



## Technology in Retail: Rethinking Tech Leadership in a Changing Landscape

The steady drumbeat of store closings has made one thing apparent: retailers must have a clear perspective on their customer and a compelling vision of where the company needs to play — and, increasingly, define the role of technology in delivering on that vision.

### THREE TECHNOLOGY TRENDS

Three technology trends in particular are converging to change the future of retail: omnichannel, artificial intelligence and mobile pay. To remain relevant in an increasingly competitive market, retailers must prioritize the most critical areas for investment based on their positioning and ensure that they have the right technology leadership to take advantage of the most important technologies. Otherwise, they risk quickly falling behind.

#### Omnichannel

Omnichannel is the future of retail, as traditional brick-and-mortar retailers grow and refine their digital presence and some internet retailers build physical stores. The challenge for all is to determine the right mix of physical and digital channels for their customer and to develop unique and compelling customer experiences, regardless of channel. Omnichannel is powered by the wealth of customer data retailers that retailers can use to improve targeted marketing, tailor assortments at the store level and anticipate changes in customer traffic patterns, as well as real-time inventory data and smart tags that enable retailers to adjust pricing and inventory based on changing demand. The in-store experience also is being refreshed; new technologies allow store associates to interact with customers in new ways. For example, Sephora equips associates with iPads so they can track inventory, check-out customers without having to wait in a line, and access detailed product information to make more personalized recommendations. E-commerce company Warby Parker is recreating its online shopping experience in the new physical stores it's opening, allowing customers to try out glasses in an in-store library.

## Artificial Intelligence

AI-powered services such as chatbots and “personal shoppers.” are enabling retailers to learn customer preferences as they interact with digital channels and make personalized product or service suggestions. Examples of AI’s uses abound: 1-800-flowers uses GWYN, an AI-enabled gift concierge that asks questions to learn customer preferences and suggests gift ideas; Starbucks’ “My Virtual Barista” allows customers to speak into their phone to place an order, and alerts them when a nearby location has created their drink; Kohl’s has launched a “connected clothes hanger” that displays product information on a nearby screen and can suggest how the piece might be paired with other pieces to create an outfit; and Macy’s “On Call app” “combines IBM’s Watson’s cognitive computing with location-based software to answer shoppers’ in-store questions, such as where to find a brand they’re looking for.

## Mobile payment services

While consumers and retailers have been slower to embrace mobile wallets than the early projections, some analysts believe this technology is on the verge of broad acceptance, and its use will grow quickly in the year ahead. Already, Samsung Pay can be used at more than 10 million U.S. stores, Apple Pay at more than 3 million, and Android Pay at more than 1 million, according to Consumer Reports. And some retailers — Kohl’s, for example — are launching their own mobile payment services. For consumers, these services promise faster, more secure checkouts. For retailers, mobile payment services provide another opportunity to connect with customers through loyalty programs and personalized recommendations based on past purchases.

## DEFINING THE PATH FORWARD

In an environment where missing or arriving late to a phenomenon can be fatal, retailers face an urgent task: defining their technology priorities based on their positioning. Technology can no longer serve merely a support function for retailers; it must be a competitive differentiator. Understanding the role technology needs to play in the business depends in part on where the business is today. A retailer that already provides a great in-store experience will likely want to invest in building a world-class digital experience, or vice versa. Many retailers are having to entirely rethink their strategy and rebalance their mix of physical stores and digital channels.

Macy’s, for example, announced its commitment to an omnichannel strategy that includes increasing investment in its better-performing locations to elevate their distinctiveness and enhancing its online shopping and mobile apps. While the company is closing under-performing stores, it will focus on providing in-store events and technology-infused experiences designed to give customers more reasons to visit the remaining physical locations. At the same time, its digital strategy will focus on capacity-building on its websites and apps, improving natural language search, faster page loading and smoother and faster order fulfillment.

## TECHNOLOGY LEADERSHIP NEEDS

As IT moves closer to the customer and becomes a center of innovation, IT leadership is changing. Organizations still need back-office expertise in ERP and point-of-sale systems, but the breadth of IT leadership skills has expanded to include digital and online, omnichannel, data and analytics.



But which capabilities are most important depends on a company's strategy as well as its current technology maturity. Depending on their size and technology priorities, some organizations are creating an IT leadership team with two or more senior IT executives specializing in different technology areas. Teams could include roles such as a chief information officer, chief technology officer, chief digital officer, chief data officer and/or chief information security officer.

There is no one "correct" formula, structure or person for addressing IT leadership in this dynamic retailing environment. In some organizations, we see a new partnership among the CTO, CIO and CDO, where their responsibilities are divided in a traditional way, but they have established a highly collaborative culture. In other companies, we see the emergence of a "mixed blend" technology leader, who has experience in both product technology and information technology, and is highly digitally literate. We regularly work with retailers to think through the pros and cons of the different organizational approaches based on their needs and provide insight about the technology leadership talent pool.

Rather than ensuring candidates check all the typical boxes, retailers need to focus on finding technology leaders with strong strategic thinking capabilities who are able to manage complexity and make decisions with incomplete and ever-changing information. They also need to be magnets for the technology talent that is required to translate and execute an ambitious technology agenda. In many cases, retailers will have to look outside the sector for leaders with specialized expertise, especially financial services and high tech.

## LOOKING AHEAD

Technology is at the forefront of the most critical strategic issues for retailers, whether the goal is to improve the in-store experience for customers or expand and enhance digital offerings. Succeeding in retail today means articulating a compelling strategic vision — including the role of technology in delivering on that vision — and building a technology leadership team that enables the organization to take advantage of the most important technologies.



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