

The IT Innovator's Guide to Digital Transformation in Retail

2018



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Introduction

Retail has been transformed by technology in multiple ways, from the way customers interact with retailers to how products are offered and acquired. Indeed, the entire shopping experience has been redefined and expanded to enable customers to purchase products anytime, anywhere, with any device, from any number of retailers.

Consumers' changing shopping behaviors and their reliance on technology enables retailers to reach a wider swath of potential buyers, moving well beyond the borders of their physical store locations to new geographies and populations. That said, retailers must understand how to use technology effectively to draw in customers and entice them to purchase, as well as help them improve their operations and enable new, innovative ways to keep customers coming back.

► INTRODUCTION

A growing number of companies are realizing the importance of digital transformation in their strategy for success. According to a survey of IT decision-makers by IDG, 37 percent of respondents have begun integrating and executing a digital-first approach and 7 percent consider themselves an enterprise-wide digital business. About half (45 percent) of respondents have begun the journey to becoming a digital business.¹

The technology transforming retail is only as effective as the network powering it, however. Speed, agility and flexibility all are critical in running the front-end and back-office systems necessary for retailers to be able to provide a truly customer-centric shopping experience that will maintain shopper loyalty. Technologies including cloud and edge computing, mobile and big data/analytics are being embraced

by a larger swath of retailers that understand the value they bring in providing new operational efficiencies and new customer experiences, while software-defined and automated processes help meet evolving customer expectations and empower front-line employees.

Realizing the Importance of Digital Transformation

Decision-makers that have begun integrating and executing a digital-first approach:



37%

Decision-makers that consider themselves an enterprise-wide digital business:



7%

Decision-makers that are on their way to becoming a digital business:



45%

Omnichannel: The New Ordinary



Although most consumers still prefer to do most of their shopping in-store², the online experience has influenced the way they view shopping in general. Omnichannel motions—such as reserve or buy online and pick up in-store—have become valued methods of shopping, as consumers look to ensure their trips to the store are worth the time.

In addition, mobile technology is now table stakes in retail, as generation Z in particular—those digital natives who were born between 1995 and 2012—comprise a large and growing population of consumers.³ Yet, while they

seemingly live on their mobile devices, research is proving they prefer shopping in retail stores over online sites, for the simple fact that they like to see a product before they buy.⁴

And, debunking the myth that Millennials prefer to do most of their shopping online, this younger generation of shoppers actually prefer to interact with products before they buy. Ergo, retail brands that provide an omnichannel experience for these

› OMNICHANNEL: THE NEW ORDINARY

influential groups will see far greater success than those that don't.

For example, retailers could tie together the digital and in-store experience, such as complementing their retail environment with attractive and informative digital displays or providing an app that is additive to the in-store experience. Such actions could help draw in customers who prefer to shop

online, as well as those who favor the in-store experience.

Consumers expect to be able to use their mobile devices in the retail store to compare prices, read customer reviews of a product or even make the purchase using the retailer's app, such as Apple's Apple Store app. They expect the retail store to offer not just a Wi-Fi network but a fast and reliable one.



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Making Ordering Easier

As the internet has matured in scope and ease of use, so too has the online shopping experience. Early ecommerce sites that were static and difficult to navigate—aside from being unattractive—have given way to dynamic sites that focus as much (or more) on the user experience as on the presentation of products, making purchasing easy and enjoyable for consumers.

As such, more retailers are looking at new ways to reach customers through new platforms and devices to further streamline the shopping experience. But even on their regular websites, retailers are using technology to myriad ways to increase sales.

For one, a growing number of retailers are harnessing the insights derived from big data and analytics to provide product recommendations based on the consumer's purchase history and items currently in a shopping cart,

› MAKING ORDERING EASIER

which can result in higher per-order purchase amounts.

In addition, big data combined with artificial intelligence has given rise to ordering via digital assistants, such as Amazon's Alexa or Apple's Siri. This new trend is showing real promise among consumers who rely on their smart speakers (think Amazon Echo or Apple HomePod) to do everything from dimming their living room lights to finding recipes for Korean bibimbap. Telling Alexa to reorder laundry detergent often can be more convenient than going to the store or even ordering online, especially for consumers with busy lifestyles.

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Chatbots, too, are being used to increase consumer engagement with a retailer. Post-transaction, chatbots can help keep consumers in the loop on the shipment and delivery of their orders. Or, they can be used to nudge consumers to complete orders they've abandoned online. Such technology not only can drive more revenue through completed transactions, but also provides a level

of personalization that email order confirmations don't, which can help drive brand loyalty.

Customers have come to expect the convenience that technologies such as artificial intelligence and smart assistants offer. Retailers have an opportunity to harness these technologies to improve the customer experience.

Mobile Continues to Drive



The omnichannel experience relies on mobile technology as a key driver, whether for price comparisons, ordering ahead to pick up in-store or simply browsing. Mobile is also the platform that enables a number of technologies to further enhance the shopping experience.

Beacon technology increasingly is being used to help create personalized interactions between retailer and shopper, tracking customers and suggesting items based on their previous purchases when they enter a retail location. Beacons also can be used for data

collection and analysis, enabling retailers to understand their customers' shopping habits (right down to the path they take through the store) and further personalize their visits through targeted advertising, for example.

Mobile point-of-sale technologies, too, are becoming more accepted among shoppers, who increasingly want to pay for things from anywhere in the store. Whether it's the retailer's consumer app enabling self-checkout

➤ MOBILE CONTINUES TO DRIVE

or sales associates using mobile devices to check out customers from the sales floor, these technologies are usurping the traditional register checkout process.

Likewise, contactless payments such as Apple Pay are growing among consumers as an accepted technology. Contactless payments enable shoppers to make purchases through digital wallets on their mobile phones, eliminating the need for cash or credit cards as forms of payment. Like mobile POS, contactless payment technology affords shoppers a level of convenience that can bolster customer loyalty.



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Building the Infrastructure for Digital Transformation

Digital transformation in retail requires an infrastructure that is capable of supporting multiple technologies both on-premises and in the cloud and can manage the data transport that many customer-centric technologies require.

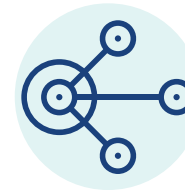
Digital transformation is imperative for survival in today's retail environment, as processes and applications become more digital-centric. For many companies, what started as digital initiatives with social, mobile, analytics and cloud has evolved a digital transformation journey in which digital drives business and new technologies drive new opportunities.

Hybrid cloud and network environments, SD-WAN and high-speed broadband are just some of the technologies that can enable retail organizations to better manage their business applications across all locations, while networking

› BUILDING THE INFRASTRUCTURE FOR DIGITAL TRANSFORMATION

components such as WiFi and unified communications can ensure employees are productive and delivering exceptional customer service at all times.

Working with a network service provider can help ease the burden associated with building and maintaining a capable network. By working with a network services provider, retail organizations can leverage virtual and physical private Ethernet connectivity to assure there are no issues regarding network performance and availability for critical applications at all retail locations. They also can receive all or some of their most critical connectivity functions as a managed service, including managed connectivity, WiFi, security, voice and business continuity, among others.



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1 "2018 State of Digital Transformation," white paper, IDG Communications

2 Ayaz Nanji, "Online vs. In-Store: How Consumers Prefer to Shop," MarketingProfs, July 31, 2017 <https://www.marketingprofs.com/charts/2017/32509/online-vs-in-store-how-consumers-prefer-to-shop>

3 Jacqueline Renfrow, "Generation Z Will Soon Make Up Almost Half of All Consumers," FierceRetail, May 8, 2018 <https://www.fierceretail.com/operations/gen-z-will-soon-make-up-almost-half-all-consumers>

4 "5 Surprising Traits That Define Gen Z Shoppers," Criteo, June 5, 2018 <https://www.criteo.com/insights/generation-z-shopping/>