KPMG

Towards seamless commerce

The challenge of customer-centric seamless commerce: a global review

Executive summary

Once again, digital technology is revolutionizing the retail sector, requiring organizations to evolve (or fundamentally shift) their business.

Historically, retailers relied on one simple model: offering the right products, at the right prices, in the right locations. In the past 25 years, largely through the power of digital technology, the industry has experienced successive waves of disruption. In the multichannel age, different routes to market — typically online and bricks and mortar — operated largely independently, as silos, under the same umbrella. In the omnichannel age, enabled by data analytics, retailers began building bridges to coordinate these silos. KPMG professionals believe retail is entering a third wave of digital disruption, known as seamless commerce.

Seamless commerce recognizes that inspiration, exploration, choice, transaction, receipt (and potentially return) all happen across multiple channels: online and offline are interwoven; online is not just a website or app, and the physical store includes digital interaction. To deliver a seamless customer experience, retailers should acquire an end-to-end view of their operation.

Four drivers to achieving seamless commerce

Seamless commerce requires retailers to evolve their established business models to help ensure they combine best practices from offline and online into a coherent, connected, customer-centric organization. In this paper, we focused on four of the eight capabilities in our Connected Enterprise model and their role in how retailers can evolve towards seamless commerce.

1 A customer-aligned leadership and workforce

Conventional industry metrics have oriented retailers around products and channels. In the age of seamless commerce, that model is inverted, placing customers front and center. Such traditional key performance indicators (KPIs) as sales per square meter are less relevant than such benchmarks as cost-to-serve, customer acquisition cost and customer lifetime value. By measuring and incentivizing these new KPIs, retailers can align leaders — and the business — around the customer. A new role — effectively a Chief Value Chain Officer — working across the front, middle and back office, can help integrate the value chain from order to delivery and beyond.

2 A depth of insights driven from the organization-wide data asset

To keep pace with consumer demands, insight-driven organizations can use data to understand customer needs and anticipate, strategize and adapt their value proposition.

Seamless commerce requires retailers to ensure that data is truly accessible to all. For some, the greatest barrier to seamless commerce is that data sits in different, unconnected silos across the organization. To overcome that, retailers should create a silo-agnostic data asset into which, across the entire business, all data (operational, financial, regulatory, customer etc) is entered via a single platform. Retailers can then establish a single view of the customer, product and order, and finally, enabled by data analytics and AI, track every transaction, predict customer behavior, forecast demand, and target consumers with personalized offers and promotions.

3 An understanding of and investment in a digitally enabled technology architecture

A truly connected organization can create intelligent digital services, technologies, and platforms to deliver on the customer promise in an agile, cost-effective, scalable — and secure — manner.

Technology enables retailers to develop a single view of stock, orders, and shoppers across all channels; and with analytics and AI, understand why, where, when and how their customers buy (including which channels, devices and apps they use).

KPMG professionals believe retailers should embrace AI as a critical enabler but not as a cure-all when optimizing their core operating model or driving business transformation. That said, there is an opportunity for AI and generative AI to support innovation through, for example, the deployment of new 'AI colleagues' on the frontline to serve customers more effectively and efficiently.

Historically, retailers have typically spent around 1–3 percent of revenues on technology (much of that devoted to their 'core IT infrastructure). Looking forward, that may need to increase to 4–8 percent of revenue.

4 An additional lens for innovative products and services

Compelling customer value propositions with the right mix of pricing, products and services can help retailers target the most valuable customer segments and drive profitable growth.

Adopting a customer-centric view of seamless commerce gives retailers the transformational opportunity to re-evaluate their product portfolio across all their channels. Using data to calibrate the assortment and range of products can boost sales and reduce inventory, putting less strain on working capital.

Some retailers offer predictive ordering, leveraging customer insights based on past buying patterns and external signals to predict a customer's order and delivering it with a confirmation click or using a subscription model. Retailers could also think more broadly about services, creating seamless opportunities in, for example, financial services, energy, and healthcare. By transitioning from the 'endless aisle' to 'marketplace models', retailers can offer more products and services while minimizing operational expense.

Highly personalized offers should become the norm, with AI driving predictive analytics, to tailor appropriate pricing and promotion strategies, connected to loyalty programs. Social commerce is growing fast, especially in China, and will likely continue to do so. We also anticipate a wave of innovations including AI-powered shopping assistants, 3D product catalogs and autonomous stores.

The global outlook

The seamless commerce evolution is already here, although unevenly distributed. Professional analysis by KPMG, drawing on conversations with 25 leading global retailers with different routes to market, has identified that China and India are in the vanguard, followed by the US. Each country's progress is influenced by different factors. In Germany, the ubiquity of bricks and mortar stores has slowed the advance of e-commerce. The sheer vastness of Australia, Brazil and Canada has proved problematic for online retailers serving rural areas. In the UK, despite the early, widespread, adoption of e-commerce, many shoppers are flocking back to physical stores.

What does that mean for sustainability?

Unprecedented times bring unprecedented change. As retailers transform their organizations to compete in the age of seamless commerce, they need to ensure they embed sustainability in every part of their business.

The key questions

1. Does your business model put customers before products and channels?
2. How integrated, accessible, or siloed is your data?
3. How will you fund extra investment in digital technology and AI?
4. How seamlessly connected is your product, price and promo elasticity across your channels?
5. How does your seamless commerce model align with your ESG strategy?

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