Delivering greater value and increasing agility to drive faster growth in retail

CHANGE IS ACCELERATING

The pandemic has significantly affected the global retail industry. It has put increasing pressure on businesses to be more adaptive to change, favoring those furthest ahead in their digital journeys.

Trends such as home delivery, pick-up options, and conscious buying are accelerating. It has never been more crucial to understand customer expectations for best price, convenience, and product and service value to build resilience, increase agility, and reduce costs to fund transformation.

Retail organizations have been advancing their digital journey for many years to meet evolving consumer demands and face competition from new entrants and disruptive technology-first players. The COVID-19 crisis has further compounded their challenges. There is increasing pressure on revenue and margins, as well as business models, intensifying the need to adapt quickly to survive, and thrive.

The 2020 CGI Client Global Insights* reveal that while retailers have initiated their transformation efforts, the results are not rapid enough. We interviewed 90+ retail executives of which 97% report their organizations have some form of a digital strategy in place, yet only 10% are producing results from enterprise-wide strategies.
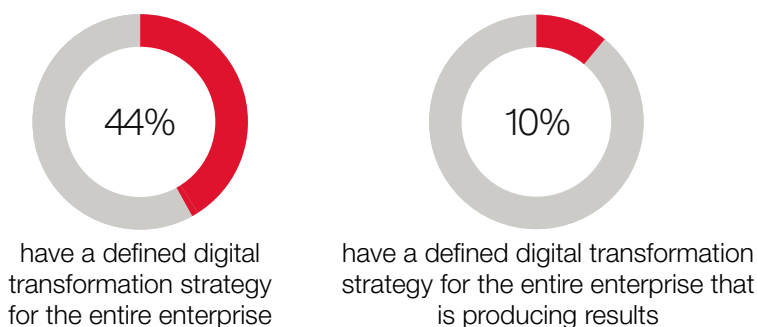
Despite today's challenges, retail organizations have an extraordinary opportunity to accelerate their transformation and build a future that is "better than normal."

Such a future will require business and IT to work together on a common roadmap, increasing mutual confidence in a shared vision to:

- **Strengthen their value proposition.** This requires adapting to changing customer behaviors and preferences and addressing pain points, while meeting the price criteria.

- **Increase agility and reduce costs to navigate the pace of change.** Retail organizations need to operate in a much more agile way to meet customer expectations and win the time-to-market and efficiency battles. As margins shrink, lack of funding could slow down necessary strategic transformation efforts unless retailers also streamline operations to cut costs.

Leveraging innovation in the right way can efficiently accelerate this transformation. Retailers need to have the right people, processes and technologies in place to apply relevant and value-driven innovation faster.

2020 CGI Client Global Insights for the Retail industry
Stage of digital transformation strategy implementation

44%

have a defined digital transformation strategy for the entire enterprise

10%

have a defined digital transformation strategy for the entire enterprise that is producing results

In 2020, CGI leaders met with 1,447 business and IT executives across 10 industries to gather their perspectives on the trends affecting their enterprises, including 159 executives across the retail, consumer services, consumer packaged goods and wholesale sectors.

This paper offers insights and recommendations for creating differentiated value faster through relevant innovation, agility and cost reduction.

DELIVERING GREATER VALUE

The pandemic has accelerated the impetus to become truly digital and to reduce costs. While it opens up new opportunities for digital leaders, it also increases the challenges for those lagging behind. Depending on their digital maturity, retail organizations will need to prioritize different levers to survive and thrive.

According to the 2020 CGI Client Global Insights, becoming a digital enterprise to meet customer expectations remains the top trend for retail executives.

Most also say digitization requires business model evolution and that it is in progress.

As they revisit their strategies and business models, we believe retail organizations should explore the following three critical elements to accelerate their transformation:

1. Strengthening product offering, pricing and assortment strategies

In today's highly competitive and fast-paced retail environment, product offering, assortment and pricing strategies are becoming more complex. Market globalization, conscious buying, and the abundance of products in mature markets are challenging traditional product portfolio strategies. At the same time, competitive pressures to reduce prices are jeopardizing margins and market share. Product portfolio strategies can benefit from a greater knowledge of market potential, consumers and the competitive landscape. Understanding price perception better to manage prices and assortment dynamically gives retailers the opportunity to improve savings, while delivering the best product and price to the right customer, at the right time, place and cost.

2. Improving customer convenience

The perceived value of a product or service is still fundamental to market differentiation, but in geographies where goods and services are abundant, convenience becomes a key differentiator to minimize time and effort.

For retailers competing in an increasingly dynamic environment, the keys to achieving success with customer convenience include:

- Embracing the broad variety of existing usages and latent needs that are modelling customers' rising expectations for convenience and fulfilling the ones that offer significant competitive advantage

- Eliminating customer pain points

- Personalizing interactions across the customer journey

Achieving this requires a comprehensive understanding of customers' decision-making process including: how do they access products or services; how are the transactions performed; how are the products or services consumed; why were sales canceled and/or products returned; what recommendations did the customer share; and finally, have customer expectations for data privacy and regulatory compliance been considered?

3. Enhancing agility from end-to-end and reducing costs

Lack of operational optimization and data insights continues to hinder progress. The impact of disconnected systems and processes is far-reaching—affecting everything from supply chain efficiency and profitability, to product and service innovation, to omni-channel customer experiences.

To enhance end-to-end supply chain agility and foster collaboration, retail organizations need to optimize operations and IT processes to enable high-speed data connectivity across the end-to-end supply chain, and to reduce costs to invest in new initiatives.

In the following pages, we share how retail organizations can benefit from exploring these three elements to accelerate their transformation through innovation and deliver greater value, faster.

2020 CGI Client Global Insights for the Retail industry

Top industry trends ranked by impact

1. Becoming digital organizations to meet customer expectations

2. Omni-channel is the new normal
and customers can shop at any time from any device

3. Optimizing today's operations
(fund new, agile models that improve time to market)

4. Applying big data and predictive analytics

5. Protecting through cybersecurity

1. STRENGTHENING PRODUCT OFFERING, PRICING AND ASSORTMENT STRATEGIES

Market globalization, conscious buying, and greater transparency of product offering information are challenging traditional product portfolio strategies. At the same time, digital leaders are transforming pricing and assortment strategies, inventing new approaches that optimize them dynamically. Advanced data analytics and innovative technologies offer retail organizations the opportunity to adapt their product offering portfolios, enhance product assortment and optimize pricing to maximize revenue and margins.

Create, adapt and personalize products and services

A better understanding of market potential, consumer needs and the competitive landscape opens multiple avenues to create, adapt and personalize products and services to address various customer segments, expectations and preferences. It also enables differentiation by adding value to products and services. **Advanced analytics** that leverage enterprise data and contextual information, combined with innovative technologies like **artificial intelligence and process automation** efficiently support such approaches.

Optimize price and promotion

Price is a crucial element of a product or service offering and optimizing both price and promotion is key to meeting customer expectations and improving margins. Today, consumer price perception is influenced by multiple, dynamic offerings available to them. This makes it increasingly complex to identify the right price for the right categories of products or services to drive traffic and sales while optimizing margins. **Dynamic pricing and promotion solutions**, supported by **artificial intelligence**—in particular **machine learning**—help pricing managers develop algorithms that adjust prices optimally in real time with supply, demand and competitor offerings across channels, which are aligned to distinct commercial strategies. **Customer engagement** tactics further complement these

approaches through customized products/services and promotions, and tailored marketing campaigns.

Deliver the best product to the right customer at the right place and cost

Assortment optimization strategies further offer new opportunities for retailers to deliver the best product to the right customer at the right place and cost. These strategies continue to be a key lever to maximize revenue and margins, especially when enhanced by customer-centric approaches, enriched by data-driven insights and delivered through process automation.

Drive loyalty and margins through sustainable approaches

Last, but not least, is integrating sustainability into strategies. Whether through more sustainable products and services, and production/distribution processes or community engagement activities, building such capabilities will bring additional product or service value to the customer, driving loyalty and margins. These efforts can efficiently be supported by **advanced analytics**, **product innovation** and **supply chain strategies**.

2. ENHANCING CUSTOMER CONVENIENCE

Enhancing customer convenience requires a deeper understanding of the value that customers place on convenience. Information collected across the customer journey, including customer feedback, is the primary lever to design and implement strategies that enhance customer convenience.

Enable rich and unified digital interactions and transactions

Providing a seamless omni-channel experience by leveraging the full potential of digital channels can enhance customer convenience, be it online or in-store, via direct interactions with the customer or through sales assistants. **Unified commerce solutions** that leverage real-time customer information along with innovative capabilities like virtual service agents, virtual shelves, iBeacons, smart lighting, facial recognition and personalized digital signage enable rich and unified digital interactions and transactions. They enhance customer convenience across the omni-channel journey, driving growth and strengthening loyalty.

Create unique in-store value propositions

As physical stores continue to struggle to attract customers, re-inventing the value delivered across the customer journey is becoming even more crucial. Rethinking how to create unique in-store value propositions that minimize the pains customers traditionally face, and even exceeding their expectations, will drive brand loyalty and is a proven approach to drive growth. Today, **in-store digital signage, electronic shelf labelling, point-of-sale (POS) and frictionless payment solutions** are becoming differentiating tactics to enhance in-store customer convenience, enhance product information and share personalized information. These initiatives also accelerate, simplify and improve the check-out process.

Understand rising customer expectations

The large amounts of information collected across multiple customer touchpoints are invaluable to gain a better understanding of customer expectations across the buyer journey. Harnessing this data provides insights into customer behaviors, preferences and pains points at the right level of granularity. However, this requires having a clear data strategy in place to focus efforts in the right direction. **Advanced data and video analytics**, as well as **machine learning** are powerful tools for understanding rising customer expectations, or how products can best be displayed to facilitate the customer journey and deliver the right message to the right customer at the right time.

Meet customer expectations for how and when they receive their products

Delivering the right answer to customer demand at the right place and time is opening up new opportunities to delight customers. This, in turn, is driving the need for agile and highly connected supply chains. To meet rising expectations for how and when customers receive their products, **agile supply chain solutions** enable high-speed connectivity across the functional domains of the end-to-end supply chain (from suppliers, factories and warehouses to distribution centers and stores, and finally to the end customer) and enhance convenience by reducing customer time and effort.

Reinforce customer trust and willingness to share information

Equally important is the need to focus on **privacy and data protection**. As customers share growing amounts of personal information, they are increasingly concerned about data privacy. **Data protection and transparent customer data management** are expectations that if met, can contribute significantly to a positive customer experience. Providing clear information about customer data management and avoiding data breaches will reinforce customer trust and willingness to share personal information and strengthen brand loyalty.

3. IMPROVING END-TO-END AGILITY AND REDUCING COSTS

In order to adapt to change quickly, retailers need to accelerate their transformation. This requires approaching transformation in a more holistic way to become agile from end-to-end and leverage innovative approaches to deliver tangible results faster.

Delivering greater value requires retail organizations to increase their agility and reduce costs to fund new initiatives. Following initial discrete digital projects, it's clear that digitization is a bigger challenge than originally anticipated. Retail organizations need to reshape and optimize business processes from end to end, reduce costs to fund transformation efforts, and manage cultural change proactively.

Increase flexibility, responsiveness and time to market

The end-to-end supply chain is the backbone of a retail organization's agility. Rapid changes in customer demand and greater competition and complexity across geographies, logistics and portfolios along with the need to control and track inventory across multiple warehouses, stores and channels as well as anticipate purchase and production are putting pressure on supply chain business processes, which still operate partly in silos. **Reshaping, connecting, optimizing and streamlining supply chain business processes from end to end** across the various functional domains helps retailers increase flexibility, responsiveness and time to market, while cutting costs.

Breaking down silos demands rigorous **data management approaches** to tackle inconsistent, incomplete and scattered product information across channels and business processes, such as inventory or order management. **Master data management and product information management** form the foundations of an efficient supply chain.

Increase demand and inventory visibility to reduce loss

Shrink management also efficiently reduces loss and positively affects the bottom line. To support supply chain optimization and shrink management, **advanced analytics** provides valuable insights that support decision-making by improving demand and inventory visibility, identifying causes of product failures or delays in production lead times, optimizing inventory space and value, and more.

Improve workforce agility, productivity and efficiency

On the field, efficient business processes also rely on the intervention of manual operators. **Automation** optimizes many of these tasks efficiently, improving workforce agility, productivity and service quality, while reducing costs. For standard, high-volume, repeatable and rules-based tasks, leveraging **robotic process automation** further increases operational efficiency and productivity by accelerating processes, cutting costs, and freeing up resources for higher-value transformational initiatives.

Reduce operating costs and risks and increase agility

Legacy technologies and systems often slow down necessary business process transformation or optimization. They are also expensive to maintain and come with higher security risks. **IT modernization and balanced cloud approaches** provide infrastructure and application portfolio rationalization and optimization, data center optimization, and cybersecurity assessments that reduce operating costs and risks, and increase agility.

In addition, transformational IT and business process services combine **IT and business transformation approaches that reduce operational costs** to address competitive pressure and fund investments. They provide the benefit of freeing up resources to deliver greater business value, address customer needs, enable agility and accelerate business transformation.

TAKING A COLLABORATIVE INNOVATION APPROACH TO ADDRESS NEW BUSINESS REALITIES

As the pace of change accelerates and new customer behaviors emerge, innovation will drive growth and differentiation.

Delivering innovation that is continuous, relevant and value-driven requires a collaborative approach. It calls for fostering a culture of innovation, unrestricted approaches to innovation design, and using existing assets and capabilities for quicker implementation.

According to the 2020 CGI Client Global Insights, only 24% of retail executives we interviewed are highly satisfied with their innovation ROI. Many innovation pilots have not scaled due to a lack of governance and adherence to IT standards or business objectives. We believe that this, combined with a siloed approach to innovation and lack of agility is why few retail executives cite high satisfaction with innovation ROI.

Forging strategic ecosystem partnerships by adopting various methods such as communication, community building, workshops, design sprints and culture hacking will be key to deriving greater value from innovation.

CGI Innovation Centers

Our retail and consumer industry **innovation centers**, located in France and Canada, are dedicated to accelerating clients' digitization by offering unique co-innovation capabilities to fuel continuous, relevant and value-driven innovation. Client business and IT leaders are invited to experience an immersive visit and explore design thinking approaches to build their digitization roadmap and identify co-innovation opportunities through workshops.

CGI Intellectual Property (IP)

Co-innovating solutions with clients to accelerate business transformation

Built in collaboration with clients, CGI's suite of intellectual property (IP)-based solutions capture industry best practices, building innovation into clients' businesses across the enterprise, and serving as an accelerator to apply relevant innovations more quickly and increase returns on investments.

Our IP-based solutions for the retail and consumer industry include:

CGI Retail Suite: an open and modular solution that supports the entire retail value chain and increases agility from end to end. CGI Retail Suite is a powerful modular solution that is built using an open architecture approach, enabling retail organizations to rapidly adapt to new business realities.

With CGI Retail Suite, retailers can increase their end-to-end agility—right from supply to the end customer—and transform quickly through continuous innovation. The solution uses a single, open repository that helps to easily create new omni-channel routes, offer tailor-made services and implement personalized customer relationship strategies.

Aromi: a comprehensive enterprise resource planning solution. Aromi helps food service providers improve operations and address changing customer, regulatory and ecological requirements, while optimizing the quality, quantity and price of food products.

Sofia: an innovative virtual service agent. This application improves omni-channel customer service and satisfaction through the use of advanced analytics and AI.

CGI Smart Case: a complete customer service solution. CGI Smart Case accelerates the processing of customer requests across the omni-channel journey, leveraging AI to automate the management of unstructured requests.

Seebrite: a store optimization solution. This application provides customized KPIs and dashboards, combined with drill-down and filtering features mapped to each employee's specific needs. It allows store employees to measure customer visits, manage and support campaigns, benchmark results and share best practices.

Mobilog: a workforce management solution. Mobilog helps retail organizations increase field workers' flexibility and agility, improve productivity and service quality, and automate resources planning, billing and payroll processes, and reduce costs.

Why CGI

Building trusted, in-person relationships and ensuring local accountability for delivering client success

Founded in 1976, CGI is one of the few end-to-end IT and business consulting firms with the scale, reach, capabilities and commitment to meet clients' enterprise digital transformation needs. Operating in hundreds of locations around the globe, our 77,500 consultants and professionals help clients in 10 industries accelerate their digitization, innovate and compete. Our proximity model, supported by the depth of our international presence and range of services and insights delivers value for clients.

In the retail, consumer packaged goods, wholesale and consumer services industries, our experts help many of the world's leading companies become more agile and customer-centric digital enterprises.We work side by side with our clients to understand their specific challenges, bring deep knowledge of retail realities across the world, and leverage our in-depth technology expertise and global delivery capabilities for delivering client success.

Our approach sets us apart

- **End-to-end services**
  At CGI, we provide our clients with true end-to-end services, encompassing strategic IT and business consulting, managed IT and business process services, systems integration, and intellectual property-based services.

- **Client-proximity model**
  We organize operations within metro markets where clients have concentrated footprints, and empower local teams to build trusted, in-person relationships that ensure accountability for delivering client success.

- **Industry and technology expertise at the local level**
  In addition to mastering technology, our experts have a deep understanding of clients' industries and local business environments, and collaborate across a worldwide network of industry centers of innovation, emerging technology practices, and global delivery centers to bring clients end-to-end services and solutions.

- **Global delivery network focused on outcomes**
  Our global delivery model offers clients best-fit, best-value delivery options by providing access to global resources, industry expertise and a network of business partners. This model leverages the strength of the CGI Management Foundation, including its frameworks, processes, methodologies, tools and metrics.

- **Operational excellence driven through the CGI Management Foundation**
  Wherever CGI operates, we align through common policies, principles, processes and frameworks to provide global consistency at scale. These frameworks allow us to deliver projects on time and on budget for 95% of engagements.

KEY FIGURES

CA$12.1 billion revenue in F2019	**76,000** consultants and professionals
400 proximity-based locations worldwide	**170+** IP-based solutions

CGI

Experience the commitment®

https://www.cgi.com/en/retail-and-consumer-services