

Will All Retail Journeys End Up in the Cloud?

Research shows that a holistic approach to retail transformation is needed, one where journeys, stores, and business operations are managed together as a whole. In turn, this requires a robust yet flexible technology foundation that offers retailers enough room to grow at their own pace, while keeping options open towards future technologies. We talked to Emily Pfeiffer, Senior Analyst at Forrester, and our own Nicolas Pelletier after the webinar “Will All Retail Journeys End Up in the Cloud?”, where Emily was invited as a guest speaker. Diebold Nixdorf asked both experts five questions about the future of retail and the characteristics of a technology foundation that support this future best.



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WHAT DO YOU SEE AS THE MAIN DRIVERS FOR ADOPTING CLOUD TECHNOLOGY IN RETAIL?

Retailers are learning that they don't need to be “in the software business” to get what they need from their systems. Cloud-native solutions can be faster and easier to upgrade, and they often need fewer customizations than the legacy solutions retailers have had in place for years — or decades. When these solutions do need custom work, it's done separately from the core code so that vendors can roll out new innovation seamlessly. Retailers need solutions that react faster, both in the moment with customers and to changing market needs. In either case, the right cloud technology can enable this agility.

Customer journeys are rapidly evolving, and their demand for seamless buying experiences across all blending channels is growing. To cope with these expectations, retailers need to become more agile, faster, and efficient. Cloud technology allows retailers to deliver new business capabilities faster, at better predictable costs. Legacy IT systems hinder this process as these are usually complicated to integrate with new technologies and not time-to-market prone. Thus, the need to adapt to new businesses' demands is advancing and accelerating the adoption of cloud technology.

WHAT KEY CRITERIA SHOULD RETAILERS KEEP MIND WHEN EVALUATING CLOUD POS SOFTWARE?

The “feature checklist” vendor selection process should become only a small part of modern evaluations. Focus on outcomes and on which larger functional areas the POS needs to cover now. Retailers should move quickly to the deeper questions about their experience. A modern POS should create a stellar user experience for in-store associates so that already challenged staff don't face huge on-ramps or lengthy training. Look for solutions that remove the burden from retailers for custom development, hosting, maintenance, and upgrades so stores can focus on their customers.

Retailers should keep in mind that the cloud is the vehicle, which should not hinder that POS software must primarily allow them to easier perform daily functions and maximize organizational potential by delivering the features, functions and services that their business requires. Most retailers will look for standardization and will want to get the best out of the software products they choose, but let's face it, retail is still a world where adaption and personalization play a significant role. With POS software that is cloud-native they can leverage microservices, which allows them to quickly compose new customer journeys, deliver innovation and update functions and features they need. In addition, retailers should look for a POS software that is touchpoint and channel agnostic to allow service reuse as much as possible.

WHAT IS YOUR TAKE ON CLOUD-NATIVE VERSUS CLOUDIFIED SOFTWARE?

Software that was built cloud-natively is fundamentally different from solutions that were moved to the cloud. Cloud-native tech is usually versionless, so it's always up to date. It scales instantaneously, so it's always fast, and it's constantly introducing new features because the vendor doesn't have to invest in supporting back versions. Cloudified tech doesn't have these characteristics. At most, the vendor can serve it via a cloud subscription. But moving the hosting work from retailers to vendors doesn't make the software cloud-native, nor does it necessarily improve the speed of delivery, ability to ingest new innovation, or total cost of ownership.

Traditional software applications were frequently created as independent, “siloeed” solutions and usually deployed all at once. Cloud-computing, however, has changed this. Requirements that are considered nonfunctional, such as security, scalability, and performance, but also ease of deployment, upgradeability, and openness to use the POS software in a wider technology ecosystem become as crucial as the functionalities provided. These non-functional capabilities have an impact on the fundamental architecture of a software solution and cannot be easily addressed by merely “cloudifying” existing software solutions. Hence, to get the full benefits of cloud computing, cloud-native software solutions should be built from the ground up, where these nonfunctional requirements have been correctly architected from the beginning while leveraging open cloud standards.

DO YOU THINK RETAILERS ARE READY TO EMBRACE CLOUD IN THEIR DAILY OPERATIONS?

Retailers know they need technology and infrastructure that enable agility and quick pivots. They also have a lot to overcome to get there, from limited Wi-Fi in stores to long-standing, highly customized systems that are seemingly impossible to rip and replace. The move to cloud is inevitable in many areas of the retail tech ecosystem, but the move itself will take time. Retailers must make incremental replacements to their legacy tech, but that's the beauty of cloud-native applications: They are modular. Retailers can carve out functions to replace, slice by slice, to modernize their tech and move it out to the cloud (closer to the customer). This lets them swap out tires while still running the business. They can't just pull over and get a new car while customers wait.

I think most retailers are, and some retailers will take longer to get there. There are digital native retailers that started with a cloud-first approach who are taking full advantage of the ability of the cloud to scale as needed. For more traditional retailers, digital transformation, which was once a luxury, is now a necessity, and the acceleration of digitization has led to the widespread deployment of efficient cloud ecosystems. Some of them have already migrated to cloud technology, but let's be honest, there are retailers that are still burdened by their legacy systems, and this makes it harder and slower for them to transition. Nevertheless, a gradual adoption is possible, if you use a cloud platform or software that is open and modular. It does not require a big-bang approach, but can be done step-by-step in a controlled way, using a best-of-breed approach.

WILL ALL RETAIL JOURNEYS END UP IN THE CLOUD, OR DOES THE STORE STILL HAVE A ROLE TO PLAY?

We forecast that three-quarters of retail sales will still conclude in stores in 2025. But that doesn't mean the retail journey needs to be fueled by outdated technology. More retail journeys now start in the cloud than ever before, as customers research products, check availability, or place orders for pickup. And the tech that completes the purchase is, increasingly, cloud-native. Of course, the physical store isn't going anywhere, but its legacy tech should.

I believe most of the journeys will end up in the cloud, but this in no way means that the role of the stores is diminished; it is rather the opposite. We could even say that the benefits of cloud technology apply primarily in the store environment. With the increasing competition and demand for omnichannel retail, as well as changes in customer expectations, retailers can take advantage of cloud computing, as this allows them to easily scale up or down, quickly adapt to market changes, reduce IT costs, and improve customer experience. Nowadays, cloud technology is becoming one of the major investments for all sizes of organizations. And again, this is not to say that physical stores will not have a role to play in the future, but its role will change, and is already changing and evolving into a fulfillment center position, while reinforcing its role of a privileged place by offering a more experiential commerce.

THE TAKEAWAY

In today's omnichannel retail world, it is challenging for retailers to adapt to rapidly changing customer journeys, supply network, fulfillment strategies and business processes. Cloud-native software makes it easier for retailers to respond to this constant changing environment, with its exponential scalability and microservices architecture. It offers them the flexibility and efficiency they need. Therefore, now, more than ever, retailers should consider cloud-technology and assess its benefits for their customers and organization. [Explore our cloud platform approach and solutions here.](#)