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Rethinking retail to embrace disruption

The power of digital transformation





Summary

Let's face it—with the acceleration of disruption and industry transformation, being “omnichannel” isn't going to bridge the gap between retail leaders and laggards.

In today's environment, retailers must rethink retail by focusing on what makes a lasting impact—providing a surprising, frictionless customer experience across both online and offline touch points. Instead of bolting on cool new technology, retailers must take a long-view approach to reengineering the customer experience or risk becoming obsolete.



Are you prepared to embrace disruption?

Retail strategists at Lumen posed the following questions about the future of retail to Doug Stephens on behalf of Lumen customers. Stephens is the founder of Retail Prophet and is considered one of the world's foremost retail industry futurists. His intellectual work and thinking have influenced many of the world's best-known retailers, agencies, and brands. To learn more about Doug Stephens, visit retailprophet.com or follow him on [Twitter @RetailProphet](https://twitter.com/RetailProphet).



Given the retail industry is undergoing intense transformation and disruption, how do you see the role of the physical store changing?

The purpose and value of physical stores are being completely reengineered. The traditional purpose in building a store has been to do three things: merchandise products, impart product information, and transact sales. Today, all of these things are not only being done digitally, one could argue they're being done infinitely more effectively through digital means as well. Digital retailers can merchandise more products, impart more and better product knowledge, and offer one-click checkout. Media is becoming the store!

Therefore, stores can no longer simply be about the distribution of products. They are, however, a powerful media channel for the distribution of experiences with products. In fact, I'd argue that they're the most powerful media channel a brand has at its disposal. The new role of the store is to articulate and animate powerful brand stories, stage unique and immersive experiences with products, and expose consumers to the entire brand ecosystem of buying opportunities. Stores are no longer about "conversion" but rather about creating converts for your brand. Stores, in essence, are becoming media.

In time, two distinct formats in retail will eventually emerge: vertically integrated direct-to-consumer and experiential retail, where merchants are paid by brands up front to curate exceptional (online/offline) experiences across multiple brands of goods. The revenue model for retail will soon begin to look more like a media buying model.



What cutting-edge technologies do you consider the most impactful for enhancing in-store experience?

The answer to that question has nothing to do with the relative merits of different technologies. Any new technology can have impact or value, so long as it's solving a verifiable consumer problem or creating a measurable level of consumer delight. AI, 3-D printing, robotics, etc. can all bring tremendous utility and value if they're built into the architecture of the customer experience in a thoughtful and valuable way. Where companies encounter problems is when technologies are introduced without a contextual connection to the experience. It's ignored by customers and orphaned by store staff.



Besides Amazon, who else is taking a more innovative approach to rethinking retail?

There are many! Alibaba is completely rethinking the marriage of digital and physical through what it calls "New Retail," a mobile-infused, yet physically engaged, retail experience in its Hema grocery stores.

Reformation is changing the script of the apparel buying experience and using technology and unique merchandising and service concepts to remove much of the traditional friction from fashion shopping.

Brandless is rightfully challenging the cost/value ratio of brands and giving consumers great products at lower prices.

Boxed is essentially Costco without the parking, crowds, and aggravation. And Everlane has done exceptional work to bring true supply chain transparency to fashion. Each of these brands and many more are reengineering elements of the retail experience.

As I say in my book, evidence of the future of retail is all around us. You just have to look for the bits and pieces of it.



There is an intense focus on AI, predictive analytics, machine learning, and IoT. How critical is leveraging advanced data analytics to the future of retail?

To answer this question, we must first appreciate what retailers are up against. Amazon is not a retailer. It is a data, technology, media, and logistics company that also happens to sell approximately 500 million products. My belief is that almost everything Amazon does—including the Whole Foods acquisition—is about feeding its incredible store of data to the point that it can literally become highly predictive about individual needs and preferences. Google and a long tail of tech start-ups are literally inventing the field of AI.

So there's this pressure on retailers to feel that they too must become data companies, which I don't necessarily subscribe to. But again, if we consider data and analytics an answer, we have to first determine what the questions are. And the question in my mind is what customer journey are we attempting to build? And what are the moments of truth along that journey? And lastly, what essential elements of data will inform our ability to deliver precisely what the consumer needs or wants in that moment? Once all this is clear, finding providers, platforms, and products to support that experiential architecture becomes possible.

But most importantly, brands need to design experiences that their customers want and value. This is the only way to get the level of information sharing required to power data collection!



What are the biggest obstacles holding retailers back from reinventing the customer experience?

There are a number of things ...

- **Aesthetics vs. mechanics:** Most retail companies treat the customer experience as an aesthetic (nice-looking stores, merchandising, products, etc.). But in fact, the true customer experience is a mechanical experience. Remarkable customer experiences don't just look different, they behave differently.
- **Innovation vs. iteration:** Most retail brands talk about innovation, but when you examine what they're working on, most of it isn't innovative at all. It's iterative and it's not the same thing. True innovation is risky and uncertain but can propel the company light-years ahead.
- **Fear of failure:** Many companies ask their people to be innovative, but when you review their compensation and reward programs, it becomes apparent that they're actually rewarding compliance and success. Innovative companies treat failure and success equally—provided they both move the organization ahead in its capabilities and understanding.
- **Leadership culture:** Western leadership culture has been developed around the ethos of certainty. Leaders are trained to be confident, solution oriented, and data driven in their approach. Innovative leaders, however, are not afraid to embrace uncertainty and accept the fact that innovators must have the courage to push forward in the absence of supporting data. If something has never been done, there's no data.
- **Misunderstanding creativity:** We're told that everyone is creative. This is a lie. By the time adults reach the age of 25, only 2 percent of us are capable of nonlinear or divergent thinking—a hallmark trait of significantly creative people. The most innovative companies hire demonstrably innovative people. It's just that simple.
- **Market pressure:** If we're being honest, markets don't like innovation because, as I said earlier, innovation means uncertainty. The market would much rather a retailer simply lay off a thousand people and close a hundred stores. So, truly courageous leadership is required to push back against market expectations and lay the framework for innovative work. It takes vision and guts.

Rethink retail. From the cloud to the consumer with Lumen.

In today's retail landscape, embracing disruption requires the right digital-ready foundation. Next-gen network architectures and infrastructure must be secure, scalable, and cloud enabled to compete.

Lumen connectivity powers digital business transformation to better enable the immersive, exceptional customer experiences the future of retail demands.

To learn more, visit lumen.com/retail.