

**Achieving Best-in-Class Performance in
Retail Stores With Mobile Computers**



Introduction

Store-level execution is under the spotlight as retailers seek to distinguish themselves in a marketplace where price and product no longer differentiate. Retailers pour millions into branding efforts to entice shoppers into the store, but it's up to store staff to make sure their expectations are met and those dollars are not wasted. The store has to look good, the prices have to be right, the product absolutely has to be on the shelf where it's supposed to be and the associates must be friendly, knowledgeable and available to answer questions.

Between the vision created by corporate and the satisfied, loyal customer stands the store staff and its ability to execute, and that can be challenging. Store managers must contend with conflicting priorities, endless and uncoordinated requests from various corporate departments, constant interruptions, and too many tasks with too small a labor budget.

The good news is that, with the right software and hardware tools, stores can plan for and prioritize replenishment and other tasks, allocate labor accordingly, and work through these to-do lists quickly and more accurately than ever before, making the reality of daily store operations far closer to the idyllic vision. The advent of wireless networks has revolutionized the way staff can communicate with applications, data and each other.

By ensuring this connectivity, wireless mobile computers can make every store-level task faster, more accurate and visible to all stakeholders, from in-store inventory, pricing and promotions tasks, to customer service activities such as queue-busting, price look-ups, special orders and inventory locating, to manager dashboards that monitor transactions and enact decisions. When a wireless device is lightweight, comfortable, easy to use and suited to the task, store associates will embrace the opportunity to make their jobs faster and more effective.

The Challenging Store Floor

Managing – and working in – a store is not an easy feat. Daily life brings lots of competing interests, interruptions, requests and mandates and typically, managers lack the human resources to handle all the work. Corporate requests come too often, some arriving via e-mail, others by fax or phone, still others via snail mail, with little or no guidance as to priority. And that's on top of the daily tasks of keeping the shelves full, maintaining pricing and promotions and helping customers.

When Forrester Research and *Integrated Solutions for Retailers* asked store managers about this, 62.5% reported that corporate gives stores too much work, according to *The State of the Store Manager 2006*, and 42% said store labor has increased, but labor budgets have not. The vast majority of managers – 92% - work more than 40 hours a week to keep up with it all. Managers carve out just 12.7 hours of that time, on average, to work with customers.

Store managers welcome technology and its ability to help them accomplish store tasks quickly and accurately, the report noted. Eighty-three percent felt technology helped

them do their own jobs better and 80% said technology helps their associates in their jobs.

The study showed a widespread high regard for the value of mobile computers for associates. Even though just 54% of store managers surveyed have mobile computers in their stores, 75% described them as valuable to store operations.

Mobile Computers – Proven Productivity

Mobile computers' high regard among store managers has been won through years of proven performance in the field. Even in their earliest, bulkiest, most battery-hungry forms, batch-mode computers made it much easier for store staff to receive inventory, enact price changes and place orders. Inventory management via mobile computers also includes functions such as replenishment, shelf stocking/putaway, shelf and item labeling, layaway, returns, stock management, shelf price audits, store-to-store transfers and markdowns.

As retailers have begun deploying wireless networks, mobile inventory units have begun transitioning into real-time communications tools that enable these tasks to be completed with increased speed, accuracy and visibility, thanks to their ability to exchange data in real time with in-store servers. Today's mobile computers are far lighter, faster, easier to integrate, have better battery life, and run on open platforms that are easily integrated with other retail applications.

That real-time data exchange continues to enhance store inventory applications. According to the *RIS News 2007 Grocery Trends* study, 65% of retailers surveyed said they use or plan to use demand forecasting data from computer-assisted orders (CAO) to improve ordering from the warehouse, and 41% either use or plan to use CAO data to improve direct-store-delivery. Mobile computers are the tools used to enact these processes by collecting data about in-stock position and product movement.

Analysts view robust broadband connectivity to stores and wireless networks within stores as essential to realizing the vision of well-oiled store execution. Retailers that embrace the opportunity to enable store associates with mobile technology gain a significant competitive edge over those that lag in this area.

Today, “only 21% of our surveyed retailers are using a wireless infrastructure to do anything more than manage receipt of goods into the back room, while almost 70% have no wireless infrastructure at all,” according to Aberdeen Group's *Case Studies in Customer Service and Store Performance Management*, December 2005. “Near-real-time analytics must be brought directly to the worker, as opposed to having a worker hovering near a computer screen, waiting for the next alert to appear.”

Anyone familiar with warehouse operations knows that putting a mobile computer in the hands of the worker, at the point of the task, dramatically boosts productivity by eliminating the need to return to a fixed computer to enter or receive data and instructions. Accuracy is greatly enhanced when reading a bar code on the spot rather

than matching paper to what's in front of the worker. Many warehouses have pushed productivity and accuracy metrics well into the 90th percentile via mobile solutions.

Those same benefits pay off in the store for inventory management functions. According to *Consumer Goods Technology* magazine's *Inside News*, the most expensive portion of the supply chain lies in the manual processes used to coordinate the movement of products from the backroom to the shelf.

According to the *Consumer Goods* story, "A European retailer recently admitted it cost more to deliver a bottle of wine from the stock room to the shelf than it did to ship a case of wine halfway around the globe. Additionally, that inability is the chief cause of daily and promotional stockouts. On a daily basis, these problems result in nearly 10 percent stockout rates across the industry. Promotional items, which are a chief customer enticement, go out of stock at a nearly 25 percent rate. And when those items aren't there, almost 50 percent of customers will leave to find products at another store."

Mobile computers make it possible to sharply reduce stockouts and lost customers. It appears retailers are beginning to get that message: mobile computer adoption is anticipated to approach double-digit growth rates through 2011, according to Venture Development Corp.'s *2006 Retail Automation Equipment Planning Service*, driven chiefly by line-busting and reducing operational costs.

Return on investment in mobile computers for in-store inventory management functions is well-established, with the specific time to recoup costs depending on what the solution is replacing. Moving from paper-based all the way to real-time-enabled applications on a mobile computer delivers rapid returns from multiple sources: faster data collection (often as much as 50% faster), higher accuracy (replacing manual processes can mean data is up to 20% more accurate), more complete data, more satisfied customers, and a more productive workforce.

Transitioning from batch computers to real-time connectivity speeds data availability and enables real-time access to hosted applications and data, such as to look up price data, and still deliver significant savings. Even upgrading from older to newer mobile technology often makes applications faster and allows access to more powerful, contemporary, hosted applications while lowering maintenance and development costs.

Best-In-Class Use of Mobile Computers in the Store

Leading-edge retailers have been reaping the benefits of mobile computers for store inventory functions for years. But now those retailers are viewing mobility as an essential element in realizing their growth goals.

According to the Aberdeen Group report, *Retail Task Management: Cornerstone of the Optimal In-Store Experience*, December 2005, "Every retailer wants to make their store environment better than the competition. Clear benefits come from customers who recognize a comfortable, informative, and interactive environment where they can both achieve their shopping goals and explore new products in a quick, effective, and pleasing environment. In fact, 71% of best in class retailers report their efforts to improve in-store

execution are a key factor to their overall business success.”

Analysts estimate that the impact in lost revenue of inconsistent store-level execution is between 2% to 5% of a retailer’s annual sales.

Central to the concept of better execution in the store is the ability for real-time, two-way communication between the store staff member doing the work and the rest of the enterprise. A mobile computer in the hands of a store manager or staff member instantly connects that individual to other store associates as well as the entirety of the retail organization and the applications that support them. That access truly revolutionizes the fundamental operation of the retail store. Instead of largely one-way pushing of information and tasks out from corporate and store managers through store staff, real-time communication closes the loop; now stakeholders throughout the organization have visibility to the status of store-level tasks and associates can offer feedback to that group.

AMR Research’s Nov. 29, 2007 Research Strategies Service note, *Retail Goes Mobile*, states, “The deployment and utilization of wireless within the four walls of the store continues to rise, with 65% of the industry planning on moving in this direction by the end of 2007. And the usage won’t be just handheld devices in the back of the store for applications such as inventory, receiving, replenishment, and ordering. It’s moving into the front of the store as well.”

A new class of mobile computer applications has emerged to take advantage of this new paradigm:

Manager Dashboards: Manager dashboard applications accessed via mobile computers take managers out of the office and out on the sales floor while still enabling them to perform tasks such as reading e-mail, assigning tasks, voiding transactions and checking prices—from any location in the store. Retailix PocketOffice (RPO), for example, is a suite of back-office applications that enable managers to take the application to the business decision point. The suite of modules includes Item Maintenance, Shelf Price Audit, Q-Buster, Ordering, Remote Manager Authorization and a Financial Dashboard. Managers can now greatly increase their ability to monitor and interact with associates and customers in the store without losing contact with headquarters. Manager dashboards can also be used to identify and trigger new required tasks the manager or district manager may note as they walk the store.

Task Management and Execution: Leading retailers have begun employing Store Execution Management (SEM) and Task Management solutions to streamline and prioritize store-level tasks. According to Aberdeen’s *Retail Task Management* report, “Best-in-class retailers take advantage of closed-loop task management systems to assign and confirm execution of store-related tasks and make use of computer-based intelligent forecasting for labor requirements. Best-in-class retailers also provide differentiated in-store experiences for customers by providing tools to store associates on the selling floor.”

The March 13, 2006 edition of *Top of the Net* notes that, with the desktop versions of such applications, “Leading retailers have seen measurable and dramatic results from these applications, such as sales increases of nearly 4 percent, a 64 percent increase in

display compliance, task compliance increases of up to 90 percent; increased floor time for managers, and three hours per week in time savings for district managers.”

Delivering SEM and Task Management to mobile computers maximizes these benefits, particularly when combined with Workforce Management to ensure scheduling of associates with the correct skills for planned tasks. “Mobilizing these solutions can bring yet another level of efficiency to operations. With minimal additional training, retailers can quickly shift from the desktop to the mobile computer, putting associates and managers on the sales floor and delivering additional efficiencies and ROI to the entire retail enterprise,” according to *Top of the Net*.

Queue Busting: Mobile computers can be pressed into service to reduce waiting lines; a store associate can scan each item, suspend the transaction and produce a bar coded receipt, so the transaction can be completed at the register, speeding checkout time. Or, computers equipped with mag stripes can be used to close the transaction on the spot. In the *RIS News 17th Annual Retail Technology Study*, just 11% of retailers reported having queue-busting in place, but another 32% planned to implement it within two years.

Clientelling and Guided Selling: A mobile computer can provide associates instant access to customer relationship management databases and access to additional detail about products. According to AMR’s *Retail Goes Mobile*, “Empowering store associates with customer or product knowledge improves customer intimacy and turns browsing into a sale.”

Loyalty Programs: Mobile computers can also be used to enroll new participants into loyalty programs, and even set up chip-based contactless payment accounts on the spot. As near-field communication-enabled cell phones proliferate, retailers will be expanding use of contactless payment tied to store loyalty rewards programs.

Recall Compliance: In a recall situation, it is critical to locate and remove the correct product from the shelves expediently, for safety, liability, and in some jurisdictions, legal reasons. Mobile computers are the most appropriate medium to ensure recall accuracy, through bar code scanning, by confirming that the specific SKUs targeted are located and removed throughout the store. In concert with task management, they can also close the loop on the recall by enabling supervisors to see that the recall removal tasks are complete.

Special Orders: Retailers can attain the endless aisle concept by enabling special orders of items not in the store, or custom orders, via kiosks or mobile computers.

Cross-channel Integration: Cross-channel integration is becoming a priority for retailers to meet customers’ demand to have their transactions and loyalty recognized across shopping channels. For some retailers, the cross-channel strategy includes fulfillment of Web orders from stores. Mobile computers will play a pivotal role in executing that fulfillment strategy, capturing order data from the Web channel and driving the picking, packing and shipping process within the store.

Promotion Management: According to AMR’s *Retail Goes Mobile*, “By equipping managers with mobile devices and store audit applications, stores are able to manage the audit responsibility internally. A manager can confirm campaign terms online, verifying

that a product is at the correct shelf or endcap space and that signage and other display materials are being used appropriately. Managers are able to take immediate, corrective action, enabling the store to execute on campaigns more effectively and ensuring better financial performance for the store and for the manufacturer.”

Gift Registry: A growing cadre of retailers is putting mobile computers in the hands of customers, allowing users to scan items to add to gift registries.

The Right Device

Key to user acceptance is a mobile computer that is comfortable and easy to use, making store associates’ jobs easier. It can’t be bulky, or difficult to use, or too heavy to carry around. According to *RIS News’ Annual Study*, “Today’s portable inventory computers are powerful, multi-task devices with color monitors and the ability to handle an ever increasing array of store functions. Moving forward, the term portable inventory computer may be too simplistic a name for a tool that performs the tasks of a full-featured customer service device.”

Conclusion

In introducing Six Sigma Retailing in 2004, AMR Research defined the concept as being built on three elements: customer intimacy, product availability and associate efficiency. Mobile computing computers are the enablers of all three, delivering critical information to and from the point of action on the retail floor. The expanding array of in-store applications dependent upon a mobile computer is testimony to the increasingly essential nature of this technology for standout store execution.

About LXE Inc.

LXE Inc., a subsidiary of EMS Technologies, Inc., improves supply chain performance by applying over 37 years’ experience developing wireless products and solutions. From rugged mobile computers, advanced auto-ID technologies, and secure wireless network infrastructure, to our award-winning customer support – LXE’s easy-to-use products are as reliable as the people who install and support them.

Based in Norcross, Georgia, LXE also offers a full range of turnkey services, including radio integration, project and installation management, network design, technical support, and repair services.

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