



Store of Tomorrow

A new integrated vision for the near future of retailing

accenture

Retail has changed, profoundly and permanently

Retailers have long known that the future of their industry lies in a very different kind of retail experience: more ecommerce-focused, more digitally enabled, more personalized, more sustainable, more integrated between offline and online shopping, among other imperatives.

The pandemic brought that future forward by many years. More customers than ever—including some of the previously most resistant segments—are shopping online. Accenture's research suggests there'll be a huge increase of 169 percent in ecommerce purchases from new or low-frequency users.¹ And, as the holiday shopping season arrives, consumers are set to split their purchasing almost evenly across physical and digital channels (54 percent in store and 46 percent online).²

So retailers have no choice but to commit to making this step change in ecommerce adoption work better—for customers as well as shareholders.



That's easier said than done, however. Having established their operating models in the pre-digital bricks-and-mortar age—with stores originally designed to optimize foot traffic and traditional shopping journeys—few retailers were fully prepared for a shift to digital on this scale and at this pace.

It's true that many retailers have successfully stood up omnichannel services, such as same-day shipping, curbside pickup, and home delivery. In fact, a huge 93 percent of retail executives told us their company already offered curbside or locker pickup. And almost a third (31 percent) said this was a regular service, with 62 percent saying it was just for the 2021 holiday season.³

That said, few retailers are truly connecting the dots to optimize their online and offline operations holistically. And that's a problem. Absent a change of operating model, more ecommerce simply means more costs—and lower profitability—for retailers.

Why? Because, with online shopping, the retailer takes on the burden, and the cost, of many activities that in-store shoppers do for themselves, whether that's picking, packing, or transporting products to the home.

For an industry in which margins are already razor thin, these additional costs are unsustainable over the long term.

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The future? Go OMO

The solution? To commit to fully integrating online and offline channels once and for all. To reset the purpose, function and operating model of the retail store itself. And to do this for each individual store at a truly local level.

This online-merge-offline (OMO) model calls on retailers to be bold in reimagining how they operate across all retail channels. It means moving beyond “cookie cutter” outlets and developing a store portfolio that is more diverse and better tailored to the needs of local customers and markets.

An OMO model will also enable a reduction in operating costs. This allows for more investment in new experiences, and will help to drive profits.

It’s also more aligned with consumer needs and expectations. A growing number of shoppers want an omnichannel retail experience that includes the store as a crucial part of their overall shopping journey.

For example, a third (32 percent) of consumers say being able to buy items in store then have them delivered to the home would definitely entice them to shop with one retailer over another.⁴



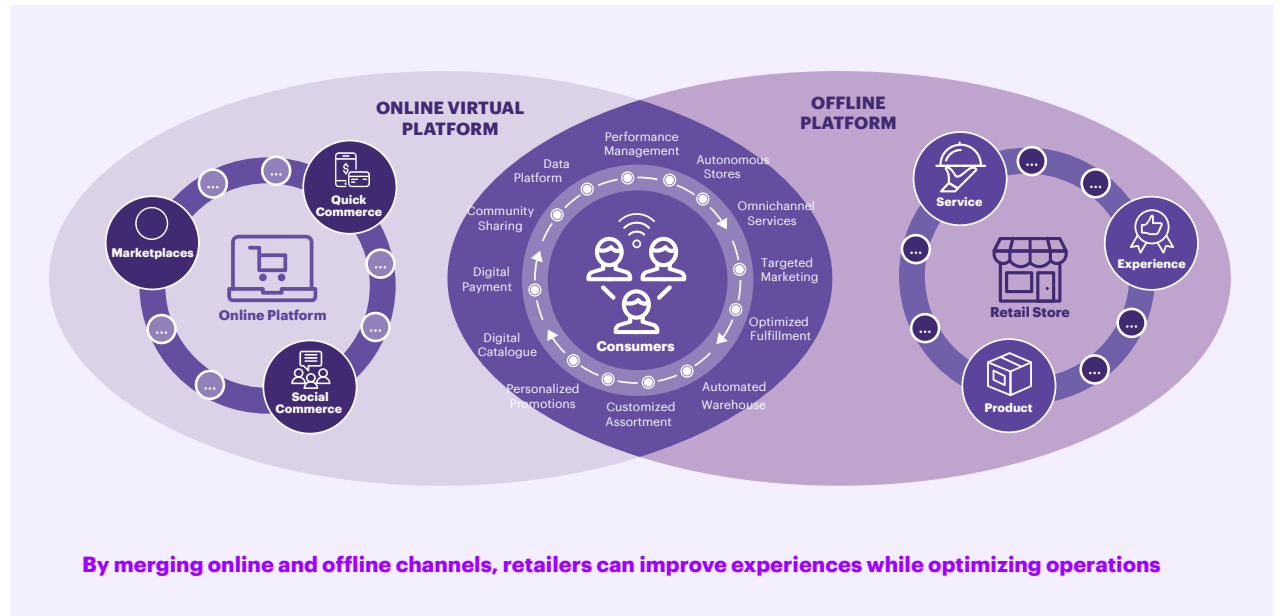
Introducing the Store of Tomorrow

To help accelerate the OMO model, Accenture has developed an innovative new concept for the **Store of Tomorrow**. It's applicable to all sectors of retail, from grocery to beauty to DIY and beyond.

Designed to be open, flexible, and adaptable in every respect, the concept combines the speed and simplicity of digital shopping with the automated efficiency of modern warehousing—while putting a greater emphasis on the human-centered physical shopping experiences customers still crave.

Imagine being able to pre-purchase some items, quickly ordering your usual essentials via your smartphone when you arrive at the store, and leaving the rest of your visit free for exploring new products for which the sensory experience and/or hands-on discovery remains essential.

This flexible, customer-centered experience is at the heart of the **Store of Tomorrow** concept.



Six key ingredients for the Store of Tomorrow

How is it achieved? Each store plan starts with six key ingredients. A retailer then combines these ingredients in different ways depending on its retail sector, its local market, and its customer needs.

- 01 Integrated **customer experience**
- 02 Optimized **supply chain operations**
- 03 Purposeful and skilled **workforce**
- 04 Real-time **retail data** on the **edge**
- 05 Enhanced **sustainability** and social **responsibility**
- 06 **Data-driven** decision making

01

Integrated customer experience

Starting with a rich understanding of local customer needs developed from a range of data sources,⁵ a fully integrated OMO model streamlines, simplifies, and speeds up the deployment of customer experiences across online and offline channels. That includes, for example, consistent and personalized promotions, digital payments, easier returns processes, optimized delivery options, and a clearer focus on the product lines customers actually want to see in store.

02

Optimized supply chain operations

An OMO model that leverages modern cloud technologies, improved data analytics and artificial intelligence and machine learning can enable greater automation and transform operational efficiency. It allows retailers to optimize the retail supply chain for resilience and responsibility, as well as cost and service, at the local level. It can also radically improve channel productivity and profitability. With supply chains now a key differentiator and revenue driver for retailers, a shift from a global to a local view allows a clearer focus on market dynamics at a regional, community or individual customer level. And that ultimately translates to more value for customers.⁶

03

Purposeful and skilled workforce

In a truly OMO world, with an evolved operating model, having a retail workforce that is diverse, adaptable and re-skilled is critical. Retailers need to invest in their workforces by offering retraining and upskilling programs, while ensuring they build workplaces that are inclusive and able to maximize the unique value that each individual brings. This is not only essential for the OMO model, it will also equip workers with the transferable skills they need in an increasingly digitized and automated economy. It will open up new opportunities for them to work in different areas of the business and pursue different career paths. And, given the war for talent that's brewing across the retail industry, it can also differentiate the brand as an employer of choice in the market.

04

Real-time retail data on the edge

By leveraging the power of distributed edge computing, the OMO model can enable automated decision-making, in real time, across the retail store. That might mean, for example, transforming customer experience by providing personalized product recommendations via interactive screens or smartphones as shoppers walk round a store. It can also enable customized wayfinding, smarter ways to manage and reduce waiting times, and much more. In particular, edge computing can play a role in unlocking a “dematerialized” shopping experience allowing customers to order certain products by scanning QR codes with a smartphone—and have their purchases served up in minutes by a micro-fulfillment center.

05

Enhanced sustainability and social responsibility

All stakeholders, including consumers, now expect companies to contribute to greater sustainability. And by developing a new OMO model, retailers can embed ESG (environmental, social, and governance) principles across their end-to-end functions from product sourcing, to store experience, to fulfillment. It can, for example, help consumers make better and more informed choices by providing ESG-related information through digital displays. It can also enable resource efficiency via access to affordable clean energy and waste reduction (across perishable goods, merchandising and packaging material) which can drive down cost while optimizing carbon emissions.

06

Data-driven decision making

An OMO model relies on retailers putting customers at the heart of the business—which, in practice, means using data, AI and machine learning to generate insights and fuel decisions. To become truly customer-centric, retailers need to harness both internal and external data to create a single version of the truth that’s accessible to all functional leaders. Getting the full value from data also means focusing on business outcomes and specific use cases and changing culture, processes and ways of working across the organization and with partners. By leveraging a purpose-built data and AI solution, such as Accenture’s ai.RETAIL, retailers can access proven use cases across marketing, supply chain and merchandising, enable prescriptive recommendations, simulations and what if scenarios, and accelerate transformation.

A vision of truly integrated retail

What might the **Store of Tomorrow** look like in practice? Accenture has developed a new, groundbreaking concept that turns the traditional retail layout on its head, and divides the store into three complementary parts: The Aisle, the Dark Store and the Promenade.

The Aisle

Here, shoppers use their smartphones to buy their favorite commodity products. In grocery, for example, that might be everything from laundry detergent to produce. These are the products that customers already know they want—those for which locating and picking from the shelves is merely a time-consuming chore that detracts from the overall experience.

Focusing on speed and efficiency, the Aisle retains the basic principles of today's shelf organization and navigation, but replaces each product with a single QR code. The customer just scans the code, and the Dark Store serves up the product within 15 minutes—as simple and speedy as buying online.

This not only gives customers a streamlined way to buy commodities, it also means the store is able to free up floor space for both its Dark Store and its Promenade, while enabling significant efficiencies and synergies (such as obviating the need for shelf stacking, reducing wastage on the shelves, optimizing inventory, and so on).



The Dark Store

This micro-fulfillment center uses extensive automation to fulfill orders from both online and Aisle customers with maximum speed and efficiency. It enables a broader range of fulfillment options, such as having your in-store shopping delivered to your home. And because it's attached to the local retail store, it's typically closer to where customers live than a centralized fulfillment hub, making last mile delivery faster and cheaper.

The Promenade

This is a flexible “playground” area for product discovery and buying the products for which sight, touch, smell, and physical presence are all essential. It potentially allows retailers to introduce a greater number of brands in store, whether via brand-specific kiosks or shop-in-shop outlets.

It’s the adaptiveness of this space which is key, enabling a changing menu of in-store events and product showcases. Think fresh displays, premium goods, health hubs, bespoke experiences, and perhaps bulk/pallet sales where appropriate.

It’s a space that could even act as a hub for local community events—a place to personalize and adapt according to local needs and seasonal priorities.

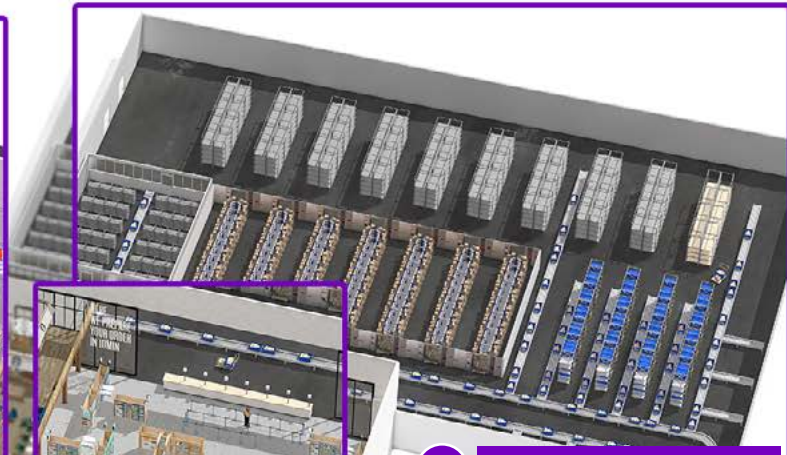




3 THE PROMENADE

A space to reinvent

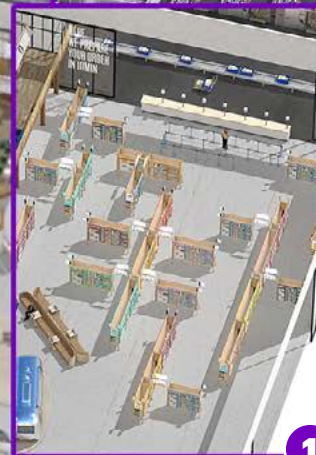
A playground to freely imagine a new retail or social experience, exclusive to the retailer.



2 THE DARK STORE

Automated order preparation zone

An open, automated micro-fulfillment center right in the store to serve customers as they shop both in store or online for home delivery.



1 THE AISLE

Dematerialized CPG zone

Digital displays replace physical products, which saves store space and customer time. More product information is available and inventory is easily updated. Customers have a simpler, richer and easier experience.

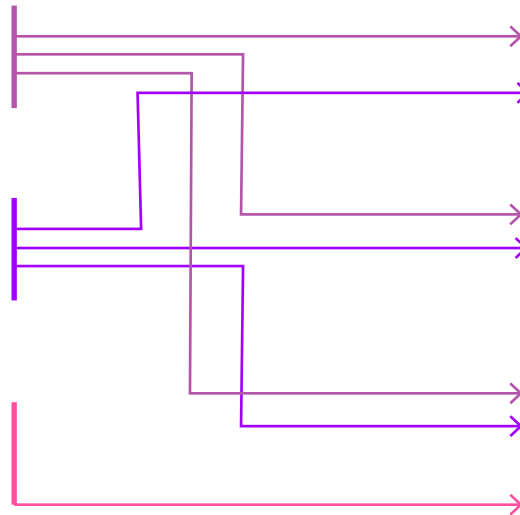
Example grocery store showing the Promenade, the Aisle and the Dark Store

Shop in the way that suits you

The beauty of the **Store of Tomorrow** concept is the way it fulfills any number of different customer journeys in a seamless and integrated way.

Purchase options

- 1 Pre-order essentials, buy the rest in store**
Order your commodity products online, and head straight for the Promenade for key purchases.
- 2 Do the whole shop in store**
Start at the Aisle for the basics, then move on to the Promenade for fresh or new products.
- 3 Buy everything online**
Complete your entire shop on your laptop, tablet, or smartphone, without needing to leave the home.



Pickup and delivery options

- 1 Take all your purchases home with you**
Order or pre-order at the Aisle, pay for your shopping at the Promenade, and pick up your order from the Dark Store counter on your way out.
- 2 Get the basics delivered**
Order or pre-order at the Aisle and arrange home delivery for a convenient time. Buy what you need from the Promenade and take it home with you.
- 3 Have everything delivered**
Order online or at the Aisle and arrange home delivery. Buy what you need from the Promenade and drop it off at a Pick and Drop order to be added to your home delivery.

A way to realize tangible value from omnichannel growth

The **Store of Tomorrow** concept promises to radically simplify the omnichannel customer journey, while providing shoppers with greater choice and convenience. At the same time, it offers retailers a vision of a world in which more ecommerce doesn't have to mean lower profitability. In fact, the model supports both revenue growth and cost optimization:

Revenue growth

By enabling more value-adding services and better experiences in stores, the concept promises to boost foot traffic, extend visit durations, and increase basket size per order. At the same time, better pricing strategies can raise profit margins. While online, an enhanced range of fulfillment options (including mixing and matching online and store shopping and home delivery and store pickup in a single shop) can increase ecommerce conversions and brand affiliation.

Cost savings

The **Store of Tomorrow** concept promises significant synergies and efficiencies. Profitability is protected by optimizing inventory and sharing fulfillment infrastructure more effectively between online and offline channels. Store layouts are better optimized both for customer and operational needs. And with the Dark Store component taking over much of the heavy lifting in operations, hyper-efficient automation reduces handling costs and product wastage on the shelves. It also has the effect of bringing fulfillment much closer to customers' homes, reducing last-mile delivery costs.

Why Accenture?

The **Store of Tomorrow** is a ground-breaking new concept and solution from Accenture. It allows retailers to address some of the most important questions they face today:

- How can we stop net profit margins sliding as digital shopping accelerates?
- How can we serve customers in the ways they now want to shop—but also more profitably?
- How can we leverage the existing store estate more effectively?
- How can we better meet the needs of our markets and customers in each locality?

Accenture takes a holistic approach to finding the answers. We bring together market-leading experts from across the full breadth of our organization—including strategy, data, experience design, supply chain, technology, and sustainability—into one team, working to one objective for our retail clients.

Our goal? To design and deliver a truly end-to-end OMO solution—one that's both more profitable and more aligned with today's customer needs.

That's Accenture's **Store of Tomorrow**. Are you ready to kick-start a retail revolution today?

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