



Hewlett Packard
Enterprise

Viewpoint

Realize the store of the future

Pursue agile innovation to create a true digital customer experience





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To succeed in the omniconsumer future, retailers must leverage technology to enhance the in-store experience to more closely link physical stores to e-Commerce, and foster seamless pricing and shopping satisfaction across all digitally improved channels.

Provide a more satisfying experience

The linked forces of consumers and technology are driving significant change within the retail sector. Shoppers now expect and demand superior, differentiated experiences across all channels. Traditional lines among physical stores, on-line transactions, and mobile commerce are blurring. The result is the omniconsumer.

As digitization of retail accelerates, spurred by the uptake of the cloud, social media, and advanced analytics and data management, these represent challenges that retailers must meet, and opportunities to seize.

To do this, retailers must pursue agile and sustainable innovation, methods, and technologies to create a more profitable, satisfying buying experience.

Engage in a new kind of retail

Driven by evolving and largely digital technologies, consumers are now shopping, buying, and building lasting brand relationships using a dizzying array of devices and channels. While the focus has been on multichannel marketing, the challenge going forward is to find ways to serve the omniconsumer. These all-channel buyers are more mobile and expect faster, more personalized relationships that are consistent across physical stores and digital environments. They demand broader, curated product offerings, and rapid, varied fulfillment options.

Compelling and satisfying shopping experiences are a given expectation for this demographic. Social media is their natural community. They are equally comfortable strolling an open air mall or surfing a digital storefront. Omniconsumers reward brands that deliver choice and convenience, and punish those lacking transparency or failing to protect their data and privacy.

To harness and serve this powerful new consumer reality, forward-looking retailers must create more responsive, value- and customer-driven business models, which are defined by increasingly agile and collaborative supply chains.

Successful retailers leverage advanced technologies to create endless aisles that blur the distinction between physical and digital environments. They integrate sales, pricing, fulfillment, and other activities across geographies, channels, and markets. Most seek more sustainable innovation that drives productized services, new funding mechanisms, and recurring revenue opportunities.

Driving this change is the convergence of mobile communications, social media, cloud, and the Internet of Things, resulting in a deluge of consumer-related data. Fulfillment, point of sale (POS), and data management activities are moving from single- to multi-channel forms.

Distributed order management (DOM) systems are increasingly common. The need for personalization is driving the adoption of more advanced analytics, micro-targeting, and other innovations.

Digitization of retail is accelerating, and as organizations work to satisfy the new omniconsumer, a new kind of store—the store of the future—is taking shape. According to research conducted by Gartner, 22 percent of organizational leaders indicate they are currently doing some form of digital business. Half intend to be in digital business within two years, and within 3 to 5 years, 83 percent expect to be in digital business.¹ The findings of a recent Deloitte report confirm these key trends. According to that research, digital technologies today influence 36 percent, or \$1.1 trillion, of in-store retail sales.²

¹ Digital Business Baseline Survey, March 2015, Gartner Inc.

² The New Digital Divide: Retail, Shoppers and the Digital Influence Factor, Deloitte Digital, 2014

Get there

To achieve the potential of the store of the future, retailers must adopt a more agile, technology-driven model for innovation. This approach begins with asking a series of questions on how retailers, like you, can adjust current activities to realize greater financial returns. It requires establishing and sustaining a more innovative culture, and effectively measuring and evaluating innovative strategies and methods. Many may also need to modernize their basic business model.

These and other questions and issues should be addressed across today’s still-emerging, digitally driven retail value chain—and should drive conversations with consumers, suppliers, and partners, and within your own retail organization. Customers and associates can and should drive many of the needed changes, making it essential to consider innovation from various perspectives.

A process that encourages change and improvement across a range of key activities is recommended. And it should include establishing a future-oriented retail vision, understanding how the work stream functions in the developing omnichannel environment, being willing to experiment, and knowing how to turn creative ideas into bottom-line business results.

This holistic approach to digitally enabled retailing also addresses the internal and external capabilities needed to implement innovative strategies, including implications for business processes, software applications, and the IT infrastructure. It may be helpful to examine in greater detail the basic elements of this agile innovation process within the context of your retail organization.

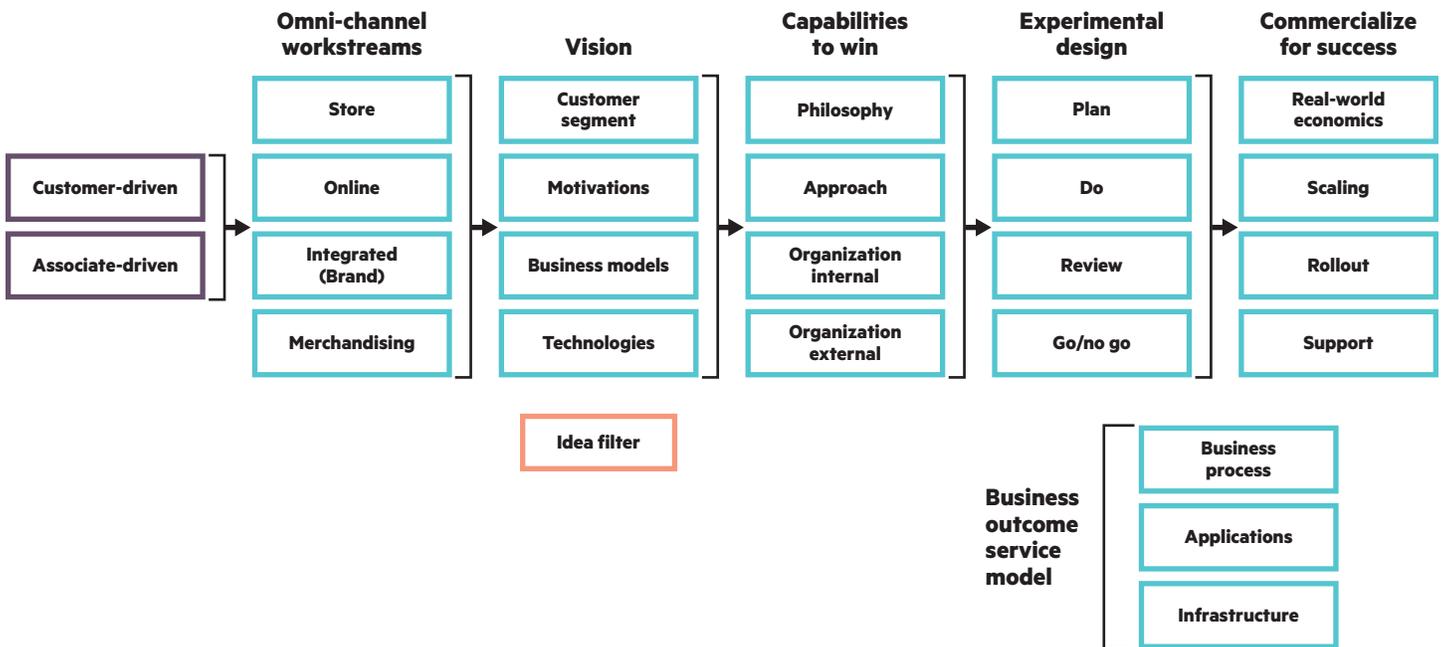


Figure 1: Agile innovation process in the retail environment

Vision

Any workable approach must begin with a clear understanding of what you hope to achieve, and that requires a basic understanding of your customer-oriented opportunities, current and anticipated capabilities, and the competitive landscape.

Who is being targeted—aging boomers, millennials, healthy, wealthy, a dynamic mix of these, or other demographic segments? Consumer- and associate-originated feedback can shed light on shopping and purchase motivations, brand strategies, targeting and promotional methods, and the skills and equipment needed to support successful sales.

Traditional and emerging technologies may span in-store, mobile, web, wearable, cloud, analytic, and data management systems. Business models may be tweaked to accommodate familiar in-store and e-commerce sales, subscriptions and rentals, pay-per-view/click, upfront payments, transaction fees, and other variations.

Potential solutions of all kinds should be evaluated to determine if they can improve your customers' experience and drive enhanced conversion-to-sales.

Work streams

Retailers may better understand the digital store of the future by considering crucial workflows—and how stores and staff can improve the value of the customer shopping experience across these activities. A planning approach based on omnichannel work streams, which describe in-store, online, merchandising, and brand integration operations, is needed.

For example, physical store workflows encompass consideration of products and services, use of space, displays and pop-ups, customer interactions and experiences, staff activities, and the role of the store—including things that can only happen in the store, and how the physical store relates to online efforts and other work streams.

Merchandising includes exclusive and private label brands, offered in-store or online, pricing, promotions, and other variables. Of course, you must also plan for integrating brands, customer service, data and analytics, security, and supply chain activities across all of these multichannel work streams.

Capabilities

When evaluating any potential innovation, a retailer must determine whether it has the human, financial, physical, technology, and knowledge resources needed to implement the idea. A number of methods and priorities affect these evaluations, including corporate culture, risk tolerance, and the philosophy and resources available for experimentation.

The use of internal resources, external resource options, and training requirements will also affect go/no-go decisions on any digital retailing initiative.

Experimentation

By definition, innovation requires doing things that have not been done before, so retailers must adopt logical and proven methods for designing and deploying digitally driven systems. A phased, best practice model includes a well-established process for planning, executing, reviewing, and decision-making within the context of agile retail innovation.

Initial planning should be rapid and iterative, and designed to establish clear go/no-go and knock-out criteria, and accelerate the speed-to-market for promising initiatives. Successful planning gets IT involved early and socializes projects across the business.

The execution phase may leverage proof-of-concept and pilot projects, feedback from your customers or associates, benefit-oriented evaluations, and real-time adjustments. The review process should identify various levels of potential, and should leverage well-defined criteria for fast fail, no-go, and go alternatives.

RSR Research says multi-channel customers are 47 percent more profitable than single-channel consumers.

Commercialize

Once planning, experimentation, and testing are completed, retailers must monetize digitally oriented initiatives. Whether a product idea, an interactive in-store display, or a cross-channel marketing strategy, the effort must be implemented in the real-world retail environment.

When commercializing a concept, you should examine costs and expected returns, scaling, and other operational requirements, and whether additional labor or other resources will be needed. Retailers must often scale ideas fast and across regional store networks. Tasks may require new procedures, training, and technical capabilities. Monetizing efforts may vary by product category, store, or region, and for on-line versus in-store environments.

Use IT to fit the digital future

As focus shifts to the consumer—and as customers increasingly determine the when, where, and how of the shopping experience—astute retailers, like you, are now looking beyond the omnichannel. The real challenge now is to understand and serve the omniconsumer.

Omniconsumers are natives in the digital world: They use multiple devices seamlessly; research and purchase products across on-line and in-store environments; expect a range of pick-up and delivery options; and demand seamless and increasingly personalized experiences regardless of channel. RSR Research says multi-channel customers are 47 percent more profitable than single-channel consumers.³

To meet the demands of the omniconsumer, traditional retailers must add and integrate a growing array of channels. That may require new methods for research and development, supply chains that are more extensive and responsive, and digital brands for these increasingly dynamic, mobile, and demanding consumers.

Many retailers may need to establish more responsive ordering, fulfillment, and return channels, including click-and-collect, order in-store for delivery, and e-commerce for home delivery. To support those capabilities, you need a more robust approach to data collection and management, and the ability to analyze new and greater volumes of information to gain actionable intelligence.

Set up a single digital platform

So how can you best serve the omniconsumer? A holistic, single digital platform approach is recommended. One that combines deep retail expertise with broad capabilities in the New Style of Business—from cloud and mobility to Big Data analytics and security.

This evolving model supports the omniconsumer experience and enables retailers to provide a consistent yet personalized brand experience. A flexible, partner-based platform enables you to extend brands and sales across all channels—from the in-store experience, to at-home e-Commerce shopping, the growing mobile commerce space, and consumers who access any and all of these digitally enhanced alternatives.

- **Transactions**—To support the omniconsumer, you need a single, unified transaction engine capable of supporting on-line, mobile, and in-store purchases and fulfillment.
- **Analytics and data management**—Big Data analytics is a crucial tool needed to support a consistent, cross-channel experience that is personalized to each customer's unique profile, interests, buying behavior, and location. You can leverage those insights to deliver a differentiated and personalized experience across all consumer channels.

³ Omni-Channel 2013: The Long Road to Adoption, RSR Research, June 2013.

Astute retail executives seek strategic partnerships with partners who offer extensive retail sector experience and a solid grasp of the New Style of Business that is driving the digital revolution.

- **Supply chain management**—Integrated data and analytics enable retailers to look across the store and supply chain to assess product availability and generate fully automated replenishment. By merging supplier and retail information systems, your organization can ensure more accurate on-shelf availability while reducing days in stock.
- **Store to the cloud**—Cloud-based computing lets you scale more quickly, support dynamic pricing and advanced POS solutions, more efficiently use IT staff and resources, and pay only for resources actually used.
- **Social networks**—Consumers now communicate, shop, and interact across a growing universe of social media. Forward-looking retailers see social media as a vital touch point to monitor consumer sentiment, defend brand value, and build more stable and profitable customer relationships.
- **Mobility**—On-the-move consumers increasingly use smartphones and tablets to evaluate, select, purchase, and review products and services of all kinds. Retailers must master the evolving science of m-Commerce, from mobile coupons and payments, to digital wallets, augmented reality, location-based services, and mobile websites. Physical stores may be Wi-Fi enabled with mobile apps that offer product and pricing information directly to customers. They are also convenient pick-up locations for products purchased via mobile or on-line systems. Aggressive retailers are using analytics or optimizing space allocation and footprints on a regional basis.
- **Security**—As reports of data breaches and fraud increase, retailers must extend Payment Card Industry (PCI) security standards to in-store, on-line, and mobile channels. Retailers can now use advanced tokenization to secure consumer information and corporate assets.
- **Products**—To ensure omniconsumer satisfaction and loyalty, retailers must enhance product lifecycle management (PLM) to address traditional design, development and acquisition, international marketing, private-labeling, extended supply chains, and regulatory compliance issues.
- **At the shelf edge**—Robust new technologies—including innovative graphic systems, digital cameras, and advanced data and analytics—are revolutionizing the in-store display environment. LED strips on the shelf edge, interactive screens, and multiplying in-store displays now create a digital canvas retailers use to promote brands and offers, customized pricing, and other communications. Interactive screens will enable consumers to shop, purchase, and arrange pick-up or delivery from the aisle, or even from the window when a store is closed. With appropriate controls, digital cameras will analyze the sex, approximate age, dwell-time, in-store paths, and other shopping variables.

While these trends and technologies mean great change, physical stores still matter. The bottom line is that while mobile and on-line commerce is growing, a significant portion of transactions will continue to take place in physical stores.

To succeed in the omniconsumer future, retailers must leverage technology to enhance the in-store experience to more closely link physical stores to e-Commerce, and foster seamless pricing and shopping satisfaction across all digitally improved channels.

Partner for best results

The omniconsumers are here; creating a successful digital retail environment that fits them is complex and challenging.

To compete and win, your organization must deliver a secure, memorable, customer-centric experience. It must transform empowered consumers into loyal customers by turning the static into the dynamic. You need bottom-line business results that requires advanced analytics to distill actionable insights from a rising sea of data.

Not surprisingly, astute retail executives increasingly seek strategic partnerships with allies who offer extensive retail sector experience and a solid grasp of the New Style of Business that is driving the digital revolution.

When evaluating potential relationships, you may consider partners who can help drive customer-centric experiences by supporting robust touch points across all channels. A capable partner should reveal shopper insights, and help monetize data with analytics that encourage targeted interactions and faster business decisions.

And, a true partner must have the ability to plan and manage the enterprise-level transformations needed to support more agile, consumer-driven retailing.

Deliver on the challenge

In the 1980s and 1990s, retailers waged a battle for pure spend. Into the 2000s, mobility and e-Commerce opened new competition across a multi-channel landscape. Today, changes in technology and customer behavior have ushered in a new era for retail: the omniconsumer.

Omniconsumers expect nothing less than a satisfying anywhere, anytime shopping experience, delivered with consistency and convenience across devices, channels, and physical and digital environments. It's a tall order but one retailers must fulfill if they hope to survive and succeed.

The age of data and digitization is now transforming the retail sector, and defining the structure and outlines of the "store of the future." Forward-looking retailers are learning to capture and manage data, and leverage digital capabilities to better understand and serve consumers.

To create a digitally enabled retail business, retail organizations are moving to adopt more agile processes. Many are forging robust partnerships. All must understand and leverage this New Style of Business.

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