

**LEVERAGE
VOICE
TECHNOLOGY
IN RETAIL
STORE
OPERATIONS.**

Proven Strategies for Adapting to a Changing Retail Landscape

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INTRODUCTION

Retailers must frequently adapt their service models to continually changing, perpetual shifts in consumer needs and expectations.

To better accommodate expanding inventories, tighter margins, and a need to deliver a high-quality customer experience across multiple channels, retailers have already evolved their distribution centers (DCs) to meet demand. By extending an investment in voice technology from the DC to the brick-and-mortar store floor, retailers can leverage integrated, data-driven process efficiencies to bolster customer loyalty and maintain a competitive edge.

CHALLENGES FACED BY RETAILERS SERVING MULTIPLE CHANNELS

1

The retail game is regularly redefined by disruptive forces. But while everything from automobiles and suburban shopping malls to big-box chains and e-commerce has changed significantly in recent years, none of these forces wipes the slate completely clean. Rather, retail evolves. As consumer expectations change, service models shift, forcing established companies to adapt while allowing new players to rise to power.

Never has this dynamic been more apparent than it is today. Intense online competition had already required traditional retailers to scale up their own e-commerce enterprises and find latent value in brick-and-mortar stores as foot traffic continues to drop — now even more so than ever in light of the new post-pandemic reality. In addition to comparison shopping and price transparency driving declining customer loyalty and tighter margins, customer demands for greater variety and online click-and-collect, curbside pickup, and ship-from-store delivery services have made managing operating expenses and labor utilization more important than ever. And in spite of these emerging business models, customers demand a seamless omnichannel experience.

But finding an optimum formula that balances quality of service with cost-effective operations can prove difficult as more frequent, e-commerce, smaller-size orders drive growing logistics costs. Adapting distribution and transportation networks designed for retail replenishment means more trucking, rail and fuel costs, while DCs and stores manage greater SKU variety and more sophisticated fulfillment processes.

DECREASING BRICK-AND-MORTAR FOOT TRAFFIC

The coronavirus pandemic has changed consumer shopping patterns. Even as restrictions are lifted and fears subside, it appears that consumers may visit brick-and-mortar retailers less often.

46% 

of U.K. consumers said they would feel uncomfortable visiting a clothing shop once restrictions are lifted.

Source: 2020, World Retail Congress

RETAIL STORES IN THE OMNICHANNEL PARADIGM

2

As traditional retailers adopt omnichannel strategies to find a competitive edge in a market defined by e-commerce, stores offer increased opportunities for greater value, particularly as new shopping patterns emerge while customers shelter at home during the coronavirus pandemic.

Shoppers who previously weren't willing to let someone else select their produce and meat have now come to appreciate this offering and will likely continue to use it as part of their normal shopping patterns.

Repeat business will remain a critical barometer of success, but like many aspects of the modern retail equation, hitting the mark means pursuing an ever-evolving target. In addition to preserving a positive, consistent, in-store customer experience, retailers will now need to more fully embrace ship-from-store and click-and-collect services — key customer experience differentiators that can also help reduce shipping costs as online order volumes grow. Loyalty is a cross-channel concept, as customers who shop across all of a retailer's channels are more engaged and profitable over the life of the buyer-seller relationship. Further, customers visiting for in-store pickup provide valuable boosts to foot traffic and opportunities for additional sales.

But how to successfully leverage the retail store to deliver on this omnichannel promise — and most importantly, doing so profitably — remains a largely unsolved puzzle. According to a recent survey, 68% of retailers are experiencing rising fulfillment costs, the highest of which are e-commerce shipping, returns, and services like in-store pickup for online orders. Further, in response to the coronavirus pandemic, supermarket online traffic grew by more than 161% as shoppers stocked up on food, beverages, toilet paper and cleaning supplies. Likewise, third-party grocery delivery app downloads grew by as much as 218%, and 23% of shoppers reported using online shopping more frequently than in-store purchasing.

These increasing demands on retail store operations are creating tremendous pressure on what has historically been an unstructured environment with few process silos. Associates must balance competing demands, including handling operational tasks while interacting with customers and immediately responding to their requests to bolster the all-important, in-store experience. However, as proven during the pandemic's effect of consumers shifting to online shopping options, the majority of retailers lack the necessary structure and precision to consistently and cost-effectively meet the service level agreements of in-store fulfillment.

Challenges of Using Retail Store Associates to Fill Online Orders

- Order fulfillment errors (mis-picks)
- Increased logistics costs
- Inefficient bundling (batching) of orders
- Decreased employee satisfaction
- Increased labor costs

FOR BRICK-AND-MORTAR RETAIL, CONSISTENT SERVICE IS KEY.

75% 

of customers have stopped using an organization's services due to a poor experience.

Source: 2019, Pega Research Report

STRONG OMNICHANNEL STRATEGIES REINFORCE CUSTOMER LOYALTY.

Companies with the strongest omnichannel engagement strategies retain **89%** of customers on average, compared to **33%** for players with weaker omnichannel initiatives.

Source: Aberdeen Research

THE HIGH COST OF DELIVERING ON OMNICHANNEL SERVICE LEVELS

The average cost to fulfill orders is

70% 

of the total order value.

Source: 2017, Efulfillment Service

STORES NEED TO BECOME MORE LIKE DCS – VOICE TECHNOLOGY INCLUDED

3

The competitive demands and cost centers of omnichannel retail require optimizing in-store processes to improve tracking and efficiency.

DCs provide inspiration for how to do so. These task-oriented, process-focused environments operate more like a science than an art. They have a history of applying technology to capture data and manage work, covering everything from labor optimization to inventory visibility and process refinement.

Just as DCs traded paper-based and other manual workflows for voice technology in recent decades, forces are aligning for retail stores to make the same shift. Modifying proven voice technology allows solution providers to offer flexible, purpose-built solutions designed for the demands of in-store workflows, such as order fulfillment, gap scanning, shelf replenishment, inventory management, and more.

But the shift to become more like a DC must be nuanced. Retailers must preserve the flexibility to attend to the customer experience and respond to impromptu demands. They also must consider existing IT commitments, evaluating compatibility with existing hardware and software platforms. These conditions create a mandate of flexibility for any voice-directed workflow solution.



VOICE TECHNOLOGY: BUILT TO MATCH THE REALITIES OF THE RETAIL FLOOR

4

Unstructured and sometimes unpredictable, the retail floor demands a multi-modal workflow that equips users with a variety of tools to handle whatever comes their way.

A less-bulky headset makes associates more approachable and works in tandem with a handheld device, enabling users to not only communicate and confirm work via voice dialogue, but also view pictures of products and inventory locations, type on a keyboard, or scan barcodes. Device-agnostic voice software supports existing IT infrastructures, as it is capable of running on the Android™, Windows® or Apple® devices retailers have already purchased.

This all comes together to drive greater efficiency and productivity across in-store operations and improve the customer experience. Step-by-step instruction and natural voice dialogue reduce training time for new associates or temporary labor, while driving consistent execution. Managers can determine clear accountability with software tracking both the assignment of tasks and acknowledgement by employees and take advantage of greater inventory visibility by tracking products from dock to shelf.

Operational visibility and predictability go hand-in-hand. Management can build an understanding of how long certain tasks take, leading to better estimates of order readiness for in-store pickup. This data then fuels labor models to build staffing requirements, determining how much labor is necessary to fulfill orders and run normal store operations. Ultimately, this enables data-driven decisions to avoid overstaffing while ensuring on-time, accurate order fulfillment and an optimal checkout experience.

WHY IT MATTERS: THE FLEXIBILITY OF VOICE IN ACTION

Redundant investments are toxic in a retail climate with tight margins and an insatiable desire for efficiency. Device-agnostic software capable of running on virtually any Android, Apple or Windows device avoids burdensome duplicate costs and actually gleans more value from existing hardware investments.

Combining these devices with voice headsets provides a multi-modal solution that offers extended functionality to respond to the realities of the retail floor.

- Trouble finding an item? Use the screen to view stock location and a picture of the product.
- Notice an out-of-stock item? Scan the shelf tag to alert the system and trigger replenishment.
- Fulfilling an online order but a customer approaches with a question? Flip the mic up, find a resolution, and get back to work.



APPLYING VOICE TECHNOLOGY TO MULTIPLE STORE WORKFLOWS

5

While the demands of in-store fulfillment are often the catalyst for adopting new technology, the application of voice technology is not limited to order fulfillment — but extends to store operations and compliance workflows.

ORDER FULFILLMENT

- **In-store picking:** Deliver on the click-and-collect promise. Two-way verbal dialogue directs and tracks order fulfillment work to meet service level agreements and maximize labor productivity. The screen can supplement verbal instruction and employees can receive suggestions for an alternative if a substitute item is needed.
- **Returns processing:** Give customers the convenient, flexible returns process they desire without tying up labor. Step-by-step instruction quickly integrates returned merchandise into inventory management processes with clear visibility.

STORE OPERATIONS

- **Gap scanning:** Enable associates to act quickly in the event they notice an item is out of stock. Simply scan the shelf tab to automatically create a list of items in need of replenishment from backroom storage.
- **Restocking and inventory replenishment:** Improve the efficiency and visibility of restocking processes via hands-free instruction and confirmation. Track inventory from docks to shelves with system-driven receiving, staging, put-away and replenishment.
- **Load to cart:** Keep shelves stocked and maximize labor productivity by sorting mixed-load pallets into different carts for more efficient store aisle replenishment.
- **Stock counting:** Minimize lost sales due to out-of-stocks through regularly scheduled cycle counts. Connected workflows handle the complexity of greater SKU variety while eliminating paper document management, double data entry and other manual issues.
- **Training:** Step-by-step instruction and natural voice dialogue reduce training time for new associates and/or temporary labor, while driving consistent execution.
- **Accountability:** Managers clearly can determine associate responsibility, with software tracking both the assignment of tasks and the acknowledgement by employees of work completed.
- **Staffing:** Through the operational visibility driven by data collected when using voice-directed workflows, management gains a better understanding of how long tasks take. This information then fuels labor models to build more accurate staffing requirements, ensuring enough associates are scheduled to fill orders and run normal store operations.

VOICE TECHNOLOGY IN ACTION: OPTIMIZING IN-STORE FULFILLMENT

Consider a traditional brick-and-mortar supermarket offering customers the option to order groceries online and pick up their order on a specific day and time — also known as click-and-collect. The average supermarket order includes 40–50 items for a purchase total of \$175–\$200.

Working from a paper-based pick list, it typically would take an associate one hour to pick the items required to fill this order. Replacing the paper with a voice-directed workflow, however, will improve that same associate's productivity by as much as 35%. That time savings can be used by store management to reallocate labor to other value-added activities.

Conversely, the increase in order fulfillment speed means that a store processing 20 click-and-collect orders per day by paper can pick 25 orders with voice technology in the same time frame, resulting in an increase in revenue by \$1,000. Extrapolating that performance increase across a week, month and year enables each store to realize a significant increase in order fulfillment revenue.

- **Combining processes:** With voice-directed picking, associates can fill click-and-collect orders while simultaneously reporting inventory shortages, or change price labels while restocking shelves.

COMPLIANCE WORKFLOWS

- **Planogram auditing:** Ensure items are in the correct, optimized locations to maximize sales and quality. This helps keep fast-movers easily visible in high-traffic areas and allows grocers to ensure freshness.
- **Annual stock count:** Enable the workforce to assist with financial compliance by tracking and reporting inventory through a secure, managed process.



VALUE DRIVERS: DEFINING A PRUDENT INVESTMENT IN VOICE TECHNOLOGY

While justifying an investment in new technology requires building a business case, in the fast-changing, hyper-competitive retail world, stores must also weigh the cost of not investing.



How long does it currently take to train associates? What is the cost of a picking error or an out-of-stock item? Do operations print or use paper-based processes? What data drives workforce and process management?

Considering these questions and competitive realities, neglecting to invest in an in-store solution brings clear and severe disadvantages:

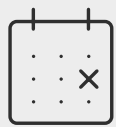

- **Out-of-control fulfillment costs:** Inefficiency is the enemy of omnichannel success. Wasted time picking orders, delivering the wrong items, inappropriate substitutions and packing errors increase fulfillment costs and can alienate customers.
- **Poor customer experience:** Long lines, out-of-stock products, and inaccessible or ill-informed associates — this is a formula for dissatisfied customers who will take their business elsewhere.
- **Bad inventory visibility:** Out-of-stocks due to inaccurate inventory counts can prevent stores from fulfilling online orders, break service commitments, and cost them walk-in business.

With an in-store, voice-directed system in place, key performance indicators (KPIs) like order accuracy, productivity and out-of-stocks significantly improve. Stores can achieve DC-like fulfillment accuracy levels greater than 99.7%. Combining processes, such as changing price labels while stocking and using mobile computing to drive in-store fulfillment, reduces travel time and increases worker productivity up to 20%. Finally, system-driven re-stocking proactively alerts store associates and can cut out-of-stocks by 25%. This greater shelf availability can increase in-store sales by 1%; depending on the size of the retailer, this can translate into millions of dollars in extra revenue per year.

COST-SAVING FACTORS

<p>Order fulfillment capacity: Fulfill 2X the orders with the same staff</p>	
<p>Order fulfillment accuracy: Up to 99.7% order accuracy</p>	
<p>Training time: Train staff in as little as 20-30 minutes</p>	
<p>Task duration: 20% less than paper-based workflows</p>	

VOICE TECHNOLOGY RETURN ON INVESTMENT

<p>Time: Expected payoff in 9-12 months</p>	
<p>Scope: Basic capital investment suitable for small and large enterprises</p>	

CONCLUSION

In the post-pandemic world, retailers will continue to face more complexity than ever, with e-commerce fulfillment models, expanding inventories, tighter margins, and the need to deliver a high-quality customer experience, no matter the channel.

But greater complexity also brings greater opportunity. By providing integrated, data-driven process efficiency, voice technology holds the key to cracking the modern multi-faceted retail code and gaining a competitive edge. Connect with Honeywell Voice for more information about putting our voice-directed Guided Work for Retail solution to work for you.

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Honeywell Voice

2555 Smallman Street
Pittsburgh, PA 15222
www.honeywellaidc.com/voice

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