RetailWeek
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Smarter checkout in a digital world

Giving checkout the attention it deserves

INTRODUCTION: TURN ON, TUNE IN AND CHECKOUT

Of all the forecasts made in the nascent days of the internet, the prediction that online shopping would result in the death of the physical store is so far proving to be among the most exaggerated. While stores have undeniably faced their challenges in the digital age, they remain at the heart of most retail transactions. Indeed, there is a statistic oft quoted by industry commentators that between 75% and 80% of all retail sales still touch a store in some way.

One of the most critical elements of the in-store experience is the checkout, with consumers often citing poor service at the till as the most frustrating part of a shopping trip. Yet, despite high customer expectations, optimising the checkout experience is often an afterthought for many retailers, who instead choose to focus on the more glamorous aspects of the in-store customer experience.

Recently, however, the checkout has started to get the attention it deserves, with new technologies enabling retailers to deliver a frictionless, fast, reliable and secure experience that can also be central to data capture providing actionable insights and customer loyalty.

This white paper, produced by *Retail Week* in association with Toshiba Retail, assesses the key developments in checkout technology, from customer-facing screens and digital receipts to contactless payment and mobile tills. It also highlights real-life examples of how retailers are working with technology providers to improve the checkout experience and leave customers with a positive feeling as they exit the store wanting to return again.

CHAPTER 1: VALUING THE CHECKOUT EXPERIENCE

Doomsday predictions that the growth of online retailing would lead to the death of the store have so far proven to be wide of the mark.

"The store isn't going away just because we have online," says Jonathan Luker, Toshiba Retail UK and Ireland. "Customers go to a store to experience the brand. The store has become the focal point of all the channels that shoppers use to engage with retailers."

What the internet has undoubtedly changed, however, is the role the store plays in the path to purchase. No longer is a store just a point of transaction. It is, as Eric Fergusson, director of retail services at consultancy Ecommera, notes, one of many steps on the customer journey.

"We have moved on from being inspired by ads during the week and shopping at the weekend to continuously shopping," he says. "This means that stores should either be incredibly inspiring or offer unparalleled convenience."

One point of principle that remains just as relevant regardless of the purchase channel is that shoppers judge their retail experience according to the 'peak-end rule'.

"This means that a shopper's experience will be remembered by the highs or lows, and what happened at the end," explains Danni Findlay, director of retail and shopper at market research agency Marketing Sciences.

The end point remains – at least for now – the checkout. And despite the changing use of stores, it retains its potential to scupper an otherwise positive shopping experience.

Toshiba's Luker notes: "We all know that if you struggle at the checkout and you have to wait, then it really affects your overall experience, and depending on your brand loyalty can mean that next time you will go to a competitor elsewhere."

Lasting impressions

According to the *Worldpay Consumer Behaviour and Payments Report 2016*, nearly 80% of customers will leave a store if they have to wait for five minutes to pay for their items, with 34% of those consumers willing to queue for up to three minutes and 4% only willing to wait for less than one minute.

Meanwhile, 39% of shoppers cite queueing and payment as the most frustrating parts of the in-store experience.

Three key points are cited time and again as topping the list of what consumers want from the checkout experience: convenience, speed and customer service.

"The checkout is the narrowest part of the sales funnel and a fundamental step in the process," says Myles Dawson, UK country manager at payment solutions company Adyen.

> ## "Customers go to a store to experience the brand. The store has become the focal point of all the channels"

"However, it often has the highest concentration of shopper pain points. What customers want is a frictionless experience offering the payment methods they want to transact with."

Technology is playing an ever-increasing role in enabling retailers to achieve the frictionless experience that Dawson speaks of. According to Toshiba's Luker, retailers are keen to "get their teeth into tech and what it can deliver", but he admits that it can take a leap of faith to move to full implementation as it is not always clear what level of technology shoppers will be comfortable with.

"Customers do not demand technology at the checkout, but they get used to the benefits very quickly," he says. "People now get frustrated if they can't pay with contactless, whereas 12 months ago it wasn't prevalent. The bar is always getting higher."

Where technology helps to create an easier and smoother checkout experience, shoppers are pleasantly surprised and likely to remember the experience, says Marc Cooper, vice-president EMEA of cloud-based retail software company Vend.

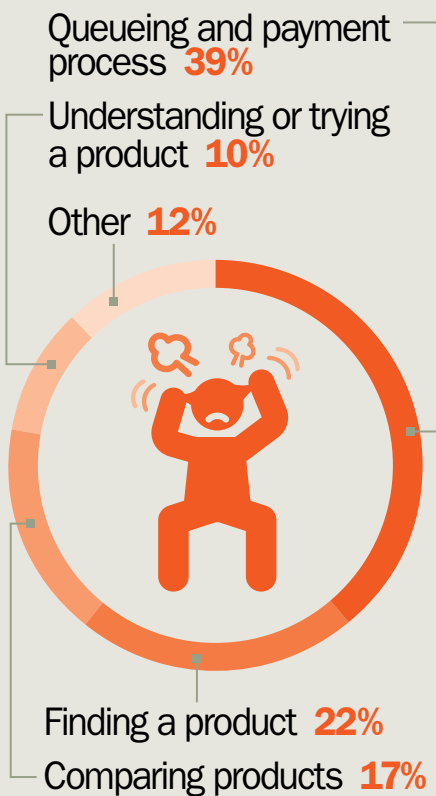## "A shopper's experience will be remembered by the highs or lows, and what happened at the end"

"People are becoming more aware of technology because they are using it for themselves – contactless, for example – but that's about the extent of the average person's understanding of technology at the checkout," he says.

"And, to be honest, that's what it should be. The role of the technology isn't to make the customer do more and take notice; it should be to make their experience faster, easier and more seamless, so they can pay for an item and think, 'Wow, that was quick' without realising the impact technology had in that process."
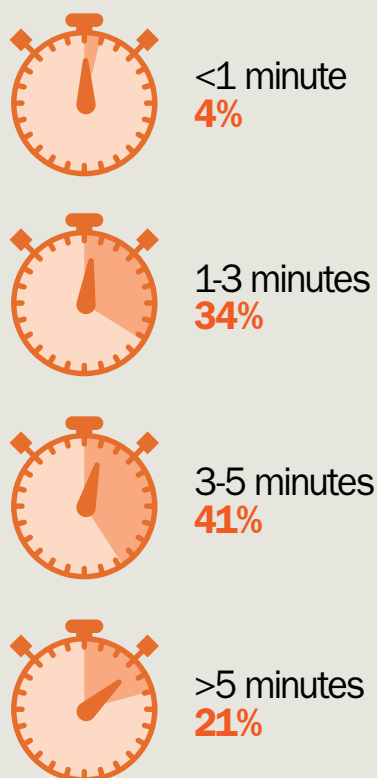
AT A GLANCE
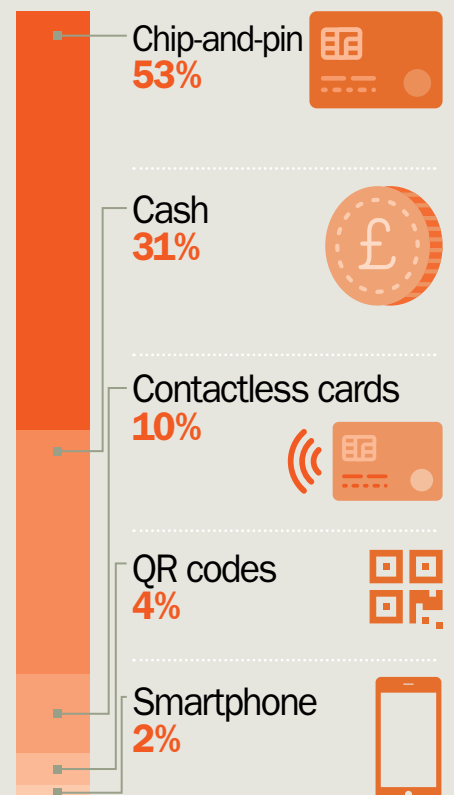## What consumers have to say about the **in-store experience**

The most **frustrating** part

Queueing and payment process **39%**

Understanding or trying a product **10%**

Other **12%**

Finding a product **22%**

Comparing products **17%**

They are willing to **wait** to pay...

<1 minute **4%**

1-3 minutes **34%**

3-5 minutes **41%**

>5 minutes **21%**

The **most popular** ways to pay

Chip-and-pin **53%**

Cash **31%**

Contactless cards **10%**

QR codes **4%**

Smartphone **2%**

Source: Worldpay Consumer Behaviour and Payments Report 2016

CHAPTER 2: TECHNOLOGY AT THE CHECKOUT

From the arrival of self-checkout in the early 2000s through to the use of mobile payment devices today, the checkout experience is undergoing a fundamental change, driven by both insights into changing consumer behaviour and the development of new technologies.

"As people's shopping behaviour has changed, for example with the rise of mobiles, their expectations of the checkout have changed too," explains Nick Hughes, managing director of retail checkout specialist ITAB UK.

While this has led to a lot of blue-sky thinking from retailers and software suppliers, not every solution is practical, says Gary Marshall, director of operations at homewares retailer Lakeland. "I think the discussion has been more pragmatic in the past 12 months. There have been lots of trials, but the reality is that not everything will add value," he says.

Rise of contactless

Few would dispute that contactless payment has added genuine value to the shopping experience. Contactless take-up in London benefited from its adoption by Transport for London on trains and buses, but uptake has been slower in other parts of the UK. Nevertheless, the Worldpay report shows that contactless usage was up 160%

year on year in 2015 and is set to increase still further.

As yet, mobile payments such as Apple Pay, Android Pay and Samsung Pay have not gained traction in quite the same way, with experts citing security concerns as the key barrier. Those same experts predict, however, that it is only a matter of time before the breakthrough arrives.

"Mobile payments are just contactless transactions," says Steve Rothwell, chief technology officer and founder of customer loyalty specialist Eagle Eye. "The question is whether the form will change from card to mobile, or maybe it will move straight to watch as it has the added convenience of already being on your wrist."

Payment apps could take self-checkout to the next level and will explode in the "next few years", predicts Dennis Jones, chief executive of Judopay, a mobile-first payments platform. "Beacons will recognise you from your mobile device when you come into a store and, as you get close to the PoS, it will recognise what you want and pay for it. It speeds up the queue and offers personalisation in the process."

Lakeland's Marshall predicts there will be "hundreds of payment solutions" available in the next few years. "Some will die a death, despite getting backing, so we all have to be really careful," he warns.

To date, the kitchenware specialist has placed its own focus on the roll-out of customer-facing screens, supplied by Toshiba, which it installed across its portfolio of nearly 70 stores two years ago. The TCx™Display screens, located at fixed points opposite TCxWave™ tills and at service points in stores and cafe areas, can be used by both staff and customers for assisted selling. Screens play marketing messages when not in use.

Paired with web-enabled in-store software applications, a mobile-optimised website and an automated warehouse operation, this system enables Lakeland to offer customers a multichannel experience with interactive information, more checkout options and better security.

Interactive innovation

"The screens have added innovation to our business," says Marshall. "When transacting, the screens show the progress of the customer journey. They can see the promotions firing, but when it isn't in use it is a way of promoting our brand. We are now much more interactive and customers do want to engage."

McDonald's has also embraced the use of digital technology to enhance the customer experience. The fast-food retailer has begun installing digital screens in some of its UK

restaurants that allow customers to place and pay for orders while avoiding the usual queues. Further into the shop, screens above the service counter let customers know the status of their order.

The screens were created by interactive kiosk designer and manufacturer Evoke Creative, which was tasked with making the digital screens as intuitive and approachable as possible while maintaining the clean aesthetic that is synonymous with the McDonald's brand.

The company has also created a self-order kiosk for Euphorium Bakery concessions in Tesco stores that allows customers to create, order and pay for personalised celebration cakes. Evoke says the kiosks have reduced waiting time in store, allowed staff to focus on serving bakery counter customers rather than taking orders, and reduced the risk of human error. Remote access means special offers and updates can be programmed into kiosks from a central location and the performance of each unit can be split using simple analytics.

Assisted shopping

Mobile PoS systems are providing retailers with the ability to rival the convenience experienced online. By equipping staff with mobile devices, usually tablets, they are able to assist customers by offering endless aisle, product information and a range of fulfilment options, as well as taking payments from anywhere in store.

Mobile PoS also allows retailers to queue-bust, free up staff from the constraints of physical tills and increase floor space, says Dave Hobday, managing director of payments company WorldPay.

"Staff are free to go out and offer assisted shopping, which helps to increase the value of baskets. There are multiple areas where mobile PoS can solve retailer challenges that simply didn't exist before," he adds.

Airport retailer World Duty Free Group, which operates more than 550 stores in 20 countries, has introduced WorldPay's Total

"Mobile PoS is changing store design and moving away from the traditional model"

Mobile at its store in Heathrow's newly reopened Terminal 2.

Roaming staff are equipped with touchscreen devices that can browse for items and take payments remotely, both reducing queue times and minimising lost sales through shoppers abandoning their purchases as they rush to catch their flights. It has also helped to relieve pressure on tills during peak periods and identify when extra staff are required.

"As a new terminal, there is a bit of trial and error to see which areas need extra resource," says Gemma Knight, store manager at World Duty Free Group. "With mobile PoS, we can react to situations very quickly depending on when and where we get busy."

Scalability is one of the key benefits of mobile PoS, adds Vend's Cooper. "For example, during an especially busy time like Christmas, by simply adding a few more tablets you can quickly expand the number of tills in store."

At fashion retailer Jaeger, mobile PoS is changing the way its stores are designed. Having rolled out Omnico's OmniBasket earlier this year, the high street retailer has moved its checkout from a static experience to staff taking payments anywhere in store, including in the changing rooms.

With staff also able to offer endless aisle, recommendations and delivery for out-of-stock items via the device, the till area has been reduced to a small number of fixed points around the store where staff can remove tags and bag items.

Need for speed

At its most effective, technology can provide a solution to physical impediments to speedy checkout. ITAB TwinFlow is a new generation of self-checkout developed with Toshiba Retail for the grocery and convenience segments and, in particular, for larger stores. It is aimed at making self-scan a practical and appealing option for shoppers with medium to large trolleys by minimising the anxiety experienced, reducing queuing time and intervention levels, allowing shoppers to scan and pack their bags at their own pace.

The system introduces belted self-checkout with a dual-packing area at the end, thereby enabling one shopper to begin scanning while another carries on bagging purchases.

Luker explains: "It's an intuitive process. Shoppers simply scan and place the item on the belt. The system automatically takes the products to the twin packing bay securely and then the customer pays and moves to packing, allowing another shopper to begin. It will save significant time for customers and it makes the process seamless, easy and efficient. It is truly ground-breaking for this area."

IN FOCUS: TOUCHLESS COMMERCE

Promising checkout in less than two seconds, Toshiba's Touchless Commerce points to the next big leap in self-checkout.

The technology uses 3D and facial-recognition technologies to scan a shopper's face and the items in their basket.

The consumer is then automatically charged for their purchases via a pre-registered payment option. The whole transaction is completed without them touching a single button.

The system is based around two key processes. First, a camera identifies the items in the shopping basket simultaneously, thus reducing item recognition time significantly when compared with scanning each item manually or using automated systems.

At the same time, the facial recognition software identifies the shopper and incorporates payment, receipt and loyalty information into the transaction. A proprietary security algorithm then verifies the contents of the basket.

Presented at the National Retail Federation's Big Show in New York at the start of 2015, and work continues to fine-tune the technology to enable it to differentiate between variants of the same item.

CHAPTER 3: GETTING THE MOST OUT OF CHECKOUT TECHNOLOGIES

While the primary purpose of checkout technologies is to provide a faster, more efficient experience, many also offer additional benefits such as data collection.

"With a really good point-of-sale system, there is so much information a retailer can get now without time spent on manual data entry and analysis," explains Vend's Marc Cooper. "You can track staff performance and sales, which can help with creating rewards and staff incentives.

"You can also see trends around your products – what's most popular, what's likely to sell the best and at what times, and which products aren't performing well," he adds.

"That's huge for retailers as it means they can make better decisions around the products they order and avoid having surplus stock or being under-stocked, which can reduce costs significantly."

World Duty Free Group is able to generate weekly analytics for all of its Terminal 2 card readers, allowing it to

better manage staffing during peak times and improve the customer shopping experience in the future.

PoS data captured on shopping behaviour, past purchases and preferences can also enable retailers to offer timely and relevant offers and promotions. These both reward loyalty and keep shoppers coming back for more.

For such reasons, checkout data can be of huge value to retailers, but it has to be enriched by data from other channels, says Steve Rothwell from Eagle Eye, which together with Toshiba works with grocer Asda on its digital point-of-sale coupons. He adds: "Loyalty is earned through a relationship, not bought."

Getting personal

If customers do agree to share their personal details with retailers, then they expect something valuable in return, says Phil Smith, vice-president of sales and marketing at point-of-sale marketing specialist Ecrebo, which works with retailers including Marks & Spencer and Waitrose.

"You have to give something to them that recognises who they are and is personalised on that basis," he adds.

Digital receipts represent another technology that is not only convenient but acts as a means of gathering customers' email addresses for direct communications. They can also help to build a base of information on a customer's habits and preferences on which to build personalised offers, and

act as a selling device with links to the transactional channel.'

Ecrebo has been working with M&S for nearly four years on a wide variety of product, category and 'spend and save' offers to encourage repeat purchase and loyalty. Smith gives the example of an offer generated on purchases of premium wine for customers to join M&S's online wine club. "We could identify customers who were not members and offer Champagne to those who signed up," he says. "It encouraged several thousand sign-ups."

The wow factor

With technology able to take over many aspects of the in-store sales process, ITAB's Nick Hughes believes retailers now have the opportunity to differentiate by offering a new level of service, albeit with the caveat that: "It would have to be the most efficient service [customers] can receive so it could not be replicated online."

Technology is transforming the checkout experience, both in terms of the physical customer experience and the insights it can deliver to retailers. But, to be truly successful, any developments must first and foremost deliver genuine customer benefits.

"Technology needs to be truly innovative and help give your brand the 'wow', says Lakeland's Gary Marshall. "If it is just 'same as' there is no point."

Businesses ultimately have to be selective, says Marshall. As technology opens up new avenues for delivering a smarter checkout experience, the challenge for retailers is in choosing which technologies to put in their basket, and which to leave on the shelf.

> "Digital receipts are a selling device with links to the transactional channel. It is a closed loop that we are creating"

PARTNER COMMENT

Physical stores remain important in the digital world, with the majority of consumers still preferring to shop in store. However, digital technology has a critical role to play in enhancing the overall customer experience and meeting consumers' demands for more convenient, informed and efficient shopping.

Retailers can achieve this through embracing and promoting in-store technologies to help boost sales.

The checkout experience is going through a period of fundamental change driven by changing consumer behaviour and the development of new technologies. The expectation is for the experience to be convenient, fast and secure with great customer service.

Improving the shopping experience at the checkout can be successfully achieved through the use of in-store mobile POS devices, which allow the consumer to self-serve and enable assisted selling by store staff. Added benefits come in the form of faster payments that reduce time spent queuing, and endless aisles that provide more detailed product information and fulfilment options, all of which make the customer more likely to complete a purchase.

The convenience of self-service is consistently improving with, for instance, dual packing bays for effective flow, while the future promises 'touchless' commerce that uses facial recognition technologies to enable shoppers to check out in as little as two seconds.

Retailers can also extend brand engagement with retail theatre that entertains the customer via interactive kiosks, digital signage and social media walls.

Additional benefits can be gained through data collection and personalised engagement at the point of purchase providing retailers with actionable insights for targeted digital promotions and rewards.

In a competitive marketplace, creating a unique and personalised seamless customer experience is a key differentiator in ensuring your customers' loyalty.

Toshiba is the global market share leader in retail store technology, providing solutions that enable retailers to deliver enriched shopping experiences, gather actionable insights and provide a frictionless checkout through our deep retail expertise and broad portfolio of services and solutions.

• Jonathan Luker, Toshiba Retail UK and Ireland

TOSHIBA'S KEY POINTS

● Physical stores remain important in the digital world and consumers still prefer to shop in store.

● Digital technologies play an important role in delivering exceptional customer experience.

● The checkout experience is going through a period of fundamental change driven by changing consumer behaviour and the development of new technologies. The expectation is for the experience to be convenient, fast and secure with great customer service.

● Improving customer experience at the checkout can be achieved through the use of in-store mobile POS devices allowing the consumer to self-serve and enabling assisted selling by store staff.

● Retailers can extend brand engagement with retail theatre that entertains the customer via interactive kiosks, digital signage and social media walls.

● Retailers can gain additional benefits through data collection and personalised engagement at the point of purchase providing actionable insights for targeted digital promotions and rewards.

● In a competitive marketplace, creating a unique and personalised seamless customer experience is a key differentiator in ensuring your customers' loyalty.

ABOUT TOSHIBA

Toshiba is the global market share leader in retail store technology, providing solutions that enable retailers to deliver enriched shopping experiences, gather actionable insights and provide a frictionless checkout through our deep retail expertise and broad portfolio of services and solutions.

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