Retail Innovators Aren't Afraid of Failure

They are also focused more on improving loyalty and products than revenue

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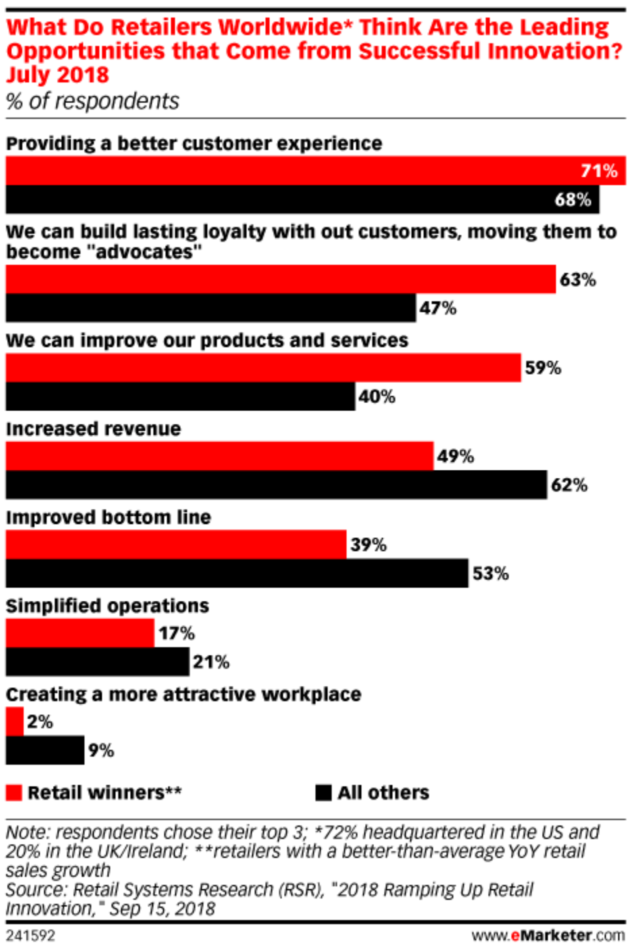
No retailer would admit they weren't interested in innovation, but not all agree on what counts as innovation, how to execute it or what the point even is.

A majority of US retailers surveyed by RSR Research in September 2018 agreed that information has become an asset that's critical to success, but gaps between "winners" (defined as companies with more than 4.5% growth) and "non-winners" (the rest) emerged upon further investigation.

Nearly three times as many winners thought they were more innovative than others in their retail vertical compared with non-winners (59% vs. 21%). And yet, 60% of non-winning US retailers wanted to be positioned as leaders along the innovation curve, with nearly all winners (93%) expressing this sentiment.

According to RSR Research's survey, those winners have been spurred to innovate because of Amazon and others putting pressure on them (83%) while the other retailers surveyed cited challenges like needing operational efficiencies to fund customer initiatives (70%) and meeting rising customer expectations (70%). But most telling was that almost half (47%) of non-winner respondents felt like they were being left behind because they didn't move quickly enough.

All retailers agreed that providing a better customer experience was the top opportunity for innovating, but winners saw more opportunity in building loyalty and improving products. Others were focused on direct monetary results like increasing revenue and their bottom line as if they could skip all of the hard parts.



It turns out, the key difference between these two differently performing retail segments was tolerance for failure. Roughly half of retail winners said their company had a "fail fast" philosophy, driven by experimentation, followed by 41% of US retailers that said they aggressively try new ideas and accept that they won't always work. Most non-winners reported their companies were cautious (45%) and wouldn't try new things without some probability of success. Of the respondents polled, fast moving consumer goods (FMCG) companies, i.e. supermarkets and drug stores, were the most likely to use this conservative approach (69%).

Retailers as a whole tend to be conservative, as evidenced by the relatively small number that were willing to try new technologies. Around one-third of the US retailers surveyed were piloting use of artificial intelligence (AI) and virtual or augmented realty (VR, AR) in small areas of the business. Internet of things, robotics and new interfaces like voice recognition were being tested by fewer retailers.

This isn't necessarily the wrong approach. Tech, like AR, can improve the customer experience for shoppers who want to see how a shade of lipstick will look with their skin tone or if a sofa complements their living room color scheme. But experiences aren't always made better, and loyalty isn't achieved by retailers using tech just because they can.

Shoppers are skeptical when they don't see the benefits of retail tech. Past studies have shown that affluent internet users in the US don't use much tech in-store at all and shoppers across the board aren't crazy about the idea of facial recognition in-store or AI choosing—and ordering—products for them.

On the other hand, utilitarian technology like automated returns and location-based mobile coupons would be enticing enough to encourage consumers to shop at those retailers.