The Big Retail Pivot – Sprinting Towards the New Normal

Retail Business Transformation – Achieving the New Normal

How will retailers transform the business model over the next three years?

- Customer experience, to drive new revenues and/or increase KPI scores: 66%
- Partner network, to drive new revenues: 56%
- Cost structure, to increase profitability: 52%
- Distribution model, to improve customer reach: 45%
- Core activities and/or processes, to improve productivity and/or ROI: 40%

Source: IDC Global Retail Innovation Survey, June 2020; N=602

By doing the following:
- Reduce supply chain and sourcing inefficiencies
- Optimize last-mile fulfillment (omni-channel fulfillment, micro-fulfillment, curbside, BOPIS)
- Provide omni-channel product, order, and inventory visibility across the network
- Identify new revenue sources through data monetization
- Increase consumer traffic and conversion
- Achieve greater operational and IT efficiency

DX Program Acceleration: Finding the Balance between Resiliency, Adaptability, and Scalability

Current needs are accelerating the pace for becoming a more digital business – retailers report escalating their digital transformation (DX) investments by as much as two years. From a commerce and supply chain perspective, being digital proved a differentiating advantage during the COVID-19 response and recovery periods. Investment priorities shifted as retailers urgently sought to improve contactless business, leverage data to drive intelligent processes and workflow, and modernize IT. Companies farther along on their DX journeys emerged as more adaptable, resilient, and scalable, driving a surge in investments to improve these qualities.

The new normal for customers, the workforce, and business operations will be radically different in coming years. However, retailers do not have years to adapt, and as a result, 35.4% are investing in technology to close DX gaps. Leading retailers offer evidence of the value in investing in the right technologies, business processes, and people to serve the consumer by far exceeding financial growth expectations year over year, according to IDC’s COVID-19 Impact on IT Spending Survey (conducted July 20-31, 2020).
Survey respondents identified the following as the top three DX investment priorities:

**44%**
Data programs to gain insights into business operations, products, and/or ecosystems
Retailers must use data to reduce manual effort, improve customer satisfaction, and drive insights and action.

**43%**
Business operations resiliency programs
Many retailers got caught without a plan for operating sans stores, highlighting the need to plan flexible, scalable, and adaptable processes and systems to meet both short-term and ongoing business needs.

**41%**
Workplace transformation programs
Retailers also experienced human resources onboarding, training, and change issues due to economic disruptions, emphasizing the need for a more directed workflow.

Competitive pressures and retail business dynamics will require that organizations expedite DX investments to stay competitive. Opportunities for immediate transformation can be found in: infrastructure, software, and business process modernization; omnichannel contactless commerce, payments, and fulfillment; omnichannel contact centers and communication (internal and external); inventory visibility and accuracy; and supply chain collaboration and automation. The work will need to be prioritized, but start right away on the most valuable initiatives – do not wait until planning is complete. Look for opportunities to wring more value from existing investments and to replace legacy technologies or processes by automating. This is a fast path to value for retailers looking to reduce operating costs. Other steps to take now include:

1. **Drive insights and actions through better utilization of customer data and advanced analytics.** Improve customer engagement, demand forecasting, assortment management, pricing, and promotions optimization.

2. **Instrument, automate, and orchestrate processes and workflow in store operations, workforce management, and supply chain management.** Evaluate current workflow to determine flow and processes related to space, labor, product, and customers; identify tech, processes, and configurations to enable, improve, and optimize curbside fulfillment.

3. **Collaborate with an extended ecosystem/partner network for sourcing and fulfillment.** Be more resilient and flexible from a sourcing and fulfillment standpoint to better meet customer needs.

4. **Provide omni-channel product, order, and inventory visibility across the network.** Integrate order management, customer service, and fulfillment to gain visibility and enable quick and seamless action across all customer touchpoints online, in stores, and at other distribution points.

5. **Evolve loyalty programs to relationship programs and deliver personalized omni-channel experiences.** Relationship programs provide information, support, and consistency of customer experiences among contact centers, stores, fulfillment, and service operations.