

A woman with long dark hair, wearing an orange sleeveless dress and high heels, stands with her back to the camera. She is holding three shopping bags in her left hand and touching a glowing point on a large digital display in a window. The display shows various retail items like shoes and handbags. The background is a bright, modern retail environment with large windows and colorful displays.

# THE INTELLIGENT ENTERPRISE IN THE EXPERIENCE ECONOMY FOR THE RETAIL INDUSTRY

Understanding how your  
customers feel and delivering  
experiences they can trust

THE BEST RUN



# CONSUMER TRUST IS THE KEY TO PERSONALIZATION

Experience data, analytics, predictive intelligence, and demonstrated sustainability will become retail assets like no other, providing the fuel to power every aspect of the business.

Experience management will be at the heart of customer engagement. This means understanding what is happening by interlocking operational performance data from business and technology with experience data from customers and employees, then acting on insights to improve customer satisfaction, increase organizational performance, and deliver a better brand perception.

Retailers will be immersed with their consumers' lives. Consumers will expect retailers to connect, "know and understand me," and "meet me where I am," transforming traditional marketing approaches into more personalized, experience-driven offerings.

To be successful, however, retailers will have to build unprecedented levels of trust with their customers. This trust will start with keeping customer data private and secure. Without that, customers will not share the data needed to create personalized shopping experiences.

But trust is also earned and kept through consistent and on-time delivery, a seamless shopping experience, the right quality, and ethical and sustainable sourcing.

Sustainability will not only be key to winning the loyalty of the next generation of shoppers but also a business necessity and key to further profitable growth.

To achieve this transformation on multiple levels, retailers will leverage new technologies like never before.

Converting Big Data into predictive insights that drive automated promotion, replenishment, and marketing activities will be a competitive differentiator required to exceed customer expectations.

We expect that robotics and artificial intelligence will transform all aspects of the business. Automated warehouses, robotic store associates, and driverless car delivery will introduce new levels of efficiency into the last mile. Machine learning algorithms will help uncover unspoken needs and create more-relevant, personalized offers.

While physical stores will remain an integral part of the shopping experience, their function will be dramatically different. New technologies will be integrated into physical stores to provide unparalleled levels of engagement and service. Augmented and virtual reality will provide the ability to try on any color, style, or size. Beacons, RFID, and mobile devices will deliver real-time product information, availability, and other digital services that enhance the overall experience.

This, of course, requires reimagining the role of the store and the ability to seamlessly unify the offline and online worlds, perhaps the biggest challenge facing retailers over the next five years.

**85%**

of shoppers value strong customer service and support, but brand performance leaves a lot to be desired<sup>5</sup>

**>50%**

of consumers say that the overall enjoyment of their experience is important in their decision to buy a product or service<sup>6</sup>

Even when people love a company or product,

**59%**

will walk away after several bad experiences, and

**17%**

will walk away after just one bad experience<sup>7</sup>

**73%**

of shoppers say they agree or agree completely that it's important for a retailer to give them flexibility to control how their personal information is used to tailor their experience<sup>8</sup>

**5.6x**

Faster growth in sustainable products<sup>9</sup>

**60%**

Potential increase in net margin for retail companies that are using Big Data analytics<sup>10</sup>

**45%**

of retail survey respondents have deployed machine learning for customer engagement in their organizations<sup>11</sup>

# BE CUSTOMER CENTRIC ACROSS THE VALUE CHAIN

In 2025, retailers will be able to create deep data and predictive insights from data generated at every customer touch point – physical, digital, and social.

These insights will drive a forward-looking understanding of consumer trends and allow retailers to preempt changes in taste and style, as well as design the right experience and service offerings to create hyperloyal customers. (See Figure 1.)

It starts with optimizing existing processes by creating and using a deep understanding of customer needs to offer targeted assortments and campaigns. These processes will be extended by responding to real-world data input (search data and consumption data from sensors and home devices) and changes in usage and consumption to make relevant offers for products and services when consumers need them.

The result will be tailored, immersive experiences that anticipate customer needs, supported by seamless omnichannel interactions.

To get there, retailers must develop a new culture, one that is relentlessly focused on the customer. Successful retail cultures already put a premium on providing convenience, whether online or offline, based on insights garnered from customer experience and supply chain data to optimize customer buying experiences. And they must obsessively protect customer privacy. The next generation of retail culture must start at the very top, modeled by the leadership of the company, and must empower every employee to act on behalf of the customer.

## Figure 1: The Vision of Customer Centricity

Focus all elements of the end-to-end experiences designed around the customer



79% of retailers consider it important to quickly and efficiently change assortments and adapt pricing across channels based on current trends and customer insights, but **only 27% are able to do so**.<sup>12</sup>

[Saks Fifth Avenue](#) uses Experience Management solutions from SAP (Qualtrics) to gather data from VIP customers and develop a customer lifecycle program with different levels and special benefits. It researches social media behavior to know how best to communicate with online customers and sends real-time survey results to customer service for immediate response to customer concerns. It also prioritizes the development of its online presence based on this rapid customer feedback. With a 75% increase in the speed of data collection and significantly reduced outsourced research costs, the company can make a wide range of relevant research data available for easy access and correlation across the company.

# SERVE THE SEGMENT OF ONE

While customer centricity is meant to serve all customers, the next generation of personalization will serve the segment of one.

In 2025, retailers will use large data management platforms to gather big sets of sales, service, and marketing data to build a 360-degree customer profile and understand and predict individual and contextual customer needs. (See Figure 2.)

Retailers will need the explicit consent of their customers to gather data and put it to work, which requires a new level of transparency and a new level of collaboration between customer and retailer.

People expect retailers to know them, and, as a result, real-time interactions will create the context for marketing, assortment, pricing, and promotional offers. Algorithms will be commonplace throughout every retail business process and will power recommendations and tailored experiences for consumers. Augmented and virtual reality will offer a personalized dressing room experience, furniture display, or digital store walk-through that will take the individual shopping experience to a new level of personalization. Sensors will monitor use, consumption, wear, and freshness, alerting consumers to replace, replenish, or repair.

However, to meet this vision of serving the segment of one, retailers must also be able to individualize their offerings and optimize their existing processes to allow for single-item sourcing and delivery.

Retailers who offer consumers the chance to give feedback to their products, brand, and shopping experience will be able to create winning customer experiences. A new software category, which combines experience management with operational systems and brand reviews, as well as product and customer experience feedback, is already starting to redefine customer engagement.

**Figure 2: The Vision of Serving a Segment of One**



73% of retailers consider it important to deliver a fun, relevant, and personalized experience that is convenient and unique to customer sentiment, history, and preferences, but **only 10% are able to do so.**<sup>13</sup>

SPAR Handels AG (SPAR Switzerland) has created a loyalty program that gives its customers immediate benefit during checkout. Besides receiving a very attractive weekly offers, a SPAR Friend member is eligible to win the whole purchase when it is the 1,000th purchase in any of the roughly 160 outlets counts. Validating the SPAR Friends 1,000th purchase at checkout is done in real time. Having a central system to steer and control the loyalty program is key. SPAR Switzerland also wants to have the flexibility to further develop the program with new offerings and features, which can be introduced swiftly.

# IMPLEMENT DIGITAL SUPPLY CHAINS

Drive effectiveness across a connected, end-to-end supply chain by providing real-time consumer insights to internal and external fulfillment teams, distribution centers, manufacturers, and suppliers.

In 2025, customers won't come to the retailer, the retailer will come to them. All the factors that drive demand – promotions, seasonality, events, weather – will be dynamically taken into account to predict demand.

With drones and driverless cars, real-time product delivery at a low cost will offer a significant competitive advantage. Robotics and artificial intelligence will drive efficiency in retail warehouses. (See Figure 3.)

Consumers will expect their needs to be met automatically. Consequently, retailers will become more vertically integrated, connecting the end-to-end supply chain to automate replenishment of consumer demand. Consumers will expect transparency into the supply chain and expect to see focused sustainability efforts.

To get there, retailers will use predictive analytics and machine learning to predict demand and supply of the individual household.

They will connect to the point of consumption – such as the fridge – and automate replenishment.

Lastly, retailers will provide scalable, efficient, and convenient source-to-consumer services to the place of need to build brand and process loyalty and develop brand extensions, such as food preparation services.

To take advantage of these opportunities winning retailers will deploy a highly flexible and highly efficient robotics supply chain that is able to serve dynamic individual needs anywhere and anytime.

**Figure 3: End-to-End Connected Digital Supply Chain**



69% of retailers consider it important to have visibility into the global inventory pool and optimize it for a “source anywhere, fulfill anywhere” model, but **only 15% are able to do so**.<sup>14</sup>

[Migros](#), a leading Swiss retailer, improved its supply chain agility through digitalization. The result was the ability to ensure product freshness and a better shopping experience for supermarket customers.

[The Home Depot Inc.](#) is connecting in-store robotics with an intelligent enterprise approach. It is using drones and robotics to create an efficient in-store experience that delights customers and provides faster order fulfillment.



# RUN SMART STORES FROM DISCONNECTED STORES TO INTEGRATED BRAND- BUILDING EXPERIENCES

Create a smart store to deliver brand-building store experiences. With this integrated, end-to-end scenario, you can manifest your brand, create new store experiences, and capture changing needs by running your stores like an online business.

## TRADITIONAL SCENARIO



- Shopper enters store anonymously
- No history is available
- No insight into the shopper's needs, preferences, or buying behavior is available
- The interaction is captured only upon checkout
- No interaction is sensed
- Store is run by point-of-sale transactions
- Customer sees only what is sold
- Valuable interaction data is lost
- Customer preferences are not discovered
- Decisions are made after the fact
- Staff has no access to real-time inventory information or incoming deliveries
- Staff can't guide customers
- No personalized offers
- No convenience options
- No help when items are not available
- No ability to provide feedback
- No ability to differentiate the customer experience or offer service that drives loyalty
- Stores exposed to price competition from online pure plays

## NEW-WORLD SCENARIO



- Shopper recognition**
  - Shopper who is recognized and approached according to their privacy settings
  - Smart "clienteling" enabled based on history and known and predicted preferences
- Smart Store**
  - Smart-shelf heat maps to capture interactions
  - Sensor technology that helps optimize store layouts, assortments, and price points, and enables better understanding and prediction of shopper preferences
- Fast response**
  - Real-time response to relevant customer demand signals
  - Accelerated replenishment
  - Triggered product transfer with RFID enablement to balance stock between stores flexibly
- Product and experience feedback**
  - Real-time inventory and product information
  - Ability to use geospatial data to identify nearby stock locations
  - Elimination of price differences and control of shelf stock using advanced scanner technology
- Compelling shopping experience**
  - Real-time inventory information and endless aisles
  - Frictionless checkout and convenient service options with grab-and-go formats
  - Instant shopper feedback to optimize the experience and drive new revenue opportunities
- New customer loyalty**
  - Combined insights from both experience and operational data sets, enabling understanding of the key drivers of customer loyalty
  - Ability to drive shopper and consumer loyalty and increase shopper share of wallet

### POTENTIAL BENEFITS

**25%**  
Increase in revenue

**50%**  
Reduction in markdowns

**30%**  
Increase in inventory turnover

Source: SAP Performance Benchmarking

# SELL OUTCOMES BEYOND PRODUCTS

In 2025, the majority of retail companies' revenue will come from services developed from the insight gleaned from consumer insights and experience data. New business models will include subscription, pay-per-use, or outcome-based models.

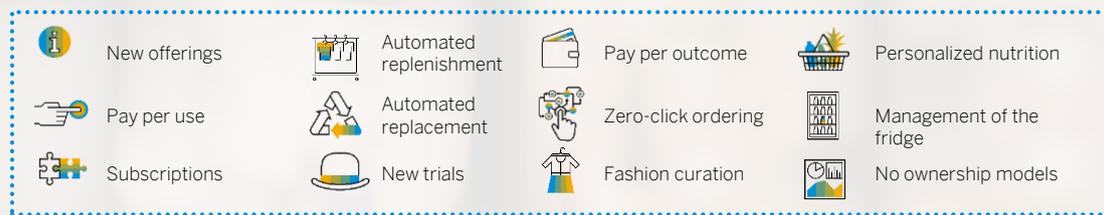
These services will move from being product add-ons to offerings in their own right, with separate revenue streams, and they will not be restricted to the companies' own products but will rather evolve into multibrand services beyond current product categories. The intelligent retailers are the ones willing to chart new territories that are adjacent to their business. (See Figure 5.)

The next wave of retailers will think of their brand as a scalable platform, allowing for brand extensions and creative partnerships into telecommunications, travel and entertainment, and financial services.

To make it work, retailers will need a deep understanding of their customers' consumption habits and must occupy a trusted position in their lives.

With this in place, they can use experience and operational data to create new offers and services. By extending current business processes to connecting with consumers, retailers can offer use-based services enabled by sensors. The ultimate transformation will be moving from selling products to selling outcomes, facilitated by "no ownership" and subscription services.

**Figure 5: Extending Existing Business Models and Innovative Customer Engagement**



61% of organizations consider it important to leverage strengths (customers, assets, core competencies) and work with partners to drive successful business models, but **only 25% are able to do so**.<sup>16</sup>

[Tata CLiQ](#) helps connect Indian consumers in 900 cities and 10,000 villages to modern retail. SAP® Customer Experience solutions help offer hundreds of brands and thousands of items – all on one platform. Now people everywhere – from large cities to small villages – can get deliveries to their doorsteps or local stores.



# GETTING THERE: A PHASED APPROACH

Companies will become intelligent enterprises on three distinct tracks as they evolve their strategic priorities to match their company's vision. They will:



**1. Optimize** what they already do by implementing a stable and scalable digital core to make processes more transparent and integrated



**2. Extend** their current processes by connecting them to the real world using IoT technologies



**3. Transform** their business using a constant stream of data, enabling new service-driven business models (See Figure 6.)

**Figure 6: Strategic Priorities Across the Maturity Framework**

