Omni-channel Retailing

The New Normal

Increasing Customer Engagement, Enhancing Customer Experience, and Driving Sales

Foreword

Retail industry is currently going through a once-in-a-generation transformation, primarily driven by more evolved shoppers and technological innovations. This has resulted in a structural shift from traditional businesses to modern retailing channels. This paradigm shift has been triggered by the rapid proliferation of mobile and internet, resulting in shoppers buying virtually anything, anytime, and anywhere using their preferred channel of engagement such as in-store, online, and on-the-go.

These changing market dynamics and rapidly-evolving technologies have compelled retailers to offer seamless, personalized, and consistent customer experience across channels. Retailers are under tremendous pressure to blur the line between different channels and quickly adopt Omni-Channel strategies to remain competitive.

However, operational and technological challenges are hampering retailers' ability to provide an Omni-Channel experience to their customers. Organizational silos, lack of holistic visibility, and limited analytical capabilities make it difficult to execute and optimize cross-channel initiatives successfully.

This white paper discusses how emerging unified data platforms empower retailers to break the barrier between channels and successfully adopt Omni-Channel approach for their brick-and-click businesses.
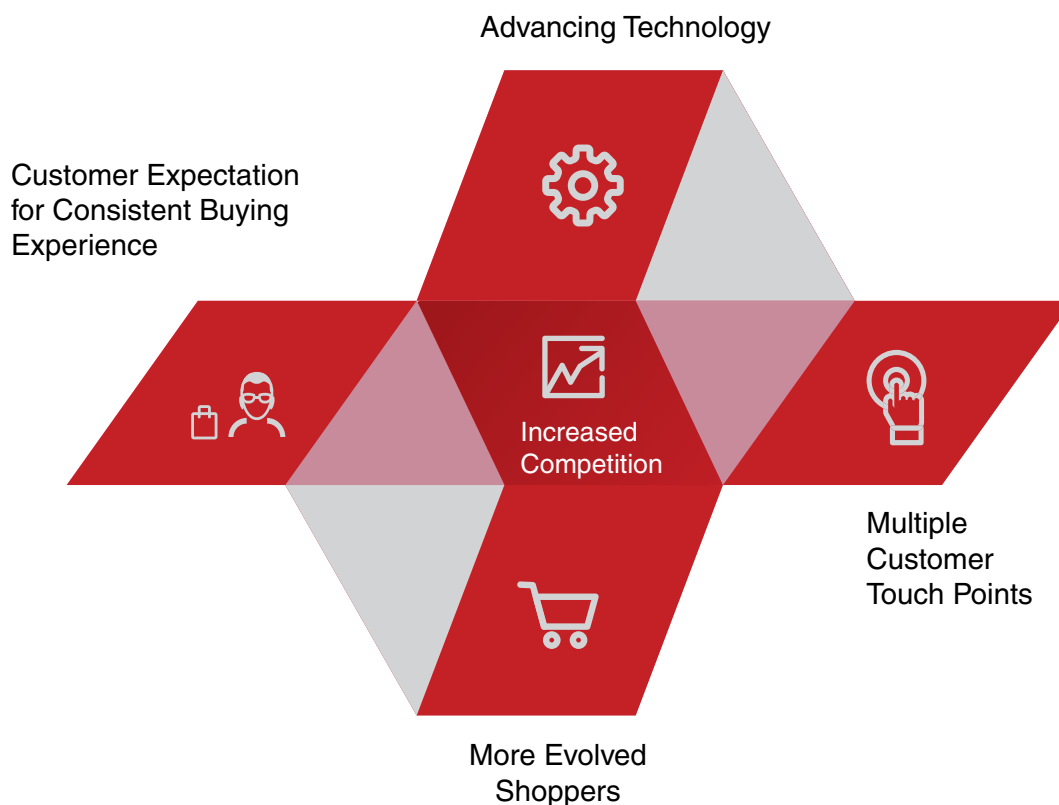
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Growing Importance of Omni-Channel Retailing

Retail industry is going through a drastic structural change from traditional businesses to modern retailing channels, driven by the proliferation of multiple touch points, advanced technology, and evolving customer behavior. These growing trends have drastically changed the face of modern retailing, both online and offline. It has led to shoppers buying virtually anything, anytime, and anywhere, using their mobile devices.

The impact of these unprecedented changes is being felt in the form of transformed customer shopping habits, and high demand for seamless, consistent, and personalized shopping experience across channels. According to Forrester's report, US cross-channel retail sales that are influenced by the web in some way but are completed in stores, will reach $1.8 trillion by 2017[1]. In addition to this, the traditional retailers are facing never-before competition from online marketplaces and peers who adopted Omni-Channel business strategies.

Today, the only way retailers can outperform this crowded marketplace is by offering what their consumers want, and providing an exceptional and seamless customer experience across channels. Adopting Omni-Channel strategies is critical to achieving these objectives. However, existing disparate and legacy systems are making it increasingly difficult to integrate operational silos and touch points effectively to offer consistent cross-channel experience.

Advancing Technology

Customer Expectation for Consistent Buying Experience

Increased Competition

Multiple Customer Touch Points

More Evolved Shoppers

[1] https://www.forrester.com/Forrester+US+CrossChannel+Retail+Sales+To+Reach+18+Trillion+By+2017/-/E-PRE6324

Bridging the Gap between Brick and Click

Although Omni-Channel execution is undeniably a top priority for retailers, they are still striving hard to address several underlying issues hindering the effective delivery of Omni-Channel experiences. Brands are increasingly finding it difficult to move away from channel-specific silos, and consolidate all customer- and merchandise-related data into centralized locations. Three major challenges retailers face today are given in the figure on RHS.
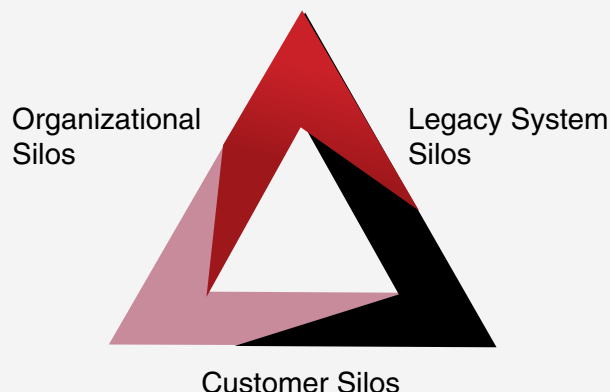

Organizational Silos

Legacy System Silos

Customer Silos

Figure 1: Bridging the Gap between Brick and Click

Customer Silos

Customer silos and lack of holistic visibility into customer database across channels make it difficult for retailers to understand and analyze customer data to offer contextual messaging and personalized experience. Being customer-centric is critical in today's marketplace. Thereby, requiring retailers to know their customers and interact seamlessly with them across touch points based on their preferences. However, the siloed and non-integrated customer data results in multiple copies of customer profiles, thus limiting retailers' ability to understand customer behavior and purchase patterns and offer context-based consistent customer experience.

Legacy System Silos

The silos within the legacy **IT systems** make it significantly challenging and complex to manage inventories across channels. Lack of clear visibility into inventory reduces inventory accuracy, frequently resulting in out-of-stock scenarios in one channel and surplus inventory in another

channel. This not only negatively impacts inventory-to-sales ratio but also results in increased inventory costs. These challenges limit the ability of retailers to identify, track, and manage inventory, ensure order fulfillment of their customers, and optimize supply chain across channels.

Organizational Silos

One of the primary challenges in adopting Omni-Channel strategy is **siloed organizational teams** working independently for e-Commerce and store channels in an organization. This makes it difficult to optimize cross-channel inventories, enhance operational efficiencies, and integrate multiple channels of businesses. According to a survey conducted by The Economist Intelligence Unit, 27% of retail executives responded that organizational silos restrict their ability to offer seamless customer experience[2]. The siloed teams not only limit collaboration, but also make it difficult to enable process innovation which is imperative for adopting Omni-Channel strategy.
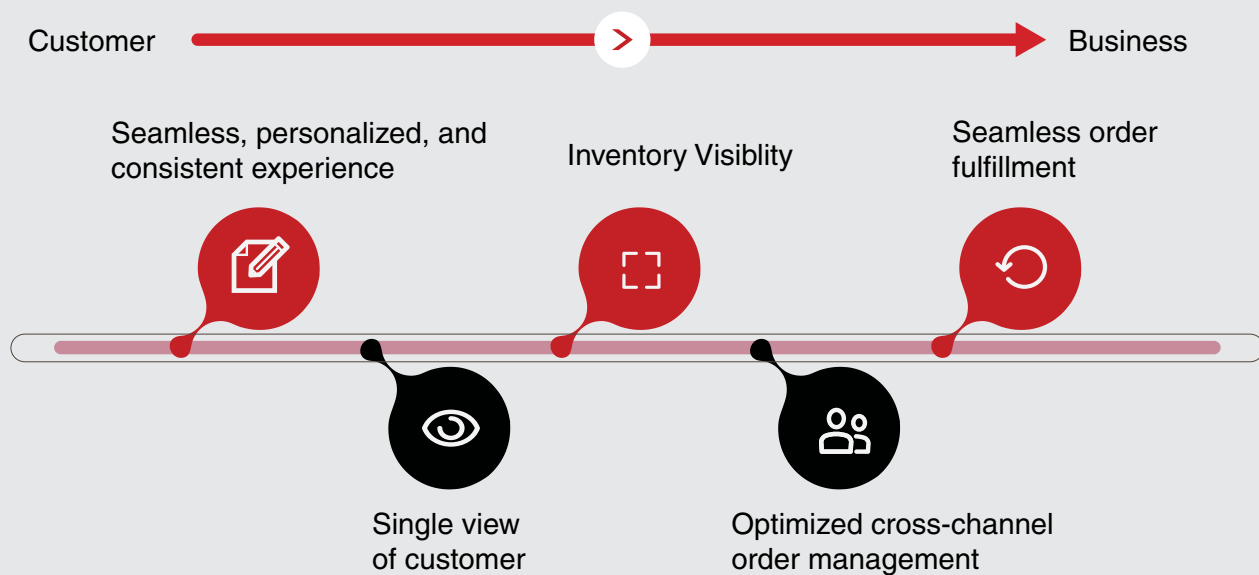
2   http://www.economistinsights.com/sites/default/files/Creating%20a%20seamless%20retail%20customer%20experience.pdf

The Building Blocks

The omni-channel consumer expects consistent brand experience across channels and easy access to information at any given point of time. Technologies such as retail store analytics, beacons, and store fulfillment programs are rapidly transforming how retail stores operate and engage with customers. Therefore, retailers' ability to leverage advanced technology is central to creating a compelling experience and delighting its shoppers.

It is imperative that retailers are equipped in numerous ways to connect with shoppers in real time. The following digital strategies are must-haves for the retailers who are looking to set the ball rolling for Omni-Channel retailing and staying ahead of the curve.

Customer → Business

Seamless, personalized, and consistent experience

Inventory Visiblity

Seamless order fulfillment

Single view of customer

Optimized cross-channel order management

Seamless, consistent, and personalized experience across channels

With customers increasingly getting used to shopping across various touch points, they expect consistent experience across channels such as store, online, and mobiles. The only way retailers can reach out to customers is by blurring lines between online and physical stores. According to a survey by Forbes, 44% of respondents prefer to buy online and collect in-store in the US[3]. To keep up with evolving customer expectations, even the leading online retailers such as Amazon and eBay are partnering with retailers to offer "click-and-collect" services.

The key to engaging customers and gaining loyalty is to understand and enhance their experience continuously across channels. This requires integration of various data streams such as transaction history, website interactions, social conversations, and others, to enable data analysis and insight generation into customer behavior. Leveraging customer analytics and location-based marketing is the key to offer personalized, relevant, timely messaging, and consistent in-store and online experiences. Location-based marketing is rapidly becoming mainstream, empowering marketers to connect with their customers with contextual messages, in the right place at the right time-thereby,

Consistent

Personalized

Seamless

[3] http://www.forbes.com/sites/stevebanker/2013/10/24/order-online-and-pick-up-at-the-store-costs-consumers-millions/

enabling retailers to discover the potential of precise digital marketing strategies. This technology helps take advantage of geo-fencing that allows retailers to track the shoppers' location, and offer compelling, highly-relevant deals to enhance footfalls to the store. Combining location with customer-buying behavior and profile, social interaction, and shopping habits can go a long way in enabling retailers to offer relevant and focused deals, and enhance engagement and brand image. According to a Forbes article, location-based services revenue is estimated to reach $43.3 billion by 2019, a growth of about $12.2 billion from 2014.[4]

Another important strategy to entice customers and ensure stickiness is deploying omni-channel loyalty. Unlike conventional loyalty programs, this requires optimizing cross-channel marketing to drive cumulative loyalty outcomes. In order to be successful, retailers need to run ongoing campaigns that interact with and engage the customers across touch points. The key lies in ensuring non-intrusive, intuitive, personalized, and engaging deals offered in real time across customers' preferred channels.

Single view of the customer across channels

Putting the customer at the heart of the business is crucial for retailers to offer seamless, personalized, and consistent experience across channels. To provide Omni-Channel experience, brands need to have a 360 degree view of their shoppers' attributes, wants, and desires, across multiple channels. A holistic visibility into preferences, purchase history, shopping habits, and demographics can empower retailers to design and create consistent and unique retail experience for their consumers.

Inventory visibility across channels

Integrated inventory visibility is another critical factor in providing Omni-Channel experience. Cross-channel supply chain optimization reduces the possibility of out-of-stock situations. To adapt to the evolving market dynamics, retailers need to respond to the customer demands and standardize their inventory across channels. This can be done by deploying technology solutions that can provide comprehensive visibility into the inventory, allocate and replenish forecast inventory and plan order, and ensure fulfillment effectively across channels.

Optimized cross-channel order management

In-store pickup of online purchases is increasingly becoming popular amongst shoppers. This gives them the convenience of shopping online without having to pay high shipping cost or waiting for the product to be delivered. In fact, buy online and pick up in-store. Buy Online Pick-up in-Store(BOPS) is one such strategy

which is a win-win for both consumers and retailers alike. Shoppers have the convenience to pick up their purchase from a store of their choice as per their schedule, whereas for brick-and-mortar retailers, this strategy provides a significant competitive edge over pure-play online retailers.

Seamless order fulfillment

Earlier, supply chain was considered to be a cost center built only to deliver goods to stores. However, in an Omni-Channel marketplace, the supply chain has taken a center stage and is one of the key factors that contribute to the shoppers' experience. According to a Forrester report, 71% of Omni-Channel customers expect to view in-store inventory online, while 50% of them wish to BOPS[5]. If the order fulfillment across any channel goes wrong, it can lead to consumer dissatisfaction and attrition. It is therefore critical to ensure seamless order fulfillment across channels. Retailers need to have complete visibility into order management to ensure on-time store pickup and deliveries. Comprehensive visibility can also help retailers optimize route planning for home deliveries and 3rd-party delivery locations.

4   http://www.forbes.com/sites/bryanstolle/2014/09/09/271/
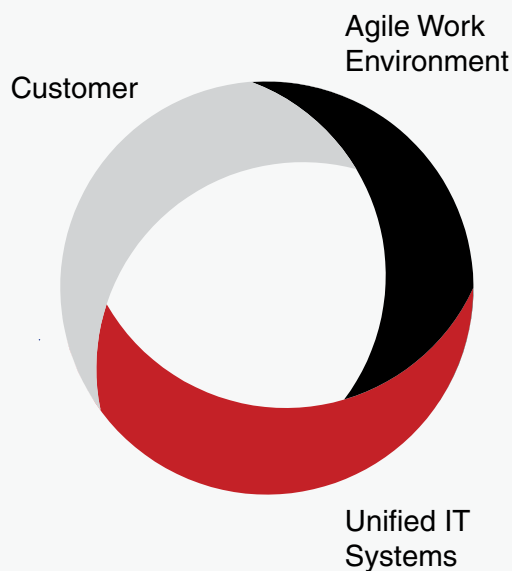5   Forrester TLP| Customer Desires Vs. Retailer Capabilities: Minding The Omni Channel Commerce Gap| Jan 2014

Strategies for Adopting Omni-channel Retailing

According to a survey conducted by A.T. Kearney, 55% of shoppers said they engage via both online and physical touch points throughout their shopping life cycle.[6] Brands must understand the customer engagement across all touch points and focus on the broader benefits of an Omni-Channel strategy to optimize consumer experience. To adopt Omni-Channel strategy, retailers need to align its business with customers by leveraging IT systems, optimizing business operations, and creating agile work culture in a way that the division between online and in-store disappears.

Here are some of the must-have strategies for the retailers who are looking to adopt Omni-Channel retailing to stay ahead of the curve:

Customer-centric Approach

Building a sustainable relationship with customers is key to achieving Omni-Channel success. Retailers need to provide seamless access across web, mobile, and store channels for customers and convert these into richer engagement. In order to achieve this, retailers need to implement some key strategies that include:

Customer

Agile Work Environment

Unified IT Systems

Personalized campaigns and promotions

Personalization is not a good-to-have strategy anymore however, relevance is the key to winning customer loyalty. In order to design and run personalized and relevant campaigns, retailers need to integrate structured and unstructured data, use advanced analytics to identify shopping preferences and buying behavior. The predictive analytical capabilities enable retailers to launch personalized campaigns and promotions, resulting in improved loyalties.

Location-based customer engagement

The new technologies such as NFC and iBeacon enable retailers to personalize customer engagement based on proximity. It allows advertisers to embed customer preferences and information with real-time context and send relevant notifications. Thus, location-based marketing connects the digital and physical marketing channels, and helps in deeply engaging mobile shoppers.

Social engagement

According to Hubspot, 71% of consumers are likely to make a purchase decision based on social media referrals[7] and SproutSocial says 74% of shoppers rely on social media networks to make purchase decisions.[8] It is obvious that social media marketing should be an integral part of retailers' marketing strategy today. It provides an extensive platform to expand retailers' reach, connect with their target audiences, and explore limitless possibility for exponential growth. In addition to this, engaging with customers through social media channels not only provides an opportunity for social commerce, but also helps gain customer insights, by integrating customers' social interactions.

Care everywhere

Retailers must care for customers across their journey – before shopping, during shopping, and post shopping through modern ways such as shopping assistance, one-touch support, recommendations, post-sales service, 24/7 helpdesk, and call center support.

It is critical for retailers to stand out in the cluttered marketplace by effectively reaching out and engaging with their target audiences, while optimizing returns. Therefore, retailers need to adopt all these strategies to uniquely define its brand and value proposition.

6   http://www.atkearney.com/documents/10192/4683364/On+Solid+Ground.pdf/f96d82ce-e40c-450d-97bb-884b017f4cd7
7   http://blog.hubspot.com/blog/tabid/6307/bid/30239/71-More-Likely-to-Purchase-Based-on-Social-Media-Referrals-Infographic.aspx
8   http://sproutsocial.com/insights/social-networks-influence-buying-decisions/

Unified Commerce Platforms

A survey conducted by the National Retail Federation, Ecommerce Europe and Ecommerce Foundation, in partnership with Demandware early this year, indicates that a high percentage of respondents are in favor of a unified commerce platform. Out of approximately 300 U.S., Australian, and European retail business executives, 53% of respondents said that they were going to deploy a unified commerce platform, an increase of 50% from last year.[9]

Adopting the right technology platforms can help transform the business model, and establish a centralized system that enables consistent service delivery across channels. Leading unified commerce platforms offer highly scalable and integrated IT solutions from engagement to fulfillment. The flexible architecture of these platforms supports the integration of multiple data sources and augments surrounding technologies such as e-Commerce, mobility, and analytics. The major advantages of adopting unified commerce platforms are:

Single view of customers across channels
Provides 360 degree view of customers regardless of the channels that helps enhance analytical capabilities, augment actionable insights, and offer personalized experience.

Inventory visibility across channels
Provides real-time and holistic view of inventory, optimizing operations, and reducing out-of-stock scenarios.

Optimized cross-channel order management
The integrated order management system enables seamless order flow across channels.

Enhanced order fulfillment capabilities
These platforms can be easily extended to fulfill orders through multiple ways, like home deliveries, click and collect, and temporary pickup locations.

Integrations with social media and online marketplaces
These platforms are flexible to integrate with social media and online marketplaces, providing complete visibility into order and inventory data.

Scalability
The unified commerce platforms are highly scalable in nature and supports business growth seamlessly.

Agile Work Environment

It is not enough to unify systems and build comprehensive consumer database spanning web, mobile, and store. To maximize potential, retailers need to eliminate the distinction between business units and reorganize team structures. For example, target and incentives should be re-designed to account for overall sales, than just measuring channel-specific performance.

Agile work environment is about bringing people and processes in sync with technology to find the most appropriate and effective way of working collaboratively. To realize omni-channel imperative, businesses need to eliminate siloed work culture amongst channel-specific teams by creating cross-functional teams based on shared company goals.

Preparing for the Future of Retail

Achieving omni-channel excellence requires defining clear objectives and extensive executional, tactical, and strategic capabilities. We believe retailers who move away from siloed and legacy systems to modern unified solutions, offering highly-scalable unified platforms, have great potential to successfully adopt Omni-Channel strategies. Such platforms ensure successful integration of various touch points and offer great potential to retailers to successfully adopt Omni-Channel strategies to gain competitive advantage.

Having said that, collaborating with strategic implementation partners with relevant industry-domain knowledge and experience would allow retailers to leverage the partner's expertise in implementing best-fit solutions and providing Omni-Channel services.

9   Retailers Respond to Connected Consumers with a Unified Commerce Platform https://nrf.com/media/press-releases/retailers-respond-connected-consumers-unified-commerce-platform

ABOUT SONATA SOFTWARE

Sonata is a global software services company that focuses on providing IT solutions that make a difference to client business outcomes by transforming strategic business processes. A trusted long-term service provider to Fortune 100 companies across both the software product development and enterprise business segments, Sonata's approach is focused on leveraging deep technology expertise and client commitment, through a unique delivery model based on customer specific centres of excellence, to provide innovation, reliability and faster time to market in harnessing new technology towards business critical results. The company specialises in solutions for Customer Engagement & Growth, Enterprise Efficiency & Collaboration and IT Cost Management initiatives in the ISV, Travel, Retail and Consumer Goods domains. In India, Sonata's capabilities further extend as one of the largest end-to-end software system integrators, enabling clients to maximise the effectiveness and productivity of software investments.

SONATA IN DIGITAL ENGAGEMENT

Sonata partners leading global Travel and Retail brands in their Digital Transformation journey. As a technology specialist it builds cutting-edge digital solutions customized for specific business needs that have a significant impact on the way travel and retail brands engage with their customers across multiple channels and devices. Sonata's current focus areas include the digital transformation areas including mobile, social, cloud and analytics. It has a global presence with a right mix of people who use mature delivery processes for successfully catering to the needs of a global customer base that includes several Fortune-100 companies.

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DEPTH MAKES A DIFFERENCE