Retailer Insights: Hurdles to Innovation

Innovation Research Committee – Annual Strategy Conference 2022

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The Dirty Dozen

▸ **Twelve major inhibitors** were articulated and confirmed by a diverse group of retailers as the most common concerns slowing innovation in the industry and at their companies during two IRC working sessions.

▸ **Ongoing, the IRC will be an internal retailer think tank and catalyst** that will drive other Conexxus Committees' work items.

▸ **Four key hurdles** help to highlight what to focus on:
  ▸ Inadequate Integration
  ▸ Underdeveloped Strategies
  ▸ Prioritization
  ▸ Retail Systems Marketplace

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Inadequate Integration

Currently

▸ Need to eliminate the system design approach where silos vs. choices are created.

▸ Aggregators of all kinds (e.g. DoorDash, Facebook) have unique ecosystems that don't efficiently connect and provide consistent data to "plug in" to our industry.

▸ Retailers' current solution options generally have not provided and/or adopted microservice and API standards.

▸ Proprietary data and interface architectures of incumbent systems impair our ability to implement holistic features across the tech stack resulting in continued labor-intensive paper and manual data transfer practices for example.

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Inadequate Integration

What We Need:

▸ Retailers need a more open technology environment in which interoperability is simpler. Migrate the tech stack with microservices and APIs. Conexxus should lead efforts that can be quickly handed off to solution providers.

▸ Standardized digital connections across the tech stack.

▸ Simplification of unnecessary complexities.

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Underdeveloped Strategies

Currently

▸ Data needs to be better organized and protected while adding context (e.g. ambient contextual data), by establishing best practices and strategies for use of that data.

▸ The industry has been on a perpetual search for one-size-fits-all solutions. Instead, some retailers are questioning if by developing a solution on their own, might they effectuate change and motivate solution providers?

▸ As technology scales, we have not kept pace with technology advancements from more advanced retailers and adjacent industries.

▸ What is convenience to the consumer? The tech is not matching up and innovators need to focus on this.

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# Underdeveloped Strategies

What We Need

▸ Retailers need to have a unified strategy/vision, so business units are aligned. The Conexxus technology roadmap along with addressing the "Dirty Dozen" could help retailers find the balance between business and technical projects.

▸ Our ability to adopt architectures (e.g. hybrid cloud) and data handling (e.g. data lakehouse) best practices need to become within our systems solutions reach.

▸ Foster research into developing open-source solutions (e.g. remote ordering with loyalty and age verification will require POS, ERP, and QSR, at the least, production systems modifications).

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Prioritization

Currently

▸ Prioritization takes two forms; imperatives for the typical retailer in our segment (e.g. ability to sell online), and proprietary (e.g. automating in-store kitchen production to focus on food sales). Likewise, there are two views to prioritization – internal and external influences.

▸ The costs associated with the traditional industry solution providers (POS, dispensers, Back Office, etc.) are significant and have created tech debt. These solutions often include old/legacy features that have long-term depreciation schedules that together inhibit innovation.

▸ New concepts, blockchain among them, require improved education opportunities.

▸ The challenge of what comes first: further merging of the forecourt and backcourt, emerging payment ecosystems being adopted by younger consumers, advancing tech and data stack initiatives versus marketing and operational needs of the business, and more?

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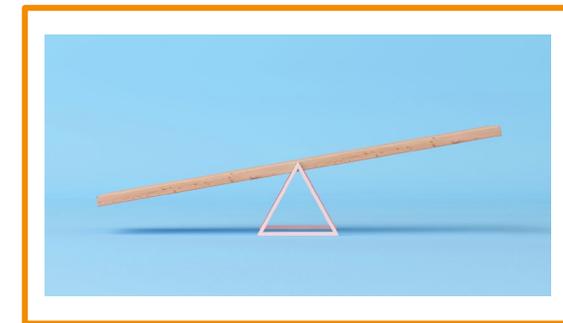
Prioritization

What We Need

▸ Retailers need to have a unified vision, ensuring business units are aligned.

▸ A better vision of how consumers shop, c-store retailers need to respond faster to consumer expectations than we have traditionally been able to respond as an industry.

▸ Need a shift in resource allocation to address tech debt, often a result of compliance initiatives.

▸ Education is needed so retailers, both business and tech leaders, are prepared to be in product management advisory roles with solution providers.

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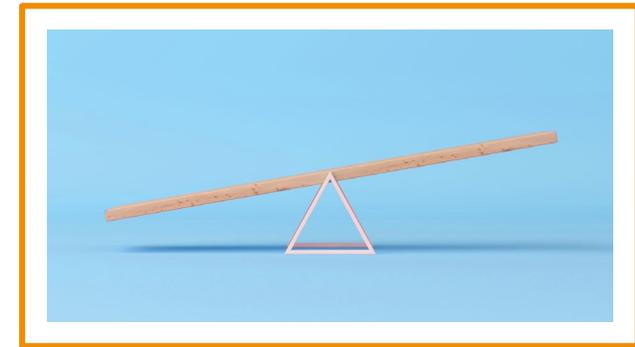
Retail Systems Marketplace

Currently

▸ The time-to-market for too many updated and new features along with integrations takes years.

▸ The outlook for changes in vehicles (e.g. EV & charging) should bring about innovations but also needs to drive innovations and integrations that address related systems and services.

▸ We've been afraid to say "no" to undue compliance and complex solutions.

▸ Stakeholders have not been disruptive in removing barriers that create interlocking systems versus fostering diversity of choice.

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Retail Systems Marketplace

What We Need

▸ A combined strategic and committed effort by solution providers, brands, associations, and retailers to work to overcome the industry's unique needs more quickly and be able to serve a fragmented industry.

▸ Minimize and control costs associated with new functionality. Develop compelling stories around how innovation will move the industry forward.

▸ We need to create resources (e.g. standards, defined formats, simplified integrations) that enable fast adoption of rapidly evolving tech solutions.

▸ Engage more actively with start-ups.

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