3 Ways Retail Executives Are Preparing for the
Future of In-Store Tech

Are we living in the aftermath of a retail apocalypse or the dawning of a new golden age of brick-and-mortar stores?

It probably depends on the most recent article you've read. And the truth is somewhere in between the two.

What we know for sure is that customers have more options for shopping than ever before, which explains the double-digit rise[1] of e-commerce retailers into a trillion-dollar industry. However, 85% of retail transactions still take place in-store,[2] and the industry is growing 4% or more every year,[3] because nothing can match the ability to touch, feel and experience products in-person.

Although customers still journey to brick-and-mortar retail stores, that doesn't mean they're happy with the traditional in-store experience. Increasingly, their expectations for seamless and highly personalized shopping carry over from the internet to the physical store door[4] — and many retailers aren't prepared to deliver it.

Successful retailers note these changing expectations and rise to meet them. And they will do this by creating an in-store experience as seamless as the one their customers get online so that customers can focus on what they came for: the satisfying experience of making an in-store purchase.

In this ecosystem, mediocre retail has no future. Only retailers that know their customers and deliver on their customer's expectations will be able to take advantage of the unique differentiation that a physical store environment makes possible.

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The physical store, and being able to see, smell, feel, touch things, is still vitally important to the majority of the economy. Retailers' challenge lies in enabling shoppers to transition their online shopping behaviors into stores while also deploying in-store technology that captures more nuanced data and insights about that shopping behavior."
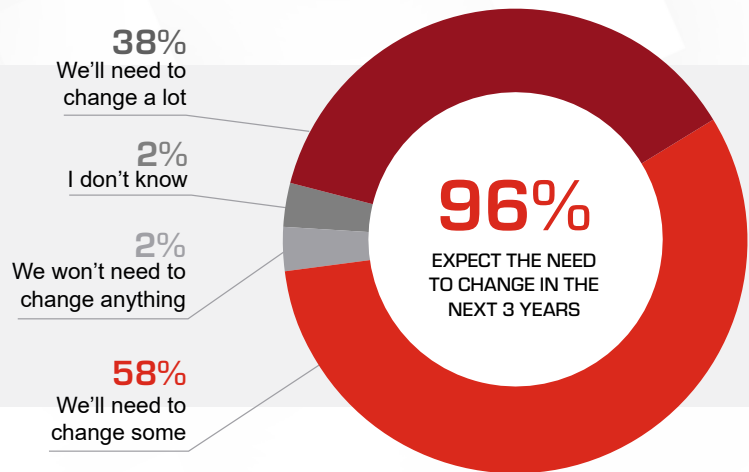
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To better understand how high-volume retail stores are upgrading their in-store experience to meet the shifting needs of consumers and enable more informed merchandising decisions, Toshiba Global Commerce Solutions partnered with Retail Dive's Brand Studio to survey 148 retail executives.

The results point to an impending turning point for the in-store experience, with more than a third of retail executives indicating they'll need to change a lot about their current retail strategy and investments. Only 2% of executives surveyed indicated they won't need to change anything about their strategy or investments.

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How much do you think you will need to change your current retail technology strategy and investments to meet your goals in the next three years?

38% We'll need to change a lot

2% I don't know

2% We won't need to change anything

58% We'll need to change some

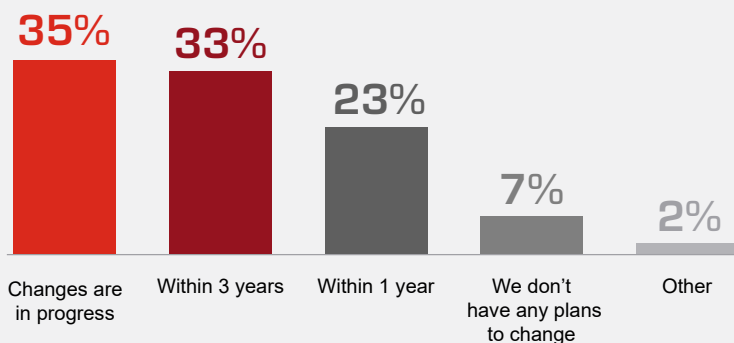**96%** EXPECT THE NEED TO CHANGE IN THE NEXT 3 YEARS

Retailers also expect to move rather quickly. Thirty-five percent indicated the changes were in progress, with the rest of the majority expecting to make changes within one to three years (56%).

This urgent approach to change is well-timed. Retail executives face a significant opportunity to adapt to new consumer expectations for a seamless in-store experience without asking consumers to change their natural shopping behaviors. And along with that opportunity comes a chance to capture unique operational benefits that reduce costs and drive higher revenues.

To fully realize these advantages, retail executives are preparing their organizations for the future of retail tech in three critical ways:

35% Changes are in progress

33% Within 3 years

23% Within 1 year

7% We don't have any plans to change

2% Other

When do you think your organization will actively move forward with changes to your existing retail technology strategy and investments focused on emerging, frictionless technologies?
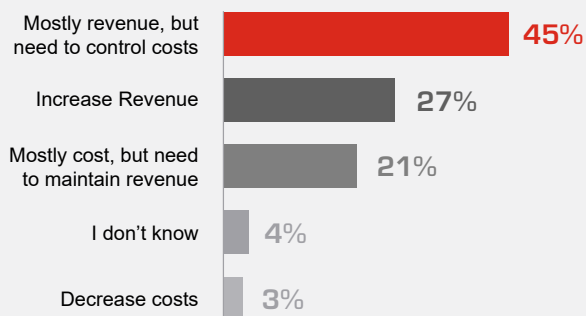
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Driving Revenue Over Cutting Costs — And Achieving Both

Most retailers hyperfocus on using new technology to reduce costs, a throwback to the traditional role IT often plays in streamlining processes, enabling higher levels of productivity, and managing inventory and shrinkage.

But in the future of retail, technology must both drive revenue and cut costs. And that's reflected in the retail executives who said they were primarily driven to consider new technology investments in the next three years to increase revenue (27%) or mostly increase revenue but also control costs (45%). Only 3% were exclusively interested in technology that decreases costs.

"There's a fine line between technology that generates revenue and technology that cuts cost, because technology increasingly does both," Goldman said. "What's interesting about these results is how the dynamic between the two is changing for retail organizations.

What is your primary driver for new technology investments in the next three years?

Mostly revenue, but need to control costs	**45%**
Increase Revenue	27%
Mostly cost, but need to maintain revenue	21%
I don't know	4%
Decrease costs	3%

"Whereas we used to see clear patterns in how those two priorities ebb and flow, the future of retail technology is allowing retailers to pursue them both at the same time," Goldman explained. "Retailers can use technology to

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create a more seamless in-store customer experience that removes barriers for customers to make a purchase and at the same time identify opportunities to move labor from low-value to high-value activities like customer engagement."

A great example of this kind of adaptation is the increase in front-end transformations to install self-serve kiosks. Retailers are streamlining and automating the point of sale while redeploying staff to improve the customer experience and assist customers in answering questions, exploring products and engaging with the store environment.[5]

But it's important to consider that any time retailers implementhjh new technology, there is a learning curve where it takes time for the environment, employees, and consumers to catch up. In this delay lies a lot of risk, unless you're strategic about building your path to a frictionless technology ecosystem.

"When you eliminate the POS as the one point where you process the payment, you potentially introduce new risks, and those risks need to be discussed up front," said Yevgeni Tsirulnik, Vice

President of Strategic Alliances & Innovation. "The goal is to add technology like puzzle pieces so that the benefits consistently outweigh the risks and you're addressing critical business opportunities on your path to a frictionless environment. So that when it is all implemented, **you can watch what is leaving the shelf, and proactively rethink your replenishment and stocking based on what consumers are doing in real-time."**

With access to real-time data like this, retailers can mimic some of the advantages of ecommerce retailers in analyzing and optimizing the products and categories they carry. For example, retailers trying to fit into urban store footprints in cramped urban markets can use this detailed information to consistently select a winning range of products for a smaller but highly productive store.

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FUTURE TECH MOVE #2:
Optimizing Both Existing and New Customers

The "chicken or egg" dilemma for today's retailers surrounds the value of existing and new customers. As retailers work to increase their market saturation, often pursuing new customers with aggressively marketed loyalty programs,[6] they bump up against the rising cost of customer acquisition, which has grown to as much as five to 25 times the cost of retaining an existing customer in today's competitive retail marketplace.[7]

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> Retailers that **invest in their customers** are always more likely to be successful."
>
> **RETAIL EXECUTIVE SURVEY RESPONDENT**
> _____

So which shoppers should retailers pursue, and how can in-store technology help?
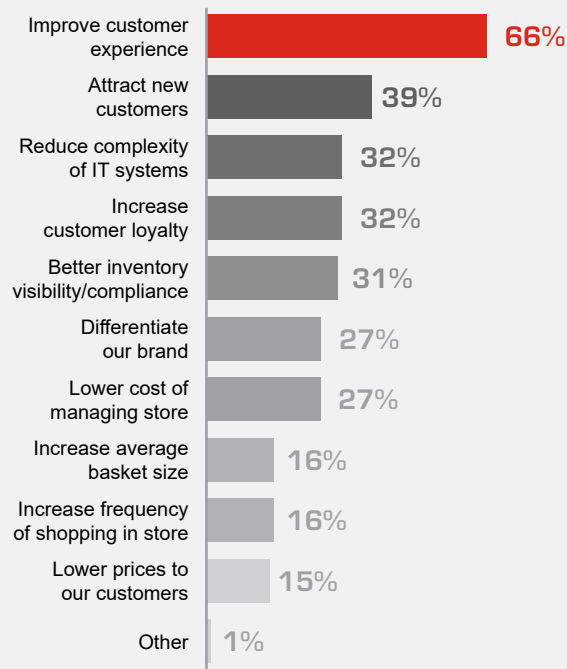
According to retail executives surveyed, attracting new customers (39%) is slightly more important than increasing customer loyalty (32%), with the most dominant goal being improving the customer experience (66%). But once again, adopting more advanced in-store technology can help with both. Because when you improve the customer experience, you're expanding your addressable market while also capturing more value from your existing customer base.

"Retention through advances in customer experience is what is delivering the best ROI

for retailers today, but customer acquisition and retention are both critical," Goldman said.

"It's clear in the behavior of both online and offline retailers that are investing in growing their footprints while also making the purchasing process as seamless as possible," Goldman continued. "They're out to dominate as much of their customers' spend as possible, whether that's by voice-enabled Alexa shopping or in-store virtual reality exhibits."

What would you consider to be the top three best possible outcomes of investments in retail technology?

Category	Percentage
Improve customer experience	66%
Attract new customers	39%
Reduce complexity of IT systems	32%
Increase customer loyalty	32%
Better inventory visibility/compliance	31%
Differentiate our brand	27%
Lower cost of managing store	27%
Increase average basket size	16%
Increase frequency of shopping in store	16%
Lower prices to our customers	15%
Other	1%

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FUTURE TECH MOVE #3:
Exploring Emerging Frictionless Technology

From the perspective of retail executives in the field on a day-to-day basis, a lot of emerging retail technology can look more futuristic than practical. But retailers should consider just how many early waves of technology have become essential to running a successful retail organization today.

89%

believe retailers that invest in frictionless store experiences today are **more likely to be successful** in 3 years.

For example, survey respondents indicated data analytics (63%), artificial intelligence (54%) and self-service technology such as mobility and self-checkout (41%) to be the top three types of retail technology they would be most likely to invest in, arguably the three that most saturate the business world today.[8] The next wave of frictionless technology, such as edge computing with mesh networks, computer vision and cameras technology,[9] IoT and sensor technology,[10] and robotics,[11] are less proven but are quickly growing into viable, easily deployable options.

> **The biggest question retailers face is not whether or not they need to tackle their customer experience with frictionless technology, but how to do so without causing more problems.** Staying close to developments in technology will give them a better sense of how to create an easier and more seamless shopping experience for their customers without risking their profit margins with ineffective technology or growing shrinkage."

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How retailers use these new technologies will be increasingly important over the years because of the potential for frictionless technology environments to solve real-world use cases like inventory visibility and loss prevention. But building a frictionless ecosystem is a journey that must be walked one step at a time.

"Some retailers see 'frictionless' as a confusing buzzword that only refers to customers walking out

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of the store with a product, but it's better to take a holistic approach," says Tsirulnik. "Customers experience many different points of friction within a store that should be removed. Which are the most important to remove for your company? Use that as a stepping stone to identify the most important frictionless use cases for your organization."

"For example, most retailers today opt out of full inventory counts because the cost of labor is too much to justify it," continued Tsirulnik. "But in a frictionless environment with the right setup of computer vision, sensors and cameras collecting data on the products at the shelf and POS level, that inventory count would only require the click of a button."

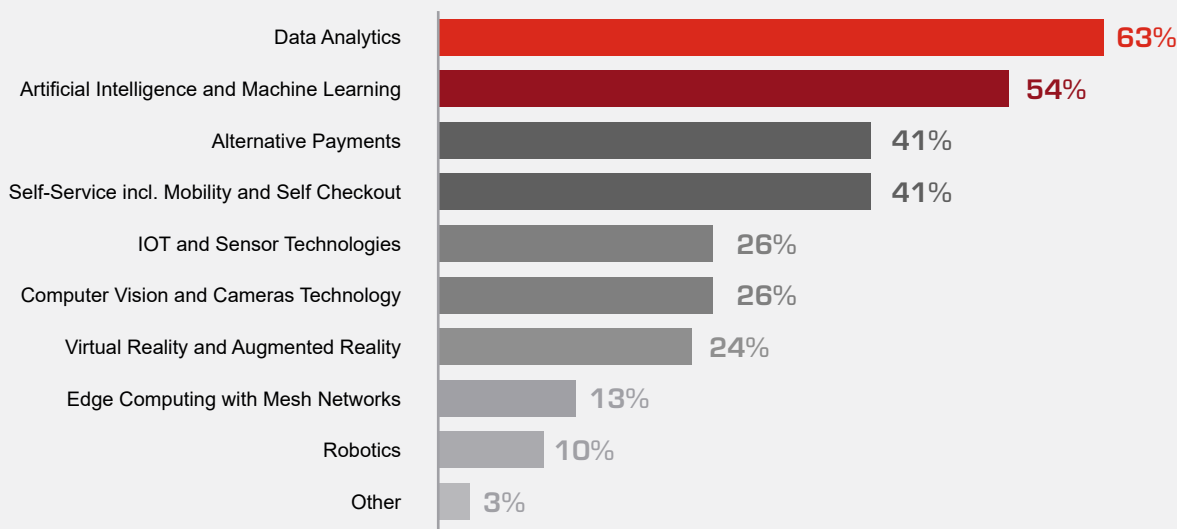Retail executives were overwhelmingly confident that frictionless store experiences would lead to long-term success, with 89% agreeing that retailers who invest in frictionless store experiences today are more likely to succeed in three years. **But the underlying theme here was not that any particular technology would guarantee success. It's that a variety of different, new technologies are making it possible to create a truly customer-driven experience.**

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> At the end of the day, a successful experience is one where **an individual can start a transaction anywhere and finish it anywhere,** and have it be seamless and frictionless from both the customer and operational perspective."
>
> **YEVGENI TSIRULNIK**
> VICE PRESIDENT OF STRATEGIC
> ALLIANCES & INNOVATION AT TOSHIBA

If you were to optimize your technology to reduce friction, what would you most likely invest in?

Technology	Percentage
Data Analytics	63%
Artificial Intelligence and Machine Learning	54%
Alternative Payments	41%
Self-Service incl. Mobility and Self Checkout	41%
IOT and Sensor Technologies	26%
Computer Vision and Cameras Technology	26%
Virtual Reality and Augmented Reality	24%
Edge Computing with Mesh Networks	13%
Robotics	10%
Other	3%

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Embracing Your Future Customer

Often retailers feel tension between the desire to be innovative and visionary and the pressure to focus on traditional metrics of success. What if you could achieve both?

The future of in-store technology puts the customer and the store on equal footing, providing seamless, natural shopping experiences that simultaneously win customers and benefit retail operations. It's not a matter of if you need to participate but when you'll feel the effects of inaction — because retail is changing, and if you aren't adapting to it with your in-store retail technology, you're in the minority.

Engage with the retail technology community. Consider the unique interests and needs of your consumer demographics. And prepare for the inevitable changes to customer expectations for your in-store experience.

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Endnotes

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