

The 2012 Self-Service Hand-Book

The Empowered Consumer

January 2012

Deena Amato-McCoy

January 2012

The 2012 Self-Service Hand-Book: The Empowered Consumer

Self-service is gaining more attention in retail than ever before, especially as consumer adoption of digital technologies continues to grow. While the technology historically was of interest as a way to augment marketing programs and control labor costs, self-service has morphed into a mission-critical business operation for retailers that are eager to connect with shoppers and improve the customer experience through “empowerment.”

Data from Aberdeen's March 2010 *High-Performance Self-Service in Retail: Integrating and Expanding the Customer Service Framework* research report indicated that 42% of Best-in-Class retailers (defined as the top 20% of aggregate performers in year-over-year changes in self-service revenue and operating profit, as well as current customer satisfaction score) added self-service product and service information options to help shoppers make an educated purchase decision. Indeed, digital self-service solutions are prerequisites for companies pursuing customer engagement and empowerment to drive sales and shopper loyalty.

Retailers of all sizes, and across all segments, are evaluating how to leverage these digital solutions and expand their self-service programs. While large and mid-size companies tend to have the capital and IT resources needed to support a self-service strategy, smaller retailers are learning to leverage the technology to level the playing field, or in some cases, beat their larger competitors in the retailing game. Aberdeen surveyed 57 retailers to benchmark current pain points and strategies that are shaping the use of self-service business processes and technologies among both retail categories: Small, and Mid-size and Large retail.

Self-Service and Consumer: The Digital Age

The proliferation of ATMs and self-service fueling stations more than 30 years ago paved the way for retailers' initial self-service opportunities. Early versions of in-store kiosks, self-checkout, and price checker stations were early projects, and solutions often had large hardware footprints and proprietary software. Besides being difficult to use, a lack of integration and workflow with other store systems often caused consumers (and at times, store managers) to ignore the devices.

Store operations workflow refers to the detailed coordination of all store operations-related tasks and customer-focused activity for consistent store results, such as reduction in merchandise out-of-stocks and shrink, on budget labor cost to sales, and increased comp sales and margin. When solutions fail to execute workflow, transactions are lost, which impedes the

Analyst Insight

Aberdeen's Insights provide the analyst's perspective of the research as drawn from an aggregated view of the research surveys, interviews, and data analysis

Company Size Definition

Mid-size & Large (annual revenues above US \$50 million) (n=30)

Small (annual revenues of \$50 million or less) (n=27)

Demographics

Of the 57 responding retail organizations, demographics include the following:

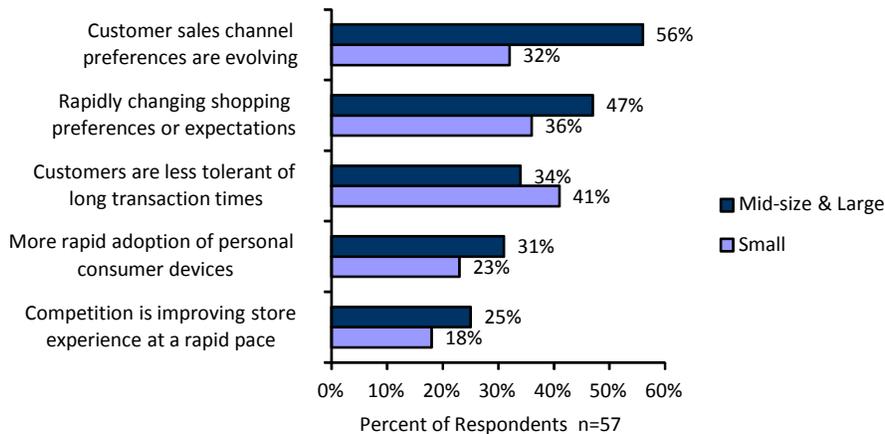
- ✓ *Job title:* C-level (20%); EVP / SVP / VP (20%); Director (27%); Manager (15%); other (18%)
- ✓ *Department / function:* Sales and Marketing (22%); Corporate Management (21%); IT (19%); Supply Chain / Logistics (17%); other (20%)
- ✓ *Geography:* North America (57%); APAC region (23%) and EMEA (20%)

consumer's shopping experience. According to data from Aberdeen's March 2011 *The Customer Connected Store: 2011 Store Operations Automation Best Practices* report, the top strategy for nearly half (44%) of retailers upgrading store operations workflow in response to customers' disruptive wants, needs, habits, and desires.

However, retailers are facing new pressures as well. The Great Recession has led to less consumer discretionary income and new shifts in consumer buying behavior, prompting shoppers to find new ways to add value to their shopping trips. For many, this includes relying on personal technology, including the Web and digital consumer devices (such as smart phones and tablets) to enhance their shopping experiences. These factors are all changing the way consumers expect to shop with their favorite retailers.

According to overall survey respondents, evolving customer sales channel preferences (46%) and rapidly changing customer preferences or expectations (43%) are the top pressures pushing retailers to add self-service strategies (Figure 1). However, both of these factors are more intense for Mid-size and Large retailers.

Figure 1: Top Business Pressures



Source: Aberdeen Group, December 2011

Fifty-six percent (56%) of mid and large retailers indicate that evolving sales channel preferences or multi-channel preferences are a top-two pressure, compared to 32% of small retailers. This is a reflection of changing customer demographics, which impact Mid-size and Large retailers at a much higher level compared to Small retailers. These changing customer demographics across channels are reflected in the pressure most commonly indicated by Mid-size and Large retailers; rapidly changing shopping expectations. Shopping expectations are more digitized and price-driven than ever before due largely to the current economic recession as well as advances in online and mobile technology. Aberdeen data also indicates that 41% of Small retailers feel pressure from customers who are less tolerant of long

transaction times, vs. 34% of Mid-size and Large retailers. The store-level process and technology workflow challenge for smaller retailers often stems from the struggle to compete financially with larger retailers' IT resources (budget and staff) especially when it comes to consistently upgrading of customer sales and service touch points.

Overcoming the Obstacles

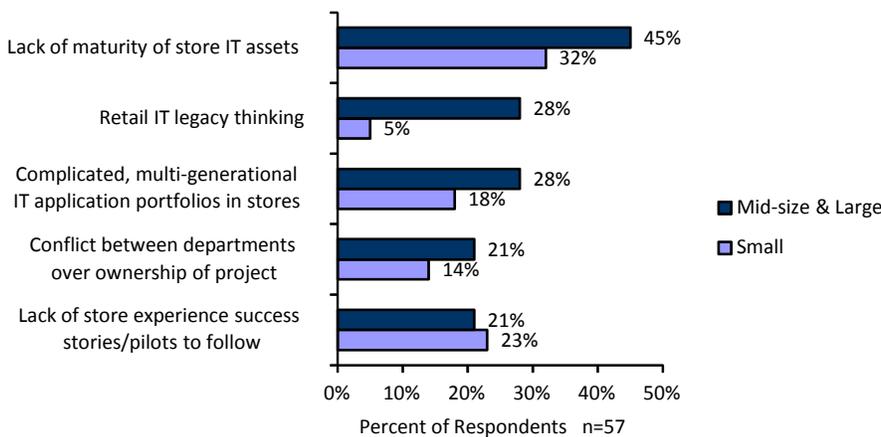
While all retailers complain that a lack of mature store IT assets (39%), a legacy IT mindset (28%), and complicated, multi-generational IT application portfolios (28%) continue to be top challenges impeding their self-service plans, Small retailers still seem to have a leg up on their larger competitors.

Rapid expansion, acquisitions, and the complexity of managing multiple operating banners are often blamed for the stagnation of IT assets, which affects 45% of Mid-size and Large retailers. While smaller retailers don't expand at the same rate, 32% of Small retailers also feel this pain.

"We provide a way for shoppers to self-educate themselves about merchandise, special features, even compare devices using touch screen technology".

~Gerald Buchko,
Vice President,
Sales and Marketing,
Jump.ca
(Canada-based telecommunications retailer)

Figure 2: Top Challenges



Source: Aberdeen Group, December 2011

The second top challenge facing more than one-quarter (28%) of Mid-size and Large retailers is legacy IT thinking, faced by only 5% of Small retailers. Legacy IT poses a challenge for mid and large retailers due to dated IT portfolios, especially in the stores, Data from Aberdeen's March 2011 [The Customer Connected Store: 2011 Store Operations Automation Best Practices](#) report shows that 60% of POS systems in the stores are of legacy nature, and 55% of the legacy POS systems belong to Mid-size and Large retailers. Legacy systems breed fewer customer upgrades and slower transaction times.

Disparate, multi-generational IT application portfolios are another challenge for larger retailers, especially as they expand their breadth in the marketplace. While 28% of Mid-size and Large retailers feel this fallout, only 18% of smaller retailers suffer the same fate. Once retailers move to more

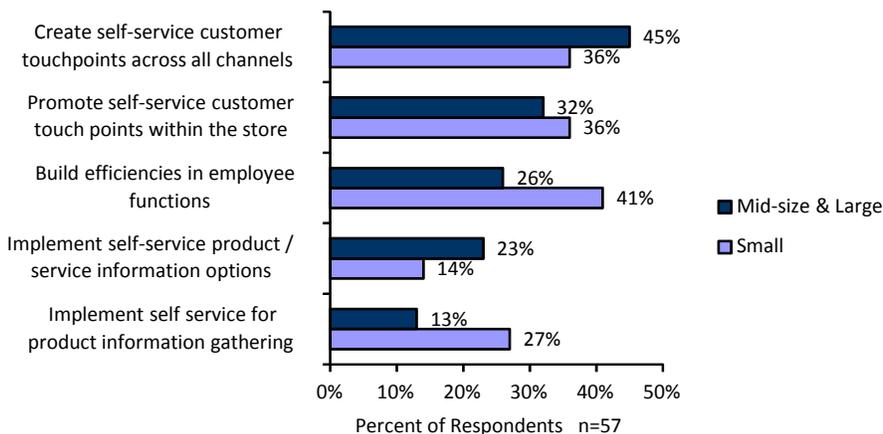
open platforms, they can integrate store-level solutions and user-interfaces with back-end operating systems.

Leveling the Playing Field: Smaller Retailers are Placing Importance on Self-Service Adoption

As a result of the evolution on sales channel preferences of consumers, the top strategic action according to 45% of Mid-size and Large retailers is creation of self-service customer touchpoints across all channels; only 36% of Small retailers identified this as a key strategy (see Figure 3).

Mid-size and Large retailers are using self-service as a weapon in their battle to grab market share from competitors. The use of self-service supports service agility in larger footprint stores, as well channels such as e-commerce and call centers. At the end of the day, adoption of innovative self-service solutions will differentiate a company in the concentrated and competitive Mid-size and Large retail marketplace.

Figure 3: Top Strategic Actions



Source: Aberdeen Group, December 2011

Using their agility to their advantage when deploying new solutions, 36% of smaller companies successfully promote self-service customer touch points throughout the store to keep shoppers engaged throughout the shopping trip. Their efforts edged out those of larger competitors (32%).

The last of the top three strategic actions relates to providing more informed customer-facing associates on the front line. Smaller retailers are combining self-service capabilities with assisted service (employee help) enterprise-wide. Data reveals that 41% of Small retailers are building efficiencies in employee functions, from assistance with looking up product information, inventory availability, and even self-checkout, to enhance the self-service experience on the sales floor. (This overshadows their larger counterparts, only 26% of which are making the same commitment.)

Small companies also want to continue communicating with shoppers before, during and after the shopping experience. Currently 27% of all retailers have 24 / 7 access to customer service via IVR or Web-based services accessible via store or personal communications devices. Another 23% of companies, including Small retailers, will implement this service within 12 months.

This integrated approach is the first step to building efficiency in the adoption of self-service. However, successful retailers demonstrate more comprehensive and practical approaches that enable customer-facing and non-customer-facing efficiencies in self-service. This process involves a combination of process, organization, knowledge, and performance capabilities (Table 1).

Top Self-Service Capabilities

Sixty-Six percent (66%) of Mid-size and Large retailers and 42% of Small retailers plan to integrate solutions and have their store operations and IT teams collaborate to provide seamless use of personal self-service store solutions (see table 1). Meanwhile, 60% of Small and 54% of Mid-size and Large retailers are also planning for more collaboration between their store operations and IT teams as they create a plan for secure, seamless usage of store-level self-service solutions. For both groups of retailers, self-service systems inter-operability via collaboration between store operations and IT is critical to overall self-service success.

Smaller retailers are also keeping up with larger competitors as they strive to deliver value to shoppers. Knowing that they need to deliver value by analyzing self-service usage and demand, 47% of smaller retailers plan to capture real-time self-service device use, compared to 54% of their larger counterparts. Similarly, 55% of Small retailers compared to 52% of Mid-size and Large retailers plan to collect and store self-service systems data in a centralized manner -- a process that will streamline their analytics and operational delivery strategies.

“Self-service tools such as digital signage definitely influences sales, bringing a lift of up to 60% due to the type and timing of in-store messaging, ”

~Donna Yuen,
Senior Marketing Manager
Mac’s Convenience Stores

Table 1: Top Planned Self-Service Capabilities

Data Summary	Small	Mid-size & Large
Ability to collaborate between store operations, and IT, for secure and seamless use of self-service store systems	60%	54%
Ability to collect and store self-service systems data in a centralized manner	55%	52%
Capture, in real-time, self-service device usage within the store	47%	54%
Ability to provide self-service payment capabilities for customers	45%	57%

Data Summary	Small	Mid-size & Large
Ability to integrate solutions and collaborate between store operations, and IT, for secure and seamless use of personal self-service store systems	42%	66%

Source: Aberdeen Group, December 2011

Self-Service Enablers

Mid-size and Large retailers may be one step ahead of Small retailers in their adoption of self-service solutions, including kiosks (36% vs. 21%), but smaller retailers' intentions and commitment are high. Eager to engage the customer at every step of the shopping experience, Small retailers are striving to create a balanced service model by offering various touch points. Table 2 shows that 53% of Small retailers plan to add self-service kiosks for web ordering and inventory look-up, compared to 45% of Mid-size and Large retailers. Similarly, 48% of Small retailers plan to deploy these devices to deliver guided selling and product recommendations vs. 43% of Mid-size and Large retailers. This shows that self-service kiosks have a direct impact on the quality of sales and service in stores.

Self-checkout also appears a high priority for Small retailers. According to Aberdeen's data, only 5% of Small retailers currently utilize this technology (as opposed to 25% of mid and large retailers), however, 39% of Small retailers plan to offer the service, compared to 35% of their larger counterparts. Self-checkout has become a priority as the technology evolves. Configurations -- and price tags -- continue to shrink, while functionality expands. New software offers more intuitive GUI screens, as well as multiple language options, enabling retailers to expand their user base.

These units have also become more interactive, to the point where cashier assistance is unnecessary for many tasks, including weighing fresh merchandise, applying loyalty accounts, redeeming paper-based and electronic coupons, and requesting cash back. Convertible units also give consumers and retailers the best of both worlds, allowing shoppers to make a decision as to whether they want an assisted or self-driven checkout experience once they get to the cash wrap.

Finally, digital signage has moved beyond its static electronic billboard roots to become an interactive communications tool. Moving video messages capture shoppers' attention, and often prompt shoppers into impulse purchases. Add in the power of localization, and targeting messages to specific audiences, and digital signage can be a key element in driving incremental sales. Sixty-five percent (65%) of retailers are grappling with legacy digital signage systems that still deliver PC-based content, product information, single-dimensional graphics, and other streaming content. However, 37% of retailers plan to use interactive and real-time digital signage for in-store messaging within the next 24 months.

Table 2: Top Planned Self-Service Enablers

	Small	Mid-size & Large
Self-service kiosks for web ordering and inventory look-up	53%	45%
Self-service kiosks for guided selling/expert product advice	48%	43%
Self-service mobile (cell phone) top up	40%	37%
Self-service checkout application	39%	35%
Self-service kiosks for bill payment	38%	44%

Source: Aberdeen Group, December 2011

Case in Point

Jump.ca is one example of how these capabilities can enhance a self-service program. For 20 years, the Canada-based 17-store chain has been dedicated to providing world class wireless and Internet services to the Saskatchewan region, and has grown into the largest locally-owned SaskTel authorized dealer.

The telecommunications retailing industry is complex, due to the intricate sales process, and the breadth of merchandise, accessories, features, rate plans and add-ons that complicate closing a sale. The company launched its kiosk program in the mid-1990s to educate shoppers on its product portfolio, and compete with larger, well-recognized retailers. While the idea was successful, the technology wasn't the best fit for Jump.ca's concept store, which debuted in January 2010. The store, which featured the hottest telecommunications merchandise, "attracted lots of traffic, but we needed a better way to engage the shopper," said Gerald Buchko, vice president of sales and marketing for Jump.ca.

With the help of a best-of-breed self-service solution provider, Jump.ca morphed its kiosk strategy into an interactive retailing concept that merges information delivered over the Web, kiosks and digital signage. "We provide a way for shoppers to self-educate themselves about merchandise, special features, even compare devices using touch screen technology," Buchko said. "We want to stay ahead of our competition and still be a valuable resource to our consumers. Our Interactive Retail solution helps us achieve both."

The solution is a cloud-based suite that provides data management; schedules a playlist of content comprised of store-level merchandise and its attributes, and delivers content to media players. The solution also features a business intelligence component that allows Jump.ca to monitor trends, browsing patterns, success of promotions, and conversion rates. The retail management system integrates into the suite, and delivers core functions including point-of-sale, customer relationship management, advanced analytics, and marketing solutions.

Since adding the technology in February 2011, Jump.ca has decreased walk-outs (i.e., customers disengaging during the sales process) by 6%, and shoppers who engage with the interactive touch screens typically spend 20% more than those who did not. Two stores currently use the technology, and produce approximately 15% more income than stores without the self-service model. As a result, the chain plans to adopt interactive digital signage across all 17 locations.

Merging Mobile

There is no denying that mobile is one of the biggest drivers spurring the self-service movement at store-level. According to Aberdeen's [*Mobile and Tablet Shopping Demystified: Adoption and the ROI Business Case*](#) research report (September 2011), 23% of retailers currently allocate resources to a mobile channel, and 45% plan to do the same in the next 12 months.

More shoppers are doing their homework on laptops and mobile solutions before setting foot in a store. When they do enter the store, they are often armed with a smart phone or tablet computer, and are ready to compare prices, read customer product reviews, even share details with friends and family on social networks -- all through their mobile device. They are merging the online and offline shopping experience through their mobile device, and they expect a seamless experience whether they are in the store, shopping at home, or shopping a mobile-optimized site while standing at their favorite retailer's POS station.

While only 16% of retailers indicate they currently integrate web and mobile interactions to create a seamless cross-channel shopping experience, the growing "mobility" and access to information among consumers is driving large-scale change among retailers. In fact, 57% of retailers indicate plans to follow suit with this integration within 12 months. As a result, these decisions are improving the customer experience, building loyalty, and increasing transaction size among users.

Case in Point

Realizing the impact of mobile technology on the self-service landscape, Mac's Convenience Stores, a division of Alimentation Couche-Tard Inc., is using mobility to enhance its commitment to digital signage. In an industry where basket sizes are critical, Mac's uses its digital signage program to engage with shoppers and drive stronger sales volume. The chain's 1,400 stores each support an average of four screens: a 32-inch screen is positioned behind the checkout counter; up to two more are found by beverage coolers, and a 17-inch screen is located at the POS. One half of this screen displays the order as it is rung up, while the other half delivers advertising messages during the checkout transaction.

"It definitely influences sales, bringing a lift of up to 60%," says Donna Yuen, senior marketing manager for Mac's. "The amount of lift depends on the purpose of the message. Some messages are about building brand awareness and do not translate into an immediate increase in sales, while others are

focused on a specific promotion or on encouraging cross-merchandise purchases.”

Couche-Tard is also testing a software-as-a-service solution that uses Bluetooth technology to detect shoppers’ smart phones up to 300 feet away from digital signage. When the phone is identified, the software sends the user a personalized message, and an option to accept or decline the offer. The technology allows the retailer to monitor the interaction location, day, time and action taken.

Besides allowing retailers to understand the redemption rates and effectiveness of promotions, this data allows the retailer to build a profile of individual shoppers and their preferences. Messages delivered by the software, which was integrated in at least one sign across select stores in February, reach an average of up to 2,000 consumer smart phones each day, she said, adding, "it is an important tool in our arsenal that, in conjunction with other efforts, will lead to better sales."

Key Takeaways

While more Small retailers are considering how to implement a self-service strategy to compete in such a competitive, saturated marketplace, the following recommendations apply to all industry segments contemplating self-service business strategies, core capabilities, and technology improvements in 2012 and beyond:

- **Adopt a balanced service strategy.** To address declining customer satisfaction due to long transaction times, human errors, and a lack of opportunity to integrate customers' personal technology into the shopping experience, all companies must transition the most critical service functions such as product information, search, order, and pay functions toward partial or full self service automation. Companies can start their automation process at field locations that are most affected by customer inefficiencies. Evaluate specific service touch points such as orders, delivery, shipping, and check-out for partial or full automation. Consider the value proposition of digital signage applications, self-service kiosks, mobile handhelds, self-checkout, and clienteling. Determine whether each tool fits into your company’s marketing, merchandising, and operational objectives in phase I of the automation.
- **Integrate employee-assisted self-service solutions.** While retailers continue to expand self-service customer touch points within the store, they should not forget to integrate efficiencies for employee functions. Currently, 41% of Small retailers are building out these functions at store level, compared to 26% of their Mid-size and Large competitors. This task could be as simple as integrating access to inventory software, or connecting to the company's ecommerce site to promote a cross-channel experience

via kiosk, point-of-sale or mobile POS, with the assistance of a sales associate.

- **Establish ownership of the program.** Too often new technology projects fail due to blurred ownership. While this problem affects 18% of all retailers, 14% of Small retailers report that there is a strong internal conflict of which department (IT, marketing, etc.) should "own" the project, compared to 21% of Mid-size and Large retailers. Create job roles around self-service and customer experience, and establish the roles marketing, IT, and operations will play. Once responsibilities are established, ensure there is weekly collaboration between the groups to stay apprised of how technology and applications perform, how well data is delivered, and how often the solutions are used.
- **Track results regularly.** In addition to monitoring hardware and software performance, retailers also must understand the impact of self-service on their overall business model, as well as revenue. Transactions are on the rise, as all retailers report just over 12% of sales move through self-service solutions. Once a benchmark exists, retailers will understand where they are exceeding expectations or losing ground. This also helps chains improve engagement and the overall customer-driven experience.

Conclusion

Self-service systems like kiosks, digital signage, mobile shopping, and self-checkout combine myriad applications, including, but not limited to, product search, content management, digital asset management, automated data capture, web access, loyalty processing, order automation, and payment processing.

As a result, the availability of these solutions improves the customer experience, as retailers are eager to use self-service solutions to build loyalty, increase transaction size among users. As prices come down, and consumers continue to use personal communications devices at stores during the shopping experience, smaller retailers have a valid way to approach and successfully adopt a self-service strategy.

Once retailers, Small, Mid-size, and Large, can adopt more mature store IT assets, move away from legacy IT, and trade complex, multi-generational IT application portfolios for more open systems, they can integrate store-level solutions and user-interfaces with back-end operating systems. The end result will be a fully operational, scalable self-service platform that can empower shoppers and create lasting loyalty.

Customer engagement is not simply the beginning of the shopping experience; retailers must remain constantly engaged with customers to maintain the brand-consumer relationship. As retailers add more touch points at store-level to connect with their customers, they will remain engaged with shoppers, and become shoppers' main retailing choice.

For more information on this or other research topics, please visit
www.aberdeen.com

Related Research

[*The Customer Connected Store: 2011 Store Operations Automation Best Practices*](#); March 2011

[*High-Performance Self-Service in Retail: Integrating and Expanding the Customer Service Framework*](#); March 2010

[*Mobile and Tablet Shopping Demystified: Adoption and the ROI Business Case*](#); September 2011

[*Customer Centric-Retailing 101: Customer Intelligence and Engagement Strategies*](#); October 2011

Author: Deena M. Amato-McCoy, Research Analyst, Retail, Deena.Amato-McCoy@aberdeen.com

For more than two decades, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.5 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

As a Harte-Hanks Company, Aberdeen's research provides insight and analysis to the Harte-Hanks community of local, regional, national and international marketing executives. Combined, we help our customers leverage the power of insight to deliver innovative multichannel marketing programs that drive business-changing results. For additional information, visit Aberdeen <http://www.aberdeen.com> or call (617) 854-5200, or to learn more about Harte-Hanks, call (800) 456-9748 or go to <http://www.harte-hanks.com>.

This document is the result of primary research performed by Aberdeen Group. Aberdeen Group's methodologies provide for objective fact-based research and represent the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group, Inc. and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group, Inc. (2011a)