Don't Call It Omnichannel
How to Operationalize 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" has already become synonymous with "retail."

In practice, however, few retailers can yet 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 *operationalize* omnichannel.

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

ORGANIZATIONAL STRUCTURE

Operationalizing omnichannel is, at its core, an exercise in change management. And successful change management starts at the top, with company leaders making clear to everyone—both inside and outside of the organization—their sponsorship of the initiative. Ideally, such sponsorship includes titles to match. With that in mind, retailers such as Macy's and The Bon-Ton Stores have created chief omnichannel officer positions, for example.

The organizational chart can't be reworked only at the top, 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 (a prime example of why the hardest part of management is to implement change but, at the same time, do no harm).

Luxury retailer Neiman Marcus, for example, recently announced that 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 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 have totally different teams, it became very complicated." The new structure was put into place so that Neiman can better service its customers, he said.

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 their new titles and job descriptions imply, retail employees must have the necessary tools, which is why the impact of operationalizing omnichannel is as significant on IT as it is on the organizational structure.

The most important capability that IT can enable is a single, near-real-time view of the organization. Retailers, after all, cannot provide an omnichannel experience unless their own employees have full visibility across all of their channels. 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 a key component of providing an omnichannel experience, though it does require standardizing the data generated by legacy and online-specific systems.

By analyzing 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 specialty 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 available an endless aisle of products to its customers, who care not where the product is kept, only that it can be in their hands quickly and in a way that is convenient for them. In order to ensure that product can be had as quickly and conveniently as possible, 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 requires changes to a retailer's supply chain logistics as well, often in the form of additional distribution centers 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 organizational 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 center on implementing ship-from-store and in-store pickup capabilities, as well as the ability to process returns for purchases that were made in other channels. Additional options include the installation of in-store kiosks, where customers can look up product information including 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 their sales associates with mobile POS systems complete with inventory information so that they can more efficiently close the sale. Such POS systems also increasingly give sales associates access to customer profiles complete with purchase and browsing histories, enabling them to provide a more personalized in-store service experience.

PRODUCT DEVELOPMENT & SOURCING

Compared with other functional areas, a retailer's product development and sourcing will see relatively little impact. What they must do is become more flexible and responsive to the additional information that technology will provide—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 the conversations its customers are having in social media), a specialty apparel retailer will know to design a brightly colored 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 microfiber necessary to keep it in stock for an extra two weeks when it sells even faster than expected. Rapid prototyping enables faster product development cycles as well.

OPERATIONALIZING OMNICHANNEL STARTS WITH ORGANIZATIONAL STRUCTURE, IT AND SUPPLY CHAIN

ORGANIZATIONAL STRUCTURE

SUPPLY CHAIN

IT

PRODUCT DEVELOPMENT & SOURCING

MERCHANDISING & PLANNING

CUSTOMER EXPERIENCE

STORE OPERATIONS

HUMAN RESOURCES

FINANCE

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

MERCHANDISING & PLANNING

As noted with the Neiman Marcus example in the organizational structure section, omnichannel retailers need to put into place oversight of planning and procurement of all channels, including strategy, and to centralize the management of all related functions. Buyers, however, should remain focused on their respective channels, and any channel-specific processes should remain intact as well. The same goes for geographic-specific merchandising and planning, as assortments must always be localized.

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

Omnichannel retailers must also devise a clear and consistently applied pricing and promotions

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strategy. This can prove to be a significant challenge, for while on one hand, the omnichannel retailer needs to deploy its strategy across channels, at the same time it also 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.

CUSTOMER ENGAGEMENT/EXPERIENCE (INCLUDING MARKETING AND ANALYTICS)

The addition of analytics gives omnichannel retailers a level of detail around the ways in which consumers engage with them—and the extent to which they do so—that is unprecedented. But in order to maximize customer engagement, whether it be through interactive store displays or personalized 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 that is designed to capture customer data across every touchpoint, from a retailer's POS system to its Facebook page. In order to offer their customers a truly seamless experience, regardless of how, where, when or why they interact with them, retailers must have a single view of each of their customers that takes into account each and every interaction.

FINANCE (INCENTIVES, METRICS AND FINANCIAL REPORTING INTERNALLY)

An omnichannel retailer has to go from rating, reviewing and incentivizing sales associates based only on the results in their channels to adopting a shared model, one that aligns performance metrics across the organization. Doing so encourages and rewards joint planning, better collaboration and a higher degree of awareness around the impact that one channel's decisions will have on another. Moreover, it will impact the way the organization 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 organization while at the same time bringing on people with individual channel expertise. And the higher the position level, the broader the omnichannel view needs to be. Conversely, the closer someone is to the ground, the more their expertise should be specific to the channel in which they operate. HR also plays a critical role in the creation of key performance indicators that align across channels. But probably the most important function of HR in operationalizing omnichannel is its support and facilitation of the extensive change management involved.

ROADMAP FOR AN OMNICHANNEL TRANSFORMATION

The expectation on the part of consumers that their interactions with retailers will be seamless regardless of the channel has become standard in recent years. For retailers, then, the question of operationalizing omnichannel is no longer if, but when, and in what order.

Retailers will position themselves for omnichannel success by first making clear the importance of their omnichannel strategy, to both their employees and their customers, and by empowering 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 that must be adjusted is the supply chain: Omnichannel fundamentally rewrites the rules of fulfillment to support a model of anytime, anywhere, and a retailer's logistics must change to support it.

Once these three core functional areas have been operationalized for omnichannel, a retailer can begin to implement changes to the rest of the organization 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—omnichannel *is* retail. ❖

Kurt Salmon

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