Innovation is critical to staying ahead of the competition. Retailers have succeeded to this point with a focus on innovating in a few key areas, including private label R&D, creative partnerships, supply chain optimization, new sales channels and the front end of innovation. A large opportunity exists to go one step further and innovate through the remodel, expansion and development of new stores.

Retailers that explore opportunities beyond merchandise and business model innovation, and focus on their biggest assets – their stores – will deliver the best innovations in consumer experience.

From Errand to Experience

For retailers that are expanding geographically and increasing overall store count, the delivery of each new store is an opportunity to generate new ideas, test hypotheses, learn quickly and grow in a way that best matches current and local customer demands. With appropriate processes and systems in place to document, manage, measure and analyze results of these innovations, retailers can quickly capitalize on the opportunity to deliver the optimum store to the consumer. In short, retailers have the ability to leverage attributes of the physical store to transform the customer’s perception of a visit from an errand to an experience.

Today’s Leading Store Innovators

Starbucks notably carved out a new role for retailers, creating a “third place” aside from the home and office to spend time reading, working, meeting people, browsing the web or simply hanging out. Since then, others have successfully transformed their stores.

For example, Whole Foods Market has redefined the way millions across the United States, Canada and the United Kingdom shop for groceries. Whole Foods not only allows but encourages customers to indulge in spirits while shopping. Many stores even provide a localized assortment of beverages, appetizers and live music at a community-themed in-store bar.

Many REI stores have nature-inspired activity centers, such as climbing walls, ski slopes and fully built out camping displays near relevant merchandise. These reinforce the active mindset of the frequent, periodic and first-time REI shopper and differentiate the REI shopping experience from its peers in the category.

Lululemon recently opened a concept store in Vancouver that is part product laboratory and part store, offering customers an opportunity to shop for their favorite styles and providing access to limited edition merchandise. While shopping, customers can catch a glimpse of the design studio and factory where the exclusive merchandise is produced. The concept store helps Lululemon innovate the customer experience as well as the merchandise.

H&M recently renovated its flagship store in Times Square. The new store dazzles the customer at every step in the shopping experience, including dressing rooms with iPads, 7000 square feet of LED screens and the option to walk the digital runway for all to see (and share later).
Why Innovate the Customer Experience In-Store?

An obvious thread that weaves through these examples of store innovation is a heightened customer experience that ultimately increases brand loyalty. Innovating the customer experience should be a top objective on every retailer’s priority list. But it doesn’t stop there. Retailers that we would classify as “mature” or even “world class” in this area use store innovation as a vehicle to boost loyalty by:

• Shifting perception of the in-store shopping experience from a chore or errand to an experience or pastime
• Increasing the amount of time a customer happily spends in the store
• Leveraging the physical store as a branding vehicle, building brand equity and increasing private label sales

How do they do it? What activities are necessary to ensure that their brick and mortar stores are as fresh for their customers as the products that fill them? Do they have a dedicated team tasked with exploring opportunities to innovate and execute innovations to current and future stores? Are they investing in technology and processes to better achieve these goals? How do they measure the success of these innovations?

Getting Started with Store Innovation

Retailers’ real estate teams can and should learn from the success of their own private label product development innovation initiatives. There’s much to discover in terms of understanding, tracking and measuring the performance of green operations, new store layouts, and physical in-store initiatives like added amenities. Once teams realize where to look and what to look for, the parallels between new product development and new store development are evident!

Retailers that successfully transform the in-store experience from an errand to a pastime will win in today’s increasingly competitive environment where online retailing will continue to steal share. Just like R&D teams do for new and refreshed products, retail real estate teams should use new stores and store remodels as opportunities to generate new ideas, test hypotheses, learn quickly and grow in a way that best matches current and local customer demands.