Tackling the business innovation challenges of 2021

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It's almost impossible to overstate the impact that the global pandemic has had on the retail industry over the past year in revenue, brand perception and many other ways. The shift to staying and working at home created retail winners and losers, but much of the change could not have been predicted before lockdowns began. As a result, retailers learned a difficult, but important lesson: survival is correlated with innovation and technical agility. Prior to lockdown, innovation-focused technology projects were often deprioritized until their value became critical to companies' livelihood. But as consumer behaviors changed because of the pandemic, the demand for convenience services like buy online, pickup in-store (BOPIS), video consulting, or in-store touchless technology grew, and consumers will continue to expect retailers to offer shopping options post-pandemic.

The significant momentum to adopt innovation in 2020 precipitates the obvious follow-on question: What's next? As consumers demand more convenience and choice, retailers will continue to focus on the intersection of digital and physical as a key priority moving forward. The success some retailers experienced during the pandemic is evidence that organizations must engage customers in a seamless, unified way across channels. And as businesses look ahead, they also realize how important it is to have holistic technology solutions and consolidated technology vendors. But where to start?

To begin planning for the future, let's take a deep dive into the critical issues that businesses must address to stay competitive in 2021 and beyond. No doubt, this year will continue to challenge retailers and demand innovation. As we move into the digital transformation era, businesses have to be ready to handle what comes next.

# 2020 in review: pain and opportunities

To balance the pain points of the last year, there have been some upsides. One positive change is the accelerated rate of technology adoption and innovation. The changes retailers made during 2020 weren't completely new ideas, said Jerri Traflet, Principal Consultant, Retail Innovation, Verizon. "For retail leaders, the pandemic lit a fire under them for things they had already been thinking about."

When retail stores weren't open to the public, they increased their focus on ecommerce growth, making it easier for consumers to buy products online or through apps. Another positive is that many stores quickly pivoted to offer curbside pickup, BOPIS and delivery services via partners to get customers their goods. But to do this, retailers who performed well during the pandemic had to have technology that allowed for agility and flexibility.

Retail winners and losers by chance

Although having agile technology in place was critical, it wasn't all that separated the retail winners from those who struggled during the pandemic, said Greg Buzek, founder and president, IHL Group, a global research and advisory firm for the retail and hospitality industries. The most significant characteristic of retail winners is that they were essential services that government regulations allowed to be open during the pandemic. "You had big box retailers, like Target, Walmart, Sam's Club, Costco, et cetera, that could sell clothes, but small boutiques weren't allowed to open. That decision had a devastating impact on the retail landscape."
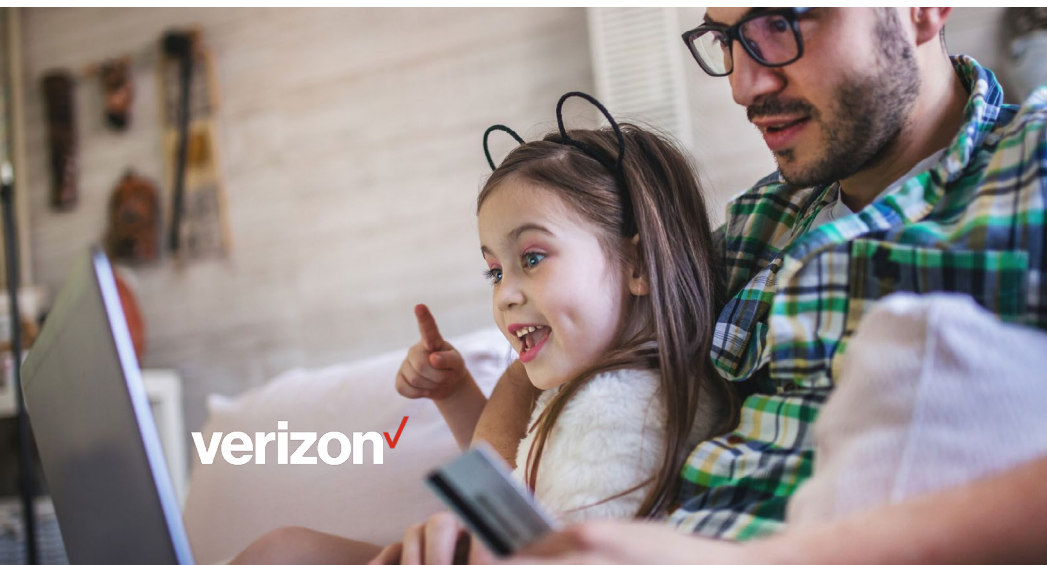
"For retail leaders, the pandemic lit a fire under them for things they had already been thinking about."

Jerri Traflet
Principal Consultant, Retail Innovation
Verizon

Retailers that offered self-checkout options saw sales Increases that were 18% higher than average for 2020.

Source: 2021 IHL Group "Store Matters"

Retailers that excelled also looked to boost in-store experiences once they re-opened. Touchless shopping technology, such as QR codes and smart lockers, let retailers provide store and product information, as well as in-store assistance, to customers safely via mobile devices. Those capabilities, along with contactless payment options like self-checkout, helped customers feel more comfortable shopping in person, while keeping the interactions simple with familiar devices.

One shift in in-store shopping behavior is that many consumers became mission-driven. In years past, shopping was often a leisurely task--an activity in itself. Pandemic-driven consumers wanted to go in, avoid crowds, grab the items on their list, and leave. But those quick visits meant less opportunity to discover new products or experience upsell opportunities. In response, retailers looked to engage customers in-store by offering online appointments for private store visits and specific hours when higher-risk consumers could shop with limited customers in the store. Retailers also enhanced customer service in-home and online, with video consulting and "try on" technology for cosmetics and clothes.

Although retailers face difficult decisions in the current environment, many are realizing they can adapt and re-focus, seeing the challenges as opportunities that provide new paths for growth.

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Anticipating 2021 and beyond

The pandemic is easing, but it is not over. But even if it were, businesses--and consumers--have irrevocably changed from 2019. Customers expect conveniences like curbside pickup, which might have seen lower uptake two years ago, to be the norm. Mobile technology and APIs are driving everything; the reality now and in the future is a device rich one. The ante has been raised, and businesses that were initially caught flat-footed must catch up in a hurry.

The necessity for speed and creativity remains

One thing is clear, the need for agility and innovation that was exposed during the pandemic will continue to be prevalent in the future, said Traflet. Having an effective digital platform is critical. Retailers that already have a digital platform are enhancing it to move faster and widen capabilities. Those that didn't have digital platforms before 2020 are investing in them now, she said.
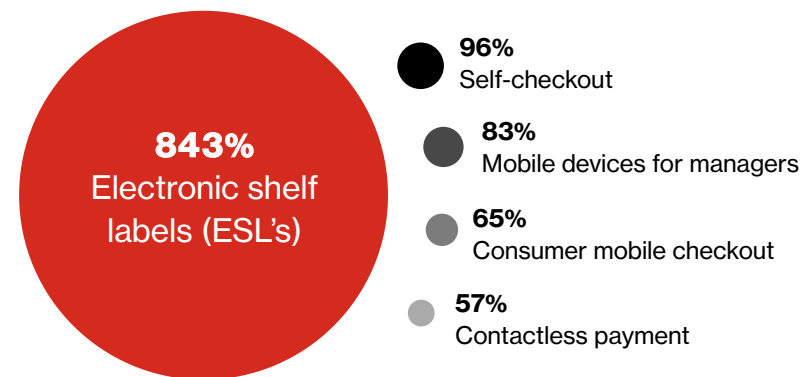
The entire digital experience foundation is necessary--to build a platform and to enable unified commerce (which is the next generation of omnichannel with the customer at the center and all of the ways in which the retailer engages the customer surrounding them). "Not all consumers want or are agile at ordering online through a mobile phone. They want to see the product and experience it. They want to ask questions about it," Traflet added. Adding conversational commerce strategies like virtual chats, phone calls, and video consultations creates the next level of service.

Investments in digital will continue

Many retailers are still recovering from financial losses from the pandemic, but even those with limited budgets are investing in digital technology, said Buzek. Companies are still focusing on creating personalized experiences for customers, but with a shift. "Now, it's 'how do I put as much technology in as I can, like electronic shelf labels, so that I can free up the limited labor I do have and use that to differentiate the customer experience?'" Scan and go and contactless payment technologies help the customers' visits become more efficient, while mobile devices streamline employees' responsibilities.

How winners are spending in 2021 at higher rates than others

843%
Electronic shelf labels (ESL's)

96%
Self-checkout

83%
Mobile devices for managers

65%
Consumer mobile checkout

57%
Contactless payment

Source: 2021 IHL Group "Store Matters"

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"**Assess the state of your business. Evaluate existing tools and work with strategic partners.**"

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Principal Consultant, Retail Innovation
Verizon

Opportunities to catch up exist

Retailers who haven't made changes to get to parity with the competition or those who haven't pursued innovation in 2020 can still find success. But to do that, they must move quickly to assess the state of their business, evaluate their existing tools and work with strategic partners to create more streamlined operations.

When it comes to digital innovation, some retailers are ahead of the growth curve. But many others may not know where to start to develop their digital infrastructure, Traflet said, but they know they must do something. Smaller retailers look at the successes of industry leaders and wonder, how will I be impacted? How can I be nimble and deliver effectively? How do I stay competitive and differentiate my products and services?

When retailers begin to consider the digital infrastructure they need to address those issues, they may not know where to start. "Assess the state of your business," Traflet said. "Evaluate existing tools and work with strategic partners."

Crucial competitive steps to take in 2021

All of these initiatives rely on retailers having a nimble digital infrastructure. Whether retailers are new to digital, scrambling to improve what they have, or expanding their capabilities, a solid digital infrastructure is key to tackling inventory management, pickup and delivery, CX, and employee retention.
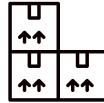
Get inventory management under control.
Improving this process, adding visibility and predictive analysis to drive down operational expenses is vital, and that need cannot be ignored, said Buzek. "It's a battle for the next decade, and if you don't have it under control, you're dead."

Elevate customer experience (CX).
Businesses can improve customer experiences, satisfaction, and loyalty with a seamless omnichannel experience that unifies customer service across all channels and uses data to personalize messaging. Customer behavior changes quickly, so retailers must check in to understand who their customers are, how they shop, and how to give the right amount of support and help in the shopping process, Traflet said. A good starting place is to map customer journeys.

Improve pickup and delivery.
This is now a necessity, and retailers must have the capabilities to offer it to their customers. But with BOPIS and curbside now a standard provision, retailers need to have efficiencies to drive costs of these options down, so they are profitable. Retailers are using dark stores, micro fulfillment centers, and second stores to speed deliveries to customers, Buzek said.

Focus on employee effectiveness and retention.
Retailers typically have high employee turnover rates, and it is even harder to keep employees during the pandemic, Traflet said. Businesses can increase employee retention through training, education, enablement, and employee satisfaction. Retailers can help employees do their job better by providing the tools needed to work remotely, such as mobile devices that let employees quickly get answers, information, and access to microlearning as required.

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Building a digital infrastructure for the future

Edge system architecture is a key to optimizing new customer journeys

When edge computing is used, how much more likely are retailers to have optimized each customer journey prior to COVID survey/impact?

82% Ship from store	**127%** Buy online, return in store	**128%** Buy for pickup in another store
134% Local delivery	**139%** Click & collect	**168%** Buy in store, ship from warehouse

Source: 2021 IHL Group "Store Matters"

During the pandemic, even companies that were initially satisfied with their digital technologies found their infrastructures didn't provide enough support, said Traflet. "It wasn't flexible. It didn't provide the functionality for curbside or virtual trying on." But for retailers, the idea of suddenly spinning up an infrastructure could be overwhelming. If you don't have capabilities, partner with someone who does, Traflet said.

Verizon, for example, partners with retailers to provide an As a Service Strategy, selling hardware, software and services, Traflet said. With this provision, retailers don't need to create a large internal infrastructure. Instead, the partner provides much of that capability, enabling retailers to cost-efficiently scale to meet their needs. This can be especially helpful for retailers that reduced

revenue in 2020, she said. With the speed of change in digital technology, this strategy enables retailers to stay current to more flexibly respond to new business requirements. Buzek added that with an As a Service approach, retailers don't have to worry about making major purchases of equipment that can quickly become outdated. Edge computing and microservices offer added capabilities to support richer in-store experiences and even more operation efficiency.

As retailers build capabilities for the remainder of 2021 and beyond, it's important to appreciate the lessons of the past, which exposed deficits but showed businesses' drive to fill those gaps. Now, looking toward recovery and resurgence, retailers must meet a continuously raised bar and have the digital infrastructure and processes to

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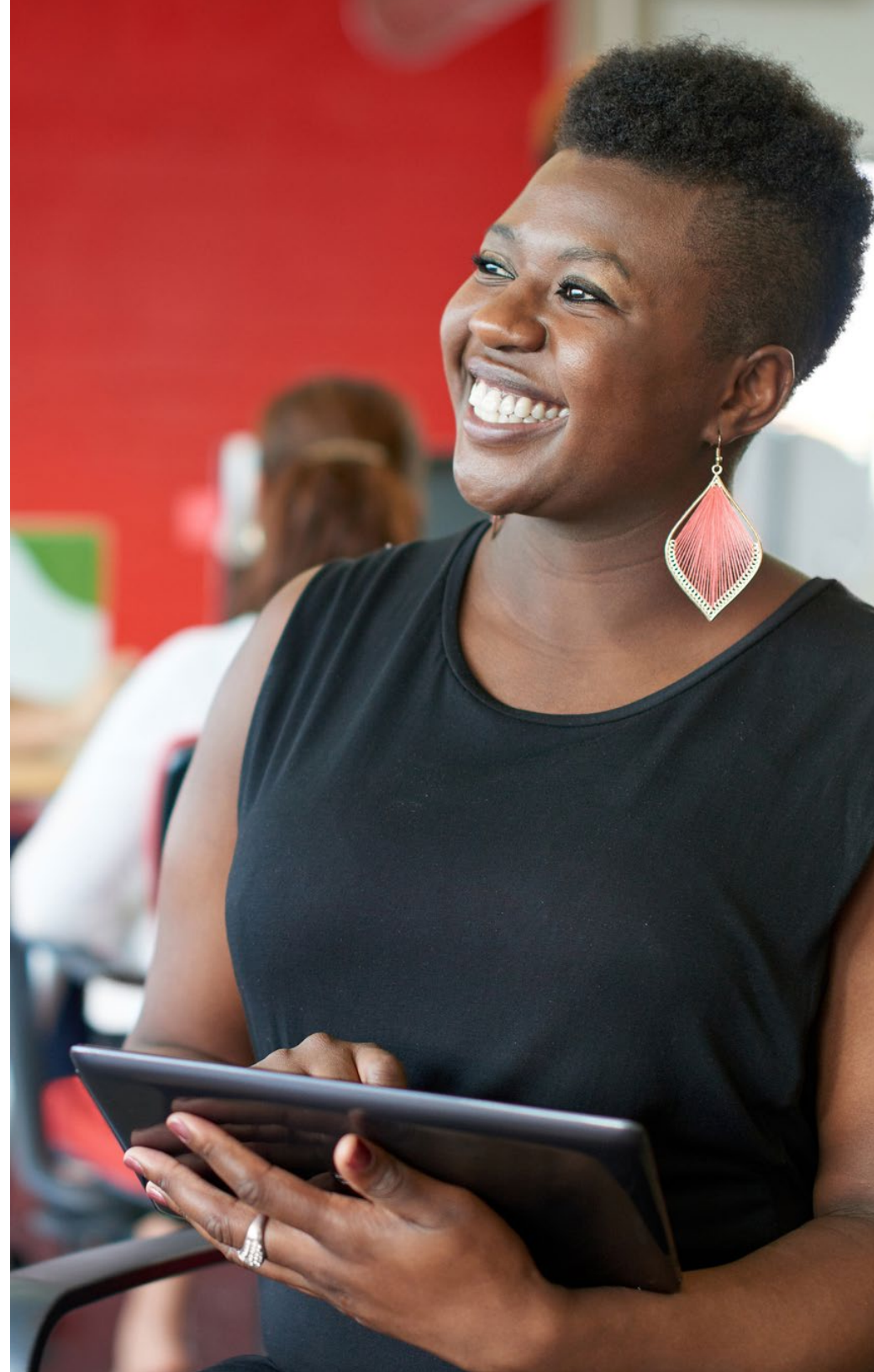
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