Industry Brief

Rethinking Retail:
The Customer is the Only Channel
Is this report for me?

This report offers a structured perspective on why retailers must evolve from channel-centric to customer-centric strategy and operations. It further provides a reference framework to help guide this continually changing transformation.

You will find this report especially relevant if:

- Differentiating your brand experience is critical to thwarting the threat of commoditized convenience.
- Unifying digital and physical channels is one of your top priorities.
- Human ingenuity and empathy – especially among your retail frontline – is a key component of what makes your brand and customer experience tick.

Insights are organized in three easily consumable chapters, each offering a key takeaway:

- How a convergence of macro forces is reshaping retail, and the existential questions it poses for retailers and brands.
- How the traditional path-to-purchase is dead, and why retailers must learn to navigate a multi-dimensional engagement continuum.
- The key business capabilities and technology enablers retailers need to thrive in a reality where the customer is the only channel.

Let’s dive in.
A convergence of macro forces is reshaping retail.
Certain Uncertainty.

Uncertainty is the next normal. Retailers' response to COVID has made them prepared for more COVID, not disruption in general.

EXISTENTIAL QUESTIONS:

• How do we forecast demand in an uncertain environment?
• How do we make and keep accurate customer promises?
• How do we detect and prevent operational anomalies before they become full-blown disruptions?

The Amazonification of Everything.

Competing on convenience is a race to the bottom. When you're not playing by the same rules, change the game.

EXISTENTIAL QUESTIONS:

• How do we differentiate on brand and experience?
• How do we innovate new business models and revenue streams?
• How do we offer unique experiences to valuable shoppers?
The Great (Retail) Reshuffle.

Retailers will have to do more (for shoppers) with less (associates). The gap between intent and execution just widened.

EXISTENTIAL QUESTIONS:

- How do we enable, retrain and empower frontline associates?
- How do we embrace automation to improve efficiency?
- How do we scale human empathy and ingenuity?

New Value Platforms.

As consumers embrace value platforms, such as inclusivity, diversity, and sustainability, brands will have to do more than pay lip-service to social issues.

EXISTENTIAL QUESTIONS:

- How do we market authentically?
- How do we improve sustainability and transparency?
- How do we build value-aligned products and experiences?
The traditional “Path-to-Purchase” is dead. Shoppers and retailers are in an ENGAGEMENT CONTINUUM
Shoppers move from one need state to another at will.

- I can buy from another retailer while in your store.
- I need help scheduling service from a third party while I am ordering an appliance.
- A trending post or story may inspire me to share my experience.

The Engagement Continuum is non-linear, complex, and in a state of constant evolution. Shoppers don't compartmentalize behaviors into neat stages, such as "consideration" and "post-purchase."

Retailer Imperatives:

- Be aware of the difference, and sense it in real-time.
- Prioritize different aspects of the customer experience based on the shopper's context.
- Stop treating all shoppers and shopping journeys the same.
Shoppers jump in and out of engagement seamlessly.

- I'm in your store – show me which items from my online cart are available in-store and where I can find them.
- I don't have time to talk on the phone or chat live. I want customer service at my desired time and pace.
- I tried on an item in-store for size. Make it easy for me to order it online or via your app.

The Engagement Continuum is asynchronous. Shoppers can start or stop engagement as they please. Shoppers don’t view channels the way retailers do, and they want their favorite brands to provide a unified experience in their terms, their time.

**Retailer Imperatives:**

- Unify data and experience across all channels.
- Have the ability to identify the biggest opportunity for engagement.
- Prepare effective marketing strategies to manage churn.
Shoppers want different things at different times.

- I want different things – convenience, entertainment, inspiration, community – at different times.
- These benefits can mean different things to me. Sometimes convenience is about speed of delivery; sometimes it is about ease of customization even if it takes more time to deliver.
- Give me comprehensive self-service, plus empathetic human assistance when I need it.

Not only are all shoppers not the same, nor is every shopper the same at all times. Shoppers meander from needing extreme convenience to inspirational immersion, and everything in between.

Retailer Imperatives:

- Be empathetic to shoppers; identify whether they need human assistance or prefer self-service at this moment in time.
- Customize the value you offer shoppers based on what they need most at that time (e.g. fast and free shipping, or a promotion for future use).
A framework for retailing excellence in the age of the Engagement Continuum.

THE CUSTOMER IS THE ONLY CHANNEL
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A Framework for Excellence

TRANSFORMATION LEVERS
Key business capabilities that form the basis of a retailer successfully executing their transformation agenda.

TECHNOLOGY ENABLERS
A set of foundational technology capabilities retailers require to execute the business capabilities.

The rest of this Industry Brief details each of the Transformation Levers and Technology Enablers.
The ability to build experience continuity agnostic of channels and touchpoints.

The biggest challenge for omnichannel retailers is that they lose sight of the customer journey in their stores. Traditional retailers can offer an experience similar to eCommerce retailers when shoppers are purely online. However, when shoppers visit a store or move from store to online, context and continuity are lost.

Retailers need to integrate their online and offline experiences to make "channels" disappear.

CREATE A DIGITAL REPLICA OF YOUR PHYSICAL STORES AND ASSETS

BRICK & MORTAR VIRTUALIZATION

Create a digital replica of your physical stores and assets so that you can easily configure, control, and orchestrate them similar to your digital experience.

COLLECT AND ANALYZE CUSTOMER DATA FROM VARIOUS CHANNELS (ONLINE/OFFLINE)

EXPERIENCE MANAGEMENT

Collect and analyze customer data from various channels (online/offline), and extract valuable insights to understand customers' expectations and improve related services.

PROVIDE A UNIFIED CUSTOMER EXPERIENCE ACROSS TOUCHPOINTS AND CHANNELS

UNIFIED COMMERCE

Provide a unified customer experience across touchpoints and channels by simplifying the ordering process, integrating data across systems, and centralizing order orchestration.

Customer satisfaction for online stores is about 11% higher than for physical stores.

3 in 4 cross-channel shoppers want the same quality of digital assistance in-store as online.

VMware

McCann
The ability to improve experience through a combination of AI and human ingenuity.

Even as eCommerce soars, retail experiences include a significant human component. Shoppers want both – knowledgeable human assistance and digital assistants – but on their terms. Retailers must combine the power of human ingenuity with artificial intelligence to create a whole that is greater than the sum of its parts.

More than 30% of workers agreed AI skills would help them be more responsive to customers. Only 20% of organizations give frontline employees both the authority and self-service tools to make decisions based on analytics.

Retailers need to enable their associates to be even better by using data and insights for superior decision making.

Integrate and maintain all fragmented enterprise and customer data in one place that can be easily accessed in real time.

Empower your frontline and corporate workforce with artificial intelligence, augmented reality, and other technologies that help them be more productive, effective, and efficient.

Conduct real-time analysis using enterprise data and customer data, and deliver those insights across your enterprise – to any application, device, or human being.
HARMONIZED ORCHESTRATION

The ability to orchestrate and automate action across the extended enterprise.

Massive partner ecosystems make it difficult for retailers to coordinate and manage operations effectively. They need to accommodate operational issues involving broader partnerships, such as third-party delivery, marketplaces, and vendor dropship, to provide a superior customer experience.

PROCESS DIGITIZATION & AUTOMATION

Digitize business operations to ensure all parts of the business benefit from the transparency, agility, and connectedness the organization has experienced in isolated parts.

AGILE MULTI-ENTITY SUPPLY CHAIN

Predict, detect, and prevent anomalies across an extended supply chain, and quickly drive guided actions with early warning alerts and exception management.

ASYNCHRONOUS COLLABORATION

Accelerate transformation by creating a single, global view of the truth powered by bi-directional information flow across the extended enterprise.

More than 80% of retailers in the US haven't digitized their end-to-end supply chain processes.

More than 90% of business leaders agree that, to survive, companies must adopt digital channels and process automation.

Gravity Supply Chain Solutions

The Harris Poll

Rethinking Retail: The Customer is the Only Channel
An Incisiv Industry Brief in Partnership with Avanade
A modern technology foundation to help retailers be ready for any tomorrow.

Retailers need to move away from their legacy architecture and look to modernize their enterprise software stack, embracing cloud-native architectures and agile methodologies that offer rapid, low-cost development, and light-touch maintenance.

By 2022, 90% of new digital services will be built as composite applications using public and internal API delivered services. More than 80% of IT leaders intend to add microservices, API-first, cloud-native, headless (MACH) to their architecture in the next year.

IDC

FUTURE-PROOF

Adopt a modern architecture in which each component is easy to plug-and-play, scale-up, and upgrade as needed using the principles of a MACH (microservices, API-first, cloud-native, headless) architecture.

COMPOSABLE

Gain unmatched flexibility and agility through a modular software stack built atop open microservices, deployable in a hybrid-cloud architecture without cloud provider lock-in.

RESILIENT

Consistently deliver high performance, enabling hassle-free operations during peak load. Offer enterprise-grade security, from encryption to role-based access.
What next?

“Neither in-store nor online is the customer’s channel of choice. Omnichannel – an all-things-to-all-customers-at-all-times approach – isn’t the most effective nor most efficient way to go, either. Instead, successful retailers are recognizing that the customer is their only channel. Meeting their customers when and where they are when they’re ready to buy – or even when they just want an answer to a question – is the retailer’s strategy for success.”

Continue your journey by reading Avanade’s perspective, "The customer is the only channel: The next step in retail evolution."

INDUSTRY BRIEF RECAP

The Customer is the Only Channel.

This industry brief presented a framework for retailers to accelerate their evolution from channel-centric to customer-centric strategy and operations.

- **Digital - Physical Unification**: Drive experience continuity across channels and touchpoints.
- **Humanized Intelligence**: Improve experience through a combination of AI and human ingenuity.
- **Harmonized Orchestration**: Orchestrate and automate action across the extended enterprise.
- **Technology Modernization**: Adopt a next-gen IT architecture to lay a foundation necessary to pursue growth strategies.

Schedule a briefing with Incisiv and Avanade if you would like to dive deeper into the insights shared in this report.
ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks, and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

www.incisiv.com

ABOUT AVANADE

Avanade is the leading provider of innovative digital and cloud services, business solutions, and design-led experiences on the Microsoft ecosystem. With 55,000 professionals in 26 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