

Grocery - The New Department Store: 10 Lessons to Avoid the Same Fate



BHDP

Design for People



Roche Bros West Roxbury, MA. Image source: BHDP

Introduction

Each month brings with it another new dominant headline on how one of our most frequent shopping experiences – buying groceries – will be forever changed. Curbside pickup. Driverless cars delivering to our homes. Automatic checkouts.

The technological rush shows a willingness by the largest chains to ensure they outmaneuver upstarts and avoid suffering the same decline of the department store. Consider this. Annual U.S. department store sales peaked in 2000 at just over \$232 billion. They've been falling ever since, and 2017 saw only \$150 billion in sales, the lowest in at least 25 years. Over that time, many leading brands – Boston, Bonwit Teller, Burdines, The Bon-Ton, and B. Altman's just to name a few B's – have been absorbed or simply vanished, and the shake-out is far from over. In 1992, department stores accounted for the fourth-largest share of total retail sales. Today, they have fallen to 12th.

What's behind the precipitous drop? One explanation is a change in shoppers' behavior. Those who once appreciated the wide selection of brands available at department stores now opt for the convenience and even greater selection offered online. While this has certainly been a factor, it isn't the full story, though. Similarly situated retailers such as specialty and general merchandise stores haven't experienced the same kinds of sales impacts.

The fact is department stores failed to adapt and evolve their merchandising and real-estate strategies with the times and with shoppers. What used to be destinations for retail and socializing – fun places to shop with memorable and unique design features – became utilitarian and generic. Because they ignored customers' needs and failed to invest in spaces, amenities and the overall brand experience, department stores simply lost their appeal – and relevance.

Grocers Seeing a Different Kind of Shopper

As department stores have faded, the grocery category has remained the second-largest share of retail sales over the last 25 years with revenue nearly doubling over that time from \$337 billion to \$639

consumer expectations, expand their offerings, redefine convenience and deliver a relevant – even engaging – shopping experience.

And, unlike their department store brethren, grocery stores have responded in bold and unique ways:

- Aldi will open inside 10 Kohl's stores around the country. While this is hardly the first pairing of food and fashion, it is certainly a departure from the norm.
- Kroger is launching a restaurant chain called Kitchen 1883, both within stores and as standalone locations. It has also purchased a sales analytics company and delivery service



Kroger's Kitchen 1883 concept. Image source: <https://www.citybeat.com/food-drink/eats-feature/media-gallery/20994025/kitchen-1883-is-krogers-first-venture-in-sitdown-dining>

billion. What happened to department stores in the 2000s, however, is now threatening the supermarket. Consolidation and the trend toward commoditization are increasing. New online entrants such as FreshDirect and Peapod are entering the space seeking to simplify the shopping experience. Amazon's purchase of Whole Foods has also been a major wake-up call, challenging operators to acknowledge and embrace changing

to better understand and serve its customers. Recently, rumors have also been circulating that Kroger and Target might merge into one super-powered grocery store.

- Walmart, America's biggest grocery store by sales, acquired e-commerce site Jet.com in 2016 to better fend off Amazon's online grocery challenge and appeal to urban millennials that it had been unable to reach.



Brothers Marketplace Medfield, MA. Image source: BHDP

What Macy's Can Teach Ralphs

The above are major, strategic investments and suggest that groceries and supermarkets have no intention of standing still – and tempting the fate of department stores. Groceries have continued to add home goods, clothing and personal care items that were once the purview of department stores. Grocers should look beyond this traditional department store merchandise, though, as they can learn a lot from how department stores have historically positioned that merchandise for sale, everything from the product displays and lighting to signage and the check-out process.

Consider the following:

Merchandising: Everything starts with a store's product assortment and how the various sizes, shapes and packaging of products influence the fixtures on which they're presented. For both department stores and grocery stores, these fixtures have become highly specialized.

Grocery: The four basic loose fixture types include cold/frozen cases, produce bins, service cases and the versatile metal gondola. The tall gondola does the bulk of the heavy lifting around the perimeters and center of the store.

Department stores: Forget just four types of fixtures. Department stores typically use upwards of 100 fixture types. Among the most frequently used are racks, hang bars and tables for apparel; tables, cubes, low wood gondolas and size-specific bins for home goods; and showcases and back islands for cosmetics.

Advice: Grocers should begin treating merchandise as architecture, just as department stores have done for years. The product itself is your best storyteller, and it should be the first thing a consumer sees, unhindered by the design and scale of a store's fixtures. Imagine the product as the star

of your show and the store as the stage set. While grocers can never have the breadth of fixtures typical for department stores, they should reconsider whether a beige metal gondola is the best way to display the vivid colors of apparel and beauty products. Spoiler alert: It's not.

Visual display: Using your products to tell a story is a powerful way to inspire the imagination of customers. Whether customized at the store level or handed down from the corporate office, visual displays inform shoppers about seasonal trends, brand lifestyles or product benefits – and engender confidence and purpose.

Grocery: The best that visual displays get in most grocery stores is an organized, stacked, branded endcap with a large price sign. Sometimes, there may be plastic plants hanging off the refrigerated cases.

Department stores: Department stores dedicate space for visual displays along with entire budgets and regional teams of visual merchandisers, who use mannequins, display tables, toppers, plinths and banners.

Advice: Customers expect – and enjoy – having their imaginations engaged. Grocers should break free from traditional boundaries and tell cross-merchandising stories that combine apparel, home and food. Set aside areas for dedicated displays and redefine your show window.

Lighting: Great lighting is the best way to catch shoppers' attention and sell more product. The best approach is a layered one. Start with functional lighting that ensures shoppers can clearly read labels and employees can perform their jobs. Then add more lighting to spotlight key messaging, displays and architecture.

Grocery: In most grocery stores, high-bay lights placed at standard 16-foot intervals and long runs of continuous strip lights provide basic illumination with no differentiation.



Roche Bros. W. Roxbury, MA. Image source: BHDP



Brothers Marketplace, Waltham MA. Image source: BHDP

Sometimes, track lighting highlights produce bins while functional can lights are installed above service counters.

Department stores: Historically, department stores have utilized a sea of fluorescents over the merchandising areas and a moon-scape of recessed incandescent lights over aisles and showcases. Track lighting illuminates visual walls and displays, while decorative pendants and sconces are used for architecture and highlighted rooms.

Advice: Start with a base level of lumens to help shoppers read signage and labels, as well as to simply see the products. Add and aim spot lighting for apparel and produce displays to highlight from a distance, as well as enhance the products' textures by creating deeper shadows. Plan out where to subtract light for dramatic contrast. Don't forget to use any available natural daylight, as its proven effects include improving mood and lengthening the time people spend in stores.

Brand expression: Are you trying to spotlight your corporate brand or the branded and private-label products you carry? Are you a "branded house" or a "house of brands?"

Design and architecture plays a major role in delivering your brand's overarching message or minimizing it. What you should do depends on whether you're trying to make your brand memorable and different compared to simply being a price leader.

Grocery: It's tough to tell a brand story amid a sea of metal gondolas and 15-foot perimeters with refrigerated cases and coolers. In most grocery stores, the brand story is relegated to signage above cases, the cash register light poles, and a series of black-and-white historic downtown images at the front.

Department stores: Proprietary architecture typically frames each category and brand, letting shoppers know that the store has a wide selection of curated merchandise or immersive "shop-in-shops" of other brands.

Advice: Own the envelope. Before the perimeter fixtures plans are finalized, carve out a foot or two where vertical architectural elements can bring aspects of a brand down to customers, so they can literally engage with the brand. Besides just a Starbucks shop in the coffee aisle, introduce highlighted zones within the aisle that describe special services, categories and brands.



Brothers Marketplace, Waltham, MA. Image source: BHDP

Graphics/signage: At its core, wayfinding signs are meant to help guests easily navigate around stores. It's critical that there be a graphic hierarchy for key brand messages, departments, classifications, promotions, pricing and policy. Technology and "branded architecture" also plays an important role.

Grocery: Differentiated department signage is king, as the signage stretches from the top of cases to the underside of the ceiling and runs from one end of the area to the other. Each graphic typically has separate themes with different colors, unrelated patterns, imagery and fonts. Aisles are marked with classifications but then confused with multiple layers of promotions, sub-classifications and pricing.

Department stores: Their two-tiered approach to wayfinding includes brand signage at the highest levels then pricing and product information at the merchandise level. Temporary promotional and seasonal graphics have their home at cross aisles, on displays and atop cosmetic back islands.

Advice: Try this simple test. Take a photo of a typical grocery department and make a horizontal mark at the bottom of the page for each sign or message. If the marks create a nearly continuous line, you are asking the guest to absorb too many messages. There should also be no more than five vertical information points. Guests will appreciate a simplified and consistent signage hierarchy in which where every message has a place.



Brothers Marketplace, Weston MA. Image source: BHDP

Customer journey: The customer journey is the intended story that unfolds as guests walk around and experience the store. This starts with the view from the street and the entrance, then continues with



Roche Bros. Boston, MA. Image source: BHDP

how they walk through the store, pay for their purchases and exit. It's everything guests see and touch along the defined path, where each aisle creates vistas and focal points that draw guests to the next stage of their journey.

Grocery: An engaging journey is virtually impossible because of the walls of continuous cold cases and promotional endcaps that create vistas more than 100 feet long with few, if any, focal points. Guests shop the never-ending outside perimeter and must memorize the maze of gondolas in the center of the store. They're left on their own to create "journeys" based merely on their shopping needs.

Department stores: Main entrances feature high volume/margin products, then guests traverse a series of rooms/departments. The rooms limit sight lines to a 30- to 40-foot

vista, allowing a story to be created for each department. Aisles lead in the four compass directions from one room to the other, encouraging guests to wander, browse and discover more offerings.

Advice: Identify the intended customer journey for each guest

profile and how the story of your brand should unfold. Does the aisle vista lead to a set of stock doors, or is it purposefully centered on a service offering, featured promotion or brand? Plan the cadence of messages around key moments of pause and physical touch points. Add surprise and delight by breaking up the long center store runs. What if the wine tasting or demo kitchen was in the center? A great story is memorable.

Planning: For most retailers, merchants wield a lot of power, battling over every square and linear foot of space for their department. It's usually the last department merchant to touch the plan that gets everything they want. To make the customer journey work, the layout of each category and service needs to not only make business sense but also needs to be intuitive for guests as they walk through the store.

Grocery: At most supermarkets, there's no evidence of a journey, as there's little obvious connection between the coolers and their back-end requirements, the perimeter-focused service offerings, and then the center store aisles with their endcaps supported by co-op dollars and major brands staking out sections of gondola runs.

Department stores: Traditional department stores feature a center core with high-margin businesses on an axis to the main entrance, then the women's shoe department stretching to the next area. The biggest decision has historically been whether to put the men's department on the first floor or relegate it to the second level with the children's department and intimate apparel.

Advice: As grocery stores continue to expand into apparel, beauty and accessories, at what point should there be a high-margin center core experience? Also, with the link between customer behavior and sales becoming better understood, there is now a role for technology in determining the most efficient and productive layouts.



Check-outs: The last major touchpoint for the guest experience is at check-out, where a problem-free, positive cashier experience can reinforce the brand for a consumer.

Grocery: It's taken more than 30 years for just one-third of grocery shoppers to adopt self-checkout kiosks. Now technology is being tested for automatic checkout that would eliminate the need for long, regimented lines of registers and cashiers.

Department stores: More than 30 years ago, stores seeking

staffing efficiencies began phasing out multiple departmental registers in favor of centralized wrap stations, but that also reduced the perception of individual service and category expertise.

Advice: Maintain a variety of ways to check guests out without reducing the perception of service, as there is no one-size-fits-all solution for how individuals want to check out. Certainly, younger shoppers are more likely to adopt new technology, but it's important to maintain traditional check-out methods for older guests.

Services: While physical stores can no longer compete with online retail for sheer product selection, the face-to-face conversations with experts and the services they provide is the greatest differentiator for

still offer beauty consultants, tailors and personal shoppers and are successfully adopting in-store pick-up and recommitting to cross-training sales staff.

bricks-and-mortar retail. Whether the tailor or butcher, the personal connection builds a level of trust. As grocers adopt more of the traditional department store categories, what services will migrate over as well?

Grocery: Many grocers began as the local butcher or neighborhood produce wagon, embracing the importance of community and family. Today, each grocer must find a balance between services and the commodities in the center of the store. Innovations in recent years have included adding clinics, catering, delivery and curbside pick-up.

Department stores: Historically, department stores differentiated themselves by their specialty services and category expertise. Although they have ceded some of this space to competitors, they



Roche Bros. W. Roxbury, MA. Image source: BHDP



Roche Bros. Boston, MA. Image source: BHDP



Brothers Marketplace, Medfield, MA. Image source: BHDP

Amenities: Customer amenities are the memorable extra steps that a retailer takes to understand and deliver on the needs of each guest. If done right, they bring true moments of surprise and delight.

Grocery: It's long been as basic as baggers offering to load groceries into a shopper's car. Grocers have also successfully added other amenities over the years, including sampling stations, wine tastings, cafés and seating. In-store technologies such as ordering kiosks in the deli have also reduced wait times.

Department stores: Mirrors on every column and tester bottles in cosmetics are a given in most department stores. Restaurants and cafés have started to make their way back into the stores as well. The key amenity for all guests is a clean and well-lit fitting room that provides a

sense of security and an organized wall system to compare clothing options.

Advice: With grocery stores adding more apparel, there's a role for a better fitting room experience. And as beauty products become more standard, adding testers and mirrors will let shoppers know they're making the right choices.

Aiming to outwit new competitors, the largest grocery chains are already investing in technological innovations like curbside pickup, automatic checkout and delivery services to provide better service to customers and simplify the shopping experience. But as they evolve with this focus on technology, they should not overlook the many easy and relatively low-cost physical tweaks that can be made in stores to incorporate the best of the long successful run once enjoyed by department stores.



Roche Bros, W. Roxbury, MA. Image source: BHDP



Brothers Marketplace, Waltham, MA. Image source: BHDP



Brothers Marketplace Weston, MA. Image source: BHDP

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