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IN-STORE FIREPOWER

In-store analytics offers retailers the tools to support fact-based decision making

The difference between online commerce and offline commerce is a study in sharp contrast. Online, retailers can accurately target prospective shoppers and streamline the path to purchase almost every step of the way. They can do this with confidence because of deep, accurate data collection (sometimes in real-time) and a business model that is built on fact-based decision making.

Offline, brick-and-mortar stores have difficulty detecting prospective shoppers and measuring their behavior anywhere except when they show up at the cash register. Compared to the online world, brick-and-mortar retailers are flying blind until the final moment of purchase. They are basing strategic decisions on past sales, educated guesswork, and gut instinct honed by patterns observed from a history of previous guesses.

The result of this process is a shopping experience that is on-target sometimes, off-target other times and disconcertingly inconsistent to the consumer at every physical touch point.

Fortunately, things are changing for the better. In the last few years there has been an explosion of new capabilities that deliver in-store analytic tools to retailers, which enable them to streamline the path to purchase in brick-and-mortar stores in ways that are similar to how it is done online. WiFi in stores, mobile devices, location sensors and mobile apps are rolling out in stores today. The data gathering potential from these tools can provide retailers with the same firepower that has made online shopping so successful.

In this RIS Custom Research report we take a look at in-store analytic capabilities and the impact they will have on brick-and-mortar business performance.

In-Store Analytics Maturity

As noted, brick-and-mortar retailers are flying blind by not gathering and analyzing granular data about the shopper's path to purchase in physical stores. But this is about to change thanks to shopper WiFi networks expanding throughout retail. Today, less than half (44%) of retailers say they have shopper WiFi networks in stores, but 28% say they will add them in the next 18 months. The addition of this number of retailers (or even half that figure knowing that many retailers often postpone slated projects) will make shopper WiFi in stores a main-stream feature throughout retailing. (See Figure 1.)

Figure 1

Sources of data currently collected in stores to use for improving store performance today or plan to add in next 18 months

	Today	Add within 18 months
POS (fixed or mobile)	84%	9%
Video	44%	9%
Shopper WiFi	44%	28%
Traffic counter at door	41%	25%
Mobile app	40%	38%
Kiosks	34%	13%
NFC (near-field communication)	19%	19%
Interactive digital signs	19%	38%
Mobile phone tracking (anonymously)	16%	38%
RFID tags in products on shelf	6%	19%
Virtual reality	3%	19%
Augmented reality	3%	19%
BLE beacons	3%	28%

Figure 2

Which mobile/wearable technologies do your associates currently use?



Figure 3

Maturity level in terms of in-store tracking and analytics capabilities

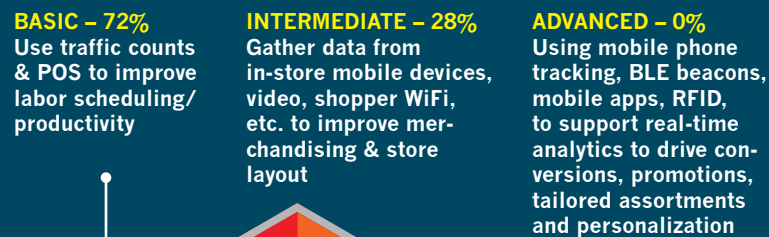


Figure 4

Analytic insights that have the most impact on improving store performance

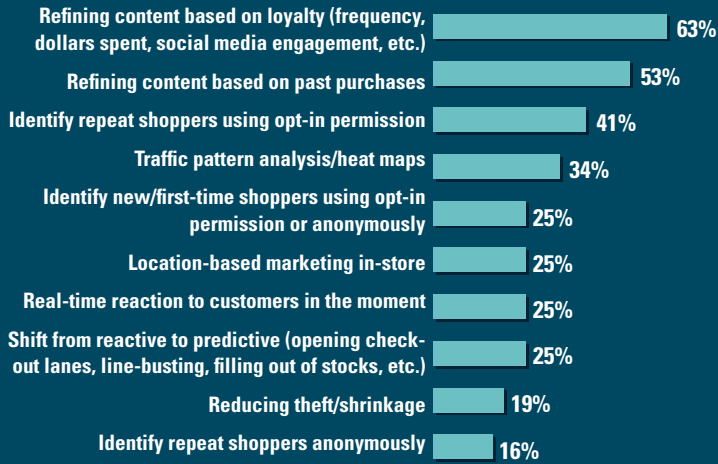


Figure 5

Top shopper mobile phone capabilities currently tracked



Figure 6

Top in-store analytic KPIs tracked

Traffic count (total and by the hour)	65%
Shrink	61%
Conversion rate	52%
Comparing store performance to benchmarks	48%
In-stock/out-of-stock rate	45%
Number of new/first-time shoppers	32%
Number of shoppers in the store	32%
Frequency of return shoppers	29%
Time spent in store	23%
Time spent in queue to checkout	23%
Number of shoppers that pass outside the store	16%
Dwell time	10%

INTEL INSIDE® A BETTER WAY TO RETAIL OUTSIDE.

Retailers often turn to Intel when they need help with today's biggest technology challenges. Right now, we're seeing three major trends in retail.

First, unified commerce. It's not just about omnichannel anymore. Retailers need to link all channels, so there's one version of the truth presented to customers no matter how they're engaging with the retailer. That means the same pricing, the same offers, the same product descriptions and inventory—essentially, the same brand experience—across all channels. Intel® technology can help create a foundation that un-silos these platforms and processes, so that everything works together seamlessly.

Second, data-driven decision-making. We can learn more about customers today than ever before, but the information can be overwhelming. When it's organized and presented well, we can use that data to cater to customers' needs and give them exactly what they want. This builds brand loyalty while also driving sales. For our part, Intel architects the retail experience to maximize the value of data collected, so retailers can make better decisions about inventory, pricing, marketing, and a variety of other activities.

And finally, digital disruption. We don't always know what's coming next, so it's critical for the retail platform to be flexible and scalable. That makes it easier to adopt new technologies, manage growth, or change business practices to keep up with new trends. We find that retailers turn to Intel® technology because, as a platform, it delivers the tools they need to better understand their customers, deliver amazing experiences, and do it all while protecting data and devices.

Intel powers a wide range of smart solutions that are easy for retailers to implement, quick to deliver value, and solve everyday problems in retail.

To learn more, visit intel.com/retail.



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Once those WiFi networks are in place retailers understand that new data gathering capabilities suddenly become available, such as anonymous mobile phone tracking to provide insight into shopper behaviors. Today, only 16% track mobile phones anonymously in stores, but 38% say they plan to roll it out in 18 months.

BLE beacons continue their long, slow roll out in mainstream retail. Today, just 3% of retailers say they have BLE beacons in stores, but a sizable 28% say they plan to roll them out in 18 months. Again, even if half end up postponing their BLE beacon roll out it will still amount to a sizable year-over-year jump.

The current flurry of activity in the digital transformation of stores raises a question about how retailers view their maturity level in terms of shopper tracking and analytic capabilities. When asked for a self-assessment, 72% of retailers say they have basic in-store tracking and analytic abilities, which can be tapped to use traffic counts and POS data to improve store labor scheduling to optimize productivity. (See Figure 3.)

About three out of 10 (28%) of retailers say they are at the intermediate level, which means they can gather data from some combination of in-store mobile devices, video, shopper WiFi or other means to improve merchandising and store layout.

Interestingly, no one says they have an advanced level of in-store tracking and analytic capabilities, which refers to a combination of mobile phone tracking, BLE beacons, mobile apps, RFID and other methods to support real-time analytics that can drive conversions, promotions, personalization and tailored assortments.

Offline Cookies

The top-three KPIs tracked in stores today are traffic counting (total and by the hour) at 65%, shrink at 61%, and conversion rate at 52%. (See Figure 6.)

Surprisingly, just two other KPIs are approaching mainstream adoption with high percentages: comparing store performance to benchmarks (48%) and tracking in-stock/out-of-stock rates (45%). The assumption is that the more data points a retailer tracks the more they can learn to improve store business performance. But the truth is that the KPIs retailers commonly track in-store, according to this report, comprises a relatively short list, which is another indication that retailers truly have a blind spot when customers enter a store. It also confirms the finding that retailers are truly at a basic level of in-store analytic maturity.

For those retailers who have in-store WiFi (or will have it within 18 months) the mobile phone capability that is highest on the priority list for gathering data is the ability to track in-store coupon redemption (44%) after it has been offered to shoppers. Second on the list, at 39%, is loyalty program check-in. And in third place is make a payment at 26%. (See Figure 5.)

As retailers move up the maturity ladder they will be able to take advantage of new strategies and services that will have a

Figure 7

Which retail processes currently link to data generated by in-store technologies and advanced analytic capabilities?

Store operations	74%
Labor management	68%
Marketing/promotions	55%
Merchandise management	48%
Replenishment	45%
Assortment planning	42%
Allocation	39%
Shrink management	36%
Category management	36%
Customer profiles/segmentation	29%

Figure 8

Effectiveness of in-store data coupled with advanced analytic capabilities in protecting against encroachment by Amazon

6%	33%	49%	12%
No effect	Minimal effect	Moderate effect	Strong effect

Figure 9

Effectiveness of using in-store data coupled with advanced analytics to support hitting future growth plans

0%	21%	39%	39%
No effect	Minimal effect	Moderate effect	Strong effect

Figure 10

6.8

Impact on business performance (sales, productivity, etc.) the Internet of Things will have as it harnesses in-store data gathering and analytic capabilities on a 1-10 scale where 1 stands for no measurable impact and 10 highest level of impact.



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major impact on improving store performance. These include refining content sent to shoppers based on the frequency of visits, dollars spent while in the store, and social media engagement (63%). Interestingly, this sophisticated capability comes in ahead of the option of refining content based on past purchases (53%), which is easier to develop. (See Figure 4.)

Key Takeaways

Several other key takeaways jump out of the data and charts. These include:

- The top three retail processes that are currently based on data generated by in-store technologies and linked to advanced analytic tools are: store operations at 74%, labor management at 68% and marketing/promotions at 55%. (See Figure 7.)
- Will in-store data gathering linked to advanced analytic capabilities help protect stores from encroachment by Amazon? A majority of retailers (61%) believe it will have either a strong or moderate effect. (See Figure 8.)
- A larger majority (78%) believe adding in-store data gathering linked to advanced analytic capabilities will have either a strong or moderate effect in helping stores hit future growth plans. (See Figure 9.)
- On a scale of one to 10, where one stands for lowest impact and 10 highest impact, retailers gave the Internet of Things a 6.8 rating for impact on business performance through improved data gathering and analytic capabilities. (See Figure 10.)

Methodology

This study was conducted during the month of April 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

Brick-and-mortar stores come equipped with numerous built-in strengths that cannot be duplicated online. Despite inherent strengths, stores can feel disconnected from services and conveniences that shoppers find online. This disconnect with the brand can lead to disappointment, friction, frustration and, ultimately, brand damage.

Channel-surfing consumers expect their shopping experience (both in-store and online) to be consistent. This not only means it is imperative to offer consistent services and conveniences, but it also requires retailers to gather the new sources of data and then use them to create in-store experiences that match expectations that have been shaped online.

Retailers currently rate themselves as being located on the lowest step of the in-store analytic maturity ladder, but the pace of adopting in-store WiFi, mobile phone tracking and BLE beacons will enable them to gather more data than ever before. Coupling this data with advanced analytic tools will shed light on current blind spots and enable stores to support a new era of fact-based decision making. **RIS**

Figure 11

Amount IT budget and store operations budget has changed in current year compared to last completed year?

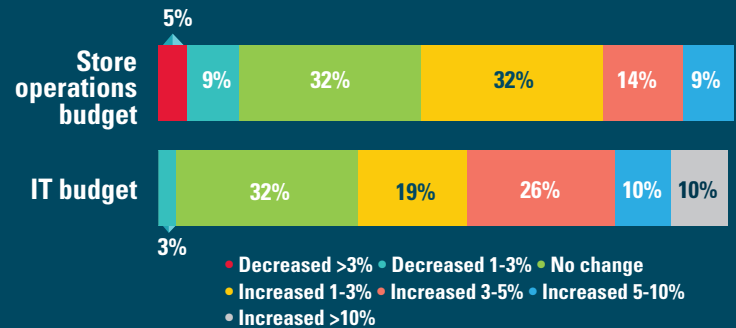


Figure 12

What is your organization's annual revenue?



Figure 13

How did your company's sales revenue perform in the last 12 months?

