



Why Operationalizing Omnichannel Requires a Seat at the C-Suite Table

Kurt Salmon ✨

Years ago, when consumers first started buying online, retailers had to make a hard choice: build a separate e-commerce group to get to market quickly or try to integrate an e-commerce business into the overall organization. Most retailers chose speed. While that was the right choice then, it came with consequences: Retailers built up new walls within their businesses, dividing into separate groups, most of which had separate buyers, SKUs, supply chains and marketing plans.

Omnichannel effectively forces retailers to tear down these walls. And in order to do so effectively, leaders are looking to the highest levels to sponsor and own the task.

IT STARTS AT THE TOP

A retailer's ability to provide the same product selection, purchase and fulfillment options, and level of service regardless of how, where, when or why customers interact with them requires fundamental changes to every key functional area. True omnichannel leadership, therefore, demands purview over every functional area—from the finance department to the supply chain. Three things are critical to the role's success: a holistic view of the organization, especially across channels; unfettered access to the individuals who head up each functional area; and a direct line of communication to the CEO or COO.

Equally important is the signal that making the head of omnichannel a C-suite role communicates to the rest of the organization: Omnichannel is not an experiment or otherwise temporary approach requiring one-off adjustments to various structures and processes, but a fundamentally different way of doing business that necessitates equally fundamental changes to a retailer's core functions.

The symbolism of appointing someone in the executive office to own omnichannel is impossible to overstate, as it makes clear to every employee just how important operationalizing omnichannel will be to the future of the organization.



Diane Ellis
Chief Executive Officer
The Limited

OVERSEEING OMNICHANNEL FROM THE VERY TOP

Omnichannel demands a singular view of the customer, and that's why at The Limited, omnichannel is a means to an end. While The Limited does not have a chief omnichannel officer, Diane Ellis, as CEO, has owned the

company's omnichannel transformation, working with seasoned professionals across the organization to make it a reality.

"At The Limited, we see omnichannel as a tactic, not necessarily a strategy. It's part of what we like to refer to as our client-first strategy. We have a laser focus on who our target client is, which we refer to as the 'sophisticated professional,' or SP for short.

"Omnichannel, providing that seamless transaction or seamless engagement, is only one part of our broader strategy to make sure we are tailoring every aspect—our assortments, our in-store experience, our marketing, our social engagement—to the specific needs [of the customer]. ... It's part of a bigger strategy to build that relationship."

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KEY CHARACTERISTICS OF THE ROLE

In addition to being a member of the C-suite, in order to ensure success, the omnichannel head should:

- 1. Report to the CEO or COO** The head of omnichannel is, for all intents and purposes, carrying out the directive of the CEO or COO. As such, she must have a direct, formalized line to them so as to make omnichannel a key consideration of every discussion.
- 2. Having accountability for key functions** Having skin in the game incents the head of omnichannel to ensure her decision-making process is thorough, which renders her subsequent actions more impactful. It moreover compels her to engage with each group in a meaningful way so as to understand their individual challenges and priorities and to, in turn, effectively tie them back to the needs of the business overall. For while operationalizing omnichannel throughout the company is her responsibility, she needs to intimately understand how reaching that goal in, say, the merchandising group will require different steps than it will in HR.
- 3. Be digitally literate** Technology is core to the omnichannel experience. As such, the head of omnichannel must be able to understand the technology being deployed to provide it, be it consumer facing or internal. Even better is previous leadership experience in IT or supply chain, the other two functional areas most heavily impacted by the operationalization of omnichannel and where digital literacy is a prerequisite.
- 4. Be an “insider”** While it’s not always an option, ideally the person chosen to head omnichannel comes from within the organization. That’s because operationalizing omnichannel is essentially an organization-



Brent G. Kirby
Chief Omnichannel Officer
Lowe's

TOP-TO-BOTTOM APPROACH

According to Brent Kirby, the Lowe's consumer is more educated than ever and comes to stores and sites with an expectation for speed, convenience and competitive prices.

As a result, the organization is moving quickly

to organize around the consumer and appointed Kirby in 2014 to the new role of chief omnichannel officer. At Lowe's, "Our CEO is really committed to omnichannel. I certainly have a lot of support from the chief operating officer and the team, so that's one of the things that excites me about the role."

When asked what he brings to the role, Kirby notes that his depth of experience across functional areas and "insider status" is helpful. "A lot of this stems from my background within the company and the fact that I've spent a lot of years with stores, different capacities, different roles, [which gave me] pretty broad perspective in terms of the background I have. ... I think that's probably what they saw in me ... the ability to have the general management skills to always continuously bring that together for the organization."

Omnichannel starts at the top at Lowe's, with a committed CEO, COO and chief omnichannel officer, but success requires participation and commitment at every level, Kirby says.

"It is everybody's role and everybody plays a role in it. ... We need the entire team to be good at omni, to be good at that journey to omni."

While *appointing an omnichannel head is a critical first step for most retailers, it's only an initial one.*

wide exercise in change management, rendering any firsthand knowledge about previous change management initiatives invaluable.

Another advantage that an insider brings to the role is the ability to navigate the unofficial hierarchy of the organization, which for an incoming person can take years to fully grasp—time that retailers simply don't have.

Finally, an omnichannel head positioned for success has already established a certain degree of credibility in the organization, another key component when it comes to implementing such end-to-end change.

STEPS TO SUCCESS

The head of omnichannel is entering largely uncharted territory. Not only is she stepping into a brand-new role at her organization, she's part of a select group of pioneers in the retail industry at large, which means there are no tried-and-true roadmaps to which she can refer. Yet few mandates are as critical to her company's long-term survival.

Securing some quick wins will convince any resisters of the importance of omnichannel and will simultaneously help to gain both organizational and market momentum. When Jerry Black was appointed chief of digital shift to oversee omnichannel at Aeon, one of Asia's largest retailers, his first order of business, for example, was to design and launch a flagship omnichannel wine store featuring touch-screen search and ordering capabilities, tablets on which customers can access comprehensive wine information, and RFID labels containing related recipes or lists of local restaurants where customers can bring their own bottle. "Wine is a very small part of our business, but we needed a flagship store to demonstrate the concepts" of omnichannel, he said.



Jerry Black
Chief of Digital Shift
Aeon

COMMUNICATION KEY TO CHANGE

When Asia's Aeon, one of the world's largest retailers, was considering whether to implement omnichannel, it spent months benchmarking its best practices against those of its competitors, conducted customer focus groups to assess the buying experience, sent its executives to Silicon Valley to better understand the role of data, and held dedicated off-site strategy sessions to discuss the subsequent degree of change it would need to make.

And once a definitive decision was made to embark on an omnichannel strategy, in order to ensure that all necessary changes were executed properly, it created an entirely new C-suite role dedicated to the initiative.

"When we began ... omnichannel was discussed in a way that was 'game changing,'" recalled Jerry Black, whom Aeon appointed as chief of digital shift to oversee omnichannel as well as e-commerce in March of 2014, "but when it came to actual tasks, it was clear the steps our own people were willing to make were somewhat incremental."

Black notes that part of his responsibility as the omnichannel owner is to demonstrate not only the urgency, but the necessity of the change. "I believe part of my role is to demonstrate to executives how our current business model will break down over time while also highlighting the exciting new opportunities to meet customer needs."

The most important thing a newly appointed head of omnichannel can do, he said, is to "communicate an accurate assessment of the current situation, paint a realistic vision of the future and put into place a plan with resources which are enabled to make change."

*Naming a head of omnichannel and giving that person a seat at the **C-suite** table leaves no room for doubt as to the **importance of operationalizing a seamless experience.***

Macy's, under the direction of R. B. Harrison, who was appointed to its chief omnichannel officer post at the start of 2013, has taken a similar approach to demonstrating the power of omnichannel by piloting everything from smart fitting rooms equipped with tablets to same-day delivery. Those pilots that prove successful, such as buy online/pick up in store, Macy's subsequently rolls out across the nation. "We are a multifaceted retailer with stores, technology, Internet capability and mobile access that come together for our customers," said CEO Terry Lundgren in the fall of 2014, when the retailer announced its latest round of omnichannel-focused pilots. "They are at the center of all our decisions, and our ongoing research and development will continue to help us understand how to personally engage with them."

And while appointing an omnichannel head is a critical first step for most retailers, it's only an initial one. Few if any retailers will be able to operationalize omnichannel without making significant changes to their existing organizational structure, especially those who have traditionally siloed their online operations from those of their brick-and-mortar stores.

It's why Saks in early 2013 broadened the responsibilities of its senior managers to account for omnichannel and adjusted their titles to match. "We wanted to create an environment where the Internet could thrive, build off of synergies and collaborate with our store business," then-chair and CEO Steve Sadove told *Women's Wear Daily*. "There has to be a much higher degree of working together. It starts at the senior level."

And it's why, more recently, Neiman Marcus merged its store and online merchandising and planning teams. "[F]rom an operational or buying or marketing standpoint, when you have totally different teams, it became very complicated," Jim Gold, who was appointed to head up the newly merged teams, was quoted by *WWD* as saying.



R. B. Harrison
Chief Omnichannel Officer
Macy's

YOUR CUSTOMER DOESN'T CARE ABOUT YOUR ORG STRUCTURE

"Our CEO, Terry Lundgren, has been very clear from the beginning that we are a customer-centered organization, even to the degree of taking the title chief customer officer," said R. B. Harrison, chief

omnichannel officer of Macy's. And, as Harrison notes, your customer doesn't care what's happening behind the scenes. "It's not the customers' issue that we have a digital organization or a store organization" at Macy's, they just want to have "one Macy's experience and one Bloomingdale's experience."

So what is happening behind the scenes? According to Harrison, "What became very apparent to us in the last couple of years is that to create that seamless experience, we have to break down some barriers that had served us very well. ... As we did that, we hit some bumps in the road. As we were trying to make more efficient our fulfillment and techniques ... it became clear that we needed to get one single view of the inventory.

"What we came up with is a hybrid management model, planning, marketing, where we have, in effect, one strategic headset over the business strategy, and then we have digital and store expertise. We think that positioning puts us in place to move faster, because we're just trying to hit that speed."

While the customer may not care what your organization looks like, they do care about speed and convenience, and loyalty is up for grabs.

"The customer has accelerated a change so fast ... you can't sit in one place. Any time you're with the status quo, you'll fall behind."

It order to get it done and get it done right, someone has to own it—someone at the very top.

And, of course, new hires must be made with an eye to omnichannel as well. For example, furniture and electronics rent-to-own retailer Rent-A-Center's chief omnichannel officer, Joel Mussat, in June of 2014 named a vice president of omnichannel with more than 13 years of related experience. His tasks include the "design, development and implementation of a digital-commerce solution that ensures customer demands are met" across channels.

SOMEONE'S GOT TO OWN IT

Omnichannel, which at its core is about customer engagement, is the result of a fundamental technological shift that began with e-commerce and has been subsequently powered by the ubiquity of mobile. And it requires an equally fundamental change to retailers' operations.

But a shared understanding of what omnichannel means for a retailer in practice, as well as the depth and breadth of the changes required to operationalize it and the degree of urgency that should accompany them, is all too easily lost on employees who don't have a C-suite view of the organization. Naming a head of omnichannel and giving that person a seat at the C-suite table leaves no room for doubt as to the importance of operationalizing a seamless experience internally in order to provide a seamless experience externally.

Beyond the symbolism, however, is the job description itself. Because, bottom line, operationalizing omnichannel is a big job. It order to get it done and get it done right, someone has to own it—someone at the very top.

OMNICHANNEL HEADS AROUND THE WORLD

Aeon, Jerry Black, named group chief strategy & digital & IT & marketing officer March 2014.

Lowe's, Brent Kirby, named chief omnichannel officer October 2014. In his role, Kirby is responsible for bringing seamless and simple customer experiences to life across all the company's selling channels. Kirby's responsibilities include in-home selling, contact centers, pro services, Lowes.com, installed services, extended protection plans and the services platform work stream.

Macy's, R. B. Harrison, named chief omnichannel officer January 2013. In addition to his existing role managing the development of strategies to closely integrate the company's stores, online and mobile activities, Harrison will assume responsibility for systems and technology, logistics and related operating functions.

Rent-A-Center, Joel Mussat, named chief omnichannel officer January 2014.

Seven & i, Tsuyoshi Kobayashi, named head of the omnichannel strategy office fall 2013.

Tesco, Karen Dracou, named multichannel strategy director September 2013.

Walgreens, Sona Chawla, named digital and chief marketing officer February 2014. In her role, Chawla is charged with advancing Walgreens' vision for an omnichannel "well experience" by developing and leveraging its corporate brand, integrated portfolio of marketing assets, web and mobile offerings, Balance® Rewards loyalty program, and customer insights.

Woolworths, Nikki Cockcroft, named group head of online July 2011.

Kurt Salmon

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

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