

Cloud-based retail gets closer to the ground

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Once the darling of the US retail industry, Sears has become a poster-child of what happens when poor strategy meets brutal levels of digital disruption. The 131-year old retailer has lost a total of \$7 billion in the last four years, and since 2010 its store footprint has dwindled from over 3500 to [just 1500](#).



@dolphtyn via [123RF](#)

In South Africa, digitisation is rapidly creating new business models and new opportunities for forward-looking retailers. Our country's vast geography means that for many people, retail stores are far away; and our exceptional rates of smartphone penetration, mean we're well positioned for mobile commerce. The SA landscape is perfectly sculpted for disruptive approaches.

So, just how big is the digital opportunity for retailers?

Firstly, consider that customer experience has clearly become the next major battleground for business leaders. In fact, our research reveals an overwhelming groundswell in this direction: with 95% of senior business leaders believing customer experience to be the most crucial competitive advantage – above logistics, price, size, footprint, and other factors.

We're entering a period that could be defined as 'The Internet of Me' – where retail consumers are far more empowered with information, with powerful mobile devices, and with the advantages of consumer peer reviews. In the era of 'Me',

expectations are rising: we want high-quality products and services, customised and bundled per our individual needs, and we want them to be available when we want them and how we want them (across various retail channels).

The traditional and linear way in which consumers engage with the retailer in the physical realm is changing. Now, the purchasing decision and the buying journey has become splintered across multiple touch points – disrupting the traditional sequence of Awareness, to Choice, to Transaction, Delivery, and finally After-Sales.

As consumer trends drive digitisation among retailers, those stores that most effectively respond will succeed in winning market share

Cloud advantages

By embracing the power of cloud architectures and cloud-hosted applications, retailers can enhance the experiences they provide to shoppers, across all channels. In the retail space, we essentially define the advantages of cloud into three areas:

- **Price:** By shifting from upfront capex-heavy infrastructure investments, to the cloud's more flexible OPEX-based expenditure model, you can free up capital and resources for other programmes within the organisation. Retail is seasonal and cyclical, and by using the cloud you can scale up and down the capacity that you need, only paying for the services that you actually use.
- **Offerings:** With the cloud you can rapidly add new items of stock to your inventory, launch new “pop-up” stores, or test new dynamic pricing models, for instance. Even the largest retailer can adopt lean-start-up philosophies – with the agility to test new ideas, and quickly pivot or terminate them if they're not working. Ultimately, retailers can respond quickly and continuously to changing consumer demands, and provide superior products and services with no interruptions.
- **Quality:** By scaling up the infrastructure during peak periods – such as Christmas, Easter and any month-end period – retailers can ensure that their systems stay online and consumers receive the best possible service. The cloud also enables new, interesting ways to improve customer experience – such as quickly adding mobile POS devices connected to smartphones used by roaming staff on the shop floor – to help dissolve the massive queues that occur at peak periods.

Game-changer

But we believe that in the future, cloud computing won't simply enhance the way retailers operate, but entirely reshape the fundamental retail business model and customer relationship.

In the traditional retail model, value tended to flow only in one direction. Whether we're referring to clothing, food, electronics, or other goods, retail products were produced and then shipped through a value chain, before eventually landing in a store – where it would be purchased and consumed by shoppers.

Within a cloud-enabled environment, there's an opportunity for producers and consumers to become part of a more dynamic, virtuous cycle. Apparel giant Nike, for instance, creates social platforms for consumers to share their ideas and designs for new footwear. With this deep understanding the fashions, styles and colours that people are looking for, Nike is able to ensure its offerings stay on-trend.

In fact, the cloud will be a game-changer for retailers in various ways. Imagine the following scenario: your customer enters your store having been targeted with personalised offers using geo-marketing; within the store you have digital signage that allows you to dynamically change prices throughout the day; transactions are enabled by roaming staff with tablets, or even via self-checkout systems. From a delivery perspective, you're employing click-and-collect, and from an after-sales perspective, you're continuing to target offers based on consumer behaviour data that you've collected – bringing greater 'stickiness' to the store.

While this may sound like a faraway retail dream, each of these technologies exists today, and (with the right digital

platforms underpinning your business) can be integrated into retail operations. The next step for retailers is to build the modern architectures and platforms, to take advantage of digitisation, and provide consumers with differentiated and personalised retail experiences.

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