



Modern retail

Managing disruption in the digital age

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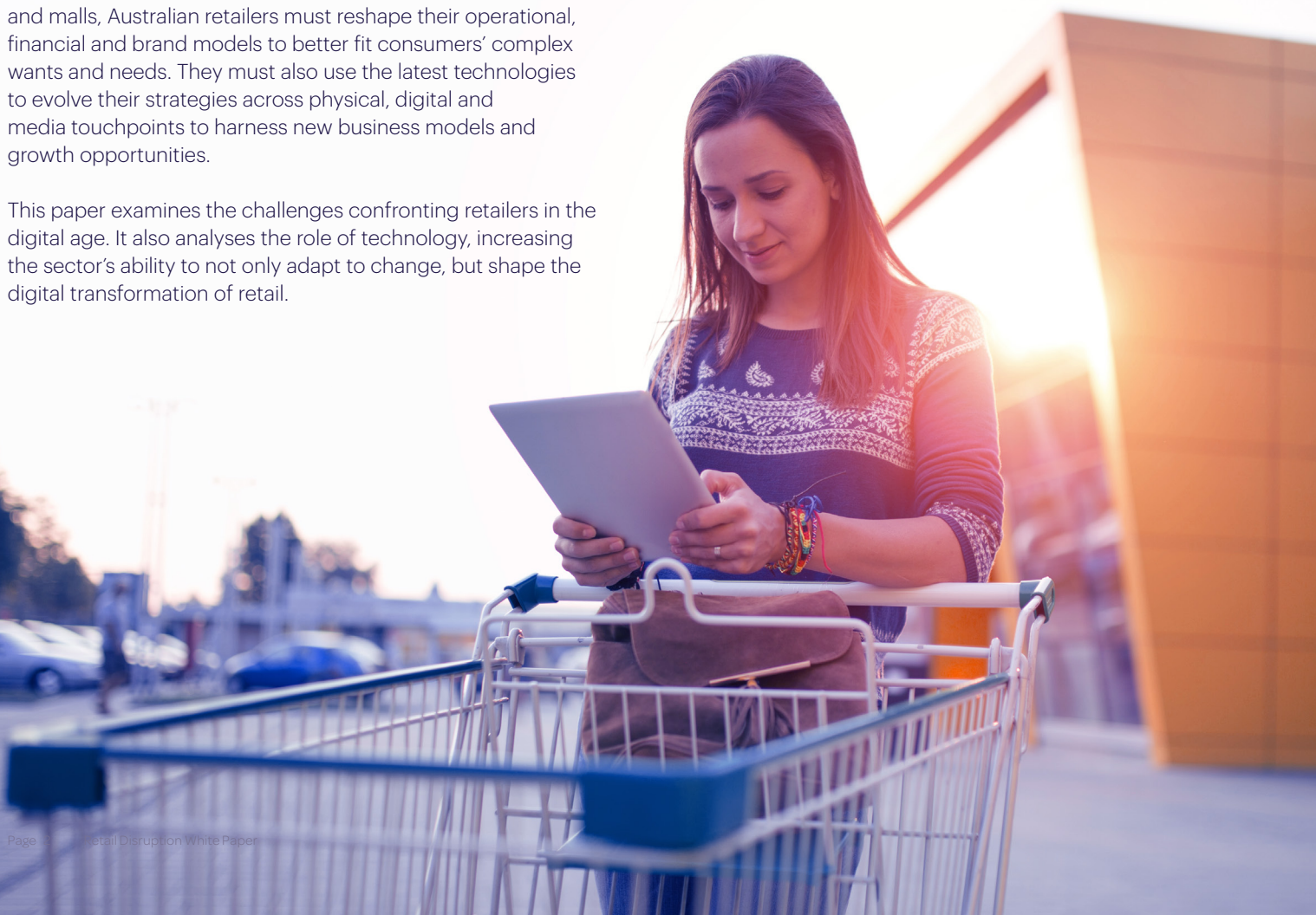
How Australian retailers can leverage technology to stand out in a competitive environment

The proliferation of digital technologies has transformed the Australian retail sector.

More informed, connected and demanding than ever, Australian consumers have the power to choose when, where and how they acquire their goods and services. They now demand meaningful and memorable experiences throughout their customer journey. Retailers, meanwhile, often face slower than expected sales and rising operating costs – factors that make it increasingly challenging to gain and retain customers.

From convenience and department stores to supermarkets and malls, Australian retailers must reshape their operational, financial and brand models to better fit consumers' complex wants and needs. They must also use the latest technologies to evolve their strategies across physical, digital and media touchpoints to harness new business models and growth opportunities.

This paper examines the challenges confronting retailers in the digital age. It also analyses the role of technology, increasing the sector's ability to not only adapt to change, but shape the digital transformation of retail.



Taking stock

Australia's retail industry is going through a significant transformation that extends beyond the age-old battle between e-commerce and bricks-and-mortar retailers. The entire landscape is affected by the rise of digitally enhanced shopping experiences and the changing nature of retail competition

Transforming customer experiences

Where many in the industry still see online and physical stores as two distinct consumption channels, digitally savvy consumers see providers of seamless and immersive experiences. Constantly connected, this new breed of customer moves fluidly between platforms, devices and services, and expects retailers to follow suit.

A traditional multi-channel approach that focuses on separate and distinct sales channels is no longer relevant to these highly demanding consumers. They expect to interact with products, brands and companies across multiple platforms that complement each other. This new omni-channel approach enables retailers to deliver holistic customer experiences within an integrated online-offline ecosystem.

Today more than ever, customers are both the agents and the beneficiaries of digital transformation. Retailers that focus on the 'transformation' rather than on the 'digital' are in a better position to deliver unique customer experiences.

Facing new entrants

The very nature of retail competition is changing as technologies become more affordable and barriers to entry fall. Small, nimble retailers are fragmenting the Australian market, while huge multinationals are set to disrupt the landscape even further.

Specialised retailers are emerging thanks to the rise of innovative business models. More digital in nature, these new entrants choose to avoid paying for costly data and call centres while accessing talent, technology and platforms as needed. They also provide a wide range of products and services through hybrid platforms, slowly nibbling away at traditional retailers' market share and value chain.

At the other end of the spectrum, the arrival of e-commerce giant Amazon in late 2017 is set to further transform Australia's retail scene. Amazon has confirmed it is actively searching for a large distribution and fulfilment centre in Australia. This will be the first step to launching services such as Amazon Marketplace, Amazon Prime Now and, eventually, Amazon Pantry and Amazon Fresh. Once completed, the highly intelligent technology platform that Amazon is building to integrate the Australian market with its international operations will force the rest of the sector to adapt to the new normal or potentially close shop.

Retailers that have already started harnessing the power of digital stand to gain a strong foothold in established markets and open new opportunities in emerging ones. This differentiation gives them a clear advantage in the digital age, while others will have to catch up quickly if they do not want to become irrelevant.

Taking action

Consumers may be driving the evolution of retail, but it is the retailers that embrace change and push boundaries that will take the industry in new directions. The exponential growth of smart technologies is allowing disruptors to go beyond simply responding to consumer preferences; it gives them the means to shape consumer behaviour and expand offerings beyond their original value proposition.

Enabling next-generation retail

To succeed in the new era, retailers large and small, established and fresh to the market, must be able to deliver next-generation experiences. This means leveraging new technologies that streamline processes and workflows, and increase efficiency and productivity.

Up-and-coming technologies such as artificial intelligence, advanced robotics, 3D printing and sensor-based technologies are already being used to some extent, but not all together and not on a disruptive scale. It is only a matter of time before these technologies converge to give consumers highly immersive experiences in almost every part of their lives, including shopping.

Developing a holistic digital strategy

An effective way to strategically improve a retailer's competitive edge in the digital sphere is to adopt a holistic digital strategy that creates immersive, seamless and brand-defining experiences for consumers across all channels.

The recipe for success lies in six integrated strategies that retailers are using to become agents of disruption:

Price:

Speed, variety and convenience increasingly drive consumers' decisions, but price remains a decisive factor for most of them. Sophisticated dynamic pricing software can help retailers fine-tune their pricing strategy by adjusting prices in real time, based on variables such as customer loyalty, shipping costs, inventory updates and many more.

Fulfilment:

Accustomed to two-day or next-day delivery, customers have come to expect fast home delivery and convenient in-store pickup. Shoes of Prey – winner of the 2016 ARA/ Pronto Software Australian Retail Innovator of the Year award – is a trailblazer in this area. Its omni-channel offering allows women to design and customise shoes through an interactive online portal, after which they can pick up their custom-made creations from high-profile retail locations.

Workflow:

Simple and automated processes make it easier for retailers to deliver compelling and engaging customer journeys. Inspirations Paint, for instance, overhauled its out-dated and difficult-to-maintain retail management system. With 90 franchisees, more than 100 stores and about 50 suppliers across Australia, the company replaced a legacy system that hindered its ability to deliver unique customer experiences with a data-driven platform that caters to all business areas.

Attributes of the new Australian consumer



Informed and connected

Consumers have the power to choose when, where and how they acquire their goods



Immersive Experiences

Consumers demand meaningful and memorable experiences throughout their customer journey



Omni-Channel

Shoppers move fluidly between platforms, devices and services

Assortment:

Finding the right mix of online and offline offerings is key to surviving in the digital age. This is especially important given that showrooming – the practice of browsing and testing products in store to then buy them online for less – makes it difficult to deliver unique experiences. Retailers of “differentiated” items such as furniture or branded fashion apparel have embraced showrooming by providing unique services and prices within their stores.

Platform:

A secure, always-accessible, easy-to-use digital platform is an essential touchpoint in a world in which secure, effortless, digital interactions are becoming the norm. Google’s Store Visits, for instance, provides invaluable search data that can be deconstructed to rearrange the physical store to fit the expectations and desires of online shoppers.

Innovation:

Constant experimentation is the core of disruptors’ success – even when they are already ahead of the pack. Take eyewear retailer, eyeclearity for example, they developed myeyes and LensLab, two advanced software assistants that educate consumers on eyewear products and provide a unique way of customising their choices. Available in kiosks outside stores, both innovations allow customers to adapt the products and make informed choices that suit their needs.

As this paper shows, customer-centric retail is pushing Australian retailers to reassess the way they improve both their operations and the retail experience for consumers with new digital technologies. Forward-looking retailers that have shifted their methods have already started to overcome some of the most pressing challenges brought on by a disruptive digital environment. Others, meanwhile, are defining the strategies that will help them thrive and survive in this highly competitive environment.

One thing is for sure: with a substantial market size and a tech-savvy consumer base, Australia is well equipped to lead the worldwide digital transformation of retail.

Case study

Gaining a competitive edge with data-driven, insights-based solutions

In 2004, Gasweld Tool Centre, Australia's largest specialist gas, welding and tools supplier and retailer, made its information systems more efficient by automating reporting and streamlining manual processes. Determined to choose the most suitable solution for the business, Gasweld's General Manager, Brent Dunning, researched various business management solutions and found that Pronto Software ticked all the boxes.

"We were after a solution that integrated all aspects of our operations and had the ability to support the delivery of our imported goods, which is a core component of our business," said Dunning. "We really struggled to stump Pronto on anything! The team had a lot of business experience in our sector and they knew how to listen, so they really understood our requirements."

Gasweld implemented Pronto's flagship business management software product, Pronto Xi, across its business. This included a variety of Pronto Xi modules, including Financials, Point of Sale, Manufacturing and Warehouse Management, as well as its e-commerce tool, Avenue.

According to Dunning, Pronto Xi has given the company's management team clear and valuable visibility into all corners of its business, enabling fast, informed and smarter decision-making.

Gasweld's warehouse operations and inventory processes have been significantly enhanced since the company's integration of Pronto Xi. Inventory has grown to 150,000 core products, with over 300,000 available on the Pronto database.

"Previously, we picked stock manually with no clear stock identification as far as location goes. Being able to find stock has now become a simple and rapid process for warehouse staff since introducing Pronto. It now takes only two days for a new staff member to become productive compared to the six months it used to take. Pronto is so stable and solid, it doesn't fall over," continued Dunning.

As an expanding business with year-on-year growth, it was important Pronto Xi had the functionality to scale with the company.

In addition to bricks-and-mortar growth, Pronto's e-commerce function, Avenue, enabled Gasweld to streamline and quickly grow its online sales channel. "With our old system, everything had to be manually loaded. If a customer purchased a product online, the system would generate an order, which would then have to be entered for processing. This was very manual and cumbersome," said Dunning.

"With Avenue, an online sale is seamless to despatch, as the front- and back-end systems are now fully integrated. We see Pronto Xi as a silent salesperson, reducing our administrative headcount while improving our customer service. With Pronto Xi, we're able to sell more, facilitate those sales quickly and the whole process is far more profitable for us."



Not long after Gasweld began reaping the benefits of Pronto's enterprise resource planning technology, the company began integrating Pronto's Business Intelligence (BI) functionality, which utilises IBM Cognos. This means monthly reporting of customer data, sales and inventory is no longer a strain on resources. It also ensured staff members have access to data that enables them to make better decisions.

"Reports are now written and scheduled in such a way that they just automatically turn up in their ready format, sitting on the right person's table, inbox or smartphone. So there's a big saving in labour for us," said Dunning.

"We're also now providing meaningful data to relevant staff at all levels of the business, from retail store level to the warehouse as well as head office. This has made a massive difference to the speed with which we make decisions across the business, while empowering the team.

"That's how we've utilised Pronto's BI to the greatest benefit – being more proactive. Rather than having to look for information, it's delivered to the person that requires it before it's requested. With Pronto as our partner, we deliver the relevant insights needed to make decisions."

"We now have access to key transactional information at our fingertips, almost on a minute-by-minute basis, so we know the position of the business at any given time, no matter our location."

- Brent Dunning, General Manager,, Gasweld



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Tailor-made business software solutions.

Pronto Software has been developing award-winning business management software for over 40 years. With in-built intelligence, flexibility and an easy-to-use interface, its flagship product, Pronto Xi, enables users to discover rich business insights.

Pronto believes in the power of actively listening to clients, adapting our product to meet their needs and finally revealing the best solution. It's how we continually surpass client expectations, delivering moments of utter surprise and delight.