

Omnichannel Compendium for Retailers



Survey-based insights and expert views on how
to pursue a successful omnichannel journey

 **Periscope**[®]
By McKinsey

Omnichannel has been the hot topic in retail for quite some time. While shoppers may not yet be very familiar with the term, consumer behavior suggests that there is a high demand for omnichannel experiences. So, where do retailers and consumers actually stand on the omnichannel journey?

Periscope conducted two surveys to shed light on the subject:

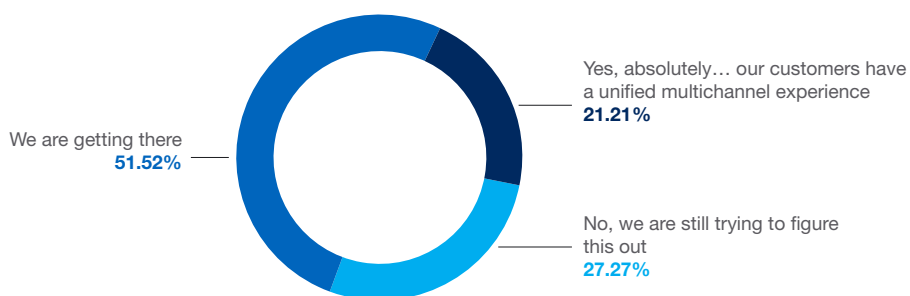
- A survey amongst World Retail Congress delegates to investigate the omnichannel readiness of retailers
- A survey of 1,500 US and UK consumers to understand the consumer perspective on omnichannel

This compendium provides you with an overview of the results of these two surveys as well as suggestions from our experts on how to initiate and maintain an omnichannel experience that will make a real difference to your customers.

The retailer perspective

At a time when customers shop across all brand channels, both on- and offline, retailers are struggling to move at the speed their consumers want and need. Periscope's survey¹ found 78% of retailers admit there is no 'single brand' experience across their channels and 52% stated change is not happening fast enough. They also acknowledged that "a well-defined cross- or multichannel strategy" was the top innovation that would drive digital growth (64%).

Perceptions on providing "one brand" experience across channels



¹ Periscope Retailer Omnichannel Readiness Survey, April 2016
<https://www.periscope-solutions.com/about-us/newsroom/periscope-at-the-wrc-dubai-2016.aspx>

The reasons behind the omnichannel struggle

39% said their digital channel alone was suffering from “a lack of internal coordination.” Looking at the broader omnichannel strategy, when asked what their top three challenges were, they named the following :

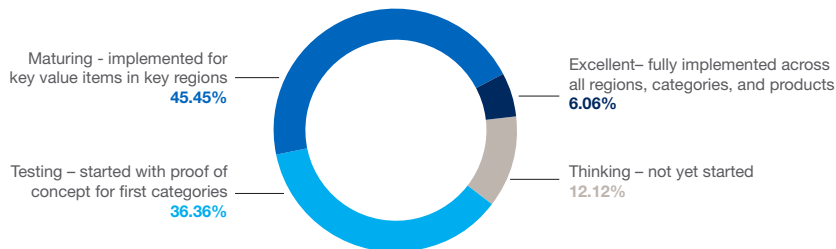


The enemy within

Most retailers admitted that their omnichannel experience was not fully in place: only 6% of respondents described their omnichannel readiness as “excellent – fully implemented,” and 36% described themselves as “testing proof of concept.”

While CEOs want to champion and support digital initiatives, according to McKinsey&Company’s CEO Survey², 75% of these CEOs do not know how to move forward or make optimal use of their existing assets and capabilities.

Perceptions on Omnichannel Readiness Level



The consumer perspective

While retailers are still working on building the necessary capabilities and establishing a true omnichannel experience, where do consumers stand on the issue? Our research from July 2016³ aimed to understand the consumer experience of omnichannel retail and assess the gap between consumer expectations and brand capabilities.

Today’s channel-agnostic consumers have increasingly high expectations. Jumping seamlessly between web, mobile, and in-store, they expect interactions to be contextual, consistent – and relevant to them. Connecting via multiple touchpoints, they expect retailers to know who they are, anticipate their needs, and guide them to their desired outcome – whatever the channel. They may not know what omnichannel means, but their behavior demands it from retailers.

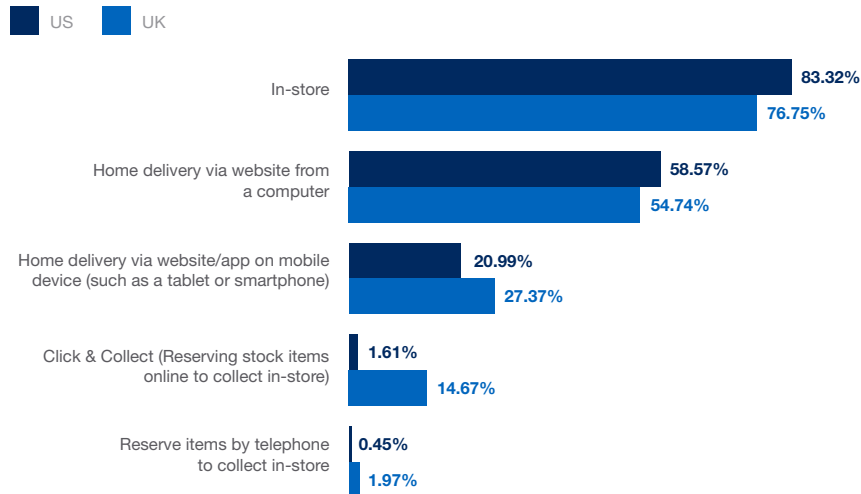
² McKinsey & Company, CEO Survey

³ Periscope Omnichannel Retail: The Consumer Perspective Report, July 2016
<https://www.periscope-solutions.com/download.aspx?fileID=6718>

Online and physical options are important for consumers – but in-store purchasing prevails

One of the key findings the survey revealed is that while online and digital options are important for consumers - especially for product discovery – physical stores continue to play a key role in the customer shopping journey.

Shopping Method Preferences



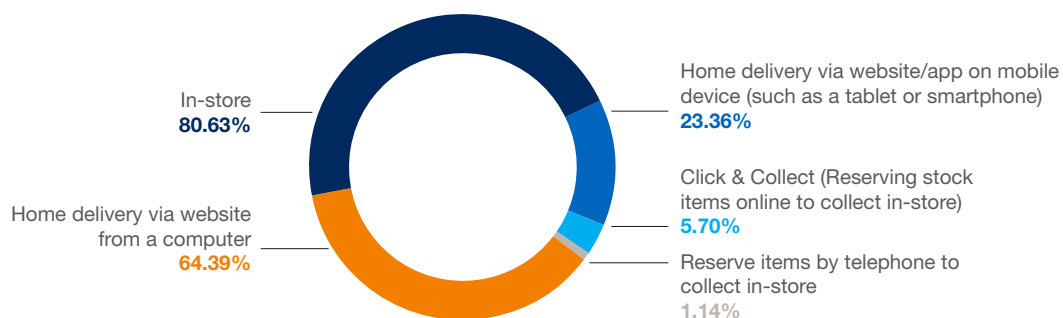
The findings confirmed that in-store shopping has a strong appeal for consumers, with 83% of US and 77% of UK respondents identifying physical stores as their top channel when making purchases.

Ordering items for home delivery via a computer was the next most popular choice for both the US (59%) and UK (55%), followed by ordering items on a mobile device (21% US, 27% UK).

When it came to delivery, UK shoppers proved far less willing to wait for their goods than their US counterparts. While over half (55%) of US respondents would be happy to wait a week for a standard delivery, in the UK 64% felt ‘standard delivery’ should equate to getting their goods within 48 hours.

Millennial shopping preferences

Shopping Method Preferences for Millenials



In terms of demographic trends, the experiential appeal of the physical store was surprisingly strong for young consumers aged 18 to 29 years old. A staggering 81% of all respondents in this age group cited the physical store as their preferred shopping channel of choice.

Clearly, these so-called digital natives enjoy immersing themselves in the bricks-and-mortar retail experience – but expect to utilize digital technologies to expedite their in-store shopping experience.

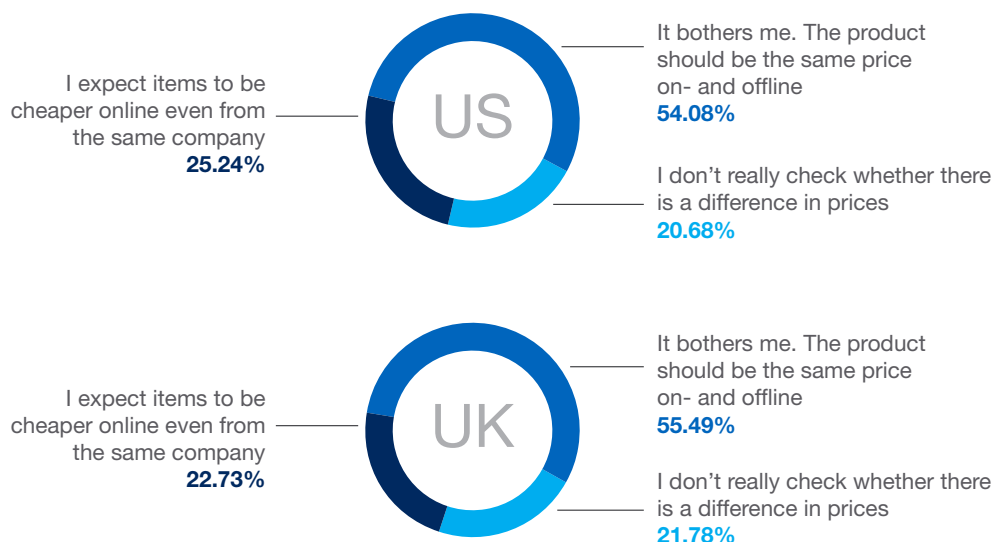
Channel disconnects prove frustrating

While over a third of consumers felt the online channels they use ‘know them’ and their preferences well (42% US, 35% UK), their offline shopping experience was a different matter. The majority of respondents (66% US, 68% UK) said they saw ‘no evidence’ that the stores they visit regularly know them as customers.

A lack of consistency between the digital and in-store domains was a further source of irritation for many consumers. Over half confirmed they get frustrated when they see products priced differently on- and offline at the same retailer (54% US, 55% UK).

Meanwhile, around a quarter (25% US, 23% UK) said they always expect products to be cheaper online. This indicates a potential revenue opportunity for retailers looking to set the right margins, without deterring shoppers from a pricing standpoint. While pricing needs to be relevant to the channel in which retailers and brands are selling, greater transparency will go a long way to building customer trust. Ideally, pricing should flex across channels to improve financials, while incentivizing the ideal customer response. In simple terms, retailers and brands need to apply smarter thinking to their omnichannel pricing strategies.

Reactions to different online and in-store prices in the US & UK



The online consumer experience

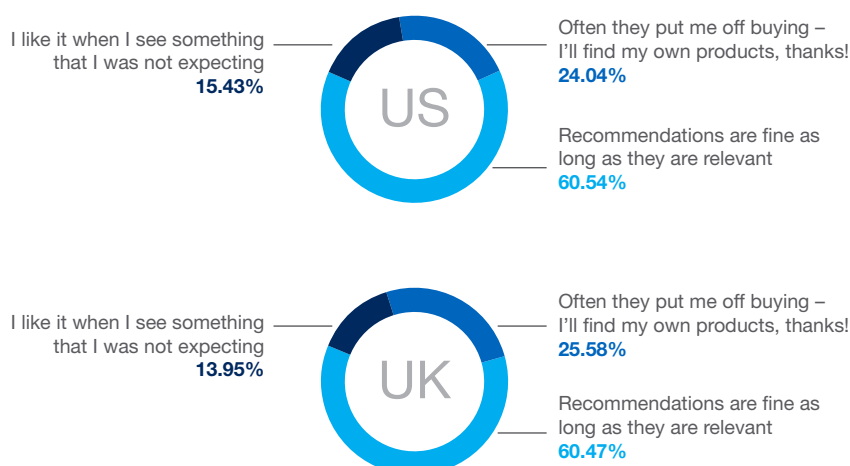
Retailers fail to deliver the personalization customers crave

While consumers universally use online channels to research and shop, they are frustrated that retailers frequently fail to recognize or cater for their priorities and preferences.

A quarter of consumers said they were often put off making a purchase when browsing online because of inappropriate recommendations made by a retailer's website (24% US, 26% UK). This finding highlights how retailers and brands need to significantly up their game in the field of prescriptive customer analytics in order not to lose consumers – and to capture more business.

Yet the majority of consumers expressed a clear hunger for pertinent recommendations; 61% of US and UK respondents said they would welcome retailer recommendations if relevant.

Reactions to online recommendations in the US & UK



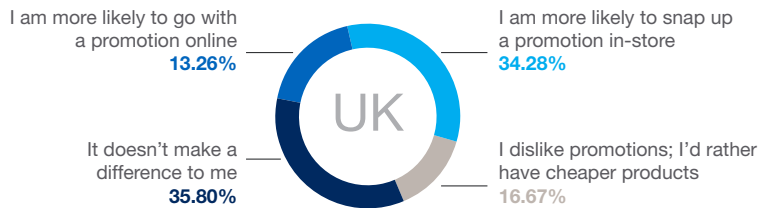
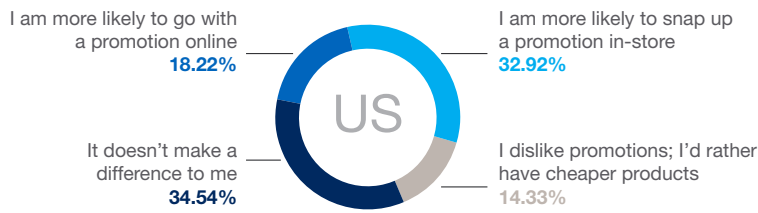
Differentiated pricing and promotions in any channel

As we've seen, inconsistent in-store and online pricing is a source of frustration for many consumers. But retailers appear to be missing a trick by failing to target customers with personalized pricing and promotions that are not necessarily channel-dependent.

While over a third of respondents (35% US, 36% UK) confirmed that they have no preference when it comes to taking up a promotional offer online or in-store, a further third (33%) confirmed they would be more likely to snap up such offers when in-store.

Retailers able to utilize a consumer's known browsing and past purchase history to create customized offers, and deliver these the moment a customer steps into a physical store, will be well-positioned to capture incremental revenue opportunities.

Attitudes towards in-store vs online promotions in the US & UK



Consumer omnichannel attitudes and outlook

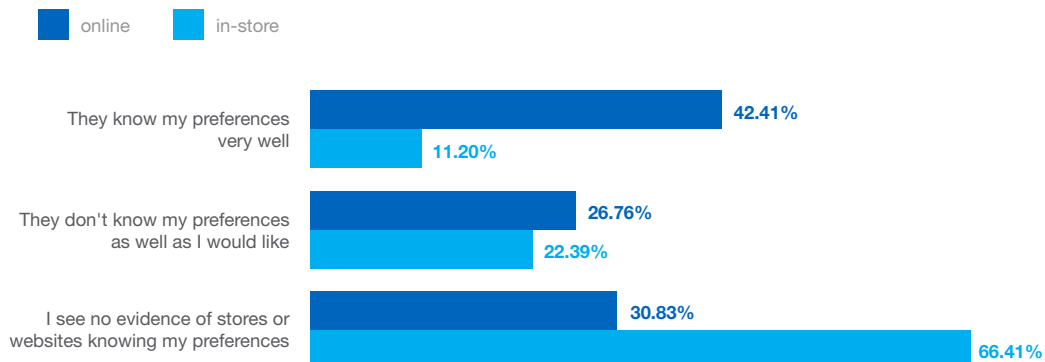
Mind the gap – retailers need to bridge the online and in-store experience

Consumers are desperate for omnichannel experiences; after all, they work across channels, so why can't their favorite retailers?

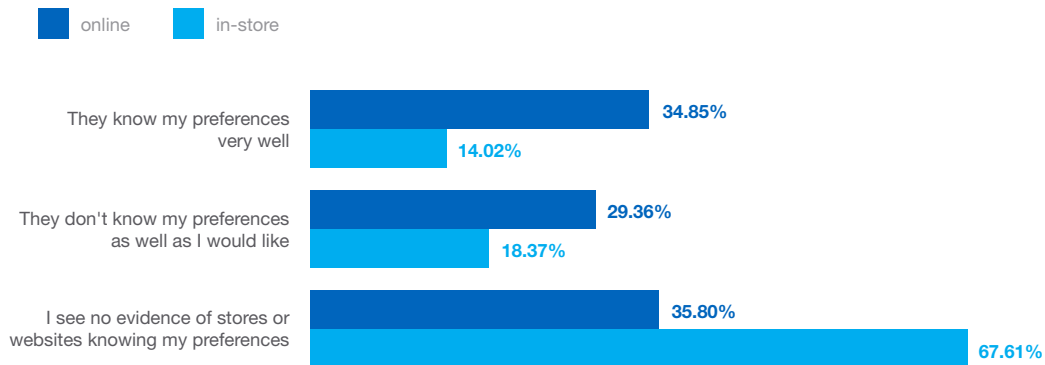
Yet in-store interactions are proving frustrating; 67% of all respondents indicated that their expectation of a truly connected cross-channel shopping experience is being hampered by the inability of physical stores to know them and their preferences as a customer.

Just 12% of all respondents indicated that the in-store and online retail service they encountered delivered against expectations, with a further 21% going on to state that the digital and in-store experience of their favorite retailers was not as connected as they would like.

Perceptions on customer preference awareness by websites and retail stores in the US



Perceptions on customer preference awareness by websites and retail stores in the UK

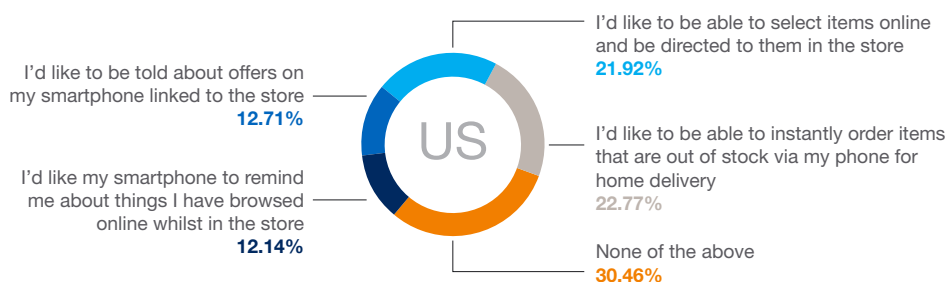


The in-store omnichannel experience – what customers want

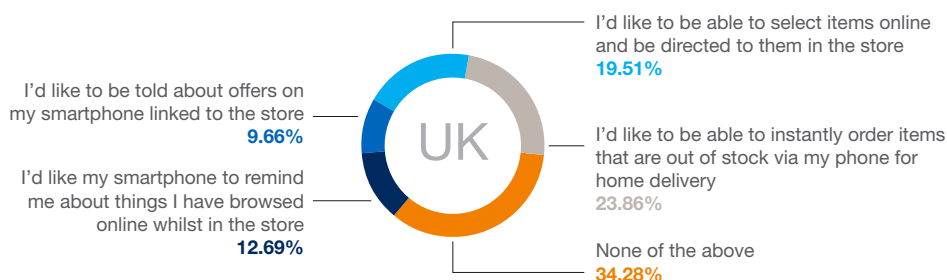
When asked to rank the features and services they most want to encounter when shopping in-store, consumers were clear about what topped their wish list: the ability to instantly order items out of stock in-store via their phone for home delivery ranked highest with both US and UK respondents. The finding highlights how consumers expect to utilize omnichannel as a convenient and fast way to resolve shopping challenges, especially when it comes to getting the goods they want fast – and with minimal effort. This was closely followed by a desire to select items online and get directions on their phone as to where these are located in-store.

With customer satisfaction at the core of successful retailing, creating a link between online and in-store shopping will become increasingly essential. The integration of digital innovations will offer consumers a true omnichannel retail environment. Because, as the research shows, a consumer's experience in the physical store is integral to them making an offline – or online – purchase.

Desired omnichannel experiences in the US



Desired omnichannel experiences in the UK

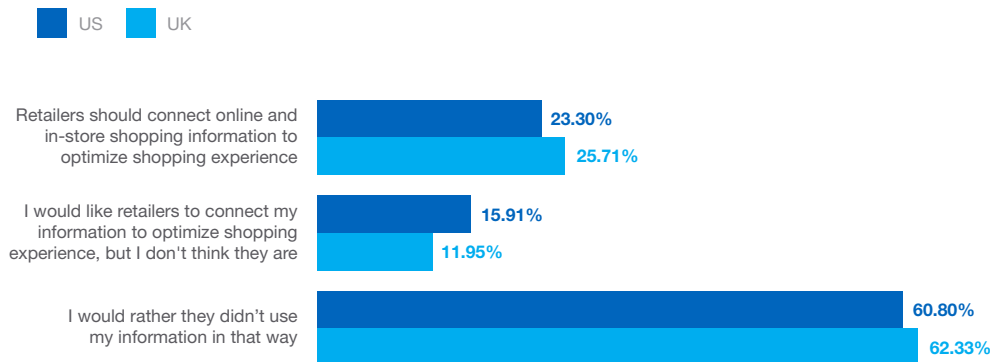


Delivering on the omnichannel promise depends on winning consumer trust

Retailers looking to implement omnichannel initiatives that bridge the online and in-store experience face an unexpected challenge – over 60% of consumers have concerns about how retailers would use the information they gather online, through location-based services and other mobile device data.

While consumers have high expectations about the omnichannel experiences they want to encounter, 61% of US and 62% of UK shoppers currently do not want their online and offline information to be connected in order to optimize their shopping experience.

Attitudes towards connecting online and in-store information to optimize shopping experience



Bridging the trust gap on keeping customer data safe and secure will be essential if retailers are to provide the seamless and inspiring shopping experience consumers say they want.

But while shoppers are demanding a seamless experience both on- and offline, retailers are struggling to break free of legacy channel-focused silos that get in the way of delivering against the omnichannel expectations of their customers. Alongside addressing technical and organizational challenges, retailers also need to earn the trust of consumers in relation to how they use their data to optimize the shopping experience.

Those retailers that successfully build the bridge between in-store and online – and put the customer at the center of the omnichannel strategy - will flourish and reap significant rewards. Eliminating friction between channels, generating revenue uplift, and delivering personalized customer engagement that enhances brand loyalty.

True innovation, however, comes with the deployment of prescriptive customer analytics to enhance and enrich every consumer channel interaction. Leveraging these data-driven insights, retailers, and brands can uncover a customer's needs, attitudes, usage, and purchasing behavior – harnessing and unifying data across every channel to offer almost real-time recommendations and personalized offers that all add up to a happier, and more loyal, customer.

After all, it shouldn't matter how the customer chooses to shop or interact with the retailer. As this survey's findings confirm, from the consumer perspective – they're dealing with one brand, irrespective of the channel they're currently using.

How to tackle the omnichannel challenge?

Retailers that gain a unified 360-degree viewpoint of their customers will be one step closer to delivering on the omnichannel promise. As our retailer survey revealed, the biggest challenge for retailers is the organizational change that needs to take place: the removal of silos, the creation of new processes, and forming teams that work across, rather than within, channels. Here are a couple of approaches that will help retailers build a unified experience.

Divide the journey into smaller, easy-to-execute steps

It's smarter and more effective to build out a road map that outlines quick, achievable wins first that can have a positive impact on the customer experience. Even a journey of a thousand miles begins with a few steps. It's important to identify the right first step as well as goals for one, three, and five years down the road, as this will set the pace of your project and keep the team focused on the priorities.

Collect the right data to support the end goal

Not having the right data, structured in a clear and logical manner, may mean retailers do not ask the right questions or determine the right answers. The right data can be collected from various sources such as point-of-sales data via customer insights analytics, average ticket size, frequently bought-together products, via loyalty card data on classification of buyer type, and via online sites on browsing journey and product recommendations. Therefore, it's critical to assess data collection with the end goal in mind. For example, what are you planning to achieve through online sales e.g., an extension of your current channel structure, a better way to reach your target customer base, or a way to improve the brand through merchandizing across all the channels in which your customers interact?

Knowing what your overall goal is at the outset will help you to identify the data to support that objective. Moreover, making the most out of the data available is crucial in an environment where the majority of consumers are expressing skepticism around sharing additional personal information. Using the existing data from various sources and gathering actionable insights from it can be the key to alleviating consumers' negative attitudes.

Most retailers also need new analytical talent to collect the right data, which often means building capabilities in-house, since candidates with the right technical skills and relevant business experience are in notoriously short supply. However, with increased price transparency and dynamics as well as intensified competition, in-house capability building might not be sufficiently time-efficient. Another option would be to partner with a third party that has long-term experience and proven methods, tools, and teams. A team of experts with the sophisticated set of proven retail analytics solutions and approaches, tailored to a company's unique challenges, strengths, and goals, can provide clear financial benefits in a matter of months and then be embedded in the organization's overall strategy.

Increase merchandising efficiency across channels

In a traditional multichannel environment, the chief merchant officer controls the merchandising in physical stores, while the CIO or “head of online” oversees the offering in online stores. They each have different agendas tied to different or misaligned incentive structures. This can cause the same retailer to cannibalize itself across channels, which inherently leads to less than optimal results for the customer.

According to the results of our consumer survey results⁴, shoppers can get irritated by highly varying offerings across channels.

While it is important to take into account that online and in-store don't have to have the same pricing on items, it is important that the consumer finds a well-aligned offline and online offering when shopping across channels. The pricing should be relevant to the channel in which you are selling, your brand promise to your customer, and the relative pricing transparency and customer sensitivity of that item or groups of items. Having different decision makers work more closely can help retailers to enable pricing that flexes across channels and improve financials while also incenting the ideal customer response.

Understand your customer

The many ways in which customers now interact with a brand on- and offline make it hard to identify an individual customer, let alone understand them. Where the transaction was tied to the store in the past, with the growth of omnichannel interactions can occur in any number of ways – following a customer's behavior, likes, and dislikes is harder than ever before, despite the abundance of information available.

Understanding the point at which a customer increases their contact and purchasing with you is important but even more so when the opposite occurs. When that decline happens, there is a tiny window of opportunity to regain their love and keep them, before they move on to another brand. The cost of having to regain that customer could be massive. Therefore, implementing the right kind of analytics to understand how customers behave across channels at the individual customer level is crucial.

Put your best foot forward

As a retail executive, you've spent years setting trends and being a part of retail's constant evolution. The information you have just read should have helped consolidate your view of omnichannel and if you are early on in your journey, it should be clear that peers share the same challenges across the industry. As we said at the outset, omnichannel may not mean anything to consumers but they are demanding the very experiences that an omnichannel strategy would give them.

Omnichannel delivery is a wide-ranging digital transformation, and any project of any scale can leave you thinking “Where do we start?” or “How do we implement this in a way that lowers the risk for the business?” If you have questions like these and are looking for some input and advice from our omnichannel experts, please feel free to contact us at contact@periscope-solutions.com.

Or visit our website www.periscope-solutions.com for more information.

⁴ Periscope Omnichannel Retail: The Consumer Perspective Report, July 2016
<https://www.periscope-solutions.com/download.aspx?fileID=6718>

