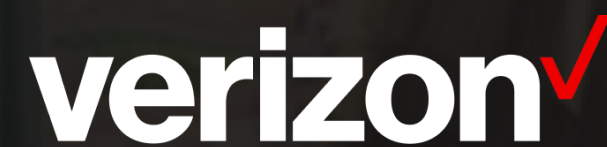




Market Research

2023 Connected Retail Experience Study: Operational Efficiency is the New Imperative




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INTRODUCTION

Why did we do this research?

Even though digital commerce has grown exponentially and occupied significant mindshare in the media, the fact remains that stores are as important as ever. Incisiv and Verizon have partnered on a multi-year research study to understand the store's digital transformation. In the 2023 study, we looked across retail segments to understand:

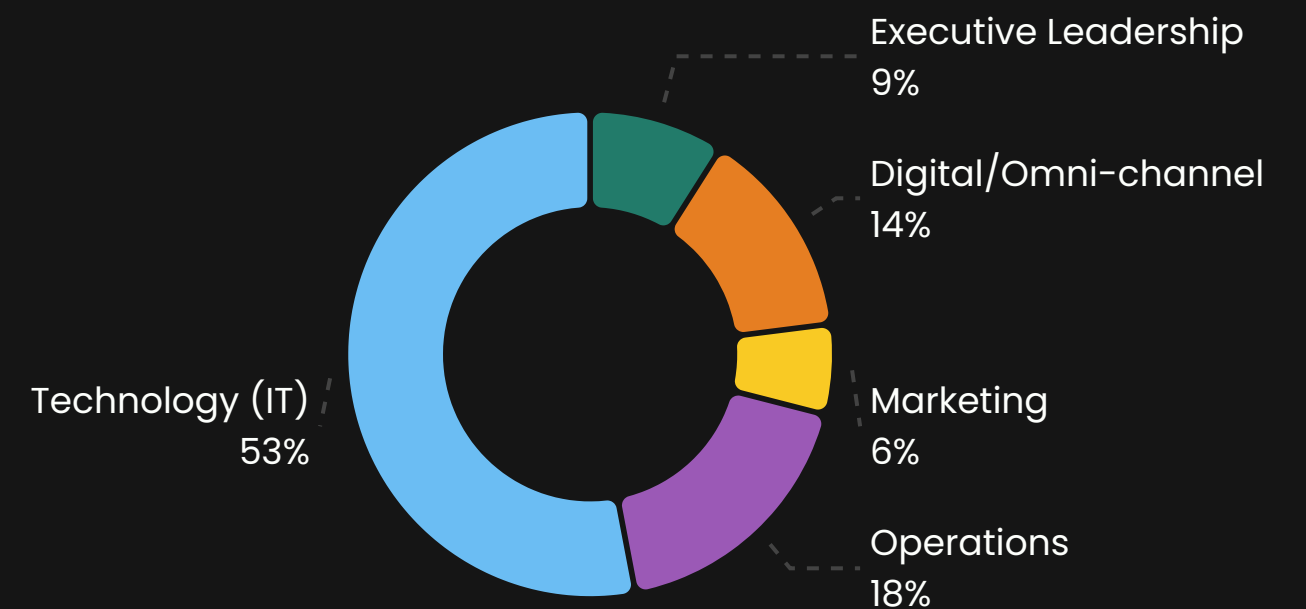
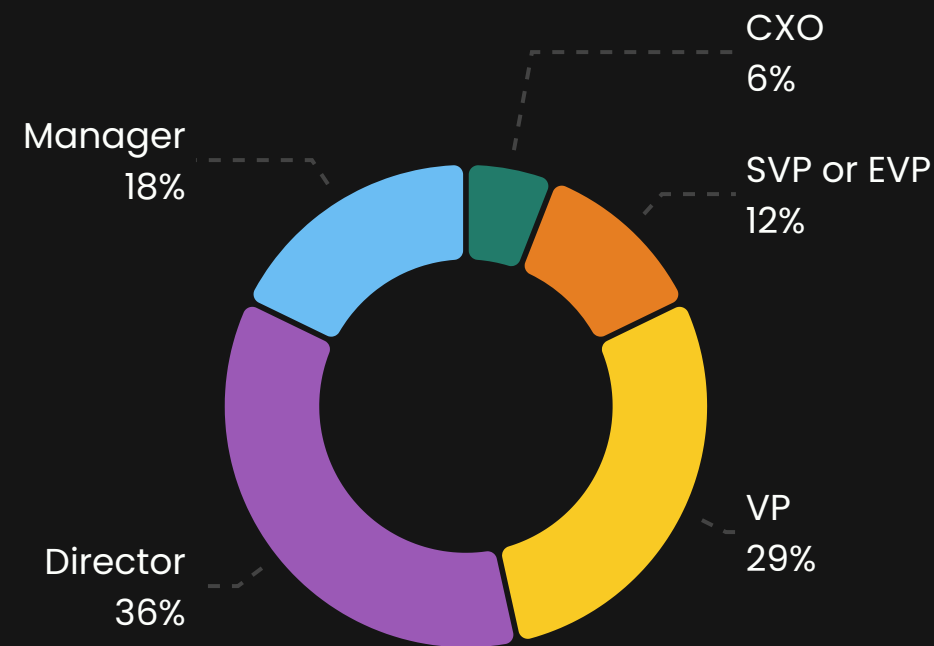
-  Where are retailers focusing their store transformation efforts? How has this changed over the last year?
-  What are their key technology priorities? How have they changed over the last year?
-  Are retailers' store networks capable of handling the increase in technologies in stores?

Research overview

107 retail executives surveyed

 **54%** Specialty & Department Stores

 **46%** Grocery & General Merchandise



Retailers must prioritize digital store transformation.

Retailers need to embrace digital transformation to meet evolving expectations of their customers. This transformation can't be restricted to digital channels, as the store continues to be the largest sales channel and a driver of long-term loyalty.

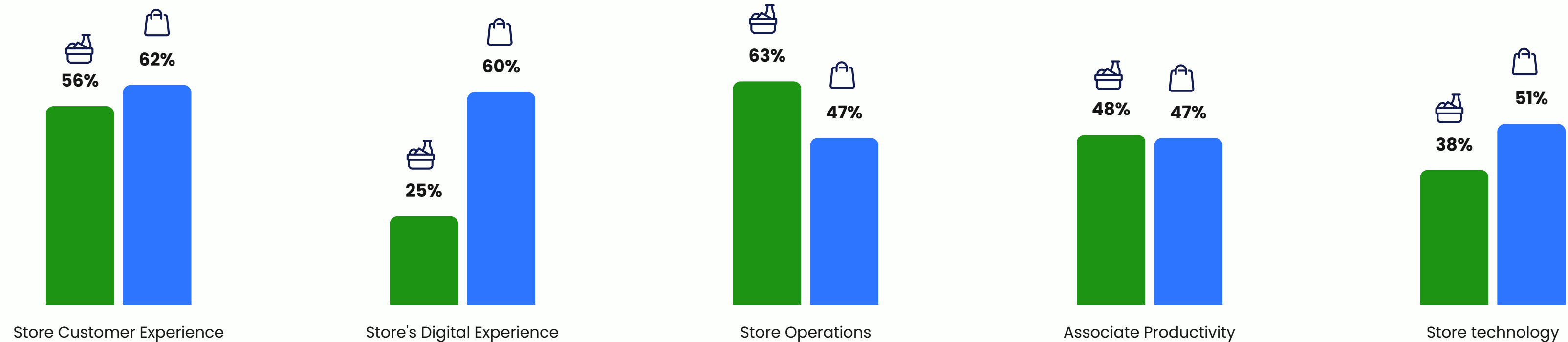
Although both grocery & general merchandise and specialty & department store retailers report being generally satisfied with their store experience, the gap between satisfaction levels widens regarding the digital experience. Only 25% of grocery and general merchandise retailers are satisfied with their store's digital experience compared to 60% of specialty & department store retailers. Retailer satisfaction with in-store technologies also reflects this gap.

Finally, the most significant and immediate challenge facing retailers is improving operational efficiency. Less than half of both retail formats are satisfied with their staff productivity and are actively exploring ways to improve it.



Retailer Satisfaction (%) With Their Business Performance

● Grocery & General Merchandise ● Specialty & Department Store

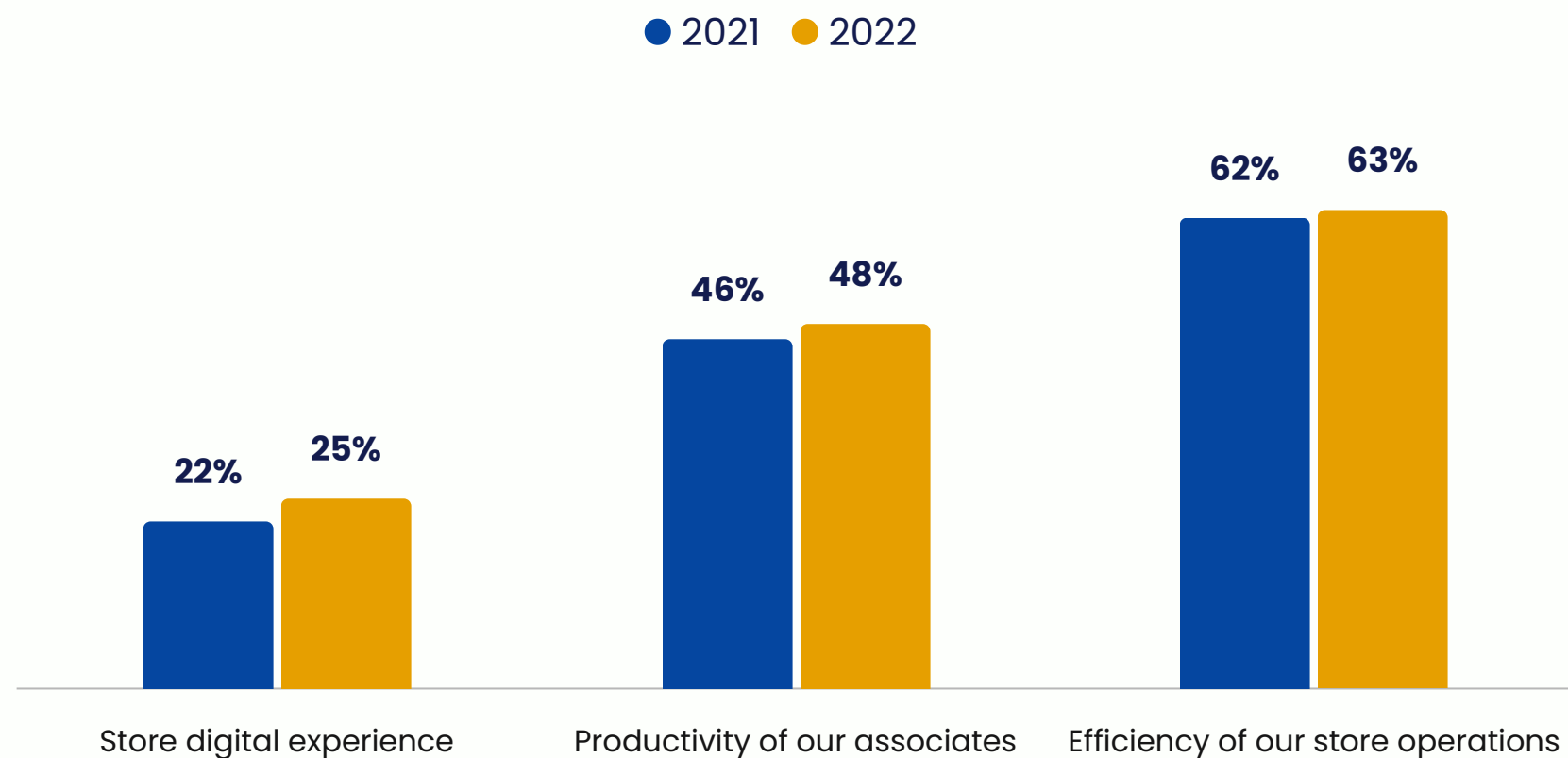


While satisfaction with the store's digital experience has improved over last year, it is still very low.

While grocery and general merchandise retailers' satisfaction with their store's digital experience is low, there is a silver lining. Their satisfaction with the digital experience increased in 2022 compared to 2021.


With the continued low satisfaction with the store's digital experience, there will likely be significant attention to adding more digital capabilities such as interactive digital signage, mobile app features (wayfinding, product details and personalized promotions) and scan and go checkout.

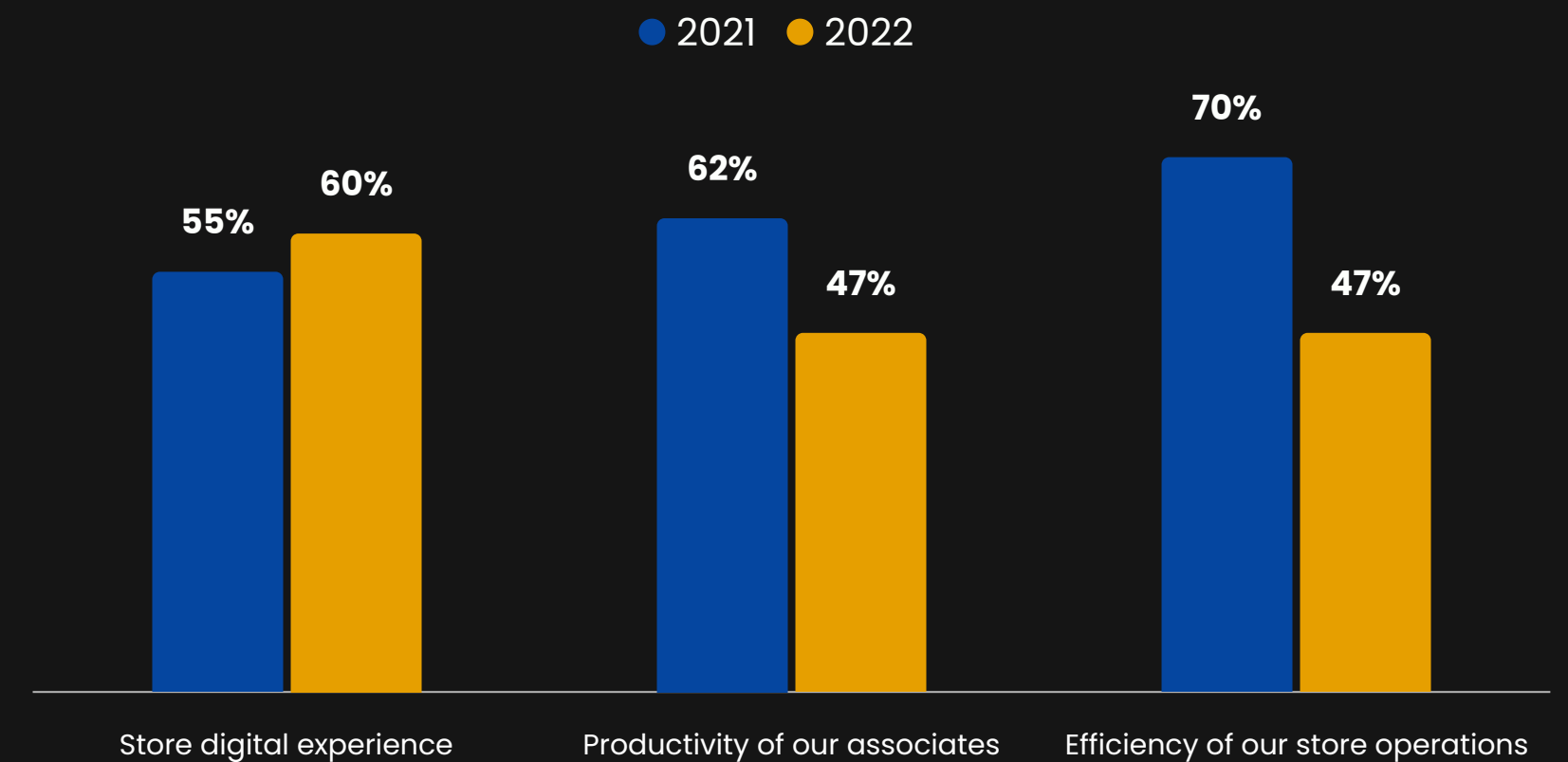
 **Grocery and General Merchandise Retailers**
Satisfaction (%) With Their Business Performance



Satisfaction with store efficiency and staff productivity has declined.

Specialty and department store retailers saw a drop in their operations efficiency and employee productivity. This drop may result from various factors, including labor availability, associate retention challenges, and implementation of new technologies or processes that are not yet optimized for efficiency (e.g click and collect). Grocers saw a minor year-over-year improvement as they improved the execution of their digital operations.

 **Specialty and Department Store Retailers**
Satisfaction (%) With Their Business Performance



Experience gives way to efficiency in 2023.

The top outcomes driving store technology investments among retailers reflect the industry's focus on streamlining operations and increasing efficiency. These outcomes align with macro trends affecting retailers, such as labor availability, digital adoption, and supply chain disruption.

Retailers are focusing their 2023 technology investments on improving inventory accuracy and visibility (92%), improving integration between store and digital systems (88%), increasing store operations efficiency (86%), and improving store associate productivity (82%). The drop in satisfaction with store operations efficiency and associate productivity for specialty and department store retailers in 2022 further highlights the need for technology investment in these areas. Specialty and department stores rate digital customer engagement as a higher priority than grocery and general merchandise retailers. Creating engaging in-store experiences to drive customer loyalty and differentiate themselves from their competitors is imperative for specialty and department stores.



Top Drivers of Store System Investments in 2023
(% of retailers that rate the driver as important)

● Grocery & General Merchandise ● Specialty & Department Store



Deployment Outlook: Customer-facing technologies.

Retailers are investing in in-store customer experience capabilities to improve their shopping experience. Customer Wi-Fi and mobile apps with in-store features will soon be table stakes for the shopping experience as consumers increasingly use their phones to enhance their in-store experience. The desire to streamline the checkout processes and reduce customer wait times drives the other areas of significant investment, especially for grocery and general merchandise retailers. While these technologies are customer-facing they are still efficiency plays, as they help reduce friction in the shopper journey.

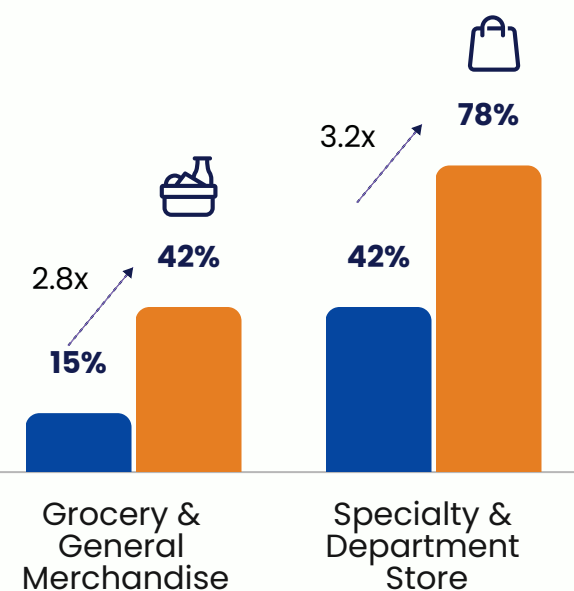
Self-checkout terminals will significantly increase deployment, particularly among grocery & general merchandise retailers, and almost all retailers (92%) will have deployed them in 2025. Most of the increase in self-checkout terminals will likely be in the general merchandise segment, as most grocers currently have this capability.



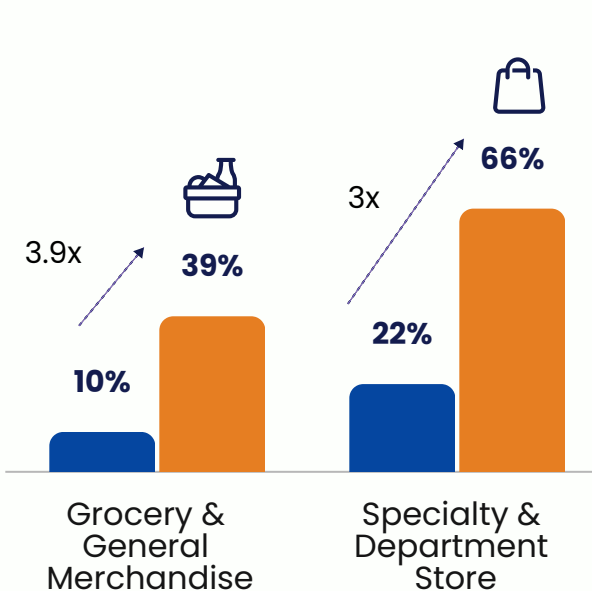
Planned Technology Deployment

● Currently Deployed ● Deploy by 2025

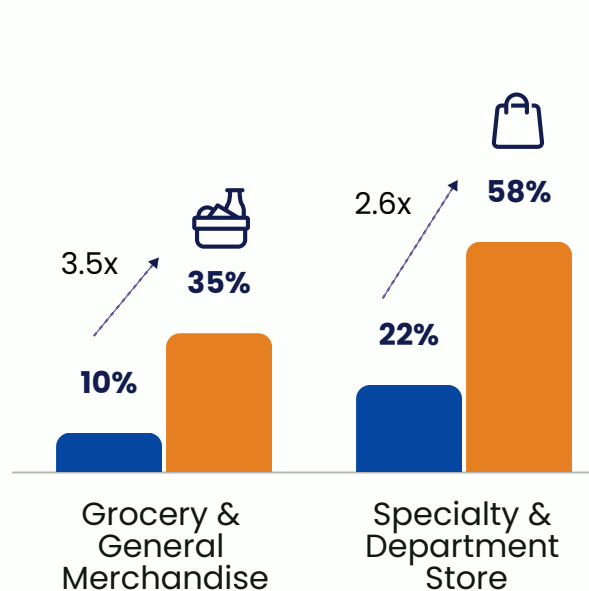
Customer Wi-Fi



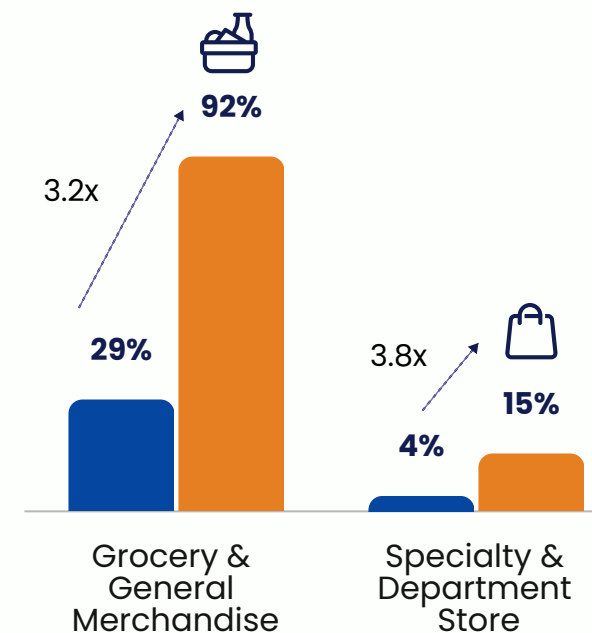
Mobile app with in-store features



Real-time video communication with store associate



Self-checkout terminals



Autonomous/Cashierless checkout



Deployment outlook: Operational efficiency.

Retailers are investing in operational efficiency technologies to streamline processes and reduce costs. Real-time inventory management has risen to the top of the investment agenda in the face of uncertain supply chain issues that retailers have faced for the last few years. The deployment of AI for improving operations will also increase, with a higher percentage of specialty and department stores adopting it. Mobile POS and curbside pickup sensors will also significantly increase deployment across all retailers, particularly among specialty and department stores.

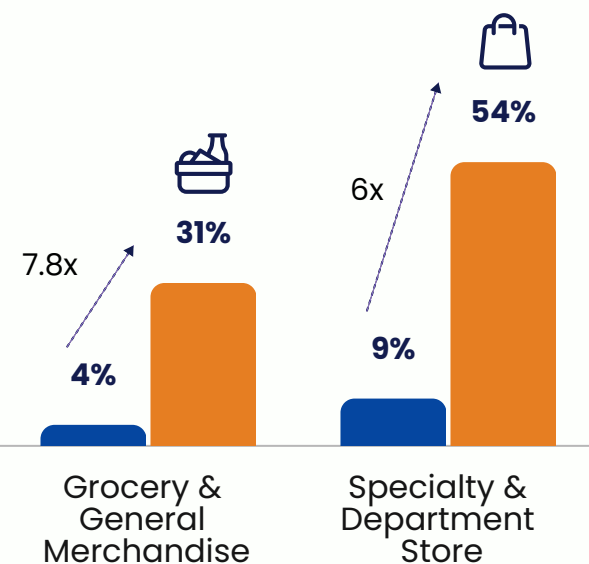
Meanwhile, the deployment of robotics for associate tasks is still relatively low, but it will increase over the next few years, particularly among grocery and general merchandise retailers. Using robotics to restock shelves and pick and pack products can improve operational efficiency and reduce labor costs.



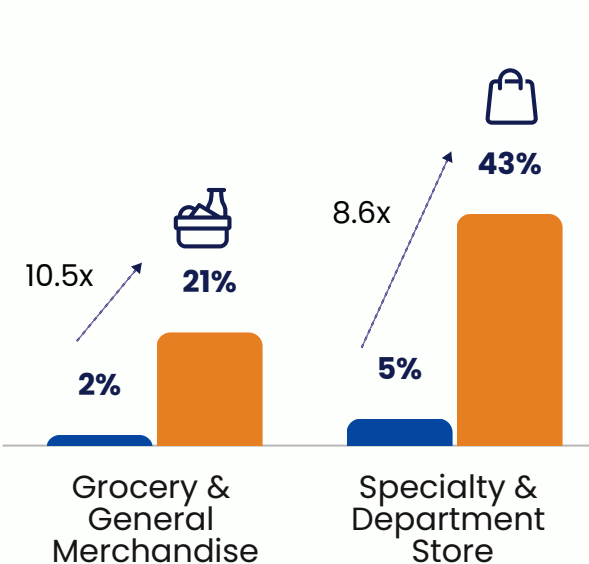
Planned Technology Deployment

● Currently Deployed ● Deploy by 2025

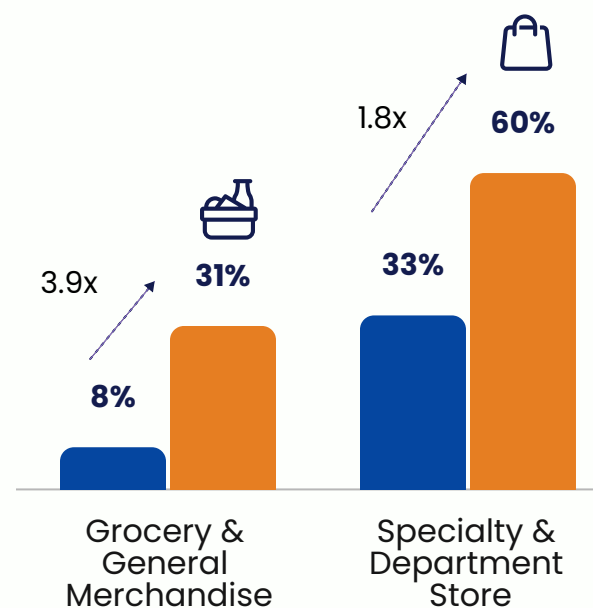
Real-time inventory management



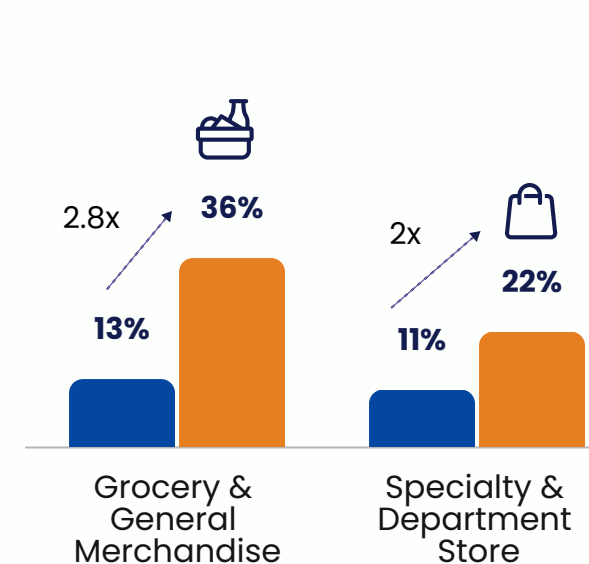
Artificial intelligence (AI) apps to improve operations



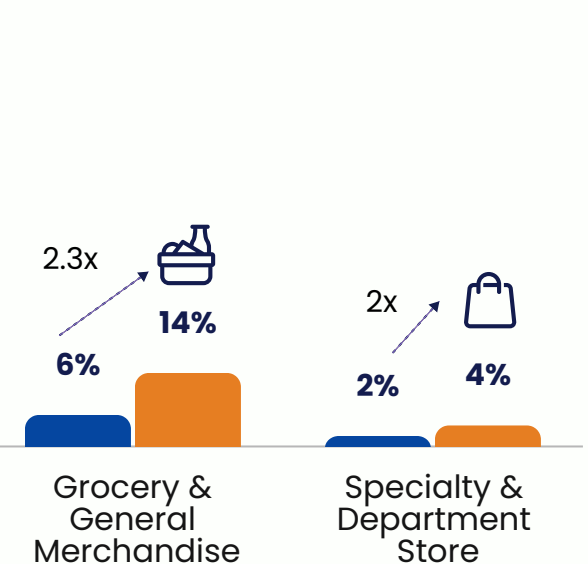
Mobile POS



Curbside sensors for order pickup/delivery



Robotics for associate tasks (cleaning, inventory audits etc.)



Deployment outlook: Associate productivity.

Retailers are increasingly investing in associate productivity technologies to empower associates to perform tasks more efficiently. The core capabilities driving the most significant growth are providing associates with mobile inventory receiving and tracking apps and remote/virtual customer engagement tools to allow them to personalize the customer experience.

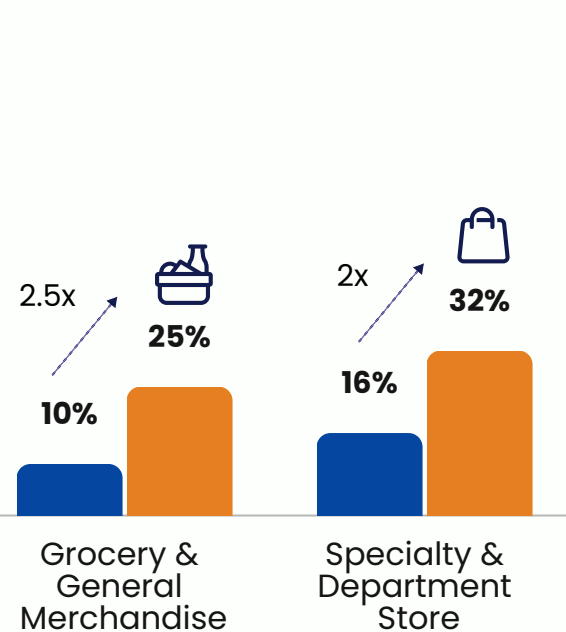
Mobile inventory management is a common and persistent challenge for both retail segments. Associates need the ability to quickly and accurately track inventory levels, leading to more effective management of stock levels and more timely replenishment of products. This will help to ensure that products are available to meet customer demand and reduce the risk of overstocking or understocking. Retailers need a reliable associate Wi-Fi network to support the growth in employee productivity tools.



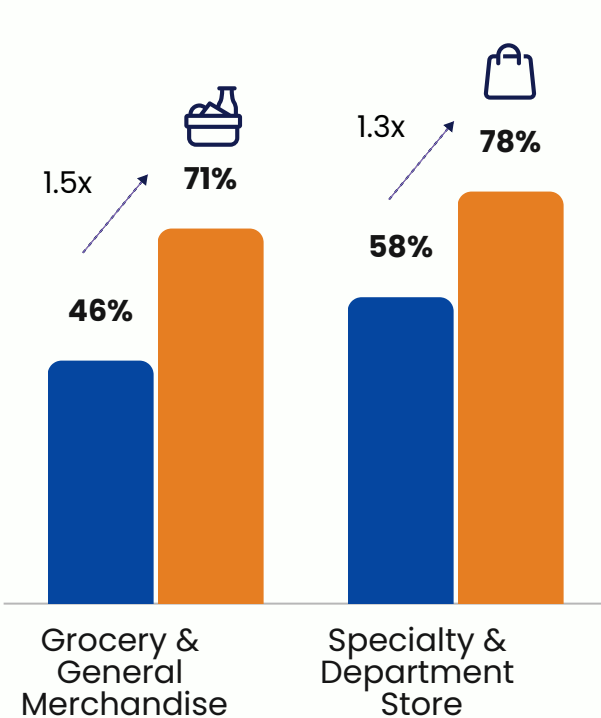
Planned Technology Deployment

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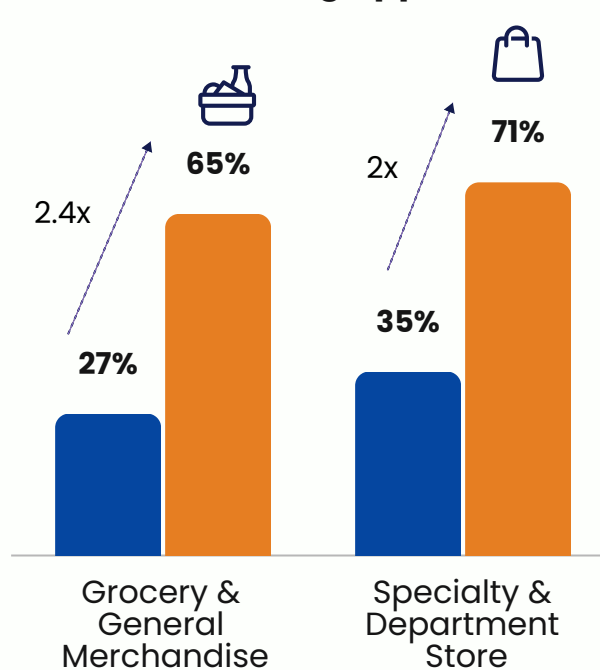
Access to relevant customer data on mobile device



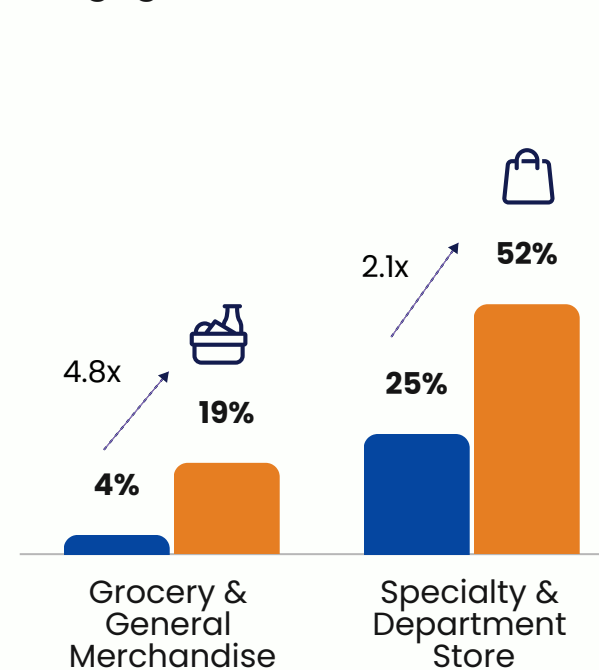
Associate Wi-Fi



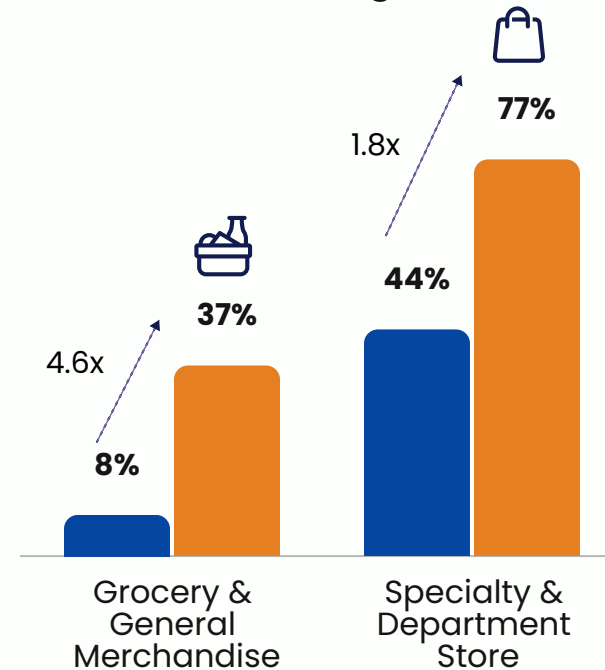
Mobile inventory receiving and tracking apps



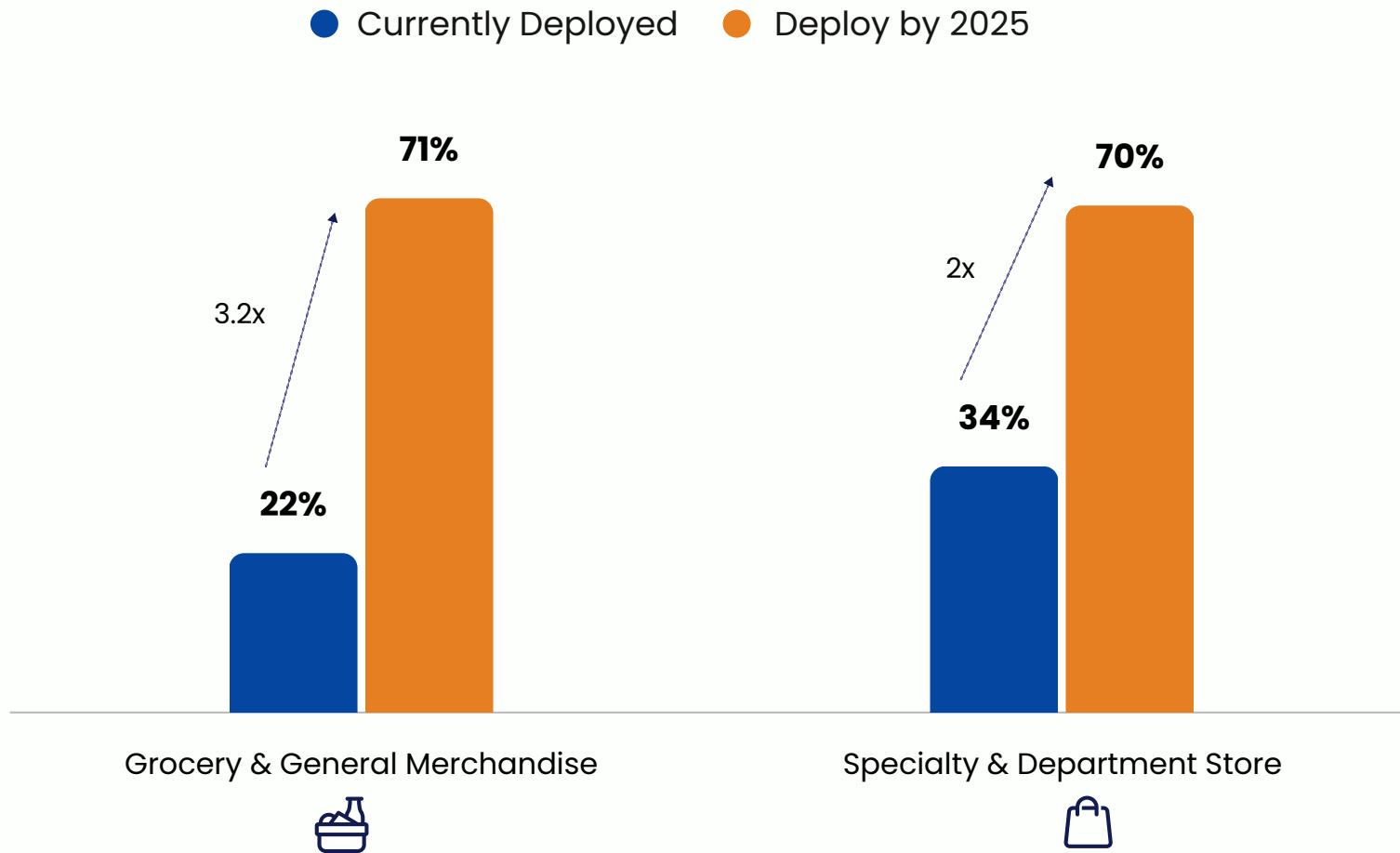
Remote/virtual customer engagement (video, chat etc.)



Video-based associate training



Current and Planned Automation of Store Tasks



Associate Redeployment Due to Automation

Redeploy to customer-facing tasks
18%

Redeploy to operations
26%



Reduce staff
56%

Automation of routine tasks is imminent.

Retailers' focus on improving store efficiency and labor productivity will accelerate store automation.

Retailers across various formats are increasingly adopting automation in their stores. Grocery and general merchandise retailers expect the number of store tasks that are automated to rise from 22% in 2022 to 71% in 2025. Similarly, specialty and department stores expect the number of tasks that are automated to rise from 34% in 2022 to 70% in 2025.

However, the rise in automation will also lead to a reduction in staffing needs. Retailers expect a 13% reduction in their workforce requirements due to task automation, with 56% indicating that they will permanently reduce staff due to automation. Some retailers, 18%, plan to redeploy staff to customer-facing tasks, which may lead to better customer experiences.

At the same time, 26% of retailers plan to redeploy staff to operational tasks, which could improve store operations efficiency. This underscores the need for retailers to be thoughtful and intentional about how they deploy their remaining staff.

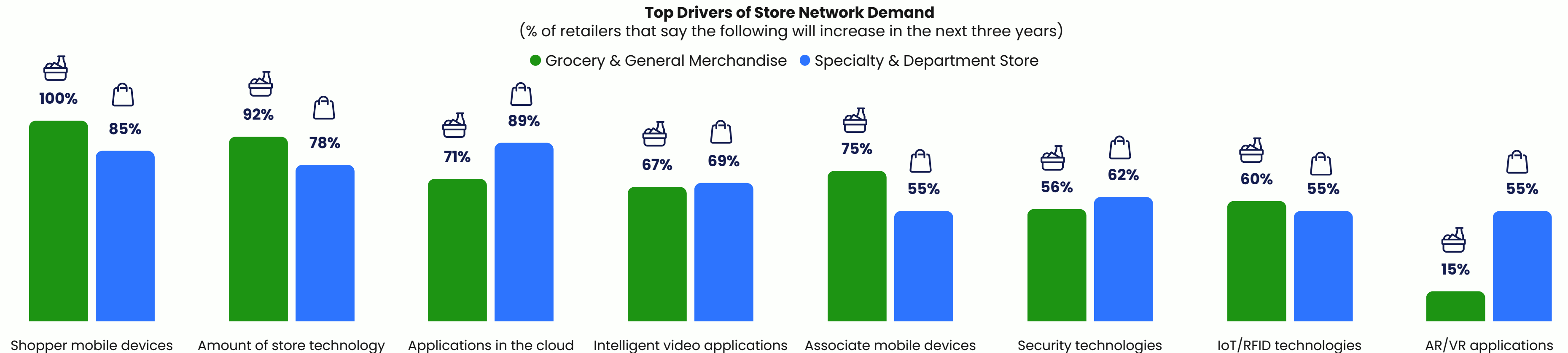
13% expected reduction in staff requirements by 2025 due to task automation.

Increase in store technologies will test store infrastructure.

An increase in mobile shopper devices and in-store technologies, such as digital signage and mobile POS systems, means that more devices will compete for bandwidth, slowing down the network and negatively impacting employee productivity and the shopper experience.

In addition, retailers are looking to increase store operations efficiency and improve store associate productivity by deploying more advanced technologies, moving applications to the cloud and mobile devices for associates, which require a reliable and fast network connection to operate effectively.

Specialty and department stores are expecting an increase in augmented reality (AR) and virtual reality (VR) applications to create a more digitally engaged customer experience. All these factors combined make it critical for retailers to have a robust network infrastructure that can support the increased demand of their in-store technology and operational needs.



There are significant gaps between retailer satisfaction and importance levels for key network performance measures.

There is a significant disconnect between what retailers consider important for their store network and their level of satisfaction with it. Retailers prioritize reducing network downtime (77%), managing peak network traffic (73%), and application response time (68%), but only a few are satisfied with their current network performance.

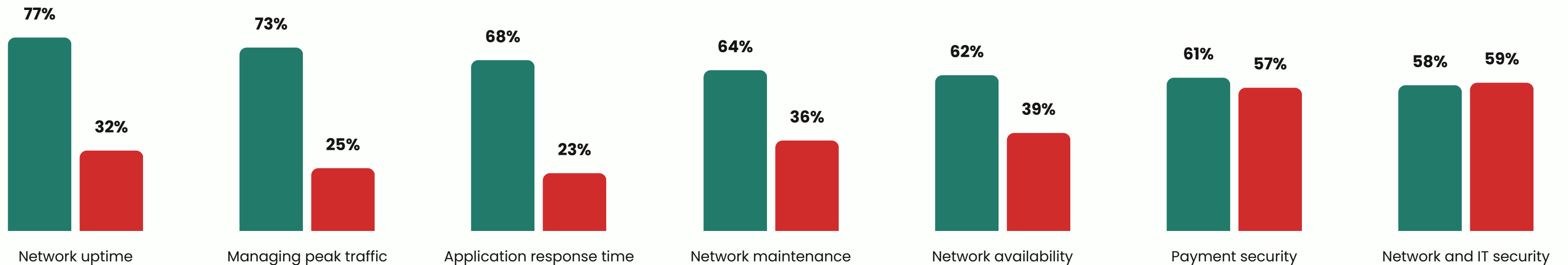
Specifically, only 32% of retailers are satisfied with their network uptime, 25% are satisfied with their ability to manage peak traffic, and 23% are satisfied with their current application response time. There is greater alignment in security as the standards and requirements for network security are imperative for business continuity.

These gaps between importance and satisfaction highlight the need for retailers to improve their network infrastructure and management capabilities to meet the increasing demands of digital transformation.



Importance vs Satisfaction of Elements of Store Network
(% of Retailers that say the following is important compared to % that say they are satisfied with it)

● Important % ● Satisfied %



KEY TAKEAWAYS

Retailers will continue to invest in improving their in-store digital experience. Their immediate focus will be investing and scaling technologies that can improve operational efficiency.

2023 is the year of efficiency

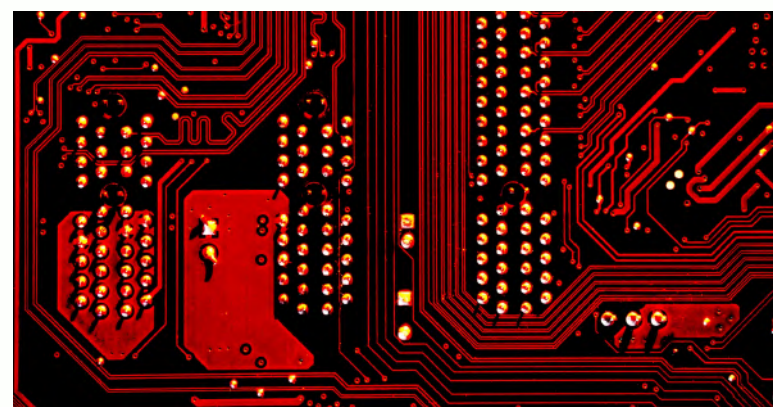


Retailers acknowledge the necessity to transform the in-store experience and have invested in doing so. The last few years have revealed operational issues that need attention. As a result, retailers will invest in technologies that can improve operational efficiency and associate productivity.

86%

say that improving store efficiency is an important outcome for their technology investments

Task automation is imminent



Retailers' focus on improving store efficiency and labor productivity will accelerate store automation. Task automation is expected to reduce retailers' workforce by 13%. The reduction in staff will result in 56% of retailers permanently reducing staff, 26% redeploying to operations and 18% redeploying to customer-facing tasks.

70%

of all store tasks will be automated by 2025

Tech investment will continue

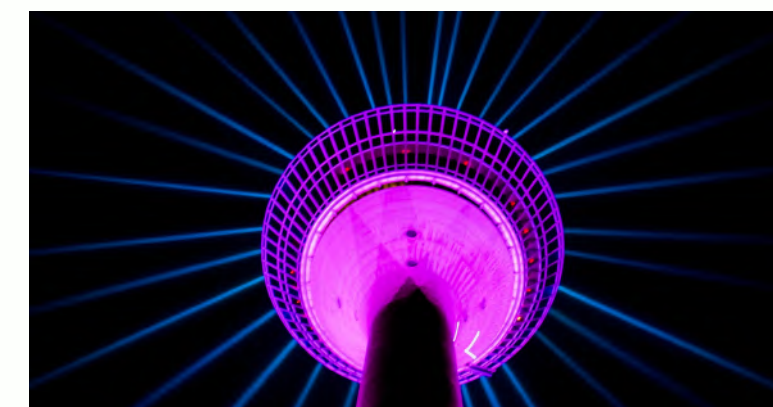


Retailers will continue investing in store technology to improve operational efficiency, particularly real-time inventory management, AI for operations, mobile POS, and curbside pickup sensors. From a customer experience perspective, customer Wi-Fi and mobile apps with in-store features are top priorities for technology investments.

5.6x

growth in deployment of real-time inventory management technologies from 2022 to 2025

Store networks need an upgrade



Retailers prioritize reducing network downtime (77%), managing peak network traffic (73%), and application response time (68%), but only a few are satisfied with their current network performance. Retailers must increase their network capabilities to support their technology's growing bandwidth and performance needs.

25%

are satisfied with their ability to manage peak network traffic



Executive Perspective



David Naumann

Marketing Strategy Lead, Retail
Verizon

Today's retailers are confronted with unprecedented market forces, including elevated digital-engagement expectations, labor shortages, and supply chain issues. These forces are testing retailers in new ways, but they are also creating new opportunities for forward-thinking industry leaders to adopt innovative technologies. They'll be poised to create greater operational efficiencies, for example, by embracing automation to deliver better customer experiences with leaner staffing levels. This technological evolution depends on a strong network foundation to become a reality.

The retail digital evolution is creating increased demands on network connectivity in stores. According to the study, 93% of retailers expect consumer demand for in-store connectivity to increase in the next three years and the percentage of associate tasks that will be automated will more than double. To address these accelerated store connectivity needs, 5G business internet, private networks and mobile connectivity can offer retailers upgraded speed, greater bandwidth, lower latency, and real-time connectivity across the retailer's business.

Transformation starts by bringing together disconnected systems to create powerful, modular and intelligent solutions that can enable new functionalities, smarter insights and faster decision-making. The result is Enterprise Intelligence.

Now is the perfect time to take action to future-ready your network, even if 5G is not yet available for all your store locations. Enterprises can leverage Verizon's 4G LTE Fixed Wireless Access today and easily upgrade to 5G when it becomes available in the future.



ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks, and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

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