Retail in a post-COVID-19 world

How digital can create and shape new customer experiences and power recovery

orange™ **Business Services**

What's next for retail in the new, low-touch digital world?

Retail was already an industry full of challenges: COVID-19 has underlined them. No industry in the world is as heavily influenced by the demands of its consumers, and today's shoppers are the most exacting they have ever been. They demand enriched experiences powered by digital technology to keep them satisfied.

The retail sector has long been in a state of change and disruption and must now factor in the COVID-19 pandemic to its workings. With the world economy displaying strong growth until early 2018, it then shifted: inflation accelerated in major markets, governments altered fiscal policies, and many emerging markets experienced significant currency depreciations, slowing the global economy. The upshot of this for retailers is slower consumer spending growth, higher consumer prices and potentially disrupted global supply chains[1].

Concurrently, the nature of the consumer has changed, with a major shift in global middle classes to Asia and other emerging markets, where consumers now have more disposable income than ever before. By 2020, the bulk of the world's middle class is forecast to move from North America and Europe to Asia Pacific and other emerging markets[2], which will present retailers with both significant new business opportunities and all new business challenges.

Changing dynamics

Real estate costs, one of retailers' traditional main expenses, have been rising, prompting a need for thinking differently. Retailers are looking to rationalize and optimize costly networks of stores and consider new tactics like store-in-a-store, pop-ups, and smaller more accessible customer outlet formats or adaptive rental rates based on generated footfall. And then COVID-19 arrived and forced a rethink of all that.

In addition, the industry is being disrupted by new digital business models, with big e-commerce players and innovative startups creating new business models based around personalization, auto-replenishment, monthly subscriptions, additional service offerings, value chain extensions and more. On top of this, there is a trend for FMCG companies moving towards retail, with some consumer goods manufacturers exploring direct-to-consumer models and blurring the line between retailers and manufacturers.

Furthermore, digital native brands are opening brick and mortar stores at increasing rates, further disrupting the traditional retail landscape, and possibly validating the ongoing relevance of the brick and mortar store in the face of some gloomy outlook predictions. All of these trends still apply, but they have been altered slightly by the impact of COVID-19. It has disrupted plans but retail does not need to throw everything out of the window: just think differently.

The changing shape of the shopper

Consumers will expect a much-altered experience in the post-COVID-19 world. What's changed?

E-commerce has thrived as physical stores were forced to close during global lockdown. Retailers now need to re-think and adapt retail spaces to deliver a safe as well as enjoyable customer experience.

There will be work to do to encourage shoppers back to the high street. 200 million Chinese consumers used online shopping for the first time during COVID-19.

Contactless delivery has been widely introduced in response to COVID-19, changing the game for retailers and food service providers around the world.

The huge rise in digital commerce, especially among new or low-frequency consumers, is likely to continue post-pandemic.

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Key drivers of the new retail industry

Retailers always need to be aware of the latest shifts in their industry and be ready to adapt to them. Now they must factor in COVID-19 disruption. Digital technology is both cause of and solution to continuous evolution of the retail landscape.

Digital is a dominant driver in retail today, with over 5 billion around the world estimated to have mobile devices[3] and internet penetration globally getting to around 60%[4]. The way retailers present products and services to consumers is changing as people adopt new shopping habits and practices, depending on their need and situation. The customer journey is no longer so linear, and more and more purchasing decisions are now being influenced by digital.

According to the GSMA, 71% of the world's population will be using mobile internet by 2025[5], and Deloitte reports that 56 cents out of every retail dollar spent is now being influenced by digital mediums[6]. Retailers must take note and embrace e-commerce more while COVID-19 restrictions remain and consumer behavior changes.

With that in mind, retailers must embrace omnichannel customer communication and re-purpose the physical store. Today's consumer expects companies to communicate and engage with them in real time and on their terms. Research shows that companies with omnichannel strategies retain on average 89% of their customers versus 33% retention rates for those that neglect omnichannel[7]. The industry is being continuously disrupted by new types of retail company boasting new types of business model, such as dark stores and dark restaurants – "ghost" outlets that serve customers through delivery-only or click and collect – developed specifically to serve digital consumers via fulfilment and delivery models.

Shifting consumer habits extend to their purchasing behavior, which is now greatly influenced by much more than 'just' demographics. Circumstances have become a better definer of purchase behaviors. The biggest driver in the retail industry was the increased focus on customer experience ahead of pricing and product, and it still applies, it has just been impacted by COVID-19. Research shows that 80% of consumers are more likely to purchase from a company that offers personalized experiences[8]. Those experiences will just need to be tailored for COVID-19 and then rethought when we emerge from it.

Strategies for success: the changing nature of the retail experience

Retailers now need to think customer journey first, but in the context of COVID-19 and the low-touch economy. Digital can still help them transition to giving customers an enhanced retail experience, but the in-store format will be forced to change as e-commerce continues to grow. How can retailers re-purpose the store to deliver an enjoyable in-store shopping experience while paying due attention to post-COVID-19 requirements?

- Contactless and mobile payments will replace handling cash or touching POS terminal keypads in stores. During the COVID-19 pandemic, 22% of consumers worldwide used digital wallets to buy at least one product in a physical store (Euromonitor).

- New trends emerge: during COVID-19, many customers have tried using new omnichannel approaches, such as buy online, pick up in-store (BOPIS). 56% of consumers have a high intention to continue BOPIS after the pandemic.

- Computer vision and edge computing can help retailers learn from how people shop and react to offers on store shelves.

- Data science can help predict customer demand better so retailers can have less unsold inventory and enjoy better margins.

- Technology-powered stores like Amazon Go outlets are proving the case for a low-touch, safe haven retail outlet model that can work and that supports the customer journey.

- Smart building tech can help too. Shopper safety can be provided by healthmaps, smart HVAC and IoT sensors throughout stores can ensure air quality.

The changing consumer

Today's retailers must address a whole new generation of customers who have much higher expectations. Even in the face of COVID-19, shoppers are now more demanding of both their e-commerce and in-store experiences, but they also have feelings of trepidation.

They are more expectant in that today they value convenience and personalization, meaning retailers need to offer experiences that go far beyond "just" shopping. Research has shown that as many as 83% of shoppers now not only want but expect a tailored, digital retail experience[9]. But this must be underpinned by trust, too. Expectations have changed in as much as shoppers expect retailers to take precautions in store to protect them, post-COVID-19. They also expect to be kept informed about store safety, so retailers must keep websites and social channels up to date with the latest health details and offer a helpline where shoppers can ask any questions.

Consumers now trust their peers more than ever too, with shoppers utilizing their social networks to find inspiration for purchases. Today, 84% of consumers[10] trust online peer reviews as much as direct recommendations from friends. Your customers are better informed too, meaning shoppers now value brand authenticity and transparency across the value chain – and are prepared to spend more with retailers they trust. Consumers also have more choice than ever, and they know this. They take time to compare prices and deals and experiences between multiple offline and online retailers

before they commit to making a purchase. Social media also means that your customers have more of a voice than ever, and they are prepared to use it. Consumer opinions and reviews are amplified, giving negative experiences a real potential to damage your brand reputation.

Showcasing is another tactic that can attract consumers, whereby retailers utilize brick and mortar stores to promote products in physical environments that customers subsequently purchase online. Showcasing can have an adverse effect on brick and mortar business, but equally it can work out for retailers, with companies like Samsung and Apple paying to place their products in a showcase environment, and have them promoted on e-commerce sites, they keep their costs down; operational costs are carried by the retailer, and the profits go to the e-commerce sites. Showcasing will evolve, and retailers will become "specialized square meters" for vendors who want to sell products via knowledgeable sales staff and in an environment in which customers will enjoy browsing and spending time. All of this applies today as we emerge through the COVID-19 pandemic and will apply increasingly as we return to a new normal post-COVID-19.

Strategies for success: customer-centricity

What tools are required to focus on customer-centricity and a superior omnichannel shopping experience?

First you need to integrate customer relationship management (CRM) tools with existing operations. This will give sales staff and support agents a unified view of every customer and their interactions with you. An omnichannel strategy that incorporates multichannel digital communications and offline customer engagements makes the experience richer.

Data is a key element of customer-centricity, helps retailers better understand buying behaviors and customer preferences. Retailers must have proper data architectures in place and begin using data to inform business decision-making effectively. To aid this, machine learning and artificial intelligence will play growing roles in augmenting the processing and supporting the decision-making process.

The rise of e-commerce and the social media imperative

E-commerce continues to grow market share in relation to traditional retail, and by the end of July more consumers were shopping online than at the height of the COVID-19 pandemic. At the same time, the growth of social media as an influencer and advertising mechanism has been profound and made it a central element of retail strategy.

The e-commerce share of global retail will be 17.5% by 2021 vs 10% in 2018[11] (Forrester)

E-commerce subscriptions have grown rapidly since 2010, from $57 million in sales to over $2.6 billion by 2016[12]

90% of consumers try to reach out to brands on social media, which underlines the importance of consistent social media interactions[13]

The unified channel experience

Unified channel is the next level of reinvention of customer experience in retail. Companies like WeChat in China are giving access to a variety of services including chat, payments, promotions, price comparison and more all through one single social media app.

Choosing teams for the digital retail era

Retailers now face additional challenges in terms of workforce and skills, particularly as they seek to bounce back post-COVID-19. The right people and the right reskilling can prepare retailers for driving future growth.

In 2018, average employee turnover for all industries in the US was around 15%, while the rate for retail was slightly above 60%[14]. This equates to more than 230 million days of lost productivity through unfilled positions and $19 billion in HR costs. Retailers face the challenge of attracting, retaining and developing the right talents in an era where they are also faced with competition from global e-commerce giants as well as traditional competitors and other industries to recruit digital talents, particularly among millennials. This presents retailers with a significant skills gap to overcome. Furthermore, retail staff will need to be able to do more.

Transforming the role of the retail worker

As retailers continue to transform post-COVID-19, retailers will need to be able to do more for the business. Before COVID-19, retail agents already had a need to be able to capture, categorize and analyze contact center data and turn it into actionable insights and shared intelligence.

Further to that, retailers responding to COVID-19 will now need to make workers more multitasking, as they will need to be able to handle more: a different type of retail business needs workers to be able to manage returns, in-store activities and more. They need to be re-trained around the new model of store concept: less about the personalized advisor due to social distancing, more about providing customers with reassurance and trust and to ensure safety.

Strategies for success: the adapted workforce

Success in retail isn't just about digital transformation: and post-COVID-19 it will be about much more. Traditional ways of working will have to change, and employees must now become more than just "retail staff": an enriched retail experience for customers now needs to adapt to customer requirements, and that means safety, trust and security as well as a more personalized relationship with retail agents and staff.

The traditional brick and mortar store will be reinvented as we more forward from COVID-19, and there will be dramatic changes in the ways in-store employees and customers interact. Workers will need access to applications that help them serve customers better, accessible from anywhere through secure mobile terminals: it could be CRM software, inventory management, order management, unified communications and collaboration (UCC) tools, and more. But beyond that, they will also be charged with controlling the number of customers in the store at the same time, they'll have to provide up to date information to customers and optimize the waiting experience. 3D sensors, interactive displays, and queue management solutions can all empower them.

Putting the focus on agility

Agility will be more important than ever for retailers moving forward. While technology advances can potentially create more pain points, and COVID-19 forces a rethink of so many areas of the business, being agile and flexible lets you turn these challenges into opportunities.

Consumers today can easily check to see if a retailer's online prices are different from in-store deals. And in the era of COVID-19, if mobile payments are not available, shoppers will simply choose to go somewhere else. If your personalization algorithm gives consumers mismatched products or services, they will be disappointed. With this in mind it is vital to address problems as soon as they happen. Retailers need the agility to respond immediately, which requires their organization to be flexible, collaborative and not locked into silos.

The need for agility is emphasized by other retail trends and drivers: e-commerce is the fastest growing retail market in Europe and North America, and retailers need to be able to deliver high-quality products with valuable features faster to compete with new entrants.

Consumer expectation levels mean retailers must be able to innovate at speed and scale, and they also need a strong base and infrastructure on which to build the customer-centric approach: you can't just implement new systems or apps to add to your unified offering without first ensuring the right infrastructure is in place to support them.

For example, can you support digital experiences in-store such as in-store ordering or virtual fitting rooms? Can your staff access the data they need to deliver personalized value to customers? Without the right infrastructure in place, your customer-centric approach will not drive agility and it could even cause systems to under-deliver and reduce sales. The digitally fittest retailers will be those best set to adapt: the more information and data they have, the faster they can change the ways they operate.

Strategies for success: flexible IT and infrastructure to power retail forward

Retailers need to use digital technologies and tools to achieve business goals and reach strategic targets and to do that means moving fast towards a smart, scalable infrastructure that is aligned to business needs.

- **Gain advantages over competitors:** new products and services keep your retail offering fresh. Innovation projects and creative thinking workshops from Orange Consultants can help; customer intelligence can enable a 360-degree view of all customer interactions and drive better understanding of changing customer expectations, helping you give them more relevant products and enable faster time to market. This all creates a competitive advantage powered by seamless integration across departments and interoperability of business applications.

- **Improve customer experience (CX):** retailers need to target top line revenues through driving increased sales, and CX is the new competitive battleground. Retailers can drive improved customer retention and loyalty through CX. This can be done by offering a seamless, omnichannel experience that leverages Orange contact center solutions, chatbots, Artificial Intelligence (AI) and other automation solutions.

- **Streamline operations:** high-performing data-driven operations help deliver great CX. It requires integration of distribution channels, both online and offline, and functions, such as marketing, customer service, purchasing, logistics and back office functions.

- **Control costs:** Orange capabilities as an end-to-end integrator and Multisourcing Service Integrator (MSI) help simplify the management of your technology suppliers while giving you greater control of costs without harming performance of critical IT and business applications.

The technologies:

- **Agility and fast exchange of data between business applications:** a well-orchestrated cloud infrastructure gives retailers the foundation on which to change business models quickly and cost-effectively and then enjoy the flexibility and agility to address changing consumer demands. Cloud platforms and services help you simplify development and deployment of e-commerce platforms to enhance end-user experiences. Cloud services that drive customer-centricity are set to be worth $20.5 billion by 2021.

- **Support time-critical operations with SDN technology:** SD-WAN is vital for addressing the enriched data-driven customer journey, where more varied applications married to IoT growth is increasing demand on retailers' networks. SD-WAN is perfectly suited to retail - it is agile, simplifies branch office networking and ensures application performance. It can power real-time updates where retailers need a flexible high-performance network to connect locations to cloud applications and enable real-time price comparisons and stock updates.

- **Ensure infrastructure, assets and data integrity and privacy:** in 2018 retail was the industry most at risk from cyber threats. There have been retail data breaches, customer data held to ransom and payment details hacked, all major concerns for retailers. As such every aspect of retail infrastructure must be underpinned by world class cybersecurity tools that ensure infrastructure, assets and data integrity while also assuring customers that their privacy is safe.

Orange Business Services, your partner to thrive in the new era of retail

What sets us apart?

Our technical prowess as a network operator, coupled with our agility as an integrator of digital solutions

- **Operator: building and operating complex infrastructures**
- **Integrator: designing and managing end-to-end digital solutions**

We benefit from the global reach of the Orange group, a world-class operator in networks and digital services

- **Strong retail culture serving 260+ million B2C customers in 27 countries around the world**
- **5300+ Orange stores in 27 countries including 850+ smart stores**
- **€700M invested on research and innovation each year**

25,000 expert staff in B2B operations: we put their specialist skill sets to work for you

- **6,000 IT experts including Data and Artificial Intelligence, IoT, cloud and cyberdefense experts**
- **Customer service teams located in various continents to provide 24/7 support**

Visit our website to find out more about how we can help with digital retail:
https://www.orange-business.com/en/focus/retail

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