EXECUTING DIGITAL AT SCALE

IDC’s Digital Use Case Map for Retail
A Three-Horizons Approach

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IDC’s Digital Use Case Map for Retail:  
A Three-Horizons Approach to Digital Innovation

**Introduction**

Digital transformation (DX) has evolved well beyond the hype and has become a strategic priority for many enterprises. We have seen industry leaders massively embracing the digital transformation journey and exploring revolutionary use cases that have the power to introduce new levels of productivity and new business models. However, we are at an inflection point as digital transformation efforts shift from isolated initiatives to strategic business imperatives.

Across all industries we are seeing that enterprises are striving to become “digital native” in the way their executives and employees think, what they produce, and how they operate. IDC research shows that 55% of European organizations that have embarked on a digital transformation journey get stuck. One of the major reasons for this is the lack of a digital road map that all key stakeholders align with and drive across the organization. The reality is that it is very difficult to put in place a long-term road map for digital transformation due to the accelerated innovation cycles.

This IDC Spotlight provides a framework that will allow retailers to rethink how they approach the digital transformation journey. By studying how organizations are investing their transformation budgets, IDC has identified more than 450 independent use cases. Using IDC’s adaptation of the “three-horizons” methodology, organizations can start converting their strategic priorities into short-term, mid-term, and long-term digital-business use cases as part of a newly defined digital road map.

This document is directed to business executives that are looking to tailor their DX journey to the overall enterprise strategy and design an execution plan to achieve their digital vision.

**Digital in Retail: Hyper-Personalized, Optimized, and Experiential**

Customers are more digitally fluent and digitally equipped than ever before, while their expectations are increasing with breathtaking speed. There is now no space for retailers that don't understand how consumers shop and what technologies are needed to satisfy their needs. As a result, providing shopping experiences that are simple and convenient is a priority for the whole industry. In this environment, retailers must either replace or update legacy platforms and siloed systems in order to achieve the necessary speed to support modern commerce and adapt to the services that customers expect today.

This doesn't mean that the days of physical retail are over. On the contrary, the industry has got over the fear that traditional commerce was going to be replaced in its entirety by ecommerce, as it realized that the main pillar of growth in today's retail space is developing a strategy to continuously deliver omni-experiences that blur the line between digital and physical channels.

We hit an inflection point where technology is so pervasive and so useful that the world of ecommerce and commerce are now just seamlessly merged and everything is omni-channel. So, it’s not about the phone or the desktop or the store, it’s about all of those.

Devin Wenig, President

eBay Marketplaces
The convergence between physical and digital commerce requires agile operations powered by an AI layer that connects all customer touch points to cope with the ever-changing customer expectations in a timely manner. Therefore, cognitive and analytics technologies were a primary focus in 2017 and will be again in 2018 as they enable many points in the supply chain to operate autonomically, particularly in intelligent communication and scheduling, reducing latency at key points to near zero.

Several strategic priorities have surfaced on the board’s agenda at retail organizations to respond to some of the dynamics described above. In this document we will address three core strategic priorities:

- Omni-experience customer engagement
- Digital supply chain optimization
- Experiential retail

As shown in Figure 1, the strategic priorities themselves contain separate digital programs that usually consist of a collection of business objectives and use cases to ensure consistency across investments and alignment between those and the overall digital mission of the business. These digital programs help identify which Horizon 3 objectives the organization is trying to realize. Having a clear view of what the organization strives to achieve helps identify which Horizon 1 and Horizon 3 use cases should be prioritized.

**FIGURE 1**

Retail Industry: Strategic Priorities and Digital Programs

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*IDC predicts that by 2019, the top 30% of retailers will be actively engaged in digital transformation, driving organizational shifts and investment strategies in foundational platform technologies that are cloud based, AI enabled, and composable.*
However, too many organizations build road maps rooted in the here and now, resulting in tactical plans that only achieve short-term goals. The challenge with this approach is that the road map is not sustainable for the potentially rough journey ahead.

Creating a Digital Road Map

IDC has adapted the “three horizons of innovation” framework, originally featured in the book The Alchemy of Growth by Baghai, Coley, and White (April 1999), to help organizations translate their strategic priorities into digital programs comprising use cases that are modular, scalable, and extendable (see Figure 2).

FIGURE 2
Creating a Digital Road Map

- **Modular** to break digital efforts into use cases that are focused on measurable business outcomes and deliver immediate value to the organization.
- **Scalable** to help organizations think about the underlying relationship between use cases and the development of digital capabilities (i.e., the combination of talent, technology, data, process, and governance) from one use case to the other to support strategic objectives.
- **Extendable** to enable organizations to “fail fast” and accommodate changes to their digital road maps — by adding, removing, or replacing use cases — as digital priorities evolve or as they mature their digital operations.

IDC believes the “three-horizons” framework is an excellent model to guide organizations when transforming their business models. IDC believes this framework can be adapted to reverse engineer digital objectives to create a journey of use cases (see Figure 3).
Starting With the End Goal in Mind — Reverse Engineering the Horizons

- **Horizon 3 imagines the possibilities.** The strategic priorities of an organization need to be translated into one or more “future” digital-business use case that underpins its digital competitiveness. Starting from this point, an organization may place some bets on the underlying digital capabilities supporting these use cases. Accordingly, this helps prioritize which use cases to focus on in Horizon 2, and in turn Horizon 1. IDC’s view is that it would usually take organizations more than 48 months to launch a Horizon 3 use case.

- **Horizon 2 scales digital capabilities.** By extending and augmenting use cases with advanced digital capabilities, organizations prepare themselves for Horizon 3 use case requirements, while searching for radical improvements to existing operations. Organizations committed to its digital road map would be able to start incubating Horizon 2 use cases while completing the Horizon 1 phase. However, the full deployment of Horizon 2 use cases would usually require 24–48 months.

- **Horizon 1 constitutes the digital foundation.** Use cases in Horizon 1 represent initial capabilities that provide a foundation for the strategic priorities of an organization. There are many industry references, case studies, and point solutions available on the market that help an organization build its initial business case to launch Horizon 1 use cases. In addition, the underlying technologies required for these use cases are generally mature. It is important to assess and prioritize Horizon 1 use cases with “scale” in mind (i.e., how this will link back to Horizon 2 and Horizon 3).
IDC recommends organizations assess which Horizon 3 use cases best underpin the digital vision of the organization (which may involve new business models) and reverse engineer this to eventually identify the Horizon 1 use cases that are executable today. Over time, an organization may choose to set new priorities for its Horizon 3 goals. However, the use cases developed in Horizon 1 and Horizon 2 should be extendable to the rest of the organization and provide a relevant foundation of digital capabilities to the business.

Digital programs help identify which Horizon 3 use cases the organization is trying to realize. Having a clear view of what the organization is striving to achieve helps identify which Horizon 1 and Horizon 2 use cases should be prioritized.

After analyzing the main themes that are driving innovation in the retail space, IDC’s research team has outlined the Horizon 3 use cases that are in line with the main strategic priorities and digital programs in the industry. In this document, we reverse engineer these aspirational use cases to provide guidance on what use cases need to be deployed in the mid term and the short term in order to successfully implement each of the three Horizon 3 use cases.

FIGURE 4
Retail Industry: Strategic Priorities, Digital Programs, and Horizon 3 Use Cases

Contextual Next-Generation Marketing Use Case Journey:
Hyper-Personalized Engagements

The hyper-connectivity of today’s world presents massive opportunities for retailers, as they have access to a higher quantity and quality of customer data than ever before. Therefore, retailers can construct models to develop a deep understanding of customer lifestyles and habits, leveraging real-time information to monetize powerful, personalized, and contextualized experiences. In this context, contextual marketing practices are a fundamental part of retailers’ business models. They aim to produce a balanced impact throughout the entire
shopper life cycle and improve return on demand generation investments by generating a single view of the customer that translates into advanced targeting of messaging, experiences, and offerings.

The challenge is that multiple digital and traditional channels translate into various customer touchpoints that involve different areas of the business. Consequently, retailers should strive for an integrated system of record that unifies the management of all customer interactions in order to take full advantage of the digital connections, impressions, and triggers.

Delivering world-class omni-experiences to the ecosystem is critical, as only those retailers that master the construction of synergistic disciplines with a view to delivering value to their customers will generate customer loyalty. Therefore, marketing has become key to the overall enterprise strategy of retailers, with IDC’s research finding a strong correlation between the importance that CEOs place on marketing and business growth.

This journey is a compilation of use cases that will enable the optimization of retailers’ marketing efforts. Along the three horizons, we build up a strategy that mixes personalized promotions and orchestrated interactions with the objective of generating a balanced impact on the customer lifetime value.

FIGURE 5
Next-Generation Contextual Marketing Use Case Road Map

HORIZON 1

Intelligent digital asset management
OC customer journey
Advanced contextual analytics

HORIZON 2

OC marketing optimization
Augmented content optimization

HORIZON 3

Next-gen contextual marketing

Next-generation contextual marketing entails aligning all customer interactions to their particular situation and lifestyle (Horizon 3), which requires the unification of several data silos to generate a single view of the customer and execute a personalized, orchestrated engagement strategy (Horizon 2). This would be impossible unless retailers leverage data from the ecosystem to gain insight into their customers and understand their specific needs (Horizon 1).

IDC predicts that by 2019, 40% of retailers will have developed a CX architecture supported by an AI layer. Such a platform will enable CX hyper-micro personalization, providing up to a 30% conversion increase and up to 25% higher revenue.
### Horizon 1: Leveraging Data to Understand Specific Customer Needs

The starting point of this journey is understanding what customers really want. Therefore, retailers should analyze the expectations of their customers to identify major experience gaps and focus on the most immediate needs. Analytics are the main pillar of this use case road map and the protagonist of the first horizon, as they are the foundation of all successful omni-channel revenue management, assortment, pricing, promotion, and availability capabilities.

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<th><strong>INTELLIGENT DAM</strong></th>
<th><strong>BUSINESS VALUE</strong></th>
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| Deploying cloud AI services in a central digital asset management system where retailers can organize, search, access, and share assets will relieve organizations of significant effort and improve asset discoverability. This will enhance internal and external collaboration by using the same master library of images. | - Increased productivity by saving time looking for and recreating lost assets  
- Reduced time to market through enhanced collaboration  
- Improved customer satisfaction through brand consistency across different channels |

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<th><strong>OMNI-CHANNEL CUSTOMER JOURNEY</strong></th>
<th><strong>BUSINESS VALUE</strong></th>
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| An omni-channel customer journey entails the integration of multiple physical and digital engagement channels to produce a unified view of all customer touch points. This will reveal shopping patterns, and help retailers to guide their customers through the sales funnel more effectively and to inform customer handling personnel on customer history, behavior, and preferences. | - Increased customer satisfaction through a seamless omni-channel experience  
- Increased upsell/cross-sell through visibility into customer activity across different channels  
- Reduced markdowns through better insights into customer needs |

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<th><strong>ADVANCED CONTEXTUAL ANALYTICS</strong></th>
<th><strong>BUSINESS VALUE</strong></th>
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| Obtain real-time feedback on marketing decisions using data in all its forms and formats (sensor, network, external/enriched data) through all customer touch points. The objective is to assess customer engagement and satisfaction in real time to make informed decisions about pricing, promotions, and assortment management. This will optimize the marketing mix. | - Reduced customer churn through real-time customer insights  
- Increased revenue from personalization of messaging, products, and services  
- Increased revenue growth by promoting the right items at the right time |
Horizon 2: Executing a Personalized, Orchestrated Customer Engagement Strategy —

Once retailers develop a single view of the customer, they should strive to improve customer experience by generating processes that allow the implementation of a holistic customer engagement strategy that aligns the totality of the demand-generating activities such as content, marketing, and promotion to develop a consistent brand image.

**AUGMENTED PROMOTION OPTIMIZATION**

**DESCRIPTION**

Promotion strategies and tactics optimize the impact on customer lifetime value and return on merchandise investment through a mix of personalized promotions/communications and public campaigns orchestrated through interactions. This would give the opportunity for retailers to generate time-sensitive promotions aimed at a particular audience through a specific channel.

**BUSINESS VALUE**

- Increased customer lifetime value
- Optimized promotion spend by balancing marketing objectives
- Increased offer/promotion conversion rate through optimized promotion orchestration

**OMNI-CHANNEL MARKETING AND ADVERTISING OPTIMIZATION**

**DESCRIPTION**

Connecting marketing mix modeling to one-to-one customer journey marketing for the orchestration of personalized promotions/communications and public campaigns for a balanced impact on customer lifetime value. The goal is the unification of the marketing mix and personalized (microsegment) customer journey strategy to provide a rapid refresh of programmatic rules and closed-loop retargeting.

**BUSINESS VALUE**

- Increased offer/promotion conversion rate through optimized promotion orchestration
- Increased revenue from personalization of messaging, products, and services
- Increased customer lifetime value

**AUGMENTED CONTENT OPTIMIZATION**

**DESCRIPTION**

Create a single content management system serving all communication channels with consistently applied, well-defined content tags to ensure that the portfolio meets the needs of merchandising and marketing. This system is powered with AI-enabled characterization, tagging, and selection of textual and visual digital assets via machine learning overseen by creative design and editorial content guidelines.

**BUSINESS VALUE**

- Reduced time to market by accelerating the creative process
- Reduced digital asset (creative) costs
- Reduced cost of digital channels content management
Hyper-personalization means that the retailer is aware, acting on, and shaping the customer experience to multiple demographic, location, day/time, weather, purchasing pattern, and other parameters. The focus is on optimizing all demand-generation initiatives leveraging data from the ecosystem to make informed decisions on the marketing mix modeling. Analytics, AI, and machine learning will enable a much more granular contextualization to produce a balanced impact on customer lifetime value. These technologies will also optimize the return on merchandise investment in promotion strategies and tactics. The expected outcome is the generation of highly targeted customer communications.

**Horizon 3: Hyper-Personalized Engagements**

**Next-Generation Contextual Marketing**

Hyper-personalization means that the retailer is aware, acting on, and shaping the customer experience to multiple demographic, location, day/time, weather, purchasing pattern, and other parameters. The focus is on optimizing all demand-generation initiatives leveraging data from the ecosystem to make informed decisions on the marketing mix modeling. Analytics, AI, and machine learning will enable a much more granular contextualization to produce a balanced impact on customer lifetime value. These technologies will also optimize the return on merchandise investment in promotion strategies and tactics. The expected outcome is the generation of highly targeted customer communications.

**CONTEXTUALIZED MARKETING**

**DESCRIPTION**

Most contextualization today is based on location and day/time, maybe weather, and purchasing patterns. True contextualization is informed by data about the person and the dynamic state of his/her world based on what is happening, said, needed, and expected “now” in the context of achieving the retailer's goals for the relationship, campaign, and message.

**BUSINESS VALUE**

- Increased revenue from personalization of messaging, products, and services
- Reduced customer churn through real-time customer insights
- Increased profitability from omni-channel campaign orchestration and cost optimization

**Omni-Channel Order Orchestration and Fulfillment Use Case Journey: Digital Optimized Fulfillment Operations**

The digital age is characterized by the ever-increasing speed of change, which translates into continuous changes in customers’ needs and wants. In order to fulfill these requirements, retailers must digitally transform their supply chains to make them flexible and agile. This process requires a seamless and constant flow of information between suppliers and retailers to generate the least possible latency. Information about capacity, availability, and scheduling is critical to the improvement of the supply chain performance.

This use case journey has a strong focus on efficiency, as retailers must optimize several elements such as fulfillment, cost, capacity, inventory risk, and customer service to maximize the outcome of their digital efforts. This requires the creation of an enterprisewide supply network to orchestrate build-to-order fulfillment with design, buy, and make workflows.

Silos of innovation are the main challenge for retailers as they move toward the supply chain of the future, as the evolution to a streamlined just-in-time (JIT) model is only possible when retailers know where the goods are. Technology makes that possible with real-time sensor data and connected device information enabling retailers to trace the movement of goods. This will provide a more accurate representation of delivery windows, and will be the basis to plan for safety. Predictive analytics take primacy in this journey as well, as they are a critical element in anticipating bottlenecks in distribution and supply before they happen, enabling intelligent systems to respond and prevent potential delays.
To unlock the benefits of omni-channel order orchestration and fulfillment (Horizon 3), retailers need to generate orchestrated, agile operations that are able to adapt in a timely way to the needs of the ecosystem (Horizon 2). In the short term, they need to digitally integrate disjointed processes by generating end-to-end visibility across the supply chain (Horizon 1).

Through 2021, responding to stakeholders’ experience expectations, retailers that leverage AI, AR, and IoT for employee and customer engagement will see customer satisfaction scores rise by up to 20%, employee productivity by up to 15%, and inventory turns by up to 25%.
Horizon 1: Generating End-to-End Visibility Across the Supply Chain

In the first horizon of this journey, companies create digital connections and enhancements to track elements across the entire supply chain. It is critical for retailers to know where goods are, to increase demand satisfaction, and reduce inventory costs. This step is vital to generate consistent processes and optimize operations.

AUGMENTED PRODUCT SEARCH

**DESCRIPTION**
Digitally and physically converged product search optimization that is augmented by advanced analytics, cognitive systems, and the Internet of Things to speed up the process and enable customer-facing interfaces and staff to provide personalized and contextualized customer suggestions that are informed with ecosystem data.

**BUSINESS VALUE**
- Increased productivity by reducing product search time
- Improved customer satisfaction with targeted suggestions that match customer preferences
- Increased revenue from cross-sell/upsell based on customer analytics

TRACEABILITY

**DESCRIPTION**
Ensure that items, lots, and shipments can be tracked from the supplier of raw goods all the way to the consumer through connected intelligent systems that store and collaboratively share chain-of-custody information. Enable backwards and forwards tracing of goods to facilitate supply chain management records keeping and retrieval processes, which are often required for audits, recalls, and compliance.

**BUSINESS VALUE**
- Improved consumer satisfaction and reduced revenue loss by minimizing the risk of product recalls, bad publicity, and counterfeiting by tracking all serialized item observations
- Fewer days in inventory by enabling complete visibility into the location and condition of serialized products over their life cycle, thus improved data quality, visibility, and transparency
- Increased recall efficiencies, thanks to downstream visibility and transparency

SMART FINANCIAL SUPPLY CHAIN

**DESCRIPTION**
Self-executing smart contracts deployed in distributed ledgers and existing systems have the potential to streamline and secure financial transactions for exchange of goods, as intelligent systems automate logical release mechanisms based on previously agreed parameters. Additionally, all transitions will be documented on an immutable and distributed system of historical records.

**BUSINESS VALUE**
- Reduced cost of non-compliance to service contract
- Improved productivity by eliminating paper work and manual errors
- Improved profitability by optimizing early payment discounts
Once retailers have real-time visibility into the supply chain, they can focus on reconfiguring their processes to make them adaptable, componentized, and scalable.

**Horizon 2: Developing Agile Operation Processes**

Once retailers have real-time visibility into the supply chain, they can focus on reconfiguring their processes to make them adaptable, componentized, and scalable.

**REAL-TIME INVENTORY MANAGEMENT**

**DESCRIPTION**

Continuously anticipating commitments for item- to pallet-level inventory based on real-time visibility of logical (e.g., safety stock), location, and physical status against orders and forecasts, visible to all ordering, supplying, and viewing channels, devices, and roles in support of optimal order fulfillment.

**BUSINESS VALUE**

- Reduced revenue loss due to stock-outs through real-time monitoring of inventory across all locations and quickly addressing low-or no-inventory situations
- Reduced inventory carrying costs by improving omni-channel order orchestration and fulfillment
- Increased customer satisfaction by enabling collaboration with suppliers

**OMNI-CHANNEL COMMERCE SYSTEM**

**DESCRIPTION**

Orchestrate sales and service channels (mobile-first, ecommerce, omni-channel, in-store) for optimal customer paths to purchase, sales, and service. The objective is to enable seamless omni-channel commerce throughout the consumer journey and in the stream of life (search, discovery, buy and fulfill, and service).

**BUSINESS VALUE**

- Improved cart to order conversion rate
- Increased customer satisfaction supporting the customer journey in multiple channels
- Increased revenue from cross-sell/upsell by using customer insight to target the right offer at the right time

**AUGMENTED FORECASTING AND PLANNING**

**DESCRIPTION**

Cognitive-enabling supply chain systems and processes that reason through enterprise, network, and ecosystem data, so that the supply chain continuously learns, adapts, and operates at the optimal mix. The focus is on system-driven, autonomic, and exception-driven processes to generate the level of flexibility necessary to meet operational objectives and resiliency goals.

**BUSINESS VALUE**

- Reduced revenue loss due to stock-outs by predicting demand more accurately and supplying the right quantity of the right inventory to meet demand
- Reduced inventory carrying cost by predicting demand more accurately and avoiding buying too much inventory
- Reduced overall supply chain planning cost by automating collection of tactical order forecast data to be shared with suppliers
ASSORTMENT OPTIMIZATION (SPACE, PRICE, PROMO, LOCALIZATION)

**DESCRIPTION**
Transform merchandise assortment planning, buying, pricing, and allocation to generate continuous optimization of merchandise and demand-generation investment portfolio. This is achieved by managing assortments and categories as life-cycle portfolios of multifaceted offers inclusive of product, price, promotion, placement, and proximity attributes.

**BUSINESS VALUE**
- Increased revenue growth by creating relevant assortments that drive more sales at full price and increase transaction sizes
- Fewer days in inventory by stocking the right product at the right place at the right time
- Reduced markdowns by systematically managing the markdown of slow-selling inventory to ensure sell-through at the highest possible price

DYNAMIC SUPPLY NETWORK MANAGEMENT

**DESCRIPTION**
Suppliers and retailers are co-dependent on each other to relay information on capacity, availability, and scheduling with manual intervention often required to resolve issues. Dynamic supply network management would enable retailers to gain insight into supplier capacity and capabilities to meet their needs as it transitions from central access to availability.

**BUSINESS VALUE**
- Increased sourcing savings through enhanced supplier visibility
- Reduced procurement function costs by providing improved supplier intelligence and visibility to enhance sourcing effectiveness
- Increased demand forecast accuracy with predictive analytics

Horizon 3: Digital Optimized Fulfillment Operations

*Omni-Channel Order Orchestration and Fulfillment*

The use of technology to optimize the supply chain to improve customer satisfaction has a focus on reducing latency at key points by enhancing the flow of information between retailers and their suppliers. The backbone of the supply chain of the future is predictive analytics — anticipating blockages in the operational stream based on sensor data and command operational systems to prevent potential delays.

OC ORDER ORCHESTRATION AND FULFILLMENT

**DESCRIPTION**
Using sensor information and connected device information relays, and analyzing geospatial data for movement of goods, will allow retailers to give more accurate representation of delivery windows, plan for safety stock on a more streamlined JIT model, and benefit from markdown aversion by understanding product flows and identifying obstacles in the delivery process. Another component of geospatial analysis that is of growing importance is the actual physical location of distribution centers and stores.

**BUSINESS VALUE**
- Increased customer satisfaction through accurate prediction of delivery times
- Improved store FTE productivity through increased speed of movement of goods from the back room to the shelves
- Reduced revenue loss due to stock-outs through faster response to unexpected vulnerabilities in the supply chain
Unified Commerce Platform: Experiential Retail

In today’s retail space, brands need to offer personalized experiences both in-store and out of the store. To achieve that, they must generate a centralized platform that enables the convergence of back-end and front-end systems. The place where these systems converge is the unified commerce platform — the fundamental enabler of experiential retail profitability growth.

As the retail industry goes through the deepest transformation in its history, players that fail to invest to generate continuous experiences that span both in-store and out-of-store will be unable to compete and will be forced to withdraw from the market. Many efforts have been made by traditional retailers to keep up with customer expectations that are set by digital disruptors in the industry as shoppers take their last best retail experience as their next minimally acceptable experience. Thus, the bar is continuously being raised, pushing retailers to embrace digital transformation.

Although omni-channel strategies have become ubiquitous in the industry the in-store and physical experience remains mainly untouched by the digital revolution, apart from the simplification of payments. For instance, only a few retailers offer in-store product comparison or stock availability through mobile apps that can be used by either the shop assistants or the customers. Another example is the variable accuracy and quality of home delivery services and in-store product pickup.

This journey provides guidance to retailers that want to reshape their existing systems in order to put in place the optimal structure that will allow them to innovate at speed and scale. The destination is a unified commerce platform that is modular, data driven, and open in nature which sits at the core of the retail innovation process. This will be the foundation of long-term innovation plans, and will follow every step in the execution, including the pilot, implementation, and scale, with the speed required in this competitive context.

FIGURE 7

Unified Commerce Platform Use Case Road Map

Source: IDC, 2018
By 2019, 50% of retailers will have adopted a retail omni-channel commerce platform. Gains in revenue, along with TCO, inventory cost, operational cost, and promotional pressure reductions, will enable up to a 30% increase in omni-channel profitability.

Horizon 1: Augmenting Retail Experiences

This journey starts with the creation of a proactive omni-channel approach that understands consumer shopping context and recommends personalized actions through the customer journey and in the stream of life.

### Connected Digital Experiences (Smart Rooms, Shelves, and Mirrors)

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| Enable customers to visualize and interact with different clothing and accessory choices and access product information leveraging digital systems that provide them with the option of interacting with sales attendants when needed, as well as initiating and completing the purchase from within the fitting room. | - Increased customer satisfaction by providing interactive experiences
- Increased revenue from cross-sell/upsell by delivering relevant item offers based on current and past transaction history
- Reduced abandoned baskets per store through faster check-out |

### 360-Degree Connected Customer Management

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<th>DESCRIPTION</th>
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| Avoid data silos on customer loyalty and customer management that provide a limited view into customer context and needs by integrating product information, pricing data, endless aisle/in-store online ordering, product returns, and customer feedback in one system of engagement to leverage real-time customer data about customers’ individual needs and wants. | - Increased offer/promotion conversion rate through more accurate targeting
- Reduced customer churn through contextual interactions/offers/communication
- Reduced marketing cost by launching more precise marketing campaigns based on better customer insight |
Horizon 2: Building Connections With the Ecosystem

Remaining relevant to customers in the retail space takes an ecosystem approach that enables collaboration with a network of partners and suppliers as well as integration of internal silos.

Dynamic Supply Network Management

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<th>DESCRIPTION</th>
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<td>Suppliers and retailers are co-dependent on each other to relay information on capacity, availability, and scheduling. Today, manual intervention is often required to resolve issues. Dynamic supply network management enables retailers to gain insight into their suppliers' capacity and capabilities to meet their needs as it allows all stakeholders to digitally share business critical information.</td>
<td>Increased sourcing savings through enhanced supplier visibility</td>
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<td></td>
<td>Reduced procurement function costs by providing improved supplier intelligence and visibility to enhance sourcing effectiveness</td>
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<tr>
<td></td>
<td>Increased demand forecast accuracy with predictive analytics</td>
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</table>
PLATEFORM EXTENDED MARKETPLACE

DESCRIPTION

Build a marketplace to allow enterprises to connect new services and offerings to the platform, and allow third parties to engage with customers. This will enable digital access to the ecosystem by connecting with a broader audience of customers and a wider network of suppliers and partners to identify new products and product sources that will augment assortment at the right metrics.

BUSINESS VALUE

- Increased profitability by creating new revenue streams from aggregation services
- Increased revenue streams by providing a new line of offerings around preventative services
- Increased marketing effectiveness by accessing a wider audience

OMNI-CHANNEL COMMERCE SYSTEM

DESCRIPTION

Orchestrate sales and service channels (mobile-first, ecommerce, omni-channel, in-store) for optimal customer paths to purchase, sales, and service. The objective is to enable seamless omni-channel commerce in the stream of life (search, discovery, service, buy, and fulfill) throughout the consumer journey.

BUSINESS VALUE

- Improved cart to order conversion rate
- Increased customer satisfaction by supporting the customer journey in multiple channels
- Increased revenue from cross-sell/upsell by using customer insight to target the right offer at the right time

DIGITAL PRODUCT DEVELOPMENT MANAGEMENT

DESCRIPTION

Improve product development by providing a common platform accessible by all parties involved in the design and sourcing of products that contains customer feedback, product planning, and digital content and requirements to enable collaboration and workflow management against a single source of the truth. The platform can also leverage 3D visualization to optimize product design and review.

BUSINESS VALUE

- Increased revenue from new products/services
- Reduced time to market for new products
- Increased customer satisfaction by integrating external feedback early in the product development process

Horizon 3: Experiential Retail

Unified Commerce Platform

Commerce is transitioning from a transactional to an experiential model as customer loyalty depends almost entirely on the retailer’s capacity to deliver omni-experiences to the ecosystem — ones that resonate with customers and enable them to connect to the store (online or brick and mortar) and discover, evaluate, select, and transact in an easy, frictionless, and pleasing way.
UNIFIED COMMERCE PLATFORM

DESCRIPTION
The retail unified commerce platform is the engine for continuous customer experiences that span both inside and outside the store. The convergence of back-end and front-end systems, applications, and process capabilities enables real-time synchronization of the inventory quantities across channels, automated multichannel order management, and improved flexibility of the delivery and return options.

BUSINESS VALUE
- Reduce customer churn by proactively identifying customers at risk to churn and launching targeted retention programs
- Reduced inventory carrying costs through better insights into customer demand
- Reduced revenue loss due to stock-outs by predicting demand more accurately and supplying the right quantity of the right inventory to meet demand

Recommendations

The three-horizon adaptation provided in this document should help organizations think about the digital future in a more schematic way. Knowing that over half of organizations get stuck on their digital journey due to a lack of focus means that organizations struggle to step away from existing short-term goals or find it difficult to translate strategic priorities into areas of interest today. To successfully deploy the use case journey framework, IDC offers the following recommendations:

- **Expand Your Horizon.** Digital transformation is about digital business optimization as well as innovation. Defining a strategic priority focused on only one of these areas will not be enough to compete in the digital economy. Ensure that the business has a clear vision in terms of what it is looking to achieve for its existing operations and how it sees the ecosystem — and therefore the business model — evolving. Develop digital programs that are designed to execute on the strategic priority and use the horizon thinking framework to reverse engineer the use case journey.

- **Tailor the Journey to Your Own Organization.** What is described in this document is not an exhaustive list of use cases. Digital leadership teams should use it as a reference point to map out the journey for their own organizations. They may find that there are other Horizon 1, 2, or 3 use cases that align better with their own strategic priorities. It is possible to draw inspiration from some of the primary use cases in other industries too.

- **Focus on Internal Alignment.** IDC research shows that one of the most important success factors for digital transformation is the alignment of internal stakeholders. Use this document as a source of alignment, because the goal is to ensure that the leadership team collectively agrees on where the organization should be heading as it accelerates its digital maturity.
Appendix

Learn More

In the Digital Execution Guide for Retail we go into the technology requirements for one of the use case journeys, elaborate on innovation process, and provide step-by-step instructions on how to get started.

Further Reading:

- Execution Guide: Launching Industry Use Cases for Retail
- SAP Information:
  - The Digital Retailer: Unlocking New Business Value with Digital Technology
  - The Path to Digital Innovation
  - Intelligent Customer Experience: Adidas at SAPPHIRE NOW 2018
  - Intelligent Enterprise Journey: Costco at SAPPHIRE NOW 2018
Use Case Maps for Retail

There are many more use cases than the ones presented in the three journeys above. Figure 8 includes additional use cases that an organization can choose to explore as part of its digital transformation journey. IDC recommends that an organization starts converting its strategic priority into tactical plans and identifying use cases that can deliver immediate value to the organization.

FIGURE 8
Retail Use Case Map

Source: IDC, 2018
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