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Intelligence

The future of telco retail: towards an omnichannel world

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We would like to thank our partners at EY-Parthenon for their support throughout this research project. Experience from retail in the broader TMT space and other sectors helped contextualise trends for telecoms and its move towards omnichannel, and helped inform key insights for this report.

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Foreword

For years, the conversation around telco retail has been dominated by store closures and the shift to online. However, the Covid-19 pandemic reminded us of the value of face-to-face conversation and human interaction. This is as true in commercial life as it is in personal life. Assisting older or vulnerable people with digital literacy, helping to choose a new smartphone, demonstrating the benefits of 5G services or exploring immersive entertainment are the kinds of consumer experience that only happen through a store visit. We need to be focal parts of the community.

Consumers have built expectations of omnichannel journeys, and these are what telcos need to be aiming for to attract and retain customers – blurring digital information and the instant availability of products and services. To this aim, we'll need to enable digital technologies such as artificial intelligence (AI) and machine learning (ML) and combine them with new skills among our store sales staff to achieve a differentiated, personalised and ultimately seamless experience. But it's not just about products and technology. It is also about reflecting the value sets of consumers in our offering, store formats and brand ethos, which are increasingly oriented towards sustainability and personal wellbeing.

It is imperative and time sensitive that telco retailers start delivering experiences that are not available online. These experiences should engage the customer in deeper, meaningful and memorable ways. Such experiences should also be omnichannel, personalised and continuous throughout the customer lifecycle for better adoption and sustainable growth.

Stéphane Richard, Chairman and CEO, Orange

Debates about the future of retail stores are not new, but they have been amplified by the pandemic. This is true not just for the telecoms industry, but for all industries.

Covid-19 has inevitably changed consumer habits. At the same time, it has made us appreciate the value of face-to-face discussions and human interaction, both personally and professionally.

In an ever-growing digital world, skilled staff can create personal and engaging experiences in a physical environment at retail stores. Customers who feel they have a gap in their digital skillset can visit stores to develop their proficiencies and confidence to use tools online. For other individuals who are confident and regularly use technology, their experience can be about enhancing their skills even further, as products and services continue to develop with the rollout of 5G. In this way, we can move individuals from simple connectivity to enhanced connectivity, helping everyone take advantage of the new technologies and opportunities available to them.

Ultimately, mobile operators need to engage with customers on a personal level, delivering experiences tailored to real customer needs. Retail staff are best placed to do this. Looking at the resilience of our industry over the past two years, I am incredibly proud of the work done by frontline retail staff. By continuing this work, constantly developing online and retail offerings in tandem, and providing flexible purchasing options, we can do our best to intelligently connect everyone and everything to a better future.

Mats Granryd, Director General, GSMA

1 The future of telco retail: why it matters now

The changing face of telco retail

The shift in consumer purchasing to online channels has been on an inexorable rise. According to industry estimates, global e-commerce spend reached more than $4 trillion in 2020 – a rise of more than 3× over a 10-year span. This equates to around $1 in every $5 spent on retail items. The growth rate will moderate somewhat, but the sheer size of the numbers means it will continue to take share at the expense of spend in physical stores. On current trajectories, it is projected to reach almost $10 trillion by the end of the decade.
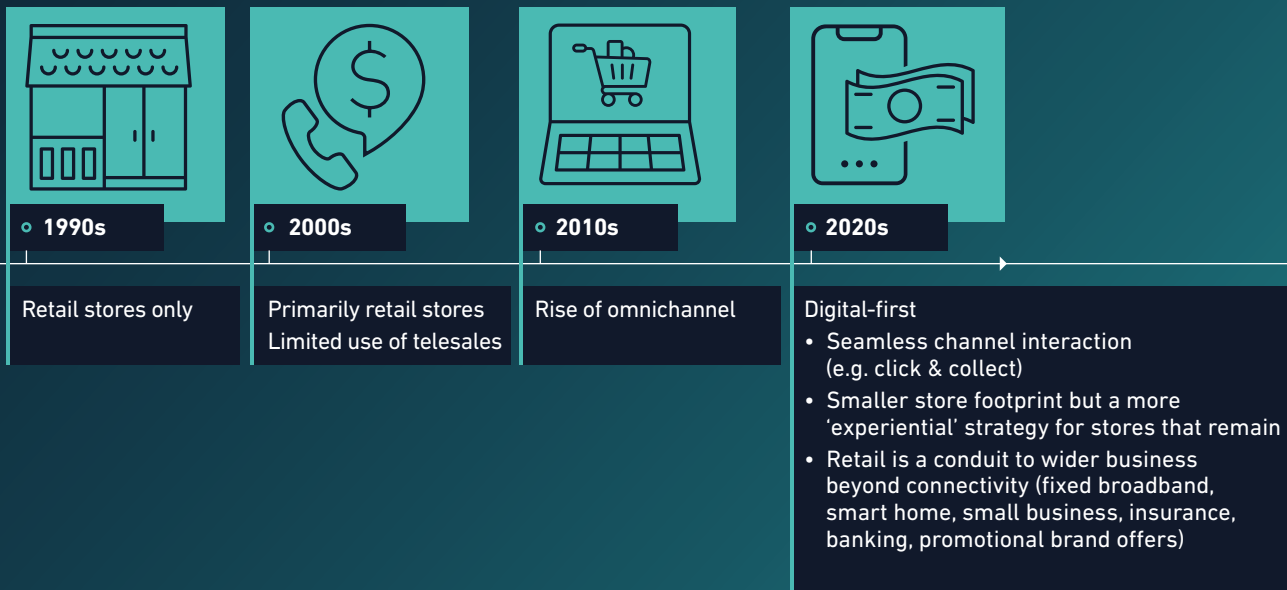
The pandemic and lockdown restrictions have been an accelerating factor in the underlying trend. Covid-19 is unlikely to create wholly new purchasing categories, but it has provided an unforeseen staging ground for speeding the transition towards omnichannel – the seamless and rapid interplay between online and physical offerings, and between automated and human interactions.

The telecoms sector is a major provider of core communications and content services, and recipient of discretionary consumer spend, accounting for 3–4% depending on the country. As occupants of prime real estate, operators are no different to other retail industries in their exposure to changing purchasing habits and discretionary spend in physical stores. This has been compounded by cost pressures over the last five years as revenue growth has remained in low single digits (or at times in negative territory) following 4G saturation in the US and Europe. As a result, many parts of the sector are well into a transition towards omnichannel and away from a pure reliance on the bricks-and-mortar stores that have been the distribution anchor since the 1990s (see Figure 1). This transition is challenging. However, it also opens the door to a potentially more profitable and beneficial mode of retail and distribution as the 5G device cycle accelerates following the pandemic.

Telco retail over the decades

1990s

Retail stores only

2000s

Primarily retail stores
Limited use of telesales

2010s

Rise of omnichannel

2020s

Digital-first
- Seamless channel interaction (e.g. click & collect)
- Smaller store footprint but a more 'experiential' strategy for stores that remain
- Retail is a conduit to wider business beyond connectivity (fixed broadband, smart home, small business, insurance, banking, promotional brand offers)

Source: GSMA Intelligence

A reference point for operating a successful omnichannel business

This report is the culmination of an industry analysis project in collaboration with major operators around the world. The project commenced in September 2021 on a 'sprint' to MWC Barcelona 2022. It was designed to be cross-functional, with the support of EY-Parthenon to bring experience and expertise in retail from the broader TMT sector context. While we had a core hypothesis,, it was iterated based on the inputs and experiences brought to the table by each operator's own experiences in its markets.

This analysis is informed by data, evidence and in-depth discussions with operators and other retail-facing companies. It is not a corporate strategy blueprint or public policy position. It is also not meant to be prescriptive to any particular country or region; we recognise the varying levels of maturity and economic conditions that exist across the world.

At a high level, the core hypothesis is simple. There will continue to be a central place for physical retail networks in the future. However, telco retail will evolve away from a primary reliance on retail stores for sales volumes, and move towards an omnichannel model in which stores and online channels work seamlessly together (rather than as discrete silos).
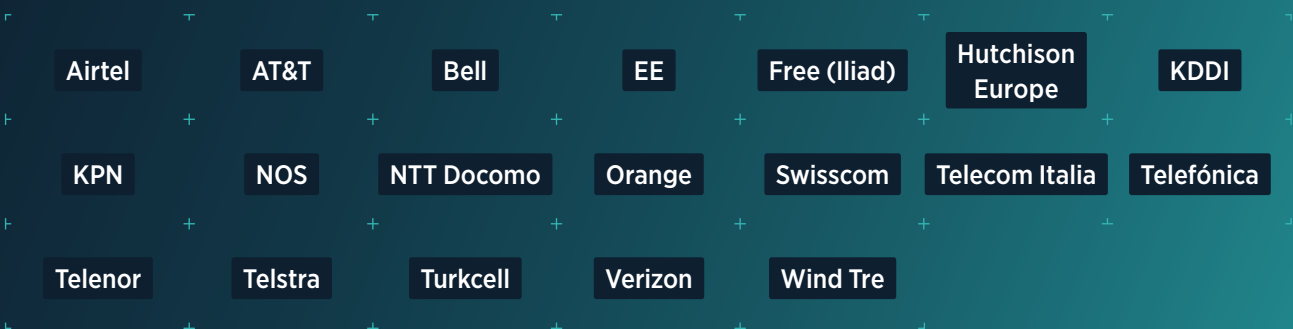
The hypothesis can be further detailed to articulate different elements of what omnichannel really means:

- Telco retail operations will continue to maintain a core store presence across country markets.

- This will mean a rebalancing to a lower number of owned outlets, diversification of third-party distribution partnerships to expand the range of brand touchpoints with consumers, and the rise of online sales volumes. Telesales has re-emerged in the pandemic, but it is unlikely to take share in the future.

- Stores will take on a refocused remit not just to sell telecoms products and services but to convey a 'wow factor' through experiential retail using demos, immersive technology and retooled and reskilled frontline sales staff.

- There will be a purposeful mapping of store formats based on population density, with flagship stores the beacons of sales and marketing, complemented by smaller outlets and formats such as kiosks, stores within stores and pop-up shops.

- A seamless browsing and purchasing experience will be developed between stores and online channels.

- KPIs will be reoriented to take account of this diffusion. Traditional measures of store success (revenue and profit) may no longer be adequate if consumers browse in store and then purchase online, for example. New KPIs will incorporate non-financial measures such as time spent in store, repairs and maintenance, and queries handled by store staff.

Figure 2

Future of Telco Retail project: selected operators from the 20 participating in the steering group

Airtel	AT&T	Bell	EE	Free (Iliad)	Hutchison Europe	KDDI
KPN	NOS	NTT Docomo	Orange	Swisscom	Telecom Italia	Telefónica
Telenor	Telstra	Turkcell	Verizon	Wind Tre		

Note: A total of 20 operators participated.
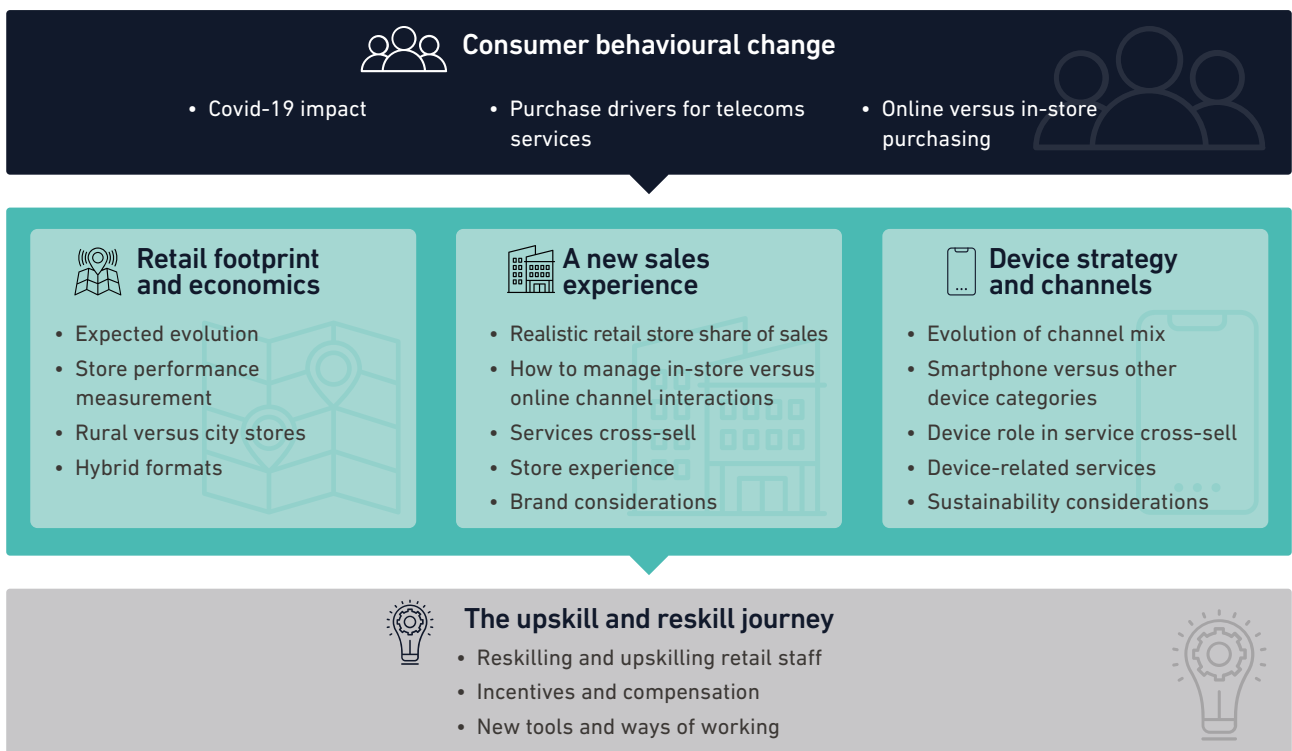Source: GSMA Intelligence

The project was split into five workstreams, each with a cohort of operators, to examine the rationale for retail transformation and the 'how to'. The research methodology used a mix of the following:

- desk research
- data analysis of public reporting
- in-depth workshops for insights and best-practice sharing

- surveys
  - a telecoms project steering group
  - a global industry pulse check (100 retail professionals from operators)
- expert interviews with telecoms operators and other retail-facing companies.

Future of Telco Retail project workstreams

Consumer behavioural change
- Covid-19 impact
- Purchase drivers for telecoms services
- Online versus in-store purchasing

Retail footprint and economics
- Expected evolution
- Store performance measurement
- Rural versus city stores
- Hybrid formats

A new sales experience
- Realistic retail store share of sales
- How to manage in-store versus online channel interactions
- Services cross-sell
- Store experience
- Brand considerations

Device strategy and channels
- Evolution of channel mix
- Smartphone versus other device categories
- Device role in service cross-sell
- Device-related services
- Sustainability considerations

The upskill and reskill journey
- Reskilling and upskilling retail staff
- Incentives and compensation
- New tools and ways of working

Source: GSMA Intelligence

2 Key takeaways

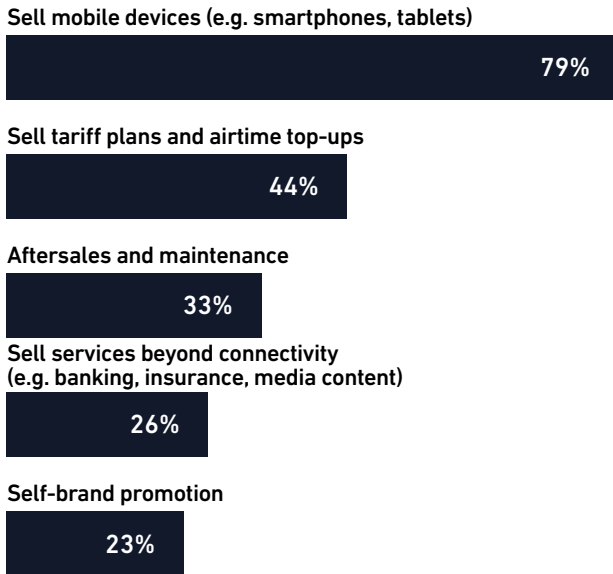## Fostering a tighter link between physical and online channels

Successfully merging the product continuity, purchasing options and ultimately financial success of physical and online channels is a cornerstone objective of an omnichannel strategy. This has not been the *modus operandi* in telco retail over the last 20 years. The question from a business transformation perspective is therefore: what do you hope to achieve as a result of a changed strategy?

To help answer this in a telco retail context, we asked 100 operators worldwide (separate to the steering group that participated in the project) what they thought the most strategically important purpose of their retail stores is now, and what it will be in five years' time (see Figure 4).
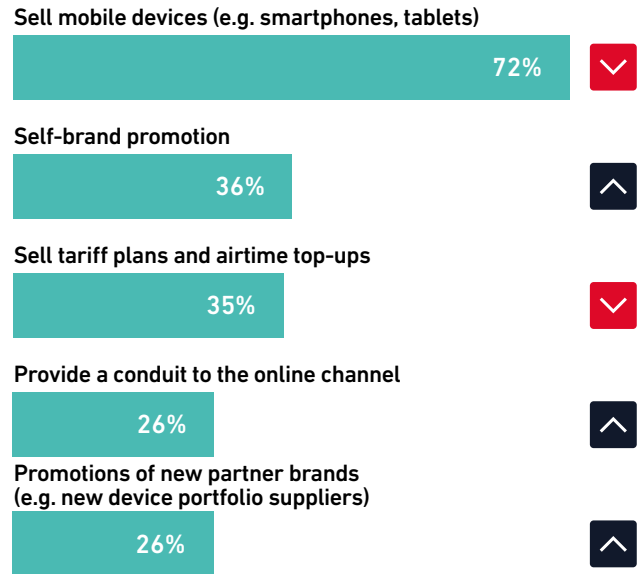
Figure 4

What are the most strategically important purposes of telco retail stores?

Now

Sell mobile devices (e.g. smartphones, tablets)
79%

Sell tariff plans and airtime top-ups
44%

Aftersales and maintenance
33%

**Sell services beyond connectivity
(e.g. banking, insurance, media content)**
26%

Self-brand promotion
23%

In five years

Sell mobile devices (e.g. smartphones, tablets)
72% ⌄

Self-brand promotion
36% ⌃

Sell tariff plans and airtime top-ups
35% ⌄

Provide a conduit to the online channel
26% ⌃

**Promotions of new partner brands
(e.g. new device portfolio suppliers)**
26% ⌃

N=100
Note: Respondents were asked to rank top three purposes, so percentages add to more than 100%.
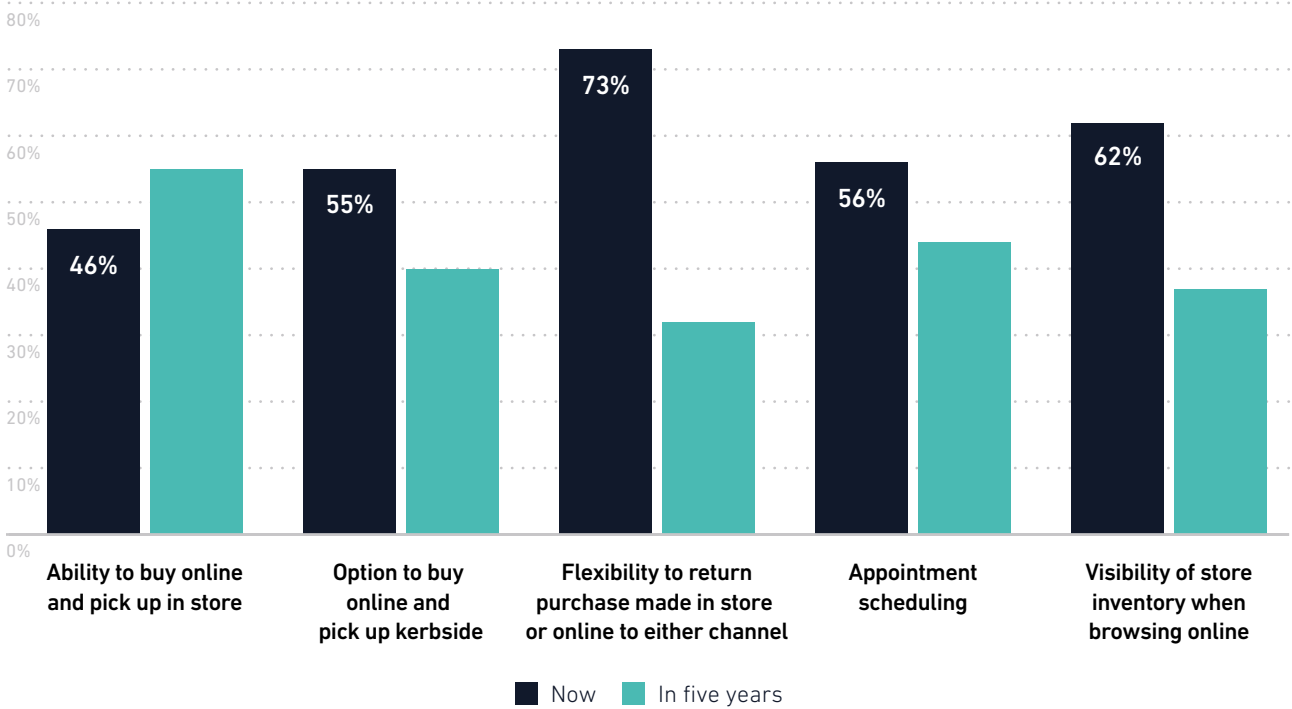Source: GSMA Intelligence survey of telecoms retail professionals, October 2021

The main priority is, and will continue to be, to sell phones and other mobile devices. Tariffs and services (including fixed/mobile/pay-TV bundles) are also one of the top priorities now and in the future. However, the interesting takeaway is the rise in non-financial objectives for stores in the future. Brand promotion, new partner offers and, crucially, acting as a conduit to online are all key attributes in five years' time. This chimes with the in-depth discussions we held in our workshops and, separately, the experience of other sectors on ways to better link physical and digital. Examples include:

- investing in central inventory platforms that provide up-to-the-minute views of stock in-store versus online

- customer journey analytics (for example, knowing that a customer in a store has browsed for a certain phone or bundle online)

- flexible purchase options (such as click & collect, kerbside pick-up, appointments or live shopping, depending on the region).

Purchase options are particularly important if we assume we will be living with Covid-19 in some shape or form for the foreseeable future. The pandemic induced the need for options that reduce physical contact, such as kerbside pick-up and appointment booking. However, these are likely to become permanent features of telco retail distribution, with our survey indications supporting this (see Figure 5).

Figure 5

Which of the following have you introduced, or plan to introduce, to your retail stores?

■ Now   ■ In five years

N=100
Source: GSMA Intelligence survey of telecoms retail professionals, October 2021

Rightsizing and refocusing

Most operators intend to consolidate and refocus their retail store portfolios. Drivers behind this include:

- changing purchasing patterns among consumers

- longstanding cost pressures from a subdued revenue growth environment

- Covid-19 and the prospect of living alongside the virus for the foreseeable future.

For some, this marks a change from the last 10 years, but for most it continues a shift underway for several years.

It is important to distinguish between rebalancing and exiting. The move towards a successful omnichannel retail strategy is about rightsizing retail store portfolios to maintain an effective and profitable brand and distribution presence while scaling online as a complementary channel. It is not about perpetual

retreat from physical retail. Reduced numbers of owned stores are likely to be compensated for by an expansion of partner distribution to increase total points of presence and, in parallel, a scaling up of online distribution and fulfilment, which currently accounts for 10–40% of telecoms consumer sales (albeit with a pandemic-induced bump).

This transformation will likely involve a change to KPIs that focus on the cost and yield per transaction, and bundle attach rates (to measure take-up of value-added services), rather than just overall revenue per store.

Finally, an effective retail presence remains important for having a face in the community – a key role for operators, with mobility and connectivity such integral parts of modern-day life.

## Reinventing the sales experience in-store

Operators are seeking to repurpose floor space to sell higher value packages and provide customers with an 'experiential' visit at flagship locations. Most of the operators that have been part of our steering group are reinventing the sales experience to promote the benefits of 5G, smart home, content services and other products, with demos and compelling pitches of their value. This matters as most consumers still see 5G as predominantly a speed upgrade rather than something that offers genuinely new functionality – a battle of perception versus reality. Experiential retail can showcase established use cases of augmented reality, such as overlaying furniture displays on an iPhone

screen, or more immersive uses of virtual reality – a music concert or sporting event, for example. KDDI's Ginza concept store in Tokyo is an illuminating example; the company plans to deliver a wide range of advanced customer experiences through such stores.

Investments in experiential retail and cross-sales training are designed to drive revenues, brand value and a better customer experience. In a separate context, this is a point also made in how telcos think about their priorities for network transformation. Better customer experience and revenue generation far outstrip cost savings (see Figure 6).

Figure 6

What is the primary goal driving your network transformation strategy?

37%
Improving customer experiences

36%
Generating new revenues

16%
Saving on opex

12%
Saving on capex
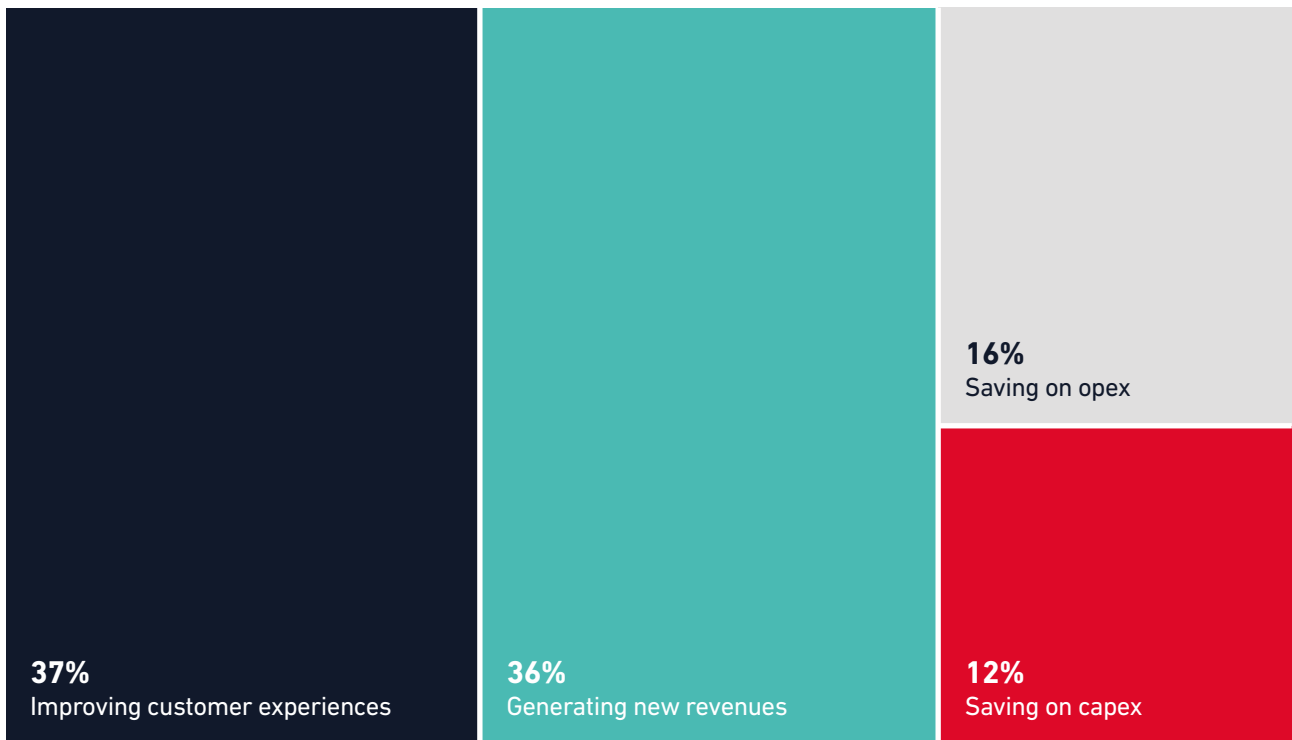
Source: GSMA Intelligence Operators in Focus: Network Transformation Survey 2021

Returning to retail, face-to-face interactions are also most effective for selling more complex products and services. This includes promoting converged fixed-mobile bundles, proffering cross-sell suggestions, and facilitating aftercare, maintenance and technical support – something successfully exploited by other consumer electronics retailers. Introducing self-service

kiosks or retail apps will help to manage demand by freeing up store advisors to focus on higher-value activities, such as assisting customers with more complex service tasks. AR tools and QR codes with 'scan to learn more' features can also be used to create virtual 3D product testing of smartphones in-store, or to enable customers to top up and make bill payments.

Retooling the workforce for the digital age

An engaged and motivated retail workforce with the right skills, tools and product knowledge is critical to meeting customer needs in a technology-driven environment and maximising the opportunities from an expanding device ecosystem and product portfolio. Technology is a complement to, not a replacement for, retail jobs. Human interaction between retail staff and customers is an important part of relationship building and effectively resolving challenging issues. This project uncovered two main implications in terms of staffing:

- **Retooling and upskilling** – Staff training is key to realising the potential of omnichannel. Operators in this study noted that innovative training methods such as gamified learning are proving popular and effective among younger retail staff in particular. The top skillsets being prioritised reflect the changing purpose of retail outlets: sales and cross-selling ability, and web and analytics knowhow. Proficient conversation management on social channels is also relevant.

- **New compensation incentives** – With online channels taking sales away from physical stores, traditional target-based compensation structures have come under increased scrutiny, as they can encourage staff to prioritise one channel over another. Retail staff compensation is increasingly taking into account the rise in online transactions (and leads to generate them) and, in many cases, the redefinition of the remit of sales staff to enable omnichannel execution.

Staff upskilling is one of the least visible yet most important parts of retail transformation. We expect further training investment to be made in support of this, as is happening in other parts of the labour market as industries digitise and remodel their workforce to new value-added roles.

Modernising KPIs

Measuring success can be hard in an omnichannel world, where the lines between physical and digital blur. The adage "you can't manage what you can't measure" holds true outside of financial metrics – something our analysis has illuminated.

The vast majority of telecoms operators track revenue at a granular level by product category, whether devices, connectivity or services. This makes sense as they need to track the sale of products taking up physical space in a particular store. Beyond that, however, there is significant variation. For example, some track service attach rates on devices; some do not. Some prioritise yield measures such as revenue or EBIT per square foot; some do not. To a certain extent, the variation likely reflects the fact that many operators are already in the middle of their retail transformation efforts.

In the future, KPIs will be geared to multichannel sales and a more forensic means of evaluating the value of customer and transaction costs, regardless of whether purchases are made online or in-store. For example, click & collect, which features strongly as a future KPI in Figure 7, was introduced by some operators as a pragmatic response to the pandemic but may well continue as a permanent option, with more than 50% of telcos involved in this project in support of this.

Average customer time spent in store – regardless of whether a purchase is made – also features as a KPI of the future, as does the share of queries (and their type) handled in-store versus online.

Finally, sustainability is a key theme in store merchandising and layout; this is expected to be tracked through an updated Net Promoter Score (NPS), taking into account new components, with nearly 85% tracking or intending to track this.

Figure 7

Future KPIs meld the physical and digital channels
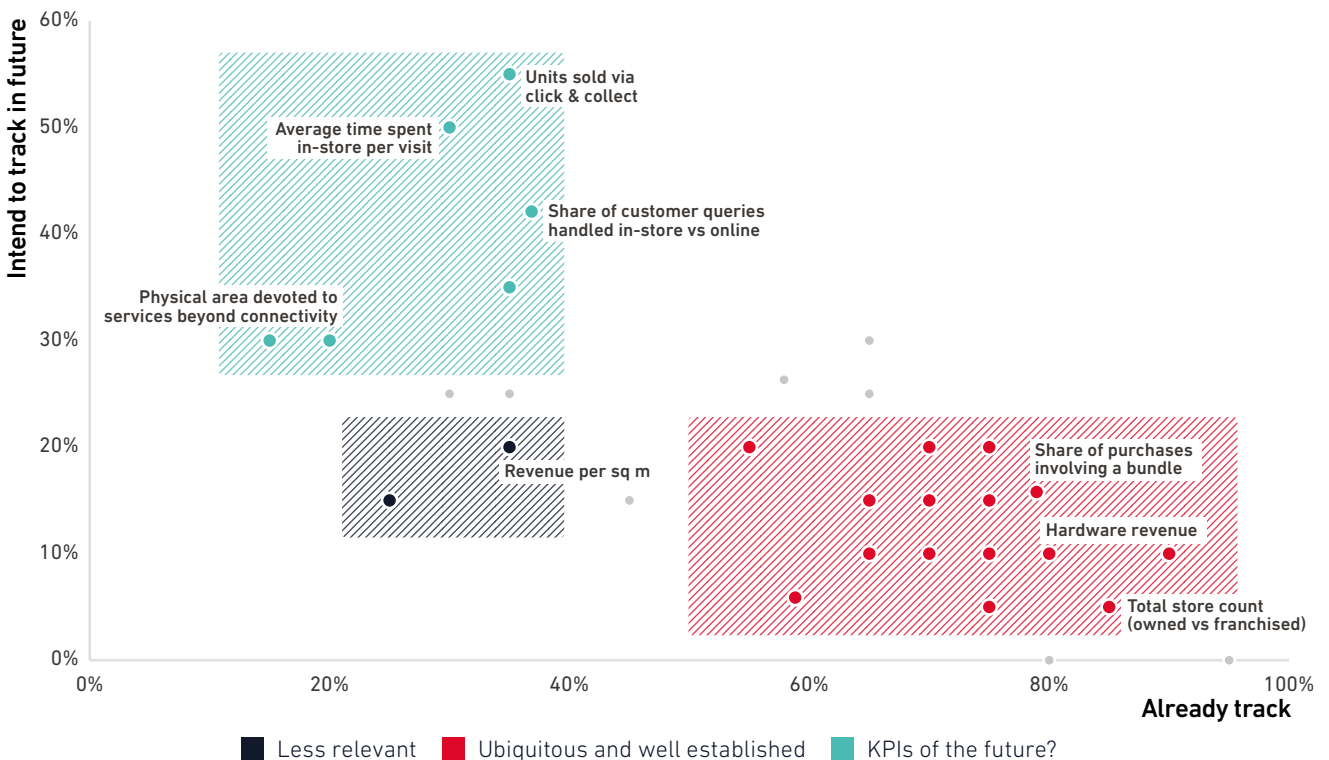
N=20
Note: categories ("Intend to track in future" and "Already track") are mutually exclusive.
Source: GSMA Intelligence survey of telecoms operators in the Future of Telco Retail project

3 Consumer behavioural change

Context

Consumer behaviour (how and why people buy what they do) is the starting point in an omnichannel development journey. It has clear links to other workstreams in the Future of Telco Retail project (see Figure 8).

For example, changing shopping habits – such as the overall shift of sales to digital channels, lower footfall, longer smartphone replacement periods and the shift to SIM-only tariffs – have a significant impact on retail store economics and outlet location decisions. Consumer preferences also influence how operators sell telecoms services, devices and equipment in-store. Finally, evolving consumer values and drivers have consequences for how operators plan ahead and ensure staff skills and resources are in place to deliver strategic change.

Consumer behaviour has changed considerably over the last 10 years, with the rapid rise of e-commerce across a range of sectors (from fashion to travel) putting pressure on traditional bricks-and-mortar retail. Wider smartphone and broadband access are two reasons for this, enabling the global e-commerce market to grow at an enviable rate year-on-year. Covid-19 has been and continues to be a major influencing factor, driving greater use and in some cases first-time adoption of digital services, as well as an increased appetite for connectivity.

Figure 8

## Consumer behavioural change in the wider project context
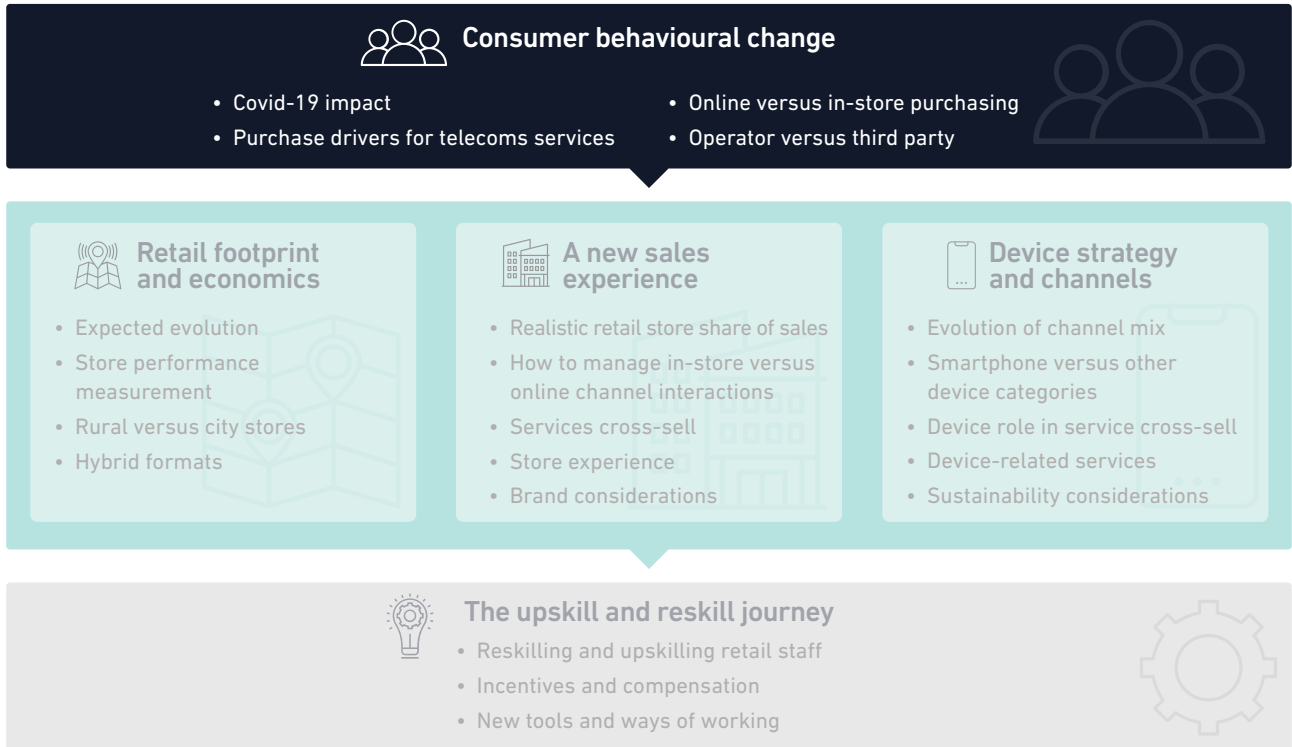
Source: GSMA Intelligence

In the early days of the pandemic, EY embarked on a consumer survey initiative to understand perspectives on the impacts of Covid-19 on livelihoods and lifestyles. The outputs have enabled EY to identify five emerging consumer segments which, instead of being reactive to the pandemic, will be proactive in the purchasing decisions that shape their lives and the world around them. According to the October 2021 update of the survey, planet/sustainability and affordability are top priorities for the emerging segments, though the shifting equilibrium between iterations highlights the importance of closely monitoring consumer sentiment.

Figure 9

Emerging consumer segments have pivoted as consumers move on from the pandemic
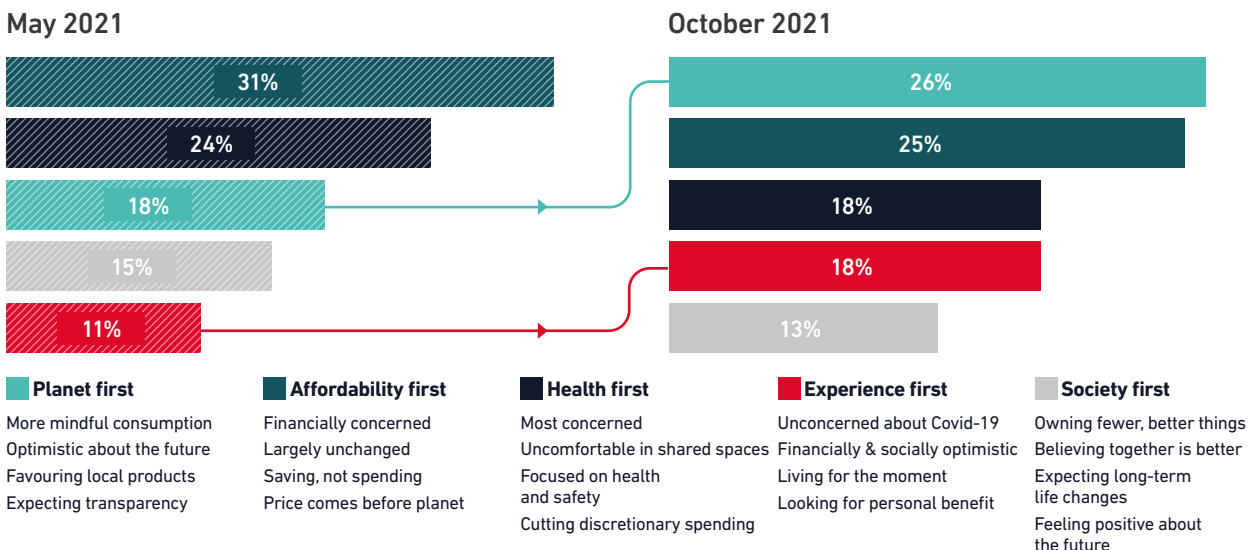
Source: EY Future Consumer Index

In telecoms, the pandemic has accelerated trends rather than caused them. Much of the online shift in retail buying patterns was underway pre-pandemic, with cost and convenience driving people to choose digital channels as their preferred means of interaction. Online smartphone sales in 2020 experienced a significant uplift year-on-year, but the pace of growth has softened somewhat as normality has returned to many physical retail environments. The transition to digital will be gradual in light of the importance of the physical retail channel for sales and retention transactions.

Against a wider Covid-affected backdrop, priorities for the telecoms consumer align to macro trends, though with some nuances. Considering income pressures and economic uncertainty, price remains paramount in choice of mobile operator and fixed broadband provider, along with network reliability. Network speed and flexibility (i.e. the ability to change a plan easily and avoid being tied into a contract) have emerged as increasingly important requirements in the new normal.[1] Meanwhile, sustainability and social responsibility are becoming core values for consumers, who are paying closer attention to how operators demonstrate their credentials and commitments. Retail is the most direct interface with customers, so 'wow factor' displays or concepts such as zero-carbon formats will grow in importance.

The operator view

Direct insights from operators and our surveys illustrate the scale of the pandemic's impact on the telecoms sector, as well as views on customer spending patterns and drivers for products and services offered. Our industry engagement during this project indicates that changing consumer priorities strike a chord with operators, though with some country-level distinctions around how trends may play out.

Affordability

Due to visible pandemic impacts on employment and incomes, operators agree that price will continue to be critical to consumers' choice of telecoms provider. Looking ahead, affordability – even frugality – will be the default for many customers. However, affordability also means network factors such as download/upload speeds and reliability, which have grown in importance in light of pandemic-inspired changes to the way we live and work. Operators therefore consider that value for money – a function of price and network performance – has become important to many consumers, especially where tariffs across a given market are fairly uniform.
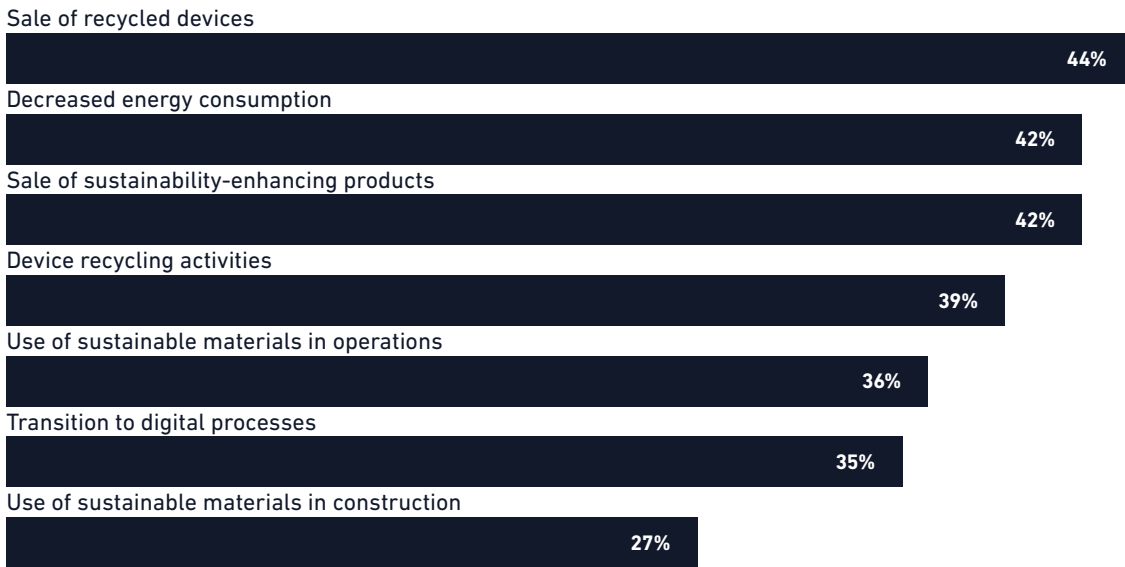
Planet and society

Sustainability and social responsibility are increasingly at the core of the evolving set of consumer values. More than ever before, operators see consumers making conscious decisions to interact with more responsible brands and face higher expectations regarding their impact on the environment and position within society.

Operators believe retail locations can support sustainability and inclusion efforts. Many are engaged in the sale of refurbished handsets or repair of existing ones, local community initiatives and demonstrating environmental considerations in-store by using digital processes, going paperless, reducing use of plastic and optimising energy consumption.

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1   COVID-19 and the connected telco consumer: How telecom operators can reconnect with customers and emerge stronger from the pandemic, Capgemini Research Institute, 2020

Sustainability practices implemented by operators at retail locations

Sale of recycled devices

44%

Decreased energy consumption

42%

Sale of sustainability-enhancing products

42%

Device recycling activities

39%

Use of sustainable materials in operations

36%

Transition to digital processes

35%

Use of sustainable materials in construction

27%

N=100
Source: GSMA Intelligence survey of telco retail professionals, October 2021

Experience

Although the shift to online is here to stay, and operators have seen a decline in in-store browsing, sales that require face-to-face interaction have recovered since the initial outbreak of the pandemic and the restrictions that followed. As such, retail stores are still an important channel for sales and retention transactions (e.g. aftercare and customer service), with operators eager to ensure the way people buy telecoms goods and services is as positive and enjoyable as possible.

Operators see advantages to leveraging technology across their retail footprints but consider that the complexity of what they sell benefits from human presence and/or intervention – and that technology cannot yet replicate that engagement. They expect experiential retail to find a place in a small number of larger flagship stores, working as a brand differentiator, advertising hub and channel for consumer awareness and exploration. KDDI's Ginza concept store in Tokyo is an illuminating example; the company plans to deliver a wide range of advanced customer experiences through such stores.

Role of retail

By offering an experience/service that cannot yet be mirrored online, there is consensus among operators interviewed that the retail store channel remains key throughout the customer journey and is viewed as the 'face' of an operator. In-person retail serves a number of essential functions, including:

- raising brand awareness and advertising/marketing, with making money not necessarily seen as a first-order objective
- attracting both premium and lower budget segments using a consultative selling approach that conveys value and ensures customer needs are met

- explaining complex products/services and showcasing innovations, enabling consumers to learn and explore, and validate online research
- providing personalised advice and support, and cross-selling the wider business portfolio beyond connectivity, including smart home solutions, small business services, and other value-added bundles and promotional brand offers
- resolving customers' issues and problems, such as Q&A on bills and tariffs, and providing technical support.

Insights from other industries

There are many examples of firms outside telecoms adapting to changing consumer behaviour and values. Examples include H&M's garment collection programme for recycling clothes, and Leroy Merlin's home improvement workshops, where customers become volunteers to support community outreach and do-it-yourself lessons.

CASE STUDY
Tsutaya, Japan

Faced with fierce competition from Amazon, Tsutaya, a Japanese bookstore, has successfully transformed its business, which led to expansion into the Chinese market in December 2020. The firm recognised that consumers would not ignore the big online platforms, so it had to grow in status. It managed to increase store footfall by offering real-life experiences (e.g. private events and classes), providing a wider range of goods and services, and adding local community value – while using online as a supporting channel.

Tsutaya also established a Book Apartment in Shinjuku, Tokyo, offering private workspaces and a place to stay overnight, alongside other facilities. The firm intends to leverage its stores to move into shared offices for businesses, with plans to expand to 100 locations over the next three years. Tsutaya's parent company has built on this diversification with lifestyle-focused 'T-SITE' facilities, which offer books, a bakery, photo studio, furniture, clothes for children, camping goods, and courses in programming, English, science and cooking.

KPIs: now and in the future

For the vast majority of businesses, KPIs are important to monitor financial performance, measure progress against goals over time and identify problems or opportunities. As such, the state of telco retail metric tracking was a core part of our workshops and industry engagement, allowing us to analyse and consider what is currently being captured and why.

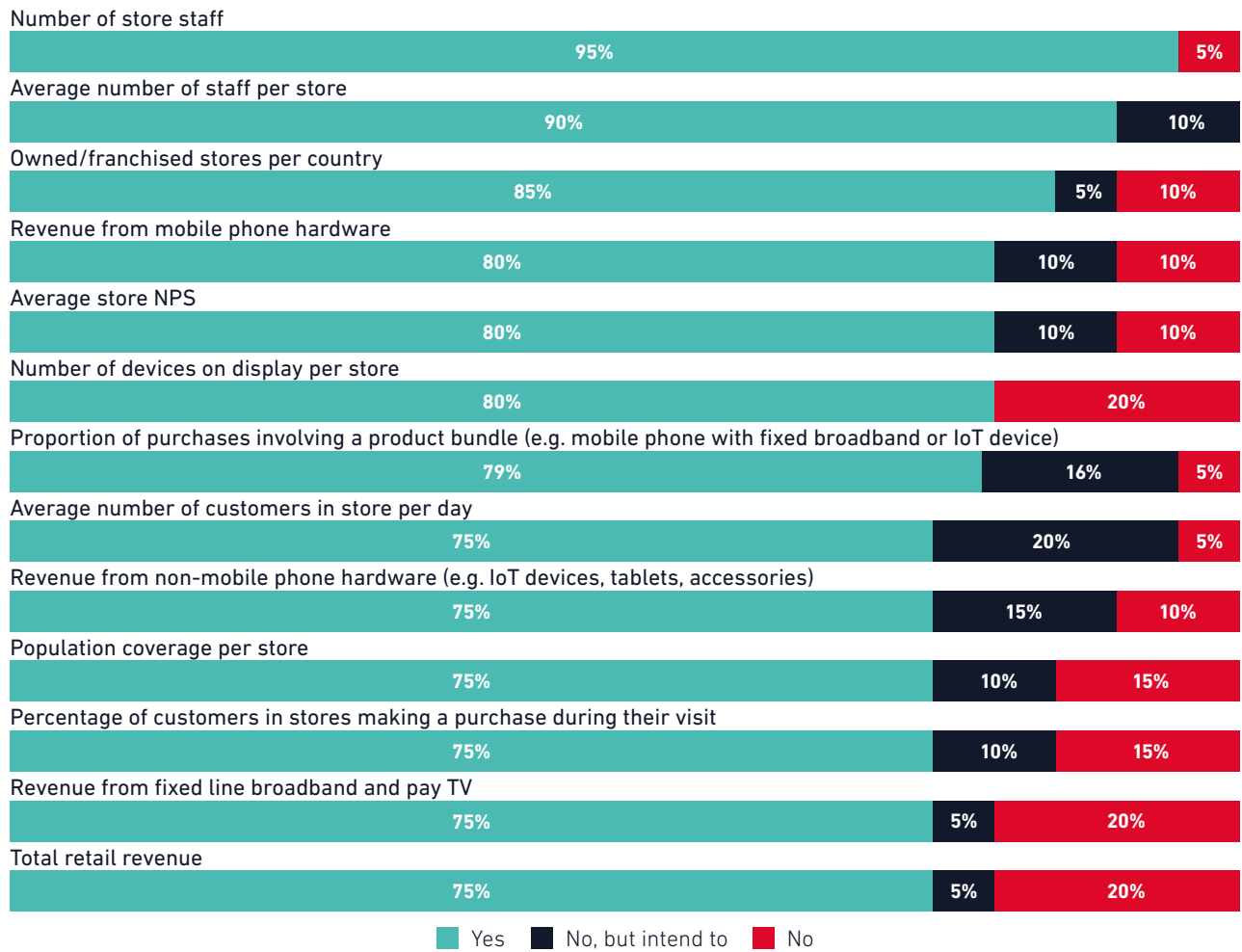In the context of consumer behaviour, the focus appears to be largely on retail operations, with metrics coalescing around physical store and transactional data (see Figure 11). Our survey of operators reveals that the most common KPIs being tracked today relate to:

- staff numbers
- store type and catchment area
- revenues per stream
- store satisfaction and portfolio
- customer footfall and conversion rates.

KPIs tracked by 75%+ of operators interviewed

Number of store staff

95%	5%

Average number of staff per store

90%	10%

Owned/franchised stores per country

85%	5%	10%

Revenue from mobile phone hardware

80%	10%	10%

Average store NPS

80%	10%	10%

Number of devices on display per store

80%	20%

Proportion of purchases involving a product bundle (e.g. mobile phone with fixed broadband or IoT device)

79%	16%	5%

Average number of customers in store per day

75%	20%	5%

Revenue from non-mobile phone hardware (e.g. IoT devices, tablets, accessories)

75%	15%	10%

Population coverage per store

75%	10%	15%

Percentage of customers in stores making a purchase during their visit

75%	10%	15%

Revenue from fixed line broadband and pay TV

75%	5%	20%

Total retail revenue

75%	5%	20%

■ Yes ■ No, but intend to ■ No

N=20
Source: GSMA Intelligence survey of telecoms operators in the Future of Telco Retail project

The current suite of KPIs can provide for useful direction. For instance, understanding a customer's last transaction can help an operator target them with a personalised offer in their preferred channel. However, today's metrics can also mean that consumer behaviour is often viewed through an outcome-oriented lens – the 'what' rather than the 'why'.

The next step therefore may be to anticipate better customers' changing behaviour and needs, using that data to improve targeting and even inform some retail footprint decisions. Our workshops indicate that momentum is building towards using online search and review data for this purpose. Another area is using contests on social media channels to solicit open-field feedback, which can help gauge market perception. Still, when it comes to consumer sentiment KPIs (such as the EY segments described above), operators appear to prefer using independent survey data as opposed to conducting research into evolving consumer values and drivers themselves.

The big five: critical opportunities and challenges

Opportunities to exploit

	What to pay attention to	**Role of retail in omnichannel success**
Value for money	Affordability to many consumers means factors beyond price – particularly compared to the pre-pandemic scenario.	Retail stores represent an opportunity to explain and demonstrate how services, plans and different brands can meet consumer needs, tailoring offerings to the individual or household.
Sustainability	A greater focus on the environment is influencing consumers' purchasing decisions.	Stores provide a location to service devices and sell refurbished handsets, playing to demand for sustainable materials.
Social responsibility	Despite poor market perception, operators are seen as having an elevated role in societal digitisation, including connecting underserved groups.	In stores there is an opportunity to build connections and brand value with customers and local (especially rural) communities.
Cross-selling/ upselling	Stores and staff can be leveraged to customise telecoms offerings and sell other services and products (e.g. equipment, accessories).	Stores represent a platform to map customer journeys, make links to new goods and services, and provide a holistic, personalised – and potentially higher value – experience.
The human effect	Technology is becoming more important to the sales experience, but human presence and contact are still highly valued.	Stores ensure support for customers that prefer engaging with their operator in person, and can facilitate certain transactions (e.g. onboarding a new customer, servicing repair requests).

Challenges to navigate

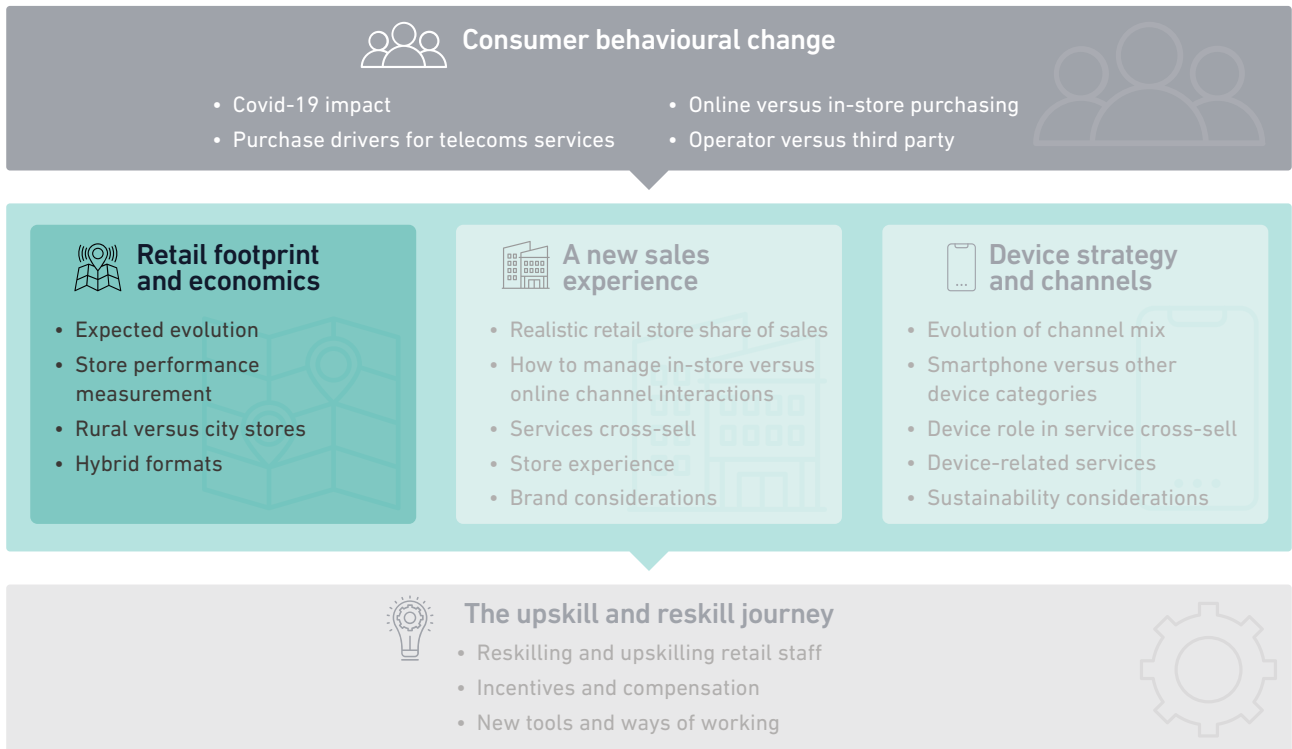|	What to pay attention to	Role of retail in omnichannel success
Economic climate	Strong spending cuts are planned by a significant group of consumers.	A cautious approach to discretionary spend highlights the importance of having sub-brands that cater to lower-cost segments and knowledgeable staff to maintain the value proposition.
Population reach	Consolidated store networks risk leaving certain areas underserved.	Telco retail networks will remain a core means for consumer access to communication services. The use of analytics to ensure adequate store coverage, particularly in rural areas, is important.
Consumer behaviours in flux	Most people do not think we should go back to the way we were before Covid-19,[2] but priorities shift as the pandemic ebbs and flows.	Store footprints can be adapted to reflect new consumer values sets and priorities, and adjusted as behaviours evolve over time.
Health and safety concerns	Worries over contact and transmission are affecting footfall, with digital channels preferred by more people as their main method of interaction.	Clear sanitation measures and protocols can ensure concerns and risks are addressed, while still ensuring staff can be helpful and support commercial activities.
Limited KPIs in place	Operators are not yet measuring all the KPIs needed when it comes to consumer behaviour.	Better use of data from across retail and digital channels would put operators in a stronger position to understand and predict consumer actions, as well as relying on reputable third-party surveys.

4 Retail footprint and economics

Context

Retail economics and the other workstreams in this project are intertwined in the drive towards omnichannel strategies. For example, the necessity to track customer touchpoints between an operator's website, social channels, call centres and stores takes account of consumer behaviour. Retail personnel changes and upskilling associated with changed remits are connected to economics in terms of training investments and the restructuring of compensation packages. For example, if a customer visits a store but ultimately purchases a 5G plan online, the store staff should share in that success. Finally, economics is linked to device strategy through bulk-purchasing agreements to drive discounted unit costs for smartphones, tablets and smart home equipment.

Figure 12

Retail footprint and economics in the wider project context

Consumer behavioural change

- Covid-19 impact
- Purchase drivers for telecoms services
- Online versus in-store purchasing
- Operator versus third party

Retail footprint and economics

- Expected evolution
- Store performance measurement
- Rural versus city stores
- Hybrid formats

A new sales experience

- Realistic retail store share of sales
- How to manage in-store versus online channel interactions
- Services cross-sell
- Store experience
- Brand considerations

Device strategy and channels

- Evolution of channel mix
- Smartphone versus other device categories
- Device role in service cross-sell
- Device-related services
- Sustainability considerations

The upskill and reskill journey

- Reskilling and upskilling retail staff
- Incentives and compensation
- New tools and ways of working

Source: GSMA Intelligence

The economics of the retail and distribution arms of operators are foundational to footprint size, store formats and, of course, overall financial results. This has been the case since the 1990s when stores were first put into operation (and leases signed) as the main way of selling products and services. The change over the last five years has been in bridging the gap between the siloed physical and digital channel P&Ls to support the drive to omnichannel. Financial results of the store network, in this sense, should not be viewed in isolation but as connected to digital sales and marketing.

Several factors are influencing changing telco retail strategies:

- **Subdued revenue growth environment** – Revenue growth in the telecoms sector in higher income regions has remained subdued in low single digits or negative territory since 4G price premiums were competed away three to four years ago. While this is a function of industry structure and the lack of

success in monetising features beyond connectivity, cost pressures have been felt in retail networks as a result of the parallel shift to online and to partner distributors. Protracted leases in unprofitable areas, with many signed before the pandemic, have also weighed on costs (see Figure 13).

- **Competition** – Amazon, Walmart and supermarkets/generalists have all driven e-commerce sales in consumer electronics; mobile phones and tariffs are no different. Our survey evidence suggests around 40% of operator smartphone sales in most regions run via the online channel, with the remaining 60% split between operator-owned stores and partner outlets. However, this will have been influenced by the pandemic and its associated lockdowns; the share via online under normal conditions would likely be lower. Conversations with many operators as part of this project suggest the figure is often closer to 10–25%, though ambitions are to move it higher. The challenge is competing with higher scale, all-purpose retailers that may sacrifice margin for share.

Figure 13

## Network capex is not sufficiently paying back with new revenues
Data for Europe
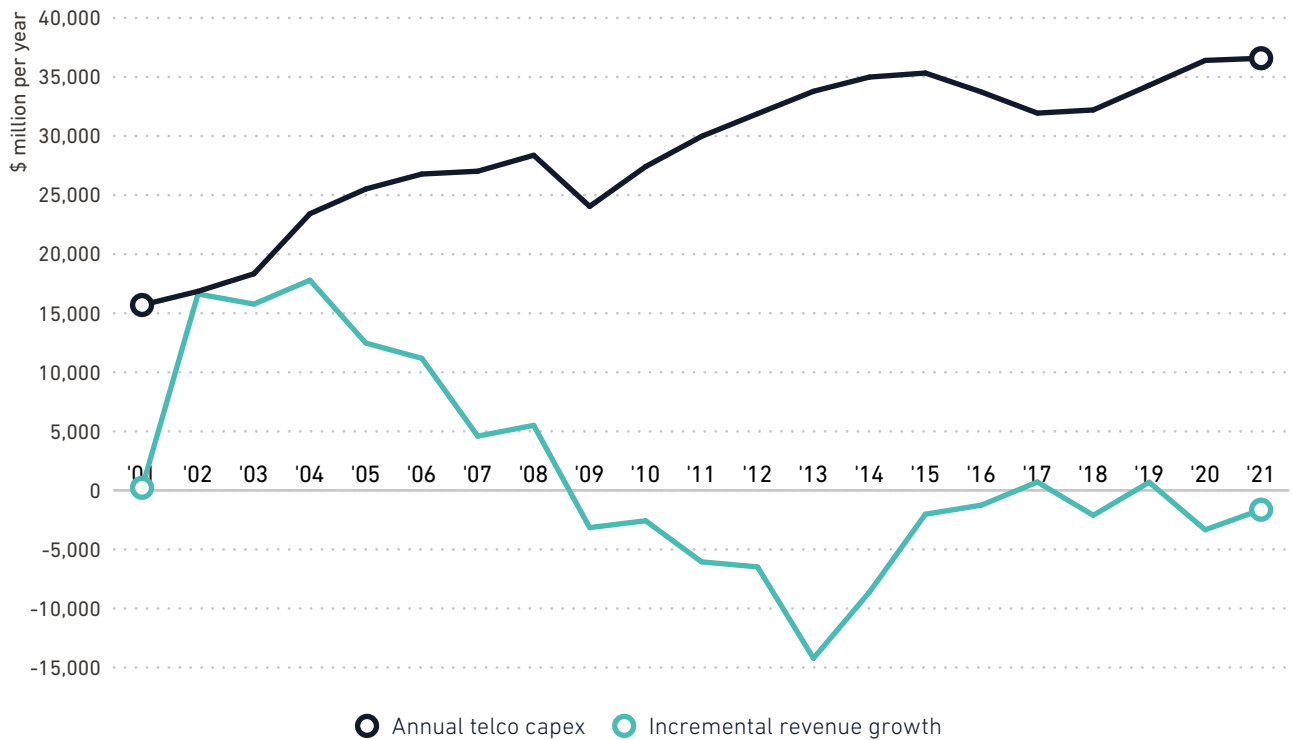
Source: GSMA Intelligence

- **Covid-19** – The pandemic has exacerbated existing cost pressures by limiting store footfall in 2020 and much of 2021. Financial disclosure from operators that split out the pandemic influence on their results suggests retail was one of four main drags on overall growth as a result of Covid-19, alongside roaming, B2B/corporate spend weakness and general income pressures. Fortunately, part of this was offset through government-backed wage underwriting schemes. Some operators also used work-from-home requirements to accelerate working pattern shifts for retail staff fielding queries and sales.
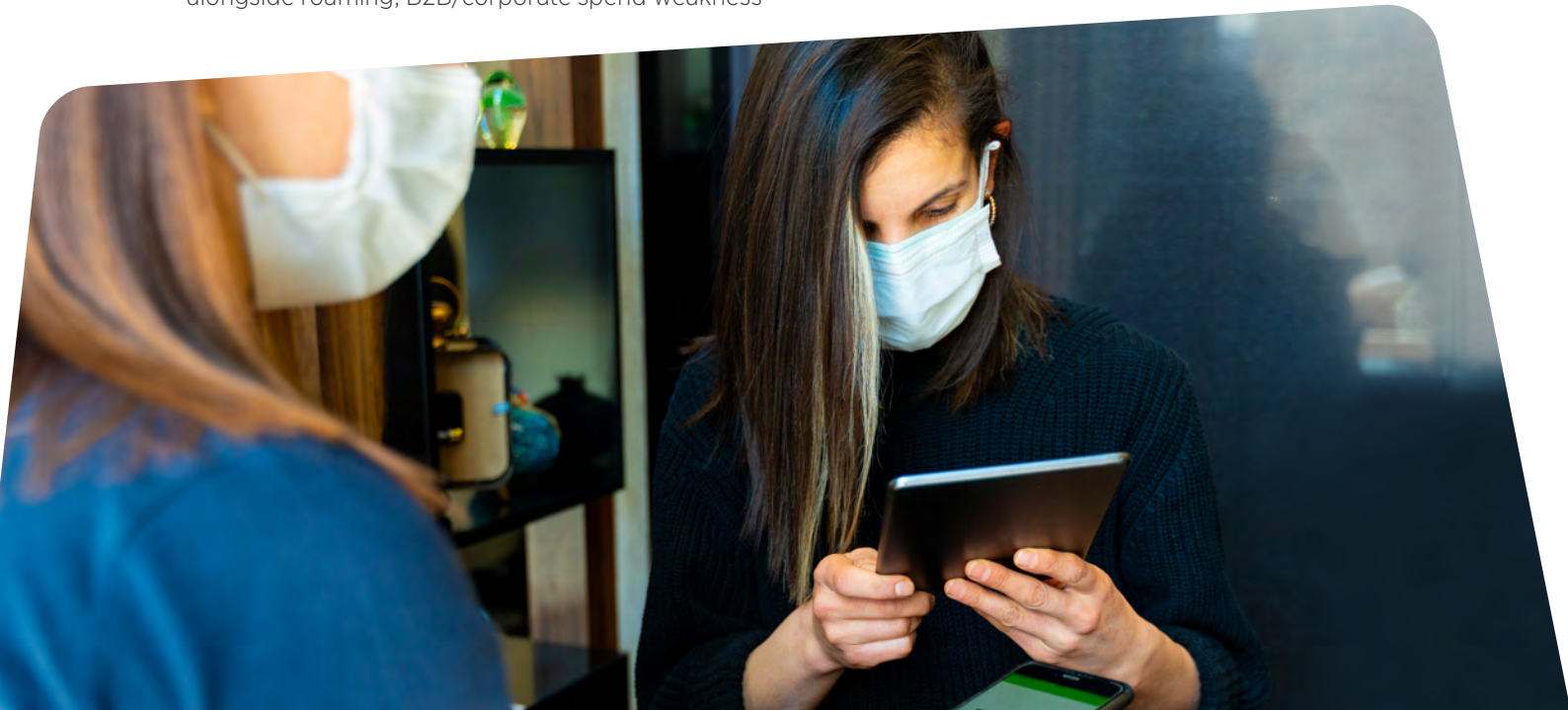
The operator view

The net effect of the financial climate, changing purchasing habits and the pandemic is that most operators intend to rebalance their physical store portfolios (see Figure 14). From a footprint perspective, this means operators moderating but preserving the physical store presence. Reduced owned-store numbers are likely to be compensated for by an expansion of partner distribution and, in time, scaling up of online distribution and fulfilment. Rural outlets will require a different economic model because of lower population density. For some, this marks a change from the last 10 years during the early smartphone era in which store numbers were flat, or in some cases rising. For most though, it continues a shift that has been underway for several years.

Operators expect a decrease in owned-store points of sale

2011–21

57%	29%	14%

2021–31

100%

■ Operators with decreasing number of PoS   ■ Operators with stable number of PoS   ■ Operators with increasing number of PoS

Note: this is a limited subset of operators so should not be construed as representing the industry at large.
Source: GSMA Intelligence survey of telco retail professionals, October 2021

It is important to distinguish between rebalancing and exiting. The move towards a successful omnichannel retail strategy is about rightsizing physical store portfolios to maintain an effective brand and distribution presence, while scaling online. It is not about perpetual retreat from bricks-and-mortar retail.

Most of the operators that have been part of our steering group intend to increase the range of customer touchpoints by expanding third-party distribution partnerships. Within their own stores, they plan to reinvent formats and the sales experience to promote the benefits of 5G and other products, with demos and compelling pitches.

Face-to-face interactions are also most effective for selling more complex products such as fixed-mobile convergence bundles (or household accounts with shared data), showcasing new form factors or brands, proffering cross-sell suggestions, and facilitating aftercare, maintenance and technical support – something successfully exploited by other consumer electronics retailers. Telus' acquisition of Mobile Klinik in Canada and more recent strategic investment in iSmash (phone repair outlets in the UK) are indicative of things to come.

The shift to scale online sales is premised on lowering the distribution cost structure and taking advantage of changing consumer purchasing habits in e-commerce. If store overheads are reduced by having a smaller number of stores owned by the operator, or lower cost options such as kiosks or pop-ups, there is an obvious influence on the lease cost lines of the P&L. However, it is a misperception to suggest online is a case of 'a rising tide lifts all boats'. There are hidden challenges from the fragmented costs of digital marketing. Brand differentiation is also difficult in a sea of messaging as consumer time and attention migrate to social media. Buying things on a screen has the obvious drawback of not affording consumers tactile testing. There is also the related issue of consulting with an avatar as opposed to a person in a store.

We list these challenges not as unpassable roadblocks but to be realistic on the trade-offs from shifting volumes away from physical stores. Significant technology investments and partnerships are required to be successful online, notably AI and ML expertise, as well as logistics coordination to minimise device delivery times to consumers after purchase.

Workshop learnings on retail footprint and economics

The workshops that were part of this project indicated how telco retail strategy is generally coalescing around a rightsizing of store footprints, with outlets repurposed for cross-sales and experiential showcasing of the benefits of 5G and other technologies.

This likely means a greater role for flagship stores to act as a prime platform for brand and product marketing, as well as sales. For all stores, there will be a greater emphasis on the use of technology to help consumers move seamlessly between online and physical environments.

The pandemic has, of course, accelerated the e-commerce share of purchasing. In this vein, it is perhaps not surprising that those operators that have shifted the highest proportion of their smartphone sales online have the most buoyant expectations on when retail revenues will return to pre-pandemic levels (see Figure 15), with more than 50% anticipating this milestone within a year. While it is tempting to put this down to the obvious benefit of being able to sell more merchandise than those reliant on stores (which endured lengthy lockdown-induced footfall declines), the pandemic may have brought forward the online migration to some extent, implying a competitive advantage for successful early movers.

Figure 15

How long do you think it will take retail revenues to return to pre-Covid levels?
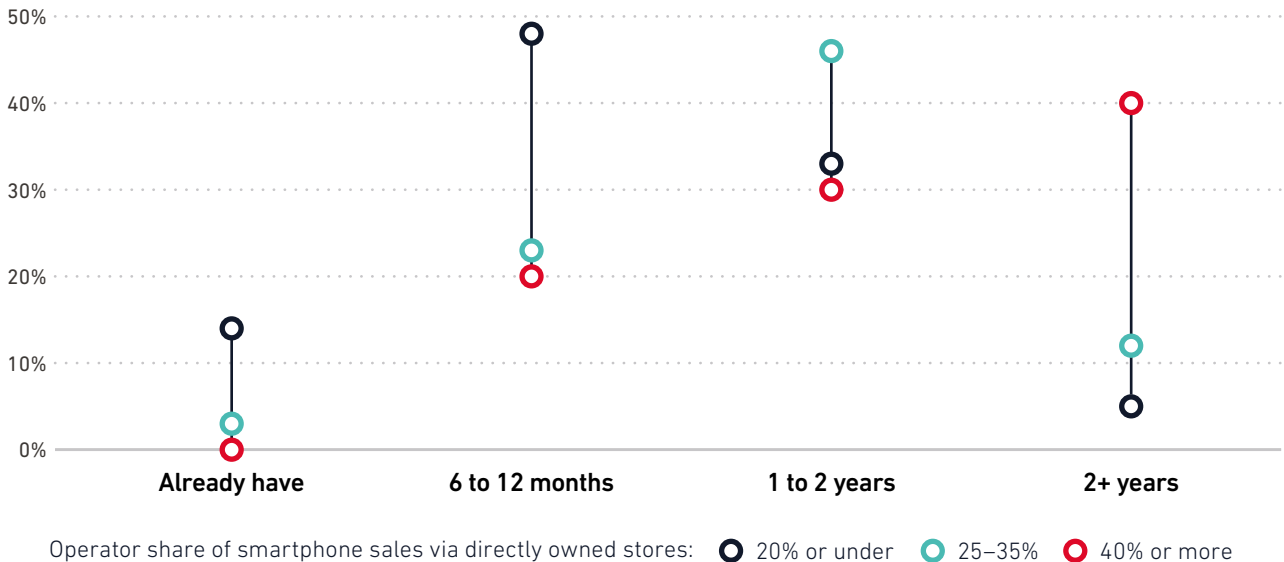
Operator share of smartphone sales via directly owned stores: ● 20% or under ● 25–35% ● 40% or more

N=100
Source: GSMA Intelligence survey of telco retail professionals, October 2021

Insights from other industries

Transitioning to a rightsized model, with a repurposing of floor space to complement a rise in online distribution, is something other retail firms have plied. John Lewis, a major home and fashion retailer in the UK, has outlined a plan to consolidate and refocus physical stores around new formats, driving cross-sales and catering for flexible purchasing with kerbside pickup and click & collect (see Figure 16). It is also leveraging new partnerships to expand distribution reach. CVS, the US pharmacy chain, has similarly embarked on a transformation plan that will use some stores for health clinic services in addition to traditional healthcare products.

Figure 16

Refocusing retail for value-added sales

	John Lewis & Partners	CVS Pharmacy
Transformation plan period	5 years (2021–25)	3 years (2022–24)
Store closures	8 out of 43 (19%)	900 out of 10,000 (9%)
New retail priorities	• New formats • Drive cross-sell of own brands • Partnerships as route to new growth (Deliveroo/home delivery, home insurance, credit, home design) • Omnichannel (kerbside, click & collect)	• New formats • Repurpose for service sales (Covid-19 tests and vaccination) • Clinics (mental and physical health) • E-health launchpad • Omnichannel (kerbside, click & collect)
In their words	*"Our aim is that John Lewis will be the go-to brand for quality, value, style and sustainability... Alongside investment in online, we are rebalancing our store estate to make sure that we have the right space in the right place, reflecting how customers want to shop with us."*	*"Our retail stores are fundamental to our strategy and who we are as a company. We remain focused on... our presence in thousands of communities across the country, which complements our rapidly expanding digital presence"*

Source: GSMA Intelligence, company reports

KPIs: now and in the future

Financial KPIs for the retail store network have generally consolidated around two different metric groups. We show these below, with an indication of the share of operators in this project who currently track the metric. Note that we did not split out individual cost lines, though most operators will track these forensically between store overheads, leases, staffing and product inventory.

- Revenue (product line and overall retail)
  - Mobile phone hardware (80%)
  - Fixed broadband and pay TV (75%)
  - Mobile tariff plans (70%)
  - Total retail revenue (70%)
  - Services beyond connectivity such as banking, media and insurance (65%, with a further 25% intending to do so)
- Physical store network
  - Total store numbers, owned and franchised (85%)
  - Store numbers in rural areas (80%)
 - Retail PoPs via channel partners (65%)

The majority of groups track revenue at a granular level by product category. This makes sense as they need to track the sale of products occupying physical space in a particular store. Most operators track hardware revenue, but only some track revenue from service attach plans as a specific KPI. Device revenues will continue to be tracked by almost all operators given the headroom for this category to contribute to overall revenue growth (see Figure 17). Where service attach revenues are not tracked, this perhaps reflects the trend towards SIM-only deals among price-conscious customers and those content to hold onto their smartphones for longer. While store numbers are obviously tracked, there is variation in monitoring metrics on a transaction level (e.g. cost per transaction) or per square foot (EBIT or other measure of profitability), implying a greater focus on the whole operation over a quarter or year than on sales efficiency.

The question of which are the right KPIs to adopt can also be future oriented. Potential KPIs are geared towards multichannel sales and a more forensic means of evaluating the value of a customer and transaction costs, regardless of whether they buy online or in-store. Click & collect, for example, was introduced by some operators as a pragmatic response to the pandemic but may well continue as a permanent option, with 55% of operators in this project in support of this. Average time spent in-store – regardless of whether a purchase is made – also features as a future potential KPI (50% of surveyed operators intend to introduce this), alongside the share and type of queries handled in-store versus online (42%).

Figure 17

Significant variation remains in how much devices contribute to telecoms revenues
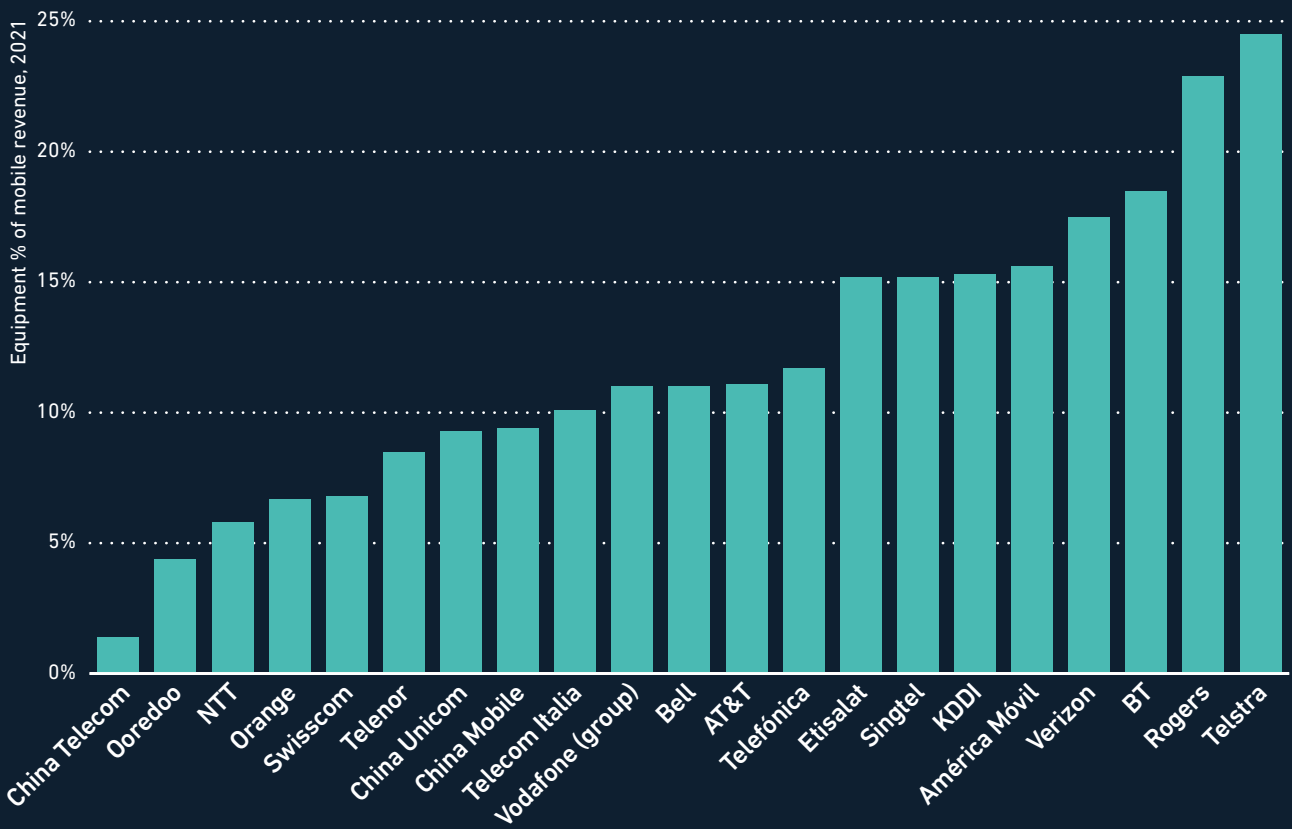
Source: EY-Parthenon

The big five: critical opportunities and challenges

Opportunities to exploit

	What to pay attention to	Role of retail in omnichannel success
Rightsizing the physical store network	Rationalising the number of operator-owned stores offers cost savings and the chance to redesign remaining outlets for richer experiences.	Preserving a strong store network is critical as a product sales channel and for brand visibility. Analytics can support more targeted locations based on footfall, purchasing power and proximity to partner outlets.
Expanding range of retail partnerships	Third-party physical retail accounts for around 30% of operator smartphone volumes. While this may moderate, selected partnerships offer high-value distribution reach.	Third-party retail partnerships offer an expanded range of customer touchpoints with telco products/services. Consumer electronics outlets (e.g. BestBuy, Currys), supermarkets and travel hubs offer the greatest potential for kiosks.
Reciprocal traffic	Ensuring a common brand and product offering between physical and online channels can encourage consumers to extend the purchasing journey between channels.	Experiential displays in flagship stores can, for example, act to whet the appetite for 5G smartphones. Success would be conferred if a consumer purchases the product and service online.
Driving devices revenue and cross-sell	The extent to which operators can increase the contribution of smartphone and other equipment revenue (including accessories) to the overall top line. It currently averages 12%, with a range of 2–25%.	Shop floors are ideal for education and explanations, as well as offering tech advice. This may also include cross-selling related services such as phone insurance to help secure a purchase.
Restructuring KPIs and incentives	KPIs can be restructured to account for non-financial measures of success.	Omnichannel requires a blurring of the physical and digital channels between customer and provider. KPIs that could indicate such a transition include kerbside pick-up (share of sales), additional product sales at the time of product pick-up (incremental to the original purchase), queries handled in-store, and customer time in-store (regardless of purchase conversion).

Challenges to navigate

|	What to pay attention to	Role of retail in omnichannel success
Structural decline in footfall	Footfall traffic dropped precipitously during the pandemic, with recovery rates still 20–30% below pre-pandemic levels. The extent to which this recovers has a clear bearing on store footprint.	Regardless of footprint size, physical stores that remain in operation each have a clear purpose. This includes flagships for brand display and full service options, compact formats in less densely populated areas to drive sales volumes, and kiosks for quicker sales such as top-ups.
Competition (physical and online)	Survey evidence suggests operators expect online to take share from both owned stores and channel partners, but this needs to be monitored in terms of unit profitability.	Brand and product differentiation in retail stores becomes even more important. Higher value fixed-mobile converged bundles and service add-ons can be accentuated in store, while selected discounts can potentially be offered online (where this can drive store traffic).
Online 'hidden' costs	Operators face a challenge in achieving cost efficiency given the fragmented nature of online sales through channel partners and associated marketing spend with social media platforms.	Online sales will rise as a share of total telco retail revenues. The challenge is to mitigate margin impacts from commissions and CPC rates for digital advertising, pre-empt the requirement for in-store visits (e.g. for repairs or onboarding), and foster reciprocal traffic between physical and digital channels. This requires new technology.
Staff reskilling	Operators rate cross-selling (53%) and digital analytics know-how (51%) as the top skills for frontline retail staff in two years.	Upskilling staff to thrive in a hybrid physical/digital sales environment requires time, investment and commitment.
Rural presence	Brand and distribution presence in rural areas may require considerations beyond pure economic logic.	Rural locales may be underrepresented in online distribution catchment areas, implying a role for physical channels. The challenge is to balance the economics of owned-store numbers with targeted third-party partnerships to in-fill physical touchpoints in areas outside of operator outlets.

5 Device strategy and channels

Context

As with the myriad facets of telco retail strategy, devices represent one part of an interconnected whole. Whether considering smartphones, featurephones, IoT devices or accessories, device strategies and channel decisions will be driven by consumer behaviour such as spending and usage patterns, as well as retail footprint and sales experience strategies. At the same time, device strategies and innovations will impact footprint and sales planning, and drive new skills and resourcing requirements.

Device strategy and channels in the wider project context
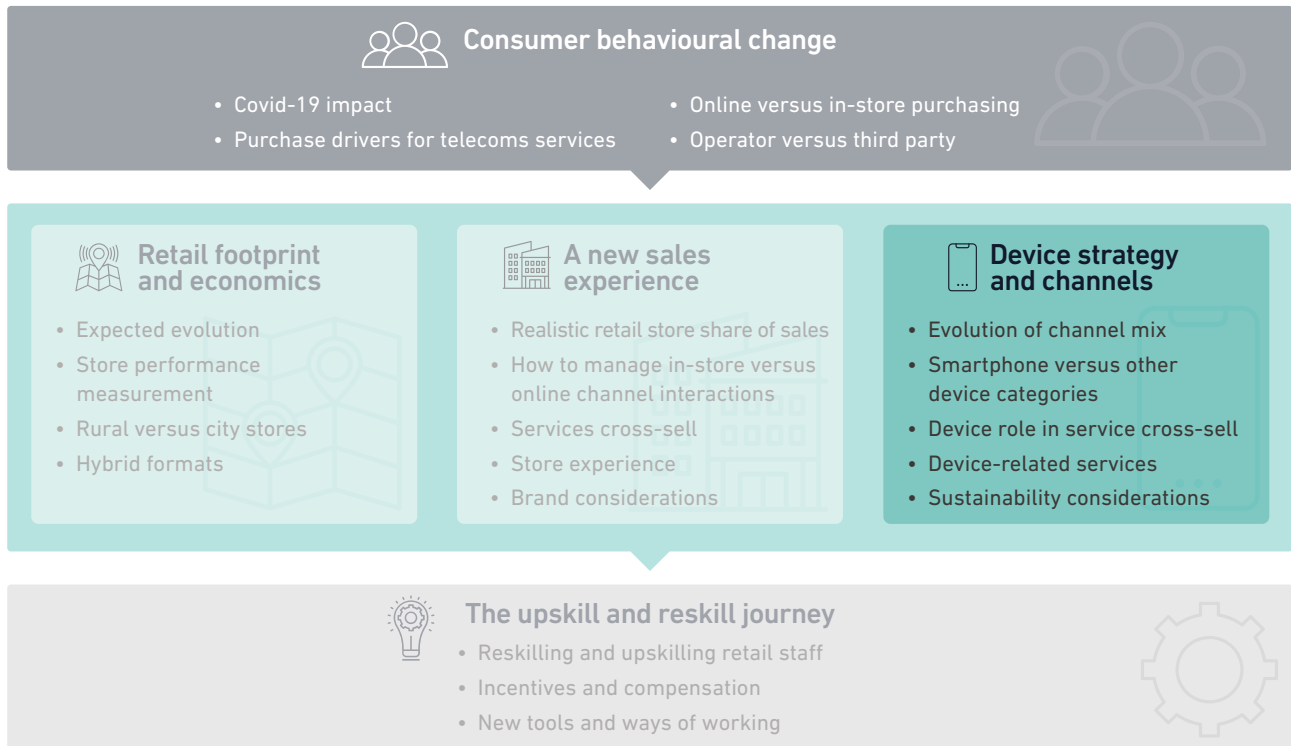
Source: GSMA Intelligence

A number of trends set the context for how operators are including device channels and strategies into their broader retail planning:

- **Usage and value** – As mobile data and device usage has risen, so has the intrinsic utility and value of devices for the consumer. Across the globe, people are spending more time with their devices because those devices have become an integral part of their lives.

- **Ecosystems** – When smartphones were a nascent device category, a number of different operating systems and application ecosystems competed for the attention of consumers and operators alike. Today, iOS and Android dominate, simplifying retail decisions but limiting differentiation opportunities in the process.

- **Rising costs** – While consumer electronics products often become less expensive over time, smartphones have not; the average selling price (ASP) has been steadily rising. With more expensive flagship models and the introduction of 5G, some expect 2021 to represent peak smartphone ASP – further evidence of the value to consumers.

- **New tech** – 5G may be partly to blame for rising smartphone ASPs, but it is also a technology operators are keen on driving in the market. With 5G service adoption requiring (often more expensive) 5G device adoption, representation at retail has a role to play.

- **New suppliers** – The smartphone supplier landscape is constantly evolving; vendors that once represented market leaders may no longer be in the smartphone business (e.g. Nokia and LG), while new names rise to prominence (e.g. Xiaomi, Oppo and Vivo). These new suppliers present opportunities for delivering value and portfolio differentiation.

- **New form factors** – While smartphones and tablets have evolved into eerily similar slabs of glass, new foldable designs offer to breathe life into the market, providing a new dimension of differentiation if consumers can be convinced of the value and durability of such offerings.

- **New businesses** – Smartphone shipments passed the 1 billion mark nearly a decade ago. It is only natural then that they dominate the narrative around operator device strategies. However, a move to revenue diversification means new services (e.g. fixed wireless and smart home) which require new devices (e.g. fixed CPE and IoT devices).
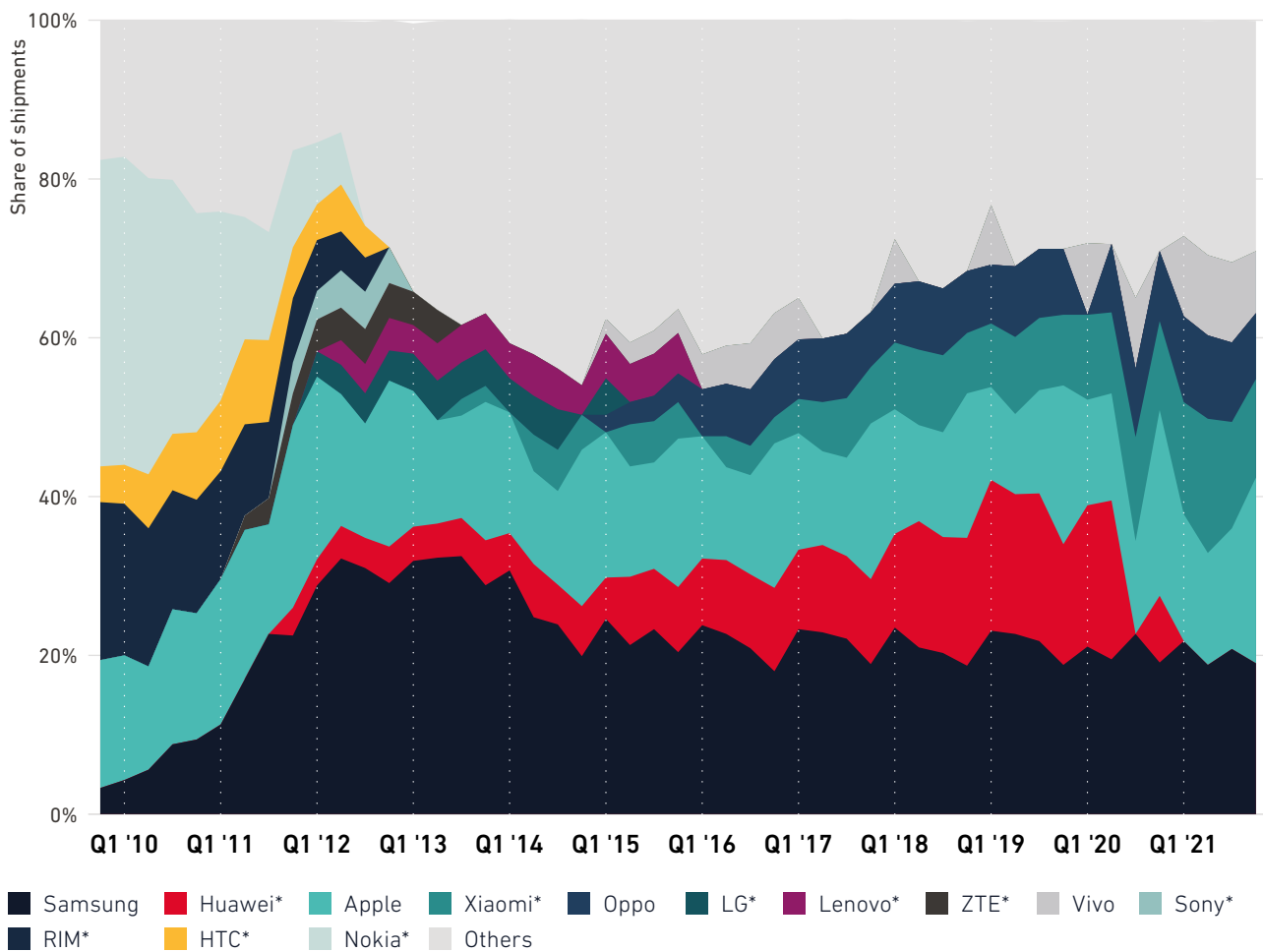
Against this backdrop, the role of a physical retail presence in shaping device strategies is straightforward but multi-faceted. Helping users understand the value of traditional products and services is foundational. However, conveying the value of new offerings is just as important. This might mean demonstrating the value of IoT devices or introducing consumers to brands or form factors they are not familiar with. In all cases, the first-hand experience – touching and feeling – is critical, as is the role of expert,

in-person retail staff who can deliver that experience. Beyond the devices themselves, the growing value of devices also opens up new device-attached product and service opportunities. Whether that means aftercare, installation or accessory sales, the retail presence represents a point of education and delivery.

While annual smartphone shipments will likely surpass the 1.5 billion mark within the next few years, operators will admit that their importance does not derive from the revenues they generate at retail. Considering non-operator and online sales, retail sales of devices pale in comparison to services sales. Nevertheless, smartphones – along with wearables and smart home devices – remain an increasingly important consumer electronics category that drives traffic into retail outlets. In those stores, new opportunities exist to connect the customer with new products and services, helping to meet their needs.

Figure 19

Smartphone market share worldwide by vendor

Legend: Samsung, Huawei*, Apple, Xiaomi*, Oppo, LG*, Lenovo*, ZTE*, Vivo, Sony*, RIM*, HTC*, Nokia*, Others

* Source does not provide information on market share in every quarter.
Source: IDC, Statista

The operator view

While the intersection of mobile device strategies and retail sales channels is a complex and evolving space, the broad outlines are well understood. Trends such as the emergence of new suppliers, the inexorable rise in e-commerce and new form factors are frequently in the news. The way they impact retail sales strategies is evident to anyone who has recently visited a mobile operator store.

Less apparent is how operators engage with these trends and how they see them playing out. Each operator is different, and market dynamics are not identical across countries or regions. To fully understand the role of retail in supporting operators' device strategies, we need to understand what they are thinking and how they view the market. Two key aspects are worth investigating: smartphone distribution and device innovation.

Smartphone distribution

It is no surprise that operators see online channels accounting for an increasing share of smartphone sales over time. The full story, however, is more nuanced. Operators see the share of smartphone sales from online growing by more than 10% (five percentage points) over the next two years. There are differences to this by region. Nevertheless, physical retail will remain important to smartphone sales going forward, accounting for more than half of sales according to operator executives, with about a third driven from operator-owned outlets.

Sales are only one part of the picture, however. When pressed to further explore the relationship between smartphone sales and retail locations, the mobile operators in our workshop acknowledged that smartphones – particularly new flagship models – serve an important role in bringing people into the store. The availability of smartphones at retail serves as a magnet which pulls prospects in, providing an opportunity to further engage with them and best explore how to meet their needs. The retail outlet is about more than just selling devices. Selling devices helps bring in would-be customers for other product and service sales, and spurs relationship building.

Smartphone sales distribution: present versus two years from now

Present
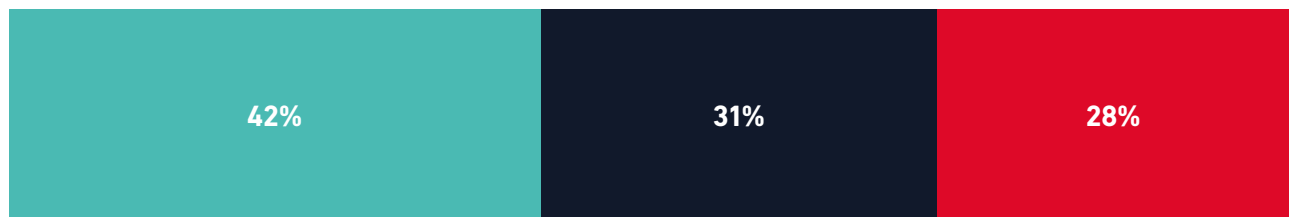
In two years

Online ■ Retail – own ■ Retail – partner

N=100
Source: GSMA Intelligence survey of telco retail professionals, October 2021

Device innovation: foldables and IoT

Innovative new device categories can help operators further engage with customers while driving new device and service revenues. Two categories in particular have captured the industry's attention: smartphones with a folding form factor (so-called foldables) and IoT devices.

In late 2019, we asked operators how many foldable smartphones they expected to have in their portfolios by the end of the following year. On the whole, they were over-optimistic; more than half expected to have six or more. Two years later, we know this is not the case. When surveying the market in 2021, we see that reflected in the data. The number has essentially halved, with slightly more than a quarter now expecting to have six or more foldables in their smartphone portfolio by the end of 2022. Whether this is realistic is debatable. Regardless, operators see foldables as more than just an experiment; the vast majority expect to be selling one or more foldables by the end of the year.

There is a much longer record of operators selling IoT and smart home devices. Perhaps for this reason, the operator executives we surveyed see the distribution of IoT devices looking similar to smartphones. Online sales dominate and will grow over the next two years, taking share from partner retail channels. When compared with consumer insights, however, an important dynamic emerges. In the US and Europe, a survey by EY suggests that consumer preferences for buying smart home products and services are more broadly distributed than for mobile devices. Whether online or retail store, brand-specific or multi-brand outlet, all register near-equal shares as the first place to visit. Retail store sales are no less important than online.

Together, the IoT and foldable device market dynamics present a cohesive story for retail. Operators may see these categories as valuable for engaging with their customers, but that engagement will need to integrate a physical, hands-on, retail presence. In part, this is because purchasing these devices in a retail store is something consumers have expressed an interest in. It is also because – until they have become mainstream – there may be no other way to convey the value proposition of these new device categories.

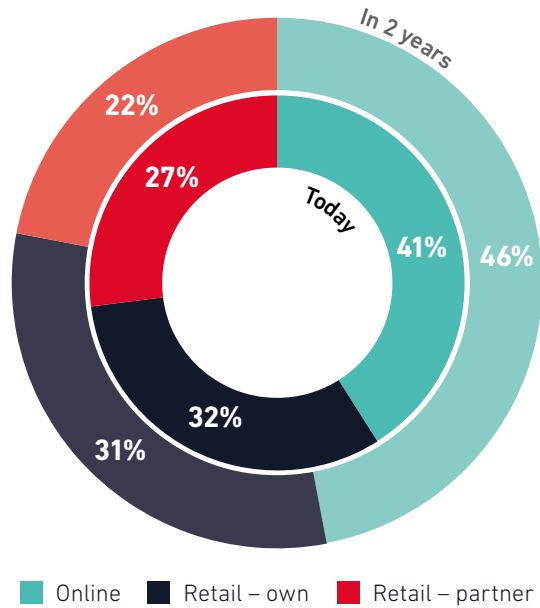## How many foldable smartphones do operators expect in their portfolios by the end of 2022?
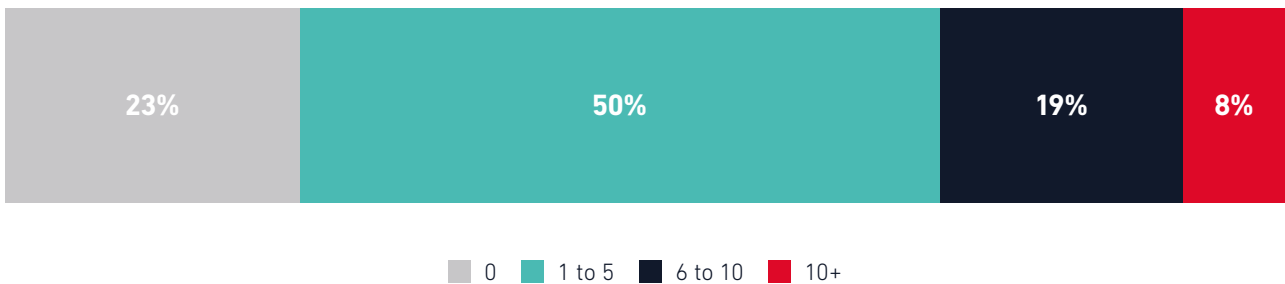
| 23% | 50% | 19% | 8% |

0   1 to 5   6 to 10   10+

N=100
Source: GSMA Intelligence survey of telco retail professionals, October 2021

Operator expectations for IoT and smart home device distribution

N=100
Source: GSMA Intelligence survey of telco retail professionals, October 2021

Insights from other industries

Meta and the metaverse

Meta (Facebook's parent) is planning a retail store push in order to sell its vision of the metaverse. In a similar way to telco retail, this would involve selling devices with a goal of fuelling service consumption. The challenge it faces is to educate the market in a completely new service category. This chimes with the larger challenge among operators of how to balance retail focus (and footprint) across multiple brands and products in the mobile and, increasingly, smart home space.

KPIs: now and in the future

"You can't change what you can't measure" is more than just a cliché. The importance of tracking KPIs as part of driving business success is axiomatic. This is why the state of telco retail metric tracking was a central part of our exercise and workshops.

In the context of mobile devices and device channels, the potential retail KPIs that could be tracked by operators span operational and sales metrics (e.g. retail store versus online), footprint-related metrics (e.g. share of store footprint dedicated to different types of devices and services), device-type metrics (e.g. sales of traditional versus new types of devices), brand-type metrics (e.g. incumbent versus emerging brands) and customer-care related metrics (e.g. device-related queries and employee capabilities). The list could go on, particularly when considering campaign or time-bound KPIs such as growth in store footfall or sales following the launch of a specific device or device category. An important question, then, is which KPIs are being tracked and why?
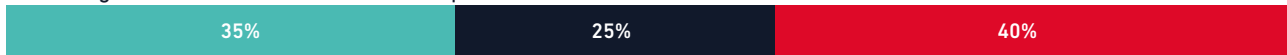
Retail KPIs – what are operators tracking?

Percentage of area in store dedicated to maintenance, repairs and technical support

| 15% | 30% | 55% |

Percentage of area in store for services beyond connectivity

| 20% | 30% | 50% |

Percentage of area in store for non-mobile phone hardware

| 35% | 25% | 40% |

Percentage of area in store dedicated to incumbent mobile

| 45% | 15% | 40% |

Percentage of purchases involving a product bundle

| 79% | 16% | 5% |

Percentage of customer queries handled in store versus online

| 37% | 42% | 21% |

Percentage of retail revenue in store versus online

| 65% | 25% | 10% |

Percentage of mobile phone units sold in store versus online

| 70% | 20% | 10% |

Number of unique device models on display per store

| 59% | 6% | 35% |

Number of devices on display per store

| 80% | 20% |

■ Yes   ■ No, but intend to   ■ No

N=20
Source: GSMA Intelligence survey of telecoms operators in the Future of Telco Retail project

Although operators could be tracking a diverse set of device-related KPIs, our workshops and investigations revealed that they (generally) track a small set on a consistent basis. On the one hand, this is logical and prudent; paying attention to a small set of KPIs avoids becoming distracted by a broad set of less meaningful KPIs. On the other hand, it highlights two themes and potential blindspots:

- **Device versus non-device KPIs** – Operators tend to track device KPIs on a more regular basis: number of phones sold or displayed, number of devices on display, etc. With device-attached products and services representing a retail upsell opportunity, tracking their trajectory will help optimise performance too.

- **Old versus new devices and brands** – A long history of selling traditional voice/data services alongside incumbent suppliers lends itself to tracking these rather than new spaces such as IoT and smart home, foldables and emerging smartphone brands. However, new brands, device types and services are key for portfolio differentiation and revenue expansion. Retail has a role to play in supporting their sales, especially if tracked properly.

The big five: critical opportunities and challenges

Opportunities to exploit

	What to pay attention to	Role of retail in omnichannel success
Cross-sell/upsell	Device sales (or sales engagement) can be leveraged to drive sales of additional services, devices or accessories.	In-person sales efforts and demos represent a critical opportunity to make a meaningful connection to new services and devices.
Innovation and diversity	Expanded device portfolios – e.g. foldables. emerging smartphone vendors, IoT and smart devices – can deliver competitive differentiation and new revenue streams.	Consumers understand the value of traditional smartphones but will need hands-on experience before embracing new forms, makers or device categories.
Omnichannel fulfilment	Meeting the customer where they want to do business can help maintain operator-customer relationships.	The ways consumers want to acquire their devices at retail stores are evolving, driven by health and convenience interests (e.g. click & collect, return in store, and locker pick-up).
Repair the environment (and/or wallet)	Device repair and reuse strategies naturally align with sustainability concerns, balancing against rising prices and tighter consumer budgets.	Retail channels connect repair services and used device sales to trusted suppliers (operators), mitigating quality and device security concerns.
Accessories: margins and strategy	Accessories are a high-margin sales category. Cases, screen protectors, speakers and so on can support strategies ranging from sustainability efforts to IoT and financing initiatives.	While accessory purchases may be an afterthought for consumers, retail stores represent a chance to engage, educate and sell at a point when they are most engaged.

Challenges to navigate

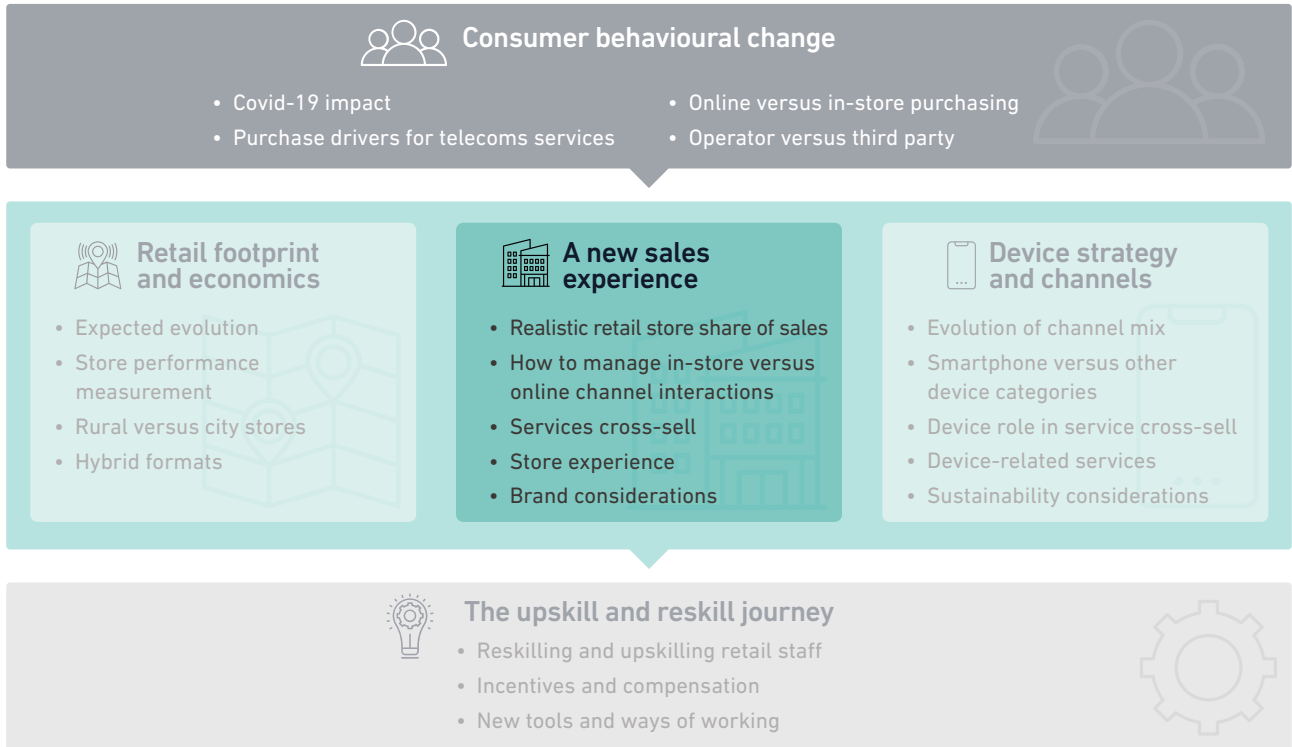|	What to pay attention to	Role of retail in omnichannel success
Costs and replacement cycles	SIM-only sales and rising device prices are driving longer replacement cycles, putting pressure on revenues and potentially limiting the role of devices in broader strategies.	Retail stores represent an opportunity to present the value of pricier devices, alongside new (lower-cost) brands and options for used devices or repair services. Financing options offered in store can also help hesitant consumers with device purchases.
KPIs and insights	Tracking KPIs is critical for driving business success, but operators are not measuring device KPIs as extensively as they could.	There is an opportunity to optimise retail experiences by understanding performance, which reduces the risk of failure.
Differentiation at retail	If pricing is preferable elsewhere, a lack of solid differentiation at operator retail stores ensures business will shift to those alternatives, including online and partner retail channels.	Price differentiation matters in all channels, but retail stores offer opportunities to showcase devices in ways not possible online, fighting a focus on price alone.
Frontline staff upskilling	With personal experience a core value of retail, the expertise of retail staff (including device knowledge) is key.	Retail employees can drive sales and strategic initiatives (new brands and services, cross-sales). At their worst, however, they revert to selling what is easiest and lack the knowledge to be helpful.
Strategy: old versus new	Device strategy can be neatly divided into traditional (incumbent brands and services) and new (new brands, services and form factors). Viewing it as such risks being myopic and missing out on synergistic opportunities.	Device strategies must embrace traditional and new business opportunities. Retail must reflect this across training, portfolio differentiation and KPI measurement.

6 A new sales experience

Context

The holistic nature of sales experience means it frequently intersects with the other workstreams in this project. For example, an understanding of consumer behavioural shifts is an important first step in building a sales experience that consumers value, while store location and formats influence consumer preferences when it comes to the in-store experience.

Device sales and support remain key drivers of store traffic and also need to be considered when building a new sales experience strategy. Moreover, store advisors need to be trained in new aspects of the sales experience, such as supporting omnichannel services and using in-store digital tools. This includes proficiency in social channels, notably Instagram, WhatsApp, Telegram and TikTok, which are facilitating much of the growth in live shopping.

Even before Covid-19, consumers were living their lives more digitally, whether working, learning, socialising, shopping or being entertained. At the same time, retail has been diverging into two different forms of interaction. There is 'buying', which is about making transactions seamless to save time; and 'shopping', which is about giving the customer an experience that they want to spend time engaging with.

Sales experience in the wider project context

Consumer behavioural change

- Covid-19 impact
- Purchase drivers for telecoms services
- Online versus in-store purchasing
- Operator versus third party

Retail footprint and economics

- Expected evolution
- Store performance measurement
- Rural versus city stores
- Hybrid formats

A new sales experience

- Realistic retail store share of sales
- How to manage in-store versus online channel interactions
- Services cross-sell
- Store experience
- Brand considerations

Device strategy and channels

- Evolution of channel mix
- Smartphone versus other device categories
- Device role in service cross-sell
- Device-related services
- Sustainability considerations

The upskill and reskill journey

- Reskilling and upskilling retail staff
- Incentives and compensation
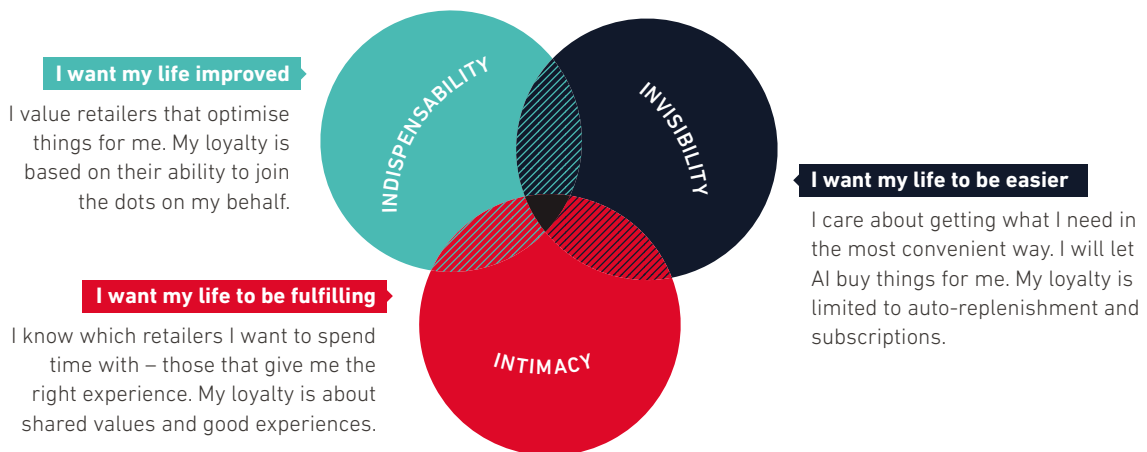- New tools and ways of working

Source: GSMA Intelligence

When Covid-19 restrictions forced physical retail outlets to close, both buying and shopping moved increasingly online. This has changed what convenience means to the customer and what kind of experience customers want, but their underlying desire for convenience and experience is still there. It is useful to think in terms of three core customer expectations: make my life easier, make it feel better, or make it more fulfilling.[3] These are aspects of consumer behaviour. We cite them here as they directly inform how to convey a new sales experience in a store or online. See Figure 25.

What consumers value – the three I's

I want my life improved

I value retailers that optimise things for me. My loyalty is based on their ability to join the dots on my behalf.

I want my life to be fulfilling

I know which retailers I want to spend time with – those that give me the right experience. My loyalty is about shared values and good experiences.

INDISPENSABILITY

INVISIBILITY

INTIMACY

I want my life to be easier

I care about getting what I need in the most convenient way. I will let AI buy things for me. My loyalty is limited to auto-replenishment and subscriptions.

Source: EY-Parthenon

3   Three I's that could reframe the future of retail, EY-Parthenon, 2020

Mobile operators can use this insight to evolve their sales experience strategies. This is already starting to take place, with operators deploying new solutions to meet customer needs around invisibility, indispensability and intimacy:

- **Invisibility** – Operators can re-imagine the in-store sales experience to help customers get their items more quickly and conveniently. Examples include introducing omnichannel capabilities for more flexibility and adding in-store self-service terminals that allow customers to perform transactions more quickly.

- **Indispensability** – Operators can deploy new digital tools within stores to optimise the sales experience. For example, interactive displays can show customers up-to-the-minute product information, including for items available online but not on display in the store.

- **Intimacy** – Operators can create a compelling in-store sales experience by allowing customers to test the latest offerings, such as AR/VR, gaming and smart home products. This helps to build intimacy with the customer by creating a shopping experience catered to their interests. It also gives store advisors the chance to learn more about the customer, driving upsell and cross-sell opportunities.
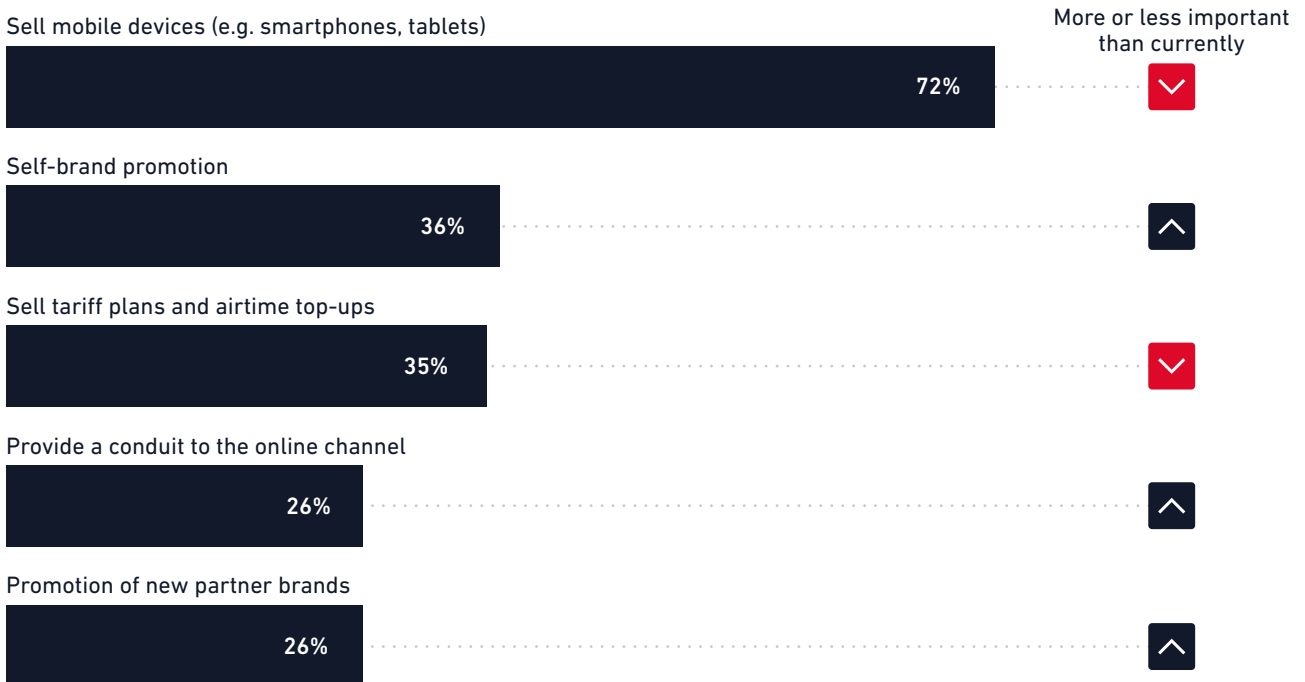
The operator view

Selling mobile devices, tariff plans and airtime top-ups will continue to be strategically important purposes of retail stores (see Figure 26). Mobile operators will also increasingly use stores for self-brand promotion. For example, sustainability initiatives can be highlighted, and digital tools (e.g. interactive displays and self-service terminals) can be used to reinforce brand values around innovation and simplicity.

New retail priorities will drive a shift in the in-store sales experience
Which of the following do you see as the most strategically important purposes of your retail stores in the next five years?

Sell mobile devices (e.g. smartphones, tablets)

More or less important than currently

72% ⌄

Self-brand promotion

36% ⌃

Sell tariff plans and airtime top-ups

35% ⌄

Provide a conduit to the online channel

26% ⌃

Promotion of new partner brands

26% ⌃

N =100
Source: GSMA Intelligence survey of telco retail professionals, October 2021

In-store digital tools

The workshops that were part of this project indicate the digitisation of in-store activities is high on the agenda when it comes to building a new sales experience. Primarily, operators see two main purposes of introducing new, in-store digital tools:
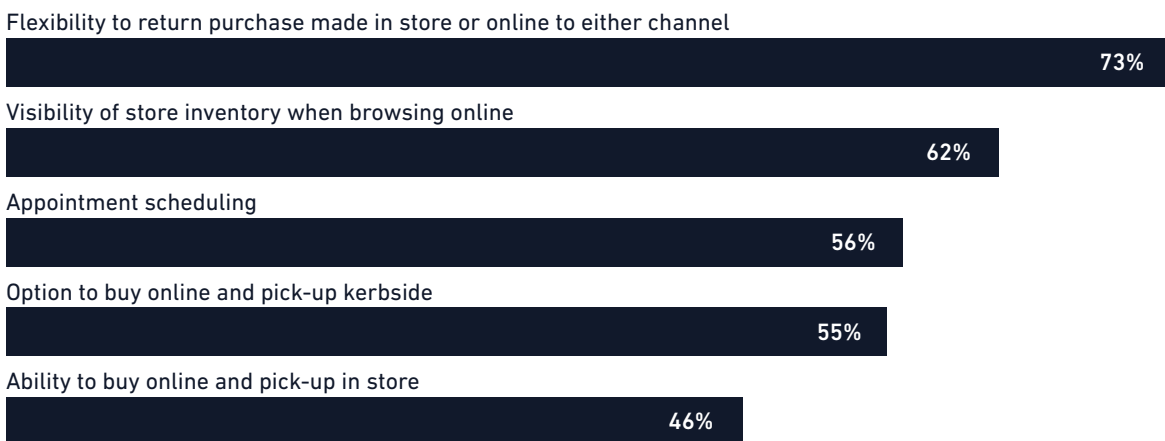
- Building customer relationships – Many of the new in-store digital tools are designed to support store advisors in their sales conversations. For example, some operators are equipping staff with tablets loaded with customer relationship management (CRM) software. This helps them deliver personalised recommendations to customers wherever they are in the store.

- Task fulfilment – Some of the tasks employees currently perform are transactional, such as topping up PAYG accounts and activating SIMs. As store advisors add limited value to these tasks, they can be performed by self-service kiosks, which can be placed inside and outside of branches. This can be a particularly useful way of managing demand peaks in stores.

Many operators expect stores to become more of a conduit to online sales over the next five years, suggesting support for omnichannel services will grow. At present, omnichannel services are far from ubiquitous in the mobile industry. According to a GSMA Intelligence survey, only around half of operators currently offer customers the option to buy online and pick-up kerbside or in-store. There is a similar level of adoption for other omnichannel capabilities, such as appointment scheduling. This shows there is a sizeable opportunity for operators to deploy new capabilities that help customers perform transactions in whatever way is most convenient for them. Omnichannel can also help operators better compete with online retailers, such as by using stores as distribution hubs to facilitate faster delivery.

Figure 27

There is scope to better integrate online and physical retail in the mobile industry

Which omnichannel capabilities have you implemented?

Flexibility to return purchase made in store or online to either channel
73%

Visibility of store inventory when browsing online
62%

Appointment scheduling
56%

Option to buy online and pick-up kerbside
55%

Ability to buy online and pick-up in store
46%

N =100
Source: GSMA Intelligence survey of telco retail professionals, October 2021

Challenges to introducing omnichannel capabilities

Many operators have a significant legacy in back-office systems, which serves as a barrier to introducing new omnichannel capabilities. Making the transition to a more flexible architecture forms part of the wider digital transformation strategies well underway within many operator groups. This will be important to develop a single view of the customer across different channels.

Operators in the steering group also cited concerns around data security and privacy as preventing them from introducing omnichannel services, highlighting the importance of implementing new processes to share data securely between departments and distribution channels.

Insights from other industries

Retail banking shares many similarities with the mobile industry. Both sectors have a significant physical outlet presence, through which they predominantly sell services. They also both operate in highly regulated industries, have significant legacy infrastructure and face competitive threats from online-only service providers.

As has been the case in the mobile industry, retail banks also experienced a rapid shift to digital channels during the pandemic. Use of online banking grew by up to 20% in some European countries during the initial lockdown period.[4] These changes in behaviour are expected to be permanent in many instances. McKinsey estimates that 80% of simple service transactions and two thirds of simple product sales could soon be digitally fulfilled.

The increasing adoption of digital service channels has accelerated the closure of retail bank branches.[5] That said, physical branches are unlikely to disappear completely. Flagship stores are expected to remain prevalent in large towns and cities, while shared utility models for servicing and cash handling are growing in popularity in less densely populated areas, as seen in the UK.[6]

Retail banks will look to reshape the sales experience within these branches. For instance, many banks are deploying a range of digital tools to improve customer service and free up staff to handle more complex tasks. HSBC recently introduced 'counterless' branches that emphasise self-service technology and product fulfilment alongside more complex, non-standard service requests.[7] This allows branches to continue serving high-margin segments that value face-to-face interaction, while handling other requests in a more efficient way.

The changes in the retail banking sector are having significant implications for the required mix of branch staff, with much more flexible job configurations needed. Fewer staff are also required, with employees being redeployed to new areas where possible.

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4   "No going back: New imperatives for European banking", McKinsey, May 2020
5   "Bank branch closures: is your local bank closing?" Which?, December 2021
6   "Bank branches: Rival banks join forces to protect future of cash", BBC News, December 2021
7   "Evolution of format the key to long-term branch future", HSBC, January 2021
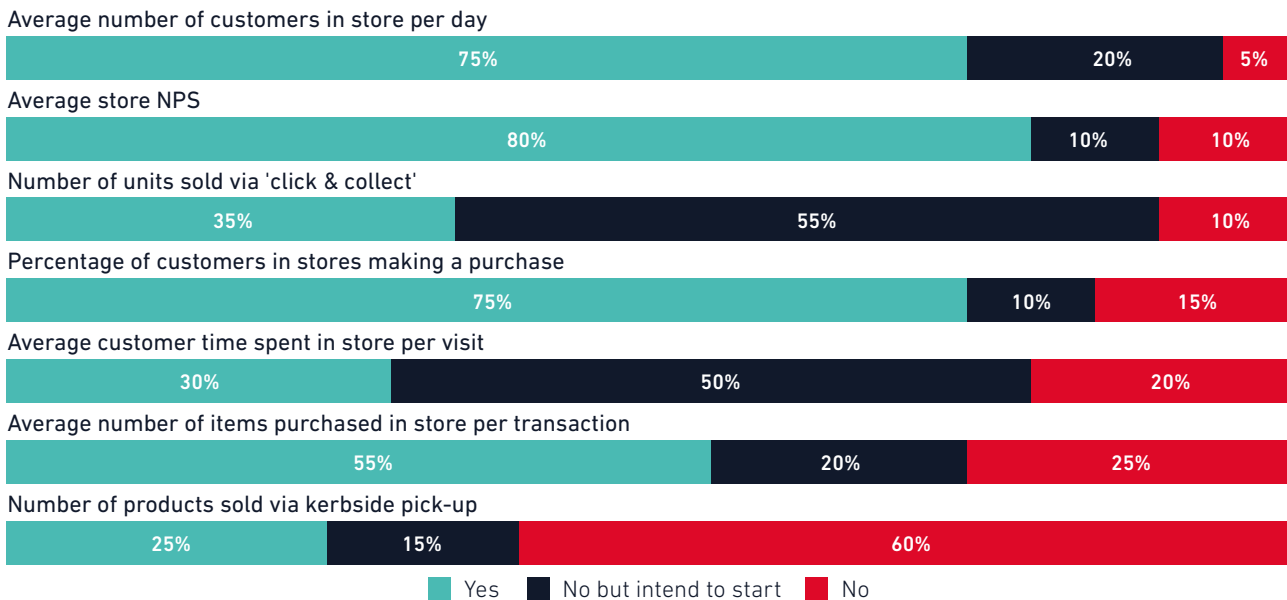
KPIs: now and in the future

According to our survey of mobile operators, average Net Promoter Score (NPS)[8] by store is currently the most tracked sales experience KPI. The popularity of NPS stems from its simplicity: it provides a single number that can be used to indicate how well a store is serving customers. However, it can be hard for respondents to separate their recent in-store experience from previous interactions with the operator. NPS does not always therefore provide a true reflection of the in-store sales experience.

The average number of customers in-store per day and the percentage of customers in-store making a purchase are also popular KPIs relating to sales experience. Operators track these KPIs to understand how busy a particular store is – typically measured in customer visits per day (around 80–140) – and how successful a store is at converting retail traffic into sales. In addition, more than half of operators surveyed track the average number of items purchased in-store per transaction. This provides an indication of how successful stores are at cross-selling and upselling products and services – a key role of retail stores in the sector.

Figure 28

New sales experience KPIs will come to the fore as the role of stores evolves
Which of the following KPIs do you track?

Average number of customers in store per day
| 75% | 20% | 5% |

Average store NPS
| 80% | 10% | 10% |

Number of units sold via 'click & collect'
| 35% | 55% | 10% |

Percentage of customers in stores making a purchase
| 75% | 10% | 15% |

Average customer time spent in store per visit
| 30% | 50% | 20% |

Average number of items purchased in store per transaction
| 55% | 20% | 25% |

Number of products sold via kerbside pick-up
| 25% | 15% | 60% |

■ Yes ■ No but intend to start ■ No

N =20
Source: GSMA Intelligence survey of telecoms operators in the Future of Telco Retail project

As operators explore new retail strategies to remain competitive, they will need to adopt new KPIs to measure progress. Measuring the success of omnichannel initiatives is a case in point. During the pandemic, many operators deployed new omnichannel capabilities to give customers more flexibility in how they shop. However, only around a third of operators track the number of units sold via click & collect. This is expected to change, with more than half revealing their intention to start tracking click & collect sales. The lag in measuring this could reflect the speed at which new omnichannel capabilities had to be introduced during the pandemic, as well as challenges around data collection.

A significant proportion of operators also plan to start measuring the average time customers spend in-store per visit. This shows how operators are looking to balance traditional results-orientated KPIs (such as percentage of customers in-store making a purchase) with new measurements that focus more on the experience of customers. Technology can help. For example, O2 UK is piloting a video analytics and AI tool known as Spatial Insights in 20 of its stores. This allows it to measure customer numbers, dwell times, queue lengths and product engagement, providing more insights into sales conversion and the overall retail experience.

8   To calculate NPS, customers are asked to rate how likely they are to recommend an operator on a scale of 0–10 (where 0 is not at all likely and 10 is extremely likely).
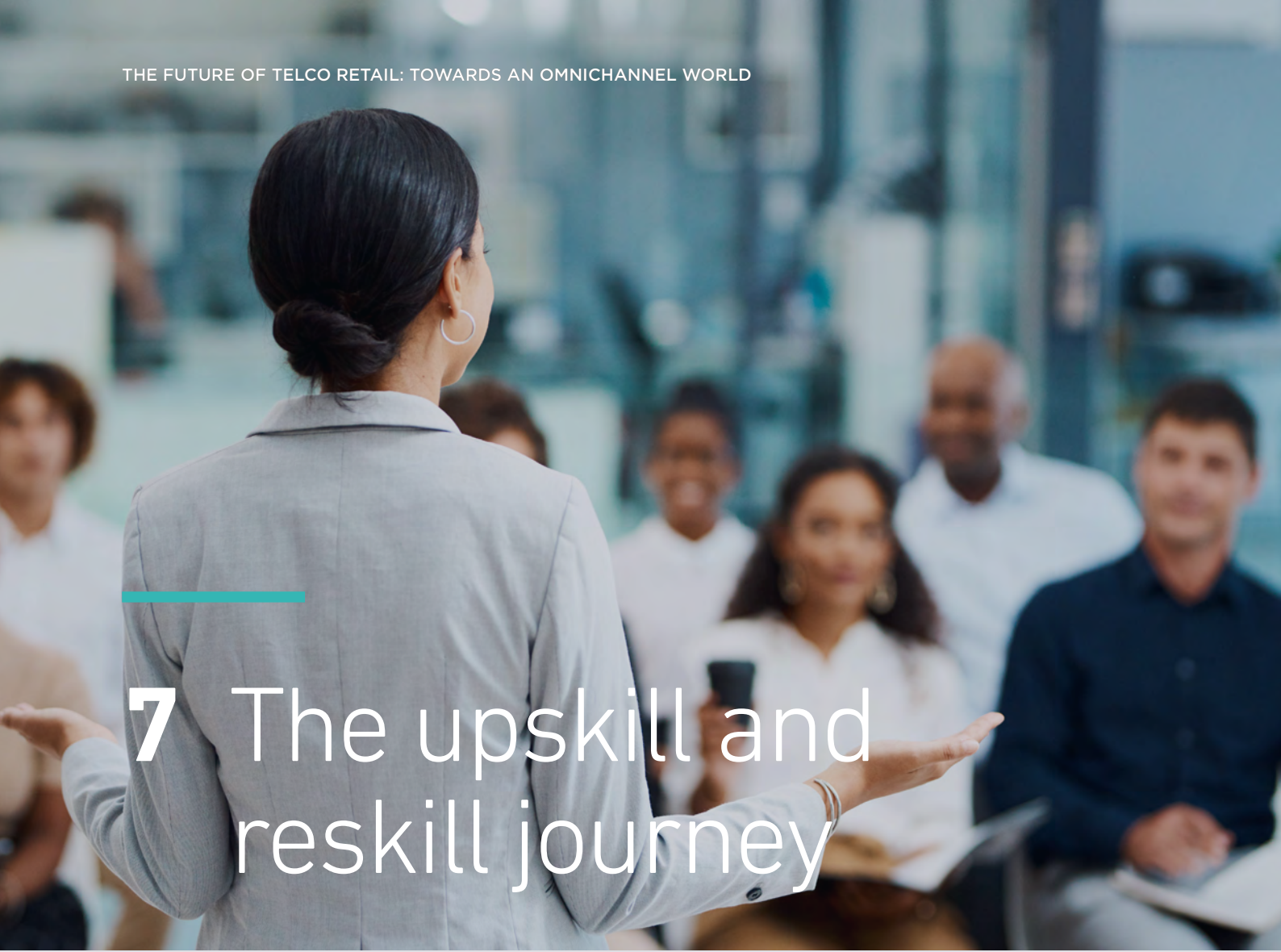
The big five: critical opportunities and challenges

Opportunities to exploit

	What to pay attention to	Role of retail in omnichannel success
Self-service kiosks	Introducing self-service kiosks helps manage demand peaks by freeing up store advisors to focus on higher-value activities, such as assisting customers with more complex service tasks and selling.	The human element remains a critical part of the in-store sales experience. Spending more time on the shop floor learning about customers drives upsell and cross-sell opportunities.
Interactive sales experience	AR tools and QR codes with 'scan to learn more' features can be used to create virtual 3D product testing of smartphones in-store. This provides customers with additional product information, while making demonstrations more engaging.	Stores remain a place where operators can create unique and compelling experiences for customers to test new devices and services.
AI solutions	AI-enabled customer-service agents can be integrated within interactive displays to help customers with queries and provide personalised recommendations.	For operators, the value of AI is in cost reduction and predictive analytics. These new tools can also help reduce churn, particularly among younger customers, who may prefer these methods of interaction.
Operator apps	Digital apps can become a gateway to retail traffic and vice versa, implying a competitive requirement to sync product offerings in both channels.	Apps can be leveraged to deliver a more seamless and personalised sales experience (e.g. registering for in-store appointments). Introducing checkout-free shopping could help operators boost sales of accessories and showcase their IoT solutions for retailers.
Localised approach	Operators could host networking events and digital skills workshops in physical stores. Bookable event spaces could allow local groups to host meetings and get informal tech support.	An operator with a strong local presence tends to have a better understanding of what it means to live or do business in the local area, enabling them to offer a more personalised sales experience and be more responsive to customer needs.

Challenges to navigate

|	What to pay attention to	Role of retail in omnichannel success
Integrating online and in-store sales	When switching channels, customers expect to be able to pick up where they left off. That means not having to re-enter information or re-inform the sales advisor of their request.	Omnichannel strategies such as click & collect and appointment scheduling can help operators deliver a seamless customer experience by giving customers the ability to complete transactions across multiple channels.
A consistent sales experience	The blurring of the lines between digital and physical retail can make it challenging for operators to deliver a consistent sales experience across different channels, leading customers to abandon their sales journey.	Self-service kiosks and interactive displays can provide the same user experience and interface as customers receive when they use operator apps or web portals.
Frontline staff reskilling	Store advisors are likely to require additional training to support omnichannel requests. Commission structures may also need to be adapted to incentivise store employees to support online sales.	Supported by IT systems providing a single view of the customer, multi-skilled store advisors can guide customers between different channels, ensuring they find an appropriate solution for their needs.
KPIs and insights	It is important to measure interactions across all customer touchpoints and channels. This reflects changes in how customers shop, with sales journeys increasingly involving a mix of online and offline activity.	The in-store sales experience can be designed around a dedicated smartphone app to gain a better understanding of customer behaviour and improve integration between online and offline channels.
Digital inclusion	Operators risk a rise in customer churn if they do not provide appropriate channels to engage people that lack the confidence or ability to perform transactions online.	Retail stores are a place where customers can go to troubleshoot technical difficulties and receive face-to-face advice on suitable products and services to buy.

7 The upskill and reskill journey

Context

The retail workforce is central to any change in retail strategy. This is evident in the connection of this area to other workstreams in this project. For example, retail staff have a direct influence on the customer experience in-store and contribute to efforts to create long-lasting brand loyalty and trust. They also play a critical role in the transition from multichannel to omnichannel retail strategy by serving as key facilitators of a seamless sales experience across online and physical channels. An engaged and motivated retail workforce with the right skills, tools and product knowledge is critical to meeting customer needs in a technology-driven environment and maximising the opportunities from an expanding device ecosystem and product portfolio.

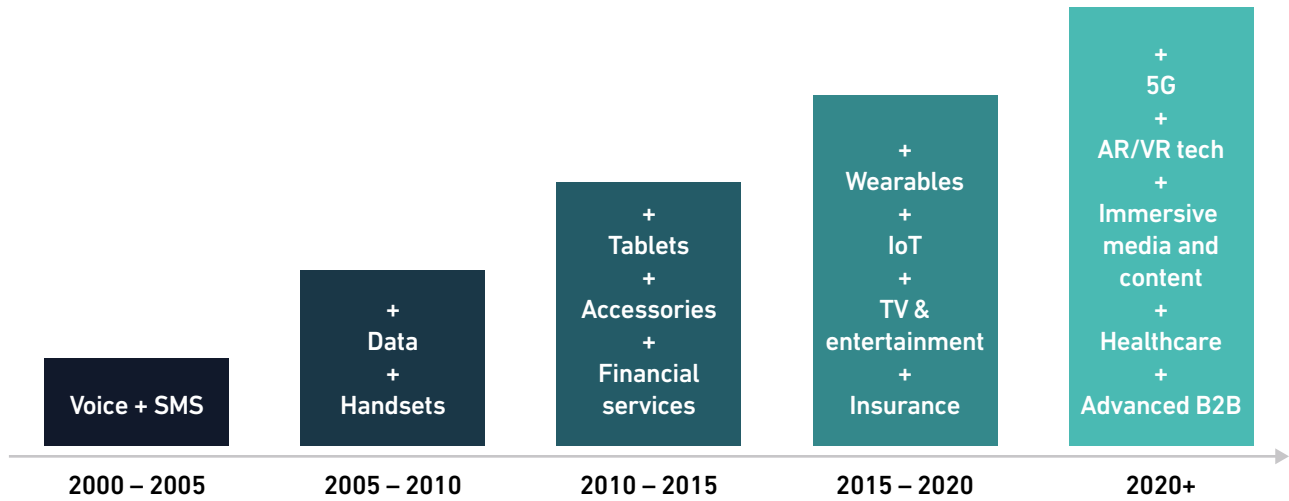## The upskill and reskill journey in the wider project context
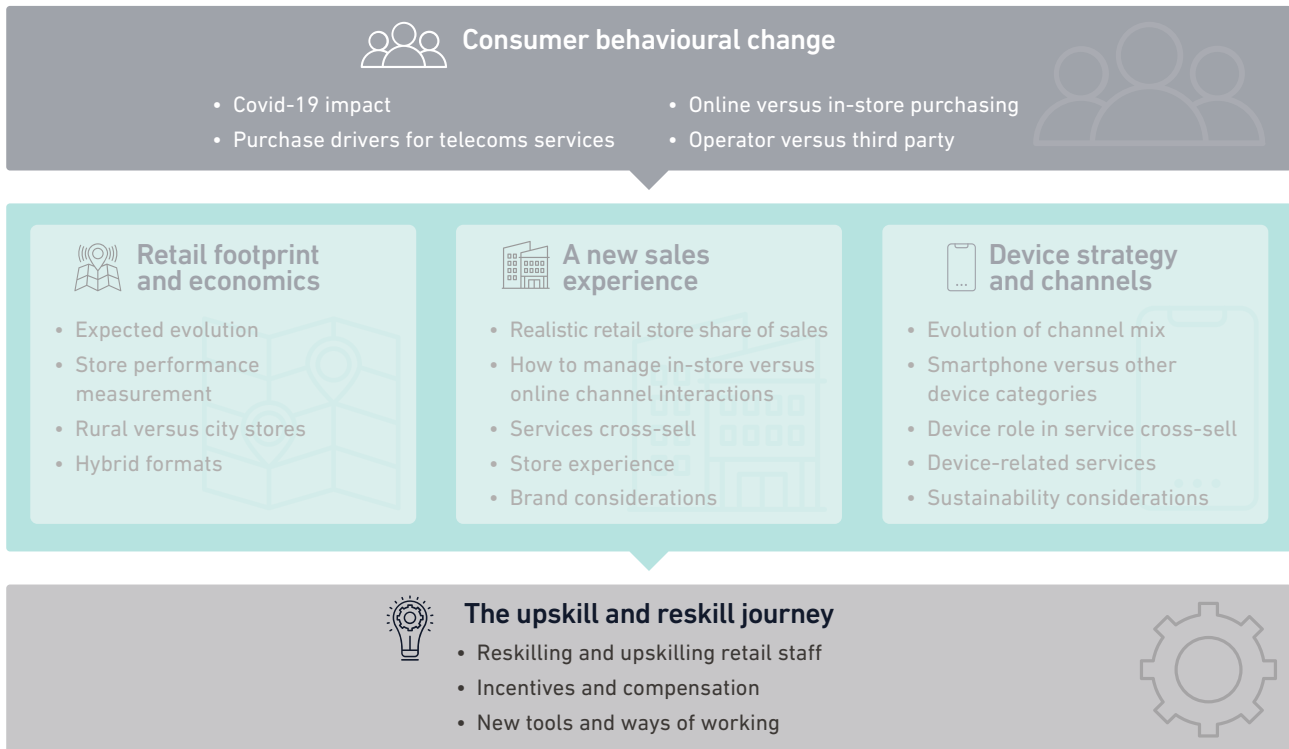
Source: GSMA Intelligence

The telco retail workforce has changed significantly over the last decade, mirroring changes in the broader retail sector. This mainly reflects the evolution of customer buying behaviours and moves to adapt the retail footprint and customer engagement strategies to meet new demand. Changes include the following:

- **Staff rationalisation** – The retail sector has been in a period of headcount reduction over recent years. While the rate of change varies across industry and region (more pronounced in developed regions), the primary underlying factor has been the shift to online channels and retail automation (for example, the introduction of self-checkout and 'scan & go' technologies). In many instances, Covid-19 has accelerated this trend, with store closures, staff relocation and overcapacity among the factors that have led retailers to re-evaluate their retail footprints and workforce requirements. The telecoms industry has not escaped this trend, though the rate of staff attrition varies between markets and reflects local labour laws. Post pandemic, retailers are faced with the challenge of re-establishing employee confidence, following months of uncertainty.

- **New products and services** – Over the last two decades, operators have steadily expanded their product portfolios from basic communications services to a whole new suite of physical and digital products and services. This trend has been driven by the need to generate new revenue streams beyond core services and the opportunity to operate in adjacent verticals, such as financial services, healthcare and media, by leveraging the digital disruption of traditional business models. The expansion of product portfolios has significant implications for the retail workforce; some of the new products on offer require specialised knowledge and skills, such as insurance and credit services. As a result, a big focus in recent years has been on developing a retail workforce with the required skills to sell new, often complex products and services.

The evolution of operators' products and services portfolio

2000 – 2005	2005 – 2010	2010 – 2015	2015 – 2020	2020+
Voice + SMS	+ Data + Handsets	+ Tablets + Accessories + Financial services	+ Wearables + IoT + TV & entertainment + Insurance	+ 5G + AR/VR tech + Immersive media and content + Healthcare + Advanced B2B

Source: GSMA Intelligence

The operator view

Technology is a complement to, not a replacement for, retail jobs. Operators expect retail staff to remain central to the smooth operation of their retail footprint and the implementation of the omnichannel strategy. Moreover, human interaction between retail staff and customers is an important part of relationship building and a means of effectively resolving challenging issues. With this context in mind, what do telcos expect from retail staff and how can they incentivise them in a changing sales environment?

Equipping retail staff with the right skills

The skills required in telco retail jobs have evolved significantly over the last decade, with winners and losers. For example, customer service and the ability to cross-sell products effectively have emerged as top skills, as operators increasingly prioritise strategies to create long-term relationships with customers and extract more value from each transaction. The shift to digital has also increased demand for logistics technical skills, such as order fulfilment and the ability to use a variety of digital tools and platforms. At the same time, demand for other skills, such as those used for cashier positions, is declining rapidly.

Our survey of operators globally shows that technical and cross-selling skills will grow the most in importance over the next two years (see Figure 31). The former is unsurprising, given the shift to online sales and the increasing use of digital tools and platforms in the sales and customer engagement process. Operators do not expect retail staff to possess core IT development skills but at the very least to be able to use technology to improve productivity and efficiency in the sales process, as well as comprehend and use insights from analytical platforms.

The growing importance of cross-selling skills reflects the top priority to maximise the potential of a diverse product portfolio and generate new revenue streams. For operators, it has become more important to have sales professionals who can talk about product and service details that are not obvious to the customer online. In addition, some customers may not fully appreciate the value of an additional product or service without being prompted through a personal conversation.

> As the share of digital sales increases, the less able we are to cross-sell and diversify revenues. Retail staff should be able to bring product options in front of the customer so they're not blinded by the technology.
>
> – Telecoms operator

In this scenario, the expectation of retail staff is to be able to understand the specific needs of customers and identify opportunities to generate additional sales revenue by incentivising them to purchase more products. Examples include buying an insurance product alongside a new device, or a TV package alongside a broadband subscription.

Figure 31

Digital analytics and cross-selling skills are important in an omnichannel world
What are the most important skills for telco retail staff in the changing retail landscape?
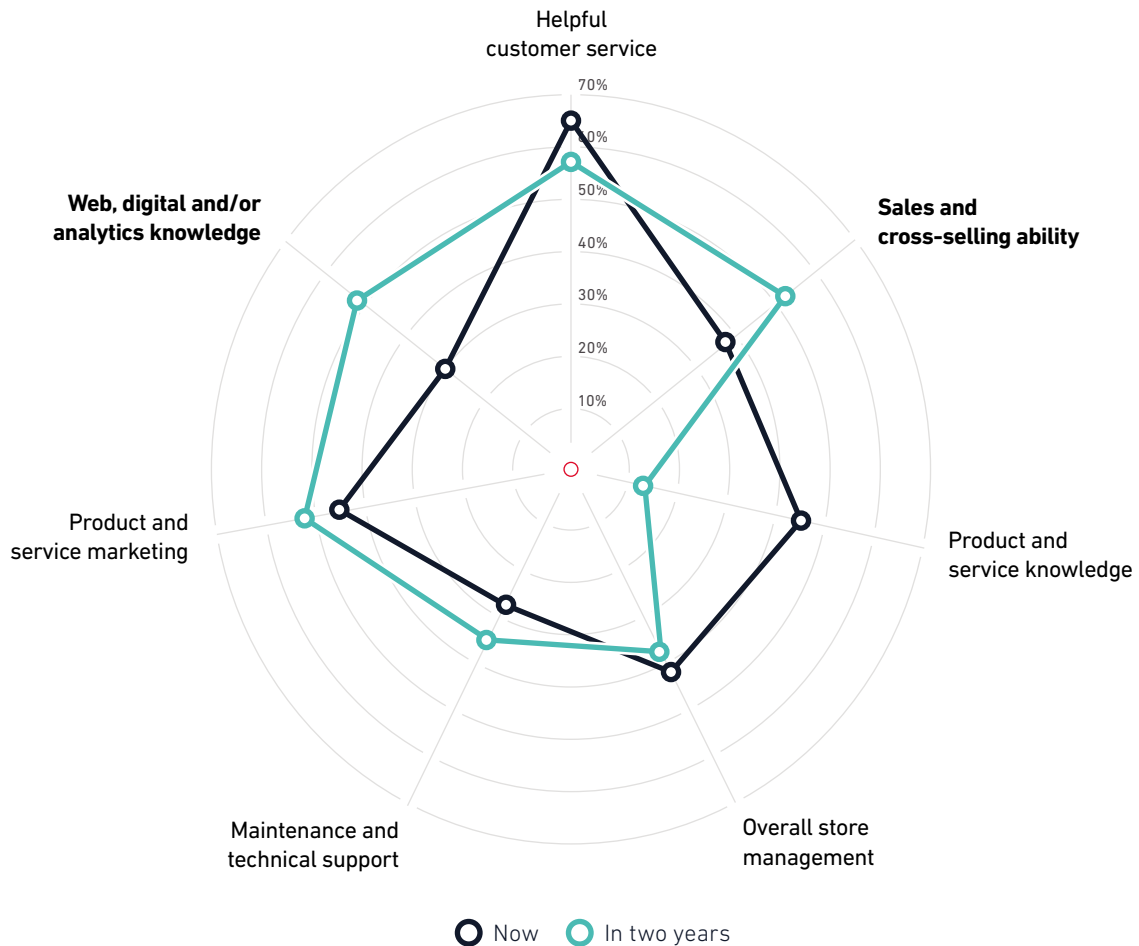
N=100
Source: GSMA Intelligence survey of telco retail professionals, October 2021

With the new skills requirement for the retail workforce, what is the most efficient way for operators to close the skills gap? They can reskill/upskill existing staff to equip them with the required skills and/or hire new staff. Both approaches come with upsides and downsides. For example, reskilling/upskilling enables the operator to retain staff with institutional knowledge. McKinsey research based on UK employers shows that in about 75% of cases, reskilling woul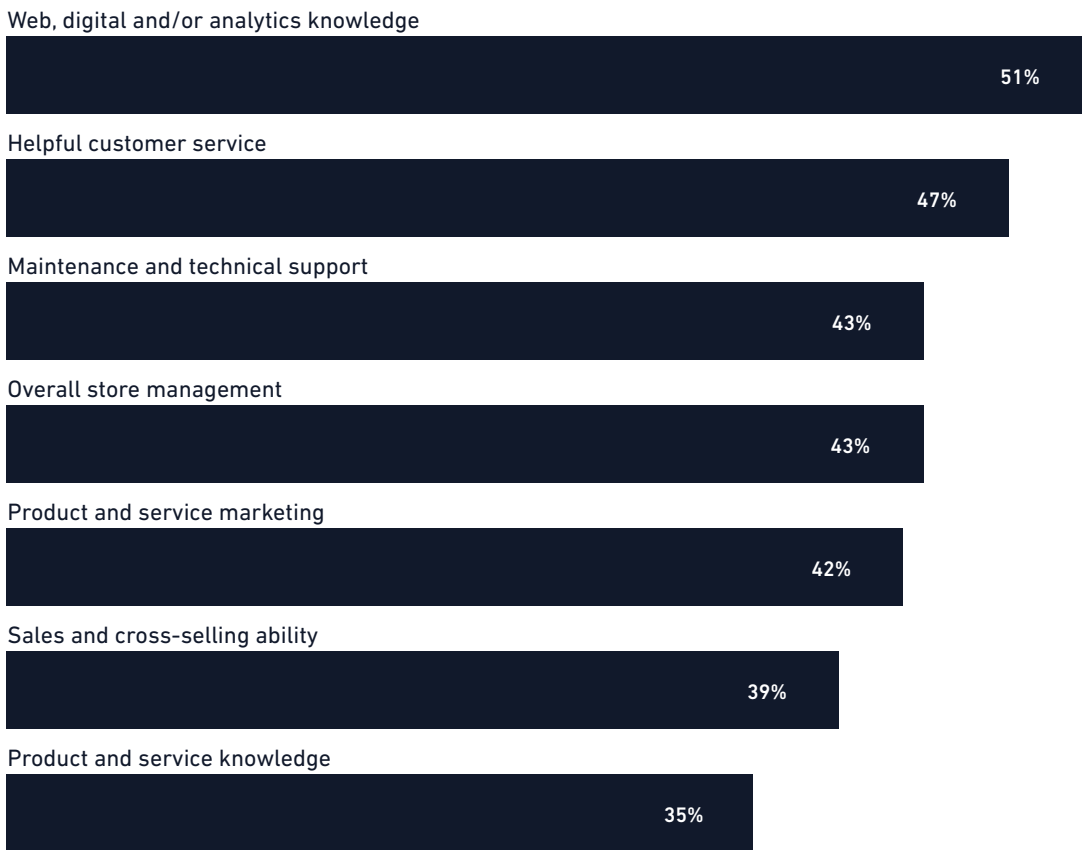d yield positive economic returns in the form of controlling salary costs (external hires are paid about 20% more than reskilled workers), avoiding on-boarding requirements and boosting staff morale.[9]

However, it may be necessary to bring in new staff with fresh ideas and the flexibility to adapt to new ways of working, especially in an environment of rapid change. Some operators are taking a combined approach, with new staff expected to account for up to a third of the retail workforce after the pandemic.

Figure 32

Operators are keen to improve the digital skills of retail staff
Where are you focusing your upskilling and/or reskilling efforts?

Web, digital and/or analytics knowledge
51%

Helpful customer service
47%

Maintenance and technical support
43%

Overall store management
43%

Product and service marketing
42%

Sales and cross-selling ability
39%

Product and service knowledge
35%

N=100
Source: GSMA Intelligence survey of telco retail professionals, October 2021

The decision as to which approach to take also depends on external market factors such as labour laws and staff attrition. For example, upskilling/reskilling is more practical in markets with low staff attrition rates, while operators in markets with high levels of staff attrition may have greater flexibility to hire new staff.

9   "The economic case for reskilling in the UK: How employers can thrive by boosting workers' skills", McKinsey, November 2020

Incentives and compensation: getting the best out of sales staff

Incentives and compensation can be effective tools for channelling the efforts of in-store staff. They can encourage recipients to attain higher performance levels, modify behaviour in a sustainable way, and ensure that staff continue to contribute to future growth. Incentives and compensation are often used together or interchangeably. They generally describe the financial and non-financial rewards offered to sales staff, often in addition to their standard salary, to meet or exceed predetermined sales goals.

With online channels taking sales away from physical stores, traditional target-based compensation structures have come under increased scrutiny, as certain structures can encourage staff to prioritise one channel over another. As a result, retail staff compensation is increasingly taking into account the

rise in online transactions and, in many cases, the redefinition of the roles and activities of in-store sales staff to enable an omnichannel strategy.

Measuring the exact contribution to revenues based on the various customer journeys creates enormous complexity in attempting to distinguish between sales made in-store, additional sales for items delivered to the store, and web purchases made by customers advised in-store. Questions that highlight the dilemma operators face in this regard include: should online purchases be traced back to physical interactions in-store? If so, which store, given that the geographic mobility of customers is a significant factor? How should retail staff be compensated for online purchases where the item is collected in-store?

Most operators now consider cross-channel compensation an important element of overall staff compensation

Do you currently identify and/or reward cross-channel sales effort?
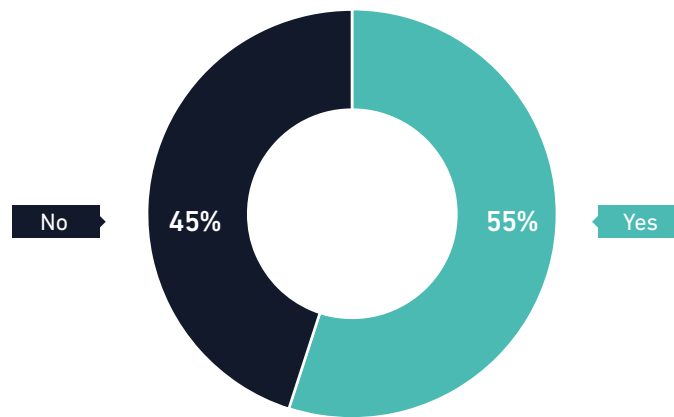
N =100
Source: GSMA Intelligence survey of telco retail professionals, October 2021

Despite the proclivity for cross-channel compensation, there is still no 'silver bullet' for its implementation, with operators taking a variety of approaches, including the following:

- Divide the compensation for an online sale with retail staff in a store, especially if the purchase is fulfilled in that store.

- Increase the base salary as a proportion of total remuneration, in some cases to 80% or more, to reduce the emphasis on commission-based earnings.

- Reward retail staff for addressing complex issues for customers, such as price plan changes, and minimise the time they spend on mundane tasks by

equipping stores with self-service facilities, such as order pick-up lockers and self-checkouts.

- Link incentives (cash and non-cash) and compensation to the sale of devices and accessories in-store as well as cross-selling and upselling activities.

- For an online purchase, capture any physical interaction that took place in-store during the customer journey.

Irrespective of the incentive and compensation structure in place, there is a general trend towards de-emphasising sales target-based compensation in favour of building a long-term relationship with the customer, and creating lifetime value. This requires a shift in the perception of success, away from just the number of items sold or where a specific product sale was made, and towards the overall customer experience. It also removes the need for retail staff to be overly aggressive in their approach (which can be a frustration for customers). Instead, they should understand where the customer is on their journey and lead them through the remaining part of the process, irrespective of channel.

The augmented worker: using technology to improve performance

Digital tools have been used to support workers in various sectors and are increasingly being deployed in retail. These use a variety of technologies, including AR/VR, IoT and geofencing. The user interface also takes a variety forms, from voice (chatbot) and mobile apps to video and text. The use cases vary, with some focused on customers, such as self-service technologies and try-before-you-buy experiences, and others designed for retail staff, such as training and collaboration tools (see Figure 34). However, the ultimate goal is the same – to better equip retail staff to improve the productivity, efficiency and customer experience of the retail process.

Figure 34

Examples of the use of digital technologies in retail

Staff training

In-store kiosks

Customer self-service/ checkout

Sales staff tools providing access to unlimited product information

Augmented worker

Staff collaboration and knowledge sharing

Electronic price tags

Try-before-you-buy experiences

Mobile PoS systems

Source: GSMA Intelligence

For operators, use cases around staff training, collaboration and knowledge sharing, and in-store kiosks are among the most prevalent. With the enforcement of social restrictions during the pandemic, operators have turned to digital tools to carry out staff training and enable collaboration among staff in different locations. A key area of opportunity is the use of sales staff tools, such as apps, that give staff the ability to access product information and communicate digitally with customers. Examples include tools to help customers order products not in stock and guide them through the payment journey.

The ability to use digital tools explains the perception that product and service knowledge could become less important in the future. While operators expect product knowledge to remain a key attribute of retail staff, customers often now have a good understanding of the products they wish to purchase before they step into the store. With an expanding product portfolio, operators recognise it is near-impossible for each member of staff to know the details of each and every product on offer. Digital tools can therefore be used to augment staff knowledge, enabling them to engage with customers more effectively.

Insights from other industries

Retailers are looking for new and unique ways to attract and retain top talent, as well as manage the transition to digitisation and automation amid intense competition and changing consumer habits. Figure 35 highlights examples from companies in other industries.

Figure 35

Managing the staff and skills transition: examples from other industries

Trend	Example
Simplify job application process	McDonald's has changed its job application process. Applicants can use Amazon Alexa to talk through applying for a job. In future, machines will be able to conduct interviews for certain roles too.
Integrate retail staff into omnichannel strategy	UK fashion group Oasis fuses its e-commerce site, mobile app and physical stores into a seamless shopping experience. Sales associates use iPads to provide on-the-spot, accurate and up-to-date product information. The iPad also acts as a point of sale and allows associates to instantly place an online order for out-of-stock items to be shipped directly to the customer's home.
Employ self-service solutions	Timberland gives shoppers a tablet that is equipped with NFC technology to scan products and signage throughout the store. When the tablet is pressed against the chip, information about that product or offer is displayed. Customers do not have to seek out sales staff for more information and can easily see the deals offered for each product.
Reskill and upskill staff to maximise the digitisation and automation opportunity	As Amazon increasingly turns to robots and automation technology, the company plans to spend $700 million to retrain a third of its workers in the US to operate in a technology-driven environment. The programme amounts to one of the world's largest employee-retraining efforts, with around 100,000 workers set to be retrained by 2025.
Build an internal communications system to enhance staff engagement and knowledge sharing	French gas station operator Picoty has deployed a digital platform as a channel to link headquarters, points of sale and field teams. The platform has enabled the company to rework its internal communications strategy so that sector managers are able to share tips, trends and best practices from their teams, to inspire and inform employees.

Source: GSMA Intelligence, company announcements

KPIs: now and in the future

The workshops that were part of this project indicate that number of store staff is the most tracked KPI among operators, with 95% of groups tracking this. This is followed by the average number of staff per store, currently tracked by 90%. Just under a third of respondents intend to start tracking the average number of training hours per month per store staff member, reflecting the increasing focus on staff reskilling and upskilling. Upskilling in particular can equip staff to function in new roles. A quarter of respondents intend to start tracking the number of staff that go into a new position within the same company (see Figure 36).

Figure 36

Future KPIs to reflect retail staff reskilling and upskilling efforts
Which of the following KPIs do you track?

Average number of staff per store

90%	10%

Total number of store staff

95%	5%

Average number of training hours per month per store staff member

65%	30%	5%

Average store staff tenure (years)

70%	15%	15%

Average age of store staff (years)

65%	10%	25%

Share of store staff that go on to a new position within the same company

35%	25%	40%
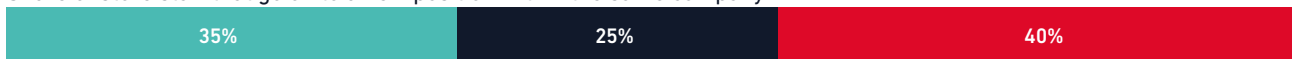
■ Currently track   ■ Intend to track in future   ■ No plans to track

N=20
Source: GSMA Intelligence survey of telecoms operators in the Future of Telco Retail project

In addition to the KPIs highlighted in our survey, operators track a range of other indicators, some of which focus specifically on the individual. Focus appears to be shifting away from the number of retail staff in-store to the 'labour hours required'. This provides flexibility to engage retail staff only when they are needed and not pay for resources when they are not required. Other KPIs track the relevance of the retail workforce to a given location or environment as well as customer satisfaction levels. Examples of other KPIs tracked by operators include the following:

- Some track diversity and inclusion metrics for each store – for example, how many women are employed in a particular store.

- Some track the average age of staff per store and try to have a good balance depending on the location of the store.

- With the expansion of the product portfolio to include more complex offerings, some telcos track new qualifications – for example, credit and insurance advisory qualifications. For those that utilise a franchise model for their retail footprint, this indicator helps to motivate retail store partners to employ and retain qualified staff.

- Some track footfall traffic in-store and the sales conversion rate. Likewise, some also track productivity through revenue per retail staff member – a blunt measure.

- Many track several qualitative performance indicators, notably customer engagement and customer satisfaction, in line with the intention to improve customer experience and build long-term relationships.

The big five: critical opportunities and challenges

Opportunities to exploit

	What to pay attention to	Role of retail in omnichannel success
Human interaction	When customers move between online and in-store experiences, they want the same products to be available, and want their experience to be seamless.	Retail stores are a key part of the experience operators create for their customers. In-store staff can better understand customer intentions and satisfy their needs.
Augmented worker	Digital tools and technologies can improve the productivity of retail staff, drive efficiency and improve the customer experience.	Having the right tools in-store gives the customer confidence and empowers retail staff to sell more.
Upskilling and reskilling	Staff training is key to realising the potential of omnichannel. Innovative training methods, such as gamified learning, are proving popular and effective.	A skilled workforce can create a competitive advantage in a number of areas, notably customer retention and cross-sell/upsell.
Data and insights	A 360-degree view of usage and spending patterns and other indicators can be used to build a contextual picture of who is buying which products and services.	Leveraging key data and insights on buying intention enables retail staff to identify and deliver a personalised and contextual experience to individual customers.
News ways of working	Remote working allows operators to serve customers unable to attend the stores, as well as utilise talent without the limitation of a physical location.	The face-to-face element of retail is an important part of human interaction in retail operations, but there is an opportunity for operators to embrace digitally enabled human interaction to expand reach and draw from a larger talent pool.

Challenges to navigate

	What to pay attention to	Role of retail in omnichannel success
Covid-19	The distributed nature of the retail workforce and physical contact in-store leaves operators vulnerable to employee safety concerns as well as isolation and social-distancing measures.	Retail stores serve communities on the frontline. Measures to ensure the health and safety of customers and staff are critical to maintaining and building new customer relationships.
Staff attrition	The pandemic has accelerated staff attrition among retail staff, with relocation, footprint rationalisation and job security among key drivers.	Retail strategies can embrace change and become more agile in understanding staffing requirements and allocating the right resources.
The skills gap	The transition to online comes with a shift in the type of skills needed in management and the balance of roles required across the retail footprint.	Retail strategies can evolve in line with the changing selling environment, and equip the retail workforce at all levels with the necessary skills for optimum productivity.
Cross-channel compensation	The shift to online creates uncertainties for retail staff, especially when compensation is tied to activities that customers increasingly perform online.	The success of omnichannel depends on finding a suitable modality for cross-channel compensation and one that can keep retail staff motivated to contribute to growth.
Social justice	Customers and employees are becoming more attuned to social justice issues and, in many cases, demonstrate this through their engagement with corporate brands.	Retail stores are the 'face' of an operator brand in the community and can serve as a platform to express key CSR values, especially in relation to employee wellbeing.

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