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2019 SPECIAL REPORT: The State of Store Technology

STORE TECHNOLOGY KEY FINDINGS

CUSTOMER EXPECTATIONS



96% indicate that ease of checkout and payment are important factors when choosing where to shop

Over **55%** indicate that in-store technology like self-checkout, product locator, inventory lookup, and endless aisle are important factors when choosing where to shop

68% are likely to choose a store offering buy anywhere, ship anywhere service over one that doesn't



RETAILER PLANS

53% are focused on adding additional capabilities to existing POS and **48%** plan to replace their POS within three years to improve the checkout experience

As retailers make decisions on new POS systems, **75%** indicate they plan to have cloud-based POS solutions within three years

94% plan to address holistic customer engagement with the implementation of a single unified commerce platform

Based on findings from BRP's 2019 POS/Customer Engagement Survey and the BRP Consumer Study.

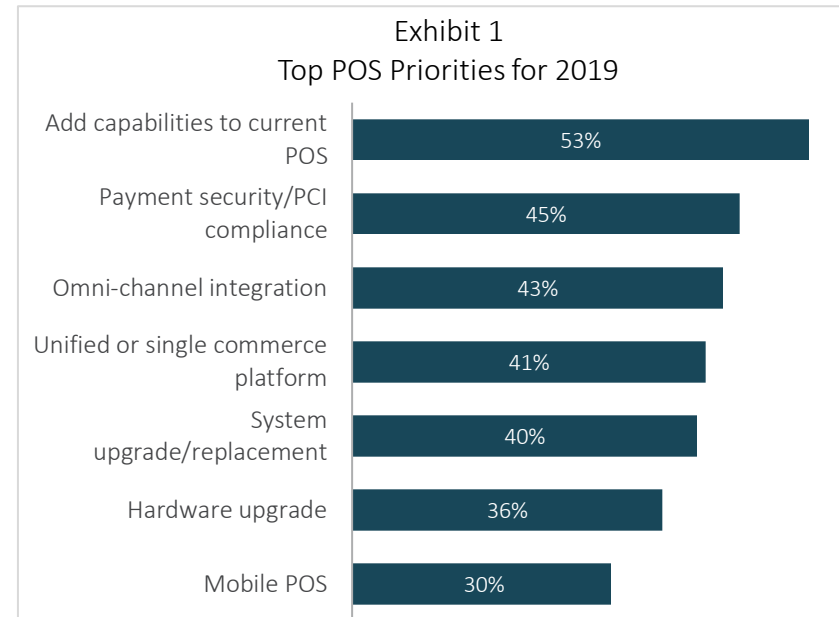
The store still matters

Ever increasing customer expectations, retail transparency and today's anywhere, anytime, anyhow shopping have put the customer experience center stage for most retailers. There is no longer "online only" or "store only," shopping is now the convergence of the digital experience with the physical environment and it requires a new customer engagement model to support it.

The store is still a major part of the customer journey with 79% of consumers indicating they purchase merchandise in a store frequently. With an increased focus on customer engagement and the convergence of physical and digital, the point of sale or commerce platform plays a critical role in shaping the customer shopping experience. The right technology foundation is essential to support the best in-store customer experience and allow it to continue to evolve.

Instead of a simple point of checkout device, the commerce platform needs to serve as the link to customer information, shopping history and purchasing behavior across channels. Unfortunately, many retailers are utilizing old, outdated hardware and software that can't support today's requirements. This leads to associate and customer frustration because of slow transactions, lack of accessible information and potentially, increased theft and fraud. The opportunity is to identify and implement a new holistic commerce platform across channels that addresses these issues and avoids being an obsolete in a year or two.

Retailers' top POS priorities are focused on adding capabilities to their current POS, payment security and omni-channel integration (Exhibit 1).



Since the checkout process in stores is often the most frustrating aspect of a shopping experience, it is important for retailers to ensure that technology is efficient and effective. In fact, in the BRP Consumer Report, 96% of consumers feel that the ease of checkout and payment is an important factor in choosing where they shop.

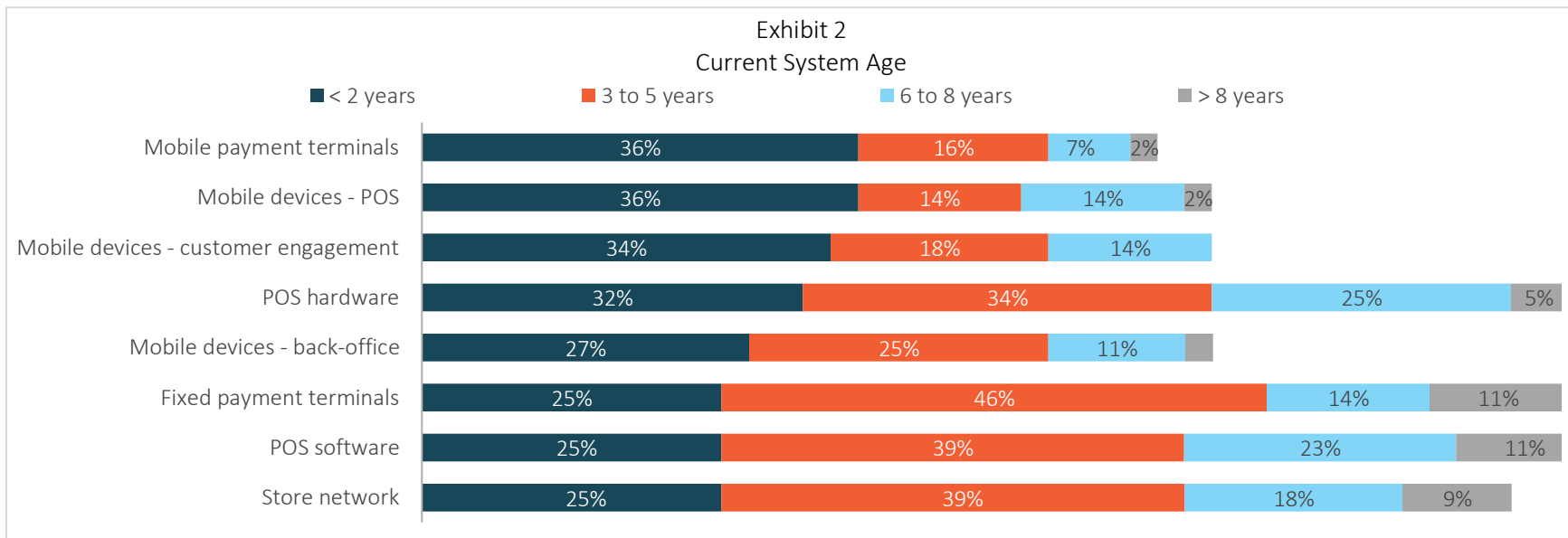
The *SPECIAL REPORT: The State of Store Technology* is based on findings from the BRP Consumer Study and the 2019 POS/Customer Engagement Survey. To download the POS/Customer Engagement Survey visit <https://brpconsulting.com/download/2019-pos-survey/>

The changing technology landscape

The technology necessary to provide a fast and easy sales transaction is critical to keeping customers happy. Mobile technology has changed the store environment by offering the ability for a sales associate to complete a customer purchase on the sales floor at the moment a buying decision is made. Bringing the checkout process to the customer at the moment she makes her purchasing decision (and before she changes her mind – buyer's remorse) also benefits the retailer. Mobile solutions free associates from the checkout area so they can interact with customers anywhere in the store. In today's time-starved society, where everyone wants instant frictionless service, mobile solutions enable retailers to reduce or eliminate lines and provide exceptional service without wasted trips to the back room.

Retailers understand the value of mobile solutions and have been moving towards this as they replace older technology. Retailers are also looking to refresh their hardware with the latest offerings to take advantage of faster processor chips and larger storage needed to efficiently run more advanced software. Over the past few years, many retailers have upgraded or added mobile devices with half the mobile devices less than six years old (Exhibit 2).

Mobile device usage continues to grow, although at a slower rate than projected in prior surveys. It appears to be tied to the trend of retailers replacing a portion of their current POS hardware with mobile devices when they perform a hardware refresh. It is also partially driven by retailers realizing there is a shorter life cycle for mobile devices compared to traditional stationary POS terminals.



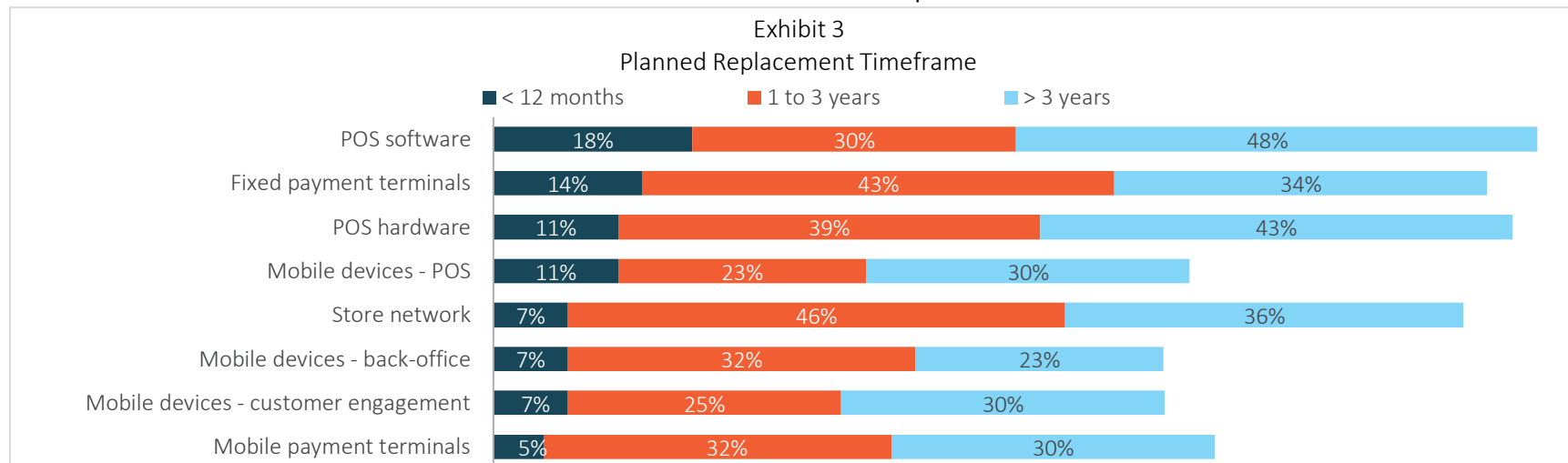
Planned replacement of hardware

Retailers generally realize that POS software should be replaced regularly to take advantage of better, faster and more reliable technology. However, 30% of them continue to operate with POS hardware and software that is at least six years old (Exhibit 2). Budgetary constraints and the complexity of a POS replacement project drive the age up, with 73% of retailers reporting POS software that is more than two years old. There is some movement towards replacement as approximately half of the retailers surveyed are planning to replace their current POS software and hardware within three years.

According to this year's survey, 30% of retailers are planning to keep their current mobile POS devices in use for an additional three or more years. This seems a little unrealistic, considering the speed of technology change and the wear and tear on mobile devices is much greater than on stationary devices (Exhibit 3).

Over the next few years, the point of sale will continue to change as we see an increase in the use of mobile devices as POS and the shift to cloud-based commerce platforms. Today's POS platform options offer retailers the ability to lower the overall cost of ownership by eliminating or minimizing the need for "big iron" (a thick-client cash register) and ability to share peripherals at the store-level, virtually eliminating annual hardware maintenance fees.

For most retailers, mobile solutions have not become a substitute for a traditional fixed station POS. Many retailers continue to use traditional POS stations as their basic POS, adding mobile options and additional PCs or tablets as supplements. While some retailers are opting for a hybrid mobile POS approach where a tablet-based POS can be docked and used as a fixed POS and undocked for use as a POS on the sales floor. The transition from fixed station POS to a hybrid environment and more mobile solutions is underway but it is a slow process.

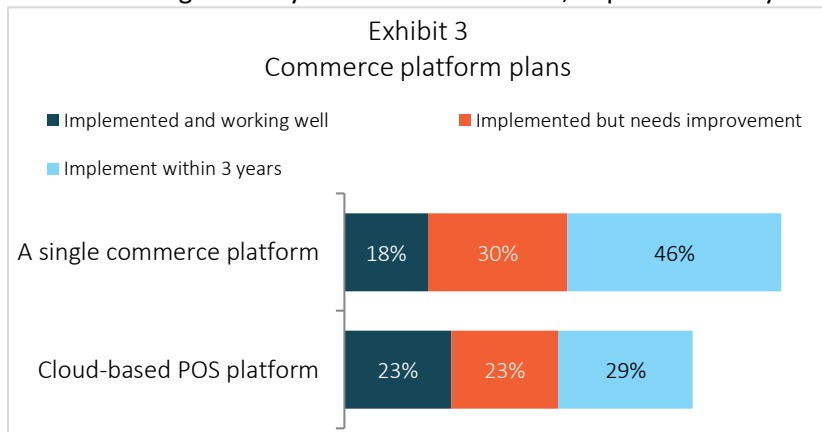


The future of store technology

The POS technology shift will continue as retailers turn to a common unified platform to deliver a consistent and relevant shopping experience across channels. A single commerce platform centralizes data storage and application integration and allows easier real-time access to information across the ecosystem (stores, distribution centers, suppliers, etc.).

As retailers and solution providers continue down the path to unified commerce with 94% planning to implement a single commerce platform within three years, more and more capabilities are being centralized or offered as cloud-based services (Exhibit 3). Retailers embrace this move to the cloud as it is key to enabling real-time capabilities and creates a scalable and agile platform that supports evolving business needs.

Leveraging cloud computing and IT outsourcing makes a lot of sense for many retailers. IT is not a core competency or differentiator for most retailers — it is just a necessity. A cloud approach enables retailers to significantly reduce infrastructure, improve security and

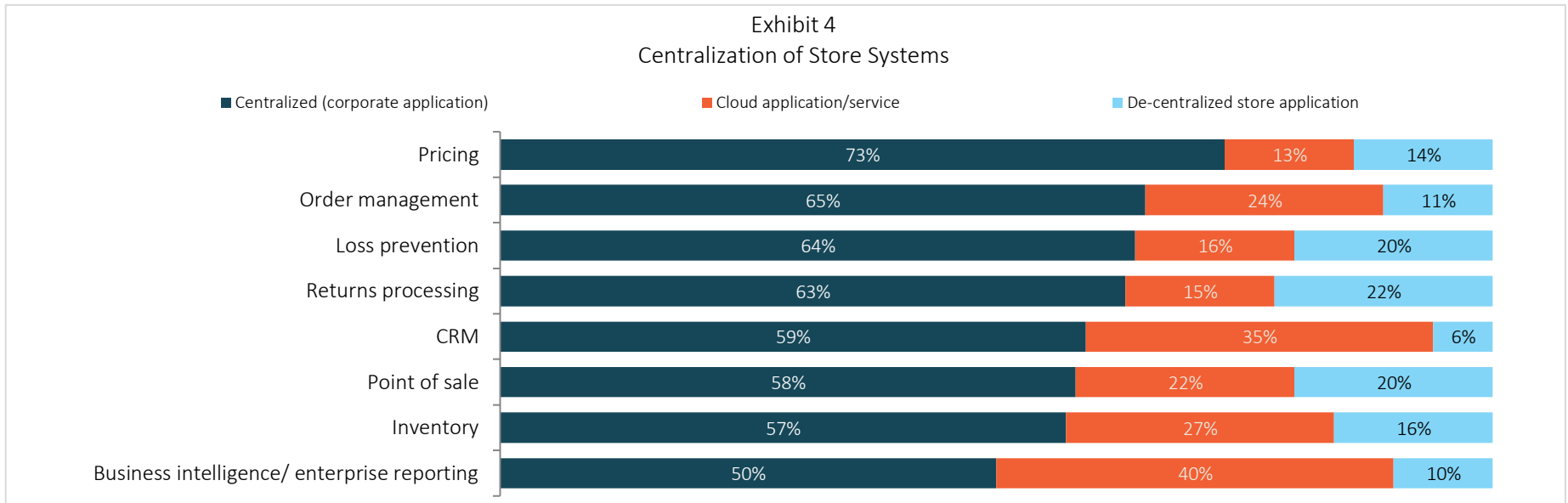


increase operational effectiveness by centralizing management of data and processes.

Further bolstering the move to the cloud is the availability of much more sophisticated network technology, such as SD-WAN. With today's network technology, retailers can truly achieve 100% uptime – removing the last perceived hurdle in moving towards cloud-based commerce solutions and moving away from the decentralized store environment that has been the foundation of the traditional retail model for decades.

The network is a critical element of the technology platform – providing availability, security and reliability. Today's networks are robust, fast, reliable and resilient, which is key to supporting a cloud-based common commerce platform across channels.

Many retailers have made the shift to the cloud over the past few years as a means of centralizing their store systems, although we are still seeing some retailers hesitate which may prove to be their downfall as the shift to the cloud enables an agility necessary in today's environment (Exhibit 4). Today, CRM, inventory and business intelligence (BI) applications are the most common cloud-based applications for retailers; however, we expect to see other applications move to the cloud in the next few years.



Many of the retailers surveyed are also exploring cloud-based POS platforms with 75% of retailers planning to have one implemented within three years (Exhibit 3). For many retailers, the future of store technology lies in the cloud.

About BRP

BRP is an innovative retail management consulting firm dedicated to providing superior service and enduring value to our clients. BRP combines its consultants' deep retail business knowledge and cross-functional capabilities to deliver superior design and implementation of strategy, technology, and process solutions. The firm's unique combination of industry focus, knowledge-based approach, and rapid, end-to-end solution deployment helps clients to achieve their business potential.

BRP's consulting services include:

Strategy
Point of Sale (POS)
CRM
Order Management
Supply Chain

Business Intelligence
Mobile POS
Unified Commerce
E-Commerce
Networks

Business Process Optimization
Payment Security
Customer Experience & Engagement
Merchandise Management
Private Equity

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