



Don't Call It Omnichannel

How to Operationalise a
Seamless Customer Experience

Kurt Salmon ✨

Omnichannel, for consumers, means a seamless experience with a retailer, one that offers the same product selection, purchase and fulfillment options, and level of service regardless of how, where, when or why they interact with them. And consumers don't merely prefer such seamlessness—they expect it. Indeed, for many, the term “omnichannel” is already synonymous with “shopping.”

In practice, however, few retailers can claim to offer a truly seamless experience. That's because doing so requires that everything—from their IT infrastructure to the ways that they incent their sales associates—be expressly designed to support it.

In order to offer omnichannel, in other words, retailers need to *operationalise* omnichannel.

But while operationalising omnichannel ultimately requires changes to every functional area, certain areas need to change first: the organisational structure, IT and the supply chain.

ORGANISATIONAL STRUCTURE

Operationalising omnichannel is, at its core, an exercise in change management. And successful change management starts at the top, with company leaders making their sponsorship of the initiative clear to everyone, both inside and outside the organisation. Ideally, such sponsorship includes titles to match. With that in mind, retailers such as B&Q and Bed Bath & Beyond have created chief omnichannel officer positions, for example.

It's not only the top of the organisational chart that needs reworking, however. There needs to be a cross-pollination of channel-specific expertise and experience throughout, done in such a way so as to keep any channel-specific needs and related processes intact (proving the tenet that the hardest part of management is implementing change while doing no harm).

U.S. luxury retailer Neiman Marcus, for example, recently announced it was merging its store and online merchandising and planning teams. Buyers for the previously standalone teams will remain in place, but the responsibilities of planners and both

general merchandise managers and divisional merchandise managers will now extend across the stores, mail-order and e-commerce businesses.

As Jim Gold, who was appointed to head up the newly merged teams, told *Women's Wear Daily*, it used to be that “whenever you wanted to do something, from an operational or buying or marketing standpoint, when you had totally different teams, it became very complicated.” The new structure was put in place, he said, so that Neiman can better service its customers.

Or as Neiman Marcus Group President and CEO Karen Katz put it, “We are one brand to our customers. Our customers do not differentiate between channels, and now neither will we.”

IT

Of course, in order to deliver on the promise of their new titles and job descriptions, retail employees must have the necessary tools. Which is why the impact of operationalising omnichannel is as significant on IT as it is on the organisational structure.

The most important capability that IT can enable is a single, near-real-time view of the organisation. Retailers, after all, cannot provide an omnichannel experience unless their employees have full visibility across all their channels. For example, the Inditex Group is implementing RFID-based inventory intelligence to provide accurate merchandise size, style and colour information across 700 Zara stores in 22 countries.

Notably, more often than not, enabling an internal omnichannel view means finding a way to get legacy systems to communicate with newer systems designed expressly for online operations.

Another critical IT-based change is the implementation of analytics capabilities. The treasure trove of data that can now be captured through tech-enabled tools is key to providing an omni-channel experience—though it does require standardising the data generated by legacy and online-specific systems.

By analysing such data, retailers can gain deep insights into their products and customers—as Abercrombie & Fitch learned after road-testing predictive analytics provider First Insight, with which it subsequently inked a long-term deal in February. “By using First Insight to identify more winning products and price them appropriately,” said Gillian Galner, GVP of the speciality apparel retailer, “we are increasing speed to market with the right styles, which will yield increases in sales and margin.”

SUPPLY CHAIN

The omnichannel retailer makes an endless aisle of products available to customers, who care not where the product is stored, only that it can be in their hands quickly and conveniently. In order for that to happen, the omnichannel retailer offers its customers a range of fulfillment options:

- » Click and collect
- » Buy online, pick up in store
- » Buy online, ship from store
- » Site-to-store shipping (pick up in a store to which the inventory has been transferred from another facility)
- » Lockers for anytime order pickup
- » Customer-convenient returns (buy online, return to store; buy in store, ship back, etc.)

Offering consumers so many fulfillment options also requires changes to a retailer’s supply-chain logistics, often in the form of additional distribution centres and sometimes even so-called “dark stores.” And end-to-end supply-chain visibility is key; without it, seamless product fulfillment is all but impossible.

Once a retailer has changed its organisational structure (including committing to omnichannel as a strategic priority and putting into place a C-level executive to sponsor it), IT and supply chain to support omnichannel, there are a host of additional functional areas to which changes must also be made.

STORE OPERATIONS

For in-store operations, the most critical changes centre on implementing ship-from-store and in-store pick-up capabilities, as well as the ability to process returns for purchases that were made in other channels. Other options include installing in-store kiosks where customers can look up product information such as inventory availability, or pop-up stores, where a limited selection of product is sold for a fixed period of time. Finally, many retailers are now arming sales associates with mobile POS systems equipped with inventory information so they can more efficiently close the sale. Such POS systems increasingly offer sales associates access to customer profiles, complete with purchase and browsing histories, enabling them to provide a more personalised in-store experience.

PRODUCT DEVELOPMENT & SOURCING

Compared with other functional areas, a retailer’s product development and sourcing will see relatively little impact. However, these must become more flexible and responsive to the additional information technology provides—both customer- and product-specific—as well as that gleaned from end-to-end supply chain visibility. For example, using omnichannel analytics that extend across channels and touchpoints (including analysis of customer comments on social media), a speciality apparel retailer will know to design a brightly coloured sleeveless knit top in time for the early spring season. And using near-real-time data to track sales of the top, that same retailer will be able to quickly source, near-shore, the additional microfibre necessary to keep it in stock for an extra two weeks when it sells faster than expected. Rapid prototyping enables faster product development cycles as well.

MERCHANDISING & PLANNING

As the Neiman Marcus case study demonstrated, omnichannel retailers need to put in place oversight of planning and procurement of all channels,



Exhibit 1: While operationalising omnichannel ultimately requires changes to every functional area, certain areas need to change first: namely the organisational structure, IT and the supply chain.

including strategy, and to centralise the management of all related functions. Buyers, however, should remain focused on their respective channels, and any channel-specific processes should remain intact. The same goes for geographic-specific merchandising and planning, as assortments must always be localised.

And underpinning the merchandising and planning functions should be a centralised, near-real-time view of product information across channels and regions, complete with digital images, leveraged to ensure each assortment is fully optimised.

Omnichannel retailers must also devise a clear and consistently applied pricing and promotions strategy. This can prove to be a significant challenge. On one hand, the omnichannel retailer needs to deploy its strategy across channels; on the other, it needs to ensure that its pricing and promotions take into account those of its competitors specifically and of the broader pricing and promotions environments regionally.

Amazon, for example, is using up-to-the-minute data to make some 2.5 million price changes every day to beat the competition on sensitive lines,

*The question of operationalising omnichannel is no longer if but **when**, and **in what order**.*

while enjoying additional revenue on less sensitive products. This approach has led to some staggering results such as gaining a 25% market share in the nappy category in just one year. Globally, Amazon sales grew by 22% in 2013 while gross profit increased by 34%, implying that its pricing practice is not at the expense of margin.

CUSTOMER ENGAGEMENT/EXPERIENCE (INCLUDING MARKETING AND ANALYTICS)

Analytics give omnichannel retailers unprecedented detail about the ways consumers engage with them—and the extent to which they do. But in order to maximise customer engagement, whether through interactive store displays or personalised savings offers, a platform-specific approach powered by platform-specific expertise is necessary. One size does not, in an omnichannel world, fit all. And tracking customer engagement requires a customer relationship management system designed to capture customer data across every touchpoint, from a retailer's POS system to its Facebook page. Amazon's new smartphone, for example, collects data from its users based on which it can make increasingly accurate product recommendations.

In order to offer customers a truly seamless experience, regardless of how, where, when or why they interact with them, retailers must have a single view of each customer that takes into account every interaction.

FINANCE (INCENTIVES, METRICS AND FINANCIAL REPORTING INTERNALLY)

An omnichannel retailer has to go from rating, reviewing and incentivising sales associates based on the results in their channels to adopting a shared model that aligns performance metrics across the organisation. Doing so encourages and rewards joint planning, better collaboration and a higher degree of awareness around the impact of one channel's decisions on another. Moreover, it will impact the way the organisation designs its internal financial reports, which also must be adjusted to reflect an omnichannel view.

HUMAN RESOURCES

The HR department has to be an expansive group, as it needs to hire for an omnichannel view of the organisation while bringing on people with individual channel expertise. And the higher the position, the broader the omnichannel view needs to be. Conversely, the closer someone is to the ground, the more specific their expertise should be to the channel in which they operate. HR also plays a critical role in creating key performance indicators that align across channels. But probably the most important function of HR in operationalising omnichannel is its support and facilitation of the extensive change management involved.

ROADMAP FOR AN OMNICHANNEL TRANSFORMATION

It's become standard in recent years for consumers to expect seamless interactions with retailers. For retailers, then, the question of operationalising omnichannel is no longer if but when, and in what order.

Retailers position themselves for omnichannel success by first making clear to both employees and customers the importance of their omnichannel strategy. They then empower their staff to deliver on the promise of omnichannel with an IT infrastructure and individual tech tools designed to offer an omnichannel view. The third functional area to adjust is the supply chain: omnichannel fundamentally rewrites the rules of fulfillment to support an "anytime, anywhere" model, and retailers' logistics must change to support it.

Once these three core functional areas have been operationalised for omnichannel, a retailer can begin to implement changes to the rest of the organisation and, in the process, position itself for success in the 21st century. Because for 21st-century consumers, omnichannel isn't simply an aspect of retail or even a type of retail—it's just "shopping." ❖

Kurt Salmon

Success for what's next

Kurt Salmon is a global management-consulting firm specialising in the retail and consumer products industry.

Kurt Salmon is dedicated to building the market leaders of tomorrow. More than just partnering with our clients, we ally with them, integrating ourselves seamlessly into their organisations in order to develop innovative, customised solutions for their 21st-century business issues.

Succeeding in today's increasingly complex, consumer-driven environment is an enormous challenge. But companies need to look beyond today. They need to position themselves for continued success in the even more uncertain future. That's where Kurt Salmon comes in.

We call it delivering "success for what's next." The results are transformative.

OUR SERVICES

Strategy and Transformation

- » Consumer Insights and Brand Strategy
- » Sales and Format Strategy
- » Omnichannel Strategy
- » Internationalisation and Market Entry Strategy
- » Business Transformation
- » Due Diligence and Post-Acquisition Integration

Operations

- » Merchandising and Planning
- » Product Development and Sourcing
- » Sales Management and Store Operations
- » Supply Chain Management
- » Logistics and Distribution Management
- » IT Strategy, Business Alignment and Implementation Support

Kurt Salmon Germany GmbH

Königsallee 11

40212 Düsseldorf

T +49 (0)211 7595 0

www.kurtsalmon.com

Hong Kong · Shanghai · Tokyo

Brussels · Casablanca · Düsseldorf · Geneva · London
Luxembourg · Lyon · Manchester · Nantes · Paris

Atlanta · Minneapolis · New York · San Francisco

AUTHORS

Dorothea Ern-Stockum

Managing Director, Germany

dorothea.ern@kurtsalmon.com

Madison Riley

Managing Partner, North America

Brooks Kitchel

Managing Partner, Global Retail and Consumer