



# Stores must and can increase their productivity

By Marcel te Lindert

For many years now, productivity levels in stores have shown a downward trend. In other words, retailers need to make ever greater effort to achieve an ever-decreasing turnover. But the future offers opportunities to turn things around. Using digital technology can boost conversion rates, make the operation run more efficiently and increase the return from stock.

“We just have far too many stores, with too much spare capacity. Stores which do not operate efficiently need to be closed. Otherwise, a day will come when store chains will be forced to.” This comment was made by Frank Quix, a director at Q&A Research & Consultancy, in September 2014 at a RetailTrends event. Almost a year on, it seems that plenty of stores have, indeed, had to close their doors. You only need to think of a few Dutch retailers like Mexx and Promiss stores as well as a large number of smaller chains which have gone bankrupt. The rapid advent of e-commerce is not the main reason for the problems. It is the actual retailers’ policy. That is, at any rate, the view of Quix, who worked out last year that the number of square metres in the non-food sector has grown by 82% in 20 years, while

the turnover has not grown by more than 26%. Taking into account inflation over these 20 years, Quix concludes that floor productivity has dropped by more than 80%. “And that figure still isn’t adjusted for online sales that are generated by bricks-and-mortar retailers.”

## Turning things around

The advent of e-commerce is perhaps not the key reason for the sharp decline in floor productivity, but has at least brought the problems to light more quickly. Retailers who used to be able, for a long time, to expand floor space as one way of increasing turnover, have suddenly been faced in recent years with dwindling sales, with consumers spending 10% of their budget online. In addition, faced with the competition of digital stores with their long tail, they





are sorely tempted to expand their ranges. Given also that these ranges are changing more quickly all the time – with Zara and H&M leading the way with their “fast fashion” – an ever-growing number of articles are ending up as sale items, resulting not only in lower turnovers, but also in lower margins. It isn’t too late for retailers to turn things around. Quite the opposite, retailers have more tools available than ever to increase their floor productivity for the first time in years, something which they can do in three ways:

- Increase conversion on the shop floor by equipping and informing store assistants better.
- Improve the store’s operation by using staff more efficiently and making better use of the available space.
- Making better use of the stock in the store by making it available to other channels.

The use of state-of-the-art digital technology is vital for improving floor productivity. Analyst Adam Silverman from Forrester Research concludes that there is an ever-growing number of bricks-and-mortar retailers using digital devices such as smartphones and tablets to strengthen their ties with customers, boost the performance of stores and their staff, and gain a competitive edge over online retailers. “These retailers are shifting their focus from “selling” to “serving” and are turning their bricks-and-mortar stores into digital stores,” remarks Silverman.

#### Favourite source

An ever-increasing number of consumers consult their smartphones during their visit to a store. A Forrester survey shows that 21% of consumers have used their smartphone at least once in the last three months to see whether an item on the shelf was available elsewhere cheaper. 17% also searched for product information, 16% for a discount voucher and 13% for reviews from other customers. Even when it comes to checking whether a particular item is available, 9% of customers prefer to use their smartphone to find out rather than a store assistant, “Smartphones are considered nowadays as a reliable and, in some cases, even the favourite source of information,” concludes Silverman. It is now taken for granted that consumers use the store to try on or try out items and then order them online, perhaps even when they are still in the store, using their smartphone. This is true not only for this practice, known as “showrooming”, but also for “webrooming” and “boomeroming”, whereby consumers research the product online and buy it in the store or first try it out in the store and then go online again to buy it. A survey carried out last year among UK consumers revealed that 62% have actually engaged in boomeroming at least once. Retailers need to stop resisting these kinds of practices,” adds Silverman. “They need to embrace the digital consumer and provide them with the tools to do this, such as a Wi-Fi connection.”

The emergence of the smartphone as the key source of information requires store assistants to perform a different role. They will at least have to be as well informed as the

customer, but also be able to offer value added by filtering and consolidating all the information available. Combined with information about, for instance, the customer’s purchasing behaviour and wish-list, the assistant needs to be able to offer appropriate advice so as to tempt the digital consumer to finally make a purchase. This requires store assistants to be equipped just like consumers with a mobile device like a tablet, preferably one that they can also use to be able to facilitate payments.

#### Virtual shopping basket

As a result of dwindling sales, combined with high rents, many retailers are striving to reduce the floor space in their stores. This forces them to cut back on the store’s range of items, which now enables consumers, using tablets, screens or store assistants, to simply order items which are not available and pick them up later or have them delivered to their home.



However, there are also other options in terms of managing floor space more efficiently. Macy’s initiated an experiment in California where customers can use an app on their smartphone to add items to their virtual shopping basket. Whenever the customer wants, the items are gathered in the store warehouse and delivered to the reserved changing room. This allows the department store to remove the bulk stock, thereby creating space to display 60% more items.

In addition, Forrester is in favour of integrating the various store technologies, such as point-of-sale (POS), people counters and planning systems. If these technologies share data with each other, this creates new opportunities, for instance, to send staff in real-time to the location where they need to be deployed. This means not just any assistant who is available at the time, but the assistant who is best suited to this task.

#### Fulfilment centres

Store stock can be used more efficiently by deploying stores as fulfilment centres. First of all, this allows items which are in danger of being left on the shelf in the store to still be sold without having to reduce their price. Another benefit is that delivery from the store is very appealing, simply because this supply point is the closest to the customer. Certainly if delivery time is important, as in the case of same-day delivery, delivery from the store is almost a must. There is an ever-increasing number of initiatives being introduced for the last mile at local level. They are along the lines of the Uber concept used for supplying couriers, taxis, pizza deliverers or private packages. >



A survey shows that one in three Dutch retailers is now offering a click-and-collect service, with one in four offering ship-from-store. The question is how far these retailers will go in turning their stores into fulfilment centres and what the implications of this are for their stock strategy, for instance. "Stores wishing to dispatch online orders from their stores are still dependent on whether the items are there or not," says Arjan Dijkstra, who is working as part of his PhD at the University of Groningen on a study on stock strategies deployed by omni-channel retailers.

Retailers' return strategies also have a role to play in this. Many stores already offer the option to bring articles ordered online back to the store, but these returns are mostly sent back to the central DC. "What almost never happens is that these returns are put on the shelf in the store. Especially in the case of fashion items, it can make sense to use the flow of return goods locally and make items available quickly for sale again," says Dijkstra. Whether it is now about increasing conversion, improving operation or a better use of stock, digital technologies play a key role in all these cases, at least if they are integrated and based on innovative concepts.

One in three Dutch retailers is now offering a click-and-collect service, with one in four offering ship-from-store, according to a Manhattan survey (see the infographic). The question is what these concepts mean for their stock strategy.

## Manhattan Retail Survey Results

The survey was conducted in November 2014 amongst 111 retailers (60 pure players) and 51 retailers with a store and a webshop.

### Current fulfilment options

- 60% of the retailers offer next day delivery
- 45% of the retailers offer 2-5 working days
- 32% offer click and collect
- 25% offer ship from store
- 16% offer drop ship



### Most popular delivery options among customers



Click and collect is considered the least popular.



### December 2014 speed of delivery compared to December 2013



**NOTE:** in 2014 in NL almost half a million customers (475,000) did not receive their December presents on time (which is a slight improvement compared to 2013, when well over 500,000 customers did not receive their Christmas present on time.)

### Stock updates and fulfilment options



### Stock visibility



81% of retailers feel they have accurate stock visibility across the network most of the time, if not always.

### Retailers worry about:



### Webrooming, Boomeroming and Click & Collect

Did these options result in out-of-stock situations?



### Focus for the upcoming 6-9 months



supplychain commerce delivered™

**Manhattan**  
Associates.