FUJITSU

Media Backgrounder
Retail digital transformation

Munich, October 2018

In 2019, Amazon will be 25 years old. In that space of time, it has moved from selling books at a loss to becoming an industry titan. If Amazon chooses to enter a new market, incumbents may be "Amazoned" – that's a new verb, meaning to have the comfortable certainties on which a business has been modelled suddenly turned upside-down. It's likely to be an uncomfortable experience.

The unstoppable rise of online retail in the last two decades has put High Street retailers under pressure, caught in an unwelcome pincer movement between competitors who don't have the legacy overheads of brick-and-mortar property and the ever-increasing costs associated with those overheads – leases, service charges, taxes, etc.

This is not enough to cause the extinction of the High Street retailer. But hardly a month goes by without a new report on the "death of the High Street", triggered by falling profits or the latest retailer declaring insolvency. While online is set to grow much further and traditional retail will be under pressure for a while yet, the true answer is that High Street retailing is not a zero-sum game for multi-channel brands with mixed online and in-store capabilities. An increase in a brand's online sales does not necessarily translate to an equivalent decline in its High Street turnover. Most mature operators now understand that there is an interplay between online and in-store, with consumers wanting to see and touch many product types before they purchase.

The evolving store
As retailers respond to changing dynamics, the role of the store is evolving, with a rationalization of branches and a change in emphasis from store to showcase, and a focus on convenience, experience and multi-purpose outlets. Customers want in-store retail to match their online experiences and they want these experiences to be integrated. A consumer who has taken the trouble to research options and prices on a website and registered an online account expects a retailer to know something about them, in store.

To keep pace with the rising demand for an improved customer experience, delivered through multiple touchpoints and channels, retailers must evolve so that everyone and everything is interlinked and connected by technology. This hyper-connectivity is the foundation of modern retail.

Research commissioned by Fujitsu and reported in the white paper [The Forgotten Shop Floor: The Rise of The Digital High Street](#) looks at the extent to which retailers in the UK are embracing digital transformation and the power of new digital technology, charting the rise of the digital high street through a survey of 1,000 consumers and 1,000 retail staff on a wide range of issues; from in-store technology to customer expectations. The survey found that digital has altered customer expectations of the retail experience and in-store technology now needs to be compelling, useful and relevant. Customers expect fast ways of checking out in store that are similar to the digital channels they have embraced, and will prioritize retailers delivering an engaging, personalized, hassle-free and seamless experience across all channels. Worryingly, however, the survey points to signs that retail staff don't always feel they have access to the tools they need, with a huge 75 percent reporting they can find product information faster via a personal mobile or laptop than using in-store technology.

The list of evolutionary must-haves for retailers responding to or driving digital transformation is not trivial: transaction processing must be fast, easy and connected; the customer experience is key to survival; focusing on reducing operating costs remains critical; store owners must plan for the customer/colleague having more control; data analytics is only meaningful when it can be linked to the ability to act, and data needs to be safe and under control.

To respond, digitalization must be core throughout retailers, who need a complete strategy in place to deliver end-to-end digital transformation, from the shopper (online and in-store) to customer service assistants, to analytics and back office. Only through such an end-to-end approach can retailers better understand and manage consumer behavior, stock control, staff planning, supply chain and last-mile delivery.

Making the changes – becoming a digital retailer – outcomes and pathways

Fujitsu retail solutions build on a deep understanding of the sector gained over 40 years with more than 500 retail customers and 82,000 stores in 54 countries worldwide, making Fujitsu a world-leading expert in digital transformations that streamline processes and enhance the retail customer experience.

Leveraging this depth of experience, Fujitsu has identified six retail business strategies that it aims to pursue in co-creation programs with retail clients:

- ▪ ***Easy Order Everywhere***: By delivering unified commerce, stores become a physical 'touchpoint' in a seamless shopping journey across online, store, mobile and voice (e.g. using digital assistants). Services include real-time inventory visibility, buy online/pick up in store, order in store/home delivery; the journey should be customer-specific and always connected.
- ▪ ***Insight Retailing***: Store layout, merchandising and colleague/task allocation must be driven by advanced analytics (tracking customer behavior, store environment and business KPIs); other store operations (for example product scanning/loss prevention) will be enhanced via AI image recognition and advanced video analytics.
- ▪ ***Personalized Selling/Shopping***: Customers are detected, connected and engaged with personalized content incorporating customer tracking, guest wi-fi access and content delivery based on transaction history and interests; customers entering a store can be recognized – via their smartphone – and offered personalized information, offers and services; store colleagues will be able to retrieve or be auto-sent customer profile information to enhance the process.
- ▪ ***Digitalized Store***: Customers and sales associates are supported by digital solutions and services – shopping and browsing using augmented reality to simulate clothing or furniture 'fit', smart fitting rooms to simplify selection and payment; sales associate task allocation and communications may be enhanced by digital wearables; inventory optimization is possible via RFID.
- ▪ ***Easy Service Everywhere***: Transform service across the shopping journey by giving customers access to personalized information, help and support when they need it (24/7), wherever (mobile/store) they need it and however they wish for it to be delivered (data, voice, virtual online to offline). Examples include 'order in aisle', customer recognition in store (for example, wi-fi to tablet to personalize in-store offers), and shopper access to retailer data when they want it (inventory visibility).
- ▪ ***One Touch Pay and Go***: Give customers the ability to checkout via their smartphone – no fixed registers, no queues, no theft/data security issues. Beyond this, mobile devices including smartphones, tablets and wearables can be used to resolve common problems, to check stock in-store and in the supply chain, to call for alternative garments from the fitting room, to get personalized advice based on size/preferences, and to bring products to life via augmented reality.

On the pathways to these outcomes, Fujitsu understands the complex overlapping layers of retail digitalization needed to cover the whole value chain – from store, warehouse and headquarters to the data center – and to transform the customer experience in stores and across channels. This is not technology for technology's sake, but part of a coherent framework to transform performance by pursuing three strategic objectives for retailers: to help them improve efficiency (and, of course, cut operating costs), to grow market share and to improve the customer experience through knowing customers better.

As an example of an approach that combines all three of these objectives in one, **Fujitsu Retail Engagement Analytics (REA)** is an effective solution for understanding and analyzing shopper behavior while the customer is present in the store. REA collects and aggregates live customer location data, which is correlated with point of sales and other retail enterprise data to provide store managers with actionable insights that can improve store operations, enhance shopper experiences and ultimately increase sales. The recently-introduced Version 2.0 of REA combines multiple data sources to provide real-time insights into in-store buyer behavior. Clear dashboards visualize key in-store metrics for minute-by-minute visibility.

Also covering all three objectives is **Fujitsu Retail Business Analytics (RBA)**. This provides insight to help retailers improve their offerings, strengthen customer loyalty, reduce the rise of operational cost and optimize business processes. As just one example, productivity can be improved by getting to grips with shrinkage. Here, analytics that can be linked to the ability to act is critical. RBA does that via a "Loss Prevention" module that uses camera based solutions (SCO and PoS) or pure data analytics solutions that work with PoS data to detect and reduce the stock losses that occur as a result of customer, employees or supplier actions.

There's never an easy time to increase efficiency through root-and-branch changes to an IT infrastructure, but with market pressures and rationalization strategies forcing the issue, the best approach comes from the judo playbook, which advises on finding a way to turn the pressure you are experiencing into a tactical advantage. For example, platform migration projects are normally capital intensive, but **Fujitsu Retail as a Service (RaaS)** includes migration costs with support and maintenance to produce a single, predictable monthly service charge. This can even include all store equipment for a clear and straightforward price. Customers see a reduction in overall operating costs due to Fujitsu's economies of scale. RaaS is a simple, outcome-based, pay-as-you-go service that delivers agility and reduces costs, and covers all technology and services for the retail environment, including PoS, CRM and mobile.

Another way for retailers to improve productivity is to lift the speed and reliability of order processing - aspects that are also crucial to keep customers coming back and sales revenue flowing. With **Fujitsu Robotic Process Automatio**n (RPA), retailers can increase their operational efficiency and effectiveness to deliver rapid productivity improvements.

Some of the most time-consuming processes revolve around employees – recruiting, moving between roles or leaving their jobs. What's worse, this typically intensifies at the busiest time of year, such as seasonal sales. RPA uses software robots, with or without the addition of artificial intelligence (AI), to manage high-volume, repetitive and mundane tasks such as data entry. With a single virtual worker able to handle the workload of between three and 15 humans, RPA projects can become self-funding, as well as cutting out mundane tasks that employees find repetitive and frustrating, allowing them to focus on more rewarding activities that add value to customers.

The RPA process further leverages the gains available, identifying previously unknown bottlenecks using data from robotic process performance, to optimize processes. Beyond efficiency gains, RPA has considerable potential to improve customer experience as well. Customer records can be managed across multiple systems and changes processed with ease. Virtual workers ensure information in customer relationship management (CRM) systems is synchronized as they link systems, processes and activities on demand, 24 hours a day, 7 days a week. With reduced clerical errors, improved efficiency and more accurate information, organizations can expect significant improvements in the quality of customer experience. Furthermore, software robots can do so without interruption, 24 hours a day, eliminating any risk of human error.

Other ways in which Fujitsu helps improve the customer experience include **Fujitsu Intelligent Support,** which provides predictive, automated and proactive support services across all installed technologies, anytime, in any place, enabling retailers to maintain delivery of the end-to-end in-store customer experience, and **Fujitsu Market Place**, our omni-channel retailing point of service (POS) application, developed to support enterprise-wide orders and transaction fulfilment.

Market Place combines orders and in-store shopping into a single transaction to deliver a seamless and consistent customer buying experience across online, mobile channels and traditional points of sale. Market Place simplifies processes and improves in-store shopping experiences, providing centralized transaction management according to budget, business needs and timing priorities. In-store operations are made quick and easy with high levels of accuracy. Staff are empowered to transact customer business in a single application, rather than having to switch between sales and online order fulfilment systems. The application delivers continuity across all channels, consistent promotion and pricing regardless of the touchpoint, real-time data access and increased profitability through a reduction in so-called dropped baskets (abandoned sales).

For savvy and digitally connected High Street retailers, there are many reasons to be cheerful, and many ways Fujitsu can help to transform the business

Online resources

- Fujitsu retail website
- Retail case studies
- Connected Retail Experience Center in Dublin, Ireland
- Video for Fujitsu Connected Retail Experience Center
- White paper: The Forgotten Shop Floor: The Rise of The Digital High Street
- Face to Fujitsu Blog post – Retail category
    - Blog post: Empowering the retail experience with zero servers
    - Blog post: if retailers are to survive the future, they need the infrastructure to take them there
    - Blog post: How robotic process automation transforming the workplace
    - Blog post: Is the future all about dynamic pricing within the store?
    - Blog post: Digitalization meets fashion
    - Blog post: Don't fight Amazon direct – go guerilla or die?
    - Blog post: It's all go at Amazon – are we focusing too much on what they are doing?
- Relevant press releases (To view all Fujitsu press releases, please refer to the following web pages: Fujitsu International press releases and Fujitsu Limited press releases)
- Follow us on LinkedIn: http://www.linkedin.com/company/fujitsu
- Find Fujitsu on Facebook: http://www.facebook.com/FujitsuICT
- Fujitsu pictures and media server: http://mediaportal.ts.fujitsu.com/pages/portal.php
- For regular news updates, bookmark the Fujitsu newsroom: http://ts.fujitsu.com/ps2/nr/index.aspx

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