Omni-channel Commerce

Think like the customer

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Think like the customer

Fact: We live in an omni-channel world. Companies in the business of selling—anything from packaged goods to services to ideas—need to address this reality and interact seamlessly with their customers across all channels, with relevant and timely communications. The return on this omnichannel strategy is already evident: customers who shop on at least two channels spend more money.[1]

With the explosion of channels and devices, many companies have risen to the challenge by developing engaging websites, practical mobile apps and well-organized physical stores. But if companies are not integrating all the channels and delivering a connected and continued experience, they risk not only incurring additional operational cost, but also frustrating customers and partners. That, in turn, negatively impacts the bottom line.

The channel-hopping challenge

There may be 50 ways to leave your lover, but there are countless ways to lose a sale. Never before has that been more true, as customers have many more ways to check out a product, compare prices, give a compliment or lodge a complaint. In today's marketplace, it is critical that customers can move seamlessly across channels and devices. They are researching their purchases over multiple touchpoints, by surfing online, phoning the call center—often at the same time—and increasingly while browsing in the store. Remember that visitor who didn't make a purchase on your website? She may have completed the order in your store, without you realizing it.

This omni-channel world is being embraced by all types of customers, from individuals shopping for a new phone or the latest fashion accessory, to businesses stocking up on equipment and supplies. Even though the needs of each customer are different, they are all looking for the best price, the easiest buying experience and personalized service—however, wherever, and whenever they decide to shop.

But most businesses are organized, at least in part, into departmental silos, which do not provide that seamless experience. Instead, each channel, from website to customer service to sales teams, operates independently. In the worst examples, the channels end up cannibalizing each other, or competing for the same customers. The territorial behavior is understandable; the interactive team puts much effort into a website, and they want to capture the revenue when someone uses it for a purchase. But when the lack of integration across department leads to variable levels of service, the brand experience is anything but seamless for the customer.

At the end of the day, fulfilling customer needs comes first. A company wishing to succeed in today's omni-channel world needs to draw up a new organizational blueprint, with inputs from across the business, to provide the framework for an integrated channel experience.

[1] Accenture, dunnhumbyUSA and comScore, "Are Your CPG Brands Maximizing the Return on Your Digital Investment?" 2012, http://www.accenture.com/us-en/Pages/insight-marketing-analytics-culture-change-business-benefits-summary.aspx.

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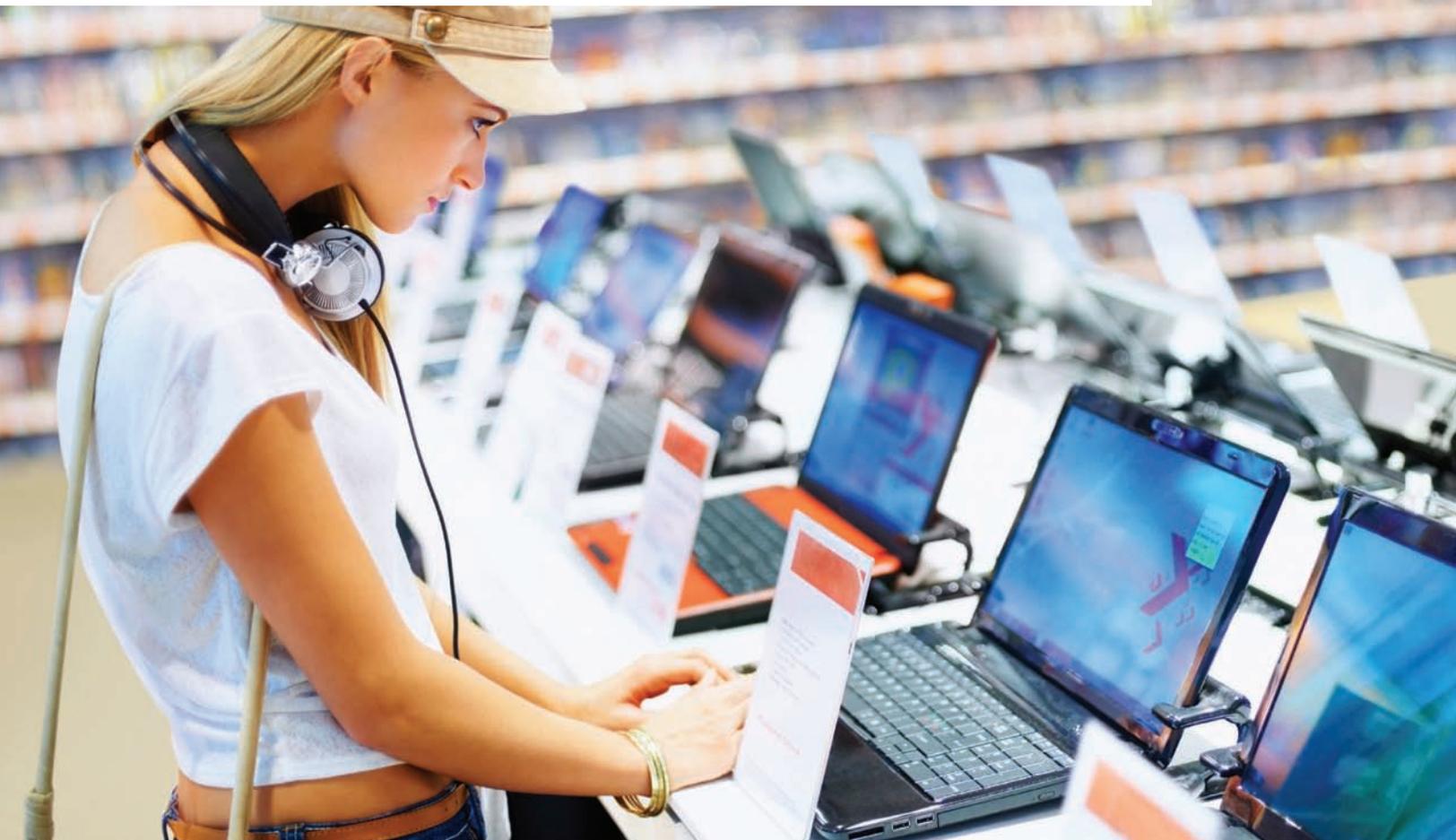
Putting the customer first

First off when considering a new blueprint: figure out what motivates your customers. With a customer mindset, companies can take a giant step toward ensuring that all the strategies for online, offline and on-the-go work together. And remember, the process has to reflect how your customer wants to buy, not how your company is organized. To realize this vision, companies need to consider the following strategies:

- **Integrated pricing across online and offline channels:** In many cases today, prices in the physical store are different from the price shown on the company's website. This typically occurs because retailers are competing with online pure plays that have reduced overheads and can charge lower prices. But in the stores, companies often resist following the same pricing strategy as their online channel because they need to factor in the cost of operations. Although there is a temptation to have each channel "pay its own way," this strategy is annoying to customers—and can move them to shop elsewhere, accelerating the decline of sales in stores.

- **Visibility into product availability across channels:** More and more, customers are checking websites to research products and services, but still want the convenience of purchasing in person. Unfortunately, many websites—though robust and showing the merchandise available—do not reflect product availability in local stores. Think of a busy professional, who needs a specific printer cartridge. Without knowing whether the nearby office supply store has the right item in stock, she may choose to express-order the item online—potentially with another retailer. Or, a parent who needs to buy shoes for his children. It's hard to buy the right fit over the Internet, but he doesn't know which of the three stores near him has the particular style and possible sizes he is looking for.

- **Single view of the customer across channels:** There is nothing more frustrating than sales representatives who do not know about an offer that was made to you online—the omni-channel equivalent of having a coupon rejected in a restaurant. Or, when customer service representatives cannot see the history of a recent complaint or an order, even though there may be emails or previous phone conversations. Remember, the customer sees a company as one organization—the nuances between the departments are not visible to him.

- **Flexible ordering options built around your customer's needs:** If customers want to order online or buy offline, let them. Today, too many customers in the business-to-business space have only one way to communicate when making purchases. Sometimes, a customer wants to talk to the procurement officer about a product, especially if it is for a big purchase like office furniture. But sometimes, that same customer just wants to refill an order for printer toner, and doesn't want to either call or email a procurement officer. Many B-to-B companies have set up one communication channel with customers, without considering differing needs at different times. Companies should make sure they are using technology to make the customer's life easier, instead of forcing the customer into prescribed situations.

B-to-C still thrives on the in-person touch

When omni-channel is discussed, digital often comes to mind first. The reality, however, is that almost all retail purchases are made in stores[2] (think staples such as food and grooming products, as well as shoes and clothing in which fit is important). What does that mean for an omni-channel strategy, where all of the channels must work together?

One company that is getting it right is Macy's—premier retailer in the United States. Chief operating officer, Terry Lundgren, has championed the omnichannel approach because company research shows that doing so drives sales. In fact, he stated that within 10 days of an online purchase being made, every dollar spent online at Macys.com influences $5.77 spent in stores.[3]

Mr. Lundgren has spoken for years about striving for "inventory optimization through technology."[4] Although there are many interpretations of that strategy, it essentially means making sure that customers get what they want, when they want it. He has a vision of a day when the entire inventory, in all Macy's stores, will be seamlessly accessed and sorted by associates on the floor or team members fulfilling orders that come through the website.

Many retailers know that their customers are both going online and coming into the stores as part of their purchase process. These retailers recognize a growing trend: Customers using their laptops, tablets and smart phones are researching products and services, then executing the purchase offline. Because of this, the online strategy is vital to driving in-store business. This is supported by recent Accenture research that found consumers increasingly expect integration of the "Big Three,"—product, promotion and price.[5]

B-to-B has to think like B-to-C: Customers are more than an order

As business-to-business companies tackle the omni-channel commerce challenge, they need to look a lot more like business-to-consumer—and not just a procurement app. It is vital for the customer to be at the center of the transaction. Currently, too many B-to-B companies have a one-size-fits-all approach for customers to follow. Supporting the long tail of partners who are looking for a self-service portal to replenish inventory or place orders for direct fulfillment to customers (B-to-B-to-C) is essential.

For example, requiring the customer to phone or email a representative to make a purchase persists at many companies. Surely a better approach would be to provide the customer with ways to access important information—such as discount pricing or timing of order fulfillment—through a range of channels, from mobile to Web?

And when it comes to their website, B-to-B players have to move away from the catalog mentality and make the website an easy-to-navigate sales channel. Today's customers are used to websites with pictures of products, attribute-based searching and clear pricing information—even the ability to "chat" with an online customer service representative. In the consumer packaged goods industry for example, B-to-B companies should work with retailers to get their goods into the hands of consumers. In order to make the buying experience a seamless one, companies must make sure their websites and operations are flexible and integrated with all channels and networks which drive sales.

[2] In the most recent annual report of e-commerce and retail sales, the U.S. Department of Commerce found that in 2011, e-commerce sales were 4.7 percent of total retail sales. U.S. Department of Commerce, "2011 E-Stats," May 23, 2013, http://www.census.gov/econ/estats/2011reportfinal.pdf, accessed June 20, 2013.

[3] Internet Retailer, "Macy's Predicts a 13% Rise in Web Sales This Year, CEO says," September 22, 2009, http://www.internetretailer.com/2009/09/22/macy-s-predicts-a-13-rise-in-web-sales-this-year-ceo-says, accessed June 20, 2013.

[4] James Tenser, "Omni-Channel at Macy's: It's About Inventory Too," April 16, 2013, http://www.retailwire.com/discussion/16710/omni-channel-at-macys-its-about-inventory-too, accessed June 20, 2013.

[5] Accenture, "How Seamless Are You?" November 2012, http://www.accenture.com/Microsites/retail-research/Documents/pdf/Accenture_Seamless_Retail_Research_Findings.pdf.

Omni-channel strategies: A new culture

With the challenges and opportunities of an omni-channel approach well understood, how do companies put ideas into action? There are several key steps to moving toward a customer-centric future.

- **Invite more groups into the room when setting an omnichannel strategy and action plan.** An omnichannel experience brings a number of different groups to the table—from marketing to technology to the sales force. It is vital for everyone who has a stake in this approach to be heard; a culture change within every organization.

- **Have a clear, integrated approach to pricing.** Your employees will thank you for this, whether you are selling produce, consumer goods, business services or utilities. Your employees are the ones who have to bear the brunt of the criticism when the conflicting prices are recognized. Customers will find the cheapest prices anyway; it is better to have a uniform approach that does not confuse or annoy them.

- **Assess incentives for the sales team.** The tradition of giving commission just to the sales team is gone. Companies increasingly rely on all parts of the business—including operations and IT—to be successful. Compensation tables and strategies must be updated as a first step to determining how to most fairly reward a sale.

- **Develop an integrated digital platform benefiting from technological innovation.** Make no mistake about it: technology is a big part of this. And it can be a big expense, in time and money, to figure out the right platform that will grow with a company as technology evolves. Mid-size companies are often able to integrate their channels faster and better than larger competitors, though budget can limit the scale of the project. Irrespective of the size of the company or number of resources, there is a need to focus on developing an integrated digital platform that is well understood by the entire organization.

- **Create a flexible external infrastructure to engage the customer and collaborate with partners.** This step may be the most challenging for companies, as the strategy recognizes that the omni-channel approach goes beyond your own walls—and means engaging with partners, affiliates and franchises that sell your products or services. As an example, consumer packaged goods companies can take the same product information they produce for their own sites, and share it with their key retail partners, to use on the sites where most of their customers shop. In other cases, brands are enhancing their websites with information that makes buying easier. Consider an electronics manufacturer that is updating its website to make the experience engaging and informative for customers—even though the company does not plan to sell many products via its own website. Instead, this brand knows that the buying experience begins when the customer logs onto the URL—and customers who visit brand websites are more likely to buy that brand somewhere.

For B-to-B companies operating in today's omni-channel world, partnerships with online retailers and marketplaces, such as Amazon or eBay, are increasingly significant—these outlets drive considerable sales despite not having physical stores. In addition to sharing product information these partnerships can include trade promotions or digital coupons redeemable at retailers.

At the end of the day, combining all these efforts with a program to monitor and stimulate cross-selling on partner sites helps to boost customer relevance, and the benefits can have a multiplier effect from e-commerce across all your channels.

A seamless future

The pace of evolution is not standing still—and neither is your customer. Companies that are still managing their channels separately have fallen behind. Others that have started to move toward better integration find still more to do. But even though it isn't easy, integrating the business to focus on the consumer, using omni-channel commerce, is today's great business challenge.

Companies that rise to the occasion can gain a competitive advantage by creating greater value for the customer. Doing so requires fresh insight into customer needs and a business strategy focused on customer behavior across channels. The new customer dynamics have changed business forever; now is the time to figure out how to better engage your customer for the long haul. By updating the blueprint to provide an integrated customer experience, where channels work together toward a common goal, companies can achieve higher customer satisfaction, enhanced loyalty, and greater sales.

To learn more about realizing the full potential of omni-channel commerce, contact:

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