Retail's Responsible Reset

The five imperatives for growth

accenture

Contents

Industry backdrop

No one in retail could have predicted a year quite like the one just experienced. And yet some retailers have shown remarkable resilience throughout the pandemic, using the crisis as a catalyst to accelerate digital innovation and pivot to new business models.

Now the focus shifts to the future. And while much remains uncertain, it's clear the pandemic has transformed many of the priorities and operational realities of the retail industry. It's vital that retailers now reset their businesses—and create an agile culture of "continuous reset" and reinvention that enables them to maintain a focus on sustainable growth. There can be no going back to the old ways of doing things.

What does that mean in practice? We've identified five imperatives—covering digital strategy, fulfillment, sourcing, talent, and data—we believe are essential to enable growth in the post-pandemic world.

These must be complemented with a genuine and purpose-led commitment to environmental, social and governance (ESG) principles and underpinned by the use of modern technologies, enabled by cloud.

Above all, after a year of operating reactively—responding to new behaviors, consumer expectations, patterns of supply and demand, and new regulations—it's crucial that retailers get on the front foot and direct their own future. With the right strategy, the right data, and the right level of agility, every retailer has the opportunity to reset, build back better, and grow.

Selling in a significantly different world

- **Consumer behavior has changed—and with it the cost to serve.** The home and its local vicinity have become much more important parts of the consumer experience. By 2025, for example, 63 percent of the global population will be shopping online, up from 47 percent in 2020.[1] However, the shift to digital brings additional costs for retailers (principally in shipping and returns).

- **Retail giants are getting further ahead.** The retail giants with leading digital capabilities have used the pandemic to consolidate their position, leaving others trailing even further in their wake. Amazon is now the top US apparel retailer, eclipsing even Walmart.[4] Walmart itself nearly doubled its online sales during the pandemic.[5] And Alibaba enjoyed a record-breaking $74 billion in Gross Merchandise Volume during the 2020 Singles Day campaign.[6]

- **Competition for brand awareness is intensifying.** Digital marketplaces—Amazon, Alibaba, and others—continue to dominate ecommerce, with nearly $2.7 trillion now spent annually.[7] Retailers face a critical choice of whether to compete (and risk losing a ready-made point of access to digital customers) or leverage these platforms (and risk losing brand definition).

- **The pace of change has increased exponentially.** Our rapidly digitalizing world has compressed innovation—and enabled it to spread exponentially faster. Look how quickly social shopping and WeChat Pay have grown. In 2021, the live streaming market in China reached 300B. In the US, this trend traveled fast creating over 11B in sales. And this not a beaty segment phenomena, with brands such as Galeries Lafayette, Gucci, Nordstrom, Walmart, and Home Depot all getting into live streaming as a retail channel.[8]

- **Organizational agility is now essential.** The pandemic has been a stark reminder of just how unpredictable the world can be. So, the retail reset cannot be a "one and done" exercise. Retailers must have the organizational agility and technological maturity—to keep resetting and keep adapting in line with fast-changing circumstances.

What's ahead

The retail reset

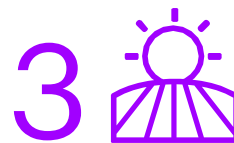Five imperatives for growth

1

Reset digital

Align the brand for channel-less shopping, focusing on both top and bottom line while meeting customer expectations

2

Reset fulfillment

Reimagine local fulfillment – intelligently leverage existing assets and embrace partnerships to deliver profitably

3

Reset sourcing

Rethink the supply base, focusing on value expansion, sustainability, transparency, and surety of supply

4

Reset talent

Empower a digitally enabled, data fluent, and diverse workforce and culture

5

Reset data

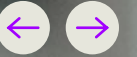Treat data as a strategic asset— and use it to drive decision making at speed and scale

1 ⧉

Reset digital

Align the brand for channel-less shopping, focusing on both the top and bottom line, while meeting consumer expectations.

With the pandemic accelerating digital adoption by several years, the channel-less retail shopping future arrived sooner than expected. Whether or not all of that adoption is sustained, the overall trajectory is clear: hybrid shopping continues to rise at unprecedented levels, with penetration reaching 57.8 percent in 2021.[9]

Retailers must rethink how they engage customers with their brand. Their rethink needs to encompass not only ecommerce transactions but the full suite of digital commerce capability, including store pick up offerings, order tracking and after sales support. Retailers need to consider the development of innovative digital services, as well as whether to enter or compete with digital marketplaces. Importantly, retailers need to ensure digital sales do not mean less profit.

Color: ● ● ● ○

3 Seater Sofa
W180 x H82 x D65

Imperatives for resetting digital:

Customer experience. The goal should be to provide hyper-personalized customer experiences that align with the brand promise. Leveraging partnerships with both technology providers and ecosystem partners will allow for fast adoption of new selling platforms such as live streaming and social. In other words, it's time for retailers to bring their products where the consumer is, and will be, rather than the other way around.
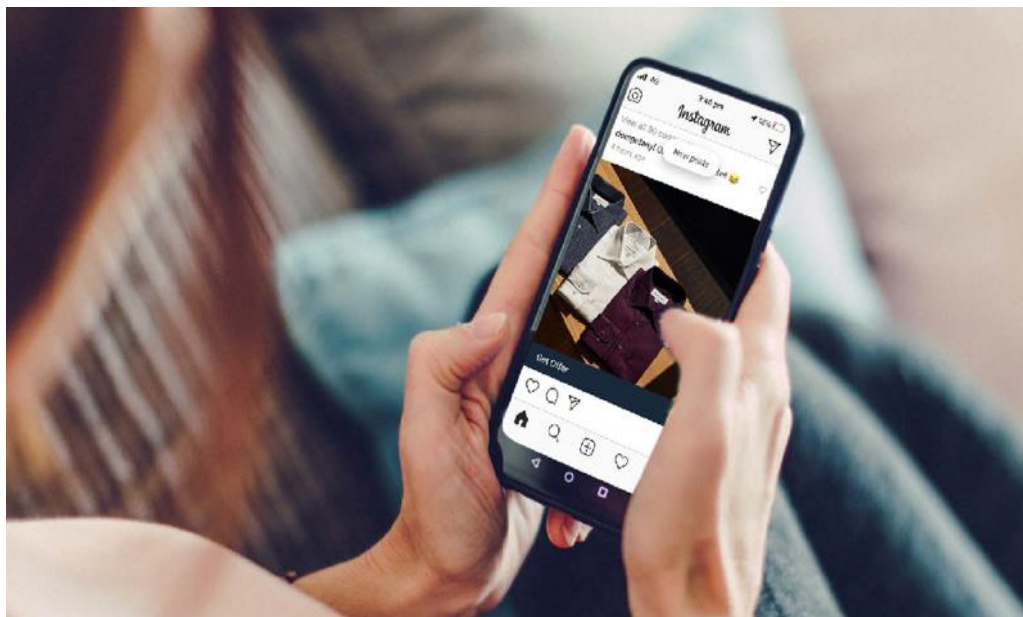
Brand visibility. Online, it's important to stand out from the noise—especially in oversaturated digital marketplaces where customer acquisition costs are so high while consumer switching costs are low. Retailers should aim to connect convenient one-click customer journeys with creative storytelling that puts brand experience front and center.

Channel-less. To profitably ensure the right product is available in the right place, all channels need to be integrated across customer experience, merchandising and operations. A step change in automation will enable retailers to address customer expectations of complex delivery options while minimizing delivery costs.

Operating model. As the nature of retail changes, so do retail operating models. Retailers must now rethink both their organizational and cost structures. They should also be considering innovative and mutually beneficial partnerships in such areas as storefronts (physical and digital), distribution centers and last mile delivery options.

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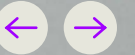
Reset fulfillment

Activate local fulfillment—and use assets, either yours or through partnerships with others, to make it profitable.

Getting products to customers has become increasingly costly and complex. Customers expect everything—speed, convenience, transparency, and environmental and social responsibility. Yet there is a long way to go given that only 49% of **retail executives agree their organizations are currently meeting customer expectations for order fulfillment**.[10]

Local fulfillment can help retailers meet customer needs and expectations in a more profitable, transparent and sustainable manner. These local dynamics are grounded at the regional, community, neighborhood and street level, strengthening Brand + Customer relationships.

Imperatives for a fulfillment reset:

Predictive analytics. Instead of the backward-looking, generic analyses of the past, retailers should now be using data and AI to predict how best to serve the most profitable, highest-value customers—and keep them coming back. Operations that are data driven leverage analytics such as demand forecasting, order affinity and inventory placement to help distribution centers, and warehouses.

Network design. Retailers must re-configure integrated supply chain and store networks (regional distribution centers, micro-fulfillment centers, dark stores and so on) to satisfy demand more profitably. That includes rethinking the role of the store and store operations—embedding automation, extending or transforming store use as a warehouse, pickup location, or dark stores, and using robotics.

Home delivery. The last mile can make or break customer relationships. Transparency is key—including real-time order tracking and being open and honest when problems arise. Last mile delivery must also be continually optimized to ensure profitability. Retailers can make customers part of a faster, cheaper, and greener last mile by offering convenient pick-up options.[11]

Strength in numbers. This new fulfillment landscape will require retailers to work with others including traditional warehousing, transportation, and last-mile fulfillment partners. Retailers should also consider more unconventional partners, like non-competitor retailers, that enable them to stand up new capabilities at speed and scale.

3

Reset sourcing

Rethink the supply base, focusing on value expansion, sustainability, transparency, and surety of supply.

A wise sourcing strategy will ensure supplier pairings that feel authentic and on-brand—and that meet both the retailer's need for surety and its commitment to responsibility, while continuously creating enterprise value. Customers want more transparency in these relationships. More than half of shoppers say they've now permanently shifted to more environmentally friendly, sustainable, and ethical purchases.[12] This creates a new value equation for retail—to balance supplier cost against not only level of service, but also sustainability and resilience.

Imperatives for a sourcing reset:

An ecosystem focus. As vendors continue to mature their operations, retailers can benefit from collaboration on product development, planning and fulfillment—driving a step change in product value, speed, and margin expansion. Retailers should also look at the significant value loss that can occur within their organizational functions like sourcing, product development, supply chain and merchandising. New ways of working (e.g., assorting into a feasible and responsible supply, designing to materials platforms) need to be accelerated.

Digital sourcing. Retailers need supply networks that are 'asset light' and prioritize flexibility as well as optimal speed-to-market (recognizing that faster is not always better). They also need to create visibility beyond their Tier 1 and Tier 2 suppliers. Digital connectivity and cloud adoption should be ramped up to enable that end-to-end visibility, as well as to streamline partners and develop more sustainable practices. Rethinking the mix of nearshore and offshore suppliers should help boost resilience. And innovative technologies—such as digital twins, IoT, robotics, Artificial Intelligence, 3D printing—should help increase efficiency, enhance forecasting, and eliminate waste.

Profitable sustainability. It's time to debunk myths like "sustainable is expensive" and recognize that sustainability can be achieved while reducing cost. Retailers should embed lean, agile, and responsible ESG practices in their sourcing decisions—including but not limited to transitioning to sustainable materials. They should also ensure inclusion and diversity practices are applied across the supply base, helping nurture a more responsible culture while strengthening customer, employee, and investor confidence.

> Levi Strauss is reshoring part of its manufacturing process and leveraging automation to cut lead times and better respond to shoppers' demands.[13]

Surety of supply. Retailers must reassess and reprioritize the risks at each node of the supply network. On-demand predictive analytics will help hedge planning decisions, identifying logistics paths that flex, not break, when disruption occurs. Artificial Intelligence Risk and Opportunity Scenario Modeling will further help mitigate the impact of supply volatility.

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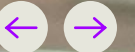
Reset talent

Empower a digitally enabled, data fluent, and diverse workforce and culture to enable growth.

Continually refreshing the skills of the retail workforce is more important than ever. Not only that, but rapid technology innovation, greater automation, new ways of working, and the accelerator effect of COVID-19 means retailers must prepare their people for the future of work in ways that serve individuals and communities as well as their business.

However, few retailers have invested proactively in the new skills and new ways of working—or the new culture—they'll need for a truly adaptive, future-ready workforce. The impact? Right now, only 57 percent of non-managerial retail workers believe their potential is being fully realized at work.[14]

Imperatives for a talent reset:

Workforce and culture. Meeting evolving customer and employee expectations in an uncertain economic and social climate demands a workforce that is adaptive, digitally enabled, data fluent and diverse. With a much higher contingent of remote or home workers, competition for top talent will continue. Retailers will need to consider how their culture and their overall employee value proposition can be used to retain and attract talent. A key part of this will be defining a purpose-driven culture that sustains equity and diversity, where everyone feels they have a chance to advance and thrive.

> US retailer Best Buy is prioritizing diversity—30 percent of new digital and technology hires will be Black, Latinx, Indigenous or women.[15]

Partnerships and flexibility. As the boundaries between physical and digital retail continue to blur, retail work will be less about pure execution and more about building relationships with customers. Winners will choose partners and ecosystems that can help strengthen the workforce's ability to provide seamless customer experiences. It will also be essential to evolve the organization's approach to home/

office/hybrid working—especially as 79 percent of employees now say they'd like to work from a "third space" (a location other than their home or workplace).[16]

> Woolworths Australia is training more than 60,000 staff in digital, data analytics, machine learning, virtual reality, and robotics.[17]

New roles and new skills. Retail roles will be redefined around digital technology, greater automation, channel-less shopping experiences, and data-driven decision making. We are currently in an 'Employee Market' where in-demand talent have their choice of where to work. With so many open roles, the cost of labor is on the rise and therefore retailers will need to balance the need to hire new talent and the need to retain and upskill their existing people—those who already understand the business and its culture.

> UK grocer Co-Op is working with partners to create apprenticeships and internships in data science.[18]

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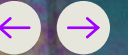
Reset data

Treat data as a strategic asset—and use it to drive decision-making at speed and scale.

Continually making decisions with data at scale and speed—and finding ways to monetize data effectively—requires a significant shift in approach for most retailers. Only a handful of companies—less than 5 percent of the Global 1000—have made significant headway on this journey. Retailers should look to improve the data maturity of the organization and data literacy of the workforce ensuring it has a commitment from senior leadership and prioritized with those initiatives that drive the most value for the business.

Imperatives for a data reset:

Data that matters. Retailers should recognize that as little as 5 to 10 percent of the data typically drives 90 percent of the business value. By focusing on these critical data elements, retailers can reduce the time to identify, curate, and remediate the data landscape by up to 75 percent.

Cloud at scale. Cloud technology is an essential part of managing data at scale and maximizing its value as a strategic asset. Cloud platforms offer scale, agility, real-time data, and access to the most advanced machine learning and analytics tools in the market. Retailers should prioritize data lineage and data governance in the cloud—focusing on maintaining the quality of their critical data elements.

Intelligent insights. Retailers should look to create a mosaic of cloud-based data services supported by agile DevOps and MLOps (think DevOps for machine learning) practices. A centralized data and analytics organization (or "pod") can provide scale and consistency across functional silos, while distributed data resources provide speed to insight in the places where decisions are made.

Data literacy and adoption. Retailers should ensure data insights are not only generated but adopted and trusted by the business leaders to guide decisions. That means having insights available in a form that users can understand and act upon.
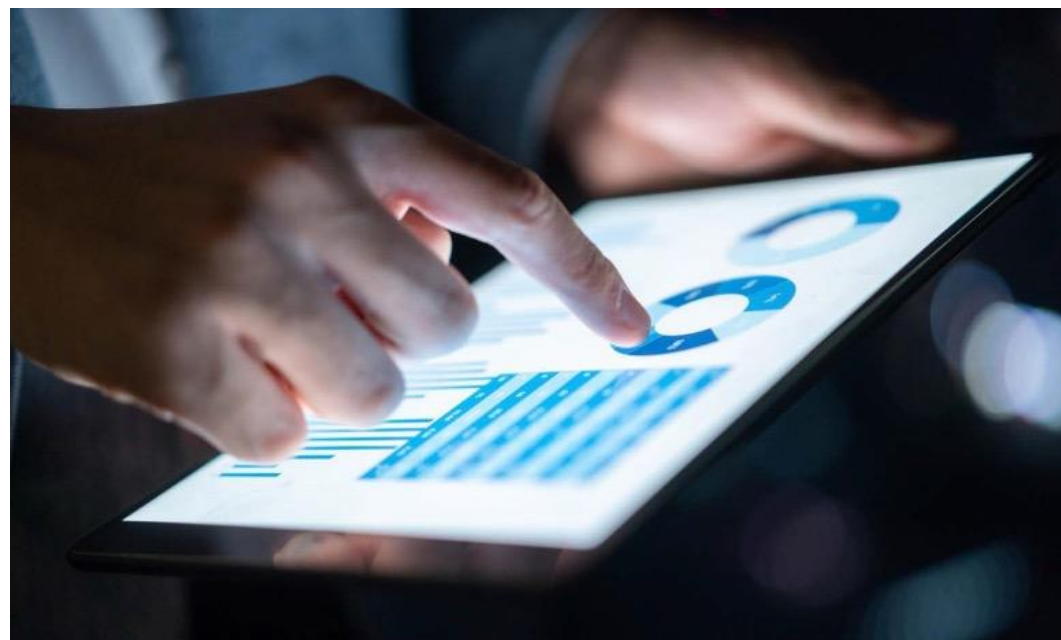
Next steps

Responsibly reset and get ready for constant change

Accenture believes the scale of the changes catalyzed and accelerated by the pandemic mean retailers must reset in order to thrive in the years ahead. That reset needs to happen now—within months, not years—and should encompass the five imperatives set out in the previous pages.

Above all, the reset needs to be purpose-led and responsible, with a rigorous focus on ESG. That means environmental sustainability on the one hand, but also the adoption of ethical practices across the value chain, an emphasis on inclusion and diversity, and a responsible approach to how the organization is governed on the other. This is the new reality of running a business. Retailers must act in the knowledge that customers, investors, and employees are always watching.

This is retail's moment of truth. The imperative is to reset the business responsibly, and then have the agility to keep resetting to find growth in an ever changing and challenging world.

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