

5 Considerations for Building a Successful Digital Retail Strategy





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Overview

To survive and thrive in the digital world, retailers need to revolutionise the way they engage with their customers and manage their processes. With the explosion of new channels and advances in personalised interactions, customer expectations are on the rise, as well as the introduction of new technologies that promise to transform the retail experience for providers and customers alike. But which of these innovations will fulfil their promise and prepare you for today and the future? This guide outlines how retailers can harness the power of technology and data to drive operational efficiencies and deliver a personalised and superior customer experience.



Devise a robust data strategy

Knowing your customer is critical in an age of increasingly personalised interactions. Retailers have access to a wealth of data, but how this data is used to gain valuable intelligence and produce a personalised experience for their customers requires some focus.

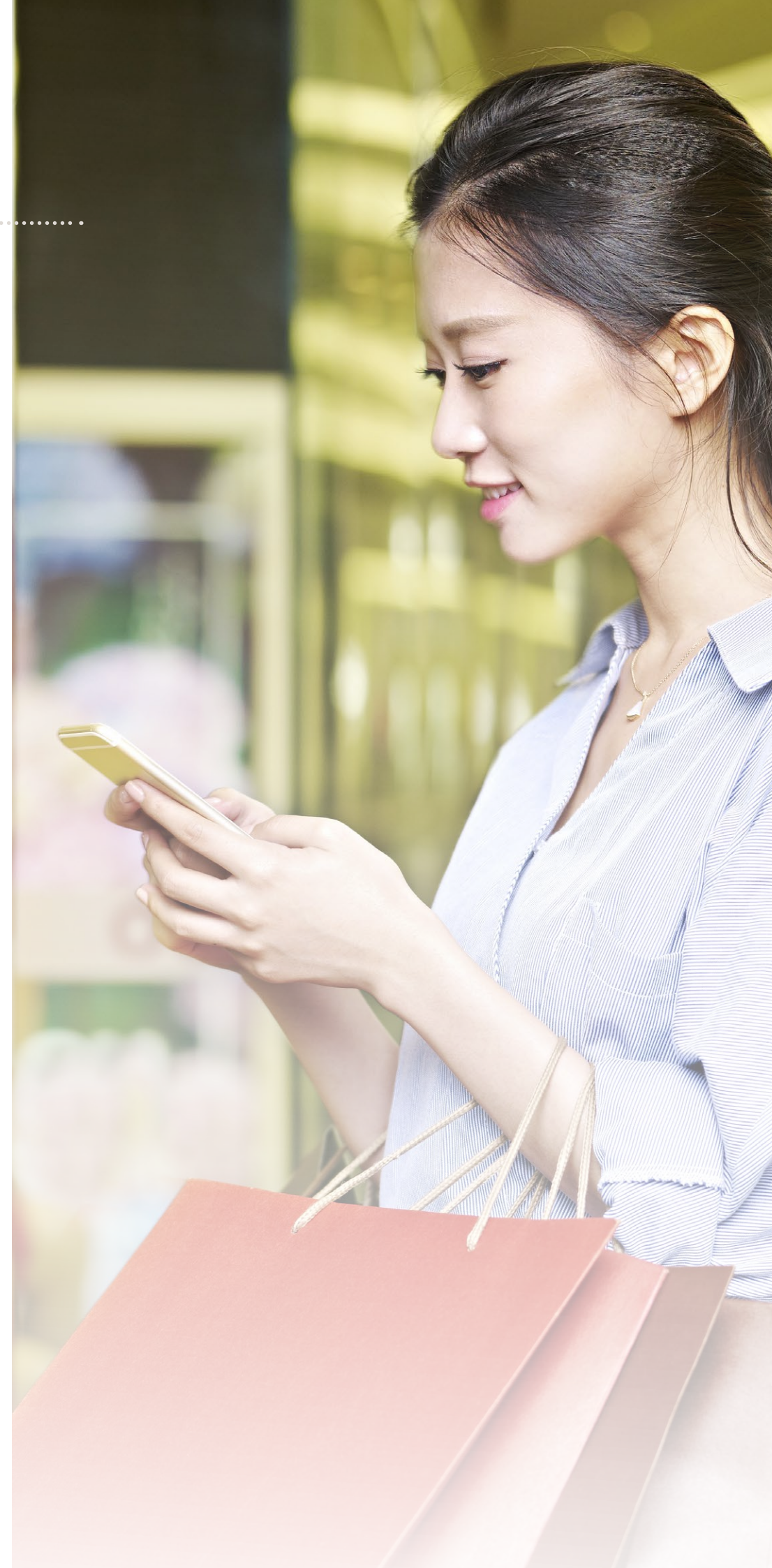
Data protocols

When designing data protocols, ensure you have sufficient data to be able to segment your customer base, so you know exactly who you are targeting. Segmenting data by demographics such as age, gender and location, and matching this data with customers' shopping behaviour – stores visited, products purchased and channels used – will help you anticipate customers' needs and offer them the right product, at the right price.

The omnichannel experience

Today's customers have a wider choice of how they shop than ever before, so understanding the omnichannel experience is key to maximising opportunities for digital innovation. Make sure your data can tell you which customers buy in-store, online, through click and collect or a combination of these, and use this information to deliver offers and promotions that align with the way they shop.

Italian luxury fashion retailer Ermenegildo Zegna follows this approach and is able to guarantee a personalised service based on individual preferences and attitudes with an omnichannel strategy enabled by Microsoft's Dynamics 365 for Customer Engagement platform.¹



GDPR needs to be central to your strategy

As customers are becoming data savvy, you need to build the trust of your customers and ensure they feel they are getting something of value in return for sharing their data with you.

Therefore, careful consideration around data handling methods is needed – everything from collection, use and retention of data, to ensuring your privacy and consent policies are fully GDPR compliant.

Data brokerage

Retailers have much to gain from buying external data too. Some telecoms providers sell the data they collect from customers who log into their public access Wi-Fi hotspots, for instance. Purchasing external personalised data opens up new avenues for you to explore, offering the opportunity for additional segmentation and classification.



2 Use IoT to enhance the customer and workforce experience

Long queues and difficulty finding products is no longer acceptable, customers are demanding more when it comes to the shopping experience.

A personalised, guided, shopping experience

The Internet of Things (IoT), which creates a network between internet-connected physical devices, offers you scope to revolutionise the in-store customer journey.

A powerful example of this is Kroger, America's largest grocery store chain, who partnered with Microsoft to create a pair of hitech grocery stores. Using a smart technology system, powered by Microsoft Azure and connected by IoT sensors, customers are offered a guided shopping experience. Using either an app, or one of Kroger's existing "Scan, Bag, Go" terminals, customers are directed around a store to find the items on their shopping list. When they reach the correct aisle, digital shelf signs show a personalised symbol to guide them to the product location. The app or terminal can then be used to scan the item, before directing them to the next entry on the list.

These digital signs also show pricing and product information, as well as serving targeted advertising to customers based on their demographics. The Kroger app also recommends items based on the customer's shopping habits.²



Stock management

Similarly, IoT technologies can deliver benefits to your in-store workforce by using sensors on products, shelves and storage units to , offering staff information they need to effectively manage inventory. Handheld and store shelf Radio Frequency Identification (RFID) sensors track inventory levels and push real-time information on them to the cloud.

Kroger's hi-tech grocery stores use image recognition cameras fixed to the ceiling which monitor shelf stock- alerting them when replenishment is required, as well as sensors in the store's refrigerated cases, which warn workers if the temperature is too high to prevent food wastage.³

Protecting revenue

Minimising shrinkage is a significant issue for many retailers, but IoT can provide additional protection for your stock. Applying IoT sensors to shelving in store can enable retailers to identify and detect shoplifting more effectively. Sensors on storage units and in warehouses will also help to reduce employee theft and mitigate human error.

3 Optimise your retail floorspace with AI

Your retail floorspace is your chance to showcase your product range and create an environment that will help your customers with their buying decisions as well as spark their interest in products they may not have previously considered.

Personalised merchandising and stock management

New advances in Artificial Intelligence (AI) are having a positive impact on retailers' merchandising strategies, helping to gain information and provide personalised merchandising experiences that would not be possible otherwise.

By using AI-driven technologies to analyse consumer shopping habits, you can determine exactly which products meet customers' ever-changing expectations as well as guiding stock management. For example, US pharmacy store Walgreens is using information technology to tailor inventory for anticipated flu outbreaks and to reduce overstocking by predicting which stores to share specific promotions with in order to maximise revenue.⁴

Reducing in-store congestion

While any retailer would be pleased if their stores are busy, too much congestion will inhibit browsing opportunities and possibly deter customers from buying. AI tools can help reduce this congestion and streamline the shopping experience.

A great example of this is Copenhagen Airport, who identified lost opportunities due to congestion which prevented people from visiting certain retailers while waiting for their flights. Through AI, the airport reorganised its retail space and accelerated the check-in, baggage drop and passport control processes by introducing selfservice for passengers. This opened up previously congested areas, and increased throughput, boosting revenue and earnings.



4 Centralise data security

Security is not a new concern for retailers, but it is more important than ever now that retailers are implementing new technology and handling large volumes of data. With the widespread use of digital technology in the retail sector, security should be central to your digital strategy, not simply a bolt-on.

Security breaches

Retailers have a great deal to lose, both in terms of revenue and reputation, when a security breach occurs. One of the largest data breaches in retail history took place when a group of cybercriminals forced their way into the private network of retail giant Target and started downloading the personal information of its customers. Approximately 110 million customer accounts were compromised.⁵

Review your environment

Your IT environment should be reviewed to ensure you have robust solutions in place for your data storage, and a tried and tested business continuity plan in case of a disaster. If your organisation is the victim of a data breach, it's now critical you have processes and a plan in place to address it, in accordance with GDPR requirements.

Safeguarding your customers' financial security is vital in the retail world, and key to building customer trust in your reputation as an omnichannel retailer in the digital age. As a starting point, you need to be sure that your data security meets Payment Card Industry (PCI) guidelines. Penalties for falling short of these guidelines are severe, particularly for repeat offenders.



Get your workforce involved

Digital innovation solutions will aid both the attraction and retention of talent within your organisation. By demonstrating that your retail business is keen to engage all members of the team in the digital journey and how it will benefit them, you will go a long way towards increasing staff loyalty.

Improving staff morale and efficiency

Digital Innovation can help employees perform their role to the best of their abilities. By giving your workers access to stock information, offers and prices, they will be better placed to deliver an excellent service to customers. This can be achieved via the likes of a mobile app that they can tap into while moving around the store. Details such as product specifications, or information about products that customers have previously purchased can enable staff to respond more swiftly and effectively to customer queries.

A good example of how digital technology is increasing workforce efficiency is US department store Macy's. The retailer gave its store managers Microsoft Surface devices to make them mobile, and Office 365 to give them access to information about products, stock availability and its location on the shop floor. Store managers now spend more time on the sales floor where they are better equipped to support colleagues and assist customers.



Conclusion

A combination of rising customer expectations, technological innovation and intense competition are driving retailers to embrace Digital Transformation. Data is central to a successful Digital Innovation strategy powered through the likes of data analytics, AI and IoT – offering retailers solutions to stay ahead of their competition and delight their customers.

Now is the time to take action and develop a digital strategy that integrates your technology and operations to better serve customer expectations and improve employee efficiency and morale. The next retail revolution is upon us, and retailers who don't take the opportunity to innovate will get left behind.

For more information on how Insight can help you, visit:
nl.insight.com/what-we-do/digital-innovation

¹ news.microsoft.com/europe/2018/12/05/creating-a-digital-difference-in-retail-ermenegildo-zegnas-transformation/

² venturebeat.com/2018/06/12/how-major-retailers-are-using-ai-to-keep-brick-and-mortar-alive/

³ theverge.com/2019/1/8/18154802/microsoft-kroger-retail-partnership-digital-signs-image-recognition-temperature-sensor

⁴ theverge.com/2019/1/8/18154802/microsoft-kroger-retail-partnership-digital-signs-image-recognition-temperature-sensor

⁵ insight.com/en_US/learn/content/2018/02212018-retail-security-in-the-mobile-age.html