Blueprint For Omni-Channel Readiness

Executive Perspective

Brian Kilcourse, Managing Partner

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Retail's Reset Moment

The retail industry is at an inflection point, or "reset moment", triggered by mass consumer adoption of digital selling channels, particularly "smart" mobile devices. Armed with information instantly available to them in the digital domain, consumers now take "the store" with them wherever they go, in their pockets and purses. What consumers want are relevant products and services, any time and anywhere. They don't see selling "channels", but rather use both the digital and physical domains together to find relevant products and services. This is the nature of omni-channel retailing, and *for consumers, it's just shopping, re-defined*.

The traditional retail operating model, with its highly verticalized line-of-business organizational and process structures, is not well suited to omni-channel selling. For example, in today's retail operations, it's not unusual for E-commerce to be completely separate from Store Operations, and yet form the consumers' point of view, those "channels" should work together to help them make the best purchasing decisions.

The traditional retail operational model is built around four vertically aligned "dimensions": Planning, Buying, Selling, and Measuring. But to meet the demands of the omni-channel consumer, retailers should consider organizing their businesses around 6 horizontally aligned dimensions: The Customer, Products, Inventory, Order/Fulfillment, Locus, and Technology. These dimensions must work together to deliver a seamless Brand experience.

The Six Dimensions Of An Omni-Channel Retailer

The Customer: In the new retail model, it's not about what retailers want to sell, but what consumers want to buy, where, when, and how. The Customer dimension includes information derived from the customer shopping experience, not only past transactions, but non-transaction "path to purchase" data derived from consumers' digital shopping behaviors. This information is used to determine the context of consumer needs and to actively engage with consumers to build a bias towards the Retailer's Brand, no matter when, where, and how the consumer interacts with the Retailer.

Product: Products are not commodities, but **solutions** in the context of Consumers' lifestyle needs. The Product dimension is familiar to all retailers – it includes information about the products that are included in the assortment, and that information is used to offer the right product at the right place and time, and presented in the right way, in the right context to consumers.

Inventory: The right inventory, in the right place, in the right quantity, at the right price, available in the right way at the right time. Product sales must be accurately forecast and products need to be well positioned to fulfill customer orders, no matter how they were generated and no matter how an order is fulfilled.

Order/Fulfillment: Anytime, Anywhere Shopping. Consumers often don't start and end their shopping in one channel. Instead, they use both the digital domain (search, social, e-commerce) and the physical one (stores) together to make a single purchase decision. Regardless of how a customer order is built, it needs to be visible across all the selling channels, so that the retailer can offer several fulfillment options (in the store, in an alternate store, direct delivery), regardless of where customers choose to finalize an order.

Locus: Harmonization of the digital world with the physical one. Store-centric retailing assumes the physical store to be the center of gravity. In an omni-channel world, the digital and physical selling environments need to work seamlessly together to create one Brand experience for the consumer.

Technology: The right business rules and the right information delivered at the right moment to the decision maker. The digital selling environment is made of bits, not atoms. Appropriate investments in technology are required to understand and act on information being generated by consumers during their digitally enabled paths to purchase.

Getting There

Design the Customer Experience You Want for your Brand

RSR has said this many times before, but it's the place to start. Key questions to ask:

- What do you want to stand for?
- What do you want your "advocates" to say about you?
- What is the role of digital channels for your brand/company?

Once you've answered those questions it's time to go back to the root – *the store*. It has grown popular to say "the store is losing relevancy" but in fact, in general people are social creatures and they like to shop. They would prefer to talk to humans, to touch what they're buying, to have a place to take their kids, or get away from their kids. It's a huge differentiator. Don't force the issue by creating "store only" promotions, but make it a destination.

Align Your Organization around Your Brand

Some retailers have created a separate head of "omni-channel" strategies and activities. This may not be appropriate for many retailers. It may be more appropriate to align all channels under one executive.

Spend Time Understanding Paths to Purchase

On the one hand, consumer paths to purchase can appear chaotic. They have so many tools at their disposal and the mobility explosion allows them to stroll down that path at unlikely times, in unlikely places. But pulling back and looking at aggregated data should reveal some patterns that are unique to your brand. Analytics can help the retailer understand the more typical paths of your customers.

Think About a Harmonized Selling Environment

The explosion of information and selling channels cries out for a different kind of systems architecture. It's one that's extensible and fluid. Retailers can no longer survive on point-to-point integration. There are just too many integration points and they multiply every time another channel erupts. As tedious as it may sound, retailers have to think about architecture. Without a solid foundation, the house of cards that is a cross-channel strategy will just fall down.

Understand the Implications to the Supply Chain

In the last several years, retailers have spent a lot of time talking about the implications of omni-channel shopping to the sell-side of the retail business. But the implications to the buy-side of the business are enormous. ***Retailers build revenue on the sell-side of the business, but build***

profits on the buy-side. While retailers have mostly used price as a lever to drive profits, in an omni-channel world, the Winners will also use the supply chain to drive profits. Amazon has raised the bar on responsiveness, but it is up to others to also do it profitably. We strongly recommend retailers take a look beyond pricing and promotions and put more focus on responsiveness and return on inventory investment.

About RSR Research

Retail Systems Research ("RSR") is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- **Identifying information** that helps retailers and their trading partners to build more efficient and profitable businesses;

- **Identifying industry issues** that solutions providers must address to be relevant in the extended retail industry;

- **Providing insight and analysis** about a broad spectrum of issues and trends in the Extended Retail Industry.