RetailWeek Reports

Produced in association with hp

# The journey to becoming a digitally advanced retailer

Retail Week and HP's Digital Transformation Report looks at retail strategy, innovations and challenges in the digital era

What does the digitally progressive retailer look like? Given that multichannel retailing is still in its infancy, no one yet truly knows either its potential or, ultimately, how businesses should shape themselves to prepare for that.

That is why *Retail Week* has produced a report on the digital transformation taking place at some of the UK's most forward-thinking retail brands, based on interviews with 15 ecommerce and IT leaders.

## Big questions

What are the respondents' views on the challenges facing them as they continue to transform their businesses in the digital era? What do they prioritise in their journeys to becoming digitally advanced?

Is Britain a nation of digitally progressive shopkeepers? Two-thirds of retailers rate themselves at seven on a scale of one to 10 in terms of digital transformation.

They believe that they've gone some way in the process of restructuring and adopting new technologies. However, legacy systems and the costs of changing them are holding them back.

Would anyone classify themselves as truly digitally transformed? No. But businesses considered at the upper end of the scale include Burberry, John Lewis and, unsurprisingly, Amazon.

While there is a great desire and a competitive need to become a truly digitally advanced business, retailers are wary of getting caught up in a technology race and losing sight of what is most important to their businesses – the customer.

Another consideration is the language retailers use internally to talk about digital developments. It needs to be inclusive or it risks alienating colleagues from the digital strategy.

## Digital potential

Another area for discussion is which specific technologies are having the greatest impact on customers' multichannel experience today, and which have the greatest potential to do so in the future.

**REPORT OVERVIEW**

- Defining the digitally advanced retailer
- Customers' digital experience today
- Technology and the transformation journey
- Getting the organisation fit for purpose
- Continuing the transformation journey

Most feel that mobile apps and stock management systems are having the greatest impact. With regard to stock management systems, the inability to provide visibility of stock for consumers and meeting their expectations of deliveries and returns, are cited as common concerns in improving the customer experience.

Looking ahead, 27% of respondents cite in-store technology – including Google Glass and geolocation tools – as having the potential to improve customers' multichannel experience.

A third of retailers believe CRM and data management have the most potential to improve the shopping experience. Much of this can be attributed to the impact of personalisation and the fact it is seen as a great benefit to today's always-connected society.

Retailers remain buoyant about the as-yet-untapped potential in collecting data that will better inform the customer journey.

There is a feeling, however, that retailers need to break down silos and become truly cross-functional to obtain a more holistic view of the customer.

## Cross-functional collaboration

Two issues are commonly seen as standing in the way of retailers' digital transformation. One that is cited throughout nearly all of the in-depth interviews for the report is the problem of working within the confines of restrictive traditional company structures.

Cross-functional teams are viewed by many as critical to digital transformation, yet there are concerns that senior management is not always supportive of implementing such changes.

The other is the ongoing and oft-discussed problem of legacy IT systems. Not only is there a problem with the expense of overhauling them, they pose difficulties in terms of much-needed agility.

What's more, many retailers encounter barriers from senior management. There is still reluctance in some boardrooms to invest in systems unless there is evidence that they will contribute to profitability.

IT teams are most commonly cited as being challenged in ensuring they are equipped for a multichannel world, closely followed by chief executives.

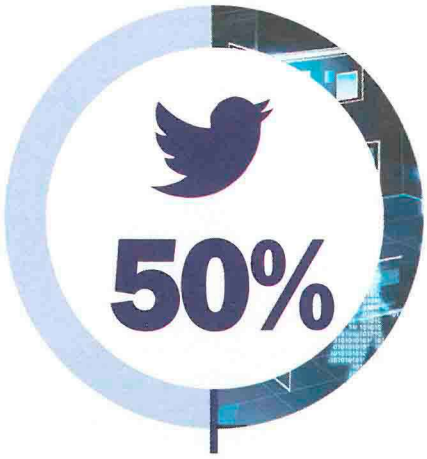
There are also questions about whether or not enough retail IT teams have the vision and leadership that is needed.

## Sourcing talent

Finding good people is an issue in every industry, and retail is no exception. Retailers compete not just with each other, but with thousands of other industries for the best digital talent.

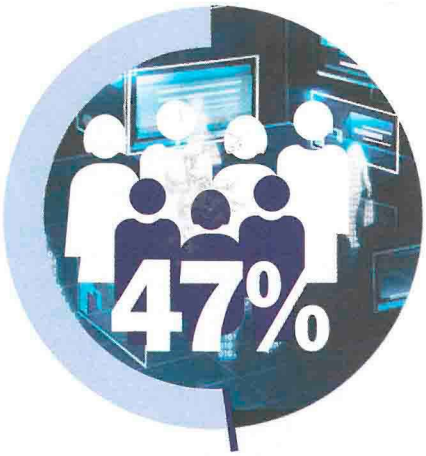
Predicted value of the online retail market in 2014

UK mobile network users on smartphones who used a retail site or app in March 2014

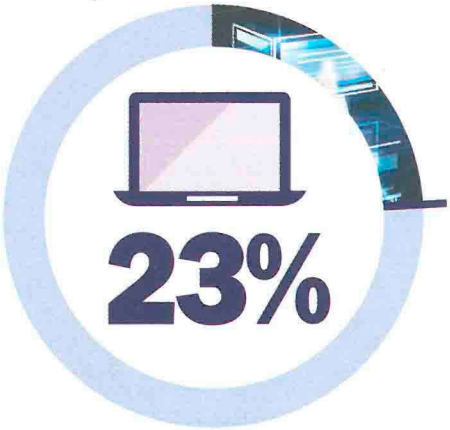



Retailers without a formal approach to social media in their digital strategy

Consumers who say Amazon's website works perfectly from a technical point of view




Retailers that regard cross-functional collaboration as key to digital transformation




Retailers that cite website improvements as their digital priority

But in spite of these challenges and all the other issues raised about the complexity and expense of digital transformation, retailers remain determined. That is reflected in the level of digital innovation taking place.

The overall sentiment is acknowledgement that there will be constant challenges, experiments and failures – all of which will help inform the optimum digital retail model of the future.

### Evolved technology function

It is clear that, as a direct result of digital advances, the role and image of the IT department within British retailers is vastly different from 10 years ago. Rather than a cost-saver, it is now viewed as a profit-generator.

Nevertheless, changing that mindset among some people in the business remains a challenge that is best managed by someone who is prepared to state the case thoroughly.

Educating the business about the changed role of IT is essential. Traditionally, the vast majority of retail spending has been on people and property. But an increasing amount of that expenditure is now on technology and, within that, there is increasing spending on customer-facing technology.

Becoming a digitally advanced business is complex, often expensive, challenging and, as nearly all our respondents mention in one way or another, it can be a matter of trial and error.

The ecommerce director of a pure-play retailer describes their business as having "lost its fear of failure".

"We learn our lessons and we move on. In the old world, failure took six to 12 months, in the new world it takes six to 12 days".

Even the experts admit an element of the unknown remains. The head of information at one of the UK's biggest and most-respected multichannel retailers admits: "You have to get used to not knowing what the end game is going to be."

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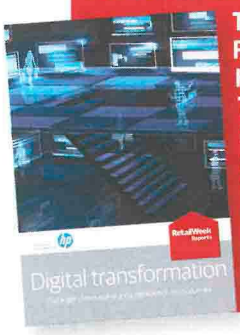


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