

# The Power of Technology in Driving **Cost Reduction in Retail**

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GUIDE



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# What's *Driving* the Need for **Cost** **Optimization** Today?

In 2022, retailers faced cost challenges as consumers took a breath from their pandemic spending. As consumers' disposable incomes waned, spending on non-essential items dropped. This led to declining sales and revenue for many retailers. Additionally, the shift to new shopping approaches (BOPIS, curbside pickup, and home delivery) accelerated the cost to serve. Returning to “normal” will require a right-sizing of costs to align the new customer experience requirements with profit objectives.

One of the more pressing challenges is the competition for labor. In fact, **75% of retailers** report difficulty in finding workers with the skills they need. As more and more retailers are entering the industry, higher levels of competition and price pressure are on the rise. Additionally, a change in consumer behavior and the growing popularity of e-commerce have put pressure on brick-and-mortar stores to offer competitive pricing in order to remain relevant. The rising costs of labor, real estate, and raw materials, along with the challenges of supply chain disruptions and changing regulations, are further compounding the need for cost optimization in the retail industry.

Retailers are also grappling with the need to invest in new technologies and digital platforms that allow them to stay competitive and meet the expectations of today's tech-savvy consumers. Finally, the rise of social media and online reviews has made it more challenging for retailers to maintain their reputation and retain customers, making it important for retailers to invest in customer service and marketing efforts to stay ahead of the competition.

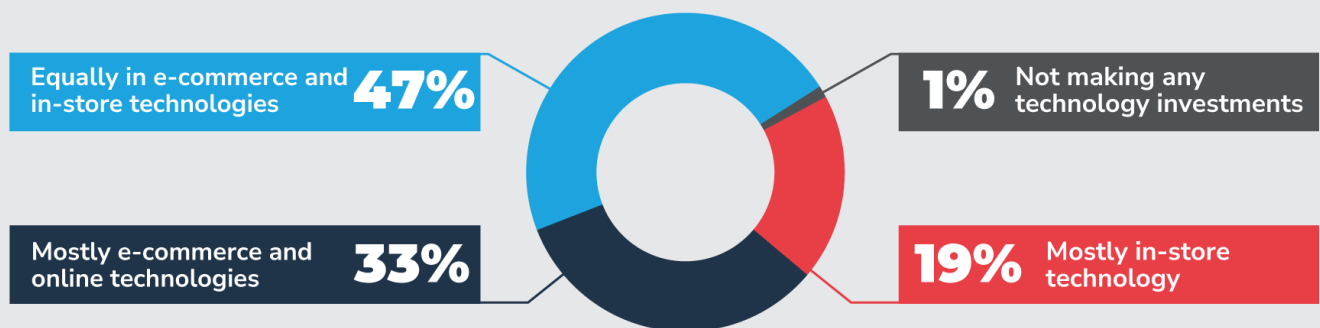
In order to remain profitable and competitive in 2023 and beyond, retailers must prioritize cost optimization in all aspects of their business, from sourcing and inventory management to supply chain and logistics.

# How **Technology** Can Help *Optimize* Retail Costs

To optimize business costs, retailers should explore leveraging technologies that can optimize their processes, people, inventory, and information. [Gartner](#) forecasted global IT spending in the retail industry to reach an estimated \$257.1 billion by 2025.

By prioritizing digital solutions in their overall operations strategy, businesses can increase productivity, remove non-value-adding activities, reduce errors, and increase operational efficiency.

## Where do retailers focus most of their **technology investments**?



Source: [Jabil](#)



## Cutting Costs with Intelligent Automation Platforms

Inflation's impact on consumer spending and labor shortages driving up operating costs put retailers under significant pressure to maintain margins while finding new ways to preserve profitability. To achieve this in today's environment, leading retailers have begun using [intelligent automation](#) to identify and execute cost containment and margin improvement opportunities previously unavailable to them.

Leading retailers have recognized intelligent automation benefits for more than back-office cost reduction and process optimization. In addition, they utilize the technology to seize front-office opportunities in merchandising, marketing, and supply chain. According to [McKinsey](#), **30% to 40% of retail tasks** related to processes such as merchandise planning or the supply chain can be automated. In fact, intelligent automation is being used to perform complex analyses and real-time adjustments that create sustainable margin improvements.

While there are many automation technology options in the marketplace, [retailers require an intelligent automation platform](#) that can meet the unique business needs of a retail organization, such as addressing repetitive customer service tasks, inventory management, or return processing. As such, **96% of shoppers** who gave a [positive review of their return experience](#), a significant aspect of customer service tasks, expressed interest in shopping with the retailer again.

At Wizeline, we work with leading retail businesses to deliver innovative technologies, including [natural language processing](#) and [artificial intelligence](#), to accelerate the technology roadmap. Through our [partnership with HuLoop](#), we offer an all-in-one, no-code intelligent automation solution that streamlines processes and simplifies workflows for retail clients and software test automation for customers across industries.

## Improving the Associate Experience to Increase Retention

One of the biggest challenges in 2023 is a shortage of skilled workers. This shortage is putting pressure on retailers to invest in training and development programs to attract and retain top talent. Additionally, the [rise of e-commerce](#) has led to a shift in the types of skills that are needed in retail, with a greater emphasis on digital literacy and customer service skills.

Retail associates must also be able to navigate an increasingly complex and data-driven retail environment, which may require additional training and support. These issues bring to light just how vital employee retention in retail is.

High turnover rates can cause a significant loss of productivity, sales, and profitability. [A study by Axonify and Nudge](#) on the state of “deskless workers” found that **40% of retail frontline employees** want to quit their jobs, up 37% in 2022 over the previous year. One effective way to improve the retail associate experience and increase retention is by leveraging mobile-based technology such as retail mobile apps.

By leveraging mobile apps like [WorkJam](#) designed with the associate experience in mind, retailers can enable employees to manage their schedules, communicate with their colleagues, and access important information in real-time, all from their mobile phone. This can improve employee engagement and satisfaction, as well as increase productivity and reduce the risk of missed shifts or scheduling conflicts. In a survey conducted by [SOTI](#), **73% of retail workers** said that they **would be more likely to stay with a company if they were provided with mobile technology to help them do their job.**

Additionally, mobile-based technology can provide managers with real-time analytics on workforce performance, enabling them to make informed decisions about scheduling and optimize the workforce in real-time. With advanced technologies such as AI and machine learning, mobile-based scheduling apps can even automate complex scheduling decisions, resulting in more personalized schedules that optimize productivity and employee satisfaction. Ultimately, by leveraging mobile solutions, retailers can empower their employees, improve the retail associate experience, and drive better retention rates for their business.

Through our partnership with [WorkJam](#), we help retail companies rapidly implement WorkJam's employee engagement app and seamlessly integrate it with other systems to ensure a consistent, highly engaging user experience.





## Applying AI to Address the Cost of Customer Returns

With more than \$761B in merchandise returns, [retail returns](#) jumped to **an average of 16.6%** of goods purchased in 2021, according to a survey by the National Retail Federation and Apriss Retail.

While returns present a big challenge for maintaining margins, retailers with the right processes and technology can automate the return process. [AI use in retail](#) is expected to **grow 34.4% from 2020 to 2027 to reach a total \$19.9 billion market value**. By applying AI to address the cost of customer returns, retailers can significantly reduce costs and improve the customer experience by implementing the following strategies:

- **Predictive Returns Management:** [Machine learning](#) algorithms can predict the likelihood of returns based on factors such as customer history, product features, and order information. This can help businesses prioritize resources and minimize returns handling costs.
- **Automated Return Processing:** Implementing [AI-powered systems](#) to automate returns can reduce manual labor and human errors.
- **Customer Service Chatbots:** [Implementing chatbots](#) to handle customer queries and return requests frees up time and resources for customer service teams.
- **Inventory Management:** Using AI to optimize inventory management reduces overstocking and the cost of processing and disposing of returned products.

A [negative return experience](#) could influence the likelihood of customers associating with a brand. In fact, **89% of consumers** are less likely to shop with a retailer if they had a bad experience with the return. By implementing these AI-powered strategies, retailers can improve their bottom line by reducing costs while enhancing the customer experience and making returns a source of customer retention.

# Investing in Mobile Applications to Improve Operational Efficiency

[Forrester](#) predicts that around **80% of consumers** will see the world as all-digital in 2023, with [no divide between online and physical-world experiences](#). One of the most significant technological advancements in retail has been the [development and use of mobile applications](#). Mobile apps have changed how customers shop and how retailers operate and manage their businesses. By leveraging the capabilities of mobile applications, IoT devices, and real-time data, managers can have better control over their operations, make more informed decisions, and respond to changes more quickly.

IoT is increasing in popularity, thus its impact on mobile applications. According to a study by [Business Insider Intelligence](#), the number of IoT devices is expected to reach **41 billion by 2027**, up from about 8 billion in 2019. That is due in part to the use cases highlighted below, which all play a significant role in improving managers' span of control.

The enablement of real-time monitoring plays a significant role in the use of mobile applications and IoT devices. Managers can [monitor the performance of their operations in real time](#), giving them a comprehensive view of sales, inventory levels, and employee performance. This information can be used to identify areas for improvement, optimize operations, and provide a better customer experience. For instance, mobile apps can allow customers to check the availability of products in-store themselves. On the other hand, employees can use it to stay informed should customers need updated information on product status.

Mobile applications can also provide a platform for real-time communication between managers and their subordinates. This level of enhanced communication can improve the flow of information and reduce the risk of misunderstandings. With IoT devices, managers can also receive notifications and alerts about critical events, allowing them to respond more quickly and efficiently.

Lastly, using mobile applications allows managers to improve delegation. Managers can delegate tasks and responsibilities to their subordinates in real time, enhancing the efficiency of operations and reducing the time spent on manual tasks. This adoption can help make the management of associates more effective.

When combined with IoT and real-time data, mobile applications can provide managers with valuable insights into the performance of their operations. This technology adoption can allow them to make more informed decisions and respond to changes more rapidly, thus reducing the workload of managers and increasing efficiency.





# Propelling **Business Growth** with Technology-Led Cost-Reduction *Solutions*

It is clear that the retail industry has been revolutionized with the use of technology. From AI-powered chatbots to inventory management systems, technology has provided retailers with numerous cost-saving opportunities that were previously not available. By investing in cost-reduction solutions like the ones described above, retailers are able to increase their operational efficiency, streamline processes, and increase profits.

However, it is important to note that the implementation of technology must be strategic and well thought out. Retailers must be careful not to sacrifice customer experience for cost-saving measures. Instead, they must find a balance that allows for both cost savings and customer satisfaction. Additionally, it is important for retailers to continuously evaluate their expenses and identify areas for improvement in order to stay ahead in today's competitive business environment. By implementing cost-saving measures, retailers can free up resources to invest in growth opportunities, enabling them to reach their full potential.

Wizeline works with retailers to [address these cost intersections](#) through actionable AI platform insights and by streamlining routine and mundane tasks through human intelligence automation. Get in touch today to learn more about how we work with you to optimize costs and improve productivity while managing the introduction of new technologies to transform your business.



## How to Get Started

[Explore Our Retail & Consumer Practice](#)

Start the conversation at  
[consulting@wizeline.com](mailto:consulting@wizeline.com)