# SMART DIGITAL FASHION STORES

Get ready for the consumer-centric store





# CONTENTS

Introduction	04	
What are the customers' preferences and expectations in fashion retail?	05	
How do customer journeys enable the path of digital change?	08	
What are the current Smart Digital Store initiatives in fashion retail?	11	
What are the implications for fashion retailers' processes?	16	
How can retailers make the shift to an omni-channel organization?	21	
What must fashion retailers do regarding the challenges?		
How does Capgemini Invent support fashion retailers on their journey to becoming a Smart Digital Store?	28	
Contacts	31	





It is no longer a hidden secret that consumer preferences and behaviors are changing as buyers these days look mainly for convenience and personalization. They shop across channels which is only accelerated by digital progress. Due to its strong impact on daily routines, the everchanging trends especially affect the retail industry. An 85% increase in mobile searches for terms such as "where to buy" proves the persistent relevance of stationary retail – especially when it comes to immediate access to products with an outstanding importance to 80% customers.<sup>1</sup> Thanks to the simultaneous hedonic and pragmatic sides as well as its technology-potential, fashion retail is particularly affected.

Despite ever-growing online sales, fashion continues to be one of the major retail categories with a dominant downtown presence.<sup>2</sup> Since 85.8% of fashion customers go shopping without having concrete buying intentions, this leaves stores with a huge opportunity to encourage impulse purchases and delight customers with personalized service.<sup>3</sup> An increasing connection between online and offline businesses as well as fast-changing collections put pressure on retailers to optimize and integrate processes, reduce inventory, and find new ways to increase customer loyalty to stay competitive.

To explore these trends further, Capgemini Invent investigated the fashion shopping preferences of more than 650 German participants through an online survey. The survey questions comprise consumers' personal experiences with fashion retailers, their preferred communication and information channels, need for an improved customer experience and the resulting potential for openness towards retailer-initiated engagement and willingness for data-sharing.

This Point-of-View discusses customer expectations and arising requirements for retailers along four levels of a Smart Digital Store (SDS) Framework (cf. Figure 1): Strategy, Initiatives & Tools, Processes & Operations, and Organizational Design. The strategy and organizational design, which are initiated on a corporate level, build the framework for setting up a Smart Digital Store as per individual customer needs and organizational prerequisites. The heart of the smart store is set around its four key elements – customer, store, product and employee.

These elements influence the digital initiatives and tools that are or will be implemented in the store as well as its processes and operations in different ways. Interdependencies within the framework will be explored in the course of the Point-of-View using practical insights from the customer survey and international fashion retailers. Furthermore, recommendations for retailers regarding a successful Smart Digital Store realization will be provided along the way.





# 1 WHAT ARE THE CUSTOMERS' PREFERENCES AND EXPECTATIONS IN FASHION RETAIL?

The survey revealed that fashion customers especially value a convenient, personalized shopping experience without yet being fully aware of the beneficial potential digital tools can have on their purchases. Customers increasingly expect inspiring, smooth and convenient in-store processes as well as broad brand portfolios and a high availability of sizes and colors. Equally, the flexibility to retrieve information from different channels prior to purchase depending on customer preferences has gained importance. Building on these insights, three critical customer touchpoint themes for retailers have been identified: Informative & inspiring channels, Relevance & role of physical stores, Customer interaction channels.

Informative & inspiring channels refer to those touchpoints between retailers and customers that are used to raise awareness and inform customers specifically before they have made their purchase choice. Relevance & role of physical stores addresses the relevance of touchpoints at the

physical store and how these are combined with other channels. Finally, customer interaction channels allude to touchpoints that retailers and customers use to stay in touch once a purchase has been made and before another purchase may occur.

### **Informative &** inspiring channels

Nearly 2 out of 3 customers still highly value the spontaneous discovery of fashion. Retailers should respond by catching the shoppers' attention, inspiring and entertaining them, to create a unique customer experience. Relevant services via digital channels such as social media or messenger apps as well as the implementation of digital tools in stores serve asadditional levers to increase a retailers' relevance.

As shown in Figure 2, the physical fashion store remains a relevant channel to gather information on fashion products for nearly 60% of customers as they offer customers

the benefit of a physical "feel and try" experience. The final purchase, however, often occurs via online or mobile channels due to more convenience and selection. Moreover, personal recommendations (46%) and websites of crossbrand retailers (43%) are rated highly relevant to retrieve information prior to a purchase. To respond to these multi-channel requirements sufficiently, retailers need to ensure a seamless connection between online and offline channels.

Not only are fashion customers flexible when it comes to their preferred information channels, they also focus on a variety of informative content prior to purchase. 3 out of 4 customers gather information regarding price and product availability before buying something. Over 2/3 of the respondents additionally wish to retrieve product details such as fabrics and quality characteristics. In turn, retailers are required to customize their offering accordingly, and provide flexible inspiration and information channels online, mobile and in store.

Figure 2: Which channels are relevant for you to retrieve information on products and the retailer? © Capgemini Invent 2018





and family



Websites of cross-brand retailers



Website of the retailer



Social Media

Mobile app from the retailer

19%

# Relevance & role of physical stores

With every new shopping experience, customers get increasingly used to smooth processes across different branches, which affects their expectations towards offline fashion shopping. Our survey reveals that 3 out of 4 customers assign high importance to immediate availability of different colors and sizes, but only half is satisfied with the practical realization. This gap and the resulting improvement potential is illustrated in Figure 3. Retailers also need to adapt to customers' expectations of a fast and convenient shopping process by focusing especially on uncomplicated return processes and short waiting periods. Hence, by addressing process convenience within the store environment, retailers can increase

customer satisfaction to a great extent. There are already some digital tools which can support the retailers by fulfilling these expectations. Especially the checkout process offers potential to decrease waiting periods for customers. By using smart mirrors, interactive shopping windows or even tablets which can be connected to the customers' personal account, the payment process can be conducted much faster instead of queuing at the cash desk. Smart interactive shelves immediately detect when a color or size is no longer available and pass the information on to the service personnel. Thus, ideally, the customer does not have to wait at all to get a garment in the right size.

Contrary to the common belief, our study shows that only around half of the customers assign a high importance to personal consultation when shopping fashion products. At the same time, around 1/3 of survey participants is indifferent to personal consultation. This agitates the long-believed key success factor for physical fashion stores. Instead, **customers seem to miss sufficient benefits of personal consultation which is why retailers need to redesign their consultation approaches.** In this matter, digital tools offer new possibilities for retailers to equip sales personnel with customer insights and thereby personalize consultation according to customers' needs and preferences.



### **Customer interaction channels**

As customers expect a seamless shopping experience across all channels from before to after purchase, retailers need to consider the full range of customer touchpoints. Even though fashion customers are largely satisfied with the basic shopping experience they leave retailers with areas for improvement towards an enhanced customer experience and increased customer loyalty.

Figure 4 illustrates that customers still rate traditional channels (store, email, website, etc.) as more relevant (up to 60% of responses) than modern channels (mobile app, live chat, social media, etc.) (less than 20% of responses) to contact retailers for returns or complaints.

In contrast, retailers need to strategically tailor channels and messages according to customer preferences. 50% of customers prefer to be contacted by retailers via email after purchase. However, a quarter of the respondents does not want to be proactively contacted by retailers at all. As shown in Figure 5, customers prefer to be addressed with personalized offerings and information that are relevant to them. Retailers should avoid mass communication or at least ensure it is not identifiable as such.

Most respondents use traditional online and in-store delivery and return options, but less than 20% frequently use a mix of online and offline options (reserve online and pick up in-store), as illustrated in Figure 6. Purchase in-store and home-delivery is not yet of high relevance as customers mainly spare costs and effort.

Different omni-channel offerings should be implemented in a variety of stores and actively integrated and communicated to customers to introduce the concept to them. Equally, the benefits of modern channels such as live chats and social media are not yet fully recognized and need to be explained to customers.

### The findings lead to the following conclusion:

- a) Customers have individual needs and demand a personalized, convenient, yet exciting shopping experience that is consistent across all channels
- **b)** Rising customer expectations put retailers in a **challenging position**
- c) Retailers need to develop a comprehensive digital retail strategy that addresses customer needs across channels effectively and allows for flexibility
- d) To ensure relevance of digital tools to customers, a structured analysis of the target customers' needs should be conducted, and digital offerings customized accordingly

# **Figure 4:** Importance of channels to contact the retailer after the purchase



# Figure 5: Desired ways to be contacted by the retailer after purchase



Figure 6: Preferred purchase, delivery and return concepts



**63%** Direct purchase in the store

### 43%

Purchase via the online shop (website and mobile app) and delivery to desired location



**16%** Other return concepts (e.g. click&collect)

**Source:** Capgemini Invent, Smart Digital Fashion Stores Survey, 2018

# 2 HOW DO CUSTOMER JOURNEYS ENABLE THE PATH OF DIGITAL CHANGE?

An effective way to structure customer needs along different touchpoints and embed digital initiatives in accordance with the overall strategy is to develop customer journeys. A customer journey is a recommended framework for retailers to plan touchpoints with their customers in a structured manner and to embed technologies in a customercentric digital roadmap. It is a useful tool to personalize customer interaction and engagements. Customer journeys provide retailers with the opportunity (or challenge) to conduct certain activities at the right time, addressing these customer needs specifically. An example of customer journey is illustrated in Figure 7.

### **Figure 7:** Illustrative customer journey in three phases © Capgemini Invent 2018

### Customer Journey | A structured framework





Digitalization trends affect all stages of the customer journey and urge retailers to react to changing **customer expectations**. **Specifically, customer journeys enable retailers to investigate customer expectations and pain points with a clear focus on specific touchpoints**. Mapping these touchpoints helps defining a roadmap of actions to fulfil these expectations and connect the digital world with the physical by creating a **Smart Digital Store**. To make customer journeys more effective, they should be coupled with a vivid definition of their distinct customer groups, so-called personas. This enables retailers tocustomize their activities according to the personas' specific preferences.

### **Figure 8:** Differences of personas across customer journey phases © Capgemini Invent 2018

Fashionista



- Social-media addict regarding information search and awareness
- Relies peers' opinion and values reviews

• Discovers stores during shopping

trips or in advertising brochures

in information search yet

• Has not integrated digital channels



Online Shopper

### Surfer-style

Analog hunter

- Searches for information on cross-brand retail websites
  Awareness for stores is dominantly unabled discussion beneficial biogeneous
- created during shopping trips or through peers

# PURCHASE

- Technology-enthusiast
  Eager to use mobile devices and QR codes, Wi-Fi is already a hygiene factor
- Prefers shops with a profound brand portfolio in good locations

### Self-reliable nostalgic

- Expects Wi-Fi in stores while being indifferent to other technologies
- Not eager about personal advice or store atmosphere – focused on bargains and high product availability

### Personalization meets autonomy

- Delighted by mobile apps providing personalized offers when in store
  Seeks smooth and convenient
- in-store processes while personal advice is less crucial

### Traditionalist

concepts

Contact-embracer

via digital channels

• Prefers the good old in-store purchase and return but indicates openness to email or phone returns

progressive purchasing and return

POST-PURCHASE

• Happy to hear from the retailer

• Convenience is king – seeks

 If absolutely necessary, accepts contact via email or post, but prefers no contact

### Privacy-seeker

- Mostly chooses online shopping and home delivery, but seeks personal contact when handling returns
- Low tolerance-level for retailerinitiated contact, especially via social media

Example (cf. Figure 8): Being a fashion lover and having integrated digital channels as essential part in his everyday life, "Fashionista" Max is happy to hear from his fashion retailer after a successful shopping trip – especially via social media. That same retailer, however, is well-advised not to contact "Online Shopper" Kim in the same manner. Although she predominantly shops online and therefore spends quite some time with her digital devices, she likes to do so autonomously without being bothered by retailer-initiated communication. As a result, each persona requires a different level of attention for each touchpoint. Retailers can best serve their customers if they are aware of these differences in behavior, needs, and preferred touchpoints along the entire purchasing process. Initiatives including digital tools can then be mapped onto the customer journey and relevant customer needs.

# 3 WHAT ARE THE CURRENT SMART DIGITAL STORE INITIATIVES IN FASHION RETAIL?

As we have seen in our survey, an inspiring shopping experience is of great significance for customers. Such an inspiring shopping experience is about creating a unique in-store atmosphere that values the customer beyond the purchase, can make the customer stay longer within the retailer's physical store, and causes an increased shopping cart in the long run. Smart digital elements and features are used to support such shopping experiences. Several fashion retailers already integrate new elements into the store that go beyond the customer's classical buying journey.

In this chapter, we present digital initiatives that are already tested or implemented by fashion retailers and match them with the customers' expectations.



"60%

### of the customers want to be inspired and surprised during their shopping trip

Source: Capgemini Invent, Smart Digital Fashion Stores Study, 2018

### An extended shopping experience by digital means fosters the company's interaction with its customer base

Fashion retailers use digital tools to emotionalize the shopping experience instore. SportScheck or Nike installed multimedia walls and screens for product presentation and to show event-related and emotional content. Burberry successfully integrated mirrors in-store that can turn into screens showing runway footages and live events<sup>5</sup>.

American Apparel implemented a virtual reality app at its Point of Sale enhancing the shopping experience with virtual reality elements. A customer can watch video tutorials and look at images showcasing ways to wear clothes along with social sharing components<sup>6</sup>. Similarly, Tommy Hilfiger and Dior are taking their runway fashion shows in-store by offering virtual reality headsets for inspirational purposes. If customers like a product or style they can buy the desired item directly.<sup>7</sup>



Source: Capgemini Invent, Smart Digital Fashion Stores Study, 2018

### A company sales team is a key component for a satisfying in-store experience by ensuring full service and close customer interaction

Thanks to smart technologies, sales employees have access to a wide range of information. On one hand, product-related data such as product availability, product details, or ordering options can be retrieved. On the other hand, sales employees are enabled to gain insights into personal customer data through the customer's purchase history, style preferences or social media profiles.

At Marc O'Polo<sup>8</sup>, SportScheck<sup>9</sup>, GAP<sup>10</sup> or Bloomingdales<sup>11</sup> employees are equipped with mobile devices and an app that allows them to view the entire product range, to check availability or to place orders online.

To make the shopping experience more customer-focused, Burberry employees use personal information. With a Clienteling app on a mobile device, they can retrieve customer-specific data such as purchase history. Further information can be obtained from social networks as well.<sup>12</sup>

### By offering personalized products and assortments, retailers can transform an impersonal shopping experience into a highly personalized and engaging one

Several examples display a trend towards an individual approach to fashion items. This includes Adidas that is printing personalized middle soles for special models of running shoes and then producing the soles in **3D printers**, allowing each runner to experience optimal support and fit during exercise<sup>13</sup>. Also, brands like Nike give customers the opportunity to personalize their models directly. In the process, colors and details are used to create individual pieces. Customers can design their own items using augmented reality and projections and take them home after a short waiting period<sup>14</sup>. Other producers of high-end articles such as Luis Vuitton allow customers to use special configurators to create their special design requests such as colorful strips and printing or stamping of initials. The personalized product can afterwards be conveniently ordered online<sup>15</sup>. By forging a personalized and individualized assortment, brands can achieve more loyalty from consumers and stand out from competitors. Our survey has shown that more than 1/3 of the customers regard the option to personalize products as very important<sup>16</sup>.

### Shoppable windows or virtual stores offer a unique and new shopping experience – independent of store hours

Virtual stores and interactive windows make it possible to shop in real stores round the clock, regardless of store hours. Digital storefronts integrate touch-screen catalogue displays, many even allowing customers to place orders on their cellphones. They encourage shopping on a whim, heighten spontaneous spending and offer immediacy and social interaction to customers.

Kate Spade for instance launched a **24-hour interactive window** display enabling customers to browse through items via a touchscreen display, check availability and complete the buying process using their smartphones.<sup>17</sup>

The German shoe retailer Goertz created a **3D augmented reality application for the virtual fitting of shoes**. The installation is plugged into a giant screen, then rolled out as virtual shoe stores at central stations and shopping centers across Germany, with ordering options on customers' smartphones.<sup>18</sup>

# "69%

of customers expect information about prices, availability of different sizes and colors in-store

**Source:** Capgemini Invent, Smart Digital Fashion Stores Study, 2018

# Modern store formats offer the possibility of accessing extensive product information and range

Modern store concepts give access to comprehensive product information, maximizing the assortment that is visible to customers, and providing precise real-time information about product availability across various locations – online and offline. Installed **terminals or iPads** in stationary settings offer a variety of products in a small store space without compromising shopping experience. Furthermore, valuable data on customer preferences is gathered by personally identifying customers at the Point of Sale (POS) through their customer ID. Furthermore, offering the option to order aims to prevent later purchases at other retailer's websites.

An even more innovative way to enhance shopping experience and provide information are **changing rooms equipped with mirrored displays**, often working with RFID or Barcode technology (e.g. at Adidas Neo, Massimo Dutti). These smart mirrors provide product information, show substitute or complementary products, have ordering options, and provide the possibility to communicate with sales staff (e.g. at Kohl's or Rebecca Minkoff).

### Various delivery options for online and offline purchased items ease the switch between different channels within the customer journey

Fashion retailers have started understanding the benefit of optimizing multi-channel experience by merging online and offline customer touchpoints. By means of **Click & Collect or Click & Reserve options** – i.e. first purchase online and then collect the desired items in-store later – retailers are, on one hand, able to offer their customers cost savings on delivery. On the other hand, customers are allowed to check their ordered items directly for size, color or quality with very little effort needed to resolve any problem occurred. For instance, at C&A, customers can browse through their online shop via Click & Collect lounges of selected C&A branches and place and collect orders.<sup>19</sup>

Other store formats operate completely based on the homedelivery concept. Formerly pure online players like Bonobo<sup>20</sup> or Zalora<sup>21</sup> used to open **showrooms** offering customers the option to test and try products with the understanding that the final purchase will take place online. With this initiative, the retailers aim to become more "touchable" for the customers and to increase brand awareness.

**In-store pickup** is particularly interesting for customers who are ordering during peak shopping periods or prior to holidays to ensure punctual delivery. **Ship-to-Home** solutions ease the shopping experience and trigger customers to shop more while carrying less items home and maintain the "touch and feel"-experience as well.

### Retailers can encourage interactions of customers with their friends to engage them with the brand or receive direct feedback

As social media dominates our everyday life, giving customers a chance to integrate their shopping experience seamlessly in their social media interactions represents a big step towards more convenience for customers. More convenience also means higher customer satisfaction.

At Nike, a multi-user wall aggregates **live updates from Facebook, Instagram, and YouTube**, with rankings and scores from international and local soccer teams.<sup>22</sup>

Karl Lagerfeld has installed tools in its fitting rooms so customers can take photos in their tested outfits, with the option to add some "Karl-inspired filters" and share them on social media. Digital guestbooks are available in the stores, so customers can engage with the brand.<sup>23</sup>

By incorporating social feedback, Nordstrom started **to label online trending items in their offline business**. Every Nordstrom outlet across the US displays its most popular items with a "Top Pinned" section inside physical stores to mark highly trending items online.<sup>24</sup>

Retailers, e.g. Deichmann or Adidas<sup>25</sup>, also use **co-operations with influencers** to reach their target customers to make it look like personal recommendations. Instagram, YouTube and Co. are more and more popular channels to reach a broad and mostly younger audience with targeted messages.



**Source:** Capgemini Invent, Smart Digital Fashion Stores Study, 2018

### Mobile payment and self-checkout solutions are cornerstones to enhance stationary traffic and operational excellence in-store

Mobile payment is an emerging payment option that follows the shoppers' increasing demand for mobility and flexibility during the checkout process. Selfcheckout solutions contribute to an even faster acceleration of the checkout process in stationary settings and reduce operational costs in-store.

In 2016, the department store Kohl's launched its **mobile payment app** Kohl's Pay. The app integrates the Kohl's Charge private label credit card and its loyalty program. It allows Kohl's card holders to pay in-store purchases with their mobile devices. Doing so, Kohl's succeeded in speeding up checkout processes by offering a convenient payment option.

At Massimo Dutti, customers can also pay with the store's mobile app. A QR code is generated so the customer can make the payment and the receipt can be saved on the mobile app.<sup>26</sup>



### How successfully have fashion retailers implemented digital initiatives?

As we have seen, fashion retailers already test or implement a huge number of digital tools with the aim to improve shopping experience and thus increase sales and customer loyalty. Despite these numerous initiatives, digital tools do not yet have as high relevance in fashion retail as expected.

We have seen that more than half of the customers surveyed and knowing digital tools do not yet feel that using these tools add any advantage to their personal shopping experience in a fashion store. The technologies most relevant to the customers surveyed are the rather established ones (Wi-Fi in-store, contactless payment, and shelves with interactive displays). Additionally, up to **36% of the survey** participants are not familiar with digital fashion tools<sup>27</sup> at all, especially virtual wardrobes, digital mirrors, mobile applications that offer benefits/specific functions in-store.

These figures are surprisingly high and are evidence that many retailers have no clear vision of which digital experience they want to offer to their customers along the customer journey. The implementation of digital trends is often oriented on what the latest digital and technological trends are instead of targeting customers' needs and expectations. Furthermore, numerous consulting projects have shown that retailers forget to take employees through the digital journey. As a result, employees do not identify themselves with digital technologies. The Capgemini Future of Retail Store Survey (2016) underlines this experience with a figure: 40% of the store managers and associates are not promoting in-store digital initiatives to the customers.

Digital tools used in-store have not reached a critical mass yet for shoppers to regularly encounter them. The result of our survey shows that many customers are not aware of functionalities and benefits of digital tools and/or have not yet encountered them in-store or experienced a benefit to their shopping experience. Retailers need to educate their customers and guide them towards the use and benefits of in-store digital tools to make them successful. Digital tools need to be linked to personal consultations from sales employees to improve customer satisfaction and achieve a higher relevance.

Furthermore, to establish them as a standard, retailers need to embed digital initiatives seamlessly in existing store processes.

Figure 9: Awareness and felt benefit of digital tools

# 36%

of the consumers do not know digital technologies in fashion stores at all



of the consumers knowing digital technologies have not experienced an advantage by using them

# 4 WHAT ARE THE IMPLICATIONS FOR FASHION RETAILERS' PROCESSES?

The digitalization of stores starts way before customers enter the store via e.g. online assortment availability checks, over to the time spend in-store, and continues even after the customer has left the store. Retailers have many options to stay in close contact with their customers via carefully selected means of smart digital after-sales strategies. However, before customers can immerse into the new shopping experience and enjoy the different amenities, retailers must get to the very core of their business and face process changes regarding the anatomy of the store itself, the products offered as well as customers and employees alike. The following sections will provide an overview of the involved process areas and how these are affected during the implementation of a Smart Digital Store. The processes involved may fit into the following four areas: employees, products, store, and customers.28

However, while some processes like e.g. staffing and workforce management can easily be allocated to processes with regards to employees, it is important to notice that other processes such as communication will be effective in several areas.

### Personalized In-Store Interaction with the Customer

Besides the traditional interaction between customers and sales assistants, digital assets and innovative technologies have the potential to go beyond existing online **capabilities** to enhance the in-store customer experience. In fact, these capabilities will cause a transition from human-to-human interaction towards a more technology-driven in-store interaction with customers. This transition will subsequently give companies the ability to **track** and analyze customer behavior and preferences in-store and use the gathered insights to make the in-store experience more individual and efficient.

Personalized communication through a welcoming message at the entrancealready conveys the feeling of uniqueness. This is an important step towards customer loyalty, as the Capgemini study "loyalty deciphered" has shown<sup>29</sup>. Well-informed customers can use in-store navigation on their mobile device or in-store robots to purchase desired products<sup>30.</sup> The technology also enables employees to track customers' location within the store to approach them proactively or give additional guidance. To augment the overall customer interaction on the way through the store, customers can receive individualized and locationbased in-store promotions. Location-based promotions restricted to specific stores give customers incentives to return. Companies have picked up on this idea and developed intelligent loyalty apps with a gamification character to reward customers with loyalty points for the time they spend in stores.

### **Figure 10:** SDS Process overview © Capgemini Invent 2018



Dynamic communication allows retailers to quickly react to trends and changing consumer preferences. Through connected data, results of promotions may be monitored and tracked in real-time, which allows retailers to adjust their communication methods or individualized offers, if necessary. However, a major aspect of considering individualized customer interaction is to focus on content quality rather than quantity. Customers can easily be annoyed by information overload. Nonetheless, showing the right promotion at the right moment is a powerful tool for retailers to overcome customers' hurdle to make an impulse purchase. Therefore, retails are advised to set up an adequate content strategy and develop the right engagement patterns tailored to specific target groups to leverage a cross or upsell potential.



### Personalized In-store Consultancy/ In-store Advisors

The customer interaction in shops is often limited to physical sales conversations between customers and in-store staff. This interaction is undoubtedly one of the most crucial and interactive influences on a sales decision and should not be neglected. However, these conversations are often not tailored for customers. Hence, customers have to re-explain their preferences when they walk into a new store. Besides, employees can only give recommendations, based on the information gathered during the sales conversation. Since customers sometimes enter with more knowledge about their desired product, it is difficult for sales staff to bring additional value to them.

A potential way to **leverage in-store staff skills** is to **incorporate online capabilities**: Associates may be equipped with a smart end-device that allows them to get access to the customer's consolidated data from online or offline engagement (e.g. chatbots, shopping history, sizes, and measurements). By this means, shopping assistants are **more accurate with their product suggestions**  which may significantly contribute to a **reduction of returns due to wrongpurchases**. By using tools for a personalized sales advisory, shopping assistants are also able to establish a **more personalized relation** with the customer. Moreover, in-store staff may also have insights on product trends within the store or in a specific region.

Based on the changing role of sales assistants, retailers must focus on **new training concepts** that will prepare them for new tasks and challenges. For instance, how to support digital affine customers with new in-store technologies or how to deal with holistic customer insights of shoppers that perceive data protection as a key value.

Setting up a customer data strategy is a major topic for retailersand should be discussed at an early stage of innovative technology implementation. New opportunities for retailers must be exploited strategically to avoid the threat of losing customers' trust.



The process of payment is often perceived as not only a time consuming but also a bothersome activity for customers.<sup>31</sup> Intuitive, self-explanatory, and easy-to-use tools are needed to facilitate the payment process and minimize the time of the act itself. Furthermore, facilitated and fastened payment options not **only increase** customer satisfaction but also reduce the chance to rethink or even cancel a purchase intent. Thus, several options exist to facilitate the act of payment and enhance the shopping experience, e.g. intelligent checkout counters and self-checkout systems or intelligent cash desks that enable customers to simply walk through a designated area and items will automatically be checked via RFID, Bluetooth or nearfield communication. Receipts can be sent to customers via provided email addresses, which also serves the increased consumer demand for environment-conscious options as it saves natural resources such as paper and reduces the volume of paperwork for store staff.32

The connection of these devices with mobile wallet applications will lead to the automated purchase of the e.g. RFID-enabled and scanned items. With this solution, customers no longer need to wait in a long gueue to pay, and soon cash and debit/ credit cards will become obsolete. The end of a store visit will no longer be connected with the bothersome act of payment but the impression of a **simple**, yet fun in-store experience will last. In addition, sales associates may no longer be directly needed for the purchase process but can focus on other activities such as customer services and shopping consultancy, providing additional information through data on the mobile systems. The connection of the checkout system to the customer via e.g. the mobile payment solutions such as a retailing application also offers the opportunity to collect valuable customer data such as special preferences and can thus be used for personalized offers and promotions to create individually fitted shopping experiences. Once retailers have chosen one of the above opportunities to change their payment processes, it is more important to create a smooth transition phase not only for customers, but also for employees.



To offer customers a seamless shopping experience, retailers are faced with the challenge to fully connect their offline and online **assortment** and have **full stock** visibility at all times: in transit, within the warehouse, and within the store (sales area and backroom). For example, RFID tags on all merchandise and setting up RFID tunnels at various checkpoints will enable retailers to have full transparency on stock movements and locations. The access to full stock not only for retailers and employees but also for customers will prevent dissatisfied shopping **experiences** due to merchandise unavailability at their chosen store.

Through the connection of all inventory regardless of physical location, consumers can easily move their shopping trip to another store that holds their preferred item. Full stock transparency will also lead to potential sales uplifts and markdown reductions, as retailers are able to fully track the popularity of their items and thus react fast to changing consumer preferences by reordering products or markdowns in time. Through e.g. the implementation of RFID tags and the connection to the ordering process, replenishment may be fully automated and supported by stateof- the-art technology and intelligent forecasting or replenishment via algorithms. RFID tags may also provide **useful** information connected to the **product**, so that sales associates can improve their customer consultancy by offering of additional information, such as fabric details or supplier information, to customers via digital tools e.g. tablets. In addition, store processes such as stock taking can be facilitated using RFID tags and devices,

An innovative concept is **showrooming** which means that the retailer shows the complete assortment in-store to give customers the opportunity to test and try, but the final purchase takes place online, via tablets or kiosks in-store. To ensure acceptancy, **a free** same-or next-day-delivery needs to be promised to the customer. For retailers, show-rooming means less **inventory** as all stock is in a central warehouse – therefore less stock costs and increased margins due to less markdowns. For online-only players, showrooms are a way to increase awareness of their brand and the trust as the customers get in touch with the retailers. In the end, the retailers also have lower return rates than in pure online business without the possibility to try and feel the product.

providing considerable **time savings** 

via cycle counts.<sup>33</sup>



As shopping experiences become more and more individual, differentiated

assortments can serve as additional differentiation factor for retailers. The absence of an assortment that, for example, reflects regional specifics creates the opportunity to pick up on growing trends, e.g. smart wearables or sustainable fashion. To do so, the evaluation of consumer data using clienteling apps or in-store kiosks will challenge retailers to **rethink** their core assortment towards incorporating specifics. Specific and fast changing assortments may also require rethinking the selection of suppliers, as more suppliers will need to be cooperated with and selected carefully. Besides, store staff will have to be offered additional training to perform as wellinformed brand ambassadors at any time at any store location as the change in store assortments will be accompanied by different promotions, reflecting individualized assortment concepts. In-store technology such as kiosks or tablets may not only be used by retailers to collect valuable customer information, but also ultimately enhance the shopping experience for customers as they can be entertained by receiving information about suppliers, fabrics used, conditions of productions sites, special features of the products, and specifics about the presented assortment in a fun way.



Nowadays ordering processes lack data-driven support, considering specific consumer, store and location requirements. Moreover, most ordering processes are done in headquarters and are rather inflexible, not allowing store staff to react to changing consumer preferences or trends in a fast and easy way. Within a Smart Digital Store, offline and online inventory will be fully connected, so that customers can easily shop items online from within the store if sizes or styles are not available physically. In addition, ordering and replenishment processes may automatically be **triggered** in accordance with purchases, reacting to changed consumer preferences and trends **immediately.** These smart solutions

will also support the efficient work of sales associates, e.g. smart shelves will trigger automated replenishment processes thus allowing sales staff to save time on the ordering process and focus more on the customer and consultancy within the store allowing for **unique and individualized** shopping experiences. Additionally, a Smart Digital Store can enable the customer to directly take part in the ordering process via digital tools such as smart walls/mirrors and in-store kiosks. Customers will be enabled to directly access the entire stock of retailers' merchandise online from within the store even when only little merchandise is displayed offline.<sup>34</sup> This will ultimately affect the sales potential of the store for retailers, since expensive rents for big stores in dense city centers can be prevented as shoppers will have full access to all merchandise via clienteling apps or endless aisles.



Retailers often not only face inaccurate and time-consuming delivery processes to stores, causing customer dissatisfaction and potential out-of-stock rates within the store, but also the absence of fast and easy merchandise check-in processes, risking stock inaccuracy because of time consuming and badly organized check-in processes. However, through enablement of RFID merchandise and devices such as handhelds and RFID tunnels, delivery processes can be **shifted** as sales staff no longer has to manually count merchandise arriving at the store but rather scan huge amounts of items in one go. This may also lead to an **enhanced stock accuracy,** as manual counting is not only time consuming but also prone to human error whereas RFID devices are nearly 100% accurate (inventory processes will also be facilitated due to fast cycle counts). Besides, as merchandise may be pushed to RFID tunnels for intaking purposes, incorrectly delivered merchandise as well as inaccurate amounts are directly and effortlessly identified, allowing retailers to

immediately react to that kind of errors.<sup>35</sup> Stock transparency will be directly affected by these more accurate processes, ultimately resulting in **less markdowns and sales uplift.** 



For most retailers, current sorting processes lack an overview of the current locations of merchandise (sales floor and/or stock) as well as time- and cost-efficient procedures and quidelines to prevent empty shelves and even out-of-stock rates.<sup>36</sup> The use of smart digital devices can prevent perceived out-of-stock rates or empty shelves, as sales associates may automatically be informed via tablets or smart watches when connected shelves are on the verge of becoming empty. Consequently, trends or quickly changing **customer** preferences can be reacted to fast. The stock system can also be improved through smart organization, so that latest merchandise or never out-ofstock items can easily be refilled on the sales floor. Consequently, customer satisfaction will increase as (perceived) out-of -tock rates are reduced. In a recent poll conducted by Capgemini Invent on consumers' demands for compelling shopping experiences, the majority of interviewees (77%) clearly stated that product availability is crucial. Moreover, sales associates will also benefit from clear routes and guidelines enabled via full visibility on store stock and locations and thus work more efficiently – time saved can be invested once more in customer services.



The enablement of RFID within stores and backrooms or stock will enable full transparency of merchandise. Following that, **products may be tracked from the point of production from the supplier until the arrival in store and the purchase by a customer.** Via full stock transparency in the warehouse, the storing process and

picking routes can also be optimized as merchandise can be stored, found, picked, and sent to stores fast and easyily. Warehouse and store management will be able to forecast the exact time of arrival of merchandise from supplier and **adapt** workforce management. As workload following the arrival of merchandise in store or in the warehouse can be predicted to a certain extent, employee satisfaction will also increase as work of the day can not only be planned reliably and well ahead, but employees can also better rely on work schedules and shift plans. Retailers will benefit as well from the reduction of workforce cost and increase of workforce efficiency through better forecasting of workload as well as the reduction of errors in supply chain and picking process due to several control points enabled through smart technology.



More and more, retailers face changed service demands from customers to the store itself due to **expectancy** of full stock transparency across channels and physical stores - sameday deliveries or minimal lead times are becoming more and more self-evident for consumers. Retailers can react to this growing consumer demand with fast and effortless dispatch processes to the customers by skipping third parties to react faster to consumer demands. The merge of the offline and online store and thus full visibility on overall stock merchandise can enable retailers to fulfill demand by dispatching directly from within their stores and not only the warehouse, which will lead to a fastened shipping process. By doing so, store staff will have to adapt to the new or enlarged dispatch process if dispatch from within the store was not an option before. Exchanges and returns can also be executed in stores regardless of the buying or purchasing location as exchanged or returned products can easily be connected to the stock in store. Furthermore, dispatch processes may also be executed not only to customers' homes but also to other

stores as all stores are connected. Customers may purchase the product within the store via in-store kiosks or tablets and can expect a same-day delivery. Sales associates will generally have to be familiar with all technical equipment within the store as customers may need their assistance. While additional training costs for staff may occur, retailers will be rewarded with enhanced customer satisfaction and consequently, potential sales uplifts.



Retailers must realize that a futureoriented IT landscape is essential not only for the operational processes but also for the indirect value-adding processes such as efficient staffing to proactively shape the digital transformation. Retailers often suffer from high fluctuations wherefore the reduction of recruitment and turnover costs can be a meaningful lever. To improve the recruitment process and to attract new employees, innovative and effective recruitment strategies need to be applied. A proven and feasible solution is to recruit on alternative niche sites where the targets gather, e.g. Tinder or Spotify. Applying big data algorithms to generate application traffic or artificial intelligence that supports the human resource personnel to develop a talent pipeline before you need them, or to counteract seasonal demand. Moreover, it supports the recruitment process in sorting the most promising candidates.

Revising traditional recruitment processes such as paper-based application procedures by innovative ones, e.g. virtual interviews, creates a new employer brand to excite prospects, and reduces costs in the recruitment process while maintaining the quality of hire. Finally, this transforms the recruitment process into a talent advisory function to build a staff of competent, committed and motivated employees.



Retail stores are a complex, fastmoving place. If just any single piece falls away (e.g. staff gets sick) the entire process may break down. Due to the increasing complexity of retail stores, manual processes like spreadsheets to manage the workforce become less feasible. But how can retailers distribute the given resources efficiently? How can they provide a reliable forecasting for peak hours?

As our society continuously adapts to new technologies such as smartphones, the expectations towards companies' growth, e.g. employees are likely to become more and more mobile. However, mobile workforce management sets new requirements towards the expertise of managers and the companies' governance such as data privacy. The **use of big data analytics** enables store managers to predict the number of employees required as well as their needed **skills set** for each hour of the day. This requires a profound data backbone and the necessary IT landscape. These analytical insights combined with a database for individual performance and staff preferences enable store managers to provide a solid workforce management when it is required. This not only makes employees happy because of adherence to core working hours as well as considering the

employees' respective preferences, it also has a positive impact on the customers as e.g. checkout queues may be shortened when workforce is managed effectively. In conclusion, upgrading the workforce management leads to a more efficient, predictable and accurate taskforce planning which is an inevitable retail process.

# (C) Intercompany communication

By using new communication technologies such as conversational commerce, not only customers but also young professionals from the millennial and upcoming generation Z are becoming increasingly affine towards faster and more interactive ways of communicating. Thus, they translate these expectations to their employers as well. **Clear company** messages and enhanced transparency about current activities are necessary to ensure operational excellence. Instead of exchanging information through mails, employees use direct text messages via multiple channels (social media, apps, push notification tools) and ensure simultaneous dispersion among numerous people. More complex problems i.e. technical topics or news and announcements are shared in video format to make them more comprehensive and vivid.

Due to employees' need for fast and multi-channel communication, companies have to **incorporate a set** 

of communication systems that allows their workforce to communicate fast and efficiently, from any point, at any time, through various channels and to everyone across the company. But the systems will also need to **ensure** data protection and employee privacy. Besides, retailers need to make relevant data available and useful for employers in real time. In order to fulfill such complex demands, retailers are in line to **establish a new internal** communication concept, equipped with innovative and mobile devices as well as latest communication software. Individual solutions should be examined in order to meet different expectations and assure data privacy at the same time. For example, in-store employees may be equipped with mobile tablets that have access to data, such as product category, hourly sales reports or digital planograms.

Ultimately, successful adaptation of a new communication ecosystems by a company is a **lever to a higher degree of innovation and better branding**, reducing workload and waiting time for employees. This leads to an increased efficiency of in-store operations as well as a lower degree of fluctuation in the workforce. In addition, continuous monitoring and assessment from metrics of mobile applications can lead to a better employee understanding and increased employee satisfaction.

Along on the way on becoming a Smart Digital Store, retailers are advised to focus on the fact that all affected processes need to be designed as easy but as effective as possible, allowing employees and customers to enjoy change and not fear it. Employees need to be involved in the process and receive intense training to act as brand ambassadors. This is even more important as our study shows that many customers are simply not yet aware of the advantages a Smart Digital Store may offer to them. Retailers are faced with the challenge to truly digitalize their stores to make shopping not only more convenient for customers but to transform the experience into a true highlight of the day. To do so, the incorporation of entertainment is also crucial, as our study reveals that a large group of customers enter the store without a clear intent of what to buy. By that, retailers are given not only the challenge but the chance to transform the mindset of the customer.

# 5 HOW CAN RETAILERS MAKE THE SHIFT TO AN OMNI-CHANNEL ORGANIZATION?

While the previous chapter has referred to the processes in the stores, we need to look more holistically at the organization structures and include all other sales channels and the companyspecific situation of the retailer in consideration. Our consulting experience has shown that despite significant strides made to date only a few single retailers can claim to be close to realizing the full integration of all channels. While the structural solutions vary widely from retailer to retailer and depend on a variety of factors, most have gone through a similar organizational transformation process. Based on our project experience, even the most advanced retailers have only completed two of what will prove to be three phases of organizational transformation, as displayed in figure <sup>11</sup>.

### Phase I: "Getting started" – early eCommerce & multichannel approach

In phase one, a traditional storebased retailer typically establishes internally a dedicated, specialized eCommerce team. Depending on in-house availability of online capabilities and skills, some retailers consider outsourcing opportunities to external providers or set up an independent company for the new eCommerce channel. However, both units usually operate completely independently of each other and have different responsibilities.

### Phase II: "Professional" – Multi-channel(re)integration

The second phase of development is characterized by the growth of eCommerce to account for a considerable proportion of total sales. Further sales channels are built successively, such as mobile commerce or catalogue mail order. A retailer reintegrates individual functions from the eCommerce silo back into a central and increasingly **cross-channel** (x-channel) team. Marks & Spencer is one of the few retailers to have given stores the status of a channel. The retailer has consolidated control of stores under the director in charge of multi-channel giving its high street estate the status of a channel.<sup>37</sup>

**Figure 11:** The structural organization process: From early eCommerce to omni-channel © Capgemini Invent 2018



As a multi-channel approach evolves within a retail organization, it can often appear that the home of the x-channel team moves between different functions. X-channel teams often develop as a "love child" of the marketing and IT departments. Nevertheless, the responsibility often shifts to the merchandising or sales and operations, as the multi-channel approach grows. In matured multichannel retail organizations, we often see and recommend x-channel teams reporting directly to the CEO since its impact is managed broadly across the organization. Alternatively, x-channel teams can report to the merchandising leaders who have the control over the product. A summary of the advantages and disadvantages can be seen in figure<sup>12</sup>.

Once it's been decided where the x-channel team should reside, the next question is how the team can be structured. The most preferred

method is to pull resources from all general functions required for a multichannel approach and have them all report to a manager responsible for the x-channel team's results. The x-channel team can include specialists from various functions across the whole retail value chain such as category management, buying, supply chain management, operations, IT, marketing, sales and/ or customer service. In addition, digital capabilities and skills like user experience, data & analytics, SEO, software & web development and/or digital store planning are required. The advantage is that the team is unified under the management of one leader and is working towards achieving common goals. Team members of the functions can work with each other on different projects and are encouraged to collaborate across the different channels to yield the best results.

Most retailers today find themselves somewhere in the middle of phase two, only a very few advanced retailers are at the end of this phase or on the jump to the next level. However, retailers in phase 2 struggle with the issue that the channels are not fully integrated which leads to inefficiencies (e.g., in fulfilment), misaligned strategy executions (e.g. individual campaigns per channel), confusion around the ownership of selected functions (e.g. offline versus marketing activities) and data insights.

### Phase III: "Digital Champion" – Omni-channel Organization

The next step is the wholesale restructuring of the retail board including the creation of a chief customer officer or chief omnichannel officer and, for many, a chief data officer. As part of the changes, we see smart ways arising of integrating all

**Figure 12:** Pros and cons of different functional x-channel ownerships © Capgemini Invent 2018

	Pros	Cons
CEO	<ul> <li>Control over the budget</li> <li>Resource support across organization</li> <li>Wider view of web impact across organization</li> </ul>	<ul> <li>Expectations may be unrealistic</li> <li>Focus may quickly change to another issue</li> <li>Gap in understanding requires efforts to close</li> </ul>
Marketing	<ul> <li>Knowledge how to create traffic</li> <li>Availability of sufficient budget</li> </ul>	<ul><li>Subjective creative execution</li><li>Brand vs. conversion focused</li></ul>
Operation/ Sales	<ul> <li>Availability of omni-channel skills</li> <li>Very customer centric way of work</li> <li>Driven by conversion</li> </ul>	<ul> <li>Treat web as just "another store"</li> <li>Lack of budget</li> <li>Issues with product allocation</li> </ul>
Merchandising	<ul> <li>Control over product allocation</li> <li>Enablement of "endless aisle"</li> <li>Driver of promotional activities</li> </ul>	<ul> <li>Rely on forecasting more than immediate consumer demand</li> <li>Strong focus on margin</li> </ul>
іт	<ul> <li>Availability of web developer resources</li> <li>Knowledge how to ensure website speed &amp; stability</li> </ul>	<ul> <li>Not very agile</li> <li>Usually very risk averse</li> </ul>

channels and customer services and using customer data to drive loyalty and increase sales. A single owner of all customer channels on the board helps the retail organization embrace the idea of a holistic understanding of the customer experience. For example, John Lewis has brought together responsibility for stores and online channels under the role of "Retail Director". That allows John Lewis to move towards full integration of its channels and create one role accountable for the omnichannel customer journey including ordering and contact handling across all channels, driving efficiency in the supply chain<sup>38</sup>.

Allowing the retailer to move towards a customer-centric approach required of any truly omni-channel business, they will need to mobilize and centralize all data and insight activities into a single impartial business unit. In other words, retailers seeking to put the customer at the heart of its business require accurate, impartial data that is readily available to support commercial decision-making. John Lewis is again one of the pioneers that adopts the customer-centric approach by providing a more valuable in-store experience to their customers. Based on online data and insights, John Lewis conducts specialist classes and demonstrations of products and positions customer assistants as informed experts who can guide customers throughout their shopping experience.

Another approach to bringing an omni-channel structure to life could be the concept of **agile organizations**. Agile retail organizations have the ability to renew themselves, adapt, change quickly, and succeed in a rapidly changing, ambiguous, turbulent environment. More precisely, that means highly agile retailers react successfully to the emergence of new competitors, rapid advancements in technology and sudden shifts in overall market conditions.

Figure 13 shows an incremental approach of an agile omni-channel retail organization. Such organizational design asks for cross-functional setups where companies start to build teams around different people with diverse skill sets within the organization. Particularly for organizations with an extremely political environment, an incremental change in organizational design by adopting a simple matrix organization, where vertical projects are staffed with several individuals from different departments of the company, is recommended to achieve more integrated and customeroriented offerings as well as to realize the full potential of the

Smart Digital Store concept. Within this construct, vertical project teams are led by horizontal line managers which need to step away from controlling to rather coaching their people, the implementation of which middle managers often struggle with the most.

To maximize this kind of setup and not suffer from raised issues related to horizontal line managers not understanding their place in the new organizational setup, it is essential to invest in the coaching and training of middle management which is attributed to the role of the Agile Coach.



**Figure 13:** Agile omni-channel retail organization (incremental approach) © Capgemini Invent 2018

### Scenario 1 – Incremental change in organizational design



If organizations truly want to make a difference, they can also go for a more **radical approach of an agile omnichannel retail organizations**, outlined in figure 14. Besides the changes in organizational design, this approach requires a complete mindset change within the company. This involves the creation of small startup set ups within the company that consists of cross-functional teams possessing end-to-end responsibility, hence having the authority to create fully independent products. Compared to the more incremental approach, middle management has no space in this organizational design anymore as everyone reports to the same person which is the Head of Brand in each project team.

While this approach results in faster decision making and the release of products several times

a day, it also entails some negative aspects. Since project teams act fully independent without requiring much communication with the rest of the organization, it is essential to set up an adequate communication and collaboration model as well as to foster a well-established community of practices that ensures the constant exchange between interfaces and interlinks the different part of the company.

**Figure 14:** Agile omni-channel retail organization (radical approach) © Capgemini Invent 2018

Scenario 2 – Radical change in organizational design



Of course, there are many ways in which an omni-channel structure could be adopted, and the approach will need to vary for each retail organization. For example, agile structures are not suitable for every retail organization. The choice of the appropriate organizational structure is not influenced only by the corporate strategy and goals, the competitive environment, customer structure or digital maturity. Every retailer must translate its strategy into so-called **design principles** that determine the design of the organizational structure such as drive relevant customer experience or encourage collaboration for quality, efficiency, and innovation. However, at the end of the day, these decisions need to be made based on what will help the retailer to better understand its customer and deliver customer-focused products and services.

# 6 WHAT MUST FASHION RETAILERS DO ON THEIR WAY TO BECOMING A SMART DIGITAL STORE?

Our studies have shown that fashion retailers face several new challenges. Often the products are tried and tested in-store but bought later via other channels – often from other retailers. Fashion retailers need to create an inspiring and unique shopping experience in-store that is seamlessly connected with other channels to increase customer loyalty and establish an motional bond between the customer and the brand.

In-store digital technologies can be the enabler to create such unique shopping experience – if they are adapted for the target customers' needs, embedded in their shopping journey and communicated to them. The challenge for the retailers is not only to choose the digital initiatives they want to pursue but also to integrate them into their strategy, adopt in-store processes and create the necessary organizational environment. Figure 15 shows what fashion retailers must do to reach a digital leading position.

# Define a clear vision and strategy:

Digital leaders have a clear strategy as a base for their success. Each retailer who wants to pave the digital path needs to create this solid platform. Doing so, retailers need to have clear understanding of their target customers' expectations and needs along the shopping journey. The following aspects need to be defined:

- Which vision should be pursued?
- How can the online channels be connected with the stores?
- What will future customer journeys look like?
- Which promises should be made towards the target customers to turn the shopping process into an experience?
- What should the fashion store of the future look like to fulfill these promises?





# Create the organizational base to become an omnichannel retailer:

Our expertise in numerous consulting projects has shown that the implementation of a new Smart Digital Store strategy is less successful when executed in old structures. **Existing organizational structures need to be made future-oriented.** This includes the establishment of a clear governance model defining communication channels and decision paths and the alignment of staff structure and capacities with the new organizational structure.

A customer-centric omni-channel organization requires a new mind-set accelerated by well-planed **change management.** For example, agile structures will require big retailers to think and act more like start-ups, which have new ideas; it will require to try new ideas in a small context, to see if they work. In well-planned change initiatives (e.g., training, communication etc.), individuals embrace change more quickly and retailers can adapt faster to the new organizational setting. To be successful, **the retail board must make a strong commitment** to put the customer at the heart of the business and thus to create an omni-channel retail organization. It's important to note that these sorts of fundamental organizational changes will have to come from the top management for the changes to be successful.

### Prioritize and choose digital initiatives for implementation:

After having created the mentioned basics, retailers have to make a choice about which digital initiatives should be implemented. The prioritization should be based on considering their possibility to meet customers' expectations along their customer journey.

# Integrate digital technologies into the store processes:

As we have seen, a critical factor for the success of digital initiatives is their seamless integration in store processes to ensure an effective acceptation by both customers and employees. Existing processes need to be adjusted, and if necessary, new processes designed.

### Test and learn:

Retailers can use small pilots and experiments to test and refine the strategy and concepts before rolling them out across the whole organization. This includes new offline or online service offerings for customers as well as new fulfillment concepts.

### **Measure success:**

Once having implemented digital initiatives, retailers need to carry out regular analysis to assess if the initiatives are adopted by customers and employees, if they contribute to the customer lifetime value, and what is the return on investment.

# 7 HOW DOES CAPGEMINI INVENT SUPPORT FASHION RETAILERS ON THEIR JOURNEY TO BECOMING A SMART DIGITAL STORE?

Having a distinct expertise in fashion retail and experience from numerous successful digital transformation projects, we accompany retailers on their individual journey to becoming a Smart Digital Store. With our proven approach and our extensive Smart Digital Store Portfolio, displayed in figure 16, we support retailers in every phase of their transformation – beginning from the strategic realignment via the creation of necessary procedural and organizational structures through the implementation of technical solutions and applications.

### **Figure 16:** Our Smart Digital Store Service Offering Portfolio © Capgemini Invent 2018

### With our help, retailers can...



# WE WOULD BE DELIGHTED TO ACCOMPANY YOU ON YOUR JOURNEY TO BECOMING A SMART DIGITAL STORE!

For more information about our Smart Digital Store service portfolio, kindly contact our experts Julia Preukschat or Dr. Kai-Michael Schaper.



- 1. Pollak, Todd (2018): How to reach today's impatient shoppers whether they're shopping online, by voice, or in-store, think with Google, https://www.thinkwithgoogle.com/marketing-resources/omnichannel/meeting-shoppers-needs/
- 2. IFH Köln (2017): Catch me if you can Wie der stationäre Handel seine Kunden einfangen kann, p. 6.
- 3. IFH Köln (2017): Catch me if you can Wie der stationäre Handel seine Kunden einfangen kann, p. 8.
- 4. Cf. https://www.sportscheck.com/presse/pressreleases/20-sportscheck-filiale-mit-naechster-multichannel-ausbaustufe-1290574/
- 5. Cf. http://retail-innovation.com/burberry-regent-street
- 6. Cf. http://www.creativeguerrillamarketing.com/augmented-reality/american-apparel-turns-to-augmented-reality/
- 7. Cf. http://www.scmp.com/business/companies/article/2072158/luxury-boutiques-equipped-virtual-reality-headsets-smart-mirrors
- 8. Cf. http://locationinsider.de/marc-opolo-will-den-crosschannel-handel-zum-standard-machen/
- 9. Cf. https://www.sportscheck.com/presse/pressreleases/20-sportscheck-filiale-mit-naechster-multichannel-ausbaustufe-1290574/
- 10. Cf. https://adressed.gapinc.com/blog/2017/2/23/mobile-checkout-is-coming-to-a-gap-store-near-you
- 11. Cf. http://www.therobinreport.com/bloomingdales-next-chapter/
- 12. Cf. http://retail-innovation.com/burberry-regent-street
- 13. Cf. https://3dprint.com/200338/adidas-futurecraft-4d-launch/; http://www.materialise.com/de/cases/adidas-futurecraft-derultimative-personalisierte-schuh-dank-3d-druck
- 14. Cf. https://www.nike.com/de/de\_de/c/nikeid?ref=https%253A%252F%252Fwww.google.de%252F
- 15. Cf. https://de.louisvuitton.com/deu-de/haufige-fragen
- 16. Cf. https://mashable.com/2013/06/22/kate-spade-saturday-window-shops/#2iev9Z0GzsqU
- 17. Cf. http://www.ebusiness-lotse-koeln.de/Themen/Allgemeines/ Die-virtuelle-Schuhanprobe-von-Goertz-das-Future-Shopping-Erlebnisschon-heute
- 18. Cf. https://www.c-and-a.com/de/de/corporate/company/ueber-ca/filialen/store-konzept/
- 19. Cf. http://www.businessinsider.com/bonobos-opened-a-store-where-you-cant-physically-buy-anything-2015-7?IR=T
- 20. Cf. https://www.forbes.com/sites/joshsteimle/2015/05/11/how-online-retailer-zalora-is-using-an-offline-store-to-grow-in-hongkong/ #6a6c735f7885
- 21. Cf. http://demodern.com/projects/nike-digital-retail-experience
- 22. Cf. https://www.businessoffashion.com/articles/fashion-tech/store-tech-sales-driver-hype
- 23. Cf. http://www.businessinsider.com/nordstroms-pinterest-in-stores-plan-2013-11?IR=T
- 24. Cf. https://etailment.de/news/stories/Influencer-Marketing-Wie-holt-man-einen-Youtube-Star-an-Bord-3972
- 25. Cf. https://www.dotmug.net/en/2018/01/04/stores-of-the-future-how-will-our-shopping-experience-change/
- 26. Cf. Capgemini Invent, Making the Digital Connection: Why Physical Retail Stores Need a Reboot
- 27. Cf. Capgemini: Loyalty Deciphered How Emotions Drive Genuine Engagement
- 28. Cf. http://www.iotglobalnetwork.com/iotdir/2017/06/29/smarter-logistics-the-rise-of-smart-devices-and-iot-in-fashionandlogistics-6370/
- 29. Cf. http://www.sueddeutsche.de/wissen/einzelhandel-das-ende-der-kasse-1.3521834
- 30. Cf. Capgemini Invent: Jedem Verkäufer ein Tablet? Mobile Endgeräte erobern den Point of Sale, p. 6
- 31. Cf. https://www.rfid-im-blick.de/de/201605123268/der-norwegische-fashion-retailer-moods-of-norway-hat-in-kuerzester-zeit-rfid-inseinen-stores-ausgerollt.html
- 32. Cf. http://www.textilwirtschaft.de/news/media/9/TW19\_DIGITAL-84250.pdf, p. 7
- 33. Cf. https://www.rfid-im-blick.de/de/201412022423/beschleunigte-warehouse-prozesse-durch-rfid-beim-modelabel-drykorn.html
- 34. Cf. https://www.rfid-im-blick.de/de/201407072156/wie-marc-o-polo-seine-textillogistik-mithilfe-der-rfid-technologie-optimiert.html
- 35. Cf. www.retail-week.com





Dr. Kai-Michael Schaper Head of Consumer Products & Retail Gustav-Heinemann-Ufer 72a D-50968 Köln – Germany +49 151 4025 1300 kai-michael.schaper@capgemini.com



Julia Preukschat Principal Consumer Products & Retail Gustav-Heinemann-Ufer 72a D-50968 Köln - Germany +49 151 4025 1290 julia.preukschat@capgemini.com

### **Additional Authors**

- Anna Bölling
- Evelyn Böpple
- Laura du Vignau
- Eva Valentina Goebel
- Julia Goldberg
- Reinke Horn
- Katharina Husser
- Simon-Peter Kasamas
- Felix Kehr
- Patrick Köster
- Manuel Müller-Ost
- Fabian Piechottka
- Michael Strenge
- Christian Tscholl
- Michaela Thiemig

## About Capgemini Invent

As the digital innovation, consulting and transformation brand of the Capgemini Group, Capgemini Invent helps CxOs envision and build what's next for their organizations. Located in more than 30 offices and 10 creative studios around the world, its 6,000+ strong team combines strategy, technology, data science and creative design with deep industry expertise and insights, to develop new digital solutions and business models of the future.

Capgemini Invent is an integral part of Capgemini, a global leader in consulting, technology services and digital transformation. The Group is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2017 global revenues of EUR 12.8 billion.

### People matter, results count.

Visit us at

### www.capgemini.com/invent

The information contained in this document is proprietary ©2018 Capgemini Invent. All rights reserved.