



## Building the Intelligent Store

### Executive Summary

As far as customers are concerned, online retail is now the state-of-the-art in shopping. Online customers enjoy a smart, personalized experience with rapid price and product comparisons, plenty of information and often spot-on recommendations based on their purchase history and preferences.

Shopping in retail stores can't compare. Most merchandise sits or hangs in silence, a sort of take-it-or-leave-it proposition that does little to help customers make a buying decision.

The networked "intelligent store" is about to change the balance of power. By leveraging customers' mobile devices, retailers can now integrate online and mobile channels with in-store shopping. The obvious advantage is that the merchandise they want can be taken home immediately.

### Rethinking the Model

The goal isn't just "modernization" but rethinking the concepts of selling and customer service to create a true 21st-century shopping experience. In a networked store the experience is enhanced through customer recognition, information "pushed" to customers based on preferences, special offers made in real-time, the aggregation and redemption of digital coupons and greatly expedited "dynamic checkout."

For retailers, the intelligent store lowers costs through process streamlining, less reliance on fixed POS and the reduction of coupon handling fees. At the same time, it makes the deployment of sales personnel more efficient and improves their interaction with customers while increasing the effectiveness of in-store promotions. The obvious potential: increased basket size, greater customer satisfaction and loyalty and higher profits.

### The Growing Challenges of Bricks-and-Mortar

Make no mistake: stores still matter. They are the most critical part of the manufacturer-to-retail supply chain. The best stores are doing more to help customers make decisions, finalize opinions and exit quickly to serve as satisfied ambassadors. And the desire to shop in person has not abated among committed shoppers.

But store retailers face many challenges. Obtaining genuine value from store business processes has never been more difficult. Margins are compressed. The Internet and social media are funneling information to an increasingly sophisticated customer. Competitive distribution channels are emerging.

As a result, profitable retailers have to balance store and infrastructure costs with the need to improve customer satisfaction and differentiate the in-store experience. That's a tall order when your store traffic is bleeding at the edges from online competition.

## Five Critical Questions

Retailers need to address five critical questions to deliver the 21st-century store experience:

1. How does the retailer-to-shopper relationship change in the world of social media?
2. How do you bring into the store environment the service options available online?
3. How can you reduce the cost to serve while increasing customer loyalty?
4. How do you automate repetitive labor tasks?
5. How do you make the shopping experience memorable?

## The Five Things People Want

In a May 2011 column on his daily blog [“What (people) want”], marketing guru Seth Godin listed the five things he believes all of us want. They happen to capture precisely what the intelligent store is all about:

- Notice me.
- Like me.
- Touch me.
- Do what I say.
- Miss me if I’m gone.

## Emulating the Online Experience In-store

The best retail Web sites do it all. Shopping online offers customer recognition, customer appreciation and customer responsiveness. And they claim to miss us when we are gone.

The intelligent store brings that same level of service and technology to physical stores. It offers retailers the opportunity to reinvent the physical shopping experience so it flexes responsively depending on how consumers choose to interact with it.

The intelligent store will come to shoppers with services and add-ons that consumers are waiting for. (See sidebar, “What Do Shoppers Say?”)

- **Mobile Support:** The intelligent store supports mobile applications like couponing to serve customers who are increasingly comfortable with sophisticated smartphones. In fact, it is now possible to capture and automate coupon redemption – so customers don’t have to personally manage their paper coupons.

- **Loyalty Data:** Smartphones (and in-store touch screens) will link to loyalty data and provide personalized communications.
- **Social Networking:** Through social networking, customers will build community, get feedback and share information right in the store.
- **Real-Time Targeted Information:** Product information will be available digitally through signs or shoppers’ handheld devices.
- **Dynamic Checkout:** Payment will be made almost anywhere in the store, so no more checkout lineups and far more sales associates working the floor.

## High Integration, High Touch

The intelligent store takes multi-channel integration to the next level. An in-store shopper might run a price-comparison application while tapping into one or more social networks for opinions. GPS-enabled geo-location services can draw consumers to in-store promotions at nearby locations.

The intelligent store also makes smarter use of staff, which is in keeping with a recent major push by retailers. According to a January 2010 study by RIS News, in 2009 planned upgrades of workforce management applications jumped 61%.<sup>1</sup> Such huge interest reflects a pronounced desire to hire, train and schedule more efficiently and to better deploy staff to personalize in-store service, like online retailers do.

Point-of-service is where the intelligent store really shines. The shopping experience can be enhanced with a high-touch option that keeps customers coming back. Staff can spend more time with and impart more helpful information to shoppers, increasing satisfaction and basket size. Mobile device links or self-service kiosks ease store navigation, promote the in-store “endless aisle” concept and bring Web delivery alternatives to in-store shoppers.

## How Do You Build the Intelligent Store?

Here are seven fundamental prerequisites that make a store “intelligent”:

1. **Take the store to the customer.** Stores need to be everywhere that shoppers are – offline, online and on the road. Retailers need to leverage the latest technologies to provide

shoppers with product information, details on promotions, checkout opportunities, delivery alternatives and other services, regardless of location.

- 2. Integrate stores with other supply chain elements.** Agile supply chains include stores. By integrating with merchandising, sourcing, logistics, order management and order fulfillment, the intelligent store enables flexible demand response no matter where customers are.
- 3. Support social networking.** Intelligent stores are an extension of customers' social networks. Smart retailers tap social media to engage their customers.
- 4. Be customer-centric.** Intelligent stores track and expand upon customer trends and relationships. You grow your customer base through targeted promotions, personalized messages and in-store loyalty management programs. Customers opt into these capabilities because they recognize the value.
- 5. Empower store managers.** Intelligent stores should be outcome-oriented. They provide store managers with the data needed to react to exceptions in-store, generating alerts (when a shelf is out of stock, for example) and decisions (assigning the re-stock task to a store associate). This empowers store managers to be more effective by being on the floor, helping customers and driving revenue.
- 6. Manage the store efficiently.** More effective use of employees is another major benefit. With dynamic checkout, reliance on POS is reduced, freeing personnel to work the sales floor. The intelligent store also provides associates real-time access to enterprise data and helps to plan work schedules to improve customer service. Analyzing key trends such as shrink patterns enables store managers to target their activities and drive bottom-line productivity.
- 7. Shift from point-of-sale to point-of-service.** Point-of-sale is the most important and often the only point of customer interaction. Strategies that reduce POS dependence and create differentiated at-shelf, mobile "point-of-service," or customer handheld "applet" solutions let shoppers execute checkout

services from anywhere within or outside of the store.

## The Intelligent Store Has Arrived

All seven prerequisites of the intelligent store are possible today in the networked in-store environment. But reality isn't remotely close. In fact, in-store shopping hasn't changed all that much for a century.

Yes, store environments are radically different to look at, as is merchandizing. But anonymous customers still stroll through stores without information to evaluate goods, and goods still just sit mutely on a shelf or hang from a rack. Even technological advances such as promotional videos are really just tape loops without a target audience.

Until recently, shopping online and in-store, have been completely different experiences, often to the frustration of customers. Our IntelliSTORE<sup>SM</sup> solution bridges the gap between the online and physical store experience with leading edge technologies to make customers happier and retailers more profitable.

In this networked store, customers connect to the store's data system with their mobile devices. They are recognized based on loyalty and shopping history. Real-time offers can be made. Helpful information can be "pushed" based on preferences. Digital coupons can be aggregated and redeemed automatically. Checkout is faster and more information-rich.

## Conclusions

1. Shoppers are empowered. Retailers need to rethink their store strategy and adapt to new technology/trends.
2. The answer in all cases is to avoid dislikes and amplify what customers want. Intelligent store technology does both.

## Getting Started

The intelligent store is the future of physical retailing. The technology exists today. It's up to retailers to begin innovating so they can develop their own strong platform ahead of the competition.

## What Do Shoppers Say?

In late April of 2011, we conducted our second annual Shopper Experience Study, tracking the preferences of 2,427 shoppers in the U.S. and Canada.<sup>2</sup>

These are some of the highlights most relevant to our IntelliSTORE<sup>SM</sup> services:

Shoppers most dislike while shopping:

- Out of stock (73%)
- Slow checkout (67%)
- Store associate with poor knowledge (47%)

Mobile services that shoppers are waiting for:

- Coupons was the top choice (5.9 of 10) for services shoppers will use if offered on a mobile device
- Loyalty program awards/offers (5.3 of 10)
- Product comparisons (5.3 of 10)
- Product/price lookup (5.3 of 10)

Deals, discounts and social networking are here to stay. In order of importance, shoppers prefer these types of sites to take advantage of specials:

- Group buying/deals (Groupon, Living Social, Daily Deals)
- Discounts (Ideeli, Rue La La, Beyond the Rack, Gilt)
- Social networking platforms (Facebook, Twitter, MySpace)

- Geolocation (ShopKick, Foursquare, Gowalla)

Shoppers would like to see store personnel make these improvements:

- Ability to match competitive online prices (68%)
- Improved customer service skills enabled by technology (64%)
- More store associate contact in the aisles with checkout processing capabilities (58%)
- Better electronic access to product information, inventory location and ordering (53%)
- Better product knowledge enabled by smartphone, tablet technology and digital signage (27%)

Customers most appreciated or desired the following services:

- Home delivery of in-store purchases at no extra charge (29%)
- Automatic redemption of coupons from the retailer and manufacturers (25%)
- Store pickup of online purchases (20%)
- Returns to stores after online purchase and home delivery (19%)

Shoppers were very interested in using coupons/ gift cards as an alternate payment method (8.3 out of 10).

## Footnotes

<sup>1</sup> "Store Systems Study 2010," *RIS News*, January 2010, page 16.

<sup>2</sup> With Market Tools, Inc. we conducted an online survey of 2,427 shoppers in the U.S. and Canada in April 2011.

## About the Authors

*Steven Skinner is a Vice President with Cognizant Business Consulting and leads the Retail, Consumer Goods and Hospitality Practice. He has over 21 years experience in professional services and retail, with expertise in the areas of strategic planning, innovation, retail operations and multi-channel strategy. Steven's work experience includes leadership positions at Home Depot, Microsoft and Accenture. He is a graduate of the U.S. Naval Academy reaching the rank of Commander, U.S. Navy. Steven received his MBA from the University of Chicago. He can be reached at [Steven.Skinner@cognizant.com](mailto:Steven.Skinner@cognizant.com).*

*Deepthi Timmasarthy is a Consultant with Cognizant Business Consulting and is a core team member of the Retail Store Operations line of business consulting for Cognizant. She has over six years of experience and varied experience leading consulting engagements, requirements gathering, vendor evaluation and functional projects – apart from niche assignments in Point-of-Sale (POS). Deepthi has an MBA from Indian Institute of Management Bangalore, India and a BTech from the Indian Institute of Technology Madras. She can be reached at [Deepthi.Timmasarthy@cognizant.com](mailto:Deepthi.Timmasarthy@cognizant.com).*

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### World Headquarters

500 Frank W. Burr Blvd.  
Teaneck, NJ 07666 USA  
Phone: +1 201 801 0233  
Fax: +1 201 801 0243  
Toll Free: +1 888 937 3277  
Email: [inquiry@cognizant.com](mailto:inquiry@cognizant.com)

### European Headquarters

1 Kingdom Street  
Paddington Central  
London W2 6BD  
Phone: +44 207 297 7600  
Fax: +44 207 121 0102  
Email: [infouk@cognizant.com](mailto:infouk@cognizant.com)

### India Operations Headquarters

#5/535, Old Mahabalipuram Road  
Okkiyam Pettai, Thoraiakkam  
Chennai, 600 096 India  
Phone: +91 (0) 44 4209 6000  
Fax: +91 (0) 44 4209 6060  
Email: [inquiryindia@cognizant.com](mailto:inquiryindia@cognizant.com)