

The impact of innovation in retail business

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According to a 2006 IBM Global Business Services (GBS) CEO Study, two out of three CEOs expect fundamental changes for their organisations over the next two years. Surprisingly, these CEOs do not seem daunted by impending challenge. Instead, they hope to seize the opportunity of these changes through innovation. This was revealed at the Retail Innovation Strategic Workshop held on 7 July 2006 by Johnnic Communications' Newspapers Division and IBM GBS.

Titled "Retail Innovation that Matters", the lesson was presented at the Park Hyatt Hotel in Rosebank, Johannesburg, by Jaco Barnard of IBM Business Consulting Services shortly after US retail guru Steven Platt's lecture on retail trends to local marketers.

"Innovation is all about making changes," Barnard said. "And integration of business process and technology is one of the most important factors of innovation."

The fact that the majority of the 765 CEOs and business leaders interviewed in all major countries acknowledge the importance of innovation amply sustains Barnard's introductory statements. IBM GBS defines innovation as a set of new ideas or current thinking applied in fundamentally different ways resulting in significant change.

Definition incomplete for some

This definition might seem incomplete for some, but it does not matter how one defines innovation, the most important is how to apply it to address critical challenges faced by business in order to capitalise on new opportunities presented in an emerging market such as South Africa.

"Companies must take innovation seriously and do whatever it takes to drive it down to their customers," Barnard told participants.

"Retailers should start thinking how they are going to use technology to make changes and improve efficiency, have a better focus on customers and build capabilities and market leadership.

"That is why we as IBM, are ready to help businesses on the way of innovating themselves," he added.

The change of marketing patterns has forced many businesses to develop new insights to keep up with the pace of today's galloping business environment. Most retailers have already started, slowly but surely, innovating not only their products and services, but also their operational and business models - the three elements are deeply interwoven, as Barnard put it.

Nowadays, as Barnard noted, stores have become the innovation hub, where a significant increase of devices have been installed to make things reflectively easy for the customer, and to achieve what Platt called "engaging shoppers and converting them into buyers".

Nevertheless, these devices, Barnard emphasised, should be connected and talk to each other if success of innovation is to be maximised.

Furthermore, it has emerged that this is what the inside of "the next generation store" should include:

- Single point sale migrates to multiple points of service
- Customer-focused systems will become pervasive
- Employees will use information everywhere
- Wireless technology will enable flexible deployment
- Stores will become intelligent and connected
- Dynamic digital displaying will drive marketing/promotions

Once installed in the store, Barnard said that the following innovating systems could make life easy for both employees and shoppers:

- Guided shopping - personal shopping assistant (enables personalised-list driven trips and increase shopping frequency, spend).
- Self checkout (improves customer satisfaction due to sense of empowerment and enhances customer service through strategic redeployment of associates across store). Note that this system can only be found in developed countries such as Japan and US.
- Customer self-service (provides special or out-of-stock ordering, support multi-comparisons, reduces labour costs savings and increase loyalty through convenience and increase revenues by driving incremental revenues).
- Dynamic digital display merchandising (delivers targeted marketing and promotions - customised for each store, determines displays by customer traffic data, increases product exposure and potentially boosts revenue 15% to 30%).
- Payment options, including e-payment (IBM Sign and Go, cellphone-based purchases and promotions, pay by touch-finger-scan-based account debits, electronic coupons. Benefits: reduces fraud, faster check-out, less cash handling).

As shopping expectations and behaviours continue to evolve, duly influenced by lifestyles changes, LSM growth and technological trends, Barnard has this important advice for South African retailers:

- Drive the innovation for the "customer in":
Revisit the strategy to make sure it reflects a strong differentiated position from a consumer segmentation and competitive point of view. Integrate a multi-channel, consumer-centric-focus into your offer including the assortment, services, marketing and promotional strategies. Stores are keys as this is where customer will experience innovation and where innovation can differentiate.
- Collaborate, even more:
Broaden your collaboration capability to leverage the full strength of your merchandising, marketing, supply chain and store operations functions.
- Lead the way:
Utilise leadership incentives and measurements to drive the necessary cultural shift toward innovation.
- Integrate for scale and reliability:

Be vigilant in integrating your processes and technology to enhance capabilities around consumer centric activities. Ensure that innovation enhances the shopping experience, not destroys it. Make sure that the basics are in place first!

For more information, visit www.ibm.com or email: .

ABOUT ISSA SIKITI DA SILVA

Issa Sikiti da Silva is a winner of the 2010 SADC Media Awards (print category). He freelances for various media outlets, local and foreign, and has travelled extensively across Africa. His work has been published both in French and English. He used to contribute to Bizcommunity.com as a senior news writer.

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