



Online or In-Store: The Breadth of Retail

Retail is in a constant state of change. First it was the Internet and online shopping, then the mobile revolution and shopping apps—and there is assuredly more to come. Today, a successful retail strategy must incorporate online and mobile sales channels as well as brick-and-mortar stores. And this must all be done with the right technology underpinning, enabling a strategy that is agile enough to respond to changes and opportunities in the marketplace.

Bridging the Physical and Virtual Worlds of Retail

Regardless of industry, many retail sales principles remain the same. Department stores, retail banks, large Web portals and even amusement parks grapple with the same core set of retail issues. To succeed, they need a unified strategy and public image that follows the customer from storefront to Web to mobile device. The challenge is one of personalization, with the ability to align pricing, inventory, discounts and individual identity across those channels. Operating with disjointed processes among channels can spell disaster.

Technology has helped in the past, and new technology will enable the future of retail as well. In fact, technology will prove more critical than ever to your success. It will be the game-changer in retail, and not just the online or mobile pieces of it.

Retail Business Models: The Only Constant is Change

The competitive landscape in retail has never been tougher, spurred by ever-increasing customer expectations. Retailers are exercising creativity far beyond such innovations as in-store kiosks. Here are a few examples:

- ◆ In November 2013, Amazon.com formed a partnership with the USPS to deliver customer orders on Sundays, as part of its Amazon Prime service.

- ◆ In December 2013, Amazon announced tests of small “octocopter” aerial drones in delivering packages.
- ◆ Tesco launched HomePlus virtual stores in Korea in 2011, where customers scan codes from a virtual store display on the wall of various everyday locations, such as subway stations or parking lots, and have the goods delivered to their homes.
- ◆ In China, innovative clothiers are allowing buyers to try on garments purchased online when delivered and return them with the same driver if they no longer want them or the fit isn’t right.

To compete with imaginative initiatives like these, retailers must demonstrate a taste for adventure, continually exploring new sales models.

Customers Expectations are Evolving

If all this weren’t enough, customers’ behavior is both unpredictable and evolving. In the interactive dance between retailers and customers, retailers may successfully influence customers, but those same customers are just as likely to dictate their preferences to retailers and influence other consumers. Retailers must show not only the ability to lead, but the agility to react as well.

Retailers will need to embrace new sales tactics and be ready for unanticipated customer reaction, ranging from total resistance to enthusiastic acceptance. The ability to adjust an approach or scale a successful one will be critical. Taking an iterative approach that applies lessons learned from both mistakes and successes is critical. Retailers must create a culture of learning, understanding that the response they receive today may be different tomorrow as societal norms evolve.

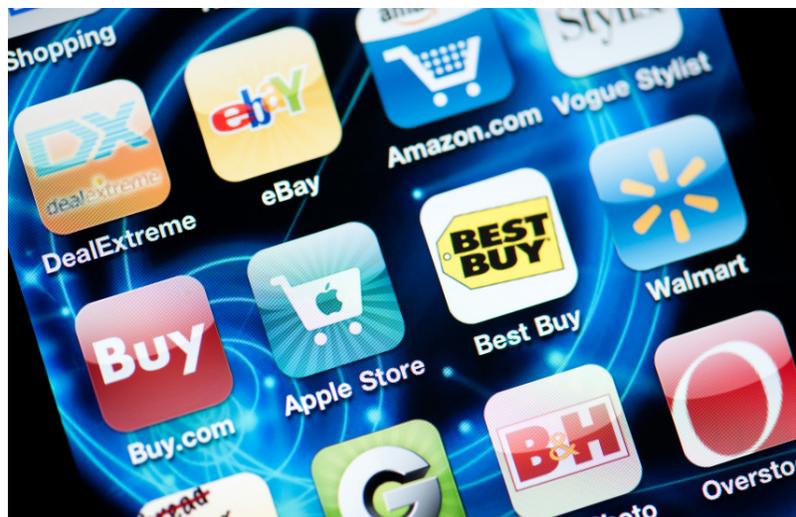
From Demographics to Personalization

Underpinning all of this are three key dimensions: inventory rationalization, order fulfillment and customer personalization. Because they are interdependent, a successful retail strategy must incorporate all three. For example, inventory rationalization—to the store level, including product sales performance—determines how quickly orders can be filled, and from where they should be filled. Order fulfillment is all about choices—how you can best meet customers’ needs, in a way that both delights them and optimizes business performance. Personalized service combines an individual’s desires and needs for products and services in a way that is uniquely appealing to that customer as an individual.

In-Store or e-Commerce: It’s Just Commerce

Decades have passed since the dawn of the Internet, and e-commerce is no longer a marketing experiment. Instead, today’s retailers need to create a seamless continuum between the online and in-store customer experience, regardless of where the customer is or how he or she is interacting with the retailer. The goal should be to support a unified brand experience no matter the channel.

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To do this, the right technology is required to connect state-of-the-art online and mobile experiences, a wide variety of software applications and even legacy systems. This will enable you to pull together and unify critical dimensions, including:

- ◆ **Brand:** Beyond logos and marketing messages, make sure featured products and special offers are consistent across stores, the Internet and mobile sites.
- ◆ **Pricing:** Many retailers still don’t have consistent prices across their different storefronts, leading to customer frustration and mistrust. You must meet customers’ pricing expectations consistently.
- ◆ **Inventory:** Data sources should be synchronized across all inventory, whether it exists in-store, at regional warehouses or at vendors, in order to satisfy customer demand.
- ◆ **Sales promotions:** Avoid mass promotions and provide relevant offers to customers at the right time to both improve their experience and drive conversion.

◆ **Financial performance:** By understanding the “whole picture” you can optimize price and the associated costs to meet customer demand, driving improved customer satisfaction and shareholder value.

Meet Your Customers Where They Are

Thanks to the Internet and mobility, your realm of influence is limitless. Customers are constantly in touch with the world around them in an increasing number of ways. This trend toward hyperconnectivity could be viewed as a challenge, but should be leveraged as an opportunity. Although almost 90% of retail is still done in-store,¹ recent research suggests that multichannel shoppers are more profitable.²

Insights gained through all touchpoints not only influence shoppers, but those insights should be leveraged to increase shopping cart value and anticipate buyers’ needs. Remember, 85% of in-store sales are lost if an item isn’t in stock.³ Therefore, in addition to locating an item at another store or distribution center, sales associates need to be enabled to provide customers with options, even meeting a need with special orders in a way that is so transparent to the customer that he or she doesn’t realize anything out of the ordinary has transpired. This sort of ability makes a mobile device or tablet in the hands of a sales associate a competitive advantage, rather than a novel way to do a sales transaction. Combine this capability with



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automated rendering of optimized options that move inventory from undesirable locations (i.e., those with a poor sell-through rate) to places where they are needed, and you will increase both conversion and customer loyalty.

The Demographic of One

Historically, sales personalization focused on customer demographics such as age, gender, income level and location. Today, the move is toward the *demographic of one*. Thanks to a plethora of information due to hyperconnectivity, it is becoming more and more difficult to rely on demographic information to predict individual desires.

What is amazing is that today’s technology enables retailers to personalize experiences and target customers as individuals. It allows sellers to meet an individual’s expectations in real time, at the time and place of their choosing. This type of personalization will enable one customer to have a personal concierge meet him or her in the shoe department, while another customer will be able to browse the aisles without being “pestered” if that is the customer’s desire. In the near future, waiting in line will be a thing of the past when you enter your favorite coffee shop: Your preferred drink will automatically be “in process,” saving you time and enhancing your experience.

The challenge for retailers will be more and more about meeting individual customer needs. Retailers must transform the buying experience from “transactional” to interactive. A recent article from McKinsey & Co. predicts that despite the e-commerce boom, brick-and-mortar stores should still account for approximately 85% of U.S. retail sales in 2025.⁴ This is in part due to the social nature of shopping. While it is common for people to equate “social” with social media, Gen Y prefers the social experience of shopping in stores to the more impersonal online experience.⁵

Consequently, in addition to meeting needs, the total customer experience should extend beyond satisfaction to fun. This can be done in a host of ways when the retailer knows who is where, what resources are available and how to best align the two. For example, if the cosmetics department isn’t busy, is it time to send out a promotion for a makeover to premium loyalty members who are in the mall right now? Couldn’t that makeover be posted to Facebook, or pictures to Instagram, to get peer feedback? “Gamification” concepts such as scores, badges and achievement levels can be brought into play once you know—and can act on—who is in a given location at a specific time.

¹ “The End of Retail is Overrated,” Thompson, Derek. *The Atlantic*, Dec. 9, 2013.

² “Omni-Channel 2013: The Long Road to Adoption, 2013 Benchmark Report,” Rosenblum, Paula and Kilcourse, Brian. RSR Retail Systems Research, June 2013.

³ “Multichannel Shopper Stats 2012: The UK and US Compared,” Moth, David. Econsultancy, September 2012.

⁴ “How Retailers Can Keep up with Consumers,” Mackenzie, Ian; Meyer, Chris; Noble, Steve. McKinsey & Co., October 2013.

⁵ “Tech-Savvy Gen Yers Still Flock to Stores,” *The Wall Street Journal*, May 16, 2013.

To do this successfully, retailers must create a 360-degree view of the customer using data from sales, social media and a host of other sources. Then they must forget about in-store vs. e-commerce, and omni- and multichannel, and focus on the customer:

- ❖ What do you know about this customer as defined by his or her behavior within the store?
- ❖ How do you continue interacting once that customer leaves the store?
- ❖ Gain an understanding of who this person is “out in their real world” and be able to participate in relevant ways to reach customers in their day-to-day lives without bombarding them with ads and offers.
- ❖ Finally, understand what makes customers come back to you, and learn when they plan to do this so you can better serve them.

With decades of sales and customer data from which to draw, and the power of big data analytics, you can discover treasures from this trove of data. But you need to go beyond just knowing about the

customer. You also need to utilize technology that enables you to act in real time, leveraging information from a wide variety of sources. Insight without action is simply an academic exercise.

Gain a Sales Advantage with Software AG

Uncovering the hidden value from your big data requires the right analytics tools. Success requires the ability to act on the insights those tools enable you to discover. Software AG can help you put the solutions in place to address all three dimensions of successful retail sales—inventory rationalization, order fulfillment and customer personalization—and integrate with the systems you already have in place, providing an agility layer that will enable you to both lead and respond to the evolving marketplace that is retail. From in-store sales support to a seamless online and mobile selling experience, Software AG has the technology to grow your business by taking customer satisfaction to a new—and much higher—level. ■

Get Started Today

Software AG has the tools, software and expertise required to optimize your retail and related business processes today. Software AG’s tools will help you determine the best areas from which to start, define the proper scope of change and create the feedback loops required for success.

To find more information on how to get started today, visit softwareag.com/na



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