WAVESTONE

CONNECTED STORES

HOW CAN POINTS OF SALE RESPOND SUCCESSFULLY TO THE GROWING PUSH OF TECHNOLOGY?

Retail stores are equipping themselves with the latest technologies to address the rise of omnichannel approaches and develop a synergy between physical stores and e-commerce.

Physical stores are on the lookout for the latest innovations, ranging from RFID, Beacon and Li-Fi to interactive terminals, contactless payment and geolocation systems. Many retailers are launching in-store tests and rolling-out installations to adapt as swiftly as possible to customer needs and maximize the profitability of each outlet.

As they head in this new direction, retailers need to review the proper use – and even in some cases, the usefulness – of these technologies so as to make the most relevant and value-creating choices.

AUTHOR

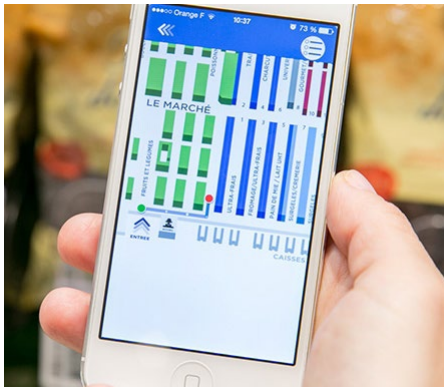
ELODIE METIVIER RABARON
elodie.rabaronmetivier@wavestone.com

REINVENTING THE CUSTOMER JOURNEY

Innovating to trigger purchases with the right product in the right place at the right time

So dear to Kotler[1], the concept of controlling marketing mix components is more important than ever with respect to in-store technologies. Whilst choice is and will remain vital (according to the store's format, customer catchment area, customer segmentation and so on), technologies need to be used in-store to **supplement the offer**. The trend is towards greater proximity – leading to a reduction in average outlet size – a strategic response to the issue of product offering and assortment lies in the use of technology. Stores henceforth will be able to propose a limited (but optimized) «on-shelf» offer while also bringing customers access, through self-service digital terminals, to the complete offering of the retailer or brand. Combined with same-day or next-day delivery, at home or at the customer's preferred store, this access to a broader offering means that customers are sure to find the right product for their needs (moment of purchase, available quantity, etc.) and receive it more quickly.

With Carrefour's «C-où» app, customers are geo-guided through the store.



Source- *www. creapills.com*

But in-store technologies should also **make the customer's in-store journey easier**. The time when customers walked round an entire store on each visit is over, with today's connected shoppers looking to optimize their in-store journey. Retailers are well aware of this shift and are developing, with varying degrees of success, apps that serve to better guide customers around stores.

The retailer Carrefour has launched two such apps: «C-où» (in a connected store in the Paris region) and «Promo c-où». This last app guides customers in quasi-real time and with impressive precision towards special deals or products on their shopping lists. Thus equipped, customers can identify deals beforehand, draw up their shopping list and, once in store, follow a geolocated route via their mobile app and waste as little time as possible. By creating this vital web-to-store link, retailers help customers to optimize their in-store shopping experience while avoiding the disappointment of not finding the product or promotional deal in question.

Meanwhile, in 2014, Apple installed iBeacon technology in its US stores to send alerts to its customers on site. Arriving in stores, customers are sent an alert on their phones asking them to describe the purpose of their visit. On the basis of their reply, they receive in-store guidance and benefit from effective assistance from sales staff, who are also alerted by the system.

Beyond bringing customers the broadest choice possible with adapted user-friendliness and simplifying their journey, in-store technologies also aim to **make customers' choices easier**. The upshot here is that augmented reality is, gradually, finding its place. In increasingly connected and paperless stores, it is becoming more and more complicated to try out a lipstick or try on a pair of glasses, which are available exclusively at in-store **digital terminals**.

In response, brands are developing more and more tools connected to augmented reality, which, through solutions in stores or on the web and special apps, can be used to show the product in context. This is the case with Ray-Ban's «Virtual Mirror», which customers can use to try out the entire range of glasses via their computer (using a webcam). It is also the case for L'Oréal and its «Make-up Genius» app, which enables customers to test the cosmetic products in the L'Oréal Paris range with no fuss using their smartphone. In another recent example in a completely different field, customers at one of Boulanger's stores in Paris can now visualize and design their kitchen in 3D using a **virtual reality headset** immersing them in a world that previously would have taken up substantial retail space.

In the USA, 360° mirrors enabling customers to see themselves from the back and front, and to compare several outfits simultaneously, have met with considerable success. Uniqlo and American Outfitters have already launched this solution at some of their outlets.

1- *Philip Kotler, an American academic at the forefront of the marketing management school.*

An intelligent 360° mirror in a Uniqlo store in the USA.

Source- *www.ladynews.am*

Simple and seamless check-out

Two main issues have emerged in the use of payment optimization technology.

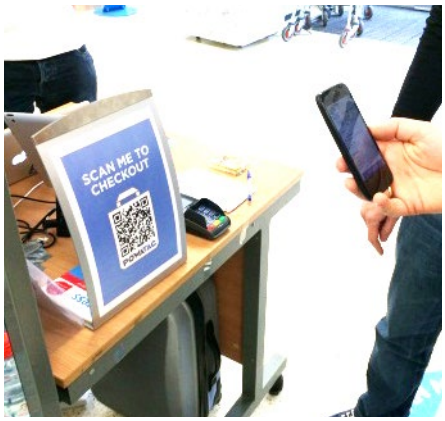
First of all, payments have undergone a substantial transformation in recent years, notably with the rise of **contactless payments**. From the «traditional» credit card and luncheon voucher to the smartphone, contactless payment has become the norm in the space of a few years. This technological leap has revolutionized the way we pay, through its practicality (most payment means can be grouped on a smartphone thanks to apps) and also by the way it saves time, as customers simply set their device on the payment terminal to complete their purchase. So fiddling around in our wallets to find the right store card, having to remember the right code and punching in our code are all history.

The check-out experience has also changed, with the advent of **more mobile and practical payment interfaces**, although they have not rendered the traditional cash register entirely obsolete.

- In terms of mobility, **in-aisle payments** are developing gradually, often in the form of a payment terminal (contactless or not) connected to a smartphone or tablet. The system makes payments more flexible for customers by creating ephemeral payment points that free up the conventional cash registers at store exits.
- In much the same spirit, to relieve check-out congestion at lunchtime, Tesco has introduced a system whereby customers can pay for their lunches by scanning the QR code of their products with their smartphone via the PowaTag app.
- Another key aspect is practicality. Check-out queues are a real bane in the lives of retailers and customers alike. In response, the **RFID technology** introduced by Nespresso has set something of an example and could in the long term become the norm in large retail, especially considering the major gains generated in logistics. With the RFID ecosystem – RFID chips on products and terminals able to read those chips – customers simply have to set their shopping bags within scanning range of a terminal and the latter identifies all the signals emitted by all the chips and then prints out the customer's receipt practically immediately. The process is considerably easier and faster for customers as there is no need to take out all the items and scan them one by one, all the product chips are read simultaneously.

Source- *www.intotheminds.com*

In the UK, Tesco is speeding up the check-out process with the PowaTag app.



Source- *www1.planetretail.net*

Taking advantage of after-sales to extend the customer experience

The search to improve the customer experience in stores necessarily goes beyond the simple purchase act. Combined with the ever-accelerating development of omnichannel, this quest is driving companies to continuously optimize the links between physical and virtual stores. Click-and-collect has become a staple at most retailers, enabling consumers to buy a product on the web and pick it up in-store. Pick-up points are crucial to cross-selling and/or additional sales and have quickly become strategic customer-experience sites. Retailers have implemented new strategies to simplify product pick-ups, through clear and simple signage (as at Galeries Lafayette, for example) and in-store technology. Amazon and Moda Operandi recently joined forces to bring customers a beacon system that speeds up the process of collecting items ordered on the brand's site and enables them to add extra purchases stemming from recommendations based on their purchasing history. The in-store beacons actually detect customers as they enter the store, alerting sales staff of their arrival. The sales personnel can prepare the customer's order, hand it over and advise them on further appropriate purchases.

Nespresso customers can check out in a few seconds thanks to RFID technology.

Even more futuristic are the virtual walls seen increasingly at bus stops and in metro stations. In South Korea, Tesco Homeplus has installed virtual walls on which consumers can do their shopping, collecting the goods later at the closest point of sale. A major trend in Asia, virtual walls made their debut in Europe in late 2016 with the retailer Jumbo in the Netherlands.

Another vital «post-purchase» component is after-sales, which has also been transformed in depth. The big development here is not so much in terms of technology but the ecosystem built up around technology in the broadest sense. For example, customers can now chat with advisers at a number of retailers and brands (say, before a purchase) and benefit from a simplified returns system.

This last point has recently become a key focus for retailers:

- either by operating drop-off lockers themselves
- or by calling on start-ups working in parcel returns.

La Poste (the French Post Office) has recently introduced another returns process that, while not based on a specific technology, simplifies the process by offering a pick-up service from the customer's mail box (where the weight and dimensions of the parcel permit).

A «virtual supermarket» bus shelter in Utrecht, Netherlands.

Copyright- Jumbo Supermarkten BV

TO TAKE THINGS FURTHER

The **ShopRunBack** app greatly simplifies the returns process for customers while also seamlessly integrating in retailers' information systems, making customer returns considerably easier to manage.

Consumers simply take a photo of their items, identify the retailer in question, then schedule the pick-up time. They can subsequently track the progress of the return. They no longer have to print out a label or box up the item. The start-up takes care of the entire process, simplifying the management of the customer's time as well as that of consumables and logistics, often a source of irritation.

OPTIMIZED PERFORMANCE AND PRODUCTIVITY

Technology is impacting the global performance of traditional stores

In an environment where omnichannel and responsiveness are key (including in stores), one of the main challenges for brands lies in their ability to trace, streamline and enhance the reliability of their inventories. To optimize the development of in-store digital services (such as click-and-collect and pick-up-in-store), inventories need to be perfectly managed and displayed. This avoids «out of stocks» and ensures availability at a much more complex level than that of a single store, as all of the contact points need to make sure they have the right product in the right place in the desired quantity. This calls for an overhaul and update of the entire logistics system using new technologies. The use of RFID in particular can transform a brand's entire supply chain, as examined below with the Zara group.

Besides logistics, the collection and use of customer data in stores – additional performance boosters identified by brands and retailers – need to be developed and improved to optimize sales.

The development of collection and analysis tools was long hindered by poor connections and the lack of Wi-Fi in stores. But retailers have hopped that hurdle through the use of connected light, specifically via Li-Fi (or Light Fidelity) and VLC (Visible Light Communication) technologies. Hooked up to the store's lighting system, these technologies send specific information through light and, with an accuracy of one meter, in each department to a tablet or smartphone via an app.

Similar in design to beacon technology, these systems stand out through their greater precision and response times, which are vital when mapping the customer journey relative to their shopping list and when «pushing» them to a geolocated promotional deal. For retailers, then, the challenge is two-fold:

- **enhancing the targeting and profitability of in-store promotions**, by contextualizing them and adapting them to the scale of the department or product family.
- **better identifying and directing the customer journey** to increase the average basket.

Li-Fi looks to be off to a promising start (Carrefour's C-où apps already function with this technology), so much so that some experts and manufacturers are forecasting the implementation of 14 billion Li-Fi LEDs between now and 2020 across all sectors of activity, for potential revenue estimated at $8 billion[2].

2- Markets and Markets study, november 2015

ZARA

Since 2010 the Spanish retailer has labeled all its products with RFID chips

- Upstream, at the warehouse, conveyor belts and tunnels are used to control parcel content on reception and shipment. No additional operations are made at these stages, since RFID technology scans all the parcels and automatically detects the various RFID chips attached to the different products.
- When stores take delivery of the products, employees scan the products in the same way using compatible terminals and validate compliant delivery in a single movement, saving precious time.

This development optimizes the entire value chain, from product shipment to delivery, generating:

- Substantial gains in productivity, accelerating counting twenty-fold and making it much more reliable.
- An optimal inventory policy, with stores switching from two inventory counts a year to one a month or even every week!
- And, ultimately, a major reduction in the shrinkage rate (difference between recorded and actual inventory).

Improving staff productivity and workplace well-being

When talking about technologies in the broadest sense, people often bring up the other side of the coin, i.e. the impact on employment. What if sales staff were to be replaced by robots? What if pure players were to eliminate physical stores and the corresponding jobs? In short, there are a lot of «What ifs?».

But it would seem that in-store technologies are more a **way of supplementing the presence of sales advisers** rather than a tool for doing away with these in the near future. Freed up from low value-added tasks, sales forces are now fully focused on the essence of their trade: **advising customers**.

So what interactive terminals and in-store diagnosis tools actually do is make shop staff more available for adding extra value, through their expertise and also through their mastery of tech tools. Sales personnel today are more focused on their role as **local experts**, harnessing the tools at their disposal to quickly and simply find comprehensive information (on products, orders, and so on) and share it with their customers. And this means that stores can once again place the customer-salesperson relationship at the heart of their activity, boosting the qualitative experience of the customer while providing sales staff with what they need to better advise, inform and guide the customer. For example, salespeople are able to respond quickly to requests concerning other points of sale or distribution channels (instant visibility of inventory, product personalization, specific characteristics, etc.).

Regarding inventory access, several retailers are seeking to develop technologies for the optimal retrieval of goods from store stockrooms, so that sales staff can devote more time to talking with their customers. This is the case with the UK sports retailer JD Sports and the prêt-à-porter company, Undiz.

Ultimately, then, the match pitting technology against the salesperson is **more about complementarity than competition**. Each one plays their role where they or it are the most effective and relevant, for the consumer and for the retailer.

Also, technologies can make an in-store contribution in a less tangible respect, by enhancing well-being in the workplace. The stimulation of working in a technologically advanced workplace, added to the personal development generated by learning how to master new technologies, should boost the commitment and motivation of salespeople while at the same time developing a digital culture at the company. By extension, a retailer that develops in-store technologies in an astute manner and provides its teams with the appropriate training will boost staff loyalty and thereby better safeguard the know-how and expertise it has developed.

With the «Undiz Machine», it is possible to, using a terminal (or through a smartphone purchase), retrieve any product via a pneumatic capsule.

Source- *www.lsa-conso.fr*

In-store technologies and the customer journey: when and where are these technologies used?

ACCESS TO A BROADER OFFERING

Customers access all the products of the brand or retailer via the store's terminals/tablets

IN-STORE GUIDANCE

Customers are guided throughout their visit via the store's mobile app

AUGMENTED REALITY

Products displayed on specific kiosks can be virtually tried out by the customer

PAYMENT AND LOYALTY

Contactless and added to their dedicated app, customers tap their smartphones on the terminal connected to the tablet to pay for their purchases and credit their loyalty account in one action

CHECK-OUT

Using their tablets, salespeople can also offer customers in-aisle payment

SALES ADVISERS

Essential to customer decision-making, sales staff guide, advise and order for the customer or process their order directly using their tablets

POST-PURCHASE

Customers take advantage of their store visit to pick up their click-and-collect order at a locker

AFTER-SALES SERVICE

If they are not happy with a product, they schedule the next courier pick-up in three clicks

PERFORMANCE AND REPUTATION

Customers assess service quality, contribute to the reputation of the point of sale (NPS, etc.) and provide retailers with the feedback vital to continuous improvement

PROVIDING A PRACTICAL RESPONSE TO CUSTOMER NEEDS

Many of these new technologies can seem highly disruptive and appear to herald deep-seated changes, generating great expectations and fueled by increasingly strident media buzz.

Telling buzz and true value apart, for the retailer and (above all) the consumer

Looking beyond the «Wow!» effect, the roll-out of new technologies calls for the introduction of a real ecosystem. The first prerequisite for retailers is making sure they have fully operational Wi-Fi in their stores (at least 4G). Network coverage and bandwidth need to be sized in order to extend the customer's digital experience in stores. Business apps also need to be able to work «offline» if so required. Besides these basic principles, retailers must be able to manage three key things: the complexity of the technology, its integration at the brand/retailer, and its appropriation by the sales teams.

By «complexity of the technology» we mean the level of expertise required for its operation. In stores, technology absolutely needs to work properly, so as not to put the brakes on customers. Is there anything more frustrating than trying out a new technology only to find that it fails to work properly (for example, «Error 404» displayed on a screen) or that the sales staff does not know how to use it?

The integration of the technology is essential if the existing value proposition is to be improved. Disruptive as a concept but ensuring continuity in terms of use, in-store technologies must become a seamless part of the standard customer experience while conveying the brand's values and culture.

Lastly, the salespeople and personnel in stores absolutely need to fully appropriate the brand. Once they are convinced of the practical and quantitative contribution of the technology, sales teams become its main ambassadors. After all, it is the sales force that initiates and educates consumers on the technology, underlining and showcasing what it adds to the customer journey as a whole.

AMAZON GO

The e-commerce pure player moves into physical stores

In late 2016 Amazon announced the opening of its first food store in Seattle. The unique new supermarket is a concentrate of technological innovations that revolutionizes the customer journey and retailing.

The idea is simple:

- Consumers identify themselves when entering the store using their smartphone via a QR code and the AmazonGo app.
- They select their products.
- They then leave the store without going through the check-out, instead being billed on their Amazon account.

Without going into detail on the technology used, Amazon says that by using a camera and sensors it can detect the basket of each consumer as well as collect information on the consumer's behavior, including hesitation, picking up a product then putting it back down, and visiting a department but not buying anything there. With a seamless customer journey, reduced personnel costs, employees dedicated to customer advice, and the capture of behavioral data, Amazon is previewing what may be the retail trade of the future. But that said, could this concept be developed in the near future? Maybe not.

This is not the first such attempt from the Seattle-based firm. It already initiated fresh produce deliveries in one hour with Amazon Prime Now and launched the Prime Air drone delivery system in late 2015. But it is highly unlikely that these solutions will become profitable or replicated on a large scale in the near future, for Amazon or for conventional retailers. Rather than developing practical solutions viable in the short or medium term, Amazon has chosen to play the role of an idea and trend catalyst by innovating for its customers and employees alike and at the same time creating non-stop buzz on the brand.

All innovations should aim to reduce customer irritation and/or respond to their needs

The leitmotiv of in-store technologies could well be «No innovation, no point".

Modern marketing, as used by, say, Apple for the iPad launch, highlights the creation of new needs. But this approach is in reality anything but removed from an unexpressed need.

> « People don't know what they want until you show it to them »
>
> - STEVE JOBS

In *La Conception à l'Écoute du Marché* (Design that listens to the market), Shoji Shiba, professor emeritus at MIT, explains that when customers are asked about their needs and expectations they generally express practical expectations, and that it is then up to the company to understand and interpret those needs and translate them into products and services.

The analogy is particularly apposite regarding in-store technologies, which have **to respond to a lack or an identified irritation** before being a technology, no matter how wondrous. Technology does not exist in a vacuum; it has to meet the expectations expressed by the customer. It needs to apply to use cases and integrate the customer journey while creating value for consumers.

Beacons, for example, held (and still hold) considerable promise for brands and retailers because the technology covers a considerable expanse of the customer journey. But from the consumer's standpoint, the technology requires that they leave their Bluetooth function on, download the retailer's app, and receive alerts when they enter stores or approach an item on sale – and all for each retailer. So it is hard to see what that brings customers in qualitative terms. However, when the technology does come to maturity – when use cases have been simplified and become more customer-centric – there is no doubt that brands and customers will fully benefit from it.

Measuring the benefits to the customer experience

The arrival of in-store technologies highlights new approaches to assessing and steering performance. Regardless of which performance indicator is assessed (technology, sales force, store), all assessment systems must be adapted.

This aspect underscores the need to be sufficiently mature across the entire value chain to **implement the most suitable indicators for the roll-out of new technologies**. From sourcing technology to integrating and implementing it, each phase must create value. Whether the brand is seeking to increase its conversion rates, boost in-store traffic or develop cross-selling or additional sales, its main aim in employing new technologies is to meet business objectives rather than innovating for innovation's sake.

For salespeople, just as their profession is moving towards more customer-centric services, so too the criteria for rewarding performance must evolve. The idea is no longer to monitor the number of customers processed per hour. Tomorrow's indicators are the level of customer satisfaction, the trend in the average basket, the loyalty rate and the collection of customer information (email addresses, opt-in, etc.).

As such, technology will always prove more effective if it is used in conjunction with a real coordination steering system rather than developed separately. The aim is not necessarily to introduce new indicators but instead to select existing indicators able to best measure the impact of the new technology.

KEY POINTS

- Seeking to broaden their offering, guide customers or eliminate queues, stores are harnessing a wide range of available technologies to **reinvent the customer journey** and better respond to new consumption behavior.
- By simplifying inventory management and contributing real value added to customer relations, these new tools serve **to optimize performance, productivity and the experience of employees**.
- The use of these technologies must remain a **practical response to customer needs** and be underpinned by **reliable and effective technologies**.

In-store technologies and performance: what is the expected return on investment when rolling-out an in-store tablet[3]?

BENEFITS

QUANTITATIVE GAINS

Enhance the attraction of new consumers, quantify additional revenue linked to the decrease in «lost sales», improve conversion rates, develop cross/additional sales, etc.

QUALITATIVE GAINS

Boost customers' loyalty to the brand, improve the in-store customer experience, develop customer knowledge, strengthen operational efficiency, etc.

COSTS

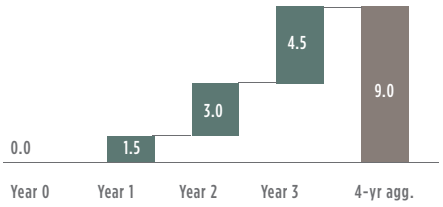
IMPLEMENTATION COSTS

Quantify the costs of buying equipment, servers, infrastructure and development, upgrade and roll-out costs according to the maturity of the retailer.

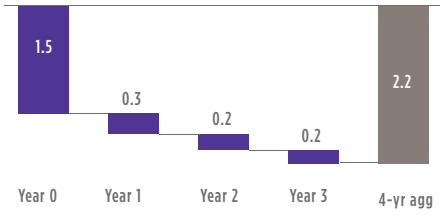
RECURRING COSTS

Assess annual operating, maintenance and support costs, licence purchases, etc.

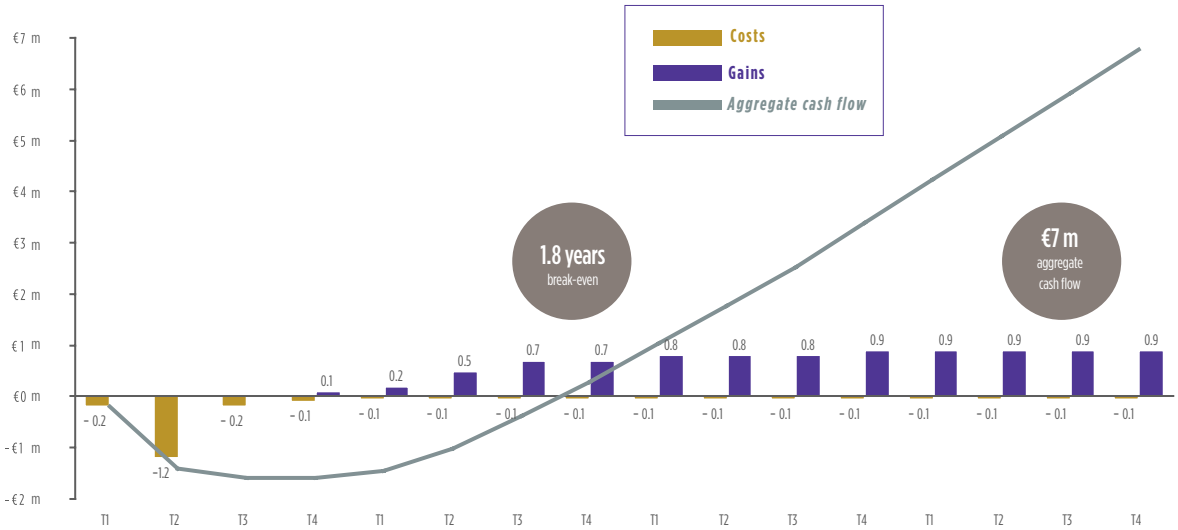
GAINS OVER 4 YEARS (€m)



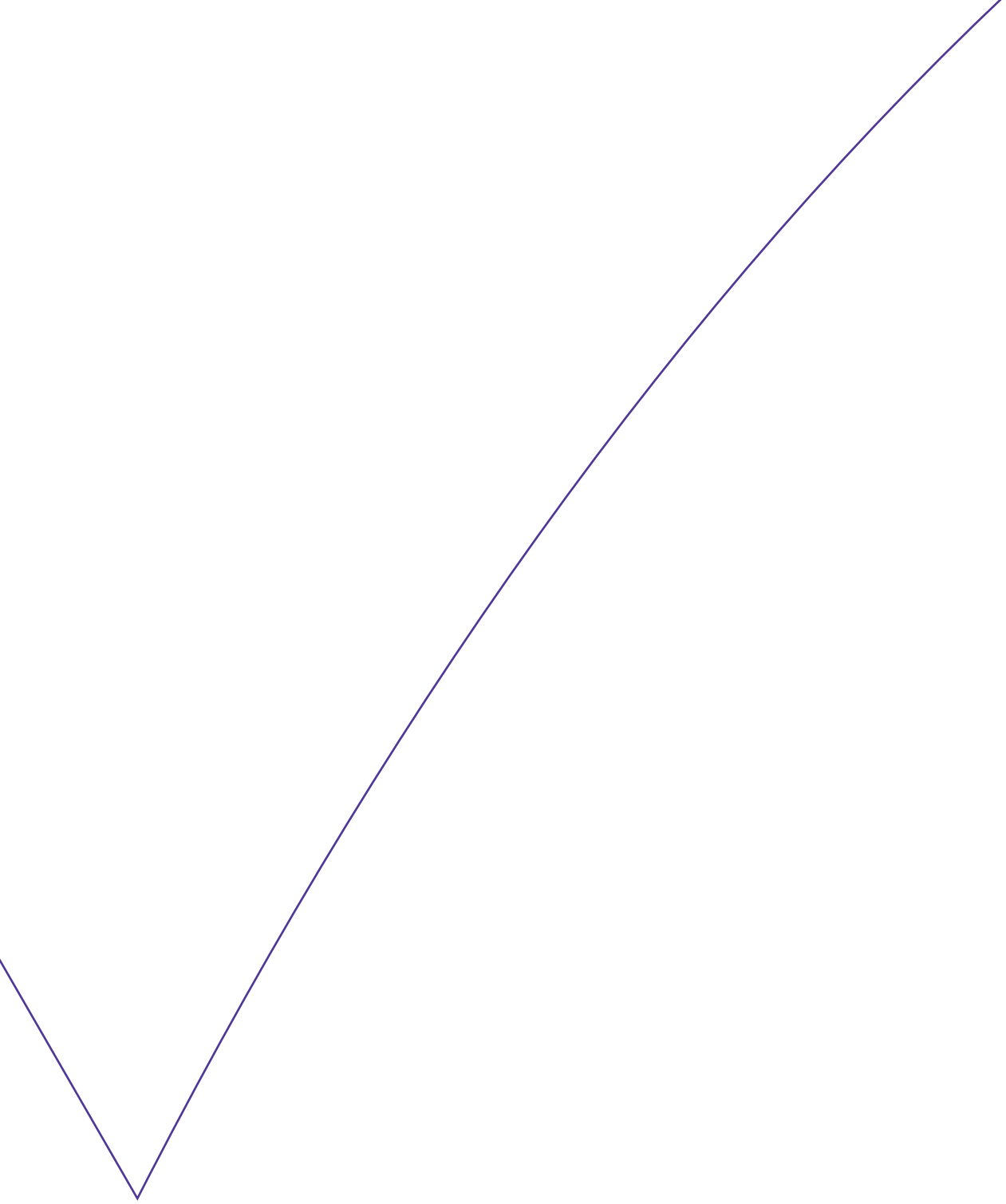
COSTS OVER 4 YEARS (€m)



Gains, costs and aggregate cash flow over 4 years (€m)



3- *This example is based on Wavestone feedback. The figures are provided on an indicative basis and may vary according to the project and the retailer's maturity, ambition, etc.*



WAVESTONE

www.wavestone.com

Wavestone is a consulting firm, created from the merger of Solucom and Kurt Salmon's European Business (excluding retails and consumer goods outside of France). The firm is counted amongst the lead players in European independent consulting.

Wavestone's mission is to enlighten and guide their clients in their most critical decisions, drawing on functional, sectoral and technological expertise.

2017 I © WAVESTONE