

Acquia
EXPERIENCE DIGITAL FREEDOM

The Retail Sector Today

***CATCHING UP WITH
TRANSFORMING
CUSTOMER
EXPECTATIONS***



Introduction

Thanks to rapidly evolving technology, the retail industry is more competitive than ever before. Increased customer expectations, burgeoning data availability and many other factors are combining to upend the long-standing status quo.

Today's tech-savvy customer is now in charge. Because they have more options than ever, their loyalty is more elusive. Now, they expect a retailer to deliver the relevant, personalized experiences they're accustomed to receiving across the modern digital landscape. If they don't receive an experience that meets those expectations, they can easily turn elsewhere.

The impact of technology on both retailers and their current and potential customers provides substantial challenges and great opportunities. Today's shoppers expect the information and experiences they want, when they want, on the platforms of their choosing.

It's a huge demand. The ability to offer what today's customers expect will be critical to success.



FACING RETAIL SECTOR TRENDS

Advances in technology and changes in customer expectations certainly have upsides for retail companies going forward. But along the way, making the most of those developments will also surface plenty of hefty specific challenges.

TREND 1

New Competitors are Disruptive, Nimble and Digitally Native

In the digitally transformed retail environment, the barriers new entrants historically faced are now substantially diminished or even completely eliminated. Unencumbered by legacy technology and entrenched processes, highly innovative and agile retail start-ups can step into the fray more easily, achieve success and scale at a pace previously unthinkable.

At the same time, traditional retailers can be slow to understand the need to transform. They may downplay or ignore the need to evolve with the customer, running the risk of being seen as dated or irrelevant—a death sentence in retail.



TREND 2

Operational Business Models are Changing

The ever-increasing pace of change in the retail business model can make it extremely difficult to build out the digital support framework needed to keep pace. To compound the issue, retail organizations often lack a cohesive and comprehensive digital business strategy, leading to decreases in profitability.

Today, execution is the main area of differentiation for customer experiences. Exceptional execution is rooted in a comprehensive understanding of customer expectations that enables the brand to deliver a reliable, satisfying and productive experience.

In Retail Scenarios for 2025 and Beyond, Gartner parses common customer expectations to delineate four areas of focus retailers may pursue to help ensure they keep pace with change:

***SPEED* Drives Growth by Excelling at the Basics:** Retailers must leverage technology that supports transactions and speeds through execution.

***STRENGTH* Drives Growth with Human-Centric Experiences:** Retailers must leverage technology that supports transactions, muscles through competition with human-provided, personalized experiences.

***DEXTERITY* Coordinates Activities Behind the Scenes to Deliver Enhanced Customer Experiences:** Retailers must leverage technology that empowers but sits behind the scenes, through a connected hub that efficiently runs executions.

***ELASTICITY* Stretches by Leveraging Technology to Serve Customers:** Retailers must leverage technology that stretches to meet customer demands for personalized experiences at scale and speed.

TREND 3

Technology is Evolving Rapidly

Retailers can now employ an expansive range of new technology that supports transactions, boosts execution speeds and meets customer demands for personalized experiences at scale and speed. This set of game-changing developments includes augmented reality, voice-activated digital assistants, expedited delivery capabilities, visual search, social shopping and more.

Augmented reality, in particular, may prove particularly appealing because the technology gives a shopper the confidence to buy a product without seeing, feeling or testing it in person, potentially resulting in a substantial decrease in returns. As Daniel Newman of CMO Network explains in Top 5 Digital Transformation Trends in Retail For 2020, “While e-tail will hit \$5 billion in value by 2021, it is estimated that 25% of purchased items are sent back. Augmented reality could mean retailers keep more of their sales because consumers more fully understand what they’re buying at the point of purchase.”



CHALLENGES FACING THE RETAIL SECTOR

While digital advancements and behavioral changes undoubtedly present significant opportunities to retailers, those opportunities aren't without their unique challenges.

Lack of a Cohesive Digital Business Strategy

The pace of technological change is compelling retail companies to adopt new business models quickly. That adoption is often reactionary, rather than proactive, and takes place at a much faster rate than the comprehensive digital business transformation that should serve as a foundation for such a shift. In these cases, retailers aren't able to scale or refine their approaches quickly enough to support the rate of business model change.

Business model change is frequently propelled by consumers. Retailers that underestimate the impact of societal and technological changes on shopper's behavior are at risk of missing the opportunities major industry shifts may provide. The truly customer-centric retailer must develop a wide-ranging understanding of customer behaviors and utilize that insight to implement strategies that boost performance across the entire organization. Overly narrow thinking is likely to lead to siloed strategies that benefit only some aspects of the organization.

Scaling or Refining Approaches as Consumer and Business Needs Shift

The persistence of traditional structures and processes can confound modernization efforts. Vertically oriented teams, complex, multi-departmental processes, unclear accountability and top-heavy decision-making structures leave organizations ill-equipped for the fast-moving implementation that today's environment demands. Investments in digital transformation can be limited in scope, and efforts disjointed or even competing. Keeping pace can require nothing less than a complete restructuring of an organization's internal structure and ways of working.

Retailers must understand that a purchase is no longer simply a transaction. Today's shopper makes an

emotional investment in a product. Retailers must increase their efforts to understand and nurture these evolved relationships. As Jill Standish, Accenture's senior managing director for global retail, explains in an article for Chain Store Age, "Consumers today do not want to buy from you, they want to buy into you."

A successful digital transformation entails implementing the tools that enable the retailer to develop a deep understanding of what matters most to customers, even as that changes. Then, retailers must act on that understanding to deliver an experience that stands out from competitors.

"The old saying 'product is king' is no longer true for retail. Experience is king, and product is a critical component of experience, but consumers increasingly determine the value provided based on the experience associated with the purchase."

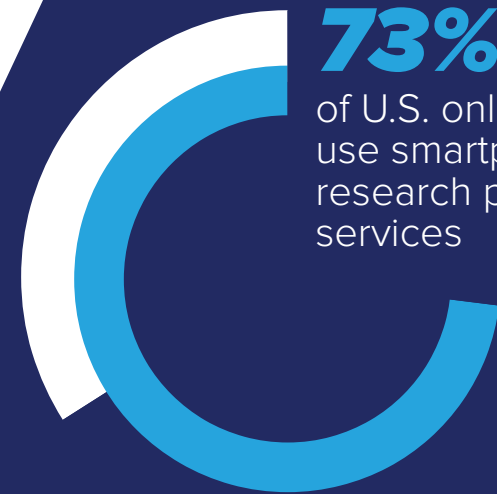
Gertner, "Implementing Customer-Centric Merchandising and Marketing in Retail Primer for 2018"



Working Across Teams So Consumers Can Shop How They Want

The mere existence of e-commerce capabilities is no longer enough to successfully differentiate a retailer. A unified commerce approach that combines the digital and physical worlds is increasingly vital to meeting evolving customer expectations. Unified commerce involves understanding how customers use technology in their daily lives, and deploying appropriate technology across all touchpoints in a manner that makes their lives simpler. As explained by Robert Hetu from Gartner in *Retail Scenarios 2025 Require More Than E-commerce*, “The convergence of digital and physical assets will continue to prove more powerful than digital on its own.”

According to the U.S. Commerce Department, e-commerce represented nearly 15% of retail sales in 2018 and is increasing every year. Clearly, digital remains important as consumers use a growing selection of access points, including web, mobile, social and IoT to shop. At the same time, the growing demand for acquiring products with increasing speed means the physical storefront is still vital. This dynamic provides further support for a unified commerce approach that optimizes all avenues to purchase and provides the personalized, streamlined experience today’s shopper expects.



73%

of U.S. online adults use smartphones to research products & services

34%

of EU online adults are more confident about in-store purchases when they research on the spot with smartphones

TO GROW AND THRIVE, RETAIL MARKETERS MUST PRIORITIZE:

1.

Customer Acquisition and Retention

To drive and sustain growth, retailers must deploy customer-centric technology that enables a shopper to find what they want, discover new possibilities, seamlessly complete transactions and receive purchases as quickly as possible. They want an immersive, personalized and productive experience that may entail mobile, social, IoT, AI and more. Today, shoppers will utilize a variety of acquisition methods, which means retailers must develop and execute highly flexible fulfillment models.

In Retail Scenarios for 2025 and Beyond, Gartner outlines four focal points of the customer-centric experience needed to meet expectations and develop and maintain loyalty:

BROWSE: Enable customers to find what they want and discover new products in store and online, as well as through mobile, social, IoT, AI, and other avenues.

TRANSACT: Provide seamless interaction within and across channels, without delays, through interconnected point-of-sale applications, mobile applications, and excellent customer-facing process execution.

ACQUIRE: Enable customers to acquire goods through physical shopping, click-and-collect, in-home delivery, automated replenishment, and other avenues.

CONSUME: Enhance the consumption experience through expanded information and services, connected devices, auto-replenishment, and voice-enabled interactions.

2.

Keeping up with Consumers' Changing Shopping Patterns

Capitalizing on the innovations and advantages available today begins with a focus on what's most important: understanding what the customer really wants. In the age of Amazon Prime, which is moving from two-day to one-day delivery, today's shoppers want what they want, and they want it as fast as possible. If they don't see a suitably speedy delivery option at check-out, they'll frequently abandon the purchase entirely.

In addition to speed, shoppers increasingly expect a wealth of information about the products that interest them. They want pricing, delivery dates, recommendations of similar items and more, preferably on one screen. Satisfying those desires can be a boon for retailers, in the form of the resulting data. As Daniel Newman explains in Top 5 Digital Transformation Trends in Retail for 2020, "The savviest retailers will be gathering

that information...and using AI and deep learning to make the shopping experience as easy and personalized as possible."

Social media is vital to remaining relevant in today's retail landscape. One survey found 61 percent of consumers will research a product online before purchasing. In response, many retailers now feature reviews on their own websites and apps. Additionally, "buy" buttons on Facebook, Pinterest, Instagram and other platforms align with retailers' objectives by enabling impulse buying.

Consumers are increasingly utilizing voice-enabled devices to shop. Browsing for products by simply speaking aloud streamlines the shopping process and, in the case of Amazon's Alexa, makes it completely frictionless.

3.

Working with IT to Bring Innovation to the Organization

The future of digital retailing is taking shape in the form of innovations like social shopping—taking a photo of an item or clicking on a photo of it on social media, and immediately entering the purchase process—which utilizes AI and visual search to create a seamless shopping experience. Social and retail integrate further with tools that utilize a photo of a garment to recommend accessories and additional items and tie it all to a social profile. This evolution of social/retail integration will utilize comprehensive data to provide better experiences to customers.

Virtual reality provides additional opportunities in the form of virtual changing rooms and beyond, potentially leading to a range of coordinated, intertwined virtual experiences. Artificial intelligence can deliver the attentive, always-on service shoppers now expect through innovations like chatbots.

Machine learning and predictive analytics are key to developing and maintaining customer relationships. The technology enables retailers to detect patterns in behavior and utilize that data to deliver highly personalized shopping experiences.

Mobile is key to thriving in retailing going forward. Purchases made on a mobile device are outpacing even online retail. According to a report by Javelin Strategy & Research, mobile commerce is expected to grow from USD 122 Billion in 2015 to almost USD 319 Billion in 2020.

Mobile payments are increasingly popular with shoppers as well. According to another Javelin study, mobile payments (online and in-store) are expected to grow from over USD 170 Billion in 2016 to over USD 410 Billion by 2023.



2020 Mobile Purchases

2015 Mobile Purchases

\$122B

\$319B

PLUS, RETAIL IT TEAMS MUST PRIORITIZE:



1

Maximizing Data Security

Retailers that have not implemented a holistic unified commerce strategy, with a fully integrated platform managing all the systems they use to conduct business face specific data security challenges. With one system running e-commerce, another running the physical stores, and others managing call centers, loyalty programs, and others, information is siloed, making it difficult to spot trends and understand how the business is running. As a result, it's difficult to determine how to effectively move the business forward.

Integrating data from multiple systems is a complex process. And, in an arrangement where multiple systems must work together, a malfunction in one system that provides incorrect data will impact all other systems. To protect data integrity, data from disparate sources should be integrated into one system. Retailers still making the shift to digital must consider their hosting infrastructure first.

“Online storefronts hosted in legacy static data centers can be severely limited in terms of scalability, performance, security, and total cost of ownership. A move to the cloud is inevitable if retailers care about creating world-class digital shopping experiences.”

—Zeus Kerravala, CIO Magazine

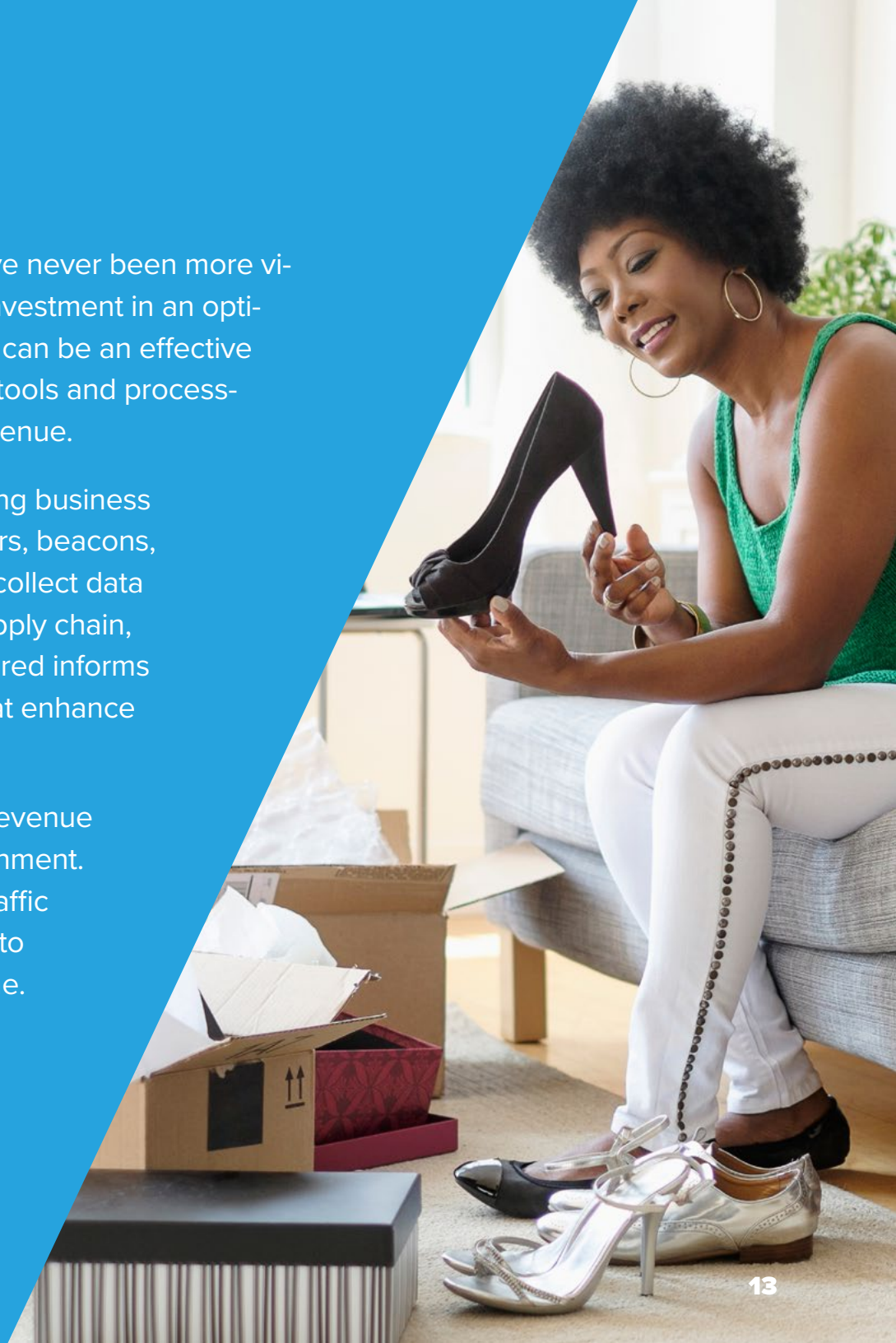
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Leveraging Data to Drive Efficiency and Uptime and Limit Risk

Boosting efficiency and reducing costs have never been more vital for IT teams in retail organizations. An investment in an optimized, customer-centric digital experience can be an effective way to reach those goals. The right online tools and processes can increase efficiency and improve revenue.

The Internet of Things (IoT) is key to boosting business efficiency. Sensors in card readers, scanners, beacons, smartphones and other devices track and collect data throughout the retail process, including supply chain, inventory and point of sale. The data gathered informs insights that lead to business strategies that enhance continuity and boost efficiency.

Website downtime can lead to significant revenue loss, brand damage and customer abandonment. Auto-scaling, which predicts shifts in site traffic and adjusts capacity accordingly, is critical to providing reliable and consistent site uptime.



FINDING THE WAY: HOW ACQUIA CAN HELP

Savvy retail organizations aren't asking whether or not they need to transform their customer experience. They're figuring out what level of investment they need to put into digital marketing platforms, personalization tools and better methods of engaging with existing and potential customers.

Moving ahead, retail marketers must offer a more intuitive, personalized digital experience, while gaining better control of their brand's digital assets and effectively using analytics

and insight to drive the most efficient journey for customers. Digging for data and insights to understand the true effectiveness of each effort is key. Knowing what's working, what's not, and where the gaps lie are all vitally important.

Acquia is the pioneering partner that can help build those experiences and relationships—on an organization's own terms.

“A brand's long-term survival entails moving away from a single, or even multi-channel approach to an omnichannel one as consumers expect seamless brand presence and consistent experiences across devices and channels.”

Javed Rahman, Riu Pallav Goswami, “Seven Digital Trends Driving Transformation in Retail,” WNS

Our suite of DXP solutions has empowered leading brands to create the world's greatest digital experiences. We help organizations establish the more intuitive, personalized digital experiences today's customers expect—all using open-source technology, all with the required security.

Acquia enables retail organizations to gain control of digital assets, deliver the right content at the right time and tap into the data and insights the lead to an understanding of what works, what doesn't and why. So they can meet prospective and current customers with what they need at every step of the journey.

For more information about how we're transforming the digital experience in the retail sector, visit www.acquia.com/solutions/retail.

CONTACT ACQUIA

To learn about how Acquia can help you deliver a customer-first experience, please contact us at sales@acquia.com.

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