

3 ways automation can save the retail industry from recession

Vamsi Vellanki, Director of Strategic Partnerships at Grene Robotics.



The world we live in is led by consumerism. Be it necessities of life – food, shelter, clothing – or materialistic pleasures, consuming things, products and services has influenced human behaviour and driven the global economy for years, making the retail industry one of the most sought-after places to be. [The global retail market is expected to grow at a CAGR of 7.7% from 2020 \(\\$20,331.1 billion\) to reach \\$29,446.2 billion in 2025, and \\$39,933.3 billion in 2030, at a CAGR of 6.3%.](#)

What drives this industry is the constant need to create more options and fulfil human desires. Yet, despite the size and share of the retail industry, it suffers due to the lack of technological advances, problems like recession, and a dearth of skilled labour.

What also pulls the industry back are factors like higher costs, supply chain problems, and the need for higher investments. In the hypercompetitive environment, retail-margin pressure is a persistent and mounting issue driven by more intense competition, investment in e-commerce, and pressure to increase wages. Covid made the situation worse with online shopping becoming a preferred way of buying, and it also allowed employees the opportunity to ponder over personal fulfilment desires. Retailers were pushed to incentivise retention among both customers and staff.

What is the current scenario?

In the present-day situation, the global retail industry is dealing not just with the above-mentioned issues but also with the financial crisis, unemployment, and increasing inflation rates. A recession is a real problem. And Gartner, in one of their sessions on analysis of previous recessions, mentioned that businesses who were willing to "spur innovation, change strategy and take risks" outperformed those whose strategies were characterized by "conservatism and cost-cutting".

This implies that companies who have proactively chosen to include innovation and technological advancements in their strategies have successfully dealt with situations like the recession. In fact, including automation as a strategic initiative in their business plans has proven to be a game-changer. Automation ramped up business efficiency and saved the business a lot of money.

Automation aids analytical thinking, creativity and flexibility backed by data and artificial intelligence.

How can automation help the retail industry?

Historically, people have looked at automation in the retail industry with apprehension and doubt. The real fear is getting replaced by machines. While no one has ever ascertained this yet, there is doubt. The change with automation will be less about job loss. It will focus more on the evolution of jobs, the creation of new ones, and reskilling.

1. Automation aids risk management

The retail industry has a high risk-taking capability. Even then, it needs a better risk mitigating solution, especially during the recession. Allowing robots to do mundane jobs and letting people do more meaningful work helps minimise risks. Robots don't get tired of doing repeated jobs and since they perform rules-based tasks with higher efficiency and accuracy, it becomes easier to speed up processes and minimise human errors. As a result, reducing risk on several parameters.

2. Automation offsets margin pressures

Retail-margin pressure is driven by intense competition, high investments in e-commerce and the constant pressure to increase wages. While these are age-old problems, the solution lies in automation. Traditional cost-reduction methods no longer seem to be working or benefitting the industry. Retailers are unable to pass on costs to their customers. They are forced to offer lower prices and absorb costs. By integrating automation, they are aiding operational efficiencies and bolstering margins.

3. Automation enhances customer experience

Most retailers work on outdated point of sale (POS) software and deal with problems such as frequent system downtime, inability to meet customer and technology needs compared to the competition, and insufficient security measures. They also face operational challenges like stock loss, zero purchase visibility, lack of remote management of the store, no real-time insights,

poor appointment experience, and dead stock, to name a few. While retailers are dealing with these issues, consumers are demanding convenience and contactless transactions. They need elevated shopping experiences backed by innovation, customer-centric campaigns, and after-sales support.

Automation allows retailers to offer the newest and most innovative retail management and shopping experience. From a real-time updated product catalogue, digital tracking and auditing, live sales tracking, real-time dashboard and sales analytics to AI-enabled inventory and stock management in real-time, and multi-store management services, automation can change the way retailers work both online and offline. All this while continuing to engage with customers, be in sync with emerging trends and ensure that customer stays with them.

In conclusion

While the recession may be a bi-yearly thing now, upskilling the workforce to adopt, integrate and enjoy automation is every responsible organization's duty today. When technology can help smoothen processes, give a better work experience to the employees, and help them serve the customer better, then why to shy away from embracing it. Automation will reshape the value chain in retail and help create a 'Smart retailing' ecosystem.