GETTING THE BEST OF BOTH WORLDS IN RETAIL:

DIGITAL AND IN-STORE COMMERCE ARE NO LONGER DISTINCT

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By now, it's clear that digital is not the death-knell of traditional retail. In fact, about 4,000 more stores opened than closed in the United States last year, according to a study by IHL Group. Large retailers that expanded in 2017 include Dollar General, Aldi, GNC, Tractor Supply and Ulta. Even digital retail king Amazon is expanding its brick-and-mortar footprint.

That's because shoppers are past the idea of channels. They move between touchpoints — digital and physical — effortlessly. Seventy-one percent of consumers now use their phones to research products while shopping in stores, according to a report from Salesforce and Publicis.Sapient.

Yet consumers across generations, ethnicities and income brackets see value in the store as an integral point in the shopping experience. For instance, 90% of retail sales are generated from stores, according to 2017 US Census Bureau data featured in an extensive new retail survey by Toshiba.

In response, retailers need to knock down the walls that separate their channels, enabling shoppers to move seamlessly as they go from online, to store, to mobile, to home delivery, etc. They cannot continue to think of shoppers as existing in single channels nor think about them as satisfied with siloed experiences. Consumers don't just want the best that any single channel can offer, they want the best of each channel across all channels.

That means retailers don't just need to have a digital strategy, they need to enhance the in-store experience to adapt to how consumers now shop.

"Creating experiences in the store allows for meshing the two worlds together. Consumers enjoy seeing, touching and comparing quality, which is extremely difficult to do via a mobile or computer screen," said Kirk Goldman, vice president of business strategy at Toshiba Global Commerce Solutions. "But they also want to explore and share, which is easier to do digitally. Providing ways to do both at the same time, in the same place, is a win-win for the consumer and the retailer."

Retailers also should deploy loyalty programs that are easy to understand as shoppers interact and spend. These programs need to reward shoppers for actual loyalty, and not just new shoppers switching from one retailer to another.

Let's explore how retailers can provide a more seamless experience that takes advantage of each channel's strengths to better meet consumers' needs.

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— Kirk Goldman
VICE PRESIDENT OF BUSINESS STRATEGY AT TOSHIBA GLOBAL COMMERCE SOLUTIONS

THE VALUE OF THE IN-STORE EXPERIENCE

DESPITE THE MULTITUDE OF DIGITAL CHANNELS NOW AVAILABLE, SHOPPERS PREFER TO DISCOVER NEW PRODUCTS:

62%
in stores

43%
friends and family

39%
retailers' websites

Despite the multitude of digital channels now available to shoppers, they still prefer to discover new products in stores (62%) more than through any other medium, according to Toshiba's research. The next most-common method is friends and family (used by 43% of consumers), followed by retailers' websites (39%).

Why do consumers value the in-store experience?
According to the study, shoppers want to touch, see and choose quality. The words that stood out most when consumers were asked what brings them into stores instead of going online were "see," "try" and "like." It's the sensory experience that makes shoppers go to the store.

The Midwestern supermarket chain Hy-Vee seized on that insight when it launched nutritional tours of its stores to educate customers on how to shop for health conditions such as diabetes, high blood pressure and high cholesterol.

"Hy-Vee's mission is to make people's lives easier, healthier and happier," said Kristin Williams, senior vice president and chief health officer for the retailer, calling the tours "a perfect complement to the wide array of services our in-store dietitians already offer."

Making the in-store experience stand out also means streamlining check-out. Some key findings from Toshiba's study that detail the kind of experiences shoppers seek include that 41% prefer self-checkout, while 23% prefer regular lanes, 21% prefer scan-and-go and 15% prefer seamless or no touch. Providing shoppers multiple check-out options and adopting technology that makes the purchase simpler and faster are vital to improving the in-store experience.

BJ's Wholesale Club, for example, makes shopping convenient and strengthens loyalty with its members through mobile shopping solutions and the expansion of self-checkout. At the Toshiba LEAD conference, Steve Young, director of IT club solutions, explained how such efforts have boosted the retailer to No. 4 on the American Customer Satisfaction Index rankings for retail.

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DIGITAL'S ROLE IN SHOPPING

While Toshiba's study found that the physical store is highly valuable in the shopping journey, the research also made it clear that digital's role in shopping is still growing. With the average person touching his or her phone 2,617 times each day and nearly 80% of Americans on social media, retailers must take their investments in digital seriously.

Toshiba found that younger shoppers in particular like to learn about new products via social media. While the store is still the most popular place for 21-to-28-year-olds to learn about products, social media is the next most-popular. Among 16-to-20-year-olds, 57% look to the store, 51% look to friends and family and 49% look to social media.

Older shoppers said they are interested in learning about products through retailer websites and traditional advertising, but those methods are not necessarily effective for shoppers who depend significantly on social media to interact with brands and people, alike.

Overall, it is clear that the customer journey is not linear and, in fact, is now more complex and varied than ever.

"Consumers toggle between digital and physical environments simultaneously to create a tailored buying experience and essentially eliminating the concept of online and offline commerce," Goldman said.
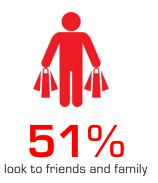
He added that retailers should consider the ways that social media and other digital channels can be used in the purchasing cycle, from enabling transactions to boosting retention.

"The value of reaching social media users and creating product awareness is very real, and will likely continue into the future, as more ways are utilized to engage with and advertise to consumers via social media platforms," he said.

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TO LEARN ABOUT PRODUCTS

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CRAFTING AN EXPERIENCE THROUGH DIGITAL AND PHYSICAL RETAIL

The message from consumers is hard to miss: What matters more is the experience, not the channel. Millennial respondents in Toshiba's study said their top three purchasing influencers are:

> > quality product

> > ease of shopping

> > convenience

Further, honesty and trustworthiness were among the top influencers of loyalty for shoppers ages 16 to 49.

Brick-and-mortar stores present an opportunity to share those qualities with consumers and offer innovative experiences that embed and enhance upon the convenience of digital.

Take the example of a holiday pop-up store by Coca-Cola in Dublin, Ireland. Virtual reality sleigh rides, specialty merchandise and a GIF photo booth offered an immersive experience that highlighted the brand while also integrating technology. An Instagram wrapping station allowed visitors to personalize gift paper, and the shop utilized the hashtag #WrappedwithLove to bring the digital and physical experiences together.

In another example, Sephora held an exclusive event in Los Angeles this fall that featured top beauty experts and gave shoppers the chance to create custom make-up products. The brand billed it as "a beauty playland meets your social feed IRL (in real life)" and the retailer took cues from how shoppers interact with beauty products online to design the in-person experience.

It's not just pop-up experiences and retail events that stand out with customers. Nike recently opened a store in Los Angeles that was designed using the preferences of local NikePlus loyalty members. Nike by Melrose "will operate like an experimental digital-meets-physical retail pilot," the company wrote on its website.

By bringing the best of digital experiences to the physical store, each of these examples showcases how retailers can enhance the brick-and-mortar experience and provide shoppers with immersive and informative interactions that help them along the purchasing journey.

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STRIKING THE RIGHT BALANCE ACROSS RETAIL CHANNELS

As Toshiba's Goldman put it, "The in-store experience has a role to play both at the beginning and at the end of the customer journey."

So how can retailers be sure they are offering consumers the right touchpoints? Doug Stephens offered a useful framework in his book "Reengineering Retail," which plays into Toshiba's findings that retailers need to keep several key elements in mind to offer successful experiences that span physical and digital channels:

> **Surprise:** Incorporate elements or interactions that shoppers are not expecting, such as Hy-Vee's nutritional tour and Nike's hyperlocal boutique shop.

> **Personalization:** The customer should feel that the experience she received was just for her. Integrated marketing data sets that include online and offline interactions are key to providing a personalized omnichannel experience.

> **Engagement:** Involve the customer in a visceral way by connecting all five senses. In-store experiences aren't just about how products look and feel, they are also about how experiences taste (in the case of food retailers), sound (such as what background music works best) and even smell.

> **Uniqueness:** Incorporate methods, language or customs that are unusual, surprising or proprietary — but also authentic and natural to your brand.

> **Repeatability:** Execute tactics and campaigns using prescriptive and tested methods to achieve a uniform level of consistency and excellence across the organization.

Using these tactics, and finding their own balance between digital and physical channels, retailers can be more successful at guiding shoppers to purchases regardless of whether the final sale is made online or in a store.

By integrating digital into the in-store shopping experience and treating commerce as a seamless journey across channels and devices, they can also ensure that their business remains relevant and successful, even as the world of retail continues to evolve and digitize.

Toshiba Global Commerce Solutions is retail's first choice for integrated in-store solutions and is a global market share leader in retail store technology. With a global team of dedicated business partners, we deliver innovative commerce solutions that transform checkout, provide seamless consumer interactions and optimize retail operations that are changing the retail landscape. To learn more, visit toshibacommerce.com or engage on Twitter @toshibagcs

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