THE RETURN OF BRICK AND MORTAR

Stores are a vital element of retail, but they need the right technologies to compete with online operations.

In the age of Amazon and eBay, many customers have started to prefer web space to retail space. So in this ever–expanding cyber–shopping environment, brick–and–mortar establishments are trying a new approach to retain and win back customers. Many of these establishments are utilizing well–placed IT solutions to continue making brick–and–mortar retail a desirable option for shoppers, and even to give them a leg up on their online–only competition.

The use of mobile point–of–sale (POS) systems and enhanced inventory management systems are increasing storefront efficiency. For example, the strategic placement of in–store kiosks that deliver web–based, in–store service allows customers to assist themselves while freeing up floor associates. With a more mobile workforce, retailers can equip their sales associates with solutions that improve efficiency as well as the customer experience. POS systems can be deployed via handheld terminals, store–issued

tablets or even in–store kiosks designed for easy customer use.

"I want my people on the floor," says Jon Stine, the global director of retail sales at Intel. "I don't want them locked in an office. But at the same time, they need access to actionable, intelligent data."

One way retailers put this information into action is the use of advertising and digital signage. Through the in–depth analysis of customer data and demographics, retailers can use targeted advertisements to attract customer to brick–and–mortar stores. By offering services such as in–store Internet access and relevant (or use both words, but feel relevant is necessary – as if it is not relevant, people will be de–motivated) in–store deals, shoppers are encouraged to visit the physical retail space. In addition, customers often feel that these services create a more personalized (or use relevant here) atmosphere in the store and deliver a more engaged shopping experience.

"Digital signage allows stores to display their brand in a collaborative

way," says Jay Lewis, national account manager at ELO Touch Solutions.

"Digital signage is a critical need," adds Stine. "There has been a change in non–grocery shopper behavior over the past five years, with 65 to 70 percent of all non–grocery shopper journeys starting online, while 88 percent of all non–grocery revenue is transacted in the store."

To assist in the development of a loyal customer base, retailers are moving to smaller, more efficient storefronts that allow them to better compete with online–only retailers. By allowing customers to order what they want online and pick up the item in a store, the retailer frees up the stockroom of niche items or products that don't generally sell well. Smaller stores also are likely to have fewer physical entry points that require either physical or electronic security measures.

To make do with smaller stores, retailers must increase the efficiency with which they plan their inventory. Inventory management systems give them insight into which items are in–store and which are likely to be needed.

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— Brice James, Co-Manager, Wal-Mart Store #1181 in Marietta, Ohio

"Inventory management systems give us the ability to have a greater variety of products in the store without increased inventory overhead," says Brice James, co-manager of Wal-Mart store in Marietta, Ohio.

Technological advances are also changing the overall role of the sales associate. With digital task lists and personal electronic devices that monitor numerous parts of the storefront, associates are able to multitask more efficiently.

"It allows them to be more mobile in and out of the store." Lewis says, "It also allows more customer service when the associate has more accessible information."

Retailers have paid attention to the cautionary of the demise of Borders bookstores. When a company is unable to give customers a reason to visit the physical storefront, it isn't likely to stay in business for very long. Leading retailers such as Wal-Mart have instead used technology to cut down on immovable inventory and react quickly to customer demands.

"The future of retailing is about data-driven decision-making," Stine says. "Every person, product and process leaves a digital data trail. The retail leaders of tomorrow will be those companies that can acquire and analyze this data and do something with it. Those in business know it's an arms race for knowledge." ■

To Live and Die by the Rewards Program

With more and more retailers using rewards programs to attract and keep customers, the quality of these programs has become an essential element of many retail strategies. Many customers examine the pros and cons of their rewards programs, such as how fast points accumulate and how often they would be willing to visit the retailer. Larger retailers such as Wal-Mart, Sears and JC Penny rely less on rewards programs, but push in-store credit cards instead. Smaller retailers such as GameStop have subscription goals that employees must meet as part of their performance metrics.

"Development of an in-store rewards program also helps maintain customer loyalty." says Jay Lewis, national account manager at ELO Touch Solutions. A rewards program may only be one weapon in the retail arsenal, but it's a particularly effective one that gives something back to customers for their loyalty, and makes them feel like an insider with access to special benefits and privileges.

Even gas stations are jumping on that trend, with Speedway, Marathon, BP and others deploying slightly different philosophies. For example, Speedway gives customers three cents off every gallon just for having their card, while others offer discounts after a number of points are achieved. In addition, Speedway locations have in-store kiosks that allow customers to redeem points for free food, coffee or even a gas gift card, which encourages customers to come inside the store, where the higher-profit items are sold.

A lackluster rewards program can endanger a customer base, even if the business is better located than its competitor. Strong rewards programs make the customer feel valued and will, in turn, encourage them to come back. Successful programs also blend the physical and the digital to satisfy a larger demographic. GameStop, for example, gives its customers fifteen percent off of used games and accessories as part of its rewards program. ■

To learn how Kelly-Moore Paints dramatically improved the customer experience at 144 stores by installing a new POS system, check out CDW's case study "Extreme Makeover."