PERVERSIVE INTELLIGENCE
Finding purpose for the digital age of retail
HAVING FACED CONSTANT DISRUPTION from the digital pure-plays for the past decade, traditional retailers are now upping their game.

As they do, they’re rediscovering an essential attribute: their purpose. That clearly defined purpose differentiates a retailer. It determines how they offer, sell and operate. To achieve it, successful retailers are harnessing the benefits of advanced technologies to maximize operational efficiency. At the same time, they’re experimenting with new forms of engagement and in-store interactions to deliver more immersive, unique and compelling customer experiences. The most successful are creating a new blended retail proposition, which takes the best of the digital and the physical and mixes them to forge powerful and much stronger connections with their customers. In doing so they are making a clear declaration of who they are, and what they are here to do—and that customers can trust them to provide not simply what they want, but what they desire.

This year’s Accenture Technology Vision reflects this new imperative. As technology extends deeper into everyday lives, it shows how leading companies in every industry are moving beyond providing products and services. Instead, they are applying technology to create deeper, more meaningful relationships with people. They are creating new affiliations with businesses across industries who share their vision and mission. And they are using these new partnerships to invent new products and services that meet the goals of their customers and employees and, in doing so, are achieving new levels of growth and differentiation.

The five trends in this year’s Technology Vision will each have critical implications for retailers. We examine them below in the context of today’s (and tomorrow’s) fast-changing retail landscape.
EXTENDED REALITY
Digital-Physical: Stores Fight Back
One thing’s for sure: bricks and mortar stores will in general become smaller and fewer in number. But as they become more connected and digitized, they’ll also become much more impactful. And to that end, we’re seeing numerous investments that are driving physical-digital synergies to offer unique in-store experiences.

For example, the flagship Tommy Hilfiger store in London offers “magic” mirrors that enable customers to try on garments, find out more about them and even order different looks and sizes—all from within the changing-room. Meanwhile, The Gap has introduced its customers to a digital dressing room that allows customers to try on garments—without even stepping into the store.

Displays are getting smarter too. Digital shelf-edges offer dynamic and engaging information and messages to customers to enhance their shopping experience. Image and video analytics are being deployed to understand customer journeys in stores, target promotions at relevant points and organize shop-staff to maximize their effectiveness.

And so are checkouts. Instead of having to wait for sales assistants to serve them, customers in some stores are now able to check out digitally, regardless of the cost of the purchase. For example, Zara has introduced self-checkout stations at a new 65,000-square-foot store in Madrid, its largest store in the world. And Rebecca Minkoff’s flagship store in New York lets customers buy anything from US$200 handbags to US$1,500 jackets on their own, without dealing with a sales associate.

And in China, Alibaba-developed technology is enabling diners in Kentucky Fried Chicken to pay for their meal using facial recognition.

Introducing digital technology to physical stores can also assume more tangible qualities. For instance, in the San Francisco Bay Area, hardware retailer Lowe’s is rolling out a customer-helping robot into the aisles of 11 stores. And convenience store chain 7-eleven became the first US retailer to pilot drone delivery, with a trial that dispatched orders via drone to customers from one of its Reno stores.

Collectively, these developments tie directly to two of the trends in this year’s Technology Vision. First, “Extended Reality”, which recognizes how virtual and augmented reality technologies are removing the distance between people, information, and experiences, transforming the ways people live and work. The other trend, “Internet of Thinking” reflects how businesses are making big bets on intelligent environments via robotics, AI and immersive experiences. Bringing these intelligent environments to life means extending their infrastructures into the dynamic, real-world environments they want to reach.
CITIZEN AI
Headless Commerce: Shopping in an Online/Offline World
As the divide between physical and digital retail environments continues to blur and, in many senses, disappear altogether, separating form from function will become increasingly important.

In order to accommodate this integrated marketplace, digital commerce architectures will have to undergo substantial change. High-value/low-volume retailers will gravitate toward pre-integrated SaaS models. But on the other hand, high-volume, relatively lower-value retailers will move toward a “headless” architecture, built like a platform to address ubiquitous commerce. We’ll see open-source solutions being widely used by the larger retailers as they address this platform imperative.

This reflects a shift where point of sale is becoming “point of service”, with every touchpoint cognizant of price, promotions, inventory, ATP, customers and more. That means next-generation point of service will be tightly integrated with shared platforms between online and offline, delivering seamless movement across shopping cart, history, transactions and returns. AI will be fundamental to achieving this capability, where any product or service is available to any customer on any device...at any time. It’s AI’s power to manage the vast amounts of data needed to achieve this level of personalization that will be decisive.

For example, high-end retailer Neiman Marcus* gives its sales associates an AI-powered device that enables them to extend their personal knowledge of customers beyond a level that any human could manage. By bringing together every data-point on each customer, and putting this resource literally into the hands of the sales associate, the store is reinventing personal service for the digital age.

And behind the scenes, AI is having a dramatic impact too. It’s not simply applying it to interpret customer intent (e.g. through image recognition and voice recognition), but also using AI to make arduous and repetitive tasks easier (for example, in merchandising, procurement, HR, finance and other functions). It can be put to work to optimize demand generation and traffic. For example, US supermarket group Harps is using AI to identify the success of specific advertisements that it places for products and trace the campaigns’ effectiveness directly to the shopper’s basket. Longer term, AI will fundamentally reimagine and rebuild the organization around unprecedented insight into performance, such as revenue per employee, and regional revenue management.

The ability to create an increasingly personalized and targeted retail experience hinges on the judicious and sensitive handling of AI’s potential—and the data that’s used to train and feed it. There’s a clear dividing line between smart, savvy and cool, on the one hand, and intrusive and creepy on the other. And that division speaks to another of the trends in this year’s Technology Vision, “Citizen AI”: the importance of training AI to operate as a responsible member of the team (and of society at large).
FRICTIONLESS BUSINESS
Moving to the New IT
To succeed in this digital era, retailers need to behave more like tech companies. That means a shift in how IT is organized—from funding projects to funding products. How can they do that?

The key is to incorporate Agile methodologies at enterprise scale (e.g. SAFe), develop multi-modal IT that evolves systems of engagement and systems of records at different speeds, and make full use of DevOps and the cloud.

As they make this shift, we’ll increasingly see retailers focus on delivering “solutions” via their products. Built on common “platforms”—like Amazon home services, Best Buy, Campbells MyHabit and so on—it’s all about the ability to play confidently in the spaces others have already developed. But to do so successfully requires a very different approach to technical architecture.

Replacing the historic wholesale business model architecture now widely relied upon, we’ll see high adoption of serverless computing and microservices to help create the flexible and responsive integration that digital retail demands.

It’s an imperative recognized in another trend in this year’s Accenture Technology Vision, “Frictionless Business”. Technology-driven partnerships are the new-new to drive growth in today’s digital economy. And because legacy business systems weren’t built to support these tech-driven partnerships at scale, internal transformations and adoption of new technologies are critical in order for companies to get the most out of these partnerships.

Technology-driven partnerships are the new-new to drive growth in today’s digital economy.
INTERNET OF THINKING
Building Ecosystems
So, what will these new ecosystem partnerships deliver? Capabilities that extend way beyond the current borders of retailers’ operations.

For example, new solutions to the last-mile delivery conundrum, content-sharing at an unprecedented scale, and innovative approaches for combining relevant products and services into whole new customer experiences.

Achieving ecosystem-powered results like this requires a new approach to protecting and sharing information. With notable exceptions like Alibaba and Amazon, few retailers will be able to compete in an integrated marketplace on their own. Instead, teaming with business partners will require them to create exposable services, data and assets that enable them to fully and seamlessly engage and compete in ecosystems.

Many ecosystem partnerships are business oriented yet need technology like APIs and microservices architectures to pull them off. Kohl’s, for example, already partners with Whole Foods, now part of Amazon and accepts Amazon returns. Kohl’s further announced that it is looking for grocery and convenient store retail partnerships to co-locate and drive traffic.10

Intelligent, connected devices open up many possibilities for technology to help improve operational efficiencies in the store. Kroger, for example, announced that they will be rolling out their digital shelf-edge technology to nearly 200 stores in 2018.11 These shelf-strip sized displays can automate price changes, personalize recommendations to consumers and help in plan-o-gramming compliance.

Developments like these correlate strongly to the Internet of Thinking trend in this year’s Technology Vision which explains how robotics, immersive reality, artificial intelligence and connected devices are bringing a new level of technological sophistication to the physical world and delivering intelligence everywhere.
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