Retail 2D

Honeywell Scanning & Mobility
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Executive Summary

Today, retailers face a new connected customer that expects a seamless and customized shopping experience across different channels, from websites to mobile applications to in-store. This new technology-empowered shopper uses the Internet and a smartphone to search, compare, evaluate, and buy products and services, and most importantly, to engage and interact with retailers in order to get tailored offers.

To meet their customers' expectations, leading retailers are investing in new technologies and tools to capture and analyze customer behavior and align their offering with customer demands, especially in stores, where customers still make most of their shopping decisions. In-store staff needs to be empowered with new mobile solutions which improve their productivity, while helping them connect with their customers and provide personalized service.

Thanks to these new tools, retailers can capture, connect and embed the two critical dimensions of today's retail strategy in their processes: customer insight and product information. This is what we in Honeywell call Retail 2D.

Retail Challenges With A Product-Focused Strategy

The current retail model is being challenged. It is a system based mainly on one dimension: the product.

According to this model, products are manufactured, distributed and sold to consumers who buy what they find on the shelves at local retail stores, stimulated by traditional promotional activities communicated using mass marketing media. It is a linear, push-based process, centered on the one dimensional (1D) EAN/UPC bar code. Over the last 40 years, the standard adoption of the EAN code by the industry has played a key role in the huge improvements achieved by retailers in their supply chain optimization. Still, retailers today lose billions of Euros due to two main issues:

- Excess stock of unsolicited merchandise which leads to increased discounting and lower margins;

- Stock outs on requested merchandise which leads to reduced sales and market basket size;

Over-discounting and empty shelves are the main consequences of a retail model focused on products, where sales forecasts are based on past sales results, rather than on what consumers expect to find in their favorite stores.

The New Connected Shopper

In today's retail operations, the gap between a product-based model and one based on consumer expectations is even more relevant when we look at the staggering adoption rate of new mobile technologies that make consumers more informed and empowered in the purchasing process. In fact, the use of the Internet, along with the availability of new and more powerful mobile devices that can be used to connect to the web anytime,

anywhere, is reshaping consumer buying behavior. The new connected consumer can now go online to research a product's features, find out about product promotions and compare prices. They use the Internet and mobile technology, inside and outside the store, to interact with other consumers and friends, check references, validate their buying options, share their shopping experience and write reviews about a retailer or a product/service using their favorite social networking tool. Although most purchase decisions are still influenced and finalized in the store, the new connected shopper is expecting to be recognized and empowered in store with technologies offering the same interactive and seamless experience available online or on a smartphone application, with the further benefit of a direct and personal shopping experience.

The Store Is Still The #1 Channel

According to research from the IBM Institute for Business Value, almost nine out of ten retail transactions worldwide still take place in a store, which is also the second source for product awareness and the third source for product research. The Internet and mobile technology is empowering consumers to search for what they need, as well as where to buy it and at what price; however, most consumers still prefer to complete purchase transactions in a store for the following reasons:

- Immediate satisfaction: shoppers get a sense of satisfaction from their shopping when they are directly involved in the selection process and take the merchandise home with them

- 'The market inside': consumers can see, try, touch, listen and taste their favorite product, as they've done for centuries

- Personal: shoppers are emotionally involved and can get personal support and advice from store associates

However, retailers need to change to meet to the expectations of connected customers for a seamless shopping experience across the various selling channels (e.g., Internet, mobile, and in store). Retailers using the in-store operations model need to adapt their processes

to a customer-centric model where product assortment, pricing and promotion are aligned to customer demand. A key role will be played by store associates who need to be empowered with new tools and technologies that help them recognize, engage and interact with shoppers in order to offer a tailored experience and enhanced customer service. The reward is a loyal customer who may spend up to 30% more at each in-store transaction.

Know The Shopper's Expectations

In order to adapt the customer experience offered in store and meet the expectations of the new technology-empowered customer, retailers need to capture and embed insight on customer behavior in their processes, and dynamically align their offering with what customers value the most. Customer insight is therefore the second dimension to be captured in order to improve retail operations productivity, where product assortment, product pricing and product promotion strategies are all tailored to match customer behavior and expectations. Product information and customer insight are the two dimensions which need to be captured by scanning and mobility solutions in order to be ready for what we call Retail 2D.

In order to succeed in Retail 2D, it is no longer enough to capture and master product data and product information. Companies are investing in advanced technologies and solutions which enable them to capture and analyze their customers' insight, demographic attributes, personal preferences and expectations. In this new scenario, the store is becoming a mini-data center without the IT staff where automatic identification solutions capture, connect and mine information about products and customers. The role of store associates is changing from being task directed and sales focused

to customer centric and service focused. It is no longer about getting the shelves full with the products retailers want to sell based on last quarter's results, but it is more about understanding what customers expect and how to meet these demands with a tailored offer and an enhanced shopping experience.

Empower The Staff, Engage And Interact

Today, retail workers use tools that allow them to quickly and accurately carry out routine tasks, manage inventory and move customers quickly through the check-out process. However, to serve and meet the expectations of the new informed and connected shopper, retailers need to empower their employees with innovative productivity tools that can transform store employees from simple task workers into veritable knowledge workers equipped to provide a new level of service and information. Retailers need tools and technologies that allow store associates to:

- Engage with their customers: staff gets mobile access to real-time information about product features, stock availability, pricing and promotion at the point of decision, guiding the customer buying decision and increasing the average market basket size

- Interact at every opportunity: staff uses new tools to serve customers with relevant knowledge and services tailored to their shopping preferences (e.g., redeem 2D mobile coupons or e-gift cards to get quick discounts, offer mobile point-of-sale (POS) options to minimize checkout time, and scan 2D bar codes from electronic loyalty cards on shoppers' smartphones to get new tailored offers)

Additionally, the interaction between retailer workers

and shoppers is becoming more effective, thanks to the massive adoption of electronic 2D bar codes, known as mobile bar codes, in mobile marketing applications. Mobile bar codes are being used by retailers to replace paper coupons, gift cards, loyalty cards and money, just to name a few applications. They can be received and stored on the shopper's mobile phone to be used and redeemed when needed. The personalization and portability of 2D bar codes allow retailers to get higher redemption rates in their mobile marketing campaigns. According to Juniper Research, the redemption rate for mobile coupons is 5%, compared to an average of 1% for paper-based couponing. Mobile bar codes are the symbol of the new Retail 2D and will help retailers adapt to the challenges posed by the new connected customer.

How Honeywell Can Help

Honeywell Scanning & Mobility offers a comprehensive range of cutting-edge linear, bioptic and area-imaging scanners, as well as mobile computing solutions which help retailers:

- Capture product data and customer behavior to align their offering to meet customer demands

- Empower store associates to engage and interact with shoppers to drive more productive store operations, increased service levels and an enhanced customer experience

Honeywell is setting the standard in Retail 2D, along with an ecosystem of reseller and technology partners that offer integrated and complimentary solutions to help retailers:

- **Transform the Point-of-Sale into Point-of-Service:** Solutions are available that improve customer service by minimizing checkout time and providing different payment options, including mobile POS. Additionally, solutions can be implemented that allow the adoption of 2D bar codes and new mobile marketing applications that provide a more personalized customer offer, such as mobile couponing, e-gift cards, and mobile loyalty cards.

- **Get real-time, demand-based inventory:**
  Integrated in real time with checkout product and
  customer data, these solutions allow retailers
  to improve the efficiency of their supply chain,
  maximize their customers' basket sizes, reduce
  stock-outs and increase their margin, ensuring they
  have the right products at the right price advertised
  with the right promotion at the right store.

- **Empower their store associates:** Thanks to
  the availability of merchandising and inventory
  applications on mobile terminals, store associates
  are now equipped with the productivity tools and
  technologies needed to interact and engage
  with shoppers and offer a guided selling service,
  including information such as in-store and multi-
  channel product availability, pricing, tailored
  promotions, and the option for mobile payment and
  mobile marketing applications.

For more information visit:

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