

White paper Retailing Without Walls

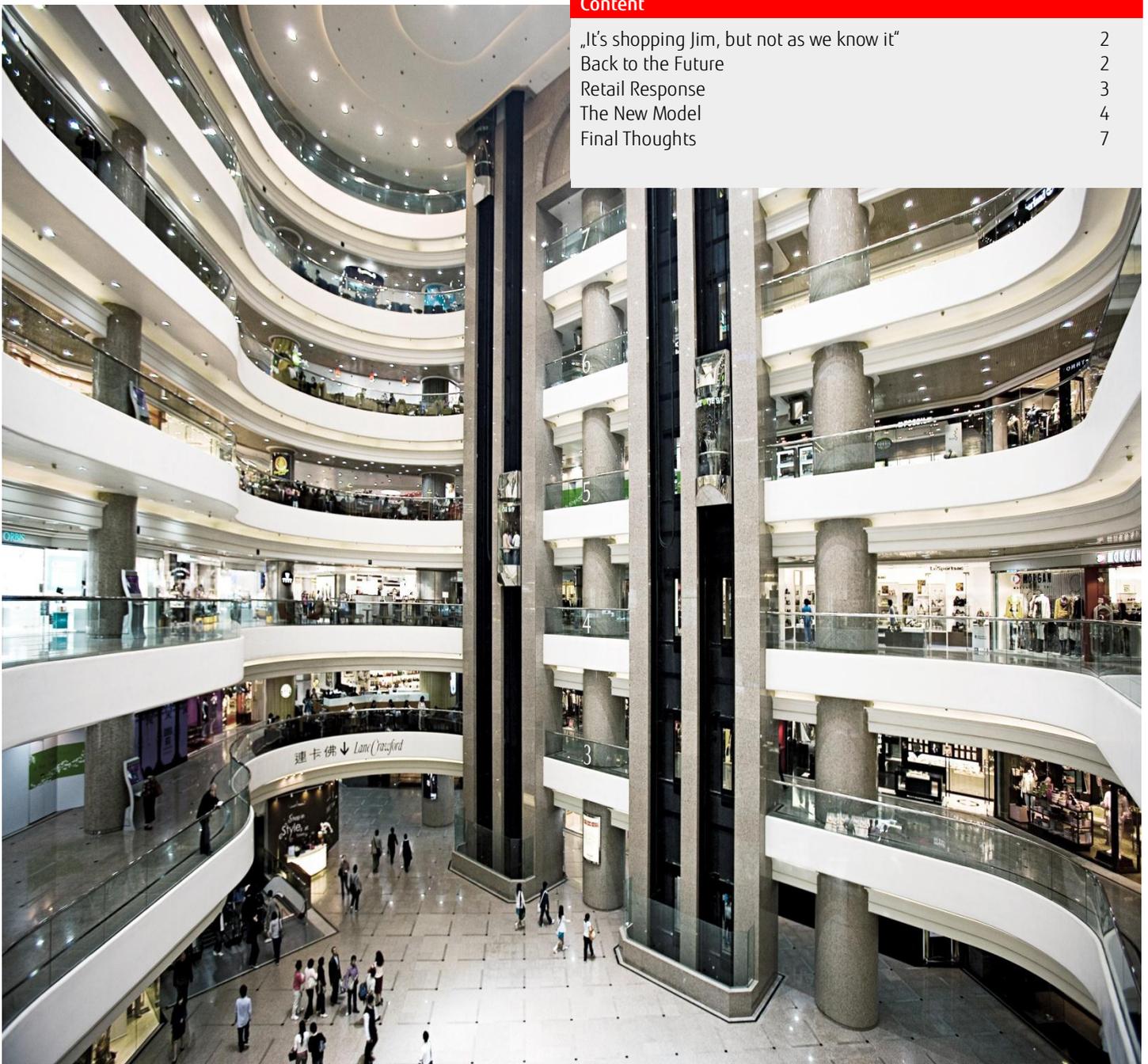
Building a new customer-centric operating model for retail

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„It’s shopping Jim, but not as we know it“

Customer, shop, merchandise, transaction – that’s all there is to it. Shopping – in simple terms – has changed little in two thousand years. However, on closer inspection, we know that for customers, retailers and their suppliers, the shopping ‘process’ is undergoing a fundamental transformation.

The pace of change – driven largely by rapidly evolving palm-held consumer-based technology – is such that traditional business responses just don’t work anymore. How do you use traditional store data capture tools to map a customer transaction across several touch points? What ‘system’ for example do you buy, install, test and run over a typical 12 month project period to control your brand perception on Facebook and Twitter? To influence shopper opinion in this environment calls for a completely different approach. The customer is now increasingly in control, not the retailer, and it means retailers are having to rethink how they run their businesses.



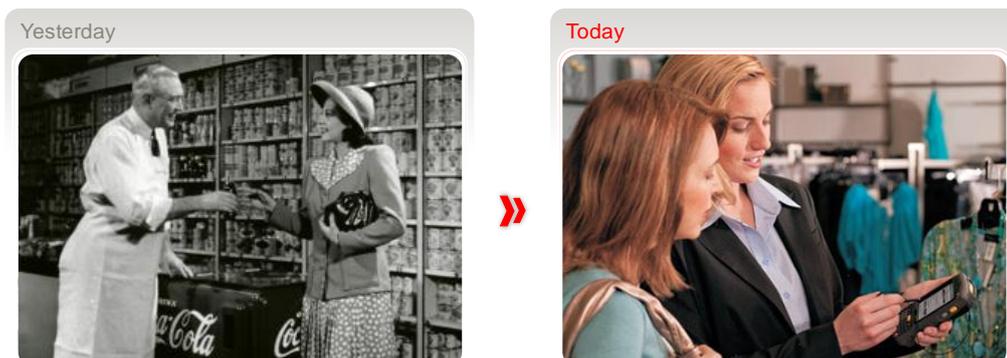
Shopping has changed...‘retailing without walls’

Fujitsu, with its thirty five year heritage supporting some of the world’s best retailers, thinks a lot about the future of retailing. We believe new customer-centric operating models, underpinned by new IT architectures, data models and business processes, will evolve in the next few years in response to the changes we are experiencing today. Bolting on click ‘n’ collect services to a store model, manually sharing stock across physical and virtual stores, responding to shopper behaviour over night rather than real time – these are no longer viable. A fundamentally new approach is required. This is the subject of this paper.

Analysts are inventing new labels every day - multi-channel, omni-channel, ‘stop-start’ shopping and clienteling – to try to describe what is happening in one or two words. Fujitsu sees it from the customer’s point of view – there is only one shopping channel, my channel, and retailers need to operate their businesses in response to how I choose to shop with them. The store no longer has walls, shopping is everywhere. Retailers need to rethink how they set up shop.

Back to the Future

Technology is driving change not because it appeals to the latent ‘geek’ mentality amongst the world’s shoppers. This isn’t a Big Bang Theory retailing trend. Technology – primarily the Smartphone - is driving change because it is helping customers rediscover a more intimate, personalised and ‘in control’ shopping experience. Revolution is about returning to a bygone age. Customers want the ‘one on one’ personal service - reminiscent of the ‘mom ‘n’ pop’ shops of 50s America - but they want it re-presented and re-delivered for a modern technological age. This may or may not involve human intervention.



Shoppers want ‘old world’ service in a ‘new world’ environment

There are three 'big issues' which illustrate this change in shopper behaviour...



Shopper Power

- Customers are more knowledgeable pre-purchase via online research; this gives them more control in the shopping process
- 'Anytime, Any place, Anywhere' shopping is fast becoming a hygiene factor for retailers; customers want to shop on their terms
- Personal experience is paramount - customers will no longer accept a generalised offer; they are seeking ranging, pricing, promotions and merchandising according to their needs



Technology

- The Smartphone has become the ubiquitous tool in the hands of the consumer - information, transactions, brand communication - it is the new interface for the customer
- Retailers have in recent years introduced more and more service-based technologies into their stores to enhance the experience - from self checkout to digital media - this has conditioned the shopper to embrace and not reject technology in the retail process
- Social media - at least for the Generation X - is the medium for communication; retailers cannot risk being excluded from the party but need to understand how to fit in - bloggers don't like being sold to!



Role of the Store

- The store is now one of several 'channels' for the customer to shop with the retailer - it is not the 'hub' of activity
- Click 'n' Collect is emerging as the key cross-channel service proposition, combining the value add attributes of mobile, on line and store
- Business and IT operating models - traditionally founded on the store - need to change and adapt to a multiple channel environment where transactions can start and stop in different locations

Retail Response

The point is that these drivers are not conventional 'trends' - like own label or smaller format stores have been in the past ten years - these are fundamental 'disconnects' in the business of retailing.

- 'Digital' shopping is deconstructing the way we buy food, fashion, electrical and entertainment products. What is the point of complex store merchandising practices if the customer never visits the store and uses a 'virtual mall'?
- Social media is - in many ways - handing over brand control to the consumer. What does the marketing department do?
- Click 'n' Collect is challenging every property director's assumptions about the pattern of physical retailing in the modern world. Traditional catchment sizes need to be recalculated.
- 'Stop Start' retailing means the CIO has to rethink how s/he manages data inflow and outflow to feed the needs of the buyer, supply chain analyst, finance manager, store manager and - most importantly - the customer. Data models built on cash registers in store no longer fit.

So Fujitsu is finding that retailers - the high performing retailers - are rethinking how they 'set up shop'. How do you organise a business - people, assets, processes and technology - to deliver to these new shopper expectations? How do you capture transactions and customer history across multiple touch points at different time intervals? How do you reconfigure your people and processes when they have been based on a store-centric model for 50+ years? This is not about being leading edge, this is about doing the basics in a world when the goalposts have not just moved, they have been removed from the pitch.



Tesco 'Virtual Shopping Mall' (Gatwick, UK)

The New Model

Retailers don't go in for complex models, they like a simple plan which works. Fujitsu thinks the same way. Any new operating model on this scale is not about academic hypotheses but concrete roadmaps for change. In our view the New Model for Retail – the underlying IT and process framework - looks like this...



The key point is that is an interconnected model – strategy, process and technology – architected to deliver the new ‘one channel’ retail operating model – whatever the touch point, whatever the data inflow and outflow, whatever the operating procedure. The objective is to scope a business data model which runs on the basis of servicing customers across channels and – ultimately – on a personalised, even 1:1, basis. This is what ‘retailing without walls’ truly means. It is not just about layering on home delivery and online payment services to a foundation store model; it is about a single view of a very different business.

1. **Customer Journey** – everything starts with the customer and a detailed understanding of the shopper journey is a critical pre-requirement for shaping the right operating model strategy. Retailers for example are comparing the current vs. the desired experience for the shopper at the critical ‘stages’ and identifying relevant solutions which can deliver the right business outcome. This can be applied on and offline, in store or mobile. What is important is identifying the solution mix which will support the right customer response.

Typical Journey	Plan	Arrive & Navigate	Browse & Select	Purchase	After Sales
Guest Need	Information	Process	Information	Process	Experience
Current Experience	Manual	Impersonal	Rushed	Inefficient	Functional
Solutions	<ol style="list-style-type: none"> 1. Online (Click 'n' Collect) 2. Mobile Marketing 3. Social Media 	<ol style="list-style-type: none"> 1. Mobile App 2. Geo-location 3. Customer ID 4. Digital Media 	<ol style="list-style-type: none"> 1. Personalization (promos/menu) 2. Social Clienteling 3. Smart Stock 4. Price Comparison 	<ol style="list-style-type: none"> 1. Self Service 2. Mobile PoS 3. BYOD 4. NFC-enabled payment 	<ol style="list-style-type: none"> 1. Customer analytics 2. Intelligent service management 3. Mobile marketing
New Experience	Simple, fast informed	Helpful and Efficient	Simple and Personalized	Fast, Secure Service	Personal and supportive

The IT operating model strategy is in effect a by-product of the mapped customer journey; strong emerging themes – say around payment, data integration etc – will start to drive business objectives and the IT operating model and the associated layers of applications, infrastructure and networks. This will make the business truly customer-centric.

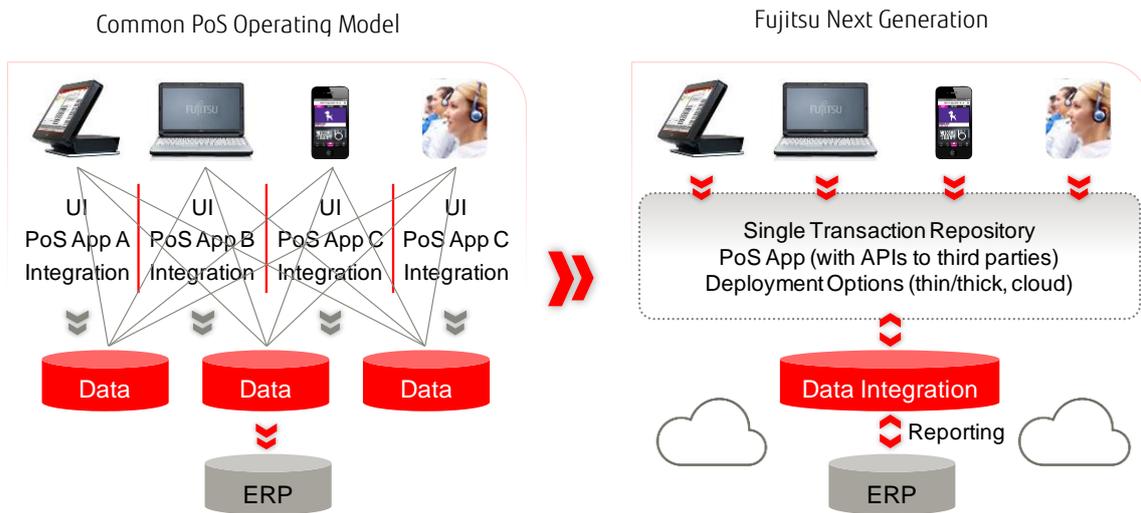


2. **Retail Solutions** – the business, and underpinning IT, operating model are built on providing the customer with the products and services they want at the right price in the right location etc. The applications driving ranging, merchandising and transaction management, the infrastructure and networks assets delivering the physical and virtual toolset and the services supporting sustainable outcomes - these all provide the foundation for the New Model for Retail.

Point of Sale

PoS – or point of sale software – is arguably the engine room of any retail business, capturing the vital transaction sales and customer information which feeds replenishment, buying, merchandising and CRM processes and decision-making. As retailing goes 'omni-channel' so PoS is a critical enabler to deliver the cross-journey transaction management and data history vital to delivering to customer expectations. However PoS has to date been architected on the basis of 'the one server, one register, per store, mobile, call centre or web shop model'. Retailers are grappling with complex and duplicating data models which prevent any single view of the customer or cross-channel mapping.

Fujitsu is fixing this. We are building a next generation point of service solution which will work on the basis of the 'Any3' customer transaction, not the cash register per store, per web shop etc model.



Fujitsu is building a PoS solution to manage multi-channel transactions

The single transaction repository, combined with new flexible deployment models including cloud, will revolutionise transaction, process and data management for the retailer, reducing cost and speeding value for the customer. Data will be synthesised and cross-referenced according to the customer journey, not the retail operating procedure. We believe this will become the standard model for transaction management.

Multi-Channel Toolkit

Infrastructure solutions – enterprise, store, mobile – are also being re-engineered to meet the demands of the New Model for Retail. Traditional store infrastructure for example is being integrated to deliver a connected experience for the shopper – digital media screens responding to peak transaction activity, bluetooth-enabled location based services triggering mobile promotion coupons for eligible customers and personal scan and pay services – as pioneered by Albert Heijn in the Netherlands (see below) - downloaded to the shopper’s Smartphone.



Albert Heijn zelfscannen – mobile shopping

The customer will expect a seamless bridge between the different stages in their journey – single sign on, retrieved transactions, loyalty history and – increasingly – permission-linked, personalised marketing based on their shopping history and stated preferences.

Retail as a Service

The New Model for Retail is not ‘one size fits all’; although the underlying principles – single transaction repository, flexible IT deployment and solution cross-channel integration – remain constant, deployment will vary according to the business need and retailer operating preferences.

In our experience retailers want to adopt the ‘as a service’ model in areas beyond software – the most popular model to date. Fujitsu is pioneering the ‘retail as a service’ model – recently deployed with Hallmark, a 3000 store retailer in North America – to deliver a bundled, subscription-based suite of hardware, software and support services to retail. Founded on an opex (not capex) commercial model and targeted at retailers seeking a simple outcome-based contract from their IT service provider, we believe Retail as a Service will be a key component of the future operating model for retail. Let retailers get on with retailing and let the IT provider run and service the engine.



- Business Integration – Store and ERP** - the omni-channel environment is by definition all about integration – strategy, process and data. Network integration – wireless enabled within the store and between store and HQ – will be a critical connectivity enabler for success. However we believe system integration between the store and the HQ ERP will be even more important in terms of enhancing the overall shopper experience and reducing the cost to serve for the retailer.

Fujitsu and SAP have recently announced the joint development of a new packaged integration component, integrating Fujitsu’s next-generation retail Point of Service application with SAP® for Retail portfolio. The integration components will reside in and extend the existing products of both SAP and Fujitsu. These extended capabilities will deliver significant multichannel benefits in terms of customer service, front-office business process improvements and point-of-sale improvements to retailers.



4. **Performance Management** – the New Model for Retail will in Fujitsu’s view deliver significant business benefits. However traditional IT-based performance management is not sufficient to monitor and track the benefits of the new model and reshape or reinvest to deliver against original RoI targets.

We believe that any new business and IT operating model should be measured – by lead and lag indicators – against explicit business targets and outcomes. These should include multi-channel customer transaction performance, IT (and hence trading) availability and resource productivity including people, stock and property.

IT will become a profit centre as it increasingly underpins the core business operating model for the modern multi-channel retailer.

Final Thoughts

Running a retail business is more like leading an army than conducting an orchestra – leadership needs to be clear, focused and directive. Fujitsu believes that the New Model for Retail outlined in this paper sets this direction and reflects what our retailer customers are planning in response to today’s connected, cross-channel, mobile retail environment.

In our view being a retailer – buying and merchandising, supply chain, retail operations, transaction management – is no longer defined by a store, merchandise and a cash register, it is defined by managing a customer through a shopping ‘journey’ on his or her terms and – often – with their own personal assets (SmartPhone) and capabilities (product knowledge, social media connectedness). This means retailers need – over time, nothing changes overnight – to recast their business data models (the information engine for supply and demand and customer management) to fit a customer, not a store, format. It will still be shopping, but not as we know it.

More Information

Fujitsu platform solutions

In addition to Fujitsu [product name], Fujitsu provides a range of platform solutions. They combine reliable Fujitsu products with the best in services, know-how and worldwide partnerships.

Dynamic Infrastructures

With the Fujitsu Dynamic Infrastructures approach, Fujitsu offers a full portfolio of IT products, solutions and services, ranging from clients to datacenter solutions, Managed Infrastructure and Infrastructure-as-a-Service. How much you benefit from Fujitsu technologies and services depends on the level of cooperation you choose. This takes IT flexibility and efficiency to the next level.

Computing products

www.fujitsu.com/global/services/computing/
- PRIMERGY: Industrial standard server
- SPARC Enterprise: UNIX server
- PRIMEQUEST: Mission-critical IA server
- ETERNUS: Storage system

Software

www.fujitsu.com/software/
- Interstage: Application infrastructure software
- Systemwalker: System management software

More information

Learn more about Fujitsu's New Model for Retail, please contact your Fujitsu sales representative, Fujitsu business partner, or visit our website.
www.fujitsu.com/global/solutions/retail/

Fujitsu green policy innovation

Fujitsu Green Policy Innovation is our worldwide project for reducing burdens on the environment. Using our global know-how, we aim to resolve issues of environmental energy efficiency through IT. Please find further information at:
www.fujitsu.com/global/about/environment/



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