ZEBRA

The Next Wave of Retail Fulfillment

Long-term changes to consumer behavior drive retailer priorities to boost labor, fulfillment and supply chain capabilities

Market disruption has triggered significant changes to the retail sector, accelerating shifts already underway while inspiring a new era of retail innovation. These trends translate into new priorities for retailers wanting to keep up with shopper expectations.

Contents

**Mobile Ordering
Continues To Increase**

77%

of shoppers have used m-commerce,
up **7%** from 2020 and **15%**
since 2019.

Trends Shaping the New Consumer Economy

How we got here and where we're going

The world is emerging from the global pandemic forever changed, and the retail sector is no exception. While last year's survey data showed distinct changes to shopper behavior in response to the pandemic, this year's responses suggest that many of those changes are here to stay. Consumers and retailers alike have doubled down on their habits.

Shoppers want to shop their way. They're looking for alternatives to in-store shopping or simply want to make the experience more convenient and intuitive. Flexible technology solutions allow shoppers to engage with retailers on their own terms.

Most decision-makers **(92%)** agree that more shoppers are using more mobile ordering. And shoppers' expectations for mobile ordering cut across Food, Drug, C-Store and Mass Merchant (FDCM) segments.

Meeting Amplified Shopper Expectations

Prior to the pandemic, retailers were already facing heightened customer expectations because of digital disruption. The omnichannel shopping surge has amplified those expectations while putting new demands on inventory and fulfillment.

When it comes to finding a solution, one size does not fit all segments. A unique and innovative spin on fulfillment is vital to winning today. To deliver on demand via these new models requires agility, speed and a forward-thinking approach to store and inventory management.

Market Upheaval Inspires Innovation

The shopper experience extends far beyond the four walls of the retail store. Channels have converged as shoppers begin their journeys online, in-stores or as a combination. Technology enables a better customer experience on any platform and helps to empower associates to deliver the best service possible as the retail sector heads into the future of fulfillment.

Retail Trust and Satisfaction Gaps Revealed

While shopper satisfaction has rebounded slightly from last year **(79%, +3 pp YoY*)**, merchants **(87%)** and associates **(86%)** still overestimate customers' actual satisfaction, leaving room to close the gap. Interestingly, associate satisfaction hinges on using technology to increase efficiency and their overall experience.

70%
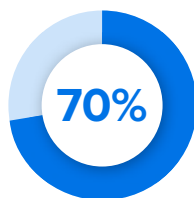
Associate Satisfaction Is Tied to Technology Use

of associates feel more positive about employers when they provide them with useful technology, an increase of **37%** since **2019.**

* Denotes year-over-year (YoY) percentage point increase or decrease.

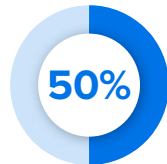# Market Watch: The Retail Evolution by the Numbers

Shoppers' Perspective

Shoppers Expect No Boundaries Between in Stores and Online

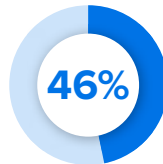## 69%
say they prefer a blend of in-store and online shopping.
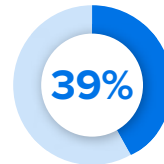
m-Commerce Is the New e-Commerce
Shoppers crave self-sufficiency during their shopping trips and increasingly leverage their smartphones to:

50%
Look up store information

46%
Check for sales, promos and coupons

39%
Browse online for products

Do It Yourself Takes Hold

Most shoppers **(58%)** agree they can find the information they need more efficiently on their smartphones than by asking in-store staff.

Associates' Viewpoint

Associates increasingly feel the pain of inventory issues—it is their top complaint, up **+3 pp (YoY)**.*

Most Important and Valuable Uses of Technology

45%
Price checks

41%
Scan barcodes
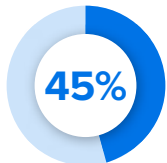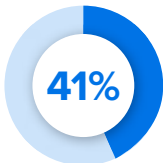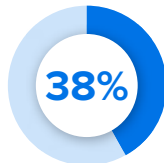
38%
Check inventory

Gauging Sentiment Around Advanced Retail Technology

Associate concerns about being replaced by robots grew by nearly **70%** since 2019—though they also increasingly believe it will help augment their work.

Executive Decision-Makers' Assessment

Accommodating the Cross-Channel Shopper

Rising e-commerce is driving more interest in new warehouse and fulfillment solutions.
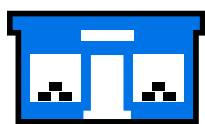
88%
In-store pick and pack solutions

87%
Warehouse fulfillment solutions

Future Spending Priorities

8 in 10
decision-makers plan to increase spending on IT, omnichannel and store staffing within the next year.

* Denotes year-over-year (YoY) percentage point increase or decrease.

Converging Channels Disrupt Fulfillment

How a new omnichannel reality heightens customer expectations and complicates retail operations

Shoppers don't distinguish between retail channels and have no trouble switching between them even within a single shopping trip. Millennials and Gen Xers live in a reality where the physical and digital retail domains are merged, and they expect seamless "phygital" experiences. Globally, **74%** of Millennials and **73%** of Gen Xers surveyed prefer a blend of in-store and online shopping.

Why Consumers Shop Where They Shop

Whether in-store or online, shoppers are motivated by the same retail basics.

	In-store	Online
1. Product Availability	57%	59%
2. Product Selection	50%	51%
3. Price Comparison	33%	44%

Retailers Know It Is Time To Change

Blended channels present a distinct challenge to retailers who have historically managed brick-and-mortar and e-commerce fulfillment separately. The popularity of fulfillment streams like BOPIS (buy online pickup in store), curbside pickup, delivery to other stores and same-day home delivery add more operational complications.

Sixty-four percent of shoppers plan to shop in stores more as the pandemic recedes. As foot traffic ramps up, retailers need to prioritize fulfillment, expediency and safety within the physical retail experience. To illustrate: **65%** of shoppers are concerned with sanitized surfaces/exposure to others, and **73%** of consumers prefer having items delivered rather than picking them up. Another **60%** of shoppers prefer shopping with retailers that let them pick up orders in store, curbside or from another location such as a locker.

Retail's Decision-Makers Feel the Pressure

The focus on fulfillment has steadily increased since 2019, as evidenced by the pressure decision-makers report to deliver on new fulfillment priorities.

80%
Offer a variety of delivery options and speeds
(**+43%** since 2019)

78%
Reduce expenses of online orders

77%
Increase efficiency of processing online orders

72%
Manage online returns more efficiently

67%

of shoppers prefer to shop at online retailers that also have a brick-and-mortar location.

Connecting With Connected Shoppers

Keeping step with new consumer habits has never been more important

Shoppers—like the retail sector itself—have been thrust into a new reality. They have adjusted to market disruption with the adoption of new shopping habits. More segments have expanded online, and shoppers can now go to e-commerce or mobile platforms to purchase everything from groceries to apparel and pick it up or have it delivered within hours.

Retailers have adjusted operations to meet these new demands. This has heightened shoppers' expectations around convenience and assortment. They now expect enhanced fulfillment services, like BOPIS and curbside or drive-up pickup, to be given as a regular part of business, not just pandemic-era solutions.

Mobile Ordering Has Increased YoY Across Generations

Millennials	Gen X	Baby Boomers
90%	84%	53%
+2 pp YoY*	+5 pp YoY	+6 pp YoY

More Time Online Means More Online Shopping

Shoppers rely on online shopping for a variety of functions beyond transactional. In addition to placing orders for delivery, shoppers' notable uses of digital stores also include:

- Researching product prices **(50%)**
- Looking for competitive pricing **(45%)**
- Checking inventory for a specific product before visiting a store **(31%)**

Inventory visibility is key to shopper satisfaction. It helps connect shoppers to what they want and gets them in the door in the first place. Without knowing ahead of their visit whether their desired item is in stock, many shoppers may simply never visit the store. And if an item search indicates a product is in stock, then it better be there when a customer arrives.

In addition to accessing online retail via their own devices, shoppers also increasingly utilize in-store solutions. Technologies that enable touchless or contactless experiences have seen large usage increases.

73%

of shoppers expect retailers to use the latest technology.

Associates across FDCM segments echo shoppers' expectations that retailers use the latest technology, with the highest expectations noted in grocery.
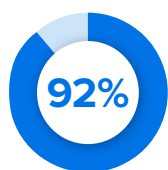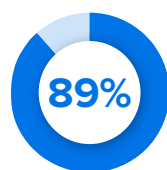
92%	89%	82%	84%
Grocery	Drug	C-Stores	Mass Merchants

* Denotes year-over-year (YoY) percentage point increase or decrease.

Out-of-Stocks Continue To Frustrate Shoppers and Associates

If customers can't find it, they won't buy it

Offering the basics has become even more challenging for retailers with blended channels and 24/7 expectations. Shoppers expect to find and purchase products everywhere, anywhere, anytime, yet **71%** are leaving without items they came to buy, and among those, about half **(49%)** say it was due to out-of-stocks.
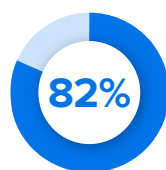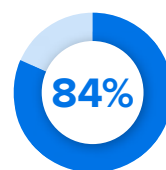
Shopper Likelihood of Making a Purchase When Encountering Out-of-Stocks

Order for home delivery	**65%**
Pick-up item at another store location	**63%**
Purchase an alternative item	**62%**

Eighty-seven percent of decision-makers (and **75%** of associates) believe that maintaining real-time visibility of out-of-stocks is a significant challenge. Associates are feeling the effects of inventory issues as out-of-stocks rank as their top complaint: **44%** of associates say this is the biggest frustration during a retail shift, up **+3 percentage points** from last year's vision study.

Supply chain issues that began with the pandemic continue to plague retailers across verticals. Omnichannel inventory transparency is particularly critical for today's uncertain supply chains as it can help retailers overcome these challenges and better meet customer demand.

7 in 10

shoppers report leaving a store without all the items they wanted.

Most decision-makers and associates agree their companies need better inventory management tools.

84% Decision-Makers (Increase of **5% YoY***)

73% Associates (Increase of **14% YoY**)

These results reinforce the need for better, more effective solutions. Retail decision-makers are aware that they need better inventory management tools to improve accuracy and availability to increase satisfaction levels for both shoppers and associates.

Maintaining Real-Time Visibility of Out-of-Stocks Is a Significant Challenge Across FDCM Segments.

90%
Grocery

82%
Drug

80%
C-Store

88%
Mass Merchants

* Denotes year-over-year (YoY) percentage point increase or decrease.

Fulfillment and Returns: Less-Than-Seamless Processes

Returns and fulfillment issues are unavoidable, but the right technology can reduce their impact

Fulfillment has splintered into multiple converging and overlapping processes. There are now a variety of shipping and pickup options at shoppers' fingertips, and retailers are fulfilling orders from warehouses, micro-fulfillment centers, or even off store shelves. Managing multiple channels smoothly requires advanced operational synchronization, real-time inventory visibility and reliable customer communications.

Problems Peak With Pickup Services

Unfortunately, retailers are running into chronic issues when operating BOPIS or curbside services. According to associates working in stores with pickup options, long wait times, out-of-stocks, and customer timeliness or no-shows are among the top problems encountered with store pickup.

Despite these issues, shopper demand for pickup and drive-up options continues. Though **73%** of shoppers prefer to have their purchases delivered to them, **60%** expect retailers to let them pick up items in store, curbside or another location such as a locker or kiosk.

Returns Make or Break Customer Relationships

Easy acceptance of online returns at the physical store can be a deciding factor for customers in choosing where they ultimately shop.

Managing returns also presents a host of significant challenges that are frequently complicated by the blending of online and offline channels. According to the study, **67%** of associates (an **18%** year-over-year increase) and **86%** of decision-makers (a **9%** year-over-year increase) agree that accepting and managing returns of online orders is a significant challenge to their organization.

Slightly Out of Sync On Returns

Decision-makers are confident in their business's capacity to handle online returns and believe their process is very streamlined. Almost 9 in 10 decision-makers surveyed highly rated their company's online return process (up **42%** since 2019). On the other hand, store associates are less inclined to agree, as only **70%** said the same.

Associates Cite Continued Problems With In-Store Returns

Frequent returners	Reverse logistics	No dedicated in-store area for returns
53%	**39%**	**27%**
Year-Over-Year Increase		
+18%	**+39%**	**+13%**

Nearly
8 in 10
shoppers prefer easy returns from where they shop, whether by mail or in store.

Curbside Pickup

Experience Matters: Online and In-Store

Thanks to e-commerce and smartphone apps, customers can shop wherever and whenever they want

Today's customer experience is at home, on the fly, with a kiosk, in the store—it can take place virtually anywhere. Whether in-store, online or via mobile, shopper satisfaction continues to hinge on expectations for convenience, accuracy and safety.

The In-Store Shopping Experience

Shopper satisfaction with the in-store experience has slightly rebounded from the height of the pandemic but remains lower than it was in 2019.

Retailers are largely unaware of the satisfaction gaps that exist within the specific functions of the in-store experience. Shopper satisfaction is lowest for ordering out-of-stock items on the spot, with a **50%** gulf between shoppers' ratings and decision-makers' perceptions. A similar difference of opinion exists regarding online shopping and the in-store returns and exchange process. Shopper satisfaction with online fulfillment and payment options has improved, but retailers believe satisfaction levels are much higher than customers report.

Gauging the Gap: Shoppers Leave Room for Retailers to Close Satisfaction Gaps

|	Shoppers	Associates	Decision-Makers
Ability to order out-of-stock items on the spot	54%	71%	81%
Returns or exchange process	65%	79%	84%
Staff equipped with mobile devices to help with finding items	59%	74%	83%
Return or exchange an item in store or other physical location	58%	76%	82%
Availability of item pick-up in store or other location	62%	79%	82%
Delivery timing	69%	74%	80%

One bright spot is seen in customer satisfaction around in-store health and safety **(+5 pp YoY*)**, a sign that many retailers have successfully adjusted to changing protocols for the moment at hand.
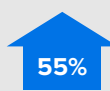
In-store technology that enables contactless shopping experiences has grown tremendously. Over six months, shoppers used:
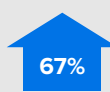
47%

18%

Self-checkout

34%

55%
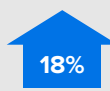
Cashless payment

25%

67%

Personal shopping device provided by the store

* Denotes year-over-year (YoY) percentage point increase or decrease.
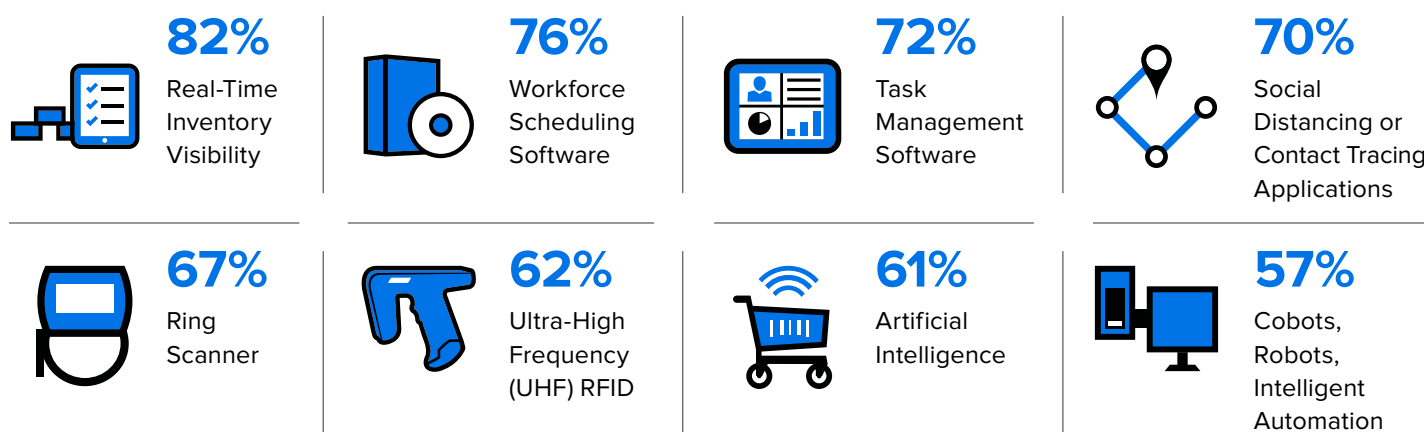
Highly Valued Retail Associates

Knowledgeable and empowered store associates are critical to delivering better retail experiences

In the wake of unprecedented market disruption, shoppers and retailers have realized the profound importance of associates. It is increasingly critical to reinforce the store associates as a high-value role, essential to achieving long-term customer loyalty. As a retailer's largest expense, attracting, training and retaining talent requires investment in the people and tools to enable them to work with optimal efficiency, accuracy and speed.

Delivering Better Service

Alongside out-of-stock complaints **(44%),** the biggest frustrations of retail associates working in in-store sales or customer support roles include customer requests like price checks **(35%)** and requests for product information **(33%)**, which can derail associates on the floor from the task at hand. Many associates also feel they have too little time to help customers because they're occupied with other low-level tasks **(32%).**

Key Technologies Associates Say Help Them To Create a Better Customer Experience:

82% Real-Time Inventory Visibility	**76%** Workforce Scheduling Software	**72%** Task Management Software	**70%** Social Distancing or Contact Tracing Applications
67% Ring Scanner	**62%** Ultra-High Frequency (UHF) RFID	**61%** Artificial Intelligence	**57%** Cobots, Robots, Intelligent Automation

Building Mutual Trust With Their Employers

While associate trust in their employer has improved, decision-makers do not recognize large gaps still exist, especially when it comes to ensuring manageable workloads. As the retail experience becomes increasingly digitalized, providing enhanced training helps associates feel confident they can use the technologies, devices and processes necessary to handle omnichannel operations.

Trust in Employer Workplace Issues

| % Completely/ Somewhat Trust	Ensure associate workloads are manageable	Ensure stores are adequately staffed with associates	Provide adequate training to handle increases in online orders and returns
Decision-Makers	**90%**	**88%**	**90%**
Associates	**74%**	**77%**	**80%**

Technology Fuels Productivity, Satisfaction and Service

Shoppers and associates use technology in their everyday lives, shaping their expectations for the retail experience. Shoppers have become increasingly savvy using technology to browse or check out.

Making the Move to Self-Checkout

Retailers benefit from converting point-of-sale space or front-of-store checkout areas into self-checkout. Self-checkout is vital in creating a more socially distanced and health-conscious retail environment, limiting interactions between customers and store staff.
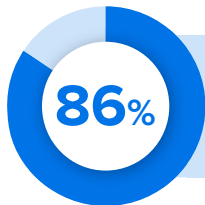
86% of decision-makers agree they are seeing a positive return on investment.

Associates realize the impact that upgrading to self-checkout can have on store staff. Their responses are both positive and cautious. While **75%** of associates believe that self-checkouts free them to focus on higher priority tasks and better serve customers, **78%** think that self-checkouts have resulted in hiring fewer people and investing that money elsewhere (**87%** of decision-makers share this belief as well). Both store associates **(72%)** and decision-makers **(78%)** say that self-checkouts have increased idle time for associates on the floor.

Harnessing the Power of Analytics

Implementation of new technology and an influx of data can be overwhelming. An intuitive, integrated system can leverage artificial intelligence to synthesize information and deliver powerful analytics. Most associates believe analytics will aid in completing daily tasks.

Associates Agree on Technology Use in Their Work

72%	**70%**	**73%**	**58%**
Prefer automatically prescribed tasks for managing their day vs. reading reports or figuring out the right tasks on their own	Would rather manage tasks via a mobile device/ application	Want to manage their schedule via a mobile device/ application	Agree the use of robots would help augment their work

Most decision-makers say they currently use task management software **(50%)** and real-time inventory visibility **(49%)**, with more deployment expected over the next year. Within the next five years, the deployment of these two software solutions is estimated to reach **98%** and **94%**, respectively.

Working Smarter, Not Harder

From the warehouse to the shop floor, technology introduces time saving solutions to the customer and associate experience

The most successful retailers recognize that when you elevate associates' work, they elevate the customer experience. These retailers are putting a device in every associate's hand to empower them to do higher-value work and spend more time with customers. The right mobile devices and apps can help unlock efficiencies in the back room and the aisles. Investing in technology improves task management and scheduling, communication and collaboration, and inventory visibility.

Unlocking Potential With Mobile Technology

Associates say verifying prices, scanning barcodes and checking inventory are the top essential and valuable uses of technology. Associates and shoppers agree that handheld mobile computers, barcode scanners and wearables improve the customer experience.

Associates Agree They Can Provide a Better Customer Experience Using Technology

Handheld mobile computers with scanners	Handheld barcode scanners	Wearable computers
85% **+3 pp YoY***	**84%** **+4 pp YoY**	**69%** **+7 pp YoY**

Top Three Benefits of Mobile Devices According to Store Associates:

1 Finding a correct price	**2** Finding a product	**3** Answering a customer question

Mobile Device Deployment Plans

	Within One Year	Within Five Years
Smartphones	**84%**	**97%**
Handheld Barcode Scanners	**82%**	**98%**
Mobile Point-of-Sale Devices	**82%**	**97%**
Barcode Label or Thermal Printers	**83%**	**97%**
Handheld Mobile Computers with Scanners	**80%**	**96%**

Associates agreeing that wearables improve the customer experience increased

33%

since 2019.

* Denotes year-over-year (YoY) percentage point increase or decrease.

Rebuilding and Improving Trust

Retailers overestimate the level of trust shoppers have in them

A large trust gap exists between shoppers and retailers. More than half of decision-makers surveyed **(55%)** believe they are completely trusted to fulfill online orders as promised, but only **38%** of shoppers indicate complete trust in retailers. Even retail associates are wary of their employers' capabilities, with only **51%** completely trusting their employer's ability to deliver or fulfill customers' online/mobile orders as promised.

To improve this level of trust, retail decision-makers are increasingly embracing solutions that elevate the contributions of front-line staff and improve how inventory is planned and executed in stores and the broader supply chain.

Fulfillment Trust Gap Between Retailers, Associates and Shoppers

55%
of **decision-makers** think **shoppers** completely trust their company to fulfill online orders as promised

38%
of **shoppers** completely trust retailers to fulfill online orders as promised

49%
of **decision-makers** think **associates** completely trust their company to fulfill online orders as promised

51%
of **associates** completely trust their company to fulfill online orders as promised

Only
4 in 10
shoppers completely trust retailers to fulfill online orders as promised.

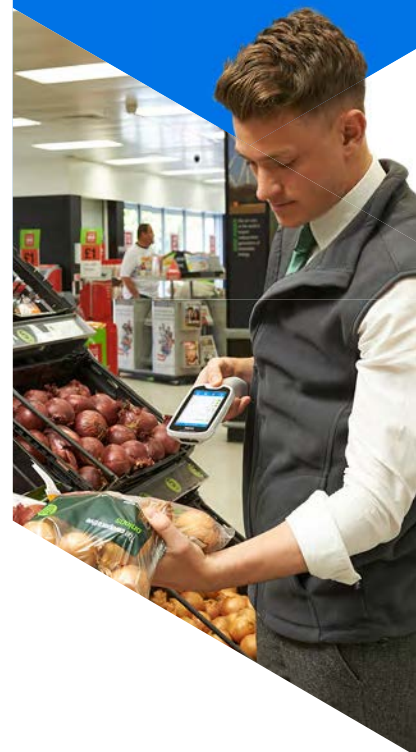### Health and Safety Trust Gap Also Revealed

In addition to closing the fulfillment trust gap, retailers still have work to do when it comes to consumer confidence regarding health and safety, too.

Health and Safety: Customer Trust in Retailers vs. Decision-Makers' Opinions

	Make health and safety a priority	Clean and disinfect surfaces regularly	Adhere to health and safety protocol
Shoppers	70%	76%	78%
Decision-Makers	91%	94%	91%

Getting Ready for the Next "New Normal"

The technology and operational priorities defining retail's future

What does the future of fulfillment look like? While it is impossible to predict, remarkable market disruption makes it clear that success depends on a retailer's ability to be agile and empower its associates. For long-term results, retailers must better manage inventory and orders in our on-demand, blended channel world.

Room for Improvement

Decision-makers say future changes to their store operations are driven by the need to accommodate a blend of in-store and online channels.

Decision-Makers' Top Five

Emerging technologies over the next five years:

1. **Distributed Order Management**

2. **Advanced Order Fulfillment**

3. **Real-Time Store IoT Platform**

4. **Unified Commerce Ecosystem**

5. **Workforce Management Software**

Changes Driving the Future of Store Operations

- **Providing seamless customer experience between online and brick-and-mortar**
- **Facilitating mobile ordering**
- **Buy/reserve online and pick up in store**
- **Shift to online sales**
- **In-store purchase shipped to home**

Shoppers have a digital-first mindset. It's time that retailers did, too. Digital transformation is not easy, but it's necessary in a world moving at today's insanely fast speeds. Streamlined workflows, more inventory transparency, and an empowered workforce—all enabled by technology—combine to create a better customer experience, whether online or in-store.

Nearly
9 in 10
associates and 90% of decision-makers rate stock availability and ordering as a top area important to improve with technology.

Regional Findings

North America

- Associates in North America are the least concerned **(46%)** about being replaced by a robot.

- Shoppers in North America ranked the highest **(82%)** in preferring retailers that offer easy returns, yet the lowest **(62%)** in rating a retailer's online return process.

Europe

- Decision-makers surveyed in Europe (the United Kingdom, France, Germany and Italy) feel the most pressure to manage online returns more efficiently, at **79%** compared to the global total of **72%**.

- EMEA shoppers ranked the lowest in their preference for retailers that let them pick up items in-store, curbside or another location, such as a locker.

Latin America

- Shoppers in Latin America (Mexico, Brazil, Chile and Colombia) are most satisfied with the online shopping experience: **83%** report satisfaction, compared to the global total of **74%**.

- While **60%** of decision-makers agree they need to increase efficiency and processing of fulfilling online orders, it is significantly less than the global total of **78%**.

Asia-Pacific

- Returns are less of a driver for consumers in this region (including China, Japan, India, Australia and New Zealand). Only **72%** surveyed said they prefer easy returns, compared to the global total of **78%**.

- Interestingly, **82%** of APAC decision-makers agreed they need to reduce the expenses of online orders, the highest of any region.

Key Takeaways

Digitally savvy shoppers and associates expect retailers to employ the latest technology. Mobile ordering and online shopping, in general, continue to increase as shoppers take advantage of services like BOPIS and curbside pickup, even more so than they did in 2020.

Shoppers are happy to get back to stores. However, after such dramatic growth in digital, it is clear that shoppers see little difference between retail channels. Operationally, retailers need to get the basics right: product availability, price transparency, safety, contactless store experiences and easy returns.

Powered by mobile and e-commerce, the shopping experience is now an "everywhere" experience. Despite slight improvements in overall satisfaction, shoppers are not nearly as satisfied as retailers think they are—and the largest gaps in satisfaction are related to fulfillment.

Though associate trust in their employer is up this year, issues remain with the work and the workforce. Associates want a better day-to-day experience at work and believe that technology can help them deliver enhanced customer service. Moreover, associates increasingly view their employer more positively when provided with mobile devices and technology to do their job.

Technology is the key to better fulfillment and real-time inventory transparency. Fulfillment-driven solutions are now the top trends decision-makers say will emerge over the next five years. To meet today's on-demand consumer expectations, retailers are looking to facilitate the blending of online and in-store operations.

About Zebra

Zebra (NASDAQ: ZBRA) empowers the front line of business in retail, manufacturing, transportation and logistics, healthcare, and other industries to achieve a performance edge. We deliver industry-tailored, end-to-end solutions that intelligently connect people, assets and data to help our customers make business-critical decisions.

Your Partner in Future-Forward Fulfillment

To learn how Zebra can help your retail operation deliver seamless efficiency across capabilities, please visit

www.zebra.com/retail