

In association with

# Retail Systems

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## Fit for the future:

How are retailers adapting to meet changing customer expectations?



# Introduction

The momentous shift to online over the past two years has left customers expecting the ease and speed of digital shopping across all retail channels.

As stores reopened last year, many businesses across the retail space rolled out the latest digital technologies, adapted the role of their stores, explored new green initiatives, and expanded their omnichannel services, in order to meet new consumer demands.

Retail Systems and Brother conducted a survey to assess how these changing customer expectations, the rise of digital channels, and an increasingly complex operational risk landscape are transforming the face of retail. The results offer a representative snapshot of the key challenges and drivers for brands as they adapt to a new retail landscape.

## Methodology

Retail Systems and Brother surveyed 144 senior decision-makers, including finance directors, chief financial officers, chief information officers, chief operation officers, chief executives, heads of operations, heads of technology and IT, heads of marketing, as well as others, from the UK's leading High Street and online retail brands.

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# 1. What progress has your business made towards digital transformation?

*(Select one option)*

With the majority – 72 per cent – of respondents either planning or already implementing new technologies and digital transformation strategies, the survey suggests that digitisation is currently a priority for many retailers.

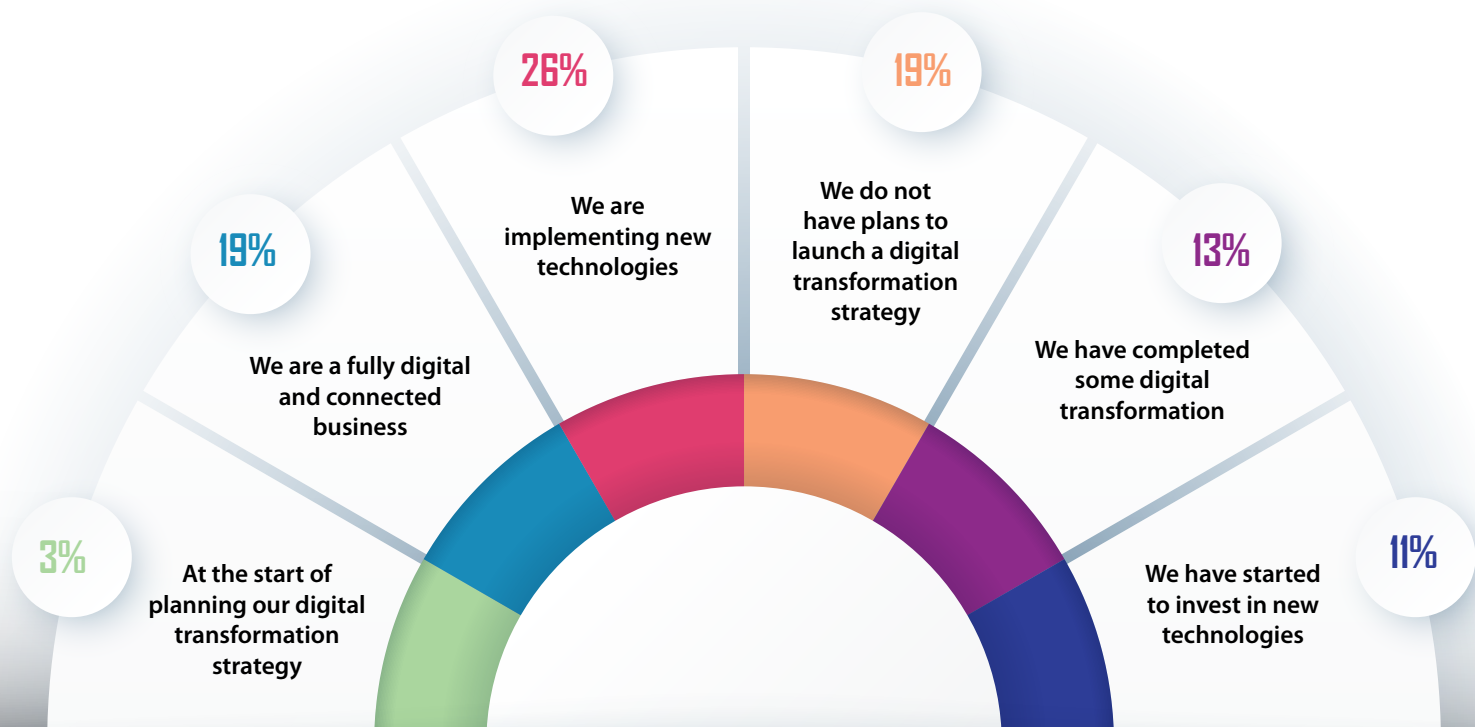
Nearly 20 per cent of senior retail decision-makers said that they are already fully digital and connected. This result contrasts with figures from the 2020 Retail Systems and Brother Smart Retail Report, which found that none of the respondents' companies were entirely digitised. The disparity suggests that retailers have sped up their digital transformation over the past eighteen months.

A further three per cent of industry peers are just beginning to roll out a digital transformation plan. In the 2020 study, around a third – 32 per cent – of those surveyed considered their business to be in the early stages of this process. This change may imply that retailers are now further ahead in their digital journeys.

Almost a fifth – 19 per cent – of retail professionals said they do not have plans to launch a digital transformation strategy. This represents a 3 per cent hike in comparison to the previous report, when only 16 per cent said they had no plans in place.

But the number of respondents implementing new technologies jumped to more than a quarter, compared to 23 per cent in the earlier research.

While most UK retailers appear to be further ahead in their journey towards digital transformation than they were 18 months ago, there are still 13 per cent that have only completed some of their digitisation plans, and nearly a fifth that have no plans to implement a digital transformation strategy at all. As British retailers continue to grapple with ongoing global supply chain disruption and volatile demand, some have had to put their digital investment plans on hold to focus on business continuity.



# 2. What are your key reasons for implementing digital technologies?

*(tick all that apply)*

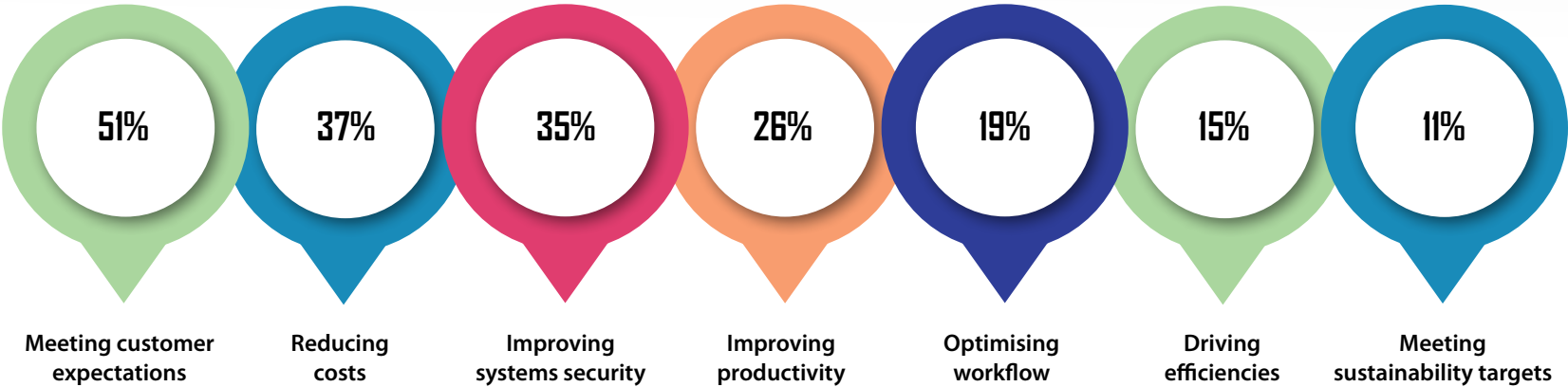
The survey demonstrates that priorities have shifted significantly for retailers over the past 12 months or so. Meeting customer expectations was highest on the agenda, with over half of retail leaders choosing this as a reason for rolling out digital tech. This figure differs to that of the 2020 Retail Systems and Brother Smart Retail Report, which showed that only 30 per cent of respondents felt customer expectations were a key driver for implementing technology.

The results were also vastly different across the other options for this question. In the earlier study, improving productivity – 77 per cent – and driving efficiencies – 72 per cent – were identified as the main reasons behind the deployment of technologies. This year, just over a quarter of those surveyed said they were using technology to boost productivity, while even less – 15 per cent – are digitising to improve efficiency. More than a third – 37 per

cent – of respondents said that reducing costs was a significant reason for their business introducing technologies. This result was more or less in line with 2020 figures at 38 per cent.

With cybercriminals becoming increasingly creative and online attacks on the rise, it's no surprise that improving systems security was another important driver, with over a third of respondents identifying this as one of the main reasons for their implementation of digitisation. This was also a top priority for retailers responding to the 2020 survey, when 39 per cent said that this was a key reason.

Meeting sustainability targets saw a marginal uptick, growing by one per cent in comparison to previous results. But optimising workflow was left on the backburner, dropping by 8 per cent to around a fifth of respondents in comparison to the previous report.



### 3. Which changes are you currently offering to customers?

*(Select all that apply)*

The results show that digital services are a priority for many retailers, with a combined three quarters of retail professionals saying they have changed their business offering by introducing mobile applications and e-commerce platforms to customers, and almost three fifths including online delivery as a service.

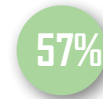
Despite a strong indication that retailers are increasingly focusing on their digital strategies and platforms, mobile responsive websites and sales on social media have still only been launched by a little over a fifth of respondents.

Home delivery from in-store proved to be a popular service for retailers, with more than two fifths now offering this to consumers. This kind of service is often facilitated and supported by technologies that help speed up the process and boost accuracy, like printing and labelling devices, which can quickly prepare returns labels or in-store box labelling.

These results suggest that retailers are beginning to explore new ways of presenting and utilising brick-and-mortar spaces within the omnichannel journey. However, not all new in-store changes have been embraced by retailers, with 92 per cent not currently implementing pop-up shops.

The survey reveals that alternative delivery methods, including same day delivery, rapid delivery, and online delivery via third party companies have not been implemented by many retailers, with all three used by less than 10 per cent of respondents' companies.

Third party delivery businesses like Deliveroo and Getir are largely operating in the grocery market, but the study surveyed a range of retail sectors – this could have influenced the results. However, because these companies are beginning to branch out to other areas of the retail market, such as health and beauty, and are offering the speedy delivery that – as the survey shows – is not currently being offered by the majority of retailers, it's likely this will become more of a trend in the coming years.



Online delivery



Mobile application



Home delivery from in-store



E-commerce platform



Mobile responsive website



Sales on social media platforms



Brick and Mortar stores



Click & Collect



Pop-up shops



Online delivery via third parties  
i.e. Deliveroo



Same day delivery



Rapid delivery (within an hour)

## 4. How is the role of the store changing to meet customer expectations?

*(Select all that apply)*

The data shows that retailers are using technology to adapt stores in order to meet changing customer expectations and demand.

Online apps that connect to e-commerce stores was the most popular option – with nearly three quarters of those surveyed selecting this as a key driver for the future retail store.

Self-service checkout technology was identified by over half of respondents as a key trend in the changing sector. No matter how retail businesses are operating during unprecedented times, they need quick, effective, and safe point-of-sale experiences – queue free paying enables just this and is supported by a number of technologies, including mobile receipt printers, RFID checkout counters, and barcode scanners. Despite being a similar concept, still in its relative infancy, walk-out payments, which use apps and devices to avoid the need for physical checkout, was selected by just over one in 10 respondents.

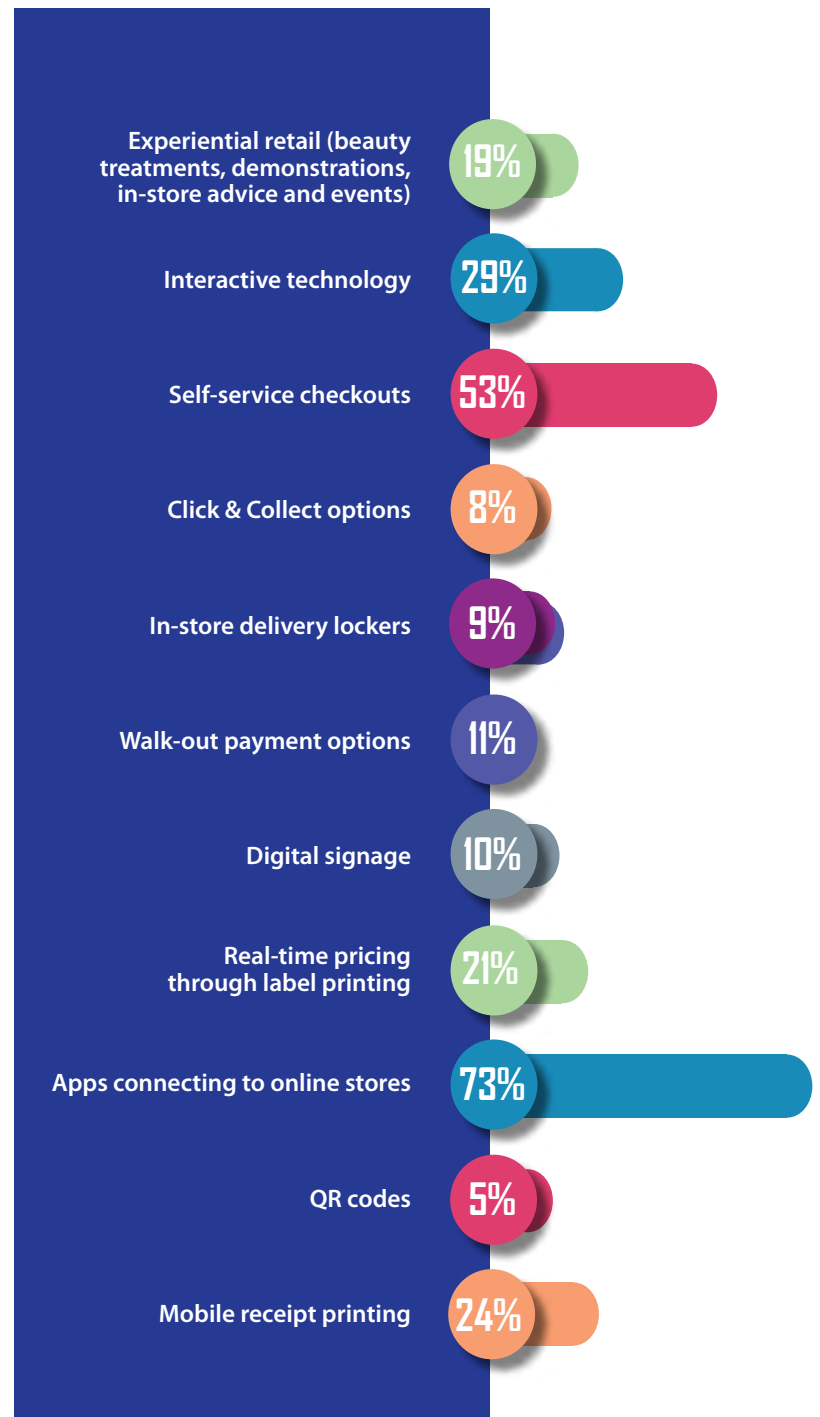
The survey found that almost 30 per cent believe that interactive technology is changing the role of the store to meet customer expectations.

In-store employees are constantly balancing delivering the best customer experience with the time pressures of a fast-paced environment. To address this, retailers are using solutions that connect to existing systems to rapidly price sale items and print markdown labels without having to leave the shop floor. It's unsurprising then, that a further 45 per cent felt that printing – including both real-time pricing through label printing and mobile receipt printing – is being used to meet shoppers' expectations.

Other more 'hands on' delivery strategies, including click & collect and in-store delivery lockers, were chosen by less than 10 per cent of respondents, demonstrating how important digital technology is becoming in the shifting functionality of the store compared to more physical collection options.

However, experiential retail – which includes everything from beauty treatments and demonstrations to in-store advice and events – was identified as important by almost 20 per cent of retail professionals, reiterating the idea that the sector is beginning to try out new ways to present the in-store experience.

Several technologies appear to be being left behind in the



new retail landscape – with only one in 10 selecting digital signage, and just five per cent choosing QR codes. This suggests that companies are currently focusing on using technologies to speed up and make the in-store experience more convenient, rather than adding value with digital information.

## 5. What stage is your business at in its sustainability planning?

(Select all that apply)

The research reveals that the majority of retailers are starting to take sustainability more seriously – with over half already having either rolled out green initiatives or staff education to ensure operations are more sustainable.

These sustainability initiatives, which include paperless processes, have been actioned by over 22 per cent of businesses. This contrasts significantly with the results of the 2020 Retail Systems and Brother Smart Retail Report, which revealed that none of the companies surveyed had yet rolled out these advanced programmes. However, the figures may have been influenced by short-term pandemic-driven measures, such as reduced travel and remote working. While many businesses have reduced their carbon footprints over the past two years, they now need to ensure that as travel returns, they are mitigating the impact.

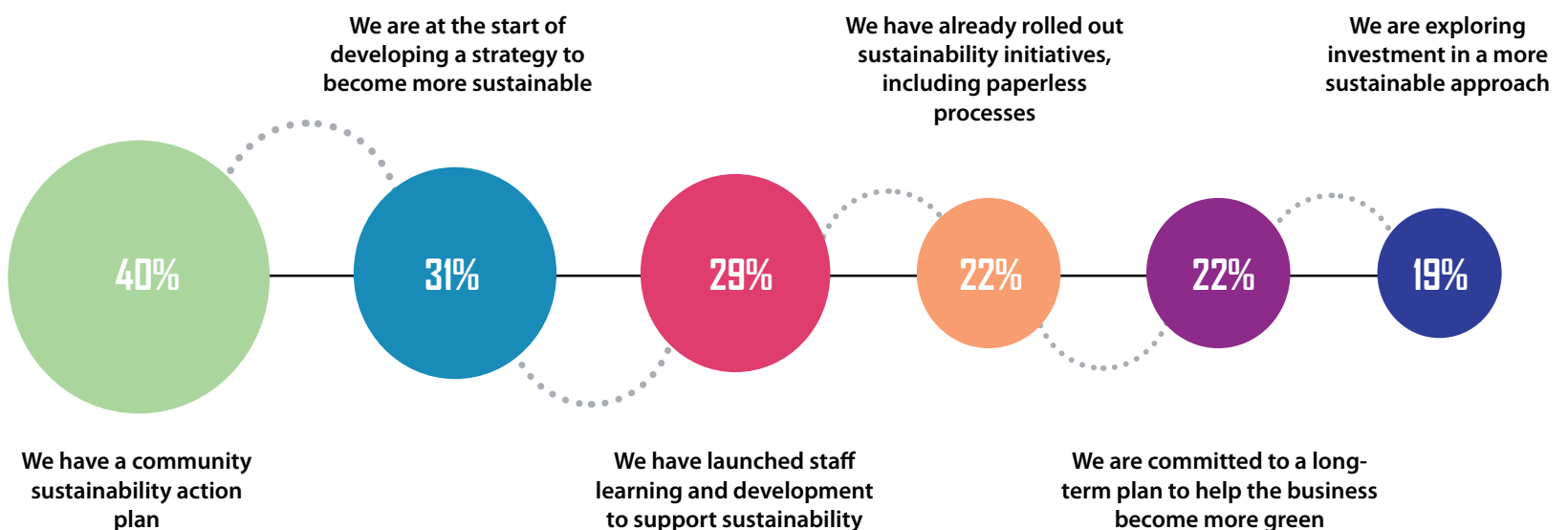
Less than 20 per cent of this year's respondents are considering investment in a sustainable approach, representing a decline of 25 per cent in comparison to the 2020 report. However, this may be offset by the increase

in those that have now implemented a sustainability initiative.

Two fifths already have a community sustainability action plan, while a further 31 per cent are in the early stages of developing a sustainability strategy. The latter figure has fallen by nearly 20 per cent when compared to the earlier research, which could indicate that retailers have come further in their sustainability plans over the past 18 months.

However, the vast majority – 78 per cent – have not yet committed to a long-term sustainability plan, compared to the 22 per cent that have made such a commitment. This represents a five per cent decline in comparison to the previous study.

The figures demonstrate that while retailers are certainly becoming more proactive in actioning green initiatives, they still have a long way to go in ensuring their sustainability programmes can go the distance and are making a real impact in the here and now.





## 6. Which sustainability measures are a top priority for retail customers?

*(Select all that apply)*

As consumers demand action on climate change from brands and become increasingly conscious about the environmental impact of the products they buy, retailers must listen to their changing expectations.

The results show that the most commonly identified measure, at 42 per cent, was the efficient use of resources.

Not far behind, with over a third of retail professionals selecting this option, was a zero-carbon strategy – a topic high on the agenda last year with the launch of the COP26 conference.

Over half of respondents said that sustainable packaging – whether that be greener materials or minimal waste – was an important sustainability measure for customers. But only 15 per cent said that reducing single-use plastic or plastic bags was a priority for shoppers.

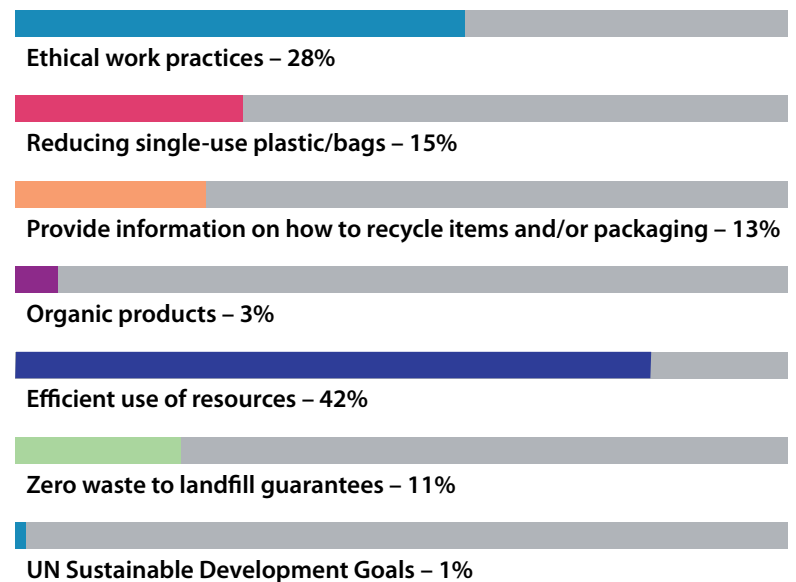
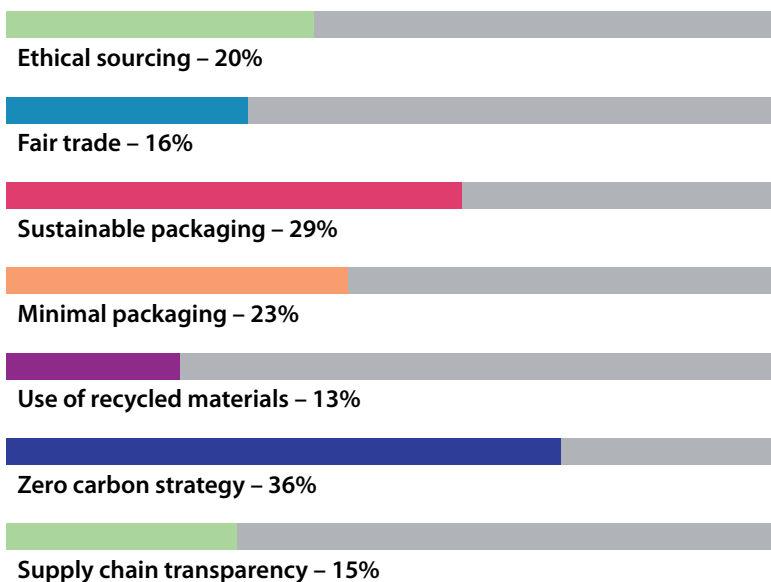
More than a quarter of those surveyed selected ethical work practices – something that has hit headlines regularly over the past 18 months – as a key consideration for consumers when it comes to sustainability measures. A further 36 per cent felt that ethical sourcing and fair

trade were important for retail customers. Despite this, 85 per cent of respondents did not feel that supply chain transparency was important to consumers.

Just over a quarter of respondents identified recycling materials or providing information on how to recycle items as a top measure for consumers.

The study found that zero waste to landfill guarantees, organic products, and UN sustainable development goals are perceived as much lower down on the agenda for customers by retailers – with all three options chosen by less than 15 per cent of those surveyed. This is perhaps a surprising result given the increased consumer awareness of these targets and the wider discussions businesses are having around their role in coordinated action on climate change and sustainability.

However, while these are not perceived to be a top priority for consumers, to ensure that retailers are delivering a well-rounded, comprehensive sustainability strategy, they should not ignore these important measures and ensure they are working with partners and third-party providers that prioritise such initiatives as standard.



## 7. What are the key use cases for data in your organisation?

(Select all that apply)

The results once again demonstrate that retailers are putting the customer first – with a combined 72 per cent of senior retail leaders saying that personalised customer service and customer communications are two of the main uses of data within their organisation.

The figures also further highlight the need for speedy, comprehensive digital processes in the retail space – with more than half of industry peers choosing to free up employee time by connecting systems and devices via Near Field Communication (NFC), Bluetooth (BT), or WiFi such as printers, labelling, and tills in real-time as a data use case. A quarter of respondents said that cost and pricing strategy is one way their business is using data.

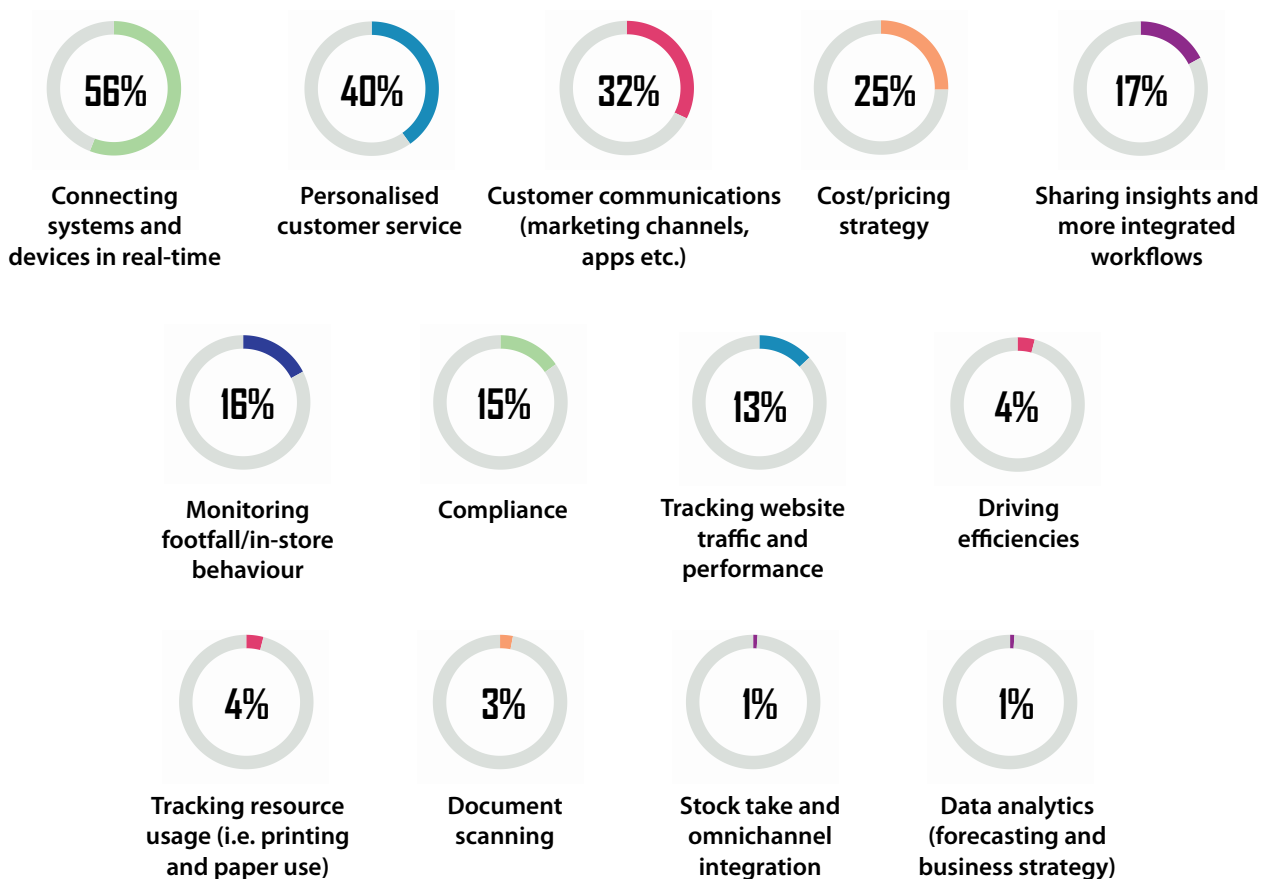
The research shows that while the customer is high on the agenda, the use of data to monitor consumer traffic and behaviour is being neglected by retailers, with only 16 per cent – or just over one in 10 – using data to assess footfall or in-store data.

And only 13 per cent are using data to track website traffic and performance.

The study reveals that some of the processes that are not as directly linked to the customer are using data less than the more consumer-facing operations. For example, 83 per cent of retail senior decision makers are not using data to share insight or for more integrated workflows.

A further 85 per cent aren't using it for compliance reasons, while only 1 per cent of professionals in the retail sector said that their company is using data for stock take, omnichannel integration, and data analytics for forecasting and business strategy.

Back-office processes like document scanning, driving efficiencies, and tracking resources are also being missed as cost-savings opportunities when it comes to data strategy – with all three identified as data use cases by less than 5 per cent of respondents.



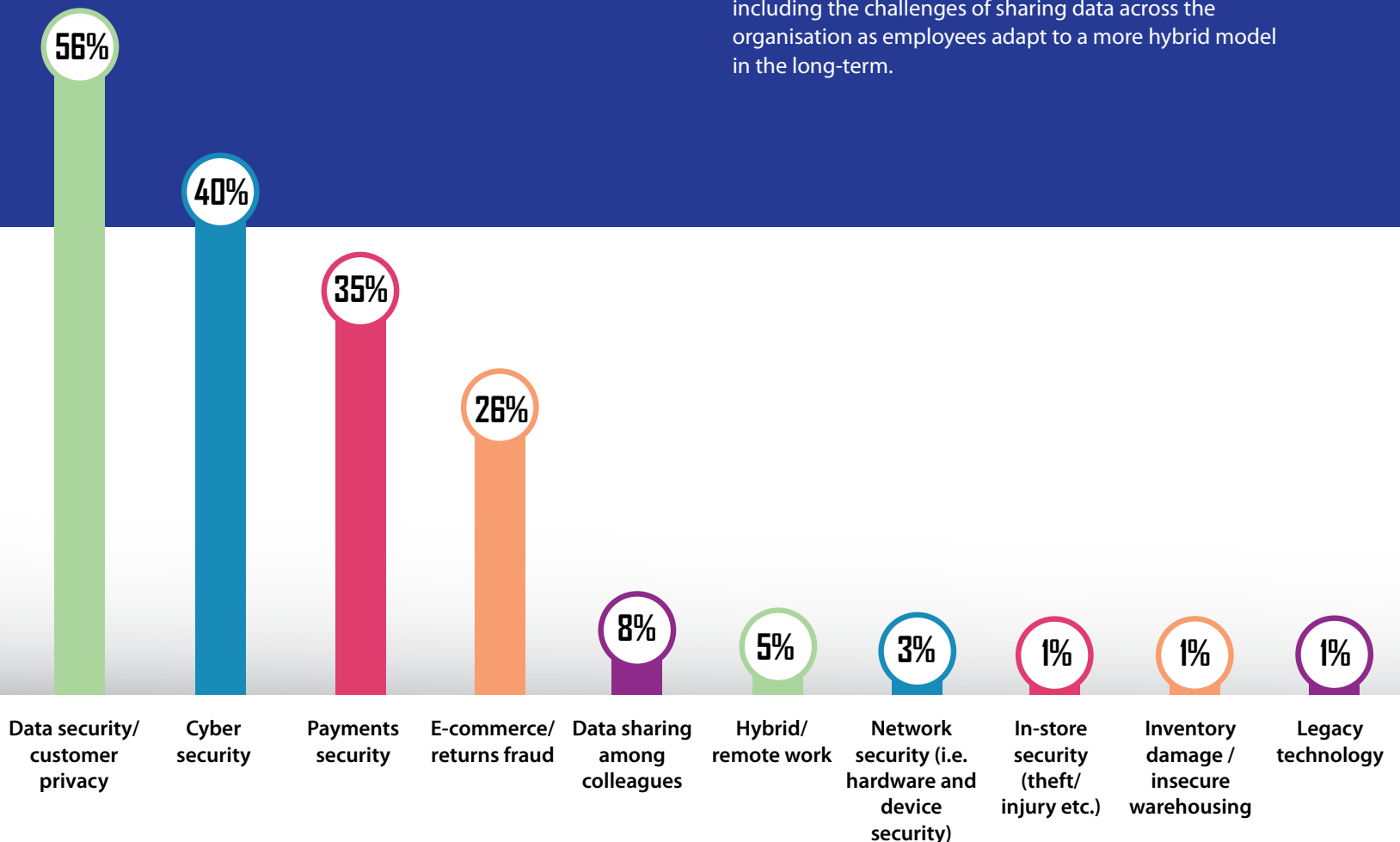
## 8. What are the main security challenges for your organisation?

(Select top 3)

Over half of those surveyed said that data security and customer privacy was one of their top three security challenges. Payments security – another customer-focused issue – was identified as a significant hurdle for over a third of respondents.

With the ongoing rise of cyber-attacks, largely driven by a shift to online, it's no surprise that two fifths felt that cyber security was one of the key issues for their business. Over a quarter said that e-commerce and returns fraud – also impacted by a move to digital – was one of the main security issues for their company.

Legacy technology, inventory damage/insecure warehousing, and in-store security were only highlighted as problems for 1 per cent of those that responded. Network security, data sharing among colleagues, and hybrid/remote working were also low on the agenda, with each of those flagged as the main security challenges for below 10 per cent of retail decision-makers. These results further suggest that when it comes to cybersecurity, retailers are most impacted by issues that directly impact their customers. It's unsurprising that this is the biggest concern for retail companies, however they must not lose sight of other areas of the business that need attention, including the challenges of sharing data across the organisation as employees adapt to a more hybrid model in the long-term.



# 9. Which of the following is your organisation using to build operational resilience and manage costs?

*(Select all that apply)*

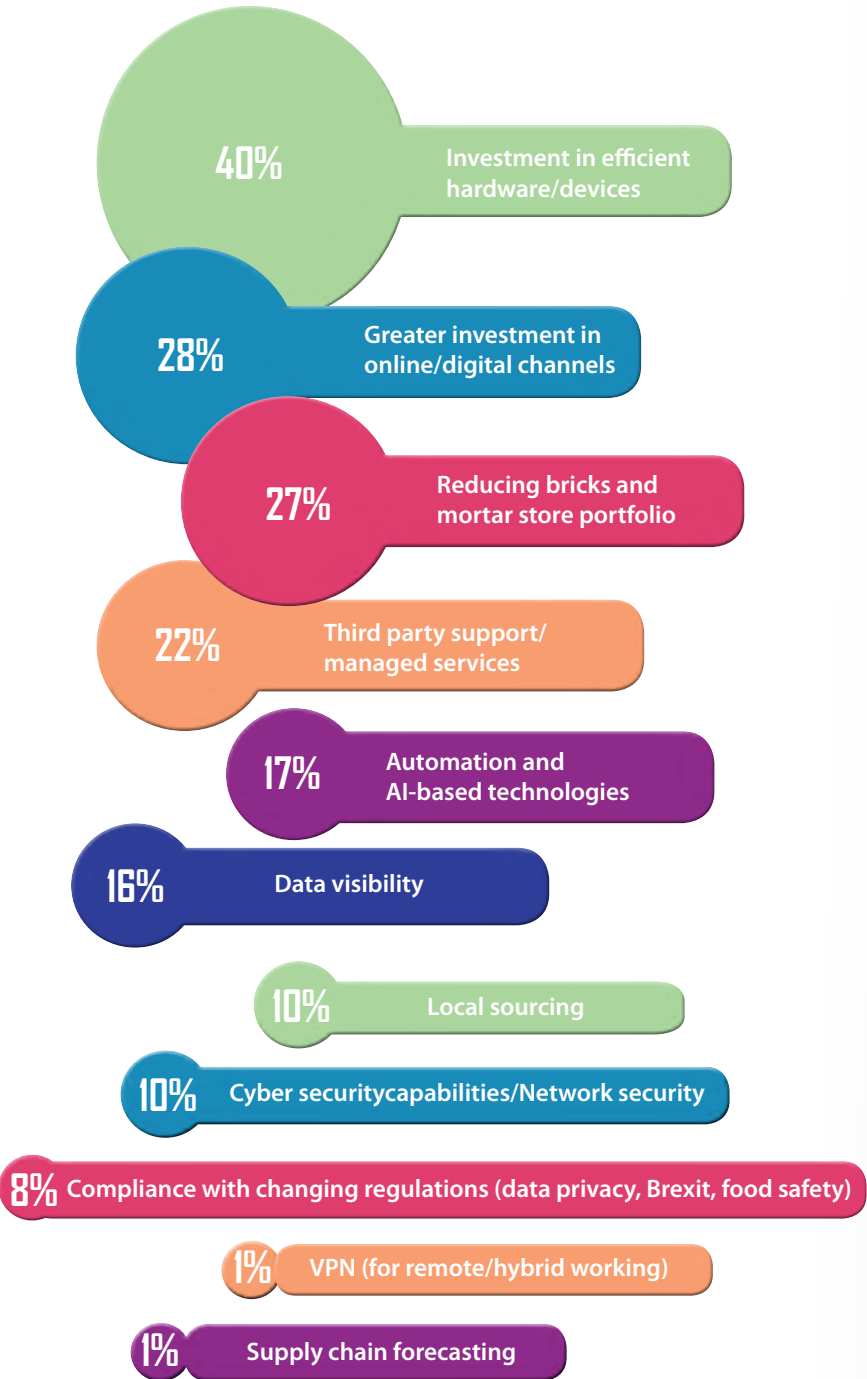
The results show that technology is key to achieving operational resilience and managing costs for the majority of retailers, with 68 per cent of respondents saying they are using investment in efficient hardware and devices or increasing funding in online or digital channels to do both.

Over a quarter of businesses are closing down physical stores in order to manage costs and build operational resilience, whilst just over a fifth are using third party support or managed services to boost efficiencies and improve workflows and staff output.

Some retailers – just over one in 10 – are looking to more advanced technologies like automation and AI to help boost operational resilience within the business. A further 16 per cent are using data visibility schemes and systems to achieve this, whilst a further one in 10 are utilising local sourcing and cyber or network security capabilities.

Only one per cent of retail professionals are turning to VPN and supply chain forecasting to manage expenses, a trend which is likely to shift in the coming months as supply chain disruption and hybrid working become part of business as usual for retailers. The vast majority – 92 per cent – aren't using compliance with changing regulations as a route to achieving operational resilience and managing costs, suggesting that the cost of helping staff and systems adapt to new regulation is considered a further cost burden on top of other areas of technology investment instead of an avenue for efficiencies.

These results and wider industry trends suggest that retailers acknowledge the value to their business of technology adoption. In a bid to clearing procurement hurdles and bringing down operational costs, many are exploring the potential of the Hardware-as-a-Service (HaaS) and managed services model, which enables rapid technology adoption without the upfront costs.



## 10. How has your technology investment strategy changed in the past two years?

*(Select one option)*

Finding the funds to pay for new technology can be a struggle for retailers, given the industry's notoriously tight margins. Cash flow has been impacted even more during the pandemic, making it challenging for many retailers to deploy advanced technology. The research demonstrates that over the past two years, almost half of retail businesses have slowed down, paused, or stopped their technology investment plans altogether.

However, during the same period, nearly 30 per cent of companies have accelerated their investment plans. Roughly 20 per cent of respondents' businesses were not at all influenced by the pandemic or other disruptions, having kept their existing tech plans in place.

A further 13 per cent of respondents that had paused or cancelled their tech plans said that they will be resuming their plans this year.

But a fifth – 19 per cent – said that they're stopping investment strategy plans for the time being while a further 15 per cent have completely cancelled specific tech funding projects.

These figures have likely been influenced by the disruption of coronavirus, as well as supply chain and labour issues associated with Brexit. Business continuity must be a priority for retailers as they navigate a landscape of uncertainty whilst recovering from the pandemic, but in the long-term those who invest in the right technology strategy will see greater efficiencies and come out on top.



# Conclusion

The report reveals that the customer is the primary consideration for most retailers across all areas of their business, with the majority exploring a myriad of avenues, from digital technology to sustainability programmes and adapting stores, to meet their new demands.

As part of their aim to prioritise consumer needs, many retailers are accelerating their digital transformation journeys. The number of retail businesses planning to implement or already rolling out new technologies appear to be on the rise, with the majority describing meeting customer expectations as a key reason for digitising. However, as retailers continue to face supply chain issues and shifting demands, some have paused their investment in tech to focus on business continuity.

Over the past 12 months, as people increasingly shifted online, retailers have followed the demand by prioritising digital services like mobile applications and e-commerce. They've also looked at alternative ways to present physical retail spaces by offering services such as home delivery from in-store. These methods are designed to keep customers engaged and plug the gap between online and brick-and-mortar stores. Meanwhile, brands have changed the role of the store to mirror the speed of online with technologies like self-service checkouts.

With more than a fifth of respondents having started more advanced green initiatives, in comparison to none in earlier research, it seems that retailers are taking sustainability more seriously. These results may however have been influenced by short-term, pandemic-driven measures like a decrease in travel and a switch to working from home. However, with 78 per cent of those surveyed without a long-term sustainability plan, it's clear that retailers need to do a lot more to satisfy an increasingly ethics-driven and climate change-conscious customer base.



The results on data usage demonstrate once again that the customer comes first, with the majority – 72 per cent – using it to personalise customer service or for customer communications. The same is true of cybersecurity, with over half identifying data security and customer privacy as one of the top three security challenges for the sector.

While the research shows that technology is key to managing costs and building operational resilience, it also reveals that retailers have been cautious throughout the pandemic, with nearly half of senior decision makers having slowed down, paused or stopped their technology investment plans all together over the past two years. As retailers start to recover from the Covid-19 crisis and find better ways to navigate ongoing global supply chain disruption, those that start to invest in technology again will likely reap the benefits.

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