



Retail Leaders' Discussion

The future of retail in a data-driven world

Meeting customer expectations through cloud, social, mobile and analytics

Participants:

- Ben Sillitoe, Editor, Essential Retail
- Craig Crawford, VP Luxury Retail, Somo
- George Lawrie, VP & Principal Analyst, Forrester Research
- John Andrews, Founder, IORMA
- Justin Fraser, Senior Director, CyberSource
- Malcolm Pinkerton, Research Director, Planet Retail
- Mark Adams, Partner, eCompetency
- Martin Butler, VP Retail, IBM UK

IBM held a roundtable with experts from across the industry to discuss the changing retail environment.

The discussion sought to answer three key questions:

- *What will be the next step changes in retail?*
- *What does digital in-store really mean to UK retailers?*
- *How can smaller retailers succeed and prosper alongside retail giants?*



The conversation covered many more topics as it emerged that data analytics, social media, cloud and mobile all heavily influence retail - to the extent of changing the way we shop and the expectations of consumers.

The findings are summarised below and are accompanied by videos of the participants sharing their thoughts:

- <https://ibm.biz/BdXBaC>
- <https://ibm.biz/BdXxBW>

The retail leaders' discussion uncovered several areas of retail developments to expect over the coming years and months, including:

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1 - The continuing importance of logistics and the question of how to manage the returns process

Logistics firms often refer to themselves as IT companies. Which is unsurprising: managing the processes of items delivery and returns has become a data-driven activity, and effective logistics depend on careful digital synchronisations throughout a supply chain. The delivery stage is often the one at which the consumer experiences their most heightened emotional connection to a brand, and this stage can also be the one where poor service directly affects ongoing loyalty or repeat purchases. Combined with the fact that data now allows retailers to understand exactly how processes - from international shipping costs, to VAT, to delivery - affect growth and contribute to the cost of sales, logistics are emerging as a prime concern for retailers.

Justin Fraser, CyberSource: “Logistics are key - even as a payments company we need to stay ahead of this. High end and high risk verticals are now being identified by retailers as they learn how to use data. Shipping and order costs pose difficult issues for growth. We need to automate processes around this and link the payment system to the customer, for example, to understand how they bundle orders to save on shipping costs, and do this in real-time. We now have this deeper understanding of customers, for example, through social media, and we need to use this insight from varied sources to optimise processes.”

According to George Lawrie, Forrester, **this requires process improvement:** “Same day delivery is a challenge. Shoppers look at availability to pick-up and also at returns policies but most firms have limited process to manage this. The big breakthrough is making all of this scalable – returns, inventory, assortment. Retailers need to be able to scale conversations when the product lifecycle is shortening so consumers can understand the returns process before they buy.”

John Andrews, IORMA, described how **retail changes, yet challenges often remain the same:** “Ecommerce is a go faster version of catalogue selling. In the past people already ordered multiple items and kept one. The rhythm of catalogue business changed when it went to telephone – from 28 day delivery, to 7 days to 48 hours. Retailers’ investment used to be in stores, so they didn’t want distance selling to happen. Delivery to consumer opens a whole different ball game, which now carries two costs structures,” **as consumers now experience a brand through the quality of its logistics,** “delivery service is the personification of brand. The only time the customer ‘sees’ the brand is when using e-commerce, mail order or remote selling. If 50 percent of stock is out – retailers must decide whether to buy more or have a very tight stock management system and returns process. There has been an acceleration of pace, and consumers now expect same-day delivery and instant gratification. This means knowing where products are in tracking, while thanks to new systems, the customer does too. But this means customer service also needs to have this knowledge and there should be automated communication through delivery vehicles.”

Analytical insight and predictive analytics will help stem losses, but depend on obtaining a single view of the customer.

Mark Adams, eCompetency: “Retailers are offering returns to customers, but thinking about it after the fact rather than looking at how to minimise returns. A whole area of ecommerce is not addressed by analytics yet. For example the EPOS architecture isn’t right to address returns to store. There needs to be a tie-in between all channels to capitalise on what happens in-store, through personalisation and other methods.”

Craig Crawford, Somo: “There are further innovative ideas using big data analytics. Brands need to address inventory and return concerns by adopting a single view of customer and of product. For example they could look at ‘red dress in Latvia’, understand why a customer might want a certain item in a specific location and how the transaction is likely to perform - and then adapt it to their best advantage. For example, if the dresses are being purchased for a single wearing and then returned, a business could change its model to offer the dresses for rent instead of for sale. Analytics can help to understand many things. If people are ordering four different sizes for delivery, there clearly may be a product development/quality issue on sizing.”

It is clear that logistics and returns currently pose a critical problem. Working out how much merchandise is out in the field and how to deal with this risk has become a key factor for retailers. In fast fashion retail, as the name implies, items can be out of style by the time they are returned. Analytics can help, for example by working out which customers to offer vouchers to, in order to avoid a return. Technologies should also be combined with software such as ‘fit guides’ and knowledge of previous purchases to create a detailed view of each customer, which can be patched on to trend analysis to further minimise the threat of returns. Social media are one important source for picking up trends; in fashion, again, the key item worn by a celebrity for an event can trigger trends globally, which can be predicted through social media monitoring. Adjusted with existing risk management and fraud tools, insight analytics can make a huge difference to the bottom line and provide an opportunity for businesses to save costs.

2 - Social media and how it has affected retail – localised and personalised shopping

A thorough investigation into the current state of retail cannot ignore the pervasive influence of social media. While it has revolutionised the experience and relationships consumers hold with brands, for retailers - via the use of cloud, data, analytics and through personalisation, smartphone and other mobile technologies - social has thoroughly changed shopping.

Malcolm Pinkerton, Planet Retail explains how social has **disrupted the shopping experience**: “According to our research 35 percent of users take social media into account when making purchasing decisions, but more are interested in peers’ advice. Retailers are not gatekeepers of the brand any more. They don’t control the conversation or its distribution. When it comes to monetisation, it’s not about encouraging consumers directly to buy on Twitter, or Facebook, but taking a more subtle, social approach which is encouraging them to *share* their experience in social media. Millenials are causing a disruption in shopping channels and retailers need to look at shoppable content. There are lots of great examples of successful social campaigns, for example using shoppable Instagram feeds.”

However, **social for social's sake makes little sense**. Craig Crawford, Somo, explains how **retailers need to be aware of their own audiences, for example the discerning luxury customer, and operate their systems accordingly**: “For luxury brands logistics is easier as they have a smaller inventory pool, so that may be less of a concern technology-wise. But luxury brands care very much about social media and the sector is leading the way, which then influences customer expectations across the board and all shoppers want a personalised experience. What luxury pioneers... low-end and mass retail will follow. Customers are craving the one-on-one experience, but the question is how does the organisation internally adapt its own business to provide an individual service? Businesses are often engaged in social if it seems the right channel for the brand, but they are frequently only in broadcast mode rather than interaction. In the store, location-based technology will be the trigger for identification of whom to engage with and how to do it. The brand's responsibility is to curate and to understand the consumer and work with the brand ambassador – this may be the delivery person or the salesperson or the click to chat person - to ensure that the contact with the brand delivers the required experience. Importantly, this means providing the opportunity to answer back- it's a conversation. For individual engagement, companies need the infrastructure to reply in real-time, and also the location-based technology to identify customers as they enter the store premises, which is very important in understanding the customers and their behaviour.”

Malcolm Pinkerton, Planet Retail: “The industry has changed, but to the retailer and customer it's still just 'shopping'. All are trying to chase the new normal but at the heart of it is the need to understand the consumer and to make sure staff are on same playing field as empowered consumers – this means digitising the store, facilitating showrooming, but also about serving the customer better by equipping staff with tablets. For this social media should be hugely taken into account, and brands should be engaging with consumers as curators of content, encouraging them to share positive experiences and rewarding them for doing so.”

3 – Wearables and the device-strewn path from geo-location to personalisation

The explosion of social media and its growing influence on commerce is closely tied to the increase in mobile devices consumers use to interact with brands and each other throughout the purchase process. Mobile, social, cloud and analytics are combining to create new experiences and a more integrated type of engagement between consumers and brands. Thanks to mobile devices, technology is making the high-street more attractive as a destination. While devices may change and evolve, mobility and high expectations for in-store and cross-channel streamlined interaction will remain. The latest incarnation of mobile interaction is in wearable devices which take personalisation to an even more intimate level.

George Lawrie, Forrester provides **warnings on how these devices are used**: “there are so many things to fix before wearables can be operational. It's the content, the advice which is valuable and the warmth and personal approach. It's not about promotions - that's where it's all gone wrong. It's about the content.”

As mechanisms to capture and review data, and based on insight from analytics, the devices themselves may change some of the roles and actions of retailers, according to Martin Butler, IBM: “in the future, the role of the supermarket may be in helping to optimise the spend of a family. Say how they spend on bills, in a connected home, and this can be monitored and managed via a mobile device.”

Craig Crawford, Somo: "It comes back to service and providing support in the best way possible. Wearable devices are more discreet than phones or pads so they work well to alert in a non-invasive casual manner. For store managers, wearable devices provide alerts when high-net worth individuals enter the store or when highly anticipated stock has arrived. This helps store associates improve the experience for customers. A wearable device isn't appropriate for all CRM data. For example, some luxury consumers don't want to be approached in-store, and sometimes retailers may be dealing with a high net worth individual's personal stylist rather than the individual themselves. Shop staff need to know who is shopping and be aware of their buying patterns. Mobile devices such as phones and pads are better suited to accessing this rich data. It's therefore the ecosystem of devices at retail, right tech for the right task, that create rich meaningful brand/customer engagement."

Whether captured on a mobile device or other in-store touchpoints, analytics applied to the data helps optimise processes and improve service: "Brands, for example, may also use analytics to refine the perfect fit of clothes or to send the data to designers for consideration when future collections are created."

Mark Adams, eCompetency: "One purpose of mobile consumer technology is to enable digital receipts in-store. This doesn't always require a big shift in IT – low-cost, cloud-based capture can track all in-store transactions in under six months. But this huge amount of data needs to be used - how do retailers drive the experience and use the data?"

Malcolm Pinkerton, Planet Retail: "Again it's about linking up channels. Retailers should use wearables to link-up content with social channels and improve and augment the shopper's experience. Google Glass might not be around in the future, mobile will be. Brands are becoming more integrated, linking product and content to social media. Service and hospitality are important and we need to make sure we are using technology in an effective way to provide these. Customers need the staff to know more than them and enable them through this technology - embracing the consumer and using right technology in the right-way to provide the best service. Ultimately, retaining the shopper in the store environment will mitigate the showroom effect. To appease the always on shopper retailers will need to be where the shopper is, not where they want them to be. The best way to do this is to build solutions around the technology consumers already own. As the path to purchase gets shorter, it will be harder to influence spending decisions. However, there is one constant as shoppers progress through the purchasing journey, and that is mobile, or potentially wearable technology. Leveraging this to hyper target and personalise the shopper experience in a seamless manner will be key."

Craig Crawford, Somo: "Retailers need to look at technology innovation and embrace it. Digital is a journey, not a project. And while technology is global, it has a local dimension, so brands must think about what works well per country when defining digital strategy. For example, in the UK people tend to text, while in the US they call. So an initiative for people to call one another is better suited to the US, while an initiative to send text alerts may be best suited for the UK. Only when technology is meaningful, will stores use it."

From providing in-store price-matching services, to getting an affiliation price for recommending another product (either way providing a win for the retailer), to creating joined-up marketing, and perhaps most of all, by providing convenience and ease of use to customers, mobile devices and wearable technologies are here to stay. Correctly used, they can be exploited to the mutual benefit of the retailer and the consumer. This correct use may include building capabilities around solutions that

a store already has – one example is provide staff in-store access Pinterest or Facebook, providing instant gratification and shortening the path to purchase for the millennial consumer.

4 – Changes in the high-street and in-store developments brought from personalisation

Ultimately, the Holy Grail for retailers and consumers lies in using social, mobile and location technologies for personalisation. Used properly, personalisation combined with mobile can help to deliver truly imaginative and transforming localised services. However this all depends on knowing the customer, and knowing them well.

Mark Adams, eCompetency: “Retailers really need to understand customers better before they proceed to location-based services and get a single customer view first – then capitalise on it in store. In store transactions need to be tied to digital customers in order to personalise experiences.”

George Lawrie, Forrester: “It is amazing but true that studies have shown 11 percent of people with a smartphone check into the mobile website of a retailer when they walk in.” [Malcolm Pinkerton, Planet Retail confirms they have seen similar results of using this technology.]

Mobile will affect the in-store environment and experience, developments in which staff and store associates must be provided the tools to participate.

Mark Adams, eCompetency: “Customers now know more than sales assistants.”

Craig Crawford, Somo: “What we thought was important before will change. There will be just one till per shop, at the most. Apps will evolve and need to be replaceable. But the change and drive to use new technologies in store still often needs to be led from the top to gain full adoption throughout the company. Burberry for example first deployed iPads to its executives to challenge them to see how the company could exploit new technologies with applications such as social media, and to help understand how store associates could eventually use them. The process must start with giving retail staff a connected vision – about the brand and products – which they can then share with the consumer. Technology can help spread that vision further, quicker, more effectively, for example in the case of part-time staff by making it easier for them to be fully engaged.”

Justin Fraser, CyberSource describes how **a better understanding of customer demographics will actually change what appears in the store**: “Bricks and mortar will see a drive in concessions in stores, renting out their own environment. Department stores may have the space and online players may want the physical presence, so both benefit. But they need to be relevant; you can expect to see like-minded brands that target similar audiences cooperating in new way. They will be looking at similar buying demographics, and the stores will be looking at concessions to drive more traffic and to excite the consumer. If they can build-up traffic over the next 10 years then customers may remain in the long-term but in the meantime will always benefit from cross-selling and matched offers through concessions.”

Martin Butler, IBM: “We see many retailers that run their own innovation labs. They are looking into the marketplace concept and new ways of shopping such as driving sharing, neighbourhood shopping, and delivering additional services such as speciality butcher or shoe repair alongside traditional grocery.”

Along with the store environment, the digital environment must evolve to meet customer needs. Retailer apps and the way we use them would benefit from more effective integration.

Craig Crawford, Somo: “Malls are not just a shopping destination anymore and are becoming lifestyle centres in the US, with community activities around a location, bringing in restaurants and entertainment with a high street committee organising events and creating opportunities for retailers. In the same way, there needs to be a joining-up between localisation apps such as 4square and shops and services, with the ability to hail a taxi, book dry cleaning, or get a haircut all from one place – and the digital and physical merged for the convenience of the customer. Stores and service-providers may consider creating their own apps that connect to others – tying it all into one customer experience. So the customer would only need to log in to one portal/app which brings everything together. Consumers become more loyal to a brand when they make life easier, by for example facilitating additional services. When consumers experience convenience through technology and the high street facilitates this, then the high-street will attract more people.”

Ben Sillitoe, Essential Retail: “Organisations such as GSMA are looking to provide the framework to integrate services in a mobile wallet, which will allow for various companies to display their promotions and vouchers in one app. One major stumbling block is that retail is such a competitive sector, and retailers often prefer to do these things individually.”

George Lawrie, Forrester: “I would rather have my own app, to which retailers can provide feeds, rather than to download theirs. Most retailers do not really have a full 360 degree view of customer behaviour because some of the most valuable insight is in data that lies outside the enterprise’s four walls – for example in social media.”

5 – How retail mobile apps bring challenges and opportunities for smaller retailers

The consumer has become the point of sale, and that’s where the retailer needs to go, but they need to think carefully about applications. Not all companies need to be online. Better to specialise in expertise and then coordinate with others to provide the best service. Superfluous technology is being shed in favour of service and convenience. When staple shop equipment such as the cash till is showing obsolescence, apps step in to provide personalised, convenient service.

Craig Crawford, Somo: “As social business advisor Phil Sheldrake says, the vision in the future is that we will all own our own data (like money in bank) and will allow brands to share what we have. SMEs are at a significant advantage when creating the single view, as they don’t need to integrate departments and can implement quickly. They do not run tech programs for tech sake, but can acquire so much rich data they can mine and look at. The cloud plays a significant beneficial role in this too.”

John Andrews, IORMA: “We often buy from SMEs what we cannot get anywhere else. This can include service as well as product, and the purchase often relates to a short term action. But small play is only going to work for businesses that are providing something unique SMEs could make a quick killing and sell globally – and should take advantage of this fact - but often don’t think that way even when they are on the internet.”

By focusing on what makes them unique, and using technology innovatively, smaller retailers can succeed and compete on their own terms. They do not necessarily require the online presence expected of big brands, and instead have the advantage of being able to fulfil customer expectations

for individual service without the need for big IT investments. Social, mobile, cloud and emerging technologies, provide advantages to agile, focused and specialist businesses, giving these business a deep understanding of their customer and product through quick implementation of new services.

Ben Sillitoe, Essential Retail: “What in-store technologies should retailers adopt? Definitely wifi. If you know customers well enough, pick one technology and do it really well.”

Malcolm Pinkerton, Planet Retail: “We are overwhelmed by choice. Niche good quality products backed up by excellent service will stand out. People still love artisan, locally produced product; but SMEs could also benefit from marketplaces, and use other companies to go global. Leveraging the capabilities of the marketplaces, such as the provision of an end-to-end retail eco-system, will only work if combined with a great product. Risk of getting lost in the ground is mitigated at sites such as Rakuten, where vendors have their own individualised shop front... Innovative approaches on the high-street, such as pop-up shops, have a pull for shoppers who enjoy the experience. Retailers don’t even need an app to provide this, but do need a space in social media so they can be talked about as a brand and interact with customers.”

Mark Adams, eCompetency: “We must also remember that certain sectors are showing that online commerce is not business critical, such as grocery where the discounters are not online but are eating big chunks of market share through a highly efficient, store only business model”.

Craig Crawford, Somo: “Marshalls in the US, for example, provides the thrill of finding a bargain in store, which bricks and mortar provide in a tactile way. This experience is different online; it’s just different with overstock sites. Outlets are popular for bargain and discount shopping and these are also becoming lifestyle areas. So there is a place for technology and bargain/discounted shopping. As for smaller retailers, some urban consumers now have their dairy and butcher on call to deliver – because a local farmer’s market app allows this. Again, it is personal emotional attachment to the brand – regardless of its size - and the convenience that technology provides to the consumer that is the differentiator. Mobile enhances, not replaces, an in store experience.”

Justin Fraser, CyberSource: “Innovation, such as Apple Pay are where we are seeing dynamic changes, with merchants interacting with terminal vendors, and also lots of changes in payment methods and EPOS infrastructure. There is lots of capability in smartphones – we are already seeing big merchants questioning investments in infrastructure technology when millions are on iTunes and near-field communications (NFC) and can already be applied to process transactions of any value. It would be arrogant to underestimate what companies such as Apple and Samsung can do with technology. I predict we and other payment companies will increasingly be having front of house conversations with telecoms companies over the next five to six years.”

John Andrews, IORMA: “In Africa for example there are no postal codes, so a GPS address will be provided for delivery drones. We need to follow-on where the consumer is. I want service delivered to me personally and there is currently a gradual shift towards this. Drone technology- follows where the consumer is – just like EPOS must.”

Malcolm Pinkerton, Planet Retail: “Mobile wallets are more popular in BRIC markets - where the use of Smartphones for shopping is more prolific. However, this is set to change, as consumers start to embrace mobile as a payment tool, not just a shopping companion to help them make better purchasing

decisions. The driver of this will be a joined up approach from the banks, payment providers, mobile networks and phone manufacturers.”

George Lawrie, Forrester: “There is an app weariness. Consumers are only using them once, there is no point in always having apps when they won’t necessarily be used.”

Craig Crawford, Somo: “Apps have value if they provide a service. Some apps will be used periodically, some once, some daily. But we will only become attuned to them once we need them because they provide value.”

John Andrews, IORMA: “Customers keep saying- just make it ‘easy’- this is the most important. They want it now ‘like I do on Amazon’. When they are bombarded with lots of offers though, it becomes too much. Companies should be wary of alienating customers.”

In summary the key word is convenience. Convenience, ease-of-use, rising expectations can all be met through the use of analytics, and an understanding of each customer at an individual level. This understanding will help shape and optimise retail and in turn improve competitiveness through better customer service. Retailers need to join up marketing and need to join up services. When shoppers have an omni-channel mind, stores can only benefit from integration.

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