppers are contacted at home and asked to remember the last time they went shopping for a particular product. Consumers recall the positive and negative aspects of the shopping experience and offer suggestions for improvement.

Customer feedback can be collected on an ongoing basis from several other sources. Customer comments, complaints and suggestions at an in-store service desk or remote call center may suggest difficulties with service quality and other aspects of the shopping experience. Superquinn actively solicits such feedback from customers by rewarding each shopper with 100 SuperClub loyalty program points each time they report a company goof. Product returns and exchanges highlight potential problems in product quality and customer education. Customer inquiries, both in the store and through a toll-free number, can signal demand for new products. Employees are also a valuable source of information on what customers want, how they shop, and the obstacles they encounter.

Survey research offers several benefits. It provides quick and inexpensive consumer feedback. It generates diagnostic information that can help guide improvements in the shopping experience. It allows the researcher to evaluate the importance of shopping factors for specific consumer segments and product categories. Store ratings can be benchmarked against competitors and tracked over time to evaluate performance. Surveys also have limitations that should be kept in mind. Consumers may not notice or report poor performance because it is what they have come to expect. Consumer memory is limited, so shoppers may not recall shelf arrangements, merchandising, and promotions, even though these variables affect their behavior. Consumers are only knowledgeable about the specific stores and categories they shop, so some ratings may not be reliable. Finally, it can be difficult to relate survey results to more objective measures of store performance.

Observational Research

Surveys are a useful tool for measuring consumer perceptions and attitudes, but it's also necessary to observe consumer behavior in the store to identify the catalysts and obstacles to purchase. What people say and what they actually do are often two different things. In some cases, the store environment has an unconscious effect on shopping activity. In others, consumers are unable or unwilling to report these influences because of limited attention, memory, or social desirability concerns.

During the last few years, observational and ethnographic research have become popular tools for spotting problems with store layouts, signage, product organization and presentation. Video observation is often combined with intercept interviews to identify both how and why consumers buy. The research is usually implemented by setting up one or more video cameras, recording consumer shopping activity for several hours a day, and then coding behavior at a later time, either with human-research assistants or machine-vision tools. Existing security cameras may be used to collect the data if they provide adequate visual coverage and fidelity. If not, then video equipment can be installed specifically for marketing research. Consumer activity can also be measured with electronic traffic counters, infrared sensing devices, handheld shopping systems, or Radio Frequency Identification (RFID) tags.

Observational research can reveal several important aspects of the shopping process. By counting the number of customers who enter the store and walk through each aisle, department, and product category, retailers can create thermal maps showing the percentage of customers who penetrate each section of the store. If some sections are visited infrequently, this may suggest the need to provide navigational aids, reposition product displays and merchandising, and/or revise the store layout to improve traffic flow. When these traffic data are combined with transaction log data, retailers can calculate overall and category-specific purchase conversion rates, indicating the store's ability to turn consumer demand into purchase. These conversion rates can be compared across product categories, time periods and geographic regions to evaluate the store's performance and identify opportunities for improvement. If one observes, for example, that many shoppers enter a category and examine merchandise but then leave without buying, there may be a problem with the product assortment, pricing, or presentation.

While store traffic, category penetration, and purchase conversion rates are the most frequently used metrics in observational research, there are several other useful measures and applications. By noting the dominant pathways and directions that shoppers travel through the store, retailers can position signs and displays to catch the customer's attention. By recording average dwell times at various locations, they can identify points where shoppers will be most receptive to communication. By tracking the shopper's path through the store and monitoring which areas are shopped together, merchants can identify cross-sell opportunities. Video-tracking can identify crowding conditions and bottlenecks in traffic flow that suggest the need to widen aisles or reposition product displays. It can be used to measure queue lengths and waiting times to flag problems with customer service. Observational research can also capture shopper characteristics (age, gender, ethnicity, group composition) and their shopping habits: use of shopping aids (carts, baskets, circulars, shopping lists), reading signs and packaging, taking product literature, and interaction with salespeople.

An important drawback of observational research is that it takes considerable time to collect and analyze the video-data. Fortunately, video-data-mining technology has recently been developed to help address this problem. Computer systems can compress weeks of video-tracking information onto a hard disk; code each shopper's location, dwell time, and direction of movement; and even classify customers into demographic categories. Work is underway to code the facial expressions of shoppers to capture their emotional reactions to in-store environments. A second issue is consumer privacy. Shoppers have expressed concern that retailers may violate their right to privacy by linking their shopping patterns to their personal identities. To address this issue, most observational studies do not attempt to identify individual shoppers, but rather focus on aggregate shopping patterns.

Laboratory Research

Once potential problems with store shoppability have been identified using customer interviews and observational research, the next step is to make changes to the store environment and see how shoppers respond. While it is possible to jump directly to implementation, a better approach is often to test several different concepts in the laboratory and choose the alternative that performs best for use in the stores.

Laboratory research methods have gone through revolutionary changes during the last few years. In the past, retailers would test new concepts by asking consumers to evaluate store photos, artists' sketches, store floor plans, or physical mockups of a department or category. More recently, researchers have started to use sophisticated computer-generated graphics and three-dimensional walk-throughs of the store.

These tools offer several benefits over conventional laboratory and field research methods. Virtual reality simulations can recreate the appearance of the retail store and let shoppers navigate through the aisles and interact with products, providing a very realistic experience at a low cost. They provide tremendous flexibility, allowing retail-

ers to go beyond existing conventions and explore new approaches for improving the shopping experience. They offer a high level of control. By manipulating specific elements of the retail store, researchers can isolate causal variables and hold constant the many consumer and environmental factors affecting shopper behavior. In addition, simulations can record detailed information about consumers' shopping patterns and purchase behavior, and the results can be used to forecast future sales and profitability.

Indiana University's Customer Interface Laboratory is a pioneer in the use of virtual reality simulations for marketing research. The lab has just completed a research study on store organization and signage using a computer simulation of a specialty apparel store that reveals the store environment may be as important as product price in determining consumers' likelihood of purchase and shoppers' perceptions of the overall value of the shopping experience. Stores with high environmental legibility (clear product organization and signage) were able to significantly increase prices while maintaining stable sales and customer loyalty. In contrast, consumers shopping in cluttered stores with poor navigational aids were reluctant to pay higher prices. The research also demonstrated that the exterior appearance of the store can play a critical role in converting window shoppers into store traffic, thereby increasing sales. Clearly, it pays to improve retail shoppability.

Looking Ahead

Based on learning from *40 Of The World's Best Stores*, how is retailing likely to evolve in the future? From the customer's perspective, the biggest change will be the increased transparency of the retail shopping experience. Store layout, signage, and product organization will improve. Product selections will provide greater real assortments with lower levels of duplication. Consumers will be more likely to find the products they seek. The items will be in stock and offered at a fair price. While prices may not equal the bargains of the past, they will be low enough to encourage immediate purchase rather than procrastination. Product information will help reduce consumer confusion and highlight important new benefits. New and complementary items will be featured in attractive and engaging ways. Checkout and returns will be quick and convenient. In general, stores will do a better job of connecting supply and demand for the benefit of both consumers and retailers.

How will this happen? There will be significant innovations in the way marketing intelligence is gathered and used in retail settings. In the future, the focus will be on measuring unfulfilled consumer demand, tracking the shopping process, measuring consumer response to changes in marketing activities, and analyzing returns and customer feedback. This information will be used to spot trends in consumer tastes, identify and address points of friction in the shopping process, and create product assortments, prices and promotions that will attract consumer attention and stimulate purchase. Exceptional retailers have always paid close attention to customers' needs, but it takes considerable time, effort and talent. The significant reward for such a significant investment is that retailers who better understand their customers will be better able to manage their businesses. In the future, technology tools will allow this to be done on a much larger scale and at a lower cost.

While there are a few revolutionary developments in the wings — smart fixtures that sense and respond to shoppers, 3D volumetric video displays, computer-controlled theatrical lighting and sound — the most important technological changes during the next five years will be the refinement and deployment of innovations developed during the previous 10 years. For example, digital signage will become more common as the costs of buying, installing and updating displays continue to fall. Manufacturers and retailers will work out standards for production and distribution of digital content, cooperate in creating a library of this content for retail settings, and develop methods for measuring its effectiveness. Other existing technologies such as electronic shelf tags, self-checkout systems and handheld line-buster devices will also gain ground during the next few years. Online shopping will continue to grow and serve as a testing ground for new concepts to be launched in physical stores. Together, these innovations will provide a more engaging, convenient and enjoyable shopping experience, allowing retailers to satisfy consumers' needs profitably.



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Retail Shoppability: A Measure Of The World's Best Stores

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