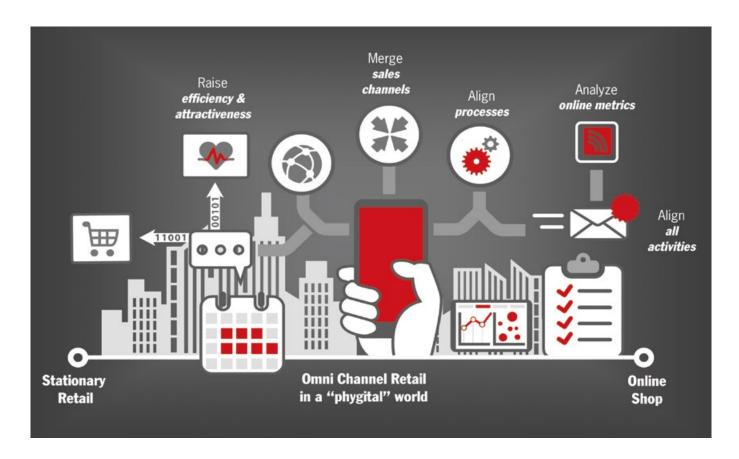
Conversion Excellence

▶ The London Experience: Cutting Edge in Retail?

# The London Experience

The Porsche Consulting Retail Practice traveled to London to scout out the latest trends within the retail industry. Here is their takeaway:



### **Cutting Edge in Retail?**

Strolling around Carnaby Street, walking down Oxford Street, or wandering along Kensington Street would definitely make you think so. The who's who of brands, signature stores and pop-ups — you name it, they are there. Not only are the brands and retailers here themselves, but there is also a complete ecosystem of supporting services: design agencies, brand strategists, and technology and IT consultants.

The latest forward-thinking ideas in stationary retail are fueling the state-of-the-art customer experience: visual effects, digitally interactive elements, in-store customizations, or simply a café latte in a hip but cozy corner of the store.

We certainly believe, and it's evident, that the "phygital" store – a blending of physical and digital elements – is the future of

retail. Why? The availability of new technologies has dramatically changed the behavior of the billions of global omni-channel shoppers and the purely stationary players will need to boost their online and mobile channels so they don't miss reaching these potential customers.

At the same time, purely online players must determine how to reach out to customers and make their products tangible. This is because an important driver for sales has been, and will continue to be, the ability to experience a product live: to touch it, play with it, and take it home. Most of the bigger online retailers at some point go down this path (PROdirect, Zalando Outlets, MADE.com etc.), and there are even examples where online-only companies have only turned a profit once they opened brick-and-mortar stores.

#### Why Cutting Edge?

London is the ideal test lab for innovative retail models. With high traffic, above-average purchasing power, and a highly international customer base, brands are encouraged to experiment, push the boundaries, and compete against each other. The following few companies are just a small sample of the multitude of exciting, cutting edge brands operating in the London market.

MADE.com has chosen the most radical approach for making its online store physical: only the best-selling online items get displayed on the floor — but with no price tags, product description, or available inventory in-store. A customer scans a product using a tablet and is directed to the item in the online store where they can view all the information they need, and then order the product and have it shipped.

**PROdirect** brings its online store content to the sales floor via a multitude of digital displays and digital mannequins. This enables the store to be redesigned every few days over the air from HQ. The customer base has a direct link to the store via live feeds on social media channels.

Argos has solved the problem of waiting for delivery of your online order with instant fulfillment within the inner city. A small sales floor covered with tablets is used to access the massive online catalogue, and immediately after ordering your items are picked out for you from the huge, directly connected warehouse holding tens of thousands of articles. Pay for your order and take it home within minutes.

Vita Mojo adapts the online product configuration concept from the automotive world to the food service industry: fully configure all the ingredients in your healthy meal via the app or in-store tablet and have it served within 5 minutes.

### **But What Is Still Missing?**

Where consumer or industrial goods manufacturers allocate their budgets to R&D and innovation labs, brands and retailers need to route funds to where the most value can be added: their points of sale, whether they are online or offline. Being innovative and adopting the benefits of all things "digital" ends up translating to risking capital and the try / fail / try again model —a mindset many retailers have already adopted. However, the missing link for retail is something manufacturers have been doing well for a long time: measuring the effectiveness and efficiency of their experiments closely. This is something we could not fully experience in London when

taking a closer look. In speaking with management from HQ, store managers, and sales staff from approximately 20 brands / stores it became clear that traditional KPIs such as cost / sales per m² or number of items displayed per m² are still predominant.

But how do you measure the success of an innovative retail format? How do you decide whether to scale it or not? We believe that putting thought into the right metrics, combined with modern technology and analytics, will better help you to understand the impact. Here are a few examples of what we believe are the key metrics of future retail formats:

- How many customers observe the window display vs. how many find their way into the store?
- Who are your customers and why do they buy from you?
- How many visits does a customer make before they make a purchase?
- How much time is spent in the store and whereabouts?
- How does changing the store design or rearranging the displays affect the attention of customers and sales success?
- Is there a correlation between innovations introduced and in-store and online sales?
- How many customers access your online store via their cell phone while in your store? Or access another online store?

The technology to measure all these metrics and interpret the (big) data is there: WiFi, beacons, visual light communications, video cameras, RFID etc. The absence of this is not just a technological issue, but rather a management, process, and organizational weak point.

Furthermore, putting an innovative test bed in place requires the right people promoting it. If the local store staff are not able to explain to you the benefit of the innovative in-store features (and we've partially experienced just that), the customer experience is simply stunted.

#### The Conclusion

When seeking a place that personifies the future of retail and a state-of-the-art customer experience, London is certainly the place to be; it is simultaneously inspiring, encouraging and motivating. Retail managers should not miss the opportunity to experience this first hand. But taking a closer look also unveils weak points around the management of these innovative processes that need to be handled in a more industrialized and organized manner. The innovative power and boldness of the brands and retailers are far too valuable to be judged mainly based on gut feeling.

If you would like us to share our experience with you, please get in touch:



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## **Porsche Consulting**

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