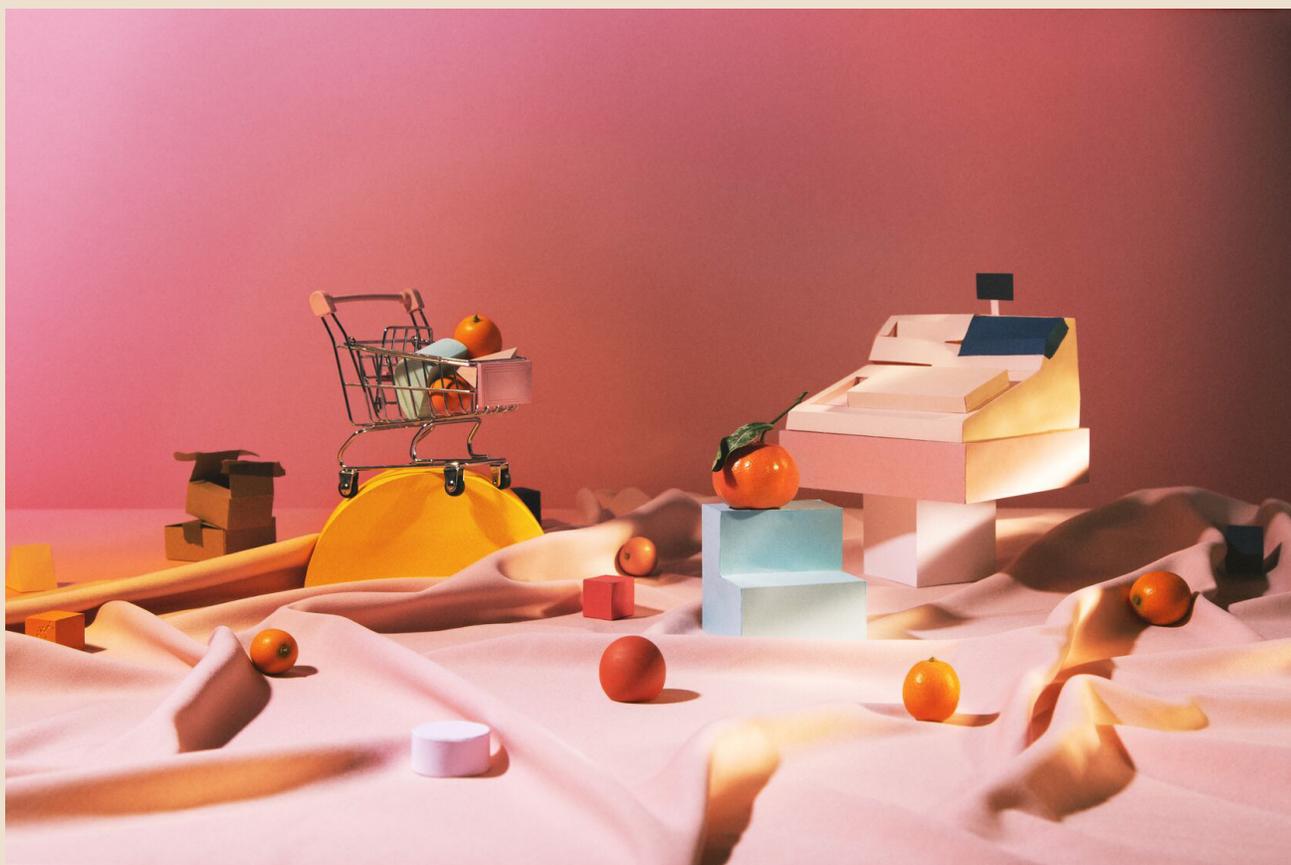


The road ahead: changing the face of retail customer experience



We all know that the way consumers shop has radically changed over the past few decades. Malls are empty and old guard flagships like Toys R Us and Boston Store closed their doors during the “Retail Apocalypse” of 2018.

Retail has long been trying to settle into a new normal—with a broad range of direct-to-consumer, subscription services, digital and reseller marketplaces, and brick-and-mortar shops—but the industry as a whole has been on decline since 2017. And now the unexpected has occurred: the COVID-19 outbreak has stores shuttering across the country, temporarily and all at once.

In this eBook, we’ll discuss the current state of the retail industry and focus on three sections that cover:

- 1.** The shifts we’ve recently seen in retail and how companies can continue to reach customers during the pandemic
- 2.** Why many companies believe transitioning to a direct to consumer (D2C) model will allow them to stay relevant in this challenging market
- 3.** The future of shopping and how innovations like Virtual Reality (VR) and Augmented Reality (AR) are here to stay



Part 1: An uncertain time for retail

In January, retailers flocked to the Jacob K. Javits Center in New York for the National Retail Federation's Big Show, looking ahead to trends for 2020. By late March, the Javits Center [was transformed](#) into a makeshift hospital. Retailers found their operations similarly transformed. Almost overnight, Gap went from making sweatshirts to manufacturing desperately needed [personal protective equipment for healthcare workers](#). Nike, Eddie Bauer, and Zara announced similar initiatives in March. Even high-end designers including Gucci, Yves Saint Laurent, Prada, and Balenciaga are [trading in their runway couture](#) to make medical garments. This is something we've never seen before.

The road ahead is going to be rough for many retailers. Some will flourish, but this pandemic will prove devastating to others.

"Many retailers are [struggling](#) in this challenging market. So the outbreak is adding fuel to the fire—retail store closures are on pace to be double what they were last year, which was a record year," Deborah Weinswig, CEO and founder Coresight Research [told CNBC](#) in 2020.

"Most retailers will suffer—the weak ones won't survive this. I think this is the worst thing they have ever experienced in history. It's unprecedented."

Sucharita Kodali, VP and principal analyst at Forrester Research

When businesses are shut down indefinitely and demand dries up, it's catastrophic for retailers. But she offers this as hope: "The good news is the problems are entirely self-inflicted right now. There is pent up demand that will hopefully be unleashed when all the restrictions are lifted."

People will always want and need to shop, but the way we're shopping is changing. Especially right now, as many states order non-essential businesses to close for social distancing. Kodali weighed in, providing ways retailers can adapt to this strange new world.

Start preparing for the "new normal"

With the response to COVID-19 changing almost by the minute, retailers need to remain flexible. We may be looking at months of store closures due to the pandemic, with a breather in between another round of nationwide self-isolations. Retailers need to be able to reach and serve customers across a wide variety of channels, and employ a strategy that doesn't rely entirely on brick and mortar stores. The supply chain must also flex to meet new demands.

Once the 'shelter in place' lifts, people will want to shop again. "That's essentially what we are seeing in China," says Kodali. She sees the bigger challenge as intermittent social distancing. "We may have to perpetually live in a state of being on irregular lockdowns." Retailers will need to adjust when those times come. "Brands are still operating like it's 1990 and they need to wake up and act like it's 2020."

Be nimble and don't give up on brick and mortar

As competition heats up and uncertainty remains an ever-present wildcard, one thing's for sure: [customer loyalty](#) is a revenue driver. According to the [Zendesk Customer Experience Trends Report 2020](#), 74% of customers report feeling loyal to a particular brand, and 52% say they go out of their way to buy from their favorite brands. When customers are loyal, they tell their friends and family (and sometimes their whole social network) about your products and services. But loyalty is a fickle thing—trust can

be broken in an instant, and once it's gone, it's very difficult to rebuild. Broken trust also gives an opening to your competitor to snatch your customers.

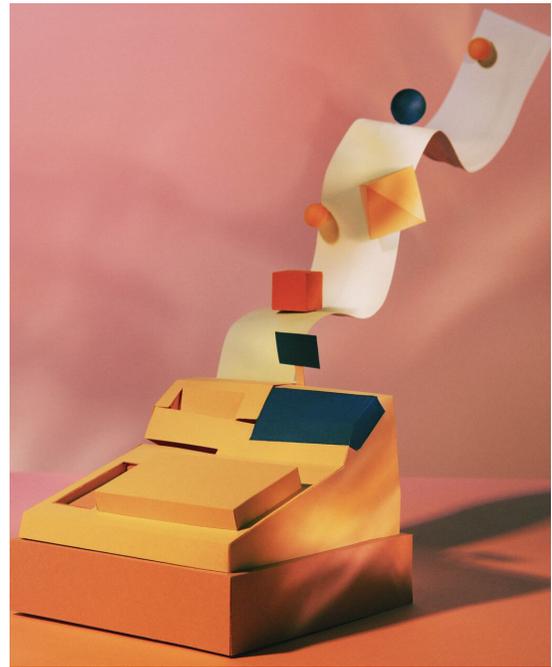
A company's brand is more than advertising or color swatches—it's what they do, not just what they say they do. People are paying attention to how retailers treat employees during times of crisis. [Patagonia](#), an outdoor clothing and gear maker, has closed all stores and their warehouse and web operations to help stop the spread of COVID-19. And all employees will receive their regular pay during the closures. [Levi Strauss](#) paid its employees through the end of March despite store shutdowns. [Amazon](#) is hiring more than 100,000 new roles, increasing wages, and established a relief fund for employees under financial duress. All of this goodwill goes a long way toward building loyalty, and making shoppers feel good about spending their money with a brand.

So if there was ever a time to live your brand values, it's now.

Even with our new digital native generation, there will always be a place for physical retail stores. It's often assumed that customers only want to engage with brands online, but that's not the case, says Kodali. Gen Z does a lot of shopping for the sake of experiences, like taking yoga classes at Lululemon or going for a bike ride at REI.

"Gen Z is less online than you would think," says Kodali. "They definitely are more likely to purchase online, but they're also pretty avid store shoppers." Younger shoppers are also eager to try new things when it comes to retail, like going to pop-up stores or browsing shop-in-shops.

Brick and mortar stores will never go away—people love to shop, and they like to touch and feel the things they're buying. But as the world changes, brands need to set themselves up to be nimble and change with the world to stay alive.



Part 2: The shift to direct to consumer

As consumer expectations continue to climb, retailers have to rethink how they build brand loyalty. An increasing number of legacy brands like Nike, Disney, and Apple are combining traditional sales with their own direct-to-consumer channels. This strategy gives them better control over their supply chain and inventory. And, it lets them expand their brand message through social media, self-branded stores, and ecommerce websites.

Kodali says brands need to learn that selling directly to consumers is key to their ability to survive, along with the ability to flex their supply

chains when needed. “I don’t know why so many brands have been so resistant to it for so long,” says Kodali. “We’ve been way too dependent on China for too long. If there’s one good thing that has come out of the last four years, it is that realization.”

Simple is better

Companies are finding that merely implementing a D2C strategy does not guarantee a continued connection to consumers and that simplicity is the key to longevity. For example, William of Ockham—namesake of the principle of [Occam’s razor](#), or the law of economy—gave the edge to simplicity when problem-solving.

Scores of designers have since leaned on this idea to avoid overthinking their work. Even the head of a global retail brand emphasized the importance of a simple customer experience on the front end, supported by a sophisticated web of interconnectivity on the back end. We see ample evidence of this across ecommerce and advertising, too—think of those sparse backdrops in lifestyle imagery.

The rise of omnichannel shopping experiences—including “buy online, pick up in-store” (BOPIS) and easier returns—among large retailers indicates that customers crave a simpler experience across touchpoints. Most D2C companies were a step ahead, already featuring simple shopping experiences and even return experiences that earn five-star reviews.

At the 2020 Big Show, simplicity emerged as a way to achieve success in the quest for the best customer experience. Consumers are stressed out, and so-called “calm commerce” was a potential antidote, as described by WGSN Head of Insights Andrea Bell, based on a WGSN report, “Futuredod you Consumer 2022.” Marking a pivot from aggressive messages imploring customers to outperform themselves at every turn, tapped-out consumers are looking to be soothed more than optimized.

As collective anxiety continues to impact how we live, shop, and consume, a simpler experience can ultimately be the more calming, appealing one.

By design, D2C retailers don’t have as many products and focus ostensibly on what they’re best at, or market spaces in which they are most passionate about innovating: swimsuits, dental hygiene products, luggage, or cosmetics. There is plenty of evidence to suggest that a simpler experience, from UI to product assortment, can give D2C retailers the upper hand.

Check assumptions at the fitting room door

Businesses of all types are guilty of putting their own needs first, telling customers what they should need and want, instead of the other way around. D2C brands represented at the Big Show have focused on the latter in some noteworthy ways.

Melanie Travis, founder and CEO of swimwear brand Andie, says the company doesn’t even have a designer on staff, an intentional move to help prevent business-centered bias from entering the product iterations. This organizational solution replaces assumptions typically made by in-house designers with real-life, real-time consumer data deployed to make decisions in service of a real (versus imagined) consumer base. Amanda E. Johnson, co-founder and COO of Mented Cosmetics, further explained how D2C assumes a built-in level of adaptability on the part of the business: adapting to what customers want requires being nimble and having a desire to embrace agility as an operational feature as much as a challenge.

“We’re not precious about our designs...if women don't like it, we'll cut it,” Travis said at a panel featuring female leaders of D2C businesses, emphasizing that anyone going the D2C route must first and foremost know their customer and what they want.

Travis also spoke of Andie’s brand preference for user-generated content over polished lifestyle photos because it puts real customers and their experiences with the brand front and center. From a customer perspective, this approach makes perfect sense. Going back to the WGSN findings, brand messages that feed our anxieties about not being good enough will only take a brand so far.

When passion conflicts with the long game

D2C brands stand out for another unique quality—seemingly having little in the way of an identity crisis. In addition to being able to easily explain what they make, D2C leaders at the conference were impressively passionate about the problems they aim to solve for customers. For Andie, it’s ill-fitting swimsuits designed for a narrow range of body types.

For Mented Cosmetics, whose name is a reference to “pigmented,” it’s about expanding the range of cosmetics shades for darker-complected people. And Clare solves for that sense of feeling overwhelmed in the paint aisle of a big-box home-improvement store. While enviable, this passion and clarity of focus can have downsides, when the business over-indexes on its identity to the point that it becomes unscalable.

Tyler Haney, former CEO of Outdoor Voices, spoke at a previous National Retail Federation conference about customer loyalty when the company’s star seemed to be rising fast. Her comments on a panel about prioritizing daily activity rather than “activity to be first,” being “human, not superhuman,” and being a brand that talks to you like a best friend seem especially prescient given the insights about calm commerce two years later. Behind the scenes, however, [The New York Times](#) describes internal conflict between Haney’s

vision as a leader and the needs of a maturing retail business. She resigned from the company in early 2020.

“As a young founder, I know my strengths, and I was excited to bring in experienced retail leaders to scale,” Haney said in a statement to The Times. “But in doing so, I was no longer able to lead this company in line with the values and vision that guided me early on.”

As investors become more skeptical of D2C “unicorns” flush with cash, the central conflict described within Outdoor Voices will surely remain in need of a long-term solution for D2C startups, especially as the market continues shifting as we speak.



Thinking about the future

There are things businesses of all kinds can learn from the D2C ethos. And because D2C retailers are often small, their successes can be especially sweet. At the conference, Travis described her “made it” moment: seeing an Andie swimsuit on a woman on the beach. She

approached the woman and asked where she got it—not having told her she was the company’s founder and CEO—and she confirmed it was Andie. “Andie with an e,” the woman elaborated.

There’s the thrill of seeing your “thing” in the wild, and there is the added satisfaction of knowing that it was created with the customers’ needs and wants in mind from the start. Especially as customers begin to spend more cautiously and deliberately in this economic crisis, ensuring you’re delivering on your promises for both product and experience gives both the customer and your business a leg up.

Part 3: Retail reimaged

Despite radically shifting the traditional retail business model and incorporating a flexible approach that puts a company’s core values center stage, retailers need to innovate in order to stay truly competitive.

Virtual and Augmented Reality (VR & AR) are examples of innovations that have been creeping into retail for years, but COVID-19 has thrown them onstage and into the limelight long before their scheduled appearance

Take jewelry maker Kendra Scott. In March, when her stores were forced to close, Scott

fast-tracked the shift to letting customers try on earrings using an app, and added other jewelry later.

Sephora already let customers do virtual makeovers on their phones, trying different skin care and makeup products without having to wash their faces in-between. And Zeekit, an Israeli startup that uses military-inspired mapping technology for fashion, exploded from having a few brand customers to preparing to open its own marketplace.

The technology scans garments from many different brands, breaking down each one into 80,000 segments. It does the same for a customer’s virtual physique. So that customers can “try on garments” using augmented reality from any of the stores served by Zeekit, as well as mix and match and get styling advice. Zeekit is planning to open its own marketplace in October, though Amazon came up with its own version of AR fitting rooms recently, too.

Yes, there are privacy concerns with this method of shopping—but customers are at least safe from Coronavirus, a trade many may be willing to make. And once customers get used to shopping like this, it may become a habit.

Shifting consumer priorities

It’s not just how people buy, that has changed, though; it’s what they buy. Currently, many consumers rarely leave their homes. Unemployment is predicted to reach or exceed Depression-era levels of nearly 25% and not return to more normal levels until at least 2022. If schools and daycares remain closed, many people may not be able to work even if they have opportunities to do so. The devastating impact on families can’t be overstated.

But the picture isn’t all dark. Some have found this sudden shift in lifestyle has some unexpected positives, and it has changed their priorities in ways that may last even beyond the pandemic. One fashion publication said people are consuming fashion much more consciously now. Only 13% are buying as many clothes as they did before the pandemic.

Many are reevaluating their need for so many clothes; others say they will focus on comfort more in the future—athleisure wear is big. And many seem to be thinking more about the social ramifications of their fashion choices, from the political stand of the brand to sustainable fashion made from natural fabrics and without toxic chemicals, to clothing resale.

One study by ThredUp and GlobalData showed that the demand for reworn clothing was on the rise before the pandemic: 62 million women purchased second hand in 2019, up from 56 million in 2018. The market itself is expected to grow from \$28 billion to \$64 billion in 2024.

People also seem to be buying different things. One article reported that what people are buying (besides masks and hand sanitizer) includes yeast, subscriptions to MasterClass, cooking supplies, good sheets, and the Nintendo Switch.

David Duncan, senior partner for growth strategy and change at consulting firm Innosight noted that COVID-19 has suddenly illuminated the patterns that people had in their lives that they might want to abandon. “For people who are lucky enough to have a job and a way to manage the craziness of parenting and work and all that, this has been the ‘great pause.’ This is the first time I’ve been home for more than a month in a row for 25 years. I can reflect more, on all kinds of things.”

Duncan, who co-authored a book about Jobs Theory called *Competing Against Luck: The Story of Innovation and Customer Choice*, said Job Theory would work well to help retailers figure out what’s next. The theory says that people don’t buy products and services, they hire them to help them get a job done. If the product or service does a good job, they may hire it again; if not they may fire it. Pandemic or no pandemic, customers have problems to solve. They must feed their families, educate their children, pay their bills, protect their health, and find ways to still feel good about themselves and keep themselves from going crazy during the pandemic.

Giving shoppers an experience—still a priority

Some of those “jobs to be done” can be accomplished expediently by more utilitarian retailers focused on helping people get in, buy something fast at a low price, and get it delivered quickly.

But retail handles another job, Duncan said, which is offering a positive experience, immersing consumers in the feeling of a brand or surprising them with a new discovery.



Some retailers do this through their websites. Patagonia's site, for example, not only sells products, but features stories and videos about social and environmental issues, and about the types of places, adventures, and adventurers that inspire people to buy outdoor gear. Other companies are trying to simulate an experience in shoppers' minds, and in their physical lives. High-end outdoor outfitter Canada Goose offers a Toronto shopping experience it calls "The Journey."

The socially distanced experience has shoppers enter via a walkway that looks and sounds like crunching ice surrounded by dark walls. They go into a cold room with real snow and vistas of snow-covered mountains. There's no inventory in the room, but shoppers can order on an interactive screen inside the experience and have their merchandise within 24 hours or less. The company calls it a break from the pandemic insanity—though purchasing a \$1,000 coat isn't necessarily a break everyone can afford.

It's possible that, in the future, the malls that do remain will no longer be the place where people shop for things. They might become interactive customer experience halls where

people can engage with brands on a visceral level without any real merchandise, like Canada Goose. Or they might become much-needed warehouses for a burgeoning e-commerce business.

Shopping could go full on AR and VR. Perhaps someone will even make it possible to have the experience of shopping on the Champs-Élysées in Paris or in a Moroccan Souk, then get the items at your house.

One thing's sure, the future of retail just got interesting, fast.

How Zendesk can help retailers

Zendesk is a customer service and engagement platform for retailers that want to deliver the best brand experiences for their shoppers that increase loyalty and create evangelists.

With Zendesk, retailers can deliver shoppers seamless omnichannel experiences and AI-powered self service that fit with their brand. Agents get powerful, in-context workspaces and unified knowledge management for personalized service. With an open platform, integrated into your entire ecosystem for a complete view of your shopper.

To learn more about how Zendesk can support retailers and join these leading companies in delivering exceptional experiences visit our [Zendesk for Retail page](#).

