HUGHES. Europe

THE **RETAIL TECHNOLOGY MARKET** INDICATOR REPORT
# MIND THE GAP

The modern retail environment is facing **challenging times** and we can see that much needs to be done to ensure the **profitability** of physical stores. With the advent of the blended customer experience where online and offline channels are set to complement each other rather than compete, we need to focus on how we **transform the way we interact** with our customers in our stores.





The in-store experience could turn the tide to make our physical shopping environments more engaging and more profitable.

## BUT WHAT DOES THAT REALLY MEAN?

Hughes has conducted a research project where we asked both customers and retailers a set of questions to identify what value customers see in technology to aid their in-store shopping experience and to determine whether or not current retailer investment plans are aligned with what customers want.

Our aim is to provide insight for retailers that will inform decision making for technology investment in a time of constrained budgets and pressures on ROI.

# THE IN-STORE EXPERIENCE

In conducting the research, we focused on three key categories of the customer in-store journey:

**ENGAGE** create the desire for customers to come in and browse

**INTERACT** create opportunity for customers to derive value from being in-store

**CONVERT** facilitate the payment process to maximise likelihood of purchase

Each of the technologies included in the research could enhance the customer experience in this in-store customer journey.

## COME ON IN!

Customers need to be attracted into store. Loyalty is important in this but so too is delivering appealing and engaging offers to engage first time customers. Customers who feel informed are more likely to engage.

Digital Signage is one way of delivering real time information to customers such as providing product information or showcasing promotions.

What do customers think? Of the 70% that have experienced digital signage, more than half – 61% – thought it provided a good experience. That's probably why 84% of retail customers surveyed expect it to become more widely adopted in stores.

**Digital signage experienced by over 70%**

**61%** thought it was a good experience

**84%** expect it to become widely adopted
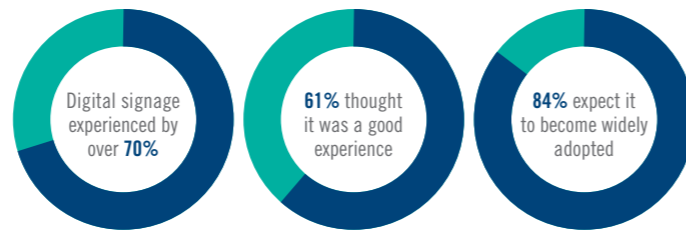
72% of retailers surveyed are planning to invest in digital signage technology within the next 36 months but, with 66% of consumers that expect it to be implemented expecting it now or in the next 12 months and only 16% of retailers planning to invest in the short-term, does this signal a mismatch between customer expectation and retailers' plans?

**If our primary aim is to attract customers into our stores then re-thinking investment plans for our digital signage strategy might provide an opportunity to accelerate delivery of this objective.**

Another information source for customers in store is Wi-Fi. Providing free of charge in-store Wi-Fi could realise two potential benefits:

- **Opportunity to capture customer behavioural data**
- **Enhanced customer experience**

Retailers have told us that in-store data capture provides significant benefits by delivering insight that helps:

| | |
|---|---|
| Improve the customer experience | 97% |
| Decide on technology investment | 96% |
| Inform future strategies | 95% |
| Deliver more personalised offers | 93% |
| Design and improve Loyalty programs | 93% |

However – retailers should beware – even millennials who are happy to share data (84%) to receive personalised offers are also fearful that retailers may abuse their personal data (77%).

**With expectations from customers signalling that they want free Wi-Fi – 63% of them expect it to be offered within the next 12 months – the retailers who are already offering this or who plan to do so, need to be mindful of two key things:**

- **35% of customers who have used in-store Wi-Fi did not report a good experience – meaning it has to be done properly or it will have a detrimental effect on customer perception**
- **Transparency on how any data collected will be used is vital to creating customer trust**

# WHAT DO I DO WHEN I GET THERE?

The blended customer experience means we need to deliver experiences in-store that cannot be achieved through online purchases. Remember, it's no longer about competition between different channels.

In a nutshell, this means we need to offer opportunities to interact with people and products.

We are clearly looking to technology to help us deliver an enhanced in-store experience for our customers. But identifying the right technology to focus on in the short, medium and long term to maximise ROI at the right point is not easy.

So we asked customers what they thought about new and emerging in-store technology.

## GLOSSARY

**AUGMENTED REALITY**
a technology that superimposes a computer-generated image on a user's view of the real world, thus providing a composite view.

**ARTIFICIAL INTELLIGENCE**
makes it possible for machines to learn from experience, adjust to new inputs and perform human-like tasks.

**VIRTUAL ASSISTANTS**
an application program that understands natural language voice commands and completes tasks for the user.

## STAY AND PLAY! – PRODUCT INTERACTION

Our findings around Augmented Reality were interesting. This technology is only just beginning to emerge in-store and its stage in the product lifecycle is reflected in our results with more than half of the customers who have experienced this in-store, reporting that it wasn't a great experience. This is the age-old strategy dilemma of whether innovation and being first to market is more important than market following with a more established offer. There is real potential for this technology to work but it might take time to get it exactly right. Reassuringly, customers are not asking for this now with only 27% of those surveyed expecting to see it in-store within 12 months.

When it comes to Artificial Intelligence our customer respondents reported a better experience using this than with Augmented Reality with 54% rating the experience as positive – although the expectation of widespread implementation of this technology in-store is similar to the expectation of AR with 28% wanting to see it within 12 months. It's interesting here that millennials – the key demographic for attracting back to an in-store shopping experience – have a higher expectation that this technology will be available within 12 months with 49% anticipating its arrival in-store in the short term.

**But with a significant number of retailers stating an intention to invest in AR (42%) and AI (45%) in the next 12 months, are we prioritising our short-term investments in the right place?**

## AUGMENTED REALITY IN ACTION

Leading UK furniture retailer DFS has already rolled out its own AR-based app that allows users to visualise its products in their own homes. Similar apps could quickly begin to emerge with other retailers keen to help consumers gain better impressions of products in different scenarios.

Intention to invest in AR
**42%**

Intention to invest in AI
**45%**
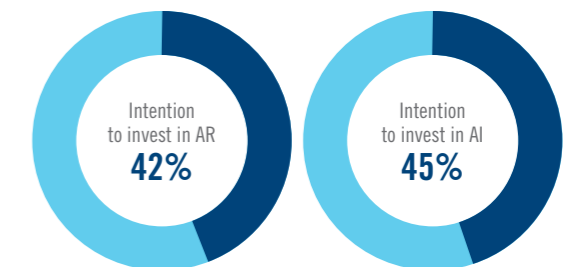
# THE PERSONAL TOUCH

## ARE WE READY FOR THE FUTURE?

It would seem that we are not quite ready for in-store robots with only 4% of retail customers having any expectation of seeing this technology in store in the next 12 months. And with 69% of customers who said they'd experienced this technology when shopping, reporting a less than good experience, it's clear to see this has some way to go. It's interesting, then, that four times as many retailers (16%) are planning to implement this technology within a year.
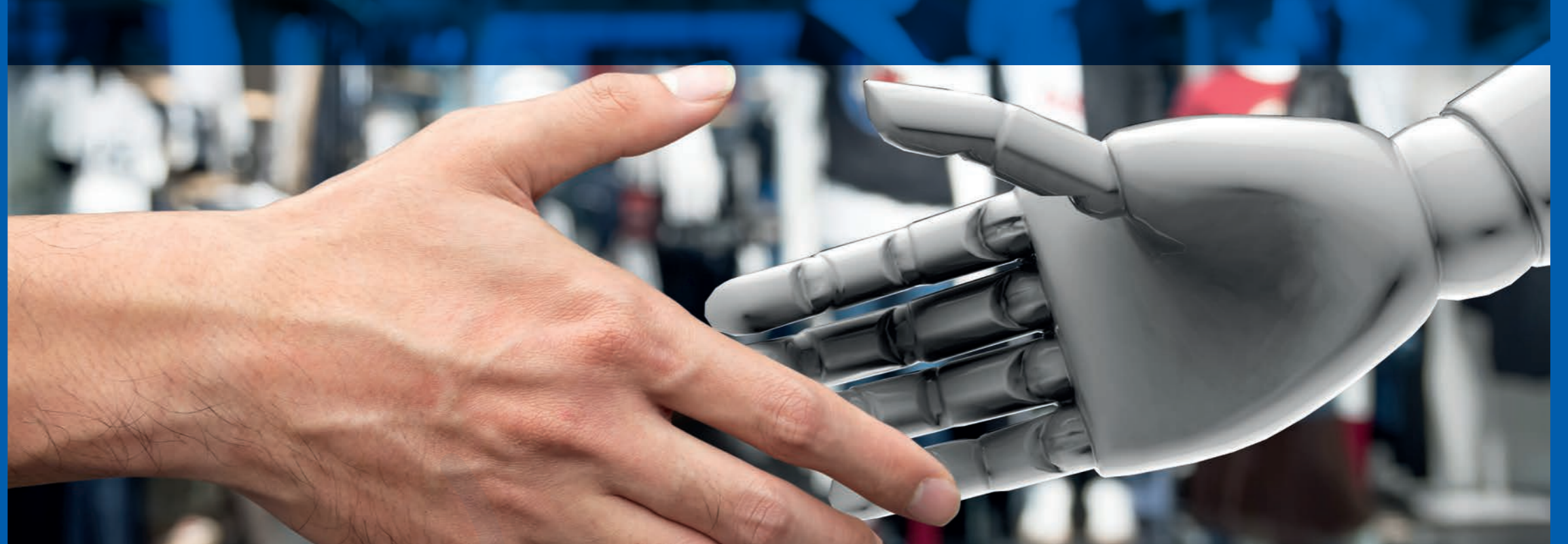


### ARE IN-STORE ROBOTS ACTUALLY A REALITY?
European fashion retailer Zara is beginning to rely on robots to help eradicate the delays faced by customers picking up click and collect orders. The robots will pick orders from stock rooms and place them in drop off boxes where customers can retrieve their items.

### ALEXA, WHAT IS A VIRTUAL ASSISTANT?
Virtual assistants are already popular, both at home and on the move. The iPhone's Siri feature is one example of a popular voice-activated virtual assistant while Amazon Alexa and Google Home are competing voice-activated assistants for the home.

On the other hand, almost half (48%) of customers who have experienced Virtual Assistants in-store felt that the experience was good and around a third (35%) are expecting to see this technology more widely in stores within 12 months. There seems to be a degree of alignment here with 43% of retailers looking to implement this in the same time frame.

**This could represent an opportunity to accelerate investment in this technology for a short term positive impact on customer experience.**

## PERSONAL INTERACTION

What is clear is that we still want to interact with people with 91% of retail customers seeing the relevance of real-life, human store assistants now! Although, when we asked what

they thought this might look like 25 years from now, only 43% thought that real-life store assistants would have relevance in store – representing a significant drop. More than half of the people surveyed felt that store assistants provide a good or excellent level of knowledge and add value to their shopping experience. But, the converse of this is that 45% of shoppers don't experience this.

Clearly there is work to be done here if retailers are going to meet or exceed their customers' expectation in the short to medium term.

Retailers are aware of this as our survey showed a significant number intend to invest in training technologies now or in the future:

| | |
|---|---|
| Augmented Reality Training Solutions | 78% |
| In-store e-Learning Platforms | 73% |
| Online e-Learning Platforms | 69% |
| Training Apps for Smart Devices | 68% |

**However with in-store robots some way off both in terms of investment and acceptance, and with close to half of current customers not experiencing value from interaction with in-store staff, technology that enables more informed staff might need to make it further up the investment priority list.**
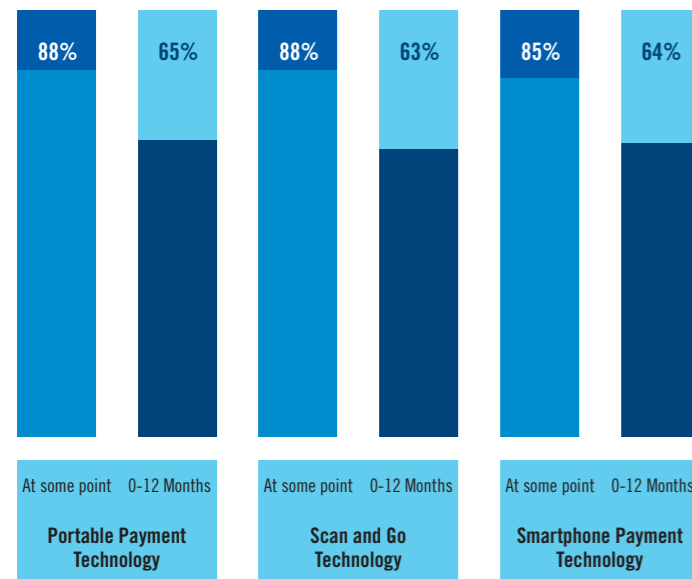
# YOU'VE CONVINCED ME – WHERE DO I PAY?

The big bugbear for retail customers is queueing. 76% of customers believe that retailers should implement technology to reduce queueing times and 60% want it now.

Retailers themselves see this as important but they don't see it as a top priority with only 15% of those surveyed intending to invest in this now.

What's clear is that when they've made the decision to purchase, retail customers want that transaction to be quick and easy. It's all about convenience.



## Retail Customer Expectations



| | Portable Payment Technology | | Scan and Go Technology | | Smartphone Payment Technology | |
|---|---|---|---|---|---|---|
| | At some point | 0-12 Months | At some point | 0-12 Months | At some point | 0-12 Months |
| | 88% | 65% | 88% | 63% | 85% | 64% |

It's not surprising that retailers' investment plans are largely aligned to customer expectations for convenient payment technologies with Smartphones, Portable Payment and Scan and Go all high on the agenda within the next 12 months. **The question here for retailers is: will investment in payment technologies deliver enough positive impact on the length of queues to meet customer expectations or is there more to be done? Speeding up the payment process is only one element in the 'convenience' conversation.**

## BEHIND THE SCENES

Researching and selecting customer-facing applications is only one half of the story. The saying 'don't over promise and under deliver' was never more true than in creating an expectation in our customers through new and innovative applications and then not delivering on those expectations because the customer can't actually access the application or because it performs poorly when they do.
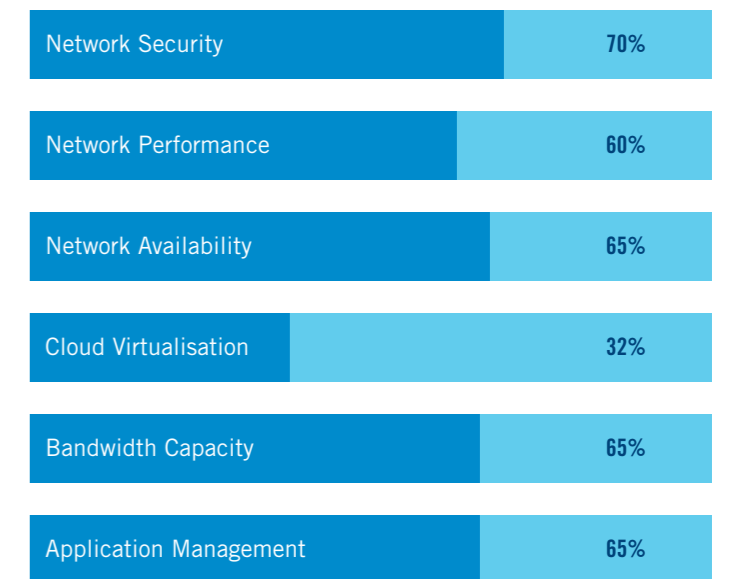
When considering their readiness to deliver these new applications in store, we asked retailers what areas of their current infrastructure would need to be addressed to implement these new technologies.

The table illustrates the percentage of respondents who felt there were areas to address now or at least within the next 12 months.

It's clear then, that retailers believe there is much work to be done to ensure that new and emerging applications designed to enhance the customer experience at point of use are properly supported by a robust, secure and available network. **Many retailers are acutely aware that investment in the network needs to happen sooner rather than later.**

## Infrastructure areas to be addressed now or in the next 12 months

| | |
|---|---|
| Network Security | 70% |
| Network Performance | 60% |
| Network Availability | 65% |
| Cloud Virtualisation | 32% |
| Bandwidth Capacity | 65% |
| Application Management | 65% |

# THE ROUND-UP

This research has highlighted some interesting insight that will help retailers navigate their technology deployment roadmap to set priorities and accelerate ROI from investments.

# 1

## ENGAGE >

- Engaging customers with technology that they like such as digital signage and free Wi-Fi presents a quick win opportunity

- There are clear benefits to be had from capturing customer data in store and customers are willing to share it provided there is transparency over how this is being used

# 2

## INTERACT >

- Customers want to try new interactive technology but they are not expecting it just yet and their experience of it so far has not been great – retailers might want to re-consider the speed at which they plan to deploy this technology

- Customers like to interact with real people but they don't always feel in-store assistants are adding value. Accelerating plans for in-store learning solutions for staff might present a short-term opportunity here

# 3

## TRANSACT!

- Although retailers share the same views as customers when it comes to implementing new payment technologies the drivers may be different. Customers' expect convenience and their expectation for queue reducing technology goes beyond what retailers are currently planning to invest. This could present a real prospect for retailers to differentiate in this space

## ONE FINAL THOUGHT

Retailers are clearly aware that the front end applications will only **add value if the back end infrastructure can support them.** The pressures put on the network in a world of **ever increasing customer expectations** that are, in the main, being addressed by bandwidth hungry applications hosted in the cloud, means that **retailers are facing a balancing act between application and infrastructure investment.**

## GETTING ONE RIGHT WITHOUT THE OTHER IS NOT AN OPTION

# ABOUT THE RESEARCH

The research was undertaken by Vitreous World on behalf of Hughes Europe throughout September and December 2017. Breakdown of respondents:

## 100 RETAILERS WITH A MINIMUM OF 250 EMPLOYEES – UK WIDE

### EMPLOYEES

| 250-499 | 500-999 | 1000+ |
|---------|---------|-------|
| 19 | 44 | 37 |

### STORES

| <50 | 51-70 | 71-100 | >100 |
|-----|-------|--------|------|
| 27 | 31 | 19 | 23 |

## 1,000 CONSUMERS – UK WIDE

### 49% - MALE
### 51% - FEMALE

### AGE

| 18-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65+ |
|-------|-------|-------|-------|-------|-----|
| 161 | 161 | 171 | 166 | 140 | 201 |

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To find out more about how Hughes can help
your business do more business please contact:
**insights@hugheseurope.com**

**United Kingdom:**
Hughes Network Systems Ltd
Hughes House
Rockingham Drive, Linford Wood
Milton Keynes, MK14 6PD
Tel.: +44 (0) 1908 425 300

**Germany:**
Hughes Network Systems GmbH
Ottostrasse 9
64347 Griesheim
Amtsgericht Darmstadt HRB 6514
Tel.: +49 (0) 6155 844 0

**Italy:**
Hughes Network Systems S.r.L.
Via Po, 162
00198 Roma
Tel.: +39 06 844 0611

**www.hugheseurope.com**