

POINT OF VIEW

Optimizing Store Operations in the Age of Digital Transformation

As retailers evolve stores from being destinations of commerce to becoming exciting hubs of customer experience, store teams need to contend with greater operational complexity.

Asked to do more with the same, they must work smarter, not harder, by focusing on things that matter most – improving inventory accuracy and delivering a frictionless customer experience.



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Stores as brand storytellers and showrooms, offering retailers a valuable platform for channel-agnostic growth

Stores as distribution centers and fulfillment hub, offering customers a seamless channel-agnostic shopping experience

Stores as a service hub, offering customers personalized recommendations and assistance pre and post purchase

The role of the store has changed.

They are no longer just destinations of commerce, but a part of a **brand's broader narrative**.

Through initiatives such as click & collect, personalized in-store services, hyper-localized assortments and experiential store formats, retailers are increasingly using stores as media and an engagement platform that drives overall business growth.



STORES AS DISTRIBUTION CENTERS



The Home Depot has successfully driven all-around growth by aggressively integrating its online and store experiences. Buy online options include delivery from stores, pick-up in-store, ship-to-store and return-to-store. 45% of online orders are picked up in-store. 85% of online returns are made in-store.



STORES AS SHOWROOMS

M . G E M I

M.Gemi, a direct-to-consumer custom Italian footwear retailer, operates fit shops that carry no inventory. The focus is on using store space most effectively to showcase the brand's values. Lean store teams help shoppers choose a style, assist with fit, answer questions and help order via the tablet POS.

STORES AS A SERVICE HUB

BIRCHBOX ♦

Birchbox, a cosmetics subscription service, offers personalized services at its in-store salon. At the central "Try Bar" Birchbox "editors" fill tester areas with new trends for shoppers to try. Store staff help shoppers "Build Your Own Box". The store is frequently used for private events (such as bachelorette parties), and offers a variety of appointment-based one-on-one services.

These customer experience initiatives mean greater **operational complexity**.

Each initiative adds to one or more of the three dimensions of impact in Incisiv's Store Operations Framework.

Volume

Variety

Velocity

What it means

An increase in the amount of tasks store teams need to perform

An increase in the unique number of tasks

An increase in the speed or frequency of tasks

Examples of Tasks

- Fulfill more click & collect orders
- Perform more mobile checkouts
- Ship more orders from the store

- Offer personalized recommendations
- Order picking for click & collect
- Manage last-mile delivery

- More frequent planogram resets
- Replenish from backroom to shelf
- Assist shoppers order out-of-stock items

Impact on Store Teams

- Need more associates
- Increased labor budget
- More overtimes

- Need new skills
- Increased training cost
- Complex schedules

- Need new business processes
- Increase in errors
- Competing tasks

Unmanaged, this complexity directly impacts the **top and bottom line**. (1 of 2)

Store teams must contend with key store operations challenges that are created, or accentuated, by an increase in operational complexity.

Out-of-stock

continues to cost retailers millions of dollars in lost sales

A retailer with \$1B in revenue loses **\$40M - \$75M** annually due to out-of-stock.

7 in 10 retailers report inaccurate or extremely **inaccurate** in-store inventory.

Further, 3 in 4 store associates are **unable to convert** an out-of-stock scenario into a sale even when they have access to enterprise-wide inventory.

Flawed execution

of omnichannel processes leads to margin erosion

7 in 10 retailers are **uncertain** whether they turn a profit from their click & collect orders

Only 5% of retailers rate themselves ahead of the competition in terms of how they fulfill online orders from stores

64% of retailers are **dissatisfied** with how they fulfill online orders from stores

Unmanaged, this complexity directly impacts the **top and bottom line**. (2 of 2)

Store teams must contend with key store operations challenges that are created, or accentuated, by an increase in operational complexity.

Lost productivity

from unscheduled or un-optimized task allocation

7 in 10 retailers consider growing omnichannel or digital initiatives as their **top in-store labor challenge**

Store associates spend **less than 30%** of their time focused on customer sales and service, and the remainder on operational tasks

Lost revenue

from time associates spend away from customers

Shoppers who interact with a store associate are **43% more likely to make a purchase** compared to those who don't. And, such shoppers spend 81% more per transaction.

Store associate recommendations are **25X more effective** in terms of conversion compared to email or online recommendations

Not all tasks are **created equal**, so retailers must not treat them such.

Tasks have varying degrees of importance that can also change based on context or circumstance.

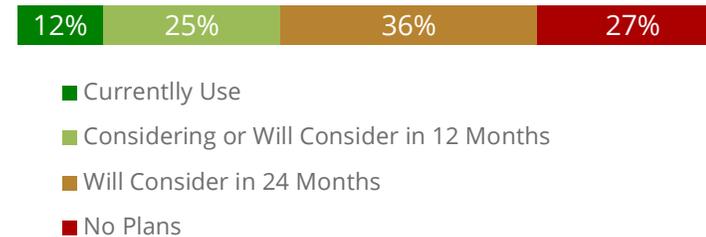
Retailers have a clear definition of what success looks like across 4 key dimensions

Important KPI(s)

Sales	Digital orders delivered from the store, Attachment rates for digital pickup or returns, sales per employee
Stock	Out-of-stock, inventory accuracy
Staff	Labor productivity, associate satisfaction
Service	Speed of service, customer friction score

Yet, most do not prioritize tasks based on how they impact their KPIs

Retailers' current and future plans related to using a tool to prioritize tasks based relative impact on key KPIs*



Store teams must **work smarter** by focusing on things that matter most. (1 of 2)

Simply allocating more labor hours is expensive. A combination of technology, analytics, automation and mobility can help prioritize tasks based on expected outcomes.

Seamless Integration

with store systems and across various data sources will enable the right decisions at the right time

- Space Planning
 - Merchandising
 - Labor Scheduling
 - Inventory
 - Point of Sale
 - Customer Traffic (Cameras, Beacons etc.)
-

Real-time operations insights

that prompt action will drive better operations management

- Visual merchandising rules
 - Shelf-refill alerts
 - Store workload visibility
 - Replenishment, fulfillment, delivery priorities
-

Store teams must **work smarter** by focusing on things that matter most. (2 of 2)

Simply allocating more labor hours is expensive. A combination of technology, analytics, automation and mobility can help prioritize tasks based on expected outcomes.

Visibility into task compliance

and effectiveness will help store teams keep a preventive check on operations

- Real-time compliance dashboard
 - Task compliance report by associate, activity and shift-slot
 - Flags and alerts for any challenges predicted by the system
-

Being unshackled from

the backroom by being mobile enabled will help stay customer focused

- Associate mobile device and app
 - Unified collaboration tools
 - Mobile-enabled enterprise applications
 - Reliable Wi-Fi network connectivity
-

Dynamic task management **drives KPI improvements** for a specialty retailer.

A specialty retailer with over 15,000 employees is in the process of chain-wide implementation of a Dynamic Task Management tool that helps assign tasks with priority, agility and speed to store associates on the floor.

PERFORMANCE IMPROVEMENT METRICS FROM A PILOT (SINGLE STORE) LOCATION*

Revenue: 4.3% increase

in store revenue over baseline

Gross Margin: 7.0% increase

reported in the store's gross margin (rate increased from 42.7% to 43.8%)

Labor Productivity

'Check-in' and 'Put-away' activities are now **2.4 times faster at 5.3 seconds** with Item/Location Tracking

Stock replenishment activities are **2 to 4 times faster at 30-60 items per hour** with Item/Location tracking when compared to the times when they used paper restocking reports

Source: JDA Client Implementation Data

IN SUMMARY

STORES ARE NOW HUBS OF COMMERCE, FULFILLMENT AND EXPERIENCE.

As part of this transformation retailers have made **significant investments** in initiatives such as click & collect (BOPIS), online returns, flagship experiences and personalized assistance.

HOWEVER, RETAILERS' EXECUTION LAGS BEHIND THEIR INTENT...

Inventory accuracy is still a **multi-billion dollar problem for the industry**, customers still can't find what they want or get service as quickly as they would like.

...AS STORE TEAMS STRUGGLE TO COPE WITH ADDITIONAL OPERATIONAL COMPLEXITY.

Store teams need to contend with a greater **volume, variety and velocity** of tasks, often with the same labor budget and enabling tools as before.

AS CONFLICTING BUSINESS PRIORITIES PULL ASSOCIATES IN DIFFERENT DIRECTIONS...

Replenish the shelf or assist a shopper with purchasing an out-of-stock item? As store associates perform a greater variety of tasks simultaneously, they are faced with important decisions regarding task priority that have a **direct impact on the top and bottom line**.

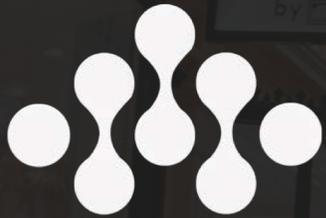
...JUST ADDING MORE LABOR HOURS IS AN EXPENSIVE, SUB-OPTIMAL SOLUTION.

Adding more labor hours **increases cost without solving for the underlying challenge**. Store teams have a clear definition of success (KPIs), but no easy way of viewing the relative importance of tasks through that lens.

STORE TEAMS MUST WORK SMARTER BY PRIORITIZING IMPORTANT TASKS.

A combination of analytics and mobility can help store teams remain focused on the things that matter most, delivering near-instant ROI by prioritizing tasks in real-time **based on their impact on customer and operational KPIs**.

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