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In-Store Technology

Photo: Courtesy of Apple


Photo: Harold Hechter Associates, New York

2005 Industry Survey

A benchmark study made possible by a research grant from:

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Technology talk

By Sree Roy, Associate Editor

DDI's industry survey provides insight on budgets, usage and trends

Methodology

DDI has compiled this in-store technology survey to measure retailers' use, satisfaction and anticipated plans in regard to technology in the store environment. The survey includes quantitative data on topics such as annual in-store technology budgets and the types of in-store technology most commonly used in stores, as well as qualitative data on subjects such as users' biggest challenges in implementing in-store technology and predictions for the future of the industry. The survey was conducted online from July 19 to July 28, 2005 and resulted in a 6 percent response rate. Almost 40 percent of *DDI* readers who completed the survey indicated they had more than 20 years of experience in the retail industry. The margin of error for this survey is plus or minus 6 percent.

DDI's reader survey is intended to create a snapshot of technology as it is implemented in the store environment and to identify important industry trends for the future. The survey results reveal that customer convenience is a force driving in-store technology. Innovations such as interactive kiosks and self-checkouts are high on the list of emerging trends. Some respondents see an opportunity for more vendors to enter the field. One respondent predicts "an increase in providers of digital media. Many companies who are well-versed in Web site design and content development will move toward providing content for retailers."

However, there is still some hesitancy and confusion surrounding in-store technology. Almost 30 percent of respondents indicated they are not familiar with RFID—radio frequency identification—or its uses, which include tracking inventory and creating interactive displays. One respondent says, "Much education will have to be introduced to make it more appealing to retailers."

Below are the study's key findings.

Budgets and buying decisions

DDI asked our readers about their companies' annual in-store technology budgets. According to the results, 13.2 percent of the respondents' organizations have in-store technology budgets of at least $3 million, and 14.1 percent have budgets between $500,001 and $3 million. On the opposite end of the spectrum, almost 20 percent of respondents have budgets of less than

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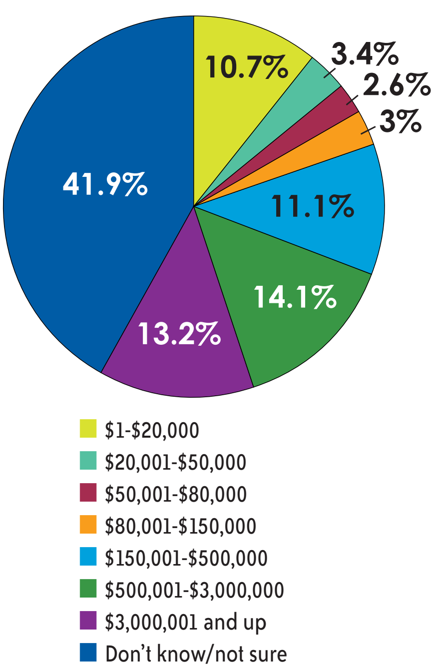
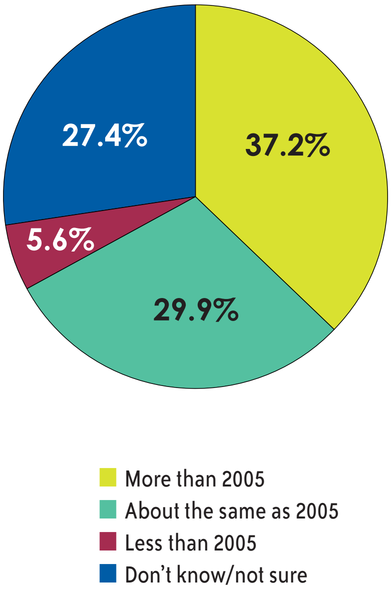
Annual 2005 in-store technology budget



DDI's in-store technology survey shows that almost 20% of respondents have an annual technology budget of less than $150,000. The survey reveals 13.2% of respondents have budgets of $3 million and more.

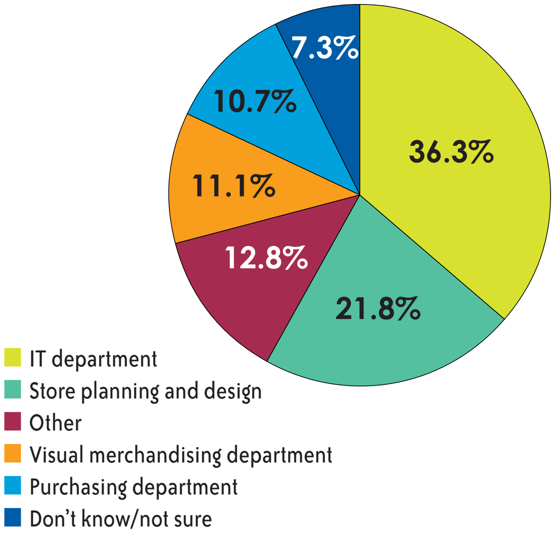
Planned 2006 in-store technology budget
Compared to 2005's budget



More than 35% of respondents reported that their company's 2006 in-store technology budget will be more than their 2005 in-store technology budget.

Department that makes the majority of buying decisions

Majority is defined as at least 50 percent



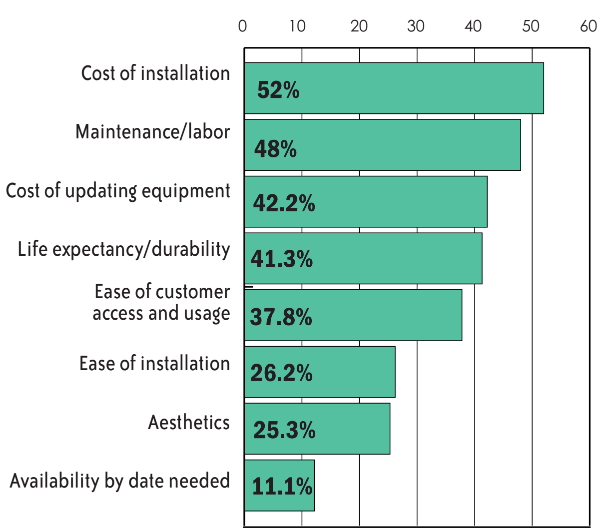
According to the survey, the department that makes the majority of technology buying decisions for retailers is the IT department (36.3%). Second is store planning and design (21.8%).

Top in-store trends

Survey respondents answer the open-ended question asking for the top in-store technology trends (ranked in order).

1. Interactive kiosks
2. Digital signage
3. High-definition screens (LCD monitors, flat-screen technology, plasma screens, HDTV)
4. Wireless technology (tie)
   RFID (tie)
5. Self-checkout
6. Faster checkouts; increased checkout convenience (tie)
   Technology's increasing role in environmental branding (tie)
7. More interactive devices, such as shopping carts (tie)
   Integrating online and brick-and-mortar (tie)
8. Audio; retailers programming their own music
9. Scent technology
10. More customization, such as video triggered by the customer (tie)
    Biometric authentication, such as fingerprint identification (tie)
    Corporate network broadcasts on in-store video screens (tie)

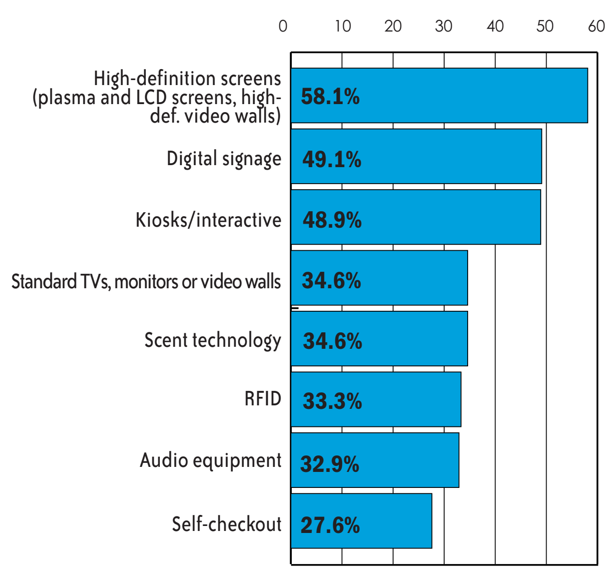
Factors influencing buying decision when selecting in-store technology



Cost of installation (52%) is the No. 1 factor influencing buying decisions when selecting in-store technology, according to *DDI*'s technology survey. Rounding out the top three factors are maintenance/labor (48%) and cost of updating equipment (42.2%).

Planned use of technology types in the next 12 months

% Significantly More + % Slightly More



More than 45% of respondents reported they will buy slightly or significantly more high-definition screens (58.1%), digital signage (49.1%) and kiosks/interactive (48.9%) in the next 12 months.

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$150,000. But survey results indicate these budgets are growing. When predicting their companies' 2006 in-store technology budgets, 37.2 percent of respondents said the budget for 2006 would be more than the budget for 2005. About 30 percent said the budget will remain about the same.

The decisions for how to spend that money fall to the IT (information technology) department the majority—at least 50 percent—of the time, according to 36.3 percent of respondents. But store environment personnel are not completely left out of the process. Slightly more than 20 percent of respondents indicate that the store planning and design departments at their stores make the majority of the buying decisions regarding in-store technology. Included in the "other" response category (7.3 percent) are respondents who say buying decisions are a team effort.

The top factors that influence the buying decision are 1) cost of installation, 2) maintenance/labor by in-house or out-of-house IT staff, 3) cost of updating equipment, 4) life expectancy/durability and 5) ease of customer access and usage, according to *DDI*'s survey.

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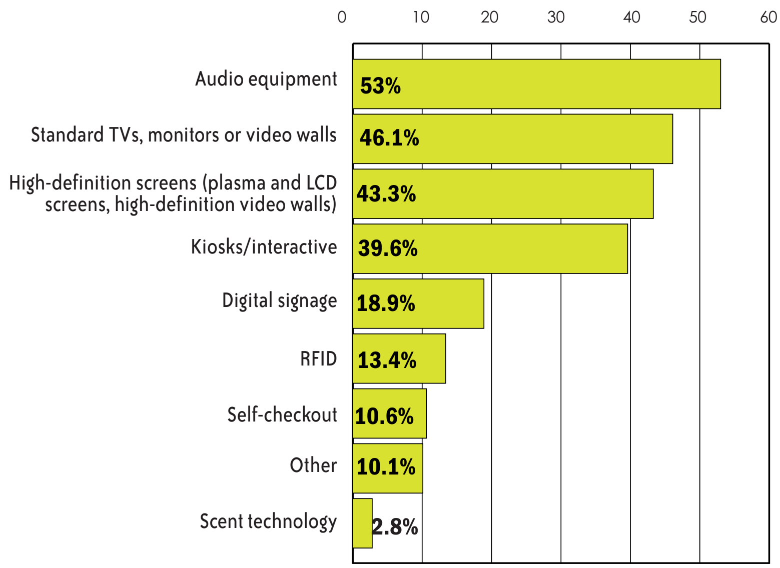
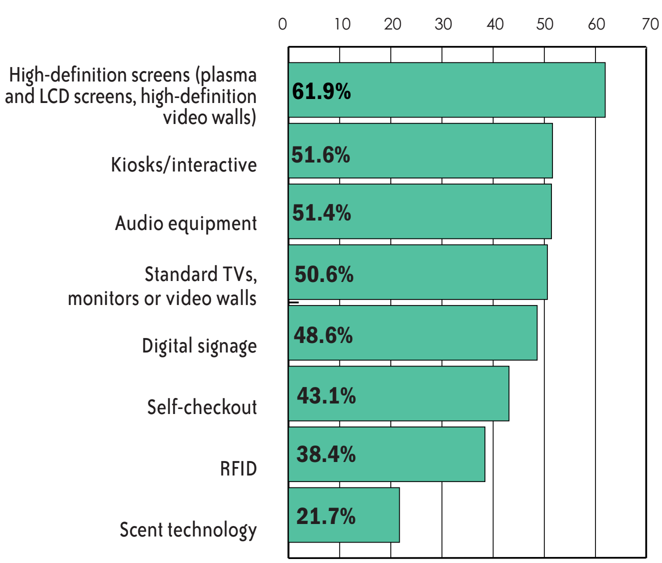
Technology types used most in store design projects



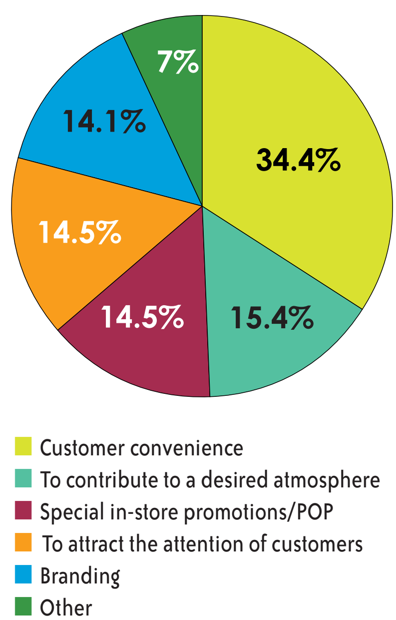
According to *DDI*'s survey, audio equipment (53%) is the top type of in-store technology used in design projects. Second is standard TVs, monitors or video walls (46.1%).

Satisfaction with in-store technology types
% Very Satisfied + % Slightly Satisfied



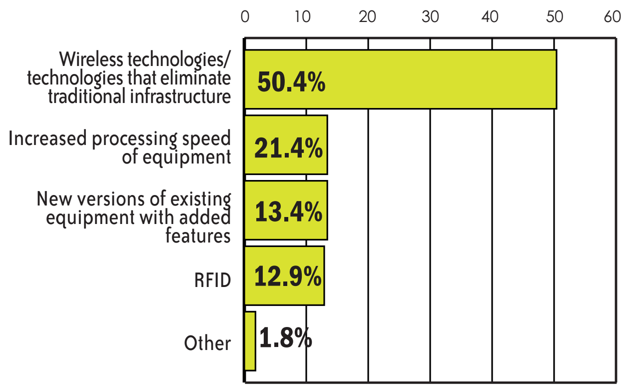
DDI's survey respondents indicated they are most satisfied with high-definition screens (61.9%), kiosks/interactive (51.6%) and audio equipment (51.4%) based on their experiences over the past three years.

Purpose of the majority of in-store technology
Majority is defined as at least 50 percent



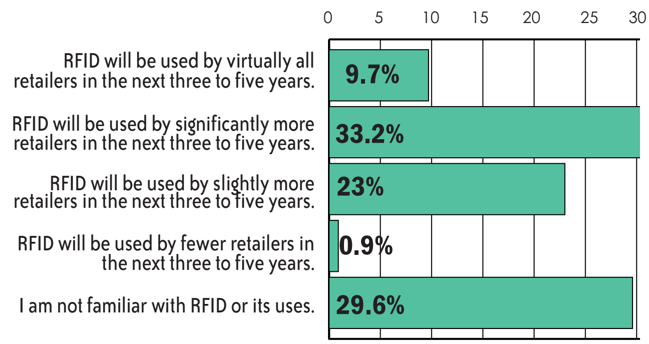
According to *DDI*'s survey, the purpose of the majority of in-store technology is customer convenience (34.4%). The second most popular use is to contribute to a desired atmosphere (15.4%).

Most important recent in-store technology innovation
When selecting from pre-determined answer selections



About half (50.4%) of survey respondents said that wireless technologies/technologies that eliminate traditional infrastructure are the most important recent innovation for in-store technology.

Predictions on the role of RFID in retail



About a third (33.2%) of survey respondents predict that RFID (radio frequency identification) will be used by significantly more retailers in the next three to five years. More than a quarter (29.6%) of survey respondents indicated they are not familiar with RFID.

Usage and satisfaction

According to the survey, the leading type of technology used in store design projects is audio equipment (53 percent). Ranked second are standard TVs, monitors and video walls (46.1 percent), and third are high-definition screens, such as plasma screens, LCD screens and high-definition video walls (43.3 percent). The technology category respondents are most satisfied with is high-definition screens—61.9 percent of respondents say they are very satisfied or slightly satisfied with this technology. These screens also ranked first when respondents were asked what types of technology they planned to purchase more of in the next 12 months (58.1 percent of respondents say they will buy significantly or slightly more high-definition screens in the next year). "HDTV for the use of customer education," is an emerging trend, one respondent says when asked an open-ended question about top industry trends.

Technology can be used for a myriad of purposes inside a store. Customer convenience (34.4 percent) is the top use for the majority of technology, according to the survey. Technology being used to contribute to a desired atmosphere (15.4 percent) is also a use, as is using technology for special in-store promotions/POP (14.5 percent).

Emerging technologies

New technologies are developed and launched at a rapid pace, a fact that is a source of both hope and chagrin to survey respondents. Respondents say they think the most important recent in-store technology innovation is wireless technology and other new technologies that eliminate traditional infrastructure. Respondents (21.4 percent) think the increased processing speed of equipment is an important innovation. And 33.2 percent of respondents predict significantly more retailers will use RFID in the next the next three to five years. However, 29.6 percent of respondents say they are not familiar with this cutting-edge technology or its uses.

Respondents have much enthusiasm when asked the open-ended question of what the top trends are in the in-store technology industry. According to the survey, the No. 1 trend is interactive kiosks. "Interactive kiosks will be used not just for tasks, but as a marketing tool and to increase brand awareness," one respondent says. The No. 2 trend is digital signage and the No. 3 trend is the use of high-definition screens.

The No. 1 obstacle is cost , according to the survey. Users are also concerned about maintenance issues and keeping up with technology/rapid obsolescence. "Cost of implementation versus rapid technology advances can mean that programs become obsolete very quickly. Because of this fact of life, ROI must be based on very short timeframes—two years or even less," a respondent observes.

This survey suggests the in-store technology industry is growing, but still must make strides in educating retailers about all its uses and forms. The retail audience appears to be listening and has the motivation to learn. As one respondent says, retailers are always on the lookout for "anything else they can do to influence a customer to buy." ddi

An additional five graphs, available exclusively online, are on p. 7-9.

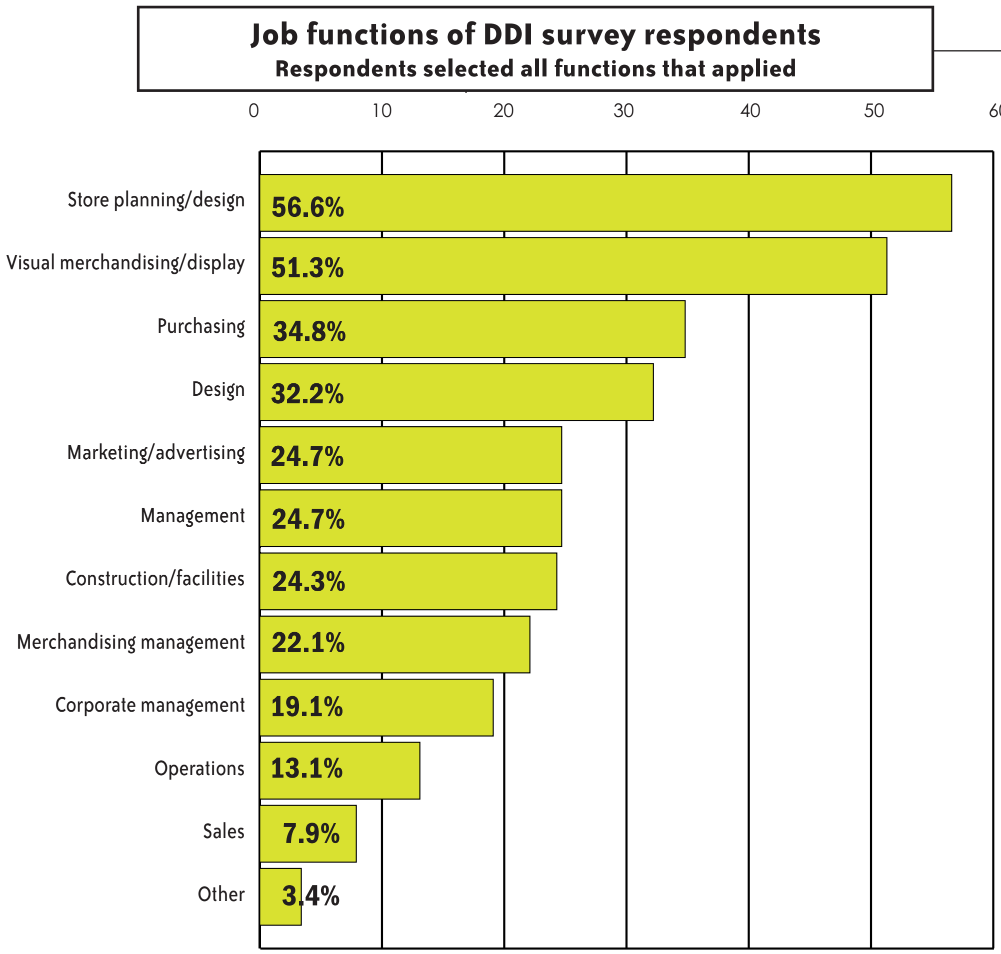
Biggest challenges facing in-store technology

Survey respondents answer the open-ended question of what top challenges in-store technology faces (ranked in order).

1. Cost
2. Maintenance
3. Keeping up with technology/rapid obsolescence
4. Resistance to change (tie)
   Keeping content up to date (tie)
   Associate training (tie)
5. Losing customer service/the sales associate touch

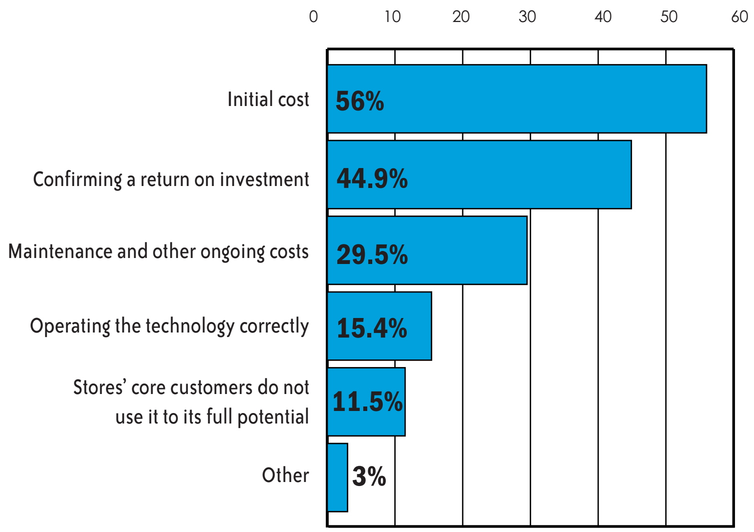
Additional graphs

The following five graphs are available exclusively online



The majority of *DDI* in-store technology survey respondents have job functions in the store/planning design (56.6%) and visual merchandising/display (51.3%) fields.

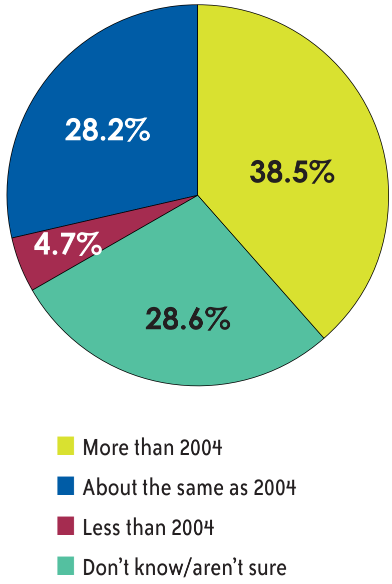
Most influential obstacle faced in implementing in-store technology



The most influential obstacle faced in implementing in-store technology is the initial cost (56%), according to *DDI*'s survey respondents. The second most influential obstacle is confirming a return on investment (44.9%), and the third is maintenance and other ongoing costs (29.5%).

2005 in-store technology budget

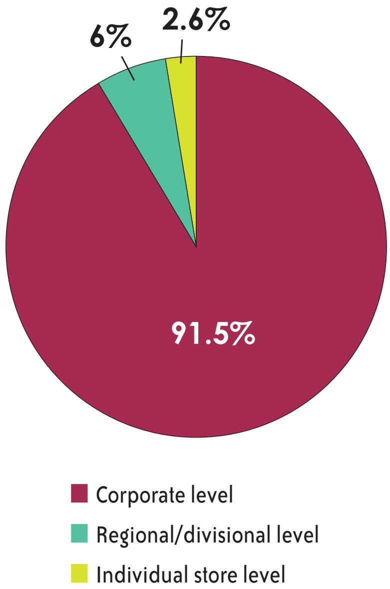
Compared to 2004's budget



According to *DDI*'s survey, 38.5% of survey respondents said their organization's 2005 in-store technology budget was more than the organization's 2004 technology budget.

Level of organization that makes the majority of buying decisions for in-store technology

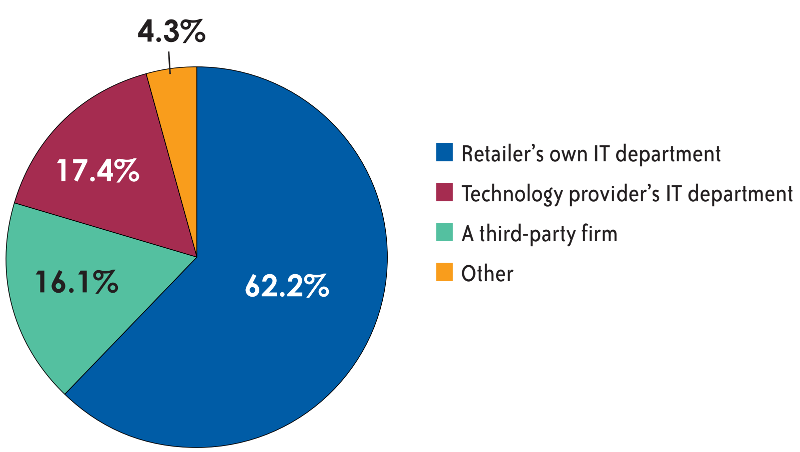
Majority is defined as at least 50 percent



More than 90 percent of respondents said the corporate level (91.5%) of their organization makes the majority of buying decisions for in-store technology.

Department/firm who handles the majority of technical concerns

Majority is defined as at least 50 percent



According to survey respondents, the retailer's own IT department (62.2%) handles the majority of technical concerns, such as maintenance and repairs, on in-store technology.