



THE VIEW FROM KURT SALMON



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DIGITAL TECHNOLOGY AND THE RETAIL REVOLUTION

Retail businesses are wrestling with the opportunities, but also threats and costs, posed by digital technology - that double-edged sword that can provide customers with a better in-store experience, but also guide them to cheaper competitors. It can help firms track inventory, but offer members of the public access to more information than is available to in-store sales staff. Having enabled groups to run parallel online and bricks-and-mortar businesses, it is now driving the need to integrate different sales operations into an 'omnichannel' model. And all this at a time when retailers worldwide

are still experiencing the lingering effects of the financial crisis and economic downturn.

What's clear is that retailers cannot afford to keep their heads in the sand. Especially because embracing digital technology wholeheartedly can reap dividends - as the resurgence of UK department store group John Lewis testifies.

In this briefing, Olivier Trouvé examines the (sometimes hesitant) steps being taken by European retailers to adapt to new consumer behaviour and shopping preferences, while Jas Virdee notes how some UK groups are breaking new ground globally with innovative sales, marketing and fulfilment strategies. From the US, Kurt Kendall charts the shift from multichannel models to the omnichannel approach and its implications for retailers' processes, organisational structure - and staff.

We also look at the phenomenon of showrooming, which is unnecessarily frightening many retailers, and the strategies different players are taking to avoid losing out.

Every day sees the creation of new online retail outlets around the world, and almost as many new innovative approaches to harness the power of digital technology to the evolving needs of retail businesses and their customers. Read on to learn more about them.

Regards,

Chiheb Mahjoub
Chairman and CEO

THIS MONTH:

- [Continental Europe: Between Threat and Opportunity](#)
- [Showrooming: Learning to Live with In-Store Browsing](#)
- [North America: From Multi-Channel Retailing to Omnichannel](#)
- [New Trends: On the Front Line of the Digital Revolution](#)
- [UK: Challenges Facing a Market in Evolution](#)
- [Case Study: John Lewis, UK Institution Turned E-Commerce Trail-Blazer](#)



BETWEEN THREAT AND OPPORTUNITY

Olivier Trouvé, partner in Kurt Salmon's Retail and Consumer Goods practice, says that while some European companies are still ambivalent about digital technology, others are embracing new processes, organisational structures and sales techniques.

Q: How do French and other European retailers view digital technology in their businesses?

O. Trouvé: Retailers see digital developments as both a threat and an opportunity, especially in the tough economic conditions following the financial crisis. The threat comes from the fact that the internet channel continues to grow rapidly, in double digits annually for some product categories. However, bricks-and-mortar retailers can benefit greatly if they address effectively all the opportunities offered by digital technology in a newly-revised omnichannel store-centric customer experience.

Q: How far have they gone with this process?

O. Trouvé: Except in the UK, many European retailers are a bit late to the game. Today the internet is often considered as a separate channel with its own P&L, operations and supply chain. That becomes a problem because retail customers are increasingly looking for an omnichannel rather than a multichannel customer experience.

They want to be able to look for information online and buy offline, or vice versa: for example, go in a store to get information, then buy online, and have the goods delivered at home or for pick-up in-store. The biggest challenge for retailers is not so much the strategy, which should be pretty clear now, but how to put it into action in a short timeframe, and implement new processes and organisational structures.

Q: What are the main developments today among French retailers?

O. Trouvé: Carrefour and Leclerc are already offering click-and-collect in some of their categories, and for fresh food customers can order online and pick up at a dedicated facility, the Drive model. Electronics and entertainment retailer FNAC has introduced both click-and-collect and home delivery, and so has Darty, the electronics and white goods retailer.

Q: What are the biggest challenges within the store?

O. Trouvé: There is still a lot of work to do to achieve a truly omnichannel customer experience. Everything about customer behaviour has changed – 80% of customers are going online before they purchase offline, 70% use smartphones in-store to compare prices. But stores have not yet adapted to changes in customer purchasing habits.

The digital technology in the store has two main objectives: to deliver an enhanced, 'phygital' customer experience, and to provide sales staff with new tools that enable one-to-one retailing as well as providing the customer with access to a larger range of products and services. An example is the French furniture and electrical retailer BUT.

SHOWROOMING



LEARNING TO LIVE WITH IN-STORE BROWSING

Retailers around the world are finding themselves confronted with the phenomenon of 'showrooming', where customers browse products in-store before buying the item online, usually more cheaply. That leaves the bricks-and-mortar retailer with the cost of maintaining a physical establishment, but without the revenue. Is that a threat to their existence? Not if they respond by adapting their sales channels, pricing policy and in-store organisation.

SOME EXAMPLES

- UK baby and child retailer Mothercare recognised the problem several years ago and trained its staff to recognise signs that customers were seeking advice and planned to buy elsewhere. If another retailer was offering a lower price, Mothercare would match it.
- Brands that are disciplined about controlling pricing through their retail distribution channels can prevent retailers being undercut.
- Showrooming is unlikely to disappear as a factor in the retail experience, since innovations such as Google Glass promise to make consumers even more connected to product information in the future.
- Omnichannel strategies that incorporate digital technology into the in-store retail experience can outweigh the downside of showrooming for many businesses.

Further Details: [↗ Detroit Free Press](#) [↗ Forbes](#) [↗ Mashable](#)

FROM MULTI-CHANNEL RETAILING TO OMNICHANNEL

Kurt Kendall, a partner in Kurt Salmon's US retail practice, examines the evolution of digital retailing in North America (and elsewhere) from a multi-channel model to an integrated omnichannel approach.

Q: How advanced are retailers in the US in integrating their various sales channels?

K. Kendall: North America is probably the most advanced region of the world in terms of the development of multichannel retailing, and over the past couple of years in exploring omnichannel approaches, although there are also parts of Western Europe and Asia that have made significant progress.

The emergence of the online retailing channel starting around 15 years ago produced either pure-play e-commerce businesses or multi-channel retailers that had both a physical offering through their stores and an online offering through their web platform, but these were not at all well integrated. Now omnichannel represents a transition to a seamless customer experience, where the customer is almost oblivious or at least agnostic toward which channel they use.

Q: What factors have driven the emergence of an omnichannel model?

K. Kendall: The key to multichannel retailing was first web technology and the ability to access it, through dial-up and then broadband, and broad access to a computer at home or at work (as we found out on cyber Mondays), and a payment infrastructure that gave consumers and retailers the confidence to carry out transactions online. The US was well positioned both in terms of infrastructure and a very robust payment system based on credit cards that gave the vast majority of Americans the ability to purchase online.

The omnichannel model is driven by extremely intense competition between retailers and raised expectations on the part of consumers, but especially by the emergence of the smartphone. This has been critical to breaking down the silos that existed between the online and in-store channels. You have the customer in the store, but they can effectively access the internet.

Q: What does this mean for in-store staff?

K. Kendall: How much the new technology being introduced in-store affects what you need from your staff depends upon the type of retailer. With a model where consumers are basically serving themselves, the role of staff may not change that much, depending on the nature of the product. The biggest change in-store is with the assisted selling model. One approach is for sales staff to use tablets to enhance the customer experience. Other businesses use them as a sales aid, giving staff information about the customer that can be used to cross-sell or up-sell them.

Q: And for companies' structure and organisation?

K. Kendall: Behind the scenes, you are seeing an evolution within organisations that historically have operated in silos. Now the shift is toward an integrated model where the organisation is serving multiple channels rather than having an online business and an in-store business, and hoping the two of them will talk to each other. Those barriers are coming down, especially for retailers where the online business has become significant. Beyond 15% to 30% of sales, depending on the sector, operating an online business as a stand-alone model no longer makes sense.

NEW TRENDS



ON THE FRONT LINE OF THE DIGITAL REVOLUTION

Companies around the world are responding to the challenges and opportunities posed by advances in digital technology with new initiatives designed to enhance the customer experience, gain greater understanding of the customer's needs and wants, or bring greater efficiency to the sales process, supply chain management and distribution. Some examples:

NOTE THIS

- Macy's in the US has launched a new organisation and supply chain system for all its department stores to manage their inventory in real time by colour, by size and by reference, accessible to online purchasers.
- House of Fraser has established a 1,200 square-foot purely digital store in Aberdeen, Scotland that stocks no products. Customer can come in to get advice and search for products on iPads, laptops or desktop computers, and have have them shipped to the store or to their home. Returns go back to the store.
- Argos and other UK firms are offering 90-minute delivery, at a premium, and allowing customers to specify the time of deliveries, rather than presenting them with a predetermined time slot.
- UK-based supermarket operator Tesco has created 'virtual grocery stores' in locations like subway stations that enable time-poor Korean commuters to scan the QR codes of items to be delivered to their home.
- Technology already exists to allow retailers to make much greater use of personal information, for instance through facial recognition. But they are being inhibited by privacy concerns. US consumers are considered more likely than Europeans to trade privacy for financial or other benefits.

Further Details: [Smart Company](#) [ReadWrite](#) [YouTube](#)

CHALLENGES FACING A MARKET IN EVOLUTION

UK partner Jas Virdee says British retailers are using digital channels to open up new markets abroad before investing in a physical presence.

Q: What challenges are retailers in the UK looking to tackle?

J. Virdee: The traditional British high street is struggling as a retail hub, retailers are increasingly shifting towards destination shopping and out-of-town centres in addition to providing online services to consumers who aren't able or willing visit a shopping mall. Today's customer does not want to be constrained, they want to shop anytime and anywhere. This requires retailers to be more flexible and agile and constantly assessing the validity of their operating model.

The customer proposition is continually changing, and it's not the retailers that are in control. The emergence of mobile as a sales channel is redefining the boundaries of traditional retailing - it plays a vitally important role, and is a key component of any successful multi-channel retailing strategy. Retailers need to respond to the challenges that mobile offers, as this will be the favoured channel for future generations of consumers.

Q: Do businesses have a clear idea of what they want to achieve?

J. Virdee: They tend to have a good sense of what they want to do. UK retailers are well informed about digital technology, and in some instances even the US is looking at what companies here are doing. Of course, some retailers remain in denial about the fact that it means investment, but others like John Lewis have fully embraced the demands of the future and how innovating through the use of digital technology can keep them ahead of the rest.

Q: Are UK businesses embracing in-store technology?

J. Virdee: The use of in-store technology is gaining momentum. A key priority for UK retailers during the next few years must be to fully integrate the customer interaction in-store across its other sales channels. This needs to cover the full spectrum from ordering through to mobile payment and returns processing. Recently the sector has seen significant advances in retailers offering in-store mobile payment facilities. This improves not only the overall customer experience, but ensures that the store operates in a more relevant way. For some retailers, mobile payment is now as much as 20% of in-store traffic.

A good example is the Aurora Group, whose chain includes Coast, Oasis and Warehouse. Their staff are fully immersed in the use of mobile technology to serve customers, and they are reaching high levels of customer satisfaction alongside an increase in cross channel sales. Staff have access to tablets, so if the store does not have an item in stock, they can locate it in another store, or a warehouse, and have it shipped either to the first store or straight to the customer's home. That ensures that they don't lose a sale simply because a product is out of stock in that particular store.

Q: What is the next step for UK retailers?

J. Virdee: The majority of UK retailers are now well placed to exploit their multi-channel offering. Click-and-collect has been a major success for almost all UK retailers. It has driven an increase in footfall, and also generated some remarkable in-store growth through customer's impulse purchases. The challenge is now to optimise cross-channel selling and add new services, like drive-thru collections similar to what is being offered widely in France.

Although cross-channel selling has many attractions, a key challenge for most UK retailers is to ensure that they offer attractive customer propositions while remaining profitable. In the multi-channel era retailers need to be cautious and ensure that good accounting principles are applied when battling for a share of the customer's wallet.

CASE STUDY: JOHN LEWIS



UK INSTITUTION TURNS E-COMMERCE TRAIL-BLAZER

John Lewis is unique among the UK's biggest store chains in that it distributes its profits to its own employees. The group (including supermarket group Waitrose) has also gained a reputation for innovation in its whole-hearted embrace of digital technology, both in its online business and in-store; it has just launched a new online store and a mobile site is in the works. "John Lewis has just made a significant investment in its online business," says Kurt Salmon partner Jas Virdee.

The group has already taken steps to move away from a silo-based structure to an integrated approach. Whereas previously store managers were responsible for only sales within their own store, now their remit covers sales throughout their catchment area. According to Kurt Salmon's Olivier Trouvé, this is key to changing the behaviour of sales people within the store and the way they address the needs of clients.

John Lewis's innovations include:

- New functionality including online gift lists for occasions such as weddings, birthdays and the birth of children, to avoid duplication of presents.
- Delivery of goods or gifts on a date to suit the recipient, which may also give the store time to locate items that are not immediately in stock.
- The introduction of tablet technology and the upgrading of in-store kiosks to provide greater user-friendliness and easier navigation.
- Trials of mobile payments technology to replace fixed till points, as pioneered by Apple.

Further Details: [The Guardian](#) [Internet Retailing](#) [FoodBev.com](#)

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