

As automation increases, retailers are rethinking the fundamentals

Article

The pace of automation in retail is increasing. For example, retail drones will expand from nearly 35,000 in 2022 to over 110,000 in 2024, our latest forecast shows. That growth means the industry has the opportunity to improve efficiencies and meet growing consumer demand for better, faster service.

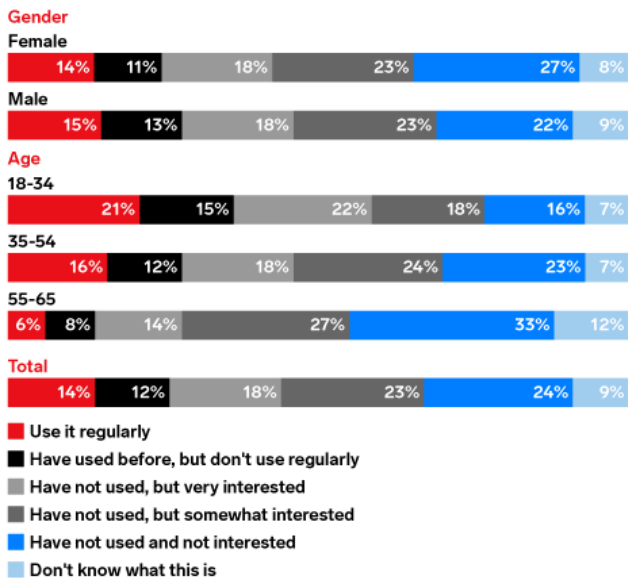
Automating manual jobs could open opportunities for high-value jobs focused on CX.

There's a common assumption that automation leads to job losses, but it can also lead to job shifting. With robots and automated systems taking over restocking, fulfillment services, and checkout, the efficiency gains will create openings for more high-touch online and in-store service roles.

- **More dynamic online experiences:** Both **Klarna** and **Bonobos**, for instance, connect customers' online chats with in-store associates to answer more involved questions. Some **luxury apps** have introduced options for concierge service or after-sale service. Almost 30% of consumers cited "professional agents" as a leading loyalty-building factor, according to a Q1 2022 NICE survey.
- **More extensive in-store clienteling:** Apps, such as Red Ant or NewStore, that empower associates to provide personalized recommendations or better visibility into inventory stock can improve the in-store experience and differentiate a retail brand. Quality of service is the biggest influence on customers' in-store satisfaction, according to Raydiant.
- **Faster service:** In 22 Walgreens pharmacies, the company has introduced robots that can fill subscriptions faster and more accurately than pharmacists—helping to fill the labor gap as healthcare workers leave the industry and to reduce mistakes that can endanger patients. Self-service kiosks can also reduce order times and answer common questions, freeing associates to answer more complex inquiries and expedite service in other ways.
- **Enhanced services and new experiences:** Numerous stores are adding services to attract customers and add new sources of revenues. CVS and Walgreens, for instance, have invested heavily in a retail clinic strategy, which has turned them into medical service providers. Over the past five years, there have also been efforts to add entertainment into the shopping experience, such as pottery classes or coffee tastings. In July, Nike opened a concept store in Seoul, South Korea, that includes QR code links to augmented reality (AR) experiences and a creative studio for influencers.
- **Self-service kiosks outside stores:** A third of retailers plan to invest in self-service kiosks or smart vending machines this year, according to a study by manufacturing solutions provider Jabil. Although this is likely an inflated figure, it does point to a growing option for a wide range of apparel and consumer goods retailers to place branded automated or lightly staffed outlets in areas that aren't ideal for a fully staffed store, such as low-traffic or high-rent locations.

How Interested Are US Adults in Using Cashierless Checkout Technologies* at Stores?

% of respondents, by demographic, Aug 2022



Note: numbers may not add up to 100% due to rounding; *using technology to bypass a checkout line such as mobile scan-and-go, "just-walk-out" technologies like the Amazon Go stores, or "smart shopping carts" like the Amazon Dash Cart
Source: "The Insider Intelligence Ecommerce Survey" conducted in Aug 2022 by Bizrate Insights, Aug 24, 2022

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Robotics will likely lead to tectonic shifts in manufacturing. As low-skilled labor costs become less important, some manufacturing may shift away from lower-cost countries—particularly as laws promoting local manufacturing, such as the Inflation Reduction Act, increase incentives. This could have major implications on sourcing, partnerships, design cycles, and fulfillment operations, and retailers should be ready.

Cybersecurity is even more important. More machines mean more areas that need to be protected from malware, phishing, and other strategies dreamed up by hackers. As the danger increases, most companies are **increasing** their budgets and building capacity to combat threats.

Despite economic uncertainty, keep your eye on automation over the long term. Although short-term investments may need to be pruned, any retailer that ignores the possibilities from automation will risk the medium- to long-term health of their business. In-store automation will be an \$8.4 billion business by 2030 based on a 25% compound annual growth rate (CAGR), according to ABI Research. The next year looks to be turbulent, but technologies for automation continue to improve.

[Read the full report.](#)

Report by Yoram Wurmser Oct 21, 2022

Robots Haven't Taken Over Retail—Yet

