

APPLY DC SCIENCE TO THE ART OF RETAIL WITH VOICE TECHNOLOGY.

How Retailers Are Addressing Emerging Challenges
With Proven DC Fulfillment Strategies

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INTRODUCTION

Brick-and-mortar retailers were already facing a hyper-competitive and continuously evolving landscape in which consumer expectations for the ideal shopping experience had never been higher — and then the global COVID-19 pandemic arrived.

Physical stores attempting to differentiate themselves from online-only retailers by offering new features such as click-and-collect, curbside pickup and ship-from-store delivery suddenly found themselves overrun by consumers sheltering at home. Shoppers who previously weren't willing to let someone else select their produce and meat have now come to appreciate this offering and will likely continue to use it after life returns to normal. Yet retailers are finding these services to be time-consuming, inefficient, inconsistent and often unprofitable. By investing in a well-established distribution center (DC) solution — voice technology — and applying it to in-store fulfillment workflows, retailers can leverage integrated, data-driven process efficiency while strengthening customer loyalty and their competitive edge.

VOICE TECHNOLOGY: COMBINING THE ART AND SCIENCE OF RETAIL

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According to industry estimates, the average cost to fulfill orders is 70% of the total order value. Among the biggest cost adders are managing shipping and returns for online purchases and in-store pickup services.

Today, with the uptick in click-and-collect fulfillment models, brick-and-mortar stores are becoming more like mini distribution centers. They're also feeling the pressures of meeting curbside pickup delivery expectations. Further, in response to the coronavirus pandemic, supermarket online traffic grew by more than 161% as shoppers stocked up on food, beverages, toilet paper and cleaning supplies. Likewise, third-party grocery delivery app downloads grew by as much as 218%, and 23% of shoppers reported using online shopping more frequently than in-store purchasing.

To better meet this shift in consumer demand and shopping habits — as well as to make such value-added services more profitable — traditional retailers should look no further than their own DCs for inspiration. They should evaluate technology investments and process improvements and apply them to their brick-and-mortar storefronts. Most importantly, they need to leverage the data they collect and use analytics to make more timely and informed decisions.

In short, improved results will come from balancing the art of retailing with the science of DC fulfillment.

In today's brick-and-mortar environment, the art of refining the customer's in-store experience has been honed over decades of traditional retailing. Most store managers have years of experience — much of it through trial and error — and have cultivated proven strategies for running their stores. Now, with the rapid shift to online shopping and in-store fulfillment models, these strategies will need to be adapted quickly.

In DC environments, on the other hand, the facilities responsible for keeping store shelves stocked and fulfilling online purchases are run by supply chain leaders who have invested years in the science of enhancing operations to achieve productivity, accuracy and consistency gains. Modern DCs have invested and deployed automation technologies, such as shuttles and conveyors, as well as warehouse management platforms and labor management software, to support these objectives.

In response to the coronavirus pandemic, **supermarket online traffic** grew by more than

161%

Among the most critical of investments has been in automated solutions that support guided workflows, such as voice technology. Because DCs — unlike the often-chaotic retail or grocery store — are task-oriented, process-focused environments, operations managers traded paper-based, word-of-mouth processes passed down from seasoned employees decades ago. Instead, they transitioned to voice-directed technology solutions that automated these processes and helped to collect data.

In fast-paced DC workflows such as picking, voice technologies combine speech recognition software with a headset to help guide a worker through his or her daily tasks. These systems integrate with inventory management and allow warehouse operators to capture data and manage work processes. This supports better labor optimization, inventory visibility and ultra-efficient streamlined workflows — all of which will benefit a brick-and-mortar retailer adapting to today's shift in shopping patterns.



APPLYING VOICE TECHNOLOGY ON THE STORE FLOOR

2

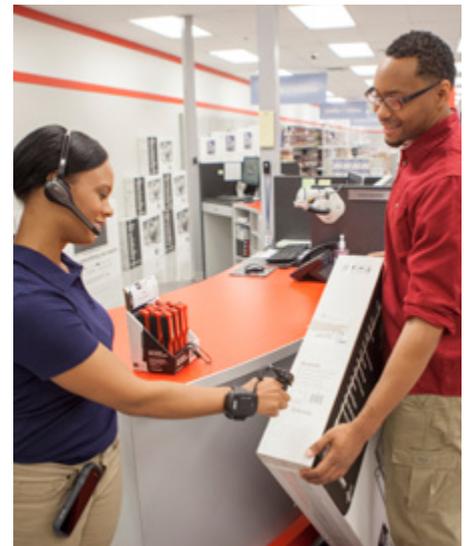
Unlike the DC environment, brick-and-mortar stores are unstructured and often unpredictable. Store associates cannot focus solely on a single task (such as filling click-and-collect orders, preparing direct-to-customer deliveries, or replenishing shelves) and ignore shoppers. Retailers need their associates to have the flexibility to attend to the customers on the store floor and respond to impromptu demands.

However, many workflows in a brick-and-mortar store would also greatly benefit from streamlining and standardization. These processes include order fulfillment, gap scanning, shelf replenishment, inventory management and more.

This is where DC technology, specifically voice systems, can be deployed to improve store operations and increase customer satisfaction while boosting profitability. By guiding store associates through specific workflows and tasks using a headset providing voice-directed instructions, stores can drive new levels of consistency, accuracy and productivity — and much clearer metrics — in day-to-day operations.

A voice-directed workflow eliminates the guesswork and risk of human errors in tasks like online order picking and preparation, stocking shelves, and counting inventory. A retail version of a voice technology solution can deliver up to a 20% increase in productivity, which is critical as storefronts look to operate with more efficiency in the face of emerging e-commerce demands.

In addition, stores can capture detailed, real-time information about their operations as workers complete their tasks. Further, voice technology eliminates paper-based checklists and reduces reliance on written inventory reports. The abilities to capture and analyze that information means that they can make data-driven decisions to help identify areas of improvement and take specific actions to optimize operations.



THE BENEFITS OF VOICE-DIRECTED WORKFLOWS

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For retailers, operational visibility and predictability go hand-in-hand. Managers need real-world data to establish baselines for how long certain tasks can and should take, such as better estimates of order readiness for in-store pickup.

This data then informs labor models to build staffing requirements, helping to determine how much labor is necessary to fulfill orders and run normal store operations. Ultimately, this helps avoid overstaffing while ensuring on-time, accurate order fulfillment and an optimal checkout experience.

Retailers can deploy directed work technology using voice for a wide range of tasks on the shop floor and in the stockroom to achieve:

- **Improved click-and-collect fulfillment:** Associates can provide customers with the error-free orders and seamless experiences they demand, from receiving the order to packing and shipping.
- **Inventory accuracy:** Store managers gain better control of inventory from back-of-store to shelves with system-driven receiving, staging and restocking.
- **Greater visibility and predictability:** Every function of in-store and back-of-store order fulfillment processes and labor efficiency can be tracked and measured to identify how long it takes to perform tasks, allowing store managers to optimize operations and enabling associates to put a greater focus on customers.



VOICE TECHNOLOGY IN ACTION: OPTIMIZING IN-STORE FULFILLMENT

Grocery click-and-collect scenario

Consider a traditional brick-and-mortar supermarket offering customers the option to order groceries online and pick up their order on a specific day and time — also known as click-and-collect. The average supermarket order includes 40–50 items for a purchase total of \$175–\$200.

Working from a paper-based pick list, it typically takes an associate one hour to pick the items required to fill this order. Replacing the paper with a voice-directed workflow, however, will improve that same associate's productivity by as much as 35%. That time savings can be used by store management to reallocate labor to other value-added activities.

Conversely, the increase in order fulfillment speed means that a store processing 20 click-and-collect orders per day by paper can pick 25 orders with voice technology in the same time frame, resulting in an increase in revenue by \$1,000. Extrapolating that performance increase across a week, month and year enables each store to realize a significant increase in order fulfillment revenue.

Grocery stocking and replenishment scenario

A large, successful supermarket chain sought technology to address several issues in their store-based fulfillment operation that were affecting their bottom line. Goals included:

- Reducing the number of out-of-stock items in stores

- Easier communication of daily inventory levels to central operations
- Better labor management

The retailer piloted the deployment of a voice-directed workflow to guide their night shift team.

The results included improved accuracy and access gained to more data for better visibility in its operation. The new depth of available data allowed them to minimize out-of-stock items on shelves while more quickly and easily communicating inventory needs to central operations. That allowed the retailer's DCs to make far more accurate decisions about the food and beverage quantities to send with each shipment.

The results included improved accuracy and access gained to more data for better visibility in its operation.

With the solution, store managers could also quickly identify items that were incorrectly included in the replenishment shipments. Further, via voice commands, workers could document store floor issues, such as missing shelf tags, incorrect setup of marketing displays, and new product introductions that might need attention from the next shift.

The system also improved labor management, both from a store

operations perspective and a worker utilization perspective. With voice-directed workflows, management gained greater visibility into labor and the ability to analyze worker processes to identify areas for enhanced training.

The voice-directed workflows particularly helped new employees. With turnover in the retail sector high, stores must quickly train new workers and ensure they know where products are in the aisles. Using a voice technology helps new workers in two ways. First, the system directs them to specific locations, helping them learn aisle layouts and reducing the number of steps they have to take each day; and second, the workers consistently place the correct products in the correct locations.

Additionally, using voice-directed workflows allows managers to prioritize specific tasks, such as ensuring promotional items are stocked on marketing displays before aisle shelves. The pilot program gave this supermarket far greater visibility into the processes of their night shift workers and in real time. The store measured data points — such as the length of time spent on specific work processes, how many items were put away in a given time period, and the number of over-shipments received. Using this data, store managers could better align labor hours with shipment volume to prevent shift understaffing or overstaffing.

APPLYING VOICE TECHNOLOGY TO MULTIPLE STORE WORKFLOWS

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While the demands of in-store fulfillment are often the catalyst for adopting new technology, the application of voice technology is not limited to order fulfillment — but extends to store operations and compliance workflows.

ORDER FULFILLMENT

- **In-store picking:** Deliver on the click-and-collect promise. Two-way verbal dialogue directs and tracks order fulfillment work to meet service level agreements and maximize labor productivity. The screen can supplement verbal instruction and employees can receive suggestions for an alternative if a substitute item is needed.
- **Returns processing:** Give customers the convenient, flexible returns process they desire without tying up labor. Step-by-step instruction quickly integrates returned merchandise into inventory management processes with clear visibility.

STORE OPERATIONS

- **Gap scanning:** Enable associates to act quickly in the event they notice an item is out of stock. Simply scan the shelf tab to automatically create a list of items in need of replenishment from backroom storage.
- **Restocking and inventory replenishment:** Improve the efficiency and visibility of restocking processes via hands-free instruction and confirmation. Track inventory from docks to shelves with system-driven receiving, staging, put-away and replenishment.
- **Load to cart:** Keep shelves stocked and maximize labor productivity by sorting mixed-load pallets into different carts for more efficient store aisle replenishment.
- **Stock counting:** Minimize lost sales due to out-of-stocks through regularly scheduled cycle counts. Connected workflows handle the complexity of greater SKU variety while eliminating paper document management, double data entry and other manual issues.
- **Training:** Step-by-step instruction and natural voice dialogue reduce training time for new associates and/or temporary labor, while driving consistent execution.



- **Accountability:** Managers clearly can determine associate responsibility, with software tracking both the assignment of tasks and the acknowledgement by employees of work completed.
- **Staffing:** Through the operational visibility driven by data collected when using voice-directed workflows, management gains a better understanding of how long tasks take. This information then fuels labor models to build more accurate staffing requirements, ensuring enough associates are scheduled to fill orders and run normal store operations.
- **Combining processes:** With voice-directed picking, associates can fill click-and-collect orders while simultaneously reporting inventory shortages, or change price labels while restocking shelves.

COMPLIANCE WORKFLOWS

- **Planogram auditing:** Ensure items are in the correct, optimized locations to maximize sales and quality. This helps keep fast-movers easily visible in high-traffic areas and allows grocers to ensure freshness.
- **Annual stock count:** Enable the workforce to assist with financial compliance by tracking and reporting inventory through a secure, managed process.



CONCLUSION

In the post-pandemic world, retailers will continue to face more complexity than ever, with e-commerce fulfillment models, expanding inventories, tighter margins, and the need to deliver a high-quality customer experience, no matter the channel.

But greater complexity also brings greater opportunity. By leveraging the more science-based approach of DCs and implementing voice technology within store operations, retailers will gain integrated, data-driven process efficiency, improving the art of customer experience while gaining a competitive edge. Connect with Honeywell Voice for more information about putting our voice-directed Guided Work for Retail solution to work for you.

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