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## **Innovative Retail: A Framework for the Future of Brick-and-Mortar Retail in an Omnichannel Market**

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## **Abstract**

This thesis was intended to explore the how the role of innovation in customer experience has evolved since the advent of American retail and how it can inform primarily brick-and-mortar retailers on corporate strategy formulation as they prepare for Generation Z to become the primary wielders of purchasing power in the retail landscape. A literature review featuring analysis of two best-in-class retail chains alongside their historical context revealed that many of the innovations in customer experience strategy shaped consumer behavior going forward. To investigate, I conducted a nationwide survey of Generation Z consumers to ascertain their shopping preferences and the most influential factors they consider when choosing where to shop. I hypothesized that to remain competitive in the changing retail landscape and cater to the preferences of Generation Z consumers, brick-and-mortar retailers need to prioritize innovation in the customer experience. The results of the survey confirmed my hypothesis that brick-and-mortar stores should focus on the customer experience to adapt to the changing consumer base. This research is supplemented by personal & firsthand accounts of customer experience strategy in action at three of the stores discussed: Apple, Nike's House of Innovation, and Reformation. Despite the ongoing trend towards digital shopping experience, the significance of the physical store has never been greater as its role in society morphs. To remain competitive in the changing retail landscape and cater to the preferences of Generation Z consumers, brick-and-mortar retailers must prioritize innovation in the customer experience.

*Keywords:* Retail, Innovation, Business Model Analysis, Consumer Behavior, Behavioral Analysis, Generation Z, Omnichannel, Customer Experience

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## **Introduction**

The average American citizen spends about five hours a week, or 34 days annually, shopping (Bower et al. 16). Since the opening of the first ever traditional stores, consumer behavior and preferences have continuously changed the channels in which retailers reach their customer bases. In 2024, it is easier than ever to order a myriad of unique products at the click of a button, causing economic analysts to point towards a decline and even a demise of brick-and-mortar retailing as a whole. But through analysis of purchasing behavior and needs of consumers, we can see that this may not be true. As consumer behavior evolves, it becomes increasingly evident that the future of American retail lies in the integration of traditional brick-and-mortar business models with e-commerce channels through omnichannel strategies. This ensures that retailers themselves can meet the diverse needs and preferences of the next generation of shoppers, Generation Z.

This thesis will detail the evolution of the role of customer experience in American retail, and the innovations that have allowed it to adapt to the advent of new generations. Paired with historical context, it will analyze how changes in the retail landscape have molded shopping habits of consumers across generations. By analyzing American retail's evolution through the lens of innovation, this thesis aims to connect the underlying customer experience trends that have caused major shifts in consumer behavior over the years. It will explore how changes in market dynamics, technology, e-commerce, and more have influenced the strategies used by retailers across the United States to provide value to consumers.

Yes, the rise of e-commerce has revolutionized the retail landscape in past years. But it is not the first innovation to radically change the way we shop. By both embracing innovation as a concept and holistically focusing on the customer experience, retailers with a focus on brick-and-

mortar can position themselves for success through providing exceptional customer experiences across all channels in the 21<sup>st</sup> century.

## **Literature Review**

While there are many ways to describe the quintessential “American Experience,” it is hard to disregard the general stores of main streets past or a quick trip down the halls of a department store around Christmas time. No matter where one is raised – in a small country town or a bustling city - brick-and-mortar retail has been a part of all our lives. But how did this seemingly omnipresent culture come about? The beginning of American retail starts at the beginning – when America was an agrarian, rural society. During the 19<sup>th</sup> century, the typical American would make trips to general stores located centrally to procure basic products needed for the home, such as dinnerware, food, and cooking supplies. Over time, these became gathering places for residents of small towns, serving as a hub for community events, occasionally serving food and existing for the spirit of coming together. As these general stores, more commonly known as Dry Goods stores evolved, they began to split and specialize; some turning to sell groceries, or textiles, or hygiene products. This phenomenon gave rise to America’s main streets – which became commercialized around the late 1800s into the 1920s (Provost 10). These were localized, walkable, neighborhood hubs that grew into what would eventually become home to some of the largest retail brands in the United States.

But as America’s population grew – so did the cities that once shared a small amount of brick-and mortar stores. This phenomenon became known as Urbanization. Due to the recent effects of the Industrial Revolution, workers and families alike were drawn to growing cities such as Chicago, New York, and Boston. In the years encompassing 1830 and 1930, the rate of

urbanization increased rapidly (Provost 15). The share of the US population living in an urban area grew up to 60% in that time. ("Urban and Rural Classification and Urban Area Criteria."). As America grew into a more urban society, the main streets evolved into large urban centers that also served as gathering places. Emerging in these new cities were department stores, such as Macy's in 1858 and JC Penney in 1902. These department stores were not just places to buy a large variety of product, but venues where shoppers could be entertained and indulge. Early department stores featured amenities such as nail salons, tea rooms, and galleries. These stores became more than just a place to buy products; they served as community gathering spaces, which allowed shoppers to relax, socialize, and indulge in activities. These community gathering spaces provided value to both the store and the customer as it allowed the latter to spend more time in the store itself, helping drive sales.

In 1883, saloon keeper James Ritty invented the first cash register, leading to ease of accounting for businesses ("Retail's Revolution"). With the adoption of this innovation, businesses could easily see if they were operating at a profit or a loss. This eventually became a widespread innovation and was placed in stores across the country. Now that accounting existed in a centralized system, stores could begin accepting other modes of payment. During the time of the invention of the cash register, "Mom and Pop Shops" or corner stores owned by local residents still had a relatively large hold of the retail market (Smith 45). These shops provided a warm and personal shopping experience, and some eventually expanded into major chains. In the 1920s, charge cards became extremely popular, usually being issued by hotels or businesses. As credit gained a greater foothold, more Americans began shopping in brick-and-mortar stores now that they had the greater freedom to buy now and pay later. As well, elements such as fixed

pricing and attractive window displays enticed consumers to utilize this new credit at larger, more community-centered shops such as department stores.

This period of rapid retail expansion also saw business model innovation – such as mail-order catalogs, chain stores, and niche stores. These various store models all-combined post World War II, in a new concept known as a shopping mall. Developed by architect Victor Gruen, the first modern shopping mall had indoor plazas, statues, ambient music, and large parking lots. The aim of Gruen in designing malls such as the Northland Mall in 1954 was creating a concept where consumers could feel comfortable enough to spend an extended amount of time in that environment and hopefully, aid purchasing decisions (Provost 56). This effect of encouraging prolonged stays eventually expanded to spaces such as food courts, smoking areas, indoor gardens, and more to add to the ambiance. Malls sprung up originally in Urban areas, but quickly expanded to the growing suburbs as well. By 1950, around 45% of Americans resided in a suburb (Boustan 5). This innovation by Gruen created a new era of retail in the United States, spurring adaptations for the ever-growing suburban market.

As purchasing power in suburban markets began to grow, so did both the number of stores and product offerings. Fueled by the baby boom and a period of general economic prosperity after the effects of World War II to around 1960, retailers began to expand their footprint and further cater to the changing preferences of this new base of customers. Stores such as Macy's, Sears, and JC Penney moved into the now 4,500 shopping malls across the country as anchor tenants (Cohen 18). Throughout the 1960's the retail sector in suburban markets experienced a rapid expansion. Retailers noticed the unique characteristics that set these suburban residents apart; they had high rates of car ownership, larger household sizes, and busy lifestyles that signaled a need for convenience. These opportunities became ripe for innovation –

such as the self-service supermarket, discount retailing, and the adoption of barcode technology. As the market adapted, the retail stores themselves adapted as well. In the decade from 1960 to 1970, more than 8,000 shopping centers were built across America (Freeman 12). These shopping centers became the picture of the changing retail landscape – embracing innovative techniques such as strategically placing merchandise in their windows to attract shoppers and having a diverse mix of tenants in one place. These innovations reflected the dynamic nature of the U.S. retail market and continued to do so as the amount of disposable income in the average American household grew.

### **Brick-and-Mortar Trailblazer: BEST Products Co. Case Study**

But what does “innovation” truly entail when it comes to retail? Innovation comes in many different forms. New ideas, processes, and strategies have served as innovations in the market since the advent of brick-and mortar stores. Innovation isn’t just about the amount of technology used in the creation of a retail store. Sometimes, it can be as much as how a retailer chooses to adapt to the preferences of a new generation changing the retail landscape.

Perhaps the most innovative store of the past is BEST Products Company, the second most successful catalog retailer in the United States at its peak level of sales (Williams). BEST was a new type of store for a new generation. The generation coming of age and coming into power at BEST’s peak were the Baby Boomers, those born from 1946 to 1964. This generation grew up in the 1960s and 70s, experiencing economic prosperity in their youth and carrying that confidence into the 1980s, when they went on to raise families of their own. BEST didn’t just solely rely technological implementation for attracting and retaining consumers; they were at the forefront of business model innovation, store layout optimization, store design differentiation,



and automation. These five areas of continuous improvement and innovation contributed to the success of BEST, which operated over 200 stores across the U.S. with revenue exceeding \$2 billion at its peak (Williams).

In 1957, entrepreneurs Sydney and Frances Lewis made a living selling encyclopedias out of catalogs. They identified a need in the market; consumers wanted a larger selection of products that they could easily order from a catalog format. They decided to create a new kind of business: a branded catalog with a warehouse open to the public called a “showroom.” This business model innovation filled the gap in the market for a “one stop shop” catalog with ease of ordering, as well seeing and feeling tangible items before purchase. In contrast to the multitude of standard catalog businesses at the time, BEST consumers could be more involved in their purchase decisions as they were able to make choices based on tangible characteristics of their products. Consumers could browse through BEST’s showrooms and pick up their desired products at the end of their visit, like how retailers such as Ikea and Raymour + Flanigan work today. Their first showroom opened in Richmond, VA, and sent out catalogs simultaneously. Through the decades following, their “*Portable Showroom / Permanent Catalog*” format caught on quickly, expanding into nearby states such as Maryland and North Carolina. This business model innovation was well received by the American public at the time, with the company going public on the NASDAQ exchange shortly after.

As their catalog showroom format stood to influence many of the retail giants of the future, so did their continuous innovation in store layout. At inception, the showrooms featured distinct sections for their products (Cameras, Home, Jewelry, etc.) As the company expanded nationwide, all its stores were built in this layout, which is referred to as the Prototype One or “Regency” layout. These stores featured distinct departments, some closed off, and some opened

(Williams). According to company personnel, this layout gave consumers an open look at the store's breadth of merchandise. It featured short aisles, as well as grid and boutique layouts for each department, creating optimized viewing for consumers. While BEST had great success in expansion with this layout, the founders and executive team realized a need to innovate to keep up with the changing priorities of consumers. In 1985, a second prototype of store layout began to be built, which would influence department store retail as we know it, even to today. This was called the Store of Tomorrow, or the SOT. The SOT layout revolutionized both the in-store shopping experience and later trends in merchandising. Rather than the seemingly disjointed Regency stores, the SOT took consumers on a journey through BEST's product selection by utilizing Freeform + Grid merchandising areas as well as a "racetrack" or "loop" floor layout. The "racetrack" floor layout has customers walk throughout the entire store & signs guiding them where to go, making it easier for consumers to see products that they may not have considered purchasing to influence that decision. The main track of the SOT layout would start at the front, weave through Electronics, Toys, Jewelry, and more sections before reaching the end of the track: the checkout counter. This layout allowed BEST to put a variety of products facing the customer in a more natural way. This exposure to innovative and different products increased the likelihood of a consumer buying them, whether through impulse or category education. It offered more freedom on how to set up the store, increased the number of endcaps to promote merchandise, and allowed seasonal or popular items to be placed in the center of the loop. It was not without its disadvantages, however. According to the analysts at Homeplate, they found that some high-ticket areas at BEST could be hidden. This innovation sparked a wave of newer stores adopting this concept as well, with today's leading retailers such as Target and Kohl's (Homeplate Media).

BEST's innovation of using a racetrack accelerated sales for new categories. Take computers for example. At the advent of the 1980s, consumers lacked category education on PCs and their use. The years from 1980 to 1984 were generally considered the "8 bit" era – with PC sales hovering around 5,000,000 units as compared to the 286.2 million units sold in 2022 (Woldt). Throughout the 70's and 80's, computers were mainly sold in niche boutique retailers such as Byte Shop and ComputerLand. When sold in department stores, they were almost always co-merchandised with other store products, such as desks available for sale, which detracted from uniform merchandising. In the regency locations of BEST stores, computers were merchandised as such, with complementary products such as computer chairs and accessories sold in other aisles, often far away from the computers. BEST noticed an opportunity, both with the lack of category education as well as need for a more uniform visual style and adapted how they merchandised computers in their SOTs. In the SOT locations, computers were displayed in uniform rows, showcasing the product itself and giving a workable prototype for customers to use. Next to the computers were computer accessories, such as fax machines and mice which provides easy access to complementary products, increasing willingness to buy.

There were pros and cons to the implementation of the SOT layout. One example of this is in the merchandising of televisions. In the regency layout, TVs were placed in aisles and cross-merchandised with credenzas, keeping them at eye level for customers. This new way of cross-merchandising also added ease to the maintenance and cleaning of the televisions. At the SOT locations, televisions were all placed along a back wall. This allowed consumers a birds-eye view of all different options in an eye-catching way, however it created the effect of some being too high for the customers to see. Another potential disadvantage created by the SOT layout lay in the merchandising of camcorders. As opposed to sitting freeform behind a counter in the

regency layout, they were now displayed in a glass case, which required extra effort. However, the SOT layout was designed to continuously iterate and change. Through the 1990s, BEST continued to implement recommendations in these experimental stores, such as lowering televisions to eye level and redirecting aisles towards checkout counters for security purposes.

But BEST is not remembered in the history of retail for their store layout. Rather, their innovative blend of art and architecture sets them apart and is still emulated by retailers today. The Lewis family were huge fans of fine art, often investing in young artists in their communities and trading store merchandise for sculptures and paintings. In the late 1960's, the Lewis family became acquainted with James Wines, founder of the architectural firm Sculpture In The Environment, better known as SITE (Williams). SITE, which still exists today, exists to unite building design with visual art. Wines proposed that the Lewis's construct a brand-new type of store that would marry the innovation of BEST with a unique new style of architecture, for a low investment and resulting in high traffic influx to the store. In 1971, the first of nine SITE showrooms appeared: dubbed "The Peeling Project" located in Richmond, Virginia. It was a large brick building that appeared to have peeling corners such as that on a piece of paper. This architectural vision was a great success and was met with astonishment from the public. Blending innovation and marketing, these unorthodox showrooms brought in a great number of customers who would not have traditionally shopped at BEST. The nine non-traditional showrooms are to this day hailed as architectural marvels. The most iconic, however, was the Indeterminate Façade in Houston, Texas, constructed in 1975. The building featured an illusion of crumbling bricks but was kept immaculately manicured inside. According to a survey by ArchDaily, it was the most photographed building in print in all the 20<sup>th</sup> Century ("The Intersection of Art and Architecture: The Best Products Showrooms by SITE Sculpture in

the Environment"). Other well-remembered and heavily documented BEST showrooms were the Notch Building and the Rainforest Building. The Notch Building was in Sacramento, CA, and challenged the traditional notion of entry, as the doors were located at the corner of the store behind a movable brick corner. Its mechanized, post-modern design was a commentary on consumerism as a whole and served as an ironic foreshadowing for the fate of the company. The rainforest store, fittingly, was built from existing forest on site in Hialeah, Florida. The front of the building featured a glass façade which utilized recirculated water from the outside to ease the cooling load in the building as a whole ("Intersection"). The design of this building influenced the SITE architectural style for years to come, focusing heavily on sustainability and design influenced by the local community.

Visible and invisible automation helped propel BEST to success in their era. Innovation started within warehouses and carried out into showrooms. According to Showroom Manager Randy Allen, who worked with the retailer from 1972-1998, BEST created a system to reduce human error and increase speed by automating the distribution process. They invented a conveyor belt and scanner system in warehouses that automated the reading of product barcodes and split them off to reach specific trucks. This automation simplified the process of sorting and helped decrease inventory pileup and hold times. However, their visible conveyor belt automation was perhaps the most defining aspect of the BEST experience. As BEST operated under a catalog and showroom model, products needed to be brought out to customers at the checkout. Cashiers would utilize the integrated computer system to press the product that the customer was planning on purchasing, and a pneumatic tube system would automatically roll down the product on a conveyor belt and be delivered to the cashier. This innovation in automation was unlike that of any other retailer at the time. Consumers of BEST often say their

fondest memories of the store were watching their items come down on the conveyor belt. By thinking outside the box and embracing these automations, BEST set themselves apart from other retailers. These technological innovations were brand new to the generation shopping at BEST – as the technological integration sparked a period of rapid development and integration.

While BEST’s contributions to the retail sector will never be forgotten, the chain did end up going into chapter 11 bankruptcy twice. In September of 1996, they made their second and final filing with 169 stores open and 11 jewelry stores currently operating. It soon was delisted from NASDAQ in November 1996 and liquidated most of its assets by May of 1997. BEST’s innovations in business model, store layout optimization, store design differentiation, and automation still have implications in the global retail space to this day. BEST represents a transformative period in American retail where consumer expectations and industry dynamics began to be shaped by the stores themselves. The rise of big-box retailers such as Costco and Walmart, while innovative, competed more on pricing than brand differentiation. This shift heavily influenced how this new generation of Baby Boomer consumers assessed value in a brick-and-mortar format; being exposed to lower prices in a tangible format, setting a standard going forward for value. Unfortunately, this heavy focus on economies of scale and value innovation resulted in many innovative elements of retail being perceived as “fluff” from the public. Large chains began to further homogenize with the introduction of new technology – creating what consumers could see as a more standardized and streamlined shopping experience.

While the introduction of new technologies in this period led to many improvements in the retail experience for retailers and their customers alike, the pursuit of cost efficiency that it sparked led to a less personalized and differentiated retail experience for many stores, especially big-box retailers who focus on providing affordable products in a uniform way. This shift had a

large impact on both the expectations of consumers and the dynamics of the industry itself, which shaped retail's role in the boomer-dominated American market for years.

## **History of E-Commerce**

The first secure data transmission made online was in 1979, paving the way for transaction-processing software and creating the idea of online shopping by connecting the television of a consumer to a computer of a retailer via a telephone line ("The Internet: Changing the Way We Communicate."). This invention of Electronic Data Interchange, or EDI, was mainly utilized for teleshopping throughout the decade. However, through the next two decades, the rate of adaptation of this technology was much slower than that of the computers on which it took place. Very few advances in e-Commerce were made throughout the 1980s, with notable pioneers being the Boston Computer Exchange (BCE) – a platform for buying and selling used computers, and Minitel, an online service free to telephone subscribers in France that connected them to a computer network. One notable example of a mass market for online retail was CompuServe's Electronic Mall. Acting as a predecessor to even the World Wide Web, the Electronic Mall featured around 110 different merchants and allowed users to purchase items directly from the merchants themselves ("CompuServe expands electronic mall"). Some of the retailers with products available on the Electronic Mall were Sears and American Express. While the Electronic Mall was not a worldwide success due to the low rate of adoption of its technology and high barriers to entry, it is one of the first examples of a marketplace existing solely for the purpose of shopping online without the need for a brick-and-mortar store.

In 1989, CERN researcher Tim Berners-Lee proposed the idea for a hypertext-based web of information that he called the World Wide Web (CERN). Originally proposed for information sharing between scientists at colleges and universities, the World Wide Web rapidly expanded to become a cornerstone of the growing computing field. However, the National Science Foundation, a government-funded organization that provided financial support for the internet and partnerships for advanced computational infrastructure, was slow to commercialize the early internet (The NSFNET) due to their beliefs that it should still be utilized for research purposes and not commerce. Their strict allocation of funding did not change until 1991, when the organization changed its acceptable use policy to allow commercial traffic on the internet (NSF). Due to this grand change, internet users could access sites without having to pay to utilize them. This policy change paved the way for private commercial markets to thrive on the internet throughout the early 1990s. In 1993, web browsers such as Mosaic and Netscape Navigator were released. These browsers included early SSL security protocols (Roos). These security protocols encrypted messages on both the sending and receiving side of transactions – making them essential for personal information such as credit card numbers and addresses to be passed over Internet servers.

1995 was perhaps the biggest year for e-commerce since its inception – it saw the launch of credit card processing services CyberCash and First Virtual as well as the development of digital ID certificates to verify the legitimacy of online businesses. The building blocks to e-commerce as we know it started with the processing of the payments themselves. Even with advances in SSL encryption, consumers were still wary to give up their personal information to shop online. However, innovations in digital money management put potential consumers at ease and laid the groundwork for widespread adoption of e-commerce. First Virtual Holdings Inc. was



the first company founded that focused specifically on processing online payments for preexisting and new marketplaces (Computer Language Co.). How the money moved through the web took multiple steps: establishing an ID number with First Virtual, sending over their ID number to the participating vendor, having the vendor confirm the purchase with both First Virtual and the customer, and transferring the money itself through the Automated Clearing House. As the years went on, this process was streamlined and companies such as FirstVirtual and CyberCash eventually went out of business. This procedure of processing credit cards online became essential for e-commerce in the future. Another essential building block of reputable e-commerce was the rise of certificate authorities. A certificate authority is a business responsible for issuing digital ID certificates that contain information about the identity of a website and its legitimacy. Certificate authorities like Verisign, also founded in 1995, are essential for ensuring secure communications and transactions over the internet.

With these essential safeguards in place to ensure privacy and data security, online marketplaces such as Amazon.com and eBay began to launch. Started in Seattle as a small online bookstore, Amazon.com became one of the first mass online marketplaces to exist. After founder Jeff Bezos realized the potential of the growing e-commerce industry, his sales skyrocketed to \$20,000 per week within the first two months of operation (URLWire). Although it was not until 1998 that Amazon.com would move past just selling books, its innovations in business model and online retailing set the stage for all e-commerce platforms that would come after. Not far from Amazon's Seattle headquarters, California computer pioneer Pierre Omidyar was developing online auction platform AuctionWeb around the same time as Amazon's launch. Originally, AuctionWeb allowed its users to place bids on items without charging them; mirroring that of a classified ad or traditional auction (Mullins et al. 95). Interested in the potential of e-commerce,

Omidyar built the AuctionWeb, now named eBay, platform originally as a hobby and expanded it due to its unparalleled success. What made eBay so innovative was its gross margin model – its cost of goods sold included just the expenses for moving bids and operating their website. At this point in time, their gross margin exceeded 80% (Mullins et al 96). The virtuality of eBay was the key to their success and set the stage for many other “virtual” retailers down the line. By the end of 1996, eBay sold \$7.2 million worth of goods – and due to its shift towards toy collection with the advent of Beanie Babies, they sold around \$95 million worth of goods (eBay). Because of the low operating expenses and lack of a need for a physical office or store, many retailers began to implement the scalable and profitable business model that eBay had in place. Throughout the 1990s, the business model innovations of Amazon and eBay demonstrated the true potential of the online marketplace and would change retail as we know it.

By the year 2000, 52% of Americans utilized the internet, with that number increasing to a whopping 71% just 5 years later (Pew Research Center). As both broadband connection and personal computer ownership increased, e-commerce became more readily available to Americans from all walks of life. E-commerce at the turn of the century was characterized by the introduction of new technological advancements and emergence of innovative business models. Online marketplaces such as eBay and Amazon continued to expand throughout this period, with the latter turning its first profit on revenues of over \$1B in 2001. However, not all online marketplaces enjoyed this same prosperity. As the internet ballooned in popularity, many technology companies emerged looking for a piece of the prosperity that many companies were enjoying. Due to this rapid rise, there was a large rise in venture capitalists and investors pouring money into these companies, some of which operated in the e-commerce space such as Pets.com, Boo.com, and Webvan (Mullins et al. 141). Unfortunately, many of these companies did not

establish a thorough business plan and were not able to keep up with the growing interest rates from investors. In March 2000, the stock market crashed and even the most infallible companies lost up to 80% of their stock value. This was referred to as the “dot-com bubble” – an event that severely hindered e-commerce in the following years. However, the survivors of this bubble burst emerged stronger than ever. New business models came to light – such as Etsy in 2005, which allowed artisan and vintage sellers to list their products for a small \$0.20 fee, subscription-based e-commerce services such as Netflix and Columbia House, and smaller drop shipping websites which delivered product to customers without ever touching the physical product itself. These innovative business models expanded e-commerce’s footprint by offering brand new value propositions to consumers and catering to more niche markets.

E-commerce accounted for 3.4% of total retail sales in the United States by the year 2007 and has continued to skyrocket since then (Pew Research Center). In that same year, 50% of all U.S. adults had bought a product online. While niche marketplaces surely contributed to this ever-growing number, it is important to note that this was around the time of mass-market retailers, such as Target, JC Penney, and Walmart launched and grew their online stores. As well, internet search began to introduce those who previously were limited to only the stores in their immediate area to the concept of (seemingly) endless choice. Yahoo (and later Google) would lead consumers to a multitude of different websites to shop for products, allowing a greater variety than ever known before. E-commerce as a market experienced significant growth in the 2000s and early 2010s. With the growing number of smartphones and personal devices, everyone from children to adults had easy access to a wide variety of products right at their fingertips.

## **What is Omnichannel?**

In the years after the dot-com bubble burst, retailers in the United States had two focuses: improving their brick-and-mortar stores and establishing a strong online presence. However, these diverging focuses unintentionally left a great divide between the two. Many retailers found themselves at a crossroads with different departments and strategies for their online sales, fulfillment, in store sales, marketing, and more. The people in charge of these branches at many major retailers struggled for their strategies to be the most effective – and often poured money into their e-commerce channels unintentionally neglecting their in-store experience and brick-and-mortar channel as a whole. Soon after the 2008 recession, retailers realized that this divide was holding back their progress. In response to this shortsightedness, many large companies such as Nike and Best Buy began implementing new strategies to bridge the gap between their online and in-person shopping experiences. These strategies existed with the goal of creating a smooth and cohesive customer journey, whether the customers were shopping online or in a retail store. Yes, these companies already utilized multiple channels such as online, in person, or through social media, to reach and interact with customers; but through these strategies worked to integrate their business operations within each channel.

This became known as “omnichannel retailing” – meaning a business strategy that offers a seamless and effortless customer experience not just within, but between channels as well. Omnichannel strategies emphasize convenience – as they are designed to meet customers where they are, no matter if they encounter a brand online, on social media, or in a physical store. Its basic key elements include: a unified brand experience through all channels with a consistent brand identity, level of service, and messaging, seamless integration of inventory and customer data, flexibility to switch between channels, and personalization of the shopping experience.

Omnichannel retailing strategies operate with the goal of tearing down the barriers between online and in-person shopping channels, creating a customer-centric experience that meets and exceeds the ever-evolving expectations of the modern market.

Why is an omnichannel strategy necessary for the modern market? Over the past few decades, the retail landscape has seen a great transformation in how stores respond to customer needs. Research shows that this current digital transformation may be the biggest move in consumer behavior that we have seen so far in the history of retail. According to McKinsey, more than one third of Americans in 2021 have made omnichannel features such as buying online and picking up in-store part of their regular shopping routine (Omnichannel: The Path To Value). As cross-channel and omnichannel experiences become the norm, many traditional physical-first retailers have found themselves falling behind. In today's highly competitive retail landscape, only those retailers that can differentiate themselves in some way can succeed. Successful brands have found their competitive advantage through omnichannel – such as those that provide extreme consistency, personalization, and convenience across channels.

Examples of omnichannel innovations that have become widespread in the past few years include BOPIS protocols (buy online and pick up in store), curbside pick-up options, live inventory updates in systems in-store and online, and social commerce occurring on platforms such as Instagram Shopping and TikTok shop. While the reasons for and speed of implementation of these strategies varies between retailers, the overarching idea behind this transformation is to better adapt to changing customer preferences. These omnichannel transformations have helped retailers gain agility in their business model design.

For many retailers, the omnichannel transformation was greatly accelerated by the Covid-19 pandemic. Retailers of all sizes were forced to adapt – transitioning their brick-and-mortar

stores to fulfillment centers where customers could pick up items curbside or get them delivered from the closest store by store personnel. Adapting omnichannel strategies, even in a temporary manner, helped retailers stay afloat even when shopping in person was not an option. One example of this is the Boscov's chain of department stores, which has been in operation since the early 1900s and has expanded to 50 stores in the Northeast and Midwest. Boscov's stores act as last-mile fulfillment centers for online orders, employing specific internet shoppers that pick items for consumers, and package them up for delivery and in-store pickup. Before the Covid-19 pandemic, Boscov's operated a heavy physical-first strategy with limited opportunities for online channel interaction and BOPIS protocols. Although Boscov's clientele mainly consists of 55+ customers, they have adapted surprisingly well to changing consumer preferences amongst the entirety of the retail landscape. Their small-but-mighty chain brings in around \$1.2 billion annually and has expanded to include three new stores this decade (WV Metro News). As the company operates privately, not much is known about how much of their sales come from e-commerce compared to brick-and-mortar. However, this hyper-localization of online purchasing have helped the retailer survive and boost profits while similar department stores are failing. Omnichannel implementation strategies like these have helped the physical-first brand thrive in this decade, and other retailers are beginning to take note.

Studies show that younger consumers, especially Gen Z, do not think in ways of traditional channel boundaries and increasingly evaluate the value of a brand based on the seamlessness of their shopping experience. As omnichannel becomes the standard, we can look back on predecessors who have perfected the implementation of omnichannel strategies to tailor the customer experience to inform retailers how to succeed.

## **Pioneering Omnichannel: Apple Case Study**

It is hard to imagine a world without the retail omnipresence of the Apple Store. Some say that Apple's most innovative product isn't a product at all – it is their retail chain of 527 stores (272 in the United States alone.) Apple Stores have had a grand amount of influence over not only consumer electronics stores, but also retail in general. Partially due to the attention to detail and customer service, the Apple Store often rates as a higher perceived quality of products. Apple's brand is felt in every corner of their store, from the outside architecture to friendly, knowledgeable employees to clean and pristine sales counters. The formation of the Apple Stores was guided by the same strategic objective that the company was built on – to “Think Different.” Because Apple was able to take the homogenized and non-innovative brick-and-mortar sales channel and align the brand philosophy in retail strategy, they were able to crush records. The Apple Store reached \$1B in annual sales in just three years, faster than any other retailer in existence. Just two years later, revenue reached \$1B a quarter. Apple's widespread success has created what some experts call a “template for retailers” looking to innovate with the goals of gaining a wide and loyal customer base. Apple's innovations lie in the areas of integrating technology and design, the disruptor that is the Genius Bar, the “town square” effect, and perfecting the concept of an omnichannel retail ecosystem.

The Apple Store was never supposed to work. In fact, Apple originally did not merchandise their own products. In 1997, Steve Jobs, tech innovator and CEO at the time, grew increasingly frustrated with the store-within-a-store concept. Identifying a need for refined presentation of Apple products, Jobs began testing online stores and honing what worked from the store-within-a-store concept inside retailers such as Best Buy and CompUSA. After an iterative prototype set up in their Cupertino, California, headquarters, the Apple retail team set

up and opened their first store on May 19<sup>th</sup>, 2001 in McLean-Tyson's Corner, VA. Led by Jobs himself and SVP of Retail Ron Johnson, the team was confident that the store would revolutionize the buying journey of Apple consumers. At the time of the opening of the first two Apple stores, single-brand boutiques were extremely uncommon. Unlike other store-within-a-store concepts, the Apple brand had complete autonomy in merchandising, store design, architecture, and customer service. Because Apple's stores forced consumers to feel the brand in every aspect of purchasing, they were able to control each aspect of the customer experience. By taking control of the customer experience in such a way, Apple's voice was heard in each part of the buying experience.

Apple may not be credited with creating integrated service, but it is safe to say that they perfected it. The "nucleus" of each storefront is their direct customer support system – the Genius Bar. Inspired by the concierge systems that Johnson saw in luxury hotels, the Genius bar was created to align with the customer service policies of the Apple brand (Harvard Business Review). As Apple creates both the hardware and software, they had the unique opportunity to funnel their customers experiencing problems to their stores and technicians only. As the Apple personnel represent the brand in every interaction they have, they go through a rigorous training process. According to Harvard University, Apple utilizes their strong brand even when training employees. "The training is disciplined following the APPLE dictum of: Approach customers with a personalized warm welcome, Probe to understand the problem, Present a solution, Listen for issues, and End with an invitation to return." (Harvard Business Review). As an Apple consumer, I have been on the receiving end of the effects of the exceptional customer service provided by the Genius Bar. I visited the Genius Bar in 2019 due to a negative experience with an Apple product (iPhone) not functioning properly. Because the Genius Bar technicians are



trained to provide exceptional and personalized service to every patron, I too was able to mold my opinion of Apple's products from negative to positive after receiving service at the Genius Bar in accordance with Apple's customer experience principles. By fostering exceptional customer service interactions, Apple can extend their brand of courtesy to even those who may be initially upset with their product, leading to a higher rate of customer retention after a failure of their product.

In tandem with their online stores, Apple controls their omnichannel customer journey by exposing consumers to all parts of their retail ecosystem. Each interaction either with an online or offline version of an Apple product is marked with extreme consistency, creating a cohesive brand experience as they search for new products to buy or detailed product information. Both their online and retail stores serve as central hubs – for information about features, troubleshooting, and accessories to complement their products. With easy and well-explained purchasing options in both their online and physical stores, customers can choose to have their new products either delivered to their homes or picked up in an Apple Store location. This results in a convenient and flexible shopping experience for Apple's customers. Due to the Genius Bar and Apple's exclusive supply of genuine parts, customers are directed to Apple locations for electronic repairs instead of opting for a third-party shop. This strategy compels customers to encounter the personal assistance of Apple employees and immerse themselves in the physical store environment when dealing with potential sources of dissatisfaction.

This positively impacts the customer journey by building rapport through hands-on guidance, addressing concerns of customers in real time, and encouraging repeat visits to Apple's stores. This holistic approach of controlling the customer journey has contributed to their ongoing success in the retail space.

Much like the iterative nature of the first store's creation, Apple's stores have been continuously evolving; both in look and in purpose. Any retail chain can reinvent the way it looks or is laid out – but Apple has pioneered the “town square” effect. Starting in November 2015, Apple began to remodel certain stores to include new elements. But this choice was not just to update old stores, it was to create the “Town Square of Tomorrow.” When speaking about making this decision, SVP of Retail Angela Ahrendts stated, “Starbucks figured it out, for being a gathering place. You know, ‘Meet me at Starbucks.’ And I’ve told the teams, I’ll know we’ve done a really really great job if the next generation, if gen Z says: ‘Meet me at Apple. Did you see what’s going on at Apple today?’ (Worldwide Business Research). Apple’s new vision led to the overhaul of their retail sector – with the first Town Square opening in San Francisco’s Union Square. Their new store concept is a retail and education center – with elements such as the redesigned “Genius Grove” and their new in-store experience pilot program, “Today at Apple.” Rather than just having a Genius bar, the Genius Groves of the new stores integrate the signature support and service with integrated nature and additional seating. As well, they feature courtyards open 24 hours a day, with acoustic music concerts held and food trucks nearby. The “Today at Apple” program brings learning and entertainment to the retail storefronts – with masterclasses taught by highly trained team members, musicians, and community leaders. These sessions focus on how Apple products can enhance customers lives, as well as how to use certain technologies. Perhaps the most unique selling point of any given Apple store is that they don’t necessarily need to sell their products. The goal of the Town Square Initiative is to evolve the customer journey and push the idea that the Apple Store is an experience rather than just a retail store. In fact, in 2017, Apple began to remove “Store” from their branding – instead of “Apple Store Christiana Mall,” their websites and advertising would not read “Apple Christiana Mall.”

Their goal has remained the same since inception - to enrich the lives of consumers and play a role in the community.

Unlike many other homogenized retailers, Apple stores integrate technology and design to further enhance the customer journey that they now own. Experts in making tangible the intangible parts of the customer experience, Apple translates their value proposition to physical stores in a unique way. As Apple has been known to disrupt industries through emerging technology, their brick-and-mortar stores do the same. Take the Apple “Cube” on Fifth Avenue in New York City for example. Apple shoppers descend a grand glass spiral staircase to a grand, open area where products are placed on tables spaced equally apart. A customer looking to purchase an iPhone can touch different models, speak with friendly “Geniuses” about product specs, and check out on iPads manned by employees, but are available for sale as well. While the “Cube” customers enjoy their customer experience within the store, there are a multitude of similar customers online going through the same controlled experience: entering the Apple website, experiencing different models of products, chatting with an online chatbot assistant, and checking out, all without ever leaving their home. By emphasizing and continuously improving their omnichannel ecosystem, Apple’s platforms continue to be ostensibly integrated with consumer lifestyles and needs. Consumers engage with the signature technology and design of the Apple brand as they go through all steps of the customer journey, driving customer loyalty to the technological icon.

Let us walk through the customer journey of an Apple consumer interacting with its omnichannel ecosystem. The ecosystem approach taken by Apple lies a step above retailers that prioritize one channel and invest in another, as well as those that just personalize outreach and engagement to a certain degree. Apple’s ecosystem approach provides consumers with an ever-

growing community of fellow users and experts, which engrains their brand as part of the consumers' lifestyles. The first part of any customer journey is the stage of discovery and consideration. This journey could occur through any channel – so let us consider the web for the sake of this experiment. According to Statista, around 35% of U.S. internet users in 2022 discovered new brands through search engines such as Google or Bing (Statista). By googling “smartphones for sale” and navigating to <https://www.apple.com/iphone/>, one is greeted with a list of models available, a comparison feature to choose between two models, accessories and complementary products, and a video of the newest iPhone in action. Scrolling down, one can see the articles that show specs of features, a guided tour video of an Apple Genius showing off the iPhone 15 at an Apple store, and photos of accessories on different colored iPhones. This content is tailored in a dynamic way to those looking to purchase the iPhone and allows one to compare and interact virtually with the products all through a computer screen.

Moving on to the second stage of the customer journey: purchasing and enjoying. If one were to decide on an iPhone model and purchase it through Apple's website, they would be greeted with a variety of options: trading in, free shipping, and picking up in store. The purchase page is peppered with videos of friendly Apple store employees explaining the difference between models and processes of buying as well. Suppose the customer chose to pick up their new iPhone in store. By choosing that option, they would be engaging with the brand seamlessly through multiple channels and engaging both in-person and online. On their way to pick up their new phone from the Apple location closest to them, they continue to remain engaged by receiving emails detailing the specs of their new phone and calls to action to follow Apple on their highly interactive social media platforms, known for reposting user-generated content through their long-running “Shot on iPhone” campaign. This leads into the final stage of the

customer journey – Engagement and advocacy. Let’s say the customer goes to pick up their new phone and stays for the 2:30 p.m. “Today at Apple” session that focuses on capturing Cinematic Shots through video (recommended for all skill levels.) Apple’s highly collaborative brand identity and value proposition gives consumers a multitude of opportunities to engage in content, experiences, and get the chance to know other like-minded consumers. At the core (no pun intended) of Apple’s strategy is building an interconnected ecosystem that is rooted in the communities where their consumers thrive.

The impact of the Apple store on both the Apple brand and retail ecosystem cannot be understated. As an early omnichannel pioneer, Apple revolutionized what we now know as a stellar control and attention to the customer journey. Apple’s customer-centric structure, best-in-class ecosystem, and attention to detail has helped them nail the customer journey and keep their customers loyal, both in brick-and-mortar and online locations. Brands that excel in brick-and-mortar retail like Apple use data-driven strategies to underscore the importance of creating lasting and meaningful relationships with customers, leading them to form a community around the brand itself. As the retail landscape shifts more towards the need for an omnichannel strategy, we see more and more brands leveraging opportunities to blend digital and physical commerce. We are not too far away from a world where a generation who has only ever known this unique blend of strategies to be the norm holds most of the purchasing power, and companies need to be ready to adapt to that reality.

## **Economic & Psychographic Impact of Generation Z**

The Pew Research Center defines Generation Z as those born between 1997 and 2012. As the first generation to grow up as digitally literate folk with access to computers and technology

in their homes and around them, scholars often refer to members of this generation as “digital natives” (Pew Research Center). Generation Z grew up with radically different economic priorities than the Millennials before them, many living through and still feeling the effects of the 2008 recession. For that reason, and the socioeconomic climate that followed, Generation Z has much different priorities in the realm of shopping. By 2030, Generation Z will make up an estimated 17% of spending in the United States. To understand the impact that this generation will have on the retail landscape, it is necessary to understand how and why they interact with retail stores.

As more than 68 million young people enter the workforce and continue to influence the economic landscape, retailers are forced to adapt more quickly than ever to the changing consumer behavior patterns (Adyen). Research by Adyen and advisory firm 451 Research has shown especially since the Covid-19 pandemic, Gen Z consumers prefer human connections to digital ones. Coupled with the statistics of technology use and shopping habits (53% of Gen Z consumers love to utilize digital technologies and 57% say they love to shop) we can see an interesting dilemma that retailers face. For Generation Z, omnichannel shopping isn’t just a choice; it’s an expectation. According to Adven, 48% of Gen Z consumers expect that the returning or exchanging of products bought online can occur in physical stores, and 40% of them chose not to purchase a product in the past six months because there was not a cross-channel buying option, such as picking up in store when purchasing online or the store did not offer a preferred payment option (Adven). Coupled with the massive purchasing power of Generation Z, retailers must adapt to these preferences or lose up to \$360 billion dollars in disposable income (Ecocart).

Current research states that Gen Z's priorities when it comes to retail differ greatly from their predecessors. According to research from IBM, 41% of Gen Z consumers identify themselves as purpose-driven and 40% as value-driven (IBM). These consumers care about shopping "for good" – and prioritize retailers that are outward about their social impact. The products they buy are authentic, clean, and socially responsible. 64% of Gen Z consumers state that they would be willing to pay more for a sustainable product as well. While general market trends point towards the importance of sustainability, this generation of consumers actively seek out sustainable and authentic products more than any other.

The rise of social media, intense overstimulation, and the Covid-19 pandemic have all caused Gen Z to be dubbed "the loneliest generation" by psychology scholars. 73% of members of Gen Z report that they sometimes or always feel lonely, and those aged 16-24 feel lonelier than any other age group in history (Forbes). Social isolation has only grown lately due to a reliance on digital communication and a push towards digital work and experiences.

Generation Z is seeking their "third place" – a concept deeply ingrained in youth culture. Coined by sociologist Ray Oldenburg, a "third place" is an informal public space where people can spend time, typically with others, in a place that is not work or home. They help unify neighborhoods and communities, provide some sort of entertainment, and exist to strengthen bonds between people and community (Oldenburg). Third places have historically served as hubs for the exchange of ideas and building of personal and social relationships. Traditionally, the experience of growing up has been rooted in gathering places such as libraries and clubs where people can grow from shared experiences. In the 1950's up until the mid 2000's, young people formed friendships and collaborated in community hubs such as churches, recreational clubs, local diners, and more. By having these spaces to socialize and experience others, older

generations experienced a great deal of personal development and skill building that ended up fostering shared experiences. General stereotypes state that Gen Z is screen-obsessed and that they never want to “go outside.” Many factors have caused these stereotypes to ring true in some young people, but a great deal of members of this new generation simply did not have the opportunities to develop personally through extended social interaction. This feeling especially rings true for those who grew up in car-dependent suburbs. The suburban shopping centers and highways once hailed as innovations have essentially backfired; in that they severely limit accessibility to these vital hubs for social interaction at that age. Third places are important for many reasons, especially that they foster interaction with others and facilitate a sense of belonging.

Gen Z lives in a world dominated by seeing and evaluating the lives of others on an unprecedented scale, and they tend to allocate more money for experiences rather than material possessions. With less access to third places where collective memories can be experienced, a shift in purchasing behavior becomes very apparent. Digital culture and access to social media has caused Generation Z to place value on creating and sharing memorable moments. According to the International Council of Shopping Centers, 60% of Gen Z consumers actively allocate funds away from physical products and towards special experiences (Los Angeles Times). Now that we have seen what makes Gen Z so different from the generations that came before them, it is evident that their unique preferences and behaviors are holistically reshaping commerce as a whole. Understanding why and how they shop for commodities is essential to inform further strategy formulation by retailers big and small. When we can further probe what their current habits are, we can uncover insights into their evolving consumer behavior and what that will mean for the future.



# **Primary Research**

## **Research Design & Context**

This study was designed to utilize quantitative research methods to best represent a picture of how Generation Z shops and what experiences they value both online and in brick-and-mortar stores. With the goal of investigating further the motives behind the shopping habits of current Generation Z consumers, I chose to conduct an original survey with 24 questions to gain insights into how people chose to shop, their preferences when it came to retail experiences, and their attitudes towards traditional brick-and-mortar stores versus online shopping. These data points helped me identify key trends and preferences in consumer behavior, especially from those who are just beginning to make their own purchasing decisions not influenced by a family member or roommate.

## **Methods**

I disseminated my survey to approximately 700 people under the age of 29 through multiple means: visiting student groups on campus, such as the Gamecock Consulting Club and Greek Life organizations, posting on LinkedIn and Facebook, as well as mass online distribution through the website SurveySwap.io. Through convenience sampling, I was able to reach a wide range of participants. With a predicted response rate of around 20%, I was able to collect whole and clean data from 104 participants from across the United States. Although many trends discussed in this thesis are applicable in a global context, I wanted to focus on just 16-29 year olds in the United States to provide a more targeted and in-depth analysis of a demographic that is coming to represent a significant portion of the consumer market and was the first to grow up experiencing the digital transformation and shift toward omnichannel retailing. The objective of

this survey was to analyze how Gen Z consumers currently shop and what aspects are important to them when engaging with a brick-and-mortar or omnichannel based store.

The screening question for the survey was “Are you under the age of 29?” – limiting the responses to only those who fall into the widely accepted definition of Generation Z being those born in 1997 or later (Pew Research Center). From there, the age ranges were further broken down into 16-19 year olds (25.96%), 20-24 year olds (70.19%), and 25-29 year olds (3.85%). No one under the age of 16 completed the survey. Of those respondents, 73.08% identify as female and 26.92% identify as male. One potential reason for this disparity is the subject matter itself; as traditionally, young adult females are more active in the retail space than their male counterparts (Bluestone PIM). For ethnic/cultural background, 77.88% of respondents are Caucasian, 7.96% are Asian/Pacific Islander, 4.81% are Hispanic or Latino, another 4.81% are mixed race, 1.92% are Native American or Indigenous, .96% are African American/Black, .96% are Middle Eastern, and .96% of respondents did not select an answer.

The respondents as well represent varied geographic and socioeconomic backgrounds. I chose to collect this data as I wanted to examine shopping behavior from a varied context. 65.38% of respondents reside in the Southeast, 20.19% of respondents reside in the Northeast, 7.69% of respondents reside in the Midwest, 3.85% in the west, and 2.88% in the Southwest. To analyze differences between shopping habits in major markets, I also collected data on which major city was closest to the respondents. The top five cities that respondents selected as their metropolitan area/main market were Columbia, SC (25.96%), Charlotte, NC (13.56%), New York City, NY (6.73%), Boston, MA, (6.73%), and Charleston, SC (5.77%). Respondents were also asked to characterize their area as Suburban (59.62%), Urban (36.54%), or Rural (3.85%). As I wanted to analyze the relationship between purchasing power and decision-making, I also

collected data on household income and living arrangements. 54% of respondents identified themselves as students, not currently collecting a household income. Aside from those, responses ranged from 40.00% had a household income of over \$100,000 to 24% under \$25,000.

The survey had three sections; the demographic section discussed above, a section relating purchasing decisions to the individuals in the survey, and a section about the shopping preferences of respondents. The most pressing questions in the survey had to do with how often people shop in person vs. online and what factors influenced this behavior.

## **Results & Conclusions**

Through cross-tabulation analysis, we can draw some conclusions about the shopping habits of Gen Z consumers. The data collected through Google Forms was analyzed through data analysis tools (PivotTable) on Microsoft Excel. Raw data discussed in this section can be found in the appendix.

To better understand factors driving Gen Z consumers towards e-commerce, I looked at a few different relationships between answer variables. First, I examined the relationship between employment status and shopping habits. Of those who are employed part-time and enrolled in school, 54% of them shop mostly online and occasionally in store. Conversely, of those who are unemployed or only employed part time, 61% of them shop mainly in-store and occasionally online. Of the respondents who filled out the survey, the only people who selected that they shop only in-store or only online were those that were employed full-time. From analysis of the above data, we can see that convenience is the most influential driving factor when it comes to shopping online rather than in-person. This behavior trend is further supplemented by analysis of factors that influence the decision to shop online or in-person. When asked about that, 59% of

respondents listed convenience as a factor for choosing where to shop, followed up by 46% stating that the speed of receiving items is another factor influencing that decision. Many members of Generation Z have had to change their shopping habits as they enter the workforce or schooling and must adapt to a new routine.

As brands move towards an omnichannel strategy, we have seen a rise in social commerce and social media use within retail strategy. 68.27% of respondents state that they follow at least one brand on social media, and 71% of respondents state that social media/online presence is at least somewhat influential in their decision to visit a physical retail store. Only 2.88% of respondents state that they are not influenced by social media. Social commerce mediums such as TikTok shop and Instagram shop have ballooned in popularity in recent years, so these numbers make sense in the grand scheme of the market. As well, social media promotions and outreach have been hugely influential in growing brands, whether they be e-commerce only or on the omnichannel spectrum. When asked about loyalty programs, 73% of respondents stated that loyalty programs and rewards are somewhat or very influential in their decision to shop at a specific store. While these are nothing new, loyalty programs have evolved using apps and specific websites for personalization.

Store ambiance and atmosphere was also asked about in the survey. 83.65% of consumers states this attribute was somewhat or very important; and only 2.88% stated it was not important at all. When asked specifically about pull factors to retail stores in the future, the most influential factor was exclusive in-store events or promotions, with 74 respondents selecting that as a factor that they would like to see more of when shopping in-person. Below that, 70 respondents selected that they wanted more convenient locations for retail stores. 44 respondents stated that they would be interested in Enhanced in-store experiences (AR/VR, interactive

displays) or Integration of technology for seamless shopping experiences (e.g., self-checkout kiosks, mobile payment options), two hallmarks of the omnichannel transformation.

Overall, these results highlight the evolving consumer behaviors and preferences of Generation Z consumers, emphasizing the importance of convenience, social media, loyalty programs, and technology integration in the in-store experience. Brands and retailers need to adapt their strategies accordingly to meet the expectations and preferences of this demographic.

## **Limitations**

While I believe the data received from this survey provided an accurate picture of Generation Z retail shopping habits, there could have been a few potential reasons for limitations. The first could be a sampling bias. The proportions of race/ethnic background self-reported by respondents are not representative of the US population. My survey over-indexes on White and Native American respondents, and under-indexes on African-Americans and Hispanic/Latino respondents. This sampling bias could be avoided if this survey were to be replicated by pulling from a larger pool of respondents.

As well, there could be a potential nonresponse bias for the male population. The respondents of the survey were overly female, which could lead to distortions in the data. While I made an effort to disseminate this survey to an equal number of males and females, the females were more likely to take the time to respond. If replicated, I would send out the survey to male interest groups such as campus fraternities and hobby organizations to attempt to gain a greater amount of male respondents.

# **The Future**

## **Current Outlooks of Brick-And-Mortar Retail**

Through the primary research discussed above and of already existing data, it is apparent that successful retailers of today are those that are providing authentic experiences to consumers. As highlighted through both primary research and existing studies by industry professionals – successful retailers recognize and embrace the significance of catering to the desires for community and connection in the customer experience, no matter the channel.

There has been a lot less “malls are dying” sentiment in the media than in the 2010s – with many shopping centers and malls reporting that they are exceeding pre-pandemic occupancy rates. Through analysis of real estate occupancy and foot traffic, we can see that the concept of the American Mall is not going anywhere soon. However, it is adapting to these changing consumer preferences and evolving to fill their needs and wants. While we formerly saw many physical stores expand to online formats in the 90’s and 2000’s, many digital-first brands have begun to expand to brick-and-mortar in this decade. Physical storefronts such as Warby Parker, Amazon, Brumate, and Allbirds have begun popping up in malls and shopping centers across the U.S. According to CNN Business, these retailers in specific identified that their customer acquisition cost online was outpacing that of similar brick-and-mortar stores in metro markets (Rothenberg).

As well, malls and shopping centers are seeing a rise of tenants rooted in providing experiences rather than products. Informed by the Covid-19 pandemic, many community-focused business owners have begun to execute concepts that focus on coming together in tandem with or near traditional retail spaces. Vice President Stephanie Cegielski of the International Council of Shopping Centers states “There has been a rise in ‘experience-focused’

tenants in shopping malls that offer experiences like go-karting, trampolining, virtual reality, and arcades ... Many also offer food and drink, enabling visitors to be able to spend time together for longer periods without having to leave to grab a bite outside of the venue” (Rothenberg). As these tenants continue to take hold of real estate in shopping centers, we can see a shift towards a community-focused model of retailing rather than a sole exchange of products for money. This focus on shared experiences is important for all consumers, but especially the connection-wired Gen Z consumer.

As well, Gen Z’s overall behavior tends to impact their shopping choices to a great degree. Sherwen states that Gen Z consumers are less tolerant of questionable corporate ethics, poor customer service, and a lack of attention to sustainability initiatives (Sherwen). As the purchasing power of this new generation increases, more of them are paying attention to retailers that are demonstrating a commitment to delivering on initiatives such as customer service improvement and sustainability.

With the buying habits and values of Gen Z, many scholars state that brick-and-mortar is poised for a large-scale comeback. A.T Kearney states that 81% of Gen Z consumers prefer to make purchases in stores, and 73% like to discover new brands & products in physical stores (Kearney). Successful retailers of today and the future are those that prioritize frictionless consumer experiences, integrate technology without disturbing the traditional shopping experience, and mirror the values of their consumer base. Let us look now at two retailers that have excelled in their brick-and-mortar capabilities thus far this decade and explain how their customer experience strategies drive both customer loyalty and continued success.

## **Immersive Innovation: Nike Case Study**

Nike, a leading worldwide sports apparel company, has been at the forefront of digital transformation and omnichannel experiences for over 25 years. It is a true market disruptor whose innovations in product, supply chain, and data science has shaped the clothing retail landscape in many tangible ways. While Nike has always considered itself to be an in-person first brand, their direct-to-consumer channel has grown exponentially in recent years – with sales increasing to \$16 billion in 2020 (Forbes). Nike can contribute its multichannel and omnichannel success to its hyper-focus on the customer experience driven by data analysis.

Nike's initiatives to foster connection and accessibility for consumers truly extends to their physical stores as well. Nike operates 296 stores in the United States, with the majority of them located in large metropolitan areas such as New York, Las Vegas, and Orlando (ScrapeHero). Mirroring their vibrant and active brand identity, Nike's retail stores are colorful, fun, and energetic. Similar to how they portray their products on the website, Nike's mannequins are positioned in a dynamic manner, creating the illusion of natural movement despite their stationary nature. But the store designs and mannequin placement are not the only innovations that consumers can feel when shopping in-store – the stores themselves are integrated completely with technology through their “ultimate shopping companion” – the Nike App.

Launched in 2018, the app provides an immersive experience for Nike customers through its unique “in store mode.” In that same year, Forbes determined that 82% of smartphone users consult their phones on purchases that they make in-store (Forbes). When the Nike customer experience team noticed this, they began to develop an in-house app that would allow consumers to be able to research the products that they plan on purchasing through another channel operated by the company. Nike patrons receive exclusive and novel benefits when they utilize the app in-



store. First, patrons can scan the barcode of a particular shoe or piece of clothing to see all available sizes both in-store and online. They can pre-select certain styles and sizes before arriving and have employees, referred to as “Nike Athletes” guide them to their selections in-store. As well, geolocation technology can ascertain when patrons are in-store and provide them with special benefits during their store visit (Nike). By offering specific modes and unique benefits for their app in stores, Nike can drive value to their physical stores through multiple channels.

In recent years, the Nike app has expanded from its original purpose to supplement its growing direct-to-consumer channel. Through the data collected by Nike’s team, an insight that they gleaned was that many customers were unhappy with how their shoes fit and that many of them often find they wear the wrong size shoe altogether. Utilizing artificial intelligence and machine learning algorithms, Nike developed a system aptly named “Nike Fit” to analyze the shoe size of a consumer down to the millimeter (Nike). Nike Fit takes around 15 seconds to scan the foot of a consumer and recommends them a list of shoes that would fit best on their feet, as well as different sizes for different style shoes. Through the implementation of Nike Fit, the retailer aims to solve the problem identified through analysis of qualitative customer data surrounding sizing. In addition, the app has also begun implementing more ecosystem-like features with the goal of building a community around their products. Nike’s app offers personalized workout plans, personalized expert recommendations, and access to exclusive events in-store and in local communities. One example of how Nike builds community through their omnichannel strategies are their apps such as SNKRS and Run Club, which foster camaraderie and community among athletes who share the values of the Nike brand. As Nike

continues to expand its brand ecosystem, we see more like-minded consumers coming together and serving as ambassadors of the brand, positioning it to further success.

While the app provides a rich in-store shopping experience for Nike consumers, it also serves as a vessel for extremely valuable data on shopping habits and consumer behavior. Because of the data collected daily from users of the Nike app, the brand can follow their strategy of continuous improvement and gain a greater level of personalization and exceeding of expectations for its consumers. The data collected from the more than 500 million app users worldwide has helped improve the in-store experience greatly and drive product digitalization initiatives (Forbes). It is important to note that while Nike has a high level of technological integration in its shopping experience, every innovation implemented has a clear and direct reason that relates back to an insight gleaned through extensive customer research.

Nike is no stranger to product digitalization initiatives, utilizing a feedback loop of customer data and comments to adapt their operations to the preferences of their customers since the onset of their digital business. Noticing a greater need for personalization before many other brands, the company launched their NikeID service that allowed customers to personalize merchandise and share their designs with an online community in 1999 (Forbes). Since then, NikeID has evolved into their highly successful Nike By You program, which allows customers to personalize and design their own sneakers. Through strategic acquisitions of technology companies and innovations in their own supply chain, Nike can provide personalization-at-scale, delivering tailored experiences to each and every customer. This is especially important for Gen Z consumers, who rank personalization high on their list of priorities for deciding when to shop.

In July 2023, I had the opportunity to visit Nike's Fifth Avenue NYC "House of Innovation" as part of my research. During this visit, I was able to make some observations of their unique

customer experience strategy firsthand. This location, their NYC flagship store, is a six-story experimental retail concept that mirrors the kinetic and engaging brand personality of Nike. Some aspects that set this store apart from their traditional locations are the Expert Studio, a personal shopping and tailoring service with exclusive fitting rooms and brand experts; a “Sneaker Lab” boasted to be the world’s largest collection of sneakers, art installations that detail the process of creating Nike’s signature shoes such as spec sheets and creation videos; and more. I specifically visited a physical location of the Nike By You program for this research, observing how this personalization-at-scale innovation translated to a physical location. On Level 1 of the store, there exists a maker space specifically for Nike By You manned by athletes. I observed people of all ages interacting with the Nike By You displays, but a higher number of Gen Z consumer interacting with the employees specifically.

Nike’s use of cutting-edge technology in ways that truly matter to its consumers has positioned them to be at the forefront of customer experience strategy. By utilizing applied data insights to shape technology integration, community building, and personalization, Nike’s omnichannel strategy drives value and customer loyalty through all channels. What retailers can take away from Nike’s personalization of the customer experience through data analytics is that by listening to and harnessing customer feedback, they can build strong relationships with their customers and stay ahead in the market.

## **Reformation**

Founded as a vintage resale brand in 2009, Reformation has been the poster child for understanding what aspects of the customer experience are most important to their base of consumers: upper class Generation Z females. According to Business Insider, Reformation’s

main goal is to “make edgy, sexy, and feminine apparel using sustainable methods and materials, while saving retail from its doom. The startup uses tech to make shopping in stores more like shopping online” (Robinson). Sustainability often ranks as one of the most important aspects for Gen Z when choosing where to shop. One 2020 survey stated that 75% of Gen Z consumers stated that sustainability was important to them when making a purchasing decision, and 64% stated they would be willing to pay a premium price for products that they knew were made in a sustainable manner (IBM). But sustainability isn’t the only principle Reformation prides itself on - they are also champions of a frictionless integrated experience.

Reformation’s stores are characterized by bright and sleek design choices. They are often placed in high-traffic urban areas and forgo traditional store design of crowded racks for calm sitting areas with phone chargers and plants. Every area of a Reformation store is meticulously designed and crafted – down to evenly spaced divots on clothing racks that make clothes visible from all angles. Once a customer has chosen what they want to try on, they do not head straight to the fitting room. Instead, they are greeted with two choices: have an employee start a fitting room for them on an app or utilize an interactive display kiosk on the wall of the store which updates inventory in real time. From there, customers can navigate to the fitting rooms which are equipped with two unique innovations: a “smart wardrobe” and adaptive lighting system. If a customer needs another size of garment that they are trying on, they can utilize the in-fitting room screen to request another that comes to a wardrobe inside the dressing room in less than 90 seconds. Once they have tried on the new size, they can choose between four different lighting hues: Basic, Cool, Golden, and Sexy-time, allowing patrons to physically see themselves in different modes. In addition to all of that, customers can use the in-fitting room speaker to jam out to their favorite tunes as they try on clothes. When a customer is ready to check out, a sales

associate greets them in the fitting room and with a simple tap or swipe of their card in a nondescript card reader, they can enjoy their new sustainably made garment. Reformation's deep focus on improving the in-person customer experience has generated revenues over \$300 million yearly and preparation for an IPO soon (Bloomberg). By prioritizing what is important to their target market in the areas of customer experience and values, Reformation has positioned itself for continued success as their brick-and-mortar footprint continues to grow.

Although I do not fall into Reformation's target market socioeconomically, I visited one of their brick-and-mortar stores in Charleston, SC, as part of my research and was able to denote some observations on the shopping experience. The store, located on King St., offers the following according to their website: "Online returns and exchanges; Phone orders; In-store pickup; Hemster, alteration services; RefRecycling" (Reformation). While in the store, I witnessed customers utilize the interactive display system to request sizes they wanted to try on. As well, I saw someone bring in a pair of pants to be recycled as a part of their RefRecycling program, which gives store credit to shoppers who bring in old Reformation clothes to recycle, which further demonstrates the retailer's commitment to sustainability. I also got to experience the "magic wardrobe" in the fitting room – as I was able to request a size of a garment and have it waiting for me in the room as I continued to shop.

While Reformation serves as a prime example of well-done innovative retail tailored towards Gen Z, its high price points and limited number of locations squeeze out a great deal of experience-oriented consumers from experiencing what makes it so great. Although the company has stated that their goal is to bring sustainable fashion to everyone, the high cost of physical store and technological system upkeep has limited the expansion of their business model both within the Reformation brand and when it comes to licensing technology to other similar

retailers. As consumer-centered store technology advances and systems like Reformation's become more mass-produced, hopefully the retail landscape will see the implementation of more complex systems to improve customer experience in the future.

## **Framework**

Through previous research and my survey results, one truth becomes apparent: it's time for physical-first brands to rethink their customer experience strategy. Shopping shouldn't have to feel like a chore – and the advent of Gen Z's participation in the economy is further proving that a shift is needed in the retail landscape itself to get consumers back into stores. As we adapt to an omnichannel environment, here are ways brick-and-mortar stores can keep footing in the market.

### **Current Challenges Faced by Brick-And-Mortar Retailers**

With brands like Apple pioneering such an excellent online experience, many consumers today do not see the need to take time out of their busy days to travel to a brick-and-mortar store. When reading journals that focus on retail trends, it is easy to see headlines such as “retail apocalypse” and “death of the American mall” and contribute these to the entire retail space. While it is untrue to say that all brick-and-mortar retailers have thrived in the past few years, it is still important to acknowledge the challenges they face in this new retail environment. While the most discussed, of course, is the fierce competition with online retail, brick-and-mortar retailers cannot discount the effects of the rising cost of goods, property, and labor. Increases in the rate of inflation have left retailers scrambling, especially for retailers who heavily utilize JIT (Just-In-Time) inventory systems. Cost fluctuations and increased holding costs have complicated JIT inventory systems, causing customer satisfaction levels to drop (National Retail Federation). As

well, a noticeable rise in costs without a simultaneous increase in revenue can greatly effect profit margins for physical-first retailers. In these cases, many retailers have struggled to absorb these increases in cost and end up passing them on to customers. This, in turn, has posed a risk to price competitiveness, a factor that many brick-and-mortar retailers prioritize in the broader market. These increases in price have guided many consumers who typically shop in-person to shift to online shopping, as lower prices are often most important to them when deciding where to purchase goods.

Today, many physical-first retail stores are still understaffed, and some have even been forced to close. Due to the rising cost of labor in the US, brick-and-mortar retail stores have faced a crisis in finding and retaining personnel over the past few years. Some barriers to retention in retail jobs include irregular schedules and repetitive tasks, but low pay is the most influential factor for retail workers leaving the sector altogether. According to McKinsey, the 2022 quit rate for retail workers is 70% higher than all other US industries (UPenn Wharton). This lack of qualified and dedicated retail workers has led to a large and notable drop-in customer satisfaction rates. This drop, in turn, has pushed loyal brick-and-mortar customers towards e-commerce: as there is a low-to-no level of employee interaction, 24-hour service ability, and a 360-view of products available for purchase. Going forward, retailers must consider understaffing and under-training as well when formulating strategies at a high level.

It would be remiss to discuss in-person retail in the 2020s without detailing the impact of the Covid-19 pandemic. This worldwide disruption of commerce activity severely limited and in some cases fundamentally changed the shopping activity of consumers. The shift to digital shopping was accelerated by the pandemic. It greatly impacted demand, supply chain, consumer behavior, and more, forcing many retail stores to close altogether. Consumers during the

pandemic conducted all of their shopping at home – and we have seen some of those behaviors become permanent in years past. This behavior shift was propelled by the necessity of adhering to social distancing and risk mitigation procedures. Customer experience was severely disrupted by the Covid-19 pandemic. Retail stores found themselves stuck in a loop of adaptation to new and necessary protocols, which threw off the often highly standardized practices of stores. Overall, the pandemic-induced disruptions of the retail sector highlighted the need for flexibility and agility in business model and day-to-day operations to effectively navigate unforeseen challenges while still attempting to deliver a positive customer experience.

While there are a multitude of challenges facing retailers today, they must evolve to retain their share of their respective markets. However, not all retailers are up for the challenge. Undergoing a strategic transformation comes with many risks and uncertainties. Retailers must embrace innovation while keeping their current strategic priorities at helm as well as utilizing data-driven insights to prevent the current environment from causing disruptions in their business model.

## **Barriers & Risks to Innovation**

While stores such as Apple, Nike, and Reformation are at the forefront of innovation and omnichannel integration, it is important to note that not all retailers have implemented these strategies at this speed. Many retailers in the US still utilize legacy systems, operate in silos, and are resistant to change even from an executive level. Many of the systems built for traditional stores such as Macy's and Boscov's operate on their own networks, making omnichannel integration a very slow and often buggy process. One interesting example of a retailer operating in silos is Kohl's, a department store chain that realized in 2023 that their online business was



“dragging them down,” causing a decline of 39% in YoY net income (RetailDive). The company announced a refocusing towards Brick-and-Mortar later that year, but has not seen a resurgence of their profit numbers from before this. One of the reasons why Kohl’s may be struggling is the view from corporate that the online and in-person channels can “drag each other down.” Kohl’s story emphasizes the importance of utilizing digital channels to drive value and strategically attract customers to physical stores, rather than offering online solely as another option. Kohl’s is just one of a multitude of retailers that have not yet fully embraced the omnichannel environment that we are now a part of (Howland). Like any major operational overhaul, implementing innovation does not come without risks. Omnichannel and innovative transformations as well require a deep dive into strategic priorities and a staunch focus on value creation. Many retailers simply are not ready to change their priorities, and physical-first retailers such as Bed, Bath & Beyond and Pier 1 Imports have been forced to close their doors in part due to a failure to adapt to the new omnichannel retail landscape.

While discussing the rise of e-commerce, I detailed the effects of the burst of the dotcom bubble. One trend that retailers need to watch out for in the future is the AI bubble – a similar phenomenon occurring due to a high amount of investment activity occurring in companies that deal with artificial intelligence and machine learning. Bank of America recently conducted a study that states 40% of managers of funds believe AI stocks are currently in a bubble (Yahoo! Finance). Retailers need to be cautious of this belief for three reasons: market speculation, risk of overinvestment, and overstated expectations. Just as advances in technological commercialization at the inception of the internet changed economic expectations, we cannot rule out the same occurring with AI startups. As well, retailers poured high amounts of capital into internet technologies when they first came on to the scene, and we are seeing a similar

occurrence with AI technologies. As stated previously, companies need to have clear reasons why they undergo a technological transformation and relate every decision back to a key problem faced by their target market. In addition, many retailers are hailing AI as an end-all-be-all to solve problems in the retail space. However, this is not the case. While AI has spurred growth for retail chains in the past few years, it is a fallacy to assume that AI is a panacea to drive value creation for these companies. Retailers should use the lessons they learned from the burst of the dotcom bubble when approaching innovations in the AI space to avoid disappointment and unrealistic expectations.

## **Enhancing Customer Engagement**

When it comes to Gen Z, retail acts as a vessel for self-expression and self-discovery. According to McKinsey, Gen Z consumers are the constantly looking to break stereotypes and express their individual truths. Demographic and psychographic research states that members of Gen Z tend to define themselves in a multitude of ways: religion, sexual orientation, causes, and more. McKinsey, in a report on Gen Z consumer habits, states: “For them, the self is a place to experiment, test, and change. Seven out of ten Gen Zers say it is important to defend causes related to identity, so they are more interested than previous generations have been in human rights; in matters related to race and ethnicity; in lesbian, gay, bisexual, and transgender issues; and in feminism” (McKinsey). Gen Z consumers are both value and purpose driven. Like we have seen with Reformation, consumers seek out brands that mirror their values and are willing to pay a premium for their products. Beliefs drive buying power – and retailers should continue to promote their beliefs and values along with the products they sell.

Their quest for social justice and individual truths creates a white space for retailers to reposition their stores and products as a means to express individual identities. Consumers across all age groups, not just Gen Z, generally are beginning to agree to pay a premium for products that showcase their individuality and allow for self-expression as well. Implementation of personalization-at-scale programs can empower retailers to reach a generation seeking more personalized products to express their individuality (IBM Institute for Business Value). Take Nike By You for example, which allows consumers to truly engage with the Nike brand and become a part of the creation process of their shoes. While the consumer experiences the benefit of expressing themselves, the retailer can control the customer journey and direct consumers to engage at greater depth with the ecosystem the brand created. Going forward, successful retailers should look into implementing a dual-track approach to fill this white space: one for mass consumption of products and scale, and the other for personalization catering to specific consumer groups. In either scenario, flexibility is needed in manufacturing processes and marketing. Nike was only able to implement their highly successful program by targeted vertical integration, but we see other retailers utilizing strategic partnerships to do so as well. By implementing personalization programs to fit the growing need for self-expression in today's market, brands can enhance customer engagement.

As well, there has never been a better time for retail stores to rethink their strategies for visual merchandising & creating store ambiance. Like we see with Reformation, stores that prioritize ambiance and visual balance have enjoyed great success in recent years. Gen Z consumers in specific are seeking a sensory experience when shopping in person. Perhaps the retail store that best translates their brand identity and value proposition into a sensory experience is Apple. The sleek and minimalist design of stores represents the brand's simplicity,

the curated music playlists and wireless charging technology integrated into tables represents the brand's attention to detail, and the well-manicured product display areas and sitting areas reflect its premium positioning. In the future, brands with a distinct value proposition should take a page out of Apple's book and work to translate that into a physical form. We see this with brands such as Lowe's Foods, a grocer, whose "engaging and home-grown" positioning is reflected in their in-store shopping experience. The perfect blend of brand integration and localized content: Lowes Foods, the "Disney" of grocery stores draws loyal customers from all over. That name is no coincidence: the Lowes team once brought in Disney Imagineers to help them build the store ambiance. Guests (as the company refers to them) can grab a cart, converse with the "Sausage Professor" at SausageWorks, watch the Chicken Kitchen staff dance while cooking the rotisserie, and enjoy a local collaBEERation brew at the Beer Den. It's a one-stop, all senses grocery experience.

In a category where customer preference is especially driven by proximity and convenience, why do people keep coming back? First, the Lowes brand is integrated into every touchpoint and interaction: from the farmhouse shape of the physical store to the whimsically curated endcaps, to the clothing that the employees wear. Take its in-house bakery, the Cakery for example. The structure itself is shaped like a giant birthday cake, with the candles lighting up pastel pink and purple. Chalkboard signage tells of "Real Butter" and "Real Cream, Like a Dream!" The consistent branding with each of the specialty sections and distinctively quirky atmosphere helps customers remember the brand as well as create an emotional connection, turning grocery shopping into an enjoyable and entertaining activity.

As retail chains expand and evolve, we must steer clear of homogenization in the customer experience. Perhaps what led to the demise of unique stores such as BEST Products

Co. was the advent of big-box stores and a movement towards homogenization. Yes, it is imperative that retailers keep prices low. But as consumers actively seek new retail experiences, retailers should push back on initiatives that emphasize economies of scale and value innovation. In part due to these big-box stores rising in the 1980s, consumer perception of what a store should offer shifted greatly. To shift consumers from the bare-bones retail experiences of an online store, in-person retailers need to be much more than that.

## **The Role of The Store**

The role of the “store” is changing. With the rise of omnichannel retailing and changing consumer preferences, physical stores are shifting from transactional spaces to destinations that offer value beyond exchanging money for products. Brick-and-mortar retailers must expand the role that their store holds to reach their potential in this new market. In the 1970s and 80s, BEST Products Co. expanded the role of their store by investing in automated order processing/inventory management systems as well as serving as a hub for art and design in the community. These innovations helped capture the Baby Boomer audience seeking a streamlined and convenient shopping experience at the time while also prioritizing aesthetics and community engagement. Stores in 2024 must mirror this role expansion when it comes to capturing the digital native Generation Z audience. Implementing technology into the customer experience is one thing – but like Nike and Reformation, retailers must use extensive data analysis to prioritize the innovations that matter most to their target markets. When it comes to prioritization and formulation of these strategies, retailers need to find a starting point that relates back to driving value for their business. What problem is this innovation going to solve? How will it help them expand their capabilities? Once retailers identify which segments of their target market could

most benefit from the innovation or implementation of technology, they need to ensure they strategically align investments with their new strategy as not to destroy the value they are planning on creating.

Shopping helps people fight sadness by reinforcing a sense of control over the general environment. The immersive experience of having and making choices reduces the uncertainty of everyday life, which contributes to a greater shift in mood towards the positive. Many refer to this effect as “retail therapy” – and it is especially important for consumers that do not build in time for regularly-scheduled shopping throughout their day. For some consumers in the Generation Z age group, stores such as Target, Marshalls, and HomeGoods are often referred to as “happy places.” As well, shopping in-person stimulates the senses. Displays of many colors, fluorescent lighting, and even new smells assist consumers from detaching from their own reality and into a more imaginative mindset. This allows consumers to visualize positive outcomes they may have after purchasing a product and distracts them from anxieties they may be facing. According to the Journal of Consumer Psychology, even acts as simple as browsing or window shopping can release the hormone neurotransmitter dopamine, which positively impacts mood.

Because retail therapy has been such a large part of consumption since the Covid-19 pandemic, retailers need to make sure they are prioritizing in-store ambiance. Of those surveyed in my primary research, 83% state that the overall atmosphere/ambiance of a retail store is either somewhat or very important to them. As shopping serves as a form of environmental control and social interaction for many Gen Z consumers, it is up to retailers themselves to ensure that their patrons experience a positive and hassle-free store environment. This could take the form of a wide spectrum of micro to macro strategies, such as making sure employees pick up trash left in

aisles of stores all the way to investing in digital systems like interactive displays or adaptive lighting.

When redefining customer experience strategies, the customers themselves should always be at the center. Amplified by the Covid-19 pandemic, digital transformations within retail companies with the sole goal of increasing convenience has had the side effect of producing loneliness, going directly against the initial aim of their strategy. Take large-scale clothing retailers Uniqlo and Zara for example. With RFID scanning implemented in dressing rooms and self-checkout systems, patrons often visit the store and complete a shopping trip without ever interacting with another human being. As well, some retailers have implemented delivery services for local stores, where products available for purchase in store can be dropped off at a doorstep just by clicking a button. But these experiences devoid of human connection and contact often end up having the adverse effect of contributing to isolation. We see now that Gen Z consumers enjoy – and even crave – the social aspects of shopping, whether they can articulate it or not. 32% of survey respondents stated that the social aspect of shopping was one of their top factors when deciding to shop in-person. Gen Z consumers crave connection. The key is to create an immersive and engaging customer experience. Rather than implementing technology for the sake of implementing technology, retailers should use data from their current customers or target market to identify gaps that can be solved with omnichannel strategies. Having a deep focus on who the customer is and what they expect can inform greatly strategy formulation having to do with the customer experience.

Yes, Gen Z tends to spend large sums of money on experiences; but browsing in a store is free. And for those who feel priced out by the experience economy, browsing around in physical stores is often the activity of choice. This phenomenon shows that the appeal of brick-

and-mortar retail as an accessible space for social interaction and exploration should be front-and-center when it comes to strategy formulation. The only true barriers to using retail as a social experience are access to transportation, geographic locations of stores, and physical limitations. Retailers need to continue to provide low-barrier spaces for individuals to gather and browse without agreeing to a financial commitment. Going forward, the physical retail experience should be leisurely, accessible, and rooted in the community. While it would be untrue to say that casual browsing in a retail store will overtake experiences such as concerts and traveling, it is still imperative for retailers to cater to the preferences of their new customers living with the effects of the experience economy.

In an era of digital nativity, we have seen an effect of online connections overshadowing in-person encounters and interactions. Gen Z's need and want for social connection underscores the growing urgency of revitalizing communal spaces and fostering unity. By acknowledging the importance of these "third places" and their role in shaping social dynamics and fostering individual development, retailers can be the change needed to create inclusive and lively community hubs that allow young people to flourish and create collective experiences. The store as a concept should evolve to help Gen Z become more social.

## **Conclusion**

Brick-and-mortar retail isn't dying – it's evolving. And the key to revitalization lies in its past. Thinking back to the days of early department stores such as Macy's and JC Penney, just the act of going shopping was a special experience rooted in community and connection. With the opening of malls across America, we saw the effect of groups of consumers coming together and creating a vibrant social atmosphere centered around the purchase of goods. In the 1980's,



brands such as Best Products Co. pioneered concepts such as showroom-style stores and visually striking environment creation, enhancing the experiential and community aspects of shopping. In the 2000s, we saw brands such as Apple controlling the customer journey from start to finish so customers could truly feel their brand identity and values at every step of the way

But we see the elements of innovation in the past being used in the creation of the stores of the future. As we move towards a more digital world, brands such as Nike and Reformation have brought the conversation back to the customer experience and have challenged the norms of what a “store” should provide. Just like the original purpose of stores, retailers looking to build omnichannel ecosystems need to build a community around their brand and place customer experience at the center of everything they do. Remaining competitive in today’s landscape requires a heavy amount of data-driven implementation of new strategies. While cutting-edge technology and experiential concept integration are certainly interesting, retailers need to be able to point to exactly why they choose to change.

Revitalization of retail spaces is essential to fostering cohesion in communities and nurturing personal growth of young people seeking a “third place.” Since the beginning of retail stores, they have always served as a hub empowering their shoppers to connect authentically with others and embark on journeys of self-discovery. This connectivity is especially important for Gen Z – who are seeking to define themselves through the products they are coming to own. In essence, the revitalization of brick-and-mortar retail goes far beyond economic considerations; it ends up being about nurturing communities and empowering individuals.

To remain competitive in the evolving retail landscape and meet the preferences of Generation Z consumers, brick-and-mortar retailers must prioritize innovative approaches to enhancing the customer experience. This revitalization involves not only adapting to

technological advancements and modern trends but also drawing inspiration from the enduring principles of community and connection that have long characterized successful retail establishments. By embracing diverse forms of business model, technological, and customer experience innovation, brick-and-mortar retailers can recreate the sense of excitement and connection that defined shopping in the past. This dedication to innovative customer experience strategies not only honors the rich heritage of traditional retail but also lays the foundation for a vibrant and enduring future where shopping becomes a cherished American experience once again.

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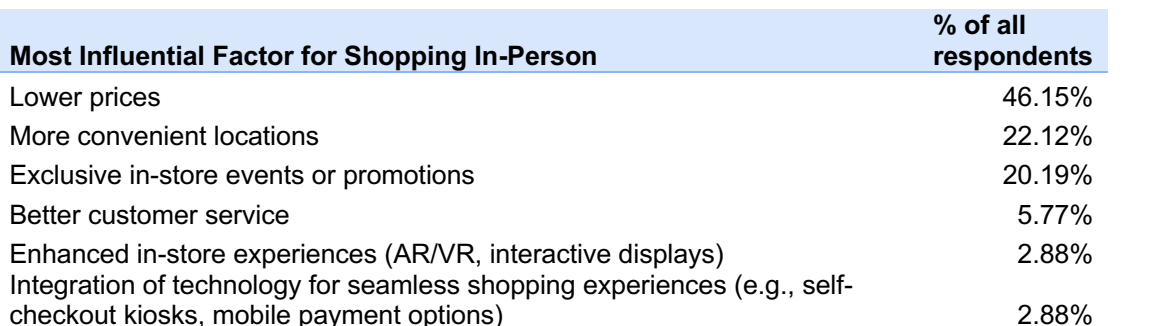
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# Appendix

## A1 – Survey Responses

[illegible]

## A2 –



<b>Grand Total</b>	<b>100.00%</b>
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What is your employment status?	About equally online and in-store	Almost exclusively in-store	Almost exclusively online	Mostly in-store, occasionally online	Mostly online, occasionally in-store
Employed part-time & student	22.92%	0.00%	0.00%	22.92%	54.17%
Not in the workforce (e.g., student, homemaker)	33.33%	0.00%	0.00%	22.22%	44.44%
Employed full-time	15.38%	23.08%	7.69%	23.08%	30.77%
Employed part-time	11.11%	0.00%	0.00%	33.33%	55.56%
Unemployed	42.86%	0.00%	0.00%	28.57%	28.57%
<b>Grand Total</b>	<b>25.00%</b>	<b>2.88%</b>	<b>0.96%</b>	<b>24.04%</b>	<b>47.12%</b>

How much does social media/online presence impact your decision to visit a physical retail store?	% of respondents
Somewhat Influential	36.54%
Influential	34.62%
Barely Influential	18.27%
Strongly Influential	7.69%
Does Not Influence	2.88%

What is your employment status?	About equally online and in-store	Almost exclusively in-store	Almost exclusively online	Mostly in-store, occasionally online	Mostly online, occasionally in-store
Employed part-time & student	22.92%	0.00%	0.00%	22.92%	54.17%
Not in the workforce (e.g., student, homemaker)	33.33%	0.00%	0.00%	22.22%	44.44%
Employed full-time	15.38%	23.08%	7.69%	23.08%	30.77%
Employed part-time	11.11%	0.00%	0.00%	33.33%	55.56%
Unemployed	42.86%	0.00%	0.00%	28.57%	28.57%
<b>Grand Total</b>	<b>25.00%</b>	<b>2.88%</b>	<b>0.96%</b>	<b>24.04%</b>	<b>47.12%</b>

Loyalty Program Importance	% of respondents
Not important at all	5.77%
Not very important	21.15%
Somewhat important	51.92%
Very important	21.15%