

Retail Retold: bringing the high street back to life with technology

The high street is set to make a strong comeback as the source of shopping experiences that online will never replicate. Technology is enabling retailers to be much more agile, increase sales and reduce costs.



Given the strong growth of ecommerce, the migration of social interaction online, and the “always on” culture, you’d be forgiven for thinking that the high street is on the way out. People say that big box stores have hollowed out our towns and villages, and that traditional retailers can’t compete with the lightweight power of online competitors. But although retailers face increased competition and narrowing margins in a time of consumer retreat, the high street – and the shopping centre – are not going to become extinct. Shopping, as a leisure activity, will continue. Tapping this faithful clientele, serving them well, and raising their expectations, are the challenges.

The health of the high street is important for our well-being as a community. Local facilities play an important part in cementing local relationships. Shopping is one of the few opportunities left for social interaction in our increasingly atomised lives, and retail is a significant source of employment. Retail complexes such as Bluewater and Meadowhall are leisure destinations in their own right, as well as regional economic hubs.

What does a technology company like Fujitsu have to do with this world? Of course we provide a lot of the backend data crunching facilities that keep Britain’s retail sector moving, and we’re busy helping our clients improve their processes right across the value chain. We run much of the customer-facing technology in stores too, from tills to kiosks. But we also work with all kinds of organisations large and small throughout the world, in the public as well as the private sector. We try to bring a wider perspective to retail – to relate technology’s power to retail’s potential.

This paper introduces some of the ideas we think the retail sector needs to consider carefully. These aren’t miracle solutions that come in a box. They’re ways of using technology – in the store and in your backend processes – to improve business performance. The story of retail is about to take a new turn.

One click, one truck

Ecommerce has had a noticeable impact on one class of traditional business: the delivery firm. Ecommerce behemoths like Amazon have pioneered sophisticated fulfilment centres that make their dispatch and returns processes run smoothly at high volume. But looked at from the customer's point of view, delivery is a complex and haphazard business. The "e-tailer" has an efficient one-to-many supply model, but the customer faces a fragmented many-to-one reception problem. Householders may be able to book the times of their grocery home deliveries, but they have no control over the arrival times of packages delivered by the major carriers. In most cases, they don't know which carrier will be delivering which order from which retailer. Delivery firms have different processes for dealing with occasions when the recipient is not at home, as well as different arrangements for returns.

From a broader environmental position, it can't be right that the consumer's single trip to, say, a nearby department store is being replaced by multiple visits from vans and trucks. And however efficient an individual carrier's operations might be, it's a simple mathematical fact that a degree of trip sharing would cut emissions while speeding receipt time. We believe that virtual logistics hubs – formed by groups of delivery companies on a regional basis – must emerge.

Imagine a world in which retailers can place their delivery consignments on a market populated by approved courier firms. The route from seller to buyer could be divided into several stages, each operated by a different party. Mr Smith's package might start its journey in a van operated by a firm close to the retailer's logistics centre, be transferred to a train for its passage to another city, and be delivered to Mr Smith via a local taxi. Alternatively, the item might be delivered to a partner store which has advertised its real-time storage availability via the same market mechanism. Mr Smith can pick the item up there – and pay slightly less in delivery charges.

Too complex? Unworkable? The fact is, flexible delivery mechanisms of this kind are on the way. The big grocery retailers already assemble highly complex delivery loads for their high street convenience stores, in an effort to minimise the number of deliveries made to often hard-to-access sites, and in recognition of these stores' lack of storage facilities. Hospitals are demanding pre-aggregated delivery bundles from their various suppliers, so that they only have to deal with one incoming truck every day. There's no technological reason why retailers can't band together to share this kind of backend activity. Soon, ordinary consumers will demand "one click, one truck". The previous evening's online purchases might well arrive with the milk at dawn.



Touch and go

You can't fully replicate the shopping experience online, though the best online players manage to create experiences that are satisfying in their own right and consistent with the brand and other channels. The search for the perfect, immersive online experience has been largely shelved in favour of clear, reliable and secure functionality. But the best online players have given consumers immense power via rich product and service information and customer recommendations. Now that chapter and verse is only as far away as Google, every customer can be your most knowledgeable customer.

So while online can't give you the feel of a sweater, it can give you plenty of guidance on whether or not you should buy it – and at what price. Physical stores need to face up to this challenge and upgrade their people's knowledge of products and services, while enhancing their ability to make consultative sales.

Handheld devices offer one way you can arm sales staff with extra information. But you can also provide sales education via multimedia on the web, and provide informative and engaging self-service applications for customers in-store. Sales people can then interact with customers as they explore what's on offer together, with the store staff acting as guide. Every consumer would like to feel they can command the full attention of the store's staff when they want it. They also increasingly expect to be able to draw on additional, unseen resources of the store: brand management has succeeded in persuading customers that vast operational expertise lies behind the ease of their shopping experience.

Retailers therefore need to reframe their understanding of the role and status of store staff. We believe that store staff are, and must be supported as, knowledge workers. They need to be able to search, collate and present relevant information in response to customer needs as they arise. In certain circumstances, they also need the power to offer discounts, suggest substitutions and reserve stock at other locations. Store staff are real time knowledge workers, managing a complex environment where the right information at the right time can maximise sales opportunities while improving customer satisfaction. Your people make the most important commodity in retail: sales.

However, stores aren't just passive venues where sales staff wait for anonymous people to walk in and shop. Stores are also spaces where store and customer can reconnect and resume their ongoing relationship. That's a fancy way of saying: stores ought to recognise their own customers when they walk in. Online consumers have become used to being welcomed back when they visit retailers. They trust retailers with their contact and credit card details, and they respond positively to buying suggestions based on their purchase history. The disconnected anonymity of the physical store's engagement with returning customers is striking in

its difference. The dissonance is all the more pronounced with brands that operate sophisticated loyalty schemes.

Perhaps customers wouldn't like to be welcomed personally by a staff member who magically knew their names. They're not always comfortable when given a general welcome by a greeter posted near the entrance. But there are more subtle ways to reconnect with customers in-store. If the customer uses her loyalty card in a kiosk to check her points balance, you can access her history and preferences and make offers on the spot. Customers can also use their mobile phones to scan barcodes in-store and thereby declare their presence to your systems.

The physical retail environment is the last link in the multi-channel communications chain. Interactions made by phone and computer can be joined up via the customer's declared identity. Stores have to work harder to encourage customers to identify themselves well before their credit card purchase performs the recognition task.

This thinking is part of Fujitsu's global vision for a human-centric society, and the consumer-facing role of retailers means they have a huge part to play.





Space age

Now consumers can buy anything on any channel at any time, physical retail sites need to provide more reasons to shop than the traditional price, place and product. Online retail has split these factors apart, but physical retail can profitably reunite them. The core of the strategy has to be on the middle factor: place. Nothing beats reality, and that's why retailers with online-only legacies are now starting to open physical stores.

The most profitable stores recognise that designing and managing retail space is a kind of retail engineering. Take the Apple Store, for example. Each outlet is a kind of minimalist temple to Apple's products. Yet the focus is on access to the products: each store is packed with people using the devices, taking advice from the busy staff, and – we trust – trading up. The great department stores have long known the value of creating stunning room sets that show how customers can assemble “the look”, and DIY chains have followed suit. Stores are venues offering entertainment, information and inspiration.

It's not a stretch to suggest that customers shopping in physical retail environments are looking for more than a purchase. They're looking to accessorise their lifestyles. And they're looking for retailers to show them how their lifestyles are evolving. With the UK population becoming older and more diverse, it's becoming ever harder to predict trends. You therefore need to manage your space to provide an arena of possibilities in which customers can discover their wants and needs.

Today's real surfers are the people browsing and grazing in our town centres and malls. Online shopping is a more staged, more cerebral process encompassing research, comparison and commitment. Shoppers in the physical environment, on the other hand, rarely have a fixed idea of exactly what they're going to buy, from whom, or for how much. They're buying clothes for a party, gear for a holiday, presents for friends. Their goals can be satisfied in many different ways, and the lack of certainty as to how they will be satisfied is a large part of the fun.

Shopping online is work, but physical shopping is a leisure activity. It gives people the chance to be the centre of an unfolding drama that's guaranteed to have a happy, and surprising, ending. With technology freeing up staff and helping them to be more knowledgeable, service becomes more personal – bringing the retail environment to life and putting the customer at its heart.

A break in the cloud

Computing is becoming a commodity. It's now possible to contract for unlimited computing capacity as and when you want it, instead of – or as well as – running dedicated systems. So-called "cloud computing" is the practice of tapping applications, processing, storage and even entire business processes from utility providers on a flexible rental basis. This pay-as-you-go model has enormous potential for retailers

Aside from agility (more about which later) there are three initial benefits that retailers can enjoy by exploiting this model. First, they can restructure their financing. Traditionally, you have to commit a large capital investment upfront whenever you greenlight the development of new IT capabilities. With the cloud model, this investment – and its associated risk – is removed. You pay by the month – or even by the hour – for the same outcome, without taking ownership of any assets. You wouldn't pay your electricity supplier several million pounds to build you a generating plant. Now you don't need to be in the IT business either.

Second, capabilities procured this way can often cost less while being of comparable (or superior) quality. You get the economies of scale associated with sharing resources across a larger pool of users, but your data are still securely segregated from those of others, so the shared nature of the service you receive is invisible. In the past, companies had to buy and customise solutions for business functions that were often largely generic. It makes good sense to standardise on the leading solutions wherever there's no commercial advantage to be derived from specialising, so it's natural also to outsource the provision of these solutions to the cloud.

The third immediate benefit of this computing model is that it removes the management headaches of application maintenance, version control, backup and recovery, and so on. Businesses devote disproportionate attention to keeping their home-owned standard applications running, when events such as upgrades could be executed once only for all users of cloud services, outside the retailer's own maintenance processes.

Clearly, these benefits are most often associated with functions that don't meaningfully differentiate the business, and where savings are easy to identify. But the cloud model also has a role to play in retail business growth through differentiation. In many ways, this is the most exciting implication of the technology.

Retail thrives on experimentation. The retail environment evolves as managers try new approaches to product lines, merchandising, layout, offers, branding, staffing – the list is endless. Every feature of the retail landscape is continually open to revision, and retailers guard against the dangerous complacency that goes with received wisdom. But technology has too often constrained experimentation. Now it can be an enabler instead.

The instant access to unlimited computing resources offered by the cloud model enables you to respond to peak periods without investing in long-term capacity. Retailers no longer have to scale their processing requirements to the expected transaction volumes of the busiest seasons, thereby reducing their costs without compromising their ability to trade. They need never again pay for idle capacity, since with the cloud you only pay for what you use.



Once you've switched to the cloud model, you free the business to expand, contract or reconfigure at will. Entering a new geography requires no new planning, procurement or installation of IT. Similarly, acquiring or disposing of brands becomes much easier. The cloud also offers possibilities for experimenting with store formats and sites, allowing you to open short-life outlets around important events, or to test the performance of store-within-store partnerships. In the era of the pop-up store, you need pop-up IT

This ability to ramp up and damp down your computing resources as and when you need them is also a distinct benefit when upgrading store systems. Many existing retail systems were developed and tested on platforms that then became the live operational platforms. This means that their owners have nowhere to test upgrades. Spending many millions on a duplicate IT infrastructure for three months of performance testing is unlikely to go down well with decision makers. But cutting over to a new system without doing any serious testing puts the business at very real risk of not being able to trade. The on-demand nature of the cloud solves this dilemma once and for all.

It's not all plain sailing of course, especially as the cloud computing market continues to mature. You'll need sensible advice and careful planning to understand which parts of your enterprise can bring the most benefit from a move into the cloud, and what new risks and constraints you should prepare for. Our research shows that a planned and measured cloud adoption can reap significant rewards, but an unmanaged transition can actually harm your business.

IT in the lead

Logistics systems and customer relationship management applications showed retail business leaders the value of IT. The challenge from online – in the form of external competition and internal cannibalisation – sharpened the perception that IT could also be a disruptive force. Now IT is poised to transform the high street by refashioning the economics of physical retail to compete with and complement other channels, upgrading store staff to professional knowledge worker status, inventing new in-store experiences, and dissolving the constraints on experimentation. It all adds up to increased business agility and a sharpened focus on the core disciplines of retail. Managed right, technology can help kick-start a new era for retail.

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