

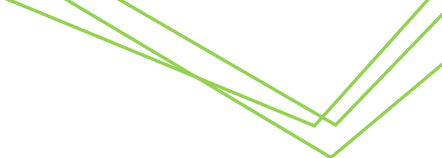


2017 CompuCom Insights Series

Making the Store of the Future a Reality

by Justin Mennen, Vice-President and CIO, Compucom

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Retail stores will be undergoing major upheaval over the next five years. As buying power shifts to new demographics, shopping patterns are significantly changing; consumers expect their buying experience to be totally personalized — from brand introduction and awareness through after-purchase communications. In addition, consumers want more immersive and delightful buying experiences, rather than purely transactional ones. Increasingly, retailers are leveraging technology to drive distinctive in-store experiences that meet the demands for personalization and customization. In parallel, retailers will relentlessly focus on how to best optimize store locations and how to outfit each location to provide a high-touch, experiential journey while keeping both capital and operating expenditures at a minimum.

Our insights are based on our 2017 CIO survey, where we interviewed top CIOs and technology executives from the Fortune 500 in 12 market segments — spanning retail to financial services — as well as our deep expertise in deploying IT business solutions for consumers over the past 30 years.

In this paper, you will learn about:

- Key strengths and shortcomings of current physical stores — technologies that IT leaders are implementing and where they see the biggest gaps in IT today.
- How outsourcing partners can help implement the best store of the future specific to your organization's needs.

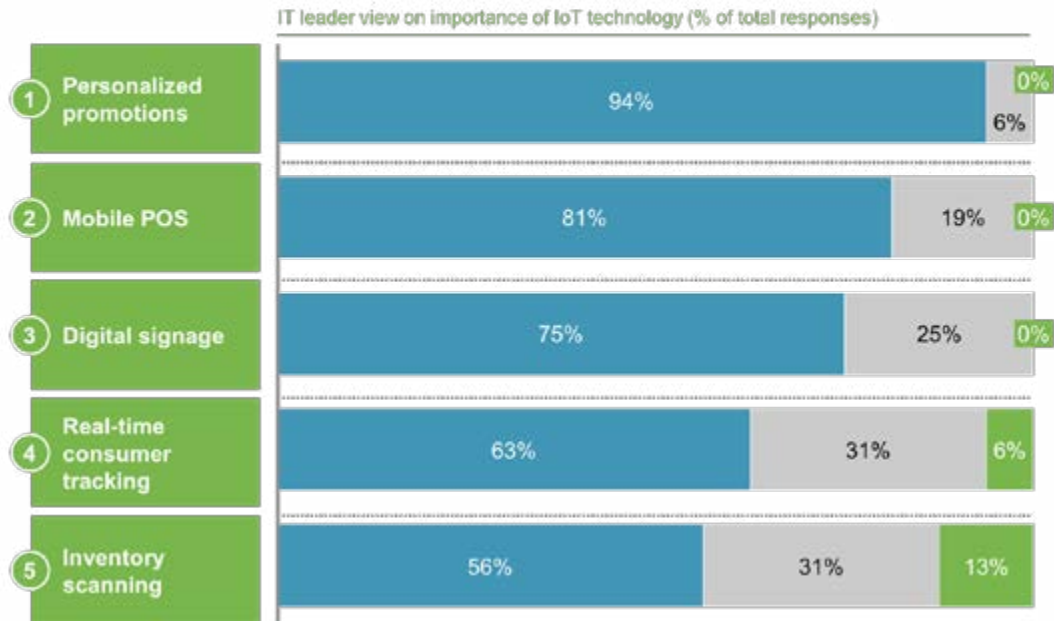
The Strengths and Shortcomings of Current Physical Stores

Physical stores still provide a very important value proposition for retailers and consumers alike; leveraging employee knowledge, gaining a better understanding of sizing and fit; these cannot be replicated remotely. Having a disjointed integration between store and online offers, however, will cause significant consumer dissatisfaction and deteriorate brand value. In order to provide a fully-integrated omnichannel experience, physical stores need to address key vulnerabilities that are causing them to lose consumers to more efficient, customized and personalized e-commerce channels. Many changes will be necessary in order to compete with e-commerce only platforms, and it will be of upmost importance for IT leaders to view in-store technology as a business enabler in order to entice consumers back into the physical store.

- **Ability to physically see and touch merchandise:** Many consumers enjoy being able to touch and feel products before buying them.
- **Instant gratification:** Consumers often come into stores so they can purchase an item and use it right away, rather than having to wait for delivery.
- **Marketing tool and/or consumer acquisition:** Physical stores are still widely used to drive brand awareness. Store presence is a key pull tactic to get consumers who were not planning to shop in a particular store to stop in and see products.
- **Ability to personally interact with employees:** Many online shopping experiences have not figured out how to replicate the interaction between employees and consumers. The ability to get advice and recommendations face-to-face is invaluable for many consumers and instills trust that can't be captured online.
- **Higher prices and costs compared to online-only channels:** Physical stores struggle to match the low prices online channels can provide. Most stores are still not updated with the latest digital signage technology, prohibiting dynamic pricing. Physical locations come with significant upfront capital expenditures and monthly operating expenses — while it is appropriate to incorporate these costs into price, consumers are less and less willing to pay that premium.
- **Availability is not guaranteed:** Consumers expect stores to have exactly what they need, when they need it. When a store does not have the right color of a product or version of an electronic, they leave disappointed. Especially with new buying formats — including “buy online, pick up in-store” — a great burden is being placed on real-time inventory tracking.
- **Store experiences not as delightful as digital journeys:** Shopping in the store is nowhere near as fun and entertaining as it is online. Unlike online shopping, consumers cannot instantly see items that pair well with the shirt they are viewing, nor do they get personalized deals or recommended products to buy in-store.
- **Sometimes inconvenient:** Many consumers no longer want to make the effort to find a store location and then have to search the entire store for the exact item needed. Longer lines, especially during sales or holidays, often deter consumers from shopping in-store when they can get the same product with the click of a button.

IT leaders believe personalized promotions and mobile point-of-sale will be most important to Store of the Future

■ Most important
■ Somewhat important
■ Least important



The Turnaround — The Store of the Future

In 2020, more than 80 percent of U.S. retail sales will take place within the four walls of a store¹. With an increased pressure from e-commerce to decrease operating costs to compete, many retail locations have switched their focus to making the most pleasant consumer experience possible. Consumers now expect omnichannel capabilities and the ability to transact anywhere and at any time — and they assume the experience will be no different across the various channels. Designing a store of the future requires IT leaders to consider what consumers and employees expect in and out of store as well as how IT systems will be called to support new capabilities.

Goals for the Consumer

Consumers expect to be able to shop anytime and anywhere. They believe prices should be the same online, in the store, and for “buy online, pick up in-store” features. They want omnichannel capabilities that give a consistent experience, with full visibility into shipping and tracking. They also expect stores to have specific SKUs readily available, regardless of how unique the product is. Ultimately, they want personalized experiences that are care-free, efficient and convenient.

Goals for the Business

Organizations want to please the consumer, but must do so profitably. Optimizing supply chains to ensure appropriate stocking levels, selecting the right amount and mix of merchandise, and utilizing consumer data to better allocate marketing spend will be key. It will also be critical to create a unique and personalized experience for each consumer by using tailored promotions, providing capabilities for seamless checkouts to decrease wait time, and equipping employees with real-time information to better assist consumers.

How Technology Will Support the Store of the Future

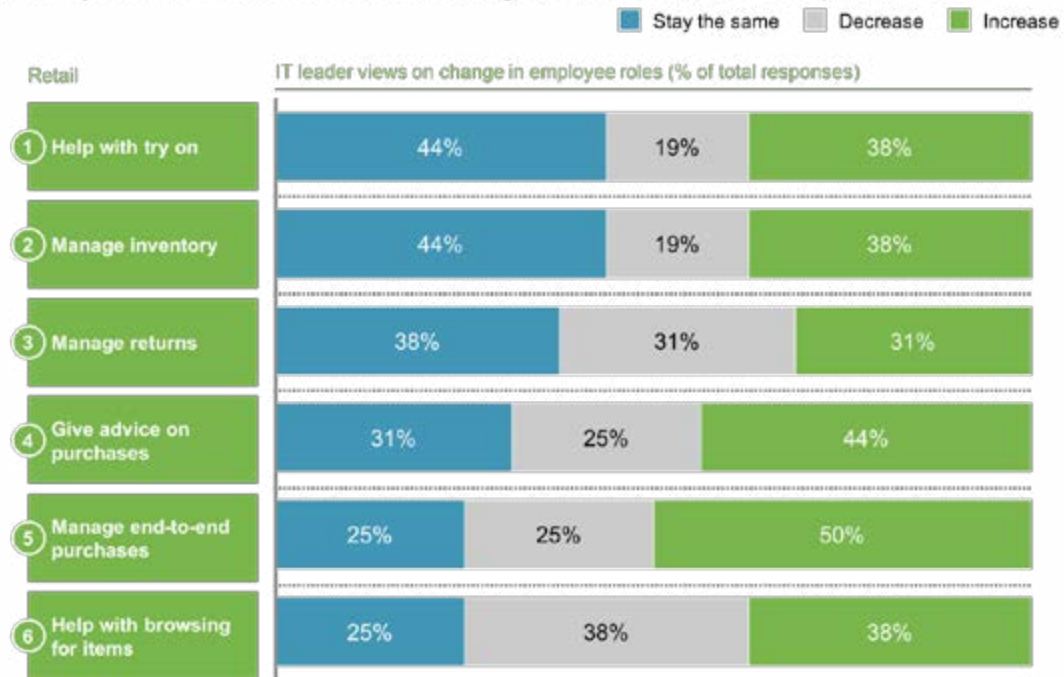
In order to drive sales while controlling operating costs, retailers are relying on IT leaders to implement technologies that will drastically streamline store networks and implement exciting store concepts to better delight consumers. In order to do this, numerous technologies must be coordinated and integrated. By connecting digital to the store, utilizing mobile technologies that enable data collection, and creating personalized experiences in and out of stores, organizations can appeal to consumer expectations. Below are a few of the technologies that IT leaders believe will be most relevant:

- **Digital signage:** Retail IT leaders, who see digital signage as one of the most important technology trends for the store of the future, are investing in signs that can accomplish three objectives: (1) allow for dynamic pricing on a store-by-store basis, coordinated exclusively from corporate; (2) advertise certain products based on facial recognition. As consumers walk through the door or view products throughout the store, digital signage can display personalized promotions or suggest products based on other items the consumer has viewed; (3) adjusts advertisements to better optimize for remaining in-store inventory.
- **Robotics:** To cut operating costs, many IT leaders are implementing robots in stores to perform repetitive tasks such as restocking, organizing products and automated floor cleaning.
- **Store associate wearables:** To create a personalized experience in the store, IT leaders are focusing on wearables that will allow employees to communicate with central information hubs to assist consumers in real time based on active data.
- **Sensors and monitoring devices:** IT leaders are investing heavily in internet of things (IoT) devices to have visibility to real-time aisle and shelf availability, allowing for automated ordering replenishment through a centralized ordering platform. Sensors will also be used for real-time consumer and employee tracking. Data collected could be used to enable store layout optimization. RFID tags (sensors) are also being used to track inventory through supply chain and in the store for real-time access to inventory levels across the supply chain.
- **Self-checkout tunnels:** Taking the inconvenience of waiting in lines out of the consumer experience is important to IT leaders for two primary reasons. First, implementation of mobile point-of-sale (POS) systems, mobile pay options, and self-checkout tunnels allow for a quicker consumer throughput time; secondly, automating the POS system will enable employees to have primary engagements on the sales floor during proactive up-selling, rather than reactionary interaction at the end of the consumer shopping journey.
- **Self-serve kiosks:** Even though self-serve kiosks are a high capital expenditure, retailers are looking to use more of them to reduce costs in the long run and also to allow consumers to get product information, reviews, virtually try things on and order all products in the store.

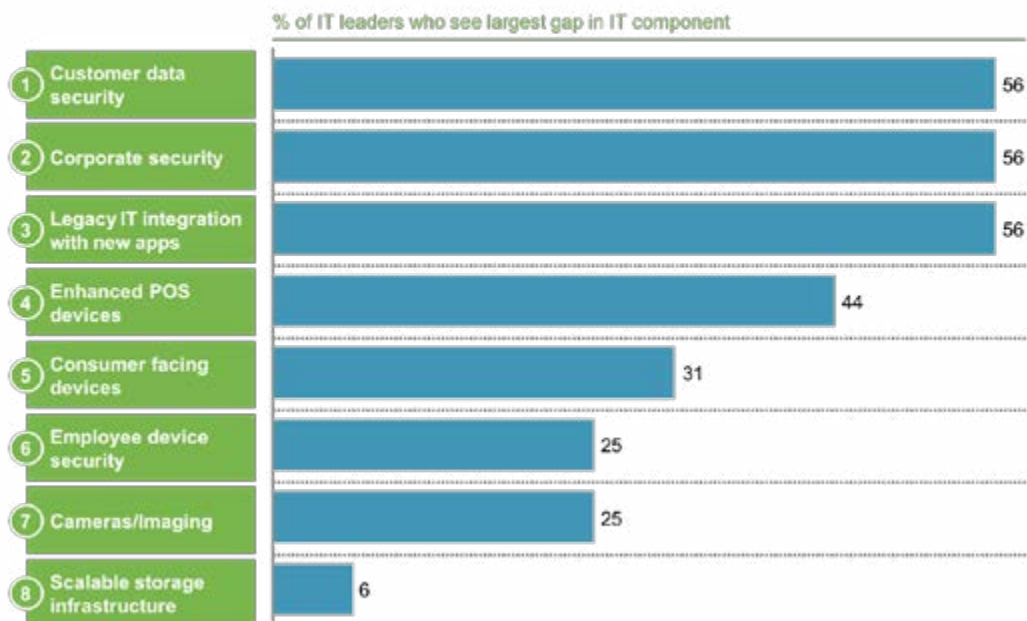
In order to reduce operating costs, retail IT leaders are quickly implementing the above technologies, all of which are largely focused on enabling consumers to do activities typically performed by store employees. Retail IT leaders are implementing these new technologies quickly, but they believe traditional employee roles will not be eliminated entirely in the next three to five years.

Traditional retail employee roles will undoubtedly change as technology advances. However, IT leaders do not think

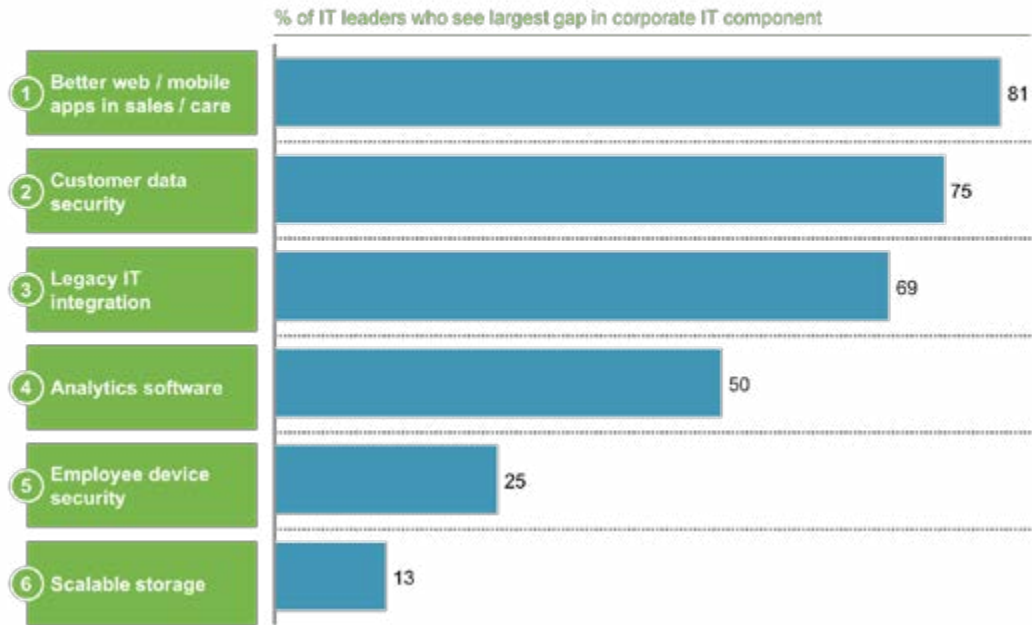
Retail IT leaders believe in the next 3-5 years their employees will manage inventory more, but reduce the management of end-to-end purchases



In the store, legacy IT integration and customer-facing devices and security represent largest gaps to implementing the ideal Store of the Future



At corporate, CIOs view legacy IT integration and better apps as largest gaps to implementing the Store of the Future



employee roles will become obsolete in the near future. IT leaders see employees moving away from helping to browse for items to being used more for advice, managing end-to-end purchases and driving incremental sales in higher margin categories. However, until seamless automation happens, they do not see employee roles significantly changing in the next three to five years.

How IT leaders Can Prepare for and Support the Store of the Future

As retailers continue to focus on implementing their store of the future, entire organizations will rely on IT leaders to procure and implement technology that works best for their particular stores. However, IT leaders still see many gaps in current technology stopping them from getting to the store of the future right away.

As a result of new investment in omnichannel and next generation in-store hardware, retailers are struggling to integrate legacy IT systems with new in-store applications.

Data security is another large gap for IT leaders who must re-think traditional security protections, as the number of devices increases in-store and consumers connect to networks from multiple channels, creating many more nodes for cyberattack. Retailers in particular are exposed to significant risks when it comes to security; not only can data breaches permanently destroy consumer trust, but can wreak havoc on overall brand value. At a corporate level, retailers are facing a capabilities gap in analyzing the ever-increasing troves of data as proliferation of IoT devices becomes more mainstream.

How an IT Partner Can Help

Using an outsourcing partner to help you implement your organization's vision of the store of the future has distinct advantages. Outsourcing partners have deep expertise, have compiled best practices from other projects, and also offer the tools and capabilities to implement full life cycle support at a lower cost and with lower disruption to your organization's daily operations than internal resources.

1. The proliferation of experimental devices requires organizations to invest in hardware to support omnichannel and on-demand platforms (e.g. customization kiosks, digital signage, interactive mirrors). Outsourcing partners can help your organization choose which devices work best for your operating model and can also provide the specific device knowledge to keep resolution windows minimal.
2. Changing POS concepts to reduce the cash wrap and free employees for upselling on the sales floor represents challenges for IT leaders: since no clear mobile payment platform has become the widely-accepted market norm, a servicing vendor that has significant expertise in all platforms and that is hardware independent will allow retailers to make decisions without worrying if their service vendor can adjust.
3. The increased demand for network availability, due to more devices using networks at the same time that need up-to-date information, puts pressure on IT leaders to implement technologies that allow consumers to reach these networks anywhere. Many outsourcing partners can make sure services are never down and can be your innovative partner in finding the best network package for you.
4. Investing in software to analyze consumer data, inventory management, and supply/demand forecasting to enable customization is needed to allow for more robust data management. Big data analytics capabilities will be key to supporting the store of the future. Outsourcing partners have cutting-edge analytic experts who can help identify what data to collect and can provide significant business insights from the data.
5. More advanced cybersecurity systems will be deployed to ensure that client data is protected and compliance regulations are satisfied. Outsourcing partners specialize in cybersecurity and have great experience dealing with various attack types and levels of attack sophistication, giving them the ability to ensure your organization never has to deal with litigation costs or the loss of sensitive consumer data.
6. The focus on the IoT requires a significant investment in sensors. Many IT leaders are not aware of the sheer number and type of sensors or the different capabilities each has. Outsourcing companies have IoT specialists that know the industry and can direct you to the best sensors for your organization. They can also maintain and update the sensors for you.



Conclusion

Shifting demographic segments in the U.S., rise of the digital consumer, and decreasing in-store visits are causing many retailers to re-think long standing strategies in order to respond to the high cost pressures, digital disruption and shifting consumer expectations occurring in the retail world today. Technologies will continue to advance and preferences will change, requiring IT leaders to stay up to date with current and future trends and create actionable plans that can be implemented in short time frames. Due to increased pressures, many IT leaders choose to partner with an outsourcer who understands their business, can be an innovative thought leader, and can implement and service their critical IT systems.

Key Takeaways

- Physical stores are losing consumers to e-commerce, but still have advantages that online competitors cannot replicate. However, physical stores will still need drastic changes in the next three to five years to remain competitive.
- Even though technologies for the store of the future are eliminating the need for many employee roles, IT leaders do not expect employee roles to change significantly in the next three to five years.
- Many IT outsourcing partners have helped other stores roll out digital strategies and have the expertise to implement technologies specific for your store at minimal disruption to operations.

Learn More

[It's Time to Enter the Store of the Future](#)

[#Reimagine Digest](#) (Why Cloud is the Next Big Thing in Retail)

[Preparing Your Business for What Comes Next](#)



ABOUT COMPUCOM

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