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2024 BENCHMARK SURVEY

THE FUTURE OF THE STORE

AS DESIGN TEAMS WIN MORE BUDGET, THEY FEEL MORE PRESSURE TO PERFORM

INTRODUCTION

Since the inception of the *Store Design & Experience* survey, we have seen retailers continue to emphasize the importance of the in-store experience, especially its unique role in driving consumer connection and engagement.

Although executives repeatedly indicated that the in-store experience was somewhat or more important than the year before, we wanted to gauge whether this "importance" was translating into tangible action.

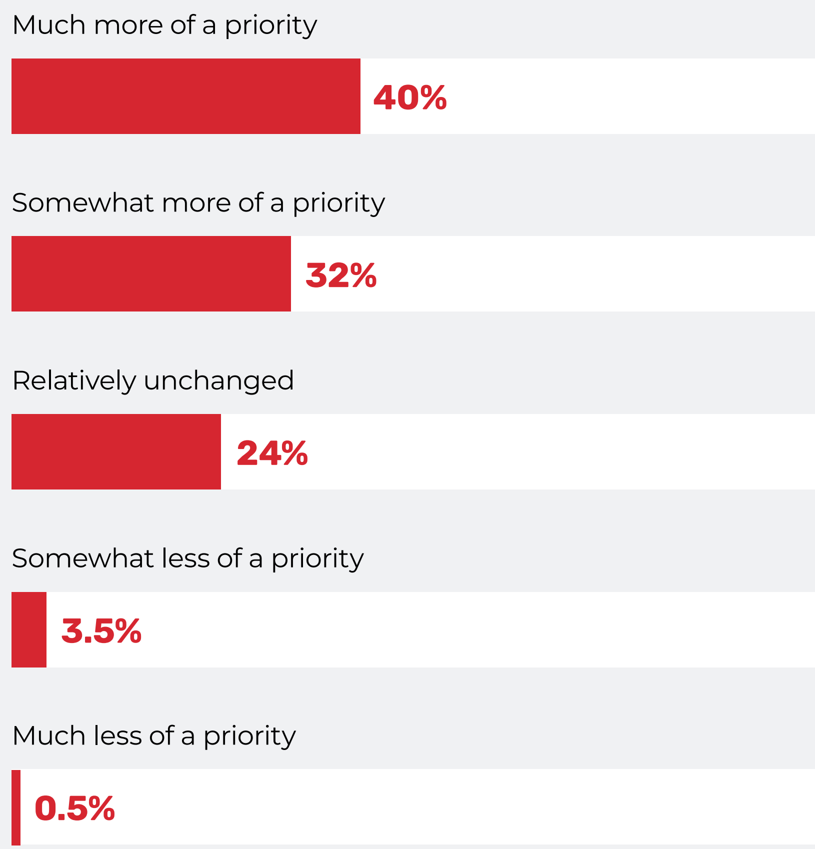
We surveyed more than **100** executives representing brick-and-mortar businesses, omnichannel retailers, CPG brands and more, to understand how they are funding new store design and experience projects, especially since **72%** of respondents said that overall this "line item" was more of a priority in 2023 than in 2022.

Through 2025, brands and retailers are:

- Tackling the rising cost of materials (**57%**);
- More thoughtfully aligning material decisions with corporate sustainability goals (**61%**);
- Investing holistically in the brand experience, including stockrooms (**36%**) and exteriors (**33%**); and
- Maintaining their focus on multi-purpose technology that's designed to serve both associates and consumers (**63%**).

How did brands prioritize store design and experience investments in 2023 compared to 2022?

Store design and experience investments were...

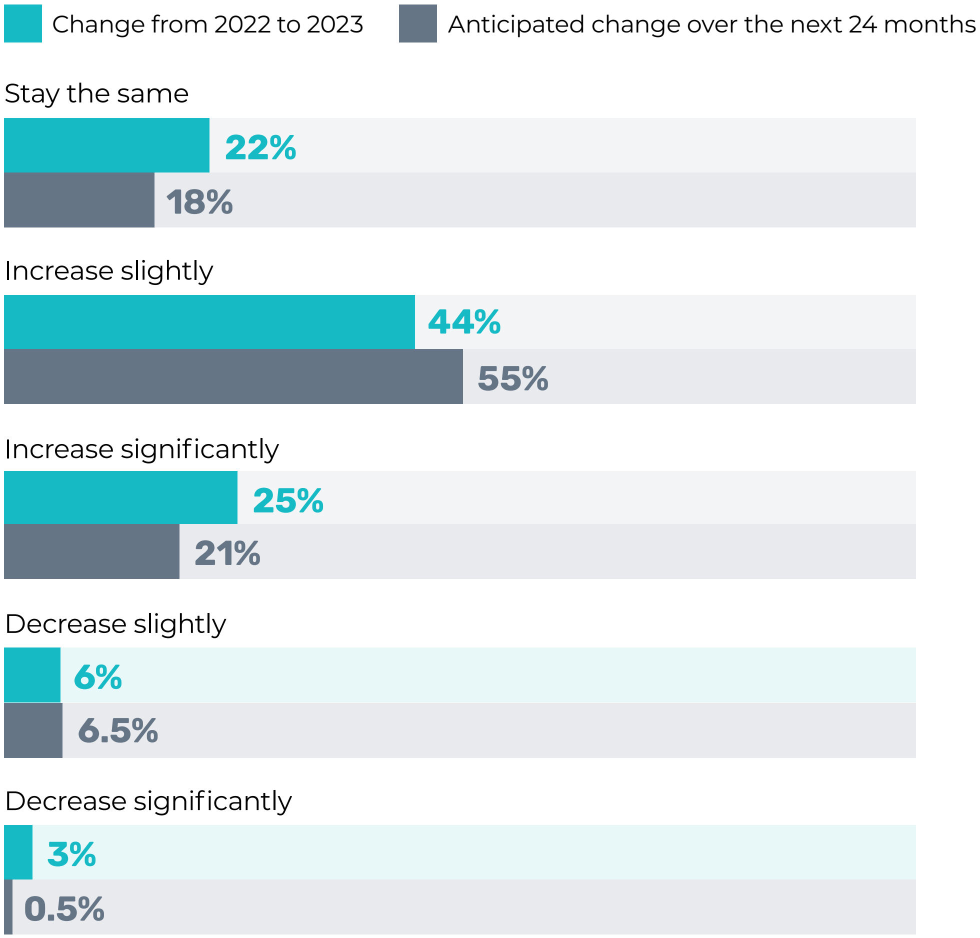


NEW GOALS AND NEW PRESSURES COME TO THE FOREFRONT

As store design leaders establish their plans for the next **12 to 24** months, they are cautiously optimistic about their budgets. The good news is that **69%** of respondents reported that their store design budgets increased in some way in 2023 — a marked increase from 2022's **57%**.

As a result, more than half (**55%**) of executives expect their store design budgets to increase slightly, while **21%** anticipate a significant boost, up from **52%** and **13%** respectively in the 2023 iteration of the survey.

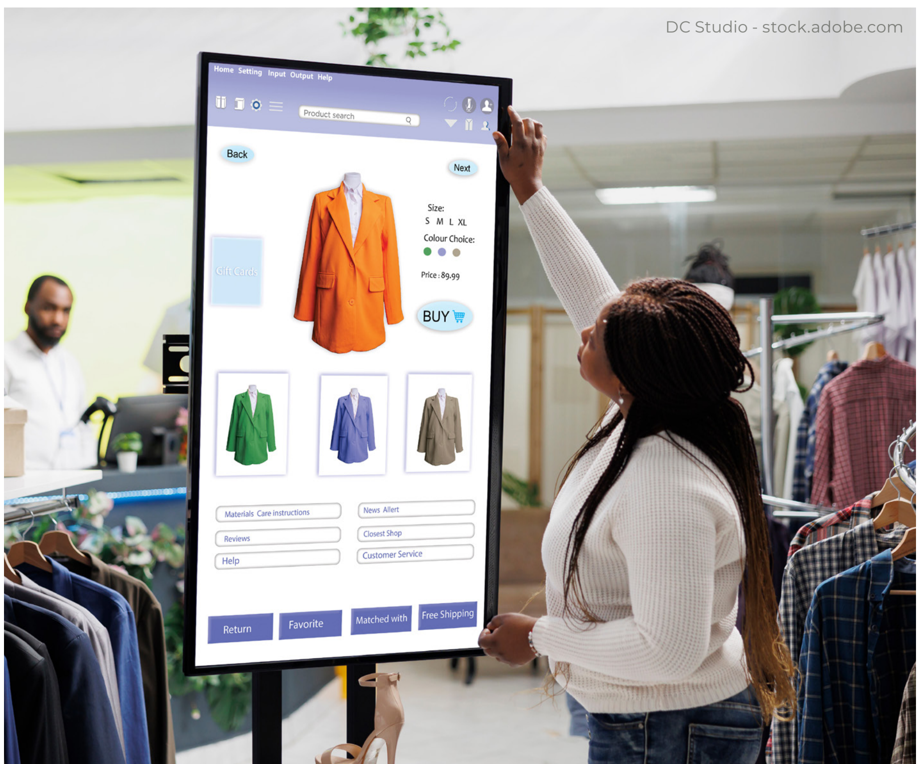
Store budget changes



Although organizational leadership appears to be giving stores more budget and resources, design teams are still worried about money: **47%** of executives still claim that tighter store design budgets are a challenge, a sizable increase from the **38%** that did so in 2023.

One possible reason budget constraints are still so top-of-mind is that material costs continue to soar. Significantly more respondents pointed to the rising cost of materials as an issue — from **38%** in 2023 to **57%** this year.

New pressures also are coming into the mix, especially as new advertising categories and experience trends emerge: **57%** of respondents said they were struggling to adapt stores to new shopper expectations (up from **42**% in 2022) and **44%** of respondents noted that they were wrestling with how to best bring new digital media and technology elements into their locations.



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What are the top challenges impacting store design and experience strategies?

Respondents selected their top three challenges.

EMBRACING BRAND STORYTELLING ACROSS THE IN-STORE EXPERIENCE

The most resonant in-store experiences visually convey a brand's ethos through the entire space, from the exterior to the stockroom. As a result, brands are investing in creating a cohesive experience that accurately reflects their brand promise. Last year, brands and retailers focused extensively on rethinking and redesigning customer-facing areas of the store, such as product display areas (**84%**), front-of-house areas such as the checkout experience and BOPIS area (**69%**), and fixtures and overall visual merchandising (**63%**).

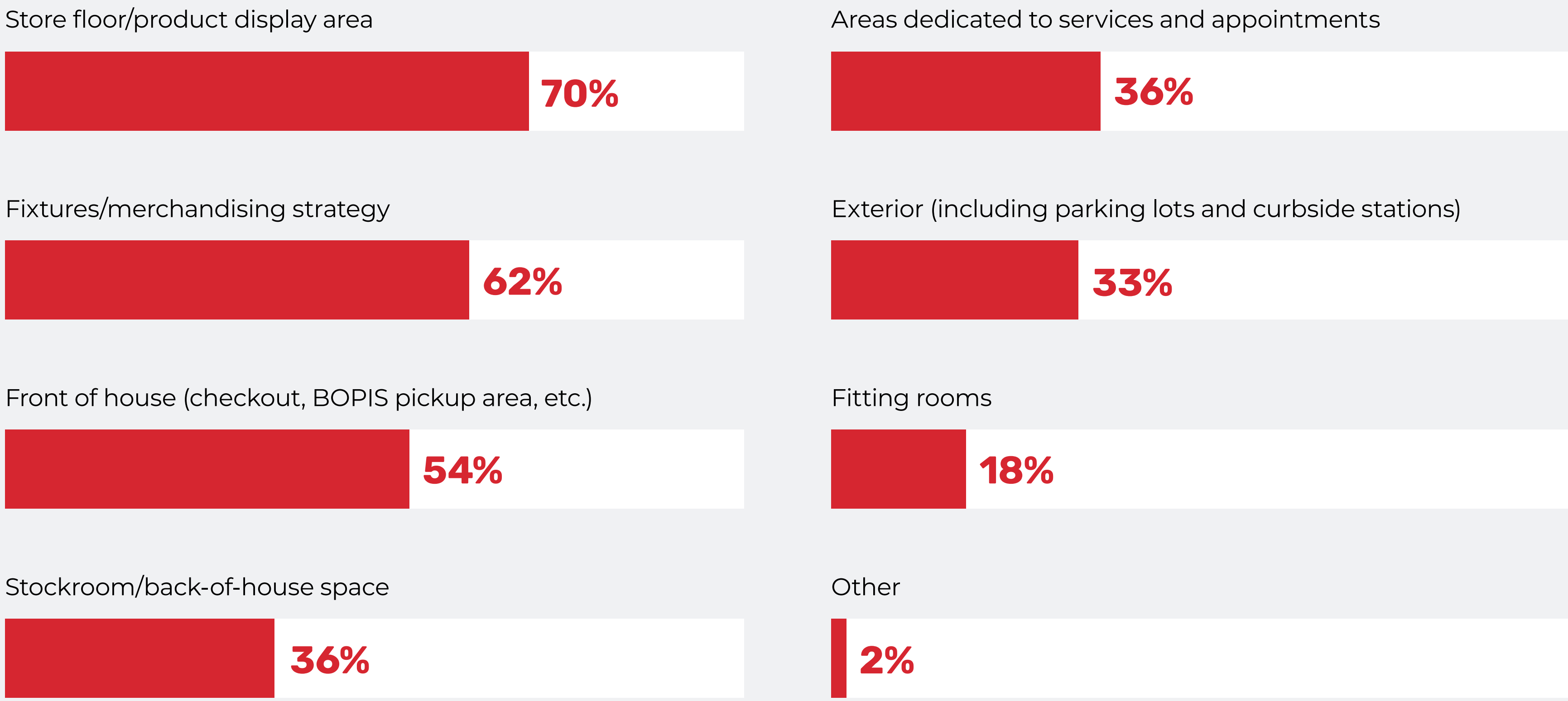
This year, those numbers dropped slightly, yet there was an uptick in areas such as:

These results indicate that retailers across categories are taking cues from their peers in luxury, who are doubling down on embracing services and more hospitality-driven spaces that are welcoming and engaging. Even **fitting rooms**, which often feel sterile and stifling, are being elevated and reimagined to better represent the brand.

When **Saks Fifth Avenue** revamped its Beverly Hills flagship, it dedicated more space to exclusive services and styling, which makes new customers and big spenders alike feel special, according to **Sterling Plenert**, Principal at Arcadis, the firm that helped design the new store. "At the highest end, almost every store we've done has added a VIP room with its own fitting rooms that they can close off and make an experience that's very special," said Plenert in an interview with *Retail TouchPoints*.

Which areas of the store have been rethought and redesigned over the past year?

Respondents selected all that applied.

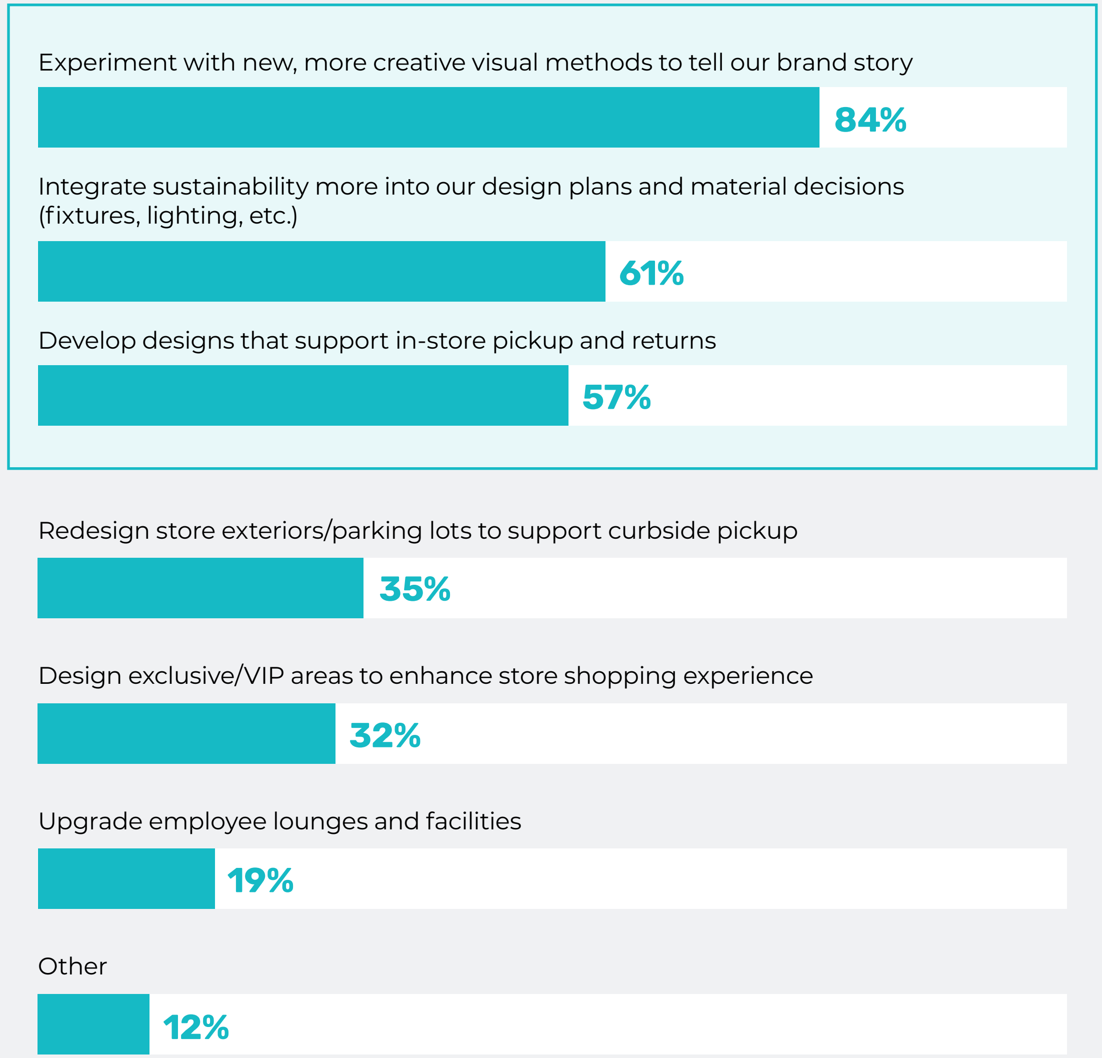


HOW SUSTAINABILITY IS DRIVING DESIGN DECISIONS

From a strictly design and creative standpoint, respondents continue to prioritize visual storytelling and sustainability, although there was a slight drop in both responses compared to last year. Other responses that saw an uptick included prioritizing designs that supported in-store pickup and returns (**57%** in 2024 vs. **53%** in 2023) and upgrading employee lounges and facilities, which rose from **12%** in 2023 to **19%** this year.

What are brands' top store design and visual merchandising priorities through 2024?

Respondents selected their top three challenges.



Because this was the second year that respondents placed a significant focus on sustainability, we sought to understand how retailers were aiming to make more environmentally conscious decisions.

Some organizations, such as **Estée Lauder**, are establishing new store design standards and requirements that align with corporate strategies and goals. Others are taking a slow and steady approach by strategically employing more eco-friendly materials.

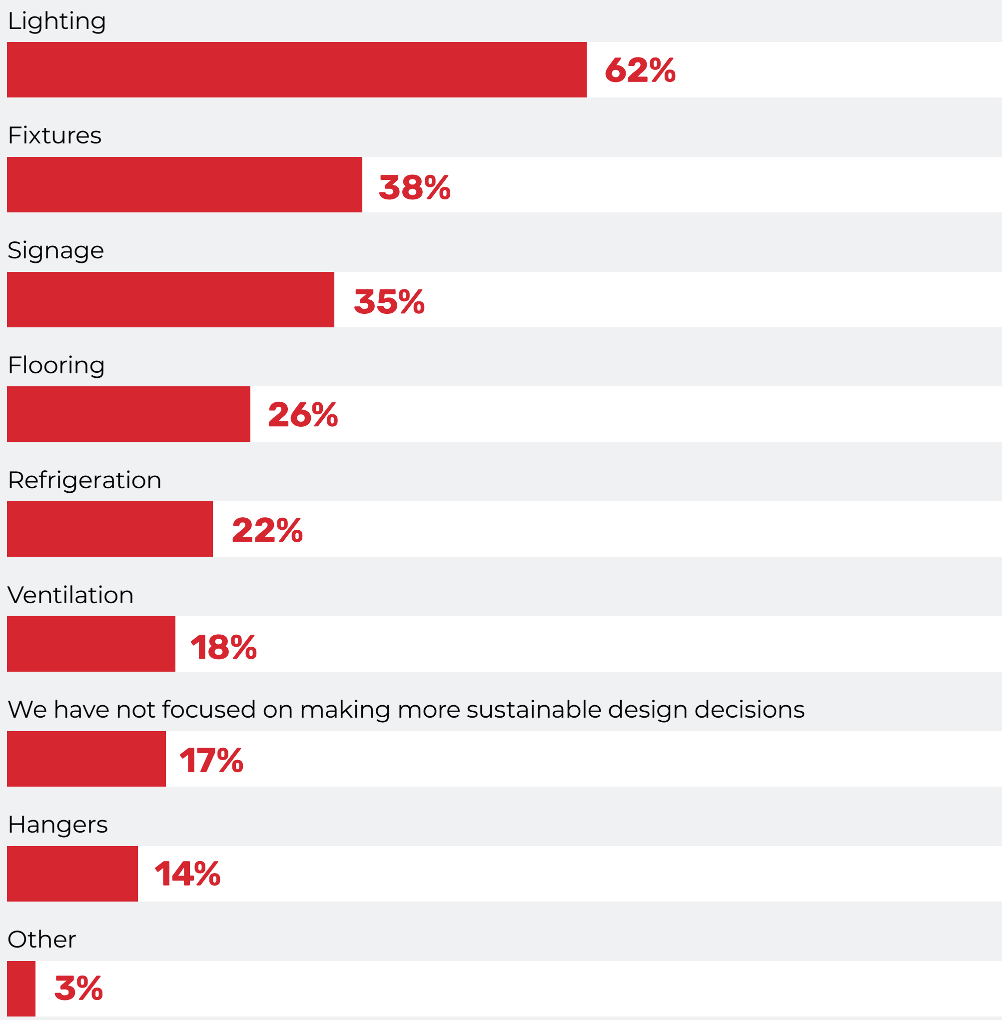
Somewhat unsurprisingly, lighting was the most-cited element (**62%**). Of all material decisions, lighting is relatively easy to test and scale to more locations. Plus, despite the upfront cost of replacing lighting, retailers are likely to see monetary benefits faster with this switch.

The next most popular responses were fixtures (**38%**) and signage (**35%**). On the surface, these may seem like relatively easy lifts, but the reality is retailers need to do far more work to research and select the best alternatives.

In the case of signage, retailers need to consider if they're going to embrace more eco-friendly materials, such as rigid paper board or paper-based backlit film, or if they're going to shift entirely to digital signage, which is more agile and significantly reduces waste. Despite the benefits, digital signage is a sizable investment and requires input from stakeholders in IT and other functions.

Which store elements have brands made more sustainable due to corporate goals and mandates?

Respondents selected all that applied.



DIVERSIFYING STORE FORMATS AND EXPERIENCES

As retailers seek to differentiate their store environments, technology remains a critical component of their strategies. That is why retailers are just as focused as last year on being more thoughtful with how they're integrating technology into their spaces to support unified commerce experiences.

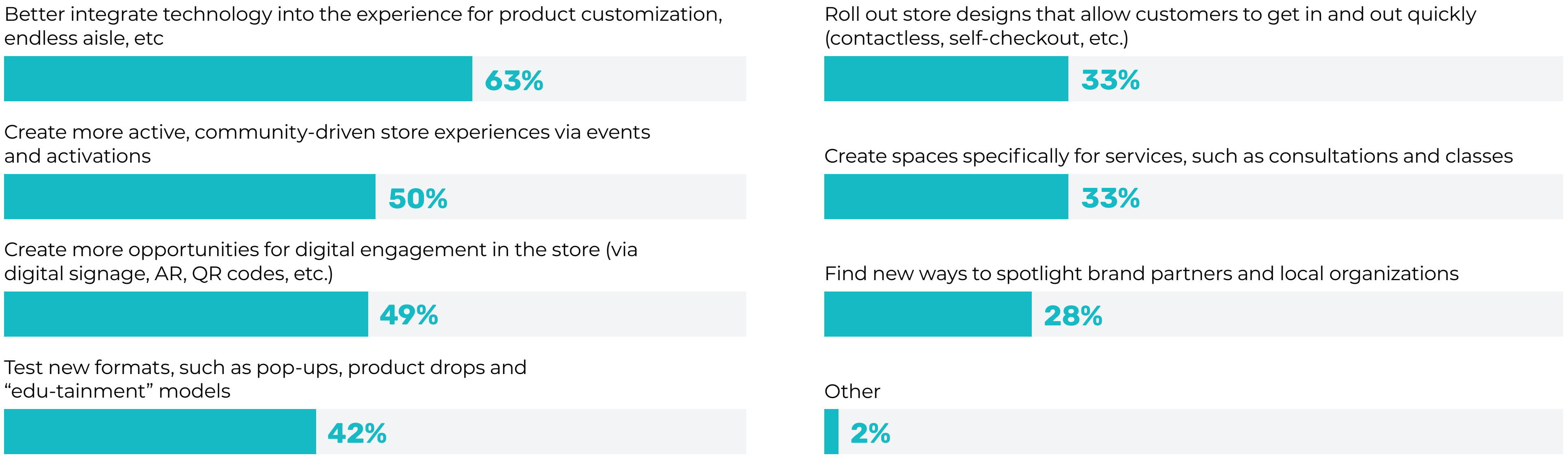
At the top of the priority list are more commerce-related activities, such as product customization and endless aisle capabilities (**63%**). However, in-store digital engagement opportunities using digital signage, augmented reality (AR) and QR codes connecting to high-value content also continue to be important for **49%** of respondents.

Additionally, retailers remain focused on the community aspects of the in-store experience and are finding distinct ways to transform their stores into spaces for gathering, connecting and *enjoying*.

The percentage of respondents that said they planned to host more events and activations (**50%**) and test new formats (**42%**) remained unchanged year over year. Moreover, retailers continue to invest in various formats, from flagships to pop-ups and rotating concepts, to create spaces that align with specific business goals — and with customer needs and expectations in different markets.

What are brands' top store engagement and experience priorities through 2024?

Respondents selected all that applied.



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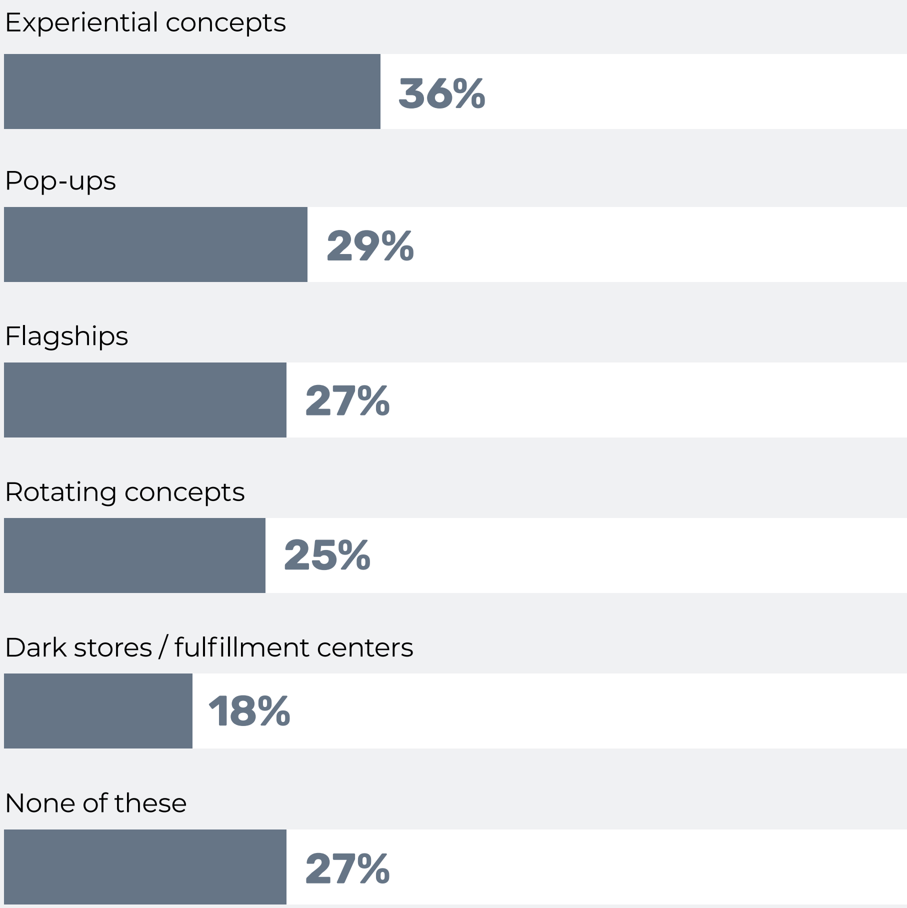
What are the top store formats brands plan to open over the next 12 to 24 months?

Respondents selected all that applied.



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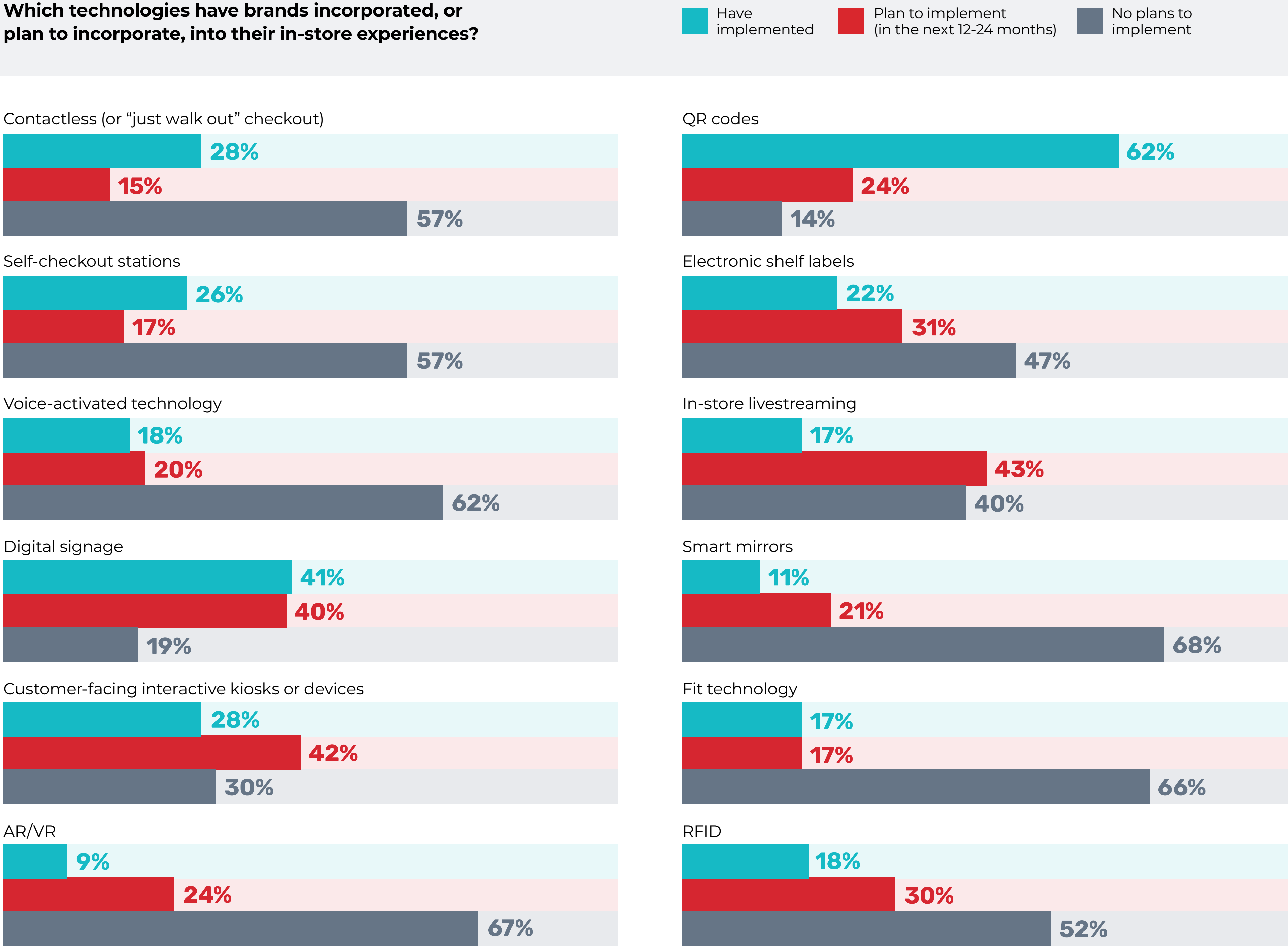
THE JUST-WALK-OUT TECH SHAKEOUT SHAKES UP TECH PRIORITIES

Technology enables seamless customer experiences and empowers associates to do their jobs better. Last year, we saw retailers aim to achieve this balance by focusing on tech such as QR codes, digital signage and self-service kiosks, which equally benefit consumers and associates. This year, we're seeing more of the same — but with some new trends emerging.

The industry's shift away from **"just walk out"** is the most fascinating to observe. With multiple strong headlines expressing consumers' distaste for self-checkout and just-walk-out experiences, retailers appear to be stalling, even reversing, their plans. Last year, **37%** of respondents said they planned to implement the technology over a **12- to 24-month** period. That number has since plummeted (down to **15%**), with **57%** of respondents saying they have no plans to implement the technology at all (up from **33%** in 2023).

Conversely, categories such as smart mirrors and fit tech are seeing more traction year over year. Although response to this tech has historically been lukewarm at best, retailers' focus on reducing returns and minimizing textile waste contributes to their interest — and likely implementation — of these solutions.

Which technologies have brands incorporated, or plan to incorporate, into their in-store experiences?



ARE DESIGN TEAMS THE NEW EXPERIENCE TEAMS?

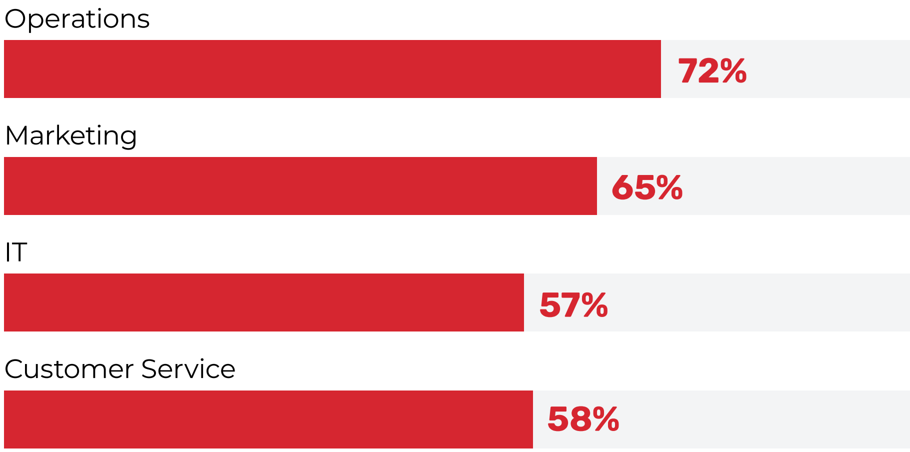
Over the past three years, it has been fascinating to see how the design team has evolved. In fact, **some experts argue** that organizations should replace "design" with "experience" in order to better reflect the multidimensional knowledge and expertise required to create a successful store environment.

Respondents seem to agree with this overall sentiment, as they continue to have a diverse panel of internal and external partners to bring new store concepts to life. Among internal players, however, there has been an interesting year over year shift. More respondents say they work more closely with operations than any other function, while in previous years, most pointed to marketing as their top collaborative partner for store design projects.

Additionally, despite respondents still working with a mix of external partners, those numbers are lower than in 2023. This shift is likely due to the fact that **43%** of respondents plan to increase their design headcount over the next year.

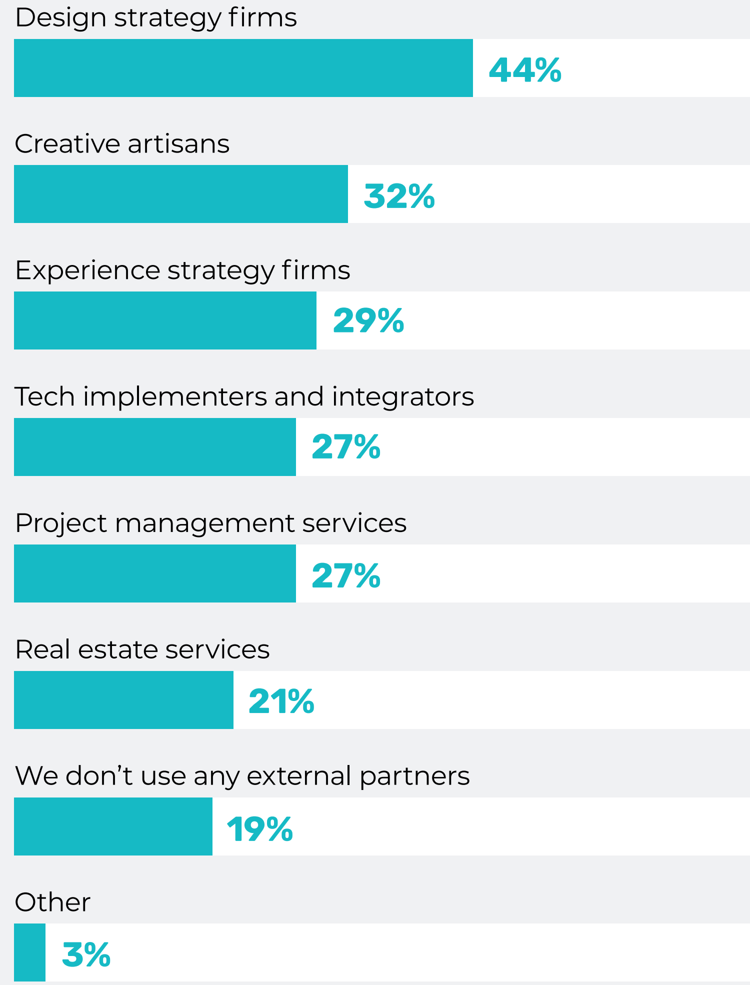
Which departments are your top internal collaborators?

Respondents selected all that applied.

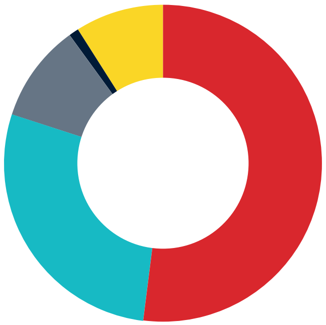


Who are your top external collaborators?

Respondents selected all that applied.



SURVEY DEMOGRAPHICS

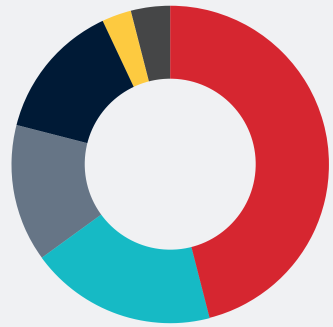


Company Type

Retailer — Brick-and-mortar only: **52%**
Retailer — Omnichannel: **28%**
Design Firm: **10%**
CPG/Brand — with brick-and-mortar: **1%**
Other: **9%**

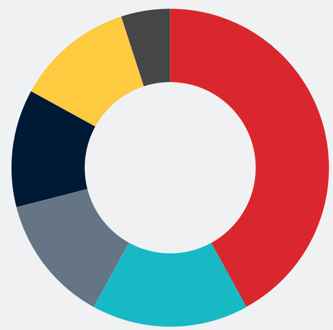
Retail Vertical

Specialty hardgoods **19%**
Specialty softgoods **13%**
Big Box **6%**
Convenience Store **5%**
Supermarket/Grocery **11%**
Drugstore/Pharmacy **5%**
Department Store **15%**
Office Supplies **1%**
Electronics **3%**
Other **22%**



Store Count

0-20: **46%**
21-100: **19%**
101-1,000: **14%**
1,001-10,000: **14%**
10,001-15,000: **3%**
15,001+: **4%**



Company Revenue

Less than $50M: **42%**
$50M-$100M: **16%**
$100M-$500M: **13%**
$500M-$1B: **12%**
$1B-$5B: **12%**
More than $5B: **5%**

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Alicia is an editor-turned-content marketer, with a passion for all things focused on digital-powered experiential retail.