

From Point of Service to Point of Differentiation

Abstract

The promise of a seamless omni-channel customer experience is the Holy Grail of retailing today. However, delivering a unified omni-channel experience is a work-in-progress priority for retailers, with many still in the foundational stages of transformation, constantly playing catch-up with the latest technologies.

Innovative PoS Platforms Driving Omni-Channel Transformation at Stores

In their journey to omni-channel transformation, retailers have had to rethink and reshape their strategies along the way. For instance, when Amazon and eBay lead the e-commerce tsunami, many predicted doom for brick-and-mortar stores. This led to a tidal wave of investments in digital channels, and stores remained under-funded for a long time. But gradually, retailers realized that in order to extract the most value from digital channels, they would require the support of their brick-and-mortar stores. This gave rise to innovative business models like 'Click and Collect', 'Ship from Store' and several others to serve omnichannel customers. Even so-called pure play e-tailers such as Warby Parker, Bonobos,¹ and online retail giant Amazon² are seen experimenting with physical storefronts.

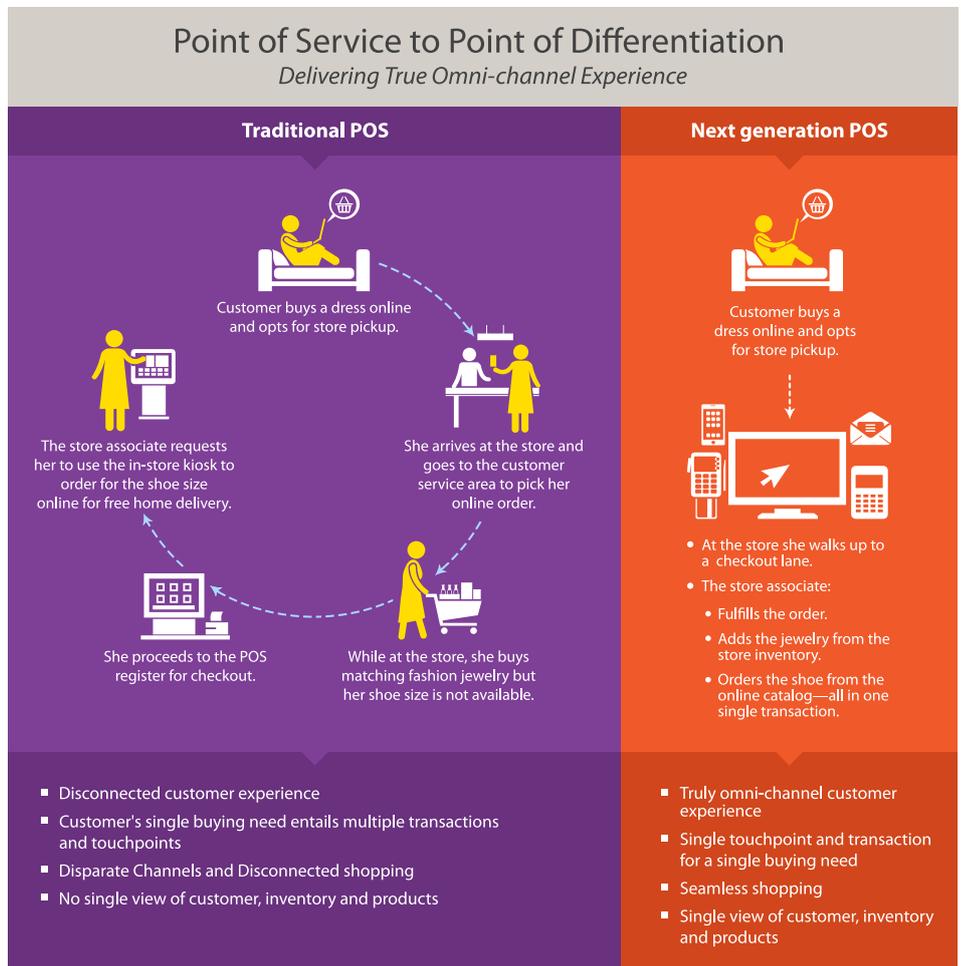
Today, stores are still going strong, contributing to over 90 percent of retailers' revenue.³ Further, stores are gradually becoming the hub of omnichannel commerce, prompting retailers to further spend on store transformation. The onslaught of technology disruptions and ever-changing consumer expectations are also pushing the industry to reimagine stores in a new avatar—one that coexists harmoniously with digital channels. POS platforms that include the register, mobile devices, tablets, kiosks, and so on, are essentially the point of convergence for all omni-channel transformation.

Interestingly, small and medium retailers have taken a leap in terms of providing faster and easier checkout experience and payments using Square and Paypal. However, the big brothers of retail are still lagging behind, and hence, are unable to meet the customers' expectations of seamless and personalized experiences. To achieve the omni-channel vision, POS platforms need to evolve rapidly—both in terms of technology and functionality—to enable Unified Commerce at stores. The POS should not only address today's consumer needs but also be future proof, thus requiring retailers to embrace innovation systematically. This will deliver a true 'boundary-less commerce' experience, helping retailers innovate systematically and reimagine the checkout experience at the store.

Why your POS must evolve into a Point of Differentiation

POS platforms have traditionally worked at the point of sale, delivering capabilities to complete a retail transaction within a store. With the expansion of their capabilities to include sales, returns, customer orders, inventory management, financials, and so on, these platforms gradually transformed into being the 'Point of Service'. This allowed retailers to consolidate functions that were earlier being carried out manually or through separate platforms. However, it also resulted in POS platforms becoming large, monolithic, and difficult to customize.

Today, there are very few large multichannel retailers who have been able to unify commerce and experience across all transaction channels. Deeper analysis reveals that this is largely due to the closed architecture of current POS systems, which have significant integration challenges, making them inflexible to adapt to evolving omni-channel needs. These challenges are serious impediments to supporting the retailer's future growth ambitions and development of new business lines.



Building better point of service capabilities is therefore critical for retailers who want to survive in an omni-channel environment. Those looking to stand out must go beyond incremental changes and embrace innovation to make the point of service the point of differentiation. Retailers can deliver rich omni-channel shopping experiences by having their POS interact in real-time with their other channels, and enterprise and back-office systems.

Retailers operating under different formats and segments are likely to experience slight variations in such use cases based on their unique business models and customer requirements. A POS platform should therefore be flexible enough to support different business models and shopper needs while making a positive impact on customer experience and the retailer's top-line.

Five Characteristics Your Next Generation POS Platform Must Have

Delivering a true point of differentiation through POS systems implies challenging the status quo and innovating creatively to build next generation POS platforms with the following characteristics:

- 1. An open platform that seamlessly integrates with your e-commerce platforms and order management systems:** Having a 'universal cart' that is available across channels can make the consumers' shopping experience so much simpler. This is especially true in the case of specialty retailers where consumers research across channels and shortlist items in their cart or wish list before making the final purchase. For a channel-hopping customer, the 'universal cart' offers great convenience and can only be enabled through POS and e-commerce integration. POS platforms that are integrated with order management systems also play a crucial role in the execution of omni-channel transactions by simplifying order modification and store pickups. An ideal approach to this integration is to adopt a services-based approach for seamless yet loose coupling of various systems.
- 2. Ability to co-exist with, and leverage in-store sensors and mobile devices:** Consumers today use a wide range of mobile devices for product discovery, research, and purchase. Store associates can leverage mobility for delivering better customer service or managing inventory. With the rapid developments in the Internet of Things (IoT)

technologies, and the surge in mobility, retailers are under immense pressure to develop next generation POS platforms, which can communicate with different devices and sensors to support future business demands.

- 3. Shopper engagement throughout the path to purchase:** Assisting consumers across the channels on their path to purchase is critical to improving conversions of fence-sitters. By leveraging the rich interaction data from across such channels, next generation POS platforms can deliver personalization through targeted offers that drive purchase. This contextual customer information when available to the store associate through simple and intuitive interface will also help them to improve in-store sales by cross-selling and up-selling when the customer is in the store.
- 4. Enable secure omnichannel payments:** The changing buying behavior of consumers makes it imperative for a future POS to enable secure and convenient payment experience. The next generation POS platforms are expected to facilitate secure and seamless processing of payments across in-store and ecommerce platforms. A single global tokenization across all channels should be available to make cross-channel transactions feasible to allow consumers to use the same card across all platforms.
- 5. Ability to evolve and upgrade quickly:** Rapid advancement in technologies, changing consumer behavior, and economic fluctuations across the globe do not allow retailers to stop after just one transformation. They have to constantly raise the bar in providing superior customer experience. Next generation POS platforms therefore must be agile, easy to prototype, quick to roll out, and support faster upgrades. Many of these capabilities are currently beyond most of the traditional POS platforms. However, through systematic innovation along the journey from the point of service to the point of differentiation, retailers can deliver a true omnichannel experience to their current and future consumers.

Conclusion

POS platforms have been the backbone of retail organizations since the advent of modern retailing decades ago. However, the digital age calls for a complete reimagination of the point of service. More than ever, there is a need for innovation that will allow POS platforms to act like the 'information highway'—connecting different channels and becoming the point of convergence of omnichannel transformation. By innovating systematically, retailers can go a long way in realizing the point of differentiation and ultimately delivering superior customer experience through world class solutions for payment, promotion, and personalization.

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