INCISIV

The Four Imperatives for Store Success in Apparel/Specialty Retail

This Market Snapshot is part of Incisiv and Toshiba's effort to deliver peer-based learning and thoughtful insights on important topics that will help you navigate today and prepare for tomorrow.

Unless otherwise indicated, all data in this Market Snapshot is from this Incisiv's industry data pool.

Industry Challenges

Apparel & Specialty retailers faced an unprecedented 2020. This has lead to massive changes across the enterprise.

Apparel & Specialty retailers have to adopt a business model that enables more flexibility in uncertain environments.

New Operational Requirements

New requirements such as store-based fulfillment, curbside pickup, limited fitting room policies and rigorous safety protocols have made store operations more challenging than ever. Retailers must prepare for these requirements to be permanent and plan their strategies accordingly.

80%

of apparel/specialy consumers expect to increase BOPIS and curbside pick-up over the next 6 months.

New Labor Requirements

To account for new operational protocols, apparel /specialty retailers must re-train workers on new roles (curbside and fulfillment, appt based customer service), new responsibilities (cleaning, COVID policy enforcer) and altered peak times. Retailers must think about the role of systems in this new environment.

80%

of shoppers are 'likely/very likely' to only communicate with associates digitally over the next 6 months.

New Shopping Behaviors

Digital behaviors learned during 2020 will last into 2021, which means stores will play an expanded role in the buying journey. Retailers must adjust operational processes and systems requirements accordingly.

91%

of shoppers miss shopping in stores, and "getting out of the house" is one of the top three motivators for future store visits.
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Source: Incisiv Research

Shifting Consumer Priorities

Consumers truly miss the shopping experience and want to return to stores. However, they have developed different expectations, and those must be met.

Consumers who have been limited to their homes want to return to their favorite stores, but have new definitions of 'experience'.

Safe

Consumers, as well as associates, must believe they will be safe if they are to return to stores on a regular basis. Beyond distancing, limited capacity stores, contactless checkout, and well designated cleanliness, protocols are now top of mind for consumers.

Immediate

The advantages that stores offer in immediate gratification need to be leveraged further as consumers want a quicker shopping experience that requires either minimal in-store time or no in-store time and involves curbside pick-up.

Digital

The segment is quite mature when it comes to digital but consumers increasingly want to leverage digital in stores for pickup/checkout, promotions and returns as well as for reviews and social posts

Safety is #1

It's the most important factor that consumers weigh before visiting a store.

Speed of Checkout

of an in-store purchase is the second most important factor for shoppers.

41%

of shoppers have had an online order delivered from a nearby store in the last 30 days.

Source: Incisiv Research

As stores begin to return to normal hours, operational processes will be much different than pre-pandemic.

To enable new safety requirements and new consumer expectations for apparel/specialty shopping, retailers need to rethink their systems approach.

Operating a 'non-essential' retail store in 2021 will require a fundamental re-imagining of the physical location as well as all of the operational processes and the underlying technology that supports it. There are four core imperatives that operators need to focus on to ensure survival in 2021 and beyond.

The 4 imperatives of the redefined store environment
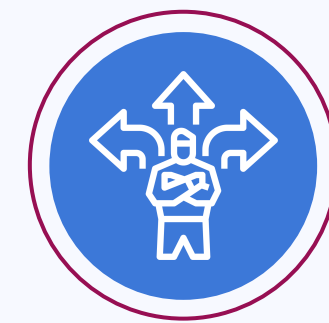
Flexible

Technology that can quickly adapt to the required changes to the store environment is now table stakes.
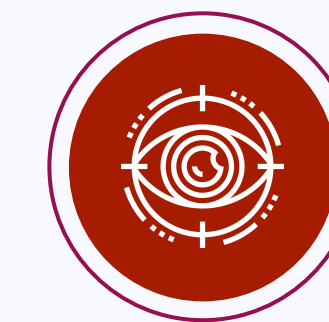
Contactless

Associates and consumers expect a seamless experience with as little contact as possible.

Experiential

The experience is defined more by convenience and safety now and consumers will judge brands by this new paradigm.

Future-Proof

Investments today need to scale long-term so must be open.

#1 Flexible: Stores must have technology that can be leveraged regardless of operating environment.

Apparel and specialty retailers were forced to completely change their businesses as online sales and limited hours became the de facto operating environment. This new environment highlights the need for point of sale systems that are flexible enough to operate in multiple use cases such as delivery/pickup staging area, curbside, or kiosk check out. This means a solution that offers multiple configurations to accommodate various levels of consumer interaction. In addition, a modern point of sale must have the ability to interact with consumer technologies (e.g. mobile phones & tablets) that have become the starting point for most consumers in the buying journey.

Jeanne Aiken
Channel Sales Executive
Toshiba Global Commerce Solutions

The pandemic has forced retailers to transform the way they do business. Our TCx800 All-In-One POS provides the flexibility needed to use a single platform across multiple touchpoints in the store i.e. physical checkout, self service, inventory lookup and tracking, thereby increasing order speed, accuracy and efficiency. As a result the shopper experience is significantly enhanced.

Kevin Kennon
Regional Vice President, Retail Sales
Pomeroy

One of the most critical factors in achieving employee and customer experience nirvana is the technology that enables this continually evolving journey. Core infrastructure must be highly available, multi-purpose, and extremely secure. Retailers often express frustration with the ever-increasing costs of maintaining disparate systems and are looking for ways to engage customers in all their current and future points of experience, without having to layer on yet another device. Toshiba has solved this challenge with the TCx800.

BED BATH & BEYOND®

is spending $250M to remodel stores into three different store formats, each with different systems requirements.

473%

Average increase in online orders fulfilled by stores Q2 2020 vs. Q1 2020.

★macy's

Spending $ 400 million to remodel 150 stores and add technology to make operations more flexible.

71%

of retailers' store teams can not currently manage engagement, checkout and fulfillment tasks via a single interface.

#2 Contactless: Consumers & associates now expect a low-touch buying journey.

Prior to the shutdown in March 2020, very few retailers were prioritizing contactless technologies as their primary perceived value was faster throughput. Since the pandemic began, the value of contactless has increased tenfold as the need to operate in a clean, safe environment requires these technologies. Providing consumers with an easy way to order, pickup, and pay seamlessly is now an expectation. Legacy systems are not equipped to manage many of the operational requirements necessary to provide a frictionless experience. For many retailers, timing is poor for a complete systems migration as revenues are way down. In that case, retailers must look at a solution that can support a legacy environment while offering new functionality to enable a low-touch/no-touch experience.

Jeanne Aiken
Channel Sales Executive
Toshiba Global Commerce Solutions

Retailers are looking to technology to help provide the experience that shoppers come to expect now. Shoppers now require contactless experience not only at payment but also at order and fulfillment. Partnership with technology providers like Intel or Pomeroy is key and now a "must have" to survive. The Toshiba TCx800 All-In-One POS is a robust system which can easily integrate with digital and mobile solutions thus easing interoperability struggles.

Kevin Kennon
Regional Vice President, Retail Sales
Pomeroy

The store is an extension of the growing beloved digital experience. Customers expect a seamless way to purchase and return inventory, engage with knowledgeable associates, and enjoy an overall frictionless journey. Now more than ever safety is top of mind. Clean carts, space to browse, and contact free options are table stakes. Each point of experience must easily integrate within the full technology ecosystem to deliver this essential requirement.

79%
of consumers say a contactless store pick-up is very important to them.

58%
of merchants now accept some form of contactless payments, up from 40% in 2019*.

10%
of apparel retailers offer same-day expedited delivery.

35%
of apparel retailers now offer curbside pickup, up from just **2%** in 2019**.

*NRF Sept 2020 **DigitalCommerce 360, June 2020

#3 Experiential: While 'experience' has been redefined, it is critical to the apparel consumer's shopping journey.

The allure of shopping for apparel and specialty goods was often 'the hunt' and the experience a retailer could bring a consumer through high touch service, product expertise or ease (buying, returns, etc.). In 2020, consumers are putting even more value on ease/convenience, which includes the ability to see in-store inventory prior to a visit. In addition, consumers demand a safe shopping experience that still enables the joy of shopping. This means new technologies to enable a a contactless experience and fast throughput. Convenience can be enabled with a modern POS that offers quick checkout and can easily be integrated with other systems across multiple store environments.

Jeanne Aiken
Channel Sales Executive
Toshiba Global Commerce Solutions

The Toshiba TCx800 All-n-One Platform is designed with retail in mind. Retailers can use this retail hardened platform across multiple use cases in the store - in the traditional cash wrap, mounted on a poll for associate inventory/order look up, or for associate/consumer product education, on a cart outside the store to track curbside or in store pick up. The TCx800 POS is designed to survive in the harshest retail environments. In use, this system and its associated Toshiba peripherals are subject to people (both employees and customers) touching the equipment as part of normal operation. The system can be left powered on while cleaning to avoid downtime with the customer.

TED BAKER® LONDON

is leveraging AR/VR to enable shoppers to try on clothes without physically putting them on. This offers both an experiential and safe environment for their shoppers.

THE HOME DEPOT

Deployed AR/VR capabilities on mobile and mobile web for home decor, furniture and, most recently, its Halloween decorations.

NORDSTROM

Launched virtual suit station for men to design own suits and fit those on an avatar.

Kevin Kennon
Regional Vice President, Retail Sales
Pomeroy

Consumers will engage with brands that delight, plain and simple. How they engage in the physical store will be in a much more connected way, and they expect retailers to continually sense what they want without them having to overtly state it. The only way to get there is through technology built to enable and grow with continuous integration and deployment. Experience is an ever present journey that must be cared for an nurtured; legacy infrastructure is a chief stumbling block in this area for many retailers.

#4 Future-Proof: The pace of change requires solutions that can scale with growth and adapt to changing requirements.

As they say, the only constant is change. The priorities that define the store environment today will continue to evolve as the pandemic subsides and as consumer slowly return to a new normal. Retailers must drive decisions that deliver long-term value from their technology so systems must have the capability to adapt to changing priorities. There has been a trend towards a platform based approach as it enables retailers to be more agile across multiple environments and more resilient when facing a change in the operating environment. The term 'retail-hardened' has long been a part of industry vernacular, but it rings especially true when retailers face unprecedented events like a pandemic. A system that can stand up to today's harsh retail environment and can be integrated with many of the new digital applications that consumers expect will be critical in the long term for retailers.

Jeanne Aiken
Channel Sales Executive
Toshiba Global Commerce Solutions

As stores continue to evolve to meet the demands and unprecedented spike in e-commerce ordering, they need to invest in a robust platform that has the flexibility to meet the changing requirements. The TCx800 All-In-One POS offers "Together Ports" that provide multiple connection options for digital and mobile devices and the native USB-C provides for future expansion.

Alec Gefrides
GM, Products and Technologies Group
Intel

Technology constantly evolves to deliver increasing value and support to the store environment. The infusion of AI capabilities into stores is critical to optimizing operations and truly understanding your customer base. Retailers and customers alike also need the flexibility to remain resilient and adapt to a situation like a global pandemic. Toshiba is building robust, flexible, and beautiful solutions that can adapt to the ever-changing needs of POS, Kiosk, and Self-Checkout.

ascena
RETAIL GROUP INC.

Deployed a **headless commerce** strategy for better customer experience online and seamless omni-channel operations.

Digital share of apparel and department store revenue will increase to **70% by 2025** compared to an earlier forecast of 54%.

Frictionless Experience: 85% of top department stores and home improvement retailers are investing in AI for personalisation.

Next Steps

Quick start recommendations

There is little doubt that technology will be the enabler for the redefined requirements for apparel and specialty retailers. While revenues are down and capital is tight, retailers have to look at technology and systems as an investment to ensure their viability going forward. Measured steps can be taken, however, and we recommend:

Follow the consumer: Gain an understanding of what core consumers want from your locations and which behaviors will be long-term.

Map the experience: Work with cross functional internal teams to map the many experiences your customers desire from a process and technology perspective.

Build enabling roadmap: Research and test technologies that enable the experience you're looking for. Be sure to know the interoperability and complexity of the integrations into the core platform.

Start with the core platform: Look for a POS that can drive multiple components of the retail experience and is flexible enough to enable integrations that will drive a frictionless experience for both consumers and associates.