



FOCUS ON THE FOUR PILLARS OF RETAIL TRANSFORMATION

AUDIO TRANSCRIPT

WAJIH EFFENDI: Most enterprises require cultural change. They believe that to implement this transformation, but they all agree it's not easy.

BRIAN VABULAS: Welcome to Competitive Agility. A podcast with Accenture's senior management team, where we chat about agile business operations and how companies can identify and pursue new ways to increase margin and fund investments that will drive growth. I'm Brian Vabulas and today, we're talking with Wajih Effendi, Managing Director of Accenture Strategy.

WAJIH EFFENDI: Glad to be talking with you today. Just a little bit about myself. Managing Director at Accenture. I've been with Accenture for about six years. I've spent about 20 years doing operating model work. And most recently, for the last, I would say, five or six years, I've been very, very focused on the retail space. We've been seeing a lot of retailers doing truly innovative things around their operating model.

BRIAN VABULAS: And I know there's a lot of disruption funneling through retailers, more is better, really, I don't think promises better sales. I'm kind of against that thinking. What's

the best strategy you're seeing industry leaders focus on to really determine their purpose?

WAJIH EFFENDI: For a long time, we had retailers just saying, look, I'll just keep adding more and more SKUs. I'll create the endless aisle online. I'll just try to get more product and then kind of create that one stop shop for my customer. That no longer works, right. So what we're really seeing is it's all around figuring out what the purpose is? What is the customer purpose that they are solving for? And then using that customer purpose and the mission that the customer's after, it's about creating that unique experience, engagement and offering to the customer. Once companies do that, once they start taking that customer lens, all of a sudden, even the people that are needed to create that new sort of customer experience and engagement and offering, all that needs to be changed, right.

So we see our clients really looking at four items. They're looking at culture, which is from the top, CEO driven. It's all around leaders creating and sustaining a customer centric culture. You know, that's everything



from the front office to the back office, right, just reorienting.

The second is really the operating model. That's the how the company is structured, how things get done and it's really, again, reconfiguring the operating model around customer outcomes. So what does a customer really see or feel about the brand, about the experience?

And then third, it's processes, right. So no longer are they the typical retail silos that we have. It's more about end-to-end customer focused processes fueled by data and analytics to enhance customer relevance and experience.

And then fourth, it's the people, right. The magic happens. We talk a lot about automation, of execution tasks, but we still believe and we still see that employees at all levels inside an organization, they need the right learning opportunities to develop the right skills to support agility and growth. That's the crux. It's those four, culture, operating model, process and people.

BRIAN VABULAS: So we're talking about changing kind of the lens, moving to the customer and then attacking those four pillars, I would say. It can't just be that easy. Are there some things that you see either that prevent companies from going there and/or things that need to change to really unlock the things that you're talking about 'cause it's not as simple as flipping a switch obviously?

WAJIB EFFENDI: Exactly. It's definitely a tall order, but it's not insurmountable. I think a lot of people look at – you know, they kind of step back and they see this huge wave of change coming and it's what do I do? We surveyed executives across the industry

and here's a few of the findings. So more than half of those surveyed say both their leadership and workforce lack key skills to drive growth and agility.

A small minority say that work is outcome focused and we see that really, really increasing. It's almost a startup mentality. It's what's the outcome I'm driving? You know, most enterprises require cultural change. They believe that to implement this transformation, but they all agree it's not easy. Merchandising, which is the key to delivering the relevant products, services and experience. They spend more time on executional tasks than strategic or intelligent type tasks. Typing on the computer all day to setup a SKU, when they should really be focusing on what does the intelligence and data tell us the right thing to do is? And compounding that, only a third of retailers are using analytics and digital models to enhance merchandising. It is changing, but we see this in the market, leveraging analytics to get the most relevant, the most custom experience and engagement and offering and new retailers are obviously coming in. They're tying corporate overhead spending and back office functions to growth initiatives. This is where we're reimagining how a company operates and connecting both the front office and the back office both to growth and really using that growth lens to drive competitive agility.

A really good example is where we have the planning process. So typically, at lots of companies is very siloed. There's a piece of it in finance, a piece of it in planning, a piece of it in merchandising, a piece of it in stores and sales, e-commerce store sales. It's very distributed and what ends up happening is that end-to-end process from let me find the product



or make the product, let me distribute the product, get it into a store, that value stream gets broken up and it essentially different processes that are not linked together and they're done at different time scales, a lot of that process is done through a sort of gut instinct because it's not one end-to-end customer focused outcome.

A good example is where we see companies leveraging artificial intelligence, automation, big data analytics, to basically find what is the trend in the market that's peaking, that's growing, how do we get the right product plan for buying the right product, for promoting the right product, for delivering the right product into the store, down to the SKU level, the SKU color, size level and then how do we do it in a way where we're sensing demand signals both at a regional level, as well as a local level to make sure that we have the right product in the right store. And then doing that in a real time fashion where we're sensing the demand signals, providing the right inventory into the store, reordering inventory to restock stores and just making that all run using all the technology and data that we have available.

BRIAN VABULAS: Do you have any guidance for making the kind of transformation that would unlock some of that hidden value and then really stimulate the growth?

WAJIH EFFENDI: This is an absolute critical question, right. Again, I think lots of our clients, lots of companies in retail see this big wave of change coming and I think it gets to really quickly to, okay, what can I do about it? There's a few crucial steps, I mean, that I can layout here.

First, I would say it's really about infusing

digital into the core of the business and then using that to increase agility and keep pace with fast moving customer requirements. Typically, this infusion of digital into the core business, companies tend to say, let me almost pilot it on the side. I think our perspective is, let's do a pilot, but let's do it at the core of the business and let's pilot and scale.

The second is really around pursuing advanced digital centric operating models. You know, this empowers adaptive retailing, reduces operating costs and fuels expansion. So this is where we usually help clients take certain pieces of their business and really understand the current operating model, define a new digital centric operating model that helps reorganize and reorient everyone around the customer outcomes that we're trying to achieve.

And then I think third, and this is the most important, is to get everyone onboard. Leaders really need to rally their troops around a cohesive roadmap that has milestones, measures, quick wins and then they have to use change management to boost buy-in across the organization. And there's also change management with vendors, suppliers, even customers, how do we make sure that we're creating that vendor ecosystem, that supplier ecosystem, that supports this kind of agile way of working. And then how do we also start to communicate that to our customers, so that they can expect a new way of interacting with the brands.

BRIAN VABULAS: You had mentioned infusion of digital and I think our clients are at varying degrees of digital. How do we tailor our approach based on where they are in that journey? 'Cause in some cases, we're starting the journey, we're working



with the client that's starting that journey or maybe they've gone – they're several years into that transformation and are there certain things that we're thinking about differently based on that as we talk about those three steps you mentioned?

WAJIH EFFENDI: I think it quickly becomes around finding kind of quick wins. Usually, there is a resistance to change, usually there's a way of doing things that's worked for some companies 50, 60 years. It's always been gut feel with the chief merchant, with the marketing team, so usually, it's sort of these quick wins. If they're earlier in the cycle, it's about identifying some quick wins, showing the value, really kind of showing and proving that a digital operating model using analytics can help, A) drive business outcome, but B) also make their job just, frankly, a lot more interesting and data driven. And for companies that are more mature, the transformation is really focused on how to accelerate innovation and scaling. So there's lots of good ideas, companies often get caught in this one shiny thing to another and they'll kind of dip their toe in lots of different areas and they'll get some value, but they won't be able to scale it.

So it really just becomes around how do I focus on that customer outcome? How do I try new things, try leveraging digital and

then when it works, how do I scale it? It's almost that fluid innovation that we see that's just critical to growing both the core business and also, getting into kind of new business models as well.

BRIAN VABULAS: Any other insights or highlights that you'd love to or examples that you'd love to highlight that you didn't have a chance to add yet?

WAJIH EFFENDI: The only other thing I'll highlight is usually with a C-suite, this is a very collaborative process. Typically, there's sort of an art and science element here that has to really come together. So for successful transformations like this, it takes a CEO and chief merchant, who are really thinking about data, analytics, the customer outcome, but it also takes that strong COO and CFO, who are focused on how do we operate effectively and efficiently, how are we driving the right financial performance? And it's the yin and yang, that balance between those four individuals that we really see makes for a successful transformation. I cannot underscore that point even more. It's just critical to these things.

BRIAN VABULAS: Thank you so much for your time and your insight. Really, wonderful having a conversation with you today. Everyone else, stay tuned for more Competitive Agility Podcasts and follow our Accenture channels on social media to get alerted when the next show will be posted. Thanks for listening.