RIS

Enhancing the Store Shopping Experience in an Omni-Channel World

Brick-and-mortar stores are still the site for the bulk of retail transactions, but while they are in no danger of extinction, they do face a crisis. Beyond the critical issues of price competition and showrooming, retailers are struggling to keep the store experience relevant in an age of empowered shoppers who use their own information-rich devices to take idiosyncratic, multi-touchpoint paths to purchase. Retailers need to build on stores' traditional strengths – the immediate availability of both people and merchandise – while also leveraging people, products and technologies to re-imagine the store shopping experience. This Roadmap provides six mileposts that include the use of advanced interactive digital signage, omni-channel inventory availability and in-store mobile device deployments.

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Brick-and-mortar stores are far from being placed on the "endangered species" list. Estimates vary, but 90% to 95% of all retail transactions still take place in physical stores, with variations depending on retail vertical and merchandise category.

Nevertheless, it's not an exaggeration to say that store shopping faces a crisis. The concern over showrooming, where consumers visit physical stores to view and touch a product that they promptly buy from a lower-cost digital competitor, has been given prominence by Target's appeal to its suppliers for more unique store- and retailer-specific products. In addition, Target's recent decision to stop selling the Amazon Kindle was widely viewed as its response to what it sees as the biggest beneficiary of showrooming.

Beyond these critical issues around price competition and hijacking of customers, today's retailers are struggling to keep the store experience relevant in an age of empowered shoppers who use their own information-rich devices to take idiosyncratic, multi-touchpoint paths to purchase.

Stores no longer operate from the privileged position of being the narrow part of a funnel, the single (or primary) source for not just products but the information, services and experiences that surround those products. This means retailers can't simply rely on stores' traditional strengths – the immediate availability of both people and merchandise. They also need to leverage the strengths of other channels to re-imagine the store shopping experience. This Roadmap provides six mileposts toward enhancing the store experience using people, products and technologies.

Milepost 1:

Distribute Enriched Information via Next-Generation Digital Signage

Showrooming is enabled by shoppers' access to smart mobile devices while in the store, but retailers can use new interactive digital signage solutions to subtly (or not so subtly) set their own information agenda. Placed near feature-rich products such as consumer electronics, a touchscreen can offer shoppers detailed product information and comparisons, ratings and reviews, and access to experts via live chat or video link. A big, bright, easy-to-use screen presents an attractive alternative to a shopper's smartphone or tablet, and also offers smart device functionality to those shoppers who don't carry a mobile device.

In an apparel or accessories store, these digital screens can display alternate colors or styles of a physical item, as well as likely upsell or cross-sell merchandise. If the digital signage is connected to the retailer's inventory and order management systems, the customer (or an associate helping the shopper) can find out whether the item is in-stock at the store, and if not, where it can be located and ordered.

"Digital signage has moved beyond its static electronic billboard roots to become an interactive communications tool. Moving video messages capture shoppers' attention, and often prompt shoppers into impulse purchases," according to Aberdeen Group's "2012 Self-Service Handbook." "Add in the power of localization, and targeting messages to specific audiences, and digital signage can be a key element in driving incremental sales." The January 2012 report notes that while 65% of retailers are still grappling with legacy digital signage systems, 37% of surveyed retailers plan to use interactive and real-time digital signage for in-store messaging within the next 24 months.

The *RIS*/IHL Group 2012 Store Systems Study confirms that retailers are seeing the value in deploying interactive, customer-facing in-store technology. Kiosks and digital signage were the top two choices for retailers' next store system purchases, with 30% and 29% of respondents respectively saying they would make these purchases within the next 12 months. (See Figure 1 on page 5.)

Milepost 2:

Use Technology that Invites Customer Interaction

In addition to the touchscreen-enabled applications identified in Milepost 1, there's a new generation of interactive technology that can add exciting elements to the in-store customer experience. Games played on wall-sized screens, for example, not only involve the shopper playing the game but draw attention from other customers. Many games include products or branding messages, so they also serve as visually attractive in-store advertisements.

Gesture-based technology that is controlled using advanced video sensors can show customers how a variety of apparel items would look on them, displaying the clothing on their mirror image. The technology, displayed by Cisco at the NRF 2012 conference, is being tested by U.K. retailers John Lewis and Tesco. In addition to providing a unique high-tech shopping experience, these solutions also virtually display items without requiring the individual store to stock the inventory until the buying decision is made and the actual item is purchased.

Six Steps to Enhanced Store Shopping

#	Step	Description
1	Distribute Enriched Information via Next-Generation Digital Signage	Present shoppers with an attractive alternative to their own mobile devices with digital signage offering deep product information, ratings and reviews, and alternate colors/models of merchandise
2	Use Technology that Invites Customer Interaction	Gamification solutions and gesture-based technology offer shoppers unique experiences that can only be found in the store channel
3	Match Your Store Labor Force to Demand and Customer Needs	Use multiple data points to determine not only how many employees should be working but what the optimal combination of job types and skill sets is for any given shift
4	Build Store Traffic by Providing Cross-Channel Functionality	Buy online/pick up in store and cross-channel returns are basic but effective tools for building store traffic, increasing incremental sales and improving customer service
5	Make Omni-Channel Inventory Easily Accessible in Stores	Store shoppers seek immediate gratification, so retailers need to invest in inventory and order management solutions that handle the disappointment out-of-stocks create
6	Make Relevant, Real-Time Data Available to Store Associates	Tablets and other smart mobile devices are becoming optimal vehicles for delivering endless aisle, sales support and clienteling solutions to store employees

Advanced Interactive Touchscreens Multiply Stores' Strengths

John Nicewick, Director of Strategic Marketing, Elo TouchSystems

Q: What trends are having the biggest impact on the store shopping experience today?

JOHN NICEWICK: At one time, retailers had the luxury of controlling the shopper's environment. They could create a 'bubble' to motivate purchases through product relationships or aspirational celebrity-inspired shopping. Today, the 'bubble' has popped, because the mobile handheld device is the shopper's portal to the external world.

Retailers are now asking 'How do I create a new environment to get people into my stores and choose my products?' A lot of retailers are deploying mobile technology themselves or are working with shoppers' devices – either tracking them or influencing customers with their devices while they're in the store. A third option is to create an interactive environment in the store that doesn't require the customer to pull out their own device. This is interactive digital signage.

Interactive digital signage solutions enable the consumer to be self-sufficient, gathering the information they need, when they need it, and in a manner that is easy, friendly, familiar and fast.

Q: Can you give me an example?

NICEWICK: Let's say you walk into a consumer electronics retailer looking for a digital camera, and there's a 50-inch interactive display. It has a live Twitter stream of digital camera users' feedback, plus customer and *Consumer Reports* reviews and product comparison data. It might even have a retailer-branded wizard that asks questions about the type of camera user you are, offering recommendations based on your answers. If that's in the store, you would use it.

Now the store is offering what has always been its strength – instant gratification, with the product right there in front of you – plus an interactive portal to all the same systems that you would run off your own phone, but larger, brighter and with more capabilities. And if you do want to talk to someone, the store also has the third crucial element – a person right there. That combination is pretty powerful, and it would cause the shopper to go to this retailer as their first stop.

Q: How can retailers better integrate their stores into an omni-channel shopping process?

NICEWICK: The same interactive touchscreen can help here as well. In the classic brick-and-mortar retailing model, you could only present consumers with a limited number of choices. Your merchandising people had to bet on those 'horses,' hoping that their choices would appeal to customers. With interactive digital signage retailers can now create their own Amazon.com type environment in their stores and empower the customer. If the exact product that the customer wants isn't in the store, they can use the touchscreen to get it at the best available price.

Q: So this is going further than the basic 'endless aisle' concept. Won't that have a negative impact on the retailer's margins?
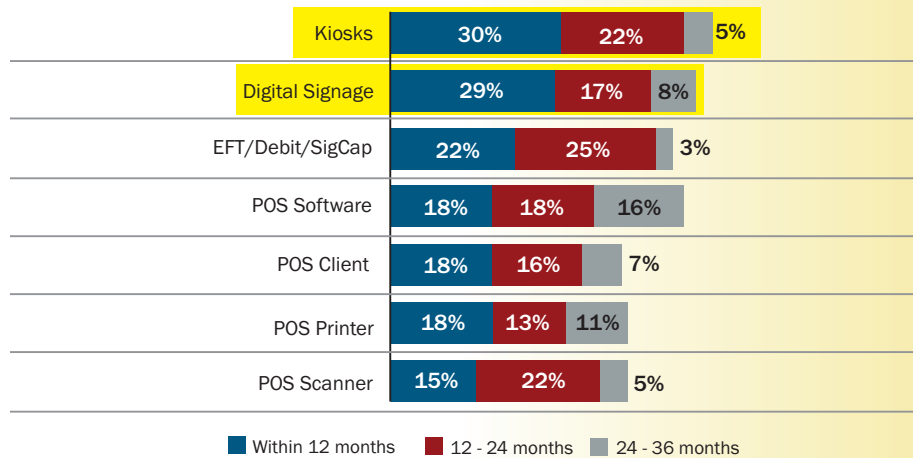
NICEWICK: Education is key. Given the complexities and variables involved in a digital signage deployment, it is important to be methodical with a well thought out plan based on the application, audience and outcomes. It also requires retailers to make changes in their business intelligence, merchandising, procurement and fulfillment. But all of that is necessary if they are going to operate as a true, virtual, multi-channel company. They need to use their stores much like the 'holodecks' from the Star Trek series and transport their customers to where they want to go. It may seem radical, but that's the logical endgame for this bubble-bursting moment that we're in. Interactive digital signage is part of the future of retail. •

"NOW THE STORE IS OFFERING WHAT HAS ALWAYS BEEN ITS STRENGTH – INSTANT GRATIFICATION, WITH THE PRODUCT RIGHT THERE IN FRONT OF YOU – PLUS AN INTERACTIVE PORTAL TO ALL THE SAME SYSTEMS THAT YOU WOULD RUN OFF YOUR OWN PHONE, BUT LARGER, BRIGHTER AND WITH MORE CAPABILITIES."
– John Nicewick, Director of Strategic Marketing, Elo TouchSystems

Figure 1

Next Store System Purchase

	Within 12 months	12 - 24 months	24 - 36 months
Kiosks	30%	22%	5%
Digital Signage	29%	17%	8%
EFT/Debit/SigCap	22%	25%	3%
POS Software	18%	18%	16%
POS Client	18%	16%	7%
POS Printer	18%	13%	11%
POS Scanner	15%	22%	5%

Retailers are investing in customer-facing in-store technology as part of their efforts to enhance the brick-and-mortar shopping experience

Source: RIS/IHL Group 2012 Store Systems Study

All this interactive technology can and should be used to gather data. Today's digital signage solutions are capable of tracking shopper dwell times as well as actual interactions. This provides retailers with information about which promotions, ads and products attract attention. Solutions equipped with facial and body recognition technology can identify the gender and approximate age of viewers, providing additional data points. The more interactive the solution is, the greater the opportunity to learn about customers' interests and needs, as well as what tends to trigger a search for information or an actual purchase.

Milepost 3:

Match Your Store Labor Force to Demand and Customer Needs

Results from the third annual *RIS*/Cognizant Shopper Experience Study, to be released in June 2012, confirm that consumers value the face-to-face interactions that are part of the store shopping experience. For example, when surveyed shoppers experience a service issue, their most preferred actions are to bring it up with the sales associate or ask to speak to the store manager. Store associates, particularly those with the right training and a positive attitude, can be as critical to enhancing the shopping experience as merchandise and technology.

Tablets, Store Displays Help Retailers Bridge the Knowledge Gap

Mike Stinson, Vice President of Marketing, Motion Computing

Q: **What trends are having the biggest impact on today's brick-and-mortar shopping experience?**

MIKE STINSON: One of the biggest is that the consumer is now able to get a lot further through the purchase process without needing to talk to a salesperson. Shoppers can gather a lot more information, at a deeper depth, than they could even as recently as two or three years ago. They can also mobilize that information and take it with them. This is the big dynamic change that everyone is wrestling with.

Q: **How can technology help retailers deal with the 'knowledge gap' between customers and their sales associates?**

STINSON: Let's take me as an example. I've skied for a long time, so I know a lot about how I ski and where – but in the time between buying skis, I'm not always up on the latest technological changes. So when I'm shopping for new skis I'll go first to a ski shop in Vail to talk to the guys who work there, because they're generally hard-core skiers themselves. But there's no way I'll buy my skis there, because it's expensive to live (and shop) in a place like Vail. I'll go back down to Denver and buy skis at a chain store. Their salespeople won't necessarily know about the latest ski or about what will work best for the kind of skiing I do, but they will almost certainly have the ski that I want in stock.

Q: **That sounds like it's a bigger problem for the small specialty retailer.**

STINSON: Yes, but the real point is that all buyers can get a lot smarter. They can read targeted product reviews filtered with very specific criteria, like 'people who weigh as much as they do' and 'people who ski the same places they do.' They don't have to talk face-to-face to 'Scooter' at the Vail ski shop. How do those retailers survive? They could tie their advertising to the review sites. Or, a retailer can turn things around and themselves provide access to all kinds of expertise. This is where tablets work better than smartphones. If the retailer wants to give someone a meaningful interactive demonstration or show a comparison of five different skis, you need a tablet, which provides an ample display in a lightweight, mobile form factor.

Q: **What are some best practices for a successful mobile deployment?**

STINSON: Good pre-deployment planning is key, including having a really clear understanding of what the workflow is currently and what it will be after deployment. Another issue is to think about real-world conditions. A new technology may have worked fine in the lab, but some retailers don't really understand the impact of having 50 devices on their network at any one time, or about the need for system speed during peak time periods.

I think people also underestimate the value of being able to stay on the same software that the retailer is already using, whether it's on the back end or for their POS. It's a major project to bring up both new hardware technology and new software at the same time, particularly when what you're talking about is not just a new version of an existing device but a totally new operating environment.●

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Retailers went through a period of cutting back on labor costs during the recent recession that may still be affecting in-store staffing levels. However, the most forward-thinking retailers use workforce management tools to ensure that they not only have enough people working but that they have the right combinations of people in a store at any given time.

The Container Store, for example, ensures that employees it considers store leaders, including managers and full-time employees, have shifts that coincide with the teams that report to them on a regular basis. The retailer's Kronos WFM solutions also use multiple data points to create job-specific forecasts: overall store traffic is a stronger determinant of the need for floor associates, while POS transactions and lines per transactions (i.e. the number of items in customers' market baskets) determine the need for cashiers.

Industry experts recommend the use of data that provides them with a more complete picture of not just what stores do but what they are capable of doing. In a recent blog post, RSR's Nikki Baird wrote about a presentation in which she "made a plea to put an end to the practice of setting labor budgets primarily based on percent of sales calculations. Sales is the wrong measure – it has to be based on traffic, or you're not measuring to real demand, you're only measuring against transacted demand."

In addition, the use of demand data to set staffing levels produces measurable benefits: "Retailers that can accurately predict demand for all channels have reduced lost sales opportunities costs by 12%, compared to only a 7% decrease for those unable to predict demand," according to the January 2012 Aberdeen Group report "The 2012 Omni-Channel Retail Experience."

Milepost 4:

Build Store Traffic by Providing Cross-Channel Functionality

Victoria's Secret stores are justly celebrated for offering a unique store shopping experience, yet its parent company Limited Brands is only now planning to pilot in-store returns of items purchased from its online and catalog channels. This capability, along with buy online/pick up in store offerings, are both basic store traffic-builders. When handled well, they can lead to incremental sales in addition to the transactions started in non-store channels. At the very least, they expose the store shopping experience to a wider range of customers.

Retailers that are serious about encouraging cross-channel activities also need to adjust compensation and incentives for stores and their employees. "It's important to recognize the activities stores perform as a new node in the retail supply chain," according to RSR's Paula Rosenblum and Steve Rowen. "Stores really should be compensated for filling orders placed through other channels. Why else would they do it quickly and efficiently?" they note in the May 2012 report "The 2012 Retail Store: In Transition."

Combat Showrooming by Increasing In-Store Information Access

Dusty Lutz, General Manager, Retail Self-Service Solutions, NCR

Q: It used to be said that the biggest hurdle for a retailer was simply getting customers into their stores, but now there are the additional hurdles of customers' instant access to data via their mobile devices, as well as the problem of 'showrooming.' On a big-picture level, how can retailers deal with the changing role of the store?

DUSTY LUTZ: The first thing any retailer needs to be aware of is that all that information, and more, is out there – whether they want the consumer to have access to it or not. Because that information is out there, retailers need to embrace it and make it part of the differentiated store shopping experience, providing new ways for shoppers to get access to it.

One way is to place QR codes on shelf edges that customers can scan with their mobile devices, getting access to more product information as well as the all-important social media view of the product.

We're also seeing successful retailers provide self-service kiosks in the store, facilitating access to information beyond just the product's price: deeper information, reviews, and additional colors, styles or sizes. And if I've found the perfect shirt but it's not available at that store in my size, I can have the correct size shipped to my home. Retailers can get a same-store sales lift of 2% to 3% by using this kind of endless-aisle kiosk – and it also turns 'showrooming' on its ear.

Q: What are the biggest strengths of the store channel?

LUTZ: Traditionally, it's been the simple physical presence of the items for sale. But most people focus too strongly on those customers who come in knowing exactly what they want. The real strength of stores is in the impulse potential – the ability of customers to be enticed by other items. So in addition to the physical presence of items, technologies such as digital signage that point out other items can be a powerful aspect of the store shopping experience.

In a brick-and-mortar environment as compared to shopping online, a customer is more likely to come out of the store with more than he

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was expecting to purchase. That's great from the perspective of both the retailer and the consumer, who is getting value and coming home with surprises.

Q: In addition to endless aisle technology, what are some effective ways for retailers to make the store a seamless part of omni-channel shopping?

LUTZ: They need to ensure that selling online is one and the same to the consumer as selling in the store – for example that returning an item purchased online to the store is just as pleasant and productive as any other return. Retailers also need to look at click-and-collect as an opportunity to not only reduce their shipping costs but to generate more shopping trips to the store.

We refer to all of this as NCR c-tailing™, or converged retailing – providing a seamless, converged experience for the shopper across all the channels they choose. This requires having one master view of the customer, so that if I'm providing offers to my loyalty program members, they are consistent across both the online and in-store shopping experiences.

Consumers clearly expect this kind of seamless experience – and they're just as clearly disappointed when it's not delivered. Today, there's a positive value in beating shoppers' expectations, but a huge negative multiplier effect from disappointing them.•

Milepost 5:

Make Omni-Channel Inventory Easily Accessible in Stores

The instant gratification of purchasing a product and taking it home is one of the store's biggest strengths, so it follows that out-of-stocks are a particularly sensitive issue in this channel. However, if the retailer can use an "endless aisle" solution to find the item somewhere in the enterprise and arrange to either ship it to the customer's home or to another store, there's a strong possibility of saving the sale.

While this sounds simple enough in theory, retailers have discovered that executing on it requires a fluid, flexible approach to inventory management. Inventory virtualization, which helps eliminate the limitations of channel-specific supply chains, is a key element. In addition, retailers need solutions providing real-time, item-level inventory visibility, coupled with centralized order management systems and applications that use business logic to determine the most cost-effective fulfillment location, whether that is a distribution center, another retail store, or via direct fulfillment from a supplier.

Milepost 6:

Make Relevant, Real-Time Data Available to Store Associates

A key element of making omni-channel inventory available in stores is making the data about that inventory available simultaneously. A number of retailers, including Home Depot, Sears, and Lowe's, spread inventory information to employees via tablets and other mobile devices. These devices help associates save the sale right at the point of purchase, rather than risk the shopper simply walking out if they don't find the item they're seeking.

Inventory availability and order status are just one of many solutions that are well-suited to mobile deployments, particularly tablet devices. Tablets are being used as sales aids, displaying entire outfits to encourage cross-selling and upselling, at retailers including Pacific Sunwear. Their larger screen sizes allow associates to display not just still shots but videos and other advanced sales tools, along with access to the retailer's digital sales channels.

In addition, with access to a retailer's loyalty or CRM system, mobile devices can be powerful clienteling tools, providing store associates with information about a customer's overall value, past purchases and brand preferences, as at high-end department store Nordstrom.

As noted, the store as a shopping destination isn't about to disappear – far from it. However, stores are already on their way to becoming one among many customer touchpoints in an increasingly omni-channel environment. Retailers will need innovation, imagination and technology to make sure stores remain relevant parts of 21st-century shopping. •

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