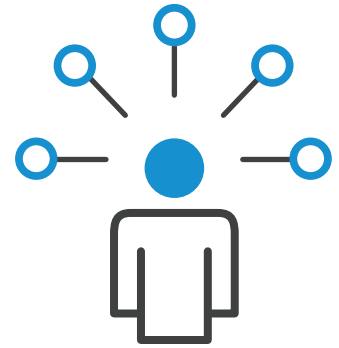


The Five Decisions That Matter in Building the New Retail Ecosystem



Section 01

The ever-changing retail landscape

The retail industry has already undergone significant transformation and giants like Sears and Toys “R” Us paid a hefty price for their complacency. Is the worst over? Industry analysts are confident that fewer stores will close in the near future, but nothing indicates that the pace of change is slowing down. On the contrary...

Some of the biggest trends affecting retail include experiential shopping, omnichannel convenience, expansion of online stores into physical locations, and industry consolidation through major mergers and acquisitions.

And while these changes are not going away any time soon, retailers will also have to pay attention to emerging trends such as more effective personalization strategies for the entire customer experience, voice-assisted shopping, experimentation with new store formats such as showrooming and pop-ups, and the rapid rise of private labels from marketplaces like Amazon and Target.¹

As a retailer, you need to make the right investments to thrive and survive. Your decisions will impact your future.

¹ Ruff, C., Unglesbee, B., Heller, L. and Salpini, C. (2018). “7 trends that will disrupt and define retail in 2018.” Retail Dive <https://www.retaildive.com/news/7-trends-that-will-disrupt-and-define-retail-in-2018/514064/>

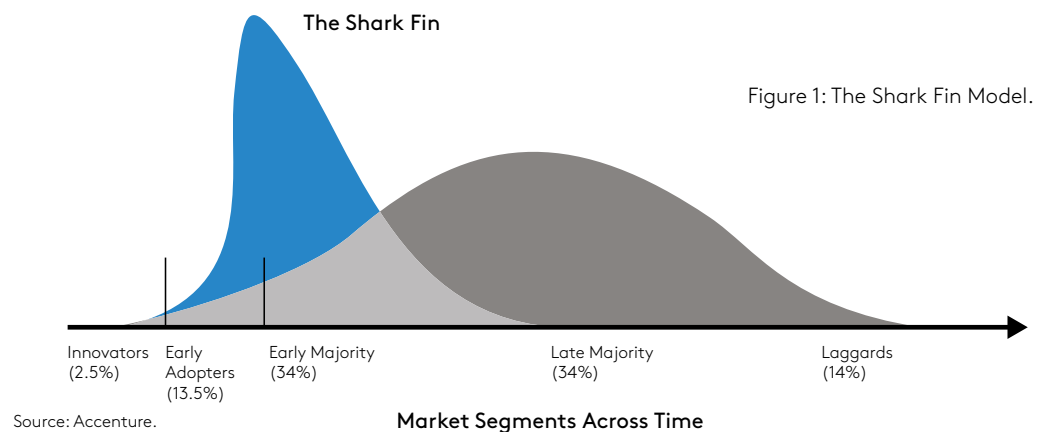
The Necessity to Make Bold Decisions

Change is always a bit unsettling and when nobody knows exactly what the future holds it is tempting to be cautious and to limit initiatives to pilot or side projects. But digital transformation tends to favour the bold and brave for two primary reasons.

First, the level of change is so radical that you can no longer avoid the tough questions. Walmart CEO Doug McMillon expressed his regrets for not being more aggressive with e-commerce early on. When a trend can potentially disrupt your business model, you have to make it a “must-win” aspect of the business.²

The second element that favours bold decisions is speed. For years, technology adoption typically followed the shape of a bell curve, but new evidence suggests that the bell curve has been compressed to look like a shark fin. Innovators rise rapidly, and then it’s time to reinvent the business again. With a compressed bell curve, the new motto is “If you’re not first, you’re last.”³

With this in mind, let’s now look at the five decisions that matter in building the new retail ecosystem.



2 Ignatius, A. (2017). “We need people to lean into the future.” Harvard Business Review. <https://hbr.org/2017/03/we-need-people-to-lean-into-the-future>

3 Ignatius, A. (2017). “We need people to lean into the future.” Harvard Business Review. <https://hbr.org/2017/03/we-need-people-to-lean-into-the-future>

Decision #1

Changing Your Brand's Vision (or Not)

As any good brand strategist will tell you, your brand vision should encapsulate who you are (your brand values), your envisioned future, and your brand's purpose.

A strong brand should be able to stand the test of time, as most luxury labels like Chanel, Tiffany, and Louis Vuitton do. When your brand is strong enough, you manage not only to build an emotional connection with customers, but also to provide inspiration and guiding principles for employees.

In these turbulent times, you need to ask yourself more than ever: Do you have a clear idea of what future success would look like and can you get there without changing the essence of the brand?

Decision #2

Revising or Adopting a New Business Model

Even if you don't need to redefine your brand, you may still have to question the validity of your business model.

As we all know, new technologies have favoured the emergence of new business models. The platform business in particular has made it possible for start-ups to rapidly build large empires with minimum investments. Similarly, the rising popularity of the pay-per-use model has led to the arrival of companies like Rent the Runway, which lets customers wear top designer brands without actually owning the merchandise.

Changing your business model is understandably difficult when the old model is still highly profitable, but as the story of Blockbuster's fall reminds us, holding too long to an old business model for profit's sake is no strategy at all.

Contrary to popular belief, Netflix did not kill Blockbuster. The company was in trouble long before digital content distribution became the new mainstream standard. After years of exploiting a highly lucrative business model, Blockbuster tried to reinvent itself as a convenience store by selling candy and toys, only to realize it did not solve the main problem: giving customers a compelling reason to come to the store.⁴

So make sure you ask yourself: Is your business model truly centered around the customer?

⁴ Salem Baskin, J. (2013). "The Internet didn't kill Blockbuster, the company did it to itself." Retail Dive. <https://www.forbes.com/sites/jonathansalembaskin/2013/11/08/the-internet-didnt-kill-blockbuster-the-company-did-it-to-itself/#21ab45656488>

Building a Differentiating Customer Experience

Decision #3

Historically, retailers have often focused on a single aspect of the customer's value proposition. Take Walmart with its low-price guarantee, Nordstrom with its impeccable customer service, or Sears that used to offer a large product assortment. But consumers today want everything—low prices, choice, convenience, irreproachable customer service, etc. They want the ultimate customer experience.

According to a survey by Boston Retail Partners (BRP), there are four pillars to consider in order to build a differentiating customer experience in retail: personalization, mobile strategy, unified experience, and data security.⁵

Customized Experiences

Customers have become so accustomed to getting a personalized experience online that they're now expecting the same level of personalization in-store. The challenge is that by the time associates can access the customer's profile—usually at checkout—it's too late for them to make relevant recommendations.⁶

To remedy this problem, retailers are now turning to IoT-connected devices such as sensors, beacons, and RFID with Wi-Fi to better understand customers' intentions as they move through the store. Armed with this precious information, retailers can then send personalized coupons via mobile applications or suggest complementary purchases to in-store associates.

An Integrated Mobile Strategy

Meanwhile, the pervasiveness of in-store smartphone usage offers tremendous opportunities. According to another survey, nearly 60% of shoppers consult their smartphones while they're in physical stores, using them to download coupons, check for competitive pricing, find product information, and even pay for their purchases where available.

These findings suggest that you need to decide how to design the in-store mobile experience as an extension of the in-store experience.

5 Griffin, M. (2018). "Survey: 81% of retailers will deploy unified commerce platforms by 2020." Retail Touchpoints. <https://www.retailtouchpoints.com/topics/omnichannel-cross-channel-strategies/survey-81-of-retailers-will-deploy-unified-commerce-platforms-by-2020>

6 Skrovan, S. (2017). "How shoppers use their smartphone in stores." Retail Dive. <https://www.retaildive.com/news/how-shoppers-use-their-smartphones-in-stores/444147/>

Sometimes all it takes is redesigning mobile apps or rearranging signage in a way that enhances the in-store experience.

Unified Commerce

To succeed, you'll have to overcome data challenges with a platform that offers one single version of the truth.

The BRP survey confirms this is a high priority for retailers. While today only 28% of retailers have reportedly deployed a unified commerce platform for stores, mobile, and the web, this number is expected to grow to 81% by 2020. There is no way around it.⁷

Data Security

Another critical aspect of offering an exceptional customer experience is security. While customers understand—and to a certain degree accept—that retailers need to collect personal data to give them more relevant offers, these practices often spark privacy concerns.

You should not only understand these concerns, but also proactively choose technology and practices that minimize the risk of security breaches such as end-to-end encryption (E2EE) and tokenization, and, of course, offer secure mobile payments.

Optimizing All Aspects of Retail Operations

Decision #4

Enhancing the customer experience is often at the top of the agenda for retailers, but various studies have shown that digital investments in supply chains and operational processes have a profound impact on performance even if they often lag behind in terms of priority.

Let's look at three key areas where the right decisions can take you to the next level: the supply chain and fulfillment process, inventory management, and customer returns.

Supply Chain Optimization

Many retailers are already using data analytics for better decision-making, but the difference is that now they can spot inefficiencies along the chain by analyzing information from a greater number of data sources: machines, in-store sensors, online interactions, and big data.

⁷ Griffin, M. (2018). "Survey: 81% of retailers will deploy unified commerce platforms by 2020." Retail Touchpoints. <https://www.retailtouchpoints.com/topics/omnichannel-cross-channel-strategies/survey-81-of-retailers-will-deploy-unified-commerce-platforms-by-2020>

Retailers can then leverage artificial intelligence (AI) and machine learning to make better sourcing and fulfillment decisions. For example, e-commerce sites could incentivize customers who want to return an online purchase to bring it back in the store if they know this particular item is in high demand and the store's inventory is running low.

Better Inventory Management

No matter how much planning they do, retailers never seem to have the "right" inventory on hand. Not anymore.

As more data becomes available and retailers adopt a single platform for unified commerce, AI and predictive analytics will not only help them improve the accuracy of trend forecasting but also suggest the best possible distribution of products in stores and distribution centres, thus avoiding costly adjustments such as markdowns and unnecessary promotions.⁸

If inventory management is a key concern in your organization, you may have to look closer at some of these options.

Customer Returns

Customers nowadays consider returns a normal part of their online shopping journey. A CBRE survey shows that e-commerce returns often range between 15% and 30%, whereas they rarely exceed 8% for brick-and-mortar purchases. Returns cost retailers billions of dollars each year. They can be so expensive that even a company like Amazon bans customers for excessive returns.⁹

But in a world where customer experience is what makes or breaks retailers, such a strategy could quickly backfire. What works for Amazon may not work for you. You have a number of options such as using predictive analytics to prevent customer returns in the first place or integrating AI to determine the best way to optimize returns.

8 White, C. (2017). "5 ways AI is helping improve omnichannel fulfillment." IBM. <https://www.ibm.com/blogs/watson-customer-engagement/2017/08/31/5-ways-ai-improves-omnichannel-fulfillment/>

9 Howland, D. (2018). "Amazon is banning customers over frequent returns. Retail Dive." <https://www.retaildive.com/news/amazon-is-banning-customers-over-frequent-returns/524173/>

Empowering Retail Employees at All Levels

Much has been said about empowering store associates with technology to help them serve customers in a more meaningful way. Expectations range from knowing where and when to access information to coaching customers on using in-store technology.

One thing is for sure: employees need to be trained to handle increasingly complex customer issues. Otherwise, you risk widening the gap between customers' expectations and their actual experiences.

However, it is important to understand that changes in retail are affecting retail employees at all levels and in every department, not just frontline associates. AI, advanced analytics, and machine learning hold great promise for retail, but only if employees are on board and if you give them the tools and training they need to propel their engagement.

Sometimes, however, new skill development is not enough. You'll need to evaluate your organization's cultural fit. As mentioned earlier, a risk-averse culture may hinder your efforts, whereas a culture that promotes learning will help you better respond to opportunities.



About

As one of the Canada's largest supplier of a full suite of retail software designed specifically for the small and mid-range markets, ACCEO Retail-1 currently supports retail clients with hundreds of installed systems and thousands of points of sale (POS).

Since 1983, ACCEO Retail-1 has been partnering with chain retailers to help them optimize their store operations by leveraging management solutions designed specifically for their industry.

ACCEO Retail-1 offers a full range of functionalities covering merchandizing, inventory and promotion management, store and employee sales, customer relationship management, and eCommerce.

For more information, visit our Website retail-1.acceo.com or contact us at **514-631-3336**.