RETAILERS, DIGITAL WINDOW DRESSING IS KILLING YOUR BUSINESS

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In our recent piece "retailers, digital window dressing is killing your business" we shed a light on how companies investing in their digital façade or digital window dressing might not be making the most strategic move for their business. On some levels, that statement might contradict what you've thought all along. *Of course I should be doubling down on e-commerce*, *of course I should be working to create the next best app in retail*…….but our research tells us, not necessarily.

To truly advance, companies need to take a look at their business. Front, middle and back office. First, let's take a look at profitability. When we looked at companies that made large, and highly visible investments in digital we found that majority of them lost share price, lost revenue, and eroded profitability over the last five years. This compares to companies that made less visible investments, less customer-facing objectives – those companies saw an increase in share price, increase in revenue, and expansion of margins.

Next, let's look at stores. Most companies think they need to cut costs in their stores and re-invest into digital channels. We see news all the time about companies closing stores – well, we looked at those companies and what we found was that the same thing held true. Their financial performance, their revenue growth, and profitability did not improve as a result of shifting investment away from stores and into their e-commerce channels. In fact, companies that doubled-down on their stores tended to *out perform* those that cut investments in their stores in order to shift investment into digital channels.

Lastly, let's look at the customer experience versus the middle and back office. Companies that invested in capabilities like AI, to improve marketing, merchandising and inventory decisions…companies that invested in robotics and drones to improve their supply chain….and companies that invested in back office robotic process automation saw much better performance improvement than those that invested in things like apps and digital dressing rooms and that sort of thing.

So what should retailers do about this?

We think there are 3 things:

First, challenge conventional wisdom. Conduct primary research and figure out what the customer wants and how you are positioned relative to the competition in key dimensions of the customer experience - both physical channels and digital channels- and then tailor your investments to what really matters to your customers and what is going to move the needle and make them shop your store or your website instead of someone else's.

Secondly, if a digital investment doesn't align with your reason for being don't spend the money. Make investments, whether they are digital or not, whether they are technology investments or whether they are low-tech investments, focus on your reason for being. If you don't have a reason for being – you will cease to be.

And lastly, make sure you invest in technology across the business – front, middle and back office – if you want those investments to pay off. For more on this topic you can read the full piece at www.accenture.com/digitalwindowdressing.

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