Why retailers must turn to tech as stagflation bites

By Ajay Lalu

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Facing a fundamental change in market dynamics, retailers are caught between a rock and a hard place. Technology is their best bet.

Source: Getty

As the spectre of stagflation – the toxic combination of higher inflation and stagnant growth – grows, retailers face a significant change in market conditions after a period of relative stability. Here in South Africa, while economic growth was lacklustre, inflation was under control. Now as stagflation fears mount, they will have to deal with both reduced sales volumes and lower margins.

Traditional responses such as discounted special offers on loss leaders will become less and less effective in this kind of environment as consumers are buying more cautiously and are focused on preserving their cash. Smart retailers should be looking to technology to help them craft innovative responses to this challenge. Here's how.

Ensure that customers have the best experience

PWC reports that customers will pay a premium of up to 16% on products and services if they have a good experience – and they'll be more loyal too.

Hyper-personalisation is critical in providing this great experience. Retailers must understand their customers at a granular level across all sales channels, in order to go beyond bland product recommendations or across-the-board specials. Customers have to be shown that their needs are understood and catered for. The same PWC report also notes that 63% of US consumers will share more information with a company that offers a great experience.

All of this will be essential in differentiating retailers from their competitors in the stagnant growth/high inflation scenario.

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To achieve this, retailers will need to implement platforms that make use of artificial intelligence and machine learning to enable near a real-time response to changing customer behaviour.

For example, an individual who typically purchases a premium brand of coffee switches to a no-name brand. Being able to identify that change and offer the customer a special on another no-name product could be beneficial. Another example would be a customer’s store visits decreasing in frequency – hyper-personalisation could be used to mine purchase history to craft offers to incentivise him or her to return to the store.

An often overlooked aspect of personalisation is time. Most offers are not taken up because they are not made at the right time. The ability to time offers to when they will be needed will deliver an enhanced experience. Using artificial intelligence, it is now possible to predict what a specific customer will need and when with 92% accuracy.

Few retailers are attempting this kind of personalisation, which means that those getting it right will gain a massive advantage, as indicated in the figures at the beginning of this section.

Transform sales and marketing processes

One of the most venerable observations in business is that there is no reliable way to measure the effectiveness of marketing or advertising spend. The flipside of the hyper-personalisation described above is that now this kind of measurement is possible and can be automated.

Retailers are famous for publishing expensive, glossy inserts of special offers that get thicker as the economic climate worsens. But their effectiveness cannot be measured, and they certainly do not contribute to the great experience alluded to above.

The same goes for radio and TV slots, and a lot of advertising/marketing on social media. The only real solution to this is for hyper focal marketing using technology and especially mobile applications which allows real time customer engagement but in a fully GDPR compliant manner.

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Reduce the cost to serve customers

It’s a fact that there is a global skills shortage in retail with 94% of respondents to a recent survey “worried”. The reasons for the shortage are threefold: people changing career tracks out of the sector (36%), a lack of correctly skilled people in the industry (37%) and burnout/ poor mental health as a result of the pandemic (37%). The upside is that salary costs are one of the highest of the industry’s fixed overheads, and technology solutions such as autonomous checkout can help to reduce staff costs while also bridging the skills gap.

In short, retailers must use technology both to enhance the effectiveness of their marketing and advertising spend, while delivering a hyper-personalised customer experience that truly differentiates them. It can also be used to reduce overheads and bridge the skills gap. At a time when retailers have little space to manoeuvre, technology can create the necessary space to prosper.

ABOUT AJAY LALU

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