Using Employee-Empowering Retail Technology To Create Exceptional Customer Experiences

Benchmark Report

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Executive Summary

Key Findings

Small-to-midsize (SMB) retailers have long been the backbone of the retail industry. They are the change agents that can shake up the industry and are very often where true change happens first. Unique products and excellent service are where SMB retailers have staked their claim. To achieve truly differentiating levels of customer service, they are turning to technologies that once were only affordable by larger retailers.

The purpose of this study was to identify the business challenges that SMB retailers face, uncover the opportunities that come from those challenges, and to highlight the priority technologies that will help address them. RSR surveyed over 262 US-based retailers with annual revenues ranging from less than $5M to $50M (with 66% in the "less than $5M" revenue band). The following are some of our key findings:

- According to the retailers in this study, store associates need more expertise about the products being sold and to engage with customers while they are shopping. The very good news is that today's technologies offer much in the way of assistance.

- To provide the types of customer service that could truly set them apart in a meaningful way from larger competition, SMB retailers know they need to invest more in employee training.

- In the **Business Challenges** section of this report, SMB retailers identify the biggest roadblocks to offering a better customer experience. The top-three list is highly instructive: customers can't find what they are looking for, can't find help when they need it, and there's too much variance between what's in the store and what's online.

- In the **Opportunities** section, SMB retailers prioritize which mobile-enabled capabilities are most important to them. But in order for a technology to move from a "nice to have" to a "working project", it has to be easy to implement, easy to understand, and easy to use.

- The top roadblock that SMB retailers identify in the **Organizational Inhibitors** section of this report is "too many other priorities". Retail Winners in particular maintain an ROI discipline to prioritize technology investments.

- In the **Technology Enablers** section of this report, we note that even well-entrenched technologies (for example, point-of-sale, payments handling, purchasing & receiving, inventory management) are candidates for renewal by one-third or more of the retailers we surveyed. SMB retailers are least satisfied with "mobility" (a catch-all for making information and functions available to employees and customers on the sales floor) – but it tops their near-term investment plans.

As always, we conclude with recommendations derived from the insights revealed in the report for all retailers. We certainly hope you enjoy the report!

Brian Kilcourse & Steve Rowen
RSR, May 2024

Table of Contents

Figures

Research Overview

SMB Retailers Matter

Small-to-midsize (SMB) retailers have long been the backbone of the retail industry. And yet today, they far too often go underserved.

Technologists, notably focused on winning larger, immediately identifiable banners, typically don't just overlook SMB retailers in their sales efforts, but also in their product offerings, as well. This forces SMB retailers to either a) go without, or b) adopt a technology that was not designed for their needs. *Shoppers*, incessantly starved for time in an increasingly convenience-focused marketplace, bypass local and smaller stores for larger chains and online offerings. And *press coverage* – in an era where revenue is generated by the number of clicks a story gathers – commonly focuses its energy towards larger, higher profile retail brands.

And yet in spite of all this, SMB retailers matter.

Every big footprint mega-tier-one store began its life as an idea, and in nearly every instance – *whether that first kernel was ideated for the physical world or online* – what made it great was that it differed **in a meaningful way** from something that already existed. Enough so, sooner or later that idea needed four walls and a roof <u>in the real world</u> to showcase and sell its goods to the public. If the idea resonated with shoppers enough, more, and larger stores often followed. With or without such aspirations to grow, though, SMB retailers continually help to reinvigorate and revitalize the status quo. **They are the change agents that can shake up the industry and are very often where true change happens first**.

The RSR team set out to conduct this research to find out how SMB retailers are managing through a time of unprecedented change in the industry: an increasingly demanding (and technologically savvy consumer), a workforce that has undergone significant cultural change in recent years, and at the same time, a barrage of information coming at them from outside the four walls of the store. Yes, many retailers have been inactive for too long in modernizing their stores (while virtually every other part of the world modernized around them). However, the ability to prioritize what to do next is becoming nothing short of overwhelming to our retail respondents in much of our recent research. When everything is a priority, what should a retailer's – especially a SMB retailer's - best next step be?

That's what this research set out to discover.

A Snapshot Of Where We Are

To help set the stage, it is worth asking consumers: how do they like to shop? If so, where, how, and what for? Figure 1 is the result of a separate study RSR conducted in December 2023 of over 1,100 North American based shoppers to find out those very things. It shows that stores are very much still vital in virtually all aspects of the shopping journey - across the board.

Consumers: What is your preferred way to shop for the following items?

- ■ Browse & Shop In Store
- ■ Browse Online/Shop In Store
- ■ Browse & Order Online/Pickup In Store
- ■ Browse & Order Online/Direct Delivery

Item	Browse & Shop In Store	Browse Online/Shop In Store	Browse & Order Online/Pickup In Store	Browse & Order Online/Direct Delivery
Automobiles	54%	32%	7%	6%
Furniture	54%	26%	6%	13%
Hardware/tools	52%	25%	8%	14%
Jewelry and accessories	52%	25%	5%	18%
Household items (household cleaners, lightbulbs)	51%	21%	9%	19%
Health and beauty items	48%	23%	7%	22%
Major appliances (dishwasher, refrigerator, etc)	48%	31%	6%	15%
Shoes and sneakers	47%	25%	7%	21%
Fashion/special occasion clothing purchases	46%	27%	7%	20%
Kitchen and cooking accessories (pots and pans, dining ware)	44%	27%	6%	23%
Sporting goods	44%	24%	8%	24%
Routine clothing purchases (t-shirts, socks)	43%	22%	8%	27%
Baby products	41%	25%	9%	26%
Toys	37%	25%	8%	30%
Electronics	35%	31%	8%	27%

Source: RSR Research, December 2023

With this baseline established, it is now time to turn our attention to how *retailers* plan to staff these stores – and empower the employees in those stores – in a way that makes customers want to keep shopping for the foreseeable future.

What's The Value Of A Store Worker In 2024?

If a store associate is still seen as every retailer's face to the world, we wanted to find out what SMB retailers actually think about the people they employ, and what their real value is in the modern market.

Are store associates able to fulfill the role of "brand ambassador?" If not, are they at least able to provide enough value to the shopper to be helpful? In order to answer these questions, we needed to ascertain from our retail respondents was what it means to be a retail associate in 2024: what are the most important things they need to do? As Figure 2 shows, product knowledge reigns supreme.

What are the TOP THREE most important things that you ask your employees to do?

Category	Percentage
To be knowledgeable about the products we sell	66%
To assist customers while routine shopping	44%
To check customers out efficiently	34%
To maintain merchandise on sales floor	34%
To act as customer service agents for online orders, returns, etc	34%
To execute pricing and promotion tasks	23%
To stay on top of store-level technology capabilities	22%
To represent the culture and "vibe" of the brand	18%
To fulfill cross-channel orders	16%
To help prevent losses from fraud	10%

Source: RSR Research, May 2024

There have always been only three ways to compete in retail: on product, on price, or on service. Our retail respondents know this and in all-but-the-rarest cases have ceded the *low-cost* to larger competitors. As a result, **unique products and excellent service are where SMB retailers have staked their claim**: either by offering a unique/differentiated product mix or by providing a service level that is above and beyond what larger brands can provide. The data in the chart above shows this trend is only amplified in the modern market: store associates are not there to execute pricing and promotion tasks – they are there to be experts about the products being sold. They are there to assist with selling where it happens and in the moment of decision. They are there to know more about comparable products than a customer can, even when that customer has their smartphone in hand.

In short, SMB retailers want employees to be easier and more valuable for a customer to engage with than to turn to their own mobile device. This is a tall order compared to what most shoppers experience today.

The Ever-Expanding Role Of Service

The service component, in particular, becomes even more compelling when we asked our retail respondents what would happen if they enabled their associates with more mobile technologies.

The number one reason they'd want a more connected retail worker? To improve assisted selling (Figure 3).

Figure 3: A More Connected Retail Worker = Improved Selling Capabilities

What would be the TOP THREE (3) advantages resulting from a more mobile-empowered store associate?

Advantage	Percentage
Improved assisted selling	33%
Optimized merchandise management	28%
New opportunity to communicate with customer in store	26%
Achieve higher customer satisfaction scores	25%
Opportunity to learn more about how customers shop	25%
Improve the overall brand image	21%
Eliminate queues at checkout counter	21%
Lower cost than traditional technologies	20%
Attract better employees	19%
More opportunities for employee collaboration	17%
Opportunity to track/optimize employee activity	16%
Lowered training costs due to technological ubiquity	14%
Drive more frequent visits from customers	14%
Lower the cost of acquiring new customers	8%
Improve basket size	8%
Create new barriers to competition	3%

Source: RSR Research, May 2024

Offering more mobile enablement to retail store associates can help SMB retailers improve a great multitude of functions in stores today, ranging from attracting better employees (more on that in a moment) to achieving higher customer satisfaction stores. However, these outcomes – and that of virtually all of the outcomes in the data above – are predicated on a single notion: mobile technology enables the modern-day store associate to do more (and be far more helpful) than they currently are.

To further highlight these advantages, note how retailers react to the following list of provocative statements about their current store environments (Figure 4)

4

Figure 4: Mobile Tech Has Many Advantages

Please indicate the degree to which you agree or disagree with the following statements:

■ Strongly Agree ■ Agree ■ Disagree ■ Strongly Disagree

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
Providing store associates with smart mobile technologies they are already familiar with will help attract new talent/keep existing employees	39%	54%	5%	2%
We need to execute better on the basics: "Good customer service" is defined by a good in-stock position and a fast and efficient checkout	39%	48%	10%	3%
Employee productivity gains would have a significant impact on drawing/retaining customers	37%	53%	9%	0%
Smaller retailers have an opportunity to differentiate from larger retailers via low cost mobile technologies	36%	49%	13%	2%
Independent retailers have much more opportunity to innovate with mobile technologies than larger, slower moving retailers	30%	54%	15%	1%
Our trailing implementation of mobile technologies has caused us to lose employees and prospective employees	18%	33%	32%	16%

Source: RSR Research, May 2024

Our respondents are clear, and the virtuous cycle is as follows: attract better talent and provide smart mobile technologies with which they are already familiar, help shoppers by making sure desired products are always in-stock and that they can check out quickly. By doing so, the gains are hopefully enough to not only retain existing customers, but help draw in new shoppers, as well. The fact that SMB retailers have a better chance to leverage such tools to their advantage – and to differentiate themselves from larger and more staid retailers? Icing on the cake.

This is unique moment for SMB retailers. The very best will seize it. It is therefore time to explain the concept of Retail Winners.

Retail Winners And Why They Win

In our benchmark reports, RSR quite frequently cites differences between retailer over-performers in year-over-year comparable sales and their competitors. We find that consistent sales performance is an outcome of a differentiating set of thought processes, strategies, and tactics. We call sales over-performers "Retail Winners."

RSR's definition of these Winners is straightforward. Assuming industry average comparable store/channel sales growth of **5 percent**, we define those with sales above this hurdle as "*Winners*,"

those at this sales growth rate as "average," and those below this sales growth rate as "*laggards*" or "also-rans."

With this explanation as a backdrop, consider the same data we just saw in Figure 3 – how retailers react to slightly controversial viewpoints of the modern retail landscape. When viewed through the lens of performance, Retail Winners (who make up 30% of our response pool), reveal a vastly different view of things (Figure 5).

Figure 5: Even More So For The Mighty Minority

"Stongly Agree"

■ Winners   ■ Others

Statement	Winners	Others
Current and prospective shoppers expect customer information to be readily available on a mobile device while interacting with store associates	51%	30%
Current and prospective employees expect customer information to be readily available on a mobile device while interacting with shoppers	48%	29%
Any new associate-facing software must comply with the user interface standards inherent in consumer technologies	47%	27%
Store managers spend too much time in the back room, not enough managing the sales floor	41%	21%
Superior customer experiences require a more empowered employee than we currently have in stores	41%	26%
Our company is challenged to provide our store associates with mobile technologies due to interoperability concerns with existing systems	28%	15%

Source: RSR Research, May 2024

Retail Winners are nearly twice as likely to be demanding of their store associates – a direct result of their understanding that frustrated customers are increasingly demanding more of their stores. This is a virtuous cycle and is driven by Winners' increased touch with reality. In our recent survey benchmark on the state of the retail store, we stated that: "*Retailers are more optimistic about how much shoppers 'love to browse stores' than consumers are (88% compared to 69% of consumers). This is a warning sign – while it may be good news that over 2/3rds of consumers still enjoy the store experience, 1/3 do not. That's too big of a segment for retailers to ignore.*"[1]

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[1] **Why The Retail Store Won't Survive As A 'Tech-Free Zone'**, RSR Benchmark Study, April 2024

This report will examine the ways SMB retailers differ – and how they stand to do more to empower their associates. Such an endeavor could help them to not just stave off shoppers' growing frustration - and therefore stave off more business going to Amazon.com, Etsy.com and other online category killers – but also to delight customers and give them reasons to find renewed relevance in visiting stores.

Methodology

RSR uses its own model, called The BOOT Methodology© to analyze Retail Industry issues. We build this model with our survey instruments. See Appendix A for a full explanation.

In our surveys, we continue to find the kinds of differences in thought processes, actions, and decisions cited above. The BOOT helps us better understand the behavioral and technological differences that drive sustainable sales improvements and successful execution of brand vision.

Survey Respondent Characteristics

RSR conducted an online survey from March - April 2024 and received answers from 262 qualified SMB North American retailers. Respondent demographics are as follows:

- **2023 Revenue (US$ Equivalent)**

Less than $5 million	66%
$5 million - $15 million	17%
$15 million - $25 million	13%
$25 million - $50 million	5%

- **Products sold:**

Specialty retail (crafts, gift store, party store, music store)	39%
General merchandise (Discount, mass merchant, department stores)	22%
Consumer electronics	10%
Thrift	7%
Garden, Farm, & Home	8%
Paint & décor, Furniture	5%
Pharmacy	3%
Other	6%

- **Year-Over-Year Sales Growth Rates** (assume average growth of 5%):
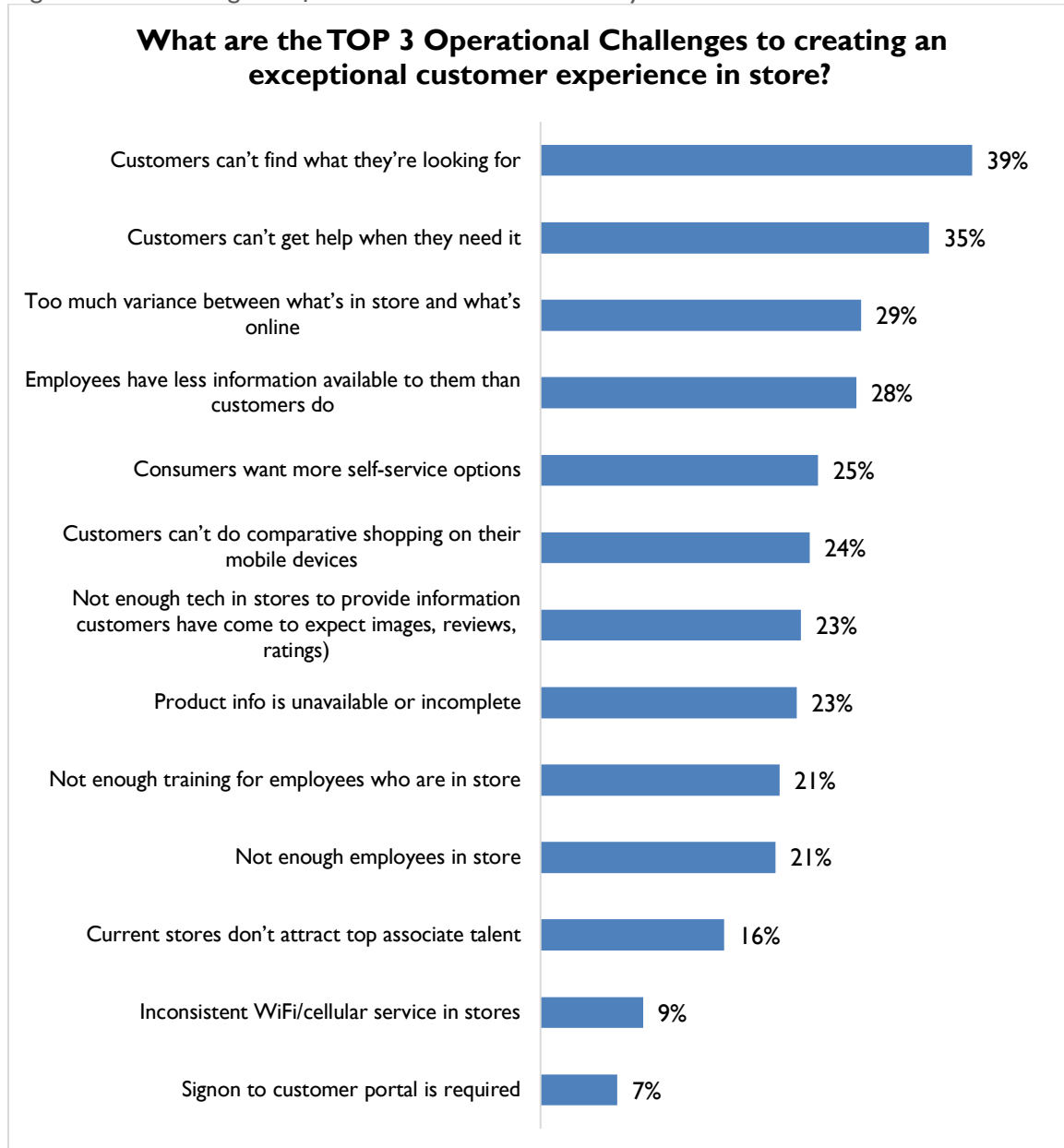
Average and worse-than-average	70%
Better than average ("Retail Winners")	30%

Business Challenges

The Problem At Large

When asked to identify the biggest roadblocks to a better customer experience, our retail respondents' top three list is highly instructive for the times: too much variance between in-store and online product availability already has customers bristling. In the event those customers *do* still elect to visit a store, there's *far too high a chance* they will neither be able to find the products they are looking for – nor a person to help.

Figure 6: The Plight Of The Customer Is Felt By SMB Retailers

What are the TOP 3 Operational Challenges to creating an exceptional customer experience in store?

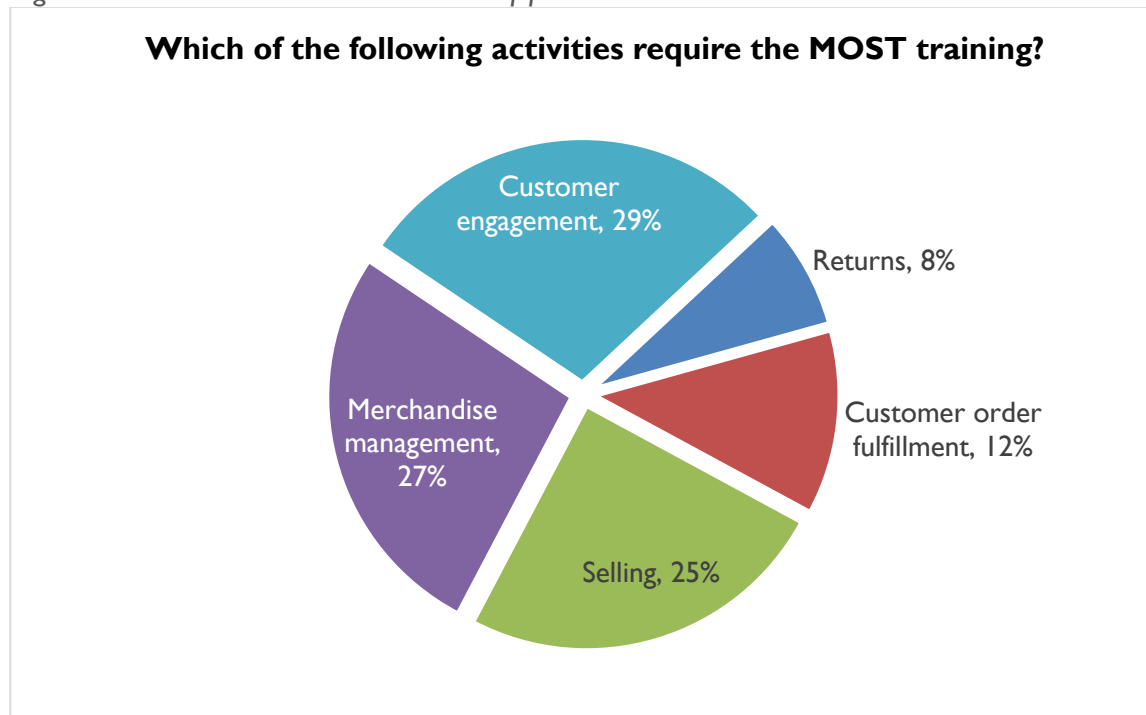| Challenge	%
Customers can't find what they're looking for	39%
Customers can't get help when they need it	35%
Too much variance between what's in store and what's online	29%
Employees have less information available to them than customers do	28%
Consumers want more self-service options	25%
Customers can't do comparative shopping on their mobile devices	24%
Not enough tech in stores to provide information customers have come to expect images, reviews, ratings)	23%
Product info is unavailable or incomplete	23%
Not enough training for employees who are in store	21%
Not enough employees in store	21%
Current stores don't attract top associate talent	16%
Inconsistent WiFi/cellular service in stores	9%
Signon to customer portal is required	7%

Source: RSR Research, May 2024

8

While the data in Figure 6 paints a less-than-sunny picture for store-operating retailers, as we'll soon see, SMB retailers are in much better position to affect real change in these areas. In our most recent Store Report[2], where the target group was large retailers ($1-5B), the top inhibitor to improving the store was the inability to take on new projects – 52% of retailers in that study identified "stores already have too much going on: they don't have the capacity to add more projects" as the primary roadblock to improving their in-store customer service level. Large retailers just don't have the bandwidth to incorporate new ideas or processes into their stores and appear to be having less and less with time.

This Isn't Just About Selling

Stores – particular large chain stores – are overwhelmed. Can SMB retailers seize on this moment to steal away some market share? If so, it will clearly **require better in-store service**, and that means better equipped – and better trained – in-store associates. As evidenced in Figure 7, that means a focus that goes far beyond just making the sale.

Figure 7: It's Time To Address Shoppers

Which of the following activities require the MOST training?

Customer engagement, 29%
Returns, 8%
Customer order fulfillment, 12%
Selling, 25%
Merchandise management, 27%

Source: RSR Research, May 2024

In past years' research, retail respondents have been so focused on keeping their store associates selling that whenever we wanted to learn what else they might want to task these people with, we'd have to form a separate line of inquiry specific to *non-selling activities*. Consider the following from our 2022 Work Force Management report[3], which was less than 24 months ago: *"The only type of training retailers value nearly as much as 'selling' is 'customer order management.'"*

At that time, **customer engagement**, this year's top choice among respondents, was a distant third in a line of five options (the same five options offered this year). However, we believe this dramatic

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2 **Why The Retail Store Won't Survive As A 'Tech-Free Zone'**, ibid.

3 **Has The Era Of The Empowered Workforce Finally Arrived?**, RSR Benchmark Report, May 2022
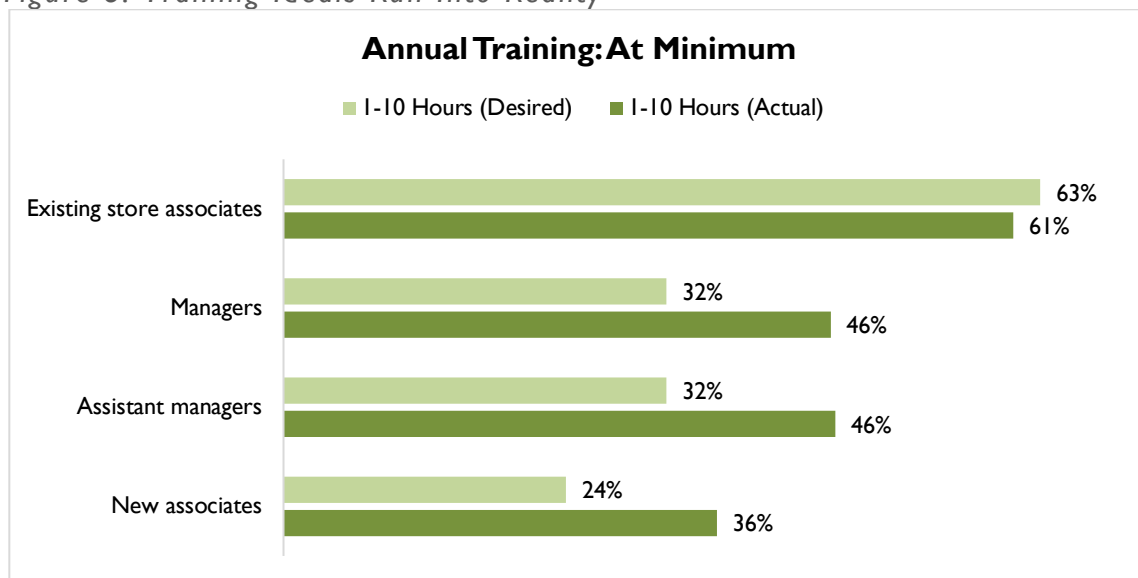
difference in the results has less to do with the passage of time, and much more to do with the audience in question.

In our 2022 research, the audience was large retailers: 51% were from brands that sell between $250-999M in annual revenue, and another 42% were over $1 Billion. What this means is straightforward: if large retailers, challenged to take on new projects, are predominantly focused on keeping in-store staff focused on selling – all while customers grow continually frustrated by an inability to find real help when they need it, SMB retailers' differentiating focus on customer engagement could create **enormous** opportunity. However, in order to reap the benefits, they know that employees need more training, more technology, and more access to the types of resources that will help make them more relevant. This takes time, effort, and is easier said than done. It's time to get a reality check on where they are in the process.

Low-Side Low

When presented with several options, Figure 8 shows a combination of low-side data. 1-10 hours of annual training was the bare minimum training range we provided, and few retailers saw that as sufficient for all but existing store associates. The problem, however, is not in the lighter green data, below – it is in the darker shade (Figure 8).

Figure 8: Training Ideals Run Into Reality

Annual Training: At Minimum

- 1-10 Hours (Desired)
- 1-10 Hours (Actual)

Role	1-10 Hours (Desired)	1-10 Hours (Actual)
Existing store associates	63%	61%
Managers	32%	46%
Assistant managers	32%	46%
New associates	24%	36%

Source: RSR Research, May 2024

Despite the fact that less than a third of our respondents think 1-10 hours is enough training for managers and assistant mangers annually, that is exactly what nearly half of our respondents say they receive on a yearly basis. It's just not enough.

High-Side Low, Too

In Figure 8, we opined that store staff who receive 1-10 hours of training in a calendar year simply aren't getting the training they need. How can we say it's not enough? Because our SMB retailer respondents tell us so (Figure 9).

Figure 9: Retailers Need Help Reaching Their Known Training Goals

Annual Training: Falling Short

■ 30 Hours+ (Desired) ■ 30 Hours+ (Actual)

Category	Desired	Actual
Managers	38%	26%
New associates	36%	29%
Assistant managers	26%	19%
Existing store associates	11%	12%
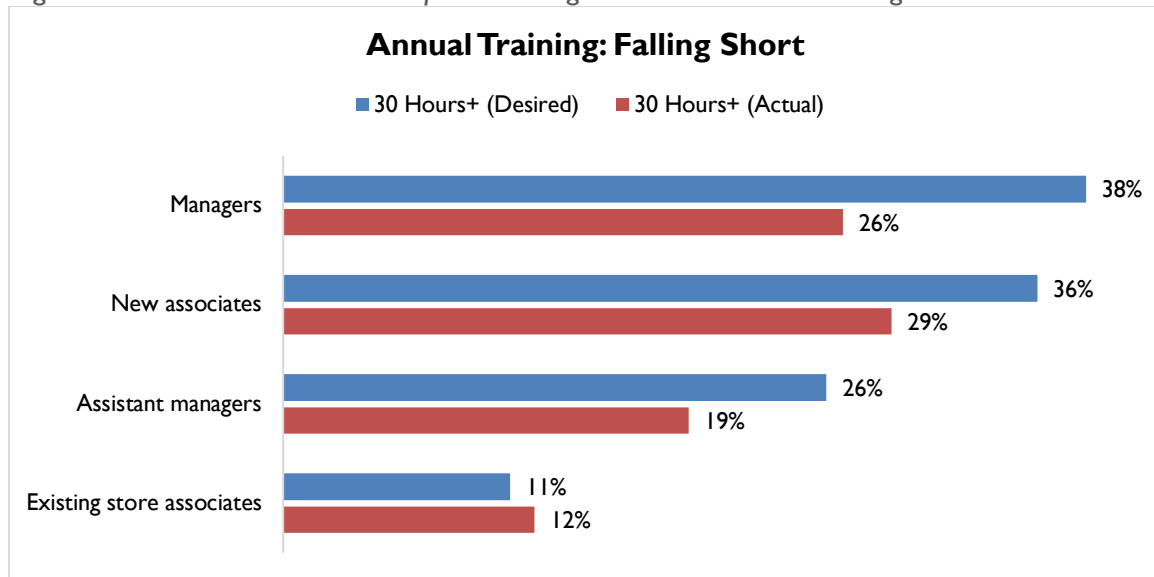
The majority of SMB retailers (38%) want their store managers to receive more than 30 hours of training every year, yet the majority of these same retailers (46%, Figure 8) reveal that these store managers are lucky to get 1-10 hours, tops. The pattern continues for new hires for the showroom floor and assistant managers, as well. This is systemic problem.

It's incredibly difficult to provide the types of customer service that SMB retailers say could truly set them apart *in a meaningful way* from their larger competition without commensurate training and resources.

SMB retailers have a real opportunity in front of them, and they sense it: they know that customers are dissatisfied, and they know that just "selling" in stores isn't the answer. Selling is an outcome of tasks done well, not simply a task unto itself. Indeed, in order to attain a lift in sales, it will require a store staff that is far more relevant than that in the current environment, and that training these people for meaningful customer engagement will require an enormous amount of time and resources – neither one of which they are able to provide (yet).
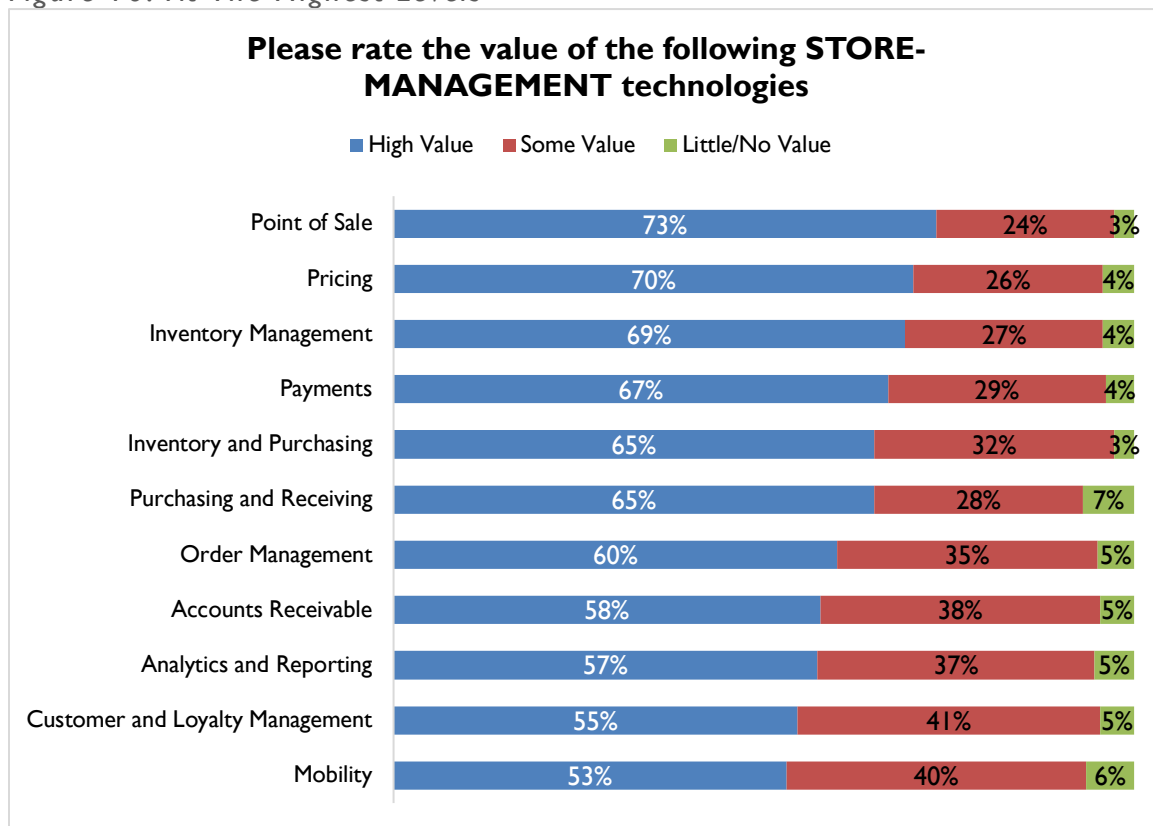
The question is how SMB retailers plan to get there. Technology can help. It is therefore time to examine some of the ways they plan to surmount these challenges.

Opportunities

The Big-Picture Picture

Though our SMB retail respondents have a litany of challenges stemming from both inside *and* outside the four walls of their stores, the very good news is that they know technology offers much in the way of assistance. Figure 10 reveals the big-picture view they have of which technologies could help manage their stores on a day-to-day level the most.

Figure 10: At The Highest Levels

Please rate the value of the following STORE-MANAGEMENT technologies

■ High Value   ■ Some Value   ■ Little/No Value

Technology	High Value	Some Value	Little/No Value
Point of Sale	73%	24%	3%
Pricing	70%	26%	4%
Inventory Management	69%	27%	4%
Payments	67%	29%	4%
Inventory and Purchasing	65%	32%	3%
Purchasing and Receiving	65%	28%	7%
Order Management	60%	35%	5%
Accounts Receivable	58%	38%	5%
Analytics and Reporting	57%	37%	5%
Customer and Loyalty Management	55%	41%	5%
Mobility	53%	40%	6%

Source: RSR Research, May 2024

Virtually every technology we put on offer has value to SMB retailers: the list of those that don't never gets out of single digits. As a result, we need to know more about what makes one technology more enticing than another. The answer? In order for a technology to move from the "nice to have" category to the "working project" column, it has to be easy: easy to implement, easy to understand, and easy to use (Figure 11).

How important are the following aspects of mobile technology to current and prospective employees?

■ Very Important ■ Somewhat Important ■ Not Important

	Very Important	Somewhat Important	Not Important
Easy to use	81%	18%	1%
Readily available	75%	24%	1%
Ability to message co-workers about tasks	59%	32%	8%
Would be current with what's generally available	57%	40%	3%
Employer will not "spy" on activity	48%	39%	13%
Can be used for schedule management/changes outside of work	46%	42%	11%
Ability to use own devices for work related tasks	45%	41%	14%
If not own device, similar looks and feels to personal device	40%	44%	17%
Continue to use personal device for personal use during shift	39%	37%	24%

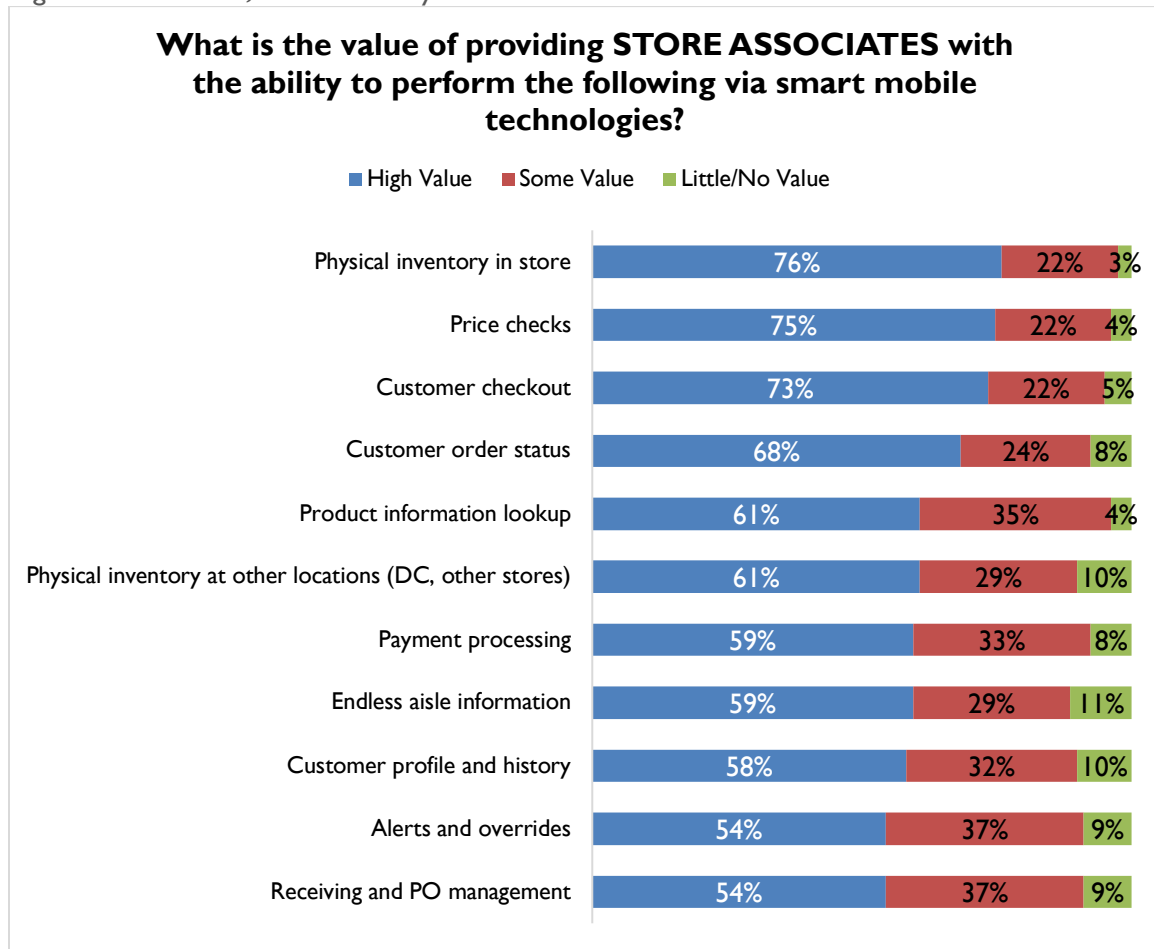*Source: RSR Research, May 2024*

What's In Store

As is it relates to store associates, the vision for the future is similar to what we saw with store management tools: everything is valuable. However, when pressed to pick a top way that store associates *could* be made more powerful by providing them with smart mobile technologies, SMB retailers' viewpoint is fairly pragmatic: let them start by taking physical inventory of the store to know what's on hand (Figure 12).

Looking at the list of capabilities that retailers identify as "high value", most are related to improving employee interactions with customers. That's good news, at least as consumers are concerned. In the December 2023 survey of 1,100 US-based consumers mentioned earlier, 66% of those respondents agreed with the comment that, *"Brands that I love don't know enough about my shopping habits to identify me as one of their best consumers."*

Two capabilities that can help employees serve loyal customers better are *Customer order status* and *Customer profile and history*. Retail Winners and others agree that the ability to look up a customer's order status has "high value" (68% and 67%, respectively). But more Winners favor the ability to look up a shopper's profile and shopping history- for example, to be able to see a shopper's most recent purchases (58% compared to 44% for non-winners). As we'll see in a moment, this is a potential area for improvement for most retailers that could yield big results.
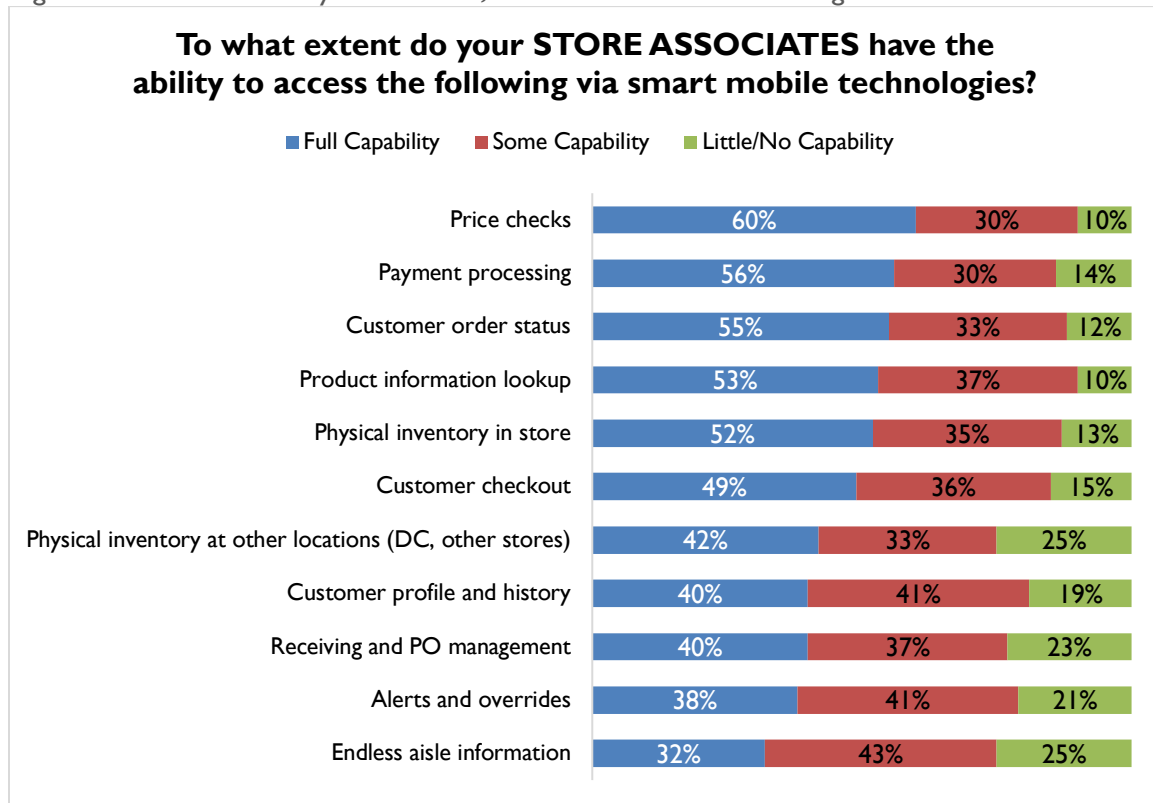
Figure 12: Value, Value Everywhere

What is the value of providing STORE ASSOCIATES with the ability to perform the following via smart mobile technologies?

■ High Value   ■ Some Value   ■ Little/No Value

	High Value	Some Value	Little/No Value
Physical inventory in store	76%	22%	3%
Price checks	75%	22%	4%
Customer checkout	73%	22%	5%
Customer order status	68%	24%	8%
Product information lookup	61%	35%	4%
Physical inventory at other locations (DC, other stores)	61%	29%	10%
Payment processing	59%	33%	8%
Endless aisle information	59%	29%	11%
Customer profile and history	58%	32%	10%
Alerts and overrides	54%	37%	9%
Receiving and PO management	54%	37%	9%

Source: RSR Research, May 2024

As It Stands

At the time of this writing, 90% of SMB retailers say their store associates have "some capability" to perform price checks with mobile technology, with nearly 2 out of 3 of our respondents saying they have full capability. When compared to larger retailers' responses, these numbers are somewhat staggering.

However, while the percentages may be higher than what we see from that of larger chains, the pattern of investment remains identical: price and payment first, while the more interesting – and infinitely more complicated tasks - lie further down the maturity curve (Figure 13).

To what extent do your STORE ASSOCIATES have the ability to access the following via smart mobile technologies?

■ Full Capability   ■ Some Capability   ■ Little/No Capability

	Full Capability	Some Capability	Little/No Capability
Price checks	60%	30%	10%
Payment processing	56%	30%	14%
Customer order status	55%	33%	12%
Product information lookup	53%	37%	10%
Physical inventory in store	52%	35%	13%
Customer checkout	49%	36%	15%
Physical inventory at other locations (DC, other stores)	42%	33%	25%
Customer profile and history	40%	41%	19%
Receiving and PO management	40%	37%	23%
Alerts and overrides	38%	41%	21%
Endless aisle information	32%	43%	25%

Source: RSR Research, May 2024

The promise of eCommerce's endless aisle capabilities being realized in stores – even smaller, more nimble stores – remains elusive, at best. The primary reason: it doesn't fall into the "easy" column that retailers just told us separates someday projects from today projects. However, our SMB respondents have a very interesting view of what a store can/will look like once associates have the full capability to perform price checks and payment processing via smart mobile devices.

The ability to provide a customer with product information could help to keep customers engaging with store associates, rather than just interacting with their own personal devices. This kind of interaction is an enormous part of why shoppers once flocked to stores, and in our consumer-related surveys, has become a main point of frustration among modern-day shoppers. Because store staff are often so under-trained and under-resourced, they simply can't compete. Consumers have a universe of information at their fingertips, and the default mode behavior is rapidly becoming for shoppers to just solve their own problems with their own mobile devices. This is not good news for stores, and it further amplifies the importance of SMB retailers' vision for arming their staff with the information they need to offer superior customer service.

The ability to see into a customer's shopping behavior, to find substitute products or inventory from other stores: all are waiting in the wings. But in a right-now reality where customers care about price the most – and retailers care about getting their payments the most – those two items take priority.

It is now time to examine the inhibitors that stand in the way of realizing all of the opportunities SMB retailers perceive.

Organizational Inhibitors

"Too Busy": A Symptom, Or The Problem?

Stores across the entire spectrum of the retail industry are experiencing a seismic shift; consumer shopping behaviors have changed dramatically in the past several years, and that in turn has caused retailers to have to re-evaluate the role of the store in the context of those new behaviors. But there have been other shifts as well; a changing workforce and new technologies have put pressure on retailers to bringing the store into line with how people and businesses everywhere operate nowadays – by offering information to decision makers in real-time to influence those decisions.

Since 2018 (ironically, at about the same time that some industry observers were proclaiming a "retail apocalypse") RSR has observed a steadily growing concern among retailers in general that "*stores already have too much going on – they don't have the capacity to add more projects*". In our most recent benchmark study on the state of the store[4], we highlighted this concern (Figure 14).
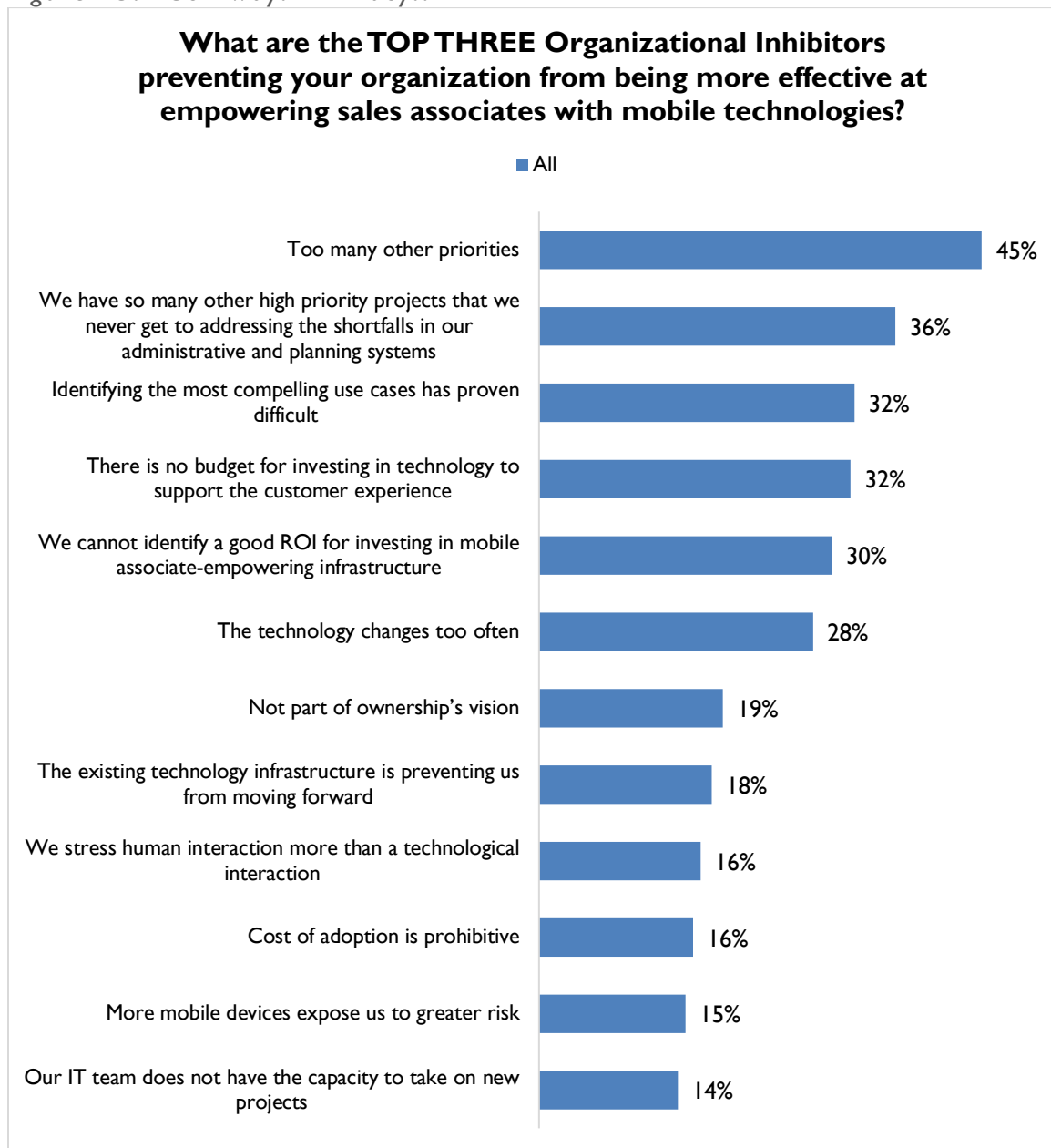
Figure 14: Increasing Pressure
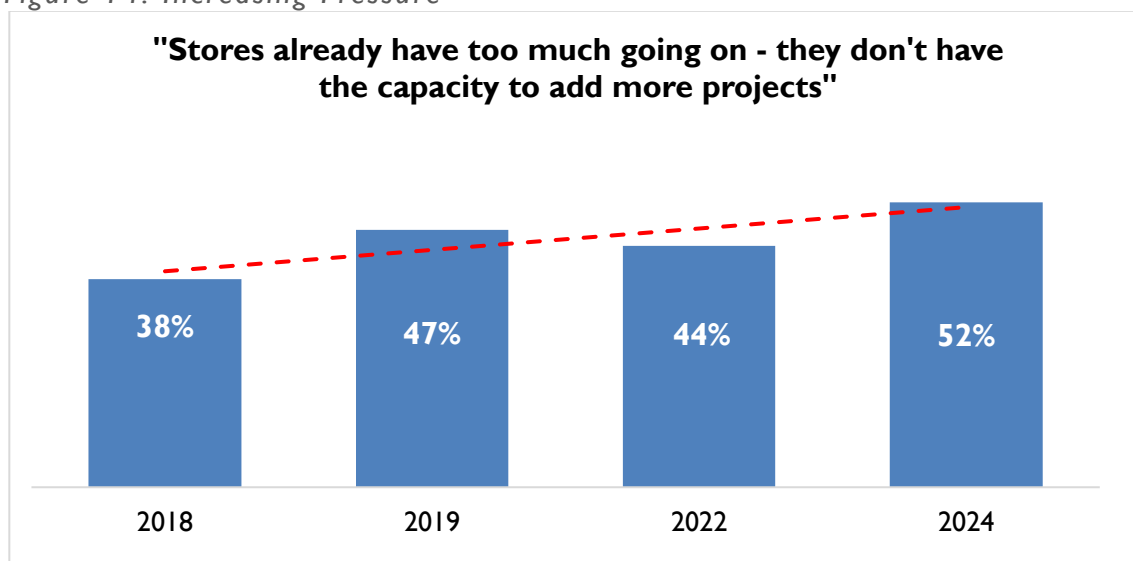
Source: RSR Research, May 2024

It's worth noting that in each of the studies noted in the chart above, the respondent pools were made up of retailers across all verticals with annual revenues exceeding $50M. This study is focused on those retailers with less than $50M in revenue. Regardless of the demographic differences between those studies and this one, the top inhibitor is the same – by a big margin. Stores aren't dying – but they are changing in many (and sometimes dramatic) ways.

But many retailers are so consumed with the day-to-day of running the store, that they have difficulty focusing on any effort to modernize the technology footprint (Figure 15).

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4 **Why The Retail Store Won't Survive As A 'Tech-Free Zone'**, ibid.

What are the TOP THREE Organizational Inhibitors preventing your organization from being more effective at empowering sales associates with mobile technologies?

■All

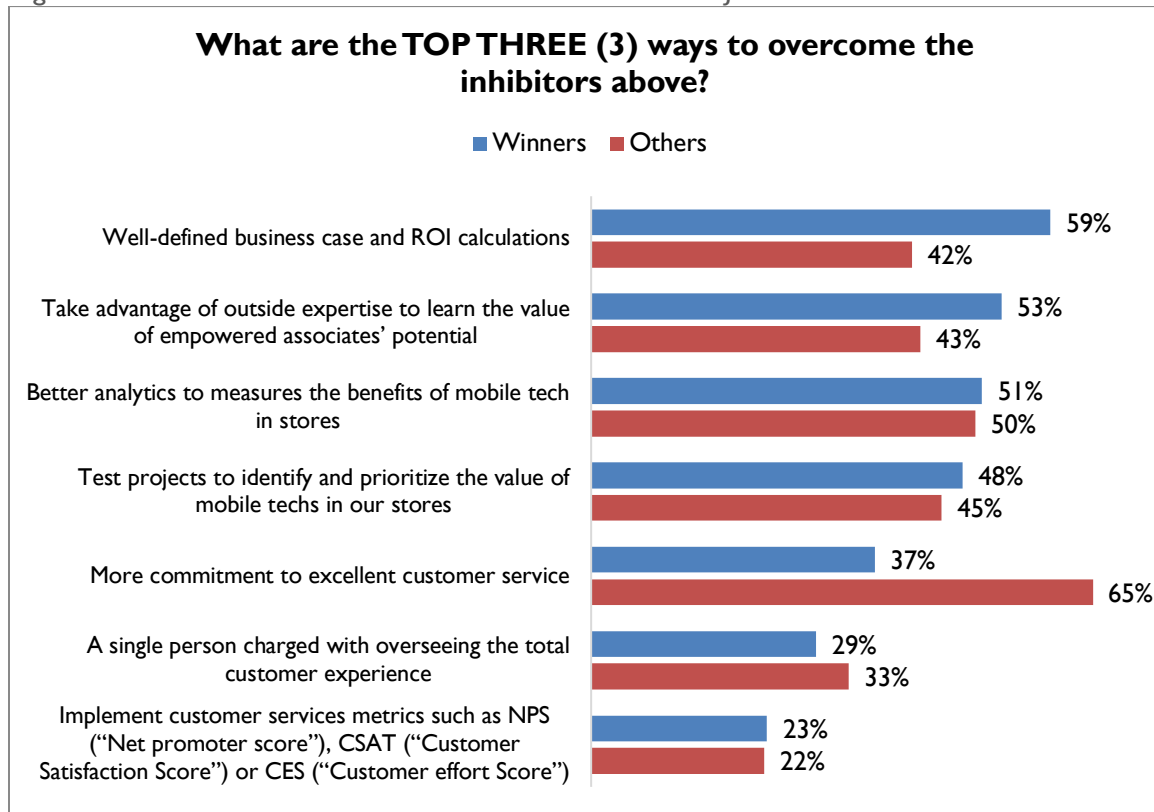| Inhibitor	All
Too many other priorities	45%
We have so many other high priority projects that we never get to addressing the shortfalls in our administrative and planning systems	36%
Identifying the most compelling use cases has proven difficult	32%
There is no budget for investing in technology to support the customer experience	32%
We cannot identify a good ROI for investing in mobile associate-empowering infrastructure	30%
The technology changes too often	28%
Not part of ownership's vision	19%
The existing technology infrastructure is preventing us from moving forward	18%
We stress human interaction more than a technological interaction	16%
Cost of adoption is prohibitive	16%
More mobile devices expose us to greater risk	15%
Our IT team does not have the capacity to take on new projects	14%

Source: RSR Research, May 2024

What will it take move technology enablement on the sales floor to the front of priority list? Every homeowner knows that "keeping up with the Jones" is not a sufficiently compelling reason to embark on any major investment. But Figure 16 highlights that average and under-performing offer improved customer service ("*more commitment to excellent customer service*", 65%).

The good news is that technologies that once were only affordable by larger retailers have been commoditized to the point where even the smallest retailers can now afford them. For example, a point-of-sale solution that in 1990 required a capital investment of as much as $100,000 per lane has been superseded by a solution that costs as little as $100/month in 2024. So just "keeping up with the Jones" isn't as expensive as it once might have been.

It's a different story for over-performing Retail Winners. The majority of those respondents maintain an ROI discipline when considering technology investments. And beyond a positive ROI, a majority of Winners also put an emphasis on accelerating value realization by bringing in outside expertise to "*learn the value of empowered associates' potential*". They clearly don't suffer from a "not invented here" syndrome.

Figure 16: Prioritize –> Invest –> Observe –> Adjust

What are the TOP THREE (3) ways to overcome the inhibitors above?

■ Winners ■ Others

	Winners	Others
Well-defined business case and ROI calculations	59%	42%
Take advantage of outside expertise to learn the value of empowered associates' potential	53%	43%
Better analytics to measures the benefits of mobile tech in stores	51%	50%
Test projects to identify and prioritize the value of mobile techs in our stores	48%	45%
More commitment to excellent customer service	37%	65%
A single person charged with overseeing the total customer experience	29%	33%
Implement customer services metrics such as NPS ("Net promoter score"), CSAT ("Customer Satisfaction Score") or CES ("Customer effort Score")	23%	22%

Source: RSR Research, May 2024

Retailers also show that they aren't willing to blindly spend their way towards a more technology-rich store operation. An almost identical number of Winners and others agree that it is important to continuously test and measure the effectiveness of technology investments, Retailers are clearly in a cycle of: *prioritize –> invest –> observe –> adjust*.

But any decision to enable store associates and customers with an infusion of technology can't be driven solely by tangible benefits either. Even if a retailer isn't trying to keep up with big retailers and their big technology budgets, consumers are demanding the same access to information about products and services that they can get anytime and anywhere.

As we concluded in RSR's 2024 Store benchmark report, "*Shoppers are likely to encounter more tech-friendly options at their doctor's office than they are at most retail stores, and are resolute in their message: they want the store experience to level up to the rest of their lives. Stores simply cannot continue to exist as the "technology-free zones.*"[5]

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[5] **Why The Retail Store Won't Survive As A 'Tech-Free Zone'**, ibid.

In the next section of this report, we will discuss what technologies are being given priority, and how far into the change cycle retailers are.
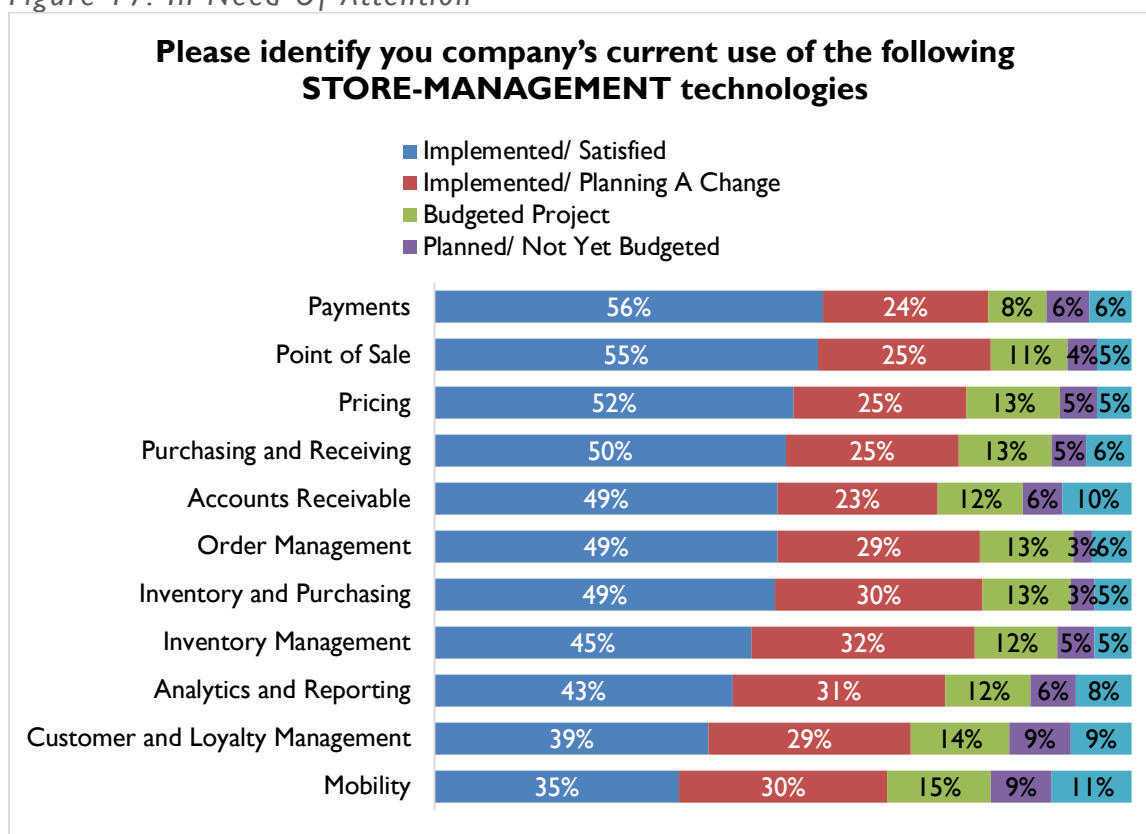
Technology Enablers

Getting Tech Onto The Sales Floor

In RSR's 2024 benchmark report on the state of the store[6], we opined that:

> *"… while consumers like to shop in stores, they want the experience to be more in tune with how they live their lives. Technology has permeated virtually every corner of modern living, and we all enjoy real-time access to information 24X7. But one of the few places where that's not the case is in the store, which when it comes to consumers is a tech-free zone."*

The results of this study of SMB retailers highlights the challenge; capabilities that the customer doesn't directly interact with while they are browsing the store are well entrenched (e.g. purchasing & receiving, accounts receivable, inventory purchasing and management, etc.) – even if there's a growing consensus that legacy systems are due for modernization (Figure 17). But even capabilities that customers *do* interact with look ready for an upgrade according to about one-third of the retailers in this study.

Figure 17: In Need Of Attention

Please identify you company's current use of the following STORE-MANAGEMENT technologies

- Implemented/ Satisfied
- Implemented/ Planning A Change
- Budgeted Project
- Planned/ Not Yet Budgeted

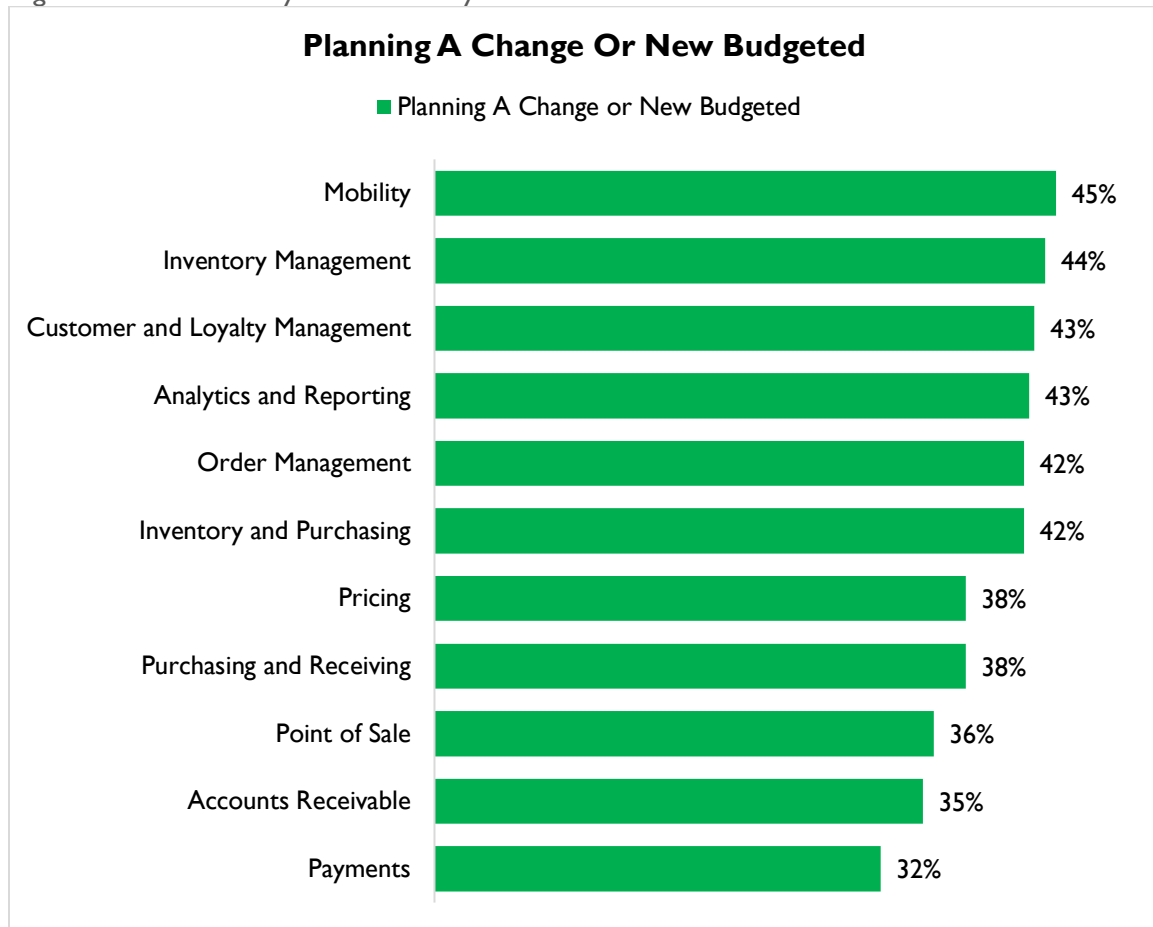|	Implemented/ Satisfied	Implemented/ Planning A Change	Budgeted Project	Planned/ Not Yet Budgeted	
Payments	56%	24%	8%	6%	6%
Point of Sale	55%	25%	11%	4%	5%
Pricing	52%	25%	13%	5%	5%
Purchasing and Receiving	50%	25%	13%	5%	6%
Accounts Receivable	49%	23%	12%	6%	10%
Order Management	49%	29%	13%	3%	6%
Inventory and Purchasing	49%	30%	13%	3%	5%
Inventory Management	45%	32%	12%	5%	5%
Analytics and Reporting	43%	31%	12%	6%	8%
Customer and Loyalty Management	39%	29%	14%	9%	9%
Mobility	35%	30%	15%	9%	11%

Source: RSR Research, May 2024

"Mobility" – a catch-all for making information and functions available to store management, employees, and customers via always-connected consumer-grade devices such as smart mobile

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[6] **Why The Retail Store Won't Survive As A 'Tech-Free Zone'**, ibid.

phones, is the technology capability that our retailers are least satisfied with. More tellingly, it's the area of greatest focus when it comes to retailers' immediate spending plans (Figure 18).
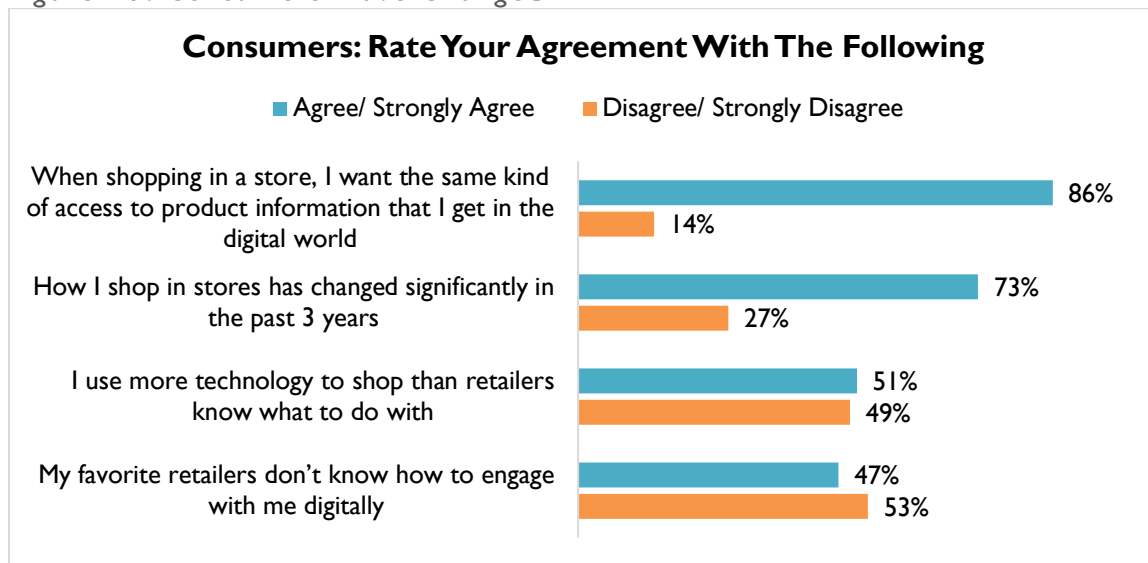
Figure 18: "Mobility" Is The Key Enabler

Planning A Change Or New Budgeted

■ Planning A Change or New Budgeted

Category	Percentage
Mobility	45%
Inventory Management	44%
Customer and Loyalty Management	43%
Analytics and Reporting	43%
Order Management	42%
Inventory and Purchasing	42%
Pricing	38%
Purchasing and Receiving	38%
Point of Sale	36%
Accounts Receivable	35%
Payments	32%

Source: RSR Research, May 2024

Enabling Customers

The focus on "mobile" is driven by a desire to meet customer expectations more than for any other reason. Consumers themselves point out the importance of an information-rich shopping experience in the store. In a December 2023 survey, RSR asked over 1,100 U.S. consumers to share their opinions about their shopping journeys (Figure 19).
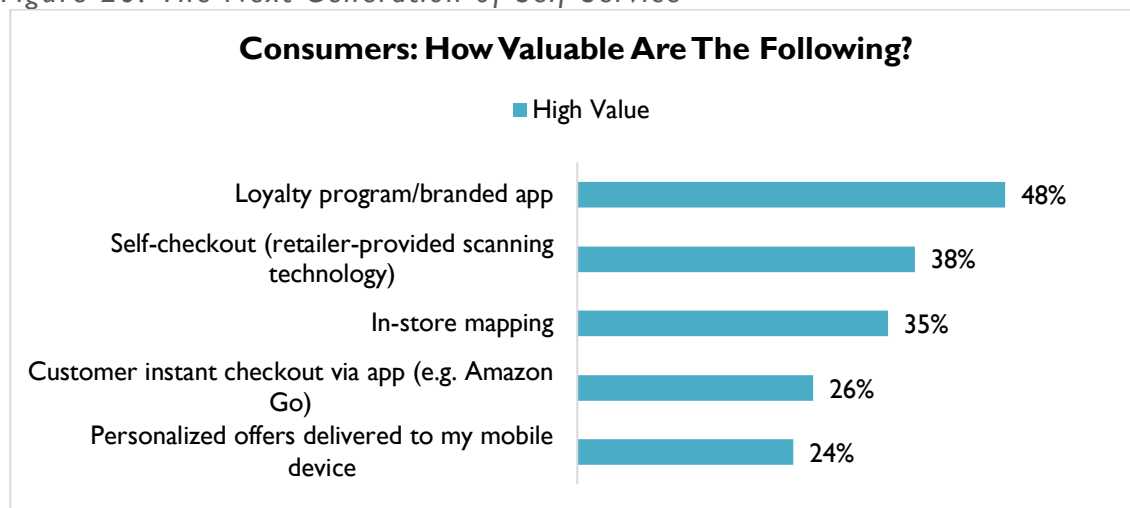
Figure 19: Consumers Have Changed

Consumers: Rate Your Agreement With The Following

■ Agree/ Strongly Agree   ■ Disagree/ Strongly Disagree

When shopping in a store, I want the same kind of access to product information that I get in the digital world
- 86%
- 14%

How I shop in stores has changed significantly in the past 3 years
- 73%
- 27%

I use more technology to shop than retailers know what to do with
- 51%
- 49%

My favorite retailers don't know how to engage with me digitally
- 47%
- 53%

Source: RSR Research, December 2023

The message is unambiguous: shoppers want the same access to information while shopping in the store that they can get online. But beyond real time information access about products and pricing, many consumers also show a willingness to service themselves with the aid of their personal mobile devices (Figure 20). For example, while the retail technology industry grapples with the complexities and costs associated with "just walk out" instant checkout solutions, one-quarter of the consumers that RSR surveyed in December 2023 put a high value on that capability.

Figure 20: The Next Generation of Self Service

Consumers: How Valuable Are The Following?

■ High Value

Loyalty program/branded app — 48%

Self-checkout (retailer-provided scanning technology) — 38%

In-store mapping — 35%

Customer instant checkout via app (e.g. Amazon Go) — 26%

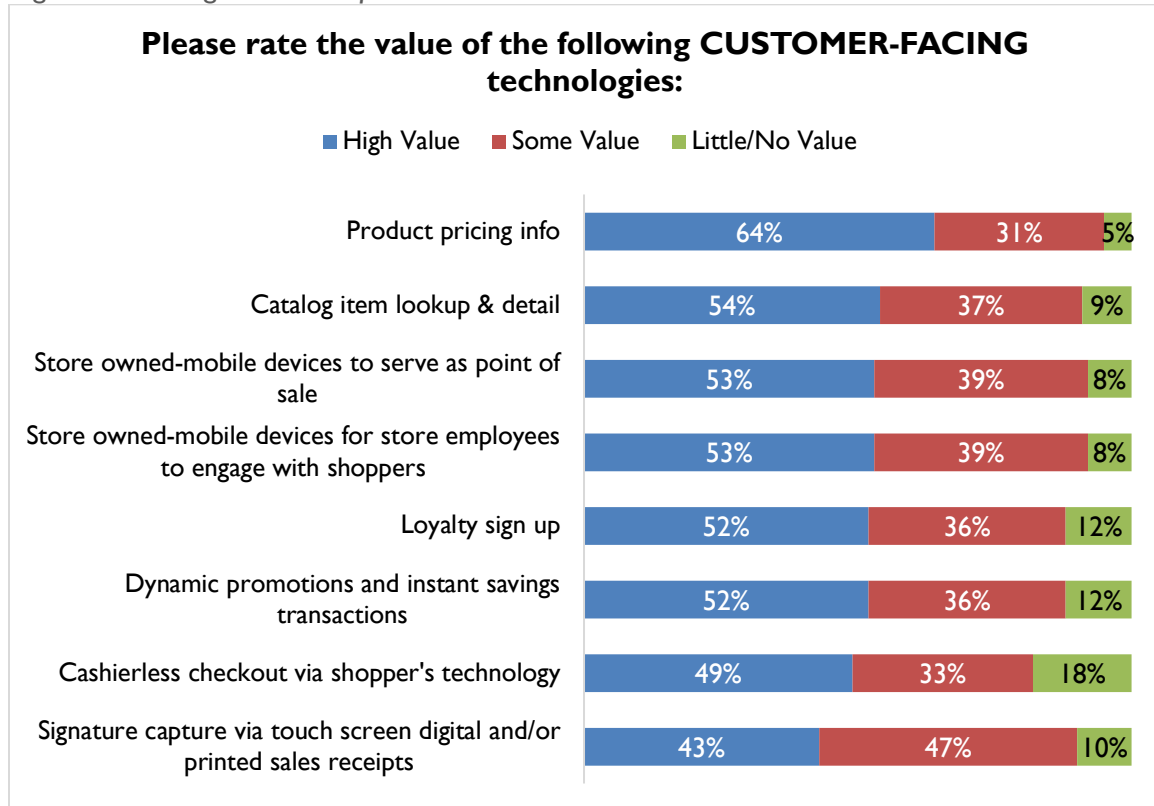Personalized offers delivered to my mobile device — 24%

Source: RSR Research, December 2023

The good news for retailers is that consumers already have the needed technology in their hands – the mobile phone. All retailers need to do is get the appropriate information and functionality to consumers when they ask for it.

SMB Retailers Respond

The retailers in this study are eager to meet those consumer expectations (Figure 21). In addition to placing a high value on capabilities that are routine in the online world (*product pricing info, catalog item lookup & detail*), they are also looking to empower employees on the salesfloor to service shoppers better (*store-owned mobile devices to serve as POS and to engage with shoppers*).
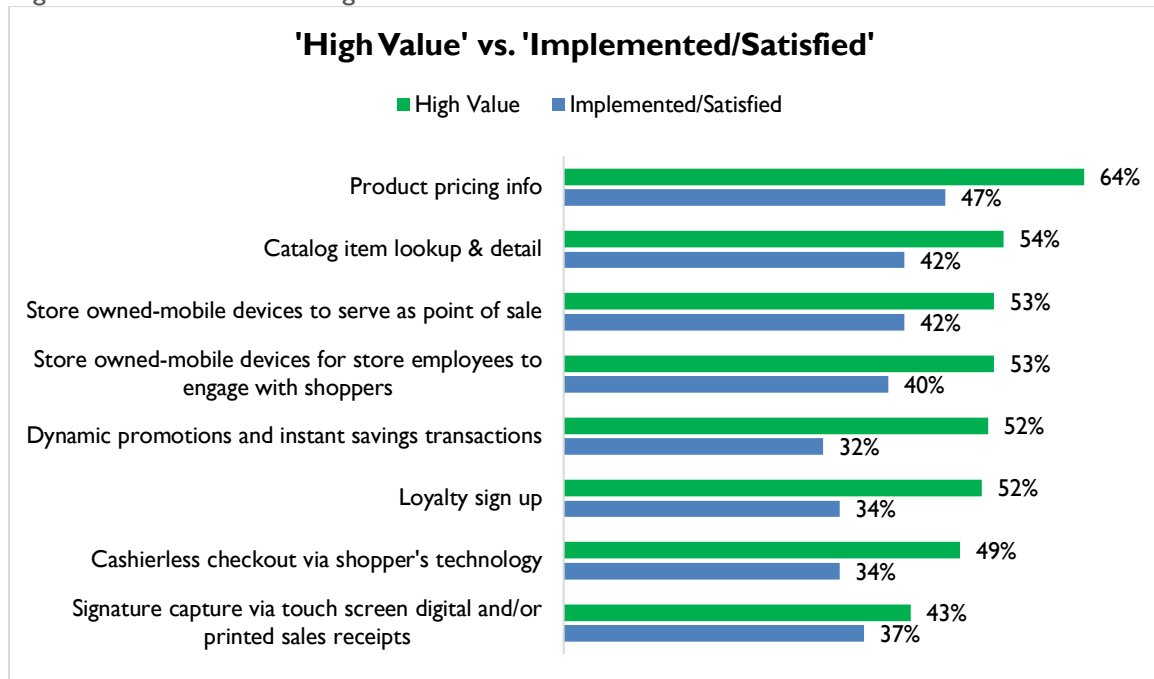
Figure 21: Eager To Respond

Please rate the value of the following CUSTOMER-FACING technologies:

Legend: ■ High Value ■ Some Value ■ Little/No Value

Technology	High Value	Some Value	Little/No Value
Product pricing info	64%	31%	5%
Catalog item lookup & detail	54%	37%	9%
Store owned-mobile devices to serve as point of sale	53%	39%	8%
Store owned-mobile devices for store employees to engage with shoppers	53%	39%	8%
Loyalty sign up	52%	36%	12%
Dynamic promotions and instant savings transactions	52%	36%	12%
Cashierless checkout via shopper's technology	49%	33%	18%
Signature capture via touch screen digital and/or printed sales receipts	43%	47%	10%

Source: RSR Research, May 2024

When we asked retailers to share their progress towards implementing high-value capabilities, it's plain that work is already well underway towards bringing "digital" to the sales floor (Figure 22).

Figure 22: Work-In-Progress

'High Value' vs. 'Implemented/Satisfied'

■ High Value ■ Implemented/Satisfied

Capability	High Value	Implemented/Satisfied
Product pricing info	64%	47%
Catalog item lookup & detail	54%	42%
Store owned-mobile devices to serve as point of sale	53%	42%
Store owned-mobile devices for store employees to engage with shoppers	53%	40%
Dynamic promotions and instant savings transactions	52%	32%
Loyalty sign up	52%	34%
Cashierless checkout via shopper's technology	49%	34%
Signature capture via touch screen digital and/or printed sales receipts	43%	37%

Source: RSR Research, May 2024

Not surprisingly, the number of retailers who have implemented and are satisfied with various capabilities closely follows the value that they assign to them. But retailers aren't sticking with just the basics. For example, more than one-third of the retailers we surveyed have successfully implemented two closely related capabilities: *loyalty sign-up* and *dynamic promotions & instant savings transactions.* What's even more interesting is the number of retailers that are planning to spend in the near future to implement or improve those capabilities (Figure 23).

Figure 23: Pushing The Envelope

Planning A Change Or New Budgeted

Capability	Value
Dynamic promotions and instant savings transactions	46%
Loyalty sign up	39%
Product pricing info	38%
Cashierless checkout via shopper's technology	38%
Catalog item lookup & detail	38%
Store owned-mobile devices for store employees to engage with shoppers	37%
Signature capture via touch screen digital and/or printed sales receipts	36%
Store owned-mobile devices to serve as point of sale	36%

Source: RSR Research, May 2024

We saw earlier that consumers place a high value on a *loyalty program/branded app* (Figure 20). The retailer who responded to this study are thinking along the same lines, perhaps as a reflection of the successes that retailers like **Ulta Beauty** have had in differentiating from mega retailers with their loyalty programs. Ulta has the capability to deliver highly targeted value offers to shoppers via the mobile app; the result is larger transaction sizes and more frequent visits, according to the company's CEO.

SMB retailers intrinsically understand that the key to their success against big retailers lies in their ability to connect with consumers in a personal way. SMB retailers also know that if the value proposition is reduced to price and availability, they can't win against giant competitors like Walmart, Target, and Amazon. The winning formula is to get beyond the basics and offer highly targeted value to their shoppers. This isn't a strategy taken up only by over-performing Retail Winners either; a similar number of retailers across the performance spectrum in this study see the opportunity (Figure 24).

Figure 24: How To Differentiate

Planning A Change Or New Budgeted

■ Winners　■ All Others

	Winners	All Others
Dynamic promotions and instant savings transactions	47%	45%
Loyalty sign up	39%	39%
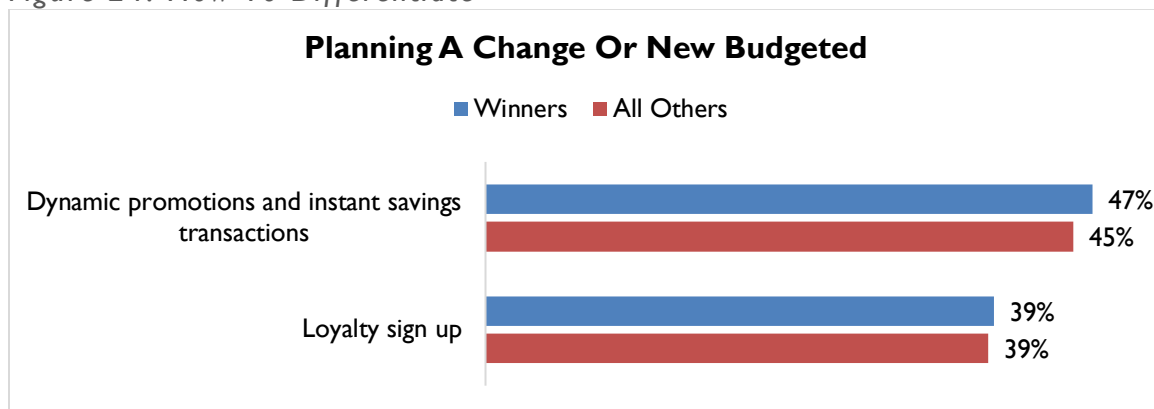
Source: RSR Research, May 2024

Arguably, SMB retailers are in a better position to differentiate with technology on the sales floor, to the benefit of both consumers and retailers, than larger retailers are. The reasons are many, but they boil down to **greater flexibility and the ability to develop close relationships with customers**. The caveat is that for consumers and modern employees alike, mobile technology and access to seamless functionality are increasingly baseline expectations, and only differentiating in their absence.

In the final section of this report, RSR offers several recommendations based on what over-performers are approaching the challenges and opportunities highlighted in this report. Read on!

BOOTstrap Recommendations

Stores across the entire spectrum of the retail industry are experiencing big changes. But nimble SMB retailers **are very often where innovation happens first**. Unique products and excellent service are where SMB retailers have staked their claim, either by offering a unique product mix or by providing a service level that is above and beyond what larger brands can provide.

Consumer *technology*-enabled shopping behaviors have changed dramatically in the past several years. When it comes to the store, shoppers want the same access to information while shopping in the store that they can get online. The good news is that technologies that once were only affordable by larger retailers have been commoditized and costs have gone down to the point where even the smallest retailers can afford them.

But just like their bigger counterparts, SMB retailers complain that they are grappling with so many challenges that they struggle to make technology investments for the store that they know are needed. How to break the logjam? The following recommendations come from what we can observe from over-performing Retail Winners in particular.

Do the Other Thing

SMB retailers have one big advantage over larger retailers – they can move faster. This brings us to our first recommendation**: understand what the mega-retailers do, and "do the other thing"**. Big retailers obsess about standardization of assortments and processes, mostly in order to hold down costs. SMB retailers can practice one of the oldest plays in the retail handbook: do "whatever it takes" to keep the customer coming back. Big retailers can beat SMB retailers on price – so beat them on service and unique offerings!

Consumers Want To Be Loyal

Consumers are clear that **they want their favorite retailers to engage with them on a personal l**evel, using the information they share about themselves and their preferences to make targeted and relevant offers via mobile loyalty apps. This represents a big opportunity for SMB retailers to differentiate from the impersonal nature of the big box stores experience.

Consumers Dictate Which Technologies Matter

Retailers need to **align with the way consumers use technology in their daily lives**. Consumers today view instant access to relevant information about products, prices, and availability almost as a birthright. Retailers should respond by making that information available on the sales floor. The good news is that always connected (and usually mobile) technologies have commoditized to the point where virtually anyone can afford them.

What's Good For Shoppers Is Good For Employees

In RSR's consumer studies, shoppers consistently tell us that they'd rather serve themselves than to deal with store employees that know little or nothing about the products they sell – and can't easily find the information quickly enough to be of service. **Smart retailers can turn employees into brand ambassadors by providing the same information that shoppers have at their fingertips to employees too**.

Train Employees

Retailers of all sizes give a lot of lip service to how important their store employees are – but even Retail Winners acknowledge that they don't spend enough on training. By basing technology solutions on consumer grade technologies however, retailers avoid one big component of the cost to training – the user interface. What that means is that **retailers can and should focus their training efforts on what brought consumers to the store in the first place: products and service**.

'Retail-As-A-Service' Is Up To the Job

Retail technology solutions that once cost millions of dollars of capital investment to develop and implement can now be delivered as services and paid for monthly on a per-store basis. Whereas in the past, retailers felt compelled to try to differentiate with custom capabilities via bespoke code or heavily modified commercial systems, today's solutions delivered as services over the network are robust and feature rich. SMB retailers know that **shoppers don't come to the store to experience a bespoke technology, but to enjoy the unique products and excellent customer service**.

Prioritize

Many retailers have deferred implementing technology in the store or modernizing what they currently have in place. But "Rome wasn't built in a day"; retailers should prioritize their efforts by **balancing what consumers expect with solutions that will add the most value**. Retail Winners show a preference for ROI disciplines to prioritize.

Experiment

SMB retailers have an big advantage over the big chains – they can be more nimble. SMB retailers have an opportunity to work with their chosen solution providers to try new ideas. If they don't work, pull the plug, and try something else! As we've already said, SMB retailers **are very often where innovation happens first.**

Appendix A: The BOOT Methodology[©]

The BOOT Methodology[©] is designed to reveal and prioritize the following:

- **B**usiness Challenges – Retailers of all shapes and sizes face significant **external** challenges. These issues provide a business context for the subject being discussed and drive decision-making across the enterprise.
- **O**pportunities – Every challenge brings with it a set of opportunities, or ways to change and overcome that challenge. **The ways retailers turn business challenges into opportunities often define the difference between Winners and "also-rans."** Within the BOOT, we can also identify opportunities missed – and describe leading edge models we believe drive success.
- **O**rganizational Inhibitors – Even as enterprises find opportunities to overcome their external challenges, they may find **internal** organizational inhibitors that keep them from executing on their vision. Opportunities can be found to overcome these inhibitors as well. Winning Retailers understand their organizational inhibitors and find creative, effective ways to overcome them.
- **T**echnology Enablers – If a company can overcome its organizational inhibitors it can use technology as an enabler to take advantage of the opportunities it identifies. Retail Winners are most adept at judiciously and effectively using these enablers, often far earlier than their peers.

A graphical depiction of the BOOT Methodology[©] follows:

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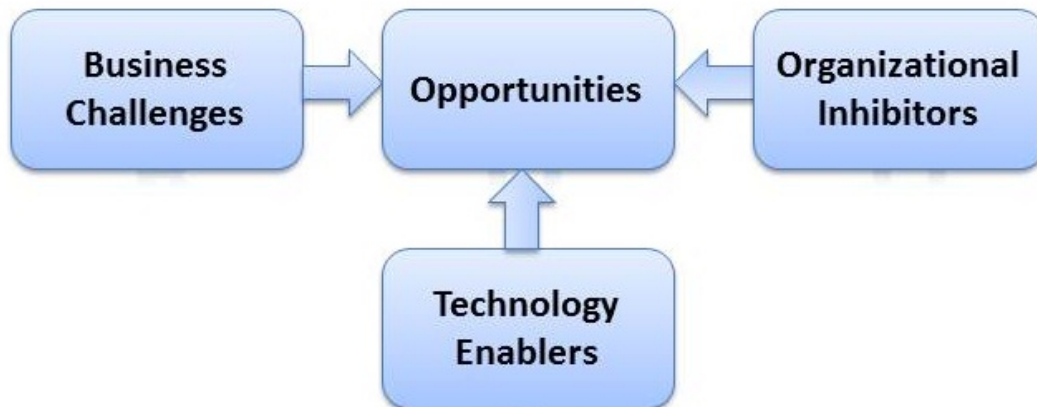
Appendix B: About Our Sponsors

EPICOR

Epicor equips hard-working businesses with enterprise solutions that keep the world turning. For 50 years, Epicor customers in the automotive, building supply, distribution, manufacturing, and retail industries have trusted Epicor to help them do business better. Innovative Epicor solution sets are carefully curated to fit customer needs and built to respond flexibly to their fast-changing reality. With deep industry knowledge and experience, Epicor accelerates its customers' ambitions, whether to grow and transform, or simply become more productive and effective. Visit www.epicor.com for more information.

Epicor Retail Management Solutions are made with retailers, for retailers, to help increase efficiency, improve employee productivity, enhance customer engagement, and accelerate profitable growth. Epicor customers simplify their retail operations with essential capabilities ranging from POS and pricing to inventory and customer management, while gaining actionable insights that enable faster, better-informed business decisions for retail excellence.

Appendix C: About RSR Research

Retail Systems Research ("RSR") is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- **Identifying information** that helps retailers and their trading partners to build more efficient and profitable businesses;

- **Identifying industry issues** that solutions providers must address to be relevant in the extended retail industry;

- **Providing insight and analysis** about a broad spectrum of issues and trends in the Extended Retail Industry.