

Omni-channel retailers need to align the orchestration of goods and people to deliver personalized experiences across all physical and digital customer journeys. To do this, they will need a modern, adaptable, and secure platform that is cloud and edge enabled.

Clearing the Hurdles and Maximizing Value in Current and Future Store Operations

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Questions posed by: Lumen Technologies

Answers by: Leslie Hand, Group Vice President, IDC Retail Insights

Q. What customer experience drives the best retail outcomes these days?

A. Time is money for the customer and the retailer.

Customers want an experience that is tailored to their needs in the moment as they shop among physical and digital retail properties. Sometimes they will linger, and sometimes they are in a hurry. The experience that drives the greatest customer satisfaction and the best retail outcomes requires greater attentiveness to customers: Can retailers see them? Do they understand them (in the moment)? Can they engage them? Can they meet their customers where they are?

The new spin on personalized experience will connect personal needs with the shopping journey more deeply. Yes, we are getting very close to being able to connect our refrigerators and pantries to shopping lists, pick lists, and wayfinding instructions. Even without the automated in-home piece, the well-prepared shopper could build a list to cut time in the store and then touch a button on screen to place an order and have someone else pick the goods for delivery or curbside pickup.

Retailers want customers to visit the physical store more frequently and to linger as much as possible because time in store often translates to shopping carts full of goods. But in what has become a truly blended omni-channel experience for customers, the best outcomes are driven by the efficiency with which people and goods are brought together on the store floor, curbside, or via delivery. Employees will be directed to move goods, to support customer experiences on the sales floor, and to provide links through guided online, augmented reality (AR), virtual reality (VR), and chat-driven experiences.

For retailers, moving more goods through the store faster produces optimal growth, product movement, and profitability, as well as the best opportunity to build loyal customer relationships that ensure the sustainability of customer lifetime value. Both customers and retailers have the experience they want when the omni-channel experience is digitized and personalized.

Q. We have talked about personalizing experiences for years, but how can a retailer realistically grow both average transaction/cart size and customer lifetime value given privacy concerns and the changes coming regarding the use of third-party data?

A. A retailer needs to develop a trusted relationship with the consumer that is at once intimate but not creepy. The value of that experience needs to exceed any disruption of experience. This objective translates to convenient real-time engagement throughout the journey, not to preplanned marketing that is disconnected from the consumer's shopping mission. The customer wants to feel understood and appreciates good advice and support but does not want to waste time. As Apple and Google plan to disallow cookies to be used on devices in the future, retailers will need to own the relationship, the data, and the experience to grow sales and customer loyalty. Developing a single view of the customer that connects the journey to the personalized offers on the customer's device has never been more important.

Real pressures to develop a more personalized customer experience can add operating costs unless careful consideration is given to how these capabilities will be supported most efficiently, keeping both immediate and future needs in mind. Retailers should plan accordingly.

Q. How can retailers improve store traffic and move goods efficiently through the store (customer count and units sold per hour, inventory turns, gross margin return on investment)?

A. Think of the store as a conduit for the movement of goods and people, where both customers and employees can accomplish their missions easily as they move through the store's aisles. To orchestrate a more seamless and frictionless experience, retailers must prioritize the following:

- » **For the customer:** It is important to connect the dots between real-time customer traffic, sales, product inventory, and employee productivity. Retailers do this to some extent already, but "real time" is the element that is new. Retailers need to augment the experience by enabling the convergence of the shopping list and digital/physical cart, wayfinding, digital shelf, and mobile engagement for product information. They should turn on capabilities that tie digital and physical carts so closely together that customers shopping in a physical store can add digital products to their carts and have the products shipped home as part of the same transaction. For some formats, checkout will be fully automated, but in most self-serve checkouts, contactless payments will be enabled. Further, retailers need to enrich the experience with digital streaming to big screens or small screens, utilizing services such as augmented reality for placement of goods or fit validation.

» **For the retailer:** Product management and customer satisfaction are the top two priorities. Multiple factors are in play, including how well inventory is moved and presented and how well staff is directed to manage and execute the jobs to be done. Ultimately, delivering high customer satisfaction leads to greater loyalty, and great service starts with visibility into product inventory and ends with great consumer experiences. With the focus on real-time inventory visibility in omni-channel retail, task management and automation have risen to the top of the list of capabilities that need to be enabled. Knowing precisely what is in stock is a requirement, particularly as product movement increases due to online ordering, curbside pickup, and delivery processes. Retailers will achieve accurate inventory visibility by checking placement and quantity on the shelf via computer vision, mobile devices, or robotics. The same technologies will be applied to improving in-store operational execution by coordinating the movement of people and goods. Traffic monitoring and task management applications can make employees more productive and automate the movement of goods including the in-store put away, restocking, picking, packing, curbside, and delivery process.

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Q. What do retailers need to do to support a highly efficient and satisfying infrastructure environment?

A. What has been described thus far sounds like retail nirvana — real-time visibility and optimized activities in store enabling a symphony of perfectly orchestrated processes. However, there is an associated cost/benefit that needs to be evaluated for each technology that is deployed as well as for the ultimate performance of all technologies in unison. Therefore, it is critical to have a road map outlining all technologies being utilized as well as the individual use cases that will be deployed. This vision needs to be fungible as the retailer will reprioritize or discover new needs over time. Flexibility is the key to ensure that all systems continue to meet expectations and remain sustainable from a cost/benefit perspective.

Legacy store systems do not meet these criteria unless they have been rebuilt/updated from the ground up to support modern operational needs. The fundamental infrastructure that all store systems run on needs to be optimized to support the movement, management, and utilization (insights and automation) of data.

As application upgrades and deployments sway increasingly toward cloud, retailers need to decide how they should regulate data movements and insight creation across their networks (i.e., when and where data and insights needed in real time should occur versus those that can bear some latency). To help address this issue with regard to cloud/edge implementation, retailers may want to consider:

- » Optimizing IT performance and experiences by intelligently managing workloads and consuming IT resources as necessary via cloud, edge, and on-premise capabilities
- » Making the decision about where to store data and execute analytic processes based on volume, velocity, security, and immediacy requirements
- » Accounting for the need to easily integrate, turn on, or scale capabilities (including apps, interfaces, digital assets, and physical assets)

Q. Where is edge computing on the retail investment horizon, and how are investments in it justified?

A. IDC Retail Insights predicts that by 2025, digital shelves, real-time inventory visibility, robotic fulfillment, and automated checkout will accelerate investment in connected store edge platforms by two years and 10x over forecast levels (*IDC FutureScape: Worldwide Retail 2021 Predictions*, October 2020). According to IDC's July 2020 *Industry IT and Communications Survey*, 90% of retailers reported interest in edge investment. However, momentum is still building for wide-scale deployments, with nearly twice as many retail respondents (36.8%) planning on utilizing edge capabilities in store in three to five years versus those planning on doing so in one to two years (19.3%).

Survey respondents justified the trend toward wide-scale deployments based on the following benefits: improved utilization of data (insights and automation) in real time, improved cost/benefit of networking, and optimized data storage management. All lend support to improving both customer experience and employee productivity.

If everything goes according to the retailer's plan, the digitization and modernization of the physical store/omni-channel hub will result in decreased operational costs, increased inventory turns, and improved customer satisfaction and loyalty that lead to organizational revenue and profitability improvements. In fact, IDC believes that modernization of omni-channel operations will enable up to 50% faster checkout times, 10% staff productivity improvements, 25% more inventory turns, 40% reductions in shrink, and 200% improvement in customer loyalty.

About the Analyst



Leslie Hand, Group Vice President, IDC Retail Insights

As Group Vice President for IDC Retail Insights, Leslie Hand is responsible for the research direction for IDC Retail Insights and leads research related to the digital transformation of retail omni-channel operations. Hand works with retailers and technology providers on developing best practices and strategies, aligned with where they are and where they want to go, leveraging IDC quantitative and qualitative data sets.

Ms. Hand's specific research includes a particular emphasis on cloud-based and data-enabled connected, contactless, mobile, IoT, and augmented/virtual reality technologies and the threats and opportunities now facing the entire retail ecosystem from evolving consumer behaviors.

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