HMY
INNOVATION IN RETAIL

1ST SHOPFITTING GUIDE 2020/21

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INTRO 20/21 SHOPFITTING

We are facing a year of great challenges for everyone, where retail will take centre stage once again, as a key player for a society in turmoil. At HMY, we want to show we absolutely trust in our sector. During this year, it has been demonstrating its capacity for adaptation, sacrifice, innovation and struggle to continue moving forward at a time where the mere fact of guaranteeing supplies could often seem a Herculean task.

CONGRATULATIONS AND **THANK YOU!**

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NEW RETAIL

The new retail

- **New business models.** We are becoming increasingly aware of the need to move towards omnichannel retailing, of the impact companies have on society and of the usefulness of collaborative economies.

- **Excellent relationship with consumers.** This is achieved by measuring the impact of the company on society, sustainability, and rethinking the added value of each of the products sold.

- **New internal operations.** Omnichannel retailing and sustainability are two cornerstones that have forced more than one company to completely redefine its structure to remain competitive in today's markets.

All this constitutes the transformation the retail sector has been experiencing for years. These trends have spread across the whole sector as an opportunity and almost as a requirement.

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New retail trends

1. Agility: Points of sale able to quickly reinvent themselves

The first of the trends is operational: seasonal campaigns, Christmas, 'Back to school', launches, Valentine's Day, Father's Day, Black Friday, Cyber Monday… However, as we have become so used to these special dates, they no longer catch our attention, **which forces the sector to be in a permanent state of 'creativity' to generate new experiences and promotions**.

Accordingly, in recent years, brands have included a component of 'modularity' in their new retail concepts, and require their suppliers to offer an infrastructure that can serve them on shorter and shorter notice.

The creation of evolving points of sale, to transform your visual communication and the content of your campaigns, should be aimed at achieving different objectives:
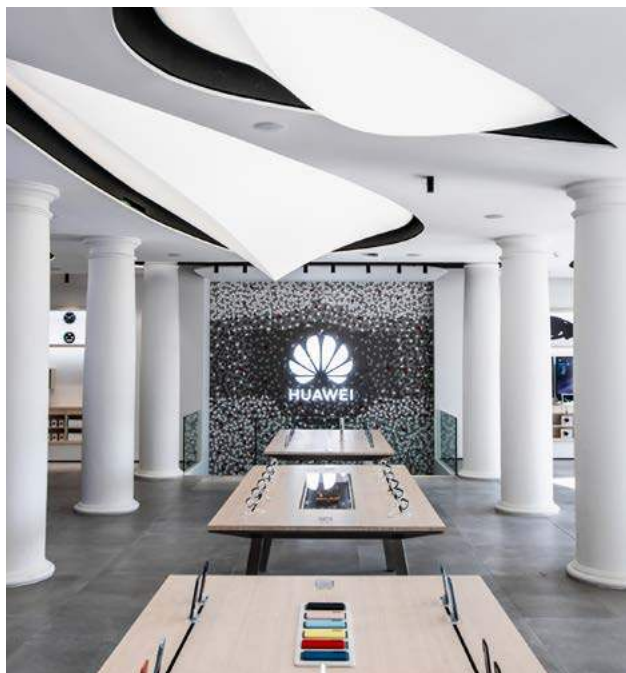
Being reconvertible without operational or economic effort.

Fully adapting its layout to the entry or promotional product, or to the needs and flows of specific consumers corresponding to each occasion.

Being able to generate a new space, a new face for consumers.

2. Accessibility: Usability of the environment and focus on well-being

Retail should have a direct impact on the well-being of people, starting with employees.

- Companies see the active value of a good work environment as a factor to generate culture and attitudes, as well as the efficiency of a good work environment. They also perceive training as an added value. All this helps build a brand and an increasingly 360º '**Customer and Employee Centric**' approach.

- In addition, the average time a person spends at a point of sale has a direct impact on the average ticket they generate. Therefore, designing spaces that make customers feel welcome and that **generate emotion and a feeling of well-being** is another working line in the field of accessibility.

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"We are living in an age where we not only think about how to display products, but also how to make people want to be in stores. Let's take lighting as an example. Lighting studios are not only designed thinking about ambient and accent lighting, but also lighting for people or HCL (Human Centric Lighting) because brands and retailers are aware of the impact it has on the biorhythm and well-being of people. Thinking about workers' rest and customer recurrence.

Blanca Cañadas, Head of Marketing at Lledó Group.

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We can find the latest examples of this trend in the 'relaxation areas' that began their journey in supermarkets and are now even present at service stations, with food service areas increasingly focused on receiving customers and becoming an **aspirational** stop, rather than one you cannot avoid.

What is the in-store usability and accessibility in Retail?

3. Experience: Living the brand and turning it into an experience for customers

We should not try to use the product-price concept as our only distinctive value. If we did, we would be directly competing against the 'category killers', that is, companies with a huge range of products and lower costs, which they achieve thanks to economies of scale.

Objective: Turning stores into a place where you want to be, not because of the product, but because of what you experience with the brand.

That is why more and more brands have decided to create flagship stores, as their own outlets which they turn into a 'theme' place where customers live the experience of the brand. As a result, they achieve an aspirational experience for customers, who become loyal to the brand in a different way.

The importance of this type of stores does not lie in the visual impact or in new store designs, but in building a **relationship** based on **precise positioning and differentiation objectives**.

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4. Sustainability: a cross-sector value

Now that we are aware of the need to make 'more sustainable' products and we have adapted our everyday operations to processes that care about the planet, today's consumers understand we live in interdependent economies and demand brands to assume their responsibility in terms of sustainability in their activity. This **includes taking responsibility for suppliers**.

As a result, sustainable materials and processes have become a must in shopfitting, and 100% sustainability in retail will soon be a mandatory value rather than a distinctive one.

5. Intelligence: Data, Business Intelligence and Customer Insights

A trend started by 'pure players' or online retailers establishes that everything can be measured. As an example, Google or Amazon base their business on the analysis and use of data.

In offline retail, we can almost absolutely measure everything, which is very important, as we need to understand the impact the physical point of sale has on the Customer Journey of a customer or fan of a brand.

To do so, we cannot just analyse the cash flows and products sold offline. We should design a network of inputs that allow to analyse how our customers perceive the brand experience.

These are known as Customer Insights.

> "At HMY, sustainability means improving efficiency across the supply chain of the products we develop for our customers, evolving towards a sustainable production model based on circular economy and on an eco-friendly design.

Jesús Cebrián, Head of Innovation Projects.

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STATE OF THE ART OF SHOPFITTING

Nothing is left to chance: design, technology, materials, manufacturing processes, delivery times, performance measurement... are subject to improvements solely aimed at guaranteeing the maximum ROI of each installation. Therefore, these projects feature a **360º vision** of the company's sales strategy and the role of the physical points of sale therein.

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SHOPFITTING 360°

What is a 360° shopfitting project in retail?

- Consulting
- Project Management
- Design
- Engineering
- Manufacturing
- Logistics
- Assembly

Opening physical points of sale and leading an expansion project in retail are two completely different dimensions. If these points of sale are opened as separate entities rather than as part of a global expansion project, **the synergy and advantages of the expansion will be lost**:

1. Economies of scale in production.

2. Design thinking about modularity: how to adapt the concept as a flagship store, concept store, shop-in-shop, etc.

3. Design standardisation to achieve greater agility in production and deployments.

4. Reduced times and workloads to carry out each opening.

5. Reduced environmental impact of the project.

6. Organised deployment of new concepts, if any.

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What services does the 360º Retail sector comprise?

1. Consulting

This service analyses the brand and its sales strategy, the evolution consumers have experienced in their relationship with the company, market trends and new opportunities.

This will help redesign our sales spaces, if we plan to include it, opening priorities, formats and the omnichannel retailing strategy.

2. Project Management

The initial consulting phase of the project will provide the basis to put all the necessary teams to work: design, engineering, production, logistics, general contracting, etc. The Project Manager will be in charge of setting the schedule and the planning strategy to guarantee:

- The milestones of the project.

- The milestones are achieved in a timely manner.

- The analysis of the total costs of the project.

- The supply of raw materials.

- The distribution of production at the necessary centres.

- Compliance with delivery deadlines.

- The control of means of transport.

- Crisis can be prevented.

- The organisation of the assembly teams.

3. Design

This stage consists in creating the visual identity of the project, based on the conclusions of the consulting phase regarding the design of the structures, the choice of materials and the final artwork.

It should be perfectly coordinated with the engineering team. The 'creation' of the project should be as important as the 'visual richness' of the design. In other words, we should make sure everything we design is producible in terms of time, form and budget.

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4. Engineering

The engineering team, in coordination with the design team, will be in charge of defining the structure and giving stability to the elements that will make up the point of sale. In addition, the team will also:

- Integrate the different disciplines (GC, woodwork, metalwork, electricity, electronics, etc.) for the final result to be a seamless sculpture.

- Ensure the scalability of the project from the beginning, standardising the designs and processes in order for the production to be increased or decentralised.

- Apply 'Value Engineering' methodologies. Supervise processes that regularly subject the elements of the project to a reengineering stage, aimed at streamlining production, reducing the use of raw materials or replacing them, simplifying the assembly or logistics thereof.

5. Manufacturing

This is a critical phase. Right when it goes into action, the Shopfitting supplier must decide:

- Where the production will take place.

- What quality controls shall be applied.

- The scope for scalability of the chosen supplier.

- The multi-material production capabilities of the chosen supplier.

6. Logistics

Transportation is one of the areas that have evolved the most over the last decade. The information age makes it possible to plan cargo and routes in advance.

This, along with the standardisation of the engineering stage and control by the Project Manager, leads to savings, in terms of space, fuel or travel, and reduces emissions.

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7.

Assembly

The last step, but not the least. Not only because of its visual impact on customers, but because it affects the three key areas of the project: scalability, budget and sustainability.

• The **quality** of the team training affects the complexity of the elements and their scalability.

• Assembly **costs** depend on the agility and planning of the installation process and the hours required for each installation.

• If we carry out the installation with local teams, we will be helping reduce the **carbon footprint** generated by travels.

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Trades, the foundations of shopfitting

- **Scaled production**
- **Metal**
- **Joinery**
- **Plastic production**
- **Masonry and glassware**
- **Electricity**
- **Painting**

These are the typical trades a supplier of 360° Shopfitting projects should offer:

- **Scaled production:** this consists in making all possible steps automatic to save costs and to enable standardisation.

- **Metal:** certain cuts and finishes still need to go through a human process, such as expert welders, for brushing, forging, bending or laser cutting purposes.

- **Joinery:** woodwork, metal work, PVC work. Their work is the most visible and demanded in most of the sectors.

- **Plastic production:** injection, extrusion, impression and machining processes for plastics and resins are common in shopfitting projects.

- **Masonry and glassware:** materials that improve the quality perceived at the points of sale. They are organic and difficult to work or move. Coordinating their production is crucial to keep costs as low as possible.

- **Electricity:** this trade should be naturally part of the supplier's structure. A correct installation will extend its useful life and will be safe for the store, employees and customers.

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• **Painting:** this phase is especially important for furniture of the highest quality. Lacquers or paints that are applied manually must be applied by experts to achieve a professional finish that customers will perceive.

Duly coordinating this stage is crucial: obtaining the products designed, saving costs and foreseeing material incompatibilities. All the foregoing is part of the coordination of the different trades. The Project Manager must know how to balance these factors.

Let's take an electrified and fully vinyled or printed piece of furniture as an example.

In which order should we establish their production? How does vinyl hinder the milling process required for electrification? Which components can we preinstall to send them to a store? Which ones should be assembled on site?

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Products: Solution maps for points of sale

🏠 **Furniture**   💳 **Paymeny Point**

💡 **Lighting**   ▦ **Click&Collect**

🖼 **Visual Merchandasing**   ⚙ **Sanitation and Cleaning Solutions**

⚙ **Retail Tech**

1. Furniture

The most basic and common elements. Functional and aesthetic elements shall provide support and personality to our products. This category should also include the furniture of hospitality areas.

2. Lighting

Lighting is still an outstanding issue for most of the retail sector. The most important milestone a 360º shopfitting project should include with regard to lighting is to know how to communicate and plan its impact on customer experience.

3. Visual Merchandising

This discipline is clearly growing, as it may become one of the best tools to give personality to a store and get the attention of customers. The myriad of techniques, materials and creativity we can combine allows us to extend our brand to any type of space or media, generating impacts of the highest value at a minimum cost.

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4. Retail Tech

Technology is an indissoluble part of retail, regardless of whether we use it by way of digital signage or more complex solutions, such as virtual assistants or product recommendation systems. The omnichannel nature of retail is a fact. Accordingly, a 360° shopfitting project should, at least, take it into account as part of its whole approach.

5. Payment Point

This is the most delicate part of the customer experience. However, this means it is a decisive part of this experience, so we can design it using the elements and actions required to turn it into a highlight for customers.

6. Click&Collect

Thanks to technology, omnichannel retailing has found its greatest exponent in the Click & Collect systems. This is the last mile, which should be adapted to where and (especially) when customers want to collect their parcels.

HMY owns one of the most advanced tools for delivery automation: Cleveron and HMY as robotised microstores, which allow to deliver up to 300 parcels ever day in the same room that would be required for a system of 50 lockers.

7. Sanitation and Cleaning Solutions

The Covid-19 pandemic has turned sanitation into another key element in retail at a short and medium term. Today's sanitising gel spots may need to evolve, at the request of consumers, towards more complex systems that help manage disinfection without losing agility in terms of service.

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The checklist of a global 360° retail project

✔ Sustainability

Today it is a distinctive value, tomorrow it will be an obligation. Moreover, the decisions we make can contribute to improve the environmental impact of our project, from the choice of materials to transportation and assembly planning.

✔ Scalability

There are two ways to maximise profitability: selling more and reducing costs. The purpose of conceiving an easily scalable project results from a financial need. If our company intends to grow, our project should facilitate so.

✔ Globality vs Locality: 'Glocal' projects

We must take into account the ability of the chosen supplier to develop a standardised production with unique quality parameters, managed by the same interlocutor and, at the same time, overcome potential issues with different cultures and legislations.

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✔ Branding

The 'brand custodian'. If production is distributed among several suppliers, we should make sure all the teams in the different locations abide by the same standards and operate in line with the project.

We should also bear in mind that projects with multiple regional managers are becoming more and more frequent among brands and retailers, as this allows them to self-manage their points of sale. In these cases, the 'brand guardian' designated by the supplier also helps channel these requests, alerting interlocutors if there are any conflicts with the project guidelines.

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5 PREDOMINANT TRENDS IN THE 20/21 RETAIL SECTOR

All of the above is the result of the reflection of our experts, who have over 60 years' experience in all retail sectors. This multidisciplinary experience allows us to see the five predominant trends in the retail sector:
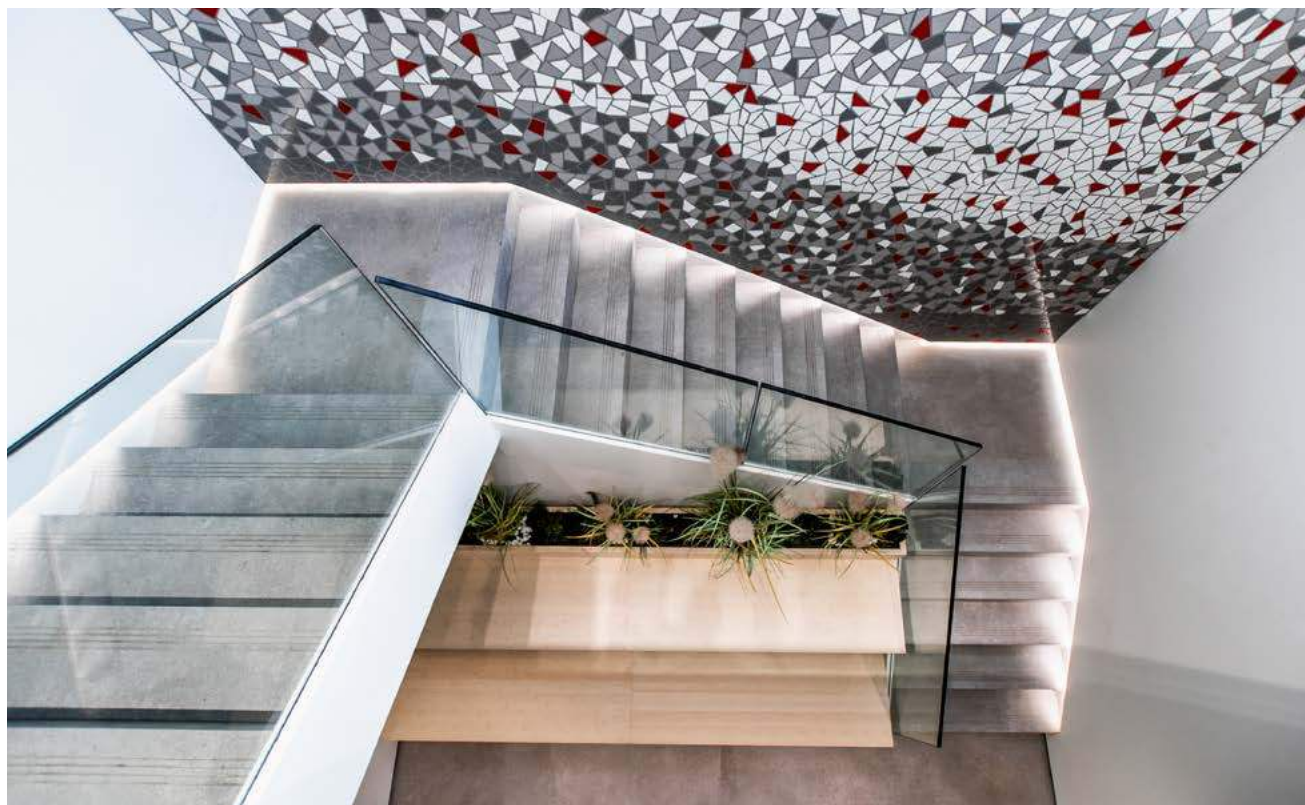
Sustainable Retail

In the future, brands and retailers will have to be sustainable, either as required by customers or by law.

This transformation will not be limited to their internal performance or products, but to their 360° activity, thus including the creation of retail spaces.

Brand Experience

Retail as we know it is already evolving. Digitalisation is mature enough to call into question existing store formats. Many brands are beginning to pose their physical points of sale as delivery points and, more importantly, as experience centres rather than as purchase ones.
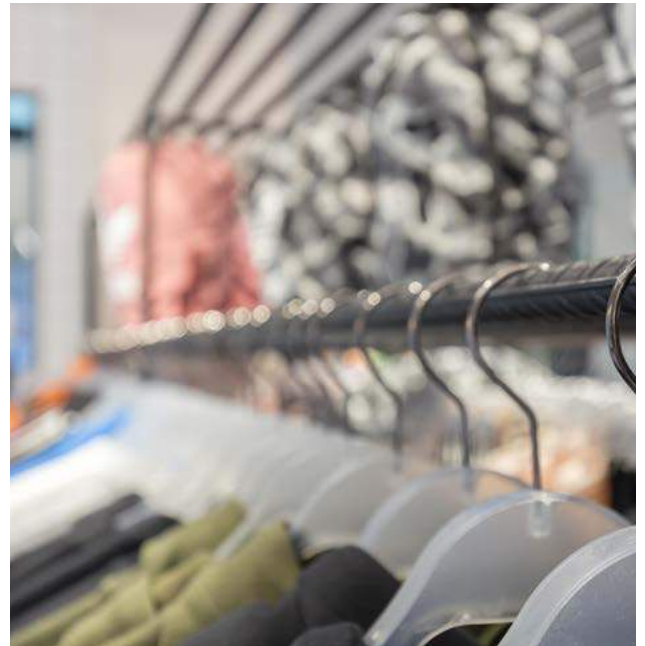
Visual Merchandising

Communication through messages, signage, visual elements… always achieving spaces that communicate something.

Products become of secondary importance, and visual communication becomes a vehicle for brand experience.

Technologies and omnichannel retailing

This is a recurring topic in this guide for a reason: it is a trend because it involves an improvement in the shopping experience, processes and data collection.

It allows brands and retailers to improve customers' attention at shops and channel the brand experience in ways never seen before through all their channels, as well as to get to know their customers almost personally.

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THE IMPACT OF RETAIL ON CITIES

In recent years, major brands from all sectors have given visibility and support to social and political movements, understanding that the power of their brands could have an impact beyond the use of the products.

However, a much more encouraging phenomenon is still taking place: companies are assuming they have the responsibility, through their points of sale, to activate the levers of new retail to improve our everyday life, facilitating new ways to collect products, urban mobility, access to work for disadvantaged people, etc.

Retail accounts for a large part of the surface of cities, where people spend much of their time. In other words, it is the second home to many people. Shouldn't this home make their lives better? Wouldn't retail then be improving not only commercial spaces but society itself?

THE NEW RETAIL

HMY: the challenges of influx and influence

To help make the space profitable with versatile and functional solutions.

Respecting the **environment** and betting on new economies: circular and collaborative.

Offering **memorable** shopping **experiences**.

Barrier-free and **inclusive** for **shopper** and **in-store staff**.

Capable of **collecting** and **analyzing** data, and **automatize** in-store processes.

sustainable
accessible
PEOPLE   PLANET
the new retail
agile
experiental
COMPANIES
intelligent

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Having a good product, a competitive price and a good location is no longer enough. Purchasers are looking for more human and closer brands. Committed and transparent brands. Brands with social transformation projects. In short, brands with a purpose.

Ours is to help our clients reinvent retail to transform cities and improve the world.

Alberto Fantova, Head of the Strategic Innovation and Customer Development Department at HMY.

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We hope we can achieve this goal and that you join our journey.

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