

BY JOE SKORUPA

IMPERFECT IN-STORE EXECUTION

The secret to improving the customer experience is reducing in-store errors

Millions of items in retail chains are touched many times each day. This is a normal way of doing business in retail stores that begins each morning with a controlled measure of order, proceeds to organized chaos during selling hours, and returns to order in the evening when the doors close. This complex, labor-intensive process is how business is conducted in the world of brick-and-mortar retailing and it produces a wide range of error rates that drag down efficiency, productivity and revenue.

Since these error rates have been consistent over time, retail executives are smart enough to factor them into their forecasts for sales, margins, replenishment, promotions and inventory turnover. But what if executives didn't have to include significant error rates in their budgets and plans? What if they could reduce the error rates by tightening merchandising compliance, promotional pricing compliance, out-of-stock replenishment, and other tasks managed in the store?

No need to answer this question. The answer is obvious. What we really want to know is why and what we can do about it.

This is the important topic covered in this month's *RIS* Custom Research report, where we explore the store's ability to execute critical processes on a timely and consistent basis in such areas as merchandising resets, store workload, communication with headquarters, accurate store-level metrics and more.

The Store Execution Imperative

To get a sense of where retailers believe their biggest opportunities are in terms of in-store execution, as well as their greatest failures, we measured the difference between the "ability" to execute and the "value" it would bring if managed at a high level of compliance.

For example, we found that retailers identify stock-out replenishment as high on the "value" list — 8.2 on a scale where 10 is the highest value. (See Figure 2.) The problem identified here is that the "ability" of stores to execute stock-out replenishment processes only gets a 5.8 on a 10-point scale. This is the biggest gap uncovered between "value" to the organization and "ability" to execute the task.

Another big gap was found in promotions where there was

Figure 1

Rate the ABILITY of stores executing the following processes on a timely and consistent basis. (On a scale where 1 stands for lowest ability and 10 the highest.)

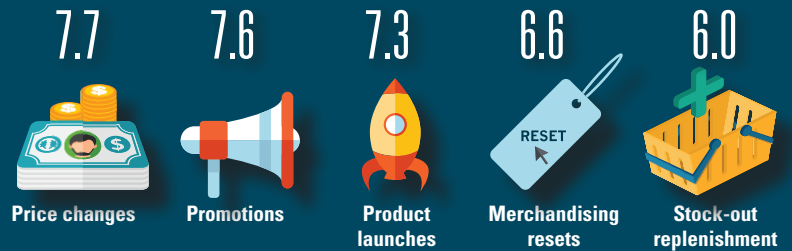


Figure 2

Rate the VALUE of stores executing the following processes on a timely and consistent basis. (On a scale where 1 stands for lowest ability and 10 the highest.)

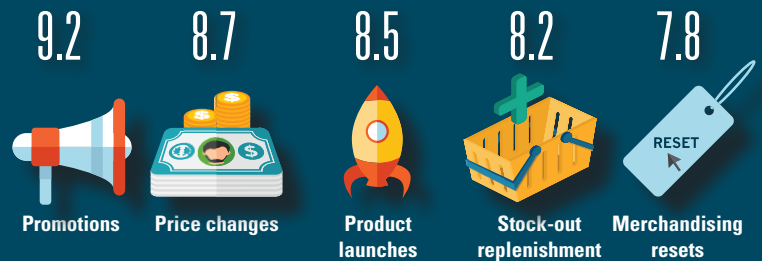


Figure 3

Which issues are preventing your stores from executing processes accurately and on time?



Figure 4

How accurate is campaign planning and delivery of all promotional materials to stores?

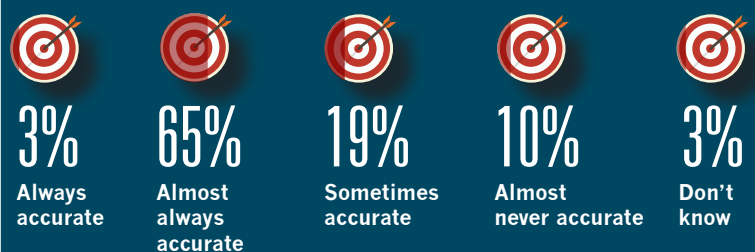


Figure 5

What are the obstacles that hinder in-store execution of promotional events?

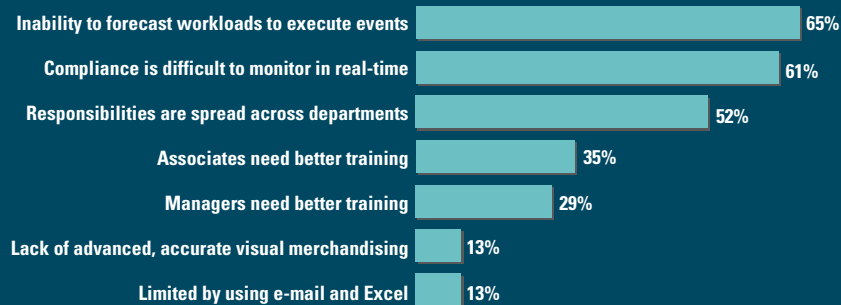


Figure 6

What factors increase the pressure on your team to improve and accelerate merchandising for promotional events?



Figure 7

Rate your stores' ability to respond to the following events. (On a scale where 1 stands for lowest ability and 10 the highest.)



Figure 8

How would the following areas be impacted by using software to help decision-making for product placement and messaging based on specific business rules? (Rank highest to lowest.)

- 1 Siloed data means store location metrics are inconsistent
- 2 Corporate and store teams are on different systems
- 3 Store managers have difficult time following corporate directions
- 4 Fixture inventory data is out of date throwing off counts
- 5 Ability to track campaigns and executions is limited
- 6 Resources to control what happens in stores are limited

A MESSAGE FROM RBM TECHNOLOGIES:

Retail experience can be the number one driver of growth for brick-and-mortar stores, yet for many retailers store environments are still imprecise, unmeasurable, and their merchandising efforts are still reactionary, unresponsive, expensive and difficult to execute.

Today at RBM, our mission is helping large retailers improve individual store performance. We help some of the largest retailers in the world simplify their retail supply chains, and strengthen the connection between Headquarters and the last mile of execution. We help them know and execute exactly what each store needs, and provide them with tools to measure retail experience with the speed, simplicity, responsiveness, compliance and repeatability of digital.

The results have been incredible. Our clients have seen increases in compliance based on repeatable execution, improvements in store conversion rates, and significantly lower merchandising costs.

But as an industry, we still have work to do. The research we've commissioned this year with *RIS News* quantifies some of the challenges we face as an industry, and helps us understand how we can continue to improve our technology to make creating the ideal retail experience simpler, more precise, more responsive, more seamless and more repeatable. We hope you enjoy the report, and here's to a profitable 2016.

See you at NRF,

E.Y. Snowden
CEO, RBM Technologies



a 9.2 score for “value” and a 7.6 score for “ability.” This indicates a huge disconnect between planned expectations and reality. As retailers prepare to set priorities for 2016 and beyond they would be wise to focus on strategies that can smooth out problems occurring in the stock-out replenishment process and in-store promotions, both of which are essential for improving store performance and customer satisfaction.

The top issue preventing stores from executing processes that are accurate and on time is heavier store workload (77%). Stores are now pick-up centers, drop-off points, shipping centers and full-catalog order hubs. Who handles all of these new tasks? The answer is the same staff that handled all the previous tasks. Additional staffing has not been allocated to most stores and the result is that heavier store workloads are by far the number one issue impacting store execution today. (See Figure 3.)

Two other big challenges also emerge in the findings — lack of visibility into compliance tracking (55%) and corporate initiatives need better planning and communication (48%). Tools to improve compliance tracking and planning and/or communication are critical for retailers who are serious about solving their biggest in-store problems.

Key Highlights and Takeaways

The study uncovered many other important takeaways including:

- Only 3% of retailers say that campaign planning and delivery of promotional materials to stores is always accurate. (See Figure 4.) Another 29% say that it is either sometimes accurate (10%) or almost never accurate (10%).

- The top three obstacles that hinder in-store execution of promotional events are: inability to forecast workloads (65%), monitoring compliance in real-time (61%), and responsibilities spread across departments (52%). Reducing or removing these major obstacles is necessary to improve the success of promotions. (See Figure 5.)

- The importance of the customer experience (61%) is the number one factor that puts pressure on retailers to improve merchandising for promotional events. The customer is king in retailing. A legitimate corollary to this law is customer experience is king, especially when it comes to successful promotional events. Additionally, customer experience is tightly linked to customer service (52%), which came in second on the list of stress factors that impact promotional events. (See Figure 6.)

- When we rank abilities to respond to typical retail challenges the two areas that tie at the top are weather-related events and late truck arrivals. Both can wreak havoc on store performance, so it is a good sign that retailers place them at the top of their effective response list. However, their scores were 6.8 on a scale that goes to 10, which means the ability to respond to these challenges is barely above adequate. On a scale that tops out at 10, a score of 5 is neutral. A score of seven (or 6.8) indicates weak effectiveness. This means that most retailers still

Figure 9

Which in-store execution factors negatively impact the ability to produce accurate, localized, on-time campaigns executed to a high standard of compliance?



Figure 10

Which aspect of an effective customer experience do you feel has the greatest impact on conversions?

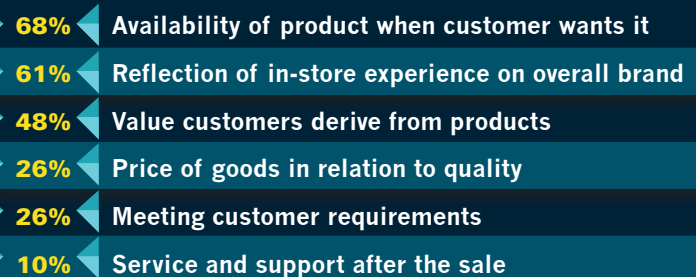
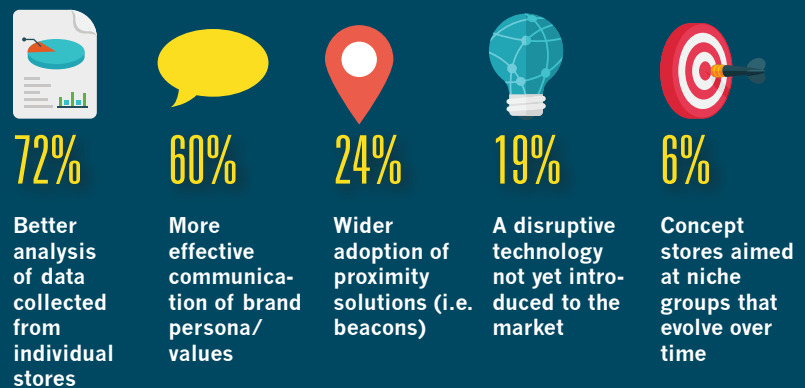


Figure 11

What technology or tactic do you see having a positive effect on improving the customer experience in stores in the next 12-24 months?



Custom Research

have a long way to go to improve these abilities. (See Figure 7.)

- Not all problems can be solved with software, but the top problem that retailers identified in this area is siloed data, which produces store metrics that are inconsistent. Coming in second place is a related problem — corporate and store teams use different systems, which is a form of siloed systems and also typically produces inconsistent reports. (See Figure 8.)

- An overwhelming majority of retailers identify one aspect of customer experience as having the biggest impact on conversions — availability of product when the customer wants it (6%). This is a corollary to other findings in the study that highlight the importance of stock-out replenishment. (See Figure 10.)

- The technology or tactic identified as having the biggest effect on improving the customer experience in stores in the next 12-24 months is better analysis of data collected from individual stores. Data collected after a promotion, for example, is essential to understanding what worked and what didn't. Data collected during a promotion (in real-time) is key to making mid-course corrections that can improve outcomes. (See Figure 11.)

Methodology

This study was conducted during the month of November and only senior executives from national or large regional retailers were invited to participate. The results do not include any store-level, field-level or regional employees. Only headquarters-level staff responses were included.

Conclusions

It is clear from the retailer data collected in this study that imperfect execution in stores is having a big impact on the customer experience and overall sales. Key areas of execution, such as stock-out replenishment and optimizing promotional events, are critical to growth but, unfortunately, they are often carried out in a way that is imprecise, unresponsive and reactionary. Instead of being a powerful engine for driving sales, many stores fail to live up to their growth potential and instead become sources of shopper frustration.

Findings in the study indicate that retailers should focus on creating more effective communication and collaboration between individual stores and executives at corporate headquarters. One element that is essential to make this work is eliminating corporate silos that reduce the ability get accurate metrics for each store. Solving this problem will increase visibility into individual store compliance and enable improving the last mile of retail execution.

Using advanced systems to enable compliance and the accurate tracking of store metrics will allow retailers to synchronize functions across the chain, execute events with precision, adjust processes to each individual store as needed, and improve the overall customer experience, which in the end is the key ingredient to ensuring retail success. **RIS**

Figure 12

What retail category does your company primarily fit into?



Figure 13

What was your company's revenue in the most recent 12 month period?

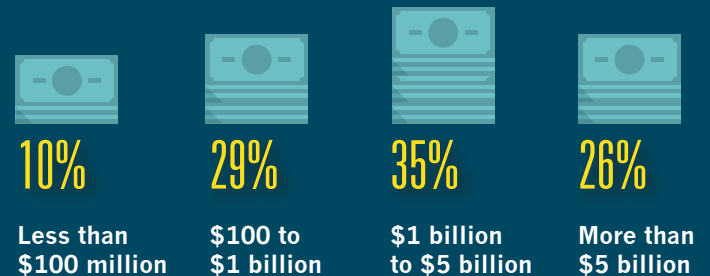


Figure 14

What was your company's sales performance in the most recent 12 month period?

