



Market Research

2024 Connected Retail Experience Study: Focusing on Omnichannel Efficiency

IN PARTNERSHIP WITH



INTRODUCTION

Why did we do this research?

Verizon and Cisco have partnered this multi-year research study to understand the store's digital transformation. Over the past few years, we focused on understanding the technology priorities, challenges and baselining in-store technology adoption.

In the 2024 study we compared retail segments and line of business vs technology respondents to understand:

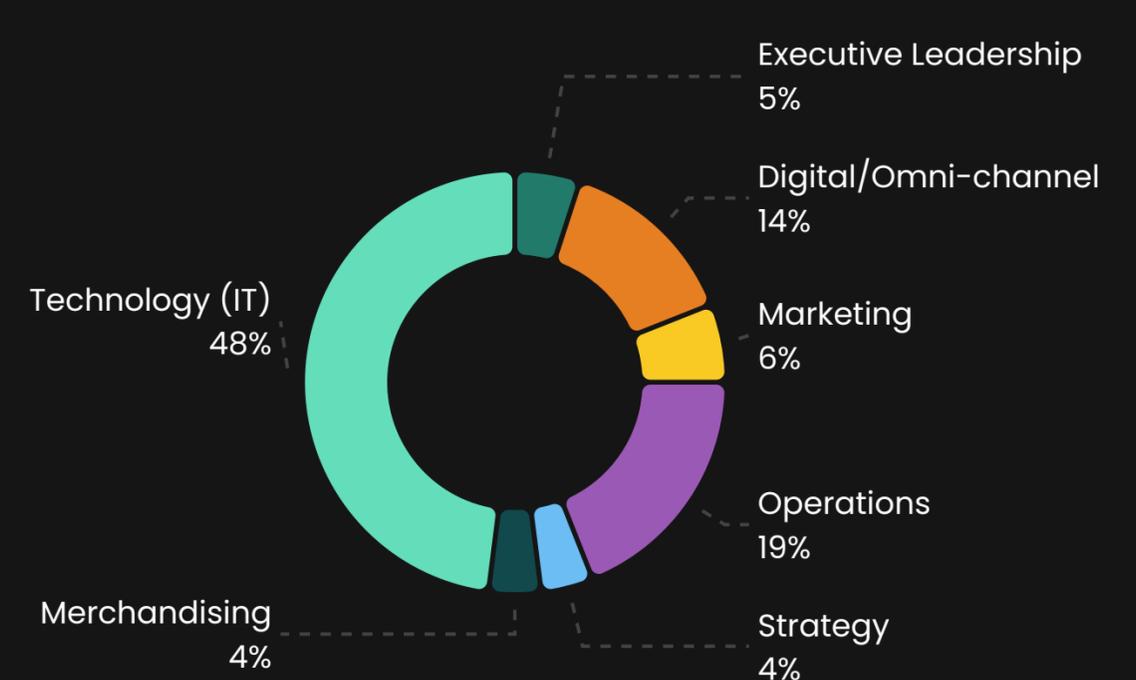
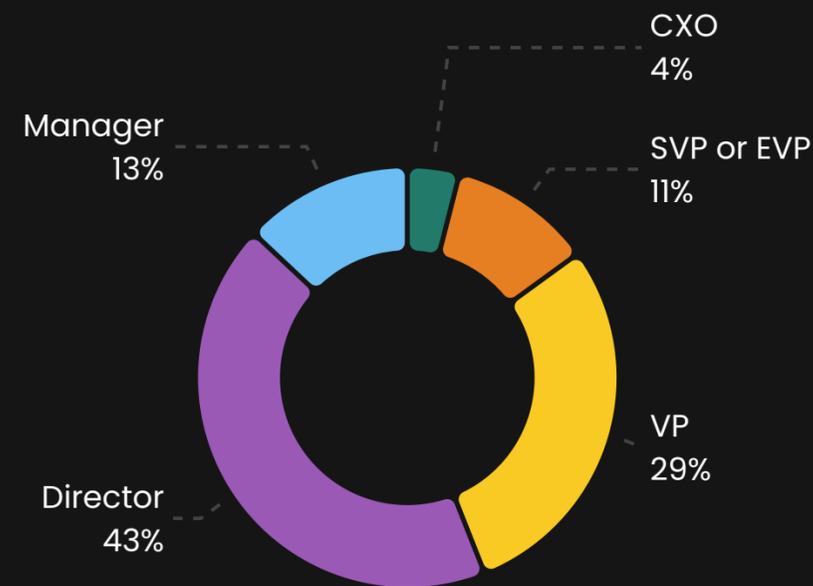
-  Have technology priorities changed? What are the nuances in comparing between segments and lines of business?
-  Are we meeting the technology expectations of our workforce?
-  What is the understanding and outlook towards automation and AI?

Research overview

161 retail executives surveyed

 **52%** Specialty & Department Stores

 **48%** Grocery & General Merchandise



KEY TAKEAWAYS

Retailers will focus on improving their omnichannel operational efficiency amidst challenges in loss prevention and labor. Pragmatic innovation will be prioritized over blue sky ideas.

Omnichannel Efficiency Is driving investment strategy



Retailers are honing in on omnichannel efficiency to drive their strategic investments, recognizing its critical role in improving customer satisfaction and profit margin.

Investments will focus on improving inventory accuracy, associate productivity and process efficiency.

#1 Store Efficiency

is the top driver of the store's business strategy.

Loss Prevention Has become a high priority



This surge in loss prevention attention is a response to rising concerns over theft and shrinkage.

Retailers are recognizing that robust loss prevention measures are not just about deterrence but also about embracing innovative technologies that can offer proactive prevention.

92%

of retailers say that improving loss prevention is an important driver of their store technology strategy.

Associate Experience Lags expectations



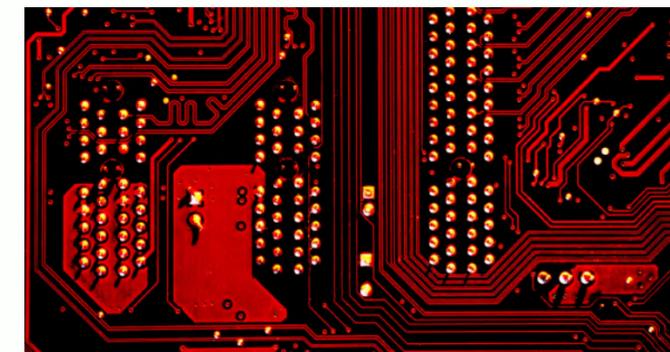
There is a substantial challenge in aligning the digital expectations of associates with the actual digital experience, with younger employees (Gen Z, Millennials) feeling the discrepancy most acutely.

Despite high awareness about the necessity to meet these expectations, there's a stark contrast between recognition and execution.

11%

of retailers meet the digital experience expectations of their Gen Z store associates.

Automation and AI Great expectations, early days



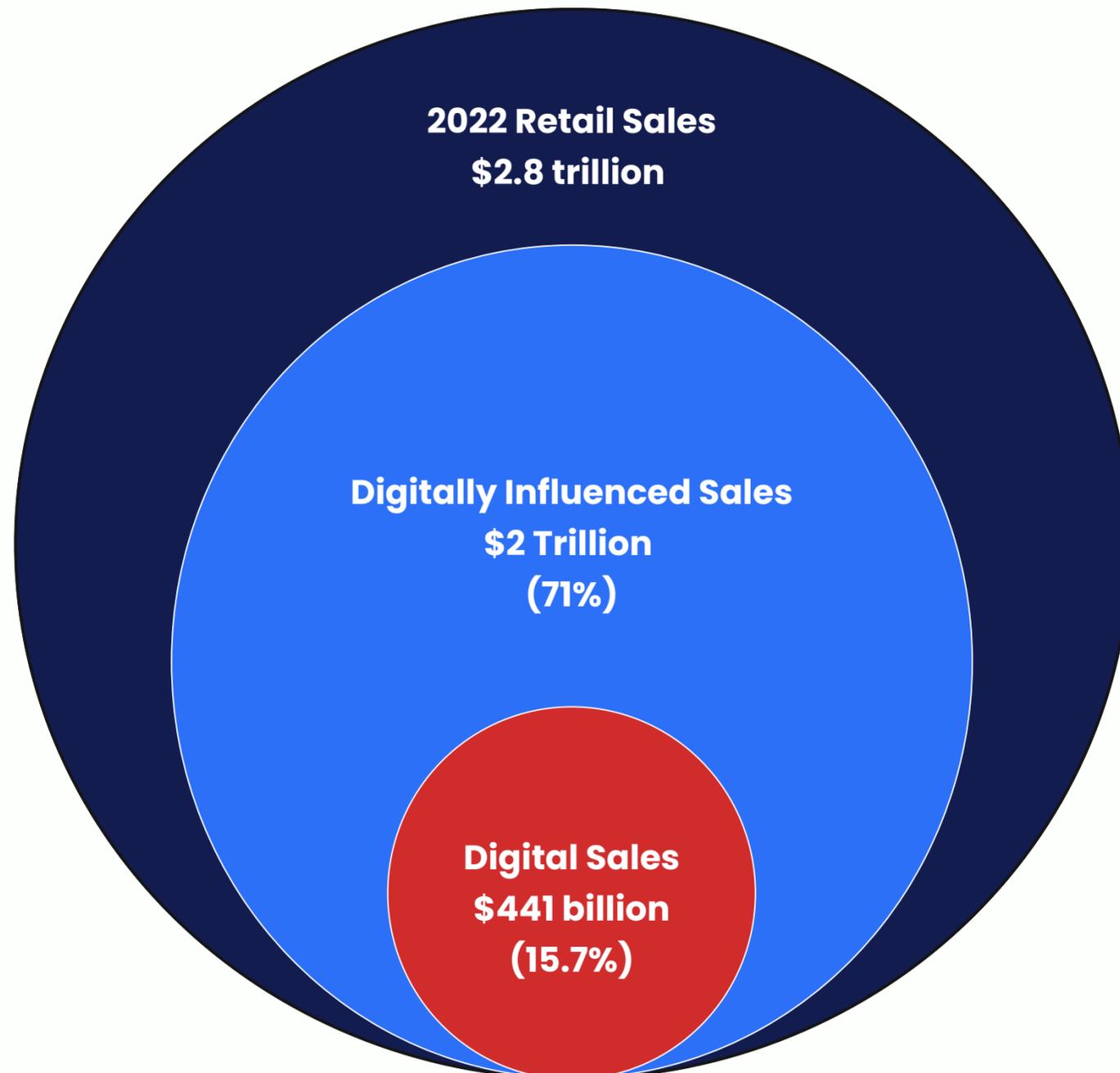
Retailers are enthusiastic about the potential of automation and AI to transform their operations, but there is notable lack of consensus on what these technologies entail.

This ambiguity hinders building a cohesive strategy and clear applications. Without a unified understanding, retailers risk disjointed efforts and missed opportunities.

14%

of retailers have a common understanding of AI across the organization.

Delivering a frictionless experience that blends physical stores and digital experiences has become table stakes.



Omnichannel's pervasiveness in retail is both a reflection of the present and a blueprint for the future of the industry.

A staggering 71% of retail transactions involve a digital touchpoint, underscoring the hybrid nature of modern shopping behaviors. While digital sales currently account for 15.7% of total retail revenue, this figure continues to grow, heavily influencing consumer choices and shopping experiences.

Post-COVID, customers returned to physical stores but with new expectations; they demand a shopping experience that fluidly integrates digital convenience with in-store tangibility. Retailers are thus tasked with an imperative: to deliver a seamless omnichannel journey that resonates with the customer at every point.

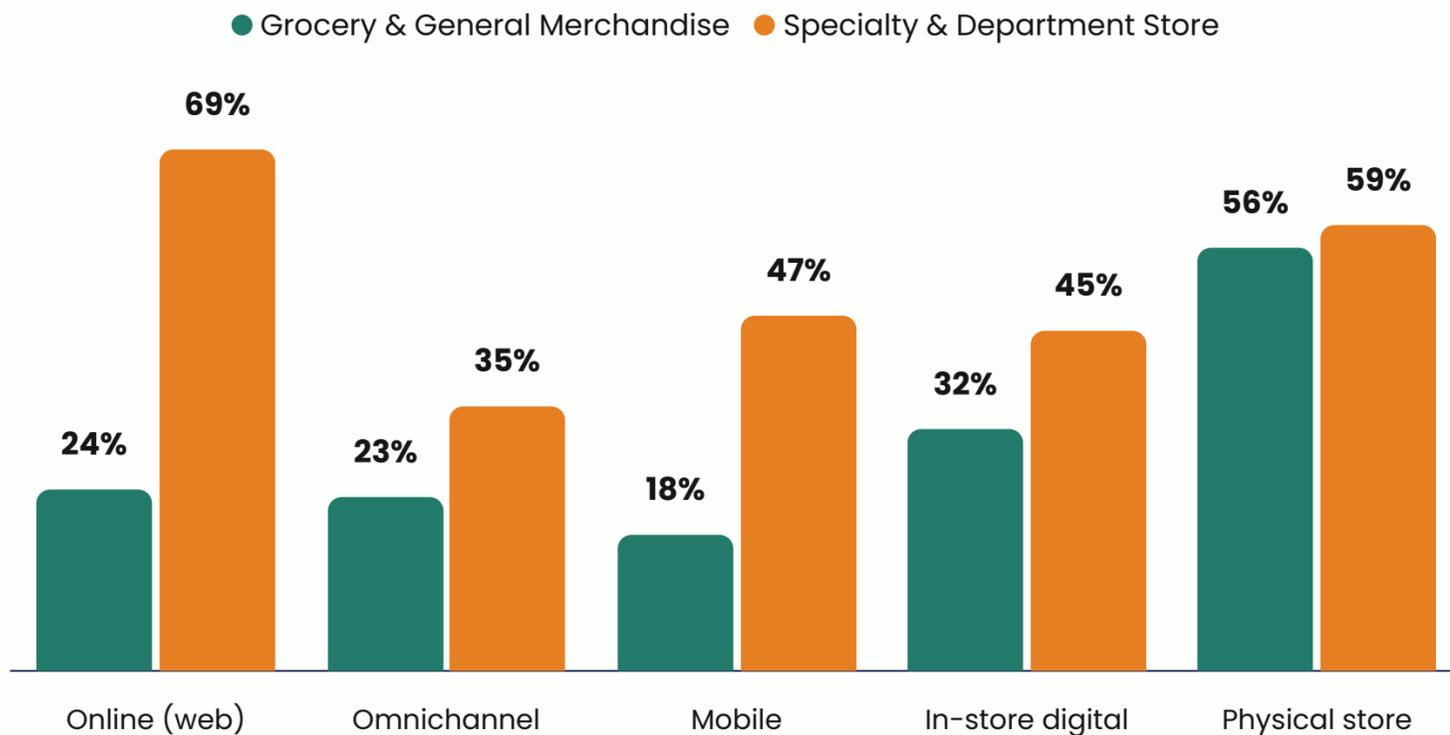
Success in the current retail era hinges on meeting the customer wherever they are, blending the digital and the physical into one cohesive narrative. Omnichannel isn't just an approach; it's the foundational stake in the ground for retail's future.

Omnichannel and mobile experiences have significant headroom for improvement.

While retailers have made headway in establishing online platforms, the quest for a truly seamless omnichannel experience remains elusive, with significant work required to enhance mobile interfaces.

Grocery and general merchandise retailers, having accelerated their digital shift during COVID-19, report modest contentment with their digital presence. In contrast, specialty and department stores are more content with their overall digital progress, with a 69% satisfaction for their online/web presence, yet their omnichannel (35%) and mobile experiences (47%) indicate considerable opportunity for growth.

Satisfaction (%) With Customer Experience

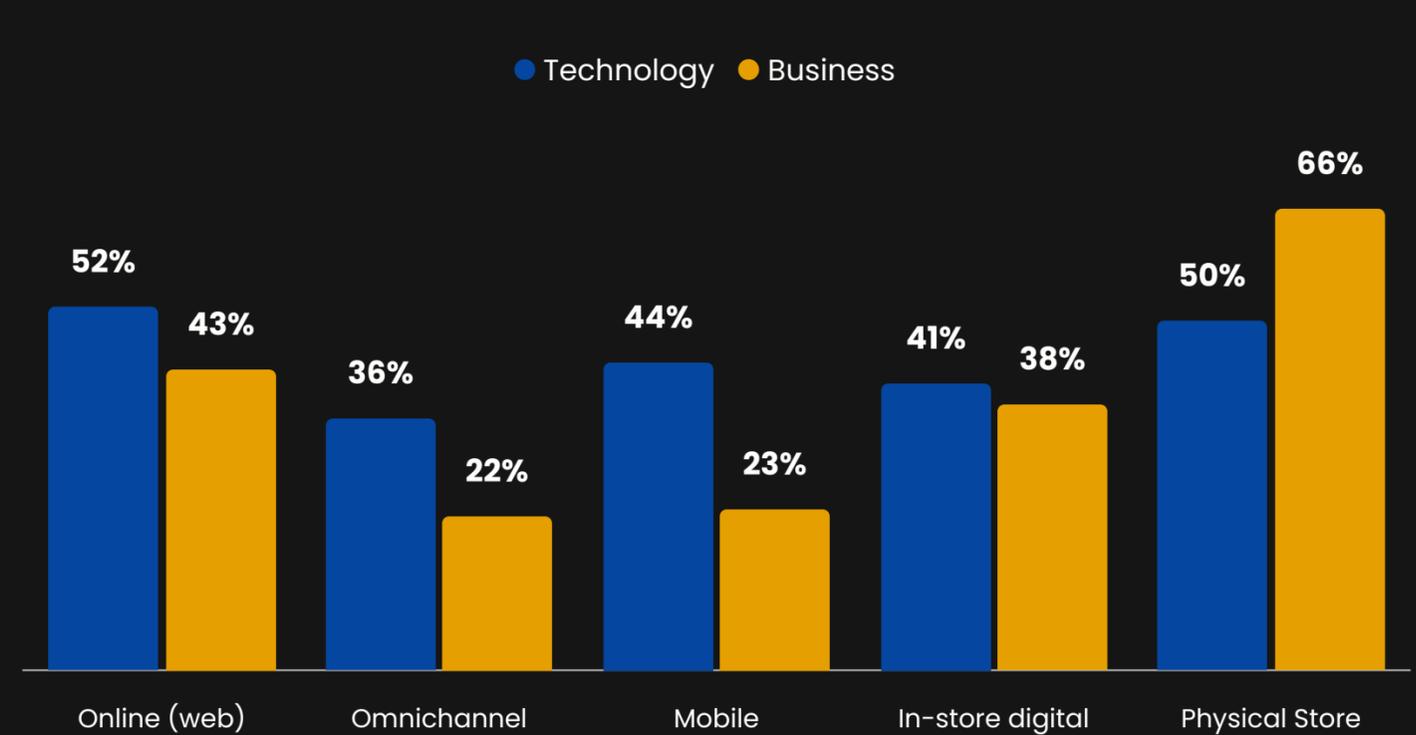


Executives split on satisfaction with digital and omnichannel experiences.

A divergence emerges between IT and business executives on digital progress. IT leaders show greater satisfaction, with over half content with their online presence and stronger confidence in their mobile experience.

In stark contrast, business leaders express lower satisfaction across the board than IT leaders, particularly in achieving a seamless omnichannel experience, where their contentment falls to 22%, revealing a significant gap. Both groups agree more on web presence than on mobile or omnichannel capabilities, underscoring a shared recognition of the need for enhanced integration.

Satisfaction (%) With Customer Experience

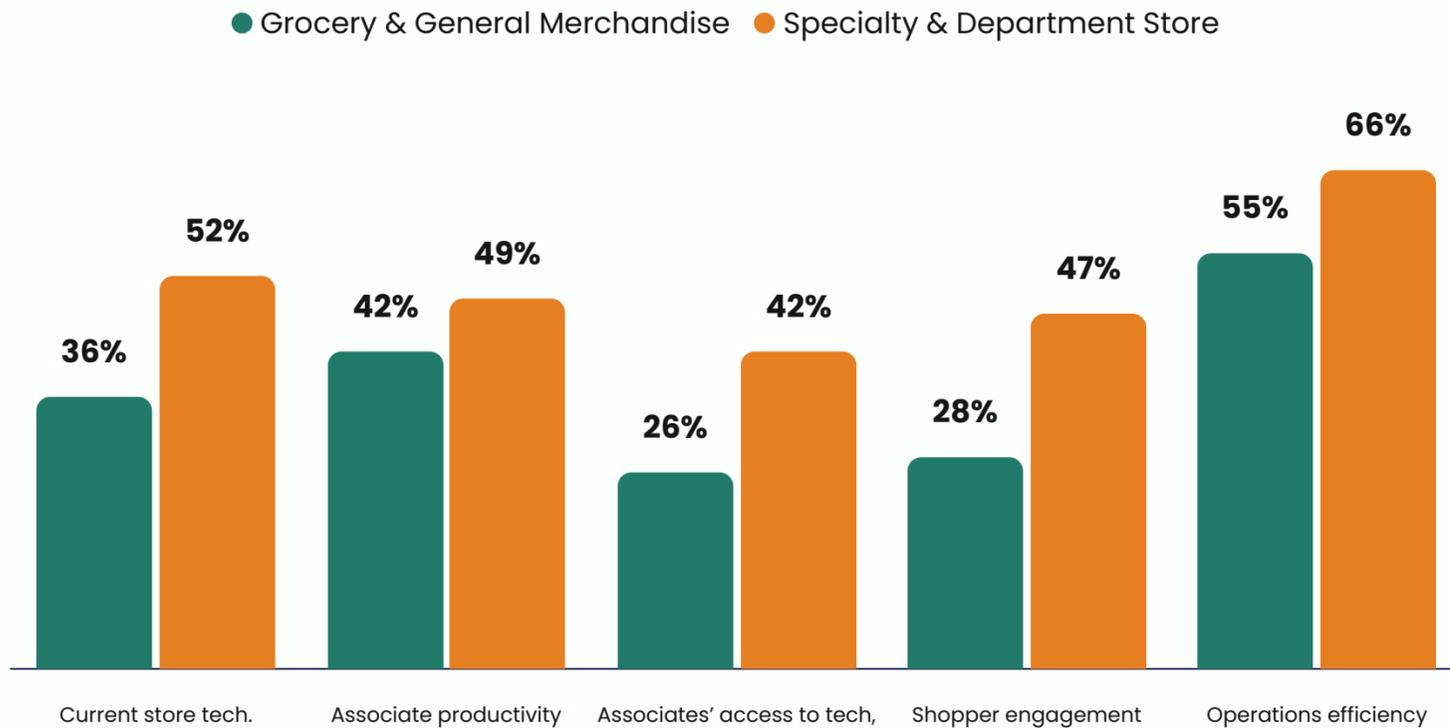


Store operations compromised by inadequate technology.

Store operations are burdened by outdated technology, impeding omnichannel integration and sales associate effectiveness.

Grocery and general merchandise retailers, particularly, grapple with this reality, as a mere 36% express satisfaction with their current technology infrastructure, and about 1 in 4 are pleased with the technological tools available to their staff. Specialty and department stores fare slightly better yet still encounter significant hurdles, with less than half of their associates equipped with adequate technology, signaling a pervasive issue with the quality of tools provided for associate productivity.

Satisfaction (%) With Operational Performance

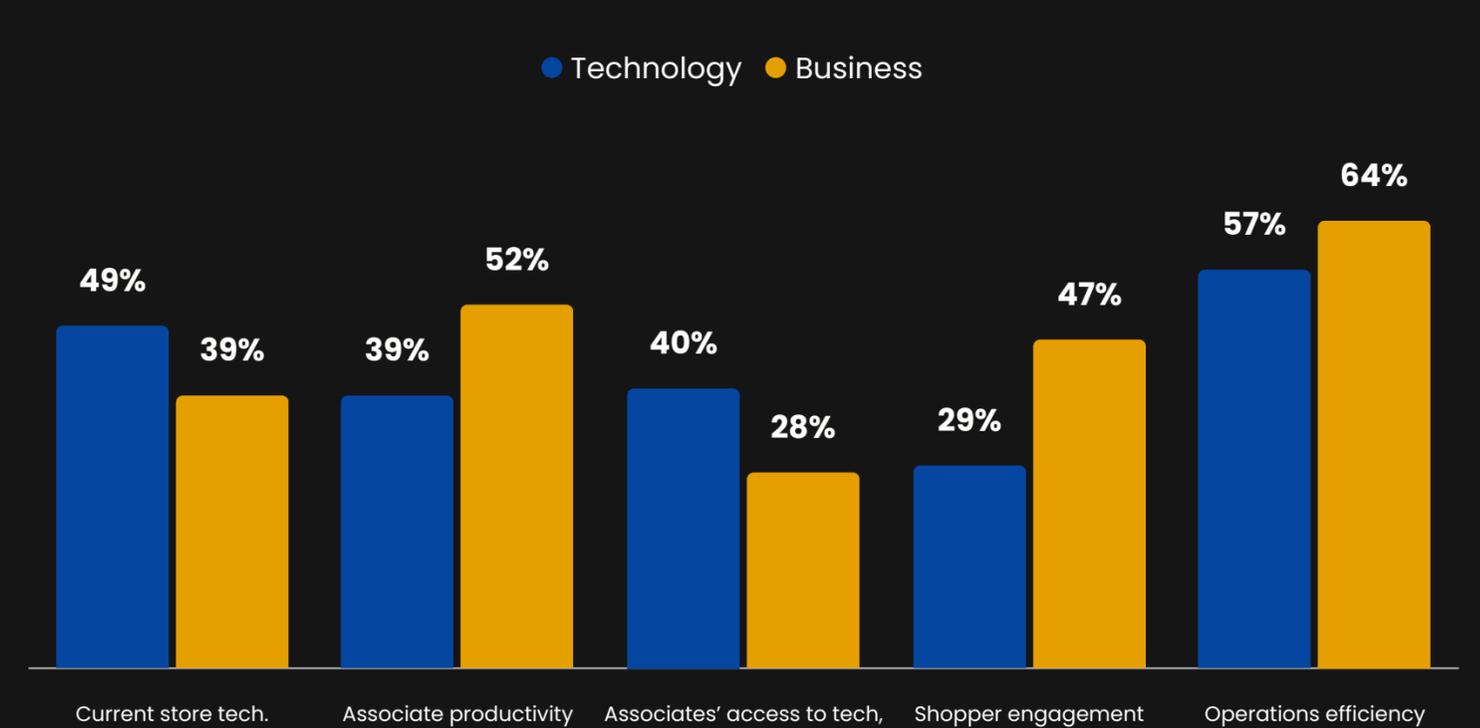


Consensus on need for better tech provision, disparity on how it translates to productivity.

IT and business executives agree on the need for improved retail tech, but diverge on its impact on productivity.

Technology leaders report moderate satisfaction with store technology (49%) and associate access to technology (40%), yet are less impressed with associate productivity (39%). Conversely, business executives show greater contentment with associate productivity (52%), but their satisfaction drops concerning store technology (39%) and notably, associates' access to technology (28%).

Satisfaction (%) With Operational Performance



Top challenges in executing store strategy



Retail's predominant struggle: staffing stores amidst modern challenges.

Retailers today grapple with a critical challenge that overshadows other operational concerns: the struggle to hire and retain store associates.

This challenge reigns supreme, particularly for grocery and general merchandise retailers, where it leads a list that includes inventory management and loss prevention. While specialty and department stores prioritize operational efficiency, they share common hurdles with their grocery counterparts, notably in inventory accuracy and the pressures of adapting to shifting associate demographics.

Across the board, outdated technology exacerbates these issues, hindering progress and adaptation. These shared struggles underscore the pressing need for robust, forward-thinking strategies in workforce management and technological innovation to navigate the evolving retail landscape.

Loss prevention unites retailers, digital integration strategies vary.

Grocery and specialty retailers exhibit a strong consensus on prioritizing technology for loss prevention, underlining the universal challenge of shrinkage.

However, their focus diverges when it comes to integrating digital and physical systems, with specialty retailers placing greater emphasis on this aspect, likely due to their varied inventory and customer experience needs.

Both sectors are committed to enhancing associate productivity, but grocery stores exhibit a slightly more pronounced concern for reducing customer wait times, possibly reflecting the high-volume, fast-paced nature of grocery shopping.

Important Outcomes for Investments in Store Systems (%)

● Grocery & General Merchandise ● Specialty & Department Store



Strategic differences in tech investments highlight IT-business priorities.

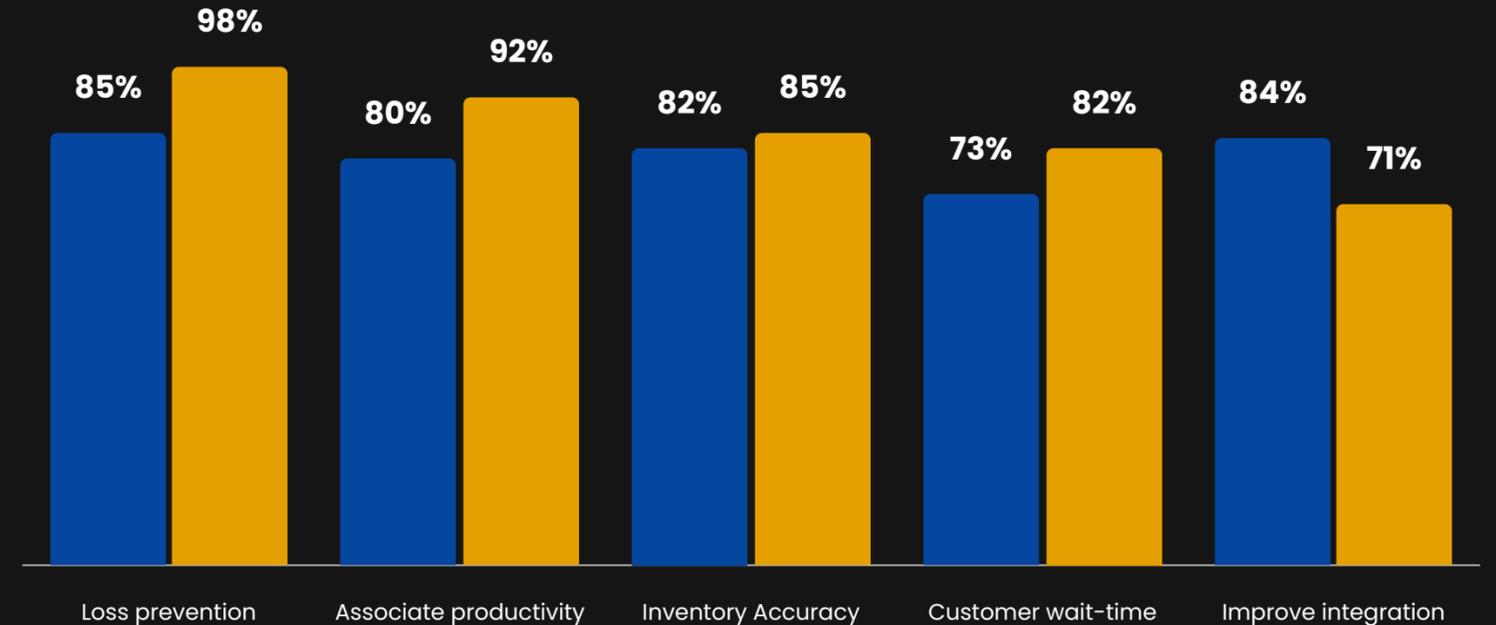
While IT and business executives share key objectives, the immediate concerns and strategic angles of their respective roles shape their priorities.

Business executives, more attuned to immediate operational impact and customer interaction, show a heightened urgency for improving loss prevention and associate productivity. This reflects a direct focus on enhancing the customer experience and operational efficiency in the short-term.

With a tech-centric view, IT executives emphasize integrating digital and physical store systems, which is crucial for streamlined omnichannel operations. Their approach is more long-term, focusing on building robust infrastructure that can adapt to future retail trends and evolving customer needs.

Important Outcomes for Investments in Store Systems (%)

● Technology ● Business



Retailers grapple with aligning technology to multigenerational staff needs.

Retailers recognize the importance of aligning with the digital expectations of their multi-generational workforce, particularly as younger generations bring a high digital aptitude into the workplace. However, there's a significant disconnect between acknowledging this necessity and effectively implementing it.

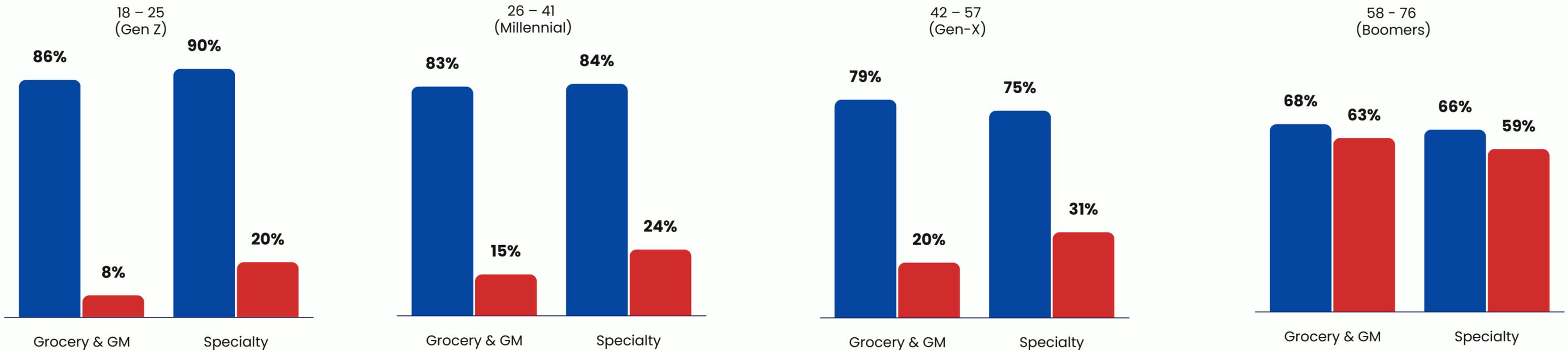
Younger employees, like those from Gen Z and Millennials, frequently find their digital needs unmet, a reality that underscores a broader industry challenge. Even though more effort seems to be put toward accommodating the digital preferences of older generations, such as boomers, the overall landscape reveals that retailers must prioritize technological enhancements to meet the diverse and evolving digital standards of their employees across all age groups.

This gap in meeting digital expectations can have far-reaching consequences for retailers, affecting employee satisfaction, retention, and the ability to attract new talent. The younger workforce, who have grown up as digital natives, expect a seamless integration of technology in their work environment, mirroring the efficiency and connectivity they experience in their personal lives.



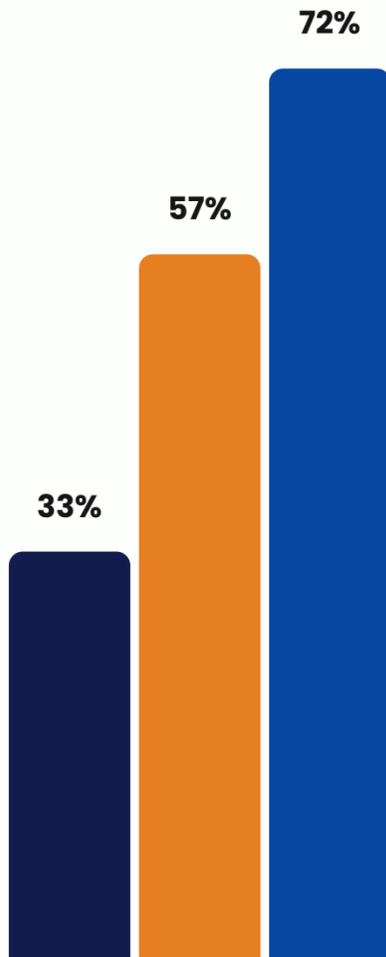
Digital Experience of your Associates

● Important ● Meet/Exceed Expectations



Retailers can impact \$430 billion in cost through automation by 2026.

● Current Automation ● Planned Automation (2026) ● Automation Potential



The retail industry is at a pivotal juncture where automation is transitioning from an optional efficiency enhancer to an operational necessity.

This shift is largely due to escalating labor costs, challenges in hiring and retaining staff, and the growing complexity of store operations, particularly with the rise of omnichannel.

Retailers are now under significant pressure to automate in order to bolster efficiency, liberate employees from repetitive tasks and improve profit margins.

Our assessment reveals that retailers estimate a substantial 72% of store tasks are amenable to full or partial automation. Despite this potential, only 33% of tasks have been automated to date, highlighting a gap in implementation. Looking ahead, retailers are optimistic, projecting an increase to 57% in task automation by 2026.

This anticipated increase suggests that the retail landscape will undergo significant transformation in the coming years, as automation becomes more deeply ingrained in daily operations.

Competitive pressures drive grocery and general merchandise stores toward greater automation.

Grocery and general merchandise retailers are poised to embrace a significant technological shift, with projections indicating a twofold increase in task automation, from the current 28% to an anticipated 58% by 2026. The aggressive automation strategy for grocery and general merchandise stores underscores a strategic response to operational challenges, such as the need to streamline processes and manage costs, while adapting to the evolving retail landscape marked by an uptick in online shopping and demand for seamless customer experiences.

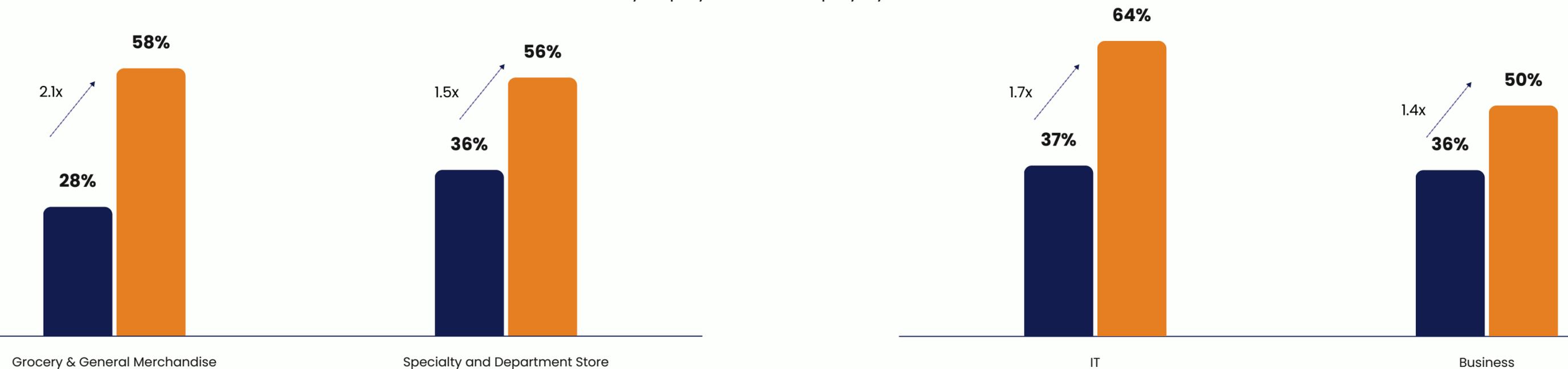
Despite lagging behind in automation compared to specialty and department stores, which currently have 36% of tasks automated, grocery and general merchandise stores are expected to leapfrog, as specialty and department stores project a more modest growth to 56% in the same period, reflecting a 1.5 times increase.

IT executives are more optimistic on the potential automation of tasks than business executives, as they may have a greater knowledge of the what technology can accomplish.



Percentage of Tasks Automated

● Currently Deployed ● Deploy by 2026



Retail's AI revolution hindered by knowledge and talent gaps.

Artificial intelligence (AI) is poised to revolutionize how companies operate and compete. In retail, AI is seen as a catalyst for transformation, essential for future competitiveness.

A striking 86% of grocery and general merchandise retailers versus 77% of specialty and department store retailers recognize its pivotal role. Yet, this sector is at a crossroads with a widespread lack of a unified understanding of AI within organizations – only 13% and 16%, respectively, report a common organizational grasp of AI.

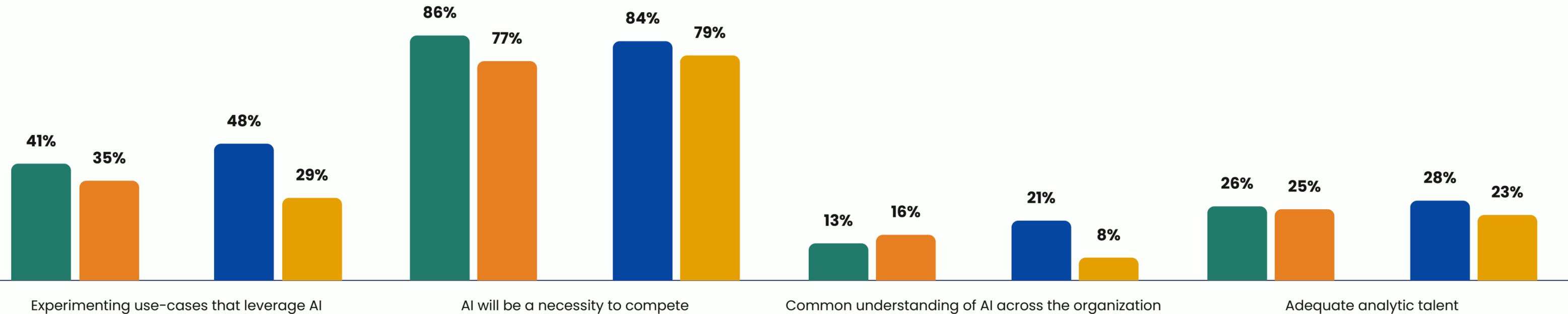
While the race to unlock AI's potential is on, with over a third of retailers engaging in experimental AI use-cases, the challenge is amplified by a scarcity of analytical talent – a mere quarter have the necessary skills to leverage AI effectively.

This dichotomy highlights an industry that is awakening to the indispensability of AI but must surmount significant educational and talent-related hurdles to capitalize on its transformative promise fully.



Impact of AI on your Business

● Grocery & General Merchandise ● Specialty & Department Store ● IT ● Business



Network satisfaction dips as retailers struggle with tech demand.

As retailers ramp up store technology to meet modern demands, their increased demand on network bandwidth is exceeding capacity and negatively impacting network performance.

Despite more systems and applications being connected, satisfaction in network reliability has plummeted, with only 14% content with network uptime in 2023, a steep drop from 32% the previous year. Handling peak traffic has also become increasingly problematic, with satisfaction halving to 11%.

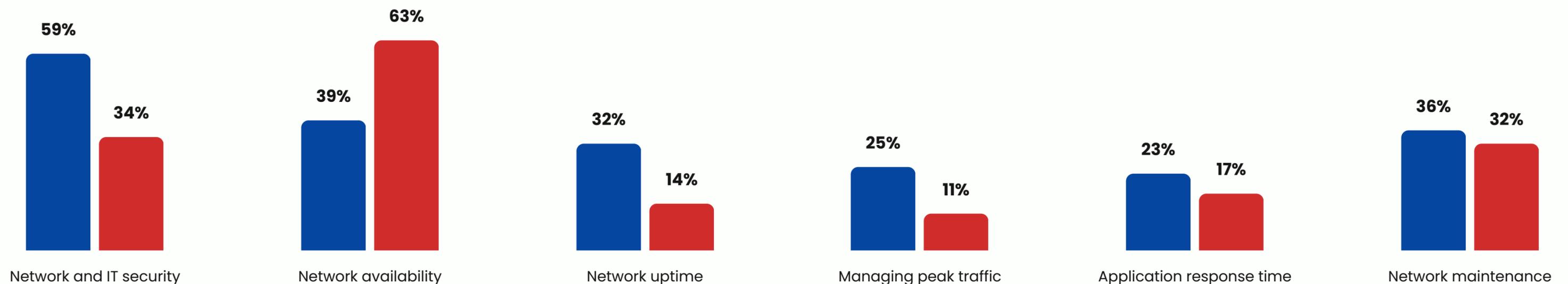
Application response times remain a sore point, although the dissatisfaction is less sharp, falling from 23% to 17%. Contrastingly, network availability satisfaction surged from 39% to 63%, suggesting that while networks are more accessible, they are failing to keep pace with the demands placed on them.

Alarming, contentment with network and IT security has seen the most significant erosion, tumbling from 59% to 34%, highlighting critical vulnerabilities in a more connected yet less secure landscape.



Retailer Satisfaction with Elements of their Store Network

● Satisfied % (2022) ● Satisfied % (2023)





Executive Perspective



David Naumann

Marketing Strategy Lead, Retail
Verizon

Today's retailers are confronted with unprecedented market forces, including elevated digital engagement expectations, labor shortages, and increased theft. Coupled with the flurry of expectations that retailers leverage artificial intelligence (AI) to improve operations and customer experiences, there is increased pressure for retailers to think outside the box to test or deploy innovative technologies.

With escalated theft and shrinkage during the past year, loss prevention is now the number one priority driving retail store technology investments. An increased focus on operational efficiency is validated by other top drivers of technology investments – associate productivity and inventory accuracy. As retailers deploy speed- and bandwidth-demanding solutions like AI-enabled live video analysis for loss prevention and real-time inventory tracking technology, their networks will be stressed as never before.

Step one in addressing these accelerated store connectivity needs is deploying 5G business internet, private networks and mobile connectivity, which can offer retailers upgraded speed, greater bandwidth and near real-time connectivity across the business. Even if 5G is not yet available for all your store locations, you can leverage Verizon's 4G LTE today and easily upgrade to 5G when it becomes available in the future.

As retailers venture further into their digital transformation journeys, step two is bringing together disconnected systems to create powerful, modular and intelligent solutions that can enable new functionalities, smarter insights and faster decision-making. The result is Enterprise Intelligence.

Now is the perfect time to take action to future-ready your network and drive toward 360-degree visibility and action-producing insights across your business, resulting in improved business outcomes and real business results.



Executive Perspective



Mark Scanlan
Global Industry Lead, Retail
Cisco

We are witnessing a significant transformation in Retail—a confluence of digital innovation and operational excellence. The industry is prioritizing omnichannel efficiency, in both the shopping experience and engagement, to elevate the customer experience, fine-tune inventory systems, and empowering sales associates to drive performance and satisfaction.

“Loss prevention” is also in the spotlight, with sophisticated technology stepping in to mitigate risks associated with theft and fraud. This proactive stance is critical for sustaining profitability and ensuring a safe and secure shopping environment, but needs to evolve from passive loss-recording, to active loss & fraud detection, to better leverage the LP staffing that is available. A pivotal aspect of this evolution is the digital empowerment of the retail workforce. There is a notable gap between the digital sophistication that retail associates, particularly the younger generations, expect, and IT’s perception of what they need. Addressing this gap is essential for talent retention and operational agility.

In light of the ongoing labor challenges, the potential for automation and artificial intelligence is immense, yet the application remains a subject of exploration and debate. The opinions reflected in the survey indicate an expectation that significant portions of store tasks could and should be automated within the next few years, hence a focus should be on integrating these automation technologies seamlessly and securely into the retail workflow.

Furthermore, there appears to be a divergence in perception between IT and business leaders regarding the pace of digital innovation and the efficacy of network systems. Bridging this gap is crucial for harmonizing technology investments with business objectives.

As we stand at this juncture, the retail sector must balance the immediacy of digital trends with strategic foresight. The task ahead is to craft and implement robust strategies that support retail agility and align with the evolving marketplace, ensuring a future that not only embraces digital innovation but also enhances the human element of retail. By considering these factors Cisco’s retail customers can drive consumer loyalty, associate retention and efficiency by delivering superior differentiated experiences to both constituencies, on a secure platform designed for agility.



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Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks, and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

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