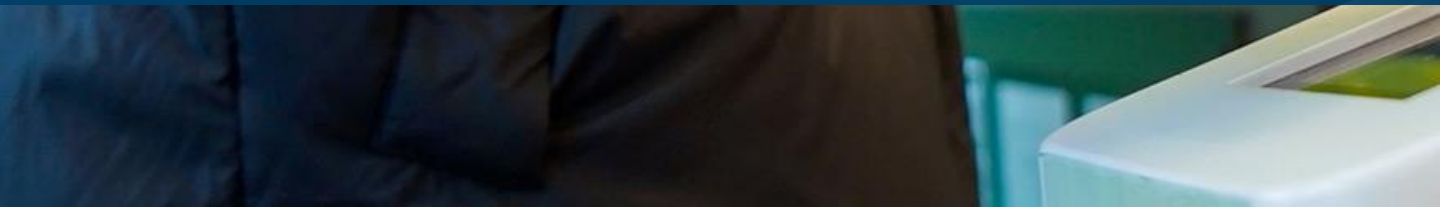




CONSUMER AND
RETAIL GROUP



No Wallet? No Problem:
How Just-Walk-Out
Technology is Shaping the
Future of Retail



No Wallet? No Problem: How Just-Walk-Out Technology is Shaping the Future of Retail



A few years ago, the concept of not bringing your wallet to the store would have seemed delusional, even criminal, to most shoppers. Fast forward to today, and retailers are quickly implementing new strategies to improve the customer experience to drive traffic back to the store—and to counter disruption brought about by ecommerce competitors.

“According to Juniper Research, the JWO market size is expected to reach \$45Bn by next year, and RBR estimates that there will be 12,000 stores with the technology by the end of 2027”

One such technology designed to address the consumer pain points long associated with shopping brick-and-mortar is Just Walk Out payment, aka JWO. The technology fundamentally eliminates the need to bring your wallet to the store by linking digital identifiers to payment information stored securely online. In doing so, JWO enables consumers to, as the name implies, just walk out of the store upon completion of their shopping day.

But do current early versions of JWO solve for the critical consumer pain points they were designed to address? Our grocery team recently visited 4 retailers across a variety of formats (Amazon Go, Hudson News Nonstop, Giant Eagle GetGo, and Whole Foods) to assess the technology for ourselves, and to get a feel for where it's heading next. Our focus was two-fold:

1. To look at the objective of JWO and how it solves traditional retail pain points; and
2. Identify tensions and potential new friction points created by the emerging technology.

By analyzing both its value proposition and unintended consequences, we are able to come to a view of the technology's barriers and, thus, understand the best pathway to adoption.



The Frictionless Experience



JWO is designed to address key pain points in the consumer experience — and there is no doubt that it accomplishes its purpose on a multitude of fronts:

01 Reduces checkout time for customers

It's human nature to roll your eyes when turning the corner to be confronted by a massive line of shoppers all bearing similar looks of annoyance while waiting to check out. Retailers are well aware of this longstanding gripe of consumers which is one of the biggest reasons JWO terminals have emerged in physical retail space today.

By engineering a solution that allows consumers to just walk out of the store, retailers are addressing their biggest consumer pain point head-on while providing their customers the opportunity to use a solution that ties convenience directly to experience.

“In fact, a 2021 poll by Quidini shows that 25% of consumers are likely to avoid entering stores with long wait times, which may cause retailers to lose up to \$100 billion annually.”



02 Provides a new medium to understand customer behaviors and provide personalized messaging

The technology allows retailers to understand in-store customer behaviors in ways which weren't possible before. They can discover what areas customers browse, for how long, and whether they purchase those items or not. JWO even knows what items customers pick up, decide not to purchase and put back down again. This information allows adopters to make their promotional offers and product suggestion even more personalized over time. It will allow these retailers to understand their customers far more intimately than their competitor thus improving their experience and driving sales.

03

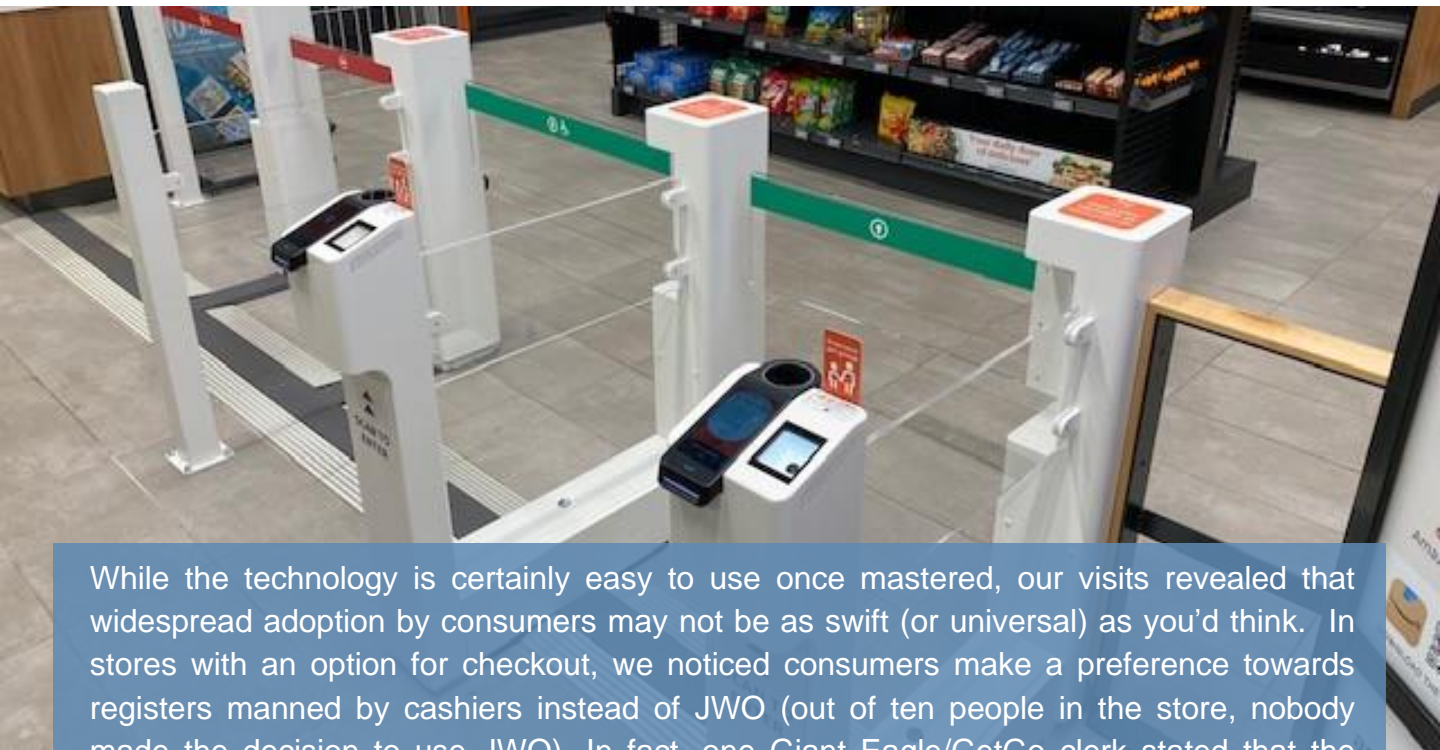
Improves inventory control across all store operations

There are few things more ubiquitous in retail than the common disdain for shrinkage. It directly impacts a retailer's bottom line and can sometimes feel impossible to control. With JWO now tracking all items within the store from receiving to checkout, it has never been easier to control inventory. Not only do customers need a credit card registered to enter the store, but the product is kept under the watchful eye of cameras from all angles – a loss prevention expert's dream!

04

Introduces "fresh" experiences to the tired brick-and-mortar model

For many consumers, there is a natural excitement that stems from the intrinsic curiosity of interacting with something new – from the latest iPhone to a never-before-seen variety of apple. For shoppers who have become accustomed to the monotonous routine of placing their items onto the clerk's conveyor, the JWO offers an exciting, new alternative that spruces up the shopping experience.



While the technology is certainly easy to use once mastered, our visits revealed that widespread adoption by consumers may not be as swift (or universal) as you'd think. In stores with an option for checkout, we noticed consumers make a preference towards registers manned by cashiers instead of JWO (out of ten people in the store, nobody made the decision to use JWO). In fact, one Giant Eagle/GetGo clerk stated that the technology hasn't been super popular among his clients, though he did note that the people who use it predictably do so to avoid the lines. This anecdote isn't to say the technology is a miss but rather that it's experiencing some growing pains that will eventually be overshadowed with time and adoption.

The Unintended Difficulties of Using JWO



As the technology is in its infancy, it naturally has unforeseen challenges that can create a sub-optimal experience

01 Frictionless exit requires frictionless entry

If it's your first time using this technology, be ready to practice the art of patience. While retailers try to make it as intuitive as possible to get the hang of (TV screens with instructions, stickers pointing out where to scan, signage throughout the entryway, etc.), doing something the first time inevitably has teething problems. In our team's case, simply finding the barcode on the Amazon app took longer than it (probably) should have. Others in the same Amazon Go store seemed to experience similar challenges, with a crowd of 5-6 forming at the entryway struggling in their own ways to determine how to enter the shop. While the concept of frictionless checkout is enticing, it's critical that retailers nail the front-end with frictionless entry in order to encourage mass adoption among the consumer base.

02 Customers need to be aware of order accuracy

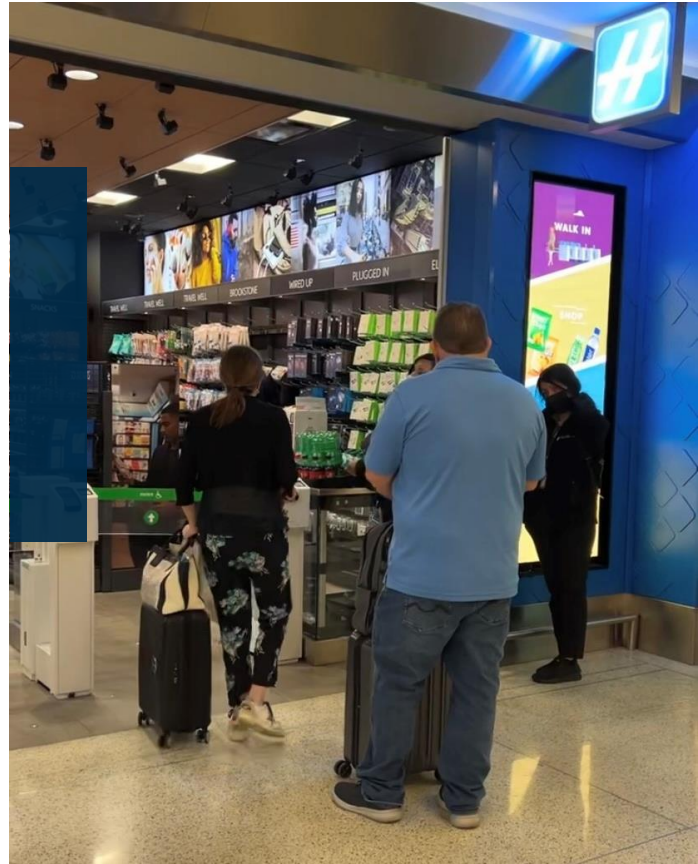
When shopping traditional brick-and-mortar, consumers generally don't worry about order accuracy after checkout. With the introduction of in-store sensor technology, consumers must now think about the accuracy of their charges. While the in-store sensor technology is impressive, we didn't escape our shopping experience completely unscathed from machine error. The large-format Whole Foods store struggled in particular, especially with fresh produce delineation (e.g., separating a regular vs. organic mango). Out of 19 items in our transaction, 4 came back incorrect. While we were purposely trying to test the system, a 20% error rate is quite high, especially when you consider that not all the mischarges were in Whole Foods' favor.



03

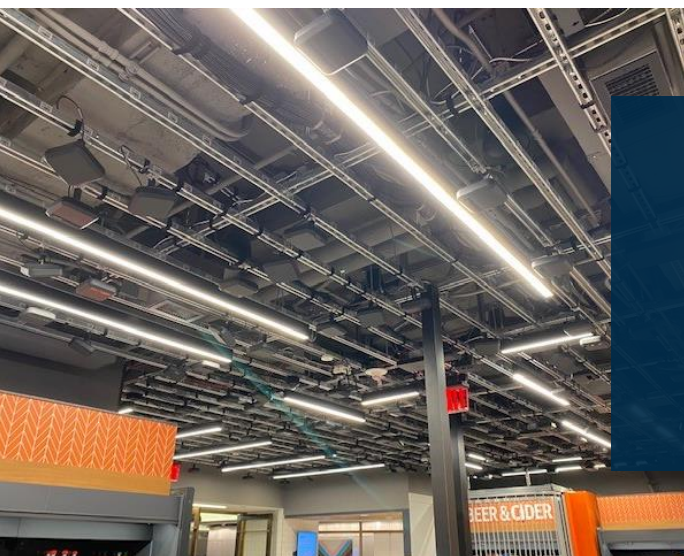
Unexpected delays at entry & exit counter the very reason for JWO

In the Amazon Go we visited, one shopper could not access the store using his credit card. Based on his conversation with the store attendant, he was a regular who always used this method of entry. Luckily, the clerk was able to swiftly turn to an alternative using a hand-held payment system to grant him access. In another case, two members of our team waited at least 30 minutes for a digital receipt to surface on their accounts. Moreover, the Hudson Nonstop stand at Chicago-Midway required patrons to wait at a kiosk to enter their email information in order to receive a receipt, which caused a line many would not normally wait in during a “normal” shopping excursion. In an ironic twist of events, the JWO in these specific cases actually disrupts the attempt to solve slow exit pain points at stores.




04

High-tech environment creates personal security concerns



In an era when personal privacy has never been more at the forefront of consumers’ minds, venturing into a convenience store covered in sensors and cameras watching your every move is certainly a peculiar experience. Take one look up and you’ll feel like you have entered a restricted military zone the likes of which resemble the White House or Area 51. The reason for these measures is obvious, of course, but it’s reasonable to suspect that some consumers may struggle with this level of scrutiny.



Of course, the technology isn't perfect — and you shouldn't expect it to be (yet!)

As with any technology, the devil's (and the flaws!) are in the details. JWO is in its infant stages. Like any successful tech invention (think iPhone, laptops, cars, etc.), the next iteration will build upon the last.

“For JWO to be truly successful, it is essential for retailers and developers to address these pain points to encourage mass adoption and subsequently reap the economic benefits catapulted by topline growth”

Furthermore, in an era when soaring inflation is driving up the cost of labor, introducing this technology will drive down many a retailer's greatest expense. Moreover, the space previously dedicated to checkout terminals can be replaced with incremental retail plans, driving up overall store productivity. In parallel, advanced in-store technology can help you easily track purchasing behavior and even improve ad personalization campaigns. Not to mention, a quick, decisive, and agile implementation approach will strengthen your consumer proposition and, ultimately, bolster your advantage over competitors. We know that's easier said than done, which is why our team of operators-turned-consultants is here to help you and your organization land on the right side of retail disruption—reach out to our team today to understand how we can support your transition into this new way of retailing.

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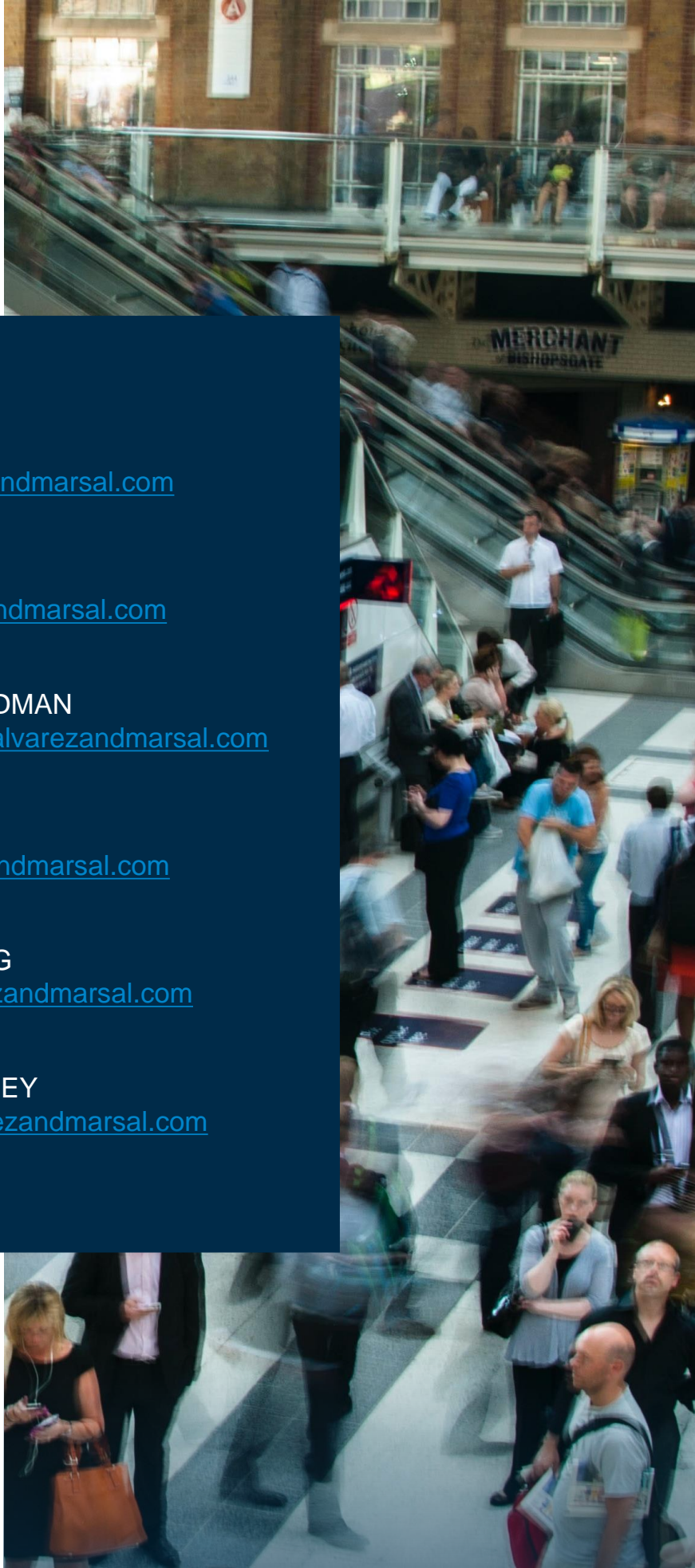
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