WORKPLACE

Top 5 in-store technologies that drive retail sales

A guide for store operations executives

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Content

> **“There is only one boss: the customer. And he can fire everyone in the company from the chairman on down, simply by spending his money somewhere else.”**
>
> **Sam Walton** – founder of Walmart

Improving retail sales and productivity – does technology have the answer?

Despite greater adoption of in-store technology to increase productivity and help drive sales, getting the best out of those solutions remains the great, unfulfilled opportunity for retailers.

While enterprise software systems have brought significant benefits to companies that have implemented them successfully, there are just as many whose experience has led them to view software as high risk.

The retail sector has been wary of adopting technology. Enterprise software has a reputation for sitting on shelves and gathering dust because it hasn’t been implemented due to the long timescales involved, costs and change management required.

In today's market, professionals responsible for running mid-sized and large retail estates are increasingly frustrated by the poor levels of business intelligence available to them and are often working with a legacy of disparate systems that provide only piecemeal visibility of data. This lack of essential management information limits what store operations executives and managers can do to manage costs while ensuring maximum productivity and conversions.

The resulting gaps in business planning can have a significant effect on performance:

Anecdotal evidence has shown that even successful fashion and specialty retailers are recording customer conversion rates of 10-15% when they should be starting at:

This guide has been written for retail operations executives currently considering which technologies will help them achieve the ultimate goal of increasing sales.

1. Traffic counters: busy-ness as usual?

The process of traffic counting – measuring the number of people entering a store – enables retailers to assess their level of "busy-ness"; that is, visibility of how many prospective customers are coming into the store and how busy the store could be as a result.

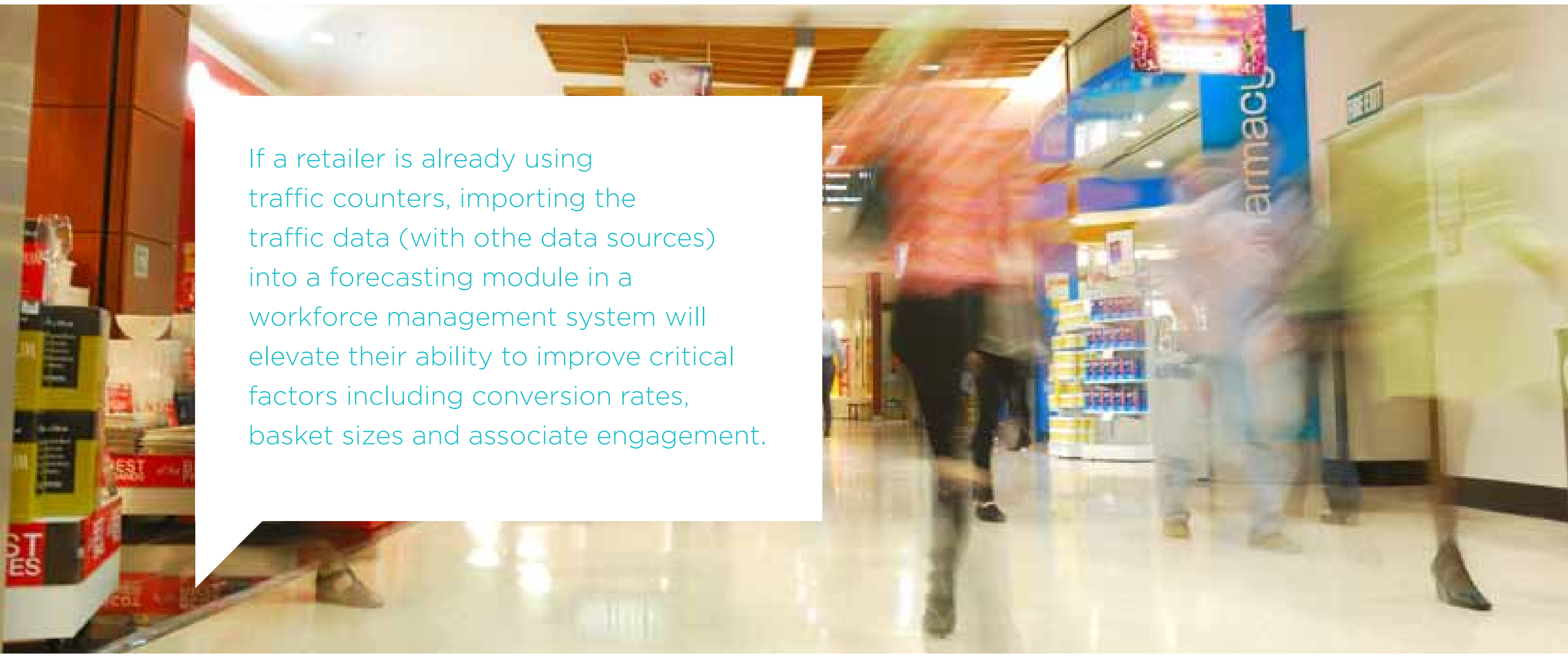
Today's traffic counter technology provides a variety of information such as queue management data, age and sex recognition, hot spot identification, group counts, employee elimination, dual view cameras, etc.

There's no doubt traffic counting is a metric that matters and providers of this technology say its level of accuracy can be used to help plan more effective staff schedules based on customer traffic trends and increase conversions as a result.

A recent article in leading retail trade publication, Accessories, included examples of how retailers have used traffic data to predict busy periods and allocate associates accordingly.

But in the same article it was suggested that many retailers have "failed to capitalize on the full potential of traffic counting systems and convert the information into what they need most: a significant increase in sales."

While traffic counters are capable of providing traffic visibility among other analytics, they are only part of the retail management information picture. Alone, they probably aren't enough to help managers decide who should be working what shifts and whether scheduling additional associates will lead to more conversions. Having the data that says last week was busy and next week should be busy is useful, but there's a risk the response to that could be "let's throw some people at it".



If a retailer is already using traffic counters, importing the traffic data (with othe data sources) into a forecasting module in a workforce management system will elevate their ability to improve critical factors including conversion rates, basket sizes and associate engagement.

2. The Omni-Channel Opportunity

Omni-channel retailing offers consumers a more seamless experience by providing a variety of integrated shopping channels combining retail outlets, PCs, mobile devices, television and more. According to analyst firm, IDC Retail Insights, omni-channel shopping "requires an immersive and superior customer experience regardless of channel". IBM puts it even more simply: "Help your customers do business with you whenever, wherever and however they please."

A recent IBM study – Connecting with the Transitioning Shopper – describes the retail trend of consumers being "hungry for meaningful retail connection points" and elaborates by saying: "Retailers must work to maintain the store's advantage. However, they must, as well, be able to reach consumers along multiple touch points. They must build and maintain a seamless omni-channel consumer experience."

"By 2015, more than 2.7 million tablets a year will be shipped for use in North American retail and hospitality centers, representing an increase of 450 percent over the next four years. Specialty retailers will deploy nearly half of all of the tablets shipped to retail."
Source: IHL

Part of the omni-channel retail evolution has included investment in new technology, such as in-store touchscreens and tablet computers, and will become a permanent fixture of retailing in-store. Yet the risk with in-store, customer-facing computing is how it will add value to the business and make significant increases in productivity, customer experience and sales.

Not least is the issue of associate engagement, especially if associates are spending excessive time looking at their tablet computers. Productivity could be affected if hand-held devices replace the customer as "king" in-store.

Despite some potential shortcomings, these tools can offer retailers help with productivity and offer an exciting, potential integration with other store operations software, particularly in terms of task and activity tracking. This will help productivity, conversion, savings and reinvestment opportunities at each step of the process.

3. In-store payment on the move

When it comes to in-store productivity, Apple stores are the front runners in US retail, according to research by New York-based retail research and consulting firm, Retail Sails. The tech company's sales per square foot reached $6,000 in the year ending June 2012. Part of Apple's success – alongside its highly desirable products – is its use of mobile check-outs in-store.

A recent Associated Press article even suggested that "the cash register may be on its final sale" as store associates are "ringing up sales on tablet computers and smart phones". The article highlights the growing use of iPod Touch and iPad devices for credit and debit card purchases at luxury New York retailer, Barneys, while teen clothing chain, Urban Outfitters, already has plans to go totally mobile, having begun handing out iPod Touch devices to its staff two years ago and ordering its final cash register last Fall.

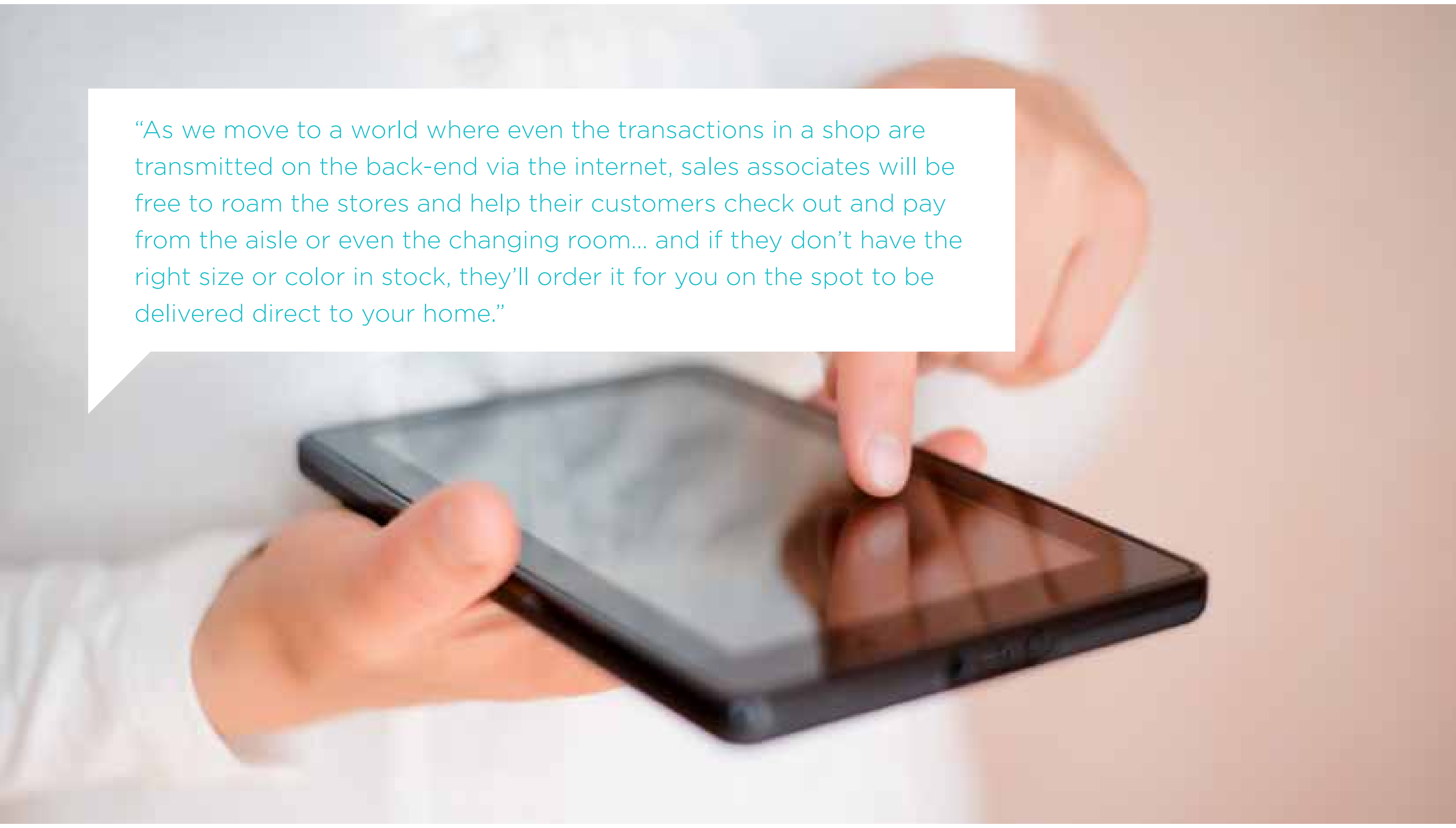
Why are retail stores turning to mobile payment devices?

- They take up less retail space
- They allow associates to deal directly with customers without being tied to a cash register
- Associates have information at their fingertips on every item in-store
- They give customers now familiar with the speed of shopping online a similarly-speedy experience in-store
- They're cheaper than the traditional cash register

But even the benefits gained by retailers through advances in mobile technology have their drawbacks:

- Where do mobile payment-enabled associates store cash payments without a cash register?
- Some customers simply want to be left alone until they're ready to pay and leave the store!

Nevertheless, the view from some influential quarters is that the cash register is destined to go mobile. PayPal President, David Marcus, on the company's blog said:



> "As we move to a world where even the transactions in a shop are transmitted on the back-end via the internet, sales associates will be free to roam the stores and help their customers check out and pay from the aisle or even the changing room... and if they don't have the right size or color in stock, they'll order it for you on the spot to be delivered direct to your home."

4. Do it yourself-checkout

Massachusetts-based Payments industry analyst, Mercator Advisory Group, noted this year a "sustained increase in demand" for self-checkout terminals from both consumers and retailers. Their findings back the claims by Tennessee-based research and advisory firm IHL Group which suggest self-checkouts in North America will increase by up to 10% in the next few years, with the biggest growth expected at convenience, hardware and drug stores.

Mercator's recent report, Self-checkout Retail Terminals: Benefits, Detriments and Opportunities, analyzed the "inherent positive and negative aspects of self-checkout solutions" and considered what retailers can gain from using them.

The benefits highlighted by the report are:

- Reduced check-out time
- Customer control
- Reduced front-end labor requirements
- Privacy

While the detriments include:

- Increased theft risk
- Decreased front-end customer service
- Reduction in impulse purchases
- Reduced opportunity to offer private label cards

Not everyone is happy with the purported self-checkout revolution: furniture retail chain, the IKEA Group's US operations dispensed with the systems in late 2012 as they required "too much oversight and staff time".

5. Workforce management: the pot of gold at the end of the retail rainbow

Workforce Management software systems gives retailers the knowledge and capability to create the most productive and cost-effective teams of associates across their estates. The best software systems on the market provide a powerful, easy-to-use tool for retail operations executives to obtain visibility of costs and the information or data for where to flex available associates and schedules in order to increase customer conversion rates. In comparison with traditional methods such as spreadsheet programs, workforce management software systems enable operations executives and store managers to create schedules that reflect more accurately the actual labor demand of their stores.

However, the experience of retailers attempting to implement enterprise, on-premise (or "black box") solutions for their workforce management needs has been eye-opening in terms of cost, change management and the level of successful adoption. The up-front costs, long implementation cycles and high risk of failure have proved a disincentive to taking seriously the prospect of workforce management software.

Today, the advent of Cloud-based software systems has changed the game; offering companies another way of gaining the benefits of enterprise software systems such as workforce management but without the risk, expense and aggravation often associated with more traditional IT system approaches.

To measure store performance and productivity, 75% of retailers interviewed look at:

- **sales increase**
- **increase in average transaction value (ATV)/basket size**
- **shrinkage**
- **staff costs as a percentage of sales**
- **store costs as a percentage of sales**

Source: Store performance and productivity 2012, Martec International & Workplace Systems

of fashion retailers monitor conversion rates

source: store performance and productivity 2012, martec international & workplace systems

At the core of the most workforce management software systems is the ability to forecast, schedule and manage associates based on accurate data while taking into account head office-defined tasks and activities, which can then be translated into schedules that best fit labor demand.

Workforce management systems are also able to maximise store performance by analyzing data from multiple sources and using algorithms in order to produce a forecast and an optimal schedule which a store manager can then adjust to achieve greater associate productivity and sales.

If customers get treated well they are much more likely to return. With knowledge, retailers can gain the ability to improve associate engagement and achieve increased conversions. But that begins with setting the foundations before dreaming of either crawling, walking, running or sprinting in the quest for retail sales.

“rear view mirror” syndrome and time and attendance

Historical data gathered by retailers from sources such as traffic counters and electronic point of sale are clearly important factors in understanding what’s happening in-store. However, taking them in isolation is like driving a car using only a rear view mirror: the retailer can look only backwards in time at crucial management information such as spend on payroll, premium time and overtime. Forward-looking knowledge that will help predict next week’s labor requirements and associated costs is something of a mystery without effective forecasting and automated scheduling tools. In the absence of the right technology, retail operations executives and workforce schedulers are obliged to trust their store managers with budget hours and costs to do the right thing from a workforce scheduling perspective. But the detail about the levels of productivity and sales that sits beneath the weekly budget figure is currently hidden from the majority of retailers.

Equally, retailers that have implemented Time and Attendance systems may think they also have workforce management. However, Time and Attendance tracking and absence management is in fact only a small element of workforce management.

labor scheduling and workforce management

The question of whether or not to implement workforce management is often answered in the negative. This might be because a retailer's own experience of on-premise enterprise class software – or the reputation that precedes it – is based on a protracted deployment process, high consultancy costs, a delayed return on investment and poor adoption rates. Software systems may well have been guilty of this in the past.

However, it needn't be so with a Cloud-based workforce management system.

And, as the following example shows, there are clear financial incentives to using workforce management to know, understand and manage when and how much time your retail associates engage with customers, and how that translates into greater productivity and increased sales:

Company:	A major US retailer
Retail technology solution:	Cloud-based workforce management system
Benefits:	• $42m saved and reinvested through implementation of a correct time-off system. • $1.5m return on investment within two weeks of deploying the labor scheduling module, giving visibility of overtime, premium time, and people working below their base hours Week-on-week savings of the same magnitude during the ensuing year. • Savings of 7% on previously unmanaged overtime costs. • Reinvestment of $24m in the first six months of using an accurate labor forecasting tool.

In addition, there are the softer benefits of using a workforce management system. For example, the time spent by regional managers on creating labor schedules can be significantly reduced. Equally, in a market that remains heavily paper-based by continuing to mail schedules to stores, thousands of dollars can be saved in stationery and mailing costs alone.

The perception that workforce management systems are the "playground for the big companies" only, with dedicated departments creating schedules for the workforce, is simply not the case any longer. The introduction of Cloud technology means that the IT complexity and cost associated with traditional software systems implementation is no longer an obstacle to obtaining workforce management.

How is this so?

Cloud technology delivers the software service the retailer requires via an Internet browser rather than through an on-premise IT infrastructure. Therefore, the software is hosted, managed, maintained and secured by the provider rather than the customer. This approach eliminates the issue and cost of upfront IT investment in hardware, system upgrades and can be deployed much more quickly than traditional on-premise software. The software is accessible from any location by any Internet enabled device and is much more user-friendly for managers and associates, therefore increasing adoption.

Learn more about workforce management, the processes of forecasting and labor scheduling, and how they can increase productivity across your retail estate. Download the Workplace Systems eBook - A step by step guide to improving labor scheduling for retail.

About Workplace Systems

Workplace is a world class supplier of Cloud-based Workforce Management software solutions. Workplace Online provides; Business Driver and Labour Demand Forecasting, Manual, Assisted and Advanced Scheduling, Shift Bidding, Time & Attendance and Management Dashboards. Deployed in weeks providing greater management visibility, proactive control of labor and a rapid ROI.

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