

# Reimagining Retail: The digitization of the store, which retailers are leading the charge, and who doesn't need to

Audio

On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss what's important in a good omnichannel experience, where in-store retail media is headed, and how stores can tailor experiential and experimental tech to build a more robust customer profile. Then, for "Pop-Up Rankings," we rank two retailers that are doing store digitization well and two that could possibly use a bit of work. Join our analyst Sara Lebow as she hosts analysts Arielle Feger and Zak Stambor.

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## Episode Transcript:

Sara Lebow:

Join eMarketer on November 3rd for our next virtual event, Attention! Trends and Predictions for 2024. Our leading analysts and executives from brands like Pepsi, Colgate-Palmolive, and

Kendra Scott will explore trends like generative AI, retail media, and more to help professionals to plan for the year ahead. Visit [insiderintelligence.com/events/summit](https://insiderintelligence.com/events/summit) to register today.

Hello, listeners. Today is Wednesday, September 27th. Welcome to Behind the Numbers: Re-Imagining Retail, an eMarketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is the digitization of the store. First, let's meet today's guests. Joining me for today's episode, we have senior analyst, Zak Stambor. Welcome back Zak.

Zak Stambor:

Thanks for having me, Sara.

Sara Lebow:

Thanks for being here. And also here joining us for the first time on the podcast is newsletter analyst, Arielle Feger. Welcome, Arielle.

Arielle Feger:

Thank you. Happy to be here.

Sara Lebow:

Happy to have you here. Okay, let's get started with free sample. Our Did You Know segment, where I share a fun fact tidbit or question. Today, I have a piece of trivia. My question for both of you, what year was the first self-checkout machine installed?

Zak Stambor:

Ooh, that's a good question.

Arielle Feger:

Great question.

Zak Stambor:

1990.

Arielle Feger:

I'm going to go a little earlier than Zak, and I'm going to say 1985.

Sara Lebow:

Arielle, you're off to a good start on the podcast. It's 1986, so right in between you guys. 1986 in a Kroger near Atlanta. It worked a little different than self-checkout works today. Shoppers scanned and bagged their items and then they paid at a central cashier station according to a 1987 article from The Oklahoman that I read. Then Kroger VP Donald F. Dufek said, "With today's technology of the automated checkout machine combined with electric fund transfer and coupon scanning, we can have a completely self-serve front end of the supermarket. I believe we're going to be able to tie all this together this year, and I think that's exciting." So what do you think? Did they succeed?

Zak Stambor:

That is some optimism he had. This year?

Sara Lebow:

Yeah, well, so it turns out that they installed it. They did testing on it for a few weeks, and according to the two articles I read, which were in the LA Times and The Oklahoman, they were really optimistic immediately. People in that Kroger adopted it right away. Two thirds of people had used it, a third of people were using it regularly, something like that. So I think people were ready for self-checkout. It came with a big press push too, right? So they'd heard about it on the news. They wanted to see it. This is interesting to me because I didn't exist yet in 1986, but I remember self-checkout gaining popularity in the '90s and early 2000s. It certainly wasn't at a point of saturation yet when I was a kid.

Arielle Feger:

I would say we can call them pioneers. I definitely think they were on the right track.

Zak Stambor:

I think that's debatable. Is it the right track? I find it frustrating.

Arielle Feger:

Well, I think ideally it's on the right track, but you're right, there's a lot left to be desired at self-checkout stations. There-

Sara Lebow:

It was on a track that proved popular. Something else that they noted in the article was like, if you have an issue, it'll pop up and someone will come over. They really haven't resolved that process at all.

Zak Stambor:

And therein lies my frustration.

Sara Lebow:

They really haven't done any improvement on that. I have never not had an issue at self-checkout.

Zak Stambor:

Absolutely.

Arielle Feger:

Same here.

Sara Lebow:

Now it's time for our next segment, Retail Me This, Retail Me That, where we discuss an interesting retail topic. Today's topic is the digitization of the store. So in a few ways, we've come a long way from that self-checkout in the '80s. There are a few major focus areas for bringing brick and mortar digital. Three that I want to focus on today are the omnichannel connections between digital and physical, retail media's in-store opportunities and experiential and experimental tech that brings people into stores. Let's start looking at omnichannel. Omnichannel communications are the leading priority for US customer experience professionals according to an April study from SurveyMonkey. Arielle, I know you cover this topic a lot. What is important in a good omnichannel experience?

Arielle Feger:

At the most basic, a good omnichannel experience really means that customers are able to switch between online and offline channels in a super easy, seamless way. Because we know customers don't really shop just in store or just online anymore. According to a January survey from Coveo, 37% of adults in the US and the UK, they research products on a retailer's



website, then go buy them in store. But 36% do the exact opposite. They consider items in store and then go buy them online. So when retailers are thinking about how to build out these channels, both digital and physical, they need to think about them as how they compliment each other and how they work together.

Zak Stambor:

I think it's such a good point that it needs to be a seamless experience because people don't think in terms of digital, they don't think in terms of in-store. They think they're just shopping at a retailer. They think of the retailer, and so when there's a disparity between the online and the offline experience, it just results in frustration.

Arielle Feger:

Yeah. And it also results in going to another store. I think about if I'm trying to buy something off of a retailer's mobile app and it's not working for me, I'm going to go switch. I'm going to go buy it off Amazon. So they really lose a lot of opportunities there if those channels aren't aligned.

Zak Stambor:

And people have gotten so accustomed to the endless aisle. If something isn't in the store, you assume you can get it online from the retailer. When there's friction there, when you can't just have the store associate order it for you and you have to go online and you have to figure out what the skew was, it's just really a bad experience that's really frustrating for the consumer.

Sara Lebow:

Yeah, that's stat that you mentioned. Some people research online, then buy in store, some people research in store, then buy online. That's interesting because I definitely fall in between those buckets and I guess most consumers do, right? I see something in the store, I research it online, I might go back to the store to get it or vice versa. I see something online, I look at it in the store, but I might end up buying it online. So even within that data, there's not a straight path to purchase, which is obviously something we say a lot, but I think that's where tech is so important.

Arielle Feger:

Exactly, and that's I mean, consider social media as well. Oftentimes we're not even seeing an item in a store or on their website. We're looking at it on TikTok or we're looking at it on Instagram. So how does that fit into the omnichannel experience? How are retailers able to connect or drive those customers looking at the items online and how are they able to bring them in to the store or to their website?

Sara Lebow:

Yeah, if I see a product from an influencer that is a Sephora product, I'm definitely expecting to be able to go see that product in a Sephora store that day.

Arielle Feger:

Exactly. It's actually interesting you mentioned Sephora, because I think Sephora is a really good example of the omnichannel experience because you're in the store, but that journey doesn't stop there. You're able to pick up the mobile app and continue to learn and engage with the brand.

Sara Lebow:

Sure. Okay, let's keep moving on to retail media, one of my favorite topics, where in store ad spend in the US is currently at around \$240 million. That'll nearly quadruple to \$880 million by 2027 according to our forecast. We talked a few weeks ago on the podcast about retail media ad buying and a few weeks before that about retail media marketing moving up the funnel. But now I want to talk specifically about in-store retail media. Zak, we'll start with you. Where is in-store retail media headed?

Zak Stambor:

It's basically a case where the sky's the limit. There's such a dramatic opportunity ahead because in stores is where the vast, vast majority of retail transactions take place, and so everywhere within that store experience is an opportunity to present consumers with advertising. That can be the TV walls, it can be front of the store kiosks between aisle signage and everywhere else in between, and so there's just such a huge opportunity to finely tune each of those locations within the store to the individual consumer or types of consumers who go to the store.

Sara Lebow:



As a consumer, I definitely have a knee jerk reaction to everywhere in the store is an opportunity for advertising, but I'm also not sure that I actually notice that as a consumer. I mean I do because I'm paying attention to it now, but I don't know that I really am thinking that's an ad, that's an ad, that's an ad. A lot of it is just an evolution of signage in the store.

Zak Stambor:

I think that's so true. I very much recoil at advertising popping up where it didn't used to be. I'm a Cubs fan, Wrigley Field used to have no ads. Now it's blanketed with ads, and I don't like it per se, but I'm not not going to Wrigley Field to see the Cubs. And it's the same-

Sara Lebow:

You know where you can go where there are no ads, Michigan Stadium, no ads.

Zak Stambor:

Coming soon. But I don't think it's going to keep people from going to the store just because there's a lot of advertising there.

Sara Lebow:

Yeah, it's not like a website where you can't use it anymore. You can still be in the store, you can still buy your stuff.

Arielle Feger:

Although I would like to say that just a few days ago, the Business Insider article came out and some shoppers were posting on TikTok, complaining about the cooler screens, basically saying, "I have to wait to see an ad before I can even open up the screen door." And so I think that is going to present some frustrations for consumers, and if they're noticing it, then that's going to be a big problem. I think retailers need to find ways to incorporate tech into places where consumers are used to seeing it or in places where it's going to really enhance the customer journey throughout the store.

Sara Lebow:

Also, those places where you might already be waiting a deli line, the checkout line, I mean, as much as I hate suggesting that we fill lines with ads, these are the places where consumers are waiting.

Arielle Feger:

And think about smart carts, right? You take a cart and you're pushing it around the entire store. If there's a screen there that's presenting you with ads and discounts, you're kind of really giving that the attention that retailers want you to give it.

Sara Lebow:

This is where omnichannel comes back into play also, because not every store has smart carts yet with screens. Every store has me playing on my phone the whole time I'm in there or checking my phone the whole time I'm in there. So this is where those in-app omnichannel experiences are also valuable.

Arielle Feger:

Absolutely.

Sara Lebow:

Okay. Finally, let's shift gears and take a look at the cool experiential ways stores are innovating to bring consumers in. More than a quarter of the US population currently uses augmented reality in some capacity according to our forecast, and a lot of that is taking place in stores. How can stores tailor these experiential and experimental tech opportunities to build a more robust customer profile?

Arielle Feger:

I have a couple of thoughts on that. I think when you think about going into a store and what you're there for, most of the time you're not there to walk around and see things. You're there to get an item and get out. So by putting experimental or experiential things in the store, you have to provide value to your customers, and it has to feel authentic. I think we've all kind of experienced retailers that are trying to make the latest technology or the latest trends work, and you're just like, "Why are you doing this?" So I think it has to align with what the brand is and who the brand is and not just be kind of innovation for innovation's sake.

Zak Stambor:

Yeah, that's really true. It's not a one size fits all approach. What works for an apparel retailer isn't going to work for a consumer electronics retailer. And then even within those categories, there are differences in terms of a particular retailer's customer base, and so it really comes

down to the most basic principle, know your customer and know what your customer's interested in or might be implying to engage with.

Sara Lebow:

Yeah, I mean, there are stores that you go into to browse, an apparel store like a Nike store might have AR opportunities, at tech store, like an Apple store certainly has, I mean, consumer tech, they sell tech, but there are demonstrations and stuff there. And then a grocery store, you're not going into to browse with the exception of some really exciting grocery stores. So yeah, I mean, it's not the place where you expect to see an iPad that you can play around on.

Arielle Feger:

And I think the more collaborative or engaging the tech is, the better. Consumers love to feel included in part of what a brand is doing. They love to create and they love to feel a part of a community. I mean, for brands, that's a great opportunity to get even more customer data and learn about what consumers are interested in and what they want to see from the brand.

Sara Lebow:

Yeah, definitely agree. That's all we have time for in the first half. So let's keep moving. Now it's time for pop-up rankings, where we take a look at specific examples and we rank them. Today, Zak and Arielle will each discuss one retailer that's a winner in store digitization, and one retailer that could use a bit of work. So Zak, let's start with you. Who is your winner for in-store digitization?

Zak Stambor:

Walmart. Walmart does so many things well, and I'll focus on just two of them here. One is the app. The Walmart app is really good because it collects so much stuff in one place. So if you get your car serviced at a Walmart auto care center, you can see the portal and see, know when you last got your oil changed. It has AR enabled technology, when you're in a store, it can guide you to where that dish detergent is. It has all your receipts saved. And then beyond that, we were talking about in-store retail media, and Walmart's really weeding in this space. They already allow advertisers to buy placements all over the Walmart store, and then they're expanding into other areas like offering radio spots. So Walmart's just doing a lot of stuff to connect the dots, and they're doing it in a way that to what we were talking about a few moments ago, aligns with their brand.

Sara Lebow:

Yeah, an app that keeps track of when you need your oil changed is way more useful than a sticker that you think says 8,000 miles, but actually says 3000 miles.

Zak Stambor:

I was just thinking of the stickers. I cannot read what they wrote on the sticker of my car.

Sara Lebow:

Can never read the sticker.

Zak Stambor:

And so I wish I got my car serviced at a Walmart.

Sara Lebow:

Well, I don't own a car anymore, but I have before found myself pulled over at an O'Reillys in the Chicago land area, desperate for the specific kind of synthetic oil I need. Okay. Before we get too off topic to talk about my once loved Subaru, Arielle, who is a winner for store digitization on your radar.

Arielle Feger:

I'm going to have to go with Nike. I know that it's no surprise, but I really think Nike has been pushing the boundaries of store digitization for a few years now, and one of those ways is through its Nike Rise store concept. They just opened their first North American location, I think back last year in 2022. And really the whole idea of the store is to tell stories, is to promote the brand, is to also promote the sense of community that Nike has fostered. So in the store there are LED screens that display real-time sports moments and brand campaigns, and there's also a sports hub. Speaking of omni-channel, this is where people can buy online, pickup in store, do digital returns, curbside pickup and scan to learn more about products. And it also integrates Nike's mobile apps, the training and running apps that it has, and it shows city specific member data. So it's really an interesting way to kind of be immersed in the Nike brand without it seeming too obtrusive.

Sara Lebow:

What is city specific member data? Would my Nike in Brooklyn know me specifically as a Brooklyn runner?

Arielle Feger:

I think if you were on the Nike running and training app, yep. I think it would be able to track your times, track what you're doing if you allowed it, of course.

Sara Lebow:

Really giving myself away as someone who is not on the Nike training app, which will not be a surprise to anyone who has ever listened to this podcast.

Arielle Feger:

Neither am I, so that's okay.

Sara Lebow:

Zak, do you use this app? You're a runner.

Zak Stambor:

I am a runner. I do not use the app.

Sara Lebow:

All right. Still impressive though. I mean, definitely think of Nike as a mover and shaker in digitization and it's a place that I go into to browse as well as someone who's more of a casual exerciser, not a regular runner. Okay. Let's pivot to our retailers that could use a bit of work in storage digitization. Zak, who do you have for this category?

Zak Stambor:

I'm going to cheat a bit and go to Susie's favorite retailer, Trader Joe's, which we have talked about-

Sara Lebow:

Susie hates Trader Joe's.

Zak Stambor:

We talked about in a previous episode. It's the most analog of retailers, and I think this just speaks to having a brand identity and not everything fits every retailer and sometimes it makes sense to zig when others are zagging, so you can't get delivery from Trader Joe's. They're never going to offer delivery. They've said that in their podcast, but they still have a very loyal customer base and in part because they are so different from Kroger. So if in-store media explodes and there are just ads everywhere you look within a Kroger, you can go to Trader Joe's and I'm willing to bet, in 10 years there won't be a million ads there. So Trader Joe's, the most analog of retailers is not going very digitize, digital wise?

Sara Lebow:

Digitized?

Arielle Feger:

Digitized.

Zak Stambor:

Digitize anytime soon, but I think that's okay.

Sara Lebow:

This is a really interesting example because my Trader Joe's is pretty close to my Whole Foods and in Whole Foods the line system is largely but not entirely self-checkout. You stand in lines almost like at airport security and a giant screen tells you what checkout to go to, what number, when it's ready, and then you do self-checkout and it's really self-operated. The Trader Joe's that's nearby probably has a lot of the same consumers, a lot of people buying their produce at Whole Foods, and their frozen foods and canned goods at Trader Joe's and like any Trader Joe's, the line is, a person who has an end of the line sign a person at the front of the line who's telling you what cash register to go to and then no self-checkout, but a person that you're conversing with at the cash register. And both work, Whole Foods approach works where I'm on my Amazon app, I'm self-checkout, I'm doing the whole thing. Trader Joe's approach also works and it's the same consumer. I think that just shows how powerful brand is where you can make two different approaches work with the same consumer.

Zak Stambor:



Yes, that's a great example.

Arielle Feger:

Yeah, I would bet a lot of Trader Joe's customers would maybe reconsider going to Trader Joe's if they started seeing ads and digital self-checkouts everywhere. I think that's one of the reasons why people go.

Sara Lebow:

Yeah, I agree. Okay, Arielle, who is our final retailer who could use some work in digitization?

Arielle Feger:

I'm also cheating a little.

Sara Lebow:

Love it.

Arielle Feger:

I'm going to go with malls. I think that malls have an incredible opportunity to bring more customers in because we all know that malls are kind of struggling at the moment to figure out their identity. The '90s are over. People are not just going to the mall to walk around anymore. People are more purpose-driven. They want to pick up curbside. They want to have all of the perks of a modern retailer, and I think malls can do that. I think it would be really interesting if there was an app that contained parking information in mall navigation, the ability to make restaurant reservations or buy movie theater tickets, or in a dream world, connect all of the retailers and be able to maybe find products or reserve products. I think there's a lot of opportunity there, but I do think that's probably a pretty heavy lift on the backend, so I understand why they don't, but malls looking for a new way to breathe life into them. I think this could be an opportunity.

Sara Lebow:

Yeah. The challenge in a lot of these places is there's no cell phone service, like a mall, a Trader Joe's, so they also need to have wifi. I mean, there's a lot that comes with this.

Arielle Feger:

Absolutely. Sometimes we forget the very basics is have wifi. That's really, I would say, you want an omnichannel experience, start with offering wifi.

Sara Lebow:

That's a great note to end on. Although I do want to end with a very important question for both of you. When you guys were kids and you went to the mall to walk around and be a kid, unsupervised for a couple hours, what was your mall snack of choice?

Arielle Feger:

What a great question.

Zak Stambor:

I love a good pretzel.

Sara Lebow:

I love a good pretzel, love a mall pretzel.

Arielle Feger:

I definitely love a mall pretzel. There was also an ice cream stand in my mall that I really loved, and so I would get ice cream there as well.

Sara Lebow:

Dippin' Dots, the ice cream of the future.

Arielle Feger:

It was not Dippin' Dots, it was Praline's. I don't know Sara as a fellow Connecticut or don't know if you are familiar with Praline's, but-

Sara Lebow:

I am familiar with Praline's. Too sweet for me, but I can sign off on it.

Arielle Feger:

Yep.

Sara Lebow:

Okay. Well, thank you for joining me today, Zak.

Zak Stambor:

Yeah, thanks for having me.

Sara Lebow:

And thank you, Arielle.

Arielle Feger:

Thank you.

Sara Lebow:

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