

Unified Commerce: The Cornerstone of Modern Retail



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Methodology & demographics

In Q1 of 2023, K3 Fashion Solutions (K3) commissioned a survey of 402 fashion and retail decision makers throughout the United Kingdom (202) and the United States (200).

The respondents held various roles ranging from senior managers, directors/heads of departments, c-level executives, and owners/CEOs.

At an overall level, the results are accurate to + 4.9% at 95% confidence limits, assuming a result of 50%.

The interviews were conducted online by Sapio Research in January 2023 using an email invitation and an online survey.

DEMOGRAPHICS

TOTAL RESPONDENTS: 402



Country of Residence

UK
202

USA
200



Job Titles

Owner
CEO
55%

Senior
Management
24%

Director
or HOD
14%

C-level
(excl. CEO)
7%



Gender & Age

48% of respondents were male and 51% female
53% of respondents were aged between 26-45

Introduction

For years now, industry experts have pondered on the future of retail and questioned whether brick and mortar stores could survive in a world dominated by online pure players and convenient experiences.

These concerns were exacerbated once the COVID-19 pandemic hit and local lockdowns ensued – forcing physical stores to close their shutters and take on near-irreparable losses while eCommerce giants thrived. With footfall on the decline and online shopping booming more than ever before, it was clear that consumer demands were changing indefinitely.

Almost overnight, the industry's focus shifted to creating at-home experiences driven by online channels as retailers scrambled to remain competitive. Of course, the industry ultimately showed remarkable resiliency and survived, but it became abundantly evident that new technologies were needed to change the retail experience forever.

Businesses must be swift to pivot and adopt such technologies, especially now when the turbulence has yet to subside, and unrelenting economic factors continue to squeeze brands and retailers alike. Many are still reeling from the impact of the pandemic, with material shortages, long lead times, transportation bottlenecks and sky-high shipping costs continuing to eat into profit margins. Meanwhile, the cost-of-living crisis, inextricably tied to rising inflation and soaring energy bills, spurred by geopolitical tensions and other significant events like Brexit, continue to impact both businesses and consumers.

While these external factors aren't likely to disappear anytime soon, there are steps that retailers can take to shore up profit margins and meet consumer demand for new experiences. To chart a course to success in this perilous climate, retailers must adopt a unified commerce strategy that provides a more seamless and holistic customer journey across all touchpoints where consumers can be found to ensure they can maximise engagement and generate new business.

After all, it's not a far cry to suggest that unified commerce is quickly becoming the cornerstone of modern retail, particularly as it propels to the top of retail leaders' agendas as businesses look to capitalise on any potential opportunities in this tumultuous economic climate.

Unified commerce platforms provide retailers with a single view of inventory, orders, and customer data, ensuring they can track activity across their entire business in real time and make smarter decisions based on accurate insights. In turn, customers will always have up-to-date information about product inventories, alongside the ability to browse, pay, and fulfil orders however they wish.

But just how many retailers have adopted unified commerce? Do they really understand the benefits? Where do they even begin on this journey?

This is precisely what K3's latest whitepaper seeks to explore. We hope you enjoy the read!



Key statistics

57% believe they have a good or very good CX

89% mostly or fully meet their customers' demands

76% have adopted, are planning, or are in the process of adopting unified commerce

The main barriers to switching to unified commerce are cost (47%) and the **time-consuming process (41%)** it involves

66% say that cost efficiency is their key business priority

67% use eCommerce to interact with and serve customers

Summary

Post-pandemic, and in the midst of economic turmoil, there have been some significant shifts in both business attitudes and consumer behaviours throughout the fashion and retail industry.

Our results have found that there is much appetite for unified commerce technology, with some 76% of fashion and retail decision makers reporting that they have adopted, are planning, or are in the process of adopting unified commerce. While unified commerce is firmly on many retail leaders' agendas, that doesn't mean there aren't difficulties with adopting the technology. Chiefly, the decision makers surveyed noted that the significant barriers that they've overcome, or still need to resolve, to adopt unified commerce are cost (47%) and the time-consuming processes required to make the switch (41%).

On the consumer front, our results found that people are increasingly prioritising online shopping and value-based purchases. This indicates a notable deviation from consumers seeking to shop conveniently and sustainably, which was reflected in previous surveys and is most likely due to macroeconomic factors like COVID-19 and the cost-of-living crisis.

Indeed, some 47% reported that consumers are now prioritising value-based purchasing due to the ongoing cost-of-living crisis continuing to squeeze wallets.

Yet, there is little evidence to suggest that the changes in consumer behaviour alone drive further unified commerce adoption. Rather, the drivers to adoption are quite varied and dependent on a business' specific circumstances. On the one hand, almost half (46%) of respondents said they were more likely to switch to unified commerce due to these changes in consumer behaviour. But on the other, 47% said that these changes have no effect on their plans to switch to unified commerce. When focusing solely on what the fashion and retail decision makers surveyed view as the greatest benefit of unified commerce, that being increased efficiency (48%), one could theorise that adoption is driven by the need to save costs.

However, and as evidenced by the results, it would be unwise to suggest that any single factor is the most significant driver as there are many reasons to adopt unified commerce.

Unsurprisingly, we also found that technology is essential in understanding customers. Respondents said that they utilised an array of technological methods to capture customer data and gather a 360-degree of their consumers. The top three most used technologies are customer surveys (43%), Customer Relationship Management systems (39%), and customer data platforms (38%).

Only 24% of respondents said they used unified commerce platforms to capture customer data. What is plainly evident, however, is that businesses place value on understanding customers and view technology as the key to achieving this understanding.

Interestingly, we found that meeting demands does not necessarily equate to a good customer experience (CX). 89% of respondents believe they fully or mostly meet their customers' demands, but only 57% would rank their CX as "good" or better. Considering this disconnect, there is a clear opportunity for businesses to improve their CX.

And this is precisely where unified commerce platforms can play a crucial role. By connecting all channels and offering the ability to collate customer data, unified commerce platforms can provide a seamless customer journey and enable businesses to improve their overall CX. But these same businesses are yet to fully realise this fact.



Chapter 1

The cornerstone of modern retail



Retail has been enduring something of a metamorphosis over the last several years. It's an industry that is constantly in flux but one that is fast approaching an inflexion point when it comes to unified commerce adoption.

In many ways, this trend has been catalysed by the COVID-19 pandemic, as changes in consumer demand forced retailers to start facilitating a smooth and consistent customer journey across all channels. To help contextualise just how radically the pandemic accelerated trends, the likes of McKinsey have estimated that the pandemic alone propelled eCommerce growth by five years – highlighting just how significantly COVID-19 has altered the retail landscape.

While it is true that eCommerce was already commonplace before the pandemic, local lockdowns resulted in consumers seeking alternative ways to purchase goods. This forced businesses to explore and adopt new methods for serving their customers – like click-and-collect or buy-online-pickup-up-in-store (BOPIS). Of course, household names, like Amazon, already offered these services to a certain degree. Still, consumers have become so accustomed to these newer shopping methods that they want to keep using them.



For instance, a McKinsey survey found that nearly 60% of US consumers who had already used a buy-online-pickup-in-store service planned to continue doing so post-pandemic.

The issue for most businesses is that the pandemic accelerated so many trends and technologies forward that a myriad of new opportunities and challenges have arisen. From increased mobile commerce usage to greater demand for direct-to-consumer (D2C) models, many companies are scrambling to determine where their priorities should lie.

With more technologies widely available to facilitate additional services for consumers, it's essential that businesses aren't too slow to adopt new strategies that enable them to cater to the ever-growing needs and demands of consumers – particularly when customers are now fully accustomed to shopping however they please. The trick to navigating these waters is to implement a unified commerce strategy that combines all channels and services to ensure that customer demands can be met at scale.

The real difficulty for businesses lies in the complexity of delivering such services. Consumers expect to be able to purchase a product online and pick it up in-store, they expect to have goods delivered to their homes, and they expect complementary services that enhance their overall shopping experience. But they don't care about how any of this is achieved. The harsh reality is that they only see and care about the end result and never where the true value is, that being all the technological wizardry that pieces these individual elements together behind the scenes. So, businesses inevitably

need to invest significantly in enhancing their operations with new technologies that may well be wholly unfamiliar to them – all just to meet the latest demands of consumers. The endless aisle concept is a perfect example to illustrate this. Customers become incredibly frustrated when they visit a store intending to purchase a specific product only to discover that it's out of stock. They don't want to come back again to buy it. Instead, they want to order and pay for the product and have it delivered to their home when it's available.

To facilitate this endless aisle concept, businesses need a fully integrated, end-to-end approach across their entire organisation. Again, several big-name brands already offer this service, but since consumers now expect it across the board, businesses must accept this as the new normal, especially when you consider that inconveniences, like out-of-stock items, can easily lead customers astray into the arms of competitors.





At the risk of sounding like a broken record, it's the consumer's wants and needs that must dictate what technology and services retailers offer. After all, K3's research conducted in 2021 found that a third of consumers would stop using a retailer for not offering the services they wanted. This number is likely to be considerably higher nearly two years on as new technologies have been introduced and consumer behaviour has continued to shift.

We also found that 51% of consumers do not want any human interaction with store staff when shopping in person – hammering home just how difficult it is to serve the modern consumer.

At this juncture, one can see just how invaluable unified commerce strategies are for retail businesses. By implementing an effective unified commerce strategy, retailers can integrate all their individual channels and systems, such as their Point of Sale solutions, Supply Chain and Inventory Management systems, Customer Relationship Management systems, eCommerce, mobile, fulfilment, cross-channel returns, and anything in

between, to create a more holistic customer journey. This crucially enables retailers to serve their customers on any given channel while also tracking engagement across all systems to ensure valuable insights into consumers' actions and shopping habits aren't lost as shoppers move across different touchpoints. Equipped with this insight, businesses can make smarter decisions throughout their organisation to boost customer engagement, trim inefficiencies, and maximise their profit margins. With all this considered, it should be obvious that unified commerce is now the cornerstone of modern retail and will only grow in importance as time goes on.

Chapter 2

Cost efficiency is top of the agenda



When quizzed on the key priorities for their business, two-thirds (66%) of the fashion and retail decision makers surveyed said cost efficiency was their number one focus, followed by sustainability (39%) and data analytics (27%).

This is a rather stark difference in priorities compared to our last research whitepaper findings. Previously, we found that 85% of fashion and retail decision makers were primarily focused on customer experience (CX) alongside environmental sustainability (30%) and digital transformation (26%). Clearly, business priorities have changed substantially in the last few months. This is likely due to macroeconomic factors forcing businesses to identify cost-saving areas throughout their organisations. Given these external factors

(i.e., rising inflation, soaring energy bills, and sky-high shipping costs), it shouldn't be overly surprising that priorities have changed. In fact, the results suggest that businesses are proactively exploring ways to mitigate the effect of these external factors.

In the same vein, sustainability and data analytics are two other areas that can help businesses improve their profit margins, adding further credence to the notion that retailers are being proactive with their priorities. Early last year, K3 published a whitepaper, *The Sustainability Conundrum*, in which we asserted that fashion and retail businesses would be wise to invest in sustainability as a way to cater to Gen Z consumers – an environmentally conscious cohort that actively boycotts brands and retailers for lacking this value – who are now entering the workforce. This crucially enables retailers to win over new business and be rewarded for their investments in making the planet a better place. Likewise, by investing in improving data analytics, retailers can start identifying areas of their operations that could be further optimised to save additional costs.

So, while at first glance, the three highest business priorities might seem out of sync with previous key focus areas, they make perfect sense when placed in today's context.

Interestingly, while the three priorities listed above remain the highest for both UK and US respondents, there was a significant difference in the number of respondents selecting each. Consistently across the three highest priorities, the UK had more respondents selecting cost efficiency, sustainability, and data analytics. One possible explanation for the differences might be that inflation and energy bills have risen more in the UK than in the US. Therefore, businesses in the UK are struggling more than their friends across the pond. Or, it could be because the US is a much larger country and therefore has more businesses, meaning there are different needs and wants throughout the country. Either way, the UK is clearly more focused on cost efficiency with 73% of respondents indicating it is their business' number one priority compared to only 59% of respondents for the US.

When explicitly asked about unified commerce, 76% of fashion and retail decision makers surveyed said that their business has adopted, is planning, or is in the process of adopting unified commerce technology.

This suggests that we are approaching an inflexion point when it comes to unified commerce adoption, as it is, at the very least, on the radar of most businesses in the fashion and retail industry. Though, it is worth noting that the US is significantly ahead in this regard, with 32% of respondents reporting they have fully adopted unified commerce compared to only 16% of UK respondents.

In terms of the main benefits that unified commerce can offer businesses, nearly half (48%) of the respondents cited improved efficiency as the top one. This was followed by customer experience (CX) and ease of use with 42% and 29%, respectively, having reported so. These are interesting data points to compare to the results found in K3's last whitepaper, Fashion-forward: 5 key insights into the changing landscape of fashion and

retail, in which we found that 40% of fashion and retail decision makers believed better CX was the most significant benefit that unified commerce offers. Once again, this suggests that the world's economic turmoil has made retailers reassess not only where their priorities lie but also what technology can help them achieve their priorities. Since businesses need to keep their profit margins healthy, it's logical to assume that retailers view unified commerce technology as the key to improving efficiency and saving costs. Although, it's worth remembering that improving CX typically leads to returning customers, which will boost profitability itself.

Overall, it is promising that decision makers in the fashion and retail industry are starting to become more aware of unified commerce and its benefits, particularly when only 41% of respondents said they were familiar with the technology in our last research piece. This could be further evidence that businesses are proactively exploring ways of maximising revenue amid this turbulent economic climate. However, there are still concerns about the feasibility of adopting unified commerce

amongst businesses. Nearly half (47%) believe that it is expensive, meaning a lack of funds could prevent a switch to unified commerce altogether.

Some 41% and 34% also believe that adopting unified commerce is time-consuming and complicated.

Unfortunately, this suggests that the industry still requires some education about unified commerce architectures. In most cases, the technology is highly extensible and easily integrated with legacy platforms. In theory, this should alleviate concerns about adopting a unified commerce strategy since it isn't as time-consuming and complicated as one may initially think. However, an initial investment is still necessary for most to adopt unified commerce – but it's wise to remember that the long-term cost-saving benefits will be worth it.

Chapter 3

**Unified commerce
is essential in
understanding
customers and
meeting their
demands**



To further assess where fashion and retail businesses are in their unified commerce journeys, we asked respondents about the channels and services they use to interact with and serve their customers.

The majority of respondents reported that the main channels and services they use are eCommerce (67%), social (48%), and integrated payment platforms (40%). These were followed by Point of Sale (38%), click & collect (26%), unified commerce (21%), and self-service kiosks (17%). The results aren't surprising in the main, given how quickly consumers have shifted to online channels and services like eCommerce and social media. However, it is surprising that only 21% of respondents utilise unified commerce platforms to interact with and serve their customers when the technology can integrate all of the above channels and services together to create a more holistic customer journey.

This crucially suggests that many brands and retailers have fundamentally siloed systems that do not create an impeccable customer experience (CX) that almost all consumers demand.

This was evidenced elsewhere in our research when only 57% of respondents said their CX was "good" or "very good" despite the fact 89% said they at least mostly met their consumers' demands. Worse yet, less than a third (32%) reported they fully met customer demands.

Considering this disconnect, there is yet another case to be made for unified commerce. Since the technology integrates all systems, businesses can track customer engagement across all channels to ensure they retain valuable insights into their consumers' actions and shopping habits as they move across different touchpoints. By leveraging this knowledge, there are innumerable opportunities for retailers to tailor experiences to individual consumers and drastically improve their overall CX.

Businesses must not overlook the importance of such activities, especially when, according to SmarterHQ, 72% of consumers only engage with marketing messages that are personalised and tailored to their specific interests.





But fashion and retail businesses are severely lagging when it comes to efficient customer data capturing methods.

In fact, the most commonly used way is customer surveys (43%), followed by Customer Relationship Management systems (39%) and customer data platforms (38%). Remarkably, less than one in four (24%) use unified commerce platforms to capture data on their customers.

What is plain to see here is that fashion and retail businesses still rely on antiquated processes, like customer surveys, to understand their consumers.

In today's digitally-enabled world, more is needed. By adopting a total unified commerce strategy, however, businesses can integrate their data capturing methods, like CRM systems, with their Point of Sale, order fulfilment and inventory management solutions, to receive a single version of the truth. This will ensure that all data pertaining to a customer's actions and habits is captured efficiently, enabling businesses to make

smarter decisions on how best to interact with and serve their consumers.

Despite lacking efficient customer data-capturing technologies, the fashion and retail decision makers surveyed have still observed notable changes in consumer behaviour. Chiefly, they've noticed an increase in online shopping (56%), value-based purchasing (47%), and more support for local businesses (36%). These changes in consumer behaviour are not entirely surprising, given the obvious convenience of eCommerce and tightened purse strings in light of the cost-of-living crisis. However, all this should still signal to businesses that there is scope to win over more business by offering new services.

Today, eCommerce is a mission-critical piece of any competitive company in the fashion and retail industry, but it has some limitations. Businesses that have yet to integrate their eCommerce channels with the rest of their technology stack ultimately lose essential visibility over their operations, which can be problematic for consumers as they demand up-to-date information about product inventories and delivery times.

The likes of Forrester have found that more than 80% of shoppers said that it's vital for retailers to provide the estimated date and time of arrival for products on their websites, while 78% also said providing in-store availability was essential to them.

To complicate matters further, Forrester has also found that more than half (66%) of retailers said inventory accuracy – a core component for omnichannel fulfilment in an eCommerce setup – was “very or somewhat challenging” when establishing their omnichannel programme. Evidently, there is an abundance of fashion and retail businesses that cannot satisfy the nuances in consumer behaviour even when they have eCommerce and omnichannel strategies. And this is where, yet again, unified commerce plays a pivotal role in enhancing customer engagement. By unifying all the individual elements throughout an organisation, unified commerce platforms ensure businesses can track activity in real time, enabling them to provide up-to-date product inventory and delivery information to their consumers.

Likewise, in-store availability can be made known to consumers, be that for larger businesses or smaller, local, independent stores, to ensure that customers don't waste a trip in person to pick up a particular product.

Before going further, it's worth noting that, in the main, unified commerce isn't likely to resolve customer desire for value-based purchases. This is not so much an issue with the technology itself, but more so with the ongoing economic turbulence. After all, rising inflation, soaring energy bills, and sky-high shipping costs are issues that impact a business' profit margins as well as a consumer's wallet. But what unified commerce can do is optimise pricing and promotion activities to ensure that products are offered to consumers at a reasonable price point and generate demand without eating into the business' bottom line. So, while unified commerce is unlikely to resolve customer desire for value-based purchasing any time soon, it still fills urgent gaps for businesses throughout the industry.

There is little evidence, however, to suggest that these changes in consumer behaviour is driving unified commerce adoption.

Some 46% reported they're more likely to make the switch, while 47% said it has no impact on their plans whatsoever.

When put into the context of what the fashion and retail decision makers viewed as the key benefit of unified commerce, one could theorise that adoption is really being driven by the need for improved efficiency. This is a somewhat myopic view because unified commerce offers businesses several significant benefits ranging from increased efficiency to enhanced customer engagement. Realistically, adapting to the latest changes in consumer behavior should go hand in hand with all the other benefits that the technology offers.

Regardless, some other limitations are inhibiting businesses from adopting unified commerce platforms. Nearly two-thirds (60%) of respondents said they need to adopt new technology to deliver a unified commerce experience to their consumers.

This was followed by the need to increase budget (50%), learn new skills (47%), and train staff (39%).

These results mostly marry up with what we unearthed in our last whitepaper, Fashion-forward: 5 key insights into the changing landscape of fashion and retail, in which we found the biggest stumbling block when it comes to unified commerce adoption is a lack of internal skills within organisations. The second and third biggest blockers were integrating new systems with legacy platforms (43%) and training store staff to utilise the technology effectively (39%).

These are all genuine concerns for businesses; however, it must be stressed that, in actuality, unified commerce architectures are highly extensible by nature. This means there should

be no major complications in integrating the technology with legacy platforms, which will, in turn, lessen the project's overall cost. Regarding learning new skills and training staff, this can be painful in the short term, but considering all the benefits of unified commerce, i.e., streamlined efficiency and increased engagement, the rewards in the long term will far outweigh the initial pain.

The same is valid for increasing budget – it can be difficult to persuade businesses to make the initial investment, but the upside is undoubtedly worth the minor risk. The key lies in finding a partner that offers an extensible unified commerce platform that can be easily integrated with existing systems and can advise on how best to use their technology. And it just so happens that K3 has the right solution to help.



Thank you

From everyone at K3 Fashion Solutions, we thank you for reading our latest whitepaper and hope that you have learned something new.

We regularly publish thought leadership content that aims to educate the broader industry on upcoming trends and technologies. So, if you'd like to read more insights from us, we recommend keeping an eye on our [website](#).





K3 Fashion Solutions, a leading supplier of fashion business technology with more than 30 years of experience, develops industry-specific tools to support fashion workflows, improve customer experiences, and deliver sustainable growth throughout the supply chain.

Our solutions, K3 Fashion and K3 Pebblestone, are fully embedded in Microsoft's Dynamics 365 ERPs offering enterprise-grade support from design and production through to retail.

As a top 20 GISV with a global footprint delivered through our network of Microsoft implementation partners, we are committed to supporting brands of all sizes.



K3 Fashion supports fashion businesses with all aspects of operations, such as planning, design, sourcing, purchasing, logistics, warehousing, and finance.

Fully embedded in Dynamics 365 Finance, Supply Chain Management and Commerce, K3 Fashion presents a single solution to remove technical blockers, unify data sources and maximise margins.





K3 Pebblestone

K3 Pebblestone provides brand owners, wholesalers, and manufacturers with an intuitive ERP environment that provides standardised fashion workflows and tools.

Fully embedded in Dynamics 365 Business Central, K3 Pebblestone is a single solution that supports essential processes like planning, design, sourcing, purchasing, logistics, warehousing and finance.

