# Retail redefined in the age of digital

## The mash-up of digital and physical experiences means retailers must move beyond omnichannel. Today's retail is omni-everything.

The retail industry is in the midst of a profound shift – driven by a new age of digital consumerism and the march of technology. Consumers are value-conscious, inundated with choices and empowered by personal technology.

But delivering the shopping experience today's consumers demand calls for retailers to extend their core competencies of merchant-ingenuity, operational excellence, and product and pricing centricity. Today's shopping experience calls for retailers to become fully customer centric and operate in terms of how customers want to buy – not in terms of how retailers want to operate.

To support the demands of today's consumers, retailers must not think in terms of digital, physical, or omnichannel operations. Rather, retailers must fuse their operations into a seamless customer journey that allows the customer the flexibility to decide how and where they want to shop and order and they want to return. Today's retail is beyond omnichannel. Today's retail is omni-everything: the fusing of digital and physical to create a seamless retail experience for customers and employees. And it starts with your stores.

## avanade®
### Results Realized

**From Accenture and Microsoft**

## Stores as the hub of digital experience

The line between retail channels has blurred – 71 percent of shoppers expect to view in-store inventory online, and 50 percent expect to buy online and pick up their purchase in a physical store.[1] Stores are at the center of this convergence, and their role is changing – from large, soulless, cookie-cutter stock rooms to immersive, experiential, full-service shopping hubs that deliver heightened customer experience, fulfillment and service.

Retailers investing in this transformation are beginning to see healthy results. The Home Depot (54 percent), Costco (48 percent), and Asda (22 percent) all grew their online revenue at a much faster clip than Amazon (20 percent) during the last reported quarter.[2] At The Entertainer – the second fastest growing retailer in the UK – click-and-collect accounted for 35 percent of online sales over Christmas 2014.[3] Bonobos, originally an online apparel retailer, has quickly expanded its footprint to include 19 "Guideshops." This unique store concept

*"Physical stores lag far behind digital channels in understanding and delivering relevant and timely messages to customers for a more engaged, longer-term shopper-retailer relationship."*

*—Sahir Anand*
**VP Research and Principal Analyst, EKN Research**

**71 percent of shoppers expect to view in-store inventory online.**

serves as a personalized fitting boutique for customers but all purchases are still made online.

The above are exceptions rather than the rule. Mainstream retailers lags behind digital age retailers like Amazon: 80 percent of retailers rate themselves as trailing Amazon in terms of fulfillment capabilities,[4] 85 percent in terms of analytics maturity.[5]

Retailers must focus their energies on the two most critical dimensions of this transformation— engaging the digital customer and empowering the digital workforce.

1   "Customer Desires Vs. Retailer Capabilities: Minding the Omni-Channel Commerce Gap," *Forrester Research 2015*
2   Company Quarterly Publications
3   The Entertainer press quotes
4   "Order Managment Survey," *EKN Research, 2014*
5   "Fourth Annual Analytics in Retail," *EKN Research, 2015*

## Engaging the digital customer

Retail customers are increasingly conditioned by their digital experiences and expect a consistency of "digital service" from brick-and-mortar stores. Research has found growing consumer expectations for transparency and consistency across channels. For example, 82 percent of consumers in a 2015 US retail survey stated they expect a retailer's prices to be the same in-store and online, a significant increase from the 69 percent in the previous year.[6] Retailers must ensure digital customers enjoy the seamlessness, depth and richness of product information and shopping experiences in a brick-and-mortar store that they have become accustomed to on the web, mobile and social channels.

Digital customers don't think in terms of channels; they simply shop. They move seamlessly from one to another, blending the digital and the physical effortlessly. This discontinuous, multi-channel, non-linear path to purchase creates customer engagement blind spots for retailers. By digitally engaging customers across channels and personalizing their experience based on behavior and preferences (while respecting their privacy), retailers can convert this challenge into a customer engagement opportunity.

## What should retailers do to engage digital customers?

- **Offer consumers the depth of the online catalog and fulfillment options in the store through kiosks or "endless aisle" solutions.** A key imperative for retailers is improving inventory visibility across the supply chain and enabling stores as distribution channels. Retailers offering ship-from-store and click-and-collect have seen a 12 percent lift in store sales on average.[7]

- **Remove friction from the store experience, helping to reduce abandonment and increase conversion.** Retailers need to embrace the simplicity and speed of the online shopping experience in the store. Simplifying store processes through a combination of store operations digitization (quicker credit authorization so customers don't wait in checkout lanes), contactless payments (NFC, beacons) and mobile points of sale are critical areas to explore.

- **Infuse high engagement in-store with digital experiences that drive improved conversion and increase basket size.** For example, connected fitting rooms can digitally present promotions and recommendations based on items in a shopper's basket. In addition, in-store digital displays near high-value merchandise areas that display relevant calls to action based on a customer's linger time.

- **Drive personalized promotions across all channels.** Personalization can have a significant direct impact on sales uplift – 18 percent on average, according to a recent EKN Research global study.[8] Investing in integrated campaign management, micro-location technologies (such as beacons), and customer analytics is central to addressing this massive opportunity.

- **Enable shoppers to take full advantage of the power of mobility in-store.** Key focus areas should be mobile use cases such as way-finding based on what's in the shopper's mobile cart or delivering location-based promotions on the smartphone.

6  "US Seamless Retail Survey," *Accenture, 2015*
7  "Omnichannel Agility Study," *EKN Research, 2015*
8  "Omnichannel Agility Study," *EKN Research, 2015*

## What's next in digital customer interactions?

- **Augmented and virtual reality:** Retailer virtual reality applications that allow a true-to-size avatar to virtually try on apparel or accessories aren't far away. Augmented reality, on the other hand, has even wider applications, from product discovery to overlaying rich digital information (product reviews, inventory information, and nutritional information) on physical objects.

- **Connected devices from home to store.** Devices such as Amazon Dash enable one-click reordering at the point of consumption at home. Disney's MagicBand – an RFID-enabled wearable wristband that allows location-based content, contactless payments and integrated loyalty – is a peek into the future of seamless store experiences.



*Digital augmented store at Expo Milano 2015. Courtesy of Coop Italy*

### The future of the fitting room is digital!

A large US apparel retailer is trialing digitally connected fitting rooms, which allow customers to shop interactively while they are trying on clothes. The fitting room detects RFID-tagged merchandise, and a touch screen enables customers to browse products digitally. They can check alternate sizes, styles and colors, and ask in-store employees to bring them other options from the store inventory (employees get a message on their smartphone with the request). All interactions are linked to the customer's profile and they can purchase the products at any point, thanks to POS and online catalog integration. Analytics around product trial and sales conversion rates helps store managers improve assortment.

## Empowering the digital workforce

An energized and empowered workforce is central to retailers' ability to execute a digital approach. Retailers need to break down traditional functional silos and equip executives, managers, and associates with the tools they need so they can work together more seamlessly.

The expectations of the next-generation retail workforce are shaped by their experience as consumers. They expect greater flexibility at work, want to feel empowered in their jobs, prefer to collaborate in real-time over the web or mobile, and expect technology to be easy to use. Millennials prefer to collaborate online for work and 45 percent use their personal smartphone for work.[9]

The promise of an elevated customer experience demands that the retail workforce – from merchandisers to marketers, ecommerce to store teams, corporate executives to store managers – is smarter (insight-driven decision making powered by analytics), more flexible (mobile-enabled), more responsive (always-on, technologically enables) and better integrated (social collaboration, communication).

Retailers also must redefine performance measures and KPIs across the board so that everyone in the organization is focused on the overall enterprise goals versus just local ones. If stores are expected to be fulfillment centers for online orders, store associate and manager incentives must be recalibrated. Retailers should establish clear roles that have accountability and ownership of the customer experience and of driving omnichannel transformation as part of their job description.

## What should retailers do to empower the workforce?

- **Mobile enable store associates.** Untether tasks that previously tied associates to the back room or checkout lanes so they can spend more time engaging with customers. Key areas of focus include mobile point of sale, mobile workforce management, and mobile business intelligence.

- **Empower store associates to deliver personalized service.** Arm associates with customer profile information, personalized promotions and product recommendations right on their mobile device.

- **Enable employees to make key business decisions.** From merchandising plans to supply chain strategy, from customer segmentation to labor scheduling – give employees the business data they need to make the best decisions. Investing in predictive analytics and data visualization tools should be high on retailers' priority list.

- **Unify the workforce across operations, stores, and brands.** Flatten organizational hierarchies and structures via social collaboration and improve communication through cutting-edge tools that enable voice, video, chat and secure file sharing.

- **Make enterprise IT more agile.** By adopting cloud-based infrastructure and applications, IT can help the business improve time-to-market, increase application availability and performance, and reduce cost ownership. In the age of mobility where portability is paramount, a cloud-based architecture can cost-effectively enable secure data and application access across multiple devices, networks and technology platforms, significantly increasing employee productivity.

9   "Internet Trends 2015," *Kleiner Perkins Caufield & Byers, 2015*

## What's next in the retail digital workplace?

- Find ways to embed technology into the fabric of the store through RFID, sensors and cameras to automate or support key operational processes such as shelf replenishment, workforce management and loss prevention.

- Robotics in retail has limitless applications and is already in play at Amazon's distribution facilities and Hointer's concept stores in Los Angeles and New York (30-second delivery from shop floor to fitting room).

- 3D printing is close to reaching an inflection point that will exponentially increase printer productivity while lowering cost of ownership. New in-store experiences and innovative marketing have their greatest potential in retail (consider Neiman Marcus' exclusive in-store 3D-printed pendants and desk sculptures).
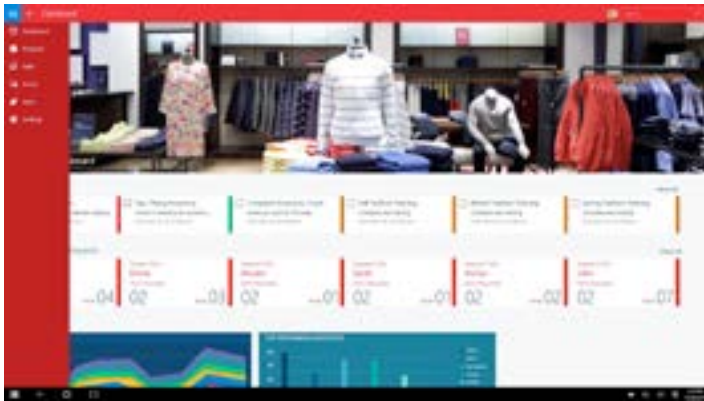


*Store associate dashboard on Windows 10 Tablet*

### Winning in the digital age.

The retail industry is in the midst of a profound shift – driven by a new age of digital consumerism and the march of technology.

Retailers can realize improved results in this new age by using digital technology to create consistent engagement, seamless shopping, personalized attention and the memorable interactions that digital customers demand.

Further, retailers can use digital to enable a modern workplace that is a social, mobile, always-on and data-driven environment. The result: maximum increase in employee and process efficiency, performance and innovation, all of which can help retailers deliver a superior customer experience and create a competitive advantage.

To learn more about digital customers and digital workplace in retail visit www.avanade.com.

---

**avanade®**
Results Realized

**About Avanade**
Avanade leads in providing innovative digital services, business solutions and design-led experiences for its clients, delivered through the power of people and the Microsoft ecosystem. Our professionals combine technology, business and industry expertise to build and deploy solutions to realize results for clients and their customers. Avanade has 27,000 digitally connected people across 23 countries, bringing clients the best thinking through a collaborative culture that honors diversity and reflects the communities in which we operate. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation. Learn more at www.avanade.com.

**North America**
Seattle
Phone +1 206 239 5600
America@avanade.com

**South America**
Sao Paulo
Phone +55 (11) 5188 3000
LatinAmerica@avanade.com

**Africa**
Pretoria
Phone +27 12 6224400
SouthAfrica@avanade.com

**Asia-Pacific**
Australia
Phone +61 2 9005 5900
AsiaPac@avanade.com

**Europe**
London
Phone +44 (0) 20 7025 1000
Europe@avanade.com