DRIVING INNOVATION FOR LONG-TERM GROWTH

Overview

In just the past few years, the retail environment has experienced a seismic transformation where it has gone from single channel—bricks-and-mortar or online—to multichannel or omnichannel. Today, there are few boundaries in the shopping experience where consumers are essentially in control and can be easily lured away by similar products, store density, pricing and convenience. It is no wonder why retailers must continuously innovate to capture consumer attention that will lead to new customers and improve the loyalty of existing ones. According to management expert Gary Hamel, “Most of us understand that innovation is enormously important. It’s the only insurance against irrelevance. It’s the only guarantee of long-term customer loyalty. It’s the only strategy for out-performing a dismal economy.”

Promoting innovation within a retail enterprise today is not that simple, though. It requires a mix of the right talent, processes and resources to drive innovation within any company. However, technology ties all those essential elements together for companies to support successful innovation. Company CEOs confirm this belief, too. In a recent IDG Enterprise study, “Role & Influence of the Technology Decision Maker,” more than half (58 percent) of surveyed respondents, representing 1,100 IT decision-makers from across industries, stated that their CEOs promoted technology as a critical or high priority for driving innovation.

2 2014 Role & Influence of the Technology Decision-Maker, IDG Enterprise
This paper will outline how companies can drive innovation by incorporating the following technology strategies:

- Integrating a single enterprise system to support access to timely and accurate data and provide end-to-end visibility of operations
- Using business intelligence (BI) and analytics to measure the customer’s shopping experience and market trends
- Adopting advanced technologies like mobile and social media to improve collaboration and generate new and creative ideas for products, services, convenience and shopability

### Breaking down silos

The need for retailers to differentiate themselves from the competition is as great as it has ever been. Big data can play a critical part in that strategy since it offers new opportunities for innovation in a multichannel environment. The biggest challenge though in adapting to consumers’ new multichannel expectations is breaking down the internal information silos within a retail organization that often keeps retailers from delivering a seamless customer experience. Those informational silos exist because of the poor integration between a company’s enterprise resource planning (ERP) system and its other business systems. This fundamentally impairs visibility in an enterprise.

These silos basically prevent retailers from accessing timely and reliable information to help them make the right decisions about new innovation initiatives in areas such as convenience, shopability, choice and assortment, price, value and even marketing the brand outside the store. These innovations make the shopping experience easier, faster or better for consumers that ultimately encourage them to make more trips and buy more products from the retailer. Since innovation relies on teamwork, the capability to gain a 360-degree view of a retailer’s operations promotes collaboration. Independent of the industry in which a company operates, innovation requires collaboration between a variety of cross-functional participants from marketing, sales, procurement, merchandising, to customer service, as well as suppliers and partners. Collaboration helps retailers and their extended innovation communities share knowledge which ultimately accelerates the innovation cycle.

However, the biggest barrier to driving innovation and improving collaboration and informational transparency is a retailer’s own IT infrastructure. Many retailers operate numerous disparate systems and databases, all running on a mix of legacy platforms and applications with aging and complex architectures. In reality, many retailers even operate ERP systems and homegrown systems, often ranging in ages of 10 to 20 years old. These systems have not been kept up to date with even the simplest of periodic software patches and other releases provided by their independent software vendor (ISV). Not surprisingly, many retailers are faced with significant integration issues.

### Business intelligence and analytics

BI delivers critical analysis about a retailer’s customers, finances, operations, suppliers and the market—all key intelligence needed when making informed decisions on innovating new strategies, products, programs or services. But, many retailers still use BI solely for creating standard reports that address finance, merchandise or service performance. Innovation, however, requires more advanced analysis on customer behavior, feedback and levels of customer engagement, as well as “what if” scenario analyses that allow management to visualize alternative approaches to their innovation goals so they can assess various investment options leading to more profitable decisions.

Dashboard views and analysis also help retailers’ marketing, merchandising and other innovation team members to focus on the big picture, spot trends, identify red flags and assure any new initiative is aligned with the retailer’s overall strategy. For instance, dashboard views and detailed analysis can help a retailer understand the needs and preferences and attitudes of growing consumer groups such as millennials, Hispanics and baby boomers. Just as important as those demographic groups, the individual consumer is also a key target to better understand so retailers can customize offers on a one-on-one basis so they can stay ahead of the competition.
Realistically, many company executives and managers still rely on their IT departments to generate key analysis and reports that are necessary to make key business decisions. That extra step typically keeps many of them from reviewing valuable data on a more frequent basis. With today’s BI solutions, integrated with an ERP system, executives and managers can easily access real-time dashboard reports themselves, whenever they need it via their desktop, tablet or mobile device. That capability though is only possible if BI integrates seamlessly with their ERP system. For retailers with aging legacy systems, this type of integration is virtually impossible.

**Social media and mobile technology**

Retailers cannot be good at everything, especially since technology is not their core competency. Consequently, retailers should not rush to the latest and greatest technologies but rather focus only on the ones that directly drive innovation to help enhance and grow their brand. Social media and mobile are the latest technologies that are critical to a retailer’s brand proposition and to successful innovation.

A retailer’s website and social media sites like Facebook, Twitter and Pinterest are effective methods to communicate brands, and they have the added benefit of tracking and analyzing consumers’ buying patterns, conversion rates, preferences, satisfaction levels and what is trending in the marketplace. All of this information is invaluable in innovating and adapting to new market demands. While virtually all of the big retailers have varying levels of online presence and other smaller retailers are gradually adopting this technology into their customer engagement activities, social media is not being fully exploited beyond brand awareness. Many retailers fail to fully mine, curate and analyze the rich data from social media with its BI tools because of its poor integration with the ERP system.

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Management Expert Gary Hamel

Mobile technology is instrumental in promoting innovation through improved collaboration throughout a retailer’s channels. Mobile also represents the future for serving the needs of the next generation of consumers. Consumers today are increasingly mobile but none more so than the millennial generation. In fact, millennials will account for nearly one-third of total spending by 2020, according to a McKinsey report. While mobile accounts for some online sales transactions, it primarily serves today as a “pre-shopping” tool, which is important for driving sales to stores and a retailer’s website. That will shift as retailers leverage mobile as a key channel for customer information and in delivering personalization such as geotargeting and other services that deliver additional value to their customers. As technology advances in the areas of mobile payments and digital wallets, retailers also will focus innovation in the payment area, such as incorporating checkout options to eliminate shoppers waiting in line.

Mobile deployments, though, for many retailers have proven very challenging. Realistically, complex technology like mobile becomes much simpler to deploy when operating one modern enterprise platform. One integrated platform enables retailers to successfully support customers who now demand to purchase the exact product they want, at anytime and anywhere.

**Path forward in technology**

Technology is clearly a key driver of innovation, but for some retailers it also is a barrier to innovation. The reality is most retailers don’t have the business processes and the right technology and infrastructure in place to execute most of their innovation initiatives. Perhaps the biggest challenge is the poor integration with their legacy systems.
Now is the time for retailers to seriously consider updating or replacing their aging legacy systems with a single ERP platform that allows tight integration with BI, mobile, social media and other advanced technologies. But before investing in any new technology or changing business processes, working closely with an IT advisor—consultants with extensive experience in not only IT but also in the retail industry—that can evaluate the performance of existing systems and what new functionality and type of deployment models will be required to achieve a holistic view of operations will significantly improve the results of an ERP implementation.

Generic evaluations and cookie-cutter proposals are ineffective when an experienced advisor can provide a thorough review, with detailed recommendations, of the company’s IT infrastructure, operations, processes and workflow. These types of advisors can also help identify growth opportunities to improve margins, optimize efficiency, cut costs and reduce risk to a company’s business. This investment ultimately will promote continuous innovation so retailers can deliver value in new and different ways. In the end, retailers can then look forward to customers’ unwavering loyalty and their dollars for years to come.