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The (r)evolution of retail. The case study of Würth

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INTRODUCTION

This thesis work aims to analyze the role of retail in the current context increasingly characterized by digital and innovation, with attention to two topics: identifying trends with reference to the role of the store and identifying opportunities and critical issues deriving from these developments for the subject business context.

Würth Srl, the company on which the research part is focused is an important reality within the International group especially in the retail sector, being the promoter of innovation expressed with the recent launch of innovative concepts stores and new services.

Therefore, there is a considerable involvement in the dynamics object of the thesis which aim to offer a contribution for future developments in line with the current strategic position of the company and the identified evolutions.

Investigating the issue concerning the evolution of retail is in the center of interest as well as relevant for retailers, as the rapid changes and evolutions of recent years have changed many of the assumptions on which the world of retail was founded.

In recent years, many stores have closed their doors and the so-called 'digital Darwinism' has occurred, where not all business paradigms have survived unlike those who have been able to adapt. The reason is rooted in the changes that have occurred in society, mainly expressed by the consumer, who has developed levels of expectations that moves at the same speed as digital.

Today, information circulates very quickly, and the buying process represented by the customer journey is much less predictable than in the past due to the by now consolidated spread of the internet and the use of mobile.

Furthermore, many of the retailers considering this scenario, are reviewing their traditional approach by experimenting and adopting innovative solutions, with the aim of responding to the evolved expectations of the consumer.

From this context arises the objective of the thesis which firstly, through a market research intends to identify, deepen and describe and evaluate using a matrix, the macro-trends of the retail with a particular focus on the evolution of the store into the B2C sector, which has always been characterized by an innovative speed different from the opposite B2B context.

On the other hand, through an empirical research using a questionnaire the research aims to obtain a broader vision of what are the perceptions expressed in terms of utility, opportunities and any critical issues with respect to the trends identified. In addition, in order to gain a broader perspective qualitative interviews were conducted to professional actors within the company.

Subsequently, a triangulation of the results obtained is carried out, deriving from the questionnaire which has allowed to obtain an internal and external vision, from the trend evaluation identified using a matrix and from the qualitative interviews, with the purpose of providing accredited recommendations and suggestions for future implementations to the company.

This objective is pursued by structuring the work into four chapters: the first chapter consist of a theoretical part, in which a review of the literature is carried out identifying the main functions and theories of retail, the main distribution channels, to then shift the attention to the historical stages of retail, up to deepen the new retail strategies developed in the last decades, from the multi-channel to the omni-channel approach.

The second chapter focuses on two different but related issues, first highlight the changes occurred during the last years on the customer behavior underlining the impact of the connectivity and the importance of the different touchpoints, thereafter presenting the major changes that occurred into the customer journey.

While into the second part of the chapter, more attention is devoted to the future role of the store, which continue to play a central role for retailers, to the retail sector with the presentation of the sector macro-trend emerged from a market research. Then with the intent to give an even more ‘practical cut’, some of the best practices for each of the trends analyzed were presented.

In the third chapter the reference business context, subject of the case study is presented, starting from historical hints to then deepen thematic such as the business model, up to the developed strategic approach with respect to the retail sector, carefully presenting each of the innovative concept recently launched and lending attention to the services offered correlated to the omnichannel strategy.

The fourth chapter concern the research, opens with the presentation of the methodology adopted, first defining in detail the objectives and then introducing the adopted approach, which corresponds to the mixed method, as the analysis was carried out both from a qualitative and quantitative point of view. Subsequently, the focus is shifted to the evaluation of the trends identified and presented in the previous chapter, using a matrix which have as main parameters the market strength and industry adoption.

In the following paragraphs is presented the empirical research characterized by the questionnaire, underlining the objectives, the structure and the target audience to then providing the analysis of the results obtained. Afterword have been presented the qualitative interview conducted to the CEO of Würth Italy.

Subsequently, it was pointed out that over the past few years the divergence between the B2C and B2B sectors in a retail perspective is increasingly leveling while in the last part of the chapter are provided the recommendations and suggestions deriving from the analysis, following ‘le file rouge’ of the elaborate and focusing the attention on the role of the store and its future evolution.

ABSTRACT

Il presente lavoro, si pone come obiettivo quello di analizzare il ruolo del retail nell'attuale contesto caratterizzato dalla forte presenza digitale ed innovativa, con particolare attenzione su due tematiche: l'identificazione dei trend in riferimento al ruolo evolutivo del punto vendita e le relative opportunità o criticità derivanti dalle traiettorie evolutive rispetto al contesto aziendale di riferimento.

Würth Srl, l'azienda su cui si concentra la parte relativa alla ricerca si contraddistingue come un'importante realtà all'interno del gruppo Internazionale specie nel settore retail, essendo 'promotrice' di innovazione espressa con le recenti aperture di concept store innovativi e di nuovi servizi correlati. Pertanto, vi è un considerevole coinvolgimento nelle dinamiche oggetto dell'elaborato, il quale obiettivo è quello di offrire un contributo per degli sviluppi futuri in linea con l'attuale posizione strategica dell'azienda e le evoluzioni identificate.

La ricerca in tematiche evolutive del settore è al centro degli interessi dei retailer, in quanto i rapidi cambiamenti degli ultimi anni hanno cambiato molte delle assunzioni su cui il settore era fondato.

Negli ultimi anni, molti negozi hanno chiuso i battenti e il cosiddetto 'Darwinisimo digitale' ha preso piede, dove non tutti i paradigmi aziendali sono riusciti a sopravvivere a differenza di coloro che sono stati in grado di adattarsi a tali cambiamenti. Le ragioni di tali evoluzioni sono radicate nei cambiamenti avvenuti nella società che sono espressi principalmente dal consumatore, il quale ha sviluppato aspettative che si muovono alla stessa velocità del digitale. Nel nostro tempo le informazioni circolano velocemente e il processo d'acquisto rappresentato dal customer journey è molto meno prevedibile rispetto al passato a causa della proliferazione dell'uso di internet e del mobile.

In questo nuovo contesto, molti dei retailer stanno rivedendo il loro approccio tradizionalista sperimentando e adottando soluzioni innovative, con l'intento di rispondere alle esigenze dei nuovi consumatori.

Da queste premesse, nasce l'obiettivo dell'elaborato che dapprima, attraverso una ricerca di mercato intende identificare, approfondire, descrivere e infine valutare utilizzando una matrice, i macro-trend del settore con particolare attenzione sull'evoluzione del ruolo ricoperto dallo store nel retail B2C, il quale è da sempre caratterizzato da una velocità innovativa differente rispetto al retail B2B.

Successivamente, attraverso una ricerca empirica utilizzando un questionario la ricerca mira ad ottenere un'ampia visione di quelle che sono le percezioni espresse in termini di utilità, opportunità o criticità rispetto ai trend identificati, da una prospettiva interna ma anche esterna rispetto al contesto in cui opera l'azienda.

In aggiunta, l'elaborato si è arricchito di un'ulteriore prospettiva grazie alle interviste qualitative condotte agli attori professionali, di particolare rilevanza l'intervista condotta al CEO Würth Italia.

Una volta ottenuti i differenti punti di vista, è stata effettuata un'attività di triangolazione dei risultati, derivanti dal questionario il quale ha permesso di ottenere una visione sia interna che esterna, dalla valutazione dei trend identificati tramite matrice e dalle interviste qualitative, dalla quale sono emersi diversi key findings utili per fornire raccomandazioni per delle implementazioni future per l'azienda.

Tale obiettivo è stato perseguito strutturando l'elaborato in quattro capitoli:

il primo capitolo composto da una parte teorica, dove è stata effettuata una ricerca della letteratura identificando le principali funzioni e teorie del retail e i canali distributivi per poi spostare l'attenzione sull'evoluzione storica del settore fino ad arrivare alle principali strategie sviluppate negli ultimi anni, nello specifico dall'approccio multicanale sino ad arrivare all'approccio omnicanale.

Il secondo capitolo si focalizza su due tematiche correlate, dapprima sottolineando i cambiamenti del comportamento d'acquisto del consumatore con particolare attenzione all'impatto dell'era digitale e l'importanza attribuita ai differenti touchpoint disponibili, per poi presentare i differenti modelli evolutivi del customer journey. In riferimento alla seconda tematica affrontata, maggior attenzione è stata poi dedicata al futuro ruolo ricoperto dal punto vendita il quale riveste un ruolo fondamentale. Vengono poi identificati e presentati i macro-trend del settore e con l'intento di fornire anche un'identità 'pratica' all'elaborato vengono analizzate e definite alcune delle best practices del settore.

Nel terzo capitolo viene presentato il caso studio, ripercorrendo le principali tappe storiche per poi approfondire tematiche come il business model fino ad arrivare alla descrizione dell'approccio strategico rispetto al settore retail di Würth, dove particolare attenzione è stata dedicata alla presentazione dei nuovi innovativi store concept e ai servizi offerti correlati al perseguimento di una strategia omnicanale.

Mentre il quarto capitolo che riguarda nello specifico la ricerca effettuata si apre con la presentazione della metodologia con cui è stata effettuata, definendo gli obiettivi per poi introdurre l'approccio utilizzato, il quale corrisponde al mixed method in quanto l'analisi è stata effettuata sia da un punto di vista qualitativo che quantitativo. In un successivo momento il focus viene spostato sulla valutazione dei trend precedentemente identificati, utilizzando una matrice che presenta come parametri di giudizio il potenziale di mercato e il livello d'adozione dell'industria.

Nei successivi paragrafi viene presentata la ricerca empirica caratterizzata dal questionario, dapprima delineando gli obiettivi, la struttura e il target audience per poi riportare e opportunamente commentare i risultati ottenuti. In seguito, viene presentata l'intervista qualitativa condotta al CEO di Würth Italia.

Nella parte finale del capitolo dopo aver premesso che negli ultimi anni la divergenza tra quel che è definito B2C e B2B sta sempre più venendo meno, vengono illustrati i key findings utili per fornire raccomandazioni e suggerimenti per implementazioni future, seguendo il filo rosso dell'elaborato e con particolare attenzione al ruolo futuro dello store.

CHAPTER 1

THEORIES AND EVOLUTION OF RETAIL

1.1 THE CONCEPT OF RETAIL

Retail comes from the ancient French retaillier, "cut and divide into several parts". The term initially widespread in the field of tailoring in the second half of the 14th century, was used for the first time in 1433 with the meaning of "sale in small parts". (Dhotre M., 2010)

Kotler and Armstrong define retailing as all the activities for selling goods or services directly to ultimate buyers for their personal, non-business use (Kotler P. 2017: 374)

Therefore, retailing consists of all activities of goods sold to ultimate buyers (Perreault et al., 2013: 295) (Aydın K., 2013).

Retailing is commonly seen as the ultimate gate in the delivering of products for consumption by the final consumers. Any firm that markets goods to the ultimate buyer is doing the function of retailing. It thus, includes all activities associated in the selling of products and services directly to the buyers, for their personal, family or household use. Retail is the final stage of any economic activity (Arora, 2012: 10).

Compared to retailers, the concept of "retail management" has a broader meaning, including all activities related to retail sales. It includes all types of sales to the end user, ranging from cars to consumer goods, from cinema tickets to drugs or financial products.

Retail management is often referred primarily to the sale of tangible physical assets, but it also includes the sale of services, which play an increasing role in terms of overall sales volumes. A service can be a primary purchase for a customer, such as a haircut, or a part of the purchase of an asset, such as home delivery of the goods. Retail activities do not necessarily have to be linked to a physical sales point: orders via e-mail or telephone, direct sales to customers at home or in the office, internet transactions or sales through vending machines are all part of the retail world. Neither must retail necessarily be linked to the retailer.

Manufacturers, importers, non-profit organizations or wholesalers all act as retailers when they sell a product or service to the end customer, representing the downstream integration in the distribution chain. (Strata G., 2008)

Today retailing has reached unimaginable dimensions, in 2018 the European retail market value reached around 2.6 trillion euros and the estimated value for 2020 is set at 2.8 trillion euros. (Statista, 2019).

In Europe in 2016, 1 over 4 companies were active in the retail or wholesale, with 5.4 million of enterprises, 3.6 in the retail sector that is one of the main job providers with a correspondent annual turnover of 8.73 trillion of euro. (Eurostat 2016)

Going into the detail for our country, in Italy according to a report by Confimprese Observatory the whole sector is worth 152 billion euros, up (+ 2.5%) compared to 2017. (Confimprese - EY, 2018)

While in U.S an NRF (National Retail Federation) research showed that retail sales grew 4.6 percent in 2018 to $3.68 trillion and they are expected to rise between 3.8 percent and 4.4 percent to more than $3.8 trillion in 2019 (Fares M., 2019 - Commerce Department data).

Almost 23 million people work into the sector in United States alone, generating about $3 trillion in sales annually.

Fortune 500, a list that includes the 500 largest companies in the world (2018), point out that above 50 organizations are from the retail sector.

The observed statistics clearly show the relevance of the sector and confirms that retailing is one of the largest and fastest growing industry in the global economy.

1.1.1 THE FUNCTION OF RETAIL

Retailing performs various functions in our day to day life. Its main role is seen in the distribution channel of marketing. It serves producer, consumer and economy in a big way (Tiwari R.S., 2009).

A retailing or retailers' function is important for consumers and manufacturers and wholesalers. Retailers work as buying specialists (agents) for clients and sales agents for their suppliers: while fulfilling these roles, they perform various marketing activities such as meeting customer needs, creating product types, collecting market information, and granting customers credit. These provide the consumer's connections with producers or wholesalers. (Fernie S., 2013)

The retail economic bases can be explained by four concepts of utility (Aydın K., 2013) :

Place utility: generally, products should be available in a place that the consumer chooses. In other words, the place utility can be defined as satisfying the consumer's desire to purchase the desired goods and services in a place where the consumer wants, without departing too far;

Time utility: Because consumers are looking for products at certain times, the retailer's job is to know this time and make the products available at the required time.

Ownership utility: The retailer selling to customers with credit provides the utility of ownership. It transfers the ownership of the goods and the payment of the price relates to the maturity.

Shape utility: Many retailers make a difference in the products sold. Changes made to sell products affect sales. For this reason, there are workshops in many large stores for activities such as toys and tables assembling, photo frames, and more. As it can be understood from the above part, from a consumer perspective, the retailer offers him the products and services he needs in the required quantity, at the required location and time. From an economic point of view, the duty of a retailer is to offer real added value or utility to the ultimate consumer. Dhotre summarizes the functions of retailer as written above (2010: 51):

1. Retailer makes products available and when required by the customers at the convenient places.

2. Retailer acts as an agent engaged in providing customer services.

3. As retailer has direct and regular contact with the customers, they are more comfortable to deal with retailer. Hence, the retailer must maintain a rapport and communicate regularly with the customers.

4. Bulk breaking and offering product assortments as specific need of individual customer. Even though it is the function of wholesaler, large retailers such as Hypermarkets or Supermarkets also perform it. They purchase in bulk and break it in convenient packs and offer to the customers at economical prices.

5. Retailer must inform customers" feedback and other marketing information to the producers to get the idea about local market and customers" response and design appropriate strategies.

6. Retailer can provide financial assistance to the customers by providing credit or installment facility. With the association of banks and other financial institutions, retailers can arrange for loan.

7. Retailer can influence the buying decisions and create the place for the products in the market. Retailer can give detailed information about product, explain product features, instructions to use the product as well as give demonstration of product. Retailer must clarify all the queries of the customers and finally persuade the customers to buy the product.

8. Retailer acts as a change agent. He must inform about change in price, new features introduced in the existing product, new models, promotional schemes announced by the producer, etc., and must create favorable opinion about the changes.

9. Retailer plays important role in selling unpackaged goods and promoting the new products or services/concepts using his contacts, influence and customers" faith on him. Many customers prefer to purchase at the retail shop, even though it is not near or very convenient to them just because of the trust and good experience and long relationship with that retailer.

To facilitate the transaction between the retailer and the customer, the retailer performs five basic functions (Tang A., 2008) :

- Merchandising, a process which includes the purchase of an appropriate assortment of products and to ensure the profitable sale of these products.
- Operations, also known as store management, include activities such as store maintenance, receipt and distribution of merchandise, as well as offer sales-support activities and customer service.
- Promotions include all activities that concern with communicating the retailer's message to the public through advertising, displays, publicity, public relations, special events and promotional activities of the store.
- Control, which deals with the financial aspects of the business, that is, accounting procedures, employees‟ payroll, sales tallies, customer and supplier bills.
- Personnel, which involves employee selection, training, advancement and welfare.

1.2 THE THEORIES OF RETAIL

Many researchers have dealt with the definition of the dynamics of development of retailers and points of sale through recurrent cyclical models, characterized by causal links between evolutionary phases that are periodically repeated at variable time intervals. This section examines briefly some of those theories that have attempted to explain changes over time in retail institutions, companies and stores. The two most widely quoted cyclical theories are therefore examined namely:

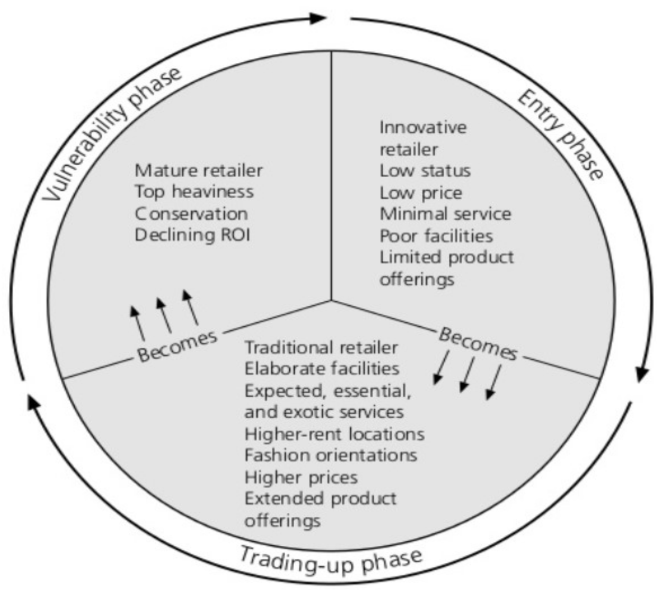
- Wheel of retailing;
- Retail life cycle;

Other, non-cyclical frameworks are then considered, focusing upon the ways in which retail organizations and format have adapted to changes in their economic, political, legal, technological and competitive environments.

1.2.1 THE WHEEL OF RETAILING

The theory of *wheel of retailing* was conceived by Nc Nair and was analyzed by Hollander. The basic assumption of this interpretative model is that new retailers or new commercial formulas always enter the market "from below" with low margins and low prices. In this way the new distributors acquire market shares taking advantage of their price leadership. The competition between the points of sale is basically of the price type. (Hollander, 1960)

Figure 1: **The Wheel of Retailing**



Source: Brown S., The wheel of the wheel of retailing , 1988.

In a second phase, a mechanism for repositioning the distribution formulas is set in motion so that there is an increase in management costs, the level of service, the quality offered and therefore also the prices. This phenomenon of raising the mix offered generates a supply gap that is filled with the entry of a new retailer, fueling the "wheel of retailing" cycle again.

A classic example used to argue the validity of the model is linked to the entry of discount formulas in different countries. In Great Britain, for example, in the 70s the main food distribution operators adopted very aggressive commercial policies based on price competition exemplified by the Tesco payoff "pile it high, sell it cheap".

Subsequently in the 80s and in the early 90s the most important retailers improved the offer in terms of quality and services, opening ever larger and more accessible stores, partly neglecting the demand for convenience coming from the lower part of the market and generating an "offer vacuum". This market opportunity was identified and captured by the hard discounters of the area (Aldi and Lidl) who, opening medium-small stores with an essential assortment but very competitive prices, acquired important market shares at that stage. (Gilbert D., 2003)

Even in Italy, at the beginning of the 90s, the first discount stores appeared, although the consolidation of the new "product" did not follow the rapid introduction of the new formula (with the acquisition of important market shares) commercial".

The reasons for this initial success and subsequent downsizing of the phenomenon are substantially linked on the one hand by the growing search for convenience on the part of some segments of the demand and on the other by the inability of Italian companies to operate with the logic typical of discount stores regard to skills, organization and critical mass. (Lugli G. P. L., 2002)

Over the years the theory has suffered numerous criticisms and modifications by different authors.

Particularly they are based on the following arguments: the experience of some countries in which innovative commercial formulas of success were developed not based on the so-called "price appeal" (for example in the UK and Japan with home sales, automatic distribution, shopping centers) would show that the path of innovation cannot be explained solely through price competition (Spranzi A., 1991); it is not taken into consideration that the entry into the market of a new retailer with a new strategy generates the reaction of the existing players, with a modification of its commercial practices, questioning the success of the formula itself;

For some retailers there was no so-called trading up progressive increase in the level of service offered and quality, provided by the original formulation of the theory. In fact, some distributors can implement a differentiation strategy for their product while maintaining the product-product combination: this is the case for example with LeClerc supermarkets and Aldi discount stores. (Lugli G., 2001) the new distribution formulas cannot count consistently on the same potential market. In other words, there are critical thresholds for market shares, typical of each distribution form, beyond which we cannot think of arriving. (Cozzi G., 1996;Grandi S., 2017)

Additionally, Kaynak observed that “imported” retail formats are often copied from those already developed elsewhere: they may therefore start with an upmarket trading position, then subsequently trade down, contrary to what happens generally in the theory. (Kaynak E., 1979)

1.2.2 THE RETAIL LIFE CYCLE

Some of the main interpretative limits of the wheel of retailing were overcome with the introduction of the concept of the Retail Life Cycle (Davidson W.R., 1976). The starting point of the retail life cycle theory is the possible application of studies related to the life cycle of industrial products (Levitt T., 1965) also to commercial products. The basic hypothesis is that over time there is a "natural" incremental modification of the basic characteristics that define the distributive products and that allow their differentiation with respect to those existing on a reference market. This differentiation can be of two types (Fornari D., 2009): the first type is the horizontal one (between different destructive forms) the second type is the vertical one (between sales points belonging to the same distribution formula).

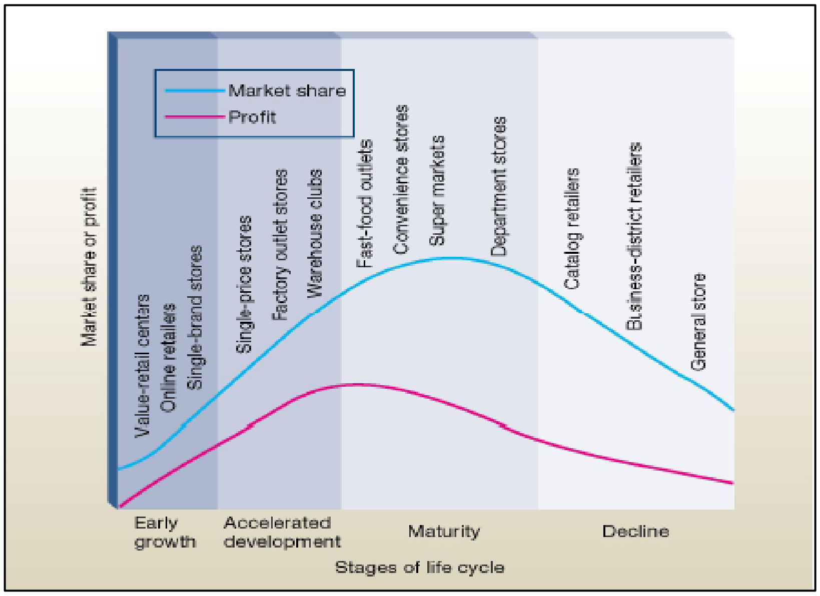
Like products, brands retail organizations pass through identifiable stages of innovation, accelerated development, maturity and decline, as we can observe in Figure 2, with examples of formats generally regarded as being at each stage.

This is commonly known as the retail life cycle. Any organization when in the innovation stage is nascent and has few competitors. They try to create a distinctive advantage to the final customers. Since the concepts are new at this stage organizations try to grow rapidly, and the management tries to experiment. Profits will be moderate, and the stage may last for a couple of years. When we talk about our country e-buying or online shopping is in the innovation stage.

In the accelerated growth phase, the organizations face rapid increase in sales, competitors begin to emerge, and the organizations begin to use leadership and their presence as a tool in stabilizing their position. The investment level will be high as there are others who will be creating a lot of competition. This level may go up to eight years. Hypermarkets, Dollar stores are in this stage

In the maturity stage as competition intensifies newer forms of retailing begin to emerge, the growth rate starts to decline. At this stage firms should start work on strategies and reposition techniques to be in the market place. Supermarkets, cooperative stores are in this stage.

Figure 2: **The Retail Life Cycle**



Source: Marketing 7th Ed, Kerin et al. 2003

In the final stage of the retail life cycle is the declining phase where firms begin to lose their competitive advantage. Profitability starts to decline further, and the overheads starts to rise. Thus, we see that organizations needs to adopt different strategies at each level to sustain in the marketplace.

Through the Retail Life Cycle, it is possible to analyze the overall structure of the distribution offer of a single market by positioning the different commercial types based on the phase of the life cycle they have achieved.

This type of analysis turns out to be very useful also for industrial companies, as from a strategic point of view it is important to have a good positioning in the assortments of the distributive forms under development. In the medium term, the choice of distribution can strongly influence the market share of the producers depending on the change in the weight of the distribution channels / formats and the ability of competitors to acquire the new commercial spaces that are created.

The study of the life cycle of commercial products is also very important for the definition of competitive dynamics between distributive formats.

In fact, the introduction and diffusion of new commercial formulas is a rather slow process that generates reactions in distributors already present in the market. In the introduction phase we talk about inter-type competition since the new distribution format is in competition with the existing distribution forms. In the maturity phase, when the spread of the new formula tends to increase, we speak of intra-type competition to qualify the internal type of commercial competition between points of sale with the same characteristics. (Grandi S., 2017)

All the cyclical theories suffer from the weaknesses of being deterministic and inflexible, focusing on patterns rather than processes. In their simplest form they ignore the influences of the economic environment and management tend to be portrayed as powerless to resist the cycle. (Brown S., 1991)

Environmental and conflict theories, on the other hand, are more flexible, emphasizing the ways that organizations/institutions adapt to changes in, the environment and arena respectively.

1.2.3 RETAIL ACCORDION THEORY

A further model belonging to the "evolutionary" model is represented by the Retail Accordion Theory, which compares the evolutionary dynamics of retail distribution formulas to the movement of an accordion. (Gilbert D., 2003).

The basic assumption of this model is that changes in distribution are linked to the modification of the breadth and specialization of merchandising policies and particularly the assortment. For the "accordion" model the evolutionary dynamics of retail are characterized by a continuous oscillation between specialization / de-specialization of commercial formulas as a response to changes in demand. In other word this theory describes how general stores move to specialized stores and then again become more of a general store. Hollander borrowed the analogy ‘accordion’ from the orchestra. He suggested that players either have open accordion representing the general stores or closed accordions representing narrow range of products focusing on specialized products. This theory was also known as the general-specific-general theory.

In Britain, for example, after the success of large sales areas that have gradually replaced traditional small businesses such as bakeries and grocery stores (80s and 90s), we are witnessing today the reaffirmation of proximity commercial formats characterized by small size and from a selected and service assortment.

It is interesting to note that these types of sales points have been introduced to the market by the same distribution groups which, in the recent past, have invested in large sales areas (Tesco, Metro and Sainsbury).

Among other things, the multi-format policy of these distributors is also evident in the eyes of the consumer, so much so that the new proximity distribution formats use the same sign and the same distinctive features of the other points of sale of the group. (Grandi S., 2017) This phenomenon will be deeply explored in the next chapter, where we will discuss the trends concerning the distribution formats with a focus on the downsizing.

1.2.4 THEORY OF NATURAL SELECTION

A further line of study of distributive innovation is represented by the so-called "environmental models". The theories that refer to the environmental approach assume that the new distribution formulas are the manifestation of macroeconomic, social, demographic, political, legal and technological change. (Meloche M.S., 1988)

Unlike the cyclical theories, of a deterministic nature and with little focus on economic processes, the environmental approach tends to enhance non-company phenomena as determinants for the success or failure of a given commercial formula. The flexibility of this model makes it possible to interpret the development dynamics of commercial formulas even in the most diverse environmental contexts. (Miller D., 2000)

The links between the evolutionary dynamics of commercial products and environmental factors can be both direct (with immediate and direct effects on the configuration of the sales points) and indirect (with "reflex" effects and diluted over time). We refer direct environmental factors, for example, to evaluate the effects of commercial legislation on the distribution sector. Indirect environmental factors, on the other hand, are all those elements that can influence the evolution of commercial products by acting on demand, on companies or on the competitive imbalances of the distribution market.

These factors can be classified into four groups: *socio-economic factors* regarding demographic changes, evolution of lifestyles, modification of spending potential, modification of needs and attitudes towards products. Then we have the *demand factors* including consumption trends, consumption mix, non-domestic consumption and consumption / purchase values. *Competition factors*, alternative channels (for example Ho.re.ca for factory outlets supermarkets / hypermarkets for clothing ...) category killers and internet with e-commerce. Finally, there are the so-called *profitability factors* that relate to the assortment mix, margins and productivity. (Grandi S., 2017)

1.3 DISTRIBUTION CHANNELS

Within the company production chain, it is necessary to take into consideration the distribution channels, which take on a central role in making the products available in the target markets.

According to the American Marketing Association (AMA), "the distribution channel is the structure of organizational units inside and outside the company, in which goods and services are transferred to the end user through marketing intermediaries, such as wholesalers, distributors and retailers "(2017). While Kotler define a Distribution Channel “as a set of independent organizations involved in the process of making product or services available for use of consumption by the consumer or business user” (Kotler P. &., 2017)

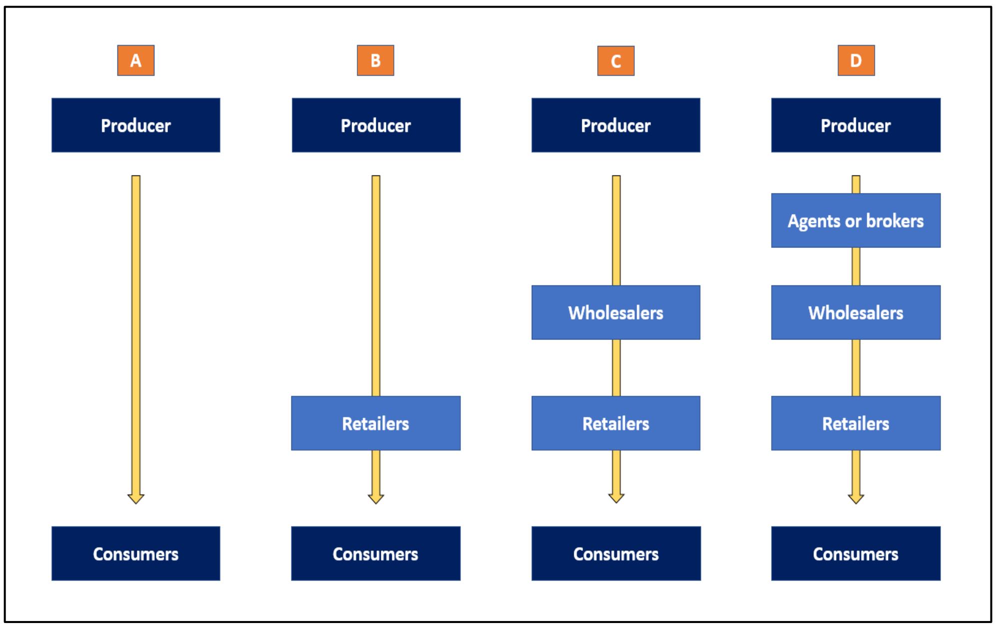
Therefore, the distribution channels provide value bringing the finished products to the end users and, if properly structured, allow companies to achieve a competitive advantage over their competitors.

The products or services perform various routes after their production until they are purchased and used by the end users and the distribution channels are represented by all those organizations that a product must pass through from production to consumption. (Stanton W.J., 1993)

After having provided the definition of distribution channel it’s useful to know also that the channel can be divided into a direct or indirect channel. In the first case, the sale is carried out directly by the producer to the consumer, such as door-to-door sales, private business meetings, mail order, telemarketing, online sales and the company's sales points (Kotler et al. 2017). In the indirect channel, on the other hand, distribution consists of one or more levels depending on the number of intermediaries involved, generally wholesalers and / or retailers.

A more detailed explanation of them is in following figure that show the different channels for consumer products. The simplest channel of distribution is zero level marketing channel (A). In this, there is direct contact between the producer and the ultimate consumer or user. The one level marketing channel (B) contains one selling intermediary. It may be the retailer in case of consumer products as a sales agent or broker in case of industrial products. The two-level marketing channels (C) contain two intermediaries, namely wholesaler and retailer. The three-level marketing channels (D) contain three intermediaries – agent middleman, wholesaler and retailer (Thapa et al, 2014).

Figure 3: **Channels for Consumer Products**



Source: Pride-Ferrel – Foundations of Marketing.

In formulating the channel strategy, retailers can choose different sales channels to find the best solution for their organization.

Once described the difference between direct and indirect channel, in the next paragraphs the attention will be shifted into the direct channels where there is a direct contact with the consumers, including the physical channel, the online channel, the mobile channel.

1.3.1 THE PHYSICAL CHANNEL

A physical store allows retailers to easily reach the customer, who is given instant gratification since they do not have to wait to receive the product (Agatz et al., 2008).

Through the point of sale, retailers also have opportunity to improve the quality of the service through a personalized, rich and multi-sensory experience through their sales staff and physical presence of products that allow the customer to try, touch and feel before making a purchase. (Herhausen et al., 2015, Rigby, 2011)

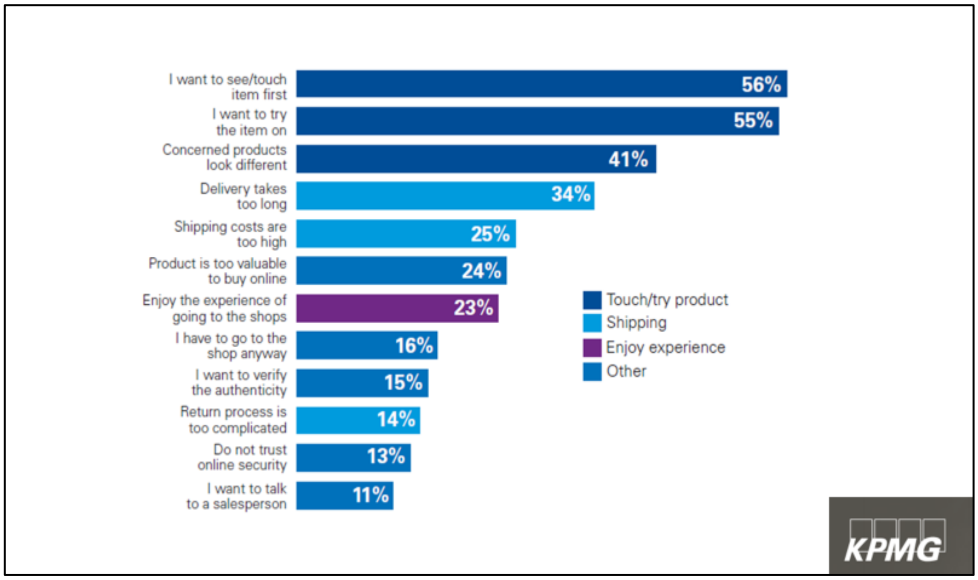
Moreover, in the management of physical stores the retailer makes sure that the customer can return the products easily and conveniently, also providing immediate assistance in the decision-making process or with any installations or potential repairs (Rigby, 2011).

Physical stores allow the retailer to avoid the costs of actions that customers can perform independently, such as taking products from the shelves and taking them home (Grewal et al., 2010)

The previous statements of the literature are confirmed by a research report about the consumer carried out by KPMG, that as we can notice from the following figure underline the main driver that lead the customers to choose the physical store; among them there are the possibility to touch or try the product, to have an experience and even to avoid the cost of shipping, as showed by the previous.

However, not all customers are attracted by technological advances and physical stores offer them the possibility of using a channel more suited to their needs, being able to make cash payments and traditional face-to-face interactions (Piotrowicz & Cuthbertson, 2014; Zhang et al., 2010).

Figure 4: **Reasons consumers shop in stores instead of online**



Source: Global Online Consumer Report, KPMG International, 2017

The growth of e-commerce has forced traditional brick-and-mortar retailers to adapt. However, physical stores can provide a shopping experience as a strong element of differentiation. The atmosphere of the shop must, therefore, correspond to the basic motivations and expectations of the buyers; for example, if the customers have a pragmatic mentality, a simpler and sober in-store environment could be more attractive.

On the contrary, some retailers of articles based on sensory experiences are creating entertainment at the point of sale to attract customers who want excitement and involvement.

(Castaldo S. S. B.-4., 2017)

1.3.1.1 CLASSIFICATION OF RETAIL FORMAT

As observed retailers have changed dramatically according to the changing trends and the evolving needs of the consumers. Different retail format emerged over the years and each have been an improvisation over the earlier formats.

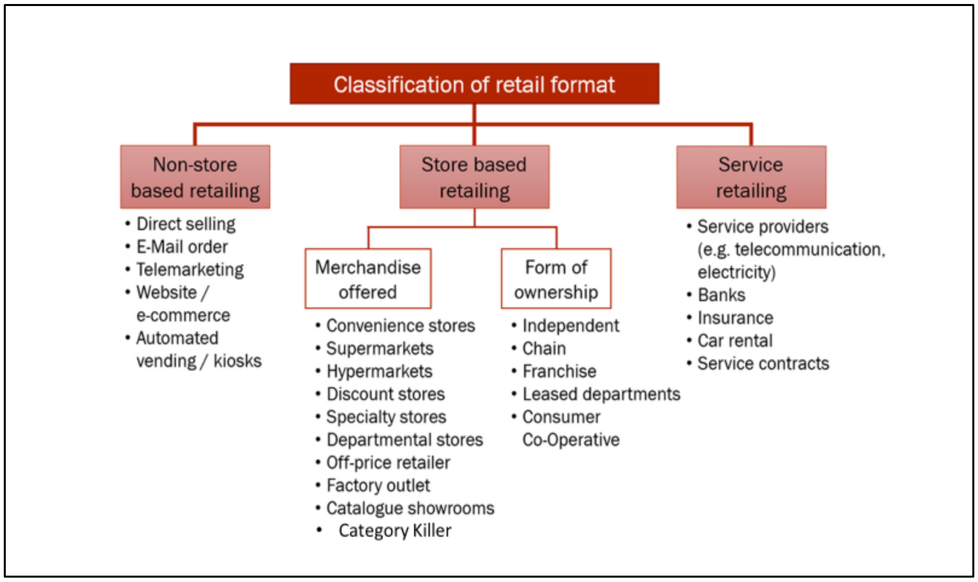
Thus, is relevant to provide a definition of retail format: it is the store 'package' that the retailer presents to the shopper. A format is defined as a type of retail mix, used by a set of retailers (M.Levy, 2002). Store Formats are based on the physical store where the vendor interacts with the customer (A. Enders., October 2000). It is the mix of variables that retailers use to develop their business strategies and constitute the mix as assortment, price, transactional convenience and experience. (Messinger, 1997)

The business models of retailers vary greatly, reflecting the wide variety of consumer preferences and needs as well as other regulatory factors. Accordingly, when developing their business, retailers must consider the relevant political, social and cultural aspects of the local market.

There is no single widely accepted method of classifying retail formats, although many classification schemes have been proposed. The figure below provides a simple classification of retail formats based on different criteria (store based or service type, type of merchandise offered and type of ownership), which illustrates the diversity in retail sector.

The store based is otherwise the brick and mortar stores while the non-store based are those, which do not use the traditional format. Ownership in store based is further divided based on ownership and merchandise. This section discusses some of the prominent formats under the store-based retailing.

Figure 5: **Classification of retail format**



Source: T. Wautelet, 2018.

Convenience Stores: these are relatively small stores near residential area and are open for long hours. A convenience store provides limited amount of merchandise at above average prices with a speedy checkout. This store is ideal for emergency and immediate purchase consumables as it often operates with extended hours, stocking every day.

Supermarkets: These stores are relatively large and operate on low costs, low margins, high volume and offering a self-service format. The traditional supermarket occupies a large amount of floor space and is usually situated near a residential area in order to be convenient to consumers. The basic appeal is the availability of a broad selection of goods under a single roof. Other advantages include ease of parking and frequently the convenience of shopping hours that extend into the evening or even 24 hours of the day. Supermarkets usually allocate large budgets to advertising, typically through newspapers. They also present elaborate in-shop displays of products.

Hypermarkets: These are stores that have a wide range of topics and are more like a combination of supermarkets, pharmacies, and large retailers, but their concept is different. Hypermarkets operate in a space 5-10 times greater than the supermarkets, at least 200,000 square feet (19,000 m^2) or larger and meet all routine customer needs at low prices. Because of their large footprints, many hypermarkets choose suburban or out-of-town locations that are easily accessible by automobile.

Specialty Stores**:** they are characterized by narrow line, with deep assortments in that product line. For the specialty stores a well-defined target market is essential. Personal attention, store ambience, customer service is important to the retailers. Pricing is usually not the priority when consumers are deciding upon a specialty store; factors such as branding image, selection choice, and purchasing assistance are more important. They differ from department stores and supermarkets which carry a wide range of merchandise.

Departmental Stores**:** This format originated in the mid-nineteenth century and is popular in many parts. They are large scaled retail outlets whose merchandise offer runs across different product lines. Apparel and home furnishing are the most common categories found in the departmental stores.

Off-price Retailers**:** Off-price is a trading format based on special pricing. It denotes selling a wide range of original goods from well-known brands with a tangible benefit to customers. Off-price stores usually offer reduced prices when compared to the goods' cost in other shopping areas. The retailers buy manufacturer’s seconds or overruns because of which the merchandise may be in odd sizes or may be minor defects. Some off-price retail stores are manufacturer run and are called the factory outlets and sell the manufacturer’s products at lesser prices compared to other retailers. Mega Mart, Levi’s factory outlets are some of the examples of this format.

Factory Outlet: is a brick and mortar in which manufacturers sell their stock directly to the public. Traditionally, a factory outlet was a store attached to a factory or warehouse, sometimes allowing customers to watch the production process such as in the original.

Catalogue Showroom: Unlike a self-serve retail store, most of the items are not displayed; customers select the products from printed catalogs in the store and fill out an order form. The order is brought to the sales counter, where a clerk retrieves the items from the warehouse area to a payment and checkout station.

Category Killer: a further format developed during the last years is the category killer. A category killer is a retailer that specializes in and carries a deep product assortment within a given category and through selection, pricing and market penetration obtains a massive competitive advantage over other retailers. In other word, A category killer is a large retail chain superstore that is so competitive that it dominates its product category.

Chains such as Barnes & Noble, Best Buy, and Staples are considered category killers.

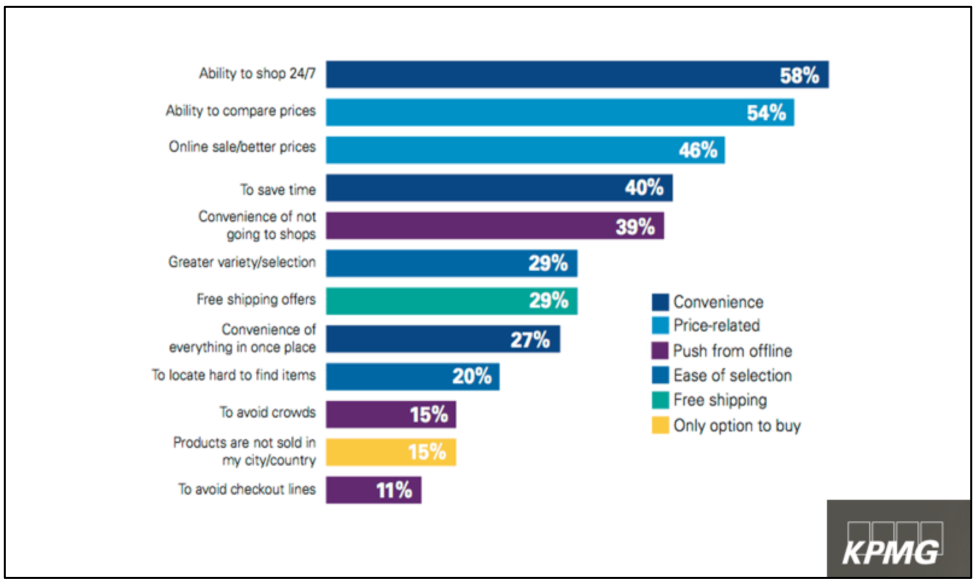
1.3.2 THE ONLINE CHANNEL

Online retail sales have experienced explosive growth in recent years as "they are able to offer convenience, information and personalization of services to very different types of consumers and businesses" (Kotler et al. 2017, p 666).

As shown in the next figure the online channel allows customers to be accessed 24/7 and a wider selection of products than the physical channel. Furthermore, the digital channel can reduce customer search costs by providing them with extensive product information, advice and reviews, price comparisons, as well as a greater variety of products.

For customers with little time available, these factors represent an added value as they allow them to make a quick and easy purchase. If on the one hand another advantage is the fact that online shopping allows the customer to reflect on purchases in the comfort of their own home, on the other it does not allow them to have direct contact with the product they intend to buy.

Figure 6: **Reasons consumers shop online instead of in stores**



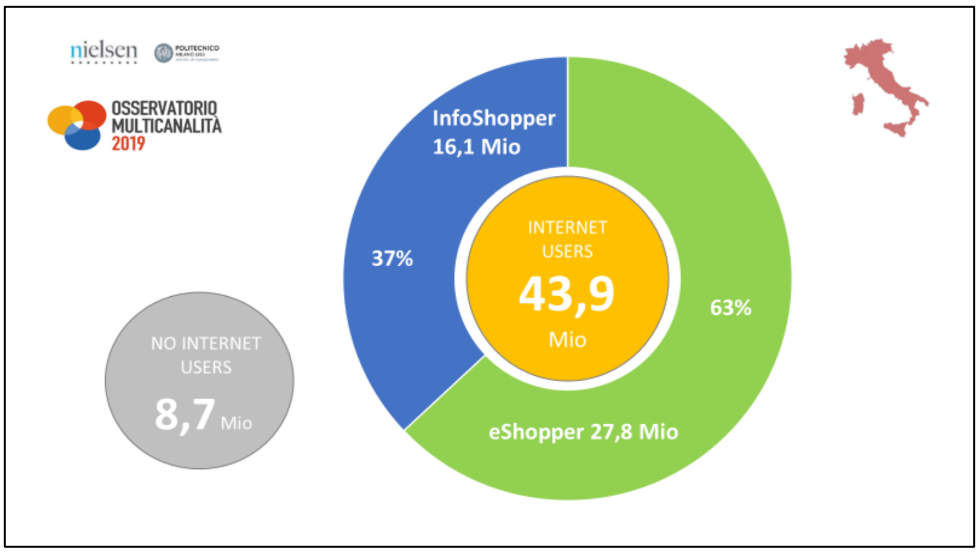
Source: Global Online Consumer Report, KPMG International, 2017.

Retailers who have invested in the online channel are divided into online businesses (pure-clicks) and hybrid companies (brick-and-click). The pure-click companies have started the activity directly through a website, while the second are traditional companies that have created a site to disseminate information or carry out e-commerce activities contextual to those offline. There may be a third category that concerns companies that are born only online, but over time they have developed a physical presence, even just to collect and pay for the goods, the so-called pick and pay (Kotler et al. 2017)

The rapid development of e-commerce, that we broadly see in the next paragraphs, has prompted many retailers to make the strategic decision to enter this sector, whether it is an online only retailer, an exclusively offline retailer or a dual-channel retailer.

For a brick and mortar retailer, adding an online channel allows to reach a wider pool of potential customers. Furthermore, based on industry data, some researchers have found that a retailer that uses two channels can improve satisfaction and ultimately customer loyalty compared to the single channel. (Wallace et al., 2004)

Figure 7**: Italian internet population in 2019**



Source: Osservatorio Multicanalità 2019, Nielsen e Politecnico di Milano – Dato annuale, elaborazioni Nielsen su dato Audiweb.

In addition to confirm the trend, the spread of the online population nowadays has reached 83.3%. Eight Italians out of 10, or 43.9 million, are multichannel consumers, that is, they use physical and online channels in continuous alternation and without interruption. About one-third of multi-channel consumers is Info Shopper, users who use the Internet only to get information (16.1 million, 37%), while almost two-thirds are e-Shopper, those who also use it to buy (27.8 million, 63%). Therefore, more than 1 out of 2 Italian customers is confident to buy online. (Osservatorio Multicanalità, 2019)

Despite the growth recorded over the years, the percentage of the population that purchases online is lower than in other European countries, for example, it is 93% in the UK, 91% in the Nordic countries and the Netherlands, 88% in Germany, 84% France and Spain and 71% Poland. (Postnord, 2018).

1.3.3 THE MOBILE CHANNEL

According to Brynjolfsson et al. (2013) retailers have realized that the online channel itself is not enough to satisfy its customers, who demand greater practicality and accessibility. This led to considering the use of the smartphone as a separate sales channel. This use is evolving rapidly, while retailers are developing more and more mobile versions of websites together with more advanced apps to meet the needs of their customers.

Many of the advantages of this channel are the same as the online channel, but there are some additional opportunities associated with the mobile sales channel. (Brynjolfsson, 2013)

Wharton's David Bell notes four distinctive characteristics of a mobile device: (1) It is uniquely tied to one user; (2) it is virtually always "on" given it is typically carried everywhere; (3) it allows for immediate consumption because it is in effect a channel of distribution with a payment system; and (4) it is highly interactive given it allows for geo-tracking and picture and video taking. (Chamikuttyl P., 2013)

In other word smartphones have given customers the ability to combine online and offline purchases in a new way, as internet access allows them to make instant price comparisons or read customer reviews, while simultaneously evaluating products in the physical store.

The existence of the mobile channel ensures that consumers are connected and can interact with a brand at any time. GPS helps customers identify the purchasing opportunities for products of their favorite brand. (Kotler et al, 2017)

In late 2015, mobile web traffic surpassed desktop for the very first time. Since then, we've been living in a mobile world, and mobile device usage has skyrocketed. (McLeod B., 2018)

Italy is the third country in the world for mobile penetration, with 85% of the population to use one, positioning himself behind Spain and Singapore. Another interesting fact is the number of Italians who connected from a smartphone: if on one side it drops the percentage of people who are connect via PC (-14%), on the other hand the connections increase from other devices, such as smartphones (+ 44%), tablet (+ 8%) .(PwC, 2017)

This trend was even confirmed recently from a research carried out by the Polytechnic of Milan with Nielsen, where the smartphone emerged to be the preferred device of the connected population with the 71% of the sample affirmed to connect daily with it, then the 45% use to daily connect with the laptop and with lower percentages there with 13% tablet and 4% the smart Tv. (Osservatorio Multicanalità, 2019)

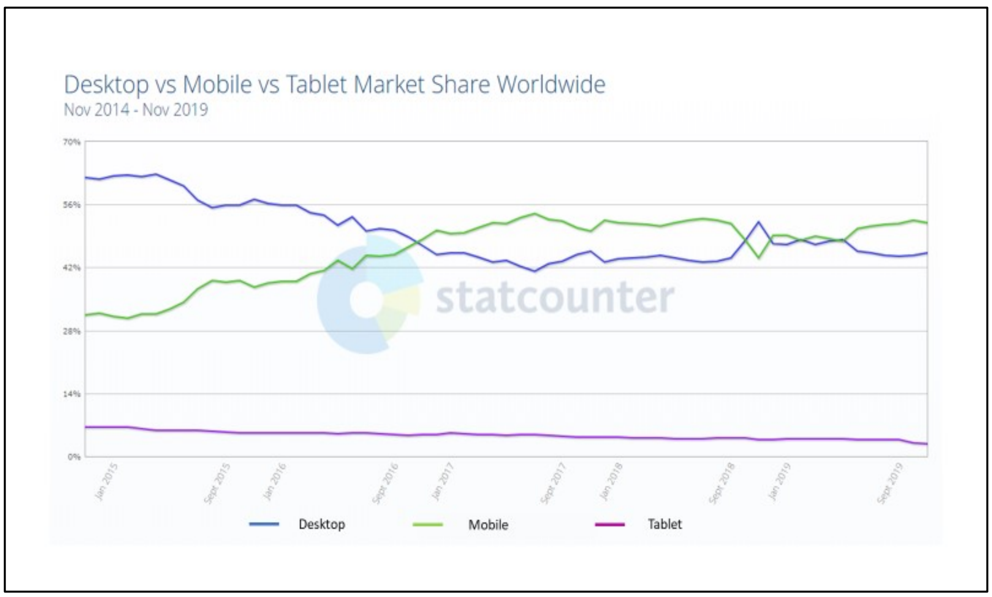
Even a Mastercard study that described the habits of the Italian Connected Consumer but in 2018 had confirmed that almost half of Italians (47%) choose the smartphone as a tool not only for their daily connections but even for their purchase payments, well above the European average (33%). (GFK, Mastercard 2018)

In fact the mobile are considered to be the simplest and most comfortable solution for making payments, capable of changing the shopping experience in the near future. Therefore, the mobile is now the top driver of both traffic and sales.

If we take a look worldwide, there is positive trends that in a certains sense reflect the growth previously observe into the Italian scenario.

The number of Smartphone sold to the end users from 2013 to 2018 increased by 60.5% (Statista, 2019) while according to the Globalstats- statcounter the mobile reach the first place worldwide in terms of market share, with 50.71% , followed by the Desktop with 45.53% and last, Tablet with 3.76%.

Figure 8: **Desktop Vs Mobile vs Tablet Market Share Worldwide**

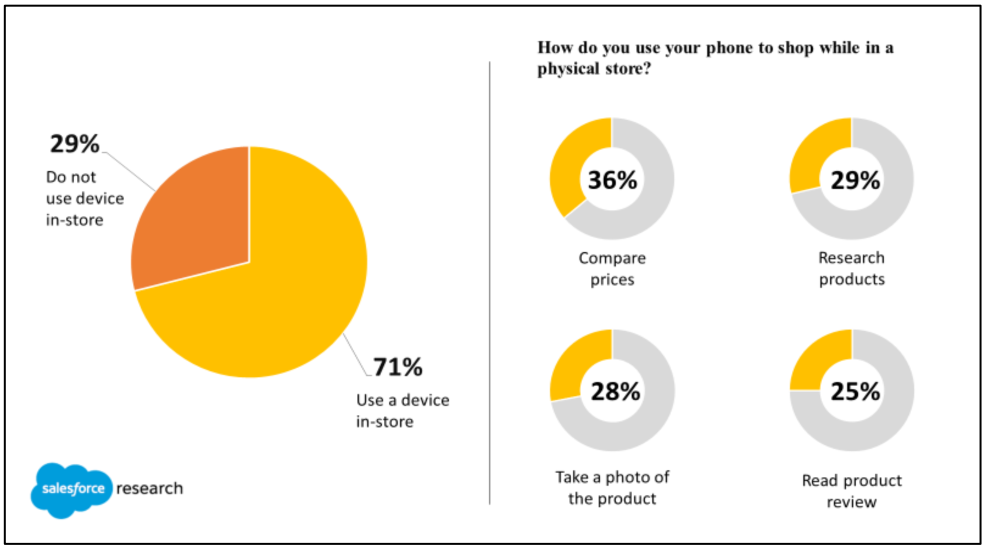


Source: Statcounter/GlobalStats.

Interesting to note is the exponetially growth of usage of mobile showed by the graph during the last 5 years: at the start of the 2015 the market share of the mobile was just of 31.53% while the desktop had the 61.92%, while nowadays we are in presence of a reverse trend. (Statscounter 2019)

Furthermore it is necessary to underline that most of shoppers worldwide tend to use the mobile in-store while making a purchase.

Figure 9: **Mobile usage in-store**



Source: Shopper-first retailing, The new rule of Retail from the Actions, Voices, and Eyes of Today's Consumers, 2018, H. Young, Salesforce Research.

As showed by the above graphs, into 2018, 71% of customers used a device in-store, up to 62% in 2017. Their activities while using a device in-store are diverse, from the research of products generally correlated to the one of interest, to the comparison of the price or to get in-depth information about products. In other word, the mobile has done more simply disrput digital-sales but as notice it has changed the in-store behaviour of the customers.

This data create a major opportunity for advertiser and retailer, with the increased capabilities of smart phones mobile ads can be more than just a display medium using static "mini-billboards."

In fact also the Mobile Ad spending increased from $18 billion in 2013 to over 147.6 billion U.S. dollars and is expected to reach 231.3 billion by 2021 (eMarketers, 2014; Statista, 2019)

Much recent interest has been generated in mobile apps—bite-sized software programs that can be downloaded to smart phones. Apps can perform useful functions—adding convenience, social value, incentives, and entertainment and making consumers' lives a little or a lot better. (Gupta S., 2013).

1.4 THE EVOLUTION OF RETAIL

Economic exchanges represent the social and cultural evolution of the individual. In fact, since ancient times, the rise and proliferation of urban networks have been determined by the opportunity to carry out commercial activities.

Trade is a fundamental lever for demographic and socio-economic evolution, an essential element to stimulate research, creativity and the creation of innovations, features that guarantee human success and survival.

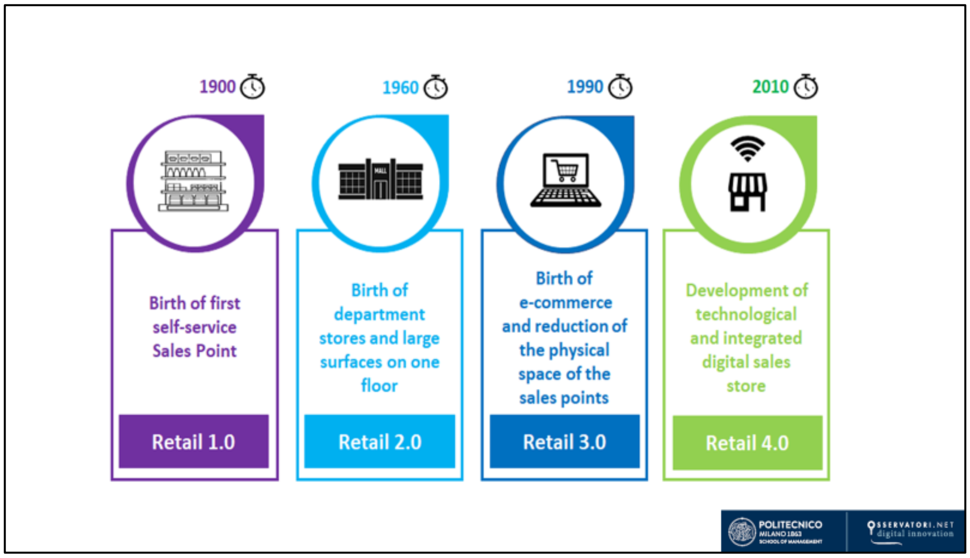
In all communities there are places for exchange and sale. Spaces that at the beginning gave life to the market structure and then later assumed the appearance of sales point as “botteghe”.

From this premise there is evidence of how often changes taking place in the retail environment are dictated by as many changes that occur in society and in consumer behavior. Furthermore, become of primary importance to understand and analyze how the sales point has evolved over time and what were the causes behind these changes.

As we will observe, all of them were driven by larger technological and social shifts and each led to fundamental changes in how people shopped by increasing consumer choice while reducing consumers’ total cost in terms of money, time, and opportunity.

The major transitions of the evolution of retail are shown in the Figure 1. It will be analyzed more in detail in the following paragraphs.

Figure 10: **Evolution of Sales Point**



Source: Osservatorio "Innovazione Digitale nel Retail" del Politenico di Milano – Workshop – Ditech, 2018.

If there is one thing that always stay the same in retail, it's change. New stores open, other go out of business. Market leaders experiment with larger or smaller store formats. They change the layout in their stores and launch new private brands on their shelves. Loyalty programs are tweaked, new offers and affinity programs designed. Supply chains become more automated and efficient, resulting in increased product availability and improvements in inventory management. But in reality there are few really big innovations in retail. Most of the change we see year after year is relatively incremental. True transformation in this sector comes along only once every few decades. And when these transformational events occur, they always create new winners and leave a trail of casualities in their wake. (Desai P., Potia A., Salsberg B., 2017).

1.4.1 FROM THE SHOP “BOTTEGA” TO RETAIL 1.0

Born in the Middle Ages, the shop “bottega” is a small shop, often owned by a craftsman, characterized by the presence of few quality products of goods created directly by the craftsman in the workplace. The seller acts as an intermediary between the product and the buyer; its ability, its credibility and its experience guarantee the quality of the product. Furthermore, the relationship that arises with the artisan takes on a great value as the relationship, personal and direct, with the merchant certifies its correctness and competence; in this environment the products take on a passive function; their value arises from the bond that blossoms between buyer and seller, and through the space in which they are inserted.

Instead, for the first time, in the eighteenth century we can distinguish characters that anticipate a modern idea of the shop: signs begin to be used in the shops, shop windows are born, initially characterized by small glass plates, connected to each other and decorated from aesthetic details. Then the first visual sales structure arises, the first experiment to make the economic exchange like a representation and the sales space to a stage. The function of the products changes drastically; the goods, previously hidden and made inaccessible to the consumer, are now exposed and made visible to the buyer, in such a way as to stimulate the taste and desire of the purchase and consumption. Now, goods communicate with the public and communicate their value and meaning; in return, customers rejoice in the relationship with the seller and increase their autonomy and competence in the selection and purchase phase. Sellers see in the window display the possibility of capturing the attention of consumers, using them both as windows and as a link between the exterior and the interior of the store, and as the stage of a theater on which to represent a show: the squares and the roads become the audience; passers-by and consumers represent the public.

In the nineteenth century, in Paris, there is a further evolution of the places of sale thanks to the flourishing of the covered commercial galleries or passages: they attract an increasingly variegated, interested and attentive public because they can combine different types of commercial activities and aggregating the consumption of goods and services in the same space. The plot that is established between interior and exterior space in the passages and the magical atmosphere that derives from it characterize the first form of entertainment at the point of sale, a new opportunity to seduce and attract the consumer, to create a possibility of relationship and social relations between the seller and the buyer, but also between the same individuals; the commercial galleries thus become the "typical place of consumption".(Codeluppi V., 2000).

With the industrial development and modernization of the production system, things change further. Thanks to industrialization and the construction of factories in the cities, standardized production is born; the latter generates, consequently, the massification of consumption, which becomes a mere instrument of supply and sustenance. Therefore, the structure of the sales points changes again, adapting to the new cultural and social system. The existing shops are flanked by supermarkets and department stores, spaces addressed to the large masses of urban consumers. This phase which establishes the transition from the so-called passages to the model of department stores and therefore free-service sales points is defined as Retail 1.0.

The department stores have the objective of gathering many customers in one place, offering them great choice. They are large spaces, with a rational and thoughtful organization, which sell a significant number of products made on a large scale, at a low and sustainable cost. The first department stores or department stores were born in London (Harrods in 1849 and Liberty in 1875) Paris (Bon Marché in 1851) New York (Macy's in 1857 and Woolworth in 1879) and Moscow (Gum in 1893). While in Italy

La Rinascente was inaugurated in 1921 which replaces the previous store opened in Milan by the Bocconi brothers in 1877 with the name of Aux Villes D'Italie. (Kotler P., Stigliano G., 2018)

Through this new format some innovations are introduced including the application of low prices and their affixing to the products on sale. The department stores offer numerous product categories and product lines, placed in a department where specialists work, competent for the corresponding goods. (Kotler P., Scott W., 2001).

Thus, a new situation is born: buyers can visit the department stores as mere visitors, without having to buy the products. The assets, therefore, must become desirable and appealing to be purchased and must acquire a value that is not only embodied in the functionality of the object; the ability to stage the merchandise and show it in an appealing way assumes a decisive value for the success or failure of the seller's business.

The relationship with the customer becomes more impersonal and less frequent; bargaining with the seller no longer occurs because the latter is no longer the producer and therefore the guarantor of the quality of its products. The buyer acquires a competent but more passive behavior; it does not have the need to interrogate someone who acts as an intermediary with the size of the object but is directed to observation and proof of the products, which are offered and shown by themselves to the customer.

Among the other main innovations of this phase we recall the display of enormous quantities of goods to impress the buyer by instilling a sense of abundance; the institutionalization of the principle whereby it is necessary to maximize sales to obtain economies of scale; the consequent competitive pricing policy with respect to the competition; the possibility of returning the goods if not satisfied. (Codeluppi V., 2000)

1.4.2 RETAIL 2.0: “EVERYTHING UNDER ONE ROOF”

In the early 1900s, retail was dominated by local mom-and-pop stores, providing its community with a highly personalized shopping experience. Choices were limited by both shelf space and the amount that shoppers could carry home.

While the development of modern retailing and wholesaling began in the USA in the 1930s, with Western Europe following shortly behind, and continued up to the 1990s. In the rest of the world, these activities remained much more decentralized and small-scale. No big lead-firms emerged to exploit economies of scale, and productivity gains remained at very modest levels. (Altenburg T., 2016)

Therefore following our chronological scheme this new phase called as Retail 2.0 is defined by the introduction of the "everything under one roof" concept and therefore by the birth of the first shopping centers that, as anticipated, are born in America but exploit around the 50-60 years thanks to development of domestic refrigeration - which facilitates the storage of large quantities of food and therefore the concentration of large quantities of purchases in a few periodic expeditions - and the spread of the automobile that increased the volume of items for shoppers could carry on any one trip, contributing to the rise of larger general stores and department stores.

In 1950 the Northgate was inaugurated in Seattle, immediately followed by the Northland Center, opened in 1954 in Detroit. These two shopping centers conventionally mark the birth of this innovative format, capable of combining the traditional urban market model with that of large shopping and leisure centers. In Italy the first examples of these new concepts were the Big Apple near Verona and the Gigli near Florence.

The organization of the spaces is very reminiscent of the industrial model, but they are buildings in a way that evoke humanity and the familiarity of the relationships that were established in the market and in the shops of the past. However, even in this environment, as already pointed out for department stores, the individual takes on the role of visitor-consumer and his purpose is not the purchase but, rather, the desire for entertainment. The pleasure of wandering among the shops, in the game with the windows and shelves, and in the possibility of meeting other people, gives a particular-charms to these commercial spaces. Attention shifts from products to services and to opportunities for relationships: salespeople and companies need to offer added value, which would lead to increase desire for use/buy in people. This desire is animated by linking the basic characteristics of the offer with a spectacular and playful component, which encourages the consumer to stay at the point of sale, purchase a good or experiment with a service.

Among the main features of this phase we recall a structure generally consisting of one or more galleries containing both the hypermarket and a series of various shops, including bars and restaurants; tendentially obliged routes with defined entrances and exits, the line of the tills, the trolleys and so on. These places have represented, and in some cases continue to represent, a nerve center for the communities that gravitate around them. (Kotler P. Stigliano G., 2018)

Subsequently other external factors such as the population boom and increasing suburban sprawl, supported by TV advertising, prompted retail locations to consolidate further into indoor and open-air malls, strip malls, and mass retailers. The status quo was again disrupted in the 1970s and 80s, this time by big-box retailers. Over the next quarter century, club stores, category killers, and value players joined big-stores to drive more and smaller merchants out of business. (Altenburg T., 2016)

1.4.3 DRIVING FORCES OF RETAIL MODERNIZATION AND GLOBALIZATION

Since the 1990s, however, retailing has become a global phenomenon spreading across all developing regions. Established retail and wholesale chains from the USA and Western Europe have expanded globally. The driving force behind the globalization of the retail and wholesale revolution that occurred in the 1990s was the increasing competition among retail chains in the USA and Western Europe, which had drastically reduced profit margins in the sector, whereas many emerging markets had started to experience a historically unprecedented economic boom. At the same time, middle-class consumption has been skyrocketing in emerging economies and stagnating in the USA and Western Europe. (Kharas H., 2010)

Demand for new retail formats in emerging economies was further accelerated by structural changes in infrastructure and living conditions (growing degree of urbanization, more private car ownership and better access to public transport, women's increasing participation in the labor market which, in turn, boosts demand for shopping convenience and processed foods as time-savers and the increasing prevalence of refrigerators in private households). These changes were crucial factors for the supermarket revolution when it occurred in the USA and Europe, and they are critical drivers of change in today's emerging markets. (Reardon T., 2004).

In parallel, retail markets have been progressively liberalized since the 1990s. In Central and Eastern Europe, the retail systems and respective regulatory frameworks inherited from the former socialist economies broke down, giving way to a rapid penetration of discounters and other retail formats from Western Europe. Also, the World Trade Organization's General Agreement on Trade in Services (GATS) has contributed to the liberalization and standardization of the regulations for international service transfers. As result of market growth, structural change and the liberalization of investment rules, massive retail-related foreign direct investments (FDI) were made in developing countries. (Neumair S.M., 2012)

1.4.4 RETAIL 3.0: THE DIGITAL INNOVATION

At the beginning of the century when Internet access has become mainstream and e-commerce retailers have shaken the industry again. The level of disruption was significant: to give the idea, just in 2000, seven of the eight major US retailers in 1980 had declared bankruptcy, acquired or lost their place as major players in the industry. Retail has undergone incredible disruption also over the last 10 years. 21 Retailers in the U.S declared bankruptcy in 2017, blowing up the record of 18 set in 2009. (KPMG, 2009-2017; O'Neill I., 2018)

One of the most representative examples of this changing phase, that is commonly called Retail 3.0, is the born of Amazon. The story of the company will give useful insights about the changes occurred at the industry and then in the retail sector.

Just in 1994 Jeff Bezos founded Amazon, with the ambition to bring his "creature" to become the largest book store in the world, as well as the Amazon River - to which he was inspired by the name - is the largest river of the world. Bezos immediately offers two innovations that have marked the evolution but also the success of the portal marked the difference with competing physical stores (traditional bookstores). Amazon introduces the possibility for users to write their own reviews, including the influence that the opinion of other readers (today is a common practice but at the time it was not at all).

In addition, Amazon start to develop a recommendation engine[1], which uses sophisticated technologies to offer users a series of products that are likely to appreciate. (Desai P., Potia A., Salsberg B., 2017). Amazon was not the first e-commerce site, but it is certainly the most significant of this era. Other examples of relevant e-commerce are Alibaba (1999) in China, IndiaMART (1996) in India, Tradera (1999) in Sweden.

With the boom generated by e-commerce a slow erosion of the profits of the physical sales point was expected, foreseeing that the latter was used exclusively as a tool for "showrooming"[2] activities, or rather as a mere role of observation of the offer, to then complete the 'online purchase. However, it was even observed a reverse trend, resulting in an increase in the opposite phenomenon, "webrooming"[3] and therefore using the online site to view the offer, and then go in the physical point of sale for the purchase. In this sense, focusing on the Italian landscape the 52% of customers use to do a webrooming activities for their purchase while the 45% use to do a showrooming activity. (Osservatorio Multicanalità, 2019)

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[1] *A recommendation engine, also known as a recommender system, is software that analyzes available data to make suggestions for something that a website user might be interested in, such as a book, a video or a job, among other possibilities. Recommendation engines use a variety of technologies and techniques that enable them to filter large amounts of data and provide a smaller, focused body of suggestions for the user. Netflix, for example, uses metadata tagging on videos in conjunction with data about user behavior to come up with recommended movies and TV shows for specific members.*

[2] *Showrooming is the phenomenon in which a customer goes to the store to see or try a product, but then buys it online. This practice is mainly driven from that people who prefer to see and touch certain products before buying them and for the fact that often the same product can be found online at a lower price. It is called "showrooming" because the physical store becomes a sort of showroom of products (which are looked at, touched, tested in the shop), which are intended to be purchased online or via mobile.*

[3] *Webrooming is the opposite behavior to showrooming: people do research on certain products on the Internet and then go to the store and, if the product satisfies them, complete the purchase on the spot. The smartphone has increasingly become the protagonist of the shopping experience: a place of information where people compare prices, features and sometimes buy.*

As even noticed into the mobile channel paragraphs, nowadays the consumers use the technology for visit the website or the app of the relative seller to get more information about the product, to check the prices or even compare the product or services, their level of price with others.

The data highlighted clearly shows the way in which social actors communicate, relate and do business has changed. Technological and social progress has influenced the purchasing behavior of consumers, use of media and interaction. This new consumer behavior leads to the crisis of classical models, strongly questioning the traditional logics used so far.

Nowadays access to and dissemination of information, transcending boundaries in time and space has changed. Competition on the Web is inherently global, and customers and consumers have the power of transparently comparing value propositions of companies around the clock and regardless of where they are located.

Digital technologies have also infiltrated and integrated into people's day-today life. Many of us spend most of our time at computers that serve the multitude of information, communication, and information processing needs. And when we are not tapping our laptops, we are tapped into the broadband mobile Internet and a cornucopia of cloud-based apps.

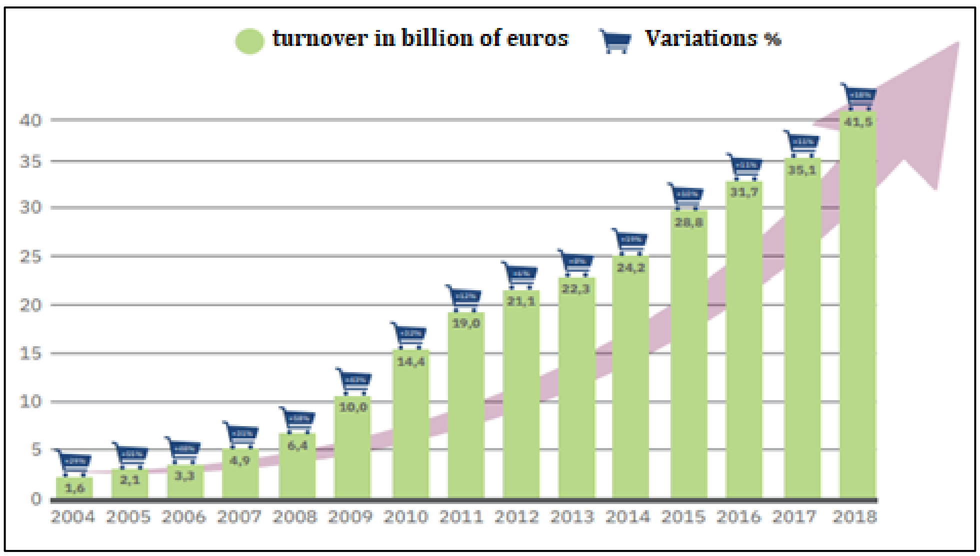
From the retail business point of view, the "digitalization of the consumer" is of essence. People are increasingly able to use digital services and are even beginning to expect them. The younger generations, such as Millennials, are grown up with digitalization and are eagerly in the forefront of adopting new technology and its affordances. (Collin J. et al, 2015)

1.4.4.1 THE E-COMMERCE IN ITALY

The technology progress and then e-commerce corresponds for companies a huge opportunity of expanding their markets and answer to the expectations of “digital customers”.

Italian e-commerce is one of the markets with the greatest potential, that is constantly growing as we will observe in the following section, but is still far from the other European Countries, especially the North ones.

Figure 11: **The Growth of E-Commerce Turnover**



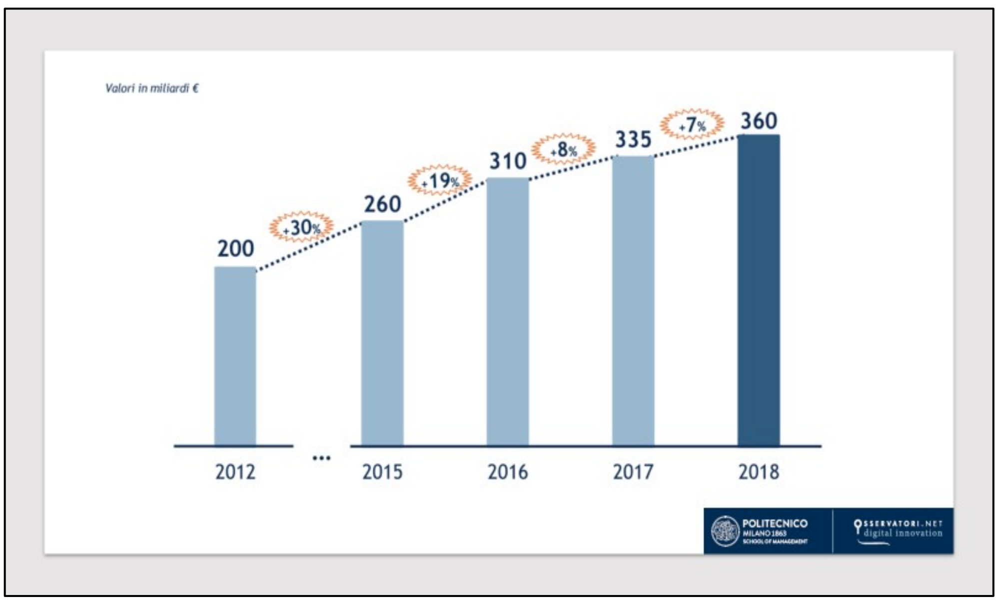
Source: Casaleggio Associati, 2019.

In 2018 the e-commerce companies registered in the Business Register in the ATECO sector 47.91.10 (Retail sale of every product made on the internet) have reached 20,100. Compared to the previous year, registered companies have seen an increase of 11.73%. (Casaleggio Associati., 2019)

A positive trend corresponds also to small businesses selling online, that in 2018 increased by 2%, reaching share 9%. The European average is 15%, but the gap is decreasing. The companies most likely to sell online belong mainly to the Services sector (14%), Manufacturing (4%) and Construction (3%). 72% of small businesses active in e-commerce sell from their site, 67% from marketplaces and intermediaries with a 10% increase compared to last year. (Casaleggio Associati., 2019).

The value of e-commerce turnover B2C in Italy in 2018 is estimated at 41.5 billion euros, with 18% growth on 2017. As we can observe into the Figure 3, there is a positive trend for the e-commerce; in the last five years the percentage growth has always been of double numbers.

Figure 12: **The value of e-commerce into the B2B**



Source: Osservatori.net Digital Innovation, Politecnico di Milano, 2019.

Observing the B2B e-commerce transactions, they continue to grow reaching € 335 billion, with an increase of 8% compared to 2016. A significant increase, but still representing only 15% of the total trade between Italian companies, while the incidence of B2B e-commerce of Italian companies towards foreign companies is greater, amounting to 130 billion (26% of total international transactions), a sign that the companies that export are digitally more mature (Osservatorio Fatturazione elettronica & e-commerce B2B., 2017).

The positive trend as we can observe from the figure above, remains positive even for the 2018, with an increase of +7% reaching a value of € 360 billion.

1.4.5 RETAIL 4.0: FROM MULTI-CHANNEL TO OMNICHANNEL

It is evident that the evolution of technology and the constant digitalization strongly influence how consumers behave, how markets develop, and how companies and consumers interact.

The single-channel retail strategy, observed in the previous paragraphs is no longer sufficient to engage customers and meet their increasingly peculiar expectations.

Companies attempt to react to these developments by offering many channels; in addition to physical stores, hotlines, and catalogues, many companies operate for example, websites, mobile apps, and social media presences.

Therefore, new retail strategies known as multichannel, cross-channel and omni-channel that have modified the modern retail scenario have become established. (Piotrowicz W. & Cuthbertson R., 2014).

1.4.5.1 THE MULTI-CHANNEL APPROACH

Companies scenario, above all the retail ones, is more and more competitive, with more demanding clients, without being willing to pay more for excellence on goods and services. Like this, organizations must search for tools which allow improvement and compensatory results, as well as, to optimize processes, to eliminate wastes and to reduce the delivery deadlines, besides offering lasting relations with the consumers.

It is required from marketing to develop strategies which effectively consider the desired target-public, creating contacts points with this public, generating satisfaction, faithfulness and relations in the long run. In this context, it is more important over and over to generate amenity and convenience so that the consumers could find the products at "the right place and at the right moment when they need to perform determined purchase". (Pestana E., 2014)

At the retail sector, more than understanding and serving the consumers´ needs it is necessary, according to Pestana´s remarks (2014, p.133), "*to offer solutions and experiences in different moments of relations with the products and services, with an experience of purchase which is valued by him*". With that, it is presented the concept of multichannel, which has the premise to consider the client as the focus of distribution acting, influencing in his decisions.

Specifically, multichannel refers to '*the set of activities involved in selling merchandise or services to consumers through more than one channel*". (Zhang et al.2010)

This set of activities encompasses '*the design, deployment, coordination, and evaluation of channels to enhance customer value through effective customer acquisition, retention, and development*'. (Neslin et al. 2006, p. 96)

It follows that Multichannel approach primarily indicates that a company offers multiple channels. For example, a retailer with a website and a physical store may offer the possibility of ordering a product online although the product ordered online is not returnable to the store. This example suggests that the channels are not interconnected.

In fact, the those are treated separately and generally managed by different teams, each with its own agendas and goals. Furthermore, there is no channel integration and therefore no exchange of data across channels; the focus of multichannel management is on every single channel. (Beck & Rygl 2015; Verhoef et al. 2015)

However, from a customer perspective, the proliferation of new marketing channels has offered them new opportunities to transact and communicate with the firm. As a result, customers increasingly use alternative channels to purchase products and services and to contact the firm for other purposes including requesting information, soliciting technical advice, facilitating feedback about the products and services, and inquiring about a product's use or availability. This results in an increase in the number and complexity of customer-firm interactions (Van Bruggen et al. 2010, Cao and Li, 2015).

For example, a customer might start the purchase experience based on the recommendation of a friend, on an online product research, or on an offer by the company. He can then go to a retail store to touch and feel the merchandise. After that, he can make price comparisons on the web and ultimately buy it from the comfort of his home at any time using a tablet or other device. Later, he can go online to learn about the product's features and characteristics and about how best to use it. Finally, he can call the service center to report any unsatisfactory situation with the product or during the buying process.

As seen in the example and underlined by Kotler et al. (2017) customers expect a channel integration that allows them to: order a product online and collect it at the nearest sales point, return a product ordered online at the nearest sales point, receive discounts and promotional offers on basis of total purchases made online and offline. This behavior has become the norm, rather than the exception, in the current business environment.

Companies, therefore, must make explicit an offer to be conveyed in an integrated way, that is, with multi-channel strategies that develop in an articulated and coordinated series of means and channels of contact between the offer and the demand, with both informational and transactional purposes. (Watson et al. 2002)

The question arises of how firms can integrate the channels. The level of integration in a multi-channel strategy can vary from non-existing to high, depending on the business model. An offline channel can be complementary to an online channel, and vice versa, in different ways. Rigby D.K., (2011) Claims that "physical stores stimulate online purchases".

However, offering only this type of purchasing channel is often not enough. Zhang et al. (2010) argue that there is no universal solution regarding which parts and processes of the organization should be integrated. This is rather a decision that every retailer must take after weighing the benefits against the integration costs.

According to Van Birgelen et al. (2006), an element that influences the result of the integration is the level of compatibility between the channels which is defined as the "*evaluation of complementarity in the case in which the consumer perceives that a channel adds value to another channel* ." Thus, a limitation of the multichannel strategy emerges, represented by the fact that the different channels may not be integrated, causing a "silos"[4] effect. In addition, managing channels in isolation frequently leads to customer confusion (e.g. prices, promotions, assortment, etc. can differ in various channels) and frustration, diluting the value offered to the customer. (Herhausen et al. 2015).

For the reasons seen above the Multichannel approach might no longer be a good strategy, especially in the current economic environment.

[4] *The silos are cylindrical containers for storing materials, placed close to each other, but whose materials do not meet those of other containers. Similarly, each channel in the multichannel strategy is independent of the others, since the company does not consider the distribution process, since there is no integration between the different channels.*

1.4.5.2 THE CROSS-CHANNEL APPROACH

The next evolution phase is represented by the cross-channel strategy that Beck and Rygl (2015) described as a partial integration of several channels. A crucial characteristic of the cross-channel approach is that there is a certain degree of interaction and integration among individual channels.

From the consumer point of view, the cross-channel strategy indicates the possibility to switch between certain, but not between all, available channels. For example, the customer can return a catalogue-ordered product to a physical store, or she can redeem a voucher in a store that she received via email. (De Faultrier, 2014)

From the firm point of view, the cross-channel retail is the set of activities involved in the sale of goods or services through multiple channels or all the diffused channels. In the first case the retailer controls the partial integration of the channel, while in the second it controls the complete integration. (Zentes et al. 2017). Therefore, cross-channel retail occurs when retailers use a variety of sales channels in parallel to distribute their merchandise. This strategy has long been used by retailers, but recently it has become more relevant due to the new distribution channels, the Internet in particular. By combining alternative channels to form cross-channel retail systems, retailers can take advantage of the unique benefits of different retail formats and thus increase customer benefits. Different combinations of cross-channel systems can be implemented based on the main retail formats (catalogs, physical and online stores, mobile commerce, etc.).

Cross-channel resellers can actively promote channel switching behavior among their customers by applying different channel integration strategies, for example, by introducing cross-channel promotions. By applying these strategies, retailers offer promotions through a channel that are converted via other channels into their multi-channel retail system. For example, they could offer coupons through their online stores or mobile stores that can be redeemed in their physical stores, or vice versa. Other strategies focus on information and the integration of the assortment. (Morschett D., 2012) To ensure parallel or complementary use of alternative channels along the customer journey, it is essential for retailers to consistently integrate their assortment of services and pricing strategies. However, consistency in this context does not mean that service levels, assortment mix, and prices must be identical for all channels. (Zentes et al. 2007)

Active promotion of channel integration can help overcome the disadvantages of alternative channels. For example, brick and mortar stores often suffer from limited space, both in terms of their own store and branch warehouse. It is easier and more efficient to offer large assortments in online channels, because there is no space limit and logistics can be centralized in central warehouses or specialized distribution centers. The integration of the channel in the form of integration of the elements of the online store, such as the virtual shelves in the shops, can be used to expand the assortments of the stores, thus allowing the fixed points of sale to offer a range of products, theoretically, unlimited .

The cross-channel approach is not limited to channels; this approach also considers touchpoints. A touchpoint represents any point of contact between the consumer and the company and is not necessarily marked by interaction. Touchpoints are '*an episode of direct or indirect contact with a brand or firm*'. Touchpoints include, TV, billboards, or radio.

However, full integration across all available channels and touchpoints within the cross-channel approach is lacking. Therefore, within this strategy, the management and goal setting are per channel, per touchpoint, or per specific integration of channels or touchpoints. In addition, because of this setting, data cannot be shared across all channels and touchpoints. We regard cross-channel management to be an intermediate step between multichannel and omnichannel management. (Beck & Rygl 2015, Verhoef et al. 2015, p. 175).

1.4.5.3 THE OMNI-CHANNEL APPROACH

The last changing phase, which establish the passage from the Multi and Cross-channel to another evolutionary step correspondent to Omnichannel approach is characterized by the development of technological point of sales that are integrated with the digital, is defined as the Retail 4.0.

According to the Cambridge Dictionaries (2014) the prefix Omni is related to "everywhere" or "all, everything", being that the term Omni-Channel can be understood as an omnipresent or that involves the "everything" of the distribution process.

This new approach is related to the idea that the clients can access the on-line information concerning the products even being inside a physical store, having contact with countless information, including promotions, prices advantages and negotiations. (Parente and Barki, 2014) Additionally, customers demand a seamless experience across the multiple channels they use in their purchase journey. In other words, technological developments and the change in customer needs are the primary drivers for companies to adapt an omnichannel strategy as a new and contemporary approach with several channels. This shift is described as an opportunity, particularly in retailing, which can be an advantage if retailers construct an ecosystem of connected offline and online channels within an omnichannel environment. (Aubrey, 2012)

In this new reality, omni-channel management, "the synergetic management of the numerous available channels and customer touchpoints, in such a way that the customer experience across channels and the performance over channels is optimized", has become a key business priority. (Verhoef et al, p. 176)

Figure 13: **Differentiation of Channel Management Concepts**

Characteristic	Multichannel	Crosschannel	Omnichannel
Path of Product/Service/ Information Delivery	Channels	Channels and touchpoints	Channels and touchpoints
Integration	No switching between channels possible	Switching between certain channels and touchpoints possible	Seamless switching among all channels and touchpoints possible
Management	Separated by channel	By channel or connected channels and touchpoints	Across all channels and touchpoints
Goals	By channel	By channel or connected channels and touchpoints	Across all channels and touchpoints
Interaction	Two-way	Any type	Any type
Data	Data are not shared across channels	Data are partially shared across channels	Data are shared across all channels

Source: Channel Integration Towards Omnichannel Management, Research paper, Mirsch T., Lehrer C., Jung R.

Compared with the previously described concept, as we can notice in the Figure 4, in the Omnichannel management barriers between all channels and touchpoints vanish completely. In fact, freely moving and switching by consumers among all contact points is not only anticipated but favored, thanks to consumers can select their most preferred channel for every situation in their relations with the company. The "synergetic management" implies that the channels and touchpoints are managed as a unit. This unity of all possible contact points between the company and the consumer results in interaction and linkage among all channels and touchpoints as well as the possibility of simultaneous use. Thereby, the consumer experiences not simply the channel or touchpoint, but the brand as whole. (Piotrowicz W., 2014)

Consumers can select their most preferred channel for every situation in their relations with the company.

For example, a consumer may be attracted by a promoted product on a billboard that mentions a website. Later, at home, this consumer gathers more information and places the chosen product in the shopping basket but does not complete the purchase. While commuting to work by train, this consumer opens the company's own shopping app, in which the product is also in the shopping basket. This consumer then completes the purchase via the app and chooses store pick-up. As this example illustrates, consumers can switch from one channel to another without interrupting their transaction stage. If the consumer switches channels during the purchase phase, for example, from an online shop to a mobile app, this shift does not result in the loss of the progress the consumer has made.

The omnichannel strategy aims at a seamless and unique experience regardless of the purchase phase the consumer is in or the channel the consumer uses. (Brynjolfsson, 2013; Rosenblum, 2013)

Another important characteristic of omnichannel management is data integration. Compared with the multichannel and cross-channel approaches, more data are fueling the databases. New opportunities for data sources are provided, particularly by social and mobile channels. Insights regarding transactions and interactions can be generated. To leverage the opportunities for vast amounts of data gathered in the omnichannel environment, companies must integrate consumer data from all channels and have ability to analyze that data.

Only then can a company create customer insights and correctly and personalized address the right consumer to enhance the experience (Trenz, 2015; Vianello S., 2017).

The relevance of the Omnichannel strategy for companies is confirmed by many reports, however as underlined by a PwC research only the 17% of retailers respondents reported that they were confident their omnichannel business-models deliver a seamless and connected experience across channels and functions, while the 48% were prodiving integrated customer experience but they were still operating in silos that increases their cost and erodes margins. (PwC, 2017; McKinsey & Company, 2017)

Furthermore, the embrace of omnichannel is not yet universal among retailers, but the industry is getting close. The main overall goals of retailers using the Omnichannel approach can be summarized as follow: to provide a better customer experience integrated across all channels and to better understand customers to ultimately drive customer loyalty and increase sales. (Brightpearl, 2017).

Therefore, if in one hand there is a high awareness of the importance of adopting such strategy in the other there will be challenges for companies in order to provide a full integration of the different touchpoints.

CHAPTER 2

2. THE NEW RETAIL CHALLENGES

In the first chapter we observed how the retail sector is in constant growth and in continuous evolution. Emerged how the arise of technology and the constant digitalization strongly influence the consumers behavior, how markets develop, and how companies and consumers interact.

Accenture report about the "digital future of retail and consumer good companies" listed top innovations that have had and will play a key role through 2025 including mobile internet, automation of knowledge work, the internet of things, cloud technology, advanced robotics, and 3-D printing, blockchain, augmented reality/virtual reality, artificial intelligence/machine learning, autonomous drone or vehicle among others. (Accenture 2017, C., Donelly, O. Wright).

Those digital technologies have been around for some years, but for some their impact reached the highest point only recently, fueled by the convergence of multiple technologies. These technologies help develop different sectors into an economy such as retail thanks to the e-commerce or for example thinking into the "simplest and easiest way" education (massive open online courses), health (electronic record and personalized medicine).

However, many of the same technologies that drive the digital economy are also disrupting key industries. Large retailers such as Borders and Blockbuster, for instance, experienced the disruptions caused by digitally empowered entrants in their respective industries. These digitally empowered entrants—Amazon and Netflix—are now the new major incumbents in their industries. Interestingly, even the past disrupters may experience the same fate.

Apple's iTunes, which once successfully disrupted the brick-and-mortar music retailers with its online music retailing, has been disrupted by Spotify and its music-streaming business model. Apple's revenue from music sales has been in decline since its peak in the early 2000s. Apple launched its own music-streaming service, Apple Music, in mid-2015 to rival Spotify.

Considering the customer side and then the capacity of adapting to the emerging disruptive technologies there are different feels; most customers are excited and anxious at the same time. For example, automation of knowledge work, has not only bumped up the productivity but has also brought fears of losing jobs.

In the retail sector, many players in the last few years have had to deal with the rise of online sales and the usage of mobile internet, that widespread between customers, independently of which generations they belong to. It has brought peer-to-peer connectivity and empowered customers to be much smarter and better informed than in the past. (Kotler P. K. H., 2017) There has been a transition from what was traditional to what today can be defined a digital eco-system, therefore become of fundamental importance understand how the consumer behave in this new era.

Therefore, it was decided to structure the following chapter, initially presenting the changes occurred during the last years on the customer behavior underlining the impact of the connectivity and the importance of the different touchpoints while into the second part the focus will shift into the retail sector, with attention to the role of the store with the aim of identifying and present the macro-trend of the sector.

In other world it will be provided the evolution scenario from both, the consumers perspective and the retail sector.

2.1 THE CONSUMER BEHAVIOUR IN THE DIGITAL ERA

As anticipated, significant changes have revolutionized society and its balance in recent years. The consumer himself has changed: he is attentive, demanding and not very loyal. The personal and accurate search for information on what is of him interest, makes him qualitatively pretentious, selective and very often also autonomous. He is a constant researcher of the value for money and is attracted by the innumerable ways of involvement and therefore easily influenced. He is looking for products that can attract him, not only from a rational point of view, but also from an emotional one. (Deloitte, 2015)
As we will observe in the follow paragraphs there are basically two drivers of change that take place in this context: connectivity and interactivity.

2.1.1 WEB 2.0: FROM “ONE TO ONE” TO “MANY TO MANY”

The internet, which brought connectivity and transparency to our lives, has been largely responsible for these power shifts. We are seeing how a vertical power structure has been diluted by a more horizontal force. Take, for example, how at the top of the world's most populous countries is the “United States of Facebook” with its population of 1.65 billion people. We also see how people now go to Twitter for breaking news from citizen journalists whereas in the past, a large TV network like CNN would be the go-to channel.
Therefore, the concept of customer trust is no longer vertical; it is now horizontal.
Customers in the past were easily influenced by marketing campaigns, they also attempt for and listened to authority and expertise. But recent research across industries show that most customers believe more in the f-factor (friends, families, Facebook fans, Twitter followers) than in marketing communications.

Most ask strangers on social media for advice and trust them more than they do advertising and expert opinions. In recent years, the trend has stimulated the growth of communal rating systems such as TripAdvisor and Yelp.

We have moved from one context to another where the user is a simple user of content transmitted from a unidirectional media to a completely one new in which information is exchanged between users, many to many; from a company where the brand is the protagonist to one that sees the customer take a position of power over the brand thanks to possibility of producing knowledge and resources to share with other users.

To represent this new virtual environment the term "Web 2.0"[5] is born, a more open Web than in the past, available to contributions of collective intelligence. The term emphasizes the detachment from the previous evolutionary phase of the World Wide Web, the so-called "Web 1.0", spread until the nineties and consisting of static websites in where the interaction with the user was limited to the use of e-mails and search engines

In this new scenario customers care more and more about the opinions of others. They also share their opinions and compile massive pools of reviews. Together, customers paint their own picture of companies and brands, which is often very different from the image that companies and brands intend to project. The internet, especially social media, has facilitated this major shift by providing the platform and tools.

This trend will continue. With such vast connectivity, market behavior will become significantly different. For example, as observed in the first chapter in many countries in-store research using mobile

[5] *The term Web 2.0 appears for the first time in 2003 when the electronic book publisher O'Reilly chooses it to define the change in the network that was taking shape in those years in the direction of an ever-greater opening to participation of users. The term refers to the practice followed by software producers who define with a progressive number of different versions of the same.*

phones to compare prices and check reviews is trending. Mobile connectivity allows customers to make better purchase decisions.

Marketers need to embrace the shift to a more horizontal, inclusive, and social business landscape. The market is becoming more inclusive. Social media eliminate geographic and demographic barriers, enabling people to connect and communicate.

As observed, customers are becoming more horizontally oriented. They are becoming increasingly skeptical of marketing communications from brands and are relying instead on the f-factor (friends, families, fans, and followers).

Finally, the customer buying process is becoming more social than it has been previously. Customers are paying more attention to their social circle in making decisions. They seek advice and reviews, both online and offline. (Kotler P. K. H., 2017).

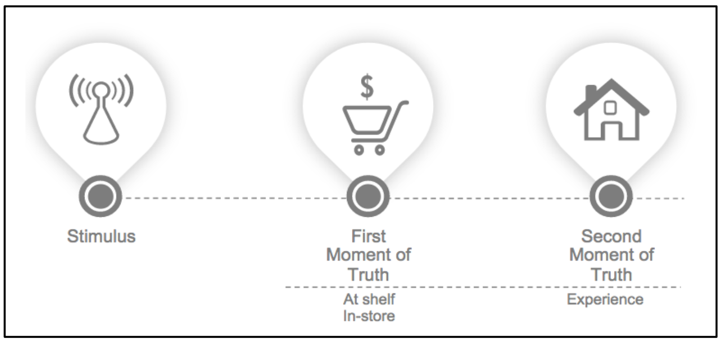
2.1.2 THE MOMENT OF TRUTH: FROM THE FMOT TO THE ZMOT

In 2005 Procter & Gamble coined the expression "first moment of truth" (FMOT), to indicate the time when the consumer notices a product on a store shelf. This is a very short period ranging from 3 to 7 seconds when the consumer is in front of the product and decide whether to buy it or not.

Lafley, CEO of Procter & Gamble, stated that: "*The best brands always win in the two moments of truth. The first moment happens in front of the book shelf store, when a consumer decides whether to buy one brand or another*". (Lafley & Charan, 2008)

The second (SMOT) occurs when a customer purchases a product and experiences its quality. There can be multiple second moments of truth for every time the product is consumed or used, providing the consumer information for future purchases and for sharing their experience with the product/service. (Löfgren M., 2008)

Figure 14: **The traditional 3 step mental model**



Source: Lecinski J., (2011) ZMOT – Winning the zero moment of truth, Google.

Based on Lafley's observation, the buying process starts with an external stimulus, the advertising message, which reaches the consumer to push him to purchase a product.

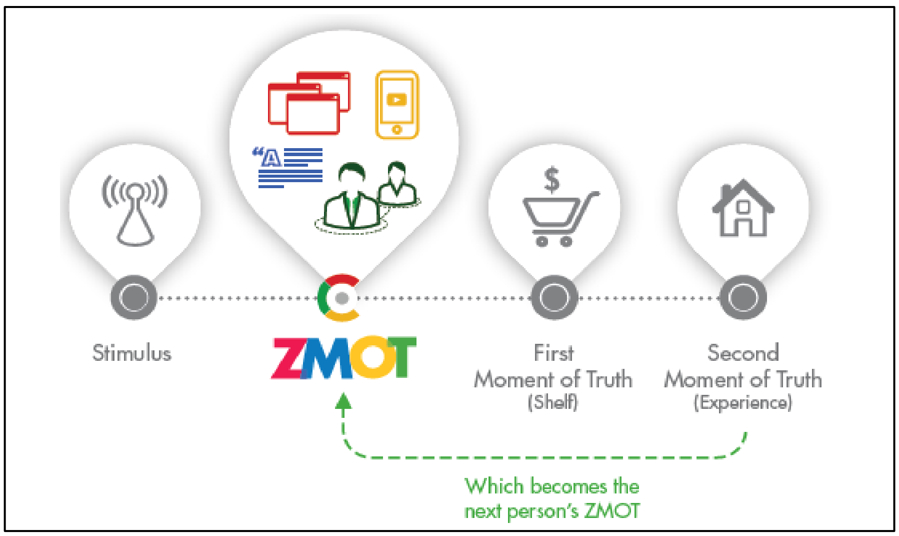
Then we move on to the first moment of truth when the consumer has the different products displayed on the store shelf and chooses which one to buy. The purchasing process concludes with the "second moment of truth" (Second Moment of Truth, SMOT) which consists of in product experience, when the consumer uses it and determines whether the purchase choice is winning or not.

This has long been the dominant model but today, with the multiplication of the touchpoints, possibility to get information and sharing experiences activated by the web, has lost its effectiveness. In 2011, Jim Lecinski has coined the term "zero moment of truth" (ZMOT) to indicate a fourth step before the first in the consumer purchase process. The moment zero of truth consists in the time frame in which the client, reached by an external type stimulus advertising, search the Internet for product information to decide whether to buy it or not.

In the moment zero of the truth the potential consumer uses search engines, asks opinions for his contacts on social networks, consult review portals, read opinions on blogs in the times and ways he establishes.

ZMOT is an informative process of a non-unidirectional nature as it arises from consumer need and involves a plurality of actors interacting on the same level: experts, friends, strangers, each carrying different relevant information content for the customers.

Figure 15: **The new mental model – ZMOT**



Source: Lecinski J., (2011) ZMOT – Winning the zero moment of truth, Google.

A further interesting consideration to make is the progressive overlapping of the different moments of the truth.

The potential customer who is physically in the first moment of truth and therefore in front of the shelf of the store, can move in the zero moment of the truth and consult the Web through his smartphone or its tablet with the aim of collecting more information about the product.

Or the post-purchase experience of a user related to a given product, therefore, can easily become the ZMOT of other users looking for information on the net about that product.

Figure 16: **ZMOT activities**

Source: Lecinski J., (2011) ZMOT – Winning the zero moment of truth, Google.

In 2011 Shopper Science[6] carried out a study for Google where, based on a sample of 5,000 consumers, a trend emerged for which the sources informative consulted in the zero moment of the truth increase from year to year. Already in 2010, the 88% of potential customers consulted 5.3 sources of information, in 2011 they consulted 10.4. (Google report 2011)

Shoppers were and are "swimming" in information. Those 10.4 sources range from TV commercials and magazine articles, to recommendations from friends and family, to websites, ratings and blogs online.

[6] *Shopper Sciences is an American consulting company that operates in the field of marketing and advertising by providing a producers, retailers and advertising agencies, insights on the factors that most influence consumers' purchasing choices to develop winning marketing strategies.*

This number has skyrocketed to an average of 22 sources and 40 for journeys by longer buyers like booking a trip.

Today, 93% of consumers read reviews as part of their buying path and 80% trust reviews and personal advice. This means that 80% of all consumers will seek third-party validation when comparing different products or services (Trustpilot Survey).

And by the way, it's not just stores and consumer packaged goods we're talking about. ZMOT is at work across all industries, in B2B and B2C, and in areas like education and politics.

If this procedure of choice in the past was reserved for the purchase of goods such as automobiles or expensive appliances, today no consumer good escapes the zero moment of truth.

2.1.3 THE RELEVANCE OF TOUCHPOINTS

The concept of touchpoints in marketing and management literature can be understood as the moments of direct or indirect contact between the customer and the brand, where an interaction may occur (Baxendale, 2015).

The touchpoints or interactions are moments that happen along the customer's journey and may include anything that provides some sort of information with the possibility of creating positive or negative impacts (Aichner, 2017). Customer interaction with brands occurs in physical locations/stores as well as online stores, social networks, mobile applications (Guo, 2013).

Customer satisfaction during the interaction with the touchpoints is critical to the purchase intention and customer retention (Lim, 2015).

These touch points can be represented by short, one-way or two-way interactions between customers and companies and the exchange can be in-depth.

New online channels have led to an explosion in the number of different touchpoints (Pantano E., 2015)- i.e. the number of verbal or nonverbal incidents a person perceives and consciously relates to a given firm or brand (Duncan T., 2006)- within the customer journey.

Multiple touchpoints in a diversity of channels and media enable customers to interact with firms, thus increasing the complexity of Customer Experience (CE) ((Brun I. et al., 2017); (Lemon K. N., 2016) "CE is the evolvement of a person's sensorial, affective, cognitive, relational, and behavioral responses to a firm or brand by living through a journey of touchpoints along pre-purchase, purchase, and post-purchase situations" (Homburg C., 2017).

As previously stated, the customer experience is articulated through all the touch points and the dynamics developed in the service delivery process (Jüttner U., 2013).

Within the customer journey, four categories of touch points can be identified with which customers relate at each stage of their experience (Lemon K. &., 2016) (Halvorsrud R. K., 2016):

- *brand-owned* touch points: indicate customer interactions with the company and are designed and controlled by the company. They include advertising, promotions, the website and loyalty programs, as well as the 4 P of the marketing mix.
- *partner-owned* touch points: these contact points represent customer interactions designed and managed by the company and one or more partners. They include marketing agencies, multi-channel distributors and partners operating in loyalty programs and communication channels.
- *customer-owned* touch points: these interactions concern the actions that are part of the overall customer experience, but that the company or its partners cannot influence or control. Examples are the needs or desires prior to the purchase, or the payment method used to complete it. They are the most critical points of contact in the post-purchase phase, when the

consumption and use of the product or service take place. The role of these touch points has been extended because the function of customers as value co-creators has been established, independently or together with the company (Vargo S. L., 2004).

- *social / external* touch points: these touch points recognize the important role of external subjects in the customer experience. During the purchasing process, customers are influenced by information from other customers or friends.

Therefore, *Word of mouth* – WOM has taken on a central role as an element and measure of the success of corporate strategies and brand reputation (Kotler P. A., 2017).

It can be distinguished in *word-of-mouth*, that is the flow of information directed from consumers to other consumers and *word-of-mouse*, that is that carried out through social networks, blogs, communities and online forums as well as review portals such as Trip Advisor.

The types of touch points mentioned above provide companies an organizational framework, to understand the elements of value in the consumer experience.

The relevance of each type of touch point can differ in each stage based on the nature of the product / service or customer journey.

During this process, companies can identify the touch points they own or over which they exercise influence and be aware of those points of contact on which they do not have the slightest influence, namely customer-owned and social / external.

Manser Payne et al (2017) present the “explosion” of touch points, divided into personal and non-personal as we can notice in the following figure.

Figure 17: **Classification of touchpoints**

Personal Touchpoints	Non-Personal Touchpoints
• Store Interaction	• Traditional Advertising
• Sales force	• Non-personal in-store interactions
• Phone (inbound and outbound)	• Direct physical mail
• Chat and live digital conferences	• Email
• Trade shows	• Catalogs
• Returns in store	• Web site
	• Social networks
	• Paid and organic search results
	• Loyalty Programs
	• Returns by mail

Source: Personal and non-personal touchpoints (Manser Payne et al 2017)

Touchpoints represents, therefore, a great challenge that companies are faced with in their retail strategies, as every moment of contact with the brand has an ever-greater influence, capable of weakening it or strengthen it considerably.

If in one side the relationship with the customer is more fragmented, it means that companies can get in touch with customer more often with a lot of occasions to create values, engagement, trust but also mistrust and loss of value. (Castaldo S., 2017)

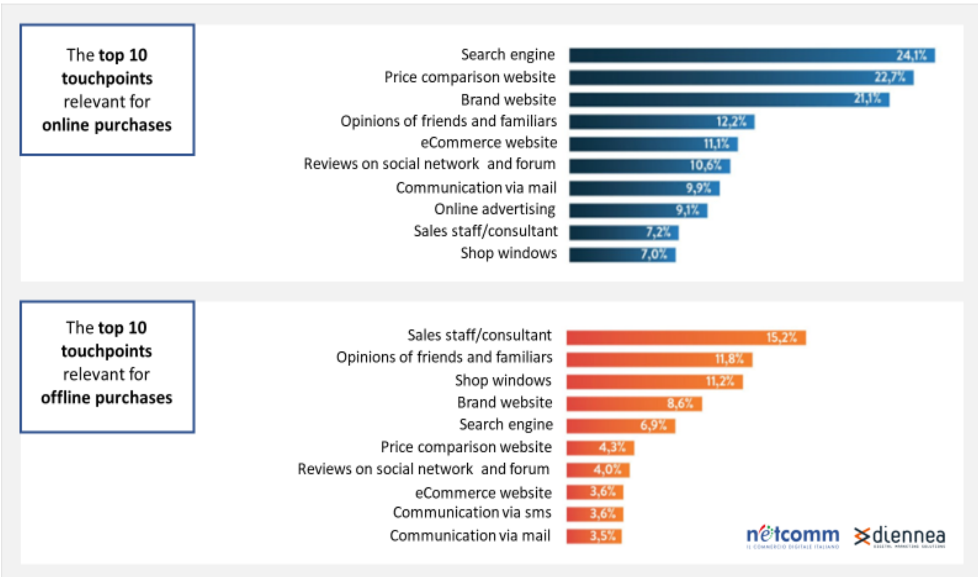
In the other side, (re)design of customer journeys forces companies to decide how they should allocate investment and efforts across touchpoints (Court et al., 2009).

Hence, it is relevant to measure the role of each touchpoint within the customer journey and its contribution to develop the relationship between the customer and the company (Baxendale et al., 2015).

In this sense a recent research of Netcomm with the collaboration of Diennea investigated the behavioral attitude in consumer purchasing processes, both online than offline, repositioning these behaviors with respect to the customer journey.

In other word, the research highlights which touchpoints are most used by customers to obtain more product information.

Figure 18: **The role of the touchpoint in Italy**



Source: Netcomm & Diennea, "Il comportamento del nuovo consumatore", 27 maggio 2019.[7]

As it is noticeable from the previous graph, the first three touchpoints most used by the consumer are all online and concern the use of search engines, price comparison sites or the brand's website. These touchpoint plays a relevant role even for getting information for making an offline purchase. Furthermore, from the research emerged that before proceeding with an online purchase, consumers

[7] *The research took as a reference a panel of 38.9 million individuals of at least 15 years of age of age, residing throughout the national territory and representing the segment of population that you are connects to the network regularly at least once a week. The interviews have been conducted online. Five product categories were examined: clothing, shoes and accessories; food; insurance; banking products and services; travel and vacations.*

activate an average of 1.6 touchpoints, a number that for offline purchases is around 0.9. This can be read as a necessity from the customer to obtain more information while purchasing online with respect of offline purchasing.

This research confirms how the consumer has changed and are particularly relevant for retailers, who must consider always more, the importance of the channels they control, from websites, to social channels, to blogs and forums, all strategic channels to get in touch with the digital consumer and provide a consistent coherent shopping experience across all of them.

2.2 THE EVOLUTION OF CUSTOMER JOURNEY

Consumer buying behavior has always been the subject of studies in the marketing discipline. Many models have been developed in the literature in order to map the sequential purchase decision phases, but before to analyze them it is necessary to provide a definition of customer journey.

The customer journey concept is a visual illustration of "customers' processes, needs, and perceptions throughout their relationships" with a business (Forrester Glossary).

A study from McKinsey define the customer journey as "The complete end-to-end experience customers have with a company from their perspective. That journey has a clearly defined beginning and end that cross the progression of touchpoints" (McKinsey 2015).

However, customers have not only cognitive but also emotional and behavioral drives along their customer journeys and do not necessarily follow a linear path (Wolny, 2014)

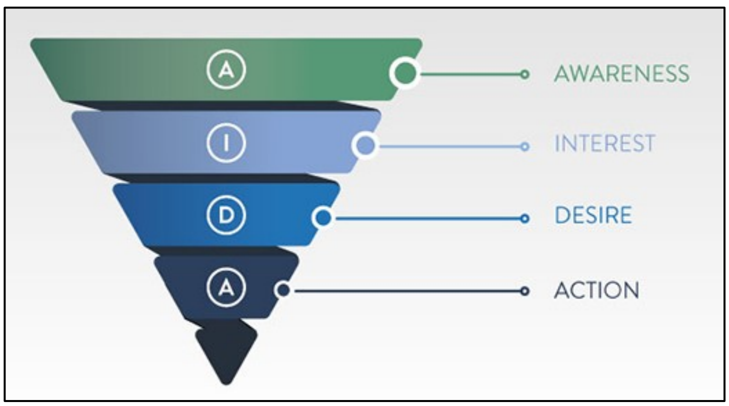
In the following paragraphs the reference models will be analyzed, starting from the traditional funnel model, named AIDA up to the current model designated by Kotler et al, of the 5 A's.

2.2.1 AIDA MODEL

The first theoretical model of analysis and measurement of the consumer purchase path took the name of AIDA: acronym of "Awareness / Attention, Interest, Desire, Action".

Elias St. Elmo Lewis15 in 1898 launched the slogan "Attract attention, maintain interest, create desire, get action".

Figure 19: **AIDA model/funnel**



Source: Elias St. Elmo Lewis, 1898, personal reproduction.

It defines a sequence that describes the process by which the seller leads the potential customer to the purchase.

Historically, it represented one of the first "models" put to point to implement an advertising campaign.

In one of his publications on advertising, Lewis postulated at least three principles to which an advertisement should conform:

"The mission of an advertisement is to attract a reader, so that he will look at the advertisement and start to read it; then to interest him, so that he will continue to read it; then to convince him, so that

when he has read it, he will believe it. If an advertisement contains these three qualities of success, it is a successful advertisement.” (Lewis, 1903,)

The AIDA model is a process in which the first goal is to generate, through the message, an attention (cognitive stage - attention), such as to trigger the second stage, that of arousing the interest in discovering more, which will generate, then the desire (affective stage - interest and desire) and finally the action (behavior stage - action).

To be motivated to purchase, customers must become aware of the advertised product and be interested enough to evaluate its advantages and disadvantages to prove the desire to benefit from them. The action occurs when there is a real interaction with the company, for example by downloading a brochure, requesting information or proceeding directly to the purchase.

This type of simplified approach to advertising communication funnel has always been considered one of the marketing pillar concepts.

"AIDA is perhaps the oldest acronym of the marketing, but at the same time it will never change and will always remain true, although with its limitations. It represents the process that the recipient travels through time it receives a marketing message and reacts to it " (I. Moore., 2005)

2.2.2 THE FOUR A’S

Derek Rucker of the Kellogg School of Management offers a modification of AIDA that he calls the four A's: *aware*, *attitude*, *act*, and *act again.* In this more recent framework, the *interest* and *desire* stages are simplified into *attitude* and a new stage, *act again*, is added.

The modified framework aims to track post-purchase customer behavior and measure customer retention. It considers an action of repurchase as a strong proxy for customer loyalty.

The four A's framework is a simple model to describe the funnel process that customers go through when evaluating brands in their consideration sets.

Customers learn about a brand (*aware*), like or dislike the brand (*attitude*), decide whether to purchase it (*act*), and decide whether the brand is worth a repeat purchase (*act again*).

When it is treated as a customer funnel, the number of customers going through the process continues to decline as they move into the next stage

People who like the brand must have known the brand before. People who purchase the brand must have liked the brand before. And so on.

Similarly, when treated as a brand funnel, the number of brands that are being considered along the path continues to decline. For example, the number of brands people recommend is less than the number of brands people buy, which in turn is less than the number of brands people know.

The four A's also reflects a primarily personal path. The major influence on customers' decision making as they move across the path comes from companies' touchpoints (e.g., TV advertising at the *aware* phase, salesperson at the *act* phase, service center at the *act again* phase). This is within a company's control.

For these reasons, the model can be attributed to the typical pre-connectivity era.

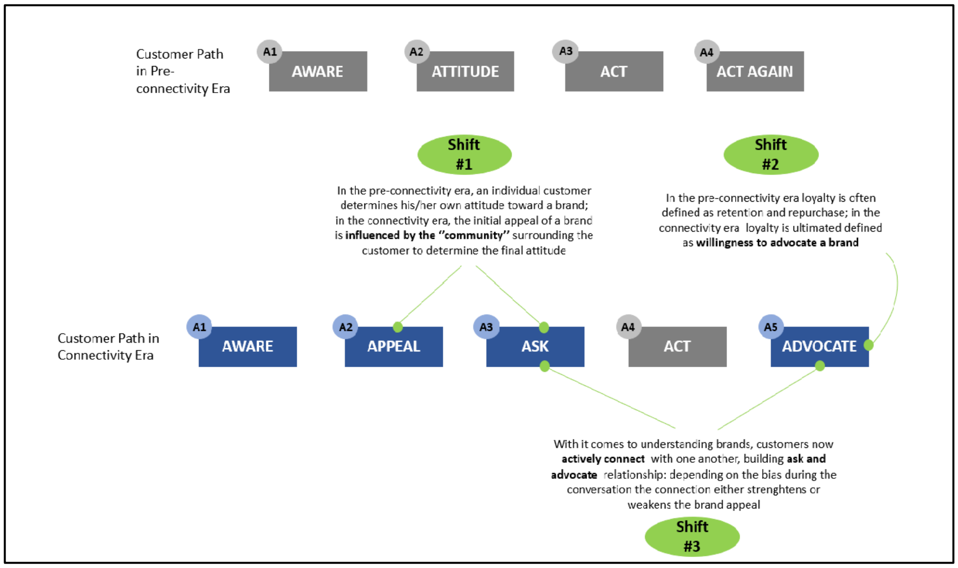
Nowadays, in the era of connectivity, the funnel process of the four A's needs an update.

A new customer path must be defined to accommodate changes shaped by connectivity, that will be analyzed in the following paragraph. (Kotler P. K. H., 2017)

2.2.3 THE DIGITAL CUSTOMER JOURNEY: THE 5 A'S

Considering the changes deriving from the hyper connection, in which the consumer is subjected to endless and constant stimuli, Kotler maintains that it is not difficult to imagine the skepticism towards off and online advertisements from which he is targeted. In the age of connection, the consumer is dedicated to the relationships that produce value and in which he does not feel he is prevailed because he is in a position of inferiority. He does not believe in promotional messages but, rather, uses advice from his closest social ties, with which he has established a relationship of trust: his friends and relatives. Therefore, the values of the brand or its value proposition are no longer to determine purchases; indeed, the social circle to which the customer belongs is acting on the initial attraction of the brand.

Figure 20: **The shifting customer path into a connected world**



Source: Kotler P., Kartajaya H., Setiawan I., Marketing 4.0: Moving from traditional to digital, John Wiley & Sons, New York, 2017 pp. 52.

Observing the Figure above we might notice the major shift from the pre-connectivity era and then the 4 A's model and the new model developed by Kotler.

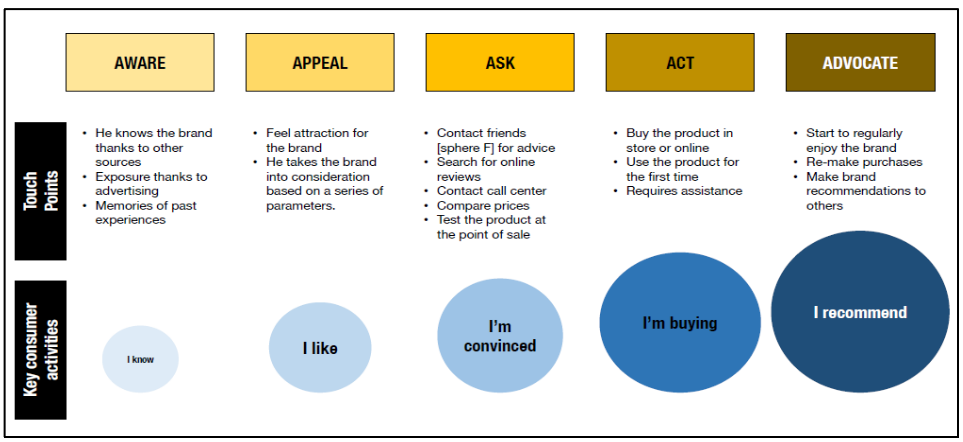
In the pre-connectivity era, an individual customer determined his or her own *attitude* toward a brand while in the connectivity era, the initial *appeal* of a brand is influenced by the community surrounding the customer to determine the final attitude. Many seemingly personal decisions are essentially social decisions. The new customer path should reflect the rise of such social influence. (Kotler P. K. H., 2017)
In the pre-connectivity era, loyalty was often defined as retention and repurchase. In the connectivity era, loyalty is ultimately defined as the willingness to advocate a brand.
A customer might not need to continuously repurchase a brand (e.g., due to a longer purchase cycle) or might not be able to (e.g., due to unavailability in certain locations).
But if the customer is happy with the brand, he or she will be willing to recommend it even when currently not using it. (Kotler et al)
Kotler thus outlines a new digital customer journey, strongly characterized by relationships based on the ask and advocate and brings this pattern back into five steps:

- Aware (a1): intended as a phase of brand discovery. It is the step-in which marketing must capture the consumer's attention. This is the moment in which the user "surfers" the web, is attracted by the recognition of a need proposed by the brand, although it is not looking for it. In this phase the company is required to generate "the wow effect" capable of attracting the consumer and induce him to seek more information, to create awareness and bring it to the next stage; advertising is an important lever of brand awareness, but today the influence of the group or the community is an equally important factor;

- Appeal (a2): in which the consumer feels attracted to the brand, as it can capture its attention. In this step the company must induce interest and convey an image that foster confidence and encourages it to continue its digital journey; now aware of the existence of various proposals, the customer receives all the messages to which he is exposed, storing short-term memories or amplifying long-term memories and feels attracted by a limited number of brands. In very competitive sectors, such as commodities (essentially undifferentiated products), the brand must exert greater appeal.
- Ask (a3): driven by curiosity or necessity, customers act to carry out research on the brands they feel attracted to by asking information from friends and family, searching the media and / or interacting directly with the company through the various touchpoints. Customers can ask friends for suggestions or independently evaluate the list of candidates for purchase. The ask phase is complicated by the integration between the digital (online) and physical (offline) world and the multiplication of channels through which information can be gathered. In a time of connectivity, this phase is particularly frenetic and gives rise to a collective decision that can lead to the act of purchase or even to advocacy, as happens for those products and services of which people weave the approbation even without having them never actually purchased.
- Act (a4): it is the action phase, which is activated when the information gathered has persuaded the consumer. It is important to remember, however, that act phase is not limited to the transaction. After buying products or services from a certain brand, customers interact with it at a deeper level: through consumption, use and after-sales services. The presence of the brand in the phase of the act is therefore linked to a wider experience, which must be positive and memorable for a potential word of mouth to be repeated and generated;

- Advocate (a5): over time, customers can develop a certain sense of loyalty to the brand, which is reflected in the retention, repurchase and potentially recommendation to others of the product or service. The advocate phase is of fundamental importance in the digital age, given the breadth of the audience that each connected individual can reach. Advocacy occurs when a client spontaneously advises other brands that he or she appreciates, sharing his or her experience with a positive attitude. Since loyal supporters publicly expose themselves to recommend certain brands, it is also quite likely that they will return to buying products in the future. (Iaia L., 2019) ((Kotler P. S. G., 2018)

Figure 21: **The Customer Journey through the 5 A's model**



Source: Marinelli L., 2019 – Digital marketing and social media communication.

The flexibility of the 5A framework makes it a tool of fundamental importance for the management, which can analyze and compare the customer journey of its customers, relate it to that and obtain possible strengths, examining their ability to become a character of differentiation, as well as problems to be solved.

Compared to the first definition of the digital customer journey, Kotler defines a model (5A) that does not necessarily have to take place in its consequential arrangement, from the first to the fifth phase, but customers can move along it in a way that provide the highest utility for them.

Moreover, the process can take the form of a spiral when the consumer needs to return to one of the previous phases, looking for information considered preparatory to continue the journey of purchase. The customer journey is thus shaped by the number of users who move along it, which extent or contract the flow of each phase, with the possible metamorphosis of the classic funnel shape. (Iaia L., 2019)

With reference to the point of sale, this represents a crucial connection of the route, but its role must be evaluated case by case depending on the variables previously described.

Sometimes it could be the ideal place to have a positive impact on aware and appealing phases, as happens for example for boutiques with little-known brands that manage to position themselves in hubs with high pedestrian traffic and attract passers-by with an original offer; in other cases it could be the terminal where to celebrate the moment of the transaction (act) with an in-store experience that cannot be replicated in any other point of contact, but where it arrives thanks to the influence of all the other interactions.

Hardly, in the digital age the store can play a decisive role in several phases, simultaneously.

In conclusion, it is important to reiterate that there is no single type of customer journey. This is true both with reference to different brands and when we look at the various market segments served by the same brand. (Kotler P. S. G., 2018)

2.3 THE “STORE OF THE FUTURE”

Once provided the customer scenario and having clearly understood what the major changes in their behavior are, in this part the attention will move initially to the role of the store, and then to the identification of the macro-trend of the retail sector, with a focus on the B2C sector.

The shop is no longer a physical place "to visit" where the person can enter, choose, collect and / or buy the product, but a place where to live ever richer experiences from a relational, intellectual and personal point of view. People love to live in stores that belong to the real world, to the life context in which they will use the products for sale.

There are 3 scenarios of meaningful innovations, on which international and some Italian retailers are moving to innovate the experience in the store:

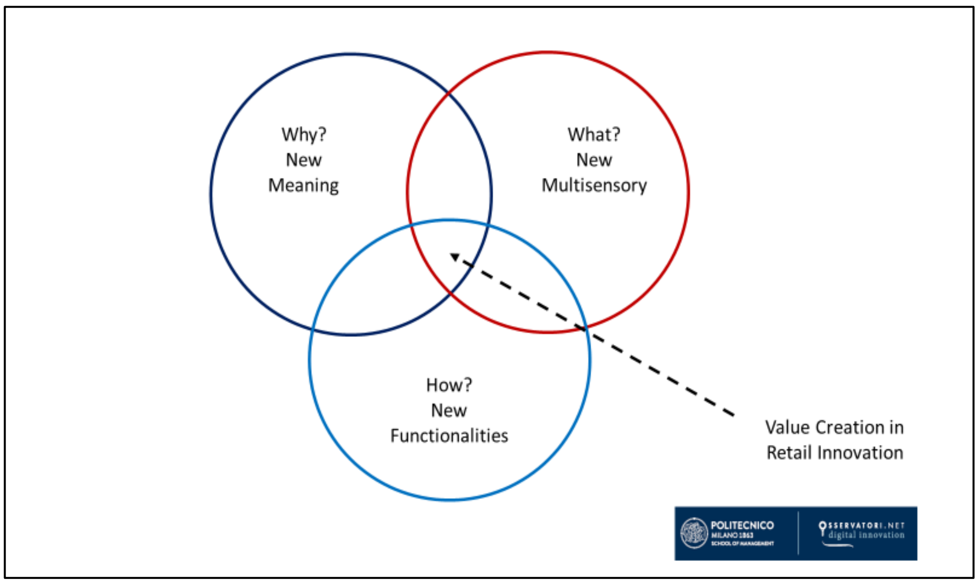
- From "Visiting" to "Stay": the vision, the proof, the purchase or the pick-up of the product become only an excuse to spend time in the store with the effect of improving the customer lifetime value and the marginality in the medium term;

- From "Consuming time" to "Valuing time": strong attention to the value of time for people, time in the store must be enriched with services and social and professional play activities that can be carried out in parallel with the interaction with the products offered from the store. For the future, the technologies will have to be selected in a manner consistent with the significance of the store, making the most boring phases of the store visit more efficient and the playful, professional and relational moments experienced in the store more comfortable.

- From "Fiction" to "Non-Fiction": use of the product itself in the real context of consumer social, professional and individual experiences.

A place to express one's positioning, to be different, to test new formats, which respond to specific objectives, where to have an exciting experience (immersive technologies), give a personalized experience (technology for collecting and using customer data and of his behavior) and a place to increase quality time. (V. Pontiggia, 2019)

Figure 22: **Innovation of Meaning and Innovation of Solution**



Source: Osservatorio innovazione digitale nel retail, The Store of the Future. The place to be! (Feb 2019) (A. Puerari, 10 Feb 2019).

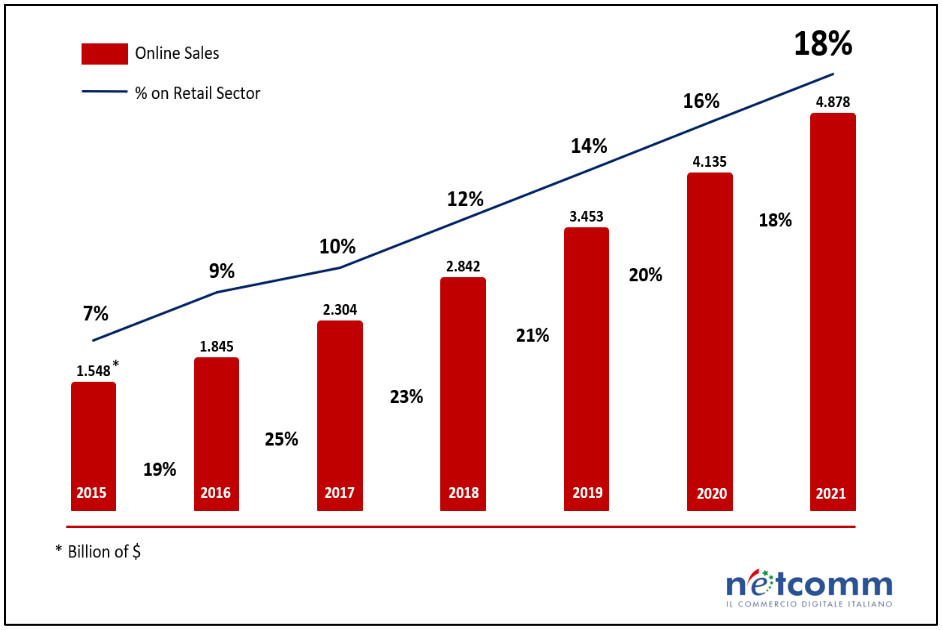
In this scenario become of important for retailers to know how to ride innovation, integrating digital technologies within the back-end activity – for example improving their processes, interiors - and enriching the relationship with their own consumers (front-end).

With innovation, the sales point is enriched of new meanings: the store, discharge of his original role (physical access to the product), it becomes an open space (integrated with other digital channels) not only of transaction, but also of relationship.
Artificial Intelligence, Internet of things, Virtual reality are the areas in which they are more developed solutions able to facilitate and speed up the experience of purchase while offering experiences to the customer and information to the retailer. (M. Zanardi, 2019)

2.3.1 THE RESILIENCE OF STORE

E-commerce continues to grow, it is an objective fact and the large number of retailers that closed its doors in recent years shows us that the scenario has changed, and so has the dominant mentality.
Suffice it to say that in 2018, the value generated by online purchases of products in the world exceeded 1,800 billion euros (+ 20% compared to 2017).
China ranks first with 895 billion euros, followed by the United States with 425 billion euros. In Europe, the countries where trade is more mature are the United Kingdom (77 billion), Germany (53 billion) and France (44 billion). (Pontiggia V., 2019)
Many have gone so far as to speak of apocalypse or of "Armageddon", to express the difficulties of the current situation which mainly lead to digital transformation.
It would be a mistake to assume that the closure of many brick and mortar, indicates the end of the physical sales points.
Physical stores remain extremely important for brands, which must adapt to new times and we will see that the previous predictions have by no means come true.

Figure 23: **Online Sales Growth**



Source: Netcomm, Il Commercio Digitale Italiano – (2018) & Statista – E-commerce share of retail sales worldwide.

As we can notice from the figure that show the growth of the online sales over time and the impact on the retail sector of this, undoubtedly, online purchases have grown exponentially in recent years, but the space for physical retail and offline transactions is still wide and full of opportunities.

Digital transactions in the world do not exceed 20% of the total market worldwide, therefore the great abundance of transactions in the sector, around 80% still passes by traditional shops.

Iconic retail brands like Apple, Sephora and Costco continue to succeed, despite relying mainly on brick-and-mortar stores. (KPMG, 2018).

At the same time, e-commerce giants such as Amazon and Alibaba decided to open physical stores, either directly experimenting with new formats or acquiring pre-existing chains.

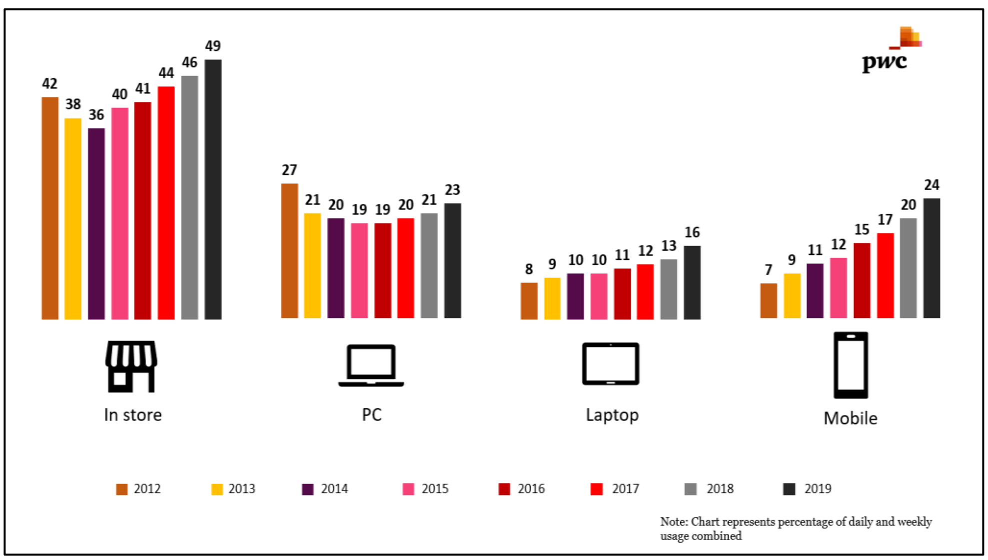
At this point the question becomes more complex: why should the so-called *pure digital players*, thanks to their logistical efficiency and lack of inefficiencies connected to the management of physical stores, give up the "purity" to enter a market considered in crisis?

The answer lies in the superficiality of the assumption that the sector would inexorably decline. (Stigliano G., 2019)

The resilience of the physical store is confirmed by Global Consumer Insight Survey (PwC, 2019). Even if the physical store experienced a sharp decline in the 2013-2014 period, it is interesting to note that there has been a strong recovery from the following year until today.

The store remains one of the consumer's favorite touchpoint to make a purchase.

Figure 24: **The 8 Years Reflection: Store Resilience and Mobile Trend**



Source: Global Consumer Insights Survey (2018) – Global Consumer Insights Survey (2019), PwC, Q- How Often do you buy products (e.g clothes, books, electronics) using the following shopping channels? (excluding grocery shopping)

The findings also confirm that smartphones have become the go-to technology for online shopping, with 24% of our global sample using a mobile phone to shop at least weekly, compared with 23% using a PC and 16% using a tablet (see Figure above). This is the first year in the decade where from the study emerges that mobile phones were used more than other digital devices.

The paradox of retail comes when, in a completely digitalized and standardized environment, the consumer is clamoring for personalized attention and the possibility of experiencing real, exciting and unique shopping experiences. The physical store thus becomes the perfect space to meet new needs, allowing the purchase process to be completed in an authentic and, in some cases, memorable way. (Tech economy, 2019)

It is evident that consumers always seek physical contact with the product in the store, but in this competitive context, the point of sale in order not to lose its importance, must necessarily change its nature and transform itself from a simple place aimed at selling to a place where the brand cultivates new relationships with its consumers and creates for them unique experiences. (PwC 2017, Total Retail Report).

2.3.2 THE NEW ROLE OF THE STORE

Location and assortment. For decades these two key elements have distinguished the retail world, determining the success or failure of the sales points.

On the one hand the number of shops and the strategic value of the geographical location, on the other the choice of which and how many items to display on the shelf. The distribution chain, logistics, assortment processes, merchandising, in-store flow management: all decisions related to these two issues.

In short, it was assumed that the priority was to grab the best locations and that, in the presence of an assortment in line with the preferences of a well-defined target, the rest would have come on its own.

This *push* perspective could have its own logic in a market that had not yet experienced fragmentation, turbulent and accelerated changes and the consequent competitive pressure that in the digital age represent the new standard.

However, the digital transformation decrees the end of a model that has remained virtually unchanged for decades, which is proving its inadequacy with respect to the conditions that define the digital age.

Despite the continuous growth of the online channel, as observed in the previous paragraph, the physical store retains its importance but at the same time it evolves by acquiring different functions. (Kotler P. S. G., 2018)

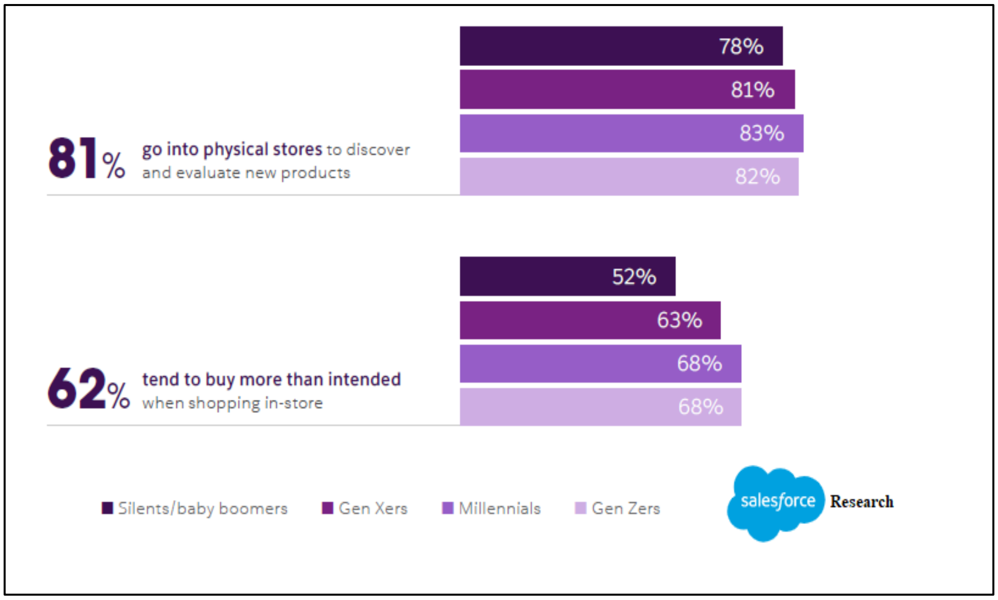
The evolution of consumer buying behavior and therefore with the proliferation of touchpoints, the customer journey has changed shape, becoming less and less like a sequence of phases and more and more like a network of moments that prove to be decisive depending on the type of good or service, as well as the profile of the consumer.

The re-reading of the retail operating model must therefore take this change into account and redefine the role of the physical sales point within a more complex purchasing path, even putting into question - if necessary - the same *"raison d'être"* of the store. (Stigliano G., 2018).

Not a replacement, but rather integration between the web and the physical store, which still plays a very important role.

Consumers say stores still function as hubs of discovery, experience, and fulfillment in their lives. The data from a Salesforce survey show it.

Figure 25: **The Store is a Discovery Hub**



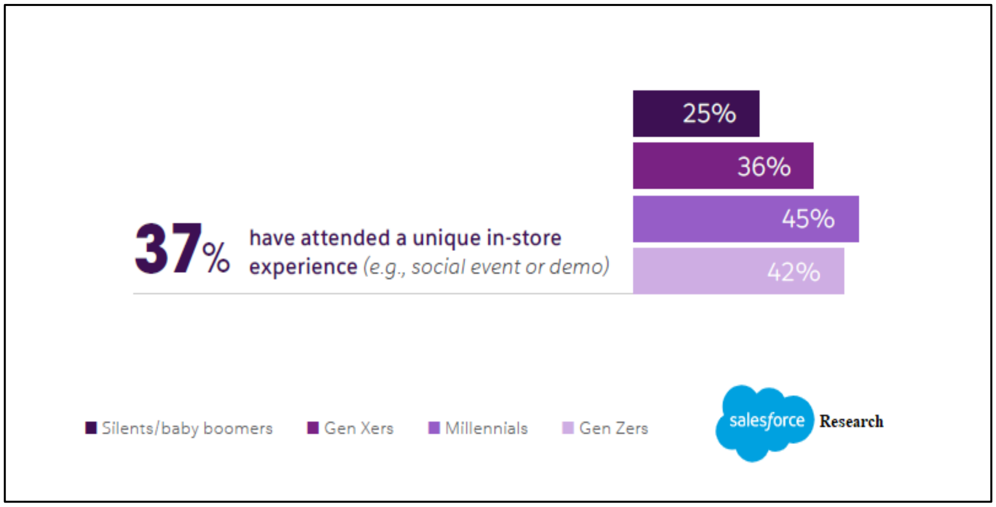
Source: Salesforce Research, third edition, *Exploring the edge of shopping through the behaviors and expectations of over 10,000 global* consumers Connected Shoppers Report (2019)

Product details may be a mere Google search away, but 81% of shoppers still turn to brick-and-mortar locations to discover and evaluate new products. These in-store browsing, and discovery sessions are a boon to retailers: 62% of shoppers say that when they shop at a physical store, they tend to buy more than they initially intended. That's not to suggest discovery happens exclusively offline.

Despite headlines presage the end of the store and the reign of digital, stores still have their literal and figurative place.

Linked with the discovery activities, touching and feeling merchandise remains critical, ranking as consumers' top reason to shop in a physical store. And when even one-hour delivery isn't fast enough, a trip to the closest store wins. Getting merchandise immediately is shoppers' third most common reason to shop in-store.

Figure 26: **The Store is an Experience Hub**



Source: Salesforce Research, third edition, *Exploring the edge of shopping through the behaviors and expectations of over 10,000 global* consumers Connected Shoppers Report (2019)

Shopping has never been only about meeting utilitarian needs. Walking the aisles of a store is inherently social and, often, fun.

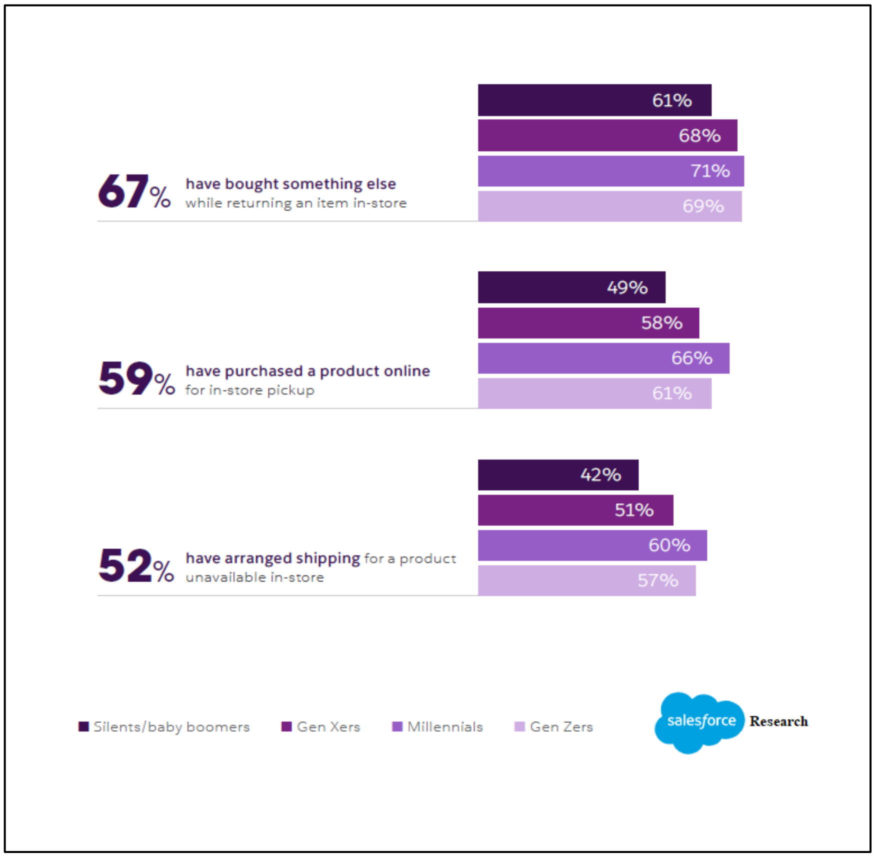
Consumers, especially Gen Zers, seek out stores that offer unique experiences — not just products and checkout lines.

As demonstrated by the Figure 22, 42% of shoppers have participated in an experience-driven social event or demo inside a store. While from the report emerge even that 25% of shoppers have recently taken their business elsewhere as a direct result of a poor-in-store experience. This confirms the trend that consumers choose to invest in experiences, and they want retailers to satisfy their expectations.

Therefore, in the digital era, the store is a unique environment where brands can curate every element of the customer experience and create meaningful, in-person relationships.

Today's stores also serve the role of fulfillment center to bridge online and offline worlds. Most shoppers have taken advantage of this in three ways. (Salesforce, 2019)

Figure 27: **The Store is a Fulfillment Hub**



Source: Salesforce Research, third edition, *Exploring the edge of shopping through the behaviors and expectations of over 10,000 global* consumers Connected Shoppers Report (2019)

Shopping while returning: shoppers may not intend to buy more products when making a return, but that doesn't mean they don't do just that — 67% admit that they ended up purchasing something else when returning an item to a store.

Click and collect: two-thirds of millennials have placed online orders for pickup in-store (a service also known as BOPIS – buy online, pickup in-store – or click and collect). Click and collect is becoming the norm among omni-channel retailers globally.

Endless aisle: Over half (52%) of shoppers have arranged for a store's out-of-stock product to be shipped to them — a practice that helps retailers optimize inventory and salvage sales that would be lost otherwise.

Disruptors like Bonobos, whose physical stores function purely as showrooms and whose sales are shipped to shoppers' homes, take this model to a new level.

The role of the physical store has changed, and despite the advent of digital technology it remains a strategic pillar. Place to make purchases, warehouse, advertising poster, exclusive way to involve the consumer and create the demand: this is the offline store today. (A. Muzio 2017)

2.4 THE NEW TREND OF RETAIL

"On a global level, Retail continues to face a period of strong instability: on the one hand, demand is once again growing rapidly, while on the other there are still great uncertainties about the evolutionary prospects of physical distribution." Says Alessandro Perego, Scientific Director of the Digital Innovation Observatories of the Polytechnic of Milan.

“The perception is that the world of retail is facing a moment of discontinuity in which the strategies of traditional companies and Dot Com increasingly converge. In this highly dynamic and uncertain future, we believe that the store will continue to play an essential role. A place that will remain central not only to generate sales but also to cultivate the relationship with its consumers. A place that will not remain immune to profound changes: a space that is increasingly digital and increasingly integrated with commerce ". (A. Perego., 2019)

Major international retailers are increasingly understanding the importance of technology to address this moment and are focusing their efforts on experimenting with frontier technology.

For retailers the main challenge of the store of the future will be to offer an effective and satisfying customer experience to a consumer characterized by a multiplicity of needs and behaviors. An idea that requires work to redesign the spaces, processes and functions of the store from now on. Four main areas have been identified to innovate the point of sale:

- Omnichannel integration between the store and digital initiatives
- Offering new services (more or less) related to the retailer's business
- Introduction of digital innovations
- Creation and launch of new store formats.

With regards to omnichannel integration, the store is increasingly seen as a complementary and support channel for eCommerce; among the options of integration we find for example digital lockers, online selling in store, click & collect, concierge service.

The offer of new services is instead aimed at increasing the 'quality' time that the customer spends in the store, satisfying the needs of relationship and interaction, and to increase the frequency of visits, satisfying different needs; for example cooking courses, cafeterias equipped with Wi-fi and extension of the stores opening 24 hours a day, 7 days a week, personal shopper.

Much attention is paid to digital innovations capable of making the in-store experience more and more exciting, through augmented and virtual, and lean, reality through mobile payment or even self-scanning solution from the smartphone, digital kiosk, smart dressing rooms or interactive showcases.

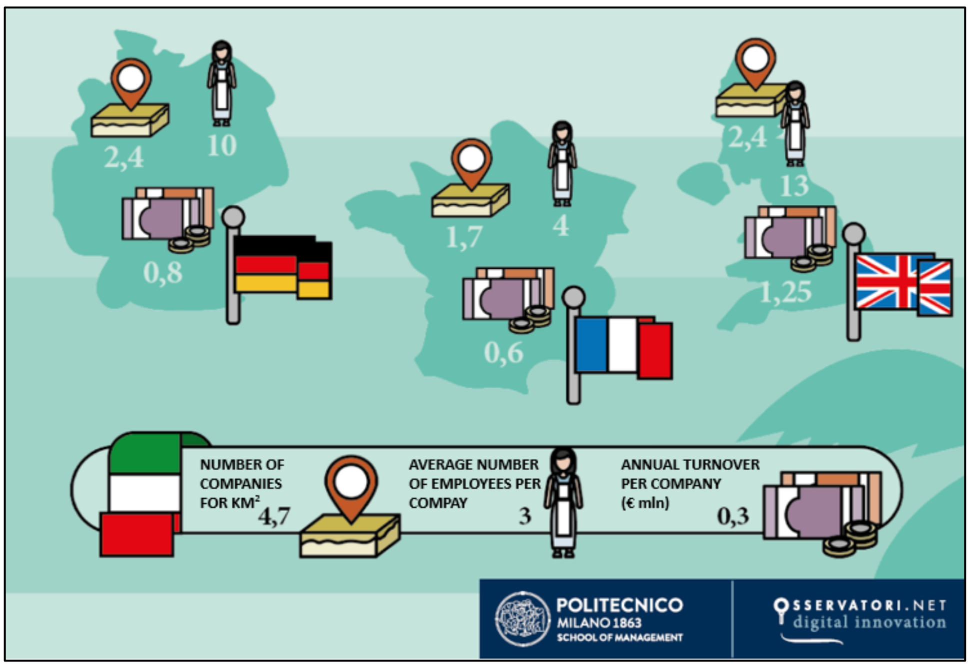
Finally, among the new store formats, we can mention the temporary stores, experiential stores and showrooms where visitors discover products through different physical, digital and human touch points. (Osservatorio Politecnico di Milano, 2019)

All these four macro-areas will be deeply analyzed in the following sections where the most important trend and best practices of the retail sector are identified and presented.

2.4.1 THE ITALIAN RETAIL STRUCTURE

Following it is presented how the Italian retail structure is composed of, in comparison of other major European countries.

Figure 28: **Retail Companies in Europe**



Source: Osservatorio Politenico di Milano,2019.

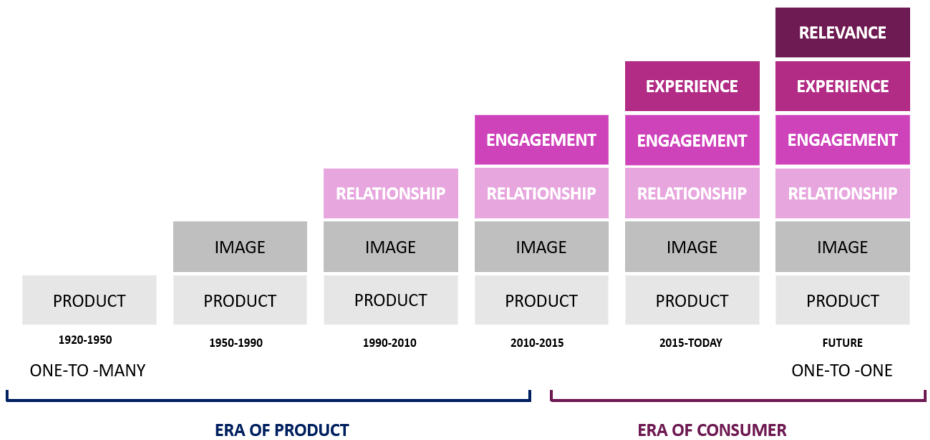
Therefore, if we compare ourselves with the main European markets, the peculiarities of the Italian commercial sector are different: in Italy we have about 2.5 times the commercial companies of the UK, 1.2 those of France and 1.6 those of Germany. Many companies, therefore, but of reduced dimensions. In Italy, on average, a commercial company has 3 employees and invoices approximately € 0.3 million in one year, when in France the average retailer has 4 employees and invoices approximately twice a

year (€ 0.6 million a year) , in Germany it has 10 employees and generates about 0.8 million euros a year and in the UK has 13 employees and realizes annual sales of 1.25 million euros.
Therefore, the high fragmentation of retail businesses can have an important influence on the adoption of digital innovation and the omnichannel development of retail.
On the one hand it is more difficult to have the appropriate skills and investment capacity to accompany this transformation, on the other it is necessary to activate a process of adaptation of solutions, mainly created to meet the needs of large retailers. Finally, the high capillarity can favor the emergence of brakes to change, for fear of cannibalization. (Pontiggia V., 2019)

2.4.2 THE CUSTOMER CENTRICITY AS NEW DRIVER

Before going deeper into the analysis, it is necessary to be clear that the four identified macro areas derive from an evolution of the retailer's approach, defined 'customer centric' which can be identified as a new driver and will be presented into the following paragraph.
The convergence of cloud, mobile, social, cognitive, big data/analytics, and IoT provides a platform for a variety of important transformations, including a shift from traditional product-centric to customer-value centric business models.
However, many organizations are structured around business models assuming that all the value is generated through a product transaction. It is built on the manufacturing model that arose in the 18th century when production was long term and with little variation in product or customer. This results in a customer environment that may be product rich but experience poor and disconnected across the organization, that we define as the "Era of product".

Figure 29: **The Shift from Products to Consumers**



Source: Accenture (2018), Standish J., Carlisle A., Swartz M., The new Retail (er), Growth-Focused and purpose-induced with living marketing.

In the last twenty years the spread of internet and smartphones, with the mass use of social media, has upset the standards according to which companies in all sectors, obviously including retail, had built the entire offer system in the fifty years earlier.

The technological revolution has created the conditions as observed for a subversion of power relations, assigning to the customer-consumer a leading role in determining times, ways and contents of the offer of products and services.

In today's digital economy that we define as the "Era of consumer", value is often generated through the cultivation of successful client relationships.

Therefore, companies need to break down structural silos and work cross functionally, align customer needs and organization design and ensure that implementation is rapid and error-free. This is driving businesses to rethink their business models and think more connectively.

The processes of thinking about the customer are as important as the underlying business or transaction processes.

The advent of customer journey mapping is accelerating this shift, as firms realize that they cannot manage customer journeys through conventional, departmental, functional structures. (KPMG, 2019, Global Customer Experience Excellence report)

Who are my customers? What do they want and need? How do they behave? What is driving their behavior? Which propositions will succeed? These strategic questions remain the same as ever, but answering these questions using traditional strategy approaches doesn't work it anymore.

Retailers must redefine customer experience, engagement and relationship—all more complex than ever because of an integrated marketplace with multiple touchpoints.

To be the retailer of choice, companies must fit themselves into the consumer's everyday life—providing an adaptable, beneficial experience that moves beyond a simple product sale.

With seven out of 10 CEOs acknowledging that their products and services should be more meaningful and relevant to customers, this type of radical change is necessary. (Accenture, 2017).

Doing so can be especially hard for traditional retailers used to putting products in stores or on a website, then using marketing to drive consume purchases. Retailers now need to go to where the consumer is, rather than forcing the consumer to come to them. (Accenture, 2019)

Historically, with the aim to provide better experiences and to increase the engagement companies have invested billions to personalize their customer experiences since customers demand personalization in everything: products, services and experiences. They want companies to evolve with their needs, moving beyond traditional offerings to make it easier for them to do the things that their activities connect to.

However, personalization—which is designed around relatively “constant” aspects of a consumer’s life such as buying patterns or demographics—is not enough anymore.

Personalization today is often static, and time lagged, delivered at the point of purchase and in response to certain customer behaviors.

Therefore, it is useful to introduce the concept of relevance. Rather than focusing solely on customers’ purchasing behaviors and preferences or relatively fixed attributes, such as their address or number of children, companies that offer relevant experiences focus on understanding customers’ needs in a given circumstance and the evolving context in which they make their purchase decisions.

Relevance is much more dynamic, constantly changing and an always available concept, like the consumer that is “always on”.

In short, companies must deal with a more fragmented audience, more critical but at the same time less attentive and much less willing to concede the little time they have available.

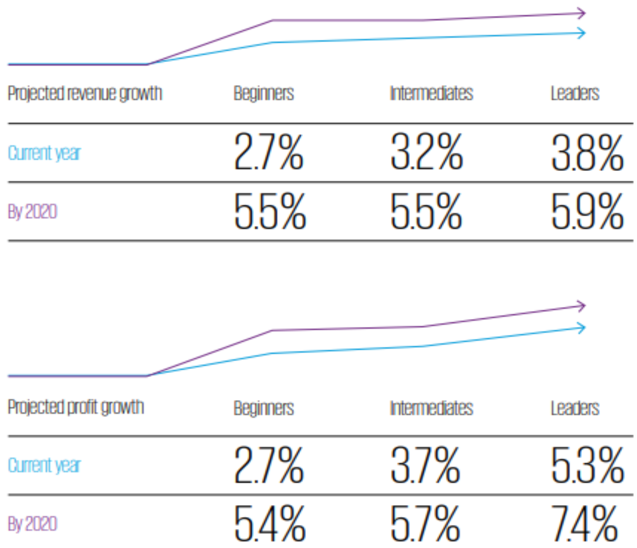
Hence the need to entertain and involve its target audience with meaningful contents designed to establish a relationship that, if well cultivated, will generate a positive attitude (goodwill) towards the brand and which will subsequently result in a preference for purchase.

Today’s focus should be on creating relevant, engaging interactions in the Moments that Matter. (Kotler P. S. G., 2018)

Just because expectations for services that provide values, brands can no longer not take this aspect into consideration. The temptation of customers to abandon them to turn to others brands more engaged in the pursuit of a proposition based on engagement is always higher.

Yet the Top of Mind Survey shows that those retailers, manufacturers and platform businesses which have invested time and money in turning rhetoric into reality are driving growth in profits and revenues.

Figure 30: **Customer centricity correlates with growth**



Projected revenue growth	Beginners	Intermediates	Leaders
Current year	2.7%	3.2%	3.8%
By 2020	5.5%	5.5%	5.9%

Projected profit growth	Beginners	Intermediates	Leaders
Current year	2.7%	3.7%	5.3%
By 2020	5.4%	5.7%	7.4%

Source: KPMG, 2018, Global Consumer Executive Top of Mind Survey, pp.31. *The real test for customer centricity comes down to financial performance. The Top of Mind Survey shows that customer-centric companies have higher forecasted revenue and profit growth.*

Customer-centric companies are also more likely to be focusing on – and therefore already dealing with – such critical issues as declining brand loyalty and consumers' ever-more abbreviated attention spans. Julio Hernandez, Global Lead for KPMG's Global Customer Center of Excellence, says that, "In a market where the consumer has so many choices, customer centricity is a journey, not a destination. Consumers are changing, technology is changing, and the competition is changing, so companies need to keep refreshing their customer proposition to stay relevant and competitive". (KPMG, 2018, Global Consumer Executive Top of Mind Survey).

Additionally, to support the importance and the actuality of building a customer centric approach, the Harvard Business Review found that over a third of Fortune 500 companies have restructured around the customer, using needs, segments and journeys as the organizing principle. Not every transformation has been immediately successful. For example, the cutting of communication paths and channels, as existing structures are run down and new ones implemented, takes time to rebuild – possibly years for companies who have not thought this through. (KPMG, Global Customer Experience Excellence report, 2019).

2.5 THE OMNICHANNEL INTEGRATION

In the era of consumer centricity, the consumer expects to experience a brand that is increasingly significative and congruent, but above all modulated according to the needs that arise. Companies are therefore required to adopt an omnichannel rather than multi-channel approach.

But what does it mean? Imagine you want to return a pair of shoes purchased online in a physical store of the same brand and we are told that it is not possible, or when we try to check online the availability of a product model in a specific physical store and we realize that it does not it is possible to consult the inventory of the store on the site, because the two systems, even if they belong to the same company, do not communicate with each other.

The omnichannel system represents an evolution of the previous concept; it rethinks the existence and the essence of the channels in a unified way.

Its strength lies in a universal, "holistic" vision of the customer experience. In fact, the goal is no longer to generate transactions, but to develop a seamless experience across all available channels. (Kotler P. S. G., 2018)

Therefore, the first characteristic of the shop of the future will be omnichannel. The store will become complementary and supportive to e-commerce, offering services to the web shopper (from online to offline), generating e-commerce orders (from offline to online) and providing logistic support (stock for online).

Some examples? They range from the refrigerated lockers of Coop Lombardia and the Basko supermarkets to the smart locker in the Zara stores, from the Esselunga drive & collect.

Or even more exclusive services offered by Nike, like the concierge service (to receive everything at home in the turn of one hour) and the 'Nike shopping with' (which couples a customer with a Nike athlete during shopping). (M. Zanardi, 2019).

However, in the following paragraphs will be presented and descripted more in details some case study of companies that adopted an efficient omnichannel strategy.

2.5.1 THE OMNICHANNEL APPROACH OF RETAILERS

In a scenario where the retail of the future is already present, stores change skin, becoming a place of value relationship with customers, and broaden their scope of action, integrating with the other points of contact in an omnichannel perspective.

In other words, they must take care of the relationship with consumers (also because there are experiences that only the physical store can offer) and be present in the online channels where users expect to find them, with specific logics for each touchpoint.

The integration of the store with digital channels, in addition to new technologies, plays an important role in the process of transforming retail and physical stores.

Internationally, we are witnessing the adoption of ever more advanced omnichannel models such as:

- Click-and-subscribe: consists on the periodic provision of a basket of goods with a subscription or on demand method.

- Click-and-collect: make purchases online and collect them at a point of sale (owned or third-party).

- Click-and-commute: buy online and pick up the goods at a sales point located on a specific route (for example a subway station or a motorway service area).

- Click-and-try: order a series of products online and try them in a store or at home before completing the purchase.

- Click-and-reserve: book goods and services online, verifying real-time availability at specific stores.

Even the return to store of products purchased online is constantly changing: on the one hand, some retailers have created several automated collection points to speed up returns, while on the other, other retailers have formed alliances with partner company stores to ensure greater returns capillarity of return points.

Finally, the spread of online verification models of the real-time availability of the products present in the store grows, with the possibility even of knowing the exact position of the desired item in the store, through the App. (Pontiggia V., 2019)

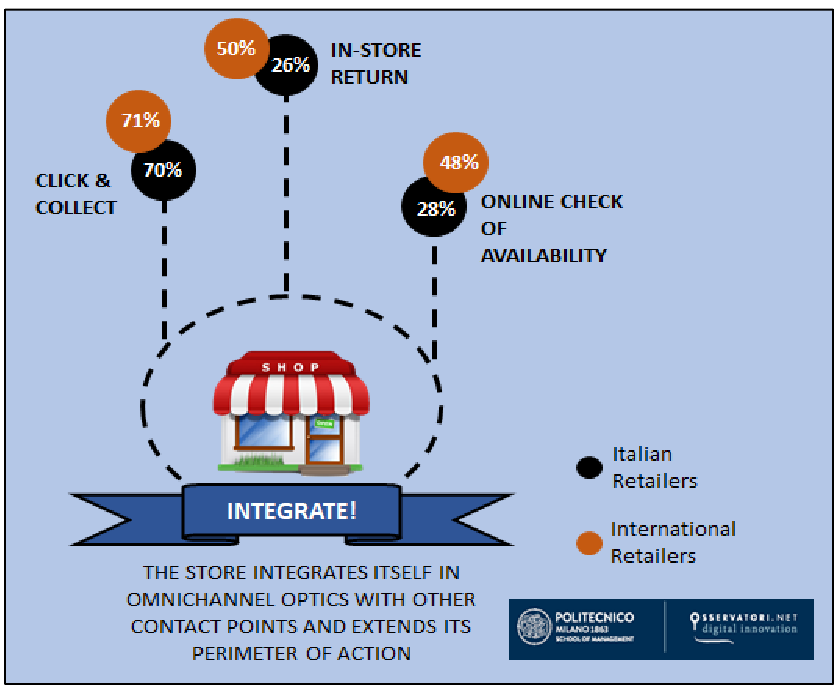
Among the main drivers of these new models we find the customer experience; for example, many people cannot adapt to the courier delivery times and do not have a concierge service, therefore we will see, there are many retailers that offer the clicks & collect service.

While for those who cannot reach the points of sale available for collection, an interesting alternative is the pick-up points, characterized by a great flexibility of time, by the capillarity on the territory and by the possibility of receiving packages for third parties. The major couriers but also Amazon have equipped themselves with so-called "lockers", self-service lockers protected by combination, located in key points of the main cities. (Kotler P. S. G., 2018)

Going more into the details, among the evidence emerged from a report conducted by the Digital Innovation in Retail Observatory, promoted by the School of Management of the Polytechnic of Milan, carried out through an analysis of the top 300 retailers by turnover in Italy with physical stores, almost all of the top 300 traditional retailers operating in Italy use digital channels to support the pre- or post-sales phases or to enable sales.

More precisely, 96% of retailers (95% in 2017) are present both online and on mobile, while 3% is present only online (it was 4% in 2017).

Figure 31: **The omnichannel approach of the retailers**



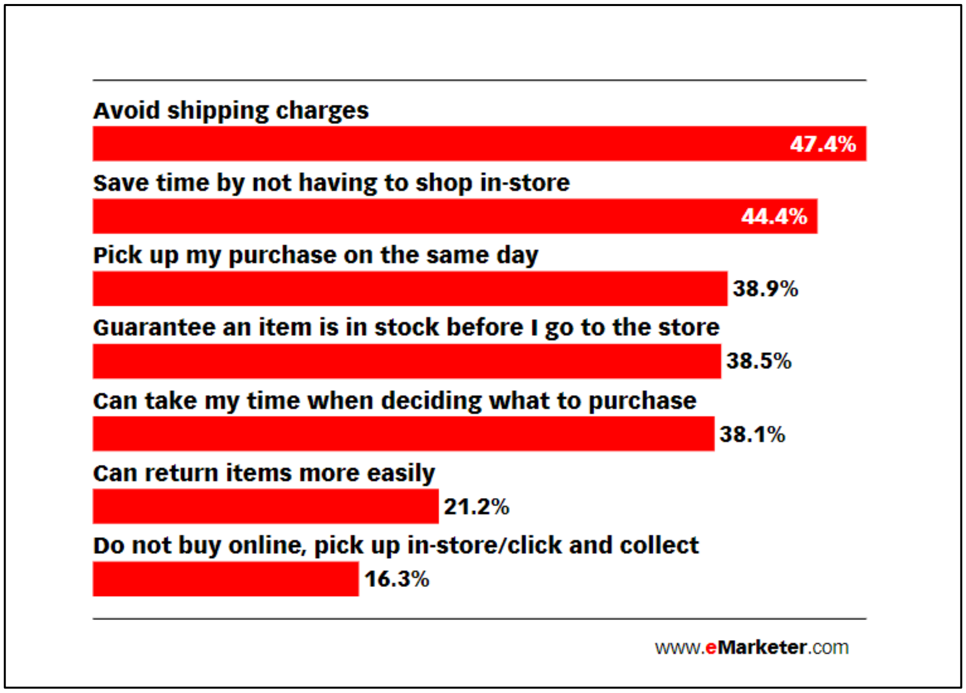
Source: Osservatorio innovazione digitale nel retail, The Store of the Future. The place to be! (Feb 2019), personal reproduction.

The most successful omnichannel services is the click & collect, enabled by 70% of top retailers with eCommerce (54% in 2017). The online verification of the availability of in-store products was also very good, developed by 28% of the operators (it was 17% in 2017), and the in-store return of online purchases, active for 26% (it was 22% in 2017). To conclude, online selling in the store, much loved by the main international retailers, is starting to spread also in Italy (9% of the top retailers are experiencing it), with a greater presence in Clothing and Food.
Considering the percentage relative at the options of the year before, we can notice a high increase of the adoption of all the services, this means that the Italian retailers are aware of the opportunity that arise from the integration among all the touchpoints and that they are investing into the omnichannel integration
However, as the report and the Figure above shown, the Italian retailers are far from the International retailers concerning the in-store return and the online check of availability options. This suggest that there will be lot more to do in this sector.

2.5.2 CLICK & COLLECT/BOPUS

Click & collect, or BOPUS (Buy Online and Pick Up in Store) as introduced by the acronym, consist of the possibility to order a product online and to collect it in the store and is among the most prominent "advanced" omnichannel models that are affecting retail innovation.
An option that appeals not only to retailers, but also to consumers.
For end customers, the Click & collect combines the main strengths of the physical and online channels: it is possible to access the online range and purchase at any time (7 days a week, 24 hours a day), maintaining control over the delivery processes and saving on shipping costs.

Figure 32: **Why Do Internet Users Worldwide Use Click-and-Collect Services?**



Source: iVend Retail, "Global Shopper Trends Report" in partnership with AYTM, Feb 9, 2019.
Note: % of respondents, Jan 2019, age 18+

Among the most often cited reasons customers give for using Click & Collect as showed in the previous Figure that present a research of eMarketer of 2019, to avoid shipping fees followed by roughly 45% who used it to save time by not having to shop in-store.

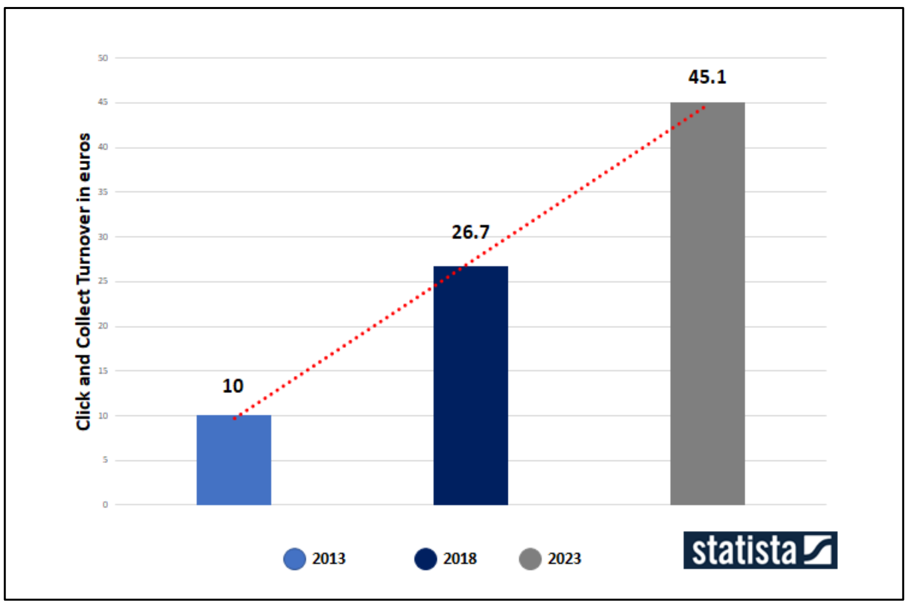
But the service doesn't just benefit consumers. "BOPUS provides tangible benefits to both consumers and retailers," eMarketer's vice president of forecasting Martín Utreras said: "Consumers get convenience, instant gratification and avoid shipping costs. Retailers reduce operational costs, and it gives them the opportunity to bring customers back to physical stores for additional purchase opportunities." (eMarketer, 2019)

Therefore, investing into the Click & Collect create as benefits for the retailer the so-called "impulse sales", as underlined by the Salesforce Report when we have analyzed the new Role of the Store, most shoppers who come in purchase additional items, increasing the cross-selling opportunities.

Another important factor about the service, is timing. But only about one-third of retailers worldwide said they were able to fulfill Click & Collect in 24 hours or less, according to an October 2018 survey from OrderDynamics with the partnership of eMarketers (eMarketers, 2018).

However, Europe has recently made significant strides in fulfillment, as more consumers expect their items to be shipped immediately following a purchase and want to be able to check product quality at pickup. That's based on a recent analysis from RetailX and Internet Retailing of the top 500 retailers in the 31 countries in the European Economic Area (King J., 2018).

Figure 33: **Click and collect turnover in selected European countries from 2013 to 2023 (in billion euros)**



Source: Statista, Sabanoglu T., 8 July 2019.

Additionally, according to Statista, the actual turnover of the click and collect usage it's around 26.7 billion of euros in Europe, more than the double respect 5 years before. For the following 5 years the forecast estimated to reach 45.1 billion euros by 2023, almost doubling on the previous year's estimate of 26.7 billion euros.

Considering that most of the companies are adopting the click & collect as a service for their consumers, this forecast suggests that the consumers that will adopt this solution among the following 5 years will increase sharply,

2.5.3 BEST PRACTICES: SEPHORA

Sephora, a perfumery chain with over 750 stores in 17 countries around the world, understood the need to break down one of its biggest internal barriers: the division of staff dedicated to stores and digital channels.

The French brand, now owned by the world leader in luxury goods, LVMH, has revised its organization by integrating the digital team with that of physical stores, in order to adapt to the new attitudes towards the shopping of its customers.

Later, the top management decided to combine customer service as well. This choice has led to a redefinition not only of the offer and experience within the various channels and points of contact with the retailer, but also of the way of measuring and evaluating business performance. From internal sources today it is clear that the biggest advantage of this operation is now a new and more complete 360 ° consumer profiling, which includes data relating to the historical cross-media of purchases, visits to the store, interactions with the personal and online browsing. All this translates into a precise reconstruction of the customer's behavior, which allows them to strategically activate the best options to intercept it, involve it or guide it to the purchase.

Sephora therefore aims to create solid relationships along all channels, exploiting a synergy that was previously made impossible by the isolated maximization of different business objectives. (H. Milnes., 2018)

2.5.4 BEST PRACTICES: KIABI’

Kiabì, a well-known French clothing chain present in 16 countries and with 29 stores in Italy, tells for example how there was a strong integration between the physical and digital store, so much so that the backlink, as we can notice into the figure below, was set up with graphics that refer to the services on line: click & collect, online booking of the trial, online purchase and payment in the store for example.

Figure 34: **Kiabì Free Concept Store**

Source: Kiabi.com

The company launched a new concept in 2016 for their stores, Kiabi' free. At the base of the Kiabi Free concept, there is the idea of a convergence between the digital and physical store, thanks to which the customer can place orders at home and pick up at the store, or search for the desired product online, check the stock and then order it and have it send home or choose to pick it up directly.

The new Kiabi Free concept store represents an evolution of the shopping experience concept itself, where the product is enhanced, and display solutions combine volume with attractiveness.

A significant role is also played by the presence of a marked level of digital technology aimed at establishing an ever-closer relationship between the digital store and the physical store.

With the aim of creating an environment in which to feel at ease and have plenty of time to try out the garments in complete tranquility, there are even totem into the fitting rooms where it's possible to charge the smartphone or let the children play in the slides or even interact with digital signage and search for a garment in a simple and quick way.

According to the results, the choice proved to be a winning one: the average age of their target has decreased (from 42 years to 39.2) and the age range 25-34 has increased from 23% to 28%, thus guaranteeing the slice of the market also for the future.

The group's commitment to creating a linear customer experience among all touchpoints is confirmed by a google report and Statista, thanks to which Kiabì ranks second in Europe among the companies that offer the best omnichannel experience. (Google, Statista, MHE, 2018.)

2.5.5 BEST PRACTICES: TESCO

A perfect example of knocking down traditional retail boundaries is offered by Tesco. The leading British distribution group, very active internationally, has launched the first "virtual store" in South Korea.

The South Koreans are one of the peoples with the longest working hours in the world and, consequently, struggle to find the time to do the shopping. Tesco has therefore placed special posters on the walls of high-traffic public places, such as metro stations and bus stops, to recreate the shelves of a supermarket. Passing customers can also shop while they wait for the train, simply by framing the QR code of the products they intend to buy with their smartphone, and then see them delivered directly to their home upon their return.

Figure 35: **Tesco Virtual Shop**

Source: Retail-week.com

Tesco has thus managed to propose a selection of the offer present in the store without the burden of setting up a store. it is the supermarket that reaches people and not vice versa, as usually happens.
This project is based on the ability of potential customers to use the smartphone for their purchases and above all on the possibility of receiving home shopping in a few hours. (Telegraph, 2011).

2.5.6 STORES OF PURE DIGITAL PLAYER

Interesting however is also the opposite phenomenon, that sees the realities born on the digital approach to the world of physical retail. It is not therefore only the point of sale to need of digital, but the opposite also happens.
This happens because, in order to offer an experience, the store allows you to have a direct and warmer contact with the customer compared to online. Not only that: having a presence on the territory allows information to be collected important, useful to understand how to do evolve the product, difficult to find if you are only online. (M. Zanardi., 2019)
In October 2016, Jack Ma, founder of Alibaba, wrote a letter to the shareholders indicating that "in the future, e-commerce alone will become a mature business and will be supplanted by being replaced by the concept of New Retail, which is positioned at the convergence of four forces: online, offline, logistics platforms and big data " (IlSole24ore, 2018).
As mentioned above, in the paragraph about importance and the new role of the physical store, the contaminations between the physical and digital world in the Retail area are becoming reality. The attention of the great Dot Coms towards the traditional world is growing. The opening of physical stores is not proof.
These moves have a triple purpose (V. Pontiggia., 2019):

- establish a point of contact (physical) with customers;
- reduce delivery costs thanks to the Click & collect service;
- have new logistics centers to process eCommerce orders in a timelier manner;

Online pure-players like Amazon.com and Alibaba have started opening brick and mortar stores to provide the full experience offline that customers expect online.

Digital pure-players[8] have traditionally run their business online, where everything is measurable and where data drives their decisions. When opening brick and mortar stores, *pure-players* have kept this data-driven mentality and designed their brick and mortar stores accordingly.

Most of these stores are equipped with technology that enables them to collect data from their customers and use this data to make educated decisions, as we will notice even in the next paragraphs, about the new technology in store. (Deloitte, 2018).

An event that has upset the world of retail has been the acquisition of Whole Foods Market by Amazon. Whole foods is a US food company that has over 470 supermarkets in the USA, Canada and the United Kingdom. In June 2017, Jeff Bezos' tech company decided to buy it by investing 13.7 billion euros.

This move can be read as Amazon's desire to completely abandon the conformation of a solely digital actor and start a seamless integration with one of the most important players in the grocery sector in the US sector.

Amazon, after the acquisition of Whole Foods and the opening of some Amazon Go (by 2021, the large-scale format is expected to be released with over 3,000 new stores, including in Europe), is planning to

[8] *Digital Pure Players is definition commonly used for these companies that operates exclusively on the Internet.*

open a dozen new supermarkets in major US cities to offer a range of mass market products at lower prices (compared to Whole Foods' offer) and to have new eCommerce order fulfillment points.

In reference to confirm the potential of the physical point, Amazon's fastest growing segment is offline, where sales jumped 197% between 2017-2018, operating already in over 19 million square feet of brick and mortar just in the U.S. (Desjardins J, 2019)

A similar case is that of Alibaba[9], which has bought a small supermarket chain, Hema, and is beginning to radically transform its business model, offering consumers a completely new experience, integrating online and offline experiences and offering every possible exchange of the shopping experience: through the Hema supermarket chain, the consumer experience is truly omnichannel: you can buy online through the app and receive free shopping at home in half an hour (within 3 km from the point of sale), click and collect in store at a set time or make online purchases directly in the store (with home delivery) by scanning the codes of the products on display. (V. Pontiggia, 2019).

Recently, Aliexpress one of the Alibaba subsidiaries opened the first store in Europe in Madrid at the Xanadù commercial complex, one of the largest shopping centers in Europe. The first of its kind in Europe but which confirms that the physical store is now part of the group's reality. (L. Manzano., 2019).

[9] *Alibaba Group is a Chinese private multinational company based in Hangzhou composed of a series of companies active in the field of electronic commerce, such as online market, payment and purchase platforms, search engines for shopping and services for cloud computing.*

Figure 36: **Stores of Pure Digital Players**

Source: *Personal reproduction*: ecommercenews.eu, stuttgarter-nachrichten.de, geekwire.com, insideretail.hk.

The cases presented are among the most representative and famous in the sector, but Amazon and Alibaba are not the only ones: many other realities born as e-commerce they have chosen to overcome the "screen barrier", trying to land on the territory.

Zalando a well-known German brand that operates in the e-commerce sector, for example, has decided to open a beauty station in the Berlin district of Mitte that will deeply analyze in the following paragraph. It is also interesting to note how Zalando already started to open physical stores in urban centers in 2014, under the aspect of Discount Outlet, where the brand sells with strong discounts up to 70%, those products that cannot be sold online due to some defects, but the interesting aspect is that in such a way Zalando manages to reduce the excess of stock, a problem of no little importance especially in the segment in which it operates.

Outlet stores are becoming increasingly important in Zalando's business model, new stores will not be the last to open. (D. Schönfeld, 2018)

Even in the Italian landscape there are companies which are born as digital players, but which have invested in the physical, understanding the importance of a seamless customer experience.

Figure 37: **The Italian Pure Digital Players stores**

Source: Velasca.com, Lanieri.com.

Lanieri is a company founded in 2011 and is today the first entirely Italian e-commerce company dedicated to tailor-made menswear. Once the start-up phase is over, it is now active in more than 50 countries in the world and continues to grow year by year. The formula of Lanieri's success derives from an innovative algorithm that allows the customer to create a tailor-made garment of high-quality tailoring. However, Lanieri has decided to capitalize also his offline presence, opening some ateliers in the main Italian and foreign cities. (A. Caprodossi, 2018).

Velasca also represents a case of omni-channel integration, interesting from the digital. The Italian startup that offers a vast range of shoes on the international market strictly "Made in Marche" has in fact started as a digital player and has gradually tested the physical market by opening temporary stores. For Velasca, e-commerce still accounts for two thirds of turnover, but the stores represent a point of contact of fundamental importance, because they give the brand solidity and, as many customers have reported on social media, make it "real" and "authoritative". (Kotler P. S. G., 2018)

2.6 OFFER OF NEW SERVICES

Retail provides consumers with goods and services in the appropriate manner in the most effective and efficient way possible.

Therefore, of fundamental aspect in this scenario is the provision of services, which works on the relational aspect with the client, increasing the ‘quality’ time that he spends in the store and creates new opportunities to visit it.

We have often heard “smart shopping” that represent another dominant trend into the retail word that focus on the new retail experience. It defines an approach which aims to simplify the process decision-making, purchase and after-sales, e translates into the offer of services they have the goal of saving time and stress that in our society, become priorities for buyers.

But what is the expectation of the consumers? What does the consumer ask for?

Regardless of the effects of the crisis, already in 2015, we have witnessed a reversal of the relationship between consumption for goods and consumption by services and today the trend is still valid: consumers spent more on services than on goods.

The services affect the quality of life (wellness restaurant hotels etc.) and show a constant and significant expansion, from 17.4% of expenditure in 1995 to 21.5% of 2019 with + 4.1% (Borsa Italiana, L’economia, 2019).

This occurred both due to a phenomenon of economic growth characterized by the prevalence of the market, and by demographic factors, with the growth of smaller families with low economies of scale.

Therefore, it is necessary that retailers in order to satisfy the customer expectations start selling services, as Eataly does, which is a place of sale, but more than half of it, is a place of consumption or how Lush, who on the side of personal care, has joined the spa to sell cosmetic products thinking in terms of beauty 'to be. Without services, turnover and added value are lost.

Consumers do not want to use their time to find what they need by struggling. On the other hand, they want to easily find proximity (physical or virtual is indifferent), comfort and entertainment, play, learn something: that means experience. (Pellegrini L., Gomarasca F., 2016).

In a digital world characterized by an almost unlimited quantity of goods always available, the offer must therefore be cured through a selection of goods and services able to stand out.

In other word retailers need to add something more, a special touch to an otherwise indistinct proposal, which can be easily and conveniently traced in several online stores.

Adopting this form of verticalization means knowing how to distinguish yourself thanks to a unique offer system and an experience with high added value, impossible to replicate.

In many large centers we are already witnessing this phenomenon, made visible by the flourishing of specialized shops with a relatively limited assortment, but capable of combining latest generation services such as product customization or delivery in a few hours, even of those items that they are not physically present in the store.

It is important to underline that in this section we refer to a combination of products and services chosen in order to reinforce each other, creating a unique cocktail, which will uniquely connote the value proposition of either a business or a brand. (Kotler P. S. G., 2018)

To give an idea of how the retailers are adopting this new approach it is possible to take into consideration the strategy of CONAD and how they look at the future of retail.

Following the acquisition of the Auchan stores, characterized by large surfaces, the company announced the birth of a new sign which will be called “SPAZIO CONAD” (Conad Space).

The goal is to make the points of sale more attractive, transforming them into places, spaces to meet the needs and needs of families at 360 degrees. In other words, the CEO declares: "we want to become the place where consumers prefer to buy, become a destination".

The new concept will be 6-8 thousand square meters in size and will combine banking, insurance, energy, ticketing, travel, entertainment, catering and e-commerce services. (B. Trigari, 2019)

In the following paragraphs some other cases of companies that have developed or implemented services with the aim of improving the customer experience through personalization, stimulation of curiosity and increase of interaction are presented.

2.6.1 BEST PRACTICES: OVS DIGITAL SHOPPER

A virtuous case in this perspective is Oviesse (OVS), the leading Italian fashion retail brand decided to continue his evolution of the omnichannel strategy, introducing the "Digital Personal Shopper."

An innovative, tailored service, with which OVS intends to be even closer to its customers, further reducing the boundary between online and offline.

"Digital Personal Shopper" is an exclusive personalized shopping experience, reserved for now only for female customers: from online selection of items to be tested in stores by appointment.

A team of fashion stylists with long experience in the fashion world and in the editorial offices of the most prestigious magazines, each with its own particular "touch", offers a special selection of OVS items every month, in line with current trends. By connecting to the ovs.it website, customers can choose their favorite outfits online from those offered by the stylists or within the collection on the e-shop, adding them to a personal wish list.

It will therefore be possible to book an appointment in the chosen store to test the selected items, followed by a personal assistant. The service will be available in a selection of stores whose list is available on the site ovs.it.

Customers will be invited to create a personal profile by defining their preferences in terms of style, lines, colors, opportunities for use and can receive suggestions and advice from the OVS fashion stylist team.

"Our goal is to create an increasingly close relationship with the customer in order to meet his needs in a personalized way - says Monica Gagliardi, OVS Marketing & E-commerce Director - regardless of whether this takes place in a physical or virtual environment. With the "Digital Personal Shopper" we will offer an exclusive service, a new purchasing method that optimizes the shopping experience of our customers and enhances it thanks to the support of a proven fashion stylist team ". (OVS Corporate, 2019)

2.6.2 BEST PRACTICES: CHICCO STORIES

Not just a shop but also a place to confront, advise each other and exchange experiences. It is the vocation of the Chicco Stories sales point opened in Milan, developed on a surface of 300 square meters extended on two levels with an offer that ranges from clothing to accessories for early childhood such as strollers, car seats, changing tables, baby bottles, pacifiers.

The new Chicco Store in Milan was designed to become a real incubator of stories: those of mothers, fathers and all the reference people, who work alongside the new parent in the incredible journey undertaken.

The services and meetings with experts are the heart of Chicco STORIES that redefines the experience that parents can do in a Chicco store.

This point of sale has in fact been conceived as a place of experiences, a space with more services. For this purpose, the partnership with the Polytechnic of Milan, pole of reference for innovation in Design for Kids, which through its Creative Industries Lab supported the brand in redefining the idea of the store as a space that focuses on the experience of children and parents. During the year the brand organizes thematic meetings with industry professionals able to provide advice and support to families.

Figure 38: **Chicco Stories Store - Milano**

Source: chiccostories.com, gdoweek.

As the company underlines: “Chicco Stories wants to meet the needs of modern parents who are increasingly demanding services and above all listening and comparing. Therefore, the new layout has been designed to maximize interaction not only with the product but above all with other parents and experts. A usability of the spaces designed to be a parent's size and designed in a clear and intuitive manner”.

The shop includes the Nursery Room where you can breastfeed with a weighing point and a change point. A courtesy kit with everything you need is available on request change the child.

Among the services there is also stroller maintenance: the store collects the one to be repaired through the Chicco Service Center and delivers a courtesy stroller to replace and be used in waiting.

2.6.3 BEST PRACTICES: LEROY MERLIN

Another case that deserves to be mentioned is that of Leroy Merlin, a European leader in home improvement, which recently launched a new concept called L'Appart.

Leroy-Merlin is known for its very large stores located in suburbs, instead L'appart aims at bringing the brand downtown, focusing on services and customer relations above products and purchase.

L'appart is not a store itself, because only the 20% of the space is transactional and product-oriented. The rest of the store is dedicated to training sessions, workshops and customer relations. Therefore, the heart of the concept is human-based.

Customers can define their projects with the support of "roommates" (staff) and 3D technology and participate in training and workshops.

To support the client in the realization of his renovation project, customers can book an appointment with a consultant on the store's website or even at their home. There is also the possibility to have a rendering with the sample of the room changed with the desired room walls color or the desired parquet.

Figure 39: **Leroy Merlin, L'appart**

Source: e-marketing.fr

L'appart offers solutions for rooms furnished according to the style and customs of the location in which the new concept is located. There is even a "materials library" with a high number of references and proposals regarding tiles and parquet.

Leroy Merlin for this concept decided to collaborate with local Start-ups that offer additional solutions regarding DIY and guarantee delivery to your home in very short times. (Bouaziz D., 2019)

The aim of the concept is to maximize the customer experience. The more self-confident customers are, the more ambitious their home improvement projects will be.

The concept is also about communities, conveying to customers that the place is "yours" cause it can also be used by private associations or groups of customers.

Many believe that stores of the future will be venues for engagement, more than for transactions. L'Appart is a radical and credible example of this trend. It brings the brand downtown, creates new connections with customers and a wider ecosystem and improves customers' skills, which helps them launch more ambitious improvement projects. The test is too recent to assess the payback for Leroy-Merlin, but L'appart is definitely a great example of a retail format R&D. (Kiki Lab, 2018)

2.7 LAUNCH OF NEW STORE FORMATS

It is not true that markets are changing. It is not true that customers, consumers, people are transforming. Societies, markets, people have already changed as we have noticed from the evidence that has emerged so far.

Retail is a sector exposed as few to the speed of change, accelerated also by the revolution imposed by web, digital and eCommerce. Within a very short time we have witnessed a disruption phenomenon in the sector.

Among the transversal trends analyzed in the cases collected from all over the world, emerged as strong trend the evolution of the physical store.

Three mains macro 'areas' have been identified for the new store formats (F. Valente, 2018):

- Downsizing: retailers which generally operate in contexts with other surfaces, use and experiment small shops approaches.

- Upsizing: shops that are born with certain dimensions that decide to open larger surfaces.

- Flexisize: that's the area in which the digital totally penetrates the physical dimension of retail, creating the maximum fluidity and giving life to very innovative projects.

- Pop-up store: also known as pop-up retail or flash retailing, is a trend of opening short-term sales spaces that last for days to weeks before closing, often to catch into a fad or timely event.

In addition, it is necessary to mention as a trend emerged even the practice of restyling of the existing store, where retailers use to rethink the concept, trying to enhance factors such as identity and recognition.

Often the objective of restyling concerns multiple aspect like repositioning of the brand, communication and adaptation to new consumer needs and expectations. The idea behind restyling is to improve the customer experience, through an innovative way of presenting products, furnishings and display materials with a non-traditional style.

In this sense, example from the sector correspond to Benetton, that launched a new network development strategy which takes the form of a store concepts to offer customers an innovative shopping experience and a real immersion in the brand's DNA, called “Light Colors" conceived by the Benetton Retail Design department, which has as its distinctive feature a particular system of lights inspired by the use of natural textures, typical of the Italian style, inside the stores recreates a welcoming atmosphere in which the furniture, vibrant and bright, allows the product to be the protagonist through an extremely flexible furniture system, simple to install and easy to use. (G. Ignaccolo, 2019)

A further example is Miroglio Fashion, a company of the Miroglio Group which owns the clothing brands Elena Mirò, Oltre, Motivi, Fiorella Rubino and Caractère among others, started a retail restyling project in 2017 investing 15 million euros and completed by renovating over 300 shops and creating over 10km of shop windows. The aim was to offer an increasingly distinctive shopping experience and to favor technologies aimed at promoting omnichannel. (IlSole24ore, 2018).

Or Diesel, which due of consumer behavior changes and the proliferation of connectivity has decided to carry out an analysis on retail positioning, discovering that the obsolescence of a store planned between six-eight years took place in about four years.

This has led the brand to review its entire retail network by making changes. Therefore, Diesel has developed a restyling project based a new retail concept store, focused on flexibility and the ability to more easily modify the offer in the store and adapt it to fashion trends. Furthermore, important investments were made in the back-end to develop a stock based on omnichannel. (G. Bolelli, 2019)

It became clear how the latest need of customer and the challenge of the sector push always more retailers to search new ways to innovate and make the shopping experience more convenient and enjoyable, therefore an additional trend or model that emerged is the Shop-in-Shop.

As the name suggests, having a store within a store is when the retailer acts as the host, allowing one or more other brands to operate independently within the store. While the store-in-store model isn't limited to big-box retailers, as we will observe, it is necessary to underline that the partnership between brand and retailer is mutually beneficial and helps both parties to increase revenues and grow their market.

For example, since 2006, cosmetic retailer Sephora, has been running in-store kiosks in participating JCPenney stores across the country. What initially started as a small project that targeted a handful of JCPenney stores has been extended to almost 650 of the 875 JCPenney stores in operation.

The partnership between JCPenney and Sephora has been mutually beneficial for both parties. Not only did it help JCPenney expand their influence in cosmetics and other beauty products, it also gave Sephora a platform to connect with new, smaller markets than they historically catered to.

Another emblematic example in this sense is Macy’s, an American luxury department store chain, that was one of the big-box retailers hit hard from the “retail apocalypse”.

Reeling from the loss of approximately 15% of their base store, Macy's decided to move away from traditional retail stores and worked to create in-store experiences that attract customers. One of the ways that the retail titan has been able to hold onto a large portion of its market share was by partnering with Starbucks to embrace the coffee shopping trend. To turn stores from shopping centers into community hubs, Macy's began adding Starbucks coffees into various store locations where customers can buy clothes, grab a quick snack, and sit down and enjoy a cup of coffee. Macy’s is even experimenting with integration of restaurants into their stores in hopes of attracting a high number of customers and provide a new service. (K. Hiiemaa, 2017)

Companies that are testing services regarding food or integrating specific corner into their surface are always more common, like the Nespresso SiS into Media world store (Nespresso, 2019), or Tommy Hilfiger that recently launched a bar close to his Flagship in Milan. The retailer therefore follows in the footsteps of brands such as Dolce & Gabbana, Diesel, Armani and Trussardi, already present in the city with food proposals. (Retail Institute, 2019)

However, in the next paragraphs will be analyzed in more detail the areas identified as new trend for the usage of the physical space, also presenting some of the experiments and best practices adopted by large retailers, which increasingly abandon traditional formats and embrace and test new ones.

2.7.1 DOWNSIZING

Around the globe, consumers need and look for convenience in all forms—whether simplicity, time saving or suitability. Although the convenience trend is evolving in various ways and at different speeds depending on the region or country, it is happening nearly everywhere in the world.

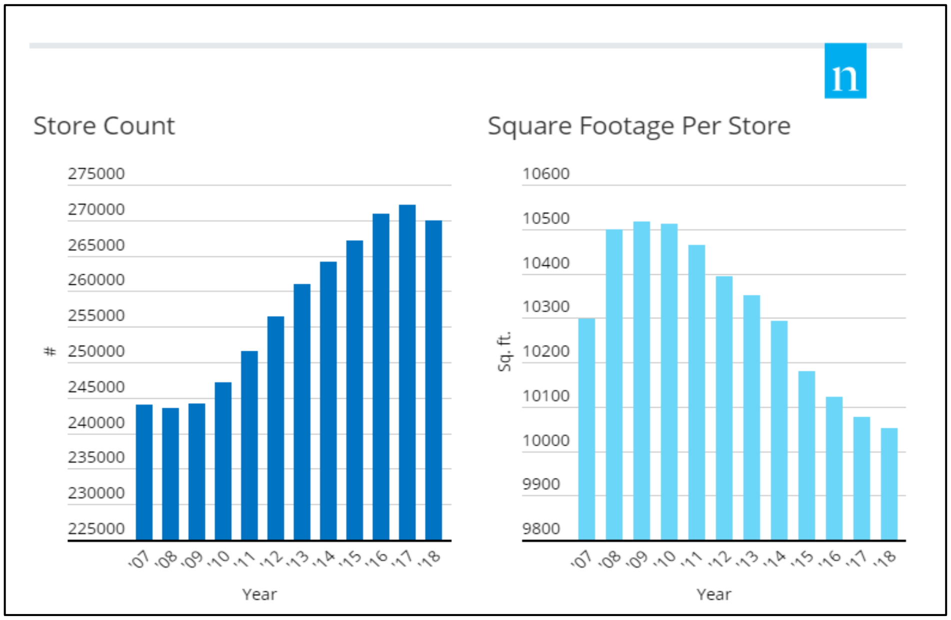
Therefore, after decades of big box expansion, the retail sector is now moving to smaller stores in favor of the so called ‘proximity shopping’.

Proximity shop, means to be close to the customer, therefore offering a space (often reduced) that is simple and functional allowing a quick purchase.

Among the main drivers that push the choice towards this type of solutions there are the opportunities deriving from the sub-urban area of the cities, an area subject to an increasingly high traffic. By 2025, 58% of the world’s population will live in cities or town- that’s 752 million more people than today. (Nielsen, 2018)

This trend is confirmed by a research carried out by Nielsen, that analyze the number of stores opened in U.S in the last decade and their size.

Figure 40: **U.S Store count and store size trends**



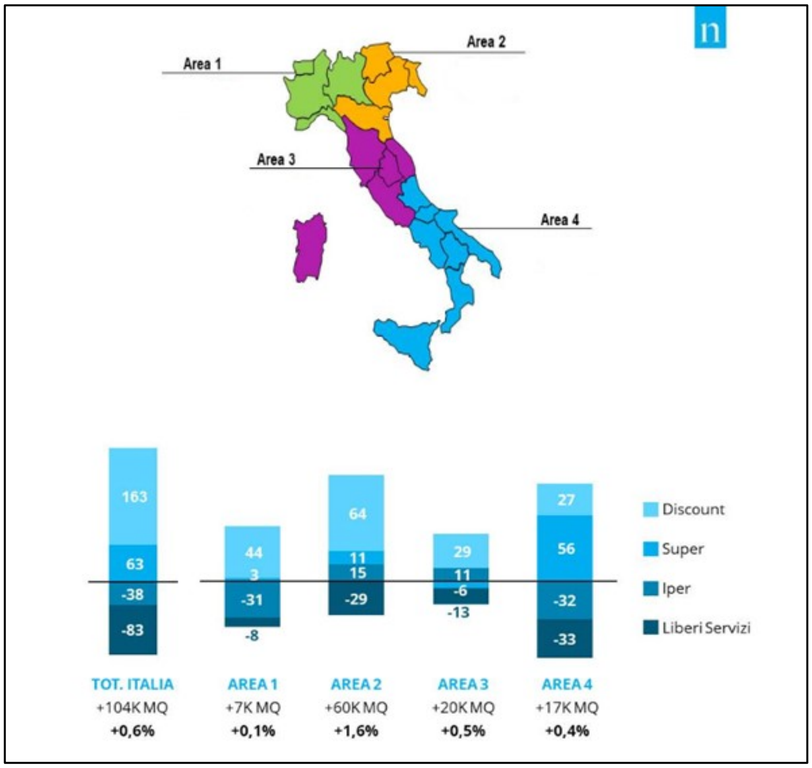
Source: Nielsen – Assessing Retail Store size and the impact of e-commerce, CPG, FMCG & Retail, 2019

As we can notice from the previous figure, between 2007 and 2018, more than 27,000 new retail stores opened in the U.S. But after a reliable streak of openings, expansion stalled between December 2017 and December of last year, as the total store count fell by 2,248. But well before that drop, we began to see that store size and store count were trending in different directions: Between 2007 and 2018, store counts increased while square footage declined.

In addition, most stores that opened between 2007 and 2018 were small format: 46% were dollar stores, 25% were convenience stores and 16% were drug stores. Five percent were super centers, and only 1% were warehouse clubs.

Even if we shift the focus on the Italian scenario, we will note that there is a transformation of the offer, particularly in the grocery segment.

Figure 41: **The transformation of the offer in Italy**



Source: Nielsen – GNLC editions of 2018 & 2019.

The previous graph reflects these trends that can be traced above all to the process of modernizing distribution channels, which penalizes the more traditional formulas of retail trade.

In fact, there are fewer and fewer southern families who resort to "traditional" shops, the very ones that historically had (and for the moment still have) a greater weight in the South. In fact, the small shops specializing in fruit and vegetables, butchery and bakery located at Southern Italy lost 160,000, 112,000 and 100,000 buyer households respectively in the year ending in June 2019 compared to the same period ending in 2018.

The difficulties of “traditional” stores are accentuated by a growing competition on prices, to which, in recent years, the rise of the Discount has contributed, which reached a weight of 26.6% in Area 4 (vs. 18.9 % of total Italy; source: GNLC January 2019).

The distribution selection is not only impacting traditional stores: even the various large-scale retail companies are forced to close the less performing stores in these Regions and the phenomenon impacts above all the Free Services, which in terms of sales area in Area 4 lose - 33,000 square meters compared to 2018.

From a consumer demand perspective, it’s clear that small formats and value players are winning in the marketplace.

Regardless of market or channel shifts, however, location will still be critical for small store retailers. While shoppers typically visit an array of stores frequently (e.g., discount stores, convenience stores and online), most still visit the closest store.

However, Nielsen research also indicates that shoppers will seek a reason to choose a convenience store based on the wider store experience and not just location, and retailers will be rewarded with more shopping trips and increased spending at small stores. (M. Watkins, 2014).

2.7.1.1 BEST PRACTICES: Ikea, Decathlon, MediaMarkt. Lidl

Major retailers are continuing to shy away from traditional large stores, opting instead for downsized city-center stores that cater to increasingly urbanized consumers.

In non-food, stores typically of large surfaces such as Ikea, Decathlon or Media-Markt decided to open much smaller surfaces that can count on integration with digital. (F. Valente, 2018)

Going more deeply, Ikea the giant home furnishing opened its first ‘planning studio’ in Manhattan – a smaller formats than its traditional stores, tailored to city centers.

The announcement comes as part of IKEA’s plan to open 30 small format stores over the next three years. (CBinsights, 2019)

The Swedish chain said it was one example of how its reaching customers in “new ways that are more accessible and more personalized”. (A. Cheng, 2019)

Figure 42: **Ikea Planning Studio**

Source: IlSole24ore, ‘A Roma arriva il Planning Studio di Ikea, più servizi e consulenza, 21 settembre 2019.

Even at Rome was recently opened the same format of 700-800 square meters, that act as a consultancy points as well as showroom, where the customer, both the family and the business clientele who wants to design a commercial space such as, for example, a bar, a restaurant or an office, find a package of services at 360 degrees to furnish the house with the help of specialists. (IlSole24ore, 2019)

In recent years, Decathlon has also been experimenting with new concepts of reduced dimensions in various countries, especially in urban centers.

Figure 43: **Decathlon City**

Source: S.Keulian, 2018, 'Decathlon City is designed as an urban sports club'.

Decathlon City, for example, was launched in France in 2017: in the only 400 square meters of sales space, digital is obviously the key to innovation, which saves time both to customers (who can check the availability of a produced with the choice of getting it to the store or sending it home, requesting different sizes to try from the dressing room via the internal digital mirror), and to the employees (equipped with devices to access all the information to immediately respond to customers, such as status of the orders, stock information ...).

Decathlon city aims to offer a multiple service to their customers, there is even sport session schedules that is showcased on digital screens. Recently, in June 2018, a similar formula was inaugurated in Italy, in the Brescia railway station, a shop covering an area of 125 square meters. (S. Keulian, 2018, F. Valente 2018)

Another virtuous example is provided by MediaMarkt, the Europe's largest retailer for consumer electronic that in July 2016, in Barcelona, launched a new format of 250 square meters of sales area in the city center, in which the clear boundary between online store and physical store disappears.

Figure 44: **MediaMarkt Digital Shop**

Source: L.M Ribes, 'Interpreting Media Markt's Digital Store', 2016

An urban shop: small but fluid, fast, interactive and full of services, to better meet the needs of multi-channel customers where innovative services and competent teams are at the heart of this new concept. The exploration of the assortment is done by navigating on large touch screens, with the same modalities as the online, but with a substantial difference: a constant assistance of the employees. After the choice the payment can be made with card on the screen, but also in cash at the counter. 6,000 references are available in the store's robotized warehouse, which can deliver them in 90 seconds. Larger products, such as refrigerators, washing machines, maxi-screen televisions, are only available in store or at home later (from 2 hours to 2-3 days). The store also serves as a pick-up point for online purchases, which are also available within 90 seconds and can be collected 7/24 thanks to an automated process. (L. Maci, 2019; L.M Ribes, 2016)

Decathlon, MediaMarkt, Ikea are not alone: other major retailers including Target, Kohl's Nordstrom, and Sephora have all embraced smaller store formats to reach urban consumers. (CBinsights, 2019)

So far, we have cited examples that do not relate to food sector, but in this context also the large-scale retail trade is being reorganized on smaller and lighter formats in the city.

Starting from the smaller players operating into the Italian scenario there is Cuor Crai, the Crai format launched last year to underline the will of a close bond, also "affective" with customers, then Pam local, which is growing at an interesting pace, up to Bennet, who launched a small formula, but with greater service content, like Bennet Smart which could also adapt well to historic centers. (A. Palazzolo, 2018)

In this context there are also big names like Auchan and Carrefour, who, known for their expertise from large areas, have decided to work also on the front of proximity.

"Providing the quality, convenience and assortment of Carrefour in sales points close to customers, in a comfortable and welcoming environment, in small and functional spaces that allow a quick expense is the mission of the Carrefour Express", explains John Agostini, proximity director Carrefour Italy, which, in line with the distribution culture that has characterized it since the days of GS-SME, was one of the first brands of the gd to experiment with new urban concepts and for the historic city centers. (A. Palazzolo, 2018)

Among other big names of the sector there is even Lidl that recently starts to experiment in the United States with a formula that is very reminiscent of the convenience store format.

The discounter opened its first convenience-style store at its Arlington headquarters in Washington.

It's called Lidl Express and is the smallest store ever opened by the retailer, globally. The 100 square meter store, offers a selection of food-to-go solutions, including fresh baked goods and coffee. The shop also has a wide range of food for fast shopping, such as fresh produce and wine.

The Lidl Express will also be the place where it will be possible to pick up the shopping ordered online, in fact the German company had already announced to the market that it would finally open its online sales strategy also to the food market. Thus, in the Lidl Express it will be possible to quickly withdraw the purchases made online, even fresh ones, thanks to the cash desks dedicated to click and collect. (J. Wells, 2019)

Even Aldi, another important player in this context launched a new small concept named Aldi Local, a new format test launched in U.K at Balham. (E. Jahshan, 2019)

Up to this point it is evident that many of the large retailers operating in different market segments are responding to changes in society and therefore to consumers with new formats, often small, with the objective to simplify the purchasing process, digitally integrated with the aim of increase the convenience for the consumer.

Opting for small dimensions means undoubted advantages also for the retailer, that generally will have lower monetary investment, easiness of management of the store, use of less workers, possibility to provide more services and then offer a personalized purchase.

2.7.2 UPSIZING

As often happens, however, the research also records an exactly opposite trend, namely that of the Upsizing, shops that are born with certain dimensions that decide to open larger surfaces. Among the main drivers there is the perceived need of retailers to provide better experiences to the customer.

As we will see in the following parts, this trend has given rise to new store formats, identifiable as the so-called Flagship or even Destination Store.

Over the years, in the academic literature many have tried to define this new type of point of sale, which is why it is worth mentioning some definitions that can introduce it:

“A larger than average retail format in a prominent geographical location, offering the widest and deepest product range within the highest level of store environment and serving to showcase the brand’s position, image and values.” (Nobbs, Moore, Sheridan 2012, p. 922)

"... large stores, located in strategic locations, [with] the role of strongly transmitting the image of the brand, ..." (Cappellari 2016, p. 115)

Then the "flagship" refers to a store that is the largest, fastest, newest, most heavily armed, most well-known, or the lead ship in a fleet.

When applied to a particular retail store, the designation flagship is awarded to a store at the retailer's primary location, a store in a prominent location, a chain's largest store, the store that holds or sells the highest volume of merchandise, a retailer's most well-known location, a chain's first retail outlet, a store location with a decor or merchandise mix that is distinctly different from the rest of the chain, or the store in a chain that carries the most high-priced merchandise catering to the most upscale customers. (B. Farfan, 2019)

However, one of the main purposes of a flagship store has traditionally been to promote the brand image and tell a story, and this hasn't changed. Nowadays, this function could be not enough anymore.

As we have seen in the section about the evolution of the consumer purchasing behavior, they seek for continuous stimulation: they ask for an active involvement, an emotion, a motivation to enter the store and choose the brand.

Always more and more people see in the physical store a sort of "playground", where they can learn new things and express a sense of belonging or lifestyle. A place where new shoppers seem to expect more of a recreational or experiential moment than simply concluding a purchase.

In this sense, in recent years a marketing approach has been developed focused on CSE (customer shopping experience), which aims to ensure that consumers experience significant moments in a store, where the purchase represents the conclusion of a much richer process.

Therefore, retailers have embraced this latest challenge proposed by the market, transforming their stores into "magical" places to visit, in which the customer recognizes an identity.

By firmly focusing on the values and intangible elements that reinforce and influence consumer choices, we arrive at the tendency to exploit physical contact points as "temples" for the celebration of the brand. (Kotler P. S. G., 2018)

In this scenario many retailers decide to adopt a concept of physical store, intended as a space for creative encounter between consumers and brands.

The flagship store or "destination store" becomes an attractive destination in which people can immerse themselves and the values of the brand are not only put on display, but also made to live firsthand, where the success is often not given by the increase in sales, but from the narrative behind it.

The point of sale becomes "point of experience" and passes from being perceived as a have-to-go place to be a want-to-go place.

A “box” of satisfying experiences, where the shopper does not have the burden of going but has the pleasure of being. This is the essence of the new meaning attributed to the new Flagship Store or ‘Destination Store’. . (Kotler P. S. G., 2018)

Many retailers are adopting new solutions, for example there is Yamamay, the underwear brand that recently developed with the collaboration of Accenture his new Flagship Store in Milan (L. Maci, 2019), or even the first Flagship store in Europe launched by Microsoft in London in 2019 (Z. Bowden, 2019), or a good example is provided by the store-museum of Adidas named Runbase, a store dedicated to running situated in Boston which hosts one of the oldest marathons in the world every year, where people breathe the essence of the brand. (M. Malamut, 2015)

However, in the next paragraphs we be presented in detail some of the most representative Flagship Store of the retailers worldwide.

2.7.2.1 BEST PRACTICES: Nike House of Innovation

House of Innovation 000, or the innovation house: this is the eloquent name of the last Nike open flagship in New York in 5th avenue. Developed on an area of over 6,000 square meters on several levels, offers customers a unique experience.

Entering the new Nike Flagship Store, it feels almost like being in a large gym or sports center where the staff instead of asking if they can be useful for the purchase push you to try first hand "the unique experience of a Nike product". (D. Green, 2018)

Figure 45: **Nike House of Innovation**

Source: Image credit, Nike.

There are other areas of the Store, those dedicated to the showroom and the sale of products, but it is important to highlight the mastery of Nike in transforming the concept by taking inspiration from the museum's forms, products inserted in transparent closed column-shaped cases. In this case the customer can only observe and admire the news on display. A new strategy to raise the brand and transform products into real works of art.

On the 5th floor is the Basketball Trial Zone, to try on shoes and do exercises custom, while on the 1st floor for women and 3rd floor for men is present the Running Trial Zone, which allows visitors to test the most suitable shoes to jogging and professional racing on a treadmill that faces a mega screen with running scenes shot in the streets inside Central Park. (C. Trotter, 2019)

On the first floor the Nike Expert Studio offers a range of services ranging from one-on one session bookable with Nike experts to complete in full its own outfit or to access exclusive seasonal products.

While an entire floor is dedicated to the sneaker Lab with the largest concentration of Nike footwear of the season.

Cameras track the customer movements and record them on the Nike+ app where they can be analyzed and help with decision-making. Staff can also see when customers last tried out the experiences and what products they were using, which improves product suggestions. (C. Trotter, 2017)

Technology plays an important role here; if you see an item like that you are interested in, then you can scan the QR code to find out what sizes and colors are in stock.

Customers can virtually shop through their phones. There is also instant checkout on the app, so no more waiting in line. The Customization Bar is here too, so customers can create their unique sneakers. Such a personal and responsive store not only creates theater, but provides a better, faster and more engaging in-store experience. (D. Green, 2018)

Nike's House of Innovation on 5th Avenue is a direct response to customers seeking experiences. It is a place where services and products are incorporated into a whole with brand values and direct 360 ° experience.

2.7.2.2 BEST PRACTICES: Samsung 837

A perfect example of the temple of the brand is the South Korean giant Samsung, with its Samsung 837, the destination store opened in New York City's Meatpacking District in 2016.

The space, more than 5000 square meters, does not host the classic physical store: inside its people can see, touch and try all the top of the range products with the intent to live an experience, not to conclude a purchase.

The only area of the store where you can buy something, in fact, is that of refreshment.

The reasoning behind this choice is very simple: consumers already have their favorite place to buy, from distribution chains scattered throughout the country to Amazon, so they don't need yet another traditional point of sale.

Samsung has therefore decided not to focus on a retail spot, but to build a physical manifestation of the brand, its essence and its values.

Therefore, a three-store structure was set up totally dedicated to the universe of the brand, with the aim of introducing people to the retail of the future who will propose not so much products for sale, but experiences.

Samsung 837 hosts thematic areas reserved for entertainment and is also based on the idea that the store should be perceived as a family and almost domestic habitat.

Figure 46: **Samsung 837**

Source: credit Image, Samsung.

In a luxurious and relaxed environment, customers can chat with employees and admire the screen, 96 55-inch panels joined together to form 3 giant screens, with 75 seats from which you can follow events, guided tours to sites of artistic interest.

The real attraction of the store, however, is the VR tunnel: a corridor of monitors and mirrors that offers a virtual reality experience and can connect with the user's device to personalize the visit. (M. Lepori, 2016)

Finally, there is the Concierge, an area dedicated to repairs and assistance, where you can get useful information on the services available to customers.

2.7.2.3 BEST PRACTICES: Benetton "London Concept"

Even the United Colors of Benetton launched in 2018 in Padua his new store concept, based on a relaxed, hi-tech concept brought to Italy's Veneto region from London's innovative store which opened in Oxford Street.

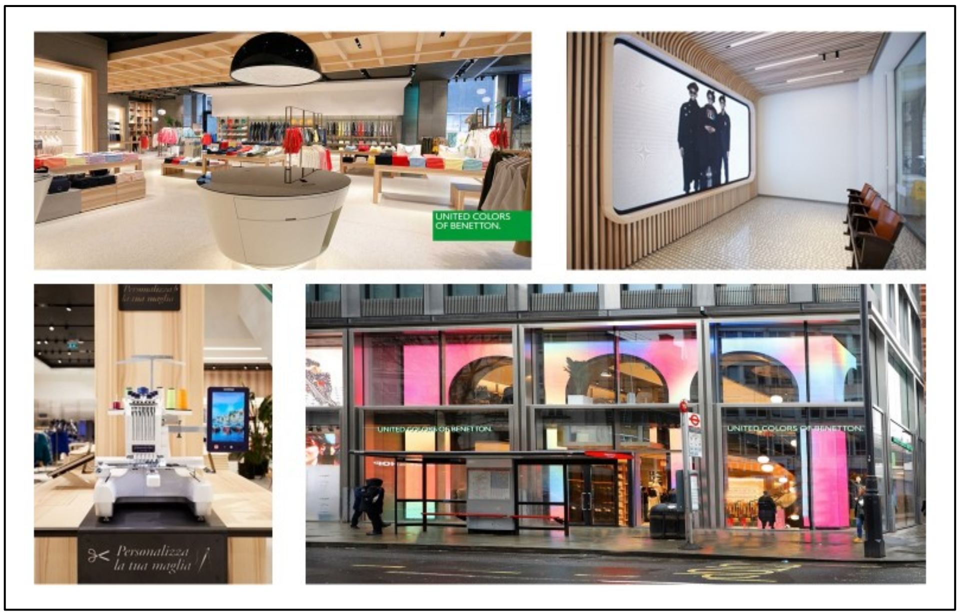
The new flagship store is a relaxed, technological space that goes beyond the traditional concept of a store. The store was transformed from that of a standard sales space to that of an urban and contemporary showroom, which allows the complete story of the brand to take the stage.

The store is hosted in the historic "Supercinema Principe" building, which was opened to the public in February of 1931 and designed by the Venetian architect Duilio Torres.

One goal of the restyling project was to pay homage to the original features and function of the building: the movie theater. This tribute begins at the building's exterior: two large windows which give into the entrance have two cinema rooms complete with screens and cinema seats, for a preview of the world of Benetton.

The store is spread over an area of about 1600 square meters divided into three floors: the ground floor houses the women's collections and is characterized by our knitwear bar, an interactive, sharing, friendly space displaying knitwear and where multimedia info points explain the brand and its products.

Figure 47: **Benetton Flagship Store**



Source: Benetton.it

There is also an embroidery machine for that allows customers to personalize their clothing. The knitwear bar is the beating heart of the store and touches on the innovation introduced in the sixties in Benetton stores, where counters were eliminated, going against the traditional concept of a store in favor of a direct relationship between customer and product.

Guests can easily move through different areas of the store thanks to innovative check-out counters: a series of numerous circular stations, which replace the traditional check-out counters, where customers can pay by smartphone or card, thus providing rapid service and eliminating lines.

The new store was designed to offer customers a new and increasingly immersive shopping experience: a natural extension of online purchasing which offers an omnichannel shopping experience.

Even in this example of best practices become evident how the company focused the attention on the experience and services provided to the customers, all features that allow this new concept to be considered as a destination store as well as a flagship store.

2.7.3 FLEXISIZE

Every individual, especially those belonging to the generation of millennials, today expects to receive personalized products and services, able to make them feel unique. Being recognized individually and receiving an offer designed according to specific tastes and needs are fundamental prerequisites for establishing a lasting relationship between people and companies.

In this perspective, depth and speed of replenishment are no longer enough to meet the needs of consumers: retailers are thus obliged to change their strategy by moving from a one-to-many approach, typical of the mass market and characterized by a certain standardization, to the proposal of solutions as personalized as possible, one-to-one.

A remarkable change of perspective that requires profound reflections involving the organization at all levels.

In this context, importance is given by the opportunity offered in the use of digital technology, thanks to which it is possible to increase and improve the customer experience and at the same time, through data collection, offer an increasingly personalized experience.

Therefore, retail and technology become an increasingly strong combination: the future of retail will be digital and innovative, but careful to promote relationships and create emotions. Technology will increasingly have a say, crucial to make stores even more welcoming, attractive and exciting. (Kotler, G.S, 2018)

In this scenario, the Flexisize trend is affirming, that is the one in which the digital totally penetrates the physical dimension of retail, creating the maximum fluidity and giving life to very innovative projects. (F. Valente, 2018)

Finally, as we will see in the next examples, retailers are striving to offer particularly innovative pilot stores which are able to intercept and satisfy the needs of the modern consumer.

2.7.3.1 BEST PRACTICES: Nike by Melrose

An example of a store capable of responding perfectly to people's needs through the intelligent use of data is provided by Nike.

In July 2018, the sportswear giant opened in a famous Los Angeles shopping area, a store called to transform Nike into a data-driven and direct-to consumer brand.

The name, Nike by Melrose, depends not only on the location on Melrose Avenue, but on the fact that the store is built by the locals. Every aspect, from the location to the product offer, is in fact determined by data collected on those who interact with Nike in the area.

Knowing the most requested model of footwear in the area, for example, the brand can increase availability in the store, creating an agile way to constantly and actively adapt to consumer needs.

Among the other services offered by the store there are a sneaker bar, an unlock Box NikePlus where the customers can rescue prize or products, a dynamic fit zone, the service reserve and try or pick up in store and there is even a curb service where returns, exchanges or purchases are made. Using Swoosh Text (an SMS messaging system between the shopper and the store), consumers can simply text the store, pull in, grab or return goods, and get going. (Nike News, 2018)

Figure 48: **Nike by Melrose**

Source: nike.com

Nike by Melrose blends digital and physical as it is perfectly able to coexist with the Nike + app that you can download on your smartphone. The data shows that this customization mechanism has a conversion rate of 40% higher than all the other methods experimented so far. (Y. Gagne, 2018)

2.7.3.2 BEST PRACTICES: Walmart IRL

The retailer has opened a new retail store to test some of the concepts it's been working on in Levittown, New York. Walmart has modified a 50,000-square-foot neighborhood market — its in-house term for a grocery-focused store — to become the new playground.

Called the Intelligent Retail Lab — or IRL — the store is focused on inventory and availability.

The store features artificial intelligence-enabled cameras, interactive displays and a huge data center. Therefore, IRL is set up to gather information about what's going on inside the store through an impressive array of sensors, cameras and processors.

It's a unique real-world shopping environment designed to explore the possibilities that artificial intelligence can contribute to the store experience.

"Customers can be confident about products being there, about the freshness of produce and meat. Those are the types of things that AI can really help with," said Mike Hanrahan, CEO of IRL. The idea is that will lead to less friction in the shopping experience, and customers will find the item they need on the shelf more often, and it will be more efficient to keep that experience consistent.

In short, the team will use real-time information to explore efficiencies that will allow employees to know more precisely when to supply products, so items are available on the shelves when they are needed. In the IRL, the combination of cameras and real-time analysis will automatically activate stock-out notifications for internal apps that alert workers when to refuel. (D. Green, 2019)

Of interest is the fact that Walmart "chose from the outset not to hide the technology".

As customers buy, they can interact with a series of educational displays. Small educational kiosks are scattered throughout the store. A Welcome Center at the front end allows customers to learn more about the technical specifications and the most common questions. (S. Perez, 2019)

Figure 49: **Walmart IRL**

Source: corporate.walmart.com/IRL

It’s clear that the idea behind this type of new concept is to guarantee the greatest possible choice for the consumer, this means improving the customer experience and at the same time exploiting the potential offered by the use of AI to increase the efficiency of in-store personnel, which as mentioned will know exactly when to supply a product or vice versa when it is necessary to remove a product. In this way, the staff will also be able to pay more attention to staff requests.

2.7.4 POP-UP STORE

With the rise of e-commerce, the importance of a physical presence, where people can actively experience a brand has never been more important.

Using traditional marketing and traditional distribution models for companies it is increasingly difficult to emerge from the mass of many competitors. Not to mention that especially younger consumers are looking for a unique shopping experience.

Therefore, it is increasingly common to adopt new formats to respond to these changes and these include pop-up stores.

The Pop-up store involves the meaning “popping up” one day, then disappearing anywhere from one day to several weeks later. A pop-up store (also called a temporary store or pop-up shop) is a store or small warehouse where sales take place. The rooms of the shop are only provisionally set up and both trendy neighborhoods and warehouses in historic galleries are taken into consideration as a sales location. The choice of unusual locations reinforces the idea that it is something special that should be achieved.

These shops, while small and temporary, are used by companies to build interest in their product or service and seed their product with cultural influencers.

More often companies use pop-up stores to create unique experiences: an artificial shortage of goods and a time limit to the validity of the offer contribute to making sense of exclusivity. In fact, the Limited or Special Editions give the impression to the customer that they have purchased something special. Therefore, Pop-up retail allows a company to create a unique environment that engages their customers and generates a feeling of relevance and interactivity. (Ionos, 2019; L.S. Niehm et al., 2006)

In addition, there are various benefits to pop-ups such as marketing, testing products, locations, or markets, and as a low-cost way to start a business.

In other word, most of pop-ups' appeal is that they represent little risk. Executives can commit to eight weeks and see how it goes. 10-year lease when anything is tested in the short term: new collections, new locations, new concepts. There's definitely a lot of' let 's learn and iterate' mentality, (Bloomberg, 2019)

Some examples? Taking advantage of the Black Friday week, which for Amazon means rich and succulent discounts, the multinational has simultaneously opened several pop-up stores named AmazonLoft for Xmas, in the most important cities in the world, including Milan (Ionos, 2019), or even the summer temporary boutiques launched by the Maison of fashion like Burberry, Dior, Chanel or Gucci (L. Sghinolfli, 2019), up to the temporary store launched by the Pam group recently at the Turin station. (A. Palazzolo, 2019)

2.7.4.1 BEST PRACTICES: Glade

There are many examples of retailers that experienced a pop-up store, most of the them are mainly focused on selling, but a few have gone mostly to promote a brand. Take, for example, the Museum of Feelings, a temporary building that has been erected across from the World Trade Center in Brookfield Place is essentially an advertisement for a new line of candles from Glade.

On paper, the Museum of Feelings is a marketing stunt for a new line of Glade scents. In person, it's a multi-sense experience that costs nothing to run through.

Figure 50: **Glade, Museum of Feelings**

Source: FastCompany.com

A walk-in kaleidoscope. An LED jellyfish forest. A cloud rooms. All to take out your problem from your daily routine — and with each smell to the room. This is a scent manufacturer Glade's Museum of Feelings.

The museum was divided into different rooms, which convey emotions and moods, each with different scents and different experiences.

The first room, Optimism, is a prismatic spray spinning around the room. The next, Joy, is a forest of green LEDs are dangling from above and reflecting from the mirror floor below, and finally, Calm, or the cloud room, a warm purple globe with cushy carpet and a fog machine. And of course, accompanying each room is a special Glade feels evokes that emotion. (D. Lumb, 2015)

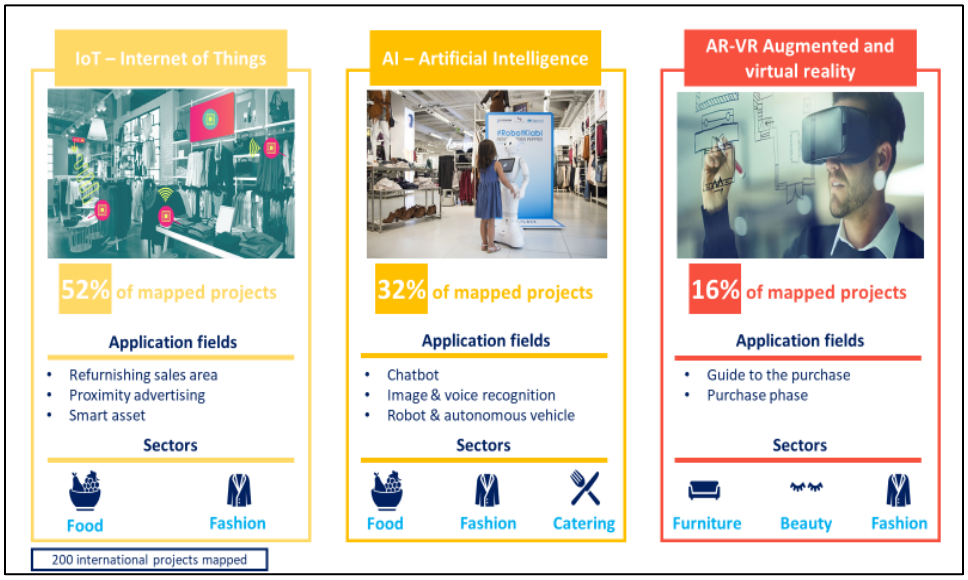
The objective of the museum is to excite the client but above all to create a process concerning the memory of having experienced something unique and extraordinary, at the base of the pop-up museum of Glade there is this unique logic. This is a clear example of how a pop-up store can be used to sponsor the brand and enhance it.

Process favored by procuring the so-called multiplier effect on social media generated by the experiences offered and by visitors.

2.8 INTRODUCTION OF DIGITAL INNOVATIONS

Having overcome the dichotomy between offline and online in the name of omnichannel, the challenge for retailers in the complexity of the transition to the digital era is to understand which customer is serving and how to answer their questions, their needs.
It is a question of filling retail (and therefore the point of sale) with new meanings, using the technological innovations available in the most complete and appropriate manner for a customer experience consistent with what the retailer wants to be. And the store is at the center of every strategy. (F. Gomarasca, 2019)
To face this period of strong instability, retailers around the world are committed to redefining their internal processes and changing the traditional idea of a sales store. In this context, technology plays an important role.
The main international players, having understood the importance of innovation, are investing in testing different frontier technologies: Internet of Things, Business Intelligence Analytics systems, Augmented and virtual reality, Machine Learning and Artificial intelligence.
To confirm that, a report of the Observatory Digital Innovation in Retail in 2018 alone, have identified more than 200 projects in the Retail sector in the world, with attention to the Internet of Things (52% of cases), Artificial Intelligence (32%) and Augmented and Virtual Reality (16%).
Therefore, those the can be considered among the latest trends concerning the retail world the so-called frontier technologies. (V. Pontiggia, 2019)

Figure 51: **International retailers digital innovation trends**



Source: Osservatori.net, digital innovation, 2019 (Nc, 2019).

These technologies have numerous application areas:

- Artificial Intelligence is at the base, for example, of the development of innovative voice ordering systems, which allow orders to be placed online through voice commands;
- the Internet of Things guides different projects both back-end - such as improving inventory management through RFID technology or the use of beacons to track and monitor the path of in-store customers – or even front-end, like the testing of smart locker for home delivery of shopping, even in the absence of the customer.
- Augmented Reality and Virtual Reality are increasingly central to the redesign of the shopping experience, especially in certain sectors. In furnishings, for example, they are used to check the

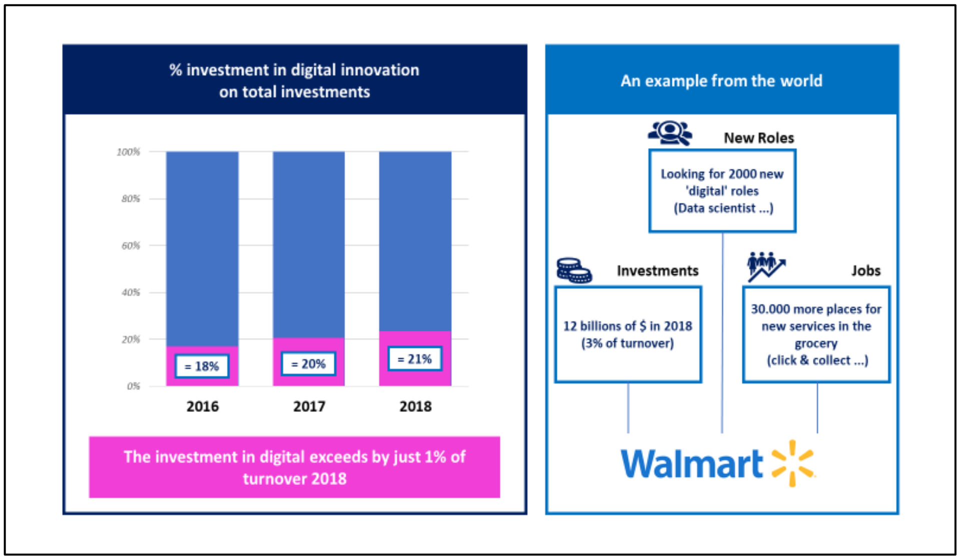
consistency of style thanks to the virtual insertion of the object of desire in one's home environment, while in the Perfumery to virtually test make-up products on one's face before proceeding purchase, as we will see in in the following paragraphs dedicated to the best practices of the sector.

The trends just presented correspond to the areas in which there are more developed solutions able to facilitate and speed up the experience of purchase while offering experiences to the customer and information to the retailer. However, while abroad that trends are already an important reality (especially in U.S and China) as we will see in the next paragraph in Italy the investments into digital innovations are still restrained. (I. Myr, 2019)

2.8.1 THE ITALIAN SCENARIO

A research carried out from the Observatory Digital Innovation in Retail, promoted by the School of Management of the Polytechnic of Milan and which conducted an analysis on the top 300 retailers by turnover in physical stores, and - in collaboration with Confesercenti - on a sample of about 300 small and medium-sized retail businesses show of how technology is transforming the very meaning of the store, a place more of a relationship than a transaction.
Starting from the analysis of 80 top Italian retailers in the spotlight of the analysts, what emerges is how the overall digital spending is still low passing from 20% of the total annual investments in 2017 to 21% in the 2018, correspondent to just the 1% of the total turnover in 2018 of the retailers, as we can notice in the following graph.

Figure 52: **Digital Innovation Investments in Store**



Source: Osservatorio Politecnico di Milano, 2019.

To make a comparison, Walmart recently said that in 2018 it spent 12 billion dollars for digital innovation, equivalent to 3% of its turnover.

Compared to the big players in the sector, medium-small retailers have a still critical relationship with innovation. The incidence of digital investment is in fact still very limited and in many cases, there is also an aggravating factor: the total lack of interest in innovation.

Digital is often thought to be more of a threat than an opportunity. In this sense, SMEs are justified by the fear of uncertain returns, high costs, lack of adequate internal skills and little knowledge of the solutions available on the market.

In cases in which instead innovative solutions and initiatives in support of omnichannelism have been adopted, mainly simplified and more elementary projects are found compared to those of top retailers.

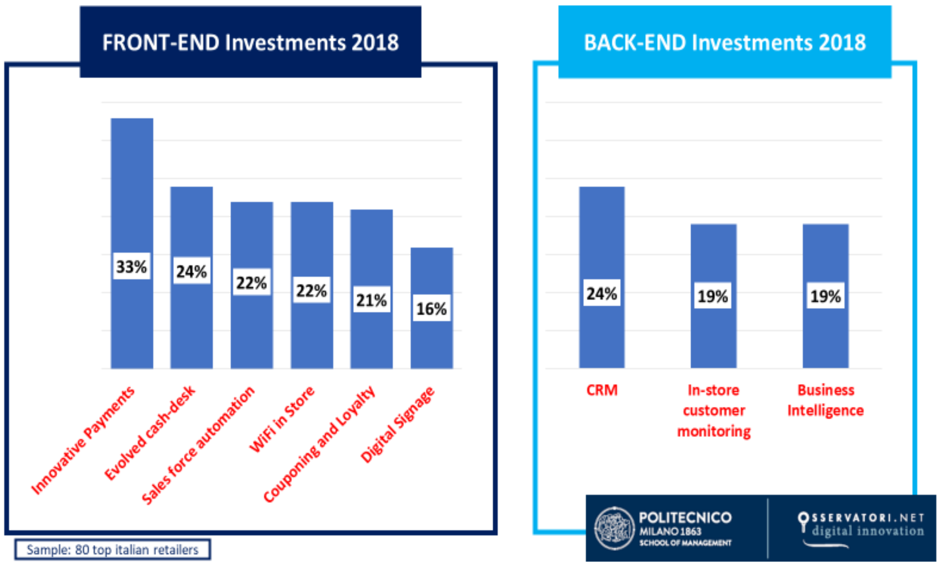
For example: creation of an information or e-commerce site; advertising of commercial activity via web channels, email, SMS or Social Media; advanced and mobile POS systems; loyalty card systems with magnetic stripe or barcode; use of third-party e-commerce platforms to sell online (marketplace sites, couponing, food delivery). It is true that these initiatives are a first step towards innovation, but the adoption rate among SMEs is still very low. (V. Pontiggia, 2019)

However, despite the evident difficulties of the SME in Italy, in 2018 in terms of macro-processes, the interest of Italian retailers in the development of digital innovations to support the customer experience in the physical sales point grows significantly. But in what directions did investments go in 2018?

The following graph shows very clearly where the interest of a sample of 80 top retailers was most focused, identifying the main lines of work: digital was introduced in the back-end to improve the efficiency of the processes and to favor a data-drive approach.

In the front-end, that correspond to the customer experience at the point of sale, the technology aims to favor access to the product (digital signage and interactive windows) and to speed up more "boring" activities, thanks to the acceptance of innovative payments.

Figure 53: **Digital Innovation Investment of Italian retailers**



Source: School of Management of Polytechnic of Milan-Digital Innovation in Retail, 2019.

Going more specifically, Investments in 2018 have been more focused on payment acceptance systems innovative with 33% of the sample, CRM solutions and advanced cash desk systems and mobile Pos with 24%. Systems follow sales force automation or online selling in store and Wifi solutions in store with 22%, acceptance systems couponing and loyalty with 21%, systems monitoring of in-store customers and systems of business intelligence analytics with the 19% and digital signage and smart shop windows and interactive with 16%.

But if it grows in 2018 in an important way the interest of Italian retailers in the development of digital innovations in support of the customer experience at the point of sale (100% adopted at least an innovation), those most implemented a more in-depth levels are the backend ones (at least 91% applied one). More innovative technologies such as kiosks, totems and touchpoints, sales force systems automation or online selling at the point of sale and self-check-out systems, have been (in about 41% of cases) tested on a limited number of outlets, without an extension of the adoption on the entire network.

In the various product sectors, there are differences in the adoption of digital innovations. In clothing, the focus is on the store: especially in luxury, the boutique remains the privileged point for a multisensory product discovery experience. In the sector innovation is introduced to reduce less pleasant activities (such as payment), thanks to systems for the acceptance of innovative payments (44%) and advanced cash and mobile POS systems (39%), and to customize the purchase path, thanks to sales force automation or point-of-sale online systems (39%). Food has mainly focused efforts on front-end innovations that create efficiency, such as systems for accepting innovative payments (47% of the sample) and systems for accepting couponing and loyalty (35%), and access to information, such as systems based on interactive tags and smart shelving (29%). Finally, in the Furnishing sector, 67% of the sample invested in solutions based on augmented and virtual reality and on in-store customer monitoring systems, while in Perfumery and Cosmetics 50% of players adopted kiosks, totems and touch points, mirrors smart and solutions to increase warehouse performance.

For the future 85% of retailers want to upgrade investment in digital innovations in store, in continuity with the past and with constant visitor involvement compared to previous years, while 70% of retailers declare that they want to focus future investments on solutions aimed at improving their internal processes. (L. Zanotti, 2019; C. Toffolo, 2019; V. Pontiggia, 2019)

2.8.2 BEST PRACTICES: AMAZONG GO & WALMART FAST LANE

Stores without cash desks, virtual carts, intelligent and personalized expenses ... Experiments by the big players in the sector like Amazon set trends and set the road to the adoption of digital technologies in the stores. In 2018, the first and innovative cashless store "Amazon Go" was inaugurated in the United States: here, thanks to the combination of multiple technologies (Artificial Intelligence, Machine Learning and Internet of Things), the customer in order to shop have to simply download the Amazon Go App, create an account and use the smartphone to identify himself at the store entrance, by a scanning code. From that moments they can pick up the products wanted and then exit the store without going through the barrier cash: the products taken from the shelves are added in a virtual cart and the amount of the expense is debited, automatically, to the Amazon account of the user upon leaving the store. (V. Pontiggia, 2019)

Figure 54: **Amazon Go & Walmart Fast Lane**

Source: Amazon.com, Walmart.com

On the other hand, in the meantime, some competitors in Europe have equipped themselves to face the announced arrival of the American giant. From Tesco (UK) to Carrefour (France), from Auchan to Conad in Italy, everyone is testing or using technologies developed by startups to get closer and closer to the model of a supermarket without cash-desk. (L. Maci, 2019)

Similar technology was developed by the other retail giant Walmart, which recently launched a new concept store in Toronto, presenting "Fast Lane", a new technology that will allow customers to use the MyWalmart app on their mobile device to perform purchases and checkout quickly and without interruption. "Fast Lane" checkout technology allows customers to scan products as they buy.

When My Walmart users are ready to check out, they enter the "fast lane", scan the barcode on their order, and exit the store in a very smooth and fast manner. (R. McCarthy, 2019)

The purpose of these innovative projects is to eliminate friction during the consumer purchase process by offering a distinctive proposal through the usage of digital innovations that brings added value.

2.8.3 BEST PRACTICES: SEPHORA, LOWE'S, IKEA, TIMBERLAND, REBECCA MINKOFF, BURBERRY

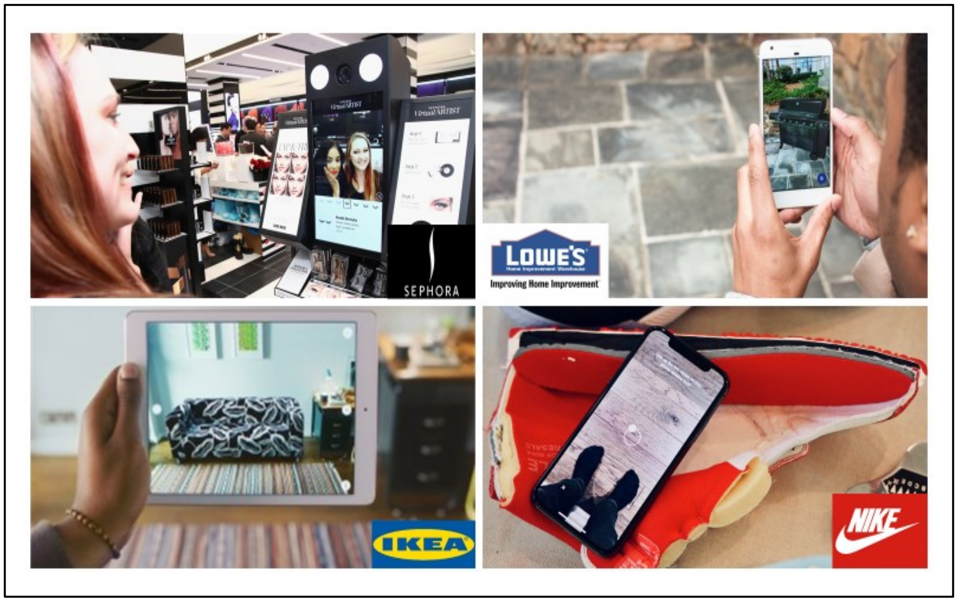
A field where augmented reality has recently achieved great success corresponds to beauty brands and retailers, that sees Sephora brand as an example of best practices, which through the partnership with Modiface, a company specializing in AR systems, VR, has launched in the market the Sephora Virtual Artist, which allows customers to try their makeup digitally. In this way the company guarantees a completely personal shopping experience and at the same time ensures a reduction in returns of product and greater customer satisfaction. (A. Denisco, 2018)

Another example is LOWE, the American company specializing in home improvement, which has launched a new feature on its app, called "view your space" with ARCore-enabled devices. Using your customers to scan their surroundings, be it a living room or anywhere else. Within a few seconds, the item, like a grill for instance, should appear in a virtual size and can be dropped anywhere. Once it's placed, users can walk around three-dimensional image, which remains the actual size of the grill from various angles. (C. Ruff, 2018)

As well as LOWE also IKEA in 2017 launched the same app with the same features. (

Other examples in this sense, coming from different sectors is Nike, which launched Nike Fit, a feature that uses a combination of artificial vision, scientific data, artificial intelligence and recommendation algorithms to scan the feet and find the right shoe for you. And you can do everything in augmented reality, using the Nike app on your smartphone. Nike says that, according to industry research, over 60% of people wear shoes of the wrong size. With Nike Fit, the company hopes to solve this problem. (E. Alvarez, 2019)

Figure 55: **AR – IKEA, Nike, LOWE’s, Sephora**

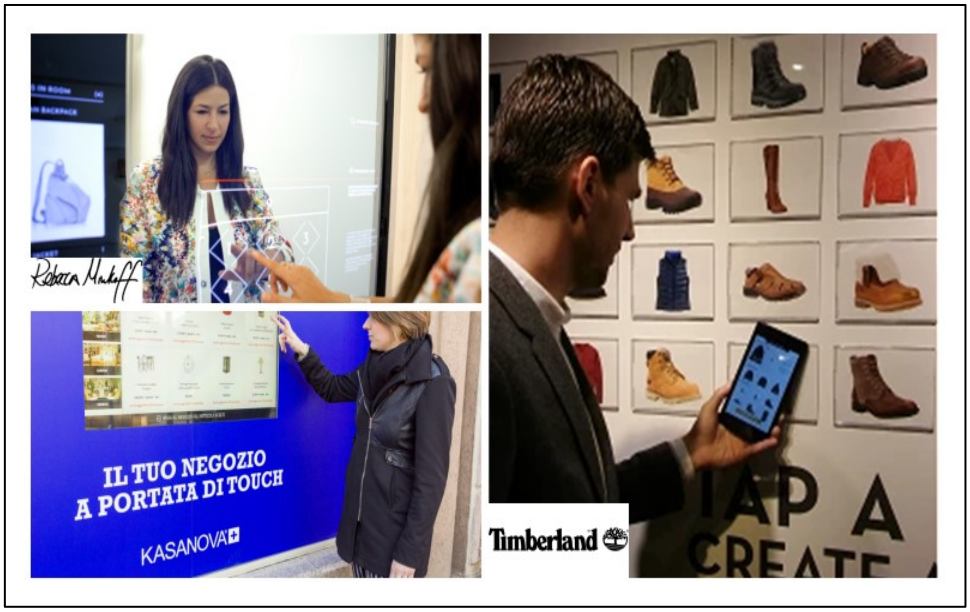


Source: Nike.com, Ikea.com, Lowes.com, Sephora.com

A further example of the adoption of technology in favor of the consumer comes from the luxury fashion brand Rebecca Minkoff who introduced the "smart glass mirror", present both in-store but also in the dressing rooms that allows the user to order a garment to a sales advisor while he is in the dressing room, view the availability of sizes, colors, request assistance, and it is even possible to change the lighting level. (H. Milnes, 2015)

There is even the interactive shop windows introduced by Kasanova. In fact, an interactive monitor has been added to the traditional static and passive showcase, able to come to life with the user's touch. In this way the customer can research and select the products that interest him most, looking at the latest news and offers. A new and original way to intrigue passers-by who stop in front of the store, informing them of the latest news in the store. (An.Magazine, 2018)

Figure 56: **Rebecca Minkoff, Timberland, Kasanova Innovations**



Source: Digiday, 2016; Anmagazine, 2016.

Regarding the usage of NFC (*near-field-communication*) a Timberland store in New York has introduced tablets to help customers learn more about its products. Customers borrow NFC enabled tablets to digitally and socially engage with the products in store. All products in the store have a tag that can be tapped by the tablets to view product information and recommendations. Customers are also able to tap photos of products on walls in the store to add to view more information at the end of the journey the customer can send a wish-list of items they liked and send it to them self by e-mail.

These invaluable insights can enrich the shopping experience by allowing customers to interact with the products in exciting, innovative ways, allowing them to benefit from a service without necessary download the app. (H. Milnes, 2016)

The last example to mention is the British fashion brand that operates in luxury fashion, Burberry. Starting in 2006, the company aimed to reinvent itself as an end-to-end digital company. His strategy was to use Big Data and artificial intelligence (AI) to increase sales and customer satisfaction.

How? It does this by asking customers to voluntarily share data through a series of loyalty and reward programs. This information is used to offer personalized advice, online and in-store. When an identified customer enters a store, sales assistants use tablets to offer purchase suggestions based on their customers' purchase history and their social media activity. If Burberry knows that a customer has recently purchased a coat, for example, assistants can be encouraged by the app to show them a bag that is popular with other buyers of the coat.

The products in their 500 stores scattered in 50 countries are also equipped with RFID tags that can communicate with buyers' cell phones, providing information on how the articles or recommendations were made on how they can be worn or used.

The results? more than positive, in 2015, the company announced that their investment in personalized customer management programs had led to a 50% increase in custom repetitions. (Forbes, B. Marr, 2017)

CHAPTER 3

3. CASE STUDY: THE CONTEXT

In the following chapter, the company, subject of the case study is presented, starting from historical hints to then deepen thematic such as the business model, up to the developed approach with respect to the retail sector with attention to the services offered correlated to the omnichannel strategy.

The Adolf Würth GmbH & Co. KG with headquarter in Künzelsau, born in 1945 in the Baden Württemberg. Adolf Würth, after the immediate post-war undertaken and started the concept of the direct sales. From the 1954, after his premature death, the younger son Reinhold Würth, taken in his hands the rein of the hardware of his father. He entered to work with an apprenticeship from the younger age of fourteen and then from the age of nineteen embarked on the management of the company.

The era in which the company was expanding was favorable to its development. The country had been destroyed and endless volumes of fastening materials were required for reconstruction, meaning that procurement was often more difficult than selling the goods.

An expansion not just of commercial type but even of boundaries. Already in 1962, were found the first foreign subsidiary in Holland, that gives the start to the Internationalization of the Group.

An unstoppable route of growth that lead the Group to be present in 84 Countries worldwide with over 400 Societies, with a disposable sales force of 77.000 that satisfy the request over 3.6 mln of customers.

At the bottom of the group Würth there is the society Adolf Würth GmbH & Co. KG.

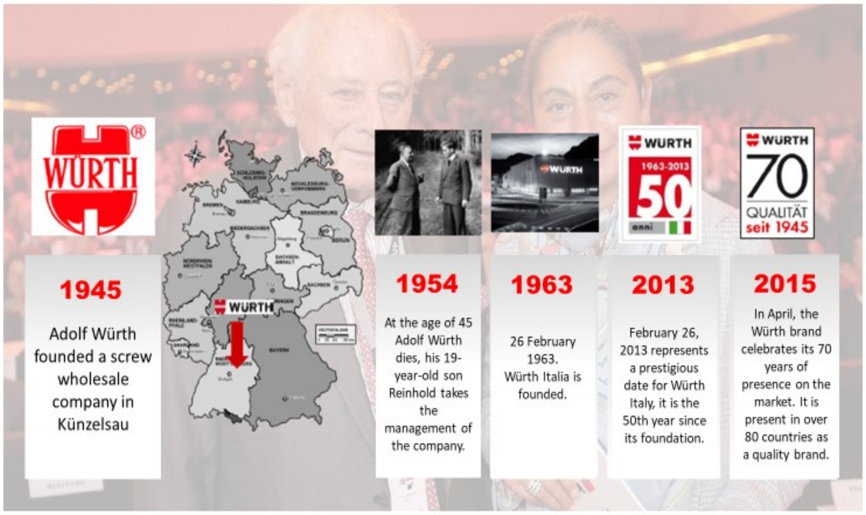
The corporations at the head of the group operates in different sectors. The group Würth enhances allied companies, firms that have their own mark and are handled by themselves in different activities with respect to the core business of the group.

Into the core business, the Würth line, the set of products for the craftsman and industry include 125.000 products: from screws, accessory for those, anchoring instrument, chemical-technical products and personal protection equipment. The allied companies of the group, which either operate in business areas adjacent to the core business or in diversified business areas, complete the range of the offer supplying DIY products for stores, materials for electric installations, electronic components (e.g. circuit boards) as well as financial services.

3.1 THE GROUP IN ITALY

In the panorama of Würth International Group subsidiaries, Würth Srl in Italy is the largest foreign company. Once the Group's internationalization process began, Reinhold Würth decided that the time had come to set up a Würth department also in Italy. After Switzerland and the Netherlands, on 26 February 1963 Reinhold Würth, Anton Seebacher (first CEO) and Onorino Soccol founded Würth Italia, organizing the first legal and operational headquarters in Terlano (a town outside Bolzano). In 2002 the headquarters moved to Egna, where since 1977 there had already been a Logistics and Administrative Center.

Figure 57: **70 years of Würth History**



Source: Würth Corporate.

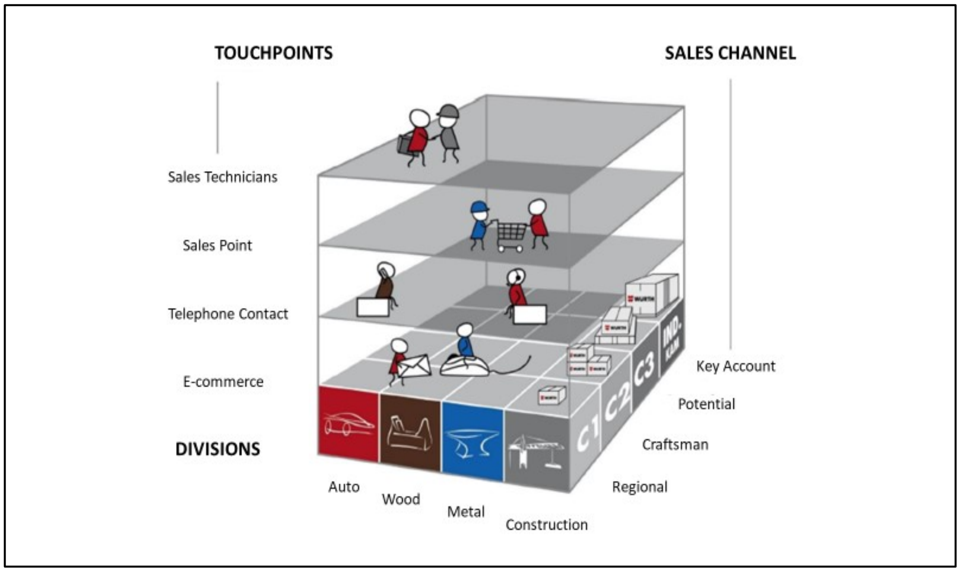
In the history of the company, Würth in Italy had three managing directors who from 1963 succeeded one another at the top of the company: Anton Seebacher (from 1963 to 1998), Helmut Gschnell (from 1998 to 2008) and Nicola Piazza, the current CEO of Würth Italy.

Würth Italy has developed exponentially, becoming the reference partner for the 240,000 professionals in the automotive, building, construction and industrial sectors, with its 3 Logistics Centers in Egna (BZ), which is also the headquarter, Crespellano (BO) and Capena (Northern Rome), and with an ever-increasing number of Sales Points throughout Italy currently over 160.

3.2 THE BUSINESS MODEL

The Wurth company is a multi-channel company by vocation that bases its distribution on the following channels: sales technicians, sales points, tele selling and e-commerce.

Figure 58: **Würth Business Model**



Source: Würth.it

The sales technicians represent the heart and driving force of the business of the company, thanks to which it is possible to establish direct contact with the potential customer, offer constant support and create a true relationship based on professionalism and mutual trust.

This is also confirmed as presence in numerical terms. Nowadays there 33.218 sales technicians over 77.080 collaborators. While in Italy there are over 2.400 sales technicians who visit their customers daily, proposing a range of products, services and news and following the customers step by step in their business.

A further touchpoint is constituted by the Points of Sale, which currently are 165; those guarantee widespread coverage and a constant point of reference throughout the national territory, with at least 5,000 items immediately available in store.

The shops guarantee a self-service but at the same time there is a complete assistance provided by the presence of the collaborators in the store.

Then there is the contact center, opened in the 2000, where there are about 250 operators available for the clients for phone orders, consulting, information requests (about products or the state of the expenditures or even financial information) estimates or dedicated offers.

About the digital touchpoint offered by the group, the customers can take advantage of the Online-shop functions and services of e-procurement.

Wurth online-service it's a dedicated area to the clients, that permits them to have access into a "world" of services completely free, among: browse the online catalogue with an advanced method of research, take a look at the historic purchase, receive customized offer, consulting and downloading the invoices or transportation documents, save personal shopping cart etc...

While the e-procurement systems allow the companies even to reach the optimization of the provision process, looking into an industry 4.0 perspective.

3.3 RETAIL IN WÜRTH

As previously observed, the company has been embracing a multichannel logic for years now: where a network of proprietary stores, a call center, an eCommerce site and a Mobile Shopping App are added to the sales technician channel.

Figure 59: **Temporary evolution of the company distribution channels**

1963	**Development of the technical-commercial sales network**
1985	**Opening of the first store near Rome**
1996	**First online B2B shop and e-procurement services**
2000	**Opening of the teleselling channel**
2015	**New B2B e-commerce site and launch of the App**

Source: wuerth.it

As we can notice from the previous figure, that underline the milestones regarding the evolutions of the distribution channels, over the years the company responded to continuous external changes by adopting and investing in new solutions.

The main purpose was and is that the customer can find whatever they need at any time and can buy on the channel he prefers at the time he prefer, either digital or offline.

As extensively analyzed in the previous chapters, we are facing a period of strong instability and change, characterized by the evolution of consumer buying behavior and the introduction of digital tools that have forced companies to re-think their own model of business.

In this sense, by shifting the focus to the store and in order to meet the multiple needs of its customers, Würth Italy has recently, added to the opening of traditional Würth sales point also new stores with innovative concepts, in some cases specializing in specific sectors of craftsmanship and creating real partnerships with other companies that supply complementary and / or similar products, aimed at the same customer segment.

Therefore, in the following paragraphs will be presented more in detail how the retail formats adopted by the group are structured.

3.3.1 TRADITIONAL STORE

Before focusing the attention on the new concepts developed it is necessary to have a clear vision of what we will define a “traditional” Würth store.

The first store in Italy was opened in Cormano in 1989, since then the openings have never stopped until reaching the current number of 165 stores covering the entire national territory.

Especially in recent years, the company has decided to increase its capillarity and presence on the territory, with an average opening of around 20-25 stores a year.

Figure 60: **Würth Traditional Stores**

Source: Würth Corporate

The role of the store is of predominant importance as they serve about 70% of corporate customers, while about 60% of new customers are opened by them. Overall, the retail sector in Italy generates around 24% of the company's turnover.

Traditional stores have a surface average of 500 square meters and rise within industrial zones, near highway exits of the most important traffic junctions. While The assortment of sales points consists of over 5 000 references; this assortment is identical, in an amount equal to 85 in all points traditional sales. Obviously, inside the store there are exclusively Würth products.

It should be noted that the offer in terms of product of the group corresponds to an order catalogue of 125,000 products, therefore within the store it will be possible to find all those products with the highest turnover rate and of primary importance for the professional target.

The traditional sales point is aimed at all Würth customer divisions (electricians, installers maintainers, hydraulic, constructions carpenters, blacksmiths) and enhance products from fixing elements like anchors, rivets, dowels to chemical, prevention, electrical to work equipment.
However, of significant importance is the fact that recently the group has decided to carry out a restyling operation on some traditional store, which will include aspects of the layout like the introduction of the "the artisan sales point", as is possible to note from the previous figure, but even the in-store references have been increased. Very important to underline the fact that about the choice of the references in-store, have been created internal automatism, thanks to the collaboration between two departments: BigData Analytics and the Store Office.

3.3.2 WÜRTH SUPERSTORE

In 2017 Würth chose to support the consolidated network with a format aimed at specific professional targets, launching a new pilot format for the entire group, called Würth Superstore.
A revolution that starts from Italy, the first Superstore opened in Pero (Milan). There are some substantial differences between the already active traditional stores and the nascent Superstore channel. The pilot project is on a large surface that corresponds to about 2250 square meters, much larger than the traditional stores.
In addition, in the store an assortment of about 2,000 Würth products is combined, for the first time in a store signed by the group, with 10,000 multi-brand items (such as Bticino, Schneider, Gewiss, Vimar, Ceramica Dolomite, Ideal Standard, Grohe, Ariston), with the aim of providing a complete response to the needs of professionals in the thermo-hydraulic and electrical sectors. The classic assortment of Würth products, such as hand tools, electrical products, chemical products, fixing systems, is

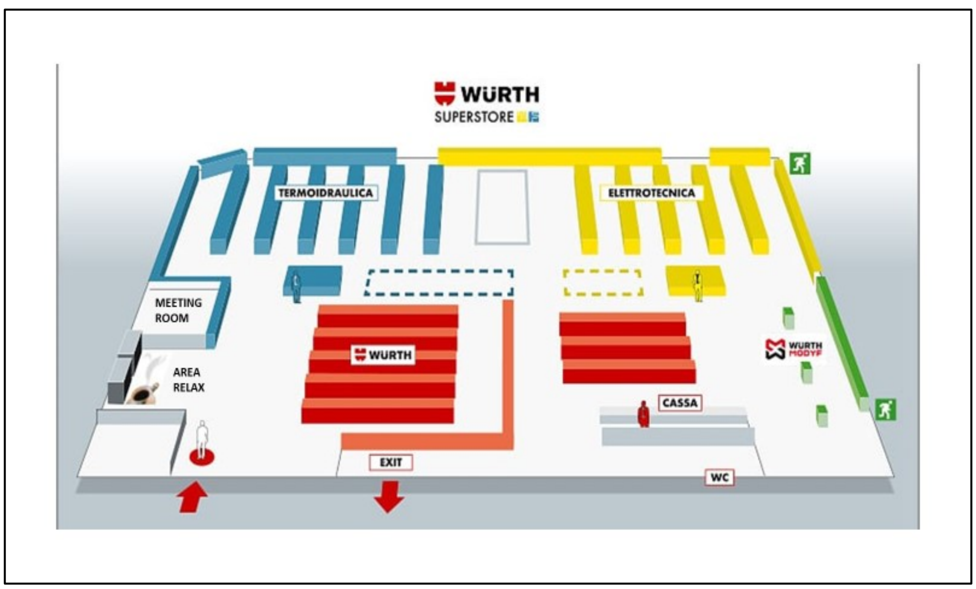
accompanied by all the items not treated so far, such as electrical cables, panels, junction boxes, switches for the electrical world and pipes, radiators, boilers, faucets for the thermo-hydraulic world.

To complete the offer the point of sale also guarantees the possibility of choice on another 200,000 items that can be ordered in the catalog, for one of the largest offers on the market.

The goal is to create a one-stop-shop and thus offer certain categories of professionals everything they need to do their job.

Among the main drivers that led to the creation of this innovative concept at global level of the group, there were the opportunities deriving from the market regarding the identified categories, as the electric and hydraulic sector were experiencing a period of strong growth, this constituted an opportunity for the group not only in terms of the market but also and above all to offer an even wider range of products and services to the categories of professionals selected.

Figure 61: **Würth Superstore**



Source: Wuerthsuperstore.it

Therefore, the Superstore is set up with separate departments for the two areas of expertise, electrical and thermo-hydraulics with multi-brand products, a Würth area, an exclusive corner dedicated to clothing, work and leisure, Würth Modyf and a final area reserved for promotions, as we can observe into the figure.

The store is then enriched by a conference space that can be used for meetings and training sessions, plus a refreshment-relaxation area.

The point of sale is not particularly cared for in aesthetics or teaching therefore, leaves little space for the 'shopping experience'. On the other hand, it is easily "readable" by the customer, who on entering has all the departments in view. In fact, the very low ‘gondolas’ in the first part of the shop (with products from the Würth brand) allow an excellent view of the high shelves placed on the bottom containing the products of other brands of the thermohydraulic (blue color) and electricity (yellow) categories.

A further difference compared to traditional channels is the opening towards the private and then to the B2C. However, the core business remains that of professionals who purchase with VAT, also because those who buy with a receipt cannot take advantage of personalized discounts.

Würth Superstore offers the assisted free service, in fact to the classic modality of purchase at the counter through the sales staff, customers will be able to place side by side the experience of the purchase "self-service" that is in liberty, autonomy and speed.

The goods are exposed and can be taken by the customer as in the large-scale retail trade and even readers are present for self-scanning.

The quick delivery service on site completes the offer for those who prefer not to go to the store.

3.3.3 CASA DELLA VITE

'Casa della Vite' of Würth is the first innovative concept store of the international group dedicated exclusively to small metal parts and is once again part of an expansion plan in terms of number of points of sale on the national territory by Würth. The new concept was launched always in Italy in the last July in Castenedolo.

The market environment that new store address is represented by the companies that build steel structures - the classic metal structural work - and aluminum, as well as companies operating in plant engineering, maintenance and industrial automation.

Figure 62: **Casa della Vite**

Source: Wuerth.it

The assortment of the 'Casa della Vite' covers a wide range of small metal parts, with 5000 references in store. Different types of screws will be available, metric, self-drilling and self-tapping (both in steel and stainless steel). The assortment is completed by the dowels, rivets, as well as a variety of metalworking products such as drills, abrasives, cutting wheels, hand tools, electric tools and chemical products.

Therefore, it becomes clear that this new concept is the first specialized store in products for division customers (metal and installations).

However, the main innovation of this new concept is offered in terms of services, as well as specialization, with the logic of the "order" (commessa) will be supplied the metal parts in the "exact" quantities requested by customers (other quantities respect to the minimum standard packaging).

The store is structured in two distinct and separate sections: into the first area there are about 800 products accessible to all; the rest of the products is in the back part, accessible only for customers who work with an 'order' (commessa) or in possession of a technical drawing of a project to be carried out for which they need a bulk number of products.

In the new store there will even be a direct delivery service on site, referring to all the goods available in the store. In fact, through the Icarry courier, delivery to the customer will be guaranteed in an estimated time of just four hours.

The launch of this innovative concept was driven mainly from market opportunities but above all the goal set by the company was to be closer to its customers and their needs.

Würth, operating in various segments of the craft market, is increasingly its policy of multiplication in the retail sphere towards the specialization of its merchandise offer and services. (Würth Corporate, 2019)

3.3.4 H24 SALES POINT

A further example is the proposal of new shopping experiences in stores with the innovative H24 delivery services, which guarantee maximum hourly flexibility and autonomy in the management of purchases, even in the absence of personnel.

A pioneer of this project is the shop of Mules, a small village in the municipality of Campo di Trens on the border between Italy and Austria, which opened this year.

The choice of this shop is motivated by its convenient location near the construction site of the Brenner Base Tunnel (BBT). Considering that there are about 3,000 workers who work day and night in the courtyard, Würth aims to become a reference point for companies in the area, but above all to test a sales format.

The company no longer guarantees warehouse shortages or interruptions to operations. In fact, thanks to an innovative electronic recognition system, the customer will be able to purchase the goods at the desired time and in complete independence. Each BBT worker will be given a personal card, a sort of badge that will allow access to the store only to cardholders. Once inserted, the customer can pick up the items from the shelves and go to a dedicated station, scan them and collect the receipt. At this point, the purchase process is complete, and the customer can return to work.

Figure 63: **H24 Mules-BBT**

Source: Personal Resource

The store has an assortment of flexible products that changes based on the variation in worksite workmanship. Furthermore, inside the store there is an internal area where it is possible to cut and carry out a series of the materials available, such as pipes and metal sheets, offering a service of customizations based on the needs of the customers.

This initiative undoubtedly represents a fundamental milestone in the customer experience that Würth offers. It is a formula that perfectly integrates innovative technologies and stationary trade to meet the new purchase needs of customers and guarantee goods always available.

3.3.5 SHOP IN SHOP

The boundaries of the store have changed in recent years, to adapt to a more accessible and human-scale dimension. From the need to approach the customer comes the idea of the Shop in Shop, through the creation of spaces created ad hoc by the brand that are closer, more comfortable or even more specialized for the consumer public. (RCG, 2019)

Therefore, it's necessary to provide a definition of SiS: it's a store-within-a-store, or in other word is an agreement in which a retailer rents a part of the retail space to be used by a different company to run another, independent shop.

The shop-in-shop concept is another service provided by the Würth group, that is added to the other channels already present in the distribution network.

Among the reasons that led the group to want to adopt this approach are, greater presence on the market, engaging the customer where there is no potential to open a store, achieving all types of segments (construction, electrical, agricultural, metal, etc.), increasing interaction with customers and increase loyalty and increasing even the brand visibility.

Figure 64: **Würth Shop in Shop solutions**

Source: Würth Corporate

The objective of the group in this sense is to obtain SiS spaces with large chains such as Bricoman, with whom a collaboration has already been launched, which guarantee greater quantities in terms of sales and therefore turnover, as well as flow of people and therefore this also means advantages considering the visibility of the brand.

However, good possibilities also come from smaller players, we refer to consortia or small local hardware; while on the one hand these realities often do not have the characteristics necessary to host a SiS Würth, on the other when possible and in a completely strategic way they offer the possibility of having contact with that very difficult customer to engage, often located in the small local realities.

The potential to generate benefits thanks to the adoption of the shop in shop formula is clear.

Furthermore, the investment that must be made for an SiS presence is considerably lower than the opening of a new Store, which translated into business terms means less risk and higher opportunities to serve more segments, even the most difficult for the group as the target agricultural, which usually uses consortia and hardware.

In addition, SiS can also be used as a research tool, through which the company acquires relevant information from potential customers, even in those areas where there is no store presence.

When the host provides information about preferences/assortments necessary, it is indirectly transferring value to the group expressed in terms of relevant information that can provide advantages.

3.4 WÜRTH OMNICHANNEL STRATEGY

The main market players are called upon to develop new business models and strategies to deal with the changes taking place in consumer purchasing processes, which are increasingly taking place through multiple physical and digital channels and at any time and place.

This change requires a rethinking of contact points, their integration and the development of marketing plans.

So far, the different innovative concepts developed by Würth Italy have been presented, where the focus was mainly on the use of physical space, the launch of new formats correlated with the offering of new customized services and the use of digital innovations, just think at the H24 store.

But the group's commitment and attention are aimed at pursuing the achievement of 'omnichannelism', therefore the perfect integration between physical and digital channel.

In this sense, concrete actions have been carried out investing on the introduction of new services such as the Click & Collect and the Würth Automatic Store, which will be appropriately described in the next paragraphs.

3.4.1 CLICK & COLLECT AND LOCKER

One of the services aimed at favoring omni-channeling as anticipated is the click & collect, offered by Würth which confirms the desire not to be exclusively view as a direct selling company through a seller, but want to reinforce the presence of the store and the e-shop, therefore the integration between the available touchpoints.

Figure 65: **Würth Locker**

Source: Wuerth.it

It is possible to order the products through the site and therefore the e-shop or through Würth APP mobile shopping application. It will be possible to choose the withdrawal of the product from over 160 sales points in Italy and the guaranteed time of issuing the order is 60 minutes.

The second service, recently launched, concerns the Würth Lockers, automatized machines that allow you to pick up the goods ordered outside the store, at any time, on any day. This delivery method is designed to meet the purchasing needs of those customers who enjoy less time flexibility and guarantee an efficient, fast and secure procurement service.

The consumer can place the order directly at the point of sale, by phone, online or by e-mail as soon as the purchased goods are deposited inside the locker, they will receive a confirmation text message in real time with a code for the withdrawal authorization.

At this point, simply go to the Würth Locker chosen and collect the goods from the door where it was deposited, using the code received. Each Locker can only be opened using the individual code, in order to carry out the withdrawal in complete safety

The first Würth Lockers were installed at 8 stores in Trentino Alto-Adige, respectively in Egna, Bolzano, Merano, Bressanone, Arco, Rovereto, Trento and Cles.

3.4.2 WÜRTH AUTOMATIC STORE

Guaranteeing an increasingly efficient service and facilitating the purchase activity on all touchpoints, integrating the offline and online channel, with a phygital approach and provide, at the same time, a service that really simplifies the life of users, saving them time, offering more ways and opportunities for purchase. With this objective Würth Automatic Store is born, the Würth project, in collaboration with Hevolus Innovation and ICAM.

The inauguration, in 2020, of the first Würth Automatic Store, an automatic shop (launched by the group at world level) that combines the possibility of buying on the spot or collecting the goods purchased online, responds to this logic, through a sales solution active 24 hours a day, 7 days a week.

Where will the automatic pilot shop be offered? Within one of the industrial districts of the North East of our country. Later, it is planned to launch other Würth Automatic Stores throughout the national territory, in districts / industrial areas of ports, airports, large construction sites.

In this way Würth expands its geographical coverage, without having to open new sales points, and at the same time being able to test the commercial potential of multiple locations. Furthermore, through this solution, Würth is physically close to the places frequented by its target customers, significantly raising the service bar.

Figure 66: **Würth Automatic Store**

Source: Würth Corporate

Entering the technical features, the new concept is a 13 m removable container, equipped with external paneling and shelter. The structure manages 1,800 references, including temperature-controlled items, thanks to an ad hoc temperature conditioning system. The customer can choose to buy on the spot, thanks to the integration of the structure with a Pos system or can withdraw what he bought online. In this second case, the customer will be advised, via notification on a smartphone, of the availability, at the Würth Automatic Store, of the goods ordered on the web, and will be able to pick it up when he wishes. Therefore, the automatic shop is even integrated with Würth systems for orders and logistic.

CHAPTER 4

4. THE RESEARCH

After an in-depth academic research of the literature where the major functions and theory of the retail was provided and an history excursus of the major milestones and evolution was analyzed, presenting the strategies that can be adopted by retailers from the multichannel to the omnichannel approach, the research shifted into the second part to the identification of the latest major trend of the retail, analyzing for each of the trend identified the scenario and presenting the best practices of the sector. Going forward a presentation of the current retail approach of the company, object of the case study, was provided.

While in the following chapter the attention will be on the description of the methodological approach adopted and how the analysis is structured.

Subsequently will be introduced a matrix, which aim to highlights and ranks the trends emerged from the previous analysis of the B2C sector.

In particular, the chapter focuses on understanding the current state of the art of the company with respect to the evolutionary trajectories identified. In order to obtain this perspective will be used a mixed method approach, that allow to obtain multiple point of view.

Therefore, after the analysis and the merger of the results and the different perspective, the research aims to provide the right recommendations and offer a contribution to the corporate group, with the objective to respond and move forward to the continuous changes and challenges that the retail sector presents.

4.1 RESEARCH METHODOLOGY

Into the following paragraphs, attention will be dedicated to the research, specifically defining the objective in the first paragraph and then continuing with the presentation of the research method adopted.

4.1.1 RESEARCH OBJECTIVES

The entire thesis work aims to carry out a study and analysis between retail and category concept of B2C and B2B Business with attention to the Würth business context.

In this research we want to understand and identify which are the major evolutionary trajectories of the retail sector, which especially in the last decade has changed considerably due to new technologies and instant access to electronic devices that have created new consumer habits and expectations, modifying the traditional distribution process.

It was decided to deepen this new scenario in the first part of the research, while in the second part to present the current corporate scenario and future strategic implementations that will be related to the research carried out with the aim of identifying the misalignments and critical issues, useful to provide recommendations and feedback but also to understand the replicability of these concepts / innovations in a B2B perspective and therefore into the Würth group.

The objectives pursued in the research can therefore be summarized with the following table:

Figure 67: **Objectives of the research**

PURPOSE OF THE RESEARCH
Identify the major evolutionary trajectories of the B2C retail sector with focus on the role of the store
Analyze and understand the company's strategic position towards the new retail scenario
Identify the misalignments and critical issues to provide recommendations and feedback

Source: personal reproduction

Strong emphasis has been dedicated to the role of the store, that is more relevant than ever as customers utilize it as an extension of their digital journeys.

Often, retailers are required to not only implement increasingly sophisticated digital solutions in their stores but in many cases re-design all or part of their stores to enable these new capabilities.

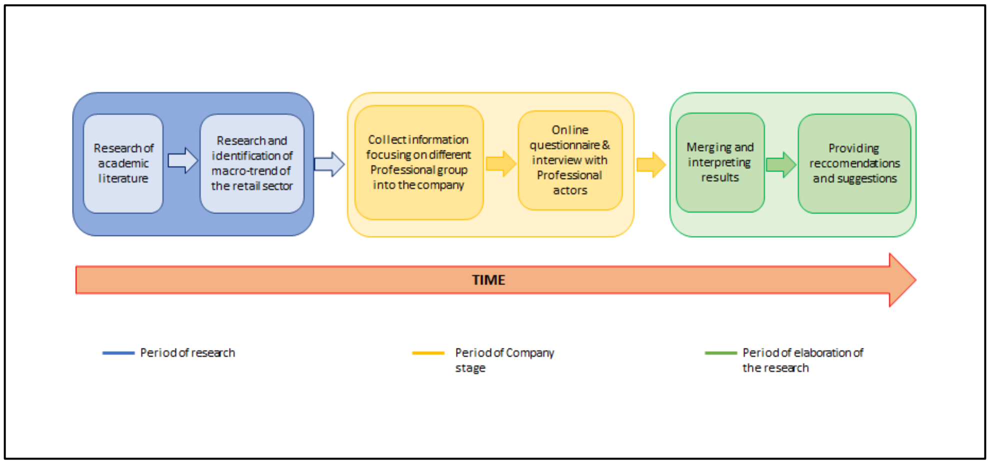
Therefore, the focus was on the use of physical spaces, which in turn are related to digital and innovation that affect the overall customer experience.

4.1.2 THE RESEARCH APPROACH

It was decided to adopt an approach based on the mixed method (MM), which includes multiple ways of acquiring information, data, perspectives, standpoints. (Creswell, 2011).

The research was therefore carried out both from a quantitative point of view, using a questionnaire, and from a qualitative point of view using interviews and focus groups.

Figure 68: **The stages of the research**



Source: Mixed Method Approach - Personal Reproduction.

The above figure highlights the macro-steps involved into the mixed approach and then into the research methodology. Each of the macro-steps includes other internal activities, with different purposes and usefulness. The functions of these will be presented and analyzed below, with the aim of providing a clear and defined view of how the research was conducted.

In the initial phase of the research an in-depth literature search was carried out, through which the evolution and some of major changes of the retail sector have been presented.

With the first academic part it was decided to provide a complete overview of the retail sector which includes numerous aspects, in fact the research pointed out argument of fundamental importance starting from the evolution of the strategies that can be adopted by companies and therefore from the multichannel to the omnichannel, the changes in the consumer buying behavior up to the impact of digital technologies with a very positive trend of the use of mobile.

Subsequentially, the focus moved to the identification of the macro-trend about the B2C retail sector. In this phase 4 macro areas have been identified, introduction of digital innovations, launch of new formats, adoption of omnichannel strategies and introduction of new services where companies' best practices have been analyzed and presented.

The second phase of the research is characterized by an internship period spent within the company. The insertion was immediately aimed at getting to know the company reality and the strategy adopted by the group in response to the numerous changes and challenges of the retail sector, previously analyzed in the academic and research part.

In this sense, the company has also set up coaching days in all departments, such as big data analytics, SPM-Sales performance management, stock management, e-business, as well as having continuous support and updating with the sales points department and with the office manager.

Additionally, qualitative interviews were conducted to the managers of the different retail concepts adopted by the company, with reference to the Shop in Shop strategy, the Würth Superstore and 'Casa della Vite'. Physical visits were also made in all new retail concepts in terms of format, alongside the group's retail marketing manager. During the internship there were also specific days spent at traditional sales points and at the Mules BBT concept store that guarantees a 24-hour service.

As underlined, there has been a strong diversification of the activities, that allowed to obtain an in-depth knowledge of the business reality, to collect information and have different point of view or perspective from different professional subjects.

Subsequently, after having developed the previous phases, and therefore obtained a very broad vision of the internal scenario about the company and the external scenario thanks to the research, it was decided to structure and submit a questionnaire referring to the identified trend, both to customers and store operators. However, the questionnaire will be analyzed in depth and appropriately commented in the results in the next paragraphs.

Into the final step of the methodology of the research showed into the figure, there is the "triangulation" or a merger and the interpretation of the results, which take into consideration several aspects in order to provide a useful and accredited recommendations to the company.

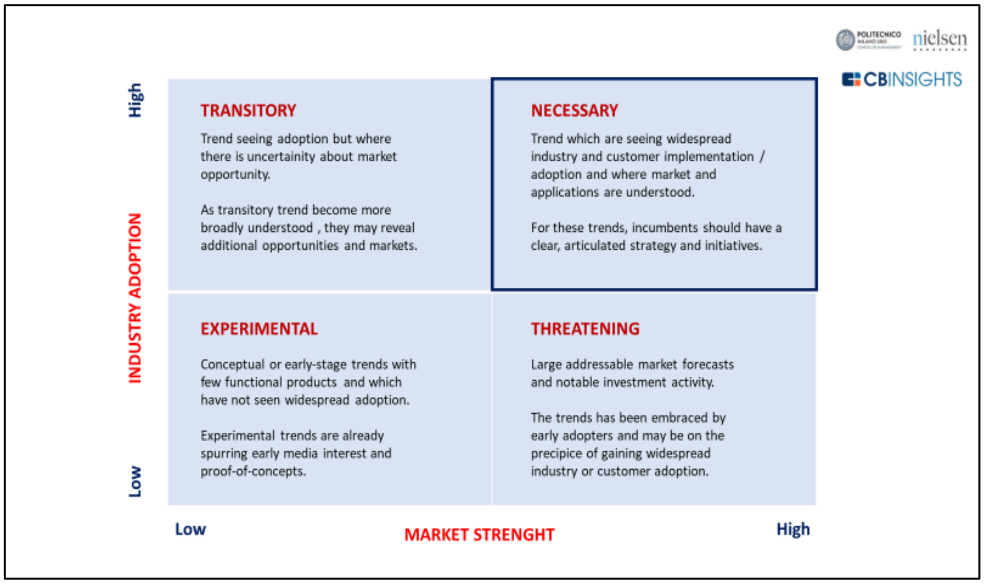
4.2 RETAIL TREND MATRIX EVALUATION

In the previous chapter were identified the new challenges and trend of the retail sector, these were classified in four different macro areas: launch of new store formats, introduction of digital innovations, offer of new services and omnichannel integration. Each have been analyzed and have been presented the relative best practice.

However, of all the trends that have emerged in recent years and properly presented, not all of them will realistically have a marked effect in next short-period. Some are still in their early stages, while the value of others is uncertain for both brands and buyers. For this reason, it was decided to provide an evaluation of the identified trends.

CB Insights, a strategic intelligence firm, analyzed the different trends position and have created a matrix, called NExTT framework, that offers a picture of the changes that will have a strong short-term impact and ideas that are likely to become increasingly important in the future. Below there is a description of how the matrix is structured and what are the factors chosen to build it.

Figure 69: **Retail trends evaluation parameters**



Source: CB insights, Osservatorio Politecnico di Milano, Nielsen (2019)

As we can notice into the previous figure, on the 'y-axis', as parameters is used the industry adoption, that includes factors such as the momentum of the startup in the space, customer adoption (partnerships, customer licensing deals) and media attention, while on the 'x-axis' the other parameters used correspond to the market strengths, that take into consideration factors like the intensity of competition, investments on R&D, quality and number of investors and capital and the market sizing forecasts. (CB Insights, 2019)

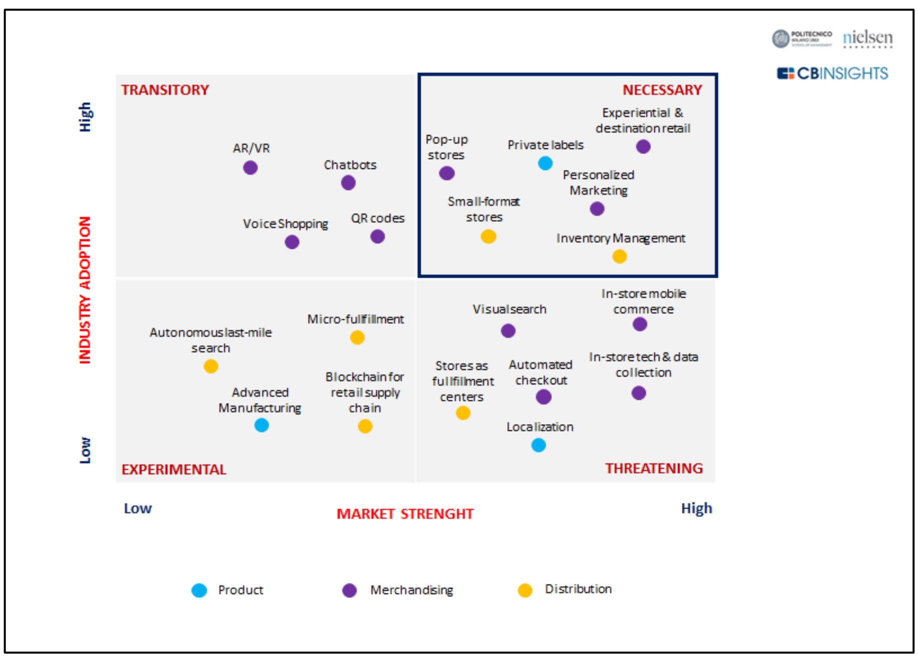
From these data, CB Insights has grouped trends into four different categories:

- Experimental: trends that are in their early stages or have proof of concept, but which have not yet produced many useful products or are not yet widely adopted on the market.

- Transitory: ideas that retailers are implementing, but where there is still a lot of uncertainty about their value and how retailers can make the best use of them.
- Threatening: these have great market potential and investment capital flowing into them, but only the first adopters have so far put them into practice.
- Necessary: things with a clear and understandable value that many retailers have already put in place and buyers are actively using. At this point, companies should already have plans on how to use them in 2019.

The dot colors of the points in the graph refer to which part of the retail sector affects the trend. Blue is product, purple is merchandising, and orange is the supply and distribution chain.

Figure 70: **Retail Trend Evaluation: an overview**



Source: CB insights, Osservatorio Politecnico di Milano, Nielsen (2019)

As showed by the matrix the value of stores that are destinations in themselves, as opposed to just places to transact sales, and of brand private labels is well-established by now. The most emblematic examples in this regard were addressed in the part relating to the Upsizing trend, where virtuous examples of the Flagship store were presented.

It has also been underlined how to become destinations retailers can even act by implementing services aimed at raising the consumer's experience, as in the cases presented by SPAZIO Conad or Leroy Merlin.

Then there are the small-format stores, which make sense as e-commerce grows, and giant stores become to burden if they do not reinvent their meaning. As observed into the downsizing paragraph, there are many retailers that work on higher surfaces that are launching and adopting smaller format mainly driven by the sub-urban opportunities, to getting closer to their customers.

Pop-up stores are proliferating across retail sector, in a fast way. These short-term retail spaces serve as a natural setting for retail experimentation. They provide a place for retailers to test out new products, branding campaigns, in-store technologies and store layouts.

In addition to trend referred to the usage of the physical store there are even the personalized marketing which allows brands to tailor things like ads and emails to the person receiving it, greatly increasing the chance of it being effective and at the same time retailers are recognizing the important of strategic, technology driven inventory management, that means optimizing how much retailers products make, when they make them, and where they distribute them. Companies such as Zara are expert in this arena, making highly efficient and profitable.

These rank among the "necessary" trends of 2019, according to CB Insights framework.

In the meantime, some of the trends with the greatest breakout potential fall into the "threatening" category, since they are receiving good interest and investments but are not yet common, such as in-store technology and data collection. In this sense, an example is provided by Sephora that have introduced an handle device in store where customers can scan their skin in order to “precisely match skin tones to available products online and in-store”, in other word each time customers scan their skin in store Sephora saves this data to personalize in-app and online product assortments. This data is invaluable for retailers to personalize the offer of marketing, however not many retailers have been able to find opportunities like Sephora has. (M. Bain, 2019)

More common, however, are other "threatening" trends, such as visual research, that some retailers have recently launched including the retailer Farfetch, or the in-store mobile commerce where shoppers can make purchases through their app in store.

Other identified trend in this section are the automated checkout, and the stores as fulfillment center. As observed, Amazon and Walmart correspond to the best practices to guarantee less friction on the purchasing process thank to their innovative checkout systems. About the role of the store as fulfillment center, even here retailers are using existing physical stores as fulfillment centers that can support growing e-commerce operations. This allows retailers to unify physical and digital operations, thinking in an omnichannel way and often make last-mile delivery less expensive. Going forward, we will continue to see retailers leverage existing physical stores as online fulfillment centers as the lines between physical and digital retail continue to blur. Some example cited corresponds to Amazon, Alibaba pure digital players that are investing into the brick-and-mortar, even Bonobos or Brooks Brothers. (CB Insights, 2019)

Into the “transitory” category there are trend mostly referred to the merchandising like the usage of the AR /VR that are finding acceptance across the retail sector as they support in areas from customer satisfaction to store planning. Observed examples in this sense are IKEA, Lowe’s, Nike.

Then the use of chatbot, if the retailers can convince customers to use them there could be significantly saving in cost about customer service.

Today, several big-name retailers are testing out QR codes, from Target to Starbuck's and Walmart with the aim to facilitate mobile payments, accelerate the checkout process and to provide additional information about the products.

Then there is the voice-shopping that is not a game changer and will less likely to make a mark into the market. CB Insights says in its report that only about 2% of Amazon Alexa users had purchased using voice in 2018.

Among the "experimental" category there are the supply-chain and distribution trends including autonomous last mile delivery through the usage of robotics, the blockchain to monitoring the supply chain, the micro-fulfillment referred to leveraging software, AI and robotics to operate small urban warehouses and fulfill online orders. Lastly there is the advanced manufacturing refers to the possibility to customize on demand products; going forward advanced manufacturing technologies like 3-D printings, robotics may play a crucial hand in transforming the supply chain into a personalized ecosystem. (CB Insights, 2019)

4.3 THE EMPIRICAL RESEARCH

Till now, in order to have a more in-depth view of the current scenario where the retailers must operate, it was chosen to identify and evaluate the major trend of the retail sector, while in the following paragraphs we shift the focus on the company scenario.

This phase of empirical research follows the objective of verifying using a questionnaire, what is the state of the art in which the Würth group in Italy is operating.

Specifically, having now clearly understood the reference scenario in a B2C perspective, thanks to the research and evaluation of trends as just mentioned and having also very clear the strategic approach adopted by the group in the retail sector, the purpose is to verify which opportunities derive from the trends identified for the company and possibly understand what limits and criticalities they imply.

4.3.1 OBJECTIVES OF THE QUESTIONNAIRE

Many retailers have cutting-edge technological solutions available to everyone. However, this does not mean that it is necessary to deploy it under any circumstances.

It must be clear that technology (means) must not be placed before the objectives for which it is used (end). Technology as well as the other trends identified in the research, can perform an enabling and multiplying function of the experience only if connected to a real need of those who use it. Innovations and changes find their optimal use when they solve a practical need and give meaning to an action. The ambition must be to simplify people's lives.

Done this premise, the creation of value for the consumer requires an in-depth knowledge of the consumer's purchasing behavior as well as cognitive dynamics.

The analysis object of the questionnaire presupposes an understanding of the cognitive factors by the consumer regarding the different selected innovation areas.

Therefore, the objectives of the questionnaire are:

- Check which opportunity arises from new technologies and services for the consumer and identify their limits;

- Investigate the usefulness perceived by the consumers of the individual technological tools wanted to develop and eventually rendered available;

- Investigate the consumer’s gradient level with respect to the new formats adopted and future one to be adopted;

4.3.2 TARGET AUDIENCE OF THE QUESTIONNAIRE

As we can notice from the following table, it was decided to submit the questionnaire with analogue questions not only to customers but also to the responsible of 20 selected stores in Italy and to all the territorial Area Managers of the Würth group.

Figure 71: **Survey target**

	CLUSTER	NR
EXTERNAL PERSPECTIVE	Würth customers	105
	Selected stores	20
INTERNAL PERSPECTIVE	Area manager	11

Source: Personal reproduction

Following this 'modus operandi' it will be possible to obtain in addition of an external vision given by the consumer, also an internal perspective offered by the sales conductor and Area Managers.

In other words, the questionnaire submitted on the one hand allows us to ask customers about their level of satisfaction and what they expect in terms of innovation from the Würth stores and on the other also to ask the managers directly for feedback on dynamics and services that can be implemented to make their work more effective and virtuous.

4.3.3 STRUCTURE OF THE QUESTIONNAIRE

Keeping in mind that the reference context in which the company operates is a professional area and therefore different from what is a B2C context, it was chosen to identify among the four macro areas of the research that concern the macro-trends of the retail sector, a list of innovative technologies and services to be evaluated and eventually tested.

Therefore, specific and appropriate questions have been submitted with the aim of identifying a need, desire or expectations of customers and of designing a service, an innovation, an adoption of new technologies.

The schematic structure of the questionnaire can be found below:

Figure 72: **Contents of the questionnaire**

SURVEY	
Preliminary questions - Socio demographics - Descriptive statistics	
MACRO TREND	**TOPIC**
Omnichannel Integration	Click & Collect
Introduction of Digital Innovations	Self Checkout ; Digital Signage
Launch of New Store Formats	Usage of the Physical Space (Store Specialization, Larger Stores)
Offer of New Services	Demonstrative areas ; H24 services ; Fast Delivery within 4h

Source: Personal reproduction.

In first part of the questionnaire drawn up based on the critic's elements emerged from the theoretical studies presented in the previous chapters of this work, were added some socio-demographic questions to be able to make a descriptive statistic of the sample obtained.

While into the omnichannel section, more attention is given to the Click & Collect service, already offered by the company, the aim is of understanding any problems expressed in terms of lack of appropriate communication or usability of the service.

Regarding digital innovations, it was decided to verify the propensity of the Würth consumer towards solutions such as self-checkout that is aimed to reduce friction during the purchase process and the perception towards digital signage in store, and how effectively the adoption of similar tool can boost the efficiency, get the work of the store easier.

On the launch of new formats and therefore the use of the physical space where the group is particularly active with a view to diversifying the formats, was questioned the level of satisfaction and the point of view was obtained on fundamental factors such as the size of the surface and the product range.

Finally, it was decided to investigate how the introduction of new services identified into the H24 service, rapid delivery within 4 hours and the presence in store of demonstration area could provide benefit and be helpful for both, the consumer and the conductor point of view.

4.3.3 ANALYSIS OF THE RESULTS

The following section will describe the analyzes carried out on the observed sample. As the questionnaire has been submitted both to a sample of customer of the group but also internally to 20 selected stores in the Italian territory and to 11 Würth Area Manager, will be dedicated two distinct paragraphs where the results of greatest interest and relevance will be commented and analyzed. It is emphasized that the full answers of both questionnaires are available in appendices 'A' and 'B'.

The results of the questionnaire aim to obtain a univocal vision of the main trends that play a functional and practical role within the company context. If there is a misalignment between internal and external responses, these will be appropriately commented and analyzed with the objective of then providing useful recommendations and dictating the guidelines for any future strategies to be adopted.

These will add to the already important considerations made by comparing the research on trends and the reference business context.

4.3.3.1 EXTERNAL PERSPECTIVE

The analysis starts from the observed sample of consumers, first presenting a descriptive statistic considering socio-demographic parameters and then moving on specific areas of the questionnaire.

The number of respondents corresponds to 105 who belong to the following generational categories: 51% are between 35 and 54 years of age belonging to Gen. X, while with reduced percentages respectively equal to 24.8% are aged between 25 and 34 therefore corresponding to the group of Millennials, then 15.2% are customers over 55 years old belonging to the baby boomers and finally with the lowest percentage, of 8.6% there is the Gen.Z group, with an age under 25 years old.

About 1 of 2 consumers, more accurately 53.3% are info shopper, as do online research before making a purchase in the store.

Among the main drivers that push the Würth consumer to choose the physical store instead of the online the 61.9% pone in evidence the importance to see and touch the product, while 54.3% of the sample prefers it as there is a high professionalism of the tenant in the store and 37.1% for the immediate availability of the products.

To the question asked consumers if they know the Click & Collect service, the 47.6% know it but have never used, 31.4% know and use it, while 21% do not even know the service.

This last data should be underlined, as it highlights that there is a lack in terms of communication of the presence of the service itself. Additionally, among the customers who used the service during the last 12 months, the 39.1% affirmed that they had problem due to the app not working, with the 26.1% said the item was not available in stock into the store selected for the picking, while the 13% after having finished the order said that in reality the item was not available.

One of the main barriers of the use could be the usability of the service, cause the 28% of customers interview even affirmed that the service is not easy to use.

These results suggest for internal improvements of the service and a high effort on educate the customers into the use of the service.

To the possibility presented of inserting automatic cash systems within the store was registered a negative response with 52.9% of customers against 47.1% that expressed a favorable opinion.

In addition, among those who prefer it, 61.7% would require staff assistance for the correct functioning of the automatic pay station. The main driver that leads to not wanting to use a fast cash service corresponds to the clear preference for receiving assistance from cashiers, expressed by 75.7% of the observed sample.

To the question asked about interactive displays in the store, if these can facilitate the consumer purchasing process there is a fair heterogeneity of the results: 43% of the sample agree on average, while 12.5% agree strongly and 14.4% are fully favorable, while considering the other side of the perception 23.1% of the sample disagree and the 7.7% does not agree at all.

Among the main use of instore digital display are browsing the online product catalogue with 44.7%, obtaining video tutorial support and product images 24.3% and having the possibility to order products not present in the shop with a 13.6 %.

Turning to the questions on a possible introduction of demonstration area in stores, 47% agreed on average, while 18.3% agreed very much and 11.5% fully agreed; in comparison the negative responses in percentage are a slightly lower respectively to 16.3% disagree and 6.7% does not agree at all.

In both cases, digital display in-store and the demonstration areas, no overwhelming evidence was revealed but a moderate opening towards the new proposed instrument emerged.

Entering the merits of the use of the physical space and the different store concepts, the first question asked concerns the specialization of these in terms of product and therefore the ability to satisfy the users with very specific need.

57.7% of the sample would not prefer more specialized stores at the expense of 42.3% which, on the contrary, responded positively. Therefore, reasoning in terms of product specialization, the results suggest that the company with their offer manages to meet the need of customers but the not particularly high positive response leaves margins of improvement.

While much more incisive results were obtained about the possibility of having a larger surface are with a wider product range, with the 68.9% of customers positively responses.

A further result of interest is given by the fact that 2 out of 3 consumers, equal to 71.4%, would not want to find Würth products in the other hardware / retail outlets they generally attend.

In this sense, the consumer is inclined to buy "exclusively" from Würth and is not so favorable to the expansion of the brand presence in the retail stores that he generally attends.

If we reverse the scenario, then to the possibility to include other brand into the traditional Würth stores, paradoxically there is a little openness with respect to the strong percentage previously observed. Just the 3.8% totally agree and the 14.4% much agree, 24% agree on average, instead more than the half of the consumers are not favorable, specifically 26.9% is not at all favorable and 30.8% is not very favorable.

Remaining into the store, the proposal of making a space inside the point of sale usable for professional meetings, work area or presentation area consumer answered that they don't need it at all with 59.6%, and another 33.7% that would use it occasionally and just the 6.7% that would use it often. For this solution there is not a perception of usefulness by consumers.

Considering the extension of a H24 service like the concept developed for the Mules store, for more than the half of customers interviewed this does not constitute an important factor for their purchasing process, specifically 33.3% do not agree at all and 26.7% disagree, while with lower percentages 16.2% agree on average, and just the 18.1% high agree and the 5.7% fully agree.

Subsequently, we wanted to ask how important it was for the consumer to have a fast delivery service within 4 hours and in this sense the responses were much more marked towards a single direction. In fact, 36.5% replied that it is on average important while 39.4 indicated the service as very important and 8.7% as a priority for their purchases. Only 10% of the sample is unimportant and 4.7 is indifferent.

Finally, it was investigated what are the priorities in terms of services and innovations for the consumers, thinking in a short-term development perspective and therefore in the next 1-2 years. The answers confirmed the importance of expanding a fast delivery service that ranked as priority with 57.4%, while as second priority there are interactive displays or digital totems in the store with 47.5%, follow with lower percentages the other innovations identified and therefore automatic cash desk, demonstration areas and the functional area in the store.

4.3.3.2 INTERNAL PERSPECTIVE

Even in this section, the analysis starts from the observed sample object of the questionnaire, then the 20 stores selected throughout Italy and 11 Würth Area Managers, thanks to it will be possible to obtain the internal perspective regarding the topic selected.

Firstly, there will be a descriptive statistic considering socio-demographic parameters and then moving on specific areas of the questionnaire.

The respondents belong to the following generational categories: with the highest percentage of 71% most of employee are between 35 and 54 years of age belonging to Gen.Z, while the 19.4% correspond to the group of Millennials aged between 25 and 34 years old and just the 9.7% belong to the Baby boomer's generation with over 55 years. No respondent belongs to the younger age group or Gen.X, with less than 25 years.

The high level of seniority is motivated by the fact that Area Managers and Shop responsible interviewed hold positions that generally require to have gained a certain level of experience.

In fact, most of them have several years of works into the company, specifically the 41.9% has been working for more than 10 years, and another 41.9% has been working for 2-5 years for the company. While just the 9.7% it is between 6-10 years of work and 6.5% have less than 1 year of experience.

Regarding omnichannel services and therefore Click & collect, the general perception is that the service brings benefits to the customer, in fact 38.7% of the interviewees fully agree with this statement, 32.3% are very in agreement and 25.8% agree on average. Furthermore, the service allows to increase the frequency of purchase by the consumer according to most respondents, only 10% have the opposite opinion.

While on one hand the usefulness of the service has been confirmed on the other hand it is necessary to improve the usability of this, as 45.2% of the interviewees said that in the last 12 months there have been problems, specifically 73.3% affirmed that there was no correspondence between system stock and physical stores stock, 40% found connection problems in the store and 20% a lack of functioning of the app.

The presence of a self-checkout device would allow to devote more time to other activities, such as customer service, shelving, promotions is what 74.2% of respondents confirmed. Therefore, this device would constitute a facilitator for the activity carried out in-store.

An opening driven by positive responses was also observed regarding to the possible presence of digital displays or totem in-store. 38.7% of interviewed are completely agree that the presence of an interactive display can facilitate customer engagement and increase performance, the 32,3% much agree with this statement and the 25.8% agree in average.

As in the case of consumers, among the main drivers of use of the display we have obtained browse the catalogue of products online with 74.2% and have a video tutorial support and images with 71%.

It should also be noted that the degree of familiarity with this digital tool is particularly high, 22.6% say they have a very high experience with these tools, instead the 35.5% affirm of having a high degree while 38.7% say they have an average knowledge.

This result is synonymous that there is a real possibility of educating the final consumer, who has been found to have a lower propensity towards digital with respect to this sample, for example into the usage of both, interactive displays or self-checkout solutions.

Even for the presence of demonstrative area in-store it was obtained positive responsiveness. The 87.1% of the sample agree with the fact there in a Würth store there should be an area of test or use for the offered products; this results is motivated by the strong conviction of the employees that the presence of a demonstration area would help their sale process: the 44.4% totally agree with the previous statement, while the 48.1% agree much and just the 7.4% agree on average. It should be noted that no contrary response was recorded.

Shifting the focus on the usage of the physical space, it was obtained responses in line with the ones obtained into the previous section. To the question if they would like to have more specialized stores in terms of products with respect to the traditional stores, the 54.8% registered a negative response, while the 45.2% a positive one.

These results which, if added to the previous ones, suggest that solutions must be adopted regarding the specialization of the products. The recent algorithm developed for the store assortment should bring benefits in this sense, providing more products even specialized one to the customers that need it, reaching a higher customer satisfaction.

About the surface area of the store, a high majority of the employee, with the 87.1% would prefer a much larger store with a wider product range.

Regarding the possibility of becoming a store that is no longer mono-brand but multi-brand, there was a negative response as 74.2% are not favorable.

The answers if added to the previous perspective offered by the consumer introduce precise guidelines for the future development of the store: margins of improvement in terms of product specialization within the stores, of an extension expressed in terms of product range and surfaces and the preference to remain a mono-brand store.

About the proposal of having a space inside the point of sale usable from the customers for professional meetings, work area or presentation the employees perceived it more positively than negatively, even if there is no strong position that stands out. The 16.1% totally agree that the solution would provide benefit for their daily activities, while the 32.3% much agree and the 19.4 % agree in average. In the other side, the 25.8% does not agree that much and just the 6.5% do not agree at all.

Considering the extension of a H24 service, was obtained a heterogeneity of the answer that slightly turns into the direction of not perceiving that the solution provides a higher satisfaction for the customers.

Instead regarding the adoption of a fast delivery service within 4 hours was obtained well defined answers. In fact, the 41.9% of the employee totally agree that this service would help their sale activities, while another 41.9% much agree and just the 16.1% agree on average.

Finally, thinking about the next 1-2 years development perspective, the employees expressed their preference for the development of a fast delivery within 4 hours with the 67.7% and for the adoption of digital display or totem in-store with the 48.4%, followed by the demonstrative areas with the 38.7%.

4.4 INTERVIEW WITH THE CEO

This section reports the main evidence from the qualitative interview with the CEO of Würth Italy Nicola Piazza. The objective of the interview was to obtain an even broader vision of how the company is approaching the evolutionary scenario of retail and to understand how this strategic approach will evolve in the coming years.

From the interview, emerges immediately the importance and centrality of the theme concerning omnichannel. There is a strong corporate awareness of the importance of all distribution channels and their integration, which has led to the development of various touchpoints that complete the traditional Würth offer, therefore in addition to the sales point and the commercials, was developed the e-shop, the mobile app and were introduced services aimed at integrating the physical with digital such as lockers and click & collect.

"The goal is to ensure that customers can approach the company in each of the different touchpoints offered and therefore fully satisfy the customer expectations, but above all to reach a total distinction from the competition. The success of omnichannel revolves around a cultural revolution that must take place not only within the commercial service but throughout the entire organization".

In this sense it is important to underline how the company is implementing this internal revolution, stimulating on the one hand the consumer to use all the channels offered including digital ones and on the other forming a new sales force with transversal skills that embrace the digital challenge, for example through the new *WYN-G training program*.

In the coming years, in addition to the theme of omnichanneling, an important topic that emerged from the interview will be the ability to track and perceive the purchasing behavior of the consumer. In this sense, will be required a significant commitment from the BIG DATA point of view.

With the advent of the new technologies related to data analysis, it is possible to follow the customer's purchasing behavior and understand how the decision and the purchase was born beyond the fact of where the customer physically has made the purchase.

For example, within the company there have been interesting experiences in this regard, considering a customer who had made an ordinary purchase in the store, going back in time it was seen that for 5-6 times he had looked at the same product on the site and he had also sent an email to request info and only after he placed the order. Or it has been observed that customers who had generated a shopping cart then ended up ordering the same cart from the commercial or physical store.

Therefore, as observed by the CEO: “The theme of omnichannel must be integrated with an in-depth analysis of the customer's purchasing behavior, this then determines the true success of omnichannel and not only the last mile which is the result of activities that may have happened in the past”.

In the next phase, the interview focused on the future role of the store. According to the CEO, in the future it will be necessary to implement the role of the store and it will be necessary to guarantee a pleasant shopping experience focused on innovation and the experience, that will be added at the traditional role filled by the store that is to satisfy the immediate necessity of the professional customers.

The store must be able to create added value by increasing the know-how of the customers with the aim to reduce the frictionless into the purchasing process of them.

In other word, the role of the store will no longer be merely as a place to carry out an economic transaction but will instead have to be enriched into a place where the consumer acknowledges and gives value, usefulness to the time spent inside.

"It is clear that our task must ensure that not only the customer has the opportunity to refurbish into any distribution channel but also that each distribution channel should represents for him an interesting, pleasant, innovative and also emotional shopping experience and therefore what we have to do is try to work on the shop so that when the customer comes to it doesn't have to be the last thing he could do because he needed a product urgently and he thought it is the last chance I have to enter there, but that entering our shop has an interesting, emotional, useful shopping experience and that therefore is also at his own ease beyond necessity".

4.5 KEY FINDINGS: TOWARDS THE DIGITAL TRANSFORMATION IN RETAIL

After having carried out an evaluation both from a quantitative and qualitative point of view, started from the trends identified in the second chapter of the research to the current state of the art where the company is operating, in the following section will be provided suggestions and recommendations for the future.

Before going into the merits of the recommendations it is necessary to make a premise. In the first part of the research it emerged how there was a significant impact of technology in the retail sector.

Two of the major effects of digital transformation are democratization, then thanks to the drop in costs and the simplification of the use of technology, very large sections of the population can access content, information, goods and services and can even produce them and disintermediation or the possibility to bypass traditional intermediaries in the distribution chain, directly reaching potential buyers with content and products.

To this must be added the possibility of establishing a dialogue with the consumer through social media and of concluding an online transaction.

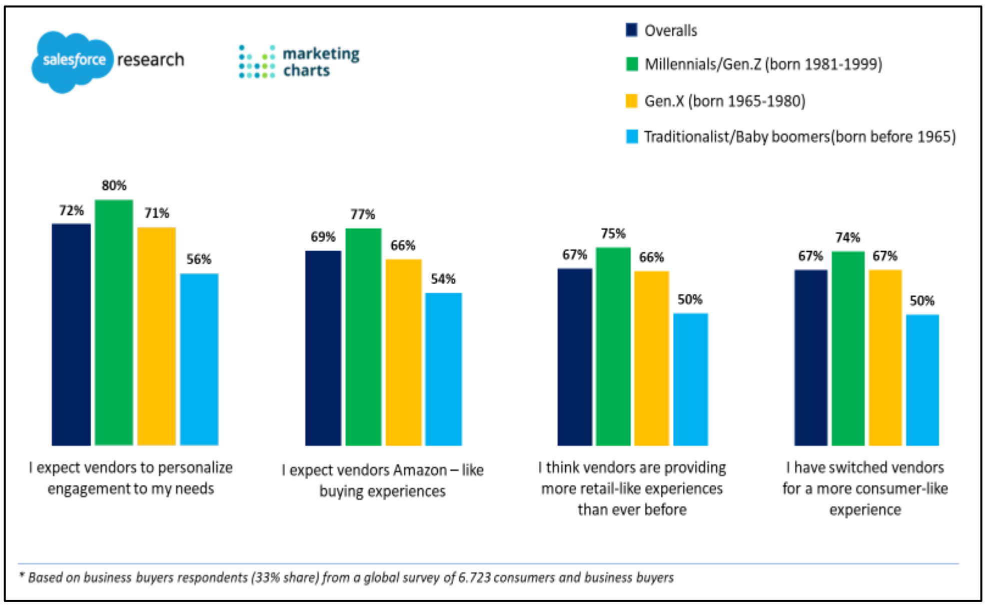
These characteristics make the distinction between B2B business-to-business and B2C business-to-consumer rather obsolete, as they allow many actors defined as B2B to get in touch with the end customer.

Nowadays, always more people are familiar with the latest generation digital interfaces or to online shopping; uses services that book and manage via a smartphone, watch streaming content etc.

Therefore, the following question must be asked, can we really believe that this type of person may have reduced expectations for much longer, or that he will take a different mental attitude when he represents his counterpart in the B2B area for work? (Kotler P. S. G., 2018)

It is undeniable that there is a certain delay in terms of the development of the customer experience in the B2B area, which is physiological since this area is certainly less "spectacular" but as shown by the following chart and therefore by a recent research conducted by Salesforce, it is how the expectations of the B2C and B2B parties are increasingly leveling.

Figure 73: **Business Buyers' Expectations for a Consumer-Like Experience**



Source: State of the Connected Customer, Salesforce Research, second edition, 2018.

From the research emerged that 82% of business buyers want the same experience as when they're buying for themselves and at a time when personalized recommendations, proactive engagement and deeply relevant content are table stakes, as we can notice from the above graph more than 7 in 10 business buyers, expect vendors to personalize engagement to their needs.

To confirm the convergence of B2C and B2B worlds, more than two-thirds of business buyers expect an Amazon-like business buying experience. However, only 27% of business buyers say companies generally excel at meeting their standards for an overall experience, signaling ample room for improvement.

The Salesforce report even indicates that vendors are improving but can do a better job. Fully two-thirds of business buyers surveyed think vendors are providing more retail-like experiences than ever before. But at the same time, half have stopped buying from a company because a competitor provided a better experience, and close to half (45%) believe most companies fall short of their expectations for great experiences.

Meanwhile, it seems that younger business buyers are driving the trend towards B2C-like experiences. For example, Millennials / Gen Zers (born 1981-1999) were far more likely than Baby Boomers and Traditionalists (born before 1965) to expect Amazon-like buying experiences (77% and 54%, respectively). They were also far more likely to report having switched vendors for a more consumer-like experience (74% and 50%, respectively).

Till now becomes clear that these developments are already underway or imminent, depending on the sectors and markets. The question is not whether they will occur, but when. The exponential acceleration of recent years suggests that changes will take place in a few years. Considering the context object of the research and then the Würth company, it was noticed that is not exempt from the changes discussed. As declared by the CEO: "Every year what is the single weight of the distribution channels moves", as the main channel of the company historically is the commercial one, it is clear how the new distribution channels characterized by digital are becoming increasingly important. Was even observed, using the questionnaire, that at least 1 consumer out of 2 are info shoppers, makes online searches before making or concluding the purchase. Knowing even that most of the customers of the company belong to the

Gen.X, it can be assumed that there will be further development in the coming years, especially when there will be the generational shift to the next generation like the millennials or the Gen.Y.

Precisely this reasoning and the previous evidences led to the definition of the next paragraphs, where will be presented into more detail which are the recommendations that emerged from the research.

4.5.1 STORE 2.0

In this section will be presented recommendations for the future with a focus on the role of the store and his evolution. From this derives the name of the paragraph store 2.0, which identifies itself as an evolution of the traditional stores.

However, it is necessary to be clear that the current structure of the points of sale of the company has been developed in a standardized way for most of the stores into the country, expect for the new formats recently launched that we have observed.

Therefore, they meet the needs of the whole industry and do not correspond to the specific "house" of customer segment.

Inside the store there are no digital but only analog tools, and this constitutes a limit, as the customer who wants to find out about himself independently without the help of the tenant does not have the possibility to do it.

4.5.1.1 INTRODUCTION OF INNOVATIONS

Having this scenario as the starting point, the first recommendation is that the company could take into consideration to adopt in-store technological solutions.

There are a multitude of technologies available detailed in the previous chapter, from the Internet of Things or the AR/VR to the front-end innovations like innovative payments, automated checkout, digital signage or back-end innovations as in-store customer monitoring, business intelligence, CRM solutions. Among these, digital signage or totem in-store were found in the questionnaire between the innovations preferred for the next few years both by the consumer but also by managers and by employees.

Their main use has been declared to browse the online catalog of products and to obtain video support and tutorials about the use of the products; thanks to the retailer will be able to produce positive reactions and additional value for customers, and at the same time to easiness the sales process of the employees. Digital kiosks would even help to boost the personalization and the interactivity of customers, increasing the engagement and help the customers into the decision process.

Another suggestion concerns the optimization of the inventory, that into the evaluation matrix was revealed among the priorities regarding the identified trends, through the adoption of RFID technology. This technology consists of placing a tag that can be read by means of a sensor, making it possible to obtain information relating to the product specifications, and tracking all its movements in the production chain or in the shop.

In other words, through the tag sensors that can be placed on any object, retailers can constantly monitor their stocks. An RFID tag facilitates the management of large quantities of goods, thanks to these very small tags, operators will only need to approach the readers to know the type of goods and other relevant information.

This kind of flexibility allows retailers to monitor the entire supply chain and logistics, thanks to the smart labels that follow the entire path of the products. Obviously knowing the origin, destination and other useful information on the product at any time is a significant added value.

Another very important advantage of using RFID is that it offers superior customer service.

For example, through the interactive tags equipped with radio frequency identification technology, retailers can make the purchase more engaging with a more effective conveyance of information and can reduce the frictionless of the consumer purchasing process.

In this way the consumers can obtain additional and specific information on the product of interest such as availability, compatibility with other tools, ways of use, etc... by expanding the shop in a virtually infinite way, simply by using an RFID identification sensor or a QR code reading.

RFID also plays the important role of facilitator for the adoption of further digital innovations, such as automatic self-checkout or for example the communication of products with the digital totems.

The use of smart tags, if combined with digital signage in the store, can respond to that "infinite" customer journey observed in the previous chapters, managing to mix online and offline in a unique way aimed at increasing the customer experience in the store thus filling it with new meanings.

Therefore considering the different application areas of RFID and the various advantages deriving from it in optimizing the inventory, improving the customer experience and the role of facilitator and enabler for other in-store technologies enabling a “smart retail” adoption, Würth could take into consideration the hypothesis of adopting this tool, by carrying out an adequate cost-benefit analysis and then in the next phase, start testing these innovative services within a range of selected stores. In this way, the company would be able to satisfy and intercept changes in consumer needs that will happen into the following years and as well remain a pioneer in its sector.

Entering the merit of another technological innovations, then the automated checkout, during the days spent in the stores, the personal impression had been that the process of issuing the bill and therefore of checking out the customer is rather slow. Additionally, as observed into the questionnaire 1 out of 2 customers expressed a negative response about the introduction a self-checkout mostly driven by the necessity, due to lack of capabilities to use it that in turn have led to the preference, to get assistance from the tenant for the correct functioning in the checkout phase of the purchase.

In the other hand, was observed that 74.5% of the employee and managers interview confirmed that the presence of a self-checkout would allow to give more time to other activities, and among them there is a high degree of familiarity with digital tools, like for example the digital signage.

In other word, the barriers for the customers correspond to the low confidence with respect to this innovation and the preference to be served by the tenants, while from the internal point of view the self-checkout is perceived as a facilitator for the daily routine, expressed in having more time to dedicate for other in-store activities.

If we consider merely the preference of the employees and manager, the results obtained leave little space for interpretations, as there has been a marked opening with respect to the self-checkout options. While the customer point of view suggests for a major effort of the retailer, in case of adoption of this innovation, into the sensibilization of the customer into their use.

Knowing that the checkout process is the phase that closes the shopping journey and constitutes one of the most important elements of a "frictionless experience", the suggestion for Würth would be to take into consideration the opportunity of testing a self-checkout, taking into consideration the possibility emerged of educating the final consumer in their use and to provide a tool that would facilitate the activities of the employee. Therefore, the main challenge and opportunity correspond to the possibility to accelerate and facilitate the process of digital adoption of these consumers less" inclined" to the digital, providing support and assistance for the correct use.

Considering the benefit of this innovation, in addition of improving the customer experience by offering the possibility to complete the purchase process in a completely independent way decreasing the timing of invoice issue, there will be clearly advantages even for the retailers and for the employee that would be more focused on other relevant activities in-store like the shelving, promotions or devoting more attention to inspiring and informing, or even creating an empathic connection with the consumer.

In other word, the digitization of these processes, mechanical and repetitive ones, would free the conductors from these tasks, allowing them to engage in activities of greater added value.

Reasoning in terms of feasibility, obviously the advice is that this innovative tool could be tested, in the initial phase, in the points of sale subject to the highest traffic, where they would find greater application, streamline the processes regarding checkout and provide the greatest benefit to both, customers and employee.

In this sense another important aspect, previously mentioned, concerns the correlation between the self-checkout and for example the RFiD or a smart tag that enables automatic reading for the products and play the role of ‘facilitator’, necessary to complete the purchasing process and even to test the launch of the self-checkout.

In order to test a self-checkout solution, the first step for Würth would be to enable the automatic reading for their products, that in turn would give the possibility to test other technological tools.

If the challenges and the benefits regarding self-checkout are now clear, it should be pointed out again, that the technology must have the aim of simplifying the shopping journey and the related experience, eliminating the different types of friction, and not be adopted only because it has a great charm or is taking hold in other sectors. Furthermore, the suggestion for the company is based on these foundations.

Although the advice is to carry out tests based on a test-and-learn approach, the company should be aware the results that could be obtained which, considering the reference scenario, might even suggest waiting for a higher degree of technological maturity by the consumer.

That in other words will mean that to become the "new normal" in the reference context, it will still take some time.

4.5.1.2 A FOCUS ON RFiD

RFID (Radio-Frequency Identification) has experienced unprecedented growth in terms of adoption, development of possibilities and general impact on business in the retail sector.

As reported by a study of Accenture "RFID in Retail 2018", 69% of retailers cited a significant level of adoption. Much of this growth can be attributed to requests for multichannel operations and pressure to constantly improve the customer experience. The cost per unit of RFID has historically been an obstacle for some retailers, but the reduction in technology costs and greater recognition of use cases continues to strengthen the RFID business case.

While into the North-America the 92% (were just the 34% in 2014) of interviewed company have or are implementing this technology, in Asia the percentage are equal of 70%, in Europe the percentages equal to 30% drastically decrease. It suggests that there will be wide margins of growth, but above all a great work of conviction on the horizon.

As revealed by the report, the adoption of RFID is an innovation factor, as among the retailers who have adopted this tool and are therefore no longer in their initial phase, 55% have plans to develop smart technologies in their stores as automatic checkouts or virtual changing rooms, while 55% plan to implement a blockchain strategy. Therefore, soon RFID adopters will have an advantage over the competition in the implementation of new innovative technologies to face the continuous challenges posed by the retail sector.

The study also reveals that retailers that were piloting RFID prior to research carried out reported ROI of 6.8 percent on average, whereas those that had fully adopted RFID achieved a 9.2 percent ROI, showing a strong correlation between adoption maturity level and reported return on investment. (Accenture, 2018)

IDTechEx, research that analyzed the RFID market for more than 10 years, find that in 2019 the total RFID market will be worth $ 11.6 Billion, rising to $ 13 Billion in 2022, which will reach $ 15.2 Billion in 2024. This includes tags, readers and software / services for RFID. (IDTechEx, 2019).

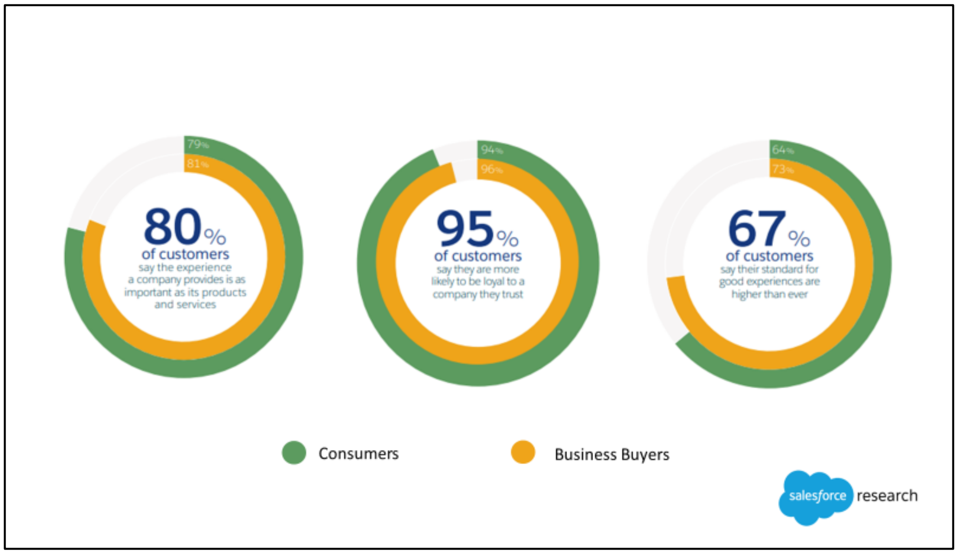
4.5.1.3 STORE AS DESTINATION

An important factor that emerged associated with the evolution of retail correspond to the customer experience. As observed into the evaluation matrix nowadays, the destination or experience retail is mainstream into the sector.

Consumers always look for new stimuli during the purchase phase: they ask for an active involvement, an emotion, a motivation to enter a shop and choose that brand or product for the first or umpteenth time.

Therefore, the times when the purchase choice was made based on the "technical superiority of the product" are exceeded and this requires retailers to express themselves and raise the customer experience.

Figure 74: **Customers Push Companies to Do Better**



Source: State of the Connected Customer, Salesforce Research, second edition, 2018

In fact, as shown by a Salesforce Research that investigated the habits of the customers, it can be said that the experiences related to products today are as important as the products themselves, regardless of the sector of reference, whether this is a B2C or a B2B.

In this context, the experience a company offers is increasingly its differentiator. But the scope of customer experience is changing, too. To win hearts and wallets, companies must not only deliver amazing marketing, sales, ecommerce, and service interactions, but also prove that they have the customers 'best interests in mind'.

In terms of format combined with the shopping experience, emblematic was the cases presented of flagship stores; it was observed how many companies' leaders in their segment have already experiment and adopted this new concept of format.

Generally, the Flagship store represents the living and experiential embodiment of the brand, all enclosed in a generous surface, usually larger than traditional ones, often experimental and located in prestigious or historic areas for the brand.

Therefore, the suggestion for the company would be to test and develop a Flagship store, eventually located in Germany where the Würth company was born. Alternatively, a strategic point for the group could be chosen as a location based on parameters expressed in terms of potential and attractiveness, for example for sectors such as fashion and luxury, one of the most sought locations in this sense is the fifth avenue of Manhattan in New York.

If the company would test a similar format, must keep in mind that the main role of a flagship is not the sale but rather to become an icon of the brand, a "point of experience" and not a have-to-go place, but a want-to-go place, a container of fulfilling experiences capable of leaving a relevant experience to remember becoming a destination.

4.5.1.4 STORE SPECIALIZATION

Remaining on the use of the physical space and then the new formats, form the questionnaire emerged that both, the employee, managers and customers would like to have a bigger shop surfaces and a wider range of products available into the store.

A result that goes against the trends that emerged from the research: if on the one hand there are much larger formats such as flagships based mainly on the provided experience, on the other there is an opposite consolidated trend into the retail sector, that is the proximity store that operates on smaller formats.

If in the past having very large surfaces to which corresponded a wide range of products constituted a competitive advantage, today this is no longer necessary: through digital and in-store tools it is possible to offer a virtual depth of the assortment, showing the variants through a digital catalog, and at the same time the increasingly high costs associated with maintaining physical spaces is forcing retailers to adopt and test always mores smaller solutions.

Therefore, although the preferences expressed by the actors are large surfaces and a wide range of products compared to the current stores, it is necessary to take this need into account but thinking from a business perspective.

Generally, in the stores, regardless of the sector, there are a series of products that have little rotation, but which have the task of creating a feeling of greater choice and abundance, even if in fact they do not have a profitability. This leads to problems in terms of business sustainability as well as structural inefficiencies.

Therefore, given the needs felt and the preconditions made, the advice is to implement the assortment but in a completely vertical way, identifying the needs of the consumer and creating a selection of products capable of highlighting and meeting customer expectations.

Adopting this form of verticalization means knowing how to stand out thanks to a unique offer system and an experience with high added value, difficult to replicate.

In this way, Würth will be able to get out of the paradigm of the standardization of the offer and from not responding to the specific needs of the different "artisan worlds" to which it refers, turning towards a personalization of the offer.

About the other necessity emerged and given the fact that the need for a larger store area is directly related to a wider range of products, the suggestion would be to not expand the existence area of the stores but instead try to redefine and enrich the role of the store, ensuring accessibility and proximity, but also for example agile and flexible options expressed in terms of services such as fast delivery, which we will discuss in the next paragraphs. Everything must always be accompanied by a high professionalism of in-store customer assistance, therefore training and upskilling, in this sense, play a fundamental role.

A clear example that reflect the previous statement was observed into the 'Casa della Vite' concept, that through specialization in a specific segment and the offer of an innovative customization service based on the "commessa", can satisfy the specific needs of consumers.

Therefore, into the next future the advice for Würth would be to continue into the strategy of diversification of the formats, putting at the center of the strategy the necessity of customers creating a customized mix of products and services for their target segments.

4.5.1.5 OMNICHANNEL INTEGRATION

If on the one hand the importance and the commitment invested in recent times by the company towards the development of omnichannel has become clear, just think of the launch of services such as Click & Collect, Lockers and the innovative Würth Automatic Store observed in the previous chapter, on the other there is margin for improvement with regards of the usability of these services and therefore the achievement of perfect integration between the different touchpoints offered by the company.

In fact, into the questionnaire emerged problems deriving from the use of the Click & Collect service: from the customer side the non-presence of the products into the selected store and from the employee side, with the highest percentage, the no correspondence between system stock and physical stores stock, while with reduced percentage there are connection problems and lack of functioning with the app.

In other word, suppose that a customer searches for a product on the website and decides to make a purchase. He decides to choose the Click & Collect option but later discover that the item is not available for the selected store where he would like to do the collection.

On the contrary, suppose that the customer manages to complete the order in the chosen shop, in the next phase of order fulfillment, the tenant detects that the product ordered online and given available is into reality not available into the shop.

If the benefits deriving from the Click & Collect service are clear, such as attracting consumers who prefer to buy online to the store, possibility of generating up-selling, providing convenience and speed of the service, if the efficiency of this service fails, there is a risk of losing consumer trust and loyalty.

Given this scenario, the suggestion and the challenge for Würth would be to better manage their inventory thanks to it would be possible to offer a better omnichannel experience to the customers that in turn would generate higher satisfaction.

The importance of improving the store experience through better merchandising and inventory control was observed into the retail trend matrix to be into the 'necessary' section, that means it there is a wide application into the sector; this is even underlined from a research of AT&T Business, that ranked the inventory management as the priority of investments for retailers in 2019. (AT&T Business, 2019).

In this sense, one possible solution could be the adoption of the RFID solutions, that in addition to the advantages in the supply chain and monitoring perspective before observed, also generates benefits in an omnichannel perspective.

As demonstrate by a research of Accenture as the adoption of RFID progress, the improved accuracy of inventories and the positive return on investments trigger more advanced possibilities; full adoption puts retailers in a position to provide customers with an entire portfolio of omnichannel offering, in fact

83% of the retailers interviewed who have adopted the RFID offer three or more omnichannel fulfillment options compared to 24% of non-adopters. (Accenture, 2018)

Furthermore, for an efficient service it is necessary to update the stocks in all geographic areas in real time, then retailers must have a constant and accurate picture of their inventory along the entire supply chain, as customers can choose different points of sale. This requires careful management of the visibility of the stock, which can be achieved as underlined using RFID technology.

Always from the questionnaire emerged that 22% of the Würth customers, didn't know the service Click & Collect at all. This result leaves space for improvement in terms of service communication.

It would be appropriate, for the service to be successful involving multiple company levels into the communication, starting from the tenant to the sales person, as well as in-store activities, to ensure that availability and functioning of the service are clearly communicated to the customer and that the collection points are clearly indicated in the store.

Become clear that the main challenge for the future regarding the omnichannel strategy are about improving the accuracy of inventory management and the communication about the service.

4.5.1.6 OFFER OF NEW SERVICES

Shifting the focus on the services, it should be underlined that Würth is moving forward with respect of their competitor like Sacchi, Bricoman, Hoffman or Hilti as it is possible to notice from the graph present into the appendix into the 'C' section. However, there are still space for improvements as it will be noticed into the following paragraph.

From the questionnaire, strongly emerged univocally from both sides, the internal perspective and then the employee and managers and the external perspective then the customers, that they would like to have a service of guaranteed delivery within 4 hours.

Higher consumer expectations emerge even into a research carried out by PwC, that states most of the customers ’expectations into the B2C were influenced and raised up due to the service offered by Amazon. However, the research show-up that just the 6% of consumers expect to receive the order into the same day in Europe, and it is also interesting to note that research shows that almost half of consumers are willing to pay a higher price to receive the order on the same day, indicating how premium delivery services can meet the interest of a large part of the Italian market (PwC, 2018)

While the preference expressed by the Würth customers, being professional workers is motivated by the necessity to satisfy their urgency for their work.

Therefore, among the reasons for choosing a retailer, the delivery service proves to be a relevant reason into the company context. In other word, according to the preferences of customers and the employee the last-mile delivery is another challenge for Würth, and the suggestion is that the company could take into consideration this significant opportunity.

In this sense, the solutions are different: company can entrust to third companies specialized in the rapid delivery of goods, or if there is a very large amount of online orders, invest in dark stores, shops not open to the public, which act as large warehouses from which orders received online are processed and act as facilitators for services such as click and collect. They are generally located in strategic positions with good road connections and are very popular in the UK especially in the food sector. (Capgemini, 2019)

In this field was have even observed into the retail matrix evaluation some innovations that are still into the experimental phase, like the micro-fulfillment centers or autonomous last-mile delivery.

A further topic emerged from the questionnaire is represented by the possibility of offering demonstration areas within the Würth stores. Although this opportunity was widely appreciated from an internal perspective, therefore by managers and employees, a more moderate appreciation was noted by consumers.

As among the main factors that push consumers to choose the physical store there is the need to see the product and the high specialization of the tenant, therefore the addition of a demonstration area where it is possible to carry out product tests with the support of the tenant may be one more reason to diversify and elevate the role of the store in favor of the customer experience, offering a solution that digital technology cannot offer.

Therefore, the advice is that Würth could consider the development of such dedicated areas in the stores, favoring a renewal of the stores enhancing the functionality through the introduction of new spaces where the customer is at the center of the shopping experience.

4.6 THE IMPORTANCE OF DATA

For some years to now companies, governments and institutions have insisted on the concept of "big data". The idea that technological progress finally makes it possible to use the data warehouse's and extract value from them has increasingly taken hold.

It is necessary to do a premise and therefore clarify the difference between data and information. According to Peter Drucker, data is transformed into information when it is relevant and able to serve a specific objective; otherwise they remain raw or unstructured.

The sales results of a campaign, the repurchase rate of a product, the rotation of the items on the shelves, the analytics of the website: all examples of raw data that are transformed into information only when they are identified, validated, aggregated, crossed and contextualized in explanatory or practical indications.

As we have already observed, the evolution of consumer expectations, which expect a personalized relationship with the brand, requires companies to analyze the customer journey and to equip themselves with appropriate tools; at the same time with the fragmentation of the contact points it is difficult to get people's attention, and even more to keep it alive and convert it into an effective interest in the products and services offered by the retailer.

Therefore, the data deriving from the different touchpoints are indispensable tools to start the transition of business strategies, adopt solutions and develop services sensitive to customer needs.

Segmenting the customers in detail, also through the personas, accurately mapping the role and characteristics of each point of contact, proposing contents according to specific strengths and weaknesses are objectives of crucial importance for companies.

In other words, the goal is to deeply study the needs, desires and expectations of the various categories of interlocutors in the most plausible way. To do this, detailed research is conducted, large amounts of data are analyzed, and qualitative surveys are carried out with the involvement of the various stakeholders. (Kotler P. S. G., 2018)

With reference to the Würth scenario, it emerged from the interview with the CEO that there is awareness that in the short-term data will play a fundamental role in the development of corporate strategies; furthermore, the qualitative interview with the big data analytics department revealed that there are already activities to analyze consumer purchasing behavior crossing the different touchpoints. Nevertheless, it is necessary to point out that inside the stores there is no type of technology that allows to track the consumer's purchasing behavior, therefore it is not possible to obtain an integral view of the consumer.

In other word, while for the other touchpoint offered like the website, the commercial area, the app, there are a wide range of available data, it is not the same about the point of sales.

The “facilitators” that allow the retailers to track the consumer within the store are multiple: Wi-Fi, RFID, Bluetooth or even cameras that allow retailers to monitor the flows inside the store, that work generally with heat sensors.

For example, let’s consider the first “facilitator”: a Wi-Fi network allows anonymous tracking of the presence data of customers in the store, both loyal and non-loyal customers, and measuring their stationary time. It should be emphasized that it is not necessary to measure this data that the customer accesses the store's wi-fi network, in fact it is enough that he has the wi-fi function activated on his terminal.

These data are crucial for measuring the results of a marketing campaign, for example, or to understand how much staff is needed in the store during the hours of the various working days or what the hot areas of the store are, i.e. those areas where people stop more and, consequently, strategically arrange the articles.

If, on the other hand, the customer decides to connect to the store's wi-fi, the retailer, according to the method chosen for authentication, may collect data such as: social profile, e-mail or telephone number. In addition, following acceptance by the customer, the retailer will be authorized to send marketing communications using the contacts provided to him. (A. Sheehan, 2018)

In reference to, a trend underlined into the previous chapters is that more and more consumers use mobile devices during the in-store purchase process, and as shown by a research of PwC 70% of consumers desire to receive offers in real time and customized according to their needs, and almost 1 out of 2 customers would like to have a free and easy access to the Wi-Fi. (PwC, Total Retail 2017)

Therefore, it is evident how the adoption of these in-store technologies allows to obtain a broader understanding of what the consumer's purchasing behavior is from which obtain useful information for the optimization of the store, and at the same time satisfy the necessity of the always more “connected” customer providing and higher customer experience.
Considering the reasons outlined above, it is believed that Würth could invest in in-store technological solutions enabling data collecting, with the aim of obtaining a univocal vision of the consumer's purchasing behavior. In this way it will be possible to complete the collection of consumer data on all the touchpoints offered.
Furthermore, the data obtained can be transformed into useful information to obtain a competitive advantage, satisfying customers in the best way and generating organizational efficiencies.

4.6.1 BEST PRACTICES: L’Orèal

About best practices of companies that are pursuing a successful data-driven strategy, there is L’Oréal, the world's leading beauty group by turnover (almost € 27 billion in sales in 2018 and 36 brands), that recently launched L’Oréal Single Beauty ID Project, a project created together with Noovle, Italian company Premier Partner Google Cloud, pooling data collected from the different channels – from the physical store to social media - creating a unique database with easy-to-use and intuitive dashboards, which allow the company to obtain a unique consumer vision and generate useful insights to offer personalized content and experiences, reach and higher efficiency in terms of segmentation and boost the consumer involvement.
L'Oréal is already getting positive results from its digital strategy: 1.2 billion visits to the various global websites in 2018, e-commerce sales for 3 billion euros (+ 40.6% year on year), 6.4 billion of video

views, 350 million contacts on social channels. A multiplication of information on consumers and touchpoints that only a reasoned digital strategy and adequate skills allow to manage: furthermore, the group last year also included a quarter of employees (22,000 out of a total of 86,000) in training and upskilling. (P. Licata, 2019)

4.6.2 BEST PRACTICES Prènatal

The well-known company today has become Prénatal Retail Group, which includes, in addition to the Prénatal brands, also the Bimbo Store, King Jouet and Toys Center brands, with 700 stores in Italy, France, Greece and Spain. Until 2015, the brands mentioned were separate, as separate were product catalogs, loyalty programs, marketing strategies and, above all, approaches to customer profiling.
With the aim of unifying all available data, a restructuring plan was developed, accompanied by Data Reply, a company specialized in data analysis, to accelerate the ability to cross-reference information. This has enabled to reconcile increasingly consistent profiles not only with the socio-demographic characteristics, but also with the real habits and needs of the families who visit the stores.
The first step was made with the creation of a single product catalog and a single database with the customers' personal data and creating a unique loyalty mechanism.
Subsequently, a "datalake" was created, where all the information deriving from the Prènatal ecosystem converges, and therefore e-commerce, store, campaigns, catalog, customer database and loyalty.
The datalake using A.I and Machine learning manages to process information and produce useful insights, therefore acts as an enabler or facilitator.
As stated by the group, thanks to this system the retailer managed to discover that future mothers usually activate the loyalty card from the sixth month of pregnancy, or by leveraging the transaction history and card information, 77% of the cases can be predicted when the customer will go back to shopping. And

if it is not the best possible performance it is only because it refers to a very modest historian, given that the merger is recent.

In addition, the retailer also manages to predict, based on the products purchased by profiled customers, when the baby will be born with a three-month margin of error.

Thanks to this information, not only is it known that there is a new small customer, but also how old he is and in what season he was born, it will therefore be possible to customize the offer based on age and seasonality. (D. Aliperto, 2019)

This represent a clear example of personalization of the service data-driven, therefore it’s clear the importance of having a univocal vision of the consumer and the centrality of collecting data from all the different touchpoints.

4.7 PROXIMITY RETAIL

Thinking in terms of future perspective, it is necessary to be aware of what are the possibilities and new frontiers in the field of retail and specifically in marketing.

In this sense, an important novelty and opportunity is constituted by proximity marketing with the use of beacons. It is a small wireless sensor attached to a wall. Every second the sensor transmits small amounts of data under the "beacon" protocol. People who walk near the shop will be able to receive data sent via Bluetooth Low Energy (BLE) via smartphone.

To take advantage of the iBeacon, customers will have to install the appropriate app of the brand or trusted store and activate Bluetooth. With iBeacon, retailers and brands can increase customer engagement and improve their shopping experience, just as it already does for online stores.

Figure 75:**Proximity Marketing with the usage of iBeacon**

Source: concordespa.com

Some examples of possible activities with iBeacon sensors are: customers who enter the store for the first time will receive a welcome message with a discount voucher on their first purchase and participation in contests and loyalty programs for collecting points or it is also possible to intercept potential customers when they pass near the store by sending them a welcome message, retailers can “intrigue” them and invite to enter.

In addition, it will be possible to transmit information on the products displayed through notifications that are activated when customers cross predefined perimeters, or at certain times of the day, or based on previous purchases.

With the iBeacon system it will be possible to trace the customer's purchase history, the roads made, the places where they stayed longer. For example, if a customer stalls in front of a display, expressing an interest, they will be able to pop out reviews from other users, or similar models available in the store. The system even remembers the purchases made previously, based on which it can send relevant offers for up-selling and cross-selling activities. (Concorde, 2019)

Among the companies that already tested the proximity marketing there are Ride AID a pharmaceutical company that installed the beacons in all their 4.500 stores in U.S, in a partnership with InMarket an U.S marketing company that count 42 million active users in their beacon program, with the main objective of the retargeting and the personalization of the offer. (N. Gagliordi 2016)

Or even McDonald recently exploited a new proximity marketing strategy at 15 McD Cafés in Istanbul, Turkey, sending promotions enabled to beacons to customers within its premises via a mobile application, obtaining a conversion rate of 20 percent. (A. Samuely, 2017)

The relevance of the proximity marketing into the next years is even confirmed by the trend of the market value, that in 2016 was valued at 516.9 million of U.S dollar and is estimated to reach 56.6 billion of dollars in size in 2026. (Statista, 2019)

However, considering the characteristics of the target market object of the research and the still experimental state of this new technology, it is possible to say that proximity marketing for Würth represents a long-term development opportunity.

4.8 THE RELEVANCE OF SUSTAINABILITY

Another important trend concerns sustainability, especially if considering that for example Generation Z, which in the coming years will acquire ever greater importance in guiding trends in this sector, is particularly sensitive - according to studies and research - to environmental issues compared to previous generations.

In fact, according to Bloomberg, in 2019, Gen Z surpassed Millennials at the end of 2019, comprising 32% of the global population of $7.7 billion. (CGS, 2019)

Keeping the focus on the role of the store, the multinationals have already moved in this direction through the creation of eco-friendly stores. This is the case of Inditex, the company which owns brands such as Zara and Massimo Dutti who have already owned "eco-stores" in Italy for some years. In the stores of these brands, technology is used to create sustainable designs and eco-efficient stores that even allow to reduce water and electricity consumption by up to 30% or 40% less than in a traditional shop. (R. Baptista, 2018)

There is even Cisalfa, that opened his new concept store 3.0, or Lidl that launched format that also include ecological materials, low-consumption LED lighting and an innovative visual project. (Retail Institute 2018; C. Ignaccolo, 2018)

Another example coming from Amazon, which, in addition to announcing that by 2030 it will use completely renewable energy, starting from 2020 will activate delivery with 100.000 electric vans that will be part of the Amazon fleet and therefore with zero emissions. (L. Moroni, 2019)

The effort made by the companies is clear and in this sense the suggestion for Würth lies in assuming greater commitment towards this fundamentally important issue.

However there will be a further development in this sense as declared by the CEO in the interview: “For the future it is clear that there is a an important team group that is working at the headquarters for carry on a communication model linked to things that we do about the sustainability, in the 2025 vision of the group there is a central team, with a focus on sustainability, of the green economy and here surely many things will come in this direction"

In the end, it is always a matter of exploiting the store as a privileged point of contact to communicate a specific message about the brand and its identity, but also to establish an emotional bond with the customer, necessary for loyalty and for improving the brand reputation.

CONCLUSIONS

This thesis work wanted to analyze retail in a post-modern digital context from a theoretical and practical point of view, focusing mainly on the role of the store and on the emerging industry trends to then carry out a benchmarking operation with the company Würth Italy, subject of the research, with the aim to provide recommendations and suggestions for future implementations.

After a first part dedicated to the review of the literature on the subject and the presentation of the main theories and their changes along the last decades, the elaborate moved on the presentation of the macro-trend emerged from the market research, aimed at identifying the evolutionary trajectories of the sector and the related best practices. This preliminary work has allowed to investigate and understand how the external environment, compared to the company subject of the research, has been evolving in recent years.

The research continues with the presentation of the company with emphasis on the strategic retail approach, where was observed the commitment made by Würth Italy expressed in terms of innovative formats and services.

To then move the attention on the last part of the elaborate of the research, culminating in the process of triangulation which made it possible to identify opportunities and critical issues for further development providing different points of view, all equally interesting and illuminating. Each phase was enriched and completed starting from the results of the previous phase, allowing to obtain a deep comprehension of the reference context.

From the entire research process, it can be concluded that, the external context examined is constantly evolving and presents increasingly involving challenges, as consumers are changing, technology is changing, and even the competition is changing, for these reasons' companies need to keep refreshing their customer proposition to stay relevant and competitive.

With particular regard to the consumer, the technological revolution has created the conditions for a subversion of power relations, assigning to the customer-consumer a leading role in determining times, ways and contents of the offer of products and services.

In response, it was observed how retailers are redefining the customer experience, engagement and relationship providing a beneficial experience and meaningful contents that moves beyond a simple product sale, through testing new store formats, investing and adopting innovative technological solutions or even offering new services related to the business of retailers.

Therefore, it is evident retailers are embracing omnichannelism, redefining their mix of resources, processes and values according to the needs, desires and expectations of the consumer.

Having now this scenario very clear, the research work aims to provide an evolutionary contribution for the company, identifying a specific interpretation of this ‘new era’, aimed at the integration of digital with the physical and attributing new functions to the store.

As mentioned in the introduction, the achievement of this objective has been enriched by many perspectives, the identification and evaluation of industry trends, the qualitative interviews and the questionnaire from whom was noticed that the internal context, then the company ‘environment’ where it operates, is not exempt from the changes discussed.

More specifically, most of actual customers belong to the gen.X that is between 35-54 years old, and from all the interviewed customers, 1 out of 2 are info shoppers that makes online searches before concluding the purchase.

This is to say that despite the not high degree of current digital literacy, in the next future there will be further development and changing of habits from the consumer, especially when there will be the generational shift to the next generation like the millennials or the Gen. Y.

Therefore, the relevance of what was observed into the first part of the research become clear and exactly this awareness and reasoning have driven the following key findings.

Two dimensions have emerged on which Würth will have to focus the attention in the coming years: the first refers to the short term and is linked to the most imminent changes perceived as a necessity, while the second refers to the medium-long term which considers the wider context and the factors that in the next future will play an important role.

In the first dimension, the focus of the discussion is centered on the role to be covered by the store, that has been identified as store 2.0, which must be redefined by integrating digital tools capable of increasing efficiency and offering a customer experience with a higher added value.

After that, the opportunities and criticalities about the omnichannel approach and the new services related to the business of the retailers will take the core of the discussion. Then it will be underlined the importance of data in the actual scenario.

In this sense, based on the value and utility perceived by both the client and the managers, the first suggestion and innovation correspond to the adoption of digital signage solutions.

This would provide benefit for both, the customer as it boosts the interactivity and personalization helping into the decision process and the employee, as the possibility to have a video support or tutorials about the use of products would facilitate their sale activities.

A further in-store innovation concerns the adoption of an automated checkout, which represents one of the most important elements of a 'frictionless experience', synonymous of greater speed and customization of the service.

In this regard, emerged a significant opening confirmed by a high degree of familiarity by the employee interviewed while from the customer side there is consistent lack of capabilities that in turn lead for the preference of receiving assistance from the tenant.

Therefore, can be concluded that there are evident advantages in the adoption of this innovation but the main challenge for Würth correspond of educating and facilitate the process of usage and digital adoption of the consumers with lower propensity respect to this solution, providing support and assistance.

Going forward, the research underlined the correlation between the previous in-store technology solutions and other innovation that play the role of 'facilitator' and correspond to the RFiD technology. Through the interactive tags on the products, equipped with radio frequency identification technology 'connected' with the digital signage in-store, Würth would make the purchase more engaging with a more effective conveyance of information and would be able to enable the test of solution like the automated-checkout, providing then a higher customer experience in-store.

Additional and relevant benefit provided using the RFiD concerns the optimization of the inventory, which turned out to be among the priorities regarding the identified trends into the sector.

The adoption of the latter allows to monitor the entire supply chain and logistics, obtain information relating to the product specification and tracking the entire path of the products.

In light of these results the priorities for the company are mainly two: at first it is required to invest in enabling technologies and in the next phase to test the innovative services with the aim of intercepting the new needs of consumers and staying at the cutting edge in its sector.

Another important factor that emerged as fundamental trend of the retail sector correspond to the customer experience. In fact, the destination of the 'experience retail' was revealed mainstream into the sector. For this reason, the suggestion for the company correspond to take into consideration the opening of a flagship store, the emblematic format in terms of experience and destination store with the main role of not sale products but instead to become an icon of the brand, where customers will be in close contact with the history and essence of the company and capable of generate 'hidden benefit' expressed in terms of brand image and brand awareness.

Keeping the focus on the store and regard the preference of both, customer and employee of having larger surface and a wide assortment, the advice for Würth is to implement the assortment but in a vertical way identifying the needs, desire of the consumer and creating a selection of products, that will correspond to an unique offer capable of satisfy the expectations of the customers. The specialization of the store will allow the company to get out of the paradigm of the standardization of the offer, then not responding to the specific needs of the different 'artisan worlds' that the company serves. At the same time, it will be possible to instill a new and enriched meaning to the store.

The suggestion then is to continue with the capillary strategy of the stores, favoring the differentiation and specialization expressed in terms of formats and product assortments.

Continuing with the analysis and more specific considering the Omnichannel adoption level of the company, the obtained results provided important tip for reflection.

Into the questionnaire emerged issues that are mainly attributable to the non-perfect alignment of information regarding the stock and therefore the management of the inventory of the stores, that lead in lack of efficiency of the service with the potential risk of losing consumers trust and loyalty and emerged even lack efficiency about the correct communication of the service.

The implication observed impose for the future to improve the effort in order to fully achieve the 'omnichannelism' and therefore perfect integration between physical and online channels, with the aim of guaranteeing a user experience as fluid and simple as possible, through enabling solutions such as RFiD. In this context, another important commitment must be made towards the communication of the service, involving different levels of the organization and ensuring that there is clarity in it.

As regards the aspect linked to the offer of new services related to the business of the retailer, the delivery service was proved to be a relevant reason into the company context.

Specifically, a guaranteed delivery within the 4h strongly emerged univocally, from the internal and the external perspective as a ‘want-to-have’ services that provides benefit for their activities. The results suggest the need to strive to guarantee such a service, of fundamental importance with the aim of improving the customer experience and customer satisfaction.

A further development corresponds to the introduction of a demonstrative area in store that in turn will favor a renewal of the store functions through a new space where the customer would touch, test and try the products and at the same time allow the employee to have a useful tool in order to provide a better service.

Then the importance of data analysis was stressed out, necessary to build a personalized and more relevant customer experience with greater added value. Therefore, the considerations made implies a strong belief that the company should invest in technological tools that allow the tracking of in-store data, which if used univocally with the data deriving from the other touchpoints, can be transformed into useful information to obtain a competitive advantage.

In the first dimension, the suggestions for the company are contained in the application of technologies in the physical space which will allow the collection of data to be reworked together with those obtained from the online, in order to provide greater value in the offer expressed in terms of product and services, and in rethinking the role and function of the store which must be enriched by digital and must necessarily also pay attention to the experiential side of the purchase, without neglecting the importance of developing additional services, of fundamental importance for the type of clientele of the company.

While shifting the focus on the second dimension and considering factors of greatest market potential and strong interest that will play an important role in the future, firstly the attention concerns another aspect of cutting-edge technology, referred to the proximity.

Nowadays through the usage of beacons placed in-store, is possible to communicate through radio frequencies with people's devices and send personalized messages, improving their engagement and customization of the service and offering cross-selling opportunities for the retailers.

However, even if the context analyzed does not present the characteristics necessary to think of a development at least in the current scenario, thinking in terms of perspective it could represent a further development opportunity for the stores.

Another important trend concerns sustainability, as people are increasingly aware of the relevance of these issues and especially the new generations, as confirmed by studies and research, are particularly sensitive. It has been observed that in response, large companies are moving in this direction, also from the point of view of the store through the creation of eco-friendly stores.

In this sense, it is necessary to be aware that soon an increasingly informed public will demand a firm commitment, therefore it will be necessary to develop concrete actions in this direction.

The final advice for the company is to look to the future with the awareness that change is a necessary 'process' to respond to the evolution of the external environment and to continue being promoter of innovation with the aim of "getting to know" the consumer more deeply and then develop those innovations that are truly relevant and generate added value.

In order to do that, it will be necessary to dedicate great attention to mapping the customer journey and the role attributed to the different touchpoints during the purchase phase of the customers, with emphasis on the role of the store and data that correspond to a fundamental aspect.

Furthermore, it is required the adoption of an "agile", or test-and-learn approach which allows to test and measure the innovations that have shown greater potential, making corrections in real time and continuing to monitor the new solutions with a view to continuous improvement.

At the same time, these changes must embrace the socio-cultural sphere, starting from the training of employees at all levels, favoring upskilling and the entry of new professionals with new skills.

The implementation of these suggestions would allow the company to remain efficient in managing the current business and at the same time, capable of pursuing alternative, often innovative, ways through which it will be ready to face changes in demand.

Therefore, regarding future research prospects, it would be of particular interest to deepen the issues addressed in order to carry out an even broader and more significant evaluation, from which it will be possible to confirm the results obtained and expand knowledge on the usefulness and perception of customers with reference to the innovations identified.

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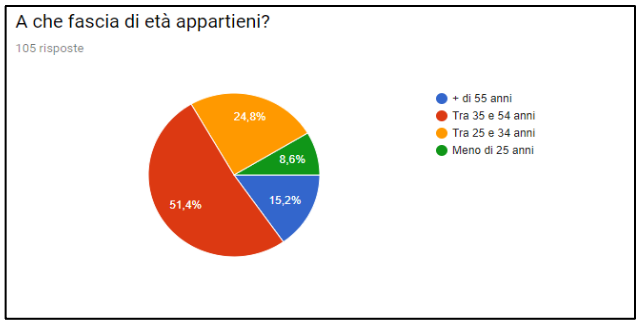
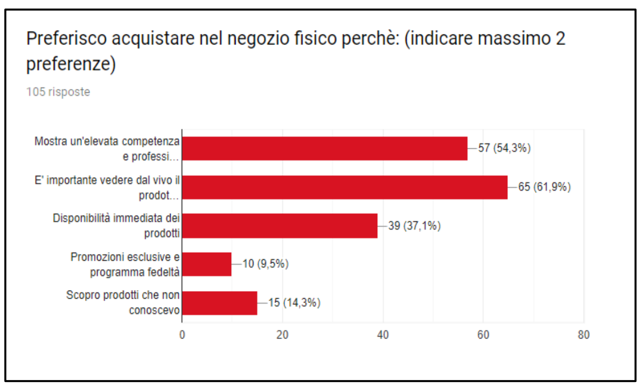
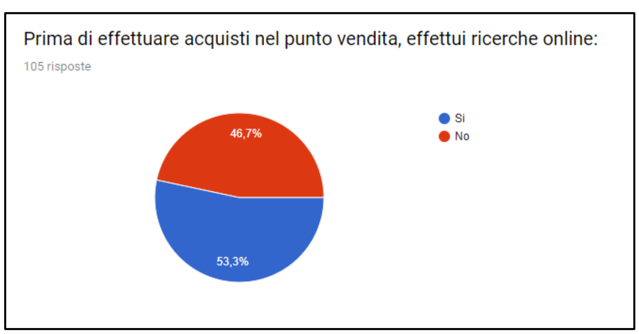
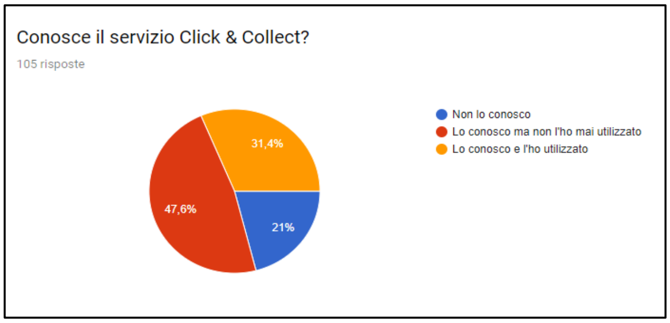
APPENDIX

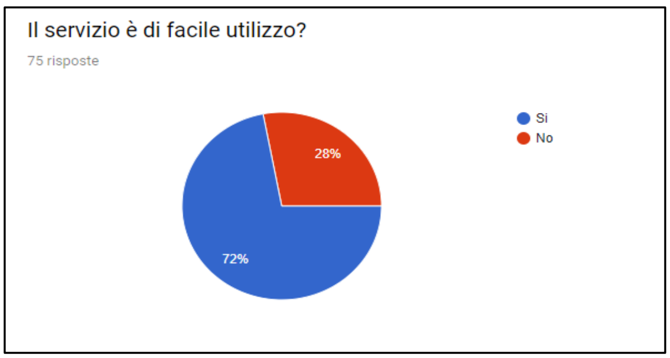
ALLEGATO A – Questionnaire for the customers – external perspective

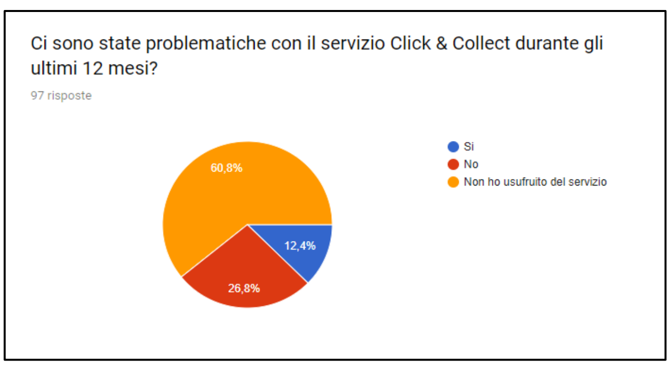






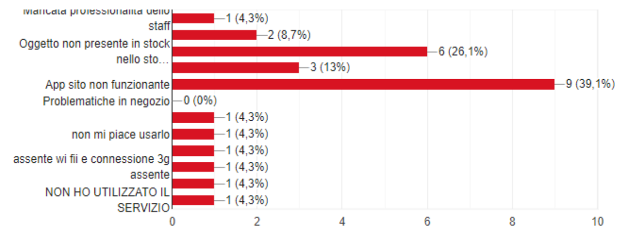

Conosce il servizio Click & Collect?
105 risposte
Non lo conosco
Lo conosco ma non l'ho mai utilizzato
Lo conosco e l'ho utilizzato
31,4%
47,6%
21%


Il servizio è di facile utilizzo?
75 risposte
Si
No
28%
72%


Ci sono state problematiche con il servizio Click & Collect durante gli ultimi 12 mesi?
97 risposte
Si
No
Non ho usufruito del servizio
60,8%
12,4%
26,8%

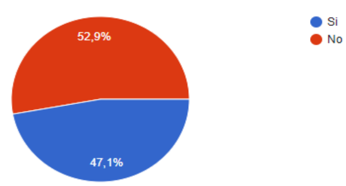
Se si, indicare quali: (possibilità di selezione libera)

23 risposte



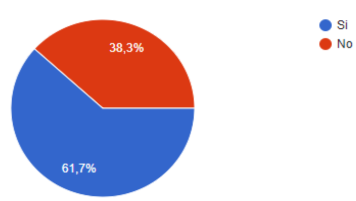
Sei d'accordo con la seguente affermazione: Würth dovrebbe offrire la possibilità di scegliere tra cassa automatica e cassa fisica o tradizionale:

104 risposte



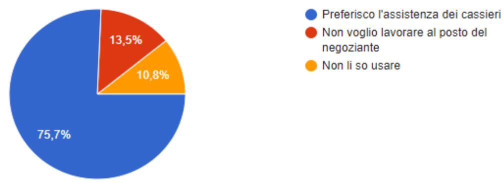
Se preferisci la cassa automatica, reputi necessaria l'assistenza del personale per il corretto utilizzo?

60 risposte



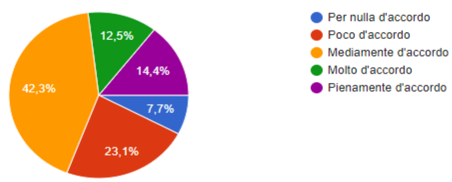
In caso contrario, perchè non useresti il self checkout o la cassa automatica?

74 risposte



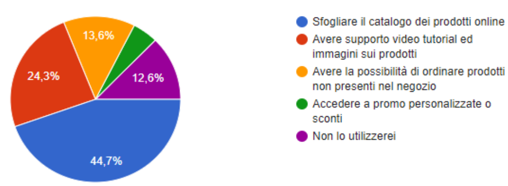
Sei d'accordo con la seguente affermazione: "La presenza in negozio di display interattivi o totem digitali faciliterebbe il processo d'acquisto":

104 risposte



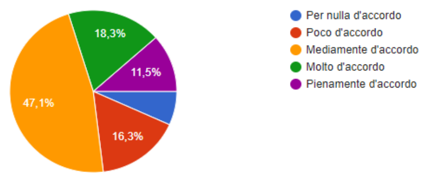
Utilizzeresti display digitali principalmente per:

103 risposte



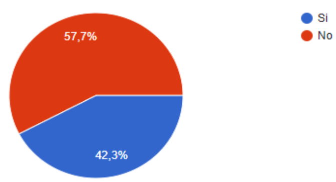
Reputi che la presenza di aree dimostrative all'interno dei punti vendita (test e utilizzo prodotti) possa essere un fattore importante per il tuo processo d'acquisto?

104 risposte



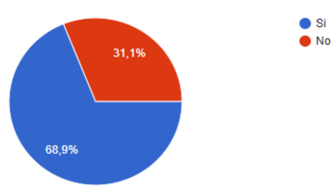
Preferiresti avere dei punti vendita più specializzati in termini di prodotti rispetto ai punti vendita tradizionali?

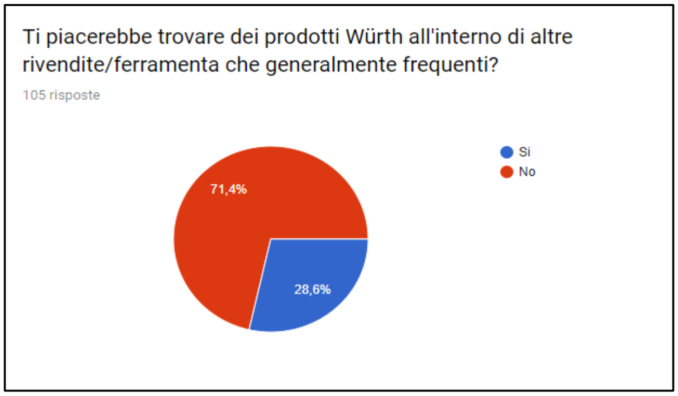
104 risposte

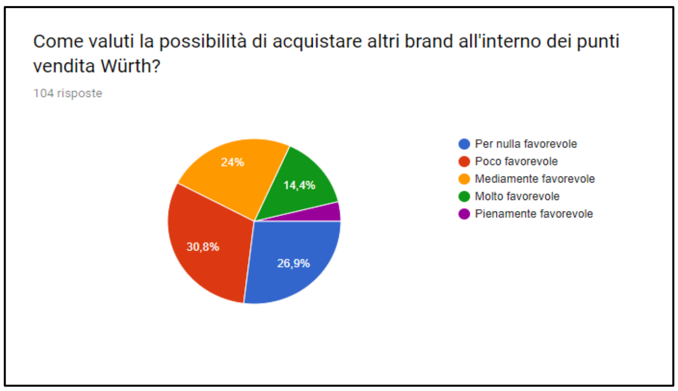


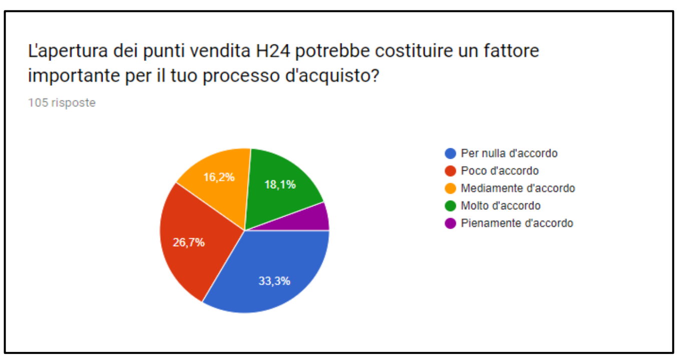
Ti piacerebbe avere una superficie dei punti vendita molto più grande con una gamma di prodotti molto più ampia?

103 risposte



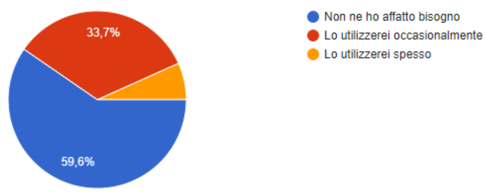

Ti piacerebbe trovare dei prodotti Würth all'interno di altre rivendite/ferramenta che generalmente frequenti?
105 risposte
71,4%
28,6%
Si
No


Come valuti la possibilità di acquistare altri brand all'interno dei punti vendita Würth?
104 risposte
24%
14,4%
30,8%
26,9%
Per nulla favorevole
Poco favorevole
Mediamente favorevole
Molto favorevole
Pienamente favorevole


L'apertura dei punti vendita H24 potrebbe costituire un fattore importante per il tuo processo d'acquisto?
105 risposte
16,2%
18,1%
26,7%
33,3%
Per nulla d'accordo
Poco d'accordo
Mediamente d'accordo
Molto d'accordo
Pienamente d'accordo

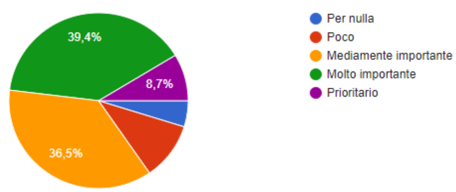
Se ci fosse la presenza di uno spazio all'interno del punto vendita (utilizzabile per incontri professionali, area lavoro, area presentazioni etc...) saresti interessato ad utilizzarlo?

104 risposte



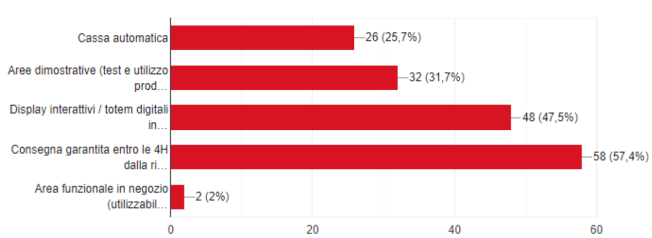
Quanto è importante per te avere la disponibilità di un servizio di consegna rapida della merce, entro le 4H dalla ricezione dell'ordine?

104 risposte

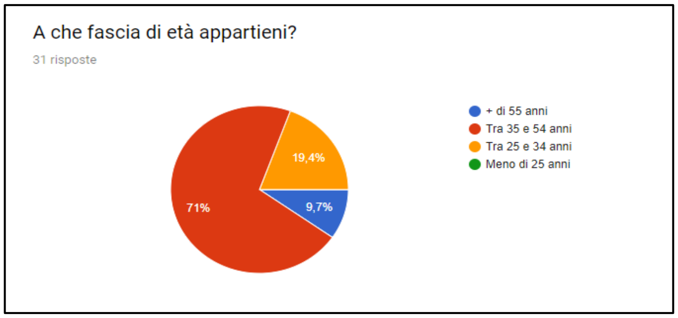


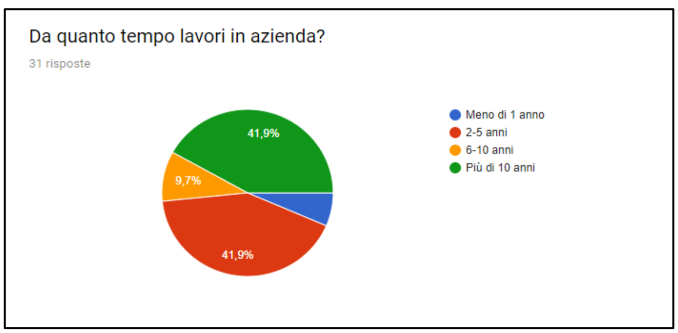
Pensando ai prossimi 1-2 anni da adesso, quanto è importante per te avere le seguenti innovazioni nel punto vendita? (esprimere massimo 2 preferenze)

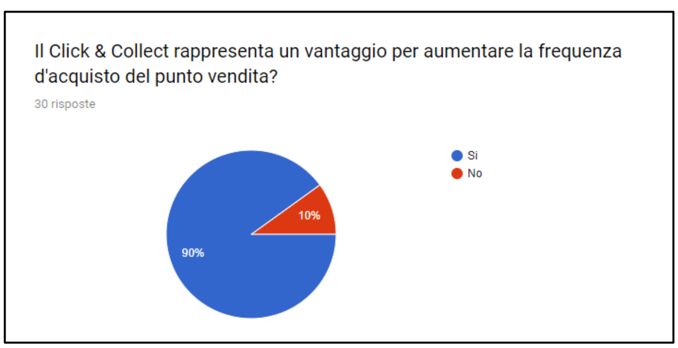
101 risposte

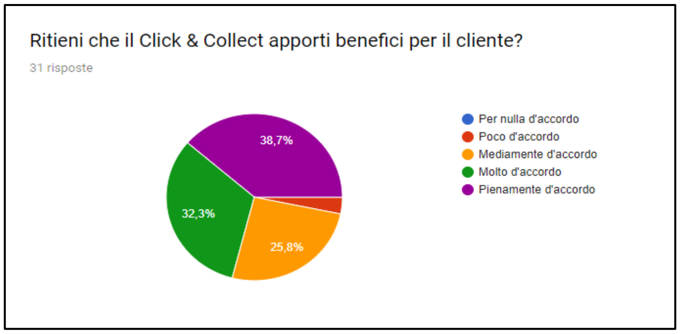


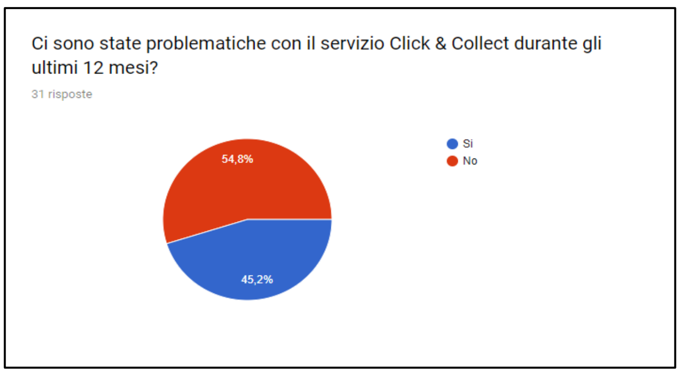
ALLEGATO B – Questionnaire for the employee and managers – internal perspective

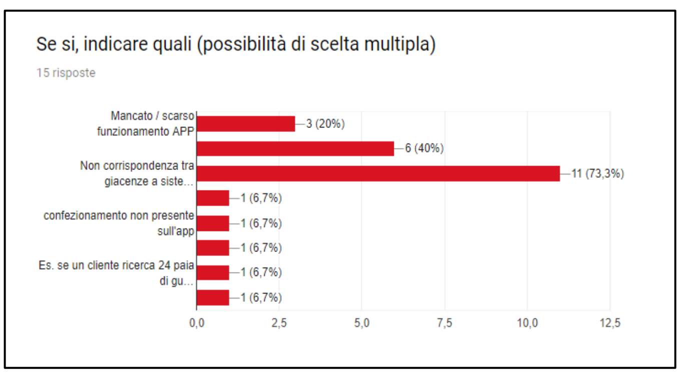


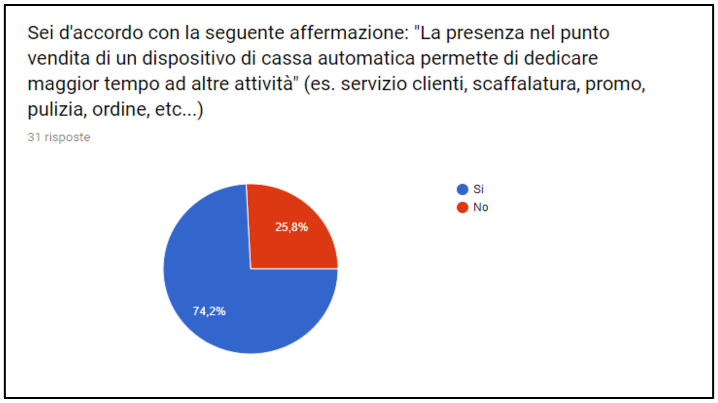


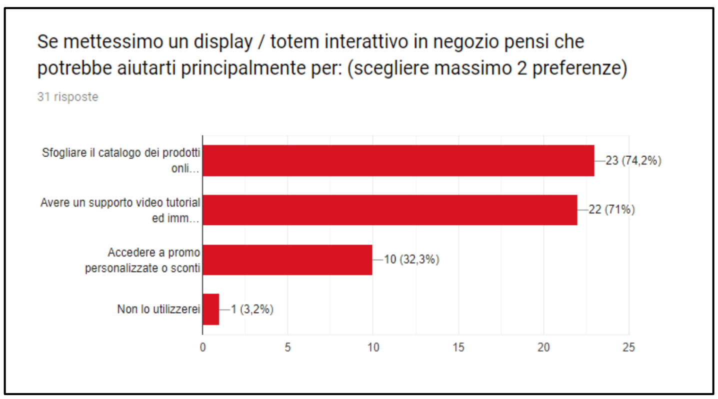


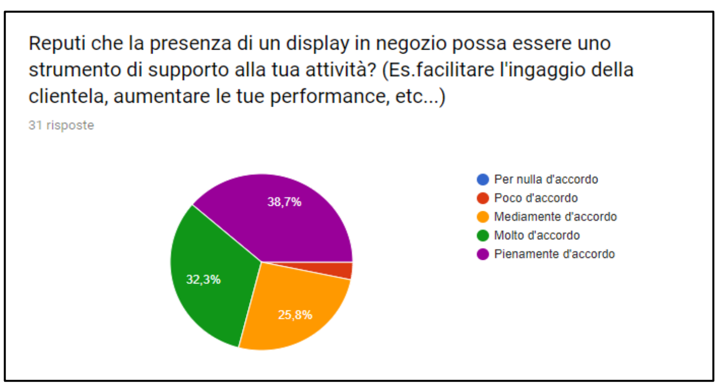

Ritieni che il Click & Collect apporti benefici per il cliente?
31 risposte
38,7%
32,3%
25,8%
Per nulla d'accordo
Poco d'accordo
Mediamente d'accordo
Molto d'accordo
Pienamente d'accordo

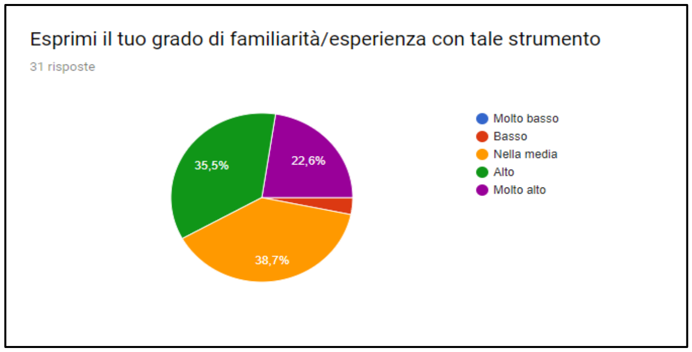

Ci sono state problematiche con il servizio Click & Collect durante gli ultimi 12 mesi?
31 risposte
54,8%
45,2%
Si
No

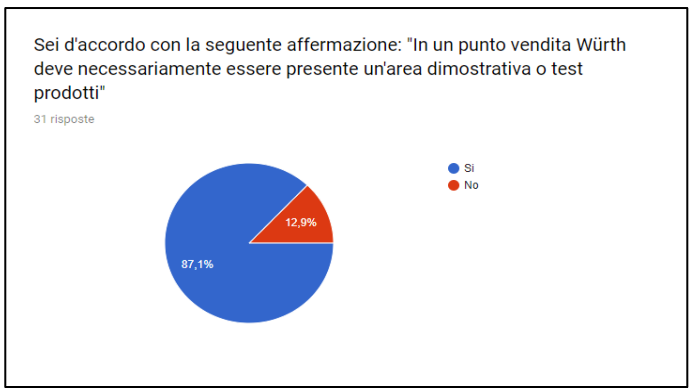

Se si, indicare quali (possibilità di scelta multipla)
15 risposte
Mancato / scarso funzionamento APP
Non corrispondenza tra giacenze a siste…
confezionamento non presente sull'app
Es. se un cliente ricerca 24 paia di gu…
3 (20%)
6 (40%)
11 (73,3%)
1 (6,7%)
1 (6,7%)
1 (6,7%)
1 (6,7%)
1 (6,7%)
0,0
2,5
5,0
7,5
10,0
12,5

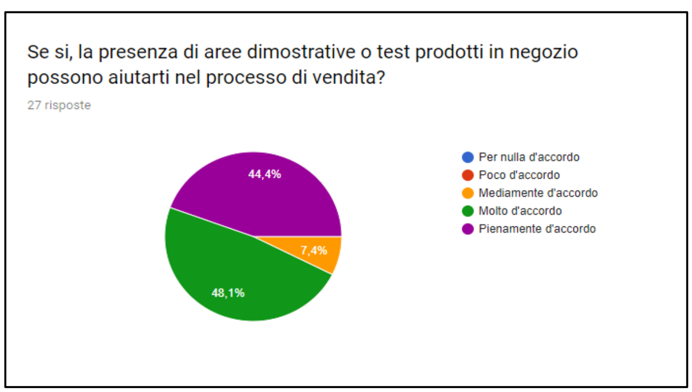

Sei d'accordo con la seguente affermazione: "La presenza nel punto vendita di un dispositivo di cassa automatica permette di dedicare maggior tempo ad altre attività" (es. servizio clienti, scaffalatura, promo, pulizia, ordine, etc...)
31 risposte
25,8%
74,2%
Si
No


Se mettessimo un display / totem interattivo in negozio pensi che potrebbe aiutarti principalmente per: (scegliere massimo 2 preferenze)
31 risposte
Sfogliare il catalogo dei prodotti onli...
Avere un supporto video tutorial ed imm...
Accedere a promo personalizzate o sconti
Non lo utilizzerei
23 (74,2%)
22 (71%)
10 (32,3%)
1 (3,2%)
0
5
10
15
20
25

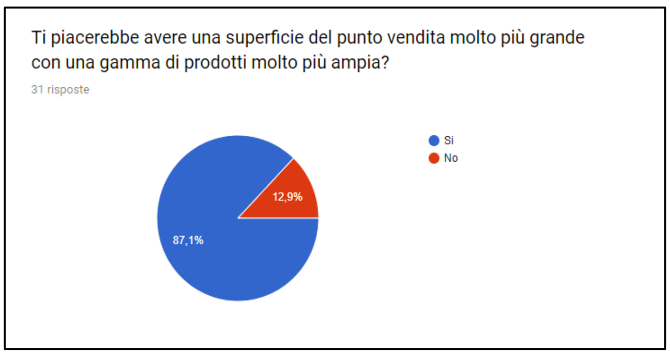

Reputi che la presenza di un display in negozio possa essere uno strumento di supporto alla tua attività? (Es.facilitare l'ingaggio della clientela, aumentare le tue performance, etc...)
31 risposte
38,7%
32,3%
25,8%
Per nulla d'accordo
Poco d'accordo
Mediamente d'accordo
Molto d'accordo
Pienamente d'accordo


Esprimi il tuo grado di familiarità/esperienza con tale strumento
31 risposte
35,5%
22,6%
38,7%
Molto basso
Basso
Nella media
Alto
Molto alto


Sei d'accordo con la seguente affermazione: "In un punto vendita Würth deve necessariamente essere presente un'area dimostrativa o test prodotti"
31 risposte
12,9%
87,1%
Si
No


Se si, la presenza di aree dimostrative o test prodotti in negozio possono aiutarti nel processo di vendita?
27 risposte
44,4%
7,4%
48,1%
Per nulla d'accordo
Poco d'accordo
Mediamente d'accordo
Molto d'accordo
Pienamente d'accordo

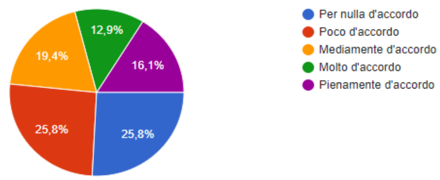

Preferiresti avere dei punti vendita più specializzati in termini di prodotti rispetto ai punti vendita tradizionali?
31 risposte
Si
No
54,8%
45,2%


Ti piacerebbe avere una superficie del punto vendita molto più grande con una gamma di prodotti molto più ampia?
31 risposte
Si
No
12,9%
87,1%


Ti piacerebbe che nel nostro punto vendita ci fossero altri Brand, del mondo dell'artigiano o del professionista?
31 risposte
Si
No
74,2%
25,8%

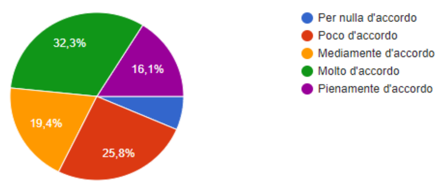
Pensi che Würth debba assicurare l'apertura del punto vendita H24, per garantire una maggiore soddisfazione della clientela?

31 risposte



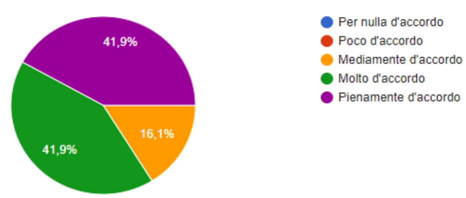
Avere a disposizione in negozio, un'area dedicata utilizzabile dal cliente (per incontri professionali, area lavoro, area presentazioni, area meeting etc...) può facilitare la tua attività?

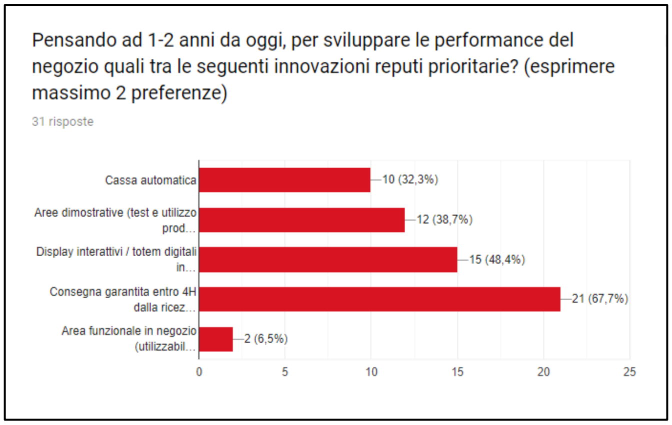
31 risposte



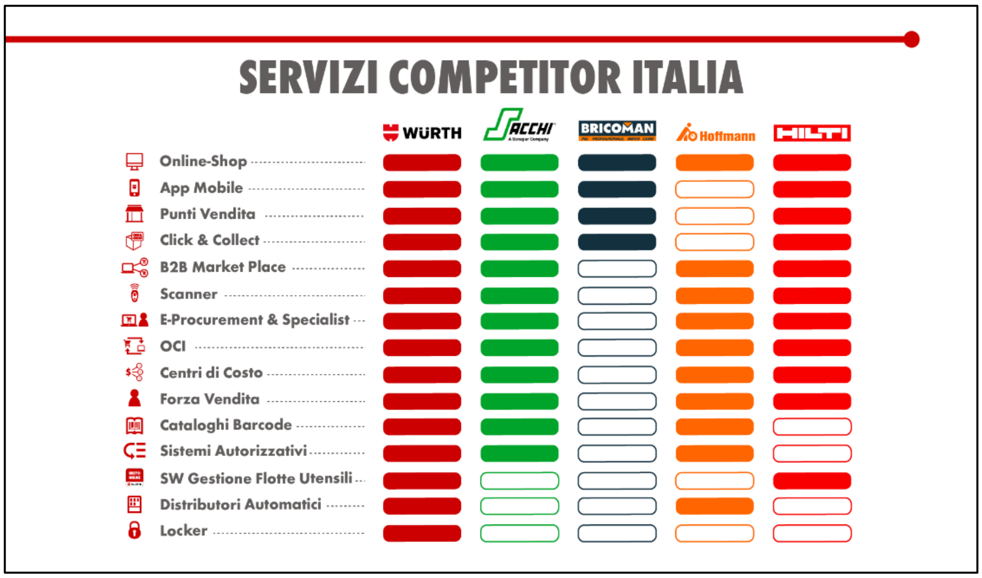
Reputi che offrire un servizio di consegna rapida della merce, entro le 4H dalla ricezione dell'ordine, possa aiutarti nel processo di vendita?

31 risposte




Pensando ad 1-2 anni da oggi, per sviluppare le performance del negozio quali tra le seguenti innovazioni reputi prioritarie? (esprimere massimo 2 preferenze)
31 risposte
Cassa automatica
Aree dimostrative (test e utilizzo prod…
Display interattivi / totem digitali in…
Consegna garantita entro 4H dalla ricez…
Area funzionale in negozio (utilizzabil…
10 (32,3%)
12 (38,7%)
15 (48,4%)
21 (67,7%)
2 (6,5%)
0
5
10
15
20
25

ALLEGATO C – Analysis of the competitors in terms of services in Italy



ACKNOWLEDGMENTS