INCISIV

2021 Buyers' Guide

Point-of-Sale Software for High-Touch Retailers

IN PARTNERSHIP WITH

Manhattan Associates®

Dramatic changes in shopper behaviour shine a light on the need for retailers to re-imagine their store experience.

Manhattan Associates commissioned Incisiv to conduct an executive survey across high-touch (non-grocery) retailers who ordered at least one method of store-based, online order fulfilment at the time of the survey. The survey was fielded between Aug 31 - Sep 18, 2020.

143
retail executives surveyed

52%
with more than 500 stores

46%
VP level or above

Unless stated otherwise, all data in this report is from the Incisiv 2020 The New Store Shopper in High-Touch Retailer and Shopper Surveys. See detailed survey methodology and demographics.

Recommended Reading

Our companion report "The New Store Shopper in High-Touch Retail" takes a more in-depth look at how shopper behaviour has changed, what shoppers value going forward, and what that means for retailers' store strategies.

Based on a study of 2,500+ US shoppers, this report orders valuable insights that underpin the recommendations in this Buyers' Guide.

Read the Shopper Study

Changes in shopper behaviour have led to a multi-generational shift in eCommerce adoption and store-based fulfilment.

A Lifetime of Growth in an Instant.

A multi-generational shift in the adoption of online ordering and store-based fulfilment experiences (such as BOPIS and kerbside pick-up) has occurred.

473%
Average increase in online orders fulfiled by stores
Q2 2020 vs. Q1 2020

The "New Normal" is Old News.

This is neither a flash in the pan, nor a reversible trend. While growth rates may slow, the future of retail experiences will be built above this new baseline.

80% of shoppers
plan to increase BOPIS and kerbside pick-up over the next 6 months.

eCommerce sales as a percentage of total retail sales. Source: US Census Bureau

Q2 2010	Q2 2012	Q2 2014	Q2 2016	Q2 2018	Q2 2020
4.4%	5.3%	6.3%	8%	9.8%	16.1%

Retailers have already seen significant eCommerce growth year-over-year. Best Buy (242%), ULTA Beauty (200%) and Dick's Sporting Goods (194%) reported some of the highest year-on-year increases in Q2 2020.

97% of retailers
expect BOPIS and Curbside Pickup orders to either stay the same or increase over the next 6 months.

On an earnings conference call, Chief Operating Oficer John Mulligan noted the "stickiness" of Target's curbside pick-up service. After a customer tries Drive Up for the first time, he said, the company sees a nearly 30% increase in the shopper's overall spending — both online and in stores.

Source: CNBC

This sudden shift and burst of growth have stretched existing systems and processes to their breaking point.

Poor Customer Experience.

The customer experience has suffered across the board. Shoppers rate their store and pick-up experiences poorly.

Overall kerbside pick-up experience **(3.53)**

Overall BOPIS experience **(3.56)**

Further, shoppers rate specific aspects of their experience (such as availability of preferred pick-up time) even lower. More details in our **"The New Store Shopper in High-Touch Retail"** eBook.

Margin Erosion.

Hyper-growth has come at the cost of profitability. Retailers have struggled with lack of store inventory accuracy, the inability to optimise labour for store based fulfilment, and quickly reconfiguring processes and systems to serve increased demand.

Profitability of orders fulfiled from stores reduced significantly for

43% of retailers

in Q2 2020 vs Q1 2020. Profitability reduced somewhat for a further 36%.

Quality of operations and cost of store labour to fulfil online orders are retailers' two biggest store-based order fulfilment challenges.

The operational status quo is untenable.

Unless retailers quickly reconfigure store-based fulfilment processes and systems, they will soon realize the perils of margin-negative hyper-growth.

The importance of retailers' point-of-experience enabling efficient store fulfilment can not be stressed enough.

As shopper behaviours evolve, so will the key drivers of tomorrow's best-in-class store experiences.

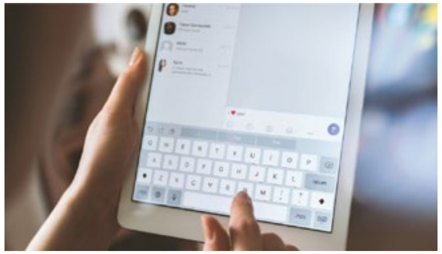
Health & Safety

Safety is the new store experience table-stakes. Health and safety of customers and associates will continue to be paramount for retailers. Stores will have to do everything they can – from planning space differently to embracing technologies and processes that advance safety.

Convenience 2.0

In increasingly uncertain times, stores can offer shoppers the certainty they crave. Certainty of product availability, of same-day delivery, of resolving service queries, of safe and contactless pick-up, of free and easy returns. Retailers that execute on this certainty of experience will deliver a level of convenience unmatched by pureplay eCommerce retailers.

Distanced Relationships



As store visits turn more transactional (less lingering, fewer conversations, more contactless) retailers will need new capabilities to ensure store teams don't lose their most valuable asset: a direct connection with their shopper. Retailers that create stickier experiences will have a better shot at strengthening relationships.

Re-imagined Experiences

To drive differentiation, retailers will need to be creative in re-imagining their stores, often at a store cluster or individual store level. How they accomplish this may range from making kerbside pick-up fun to re-purposing outdoor space for new experiences, and from better digital engagement with store associates to improving customer service.

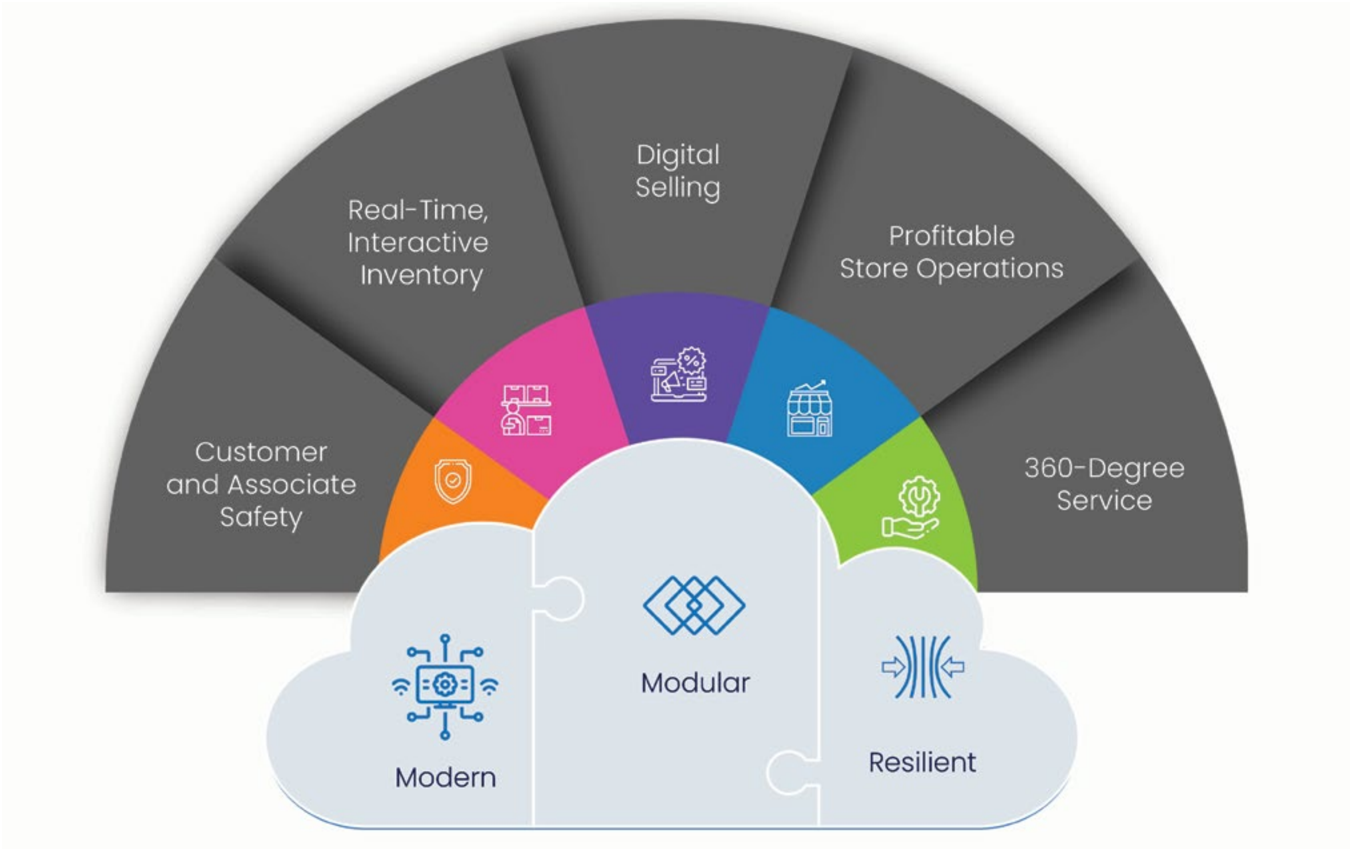
As the role of stores changes, so must retailers' point-of-sale technology that enables in-store experiences.

As retailers consider augmenting or replacing existing point-of-sale systems to address experience gaps, they must consider important functional and technology drivers.

This Buyers' Guide provides a framework for high-touch retailers to plan and prioritise important capabilities for 2021 and beyond.

Functional Flywheel

Retailers must prioritise five key business outcomes from their point-of-sale software.



Technology Foundation

Retailers' point-of-sale software must be future-ready, allow them to be nimble, and help them react to uncertainty with confidence.

FUNCTIONAL FLYWHEEL
CUSTOMER & ASSOCIATE SAFETY

Store experiences will be re-designed to prioritize customer and associate safety above all else.

Health and safety are the new customer experience table stakes.

Retailers and shoppers both rate safety and cleanliness of both in-store and store pick-up as the **most important aspect** of the customer experience.

Stores will have to continue to evolve to support distancing and eCommerce.

72% of retailers are planning to increase store space dedicated to online order fulfilment.

Contactless experiences will come to the fore.

Shoppers rate contactless pick-up experiences amongst their **top three most important** drivers of the store experience.

Retailers' point-of-sale software must **enable safe customer and associate experiences** by supporting key use-cases through these critical capabilities.

Adapt the store quickly to changing circumstances and guidelines.

Be able to quickly adapt the point-of-sale based on prevailing circumstances, both at a chain-wide and store cluster or individual store level.

Allow store teams to easily reconfigure stores for multiple use-cases.

Easily access all capabilities in any store format without re-deployment. Flexibly configure use-cases regardless of form factor or operating system.

Deliver contactless checkout, pick-up and service experiences.

Enable contactless customer and associate experiences from within a single point-of-experience without additional deployment.

FUNCTIONAL FLYWHEEL
REAL-TIME, INTERACTIVE INVENTORY

Accurate, real-time, interactive* store inventory is the centrepiece of experience excellence.

* The ability to know the exact deliver-by estimate for inventory based on channel and fulfilment method before a purchase is made.

Improving inventory visibility continues to be amongst retailers' top challenges.

Improving inventory accuracy is **retailers' #1 priority** towards improving store fulfilment experiences such as BOPIS and kerbside pick-up.

Inventory visibility is about more than just knowing where your inventory is.

It is about improving all customer and associate experiences through improved **velocity** (real-time), **veracity** (accuracy) and **viability** (actionability) of inventory data.

Shoppers value experiences anchored around accurate store inventory.

When planning a store visit, the ability to see in-store inventory online is the **most important consideration** for 9 in 10 shoppers.

Retailers' point-of-sale software must **provide real-time, accurate inventory** by supporting key use-cases through these critical capabilities.

Utilize store inventory to fulfil cross-channel demand.

Easily access enterprise-wide inventory to fulfil store and online orders via tight integration of point-of-experience and order management platforms.

Enhance CX through improved inventory promising and certainty.

Provide customizable inventory rules and real-time, accurate deliver-by date by channel and fulfilment method (such as for kerbside pick-up vs. deliver to home).

Reduce out-of-stock instances with better inventory accuracy.

Allow technologies (such as RFID), data (such as planogram compliance) and automation (such as auto replenishment) to be integrated with the POS.

FUNCTIONAL FLYWHEEL
DIGITAL SELLING

As store visits become more transactional, store associates need to develop stronger relationships digitally.

Store teams have fewer relationship building opportunities in-person.

80% of shoppers prefer digital communications with store associates over the next six months. Yet, 54% of store teams don't have the data and tools to converse with customers digitally.

Shoppers value expert advice, but are unlikely to seek it in person.

4 in 5 shoppers say they value personalised recommendations from store associates. However, **85% of store teams** can't share personalised look books or promotions digitally.

Shoppers want even greater choice in terms of shopping the store.

9 in 10 shoppers say they prefer home delivery over store visits over the next 6 months. Yet, 88% of associates do not have the ability to sell an in-store item to shoppers remotely.

Retailers' point-of-sale software must **help store teams become digital brand ambassadors** by supporting key use-cases through these critical capabilities.

Build stronger relationships with shoppers digitally.

Offer store teams the tools to connect with shoppers digitally – from a customer master list to the ability to engage them via email, text or social media.

Mobilise demand through personalised promotions and recommendations.

Ability to access all customer purchase and browsing history, curate digital assortments and baskets for customers, and offer personalised promotions.

Allow store teams to convert and fulfil shopper demand anytime, anywhere.

Enable two-way communication between stores and customers, including the ability to sell in-store inventory and accept payments remotely.

FUNCTIONAL FLYWHEEL
PROFITABLE STORE OPERATIONS

Retailers will have to improve the profitability of store-based fulfilment for it to be sustainable.

Store based fulfilment has been largely unprofitable.

An increase in the volume of online orders fulfiled from stores has led to **reduced profitability for 79% of retailers.** Growth at the cost of profitability is neither sustainable nor necessary.

Store systems were not designed with the current reality in mind.

Improving the efficiency of pick plans is unanimously among retailers' top three store fulfilment challenges. 48% are planning to offer associates guided steps to pick an online order.

Increased operational complexity has led to an increase in-store labour cost.

It also means a less than ideal associate experience. **71% of retailers' store teams** can not currently manage engagement, checkout and fulfilment tasks via a single interface.

Retailers' point-of-sale software must **improve operational excellence and store fulfilment profitability** by supporting key use-cases through these critical capabilities.

Improve store fulfilment decisions using artificial intelligence.

Optimise profitability based on inventory availability, labour cost, deliver-by projections by fulfilment method, and potential for markdown or stockout.

Improve online order picking speed, accuracy and eficiency.

Use RFID to improve pick accuracy and efficiency; e.g. showing location of where item is versus where it is supposed to be on store associate's mobile device.

Manage rising store labour cost from an increase in selling, fulfilment and service tasks.

Effciently manage selling, customer service, and store inventory and fulfilment through a single tool running on any device in the store.

FUNCTIONAL FLYWHEEL
360 DEGREE SERVICE

Retailers need to provide a unified service experience across touchpoints, now more than ever.

Returns are a key motivator for shoppers to visit stores over the next 6 months.

Returning an item to the store is the biggest motivator for future store visits behind same-day need of product, and **96% of shoppers** want retailers to make their returns experience easier.

Shoppers are dissatisfied with the current service experience for store orders.

Shopper satisfaction is low for order communication, accuracy and ease of service. **86% of shoppers** rate the ease of contacting customer service for kerbside pick-up orders 3-stars or lower.

Better customer service can help differentiate a commodity experience.

43% of shoppers are planning an increase in-store visits to return an order, and 91% say the self-service tools retailers offer can be improved significantly.

Retailers' point-of-sale software must **help them deliver a differentiated experience** by supporting key use-cases through the following critical capabilities.

Simplify service experiences, and turn every interaction into a selling opportunity.

Easily enable advanced returns use-cases, including uneven returns and returns during checkout or pick-up. Enable up-sell during pick-up and returns.

Provide a continuous service experience across channels.

Over 360-degree visibility into past orders and customer service issues to store and service teams with appropriate role-based access.

Be more transparent with shoppers, offering them a variety of self-serve options.

Be able to deliver automated, in-context alerts related to order or service status to any customer touchpoint – digital or in-store.

TECHNOLOGY FOUNDATION
MODERN. MODULAR. RESILIENT.

In addition to enabling the functional flywheel, retailers' point-of-sale should be built on a solid technology foundation.

Retailers' point-of-sale software must **be future-ready, flexible and high-performance.** It should support key business goals through critical technology capabilities.

Modern

Innovate quickly and cost-effectively: Cloud-native architecture for faster deployment, increased agility and lower cost.

Lower the effort to customize, integrate and maintain the platform: Be built using modern technologies that allow agile development, seamless integration and have easily available skilled resources.

Deliver best-in-class experience across deployment platforms: Support a user-centric, intuitive interface across multiple form factors and operating systems, providing flexible choice of the best device deployment strategy, including reuse of existing store hardware.

Modular

Adapt your point-of-sale to your strategy, not the other way around: Modular microservices architecture that allows any service or function to be deployed independently.

Integrate with existing and new third party systems seamlessly: Open APIs for easy extensibility and integration with existing or new third party systems.

Support business needs faster through rapid new feature development: Be able to use existing services out of the box, extend them or develop entirely new ones quickly that run alongside existing deployed base code.

Resilient

Enable continuous software updates without requiring downtime: Ensure production environments are operational during updates by detaching, upgrading,and redeploying services individually.

Ensure high performance, especially at times of peak demand: Automatically scale up or down to any capacity in real-time without disrupted service, and without any advanced planning.

Ensure always-on operations, even during network failures: Be able to continue store operations smoothly by operating critical store functions locally in case of a network outage, and automatically reconnect and synchronise all data once the network is back online.

Retailers' point-of-experience can't stay static in a dynamic environment.

This Buyers' Guide offers a starting point for retailers looking to augment or replace their existing point-of-sale software. We invite you to dive deeper and continue the conversation.

NEXT STEPS

- **Schedule a briefing** with Incisiv and Manhattan for a detailed walkthrough of the data and insights that power this Buyers' Guide
- Read our companion eBook **"The New In-Store Shopper in High-Touch Retail"** for a deep dive into the shopper behaviours reshaping the future of store experiences
- Gain executive perspective from **Lamps Plus and Macy's, and Foot Locker and Total Wine & More**

RECOMMENDED VIEWING

The New Store Experience Imperatives in High-Touch Retail

An executive conversation featuring Macy's and Lamps Plus.

Watch on Demand

Re-Imagining the Point-of-Experience in High-Touch Retail

An executive conversation featuring Foot Locker and Total Wine & More.

Watch on Demand

Clark Linstone
Chief Operating Officer
Lamps Plus

Bill Gratke
VP, Supply Chain, Planning and Reporting
Lamps Plus

Mohamed Rajani
Director, Corporate Strategy & Transformation
Macy's

Christina Callas
EVP, Chief Digital Officer
Total Wine & More

Vijay Talwar
CEO EMEA
Foot Locker

SURVEY METHODOLOGY

Incisiv conducted a hybrid online + Computer Aided Telephonic Interview (CATI) survey of 143 US retail executives.

Respondent Distribution by Number of Stores

51 - 200	19%
201 - 500	33%
501 - 1,000	32%
1,001 or more	16%

Respondent Distribution by Annual Revenue

$100 MM - $499 MM	20%
$500 MM - $2.5 B	54%
$2.5 B +	26%

Respondent Distribution by Designation

C-Level or SVP/EVP	22%
Director or VP	55%
Manager	23%

Retail Segments Included in Survey

Building Material and Garden Equipment and Supplies Dealers	General Merchandise Stores
Clothing and Clothing Accessories Stores	Health and Personal Care Stores
Electronics and Appliance Stores	Motor Vehicle and Parts Dealers
Furniture and Home Furnishings Stores	Sporting Goods, Hobby, Book, and Music Stores

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ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

www.incisiv.com

ABOUT MANHATTAN ASSOCIATES

Manhattan Associates is a technology leader in supply chain and omnichannel commerce. We unite information across the enterprise, converging front-end sales with back-end supply chain execution. Our software, platform technology and unmatched experience help drive both top-line growth and bottom-line profitability for our customers.

Manhattan Associates designs, builds and delivers leading-edge cloud and on-premises solutions so that across the store, through your network or from your fulfilment centre, you are ready to reap the rewards of the omnichannel marketplace. For more information, please visit www.manh.de.