



# Market Overview: Retailing



According to Gartner, worldwide retail sector IT spending is growing at approximately three percent annually with ongoing initiatives to drive a true omni-channel experience driving investments.

The retail industry in the U.S. is in the midst of an epic transformation as traditional bricks-and-mortar stores—still the predominant retail channel—are downsizing and at the same time being reinvented to become more compelling and effective in a multi-channel world.

Over the last five years, retail industry sales in the U.S. have grown 2.4 percent, while e-commerce sales in retail have grown 12.5 percent.<sup>1</sup> In Europe, we anticipate online retail sales will reach €191B by 2017, reflecting an 11% compound annual growth rate (CAGR) over the next five years.<sup>2</sup> And contrary to expectations—i.e., online shoppers are driven there by lower prices—retailers have discovered that customers who engage with them across multiple channels are 21 percent more profitable than those who shop on a single channel.<sup>3</sup>

The transformation taking place is not simply about there being more channels. The ability that customers now have to shop in the store, online, on their mobile and share their experiences via social media is qualitatively changing the nature of retail:

## Customer Experience

- Complexity: The traditional linear shopping experience—see ad, visit store, view product, compare options, make purchase—has given way to an extremely complex process that stretches across online, mobile, social networks and in-store experience.

- Expectations: While retailers see each channel as distinct, consumers see them as one. Consumers expect the personalization and simplicity that they experience during online shopping to carry over into other touchpoints.
- Generational changes: Millennial shoppers (born 1982-2001) are a clear indication of the future: research shows they are 200 times more likely than the average shopper to be influenced by things like smart-phone apps when making brand decisions and are heavily reliant on peers (not traditional brand messages) for making smart purchase decisions.<sup>4</sup>

## Inventory Distortion

One of the biggest challenges facing retailers in an omni-channel world is managing inventory across channels. Retailers often rely on separate inventories for their multiple channels, complete with variations in pricing, SKUs, shipment sizes, order filling processes, delivery methods, etc. This results in extensive inventory distortion—out-of-stock merchandise that customers would have purchased had the item been available as well as overstocks that must be sold at a deep discount.

A major focus for retailers in the coming years will be a growing use of scanners and RFID tags to address challenges in customer service and inventory distortion. Using scanners and RFID tags, just about anything—a sign, a shelf, a security

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security camera, a motion sensor—can be outfitted to collect information on shopping behavior, send it up to the cloud and make it available for big-data analysis in real time.

While the initial perception was that RFID tags/scanners would be primarily used for loss prevention, retailers are discovering that the real value is improving inventory accuracy and the ability to obtain an accurate inventory count.

### Growth in Technology Investments

According to Research and Markets,<sup>5</sup> worldwide retail sector IT spending is growing at approximately four percent annually with ongoing initiatives to drive a true omni-channel experience driving investments.

According to the 2013 Store Systems Study by RIS News, retailers have been fairly consistent when it came to their top store systems priorities: better tools for associates, PCI compliance, advanced CRM/loyalty, inventory visibility and speed through checkout.

That started to change in 2011 with a shift toward mobility and that trend continued this year with more than 82 percent of respondents citing mobility (for either associates or customer engagement) as a top priority. This is the single highest percentage on the priority list in the past seven years.

Close behind mobility was advanced CRM/loyalty programs, which is the only priority that retailers have placed in the top five each of the last seven years.

Other key findings in the 2013 RIS News survey include:

- POS shipments are showing steady but slower growth than in 2012. As in the past couple of years, mobility looms large—nearly one-third of retailers are looking to adopt tablets or non-rugged handhelds in the next 12 months.
- Traditional POS systems will take a hit. Retailers planning to use mobile POS in the next three years anticipate a 12.4 percent decline in the number of traditional POS terminals they will purchase.
- Last year, 20 percent of retailers enabled scanning a coupon off the screen of a mobile device. This year, it has risen to 27 percent with a 50 percent adoption rate expected in the next 12 months.
- Daily deals/flash sales show steady adoption with 18 percent saying they currently have this mobile technology with another 29 percent planning a rollout.
- Last year, Google\* Wallet\* and PayPal\* were the only two mobile payment solutions for which retailers were claiming adoption: This year both have grown in penetration but according to RIS News, only PayPal\*

is progressing along a strong long-term adoption path. Google\* Wallet\* has fallen off due to deployment and security issues. Amazon\* Payments\*, ISIS\*, Square\* and Apple\* Passbook\* are also getting notice, with Square\* having the biggest penetration so far.<sup>6</sup>

### Buying Drivers

The transition to a true, multi-channel retail environment is altering expectations and shifting the focus of the SMB retailer to issues including:

**Technology:** Focusing on the impact that new technology can have on overall business metrics (especially increasing sales) and enhancing the overall customer experience (understanding shopper behavior: who buys what, when, and why). Overhauling the POS, or adding analytics to various touchpoints.

**Data:** Solving the big-data problem—getting real-time, actionable information from a diverse set of potentially siloed solutions. Using systems that are scalable, secure, reliable, at a low TCO, etc.

Retailers will want more real-time visibility into sales performance and control over their customer experience. They will want to better understand how technology can help them accelerate this process.

Go to [www.intel.com/retailsolutions](http://www.intel.com/retailsolutions) and see what today's retailers and brands are doing.

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For more information visit [intel.com/retailsolutions](http://intel.com/retailsolutions).

<sup>1</sup>U.S. Department of Commerce

<sup>2</sup><http://www.forbes.com/sites/forrester/2013/03/14/us-online-retail-sales-to-reach-370b-by-2017-e191b-in-europe/>

<sup>3</sup>RIS News, 2013 Cross-Channel Tech Trends Study

<sup>4</sup>SymphonyIRI Shopper Sentiment Index™: Millennial Shoppers, 2012

<sup>5</sup><http://www.prnewswire.com/news-releases/the-global-retail-industry-it-spending-market-to-grow-at-a-cagr-of-488-percent-over-the-period-2012-2016-230027821.html>

<sup>6</sup><http://risnews.edgl.com/retail-trends/Top-POS-Predictions-for-201490104>

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