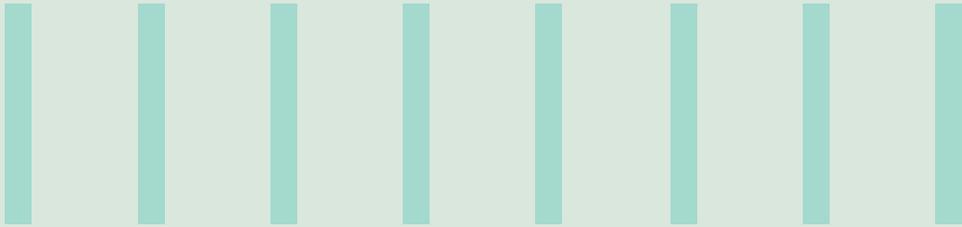




A TECHNOLOGY TURNAROUND IN THE RETAIL AND CPG INDUSTRY



Thriving in the digitized world and the key role technology can play

Trends such as digitization, the emergence of Gen Y and Z as a dominant buyer segment, technologically savvy consumers supported by social media, complex supply chains, rise in eCommerce sales and soaring expectations of consumers have bombarded the retail and CPG industries. Consider these statistics – an overwhelming 81% of shoppers looked up product information online before purchase¹, indicating their familiarity with technology. Furthermore, according to McKinsey, eCommerce represented 25% of retail sales in 2019. However, consumer intent to shop online increased by 40 – 60% once the pandemic emerged². In fact, almost ten years of digital sales growth was achieved in just three months in 2020³. Research estimates worldwide eCommerce sales to reach more than USD 6 trillion by 2024⁴. These trends clearly indicate that consumer buying behavior in retail and CPG has hit a point of inflection.

A sea of change

As a result of these shifts, retailers and brands were forced to make mega-scale changes in their business structures and operations. While a transformation was already in motion in the last decade, the COVID-19 pandemic has accelerated the pace of change. Some ways in which this industry segment has changed permanently include:

- Brands such as Adidas and Procter & Gamble adopted direct-to-consumer (D2C) models in addition to the traditional retail model. In D2C, they disintermediated wholesalers and retailers by approaching the consumer directly. When executed correctly, this model helps the manufacturers control consumer relationships better, deepen them, and eventually convert them to advocates. This means replicating every step in a typical retail model for the CPG company but without a wholesaler's or retailer's help.
- Delivering an exemplary consumer experience is a top priority in this industry. Digital natives and now a larger segment of shoppers demand variety, convenience and speed when shopping. For example, models such as buy-online-pickup-in-store (BOPIS) or curbside pickups emerged due to the pandemic compelling retailers to introduce innovative fulfillment models.
- As online sales soar, retailers amass valuable data on consumer shopping behavior. Armed with this data and collaborating closely with consumer brands, retailers can offer hyper-personalized experiences that align closely with the consumer's proclivities and expectations. In addition, they can place targeted advertisements at the digital point-of-purchase related to the consumer's shopping patterns, thereby enhancing sales.

Not only must retailers and brands learn to survive in a complicated environment, but they must also learn to differentiate to thrive in a digital world. Clearly, technology can play a significant role in bringing about this transformation. For instance, technology

solutions revolving around omnichannel strategies, intelligent data management, process automation, employee enablement and supply chain automation can elevate business performance.

Adopting a technology mindset

What is the outlook for an industry that has historically been slow to adopt technology solutions?

Retailers and CPG companies have doubled down on their technology plans and, in fact, speeded it up. Recent research expects CPG firms to spend USD 24 billion on digital transformation by 2030⁵. There are two key reasons for this shift after years of lagging other industries. First, the technology landscape is brimming with many advanced technologies such as AI/ML, Big Data and IoT, and continues to evolve. As a result, companies can derive better returns on their investments. Second, mature and sophisticated technologies allow even non-IT business users to set up systems and realize benefits quickly. For example, a business user can launch a brand page in little time without relying on IT teams, making the whole process of collecting consumer information much more efficient.

In short, retailers and CPG firms have accepted that they can stay relevant and increase brand equity among their customer base only with a solid technology backed foundation.

In the context of technology pursuits, retailers and brands must remain customer-centric and accord more priority to those that amplify customer experience. Take the example of Salesforce, provider of the world's top SaaS based CRM platform that aims to provide a consistent and seamless multichannel customer experience. Salesforce is richly endowed with templates and best practices specifically designed for the retail and CPG industries to catalyze the digital journey. In addition, add-on solutions such as the marketing cloud or trade promotion management tool bring in more value. As a result, the time to market comes down drastically while the business can operate more flexibly and nimbly.

Preparing for a digital world

As retailers and brands navigate the complexities of blending the physical and digital world, they must do so without compromising customer experience. For companies, it means reproducing the in-store shopping experience online, scouting for new channels to attract customers and adopting newer strategies to engage and personalize more meaningfully. As a result, it's not uncommon to hear of retailers or brands undertaking digitization programs to transform shopping experiences. For example, the American used-car retailer CarMax's digital and omnichannel strategy gave their customers the flexibility to shop online, in-store or blend both⁶. In another example, Levi's forayed into social commerce, allowing consumers to shop through links on TikTok⁷. In both these examples, not only did the companies enhance customer experience but also boosted sales.

For this to happen, they must start thinking and behaving like technology companies, harnessing innovative and advanced technologies to effectively participate in the eCommerce boom. As a result, companies must exhibit a comprehensive understanding of their customers' wants and preferences. Finally, a digital mindset, an environment that nurtures innovation and a willingness to change, will be the key to success.



About the Author



Venkatraman Balakrishnan

Salesforce Solution Architect with over 19 years of experience working on Enterprise CRM platforms, such as Siebel and Salesforce.

He has played the role of Solution Architect and Functional Consultant for many CRM and digital transformation programs, focusing on the Retail and Consumer Goods industry verticals. In addition, Venkat is the competency development anchor for the B2B Commerce Cloud at Infosys and plays the role of advisory for Salesforce Consumer Good Cloud and Net Zero Cloud offerings.

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