

Power speaker

Retail Transformation starts here

Michelle Beeson | Analyst | Forrester Research

Navigating digital transformation

Technology is providing massive empowerment to consumers and as such retailers must accommodate the demands of their customers who are all increasingly embracing a digitally-powered lifestyle.

Speaking at the K3 Retail 'Make Happy' conference in London recently Michelle Beeson, analyst at Forrester Research, says: "Consumers are more empowered and connected than ever before. They are now uncomfortable without access to information. Expectations have changed and so have shopping behaviours."

The reality is that digital maturity is happening across a broader base of the UK population with the result that Forrester has quantified 'super shoppers' – the frequent users of connected devices – as accounting for as much as 27% of people. They are followed by 'mobile shoppers' at 7%. Both these groups are growing exponentially, says Beeson, who adds that 'traditional web shoppers' account for 23%, while 'researchers' – who investigate products online but don't yet buy online – are 20% and only 23% can be classified as 'holdouts'.

She is quick to point out that digital shopping behavior is not just about buying online because digital is increasingly influencing all types of transaction regardless of channel. By 2021 over half of all purchases will have been affected by digital assets – this is forecast to be 55% in Europe and 56% in the US.

Creating seamless customer experiences

With the influence of digital growing Beeson says the challenge for retailers is to "create a seamless customer experience. "The new battleground for retailers is the overall customer experience they are delivering. But what defines a good customer experience is now determined by the customer. The expectations are set by them, based on all the things they do - from booking taxis, banking, buying a sofa etc.," she says.

For retailers, Beeson highlights some key aspects of the digital transformations that are now being undertaken across the sector. Firstly, there is digital experience - whereby retailers deliver an experience that is "easy, effective and emotional". Beeson cites the work retailer North Face has undertaken, which uses AI to enable customers to find the right jacket.

"It's a great experience and we'll be seeing more of this because it effectively brings the store-type experience to online. Through AI and machine learning it is like you have a store associate helping you with your purchase," she says.



Secondly, digital operations - this centres on dealing with the challenge of inventory and order management. For some retailers like Macy's in the US that wanted to expose its store stock online it has involved implementing RFID technology.

"They saw that it would pay for itself immediately because the 15% - 20% of its inventory that would have typically been lost in the backroom and sold at a discount could instead be sold at full price," says Beeson.

Thirdly, there is the change in metrics that are used. Traditionally the sales role of the store meant that sales per square foot was the key measure. But now that stores must deal with Click & Collect, pick, and pack, and handle returns then the value of sales per square foot measures have reduced value.

"At retailer Schuh they say it's also now about 'number of online orders handled' by the store. The efficiency of its stores is now measured by this metric," she says.

Creating digital eco-systems

Finally, there are digital eco-systems - whereby retailers should build platforms and partnerships because this allows them to accelerate their digital activities and scale at speed. "Alibaba is a master of the eco-system-driven business. It has collaborated with banks, hotels, and Uber. It's being very smart about how to scale," she says.

For each of these strands to be delivered effectively within an organisation as it undergoes a disruptive digital transformation Beeson says it is imperative that there is strong CEO leadership, that the business model evolves, and that the business continually innovates.

To find out more, visit k3retail.com

