

# OPTIMISING STORE PERFORMANCE FOR DIGITAL RETAIL

JAVELIN GROUP WHITE PAPER

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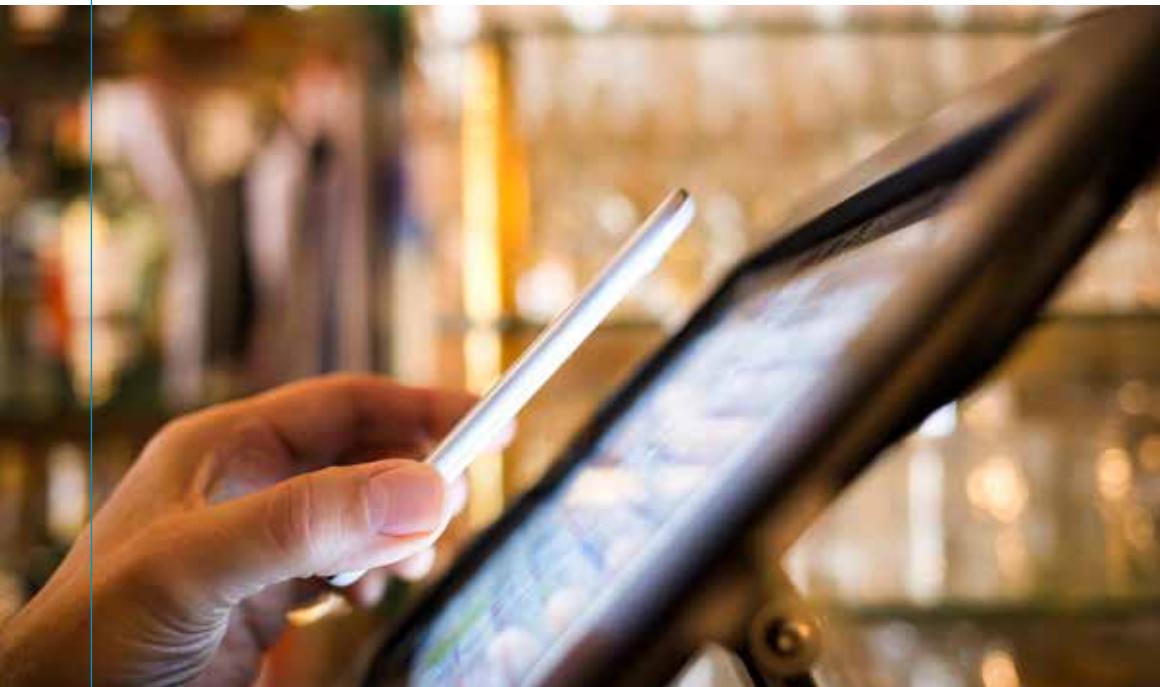
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# 1

## INTRODUCTION

For many years, retail operational change in-store was a result of a slow evolution of the operating model and process changes driven by the retailer.

But today, with the ferocious pace of change in retail driven by both digital technology and customer expectations, many retailers are struggling to adapt and keep their store operations running efficiently.

Customer expectations of quality of service, speed, and value for money are constantly increasing in a competitive market, and retailers are finding it difficult to fulfil demand coming via digital channels, especially within complex store environments. This often leads to unsustainable ad-hoc processes that increase labour costs, create excessive complexity for store colleagues and ultimately a poor experience for customers.

This white paper investigates the role of store operations in the context of increasing customer demands driven by the digital revolution, and explores the six key areas a retailer needs to address to develop its store operations to serve the customers of today and tomorrow.



# OPTIMISING STORE OPERATIONS

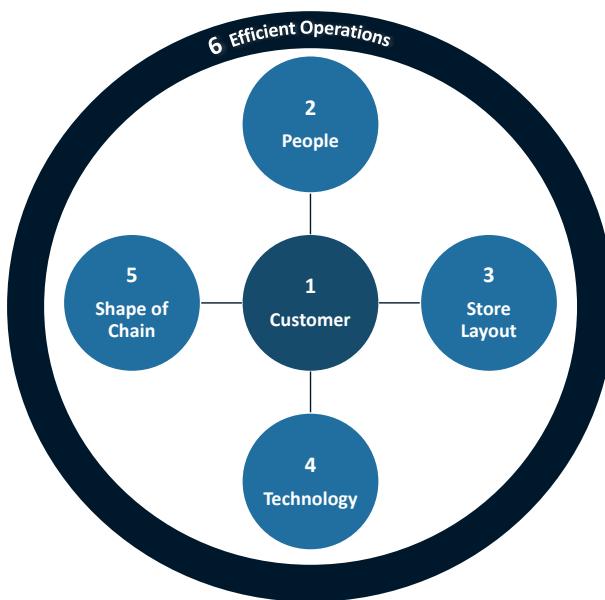
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In today's digital world, retailers are faced with four main store operational issues.

These are:

1. Effective omni-channel store operations, e.g. click & collect, reserve & collect, returns
2. Bringing the online offer alive in the store environment, e.g. extended range, in store ordering, assisted sales
3. Servicing the omni-channel customer (one view of the customer), e.g. for issue resolution, account queries, purchase history
4. Gearing stores for change, e.g. flexible operating model & processes, colleague communications and performance measurement

Getting the basic operational foundations right first allows for future development, innovation and optimisation to be introduced more successfully.



There are six key areas to guide store optimisation (see figure 1). Using this framework will help retailers assess the current state of their store operations, understand quick win opportunities and inform future strategy.

Figure 1

## 1 Customer

The customer must be at the heart of all activity within the store; retailers who are obsessive about customer demands will be successful, it is as simple as that.

In order to develop the right strategy to best serve the customer, it is crucial that retailers understand what the customer wants and needs. As digital access to products and services is now so seamless outside the store, customers are often now only coming into the store when they *need* something the other channels cannot provide, such as:

- Convenience (local, speed, ease)
- Product interaction (see, touch, hear, feel, smell)
- Assisted selling (advice, service, experience)
- Additional service(s) (collection, returns, credit, insurance, after sales)
- Complementary products
- Confidence of a physical purchase

Understanding these customer needs enables the development of an intelligent and innovative customer-focussed store experience - get this right and sales will follow.

Retailers who are obsessive about customer demands will be successful, it is as simple as that.



## 2 People

The store colleagues are the most important part of a store operation. In addition to the key function of serving customers, they bring the other five areas alive. Great colleagues are enabled by four levers:

### 1 Strong organisational structure

- Support colleagues both locally, in store and remotely
- Enable appropriate colleague access and communication with the wider business (e.g. supply chain, IT, customer service, marketing, finance, ecommerce)
- Provide dedicated resources for tactical efficiencies or strategic development for
  - Both cost reduction and process simplification for colleagues/customers
  - Innovation and proposition development allowing a retailer to lead rather than follow competitors
- Include the right balance of skills and experience within the store team

Store colleagues need to be engaged with the store operations strategy; use key colleagues to help with buy-in.

### 2 Customer centric direction and engagement

- Use key colleagues to support strategy design in order to help with buy-in; colleagues need to be engaged with the store operations strategy
- Ensure colleagues are clear about what the customer wants and needs
- Ensure the retail leadership team is 100% engaged with the vision/strategy of the store operations and accountable for it
- Measure store operations performance using customer centric KPIs (key performance indicators) across a balanced scorecard
- Recognise outstanding performers and ensure colleagues know what good looks like

### 3 Training and development

- Invest in colleagues to give them the training and development they need to do their job effectively
- Specific training on new store functions such as pick from store

### 4 Labour costs and scheduling

- Align staff rotas with customer traffic and optimised store workload
- Use flexible employment contracts that work for the individual and the store
- Create roles with more flexible working hours than the standard 35-45 hour contracts, providing more agility to match labour to tasks more precisely

### 3 Store layout

The optimal layout of a retail store has changed. Omni-channel propositions such as click & collect and reserve & collect mean that store layout needs to deal with the different store processes, stock storage, colleague movement and customer proposition, whereas back of store areas need to deal with more stock throughput and deliveries from multiple logistics providers for the various sales channels.



The balance between retail space and back of store needs to be optimised and refined; the ability to quickly re-optimize the footprint at a low cost is the only way to future-proof store layout.

The balance between retail space and back of store needs to be optimised and refined; the ability to quickly re-optimize the footprint at a low cost is the only way to future-proof store layout. Retail and back of store space requirements are as follows:

#### Retail space

- Adequate and effectively designed retail space to accommodate all in-store functions
- Space for collections, returns and servicing of all digital customer orders
- Seamless convergence of store propositions for the customer, such as attachment selling, up selling, fitting rooms/alterations, and financial services

#### Back of store space

- Optimised to support straight to shelf stock replenishment
- Omni-channel storage with easy access for customer order collections/returns to reduce customer wait times
- Logical layouts optimised for product physical flows, with simple and clear visual labelling

## 4 Technology - POS and in-store

Traditionally, in-store technology and point-of-sale systems focussed on enabling store colleagues to complete a customer transaction, and provide an interface for managing cash and stock. Nowadays, the retailer is expected to appear as a single entity across all channels and devices (including online, in-store, own device, and store device) and complete the transaction using a choice of different payment options.

Due to the growth of mobile and customer facing devices, the traditional concept of point of sale has also stepped away from the counter:

- Providers are offering software solutions to take services on to the shop floor, enabling anything from simple queue busting, order building and self-service, to fully guided selling and clienteling services
- Customers are also expecting to be recognised and consequently have their experience in store personalised, just as it is online
- Next generation point-of-sale and store technology platforms are designed to provide a level of flexibility not available with many legacy platforms. These enable retail technology teams to quickly respond to changing business needs, test and pilot innovations and rapidly provide technology solutions to operationally intensive and manual tasks
- Technology to support in-store processes such as RFID for store picking
- Use of mobile communication to push marketing messages to customers when they are near a store

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As central systems and point-of-sale platforms have matured over recent years, many retailers can access real time control of inventory, customer details and orders, which in turn allows retailers to deliver a truly omni-channel experience in store.

## 5 Store estate - 'Shape of chain' strategy

Established retailers with nationwide store estates review their estate regularly to ensure it fits the evolving business strategy and changing customer demands. In the current market, this may mean fewer stores with a broader spread of store formats delivering a 'flagship' destination and brand experience in the larger retail venues, supported by smaller, service-rich outlets in convenience-driven venues.

Understanding the UK and international retail geography (and how it is changing), evolving customer behaviours and economic influences will all inform the 'shape of chain' strategy. At its heart, the retailer must understand what external catchment, venue and siting factors actively influence store performance, factoring this insight directly into their strategic planning of the store estate.

Selected store closures do not necessarily mean instant revenue loss:

- A retailer can re-balance its chain with multiple closures alongside a few strategic and well located openings, mitigating the revenue lost whilst reducing the cost base
- A retailer can engage in proactive local marketing campaigns around store closures that redirect customers to other outlets and channels, to help minimise the negative effect

Understanding the UK and international retail geography, evolving customer behaviours, and economic influences will all inform the store estate strategy.



## 6 Efficient operations - Store operating model and processes

Simple and effective store processes that are easily repeatable across a store estate/network are the key to unlocking reduced operating costs and improved customer experience.

Store processes are now under huge pressure as customer demand has driven digital demand into store. As retailers evolve and adapt to the changing environment, processes are created ad-hoc or manually meaning repeatability of processes is reduced. This usually means that non-customer facing time and cost-to-serve customers is increasing, and impacting on the profitability of stores.

As retailers adapt to the changing environment, non-customer facing time and cost-to-serve customers is increasing, and hence impacting on the profitability of stores.

There are two main steps to address this:

### 1 Create an efficient and standardised operating model

- Help store colleagues to understand how a store functions and how processes support the customer journey
- Organise how, when and why processes are executed
- Allow for changes/additions to store processes to account for innovation and development
- Help store colleagues to deliver the desired customer experience consistently
- Align intake plans with supply chain, marketing and merchandising teams to ensure stock is in the right place at the right time
- Help store managers to operate their stores in a standardised fashion
- Measure compliance via a dashboard of revised KPIs to ensure the balance of cost and service is maintained, whilst including recognition of omni-channel sales or service a store is supporting

### 2 Optimise processes

- Ensure processes are as simple, cost effective and as robust/repeatable as possible
- Document and format processes in a visual medium to allow for quick and effective training of store colleagues
- Use technology to support process optimisation



# ABOUT JAVELIN GROUP

Javelin Group, part of Accenture Strategy, provides strategy consulting and digital transformation services to the world's leading retailers and consumer brands.

From offices in London and Paris, our 250 specialists help retail and brand leaders across Europe, North America, the Middle East, China and Australia improve their competitiveness by anticipating and responding to the rapid changes in customer shopping habits and retail technologies. We support clients with their strategies, operations, technologies, locations and analytics, with a particular focus on digital and omni-channel retail.

**The Javelin Group Operations practice** is a dedicated team of retail specialists with many years of experience in the strategic transformation of retail supply chains and selling operations (across all channels), with deep experience in all of the key functional areas (retail and ecommerce buying, merchandising, supply chain, logistics, retail store operations and contact centre). We have advised more than 80 retailers including all of the 10 largest UK retailers, as well as many brands and B2Bs in all product categories on their strategic retail operational change.

## Contact us

If you would like an exploratory discussion of your store operations strategy and plan, please contact Will Treasure, Director of Operations at Javelin Group, at [will.treasure@javelingroup.com](mailto:will.treasure@javelingroup.com) or on +44 (0)20 7961 3200. For more information about Javelin Group, please visit [www.javelingroup.com](http://www.javelingroup.com).



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