

Building the Foundations of Digitally Connected Ecosystems

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The pandemic, the inflation crisis and the gate-crashing arrival of artificial intelligence (AI) into the business mainstream have all acted as powerful accelerators of change, with their impact sweeping fast across society and the broader economy. Within less than half a decade, the digital shift has received three powerful impulses that will influence for a long time how people live, how they work, how they make choices and where they shop. Change that would have taken decades to unfold in the past can now happen within the space of a few months. This will challenge businesses to cultivate adaptability, base decisions on better and more timely data, and prepare their IT and data architecture for the future.

This is the time to think about data holistically

Change in retail is always a reflection of changes that are happening in society. Shoppers who have seen acceleration at work and across services now expect retailers and brands to respond faster and more accurately to their changing needs. There is less patience and understanding for gaps on the shelf, inconsistent information, irrelevant personal recommendations, long queues at the checkout and shipping delays. Emotional responses to negative experiences are having a growing impact on loyalty and retention rates.

In the face of these developments, retailers and brands need to make sure they understand their customers better, anticipate trends earlier, adapt faster to sudden swings in consumer sentiment, and operate more flexibly. A better and

more timely understanding of the messages deeply hidden in data will be a critical step to achieving this. Another will be building the foundations for the next generation of retail, the digitally connected ecosystem, now – with a vision of the consumer of 2029 in mind.

From a global perspective, digital transformation is still at an early evolutionary stage. However, as businesses are getting ready to focus on the future again after several years of firefighting, and with AI and advanced analytics emerging as new base technologies, this is an excellent time to think holistically and get it right for the long term.

Making more of your data for a new consumer

The continued spread of better and faster smartphones, the advance of 5G mobile networks (expected to grow from 59% global penetration in 2023, to 82% by 2027), the fast-expanding amount of shopper data, as well as the growing potential around high-performance data analytics and predictive models all provide a serious call to retailers and brands to close, or at least narrow, the gap between today's reality and existing potentials. As consumers produce unprecedented amounts of data, retailers and brands are challenged to extract actionable insights that will drive awareness, sales, loyalty, and retention both in-store and online.

The speed at which this transformation happens will be a significant competitive battlefield among businesses in a race to win shoppers' loyalty, including the young cohorts of digital natives (Gen Z) and AI natives (Alphas). These young consumers already account for one-third of the population in the Western markets. Under no circumstances can retailers rely on them to accept existing business models. Instead, as they grow into their prime spending years, they will choose whatever business model is attractive and convenient to them, with no regard for traditional reputation.

Measuring success and potential

The accelerated rise of online activity since the pandemic has boosted the growth of a variety of new channels, including 1P and 3P marketplaces, direct-to-consumer, quick commerce, various social media platforms, and others. At the same time, the emergence of the digital-first shopper and AI-driven data analytics are challenging retailers to unlock existing potential and access more broadly applicable measurements of basic KPIs.

To support in this space, new service providers have built tools that enable real-time performance measurement and predictive analytics, allowing online operators to track sales, predict shopper demand, enable more on-the-pulse trend responses, optimise prices in real-time, drive shopper engagement, measure the impact of promotional campaigns, quantify the effect of marketing activities across a variety of channels, gauge customer loyalty and, with access to such valuable information, allocate their budgets in the most efficient way to drive successful full-funnel strategies.

The choice of the right tools will be a vital driver of commercial success in a competitive market, and this choice deserves as much attention as day-to-day execution on the operational level.

Building data for the next level

Mastering the approximately 20 basic KPIs is now a table stake in e-commerce literacy - including the collection of data, the accurate and timely measurement of performance indicators, the provision of easily accessible data visualisation and the generation of actionable insights and decision options. However, there is always room for more granular views, and analytics focusing on industry and category-specific data can provide crucial competitive advantages across product range, availability and service levels.

Advanced full-funnel metrics will allow retailers and brands to fine-tune product, pricing, marketing and promotions across channel, platform and consumer touchpoints, as well as optimise investment to build awareness, encourage consideration, drive conversion, build loyalty and maximise CLV (customer lifetime value).

Advanced data analytics will also allow the broad use of real-time incrementality measurement, where outcomes of a marketing campaign are measured by comparing a treatment group (shoppers targeted by a campaign) with a control group (shoppers not targeted). The difference in outcomes will provide a clear view of sales impulses that can be attributed to a campaign, allowing retailers and brands to gauge campaign ROI, fine-tune content and consider whether or not a campaign has been run on the right channel.

These are examples of how competitive data analytics can increase campaign efficiency and drive profitability for a retailer or brand in a highly competitive market.

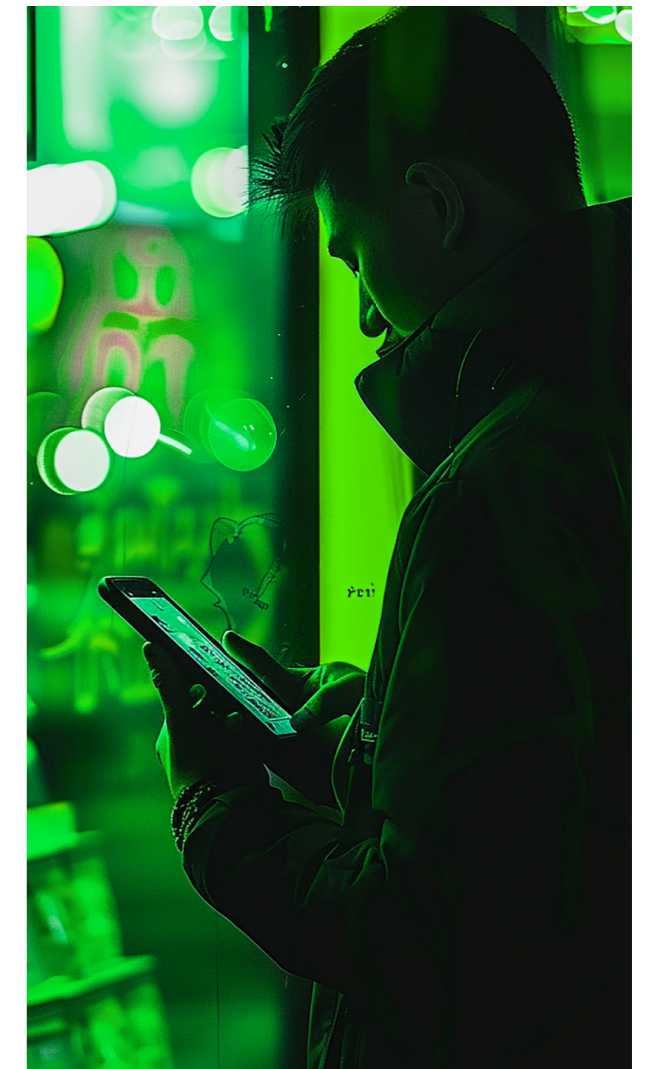


Preparing for the next generation of retail

While improved data analytics will immediately impact business performance, retailers must now embark on building the foundations of the next generation of retail, also known as retail 5.0, and they must do so with a confident vision of the future consumer in mind. After years of firefighting amid large-impact consumer shocks – ranging from the pandemic and a rapid online shift to war-related supply shocks to a full-blown inflation crisis – this is a good time for retailers to focus on longer-term investment strategies again.

In Western societies, this means preparing for a world where ageing consumers will face eroding spending power and choose different priorities in life. As consumerism has peaked, retailers must understand that simply selling more and more product will no longer be a growth strategy for the long term. Instead, building more comprehensive product and service portfolios to drive spending, stickiness, and loyalty will be crucial to success. Making this a data-driven ecosystem where business areas are connected with each other to enable a 360-degree view of the shopper, highly personalised marketing campaigns and new levels of customer lifetime value is what retail 5.0 is all about.

For retailers, building this is a marathon, not a sprint, and it is vital for them to underpin the journey with a strong vision of future consumer priorities, excellence across data and customer experience, as well as forging the right partnerships on the technology side.



Retail 5.0

When looking at the world's most advanced digitally connected product and service platforms, players like Amazon in the US or Alibaba and JD.com in China already give an idea of what the next generation of retail will be built on in Europe.

Designed to provide long-term loyalty and repeat purchases, they lead in product choice thanks to their open 3P e-commerce platforms while offering additional services that have been driving customer loyalty, repeat purchases and lifetime customer value. Vendor loyalty is promoted through business-to-business services like advanced data analytics, digital media, cloud services, warehousing and shipment. As the ecosystem model continues to spread from pureplay e-commerce into traditional retail models, industry leaders such as Schwarz Group, Carrefour, and Tesco are already building omnichannel-centred ecosystems that branch out into loyalty, financial services, travel, cloud services, manufacturing, the circular economy and logistics.

All of this drives business efficiencies, customer loyalty and multi-mission shopper usage across the awareness, consideration, conversion and loyalty stages. Customer lifetime value will be maximised through a deep understanding of consumer behaviours, enabling unprecedented levels of relevant individualisation in marketing and promotion while opening the gates to high-precision targeting by brands via retail media partnerships.

All of this must be based on reliable data, best-in-class data analytics, actionable insight and recommendations, as well as data languages that are compatible across business units to maximise the benefit from consumer touchpoints well beyond a standard shopping mission.

Re-thinking data architecture

The need for interconnectedness and compatibility within a corporate ecosystem and with external third parties – ranging from inbound vendors and technology providers to outbound data service and retail media clients – will only grow in the coming years. Retailers must choose their appropriate technical equipment and software partners with a clear vision of anticipated consumer habits and business models some years out and start laying the foundations for a business architecture that will drive competitive advantage, sales and loyalty in the long term.

At a time when retailers are finding it challenging to build and retain in-house IT and software capabilities, choosing the right partners becomes essential. The quality of a partnership is defined by performance reliability as much as it is by an outlook of responsible long-term cooperation, where projects are accompanied by partners who are aware of the history, purpose, and direction of ongoing technology and data investments.

It is almost needless to say that building the business architecture of the future is a sensitive area where wrong decisions can be expensive, and the careful evaluation of partners is key to making investments commercially viable quickly.

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Making decisions in retail is harder than ever.

Choosing who to work with is the perennial challenge - especially when it comes to technology.

You need partners who live and breathe retail, as well as tech.

Commercial minds who can join the dots between innovation and the bottom line.

Relentless problem solvers, prepared to spend days with your teams to find the root cause - and fix it.

True disruptors who can put AI to work.

And together, you must deliver business outcomes. Again and again.

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PriceSpider

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Reaching your most valuable customers and ensuring they get the best shopping experience requires a proactive approach to monitoring, managing and investing in your five Ps: product, price, place, promotion ... and now, the path to purchase.

Every day, PriceSpider crawls thousands of ecommerce sites to collect data about what, when, why, where and how shoppers purchase online. Finally, brands know where their marketing dollars are performing, which marketplaces are optimized for conversion, and how they can drive incremental sales.

