STORE OPERATIONS
PRACTITIONER

You are in the midst of your digital transformation.

This assessment will help you identify the best steps for you to take to progress to the next stage.

- You adapt your store based on last month's trends, you currently use a single source of data to inform operations, and you understand your neighborhood.

- You collect data at different touchpoints but have not yet integrated it to personalize customer relationships.

- When it comes to employees, you have adopted some tools that make it easier for them to fulfill basic responsibilities, and you free up some of their time so they can proactively add value to the customer experience.

- You are using technology efficiently to address the wide range of new demands placed on your business.

What's next?

As you plan your transformation, you should improve your store's flexibility to better anticipate and adjust to customer needs and demands in real time. You should start gathering data from various external sources to understand how multiple factors, including weather, foot traffic and local events, drive demand. This approach to integrated advanced analytics will allow you to better predict customer needs. You should also use new tools to empower employees. As a result, your operational model will not only anticipate and adjust as needed to meet business demands, but also act on new revenue opportunities.

Your Action Plan

- **Refine your roadmap:** Identify strategic partners who can help map out your digital reinvention strategy and your cost takeout. A strategic partner can help you determine your digital strengths and prioritize areas where you can improve. Begin with a few small "get started" proof-of-concept projects that will enable you to demonstrate early results. These will help build trust as you tackle larger projects.

- **Turn store associates into brand advocates:** Hire, train and retain employees who will function as brand ambassadors. Arm them with mobile and wearable devices that provide insights such as a customer's purchasing history and deeper product knowledge, and encourage them to provide recommendations so they can cross-sell and upsell. Associates can engage with customers via chat, text, email and video wherever they are.

- **Hyper-localize your offer:** Continually align every aspect of the store—location, assortment, content, prices and services—with hyper-local neighborhood dynamics. Gather data from external sources about multiple factors, including weather, foot traffic, local sports and music events, to better understand how these events affect consumer behavior and better predict demand.

- **Rethink your space:** Change your idea of a store from a physical space to a platform with physical and digital elements that can be adjusted based on consumer behavior. Cloud-based applications and machine learning can draw actionable insights from sources such as e-commerce sites, third-party market data and Internet of Things (IoT) behavior-tracking sensors. Interactive digital displays, like electronic shelf labels and digital signage, can provide relevant content and pricing information to customers. They can also present personalized offers based on past shopping history and gather useful data on shopping behavior.

    Find out more: ibm.com/retail-operations

The Landscape

The brick-and-mortar store is in the midst of a transformation. The footprint and layout are changing as retailers develop different ways of engaging with customers that leverage the physical and experiential elements of a traditional store while providing easier, tech-driven ways to shop. In addition to their conventional role as sales channels, stores are also now becoming distribution and fulfillment centers.

Indeed, the definition of "store" is changing. It now includes variations such as "pop-ups," or temporary stores, that allow brands—both brick-and-mortar and digital-first—to test a new market. "Stores" can also encompass fully automated, online-order pickup lockers and towers inside grocery stores and big-box stores, which draw online shoppers, who often make additional purchases when on-site. In addition to experimenting with new physical formats, retailers are seeking to differentiate their brands and nurture brand communities with pre- and post-sales services, including in-store social events (like cooking classes) and useful online content (like DIY guides).

Most of the competition is at the same stage as your company. While many retailers have started to bridge digital and physical operations—through options like online shopping and in-store pickup—they are still fine-tuning same-day and home delivery. Retailers have piloted several digital experience-enhancing and data-collection solutions, but struggle to measure results and roll them out economically. Additionally, the overall technology suite is still inflexible and costly to manage, and it has not yet achieved significant ROI in most cases.

It's also worth noting that when it comes to payment processing, Asia is more advanced than Europe and North America. Asian retailers allow customers to pay with their mobile apps and use facial recognition to verify identity.
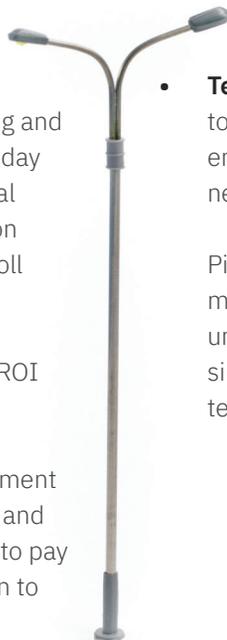
Challenges

- **Increasing price pressure:** Modernizing stores is expensive. Even seemingly small costs can expand considerably when multiplied by the number of stores in the chain.

  This creates pressure to demonstrate rapid ROI for every new initiative. In addition, increasingly price-sensitive consumers place downward pressure on gross margins.

- **Changing consumer expectations:** Giant online marketplaces have redefined what "value" means to consumers.

  Consumers no longer evaluate potential purchases based on price and availability alone; they also expect community feedback, such as reviews, and detailed content about the product, including product specifications and comparison charts.

  Consumers bring these expectations with them when they shop in brick-and-mortar stores.

- **Technology choices:** From cloud-based solutions to handheld mobile tools that empower store employees, a dizzying array of technologies is needed to modernize the store experience.

  Picking the right ones to roll out first for maximum impact presents a challenge, as does understanding investment return timelines, since short-term technology expenditures can temporarily reduce earnings.

Changing the Perspective

Blending the digital and physical store.

Problem: Nourish, a Chinese supermarket chain, recently opened 65 new stores and wanted to create a new food shopping experience for consumers that would help it stand out amidst a crowded marketplace.

Solution: Nourish created a hybrid of digital and physical shopping experiences that enabled customers to shop, dine or order groceries for delivery through their mobile phones and make payments using facial-recognition technology.

The mobile app uses big data analytics to remember purchase preferences and make personalized recommendations.

Personalizing the customer shopping experience.

Problem: Potter Paints' customers found it challenging to choose between thousands of paint color options because they couldn't visualize which colors would look best in their homes.

Solution: Potter Paints created a color visualizer app that uses color-matching technology to evaluate people's favorite photos and create a personalized color palette with all the corresponding Potter Paints shades.

The app then enabled users to upload photos of their homes and try out various color options to get a feel for how they would look in daylight and artificial light. The app has been downloaded by close to 3.5 million people.

Only 22% of retailers plan to increase the number of physical stores or selling spaces in the next two years.
Source: 2017 IBM Institute for Business Value study, "Next-Generation Retail Store Performance Data and Benchmarking Database."

In a survey of 12,800 C-suite global retail executives, 71% expect a greater emphasis on customer experience than on products over the next few years.
Source: IBM Institute for Business Value + Oxford Economics Report, "Retail Incumbents Strike Back."

Opening one new physical store results in an average 37% increase in overall traffic in the region on that retailer's website, compared with web traffic prior to the store's opening.
Source: "The Halo Effect: How Bricks Impact Clicks." ICSC.

For emerging brands (those that are less than 10 years old), new store openings drive an average 45% increase in web traffic.
Ibid.