

EXECUTING DIGITAL AT SCALE

## IDC's Execution Guide

Launching Industry  
Use Cases for Retail

Seamless and Frictionless  
Commerce

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Authors:

Danielle Hernandez  
Jan van Vonno  
Andrea Sangalli  
Ivano Ortis  
Philip Carter

IDC #EMEA43852418

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# Execution Guide: Launching Industry Use Cases

## *Seamless and Frictionless Commerce*

### Introduction

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IDC believes that by 2027, 75% of large organizations will have transformed to become a digital-native enterprise (DNE). These organizations are not born digital, but become digital in what they produce, how they operate, and how executives and employees think. As organizations evolve to the DNE stage, they need to transition to a framework of capabilities that provides alignment between the different lines of business, IT, and leadership.

This Execution Guide provides guidance on how to launch the use cases outlined in the Digital Use Case Map series by focusing the discussion around one key use case journey that has been selected as a point of reference for organizations embarking on a digital transformation journey. It addresses the key technology capabilities needed to support this use case journey, provides advice on a three-step process to executing this road map, rationalizes the identified technology capabilities with the enterprise digital platform approach, and discusses the importance of the role of different C-level executives in enabling this journey as well as the business benefits that each function will see from this transformation.

This document follows the principle of “horizon” thinking with the objective of enabling organizations to generate a repeatable method to execute their digital strategy. Creating road maps that are modular, scalable, and extendable is an indispensable step before the implementation of the methodology described in this document.

### Executing the Experiential Retail Digital Road Map

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In the document *IDC's Digital Use Case Map for Retail — A Three-Horizons Approach to Digital Innovation* we describe how the increasing number of digitally fluent and equipped customers are weighing their shopping experiences based on the ability of retailers to deliver consistent experiences across channels. The future of retail will be a blend of online and offline shopping experiences. Future retailers will compete on their ability to deliver hyper-personalized, optimized, and experiential retail services that bridge the gap between the two worlds of commerce.

It is important to note that omni-channel strategies have become ubiquitous in the industry, but the integration of digital and physical experience remains mainly untouched. For example, only a small share of

retailers can provide in-store product comparison or stock availability through mobile apps to inform shop assistants or customers. Another example is the variable accuracy and quality of home delivery services and in-store product pickup.

This shift toward experiential retail is enabled by seamless and frictionless commerce services in store and out of the store. This requires a centralized platform that incorporates both back-end and front-end systems, applications, and process capabilities to enable real-time synchronization of the inventory quantities across channels, automated multichannel order management, and improved flexibility of the delivery and return options. The place where these systems converge is the unified commerce platform, which will be the fundamental enabler of experiential retail profitability growth (see Figure 1).

FIGURE 1

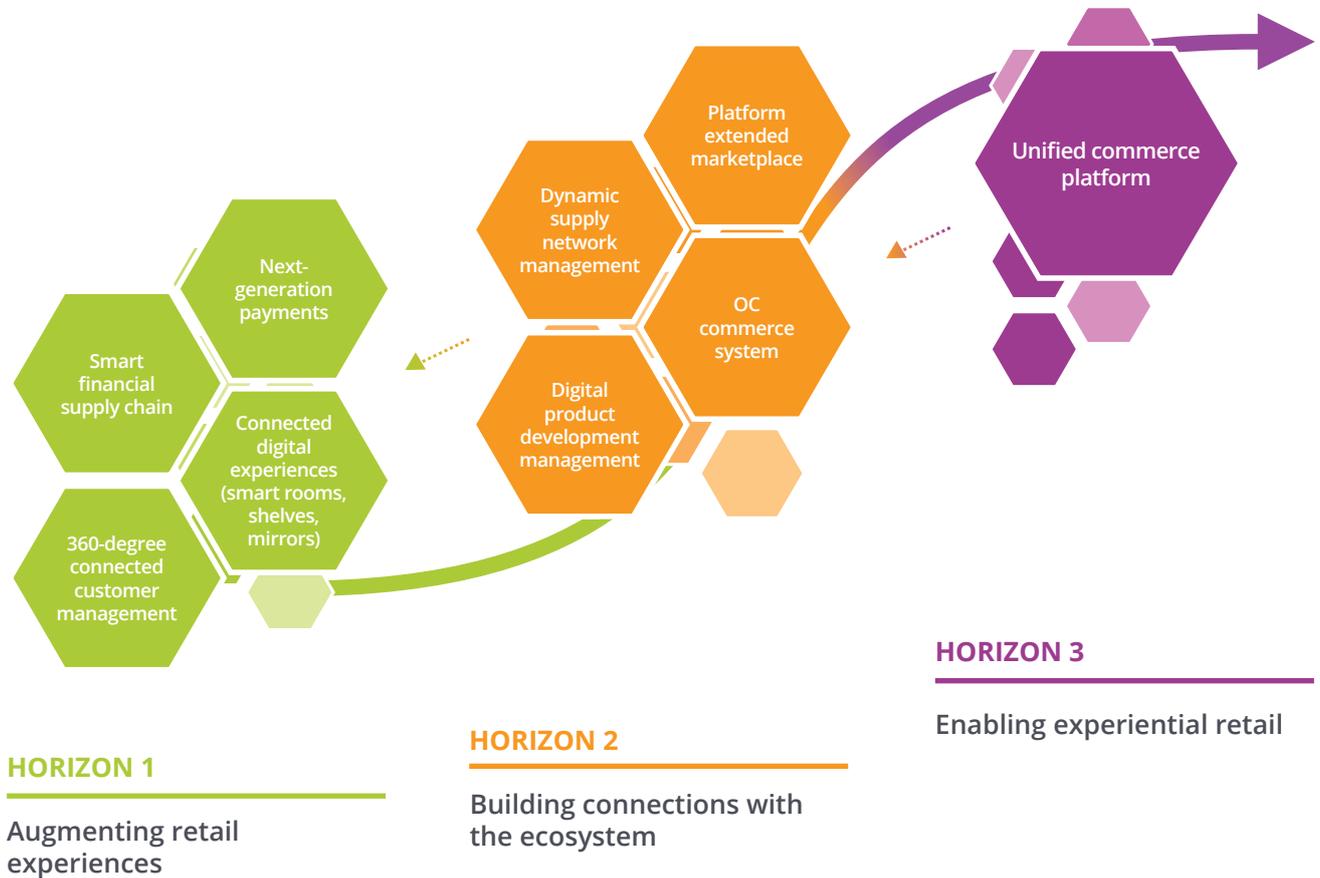
### Retail Industry: Strategic Priorities and Digital Programs



Source: IDC, 2018

Many retailers will be looking to build a unified commerce platform that is modular, data driven, and open in nature which sits at the core of the retail innovation process. This system 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 2 presents the journey of use cases that a retailer should embark on to launch a unified commerce platform for its customers.

FIGURE 2  
**Unified Commerce Platform Use Case Road Map**



Source: IDC, 2018

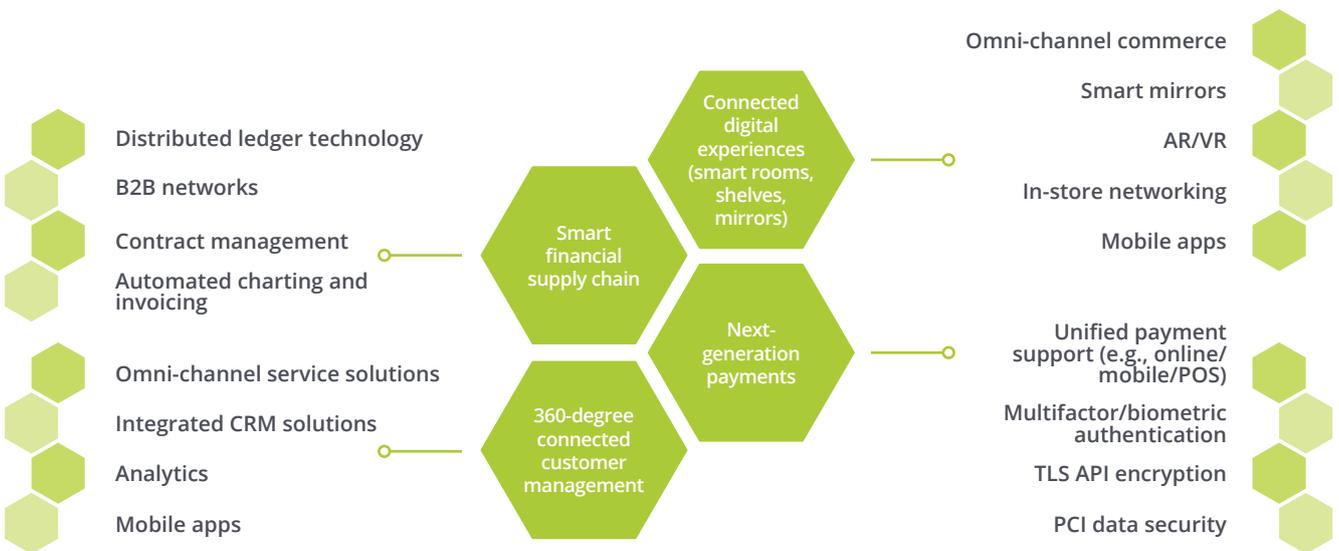
*Retailers that want to deploy a unified customer platform that functions as a digital industry network (Horizon 3) would have to develop connections with the ecosystem in the midterm (Horizon 2). This journey also requires retailers to initially connect their entire value chain by orchestrating all the customer touch points (Horizon 1).*

Once an organization has drawn out its desired use case journey, it will need to review if it is equipped with technology capabilities to execute on its objectives. As the business shifts from one horizon to the next, it will start to recognize that the digital competence required to execute the use cases becomes increasingly complex. Therefore, it is critical to understand which technologies will need to be associated across the use cases in the journey.

## Horizon 1: Augmenting Retail Experiences

Generating a strong partnership between IT, marketing, and sales is critical to understand the consumer shopping context and provide game-changing experiences. IT oversees the delivery of infrastructure to integrate various business processes and the security measures.

FIGURE 3  
The Mastery of Augmenting Retail Experiences



### BUSINESS VALUE



Increased digital influence by seamlessly integrating data from physical and digital channels to support advanced analytics behind page displays and apps in order to provide personalized interactions

Enhanced alignment of front- and back-office functions to deliver powerful shopping experiences, without compromising cybersecurity and customer data privacy standards

Use Case Description	Enabling Technologies	Why They Are Critical
Smart financial supply chain	<ul style="list-style-type: none"> <li>Distributed ledger technology (DLT)</li> <li>B2B networks</li> <li>Contract management</li> <li>Automated charting and invoicing</li> </ul>	Financial transactions are dependent on defined terms, but payments can be delayed and the verification of contract authenticity varies. The application of DLT in a B2B network of partners will enable intelligent systems with logical release mechanisms to streamline and secure financial transactions and contract completion.

<p><b>360-degree connected customer management</b></p>	<ul style="list-style-type: none"> <li>• <b>Omni-channel service solutions</b></li> <li>• <b>Integrated CRM solutions</b></li> <li>• <b>Analytics</b></li> <li>• <b>Mobile apps</b></li> </ul>	<p><i>To augment the retail experience organizations should be motivated to deliver experiential engagements, which requires the full, end-to-end integration of CRM and service solutions across all company-affiliated customer offices and databases.</i></p>
<p><b>Connected digital experiences (smart rooms, shelves, mirrors)</b></p>	<ul style="list-style-type: none"> <li>• <b>Omni-channel commerce</b></li> <li>• <b>Smart mirrors</b></li> <li>• <b>AR/VR</b></li> <li>• <b>In-store networking</b></li> <li>• <b>Mobile apps</b></li> </ul>	<p><i>There are a range of technologies that retailers can use to augment in-store experiences, including WiFi, magic mirrors, and even augmented reality to provide merchandise information. Ultimately, the best customer experience is via informed personnel who can anticipate demands and deliver superior services.</i></p>
<p><b>Next-generation payments</b></p>	<ul style="list-style-type: none"> <li>• <b>Unified payment support (e.g., online/mobile/POS)</b></li> <li>• <b>Multifactor/biometric authentication</b></li> <li>• <b>TLS API encryption</b></li> <li>• <b>PCI data security</b></li> </ul>	<p><i>Customers prefer to pay using a variety of electronic payment options such as mobile, digital, one-click, card present, and card-not-present processes. Retailers need to make sure they provide unified payment support and treat customer identity and access management as critical success factors to make payments convenient, safe, secure, and simple in the stream of life.</i></p>

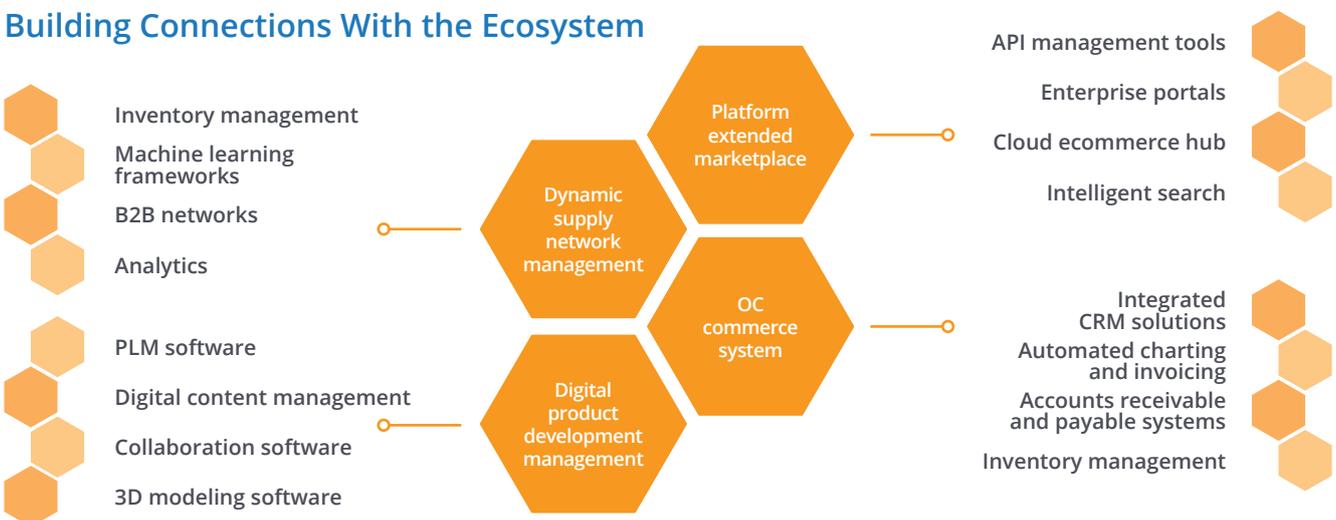
Source: IDC, 2018

## Horizon 2: Building Connections With the Ecosystem

Once there is internal alignment between IT, sales, and marketing to efficiently drive customers through the sales funnel and deliver powerful shopping experiences to consumers, retail organizations should continue to bring together different elements that take part in the value chain by collaborating with a network of partners and suppliers as well as integrating internal silos. Only then can retail organizations blend the physical and digital worlds effectively to deliver omni-experiences to the ecosystem.

FIGURE 4

### Building Connections With the Ecosystem



**BUSINESS VALUE**



Increased flexibility and scalability of data solutions that provide the infrastructure for a consistent flow of digital information across key business functions such as supply chain, omni-channel, and marketing

Increased access to digital talent by leveraging bilateral strategic partnerships with several players in the ecosystem to support right-sourcing practices

Use Case Description	Enabling Technologies	Why They Are Critical
<b>Dynamic supply network management</b>	<ul style="list-style-type: none"> <li>• Inventory management</li> <li>• Machine learning frameworks</li> <li>• B2B networks</li> <li>• Analytics</li> </ul>	<p>Retailers need to have insight into supplier capacity and capabilities to meet their needs as they change through central access to availability. A B2B network connected to inventory management solutions will enable the creation of response supply networks that anticipate shortages and optimize supply chain processes.</p>
<b>Digital product development management</b>	<ul style="list-style-type: none"> <li>• Product life-cycle management (PLM) tools</li> <li>• Collaboration software</li> <li>• 3D modeling software</li> </ul>	<p>With a common platform for product planning, requirements, and digital content, retailers can create a single source of product development plans, technical specifications, and images that is accessible by all parties involved in the design and sourcing of products.</p>
<b>Platform extended marketplace</b>	<ul style="list-style-type: none"> <li>• API management tools</li> <li>• Enterprise portals</li> <li>• Cloud ecommerce hub</li> <li>• Intelligent search</li> </ul>	<p>An extended marketplace would connect third parties to a platform to deliver services and offerings via the platform. It will be critical to manage the plethora of consumed and published APIs on a cloud ecommerce hub. Intelligent search is one of the most important factors enabling a seamless user experience.</p>
<b>OC commerce system</b>	<ul style="list-style-type: none"> <li>• Integrated CRM solutions</li> <li>• Automated charting and invoicing</li> <li>• Accounts receivable and payable systems</li> <li>• Connected inventory management</li> </ul>	<p>An advanced commerce system can orchestrate sales and service channels (mobile-first, ecommerce, omni-channel, in-store) for optimal customer paths to purchase, sales, and service. It integrates CRM solutions across the enterprise and connects to modernized billing and inventory management systems to deliver a seamless customer experience.</p>

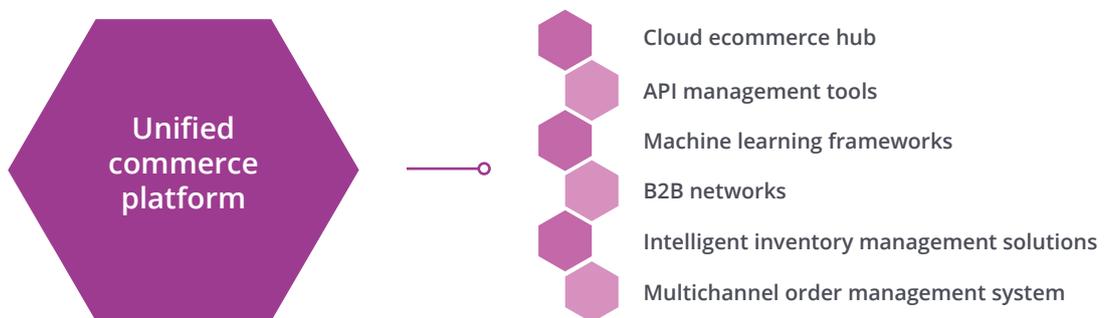
Source: IDC, 2018

### Horizon 3: Experiential Retail

In the final stage of this journey, retail organizations start to operate in ecosystems. The unified commerce platform is an infrastructure layer where several players converge to generate more value for themselves, their partners, and their customers through an increase in specialization and flexibility. The platform enables the convergence of back-end and front-end systems, applications, and process capabilities to enable real-time synchronization of the inventory quantities across partners and channels.

FIGURE 5

#### Enabling Experiential Retail



#### BUSINESS VALUE



Increased network effect performance by allowing users, customers, and partners to socially interact with the various ecosystems players to improve brand positioning

Increased integration with the ecosystem allowing multiple players to holistically address customer pain points by accessing external capabilities that complete the customer journey and experience to generate a more attractive offer to customers

Use Case Description	Enabling Technologies	Why They Are Critical
Unified commerce platform	<ul style="list-style-type: none"> <li>Cloud ecommerce hub</li> <li>API management tools</li> <li>Machine learning frameworks</li> <li>B2B networks</li> <li>Intelligent inventory management solutions</li> <li>Multichannel order management system</li> </ul>	Advanced retail technologies need to come together to build a unified commerce platform. It requires the convergence of back-end and front-end systems, B2B networks, and machine learning capabilities to support multichannel order management and improved flexibility of customer services.

Source: IDC, 2018

## Executing on the Use Case Road Map: Ideate, Incubate, Accelerate

Turning these road maps into reality is of course much more complex than merely identifying and supporting use cases that help execute a strategic priority. For most organizations it is a race to develop unique capabilities within each horizon and for each use case. To create a competitive organization that is flexible and builds on new core competences, organizations need to think about managing the development for each use case separately. Specifically, organizations need to manage three distinct stages of the innovation process: ideate, incubate, and accelerate (see Figure 6).

FIGURE 6

### The Innovation Stages for Developing Use Cases



Source: IDC, 2018

#### Stage 1: Ideate



Ideation, the creative process of creating new ideas, comes more naturally to some people than others and might seem unnecessary once a use case journey has been introduced. However, the realization of these use cases will differ by organization, and depend greatly on the real-life challenges or opportunities of a specific digital initiative.

#### Stage 2: Incubate



During the incubation stage, the goal is to build a lightweight version of the solution, so it can be tested in a real-life environment. Only after the solution has been proven to deliver on its promise will it be ready for additional investments to potentially scale it across the organization.

At this stage, the first version of the solution is often called a prototype or the minimum viable product (MVP). The MVP is an outcome with the least amount of investment required for an audience to experience the solution. The MVP is likely to fail, so if it cannot solve the problem it was designed for, it would not be worth making any significant investments.

### Stage 3: Accelerate



Once a successful MVP has been identified and embraced by the customer (which can be internal or external) as a working solution to the problem, it transitions to the acceleration stage. The core goal during this stage is so-called “growth hacking.” The objective is to optimize the solution while scaling out its customer base.

Before this, it requires sponsorship from executives who can support the operational execution of the solution across the organization from a technical and cultural perspective. However, getting this support will require a robust business case that addresses the financial requirements and KPIs of the project.

A real estimation using classic measures to understand the potential return on investment, output increase, or productivity improvements will usually be necessary for most corporations. However, increasingly organizations will need to start adopting a new generation of metrics to evaluate MVP potential (e.g., cost of customer acquisition, customer growth rates, share of wallet, etc.). The cutoff point or go/no-go for any MVP would normally sit between the incubate and accelerate stages — albeit somewhat dependent on the risk profile of the organization.

It should therefore be no surprise that this is also the stage where most organizations get stuck in the innovation process in terms of executing on the identified use cases. On one hand, there is often a lack of enterprise confidence to provide the required resources to scale these digital use cases to a point where they can deliver significant value to the organization. On the other hand, use cases are often inhibited by the IT landscape on which the organization is built. This is the root cause for the formation of “islands of innovation,” whereby each digital initiative rests on its own technological foundation.

IDC therefore recommends digital leadership to embrace a unified technology architecture, also known as an “enterprise digital platform,” that can run new digital use cases without compromise to support the digital use case journeys highlighted in this document.

IDC recommendation:	IDC recommendation:	IDC recommendation:
<p>Develop a culture of innovation and openness to support all the changes that the move toward experiential retail, with seamless and frictionless commerce, will generate. Focus on very specific areas, start small, and set clear goals. Retailers should transition to digital in a modular way, focusing on a few technology areas at a time.</p>	<p>Don't think only about channels and omni-channel. Abstract customer interfaces and engagement input (text, image, voice, video, AR) within the platform to enable more rapid enablement of consumer services and more efficient and personalized execution of customer journeys.</p>	<p>Operationalize insights resulting from advanced analytics and machine learning by designing tailored workbenches for store managers, marketers, merchandisers, supply chain leaders, and other functions that are looking for insights and recommendations. Leverage embedded functions in the platform and adapt the user experience through process-centric developer services.</p>
		

## Why the Enterprise Digital Platform is Key

The shift to this new type of business model requires a fundamentally different technology architecture to underpin business, digital, and IT requirements — an architecture that needs to be dynamic so that it can evolve over time. In addition, it will need to become the engine for an organization to get smarter, more agile, and begin to connect with its customers and partners in real time and at scale. IDC believes that this dynamic architecture is the enterprise digital platform.

The enterprise digital platform democratizes data and organizational intelligence, enabling agile development in the cloud and simplified integration capabilities so that new and innovative applications can be built and use cases explored that were not possible or would require significant investment to realize previously. It effects change and change effects it. The eventual goal is for the revenues of the organization to be generated by its digital platform, but it is a journey in terms of the evolution of the architecture to get there.

The capabilities required to execute on the use cases described in Horizons 1, 2, and 3 will depend on the competences built around the enterprise digital platform. By associating the enabling technologies to each platform service layer, an organization will be able to reconcile its talent and investment requirements that will help enable experiential retail services.

### Enabling Technologies

### Digital Platform Layers

- Accounts receivable and payable systems
- Automated charting and invoicing
- Contract management
- Product life-cycle management (PLM) tools
- Digital content management
- Intelligent inventory management solutions
- Inventory management
- Multichannel order management system

#### Core IT Layer

*Delivering experiential retail requires a major overhaul and modernization of back-end systems that connect to the shops and commerce environment. Organizations should look for more automation, intelligence, and interoperability.*

- Analytics
- Intelligent search
- PCI data security
- TLS API encryption

#### Data Layer

*Customers will be engaging with retailers via various online and offline channels. Seamless and frictionless commerce requires a consistent experience across all customer engagements. It is therefore critical that retailers invest to surface insights, but also ensure that they build “digital trust” with customers for all interactions.*

- Machine learning frameworks

#### Development Layer

*A lot of technologies will be available off the shelf and IDC does not recommend that retailers invest in their own software IP. However, competitive advantages will come from higher levels of automation, next best actions, and accelerated decision making from bespoke machine learning algorithms.*

- 
- **API management tools**
  - **Distributed ledger technology (DLT)**
  - **Integrated CRM solutions**
  - **B2B networks**
  - **Connected inventory management**

#### **Integration Layer**

*A unified commerce platform requires a high level of integration between core IT systems (billing, logistics, CRM, etc.), systems of engagement (commerce, portals, mobile apps, etc.), and the ecosystem (partners, suppliers, customers, etc.).*

- 
- **3D modeling software**
  - **AR/VR**
  - **Cloud ecommerce hub**
  - **Collaboration software**
  - **Enterprise portals**
  - **In-store networking**
  - **Mobile apps**
  - **Multifactor/biometric authentication**
  - **Omni-channel commerce**
  - **Omni-channel service solutions**
  - **Smart mirrors**
  - **Unified payment support**  
(e.g., online/mobile/POS)

#### **Engagement Layer**

*Retail is about delivering unique customer experiences that are consistent across channels and throughout the customer life cycle. The tools retailers use to engage with customers need to evolve and constantly meet users' expectations when engaging with a brand. Retailers should enable customers to see products via new interfaces and forms, while surfacing a broad range of services from the ecosystem.*

## The Need for Involvement Across the C-Suite

IDC has found that organizations leading in digital form a “dream team” comprising senior executives from IT, operations, marketing, sales, and finance. HR is also becoming increasingly involved to enable the digital transformation journey. In fact, enterprisewide participation is critical for successful transformation projects — IDC found that 91% of global “digital thrivers” run digital transformation as coordinated enterprisewide initiatives, and expects that 70% of siloed digital transformation projects will fail by the end of 2018. Every executive in the dream team will have his or her role in enabling digital and will find business benefits that are specific to the area that he or she is responsible for.

FIGURE 7

### Enabling Business Roles



Source: IDC, 2018

FIGURE 8

## Enabling Business Benefits



Source: IDC, 2018

**Further Reading:**

- IDC's Digital Use Case Map 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

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## IDC UK

5th Floor, Ealing Cross,  
85 Uxbridge Road  
London  
W5 5TH, United Kingdom  
44.208.987.7100  
Twitter: @IDC  
idc-community.com  
www.idc.com

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## Global Headquarters:

5 Speen Street Framingham, MA 01701 USA  
P.508.872.8200  
F.508.935.4015  
WWW.IDC.COM

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