



Accelerating digital
transformation
to deliver on your
brand promise

CGI

Introduction

Most digital transformation programs have been in progress for many years. Yet, in the 2021 CGI Voice of Our Clients research, only 24% of retail executives are achieving tangible results from their digital strategies.

How can retailers accelerate their transformation to deliver on their brand promise while ensuring profitability and growth?

This paper explores the challenges and opportunities of being a retail organization in today's digital age. Adapting rapidly to change requires retailers to accelerate their digital transformation in a holistic manner that avoids hype and is grounded in proven, scalable customer-centric solutions. We offer actionable insights and recommendations to address eight critical issues facing retail organizations:

- 1 Transforming for omnichannel profitability
- 2 Becoming more sustainable organizations
- 3 Making data more agile to enhance the customer experience
- 4 Empowering employees to support the transformation
- 5 Digitizing legacy systems to increase supply chain agility
- 6 Keeping the customer promise through inventory accuracy and optimization
- 7 Enhancing collaboration to accelerate transformation
- 8 Protecting business continuity and brand reputation



Optimizing the digital value chain

Digital leaders seek new ways to evolve their strategy and operational models and use technology and information to improve how they operate, deliver products and services, and create value. These leaders realize results from transformation and generate new opportunities through an end-to-end digital value chain. Optimizing your digital value chain is not solely a technology initiative, but rather an organizational effort that encompasses your mission, strategy, culture and operational models.

Drive a profitable omnichannel strategy

Reduce costs, optimize processes and rethink business models

Accelerating transformation for profitability

Profitability eluded retailers even before the pandemic, but accelerated e-commerce and the move to omnichannel retail have amplified the challenge. These drivers affect business models and operations, heightening customer expectations and increasing the cost to meet them, including operating and IT costs. However, customers using multiple channels spend more money. Providing a full range of options and a satisfying, personalized experience increases conversion rates and customer loyalty. In turn, sales volume helps with amortizing fixed costs or even negotiating purchase volumes.

This shift to multi-channel engagement entails new ways of working, for example by treating stores as fulfillment centers and touchless commerce, from curbside pick-up to lockers and delivery. Retailers need to invest in omnichannel excellence to retain customers and increase sales. They also need to accelerate digital transformation to preserve and increase profitability. This calls for new customer-centric business and operating models and enabling architecture, while cutting costs and streamlining workflows.



Costs continue to put pressure on retail business models

82%

of retail executives cite budget as a top constraint to achieving their business priorities.

(Source: 2021 CGI Voice of Our Clients)

The rise of e-commerce and omnichannel retail is impacting business models and operations, heightening customers' expectations and increasing the cost to meet them.

Take action: Move from rethinking business models to optimizing operations

- Rethink cost allocation (especially in-store costs) and leverage data to understand which costs are contributing to growing sales and margins, and which are not
- Transform store operating models for omnichannel services, including offering unique in-store experiences, tailoring physical interactions to address safety concerns, and preserving the customer promise of a satisfying shopping experience
- Identify and invest in omnichannel capabilities and rethink assortment and pricing to maximize revenue and margin
- Use omnichannel (customer-centric) KPIs to monitor continuous improvement. Focus on gaining a 360-degree customer view, customer journey monitoring, fulfillment quality, product and price parity across channels
- Reduce the cost of labor while managing higher volumes and enabling more reliable omnichannel services through automation. Retailers can leverage different levels and types of automation, calibrated to the maturity of their omnichannel strategies.
- Optimize and automate supply chain business processes leveraging predictive analytics and AI to meet rapidly evolving customer demands and expectations
- Enable economies of scale through partnerships, alliances, and consolidation: by leveraging one another's infrastructure, retailers can offer new omnichannel capabilities (such as last mile delivery) while minimizing or spreading these investments and operating costs.
- Rethink the digital value chain, making smart IT investments to streamline operations while containing IT implementation costs through agile and out-of-the-box or software-as-a-service solutions

CASE IN POINT **Enabling Auchan** **to achieve economies** **of scale**

To support Auchan International's digital transformation in Eastern Europe and Senegal, we delivered our CGI Retail Suite solution across 300 supermarkets in Luxembourg, Russia, Ukraine, Poland, Hungary, Romania and Senegal, enabling significant economies of scale, despite a wide diversity of store types, organizations and size.

Navigate information to build sustainable and profitable business models

Sustainability pressures from stakeholders are rising

Consumers increasingly factor sustainability into their purchasing decisions. Many are willing to alter their buying habits by paying extra for more sustainable products or even switching brands loyalties to drive positive change. Growing access to information further empowers them to make decisions that align with their personal values. At the same time, investors now consider an organization's sustainability objectives and roadmaps when making investment decisions and recommendations. Sustainability has also become a critical factor for attracting, hiring and retaining talent. New regulations and policies are accelerating the pace of transformation.

Prioritizing issues, transforming business and operating models and enabling sustainable choices

In retail, shifts in consumer behavior and public opinion on operating practices directly impact customer loyalty and trust. Sectors like fashion face bigger challenges as their traditional business model is not designed for sustainability. Fast fashion, for example, is known for excessive water consumption, carbon emissions, pollution, waste, low wages and poor working conditions. Mass consumer goods retailers face similar challenges due to supply chain complexity, energy consumption, waste generated from giant stores, and transport volumes. While online shopping generates lower carbon emissions than in-store shopping, packaging and returns have become the biggest contributors to carbon emissions.

Optimizing the supply chain is a key to becoming more sustainable, but not by itself. The sheer volume of sustainability issues that retailers face makes it difficult to identify the most critical ones tied to profit and purpose. This boils down to value chain activity and inventory and product flow traceability. Retail organizations need to understand their baseline environmental and social impacts to know where/how to fix their supply chains. They also need to address resource scarcity depending on the goods that are sold, as well as a rather large logistics issue post-pandemic with much longer lead-times. Technologies like earth observation, data analytics, artificial intelligence, augmented reality, or blockchain will be instrumental in building and rolling out sustainability strategies. However, sustainability initiatives are meaningless unless proven and validated externally, which is a huge problem with greenwashing.

Sustainability is a growing concern for retailers

67%

of retail digital leaders believe sustainability is core to creating value for the end customer. (Source: 2021 CGI Voice of Our Clients)

The sheer volume of sustainability issues that retailers face makes it difficult for them to identify the most important ones that are connected to their profit and purpose.



Take action: Create your path to sustainability and start delivering results now

- Transition to net zero: Outline your path to net zero and prepare for upcoming rules
- Increase energy efficiency: Realize cost savings by using fewer increasingly expensive resources and avoiding offset payments
- Refine your business strategy and investigate new revenue streams to embrace a circular economy
- Embed an environmental impact tracking system into your IT landscape to measure progress and track goals
- Automate for success: Introduce robotic process automation to reduce administrative work in collecting sustainability metrics
- Build your digital technology architecture to support a sustainable future and become a data-driven company
- Improve your ESG profile by disclosing non-financial reporting of greenhouse gas emissions, environmental and social impacts with set targets and references to revenue growth. Ensure data is validated externally and not based on approximations

CASE IN POINT

Helping a Swedish retailer innovate to meet customers' sustainability expectations

To meet growing customer expectations for sustainable approaches, a leading Swedish retailer needed to develop innovative circular business models. We helped them build global business cases across over 30 markets worldwide, leveraging our innovation process modeling toolbox.

Data is everything.

Make data more agile to enhance the customer experience

Data is key to driving sales and profitability in the digital age

During the pandemic, many retailers accelerated data analytics initiatives to keep or gain customers and continue to generate revenue. Today, they understand better the importance of having real-time data across the customer journey. They need to offer customers the right product at the right time and price, as well as identify the most profitable customer segments, enhance predictive return and upsell/cross sell. This requires more actionable data about customer behaviors to inform demand planning strategies, optimize prices and enhance assortment planning.

From ensuring data quality to producing intelligence for use in real time

Collaborating across the digital value chain intensifies the importance of making complex decisions quickly and with full transparency. However, retail organizations still struggle with customer and product information quality and contextual insights. One reason is because traditional value chains tend to keep data locked in functional silos. To see the big picture and keep their brand promise, retailers require a single version of truth.

Digital leaders manage distributed enterprise data as a strategic asset. The most innovative retail companies use data across the entire customer journey, including while a transaction is underway, applying a “data to intelligence” lifecycle to the sales funnel. For example, they combine historical and real-time data with human-centric design approaches based on behavior observation to deliver a highly personalized omnichannel experience.



Unlocking value from data to enhance the customer experience remains a key focus

100%

of retail digital leaders cite predictive analytics as a top innovation area in the next 3 years.
(Source: 2021 CGI Voice of Our Clients)

Today, the most innovative retail companies use data across the entire customer journey, including while a transaction is underway, completely transforming the sales funnel.

Take action: Make data more agile

- Set up the right enterprise data strategy and infrastructure to transform data into intelligence. Moving to the cloud can accelerate sharing of information across the organization, but requires renovating and remodeling the data architecture and governance.
- Use AI to enhance assortment planning and pricing and promotion optimization to ensure products and offerings proposed to customers meet their requirements at the price they are ready to pay
- Explore the data fabric concept to optimize data access and accelerate return on investments from cloud initiatives and to decouple data access from physical implementation



CASE IN POINT

Enabling a leading European DIY retailer leverage data across the organization

To support their customer-centric strategy, a leading European do-it-yourself (DIY) retailer decided to migrate their existing systems to a cloud-enabled data warehouse that will aggregate, store and manage a large set of data. We helped set up their replatforming strategy with Google Cloud and are supporting the migration.

Give employees the right information and tools to support critical business processes



Sales associates need new digital tools to best achieve new roles

The better the employee experience, the higher the customer satisfaction and organizational profitability. Digital transformation is requiring retailers to optimize employee roles to better serve customers and drive revenue. Yet, the enablement of employees in supporting digital transformation often is overlooked.

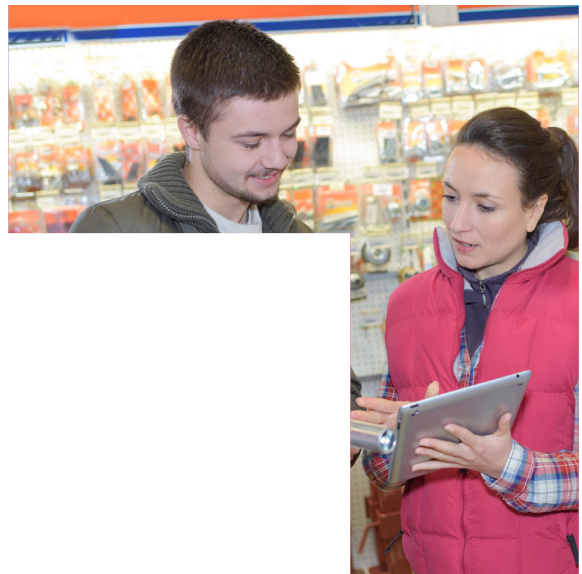
As store business models evolve, the role of sales associates is changing. For example, convenience stores need to optimize employees' ability to support new product and service launches, speed up service and drive traffic in-store. Grocers also have to manage growing volumes of web orders in-store. Sales associates are critical to the adoption and evolution of automated client interactions. Retailers need to motivate store employees by providing them with the right information and tools to prioritize activities, optimize performance and satisfy customers.

Digital employee tools are a key innovation focus

83%

of retail digital leaders cite digital employee tools as a top innovation area for the next 3 years.
(Source: 2021 CGI Voice of Our Clients)

Retailers need to motivate store employees by providing them with the right information and tools to prioritize activities, optimize performance and satisfy customers.



Take action: Provide sales associates with the right information

Taking an “employee-first” approach to drive transformation is crucial:

- Ensure employees’ mobile tools follow standards (Google Apps and AppStore) that align with the way customers consume the brand; also use human-centric design. Both will reduce change management and training efforts.
- Train employees for new roles and business processes, including how to master digital tools for basic activities, then progress to advanced digital activities over time
- Provide employees (from store associates to managers, to executive leaders) with visibility on real-time operational performance
- Forget the traditional point of sale system. Get to a model where sales are done in-line, in front of the customer via a personal digital assistant, tablet or even the customer’s own application. The point is having a transparent sales system.

CASE IN POINT
Empowering Plantasjen’s employees with personalized KPIs at their finger tips

Plantasjen, a leading retailer of plants and accessories in the Nordics, needed a web and mobile solution to provide employees with personalized real-time insights into operations and results. We helped them deliver these insights to all employees—from the CEO to interim staff—across all operations, purchasing, logistics, sales and finance, for all stores in three countries.

Digitize legacy systems to enable an agile supply chain



Reconfiguring supply chains for relevance and resilience

The image of empty store shelves during the COVID-19 crisis will endure as a vivid reminder of the supply chain disruptions caused by the pandemic. In response, some retailers sourced products from different regions, others continue to face challenges stocking shelves. Conversely, retailers that had to close down their stores ended up with a lot of surplus. Some retailers have neglected investing in modernizing their supply chain because the focus has been on front-end solutions. New customer-facing touchpoints like websites and apps have been launched, but very often are treated as discrete projects, designed in silos, not well-connected, and often implemented at astronomical costs. The pandemic also revealed the limits of traditional store-based operating models. Today, global (and local) supply chains need to be reconfigured, not just to enable the required agility, but also to facilitate more local distribution platforms so that products ordered online can arrive quickly.

Supply chain agility is key to achieving transformation results

86%

of retail executives cite supply chain agility as a top digital initiative.
(2021 CGI Voice of Our Clients)

Some retailers have neglected investing in modernizing their supply chain because they've been focused on front-end solutions.



Take action: Enable end-to-end supply chain visibility and orchestrate order management

- Implement a proper order management system with dynamic stock allocation to optimize inventory allocation according to the delivery date desired by the customers and optimize costs
- Build a unified view of demand and supply that can be adjusted as needed and invest in demand forecasting and product positioning using AI platforms to reduce product shortage and inventory levels
- Consider complementing your systems of record with systems of intelligence that leverage AI and the cloud to enhance decision-making at each step of the supply chain process
- Enhance visibility across the end-to-end supply chain by enabling collaboration with product suppliers, service providers, and customer-facing service, to name a few, so that you provide the right offer to the customer and increase satisfaction

CASE IN POINT

Helping ADEO's DIY subsidiary enhance supply chain processes

Do-it-yourself retailer Leroy Merlin, a subsidiary of ADEO Group, wanted to replace their various existing supply chain systems with one single cost-effective platform. Leveraging CGI Retail Suite. We delivered a fully integrated omnichannel solution across 7 stores and 2 warehouses in 9 months that enhances their end-to-end agility.

Keep the customer promise through a single, optimal and predictive inventory position

Agile supply chains require inventory accuracy, not just its optimization

Supply chain disruptions and poor stock management drastically impacted several retail segments during the first phase of the pandemic and continue to trigger profit warnings. Today, these two challenges still plague retailers for a number of reasons, ranging from trade barriers and political uncertainty to social and climate change impacts to a lack of the right technology implementations. Inventory optimization has become critical for retailers to deliver on their brand promise while containing costs. Moreover, investors are now scrutinizing retailers' inventory levels, given their impact on sales and earnings forecasts. However, inventory optimization first requires accuracy and visibility and this poses huge challenges for organizations that have yet to implement a single inventory position across their stocks.

With e-commerce and other channels, without 100% stock accuracy, the customer impact is immediate. If you have less stock than your inventory indicators display, you cannot keep your customer promise. Having more than indicated impacts the business profitability and contributes to environmental waste. A single inventory position, therefore, is a core element of a holistic digital transformation strategy. It drives sales, reduces attrition, enhances the customer experience, enables stock optimization and reduces inventory and logistics costs.

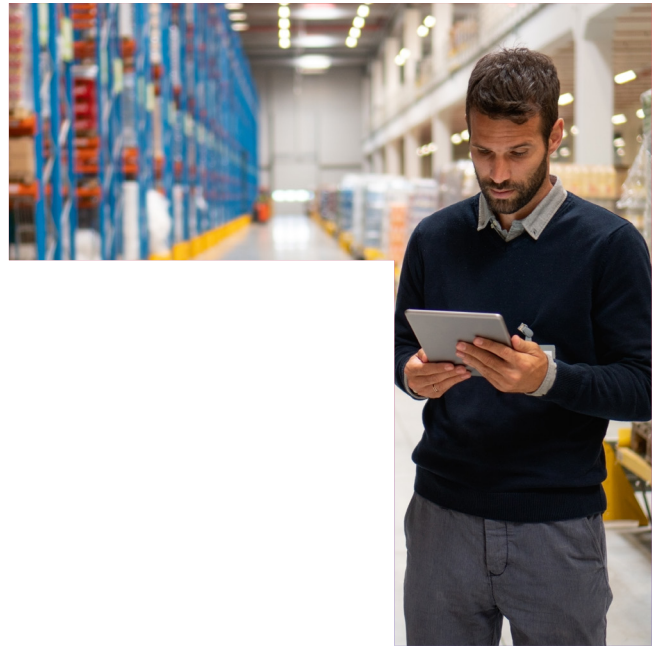


Supply chain agility is key to keeping the customer promise

Improving supply chain agility to enable fast and easy delivery options is the second top business priority for retail executives.

(Source: 2021 CGI Voice of Our Clients)

With e-commerce and other channels, without 100% stock accuracy, the customer impact is immediate.



Take action: Move from meeting to influencing customer demand in four steps

- Get data quality on the inventory accuracy in every system (e.g., store, warehouse, procurement, etc.)
- Have centralized and real-time inventory visibility across the omnichannel, including your partner network
- Apply algorithms (AI and machine learning) to calculate the optimal inventory to meet demand and to ensure you always have optimized inventory in place
- Become predictive and more personalized. Transform from solving a supply chain problem to building strong relationships with customers, informing them when things are ready or even influencing their buying decisions

CASE IN POINT

Helping an online fashion retailer improve inventory accuracy to increase sales and deliver on the customer promise

A global fashion retailer with fast growing e-commerce sales too often was unable to meet its customer promise, resulting in lost sales, overstock and waste. We helped them reverse this trend and achieve substantial improvements through operational and technology enhancements, including greater inventory accuracy, position and visibility.

Enhance collaboration to accelerate your transformation



Enabling collaboration to accelerate transformation results

Change does not occur at the same pace across an organization. It's one thing to implement new technology, but another to master the human elements of transformation, including mindsets and cultures. Drawing from digital leaders' best practices can help organizations achieve the full potential of their digital transformation programs.

Retail digital leaders place a premium on collaboration and are more likely to collaborate more efficiently. They view their business as part of a larger digital ecosystem, leveraging partners with shared values to effectively create competitive advantage. Within the organization, collaboration between business and IT teams is imperative, as are agile, product-driven organizational models that focus on delivering value to the customer. Adopting such models delivers greater and faster value, facilitates collaboration and accelerates cultural change. Yet, project-driven approaches continue to dominate, hindering innovation and alignment on stakeholder objectives.

Retail organizations still struggle to collaborate across silos

78%

of retail digital leaders cite collaboration across silos and beyond the organization as a challenge to achieving their business priorities. (Source: 2021 CGI Voice of Our Clients)

Digital leaders place a premium on collaboration and are 24% more likely to collaborate more efficiently than less mature retail organizations.



Take action: Move from a project- to product-driven approach to foster innovation, fuel agility and create value

Transformation starts with aligning on delivering value for customers, helping to onboard business and IT into a single product-centric team and facilitating collaboration.

- Begin by identifying what the customer wants and expects, and then pinpoint what you require to fulfill these needs. This may be an obvious first step, but translating it into reality is often a challenge.
- Collaborate with IT partners that can drive agile/ product-driven approaches
- Orient the project team in a kick-off session to align on roles and rules to follow with a coach to guide and advise the team throughout the project

CASE IN POINT

Helping a leading grocery chain align to build a roadmap toward a new IT delivery model

A leading grocery chain in Sweden needed to set up shared IT services across local units to support their strategic agenda. Using an agile approach, we helped them develop their shared services operating and financial models, conduct an IT landscape gap analysis, and rollout the roadmap. We are now helping them implement the new model.

Protect business continuity and brand reputation

Secure your extended value chain

Protecting business continuity and customer loyalty

In the past, retailers were not the primary targets for cyberattacks, especially in Europe. However, risks are growing in both velocity and frequency, owing to the growing amounts of customer data, accelerated infrastructure transformations, expanding supply chain ecosystems, automation and significant employee turnover. Three predominant vulnerability areas are:

1. Business continuity due to ransomware attacks, especially those targeting retailers' supply chain
2. Customer payment and personal data as e-commerce and mobile device usage increases
3. Employee digital identities and sensitive information as work environments become more complex, connected, open and remote

Our research indicates that executives who accelerate digital transformation also accelerate regulatory and security priorities. They build risk mitigation directly into their customer digital journeys and embed proper safeguards and processes for handling personal data. Rather than constrain agility, security and data privacy facilitates customer adoption and avoids the costs of breaches.



Cybersecurity continues to be a top concern

Protecting through cybersecurity continues to be a top IT priority for retail executives.

(Source: 2021 CGI Voice of Our Clients)

Our research indicates that those executives who accelerate digital also accelerate regulatory and security priorities.

Take action: Stay ahead of the game to enable secure acceleration of your transformation

- Manage human and non-human/silicon identities (software robots, IoT devices, sensors, APIs, microservices)
- Move from managing just internal identities (employees) to both internal and external (customers, suppliers) identities
- Educate and train employees on risks and best practices and limit access to unnecessary information
- Assess your maturity and risk exposure and build an operating model that secures multi-cloud environments
- Enable near real-time visibility of risks from a single source of truth, with customizations for different stakeholders
- Leverage automation and orchestration to reduce operational costs and increase operational effectiveness
- Capture, manage and analyze much larger and richer data sets to highlight critical events
- Apply more advanced data analytics and utilize AI where appropriate to better detect and prioritize actions
- Provide real-time visibility (including to assess post cyberattack impacts) and cyber threat intelligence to reduce response time

We're here to help you keep your brand promise.



We are one of the few end-to-end IT and business consulting firms with the scale, reach, capabilities and commitment to meet our clients' enterprise digital transformation needs. In retail, consumer packaged goods, wholesale, and consumer and business services, our experts help many of the world's leading organizations become more agile and customer-centric digital enterprises.

Learn how we work side by side with our clients to understand their challenges, bring deep knowledge of retail realities across the world, and apply our in-depth technology expertise and global capabilities to help them keep their brand promise.

We would like to acknowledge our global community of retail industry experts who contributed insights to this white paper based on their deep experience and knowledge.

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Founded in 1976, CGI is among the largest IT and business consulting services firms in the world.

We are insights-driven and outcomes-based to help accelerate returns on your investments. Across 21 industry sectors in 400 locations worldwide, our 80,000 professionals provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

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