Zetes
Research
Report

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Understanding
the role of the store in
omni-channel retailing

The rise in omni-channel (buy any place and anytime, return anywhere) retailing has changed the role of the high street store. Yet there is no doubt that the store continues to play a fundamental role within the overall retail mix as well as the end to end supply chain which supports this vital asset.

Executive Summary

Over the next 12 to 24 months, the store will increasingly be repositioned as a destination, a place where retailers can define a lifestyle, provide intuitive product knowledge and, critically, fulfil customer expectations.

However, to successfully meet all of these objectives retailers have some significant issues to address. In a unique study undertaken by Sapio Research on behalf of Zetes and in association with Zebra Technologies, senior executives in over 210 of the top retailers in Europe shared their challenges and insights when aiming to satisfy the 21st Century shoppers' expectations. At the same time over 2,200 consumers shared their experiences, perceptions and behaviours. Based on responses from both audiences, the research revealed notable differences between customer expectations and the retailer's ability to match these expectations in full.

It is no surprise to learn that customer expectations of a smooth, consistent omni-channel retail experience continue to grow. It may, however, be a surprise to learn just how customers respond to subpar events – including out of stock and delivery delays – and the way they expect a retailer to be able to respond.

The research reveals that retailers are generally aware of this, but there is a significant gap between customer expectation and reality. The winners will be the retailers who can achieve flawless on shelf availability and order fulfilment, enhance visiblity and empower store associates to nurture the customer relationship. Building brand loyalty through a high quality and consistent service will have a significant bearing on a customer's perception of experience.

Consumer Demands

- **Three strikes - the cost of inventory non-availability**
  Almost **four fifths (78%) of customers would consider not using a retailer again if a delivery was late or incomplete three times**. The issue for retailers is not simply the loss of one specific sale but the long term impact on customer attitude and behaviour. Almost a third (31%) would be prepared to accept just one late or incomplete delivery.

- **24/7 – in the buying moment anywhere, any time**
  When buying online, nearly a third of consumers (31% fashion, 30% homeware) would go to a competitors website or abandon the whole basket transaction if an item was not in stock and available.

- **No patience - the demands on store associates**
  The majority of consumers (70%) would **not be willing to wait for longer than five minutes** to find out whether an item is out of stock; 30% no longer than two minutes.

- **High expectations – the need for slick omni-channel processes**
  Well over half (58%) of consumers will be less likely to use a retailer if returning items is a challenging process.

The Need for Visibility

Clearly these customer expectations reinforce the need for strong supply chain models that combine a single view of inventory with accurate, real-time visibility and proactive monitoring. Yet while **retailers agree that creating a single view of inventory is a priority...**

81%
cite this as high or critical importance

36%
of retailers have achieved this goal

Empowering Store Associates

Furthermore, the lack of in-store information, real-time visibility and automation continues to constrain the in-store experience. Just 20% of retailers are using digitised systems that are updated in real time and only 19% of store associates can check product availability via a mobile device.

20%
of retailers are using digitised systems that are updated in real time

There is a significant gap between customer expectation and retailer capability.

Key Findings

Changing Behaviour

Customer expectations have clearly changed as a result of the omni-channel offer - not least when items are out of stock – but attitudes vary across retail sectors. In grocery, 26% of respondents would look for a substitute or something similar online if desired item wasn't available. However, 30% of consumers in homeware (31% of fashion) would go to another website or abandon the whole purchase.

The financial implications are very significant, with **homeware stores losing up to 33% of their sales (fashion 31%) as a result of out of stock items in-store** – clearly the right availability of stock is imperative for homeware and fashion retailers.

homeware stores losing up to

33%

(31% fashion) of their sales as a result of out of stock items

The issue for retailers is not simply the loss of one specific sale but the long term impact on customer attitude and behaviour. Almost four fifths (78%) of customers would consider not using a retailer again if a delivery was late or incomplete three times – indeed, **31% would be prepared to accept just one late or incomplete delivery.**

While customer churn can be measured online, it is impossible for retailers to determine how many in-store customers are lost as a result of out of stock situations.

Just consider: even if retailers are operating at a typical 97% stock availability, the store will be experiencing 11 'out of stock' days each year. If customers are deploying the 'three-strikes and out' rule in one channel, it is more than likely the same attitude applies across every channel, creating a significant impact on the customer experience and, by default, loyalty.

In-Store Challenge

The in-store reaction to non availability of stock is equally devastating to the bottom line.

22%

of grocery shoppers would just abandon the purchase of the item if it was out of stock; and **6% would abandon the whole purchase** even if other items had been picked up.

14%

of homeware shoppers would just abandon the purchase of the item if it was out of stock, **8% would abandon the whole purchase** and **6% would go to another store** to look for something similar. Fashion shoppers are also likely to leave it (12%), abandon (9%) or go to another store (8%).

3 strikes and out rule

Lack of Visibility

While bricks and mortar is the most traditional retail model, retailers claim that it remains the most challenging in terms of order fulfilment – cited by 36%. This clearly reflects the changing role of the store – and the store associate – in recent years; while 88% offer traditional in-store purchase, stores also support the growing use of click and collect (58%) and online purchase delivered from store (43%).

While the figures outline the implications of failing to get – and display - the right products in-store, **retailers' ability to monitor fulfilment performance is limited**. Yet while it is clearly more difficult to assess whether or not customers have found the items they were searching for in-store, other channels are inherently measurable. With proof of delivery technology, it should be a simple – and given – process to determine whether or not an item has been safely delivered to a customer at home or collected from a pick up point.

The fact that a retailer's ability to measure performance across all channels is a concern, indicates clear gaps in visibility across the entire fulfilment process.

Given the continual rise in customer expectation, it appears that retailers are not yet equipped to confidently measure and manage fulfilment in every channel – and that means the danger of losing customers is not only high but, potentially, invisible to the business. The item may be in the store – in the stock room, recently tried on by another customer, or in the returns basket and yet to be reshelved – **the fact that just 13% of all shoppers would look for an assistant reinforces the importance of excellent fulfilment and replenishment strategies.**

The lack of stock visibility also extends to the customer. Despite the increased focus on same day delivery and same day click and collect, less than a third of retailers offer customers access to accurate inventory levels for all products in-store networks and 45% offer no access to inventory levels at all. This raises the risk of being unable to meet customer expectations and compromising customer experience.

Proof of Delivery

87%
consumers would leave the store

45%
offer no access to inventory levels at all

Customer Expectations

Clearly product availability has an effect on where people shop, patience is short and expectations are high. While only 13% tend to look for a store associate if an item is not on the shelf, those customers that do ask expect a robust response. Customers are impressed when store associates are able to both provide information and offer fast access to the product.

76% of customers expect homeware store associates to check in-store stockroom
(76% fashion)

45% would expect the associate to have the ability to order the product online and offer to have it delivered.
(46% fashion)
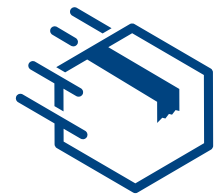
Rapid Response

The issue for retailers is that customers have limited patience and expect this experience to be fast and efficient
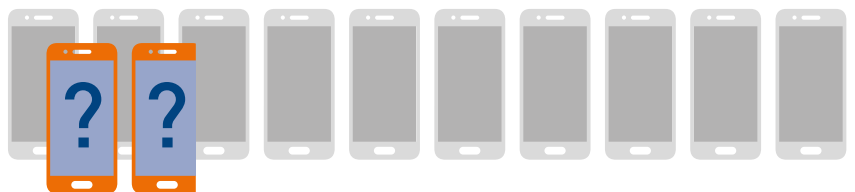
70% would not be willing to wait for longer than five minutes to find out whether an item is out of stock

30% no more than two mins

It does not appear, however, that the majority of retailers are in any position to meet these high expectations.

19%

of store associates can check product availability via a mobile device.

A third (33%) can check product availability at the counter and **over a quarter (26%) have to go to the back of the store to check stock**, breaking the customer engagement. Yet retailers know that any break in the direct customer engagement can not only undermine the quality of experience but also result in a lost sale.

Lack of Automation

If there is a failure in the customer delivery process:

34%

of staff are most commonly alerted via a manual process or are not aware until a failure occurs (15%)

Even where automated systems are being used - and only 44% are using them - less than half of these are updated in real time. Just

20%

of retailers are using automated systems that are updated in real time.

Given these challenges it is reassuring to learn that retailers are patently aware of the importance of accurate, up to date inventory – with 81% rating the availability of an accurate and real-time single view of the inventory within the business of high or critical importance. However, to date just 36% of retailers have achieved this goal.

Store Associate Role

There is no doubt the role of the store associate has changed fundamentally over the past few years. They not only have to deliver the higher level of service and experience expected by customers already informed about products, pricing and availability, but also undertake diverse fulfilment tasks, from in-bound logistics to picking and packing click and collect orders.

only
20%
of retailers are using automated systems that are updated in real time

only
36%
have real-time, single view of inventory

Tracking In-Store Activity

Yet despite the complexity of the in-store roles, **69% of retail organisations are unable to monitor the proportion of time store associates spend assisting customers** rather than managing inventory. Of those that can, they identified employees typically spend their time on following;

30%
back of store
stock management

22%
goods
receipting
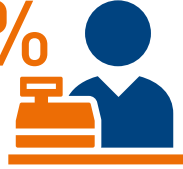
19%
click & collect
order fulfilment

17%
stock hunting for a
customer enquiry

Stock availability is the biggest issue impacting organisations

Peak Period Imperative

It seems clear that retailers are under utilising this valuable store associate asset – but there is also perhaps a failure to effectively manage 'spikes' in footfall. It is the way in which the store performs during peak trading including Christmas, Bank Holidays (especially for DIY/Homeware), fashion season introductions and Black Friday that can have a significant impact on sales and profits. Outside these events associates do have time to manage inventory, fulfil click and collect orders and embark upon productive engagement with customers.

At peak times, however, the pressure on store associates is very different and has a direct effect on the customer experience and, as a result, potential sales. It is ensuring the store associate is undertaking these diverse tasks in the most effective, optimal manner during the busiest times that is key to safeguarding revenue.

employees
typically spend
30% of their time
managing inventory

Returns Management

One area that has recently affected both the store associate role and the store's performance has been the trend towards buying online, returning in-store.

44%

of customers order with a view to returning at least part of the order, resulting in returns management becoming a critical component of the retail business model

Indeed, the quality of the returns process has a direct impact on a customer's decision to continue with a brand, with **58% less likely to use a retailer if returning items is a challenging process**. Customer satisfaction, loyalty and consequently recommendation are materially affected as is the trust in the brand by late or incomplete delivery.

Retailers increasingly offer a broad range of returns options and, in general, the research suggests retailers are confident in the process of securely authenticating returned items and quickly making them available for resale.

58%

returned products were not available for resale within an hour.
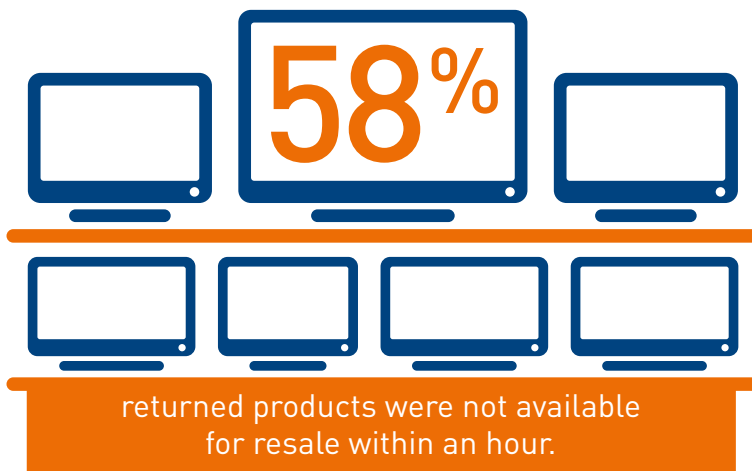
While items are entered in to the POS and appear ready for resale within the inventory, how frequently is the returns basket emptied and goods put back onto the shelves? Is the item even usually stocked in that store?

Issues raised during the research included the issues of stock not showing on the system immediately, the volume of returns outstripping staffing levels, and a lack of space for returns.

Retailers still need to improve the end to end process of managing returns

Technology Investment

Given the 'three strikes' customer mentality and preference for leaving a store if a product is not clearly on display rather than checking availability with a store associate, retailers need to embrace intelligence led processes to improve in-store replenishment. Certainly there is a significant commitment to mobile technology over the next year;

18% of organisations plan to implement mobile payment terminals

14% of organisations planning to implement mobile devices for store associates

But mobile is just the enablement tool; it is the underpinning information that is critical in improving omni-channel fulfilment and delivering that expected customer experience.

A single view of inventory and transactional flow are clearly essential if a retailer is to determine the most efficient and profitable way of fulfilling a specific order, whether from store or a distribution centre. But there are also incremental gains that can be achieved by deploying in-store task management tools. For example, alerting a store manager when a promotion reaches its end date to prompt the removal of shelf edge labels will avoid the angst associated with customers expecting the promotion to still be applied at the checkout – a problem that has been experienced at least occasionally by the majority (60%) of respondents.

Critically, store associates need to have clear prioritisation of activity, such as picking for a click & collect order that needs to be fulfilled within an hour. It is this **combination of automation with task management that can improve fulfilment and minimise those out of stock events** that can have a detrimental impact on the customer experience, behaviour and, hence, sales.

BUY 1, GET 1 FREE

60% of customers have experienced an incorrectly labelled promotion

Conclusion

1

The rate of change of consumer expectation is undoubtedly creating challenges for retailers managing complex, multi-channel models. While the intent is clear and retailers are heavily focused on improving the customer experience, the lack of real-time visibility across the supply chain is potentially causing more problems - and more lost revenue - than many retailers realise.

2

Retailers have invested heavily in enterprise wide software applications and hardware solutions over the years, however the evolution of omni-channel retailing has materially exposed information and process execution silos, impacting consumer experience, operational efficiency and ultimately resulting in lost sales.

3

Creating agility, increasing responsiveness and consistently fulfilling growing consumer expectations can be achieved by bridging the silos, improving visibility and creating clear task management - and this need not be a capital intensive process.

Let's get in touch

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