

Should Self-Service Be Your Bailout Plan?

Is self-service technology right for you?

Any retailer looking to cut expenses during the current economic downturn has probably considered implementing a self-service solution. Now if only the answer was as obvious as the question... Self-service applications come with inherent pros and cons. Retailers can use the technology to cut costs, improve workforce efficiency and customer satisfaction, and market more effectively to individual consumers. However, self-service technology can also decrease retailer-to-consumer interaction and related up sell opportunities, and it may even frustrate customers if it malfunctions or is difficult to use.

The Rise Of Self-Service Technology

Food retailers were at the forefront of the retail self-service movement, embracing applications like self checkout and in-store coupon dispensing. Retailers of all types, though, are now adding self-service options to their stores, such as price checking, guided selling, gift registry, and store mapping. It's no surprise that transactions at self-service kiosks are expected to almost triple in the next four years, from roughly \$600 billion in 2008 to \$1.7 trillion by 2012, according to an IHL Group study ("2008 North American Self-Service Kiosks").

Cost cutting is one of the primary reasons for the recent increase in self-service applications. "Self-service is getting a lot more attention because of the economy," Chris Peter, VP for self-service software provider St. Clair Interactive Communications, recently told me. "Everyone is trying to find efficiencies and cost savings." Technological advancements also have played a role in retailers' increased usage of self-service applications. "Before, the software, processor speed, and multimedia capabilities couldn't provide fast enough transaction turnaround times to satisfy the customer," Epson senior marketing consultant Barry Wise explained during a recent phone conversation. "Now, we're seeing a convergence of better technology and manufacturers leveraging industry standards. So retailer costs have gone down, while tech capabilities, ease of use, and customer confidence have all gone up." The latest self-service applications benefit retailers in ways that boost workforce productivity and also increase sales. Retailers can improve store operational efficiency, freeing employees to engage in customer service, merchandising, or inventory management, rather than merely minding the till. Retailers also benefit from direct marketing opportunities, such as personalized digital advertising, when customers use loyalty cards at in-store kiosks or in self-checkout lanes. In addition, many customers now

welcome self-service technology, as it helps decrease their wait time and offers them detailed product information without the need for sales assistance. "Consumers are getting more comfortable because they're using self-service technology in different settings all the time, from banks to airlines to retail stores," Wise added.

The Other Side Of The Coin

But is this resulting consumer autonomy good for retailers? As consumers embrace self-service technology, they're turning away from face-to-face interaction, which can actually hurt retailers who look to differentiate themselves through personalized customer service. Reduced employee-customer interaction also results in fewer up selling opportunities, thereby decreasing the potential for additional revenue. Almost anyone who has set foot in a retail store has seen how balky self-service equipment can lead to frustrated customers, whether it's a malfunctioning self-checkout station or a broken informational kiosk. Customers aren't the only ones affected by technological problems; store efficiency also drops when self-service equipment fails to work the way it's supposed to. "One of the major things you want as a retailer in the self-service industry is minimum intervention," Star Micronics director of business development Christophe Naasz told me. The more time you spend on technology maintenance, the less time you can spend on your customers. Retailers also must consider the impact on tech-reluctant customers, who are forced into longer lines as self-checkout aisles take the place of employee-staffed ones. Just because an application is new — and perhaps useful for another retailer — doesn't make it right for you or your customers. "There's a lot of flash-in-the-pan technology for technology's sake, and that doesn't necessarily help everybody," St. Clair's Peter said.

Is It Right For You?

There's no single, universal answer when it comes to which, if any, self-service applications you should use. Small retailers who thrive on one-to-one customer service might hurt their business by implementing more technology, while large retailers not on the cutting edge of the latest self-service advancements could be missing revenue-boosting opportunities. For most retailers, a blended approach mixing customer-friendly self-service applications with traditional face-to-face retailing may be the best answer. Such an approach gives customers what they want — and sometimes even expect — while allowing retailers to maximize ROI. "The more intelligent retailers are complementing their customer service with self checkout, not replacing it," according to Epson's Wise. Smart retailers are also mindful of self-service applications still to come. "Single-function kiosks will give way to storewide systems — where there are multiple applications on a kiosk and multiple chances for revenue — that are integrated with legacy systems, POS, and digital signage, all of it driven with an operations platform and one look-and-feel for the customer," said St. Clair's Peter. And, as Gen Y consumers grow into adulthood, retailers should be aware of evolving

attitudes toward technology in the retail environment. "We're going to cater to this younger generation because it's going to cut the cost of operations and provide retailers with instant communication," said Epson's Wise. "When it comes to retail technology, we have to understand and embrace what's happening with a large piece of our population and adapt to it."

So, is self-service technology right for you? The current economy now provides the perfect impetus to weigh the pros and cons and devise the best plan for you and your customers. The answer may not be obvious, but it's a question worth pursuing.