The No BS Retail Outlook
The definitive reference guide for the retail transformation pragmatist.
Zero hype. 100% practical.

An annual reference guide for the retail transformation pragmatist.

Based on insights from

6,500 US Shoppers.

1,000+ senior business and technology decision makers.

350+ Innovative retail enterprise benchmarks.

Chapter 1
Shopper Imperatives
Know these 8 expectations. Identify those that matter to your shoppers. Prioritize investments accordingly.

Chapter 2
Store Formats

Chapter 3
Reimagining the Core
Rewire processes and systems. Execute flawlessly. Avoid costly lapses.

Chapter 4
Organization Culture
Go from instincts to insights. Collaborate across the enterprise. Relationships > transactions.

Chapter 5
Digital Priorities
Brass tacks before shiny objects. Unlock value incrementally. Align big bets with imperatives.

Chapter 6
Emerging Technologies
Avoid hype, but don’t put down. Know what to ignore. Prioritize use-cases.
CHAPTER 1

8 shopper imperatives that should be the center of your universe

IN THIS CHAPTER

8 shopper expectations that apply to you regardless of retail format.

What each imperative means for you and what specific experiences and capabilities you need to have.

Understand that not all imperatives may matter to your shoppers. Begin by identifying which ones do.
Efficiency.

Respect my time.

What shoppers expect:

- Frictionless store experiences (seamless checkout, smaller store formats).
- Give me flexibility in how I order, where I receive (multiple fulfillment options, speedier delivery).
- Make it easy for me to buy (seamless profile, cart, payments).

What this means for you:

- Inventory visibility down to store, aisle and shelf level.
- Comprehensive order management system.
- Integrated customer records (including their online cart and wish-lists).
- Advanced scanning, payments and frictionless checkout.

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Transparency.

Be open with me.

What shoppers expect:

- Give me greater visibility into in-process interactions (where is my order; where is my service request; where is my delivery).
- Tell me where was it made / what does it contain?
- I’ll trust you with my data, but let me control what I share and tell me how you use it.

What this means for you:

- Responsible sourcing, ethical manufacturing.
- Transparent supply chain and traceability.
- Clear accounting standards across the value chain.
- Bi-directional data transparency.
Expression.
Give my values a voice.

What shoppers expect:
- Help me stand out in a sea of sameness. (product customization, exclusive products, frequent refreshes).
- Help me tell my story through your brand.
- Hard to replicate local craftsmanship.

What this means for you:
- Re-engineer sourcing and manufacturing processes to allow customization.
- Better understand customer preferences and build experiences around product personalization.
- Ethical practices around sourcing, marketing, and reporting.
- Product design aligned to global and local trends.

Immersion.
Engage me.

What shoppers expect:
- Make the mundane fun (treasure hunt, gamification, brand personality).
- Show me new possibilities by mashing up my physical and digital worlds (AR, VR).
- Offer me the richness of digital in physical environments.

What this means for you:
- Showcase the brand innovatively and create memorable moments for shoppers.
- Create an ecosystem around the product benefits and train staff to sell a brand story, rather than a product.
- Create new possibilities for shoppers through mash-ups of their digital and physical realities.

Patagonia
Patagonia loves people who love nature. It donates 1% of revenue every year to environmental groups. It also stayed closed on Election Day to encourage employees to make a difference to the community and vote.

Dolby
Dolby’s Soho Pop-Up is a journey into the world of sight and sound, featuring unique interactive experiences, private listening rooms, and a private event space and DJ.
Empowerment.
Put me in charge.

What shoppers expect:
- Let me self-serve, I will let you know when I need help.
- Make complex interactions simpler (recipe customization in QSR, order splitting, different delivery options in the same order).
- Give me a digital-like experience in the store (wayfinding, digital promotions, digital product displays etc.).

What this means for you:
- Advanced cognitive and AI capabilities to power autonomy.
- Process digitization and UX innovation to enable self-navigated customer journeys.
- Store staff trained to know when to offer assistance and when not.

ZARA
Zara’s digital store in London has automated online order collection points, a self-checkout area, interactive mirrors equipped with RFID that can detect a garment you’re holding and make outfit suggestions in the mirror.

MM.LAFLEUR
MM LaFleur offers curated workwear options in a custom “Bento Box” for women, based on their style and fit preferences. Its showrooms provide in-person styling and fit advice.

Curation.
Be relevant to me.

What shoppers expect:
- Learn from my preferences and improve my experience.
- Offer me empathetic assistance when I need (clienteling, recommendations, customer service).
- Categorize products in ways I can easily relate with (oily skin, Keto diet, upcoming anniversary).

What this means for you:
- Personalization of products, services, offers and pricing based on advanced customer analytics.
- A narrower but more relevant assortment.
- Community of power users and ecosystem of in-house experts.

References: 1
Seamlessness.

Be where I am.

What shoppers expect:

- Be on the digital platforms that I’m on (marketplaces, reviews, delivery, social, messaging).
- Don’t interrupt my life (voice, predictive exception handling, conversational commerce, automatic replenishment).
- Carry on the conversation (unified cart, lists, service profile).

What this means for you:

- Anytime-anywhere engagement and commerce capability and easy connectivity with 3rd party platforms.
- Single view of the customer and integrated processes to eliminate friction from the customer experience.
- Targeted experimentation with emerging technologies.

Kohl's + Amazon have a synergistic partnership, where Amazon has set up pop-up stores in Kohl's. Customers can shop from a selection of Amazon devices and return any Amazon orders for free.

Belonging.

Connect me.

What shoppers expect:

- Help me connect with my tribe.
- Build experiences around how I use products (immersion, community, service).
- Give me opportunity to share with my community.

What this means for you:

- Curate a community of power-users and brand advocates.
- Spaces and experiences that bring the community together.
- Features for social connect and virtual groups, fostering communication, competition and increased brand involvement.

Apple is re-defining its stores as “Town Squares” - a meeting place for the community. Town Squares include board rooms (for visiting entrepreneurs to hold meetings), coding workshops, technology workshops for teachers and a Genius Grove for customer service.
Not all shopper imperatives are relevant to you. The most successful retailers and brands focus aggressively on between two and four imperatives. They win against competition not by outspending them on technology, but by having a clearer focus on what matters and what doesn’t.

M. GEMI

is a direct-to-consumer footwear brand focused on making luxury hand-crafted artistry more affordable. It curates limited edition designs weekly and makes recommendations based on its customers’ "forma" or fit.

Efficiency
Small store footprint fits urban spaces well. Inventory-less stores keep the focus on brand discovery and fit.

Curation
"Made for Monday" weekly design launches introduce new and curated styles every week. Its "forma" profile helps ensure improved fit.

Expression
The brand focuses heavily on storytelling, its partnership with family-owned workshops and the value of Italian craftsmanship.

Immersion
The brand’s "Fit Shops" feature Italian leather displays and an in-store café & bar.
Fireside Chat

Another exciting year is upon us. Before we look ahead, let’s briefly reflect on 2018. What, in your opinion, are two developments from last year that’ll have the biggest impact on retail in the coming years? Tell us why you picked those moments, and what practical recommendations related to these developments you have for retailers in 2019?

Michael Colaneri
AT&T Global Business-Retail, Restaurant and Hospitality, AT&T Inc.

2018 was the year Buy Online, Pick Up In Store (BOPIS) took off with near ubiquity. Integrated offline/online retailing is here to stay, but catering to consumer convenience as a priority now separates market share leaders. More retailers refined this capability in 2018 than in any previous year as it has become a consumer expectation minimum for repeat patronage. More importantly, over 50% of consumers indicate that BOPIS improves their overall experience. New capabilities such as lockers, kiosks and apps that connect over retailers’ WiFi have proven increases in basket size and customer satisfaction. It’s a win-win and we anticipate greater proliferation of these capabilities in 2019.

Second, in 2018 we also saw the expansion of showroom stores (stores without merchandise) and storefront-as-a-service (e.g. b8ta and Marketplace @ Macy’s). Digital Natives (consumers under 30) and Digital Immigrants (Consumers over 45) have shown strong attraction to the low pressure opportunity to touch and experience products before buying online or in-store.

Given the rapid growth and quickly realized margins of entrants in this space, traditional retailers need to take notice as they can use this model to optimize less productive square footage or to create greater traffic with experience driven venues. Growing venues where these prospects can be enhanced is a sound investment certain to pay dividends.

Cliff Duffey
Founder and President, Cybera

The two biggest impacts on retail in 2018 were the alarming rate of brick and mortar store closures across industries and the continued high-growth of online shopping. In fact, recent research from RetailMeNot found that consumers want to shop online to avoid crowds (63 percent), get online coupons (55 percent) and deal with less stress (54 percent). These insights must be embraced by retailers to ensure their operations, in-store experience and entire supply chain make the best customer impression on every single transaction. Consumers simply have little patience to endure a mediocre shopping experience when a quick online search can lead to a lasting relationship with another retailer.

Although many retailers are feeling this added pressure to meet the high expectations of consumers’ on-demand shopping experience, there is an immediate opportunity to reset their strategic initiatives. Therefore, all departments from operations to marketing must truly align and adopt so they can authentically resonate with their valued customers.

Looking forward to 2019 and beyond, those retailers that smartly leverage digital and cloud technology opportunities will rise among its competition to win their customer’s mighty approval and purchasing decision.
CHAPTER 2

5 store formats that illustrate the economic value of stores

How brick and mortar stores are evolving via 5 distinct formats, each with unique customer and business value.

Key characteristics of each format, highlighting the importance of workforce empowerment and technology enablement.

The differing value of each format to the retailer’s overall business model, and therefore how brick and mortar stores’ value must be measured.
Stores are no longer standalone destinations of commerce. Rather, they are an integral part of the overall customer experience, and part of a brand’s broader narrative.

Retailers must therefore change how they value stores.

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References: 2
Showrooms and Service Hubs.

Store experiences that offer shoppers a richer experience around how they use products.

**Key characteristics of the store experience:**
- Smaller stores that carry little or no inventory.
- In-store orders are fulfilled online.
- Store may feature adjacent experiences such as a cafe or salon.
- Highly trained store staff offer personalized fit / style advice.

**Impact on business value:**
- Increased product trial.
- Increased customer acquisition in key new demographics.
- Increased digital sales with lower return rates.
- Online sales uplift in geographical radius of store (100 miles +).
- Increase in brand value and customer satisfaction.

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*Bonobos’* inventory-less “Guideshops” provide one-on-one style & design recommendations by appointment.

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*Warby Parker* store associates are able to deliver enhanced and personalised services by using clienteling and endless aisle capabilities at the store.
Self-Driven Experiences.
Stores that offer shoppers a frictionless, self-assisted experience.

Key characteristics of the store experience:
- Prioritize convenience with fast and efficient checkout processes.
- Store experience is built atop infrastructure such as cameras, RFID, beacons, NFC and other forms of sensors.
- Processes are digitized and exposed to shoppers through interfaces such as mobile app or kiosks.

Impact on business value:
- Increased throughput - greater number of customers served in lesser time.
- Increase in quantity and quality of data-capture.
- Reduced store labor cost.
- Higher margin through dynamic pricing and private label substitution for key value items and categories.
- Moat against competing retailers.

Walmart
is installing pick-up towers across 700 stores to allow shoppers to complete online order store pick-up on their own. They are further trialling using the same towers to accept in-store returns for online orders.

Hema
stores allow customers a self-empowered experience to choose from products and promotions based on their needs and preferences.
Shared Experiences.

Store experiences that offer shoppers opportunities to participate in the community.

Key characteristics of the store experience:
- Stores feature dedicated gathering or interaction spaces for shoppers or the broader community.
- Shared experiences are tightly linked with the brand’s core values.
- Offer adjacent services that bring communities of shopper together around the brand.

Impact on business value:
- Increased customer footfall and engagement time.
- Increased engagement via social media and in-person events.
- Increase in customer advocacy and referral revenue.
- Stores as a form of media: comparative cost of impressions, customer acquisition and other media effectiveness metrics.

Hub Seventeen
is a 3,500 square foot space dedicated to community, located underground at the Lululemon Flatiron store in NYC. Lululemon calls it a “gift to New York City”.

HyVee’s new store format blends health and grocery together by including an Orangetheory Fitness studio in the store.
Immersive Storytellers.

Experiences that help shoppers build a stronger bond with brands they love through rich experiences.

Key characteristics of the store experience:
- Provide an authentic brand storytelling experience and allow shoppers to use the products in simulated real-life environments.
- Fuse the best of both worlds: the romance of physical stores with the richness and interactivity of digital.
- Innovative store designs, different from the usual racks and shelves.

Impact on business value:
- Increased customer footfall and engaged dwell-time in stores.
- Online sales uplift in geographical radius of store (100 miles +).
- Increase in brand metrics (recall, equity, affinity).
- Sandbox for new product or service launch.
- Stores as a form of media: comparative cost of impressions, customer acquisition and other media effectiveness metrics.
Marketplaces & Platforms.

Experiences that connect shoppers with brands in new and interesting ways.

Key characteristics of the store experience:

- Brick and mortar equivalent of online marketplace concept, therefore carrying no inventory while offering shoppers a wider selection.
- Offer store or shelf space, customer analytics, technology infrastructure and shared marketing investments as a service to partners.
- Build creative and synergistic partnerships thereby offering shoppers greater convenience and flexibility.

Value:

- Increase in volume and variety of traffic through fresh product curation.
- Higher valuation due to higher margin, higher percentage of recurring revenue and higher revenue per square foot.
- New revenue streams such as rental, share of sales and license fee
- Higher quality of customer data capture.

b8ta

is a retail-as-a-service platform that enables brands to connect directly with shoppers via its store and shop-in-shops.

The Real Real

is a consignment retailer that connects buyers and sellers of luxury goods via its site and stores.
CHAPTER 3

Reimagining the core for flawless execution in the digital age

IN THIS CHAPTER

1. The 6 key “digital core” capabilities that need re-imagination to execute rapidly, consistently at scale.

2. The 3 foundational building blocks that power each capability.

3. Key benefits of a re-imaged digital core with real-life examples.
Retailers and brands are innovating new business models, services and experiences - offering shoppers infinite choice.

Retailers, no matter how established or new, have to evolve themselves (strategically and technologically) to offer innovative propositions that attract the new-age shopper.

**New Revenue Models**
- Rental retail
- Subscription services
- Pop-ups and retail-as-a-service
- Buy now, pay later

**Anywhere Fulfilment**
- Auto-replenishment
- Curbside delivery
- Last-mile delivery
- Delivery innovation (home, car)

**Experience Innovation**
- Augmented and Virtual Reality
- Scan & go
- Concierge & assisted selling
- Product customization

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Market @ Macy’s: Macy’s retail-as-a-service offering

Amazon’s “Key for Garage”: Experimenting with new delivery locations

Obsess VR builds virtual stores (AR and VR) on existing e-commerce sites
Balancing experimentation with consistent execution is a tightrope not many can walk.

Brands who have been too rigid or slow to react to changing market conditions, or those that have fumbled execution of their plans, have lost relevance, margin and market share.

### Retailers are flying blind in the face of digital transformation.

55% of retailers do not have a single view of inventory. 78% don’t have a real-time view.

A retailer with $1B in annual revenue loses between $40 million to $75 million annually due to out-of-stock.

### Flawed execution of digital experiences leads to margin erosion.

7 in 10 retailers are uncertain whether they turn a profit from their click & collect orders.

A retailer with $1B in annual revenue loses ~$110 million annually through inadequate enablement of its frontline workforce through modern tools and training.

### The Retail C-Suite is growing tired of long-drawn transformation.

Balancing short term financial goals against long term transformation roadmaps is retail CXO’s top challenge.

45% view attractiveness to the millennial workforce as a top-3 challenge.
Reimagine your digital “core” to be able to execute rapidly, consistently at scale.

What retailers need from their retail execution processes and systems has changed, but those processes and systems have not. In response, most retailers have cobbled together a patchwork of technology platforms “at the edges” (point of sale, e-commerce, order management, supply chain, workforce management etc.), integrated (loosely) with the core (business process templates, ERP, financials, payroll, data warehouse). It is a matter of time before organizations transform their core, because they can no longer deliver the next generation associate and customer experience at the edges. The core execution engine of the enterprise will be “digital” - supporting both business transactions and intelligent insights.

There are 6 key organizational muscles that retailers must rebuild or retrain.

**Digitized stores**
- Re-imagined
- Intelligent
- Experiential

**Digitized Supply Chain**
- Transparent
- Traceable
- Responsive

**Personalization**
- Content
- Product
- Experience

**Next-Gen Merchandising**
- Glocal
- On-Trend
- Rapid

**Unified Commerce**
- Seamless
- Open
- Frictionless

**Authentic Marketing**
- Emotional
- Bi-Directional
- Relevant
Foundational capabilities for the reimagined digital core.

Digital Transformation isn’t about “selling more stuff” on the web, via social media, on marketplaces, or on mobile phones. It is about clarifying your business model, associate and customer experience, simplifying operational complexity and building a strong core for agile, scalable growth.

Focus on these **3 key enablers** to get there.

- **Business Agility and Configurability**
  to act rapidly, course-correct frequently and transform incrementally.

- **Intelligence and Automation**
  to sense change, prescribe action and predict outcomes.

- **Empowered Workforce**
  to amplify human capital, codify competitive advantage and unlock creative solutions.
Agility is a multi-faceted business capability.

Invest in infrastructure that ensures digital experiences can be scaled consistently across channels. The infrastructure should be easy to integrate with new technologies, flexible, frequently updated and secure.

**Scalable at speed**

Ability to increase, modify and reduce hardware and software capacity at short notice.
- More flexibility at times of peak demand (Black Friday, product launches etc.).
- Eliminates the time spent on capacity procurement or obtaining capex budget approval.

**Flexible for growth**

Allow for new initiatives, upgrades and integrations (and disintegrations) quickly with limited impact on the current state.
- Quickly integrate new in-store technology experiences.
- Ensure real-time update of information to systems.

**Secure**

Ensure safety of information and resilience of infrastructure across digital experiences.
- Ensure safety of customer and business data from data breaches.
- Enable quick and secure integration with third-parties (such as delivery partners).

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**STANCE**

$1.2 million per minute

was the expected loss during the Amazon website downtime on Prime Day, 2018.

**Stance** recently became the first retailer to offer app-less self-checkout in its SoHo NYC store. It did so through microservices on top of its existing infrastructure, creating a unique experience for its shoppers in double quick time.

50%

of retailers have suffered a data breach in 2017, and the average cost of a data breach is $3.86 million.
Going from “what is happening” to “what will happen”.

Technologies such as artificial intelligence and automation can help retailers digitize their strategies, learn from the past to predict the future, and accelerate autonomous decision making. But, there is no silver bullet; investments must be sharply focused and expected outcomes clearly defined.

**Artificial Intelligence**
Leverage vast stores of data to identify trends and codify algorithms to improve customer experience, while protecting margin. E.g.:
- Personalized product recommendations based on customer profile, browsing behavior, etc.
- Optimized allocation based on sales patterns, browsing history and competitor activity by region.

**Predictive Modeling**
Build simulations and models to understand future implications of alternatives based on facts. E.g.:
- Forecasting demand based on historical data and current economic and demographic conditions.
- Identifying effective promotions for different customer segments at different times.

**Automation**
Automated conversion of insights into action for repetitive activities. E.g.:
- Auto-replenishment is initiated based on inventory levels and projected future demand.
- Dynamic Pricing models that adjust prices automatically based on demand, weather, local events and competitors’ promotions.

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**Netflix**
Netflix’s content recommendation engine that utilizes past searches, preferences and similar customer watch lists, influences 80% of its content streamed.

**TGIF**
TGIF grew its online orders threefold through personalized offers. Offers were based not only on the days customers typically came into their local Friday’s, but also the food they were most likely to order.

**Home Depot’s**
Home Depot’s inventory management system can automatically order more when stock drops below a predetermined threshold.
Amplifying insight with intuition is the ultimate growth hack.

As retailers think about what it means to be “digital”, they must also figure out what it is they stand for - for their stakeholders (sure), for their customers (absolutely), but first and foremost - for their employees (often overlooked). The reality, however, is the prioritization in most cases is the exact opposite. Ask the following key questions across these three dimensions:

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| What tools and technologies do store teams need to support in-store digital experiences? E.g.:  
- Mobile-enabled, easy-to-use store systems with consumer-grade UI.  
- Mobile devices to fulfill BOPIS orders, curbside delivery, mobile checkouts, etc.  
- Mobile applications to manage schedule and payrolls on the fly.  | How can we train store associates and managers to be more effective and efficient? E.g.:  
- Instituting technology use and soft skills training with each digital initiative launch across stores.  
- Ergonomics training for store associates to use in-store technology more effectively without creating a barrier with customers.  | How do our incentive programs need to evolve for store teams in the digital age? E.g.:  
- Additional payroll hours for fulfilling BOPIS, online, curbside, etc. orders at the store.  
- Include customer feedback or rating as part of incentive plan for store associates.  |

A retailer with $1B in annual revenue loses ~$110 million annually through inadequate enablement of its frontline workforce through modern tools and training.

Starbucks uses its flagship Roastery & Reserve store in Seattle to train Baristas on the process of brewing its signature blends.

Costco offers one of the highest average hourly wages, stock benefits and health coverage for its employees. Costco’s annual attrition is 6%, compared to the industry average 66%.

References: 3
Fireside Chat

Michael Colaneri
AT&T Global Business-Retail, Restaurant and Hospitality, AT&T Inc.

Cultivating an existing customer base is easier and more cost efficient than growing market share from scratch.

Shiny new objects can catch the eye of consumers particularly if they offer more convenience/time savings, ease of acquisition, or complimentary products or services that improve the shopper’s experience. Establishing the right mix of online/offline has become vital for retail relevance.

Likewise, the need for continual brand innovation has become equally critical to sustainability. With the right foundational technology agility, sunsetting less compelling capabilities to self-fund competitive experiences has become a trend in the war to hold market share.

The race against multi-year transformations can only start to outpace a brand on defense. The secret is in establishing a platform that allows applications to turn up/down seamlessly so that a brand remains fresh on offense.

Cliff Duffy
Founder and President, Cybera

No doubt, the direct-to-consumer business models are a driving force in today’s retail environment that will likely to grow in the coming years. Larger brands are taking notice and learning that the common factor among these direct-to-consumer brands is ability to be nimble.

Many of these organizations have a leadership team that is highly focused on a honing a work culture that manifests agility to boost the bottom line. Agility in today’s environment is proven to enhance revenue growth opportunities. In fact, according to Forbes Insights, agility offers a 10% greater revenue growth compared to non-agile organizations. This difference can easily make or break a brand given the ever-changing retail landscape and constant attention needed to exceed the expectations of consumers.

Establishing policies and hiring top talent that embrace and reward agility is step one in staying competitive in the start-up rich environment we’re in. This will help to bring products faster to market and enable established brands to more quickly adapt to customer feedback. Endless corporate approvals only stall progress and morale, the direct opposite of how nimble brands successfully operate which don’t have to rely on regularly reinventing their position in the marketplace.
CHAPTER 4

The Organization is the next frontier of innovation

IN THIS CHAPTER

- Organizational and cultural challenges that impede digital transformation.
- Why retailers need to focus on insights, collaboration and relationships.
- Real-world examples that illustrate the value of building the right organizational fiber.
Organizational challenges impede retailers ability to achieve digital program priorities.

Gaps in the strategy, operating model and processes are underlying factors leading to limited value or short lived sustainability of digital transformation initiatives.

**Strategy and cultural practices**

**Competing priorities**

‘Lack of an integrated digital strategy roadmap’ is a top 3 challenge for retail executives implementing digital transformation initiatives.

**Cultural resistance to change**

41% executes cite resistance to change in the organization as a top challenge impeding ability to execute on the digital transformation roadmap.

**Organizational model**

**Limited roles to support digital**

67% of retailers do not have a formal chief digital officer (CDO) designation in their organization to support digital transformation initiatives.

**Lack of capabilities**

Almost half of organizations report lack of a unified internal employee communications system.

**Performance management**

**Lack of effective KPIs**

96% of organizations have ‘at least one’ digital initiative planned for 2019. But almost half of retail CEO’s report having no metric to measure digital business transformation.

**Room for greater alignment with goals**

KPIs drive people and process management practices to a “great extent” for only 1 in 4 organizations.

References: 6, 7, 8
Fundamental cultural change is necessary to institutionalize agile, digital thinking.

Doing things the same way on a new technology stack is pointless, even if you really enjoy burning money. A retailer’s inability to deliver amazing employee and customer experiences is a design problem, not a technology one. And, designing great experiences is a habit, a culture.

Design Thinking led companies such as Apple, Nike and Tesla do this day in and day out. Few of these companies have a formal “innovation” program or function, rather it is simply what they do. Disney created a magical experience by deconstructing its entire front-end experience and back-end operations, and then tying it all together for the customer and the associate through the Disney Magic Band. For others, it is a skill they need to learn because the new normal requires a fundamental shift in how business processes are architected and deployed.

Focus on these 3 dimensions of your organization culture.

**Insights over instincts**
- How can I develop a digital strategy that is aligned with overall business priorities and capability investments?
- How can I equip the organization’s employees to drive a data-driven culture?

**Collaboration over fiefdoms**
- How can I build synergy and partnerships across the organization?
- How can I ensure clarity around roles and responsibilities while ensuring accountability?

**Relationships over transactions**
- How can I build valuable product and service experiences?
- How can I measure and improve the value of my customer relationships?
Driving a Culture of Insights Over Instincts.

Forge a clear digital roadmap supported by necessary capabilities and people to build a data-driven enterprise (which is no longer a good-to-have tomorrow, but necessary for survival today).

**Codify strategy**
Align your analytics strategy with key transformation goals and success metrics.

- Buying your product is not your customers’ goal. *Using* it is. Figure out how your product or brand is relevant in their lives and design your customer experience around that need.
- Identify the top 1-2 key decisions per business function that drive the greatest business value.
- Embed analytics as an enterprise-wide capability.

**Digital mindsets**
Build and train the organization’s leadership and employees to augment intuition with insights.

- Identify and budget for key talent gaps as part of digital transformation roadmap.
- Beyond technical expertise, the change agents of the future will collaborate well, influence across their span of control, and learn and unlearn quickly.

**Analytics capabilities**
Invest in the right analytics tools to support data-driven decision-making.

- Choose prescriptiveness over reporting. Prompt focused action rather than debate over historical performance.
- Extract greater use from tools you have before coveting those you don’t.

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**Warby Parker**

*Warby Parker’s* internal employee program *‘Warbles’* encourages employees to share ideas for future digital investments, driving a culture of innovation based on collaboration.

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1-800-Flowers’ investment in machine learning not only helps manage all customer orders, but also identify workflow inefficiencies in internal processes.

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Chapter 4: Organization Culture
Fostering Collaboration Across the Value Chain.

Effectively bring together each member of the value chain through a defined process and easy-to-use tools.

**Business alignment**
Clearly articulate, integrate and communicate the digital business strategy across the organization.
- Ensure alignment between overall strategy and digital priorities.
- Establish synergistic partnerships across the business value chain.
- Over-communicate your strategy deep and wide within the organization.

**Ownership & accountability**
Create and define new roles to support digital transformation strategy.
- Ensure collaborating partners understand their roles and responsibilities.
- Create an understanding of the shared priorities and goals between teams.

**Tools for communication**
Invest in tools and platforms that foster easy exchange of information and ideas across the organization.
- Ensure all teams have the right tools, training and technology to exchange information.
- Create proper change management communication of digital programs.

---

Organizations whose management team establishes a clear change story for digital transformation report 3.1X times higher success rate of digital transformations than those who do not.

Organizations that create a network of cross-functional teams with end-to-end accountability report a 2.1X times higher success rate at digital transformation than those who do not.

---

H&M's workforce management solution provides tasks, chat apps, and email in single interface. It connects 80% of employees across 500 stores through discussions, visual feedback and context-aware threads.
Prioritizing Relationships Over Transactions.

A channel or category based view of performance is broken. Beware of making strategic or structural decisions on traditional channel or category metrics alone. Think of digital as the front door to your store.

**Define profitable behavior**
- Identify and eliminate costly points of friction in your customer experience. Project out what this experience looks like globally or across banners for your best cohorts.
- Define your most profitable channel agnostic customer journeys.

**Define new KPIs**
- Performance metrics of the future will prioritize customer performance over channel performance. Focus on customer lifetime value and share of wallet.
- Aggressively identify and eliminate existing metrics that create organizational drag, such as store P&L impact of online order returns.

**Measure digital attribution**
- Invest in better understanding what the most important KPIs are for your business model.
- Create a better understanding of what a dollar spent on digital means for the overall business.

"McDonald’s growth plan has seven drivers, including making the fast-food chain a destination. Measures to track performance include:

- A leading indicator - I’m happy to bring my children here.
- A lagging indicator - Guest count growth of trips with families and kids under the age of 13."

*Silvia Lagnado, Global CMO, McDonald’s*

Electronics Art saw an increased website conversion rate to 40% by focussing advertising efforts on the brand’s top customers, identified through customer lifetime value (CLV) model.

‘Digital influenced store sales’ is the #1 performance indicator retail CXOs plan to track in the next 24 months.
CHAPTER 5

Digital Priorities to help you unlock value today

IN THIS CHAPTER

- 4 digital priorities that offer the highest and most immediate value.
- Industry benchmark data and best-in-class examples for each digital priority.
- An illustrative maturity framework for continued improvement across 6 key dimensions.
Digital is the front door to the store.

Digital now touches all aspects of the shopper journey. It is no longer just a “channel”, but the connective tissue that binds shoppers’ online and offline relationship with their favorite retailers and brands.

75% of pre-store visits are influenced by digital channels today.

50% of all retail sales will be influenced by digital channels by 2022.

This, when there is significant room for growth by focusing on greater experience, engagement and conversion.

61% of shoppers say that they leave an e-commerce site and go to a competitor when they encounter a poor user experience.

75% is the average cart abandonment rate in e-commerce.
Incisiv’s “Digital Commerce Benchmark 2019” identifies opportunities to drive conversion.

Benchmark methodology

Comprehensive benchmarking of:
- Top 200 US retailer sites
- 250+ attributes
- 100,000+ data points

Correlated attributes with:
- Site traffic
- Conversion rate
- Average order value

Unlocking the value of digital channels with immediate, impactful and incremental recommendations

Differentiators today, hygiene tomorrow:
Seemingly obvious functions that are surprisingly rare.

High impact:
Not just for aesthetics, but positive impact on conversion, loyalty and customer experience.

Incrementally scalable:
No massive overhauls or multi-year, million dollar transformation programs.

References: 9
# 90-day Digital Triage: Low-hanging digital priorities that deliver the greatest shopper and business value impact.

While e-commerce grows in importance, top retailer sites are missing some key capabilities that play a huge role in conversion and loyalty.

<table>
<thead>
<tr>
<th>Capability</th>
<th>Importance to Shoppers</th>
<th>Maturity on Incisiv’s Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smooth checkout</td>
<td>1 out of 4 shoppers abandon a cart due to a “too long or complicated checkout process”.</td>
<td>Only 65% of sites have significant checkout improvements possible.</td>
</tr>
<tr>
<td>Omnichannel fulfillment</td>
<td>90% shoppers like to check local store inventory online and 73% shoppers prefer BOPIS because they want to avoid shipping fees.</td>
<td>Less than half of leading sites offer stock visibility and BOPIS features.</td>
</tr>
<tr>
<td>Customer engagement</td>
<td>A site with an engaging home page has 60% more page views per visit vs a site with a low engagement one.</td>
<td>Only 30% of sites have engaging home pages.</td>
</tr>
<tr>
<td>Social media</td>
<td>60% customers say that they are more loyal to brands that they interact with on social channels.</td>
<td>Less than 15% of retailer sites have strong integration with social platforms.</td>
</tr>
</tbody>
</table>
Smooth checkout: Eliminate the last point of friction.

Conditioned by Amazon’s one-click convenience, shoppers expect online checkout to be quick, easy and frictionless. Yet, with low conversion rates online (especially on mobile), checkout remains a significant barrier to growth.

Low friction checkout
Current check-out processes are plagued with inefficiencies. 65% of evaluated sites have a long, multi-screen checkout process, with meager adoption of new-age payment options like Apple Pay, Amazon Pay, etc.

Shinola offers a one-screen checkout with multiple payment options including Amazon Pay and a monthly option.

More granular delivery windows
Only 11% of sites allow shoppers flexibility in choosing specific delivery windows. Additionally, only 5% of sites share exact delivery date based on zip code.

Amazon allows shoppers to choose delivery times to suit their availability and convenience.
Don’t just promise omnichannel: Deliver it.

While retailers claim that omni-channel retailing is a priority, few provide adequate omnichannel fulfillment options and inventory visibility.

Stock visibility by store

Only 40% of sites have inventory data integration to allow for customers to view stock in the store.

Nordstrom allows customers to filter stock by store location.

Buy-online-pickup-in-store

Half of the sites do not offer click and collect fulfillment and 56% of them do not allow online orders to be returned in store.

Macys highlights the BOPIS option on the home page as well as the Product Display Page (PDP).
Engage shoppers beyond products: Give them a reason to come back.

The home page should pull customers not just push products - 'customer engagement' is key. A site with an engaging home page has 60% more page views per visit vs. a site with a low engagement home page.

Believe your brand story
Shoppers increasingly want to self-express through brands. Brands could do better to storytell and engage. Only 19% of sites have a reference to brand values on their home page.

Patagonia gives equal importance to brand storytelling and commerce, giving shoppers the ability to dive deep into its mission.

Loyalty programs and value-added services
Only 39% of sites encourage shoppers to sign up for loyalty programs. Fewer still offer them ways to engage with the brand beyond shopping the site.

Sephora prominently features personalized services (such as free make-up sessions and birthday gifts) on its home page.
Be authentic: Leverage the power of social to build trust.

While 60% customers say that they are more loyal to brands that they interact with on social channels, less that 15% of retailer sites have a strong integration with social platforms.

**Social sign-in**

Only 22% of retailer sites offer the option to register/sign in via social media accounts.

Joann offers customers the option to log in via Facebook, Google and Instagram.

**Ability to import social content**

Only 23% of sites have the capability to import user images from social media.

Saks Fifth Avenue encourages shoppers to tag their social images with #SAKSSTYLE for the opportunity to be featured on the Saks website.
Digital Maturity Matrix*: A guide to prioritize features for continuous improvement.

When it comes to digital features, more does not necessarily mean better. Across each stage of the customer journey there are certain features that have a stronger impact on core KPIs such as traffic and conversion than others. This matrix lists features that have a strong impact on those core digital KPIs.

<table>
<thead>
<tr>
<th>Home Page</th>
<th>Search</th>
<th>Product Listing Page</th>
<th>Product Display Page</th>
<th>Cart and Checkout</th>
<th>Customer service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visually dynamic content</td>
<td>Search within a specific category</td>
<td>Filter to exclude unavailable products</td>
<td>Delivery date based on recipient zip code</td>
<td>Coupons recommended</td>
<td>Personalized recommendations</td>
</tr>
<tr>
<td>User-generated content</td>
<td>Voice-enabled search on desktop sites</td>
<td>Options to customize layout</td>
<td>Sizing / fit tool</td>
<td>One-step checkout</td>
<td>Auto-subscriptions</td>
</tr>
<tr>
<td>Personalized tools</td>
<td></td>
<td></td>
<td></td>
<td>Split-order delivery to multiple addresses</td>
<td>Gift registry</td>
</tr>
<tr>
<td>Blogs, guides and other high-engagement content</td>
<td>Search within content assets / blogs</td>
<td>Quick-view pop up</td>
<td>Check stock in store</td>
<td>Ship-to-store / click and collect</td>
<td>Live chat support</td>
</tr>
<tr>
<td>Brand values and proposition</td>
<td>Search string recommendations with images</td>
<td>Customize search listings per page</td>
<td>Social-sharing</td>
<td>Mix-method payment</td>
<td>Returns initiated online and tracked</td>
</tr>
<tr>
<td>Marketing and CSR events</td>
<td></td>
<td>Inventory status callouts</td>
<td>Product demo video</td>
<td>Single screen checkout / fewer clicks</td>
<td>Return online order in-store</td>
</tr>
<tr>
<td>Seasonal and delivery focused promotions</td>
<td>Clearly visible and consistent search bar</td>
<td>Add-to-cart option</td>
<td>Real-time Inventory status</td>
<td>Inventory status in cart view</td>
<td>Order tracking information</td>
</tr>
<tr>
<td>Callout for gift cards</td>
<td>Auto-complete suggestions</td>
<td>More than 4 filter and sort attributes</td>
<td>Product recommendations</td>
<td>Guest checkout</td>
<td>Feedback survey on-site</td>
</tr>
<tr>
<td>Dedicated section for new products</td>
<td></td>
<td>Aggregate user ratings</td>
<td>User reviews and ratings</td>
<td>Multiple delivery / shipping options</td>
<td>Payment preferences stored</td>
</tr>
</tbody>
</table>

* Illustrative matrix that covers a representation of 2-3 attributes per area
CHAPTER 6

Emerging Technologies and the inevitable being of hypeness

IN THIS CHAPTER

1. The most talked about technologies, along with viable use cases of each.

2. Leading examples from across the globe that illustrate the ongoing experimentation across these formats.

3. Readiness imperative for retailers: look before you leap.
At AT&T our belief is that technology for technology's sake, shiny gadgetry, or glitzy point solutions are symptoms of a greater cure. AI absolutely brings value but only after foundational digitization is present.

Building the right, scalable, agile and foundational digital architecture is a critical investment to conquering the digital landscape. More simply put: having the right data to make informed decisions and guiding customers within the context of their individual preferences are critical factors to a successful, contemporary consumer engagement strategy.

Layering on AI that considers like purchases, related products, and/or enhances the customer experience are valuable. Most importantly AI needs to be implemented for problem-solving and heightened customer experience. Informed data has never been more relevant. Addressing inventory challenges and optimal pricing strategies are stepping stones. Introducing these capabilities in the absence of the right technology to support their performance and customer responses could be detrimental to their intent.

However, the need to invest in AI with aspirations to escalate capabilities and offerings will distance retailers from one another without exception.

While artificial intelligence (AI) is evolving quickly and has the potential to transform the retail landscape, it's important for retailers to test new technologies from mobile to voice activation initiatives to confidently understand if their customers will appreciate and use the technology.

Some retailers make the mistake of investing too quickly in new ‘shiny’ technology to then realize that is not what the customer needs. Remember the QR code a few years back? Countless companies rushed to place this new, ‘revolutionary’ communication element on just about everything from ice cream packaging to car dashboards and now it’s nearly erased from our collective memories. Rushing into new technology without testing for impact is simply a waste of a company’s valued resources and time - two precious elements that should never be compromised.

When the time is right after research has been collected, analyzed, and tested, retailers should consider seeking out partners that have established success in the area they are looking to enhance. While sometimes it’s a smart choice to leverage internal resources, partnering with an expert in the marketplace that has a solid track-record of successful results and excellent service may be the best option or adopting infrastructure that supports test drive capabilities.
The right technology can be a game changer, but hype clouds clarity of thought.

While the impact of technology on retail and experience is an established reality, retailers are plagued by the “me-too syndrome” and plan for adoption of multiple technologies simultaneously over the next 2 years.

Possible impact of technology when implemented correctly

| Align your analytics strategy with key transformation goals and success metrics. | Build and train the organization’s leadership and employees to augment intuition with insights. | Invest in the right analytics tools to support data-driven decision-making. |

Retailers’ future technology adoption plans are always rosier than the reality

<table>
<thead>
<tr>
<th>Technology</th>
<th>Current Deployment</th>
<th>Planned Adoption by 2020</th>
<th>Planned Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>AI</td>
<td>12%</td>
<td>69%</td>
<td>6x</td>
</tr>
<tr>
<td>Augmented Reality (AR)</td>
<td>8%</td>
<td>48%</td>
<td>6x</td>
</tr>
<tr>
<td>Robotics Based Automation</td>
<td>9%</td>
<td>54%</td>
<td>6x</td>
</tr>
<tr>
<td>Voice Recognition</td>
<td>4%</td>
<td>32%</td>
<td>8x</td>
</tr>
<tr>
<td>Blockchain</td>
<td>3%</td>
<td>26%</td>
<td>9x</td>
</tr>
</tbody>
</table>
Retailers have to see through the hype and into the true value and readiness of technologies.

The biggest issue holding back retailers is not the availability of technologies, but instead the inability to understand and adopt the ones that:

- **Deliver measurable impact**
  - **Home Depot** provided its store associates with AI-powered task management tools with real-time inventory visibility. This helped increase associate time with customers by 20% and average ticket size by 5%.

- **Simplify processes**
  - **Shake Shack** had to abandon its “cashier-less” and self-service stores as many customers found the kiosks confusing and wanted some human interaction while placing custom orders.

- **Scale flawlessly**
  - **Ralph Lauren**
    - *Ralph Lauren’s Magic Mirrors* were well imagined in boardrooms, but offered an underwhelming experience in-stores due to inadequate bandwidth.
Technology Deployment Matrix: Where the real value lies.

<table>
<thead>
<tr>
<th>Long-Term Targets</th>
<th>Prized Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High Impact</strong></td>
<td></td>
</tr>
<tr>
<td>Improve associate hiring</td>
<td>Inventory optimization</td>
</tr>
<tr>
<td>Last mile delivery</td>
<td>Improving promotional performance</td>
</tr>
<tr>
<td>Employee assistants</td>
<td>Labor scheduling</td>
</tr>
<tr>
<td>Store planogramming</td>
<td>Localized / personalize pricing</td>
</tr>
<tr>
<td>Employee training</td>
<td>Conversational search and commerce</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Low Impact</strong></td>
<td></td>
</tr>
<tr>
<td>Store ambassador / helper</td>
<td>Product assortment</td>
</tr>
<tr>
<td>Customer loyalty program</td>
<td>Pickup and return automation</td>
</tr>
<tr>
<td>Product recall</td>
<td></td>
</tr>
<tr>
<td>PLM Quality Control</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hard</th>
<th>Ease of implementation</th>
<th>Quick Wins</th>
</tr>
</thead>
<tbody>
<tr>
<td>AI</td>
<td>Robotics</td>
<td>Blockchain</td>
</tr>
<tr>
<td>Voice Recognition</td>
<td>Augmented Reality / Virtual Reality</td>
<td></td>
</tr>
</tbody>
</table>

Chapter 6: Emerging Technologies
Artificial Intelligence & Machine Learning.

Popular use cases:

Inventory optimization

**Rue 21** has implemented a customer-driven predictive analytics approach to make design, buying, planning and pricing decisions across its apparel, accessories, and footwear categories.

Improving promotional performance

**1-800 Flowers** launched an AI-powered concierge named Gwyn (Gifts When You Need). Gwyn emulates messaging platforms like WhatsApp and can successfully reply to customer questions, help customers find the best gifts, and assist them through experience.

Labour scheduling

**McDonald’s** deployment of an AI-based workforce management solution reduced labour scheduling time by 4 hours, improved hourly sales projection efficiency by 12.5% and reduced crew turnover by 8%.

What should you do?

- Experiment with AI a in areas with high data quality and easy integration, such as inventory management.
- Identify technology vendors to partner with on potential use cases aligned to business priorities.
- Take a portfolio approach to accelerate organization’s AI transformation, initially focusing on proven use cases.
Robotics Based Automation.

Popular use cases:

- Robots as store brand ambassadors
- Repeatable store operations such as inventory checking, sorting, etc.
- Last-mile and parcel delivery.

**B8ta**

B8ta stores piloted & launched the humanoid robot ‘Pepper’ as in-store ambassador, product recommender and sales associate. The store saw 70% increase in foot traffic, 4X customer engagement interactions, and 300% increase in revenue.

**ZARA**

Zara has employed robots to sort and deliver the BOPIS orders to make it a quick and efficient experience.

**Amazon**

Amazon’s successful pilot with robots for last mile and parcel delivery, to deliver packages safely at the recipient’s doorstep, led the company to patent the technology in 2018.

What should you do?

- Identify workflows and processes that can be automated, and experiment in parts to test scalability.
- Project performance of automated tasks and assess impact on adjacent processes.
- Begin to build a small team to support operations or partner with solution provider.
Blockchain / Digital Ledger.

Popular use cases:

- **Product information tracking (supply chain visibility).**
- **Payment process optimization.**
- **Build ecosystem of loyalty where points can be used, earned and exchanged across stores.**

**Walmart**

Walmart’s farm to fork initiative enables retailers access to product information from across network partners, as all parties record information such as batch number, shipping details, etc. in a single blockchain enabled distributed ledger.

**ATB Financial**

ATB Financials speeded cross-border payments by eliminating intermediaries in the lifecycle to reduce transaction time from two to six business days to six seconds.

**Chanticleer**

Chanticleer Group’s loyalty program involves a digital currency that is earned with purchases and can be exchanged with other customers to improve preferred benefits or deals.

What should you do?

- Identifying key use cases based on technology’s applicability in the network (digital touchpoints).
- Ensure supply chain partner collaboration and minimum number of participants for profitability.
- Creating awareness about the technology between employees and partners to drive adoption.
Artificial & Virtual Reality.

Popular use cases:

- **In-store customer engagement and product information.**
  - **Lacoste** launched an AR-based mobile application that allows customers to try on shoes virtually. It also creates AR experiences with window displays, in-store signage, and promotional postcards.

- **PLM quality control**
  - **Porsche**'s deployment of augmented reality based quality assessment of engine parts at the plant helps improve accuracy, meet high standards of quality, and lower cost.

- **Employee skill development and training programs.**
  - **Walmart** partners with Oculus to provide store associates with VR-based soft skills training in simulated customer environments.

What should you do?

- Identify talent or technology partners to help identify creative use cases of AR/VR in customer experience and operations
- Pilot and test initiatives with a small customer or employee cohort
Retailers large and small are going through a digital transformation, and we’re here to offer solutions. AT&T can deliver a set of collective capabilities that can help businesses enhance the shopping experience and streamline operations. We can help empower your business by connecting the new digital ecosystem with an integrated, on-demand network experience.

Visit www.business.att.com to learn more.

Cybera is the only cloud-based managed application network and security services company to fundamentally change the way distributed businesses use technology. Our purpose-built solution empowers secure, accelerated adoption of new applications and services. Cybera technology is customer-proven at more than 90,000 locations worldwide supporting point-of-sale, loyalty, mobile payment, tank monitoring, and digital signage applications. In fact, thousands of companies rely on Cybera technology, including the world’s largest SD-WAN deployment with more than 16,000 locations. Cybera has been named an IDC Innovator and a Gartner Cool Vendor, and has been recognized seven times by Inc. 5000 as one of America’s fastest-growing private companies.

Learn more at www.cybera.com.
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