



UNIFIED PROMOTIONS AN OFFER HARD TO RESIST

Retail



Introduction

Promotions are no longer a bait to lure customers and clear excess stock; they are now part of retailers' strategic initiatives to track customer purchase behaviors, drive customer loyalty and experience, and maximize sales. According to a recent BRP survey, 68% of customers would choose a store that offers personalized promotions/discounts, and 87% are interested in a personalized and consistent experience across channels and devices¹.

While retailers are able to seamlessly orchestrate omnichannel order fulfillment and delivery, promotions are still channel specific and inconsistent, driven by disparate

and constrained promotion platforms. As a result, retailers are forcing customers to shop based on their existing promotion capabilities, rather than align with the way customers shop.

¹ BRP, '2019 Unified Commerce Survey' (May 2019), accessed May 2020, <http://marketing.us.fujitsu.com/rs/407-MTR-501/images/Unified%20Commerce%20Survey%20-%20Fujitsu.pdf>



The Need for Unified Promotions

In addition to inconsistent promotions across channels, the following key drivers are forcing retailers to adopt a unified promotions strategy to address the current and future challenges in a holistic manner:

- Business-oriented promotions:** Promotions not only boost sales but also drive customer loyalty and experience. Therefore, promotion strategies need to be crafted holistically to balance brand equity and growth that are more than a simple marketing push. For example, unforeseen situations like COVID-19 drives new customer journeys such as scan and go, curbside pickup, smart locker delivery, and self checkout. In such scenarios, promotions are expected to shape the shopping behavior and manage product availability. Retailers can use predictive

intelligence to promote certain products online over in-store for safer delivery or promote certain products at stores to reduce restocking for other new demand categories. In addition, various business functions such as marketing, merchandising, and management are expected to collaborate with a single objective, demanding a need for a single source of truth to stay competitive. Today, there is no single promotion tool independent of channels that can manage the end-to-end process from defining goals, setting targets, and managing outcomes independent of channels.

- Omnichannel promotions:** Varied cost elements and operational challenges force retailers to adopt different promotions for channels. But, when promotions and cart contents don't persist across channels,

customers are likely to try competitor stores for a better unified experience. Therefore, matching online price or tactical cross-channel promotions integration cannot simply hold for long. Every channel should be able to talk to each other and leverage the necessary data to drive the next interaction in the customer journey. In addition, omnichannel fulfillment-led supply chain innovations have blurred fulfillment between stores and online orders, leaving technology limitations or lack of a single platform as the only possible hindrance.

- **Personalized promotions:** Customers are increasingly seeking personalized promotions and discounts. However, both ecommerce platforms and stores are struggling to manage and scale up,

with each channel adopting disparate logic and redundant personalization. This makes the realization of a single view of promotion and customer engine a complex task. Also, many of the existing promotion platforms lack the capability to build personalization rules across channels.

- **Algorithmic promotions:** Algorithmic retail is driving the future of retail. Promotion platforms are expected to derive centralized analytics and insights to create promotion strategies in real time. This requires a unified promotions platform with an intelligence layer that can garner promotion and customer interaction data across channels and build algorithms to predict promotion strategies or campaigns to reap exponential business value. For

example, COVID-19 type scenarios can be run through a model to understand how promotions can potentially change shopping behavior.

- **Unified commerce:** The future is already here. As per the BRP survey, 86% of retailers have or plan to implement a unified commerce platform by mid-2021², and as per IDC Worldwide Retail 2020 Predictions, 80% of retailers will have implemented a retail commerce platform by 2021³. Retailers need to rethink the way price, promotion, and marketing systems are managed. Headless architecture, cloud, etc. are driving the way digital enterprises will be built in the future. Business capabilities and the related systems are being decoupled and evaluated to align with evolving customer journeys. And, promotions cannot be an exception.

² BRP, '2019 Unified Commerce Survey' (May 2019), accessed May 2020, <http://marketing.us.fujitsu.com/rs/407-MTR-501/images/Unified%20Commerce%20Survey%20-%20Fujitsu.pdf>

³ IDC, 'IDC FutureScape: Worldwide Retail 2020 Predictions' (October 2019), accessed May 2020, <https://www.idc.com/research/viewtoc.jsp?containerId=US45588719>

Key Capabilities of a Unified Promotions Engine

A unified promotions engine provides the ability to manage promotions centrally with a single version of truth and consistent real-time promotion logic. The following are the key capabilities of a unified promotions engine:

- **Single repository of promotions:** All promotions and offers from various ERP or stand-alone systems across channels can be imported into a single repository of promotions (in a commonly accepted format) through transformation logics. Through a common API logic, the unified promotions platform can seamlessly integrate with applications such as ERP master data, CRM, ERP promotion management, offer systems, and

campaign management. This repository can drive enterprise promotion capabilities with flexible templates and rules aligning with holistic business goals. The key challenge of this capability is to apply transformation across different promotion template or formats to be delivered across channels.

- **Flexible omnichannel promotion management:** Provides the ability to execute new omnichannel promotion types or rules across channels and customer touchpoints (PLP, PDP, POS, self-service kiosks) through real-time microservices/APIs. The promotion types or rules can be easily mapped to products (single, categories, sub-categories, etc.), customers (individual



or segment), stores (region, hierarchy, formats), and channels (stores, online, or both). All sales applications can connect with this single source of promotion mapping to deliver a consistent omnichannel experience. Note that the promotion configuration rules will be driven by business goals with flexibility across multiple data dimensions and independent of channel limitations. The promotion API can be delivered seamlessly at any point in the customer journey (from content, search, PLP, PDP, POS checkout, social, etc.) without any intervention.

- **AI-powered promotion execution:**
A unified promotions platform with real-time and single view of customer and promotion usage insights helps to optimize promotions, and execute run-time, intent-driven personalized

promotions. For example, based on the context and previous purchase history, offering a 5% discount on diapers to a father will be more relevant than offering a 10% discount on kitchen utensils. Promotions can also be created automatically with AI-led approach as a future strategy based on predefined goals, and the data insights or sets could be used for Machine Learning to improve promotion effectiveness.

Challenges in Realizing Unified Promotions

While there is some clarity around how different business capabilities such as customer management, product content, inventory management, and order fulfillment can be centralized to derive a single version of truth in a headless commerce world, retailers are still exploring the options for unifying the promotions capability. The following are the common challenges faced by retailers:

- **Promotion paradox:** Today, retailers offer various types of promotions (discounts, offers, coupons, etc.) across channels. While stores use ERP applications or POS systems to manage promotions, online/mobile channels use an ecommerce promotion engine (see Figure 1). There are also multiple systems such as campaign management, coupon, and

marketing that feed into promotion systems in different ways. As customers culminate towards a unified brand experience, retailers cannot afford to have multiple logics and integrations points to support the future promotion strategies. Generally, there are three critical steps in managing promotions—create a promotion type based on the predefined templates, map them to products/customers/stores based on the configured rules, and execute the promotion by applying service logic (to calculate the new price or total value). Therefore, merchants and marketers need sophisticated promotion management tools that streamline processes between online and stores in a quick, easy, and cost-effective way.

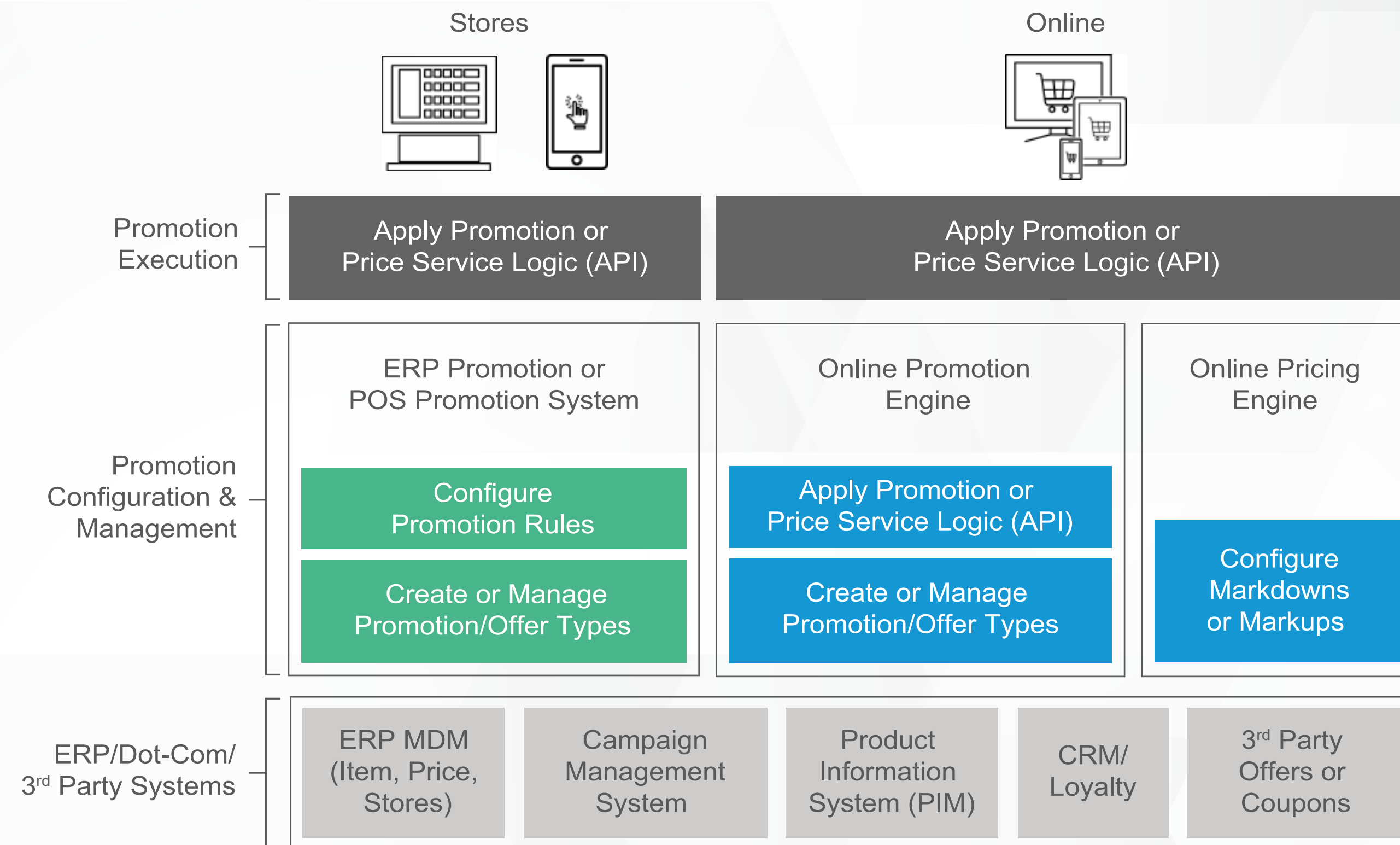


Figure 1: Disparate promotions (current state)

- **Omnichannel friction:** Matching or setting up an omnichannel promotion across stores and online is a challenge. Firstly, the promotion types vary between stores and online; online tends to have more options. Secondly, disparate technology platforms pose

additional burden. For example, some retailers use disparate products or platforms from multiple vendors across commerce, promotion, and planning. There could be inherent functional limitations in each of these systems that restrict omnichannel promotions.

Most often, omnichannel promotions are realized through complex integrations or manual workarounds such as setting up two different systems with redundant data and logic. Retailers also have to contend with technical and operational challenges.

- **Decoupling dilemma:** Retailers using off-the-shelf ecommerce platform are forced to migrate/upgrade to a new version as the platform will no longer be supported. In addition, retailers strongly believe that they need to decouple the ecommerce capabilities (the front-end from the back-end) to create a custom-built headless commerce platform as part of their future strategy. This leaves them in a dilemma over whether to leverage the existing online ecommerce promotion and pricing engine or deploy a third-party promotion platform to flexibly manage omnichannel promotions.

How Do We Approach It?

Retailers need to map the end-to-end process from the strategic and operational perspective, independent of channels and systems. This is quite similar to the steps for building unified commerce capability. By balancing both the current and future promotional strategies, they need to align the capabilities with customer expectations. Platforms, processes, and data need to be consolidated with a unified view (from different promotion/related systems) and additional capabilities such as AI-led personalization could be built in a phased manner.

- **Phase 1 - Hybrid Promotion:** Deploy the unified promotions platform on top of the existing systems (see Figure 2). It can inherit all the existing promotion types and logics to maintain a single version of truth. While

the existing channel-specific promotions can continue using the existing systems, launch new omnichannel promotions via the unified platform. This can continue until all promotions are managed and executed through the unified platform.

- **Phase 2 - Unified Promotion:** When the unified promotions platform consistently delivers a seamless and stable experience, retire redundant systems such as the online pricing tool, ERP promotion platform, and POS promotion system. This platform will now provide the single version of truth and deliver unified promotion logic across channels and touchpoints at a single click, with the ability to build intelligent and autonomous promotion management that could reap exponential business value.

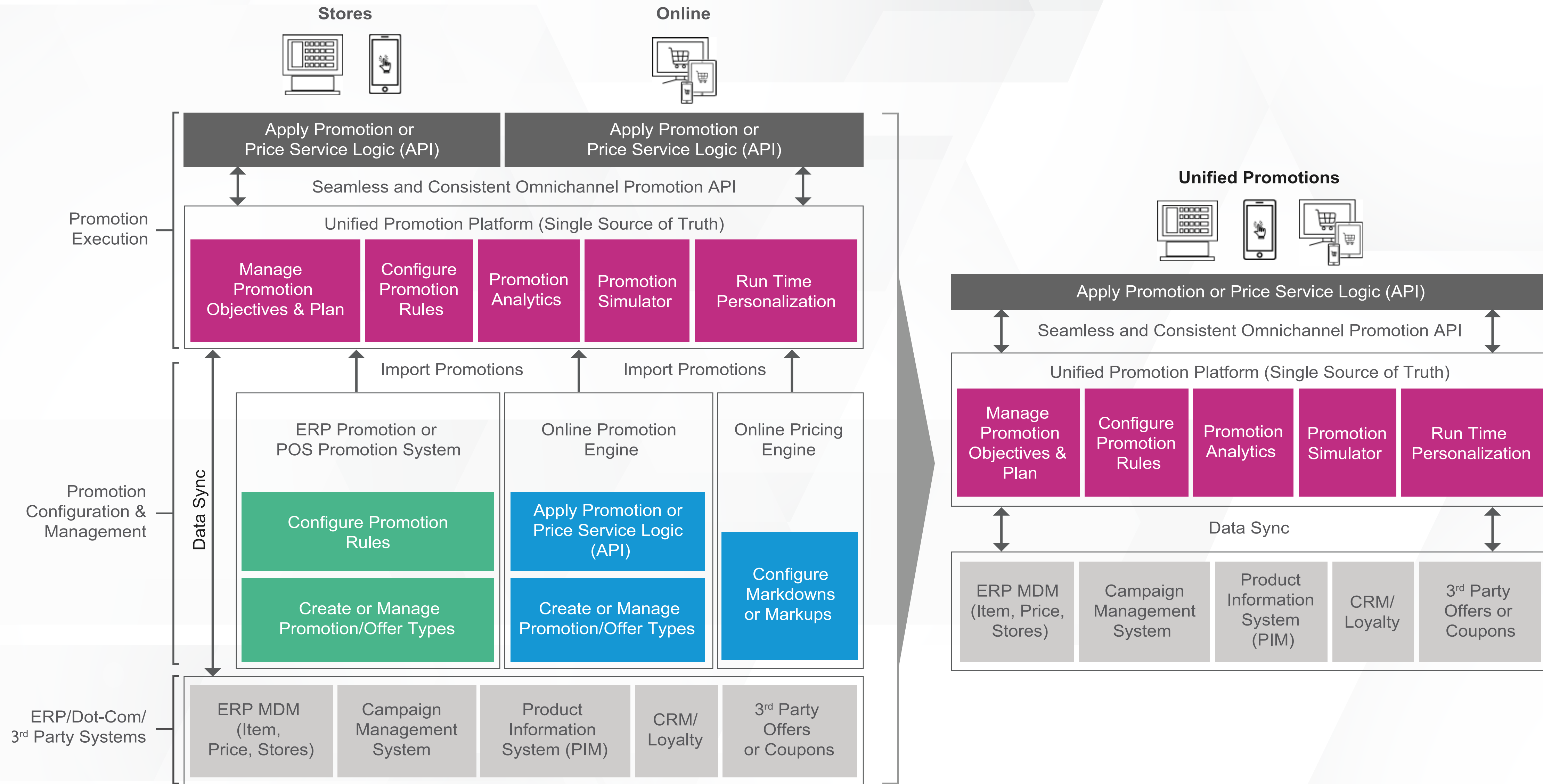


Figure 2: Unified promotions

The main objective is to reduce redundancy and build a futuristic platform. The following are the key recommendations to approach unified promotions:

- **Align key business functions** such as omnichannel marketing, omnichannel commerce, and merchandising to define the business objectives, metrics, end-to-end processes, and roadmap. This should be defined as a long-term strategy rather than a mere short-term integration plan.
- **Identify and design configuration capabilities with unified business rules** aligning with key omnichannel promotional use cases.
- **Identify promotional use cases/ customer journeys** mapping to business goals and customer experience, usage metrics or KPIs encompassing customer engagement, omnichannel sales, inventory turn around or product availability, etc. For example, retailers can offer promotions to download apps to increase customer engagement and sales.
- **Apply promotion API/service** at specific touchpoints aligning with omnichannel use cases. For example, promotions availed through online shopping carts can be accessed from POS systems and customers could checkout from stores—all through a single API call used by online and stores, respectively (same promotions at both ecommerce PDP and POS basket screen).

About the Author



Harikrishnan S

Retail Technology and Business Consultant, TCS

Harikrishnan has over 14 years of industry experience working with global retailers across various retail formats. He has been part of key engagements focusing on algorithmic retailing-led business growth initiatives, digital transformation, enterprise agile transformation, and omnichannel retail. He has significant experience in both Online and Stores, and is passionate about helping retailers create a unified commerce platform. He currently leads the global sales and consulting for TCS OmniStore™.

Conclusion

As we embark on a new beginning, the world of technology is seeing an unprecedented drift with headless commerce, cloud, AI, and human centric design. Combined with widespread pandemic like COVID-19, managing different promotion platforms/systems with inherent technical and operational challenges will have significant impact on the future promotional strategies.

With advancement of in-store technologies and demand for omnichannel promotions, a unified promotions platform has huge potential to bring the needed agility and flexibility for retailers to respond. Retailers who offer a remarkable experience from the

beginning to the end, no matter where or how a person shops, will create the long-term customer loyalty that inevitably leads to long-term business profitability.

About TCS Retail

TCS Retail partners with over 100 global retailers, driving their growth and digital transformation journey. We are solving their toughest challenges by harnessing our deep consulting and technology expertise, amplified by strategic investments in products and platforms and research partnerships with top universities; a co-innovation ecosystem of over 3,000 startups; and Nucleus, our in-house innovation lab.

Retailers worldwide are adopting the TCS Algo Retail™ framework, a playbook for integrating data and algorithms across the retail value chain, thereby unlocking exponential value. TCS' portfolio of innovative products and platforms include the AI-powered autonomous retail optimization suite TCS Optumera™, universal store commerce platform TCS OmniStore™, and integrated AI-driven enterprise personalization suite TCS Optunique™ that are powering the future of retail. Our solutions and offerings leverage the combinatorial power of new-age technologies to make businesses intelligent, responsive, and agile. With a global team of 40,000 associates, we are powering growth and transformation among leading retailers worldwide.

Contact

For more information on TCS' Retail Solutions and Services, please visit <http://on.tcs.com/TCS-Retail>

Email: marketing.retail@tcs.com

About Tata Consultancy Services Ltd (TCS)

Tata Consultancy Services is an IT services, consulting and business solutions organization that delivers real results to global business, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled, infrastructure, engineering and assurance services. This is delivered through its unique Global Network Delivery Model™, recognized as the benchmark of excellence in software development. A part of the Tata Group, India's largest industrial conglomerate, TCS has a global footprint and is listed on the National Stock Exchange and Bombay Stock Exchange in India.

For more information, visit us at www.tcs.com

All content/information present here is the exclusive property of Tata Consultancy Services Limited (TCS). The content/information contained here is correct at the time of publishing. No material from here may be copied, modified, reproduced, republished, uploaded, transmitted, posted or distributed in any form without prior written permission from TCS. Unauthorized use of the content/information appearing here may violate copyright, trademark and other applicable laws, and could result in criminal or civil penalties.