THE FUTURE OF RETAIL IS CLOSER THAN YOU THINK

RETAIL TECHNOLOGY VISION 2019
THANKS TO DIGITAL TECHNOLOGIES, CONSUMERS HAVE BECOME EXponentially More powerful Over the past 10 years.
Consumers have more choices and access to information than ever before. They also have access to more channels through which to broadcast their demands—and their frustrations with retailers that disappoint. Retailers have grown more powerful, as well. They have embraced digital to optimize operations, understand and segment consumers, and create convenient, satisfying multi-channel experiences.

To be sure, digital has ushered in a period of monumental change to the industry. But this change, it turns out, is just a precursor of what’s to come. Accenture’s 2019 Technology Vision research has revealed a new set of trends that are poised to accelerate retail’s evolution.

Opportunities abound for retailers to set themselves apart—so many, in fact, that some retailers are paralyzed into inaction. They fear making the wrong decision.

This fear is understandable. But in the post-digital world, it will hold winners back. Retailers that lead the industry to a bold, profitable future will be those that embrace a culture of risk-taking. They will experiment with new technologies and business models—scaling what works and learning quickly from what doesn’t. They will use new tools to understand their consumers as never before. And they will apply new technology operating models and human+ workforce capabilities to capture the momentary markets that define the post-digital era.

About the research
Each year the Accenture Technology Vision team partners with Accenture Research to pinpoint emerging IT developments that will have the greatest impact on organizations in the coming years. In 2019, the process included a global survey of 6,672 business and IT leaders—including 655 retail executives in 26 countries. This report’s findings are based on analyses of their responses.
WHERE DO WE GO FROM HERE?

The digital capabilities that retailer's developed over the past decade have provided a strong and future-ready foundation for success.
More than three-quarters (76 percent) of retail industry executives claim that social, mobile, analytics and cloud capabilities are now core components of their enterprise IT strategies. Further, 93 percent credit these technologies for accelerating their pace of innovation over the past three years.

But these digital capabilities and the advantages they afford are now available to every retailer. They are no longer differentiating. Our research suggests that we are entering a new era where Distributed Ledger, AI, Extended Reality and Quantum Computing (or DARQ) technologies will be the next catalysts for change. For retailers, AI and extended reality solutions are the most mature. The potential of distributed ledgers and quantum computing will reveal itself in the coming years.

These “post-digital” technologies aren’t emerging in isolation. They are accompanied by (and, in many cases, driving) post-digital consumer expectations and behaviors. Consumers now communicate their demands instantly and expect gratification immediately. They insist on transparency and increasingly make purchasing decisions based on a retailer’s purpose and culture\(^1\) or the opinions of a social media influencer.\(^2\)

In this environment, retailers no longer need to thwart digital’s disruptive influence. The value chain has been disintermediated. Instead, they can focus on what truly matters in the post-digital age: consumer lifetime value, brand advocacy, and enduring relationships grounded in authenticity and a common purpose.

Relevance, persistent personalization, and a commitment to a purpose that aligns with the values of consumers are the winning combination. New technologies bring these concepts to life like never before.

86% of retail companies are already experimenting with DARQ technologies.
As people’s lives become more and more personalized through technology, creating a world with a multiverse of realities and moments, companies must reinvent their organizations to capture those opportunities as they come. That means viewing each moment as if it is an individual market—a momentary market. Miss the moment, and there is no second chance.”

Accenture Technology Vision 2019
Trend: MyMarkets
Hong Kong-based women’s wear brand Isabella Wren uses body scanners and design-to-print algorithms to offer consumers beautifully customized clothing, delivered within just two weeks.³

At warehouse retailer Sam’s Club, customers can scan items in their carts and bypass traditional checkout lines. The app’s augmented reality (AR) feature even enables them to learn how a product was sourced.⁴ IKEA recently piloted a new business model focused on furniture rental. The program, which will be rolled out to 30 markets by 2020, is designed to meet consumers’ growing demands for good design, affordability, convenience and environmental stewardship.⁵
These retailers vary considerably in terms of the products they offer and the customers they hope to reach. But they have two important things in common:

• They are demonstrating what relevance looks like in the post-digital world. Beyond catering to consumers’ needs, companies demonstrate their relevance through a purpose that is about something more than making money. Increasingly, relevance is also exhibited by companies that offer not just products, but also convenient bundled services related to a product category. Specialty retailer PetSmart, for example, no longer just sells pet food and supplies, but offers a range of services—from grooming and training to adoption and veterinary care.6

• They are changing the way retail works by using new technologies to meet people where they are, offer new levels of personalization at specific points in time, strengthen relationships, and expand their paths to revenue, loyalty and growth.

In these ways, Isabella Wren, Sam’s Club, IKEA and other forward-thinking retailers are seizing upon one of the trends identified by Accenture’s 2019 Technology Vision research: the emergence of a world characterized by intensely customized and on-demand experiences and marketplaces that bundle retail products and services to help consumers manage the proliferation of choices now at their disposal. Other retail companies are ready to follow their lead.

83% of retail executives agree that the integration of customization and on-demand delivery will mark the next big wave of competitive advantage.
OPERATIONALIZING THE FUTURE

Retail leaders are not bracing for the change that new technologies and changing consumer demands will bring to the industry. They are embracing it by actively looking for opportunities to grow markets of one.

In so doing, they are changing retail’s traditional competitive strategy from buying quantities and selling efficiently to consumers to enabling consumers to buy exactly what they want from a retailer they trust.

Operationalizing this new strategy requires that retailers do four things.
STEP 1
BECOME MIND-READERS

Before retailers can deliver relevance, convenience and selection in a given moment, they have to know the opportunity exists.
That means identifying consumer needs before their competitors do—and potentially before consumers themselves do. It means predicting human desires and then thinking outside the box to make those desires come true for every individual. It even means using AI and machine learning to identify, measure and grow the influencer network.

In the apparel sector, predictive style genomes can be developed to produce an intelligent, multi-dimensional, omnichannel view of consumers. Fueled by proprietary data, behavioral analytics and third-party social data, these genomes can inform the development of new style features and more engaging and relevant interactions at every brand touchpoint.

For all retailers, digital identities also offer new insights into what make consumers tick. Today’s ubiquitous technology-driven interactions are providing a new lens through which to understand how consumers engage (and want to engage) with technologies. Their digital fingerprints can guide retailers to invest in technology solutions consumers will welcome—and avoid those they won’t.

Retail executives clearly recognize the value hidden in consumers’ digital demographics. However, access to consumers’ digital identities comes with substantial risk. Retailers need to ensure that the data they gather about consumers’ behaviors both in the real and digital worlds is secure. Any breach will erode the trust that underpins relationships.

82% of retail executives believe digital demographics are becoming a more powerful way to understand consumers.

80% believe digital demographics give them a new way to identify market opportunities for unmet consumer needs.

71% believe digital demographics are expanding the number of ways they deliver products and services.
Walmart recently redesigned its website’s backend technology to allow the retail giant to distinguish between items consumers buy for themselves and those they buy as gifts. With these insights, Walmart can better target its purchase recommendations for site visitors.  

Alibaba, China’s largest online commerce company, developed changing room screens that seamlessly integrated smart technologies into brick-and-mortar retail stores. The “FashionAI” solution incorporates machine learning to give individual consumers real-time suggestions and tips based on their personal style preferences.
STEP 2
BECOME DAREDEVILS

Retail winners in the years ahead will distinguish themselves with bold ideas and even bolder technologically driven actions.
Unlike retailers that fear failure and, therefore, refuse to act, leaders will combine design thinking and design doing to create new business models and new marketplaces to meet customers’ needs in new ways.

- Grocery conglomerate Kroger is working with Microsoft to develop digital shelving systems that change prices when needed, display ads and present coupons to customers, and track products and inventory. The company hopes to tap an entirely new market by selling the technology to others.⁹

- Several apparel retailers, including Ann Taylor, Express and New York & Co., have launched clothing subscription rental services that not only allow consumers to keep their wardrobes up to date, but also generate recurring revenue for the retailer. The technical underpinnings of these subscription services—from algorithms and analytics to the website—are managed by a third-party vendor, which means the retailer can stay focused on attracting new consumers.¹⁰

- JD.com, one of China’s largest eCommerce companies, has developed a platform marketplace through which luxury brands can set up customized online stores targeting high-end buyers. These third parties benefit from e-retail personalization, as well as access to JD’s customer service, delivery, marketing and branding expertise.¹¹ In short, JD’s retail-as-a-service business model is enabling other companies to capture moments. In doing so, it has created a new market for itself.

Beyond new revenue models, innovation leaders also rethink how new technologies can transform core operations such as manufacturing and distribution. 3D printing is one of the most visible examples today. This technology enables retailers to produce customized products closer to the ultimate consumer, thereby shortening delivery times and reducing inventory levels and warehousing and distribution costs. IKEA and adidas are already using additive manufacturing to produce customized gaming chairs and sneakers.¹²
STEP 3
FIND POWER IN THE DARQ

Our research confirms that retail executives are enthused about the potential of DARQ technologies.
Eighty-six percent of retail executives indicated their organizations are already experimenting with distributed ledgers, AI, extended reality or quantum computing. Further, 63 percent believe the combination of these technologies will transform their organizations extensively in the next three years.

Unfortunately, some of these retailers are in for a rude awakening. That’s because they don’t yet have the right technology operating model to take full advantage of the advanced data-driven decision-making that new technologies enable. What is needed is an environment that encourages data sharing and collaboration and enables a culture of experimentation in which workers don’t avoid risk but learn from mistakes.
An operating model that enables the workforce to try new things, adopt what works, and scale solutions quickly and cost effectively has several critical components:

**Strong leadership.** The effort to become a data-driven organization must start at the top. Sponsorship, funding, and the appropriate commitment of resources are key. So is the empowerment of teams to create a model that works best for them.

**Thoughtful design.** The operating model must be well planned, aligned to the retailer’s overarching objectives, and designed to meet the needs of the business and the IT organization. Retailers should test out the new model with specific use cases and fine-tune it before expanding.

**A secure and strategic ecosystem.** To scale innovations quickly, retailers will need to leverage resources from across and beyond the organization. In addition to choosing the right ecosystem partners, retailers must pay special attention to ecosystem security—not only to protect consumer identities (which is key to building consumer trust), but machine identities, inventory management and asset management systems, as well. With the proliferation of big data sources and IoT, the amount of data shared among parties is enormous. The larger the ecosystem, the greater its vulnerability.

"88% of retail executives believe the security posture of ecosystem partners is very or extremely important. Yet, only 26% know that their ecosystem partners are working diligently to be compliant and resilient with regard to security."

Accenture Technology Vision 2019 Trend: Secure Us to Secure Me
STEP 4
PREPARE A FUTURE-READY WORKFORCE

A human+ workforce—one empowered by data, knowledge and capabilities made possible through technology—will drive the next wave of innovation in retail.
New skills and new roles will be needed. In fact, 40 percent of retail executives expect that most of their workforces will change roles due to technology advances. In many cases, these changes will allow workers to shift from mundane tasks such as price ticketing to more strategic activities focused on improving the consumer experience or operational performance. Amazon saw that happen in its warehouses, where workers are no longer order-fillers, but robotics operators and technology overseers.¹³

Retail winners of the future will start thinking now about how technology can be used to reset the organization, redefine the talent strategy, and reskill the workforce to achieve new growth.

"Across industries and organizations, workers are incorporating technology to build on their own inherent skills and experience. The workforce is becoming “human+”: each individual is empowered by their skillsets and knowledge plus a new, constantly growing set of capabilities made possible through technology."

Accenture Technology Vision 2019

Trend: Human+ worker
New technologies are ushering in a new era of retail. It’s an era of massive consumer expectations. An era of momentary markets and global opportunity. An era characterized by relevance. Forward-thinking retailers are setting their course to this new reality today. Where will you go? Are you ready for what’s next?
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Note
Unless otherwise stated, the statistics in this point of view represent retail respondents in the survey report “Accenture Technology Vision 2019.”
About the research

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