Retail Special Edition

SMB dynamo

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If you want additional information about the technologies featured in this edition of *SMB dynamo* or have story suggestions for future editions, please contact us at dynamo@cisco.com.

Now in stock: resiliency and grit

Retail has always been a tough sector in which to succeed. But the last few years have challenged small and medium-sized businesses (SMBs) like never before.

From pandemic lockdowns and new public health requirements to labor shortages and supply chain disruptions, the blows never stopped.

For retailers that remain standing, their businesses have forever changed. Survival was a matter of adaptation. Indeed, research by IDC shows that the SMBs that transformed internal operations using digital technologies for better engagement with customers, partners, and employees—what IDC measures as digital maturity—have experienced less impact to overall revenue. In this special retail edition of *SMB dynamo*, we explore how retailers continue to adapt and evolve through digital technologies. Whether they use mobile devices, video analytics, bots, or other new communication channels, eliminating friction at every step is key. We also show how five interrelated business capabilities, enabled by technology, help retailers remain agile.

Profiles of two independent retailers reveal how they've applied technologies to stake their ground against larger competitors. And finally, we offer expert perspectives on the growing role that trust plays in retail and options SMBs can consider for financing their digital upgrades.

With change comes opportunity. We hope these stories spark new ideas for how your retail business can continue to adapt and thrive.

– *SMB dynamo* editorial team

The evolution of retail, accelerated

The retail industry was already in the midst of a reckoning when the unthinkable happened. Wrestling with fierce competition from e-commerce behemoths that offer unprecedented levels of choice and convenience, the COVID-19 pandemic and subsequent shutdowns threw countless SMB retailers into further disarray. Many are still attempting to recover.

As they do, they're facing an entirely new landscape, with labor shortages, supply chain instability, and an increasingly blurred line between in-store and online operations.

"The retail sector continues to evolve, and the rate of change has only accelerated," says Bill Farnsworth, global retail strategist at Cisco. "Just like companies adapting to the realities of hybrid work, retailers are trying to find the right balance of online and in-person engagement, and how to blend the two for a seamless customer experience."

Delivering omnichannel experiences

Omnichannel experiences that allow consumers to engage with a brand across a variety of physical and virtual touchpoints aren't new. But instead of being the exception offered by only the largest of brands, they have quickly become a de facto rule for retailers of all sizes.

"Customers want choice," says Scott Lantis, marketing manager for global industries at Cisco. "They want their interactions with businesses to be personal, relevant, and conversational. And they want to engage seamlessly across the channels they already use every day."

Unfortunately, delivering omnichannel experiences is anything but seamless for SMB retailers.

"The rapid shift from physical to digital has put pressure on retailers to swiftly move to real-time digital communication channels," Lantis says. "Retail initiatives like buy-online-pickup-in-store (BOPIS) and curbside pickup saw a huge increase during the pandemic, but retailers must continue to evolve these experiences, moving away from email and app-based interactions to new messaging channels and location-based triggers."

To do so, retailers must optimize their technology, processes, and communications. And they need to align online channels and point-of-sale systems with backend finance, ERP, and CRM applications.

"Omnichannel buying is easy for consumers, but fulfillment and returns are complex for retailers," Farnsworth says. "Online often has its own systems and processes that are separate from the brick-and-mortar experience, and that's a frequent source of problems."

A seemingly simple fulfillment tactic like curbside pickup can lead to confusion and frustration if digital systems, in-store operations, and customer communications aren't tightly integrated.

"You don't want a customer sitting in your parking lot wondering about the status of their order, whether they need to check-in, or what they're supposed to do next," Farnsworth says.

Leveraging mobile devices, on-site cameras, and bots

Both Farnsworth and Lantis say technology is the key to aligning frontend touchpoints, streamlining backend processes, and reducing the friction of buying for consumers. Beyond foundational systems and the network technologies that bring them together, retailers are increasingly relying on mobile devices, on-site cameras, and even bots.

4 ways to enhance retail operations

Ensure you have outdoor Wi-Fi
for curbside pickup

Learn more: Meraki Access Points

Include video chat in omnichannel capabilities
for customer support and post-purchase surveys, in addition to SMS, email, and phone

Learn more: Webex Experience Management

Enable a collaborative team approach
to solving customer and internal issues

Learn more: Webex Suite

Protect data security at all levels
including in-store devices and endpoints, point-of-sale, e-commerce platforms and customer communications

Learn more: Cisco Umbrella and Cloud Mailbox Defense

"Customers want to communicate with businesses in the same way they do with their friends and family, so brands must be available on the digital messaging channels their customers already use," Lantis adds. "Retailers must also be proactive in their communications to customers. If there is an issue with an order, they have to reach out proactively before the customer is forced to initiate contact."

Video systems that have traditionally been used for theft prevention are also helping improve customer experiences. Retailers are using on-site cameras to alert staff when customers arrive for curbside pickup, monitor store occupancy for social distancing purposes, and track workplace operations.

"The owner can't be there every minute of every day," Farnsworth explains. "Video can help answer important questions like: Did we open and close on time? Are we following safety protocols? Is someone lurking in the parking lot after hours?"

At a time when labor resources are scarce and consumer patience is thin, automated technologies like bots can help with customer communications and support.

"Associates at small retailers wear many hats and often have to juggle online inquiries, phone calls, and store operations. It's easy to become overwhelmed," Lantis says. "Retail owners should consider solutions like FAQ bots that help deflect simple, repetitive inquiries and allow staff to focus on helping in-store customers."

Learn how to digitize your entire retail environment for a more connected experience:

Cisco solutions for retail

Empowering associates

Beyond customer communications and commerce, technology can also help empower associates and improve the efficiency of internal operations.

"As we've seen with the labor shortage, wage is no longer the sole factor when it comes to staff acquisition and retention," Farnsworth says. "Retailers have to treat the employee experience just like the customer experience. Younger associates, in particular, expect to use the same devices and apps on the job as they do at home."

Many SMB retailers are still having their associates use paper sheets to track work hours and voicemail to call in sick, he explains, when they can use cloud-based apps or even something as simple as text.

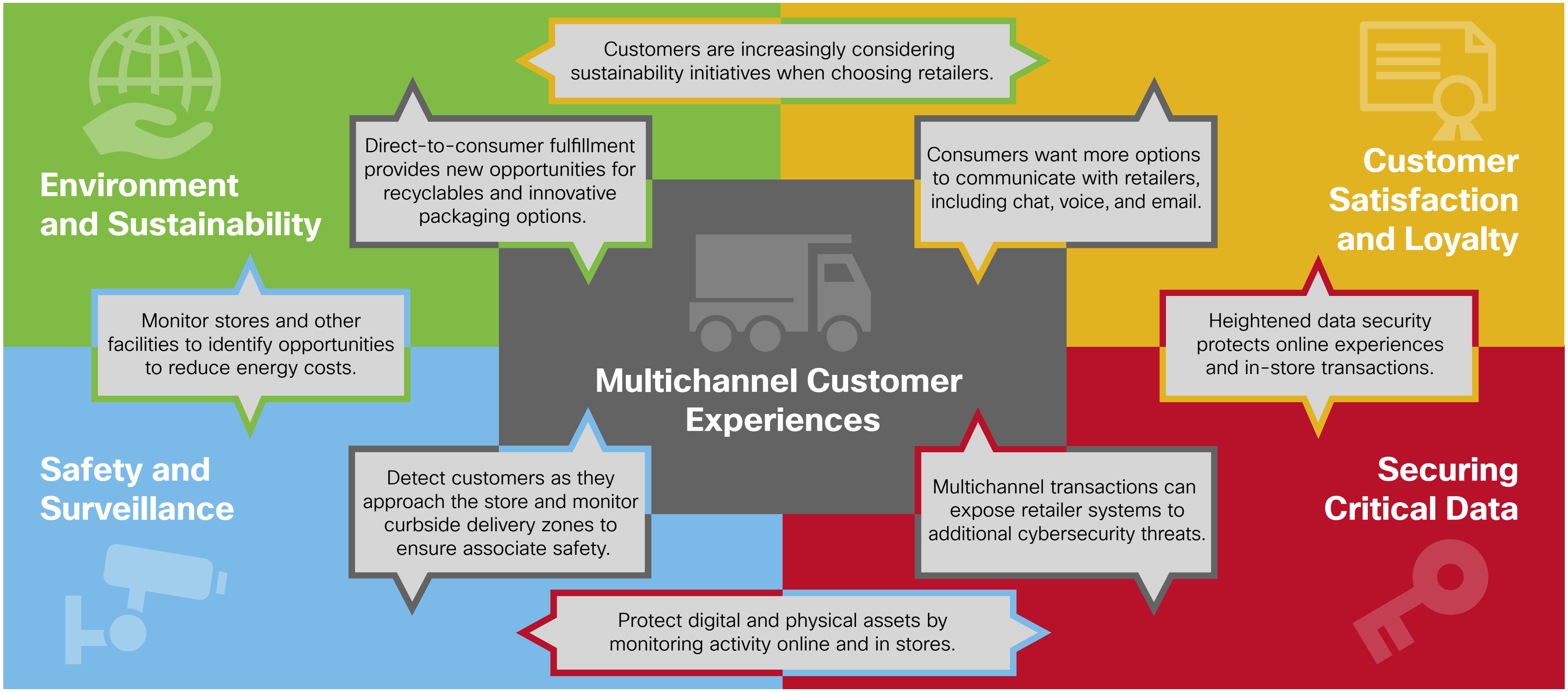
"What technologies are used will be unique to each retailer," Farnsworth says. "The key is making sure technology reduces friction and frustration instead of adding to it."

For SMB retailers recovering from shutdowns and uncertainty, finding new opportunities to eliminate friction at every step could make all the difference in the competitive landscape they face now and whatever comes next.

The new map of retail agility

The retail industry continues to change quickly. A recent analyst paper produced by GlobalData in partnership with Cisco explores how retailers are able to succeed by remaining agile, identifying five interrelated business capabilities and the technologies that enable them.

Read the full research paper, The Agile Retailer: Priorities for 2021 and Beyond.



The importance of accessibility and affordability

DIGITAL MATURITY INDEX
STAGE 3

How advanced technologies are helping small, minority-owned businesses take XL steps forward

Adrian Coulter learned the importance of accessibility at an early age.

As a child with unusually large feet, he had outgrown most available shoe sizes by the time he was 13 years old. And as his feet continued to get bigger—eventually reaching size 16 EEE—his footwear options continued to dwindle.

"For most people, footwear is a simple luxury that is easy to obtain," Coulter says. "But for people like me, it's not so easy."

Large shoes existed, of course. They just weren't accessible.

"There was only one store in town that sold shoes my size, and it was the same place my grandpa bought his footwear," the Minneapolis native says. "As a teenager, it's really embarrassing shopping at the same store as your grandfather."

Today, Coulter is the owner of XL Feet, a growing specialty shoe retailer with annual revenue exceeding $1.5 million. And he credits much of his company's success to enterprise-grade technologies that are increasingly affordable—and therefore accessible—for small business owners like himself.

"I started from nothing and built this business myself, largely on the shoulders of technology," Coulter says. "I feel like I've created an army of employees, but they're mostly ones and zeros. They do all of the heavy lifting."

Before he founded XL Feet, Coulter sold mobile phones for two prominent cellular companies. He saw how those companies leveraged technology to drive down operating costs, reach new consumers, and amass billions of dollars in revenue. And when he branched out on his own, he adopted many of the same tools.

"From the beginning, I had access to enterprise technologies that are used by multi-billion-dollar corporations, and that's been a huge key to my company's success," Coulter says. "Advanced technologies are more affordable and easier to use than many people realize, and it blows me away that more small businesses don't take advantage of them."

As XL Feet enters its next phase of growth, Coulter is doubling down on his use of technology. With the help of IT services partner Procellis, he's leveraging a host of Cisco Meraki™ solutions to increase operational efficiency and insights.

"We're embracing analytics to better understand and serve our customers," Coulter says.

Size 16 EEE Feet

100,000+ online customers

$1.5+ million in annual revenue

Get a personalized report with recommendations to improve your business.

[Take the five-minute IDC digital maturity assessment]().

The behavior and preferences of more than 100,000 online customers is now being tracked. Multi-touch marketing campaigns are now automated. Shipping variables are routinely evaluated and adjusted. And the company's mix and volume of inventory is continually optimized.

"We're doing the things big, well-funded companies have always done," Coulter says. "And that allows us to compete in ways that would otherwise be unimaginable."

Due in large part to the company's use of technology, XL Feet has steadily climbed search engine rankings and displaced several competitors that were in the specialty shoe business more than a decade before Coulter.

"As a black entrepreneur and small business owner, I need tools that help me grow and give me control and security of my intellectual capital," Coulter says. "We couldn't do what we do without technology as the backbone of the business."

> "We're embracing analytics to better understand and serve our customers."
>
> **Adrian Coulter**
> Owner and Founder, XL Feet

A systematic approach to achieving legendary customer experiences

How Bob Mills Furniture closes the loop on every customer

No regional retailer survives 50 years by accident. At Bob Mills Furniture, which marked its golden anniversary in 2021 with nine locations in the southwestern United States, success rests upon how well it consistently delivers an exceptional customer experience.

The small furniture chain has cultivated a down-to-earth brand known for its low-stress shopping experience – Bob Mills himself assures “no shopper stalkers” in ads. But behind the scenes, it’s all business, with the strategic implementation of technology and processes that create an effective feedback loop from customers to front-line employees right up to the executive team, all in the service of measuring and improving customer experience (CX). “Everyone is family here – training and patience are emphasized by management when you are hired,” says Chris Dyson, the retailer’s Director of Marketing. “But there are high expectations for performance and most importantly, how accomplishments positively affect the customer experience.”

The customer experience management process, orchestrated entirely through workflows on the Cisco Webex Experience Management platform, begins two weeks after a furniture delivery, with each customer receiving a net promoter score (NPS) survey via SMS as well as email. (Webex can automate customer outreach on as many as 17 channels.) Their feedback is compiled and distributed to every employee on Mondays and discussed at the weekly executive meeting on Thursdays.

Bob Mills Furniture ensures no two customers experience the same issue, closing the loop on every single customer comment. For example, the platform’s instant notifications alert store managers when a customer leaves a negative survey, so they can quickly follow up and resolve any issues. Customers that respond positively receive a request to leave a public review on Google, which has resulted in nearly 4,000 ratings and an average score of 4.4 out of 5.

At the executive level, negative surveys are reviewed weekly to assess how they can prevent issues from happening again. In some cases, it's a simple but no less meaningful fix: after seeing customers report their deliveries were missing the occasional screw or part, they started stocking delivery trucks with spare parts. With diligence, executives examine the entire customer lifecycle, adding surveys at different touch points, including on the website, at purchase, and even when customers don't purchase.

The relentless focus on improving the customer experience has paid off: Bob Mills Furniture boasts a rolling NPS in the high 60s, well on the way to a world-class 80 out of 100. (Department and specialty stores in the U.S. average an NPS of 56.) Most importantly, their systematic approach has verified what parts of the customer experience are real differentiators. "From our CX surveys, we know that the in-store environment is a key driver for many of our customers," says Dyson, "and we have made business decisions to keep that environment the same." After 50 years, you don't mess with what works. ■

Learn more about improving employee and customer experiences across all touchpoints:

[Cisco Webex Experience Management]

In retail we trust

A conversation with Dr. Michael Rosemann, director of the Centre for Future Enterprise at Queensland University of Technology in Brisbane, Australia, about how retailers of any size can harness trust for competitive advantage.

How did you come to research the topic of trust for retail business?

Dr. Rosemann: Our research in the retail sector and beyond has shown that the world is getting more trust-intensive. We define trust as confidence with uncertainty—in other words, trust matters only at moments when a consumer experiences uncertainty. In this way, online shopping is more trust-intensive than in-store purchases. Will the item arrive on time? Will it be according to my expectations? Trust materializes with a consumer pressing the purchase button. Some customers don't buy certain items online, like produce, not because their trust has been broken—the retailer has done nothing wrong—but consumers are reluctant to purchase items online that they cannot inspect, that come without a tactile experience.

A second driver of trust-intensity is that our economy has become data hungry, and the value-for-data proposition requires more trust than anonymous shopping.

Trust is often discussed in a negative sense—when trust is lost—but our research looks at positive aspects. How can retailers thrive in a trust-intensive environment and capitalize on new technologies to compete on trust?

How can a retailer change how consumers trust them?

Dr. Rosemann: If retailers think about trust as confidence with uncertainty, they have two options to improve trust: reduce uncertainty, or increase confidence.

Uncertainty jeopardizes trust when a retailer cannot deliver as promised. For example, a product might not be on the shelf as expected, an online order arrives too late or the products are not in the expected state. All these examples point to systemic, logistical flaws. Reducing this uncertainty will make the retailer's performance more predictable and as a result more trusted. Another important form of uncertainty is vulnerability. What does the retailer offer in case of an unsatisfactory experience? This is where price guarantees or convenient return policies like no-hassle returns or 110% refunds build trust.

Read the Queensland University of Technology Centre for Future Enterprise whitepaper, produced in partnership with Cisco:

Trusted Retail Innovation

If a retailer has managed uncertainty, how can they further build trust by addressing confidence?

Dr. Rosemann: What makes trust so tricky for retailers is that it's so extremely subjective and sometimes, consumers simply don't believe you. Think of Amazon Go. Some people love shopping without checkout, but others walk out empty-handed—they just don't trust the technology. So, what can a retailer do to make consumers believe that they are truly trustworthy?

This is where confidence signals matter. One facet is democratic trust, showing consumers how popular some items are, like Netflix does. If a movie trends highly, we might see such popularity as a proxy for quality. This is in contrast to local trust, where you trust someone you know, such as a friend. I wouldn't be surprised if in the next few years you find apps where you can essentially carry with you your personal network of people you trust, to help consult on a purchase. And of course, there's educational trust, where a retailer makes sure consumers know more about the product or service. These are just three of a number of different types of confidence boosters retailers have. What they all have in common is that they do not alter the product in any way, but instead aim to stress the trustworthiness of it to the customer.

Note: Cisco supports research at the Queensland University of Technology through the Cisco Chair in Trusted Retail and Logistics in the Centre for Future Enterprise.

You also write about businesses that use what you call "extreme trust". How does that work?

Dr. Rosemann: Extreme trust goes a step further, when consumers allow the retailer to make decisions on their behalf, effectively saying, "I trust you more than I trust myself." If I ask Spotify to play dinner music, I'm trusting Spotify to pick better music than I can. To make this work, the retailer needs to know your shopping behavior and preferences to introduce items that you will like. You have a bit of this with subscription models—wine is selected by someone else, under the assumption they'll pick better wine than you can yourself. It's a provocative idea, almost a tolerated invasion of privacy, because the retailer would need to use data about its consumers, and yet, it would lead to incredible customer retention and loyalty, because it's highly unlikely someone else can replicate it.

For any business model, trust is an intrinsic part of your competitive advantage. Our economy is only becoming more trust-intensive, and organizations need to rapidly develop capabilities to manage, measure, and govern trust. At this stage, there is a first mover advantage for those who use technology to their trust benefit.

Overlooked financing options for technology investments

Being cash-strapped is an all-too-common reality for many SMBs.

A lack of capital can make it difficult to replace aging equipment, digitize processes, and invest in new capabilities that help grow the business. And when something unexpected occurs—a global pandemic, for instance—a challenging financial situation can quickly turn perilous.

“The pandemic impacted every company, but by and large, SMBs suffered greatly because many didn’t have the financial reserves to adjust on the fly,” says Sean O’Leary, who oversees global partner programs at Cisco Capital, a subsidiary of Cisco that specializes in providing innovative payment solutions for Cisco's customers. “SMBs need access to payment-over-time that are tailored to their needs and helps them invest in their business.”

Budget constraints often lead SMBs to overlook technology investment opportunities that could help grow and modernize their business with useful technology. In an October 2020 survey of SMBs by research firm IDC, more than 40 percent cited their IT budget as being a barrier to innovation investment.

Technology can provide resiliency as well as a competitive advantage. The same IDC survey reported that during the initial phase of the pandemic, more “digitally mature” businesses—those that transformed internal operations using digital technologies for better engagement with customers, partners, and employees—experienced less impact to their overall revenue: 29 percent of companies with no digital experience reported a revenue decline of 10 percent or more versus 19.9 percent of companies with higher levels of digital maturity.

Learn more about
Cisco Capital solutions:

[Financing for Small Businesses in a New Climate]

New IT investments for hybrid work

With growing numbers of employees working at least occasionally from home, SMBs are now prioritizing IT spending for hybrid work. The shift presents a fresh spin on a familiar challenge: how to invest in the right technology during economic uncertainty.

Cisco Capital, which has helped numerous SMBs across the globe access the cash and assistance they needed through the pandemic, recommends business owners consider four qualities when looking at payment-over-time options for technology financing:

1. Flexibility: Business needs can change quickly, so how is your financing structured to help you adapt if your technology priorities shift?
2. Cash preservation: A payment plan should minimize or eliminate up-front costs to help you preserve cash for other business necessities.
3. Simplicity: SMBs have enough complexity to manage, so any payment plan should be easy to understand, straightforward to access and adapt, and have no hidden fees.
4. Comprehensiveness: For smaller businesses that often have few IT staff (or none), financing should cover a full complement of hardware, software, and services with a single, predictable payment.

Note: Cisco Capital offers are subject to credit approval where applicable and country/local availability. For more details, please see your regional Cisco Capital office.

Financing tailored to SMBs

As with clothes, finding the right fit for technology acquisitions often requires some custom tailoring. "SMBs don't need a cookie cutter approach," says Rafael Chacon, commercial lead for Cisco Capital in the EMEA region. "We look at each customer individually, and we often get creative to find the right payment option to attain the desired Cisco solutions."

One program that helps reduce cost as well as waste is Cisco Refresh, which enables SMBs to purchase fully certified remanufactured equipment at a lower price than brand new products, with the same warranty and support options.

"Some SMBs have a perception that Cisco is unapproachable and too expensive, but we're not a big institution like a bank," Chacon says. "There isn't a lot of red tape, and we're ready to help find solutions."

For SMBs with limited resources, getting quick access to flexible payment and lifecycle options can help them adapt to whatever business challenges that come their way.