

**RETAIL IN
A DIGITALISED
FUTURE**

BCX

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The challenges facing retailing globally are staggering. Retail has always been a competitive business but the rate of change brought on by the pressure to embrace new tech and cater to a new kind of customer (Millennials – born 1980 onwards) is forcing change at an ever increasing pace. The age of Digitalisation is here.

“Multi-channel, omni-channel, mobile, social, showrooming, internet of things, big data, wearables, gamification - the never ending list of trends and innovations reflects the rapid pace of change in the retail industry.”

“Customers are much more choosy, but a lot less brand loyal.”

“New channels are emerging; which retailers must get a handle on or risk losing business.”

Business.com. Top 10 Retail Trends for 2016 December 21, 2015.

It's tough out there and as a retail business one has to make Digitalisation an integral part of one's business. A retail business either embraces the tech advances or quickly goes out of business. We've looked at the key trends and predictions in retail for 2016 and every single one of them involves technology.



Top Retailing Trends and Predictions for 2016

Source: Vend University 2016 Retail trends and predictions

The Millennials and Generation Y

"I think everything will be delivered by air and it will be dropped right in front of your house..." Thuli 12.

That's one of many such quotes to emerge from BCX's recent research amongst Millennials (born 1980 – 2000) and Generation Y (born 2000 onwards). The purpose behind the research was to use the results to illustrate to BCX Customers just how this consumer of the future visualised their future world and the part they saw tech playing in it. The question is, how tuned into the needs and aspirations of this new generation are our retailers and are they ready and willing to embrace digitalisation?

Hardly a week goes by without some game changing technological advancement being blazed across the tech media. Young Thuli's statement is just about to become a reality with Amazon Prime Air. Perhaps he's even read or heard about it? He represents a new generation – a tech savvy and informed generation who embrace and welcome technology. The pull of an eager and demanding new generation and the push of tech advancement.

There's a reason that a retailer (Amazon) is leading the way in drone delivery. Retail is at the cutting edge of embracing these changes and advances because of its ubiquity, it touches almost every part of our lives.

Millennials and Generation Y – Who Are They?

Let's have a look at this generation a little more carefully. All generations have characteristics that define them as different to all preceding generations. The catch here is that the differences that identify these two generations are marked and game changing; think Mark Zuckerberg (Facebook), Kevin Systrom and Mike Krieger (Instagram), David Karp (Tumblr) – all under 35 years old.

This generation was born into a world of technology. They interact with the world in a completely different way to their parents or grandparents. They are the 'digital first' generation and have grown up with computers, email, mobile phones, and the internet as an integral and accepted part of their everyday life. Following on from their footsteps is generation Y (born 2000 onwards). They share many of the tech-focused characteristics of millennials, but they're much more pronounced. While millennials may still remember the early stages of the internet and cellphones, Gen Z will not remember a time before the iPhone or Facebook. Some defining characteristics of these two generations

- They are always-on – connected in some way with some device and at ease with tech.
- They are multi-channel – they can split their attention between their phones, TV, games, computers and importantly from a retail perspective, enjoy multi-channel shopping.
- They are knowledge driven – they have knowledge at their fingertips and they use it.
- They are socially and environmentally conscious – they care about the World and what's on it.
- They live in a virtual world, an augmented world where everything is possible – boundaries no longer are.

1. Retailers will give consumers more payment options. The rise of mobile payments and the EMV mandate in the United States will prod merchants to update their old payment terminals to newer models, which will not only help retailers with compliance and security, but also enable them to accept more payment options.
2. Mobile will play a bigger role in click-and-collect initiatives. Traditional click-and-collect programs typically involve people shopping online then picking up items in-store. In 2016 though, we can expect mobile to play a bigger role in this process.
3. Retailers will unify their online and offline data collection. Since today's consumers go through multiple channels in their path to purchase, collecting and studying data in silos won't cut it anymore. In 2016, more retailers will start analysing online and offline data together. Doing so will give them a more comprehensive picture of their customers' shopping journeys.
4. Merchants will adopt in-store mobile devices. In 2016, we anticipate the continued adoption of mobile devices such as mPOS systems and in-store tablets.
5. Old school loyalty programs are on their way out. Modern consumers still value rewards and promotions, but they don't matter as much anymore. According to a study by MasterCard, only 18% of respondents considered promotions as important. The study also found that "in choosing a retailer, omni-shoppers prioritise value, track record and convenience, over loyalty rewards." This isn't to say that loyalty programs won't be successful in 2016. But it's important to note that simply implementing rewards won't be enough to stay competitive. In the coming months and years, the retailers that will win are those that offer personalised rewards, coupled with great products and convenient buying experiences.
6. Omni-channel shopping will become the norm. A study by MasterCard found that 8 out of 10 consumers now use a computer, smartphone, tablet, or in-store technology while shopping. Forrester also predicts that cross-channel retail sales will reach \$1.8 trillion in the US by 2017. Omni-channel is showing no signs of slowing down, and in order to keep up, retailers – whether they've started in brick and mortar or ecommerce – will need to merge their physical and digital systems to serve omni-shoppers.
7. More retailers will opt for single-view and cloud-based solutions. The days of managing online and offline systems separately will soon be gone, as more retailers switch to single-view retail management systems. Having a single view system across multiple channels is essential to any modern retail strategy. Gaining sales, inventory, and customer visibility across different channels allows merchants to execute their omni-channel initiatives more effectively, so we can expect retailers to adopt more of these systems going forward.
8. Social will grow as part of the omni-channel mix. Social media has been playing a big role in the shopping journey for a while now, and it will continue to do so in 2016 and beyond. We anticipate that more retailers will adopt social selling solutions such as Soldsie (selling through comments) and Like2Buy (user generated content galleries).
9. Stocking up on more merchandise won't cut it anymore. An increasing number of retailers are learning that having more products won't necessarily win over customers. Shoppers these days are already overwhelmed with too many choices, so widening your range can sometimes do more harm than good. This could be one of the reasons why we've seen a rise in subscription services that curate products for customers. Such services make it easier for customers to discover and select products, thus saving them time and preventing decision fatigue.
10. More retailers will look into the Internet of Things to enhance the shopping experience. Mobile devices are just the beginning. In addition to using mPOS systems and in-store tablets, some retailers (particularly larger merchants) will likely look into ways they can leverage the Internet of Things (IoT) in their locations.

How Tech gives the Competitive Edge

One of the stand out examples of a business using tech to gain a competitive edge and appeal to Millennials is Wagamama, a UK based restaurant chain. Ever since its inception in 1992, Wagamama has managed to outperform its competitors through the use of tech to provide a unique and better customer experience – part of its Kaizen culture of continuous improvement.

Wagamama was one of the first UK restaurants to equip staffers with wireless handhelds to take orders and payments. Six years ago, it stayed ahead of the curve with an iPhone app that lets customers find their nearest Wagamama location, browse the menu, and place and collect an order at their chosen site. More recently, it developed the Qkr! mobile app with MasterCard, which allows customers to order additional dishes to their table and pay for them from their iOS or Android phones. The app lets individual customers select only what they ordered when paying, making it easy to split the bill among friends.

Now Wagamama is making its biggest technology investment to date, moving to a cloud-based point-of-sale system, Oracle Hospitality Symphony Cloud Service. This will allow Wagamama to more easily support its expansion worldwide.

Source: Forbes Brand Voice June 2 2016

Digitalisation in the South African Retail Sector

So, we've looked at what's happening internationally and we've described the new customer of the future. Now, what do local retailers have to do in order embrace all of this? What plans and what tech need to be considered and how are they going to go about achieving this?

In the South African context, we know that the incidence of smartphone usage over PCs and laptops is greater than in most other parts of the world owing to its much lower cost barrier to entry for the majority of consumers. It makes sense then to concentrate any consumer-centric tech developments around the smartphone – it's the key retail touch point for the majority of SA consumers (barring brick and mortar physical shopping). Here are just some of the smartphone apps and solutions available to SA retailers:

- **communicating with customers** - promotions, special offers, personalised data-based messages, via existing social media/communications platforms or via bespoke apps developed by the individual retailer;
- **interacting and interfacing** with customers by providing an on-line shopping experience which might include such tech as virtual clothes fitting, colour options, spec options, preview options (video/audio), on-line virtual, real time consultants etc; and
- **in-store** apps where retailer specific apps allow for both customer and shop assistants to access real-time data (stock availability, promotions, product specific info), payment via QR codes, electronic wallets and electronic currency.

The tech, apps and solutions capability for all three of these areas (including much of the tech featured at the beginning of this piece) are available and doable right now. It merely requires the intent of a business and the allocation of resources to make any or all of these technologies an operating reality. Importantly, the costs involved in setting up and activating this tech is relatively low – so much of the required tech and application/solutions resources exist already; multiple networks (Satellite, copper, fibre, Cellular and Wi-Fi), big data, cloud computing, mobility, M2M & IoT, seamless connectivity, Unified Communications and collaboration and more. However, the connectivity, integration, application and management of all these divergent technologies is the real challenge. It's all new territory and ground breaking. How does a retail business, more specifically the CIO go about achieving this kind of Digitalisation integration without having to deal with multiple vendors and the inherent problems of integration and communication that come with it? It's a very real challenge.

How Millennials and Generation Y see the Future of Retail

Finally, to give you a flavour of what this new generation of consumer thinks about the future of retailing, have a look at this small selection of quotes taken from BCX's recent qualitative research. These youngsters are aged between 11–18 years old and come from LSM groups 5–10. They've got a pretty good handle on what to expect.

"You can see like a picture of yourself online and see what the clothes look like on..." Andrew 14

"I think you should be able to shop online or in the store, it depends on your mood or what you feel like doing..." Roxanne 16

"I will get all my information about shopping from Google as Google knows everything!" Sfsio 12

"I'd like retailers to contact me on say... WhatsApp and tell me they've got a special on such and such, cos they know what I buy and so they know what I'll be interested in..." Lethabo 18

"I'd like to shop on online malls so maybe you get rewarded for all your purchases and you don't have to keep logging on and off different shops to see and buy..." Tebello 16

"If I shop on an online mall I can buy and pay for everything together and have it delivered in one shot..." Amahle 16

"I don't think there'll be any cashiers anymore..." Mbali 16

"I think shops should send you information about things that you like buying, like if something you buy is changed or new... they should tell you this." Samantha 18

"I trust my phone, it's my best friend...and technology improves, that's what I'll use it to shop..." Grayden 13

About BCX

BCX is one of Africa's leading premier ICT solutions and service provider with the technology, capability and skills to deliver end-to-end digital solutions for large and medium enterprises in the public and private sectors. BCX leads with an unrivalled ICT solutions embedded on the foundation of unmatched Data Centre and Network Infrastructure and include world class solutions in ICT consulting and digital readiness assessments; a complete range of managed solutions that include both LAN and WAN; unified communications and connectivity solutions. In addition, cloud computing technologies underpinned by best in class security solutions and a host of value added services that include enterprise mobility services and analytics software with a specialised competency in the IOT (Internet of Things) and big data solutions.

BCX is a leader in Service excellence and boasts the largest pool of ICT skills in Africa, unparalleled geographic reach and points of network presence across the continent. Our strategic vendor relationships with leading multinationals enable BCX to deliver best in class solutions across industry verticals with skills and expertise seamlessly deliver integrated services to our customers. BCX is committed to providing ICT solutions that reduce the cost of doing business, increase overall business productivity and empower businesses to use technology as a competitive advantage.

Migrate your business into the digital future – contact thoughtleader@bcx.co.za