

LIQUID AGENCY

A WHITEPAPER
ABOUT THE FUTURE
OF RETAIL FROM A
BRAND EXPERIENCE
PERSPECTIVE.



**RETAILING:
IT'S A LOT LIKE
DATING.**

THE FUTURE OF RETAIL IS A LOT LIKE DATING.

Technology, mobility and social media, among other things, have dramatically changed the retail landscape. But the future of retail is bigger than flashy new technologies or the hyper-connected Internet of Things. Success lies in giving consumers more than what they've come to expect from the shopping process.

In this report, we explore the notion that brands and retailers need to embrace the idea that retail is an opportunity to build relationships by creating experiences that are relevant, intimate, and fun. In other words, the future of retail is a lot like dating. Relationships lead to transactions, and that is something that is dear to the hearts of brands and retailers alike.

We hope you will enjoy this report. Let us know what you think.

Sincerely,



Alfredo Muccino
Chief Creative Officer
Liquid Agency

“The convergence of a new consumer paradigm and overcrowded marketplace has finally brought the (retail) industry to the brink of fundamental change.”

ROBIN LEWIS
THE ROBIN REPORT



“Welcome to a new era of marketing and services in which your brand is defined by those who experience it.”

BRIAN SOLIS
SOCIAL MEDIA EXPERT

Welcome to the new consumer paradigm.

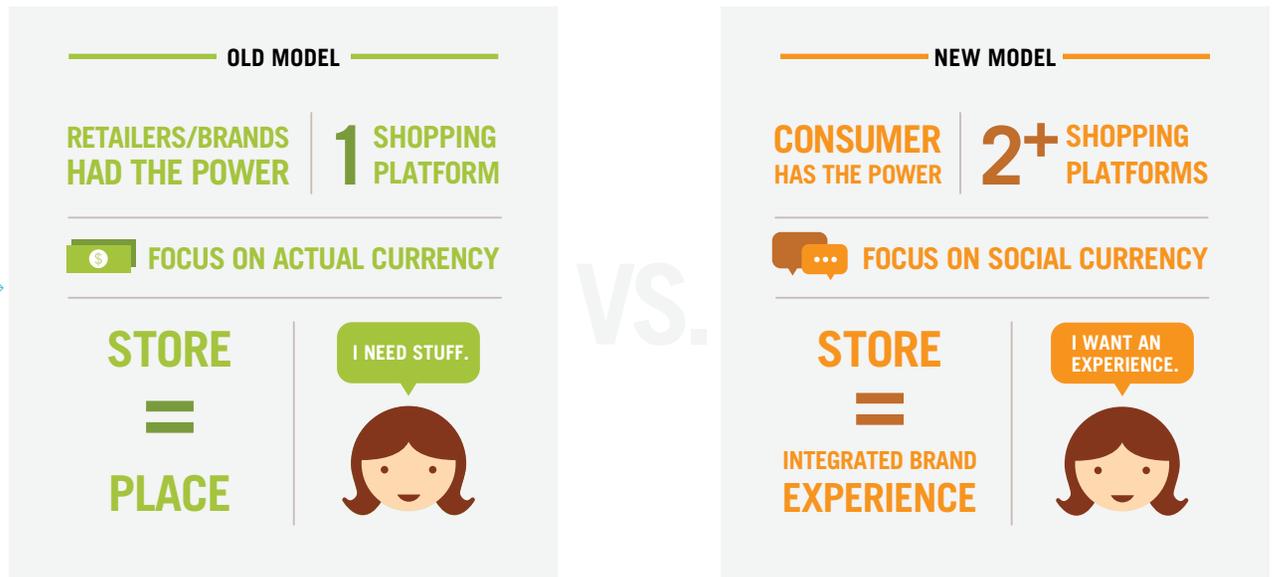
Whether shopping with desktop, mobile, social or in-store, the retail experience should be one that feels less like a path to purchase and more like a first date that went really, really well. So well that the customer is already thinking of the 10th date—so well, that neither brand, nor customer, can think of being with anyone else.

It means every digital tactic must be executed in the pursuit of getting to know the consumer, so that every message intrigues her, appreciates her, and continues to draw her into a personalized brand experience—because in the “future of retail,” it is all about the consumer. Consumers make the rules and now have total access to

whatever they want, wherever and whenever they want it. The power has shifted away from retailers who long held it—and now the ball is in the consumer’s court. Brands and retailers are forced to play on the consumer’s terms to be successful. And the more brands can understand, connect and delight consumers instead of sell to them, the more long-term success and sustainability they will enjoy.

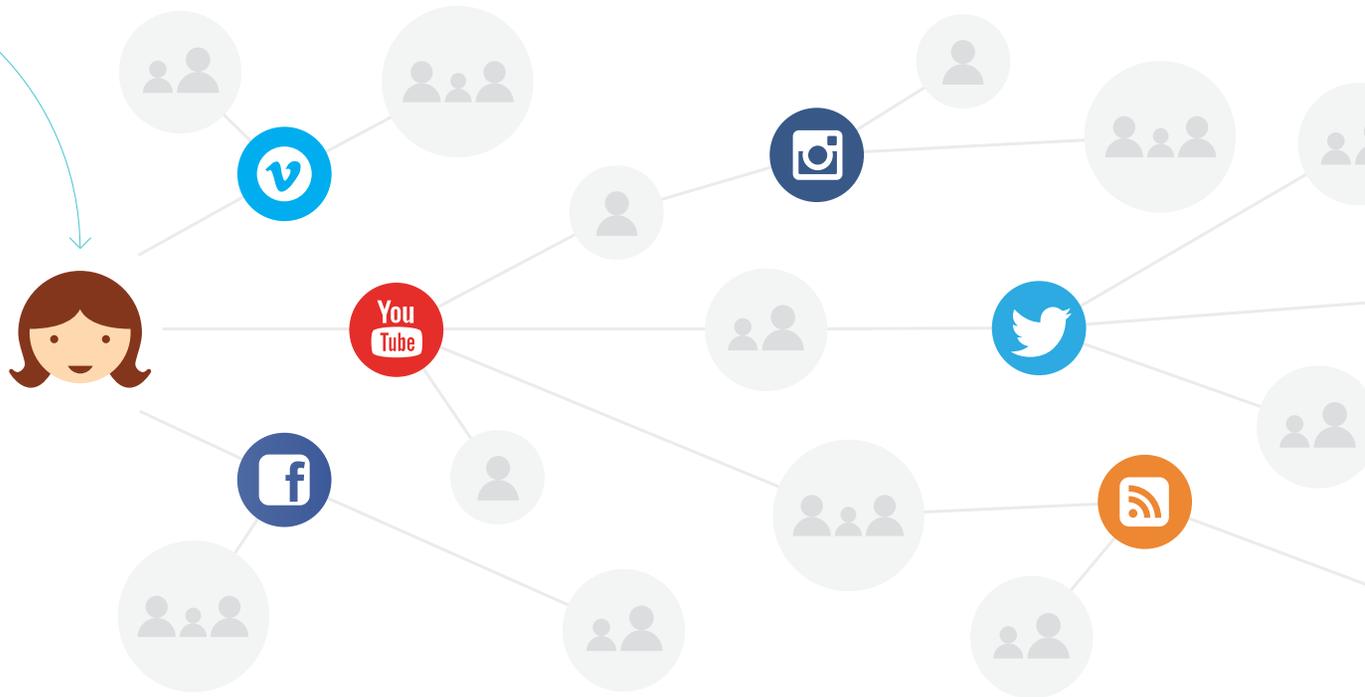
No single factor led to this new consumer paradigm—instead, many things collided to give more accessibility to shoppers and to push retail into a new era. The greatest insight from this collision? It will take much more than access to win the hearts of consumers.

CONSUMERS ARE MOVING FROM WANTING “STUFF” TO WANTING AN “EXPERIENCE”



SOCIAL MEDIA
AMPLIFIES THE
CONSUMER'S VOICE
ACROSS MANY
CHANNELS

To break it down further, think back to department stores and catalogs—retailers controlled everything. They set the time, place and parameters for consumers to shop—and consumers, excited to have “stuff,” just accepted what they got. They were at the whim of manufacturers and retailers, restricted to physical store hours or specific catalogue offerings. There was no opportunity, or even vision, for digital tools that would allow 24/7 shopping at any store in the world from any device one might choose. But then along came the Internet, and with it a plethora of new technologies, that now allow consumers to cross physical and digital platforms whenever and however they want. It’s given consumers total accessibility, which yields heightened expectations and has ultimately sparked a change in mindset—from “I need stuff” to “I want an experience.” This mindset ties into a larger shift in consumer values: To achieve happiness and wellbeing, consumers now look to experiences instead of stuff. The product is no longer enough. As competition thickens, it takes more than price, convenience, or selection to earn sales. In the future of retail, it takes a fully integrated experience to keep and sustain consumer attention.



Social currency is the new goal.

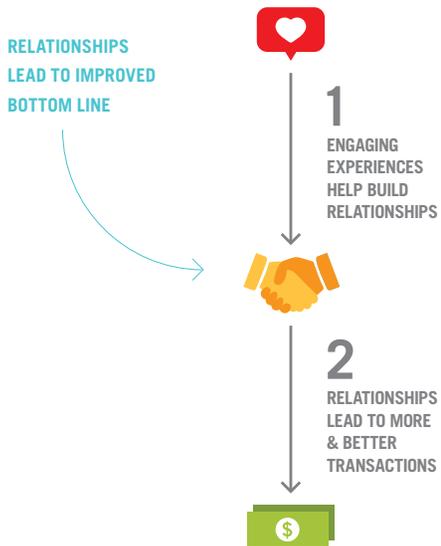
The experience needs to go beyond simply merging physical and digital platforms. It needs to be integrated at a personal level with the needs, wants, and lifestyle of each individual consumer. Brands and retailers need to strike an emotional and meaningful connection throughout the shopping experience. The connection should be so strong, consumers feel compelled to come back for more and share the experience with their community, which, thanks to social media, has

grown from what may have been 10 people before, to hundreds and thousands of interconnected friends and influencers throughout the world. To leverage these connections, the smartest brands will find innovative ways to build kinship among shoppers and will start to focus less on actual currency and more on social currency to maximize ROI.

Positive relationships lead to transactions.

Out of this new model, two truths emerge to help guide successful retail strategies. The first, engaging experiences help build relationships. And the second, relationships lead to more and better transactions.

Improving the customer experience by just 10% can yield more than \$1 billion in additional revenue. An understandable fact considering 86% of buyers will pay more for a better experience. To stand out, the experience needs to resonate on a deeper level and give them something they cannot get anywhere else. It should feel personal and go beyond consumption. It should put customers at the center of a story that brings them deeper into the brand and into the product.



**RETAIL STUDY:
STORY NYC**

STORY is a retail space that has the point of view of a magazine, changes like a gallery, and sells things like a store.

Every four to eight weeks, STORY completely reinvents itself and features a new theme, trend, or issue through merchandise selection and retail design. The store concept and its ingredients change with the seasons and the community—ranging from wellness, to men's essentials, to art; from pasta-making classes to TED talks. It is a retail concept that goes beyond consumption and serves as a matchmaker between brands and consumers by integrating strategists of marketing, merchandising, and business development. On average, most new retail concepts take about three years to turn a profit. STORY was profitable in year one. Its success has made STORY a media-darling,

attracting new customers, brands and partners. Schechtman's concept delivers on the idea of consistent and creative collaboration and it continues to evolve and grow each year.

**RACHEL SCHECHTMAN
FOUNDER OF
STORY**



Don't think about sales per square foot, but experience per square foot.

Connecting is crucial.

To connect with customers and differentiate from the competition, brands need to create a space that is authentic to the brand and that gives consumers the meaningful experience they are looking for. The store, whether online or not, is now another opportunity to make connections, not just sell stuff.



RETAIL STUDY:

AT&T

AT&T built a space that “educates” vs. “sells.”

Walk into the AT&T Flagship store on Michigan Ave. in Chicago and you walk into a digital playground where you can explore apps, interact with new technology, enjoy local art, and participate in various hands-on games. Every initiative aims to educate customers about the possibilities of AT&T services and the future of wireless technology. “Customers can touch, feel, and see how our latest devices and apps will fit their lifestyles, whether they’re interested in fitness or music, entertainment, or family. You won’t find another store like

this anywhere else in the country,” says Paul Roth, President of AT&T retail sales. It is a strategy that puts interactivity, experience, and education ahead of “selling.”



4x CONSUMERS WHO ARE EMOTIONALLY CONNECTED WITH A RETAILER ARE MORE LIKELY TO SHOP WITH THEM²

“Consumers today seek reciprocal relationships with partners who ‘get’ them—who are into the same things, who speak their language, who want similar outcomes in life, and who are willing to be invested in a relationship. Retailers and brands should seek meaningful encounters, rather than just incenting cold, one-time transactions.”

DEE WARMATH
RETAILING EXPERT

33%
LOYAL CUSTOMERS SPEND MORE THAN NEW CUSTOMERS⁴

Consumers are demanding more.

Consumers want engaging and rewarding experiences. By embracing this “want” we have an opportunity to build stronger and more meaningful relationships.

Consumers who feel an emotional connection to a retailer are four times more likely to shop with them—the greater the emotional connection, the stronger the relationship, and the higher the earnings.

Loyal customers spend 33% more than new customers. The more brands invest in long-term relationships, the more loyalty they will earn, and the more social currency they will build. That is, the more often consumers will speak positively of the brand. In the Future of Retail, it is social currency that will propel businesses forward and increase ROI. Retailers who invest in relationships and target conversations, increase their sales by 50%, without increasing their marketing budget. It’s a no brainer. Brands and retailers need to learn what their customers care about, then invest in building connections and conversations that foster kinship, instead of advertising the hell out of a product.

50%
RETAILERS THAT INVESTED IN RELATIONSHIPS SAW THEIR SALES INCREASE BY WITHOUT INCREASING THEIR MARKETING BUDGET⁴

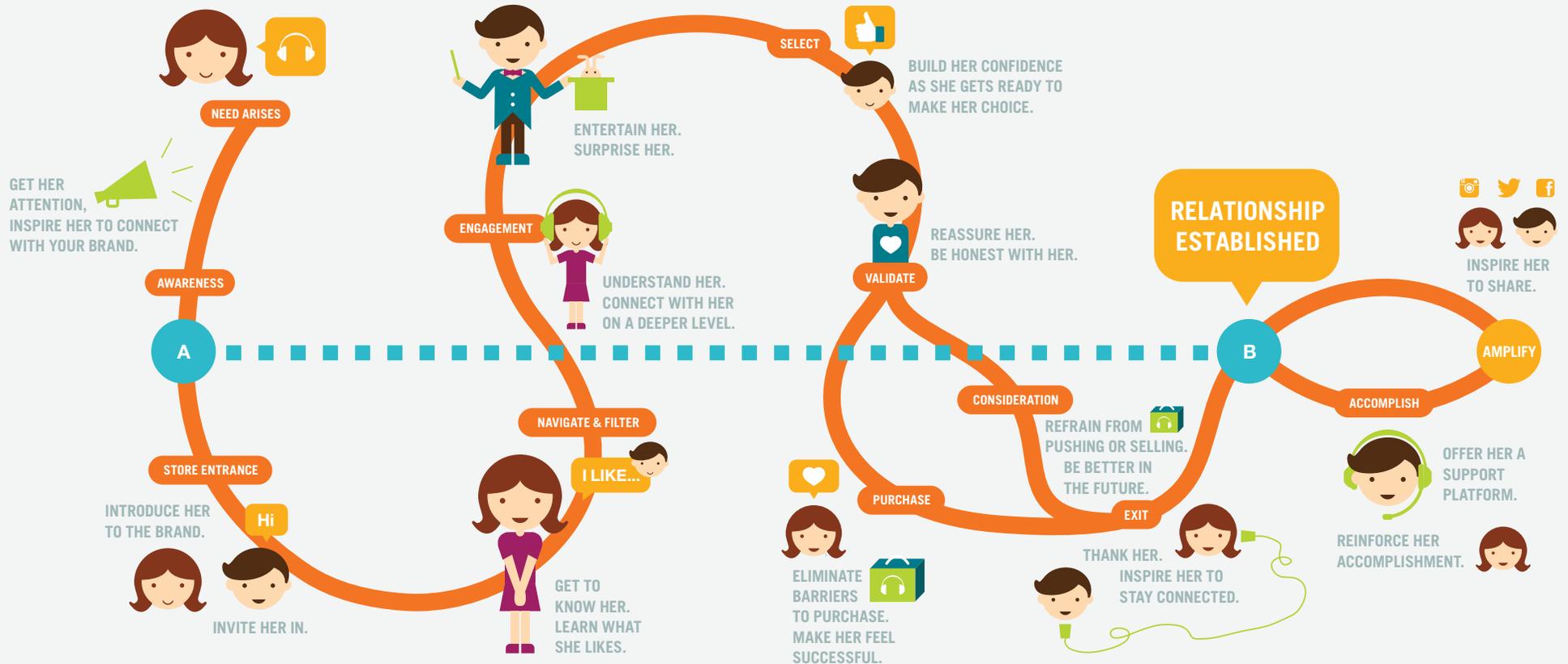
89% → OF CUSTOMERS TEND TO SWITCH TO A COMPETITOR'S BRAND¹ BECAUSE OF A NEGATIVE EXPERIENCE

Meanwhile, 89% of consumers will jump straight into the arms of a competitor when they have a negative experience. With all the tools they need to play the field, consumers can easily find the right product at the right price. No longer must consumers accept a sub-par shopping experience. As beholders of the power, they can hold out for the right brand experience and the most valuable relationship—even more reason to shift the focus and invest in courting the customer.

NEW MODEL

LOSING ONE CUSTOMER = **AVERAGE COST \$300³**

The average cost of losing a customer is approximately \$300. To put that into perspective, JC Penney lost 1,000,000 customers in three months when they altered the experience and relationship customers had come to know, trust, and love. That’s a \$300,000,000 loss in revenue during that period alone.



TAKE A LOOK AT A FEW KEY INDICATORS OF THE OLD MODEL VS. THE NEW

Let's evolve the notion of "path to purchase."

The new model of retail demands we think of the customer journey in a new way—and the customer as separate from his/her purchase. Whether there is a transaction or not, the customer experience should feel less like a path to purchase and more like a journey to relationship. Today's technology allows brands to court the customer like never

before. To learn what she likes and what she does not like—share stories that inspire her and be there for her when she needs something. It's a lot less like selling, and a lot more like dating. The retailer's objective is no longer to make a single sale, but instead, to ignite and foster a long-term relationship.

Consumers expect to be courted, not sold to.

Every touch point along the consumer's journey is an opportunity to build a relationship. Where, when, how, and how often brands interact with each customer should be thoughtful and meaningful to her—and what is said should give her exactly what she needs in the moment. Get to know the customer and execute from that insight, rather than blindly inserting fancy technology and tactics that may end up hindering the experience. It's important to remember that, like dating, too many calls are just as bad as too few.



RETAIL STUDY:

Anthropologie

Curating the retail experience to cater to a specific customer demographic.

The store concept (both online and in-store) caters to a very specific shopper, they know their customer well and they invest in creating an experience that will resonate with her on every level. President, Glen Senk says, "Our customers are our friends, and what we do is never, ever, ever about selling to them." Instead of strictly selling, Anthropologie inspires and learns about its shoppers, and with that

deeper level of understanding, they curate an experience she cares about and build a relationship that is meaningful to her. While other brands shell out marketing dollars, Senk creates an experience that exceeds expectations. He says, "We don't spend money on messages—we invest in execution." A smart philosophy that has shoppers swooning over Anthropologie whether online or in-store.

beauty insider

BEAUTY INSIDER

Rewards Boutique
Personalized Recommendations
About Beauty Insider
About VIB
About VIB Rouge

MY BEAUTY BAG

Purchases
Loves
Share the Loves

MY ACCOUNT

My Information
Orders
Payments & Credits
Subscription

Sharing turns into shopping.

To go after the single sale and skimp on the relationship is to miss out on an entire community of customers and future transactions. The stronger the relationship with the customer, the more likely she is to spend her social currency on you. And when she spends social currency on you, she amplifies her experience and feeling to a community you may otherwise never reach. All of that talking and sharing turns into shopping, and then into sales.

WELCOME BERYL!

967 POINTS

CURRENT STATUS: VIB ROUGE ◆

Beryl, enjoy VIB Rouge status until 12/31/14. Spend \$1000 to maintain your VIB Rouge status through 2015. [LEARN MORE](#)

MY BEAUTY BAG 

SEE PAST PURCHASES ▶

BEAUTY INSIDER
FEED YOUR OBSESSION ●

VIB
TAKE IT TO THE NEXT LEVEL ■

VIB ROUGE
SEE THE VIEW FROM THE TOP ◆


RETAIL STUDY:**Sephora**

Sephora builds relationships with loyalty perks customers really care about.

Sephora's Beauty Insider program makes it fun and easy to purchase make-up and learn expert applications and techniques. The brand uses Kat Von D. as a spokesperson to connect with make-up enthusiasts about the latest trends and how to achieve them. And the "VIB" club offers videos, coupons,

tips, and membership perks to help Sephora build a lasting and valuable relationship with customers. With over two million Facebook fans and hundreds of thousands of Twitter followers, Sephora has built a community of engaged members by investing in relationships.

74%

OF BRAND MARKETERS SAW AN INCREASE IN WEBSITE TRAFFIC AFTER INVESTING JUST 6 HOURS PER WEEK ON SOCIAL MEDIA⁵



74%

OF CONSUMERS RELY ON SOCIAL NETWORKS TO GUIDE THEIR PURCHASING DECISIONS⁵



BY 2015, BRANDS WILL GENERATE 50% OF THEIR REVENUE THROUGH SOCIAL MEDIA⁵



55% OF SHOPPERS SHARE THEIR PURCHASES ON SOCIAL NETWORKS⁵



“ We are evolving into a KINSHIP ECONOMY in which the job of the brand is to facilitate and foster relationships and connections among consumers. Brands need to offer social currency that consumers can spend with other consumers.”

A new economy demands a new approach.

It is bold to tell brands and retailers to make the purchase secondary and invest in relationships first, but it also makes good business sense. Because those relationships build social currency, and social currency will pay off in actual currency now and down the road.

INTEGRATING SOCIAL MEDIA WITH THE RETAIL EXPERIENCE WILL BE INCREASINGLY MORE IMPORTANT FOR SUCCESS

J. WALKER SMITH
THE FUTURES COMPANY

Let's rethink the value chain.

In this kinship economy brands, retailers, and manufacturers need to add value—and to add value, they need to work together, not against each other. To be successful in courting vs. selling, both retailer and manufacturer need to put the consumer at the center of every engagement strategy and communication tactic. It means recognizing that the long-standing power struggle between retailers and manufacturers is over. It's the power of the consumer that matters. To meet consumer demand, retailers and manufacturers need to design a distribution process that centers around the consumer, instead of each party's individual agenda. Robin Lewis says, "a better-managed, high-tech-driven, transparent, seamlessly integrated, rapid response and totally controlled value chain, directly connected and instantaneously responsive to consumers (in fact driven by consumers), is a win-win twenty-first century process." Easier said than done. The value chain needs to be entirely rethought. There is no choice but for retailers and manufacturers to co-conspire in service to a shared objective. Collaborate to bring every customer the experience she wants, when she wants it. Then foster a relationship that brings value to HER.



RETAIL STUDY:

Apple & Burberry

Apple and Burberry collaborated to deliver on one objective that would bring engagement and meaning to their shared consumers.

When apple was days away from launching the iPhone 5S, they teamed up with Burberry to capture and stream the highly anticipated Burberry fall fashion show. The partnership connected consumers all over the world around the latest in fashion and technology at once. Consumer's minds were opened to a heightened experience made possible by both brands.

An average consumer has now been enabled to create some of the most brilliant content... so we thought it was just incredibly revolutionary and how could we not help do something innovative on using the runway?

ANGELA
AHRENDTS
BURBERRY CEO



A FEW TIPS FOR BUILDING A MEANINGFUL, LONG-TERM RELATIONSHIP WITH YOUR CUSTOMER



Here are a few tips.

When the perspective shifts from selling to courting—the brand experience comes to life, consumers' hearts are won, social currency is earned, and more products are sold. In this new model, brands, retailers, and manufacturers must first create an experience true and meaningful to the consumer, then master the art of dating to secure long-term relationships. Whether a brand, retailer, or manufacturer, take a look at these tips for courting your customer.

IN THIS JOURNEY TO A RELATIONSHIP, IT'S ABOUT COURTING YOUR CUSTOMER, NOT SELLING TO THEM

1. GET NOTICED

You can't start a relationship if you're a wallflower. Go from bland to brand. Stand out from the rest.

2. BE HONEST

Stay true to your brand personality. If it feels forced to you, odds are it feels forced to your customer too.

3. GET TO KNOW HER

Sophisticated digital tools mean you don't have to assume what she wants. Use them the right way to ensure you understand her needs and wants.

4. GIVE HER SOMETHING SPECIAL

Give her something she can't get somewhere else. Resist the temptation to follow the crowd. What's right for one brand, may not be right for you. Find what makes you unique and use it.

5. SURPRISE HER

Keep her engaged with something unexpected—something that invites her back again and again.

6. STAY CONNECTED

Thoughtful notes, updates and conversations let her know you're thinking of her, even when she isn't buying something.

7. DON'T OVER DO IT

Yes, technology is great. But just because you can, doesn't mean you should.

8. BE NICE TO HER FRIENDS

The opinion of her community goes a long way—and can make or break your success in the ned.

9. REMEMBER: IT'S NOT ALL ABOUT YOU

In this new era of retailing, the consumer has the power. And it's all about her.

ABOUT LIQUID

We're a Brand Experience agency. We develop holistic brand experiences that help propel business forward. We do this by working with our clients in a highly collaborative way that embraces experimentation, curiosity and big thinking.

Approach

We got our start in Silicon Valley—a place that has taught us to embrace innovation and inspired us to develop new methodologies and new tools. We call our approach Silicon Valley Thinking. More than just a new buzzword, Silicon Valley Thinking blends strategy, creativity and technology to create solutions that are more agile, innovative, efficient and effective.

Services

Starting with brand at the core, our services address the brand experience opportunities across key internal and external touch points. Our core strategic services are designed to help companies define and articulate the brand's purpose, structure and differentiation. From there, we focus on key experience touch points that include customer interactions, employee cultures, as well as product and service experiences.

Projects

We've helped our clients launch new brands, or refresh brands that need to be infused with new energy. We also work with companies to create employee cultures that foster innovation and collaboration. We help design new products and service experiences; create packaging systems; craft retail merchandising solutions; develop sophisticated digital experiences; and design physical environments such as museums, trade show exhibits, and corporate offices. What is important is that regardless of what we're doing for our clients, we approach the work with the goal of creating amazing brand experiences. Because that's how you build amazing brands.

If you'd like to learn more about us, please visit:
liquidagency.com

WE'D LOVE TO HEAR FROM YOU

If you're interested in learning more about Liquid and how we could help you gain a competitive advantage, please feel free to contact our team members below.

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