Leading from the front

Digital Reinvention^{TM} in retail

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A series of macro trends are impacting the retail industry

Retail industry continues to rebalance sales between digital and the store

Consumer behavior

Increased expectations and power
Multi-generational
Hyper-fragmented
Always on; Mobile-first
Active and involved
Services > goods

Technology

Device proliferation
Platform + apps
Cloud / SaaS delivery
Analytics focused
Cognitive / AI / IoT
Omni-present

Competition

Industry convergence
Low barriers to entry
Brand value
Products/stores to solutions
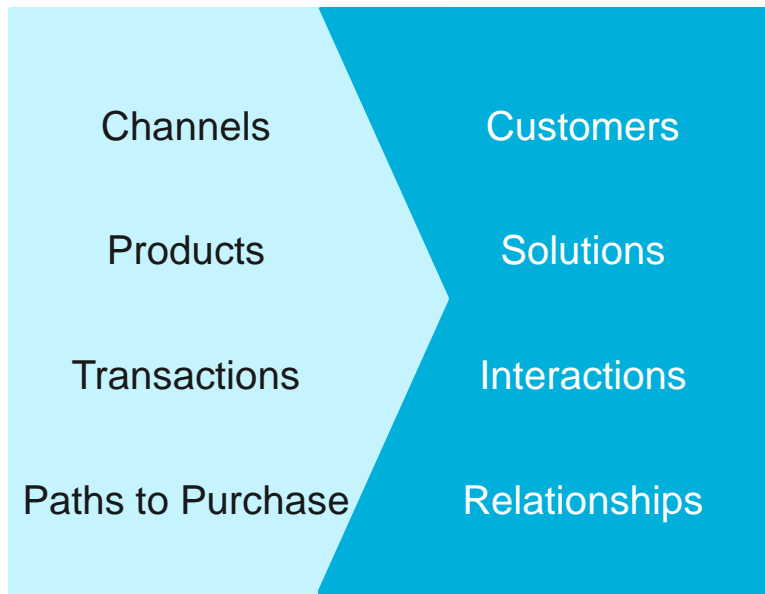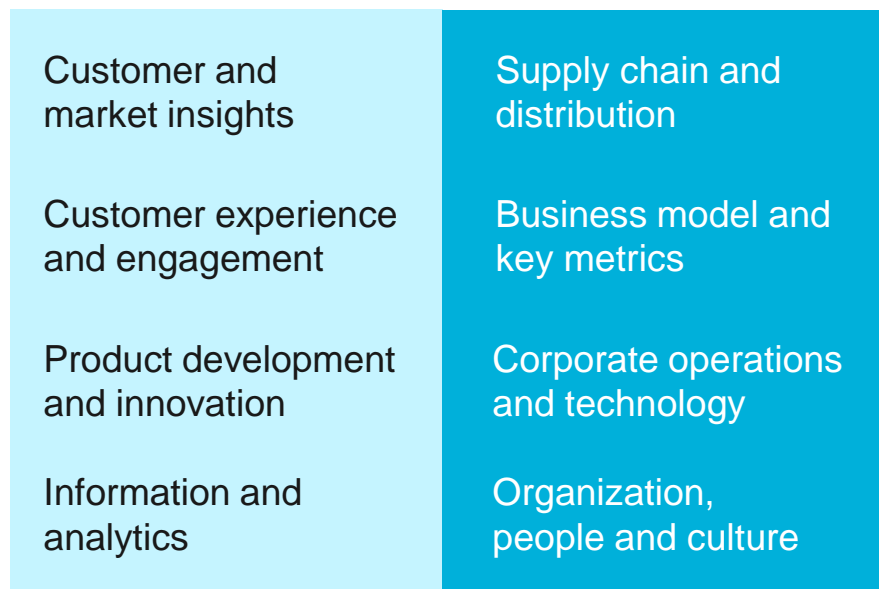Traditional vs. disruptive

Macro-economic and demographics

Generational shifts
Secular stagnation
Income inequality
Globalization backlash
Frequent "jolts"
Regulatory uncertainty

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To survive, today's retailers need to adapt to post-channel era business models and focus on new capabilities

Changing focus

Channels	Customers
Products	Solutions
Transactions	Interactions
Paths to Purchase	Relationships

Improved capabilities

Customer and market insights	Supply chain and distribution
Customer experience and engagement	Business model and key metrics
Product development and innovation	Corporate operations and technology
Information and analytics	Organization, people and culture

Digital Reinvention will underpin these initiatives

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A Digitally Reinvented enterprise offers customers superior experience; customers are at the heart of business

Reinvention of value chain

Digitally integrated store
Mobile commerce
Fragmentation
New ecosystem emergence

Frictionless, seamless shopping experience

Superior CX capabilities regardless of channel
Customer in control
Customer-centric mobile first design

Engage customers in context

Individually-tailored marketing messages
Beyond transaction
Lifestyle & life stage
Co-creation & collaboration

Innovate, transform, experiment with value add technology

Focus on technologies that add value to target customers
Cognitive, Cloud, IoT, AR, VR etc.
Agility and speed to market

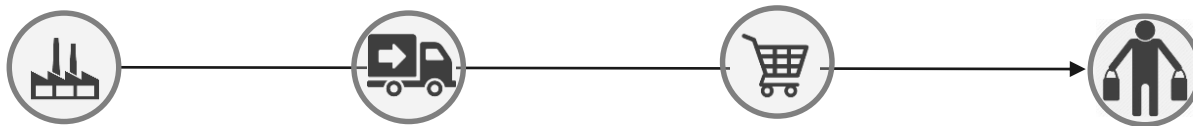## Protect and leverage customer data

Customer preferences
Social media
Customer transaction & browsing history
Safeguards and transparency

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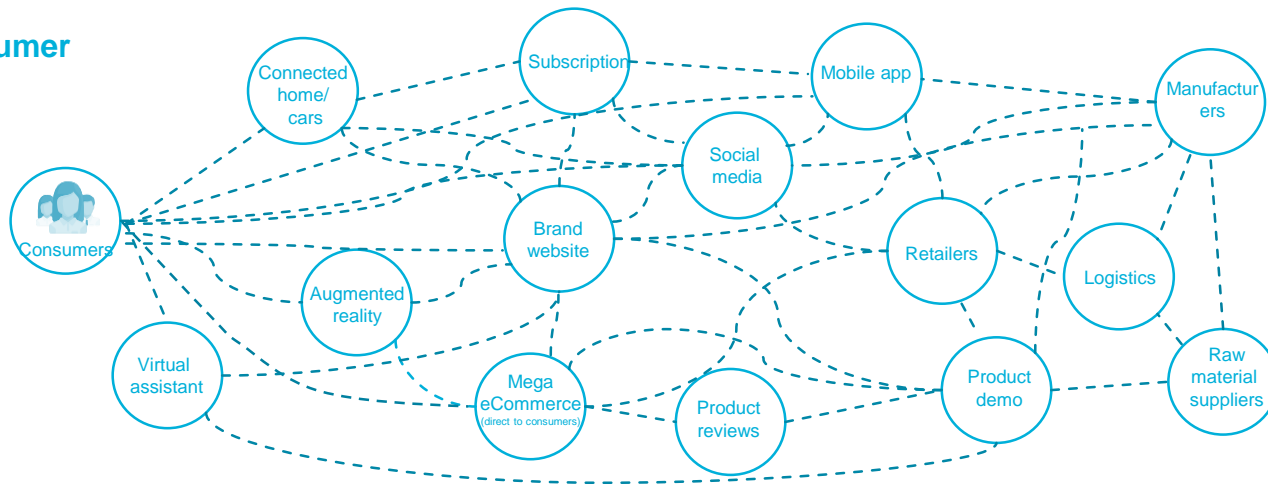https://www.youtube.com/watch?v=6B6cIavmGVA&t=6s

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New business models are displacing traditional paradigms and continue to transform as customer choices evolve

Traditional consumer value chain

Emerging consumer value chain

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Disruption across the consumer industry is forcing a move from a linear value chain to a consumer-driven ecosystem

Today's consumer value chain

Illustrative

1. Consumer preferences are changing and expectations are increasing

2. Value chain roles are blurring

3. New entrants are increasing competitive intensity

4. Transformative technologies enable entirely new business models

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The last, best **experience**
that **anyone** has **anywhere**
becomes the **minimum expectation**
for the experience they want **everywhere**.

Your youngest customers – Generation Z

Fundamentals still matter the most

Products need to be available and in stock
68%

High quality matters most when choosing a brand
66%

Good value for their money
66%

Gen Z has a completely different shopping preference from millennials – and it's good news for retail
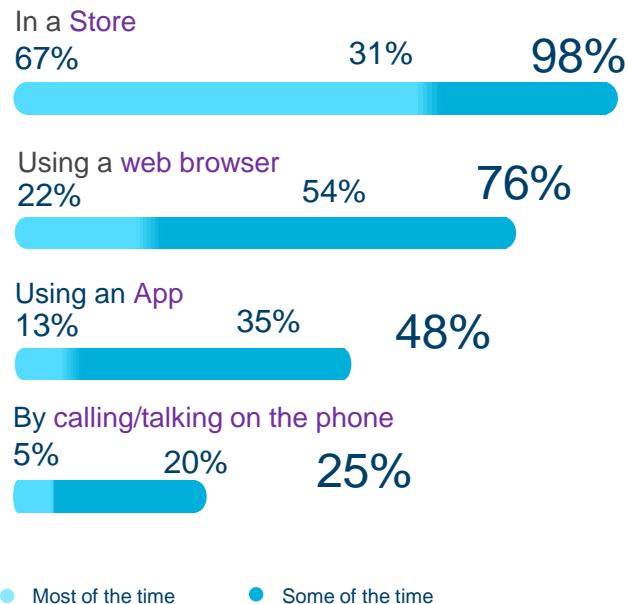
Dennis Green ✉ 🐦
🕐 9h 🔥 2,407

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How do you typically make your purchases?

In a Store
67%   31%   **98%**

Using a web browser
22%   54%   **76%**

Using an App
13%   35%   **48%**

By calling/talking on the phone
5%   20%   **25%**

● Most of the time   ● Some of the time

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Your youngest customers – Generation Z

Expects a Frictionless Experience
Gen Z **doesn't have patience for technology that doesn't perform**

Will not use apps or websites that are hard to navigate
62%

Will not use apps or websites that are too slow to load
60%

Frequently use more than one device at a time
60%

What information are you comfortable sharing?

Willing to share purchase history
62%

Willing to share contact history
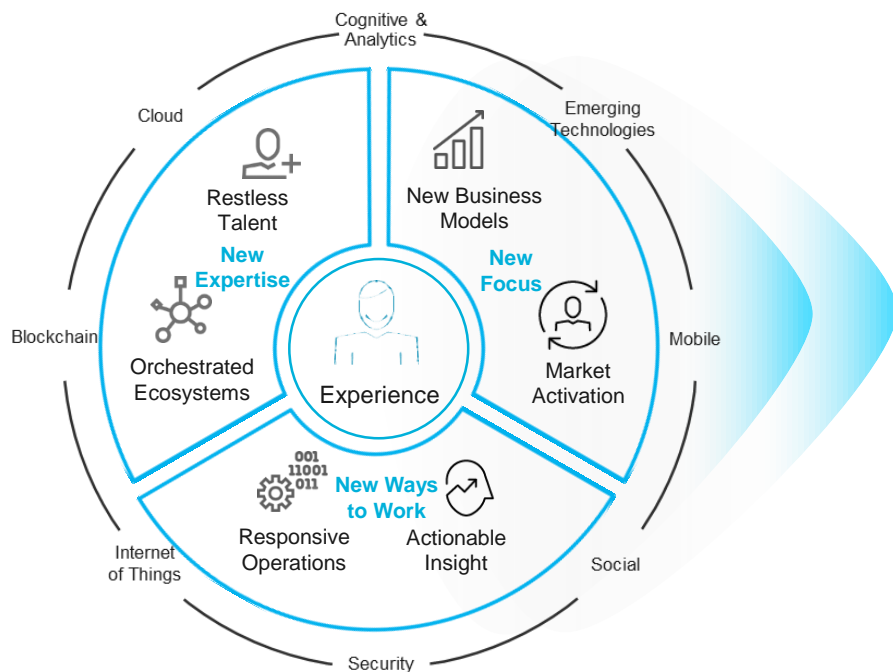42%

Willing to share location information
27%

Willing to share payment information
18%

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Digital Reinvention enables deeper, more compelling experiences

What to do: Organizations embrace new a focus, founded on new expertise and new ways of working

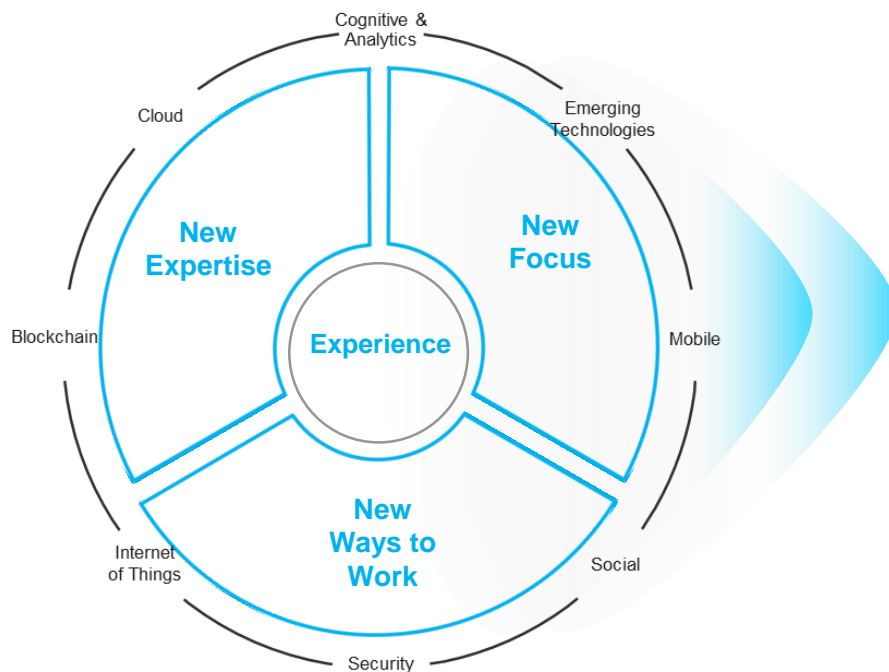
**What to do
Embrace digital drivers**

New focus: Employ advanced analytics across organization and build new business models

New expertise: Build the right talent for an agile and innovative organization and actively participates in ecosystems

New ways to work: Digitize product, services and processes across organization and employ design driven innovation

New experiences: Create experiences that customers desire and want

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How to make it happen

Cognitive & Analytics

Cloud

Emerging Technologies

New Expertise

New Focus

Blockchain

Experience

Mobile

Internet of Things

New Ways to Work

Social

Security

How to make it happen

Envision: Use design thinking to understand customers, brainstorming ideas and visualizing scenarios

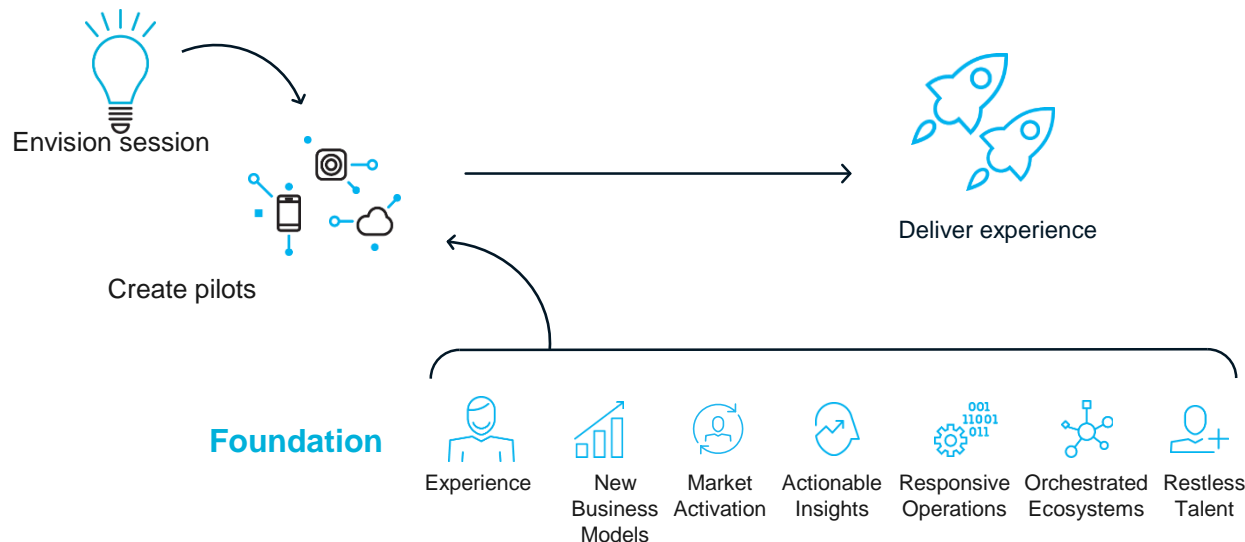**Create**: Create prototypes using agile development, test them with customers, and get them to market

Deepen: Augment capabilities and continue to build and deploy applications aligned to the target operating model and ecosystem strategy

Orchestrate: Build a robust team to guide the program, and ensure embrace of holistic reinvention, not a series of point solutions

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Create pilots and build a foundation of capabilities based on Digital Reinvention drivers

How to do: *create*

Envision session

Create pilots

Deliver experience

Foundation

Experience

New Business Models

Market Activation

Actionable Insights

Responsive Operations

Orchestrated Ecosystems

Restless Talent

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Digital Reinvention needs a long-term program of many innovations and launches

How to do: *deepen*

Orchestration

Envision — E1 — E2 — E3

Create

Foundation — Experience — New Business Models — Market Activation — Actionable Insights — Responsive Operations — Orchestrated Ecosystems — Restless Talent

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https://www.youtube.com/watch?v=QMmpYK9U4zY

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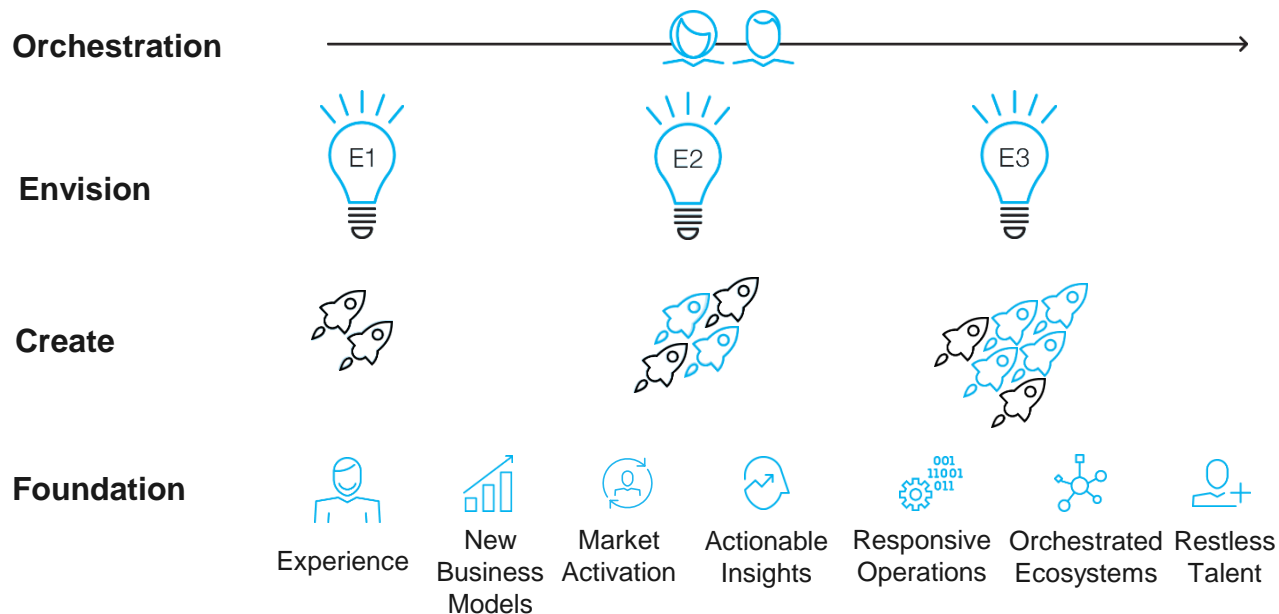
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