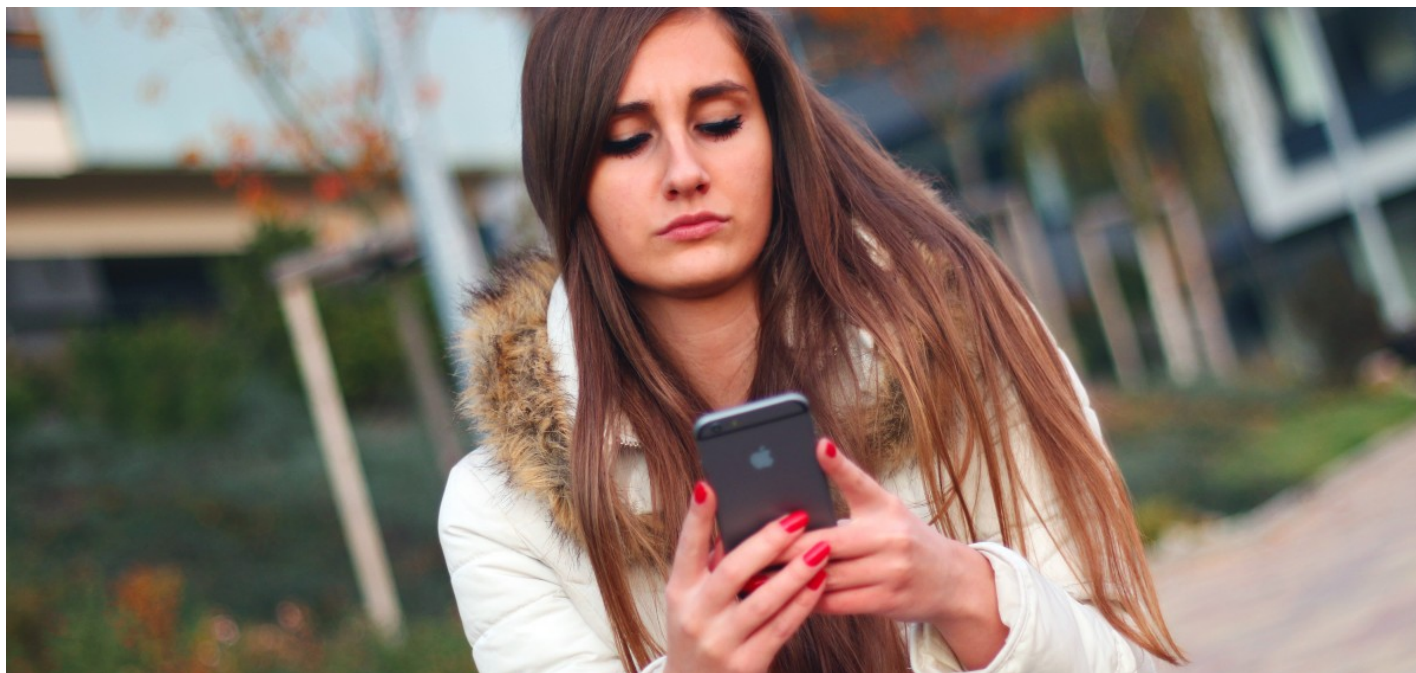


Omni-Channel Customers | Advantage 2 Retail



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Trends And Cost Effective Strategies

About the Author and Introduction



James Dion, an internationally known Retail Speaker and Author, sensitive to cultural and global issues, offers insight on omni-channel customers and why retailers need to leverage the right processes and technologies that are more customer-centric.

Retailing is no longer just about having the right products at the right price. Nowadays, the customer shopping experience plays an increasingly important role in the retailer's performance and success. Consumers are more technology savvy and have learned to leverage it as part of their shopping process. They can buy whatever, whenever and wherever, as well as influence the purchase of whatever, by whomever, wherever.

In this article, we will help you understand who these customers are, how they are using the various channels, the importance of a single view of your customers and having the right IT strategy to facilitate their shopping across all channels seamlessly.

THERE'S A NEW KID ON THE BLOCK

If you have not noticed, you should have. The consumer continues to change and evolve and we are seeing the birth of an entirely different consumer today and this new consumer is revolutionizing what we have always thought that retail was. It's called the omni-channel consumer. This consumer is using every

technology at his disposal to increase the efficiency of his shopping (instant gratification, anyone?) and at the same time make it a more social and shared experience. Retailers who have not taken steps to become less product and operations focused and more customer focused may lose significant dollar sales as this new consumer will not suffer shortcomings in retailer systems for very long, if at all. They will jump to the stores/brands that can provide them with the experience that they demand. And to make money from this customer retailers/brands will need to be far more nimble and break down all the internal silos in their companies and form very close ties to the IT department who they will need to partner with to make this vision a reality.

THE GOOD OLD DAYS

Thirty years ago, running a retail business was relatively simple; we had stores where people came to buy in hours that we set. Some had catalogs in addition to their stores and some only had catalogs. It was simple to know your customer. Looking back even ten years, running a successful retail business was still somewhat easy as shoppers did not have the smartphone as a shopping tool. Yes, in 2002 the web was very much on most retailers' minds and almost all major retailers had established web stores and were bravely going where some of them had never gone before. The multi-channel retailers of the time, those who had been selling through catalogs as well as their own stores had somewhat of a head start on the uni-channel brick and mortar players. So, retailers like Victoria's Secret, Williams-Sonoma, J. Crew, JC Penny, to name a few, had an early advantage, especially in systems and logistics. They were used to dealing with things like individual pick and pack, reverse logistics (aka returns) and a few even had visibility of their customer through catalog and storefront. However, most of the early catalog and store retailers had mainly siloed systems and could not identify a catalog customer who shopped in their stores and often had different systems to run their catalog and store operations. In some cases those systems only functioned together in batch entry mode and did not have any real time communication capability at all. This caused problems with price discrepancies between channels. Sometimes these discrepancies were planned and sometimes they were caused by delays or misses in batch updates.

GAME CHANGER

Today's smartphone is really changing everything, and there is no going back. As with any change it is occurring faster for some and not as fast for others. Consumers now carry in their pocket more computing power than most had on their desktops ten years ago and some are not afraid to use that power to help them get information and make purchases. Just like computers that preceded them, smartphones were initially used to get knowledge about products and prices and are now moving to being used to complete the transaction. Apple has even instituted self-checkout using their own in store shopping application and the phone camera as a barcode scanner in select stores. In the first few months of testing they have reported some success with the application but also some issues with shoplifters claiming that the application did not work while they tried to take product from the store.

THE OMNI-CHANNEL SHOPPER

As we noted at the beginning of this article, we are presented today with a new type of consumer never

before seen by any retailer in the past. This new omni-channel shopper, enabled by both mobile and computer tools, is using those tools to completely change the dynamics of the interaction of consumer and retailer. According to Forrester Research Inc, mobile commerce, powered by smartphones, accounted for only 1% of total retail sales in the U.S. in 2010 but will grow to \$31 billion by 2016, so a growth from 1% of all retail sales to almost 7% in six years. What is interesting is that other forecasters such as eMarketer Inc. are projecting that growth to be much faster and achieving the 7% penetration one year earlier than Forrester, by 2015. No matter which forecast you believe, there is no doubt that mobile is going to continue to change the way consumers shop and smart retailers need to make significant investments to get ahead of this trend. Regardless of how much the total spend using mobile is, the omni-channel shopper is using this smartphone as their primary device to initiate purchases through research and social networking and even if they do not complete the purchase on the phone, it is a profound factor in overall spending today and tomorrow.

WHAT EXACTLY IS OMNI-CHANNEL ANYWAY?

Most experts today would define omni-channel as how the consumer uses multiple channels to interact with a brand/store. They then define multi channel as the store or brands' way of operationally describing their different sales and communication channels for consumers. Confused? You are not alone! Suffice it to say that when you hear about the "new" omni-channel consumer you are likely hearing about a person who uses multiple devices, sometimes simultaneously, to shop multiple channels, again sometime simultaneously.

A DAY IN THE LIFE OF AN OMNI-CHANNEL SHOPPER

Picture a young woman in a shoe store. She sees a pair of high heels that she likes. She takes a snap of the shoes with her smartphone camera and posts it to her Pinterest page and tweets some friends to check them out and tell her what they think. She then proceeds to try them on and while she is doing so she receives updates to her Pinterest post and to her tweets. Some of her friends have noted that there were some negative comments on these shoes from other people who posted complaints saying that they were especially uncomfortable. As she reads this on her smartphone, she has some second thoughts about the purchase. Meanwhile, another friend sends her a text that a different store has a pair that looks almost exactly like these on sale for about \$20 less and attaches a URL. She clicks on the link and sure enough, there they are, what appears to be the exact same shoe for \$20 less. She selects her size and clicks "buy" while she still has the store shoes on her feet. She gets immediate confirmation that the shoes are in stock and she is told that she will get a second confirmation email telling her when they will ship later in the day. She then politely tells the shoe sales associate that she changed her mind and does not care for these shoes after all. She puts her own shoes back on and stands up and leaves the store.

Later that day she will use her computer at work to receive the shipping email and then to track the shipping time of the shoes. She will note that she will not be home the day they are scheduled to be delivered, so she picks up the phone to call the retailer and is told that she can have the delivery held at her local UPS store. All she has to do is log in and put the tracking number in and choose hold shipment

from the menu. She thanks the person she talked to and at home that night she goes online and using the tracking number from the email, notifies UPS to hold the delivery. Three days later she drives to the local UPS store and picks up her shoes. We will not describe what happens if she then finds them uncomfortable and decides to return them! Suffice it to say, she will likely post the entire experience on her Pinterest and Facebook pages.

This customer used her own feet, a phone camera, Pinterest, twitter, email, text, a work computer, a work landline phone, a home computer and finally her car to complete a purchase. This is one example of a true omni-channel consumer.

WHO EXACTLY IS THIS OMNI-CHANNEL CUSTOMER

So, who is she? Most likely she is a woman and is around 28 years old, employed in a \$60,000+ a year job, a college graduate and has been using a smartphone for over three years. She has an extensive social circle with well over eighteen friends that she sees at least once a week and interacts with daily through text, twitter, Facebook and Pinterest. Her boyfriend is also an omni-channeler but his shopping spend is about two thirds of hers although lately he has been buying more of his own clothing. He used to let his mother and past girlfriends do it but now he is doing it for himself and he is purchasing fashion clothing while visiting social shopping sites like FAB, Gilt Group and even Hugo Boss. Both she and he outspend the uni-channel shopper by almost double so they are very attractive consumers for a retailer to obtain.

ONE VIEW OF THE CUSTOMER

What's troubling is that retailers speak in terms of multi and omni-channel while consumers just speak in terms of shopping. The obvious difference is that while retailers continue to differentiate channels – store, catalog, web, mobile and call center, consumers just think in terms of buying what they want or need as easily as possible. Although consumers may not specifically think in terms of shopping in different “channels” they are aware of the different devices or methods that they have begun to embrace. The problem for retailers is that the elusive ‘one version of the truth’ or ‘one view of the customer’ is still very challenging and impossible with systems that are not real time and completely fused together.

While retailers were talking about being multi-channel in approach to the consumer, which has now morphed into an omni-channel approach, the true omni-channel consumer has grown to expect this ability as a fact of life and is leaving companies that cannot deliver it. The main difference in this evolution is that omni-channel is defined as a true integration of all the channels so that the consumer is receiving the same experience and quality of interaction with the brand/store no matter what device or method they are using to interact with the brand/store. This means that the brand/store has to not only have extremely sophisticated technology but also the discipline of using that technology to unite their message to the consumer.

IS THE OMNI-CHANNEL CUSTOMER WORTH PERSUING?

According to recent research by IDC Retail Insights, “the omni-channel shopper is the gold standard consumer. While the multichannel shopper will spend, on average, 15 percent to 30 percent more than

someone using just one channel, omni-channel shoppers outspend multichannel shoppers by over 20 percent. What's more, multichannel shoppers exhibit strong loyalty and are more likely to influence others to endorse a retailer." Based on this estimate the value of the omni-channel shopper can be almost double the value of the single channel shopper. Obviously, a consumer that we cannot afford to lose and whom we must actively seek out and provide the content and tools that they expect to find.

But we also need to ask the obvious question before we rush to do it and determine if we have time to come up with a solid strategy. The question is: does our product/concept attract the omni-channel consumer today? Most research into the consumer describes them as mostly between 20 and 40 years of age and very technology savvy. This is not the prime consumer for some retailers today. So, before running out and investing in sophisticated omni-channel technology, quantify how many of your existing and potential new customers really will see it as an advantage of doing business with you.

The commitment of omni-channel operations and marketing requires a skill set and vision that too few brands/stores have today and might need some time to acquire. This mobile revolution has caught many retailers by surprise and they are now rapidly trying to play catch up in an arena where there is a serious lack of talent and competent companies to help them.

SO WHAT DOES THIS ALL MEAN FOR MY FUTURE IT STRATEGY?

So, ultimately does pursuing an omni-channel strategy make sense for my business is a question I have to ask. There is no doubt in my mind that eventually all consumers will be omni-channel as ease of use and proliferation of smartphones will make the technology easy to use and adopt even for older consumers. So, even if you think that your current customer is not omni-channel, you should likely still pursue the opportunity because when they become one you will be ready. We have seen over the past two years that the fastest growing group on Facebook has been the over 50 age group as they have used it to not only connect with each other but more importantly with their children and grandchildren. More seniors will become omni-channel as it becomes easier and cheaper to buy and use the tools to do so. As a retailer/brand, the benefits of having real-time fully integrated information as well as a unified shopping cart that works in mobile, web and store become a significant competitive advantage.

Having systems that cater to the omni-channel consumer will not likely protect you from showrooming that occurs both "naturally", as in our example earlier of the shopper purchasing shoes (she was not intending to order online), but also purposely by consumers who actively use their mobile devices in store to seek out product information and try-ons to then purchase from the lowest price online seller, sometimes while they are still standing in the store. You will need to be diligent in holding your suppliers responsible for selling to discount retailers and learn to only deal with suppliers who have strong and enforced Minimum Advertised Price (MAP) policies. The more you enable the omni-channel consumer the more transparency you expose and that can be both a good and a bad thing for your business. Avoiding the issue is not an option, the omni-channel consumer is here to stay and growing in numbers every day, embrace it and find partners who will support you.

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Many retailers have not yet embarked on the omni-channel bandwagon as they feel their customers don't exactly fit the profile, sometimes based just on a few assumptions or plain-old gut feeling. Even if that is true today, technology and consumer habits are changing at such a fast pace that some retailers will be forced to catch up to their competitors who quickly recognized and acted on their customers' omni-channel expectations

Customer shopping experience and omni-channel go hand-in-hand. As consumers evolve and become more technology savvy, they raise the expectation bar. This is why customers don't differentiate the channels. In fact, they assume there's only one. This, in turn, implies a series of considerations that retailers must act on in order to facilitate the seamless shopping across all channels. To achieve, you need:

- Fully integrated and real-time information systems (merchandising, SCM, POS, CRM, eCommerce, catalog), which improve your profiling capabilities and allow you to have a single view of your customers' history and available inventory throughout the chain;
- A mobile strategy empowering sales associates to assist customers using mobile devices and also to process transactions anywhere in the store (mobile POS);
- An assessment and adaptation of your processes to facilitate omni-channeling and a workforce training program on those new processes;
- To adapt and optimize your labor forecast based on customer traffic and omni-channel impact on store operations.

Like smartphones, omni-channeling is a reality today. Retailers that continue to operate in the traditional single channel, multi-channel or cross-channel platform will see an erosion of their customer base and sales over time as their competitors meet the needs of omni-channel customers.

A2R consultants can help you set the right strategy, select the right technology, assess and adapt your processes around your omni-channel customers, thus improving their shopping experience and optimizing your performance. If you want to know more how we can assist you, contact us today.

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