

WHITE PAPER

Opportunities emerge for self-service in retail and hospitality



Two new customer surveys show that the general demand for more self-service and new applications applies strongly to retail and hospitality verticals.

Developed and Published by

Kiosk Marketplace
SELF SERVICE NEWS, TRENDS & COMMENTARY

Sponsored by



Introduction

The history of self-service technology — where electronic, generally computer-dependent devices enable customers to do for themselves that which otherwise would require staff — is short but rich.

The ATM in the parking lot, with its warm screen inviting users to insert their cards whether the sun was bearing down on it or its light was the only illumination to be seen at 3:00 a.m. Pay-at-the-pump gas stations, where drivers learned that in exchange for hands that smelled faintly of gasoline, they could fuel up and drive on with less fuss and much less time. The airport check-in kiosk, now a welcome part of travel for most people, thrust upon the flying public by an airline industry forced to cope with an exploded business model.

The Self-Service and Kiosk Association (SSKA) ran a promotion not long ago that said “the best service is self-service.” Now, as customers in virtually every major segment are interacting with self-service technology, it seems a consensus is being informally reached: The slogan is more than a marketing message, it’s a reality.

Many customers view self-service as a faster, easier, more convenient alternative to traditional assisted service. New survey data shows that customers are more likely to shop with a company that lets them help themselves. The data even shows a growing acceptance among older generations, who often have been less receptive to new technologies.

NEW SURVEY DATA SHOWS THAT CUSTOMERS ARE MORE LIKELY TO SHOP WITH A COMPANY THAT LETS THEM HELP THEMSELVES.

As self-service touch points, which include kiosks and other interactive technologies, expand into new retail and hospitality environments, two verticals that show significant promise for sustained adoption and new applications afford many options to improve or enhance the customers’ shopping experience. For example:

- General merchandise stores are deploying self-service solutions that allow customers to browse, order or even pay for items not carried in the store.
- Convenience stores are exploring the benefits of self-checkout. They also have deployed bill-payment kiosks, which have proven to be very successful in other retail environments, such as telecommunications stores.
- Quick-service restaurants are implementing self-service to enable customers to order and pay for their food.

What follows is an examination of recent survey data that show customer

By Jacob Bennett,
Contributing writer,
Kiosk Marketplace

habits and preferences in self-service, as well as a look at some specific examples of vertical applications that are thriving or have the potential to do so.

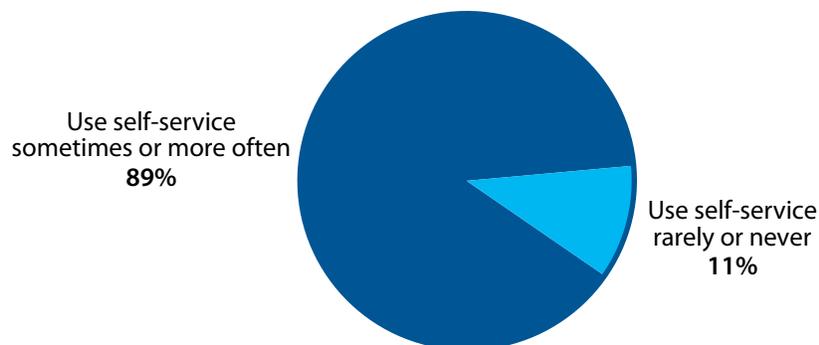
Part 1: The demand for self-service

Since the first ATMs debuted more than 40 years ago, people gradually have become accustomed to having more self-service as part of their routine activities. Although it took years for ATMs to catch on, newer self-service options, such as pay-at-the-pump, self-checkout and airline check-in, showed much faster market adoption cycles.

“I think it’s sort of like the snowball rolling down the hill, gathering momentum,” said John Saccomanno, director of retail industry marketing for NCR Corp. “Each time a customer uses a self-service device, the momentum builds. The comfort and confidence levels increase with each use, which leads to increased self-service usage in all environments.”

Survey data recently released by SSKA supports Saccomanno’s assessment. According to the association’s 2009 Self-Service Consumer Survey, 89 percent of one thousand respondents said that when given a choice between full-service and self-service, they chose self-service “sometimes” or “always.” Doubtless contributing to the preference is that nearly 70 percent reported high to very high satisfaction with self-service kiosks.

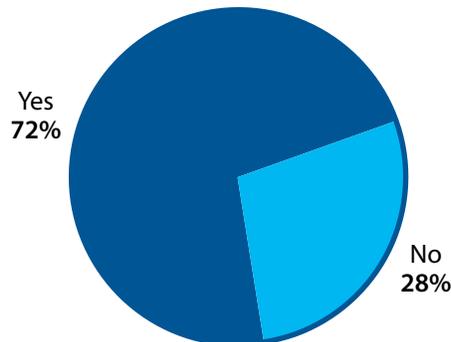
When given a choice between full-service and self-service, which do you choose?



Those figures tower over the very small 4 percent of customers who reported low satisfaction with self-service kiosks, and the 2 percent of people who refused to try them.

A separate study commissioned by NCR found that 72 percent of customers are more likely to shop with a company that gives them the flexibility to interact easily via online, mobile and kiosk self-service channels versus a retailer that does not.

When given flexibility to shop via online, mobile and kiosk channels, are you more likely to use that retailer?



Why customers use self-service technology

The SSKA national survey asked respondents to select from multiple options their top three reasons for using self-service. Speed — the potential for self-service to expedite a transaction — was cited by 70 percent.

The factors that make self-service a speedier option for customers are obvious. Retailers can open more lines with fewer staff, which leads to shorter lines, as well as open more lanes designated for purchases with fewer items. In fact, according to data from NCR, self-checkout systems decrease customer queue times by 40 percent and increase customer throughput by 20 percent.

Since speed is a core ingredient of it, it's no surprise the second most frequently cited reason was convenience.

Respondents to the SSKA national consumer survey were asked to pick their top three reasons to use self-checkout; convenience was the No. 2 reason given, at 45 percent.

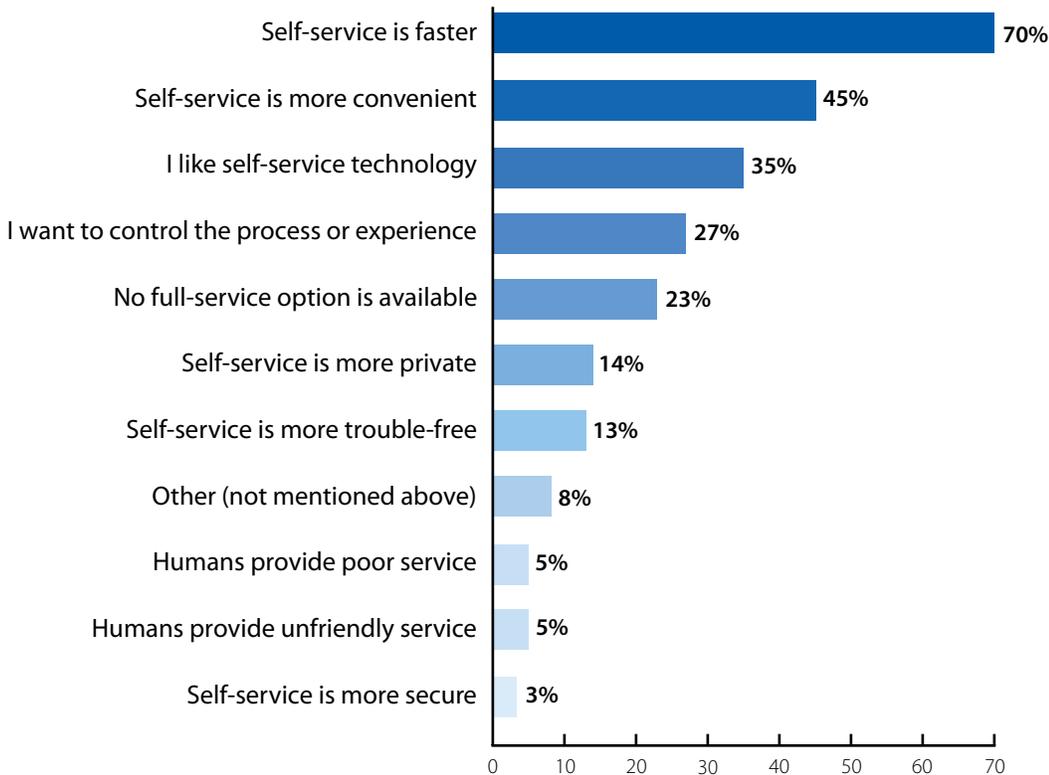
“Customers are time-starved and struggle to balance multiple demands. Additionally, current economic conditions are impacting shopping behavior and causing customers to ‘shop hop’ for lower prices. These trends reinforce the need for speed and convenience, which further drives customer demand for self-service technology,” said Monica Hachem, solutions marketing manager for self-service for NCR Corp.

Some want control

Rather than waiting in line for a cashier who will scan each purchase, 27 percent of those surveyed said they use self-service to control the process. This was especially true for younger customers — 38 percent of

shoppers aged 35 and under wanted control, while that figure dropped to 20 percent for those 51 years and older.

“Younger customers have grown up with technology and not only are accustomed to using it, but they expect it. Self-service puts the customer in control of the experience,” Hachem said. “For example, with self-checkout the customer can choose which language to use to create a more comfortable experience. The customer then controls the entire process from scanning the merchandise to bagging and lastly, the payment process.”

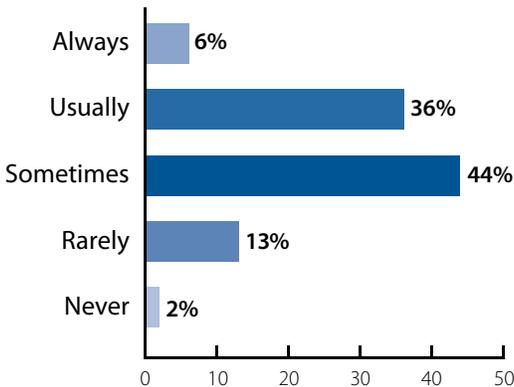


Eroding generational gaps

One surprising survey finding was that older respondents are feeling more comfortable with self-service technology.

The data contradicts a commonly held stereotype that older customers prefer not to use self-service technology. Among respondents in the 51-and-older group, 86 percent said they chose self-service at least “sometimes.” Respondents 51 years and older expressed a somewhat stronger preference for service from people compared to respondents 35 years and younger, with 32 percent favoring it for the former group and 20 percent for the latter. But across the board, the number of responses indicating that the technology is too complicated was low.

How often older customers choose self-service

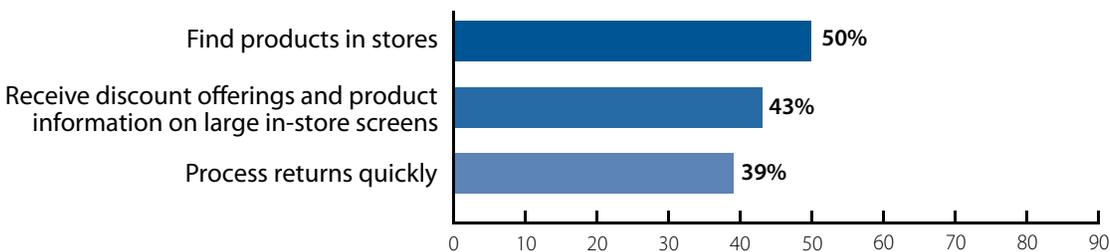


“This relates to what (technology research and advisory company) the Gartner Group describes as digital natives vs. digital immigrants,” Hachem said. “Technology is a way of life for digital natives, while digital immigrants are less familiar and receptive to technology. However, I would contend that once older people are exposed to self-service, they also become frequent users of the technology because they realize it is fast, easy and convenient.”

Part 2: How and where customers want self-service

There are many ways customers feel self-service technology could help them.

How customers would like self-service technology to help them



Around half of those questioned in the SSKA national consumer survey believe that kiosks that show them where to find products in stores would be convenient.

Forty-three percent believe receiving discount offerings and product information on large in-store screens would be convenient.

And anyone who has stood in a customer service line the day after Christmas could agree with the 39 percent who said they wanted self-return solutions for processing returns quickly.

Many new solutions are now taking hold in various environments, outside of the supermarkets and big-chain stores where self-service kiosks have found homes. Convenience stores, quick-service restaurants and general merchandise retailers are trying new applications such as bill payment, order and pay, financial services, self-checkout, gift card, human resources, guided selling and endless aisle.

Convenience stores. Convenience stores (c-stores) already rely heavily on self-service — pay-at-the-pump gas, lotto machines, in-store ATMs — but many c-stores are just now exploring the benefits of self-checkout.

“The efficient use of labor is a key objective for any retailer, but it’s especially important in smaller store formats, like convenience stores, where fewer employees may be responsible for a greater variety of tasks,” said NCR’s Saccomanno. “That, plus the limited number of in-store employees, means customer service levels are at greater risk. If one employee in a three-person convenience store shift doesn’t show up to work, that’s a 33-percent store labor loss — equivalent to about 12 employees not showing up at a supercenter.”

In addition, nearly 90 percent of all customers entering a c-store site are on their way to another destination, either work, home, picking up the children, etc. As such, they’re looking for a quick shopping experience.

Self-service technology, and self-service offerings, is key to the very business model of a convenience store. Self-checkout will help keep lines short and help keep convenience stores from becoming inconvenient.

General merchandise stores. In addition to self-checkout, many general merchandise stores are finding new uses for self-service technology.

Guided selling is one example. The challenge is employees on the floor can’t know detailed information about every product, and retailers often have high turnover rates. “Kiosks can be used to bridge the gap and enable both customers and the store employee to access product comparisons and information. A new innovative option is to use a guided selling kiosk to provide access to live, off-site experts who can assist a customer with the purchase decision,” Hachem said. This is especially beneficial for categories such as electronics, which typically have short product life cycles and lots of technical specifications.

“For instance, with guided selling, a customer could use a kiosk to understand the differences between a plasma TV and an LCD TV or to select the right product based upon the customer’s buying criteria. Up to 80 percent of purchase decisions are made in the store, and guided selling

can help a customer finalize the purchase decision and drive revenue for the retailer,” Hachem said.

Some retailers use kiosks for self-service merchandise pickup. Customers can scan a receipt or enter an order number to access their order and to alert the warehouse to get the product ready. The kiosk can also support payment, whether the customer is paying in cash or with credit or debit. Retailers are also using kiosks to host endless aisle applications that provide customers with an expanded assortment of items which are not stocked in the store or that may be special ordered.

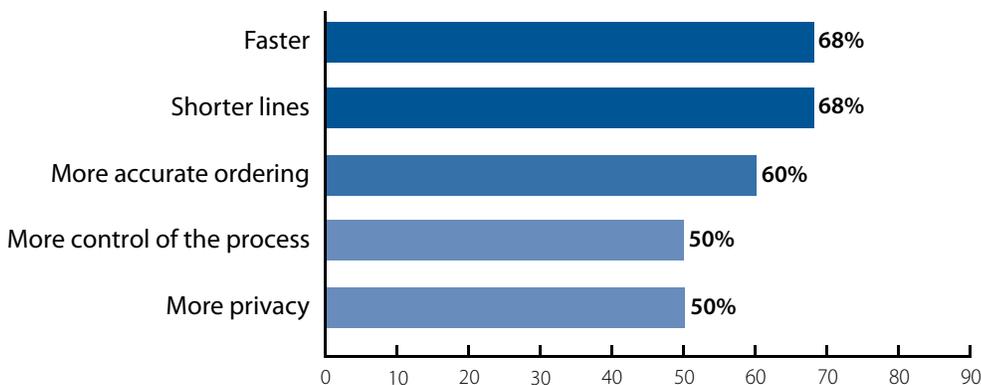
Restaurants. According to the NCR study, 34 percent of respondents had walked away from long lines at a quick-service restaurant more than once; in the last year, nearly one in five had walked three or more times.

Self-service ordering kiosks have been piloted by several chains. These kiosks enable customers to order and oftentimes pay for their food without assistance. But for all the speed and accuracy benefits an order and pay kiosk offers, use has not yet been widespread. In the NCR study, 86 percent of people said they had never seen or heard of kiosks that took orders or let them pay.

But 68 percent of those studied thought self-service kiosks would be faster, and would shorten lines. Sixty-three percent were very likely or somewhat likely to use these to place orders and pay.

Sixty percent believed self-ordering would be more accurate. More than half liked the greater control of the process; about the same number liked the privacy.

Perceived benefits to self-service kiosks in quick-service restaurants



One challenge to adoption in the quick-service restaurant environment has been the operational issues associated with traditional pre-order kiosks, including placement and potential patron confusion. But a new

concept being introduced by NCR seeks to overcome these challenges. The solution, similar to what you might see with self-checkout at a grocery store, can be applied to a quick-service restaurant. In a foodservice environment, a row of customer touchpoints would be deployed on the front counter and a QSR associate station behind the counter. Customers could order and pay for their meals at the kiosk, with the associate monitoring all customer activity and assisting as needed.

Not only is ordering faster and more accurate, but customers may be more likely to order additional items.

“A key benefit is that stores see a strong uptick in sales,” Saccomanno said. “It turns out that self-service kiosks are better salespeople than the actual associates.”

“The self-service solution is a great tool for up-selling,” Hachem said. “For example, you order a meal, and the kiosk displays a picture of a dessert and asks if you would like to add it to your order. This type of suggestive selling has proven very effective, and it is done consistently. You don’t have to remind the kiosk to prompt the customer.”

Bill Payment. One application that has shown promise in a variety of retail environments is self-service bill payment.

The application allows customers to make payments on accounts using a touchscreen interface and payment-accepting devices, such as a card-swiper, cash acceptor or check-reader. Primarily, the bill-payment kiosks are found in businesses where the customer owes money, such as cell phone stores, or in third-party locations where the store can charge a convenience fee when customers come in to pay bills owed to other businesses, such as utility companies. In addition, the presence of the kiosk builds store foot traffic, increasing opportunities for additional sales.

Bill-pay kiosks are particularly attractive when a deployer wants to facilitate easier, more consistent payment from individuals who don’t have access to traditional non-cash payment types. The United States has a significant un-banked population which uses cash as its exclusive payment method.

“The kiosk can enable customers to pay with cash, credit, debit or even check and to perform the transaction in their preferred language,” Hachem said. “Store employees can focus on revenue generating activities instead of processing payments so it becomes a win-win situation for both the retailer and the customer.”

Conclusion

In just over four decades, much of the world has gone from exclusive reliance on other people to complete their transactions to having a myriad of options for non-human interaction. Familiarity in this case has bred acceptance, and the data available from SSKA and NCR Corp. show that people of all ages, digital natives as well as demographics previously stereotyped as resistant to new technology, have come to expect self-service where they shop, eat and play.

Customers appreciate the speed, the convenience and many other attributes of using the technology, whether swiping barcodes across a self-checkout unit, learning more about a product from an interactive digital sign or performing any number of tasks that not only don't require store staff, but weren't even dreamt of by retailers just a few years ago.

The phrase "win-win" applies well to self-service technology, then. Customers have come to accept and expect self-service technology just when providers of hospitality services and retailers need them to the most. In the early part of the decade, massive challenges to the airline industry made it critical that carriers become more efficient, a pressure they responded to in large part with check-in kiosks. That pressure is here today for hospitality, retail and many other segments. Deployers can realize the benefits not only in the soft ROI of customer satisfaction, but in hard terms as well, by re-assigning staff to other areas.

And with demand growing and new technology and applications at the ready, there couldn't be a better time to take advantage of it.

About the sponsor: *NCR Corporation is a global technology company and leader in automated teller machines, self-checkouts and other self- and assisted-service solutions, serving customers in more than 100 countries. NCR has been a global self-service leader for more than 25 years with over 100,000 self-service solutions installed in the retail industry. NCR's software, hardware, consulting and support services help organizations in many industries interact with consumers across multiple channels.*

The world of self-service interactions is dynamic and full of possibilities. NCR can take you there. To learn more, e-mail us at retail@ncr.com or visit www.ncr.com.

PEOPLE OF ALL AGES, DIGITAL NATIVES
AS WELL AS DEMOGRAPHICS PREVIOUSLY
STEREOTYPED AS RESISTANT TO NEW
TECHNOLOGY, HAVE COME TO EXPECT SELF-
SERVICE WHERE THEY SHOP, EAT AND PLAY.