Rethinking retail execution:
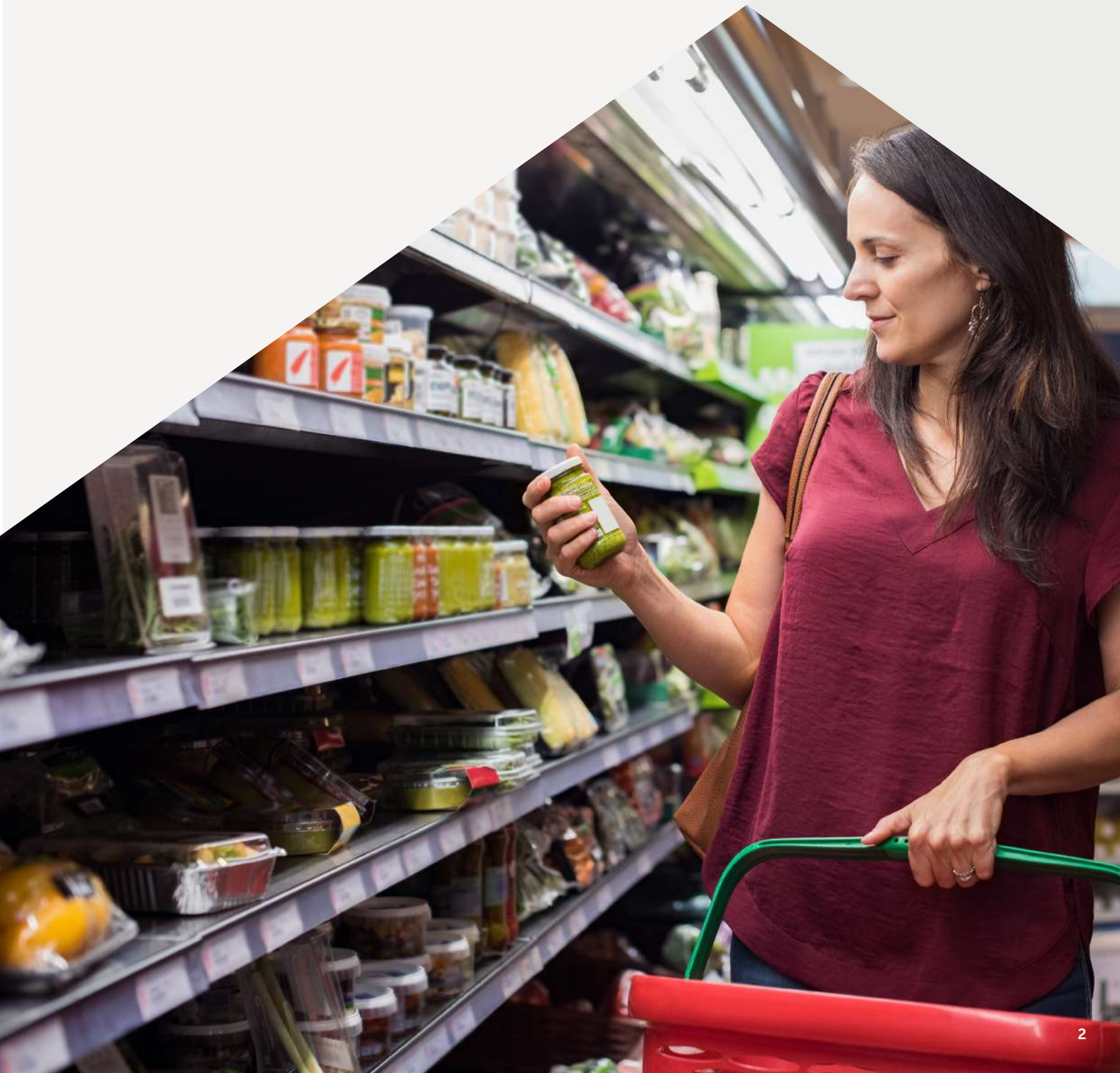
Restructuring the retail workforce for flexibility, adaptability and manageable costs

trax

traxretail.com

Introduction

2020 brought plenty of challenges for many industries. But when it comes to retail execution, most of the issues were already on the radar, and the changing environment over the last 12 to 15 months has brought them into focus and delivered a sense of urgency.
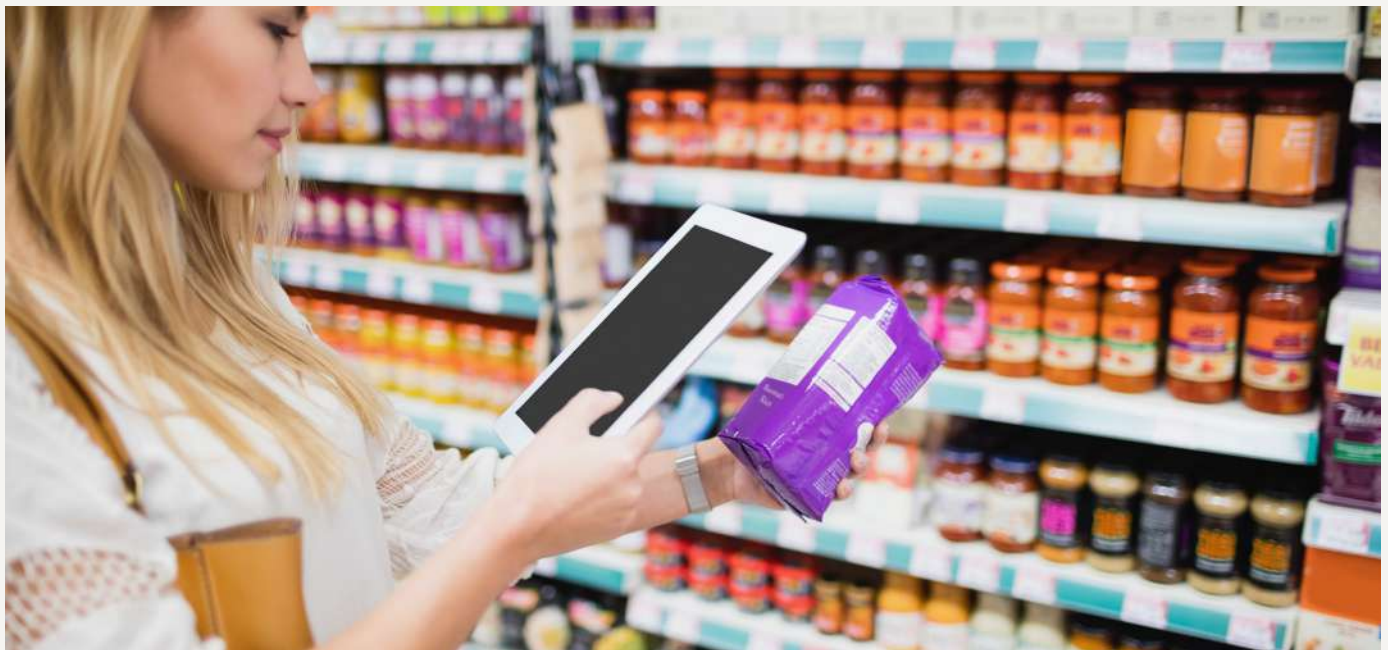
What has changed, and how can brands respond?

Contents

Shopping and interacting with brands have changed

Since the dawn of the internet, the retail landscape has experienced constant change. E-commerce has bitten into in-store sales. The growth of private labels has reduced the shelf space available to branded goods. And the changing ways buying decisions are made has increased the interaction between brands and shoppers.

In 2017, research conducted by GBH Insights found 80% of consumers said they were more likely to do business with companies that offer personalized experiences. It further mentioned those who find such experiences appealing are 10 times more likely to be among the brand's most valuable customers.

In the same year, a McKinsey study found that 95% of retail CEOs said personalizing the customer experience was a strategic priority, but only 23% of consumers thought retailers were doing a good job of it. Data management, data analytics, cross-functional alignment, and acquiring tools and technology proved challenging for retailers who want to offer personalization.

80%

of consumers said they were more likely to do business with companies that offer personalized experiences

95%

of retail CEOs said personalizing the customer experience was a strategic priority

23%

of consumers thought retailers were doing a good job of it

The impact of COVID-19 on consumer behavior accelerated these changes. Home-cooking largely replaced the consumption of food in restaurants. People made fewer shopping trips[1] due, in part, to the increase in delivery and pickup (including click-and-collect) orders.

Baskets contained more essentials and long-shelf-life products[2], and people tried new brands and private label products because they were cheaper (many households suffered reduced income) or simply because they were in stock[3] and the favored brand wasn't. Product shortages led 17% of shoppers to try different grocery stores and 14% to change their primary store. Around half of both groups intended to continue their new behaviors[4].
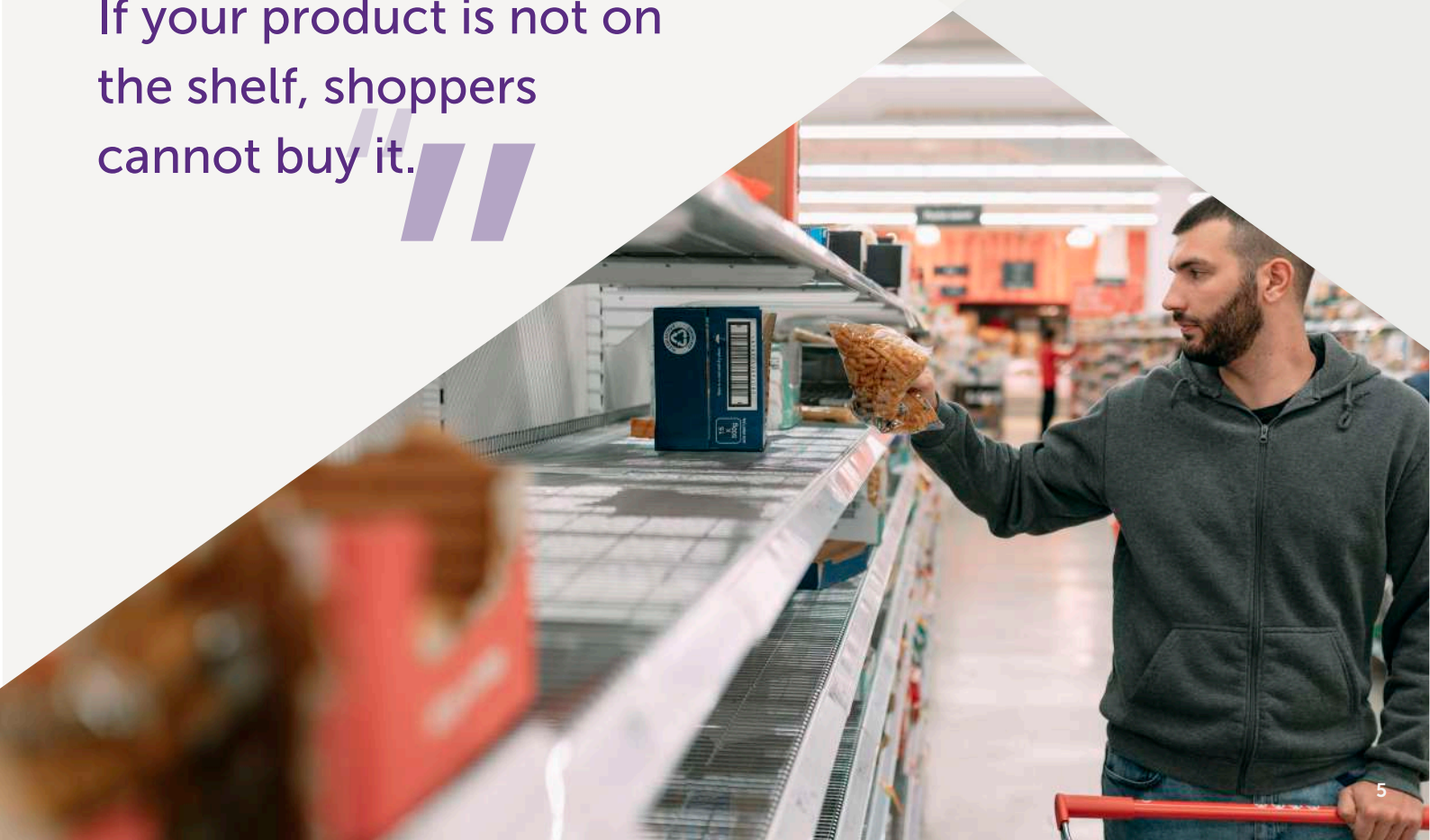
Despite, or perhaps because of, these changes, **76% of buying decisions happen in-store**[5].

Out-of-stock (OOS) incidents increased 250% between December 2019 and December 2020[6], and up to 1000% in some categories at the peak of the pandemic. Stock levels remain at around 50% of normal, but OOS events vary significantly among categories[7].

The problem wasn't simply one of moving products from the stockroom to the shelf, or delivering products to stores. Rapid changes in consumption affected entire supply chains.

1. Redefining value and affordability in retail's next normal, McKinsey & Company, 2020

2. Survey - Naturally Austin.pdf

3. Redefining value and affordability in retail's next normal, McKinsey & Company, 2020

4. Redefining value and affordability in retail's next normal, McKinsey & Company, 202

5. POPAI .com

6. Trax Merchandising Strategies_ Progressive Grocer Webinar_Feb2020_ FINALptx-2.pptx

7. Survey - Naturally Austin.pdf

If your product is not on the shelf, shoppers cannot buy it."

Social distancing measures

Labor shortages

Movement restrictions

Reduced production

Raw material shortages

Product shortages

As Accenture pointed out, changes to processes to accommodate the need for social distancing affected output. If, for example, only 20 people could work in an area that usually had 50 workers, it would lead to reduced production capabilities.

What constituted 'essential' work varied greatly. In some places, it simply meant work that must occur on-site. At the other extreme, some jurisdictions required the complete closure of workplaces.

The restriction of movement, either within or between countries, was a complex challenge. In Australia, the agriculture industry relies heavily on temporary workers from other countries. The country's border closures led to labor shortages and resulting product shortages.

In some situations, demand exceeded production capacity. Supermarket shelves devoid of toilet rolls were symbolic of COVID-19 as consumption in commercial premises suddenly shifted to home grounds. Once manufacturers rebalanced output across their domestic and commercial lines, bare shelves were associated with panic buying and snap lockdowns.

Other bottlenecks included materials shortages; for example, manufacturers could produce soft drinks, but aluminum cans were in short supply[8].

8. Trax Merchandising Strategies_Progressive Grocer Webinar_Feb2020_FINALptx-2.pptx

Moving Forward

The retail industry promises to remain a highly dynamic space in the aftermath of 2020's seismic shifts.

Bain & Co predicts the 2020 boost to grocery sales could return to pre-COVID levels during 2021, if vaccinated consumers return to restaurants. But it's not all bad news for the sector: some observers say a proportion of people who have been working from home during the pandemic will never return to the office. There is evidence that people are happier and more efficient when they work remotely. If working from home continues at any scale, last year's shift to eating meals at home — especially lunches, but to a lesser extent breakfasts and dinners — is likely to continue.

Forrester made several 2021 predictions for the retail sector, including significant investment in logistics by retailers and brands, with brands extensively reworking their supply chains and adopting AI-based tools.

On the consumer end, not all shoppers are satisfied with the digital experience despite the growth in e-commerce. A survey conducted by experience analytics provider Contentsquare found only 15% are happy with the online experience. While online retailers will look to improve their digital offering, brick-and-mortar stores have an opportunity to win back business by providing a superior in-store experience.

There may be a lot to win back. According to Mastercard, overall e-commerce sales grew 49% year-on-year during the 2020 holiday shopping period (11 October–24 December). The Mastercard Economics Institute predicts that between 20% and 30% of the COVID-related shift to e-commerce will be permanent.
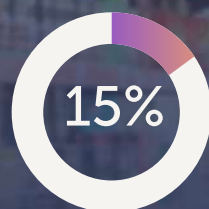
15%
of shoppers are happy with the online experience
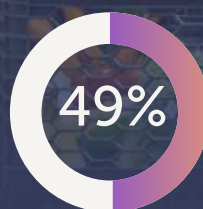
49%
YoY growth in e-commerce sales during the 2020 holiday shopping period
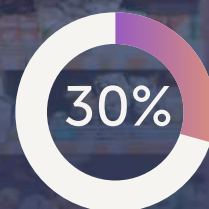
30%
of the shift to e-commerce is predicted to be permanent

Brands and retailers' COVID-induced difficulties

Inventory management

According to the RIS Supply Chain Technology Study 2020, 71% of respondents cited the lack of real-time inventory visibility as one of their main supply chain obstacles. That report also revealed the use of Computer Vision for shelf stock monitoring as one of the top emerging supply chain technologies for 2021.

An increased discrepancy between theoretical and actual stock in stores poses substantial problems for retailers. If a product is missing from the shelf and stockroom but the system thinks the stock level is adequate, a further delivery is unlikely. This has long been a problem, especially for items that are prone to shrinkage (due to shoplifting, theft, damage, administrative errors, etc.), but the COVID disruption made it worse. Much worse, in fact. One or more discrepancies were found in 82% of stores (around double the 2019 figure), and 40% of the discrepancies were of 10 or more units (about 3.5 times worse than 2019).

Merchandising

With shoppers making fewer trips and focusing on pantry loading, one thing retailers and CPGs must prioritize in order to thrive is just-in-time controls and corrections, such as instant pack-outs.

> You only get one chance at that shelf with that particular consumer, or they go to your competitor. "
>
> Panos Bethanis,
> CEO, Survey.com

8

Agencies

Meanwhile, brands need to focus on speed, flexibility, adaptability, and precision. But in this quest, they find that traditional scheduled approaches to merchandising offered by agencies are no longer adequate.

Agencies exist because there was a time when they were the only solution, but their traditional model suffers from slow execution, limited scale and capacity flexibility, gaps in coverage, and a lack of transparency. These are elements that haven't changed in decades for many agencies. In addition, brands can't simply trust to luck that an agency or broker's rep will perform the most important tasks during a store visit; they must ensure that the right tasks are done at the right time. This calls for a data-driven approach, where the timing of the visit and the tasks performed reflect the conditions in individual stores.

Increasing emphasis on digitization

Brands and retailers today need to unify physical and online shopping experiences because of the uptake of click-and-collect. Shoppers expect choices between immediate, same-day, and next-day fulfillment. Fast-turnaround click-and-collect shopping can only be successful if accurate and timely stock levels at each store are available on the website. Without that information, shoppers will be disappointed when they arrive to collect their order, only to find that what they wanted was OOS. Similarly, same-day and next-day fulfillment is only possible if the required stock is transferred to the nominated pickup point in the time available.

> Unlike "multichannel" experiences (which simply offermultiple channels — such as e-commerce and brick-and-mortar stores), "omnichannel" experiences are consistent and seamless. For example, if an online shopper can't return an item to one of the company's stores, they are not getting an omnichannel experience. Other broken omnichannel experiences include different pricing across channels, the inability to continue the purchasing process when moving from a store's app to its website, or a loyalty program that doesn't reward consumers the same way across all platforms.

There's also a desire to take advantage of shoppers' mobile phones to increase engagement during store visits. For example, by electronically delivering a coupon (with consent) for a particular product when the customer has been standing in front of the relevant shelf for more than 60 seconds.

How Trax Dynamic Merchandising helps brands

X dynamic merchandising
powered by Trax Flexforce

Trax's AI-driven dynamic merchandising service is the industry leader

- Nationwide, localized on-demand workforce
- Data-powered smart visits
- Transparent, quantified merchandising model
- Actionable, impactful reporting

Lower costs

Trax Dynamic Merchandising provides brands with a nationwide — but localized — on-demand workforce (TraxFlexforce). These reps cover over 99% of stores throughout the United States (US). They can visit stores within hours of a request being received, so there's no need to plan visits days or even weeks ahead of time.

Extensive coverage

Where a brand already has its own field force, the TraxFlexforce can augment it to cover more stores or more remote areas (notably those where it is not economical to send company reps), even those that traditional third-party agencies can't reach. It can also cover sudden surges such as promotions or new product introductions.

Better integration

Importantly, Trax can integrate directly with workforce and retail execution systems. This reduces the administrative load and ensures consistency, regardless of whether a certain in-store task is assigned to a company rep or to a member of TraxFlexforce.

Greater flexibility

Regardless of the store or location, Trax offers a transparent, quantified, full-service merchandising model. Tasks can be of any duration, whether they involve a quick shelf repack or building a complex promotional display.

This has worked well for a Trax client in the tobacco industry. Trax Dynamic Merchandising could cover more than 70,500 additional stores around the US, notably those outside major metro areas, handling routine activities and surge projects including mystery-shopper programs.

TraxFlexforce also offers point-of-sale (POS) placements, shelf resets, secondary placements, product sampling, brand representation, and pick-and-pack for delivery or pickup.

Quicker turnaround

Sometimes, demands are urgent. When a major dairy brand identified a serious issue with a promotion, Trax Dynamic Merchandising could fix the issue in over 3,700 stores around the New York City metro area within 72 hours of the contract being signed, which occurred on the same day that the brand presented Trax with its problem.

Case Study

A worldwide leader in snack foods was concerned about shelf voids in convenience stores. Trax Dynamic Merchandising identified underperforming stores and products, and made just over 1,400 targeted store visits. The TraxFlexforce workers sold in the missing products — an average of 1.6 SKUs per store — and stocked the shelves. The result was a forecasted $337,000 increase in revenue from just five of the SKUs, yielding an ROI of over 400%.
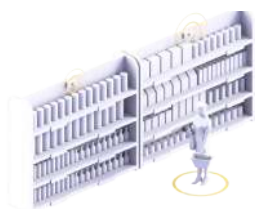
1,400
targeted store visits

$337,00
forecasted increase in reveue

average of
1.6 SKUs
per store sold in

ROI over
400%

The power of AI and Computer Vision-aided technology

A key part of Trax Dynamic Merchandising is the use of artificial intelligence (AI) to determine which of the tasks are most important and then to allocate each task to the most suitable TraxFlexforce worker, based on considerations like skills, experience, location, and workload.

Each worker receives a list of stores to attend, and a detailed list of tasks to perform at the store, such as filling a shelf with a specific SKU. These lists update in real-time, based on the latest available data. It's not just about keeping shelves stocked, important as that is, but all aspects of merchandising, including compliance.

AI-based Computer Vision is used to turn photos of shelves into data about the products that are on those shelves. Challenges to the accurate recognition of

SKUs in real-life situations include coping with changing packaging and untidy shelves, but Trax is an industry leader in Computer Vision for the retail sector. Its shelf-analytics systems recognize a billion products in 1.5 million stores each month, using a repository of 350,000 SKUs that is updated daily.

Capturing the state of shelves as digital images also means Trax Dynamic Merchandising clients receive photographic evidence of the work done as before-and-after photographs. Data extracted from the images helps inform the AI that determines the next most important tasks to be performed. This practice means each visit generates data for both in-store execution and audit requirements.

> Trax gives us real insight into how our products look on-shelf in different retailer [stores] and in different regions. We see who else is on-shelf, how [they're] placed, and what's around us."
>
> Brand Manager,
> Chosen Foods
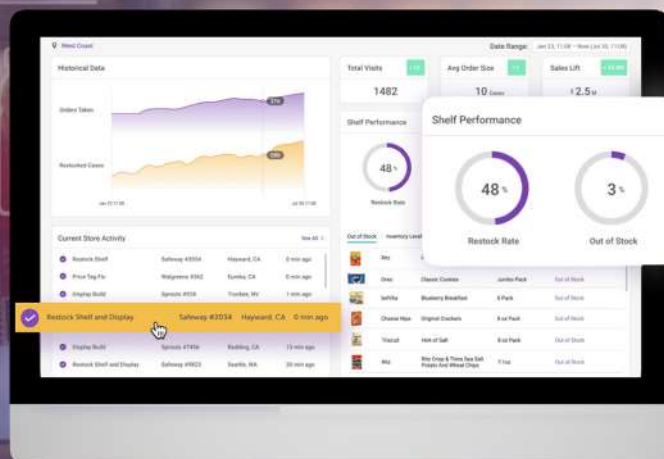
A leading sparkling water brand that uses Trax Dynamic Merchandising has seen a 5% increase in on-shelf availability and a 10% increase in secondary displays. This is thanks to targeted retail execution plans that maximize ROI by considering signals like POS data, variance reporting, and on-shelf data.

Trax Dynamic Merchandising also provides clients with actionable, impactful reporting.

Using AI also allows the production of deep store-level insights, helping to develop prescriptive and personalized call plans for each store while taking the client's merchandising priorities into consideration.

Trax brings visibility to retail execution as part of our go-to-market strategy."

VP of Strategy,
Flying Embers
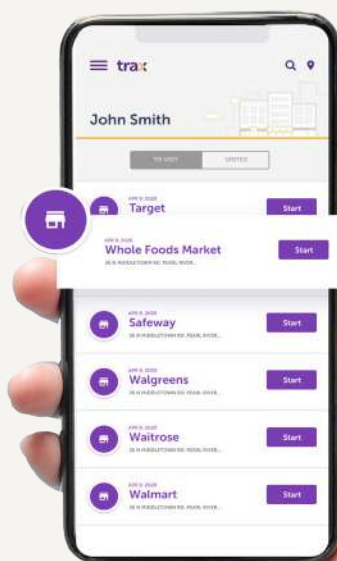
Conclusion

Demand patterns will continue to evolve quickly, whether spurred by crises or by emerging technologies. To prepare for such changes, it's essential that retailers can see any gaps between item counts according to inventory systems, and the truth of what is on the shelf. If a product is not on the shelf, customers cannot buy it.

Trax Dynamic Merchandising uses real-time data powered by Computer Vision to ensure a skilled, on-demand workforce performs the most important merchandising tasks at the right time.

To learn more about how Trax can be your always-on partner, book a meeting with our sales team at **www.traxretail.com/contact/**

trax