Omni-Channel:
Shoppers' Expectations, Retailers' Responsibilities

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by Matt Pillar

Consumers' growing acceptance of mobile commerce and high expectations for seamless shopping and fulfillment experiences are putting unprecedented pressure on retailers to perform.

Most retailers are keenly aware of the latest channel-specific retail sales statistics, but here they are in case you missed the memo:

- The most recent U.S. Census data tells us that e-commerce represented 6.7 percent of total retail sales in Q4 2014.
- We've all heard from multiple sources that more than 90 percent of U.S. retail sales are consummated in brick-and-mortar stores.
- According to A.T. Kearney survey data, 95 percent of U.S. retail sales are captured by retailers with a brick-and-mortar presence.

These statistics are often conveniently drawn into arguments for or against one channel or another. Online pure-plays point to the fact that just five years ago, e-commerce accounted for only about 4 percent of total retail sales, and that according to the Census Bureau, e-commerce is enjoying a long-term average annualized growth rate of nearly 17 percent. That blows away the whole of retail — which has grown at just 4.54 percent since 1993. Surely, these stats tell us the future is online.

Staunch proponents of brick-and-mortar, on the other hand, point to the sheer volume of U.S. sales that happen in a physical environment.

Retail omni-channel strategists should resist being enticed by the simplicity of *either one* of these stats-based arguments. The stat that *really* matters is this:

95 percent of U.S. consumers frequently or occasionally shop retailers' websites and stores.

That doesn't mean that *where* shoppers swipe their cards is inconsequential. The path to the purchase is rarely direct — and even more rarely channel-specific — but it does affect the retailer's sales outcome. In this report, we'll take a closer look at the modern consumer's shopping behavior through analysis of the latest research

on the new path to the purchase, and we'll explore the experiences that influence the consumer's moment of truth. We'll also discuss how retailers are influencing those experiences and how well-managed consumer touch points — in every channel — create veritable control levers that can positively affect the outcome for shoppers *and* stores.

THE SHOPPER'S COMPLICATED CROSS-DEVICE, CROSS-PLATFORM EXPECTATIONS

Over the course of just two decades, the shopping process has changed dramatically. Modern consumers carry access to virtually the entire world from the smartphones in their purses and pockets, and the latest research tells us they're using it. Research from the new *Demandware Shopping Index* — based on analysis of the shopping behavior of 100 million consumers — concludes that the share of retail order volume driven by smartphones increased an incredible 61 percent from 2013 to 2014. The study found that smartphones accounted for 33 percent of e-commerce traffic last year, up 10 points over the year prior and 16 percent of e-commerce orders. As digital retail engagement goes, PCs continue to facilitate the most e-commerce *sales* at 67 percent, but e-commerce site *visits* from computers were down 16 percent year-over-year. Tablets drove 14 percent of traffic and 17 percent of orders. Smartphones are the fastest-growing by far.

Increasing consumer use of digital devices to research and buy creates a touch point proliferation challenge for multichannel retailers. As if maintaining *channel* congruence wasn't tough enough, now we have to maintain consistency in presentation across multiple mediums within the digital channel alone. The aforementioned *Shopping Index* report found that consumers are increasingly moving across digital devices during the course of their shopping journeys, as more than one in five consumers used multiple devices — including computers, smartphones, and tablets — to shop during Q4 2014. That's up 14 percent over the year prior.

If the proliferation of devices driving traffic to your e-commerce

sites isn't enough to understand and manage, consider that these figures track traffic and order volume to those sites alone. They're revealing statistics, but they don't even account for all the retail research and retail-related social activity taking place on Facebook, Pinterest, and other social networking sites.

THE RETAILER'S DEVICE AND PLATFORM PROLIFERATION IMPERATIVE

The provision of a consistent shopping experience across digital devices — and digital platforms — is clearly important to consumers. The trend data we've discussed so far only serves to indicate that it will become even *more* important to *more* shoppers in the short term. So, what can you do about it? Sync up the experience.

Your customers move from one device to the next at various points throughout the day. In the morning, it's the tablet at the breakfast table. During the day, it's the desk or laptop computer at work. In the evening and on weekends when they're on the go, it's the smartphone. Winding down on the couch at day's end, it's back to the tablet. Does the digital experience you're delivering shift with them?

Often, multichannel retailers fail to look past their own controls in the effort to deliver interdevice consistency. Those controls include brand presentation, price, and promotions delivered via device-specific (or native, agnostic) apps and browsers. Beyond getting content delivery right from a platform perspective, engaging digital consumers requires customer segmentation, which is the facilitator of the personalized presentation that drives shopper response. According to the Radicati Group's *Email Statistics Report, 2014-2018*, consumers send and receive 116 work-related and 88 nonwork-related emails each day. Much of that email usage is mobile; in 2014, worldwide mobile email users totaled 1.1 billion, a figure Radicati expects to double by 2018. That crowded field makes it difficult to stand out and get noticed, so personalization and relevance are absolute necessities.

While personalizing promotions across digital devices is foundational, it's not enough to meet the modern customer's

digital experience expectation. As consumers engage your digital presence on multiple devices, they expect consistency in the part of the experience that *they* control, not just what's received in their inbox. The shopper's wish lists, shopping carts, personal promotions, search history, and recommendations should be one and the same from one device to the next, so the personal experience picks up on the smartphone where it left off on the laptop.

While multidevice engagement with consumers is a two-way street, it's incumbent on the retailer to initiate and consistently execute on the engagement. While complex and ever-changing, the reward is significant. The recent Gallup *State of the American Consumer* report found that "customers who are fully engaged represent an average 23 percent premium in terms of share of wallet, profitability, revenue, and relationship growth compared with the average customer."

THE CONSUMER'S IN-STORE EXPERIENCE: ASSOCIATES WANTED

We kicked off this report with some insight into digital device engagement for good reason; it's the fastest-growing venue for nurturing — and consummating — B2C sales opportunities. But, as e-commerce has matured and increasingly gone mobile, traditionally brick-and-mortar retailers have learned some sales-enabling lessons about the influence of digital commerce on the path to the purchase. According to the 2014 *Pulse of the Online Shopper* from UPS and comScore, 54 percent of online shoppers have had items delivered to the store at some point, and of those, *43 percent made additional purchases at the store when they arrived to pick up their order.*

The coalescence of the digital and physical worlds is clearly a profitable opportunity. But, while it's fairly easy for retailers to influence an increase in store pickup of online orders — via manipulation of incentives such as free ship-to-store offers, for instance, to fully exploit the consumer's increased spend at the store, retail associates at the store have to be more engaged.

In its 2014 report *Customer Desires Vs. Retailer Capabilities: Minding The Omni-Channel Commerce Gap,* Forrester Research reported

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that 61 percent of consumers said they still value or highly value asking a sales associate for product recommendations. But reality has lowered the consumer's expectation of that actually happening. The *2014 Retail Satisfaction Barometer* report from CFI Group found that a full 76 percent of consumers report never having been assisted by a technology-enabled store associate. Among the few consumers who *have* been, 55 percent said the interaction wasn't at all helpful. The aforementioned Forrester study underscores the cross-channel disconnect that all too often happens at the store level; it reports that 68 percent of consumers shopping in a physical store expect the sales associate to demonstrate expertise on the products offered in-store, and 45 percent of consumers expect that expertise to extend to the brand's online product assortment.

And yet there's that CFI Group data that tells the story of retail associates' execution of cross-channel product knowledge. Consumers say that 77 percent of the time, store associates show occasional or frequent ignorance of Web promotions.

THE RETAILER'S IN-STORE EXPERIENCE IMPERATIVE

To demonstrate channel continuity in stores, many brick-and-mortar retailers have begun meeting digital with digital. They've layered interactive, Web-enabled touch points, kiosks, and touch displays, for example, into the store atmosphere. Increasingly, they're also using proximity-based marketing tools such as iBeacons to engage consumers via their mobile devices. These approaches have merit, and they've proven successful as a means of interacting with opt-in, digitally inclined shoppers. But the consumer expectations outlined above indicate that without associate engagement, their reach is limited. That engagement requires increased visibility into cross-channel inventory and product information at a minimum, ideally enabled by associate-held mobile devices that allow the engagement to happen in real time in the store aisle. For those tools to work, inventory silos must come down.

An even better, more differentiating experience is enabled when the associate can leverage a mobile device to access not just enterprisewide inventory data, but also personal consumer data, such as preferences and shopping history. This month's feature story on Neiman Marcus illustrates how the retailer is using an array of digital devices — both mobile and fixed — to initiate associate interaction with customers.

While Neiman Marcus is ahead of the curve in enabling in-store digital access to inventory and customer data, many retailers are playing catch-up with consumers who typically have more and better access to product information and product accessibility. In the omni-channel present, associates simply *must* be equipped with the technology that offers more knowledge than that which is in their heads and on-hand in their stores. While the aforementioned Gallup study downplays the threat of showrooming, the 40 percent of consumers who have made online purchases from competing retail brands while in a store are far more likely to continue doing so if what they're looking for is neither on your shelves nor accessible on your e-commerce site.

Importantly, the visibility of all-channel inventory availability works both ways. While in-store access to online inventory saves on-site sales and combats the perceived threat of showrooming, online access to in-store inventory drives traffic to stores. In the Forrester study, 71 percent of consumers said the ability to view inventory information for in-store products while shopping online is important or very important. Only 32 percent of the retailers Forrester surveyed offer this capability on their e-commerce sites.

THE CONSUMER'S BROKEN CONTACT CENTER EXPERIENCE

As omni-channel retail press goes, digital commerce seems to get all the glory and stores all the doom. Little credence is given to the contact center, but for consumers, customer service contact remains incredibly important to the brand experience and thus, an incredibly important piece of the omni-channel

68% of consumers shopping in a physical store **expect the sales associate to demonstrate expertise** on the products offered in-store.

★ ★ ★ ★ ★

The **40% of consumers who have made online purchases from competing retail brands** while in a store are far more likely to continue doing so if **what they're looking for is neither on your shelves nor accessible** on your e-commerce site.

71% of consumers said the ability to **view inventory information for in-store products while shopping online** is important or very important.

24/7

Shoppers surveyed for the *2014 Omni-Channel Insights* report from CFI Group say that they occasionally or frequently **receive information from contact centers that conflicts with that presented in other channels** a whopping **78% of the time.**

puzzle. Here's proof:
- CFI Group reports that 70 percent of consumers tend to call customer service regarding both online and in-store issues. The same report cites 87 percent of consumers saying it's important to be able to call customer service to check a local store's product availability.
- According to the earlier-mentioned *2014 Pulse of the Online Shopper* from UPS and comScore, the lowest point of satisfaction among consumers using digital channels is a lack of access to customer service information within the checkout experience — only half of consumers report satisfaction with that availability.

Despite the evidence that contact center access to cross-channel data is important to retail customer service, retailers have collectively failed miserably at equipping contact centers with comprehensive inventory, product detail, and customer information. Shoppers surveyed for the *2014 Omni-Channel Insights* report from CFI Group say that they occasionally or frequently receive information from contact centers that conflicts with that presented in other channels a whopping 78 percent of the time.

THE RETAILER'S CONTACT CENTER IMPERATIVE

To connect all their omni-channel dots, retailers need to equip customer-facing teams at every touch point — including contact centers — with the data access they need to respond to any customer inquiry or concern. The omni-channel contact center should be a clearinghouse of data from every consumer touch point, including e-commerce, physical stores, catalogs, and even social media. It should be a focal point in the management of consumer interaction with the brand. Yet, according to the aforementioned report from Forrester, 36 percent of retailers cite a lack of contact center technology as a top barrier or challenge preventing them from

becoming an integrated omni-channel company. Another 40 percent cite the integration of back office technology across channels — which is the underlying framework that enables the omni-channel contact center — as a top barrier to omni-channel maturity.

Regardless of the contact center tools at your disposal — whether IVR (interactive voice response), chat, SMS, or "old-fashioned" live telephone support — simply presenting access to customer service in any channel won't improve the customer's contact center experience. Those tools — and the contact center associate who uses them — need to be fed live, all-channel inventory and customer data in real time.

THE CONSUMER'S POSTSALE EXPERIENCE

The consumer's omni-channel buying experience — and the retailer's ability to satisfy it — are often predicated on order fulfillment and returns management.

As order fulfillment goes, consumers seek free, not fast. According to the aforementioned report from CFI group, a full 90 percent of customers consider shipping costs when shopping online, and 65 percent say it's very important in their order decisions. By contrast, only 19 percent of shoppers consider expedited shipping very important. Most are willing to wait 4 to 6 days, but 58 percent say that willingness to wait is predicated on a delivery window guarantee.

That data is corroborated by the *Pulse of the Online Shopper* report from comScore, which reports that free shipping offers influenced 81 percent of digital shoppers' online purchases in 2014. In fact, the report says, 58 percent of online consumers added items to their carts to qualify for free shipping.

Once products ordered online are received, the ease of returns facilitation presents another clear omni-channel sales influence on consumers. As stated by A.T. Kearney in its 2014 report *On Solid Ground: Brick-And-Mortar Is The Foundation Of Omni-Channel Retailing*, "returns is the stage in the shopping journey where consumers demon-

strate the highest preference for physical stores," and "for online pure-plays, returns are a dead-net cost; for a brick-and-mortar store, a return is a potential new sale."

The *Omni-Channel Insights* report from CFI Group provides the numbers to back up the A.T. Kearney statement. A full 93 percent of consumers want the ability to return purchases made online to local stores.

THE RETAILER'S POSTSALE IMPERATIVE

The consumer's combination of manageable urgency and delivery window expectation plays well to fulfillment and returns strategies that involve the store.

With any-channel visibility into enterprise inventory, cross-channel retailers with brick-and-mortar presences enable an opportunity to create a more efficient means of order fulfillment than pure-play online retailers, which lack a physical store infrastructure. For example, by 2013, Walmart was shipping more than 10 percent of the items ordered at walmart.com from any number of its stores, and more than 50 percent of those items were delivered within two days of being ordered. While small and midsize retailers have long been fulfilling online orders from store inventories, merchants of all sizes can now be equipped with the technology that determines the smartest and most efficient source of order fulfillment, based on inventory and proximity to the customer, provided they're enabled by centralized, all-channel inventory visibility.

It's that same combination of inventory visibility and physical store network that enables the even more efficient buy online, pickup in store (BOPIS) permutation that drives add-on sales. But to gain that efficiency, retailers have their work cut out for them enticing shoppers to choose store delivery. According to the *Pulse Of The Online Shopper* report, nearly three-quarters of online consumers prefer ship-to-home, and Forrester notes that even the 41 percent of shoppers who buy online for in-store pickup expect to be notified that their order has been picked

and is ready for collection in less than an hour. Nearly 40 percent of online customers would be more likely to complete an online purchase for in-store pickup if the retailer can quickly confirm that the order is ready. Apparently, seamless communication is nearly as important to consumers as seamless inventory visibility.

Regardless, building the volume of BOPIS sales seems an omni-channel challenge worth pursuing. Retailers that offer free shipping and fast picking of items to be picked up in stores could experience the potential benefits of additional online purchase volume to meet the free shipping threshold, add-on sales at the store level when orders are picked up, *and* the logistics efficiencies enabled by fulfillment from store-level inventory. And, the stats indicate that offering buy online, return to store drives more acceptance of e-commerce due to comfort with a flexible returns policy.

CONCLUSION: VISIBILITY = ANY-CHANNEL EMPOWERMENT

There's a clear and common theme weaving its way through this report: none of the consumer's omni-channel retail expectations are possible to achieve without enterprisewide inventory visibility at a minimum. That's the foundation necessary for the multidevice, order management, customer service, and logistics applications that enable the flow of information across sales channels. Ultimately, it's the foundation necessary to allow the flow of sold products from sites and stores into consumers' hands — efficiently and profitably.

For brick-and-mortar retailers with e-commerce sites — the artists formerly known as *multichannel* retailers — the steps to achieving the vague and vaunted status of *omni-channel* are many and variable. Their order and criticality are dependent on your understanding of your customer's expectations. But the necessity of centralized data — and the integrated order management, POS, and CRM applications that enable the visibility of that data — are prerequisite. ∎

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DELIVERY

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Automation And Software Intelligence Optimize Omni-Channel Distribution

Jerry Koch, director, corporate marketing & product mgmnt., Intelligrated

More than ever before, businesses depend on logistics as a competitive mechanism to increase productivity and profitability. As distribution operations strive to deliver the high service levels customers expect, they face challenges to balance costs, accommodate rush orders and demand spikes, and leverage shared inventory, all with a dwindling labor pool.

With quality labor in high demand, advancements in material handling technology and software are critical to maximize workforce efficiency and fulfillment accuracy. Intelligrated offers labor management software, picking technologies, and solutions development services to deploy labor in the right place at the right time and enable peak performance.

As distribution operations squeeze maximum efficiency from individual processes, translating these efficiency gains into overall operational benefit requires a software platform to remove the silos of traditional warehouse software and eliminate islands of automation. Intelligrated warehouse execution systems drive the entire fulfillment process from a single source, making real-time decisions based on constant analysis of labor, process, order, and equipment information to maximize fulfillment efficiency. ∎

The Secret Ingredient For Omni-Channel Success

Dave Andrews, director of marketing communications, Reflexis Systems, Inc.

Omni-channel strategies such as "buy online, ship from store" reduce the time it takes to deliver Web orders to a customer's home by a day or more. And "pick up in store" services provide instant gratification for "I want it now" shoppers. That's great news for companies that want to use stores as competitive advantage against e-tailers such as Amazon. But retailers face three major challenges in executing omni-channel processes:

• The goal of improving customer service is at odds with the increased work stores are expected to complete — from more revenue-driving product launches and promotions to new omni-channel tasks — but without an increase in labor hours. Associates are under severe pressure, putting customer service at risk.

• Store operations complexity and the number of store-facing systems are also increasing. But associates need simpler workflows: one place to view the most important tasks and alerts coming from multiple sources. Associates don't need more siloed applications.

• Increased omni-channel demand will severely impact store labor costs and cause disruption during peak customer traffic hours. Retailers need to optimize their processes and create a flexible environment that provides just-in-time coaching so associates can cover all in-store activities and respond to changing workload and customer demand.

Retailers solve the above challenges by implementing a real-time store execution and workforce management platform on in-store mobile devices. Retailers can provide a single app on tablets and smart phones to view prioritized alerts coming from multiple store systems — even ones not inherently mobile — including optimized omni-channel pick, pack, and ship tasks from order management software. Store managers and associates efficiently complete omni-channel fulfillment. And, the system provides best practice actions to respond to other tasks, interruptions, workforce matters, and customer-facing opportunities to provide a seamless and satisfying shopping experience. ∎

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Intelligrated designs, manufactures, integrates, and installs complete material handling automation solutions including conveyor systems, sortation systems, palletizers, robotics, automated storage and retrieval systems, and order picking technologies — all managed by advanced machine controls and software. Solutions include industry-leading Intelligrated-manufactured Alvey®, RTS™ and IntelliSort® brand equipment and warehouse management (WMS), warehouse control (WCS) and labor management software.

Every project is backed by Intelligrated's 24x7 multilingual technical support and access to lifecycle service through a network of national, regional, and local service centers. From concept to integration to lifecycle support, Intelligrated automation delivers distribution and fulfillment success. **www.intelligrated.com**

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