

Part 1: Order Fulfillment and the In-Store Customer Experience





The retail sector has continued to experience an abundance of challenges within the past decade. Without question, these challenges were only exacerbated by the COVID-19 pandemic in 2020, which not only led to global retailers pausing operations but many closing their doors for good. As a result, retailers were forced to adapt and quickly implement new tools and processes to navigate the changing ecosystem.

Last year, SML RFID released its [two-part 'State of Retail 2021' report](#), which uncovered retailers' sentiments towards bouncing back from COVID-19, and gauged their overall confidence in achieving short and long-term post-pandemic growth. While the results found that confidence remained high, there was still a lot of work to be done.

Though retail continues to bounce back, the industry is still experiencing the lasting effects of COVID-19, including significant labor shortages across the sector. Additionally, new challenges around the cost of living and ever-changing customer expectations have arisen within the past year. The retail industry needs to consider how it negotiates these new threats.

Undoubtedly, many retailers will still be suffering from the long-term impacts of the pandemic. In late 2022, SML RFID commissioned a second independent research report, analyzing the current trends and challenges impacting daily retail operations. Surveying more than 500 senior decision-makers from apparel retailers within the US and UK, this report aims to uncover how retailers are traversing the long-term implications and hurdles following the pandemic and beyond.

The Changing Face of the In-Store Experience

During the height of the pandemic, many retailers deemed 'non-essential' had to close their doors and cease all in-store operations. As a result, we saw the majority of retailers heavily invest in their online and omnichannel strategies.

In fact, SML's 2021 report found that almost half of US and UK retailers (42%) said that online home delivery had been their biggest sales channel since the pandemic. Another 22% said that omnichannel solutions such as Buy Online, Pick Up In-Store (BOPIS) and Click & Collect were their main sales channels throughout 2020.

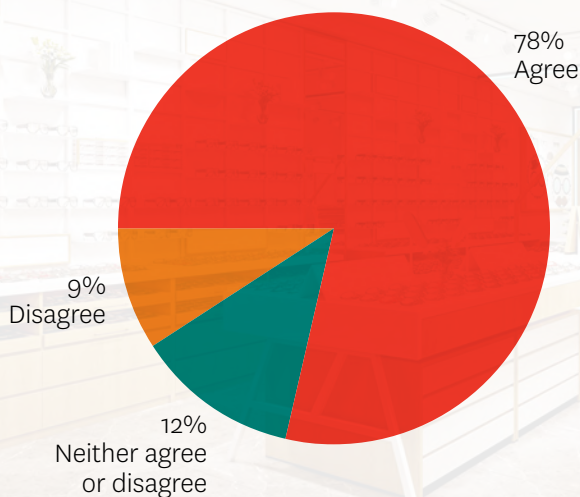
Two years later, while online and omnichannel offerings remain a crucial pillar to most retail operations, physical high streets are thriving again, with many consumers returning in-store. However, with physical restrictions, such as social distancing and in-store occupancy limits, still in place throughout 2021 and 2022, retailers have had to adhere to many shifting guidelines to remain open to the public.



39%

of retailers say that labor shortages and a lack of staff are the most prominent challenges to delivering an in-store experience

Has your strategy for in-store customer experience changed drastically since the COVID-19 pandemic?



Retailers have had to adapt their strategies at breakneck speed to accommodate to changing COVID-19 guidelines and changing customer needs. When asked whether the in-store customer experience has evolved since the pandemic, 78% of US and UK retailers either strongly agreed or agreed that their in-store customer strategy has drastically changed.

When asked about the most significant challenges retailers faced when providing a seamless in-store customer experience, over a third (39%) said that a lack of staff on the shop floor was one of the most prominent challenges. Labor shortages have been a consequential implication for many industries. Still, retail has been one of the hardest hit sectors, with the National Retail Federation stating there were 800,000 job openings within retail in August 2022 alone¹.

¹<https://nrf.com/blog/respect-relationships-and-stability-engaging-workers-takes-more-money>

In addition to retailers feeling the strain from a skeleton workforce, respondents said that the staff they do have spend too much time focusing on mundane tasks, such as taking stock, rather than serving and interacting with customers. 30% of respondents stated this as a critical obstacle to providing a high-quality in-store experience, with a further 29% also claiming that a lack of staff training remains a barrier to delivering this too.

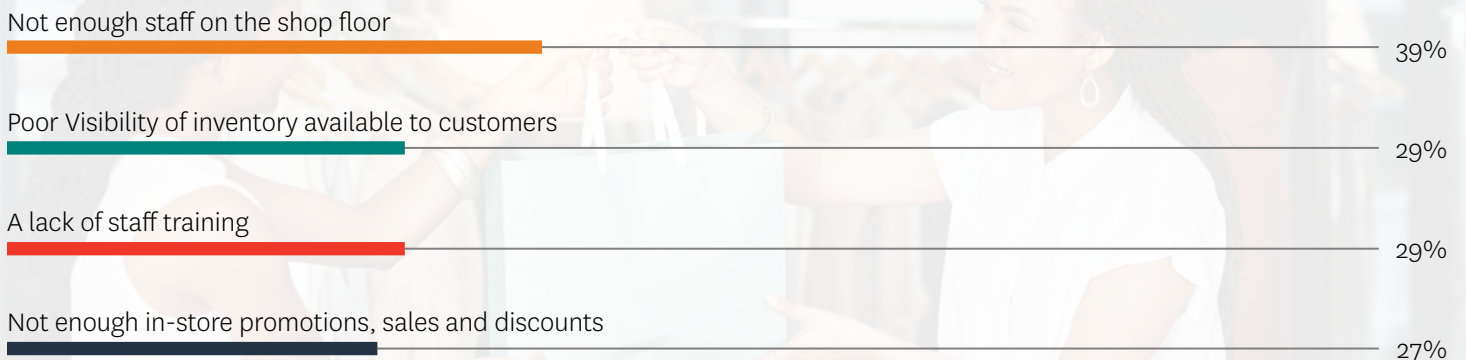
Moreover, 29% of retailers surveyed also said that poor visibility of inventory available to customers was a crucial challenge. Some retailers continue to ask staff to take inventory stock manually, and the industry standard of inventory accuracy currently sits at approximately 65%. This would leave 35% unaccounted for, and can significantly hinder retailers across a number of areas, including stock management, order fulfilment, and general operational efficiency.

With many retailers investing and focusing heavily on their online operations over the past two years, it is not surprising that the human element in delivering high-quality in-store customer experiences has been de-prioritized. Many consumers shop in-store for the social aspect or the ability to test or try products before purchasing. If these customers arrive at a store with no store associates available to assist them, their overall experience is negatively impacted. As more traffic continues to return to bricks and mortar shopping, retailers need to re-align their mindset to understand their customers and their in-store needs better.

While retailers must continue investing in their online offerings, they must also begin investing more in delivering an optimum in-store experience. Almost half (48%) of retailers state that improving the in-store experience is a top priority for them moving forward, with 60% of US retailers seeing technology as having a critical role in facilitating this.



What are your biggest challenges when aiming to provide a seamless customer experience?



Order Fulfilment and the Customer Experience

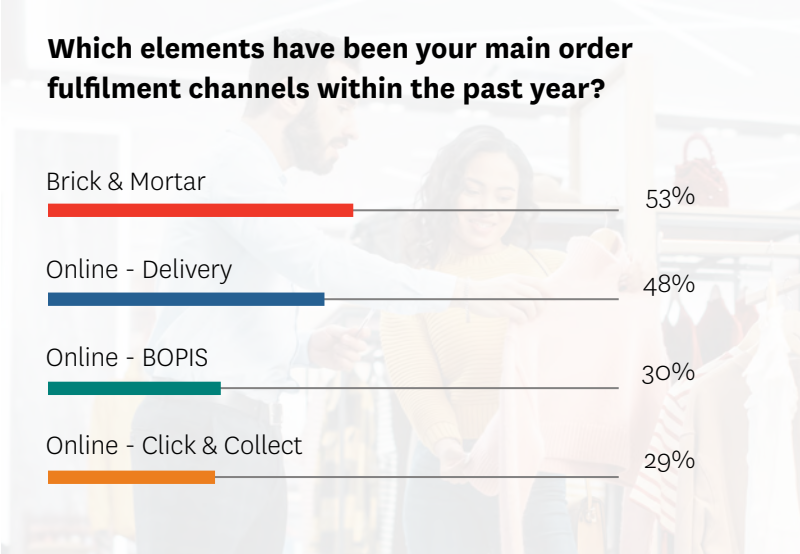
The past two years have had a drastic impact on how businesses have served their customers. Retailers have had to adapt quickly to meet these rapidly changing needs, and as a result, we saw that online sales channels were heavily relied on during the pandemic. However, now that physical stores have had restrictions lifted, and are once again operating at pre-pandemic levels, customers have evidently returned in-store.

More than half (53%) of retailers said that in-store is the main fulfillment channel for them. Yet, home delivery (48%) and BOPIS (30%) still play a significant role in fulfilling customer orders. The retail landscape has been irreversibly altered following the pandemic. The industry needs to understand the importance of having a seamless omnichannel offering that can deliver across all channels, whether physical, online or a hybrid solution.

When asked about their challenges in fulfilling customer orders, almost half (48%) of retailers said that frequently out-of-stock items were significant. 32% of retailers also said a dim view of inventory was an obstacle, and 25% said it takes too long to find items.

For most retailers, the benefits and return on investment when rolling out an omnichannel offering are apparent. As customers are presented with more options that blend across both online and offline sales channels, their entire experience becomes significantly more convenient, leading to increased sales and long-term customer loyalty. However, there are still a number of roadblocks that lie in the way before some businesses can fully optimize omnichannel solutions. When asked what the main challenges were to implementing an omnichannel offering, 34% of respondents said a lack of understanding on how to implement was prominent. Additionally, 29% said they felt there was inadequate technology available, and 23% claimed it takes too long to roll out.

There is an evident need for the retail sector to learn about the range of technologies and solutions available to enable an effective omnichannel. Item-level RFID has been used within the retail industry for decades to manage inventory across physical and online channels better and gain greater visibility of stock. With 23% of respondents stating that poor inventory visibility was a key challenge for them to roll out an omnichannel offering, item-level RFID has the potential to eradicate those issues within a matter of months.



48%
of retailers said that frequently out-of-stock items were the biggest challenge in serving customers





The retail sector has irreversibly changed within the past two years, with the pandemic acting as a fundamental catalyst for this shift. Yet, rather than carry the mindset that the worst is behind them, they need to continue adapting to the evolving landscape. Staff shortages and poor inventory visibility remain consequential effects of the pandemic.

Order fulfilment continues to take an omnichannel approach, but with many retailers still facing fundamental challenges around inventory visibility and a lack of understanding regarding implementation, they may fall at the first hurdle of rolling out this offering. Going forward, there needs to be a greater emphasis on delivering an optimum customer experience, whether this is in-store, online or both. Effectively being able to fulfil orders across multiple channels and address any inventory discrepancies will be key in order for retailers to thrive in this new environment.

Many retailers remain in the dark when it comes to effectively rolling out an omnichannel solution, with multiple respondents citing costs and time to roll out as core barriers. With customer experience continuing to be at the forefront of the industry's mindset and more customers choosing an omnichannel approach to shopping than ever before, retailers simply can not afford to ignore those prominent opportunities to provide more fulfilment options to their customers. This demonstrates the need for industry-wide education on technologies such as item-level RFID and how retailers can utilize the technology to improve their real-time visibility of inventory and enable them to locate items faster.

For more information contact: info@sml-rfid.com

Further Reading

In 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.



SML RFID STATE OF RETAIL INSIGHT REPORT 2022 PART 1

Adapting to a Post-Pandemic Retail Environment

This insight report looks at the sector's current sentiment to growth and the challenges that retailers perceive to be impacting the industry going forward. The report also explores how retailers navigated the pandemic and how they are looking to bounce back. It dives into the avenues that the apparel retail sector will pursue to reach an increasingly shifting consumer base.



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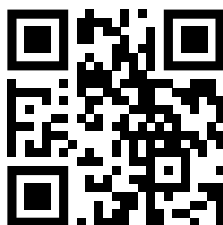
www.sml.com/resources/state-of-retail-insight-report-part-1/



SML RFID STATE OF RETAIL INSIGHT REPORT 2022 PART 2

Helping Customers Prosper Through Technology

This report 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.



Scan the QR code above or go to:

www.sml.com/resources/state-of-retail-insight-report-part-2/



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@SMLRFID



www.sml.com



info@sml.com