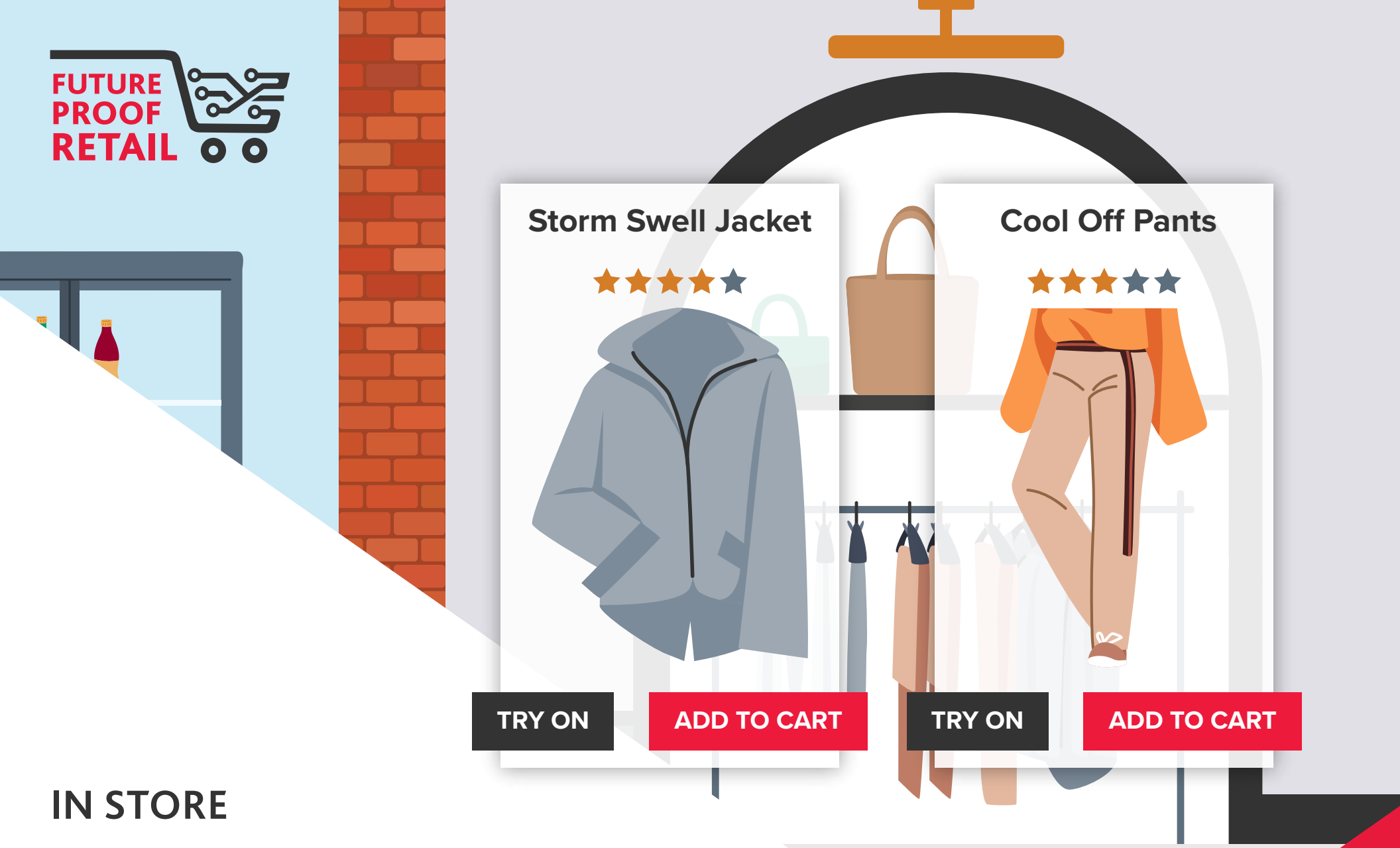
FUTURE PROOF RETAIL



IN STORE

Smart Stores

BDO

Everyone's a Digital Mannequin: In-store and Online

She floats on billboards high above Times Square. Her hologram dances across the dashboards of the city's self-driving taxis. Next month, she will be the first human to perform on the moon. Her name is Asteria, and she's the biggest pop star in the universe. You're at her flagship boutique, marveling at clothes that you can only dream will look as good on you as they do on her.

Feeling discouraged, you consider leaving. You'll just have to buy a dress online and hope it fits. But they never fit the way they look online. Perhaps a quick cryo-juice at the Bio-Bodega will help? You decide to take one last look around. You turn and come face to face with a statuesque digital mannequin. But this mannequin looks nothing like Asteria. Wait — is this even a mannequin at all? Is it a mirror? As you get closer, you see that the mannequin is lifelike and three-dimensional. It could almost be you.

You take out your phone, and with a few simple commands, it is you. In an instant, you're wearing a scintillating silver dress, and your mannequin suggests another cute outfit, for the afterparty — then shows you exactly where to find it on the store's second level.

For now, Artificial Intelligence (AI)-powered digital mannequins can display different models and any number of clothing items with the click of a button. But what about holographic mannequins of the future? We may soon be able to see virtual versions of ourselves in store windows…

Retailers looking to future-proof their stores will embrace in-store digital mannequins. Digital mannequins can serve up customizable and dynamic content that enhances the customer experience (CX), while retailers gain opportunities to capture customer data like browsing habits and purchasing decisions due to their interactivity. Real-time data can also be leveraged with A/B testing to lead shoppers back to a retailer's online channels to retain sales even if a customer does not make an in-store purchase. If an item is out of stock, for example, or not available in a particular size or color in the store, the customer is still engaged with the brand via an omni-channel approach. By leading customers back to the online channel, the retailer encourages them to make a purchase from the app or website, even if they left the store empty handed.

Early adopters can create a personalized and profitable in-store shopping experience as AI-powered technology, inclusive of but not limited to holographic mannequins, will shape the next generation of in-store CX, as our world begins to look increasingly digital, interactive, and more like Asteria's.

RETAIL REAL ESTATE IS ALREADY GETTING QUITE THE MAKEOVER.

To hear more about why retailers are leaving malls and shifting formats, listen to our 60-second Retail Podcast episode, *The New Retail Store Rationalization Strategy Part 2: Restructuring the Footprint*. ▶

Transforming the Store One AI Solution at a Time

Digital transformation isn't new to retail. Many technologies have already made their way into brick-and-mortar spaces, with varying degrees of success. Companies have experimented with contactless purchasing and "buy online, pick-up in store" (BOPIS) services for years, but these offerings — while practical — don't necessarily make the environment dynamic. Retailers are constantly brainstorming new ways to encourage customers to linger in-store a little longer and secure a sale.

To do this, retail executives need to reimagine the in-store experience, which includes digital mannequins, AI-powered shopping carts, interactive displays, and more.

New technologies like digital mannequins can promote inclusivity and build customer connections by displaying lifelike, holographic images of models that look much more like everyday customers. By scanning QR codes, shoppers can use their cell phones to select their models and see how clothes look on bodies that are familiar to them, according to **Retail TouchPoints**. This can help them build self-esteem, promotes brand loyalty, and leads to customers spending longer in store as they interact with and enjoy the technology. The diverse range of bodies available for digital mannequins — customizable for gender, size, ethnicity, and more — will be especially attractive to retailers operating in a variety of geographic locations.

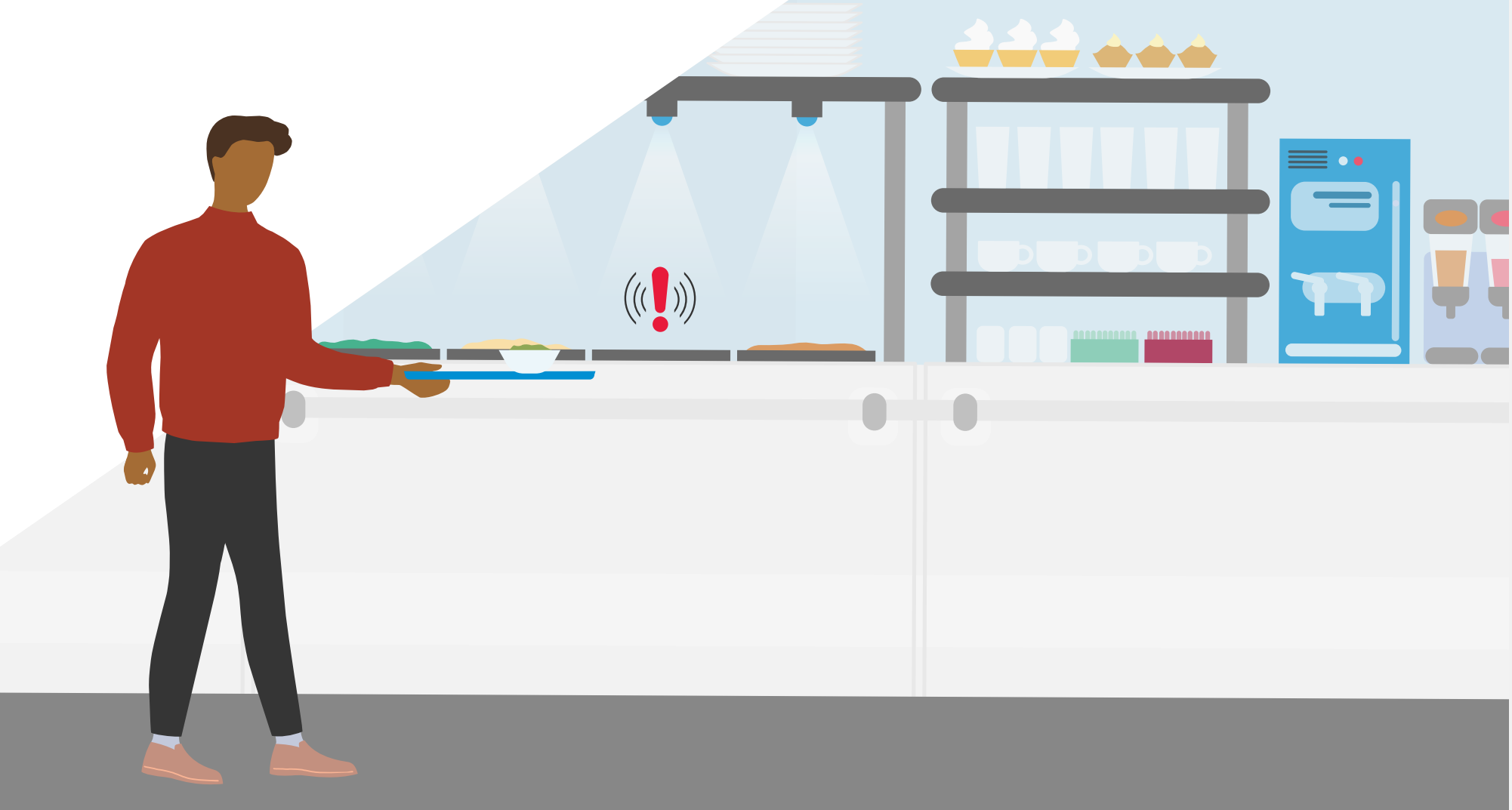
A retailer should leverage technologies inside the retail space to gather to-the-minute data about customer habits as they move about the store. Smart Carts, for example, harness AI to display suggested inventory and customer totals in real-time based on what's placed in the cart, **according to Forbes**. Customers can streamline their shopping by finetuning their digital shopping lists by price, availability, and more, and can easily connect to their rewards accounts, driving traffic back to the retailer's online channels. Strengthening the omnichannel experience allows customers to seamlessly weave between in-store and online shopping, which is key to building brand loyalty and driving sales.

But the use cases for AI in retail don't stop there. Many retailers are getting creative, and companies of all sizes can learn from other brands' ideas or experiences. In 2023, a Midwestern supermarket chain with 113 stores rolled out AI-powered **"smart salad bars."** These salad bars are self-monitoring, ensuring ingredients are fresh and replenished when necessary, and they even automated certain hygiene protections. Machine learning tracked customer habits at the salad bar offers retailers insightful information into the produce that's popular, which can then be customized by location.

Integrating AI into retail experiences is exciting, helping retailers build customer loyalty, add a competitive edge, and potentially boost sell-through by way of increasingly personalized experiences. But to reach this level of AI maturity, retailers will need to customize their unique physical spaces — there is no "one-size-fits-all" approach. The stores of the future may look nothing like the ones we know today.

OUT-OF-THIS WORLD AI APPLICATION DOESN'T COME WITHOUT RISKS — SO WHAT ARE THEY?

To learn more about these risks and AI opportunities, read our insight, *Risk Mitigation Strategies for Retailers Rolling Out AI Solutions*. ▶



Reimagining Space: The Next Frontier

Rethinking your store's layout requires investment, but there are scalable advantages to gathering valuable customer data as they interact with your digital mannequins, smart carts, and AI-powered salad bars. A global study **by Outform** found that 70% of consumers use their smartphones while shopping in-store. If a customer already has their smartphone in hand, strategically placed interactive displays like digital mannequins can interface with consumers' devices and collect useful data as they shop, like dwell time, number of sessions, content preferences, and more.

Improving layout, casing, and flow in retail spaces based on user data presents a unique win-win opportunity for both retailers and customers. For instance, retailers can refine customer loyalty programs through tailored recommendations. Eventually, with enough source data, they will be able to update store layouts based on highly accurate consumer traffic metrics to improve consumers' experience navigating them. Real-time inventory data and updates can help streamline restocking, increase the efficiency of supply chains, inform in-store promotions and marketing, and much more. Retailers can enable mobile push notifications based on geofencing technology so that customers receive new offers, discounts and more, when they step in the store or when they are standing in a specific aisle.

While the benefits of AI for retail are exciting, the significant space required to implement AI-powered interactive and digital displays in a new layout may also require retailers to rethink their real estate footprint. Retailers should consider the specific architecture required for these types of innovations. For example, large interactive displays like digital mannequins or other forms of digital signage and advertising may require reinforced walls and floor mounts, along with enhanced electrical wiring and data conduits. Strong Wi-Fi connection and a large volume of reliable power are necessary before investing. Interactive displays require strategic placements with maximum visibility, but at the same time, retailers should ensure customer movement and accessibility is not negatively impacted, meaning ample space is often needed. Due to these and other important infrastructure requirements, digital displays may only be suitable for flagship stores with high volumes of foot traffic, due to the costs involved in securing appropriate real estate. Retailers may want to roll out these and other new in-store technologies as pilot programs in flagship locations first. The data collected about consumer habits and movements from technology can then be scaled up or down as needed and applied to small stores or less popular locations. As retailers explore and test new in-store technology they can determine what works and how these innovations impact their physical space from installation requirements to electrical foundation to available square footage and placement. As they learn what works where, retailers can make more informed decisions on store layout, real estate strategy or real estate optimization plans, overall.

Learning more about how customers interact with in-store tools and platforms will help retailers future-proof their organizations. But many will find reimagining a stellar in-store experience and creating an engaging layout requires assistance from a third-party provider.

Create a New Customer Cosmos With BDO

Rather than turning their backs on retail real estate in an increasingly online world, forward-thinking brands will re-envision their physical presence by integrating advanced technology and AI applications to meet evolving customer expectations.

Digital transformation is exciting, and while the next frontier of retail might promise 3D holographic billboards on every corner or shopping carts that know you better than your best friend, retailers of the future will still have physical stores — they'll just look and function differently.

To keep building on a dynamic physical space as a keystone of your growth plans, **BDO's Workplace Strategy** professionals can help you think through a successful real estate strategy and consider whether your physical footprint can support the integration of today's new technologies. BDO can work with your team to determine the best location and layout to help enhance the in-store experience so you can be a next-generation retail leader.

Explore new frontiers with AI.

BDO's **Retail and Consumer Products** professionals have deep industry knowledge and extensive experience in bringing tomorrow's technology to today's retail spaces. Get in touch today to find out how BDO can help you captivate the customer of tomorrow.

CONTACT US TO GET STARTED ▶

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