

A photograph of a busy shopping mall with people walking and a red overlay. The text is overlaid on the red area.

The Connectivity Gap

Why retailers need to take care of business

A report into the reliance of UK retailers on reliable, secure connectivity - and the impact and cost that connectivity downtime has on their operations.

We are all aware that Information Technology has changed, and continues to change, the way we live, work and spend our leisure time.

The effects of IT have been particularly profound in the physical retail sector, which, although appearing to be in a state of crisis, is currently working hard to adapt to the requirements of today's consumers.

As in other sectors, IT is at the forefront of driving business performance in retail. IT is now embedded in product and system design and development and used to automate processes, collect and analyse data, cut costs and drive efficiencies. However, one thing that underpins all these innovations and their ability to maximise the effectiveness of the cloud, the Internet of Things (IoT) and increasingly sophisticated analytical tools, is network connectivity.

Most of us are familiar with the frustration we feel when we lose our internet connection at home. However, this level of inconvenience is relatively minor compared to the impact that a loss of network connectivity can have within a retail environment.

To better understand the situation, CSL decided to carry out a first of its kind study into this subject.

The findings contained in this study matter to everyone working in, or linked to, the retail sector. They provide a unique snapshot into the reliance placed on network connectivity, the consequences of downtime and, most importantly, what action can be taken to ensure an 'always on' connection.

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Introduction

The UK's high streets are currently under great pressure, as more people shop online in search of better deals, home delivery and click and collect become commonplace, and once popular retailers go bust with alarming regularity. The Guardian recently reported that at least 20% of UK retail space is set to close over the next few years – something that is forcing a rethink about how high streets will look in years to come.

In a world in which people can get any item, in any way, to any part of the world, a retailer's purpose is no longer merely just to get products to people. At the same time, those shoppers who still choose to visit stores are increasingly looking for an end-to-end connected experience. They want a place where the physical products on display are linked to the online world, and where they receive personalised advice and assistance. In order to succeed in the age of digital business, retailers need to extend their boundaries, adapt their business models and make the right technology investments.

At the forefront of the 'smart' retail revolution are network connectivity and the internet. They are helping to create a more personalised consumer experience – something that involves monitoring movements, habits and areas of interest. Retailers have begun improving personalisation techniques by blending technology with human input and this is something that artificial intelligence will further develop.

It's not just in the customer-facing arena where network connectivity is proving to be so imperative though. Retailers are increasingly reliant upon it for the smooth running of their entire operations – from point of sale, stock management, general administration, shopper and/or staff analytics and tagging solutions, through to heating, lighting, customer feedback, in-store promotions, human resources, finance and more.

Security, loss prevention and colleague protection are also key drivers, and The British Retail Consortium's (BRC) 2017 Retail Crime Survey stated that the annual bill for UK retail crime soared to just over £700m in 2016 – the highest level since records began. Retailers must therefore reduce losses more quickly but although prevention is a key driver for heightened security, violence against staff is also on the rise. The BRC recently reported that incidents of violence with injury have doubled since the previous year to six per 1,000 members of staff – meaning that 13 individuals were injured every day last year.

CSL decided to question those at the front line of retail IT in order to build a comprehensive picture of network connectivity's role, the reliance placed on it, its reliability, the consequences of downtime upon business continuity and sales, and attitudes towards existing technology that can keep businesses connected.



About the Survey

Between 5th-11th September 2018, Research Without Barriers (RWB) conducted a survey on behalf of CSL Group to find out the importance of network connectivity within the retail sector.

The sample comprised 301 IT managers, IT directors, chief information officers (CIOs) and chief technology officers (CTOs) in companies with 10 or more employees. Those questioned worked for companies across a diverse range of interest areas including department stores, supermarkets, chemists, newsagents, opticians, travel agents, bakeries, bookshops, entertainment retailers, jewellers, toy shops, and electrical and technology retailers.

All research conducted by RWB adhered to the UK Market Research Society (MRS) code of conduct (2014).

Questions, Answers and Insights: The Importance of Network Connectivity

The importance of network connectivity cannot be underestimated and, in fact, it is the backbone of many retail organisations. It is therefore important for businesses to have good network connectivity in order to comfortably execute their daily operations and improve efficiency.

The survey began by asking respondents how important network connectivity is to their operations:

Overall
50%
could not operate
without it

This figure varied slightly depending on the size and scale of the company:

10-49
employees



53%

50-249
employees



44%

250-1000
employees



58%

1000+
employees



45%



Reliance

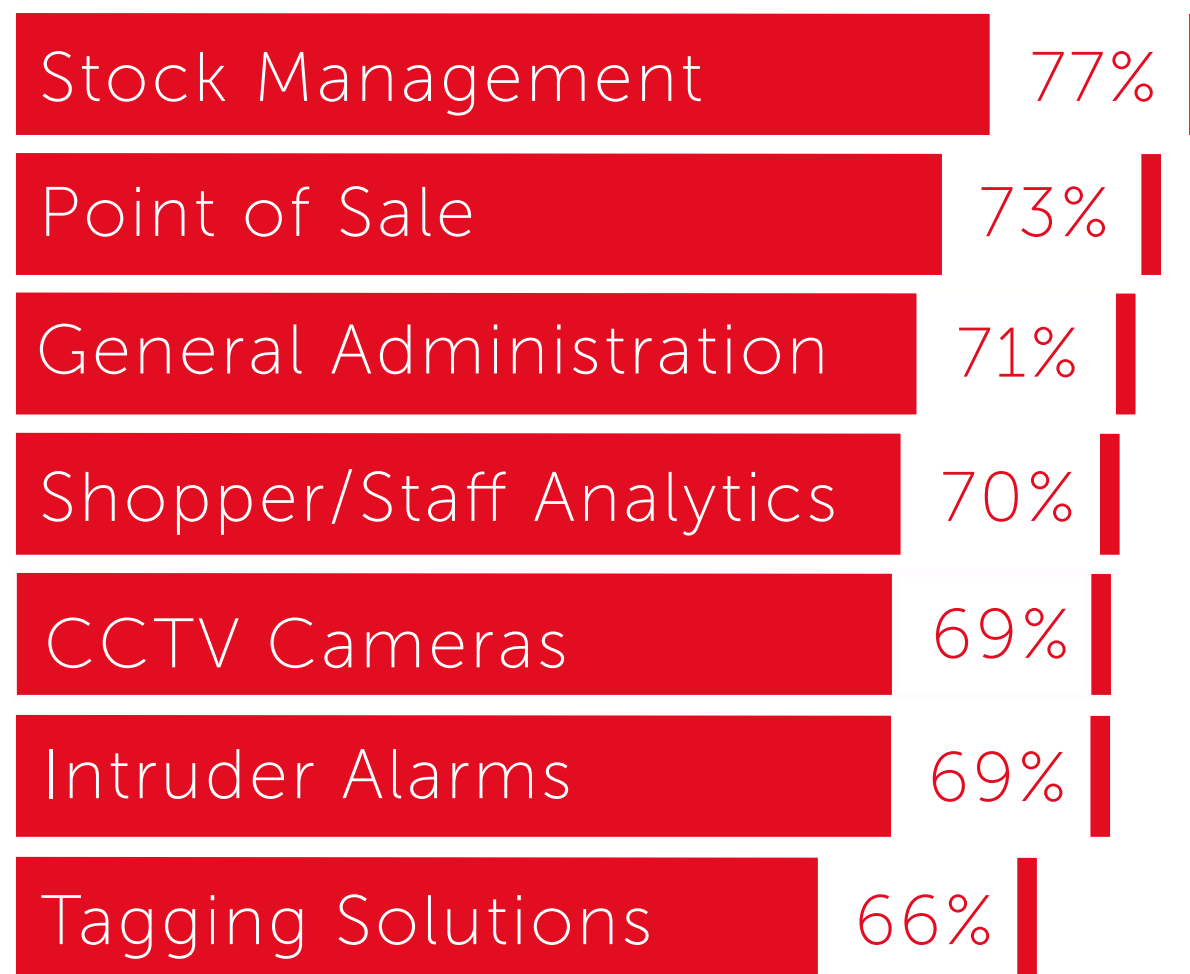
Strong network connectivity is an essential lifeline for stores:

71% are very or extremely reliant on it for core functions

The effect of downtime differs by size of retailer and those with over 1,000 employees have a broader range of core functions affected than those with less than 1,000.

Retailers with more than 250 employees are more likely to be reliant on connectivity for shopper and/or data analytics, while companies with fewer than 250 employees focus on connectivity for point of sale and general administration.

The core functions that are most reliant on network connectivity are:



24% of retailers said they are very or extremely reliant on connectivity for other functions including, heating, lighting customer feedback, staff observation, store promotions, human resources and finance.



Loss of Connectivity

A 2017 study found that in 2016 internet downtime cost the UK economy £7bn in lost productivity and extra overtime. The CSL Group survey found that loss of connectivity is alarmingly commonplace.

72% of retailers have suffered a loss of connectivity, although retailers with over 1,000 employees were less affected



44% of retailers experience an instance of downtime every month. This has less of an effect on retailers with more than 1,000 employees

The study also found that loss of connectivity for smaller retailers with fewer than 250 employees is more likely to have an impact upon other functions than for those with more than 250 employees, even though they are less reliant on connectivity than retailers of other sizes.



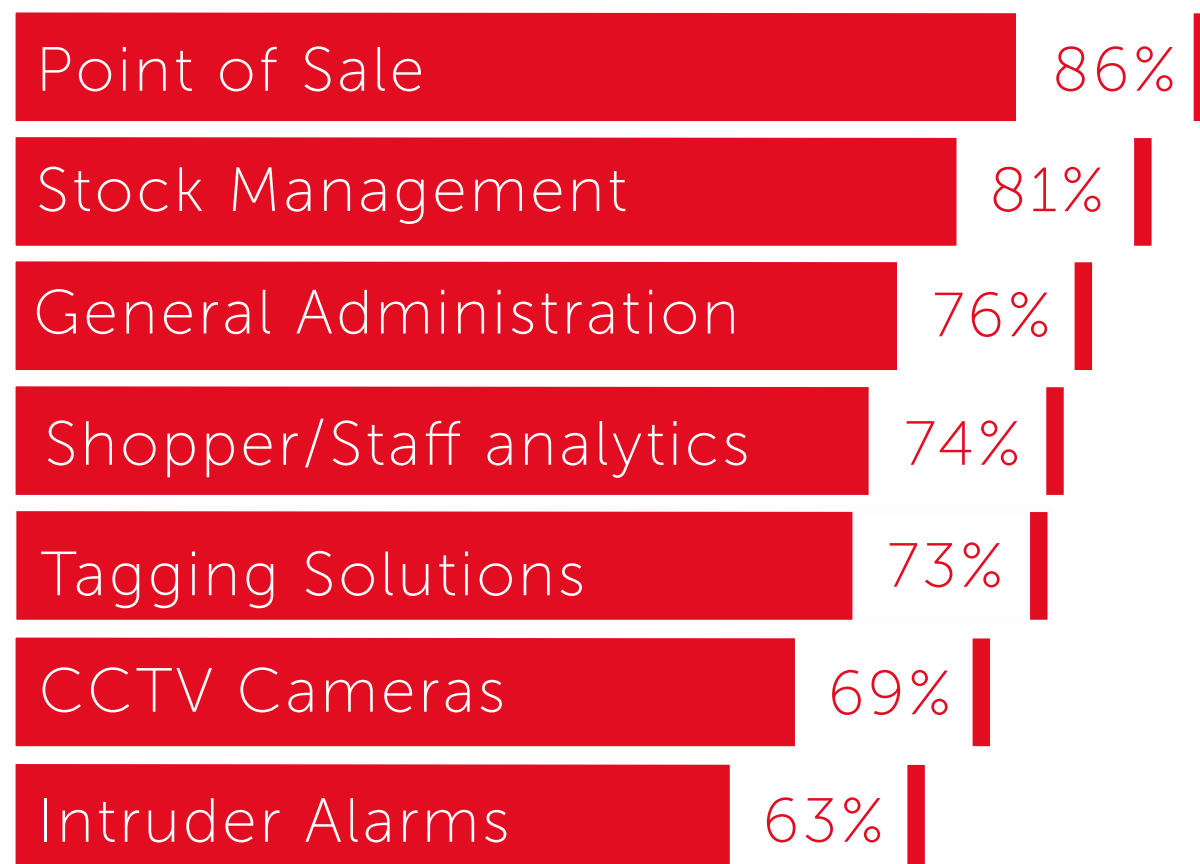
The Impact of Downtime

Damaged network cabling, system crashes and data centre outages can instantly take a store offline and damage a retailer's bottom line. Aside from revenue loss, the long-term effect of outages is another concern, as customer waiting times for service can increase, causing dissatisfaction and damage to reputation and the potential for repeat business.



75%
of those questioned said that
downtime had a moderate or
high impact on core functions

Within these core functions, point of sale, stock management and general administration were most affected:



Other functions and areas that are impacted by a loss of connectivity include online sales, promotions, productivity, payroll, training, databases, Wi-Fi and, in food-based operations, refrigerators.



Loss of network connectivity has a major impact on sales:



More than **86%** of retailers estimated that downtime for a day would reduce sales by **50%**

10-49 employees



94%

50-249 employees



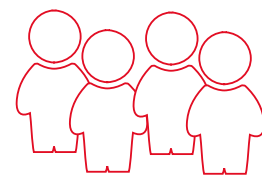
86%

250-1000 employees



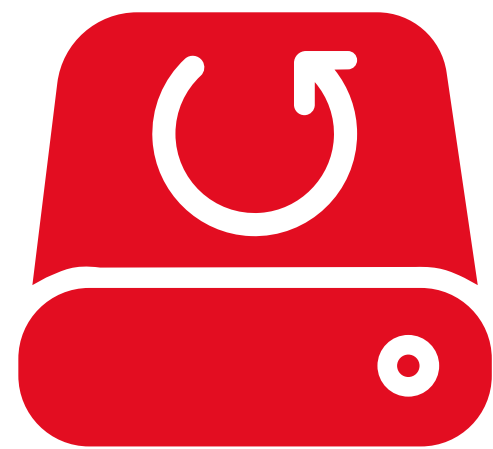
81%

1000+ employees



87%

Despite this **27%** of retailers have no back up plan in the event of a loss of connectivity



That figure rose to 32% in organisations with less than 250 employees.



Ensuring Uptime with 4G Router Technology

Retailers shouldn't rely solely on a landline-based network connection as their only source of connectivity. Internet failover and router redundancy is important for business continuity and, given its vital role in day-to-day operations, reliable and secure connectivity is easily within reach.

4G SIM-based routers provide an instant, encrypted connection to the internet for sites where wired broadband is unavailable, impractical or slow. It is also possible to upgrade an existing broadband service to a private network in order to provide a reliable failover solution if a wired broadband infrastructure goes down. Put simply, if the primary source goes offline, the failover 4G network kicks in immediately.

As well as being pre-configured for quick installation, incredibly reliable and easy to manage, data security is also to the fore thanks to high level encryption that improves network availability and protects sensitive data from malware and cyber attacks. 4G routers can also be supplied with an appropriate monthly data SIM bundle to help manage costs and ensure consistent functionality, while a static internet protocol (IP) address can allow remote access into the system without interfering with any existing IT infrastructure.

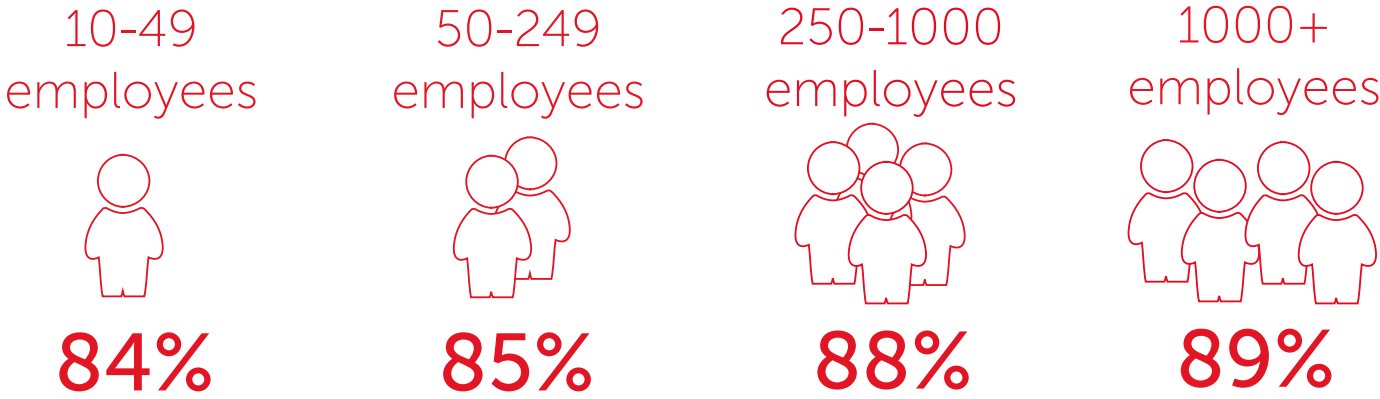
Senior IT personnel in retail organisations are very interested in 4G router technology:

86% stated that it could help them maintain the reliable and secure communications their business processes rely on



98% of those with the job title of CIO or CTO expressing a positive response

Interest in 4G routers increases with retailer size:



Conclusion

The findings of CSL's study highlight the importance of network connectivity within the modern retail environment, both in terms of business continuity and impact on sales. Retailers need to address connectivity concerns and the negative impact they can have upon operational procedures by developing a contingency plan. It is clear that one of the most reliable and cost effective ways of achieving this is via 4G based router technology and once presented with the operational benefits and peace of mind that these devices offer, IT personnel are very responsive to its ability to maintain reliable communications.

For more information about CSL's 4G Router please visit:

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or email us:

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