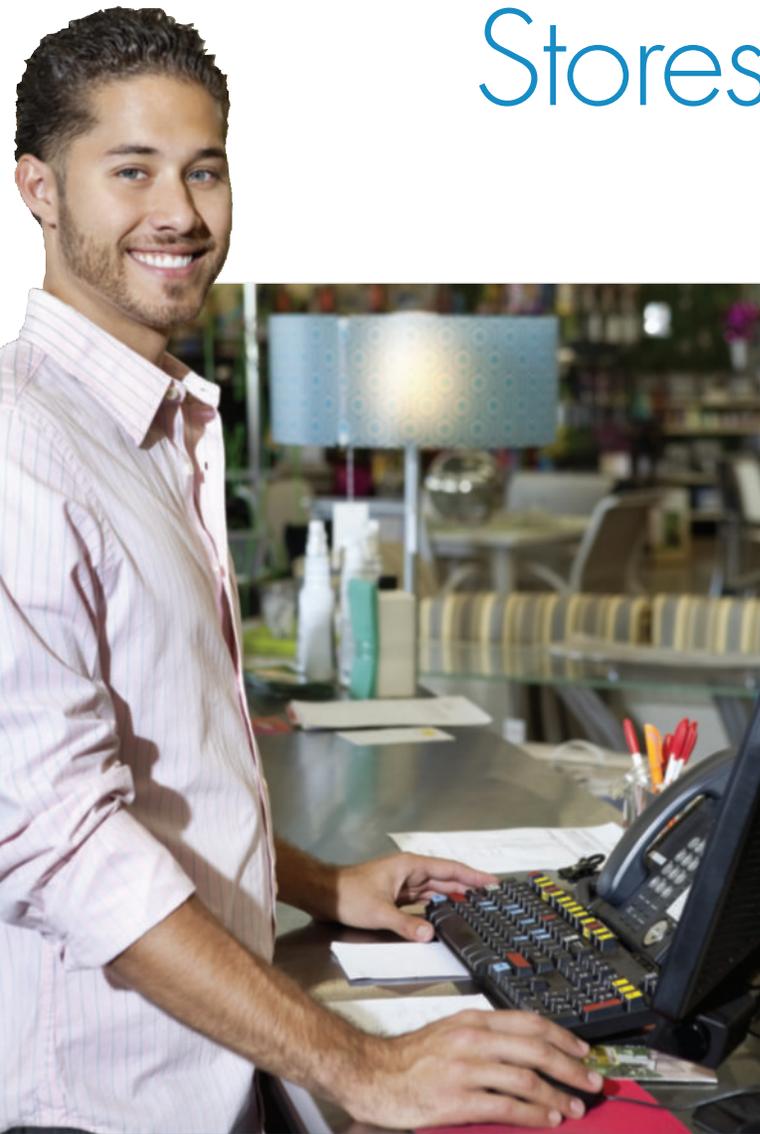


Stores Need Modernization: Now What?



By Steve Rowen, Managing Partner, RSR Research

One need not look far to find commentary on how the retail store is changing. In an age when consumers (and retailers alike) are leveraging the value of increasingly inexpensive – and powerful – mobile devices at scale, “the changing store” is a popular topic in the news, at events, and throughout our industry.

But that’s not really the whole story.

The Problem

For as much discussion takes place about how much the store is changing, the hard fact remains that most retail stores today offer a shopping experience that doesn't vary all that much from what was offered 20 years ago.

So it's not that the retail store is changing – *it's that it has to*. And that's difficult change to bring about.

If it were easy, stores would already look much different than they do. So the question becomes: with all of this inexpensive tech so readily available, why haven't retailers been more effective 16 years into the new millennium?

There are several reasons. As always, one is cost. Fortunately, retailers tell us they know they need to get past that and invest in stores if they want consumers to continue to visit. They also know that to do this, they must modernize the in-store shopping experience. In fact, in our research, the best performers (Retail Winners, those whose sales are outperforming their peers) continually tell us that the best chance of meeting that goal is by **making their store staff more useful**.

To wit: the better off a retailer's performance, the more likely they are to at least recognize that employees hold the key. The worse off a retailer's overall sales performance, the more likely they are to think self-service tools in stores will do the trick (Figure 1). We cannot warn enough how dangerous it is for retailers – regardless of product sold – to travel any further down the self-service road than they already have.

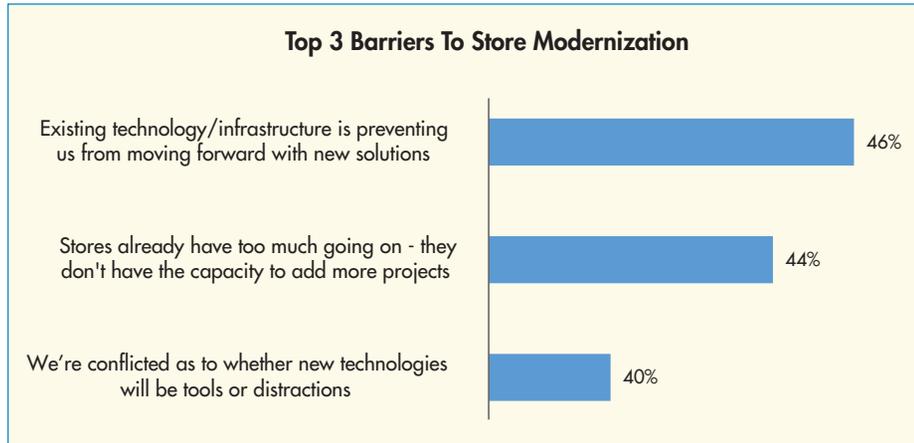
Figure 1: Winners At Least Know The Employee Is The Key



Source: RSR Research, Empowering The Store Employee, a survey of 124 retailers, June 2015

Next up, retailers tell us time and again that they have a host of wish-list implementations they'd love to introduce to make the store not only as fun and interesting, but as quick and convenient as the online realm. But many are frozen in their tracks, not knowing what to do first. Consider what they self-identify as the biggest barriers to progress in our most recent Store Report (Figure 2). Retail survey respondents report their top-three store organizational inhibitors are the existing technology infrastructure, a cap on stores' capacity for change, and a lack of faith that the technology solutions available for in-store will actually really help them:

Figure 2: Stores' Tech Issues Abound



Source: RSR Research, Mobile In Retail: The New Normal, a survey of 72 retailers, April 2016

How, then, is one to move forward in an environment so steeped in reticence to act?

Sadly, in many cases, would-be forward-thinking retailers have relegated themselves to the sidelines. This may not even be a conscious decision, but rather one mired in self-preservation. Why would a retail executive endure the risk of new initiatives when customers still shop their stores? It has become far too commonplace to adopt a wait-and-see attitude.

As a result, stores remain stagnant, customers continue to shift business online, and retailers know it.

But customers won't put up with this model much longer. And the best retailers are now contemplating what they can do – right now – to start the wheels of progress.

A Way Out?

A recent piece of research from Innovative Retail Technologies found that one thing retailers can do – and recognize that they must – is bring more mobile printers into their stores. As we've already seen, the best retailers know that mobile-armed associates provide them a best-chance scenario of adding relevance to the in-store shopper.

But what good is a mobile-armed store associate if they can't help complete a transaction?

Consumers are already walking into stores with as much (if not more) product information than store associates. Even if given access to a mobile device, a store associate's value to a consumer needs to be more than simply, "Can I help validate what you already see on our own screen?" If it's not, a consumer has no real need to engage that associate. In fact, our consumer research tells us that in the current store scenario, shoppers would much rather just keep to themselves.

As a result, a whopping 43% of retailers say they plan to invest in Mobile POS hardware in 2016, giving the consumer a reason to engage store associates at the moment of decision. That's a lot.

This is clearly a perceived opportunity to not only help consumers avoid the typical checkout line – but also to interact with shoppers in a more meaningful way than they currently do. Both of these are of vital importance.

Consider this: as stores stand today, consumers have relatively little reason to visit. Indeed, products can't be felt and experienced in a tactile way online, but the amount of product data, the richness of



dynamic content, and the amount of community surrounding nearly any purchasable item more than makes up for that experience in most cases. Yes, you can touch and hold a luxury purse in store, but can you know how it will hold up over time? Can you see what it looks like against a backdrop of different lighting scenarios and outfits? Are you likely to exchange stories with other brand enthusiasts in store?

All of these things are not only possible online, but for even the most seemingly mundane of products: plausible.

As a result, the need to visit stores is waning. But that doesn't mean the desire to visit them has - yet.

For a host of reasons, people still want to visit stores. Even though the current shopping experience isn't particularly social (more of us are shopping alone, interacting with our devices the entire time, avoiding store associates), data shows that regardless of age or demographics, people still like to visit stores.

But if brands don't make that visit more valuable – soon – this innate desire may well be snuffed out by the very people – retailers – who stand the most to lose.

Why Mobile Printers?

In today's brick and mortar store, no initiative is worth the effort unless its success is virtually guaranteed. And what people often forget is that retailers aren't just thrifty sellers: they are also thrifty buyers. They don't like to make purchases they aren't 100% certain will provide ROI for years to come.

As a result, the fact that so many retailers are looking to introduce mobile printers into their stores is hardly surprising. It's a tech they know they'll rely on for years.

True, no one can accurately predict what mobile devices consumers will be using (and in what form factor) in 10 years' time, but it's a safe bet that they'll be smaller, lighter, and more powerful than those of today. As for payments? It's doubtful cash will be king. As a result, the need for any associate, anywhere in the store, to fulfill all of a store visitor's needs – including purchase via credit or debit, swipe or chip – is a wager retailers are willing to bet on today. So what do they want in their mobile printers?

It shouldn't come as much shock that, according to the research from Innovative Retail Technologies, their short list includes speed, ease of integration, cost, and durability.

Bottom Line Demands

The 43% of retailers investing in mobile printers in 2016 know these devices are going to be in use for a long time. If their current store hardware is any indicator – a lot longer than they even foresee. Hence, speed is of primary concern. In fact, according to IRT's research, 91% of retailers operating 500 or more stores say it is their number one concern. And that doesn't just mean speed today: retailers are focused on future-proofing these devices with the type of connectivity that enables constant update and software improvements (68% say that they USB connectivity is of utmost importance for both updates and connectivity between devices).

To the shopper, this represents a boon. After all, what good is the ability to check out from anywhere in the store if the process of printing or electronically sending a receipt slows the transaction down?

Another top-level demand retailers are making of these next-gen printers is convenience. Eighty-three percent of IRT's larger survey respondents (500 stores or above) cited that ease of integration would be part of their top buying criteria. We see this pattern emerging time and again in our own research, as we've already noted: retailers don't like to make purchases they aren't 100% certain of, and that means the ability to work and play well with the technologies they've already sunk their hard-earned resources into.

As for cost, it is also no surprise that retailers need these next gen devices to be manageable, particularly when the store multiplier effect comes into play (more stores, more associates, more devices needed). And as we've already stated, the fact that any mobile



printers bought today will likely be in use far longer than retailers even anticipate makes durability a top-of-mind component of any product evaluation they are currently undertaking.

But with all of these demands in play, we hope retailers take their planned investments to heart. The store is in dire need of a technology refresh, and making employees more valuable, assisted selling more feasible, and the checkout procedure as fast and convenient as the online experience is a fantastic place to start.

About RSR Research



Retail Systems Research (“RSR”) is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- Identifying information that helps retailers and their trading partners to build more efficient and profitable businesses;
- Identifying industry issues that solutions providers must address to be relevant in the extended retail industry;
- Providing insight and analysis about a broad spectrum of issues and trends in the Extended Retail Industry.

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