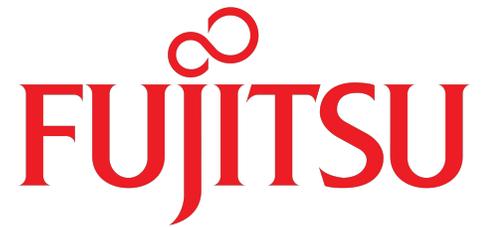


UNIFIED COMMERCE: STATE OF THE INDUSTRY & HOLIDAY 2022 IMPLICATIONS



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As we enter the first holiday season in retail since the nationwide lifting of all impactful Covid-19 restrictions the acceleration of omni-retail continues at a pace far faster than predicted 2 to 3 years ago. Online Black Friday sales in the United States topped a record-breaking \$9.12 billion this year, according to Adobe Analytics. To balance things out in-store sales are estimated to grow by 15%, By Mastercard. Overall the NRF is expecting an 8% increase during this year's holiday sales period.

Despite the rises and fall of digital and store revenue during the pandemic and the ongoing economic uncertainties of 2022, one thing that the retail industry can align on is the criticality and importance of the Holiday 2022 shopping season. Retailers of all segments and sizes are banking on the upcoming holiday season to be a pivotal period for product movement, customer experience and top-line revenue. But in today's modern shopping environment, consumers have a variety of choices and heightened expectations, and they will ultimately spend their money where they can not only get the greatest value but where they can have the best and most convenient customer experience.

So, what is it that is separating the retail leaders from the retail laggards in the 2022 holiday season? In summary, the ability to browse anywhere and buy anywhere, the ability to identify and personalize the shopping experience across channels, the ability to flexibly fulfill and deliver product orders as the customer wants. In other words: Unified Commerce.

RCP's Customer Experience Survey Report provides an insightful look into which retailers are best prepared to handle the channel agnostic needs of today's modern consumer, and in this Unified Commerce: State of the Industry & Holiday 2022 Implications Report, we will dive into the following topics:

- Defining Unified Commerce
- Where is the Retail Industry at when it comes to Unified Commerce
- What are the Key Consumer Expectations & Retailer Considerations for Holiday 2022 Shopping
- What's next for Unified Commerce in 2023

As you read through our findings and insights, we encourage you to think about your own unique customers and how their interaction and experience with your brand will be shaped by your omni-channel offerings.

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DEFINING UNIFIED COMMERCE

The entire retail industry, and the majority of retail consumers, understand the concept of omni-channel shopping: the ability to transact with a retailer across multiple channels with a consistent customer experience. After multi-channel retailing, which was defined as retailers offering their products across both online and in-store channels, omni-channel retailing presents the promise of the customer being able to experience a consistent set of products, consistent pricing, and the ability to acquire the product in a variety of ways.

The need for a seamless frictionless and simple to support model was evidenced this year by the strong mix of physical and digital transactions, (and Marketing promotions) we saw this Black Friday and Cyber Monday.

For the most part, retailers have been able to achieve an omni-channel experience for their customers via disparate in-store POS solutions and e-commerce solutions implemented over the past decade. Behind the scenes, retailers have been able to deliver this experience through a patchwork of one-off integrations, duplicative databases and manual business processes. However, this is not a sustainable or supportable business model and retailers are re-evaluating their technology investments in their quest to deliver a seamless shopping experience to their customers. In addition, despite these efforts to present a consistent experience, most omni-channel retailers are ultimately frustrating their customers via conflicting inventory availability across channels, differing promotional offerings, and not being able to acknowledge and leverage past purchase history regardless of shopping channel.

As a result, the industry has now reached a critical point where retailers can no longer be reactive and operate from within these channel silos and still delight their customers. They must take the time and effort to transform their organization, business processes and technology to align with the demands of their customers in a fashion that provides a long-term sustainable and supportable platform.

Unified Commerce, as a retail offering, goes beyond omni-channel, putting the customer experience first, breaking down the walls between internal channel silos and leveraging a single commerce platform. It delivers on the promise of a common, centralized, real-time platform for all customer engagement points. A unified commerce platform is not simply the future in-store or web platform, but combines POS, mobile, web, call center and clienteling into a common, integrated platform. In summary, Unified Commerce is omni-channel done right: building the right infrastructure and integration environment to ensure a common set of products, prices, promotions, customers, and inventory visibility to truly deliver on the browse anywhere, buy anywhere, return anywhere promise.

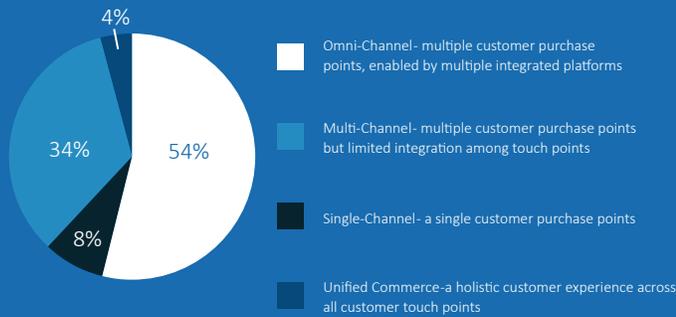
UNIFIED COMMERCE, AS A RETAIL OFFERING, GOES BEYOND OMNI-CHANNEL, PUTTING THE CUSTOMER EXPERIENCE FIRST.



WHERE IS THE RETAIL INDUSTRY WHEN IT COMES TO UNIFIED COMMERCE?

With acknowledgement of the definition and aspirations of Unified Commerce, where does the current retail industry stand when it comes to selecting, implementing and optimizing a Unified Commerce platform? RCP's recent Customer Experience Survey found the following results:

CURRENT CHANNEL INTEGRATION



What this information tells us is that there are actually very few retailers who have achieved the aspirational state of Unified Commerce; the majority are delivering an omni-channel experience via multiple purchase points enabled by multiple integrated platforms. While this may potentially and ultimately lead to a satisfied customer, it results in greater support complexity and higher maintenance costs behind the scenes.

The need for a true unified commerce platform is further exemplified when you look at our recent findings around retailer's top customer engagement priorities.

Impacted by store closures, limited shopper capacity, and the rise in digital commerce, retailers spent a significant portion of the pandemic years accelerating many of their "buy anywhere, fulfill anywhere" objectives. For many retailers, these solutions were quickly implemented to address immediate consumer demand, without the benefit of well thought-out and efficiently architected technology solutions. As a result, it is unsurprising that the top customer engagement priority for 2022 and heading into 2023 is reducing friction between digital sales and in-store fulfillment, with 60% of retailers indicating this was their top priority.

What this further demonstrates is that, despite efforts to deliver an omni-channel experience, retailers are recognizing that friction indeed exists through the standing up of these disparate systems and patchwork integrations put into place to ensure BOPIS and BOPAC transactions could be completed. These reactive efforts were over-burdened with excessive associate tasks or a clunky consumer experience. Therefore, retailers are making it a priority heading into 2023 to ensure that their support for omni-channel use cases are cleaned up to not only satisfy customer expectations, but also to ensure greater efficiency as operating margins are tighter than ever.

It's clear that retailers are prioritizing a seamless customer experience for their guests while also acknowledging that they are woefully behind when it comes to having a true unified commerce platform to deliver on that customer experience. As retailers increase their 2022 and 2023 budgets towards investing in a Unified Commerce platform, it's also critical to identify what the drivers and consumer expectations are for the upcoming 2022 holiday shopping season.

TOP CUSTOMER ENGAGEMENT PRIORITIES FOR 2022



WHAT ARE THE KEY CONSUMER EXPECTATIONS AND ASSOCIATED RETAILER IMPLICATIONS FOR HOLIDAY 2022 SHOPPING?

Shop Anywhere

If the past few years have taught us anything, it's that customers like to shop anywhere that is convenient for them. On their mobile devices while on public transportation, in a store on their lunch break, on their laptops when at home – customers don't think about commerce channels, they simply want to browse and purchase products in the most convenient fashion for them. They expect to obtain the same pricing whether online or in-store and they expect to take advantage of any coupons or promotions across any of these shopping channels. And the 2022 holiday season will only amplify these behaviors as consumer demand is expected to outpace 2021, despite current recession concerns. A significant implication on retailers this holiday season is balancing the customer convenience around BOPIS orders and the store labor impacts. With staffing levels already stretched thin, there is a significant amount of effort associated with receiving online order tickets, picking the product, setting it aside in an already crowded sales floor, and then promptly delivering to a customer once they arrive at the store or at curbside. We expect to see some retailers proactively communicating anticipated delays to customers during holiday 2022 given the expected rise in store traffic combined with the already increased figures for BOPIS orders.

Accurate Inventory

With the rise in these omni-transactions during the holidays, the single most disappointing part of the experience for consumers is inaccurate inventory information. While some shoppers may have grown accustomed to substitutions for a few items in their online grocery shopping transactions, there is much more pushback and negativity associated with a BOPIS order at a general or specialty retailer when the customer is notified that the product is no longer available. Or for customers to expect immediate shipping for online orders only to receive a notification that the item is now backordered and shipping will be delayed weeks.

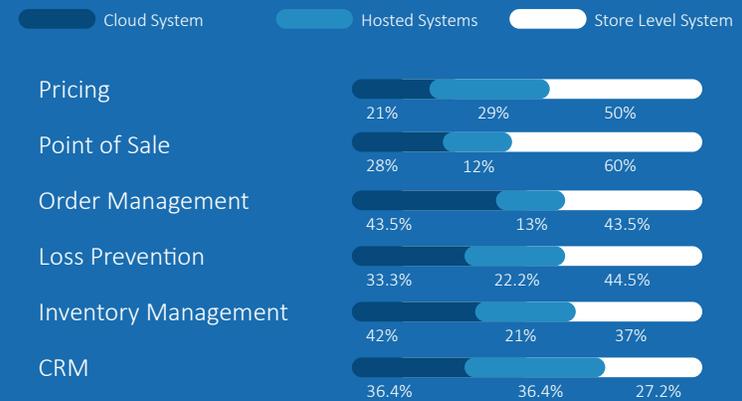
As a result, retailers must ensure that their unified commerce systems (e-commerce, order management, and point-of-sale) are able to support a consistent overall shopping experience with common pricing, promotions, accurate product information and inventory availability. For example, quick inventory turns at the store means that store transactions must be fed in real-time to e-commerce and order management systems to support accurate inventory availability. Retailers promoting an omni-channel experience without the right infrastructure or

real-time integration will inevitably disappoint a segment of their shoppers during this critical 2022 holiday period.

Real-Time Retail

Retailers are enhancing their unified commerce systems in anticipation of these consumer expectations through the right mix of store-based, data center hosted, and cloud-based solutions. And regardless of the physical location of the systems, it's imperative that they are seamlessly connected in real-time to truly support the afore-mentioned heightened customer expectations. Virtually all of the systems in the below chart have shown a continued shift towards the cloud in recent years, with even significant advances in POS solutions.

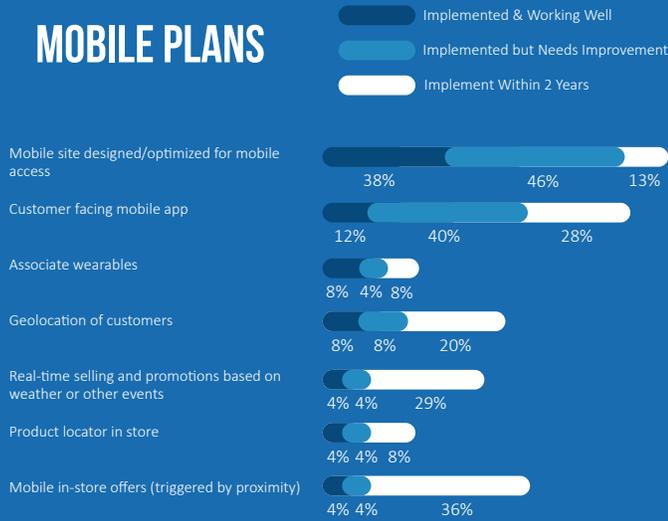
CLOUD, STORE OR HOSTED FOR KEY SYSTEMS



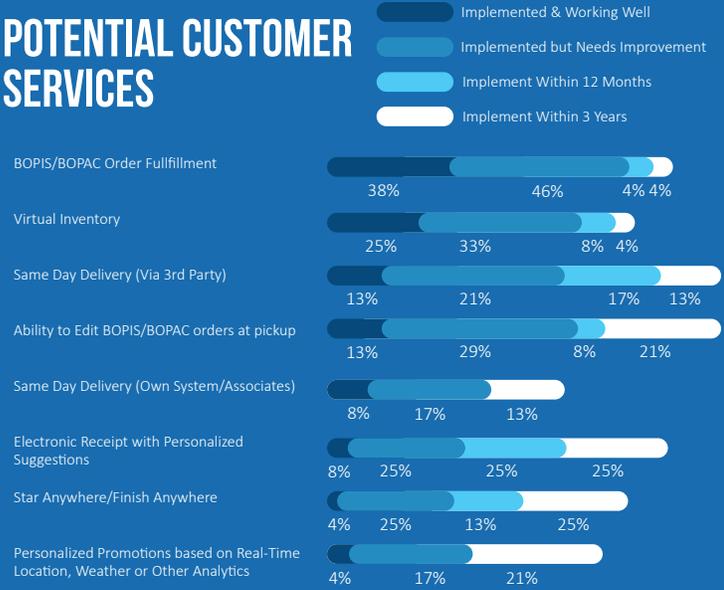
Retail Mobility

Another strong implication for retailers in the 2022 holiday season and beyond is the continued utilization of retail mobility across both associate and customer mobile devices. Leading retailers recognize that to best engage with customers while they're shopping a brick-and-mortar locations, they must provide additional information on the sales floor. This can be accomplished by arming associates with mobile devices that have access to extensive product information as well as a 360-degree view of past customer history. For those retailers that are not staffed to have ample associates out on the sales floor, investing in a mobile-enhanced website or mobile app can help control the enhance the customer shopping experience while they're in-store. Our survey results indicate that while retailers have made investments and advances in many mobile initiatives, there is still a tremendous amount of room for improvement.

MOBILE PLANS



POTENTIAL CUSTOMER SERVICES



Payment Trends

Despite all of the recent news centered on crypto-currency, only 20 % of retailers expect to add crypto payments within the next 3 years. Another hot topic in the US has been the acceptance of WeChat and Alipay. However, these tend to be more of a talking point than reality as only 12% of retailers surveyed are currently accepting these tenders. Another notable payment related trend, that directly related to the customer experience, is a surprising low 20% of retailers have a satisfactory implementation of a single payment token across their enterprise. This will be a major focus area for retailers with 64% of them reporting that they will be improving or implementing this functionality in the next three years. This highlights that understanding that having an omni-channel token is a key component of creating a frictionless customer experience.

WHAT'S NEXT FOR UNIFIED COMMERCE IN 2023

Leading retailers will continue to have an increased focus on a 360 view of a customer's engagement and services provided. Retailers will continue to focus on Omni-channel engagements; 46% of retailers identifying the need to improve their BOPIS and BOPAC process for order fulfillment as one of the largest areas needing improvement.

This is followed closely by 33% of retailers identifying the need to improve the and extend the functions associated with Endless Aisle functions that allow retailers to optimize their inventory position to take advantage of consumers increasing trend towards having a mixture of digital involvement in their shopping experience.

SPECIAL REPORT SUMMARY

The early results of the 2022 Holiday Season confirm that retailers' continued focus on extending the integration of the digital experience into and from the store is critical to a retailers overall success. The pandemic accelerated consumers shift to omni channel shopping and the successful retailers reacted quickly with many processes that are less than optimal. Retailers' have a renewed focus on optimizing their omni channel experience including a focus on Endless Aisle, BOPIS, Mobile, and Customer personalization. The continued shift to transactions involving more than one channel, and the continued heightening of customer expectations for an enhanced 360 customer experiences will be critical to retailer to remain focused on for their future survival.



SURVEY METHODOLOGY

Through an online survey system, RCP conducted the 23rd Annual POS & Customer Engagement Survey. The goal was to gain understanding of retailers' planned initiatives, priorities, and future trends by contacting the top North American retailers.

This report summarizes the results and key findings of the survey, offers insights based on our client engagements and overall retail experience, and identifies current and future trends in the industry. These insights are intended to help retailers evaluate their customer-facing operations and technology and enhance their roadmaps for improving customers' experience.

The primary retail segments of the survey respondents were from specialty soft goods with 36% and specialty hard goods with 20% of respondents. The remainder fell into various other categories such as general merchandise and grocery, food and beverage. The focus on the specialty retail segment remains consistent with 56% of the overall retailer responses.

Of the retailers surveyed, the breakdown in size based on gross annual revenue included a broad selection of Tier 1, 2 and 3 retailers, with 64% of the retailers having more than \$1B in sales.

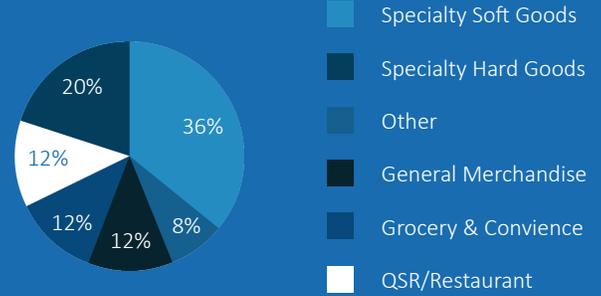
This year's survey also recognizes the challenges that retailers continue to face as they shift from a single channel environment to a unified commerce environment. A small subset of respondents of the total respondents indicated they have a true unified commerce environment. This was a notable change from prior surveys where no retailers had identified themselves as having a unified commerce platform.

The largest shift from last year's survey was a 10% decrease in retailers who had a single channel platform to below 10%. This is the 3rd consecutive year this response has dropped leading to the conclusion that the number of retail models that may never move from a single channel selling experience continues to shrink.

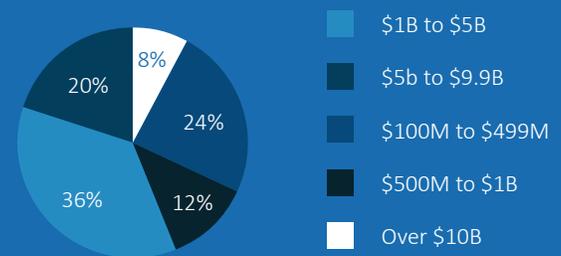
Movement from multi-channel to omni-channel continues with 54% of the retailers indicating that they have achieved an omni channel environment.

The specific respondents for each company were primarily vice presidents and directors of store systems or IT, and C-level executives.

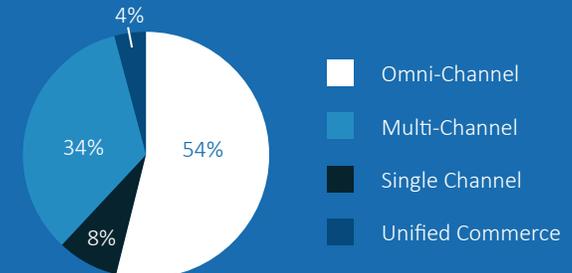
COMPANY TYPE



ANNUAL REVENUE



CURRENT CHANNEL INTEGRATION



ABOUT RETAIL CONSULTING PARTNERS

Retail Consulting Partners (RCP) is a comprehensive retail management consulting firm dedicated to providing superior service and enduring value to our clients. RCP combines our consultants' deep retail business knowledge and cross-functional capabilities to deliver superior design and implementation of strategy, technology, and process solutions. Our firm's unique combination of industry focus, knowledge-based approach, and rapid, end-to-end solution deployment helps clients to achieve their business potential by leveraging our proven methodologies. RCP's consulting services include:

Strategy	Business Intelligence	Business Process Optimization
Point of Sale (POS)	Mobile POS	Payment Security
CRM	Unified Commerce	Customer Experience & Engagement
Order Management	E-Commerce	Merchandise Management
Supply Chain	Networks	Private Equity

For more information or assistance on the topics covered in this white paper or any other of our services, please contact: info@retailconsultingpartners.com.

Retail Consulting Partners contributions in creating this research and report was a team effort.

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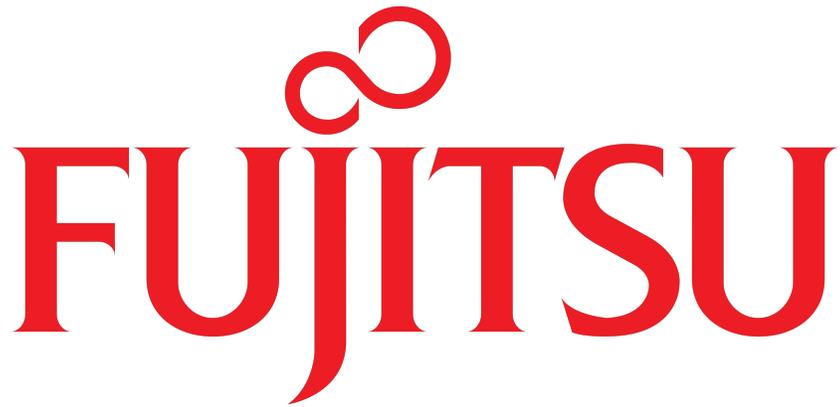
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About Fujitsu

Fujitsu has been dramatically re-shaping its business over the last 3 years, transforming from an IT Services provider to a Digital Transformation consultancy. In so doing, Fujitsu has added solutions and capabilities of strategic importance, especially ones that enable retailers to embrace new technologies to thrive in a sustainable future. To that end, Fujitsu's global investments have been centered around Retail and Consumer Products solutions that allow organizations to focus on providing the best customer experience. Specifically when it comes to composable commerce, Fujitsu's focus is on integrated order management, loss prevention, innovative Point of Service (POS) and managed services solutions offerings.

Learn more: www.fujitsu.com/us/solutions/industry/retail/