RETAIL WITH PURPOSE
POWERING FUTURE GROWTH
Retailers are in the middle of an existential crisis. A whirlwind of industry shifts is forcing retailers to look in the mirror and ask:

**WHO ARE WE?**

**WHY ARE WE HERE?**

**WHAT IS OUR PURPOSE?**

Why now? Because retail is no longer business as usual. More than 200 retail bankruptcies have taken place in the United States since 2010.1 Startups and service companies are swooping in quickly to capture their share of the market, selling direct to end consumers instead of through traditional wholesale models.

In the past, offering the right product at the right price might have been enough to win over customers. Now, the world is an integrated marketplace where the number of purchase points has exploded. Customers can shop everywhere at any time and buy on impulse across a variety of channels. And they expect retailers and brands to adapt to their changing lifestyle; one that is focused on convenience and with a priority on experiences.

Social networks make it easier for brands to connect with customers around the clock in ways that are more personalized, relevant and meaningful. These networks also open the door to new sources of influence—family, friends and celebrities who affect and inspire purchasing decisions. In fact, 62.3 percent of social media users are influenced to make a purchase through social media.2

So much change is happening that the fundamental definition of retail is evolving. The modern definition centers on the relationship between consumer and merchant, enabling commerce in a broad set of needs including both products and services.

**LEGACY DICTIONARY DEFINITION:**
Buying economic quantities of goods from manufacturers and selling them to consumers.

**MODERN DEFINITION:**
Consumers buying something they DESIRE from someone they TRUST in the MOMENT.
Retail models built solely on the legacy wholesale definition will not survive. To grow in the future, retailers must explore very different offering, selling and operating models. And to win over customers who can buy from whomever, whenever, retailers need to have a clearly defined purpose. Your purpose will answer those questions of who you are and why you are here, and it will validate to customers that you are the most trusted retailer to provide what they desire in the moment with every execution of that purpose. In a recent Accenture research study, we found a way to measure purpose. The study indicated that consumers who scored retailers higher on purpose spent 31% more than consumers who scored retailers lower.

**THE FUTURE RETAIL MARKETPLACE**

**WHAT AND HOW YOU SELL WILL CHANGE**
Retail offerings of the future will look quite different in the hyperconnected world. Products will no longer just be products. Most products will be sold with connected services in the emerging integrated marketplace.

With the help of sensors and connected digital devices, it will be easier than ever to track each customer’s behavior, emotion and preferences. A customer’s desire can be understood in real time, and retailers can respond right away with personalized products and value-add services. Retailers will also predict what the customer wants and replenish products as needed, taking things off the customer’s “thinking list.”

Low on laundry detergent? Smart sensors on your washing machine will alert P&G to auto-replenish your supply, or Tide Spin will pick up your laundry, clean it and deliver it back home. Bought IKEA furniture and don’t know what to do with the freebie hex wrench? TaskRabbit will come assemble your products.
Technology innovation and the internet of things will exponentially increase the number of points of purchase. The store is rapidly becoming just one node on a spectrum of opportunities to reach customers.

People buy while scrolling through Facebook. They use voice recognition to ask Alexa advice on the best brand for removing stains. Customers might purchase jewelry at a pop-up shop at a local music festival. And the interaction doesn’t stop at the purchase. Technology allows customers to interact with brands across time and platforms which is why the Alexa platform is now being viewed as a future platform for advertising. If the advice steers consumers to purchase a brand, brands need to be on Alexa.

Perhaps this direct connection between brand/buyer is why the home will be the fastest-growing retail real estate format. Digital devices connected to intelligent agents as well as connected human delivered services put retailers right in the family room, the home office or garage. Retailers whose names and services are synonymous with a trusted action word earn the right to be top of mind. Customers will order products and services from their trusted partner at the moment of desire, rather than jotting down the name and shopping around later for a better price.

63% of consumers would consider auto-replenishment for household goods like detergent.

ADAPTING TO THE NEW

The expansion of customer touch points will force retailers to transition from a fixed real estate distribution strategy to a dynamic marketplace-level service strategy. The former was marked by many fixed assets on long-term leases in prime locations. The latter will still have those key icons, but rather than large-format saturation, increasingly a greater amount of assets will rely on lower cost and more flexible digital/physical formats that can adapt to individual competitive regional marketplaces.

In the future, retailers will open fewer stores. They will invest in pop-ups, social campaigns, events, and intelligent and human service agents through home devices. The dynamic marketplace strategy of the future will add hundreds of points of purchase to an individual marketplace while greatly reducing operating expense compared to legacy brick and mortar models.

BREAKING THROUGH THE NOISE

The future is a battle for relevancy and authenticity which is aligned to the brand’s purpose. From auto-replenishment which takes things off your ‘thinking list’ to curated subscriptions which allows the expert or designer to choose for you, trust and loyalty will be granted to those that execute with purpose.

Retailer by REVEAL® sets up pop-up shops for short times to allow brands, designers and customers to interact and test products, explore locations and drive brand awareness.
THE FUTURE RETAIL PLAYING FIELD

HOW YOU COMPETE WILL CHANGE

The definition of retail is changing, and so are the measures of success. In the future, we will hold retail performance up to a very different barometer.

In the integrated marketplace, this simple equation will not be a true indicator of performance:

\[ \text{TRAFFIC} \times \text{CONVERSION RATE} \times \text{BASKET SIZE} \]

The performance of an individual retailer will be a reflection of its investments’ ability to drive:

\[ \text{LIFETIME VALUE (LTV)} \quad \text{OR} \quad \frac{\text{ANNUAL REVENUE PER CUSTOMER}}{\text{CUSTOMER ACQUISITION COSTS} \div \text{CHURN RATE}} \]

Retailers (and brands) will measure and optimize for the impact of each local marketplace effort on that yield.

The future retail marketplace will be transparent. Data offers a window into marketplace performance—your own, or that of competitors. At a granular level, you can see customer acquisition costs, track churn and measure social media influence down to the zip code.

ECOSYSTEM DATA MANAGEMENT

To resonate with customers, retailers will need to create and deliver content and messages—in real time—that appeal to that individual’s desire, location, lifestyle and more. Gaining such insight requires frequency of interaction. However, some retailers have one interaction per customer, per year. At best, interactions are monthly and part of the consumer’s lifestyle.
The Amazons and Alibabas of the world have a clear advantage when it comes to frequency. According to Accenture research analysis of Kantar ShopperScape survey data, 12.3 percent of Amazon Prime members shop Amazon on a daily basis. Alibaba users, on average, open the app 7.2 times per day. Retailers that have the ability to deliver daily consumer interaction will continue to scale and provide ad-serving platforms for their brands to use, such as Amazon advertising services and Walmart Exchange. Those that lack that frequency can either partner with brands serving the same customers, or they can create their own services that generate high-frequency interactions with consumers. Ecosystem players will share data on platforms that allow them to connect with customers and solve business problems.

The ubiquity and availability of data makes the future a predictive one. Retailers can use analytics to actively plan ahead to deliver the right offer to the right customer at the right time. For instance, offering discounts on home goods to the recent college graduate shopping for his or her first apartment. Delivering customized content about baby products to the first-time mom who could use help navigating her new role. “Being there” at the moment of desire will help cultivate loyalty among customers.

ENGAGEMENT SERVICE PLATFORMS

More than half (58.6 percent) of American consumers interact with brands on social media one to three times per day. These interactions will continue to evolve to richer and richer interactions through increasingly more connected communications platforms.

If retailers fail to allow customers to directly communicate with them through their chosen channel, retailers risk losing market traction, relevance and most importantly, the trust of their customer. This also provides a new level of transparency that can either reinforce or destroy the brand’s purpose.
THE FUTURE RETAIL OPERATING MODEL

HOW YOU RUN YOUR BUSINESS WILL CHANGE
The integrated marketplace will influence how stores operate in the future. Retailers need to be more agile, responsive and collaborative, but traditional operating models don’t fit the bill. Several factors will need to change.

SHIFTS IN STRATEGY
In this whirlwind of industry change, someone must manage the shifts and make sense of it all. The retail CEO will evolve the business model to meet the needs of this new offering/selling environment. For instance, finding the right balance of humans and machines.

Within the next five years, AI will automate most back office processes. Physical robotics and automation will similarly influence supply chain and logistics activity. Some of a retailer’s most important ‘employees’ in the future will be AI agents. These helpers will interact directly with consumers and often serve as an extension of an actual human. For instance, a personal stylist, an interior decorator bot or a personal dietitian will offer personalized services without the need for human interaction.

As machines take on more of the traditional work of a retailer, customer-facing labor will become highly important. CEOs must put the expert in the center to ensure that store associates become brand ambassadors—or storytellers of the brand’s purpose. For instance, sales associates must be personable and passionate about the brand and its story, sharing a depth of product and service knowledge while using technology to enhance the interaction and deliver high-quality service.

WORKING WITH OTHERS
It is challenging for some retailers to have high-frequency interactions with consumers. Perhaps they don’t have the “right” to be in the home, as a cable company would. Joining forces with an ecosystem of partners will extend a retailer’s ability to reach a customer. For instance, Target bought Shipt so that it can be the trusted resource to efficiently get products to a customer’s door.6
Connecting with other businesses allows each in the ecosystem to do what they do best. It also is key to survival as retailers navigate the growing number of channels. It may be timely or cost-prohibitive to build necessary capabilities. Ecosystem partners can add service offerings to a company’s products to enhance the bundle. Co-developed data management platforms allow ecosystem participants to capture and analyze enormous amounts of information to reach consumers better.

ON-DEMAND WORKFORCE

In the future retail workforce, the way talent is sourced and staffed will change. Workforce models will become more liquid. Retailers will have a backbone of core talent, but they will access on-demand resources through service marketplaces. Freelancers and independent contractors will bring specific skill sets as needed. Even store employees may be more in control of their schedule leveraging tools that allow employees to bid on shifts.

Unlike early referral service models where retailers would help consumers find a service provider, new models will feature ‘menu-priced services.’ For instance, Amazon Home Services allows customers to connect with background-checked, insured and licensed service professionals for tasks ranging from furniture assembly to yard work. Best Buy’s Geek Squad has more than 20,000 agents who will travel to a customer’s home to help them get the most from their technology products, including home theater systems and appliance set up.
RETHINKING PURPOSE

WHY YOU EXIST WILL BECOME CLEAR
Massive changes in information flow, technology and communication, redefined customer expectations and the ubiquity of points of influence and sale, offer a ripe opportunity for retailers to serve a purpose in consumers’ lives (and do it well).

Retailers with purpose can become the trusted partner to deliver what a customer wants. But what do they want? A woman is not just looking to buy a dress—she wants to look beautiful. A trusted retailer can offer products, and also styling services, to help her look her best. The millennial might not be looking to decorate their apartment—they want to create a connected home that makes use of emerging technologies. A trusted retailer can share advice on how to maximize the space and use technology to its full potential while delivering an aesthetic—form and function.

To make all of this happen, there must be alignment between the company’s offering and the consumer’s desire. Make that connection by asking the right questions.

WHAT IS MY CUSTOMER’S TRUE PURPOSE?
This is not what they want to buy; it is what they desire.

WHICH OFFERINGS WILL SERVE THAT PURPOSE?
Determine the right mix of products, partners and services to fulfill customers’ desires.

HOW DO I SERVE THIS PURPOSE?
Explore engagement platforms, ecosystem partners, intelligent agents and predictive automation.

In the end, your company’s purpose will inform decisions about how and what you sell, how you compete and how you operate. A well-defined purpose is a magnet that leads customers to obtain what they desire from someone they trust. More important than buying from you, they will buy into you.
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