

# Omnichannel: 5 Roadblocks to Avoid on the Journey to Omnichannel Retail Success



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## Introduction

The most sophisticated retailers are enabling customers to convert on any channel. After all, shoppers who buy in-store and online have a 30% higher lifetime value than those who shop using only one channel<sup>1</sup>. In other words, omnichannel shoppers are the most valuable customers.

As retailers and brands rush to win the battle for wallet share and loyalty, omnichannel retail is in focus. In this era, retailers must strive to be remarkable by combining physical stores, online, mobile, and social into a seamless brand experience that encourages loyalty. But recent studies have found a gap between consumer expectations and the omnichannel experiences that retailers and brands deliver.

**Against that backdrop, this white paper outlines the following five pressing challenges:**

1. Closing the gap between customer expectations and omnichannel retail execution
2. Engaging in a consistent, personalized way across channels
3. Focusing on customers instead of products
4. Mobilizing stores to serve omnichannel customers
5. Weaving omnichannel into the fabric of the retail organization

Read on for an exploration of how retailers and brands can overcome these challenges by embracing and executing upon a cohesive omnichannel strategy.

### Why Omnichannel Matters

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+ Omni-channel shoppers shop more than those who shop exclusively online or exclusively in-store.<sup>2</sup>

+ Conversion rates at brick-and-mortar stores are higher than for online-only sites (20 percent vs. 4.8 percent).<sup>3</sup>

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<sup>1</sup>Think with Google, Omni-Channel Shoppers: An Emerging Retail Reality, March 2015

<sup>2</sup>Colliers International, Get Ready for More Omni-Channel Retailing, March 10, 2015

<sup>3</sup>Ibid

## 5 Roadblocks to Achieving Omnichannel Success

### 1. Closing the gap between customer expectations and omnichannel retail execution

Today's omnichannel, digitally savvy, always-on shoppers expect retailers to know their lifestyle and preferences. After all, they understand that retailers and brands can and do capture data on everything from how and when consumers prefer to shop to precisely what they purchase and what they view online. In other words, shoppers know that retailers are able to formulate a fairly accurate idea of their interests and motivators for purchase. As a result, they seek relationships, not just transactions. Yet even omnichannel leaders fall short when it comes to satisfying consumer expectations for personalized, relevant shopping experiences.

WHAT BRANDS THINK		WHAT CUSTOMERS THINK
<b>ONLINE EXPERIENCES</b>		
<b>69%</b> of companies say they offer a superior online experience.	but	<b>51%</b> of customers who left a company that "failed them" blamed the exits on bad online experiences.
<b>UNDERSTANDING CUSTOMERS</b>		
<b>81%</b> of companies say they have or are close to having a holistic view of their customers.	but only	<b>37%</b> of consumers say they favorite retailer understands them.
<b>RELEVANT COMMUNICATIONS</b>		
<b>47%</b> of brands say they have a strong capacity for providing relevant communication.	while only	<b>35%</b> of consumers say communications from their favorite brands are usually relevant. <sup>4</sup>

#### How can retailers start to deliver on customer expectations and optimize the potential of a single view of the customer?

Successfully implementing omnichannel and personalized shopping experiences require a single view of the customer. Put simply, how customers buy and what is important to them is paramount. Organizations must become truly customer-centric and leverage the information at their disposal to gain this understanding of the omnichannel customer. In practical terms, this comes down to aggregating and analyzing all customer-related data, including demographics, store sales history, ecommerce sales history, responses to emails, browsing behavior, and search keywords, to name a few.

<sup>4</sup>Great Customer Experience Divide, IBM Infographic

Today, in many cases, retailers and brands have abundant opportunities to know customers and interact with them as markets of one. According to a recent study, 1/3 of retailers stated that between 25% and 75% of in-store sales are digitally influenced. In 2018, the share of retailers around the world who expect 75% of sales or more to be influenced by digital will double<sup>5</sup>.

This development translates into a steady stream of valuable data about shoppers. Moreover, mobile apps make it possible to spot where shoppers are at any given time and, with shopper buy-in, retailers can be aware of real-time in-store behavior. Loyalty programs enable retailers to view customers' historic buying patterns. Combine these and retailers can approach shoppers in the moment – either in stores or online or via mobile apps – with relevant and engaging offers.

That is just the tip of the iceberg. Retailers and brands can tap into data from website browsing, online purchases, historical purchases, and back-end systems (such as ERP and CRM) that capture data related to customer interactions. Pair this with a unique identifier – such as an email address or mobile phone number – and the use of advanced technologies – including Big Data Analytics. The end result? The ability to better understand consumers and give them what they want, when they want it. In other words, deliver on the long-promised goal of addressing consumers as individuals, not as a singular, undifferentiated mass.

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*Omnichannel is about providing a shopping experience where customers want it, how they want it, and at the speed they want it. Some refer to omnichannel as the notion of “buying online and picking up in store” but it’s more than that: it encapsulates all the ways that shoppers can interact with and purchase from retailers.*

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## 2. Engaging in a consistent, personalized way across all channels

When retailers truly view their customers as individuals, they stop focusing on channels and instead focus on how to deliver the ultimate customer experience at every touch point, every time. However, retailers cannot make this vision a reality until they stop treating online stores and physical stores as separate entities. When marketing and messaging are not consistent or personalized across channels, the shopping experience is fragmented and suboptimal.

As mentioned previously, delivering a truly personalized experience hinges upon marrying what retailers know from online/mobile and in-store behaviors. At the heart of this is recognizing



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<sup>5</sup> How Much Does Digital Influence In-Store Sales, Emarketer, August 2015

that shoppers move interchangeably from channel to channel, choosing whatever is most convenient and effective at a given moment. It is up to retailers to make that experience feel cohesive, ensuring that messaging is consistent and personalized at every touch point for a one-to-one conversation. This requires a single view of a customer and seamless coordination of interactions across all customer touch points including promotions, stores, Web sites, call centers, advertisements, mobile applications and social media interactions.

To gain that single view, retailers must assimilate all the data at hand, including shoppers' online behaviors and browsing history, in-store and online purchases, inventory, and market conditions, to name a few. This data usually derives from multiple sources and it is therefore imperative to ensure that systems are



fully integrated. More retailers are tapping into the power of advanced analytics to make sense of this big data so they can deliver the personalized brand experiences customers expect.

With this unified data in hand, retailers and brands can personalize web and mobile shopping experiences with content targeted to the individual shopper. And they can deliver personalized offers, driving the shopper into the store, where a store associate greets the shopper and makes personal suggestions. They can also deliver a personalized offer via email, text or mobile as the shopper is entering the store. Macy's and other retailers are doing just that through mobile apps that suggests items and displays coupons and ads for products on the shelves or displays in front of shoppers.<sup>6</sup>

### Creating an exceptional omnichannel experience for customers



Kohl's is employing mobile technology to personalize and enhance the in-store experience. For example, using in-store beacon messaging, the company provides shoppers with promotions as they browse through the store. At the same time, through the retailer's Yes2You Rewards™ program, shoppers can earn points for purchases online and in-store, and use a mobile wallet integrated into the app to track, redeem, and share points. By allowing customers to accrue points through in-store and online purchases, Kohl's aims to facilitate a seamless, omnichannel experience.

<sup>6</sup>StreetFight, Macy's Expands Shopkick Beacons to Stores Across the Country, September 16, 2014

Armed with this knowledge about the customer— along with tablets or intelligent point of sale (POS) systems that display shopper profiles – sales associates can recommend fitting products, suggest relevant cross-sells, and even save the sale if an item is out of stock.

**Today, in many cases, retailers can tap into abundant opportunities to know who their customers are and interact with them as markets of one:**

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- + Mobile computing apps make it possible for businesses to spot where shoppers are at any given time— with their permission, of course.
  - + Loyalty programs enable retailers to view customer's historic buying patterns.
  - + Social media presents a great opportunity to understand what individuals are shopping for in stores and online.
  - + Location technology allows retailers to identify when a shopper, who has opted in, is about to or has entered their stores, or where they are in the store.
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### 3. Focusing on customers instead of products

Why do so many retailers fail in their efforts to execute on a customer-centric strategy? In too many cases, they are largely focused on selling products instead of on delivering experiences that address the true shopper need or buying intent. To deliver a true and fulfilling omnichannel experience, retailers and brands must think beyond their products.

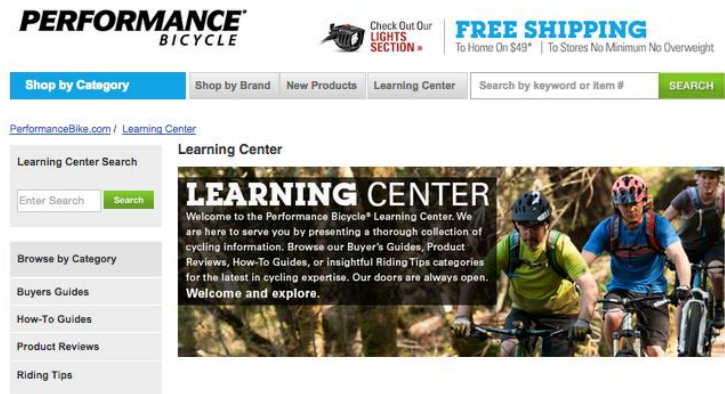
**Essential traits of omnichannel retail**

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- + Consistent and positive shopper experience across all touch points and interactions
  - + Single version of the truth about each shopper
  - + Flexible, responsive and personalized interactions via all touch points
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A proven way to satisfy today's consumer expectations is by providing online communities where like-minded shoppers can seek and share advice on products, and immerse themselves in a unique brand experience.

Take the example of **Performance Bicycle**. This leading retailer of cycling products wanted to harness its employees' cycling knowledge to attract and inspire customers to buy. To do so, it created an interactive learning center seamlessly linked to its ecommerce site – enabling knowledgeable employees to share their tips, tricks and expertise with customers and visitors. The learning center attracted a 300% traffic increase by its fourth month online, and drives sales by boosting conversions up to 20%<sup>7</sup>.



Similarly, **Moosejaw Mountaineering** – one of the leading outdoor-adventure retailers in the U.S. – embedded rich community features into its online commerce experience to create an engaged customer community. In the process, it is reinventing the way people shop for outdoor, surf, skate and snowboard apparel and equipment. Just as importantly, it is positively impacting its business results.

More retailers are also tapping into the power of user-generated content to connect with consumers in new ways. Consider the example of **Steve Madden**, a successful footwear and accessories company. With its site relaunch in 2014, the retailer brought the social activities of its young customers front and center. The site pulls in images from Facebook, Instagram, and Twitter tagged with “SteveMadden” and features them on the homepage. Shoppers are also encouraged to upload their own photos showing how they incorporate Steve Madden’s footwear and accessories into their wardrobe.



<sup>7</sup> Performance Bicycle Pumps Up Customer Base, IBM 2014

## 4. Mobilizing stores to serve omnichannel customers

Retailers truly striving to be customer-centric must reconsider the role of their physical stores and sales associates. The approach to both needs to be redesigned from the ground up to support this age of context, immediacy, personalization, and information. The experience throughout the entire shopping journey needs to be executed as a seamless and singular process where the in-store experience is a natural extension of digital and vice versa. The concept known as “endless aisle” is one way of addressing this: retailers place tablet kiosks at the end of aisles so consumers can conduct research and purchase products much as they would via their computers or mobile devices. In other words, consumers can access and order from the full catalog of available products, even those that are not currently in the store.

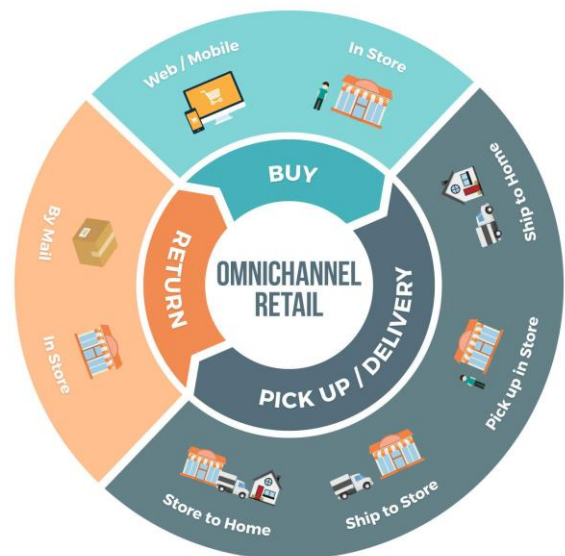
Enabling a seamless, omnichannel experience also extends to shopper interactions with store associates and customer service both online and in person. In fact, shoppers expect store associates to be knowledgeable and informed. This means associates must be able to sell and assist in store and use online tools and selling technology. For example, store associates must know how to place an order and ship it to the customer if an item is out of stock in the store. And they must know how to check the online order status for a customer in the store.

Imagine sales staff adding to revenue by placing an order for store pickup or delivery to the consumer’s house rather than simply saying “Sorry, we don’t have that size in stock.” By doing so, they save the sale. Considering that 37% of shoppers purchase additional items when they are picking up other items in stores, a sales associate with an accurate view of each shopper can deliver additional conversions. Not only does this immediately boost the top line, it helps retailers decrease markdowns on unsold inventory, both of which lead to higher profits.

Executing on this requires the aggregation of multi-channel data, the use of advanced analytics, and equipping store staff with tools/technology that informs them of each shopper. It also mandates that retailers break down channel and department silos, align goals across channels, and encourage and incentivize employees to deliver on the omnichannel promise.

Similarly, giving shoppers visibility into inventory can go a long way. Customers expect to be able to view inventory availability in store on the web site. Additionally they expect that inventory number to be accurate. The retailer’s challenge is how to display inventory and allow for unit inaccuracy, shrink, and sales that day.

It’s also imperative to adopt new fulfillment methods and commerce approaches, including buy-online-pick-up-in-store (BOPIS), ship from store, buy-online-return-to-store, and save the sale, to name a few. Even if an item is not available from the store,





shoppers will be pleased when presented with a choice, such as shipping from another store. Or shipping from a store when they are shopping online.

The upside of taking an order online and shipping items from stores is the ability to lower in-stock inventory, decrease shipping costs and offer customers' faster shipping. But achieving this goal requires solid planning and mapping stores to the online warehouse, which is only possible when leveraging fully integrated systems that offer cross-channel capabilities. For example, if a California-based customer orders online, it may be better that the retailer fulfill the order from store inventory in California than from a warehouse in Kansas. Order Management technology can help companies make intelligent fulfillment decisions and orchestrate orders across channels to better serve customers, optimize the use of inventory, and reduce fulfillment costs for higher profits.

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*Previously inventory planning and replenishment were siloed: the sale began and ended in store (or online). Now the lines are blurred: the sale might start online but inventory might come from a physical store.*

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It goes without saying that an effective omnichannel environment is built upon integrated departments and channels, with measurements and compensation that are aligned to support an omnichannel strategy and approach. Along those lines, retailers must design and monetize store associate and store management incentives. Store associates need to be incentivized to place an online order rather than simply tell the shopper an item is out of stock. That said, rather than focusing on who gets credit for the sale if a store manager points a shopper to a store that has the item in stock, retailers should consider what's best for their customers.

Retailers must also develop new tools for tracking service online and in store to get a sense of the customer experience and satisfaction. Consider that when shipping from ecommerce-controlled warehouse, retailers closely monitor SLAs for first-in-first-out and other key activities and metrics. Retailers need to monitor how they are handling new processes (such as ship-from-store) to ensure stores are maintaining the same service levels and delivering a consistent, quality customer experience. This includes understanding how stores are performing in terms of placing and fulfilling orders. Imagine that store A fulfills 100 orders a week for ship-from-store and Store B only fulfills 85 of its 100 orders a week. By monitoring, the retailer can figure out why store A is performing better than store B. Is it because of management or technology or process? Only the right data and analysis tools can help pinpoint the cause.

All of these changes require buy-in and leadership from the retail executive team. This team has to set the tone and expectation on service and training, focusing on all aspects of sales along with all customer touch points and their interconnectedness. And it all hinges upon omnichannel being woven into the fabric of the retail organization.

## 5. Weaving omnichannel into the fabric of the retail organization

Retailers rely on a plethora of technologies and processes to enable omnichannel. However, often, these systems and processes – including those used to power inventory, call center, payment processing, ecommerce, POS, ERP, and email – are siloed. As a result, it is impossible to deliver a truly satisfying customer experience.

In the midst of this evolution, retailers cannot afford to relax when it comes to omnichannel transformational activities because technologies that were cutting-edge last year are now considered table stakes.

Instead of cobbling together systems and relying on ad hoc processes, retailers need to adopt a holistic approach to omnichannel operations. Regardless of where, when or how a shopper decides to purchase, retail systems and processes should enable a smooth experience and transaction. In other words, these systems and processes must be integrated so retailers can truly support a channel-agnostic order and experience.

**Retailers need to develop new techniques and processes for understanding, planning and replenishment in this new omnichannel world. These include:**

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- + Intelligently initiating the best possible omnichannel fulfillment decision at the moment of the sale in the most profitable manner
  - + Planning for and managing inventory and ensuring it's in the right place at right time
  - + Clearly communicating the details of multiple shipments when fulfilling a single order
  - + Tracking performance when shipping from store, just as when shipping from a centralized warehouse
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It is counterproductive for retailers to invest hundreds of thousands of dollars in technology that will be outdated in a year or two (for example, kiosks with card readers). Instead, they must scale their investments and protect against obsolescence. That requires the ability to determine what bleeding-edge technology has staying power when it comes to omnichannel. To date that has included technologies for mobile POS, mobile wallet, omnichannel distributed order management, mobile store associate apps (for example, clienteling and save the sale) and line busting. At FitForCommerce, we help many retailers select technology partners and often recommend finding a partner with a track record of being cutting edge and delivering commerce innovation, rather than work with point solution provider with limited R&D budget.

## Best Buy: Transforming its business by embracing omnichannel best practices

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Though Best Buy runs 23 distribution centers in the United States, most are dedicated to feeding stores, not fulfilling online orders. As a result, only distribution centers set up for online fulfillment and with an item in stock could serve a customer who wanted to buy the item online. To compensate for this shortcoming, Best Buy implemented a ship-from-store initiative with store employees in its 1000-plus retail stores packing and shipping online orders. This has opened up store inventory to the online channel and significantly reduced shipping times.<sup>8</sup>

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### As retailers spearhead their omnichannel approach, they must answer the following questions:

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- ✓ Are our stores and call centers properly outfitted with the hardware / devices needed to support omnichannel?
  - ✓ Can we offer the convenience of accessing an order via any channel throughout the entire shopping lifecycle?
  - ✓ Are we providing a consistent experience – i.e. pricing, availability, notifications, etc. – to customers regardless of channels?
  - ✓ Do we service customers with flexible fulfillment scenarios across all channels?
  - ✓ Can we access near real-time inventory availability?
  - ✓ Is payment processing for stores and online synced?
  - ✓ Can sales associates see order status and place orders for out-of-stock items?
  - ✓ Can employees – whether in the call center or in the store – access a single view of the customer across channels?
  - ✓ Do our processes, technology and training enable our store associates to easily cross-sell when customers pick up orders in the store?
  - ✓ Can employees serving any location – whether a physical store, the ecommerce store, or the call center – easily support customers?
  - ✓ Can we seamlessly orchestrate fulfillment and delivery of complex orders from multiple channels?
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<sup>8</sup>Business Insider, Best Buy has dramatically turned its business around in the last three years, August 31, 2015

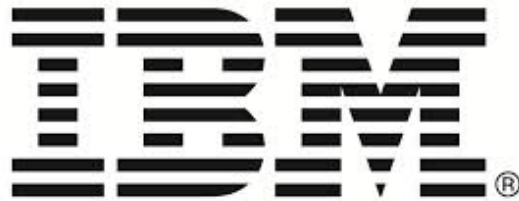
## Conclusion

Today's empowered consumers want to shop anywhere, anytime—and they expect nothing less than a seamless experience with all their needs accommodated as they shift among mobile, digital and physical channels. They want the freedom and choice of online shopping, balanced with the comfort and immediacy of a physical store. They want to research and select items from their armchair, check out offers when they're on the move and then try out products in the store.

The challenge for retailers is to integrate people, processes and technology to present a single storefront to the world – and address the entire journey with the consumer's convenience in mind. Achieving this fine balance requires full visibility into inventory, efficient management of the supply chain and a solid grasp of customer data. It also requires putting the right technology and processes into store associates' hands.

Retailers need to rethink their approach and seek to leverage an open, scalable and agile omnichannel commerce platform and a solution partner with proven track record for delivering innovation to the commerce market. Without a doubt, it's a logistical challenge. But when retailers' digital and physical environments work together seamlessly to enable an optimal shopping experience, they reap rewards in the form of customer loyalty.

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IBM provides retailers and other direct to consumer organizations omni-channel commerce solutions for a unified approach to managing evolving digital and physical channels. With IBM Commerce, organizations can deliver a seamless and differentiated brand experience across all digital and physical channels of customer interaction. In addition, brands can build intelligent fulfillment processes, guide shoppers through the process of configuring complex products and services, and determine prices, promotions and markdowns to maximize sales across channels.

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