



ALAMY

# Producing the goods?

Technology has been hailed as the key to solving productivity problems in retail. **Jon Severs** finds out which innovations are having the biggest impact on businesses

**L**ast year, a report from the UK Commission for Employment and Skills stated bluntly that “the retail sector generally operates to low margins” and “productivity improvements could be made”. No news there, you may think.

Of slightly more concern, the Investment Property Forum then reported that, other than in fashion and discount retail, multichannel would reduce productivity for retailers.

Finally, and most worryingly of all, Michael Jary, partner at OC&C Strategy Consultants, wrote in *Retail Week* in January that: “Despite the digital revolution, the overall productivity of the retail sector (measured by revenue per labour hour) seems to have stalled since 2009.”

If this is indeed the case, what has gone wrong and how can technology help to improve much-needed gains in productivity for retailers?

For Dr Tim Denison, director of retail intelligence at Ipsos Retail Performance, the problem is obvious. “Replacing a system in which shoppers come to a centre, buy their goods and go home, to one in which goods are dispatched from disparate warehouses to each individual shopper’s home – when they may not be there to receive the goods – strikes me as regressive, exposing a risk to productivity,” he explains.

Optimum productivity is very difficult to achieve in retail, adds David Marcotte, senior vice-president for retail insights at Kantar. He explains there are a number of ways to boost productivity, but with each there are problems and retailers have a careful balancing act to perform.

“For example, you could have store-ready packaging to reduce labour,” he says. “But, while shop-ready packaging looks great when you first put it up, it needs to be maintained otherwise

it looks like it has been beaten to death. That requires workers.”

All this is not to say that technology-based gains have not been made. Many retailers may have “stalled” in the way Jary described, but others have not.

Denison notes that most productivity gains in recent years have been achieved in logistics, back-of-store and beyond; however, he believes we are now beginning to see more effort being directed to in-store activities.

The ability for customers to pay for goods in the aisles, for instance, is a solution growing in popularity. Many retailers such as Kingfisher (see box, next page) Apple and Nike Town offer such solutions, mainly in an effort to avoid long queues forming at the checkout.

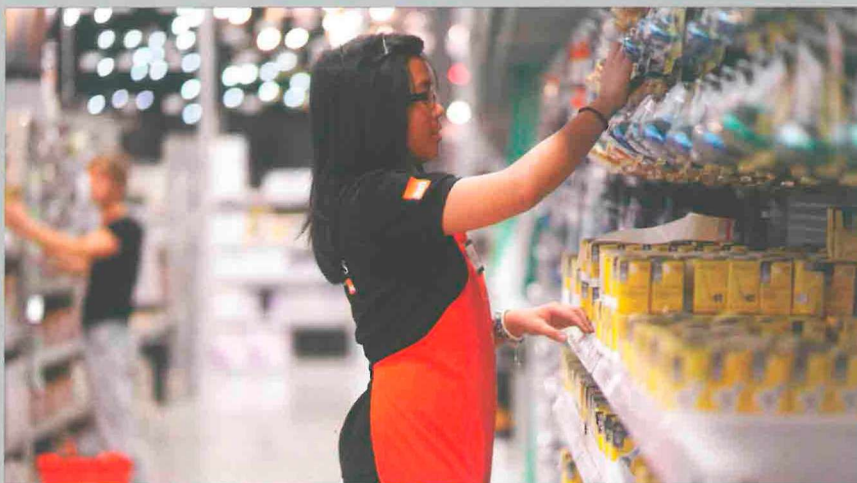
“Streamlining the queuing experience isn’t only important for the customer, but it ↘



## Kingfisher makes productivity pay

Kingfisher is one of several big retail groups rolling out technology-driven productivity solutions. In 2015 it trialled its 'Easier' system in four stores in Ireland, and has been rolling it out in the UK this year.

For the customer, it means being able to pay for goods in the aisle via handheld terminals, personalised promotions and same-day click-and-collect. Kingfisher says gains in productivity will be significant. These include: more time spent with customers; the ability to provide better service as staff will have access to stock levels and product information; a simpler delivery system when stock arrives in store; and access to real-time data, enabling straightforward, more agile decision-making and better cost control.



also contributes to the bottom line," says Kevin Hickson, general manager of customer journey specialist Tensator Group.

Denison agrees: "Queuing is a major drain on productivity and retailers are taking a number of different approaches to tackle the weakness," he says. "Issuing all shop staff with transactional and stock management tablets empowers any member of staff to process a sale, check stock levels and availability, or order items remotely, rather than calling on customers to wait needlessly at a designated customer service desk."

Apps too have become a powerful tool, says Denison, with retailers now encouraging customers to book appointments with product specialists before visiting a store, in order to avoid them having to wait. Using apps to alert the click-and-collect team of a customer's arrival in store is another productivity driver.

### Self-service stalls

Many issues were supposed to have been solved by self-service checkouts, of course, which some experts argue have not always been as effective as hoped. "There is a portion of the population for

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whom [a self-service checkout] does not work at all," says Marcotte. "Sections of the population are very person-to-person orientated. So you have to be very careful about where you take the labour element out. I have seen retailers very concerned about it in terms of branding."

Another problem with a self-service checkout is that you need to train the customer to use it properly, says Marcotte, citing the example of Home Depot. "It was so entertaining to watch people attempting to self-scan a 3m piece of wood. There were a lot of horror stories and they backed up on it very hard. What they discovered was that they needed a lot more help at the self-checkout, directing people to use self-checkout with the right products and helping them with the process. In the case of so many retailers, the training of the customer does not happen."

Lack of customer training is a common problem across numerous installations of new technology, explains Marcotte, giving the example of RFID for self-checkout. "With RFID you could tag all the products and, when you walk out the store carrying them, you can be automatically charged for them," he says. However, the theory hasn't always chimed with

experience. "You have the fact there is an error rate of 5%. Then you have the fact there are so many things that could disrupt that signal. If you walk out the store wearing leather shoes and the floor is carpeted, the static electricity might be enough to wipe out half the purchases. You could make the RFID tag self-powering, which would solve many of the issues, but it is very expensive to do that and the productivity gain is lost."

Where RFID does work is for more simple solutions – for example, in stock management. "Unsurprisingly, stock-outs are the number-one cause of sales dips," says Denison, who points out that retailers are experimenting with smart-shelving and RFID tagging, whereby readers will detect when product lines are running low and call for replenishment, thereby avoiding out-of-stocks from occurring.

Indeed, it is the simple technological solutions that appear to bring the best productivity gains. Another quick win, when properly utilised, is simple customer counting technology. "The metrics produced from customer counting technology help drive up productivity by matching service demand with service supply," says Denison. "Nothing could be simpler, but it is surprising that not all retailers are using the technology to build store footfall forecasts from historical footfall data and plan staff schedules."

That's not to say more complex uses of technology won't become more prevalent in the future as productivity moves up the list of retailer priorities. Robots, for one, may well be back on the agenda, says Marcotte. "Having a robot to tell you what things are in the store and taking you there has been tried by many in the US. No one has kept it, which suggests it is not cost-effective... yet."

Robots or otherwise, retailers will be pinning their hopes on more breakthrough technology that helps to solve the productivity conundrum.

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