

Custo



Conn

High performance. Delivered.



Conve



Colla

Seamless Retail
Customize. Connect.
Converge. Collaborate.



consulting | technology | outsourcing

Contents

Introduction	3
Bridging the gap	4
Customize	7
Connect	8
Converge	11
Collaborate	13
Conclusion	14



Customize

Understanding individual shoppers in context and across channels



Connect

Integrating operations to sustain a single customer conversation



Converge

Building standardized IT platforms that unify divergent data sources



Collaborate

Forging partnerships to strengthen the customer value proposition

These are the four key steps to truly seamless retailing. And by implementing them, leading players are starting to gain competitive advantage in today's non-stop markets.

Today's non-stop customers expect to shop without barriers throughout a multi-channel journey that is dynamic, open—and above all continuous.

More and more of them are consulting their smart phones and sharing tips with socially networked friends, in a quest for the best offers on a seamless purchasing journey—in store, at home, or on the go.

What's more, thanks to empowering disruptive technologies and the online pure plays,

which leverage their innate agility and speed to offer swift and convenient access to an ever-widening range of affordable products, customers are getting what they want.

Threatened with an exodus of their most valued customers, traditional retailers know they need to raise their game—and fast. But new Accenture research reveals that there's still a significant gap between what most mainstream players can do and what they should be doing to keep their customers happy and loyal (see Bridging the gap sidebar).

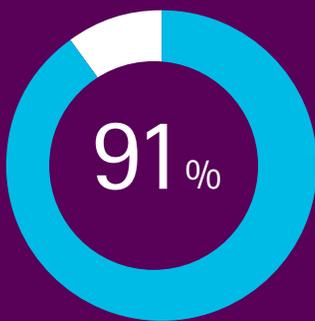
Today's non-stop customers expect to shop without barriers throughout a multi-channel journey that is dynamic, open—and above all continuous.

Bridging the gap

Accenture's Seamless Retail Global Customer Survey

6,000

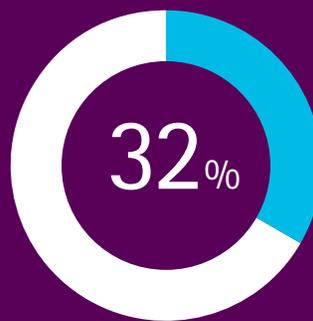
Customers polled across eight countries.



Physical store



Online



Mobile

Customers indicating that shopping is "easy or very easy".

The six capabilities that we identified as key to seamless retailing are:



Consistent Experience
(regardless of channel)



Connected Shopping



Integrated Merchandising
(across channels)



Flexible Fulfillment & Returns
(multiple options convenient to the customer)



Personalized Interaction



Better, Faster & Memorable
(in the form of new technologies and value-added services to enrich the customer experience)

Non-stop customers want to move seamlessly across channels to fulfill a single shopping mission. They expect to find the same assortments, pricing and promotions in all channels.

When we evaluated 60 global retailers to discover just how good they are at delivering against these demands, we found a significant gap between expectations and reality. Only Personalized Interaction emerges as a real strength.

Personalization, in the form of emailed coupons and offers based on customer loyalty card data, is, of course, relatively cheaper and easier to implement.

Research findings indicate that it's a lot harder to ensure that customers find the same assortment online as they do in store (as 81 percent of customers surveyed expect), or to provide a truly consistent experience across channels. Indeed, while more than 91 percent of those surveyed said that physical store shopping is "easy or very easy", 70 percent felt the same way about their online experiences, and just 32 percent of mobile device users were similarly satisfied.

Interestingly, 45 percent of survey respondents said they would be willing to wait for up to two weeks for free shipping. And 39 percent were willing to pay for same-day delivery: Strong indications that flexible fulfillment expectations are relatively modest. It's clear, however, that customers still expect such options to be as flexible as possible. And that means, for example, the ability to process returns in stores other than where the goods were purchased—a challenge for both store labor and transportation capabilities.

Seamlessness—the ability to deliver a consistently personalized, on-brand experience for each customer at every touch point, any time, anywhere



In the six months prior to our survey



have "showroomed"
(browsing at least once in store and then buying online)



have "webroomed"
(indicated they had browsed online before making an in-store purchase)

Seamlessness

Seamlessness—the ability to deliver a consistently personalized, on-brand experience for each customer at every touch point, any time, anywhere—is plainly a tall order for most traditional retailers.

And small wonder. It requires a presence at every stage of the customer journey, from discovery through research, purchase, fulfillment and beyond, to product maintenance or returns—the ability to respond seamlessly to whatever the customer desires, wherever they may be, and whenever (or however) they choose to communicate.

Experience shows, however, that seamlessness could be achievable. And some leading mainstream players are beginning to show how. Accenture believes that there are four steps to success:



Customize

Understanding the seamless customer

Today's customers are capricious. They may take a fancy to something in store, and then ask the sales associate to hold it while they consider the purchase.

Or they may order online, intending to pick the item up later, in store. In either case, they may subsequently change their mind: Perhaps because a socially-networked friend has recommended an alternative, or perhaps because they can't collect the item in store after all, and want to choose a more convenient venue.

Regardless of the original touch point, they will expect their interaction with the retailer to be uncomplicated and instantaneous. If a

sales associate doesn't remember them, or if the purchasing process can't automatically accommodate their changing preferences, they will quickly lose interest, or worse yet, become increasingly frustrated—and go elsewhere.

That means retailers need to be able to recognize each customer—and to personalize his or her experience with them—in context and across all channels. And that, in turn, requires the ability not only to follow each customer, in specific real-time contexts, but also the ability to guide their purchases.

There's a fine line, of course, between curating content and becoming an unwelcome intruder. Our research shows that customers want to use social networks to connect with their friends and family. They only want a retailer to join the conversation if they have something relevant or valuable to share. In an era of open content, with customers

continually trading shopping ideas across social networks, retailers need to be able to filter out the "noise" to ensure that their own offers really are relevant. By listening carefully, they can learn just when they can influence behavior in their favor.

Data and analytics are absolutely critical to such sensing and anticipating skills. Most retailers these days are awash in information about their customers' habits and shopping preferences, yet many struggle to derive meaningful insights from it. How, for example, can they tell if they have too many stores, or just too few stores of the right kind? As showcases for desirable brands and places where customers can enjoy social interactions, stores, after all, still clearly differentiate traditional players from the online pure plays. Furthermore, there's plainly a mutually beneficial relationship between stores and online channels.

Our research shows, for example, that 41 percent more customers than a year ago have “showroomed”, browsing at least once in store and then buying online in the six months prior to our survey. And an even higher proportion “webroomed”—browsing first on the Internet, then buying in store (88% indicated they had browsed online before making an in-store purchase over the past 6 months). In fact, it is expected that well over half of retail sales will be influenced by online and mobile, regardless of where the ultimate purchase is made.

At the Spanish apparel retailer Inditex, which only recently introduced an online option for fans of its Zara brand, some 80% of returns (including purchases made online) occur in store—evidence that online can drive store traffic¹. Home Depot, similarly, reckons that one third of customers who check in-store inventory online go into its stores within 48 hours of doing so².

Retailers also need to be able to use data to pinpoint the precise occasions when customers shift between channels—and ideally, to anticipate changes in individual purchasing trends. Amazon’s individualized customer product recommendations—derived from information about previous journeys—are the leading example of this kind of insight. But more traditional players also make sophisticated use of analytics. Oregon-based

Motorcycle Superstore, for example, tracks how its customers search for a particular product and guides their purchases in terms that resonate with them—adjusting the language on its website to match the customer’s own terminology (including colloquialisms) to help individuals find what they are looking for, as well as what the company wants them to find, more easily.

Because becoming seamless is about boosting total sales—online, mobile and store—leveraging online and mobile technologies in store, as well as out, can make the customer’s shopping experience easier and thus help drive loyalty.

In the UK, for instance, Marks & Spencer has opened a flagship store that leverages state-of-the-art visual merchandising technology to provide customers with multiple purchasing options. Eye-catching displays feature the latest clothing lines and fashions—including the retailer’s unique private label offerings—and “browse and order” hubs allow shoppers to watch catwalk displays and build outfits. Once items have been placed in a virtual basket, shoppers can use a personally generated code to purchase directly from the hub, or save to buy later on the company’s website. They can also explore alternative shopping options with sales associates equipped with iPads³.

Wal-Mart, for its part, is testing “scan as you go” technology, which allows shoppers to scan products into their shopping carts and then pay with a mobile device at check out. By creating a platform for making “online-like” recommendations based on what the customer has put in the shopping cart, such initiatives bridge the online and in-store experiences⁴.

Consider, too, how Home Depot’s in-store “quick response” or QR codes encourage customers to access its content-rich mobile site. When scanned by a smart phone, the codes bring up detailed product information, including instructional videos, customer reviews, and product ratings—all designed to make decision-making easier⁵.

In Australia, meanwhile, Woolworths, the nation’s largest supermarket chain, is ensuring that their offerings incorporate the “wow” factor across both store and online channels. Woolworths has organized its web merchandise to mirror in-store product aisle displays. And as a result, customers can quickly determine if specials seen in store are also available online—a capability that contributed to online sales growth of 63% in 2011⁶.



Customers who want to be able to shop across all channels, moving seamlessly between them, as and when they please, won't be able to if online and mobile are simply add-ons that don't communicate with stores or with each other.

And for too many traditional retailers, fragmented organizations thwart that single conversation with the customer.

Unpicking the seams that divide the organization into siloes will require a change of mindset and a significant shift in culture for most retailers—a re-setting of priorities. Moreover, building agile, adaptable, joined-up organizations will challenge every retailer to consider carefully just how well they measure up (see Organizing for agility sidebar).

Developing these capabilities will potentially involve significant re- and up-skilling, as well as a degree of collaboration across organizational functions that may prove challenging for many traditional retailers. The payoff, however, promises to be substantial.

Witness, for example, how relying on business intelligence and analytics capabilities, the French retail grocer Carrefour has been able to craft highly targeted marketing campaigns, execute them more rapidly and

Organizing for agility

In order to address their customers' demand for seamless service, traditional retailers need to take serious stock of their operational capabilities. They must be seamless in terms of buying, placement and promotion of merchandise. And that means having inventory visibility, as well as developing pricing strategies and managing metrics and incentives across all channels.

In Accenture's experience, the seamless organization operates in the following ways:

1 Merchandising and Marketing converge into a unified function with the customer experience becoming equally important as product and price.

- Merchandising of the Future delivers a cross-channel product and customer experience.
- Marketing of the Future presents a cohesive "brand" for the new non-stop customer experience.
- Micro-promotions/offers overtake mass marketing vehicles in importance and become a core Merchandising of the Future competency.
- Specialized support functions and new capabilities free up capacity and infuse innovation into the business.

2 Single-channel Teams (Marketing, Merchandising, Supply Chain) consolidate to serve the customer across the enterprise.

- The customer has no channel boundaries.

3 Store Associates coalesce into two specializations: customer-facing associates providing increasingly sophisticated customer experiences and fulfillment-centric associates enabling increasingly complex delivery options.

- Associates must evolve to deliver a more sophisticated and ever changing, dynamic customer experience.
- Stores become fulfillment centers – roles and responsibilities blend between stores and distribution centers.

4 Supply Chain evolves to holistically manage inventory forward, backwards and sideways.

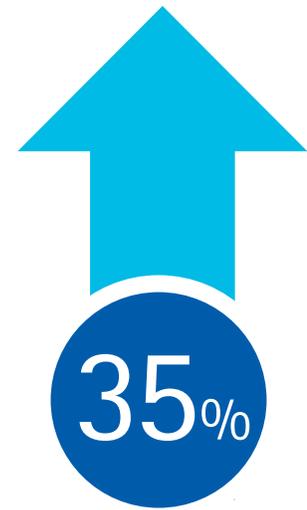
- Inventory must be managed at the enterprise level. Visibility and dynamic fulfillment become a mandatory requirement of a successful retailer.
- Returns management becomes a core competency now for all customer-facing employees including stores, distribution centers and call centers.

5 Metrics and Incentives expand to include holistic customer value – comp "customer" sales becomes as important as comp "store" sales.

- Incentives must influence behavior change to drive sales across all channels.



Nordstrom offers customers free shipping and returns for all online purchases.



This initiative has helped boost quarterly online sales.

instantaneously gauge their impact⁷. Or consider how the UK's Aurora Fashions (parent company of Oasis, Coast and Warehouse) has benefited from a pooled inventory system that allows any of its three brands to fulfill any order, from even the smallest store.

Meanwhile, the pioneers are forging ahead, creating unified cross-channel buying and merchandising organizations that support merchandising, marketing, supply chain and other key functions across all channels.

Staples, for example, is poised to bring US retail and staples.com operations under unified leadership⁸. In Australia, Woolworths leverages data from both in store and online purchases using the retailer's loyalty card to create personalized "favorite" lists and suggest products that the customer is likely to buy. This effort is a result of its analytics, multi-channel and logistics functions all under a single organizational role.

And in the UK, the John Lewis department store has not only strengthened its ability to offer customers cross-channel delivery options and click and collect services by unifying online and store businesses under a single reporting function, the initiative has also generated outstanding results: Between 2011 and 2012, John Lewis reported an 8.7 percent lift in gross sales, to £4.4 billion⁹.

Such leaders also recognize the value of a single view of stock in supporting the seamless customer journey. Nordstrom's inventory, for instance, is unified across both stores and the web, which means that combined with mobile POS systems, the company's sales associates can search immediately for products not in store. In addition, the US department store has optimized its property division so that it can offer customers free shipping and returns for all online purchases—an initiative that has helped boost quarterly online sales by more than 35 percent¹⁰.

In Australia, Woolworths has created a single organizational role with responsibility for both analytics and multi-channel work, across the company¹¹.

AEON Square ties all offerings, including product information, store search and a rewards program, into one portal for customer convenience.



Product Information



Store Search



Rewards Program



Converge

Investing in seamless platforms

Non-stop customers still care deeply about value. In fact, our survey shows that price is the number one factor in choosing which retailer to shop at, whether physically or online.

Additionally, some 55 percent of respondents in our Seamless Retail Global Customer Survey said that when it comes to fulfillment, they favor the cheapest option. And that suggests, of course, that retailers require outstandingly agile and integrated IT platforms that can deliver personalized, context-based services cost-effectively, as well as in real time.

Right now, most platforms just aren't up to the challenge. But by investing in powerful analytics, in-memory technologies and cloud-based solutions, retailers can start to bring the current multitude of siloed platforms, applications and architectures

under one standardized umbrella. By doing so they won't just potentially reduce running costs. These technologies can also help deepen insight and improve flexibility and speed—the keys to faster innovation and decision-making.

The ability to harness Big Data from multiple external sources, especially social media, and link it with what internal CRM and loyalty solutions are already telling them about customer preferences will be a key differentiator for retailers going forward. Consider, for example, how Staples develops distinctive strategies to target its most lucrative customers by continually surveying them across channels and analyzing their purchases¹².

Retailers will need to unify a variety of platforms. The customer-facing technologies that provide the seamless experience—mobile, social and both the retailer's own and third-party apps—will, of course, need to be seamless. The Aeon Group's "Click & Mortar" business model, for example,

combines the Internet with the Japanese retailer's bricks-and-mortar store and distribution system. AEON Square ties all offerings, including product information, store search and a rewards program, into one portal for customer convenience, while a Ru* Run tool, which promotes both the company's supermarket and e-money services online, facilitates communication between Aeon and the shopper's home¹³.

Core systems, too, must become seamless, underpinned by exceptionally fast data processing. Retailers will require robustly integrated, industrialized data services that share applications so that all relevant functions can see what's happening—in effect, a data supply chain within the organization. And a few leaders are piloting programs that leverage in-memory computing platforms such as SAP HANA, which streamlines applications, analytics, planning, predictive analysis and sentiment analysis on a single platform so that retailers can operate in real time.

The fast-growing mobile payments space will be worth US\$31bn by 2016, up from US\$6bn in 2011.



PaaS Cloud technologies can help retailers tackle challenges such as how to shorten promotion lead times, improve assortment planning and remain cost effective, by providing computing power as and when it's needed.

Optimizing the use of these technologies will shake up IT departments. They will need to move capital from legacy systems that have worked well in the past (and may still to some extent do so) to emerging systems. And they will require new skills, boosting the ranks of specialists in alternative databases, as well as statisticians and analysts. This will be challenging for many. But forward-thinking CIOs are already considering their options. And by becoming orchestrators of relevant talent, progressive retailers will be able to manage disparate resources and harmonize new business opportunities.

In Japan, for instance, the apparel company Fast Retailing has been able to accommodate its rapid international expansion by adopting Cloud infrastructure to unify the company's business processes across functions and geographies¹⁴. Target, for its part, has reduced the number of servers in each of its stores from seven to just two, saving millions of dollars in hardware and energy costs, by using virtualized servers run in remote server farms¹⁵.



Collaborate

Partnering for a seamless customer experience

Few traditional retailers can hope to provide a truly seamless customer experience alone.

Consider, for example, a player with thousands of stores and ambitions to offer its customers same-day delivery for online purchases. Unless the company has the resources to invest in a new delivery fleet and complex new routing and labor scheduling capabilities, its ambitions are unlikely to be realized.

By partnering with a logistics provider, however, such a retailer could gain access to additional resources and complementary capabilities, strengthening its chances of gaining competitive advantage. And other alliances—with technology, data, analytics and process partners—are becoming just as important as merchandise vendor partnerships.

Amazon's Marketplace offers a blueprint for the latter. Customers can buy directly from third-party niche sellers that Amazon then charges for the use of its fulfillment system and infrastructure. The online giant benefits from capturing the "long tail" of assortment demand, while the third-party sellers gain access to Amazon's site traffic, thus boosting their top line¹⁶.

Few traditional retailers can hope to match Amazon's strategy of closely monitoring Marketplace sales, and then smartly switching the fast sellers into own-bought product. But some are already forming alternative fulfillment services that promise to send sales soaring.

Witness, for example, ShopRunner, a logistics partnership incorporating such leading US retailers as Toys R Us, PetSmart and Radioshack which offers a free, two-day shipping service with no minimum order size that's similar to Amazon Prime¹⁷. Purchases made online are delivered to a nationwide network of more than 30,000 local stores, or PickupPoints, convenient for customers. And because those customers can buy from one retailer and pick up their packages at another's store, participating companies experience increased in-store foot traffic—and potentially, of course, additional in-store sales. Some 70 percent of customers who buy from ShopRunner e-retail sites, other than the merchant that introduced them to the program, are new customers to those retailers. And when customers first join ShopRunner their online purchases with the retailer that introduced them double within the first four months of membership.

Shutl, a similar service in the UK, which promises to deliver online purchases from participating retailers including Argos, Oasis and Laithwaites within minutes of sale, has been so successful that it now plans to expand into North America¹⁸.

Meanwhile, a US start-up, the Merchant Customer Exchange (MCX), offers evidence of collaborative initiatives encompassing a broader universe of partnerships. MCX aims to become the de facto standard in the fast-growing mobile payments space, which will be worth US\$31 billion by 2016 (up from US\$6 billion in 2011), according to Forrester Research. Among the 20+ retailers that have signed up to participate in this new technology platform for smart-phone-based transactions: Wal-Mart, Target, Best Buy, Lowe's and Gap¹⁹.

A player with thousands of stores has ambitions to offer its customers same-day delivery for online purchases.



Unless the company has the resources to invest in a new delivery fleet and complex new routing and labor scheduling capabilities...



...its ambitions are unlikely to be realized.



Conclusion

Seamless is a journey—and not to be undertaken lightly. It involves hard decisions and tough choices. But in today's fast-moving markets it's becoming a key attribute for any retailer that wants to remain relevant. And in tomorrow's markets it will be essential. Having discovered the delights of non-stop, multi-channel shopping, customers, after all, are unlikely to mitigate their demands for a seamless experience. Indeed, those demands are probably set to intensify.

Leading retailers are learning to adapt. They are customizing their offerings, in context and across channels, to forge relationships with shoppers as individuals. They are adapting their organizations, consolidating and unifying functions, and developing the skills needed to ensure a seamless customer experience. They are building the IT platforms and integrated data services that can support such services. And they are collaborating with each other and with a widening range of third-party providers to secure competitive advantage. Their efforts, moreover, are already paying off.

The time to join them is now.

Get in touch

Accenture has a dedicated team focused on the issues retailers face competing in the online economy – for more information please contact:

Global

Chris Donnelly
christopher.donnelly@accenture.com

Europe

Adrian Bertschinger
adrian.bertschinger@accenture.com

Asia Pacific

Takaaki Haraguchi
takaaki.haraguchi@accenture.com

North America

Dave Richards
david.t.richards@accenture.com

References

- 1 Q2 2012 Inditex Earnings Call Transcript Morningstar; September 2012
- 2 Conference Call Transcript, copyright of Seeking Alpha Home Depot Inc Investor & Analyst Conference; June 2012
- 3 Press Release: Joanna Lumley and Marc Bolland declare M&S Cheshire Oaks open MarksandSpencer.com; August 2012
- 4 Walmart Testing App That Allows Customers To Scan As They Shop Then Pay Quickly At Self Checkout Consumerist.com; August 2012
- 5 NYTimes.com; May 2011
- 6 Woolworths Limited Preliminary Final Report WoolworthsLimited.com.au; May 2011
- 7 Slideshare.net; September 2011
- 8 Staples, Inc. Announces Strategic Plan to Accelerate Growth Staples.com; September 2012
- 9 John Lewis Partnership plc Interim results for the half year ended 28 July 2012 Johnlewispartnership.co.uk; July 2012
- 10 Nordstrom, Inc. JWN Q4 2011 Earnings Call Transcript Morningstar; February 2012
- 11 Woolworths multiple winner at online awards WoolworthsLimited.com.au; July 2012
- 12 Succeeding in Multi-Channel Commerce Shop.org; 2011
- 13 Launch of "AEON SQUARE" on August 10 Aeon.info; July 2012
- 14 Accenture Supports Global Business Transformation Program at Fast Retailing Accenture.com; December 2010
- 15 Large Retailer Relies on a Virtual Solution to Deliver Optimal Shopping Experience Microsoft.com; March 2011
- 16 Amazon Flexible Payments Service (Amazon FPS) Amazon.com
- 17 ShopRunner May Help Merchants Compete with Amazon Prime Practicalecommerce.com; July 2012
- 18 Shutl looks to launch same-day ecommerce delivery service in the US Shutl.co.uk; October 2012
- 19 Gap inc., Dunkin' brands and others join merchant customer exchange MCX.com; August and October 2012

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with 259,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US \$27.9 billion for the fiscal year ended Aug. 31, 2012. Its home page is www.accenture.com.

Follow us on Twitter [@AccentureRetail](https://twitter.com/AccentureRetail)

Learn more at www.accenture.com/retail

Copyright © 2013 Accenture. All rights reserved.

This document is produced by consultants at Accenture as general guidance. It is not intended to provide specific advice on your circumstances. If you require advice or further details on any matters referred to, please contact your Accenture representative.

Accenture, its logo, and High Performance Delivered are trademarks of Accenture.

Rights to trademarks referenced herein, other than Accenture trademarks, belong to their respective owners. We disclaim proprietary interest in the marks and names of others.

