



Delivering on Retail's Future ... With the Help of Analytics

HOW PRESCRIPTIVE ANALYTICS OPTIMIZES
RETAIL OPERATIONS NOW AND IN THE FUTURE



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Consumer behavior is constantly evolving, particularly as more technologies and channels emerge for shoppers to engage with retailers. In recent years, we've seen increasing consumer adoption of digital channels, often at the expense of brick-and-mortar stores. This of course coincides with the growth of e-commerce. According to Digital Commerce 360, U.S. e-commerce sales have been steadily increasing for the last several years, including rising 15.1 percent year-over-year (YoY) in 2019 and a whopping 44 percent YoY in 2020. Not surprisingly, the e-commerce trend accelerated rapidly in 2020, with the COVID-19 pandemic temporarily shuttering storefronts and sending consumers to their laptops and mobile devices to shop from home during government-mandated lockdowns.

However, e-commerce with home delivery of products is only part of the story when it comes to consumers' evolving behaviors. Still looking for the instant gratification that comes from picking up an item at their local brick-and-mortar store, consumers are embracing new modes of shopping, including buy online, pick up in-store (BOPIS) and curbside pickup. In addition to getting online purchases in their hands quicker, BOPIS and curbside pickup both save customers on shipping costs and offer the type of contactless experience so many have sought during the pandemic. Consider the following from an October 2020 consumer study conducted by Incisiv:



- About 80 percent of consumers expect to increase BOPIS and curbside pickup use over the next six months, and 90 percent said they prefer home delivery compared to in-store visits.
- Eighty-five percent of consumers said they have significantly increased curbside pickup orders compared to pre-pandemic times, while 79 percent said contactless store pickup is very important to them.

Rising demand for programs such as BOPIS, curbside pickup, ship from store, and buy online, return in-store (BORIS) has added significant complexity to retailers' supply chains and operations. Retailers, whether fully ready or not, have been forced to take action in order to meet consumer demand for these services. The following data bears this out:

- At the end of 2019, 66 percent of retailers offered BOPIS. Shortly after the COVID-19 pandemic hit the U.S., the adoption of BOPIS increased to 76 percent.
- In 2019, just 4 percent of the retailers in the FitForCommerce Omnichannel Retail Index offered curbside pickup; today, the service is offered by 58 percent.

Programs such as BOPIS, curbside pickup, BORIS, and ship from store offer benefits to both consumers and retailers. As noted above, BOPIS and curbside pickup save both customers and retailers alike on shipping costs. In addition to saving on last-mile delivery, fulfilling online orders from stores can help retailers drive incremental in-store purchases, boost store traffic levels, and better manage inventory levels.



While this omnichannel shopping behavior may have accelerated during the pandemic, it has been trending in that direction for some time — and figures to be here for the long term. Convenience and customer experience have become paramount to today's shoppers, and services such as BOPIS, BORIS, curbside, and ship from store address those needs. In fact, [according to McKinsey](#), 56 percent of consumers intend to continue using BOPIS post-pandemic. Therefore, if they haven't already, retailers need to roll out these types of omnichannel programs that consumers have come to embrace. They have shifted from a “nice-to-have” to a “must-have.” It's important to note that the role of the brick-and-mortar store has changed, but is still required.

However, that's easier said than done ...

PEOPLE, PROCESS, TECHNOLOGY: Keys to Optimizing Omnichannel Operations

The first piece to address in the omnichannel equation is people. In order to execute on programs such as BOPIS, BORIS, curbside pickup, and ship from store, retailers need a well-trained, data-informed (more on this to come) workforce, particularly in their brick-and-mortar stores. The role of the store associate, much like physical retail itself, is evolving rapidly. Store associates must now not only have deep product knowledge and service skills, but also an understanding of how customers engage with brands across channels, from pre-purchase discovery to post-purchase fulfillment. In an omnichannel retail organization, store teams are now expected to work in tandem with digital/e-commerce teams, and vice versa. This represents a shift from how things used to be. Which leads us to the next piece of the equation: process.

Having well-trained and well-informed employees is only effective if your organization has processes in place to utilize their skill sets to their full capacity. For example, a well-run curbside pickup program involves multiple processes, all of which must be integrated to create a seamless purchase experience for the customer. Let's take a look at each step in the process, including the roles people and technology, the other two pieces of the omnichannel equation, play in them:

- Having visibility into store inventory accuracy levels in order to fulfill incoming online orders (enabled by technology such as inventory and order management systems, as well as prescriptive analytics for demand planning);
- Making curbside pickup an option on your e-commerce site (including mobile website, app);
- Alerting store staff to pick the order and get it ready for customer pickup;
- Notifying the customer that their online order is ready for curbside pickup, with instructions for them on where to go and what to do when they arrive; and



- Having store staff deliver the order to the customer's vehicle after check-in and confirmation have been completed.

That's a five-step process that must be completed without error for each curbside pickup order. If one part of the process isn't executed upon correctly (e.g., a customer is promised a product is in-stock when it isn't, a store associate picks the wrong item, contact info for the customer is incorrect, etc.), the entire process is compromised and the customer has a poor experience. Given this level of complexity, it's understandable why retailers are turning to technology systems and solutions to help them deliver the level of omnichannel service that today's consumers expect and demand.

Technology, and more specifically solutions that leverage data (customer, product, loyalty, supply chain, etc.) to help retailers make more informed decisions and better execute upon them, is what underpins today's optimal omnichannel shopping experiences. To power their omnichannel technology systems, retailers are collecting immense amounts of data related to their customers, the products they're purchasing, the basket size, and how those orders are being fulfilled. To help with not only managing all of that data, but also extracting useful insights from it — because what's the point of collecting data if you can't get anything out of it? — retailers are increasingly using artificial intelligence (AI).

AI-powered data analytics systems are helping retailers to obtain insights into all facets of their operations, as well as gain customer insights and intelligence that can maximize efficiencies and grow the top and bottom lines. Through enhanced data analytics, retailers are better able to understand how they're customers are behaving, which in turn helps them optimize omnichannel programs for the future.

MEASURING, OPTIMIZING PERFORMANCE OF OMNICHANNEL SERVICES WITH ANALYTICS

Retailers implementing services such as BOPIS, curbside pickup, BORIS, and ship from store should have processes in place to measure and improve upon the performance of those programs. Again, this is where data analytics can help, and specifically the use of prescriptive analytics, which focuses on finding the best course of action in a scenario given the available data (i.e., "What should we do next?").

Here are several ways retailers are using prescriptive analytics to optimize performance of omnichannel fulfillment programs:

- **Identifying individual stores and times of day with high or low demand for picking of online orders.** This data enables retailers to more evenly distribute demand across stores as well as plan staffing accordingly, helping to manage labor costs.
- **Spotlighting high customer cancellations or returns per store/picker/time of fulfillment.** Spikes in these data points could indicate a product quality concern, that more employee training is needed, or that improper packaging is potentially being used, causing avoidable damages. This could be on a store-level basis or companywide.





■ **Revealing high rates of picker declines** (i.e., product(s) within an order rejected by picker for whatever reason). This finding could be a sign of a picker wanting the last product for himself/herself, a training gap, or inadequate fulfillment incentives for in-store staff, among other issues. High rates of picker declines should be addressed immediately.

■ **Identifying stores with a high occurrence of split shipments** (i.e., a store receives an entire order to fulfill, but outsources part of the order to another store). This data can indicate poor employee training or an inventory accuracy issue — e.g., the website was showing that the store had all of the products in-stock, but that was not accurate. With this data, retailers can take corrective action. For example, they can offer more employee training and/or invest in technology solutions that provide better inventory visibility across channels.

■ **Driving additional sales upon pickup of online orders in-store.** Stores with high rates of incremental purchase activity indicate associates are effectively cross-selling to customers upon pickup, and their methods should be modeled across the organization's store fleet. Conversely, stores with low rates of incremental purchase activity could indicate a training gap, poor store layout (e.g., the customer picking up their online order doesn't have to pass any in-store merchandise), and inventory accuracy issues.

■ **Spotting potential fraud.** An effective prescriptive analytics tool can identify potential signs of fraud, including:

- customers and/or associates with a high rate of return for BOPIS orders;
- customers that are receiving high BOPIS discounts;
- employees with a high rate of BOPIS cancellations;
- employees with high rates of BOPIS orders paid with gift card/store credit; and
- orders being shipped to employee addresses.

With this data, retailers can take appropriate action, such as employee retraining, termination and/or prosecution.

The true benefit of a prescriptive analytics solution is that in addition to managing and presenting various data findings in an easy-to-understand format, it provides the retailer and its staff insights upon which to take action. The right prescriptive analytics solution both tells you what improvements/actions must be taken, as well as who should take action and how. That could mean optimizing labor costs through scheduling for peak and non-peak periods, adding more employee training, preventing fraud (and saving money in the process), etc.



In addition to providing insight into what action the retailer should take immediately, prescriptive analytics helps businesses anticipate and prepare for future customer behavior. By analyzing historical data, for example, retailers can improve the accuracy of demand planning, helping to minimize out-of-stocks (i.e., preventing lost sales) and overstocks (saving costs on carrying excess inventory as well as protecting margins from not having to move products at steep discounts).

Here are some other ways that prescriptive analytics can be used to improve future operational performance:



- **Inventory Allocation:** By identifying where and when products are being purchased across their store fleet, and how orders are being fulfilled, retailers are optimizing inventory allocations based on “true” demand to prevent split shipments for BOPIS, curbside, and ship-from-store orders. Having the right inventory in the right place (stores vs. warehouses) at the right time is critical to seamless omnichannel operations.
- **Labor Optimization:** Knowing the rate of BOPIS, curbside, ship-from-store, and BORIS activity at an individual store level, including the days of the week and times of day this activity is most prevalent, enables store managers to schedule employees for optimal coverage during peak times and nonpeak times. This level of insight helps retailers optimize their labor budgets, while also ensuring the best possible customer experience (e.g., not having to wait in line for 20 minutes as a single person works the BOPIS counter).
- **Fraud Prevention:** Services such as BOPIS, BORIS and curbside pickup are frequent targets for fraudulent activity, both from customers and employees, given their logistical complexities. Retailers can protect themselves from fraud by identifying and resolving instances of shrink, non-compliance, discount abuse and more in real time with the simple corrective actions of prescriptive analytics. Identifying points of vulnerability through data analysis empowers retailers to direct greater scrutiny to those areas, helping to minimize fraud.

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BEST PRACTICES FOR IMPROVING OMNICHANNEL OPERATIONS

- 1. Collect the right data.** Having information about customers and how they behave will empower retailers to better serve them, including planning for the future. This extends across the entire retail organization, from marketing to merchandising to customer service to supply chain to – you guessed it – operations. Data should be collected across channels and integrated to provide a 360-degree customer view. The same model applies to product data.
- 2. Invest in technology solutions that can harness the power of your data.** AI-based analytics solutions can process vast amounts of data and provide deep insights in real time, leading to better decision-making, optimized experiences, happier customers, and increased loyalty. Furthermore, the right technology solution can not only yield increased sales, but cost savings as well through improved demand planning, inventory allocation, labor optimization, and fraud prevention.
- 3. Make time for training.** The role of the retail store associate looks much different than it did five years ago. From picking online orders for BOPIS to preparing ship-from-store orders to delivering items to customers' vehicles curbside, there are a number of new tasks that many of your in-store staff may not be familiar with. Training will be required to get them up-to-speed, including on the devices that they will need to execute such tasks, including updating inventory counts, checking available inventory at their store as well as surrounding stores, and communicating with customers throughout the process.
- 4. Refine your processes.** In order to ensure seamless execution of omnichannel operations such as BOPIS, BORIS, curbside pickup, and ship from store, collaboration is required across teams and channels. For example, merchandising and supply chain teams must work together to ensure the right products (i.e., in-demand items) are in the right places, such as select stores or warehouses, to fulfill consumer demand. Ensure that data is accessible to all stakeholders, and that it is being leveraged to design, test and iterate programs on a regular basis.
- 5. Find the right partner.** Investing in the right technology is more than just finding a solution with all the bells and whistles. Yes, that's still important. However, your solution of choice must also be customized to your company's needs, and scalable as your business grows. This is true for an analytics tool, one that offers prescriptive capabilities that retailers can use to create better experiences for their customers. However, it's also necessary to find a partner that offers the support and resources needed to help your business grow. A true partnership that's built on a shared vision of success.



CONCLUSION

The brick-and-mortar store has evolved in recent years to be more than just a place where inventory is showcased and transactions occur. The physical store has morphed into an omnichannel hub for retailers, facilitating various forms of transactions, including digital-based experiences such as BOPIS, BORIS, curbside pickup, and ship from store. This trend has only accelerated over the past 12 months as the COVID-19 pandemic has forced consumers to rethink how they shop at and purchase from retailers.

And even if the coronavirus is eradicated tomorrow, services such as BOPIS, curbside pickup, BORIS, and ship from store will still be relied upon by consumers, who have come to recognize the convenience that these programs offer — if executed properly.

Therefore, it's incumbent upon retailers to invest the time and resources necessary to deliver the types of omnichannel services consumers have come to expect. That means a focus on three areas: people, process, and technology. In order to survive, let alone thrive, in today's hypercompetitive environment as well as into the future, retailers need to ensure they're delivering great customer experiences. Data analytics have proven to help do just that.



WHO WE ARE



Zebra (NASDAQ: ZBRA) empowers the front line of business in retail/ecommerce, manufacturing, transportation and logistics, healthcare, public sector and other industries to achieve a performance edge. With more than 10,000 partners across 100 countries, we deliver industry-tailored, end-to-end solutions that intelligently connect people, assets and data to help our customers make business-critical decisions. Our market-leading solutions elevate the shopping experience, track and manage inventory as well as improve supply chain efficiency and patient care. In 2019, Zebra ranked #166 on Forbes' list of the World's Best Employers, and the company joined the S&P 500 Index. For more information, visit www.zebra.com or sign up for news alerts. Participate in our Your Edge blog and follow us on LinkedIn, Twitter and Facebook.

Zebra **Prescriptive Analytics**[™]

Powered by Zebra Savanna[™]

Zebra Prescriptive Analytics[™] leverages pattern detection and machine learning to identify opportunities that impact sales and margin. This robust analytics solution analyzes retail and CPG data and identifies opportunities for improvement in key areas like: inventory accuracy and availability, pricing accuracy, labor efficiency, compliance, and store profitability. Zebra Prescriptive Analytics customers typically realize 2-5% increase in sales, better consumer experience, 10-15% basis point margin improvement, and labor productivity improvement within 6 months.

WHO WE ARE

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