

accenture

Retail's Responsible Reset

The six imperatives for growth

RESET



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Industry backdrop

With the retail industry in perpetual flux, there's no rest for the weary. Traditional retailers are vulnerable to disruptors from within and to a barrage of external forces beyond their control.

The last thing they should do is hunker down and wait for things to settle. Because they never will.

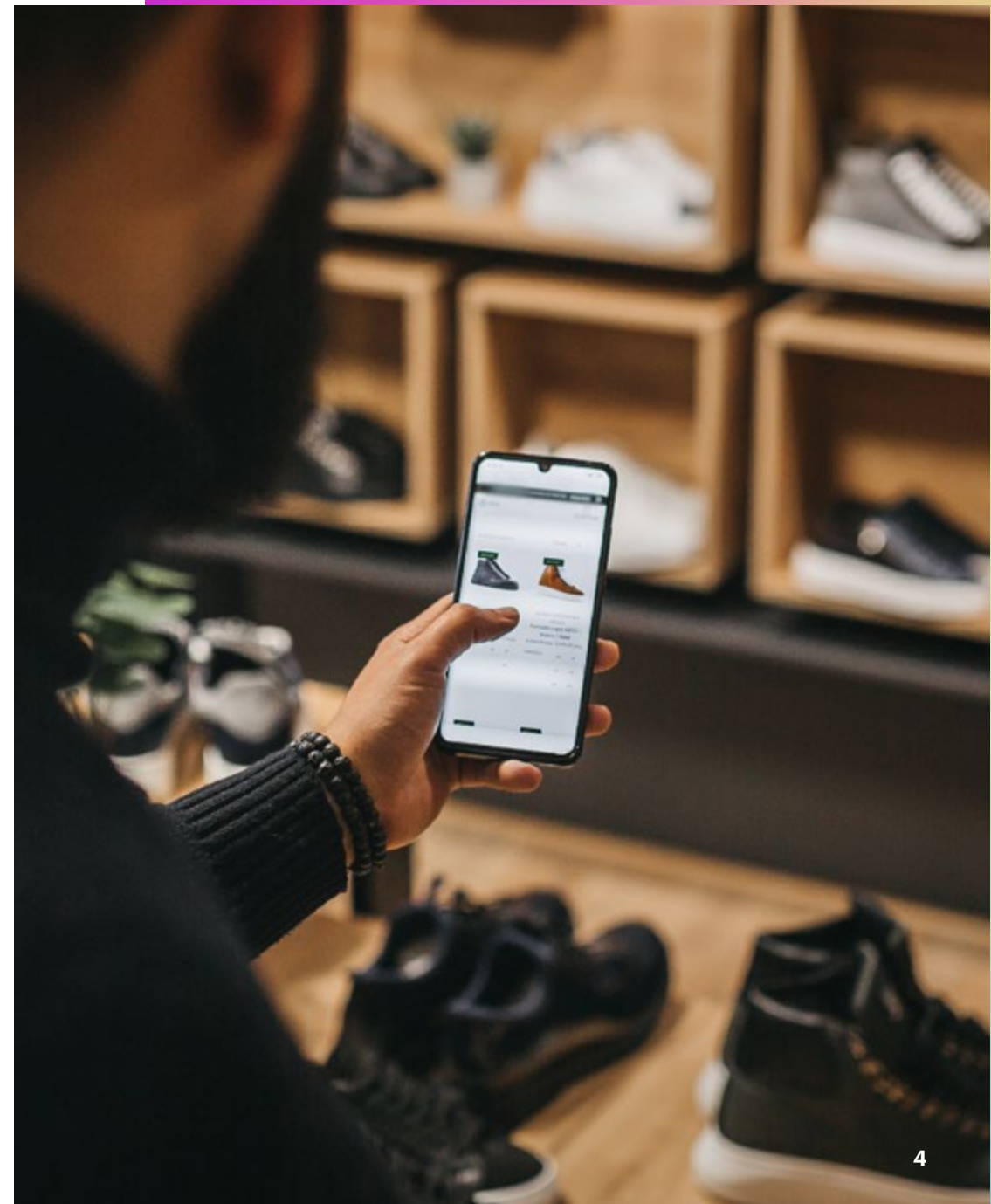


Industry backdrop

The challenge (and opportunity) for retailers is to strengthen digital capabilities while fully harnessing the physical model they've painstakingly built over decades. This is a profound transformation that requires a reset of every aspect of the business—people, process and technology. All while navigating environmental, social, and governance (ESG) implications as well as addressing the python-like squeeze on margins.

Doing this is difficult in a stable time. It's even more difficult in today's environment. For the first time in recent history, a convergence of geopolitical and macroeconomic trends is creating a wildly uncharted landscape that has a direct impact on the retail industry. The Russia-Ukraine war has worsened already-difficult supply chain issues. Inflation is eating into disposable income and consumer purchasing power. Tightening monetary policy and financial conditions are pressuring capital spending and allocation. The reshuffling of talent across industries during the pandemic will affect future ways of working. And spikes in nationalism bring risks to sourcing and supply chains.

These interconnected trends are creating massive demand volatility and uncertainty. Retailers are in an unenviable spot. They are scrambling to preserve margins and balance costs while assessing how to respond and plan scenarios for a permanent state of unpredictability that touches everything they do.



Getting unstuck from the status quo and moving to a new era of growth

At Accenture, we believe companies that will be leaders in the next decade must harness five forces. These forces are very relevant to the retail industry. The first is transforming the business through technology, data, and artificial intelligence (AI), which can mean the difference in engaging and maintaining loyal customers. The second force is attracting talent with new ways of working that allow for flexibility and unlock people's full potential. The third force is operating as a sustainable business with genuine commitment to ESG principles. The fourth force is embracing the metaverse continuum, which will transform everything from the products retailers make, how they sell them, to how they interact and build their brand community. Finally, the fifth force is unleashing new possibilities from the ongoing technology revolution, which will usher in one of the most exciting periods of positive change and progress in the retail industry.

Given the unique circumstances of the retail industry, how do retailers make the most of the five forces? How do they set priorities for today and invest for tomorrow? We've identified six investment imperatives for retail growth that make up retail's responsible reset—**consumer offerings, channels, fulfillment, sourcing, talent, and data.**

It's time for retailers to demonstrate the resilience and creativity that have been hallmarks of this industry for years. Challenges abound, but so do opportunities to create a new future of retail growth. Let Retail's responsible reset begin.

Retail's responsible reset—the six imperatives for growth

01

Reset consumer offerings

Connect offerings to a retailer's purpose in consumers' lives in ways that are authentic to the brand and create new revenue streams

02

Reset channels

Take a portfolio approach across digital and physical channels to balance engaging consumers with the cost of operations

03

Reset fulfillment

Activate local fulfillment and make it profitable by using your assets and/or those available through partnerships

04

Reset sourcing

Improve resiliency by rethinking the supply base—focusing on the geopolitical climate, surety of supply, sustainability, and transparency

05

Reset talent

Develop a compelling value proposition to retain and attract talent while supporting a digitally savvy, data fluent, and diverse workforce and culture

06

Reset data

Become a truly data-driven retail organization where employees are more than just data-aware—they become data-dependent

01

Connect offerings to their purpose in consumers' lives in ways that are authentic to the brand and create new revenue streams

Retail's Responsible Reset



01. Reset consumer offerings

For years, retailers offered their customers products for a price. Today, retail offerings span products, services, and experiences—real, virtual or a blend of both. But the consumer value proposition isn't just about the product being sold. It's about being relevant in a consumer's life.¹ For example, grocery retailers today are not just selling food. They are trying to offer a busy parent a way to provide a quick and healthy meal for their children. Or a fashion retailer is not just providing an outfit. They could be offering a lifestyle or a strong commitment to being sustainable with various rental or re-sale options.

What's key is understanding the purpose that offerings serve—or could serve—in people's lives in ways that are authentic to the brand. Doing this means engaging and understanding customers in a different way. This takes more than data analytics know-how coupled with AI and machine learning. It takes being so relevant that consumers will 'buy in' and want to engage. What's more, developing offerings with a hyper-local focus—which is so key to consumers today—takes digital tools that provide insights beyond traditional demographic-based segmentation.

Develop a consumer value proposition that is not just about a product being sold, but how to be relevant in a consumer's life.



Essentials for resetting consumer offerings

Purpose and value. Understanding what a retailer's brand stands for, and the value it has in enhancing consumers' lives, should be at the heart of the offering, whether it's a product or service. With consumers making (sometimes paradoxical) choices and balancing cost versus value, retailers need to be clear about their differentiation and value. And consumers are watching to decide for themselves if retailers' offerings are consistent with their stated brand purpose. They are looking for consistency across every retail interaction and dimension. If a retailer's brand is all about sustainability, everything from sourcing to shipping must support this purpose. More and more, brands must make big statements—in words and actions—that go far beyond the traditional role as merchants.

New and relevant offerings. With shifting consumer expectations and the blurring of physical and digital retailing, retailers need to consider expanding the portfolio of what they offer. There are opportunities for retailers to sell adjacent products and services, within the broader ecosystem of partnerships, that can make their offer more appealing or valuable. New revenue streams can be created around rental, reuse, repair, and resale that appeal to the sustainability-conscious consumer.

And with the launch of Web 3.0 and the metaverse, there are endless creative ways to engage a brand community and develop new revenue streams from NFTs and digital-only products. With all of these options, retailers must determine the relevance of the offerings to their brand, portfolio, and consumers and prospects. They should also account for the fact that the economic models of these offerings may be very different. Working with the right partners can take the pressure off retailers to have to build everything themselves or grow organically.

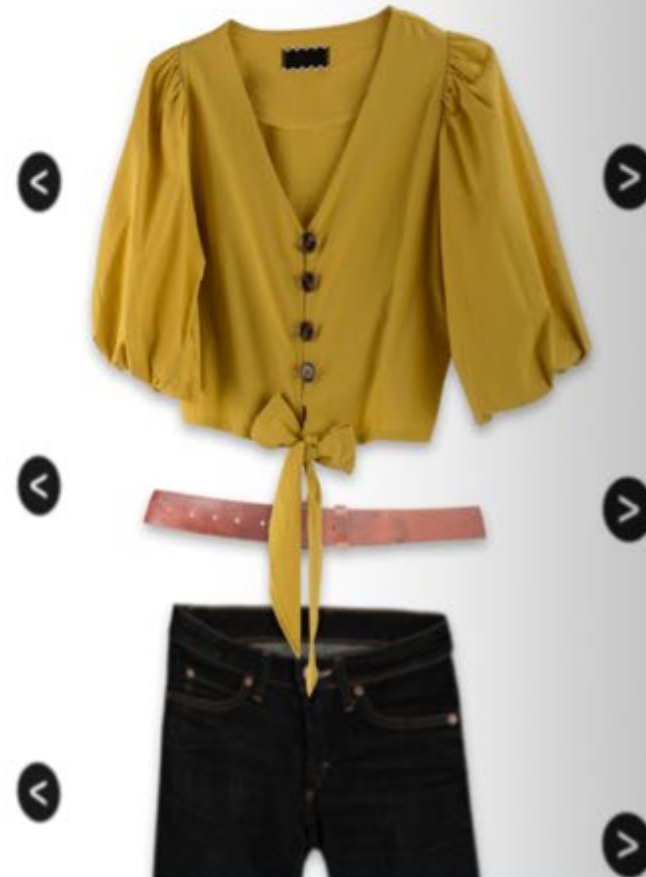
Modern merchandising. Retail merchants should think about much more than the placement of products—both their own and third-party products. They should develop assortment and private label strategies with a highly local lens and price sensitivity. By leveraging data and digital technologies, merchants can be proactive and adaptive and make more informed decisions by combining their deep category expertise with insights from AI and machine learning.

02

Take a portfolio approach across digital and physical channels to balance engaging consumers with the cost of operations

RESET CHANNELS

THE STORE TAILORED TO YOUR NEEDS



02. Reset channels

Today's retail channel landscape keeps getting more complicated. Even after consumers' historic swing to digital during the pandemic, they haven't left the store behind. Far from it. They are visiting retail and recreation locations at rates nearing pre-pandemic levels, down just 6.4% in March 2022 compared to a February 2020 baseline.² And when it comes to digital, it's not monolithic. It's a channel of continually emerging channels like marketplaces, apps, social media, and the metaverse. In fact, the metaverse is more than a channel. It's the next evolution of the internet that offers an entirely new world where the rules of engagement are being established in real time.

To thrive in this complex landscape, retailers should reset their channel strategies. What's needed is a highly localized approach that balances experience and cost. It's key to understand catchment areas using analytics and modeling with internal and third-party data to pinpoint demand and to spot potential cannibalization between direct and wholesales partners. This insight is critical for retailers to decide where to locate stores and warehouses, which store formats are likely to work where, how to connect offline and online strategies, and how to make inventory and assortment decisions to serve and engage customers. Retailers also need to determine what products and services are offered by their retail partners, or through direct store and online channels, continually balancing and rebalancing availability against demand shifts.



Essentials for resetting channels

Customer experience. The goal should be to provide hyper-personalized online and offline customer experiences that make sense for the brand, made possible by rich data analytics and a strong cloud-based foundation. Retailers should bring together internal and external data for a granular customer view to inform the development of engaging experiences. With offline experiences typically less advanced in terms of personalization, a focus for retailers should be on taking the “sticky” elements of online experiences and tailoring them for the store—which is the next innovation wave of customer experiences.

Brand strategy. Creative storytelling that puts the brand front-and-center must be central to every experience across every channel. This means everything from what it feels like when people walk into a flagship store to how a product display page appears on a website. After all, brand strategy is a bunch of promises that are experienced by consumers overtime.

The value of the store. The store network offers an advantage over digital-only competitors. But only if retailers continually evolve the purpose, design, and operating model of stores to support a consumer need.

The role, number and format of stores should be tailored to the needs of local community to balance reduction in operating costs and investments in new experiences.

Test, learn and scale. By trying solutions and strategies through experimentation—whether a new store concept, emerging market, or bold brand extension—retailers can make trade-offs and informed decisions with information instead of intuition alone. In addition to store experimentation, the metaverse is an exciting frontier for retailers to explore reaching new consumers and adding revenue from selling non-physical products like NFTs. Retailers have traditionally been good at experimentation. It’s scaling the best ideas afterwards that is challenging. Instead of continually piloting, retailers need the capability to make the call to either stop or move on and roll out new experiences fast. The key could be ensuring that impact and learnings are measured and socialized internally to get the buy in to scale. Getting to scale is the only way to truly change the experience.

03



Activate local fulfillment and make it profitable by using your assets and/or those available through partnerships

03. Reset fulfillment

Getting products to customers has become increasingly costly and complex. In today's high-inflation environment, the economics of fulfillment are shifting fast. The cost of fuel and freight is skyrocketing—but, customers still want what they want, when they want it. They expect it all—speed, convenience, transparency, and environmental and social responsibility at the right price.

Retailers are struggling to meet these expectations. Just under half (49%) of retail executives agreed that their organizations were meeting customer expectations for order fulfillment last year.³ A pivot to local fulfillment is essential.⁴ Local fulfillment can help retailers deliver for customers in a more profitable, transparent, and sustainable manner. These local dynamics are grounded at the regional, community, neighborhood, and street level, strengthening brand and customer relationships.

Pivot to local fulfillment to be more profitable, transparent and sustainable.



Essentials for resetting fulfillment

Predictive analytics. Instead of the backward-looking, generic analyses of the past, retailers should now be using data and AI to predict how best to serve the most profitable, highest-value customers—and keep them coming back. Operations that are data-driven leverage analytics such as demand forecasting, order affinity and inventory placement to help distribution centers and warehouses.

Agile network design. Instead of traditional, long-term changes to integrated supply chain and store networks (e.g. regional distribution centers, micro-fulfillment centers, dark stores), retailers need an agile design approach to reset their networks faster. This is not about scale. It's about specificity—network design based on shape-of-chain analysis across the store estate and understanding the nuances of each catchment in terms of demand, demographics, assortments, and partners. From there, retailers can make the right decisions around product flows and operations—embedding automation, adding pickup capabilities, creating dark store warehouses, working with partners, and using robotics.

Home delivery. The last mile can make or break customer relationships. Transparency is key—including real-time order tracking and being open and honest when problems arise. Last mile delivery must also be continually optimized to ensure profitability. Retailers can make customers part of a faster, cheaper and greener last mile by offering convenient pick-up options.

Strength in numbers. This new fulfillment landscape will require retailers to work with others including traditional warehousing, transportation and last-mile fulfillment partners. Retailers should also consider more unconventional partners, like non-competitive retailers, that enable them to leverage store-in-store capabilities to gain brand presence without having to open stores. In making partnership decisions, retailers should consider partners' commitment to sustainability practices, and pursue relationships that help lower the carbon footprint of last-mile delivery.

04

Improve resiliency by rethinking the supply base—focusing on the geopolitical climate, surety of supply, sustainability and transparency



**RESET
SOURCING**

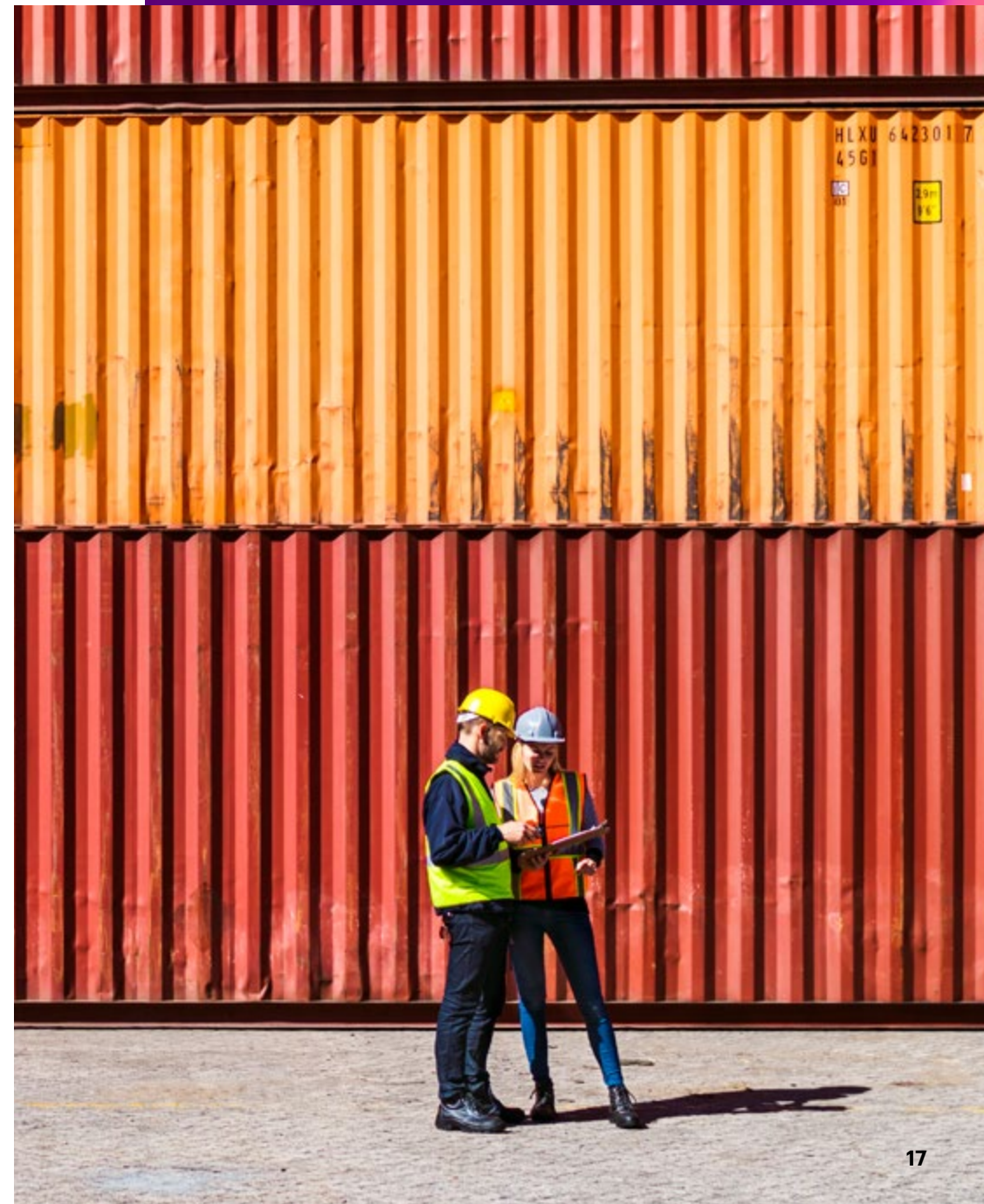
MADE WITH 100%
SUSTAINABLE MATERIALS

04. Reset sourcing

Retailers have long relied on certain regions of the world to source quality products and raw materials cost-effectively. Recent events and ongoing market volatility have highlighted just how vulnerable traditional sourcing practices are to disruption, how nimble retailers' sourcing strategies must be and how quickly decisions must be made. The Russia-Ukraine war is affecting transportation flows and supply routes across Europe and Asia. Supplies of wheat from the region, for example, are becoming scarce, which is a problem for food retailers. Once retailers pinpoint a supplier, they often have another problem on their hands—the sky-high cost of freight and fuel.

This multi-layered sourcing crisis is reinforcing what retailers learned during the pandemic: when supply chains lack agility, it's bound to be a liability. Therefore, the architecture of retailers' sourcing strategies must be very different from what it's been before. New sourcing strategies must account for the geopolitical climate, and be set up to pivot fast and respond to change. And even anticipate it.

Create new sourcing strategies that can respond to disruption with resilience and agility.



Essentials for resetting sourcing

Scenario modeling. It's key that retailers take a predictive approach to managing sourcing risk from external influences beyond their control. By defining and running scenario simulations with advanced tools, decision makers can explore the "what-ifs." They can anticipate, assess and mitigate high-risk situations. The key? Having a Plan B (and C) and knowing when to pursue it.

Surety of supply. Retailers should reassess and reprioritize the risks at each node of the supply network. They need visibility beyond Tier 1 and Tier 2 suppliers. On-demand predictive analytics can help hedge planning decisions—and identify logistics paths that flex, not break, when disruption occurs. Rethinking the mix of nearshore and offshore suppliers is also key. For some products, there are opportunities to explore local sourcing models. With local consumption patterns trending, consumers may be interested in purchasing products with a more local provenance.

Profitable sustainability. Contrary to popular belief among some retailers, sustainability can be achieved while reducing cost. Retailers should embed lean, agile, and responsible ESG practices in their sourcing decisions such as transitioning to sustainable materials. They should also ensure inclusion and diversity practices apply across the entire supply base, helping nurture a more responsible culture while strengthening consumer, employee, and investor confidence.

Value from transparency. More and more, consumers expect and value transparency around retailers' sourcing practices. Retailers that make sourcing "a glass pipeline," have a tremendous opportunity to engage consumers with authentic storytelling that aligns with their values as well as their desire to do business with purpose-led retail brands.

05

reset talent

Develop a compelling value proposition to retain and attract talent while supporting a digitally savvy, data fluent and diverse workforce and culture



05. Reset talent

The retail industry faces one of the most challenging talent landscapes in recent memory. Not only do ways of working need to evolve to drive efficiencies and use resources in the best ways, but retailers should foster a purposeful culture to attract and retain talent. What's more, with the number of active retail jobs having grown 172% in the last two years,⁵ retailers should seriously explore how to use automation to shift people to doing more interesting work. At the core of the talent reset? Understanding employees like the best retailers understand their customers.

It's an employee market where current and prospective employees have their choice of where to work. As such, it's key that retailers offer opportunities that not only provide fair pay and benefits, but also, a supportive and flexible work environment where people feel seen, heard, safe, and can learn and advance. With one-third of executives telling us that morale is low—and almost 9 in 10 worried about turnover⁶—resetting talent must be a priority. The work retailers do today to reset talent will determine what the retail labor model of the future looks like.

Create a supportive and flexible culture where employees feel seen and heard, and can advance and thrive.



Essentials for resetting talent

Workforce and culture. Meeting evolving consumer and employee expectations in an uncertain economic and geopolitical climate demands a workforce that is adaptive, digitally enabled, data fluent and diverse. Retailers should consider how their culture and employee value proposition can help to retain and attract talent. A key part of this is defining a purpose-driven culture that champions equity and diversity, where everyone feels they have a chance to advance and thrive. Also key? The environment and behavior of leaders. Those who move away from the status quo and lead with honesty and compassion will attract and retain talent in the future.

Flexibility and autonomy. It is easy to think about flexibility as the ability to work remotely or within a hybrid model, but location is only one element of flexibility. For front-line workers, whether that is store associates, distribution center workers or delivery drivers, there are other areas of flexibility that retailers can explore, such as what retail employees work on, when they work and how. Today, fewer than one-fourth of workers surveyed feel they have permission to be flexible and have the autonomy to manage their time to help ensure they are being most productive.⁷ The question for retailers is how to serve consumers and employees at the same time?

Some are testing the concept of four-hour shifts that allow workers to pick up shorter shifts at times that are more convenient to them. This will require new thinking from retailers, but it can be a game-changer in supporting employees who need this kind of flexibility.⁸

New roles and new skills. Moving forward, retail roles will be redefined around digital technology, automation, seamless online and offline shopping experiences, and data-driven decision making. With so many open roles, the cost of labor is rising. So, retailers should balance the need to hire new talent and the need to retain and upskill their existing people—those who already understand the business and its culture. Those retailers that create a balanced talent strategy are better positioned to have a thriving workforce that embodies the purpose and culture they want to create. Developing a strong talent strategy is also about assessing and identifying tasks that can be automated so that human workers get to do more engaging or strategic work. Retailers can optimize talent and cut costs with a more flexible cost structure by taking advantage of labor models that provide demand-based resources. Instead of fixed costs, costs change as the workload changes.

06

Become a data-driven retail organization where employees move from being 'data-aware' to becoming 'data-dependent'

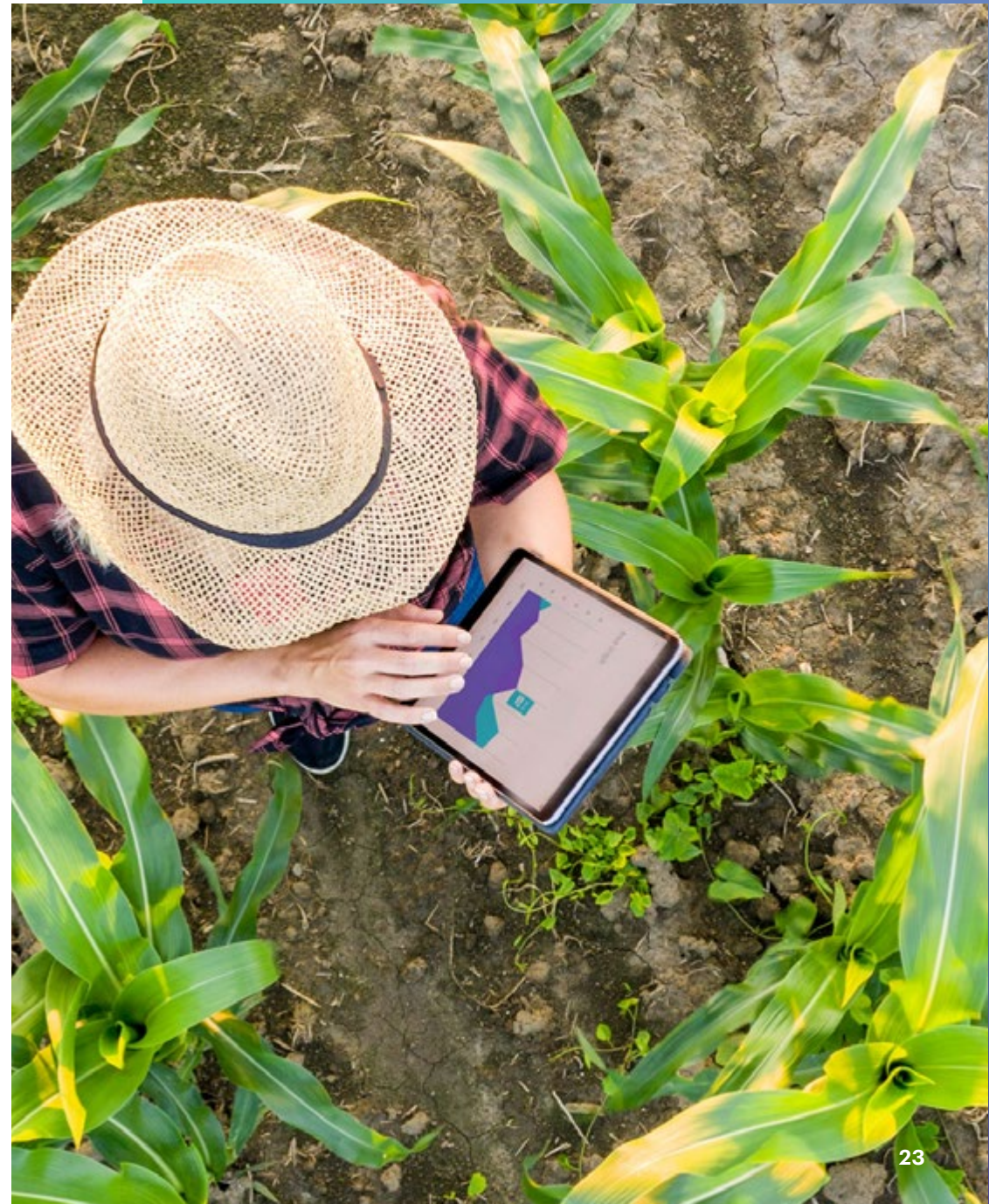


06. Reset data

Data is at the core of the retail business. Everything that retailers do depends on it. Most retailers understand the importance of being data driven to operate at scale, and at the speed of market change. But there is a very big difference between being data-aware and being data-dependent. To be data-dependent, retailers need the organizational muscle—systems, advanced digital technologies, capabilities, workflows, governance and more—to consistently act on data insights as a natural part of operations and decision making.

This is easier said than done. To make progress, retailers should ensure that data insights are not only generated, but adopted, trusted, and championed by business leaders. At the same time, the workforce needs to be highly data literate so they can act on what insights tell them. And the more empowered they are to act, the more that retailers can respond in real time.

Ensure that data insights are not only generated, but adopted, trusted, and championed by retail leaders.



Essentials for resetting data

Right data, right place. Retailers today are swimming in data. But it takes relevant data to create organizational efficiencies, delight and engage consumers or innovate ahead of the market. It's about quality, not quantity. It's also about having the data in the right system to be able to act on it. Having to connect to a raft of systems slows retailers down, which is a liability given the pace of change today. This is why retailers need to enable data movement by creating an architecture for data to move from application to application quickly and seamlessly. Advanced tools and analytics can help retailers reduce the time to identify, curate and remediate the data landscape.

Power from cloud. Cloud technology is an essential part of managing data at scale and maximizing its value as a strategic asset. Cloud platforms offer scale, agility, real-time data and access to the most advanced machine learning and analytics tools in the market. Retailers should prioritize data lineage and data governance in the cloud to maintain the quality of critical data elements.

Data-driven operating model. A data and analytics organization can provide scale and consistency across functional silos, while distributed data resources provide speed to insight in the places where decisions are made. The value often comes from those who leverage data to enhance their roles. For this to happen, employees need to trust the insights. This trust can be earned through transparency into how the insights and recommendations were derived and what data was used. Technology can provide the capability, but user adoption is typically the hurdle for many retailers.

Intelligent insights. Given consumers' price sensitivity today, it is especially important that retailers invest in and prioritize the data, analytics, and advanced tooling to get an accurate picture of price elasticity and understand how price hikes will impact consumer purchasing and loyalty. Intelligent insights are also invaluable for determining the best way to reduce inventory, which is a challenge in some retail segments through markdowns, allocation, or other strategies.

Essentials for resetting data

Activate ESG. In the coming years, a key part of being a data-dependent retailer will be including ESG data in company reporting. Just like retailers report on revenue, profit, inventory, and margin, they will be expected to report on things like water usage, carbon footprint and fair labor practices. The US SEC, for example, is proposing that companies are required to report on several sustainability metrics in their audited financial statements by 2024. It's time for retailers to ensure that they have the management, operational and data structures in place to do this. Retailers should also plan to use this transparent data to communicate their progress to consumers. It's powerful fuel for meaningful storytelling that can lead to brand differentiation on sustainability.

New growth from insights. Retailers that stand apart use rich data insights to create new revenue streams. This can include using data to identify new categories or markets to expand into, new products to develop, new stores to open, or new business to set up. Media services is just one example of new business areas that is promising for retailers. With huge volumes of customer and purchasing data, retailers are in an ideal position to use their data as a strategic asset and develop business services that create new ways to monetize it.

Next steps

Responsibly reset and get ready for constant change

Change will be a constant across the retail landscape for the foreseeable future. Change that brings new challenges. And change that opens new possibilities for growth. But only if retailers reset the business to take full advantage of it.

This responsible reset should happen now—within months, not years—and encompass the six imperatives we explore here. It should be grounded in a mindset open to moving past the status quo, a willingness to experiment, and an ability to change in a cost-effective way that fuels growth.

Retailers that boldly step into change—and execute it confidently—will be in the best position to stand out. For shareholders. For consumers. For employees. For partners. For the planet.

And for the future.

This is retail's moment of truth.

The focus? Reset the business responsibly and maintain its agility to continually reset to grow, in a changing and challenging world.



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Contact us



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