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RETAIL RESHAPES FOR THE MODERN WORLD

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Technology has and will continue to change the way consumers shop.

“Consumer expectations are going through the roof, and it is going to be challenging to accommodate them,” says Andrew Busby, an analyst for the retail sector. Alongside media and financial services, retail has, thanks to technology, become one of the most dramatically transformed vertical markets. Despite some well-reported failures in the sector across the world, retail is reinventing itself around technology, and Busby’s positive outlook may well be justified.

From the moment a shopper visits a physical or digital store, retailers are collecting data that has more value than the goods the shopper procures. This data is driving decision-making at every end of the retail sector.

“There is so much data out there,” says Cliff Austen, Lead Developer with The Cooperative, a convenience store chain in the UK that has a mutual ownership model. Austen, who has led the release of an app-based payment service says data and the application programming interface (API) it spawns are changing the way customers interact with the store.

“Data science is making us think differently about retail,” says Mike Callender, CEO of REPL, a global data consultancy. The CEO points out that the really savvy retailers are using data to drive major efficiencies in the supply chain, and as a result, their workforce management. He advises the C-suite of retail to connect the two to deliver major transformations.

“Analytics has typically been about what happened and why it happened,” but Callender says organizations have to be more intelligent in how they use the data, how they analyze it, and the results they drive from that process.

“One retailer cut a whole shift instead of cutting a few hours from each staff member’s shift.” Interestingly, this increased staff retention for that organization as it was easier for the staff members to re-organize their non-work commitments around a shift being scrapped than a smaller cut in hours.

With growing data levels, many retailers are adopting cloud-based data lakes. The scalable nature of data lakes is enabling retailers to use both internal and external data sources to seek out answers and devise new opportunities. “You can do iterative forecasting using weather data and public holiday information,” Callender says. “Moving from old data models to data lakes and machine learning means you can reduce the Mean Average Percentage of Error, which in turn can improve stock and workforce management.”

Lululemon Athletica, the Canadian headquartered sports and yoga clothing retailer, reduced its quarterly budgeting cycle from three weeks to three days as a result of improving its data analytics strategy.

“I call this the intelligent management perspective,” Callender says.



“The consumer is changing; they don’t want to see 100 items, as personalization is key,” says Nick Popovici, a former fund manager and now CEO of Vita Mojo, a startup restaurant technology provider. “As a retailer, the role is to facilitate that personalization,” he adds.

Richard Price, head of EPOS (electronic point of sale) at Pret a nationwide sandwich chain in the UK, says his business won’t adopt personalization, but is using data to “curate the menu” depending on the weather, for example, which he says is a typical British obsession.

“Amazon has come to represent the hopes and fears of the retail sector,” says Miya Knights, co-author of a book on the global

retail and technology phenomena. “Amazon is killing mediocre retail and shows the customer what to expect,” she says of how the online store pioneered personalization.

Just as the customer has come to expect a personalized experience, both Callender of REPL and world-famous chef Michel Roux believe the same thinking should be used to improve the lives of an organization’s most important asset, the staff.

“You are only as good as your staff,” Roux told business leaders at a recent international event.

“You can use analytics to identify the right tasks for the right pickers in a warehouse, and that will drive up productivity,” says Callender.





Payments

The retail sector is dependent on the transaction, and technology has reshaped payments in recent years. According to industry experts, Facebook will be launching a payment service following the announcement that David Marcus, a former executive with Paypal and now head of messaging at Facebook, is tasked with discovering new “ways to leverage the power of blockchain technology,” Payments via Apple and Google have taken off, and app-based services allow ordering, and in some cases, checkout-free shopping. All areas of the retail community believe payments will continue to transform.

Cliff Austen at The Cooperative has delivered an app that allows customers to scan items on the shelf and pay via the app and has found that in city centers, this type of technology has been keenly adopted. In doing so, Austen and his team have placed the EPOS in the customer’s device and extended consumerization.

“Bank and card payment will converge; Apple Pay has changed the game and they will become the core platform,” Austen says of how retailers will work with technology companies to finalize payments instead of traditional financial services providers.

“The less the customer has to do, the better the payments will be,” agrees Price of Pret, while author Miya Knights believes Amazon Prime is as disruptive as moves by Apple, Facebook, and Google.

“Subscription is a proxy for loyalty, and I predict that 50 percent of Amazon revenue will come from these services,” she says of Prime, the delivery and streaming service offered by Amazon. Knights adds that service revenue will include the Amazon Web Services (AWS) technology business and its fulfillment organization, too.



Next big wave

Martin Wild is the CIO of MediaMarktSaturn, Europe's largest consumer electronics retailer. The innovation leader launches and discovers new technologies for retail from around the world; he has an infectious enthusiasm for the opportunities technology offers the retail sector, and rattles off a series of innovations that are reshaping shopping.

Wild is working with organizations to embrace user-generated video reviews in Germany, collection point businesses in Holland, visual recognition in kiosks, coding clubs for kids, Blockchain, and many others.

"We are trialing an in-store navigation system that uses LED in the store to track a phone and guide a customer to within 30cm of an item they are searching for," he says. And whilst the Amazon checkout-free store gained global news coverage, Saturn is already trialing a similar concept for electronic goods in Austria that, like Austen's app, allows shoppers to pay from the aisle using Apple and Google payment technologies.

"Consumers will use it as a major touchpoint," he says of voice technologies, which shoppers are becoming comfortable

with from their adoption of Amazon Alexa for example. And Wild expects the same comfort to grow towards robots. "Some people come to a store just to meet the robot," Wild says of six types of robots that can greet and guide a shopper about the store.

If you don't want to be led by a robot, virtual reality and augmented reality will reshape the shopping experience too, with consumers able to see how an item looks in their home or to be guided by their phone screen to an item.

Callender adds that the Chatbots will become more advanced and reshape retailing: "Currently, they are still very rules-based."

Knights says that Amazon will continue to drive the next wave of retail innovation and predicts Amazon "needs to be in the food retail sector for a 360 degree view of the customer." She adds that Amazon spent \$23 billion on research and development in 2017, which gives an indication of its ambition. But the author sees a new wave of innovation coming from the east. Alibaba has brought local, relevant, and fresh goods from the customer demands in China.



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