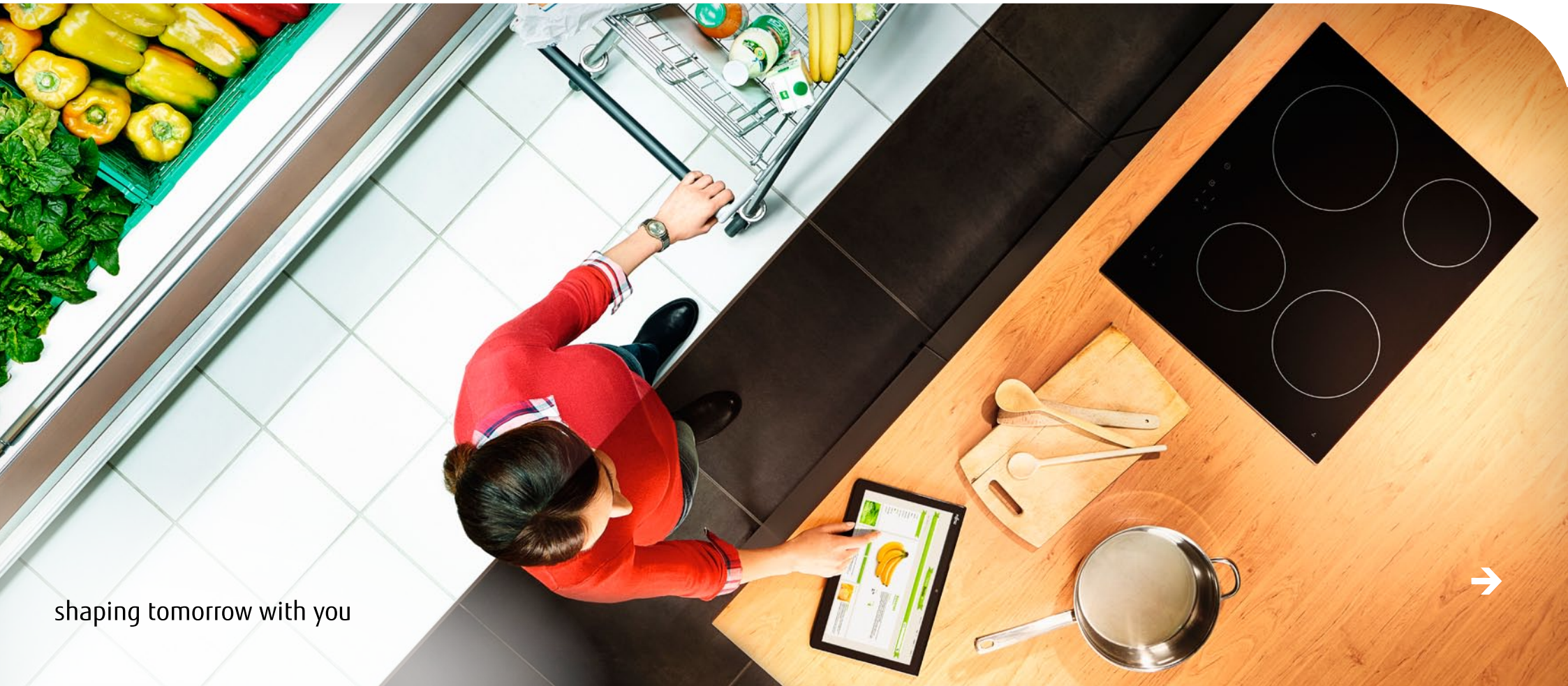


# Shopping in the Real World Is the Physical Store Dead?



shaping tomorrow with you



Retail stores don't have four walls anymore. They have to combine the real with the virtual and offer a choice of all the channels customers are now so familiar with. There can be no organizational or technological siloes because the customer wants to experience the brand in any way that suits their immediate needs. The physical store is where the brand comes to life; where the theatre happens; where emotion is turned into sales.



## Debating Connected Retail

The physical retail store in all its forms – from food and grocery to white goods, fashion and beyond – is at a crossroads. Some have claimed it's about to wither away. But is that true? Is the high-street or shopping mall a thing of the past? Has consumerism moved online never to return to the real world?

The rise of the digital shopper – the avid online buyer who spends hours on a digital device seeking, comparing, bidding, and buying without stepping foot into a real shop – haunts the imaginations of high-street retailers everywhere. But is the picture really gloomy? It's certainly not that simple.

We brought together four experts from Fujitsu to debate the subject and share their insights into how retailers can turn the digital tide to their advantage.

## Our Creative Thinkers



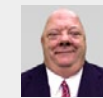
### Richard Clarke

Vice President, Global Retail Business Development, Fujitsu



### David Concordel

Vice President, Head of Retail Solutions, Global Delivery, Fujitsu



### Marc Janssens

Executive Vice President, Retail & Platform Products, Fujitsu America



### Ralf Schienke

Head of Retail Sales, Fujitsu Germany



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# A Digital Retail Apocalypse?

Back in 2013 Netscape co-founder and pioneering tech entrepreneur, Marc Andreessen, didn't pull his punches when asked about the future of retail: "[It's] a fundamentally implausible economic structure," he said. "The fixed cost of real estate [plus] inventory... puts every retailer in a highly leveraged position. It just doesn't make any sense for everything to sit on shelves. There is fundamentally a better model."<sup>1</sup>

<sup>1</sup> Retail Futures 2018, UK Centre for Retail Research, Nottingham 2013





# A Digital Retail Apocalypse?

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Andreessen was responding to figures which showed the rapid rise of online shopping across mature digital markets such as the United States and Europe, especially the UK and Scandinavia. Work done by the UK based Centre for Retail Research in 2013 predicted that physical retail space would continue the decline accelerated by the economic crisis of 2007-08, and online retail would continue to grow strongly right through to 2018.

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**The report acknowledged that high-street retailers were pretty gloomy about the effects on their footfall from e-commerce; but it also pointed out that if they made "clear strategic decisions that permit online retail to coexist with other retail channels in a multichannel world... bricks and mortar retailers [can] transform themselves." If they did not respond positively and imaginatively to the challenge, the report's authors said, then that would lead to "a large minority of business categories being purely dominated by online retailers."<sup>2</sup>**

To understand if the physical store is dead and how retailers can build clear digital strategies to help balance online and in-store shopping, Fujitsu's thought leaders explore the opportunities for retailers created by digitalization and the impact on their traditional businesses.

First they explore the impact and opportunities of digitalization on customer experience, then an omni-channel approach and then end-to-end integration. Before concluding their debate, they decide if the physical store is dead and what the future holds for retailers.

<sup>2</sup> Retail Futures 2018, UK Centre for Retail Research, Nottingham 2013



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# It's the Customer Journey That Counts

“You have to start with the customer and the customer’s journey when you’re thinking about how to create the right retail experience.”

Richard Clarke



# It's the Customer Journey That Counts

In Australia, the Melbourne Business School recognized the emerging trend of online retailers combining their virtual operations with some form of physical presence and designed a program to help them move into the real world. Retail consultant, Beverley Chambers, who helped create the course said, "Retailers need to let go of an outdated business model. Agility and innovation, particularly in the context of constant technological changes, is a must."<sup>3</sup> And one online retailer was very clear about how his company needed to go about melding the best of both worlds; the omni-channel approach enabled customers to click, call or visit – and a visit to an actual store allowed them to touch, feel and engage with trained people who could offer expert advice. The point was to overcome the belief that online shopping was somehow different or better, "it's just another way to shop."<sup>4</sup>

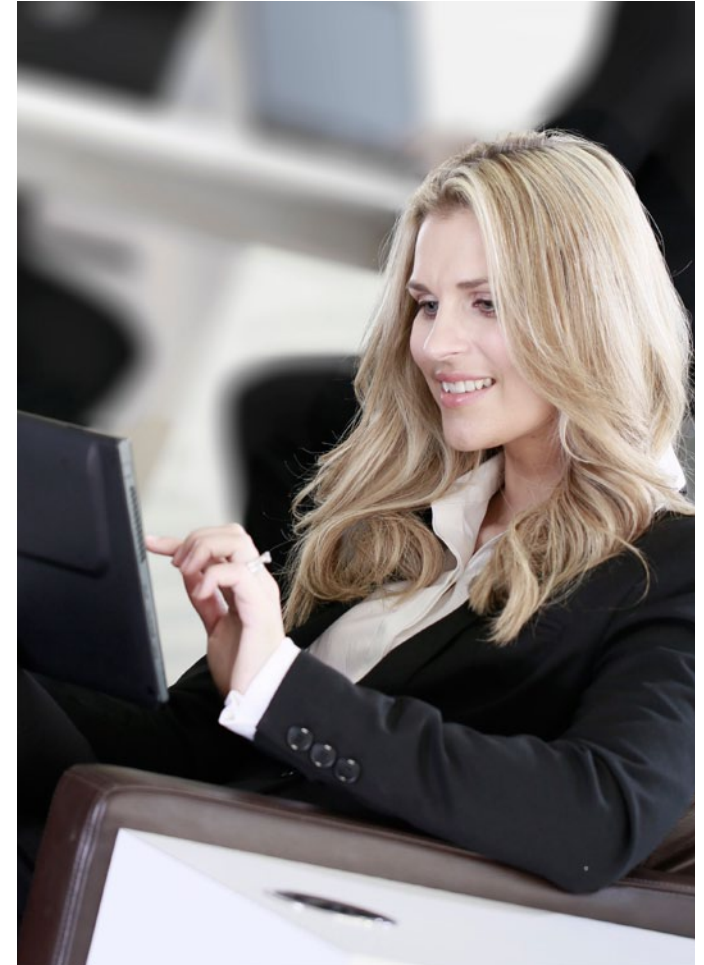
» "The best way to think about automation is to look at it as a way to free assistants so they can spend more time with customers."

David Concorde

**"Think about the products you're selling: how do you find them, look at them, and buy them? Understand the pain points at each stage that the customer feels and then work out how the technology can help your customers find those products in the best way possible."**

Marc agrees, "It's vital that we see the reality. Online shopping isn't better – it's actually complimentary to bricks and mortar. There is a big difference to shopping online; customers spend three and a half times more money if there's omni-channel choice, and when they're actually in stores, the conversion rate is four times higher than online. How often have you put items into the online shopping cart and then abandoned the purchase before you get to payment details? Most of us do it all the time!"

"Sure, but many of us also walk into a store, buy something in cash, and walk back out without leaving a trace," says David. "The retailer knows nothing about us. They don't know if we might have been interested in something else, or if there could have been cross-sell or up-sell opportunities. The physical store has to yield the same rich analytics as the online one."



<sup>3</sup> <http://www.powerretail.com.au/hot-topics/demise-of-bricks-and-mortar-retail/>





» “Let’s not try and make out that the online shopping experience isn’t a powerful one. There are things that people really like about it.”

Richard Clarke

The challenge is to think creatively and holistically. “Automation is good but only in the right places,” argues David. “There’s been a tendency to use automation to speed the customer through the store in an impersonal way. The best way to think about automation is to look at it as a way to free assistants so they can spend more time with customers. That is a creative way to use technology and improve the delivery of the brand where it counts the most.”

“Giving assistants, or colleagues, the ability to access information quickly and accurately whilst they’re with the customer, brings one of the best features of the online experience to the in-store one,” says Richard. “Online you can use webchat or call-back to offer help, but in-store you can do so much more. Be as quick as Google and really personal.”

“Each customer is an individual data-set. Online retailers understood that from the start,” states Ralf. “From the first interaction they built up their data and used it to create a deep understanding of the customer’s needs – not just to meet them, but anticipate them. So, data is the key to every retailing organization. Now, we have the tools to gather more data than ever before and we have to do that effectively instore as well as across all the channels.”

“And that data underlines the fact that when a customer visits a store they spend more,” says Marc. “Think about it; they’ve invested in the experience before they even walk through your door.”

They’ve had to fill up the car, drive to the location, park their car, and then, more often than ever before, combine eating out or going to a movie with the shopping experience. So, most of them are not going to go away empty handed. They’re primed to buy when they turn up in person.”

**“And much of that priming is done online or on their mobile device,” says Richard. “Let’s not try and make out that the online shopping experience isn’t a powerful one. There are things that people really like about it. They can spend time, they can compare, there’s lots of rich information, either provided by the retailer or reviewers or via communities and social media. That’s great. You have to connect all that up with the instore experience and deliver some of the benefits of the physical world online, and some you get in the virtual world in real life.”**



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# Real or Virtual: It's All Commerce

"Online retailing was called 'e-commerce' from the start. The important word is 'commerce,'" says David. "You can't start the conversation about how retailers can thrive in the new world by talking in siloes. It's all about the commerce function which goes right across everything a retailer does, from end-to-end."





# Real or Virtual: It's All Commerce

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It's an important element in the emerging hyper-connected world in which people and things are all linked together. The old boundaries within the retail sector are being blurred: offline and online are merging and the shopper is becoming increasingly empowered through omni-channel interactions.

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**Consumers are better informed than ever before, and are able to move effortlessly between channels as they decide what to buy, and who to buy it from. That's why retailers have to ensure that all their operations and channels are connected so that the customer gets a seamless experience which lives up to their expectations. This is what underpins a genuinely omni-channel approach.**

Richard sees the increasing trend for 'pure play' online retailers to seek out physical space as evidence of that rapid move toward hyper-connectivity: "It's a tactical play. They're not trying to mimic the old ways of retailing, but they know that they can create a mass brand presence by being on the High Street or in the Malls. They want to enhance their role in people's lives. You can see that with how Click and Collect is working – order online, get it from a real person."

David points out that, "Click and Collect was a new idea just a couple of years ago, and it's developed very fast. Now, it's used as a way to cross-sell – you turn up to collect what you ordered online and you buy something else! To the customer it's all one experience. One channel, even though we think of it as an omni-channel approach."

"Again, it's the data that gets you a share of that revenue," states Ralf. "Data that can enable retailers to personalize their offerings both on and offline. Retailers have to break out of all ways of thinking. Let's be honest, some didn't really focus on their customers as individuals. They did what suited their organization. Some didn't really care about their customers. Now, that approach is certain to lead to failure."

**Marc is clear about why retailers have to get connected now, "If you don't do it, your competition will. Probably already is. You can achieve tremendous advantages in terms of costs, inventory, labor deployment, data and end-to-end efficiency. And, of course, you can learn more about the customer – online helps you do that."**

» "To the customer it's all one experience. One channel, even though we think of it as an omni-channel approach."

Ralf Schienke



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# End-to-End Thinking = End-to-End Digitalization

“But first you have to re-think your commerce function,” says David. “Elevate your thinking so you look right across the ecosystem, from supply-chain to in-store automation and checkout systems through to the possibilities of the Internet of Things.”



# End-to-End Thinking = End-to-End Digitalization

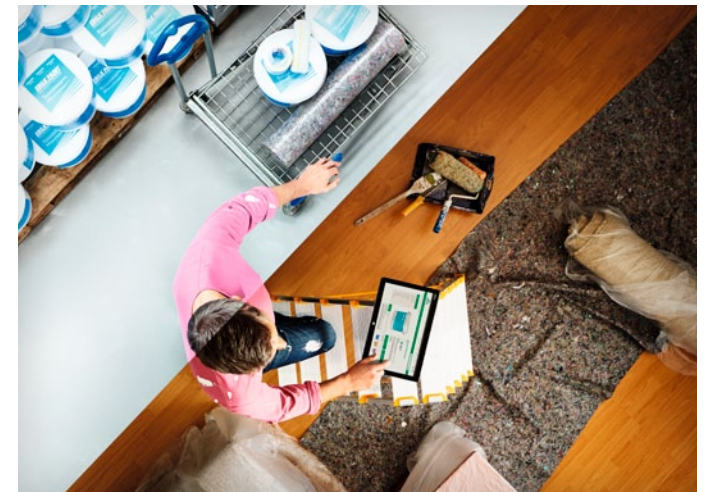
David says, "The point is to bring all the experience and expertise together and combine the physical and digital together under one strategic plan." Marc argues, "For me, if you have a good strategy and you understand the demographics properly that's all you need."

**The need to do that is urgent. "If you look at the reasons why retailers are under pressure right now you can see a clear historical timeline," adds David. "After investing in technology, especially in the back office, in the 1990s, retailers waited until the next investment cycle to refresh their technology and extend it online or instore, but the crash delayed that investment."**

**"In the meantime, 'pure play' operations developed quickly, learned the lesson that customers wanted a simple but ever more personal service online, and have disrupted categories with chilling effects for some retailers," continues David. "It's now time to make the investment needed to stay ahead of the digital curve and harness its power to satisfy customers and build brands."**

"That's right, but I think you need to accept that many retailers were shocked by the rapid rise of the online retailing industry," adds Ralf. "They were confused by it. That meant they weren't agile in their thinking, and their systems were too complex, and so they failed to adapt quickly enough."

That situation is changing fast. Most retailers are working hard to refocus their businesses and broaden their outlooks, but by not embracing end-to-end digitalization more will fall by the way-side. "We're in a second phase of the development of modern retail. The first wave of digitalization in retail focused on e-commerce, and didn't deliver the full benefits," says Ralf. "Retailers are beginning to develop an innovative mind-set, some are doing drastic things, they need to look at end-to-end transformation throughout their value chain to remain competitive in the digital age. Automation and analytics, with added personal service."



» "The first wave of digitalization in retail focused on e-commerce, and didn't deliver the full benefits."

Ralf Schienke





“Retailers know that they have to change and that they have to leverage the power of digital technology, all the evidence shows that they have to,” says Richard. Marc agrees, “You can’t just pile things on shelves and expect people to buy your stuff. You’ve got to provide added services, which means very knowledgeable staff to serve customers, or you put them off.”

Digitalization needs to be core throughout retailers, a complete strategy in place to deliver end-to-end digital transformation; from shopper (online and in-store), to customer service assistants, to analytics and back office. It is only through this approach that retailers will be able to better understand consumer behaviors, stock control, staff planning, supply chain and last mile delivery.

Marc broadens the perspective, “The technology speeds distribution and links re-stocking with analytics which accurately estimates demand so that the shelves are always stocked. The in-store technologies like Magic Mirrors, beacons, and even devices which track eye movements as customer’s browse, can then help with supply-chain, labor deployment, and the timing of promotions.”

» “And in the future the technology in store will be able to present all the products that are not physically on the shelves. The customer can touch them, feel them, try them on, or use their features, so they can make a choice and get what they want, when they want it – which is, in most cases, right now!”

Marc Janssens





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David argues, "Products have to be there! The one thing that really annoys customers is, after all they've invested in getting to your store, finding that what they want is out of stock."

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**"In any supermarket you care to name there's around eight percent of items out of stock. That undermines sales and confidence," says Marc. "What digital can do is to generate the data to enable you to avoid that situation more often than not. It also helps you understand what your customers want and when they want it so you can make sure the goods are where they should be."**

"Again, it's all about making it all-pervasive," says David. "In the past consumers put up with the fact that they could buy some things online but not in-store, and that different offers applied to each channel. But not anymore. It's all one brand so all the products have to be available at the same price and with the same promotions and offers across all the channels. That's why it's unified commerce – not just e-commerce versus physical retail."

"This is where you have to start talking about the serious subject of how you do all this. How do you use digital technologies to open up as many channels as you need and want? And how do you do it properly?" argues Richard. "The first thing I tell retailers is, don't digitalize for the sake of it. Be strategic. Study the customer journey and put the right technologies in at the furthest point from the customer as well as the one closest to them."

Customers want to interact with both people and goods, and they crave surroundings that make them feel human; that are focused on them. Technology can help them do that seamlessly," says Richard. "And that's why you have to think end-to-end. The last mile in the supply chain is vital. But you've got to look at the big picture when you're thinking about the omni-channel approach."

**Simon Mottram, the CEO of cycling clothing and accessories specialist, Rapha, put it succinctly when he said, "It's hard for brands to engage with their customers in a purely digital way. Online is fine for simple transactions, but if you want to truly connect with a customer and create a deep, ongoing relationship with them, then a physical experience is invaluable. There's a possibility of theatre!"<sup>5</sup>**

**» "The first thing I tell retailers is, don't digitalize for the sake of it. Be strategic."**

Richard Clarke

<sup>5</sup> <http://www.bbc.co.uk/news/business-24728406>



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# Conclusion: Is the physical store dead?

When the BBC heard that many online retailers, including Amazon, were beginning to look at opening bricks and mortar stores, it adapted one famous quote to headline its story: "The death of the High-Street store has been greatly exaggerated." The message was simple: "We like shopping in stores."<sup>6</sup>

<sup>6</sup> <http://www.bbc.co.uk/news/business-24728406>



# Conclusion: Is the physical store dead?

**"We have to be honest. The store is dead. The traditional store. The ones we used to go to in the 1990s. The ones our parents and grandparents were used to," argues David Concordel. "By that I mean, the idea that a retail store is made up of four walls. Now, we need to think about a store as an all-pervasive concept that is formed of many channels."**

"I think we've all been unsettled by the online hype," says Fujitsu's Richard Clarke. "I completely disagree with the contention that the physical retail store is on the way out." Marc Janssens agrees, "The press love to write about the death of the high-street store; it makes good copy, but it's not true. The figures tell you the true story. In the US, where I'm based, around six percent of all retail sales are made online – yes, that's a huge market, but 94% happen in real stores."

"I don't believe that we can be very precise about what is actually happening," says Ralf Schienke. "In Germany online retail is growing fast, but it hasn't reached the levels you see in the UK or the USA. For me, the point is to think about thresholds: there will come a point where online can only grow so far. I don't think anyone knows what it will be. But, in the end, there is a natural need for a real shopping experience. Nothing beats shopping for real."

"Yes, that's it. You should always start a discussion with that fact: simply, people love to shop!" says Marc.

"Shopping has always been a very important social as well as a practical experience," says Richard. "Let's not forget that the online retailers also know that," cautions Ralf. "They understand that customers want to engage and be social. So, they will work hard to add in social, cultural and experiential elements that they've learned from bricks and mortar retailers, to ensure that they can keep on growing."

"And that proves my point," agrees David. "Whatever kind of retailer you are, you have to start from what the customer wants and needs. In the 21st century, the customer wants and needs the choice to interact with their favorite brands in any way they choose, whenever they choose, and the physical store is where the emotion is: It's where the brand comes alive. And that experience then drives customers to use other channels. But they must all be as one – one brand."

"Technology enables you to get closer to the real shopper; the human shopper. That's why the days of treating customers as part of a faceless mass are well and truly over," stresses Ralf.

"You don't get the same buzz out of buying goods and services on the web; you just can't," says Marc. "But, there are things about the online experience that people like," explains Richard, "and the point is to start your thinking where it matters the most, with the customer and their journey to the check-out, be it real, virtual or automated."



» “Spending a little money is often very important. It’s a routine. It’s also important for social reasons.”

Ralf Schienke



David agrees, “Think beyond the four walls. Think of the entire ecosystem, even down to the emerging Internet of Things, where your coffee machine could become a storefront – a channel. A channel that starts the customer’s journey to the checkout, real or virtual.”

“And we’re not just talking about the goods we all know can be sold online with ease: we’re also talking about those small shopping trips that people take almost every day,” adds Ralf.

“Spending a little money is often very important. It’s a routine. It’s also important for social reasons. Online shopping is lonely. Though, of course, online retailers are increasingly looking to ‘curate’ their customers’ online experience either with web-chat or, soon, video links to real people.”

All the evidence – both historical and contemporary, shows that physical shopping for real is an important part of the retail landscape now and into the future.

Anthropologists like Daniel Miller confirm that view; “[Shopping] is not about just buying products for the best price, it’s a ritual.” Most shopping is about love and family. We buy for others as well as ourselves: we practice thrift to support our families and by doing so boost our own self-worth and the wellbeing of the ones we love. We go out to treat others and ourselves. Shopping isn’t a purely “individualistic act, it also helps create desired relationships.”<sup>7</sup>

<sup>7</sup> The Theory of Shopping Daniel Miller, Polity Press 1998





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# Connected All the Way to the Customer and Back

The discussion, inevitably, moves onto how retailers can reap the rewards of digitalization. “Our approach to digitalization is totally aligned to our strategy for retail,” says Ralf. “What you see in the store front, whether it’s virtual or real, has to be linked perfectly to the organizational back-end processes, from order-fulfillment to delivery and analytics.”



# Connected All the Way to the Customer and Back

"It's a journey," states David. "The retailer has a digital ambition and our job is to enable them to achieve it, and to support them at every step of the way so that they can create the new business models that match their markets and brands."



**Fujitsu's Connected Retail is all about being able to address current challenges as well as creating new opportunities and increased efficiencies. Using digital technology to get to know customers better and get closer to them is critical. "We work side-by-side with our customers' teams to achieve an omni-channel outcome," says Richard. "It's what our customers expect from us."**

Fujitsu aligns its strategy for digitalization with its strategy for retail – an end-to-end approach, linking store frontages (whether online, bricks and mortar) to the organizational back-end processes (e.g. order fulfillment, delivery, analytics).

"I always start conversations with retailers by talking about their brand," says David. "How technology can impact the ways in which customers interact with their brand, ultimately, influences the purchase of products at a price which delivers the right margin to the retailer. It's an end-to-end conversation."

Richard argues that retailers need to forge strategic relationships with partners that can help them have those conversations; "You need to use a service orchestrator to do it all for you and manage your systems whilst you focus on your brand, products and customer journeys. Fujitsu has the end-to-end capabilities – from tills to desktops to applications – and we have the experience in retail that you need. We've been there through the tech revolutions and have never lost sight of what is really important – the customer journey linked to an efficient, connected organization."

Marc agrees, "Fujitsu has a deep understanding of retail; we take the same strategic view of e-commerce or bricks and mortar – our aim is to enable our customers to leverage the power of technology in all channels and from end-to-end: from buying through to supply chain, to labor, analytics, everything."



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“We’re known for our innovation in retail. We have spent billions in R&D to develop the right technologies and do it at the best price,” says Marc.

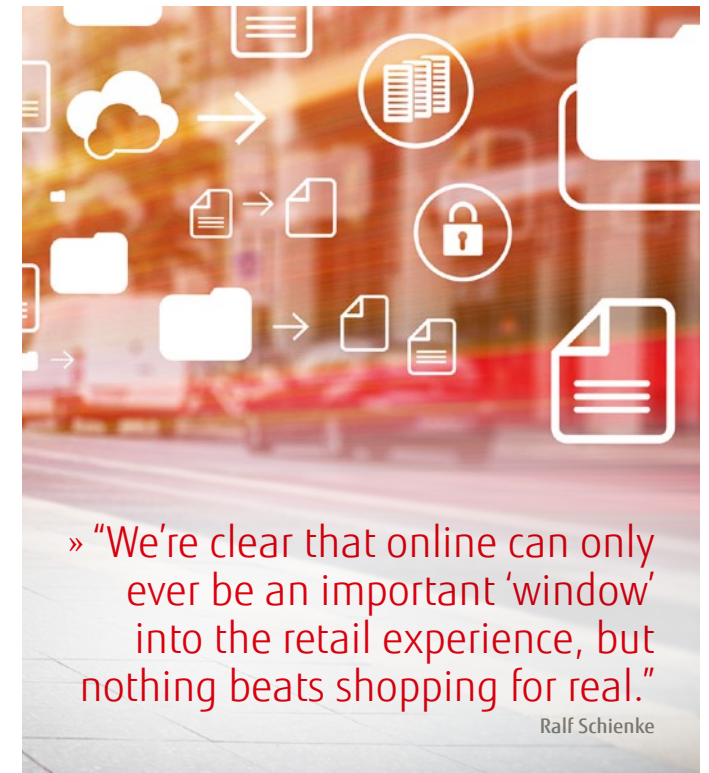
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**What makes Fujitsu able to offer that kind of strategic, end-to-end advice and service?**

“We have the use-cases and scenarios that show how technology can create the Connected Retail state which is necessary right now,” argues David. “You can’t just buy IT incrementally. That only adds to complexity down the line which reduces a retailer’s ability to be agile. Retailers need a partner who can not only provide solutions which work as a whole, across the organisation, but also keep them running smoothly.”

“Over the last 25 years I don’t know how often I’ve heard retailers ask me how to improve that last mile of the supply-chain,” says Richard. “It is improving, but it still needs to get better. What retailers need is to work with someone who gives them the big picture; helps them create the right plan, build the right engine to power their business, ensure it runs efficiently, can both fix it when it needs it and upgrade it to stay ahead of customer needs.”

**Ralf is clear about why Fujitsu’s approach is compelling: “We understand the reality of retail,” he says. “We’re clear that online can only ever be an important ‘window’ into the retail experience, but nothing beats shopping for real. We help retailers make the hard choices that have to be made so that they make life easier for customers who are used to getting what they want, when they want it. There is no alternative to the customer-centric approach to retail. We can deliver the technology that puts the customer at the heart of what every retailer does, and ensure it works now and into the future.”**



# The Future

**As we've seen, retail is one of the most innovative sectors when it comes to applying new technologies to commerce and interacting with customers. That will not change. In fact, it will intensify. Change will accelerate across every retail touchpoint. A store will be a constant online entity, no matter whether it has many or few actual retail outlets.**

Smart devices, in the hands of both employees and shoppers, will provide a constant stream of interaction that encompasses the social as well as the transactional. And, increasingly, virtual shopping technologies, from avatars to Siri-style personal shoppers, will become more prevalent and important.

That means Click and Collect will grow further and an 'on demand' retail model will meld the online and physical retailers into one. Shoppers won't see a store as one thing or the other, but everything. The multi-channel will, for the shopper, be just 'the way I shop now.' That means that retailers will have to be able to mix and match and personalize order management and fulfilment within the physical location to meet the needs of the future shopper. It's already happening.

The physical store, as we've stressed, will still dominate, but the concept of its physicality will be changed by the online channel. Shoppers will expect the 'online experience in real life.'

To do this advanced analytics, machine-to-machine technologies, Wi-Fi beacons and so on will be used more and more to generate the Big Data needed to predict as well as deliver what shoppers want 'now'. That's why retailers need a total, end-to-end digital solution which creates a seamless integration of new store POS, ecommerce, OMS, electronic and/or biometric payment systems as well as CRM to deliver the ultimate cross-channel shopping experience. To achieve that, and to underpin it, operations have to be improved and data used to achieve much better predictive merchandising and inventory management.

**There is no doubt that the future of retail is going to be both exciting and challenging.**





# Meet the Contributors

**Richard Clarke:** Richard is Vice President, Global Retail Business Development at Fujitsu. He develops and executes compelling and relevant retail strategies to expand key markets, and is also responsible for a portfolio of global solutions and services to meet customers' needs. Richard works side by side with strategic customers to develop their relationship with Fujitsu.

**David Concordel:** David has been Vice President, Head of Retail Solutions for Fujitsu Global Delivery since March 2013. He leads Fujitsu's International Retail Business, across Fujitsu's portfolio of Retail Software, Point of Services, Self-Service and Services Retail solutions. Previously David was responsible for Fujitsu's Strategic Sales, directly overseeing key deals across the full Fujitsu portfolio and with global customers.

**Marc Janssens:** Marc is executive Vice President of the Retail and Platform Products businesses Fujitsu America, and is responsible for driving the growth and profitability of our retail business, delivering the full spectrum of the retail portfolio to clients in this industry. He also leads the company's platform products business including enterprise, mobile and software products as well as Fujitsu solutions.

**Ralf Schienke:** Ralf is Head of Sales for the Retail Industry Germany. Leading a team of sales and consulting professionals he provides data center infrastructure, applications and services. Together with Fujitsu's retail portfolio, which includes omni-channel applications, POS, Self-Checkout systems and Managed Store Services he has built a compelling and unique end-to-end offering for German retailers.





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**Talk to Richard, Marc, David, Ralf and the Retail Team at Fujitsu about how we can work together to enable digitalization across your organization, from back-office to every part of the retail value chain.**

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