

Putting Pop-up Retail to Work

How retailers are making new customer connections

By Glen Bradley

The Challenge

What's in store for the retail world? Store closings, omnichannel missteps, and the inability of traditional brick-and-mortar retailers to cost-effectively compete with online channels have created a period of turmoil. Against this backdrop, multichannel retailers are working to determine the role that stores play for customers who shop across online, social media and physical locations.

The drive to innovate for competitive advantage is at an all-time high. Retailers feel a sense of urgency to seek out new concepts to connect with customers who want their in-store experiences to be engaging and entertaining. In many instances, retailers want to reach new targeted demographics or test urban or small store concepts without interrupting current stores and sales. Whether these new concepts come to life as flash retail/pop-up stores or permanent physical locations, they create an environment that allows retailers to learn quickly, test brands and concepts in real time, and collect the critical consumer data to stay relevant and drive sales.

While retailers generally know how to launch another iteration of their *existing* store format, most are not prepared to launch a new concept. Getting the most out

of these initiatives takes new operational muscle, agility and the ability to measure success.

Point B's Approach

Retailers may be used to testing new concepts within existing stores and formats. However, as they migrate to non-permanent locations—often in unfamiliar territories—they face new complexities. Retailers must navigate a myriad of details, often without the help of centralized retailer resources normally involved in store rollouts. It takes careful planning and execution to ensure that a hypothesis can be successfully tested without getting bogged down in store execution issues.

First and foremost, retailers need clear goals and objectives for any new store concepts. Goals vary; you may want to understand customer feedback on a product or experience, measure traffic and location appropriateness, or simply gauge the sales potential of new products or concepts.

Executive sponsors must be on board with these goals and the overall approach. While the measure of pop-up retail success is often viewed differently by executives across different functions, it's critical that members of a cross-functional sponsoring group agree with the initiative team on the objectives. This includes sponsors'

agreement on a realistic budget. In cases where the budget may not be sufficient, sponsors must be aware of what trade-offs have been made and how they will impact the initiative.

Having shared objectives with informed sponsorship paves the way for the critical tasks of execution. In our work with leading retailers across the country, Point B has developed a flexible, three-step approach to making the most of pop-up store concepts. It provides the broad oversight vital to successfully executing a new concept together with the agility and analytics to apply lessons learned along the way.

Step 1: Plan and forecast to the concept

As a new concept goes through several iterations of design and adoption, thoughtful planning is needed to keep products fresh and inventory levels within the scope and budget of the operation. Given the testing nature of the pop-up concept, planning may occur outside the formal planning process. Generally, replenishment is kept to low levels, if used at all. Key criteria are quantities (by style), sizing, cost and suppliers' lead times. Margin decisions must be made in concert with sponsors' expectations.

Step 2: Manage the new store, not the old

Retailers have developed back-office and supply-chain processes for managing their existing stores. It's likely that, at least initially, a new store concept will need to be managed outside those conventional norms.

While many of the principles that work for traditional brick-and-mortar stores are relevant and even required to succeed with new concepts, they must be strategically executed at a scale that recognizes cost. Everything from fixtures and point of sale to signage and Wi-Fi must be planned and adjusted to ensure that the profit and loss (P&L) of the test case meets executive goals. Managing within a budget often means being creative and thoughtful in store design and physical layouts. With leadership support, tight parameters can lead to fresh, innovative approaches to new store concepts. It's also important to recognize that

interim suppliers (Wi-Fi, signage, supply chain) who operate within the pop-up parameters may be more appropriate to the new concept than existing vendors. Being nimble is the name of the game.

Step 3: Monitor progress and make improvements

How is your new store concept doing? Data capture and data analytics are key to evaluating the potential of a new store concept. During the initial innovation phase, it's important to determine how key data will be defined, sourced and turned into meaningful insights through decision support tools. Retailers need ongoing access to key analytic skill sets in order to evaluate a new store concept and make refinements.

In situations where retailers are looking to augment revenue more than test a new concept, P&L templates and strategies can help analyze relevant data, understand performance, and forecast future opportunities. We advocate the discipline of P&L analysis throughout the process in order to keep sponsors truly informed on results.

The Bottom Line

The ability to cost-effectively test new store concepts is a major strategic advantage to retailers as they determine how to best test new products and use physical locations in an omnichannel world. Getting it right takes a cross-functional approach that includes expertise in real estate development, retail store savvy, and technical and process know-how. It's our experience that the integration of retail and real estate expertise is key to creating new store concepts that complement other channels and connect with customers old and new.

About Point B

Point B, Inc. helps organizations form, execute, and thrive. With capabilities including Management Consulting, Venture Advisory and Property Development, our integrated businesses provide value to the businesses and organizations we serve.