

Digital Transformation 2.0: The Next Phase for Retail



The retail industry has been utterly transformed by technology. From the showroom to the back office, retailers have felt the impact of technology on their business and their customers.

Changing habits of in-store shoppers, heavy competition from online companies and the growing importance of social media have pushed retailers to embrace technology to both enable and empower them to reach more customers and engage them in new ways.

Technology adoption in the retail space is on the rise, with spending expected to increase 3.6 percent in the next year.¹ According to Gartner, retail now spends more on IT than most other industries such as manufacturing and finance.² Retail organizations are using technologies to not only help them reach customers also make smarter and more strategic business decisions.

Smart retailers understand that technology has the potential to improve the customer experience at every touchpoint, whether it's in-store or online. Personalization is a major driver of technology spending among retailers, who recognize the importance in knowing not just their customer base but the customers themselves. Such knowledge goes a long way in better targeting their marketing efforts and increasing sales through appropriate recommendations.

Now, as retailers continue their digital transformation efforts, many are expanding their initiatives to further improve the customer experience and create even more opportunities. The drivers, technologies, processes and mindsets that drove digital transformation 1.0 have evolved, focusing even more on deeper customer engagement, streamlining operations and enhancing decision-making.

DT 2.0 in Retail: Omnichannel and Beyond

The age of digital-centric shopping is upon us. But while many have been talking about the death of brick-and-mortar stores for years—and there have been examples of retailers failing in part because of online competition—physical stores are still an important part of the shopping experience for many customers. For example, shoppers born between 1995 and 2012—also known as Generation Z—comprise a large and growing population of consumers.³ Research shows that this group of digital natives prefer shopping in retail stores over online sites, simply because they like to see a product before they buy.⁴ Millennials, too, enjoy the in-store experience of interacting with their potential purchases.

That said, ecommerce continues to grow: Online sales of physical goods is expected to add up to more than US \$700 billion in 2022, with sales of apparel and accessories in particular reaching more than \$138 billion.⁵ Retailers, therefore, must do what

they can to ensure they reach customers by offering an omnichannel customer experience—one that enables customers to buy online and pick up in the store, buy online from within the store or simply browse other retailers online from within the store to compare products and prices.

Regardless of platform or shopping environment, customers increasingly expect their interactions to be personal. Online, they expect to be presented with suggestions for products that are complementary to what's in their shopping cart—such as a replacement needle for a portable record player or a messenger-style bag to carry a laptop or tablet. Shoppers now want that level of personalization to bleed over into their in-store shopping experience as well, with salespeople making suggestions or showing products based on the customer's buying history.

Also important to customers are high-quality mobile apps that tie together their online and in-store experiences and better connect them with stores or brands through loyalty awards or personalized messaging based on purchase history or even location.

Technologies Pushing the Next Retail Evolution

As retailers work to extend their customer experience beyond today's boundaries, they are building on the successes of their initial digital transformation initiatives. In the second phase of digital transformation, retailers are making better use of data analytics, mobile and other technologies that enable a richer omnichannel experience for customers.

As the technology behind big data continues to mature, online retailers are benefitting from more precise customer insights to fuel their recommendations engine, resulting in higher per-order purchase amounts. Better data insights also enable retailers to target their marketing efforts more precisely, such as sending promotional emails only when a customer is most likely to open them—say, 11:45 a.m. Mondays and Thursdays—based on past email open rates and the times they were opened.

Chatbots, too, are being used to increase consumer

engagement with online retailers. Post-transaction, chatbots can help keep consumers in the loop on the shipment and delivery of their orders. Or, they can be used to nudge consumers to complete orders they've abandoned online. Such technology not only can drive more revenue through completed transactions, but also provides a level of engagement that email order confirmations don't, which can help drive brand loyalty.

As the technology behind big data continues to mature, online retailers are benefitting from more precise customer insights to fuel their recommendations engine, resulting in higher per-order purchase amounts.

In the store, chatbots could be used in connection with mobile apps to help direct customers to particular product locations, answer basic questions such as store hours or summon help from sales staff for the customer, if necessary. Chatbots also could be used to order items that are out of stock or only carried in certain locations, extending sales activities into an omnichannel experience.

Mobile apps are critical to retailers in increasing mindshare among customers by fomenting that omnichannel shopping experience. Rather than going online and searching for items on the internet, customers can use the retailer's mobile app to search inventory and find the item they need, which can then be sent to the customer directly or to the customer's favorite store location. What's more, loyalty programs connected to the mobile app can further draw in customers by offering awards based on their shopping history. Mobile apps also help retailers by collecting personal customer information and keeping track of past purchases and buying behavior, which helps retailers provide a more personalized experience.

Building the Infrastructure for Digital Transformation 2.0

Digital transformation 2.0 in retail requires an infrastructure that is capable of supporting multiple technologies—both on-premises and in the cloud—and can manage massive data storage and back-and-forth transport.

As organizations strive to move to the next level, they need an environment that supports digital transformation from every point on the network. Hybrid cloud and network environments, SD-WAN and high-speed broadband are just some of the technologies that can enable retail companies to better manage their applications across all locations, from corporate headquarters to warehouse to store locations, while networking components such as WiFi and unified communications can help employees communicate and collaborate effectively.

To help retail locations as they move deeper into digital transformation without overly stressing their current network and to help streamline processes for IT managers, managed services can help tie disparate systems together and “fill in the gaps” as companies update their current infrastructure and after networks have been upgraded.

Working with a network service provider, IT leaders reimagine how to build a modern network and IT infrastructure that’s capable of handling all the aspects of digital transformation 2.0 in the retail sector. Retail companies can leverage virtual and

physical private Ethernet connectivity to assure there are no issues regarding network performance and availability for critical applications at all store locations. They also can receive all or some of their most critical connectivity functions as a managed service, including managed connectivity, WiFi, security, voice and business continuity, among others.

Conclusion

The first phase of digital transformation enabled retailers to compete effectively against their competitors, both online and location-based. Retailers recognize the importance of technology in helping them reach their customers and further their business, and have embraced it in all forms, from online shopping and mobile apps to data analytics solutions. As a result, retailers have experienced a sea change in the way they interact with customers and do business.

Digital transformation 2.0 builds upon the success retailers have enjoyed with their first phase of digital transformation through new technologies designed to meet the new opportunities and new challenges of an ever-evolving competitive landscape.

Retailers—or any company—can’t afford to build their business on legacy networks and must continue to invest in new processes, platforms and technologies that will help them work smarter and more efficiently.

To learn more about how Comcast Business can help, visit ComcastBusiness.com/Retail.

1 “Gartner Says Retailers Are Investing Heavily in Digital Capabilities to Meet Customer Expectations,” press release, Gartner, Oct. 29, 2018 <https://www.gartner.com/en/newsroom/press-releases/2018-10-29-gartner-says-retailers-are-investing-heavily-in-digital-capabilities-to-meet-customer-expectations>

2 Ibid

3 Jacqueline Renfrow, “Generation Z Will Soon Make Up Almost Half of All Consumers,” FierceRetail, May 8, 2018 <https://www.fierceretail.com/operations/generation-z-will-soon-make-up-almost-half-all-consumers>

4 “5 Surprising Traits That Define Gen Z Shoppers,” Criteo, June 5, 2018 <https://www.criteo.com/insights/generation-z-shopping/>

5 “Retail e-commerce sales in the United States from 2016 to 2022 (in million U.S. dollars),” chart, Statista, 2018 <https://www.statista.com/statistics/272391/us-retail-e-commerce-sales-forecast/>