TAKING THE **PULSE**
OF **STORE OPERATIONS**

2013 STORE OPERATIONS SURVEY

Sprint

retail TouchPoints

TABLE OF CONTENTS

EXCLUSIVE 2013 SURVEY:
TAKING THE PULSE OF STORE OPERATIONS

Store operators are constantly juggling numerous challenges, from managing mobile technology to motivating employees. As competition continues to heat up, along with pressure to hold the line on expenses, store operations executives are faced with an uphill battle.

Advances in mobile and tablet technology have created the opportunity to hire, train and retain employees more efficiently. But are retail companies making the most out of these investments?

The Retail TouchPoints Store Operations survey is designed to uncover the most pressing issues facing store operators, including questions around:

- The best ways to use mobile technology;
- Coordinating product management across channels; and
- Motivating and retaining quality employees.

Store operators can use the results from this survey to assess and reassess their current store operations strategies. We are pleased to share the results with you.
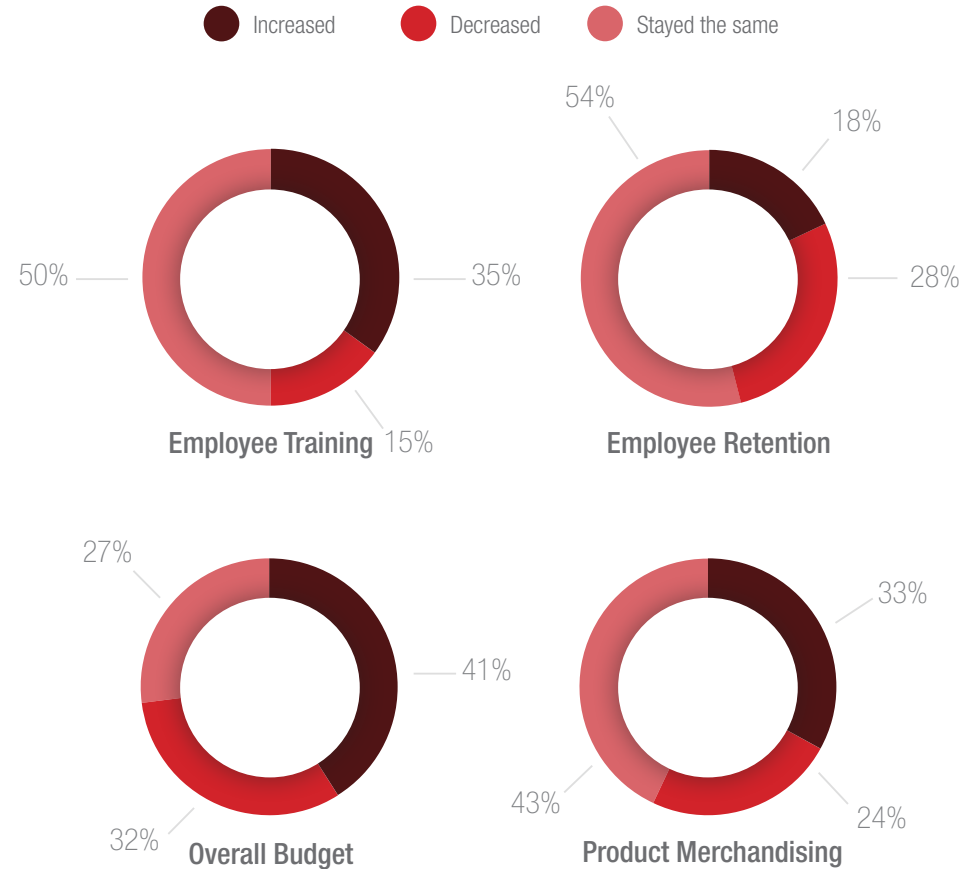
Sincerely,

Debbie Hauss
Editor-in-Chief
Retail TouchPoints

RETAILERS **STRATEGIZE** STORE OPERATIONS **INVESTMENTS**

In its second annual Store Operations survey, Retail TouchPoints found out that retailers are getting smarter about their store operations investments. Fewer companies are decreasing their overall store operations budgets (32.4% vs. 46.9% in 2012). Additionally, more retailers are increasing their investment in Mobile Technology: 56.9%, compared to 36.7% in 2012. Investments in Product Merchandising and Employee Training are on a similar track compared to last year, with between 30% and 40% increasing investments.

Has your overall store operations budget increased, decreased or stayed the same in 2013, in each of the following categories?

● Increased   ● Decreased   ● Stayed the same

54%   18%
50%   35%
15%
Employee Training   **Employee Retention**
28%

27%   41%
32%   33%
**Overall Budget**   **Product Merchandising**
43%   24%

MOBILE: THE CORPORATE VS. BYOD DEVICE DILEMMA

An increasing number of retailers are arming store associates with mobile devices: 44.1% in 2013, up from 42.0% last year. But retailers are split concerning whether to provide corporate mobile devices for store employees or allow for Bring Your Own Device (BYOD). To date, most merchants provide corporate-owned smartphones (55.9%) and Tablets (50.0%).

Are your store employees armed with mobile technology?

● Yes   ● No   ● No, but planning in near future

21%

44%

35%
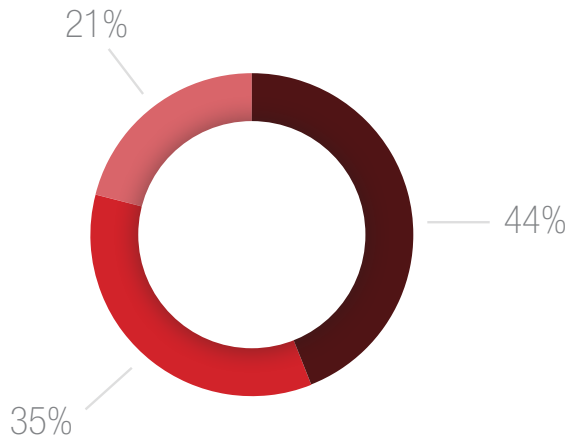
BYOD presents a number of challenges, including data security and potential theft. On the flipside, workers are most comfortable with their own devices; and BYOD reduces the cost for the retail company.
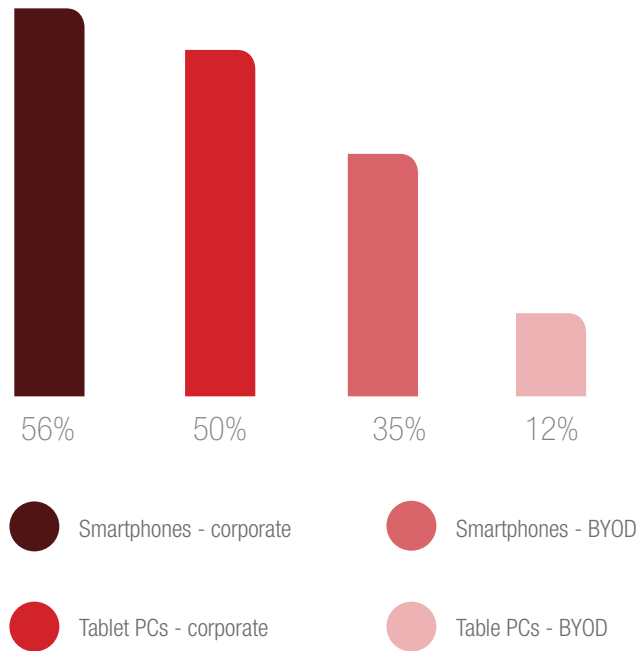
"I think the real gem in the entire BYOD story is the benefit this can bring to employee satisfaction, with potential money saved by retailers on hardware and maintenance a distant second," noted Jerry Sheldon, Analyst at IHL Services, in the 2013 Outlook Guide from Retail TouchPoints.

Some companies are attempting to resolve the BYOD dilemma by implementing mobile security solutions. Merchants also must consider network capabilities. Companies also can access overall BYOD management solutions, to help define and execute BYOD strategies.

"When you consider the two most significant challenges — wireless network security and employee permissions — the vast majority of retailers have already addressed those in some fashion," noted Sheldon. "Most retailers who are going to have a wireless network are either steadily on their way or have the infrastructure in place.

All retailers have experience with defining access based permission, so while associate owned devices may drive a new set of permissions, very few retailers will be required to re-invent the wheel."

Which types of mobile devices are store employees using in-store?

56% 50% 35% 12%

● Smartphones - corporate   ● Smartphones - BYOD

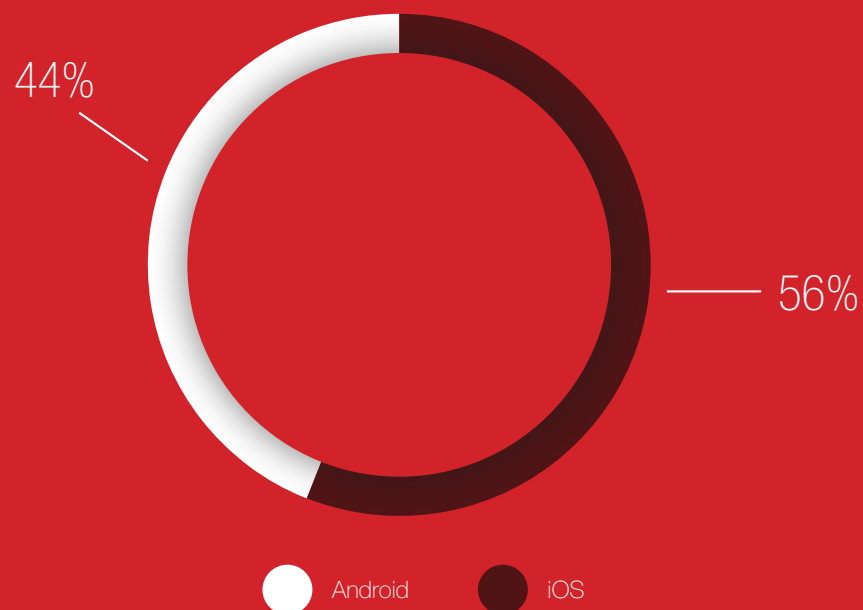● Tablet PCs - corporate   ● Table PCs - BYOD

There's no question that mobile devices in the hands of store employees will improve the customer experience. It's an industry imperative today to be able to offer shoppers at least as much information as they have in-hand when they enter the store.

In our survey, we found that Product Availability (71.0%) and Product Information (66.1%) are the most-used functions by store employees on in-store mobile devices currently. These results are in line with responses from 2012.

What functions are store employees performing using mobile devices?

● Product availability

● Product information

● Online ordering of out-of-stock products

● Mobile Payment

71% 66% 36% 36%
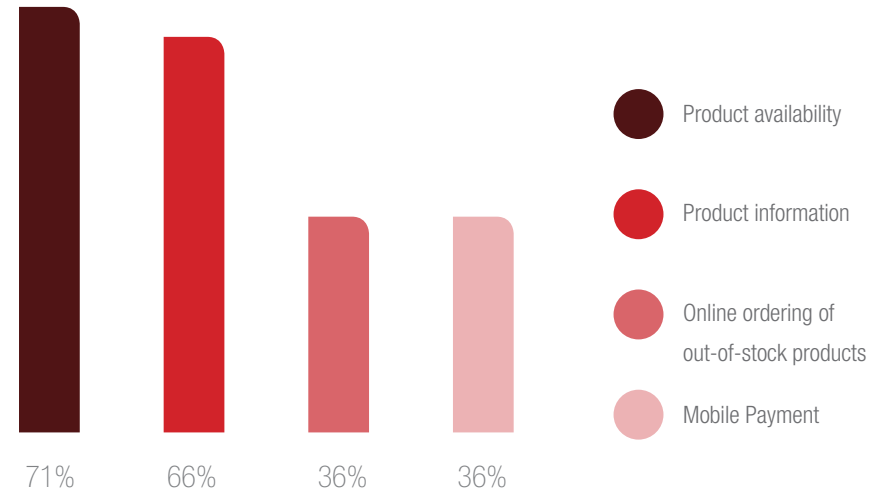
Which platform do you use for in-store mobile devices?
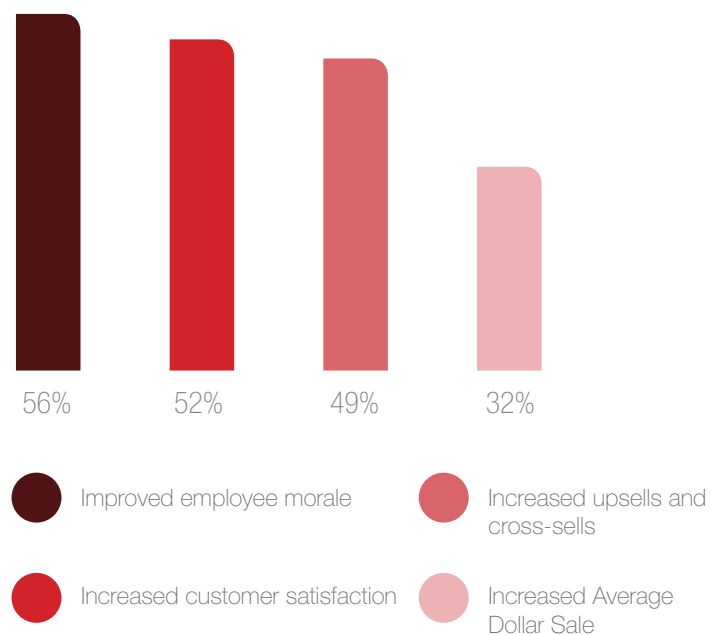
44%

56%

Android   iOS

ANDROID VS. iOS

Retailers are split on the use of Android vs. iOS for in-store mobile devices. It is somewhat of a toss-up at this point weighing employee comfort against device ruggedness and durability. But as the formats and applications continue to evolve, Android is gaining ground. To date, the split is 55.9% iOS to 44.1% Android.

Interestingly, the survey also found that Improved Employee Morale was the No. 1 benefit retailers believe mobile devices are offering (56.1%). Although employee morale cannot be directly correlated to increased profits or revenue, smart retailers know that happy, knowledgeable employees deliver a better customer experience, which translates to an increased bottom line.

How have you benefitted from arming store associates with mobile technology?

56%   52%   49%   32%

● Improved employee morale   ● Increased upsells and cross-sells

● Increased customer satisfaction   ● Increased Average Dollar Sale

MOBILE:
THE PAYMENT CHALLENGE; SITES VS. APPS

Trying to keep pace with new technology offerings, retailers are struggling to decide if and when to implement mobile POS (mPOS), mobile web sites and mobile apps. Each of the three technologies present specific barriers and benefits.

It is somewhat surprising that more retailers have not yet added mobile POS. Just 33.3% of survey respondents have it today, with 37.9% planning to add within the next year. A growing number of success stories are prompting more retailers to consider the mobile POS possibilities.

At Moosejaw, for example, mobile POS has eliminated the need for cumbersome cash wrap stations and POS machines, and in turn, increased overall floor space, according to Bryan Lively, VP of Retail at Moosejaw. "MPOS allowed us to take our existing model, which included anywhere between two to four stationary units and a counter space of approximately 200 square feet,
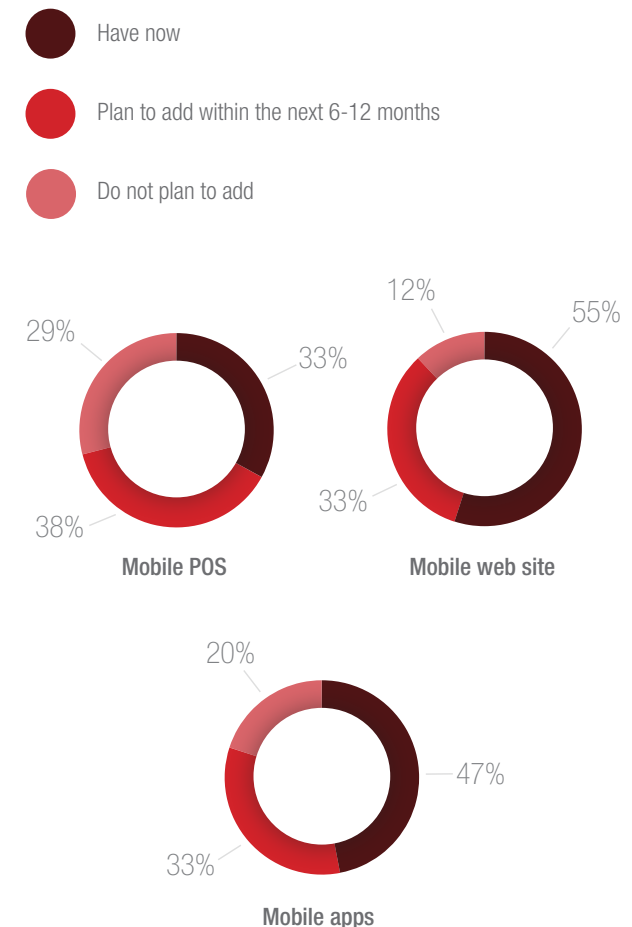
and decrease that size by 50% in the four new stores we opened in 2012. This 100-square-foot increase in floor space has allowed Moosejaw to feature new brands and increase overall inventory assortment in stores."

As of March 2013, 72% of transactions are being completed on mobile devices, an adoption rate way beyond initial expectations, Lively explained. "We anticipated that approximately 25% of all transactions would take place on mobile devices. Within the first eight months of our rollout, we raised that goal to 70%. We've consistently maintained — or exceeded — that rate over the last year."

Mobile sites and apps have reached greater saturation compared to mPOS. As many as 54.5% of retailers surveyed currently have a mobile site and 47.0% have mobile apps. The issue with mobile apps, though, is that while many shoppers may download apps, they may not use them regularly.

In fact, in a recent study, Google found that 65% of in-store shoppers prefer to use the mobile site vs. mobile apps (35%).

What other mobile technology do you utilize within your stores?

● Have now

● Plan to add within the next 6-12 months

● Do not plan to add

Mobile POS
29%
38%
33%

Mobile web site
12%
55%
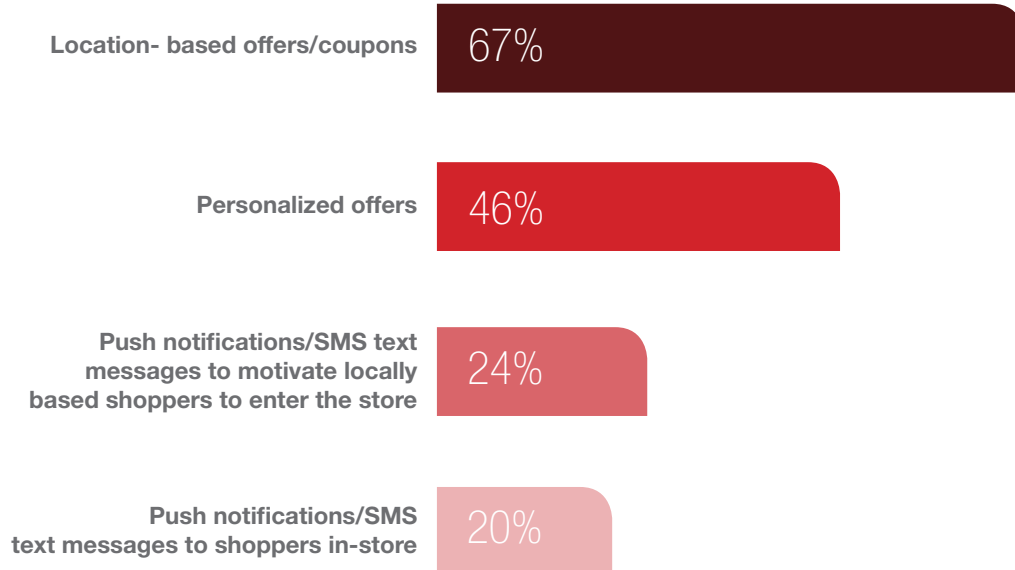33%

Mobile apps
20%
33%
47%

8

EMBRACING EMPLOYEE TRAINING AND RETENTION

It appears that retailers are aware of the importance of employee training and retention, with 67.7% noting that they have an effective program in place, up from 64.0% last year. The number of companies that said they do not have an effective program decreased to 18.6% in 2013 vs. 22.0% in 2012.

Do you use mobile technology to deliver the following?

Location- based offers/coupons
67%

Personalized offers
46%

Push notifications/SMS text messages to motivate locally based shoppers to enter the store
24%

Push notifications/SMS text messages to shoppers in-store
20%

Different types of organizations are beginning to realize the benefits of seeking outside help to train and motivate employees. Just over one quarter (26.5%) of retailers are using third-party solutions or services for employee training, while most (57.8%) training programs continue to be developed in-house.
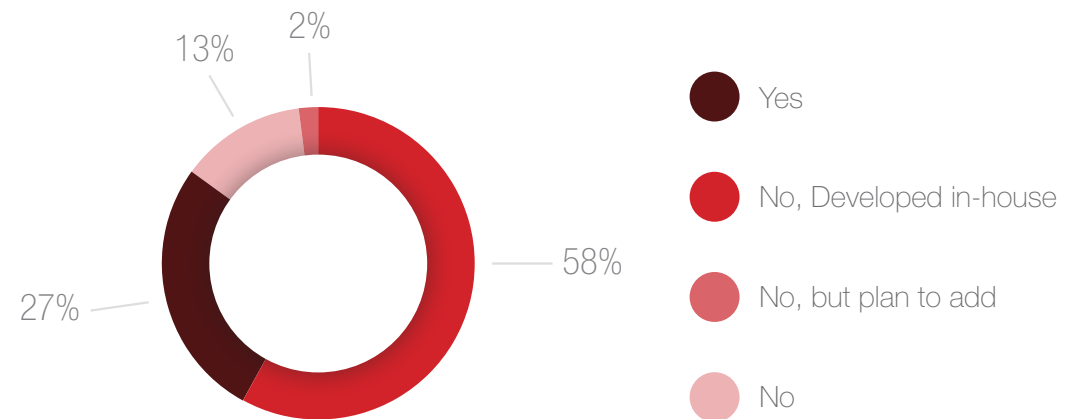
One type of outside solution that could help up the ante on employee training is gamification. Retailers can learn how to employ successful gamification practices from other industries. For example, Deloitte has been acknowledged for the Deloitte Leadership Academy, a digital executive training program that services workers from more than 150 companies worldwide. Deloitte also has gamified internal services within the company to better address employee concerns and performance.

Warby Parker is investigating ways to train remote employees using virtual training tools. To further improve communication, "we've started holding 'Google hangouts' so that all of our employees can participate in all-hands meetings, regardless of their locations," noted Colleen Tucker, Talent Manager at Warby Parker.

Does your company have effective employee traning and retention programs?
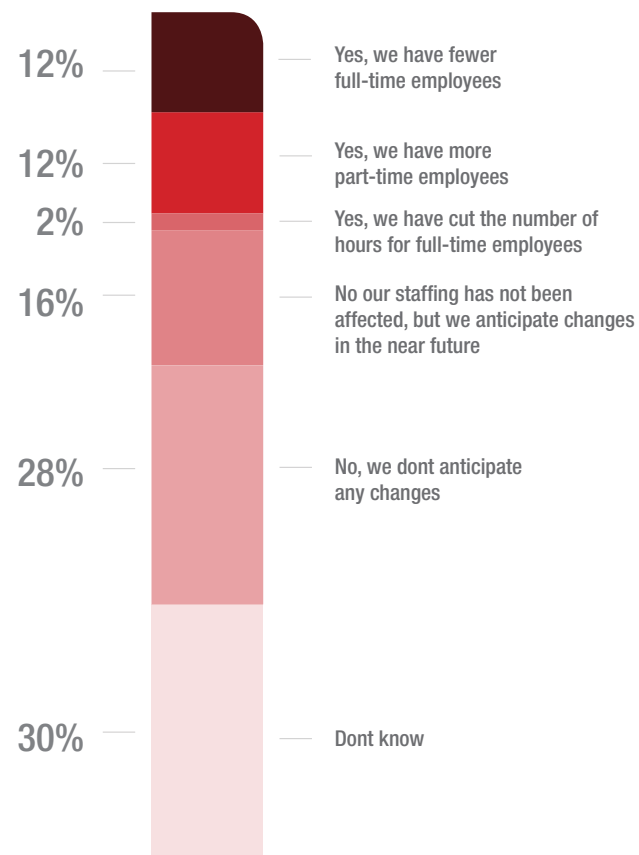
13%

19%

68%

- Yes
- No
- No, but it is a priority for the near future
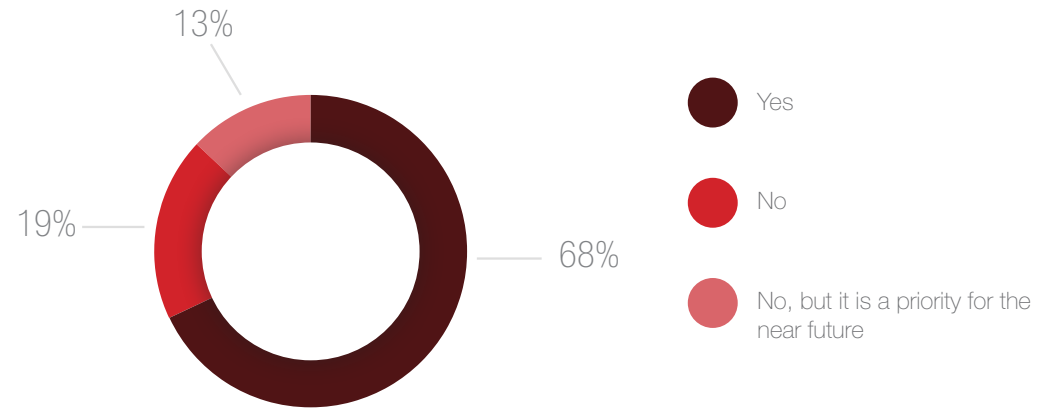
Do you use third-party solutions/services for employee traning ?

13%

2%

27%

58%

- Yes
- No, Developed in-house
- No, but plan to add
- No

10

THE EFFECT OF THE **PATIENT** PROTECTION **AFFORDABLE** CARE **ACT**

With the implementation of the Patient Protection Affordable Care Act (PPACA), many organizations are re-evaluating the number of full-time employees to keep on staff. Although 28.4% of survey respondents said they "don't anticipate any changes," 23.6% already have fewer full-time employees or more part-time employees.

Has the Patient Protection Affordable Care Act (PPACA) affected store staffing?

12% — Yes, we have fewer full-time employees

12% — Yes, we have more part-time employees

2% — Yes, we have cut the number of hours for full-time employees

16% — No our staffing has not been affected, but we anticipate changes in the near future

28% — No, we dont anticipate any changes

30% — Dont know

TO WI-FI OR NOT TO WI-FI

Retailers have been resisting adding in-store Wi-Fi for shoppers for a number of reasons, including network bandwidth, data security and competitive concerns. But in today's connected society, retailers must not avoid the inevitable: shoppers will find the information they are seeking in your store or somewhere else, but they will find it. If retailers don't provide access, they are bound to sacrifice sales and long-term customer loyalty.

Survey respondents are beginning to get the message: 37.3% have implemented in-store Wi-Fi for shoppers, and an additional 10.8% plan to do so. That leaves more than half of retailers as Wi-Fi holdouts. Holdouts beware: a recent consumer study from JiWire determined that 79.5% of shoppers said that the availability of in-store Wi-Fi determines where they shop — either definitely or somewhat.

In addition to boosting customer satisfaction by offering in-store Wi-Fi, retailers also can benefit by having the ability to track in-store customer behavior. But without customer opt-in this practice could cause concern among shoppers, as in the case of Nordstrom earlier this year, highlighted in a Forbes magazine article, titled: How Nordstrom Uses WiFi To Spy On Shoppers.

Do you offer free Wi-Fi for shoppers in-store?

11%

52%

37%

- Yes
- No
- No, but planning to implement

12
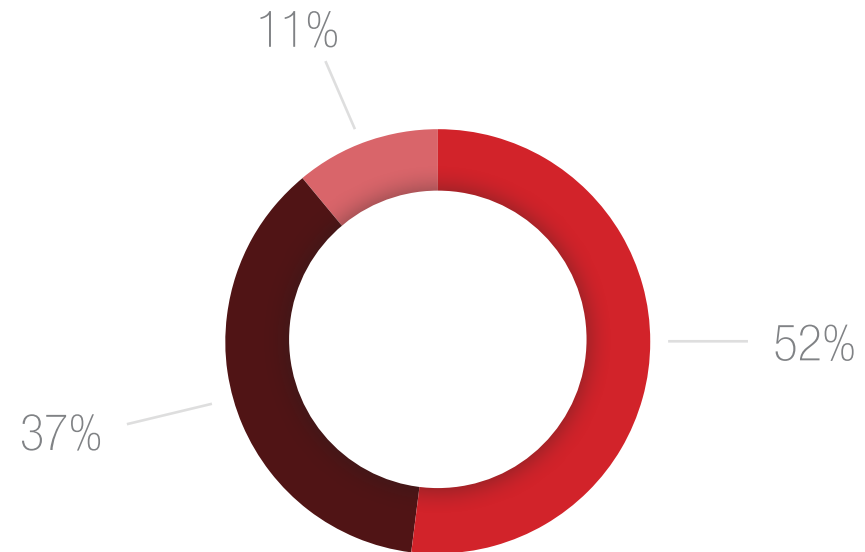
PRICING:
A CHANNEL CHALLENGE

Pricing has become a hotbed of controversy, since shoppers are now comparing prices on all channels and against all competitors, in real time. In the past, pricing decisions often were made in silos – one set of prices for the web site and another set of prices for the stores. But today, shoppers expect a consistent brand experience across all channels. Retailers are now faced with the challenge of satisfying shoppers and breaking down the silos.
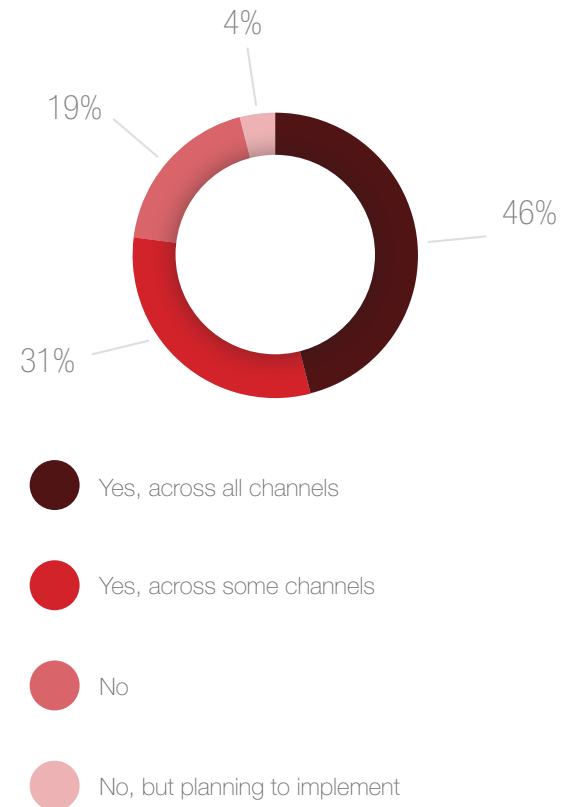
Survey respondents appear to be working toward the goal of channel consistency. Close to half (46.1%) of retailers say they are offering consistent pricing across all channels; and 31.4% say they have achieved pricing consistency across some channels.

Optimization solutions can help along the path to better pricing. With a business intelligence solution, "Retailers are able to understand how their prices are seen in a very competitive landscape," noted Chris Cunnane,

Research Analyst at Aberdeen, in the Retail TouchPoints 2013 Outlook Guide. "The use of customer insights allow for a focused effort on revamping pricing structures, which begins with the source of the product."

To fight back against price competition, some retailers are matching prices. Toys R Us has taken this to the next level by announcing an expansion of its Price Match Guarantee to include prices from online retailers. "This year, Toys "R" Us will continue to match a competitor's advertised price on identical items," noted Linda DeNotaris, Manager of Corporate Communications for Toys "R" Us, in a recent Mobile Commerce Daily article. "Customers may present a local competitor's print ad or, new this year, their website, showing the item available for less, and we'll match it."

Does the store offer consistent pricing with all other channels?

4%

19%

46%

31%

- Yes, across all channels
- Yes, across some channels
- No
- No, but planning to implement

INVENTORY:
OFFERING ORDERING AND DELIVERY OPTIONS

This omnichannel arena is all about options; and not the retailer's options — the shoppers' options. To that end, retailers have been hard at work figuring out how to provide consumers order anywhere/pick up or deliver anywhere.

Smart retailers know that if they don't offer these services, their competitors will. Survey respondents are coming on board, slowly. Survey respondents are offering the 5 different options for ordering and delivery in varying degrees. Most retailers (67.8%) allow shoppers to buy in one store and return to another store. The lowest percentage (41.2%) provide buy via mobile or web site in-store/pick up in-store.

While many retailers are offering some form of buy on one channel, pick up in another, Kmart has taken this one step further, by offering reserve online, then pay and pick up in-store. The Pay In Store offering was created to provide customers more payment choices, according to company representatives.

Do you offer the following product ordering and delivery services in-store?

● Yes   ● No   ● No, but plan to add

Buy online, pick up in-store
48% 40% 12%

Buy online, return to store
50% 43% 7%

Buy in-store, return to another store
68% 28% 4%

Buy via mobile or web site in-store, ship to home
46% 41% 13%

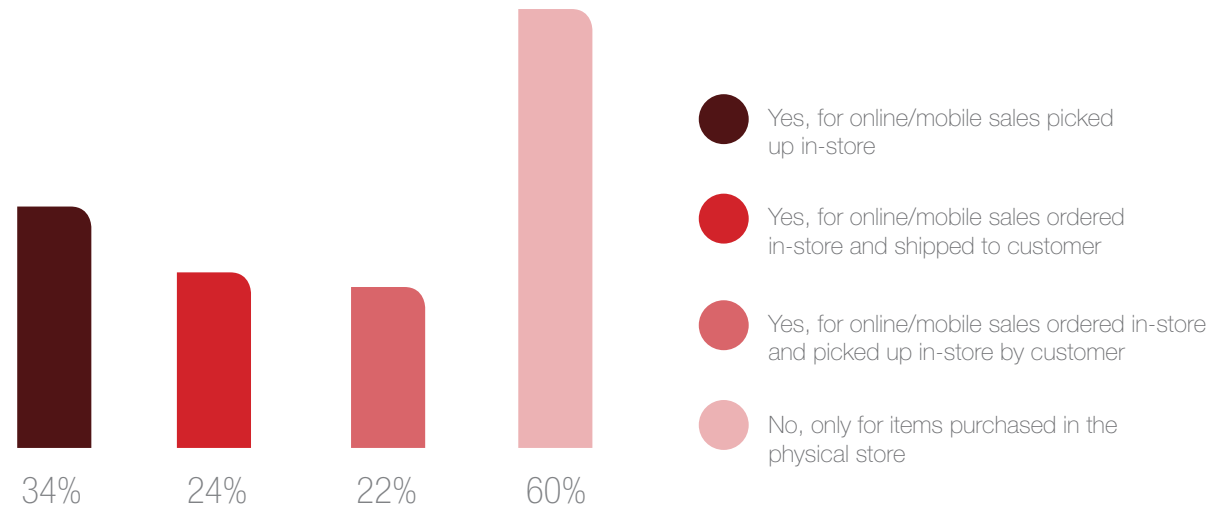Buy via mobile or web site in-store, pick up in-store
41% 42% 17%
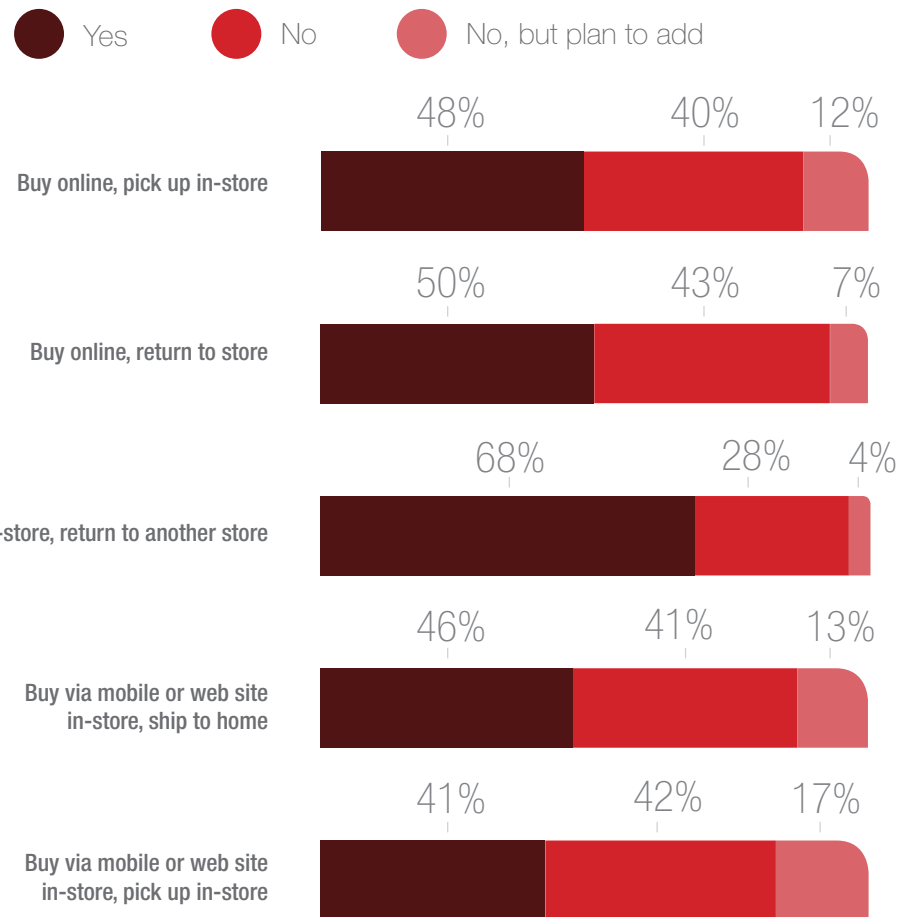
CREDIT WHERE CREDIT IS DUE

One of the continuing conversations around omnichannel commerce is the question: Who gets credit for the sale? Retailers constantly are bantering about this. Those dedicated to the pure omnichannel premise say that it shouldn't matter — everyone should be in it for the betterment of the overall company.

But many retail executives, particularly those who have been in the business for more than a decade or two, balk at this idea. These executives believe that, in order to motivate sales associates, they need to receive credit for sales they complete.

It's obvious that this will be an ongoing conversation. Survey respondents reflect that assertion. The largest number of retailers surveyed (59.8%) only give the store credit for items purchased in the physical store. One third (33.3%) give the store credit for online/mobile sales picked up in-store.

Does the store get credit for other channel sales?

34% 24% 22% 60%

- Yes, for online/mobile sales picked up in-store
- Yes, for online/mobile sales ordered in-store and shipped to customer
- Yes, for online/mobile sales ordered in-store and picked up in-store by customer
- No, only for items purchased in the physical store

Assigning credit also comes into play when the retailer gets around to measuring annual store performance. The No. 1 way retailers measure store performance is by an Increase in year-over-year store revenue; and Same-store sales is ranked No. 2. It's no wonder that store managers and associates are concerned about how their revenue is measured.

The No. 1 way retailers measure store performance is by an increase in year-over-year store revenue; and Same-store sales is ranked No. 2.
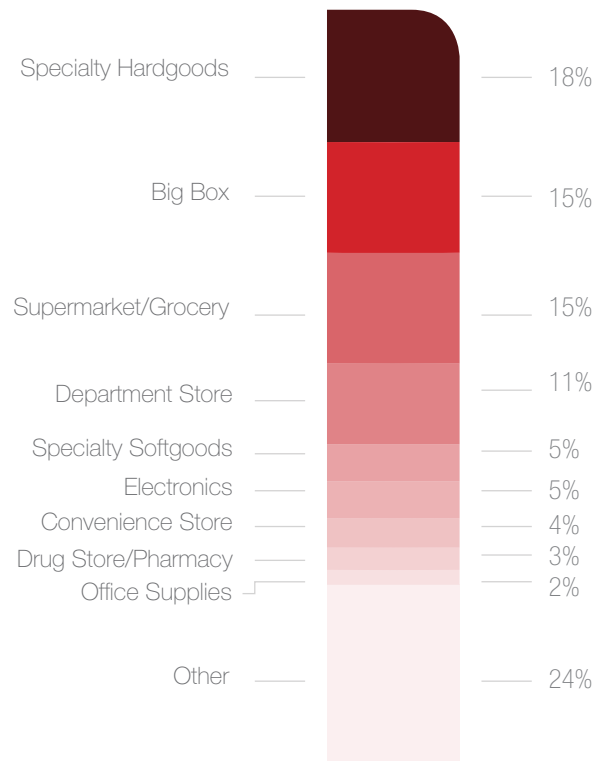
How do you measure store performance?

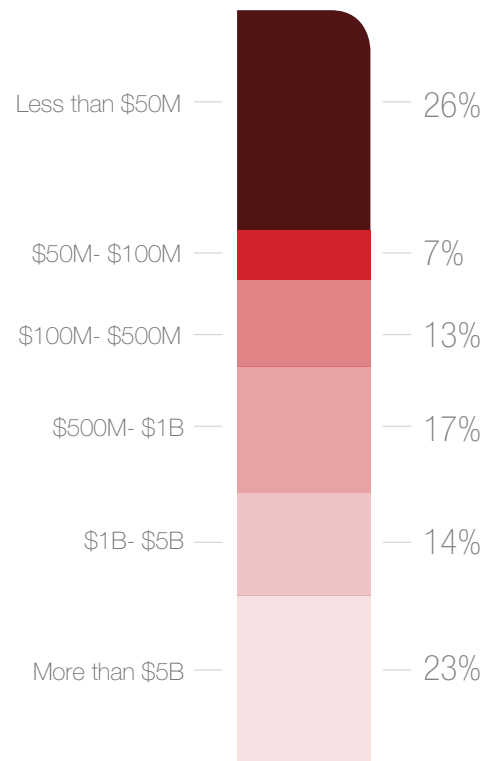| Item	Overall Rank
Increase in year-over-year store revenue	1
Same-store sales	2
Foot traffic	3
In-store conversion rates	4
Customer satisfaction surveys	5
Employee satisfaction surveys	6
Reviews/comments on social channels	7
Review/comments via email	8
Online-to-store conversion rates	9
Increase in year-over-year store revenue	10
Amount of breakage	11
Call center queries	12

RESPONDENT **DEMOGRAPHICS**

Survey respondents hailed from a variety of retail segments.

Please describe your retail vertical:

Segment	%
Specialty Hardgoods	18%
Big Box	15%
Supermarket/Grocery	15%
Department Store	11%
Specialty Softgoods	5%
Electronics	5%
Convenience Store	4%
Drug Store/Pharmacy	3%
Office Supplies	2%
Other	24%

Please describe your company's annual revenue:

Revenue	%
Less than $50M	26%
$50M- $100M	7%
$100M- $500M	13%
$500M- $1B	17%
$1B- $5B	14%
More than $5B	23%

About Retail TouchPoints

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Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The Retail TouchPoints network is comprised of a weekly newsletter, category-specific blogs, special reports, web seminars, exclusive benchmark research and a content-rich web site featuring daily news updates and multi-media interviews at www.retailtouchpoints.com. The Retail TouchPoints team also interacts with social media communities via Facebook, Twitter and LinkedIn.

About Sprint

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Sprint offers a comprehensive range of wireless and wireline communications services bringing the freedom of mobility to consumers, businesses and government users. Sprint served more than 53 million customers at the end of the second quarter of 2013 and is widely recognized for developing, engineering and deploying innovative technologies, including the first wireless 4G service from a national carrier in the United States; offering industry-leading mobile data services, leading prepaid brands including Virgin Mobile USA, Boost Mobile, and Assurance Wireless; instant national and international push-to-talk capabilities; and a global Tier 1 Internet backbone. The American Customer Satisfaction Index rated Sprint as the most improved company in customer satisfaction, across all 47 industries, during the last five years. Newsweek ranked Sprint No. 3 in both its 2011 and 2012 Green Rankings, listing it as one of the nation's greenest companies, the highest of any telecommunications company. You can learn more and visit Sprint at www.sprint.com or www.facebook.com/sprint and www.twitter.com/sprint.

18