Overview:

“Sam walks into a store, he is able to quickly find the sections where the items he desires are located. He also has the opportunity to try a variety of colors, sizes, and fabrics before making a final decision on what he wants to buy. He proceeds to the check-out counter, where he swipes his card and leaves with a bag full of items he desires.”

How is Sam quickly able to locate and decide on the product he wants so efficiently? Before the time Sam enters the store to long after he leaves, there are numerous organizing systems that are designed to make the retail space experiential, navigable and assistive. These systems effectively organize both the physical space and products within the store as well as the interactions between the salesperson and the consumer.

What is being organized?

In any retail store there are two main organizational systems: the physical space itself and the human interactions within the space. Therefore, any effective retail space must consider how it affects both the physical layout and the common interactions within it.

From a physical sense, there are two main entities that can be organized: the floor plan and the products. The floor plan is primarily should organized around the dominant use cases: inventory management, customer traffic, product display, customer demos and payment transactions. These five use cases encompass the vast majority of utility the retail space should provide, and thus the physical layout must be designed around these use cases.

Product turnover is inevitable, and thus the inventory or stock needs to be easily accessible by the employees, but extra items should remain out of sight from the consumer so as to make the space appear cluttered or disorganized. High volumes of customer traffic are desired, thereby requiring large open spaces for the consumer to wander through, but the spaces also need to be small and well-contained in order to maximize efficiency and reduce real estate costs. In order to best display products, there need to be large display cases or clothing racks that are easily visible by consumers. These display areas need to be easily navigable by consumers and the products within them are often organized according to type and size. Lastly, there needs to be a mechanism through which consumers can purchase the goods they desire and track their spending.

Additionally, the products within the store need to be organized. Traditionally, these products are also grouped by use or consumer type at the highest level, i.e. separated by gender, age or utility (kitchen, clothing, electronics). The products within these high-level groups are then organized in increasing granularity, starting at brand, then style and lastly size.

Furthermore, not only must the physical space and products be organized, but the interactions within the store are strategically organized. There are two main type of interactions:
employee to consumer and employee to store. The former, is governed by providing the best experience for the customer as a means of maximizing total sales. When in a store, a customer’s actions can be segmented into 4 main categories: view, buy, carry, and try. Thus, the retail store strives to make these 4 actions as easy, and comfortable for the consumer as possible.

Lastly, a retail space must effectively organize and deploy their employee's labor. The size of the store must be able to be effectively served by the number of working employees. This labor is best deployed if employees can focus on solving clearly defined, static tasks, as the more complex or distributed the employees work is, the less productive they will be. These tasks are typically broken down by function and requisite skill-set as shown by the different types of individuals who work in customer service versus inventory stocking. However, the greatest value from the employees comes from their ability to provide high-touch experiences, something technology lacks.

**Why is it being organized?**

In the mid-1950's, the modern concept of American consumerism was born. People came to America with the hope of being able to find a job and afford the luxuries sold at a Macy's or Sears. They wanted to be able to go a store and buy anything their heart desired or their mind could imagine.\(^1\) Thus, the goals and purposes of stores was to maximize in-store sales, maximize inventory turnover and minimize shipping costs. However, due to the increased granularity and spread of personalized data, the role of the brick and mortar retail space is changing. The online market provides personalization, access to an infinitely wide product category, and convenience which are well beyond the capabilities of the brick-and-mortar retail space.\(^2\)

Now, stores cannot expect to compete with the transaction ease or shipping convenience of the online environment and thus they must adapt their goals to provide a service the online environment can’t. Therefore, the brick and mortar store should strive to enable brand or product discovery, create high-touch, experiential environments, and maximize total sales (regardless of whether this occurs in store or online).\(^3\) There are numerous examples of brands re-organizing their stores ranging from the introduction of cold dressing rooms by Canada Goose to being able to try Nike basketball shoes on the court. This reorganization and rethinking of retail spaces extends beyond apparel and to numerous other product, even tea. Teance, a tea store in Berkeley, has created a zen garden tasting room where consumers are able to sample their teas. The goal of all these places is not sell more products in store, but to provide consumers with a unique, memorable experience they can’t get online.\(^4\)

By shifting their goals, retail stores can provide useful experiences for consumer that is complementary to the transactional and shipping efficiency of the online marketplace. This will save brick and mortar stores from the so-termed retail apocalypse, that threatens to close over

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1. Bhattarai, Abha
4. Linklater, Jesse, and Anne Mulvenna.
75,000 stores. Additionally, a well-organized, experiential retail environment that is complementary to online sales will lead to long-term profitability and brand loyalty: the two major goals of retail stores.

Artifact:

The first artifact below is designed to show the changing purpose and goals of retail stores and the actionable changes they can take to achieve these goals. It organizes the store into two distinct components: service and physical layout.

The second artifact is designed to show what a single floor of a modern department store may look like. There is specific areas for each brand and a centralized color, fabric and style exchange. There is also a centralized dressing area and wide walkways for user to feel comfortable. There is also no check-out stand and simply a digital receipt so you can purchase your desired goods at home.

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5 Bhattarai, Abha
How much is it being organized?

The modern retail store is in dire need of a disruption. More stores than ever are expected to close, online shopping increased 103% last year and 51% of people prefer to shop online.⁶ The modern retail space needs to evolve and reorganize quickly or it will become obsolete.

Today, it has become a central focus of many startups and has been termed “retail tech”. Many companies are looking to revise modern retail design of all sizes from single boutique stores such as Teance to massive multinational corporations such as Target. The desire to reorganize is not limited to single stores, but is also a central tenet of malls and city center development. Shopping malls across the US, are becoming mixed-use centers, by adding fitness centers, parks, restaurants and other entertainment options to make their space more useful.⁷ Shopping malls and stores are no longer limiting their resources to what they can sell, but rather on how they can best serve the consumer.

This desire to re-organize retail spaces stretches beyond the US and into Asia and Europe as well. Numerous businesses in Asia have embraced this experiential trend such as a South Korean beauty brand which has opened cafes in all of their stores or a South Korean sunglass store that is known for their iconic art.⁸ These places are re-organizing their entire business model, revenue plan, employee labor, and space layout to make their stores a destination instead of simply a store.

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⁶ Bhattarai, Abha  
⁷ Ell, Kellie  
⁸ Linklater, Jesse, and Anne Mulvenna.
When is it being organized?

The organization of retail stores happens in two different places. On the macro scale, it happens before the store is even built. The stakeholders including the corporate executives, company branding team and architects all must work together to design a experiential space that is aligned with their brand values. They work to define a clear vision for the company use the space to reflect this vision. For stores such as Target this means making people’s shopping more efficient, and thus they have begun to offer curbside pickup and digital, item-detailed maps of the store. ⁹

Secondly, the store’s employees and local management must clean and organize the store every night. This requires being able to handle incoming shipments, constantly changing inventory, and new customers. Seasonality is key for stores, as inventory changes are required for different weathers. Stores must also consider time of day, as after work and weekends are typically the busiest, thus they must ensure they have enough resources to support this changing demand. ¹⁰ These consistent fluxes require careful labor and physical space and product planning.

How or by whom is it being organized?

Retail spaces are designed at the highest level by the corporate executives. They define the vision and success metrics and everyone else works to meet these goals. Then the corporate branding and marketing team come up with the ideal aesthetic and functionality of the store. They then work with the architects, contractors and designers to build the store. Thus we see a very hierarchical structure in terms of organizing the overall space.

Additionally, as mentioned many malls are undergoing a reorganization as well. These changes are typically driven by the commercial real developer at the top and then he/she works directly with the contractors and architects. This structure is slightly flatter and can change a narrower area faster.

Lastly, on a daily basis the store is reorganized by the daily staff. They are in charge of stocking the display cabinets, providing a service for the customers, and maintaining a experiential store. This structure is also hierarchical typically consisting of a GM, a series of lower managers, and then general employees.

Constraints and Concluding Word:

In this case study, I have focused solely on the reorganization of the physical retail space. I have limited by analysis exclusively to this segment of the consumer industry and have no considered other aspects such as revenue models, corporate structure or the online marketplace. There are many changes in all of these areas that must occur to make the experiential retail space possible.

⁹ Davenport, Thomas H., and Michael Parduyn.
¹⁰ Ell, Kellie
There are also some technological innovations that may make even the experiential retail space obsolete especially VR. If people can virtually experience goods from the comfort of their home, there may be no need at all to visit a retail space.

In conclusion, the modern retail space must undergo a massive reorganization or its purpose, space, and labor in order to provide a valuable experience that is complementary to the online marketplace. Corporate leaders, marketing teams and commercial real estate developers must work to revise current retail store to make them experiential, high-touch destinations.

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11 Sparrow, Stephen
Works Cited:


