Why When It Comes to Omni-channel for Mid-Tier Retailers, It Pays to Be a Fast Follower

Consumers, irrespective of where they live, how much money they make or how educated they are, increasingly want from individual retailers a seamlessly integrated shopping experience no matter which channel they're using to shop.

They want, in other words, to be provided with an omnichannel experience. And they're getting it, courtesy of some of the industry's top-tier names: electronics retailers such as Best Buy and OfficeMax, broadline behemoths like Target and Walmart, and department stores like Macy's and Nordstrom. Indeed, Neiman Marcus recently announced it will spend up to $100 million over the next three to five years to expand its omnichannel capabilities.

But while the consumer desire for omnichannel capabilities is more or less equal across geographies, incomes and educational levels, the value that consumers place on individual omnichannel capabilities is not, according to a recent survey conducted by Kurt Salmon.

For those mid-tier retailers still charting their omnichannel evolution, marrying the results of our survey with the omnichannel lessons learned by the first movers yields two things: a place to start, and if they've already started, a place to go next.

Who cares about what and why

Omnichannel may be a buzzword, but it's more than just a passing fad; it represents a fundamental evolution in the retailing experience.

That being said, mid-tier retailers should carefully consider their customers when deciding which omnichannel capabilities to implement. And they need to take the long view, to implement those capabilities that their customers find most valuable now, but lay the groundwork for the ones their customers will find valuable down the road.

Currently, according to the results of our survey, the omnichannel features consumers consider most important when deciding where to shop are those that offer savings and convenience.

Indeed, of all the omnichannel features we asked consumers to rank, email discounts came out on top. They were followed by cross-channel fulfillment features such as the ability to see store inventory online and return purchases made online in stores.

Omnichannel features that leverage consumers' smartphones, on the other hand—the ability to scan products, for example, and self-checkout— were far more likely to be considered important by those aged 18 to 34, whereas 35- to 54-year-olds didn't find them as important and those aged 55 and older, even less so.

Nearly three times as many consumers aged 18 to 24 use their phones to check prices, read reviews, etc., all the time or more than half the time than do those aged 45 to 54. Survey respondents in the 18- to 34-year-old demographic were also more likely to rank as important omnichannel features that enable personalization, such as suggestions for products they might like based on their previous browsing or purchasing history, either online or in-store.

In the same way that the disparity among age groups is a leading indicator for what tomorrow's consumers will value in omnichannel in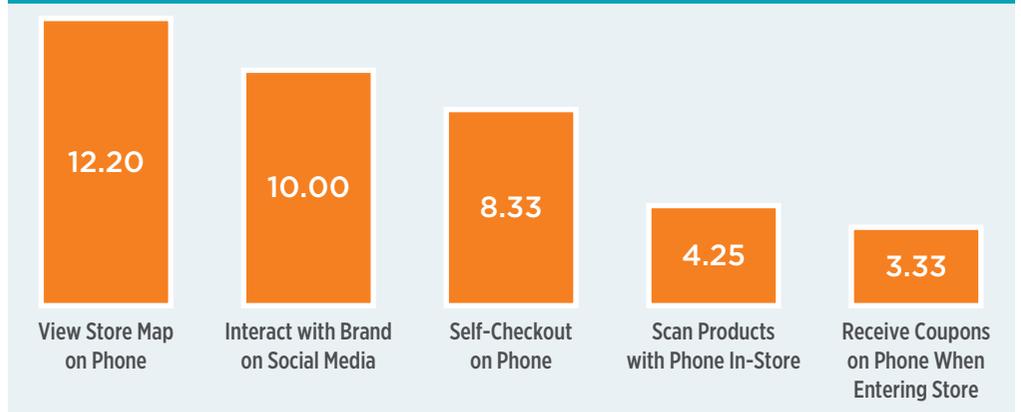itiatives, so too are the answers of consumers who identified themselves as early adopters of technology—and to a slightly lesser degree, those who consider themselves "avid shoppers." Both groups are more likely to follow brands and retailers on social media (~2 to 3 vs. ~0 to 1), for example, and to have brand and retailer apps on their smartphones/tablets (~2 to 3 vs. ~0 to 1).

In fact, when asked how important various omnichannel features were overall, early adopters said they considered them nearly twice as important as those who identified themselves on the tech-averse end of the spectrum, at 7.4 out of 10 vs. just 4.2 out of 10, respectively.

EXHIBIT 1: Most Valued Omnichannel Features
(Index to Median)

Receive Coupons via Email	Home Delivery for Out-of-Stocks	See Store Inventory Online	Reserve Store Inventory Online	Return Online Purchases to Store
1.32	1.25	1.00	0.85	0.74

EXHIBIT 2: Value of Emerging Omnichannel Features by Age
(Index of Importance to 18- to 34-Year-Olds Compared to Those Aged 55 and Older)

View Store Map on Phone	Interact with Brand on Social Media	Self-Checkout on Phone	Scan Products with Phone In-Store	Receive Coupons on Phone When Entering Store
12.20	10.00	8.33	4.25	3.33

In other words, as the population ages and increasingly uses more technology, the behaviors of the younger, more tech-savvy consumers we heard from will only become more common as time goes on—which means mid-tier retailers need to plan for them now.

What the first movers have learned firsthand

Consumer surveys, while insightful, are helpful only up to a point. For mid-tier retailers, a more complete roadmap for how to chart your omnichannel course can be gleaned by marrying such insights with the experience of your top-tier counterparts that have already started implementing such capabilities—and, in the process, have learned some valuable lessons. Among them:

1. The ability to offer an omnichannel experience starts with an omnichannel mindset. Channels should not be treated by retailers as individual plants, but as branches of the same tree that wilt—or thrive—together; operational and organizational divisions among channels will translate directly into a fractured customer experience. A unified approach is especially critical when it comes to retailers' online and in-store offerings; consumers no longer differentiate between the two, so you shouldn't either.

2. If your customers really want it, give it to them. Follow your customers in the direction they're headed and do whatever you can to make their journey more enjoyable. If they resist using in-store kiosks to compare prices and check product reviews and instead want to do so on their phones, for example, ditch the kiosks and offer a rich mobile browsing experience. Fighting the urges of your customers will cost you more in the long run—both in terms of revenue and market share. Moreover, it will blind you to the opportunities that such emerging behaviors can enable. Case in point: When your customers use their phones to browse, you log more data about their preferences. By analyzing such data and using it to make personalized promotions, you will increase both your customers' basket size and brand loyalty.

3. Gather as much consumer data as you can—and use it. As one retail executive put it, "Everything is for sale. The consumer is perfectly willing to sell part of their information if they can get a deal." Indeed, consumers know that they are giving up a degree of their privacy, and they are doing so willingly—with the expectation they will get something valuable in return. So make it valuable. Make it, in other words, personal. Take the information your customers are giving you—where they are, what they're looking for, what they've already bought—and use it to give them something they, and only they, want. They won't resent it; they will thank you for it.

4. Roll it out, then iterate. Everyone is different. Not only will some omnichannel capabilities be better suited to, say, women's apparel than for grocery, but even for individual retailers, what works in one store could fail

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EXHIBIT 3: Omnichannel Journey
Stages of Omnichannel Evolution

Multichannel Availability	Cross-Channel Footprint	Complete Omnichannel Experience
> Isolated channel offerings > Inconsistencies in brand appearance > Online limited to must-have features, services > Online assortment less purposefully defined > No specific pricing for online market > Unconnected marketing	> Aligned brand messages and channel offerings > Extended online capabilities > Comprehensive assortment concepts > Dynamic pricing > Focused marketing for specific segments	> Brand experience > Distinct roles for each channel > Assortment strategies aligned with how customer shops > Flexible ordering and fulfillment > Individualized marketing > Personalized customer service > Cross-channel organizational structure and metrics

miserably in another. The only way to truly find out which omnichannel initiatives work for you, and where, is to roll them out. And do so with the understanding that what works today may lose its appeal and effectiveness with consumers over time, while other omnichannel capabilities will grow to become must-haves. For example, while broadly speaking most consumers don't currently expect mobile-enabled omnichannel capabilities, the younger, more tech-savvy among them do, which means it won't be long before such capabilities come to be expected by everyone.

5. Utilize turnkey solutions wherever possible. It may very well be in your best interest to custom-build omnichannel-enabling technology, and many of the first movers, from Target to Nordstrom to American Eagle, now have in-house labs to do just that. But there are also countless vendors offering turnkey solutions, some of which have already been thoroughly road-tested by first movers. An example of a one-off, standalone technology is Shopkick. The mobile rewards app sends shoppers redeemable points when they walk into stores, including Best Buy and Macy's, and recently began enabling in-app purchases from a select group of retailers as well. For mid-tier retailers that want a more complete suite of services, eBay's omnichannel operations capabilities range from fulfillment to customer support and can be bundled or used on a standalone basis. ❖

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