



SEAMLESS OMNICHANNEL

10 lessons in 10 years

PREFACE

Shopping channels are proliferating, customers flock to any and all of them as is their whim. Retailers must now enable the customer to switch channels with zero friction, delivering a consistent experience in each. That is Seamless Omnichannel. But the how will depend on the brand, the channel and the customers.

To be truly seamless, omnichannel retailers must overcome the challenges of organization and metrics. Executive commitment is needed to remove the silos, to correctly align performance measures, and to create cross-functional roles and to enforce policy across agencies and distribution partners. Culturally the organization must place the customer at the center of every business process which will demand a fundamental shift in mindset.

WHAT'S SEAMLESS?

Imagine the most complicated shopping experience you can conjure up? For me it's walking into a store to collect something that I'd researched and ordered online to be picked up in store. I'm carrying an item to return that I'd bought online at full price and had delivered to my office, but it was the wrong size - since purchasing the price has been reduced. Entering the store, I see a different colored item to the one I was coming to pick up, I now want that color instead. While I am in the store, I also see an exclusive item to loyalty club members, that I buy and will have that shipped as a gift to someone else at another address.

So take my scenario or your own complex experience and imagine every part of that total transaction happening smoothly and without issues. Where the store staff will call you by your name, and will know the status of all of your orders, returns and purchases. Both the staff and the retailer's site recommended the same loyalty member offer.

TODAY'S OMNICHANNEL (DUCT TAPED)

No single transaction is actually as complicated as my example but in our conversations with both retailers and customers - shopping is more of a puzzle and obstacle course than a smooth sail. Here are a few bumpy experiences:

- The online site does not provide accurate information about the availability of items in any store
- Store associates are unaware of offers, prices and products that have been sent via email or app, sometimes they are unable to honor a printed online coupon presented in the store
- Store associates are unable to see the status of orders placed online and are unable to make changes at the store and they are unable to process a return for products purchased online.
- An online offer has been sent out via email, but demand has way exceeded supply and the item goes quickly out of stock
- When a customer changes their address in one place, this is not recognized across all touchpoints for that customer

Our conversations concur that friction-free omnichannel vision is held back because of three reasons:

1. The customer is not the true North for the organization
2. Business objectives and operational KPIs are not aligned
3. IT legacy architectures are supporting today's omnichannel processes

REASON #1: THE CUSTOMER IS NOT THE TRUE NORTH

“The elephant in the room is that the senior executive team is not fully committed to a true seamless cross-channel experience” Senior Marketing Manager of a major global fashion brand.

We may be subjected each day to anecdotal best practice guidance gleaned from deep-pocketed organizations like Walmart, Amazon, Wayfair and Alibaba. We are dazzled with innovations from rising stars such as Warby Parker, Stitch Fix and Rent the Runway who operate free from inflexible legacy systems, aged real-estate portfolios and tenured but underskilled employees. The daily reality for retail executive teams is trying to maintain the existing business to meet shareholder expectations while transforming fundamental retail propositions to compete in the new order.

“As a leader of a large retail group, I think a lot about do we (the industry) need to romance our customers again. Do we need to do something different to win their hearts? Have our customers fallen out of love with us?” Geoffroy van Raemdonck, CEO Neiman Marcus Group

REASON #2: MISALIGNMENT OF OBJECTIVES AND KPIs

“An old ‘brand mentality’ does not support the seamless cross channel experience.” VP Merchandising Manager, US Chain Retailer

Strategic presentations set targets to deliver an omnichannel roadmap, yet fail to allocate sufficient attention and budget to execute well-orchestrated customer experiences that move seamlessly across channels. Following the old adage, ‘what gets measured gets done’, we see metrics that propagate channel conflict. For example not rewarding a store for an online sale picked up at the store sends a message to the store manager. Not investing in customer support for resources, training and new technology creates a bumpy customer experience when they need it most. Conversion in retail stores averages around 22% which is seven times conversion online, but few retailers are investing in analytics of in-store behavior suggesting the store KPIs are missing.

“Well, Manchester [the HQ] didn’t know diddly squat because it didn’t have the heartbeat of the business. This is all about servant leadership. We are here to serve the frontline businesses.” Steve Murrell, CEO The Coop Group

REASON #3: LEGACY ARCHITECTURE INHIBITS OMNICHANNEL

“There will be two types of businesses. The companies that keep selling and doing business with tech separate, and companies where tech is the way they do business” Yasir Anwar, CTO Williams Sonoma

Over the last 20 years, IT departments have had to cut budget and delivery times to green light critical systems implementation projects. Year after year of making piecemeal changes leaves the infrastructure and the applications that sit atop of it fragile and difficult to update. Supporting a business that demands high availability and a stream of new functionality is a tall order. Each new feature addition creates more complexity and potential instability, especially where a feature impacts multiple siloed systems.

"IT is typically the organization that determines how you do things, but at Sephora, they also determine why you do things." - Raghu Sagi, Chief Engineering Officer for Sephora

DIGITAL TRANSFORMATION

Our interpretation of digital transformation puts focus on learning how to operate in a business environment richer in data, where customers not only have instant access to more information about you, your products and your competitors, but they are also leaving deep and conspicuous data trails.

For retailers and consumer brands this points to one thing - putting the customer at the center of your business. Conceptually this results in simple changes, for example at Amazon: every meeting has a seat reserved for the customer; every project or product starts with sample customer quotes; and approaching any problem by starting with the customer and working backwards. At Hyatt there was a realization that not only do they need to know their customers better, but their most loyal customers know them better, right down to room configurations at particular hotels. Frequent travelers will know flight times and airport gates better than any booking agent.

Delivering seamless omnichannel is an exercise in understanding every customer journey and first systematically removing service bottlenecks and points of friction, and then creating ways to delight the customer. However this can only be done effectively if the systems infrastructure is in place and able to accommodate not only the changes, but is flexible enough to test, learn and adjust.

10 LESSONS THAT WE HAVE LEARNED

Almost a decade working with organizations from the world's largest retailers to the tiniest of startups has given us privileged insight into how to maximize the chances of success of an omnichannel program. Every one of these should be designed around providing a better customer experience.

1. Retail stores are important, even to digital natives

Pure-play online retailers like Warby Parker and Casper that captured their micro-categories through more efficient business models have realized that human interaction and physical experience cannot be overlooked, and are investing in stores. Pop-ups and stores within stores are also popular. And traditional retailers like Walmart and Macy's are starting to leverage their real-estate as distribution centers and pick up locations. There are many combinations as to how to make store and site work to remove friction from the omnichannel experience while creating unique in-store experiences.

2. Getting the last mile to scale is key to efficiency

Getting the products to the customer's door is a logistics nightmare, between the pick and pack costs, the variability of delivery and the handling cost of returns, the industry is still looking for a scalable solution. Amazon has a network of lockers and is offering customers ever-tighter delivery windows and Uber has appointed a Head of Grocery Product hinting that the last mile conundrum is likely to be solved by taxi companies and house builders.

3. Personalization drives sales, everywhere

Targeted emails and personalized landing pages are already the industry norm, however in an omnichannel world, how can the permutations of brands, retailers, media and channels each of us uses be turned at scale into a highly custom experience? Each permutation will create a unique data fingerprint, which holds the key to the next generation of personalization. Successful retailers are investing hugely in acquiring and structuring customer data for this very purpose. Even behavioral segments are not fine-grained enough, segment-of-one is the key effective personalization.

4. Mobile first but with brand commitment

The increase in use of mobile devices cannot be ignored, mobile-first strategies are critical to many retailers however, there needs to be a highly compelling reason for customers to download an app beyond product search and purchasing - mobile applications require brand commitment and initial and ongoing investment in technology.

5. Loyalty programs drive lifetime value

Online and offline customer acquisition cost is a critical metric for the retail business. Loyalty programs are designed to increase customer lifetime value, improve predictability and increase share of wallet. The most successful loyalty programs simultaneously offer exclusivity and value and are able to engage customers and motivate increased spending while capturing valuable behavioral insights. When analyzed correctly, customer loyalty is not a bell-curve but falls steeply but has a ultra-loyal segment that represents the very best customers, it's worth predicting the future lifetime value of that group.

6. Conversational commerce will eventually be with us

Despite the overhyped promises of chatbots being the user interface of the future, the underlying conversational technology or the data is ready for a bot to take care of the customer's every need, so adoption has been slow. Yet as the technology improves and voice enabled devices proliferate, if not shopping but simple high demand customer queries such as 'where's my order' will be handled by automated agents. The voice interface will start to appear everywhere from vending machines to in-store robots.

7. Insights need good data and a different mindset

"But we miss a clarity of purpose despite all the data. We have huge problems with disparity of data. We are swimming in data and devoid of insight" Senior Merchandising Manager, Major Fashion Brand

If you are not basing your business decisions on timely and accurate data then you will be overtaken by retailers that are, and that's just the baseline. The real key to to competitive advantage is being able to ask better questions, such as "What are we spending on campaigns that send customers to out of stock products?" Yet to answer a question like that means that the data should be collected and made available, with the systems to produce the insights.

8. Programmatic business will be the future

Where the data is used to automate decisions in near real time, and the customer outcomes of that decision are fed back into the system, also known as Machine Learning. The ability to generate automated category landing pages or to follow a customer throughout their purchase journey are exactly that. These types of tools are generally provided to retailers by third party companies offering software as a service integrated into the ecommerce stack. Most retailers online sites leverage a large number of these tools, providing a stable base for them to work together is a critical job for the enterprise architect

9. Innovations are nice to have as the icing on the cake

Virtual Reality, Augmented Reality, Magic Mirrors, Automated Stores, Facial Recognition, In Store Tracking, and the list of possibilities grows each quarter and consumers will be increasingly thrilled by these gadgets. These technology tools need to be considered as part of the whole with the understanding that they form part of that seamless omnichannel experience and are each funnels for data collection.

10. Infrastructure is absolutely critical and must be in the budget

The four pillar systems required to support the truly seamless omnichannel operation are Supply Chain, Ecommerce, Stores, and Marketing. It is vital that these systems are deeply interconnected in the same way that our left and right brains work as one. Any outreach, interaction, or transaction should be traceable by each of these systems knowing impact on inventory, customer lifetime value, store resources etc. To succeed calls for investment in a robust and future-proof enterprise architecture.

Of course these are just teasers, we can't give you the answers unless we know the questions. Every retailer or brand will have a unique legacy infrastructure, product assortment and customer base that will drive those questions. Send us an email and we'll help you formulate the right questions to ask.



info@firstretail.com