

Real-Time Data Drives The Future Of Retail

Stores Must Embrace Digital
Technologies To Win In The Age Of
The Customer

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Executive Summary

It's clear now that shopper behavior has changed dramatically and that today's shoppers expect a seamless and consistent experience with their retailers of choice. The retail store has been largely unchanged for the past few decades, relying on legacy systems and antiquated analytics to operate its omnichannel shopping experience. Most retail store leaders realize that they must play catch-up with online-only retailers that have leveraged a data-driven approach to operating their online stores.

However, these same retail leaders acknowledge that they don't have the right data and insight to operate the store of the future. In-store analytics must be leveraged to allow retail stores to operate in a similar way as their online counterparts, leveraging real-time product and shopper behavioral data to drive an improved in-store customer experience (CX) as well as improved operational excellence.

In November 2015, RetailNext commissioned Forrester Consulting to evaluate the in-store customer experience and digital retail capabilities. In conducting in-depth surveys with 500 consumers and 150 retail decision-makers in the US and the UK, Forrester found that consumer and retail perceptions and expectations are not aligned and that many retail stores lack the technology to measure and harness shopper data across channels. Our study found that the store of the future will be powered by real-time analytics technologies that understand shopper behavior across their entire shopping journey and equip store teams to deliver a consistent in-store experience that is most relevant for the store format and target market.

KEY FINDINGS

Forrester's study yielded four key findings:

- › **Physical retail is alive and persisting — and increasingly influenced by digital.** Shoppers may prefer researching products online, but when it comes to making purchases, brick-and-mortar stores remain a vital piece of the buyer journey. Physical retail has the advantage of offering shoppers the ability to experience the touch and feel of merchandise and interact with sales associates in person. But with this advantage comes sky-high expectations from digitally empowered consumers, who demand a new level of exceptional service that is consistent across channels. And as web-influenced sales continue to climb, the in-store customer experience will
- only become more essential. Today, however, just 49% of consumers feel that they receive a consistent experience across retail channels.
- › **Retailers don't understand what matters most to shoppers.** Retailers aren't prioritizing what consumers want most, such as consistent pricing and the ability to make returns online and in-store, regardless of where or how the initial purchase was made. Seventy-nine percent of consumers we surveyed reported that having similar prices online and in-store is a critical or important requirement. Just 52% of retailers reported the same. Meanwhile, retailers put more emphasis on offering unified wish lists and shopping carts across channels — capabilities that ranked the lowest according to consumers.
- › **The role of the sales associate is evolving.** Sales associates have historically served as a source of relatively static information. That's no longer enough for today's digitally empowered, smartphone-wielding shoppers, who expect on-demand associates to be facilitators of exceptional experiences. Above all, consumers want associates to be knowledgeable and helpful. With a wealth of information at their own fingertips, shoppers expect associates to have the same information — and then some. Yet according to our study, just 29% of consumers feel that sales associates are knowledgeable and helpful. Retailers must be able to anticipate and meet shopper needs instantly, and equipping store associates with mobile devices enables more relevant, data-driven customer service.
- › **Retailers are not measuring shopper behavior, especially in-store.** Sixty-nine percent of retailers agreed that in-store technology drives operational excellence, and 60% agreed that it drives the overall digital customer experience. Moreover, 62% agreed that understanding the customer experience in-store is critical to a holistic CX. Yet retailers overwhelmingly struggle to measure shopper behavior, with staggeringly few reporting that they use KPIs or metrics in-store. It's therefore not surprising that only 45% of retailers feel they are able to understand online touchpoints and the interplay with in-store behavior. As the role of the associate continues to evolve and consumer expectations continue to grow, it's increasingly critical for the retail store to embrace in-store technologies and real-time analytics.

Physical Retail Remains An Essential Part Of The Buyer Journey

Today's consumers expect seamless shopping experiences wherever, whenever, and with whomever they interact. And while retailers increasingly recognize the need to offer a unified customer experience that transcends channels, they struggle to harness a holistic understanding of customer expectations and needs across the shopping journey.

By now it's no surprise that consumers turn to different channels at different stages of the buying journey. According to our study, 57% of consumers prefer to research products online, yet only 15% prefer to make purchases mostly or exclusively online. At the same time, 60% prefer interacting with customer service agents or store associates in-store (see Figure 1). Our study also found that:

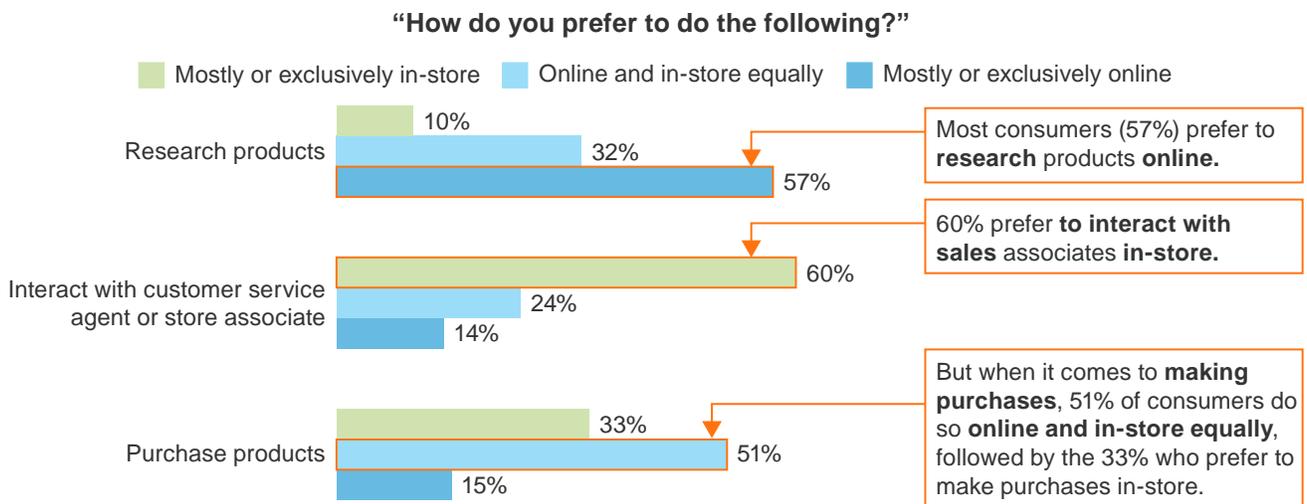
- › **Consumers want to experience the touch and feel of merchandise in person.** . . . Seventy-one percent of consumers who indicated that they prefer going to physical store locations for their shopping needs ranked the ability to experience the merchandise in person as

one of the top three reasons for doing so. Forty-one percent selected it as the number one reason.

- › . . . **but prefer going online to compare products and prices easily.** While just 15% of consumers prefer making purchases online, 47% feel that one of the top reasons for shopping online (both on desktop and mobile) is the ability to compare products and prices easily.
- › **Digital touchpoints influence more than half of all in-store sales.** According to Forrester Research, digital touchpoints influence more than half of all in-store sales. Online sales combined with web-influenced sales — transactions that occur in a physical store after a customer has first engaged the brand online — now exceed pure in-store sales.¹ By 2018, Forrester expects 53% of in-store sales to be influenced by the Internet during the customer's purchase journey.

Shoppers have a holistic view of the retailer and expect the retailer to understand and serve them the same way. Yet according to our study, companies are falling short, with only 49% of consumers reporting that they receive a consistent experience across retail channels.

FIGURE 1
Consumers Turn To Different Channels At Different Stages Of The Buyer Journey



Base: 500 consumers from the US and the UK
("don't know/NA" responses not shown)

Source: A commissioned study conducted by Forrester Consulting on behalf of RetailNext, November 2015

Service Drives The Future Retail Experience, But Retailers Struggle To Understand Shopper Needs

We're in the age of the customer, in which expectations run high for consumers accustomed to having information at their fingertips in an instant. The in-store experience is a crucial part of their overall brand perception, but brick-and-mortar retailers struggle to gather, decipher, and organize around their shoppers' behaviors and expectations in-store. We asked consumers and retail respondents to tell us what makes an ideal in-store customer experience, and results show that stores and consumers are not aligned. According to our study:

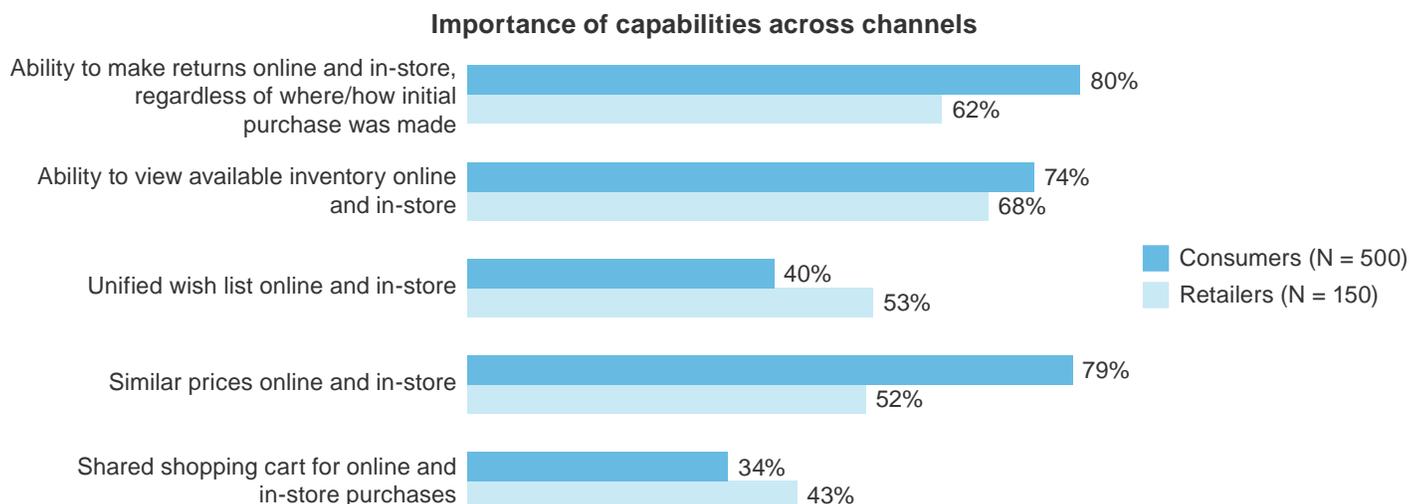
- › **Consumers and retailers differ when it comes to the most important cross-channel capabilities.** Seventy-nine percent of consumers reported that having similar prices online and in-store is a critical or important requirement for retail stores (see Figure 2). Comparatively, 52% of retailers reported similar pricing across channels as a critical or important requirement. Additionally, 80% of consumers prioritize the ability to

make returns online and in-store, regardless of where or how the initial purchase was made (i.e., omnichannel returns), while just 62% of retail stores agreed that this is an important priority for them. These are clear indications that digitally empowered customers expect retailers to offer consistent, seamless shopping experiences wherever they take place — and that retail stores are struggling to keep up.

- › **Consumers ultimately want exceptional in-store service that offers the best of both online and offline shopping.** We asked consumers to tell us in one word what they think makes an ideal in-store customer experience (see Figure 3). It's clear that consumers want sales associates to provide exceptional service and that shopper expectations of how sales associates interact with them in-store are evolving. Shoppers don't just expect associates to stock shelves and take their order. They expect associates to provide service on demand, whether to facilitate an omnichannel return or access endless aisle technology to find, purchase, and/or have an order fulfilled from any store location.

FIGURE 2

Consumers And Retailers Differ When It Comes To The Most Important Cross-Channel Capabilities



Base: 150 retail decision-makers at US and UK organizations and 500 consumers from the US and the UK (showing combined "critical requirement" and "important requirement" responses)

Source: A commissioned study conducted by Forrester Consulting on behalf of RetailNext, November 2015

empower associates with tools to deliver on this higher level of service. However, effectively capturing and leveraging data proves to be a challenge.

RETAILERS STRUGGLE TO MEASURE SHOPPER BEHAVIOR

Retailers are struggling to integrate online and offline data in order to understand and connect with shoppers in-store. According to our study, this is difficult for the following reasons:

› **The lack of data currently being captured offline.** Most retailers simply don't understand shopper behavior in-store. When it comes to in-store key performance indicators (KPIs) and metrics, just 33% of retailers reported that they always measure conversion rates — and this was the metric used most frequently (see Figure 5). Measuring web-only metrics fails to demonstrate the cross-touchpoint value of shoppers who browse for products online but then buy in-store. Likewise, in-store

metrics alone aren't able to account for web-driven sales (e.g., “click-and-collect”, endless aisle inventory).

- › **The inability to converge digital and physical shopping data.** Under half (45%) of retailers feel that they are able to understand online touchpoints and the interplay with in-store behavior (see Figure 6). This makes it difficult for associates to understand past shopper behavior and make individualized recommendations, view inventory across locations, and prioritize tasks.
- › **The silo mentality of today's retailers.** While there has been some progress here over the past few years, 21% of retailers reported that their internal teams are siloed and don't share common goals. Retailers that organize around channel rather than customer are ill-equipped to understand that in the majority of cases, online and offline customers are the same individuals.⁴

FIGURE 5
Only One-Third Of Retail Stores Always Measure Conversion Rates In-Store

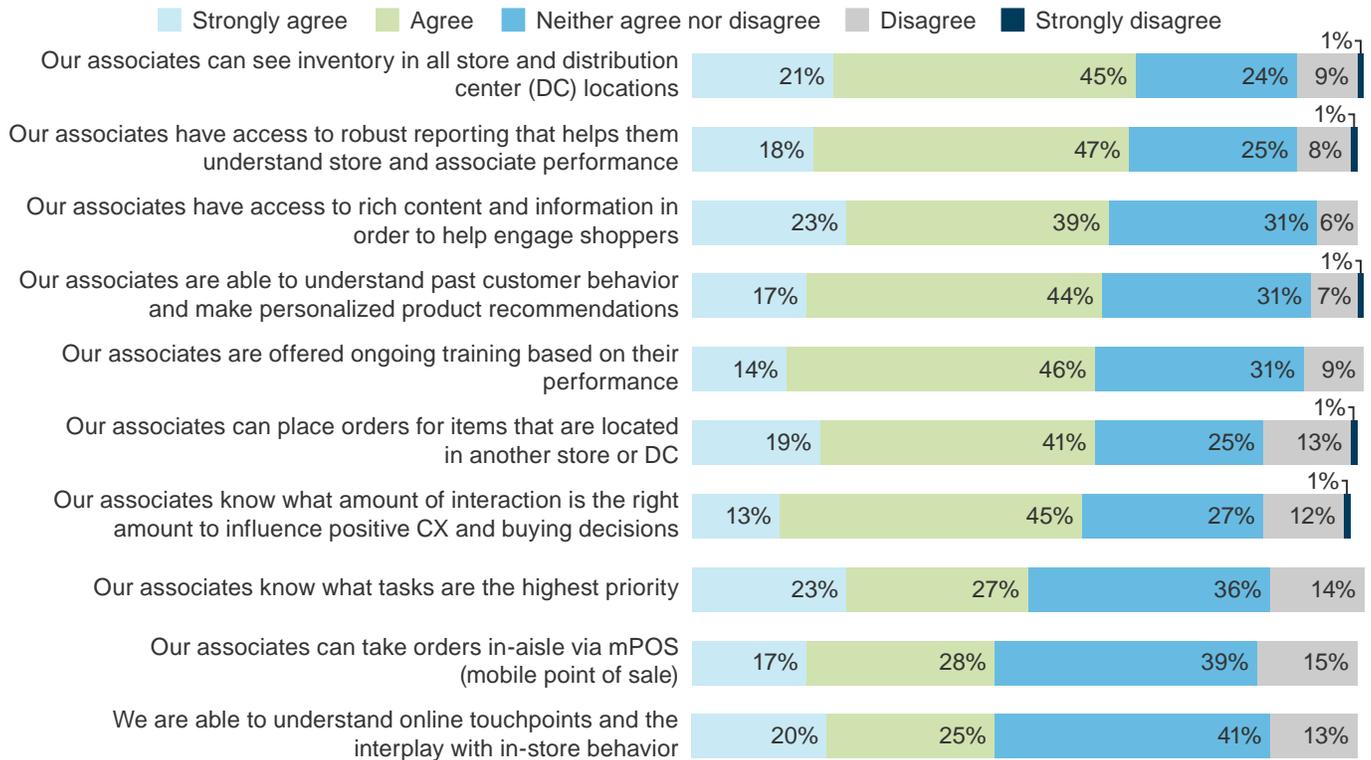


Base: 150 retail decision-makers at US and UK organizations

Source: A commissioned study conducted by Forrester Consulting on behalf of RetailNext, November 2015

FIGURE 6
Retail Stores Struggle To Integrate Online And Offline Data

“Thinking about in-store customer experience at your company, to what extent do you agree with the following?”



Base: 150 retail decision-makers at US and UK organizations

("don't know/NA" responses not shown)

Source: A commissioned study conducted by Forrester Consulting on behalf of RetailNext, November 2015

Customer Analytics And Insights Will Power The Store Of The Future

To thrive in the age of the customer, retailers must embrace in-store digital technologies and integrate online customer data and insights with existing store data and insights to provide a true single view of the customer. Retail leaders who support digital store initiatives and integration agreed that:

› **In-store technology focusing on driving digital operational excellence (DOX) and digital customer experience (DCX) has a measurable and positive ROI.**

Sixty-nine percent of retail respondents agreed that in-store technology drives DOX, and 60% agreed that in-store technology drives the overall DCX. Retail leaders

understand that these are two sides of the same coin; what's good for operations is good for shoppers.

- › **Understanding the shopper's experience in-store is critical to delivering successful omnichannel experiences.** eBusiness pros have been harnessing online shopper behavior for a while, but for omnichannel retailers, these online insights tell only part of the customer story. And according to our study retailers recognize the imperative, with 62% of respondents agreeing that understanding the customer experience in-store is critical to a holistic CX – despite the fact that most stores don't understand in-store shopper behavior. Analytics must be part of the digital store ecosystem; retailers must go beyond capturing information to leveraging it in real time to optimize the shopping experience.

› **Store performance will suffer without in-store**

technology. Retail stores must evolve to keep pace with empowered, digitally connected consumers. Sixty-six percent of retail stores agreed that their results will continue to erode unless they find a way to incorporate technology as part of the store experience. Retailers that seek to establish themselves as a digital store of the future must be able to integrate a vast number of data sources to create actionable insights in real time.

Consumers don't differentiate their shopping experiences by channel, and if retailers want to thrive in the age of the customer, they must align to the customer, not the channel. This means that companies need to understand shoppers across touchpoints. Embracing digital capabilities in-store and harnessing customer data that is actionable in the moment and can help drive greater lifetime value are vital to delivering exceptional CX.

Key Recommendations

The data is clear. Retailers are missing the mark when it comes to delivering exceptional shopping experiences. Shoppers have a hard time trusting that the store will have the product they want when they want it and that their shopping experience will be easy and convenient. In fact, only 29% of consumers stated that associates are knowledgeable and helpful. Retail stores need to transform, and they must leverage data in new ways to improve the digital customer experience and drive digital operational excellence. In order to enable the store of the future, retail leaders should:

- › **Rethink what makes for exceptional in-store experiences.** Shoppers increasingly want retail stores and the associates who operate in them to provide an increased level of service: one that is data-driven and more relevant. Since shoppers in stores are at various stages of their purchase journey, retailers must anticipate and predict their needs, providing the right mix of engagement, service, and convenience. For stores to succeed in the future, retail leaders must double down on nailing the basics of service. By implementing new technologies such as in-store analytics and centralized customer data management solutions, retailers can better identify the right kinds of services to offer and measure their effectiveness at driving lifetime value.
- › **Operate in real time.** A key differentiator of many online retail pure plays is their ability to monitor shopper behavior and take action to improve the shopping experience in real time. For instance, product recommendations are dynamic based on the shopping behavior of a customer in real time. This paradigm must come to the retail store, allowing store managers and associates to offer more relevant services in real time that are individualized and contextual based on their holistic shopping behavior. In addition to implementing in-store analytics software to measure behavior in real time, retail stores will need to significantly adjust their processes to support *operating* in real time based on actionable data.
- › **Implement a new array of in-store key performance indicators.** These KPIs must go beyond simple traffic counting and begin to measure more meaningful metrics such as conversion rate by department, shelf-level productivity, and associate performance. These KPIs must be consumed in real time by associates, allowing them to better anticipate the needs of shoppers in their moment of need. Store leaders also need to be fluent in understanding key metrics around store performance, and be able to take action such as adjust labor allocation, provide personal training to staff, or request replenishment of an at-risk product.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 150 retail decision-makers at US and UK organizations with multiple retail stores, as well as 500 consumers in the US and the UK. Questions provided to the participants asked about in-store customer experiences, technologies, omnichannel behaviors, and the role of store associates. The study was completed in November 2015.

Appendix B: Supplemental Material

RELATED FORRESTER RESEARCH

“How To Transform Your Retail Store,” Forrester Research, Inc., October 29, 2015

“Just For You: Use Personalization Technology To Help Associates In The Retail Store,” Forrester Research, Inc., July 23, 2015

Appendix C: Endnotes

¹ Source: "It's Time For Retail Stores To Open Their Doors To The Digital Org," Forrester Research, Inc., October 29, 2015.

² Source: "Just For You: Use Personalization Technology To Help Associates In The Retail Store," Forrester Research, Inc., July 23, 2015.

³ Source: "The Future Of The Digital Store," Forrester Research, Inc., July 21, 2015.

⁴ Source: "One Customer, One Organization, One P&L," Forrester, Inc., November 17, 2015.