Are you ready for
connected retail?

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Are you ready for **connected retail?**

Connected retail is more than a buzzword... it's a clear call to action to remain competitive and be successful in today's market.

Both retailers and suppliers are convinced that the omni-channel approach is not the final answer and believe that a more integrated approach is necessary in order to be able to respond to new consumer trends. They do, however, have low self-esteem in terms of the targetability of goals and what to prioritise. Both retailers and manufacturers understand that the 'phygital' shop (physical + digital) is a key target, though integrating the remainder of the value chain seems to have been forgotten. Connected retail still appears to be in the early stages of a major trend and actual organisation model.

In this paper, The Retail Academy and PwC share insights from their recent surveys and discussions with consumers and retailers on the topic and highlight key facts and considerations on the next retail reality.

Customers are calling the shots – It's time for retailers to get fit for the digital age

The digital age has changed the way we engage, interact and transact with customers. In today's 24/7 'always on' world consumers are embracing omni-channel offerings with incredible speed, with uncompromising expectations in terms of quality, service, price, incentives and experience. They now also expect a tailored customer journey, maximum user convenience and a seamlessly integrated experience across all channels and devices.

Examples of what digitally-empowered shoppers expect:

- "I want consistency across channels, based on my smartphone". Two-thirds say they use mobile apps in stores. This presents opportunities for store-based digital platforms and interactive displays.

- "I want content that engages me, not pushes me to buy". 32% are more likely to buy if content is not sales-related.

- "I want to shop right here, right now". 62% use smartphones to shop. Innovators are embedding shopping tools within social media platforms to lessen friction.

- "I want this to be specific to my needs (which you should know)". 60% provide personal information to sites they patronise, so they expect relevant personalisation in return.

- "If I like you, I want a relationship". Millennials are 1.5 times more likely to pay a premium if there is a mechanism for earning loyalty points. But doesn't this apply to boomers and Gen X too?

At the same time, retailers are faced with increased operational and IT complexity, pressure on margins, and struggling to overcome business 'silos' and adapt to the new capabilities required to meet these higher-than-ever consumer demands.
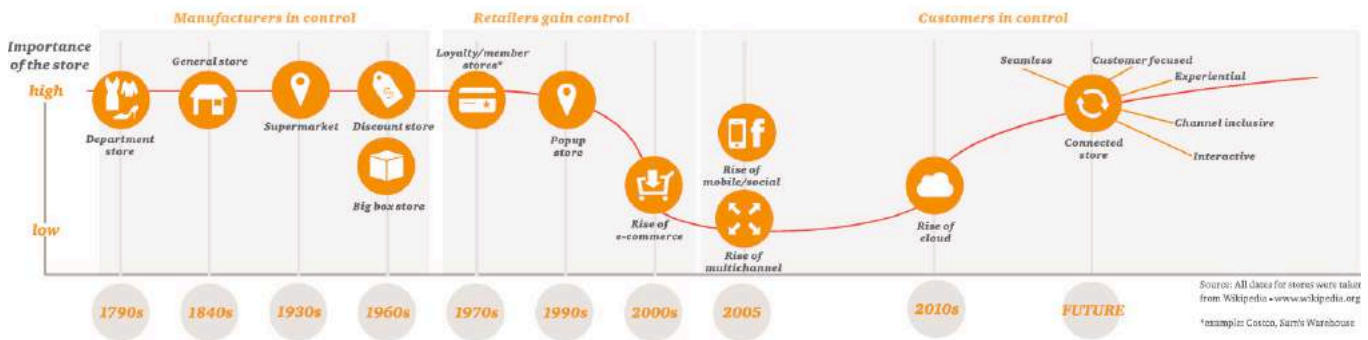

Source: PwC & SAP: Your customers are calling the shots - time to get ready for the digital age

Source: PwC: Connected and curated - Long live the store

Connected retail is the next generation of retail and goes beyond the omni-channel concept. It's about the ability to respond to the high and ever-changing demands of increasingly connected consumers by seamlessly connecting personalised marketing, the physical space, the digital experience, the supply chain and seamless payment options and delivering a unified brand experience. It requires a fully integrated, digitised and connected value chain made possible by a simplified, truly customer-centric business model and organisation that use new technology, customer data and sophisticated analytics to drive dynamic consumer and market insights.

This next retail reality presents as many opportunities as threats. Let's take a closer look...

Beyond the channels

The Belgian consumer's reputation for adapting slowly to e-commerce has decreased. During the last year, quarterly online spending grew by 10.2% during the first three quarters of 2016 compared to the same period in 2015. Extracts from a recent Paypal and RetailWeek Connect study and a recent PwC study (Total Retail Study Belgium) highlights the following:

- Belgium is still lagging behind with online shopping (20% online versus 80% in-store). The average for Europe is 31% online and 69% in-store.

- Belgian online shoppers are very opportunistic. 37% of the Belgian online shoppers surveyed said they shopped within Belgium, while 63% said they had made purchases abroad in the last twelve months.

- 56% of Belgians indicated a better price would convince them for buying from an out-of-country online retailer in the next 12 months.

- Most favourite categories for Belgian cross border shoppers are: clothing (55%), shoes and accessories (42%), travel and transportation (34%), entertainment/education (physical products) (24%), consumer electronics, computers / tablets / mobiles and other devices (23%). 44% chose books, music, movies and video games.

- Belgians are shopping around the world. The top shopping destinations abroad for Belgian shoppers were the Netherlands (32%), France (29%) and Germany (19%). They do not, however, limit themselves to neighbouring countries, with China also demonstrating a certain appeal (14%).

- **52% of online shoppers were comfortable sharing personal data** when making a purchase. In return, we expect personalised offers and personalised pricing based on our search and purchase histories.

- Purchasing on mobile is on the rise, as 18% of Belgians buy on their mobile at least a few times a year, while 9% do so at least monthly.

- 17% of Belgians are willing to load credit onto their mobile phone to provide payment for producers, while 15% see their mobile device becoming their main purchasing tool.

The negative impact of cross border e-commerce seems to be still growing in Belgium and Belgian retailers need to respond to changing consumer demands. Enhancing the appeal of stores is a major critical driver of success. Better qualified sales staff and digital in-store engagement will connect customers to richer experiences and leverage the store's unique strengths. Replacing print signage with digital displays, installing self-scanning check-outs, installing price/coupon scanners and offering touch-screen way-finding and registry are just a few examples of this.

The unique advantages of the physical store are central to a connected retail experience. The store should be an environment that inspires, adapts, curates and evolves in real time. Products should be doing more than just sitting on a shelf; they could feature augmented packaging and digitally enhanced merchandising that can be activated and viewed through consumer-controlled devices (smartphone, i-pad, glasses, etc.). Staff should be brand/category experts equipped with mobile tools and access to consumer and inventory information. Shoppers should be given free reign to connect to virtual and in-store data that can be amalgamated, customised and socially shared while still shopping in-store.

Secondly, it is critical to note that the key differentiator is customer experience, not just price, where both in-store and online spending is concerned. Whilst for many categories online retail has been built on price, this is rapidly evolving into ever-higher expectations with regards to convenience and the buying experience, with consumers now demanding the 'Holy Grail' of great price, great convenience and a great experience every time. The key here is to focus on all three in a cohesive manner. Uber, for instance, hasn't just disrupted an established service in terms of price but also by simply adding the ability to see where a taxi is and when it will arrive.

Based on the results of our surveys we can conclude that convenience and experience will soon overtake price as the consumer's primary driver for shopping online, as it already has in the UK, France and the Netherlands. Furthermore, PwC's Total Retail Survey for Belgium revealed that 43% of Belgian consumers cited convenience as their main influencer for buying online (compared to 39% citing price). Convenience and experience also have an impact on price perception.

Last but not least, it is the integrated omni-channel experience that retailers are really being judged on. Customers expect the same brand experience, quality, price and service regardless of channel and it is that connectivity and seamless experience across channels that is the real differentiator. The use of mobile technologies in particular, including for payment, is accelerating at an astonishing pace.

Only when retailers also deliver this connectivity will they exploit the full potential of their conversion beyond the channels. Providing an exceptional customer experience across channels is of major importance for brands looking to drive brand loyalty and ensure that consumers are sharing positive stories.
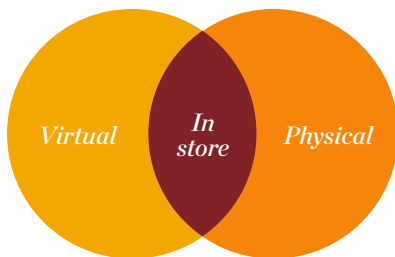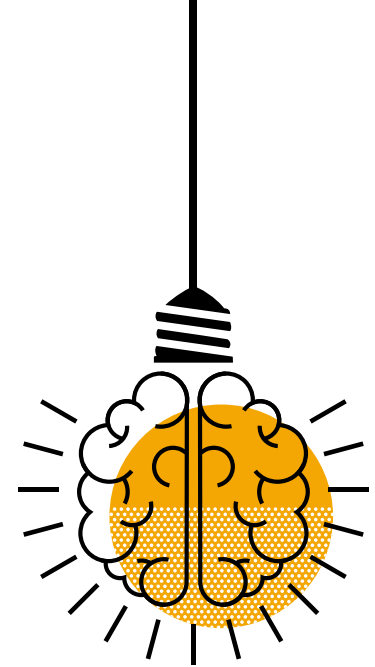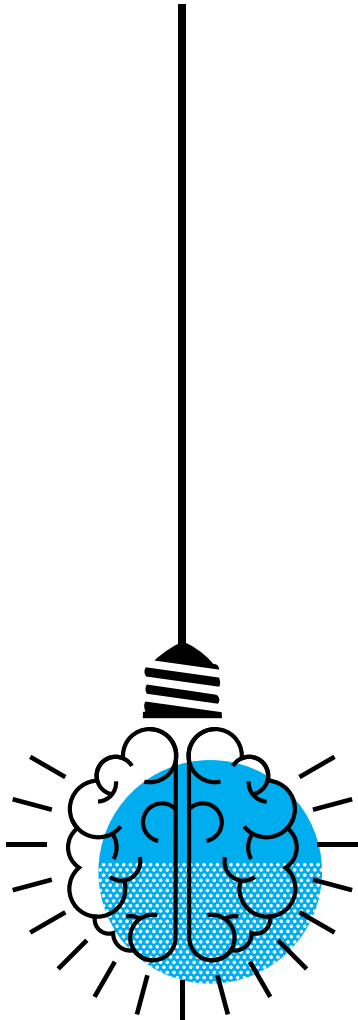

> **A brand is no longer what we tell the consumer it is, it is what consumers tell each other it is**
>
> *Scott Cook,*
> *co-founder of Intuit*

Source: PwC: Connected Retail Reshaping tomorrow's operating model
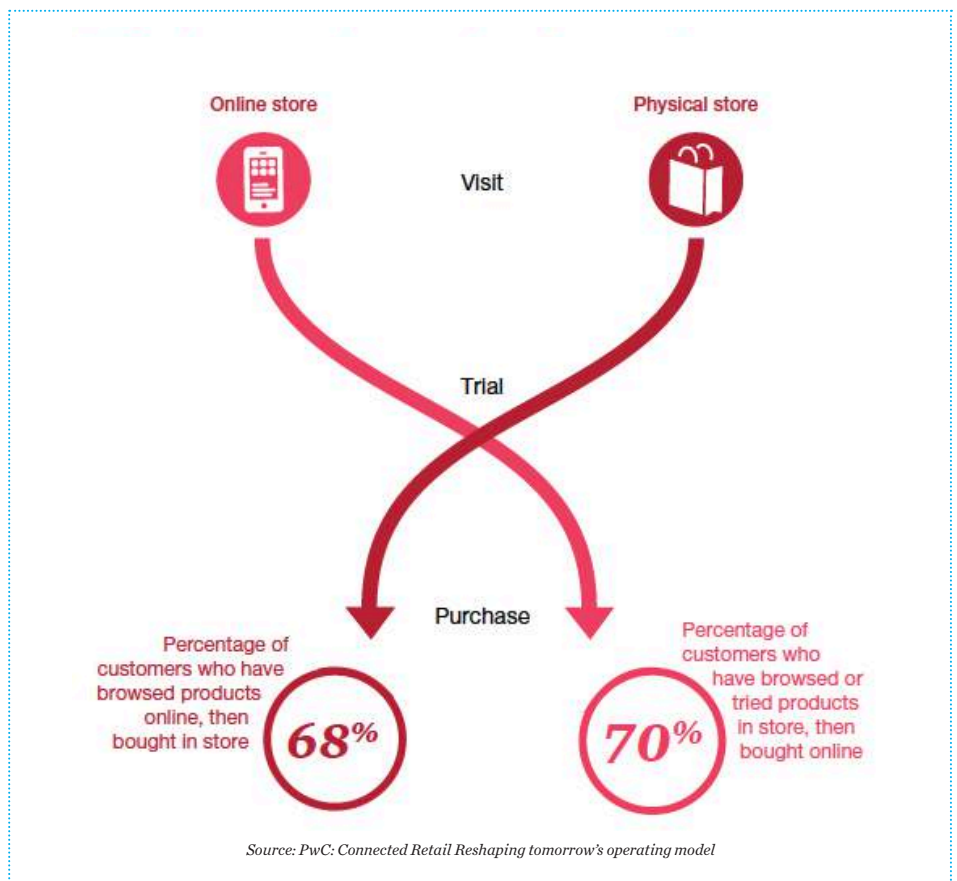
Belgian retailers' and manufacturers' perspective on connected retail in 2017:

Belgian retailers were asked to give their **definition of connected retail.** The top 5 answers were as follows:

- The phygital shop (bricks & mortar + digital)
- Guiding the customer smoothly to personalised marketing
- Digital payment solutions
- Supply chain and delivery options
- Helping staff to provide the consumer with their own customer experience

We also asked Belgian retailers what their main priorities were with regards to **growing their connected business.** Their answers were as follows:

- Increasing the social experience in store (encouraging shoppers to spend more time in the shop, whether they make purchases or not)
- Personalised interaction
- Redefining the role of physical stores
- Linking offers, coupons and loyalty cards to a mobile app
- Payment via mobile phone
- Use of in-store technology
- The last mile
- Building a sense of trust regarding the use of data
- Location-based warnings

The top 5 real and accessible examples of connected retail as seen by retailers with regards to the **customer experience** are as follows:

- Consistency across channels, based on the smartphone.
- If the shopper loves your brand, they will want to build a relationship (loyalty points, bonuses, etc.).
- Customers can use their smartphones or a wearable device to quickly scan an item and call up product information, reviews or social media commentary.
- Offers and promotions specific to shoppers' needs (based on purchase history and data the shopper has shared).
- Personalised digital coupons delivered to VIP customers upon entering the store.

The top 3 real and accessible examples of connected retail as seen by retailers with regards to the **supply chain** are as follows:

- Smart price tags that can be changed in real time based on demand or other trends.
- Smart packaging that monitors the freshness or age of perishable goods.
- Establishing an e-commerce order management system for managing the picking and packing of products and a smart point-of-sale (POS) system for handling payments.

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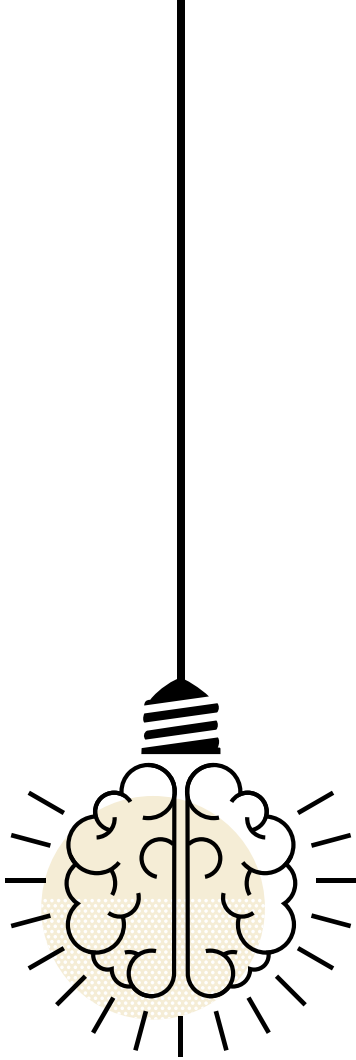
Smart tags are a digital identity containing product information that can be altered in real time. These tags can be used in combination with RFID (Radio Frequency Identification) or NFC (Near Field Communication), stores like Walmart use smart tags to quickly scan products from a distance, to evaluate what inventory they have in store. Smart tags are a possibility with regards to boosting sales and relevant if there is a seamless connection between online and store sales. Increasing profit by adjusting prices of course requires specific algorithms and is also subject to legal constraints. Smart packaging is definitely an emerging practice, and one that is very relevant with fresh products, but currently still facing cost/benefit challenges if it is to really take off , although there are certainly already some good opportunities for high-value products.

In terms of order management, the opportunity to integrate management systems for both store information and online order information will also increase customer insight and satisfaction with multiple delivery modes, regardless of purchase channel.

RetailWeek Connect published 'The European connected consumer - A life lived online', which also included Belgium, in November 2016. The main points that the report highlights with regards to Belgium are that 51% would be willing to use a virtual fitting room, 43% of Belgians had used a mobile payment app and 42% said drone delivery would be a positive development (the main reasons being faster delivery and potentially cheaper delivery costs)

Other emerging ideas to integrate the value chain and deliver connected retail are as follows:

- Smart shelves providing real-time information on stock levels. Using a combination of sensors on shelves, equipment and products could provide up-to-the-minute information. This data could then be used to monitor inventory and re-order stock automatically based on shelf weight, product lifespan or activity on the shelf.
- Beacons serving up information on frequent store visitors, such as purchase histories and personal preferences, to help a sales associate deliver a high-touch service to their most valuable customers.
- Smart shopping carts helping customers navigate the aisles of a store based on their digital shopping lists.
- Robots with touch screens for browsing inventory that can lead customers to the desired products.
- Customers using their smartphones or a wearable device to quickly scan an item and call up product information, reviews or social media commentary.
- Smart mirrors allowing customers to 'try on' different clothing virtually.
- Real-time inventory management: having the ability to show the offline inventory positions of all articles, both in the E-com DC and in the various stores, online.
- RFID: a new way of tracing products in stores and monitoring inventory and sales.
- Smart marketing: pushing products to people based on where they are in the store, the time that they spend there, their buying history, etc.

Our survey shows that most Belgian retailers and manufacturers are not going to use these emerging possibilities in the short term (within 12 months). The options most likely to be used in the future by retailers are gamification, beacons and RFID. The most likely to be used by manufacturers are virtual reality, augmented reality, gamification and drones. GfK research shows that purchases of head mounts and action cams are on the rise. Furthermore, 4.1% of Belgian customers have indicated their intention to buy such a product in the next 12 months.

Belgian retailers don't feel ready for digitisation

In 2014,

over 40% of retail managers felt ready for digitisation. At that time, there were primarily two concepts linked to 'digitisation'. Firstly, retailers thought the value chain needed to be digitised. In essence, retailers considered it to be sufficient to lay the work with the manufacturer, with a clear need to digitise their product information and make it available to the value chain. Furthermore, digitalisation was often seen as synonymous with e-commerce. 14% believed that traditional retail would not be affected by digitisation but saw it as a complementary sales channel. The food retail sector in particular did not believe that e-commerce could have a negative impact.

In 2015,

just over 20% of retail executives believed their company was ready for digitisation, but it was unclear to them whether digitalisation entailed more opportunities or threats. Belgian retailers expected an investment budget from marketing, in particular, in the field of digitisation. Primarily international retailers and international e-commerce retailers saw this as a threat, rather than an internal need for change management. Both retailers and brands were equally concerned about the added value of digitisation in the customer journey: where was digitalisation meaningful, and where was it useless? Brands especially expected answers from digitisation in the fields of innovation (30%), marketing (80%) and logistics (30%).

In 2016,

only 7% of retailers believed that their company was ready to keep pace with digitisation, notably considering finding the right (out)sourcer(s) to be a source of frustration. Non-food retailers were essentially concerned about the profitability of their own shops, whilst food retailers tended to think more defensively: how can digitalisation enhance my competitive advantage and positioning? The impact of disruptive models (Hello Fresh, Deliveroo and Menu Next Door) on food retailers was not specified. Retailers essentially feared the impact of granular newcomers on the market, aided by digitisation; not one specific competitor who takes away market share but many small newcomers who will take away market shares. Brands see disruptive models as a response to centralised power. Digitisation reduces the power of intermediaries, and retailers are an intermediary between brands and consumers.
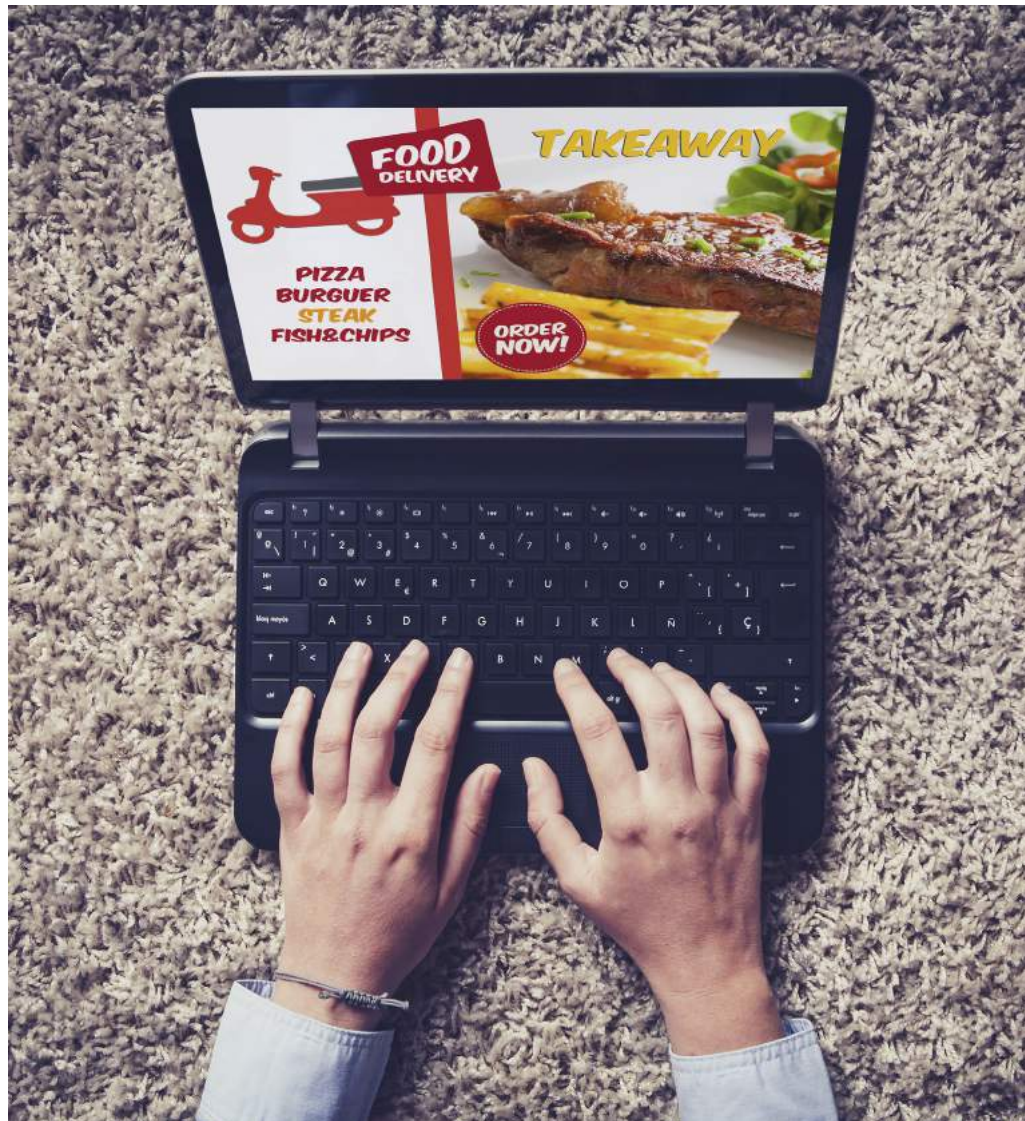
> 66
>
> *only 7% of retailers believe that their company is ready to keep pace with in the digitisation.*

Connected retail examples where retailers are concerned

Apple orchestrates every aspect of the end-to-end Apple experience across every touch-point to make it the world's leading retailer (driving sales per square foot to over $6000).

Nordstrom introduced an app that executives expected people would mostly use remotely to order items while they were watching TV or waiting for a train, but customers also use the app while shopping at Nordstrom rather than approach the sales staff.

Lego shows kids and parents what the final Lego product in the box they are holding will look like when built. The system requires no code but rather uses image recognition to create a 3D animation around the top of the box that, with gesture recognition, lets customers hold the model in their hands.

LensCrafters has deployed a 'Magic Mirror' that allows customers to scan physical products and see what they might look like on their reflection in the mirror - perfect for customers who can't see without their original glasses on.

Torfs launched an integrated in-store digital product display, giving online-only inventory a visible place within the store.

Marks & Spencer has launched a magic mirror fitting room that comes to life when RFID-enabled products are tried on. The fitting room blends digital content and sales associate tools with the physical product and fitting room environment to create a fully-enabled connected experience.

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Payment options

Within the connected retail sphere, retailers will be forced to adapt certain services, and payment is one of these. This is also another opportunity to increase client loyalty (and convenience). Several technologies are already available on the market, which is mainly covered by two large players. Third parties, such as Google Wallet and Apple Pay, were one of the first to discover the market of online and mobile payments as they have the relevant know-how and technologies. Next to these players, the market is mainly covered by banks who are providing innovative payment services. In contrast to third parties, they have the advantage of being trusted by customers. Next to these 2 players, retailers are entering the rather competitive market in order to create a competitive advantage.

Walmart, for example, introduced a payment system which allows customers to pay simply by scanning a QR-code on their phone. These mobile wallets not only provide the customer with an effortless payment experience, but also provide Walmart with valuable information about its customers. In return, Walmart is able to offer personalised promotions and the best prices to each of its customers.

Walmart is not the only player in the market to have discovered the benefits of linking payment techniques to customer loyalty. Indeed, Starbucks began in 2009 with experiments in the field of mobile payments. This was more widely rolled out in 2015 where Starbucks expects the use of the mobile app to grow to 50%. If a loyalty programme can be linked to the use of the mobile app, this could be a huge success, especially when you bear in mind that participants in the loyalty programme (12.3 million) generate more sales than other customers. Connecting online with offline was not an objective, but meeting the needs of the shopper was. The shopper asks for convenience, ease and rewards in many ways. As a user of the mobile app, you always have your loyalty pass (your smartphone) with you. Credits are automatically collected by spending money, and the more money you spend, the more credits you gain. After accumulating enough credits, these can be turned in for a reward, such as a free coffee. It's a simple and fun system that stimulates customers to spend more in order to acquire certain rewards.

Belgian banks are also launching mobile payment and loyalty platforms. In July 2016, ING and KBC joined forces to launch the Payconiq mobile payment app with loyalty platforms Qustomer and CityLife in a single service. In the long run, both parties are working on a combined digital customer card with a mobile payment function which helps provide a unique digital experience for the customer. Both the Qustomer and CityLife loyalty platforms and the payment solution from Payconiq are open to clients of all Belgian banks. This service enables customers to make mobile payments, both online and in-store, and make direct transactions with contacts.

The first big retailer to join the mobile revolution in Belgium was the Colruyt group in 2015. Using a similar system as Walmart, the payment can be done by opening one of the thrusted application (being SEQR, KBC mobile banking and the Bancontact/Mister Cash-app), followed by scanning the QR- code and confirming your payment with your pincode. Later in the year other retailers such as Delhaize and McDonald embarked on the mobile payment journey, continually allowing more and more customers to pay through mobile devices in Belgium.

These examples prove there is a business case for retailers; indeed, by providing payment technology they receive a vast amount of valuable information about their customer base. Creating their own payment device is seen as a crucial thing for retailers to do since this kind of information could create a certain competitive advantage. This point of view is also supported by payment service provider Bancontact (Bancontact press release, September 2016). Retailers should not, however, forget about the importance of the customer. They are, after all, the one who needs to adapt their routines, and the feeling of having a stake in this adaptation is essential to the success of any new payment device. This may be one of the reasons why contactless payments are still not widely used. Security is also an important explanation, especially since Belgium proves to be the second most risk-averse country in the world (beaten only by South-Korea).

> *"*
>
> *Creating their own payment device is seen as a crucial action for retailers*

Addressing the gap: where retailers are failing to meet customer expectations and how they can get fit to drive growth

We have assessed the readiness of the retail industry to respond to customer demands and adapt both their operating model and technology enablement to meet the ever-changing needs of their customers. **Our findings have highlighted 7 key facts that amount to a 'call to action'** - time to evolve or be left behind.

1. Retailers aren't yet offering a seamless experience across channels

2. Retailers aren't interpreting data fast enough into actionable insights

3. Connecting the dots across various customer touch-points is now a core skill

4. Retail loyalty programmes are not dead but do require a serious re-think

5. Be VERY aware of the social media-savvy consumer

6. CEO's are concerned that they aren't using technology to the best impact

7. While technology is the enabler, few have managed to define and execute an effective roadmap fit for the digital age

Fact 1: Retailers aren't yet offering a seamless experience to customers across channels

Retailers' omni-channel business models are far from mature, continuing to reflect the operational and channel 'silos' which increase the cost of serving and diminish the consumer experience. Only 17% of retailer respondents reported confidence that their omni-channel business model delivered a seamless and connected experience across channels and functions. If we accept these results the story is one of opportunity.

Looking to the past, this same element is required in order to achieve operational excellence in the physical store and these lessons must now be applied to the onmi-channel world. While retailers are struggling to integrate existing channels, they also then miss out on the opportunities provided by new channels. Faced with this problem, retailers can either continue to expand by adding further fragmented layers of operational and technological cost and
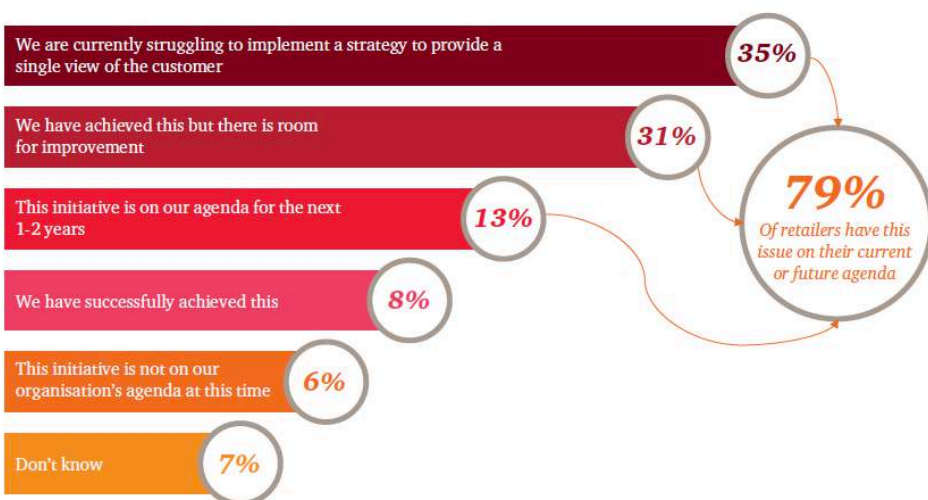
complexity or take a step back and address the need to adapt the whole operating model.

To do this requires the successful integration of channels and operations by leveraging technology to deliver a single view of the customer, identify purchase and consumption patterns and drive insights that can deliver a personalised and tailored customer journey based on the needs of the individual. It is only recently that the consolidation of all data in a real-time flexible manner has really come to the forefront in retail, enabled by new technologies and dynamic analytical capabilities to provide relevant and personalised experiences. It is more important now than ever to have a single view of the customer, enabled by an integrated retail 'Digital Front Office'.

Fact 2: Retailers aren't interpreting customer data fast enough into actionable insights

Although long talked about, very few retailers are confident that they have successfully achieved a 'single view of the consumer'. Startlingly, only 8% of retailers report having done so, with the remainder either struggling or yet to start. Moreover,

Over a third of retailers are struggling to implement a strategy to provide a single view of the customer, with a further third seeking to improve in this regard

We are currently struggling to implement a strategy to provide a single view of the customer	35%
We have achieved this but there is room for improvement	31%
This initiative is on our agenda for the next 1-2 years	13%
We have successfully achieved this	8%
This initiative is not on our organisation's agenda at this time	6%
Don't know	7%

79% Of retailers have this issue on their current or future agenda

Q. Please indicate the maturity of your organisation in ascertaining a single view of consumers across all channels
Base: 312

Source: PwC & SAP: Your customers are calling the shots - time to get ready for the digital age

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retailers report that they are struggling to translate consumer data into actionable and monetised insights. The most alarming fact about this is that suppliers are now cashing in on the lack of movement from retailers.

Consumer brands are fast adopting customer insights and are beginning to use data to demand better commercial arrangements with retailers. Red Bull is a great example of a consumer brand using data insights to drive footfall to retailers and they are demanding their fair share of margin for these efforts. Lost in the mix of all this is control for retailers who refuse to address consumer centricity seriously and finally accept that consumer data and the management thereof is the most valuable and 'monetisable' asset they have. Data is the new value asset, and when interpreted properly it can deliver the right experience as well as bringing new consumers through retailers' doors. A good example of this is Kindle, which doesn't just sell books but also records the behaviours, 'likes' and movements of their consumers and monetises these insights. Under Armour have expanded the brand to a lifestyle management hub and experience, not selling a product but rather really

addressing the needs of customers and consumers and their broader needs.

Fact 3: Connecting the dots across the various customer touchpoints is now a core skill

The C-Suite is now more aware than ever before about technology, cybersecurity and the importance of data in driving business outcomes (no longer the sole domain of the CIO), but while they understand the importance of having the right data and technology capabilities to enable them to compete effectively in an omni-channel world, protect the brand, and build trust, they are nevertheless struggling with execution.

Failure in this domain could fatally damage both brand and reputation. More consumer touch-points mean more data access points which need to be secure. From the CIO and Chief Compliance Officer perspective, more data storage points equates to a much higher risk of data breeches occurring. With impending new EU regulations on data security (the 'right to the erasure of data' legislation) this topic is getting more attention and the debate over how to handle it is of the utmost importance.

The survey results show that a third of retailers are unaware of the implications of the new EU General Data Protection Regulation (GDPR), which makes companies responsible for all consumer data that they have, whether processed or managed by themselves or by 3rd party vendors, and has maximum fines set at 4% of an organisation's worldwide turnover or €20 million (whichever is higher), with compliance to become mandatory by 2018. Of those that are aware, just over half have taken action to address the requirements. Some will spend more time and effort trying to lock things down rather than seizing the opportunity to make an investment in consumer data foundations similar to their prior investments in core transaction systems and ERP. Since the consequences of data breaches are so immense this may be the area that finally helps many retailers get on with the mission to modernise and simplify processes and allow them to spend more time analysing data instead of just gathering it.

Fact 4: Retail loyalty programmes are not dead but do require a serious rethink
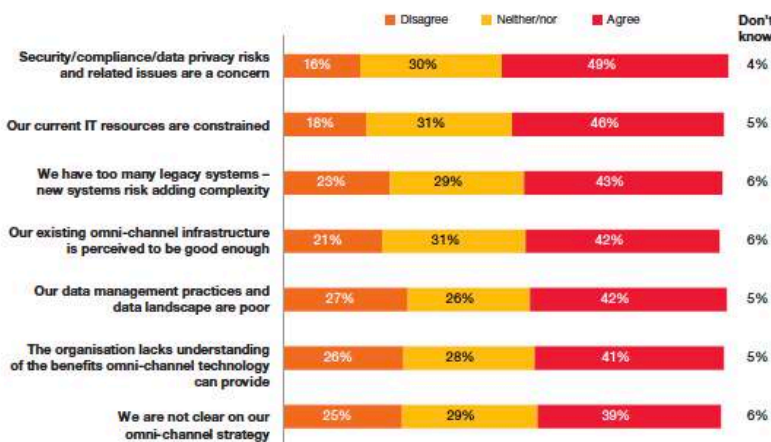
In a world where marketers are talking about the move from 'macro' consumer segmentation to 'micro' and questioning the role of the loyalty

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Almost half of retailers agree that challenges related to data security/privacy issues are a concern
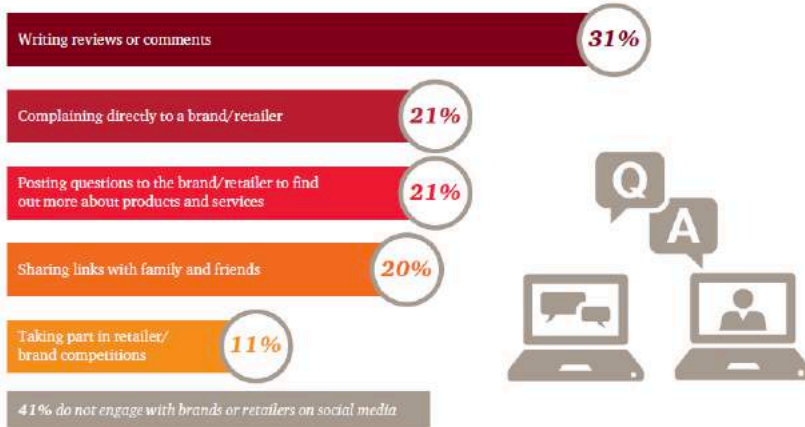
The evolution of customer touch points

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What is holding retailers back...?

	Disagree	Neither/nor	Agree	Don't know
Security/compliance/data privacy risks and related issues are a concern	16%	30%	49%	4%
Our current IT resources are constrained	18%	31%	46%	5%
We have too many legacy systems – new systems risk adding complexity	23%	29%	43%	6%
Our existing omni-channel infrastructure is perceived to be good enough	21%	31%	42%	6%
Our data management practices and data landscape are poor	27%	26%	42%	5%
The organisation lacks understanding of the benefits omni-channel technology can provide	26%	28%	41%	5%
We are not clear on our omni-channel strategy	25%	29%	39%	6%

Q. We want to understand what challenges you face in getting new omni-channel business technology solutions to the top of the agenda for your business area or organisation. To what extent do you agree/disagree with the following statements.
Base: 312

Source: PwC & SAP: Your customers are calling the shots - time to get ready for the digital age

Social media presents the opportunity for consumers to provide feedback to brands and retailers directly with over 50% of consumers writing reviews or directing complaints

Writing reviews or comments — 31%

Complaining directly to a brand/retailer — 21%

Posting questions to the brand/retailer to find out more about products and services — 21%

Sharing links with family and friends — 20%

Taking part in retailer/ brand competitions — 11%

41% do not engage with brands or retailers on social media

Q. How do you most frequently engage with brands/retailers using social media?
Base: 2103
Note: Respondents asked to select all that apply

Source: PwC & SAP: Your customers are calling the shots - time to get ready for the digital age

programme, consumers are stating 'loud and clear' that they still see value in loyalty programmes and actively engage in them.

Our survey findings show that 66% of consumers surveyed are part of one or more loyalty programmes, with many members actively engaged in up to 10 programmes at any one time. Our survey also shows that 57% of consumers revealed they prefer loyalty programmes that they can access digitally (online or via an app). In the digital world this represents both a threat and an opportunity in that whilst the tools for personalised customer interaction are in place, a competitor programme can adapt a digital offering in real time and steal away market share.

In today's retail environment, getting loyalty schemes right is not just about the traditional reasons of retaining customer loyalty, it should be a key enabler for a better customer experience. This is why Amazon is winning in the online sphere as its loyalty offer is based upon a whole host of non-price-related facets, from insights and reviews to breadth of range and categories, to innovation in engagement and convenience as well as superior customer service (Amazon Prime). In addition, Amazon is using customers as advocates, providing reviews that are open for all to see. Amazon's more recent investments and innovations in the digital TV arena only add to their reputation

for exciting and surprising their consumer base, adding an element of intrigue as to what they will do next.Looking ahead, retailers need to develop loyalty programmes, essentially addressing individual preferences and needs, so that they offer exclusive and personalised care that creates a very instant, relevant and rewarding experience rather than just a basic points gathering exercise. Fortunately this can be addressed fairly easily with the right technology underpinning the offering.

Fact 5: Be VERY aware of the social media savvy consumer

Providing an exceptional customer experience across channels is fundamental in order for brands to drive brand loyalty and ensure that consumers are sharing positive stories. "A brand is no longer what we tell the consumer it is, it is what consumers tell each other it is". The omnipresence of social media comes through strongly in our survey findings. In fact, over 50% of all of the consumers surveyed confirmed that they frequently engaged in social media to write reviews and direct complaints.

When things go wrong and omni-channel expectations are not fulfilled, consumers are very quick to tell the world about it. The damage one consumer can do has never been so significant, and the discontented consumer's voice is now amplified to much more than just

simply word of mouth. The issue here is not finding a better way to manage the loud voices but understanding why they are 'yelping'. Friction in dealing with retailers is the number one reaon for consumers to write reviews and complain. A faulty product does not usually create a detractor but the returns process or a disjointed response from a retailer can enflame the consumer.
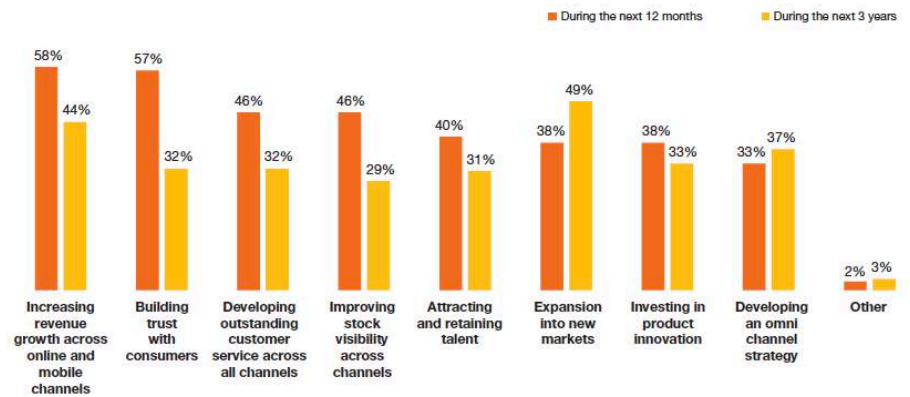
Many retailers are heavily invested in social media, mostly to just listen and mitigate an enraged consumer. The logic in this starts to fail when that investment does not really drive sales, whereas an investment towards less friction and unified consumer experience has multiple revenue opportunities associated with it. How often have we all had a deeply frustrating retail experience, which was then only 'adequately' dealt with by the retailer, only for it to happen again (with clearly no knowledge on their behalf of the previous experience)? Once we can allow, but twice (or thrice) makes us turn to the nuclear button - social media.

But once again, let's not let the opportunity pass us by; the social media channel can also provide several powerful advocates, and Amazon has proven the value of this model several times over. Indeed, both listening and acting on information to provide a superior customer experience can be a key differentiator.

Prioritising technology to achieve a totally connected experience for consumers

■ During the next 12 months ■ During the next 3 years

	12 months	3 years
Increasing revenue growth across online and mobile channels	58%	44%
Building trust with consumers	57%	32%
Developing outstanding customer service across all channels	46%	32%
Improving stock visibility across channels	46%	29%
Attracting and retaining talent	40%	31%
Expansion into new markets	38%	49%
Investing in product innovation	38%	33%
Developing an omni channel strategy	33%	37%
Other	2%	3%

Q. What are the strategic priorities for your retail organisation during the next 12 months and during the next 3 years?
Base: 312

Source: PwC & SAP: Your customers are calling the shots - time to get ready for the digital age

Fact 6: CEOs are concerned that they aren't using technology to the best effect

Interestingly, CEOs take a more critical or perhaps realistic view of their organisation's ability to use technology to the best effect. Their views of current performance and experience are more aligned with consumers' views rather than those of their own C-Suite and senior management colleagues. The inherent issue with this finding is the reality that business 'silos' are working hard and delivering against their own KPIs, but their outputs are not necessarily aligned with what the consumer is demanding or experiencing. There is a need to realign the whole organisation with customer KPIs, creating a customer-centric operating model that aligns all departments and functions in pursuit of a common goal, namely to create and deliver a great customer experience, and technology is the great enabler of these capabilities.

Fact 7: While technology is the enabler, few have managed to define and execute an effective roadmap fit for the digital age

Prioritising technology to achieve a totally connected experience for consumers is the most essential element for future success. Whilst retailers are aware of the capabilities required to compete, few are clear on the execution roadmap or how to prioritise inter-connected issues in order to address customer expectations, and whilst the focus over the next 12 months will be on growth across channels, building consumer trust and developing outstanding customer service, the question of how these will be delivered (profitably!) and executed across the end-to-end value chain has not yet been defined. Moreover, they appear to dramatically decrease in importance and priority over the next three years. In order to really retain consumers and build a loyal consumer base these areas need to remain a priority, at least until technologies that deliver the best integrated customer experience become the norm.

Call to action – The four imperatives of doing business in the digital age

In summary, we see four retail imperatives to remaining relevant in the digital world.

While retailers recognise the need for a revolution in their technological capabilities, few have plans in place to enable them to respond to consumer demands coherently. If retailers are to achieve the nirvana of 'Total Retail', that is a fully integrated customer experience regardless of channel, they need to drive business transformation across multiple organisational dimensions. The critical issue is that they are looking at incremental steps in enhancing capabilities, while what is really required is a more radical shift towards a truly consumer-centric operating model. New organisations need to have digital enablement at their core, and incremental steps cannot achieve that.

Transforming operating models and business capabilities requires fundamental changes to be made to the end-to-end value chain, enabled by integrated technologies that bring together the core capabilities of a truly customer-centric organisation. Real-time insights powered by advanced technologies and made available for consumption across the organisation using powerful visualisation tools, ensuring a seamless experience across channels, is now the norm in terms of customer expectations.

The gap between customer expectations and retail realities is growing. We believe that retailers must respond to this in four ways in order to take back control of their destiny in the face of these challenges.

The retail imperatives to remaining relevant in an increasingly competitive digital world include the following:

1. **Creating a truly customer-centric organisation:** this is the age of customer centricity, and by this we don't mean tactical investments in online and digital presence, but rather fundamental investment in a customer-centric operating model and KPIs enabled by an integrated technology platform that re-configures the retail business model and places the consumer at the heart of retail planning & execution. Integrating physical and digital store operations under a single management team with shared incentives and key performance indicators (KPIs) that are channel non-specific.

2. **Integrating the end-to-end value chain:** there is a need to integrate all customer touch-points across stores, online, mobile, etc., underpinned by an integrated data model and integrated processes and systems across POS, order management, consumer service and data to ensure all customer interactions are personalised and relevant across channels.

3. **Delivering personalised customer offerings, engagement and interaction:** this is the age of the individual and personalised engagement and interaction relevant to an individual consumer through the synthesis of their interests, needs and transactions across channels is vital in order to deliver personalised offerings based on deep customer insights. Transforming interactions into a 2-way valued relationship supported by innovative loyalty programmes that address the needs of the individual is key. This applies not just online but also in store, using digital technology to enable staff to offer the same experience regardless of channel.

4. **Integrating and optimising the retail technology footprint:** it is impossible to serve the needs of connected consumers without the right enabling technology. In the digital age, the need for retail system optimisation and investment in differentiating capabilities such as data integration and analytics is key. In order to ensure that this growth is profitable, however, it needs to ripple all the way down the digital value chain, from demand forecasting & planning to product development, merchandising and supply chain optimisation, which underpin loyalty and digital engagement.

Few retailers have the key components in place required to compete in the digital age. While the technology capabilities are available, an integrated vision and execution roadmap to address these imperatives is lacking. Many Belgian retailers haven't yet tackled the key priority to deliver more connected retail – Creating a single view on the customer across all channels. Recognizing your customers, capturing and consolidating all data to one single view is a fundamental first step to be able to respond to the new customer expectations … It's time to get fit for the digital age…

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Find out more

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