

BY JOE SKORUPA

UNIFIED COMMERCE GAME PLAN

The best defense in retail is a good offense that leads to digital transformation

Retailers are feeling battle weary as competitive pressure grows and changes in consumer shopping patterns complicate pathways to profitable growth. Retailers who have not steadily and intelligently invested in transforming their business models in recent years are making headlines today by closing hundreds of underperforming stores (the most store closures since the Great Recession).

Clearly, retailers are facing enormous challenges and some will not survive the head winds, but for those who create shopping experiences that satisfy the customer's evolving expectations the opportunities are equally immense. To seize these opportunities, the first step a retailer must take is to stop playing defense, stop playing catch up, stop reacting to one shift after another in an endless loop that pushes the needle no further than it is today.

The best defense is a good offense, and the best offense in the context of the retail marketplace today is based on a unified commerce game plan, one that includes a two-pronged approach to digital transformation. This two-pronged approach consists of: 1. Consolidation of core databases into single versions of the truth; and 2. Presenting a seamless shopping experience to customers who surf between channels and inadvertently uncover glitches that retailers have baked into their siloed systems.

Mr. CIO, Tear Down Those Siloes

Similar to President Reagan's message delivered at the Brandenburg Gate in the 1980s (well, sort of), it is time for retailers to tear down the multi-channel siloes that were erected many years ago but now act like barriers to rolling out important omnichannel advancements. ("Mr. Gorbachev: Tear down this wall!" declared President Reagan in a historic moment near the end of the Cold War, for those needing a reference.)

Recalling President Reagan in this context may be overstating the case, but consider this: only about half of retailers say they have shifted away from a siloed tech stack architecture for their back-end systems (52%) and customer-facing systems (53%). (This shift is defined as having mostly consolidated databases with at least one unified software platform to manage a core retail function, i.e. merchandising, transactions/order management, supply chain, CRM/customer pro-

Figure 1

Status of enterprise systems (back-end) and customer-facing systems from a unified commerce perspective

	Mostly siloed tech stacks	Mostly siloed with some database consolidation	Mostly consolidated databases with at least one unified software platform	Mostly consolidated databases with many unified software platforms
Enterprise/back-end systems	12%	33%	52%	3%
Customer-facing systems	19%	28%	53%	0%

Figure 2

How did your company build its current multichannel business model?

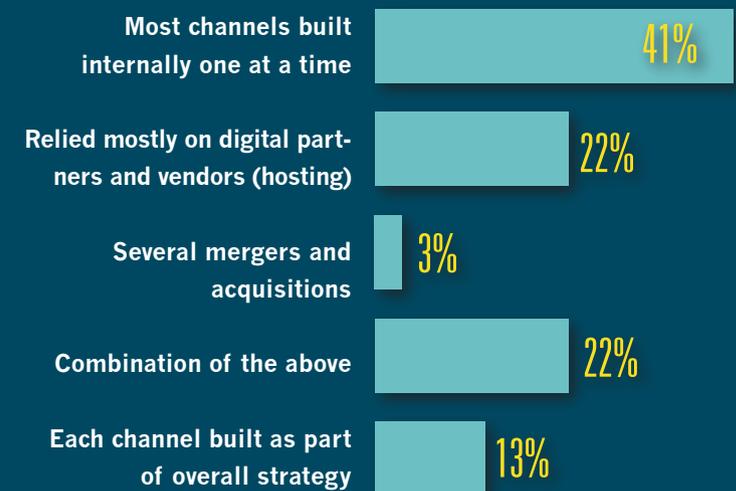


Figure 3

Approach to a unified commerce strategy in your organization

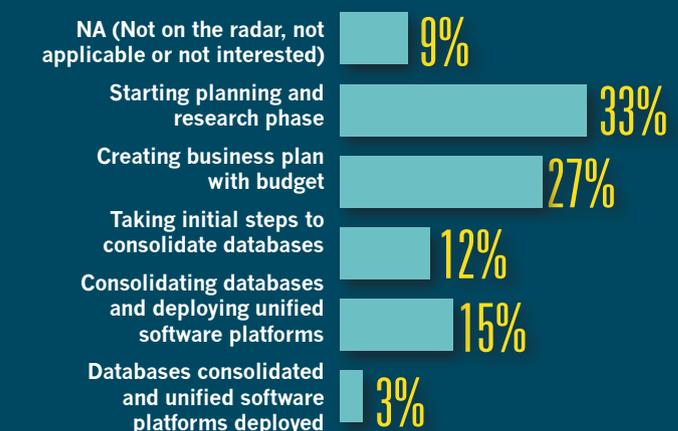


Figure 4

Amount of retail technology budget going toward cloud-based model today and in 2020 as unified commerce is rolled out

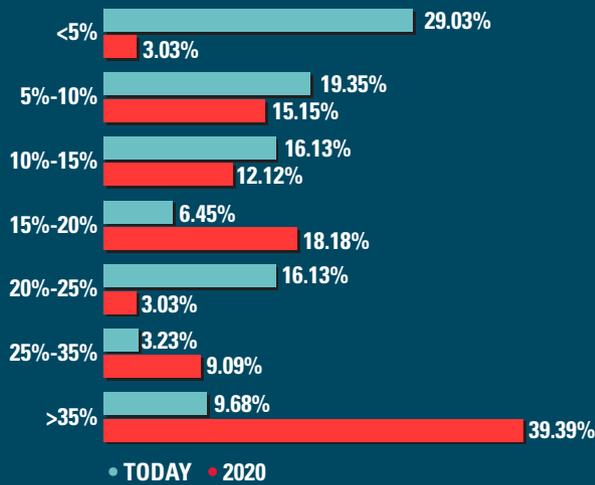


Figure 5

Top goals/objectives for shifting to a unified commerce strategy

1. Implement buy online, pickup/return in store	46%
2. Real-time customer history/profiles	46%
3. Support personalized marketing capabilities	39%
4. Real-time inventory visibility	36%
5. Support fulfilling online orders from stores	33%
6. Support omnichannel marketing/promotions	33%
7. Personalized marketing to shoppers	33%
8. Real-time order visibility	21%
9. Support omnichannel merchandise assortment planning	21%
10. Aggregating omnichannel analytics to improve planning and operations	15%

Figure 6

2X

More Cloud-Based Software in 2020

Retailer IT budgets for cloud-based software will double from 10% now to 20% in 2020 as unified commerce expands throughout the tech stack.

Figure 7

82%

More than 4 out of 5 retailers believe stores will be better supported to grow sales when unified commerce is fully implemented.

DIGITAL TRANSFORMATION LEADS TO OMNICHANNEL SUCCESS

As shoppers traverse web, mobile and store, leveraging engagements is essential for omnichannel success. To deliver this 360-degree shopping experience, retailers need a digital transformation strategy for technology and business process change. However, gaining support and funding for a true omnichannel solution is one of the most prominent challenges in retail today.

Understanding key differences between cross-, multi- and omnichannel is critical for positioning and preparing an organization to attain omnichannel success. Boards demand a clear path that demonstrates a return on retail operations from sizable investments required to reach omnichannel-business and technology integration. The value proposition should focus on business results, including:

- Lower cost of customer retention vs. acquisition
- Higher basket totals, increased margins and sales
- Improved operational efficiency and workforce optimization
- Improved marketing, merchandising and business strategy with multidirectional data-sharing

Multidirectional movement of information is key for store associates accessing the buyer's journey—from research on the web to building a basket or wish list in mobile—to drive retention, loyalty and sales with personalized product recommendations. Sharing this information across channels improves overall business operations and garners relevance among digitally focused millennial shoppers.

The cloud-based OneView Digital Store Platform provides a comprehensive view of customers, orders, inventory, product details and reviews while enabling multidirectional data flows that define omnichannel success. The platform extends POS capability to ensure the right device, in the right place at the right time – fixed, mobile, customer apps and more.

For more information: www.oneviewcommerce.com



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files, etc.). Clearly siloed walls remain impediments for many retailers. (See Figure 1.)

However, it is understandable why they were originally built. More than two fifths (41%) of retailers say their current multichannel business was built internally one channel at a time. First there was the dot-com boom and then m-commerce and then social selling and then flash sales and subscriptions and affiliate partners and so forth with more to come. Ultimately, the tech stack consisted of so many siloes it became a difficult IT challenge to manage. Only 13% of retailers say there were fortunate enough to build each channel as part of a comprehensive omnichannel strategy. (See Figure 2.)

Why Unified Commerce

Unified commerce is a two-pronged tech strategy that involves consolidation of databases and tightly coupling related applications into interoperable suites for both back-end and customer-facing systems. The term itself is relatively new, but the goal has long been an Nirvana-like vision among retail CIOs. Roughly 30% of retailers say they have already begun taking concrete steps toward achieving some level of unified commerce. This group consists of 12% who say they are currently in the process of consolidating databases, 15% who are currently in the process of both consolidating databases and deploying some software platforms, and 3% who say they have completed most of this work. (See Figure 3.)

A third (33%) say they are in the planning and research phase of their unified commerce strategy and 27% say they have gone one step further by securing budget for their plan. All of this represents a great deal of activity throughout retailing devoted to unified commerce.

One of the key drivers of this IT activity is the relatively recent widespread acceptance of cloud-based software, which is a key enabler of both application integration and the adoption of application platforms. Today, the largest group of retailers (29%) say that less than 5% of their IT budget goes toward cloud-based software, but in 2020 the largest group of retailers (39%) say that more than 35% will go toward cloud-based software. This represents a seismic shift in strategy that bodes well for the creation of a more flexible and less constrained architecture as well as a lifeline for retailers embarking on a unified commerce journey. (See Figure 4.)

Topping the list of goals and objectives for shifting to a unified commerce strategy are implementing buy online pick up/return in store and real-time customer history/profiles. Both tied at 46% on the priority list. Each of these objectives requires the kind of accuracy that can only be achieved by consolidating multiple databases (i.e. supply chain, POS, e-commerce, loyalty program, store systems, etc.) into a single view of the truth. Once this occurs software can be layered on top of consolidated databases and support previously impossible-to-roll-out services and functions. (See Figure 5.)

Figure 8

Top challenges to overcome to achieve a successful transition to unified commerce

Replacing legacy systems	39%
Avoiding complexity for store associates/managers	33%
Aligning execution with strategic vision	33%
Adapting or replacing POS	30%
Finding the right vendor partners	27%
Change management for line-of-business teams	24%
Making business case for ROI	21%
Adapting or replacing order management	18%

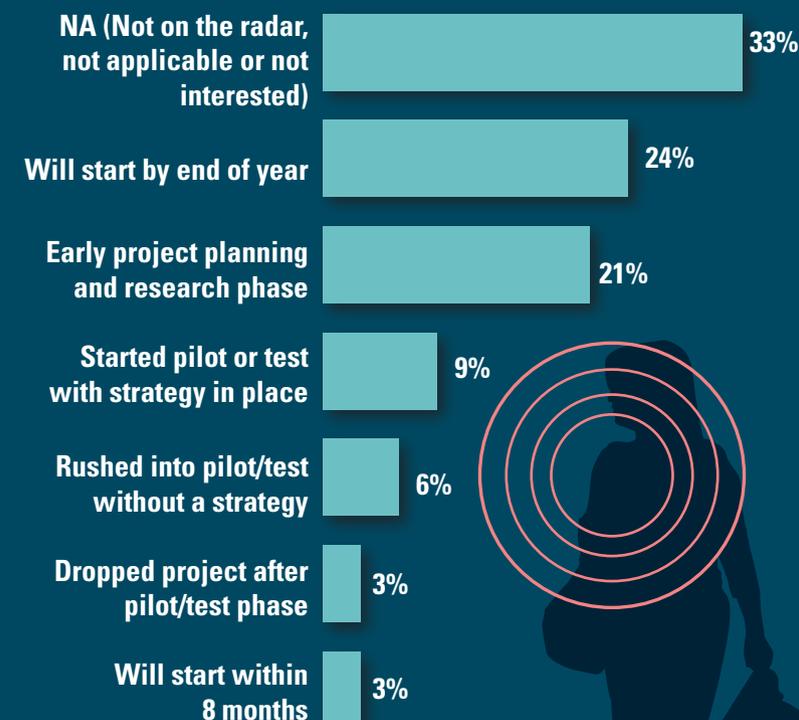
Figure 9

6.1

Commitment to a unified commerce strategy on a 1-10 scale where 1 is the lowest and 10 the highest. This indicates a tepid organizational commitment to unified commerce during this early phase of the transition.

Figure 10

Approach to “offline cookie” technologies that enable real-time shopper tracking and/or communication in stores



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Key Takeaways

Important datapoints in the study reveal several other key findings, including:

- The top challenge that retailers need to overcome to successfully transition to a unified commerce state is to replace legacy systems (39%). Tied for second at 33% are avoiding complexity for store associates and managers and aligning execution with strategic vision. (See Figure 8.)

- Are retailers striving to develop “offline cookie” technologies that enable real-time shopper tracking and communication in stores? The answer is not so much. The biggest group (33%) say it is not on their radar. However, 21% are in the early research and planning phase and 24% plan to start by the end of the year. (See Figure 10.)

- There are so many pieces to the unified commerce puzzle that we wanted to find out which technologies retailers believe are key elements of a unified commerce plan. The top three are POS chosen by 82% followed by inventory management at 79% and e-commerce platforms at 76%. Tied for next highest on the list are three technologies at 58%: shopper profiles/purchase histories, marketing/promotion, and item master data management. (See Figure 11.)

Methodology

This study was conducted during the month of April and only senior executives from national or large regional retailers were invited to participate. The results do not include any store-level, field-level or regional employees. Only headquarters-level staff responses were included.

Conclusions

Retailers who have not steadily and intelligently invested in transforming their businesses in recent years to meet omnichannel expectations face enormous challenges. Their problems are twofold: 1. They are late to the game with features and functions that channel-surfing shoppers want; and 2. They are struggling with an inflexible IT architecture that is built in tech siloes, which hampers visibility into a single version of the truth for many enterprise-class functions as well as the smooth cross-flow of data between applications.

The solution to solving both of these problems is the adoption of a unified commerce IT strategy, which aims to streamline important back-end and customer-facing systems. While it is understandable that retailers began their omnichannel journeys with siloed systems built in tech stacks, the time has come to retire this legacy approach and replace it with a standards-based, platform-based, interoperable architecture.

The allure of the unified commerce approach has been an end-state dream for visionary CIOs for many years, but thanks to the emergence of rock-solid infrastructures and a growing trust in cloud-based solutions the time has come to take decisive action. Leading retailers have already begun making the shift. Laggards are advised not to wait too long to start. **RIS**

Figure 11

Top 10 technologies that are key elements of a unified commerce transition plan

POS	82%
Inventory management	79%
E-Commerce platform	76%
Shopper profiles/purchase history	58%
Marketing/promotion	58%
Item master data management	58%
Distributed order management	39%
Distributed pricing management	36%
Merchandise assortment planning	27%
Distributed content management	9%

Figure 12

What is your organization's annual revenue?

< \$100 million	15%
\$100 million to \$500 million	18%
\$500 million to \$1 billion	30%
\$1 billion to \$2 billion	6%
> \$2 billion	30%



Figure 13

How did your company's sales revenue perform in the last 12 months?

39%
Increased > than 3%

46%
Increased between 0% - 3%

15%
Decreased



Figure 14

What is your primary retail business model?

82%
Brick & mortar stores

18%
Digital (online & mobile)

