

## SML RFID STATE OF RETAIL INSIGHT REPORT PART 2

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# Helping Customers Prosper Through Technology





**The past 18 months have proven to be a challenge for the retail sector. Even now, as industries across the world are deep into the recovery process, the domino effect of the pandemic continues as supply chain issues and labor shortages threaten to undermine peak season sales.**

Supply chain disruptions and shuttered stores caused dramatic shifts in inventory levels, item-level stock count accuracies, and reduced sales figures from the very beginning of the COVID 19 pandemic. Ultimately, the drop in revenue caused several retailers to lay off staff to remain operational - a short-term solution that would have long-term implications.

Fast forward nearly two years later, and retail sales figures are rebounding. However, the current labor shortage is now creating new challenges in a post-pandemic environment. Salesforce research found that the US was expected to have a labor shortage of approximately 350,000 workers heading into the November and December peak period. Meanwhile, in the UK, the number of available workers plunged in June 2021 at the fastest rate since 1997, according to KPMG and IHS Markit.

Staff members are stretched thin, feeling overworked, and unable to provide the great customer service that consumers now demand in an increasingly experience-focused

environment. Consumer behavior continues to change, and retailers must adapt to new ways of working as they balance customer service and operational execution with reduced staff sizes. Accurate inventory makes every aspect of operations in a retailer more efficient and enables a depleted workforce to continue to deliver consistently on customer service.

In August 2021, SML RFID carried out a market insight report looking at the current state of the apparel retail industry following the pandemic, surveying more than 500 independent senior decision-makers from apparel retailers within the US and UK.

Part one of this insight report looked at the sector's current sentiment towards growth and the challenges that retailers perceive to be impacting the industry going forward. Part two considers how retailers can put greater emphasis on streamlining in-store processes and the importance of finding the right solutions that cater to newfound consumer demands. The report also explores current concerns from retailers when it comes to implementing new technologies and the pain points that many currently feel as recovery continues.

<sup>1</sup> <https://www.salesforce.com/blog/holiday-shopping-predictions/>

<sup>2</sup> <https://home.kpmg/uk/en/home/media/press-releases/2021/07/kpmg-and-rec-uk-report-on-jobs.html>

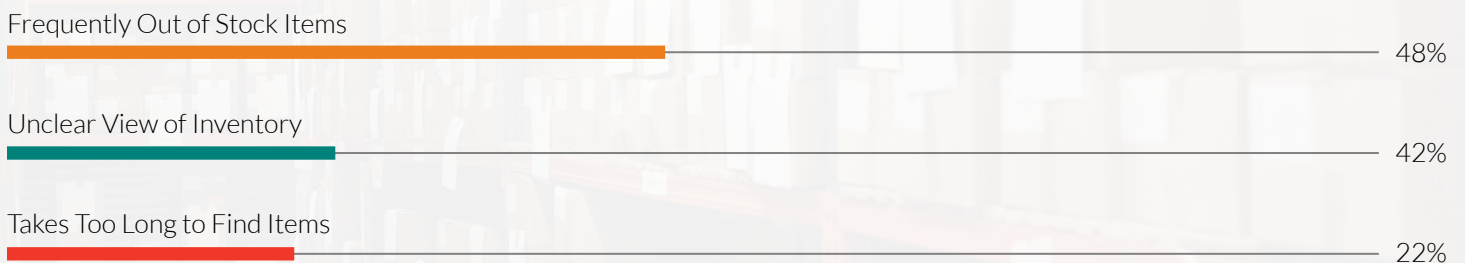
# Paying the Price of Neglect

Even before the pandemic, much of the retail industry was in desperate need of digital transformation. COVID-19 only intensified that need. In a matter of days, retailers were forced to sell exclusively through online channels or shut down their operations entirely. As businesses invested heavily in improving their eCommerce platforms or creating them from scratch, in-store improvements understandably fell by the wayside for many.

While the short-term fix of revamping online channels allowed many retailers to stay afloat in the short term, the lack of in-store investment has created new challenges. With the labor shortage in full swing, it is becoming increasingly clear that in-store solutions - such as item-level RFID - can not only play a vital role in streamlining brick and mortar operations, but they are also essential to effectively executing eCommerce initiatives as well.

Inaccurate inventory has long been an issue within retail, but a depleted workforce and continued disruption of the supply chain have exacerbated the challenges it causes in operational inefficiency and lost sales opportunities. According to almost half (48%) of US and UK retail decision-makers, frequently out-of-stock items are the main challenge for retailers in the current climate. Meanwhile, 24% of respondents see an unclear view of inventory as their biggest concern, with 21% also claiming that it takes too long to find items.

Which of the following are the main challenges of serving your customers?



Online presence has been a high priority for many retailers over the past 18 months. In fact, two out of five retail decision-makers (42%) say online home delivery has been their primary sales channel over the past year. However, as customers return to stores in addition to online shopping, persisting inventory visibility issues complicate the in-store selling process like never before. In delaying efforts to address this fundamental inventory problem, retailers who have already experienced some of their most difficult trading years ever are now facing the reality that they must address their inventory visibility to support reduced staffing and omnichannel efforts moving forward.



## 42%

of retail decision-makers say online home delivery has been their primary sales channel the past year



# Managing a Depleted Workforce

**A smaller workforce only makes it more challenging for retailers to manually keep track of inventory - a task that is already taking associates a significant amount of time to complete. On average, staff members spend 14.6 hours per week executing inventory-related tasks (counting, receiving, finding, transferring), with some respondents claiming that this takes as many as 36 hours per week.**

Similarly, finding stock poses its own set of challenges. Retail workers spend on average 10.9 hours per week searching for specific products and inventory to support customer requests, with some stating that they take up to an additional 36 hours per week on this task as well.

With stock counts taking so long to complete, it is no wonder that only 12% of respondents perform physical counts on a daily basis. Unsurprisingly, 32% only take stock counts every six months. Retailers are continuing to disadvantage themselves by investing labor into manual counts that tie up store staff in an inefficient process that fails to deliver a consistent real-time view of inventory.



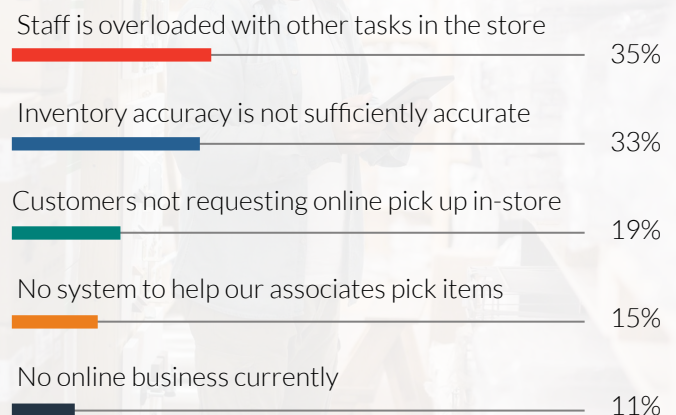
# 12%

of respondents take physical counts on a daily basis

While the significant increase of online sales channels over the past year has been a bright spot for retailers - preserving sales and opening future opportunities for growth - it has also presented a new set of inventory-related challenges. Retailers

have found that fulfilling online orders with a distorted view of on-hand inventory have proven to be a challenge as items allocated to online orders are not in stock, and associates spend valuable time searching for items that aren't there. Inventory has again been identified by retail leaders as the fundamental issue relating to these challenges, as 33% of respondents found that inventory accuracy is not sufficiently accurate, with 35% saying that staff is overloaded with other tasks in-store.

## What are your biggest challenges in fulfilling online orders from your stores?



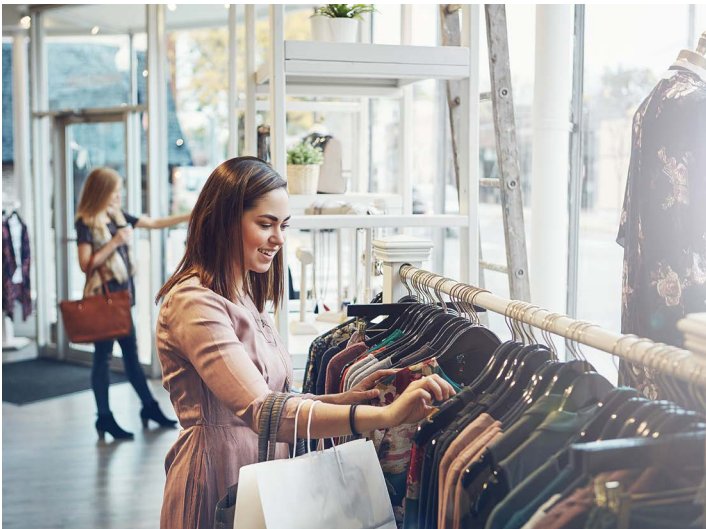
By implementing item-level RFID, retailers can easily keep an accurate view of store inventory, saving a significant amount of time for associates who can focus on serving customers and fulfilling online orders. However, a key component to this strategy is the need for intuitive RFID software that allows retailers to quickly train associates to leverage the technology with limited cost and operational disruption. 17% of respondents on the survey claimed that operational training was a pain point in implementing an omnichannel strategy that would ultimately free more time for staff.

The right solution should be user-friendly and allow same-day training of associates to complete stock counts, execute omnichannel orders, and locate items, through RFID-enabled search features that drastically reduce the amount of time needed to complete orders.

# Concerns of Technology Implementation Continue

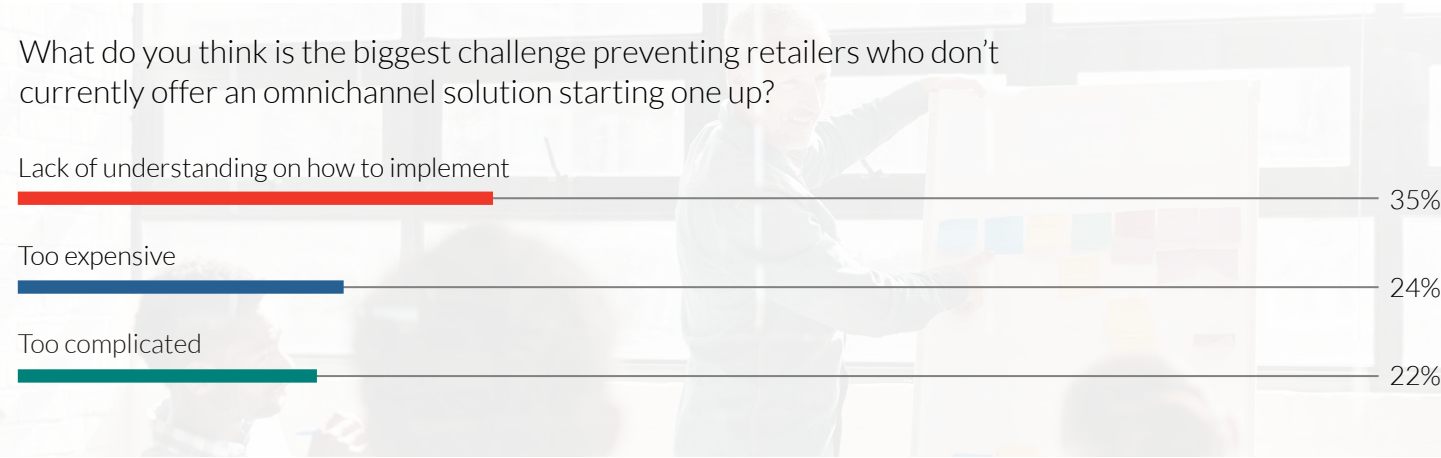
The need for an effective and consistent omnichannel operational strategy is clear. However, retailers see several challenges when it comes to implementing a platform that maximizes omnichannel sales potential and benefits the entire operation.

Almost one-third (29%) of respondents said that meeting customer expectations is the most significant pain point in implementing an omnichannel strategy, with effective software (23%) and having an accurate view of inventory (15%) also posing significant challenges to retailers. Retailers appear to feel as though the implementation of technology can majorly disrupt ongoing business operations. During such a crucial time, retailers are unlikely to want to miss out on any potential revenue. The deployment of new solutions needs to be seamless and gradual to avoid compromising existing sales channels and alienating current customers.



Of course, once implemented, internal processes can be streamlined, and long-term cost efficiencies can be enabled. However, retailers are still hesitant to justify potential returns on investment at a critical stage of recovery. For those retailers that don't currently offer an omnichannel solution, almost a quarter (24%) believe that it is too expensive, and 22% feel it is too complicated.

Furthermore, over a third (35%) of respondents blame a lack of understanding on the biggest challenge in investing. The bottom line is that right now, some retailers struggle to see the reward outweighing the immediate complexities. However, according to McKinsey , the average omnichannel customer purchases 70 percent more often than an offline-only shopper and reports spending more than \$2,000 on apparel each year. As eCommerce only continues to grow in popularity, this justifies the initial cost of an omnichannel platform.



# Balancing In-Store & Online

**While many focus on the challenges of investing in omnichannel, most do at least recognize the problems that an effective omnichannel strategy can solve. When asked how retailers think they could better serve their customers, 43% of respondents answered that having real-time visibility over stock levels would help their business, with 38% acknowledging that they would benefit from investing in technology that enables a clearer view of inventory.**

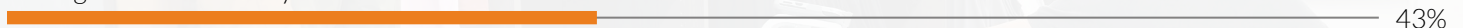


Retailers understand the benefits of an omnichannel solution. However, in some cases, the technology being used is already outdated and inefficient. Over half of respondents currently have some form of an active buy-online-pick-up-in-store (BOPIS) strategy (55%), but of those retailers, the average order cancel rate sits at 28%, with some cancel rates reaching as high as 78%. Canceled omnichannel orders are the quickest way to derail a retailer's omnichannel selling strategy and undermine their relationship with potential long-term customers. Ultimately, having a 28% order cancellation rate is unsustainable for promoting long-term growth and customer loyalty.

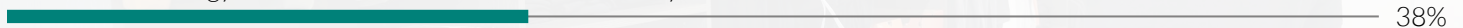
If retail leaders believe meeting customer expectations is the most significant pain point in implementing omnichannel, then

How do you think you could better serve your customers?

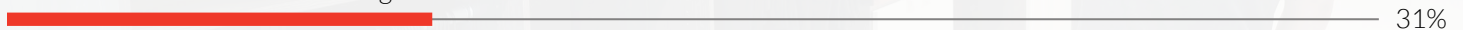
Having real-time visibility over stock levels



Invest in technology that enables a clearer view of inventory



Better investment in staff training



the driving factor in selecting an omnichannel solution must be identifying those specific expectations and ensuring that they are addressed. Those customer expectations, in their simplest terms, are that orders placed are fulfilled consistently with the correct items and are quickly ready for pickup. RFID-enabled omnichannel solutions are designed to address these customer expectations more effectively than any other solution available in the market. These solutions enable inventory accuracy above 95%, to avoid canceled orders and provide retail associates with tools to locate items with RFID item search functionality quickly.

While retailers may actively use a BOPIS strategy, by utilizing RFID as part of their solution retailers can seamlessly upgrade to BOPIS 2.0 - which offers a more accurate view of inventory and better visibility of its availability. In turn, online fulfillment can run much more smoothly, and in-store inventory management can also be transformed, which further addresses ongoing labor concerns.

Nearly a quarter of retailers (24%) want to hire more store associates, and nearly a third (31%) want to invest in more training to future-proof their businesses. The demand for additional workers remains high, yet the opportunity to work more efficiently by utilizing technology-enabled solutions is available to make existing associates more productive. Associates can manage inventory weekly in a matter of minutes while delivering more than 95% inventory accuracy and consistently capitalizing on omnichannel sales opportunities.





**Retail continues to bounce back from COVID-19, but there remains many in-store and online challenges left in the aftermath of the pandemic - particularly from the resulting labor disruption.**

Over the past 18 months, investment in in-store solutions has taken a back seat as retailers have battled to remain competitive through online channels. This has opened several new avenues for many companies, but now that stores are reopening, those that neglected in-store investment have realized an imbalance in the efficiency of their processes as they adapt to scaled-down store staffing models. Yet, much of the industry continues to hesitate on further investment due to the perceived complications of new implementations.

The retail sector finds itself in a delicate position. Retailers understand the benefits of omnichannel - and even its importance in the long-term sustainability of their business. However, concerns over initial implementation and investment can cause 'paralysis by analysis' as retailers attempt to work through solution options to find a minimally disruptive path forward.

With in-store associates stretched thin, retailers desperately need to streamline inventory management, freeing time for staff and enabling them to spend more time on online order fulfillment and providing great customer service. By investing in item-level RFID technology, retailers can accurately view their entire inventory within minutes. This significantly streamlines both online and in-store sales channels and frees up staff to lean into a brick and mortar store's main competitive advantage: the face-to-face customer connection.

Retailers must balance their investment both online and in-store. Item-level RFID technology facilitates ease of use and efficiency in both channels. Retailers can remain agile and offer more options to an ever-changing consumer landscape, ensuring long-term business sustainability and success.

For more information contact: [info@sml-rfid.com](mailto:info@sml-rfid.com)



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## About SML

With a presence in over 30 countries, SML Group is the global end-to-end RFID and brand identification solutions provider, delivering proven results and rapid ROIs to brands in the new era of retailing. We offer innovative Inspire™ and EcoInspire™ labeling and packaging products, high-performance RFID tags, and encoding services across industries. Our proprietary software Clarity® is the only item-level RFID solution that is engineered and deployment-proven for vertical retailers and brand owners with stores. As an invaluable partner of brands, SML is committed to developing tech-driven solutions that power brand transformation and prosperity.

**SML**

