

# Retail: **Rethink** the way forward

5 priorities to guide retailers  
through the pandemic and  
emerge from it successfully



# The road ahead for retail

The COVID-19 pandemic has played havoc with retailers. It's time for them to **rethink** how they do business

The retail COVID-19 stories are as varied and far-reaching as the industry itself: Dior streaming its Paris runway show instead of doing it live; LVMH converting its French cosmetics factories to make hand sanitizers; grocery stores setting up exclusive shopping hours for at-risk groups; Whole Foods using several of its shuttered physical stores as fulfillment centers for online orders; retail social media sites acting as community-building and event sites to bring people together.

So many stories, so many ways retailers, their workforce and their customers are finding to cope with the current disruption.

Retailers came into the pandemic already facing an increasing number of changes in customers' shopping habits and preferences: less foot traffic in stores, more online shopping, shopping as an experience, new kinds of delivery (and return) options and timelines, rethinking loyalty and social responsibility are a few.

It's been a tightrope walk for many. Hit with store closings, staff layoffs and often complete supply chain disruption has led to a string of bankruptcy announcements, significantly in the non-essential retail category. Some essential retail businesses (groceries, DIY, etc.) are showing record year-over-year growth right now but even they are seeing profits eaten up by the cost associated with hiring more staff to restock shelves and thoroughly clean and realign stores to accommodate social distancing.

They're also dealing with ever-increasing online sales and multiplying delivery options. It's going to take some serious rethinking, both short-term and long-term, to figure out how to weather this disruption and be ready for what comes next.

"The retailers that are smartest about shopping tech will finish on top after the coronavirus."

[Fortune Magazine, April 20, 2020](#)

# How retailers are **dealing** with the pandemic

Retailers initially looked for ways to cut costs and streamline expenses, while still focusing on the health and well-being of all involved.

That meant new, safer ways to shop and purchase items, implementing contactless experiences where possible. Those were necessary first steps, but before this is all over, the industry will be forced to rethink almost every aspect of how it does business, to come up with new ways to survive, operate and move forward.

But the industry can never be this unprepared again. Maybe that's the best takeaway from all of this. In that spirit, we suggest retailers focus on five priority areas as a way to respond, reset, renew (more on that later) and successfully emerge from the current situation:



**1. Cost Containment and Optimization:** Assess what can be stopped or delayed and reduce legacy spending. Try reducing capex and limiting the number of SKUs in the short term and prepare for multiple cycles of demand/supply realignment in the future. Also, invest in technology/automation solutions with long-term benefits.



**2. Talent Agility:** The first concern should be for the safety of your employees. Empower retail employees to manage their own well-being and to be brand ambassadors by equipping them with the proper digital and collaboration tools. Reskill employees so they can quickly scale and adapt to changing business needs (e.g., omnichannel, buy online pickup at store). Implement a change management program to accommodate remote working/flexibility where possible.



**3. The Resilient Core:** Use data and analytics to control inventory, tracking and delivery. Make the most of online options to accommodate customer shopping needs. Build more flexibility into the supply chain through regional/local diversification and partnerships.



**4. Customer Care and Operations:** Safety comes first for customers. Build up contactless experiences (delivery, in-store) and services. Balance customer loyalty with availability (need vs. want). Rethink e-commerce to enhance the digital experience, as we did with Spanish retailer, [Venca](#). This can include stores, click-and-collect, distribution centers, curbside, as well as cross-channel and contactless payment methods.



**5. Products and Services:** Rapidly respond to changes that affect your product portfolio to minimize disruptions. Focus on tools and ideas that drive personalization and contextual engagement with customers. A great example is the work we did for [Subway](#), taking its paper-based loyalty program digital, increasing its website ordering conversion rate significantly. We're also helping several consumer goods companies set themselves up to quickly sell directly to consumers to make up for lost revenue because their B2B clients were closed due to the pandemic.

“Once we get beyond the medical worry of COVID-19, physical stores will once again become vital, but less for the distribution of products and more as a media channel for the retailer or brand;”

The Future of Retail in a Post-Pandemic World, Doug Stephens, Founder, Retail Profit



# Taking “rethink” to heart

Our ideas about rethinking are supported by a quote from the [MIT Sloan Center for Information Systems Research](#) (CISR). Near the beginning of the pandemic, they stated “...we see these challenging times as an opportunity to **rethink** how we do business... This will include transforming your company to have an even better customer experience and more efficient operations.”

We’ve come up with a systematic, three-phase approach to help retailers rethink how to move forward.

## Respond

First and foremost, **protect your customers and workforce**, as most retailers are already doing. Then take immediate actions to **mitigate impact** and secure the business. Some examples might be to simplify product choices/limit SKUs; optimize data to better recognize out-of-stocks, replenishment needs and product placement; and beef up online and digital options to accommodate customers. Find creative ways to use existing, underutilized real estate and assets. As an example, using “dark stores” as distribution centers for online order fulfillment.

## Reset

Any restart will need to be aligned to **new customer behavior** and a more **resilient core**. Consider building more flexibility into the supply chain through partnerships and diversification. Retrain your workforce to quickly scale and adapt to continually changing business needs. Recognize and accept that the customer shopping experience has changed and be prepared for it to change again. All of this will require a lighter-weight, agile business approach as retailers cope with an economic slowdown.






## Renew

Solidify the gains (operations, cost and culture) from crisis-inspired changes and position your organization to re-emerge quickly and gain market share. **Speed and safety** will be key to success. Customer loyalty will need to be earned anew and balanced with other factors, like product availability and sustainability. You should be prepared for **multiple cycles of supply/demand realignment**. Consider M&As as part of your restructuring options. Invest in your workforce, upskilling/reskilling. And think about where innovation fits into your strategic capability planning.

While we lay this out as a three-step approach, the steps should and will overlap and, in fact, you may find yourself juggling aspects of all three steps at the same time. **The path won’t be linear**. The ultimate process is to be constantly renewing your organization so you can be prepared for the next disruption, whenever it may occur.

# Consider the 5 priorities as you respond, reset and renew

Let's look a little closer at how this three-phase approach aligns to the five priority areas mentioned earlier, knowing full well that every retailer will need and want to structure their own unique journey:

	Respond	Reset	Renew
 <p><b>Cost Containment and Optimization</b></p>	<p>Assess projects (strategic, operational, technology) that can be stopped/delayed to immediately <b>reduce capex</b>. <b>Limit the number of SKUs</b> on merchandising cycles.</p>	<p>Reduce <b>legacy spending</b>. Improve <b>digital servicing</b> (e.g., ecommerce, virtual bots, etc.). Request <b>flexible vendor and supplier service</b> provision and contract terms.</p>	<p>Accelerate the move to an <b>intelligent operating model</b> and support new business models. Invest in <b>technology/automation solutions</b> with long-term benefits. Prepare for multiple cycles of demand/supply realignment.</p>
 <p><b>Talent Agility</b></p>	<p>Manage physical and mental <b>health and wellness</b> of on-field employees, with special focus on in-store workforce.. Equip people with <b>digital and collaboration tools</b>, knowledge systems and training.. Retrain staff for <b>new delivery options</b>. Ensure HQ and leadership are <b>flexible working champions</b>, including remote working.</p>	<p><b>Plan ahead for workforce changes</b>, run scenarios for workforce changes. Equip all your employees in the value chain to <b>quickly scale</b>, and dynamically adapt to changing business needs based on global and local conditions.</p>	<p>Set up <b>change management activities remotely</b>. <b>Invest in new skills</b> for the future of work. Cultivate a <b>culture of inclusion and collaboration</b>. Accelerate move to <b>new business models</b>.</p>
 <p><b>The Resilient Core</b></p>	<p>Improve your <b>use of data</b> to recognize out of stocks and product replacement. <b>Beef up online and digital options</b> to accommodate customer needs. Use <b>stores as delivery centers</b>.</p>	<p>Build more <b>flexibility</b> into your supply chain through partnership/diversity. <b>Control inventory, tracking, delivery</b> through transparent, accurate information.</p>	<p><b>Redesign your value chain</b> to scale with various resumption scenarios. Define how <b>re-commerce</b> will be looked at post pandemic. Develop local/regional/national <b>product alignment</b> and <b>trade partnerships</b>. Move to <b>variable-fee structures</b> tied to volume.</p>
 <p><b>Customer Care and Operations</b></p>	<p>Ensure <b>safety</b> for your customers. Escalate <b>availability, timely replenishment and contactless commerce to build consumer confidence</b>. Activate <b>digital channels</b> (increase/expand online presence) for both essential and non-essential.</p>	<p>Address <b>in-store consumer experience</b> changes. Increase online presence and <b>online products and services</b>. Upgrade and expand <b>online capabilities</b> (personalization). Rally to provide <b>contactless delivery</b> and <b>curbside services</b> for consumers.</p>	<p>Provide true <b>omnichannel, frictionless shopping</b> Ensure <b>speed and safety</b> are key factors in the retail experience. Redefine <b>loyalty</b> as it balances with availability. Reimagine e-commerce network to include <b>stores as DCs</b>; enhance <b>click-and-collect</b>.</p>
 <p><b>Products and services portfolio</b></p>	<p>Focus on <b>product categories</b> that require immediate attention. <b>Simplify</b> process and product features. Prioritize <b>new product development</b> and stop/postpone investment in non-relevant categories. <b>Scale and automate</b> the purchase experience.</p>	<p>Use <b>Agile platforms</b> for rapid launch of new products and services (DevOps). Rationalize your portfolio and assortment.</p>	<p><b>Drive personalization</b> of product portfolio and services. Identify and focus on <b>new products and services</b> as sources for new revenue.</p>

# Breaking with convention, adapting fast

It's a lot to take in. As a way to provide some context, here are some examples of how Avanade has helped retailers respond to disruptions with speed and agility:

## Subway

A new digital loyalty program, MyWay Rewards, has replaced Subway's previous paper-based loyalty program. The results are in the numbers: Loyalty members have increased by 10 times compared to the legacy platform. With the personalized experience delivered by MyWay Rewards, digital order volume doubled, and website ordering conversion uplift increased significantly compared to the legacy website.

## Venca

Because Venca runs multiple campaigns simultaneously and deals with a variety of customer profiles and personas, the company is taking advantage of segmentation capabilities to deliver the right offers to the right people at the right time. By connecting the digital marketing tool to Venca's CRM, data is continually passed back and forth to help Venca personalize its campaigns with contextually relevant offers and messaging.

## Unibail-Rodamco-Westfield

URW identified the need for a more efficient content management system (CMS) solution and support for integration. It chose Avanade, a market leading Sitecore expert, to support the group throughout the project cycle, from construction to solution deployment.

URW has realized several benefits to date: Website traffic has increased by more than 25%, the number of loyalty cardholders has doubled and SEO traffic has increased by 20%.

“And Microsoft’s top boss [Satya Nadella] says he recently got a reality check from talking to Walmart CEO Doug McMillon about work during the pandemic. While Microsoft staff might be productive working from home, Walmart was sending in more than one million workers daily to its stores to allow them to do so. ‘I think the worst mistake anyone can make is to be dogmatic and say that everything needs to be done in a particular way,’ Nadella says.”

‘This Is The Time’: Microsoft CEO Satya Nadella Talks Software’s Role In Covid-19 Response And Recovery, Forbes, May 19, 2020





# Get started **today**

The impacts of COVID-19 have been felt by every retailer, whether essential or non-essential, and every person within those organizations.

The future remains uncertain but there are ways to ensure that your retail company will be more resilient and sure-footed going forward, like becoming more data driven and digitally focused. We've curated a number of solutions that illustrate how to accelerate the best business outcomes:

## Workplace Experience

Redefine the workplace value equation through cultural transformation. Try the features available in Microsoft Teams to handle both remote and customer-facing challenges. Focus on the employee empowerment journey – reskilling and retooling.

## Responsive Customer Care

Redefine your e-commerce strategy and roadmap based on new shopper demographics. Ensure a seamless customer journey across all touchpoints using technologies that give customers rich information across channels (online, in-store, etc.).

## Azure Migration and Data Modernization?

Provide IT automation capabilities integrated at scale into key processes and the ability to roll them out continually. Take full advantage of the cloud to offload costs, maximize savings and incorporate agility into processes.

## Supply Chain Resilience

Find human-centered, data-driven approaches to using data and analytics to automate more decisions related to demand planning, forecasting and pricing, inventory management, fulfillment and distribution. Help find innovative ways to change the value chain.

## Secure Enterprise

Adhere to global compliance and security standards, including payment authorization for online/digital purchases. Provide cybersecurity protection.

## Intelligent Industry Solutions

Develop in-store IoT, data, analytics and AI (paired with legacy platforms) to solve retail challenges in the new business environment, both in terms of customer and employee experiences and operational performance in the store.

# Avanade can help you accelerate to **respond, reset** and **renew** your business.

There are no easy answers here. Many retailers will be facing tough days ahead. Our advice is to take a minute (or two) to really think about what it will take to come out of this. Be smart. Be resilient. Take advantage of help when and where it makes sense. Let Avanade partner with you to rethink your way forward.

Our retail industry specialists work with retailers of all sizes, including 21 of the top 40 retailers world-wide. Avanade combines business strategy, agile innovation and deep Microsoft technology expertise to help you rethink, so you can transform faster and smarter.

**Contact us if you want to talk further. Go to Rethink for more details on our approach.**



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#### About Avanade

Avanade is the leading provider of innovative digital and cloud services, business solutions and design-led experiences on the Microsoft ecosystem. With 38,000 professionals in 25 countries, we are the power behind the Accenture Microsoft Business Group, helping companies to engage customers, empower employees, optimize operations and transform products, leveraging the Microsoft platform. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation. Learn more at [www.avanade.com](http://www.avanade.com).

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