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Successful Omni-Channel Retail





Anyone following trends in the retail industry will be aware that retailers from large to small are trying to integrate their online and store-based customer shopping experiences. Described as an ‘omni-channel’ approach to shopping, this form of integration is increasingly seen as essential to compete in today’s market.

Until now, efforts have centred on the IT investment needed to allow new online customer-facing technology to work with established ‘back-end’ systems. Our recent experience, however, highlights that addressing technology alone is not enough to get real value from omni-channel. Retailers need to put the customer at the heart of their operations if they are to operate omni-channel at scale, profitably and deliver on their promises to customers.

Shoppers demand the ability to browse, compare, purchase and collect or receive product through any combination of different channels offered by a retailer. Coupled with the increasing influence of social media on decision-making, this necessitates a new approach to customer engagement that is consumer-driven, available 24-7 and international.

This presents a string of cost and operational challenges. Our answer is not to start with the technology. Although investing in IT is a necessity, alone it is not enough. It is better to start an omni-channel journey with an assessment of the business model that will be required and a critical review of the changes needed to ensure the business is set up operationally and organisationally to be effective. Without a rethink of how the business works, the danger is that investment in IT will not yield the results sought. The lessons from our recent experiences are simple: transforming the existing operating model and organisation structure is an essential precursor to driving business in an omni-channel market.

Almost one in every five pounds spent with UK retailers in December 2015 was through digital channels.
(Source: Retail Week)



How do retailers need to change?

The customer must be at the heart of the business

We believe that to be successful, retailers must ensure that their business is 100% focused on their customers. As a result, deep insight into the customer has to become a strategic priority and retailers who put the customer at the heart of their business will win in the dynamic and competitive market-place of the future.

Leading retailers already capture huge quantities of customer data and use it effectively to determine not just what customers are buying, but how they are buying it and what incentivises them to do so.

Omni-channel retailers must have a detailed, real-time, two-way connection to their customers, providing them with a deeper understanding than has previously been possible.

The ability to accumulate meaningful data about customers across many channels will help retailers drive sales and improve customer loyalty.



Ownership of customer data that extends across all channels will enable the organisation to compete on the strength of its customer service and interaction. An extension of this is the use of CRM data to create and deploy additional value-add services. These act as differentiators in the market place and strengthen the customer-retailer bond.

Amazon has used its deep understanding of its customers' habits to open a 'bricks and mortar' book store in Seattle, where books are ranged based on internet sales data and reviews.

John Lewis, Pets at Home and Mothercare are pioneering the customer-centric approach by offering a more valuable in-store experience to their customers. Based on the information they obtain, they are running specialist classes and demonstrations of products and positioning customer assistants as informed experts who can guide customers throughout their shopping experience.

Amazon experiences up to 30% uplift from its 'similar items' suggestions and e-tailing giant Shop Direct experienced 21% increase in full-year sales at Very.co.uk after the introduction of personalised homepages. (Source: Retail week)

How does the structure of the organisation need to change?

Our experience has shown that integrated and customer-focused offerings are most successful when reflected in the internal organisational structure of the business

Typically retailers have introduced new channel teams by adding them to their existing organisation, rather than looking at their organisation with a clean sheet and assessing what impact new channels should have on their existing structure. Duplication and fragmentation is a common result and adds additional cost and complexity, rather than driving efficiency through effective sharing of common teams and systems. This is particularly common in supply chain functions where few retailers appear to have achieved a single business function which owns the supply chain across all channels. A recent report goes further, highlighting that the least integration progress is typically made in retailers' order and fulfilment capabilities, reflecting the difficulty in re-organising supply chains to be more flexible. (Source: *The Starmount and Retail Systems Research Omni-channel Maturity Self-Assessment*)

John Lewis has brought together responsibility for stores and online under the role of "Retail Director" to allow it to move towards full integration of its channels, and created one role accountable for the omni-channel customer journey including ordering and contact handling across all channels, driving efficiency in the supply chain. (Source: *Retail Week*)



How can retailers restructure their businesses to deliver omni-channel profitably and at scale? We believe that organisations should be designed to ensure that customer channels are owned by a single business function, bringing together all forms of customer interaction, be it in stores, helplines, online platforms or social media. Not easy to do in a large organisation, especially where there is a need to get new retail channels to market rapidly. If achieved, it dissolves the common tendency for internal tensions between channels to hinder integration. In particular, tackling this in the supply chain drives real efficiency and removes the risk of cannibalising sales between channels, allowing organisations to move towards running omni-channel profitably. A single owner of all customer channels also helps to drive the all-important integrated customer shopping experience, which individual customers now take for granted and which is central to the notion of omni-channel retailing. Marks & Spencer is one of the few retailers to have given stores the status of a channel.

Marks & Spencer has consolidated control of stores under the director in charge of multi-channel giving its high street estate the status of a channel. *(Source: Retail Week)*

There are many ways in which these principles could be adopted, and the approach will need to vary for each organisation. We believe though that it is essential for any ‘customer-centric’ model to include clear accountability for Data, the Customer, Product and Fulfilment (supply chain).

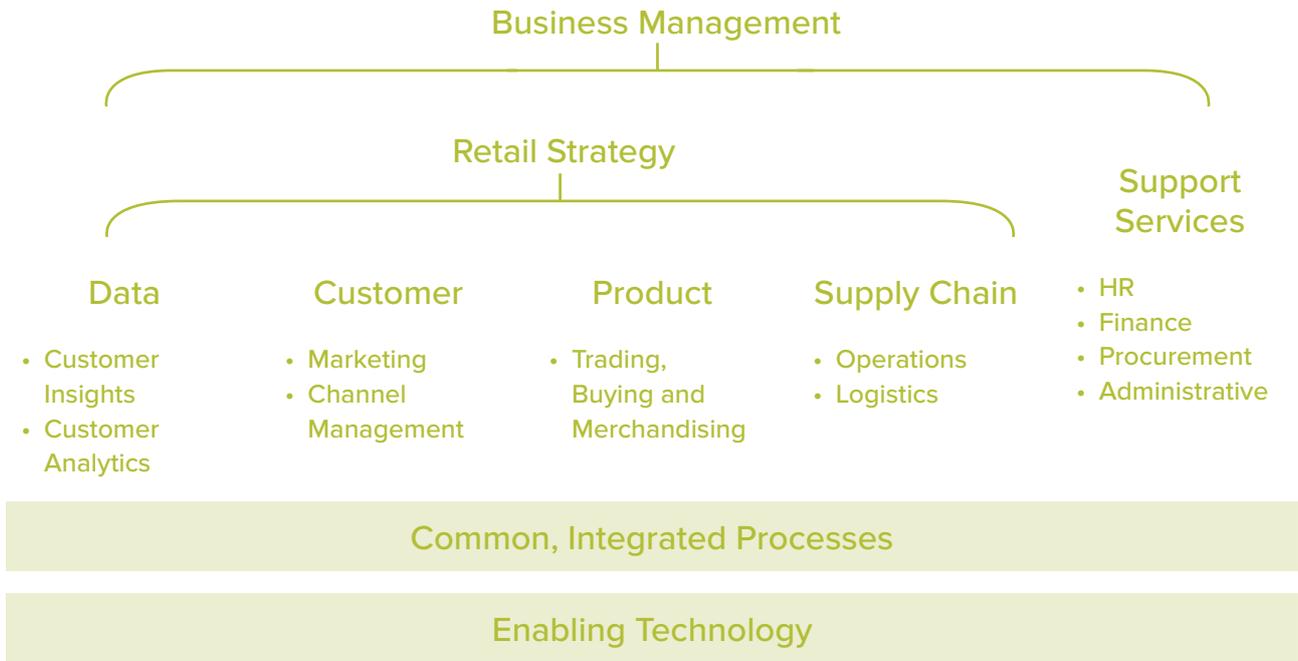


Figure 1: Potential business functions for an omni-channel retailer

The organisation structure should make clear how these are owned, who has accountability for them and how that fits with a single integrated offering to the customer.

An additional benefit of restructuring for omni-channel delivery is the ease with which future channel integration can be accomplished. Integrating new channels, such as acquired businesses, new media channels and extensions of the traditional estate is far quicker and cheaper when the underlying services form part of an integrated whole, managed as one and unified through common processes and technology. The alternative, if a fragmented business architecture is allowed to prevail, is the need for a complex delivery programme each time new business is developed or acquired.



A customer-focused business function

As if these ideas were not challenging enough, an equally significant change of approach is needed in the board room. To be successful, the Board must make a strong, and unwavering commitment to put the customer at the heart of the business. A single owner of all customer channels on the Board helps the organisation as a whole embrace the idea of a holistic understanding of the customer experience. Armed with this perspective, retailers have the opportunity to define new metrics for understanding the customer and deliver the customer-focused products and services that are increasingly expected.

The Board must also re-evaluate traditional measures of success, bringing a customer perspective to the measurement of the complete customer experience. Traditional performance indicators such as foot-fall, sales per square footage, weather and trading days in the month, must be considered in context with omni-channel benchmarks and social media metrics. Measures such as number of hits and followers on Facebook or Instagram are contributing to a new language for measuring any retailers' performance. Even in retailers which already manage all channels under a single business functional 'Head', the responsibilities of that role are changing and the traditional champion of customer information, the Marketing Director, is increasingly likely to find their role extended to include responsibility for online and customer service. Some retailers are already moving towards this approach and appointing Chief Customer Officers or Customer Directors.

Selfridges now has an Executive Director of Multi-Channel, Marketing and Supply Chain focusing on the end-to-end omni-channel experience as it develops its online and click and collect offer. (Source: Retail Week)

Into the future

Whether they know it or not, most retailers are already on a journey towards the end-goal of a truly omni-channel, customer-centric business

The old retail adage 'the customer is always right' is giving way to the new retail expression, 'the customer is king'. This gets to the very core of what omni-channel retail is driving towards: devising smart ways of integrating customer services, and using customer data to drive loyalty and increase sales. For the customer truly to be king this must eventually stretch beyond customer-centric operations and organisation structures, back to the investments in technology that we dismissed as a secondary concern in the introduction. It may not be long before retailers' core buying and merchandising IT systems are modelled not around products, locations and suppliers, but around the customers themselves.

The customer is king – long live the customer.



Get in touch

Please contact James Ball, Partner at Oaklin, to discuss how Oaklin could help you with your business to deliver an excellent omni-channel customer experience.

james.ball@oaklin.com
+44 (0)20 3574 4038
www.oaklin.com

