**Connected** Store

# THE WHAT, WHY AND HOW OF OMNI-CHANNEL

## THE WHAT

Historically, a retailer's channels would be brick and mortar stores, maybe mail order catalogues…and that's about it. And for most retailers, nothing's changed! But it needs to because along with the internet a number of other channels and models evolved to compete for business.

For retailers, omni-channel retailing is simply about the ability to fully and appropriately meet consumer demands. In one sense, omni-channel retailing means moving from a channel-centric operating model (built entirely around the store) to a customer-centric one that's built around whatever makes the customer tick.

And part of what makes the customer tick has been shaped by the internet. They are information-hungry, price-savvy, and mobile-empowered. They expect a consistent experience across retail channels and touch points, wherever they are, whenever they want. In other words, no matter where they are on their path to purchase - consideration, research, review, sharing, visit, comparison, sign-up - shoppers must be recognized and engaged as a single persona, giving them a single view of the retailer.

This means transitioning from "opening the channels" through to "connecting the channels" and ultimately to "blending the channels."
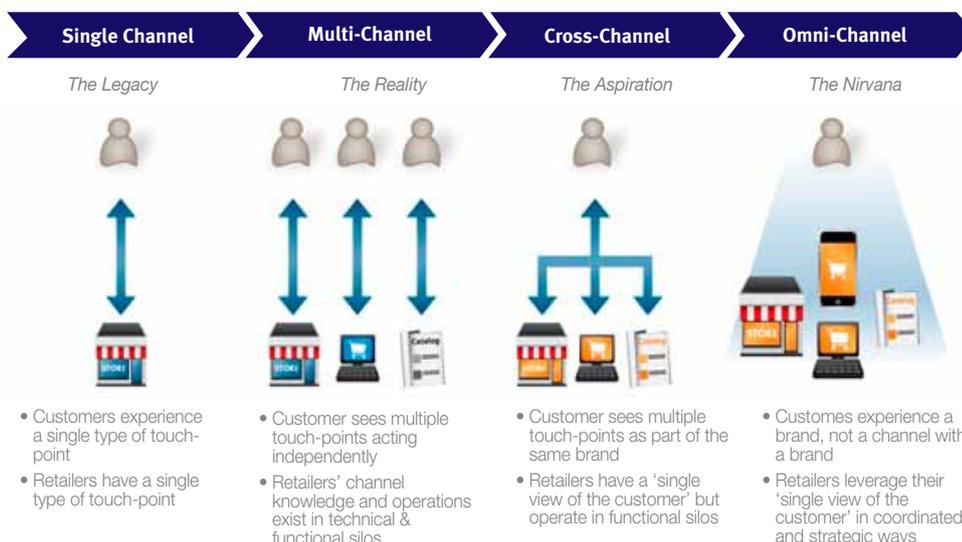
Today these channels may involve integrated websites, M-sites, social media, online coupons and loyalty, digital advertising, click and collect or home delivery, blogs and of course the store itself possibly equipped with responsive digital signage, interactive tablets or kiosks, digital merchandisers, shopping apps, geo-location devices, QR codes and so on. And there's more coming with the growth of technologies such as NFC and augmented reality.

Whilst multiple customer portals present a breadth of engagement; there also needs to be a depth of engagement. A "me too" approach is no longer enough – are you empowering the consumer? Are you innovating via these channels? Having an unfulfilling customer journey is as bad as not having that channel. In the words of the late Apple CEO, Steve Jobs, you must continue to "delight and excite" the consumer – through all the channels.

The good news for traditional retailers is that the channel you have already invested in so heavily, your stores, will continue to play a central role as you move toward omni. You have a great opportunity to leverage their natural advantage as physical customer touchpoints, there's no digital equivalent to the touch, feel, hear and smell that stores can deliver and it's no accident that Google and Amazon are planning physical store rollouts.

So omni-channel retailing for traditional retailers also means bringing customers back to the store at every opportunity, and then delivering to their digital expectations within the store. Sometimes this strategy is called 'clicks and mortar'!



| Single Channel | Multi-Channel | Cross-Channel | Omni-Channel |
|---|---|---|---|
| *The Legacy* | *The Reality* | *The Aspiration* | *The Nirvana* |

- Customers experience a single type of touch-point
- Retailers have a single type of touch-point

- Customer sees multiple touch-points acting independently
- Retailers' channel knowledge and operations exist in technical & functional silos

- Customer sees multiple touch-points as part of the same brand
- Retailers have a 'single view of the customer' but operate in functional silos

- Customes experience a brand, not a channel within a brand
- Retailers leverage their 'single view of the customer' in coordinated and strategic ways

# THE WHY

This you probably know: because new digital channels are impacting heavily traditional retail.
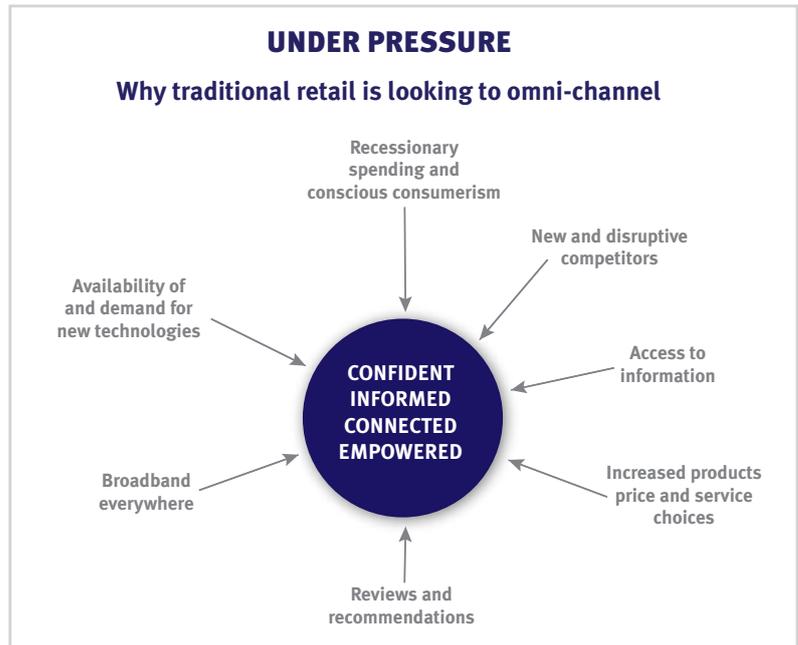
Conventional wisdom said that 70% of purchase decisions are made in-store but, driven by instantly accessible real time shopping information, an ever-growing share of decisions is being made online before the store is even entered. Now, consumers simply use a range of different tools and inputs whilst moving through the path to purchase, and many of these provide potential touchpoints for the retailer. According to Google's Zero Moments Of Truth (ZMOT) analysis, consumers on average research 10.4 pieces of content before making a purchase (note, this has increased 2-fold from 5.27 in 2010). Nielsen found 63% of mobile shoppers have compared prices with their smartphone while shopping in-store or on their home computer.

Mobiles are anticipated to influence 1 in every 5 retail sales by 2016. Smartphone penetration in Australia is nearing 60% and mobiles are big news for in-store interactive with retail apps, comparative shopping sites, price-finding sites, geolocation marketing, barcode scanning all here to stay.
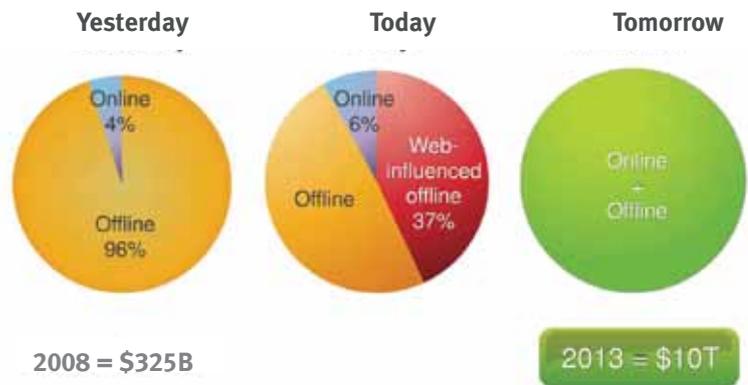
Omni-channel extends into the store in the form of location-based apps, digital signage displays and interactive screens. Tablets loaded with the right interactive information and videos can be used to guide customers through complex information, providing product comparison and demonstrations that would be impractical otherwise. When shoppers received guidance from a staff-member armed with a tablet, 43% reported an improved shopping experience according to a Motorola sponsored report.

Woolworths was amongst the first major Australian retailers to launch an app (which included the ability to scan a product's barcode, add it to their shopping list, and then order and pay for their groceries, which are home delivered). Since then it has had nearly 2 million downloads. As you can imagine, Coles had to scramble to launch their own app.

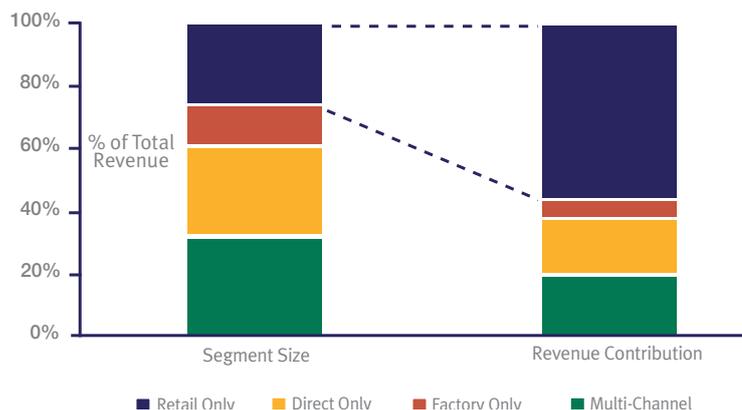If traditional retailers do not meet their customers where they shop, they will simply lose sales.

## UNDER PRESSURE

### Why traditional retail is looking to omni-channel



Recessionary spending and conscious consumerism

New and disruptive competitors

Availability of and demand for new technologies

**CONFIDENT INFORMED CONNECTED EMPOWERED**

Access to information

Broadband everywhere

Increased products price and service choices

Reviews and recommendations

## HUGE OPPORTUNITY: TAKING THE "E" OUT OF ECOMMERCE



**Yesterday**

Online 4%
Offline 96%

**Today**

Online 6%
Offline
Web-influenced offline 37%

**Tomorrow**

Online + Offline

**2008 = $325B**

Source: Forrester, Euromonitor and Economist Intelligence Unit

**2013 = $10T**

Dollar values are US retail



% of Total Revenue

Segment Size — Revenue Contribution

■ Retail Only   ■ Direct Only   ■ Factory Only   ■ Multi-Channel

# THE HOW

Not all channels are equal, and not all are for everybody but businesses need to develop a healthy mix between each to drive growth, reach new customers, and most importantly, avoid 'having all their eggs in one basket'.

You are not going to become an omni-channel retailer overnight. It's about carefully opening channels and ensuring integration as you progress. The new channels need to be built around the store channel without overly cannibalising it.

Your brand strategy will be executed across all channels. It needs to be clear and sufficiently elastic to allow business-wide application.

Branding is important but less so than availability through the newly opened channels, many larger retailers struggled with how to brand themselves online and moved too slowly as a result.

## Practical difficulties of integrated omni

Typically, the larger the company, the harder it is for them to expand into many channels effectively. Each of the channels requires individual funding, technical development and integration into the organisation as well as each other.

Although no effort should be spared in developing a forward-looking omni-channel strategy, reality must play a big role when considering the practicalities of integrating systems.

For retailers with big legacy systems, cross-channel and even cross-store business transactions is difficult to achieve because it requires active, ongoing integration between headquarters/store systems and all customer touch points – requiring high investment.

## Pragmatism will be required.

One multichannel customer experience report (by eConsultancy) indicates that 48% of companies still haven't integrated their mobile app into the overall customer experience.

To support converged and truly effective omni-channel retailing, traditional barriers must be torn down between in-store, online and mobile channels.

A good starting point may be to consolidate all shopper data into a single, unified repository if it isn't already. The ability to extract the data and business logic from the front-end interfaces that serve in-store touch points, online storefronts and mobile applications is important, and this may require a common-code base that eliminates traditional barriers between the different sales channels.
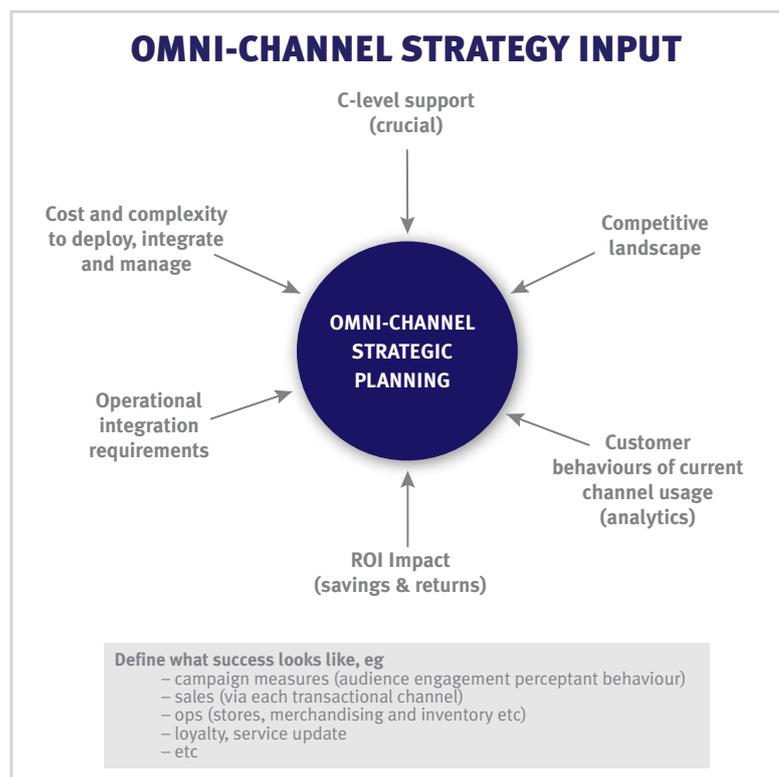
A long-term view will need to be taken regarding investment. In the grocery sector, for example, it has been reported that Tesco, ASDA, Sainsbury's and Waitrose all make a loss on their online delivery operations. Despite this, an increasing number of retailers are finding that they cannot afford to ignore this channel. (It's worth mentioning here that many retailers have also opened up profitable new revenue streams with new channels).

Because of all this, moving toward omni-channel will require executive alignment as it impacts all parts of the organization.

Pricing and merchandising may be tailored to local markets, stores or even to individual shoppers. Budgets as well as personnel roles, KPIs and workflows may need to change. Staff may need to be retrained. Perhaps even the organisational structure will need to adapt.

Attention needs to be given to the application of newly gathered customer data to traditional retail practices executed by merchandise planners and buyers to be actionable in the inventory management processes and the logistics that support them. Feedback and adjustment loops need to be integral.

Many retailers have customer engagement strategies around new channels for example social and mobile, but few are yet sure how they would be incorporated into a retail inventory management strategy. Localization is conflicting

## OMNI-CHANNEL STRATEGY INPUT

C-level support
(crucial)

Cost and complexity
to deploy, integrate
and manage

Competitive
landscape

**OMNI-CHANNEL
STRATEGIC
PLANNING**

Operational
integration
requirements

Customer
behaviours of current
channel usage
(analytics)

ROI Impact
(savings & returns)

Define what success looks like, eg
– campaign measures (audience engagement perceptant behaviour)
– sales (via each transactional channel)
– ops (stores, merchandising and inventory etc)
– loyalty, service update
– etc

with globalization. Better customer data enhances the ability to develop localized product assortment plans; however, retailers are still coming to terms with the global reach of online channels. The balance makes a unified view of process, e.g. returns/exchanges, in all channels difficult.

Similarly store design and operations maybe impacted, from staff training and local stock level requirements, right through to the most appropriate store size and location characteristics.

Of course marketing has a central role to play in delivering the brand and the user experience, as well as creating and managing content across all channels, perhaps in new formats.
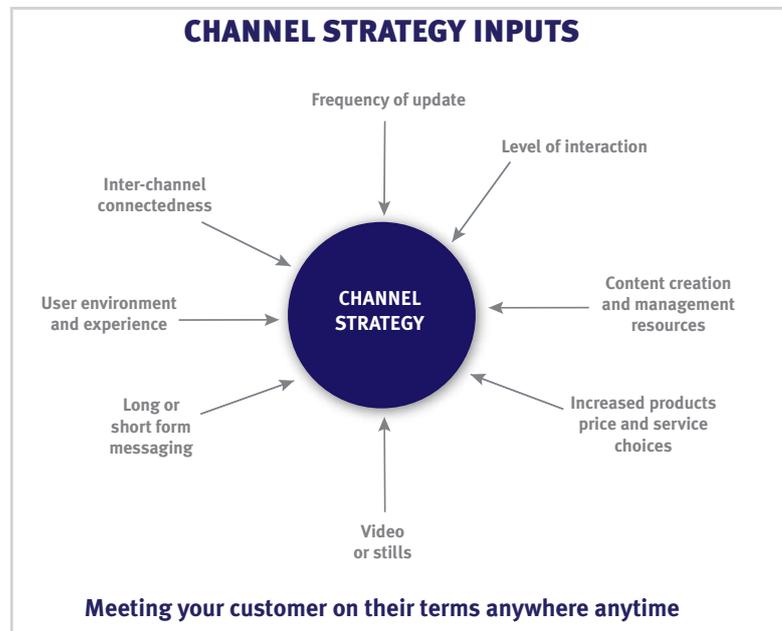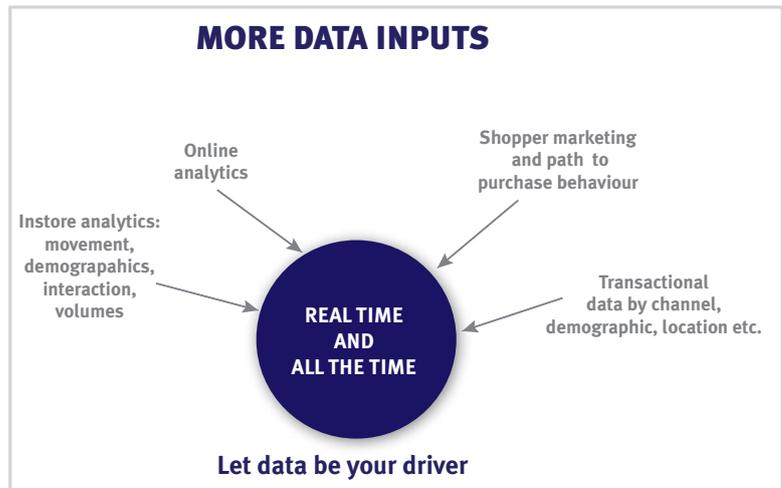
## Connected store can help you

To re-iterate, moving from a channel-centric to customer-centric operating model requires executive alignment and impacts all parts of the organization.

As your Omni-channel Innovation Enabler, we provide five solutions that guide you through your journey to multi-channel:

- Effectiveness Surety: Shopper journey, data and channel opportunity analysis

- Strategic Clarity: development process including omni-focused audit of current systems, resources and channels, maturity indexing, priority modelling and option scoping, examination of brand delivery across touchpoints

- Accelerated Integration: decrease time-to-market through facilitated collaboration, identification of barriers and clarity on structural impediments

- Flexibility and Versatility: through incremental and modular delivery

- Cost Effectiveness: aligned scoping to ensure technical options are appropriately specified and viable, vendor options provided and procurement process is well directed

- Scale and Reach: end-to-end service and delivery options

You will need external assistance to arrive at the objectivity and impartiality needed to develop your omni-channel plans, not to mention a sufficiently broad expert view that encompasses retail marketing, operations and the array of technologies available and the vendors and integrators that provide them.

It is precisely with this need in mind that Connected Store has been created.

## MORE DATA INPUTS



**Let data be your driver**

## CHANNEL STRATEGY INPUTS



**Meeting your customer on their terms anywhere anytime**

Make no mistake, it'll be quite a journey, and no retailer in the world has yet completed it. But you need to make a start, which is where Connected Store can help.

*"Building interrelated integrated channels is critical, as is bringing customers back to the physical environment at every opportunity - this should always be the mantra of the overall shopping experience and it is certainly critical to a retailers profitability model. We want to socialise by instinct, be wowed by experience, and this is the heartland of physical store retail."*

**Brian Walker, The Retail Doctor**