

2021 STORE OPERATIONS BENCHMARK SURVEY

RETAILERS RECONFIGURE STORES FOR AN EVER-MORE-DIGITAL WORLD

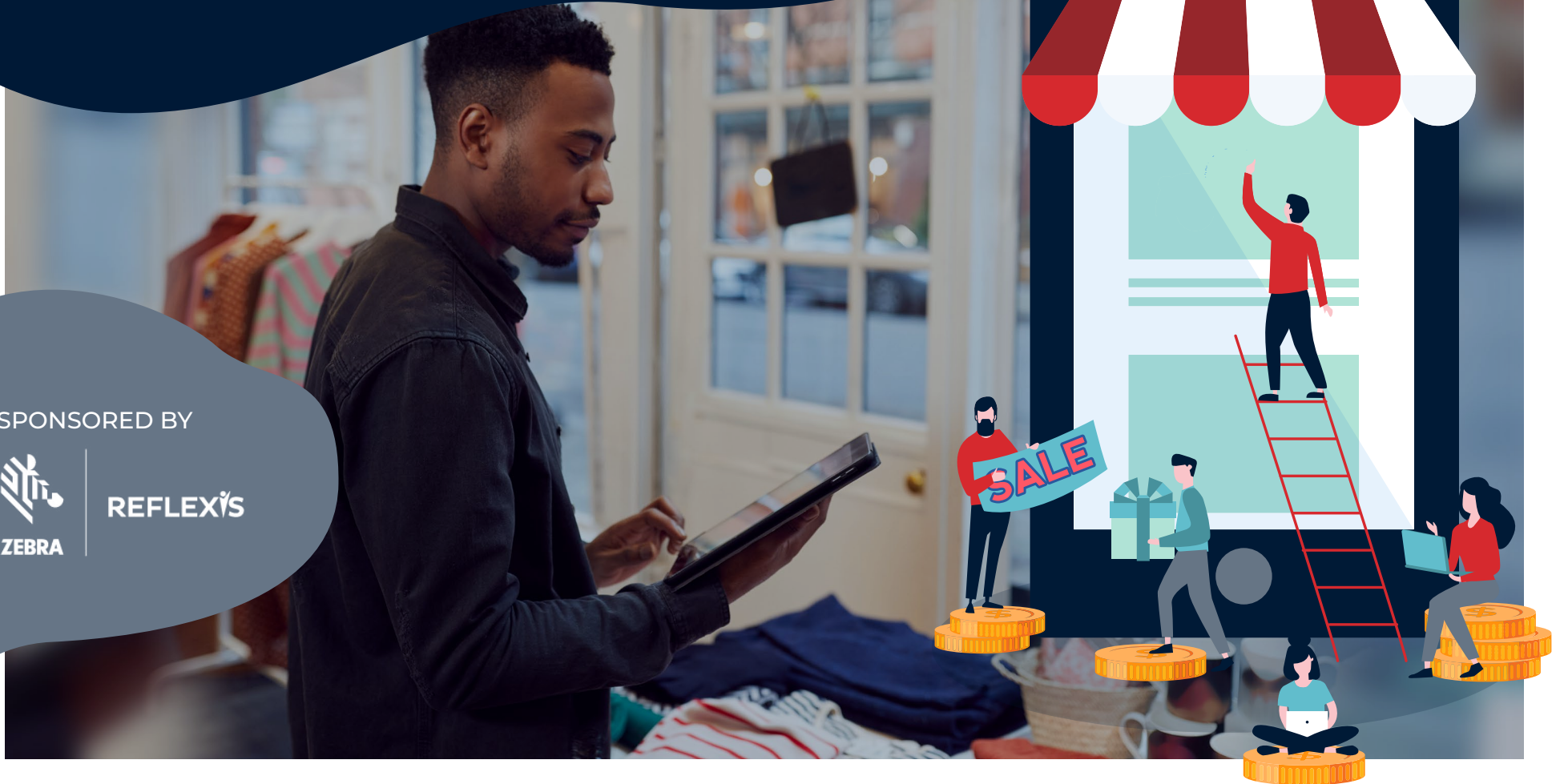
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EXECUTIVE SUMMARY

Industry experts are always stressing how important *speed*, *agility* and *flexibility* are to success in retail, but these words are more often applied to digital commerce than brick-and-mortar. But 2021, like 2020 before it, has been a year when the regular “rules” simply don’t apply.

Physical store operators have had to manage the reopening of shuttered stores — and then scramble to find enough employees to adequately staff those stores in a suddenly tight labor market. At the same time, the ecommerce surge generated by the pandemic has brought digital-store alignment to the forefront of retailers’ top store ops challenges. Consumer (and staff) concerns about in-store safety and hygiene, spurred by the recent rise of the COVID-19 Delta variant, along with varying local mask and vaccination mandates, continue to complicate nearly every aspect of physical retail operations.

The 10th annual *Retail TouchPoints* Store Operations Benchmark Survey reveals retailers’ resilience in the face of these challenges, along with the multiple ways they are using technology solutions and process changes to conquer them.



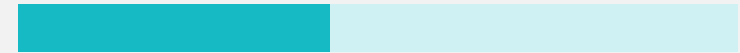
What are your top store operations challenges?



Hiring/restaffing stores: **55%**



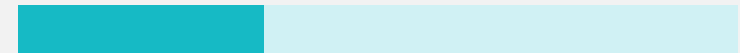
Aligning store with digital channels: **48%**



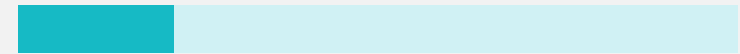
Product merchandising/inventory management: **43%**



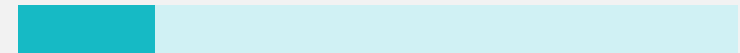
Maintaining safety and hygiene protocols: **39%**



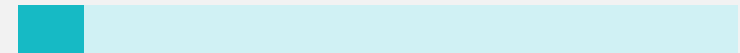
Employee training/engagement: **34%**



Managing expanded curbside pickup operations: **21%**



Managing product returns: **19%**



Managing expanded BOPIS operations: **9%**

Some of the key findings from the survey of **151 retailers** operating brick-and-mortar stores reflect some of the seismic shifts that have taken place over the past year, and the key ways merchants have responded.



Just over half (**52%**) of retailers **closed some or all of their stores due to the pandemic**, but **45%** had reopened the majority of their store fleet by the end of 2020.



Labor hours devoted to **store-based fulfillment**, including BOPIS, curbside pickup and ship-from-store, increased in 2021 for **60%** of respondents.



More than one-quarter (**27%**) of retailers operate **cashierless/unattended stores**, representing a remarkable adoption rate for technology that has been commercially available for only the last several years.

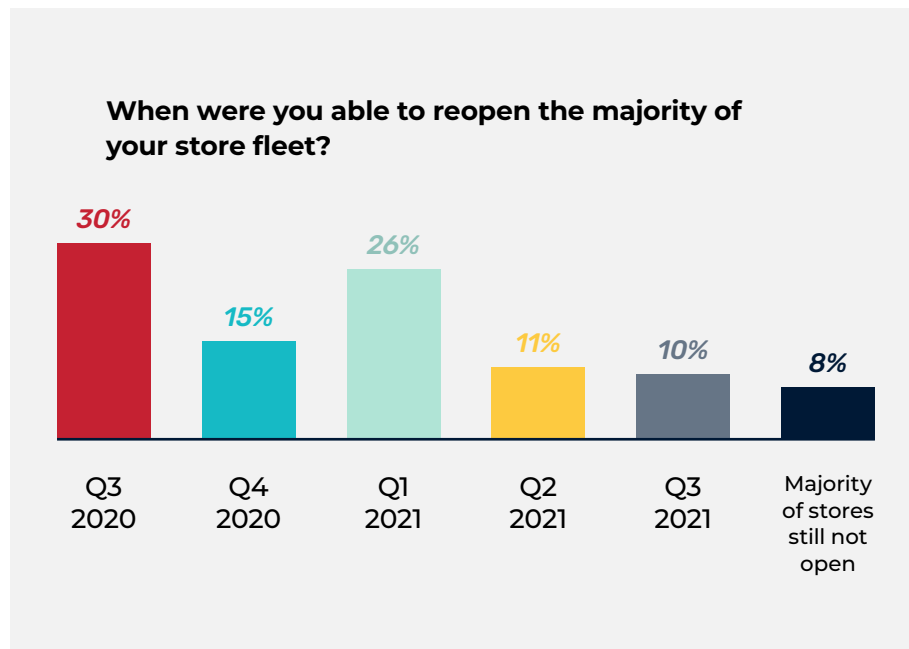


Retailers' use of augmented reality/virtual reality jumped nearly **70%** in 2021 compared to 2020: **22%** of retailers are using AR/VR solutions in their stores this year, compared to just **13%** in 2020.

RETAIL IN THE TIME OF COVID-19

Few things are as traumatic for a retailer as having to close brick-and-mortar stores, whether it's due to economic slowdowns, natural disasters or government mandates. COVID-19 encompassed a combination of all three of these causes.

More than one-third (**36%**) of all retailers surveyed had to close some of their stores due to the pandemic, and **16%** had to close all their locations. The largest retailers — those generating *\$500 million or more* in annual revenue — felt a bigger impact in terms of store closures, with **51%** shutting some of their stores and **9%** closing all locations. In contrast, among smaller retailers — those generating *\$50 million or less* in annual revenue — just **14%** closed some stores, although a slightly higher number, **17%**, closed all of their stores.



Fortunately, retailers were able to reopen the bulk of their stores relatively quickly — although it might not have seemed quick to the companies and their employees. By the end of 2020, a total of **45%** of retailers had reopened the majority of their store fleets, and another **26%** did so by Q1 2021, when vaccinations began to pick up steam. Now, just **8%** of respondents report that the majority of their stores remain closed.

While the reopening timeline for higher-revenue retailers mirrors the results for all respondents, lower-revenue retailers have taken longer to reopen. At the time of the survey, late August 2021, **15%** of this *\$50 million or less* group still had not reopened the majority of their store fleets.





REFLEXIS

RETAILERS WILL UTILIZE INTELLIGENT TECHNOLOGY TO EMPOWER THE STORE ASSOCIATE OF THE FUTURE

By Suresh Menon, SVP and General Manager, Software Solutions at Zebra

Recent disruption in the retail industry has forever changed the role of the store associate. From labor shortages to shifts in the severity of the pandemic, today's associates are under far more pressure than ever before. They're also expected to handle a variety of new tasks, manage shifting customer expectations and provide a memorable and unique in-store experience.

Increased demand by customers for an enhanced omnichannel experience has also placed pressure on today's associates, increasing their workload by approximately 30%. In the "new normal," customers will continue to utilize appointment setting, curbside pickup or BOPIS (buy online, pick up in-store), making it more challenging for them to complete daily tasks quickly and efficiently.

Ongoing labor shortages provide yet another complication for retailers. With many stores understaffed, it's hard for even the most skilled associates to complete everything that needs to be done in the store.

Retailers will need to navigate these challenges by embracing technology to improve employee productivity and engagement, while ensuring that critical tasks are completed effectively and according to best practices. Modern retail technology solutions have armed retailers with the tools they need to combat the disruption affecting the retail industry in this "new normal."

Savvy retailers have been increasing their investment in intelligent workforce management and real-time store operations technologies, while utilizing prescriptive analytics to gain more insight into key functional areas in their stores. By providing mobile capabilities to associates, it ensures they always have access to the most accurate and up-to-date information so that they're in the right place at the right time for seamless store execution.

These solutions also help retailers automate the labor forecasting and scheduling process, giving them the ability to create schedules according to all of the variables that matter most in stores, including employee preferences, customer traffic, sales data and more. By empowering employees with a mobile, intuitive application to view their schedules, whether on-site or at home, they can adjust their schedules in real time.

Intelligent retail technologies ensure that stores and their associates have everything they need to complete tasks and obtain accurate labor schedules, ultimately improving the customer shopping experience.

THE ECOMMERCE SURGE PLACES NEW DEMANDS ON STORES

The tsunami-sized rise in digital shopping caused by the pandemic's lockdowns has been well-documented, and it has created ripple effects throughout every aspect of the industry — brick-and-mortar stores very much included. The need for more warehouse and delivery workers has been adding to store staffing challenges, particularly since ecommerce jobs pay approximately **30% more** than physical retail positions, according to Dr. Michael Mandel of the Progressive Policy Institute.

Store associates themselves are devoting more labor hours to fulfillment: **26%** of retailers said the amount of time staff spent fulfilling online orders increased significantly compared to last year, and **34%** said it has increased somewhat. Only **5%** said the amount of time had decreased in 2021 compared to 2020.

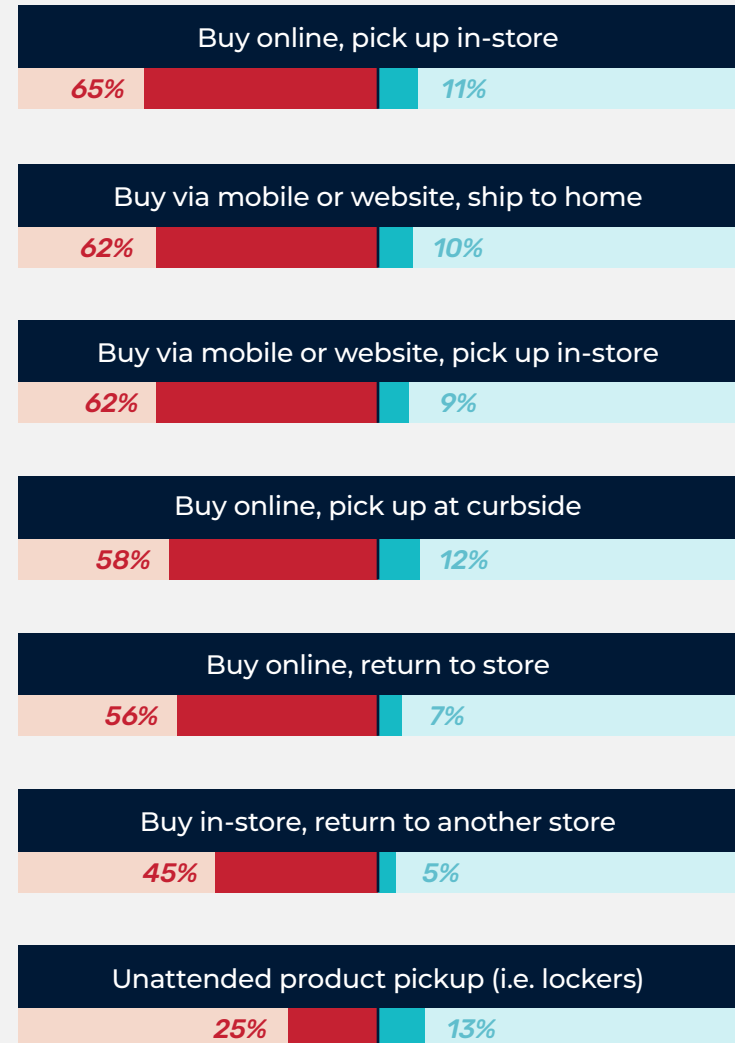
Some of this growth has come from higher BOPIS and curbside pickup volumes, which are offered by **65%** and **58%** of respondents respectively. But retailers also are increasingly using their stores as fulfillment points for traditional ecommerce orders. For example, some retailers have **redesigned** stores to include microfulfillment centers, where product picking, packing and shipping can be done more efficiently than in aisles crowded with customers.

Another tool retailers are using to tackle labor shortages is unattended product pickup solutions such as automated lockers. Their use has increased from **16%** in 2020 to **25%** this year, with **13%** of 2021 respondents saying they plan to add this functionality.

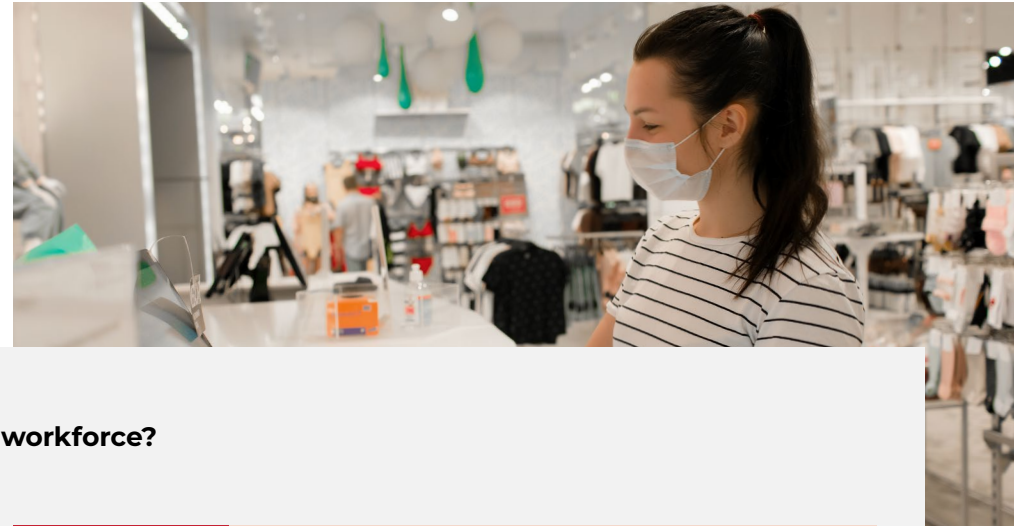
What store-based product ordering and delivery services do you offer?

Use Now

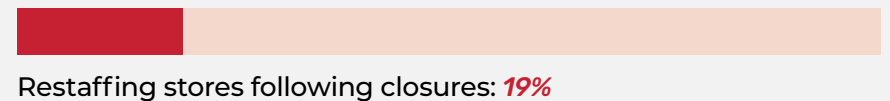
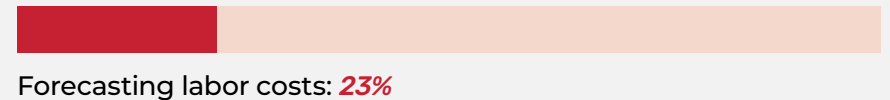
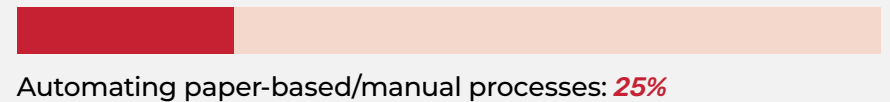
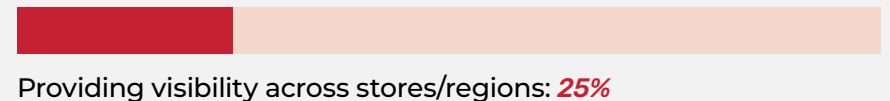
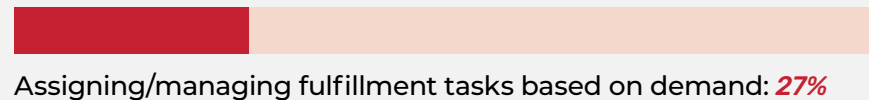
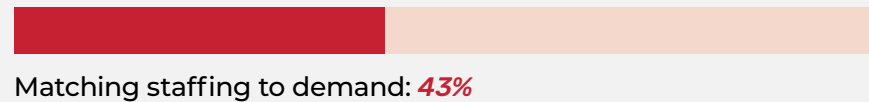
Plan to Add



Among retailers that have been able to restaff their stores, key challenges remain in managing these associates. As it did in 2020, enforcing safety and hygiene mandates tops the list at **45%**, closely followed by matching staffing to demand (**43%**), scheduling (**42%**) and decreasing turnover (**39%**). A new response added this year, assigning/managing fulfillment tasks based on demand, was selected as a top challenge by **27%** of retailers, again demonstrating the in-store shift from customer-facing positions to fulfillment-related jobs.



What are your top challenges/priorities in managing your store-level workforce?



IS THE 'CONTACTLESS' CRAZE FIZZLING OUT?

Like the word “pivot,” “contactless” was an oft-heard refrain in 2020, spurred by concerns about virus transmissibility and hygiene in general. And as in 2020, contactless payment/POS technology has seen the highest level of implementation, at **67%**, down just slightly from the **71%** figure of 2020. The wide availability of contactless payment options, including those using customers’ mobile devices and “tap-and-pay” credit and debit cards, has likely accelerated contactless adoption in this area.

Beyond the checkout process, however, there’s a sharp drop-off. In 2020, contactless curbside pickup was selected by nearly two-thirds (**63%**) of retailers, but this year it’s down to **47%**. As curbside pickup has become a more popular offering overall, retailers may feel less need to identify theirs as “contactless” as a point of differentiation.

Likewise, contactless BOPIS has decreased in 2021, down from **25%** to **16%**. As with curbside pickup, this may be more a matter of labeling than actual usage: BOPIS’ popularity means it doesn’t have to be aggressively “sold” to shoppers.

Conversely, the ultimate in contactless-ness, cashierless or unattended stores, increased somewhat since 2020. This year, that figure rose to **27%**, with another **2%** saying they planned to open such stores.

As might be expected given the costs of implementing the technology that supports unattended stores, including computer vision, cameras and shelf sensors, they are more popular with retailers generating \$500 million-plus in revenue than those at the lower end of the spectrum. Among the larger retailers, **31%** operate unattended stores, while just **12%** of those in the under \$50 million range do so.

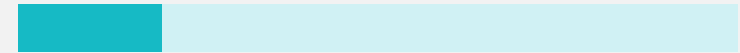
Which contactless technologies have you implemented in-store?



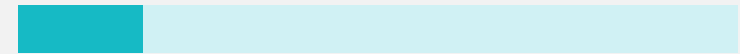
Payment/POS: **67%**



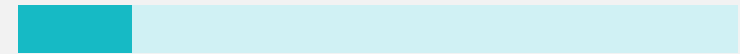
Curbside pickup: **47%**



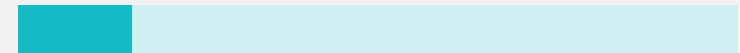
Gesture-based digital signage/kiosks: **20%**



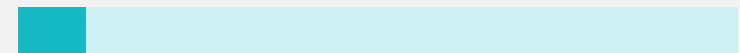
Fitting room technology: **17%**



Customer-facing voice-activated technology: **16%**



BOPIS: **16%**



BORIS: **9%**

MOBILE REMAINS A BASIC STORE ASSOCIATE TOOL, BUT ITS USAGE IS SHIFTING

As it has in society at large, usage of mobile technology by store associates has become increasingly common, with just **20%** of respondents reporting that they **don't** arm their employees with these devices. Among retailers in the under \$50 million revenue range, the “no” figure is higher, at **33%**.

The top uses of this technology — accessing inventory levels/product availability and product information — have remained relatively stable. However, 2021 saw a marked drop in the use of mobile for online ordering of out-of-stock products, from **64%** in 2020 to **46%**. As more shoppers have embraced ecommerce and BOPIS — essentially doing their own research about the items they want, and their availability — the need for this functionality within the store has decreased.



What functions are store employees performing using mobile devices?



Accessing product information: **65%**



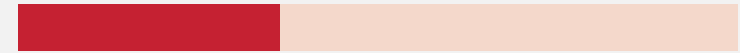
Accessing inventory levels/product availability: **64%**



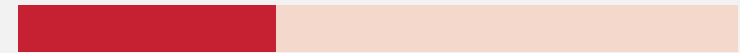
Mobile payment: **55%**



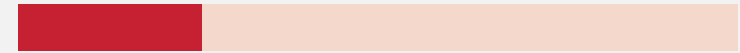
Online ordering of out-of-stock items: **46%**



Shift scheduling/swapping: **36%**



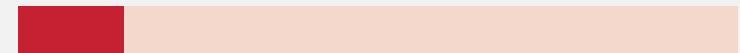
Task management: **36%**



Education: **25%**



Clienteling/assisted selling: **23%**



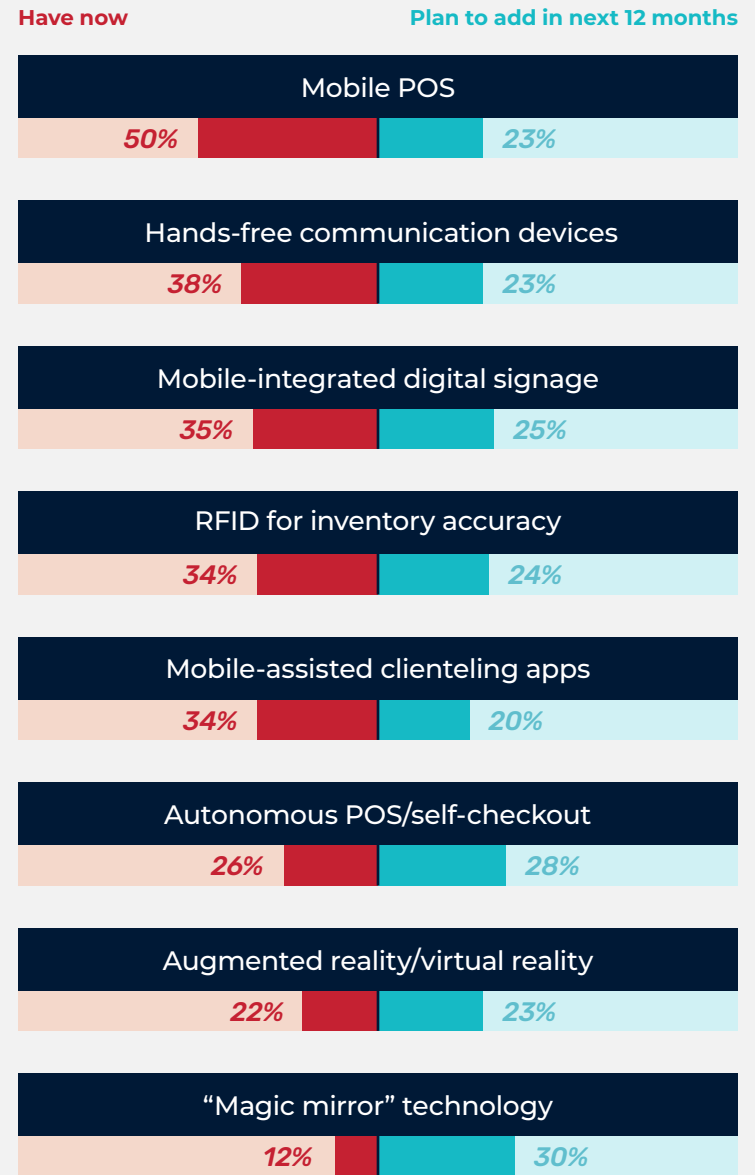
Auditing visual merchandising/displays: **15%**

The number of respondents who use mobile devices for clienteling/assisted selling also has decreased year over year, from **41%** in 2020 to **23%** in 2021. With the pandemic closing stores and encouraging social distancing, many retailers — including **Lamps Plus** and **Bobbi Brown Cosmetics** — embraced remote consultations as a way to keep associates and shoppers virtually connected. As more stores reopen, however, look for this figure to rise again, as retailers seek to bring more of the ecommerce experience into the brick-and-mortar environment.

Physical retailers already are using a wider range of customer-facing technologies, including augmented reality and virtual reality (AR/VR), to create memorable in-store experiences. Just **13%** of retailers had deployed these solutions in 2020, but that figure rose to **22%** in 2021, with another **23%** planning to add them within the next 12 months.



What technologies do you use in-store?



STORE AND EMPLOYEE METRICS REMAIN STABLE

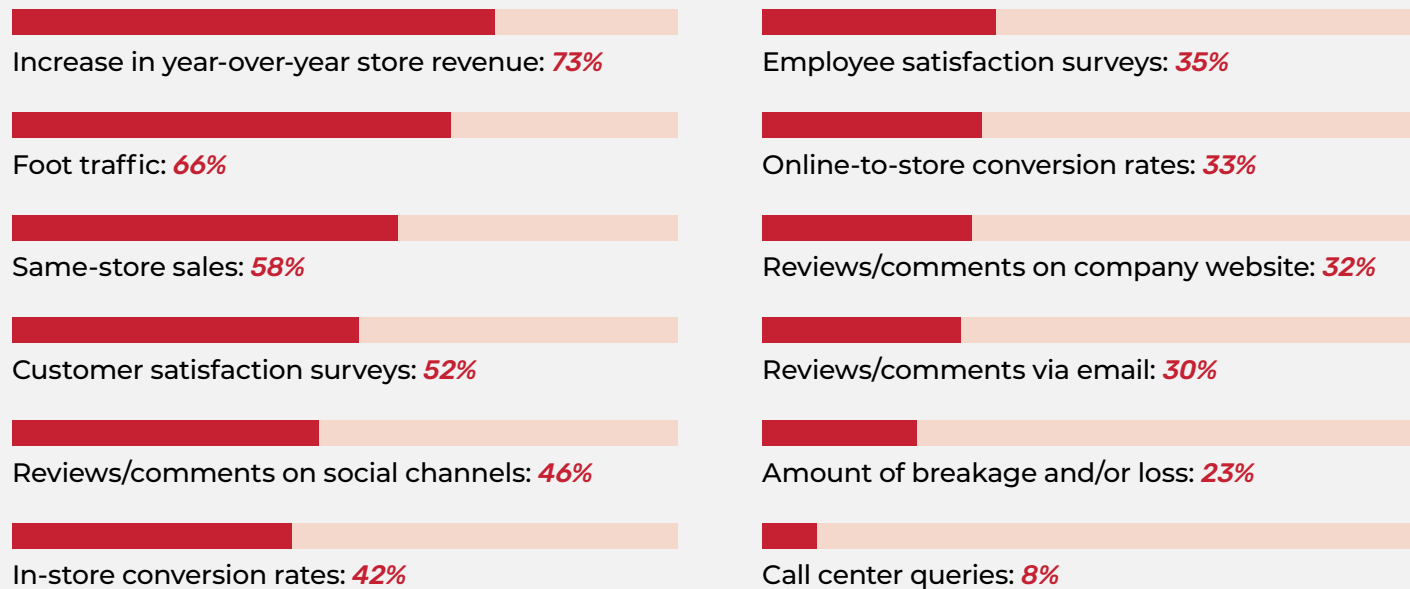
While the pandemic and its resultant shock waves have changed many things about store operations, retailers' criteria for measuring the performance of their stores and associates remained largely unchanged in 2021.

The use of in-store conversion rates as a store performance metric did drop slightly this year, from **49%** in 2020 down to **42%**. With the disruptions to store operations that have been seen over the past 18 months, it's likely that this metric has been artificially (and hopefully temporarily) depressed.

Given the ever-tighter interrelationship of stores with digital channels, the online-to-store conversion rate metric is due for a surge. It has remained essentially static, dropping from **34%** in 2020 to **33%** in 2021.



What are your most effective ways to measure store performance?



As with overall store performance, metrics used to measure employees' effectiveness have not changed significantly this year. They remain tied to "hard" financial data, led by overall store sales/profitability at **59%**. One metric that *did* see significant change year over year was adherence to enhanced safety/hygiene protocols. While this was selected by **31%** of respondents in 2020, it dropped to just **15%** this year, arguably because these processes became a part of normal store operations rather than an emergency response.

One thing to note is that use of customer reviews/feedback as an employee performance metric rose to the number-two spot, at **54%** this year (it was the fourth-most-popular metric in 2020). With the added stresses of working in a brick-and-mortar store, and the need to not simply sell things to customers but to make them feel safe and welcome within the store environment, it seems that customers' input is becoming more highly prized by retail management.



What criteria do you use to measure store employees' effectiveness?



Overall store sales/profitability: **59%**



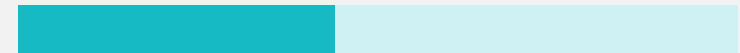
Customer reviews/feedback: **54%**



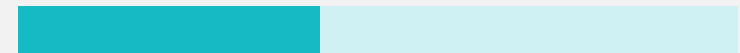
Manager reviews: **52%**



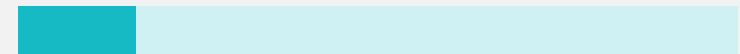
Meeting sales targets: **50%**



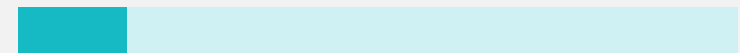
Consumer survey responses: **44%**



Meeting productivity targets: **42%**



Peer reviews: **16%**



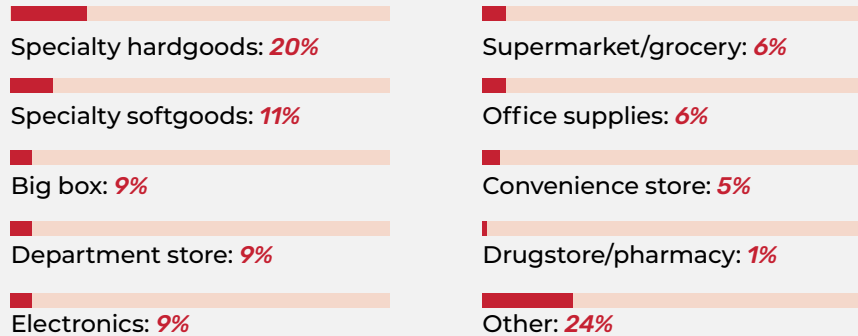
Following enhanced hygiene/safety protocols: **15%**

METHODOLOGY

The *Retail TouchPoints* 2021 Store Operations Benchmark Survey is based on responses from **151** retail executives, with **124** operating traditional brick-and-mortar stores; **18** operating pop-up stores; and **9** operating stores-within-stores. The online survey was conducted during August and September 2021.

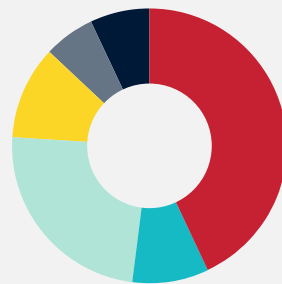
Following are the breakdowns of the retail verticals and annual revenues of the total respondent pool.

Retail Vertical



Annual Revenue

Less than \$50 million: **43%**
\$50 million to \$100 million: **9%**
\$100 million to \$500 million: **24%**
\$500 million to \$1 billion: **11%**
\$1 billion to \$5 billion: **6%**
More than \$5 billion: **7%**





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Zebra (NASDAQ: ZBRA) empowers the front line in retail to achieve a performance edge, delivering industry-tailored, end-to-end solutions to enable every asset and worker to be visible, connected and fully optimized. Reflexis Systems (now part of Zebra Technologies), is the leading provider of intelligent workforce management, execution and communication solutions for multi-site retail organizations.

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Avid theater-goer, intrepid journalist and grammar nag. There's always something new to learn about retail technology.