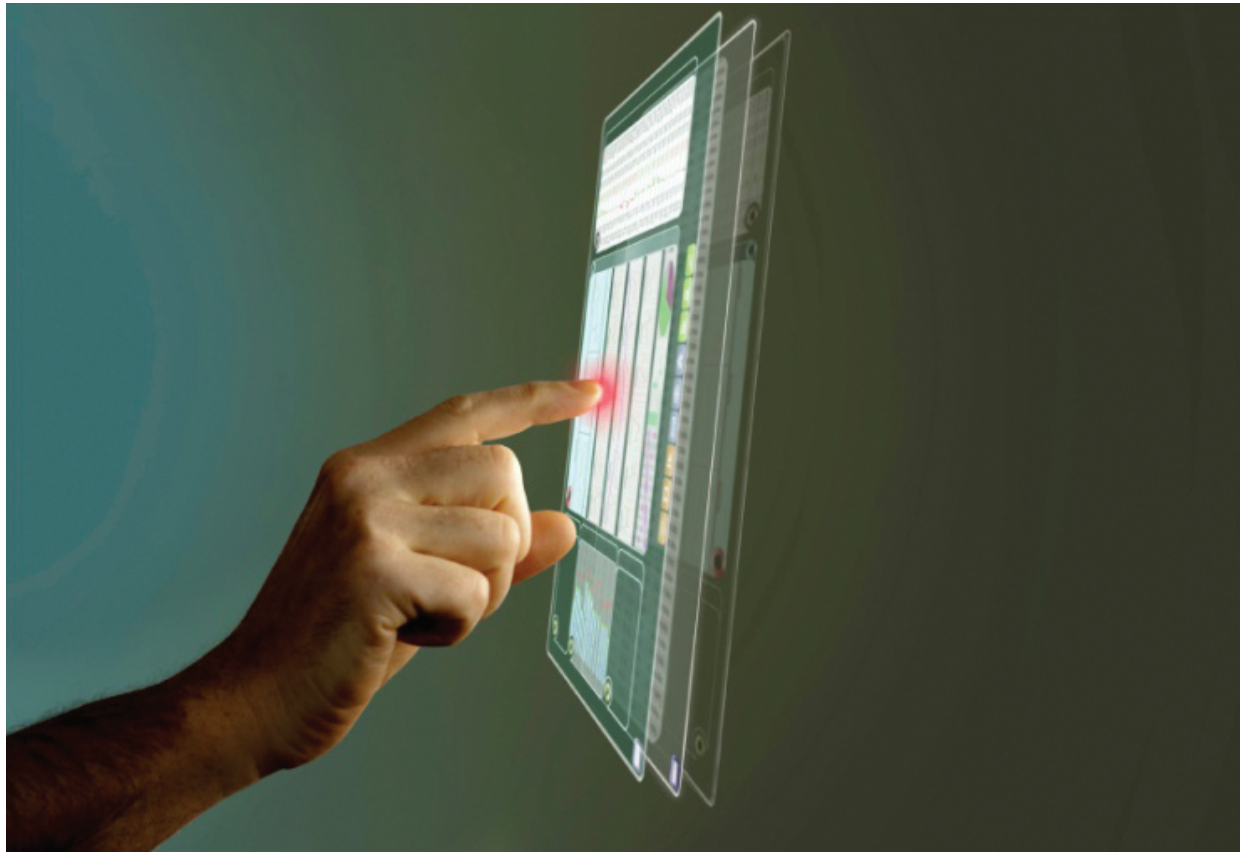


## The Next Evolution: Store 3.0™

An executive perspective on retailer readiness for tomorrow's store



# Executive summary

The retail environment is changing rapidly. In the last several years, consumer adoption of emerging technologies has dramatically changed shoppers' behaviors. While the store experience will remain important for many shoppers, it's a far cry from the role it once enjoyed when a physical store was the only place where a merchant and customer could connect. Stores are now becoming just one part of a larger, more connected customer experience. And retailers are struggling with how to remain relevant as environmental and societal pressures force them to rethink their operating model.

Today, many consumers hop on smartphones or tablets to browse social networks or shopping applications to find product information, read customer reviews, compare prices, or buy items. In a recent study, 42% of shoppers used smartphones for shopping-related activities at least once in the past year for apparel, while 48% used devices to shop for consumer electronics.<sup>1</sup>

While online sales for retailers are still a small percentage of total sales across all channels, online sales growth rates are greatly outperforming the traditional brick-and-mortar channels every year. In fact, the average growth rate of online sales has been about 20% annually, while the growth rate for traditional retail sales lags far behind, averaging about 3% per year (see Exhibit 1).

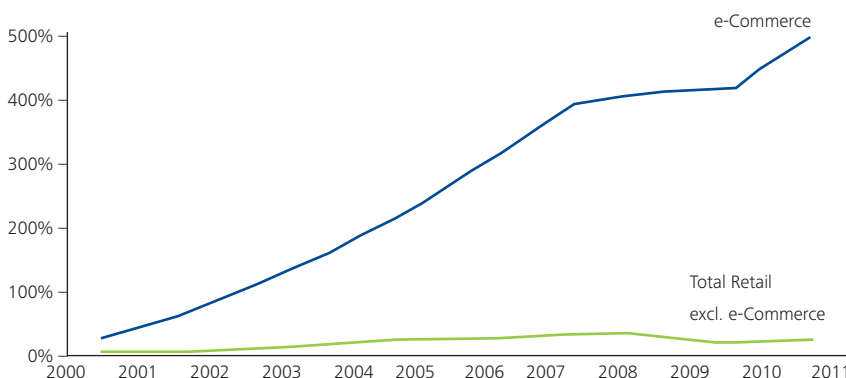
## The rise of mobile:

- 41% of shoppers have checked competitors' prices on their smartphones while in a retail store.<sup>2</sup>
- Shoppers who use their mobile devices in the store are 6% more likely to make an in-store purchase.<sup>3</sup>
- In mid-2010, only 12% of the top 500 U.S. online retailers had websites compatible with mobile browsers, while 7% had apps.<sup>4</sup>

With these sizeable shifts in the retail landscape, traditional retailers are finding it harder to keep pace with evolving consumer attitudes and expectations — and may not have time to catch up. They have come to a crossroads where they need to rethink how they can transform their stores, strategies, and operating models into a store of tomorrow — a Store 3.0™ — to attract the loyalty and larger share of wallet of customers.

Deloitte conducted a survey in September 2011 of 39 retail executives to understand how they are adapting their brick-and-mortar stores to a next-generation format. The survey results show that few retailers are leading the transformation to a Store 3.0™ environment. Many are grappling with how to create a well-integrated future store strategy — one that is attuned to the needs and expectations of the evolving consumer, brings the right technology into the physical space, and can deliver a highly satisfying experience. Plus, retailers are unsure about the roles and responsibilities of their sales associates in this new environment. We believe that retailers who combine the best of both retail worlds — the sensory experience of a brick-and-mortar store with convenient access to extensive online information — can gain the upper hand in an intensely competitive environment.

**Exhibit 1: Retail sales growth from 2000 to 2010 (Base: 2000)**



Source: Retail Indicators Branch, U.S. Census Bureau

As used in this document, "Deloitte" means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

<sup>1</sup> Deloitte, "Will Smarter Phones Make for Smarter Shoppers?" June 2011

<sup>2</sup> IHL Group, November 2010

<sup>3</sup> "State of Industry Report," Chainstoreage.com, September 2010

<sup>4</sup> Acquity Group Mobile Commerce Audit, June 2010

<http://www.acquitygroup.com/press-releases/acquity-group-announces-winners-mobile-audit-2010/>

**The future: Store 3.0™**

The retail store is not going away. Many consumers still consider the store to be central to their shopping experience. In our survey, 79% of surveyed retail executives either agreed or strongly agreed that the store will continue as the primary place to shop in the next five years.<sup>5</sup> Moreover, a majority said the store will remain the principal channel where customers can have a compelling brand experience and meaningful interactions with sales associates.

However, the retail environment and the customer are changing dramatically, and many retail executives are feeling pressured to deliver a better, more differentiated experience for customers. Retailers need to reexamine and reconfigure their talent, physical space, and store operations to meet or exceed customer expectations. A strategy that aligns these dimensions and is enabled by the right technology solutions can help retailers deliver a tailored experience for their customers. It is an experience that begins before customers enter the physical store and continues long after they leave. Through the lens of the

Store 3.0™ is the retail store of the future. It is an evolution, not a destination that draws on a retailer's unique strategy and vision to chart a path for how to remain relevant in a constantly changing retail environment.

desired future customer experience, retailers should step back and ask themselves hard questions about where they are and where they need to go.

It should be noted, there is not a one-size-fits-all solution for retailers. And the answers to these questions will vary dramatically across retail formats, industry segments, as well as geographic and demographic characteristics. Consider the contrast between the experience expectations of a customer at a low margin-high volume retailer compared to a high margin-low volume retailer. While the same customer may shop both segments, their experience expectations are vastly different, ranging from purely transactional to high-touch experiential.

<p><b>Talent</b></p>	<p>In this always-connected age, customers no longer need to go from store to store to compare competitors' prices and products; they have all this information and more in the palm of their hand. In this environment, knowledgeable sales associates can make all the difference, providing a competitive edge and driving customer loyalty. Retailers should ask themselves: <i>Do we have the right talent in place? What kind of training and resources should we provide sales associates? What's their new role in a Store 3.0™ setting?</i></p>
<p><b>Physical Space</b></p>	<p>Brick-and-mortar store footprints will likely become smaller as sales grow through online channels. For example, stores within a store may replace conventional departments, and many retailers may also reduce store counts. Retailers should ask themselves: <i>Should we consider a new footprint? Should we re-examine our leased space and terms? Should my store be a showroom?</i></p>
<p><b>Store Processes and Systems</b></p>	<p>Technology can have a huge impact on store operations and make the shopping experience more memorable. Retailers need to determine how they can use current and emerging technologies to help customers and improve in-store processes. Retailers should ask themselves: <i>Should we consider mobile point-of-sale (POS), interactive mirrors, or social media interaction in the store? What would it take to enable real-time inventory visibility and business analytics?</i></p>

<sup>5</sup> Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

### High-level survey findings

Deloitte sought to find out how retailers perceive their stores today, three to five years from now, and more than five years from now. The 39 retail executives surveyed had revenues ranging from less than \$50 million USD to more than \$10 billion USD annually across several industry segments. Here are several highlights based on the survey results:

- Understanding the needs of the customer is the biggest hurdle for many retailers in implementing strategies and technologies to support a Store 3.0™ environment.
- Retailers expect the role of the sales associate to evolve. Retailers must reinforce the knowledge and skills of sales associates to meet the demands of increasingly tech-savvy customers.
- Retailers are struggling to determine the appropriate size of their sales force in order to deliver an enhanced customer experience.
- Retailers are currently not investing in the necessary technology — across performance, training, workforce, and task management areas — to support their sales associates in improving service quality.
- Brick-and-mortar stores are expected to shift from a transactional model to an experiential one in which the virtual world enhances the customer and brand experiences. As the retail landscape changes, retailers are struggling with how to adjust future store counts and footprints.
- Retailers' technology strategies are changing as they are shifting IT investment dollars away from store infrastructure budgets and toward emerging technologies.
- Retailers are not investing in technology infrastructure, such as Wi-Fi, which enables real-time loyalty program signup, SKU availability checks, and product information reviews.

### Recommendations for next steps

It won't be easy for retailers to shift from the current way of doing business to a Store 3.0™ format, and the solutions should be customized to the retailer's specific environment. First, they must take the time and effort to thoroughly understand what their customers want and then take the necessary steps and investments to make it happen. Smart retailers have an opportunity to leapfrog their competition in delivering an effective customer experience. Below are some recommendations that can help retailers get started:

- **Define the future store strategy.** Retailers should elevate their store strategy and vision to remain relevant and nimble, and be able to handle the rapid pace of technological change and heightened customer expectations. And, the operating model should be continually evaluated as the future store strategy evolves.
- **Enhance the customer experience.** Retailers must actively listen to and understand what today's customers expect and demand. Meeting or exceeding customers' wishes can help improve the overall experience. But retailers can easily fall behind if they fail to continually assess their customers.
- **Invest in brand ambassadors.** Providing more training and resources to sales associates is likely to improve in-store customer experiences, drive loyalty, and improve the bottom line.
- **Embrace the bleeding edge.** Although technology is pervasive, retailers have been slow to adopt new and innovative technologies. To keep pace with their tech-savvy customers, retailers should move quickly to take advantage of emerging technologies for a competitive edge.
- **Transform the operations.** Retailers should take a hard look at their store operations to identify opportunities that create new drivers around customer experience and service levels. Performance measures should be refined to support the operations.

# Customer experience: An executive perspective

Transforming the retail store begins with understanding the customer and their expectations. Customers already demand a more personalized experience that seamlessly integrates sales channels. Moreover, they expect to instantly access information from anywhere.

The key principle of a Store 3.0™ environment is gaining a solid understanding of your customer — and most survey respondents realize that. 55% of respondents said anticipating customer needs is very or extremely critical. While retailers recognize the importance of this, many still struggle with how to adapt their strategy to target today's customer, rendering them unable to deliver the experience that customers are demanding. It can be the greatest barrier to achieving future store strategies.

Plus, many retailers are uncertain how they will differentiate their customer experience in the future. When we asked respondents what they thought distinguished their companies' customer experience from competitors today, 72% said service quality. That was followed by product offering (69%) and the in-store experience (56%). We further segmented these respondents into "leaders"<sup>6</sup> and "laggards,"<sup>7</sup> depending on how they viewed their store's ability to deliver customer experience. Surprisingly, neither group identified service quality as the top differentiator five or more years from now. Leaders said mobility will be the number one differentiator, while laggards said a "not yet created" technology will be among the top. Technology is a key component of the store of the future; however, it is not a differentiator in and of itself, but rather an enabler of a high-quality customer experience.

Retailers are further behind than they believe in enabling customer experience through emerging technologies. Seventy-four percent of survey respondents said they think they provide an average or better-than-average customer experience in their stores. They also believe they're further ahead than they are in using emerging technologies to enhance that experience. However, today, many stores are neither mobile- nor digitally-enabled. Their sales associates are not adequately supported and store formats are not frequently evaluated. Among the leaders, more than half do not have Wi-Fi-enabled stores and more than a third have no plans to implement Wi-Fi,<sup>8</sup> despite experiences by early adopters suggesting that connected consumers are less likely to leave the store without making a purchase and often end up spending more.<sup>9</sup>

In a Store 3.0™ environment, the customer experience is a continuum. It begins before customers enter a store and continues long after they leave. Current technologies can help retailers make this happen. For example, smartphones with location-based applications can provide your customers the closest store location, turn-by-turn directions, and a contact number. Retailers can also send them mobile coupons as an added incentive. When they're in the store, they can use state-of-the-art touch screens to virtually select and "try on" clothing items.<sup>10</sup> When they buy an item, they can get a paperless receipt and a link to share their purchase with family and friends on popular social media sites.<sup>11</sup> And after they leave the store, they can receive personalized invitations for exclusive events or notifications of new product arrivals.

<sup>6</sup> 33% of surveyed retail respondents reported that they are "outstanding" or "very well" at delivering their stated in-store customer experience

<sup>7</sup> 26% of surveyed retail respondents reported being "slightly below" or "off track" at delivering their stated in-store customer experience

<sup>8</sup> Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

<sup>9</sup> Conversations with key U.S. and Canadian retailers — September-November 2010

<sup>10</sup> American Eagle Outfitter Press Release, "77kids by American Eagle Joins the Party at American Eagle Outfitters' Time Square Flagship", July 20, 2011

<sup>11</sup> Clifford, S., "Shopper Receipts Join Paperless Age," The New York Times, August 7, 2011

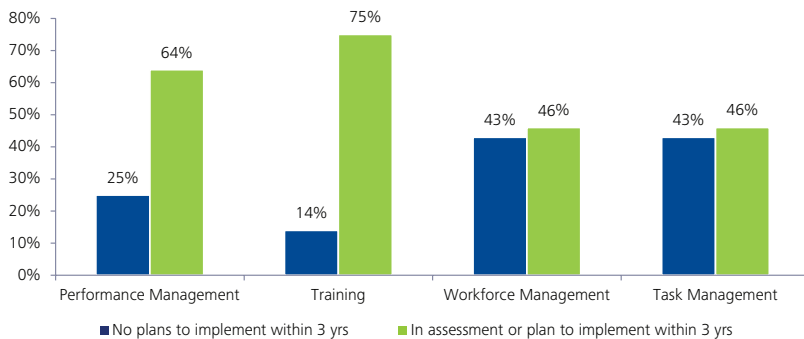
# The store talent of the future

Retailers can gain a competitive edge through smart and experienced sales associates, who provide a pleasant and memorable experience for shoppers. Store employees are the face of the retailer — brand ambassadors who embody the values and demeanor of their companies and possess deep knowledge of their products. As customers’ purchasing behaviors evolve, the sales associate role must evolve with them. In this context, retailers should step back and assess how they can enable their store talent to deliver a new service model, with the technology and the right-sized workforce to support it.

## An evolving role

The role of the sales associate is evolving to meet the demands of the technology savvy customer. Today, the top three most important responsibilities and skills of the sales associate are POS assistance, purchase selection assistance, and specialized product knowledge. As we look to the next three to five years, survey respondents pushed specialized product knowledge and brand ambassadorship to the top of the list, ahead of POS assistance, as a store employee’s most important roles. Five or more years from now, the sales associate is expected to become a technologically-savvy brand ambassador with specialized product knowledge (see Exhibit 2).

Exhibit 3: Talent-supporting store technology investment plans



Note: 11% of the 28 respondents did not provide an answer to this question  
 Source: Deloitte’s Store 3.0™ Survey: The Next Evolution, September 2011

Exhibit 2: Top three most important employee tasks/skill sets

Today	5+ Years from now
• POS assistance	• Technology savvy
• Purchase selection assistance	• Brand ambassadorship
• Specialized product knowledge	• Specialized product knowledge

Source: Deloitte’s Store 3.0™ Survey: The Next Evolution, September 2011

## Empowering talent

The right IT investments are needed to help retailers hire, manage, and develop talent to improve customer service. In our survey, 28 respondents had noted that service quality will be a top differentiator three to five years from now. However, they fell short when it came to investing in performance, training, workforce, and task management tools needed to help sales associates provide a higher level of service.

Among those 28 respondents, 75% said they were either in assessment or planned to implement within 3 years in-store technology to support training of sales associates, with 14% saying they did not plan anything. Sixty-four percent said they intended to invest in technologies in support of performance management. Respondents were split with regards to investing in technologies that would support workforce and task management (see Exhibit 3).

## An effective sales force size

Retailers often have a hard time trying to find the right number of sales associates to support their operations and deliver the desired customer experience. In our survey, we found that this issue is not going to get any easier for retailers, especially if they integrate new, in-store technologies. Retailers should consider how to adjust the size of their workforce as the role of the sales associate evolves, store formats change, and enabling technologies are deployed to support the service model and reshape the in-store customer experience.

# Physical space

The retail store is not dead and it's not going away. But it will evolve as the lines between the physical and virtual worlds continue to blur. Retailers will need to think carefully about how their physical stores can and should change to offer the customer a compelling experience. They should also consider how technology can be seamlessly integrated into the physical space to support store operations and the customer.

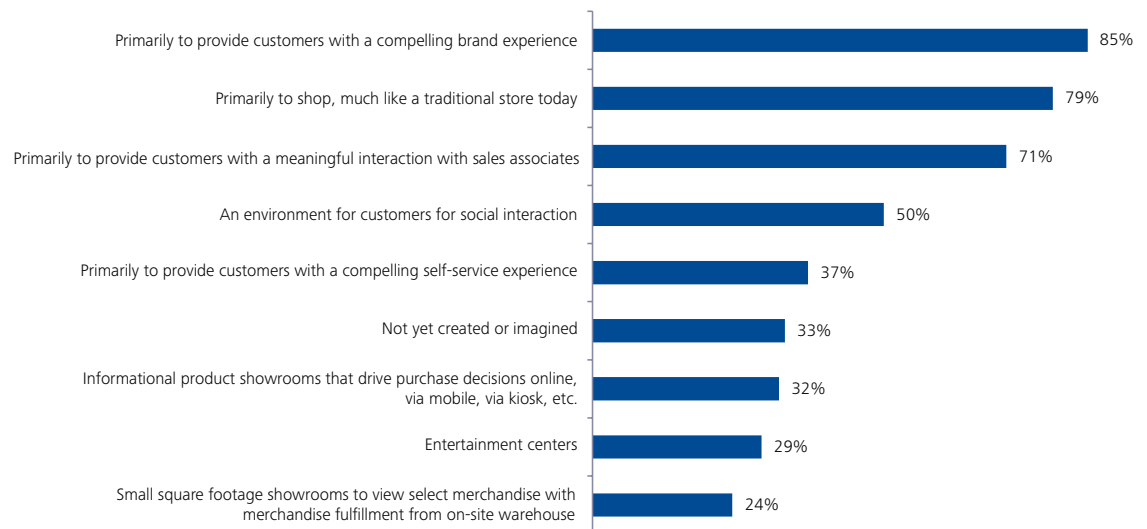
## Shifting to an experiential environment

The role of the physical space is shifting from a transactional model to an experiential one, in which customers have a personalized experience with the brand.

In fact, 85% of respondents indicated that in five years, providing customers with a compelling brand experience will become a primary role of the store, eclipsing traditional shopping (79%) (see Exhibit 4).

For retail executives, connecting with customers and building brand awareness are top priorities. And while social and mobile channels provide avenues for retailers to be cutting-edge, the consensus among the executives we surveyed is that brick-and-mortar stores are still the leading format for providing higher service levels and building brand awareness.<sup>12</sup>

Exhibit 4: The future role of the store



Source: Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

<sup>12</sup> Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011



In the three-month period ending July 2011, 82.2 million Americans owned a smartphone, a 10% hike from the prior three-month period.<sup>17</sup>

### Weaving the virtual world into the physical store

The physical store must evolve to include elements of the virtual world as customer demand for an integrated experience across channels grows. Retailers should consider how to connect with customers across channels to provide them with an immersive and meaningful brand experience. Social commerce — networking sites, blogs, and online forums — can be crucial to making that happen, especially as smartphones become ever-present. Today, customers are bringing their social networks to the store. Retailers need to make social commerce a core pillar of their future store strategy.

Take this a step further. Social commerce can instantly spread the word of a shopping experience — good or bad — to a network of millions. Retailers should consider how to incorporate social media and commerce into their physical space to drive an immersive brand experience. Harnessing the connected customer experience can encourage customers to engage in conversation about products, experiences, and the brand.

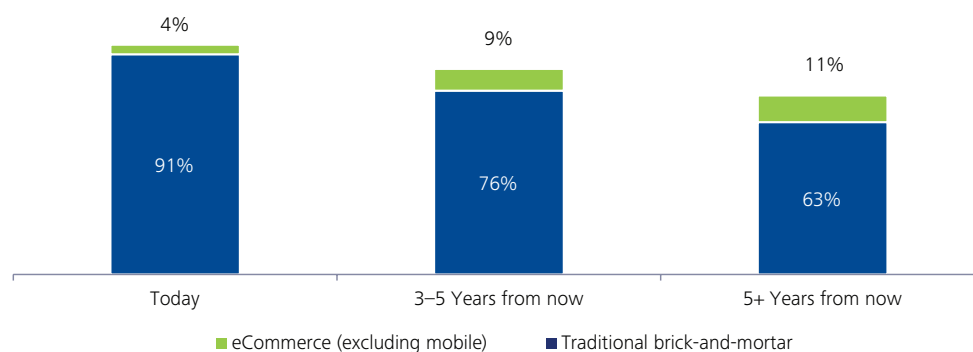
In a separate Deloitte study, 40% of consumers said they rely more on online recommendations from others when considering a purchase than on marketing messages from retailers; 25% said they use smartphones to read or view consumer-written reviews.<sup>13</sup>

### Re-evaluating future store counts and footprints

Retailers should prepare now to quickly and effectively respond to future sales channel trends. In fact, survey respondents said they expected the percentage of sales generated by traditional brick-and-mortar stores to significantly decline over the next five years, from 91% to 63% (see Exhibit 5).<sup>14</sup> Despite this finding, 67% of respondents said they anticipated an increase in their company's total store count in the future, while the total average sales floor size is expected to remain unchanged. In light of these findings, retailers need to re-evaluate their future store counts and footprint strategy. They may consider smaller counts and footprints, especially when they factor in other variables, such as fuel prices and operating expenses.

As retailers look to increase revenues, some are planning to expand into international markets, while others are testing markets through e-commerce sites.<sup>15</sup> The United States, Canada, and Latin America are the top three geographic areas where survey respondents anticipate building more stores over the next three to five years.<sup>16</sup> Equally important to geographic expansion are other criteria, such as the store operating model, enabling technologies, and store formats — whether it'll be a traditional brick-and-mortar store or a store within a store, for example.

Exhibit 5: Current and anticipated future sales by channel



Source: Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

<sup>13</sup> Deloitte, "2011 Spring Consumer Pulse Survey," March 2011

<sup>14</sup> Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

<sup>15</sup> Thau, B., "All Abroad: Retailers Head Overseas to Boost Growth," CNBC.com, June 3, 2010

<sup>16</sup> Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

<sup>17</sup> Source: "comScore Reports July 2011 U.S. Mobile Subscriber Market Share," August 30, 2011



# Store processes and systems

As the foundation and enabler for the next-generation store, a strong information technology infrastructure should be a critical component of the store strategy and vision. A flexible IT infrastructure would integrate existing and new, emerging applications and devices. Moreover, it should enhance the customer experience and support sales associates to deliver the desired service model.

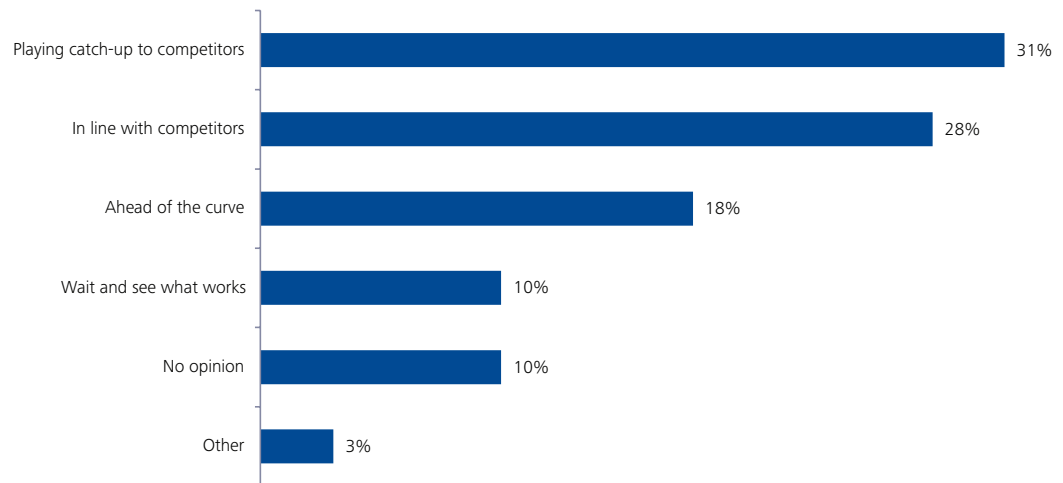
## The rise of innovative technology

Emerging technologies are gaining attention and investment dollars, while store infrastructure budgets are being hit hard. Our survey found that although many retailers believe IT strategy and investment should be a top priority, only one in five (18%) indicated that they're ahead of the curve (see Exhibit 6). Nearly half of those surveyed report that they are either playing catch-up to competitors,

or taking a "wait and see" approach. Making the right investments in IT is not a matter of money; a majority of respondents said access to funding was not a significant hurdle to implementing future store strategies. It is a matter of priority.

However, retail executives do recognize the importance of emerging technologies. They value the role that new, innovative technologies play in delivering a better brand experience to customers. When asked about this, respondents said they anticipate creating or expanding senior leadership committees, executive leadership positions, and governance processes three to five years from now to focus on emerging technologies and to incorporate them into the next-generation stores.<sup>18</sup>

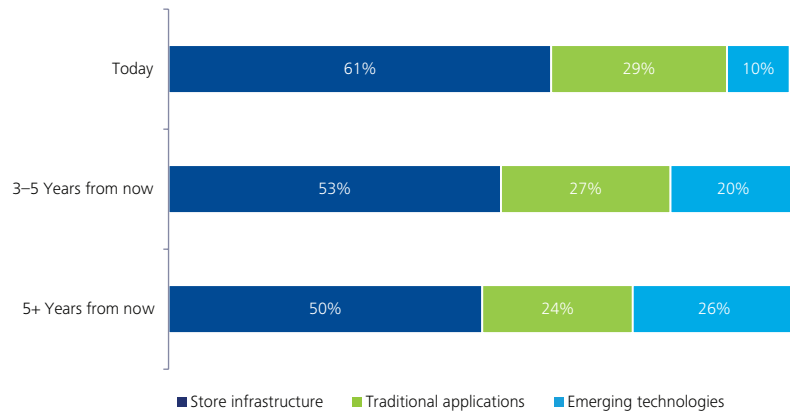
Exhibit 6: The current state of retailers' IT strategy



Source: Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

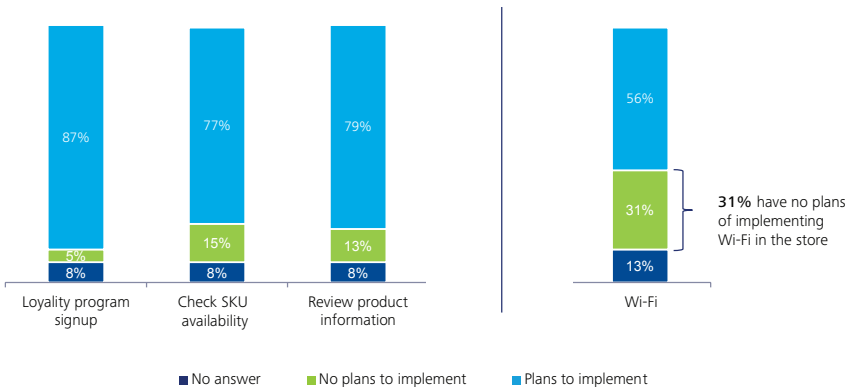
<sup>18</sup> Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

**Exhibit 7: Store IT budget allocation**



Source: Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

**Exhibit 8: Customer-facing technology investment plans**



Source: Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

As retailers turn attention to emerging technologies, it is often at the expense of store infrastructure, such as shelving, store layout, and store improvements. This focus means re-allocating investment away from store infrastructures since only half the respondents expect to see an increase in their IT capital and operational budgets. Said another way, retailers are shifting their budget priority from store infrastructures to emerging technologies. In five years, the store infrastructures will see a 50% share of the budget, down from 61% currently. New technologies will get a 26% share, up from 10% today (see Exhibit 7).

**The case for an IT investment strategy**

With increased demand for technology dollars across the organization, retailers will need to carefully prioritize investments for in-store and customer-facing technologies that will support their overall strategy and vision. A majority of survey respondents said they are evaluating, piloting, or planning to implement Wi-Fi-enabled solutions, including loyalty program signup, SKU availability checks, and review of product information. However, nearly one third of retail executives said they have no plans to provide Wi-Fi capability in their stores (see Exhibit 8).

Retail stores should be Wi-Fi-enabled for these applications to work smoothly. Product SKU checks, mobile checkout, customer loyalty information and other applications would be right in the palm of the sales associate's hand. Plus, it would allow customers visiting stores to use their mobile devices to connect to the retailer's brand, access product information and reviews, or share their purchases and experiences through social networking sites.

# Where to start?

As the retail environment rapidly evolves and new technologies emerge, retailers must maintain their focus on the needs of their customers. With a solid understanding of their customers, retailers can develop strategies and make the proper investments to better communicate with them. This means hiring and supporting talent, reconfiguring physical spaces, improving their processes, and implementing the right technologies. This is not a one-size-fits-all approach, and one retailer's plan may not look like another's. However, there are four things that retailers should keep in mind as they build a Store 3.0™ environment.

## 1. Refresh your strategy

Retailers who can quickly address and react to shifts and trends in the marketplace will likely lead the industry. They should endeavor to be unconstrained and innovative in their thinking about the role of the retail store, and create a strategy and supporting operations that can quickly and dynamically grow to support the retail store.

In fact, three out of five respondents said they have no idea what the store will look like in five years. Additionally, nearly one in five believe that 15% of their sales will be generated from channels that have not even been thought of yet.<sup>19</sup> It is critical that retailers refresh their strategy so their operating model can quickly respond to changes and trends in the marketplace and among their customers.

Plus, retailers should consider reinventing their approach to developing and executing key performance metrics. These metrics should be focused on drivers that deliver customer experience and quality service. Indicators should be measurable, actionable, and continually evaluated to remain relevant, especially as the store operating model evolves.

## 2. Improve the in-store customer experience

Our survey results indicate that there is nothing more important for retailers than improving the customer experience now and into the future. It is not a one-off proposition, but one that needs to be continuously evaluated and adjusted to meet and exceed customer expectations.

First, get to know your customers and how they interact with your brand today. You can do this by collecting offline and online data on their buying habits and preferences, for example. Second, invent a new customer experience that uses innovative technologies. Imagine what the intersection of the virtual and physical would look like — customers check-in on their smartphone when they arrive at the store, virtually try on clothes without the traditional fitting rooms, connect to their virtual closet from in the store, and much more!

To be a leader, or even merely stay competitive, retailers should consider investments in innovative and bleeding-edge technologies that support their future store strategy and vision. However, our survey found that retailers' IT budgets may only modestly increase over the next five years. To compensate for this, retailers need to make the right investments in innovative, emerging, and viable technologies to support their Store 3.0™ environment. Some leading technologies that retailers should consider include:

- Customer-facing in-store applications such as a virtual look book on a tablet
- Contactless payments
- Mobile payments
- Biometric payments
- Mobile POS
- Augmented reality applications

Measuring the success of your in-store customer experience and the effectiveness of customer-facing technologies becomes even more important as you introduce new concepts to the store environment. Tracking new performance metrics — the number of times a customer visits a store, the number of items purchased, customer retention rate, and customer lifetime value — will provide better visibility into what is driving sales and highlight improvements that can be made.

When asked to rank key performance metrics, surveyed retailers reported an increase in focus on certain customer-facing metrics, including customer satisfaction, customer retention rate, and customer lifetime value, over time (see Exhibit 9).

<sup>19</sup> Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

Exhibit 9: Ranking of customer-focused key performance indicators for measuring store performance

Key performance indicator	Ranking		
	Today	3–5 Years from now	5+ Years from now
Customer satisfaction rating	3	1 ↑	1 ↔
Customer retention rate	10	5 ↑	7 ↓
Customer lifetime value	13	10 ↑	5 ↑

Source: Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

Legend: ↑ Increased ↔ Stayed the Same ↓ Decreased

### 3. Revive your talent management strategies

In our survey, retailers self-reported that they provide an outstanding or very good in-store customer experience — one that surpasses or significantly exceeds their competitors. While they believe service quality is a key differentiator, their statement does not match their actions. They are not making the necessary investments to raise their current service standards. In fact, nearly 25% of survey respondents said they did not know how their workforce service model would change in five years.<sup>20</sup>

As customers increasingly demand a more personalized experience, your sales associates become even more critical in achieving that goal. That means investing in your employees by providing the necessary skills, training, education, compensation, and career-development options

to increase product and technical knowledge, among other skills. It also means equipping them with the right technology so they can easily and conveniently provide customers with instant product information, purchase history, or customer preferences. The renewed investment in the sales associate as a brand ambassador will bring back the confidence in retail as a profession, and convert browsers to buyers.

As we noted earlier, many retailers are not making the necessary investments in their sales associates and providing the needed technology support across performance, task, and workforce management. Retailers should consider investments in sales-generating and profit-increasing tools. The table below lists top technologies they should consider:

Sales-Generating Tools/Technologies	Profit-Maximizing Tools/Technologies
<ul style="list-style-type: none"> <li>Real-time clientelling tool with customer offer engines in an omni-channel environment</li> <li>Real-time store-monitoring platforms to identify sales opportunities or un-served customers</li> <li>Store-based, e-recruitment to hire the required talent</li> <li>Employee-facing, in-store applications to help connect customers to the brand and to sales associates</li> </ul>	<ul style="list-style-type: none"> <li>Time and labor optimization</li> <li>Real-time store-monitoring platforms to manage efficiencies in operations</li> <li>Mobile in-store applications designed to improve employee efficiency including task management</li> <li>Biometrics for time and attendance</li> <li>Next-generation operating system for POS</li> </ul>

### 4. Connect your customers virtually from the physical store

As the lines between the virtual and the physical stores converge, retailers should consider opportunities that connect customers and extend the in-store brand experience through all channels. Blending a personalized in-store experience with a virtual connection to the brand can help retailers establish a lasting relationship with customers after they leave the store. Social networks, mobile devices and applications are a few ways to connect customers from the physical space. The virtual connection

to customers should be established while in the store, and leveraged to deliver a better experience by giving customers access to product information and reviews from the store floor.

In addition to connecting with customers at the brand level, Wi-Fi in the store can also enable your sales associates to engage customers and provide a higher level of service through clientelling applications, personalized digital marketing campaigns, mobile checkout, and mobile inventory management.

<sup>20</sup> Deloitte's Store 3.0™ Survey: The Next Evolution, September 2011

# About the survey

This report explores how retail executives are thinking about how to stay relevant in a rapidly changing environment characterized by technological advancements and evolving consumer behaviors. We set out to determine if retailers are investing in their store environment as part of a well-integrated strategy to bring together the convergence of people, technology, and processes to accommodate increasingly savvy customers. This report focuses on four key areas:

- The ability for retailers to meet the target customer experience

- The retail talent management that can deliver the future customer experience
- The changes to the physical space that can support the strategic vision
- The technology that can enable the future enterprise

## Survey respondent demographics

Deloitte collected 39 highly targeted responses from executives in the retail industry. The survey respondents represented job functions including finance, general management, operations, technology, and stores.

Exhibit 10: Level within organization

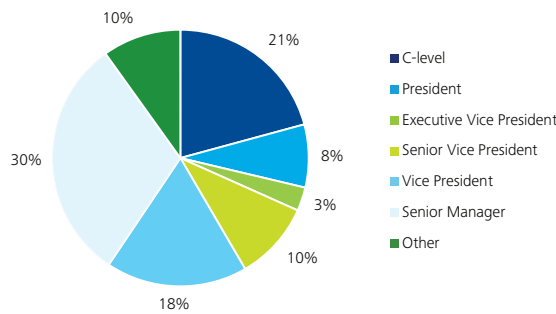


Exhibit 11: Primary area of responsibility within the organization

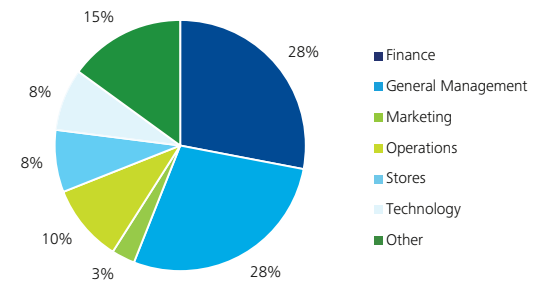
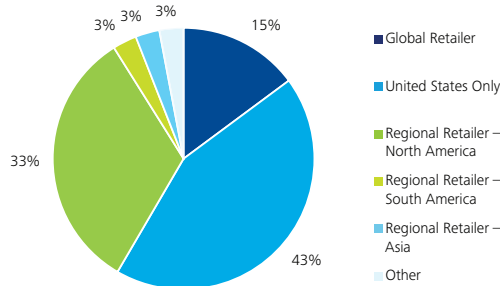
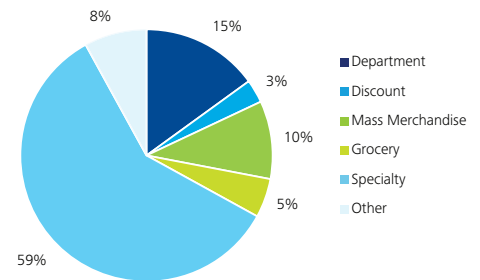


Exhibit 12: Geographic reach



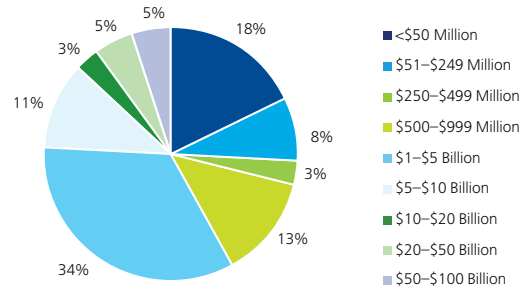
Retail executives who participated in this survey predominantly had operations in the United States (43%) or Regional — North America (33%), while 15% of the representative retailers were global.

Exhibit 13: Retail sector



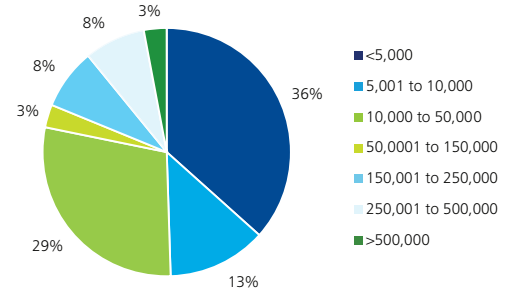
The predominant retail sector represented in this study is specialty retail (59%), while department stores represented 15% of respondents, and mass merchants represented 10%. Eighty-seven percent of respondents are non-union retailers.

**Exhibit 14: Annual sales**



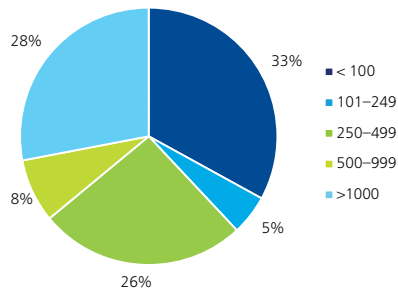
The largest group of survey respondents worked for retailers with annual revenues between \$1 and \$5 billion.

**Exhibit 15: Employees**



Respondents tend to work for companies with fewer than 50,000 employees.

**Exhibit 16: Store count**



Survey respondents range in the number of stores operated — 33% operate fewer than 100 store chains while 28% operate more than 1,000 store chains, and 26% operate 250–499 stores.

**Authors:**

**Lisa Gomez**  
Senior Manager  
Deloitte Consulting LLP  
+1 703 251 3583  
lisgomez@deloitte.com

**Lisa Fritsch**  
Manager  
Deloitte Consulting LLP  
+1 617 437 3392  
lfritsch@deloitte.com

**Advisors:**

**John Rooney**  
Principal  
U.S. Retail & Distribution Practice Leader  
Deloitte Consulting LLP  
+1 215 446 3600  
jrooney@deloitte.com

**Kasey Lobaugh**  
Principal  
Deloitte Consulting LLP  
+1 816 802 7463  
klobaugh@deloitte.com

**Rod Sides**  
Principal  
Deloitte Consulting LLP  
+1 704 887 1505  
rsides@deloitte.com

**Alison Paul**  
Principal  
Vice Chairman and U.S. Retail & Distribution Leader  
Deloitte LLP  
+1 312 486 4457  
alpaul@deloitte.com

**Tanya Pramatarova**  
Consultant  
Deloitte Consulting LLP  
+1 617 437 2446  
tpramatarova@deloitte.com

**Scott Bearse**  
Director  
Deloitte Consulting LLP  
+1 617 437 2453  
sbearse@deloitte.com

**Kimberly Betts**  
Senior Manager  
Deloitte Consulting LLP  
+1 404 631 2174  
kbetts@deloitte.com





For more Store 3.0™ insights,  
scan the code with a code scanner  
from your smartphone, or visit:

[www.deloitte.com/us/store3](http://www.deloitte.com/us/store3)