Navigating the European Retail Landscape

Thomas Reuner, PAC
July 2025

Infosys®

Contents

Figures

The creation and distribution of this white paper was supported by Infosys. For further information please visit www.pacanalyst.com.

Disclaimer

Usage rights

Preface

The European Retail landscape is under enormous pressure. Those headwinds come from three different angles. First, geopolitical events continue to disrupt global supply chains. Therefore, retailers and their suppliers must improve the visibility of goods, enhance the responsiveness to react to unforeseen events, and progress toward collaborative supply networks to provide faster information flow and joint risk management. Second, the shift towards AI-enabled experiences blends online and in-store experiences. It is no longer just a discussion about omnichannel but about delivering customer experiences. And third, the impact of Generative and Agentic AI enabling hyper-personalized marketing and automating content creation. While the European market is early in terms of adoption, the disruption is strongly sketched into executives' minds.

To address European concerns about AI, Infosys prioritizes privacy and ethical considerations

PAC sat down with the leaders of the Infosys Microsoft Practice to discuss these issues and learn about how Infosys is engaging with customers around them. They see their differentiation in blending domain expertise through Infosys Consulting with an offshore-centric Technology delivery model. The Microsoft Business Consulting Community is akin to a business unit that holistically drives the program management to sell the solutions. They build IP that sits on top of Microsoft Azure, Dynamics 365, and Copilot, as well as on Infosys' broader Equinox Retail/CPG Industry Cloud offerings.

Thus far, the efforts have resulted in 50+ IP solutions and consulting offerings, repeatable platforms, and solutions to accelerate time-to-market. A key theme for Infosys' European Microsoft team is to address AI adoption challenges that have particular nuances in that region. Top of mind for most executives is dealing with privacy and ethical considerations, including regulatory compliance such as GDPR. Equally, the lack of specialised talent needs to be addressed, given the significant shortage of AI specialists, but also gender and generational disparities.

Going deep on macro demand trends in Retail, differentiating with compelling innovation

Unsurprisingly, Infosys is vigorously pursuing macro trends in Retail, including omnichannel cohesion, by offering platforms that unify physical and digital shopping data, allowing retailers to provide consistent customer experiences. Those experiences are increasingly underpinned by scalable autonomous operations and scaled Generative AI deployments. To address the challenges of macro trends, Infosys brings Infosys Topaz, its AI-first set of services, solutions, and platforms that use generative AI technologies, into engagements, to collaborate with Microsoft as its

partner of choice on horizontal topics such as Contact Centre as a Service (CCaaS).

In other words, while Infosys continues to invest in Microsoft Dynamics 365 modules and capabilities such as Marketing, Project Operations, and Customer Service, it blends those with innovations leveraging automation and AI. Figure 1 provides an overview of how key innovations are shaping the European Retail landscape.
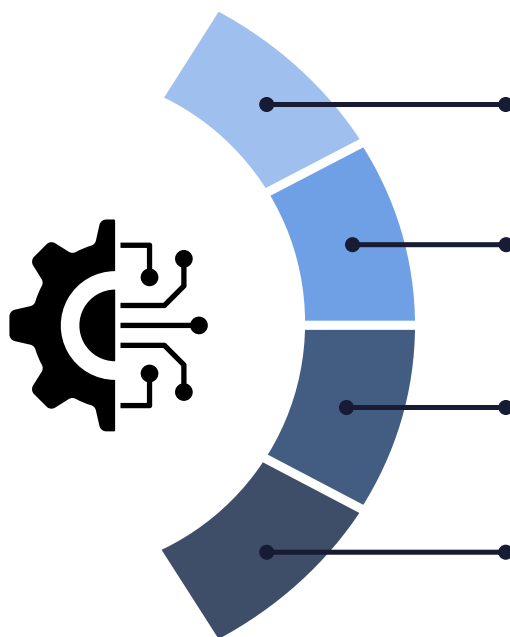
Omnichannel & In -Store Innovation

- Mobile Clienteling & Assisted Selling
- Click & Collect Evolution
- Endless Aisle & In-Store Kiosks

Data-Driven Decision Making

- Dynamic Pricing & Promotion Optimization
- Predictive Inventory Management & Demand Forecasting
- Personalized Marketing & Customer Segmentation

Artificial Intelligence & Automation

- Autonomous Stores & Frictionless Checkout
- AI-Powered Logistics & Last-Mile Delivery Automation
- AI-Powered Personalization as a Service

New revenue streams

- Retail Media Networks (RMN) Smart Warehousing
- Direct-to-Avatar (D2A) & Metaverse Commerce
- Circular Economy Models (Rental, Resale, Refurbish)

© PAC 2025

Fig. 1:   Key innovations shaping the European Retail landscape

Learning from applied innovation in the European Retail landscape

Omnichannel has been the focal point for years, but now in-store innovations and click-and-collect extensions are broadening the Retail strategies. Take, for example, the UK's John Lewis offering live video shopping. Virtual consultations with in-store experts via video. Another example is Decathlon, a French sportswear and equipment retailer, providing digital lockers where customers can retrieve their online purchases 24/7 from automated lockers.

Unsurprisingly, AI is disrupting all Retail segments. This includes customer experiences such as Zara's in-app stylist. Virtual assistants provide outfit suggestions and help navigate assortments. However, it is also deployed at scale in the supply chain and in-store innovation. Take Ocado, the UK's online grocery retail business,

which has investments in automated warehouses. These are fully AI-driven fulfilment centres using swarms of robots. In the UK, Aldi has launched a fully automated checkout-free store using AI-powered camera systems. But in equal measure, automation and AI help to drive new revenue streams. For instance, German online retailer Zalando is pushing logistics-as-a-service for partner brands. IKEA is experimenting with a "Buy Back & Resell" scheme for used furniture, which is resold in "Circular Hubs." Lastly, German retail giant REWE Group is offering REWE Retail Media. The goal is to monetize digital and in-store ad real estate for CPG brands. The solution uses customer data to offer targeted marketing placements across REWE's digital properties.

Infosys' strategy to succeed in the European Retail market

This is the context and background for Infosys' strategy of its Microsoft business unit. It has developed assets including:

- **REF-OR-M Loyalty Edge:** This solution includes components that enable loyalty management, such as member management, digital channels/self-service, loyalty program planning, segmentation, outreach, campaigns, customer 360, omnichannel engagement, analytics, and reporting. It also includes an integrated agent to generate customized sales or product pitches.

- **Infosys Direct to Consumer Digital Assistant for Retail:** Transform customer experiences by streamlining the shopping experience, providing valuable product information, and anticipating customer needs. This solution offers AI-powered hyper-personalized recommendations, a Gen AI-powered FAQ chatbot, image recognition to find similar products that customers have seen from other brands, returns powered by image recognition, and much more.

- **Infosys Store Associate App:** Integrated with a Gen AI-powered FAQ chatbot, the Infosys Store Associate App enhances staff productivity. Built on Microsoft PowerApps, it provides store associates with a customer 360 and product 360 view,

personalised recommendations to support upsell/cross-sell, and the tools to achieve and track their KPIs.

- **Purrfect Tribe:** AI-powered app for pet retailers for training, grooming, healthcare, and community.

Infosys Cobalt and Topaz capabilities complement these solutions, which should demonstrate the art of the possible. Take *AI-Driven Virtual Try on,* leveraging Generative AI, the solution can create virtual try-on experiences for clothing, eyewear, and other products, allowing customers to visualise how items would look on them before making a purchase. This can reduce returns and enhance customer satisfaction. Similarly, *Product Campaign/Visual Generator* allows marketing to get inspired and create realistic product visuals/campaign visuals from text, resulting in unique designs that grab customer attention. Through clear communication, this fosters engagement and promotes product interest.

Clear brand messaging empowers customers with a solid understanding of what the brand offers. This clarity ensures they approach the brand with defined expectations and needs. Other more generic solutions include an *AI-powered direct-to-customer chatbot (D2C)*, hyper-personalised strategic offer management, as well as Generative AI-enabled content creation.
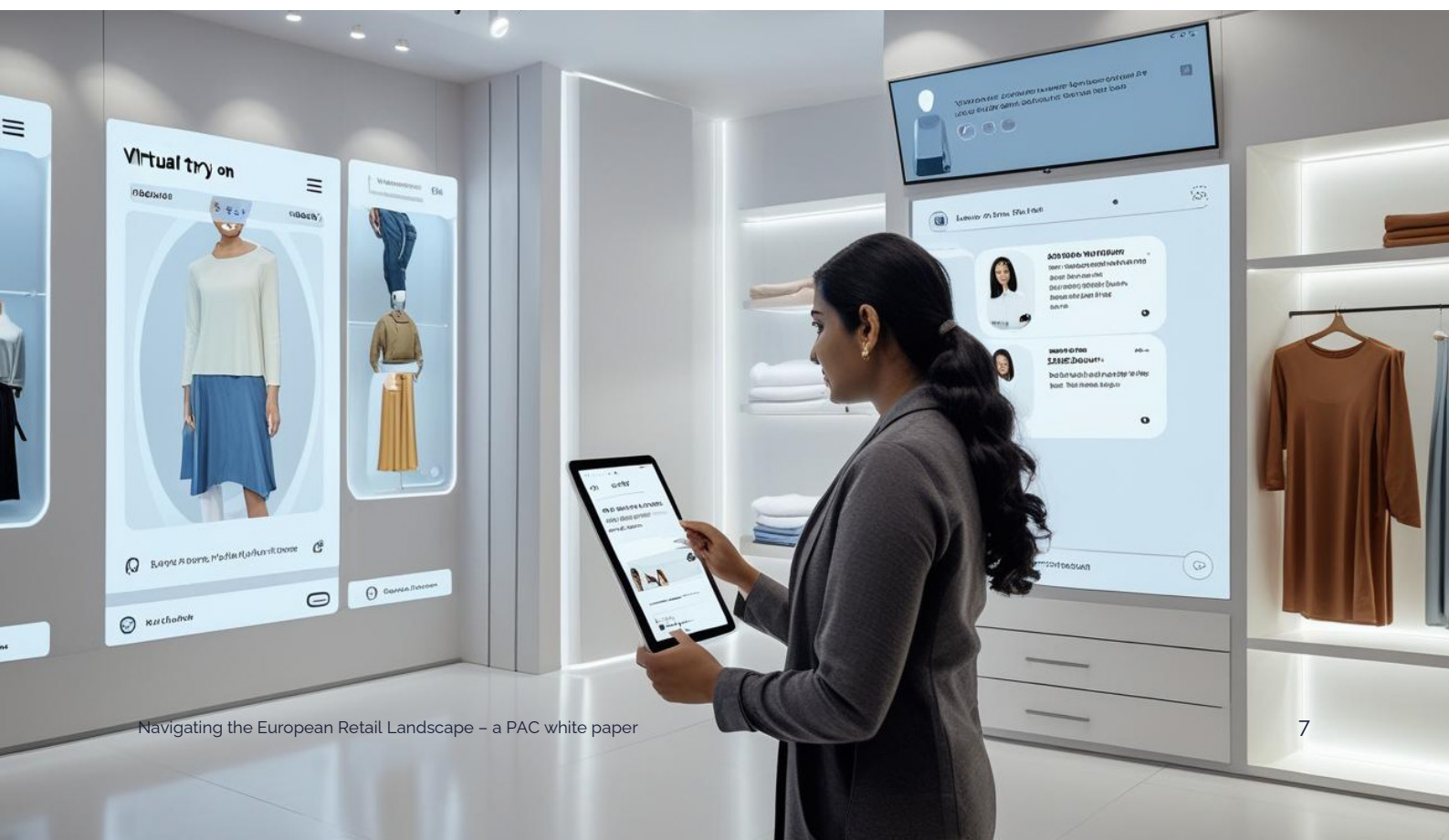
How Siemens Mobility's journey brought Infosys' Microsoft capabilities to light

The effectiveness of Infosys' Microsoft Practice is best demonstrated through a scaled customer journey. Siemens Mobility identified issues with its customized CRM solution based on Oracle Philos. Not only did it require an expensive and complicated upgrade in October 2020, but it also no longer met business needs. Problems included a poor user interface and user experience. This resulted in slow response rates and a lack of insights into customer data. Unsurprisingly, this led to a lack of employee collaboration, resulting in high costs to maintain and upgrade. Infosys tackled those challenges by applying a Design Thinking approach.

The additional challenge for Infosys was that this project was launched at the height of COVID-19. Thus, the challenging task was to enhance collaboration between teams that had never met. Infosys proposed a standardized, cutting-edge CRM tool serving as "one single source of truth." It comprised an integrated CRM, Office Suite, and social networks (Microsoft Dynamics 365, Microsoft Office 365, LinkedIn), focusing on the continued digitalization of sales processes. The project was delivered in three phases: MVP, Release 1, and Release 2. The MVP phase was completed within a 5-month timeline, including pilot and global country rollouts.

Early user adoption indicated progress, enabling a gradual learning curve over time, increasing acceptance of the new system. Furthermore, weekly status meetings effectively eliminated dependencies and impediments at the project level. The impact on Siemens Mobility included an enhanced UI/UX experience with advanced analytics insights, including prediction, attribute analysis, and effectiveness. A comprehensive Customer 360 view for all users was achieved regarding contact and account management.

This was further enhanced by integrating CRM (Microsoft Dynamics 365) with marketing automation, leading to a significant cost reduction for the client's IT support team by retiring multiple legacy systems. By linking all communication (internally and externally) to opportunities and customer journeys, sales representatives delivered a better customer experience. Furthermore, the project led to enhanced collaboration between employees using Microsoft SharePoint and Microsoft Teams. This transformation journey was underpinned by a Microsoft 365 user adoption program. After a pilot, Infosys then asked participants for their feedback.

Transforming CRM Systems

A step-by-step guide to improving customer relationship management through Design Thinking.

1. INITIAL CHALLENGES
Identify and understand existing issues

Outdated CRM, poor UI/UX, and high costs create inefficiencies. Recognizing these challenges is crucial for designing a better system.

2. DESIGN THINKING
Implement a user-centered approach

Utilize Design Thinking to brainstorm and prototype solutions tailored to user needs, fostering innovation and engagement in the development process.

3. UNIFIED CRM SYSTEM
Integrate multiple platforms for efficiency

Develop a unified CRM system that consolidates all functionalities into a single platform, enhancing user experience and streamlining operations.

4. PHASED DELIVERY
Roll out in strategic phases

Introduce the project in phases—MVP, Release 1, and Release 2—allowing for adjustments based on user feedback and ensuring smooth adoption.

5. BENEFITS REALIZATION
Highlight key improvements

Achieve enhanced analytics, valuable customer insights, significant cost reduction, and improved collaboration via integrated chat platforms, driving overall business growth.

Action Items

In summary, to navigate the European Retail landscape successfully, organizations should:

Adapt to shifting consumer behaviours: Develop hyper-personalized customer experiences across digital and physical channels. European consumers are increasingly value-driven, expect seamless omnichannel shopping, and are sensitive to price and sustainability. Invest in customer data platforms (CDPs), AI-driven personalization, and localized marketing strategies.

Double down on sustainability and ESG commitments: Embed circular economy principles and transparent ESG reporting into business models. EU regulations (like CSRD, Green Deal) and consumer expectations press retailers to prove real impact. Build sustainable sourcing practices, offer resale/recycling programs, and ensure full supply chain traceability.

Accelerate digital transformation and automation: Prioritize scalable digital infrastructure and automation to streamline operations. E-commerce growth, supply chain complexities, and rising labour costs demand operational efficiency. Leverage AI, robotics, and cloud-native solutions for inventory management, logistics, and customer service.

Innovate Through Strategic Partnerships and Ecosystems: Collaborate with tech providers, startups, and ecosystem partners to drive innovation. Rapid technological advancements and fragmented markets require agility and co-creation. Form alliances for last-mile delivery, in-store tech, and digital marketplaces to enhance competitiveness.

About Infosys

Infosys is a global leader in next-generation digital services and consulting. We enable clients in more than 50 countries to navigate their digital transformation. With over four decades of experience in managing the systems and workings of global enterprises, we expertly steer our clients through their digital journey. We do it by enabling the enterprise with an AI-powered core that helps prioritize the execution of change. We also empower the business with agile digital at scale to deliver unprecedented levels of performance and customer delight. Our always-on learning agenda drives their continuous improvement through building and transferring digital skills, expertise, and ideas from our innovation ecosystem.

Visit www.infosys.com to see how Infosys (NSE, BSE, NYSE: INFY) can help your enterprise navigate your next.

About PAC

We are a content-based company with a consulting DNA. PAC is the leading European consulting and analyst firm supporting software & IT service vendors worldwide. Since 1976, we have helped our clients to understand market dynamics, grow their revenue and raise their profile. Our unrivalled understanding of European markets, and deep research coverage help key market players to define their strategy, optimize their go-to-market and increase market share. PAC is an analyst-led consultancy with a team of over 100 experts across Europe. We provide market research and analysis on more than 30 countries worldwide, delivered through our portfolio pillars, Guidance, Insights, and Visibility, and our renowned SITSI® research platform. More on www.pacanalyst.com.

Contact:

Thomas Reuner
Principal Analyst
t.reuner@pacanalyst.com
+44 (0)7535 617 206

PAC UK
2 Minton Place, Victoria Road,
Bicester, Oxfordshire,
OX26 6QB UK

+44 79 70 83 71 52
www.pacanalyst.com
sitsi.pacanalyst.com