NELSON

(RE)DUSTRIAL REVOLUTION:

How Industrial Practices Will Influence Retailers

Consumers haven’t reduced their expectations during this crisis. If anything they’ve raised the bar, and major players who previously had a lock on direct-to-consumer shipping are seeing added competition.

As forward-thinking retailers consider the future of their stores, we’ll see an increased adoption of e-commerce, innovation within supply chains taking inspiration from the industrial sector, and a heated battle to solve for last-mile delivery.

NOW

Brands explore ways to deliver a better experience from a more considered customer journey to innovating around expedient delivery, acting more like direct-to-consumer (DTC) brands (those digital-native brands selling everyday things online rather than in a store or through a third-party).

450%

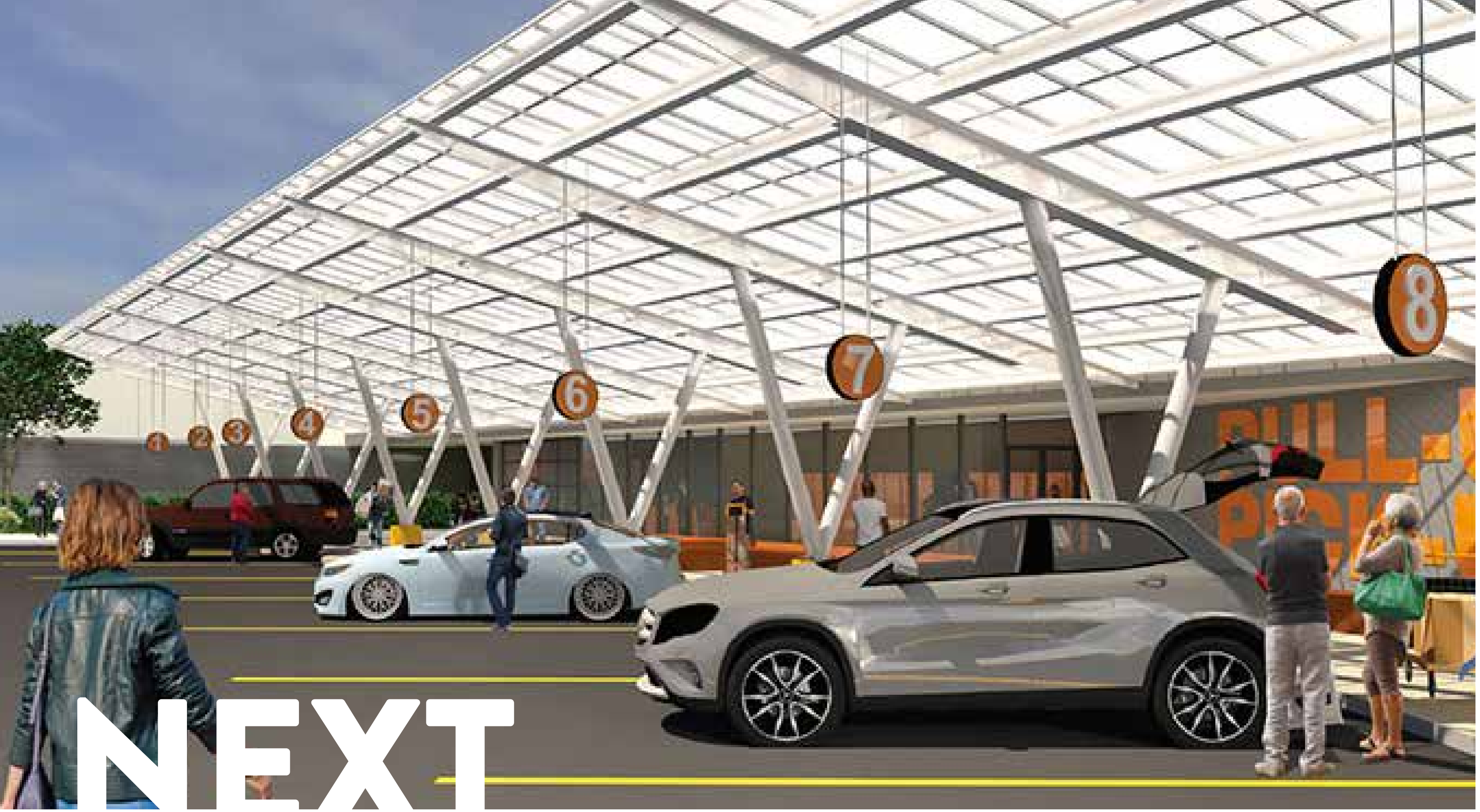
Instacart sold $700 million worth of groceries per week in the first two weeks of April, an increase of 450% from December

IMPLICATIONS

- Consumers will continue to embrace these avenues as part of their routine and brands are expanding their own supply chains and operating models to meet this shift.
- As more brands act like DTC companies, they'll reevaluate the design of their current real estate assets and supply chain models in different ways to solve the last-mile speed-of-delivery challenge.
- Retailers will think through new merchandising models, maintaining higher volumes of stock in back of houses to be picked for delivery and buy online, pickup in store (BOPIS) orders before hitting the floor.
- Retailers will also have to explore innovative ways to introduce new brands, products, or impulse purchases that previously would've been highlighted at entry or checkout.

CONSIDERATIONS

- How can you rethink the design of your warehouses to be more actionable for higher volumes of deliveries to consumers as well as to stores?
- Are there new moments to incorporate impulse buys along the shopper journey, can inspiration be sprinkled throughout?
- How is your pickup area performing? Can it be a more considered experience for your guests and your employees?
- Can your operating model adapt to the increase in third-party delivery? Is now the time to think through new ways of product picking for delivery or pickup?



NEXT

Organizations will have to take a proactive approach to developing a complete customer engagement model, with many rethinking their site planning and reconsidering their supply chain management with the support of mobile and personal technology.

52%

52% of consumers say half or more of their purchases are influenced by convenience

IMPLICATIONS

- Increased communication should go beyond emails - leverage digital screens to remind staff of new policies, updated cleaning procedures, and guidance to mitigate germs.
- We expect to see a decompression in density, both of people and of stock in the front-of-house and new levels of cleverness as brands blur the lines between their showrooms and their high-density stock. Parking lots may be reallocated with more dedicated space for drive-thru lanes and higher volumes of curbside and contactless pickup usage.
- Flexibility will become a key mantra for brands. Stores will learn from the modularity of industrial sites, building flex zones and kit of part executions into their stores as they seek to best utilize their real estate and provide experiences that will resonate with customers.
- People will rely on the technology in their pockets to provide information and create seamless transactions. Look to RFID, NFC, Beacon, and QR technology to be elevated. As consumers look up a product on their phone, they can be served with the expected reviews, similar products, and suggested pairings or stylings, but stores can take it a step further by using in-store lighting to augment digital directions.

CONSIDERATIONS

- Are there spaces that tend to feel empty (or too full) at points? How can you rethink the utilization of that space? Can it be designed with flexibility built in through dayparts?
- Do you have technology in place to embrace digital payments? Are there partners who can offer support in this arena?
- How can your store design create a feeling of openness and airiness to drive comfort?
- Can you integrate digital within the built environment?
- How can your merchandising strategy and site plan help provide customers with a sense of control, clarity, and confidence through their shopping journey?

FUTURE

The fight for the last-mile ratchets up and brands begin to build up versus out, rethinking what fulfillment and delivery centers look like, the role they play, and where they exist. Convenience takes on new meaning as customers expect help streamlining their busy lives. BOPIS and in-store shopping are no longer exclusive.

20%

One in five consumers say they would like to see automated deliveries (i.e. drones, not people) implemented after the crisis

IMPLICATIONS

- The accelerated adoption of e-commerce will reshape the physical footprint of stores, shifting the allocation of space to better match the way consumers are shopping. In-store visits will still be important, but how people view the delineation between types of shopping trips will fall away. Guests will embrace a hybrid approach, combining their pickup orders of commodity items with their in-store trips of high-consideration items.
- Many will have to consider redistribution of real estate, with the back-of-house (BOH) getting larger and taking on a last-mile delivery role while the front-of-house gets redefined. The BOH will also be less consumer-facing, with shopping and shipping happening through automated systems, making it more efficient from both a labor and cost perspective.
- The industrial footprint will continue to evolve as what have traditionally been large, sprawling facilities will have to learn how to build up instead of out. Fulfillment centers will be important in new kinds of locations as consumers expect fast delivery no matter where they are. These last-mile delivery centers will also begin to function as a way to provide a complete customer experience via both delivery and returns.

CONSIDERATIONS

- How can you incorporate and activate key convenience touch points within your property – from curbside pickup to drive-thru lanes?
- How can you create better a hybrid model to support a better in-store experience as well as the increase in e-commerce?
- Do you need to rethink your space allocation both in the store and around it? Do your parking lots need to take on a new flow or new distribution for increased pickup or van parking?
- Can your real estate strategy incorporate non-traditional fulfillment center locations?

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Let's talk.

Looking for custom ideas to prepare your stores for the Redustrial Revolution? Schedule time with your NELSON team of experts to discuss how to create an environment that supports e-commerce, last-mile delivery, and innovation.

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