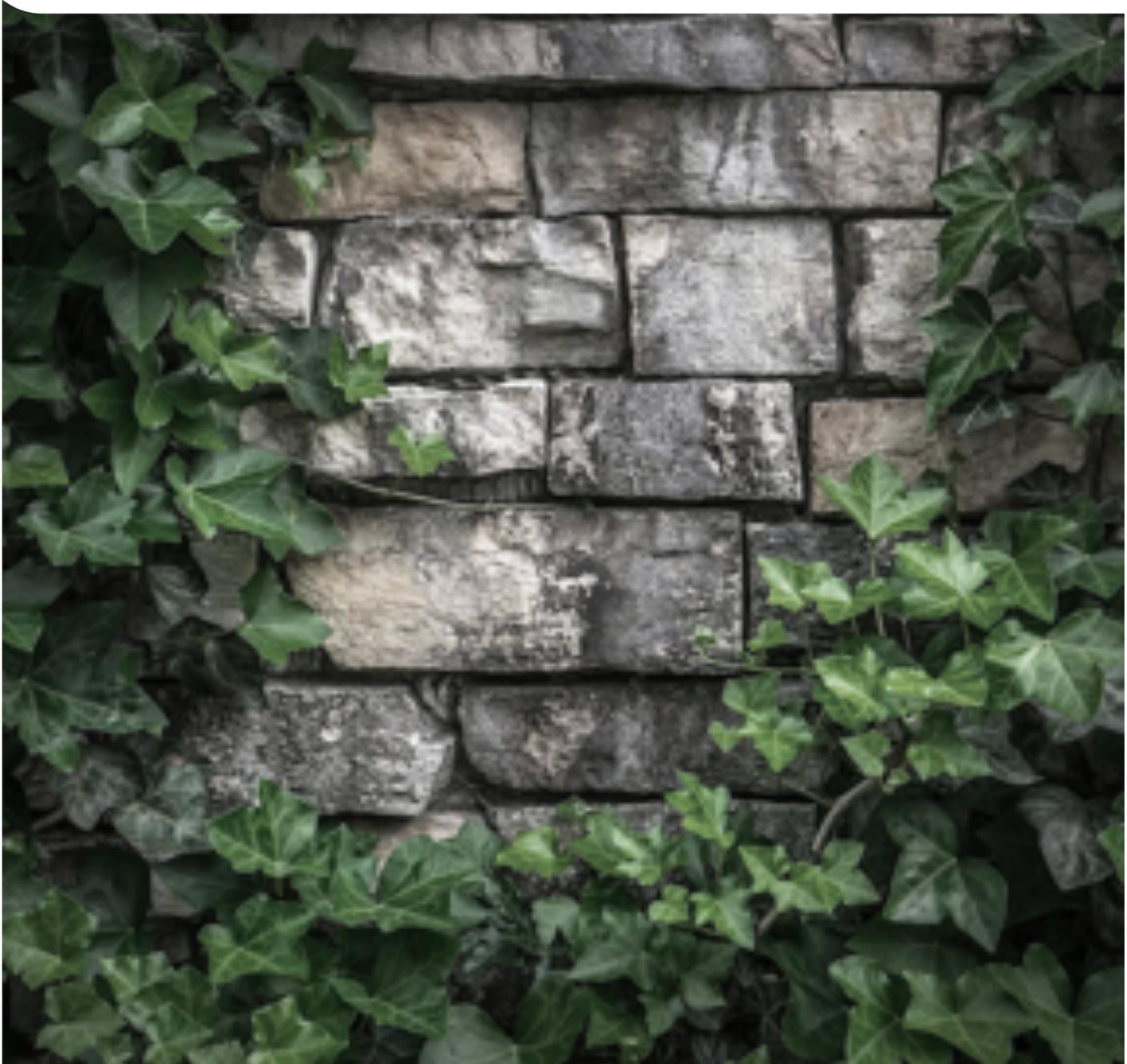# Future-Proofing Retail:
Building a Solid Foundation for Tomorrow

IoT

BOPIS

Endless Aisle

Augmented Reality

Artificial Intelligence

These are just a sampling of the 'new' technologies that have infiltrated the retail business realm. While retailers are traditionally hesitant to move too quickly with respect to adopting new systems and innovations (even 'boring' systems such as ERP), reality says that consumers are expecting—in some cases, demanding—that retailers begin moving faster than what is historically comfortable. Particularly for more established, iconic retailers, a jump to something like the use of virtual dressing rooms stretches many retail organizations' capacity for change, both internally and externally, as well as customer acceptance and the ability to justify the investment.

But with ever-increasing consumer expectations, it is without a doubt a necessity to have these newer technologies at least on the retail strategic radar. However, in a similar manner as undertaking any major home remodel, a solid foundation is an unconditional prerequisite.

As you begin working through this conundrum, there are some key foundational areas that need to be firmly established, well documented, and flawlessly managed before a company begins the next steps towards the shiny new things.

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The foundational aspects of your business are key to gaining the growth and capabilities you desire. Further, a solid foundation is comprised of a variety of elements—including a solid strategic plan, consideration of the many 'people' elements, system and data integration, as well as development of critical capabilities—and it may be daunting trying to figure out where to start. Let's explore some of these elements and how to go about understanding and assessing them.

evaluating the priority and order of operations is key to completing goals

First layer: Strategic Plan

To some this is commonplace, to others it's a unicorn; however, either way, you really cannot avoid developing a very detailed, companywide plan or roadmap. Each year there's a new buzzword or technology that makes the rounds in the media and industry conferences. The key to long-term success is to determine what you really need, what you can support, and what you can't afford *not* to do. Answering these questions comes along with determining the end goal. Additionally, evaluating the priority and order of operations is key to completing goals along the way. Here are some ways to achieve this:

- Develop short, medium, and long-term financial plans to start your roadmap—these will be your guide to determining what changes you can or must make, and when.

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- Consider a solid communication and change management strategy to align the organization and to promote engagement and sustainment. This is especially true for alignment between the business and IT. The business may be ready to move quickly, but the supporting solutions and IT skills may not be in place.
- Determine how much change your organization can absorb. Remember, simple to one, does not mean simple for all.

Make sure you have an end-to-end review of your strategy that is socialized throughout the company, ensuring impacts and dependencies are considered.

Second Layer: People

Even the most thorough plan is just a document without the people who are there to execute and support it. Retail and technology move fast, and you can never forget the associates that make it happen. Many times, companies get focused on new solutions and forget that firming up bench strength, training, and change management are key catalysts to carrying out the mission. Here are some questions to consider relative to your people:

- Have you developed a comprehensive and consistent training program that all associates have access to?
- Do you feel your bench strength is supported by the company or do they rely solely on their peers for knowledge?
- Are your associates working towards proficiency in core competencies and have a firm understanding of their roles and responsibilities outside of any solution?
- Do associates have a solid understanding of their career path within your company?
- Are succession plans defined and in place?

Remember that as sophisticated as some technologies and software solutions are, they are not the silver bullet. Embrace new technology, processes and ideas, but don't forget your people who will sustain the vision. If employees understand their role, are recognized, feel valued within the company, are provided adequate training, and are growing professionally, they generally will enthusiastically support the company's initiatives and strategies.

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Third Layer: System and Data Integration

They say, "the devil is in the details." Part of ensuring the success of the company's people and the best possible customer experience is providing accurate data and information from which to make decisions. Data is the conduit to valuable information that enables the engagement of the customer, ensures ecommerce sites and physical stores are in sync, and allows for transactions to be successfully accomplished along the various steps—from both customer and inventory data perspectives.

Today's multichannel retail environment requires a level of systems and data integration that goes well beyond what most companies have in place. In our experience, most retailers' data is highly fragmented and not cohesively managed. There are various reasons for this: for many brands, online operations were originally established as a separate sales channel; retailers have accumulated a jumble of technologies for the web, merchandising, supply chain management, and so on; and mobile devices and social media create entirely new data streams.

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As such, the level of disparate systems continues to rise, along with constant additions of more comprehensive data which has also added complexity and redundancy to business processes. The pace at which technology is moving has forced companies to cobble together new functionalities, causing associates to rely on manual inputs, duplicative efforts, data gathering, and widespread ad hoc report creation.

The good news is that not all systemic integration needs to happen in real-time, which can be needlessly inefficient and expensive. The trick is to know where real-time is

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essential and where it's not. The focus should be on integrating the most critical data and as many relevant systems as possible. Let's consider some key steps:

- Reduce data complexity and streamline data connections
- Investigate the use of a data hub that's easy to publish and subscribe to
- Combine databases from different repositories
- Make data more available, centralize data
- Consider an enterprise data management strategy, which will cohesively join the key building blocks of data management into one holistic view

Fourth Layer: Critical Capabilities

While there are many capabilities involved in running a successful day-to-day business, there are some highly critical capabilities that are a basic part of securing a solid foundation as you are future-proofing. These critical capabilities should be reviewed, created, redesigned, and/or standardized:

Inventory Accuracy

Inventory is one of a retailer's largest asset and keeping inventory accurate is indeed a priority. Most retail executives subscribe to this mentality; however, time and time again retailer managers question their inventories across the supply chain for various reasons. An inordinate amount of time and energy continues to be expended trying to get a handle on inventory levels, communicating accurate stock levels to stores and customers through a variety of systems, and struggling to manage the buying process in a timely fashion.

there are some **highly critical capabilities** that are a basic part of securing a **solid foundation**

While these challenges can be disguised as 'data' issues, many times we have found that poorly managed and undefined business processes are the culprits of inventory inaccuracy.

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Parker Avery has published several point of views focused on inventory accuracy, including "<u>Inventory Accuracy: Fundamental Strategies for Getting it Right</u>," and <u>Omnichannel Inventory Accuracy Implications and Customer Impact</u>." Let's look at some highlights and recommendations from these publications:

- Review in-store receiving and store balancing processes and establish realistic, well-documented, and timely business processes to manage shipments/receipts and transfers
- Ensure store associates understand the importance of scanning each and every item at the register to correctly decrement each item sold
- Hold associates accountable for the results of these processes, where possible
- Consider frequent physical inventories and timely system updates – (e.g. ABC categorization, fast movers/top volume items should be counted more frequently than other items to ensure on hands are consistently updated)
- Implement an advanced way to track inventory in all repositories in real-time (e.g. integrated warehouse management system or WMS)
- Strive to provide 'near real-time' inventory updates for all channels so customers and store associates are seeing accurate information
- Provide real-time views of inventory on hand, on order, and in-transit by individual channel and consolidated to support better internal decision-making
- Carefully determine which channel or store should receive credit for online sales—particularly for buy-online-pick-up-in-store or ship-from-store models—to enable predictability for future sales and support replenishment needs

Data Governance

In today's uber-connected, digital world, where information is absolutely critical to maintain any kind of viability, you must not only integrate your data, as we discussed earlier, but also have a solid handle on the *state* of your data, which is where data governance plays a key role.

Data governance is defined as the people, processes, and technology required to create standard and consistent handling of a retailer's data across the business enterprise. It provides all data management practices with the foundation, strategy, and structure needed to ensure data is managed as a business asset and transformed into meaningful information. The key focus areas of data governance include availability, usability,

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consistency, data integrity, and information security. Time spent governing data when the product or customer master is set up will reduce delays in getting products to market or through the supply chain—as well as mitigate issues with customer data security and privacy—and greatly enhances data consistency.

A key component of an effective data governance program is that of the data steward. The data steward is a business role that ensures data governance processes are followed, guidelines enforced, and recommendations for improvement are reviewed and implemented.

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The degree of data integrity and data quality will be the path to either success or demise for any organization. Data integrity includes data validity, meaning it is accurate and consistently stored in the proper format, whereas data quality pertains to the completeness, timeliness and consistent state of information managed in an organization's data warehouse. The following are some high-level steps to take relative to improving your data integrity:

- Consider the best access points to capture the data, so the data is most accurate
- Ensure the data sources are a result of sharp, well defined timely and stringent business processes throughout the organization

- Consider precise and intelligent integration that can lead to accurate and timely data
- Require your foundational systems to be easily upgraded to keep the organization up to date and increase adaptability to new solutions

The decision to invest and implement a separate data governance role depends on the size of the organization, but the topic should always be at the forefront of any initiative. Consistency in data management and data definition makes decisions and project design less complicated and change management less complex.

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Final Word

While keeping an eye on advanced retail technologies and innovations is important in maintaining a competitive edge, every company must ensure a solid strategic roadmap is in place, the organization's people are supported and valued, data and systemic integration is a priority, and critical capabilities are being effectively managed and executed. Focusing on these combined elements before laying the cement for any new technology will put you on a road of less construction, enable much smoother implementation, and enhance your chances of achieving expected benefits.

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The Parker Avery Group

The Parker Avery Group is a boutique strategy and management consulting firm that is a trusted advisor to leading retail brands. We combine practical industry experience with proven consulting methodology to deliver measurable results. We specialize in merchandising, supply chain and the omnichannel business model, integrating customer insights and the digital retail experience with strategy and operational improvements. Parker Avery helps clients develop enhanced business strategies, design improved processes and execute global business models.

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