



# What Can Retailers Do In Stores That Amazon Still Can't?

## Benchmark Report

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# Executive Summary

## Key Findings

During a time when visiting stores was not an option, consumers switched to eCommerce – and **Amazon.com**, in particular. But one other thing that the COVID-19 lockdown brought to light was *just how much* people need to get out of their homes and to interact with one another, with their surroundings, and yes – with products. One of the greatest surprises revealed to many in 2020 and 2021 was just how much people missed stores.

For many retailers, this has been something of a revelation – or at the very least, affirmation that – for now, at least - there's an opportunity to leverage the one thing that Amazon *doesn't yet have*. Stores.

Past years' RSR benchmarks have delved into how retailers are using their stores to differentiate. That kind of differentiation has moved from *important* to *an imperative*. Some of the highlights that we find in this year's research:

- When asked about the current state of stores, **91% of retailers agree that the role of the store has changed significantly since the beginning of the COVID-19 pandemic**; 93% say that *customers are increasingly using their own technology* (their semi-permanently attached smartphones) while shopping in stores.
- At the same time, **95% of retailers say customers still love to browse stores**. When taken in combination, this data highlights why store-based retailers believe they can and will continue to compete in what is rapidly becoming Amazon's world.
- When asked what *would* help make stores more of a destination for shoppers, **retailers' #1 answer is “more digital interaction with consumers while they are in the store via their smartphones.”** This is starkly different from current reality, as consumers regularly indicate in our research that they'd much rather pull out their phone while shopping (to get product details, availability, pricing, reviews, etc.) - and retailers tell us they know this to be true. The fact that retailers believe that these very same smartphones will become the catalyst that brings *the store* back into the fight, is astounding. Is it optimistic? We think so.
- Retailers are particularly vexed by the amount of returns coming into their stores from online orders. What they are choosing to do with those returns *varies heavily based on product type* and the brand's overall sales performance. We examine this data in detail starting on page 11.
- When it comes to the technologies that retailers say can help, Winners have a much bigger appetite for new in-store fulfillment solutions (**82% vs 64% of average retailers**), enhanced employee mobile communications (**74% to 40%**), and systems that can help with the increasingly difficult employee scheduling and task management (**72% vs average retailers' 52%**). Winners understand that *physical stores have a here-and-now opportunity to continue to evolve as a critical component of differentiation from Ecommerce pureplays, and that those not taking risks will not be around to lament their inaction*.

As always, we conclude with baseline recommendations all retailers can follow that result from the data we have found. We certainly hope you enjoy the report.

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# Research Overview

## An Evolving Benchmark

RSR recently celebrated its 15-year anniversary, and we've seen a thing or two in that time. Since our inception, *just here in the U.S.* we've borne witness to a major financial and housing market collapse, a period of unprecedented stock market growth, 2 wars, 3 presidents, a pandemic, and perhaps most importantly of all: the introduction of the iPhone.

If that seems like an odd thing to call “most important,” consider that smartphones have completely rewired the thinking processes, daily habits and social behaviors of nearly 85% of the earth's population, with 6.6 billion estimated smartphone users in the world as of the time of this writing. For most of us, this means that there's a technical device that is *semi-permanently attached* to our bodies that plays a vital role in virtually every part of our lives: the device tells us where to go and what to do when we get there. The contents of its screen trigger our emotions and reward systems, and is now involved in virtually every single purchase that we make.

To say that always-connected mobile technology has changed how people shop is an understatement. How does widespread mobile technology adoption affect the store? Since RSR's inception, there has not been a single year since 2007 when we have not studied the “state of the store.” But this year's report is especially interesting since it follows a period of big changes in how consumers shop.

During a time when visiting stores was not an option, consumers switched to eCommerce – and **Amazon.com**, in particular – far more quickly than would have ever occurred without the pandemic. History teaches us that once humans are exposed to a particular convenience, it is nearly impossible to take it away. That dynamic is true in this case. But in consumers' digitally enabled shopping journeys, many people's “default mode” when shopping has become “let's just order it on Amazon” – no matter what type of product the particular item may be.

But one other thing that the COVID-19 lockdown brought to light was *just how much* people need to get out of their homes and to interact with one another, with their surroundings, and yes – with products. One of the greatest surprises revealed to many in 2020 and 2021 was just how much people missed stores. Shopping in stores is part of the human experience.

For many retailers, this has been something of a revelation – or at the very least, affirmation that there's an opportunity to leverage the one thing that Amazon *doesn't yet have*. Stores. Past years' RSR benchmarks have delved into how retailers are using their stores to differentiate from demand aggregators and Ecommerce pureplays like Amazon.com. After the global shutdown during the COVID-19 pandemic, that kind of differentiation has moved from *important* to *an imperative*.

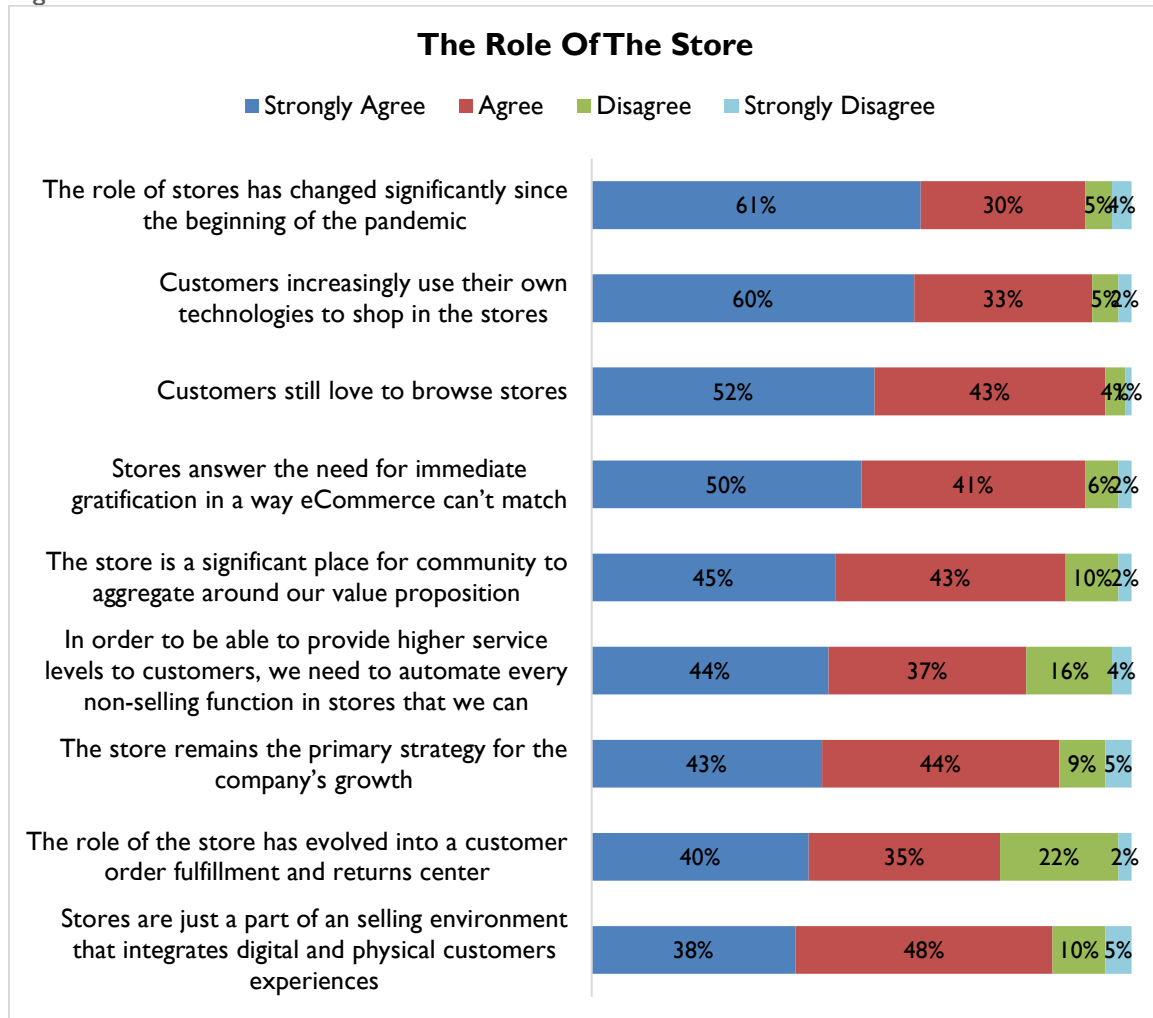
Physical stores have a here-and-now opportunity to continue to evolve as a critical component of differentiation from Ecommerce pureplays. The best will find ways to achieve that very thing. Those not taking risks will not be around to lament their inaction.

This report seeks to find the ways that thoughtful retailers can be the former. Read on to see what we discovered.

## What ‘Today’ Looks Like

The very first thing we asked our retail respondents is to rate their level of agreement to certain “hot button” sentiments. Figure 1 lets us know where they stand.

Figure 1: The World As We Now Know It



Source: RSR Research, August 2022

While this report is full of revealing data points, Figure 1 serves as a snapshot of where we are as an industry. And the very first line sets the stage: **91% of retailers agree that the role of the store has changed significantly since the beginning of the COVID-19 pandemic.**

This is a big deal.

However, when we move down through the chart and continue to combine “agree” and “strongly agree”, there are only two sentiments that score higher:

Ninety three percent of retailers say that *customers are increasingly using their own technology* (their semi-permanently attached smartphones) while shopping in stores.

Line 3 in Figure 1, though, is where the heart and soul of our retail paradox culminates. It highlights why store-based retailers can and will continue to compete in what is rapidly becoming Amazon's

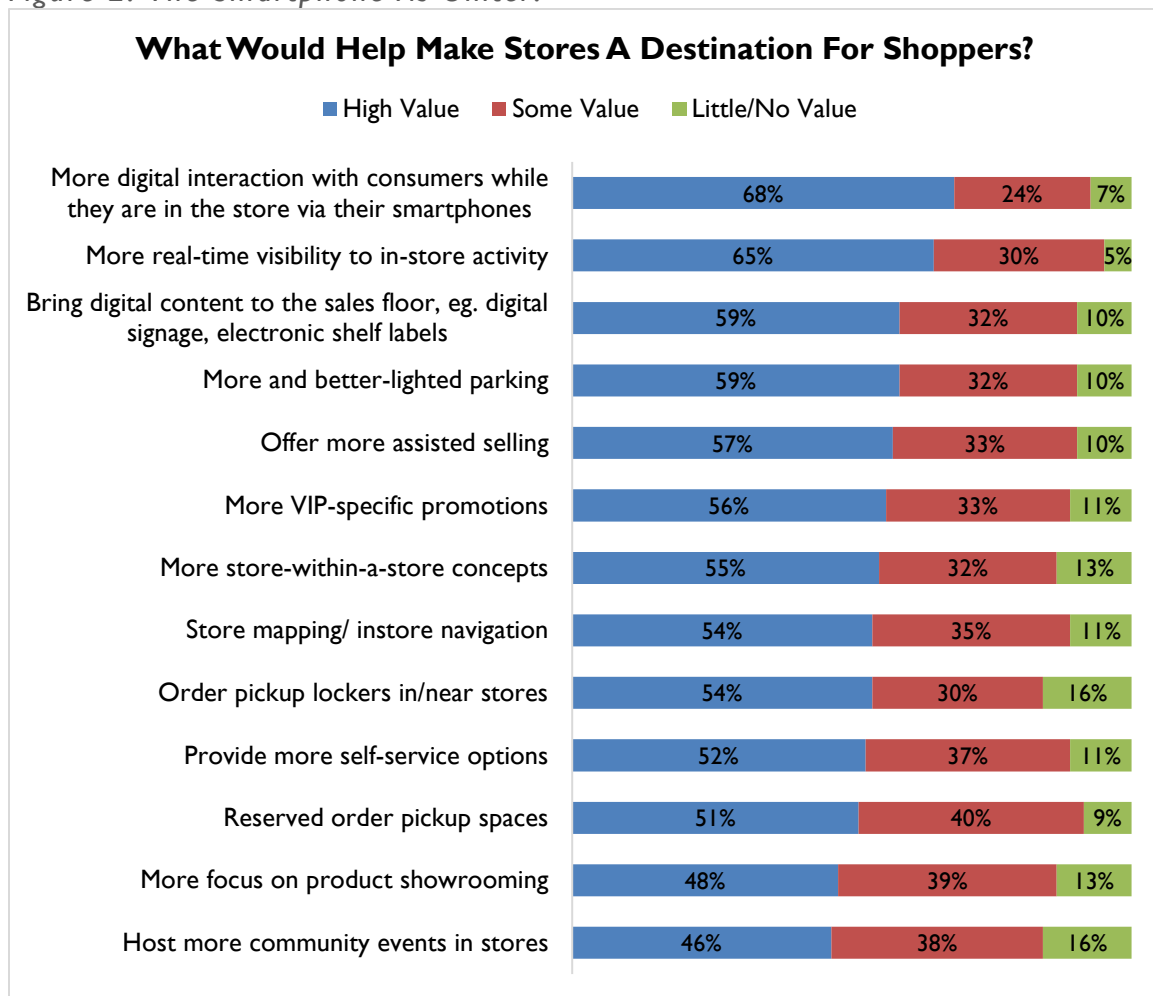
world: 95% of retailers say **customers still love to browse stores**. And they are right. We know this because consumers tell us so in our surveys on customer sentiment.

From a place for community to meet to a place where online orders can be returned – and everything in between – all of these things serve great purpose for retailers AND consumers alike. But it is the fact that consumers still love to browse stores which cannot be overstated, and that data validates the entirety of this report.

## What Tomorrow Could Be

It should come as little surprise, then, when asked what *could* help to make stores more of a destination, retailers point to a world where consumers' smartphones serve as a conduit for more direct interaction (Figure 2).

Figure 2: The Smartphone As Uniter?



Source: RSR Research, August 2022

What makes this data so intriguing is how starkly different this potential reality varies from what “traditional” stores are actually like. Since the advent of mobile smart devices, consumers have essentially used them to distance themselves from brands – particularly in stores.

In fact, in one survey after another, whether on the topic of the Store or the Retail Workforce, **consumers** indicate that they'd much rather pull out their phone while shopping (to get product details, availability, pricing, reviews, etc.). In charts like Figure 1, **retailers tell us** they know this to be true.

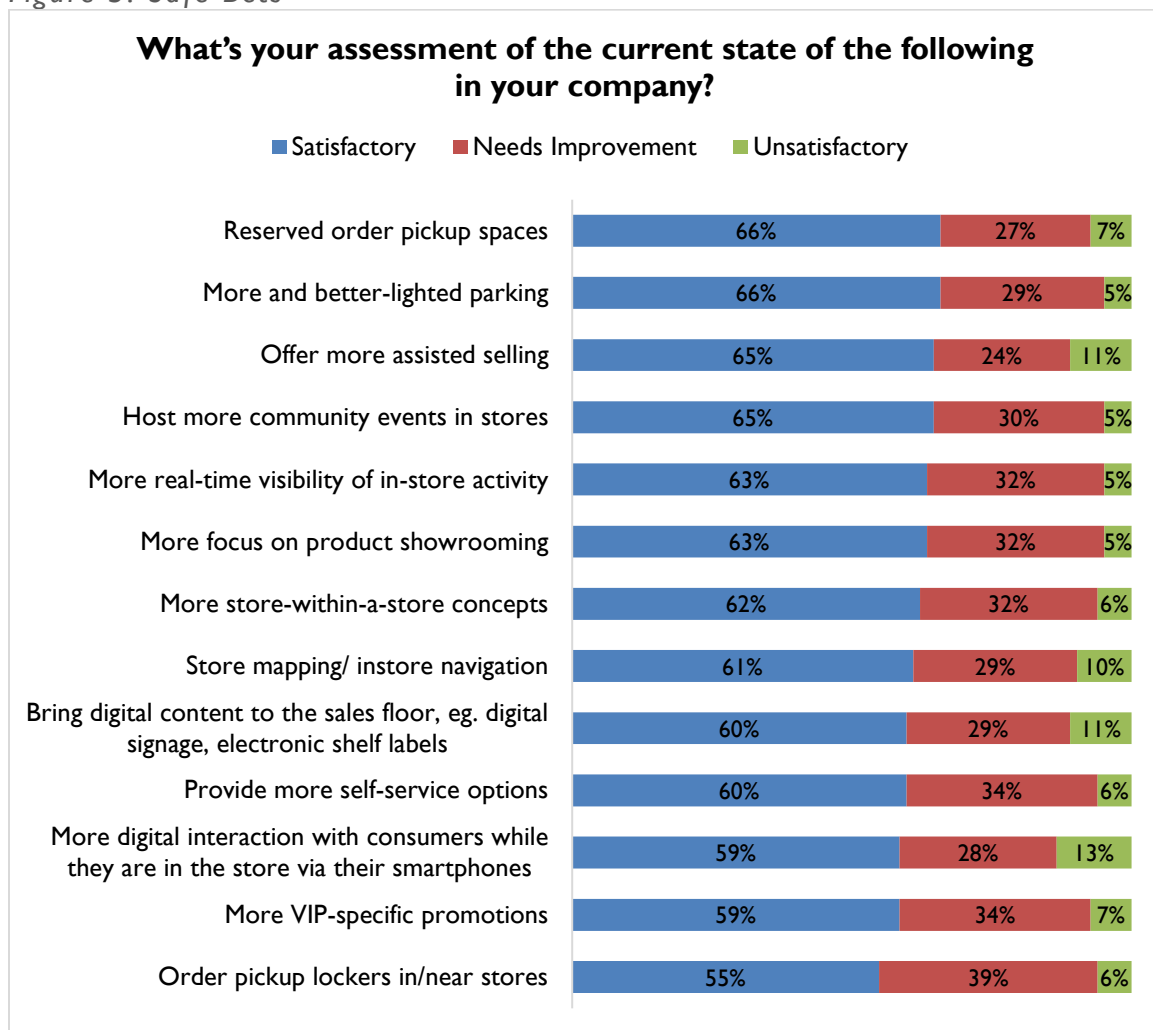
The fact that 93% of our response pool believes that these very same smartphones – essentially the tool that creates an alternative to shopping in stores today – **will become the catalyst** that brings *the store* back into the fight, is astounding. Is it optimistic? When we consider where they are exerting their efforts, to date, it certainly seems so.

## Safe Bets

As we have just seen, the retailers who've responded to our study tell us that they plan to utilize consumers' personal devices to make the shopping experience more engaging, and stores more of a destination than they currently are.

It is therefore disappointing to see how they self-assess their efforts to date (Figure 3) – clearly, retailers have been focused on other priorities.

Figure 3: Safe Bets



Source: RSR Research, August 2022



Retailers have done a very good job meeting baseline expectations for omnichannel shoppers: designating parking spaces for online order pickup, setting aside spaces in store for the same (most often just double-tasking the customer service desk), and making sure their parking lots are well-lit. These tasks are safe bets, but at the end of the day, will not be enough to keep shoppers from clicking “place order” in their Amazon Prime shopping cart.

## Retail Winners And Why They Win

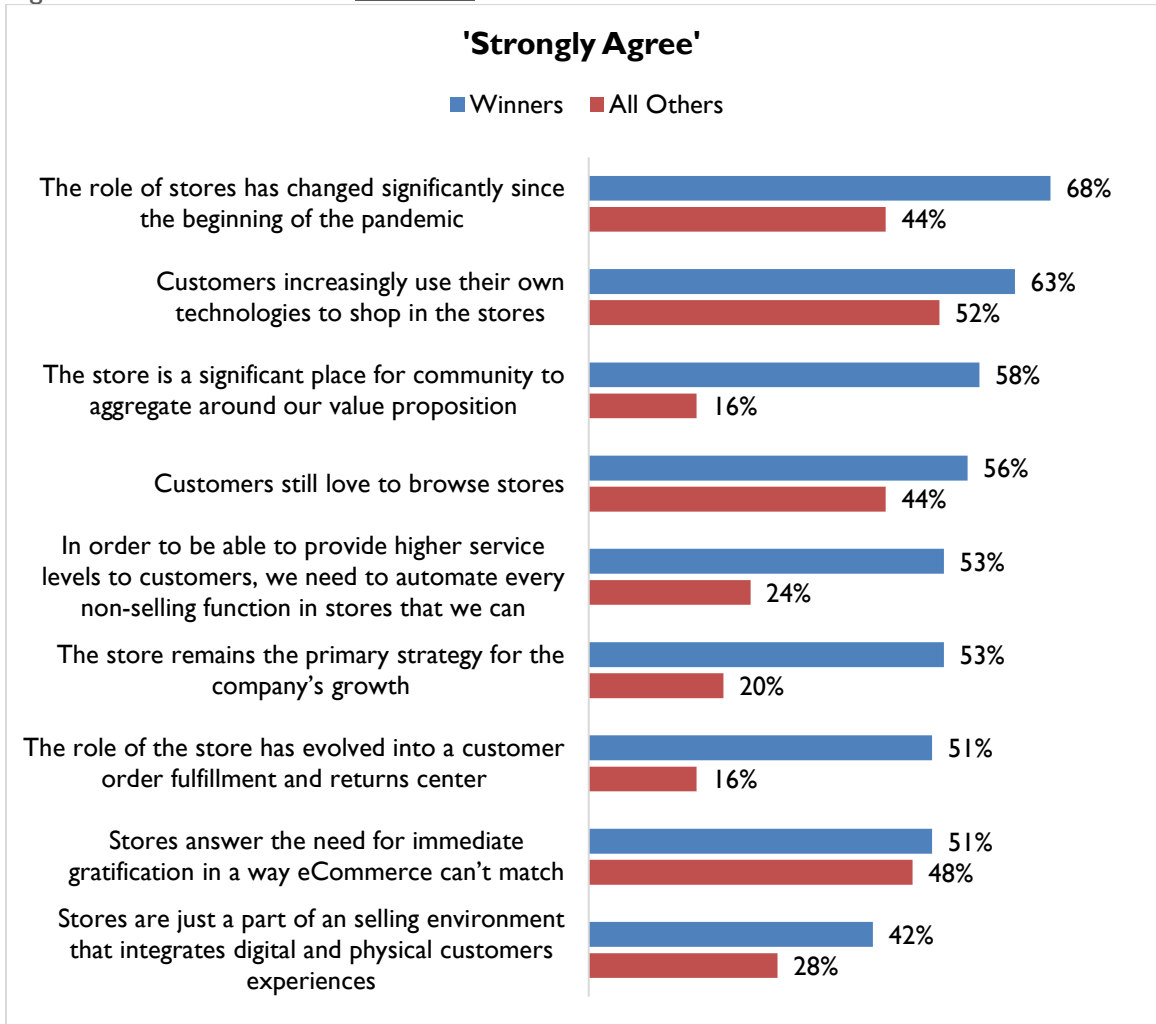
In our benchmark reports, RSR quite frequently cites differences between retailer over-performers in year-over-year comparable sales and their competitors. We find that consistent sales performance is an outcome of a differentiating set of thought processes, strategies and tactics. We call sales over-performers “Retail Winners.”

RSR’s definition of these Winners is straightforward. Assuming industry average comparable store/channel sales growth of **7 percent**, we define those with sales above this hurdle as “*Winners*,” those at this sales growth rate as “average,” and those below this sales growth rate as “*laggards*” or “also-rans.” Winners don’t just do the same things differently. In each of our studies, we find that they do entirely different things. They view the challenges differently, and they react differently.

Consider what we find when we look at the exact same data from Figure 1 (how retailers react to hot-button statements), when viewed through this lens of sales performance (Figure 4).

Retail Winners are far more likely to strongly agree with the notion that store’s *true purpose* has changed since the advent of the COVID-19 pandemic (nearly 70%), an indicator that they are more in touch with how much (and how quickly) things have changed. However, it is all of the data points beneath the top line which give true insight into how this role has and will continue to change. Winners display in clear-as-day responses that they see reasons why stores should become more than they currently are.

Figure 4: The World As Winners See It



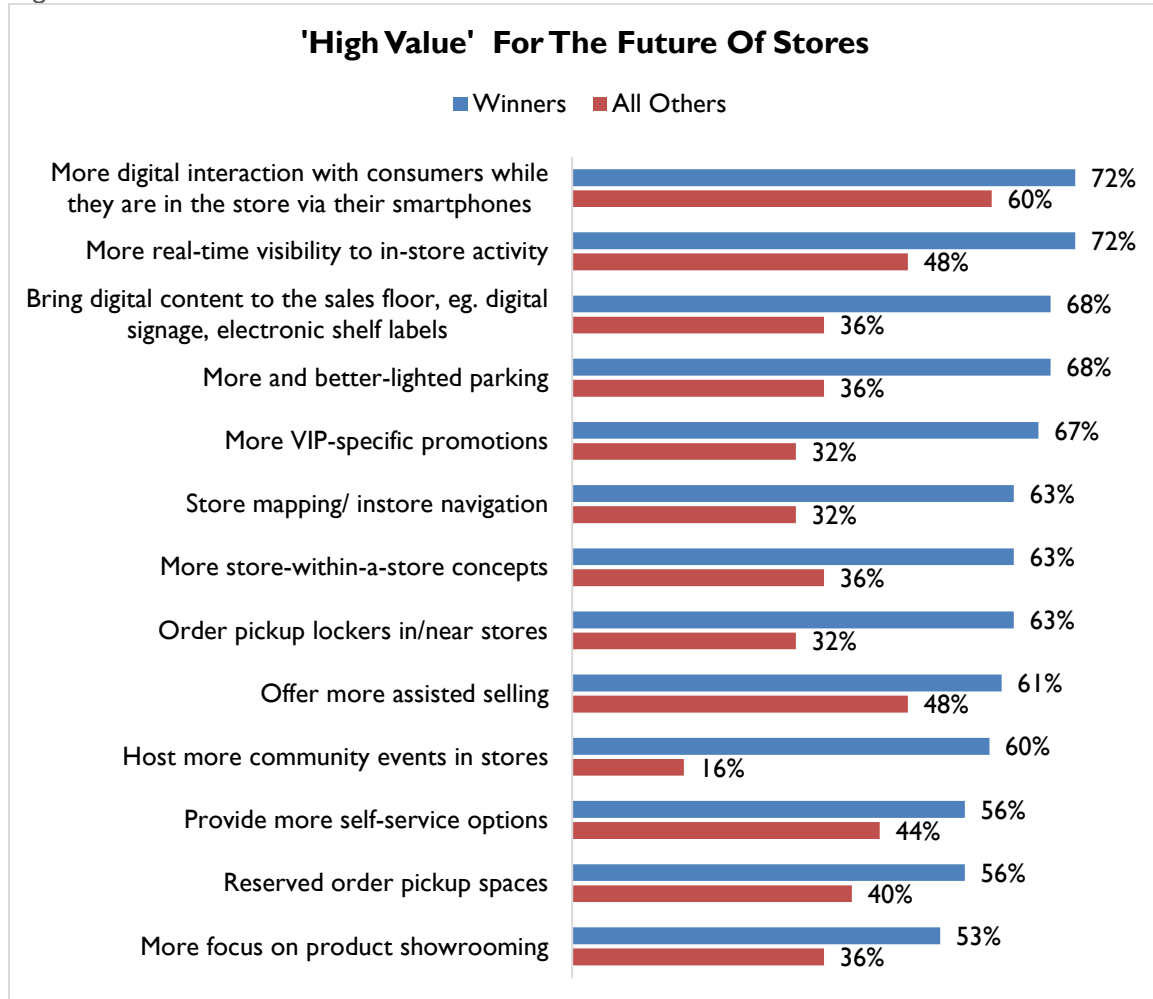
Source: RSR Research, August 2022

Stores still offer the chance for immediate gratification in ways that eCommerce can't match – yet. Quite simply, Winners “get it”.

## Winners Glimpse A Different Horizon

Just as Figure 4 was a revisit of earlier data now viewed through the lens of sales performance, so too is Figure 5. This is how Winners plan to make stores more of a destination for their shoppers.

Figure 5: More From Winners: 'The Future Is More Than Phones'



Source: RSR Research, August 2022

Winners want to engage with consumers via their smartphones more than the general retail population does, but what is most striking about Figure 5 is just how much more they see the need for all kinds of other initiatives.

Inventory visibility was the Achilles heel of retailers worldwide before the seemingly endless disruption of global markets began in March of 2020. Now? It is table stakes to retailers' continued survival. Community events in stores seemed like a nice idea before COVID-19. Now, though still somewhat fraught with health and guideline protocol questions, Winners see them as fantastic points of differentiation. The list goes on and on. Again, Winners show us not only that they get it, but just how much *more* they get it.

## Methodology

RSR uses its own model, called The BOOT Methodology® to analyze Retail Industry issues. We build this model with our survey instruments. See [Appendix A](#) for a full explanation.

In our surveys, we continue to find the kinds of differences in thought processes, actions, and decisions cited above. The BOOT helps us better understand the behavioral and technological differences that drive sustainable sales improvements and successful execution of brand vision.

## Survey Respondent Characteristics

RSR conducted an online survey from June - July 2022 and received answers from 82 qualified retail respondents. Respondent demographics are as follows:

- **2021 Revenue (US\$ Equivalent)**

Less than \$50 million	3%
\$250 million - \$499 million	20%
\$500 million - \$999 million	40%
\$1Billion to \$5 Billion	21%
Over \$5 Billion	16%

- **Products sold:**

Fast moving consumer goods	40%
Apparel, footwear and accessories	20%
Hard goods	15%
General merchandise	23%
Brand manufacturers	2%

- **Headquarters/Retail Presence:**

	<u>HQ</u>	<u>Retail Presence</u>
USA	99%	99%
Canada	0%	32%
Latin America	0%	17%
UK	0%	16%
Europe	0%	16%
Middle East & Africa	1%	9%
Asia/Pacific	0%	2%

- **Year-Over-Year Sales Growth Rates** (assume average growth of 7%):

Worse than average ("Laggards")	4%
Average	27%
Better than average ("Retail Winners")	69%

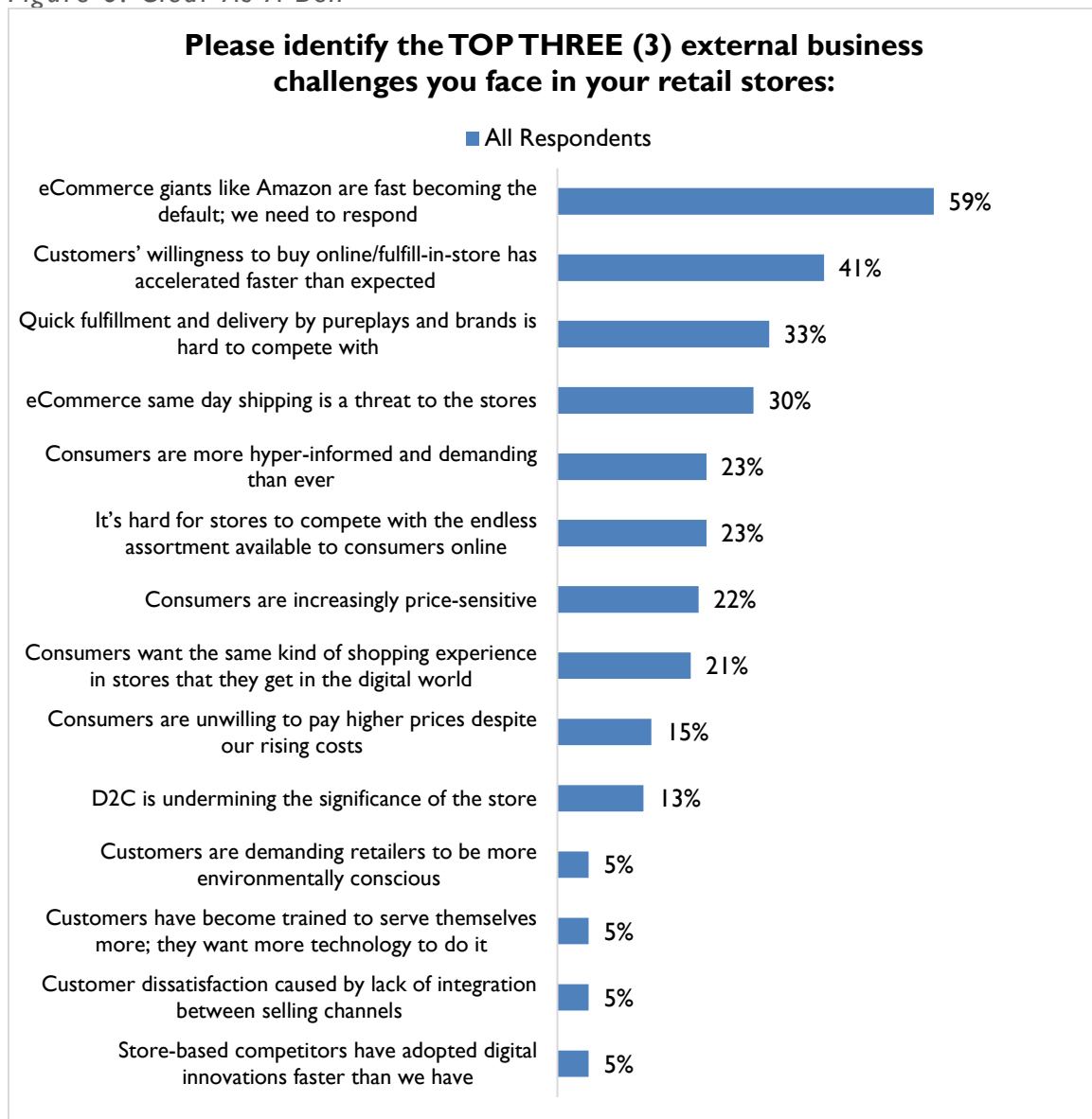
# Business Challenges

## We Have Met The Enemy

Retailer responses within Figure 6 are unambiguous. When presented with a fairly long list and asked to pick just 3 top challenges pressing in on stores from the outside world:

- 6 out of 10 retailers say Amazon (and other Ecommerce giants) is fast becoming the default for shoppers,
- 4 of every 10 say shoppers' new-found-love of buy-online/fulfill-in-store has caught them off guard; and,
- A full third of retailers say the speed of Amazon (and other Ecommerce giants) is difficult to match.

Figure 6: Clear As A Bell



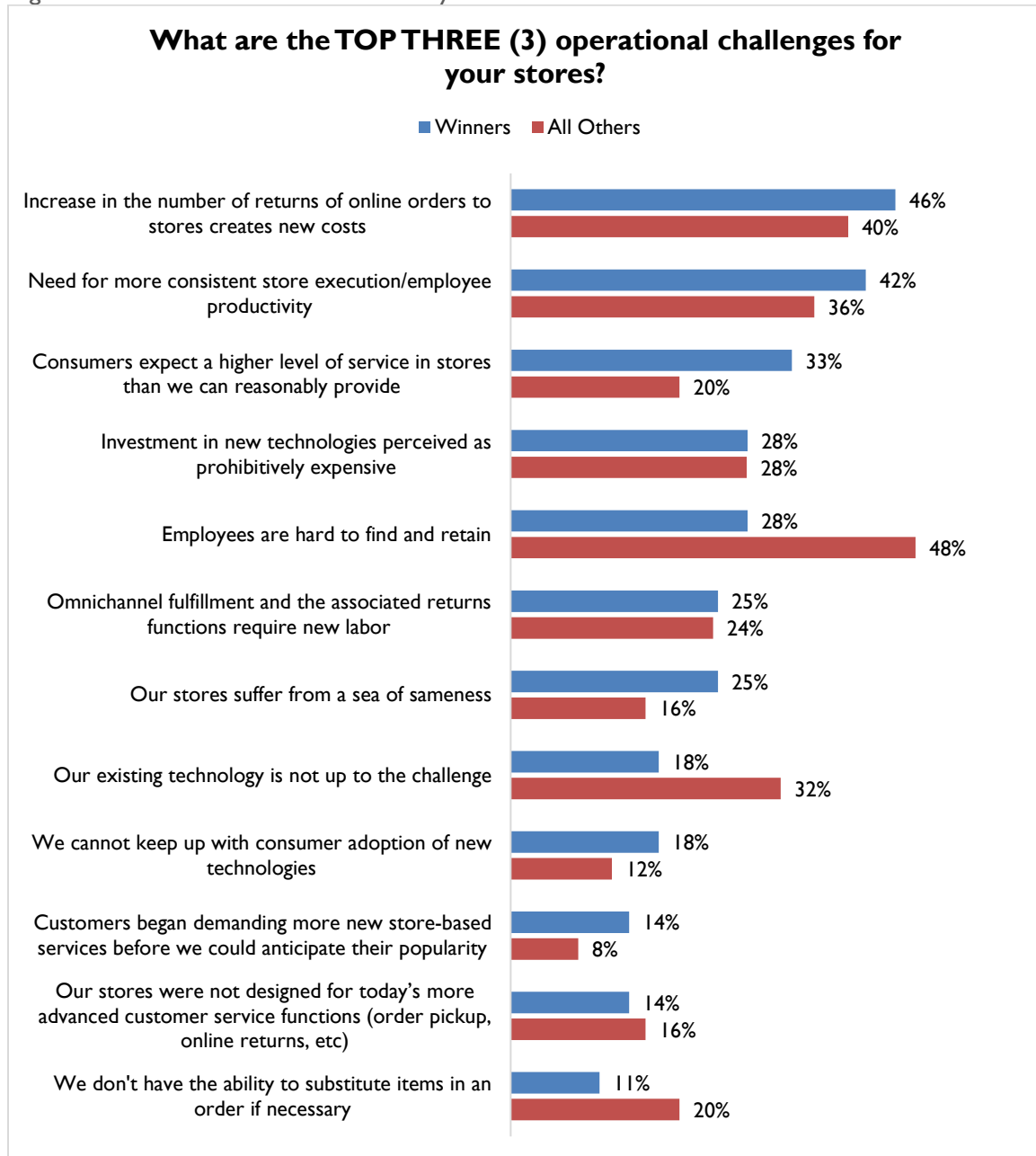
Source: RSR Research, August 2022

Retailers know what they are up against. In many ways, Amazon's success in establishing baseline expectations makes the decision process of what to do next clearer. But "meeting those expectations is no small feat. And as we will see as this report as the data unfolds, retailers still have a very long way to go to realizing progress in many – if not all – areas of that daunting ask.

## No One Is Spared

The explosive growth of online shopping has an ugly byproduct: for shoppers, the ability to order and return products creates huge challenges for retailers in the store, and few have the ability to process them effectively (Figure 7).

Figure 7: A Brutal List – For Everyone



Source: RSR Research, August 2022

The data in Figure 7 is fascinating not just for its areas of agreement (online returns are increasingly showing up at *all* retail stores), but more so for its variants. Indeed, Winners are more likely to cite the importance of offering a consistent shopping experience for shoppers across stores (vitally important to the overall brand), and that consumers expect a higher level of service than retailers can currently provide. These are high-level brand issues, and to keep the store in good standing, they must be met.

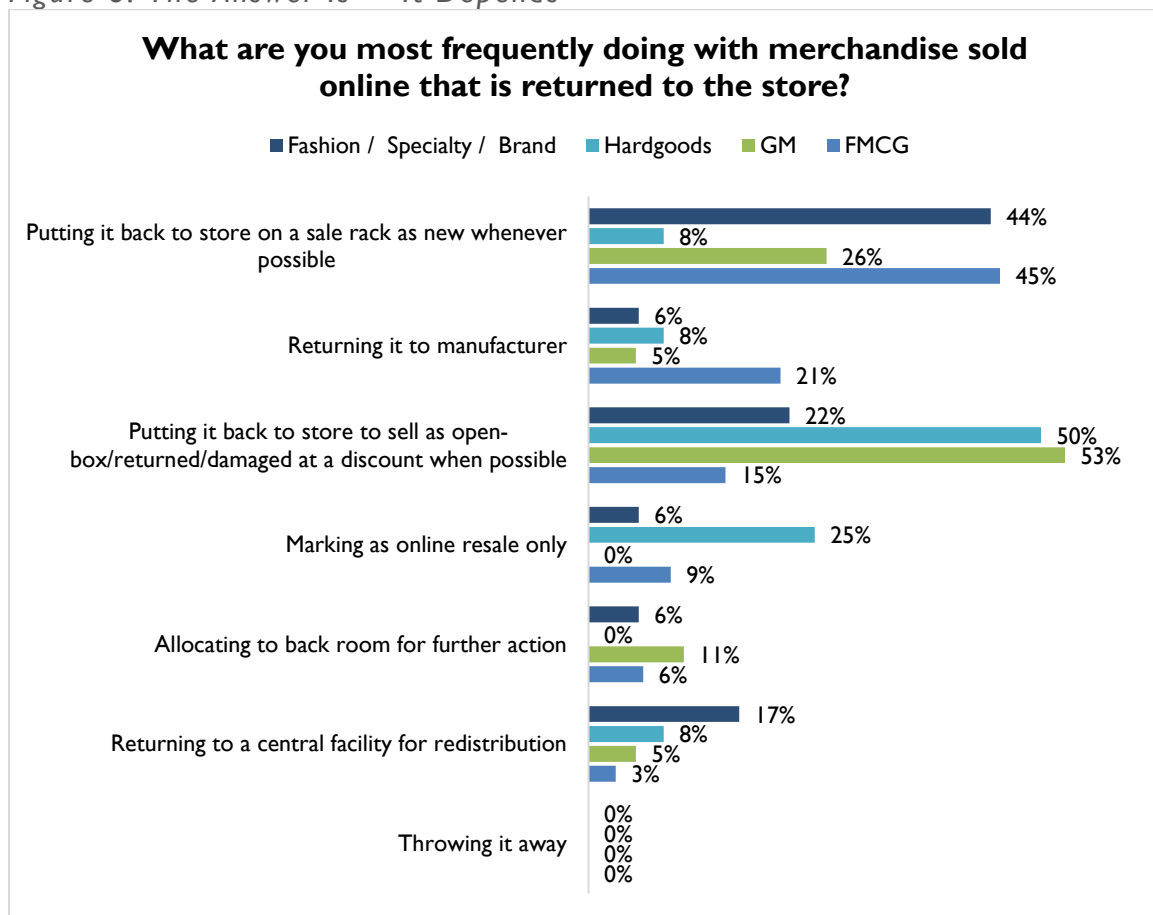
Average and lagging retailers, however, don't even get to those issues, because they struggle to get workers in their stores to begin with. For non-Winners, the highest reported operational challenge is the inability to find and retain quality employees: nearly 1 out of 2 say it is their top issue. Needless to say, nothing else interesting is going to happen without good quality workers in store, so the fact that another third of average and lagging retailers say their existing technology isn't up to the challenge, anyhow, (compared to only 18% of Winners), only adds insult to injury.

Lagging retailers are in a very, very tough spot.

## What Happens To All Those Returns?

We just saw in Figure 7 above that ALL retailers report an increasing in the number of purchases made online and returned to the stores. The question becomes, what do they do with all of those products once they are returned? (Figure 8)

Figure 8: The Answer Is – ‘It Depends’



Source: RSR Research, August 2022

Differences between the retail verticals can be important; for example, FMCG retailers (grocery drug stores, c-stores) sell fresh items which have special considerations when it comes to returns that fashion merchants don't have to worry about. The more interesting story lies with hardgoods, fashion, and general merchandise items, and of those, fashion retailers certainly appear to fare best in this regard. Nearly half of the time, fashion and apparel gets put right back on rack and, if all goes well, shoppers are none the wiser. For items in a collection that already exists in store, the main affront here is that the plan for what that store may have needed from an allocation perspective is off. For items not in the collection, however, such items stick out like a sore thumb, and shoppers will likely be able to tell that such an article was previously owned and returned. Again, if full price can be realized, this is a best-case scenario.

For those selling tools, sporting goods, electronics, furniture, toys, musical instruments – or any other non-food/non-fashion product that people might buy, however - the most likely option is to put the item on the store floor and offer it at a discounted price.

Back when people bought in stores/returned in stores this already took a bite out of retailers' profits. However, in the digital age, this is particularly painful for a number of reasons:

1 – Volume. Many consumers “bracket” their online purchases, for example, ordering three different sizes to find the one that fits best. The other two are returned;

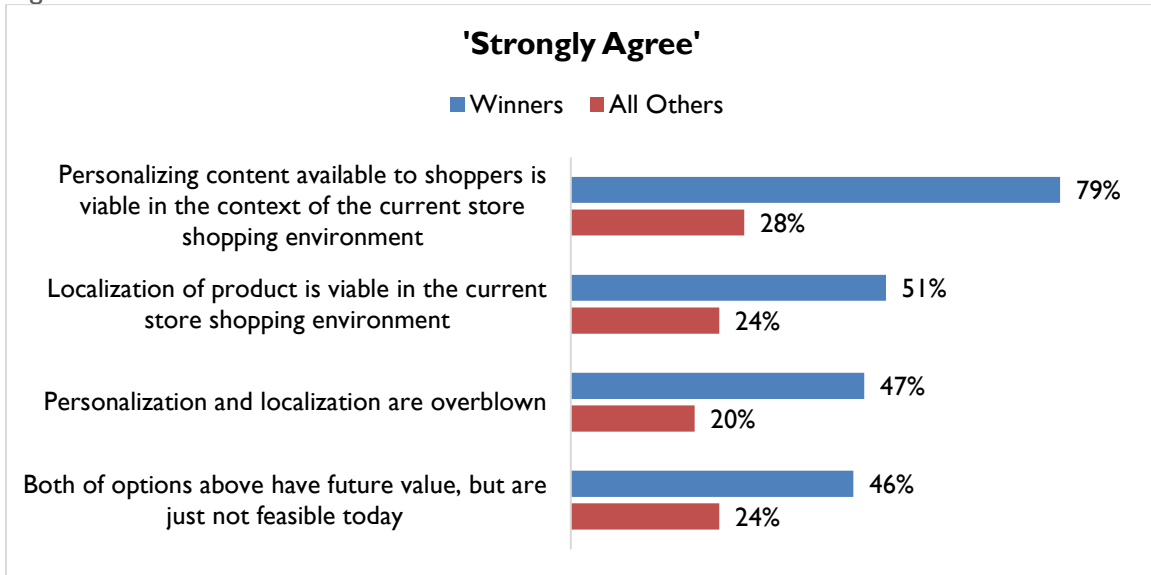
2 – Cost. Despite what customers have been conditioned to think, there is no such thing as “free shipping.” Retailers, in an effort to stay competitive, increasingly have been compelled to offer shoppers the “free shipping” option, which impacts per-order profitability. Subsequently returned items only add to the bleeding

## **Personalization Is A Winner's Game**

What makes for a personalized store: is it products that vary based on a particular neighborhood or region? Is it promotions that tie into local teams and events? Or is it marketing messages targeted at shoppers based on their previous (or predicted) preferences? The answer is “yes to all,” and for the retailers who participated in this study, Figure 9 shows that retailers have strong opinions on the matter – particularly Retail Winners.



Figure 9: A Winner-Led Initiative



Source: RSR Research, August 2022

As it stands today, Winners are nearly **4 times more likely** to say that it is already viable to personalize the content that shoppers see while shopping in the store, and twice as likely to be pushing towards more localized products. At the very same time, however, nearly half of the best performers say that such capabilities are currently overblown. How can this be?

The last data point in Figure 9 summarizes the story: personalized content may be viable, and so, too, may be some aspects of localized products. But while both hold tremendous potential in the future, they aren't fully realizable – yet.

While this paints something of a messy picture, what it absolutely tells is that Winners – as divided as they may be from one another – absolutely want to see these possibilities come to fruition. It's just another way they plan remain winners.

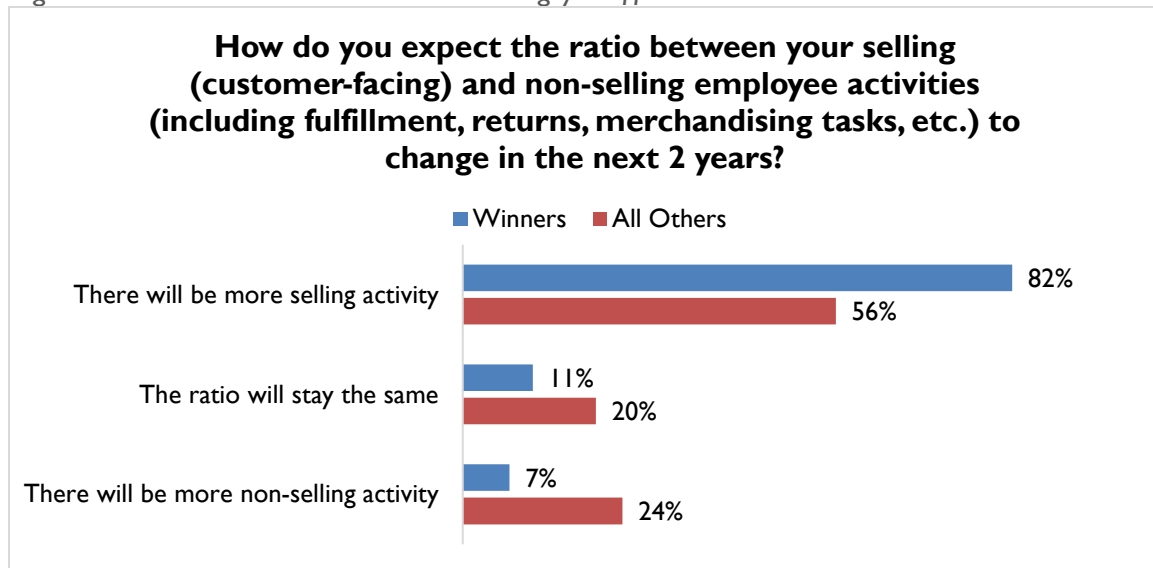
Now let's see which Opportunities retailers identify to come out of these challenges.

# Opportunities

## What Will The Future Hold?

In a continuation of our Winners story, it should come without surprise that the best performers expect *more* selling activity from their stores in the coming 24 months compared to non-customer facing activities (Figure 10).

Figure 10: Winners' World Increasingly Different



Source: RSR Research, August 2022

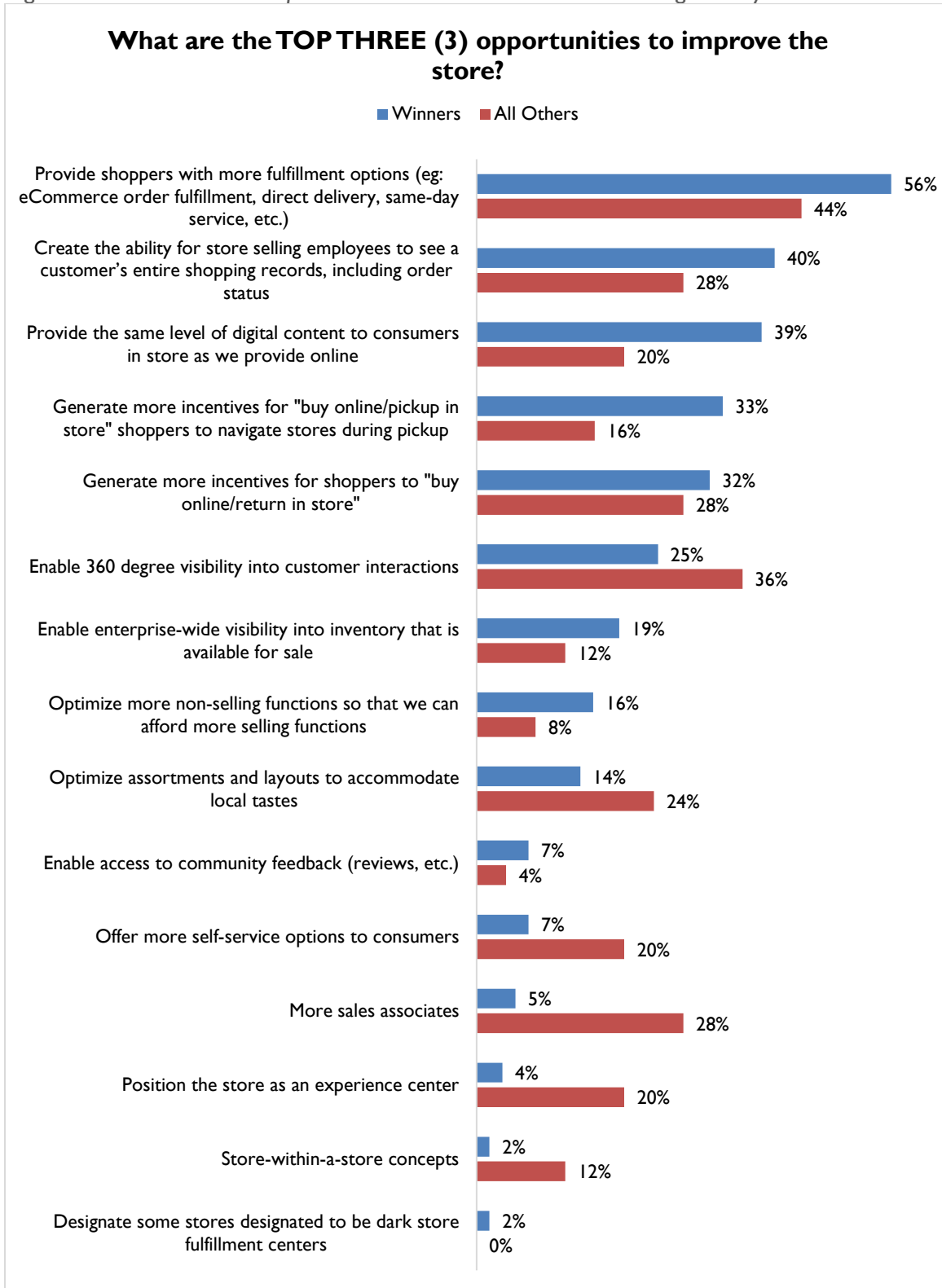
What's somewhat remarkable is the quarter of average and under performers who, when asked to choose which statement best lines up with their view of the future, said that stores will be required to engage in more non-selling tasks than they currently do.

When we recall the data from Figure 1, virtually all retailers (91%) agree that the role of the store has changed significantly since the beginning of the pandemic. Here in Figure 10, we gain insight into how much current sales performance affects what that vision for the future looks like. Winners want to change their stores just as much as everyone else, but they don't want to defer the role of selling from those stores to digital channels. Quite the contrary – they want to use these “new and improved” store models to *drive sales at the store even further*. This is a marked distinction from what average and lagging retailers appear to be saying: that stores will change to be experiential, but only as a touchpoint along the path of products that will ultimately be fulfilled online.

## Order Fulfillment Moves Front And Center

Stores are in a unique position to provide interesting and effective methods of customer order fulfillment – something far more engaging, meaningful, or experiential than direct-to-consumer fulfillment and delivery. Winners get this, and Figure 11 shows – directionally – the ways they plan to enhance the role of the store.

Figure 11: How To Compete With Amazon? Do The Things They Can't



Source: RSR Research, August 2022

As we can see clearly in the above responses, Winners have greater insights into what would make stores more desirable shopping destinations. For example, in today's world in-store associates have no idea what a customer's lifetime value or shopping history looks like when they walk through the door, to say nothing of the product(s) they are currently looking to buy or problem(s) they are currently looking to solve. Many Winners want to change this reality, and 4 out of 10 think it's not only possible, but a top way to build loyalty.

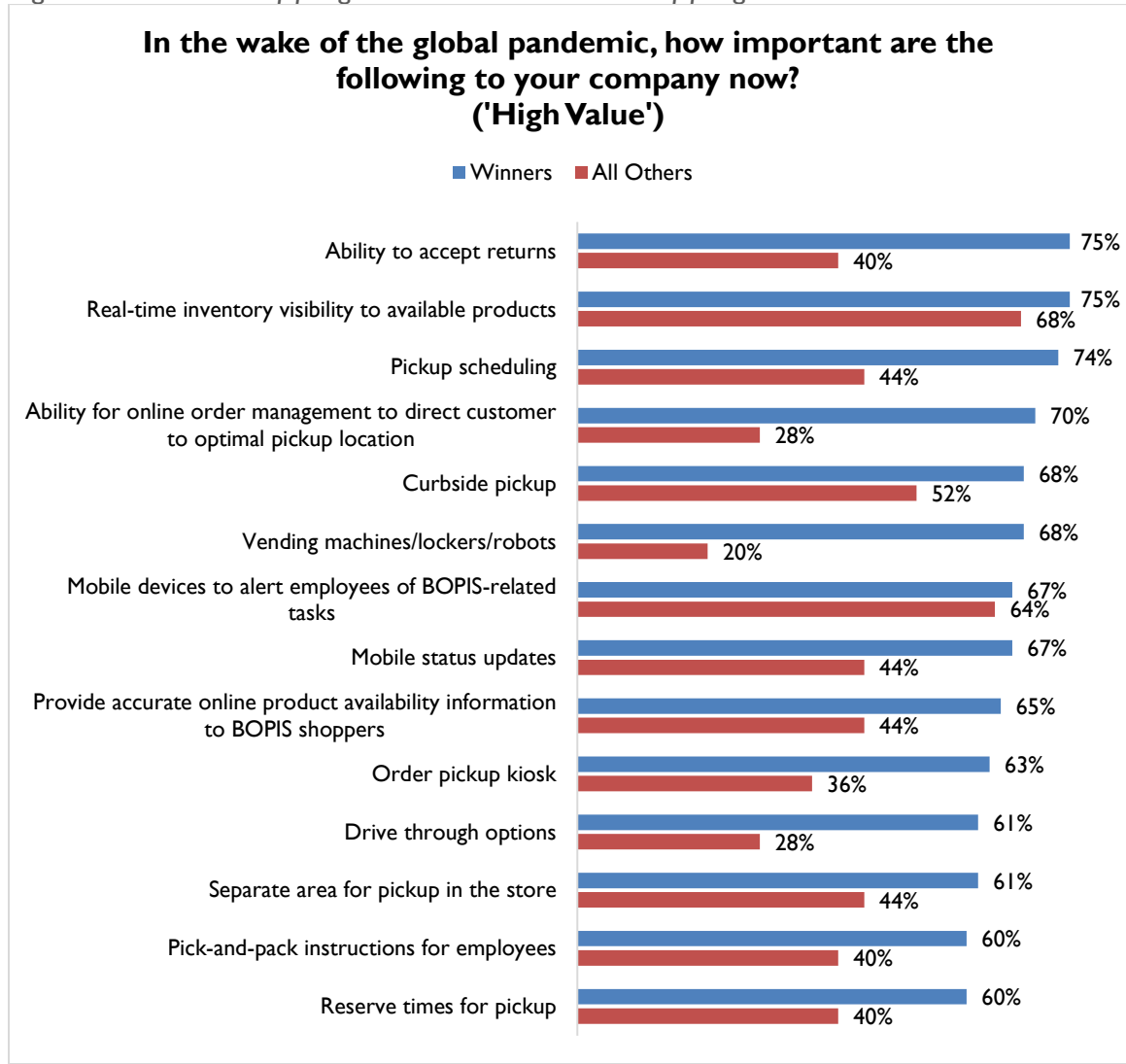
Winners also think stores will become more interesting once they can offer customers more fulfillment options and incentives to complete their shopping journey the store than they currently do. Most retailers cobbled together some form of BOPIS *in a hurry* when the lockdowns that came with COVID-19 went into effect. While many retailers don't get enough praise for what they were able to do in this regard – and as quickly as they did it – the fact is many of these solutions are sub-optimal. Winners know this, and they are on the path to making BOPIS not only a more refined and profitable solution, but a more enjoyable one for shoppers to take advantage of. Winners are also much more interested in giving shoppers just as much digital content in stores as they currently have access to online.

All of these ideas, and once implemented, will make stores far more effective than they currently are. Which is to say – nearly identical to what they looked and felt like when The Captain and Tennille topped the charts.

### **The Return Of The Returns Story**

The data in Figure 12 highlights the fact that we have not seen the last of our “returns story”. When we asked retailers what holds the most value in the wake of the pandemic, the ability to accept returns is popular with everyone, but tops the list for Retail Winners.

Figure 12: Bad Shopping Behavior Creates A Tipping Point Moment



Source: RSR Research, August 2022

Figure 12 also shows us something else, however: Winners' heightened attention to the need to have visibility into their on-hand inventory.

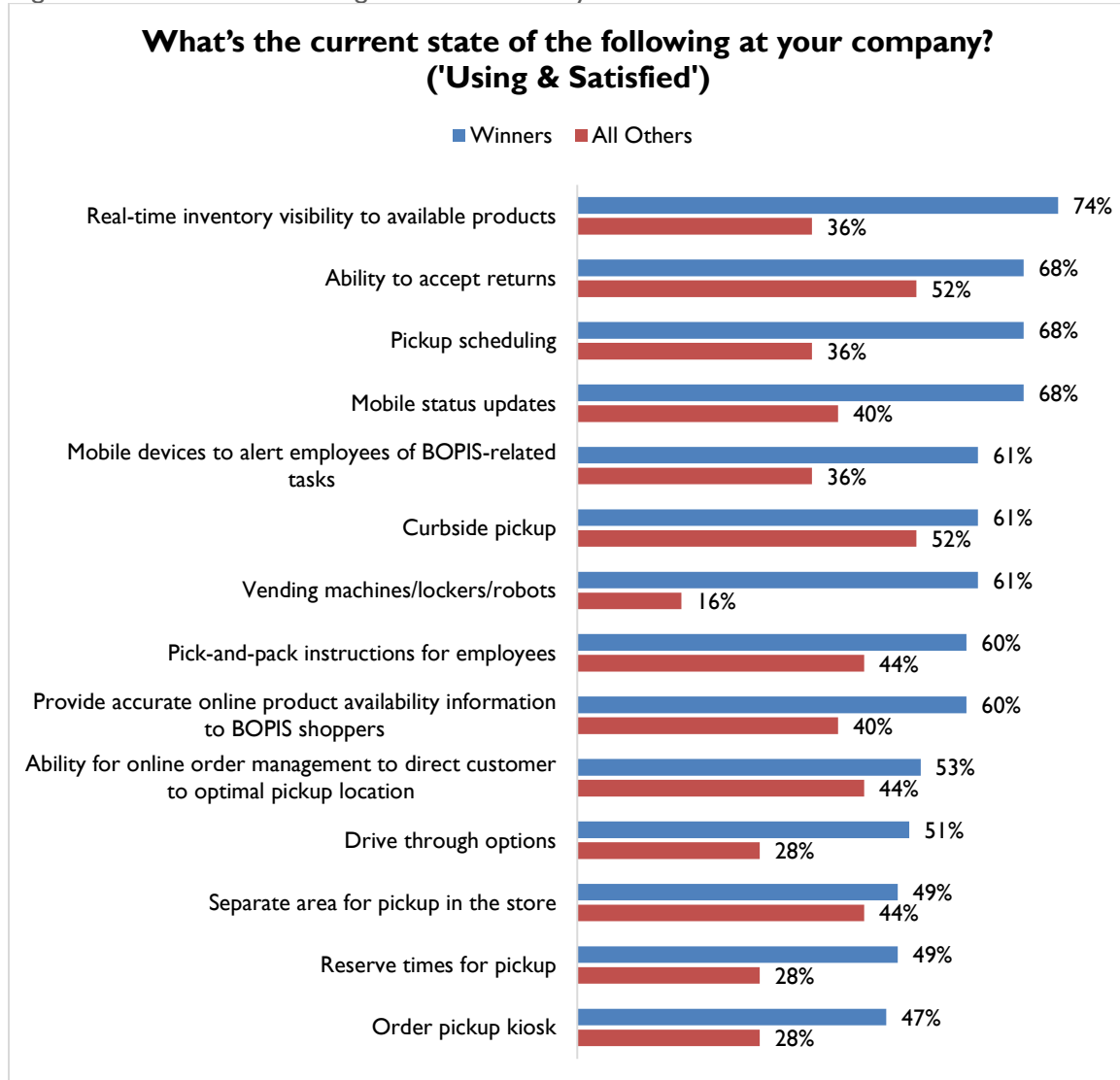
Winners know that the ability to expose exactly what is in-stock, and where it is, may well determine whether the retailer even comes to a shopper's mind at the earliest stages of their shopping journey. To put it bluntly: consumers know Amazon will tell them what's available. In order to stay competitive, retailers must be able to do that, too, but with the added value (and complexity) of where they can get it *right now*.

What the data in Figure 12 really tells us at a macro level is that Winners know the answer to "what's important now, in light of the pandemic?" is simply: "more." More things have become more important, and anything that Amazon.com can't currently do is important. Curbside pickup, order pickup scheduling, kiosks, drive throughs – all have more value to Winners.

## The State Of Affairs So Far

Up until this point, everything in our line of inquiry has come from a place of how retailers perceive the market, how they think things will change, and how they say they must adapt. Figure 13 is the first time we see what retailers are actually doing in order to address the new reality, and their responses are abundantly clear: Winners have already made a lot more progress.

Figure 13: Winners Doing The Most They Can



Source: RSR Research, August 2022

Winners are far more likely to be using – and are satisfied with – virtually every option we put forth. The list includes low-tech technologies, (kiosks, vending machines, lockers, etc), complicated tech-heavy tasks (real-time inventory visibility, mobile device alerts to employees), *and* processes that rely much more on significant adaptation of the physical design of the store, than they do any one specific technology (drive through windows, separate areas in store for product pickup). And Winners use them all.

If it can help make their stores more interesting, Retail Winners are not only more likely to be using it, but are also already happy with the results they are getting. This is 100% about making stores more attractive to shoppers, and Winners get that everything that could potentially help in that effort is in play.

Whether a retailer has already prioritized using stores to stay relevant in the race against Amazon or is yet to do so, the writing is on the wall. It is no longer an option. There is no time for slow moving adaptation anymore.

Let's now find out what stands in the way of that forward progress.

# Organizational Inhibitors

## A Measure Of Uncertainty

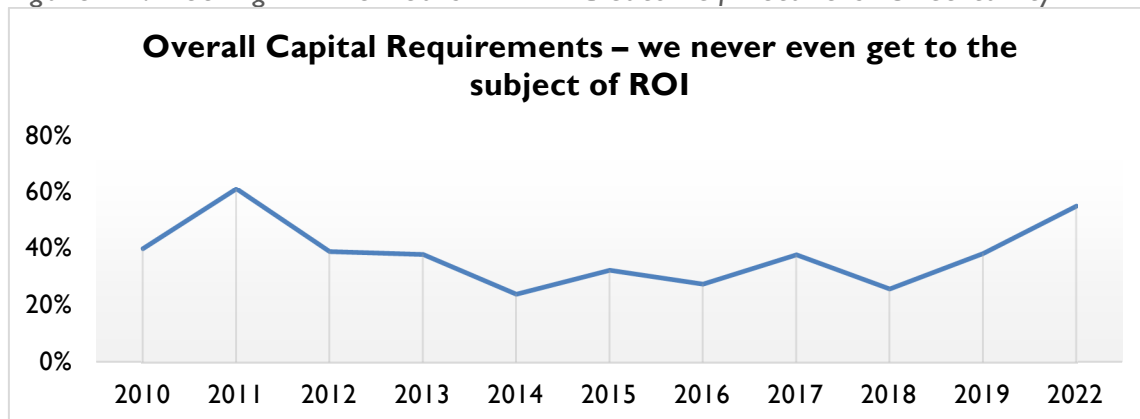
In RSR's 2018 benchmark report on the state of the store<sup>1</sup>, we highlighted that one of the most consistent problems that retailers cite, re. new investments in store processes and technologies:

*Modernizing stores is expensive... Even seemingly small expenses grow large when multiplied by the number of stores in the chain... This “store multiplier effect” creates a lot of pressure to demonstrate rapid Return on Investment for every initiative.*

Over the years that we have benchmarked retailer attitudes about the challenges and opportunities associated with modernizing the store, one roadblock to progress has always been a top inhibitor: *overall capital requirements* (Figure 14). But when we look at the trend over the last decade-plus, something interesting jumps out. Specifically, *heightened* concerns about overall capital requirements seem to echo big changes in consumer shopping behaviors.

For example, 2010 saw a sudden upsurge in consumer adoption of “smart” mobile devices, and as we’ve already discussed, that triggered big changes in consumer behavior. In 2011, retailers reflected that societal-level change in how they rated a concern about the need for new capital requirements.

Figure 14: Reeling In The Years – An Indicator Of Retailers’ Uncertainty



Source: RSR Research, August 2022

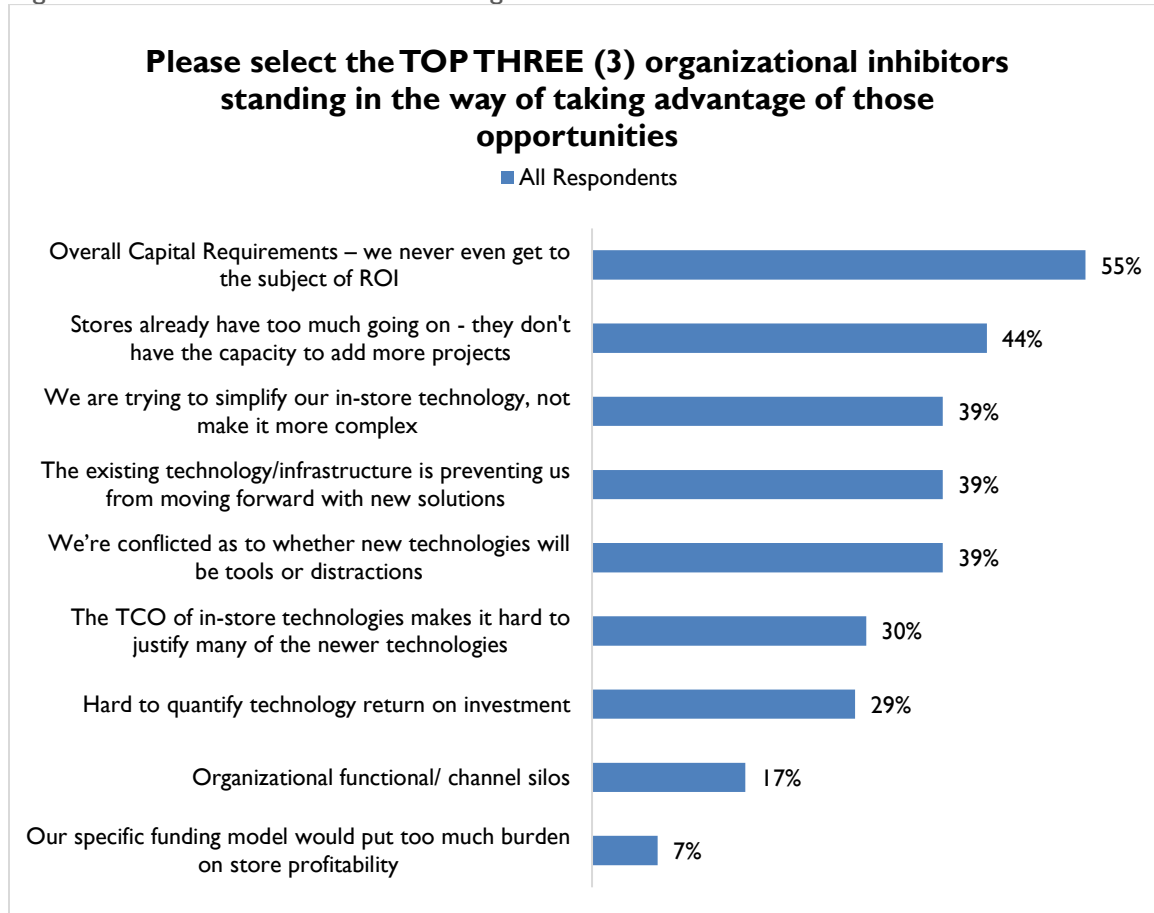
Then in 2021, huge numbers of consumers across the globe adopted omnichannel ordering and fulfillment in response to a protracted pandemic lockdown. Buy-online-pickup-instore (BOPIS), triggered big changes in how stores operate. Now in 2022, concern about overall capital requirements ticks up again.

If the past is prologue, we can expect that retailers’ concerns about the need for big new capital investments will recede once decision makers have the opportunity to develop their strategies and rationalize their spending plans. But as Figure 15 shows, it is certainly top-of-mind right now. Clearly, retailers have not yet rationalized all the changes that *could* occur.

<sup>1</sup> The Retail Store 2018: From Apocalypse To Renaissance, RSR Benchmark Report, August 2018



Figure 15: Old Concerns Re-emerge



Source: RSR Research, August 2022

Interestingly, Retail Winners that are the most concerned about capital requirements (63% compared to 36% for average and under-performers). On the other hand, non-winners are *conflicted as to whether new technologies will be tools or distractions* (52% compared to 33% of Winners).

The inference here is that Winners understand the value of new investments and are trying to work through the investment alternatives, while non-winners are still arguing about the value of potential investments before beginning to worry about where the money is going to come from.

### Different Verticals, Different Obstacles

When we look at the top inhibitors by retail vertical, we get a more nuanced view into what stands in retailers' way (Figure 15). General Merchants and Hardgoods retailers are relatively less concerned about overall capital requirements, but more concerned about their legacy technology portfolios' ability to support new requirements, than are FMCG and Fashion/Specialty merchants. On the other hand, FMCG and Fashion/Specialty merchants are most concerned about overall capital requirements, but not that concerned about their technology portfolios. And Fashion/specialty retailers complain that there's already too much going on in the stores to add any new initiatives.

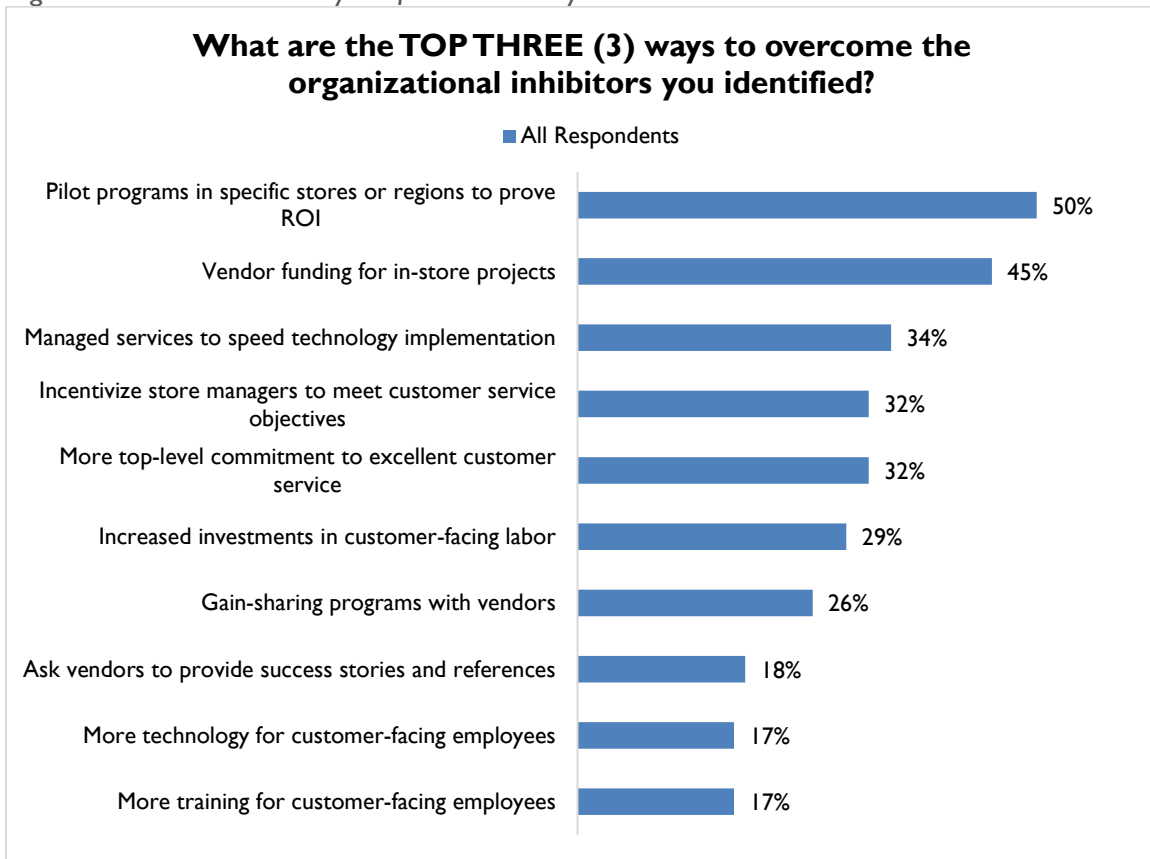
Figure 16: Lots Of Obstacles To Progress

Top Organizational Inhibitors	FMCG	GM	Hardgoods	Fashion, Specialty, & Brand
Overall Capital Requirements – we never even get to the subject of ROI	67%	37%	42%	61%
Stores already have too much going on - they don't have the capacity to add more projects	48%	32%	17%	67%
We're conflicted as to whether new technologies will be tools or distractions	30%	53%	42%	39%
The existing technology/infrastructure is preventing us from moving forward with new solutions	33%	47%	75%	17%

Source: RSR Research, August 2022

This is only interesting in the context of our next question, *How to overcome the organizational inhibitors identified?* Regardless of the roadblocks that retailers point to, the most favored solution is consistent: *pilot programs to prove ROI* (Figure 16).

Figure 17: Test And Try Before You Buy



Source: RSR Research, August 2022

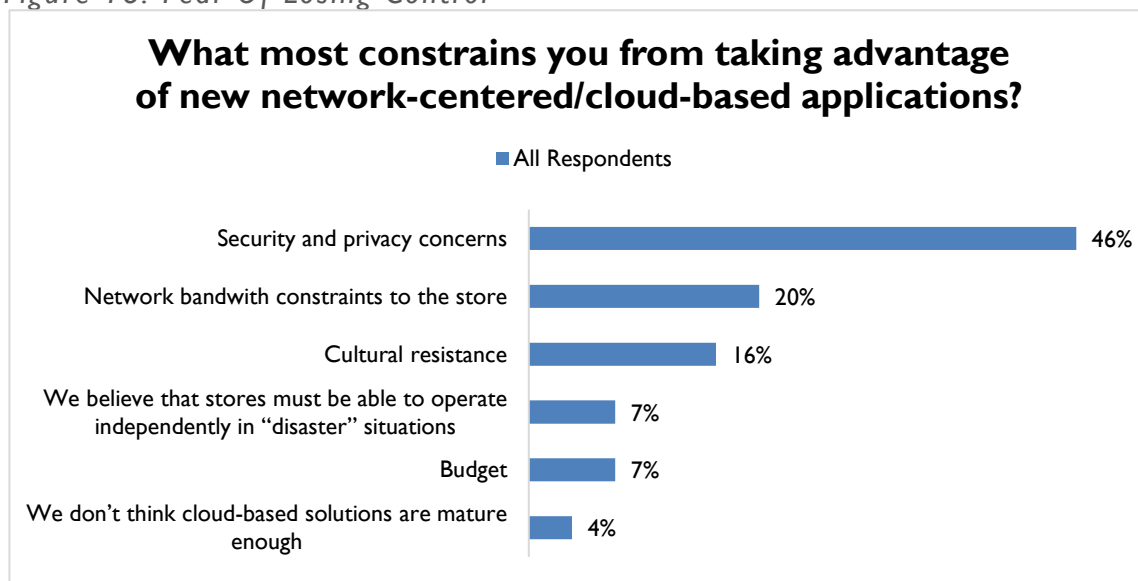
## The Largest Retailers Have A Different Point Of View

In RSR's 2019 benchmark study on the state of innovation in retail<sup>2</sup>, we learned that the largest retailers are the ones that most favor pilot programs, by a factor of almost 2:1. In this study, the largest retailers (with >\$5B in revenue) most favor pilot programs as the best way to determine the ROI of new investments (69% compared to 46% for all other retailers).

Retailers whose revenue is below \$5B annually are looking for help from their suppliers as the best way to get past internal inhibitors and fund store modernization projects (49% compared to 23% for those over \$5B). How realistic that desire is, is another matter – but all except the largest retailers are clearly looking for help.

When it comes to overcoming limitations in the legacy technology portfolio, many retailers look to *managed services to speed implementation* as a way to get around inhibitors. But that choice isn't necessarily without its own complications. In Figure 17, *security and privacy concerns* jumps out as the single greatest reason that retailers might not take advantage of cloud-based solutions. Interestingly, that concern is voiced by more of the largest (annual revenue > \$5B) retailers than all others (54% vs. 45%).

Figure 18: Fear Of Losing Control



Source: RSR Research, August 2022

## Advice For Solutions Providers

These findings constitute a callout to solutions providers in particular. If a solution provider is negotiating with an over-performing retailer, the objective should be to help the client prioritize investments to get to accretive value as soon as possible. If on the other hand the client retailer is an average or under-performer, the solution provider needs to present the compelling case to act and the risks associated with the failure to act.

<sup>2</sup> Innovation In Retail 2019: Keeping It Real, RSR Benchmark study, September 2019

As a part of that, cloud-based solutions providers need to directly address retailers' data security and privacy concerns. Obviously those concerns are real, and they stand in the way of taking advantage of new solutions.

# Technology Enablers

## Today's World: Real Time, Anytime, And Anywhere

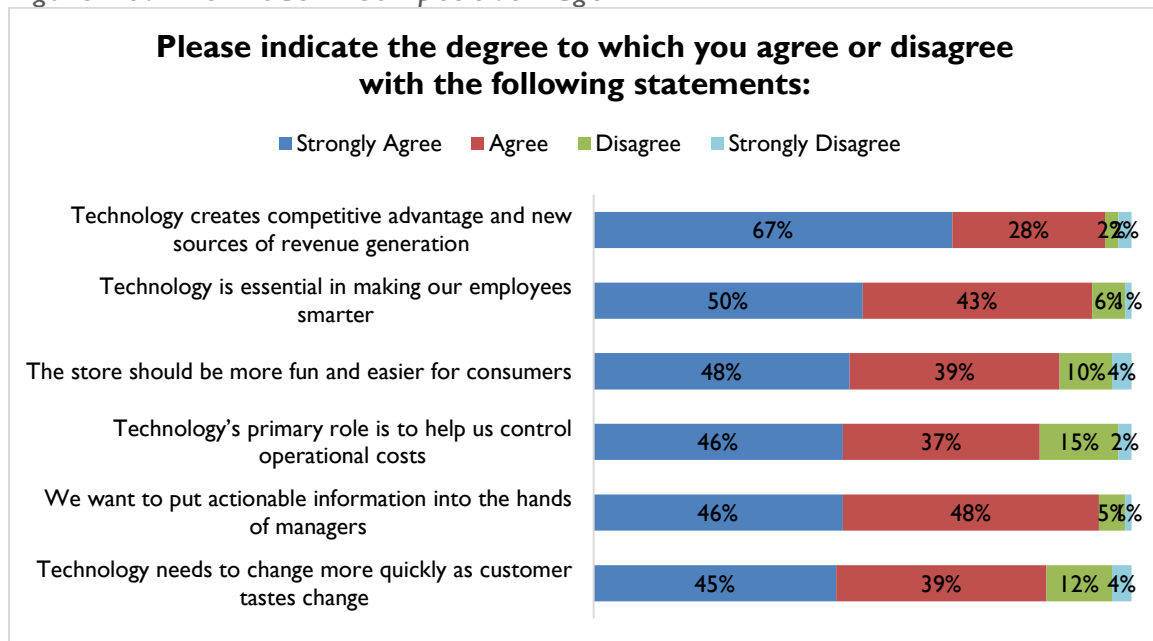
At the start of this report, we made the claim that of all the events that have happened to the retail industry since RSR's inception in 2007, it was the launch of the Apple iPhone that same year that stands above the rest. Just as mass adoption of the incandescent lightbulb in the early 1900's triggered huge changes in how people lived and worked, the mass consumer adoption of always-connected mobile technologies by 2010 revolutionized how we work, play, communicate, study, entertain ourselves and each other... and how we shop.

The challenge for retail stores is simple and profound at the same time: to be relevant, stores can't be an anachronism. **To be relevant, stores need to be participants in consumers' digital ecosystems.**

When we look at the top opportunities that retailers identify that will improve the store (Figure 11), there's a requirement for a foundation of real time information: *more consumer omnichannel order fulfillment options, the ability for employees to see customer shopping records including order status, providing the same digital content to consumers in the store that is provided online, more incentives for BOPIS shoppers to come into the store, more incentives to return online purchases in a store (BORIS).*

Those opportunities underlie retailers' strong belief that "technology" creates competitive advantage in the store (Figure 18).

Figure 19: The Modern Competitive Edge



Source: RSR Research, August 2022

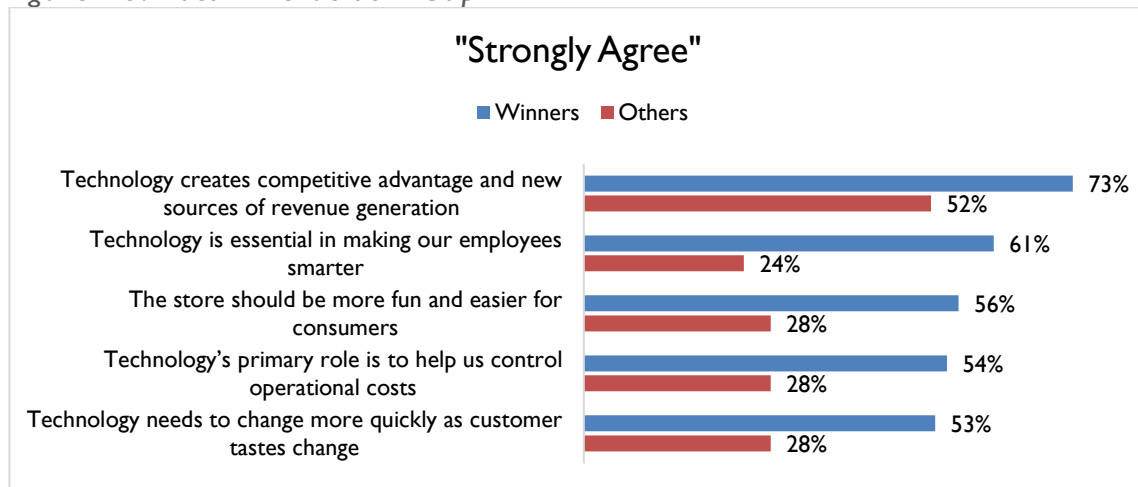
## Tech-Enabling The Customer Experience: A Winners' Play

While it's not surprising that retailers would agree that technology creates a competitive edge and helps employees to be smarter, we are pleasantly surprised by the weight that retailers put on

making the store *more fun and easy*. That deserves an explanation: “fun” and “easy” in today’s world is framed by how consumers use their smart phones. In addition to looking up information about products and services, consumers listen to music, watch videos, and play games, all on their mobile devices. Simply put, smart mobile devices make life a little easier and more fun. In aggregate, retailers see the opportunity.

But when we look at responses by performance, there’s a disconcerting enthusiasm gap between over-performing Retail Winners and everyone else (Figure 20).

Figure 20: Fatal Enthusiasm Gap



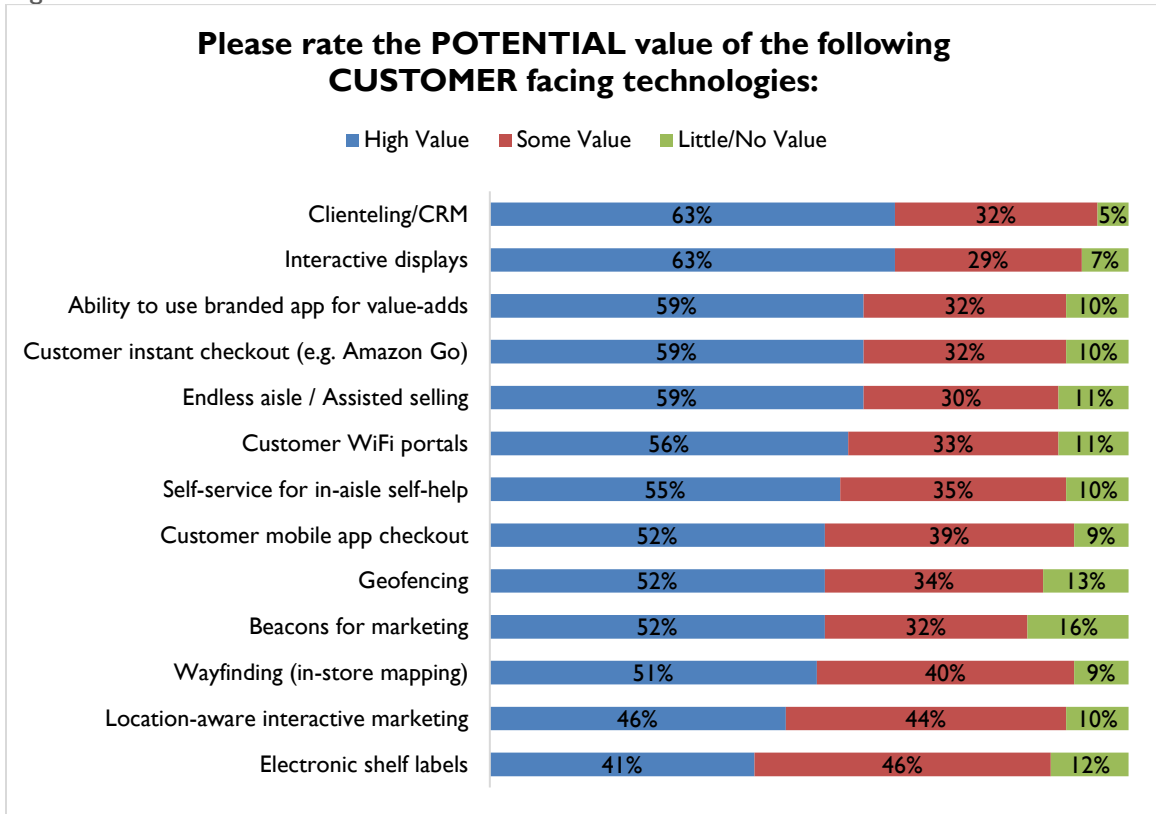
Source: RSR Research, August 2022

In the Research Overview section of this report, we concluded that *Winners show us not only that they get it, but just how much more they get it*. Figure 20 validates that conclusion. But for average and under-performers, it’s an entirely different picture. While a bare majority of non-Winners agree that technology creates a competitive advantage, the majority of them don’t believe that technology can help the store be more relevant and fun for **consumers**, don’t believe that technology can help **employees** be smarter, and don’t even believe that one of technology’s primary roles is to help them **control costs**. In short, they *don’t buy into the concept of a store digital transformation*.

Average and under-performers like the store the way it was yesterday, not the way it will be tomorrow.

This becomes abundantly clear when we asked retailers to rate the value of several customer-facing technologies (Figure 21). Overall, the picture looks encouraging – only *location-aware interactive marketing* and *electronic shelf labels* fail to be rated “high value” by a majority of our respondents.

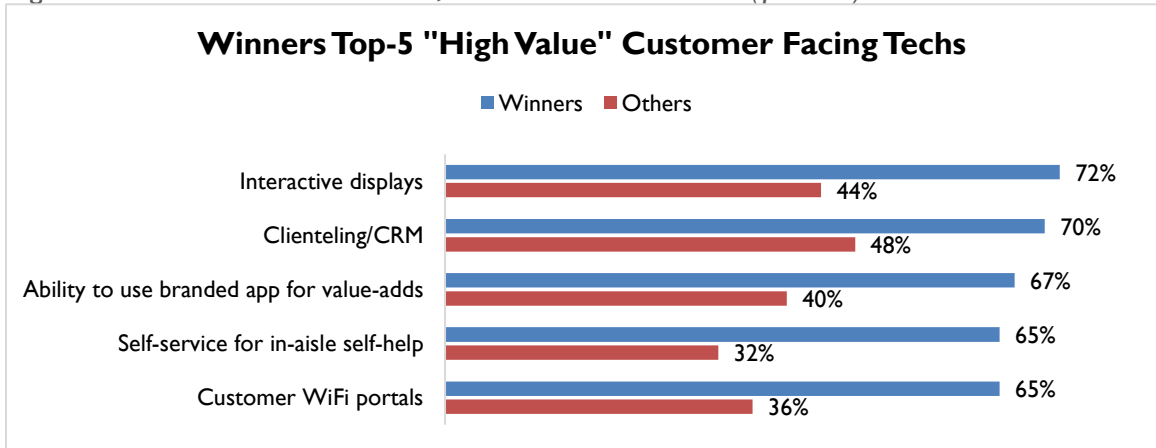
Figure 21: Focus On the Customer



Source: RSR Research, August 2022

But a look inside this response by performance tells a very different story. Figure 22 shows a list of Retail Winners' top-5 "high value" customer facing technologies compared to responses by average and under-performers.

Figure 22: Winners See Value; Non-Winners Don't (part 1)



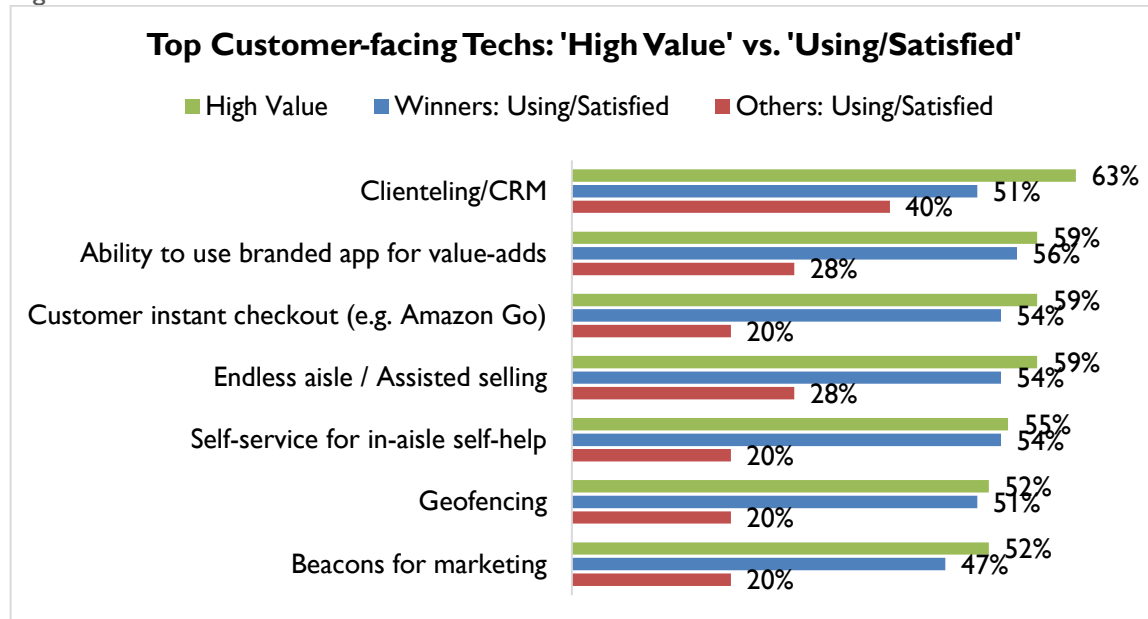
Source: RSR Research, August 2022

RSR often points out that Winners don't just do what everyone else does better; they tend to do entirely different things. More often than not, those "different things" are customer-focused. Figure

22 is unambiguous when it comes to customer-facing technologies; Winners see those things not only as value-adds for customers, but also as competitive weapons.

That point-of-view becomes abundantly clear when we asked about the implementation status of top customer-facing technologies. The most glaring deficiency between the value that retailers assign vs. its implementation status is with **CRM** (“customer relationship management”). CRM systems are hardly new, and in retail can range from the centerpiece of a company’s go-to-market strategy (eg. **Ulta Beauty**) to “club cards” (eg. **Safeway**) to market basket analysis (eg. **Kroger**). CRM’s value to retailers is proven – and yet, it is still largely a Winner’s tool.

Figure 23: So Much Work To-Do



Source: RSR Research, August 2022

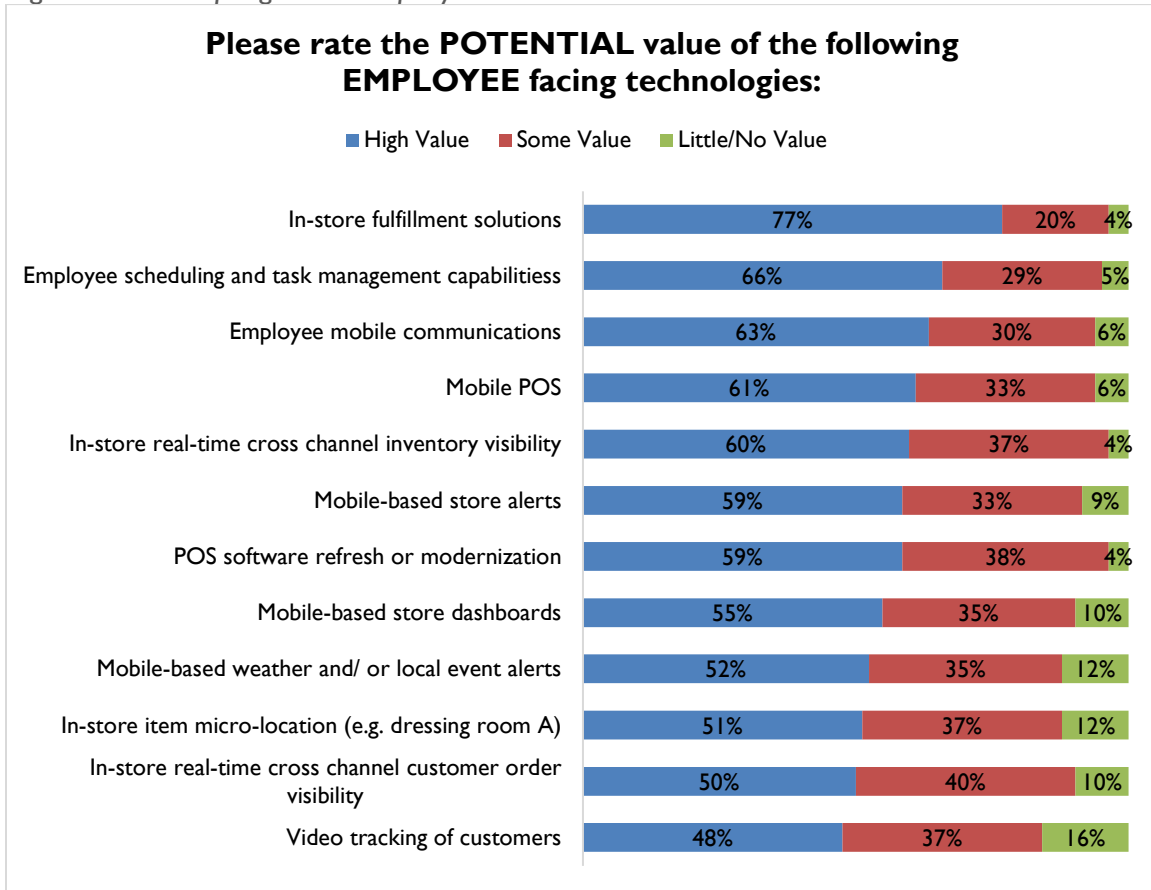
## Tech-Enabling The Store Employee: Same Story

We see much the same picture when we ask about employee enablement. As we’ve already discussed, employees have been asked to perform whole new tasks in the stores (mostly related to omnichannel order fulfillment and returns handling), and the majority of retailers believe that employees will be asked to perform more selling activities in the next three years (Figure 10).

With those things in mind, retailers generally put a high value on most of the technologies we asked about; only *video tracking of customers* failed to rate as “high value” by a majority of retailers (Figure 24).



Figure 24: Helping The Employee Be Smarter



Source: RSR Research, August 2022

Looking at responses in the aggregate doesn't tell the whole story though. Just as we saw with customer-facing technologies, there's a big enthusiasm gap between over-performing Winners and everyone else when it comes to employee-facing technologies (Figure 25).

Incredibly, a majority of average and under-performers don't assign a high value to making it possible for employees to see available-to-sell inventory across the enterprise (thus making the idea of endless aisle/assisted selling impossible to offer).

And only 40% of non-Winners think there's a lot of value to enabling *employee mobile communications*. In RSR's most recent benchmark study on the state of the store employee<sup>3</sup>, we noted that:

*The pervasiveness of mobile technologies creates the opportunity for retailers to use team communications to encourage teamwork and to provide just-in-time information to staff... Of course, retailers (like all employers) must be aware that given no other option,*

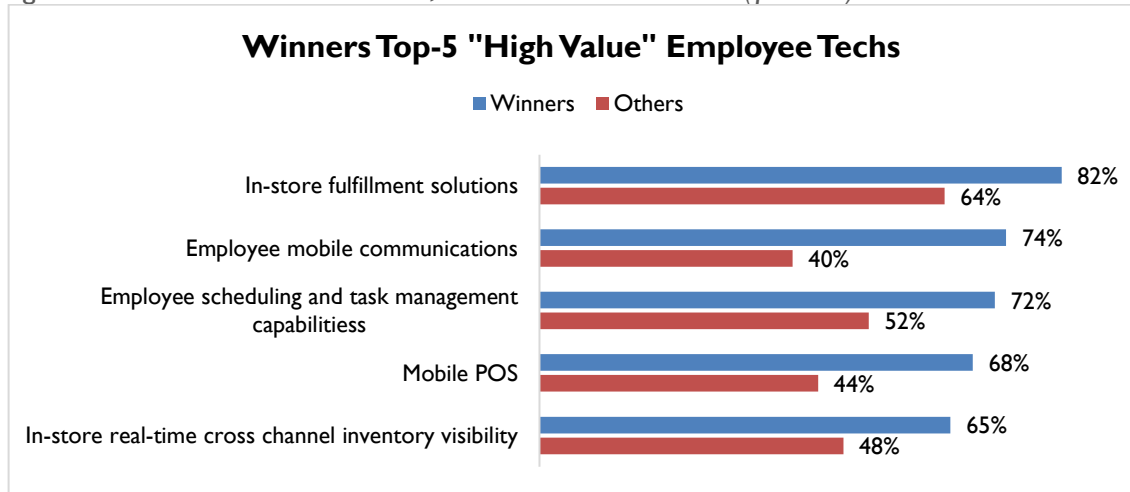
3

Has The Era Of The Empowered Workforce Finally Arrived?, RSR Benchmark Report, May 2022

employees will use public chat messaging or social media to communicate with one another anyway – and so it's preferable to have them using company-controlled channels.

This is yet another case of Winners' belief that technology is empowering, and that empowered employees contribute to better top line performance.

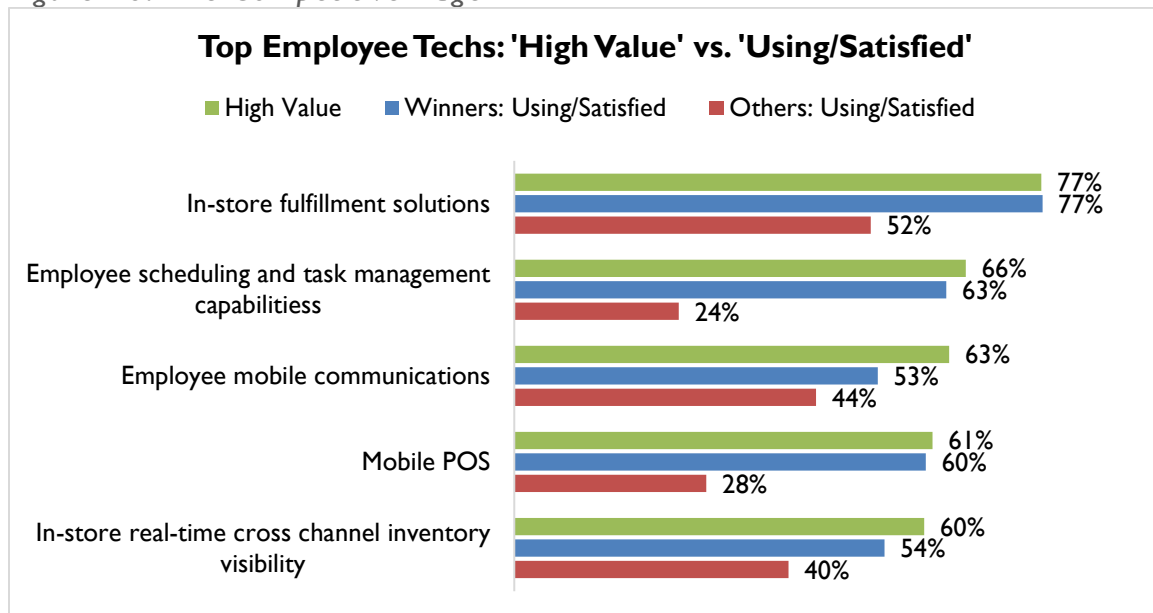
Figure 25: Winners See Value; Non-Winners Don't (part 2)



Source: RSR Research, August 2022

"In-store fulfillment solutions" provides a perfect encapsulation of why Winners continue to win (Figure 26). It is almost beyond question that consumers are looking for omnichannel fulfillment options, and that retailers see that as a great "hook" to get consumers into the stores. It follows then that retailers would be eager to implement fulfillment solutions, and 77% of all retailers assign a high value to that option. But as the responses show, average and under-performers have a lot of work to do to capture that value.

Figure 26: The Competitive Edge



Source: RSR Research, August 2022

The picture presented in these responses is unambiguous: Retail Winners have strong belief that “technology” creates competitive advantage in the store and are acting accordingly. Average and under-performers are skeptical of the value and lag in the implementation of both customer-facing and employee technologies. The results speak from themselves. But as we said in the beginning of this report, *physical stores have a here-and-now opportunity to continue to evolve as a critical component of differentiation from Ecommerce pureplays. Those not taking risks will not be around to lament their inaction.*

# BOOTstrap Recommendations

For many consumers' digitally enabled shopping journeys, the "default mode" has become "let's just order it on Amazon". But even so, the COVID-19 lockdown brought to light was *just how much* people need to get out of their homes and to interact with one another, with their surroundings, and with products. Shopping in stores is part of the human experience.

After the global shutdown during the pandemic, highlighting the store as an indispensable component of the retailer's brand experience has moved from *important* to *an imperative*. Stores offer the chance to offer consumers immediate gratification in ways that eCommerce can't match. Retailers know that they need to exploit that difference right now.

But this benchmark study reveals a disconcerting enthusiasm gap between over-performing Retail Winners and everyone else. While average and under-performers like the store the way it was yesterday, **Winners are committed to the concept of digital transformation in the store**. So, based on the priorities Winners identify in this study, we offer the following recommendations:

## Commit To Being A Part Of Consumers' Digital Ecosystem

To say that always-connected mobile technology has changed how people shop is an understatement. To be relevant, stores need to be participants in consumers' digital ecosystems. To that end, retailers want to both utilize consumers' personal devices to make the shopping experience more engaging, and to make stores more of a destination than they currently are. Beyond offering buy-online-pickup-instore, Winners see consumers' smart mobile devices as a conduit to deliver digital content to the sales floor, offer instore navigation, provide more personalized promotions, promote community events in the store, and provide more self-service options.

## Make The Store A Place To Return Online Purchases

The explosive growth of online shopping has an ugly byproduct: product returns. Seventy-five percent of Retail Winners believe that enabling consumers to return online purchase instore is a "high value" capability (compared to 40% of non-winners). Incentivizing customers to return unwanted online purchases to the store creates cross-sell or upsell opportunities and minimizes returns handling costs. Finally, the store is a place where returned items can be resold.

## Information Is The Strategic Weapon

When we look at the top opportunities that retailers identify that will modernize the store, the requirement for a foundation of real-time information becomes clear. Both retail employees and consumers need to be able to use mobile devices to see available-to-sell inventory, product information, customer order information, and customer profile and activity information.

## Optimize

The vast majority of Retail Winners believe that there will be more selling activity in stores in the near future. Although twice as many over-performers see the opportunity to optimize non-selling activities to help "pay" for increased selling activities, it is not a priority for most retailers. It should be.

## **Systemize Omnichannel Fulfillment**

Most retailers have done *something* to be able to fulfill online orders in the store, but Winners assign a “high value” to the following improvements: pickup scheduling, curbside pickup, vending machines and lockers, mobile status updates, accurate online product availability information, order pickup kiosks, drive through customer order pickup, pick-and-pack instructions for employees, and reserve times for pickup.

## **Bring Digital Content To The Sales Floor**

Retail Winners clearly see the value in offering consumers digital capabilities on the sales floor, including customer WiFi portals, the ability to use a branded app for value-adding offers, self-service techs to enable more customer self-help, and interactive displays. All retailers should consider these options to make the store experience more engaging.

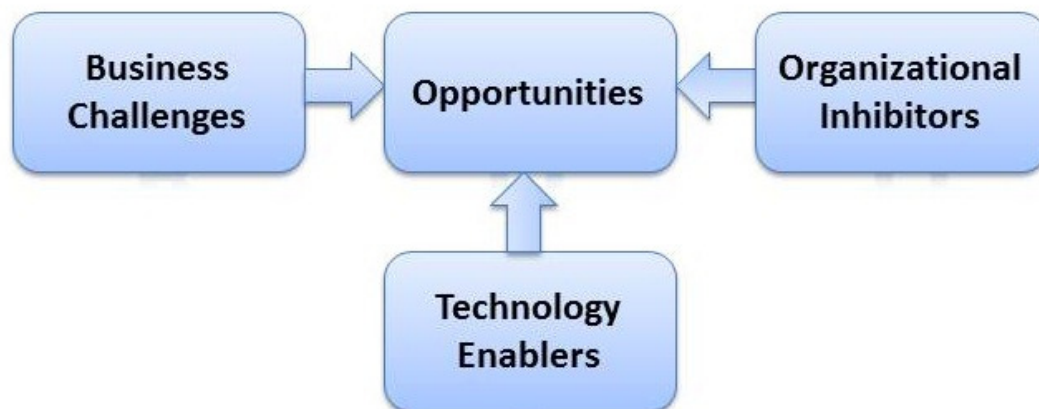
By the same token, Winners are much more apt to empower employees. Aside from systemized order fulfillment capabilities and visibility into key information assets (discussed above), Winners look to offer employees peer-peer communications via mobile devices, mobile POS, and mobile-enabled scheduling and task management capabilities.

## Appendix A: The BOOT Methodology<sup>®</sup>

The BOOT Methodology<sup>®</sup> is designed to reveal and prioritize the following:

- **Business Challenges** – Retailers of all shapes and sizes face significant **external** challenges. These issues provide a business context for the subject being discussed and drive decision-making across the enterprise.
- **Opportunities** – Every challenge brings with it a set of opportunities, or ways to change and overcome that challenge. **The ways retailers turn business challenges into opportunities often define the difference between Winners and “also-rans.”** Within the BOOT, we can also identify opportunities missed – and describe leading edge models we believe drive success.
- **Organizational Inhibitors** – Even as enterprises find opportunities to overcome their external challenges, they may find **internal** organizational inhibitors that keep them from executing on their vision. Opportunities can be found to overcome these inhibitors as well. Winning Retailers understand their organizational inhibitors and find creative, effective ways to overcome them.
- **Technology Enablers** – If a company can overcome its organizational inhibitors it can use technology as an enabler to take advantage of the opportunities it identifies. Retail Winners are most adept at judiciously and effectively using these enablers, often far earlier than their peers.

A graphical depiction of the BOOT Methodology<sup>®</sup> follows:



## Appendix B: About Our Partner



*The Global Consumer Commerce Centre*

The IORMA Consumer Commerce Centre is a neutral resource for Businesses and Governments that recognize their need to understand and respond to the ways in which the 8 billion global consumers are changing – in the products and services they want and need, and the ways they want to obtain them. These changes are happening globally, driven by developments in society, in business and in technology.

The changes are important not only for all those dealing direct with consumers, but for Businesses at all places in supply networks and for Governments and Academia in preparing for the future associated societal and economic impacts of these changes. To learn more, visit: <https://iorma.com/>

## Appendix C: About Our Sponsors



In an era of virtually limitless choice, sustained competitive advantage only comes to retailers who truly understand their customers, what they want and why they buy. We are committed to a deep understanding of each of our clients and to fulfilling their needs with the retail industry's most comprehensive omnichannel solutions. More than 1,000 retail brands rely on our solutions to deliver every shopper a personalized, empowered and seamless experience — no matter when, where or how they shop. Learn more: [www.aptos.com](http://www.aptos.com).



At Cloudera, we believe that data can make what is impossible today, possible tomorrow. We empower people to transform complex data everywhere into actionable insights faster and easier with Modern Data Architectures. We deliver the hybrid data platform with secure data management and portable cloud-native data analytics. Retailers around the globe trust Cloudera to help solve their most challenging business problems.

Learn more at [www.cloudera.com](http://www.cloudera.com).



Fluent Commerce is a global software company focused on distributed order management. Organizations rely on the cloud native, highly flexible and fully scalable distributed order management platform to transform fulfillment complexity into a competitive advantage. Fluent Order Management provides accurate and near real-time inventory availability across multiple locations, order orchestration, fulfillment optimization, fulfillment location management, in-store pick and pack, customer service, and reporting. This enables retailers and brands to fulfil orders profitably while delivering the best customer experience possible.

Fluent Commerce works with organizations such as JD Sports, L'Oréal, Ted Baker, LVMH and Dulux. Learn more at [fluentcommerce.com](http://fluentcommerce.com).



## Appendix D: About RSR Research



Retail Systems Research (“RSR”) is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- **Identifying information** that helps retailers and their trading partners to build more efficient and profitable businesses;
- **Identifying industry issues** that solutions providers must address to be relevant in the extended retail industry;
- **Providing insight and analysis** about a broad spectrum of issues and trends in the Extended Retail Industry.

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