

# Ten Critical Considerations for Retail Digital Acceleration



Vision, belief, and the path to omnichannel

By Sam Ramji

# Summary

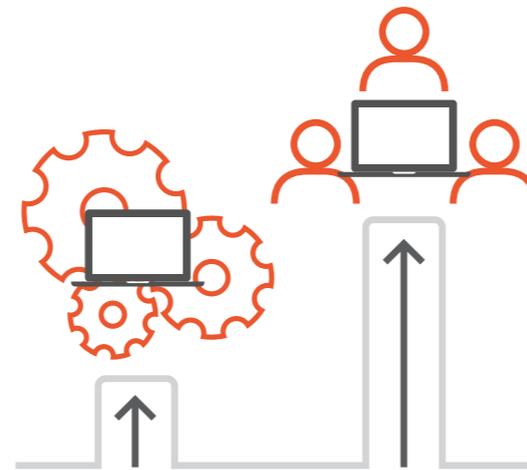
Technology seems to constantly revolutionize the retail industry, and these changes have only been accelerating, thanks in large part to the sudden dominance of mobile devices, social and business networking, and new forms of competition.

Omni- or multi-channel retailing—which encompasses the various avenues to interact with each customer and the ability to seamlessly switch between them—has become a major goal for many companies aiming to take advantage of all the possibilities opening in the digital world.

After discussing this with senior business and IT executives from a variety of retail operations, we offer you ten observations that are notable for their consistency across various companies and their importance in revealing the challenges and opportunities that retail enterprises face when adopting and operating digital business platforms.

# 1 Marketing spend on technology is eclipsing IT investment in technology.

Marketing-led technology spending will only increase in future. The U.K.'s John Lewis Partnership has increased its technology spending 600% in the last 3 years; this amount would have increased faster but the company's leadership felt it was spending at the limit of what the organization could absorb. Other retailers are following suit.

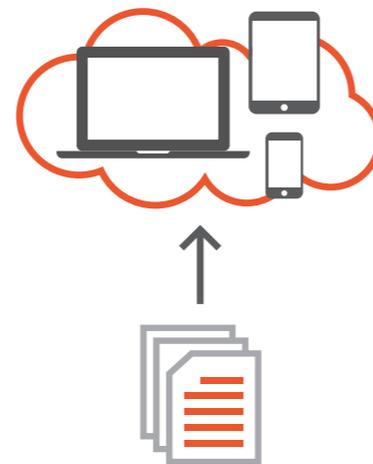


Most importantly, the old conversation about “how do we align IT with the business?” is changing to “the business buys technology to meet business needs and IT implements some of it.” Business teams are now hiring tech leads who then hold IT accountable or find technology resources elsewhere.

## 2 To achieve digital transformation, a company must have a five- to seven-year vision with executive and board support.

“Belief” is still a key theme for retail companies. If they take major strides toward becoming digital businesses, they must have faith that they’ll be rewarded with engagement, profits, and market share.

Older companies, like financial services giant Barclays (founded over 300 years ago) and John Lewis Partnership (founded over



150 years ago), share a sentiment that everything was fairly constant in their approach to the market until about ten years ago, but now they’re in the middle of a huge shift that is accelerating. The shift they point to?

Changes in customer behavior: the use of smartphones, tablets, the web, and social media for research, purchasing, and support.

### 3 When companies can't justify an investment based on belief, NPS—not revenue—is used to support the move to digital business.

The promise of going digital for these companies translates into achieving a higher Net Promoter Score—a key brand loyalty metric—at lower cost. This approach supports incremental increases in investment based on results, which is crucial for less-aggressive companies.



An alternative to NPS is using an “engagement metric” which measures the number of times per day or week that a customer engages with the company. Higher engagement is seen as a leading indicator of satisfaction and revenue through loyalty and through cross-selling opportunities.

4 In the most cautious companies, the move to digital business is driven by building a clear answer to: “what does *losing* look like?”

This approach uses the cost of inaction rather than justifying “going digital” on its own. What has made this approach feasible in 2014 is the broad adoption of digital devices across every level of a company’s personnel, so telling the story of a digital leader is easy.



Picturing losses in engagement and NPS, illustrated through digitally savvy employees and leaders’ own unsatisfying experiences with digital laggards, is a strong motivator.

## 5 Once the drivers and budgets are in place, execution still relies on change management.

Building and deploying the technology is only 20% of the problem; getting employees to understand, adopt, and evangelize it as part of their work is the other 80%.

In some cases, people's jobs will change slightly: now they are using an iPad rather than a PC when interacting with the customer. In other cases, however, their jobs will change dramatically. Digital consumers do



much more research and have more information at hand when making a purchase than do most traditional retail salespeople. Because consumers do more research, they want to be immediately connected to highly empowered employees or deep product experts.

When walking into an electronics retailer, digital consumers don't want to be overwhelmed by

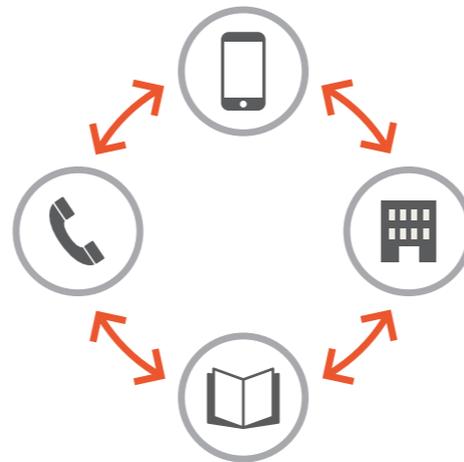
hundreds of products. *They want the store to be simple and clean, with employees who can give them good advice based on their personal needs and history.*

The salesperson needs to be educated on the latest devices and the best financial terms for the customer, interviewing the client about their needs and providing guidance—not standing behind a cash register waiting for the customer to choose and purchase on their own.

In most cases, the employees who are the first to embrace the shift to digital are people in their twenties. Socially rewarding these people not just for embracing digital, but for helping older employees learn the new digital tools, is a powerful move in change management. Barclays Bank created a team of “digital eagles” after observing the behavior of a group of younger employees training older peers; they do this training on top of their normal job due both to their enthusiasm and the recognition they have been given.

## 6 One of the hardest aspects of digital transformation is managing channel conflict within the retailer's own business.

The shorthand for digital transformation in retail is “omni-channel”: bringing together what were once many separate channels (local store, warehouse, catalog, web, mobile, call center, and kiosk) into a single federated business. Each of these different channels have separate employees, histories, pricing, incentives, and employee rewards. When confronted with smaller, more focused, digital-only retailers



that offer consistent pricing and customer experience, multi-channel retailers tend to suffer. A good example of this is Blockbuster vs. Netflix, where the digital-only retailer drove the established multi-channel retailer out of business. What successful omni-channel retailers are finding is that the retail store itself becomes a very significant advantage if it can be aligned with the digital business.

7 A successful response to the channel conflict problem with retail stores is “local catchment.”

This term means that local stores’ responsibilities are not simply to manage the store, but to manage business outcomes such as purchasing, engagement, and customer satisfaction for their geographic location, or “catchment.” Instead of having the local retail store compete with the website or mobile app



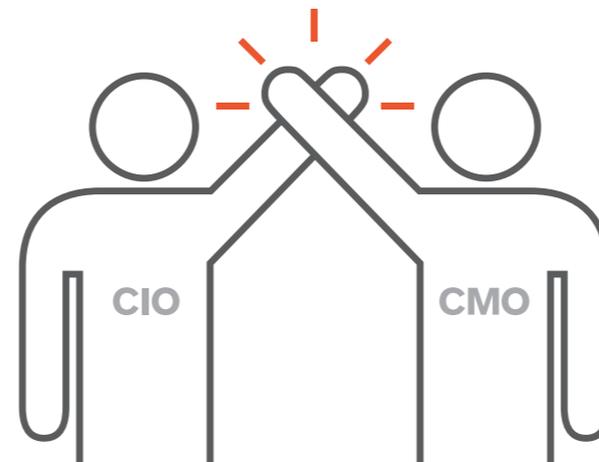
for purchases, this approach rewards the local store for omni-channel engagement and commerce. Credit for web and mobile purchases goes to the store if the buyer is in the store’s catchment. This shift in rewards and alignment can create major victories for the business. For example, John Lewis Partnership-owned Waitrose store

managers collected over 200,000 qualified email addresses in just three weeks from in-store activity, allowing the company to bootstrap a massive digital outreach campaign. These store managers previously never had incentives to support Waitrose's digital lines of business, but now they're a major asset.

## 8 All of this underscores the shift in the relationship between IT and business.

The business owns the technology implementation, and the implementation itself is a business objective. With senior technologists now employed by the line of business, IT is no longer the leader in anticipating future technology needs or in selecting technology products.

The irreplaceable work that IT can do is understand the current state of the historical infrastructure, and how it runs within each business silo.



Bridging and connecting the silos effectively, quickly, and cheaply for new projects and new consumer experiences is the most important thing IT can do. IT's value goes from being the gatekeeper that acquires new technologies to being a trustworthy custodian of the legacy systems upon which the business runs.

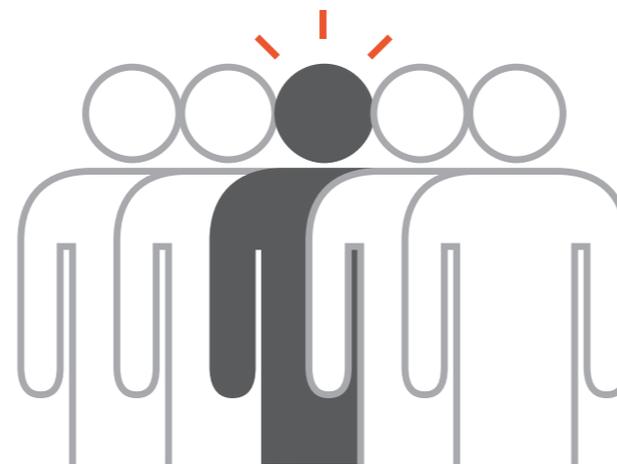
## 9 Integrating retail suppliers is also a crucial IT role.

In a digital business, each link in the chain represents a risk to your customer experience. If the delivery of the product is late, the customer is more likely to blame the retailer they bought it from than to blame the logistics provider. Suppliers must be managed by the business and integrated tightly into the experience in order to protect the brand.



10 Looking to the future, “mass personalization” is seen as the next phase in order to simplify shopping, improve loyalty, and predict trends.

Most retailers seek to “move beyond RichRelevance” (a company that offers personalized shopping experiences for large retail brands) into full omni-channel predictive analytics, enabling accurate segmentation and action across all of the retailer’s customers.



U.K. retailer Argos and Volvo provide a strong example of these new partnerships via a pilot program to provide a “point of delivery” service to the trunk of a user’s car.

This takes personalization all the way from product recommendations and omni-channel experience to location-

New classes of partnerships, like the alliance between Wm. Morrison and Ocado to power retail digital interactions, are just the beginning.

based personalization of delivery. Through digital partnerships, a very different set of capabilities and linked brand experiences are coming into existence.

## Where to go from here...

If you own a digital or mobility program for retail or other business, these eBooks will help you know how to meet the challenges — build a digitally enabled customer experience, digitize business processes, and create your own digital business model and roadmap.

- ▶ Are You Where Your Customers Are? Retail 3.0: Digital Transformation  
<https://pages.apigee.com/retail-transformation-ebook-web-reg.html>
- ▶ Digital Transformation: Getting in Shape for the Digital World  
<https://pages.apigee.com/digital-transformation-ebook-web-reg.html>

See the [Apigee blog](#) for further reading on digital transformation in “e-tail”

Field Notes: E-tail, Data, and the “Smooch”

Field Notes: API Architectures for E-tail

Field Notes: How E-tail Benefits from Digital Transformation

Field Notes: The Digital Path to E-tail

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