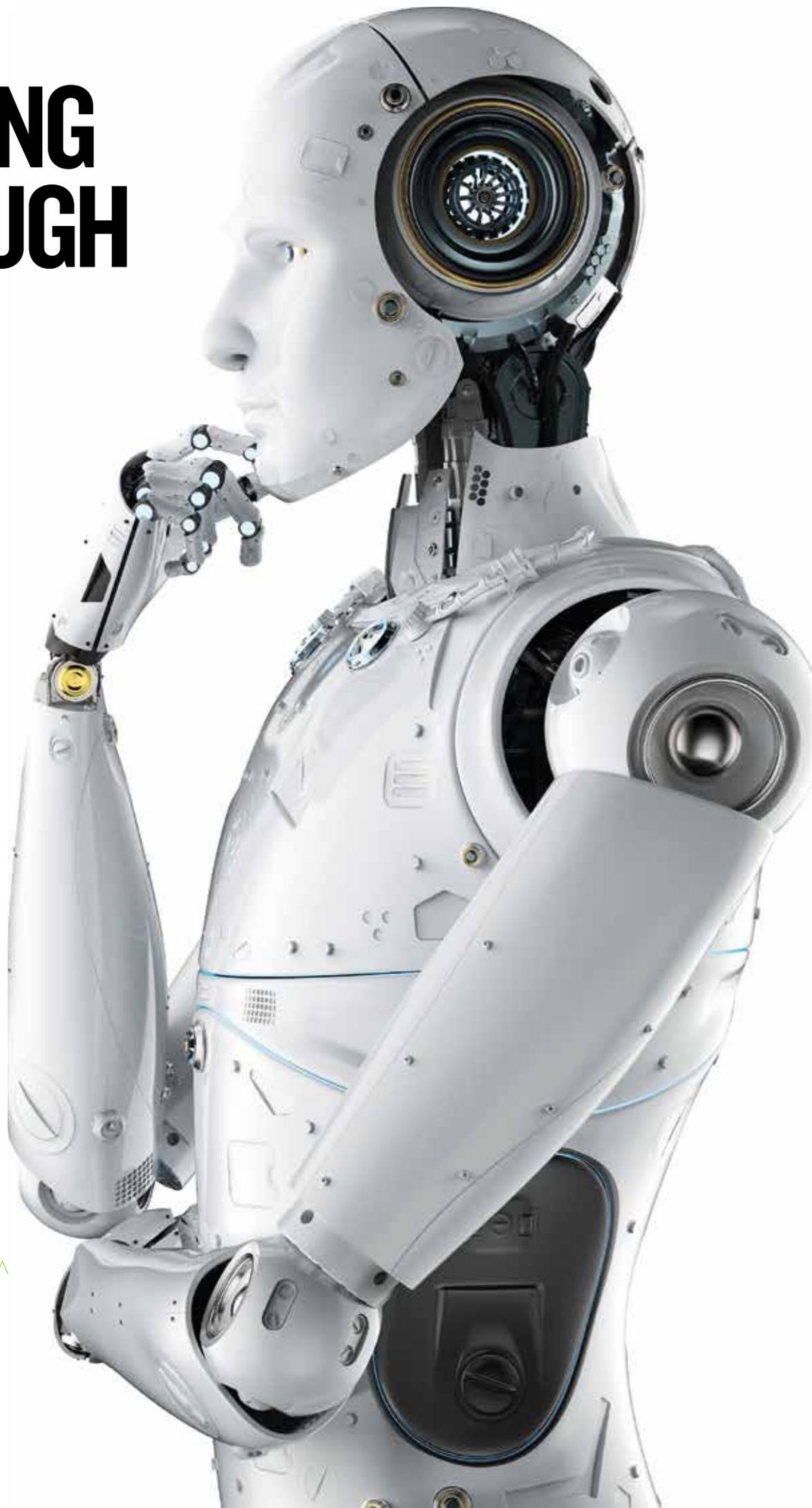


CUTTING THROUGH THE HYPE

Defining your 2019 tech strategy and driving results



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isobar

CHAPTER I:

PRIORITISING YOUR TECHNOLOGY INVESTMENT

Never before has the retail sector been under so much pressure to adapt. In order to thrive in today's digital economy, retailers must embrace new styles of leadership, culture, and, crucially, technology.

Amazon continues to set the benchmark for speed, price and convenience online, while retailers such as Adidas are delivering the experiential stores of the future offline. The need to deliver a first-rate customer experience is what unites these, and indeed all, retailers. To do so in this age requires a complete reshaping of the business, from back-office systems through to customer-facing elements.

In a recent Retail Week survey of 75 retail leaders, a staggering 87% say the pressure their business is under to digitally transform has increased over the past three years. And 75% are now planning their digital transformation initiatives no more than three years ahead.

As a result, investments are being made with greater agility and speed. However, investments still need to be carefully considered as failure will have immediate consequences for retail operations.

Racking up results

But how do retailers decide what is white noise versus what will really deliver ROI?

The sector understands that investing in technology is essential to meet these new demands. Figures from Gartner in October 2018 show that technology spending in the global retail sector will grow 3.6% in 2019 to reach almost \$203.6bn (£156bn), with similar growth rates predicted for the following two years.

Software will see the biggest increase in spend, from \$30.2bn (£23bn) in 2018 to \$40.5bn (£31bn) in 2022, as retailers prioritise ecommerce platforms, analytics, digital marketing, mobile applications and artificial intelligence (AI).

Global retail spend on IT services will also jump from \$81.6bn (£62bn) in 2018 to \$100bn (£77bn) by 2022, Gartner forecasts.

However, understanding and identifying which technologies to invest in is no mean

“Software will see the biggest increase in technology spend for the global retail sector, from £23bn in 2018 to £31bn in 2022”

feat and should be defined by each business at its specific stage of digital transformation – or lack of it.

Leading technologies on show at the NRF 2019 event included AI, augmented reality (AR), virtual reality (VR), internet of things (IoT) and robotics. But how much is investable and how much is just hype?

Molly Beams, senior director analyst at Gartner, says retail chief information officers (CIOs) are held accountable for business results and will want to prioritise investments that deliver measurable ROI.

“CIOs are investing in analytics for both near-term benefits, like decision-making, and to prepare for innovations such as smart machines, AI and AR – all of which will require robust datasets,” she says.

However, as data is often siloed, most businesses are not getting the single view of the customer so many strive for. Retailers need to begin by cleaning up their data and investing in systems that can then pull together disparate datasets, as well as in teams to manage the process and operations for this new way of working.

Retailers need to evaluate their current technology capabilities and create a roadmap that sets clear business objectives, each one aligned with a core customer need. This should highlight where current technologies can either be better utilised or replaced, and identify where new technologies can deliver the missing capabilities or be integrated within existing systems.

US advisory firm IDC recommends that retailers decide whether to lead, follow or do nothing – with the latter option indicating they know the end is already near.

With careful digital transformation use and roadmap planning, IDC says, every retailer can outline a plan to become “digitally determined”.

CHAPTER 2:

INVESTING IN CUSTOMER EXPERIENCE

Success in the retail landscape is becoming increasingly polarised as the power continues to shift to consumers.

At one end of the spectrum are those retailers that remove friction for customers and who pioneer speed, convenience and efficiency. Amazon is a prime example, having set the industry benchmark in these areas.

At the other end are the retailers who embody a more immersive experience and/or lifestyle that encourages brand engagement and a feeling of being part of a community. Cycling retailer Rapha exemplifies this approach with its emphasis on ‘clubhouses’ as meeting places for its community. For retailers such as this, people don’t just buy the brand – they join it.

Being customer-centric means playing decisively and strongly to either one pole or the other, so those retailers that fall into the middle find themselves in the danger zone. Customer experience is the key battleground in retail today. Driving experience at the front end – both in store, online and across the two – is critical.

Alex Hamilton, head of innovation projects at ecommerce solutions provider Isobar, says: “The emotional connection between brand and consumer is a powerful vantage point for retailers when harnessed correctly.

“Genuine human interaction increases the value perception in the minds of its consumers, and the best problems to solve are the ones that have the most meaning in a customer’s life. Technology must co-exist with humans, not compete or replace. In 2019, brands and retailers must bear this in mind while choosing how to invest.”

This is reflected in research by Isobar, which shows that areas such as visual and voice search and progressive web apps are key investment areas for 2019. Within customer experience, these are the areas in which brands are looking to invest in the short term.



PROGRESSIVE WEB APPS

- » PWAs fuse the best of mobile apps and traditional ecommerce
- » They require lower maintenance than traditional apps
- » Retailers including Flipkart and Asda are investing in PWAs

Progressive web apps (PWAs) have been gaining traction since 2015, when they were initially proposed by Google, and are set to mean big things for the world of ecommerce.

Essentially, these are ecommerce websites that offer many of the attributes of a native app, such as working offline and push notifications, but come with the added ease of deployment and maintenance of a traditional website versus a mobile app.

They also work across all browsers and are searchable, unlike traditional native apps.

In addition, while native apps work well for a retailer’s most loyal customers, retention often declines as the wider customer base begins using it less or deleting it entirely. In contrast, a PWA allows the user to begin

using it immediately, without any downloading or installing.

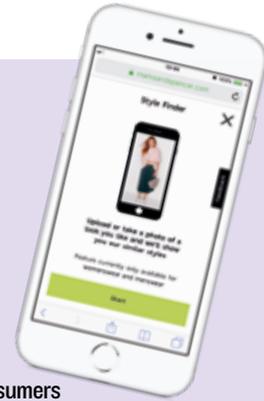
Indian e-tailer Flipkart uses a PWA for its website and, closer to home in the UK, Asda Walmart has worked with Isobar to develop its PWA for clothing brand George’s website, George.com, which the retailer says bolstered conversion by 31%.

The George team decided to adopt a mobile-first approach for its website refresh and settled on a PWA. The investment has made page load times 3.8 times faster and page views have risen by 20%.

Customers can also now use the app offline and an ‘Add to Home Screen’ prompt created an app-like experience on the web that resulted in a 28% increase in visit duration.

VISUAL SEARCH

- » Image-based search, as opposed to text search, is proliferating
- » M&S, Asos, John Lewis and eBay are all investing
- » 62% of Gen Z and millennial consumers desire visual search capabilities, according to a 2018 survey by visual search solutions provider ViSenze



Visual search relies on images instead of text, using AI to compare pixels and identify products, and then algorithms to suggest similar items to consumers.

Visual search technology is being incorporated into branded apps and websites, while increasingly sophisticated visual search functionality is being built into platforms such as Pinterest and Google. It allows users to capture images with their smartphones and then either buy the exact product pictured or search for similar items.

According to Mintel's Online Retailing UK report in July 2018, a third of consumers struggle to find what they are looking for when shopping online, where the sheer choice can be overwhelming. Visual search provides a solution by blurring the lines between online and offline, and enables retailers to capitalise on consumers' moments of inspiration.

The search technology can also provide an effective way for retailers to upsell and cross-sell. AI can identify accessories that complement an item of clothing currently being browsed and then display

other relevant products to consumers when they are already highly engaged.

"There is an opportunity for development of customer consideration and brand comfort and loyalty from visual search opportunities, but as a revenue driver at the moment it is very early days," says Iain Valentine, managing partner of digital marketing agency Whitespace.

However, this has not stopped retailers from investing, the latest to do so being Marks & Spencer. In January 2019, it launched the visual search technology Style Finder on its mobile website. Customers can use this to either upload an existing photo or take a new one of an outfit or item of clothing to reveal similar-looking products available in M&S stores.

It filters thousands of products in less than 10 seconds, and customers can personalise their search based on size, price and colour.

Initially, the technology is being rolled out across womenswear and menswear categories at M&S.

VOICE SEARCH

- » One in 10 homes now have voice-search technology
- » Asos and shopping centre owner Hammerson are investing in it
- » 38% of searches are now made using voice, according to Google



Search is being reshaped. Google reports that 38% of searches are made using voice, while research firm Emarketer found that 55% of those who used voice did so in the past week.

Voice search was elevated into the public consciousness with the arrival of home assistants such as Amazon Echo and Google Home. According to Mintel's May 2018 report *The Connected Home*, more than one in 10 UK households now have a digital assistant-imbued speaker, with 56% saying they would be happy to use them to make purchases.

Claiming the top position is critical in voice search as virtual assistants will only read out the result rated top by the algorithm. Retailers must therefore hone their SEO strategies, investing in natural language processing (NLP) and machine learning to better understand consumer intent

when using voice search. This requires brands to re-evaluate their product titles, descriptions and URLs, as well as page content and FAQs, for example by ensuring they reflect words and phrases people use conversationally.

Asos was one of the first UK fashion retailers to enable voice-search capability on Google Assistant when it launched in October 2018, allowing consumers to interact with its chatbot Enki.

Shoppers start a conversation by saying, "Hi, Google, talk to Asos." They are then directed to the Asos site to enquire about specific products. Enki will display top sellers and users can gradually make their enquiries more specific.

Customers can currently browse six categories in womenswear and menswear, with Asos using their feedback to enhance the experience.

AUGMENTED AND VIRTUAL REALITY

- » AR delivered a 70% uplift in store sales for US retailer The Home Depot
- » Alibaba has integrated VR technology into its Tmall platform
- » Goldman Sachs forecasts a \$1.6bn AR and VR retail market by 2025

While AR and VR technologies no doubt have some way to go, they are slowly but surely gaining traction. Goldman Sachs forecasts that the market for AR and VR in retail will reach \$1.6bn (£1.2bn) by the year 2025.

AR enhances the physical environment without isolating the user, via an everyday piece of kit – a smartphone. It can be used to bring products alive with instructive or educational video or overlays, simply by scanning an image on a store poster, for example.

At NRF 2019, The Home Depot explained how its AR app helps customers to visualise furniture in their own homes. According to Matt Jones, senior director of online and mobile at the US retailer, the business has seen a 70% lift in conversion since launching the feature in January 2018.

“AR is great for providing a digital overlay in physical spaces, and I see a future where it is an expected part of a store experience,” says Aptos’ Baird.

To make AR work in store, retailers need to start with a clear user need, identifying a pain point or opportunity, to add value and immerse people more deeply in the brand.

And what about VR? The technology has been on the horizon for several years now, with the first prototype of the Oculus Rift headset designed in 2010. Numerous headsets have since hit the market, from Google Cardboard, which works with a smartphone, to HTC Vive and Sony’s PlayStation VR. But the technology has yet to reach its full potential.

“2019 is poised to be an important year for VR with the introduction of the Oculus Quest,” says Stephanie Llamas, head of VR/AR at SuperData, a leading authority in the area.

“Device-tethering to consoles and PCs has been an obstacle for consumer adoption, so a standalone headset like the Quest could be a real game changer.”

Arguably, VR has more compelling uses for online retail than in store, enabling shoppers to enter a virtual 360-degree environment, akin to walking into a store or experiencing a product in context. VR can

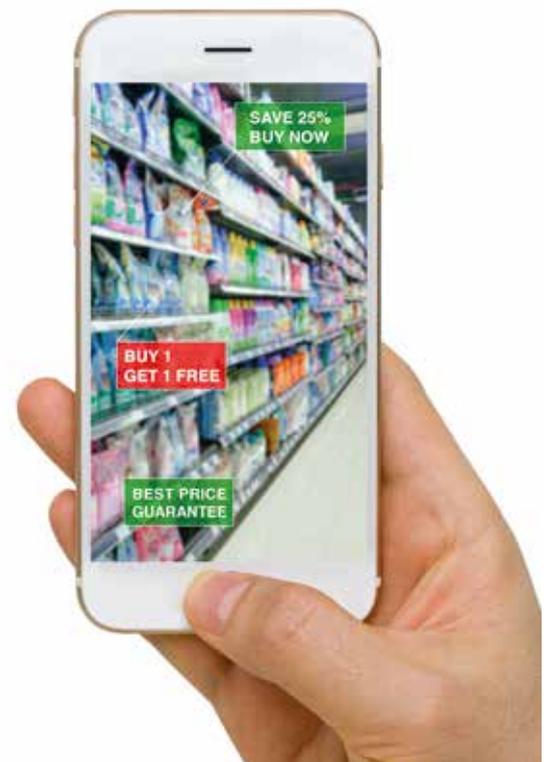
also provide access ‘hot spots’ for shoppers to find out more about a product’s provenance or access a video of how it works.

Last year, Chinese retail giant Alibaba incorporated VR into its Tmall platform. Tmall sellers can now use a solution called VR Maker (created by the company iStaging) to digitise their physical stores in VR. They can upload VR content and sync this with search results based on the location and distance of their physical shops.

Retailers need a strong use case to not only attract shoppers but keep them returning, so the adoption of such technology must be tied to specific objectives.

At a recent Retail Week innovation masterclass, the consensus was that retailers need to cut through the hype.

However, in a market where competition is routine and consumers are demanding more immersive experiences, brands need to at least have AR and VR on their radars – particularly as the cost of headsets comes down and retailers continue to test and learn.



WHICH TECHNOLOGIES ARE RETAILERS INVESTING IN?



WHAT THIS SHOWS

eTail Connect, an industry event that brings together senior leaders in ecommerce, surveyed 136 retailers to find out which technologies they are investing in. The data shows that areas such as visual and voice search, along with AI and a mobile-first approach, are currently hot areas for investment as retailers look to really deliver on the experience expected by customers.

CHAPTER 3:

GET THE BASICS RIGHT IN THE BACK OFFICE

The spotlight has largely been on the sexy front-end application of technology and how this can empower retailers to keep up with changing consumer behaviour.

However, a seamless omnichannel experience is needed to really deliver the heightened experience customers are expecting. And this requires serious investment in technology to support back-office transformation.

AI and robotics are two technologies showcased at NRF 2019 with the potential to deliver a real return.



THE RIGHT WEB PLATFORM

Retailers might have a long shopping list of potential investments, but when it comes to truly delivering a seamless customer experience, they have to make sure they have a robust web platform that delivers the capabilities they need and that can cope with extreme peaks in trade.

An intuitive website design, fast page loading times and the right capabilities to drive user experience, depending on your place in the market, are essential.

Low-cost Australian airline Jetstar recognised that the way people across the world book travel had changed, so it wanted to develop a platform that would deliver an inspiring customer experience. In order to achieve this digital transformation, it partnered with Isobar for a new, more customer-centric web platform.

Isobar worked with Jetstar to rebuild its customer-facing platforms across 22 websites, in nine languages and across 14 regions. Jetstar.com is now four times faster than its competitors and time to book has been reduced by 15%.

Harnessing ecommerce and its technology ecosystem is key to engaging customers, fuelling growth and increasing market share.

“A clear strategy that incorporates customer experience design, data intelligence and technical commerce solutions will help you delight customers and achieve retail excellence,” says Alex Hamilton, head of innovation projects at Isobar.

“Focus on getting your web platform, ecommerce ecosystem and data robust, invest in PWAs and, if you’re global, make your website local in every way, shape and form.”

ARTIFICIAL INTELLIGENCE

- » AI could provide a 10% (£232bn) boost to the UK economy by 2030, estimates PwC
- » There is potential for a 59% boost to UK retail and wholesale profits, says Accenture
- » 2.3 million jobs will be generated by AI, according to Gartner – but 1.8 million will be lost

There is no one agreed definition of AI. Instead, the term represents a family of technologies that stretch across retail from back-end processes, such as intelligent and automated warehouses utilising robotics, through to more customer-facing tasks, such as conversational commerce in the form of chatbots, NLP and voice technology. It then takes us right through to the final mile in the form of autonomous vehicle delivery.

Essentially, AI is the simulation of human intelligence by machines and can typically demonstrate behaviours such as planning, learning, reasoning, problem-solving, perception and motion.

Supply-chain planning and store operations are two of the areas that show the highest investment in using AI to enable automation over the next three years.

A January 2019 report from IBM and NRF, *The Coming AI Revolution in Retail and Consumer Products*, explains: “AI-powered tools can absorb data from different planning functions, and digest and analyse it quickly. They can then produce calculations to help retailers make near real-time decisions when developing and balancing plans, determining trade-offs and gaining consensus.”

AI has the potential to make a huge impact on predictive forecasting, capacity planning and merchandising for retailers.

IBM and NRF surveyed 1,900 retail executives for their report and found that 48% are already using AI for demand forecasting, while 38% are using it for pricing and promotion. These numbers are projected to jump to 85% and 73% respectively in the next three years.

ROBOTICS

- » Robotics technology is already revolutionising supply chain efficiencies
- » Robotic assistants are increasingly appearing in stores and restaurants
- » The global retail automation market is projected to reach \$19bn by 2023

According to McKinsey & Company, 53% of the work carried out in retail has the potential to be automated.

Robots – basically computer-programmable machines – are a key component of this, and can be easily scaled to save time and increase efficiency in back-office and supply-chain functions.

Several different types of robot were showcased at NRF 2019, including warehouse bots. These featured automated picking technology, such as that pioneered by Ocado at its Andover warehouse.

Amazon also reportedly has more than 100,000 robots working in its warehouses worldwide, transporting stock and grouping together items needed for specific orders.

As consumers expect faster, more flexible delivery, automated technology such as stock-checking and warehouse robots can enable retailers to run more agile – and profitable – operations while meeting this demand.

The global retail automation market is projected to reach \$19bn (£14.5bn) by 2023, up from \$10.4bn (£8bn) in 2017, according to Mordor Intelligence.

Retailers are realising that a slick front end cannot function without strong support from a robust and agile back-office operation, particularly in today’s omnichannel world.

OCADO'S GROCERY BOTS

- Ocado’s bots can pick a typical 50-item order in around five minutes.
- They pass each other at a closing speed of eight metres per second, with a clearance of 5mm.
- Each bot records 5,000 data points 1,000 times a second – around 1GB of data per robot per day.
- However the recent fire at Ocado’s Andover warehouse has raised concerns. While not yet confirmed whether robots were the cause, it has been reported that the structure they operate on made it harder for the fire to be extinguished.

CONCLUSION:

THE INVESTMENT ROADMAP

How to plan for future growth and why data will be key

In a fast-changing market, it is clear that retailers cannot afford to stand still. They must invest in new technologies in order to thrive in the digital economy.

Doing so will help them achieve a point of difference and win when it comes to customer experience.

However, with a long shopping list of potential investment areas all vying for that all-important financial sign-off, where should retailers start?

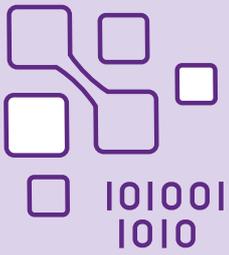
The right technology investment decisions depend very much on the type of retailer, the scale of its operation and the stage the business is at within its lifecycle.

One area that all businesses great and small are grappling with is data. A clean data source and efforts to achieve a single view of customer and stock are critical to maximising technologies such as AI, itself described by many as a game-changer in retail.

Over the page, we take a look at the roadmap businesses can use to determine what stage of digital transformation they are at. The state of a retailer's data should determine its future investment priorities.



7 STEPS: WHAT TO DO NOW



DATA

CLEAN DATA AND BREAKING SILOS WILL BE ESSENTIAL TO ACHIEVING A SINGLE VIEW OF THE CUSTOMER

STOCK

A SINGLE VIEW OF STOCK WILL ENSURE STOCK IS WHERE IT NEEDS TO BE AND HELP REDUCE COSTS



DIGITAL MARKETING & PERSONALISATION

CREATIVE MARKETING WILL HELP RETAILERS CUT THROUGH NOISE AND WIN CUSTOMERS



USER EXPERIENCE

VISUAL AND VOICE SEARCH, AS WELL AS TECH SUCH AS AR AND VR, WILL HAVE HUGE IMPLICATIONS FOR CROSS-CHANNEL UX

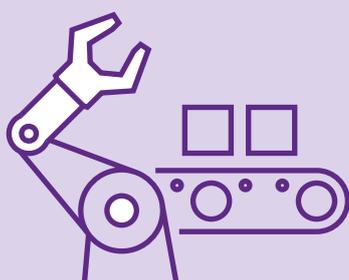


ANALYTICS AND AI

ADVANCED ANALYTICS AND AI WILL TURN CLEAN DATA INTO A POWERFUL SALES AND MARKETING TOOL



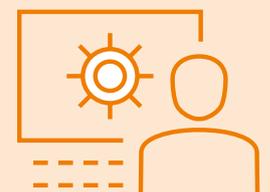
ROBOTICS



ROBOTICS HAS THE POWER TO IMPROVE SUPPLY CHAIN EFFICIENCY IN WAREHOUSES AND STORES

PEOPLE

RECRUITING DIGITAL SKILLS IS ESSENTIAL FOR DIGITAL TRANSFORMATION, ALONG WITH WIDER CULTURAL CHANGE



PARTNER COMMENT

Closing the gap between compelling brand experience and commerce interaction is one of the most important tasks for retailers today. Driving results through great customer experiences and seamless technology is key.

Retailers need to evaluate their technology capabilities and create a roadmap that highlights where they can be better utilised or replaced, plus identify where new technologies can deliver. Doing so will help them achieve a point of difference and win when it comes to customer experience.

At Isobar, our global reach and technological capabilities, plus our strong foundation of creativity and innovation, puts us in a unique position to help retailers succeed in a fast-changing world. We deliver unmatched digital capability, from ecommerce and new technology to digital marketing and UX design.

Alex Hamilton, head of innovation projects, Isobar

Forrester Research report *The Forrester Wave: Commerce Specialist Service providers, Q4, 2018* has named Isobar as a leading ecommerce service provider in digital experience, which includes customer experience strategy, design, customer data management and technology



KEY TAKEAWAYS

- Using the right technology, having clear business objectives, building a strong culture and delighting your customers is the roadmap to retail excellence.
- Customer experience is the key battleground in retail today. Driving experience at the front end – both in store and online – is critical.
- Back-office technology needs to be synced up, and your marketing strategy must be digital, personalised and omnichannel.
- Transformation needs to be quick; experienced specialists like Isobar can help.
- Don't spend on apps. PWAs are replacing them as they are easier to maintain.
- Be it AI or chatbots, cognitive computing will grow exponentially in 2019 – and the companies who do it well will move to the head of the pack.
- Forward-thinking retailers are capitalising on voice and visual search.
- To maintain a competitive advantage, adopt personalisation tactics early and profit from smarter ways to connect with customers.

ABOUT ISOBAR

Isobar is a global digital marketing agency and leading ecommerce service provider. It creates digital experiences for the brand commerce world that engage customers, fuel growth and increase market share, and helps companies to design, build and manage engaging ecommerce websites. Isobar is behind the ecommerce success of brands such as Adidas and Clarins and helped Asda George increase online customer conversion by 31% and online revenue by approximately £10m annually.

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