



# INNOVATIVE RETAIL

## TECHNOLOGIES

# REIMAGINING RETAIL, BRICK BY CLICK



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With the ever-increasing impact of digital channels on consumer behavior, retailers need better tools and approaches to remain competitive.

By David Krebs, EVP, Enterprise Mobility and Connected Devices, VDC Research Group

**T**raditional brick-and-mortar retailers have a massive trump card in their physical locations — one that can be a substantial competitive advantage if retailers can deliver the desired retail experience. However, with foot traffic in U.S. retail stores dropping by more than 9 percent annually over the past several years, the challenge for retailers is in creating meaningful in-store retail experiences that translate to higher customer conversion rates, no matter the channel. In fact, depending on the product category, most consumers still prefer a direct or physical interaction with a product. Even for product categories like electronics, computers, and appliances that are typically researched online, many

customers prefer to purchase these items in physical retail stores. The challenge for retailers today — amidst slowing traffic — is to create a store environment that facilitates customer conversion. Retailers are experimenting today with strategies like format conversion and creating more engaging shopping experiences. However, what fundamentally drives a shopper's retailer selection is still predictably tied to price, product in-stock availability, and services such as return policies.

What is also clear is that these factors cannot be viewed in isolation and are often intricately connected. With the changes to the "role" of the retail store and changing customer expectations, there is a growing premium being placed

on today's retail associates. According to shoppers, one of the leading contributions to a more engaging in-store experience begins by interacting with sales associates with comprehensive product knowledge and the ability to access accurate inventory information in real time. Equipping retail associates with modern mobile solutions represents a critical investment for retailers driving innovation around in-store experiences. With innovative brands like Apple setting the bar on customer service and retail in-store customer engagement, the focus towards capabilities like personalized services, postsale engagement, and in-depth product knowledge is directly contributing to customer satisfaction and sales.

## Does your organization currently offer or plan to support BUY ONLINE PICKUP IN STORE (BOPIS) services?

TOTAL RESPONDENTS	
Yes, currently offer	46%
Yes, plan to offer	31%
No	23%





## Omni-Channel Retailing And The BOPIS Opportunity

Retail executives' strategies are clear: Revenue growth remains a core strategic pillar with both digital and multichannel enablement seen as key elements driving that growth. More specifically, retail execs see multichannel as a key market growth opportunity. In the short term, retail decision makers are prioritizing the digital agenda by keeping up with changing customer demand on new touch points. Beyond that, retailers are particularly focused on integrating the various channels through which they interact with customers. To support these strategic plans, retail technology investment priorities outside of the store focus on logistics, multichannel integration, and the supply chain with modern mobile

solutions a common requirement across all of these initiatives.

One of the recent initiatives by retailers to provide greater purchasing flexibility is through BOPIS (Buy Online/Pickup in Store) applications. These innovative solutions bridge the digital and physical environments and address one of the key friction points in e-commerce — delivery. According to research conducted by VDC Research among midsize to large retailers, almost one in two retailers currently offer BOPIS services with another 31 percent planning to roll out these capabilities.

A win-win strategy for all involved, in-store pickup helps shoppers get their products quickly and on their schedule while eliminating shipping expenses and driving in-store sales for retailers. But this increasingly popular fulfillment method

requires sophisticated coordination between retail commerce technology and store associates, making it challenging to implement and maintain. Consequently, the actual implementation of these solutions is mixed, with some very successful results, while others fall well short of expectations.

Key issues such as underestimating the cost of BOPIS/click-and-collect (including the addition of service fees to certain transaction sizes), adequately addressing the customer experience, and better management of returns processing are all areas retailers are looking to address. An additional key focal point for click-and-collect modernization lies in customer communication and better leveraging mobile channels to proactively communicate with customers, especially

### What are the top 3 challenges to implementing BUY ONLINE PICKUP IN STORE (BOPIS) services?

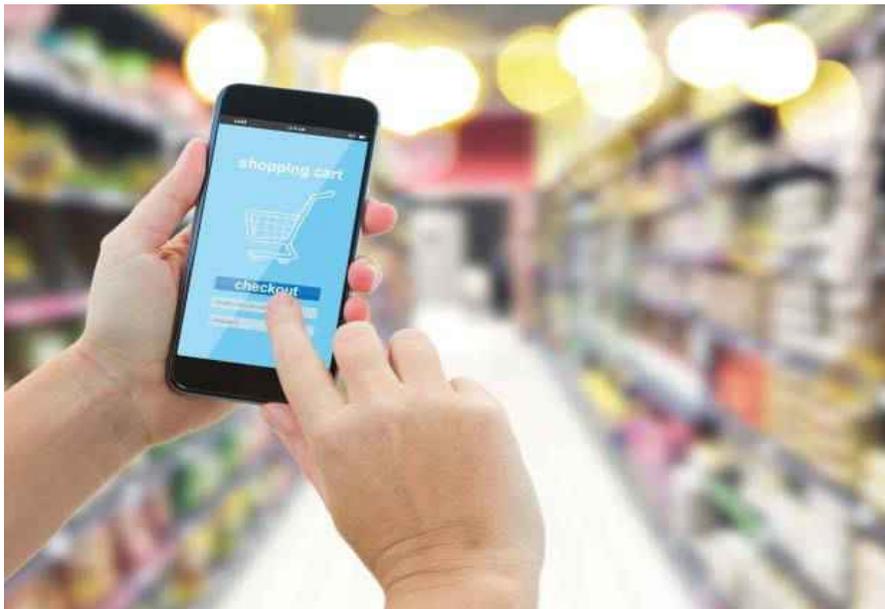
	TOTAL RESPONDENTS
Delivering seamless customer experience across multiple channels	40%
Ensuring store systems accurately portray available inventory	38%
Raising awareness of BOPIS services	38%
Communicating with customers if items are no longer available	38%
Training staff to support picking and packing of online orders	32%
Managing returns	31%
Delivering a unique pickup experience for BOPIS customers	29%
Managing incremental fulfillment costs	15%



when facing pickup delays. Successful BOPIS implementation strives to fulfill orders faster than promised, whereas unsuccessful implementation misses commitment windows substantially without effectively communicating with customers about order status. A critical misstep by many retailers is failing to better manage customer communications through automated systems (such as texts or emails), alerting shoppers about the arrival of their items or offering vouchers to incentivize prompt collection during off-peak hours.

Beyond effective customer communication, one of the most critical aspects of successful BOPIS solutions is inventory visibility. A key ingredient to delivering seamless retail experiences across multiple channels is visibility and access to real-time information. Today's shopper experience is ultimately being driven by product availability or knowledge of when and where a product can be available. Retailers that cannot deliver on that promise will fail by not properly engaging their customers, thereby risking loyalty. This remains a critical pain point for many retailers, especially those fulfilling BOPIS orders directly from their stores. With average retail in-store inventory visibility estimated at 60 to 65 percent, providing customers with an accurate view of what is available through online purchase is virtually impossible. Retailers looking to fulfill BOPIS orders through their physical stores first need to fundamentally fix in-store inventory visibility before embarking on many of the next generation digital transformation initiatives.

In addition to supply chain and



operational investments, mobile solutions are critical to implementing effective BOPIS/click-and-collect applications. From customer-facing applications to placing orders and managing communications to deploying in-store mobile solutions among store associates who directly support BOPIS fulfillment and the mobile solutions required within warehouses and DCs as operations shift from pallet-based store fulfillment to also support item-level fulfillment for online orders, mobile technology is intimately tied to successful BOPIS initiatives.

### **The Retail Store As Fulfillment Center And The Need To Integrate Inventory Silos**

Given the state of the industry today, every option is on the table for many retailers. This includes retailers beginning to change their traditional impressions of owning warehouses and distribution centers, as they explore opportunities to lower costs while improving the overall customer experience — if that is even possible. More specifically, retailers are

**According to VDC's research, average in-store inventory accuracy is 65% at best.**



beginning to evaluate the benefits of decentralizing their traditional fulfillment function, enlisting suppliers, and 3PLs to support this function while also beginning to use retail stores to fulfill customer orders.

Although this remains a mostly new

idea or concept, it personifies the true idea of omni-channel retailing as the retailer looks to fulfill its customer's order from the most convenient location. In addition, it provides retailers an opportunity to better leverage their physical store locations — their greatest

accuracy is 65 percent at best. This underscores the true challenge facing retailers looking to combat e-tailers with their own omni-channel options. This accuracy is often overestimated by retailers looking to roll out solutions like BOPIS or fulfillment through the retail store. Before any of these retailers can seriously address offering these seamless shopping experiences to their customers, they need to better address in-store visibility issues and to break down the all-too-typical inventory silos that exist across their business in addition to integrating in-store and online inventory management programs.

Beyond addressing inventory visibility, it is equally critical that retailers upgrade their POS infrastructure to support both in-store transactions and those made online while also addressing how to manage returns. Finally, retailers need to come up with efficient ways to manage packing of orders fulfilled via the store and addressing the necessary adjustments to store associate workforce and workflow requirements. Most stores are not designed to manage frequent parcel shipments. Retailers want to avoid constraining operations with packages that may take hours to handle, and they want to avoid pulling store associates off the store floor. Supporting these processes requires retailers to invest in the right technology and training for their workforce. In fact, retail workforce management represents a massive opportunity for retailers to improve operations. Thinking about and managing the retail workforce similar to that of warehouse operations could offer significant benefits to retailers, who often struggle with workforce coordination



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trump card over e-tailers. We are beginning to see more retailers offering store-level inventory information and product availability with their shoppers, sharing which items are available in which stores. For select products, this provides customers who seek in-store pickup significant intelligence in advance of arriving at the store. The benefits to retailers can also be substantial.

The challenge, however, is that this only works if retailers can confidently share what specifically is available. Unfortunately, today, according to VDC's research, average in-store inventory





and task management. By leveraging mobile and location technologies, store associates can be more effectively dispatched, and tasks can be interwoven to deliver maximum efficiencies.

As retailers begin to use their stores to fulfill on-line orders, many are realizing cost and time savings when compared to more traditional warehouse-centric fulfillment. A well-designed ship-from-store solution can lower freight costs as each store will only support local customers. A potential complement to the ship-from-store strategy is ship-to-store whereby customers can pick up orders at the retail store (BOPIS) with the added benefit of driving traffic to the retail store.

### The Store Of The Future

In addition to modernizing their order fulfillment processes, retail executives are reevaluating their overall physical



footprint and the role of the store to better adjust to today's retail realities. Tomorrow's stores are being thought of beyond the traditional "sales" role as innovative retailers position these assets to address the shopping experience more comprehensively. Order fulfillment, customer service, and returns

management are all areas that retailers need to consider addressing through their stores to remain competitive. Even those not looking to convert stores into local fulfillment centers are still looking for ways to shrink delivery times as the pressure of e-commerce giants only intensifies.

The stakes have never been higher

### WHAT'S DRIVING CLICK-AND-COLLECT?



Mike Lowey,  
Director of Retail Sales,  
Brother Mobile  
Solutions

There are a number of trends attracting attention in retail this year, but one of the hottest we're seeing is the explosive growth of "click-and-collect" — the shop online and pickup in-store application. Grocery is one specialty segment quick to capitalize on the technology, but every month seems to bring news of the broader retail industry considering it, or adding it to their omnichannel strategy.

So what's driving the trend? It's becoming clear that buying habits are changing, and shoppers prefer this option. According to a recent PwC survey, 69 percent of Americans say they use in-store pickup regularly or on occasion<sup>1</sup>. And a new ICSC survey indicated that 87 percent of Millennials prefer the buy online, pickup in-store model<sup>2</sup>.

The growing popularity is evident. FierceRetail.com reported that eGrocery will become a \$24 billion industry in 2017<sup>3</sup>. And, prior to the 2016 holiday shopping season, the WSJ reported that click-and-collect was one way traditional retailers like Walmart and Target hoped to wrestle sales from Amazon.com<sup>4</sup>.

At its core is mobile technology — which includes an online interface, software platform, handheld tablet, phone or mobile device, and mobile printers, all working in tandem to provide shoppers a great

online experience and efficient, frictionless fulfillment at the store.

Whether they're department stores, big box chains, or specialty stores, today's retailers face the challenges of tight profit margins, high overhead expenses, and the need to continually turn inventory. Adopting click-and-collect solutions can help answer these challenges — and offer customers an improved way to shop.

Contact Mike.Lowey@brother.com for Click & Collect case studies or questions about your store.

Sources:

<sup>1</sup>The Motley Fool. "Do Consumers Want to Order Online and Pick Up In Stores?" November 14, 2016.

<sup>2</sup>ICSC Survey: Technology and Personalization Drive the Retail Experience. March 13, 2017. www.thecenterofshopping.com.

<sup>3</sup>Fierce Retail. Jacqueline Renfrow. "Click-and-collect boosts online grocery to \$24B in 2017." November, 1, 2016.

<sup>4</sup>wsj.com. Sarah Nassauer and Khadeeja Safdar. "Wal-Mart, Target Invest in Store Pickup for Holidays," October 27, 2016.



for retailers. With the ever-increasing impact of digital channels on consumer behavior, retailers need tools and approaches to support their customers in order to remain competitive. Technology will play a pivotal role supporting retail strategies, but retailers should not let technology dictate that strategy. The management of the customer journey through various channels remains the critical challenge for retailers in 2017 to ensure consistency of message and experience. However, it is equally important to realize that almost 90 percent of retail transactions continue to occur in physical retail facilities, and leveraging these as a competitive advantage is essential. From digital in-store experiences to omni-channel optimization, retail decision makers are facing significant investment options. Addressing these options while enhancing the customer experience will represent a critical balancing act for many organizations. ■

### About The Author

**David Krebs, Executive VP, Enterprise Mobility and Connected Devices, VDC Research Group**

*David has more than 15 years' experience covering enterprise mobility and automatic identification solutions. David's research and advisory services focus on how organizations are taking advantage of mobile solutions among their frontline mobile workforce. His experience is far-reaching and includes technology and market opportunity assessments, technology penetration and adoption enablers, partner profiling and development, new product development, and M&A due diligence support. David has extensive primary market research management and execution experience to support market sizing and forecasting, total cost of ownership (TCO), comparative product performance evaluation, competitive benchmarking, and end user requirements analysis. He is a graduate of Boston University (BSBA).*



### IMPROVING THE CONSUMER EXPERIENCE: THE REAL INNOVATION



*Luis Artiz*  
Group Product Manager,  
Business Systems Group  
Epson America, Inc.

True retail innovation starts with the realization that the consumer experience has to be the top priority. Everything — from the store layout and product availability, to the retail transaction, e-commerce, and returns process — has to make the customer feel like the retail experience has been designed to not just meet, but to exceed their expectations.

Of course, the “innovation” is in understanding how to hide all of the complicated retail operational processes to provide a great, seamless shopping experience. And because today's consumer is armed with competitive information, retailers looking to come out on top need to provide instant availability, personalized product expertise, great service, and an easy transaction. In a nutshell, the brick-and-mortar experience has to be as good as — or better than — the online experience.

To enable merchants to do so, Epson has prioritized developing technologies that are applicable in multiple vertical markets, at multiple customer tiers. By separating the POS system from the hardware, Epson's innovative technology allows retailers to invest in the right hardware and system to create a superior in-store experience that will appeal to their customers. For example, Epson's ePOS™-device and ePOS-print technologies enable retailers to use the printer as a hub for their peripherals and provide receipts from mobile devices within range of a printer. This means transactions can happen at strategic locations in the store that are most conducive to the customer, instead of at a line at the front counter — for a better customer experience and a better bottom line for retailers.



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