

McKinsey Explainers

What is omnichannel marketing?

When you interact with your customers over whatever channels they prefer— at a brick-and-mortar store, over the internet, via text, or through social media—that's omnichannel marketing.



Picture this: you're browsing online for some new work clothes, and you add something to your virtual cart but ultimately decide not to buy it. Then later, you see an ad on social media for the abandoned garment. Some scratch their heads at this, but it's actually an example of omnichannel marketing.

The prefix "omni" means "all," and "channel" is a reference to the many ways customers might interact with a company—in physical stores, by surfing the web, on social media, and in emails, apps, SMS, and other digital spaces. And this omnichannel approach can be a powerful way to meet your customers where they are, providing them good service in line with their preferences and needs. (Note that, in this article, we use the terms "customers," "consumers," and "shoppers" interchangeably in referring to omnichannel marketing in both B2B and B2C contexts.)

More and more, customers move across all channels—in person, online, and beyond—to get what they want. But not every customer is looking for the same thing, and omnichannel marketing acknowledges that. Some people want more services for certain transactions; others prefer low-touch, 24/7 interactions. Effective omnichannel marketing, then, happens when companies provide a set of seamlessly integrated channels, catering to customer preferences, and steer them to the most efficient solutions.

So why is omnichannel marketing important? Research on the omnichannel experience shows more than half of B2C customers engage with three to five channels each time they make a purchase or resolve a request. And the average customer looking to make a single reservation for accommodations (like a hotel room) online switched nearly six times between websites and mobile channels. If these customers encounter inconsistent information or can't get what they need, they may lose interest in a brand's products or services.

And this can translate into business outcomes. Omnichannel customers shop 1.7 times more than shoppers who use a single channel. They also spend more.

Sometimes the term omnichannel is used in the context of customer service or customer experience. And it's also used as a descriptor of other elements that go into supporting an organization's omnichannel efforts—for instance, omnichannel supply chains, which is shorthand for an approach in which companies ensure that their supply chains are optimally set up to support omnichannel marketing efforts.

What are examples of omnichannel?

Omnichannel approaches are commonly used in retail (both B2B and B2C), but you'll also find it in healthcare and other spaces. Medtech companies, for instance, use a variety of channels including digital marketing, inside sales, portal and e-commerce, and hybrid sales-rep interactions to engage with healthcare professionals.

Several omnichannel examples can illustrate various approaches:

- Best Buy typically focuses on commerce (both in store and online), but boosted its in-store experience by creating offerings for customers to explore smart home-technology solutions, pairing them with free in-home advisory services. And its mobile app lets customers "scan to shop" from catalogs and curbside, or buy online and pick up merchandise in the store itself, smoothing the end-to-end journey for customers with the 24/7 tech support from its Geek Squad. Best Buy's Totaltech support offer was compelling to customers—it launched with 200,000 memberships in 2018, which climbed to two million within a year.
- Beauty retailer Sephora emphasizes omnichannel personalization, relying on rich in-app messaging, personalized push notifications, and easy ways for customers to book in-person consultations. Its in-store technology is a powerful complement that allows employees to access customer favorites and suggest products they might try next. Its loyalty program also plays an important role. The efforts are already driving value for

Sephora: data showed that customers visiting the retail website within 24 hours of visiting a store were three times more likely to make a purchase, and orders were 13 percent higher than for other customers.

- Nike takes an ecosystems view of omnichannel, extending the brand experience and offering customers an ever-growing platform of content, offers, and community interactions. Its SNKRS and Run Club apps, for example, facilitate in-person meetups, running groups, and events. It also has an app for delivering individual workouts and fitness programs, creating experiences that go far beyond shoe and apparel lines to meet customers in their day-to-day routines.

How has omnichannel been affected by the COVID-19 pandemic?

Omnichannel rose during the COVID-19 pandemic as more consumers turned to e-commerce.

Due to the increased demand for contactless shopping during the height of the pandemic, US grocery stores saw 20 to 30 percent of their business shift to online. Before the pandemic, e-commerce accounted for just 3 to 4 percent of total sales for grocers.

The shifts made during the pandemic are likely to persist. In the pandemic, people gravitated to curbside pickup, “buy online, pay in store” models, and self-checkout at higher rates than in the past. And recent research indicates these behaviors are “sticky”—indeed, about 70 percent of people who first tried self-checkout in the pandemic say they’ll use it again.

What do customers want out of the omnichannel experience?

Customers want a compelling and personalized omnichannel user experience with robust digital capabilities, both online and offline. About 60 to 70 percent of consumers research and shop both in stores and online. More concretely, over one-third of Americans made omnichannel

features—think buying online and picking up in store or curbside—part of their regular shopping routines since the COVID-19 pandemic emerged. Nearly two-thirds of those individuals plan to continue doing so. And younger buyers, like Gen Zers, embrace omnichannel enthusiastically; these customers don’t think in terms of traditional channel boundaries, and they expect brands and retailers to provide a seamless experience, no matter where they are.

In a sense, all customers are omnichannel customers now, McKinsey partner Tiffany Burns explains in an episode of the *McKinsey on Consumer and Retail* podcast:

“Many retailers still think, ‘There are omnichannel interactions and store interactions, and I’m optimizing those two things separately. I have two different teams working on and thinking about those experiences.’ But as a consumer, when I go on the retailer’s website or app, I expect to see availability, a connection to what’s in the store, and a way to order things that I can pick up in store. I also expect to be able to stand in the aisle in the store and research a product. Today, consumers are figuring out workarounds to do all those things: they’re switching over from the app to Google, looking up the product, and searching for reviews.”

Organizations that make shopping a seamless omnichannel experience, or provide an app that helps customers find their way or see what’s in stock in the store, are already creating experiences that are a win for omnichannel customers.

Is omnichannel the same thing as phygital? And what is phygital, anyway?

Omnichannel is a business strategy, while “phygital” (a portmanteau that combines the word “physical” and “digital”) refers to the integration of the physical and digital worlds.

The term suggests a completely connected world that is both physical and digital at the same time. While fewer consumers are visiting brick-and-

mortar stores and choosing to use e-commerce instead, more than 80 percent of retail sales still occur in a physical location. By 2030, the shopping experience will be highly personalized, and some activities may even take place in the metaverse. According to a recent survey, 80 percent of US adults want personalization from retailers with multiple, personalized touchpoints, which can include a mobile app, digital displays, interactive screens, tech-enabled associates, and point of sale.

What about omnichannel vs multichannel?

When it comes to omnichannel vs multichannel, the key difference is the focus at the center of all efforts. Omnichannel is a customer-centric approach in which all channels are integrated so the customer has a unified and consistent experience whether they are at a physical store, using an app, or on a website. Multichannel, in contrast, tends to revolve around products instead of customers. It aims to inform as many people as possible about the product or brand, and the channels are not linked, so the customer experience is often different for each channel.

An interview with an insurance executive, Eric Gewirtzman of BOLT, makes that distinction relatable: “Insurance customers are already moving between various channels,” Gewirtzman says. “But there’s a big difference between being multichannel and being omnichannel. Just because carriers have, say, an exclusive agent channel, an independent agent channel, and a website, doesn’t mean they’re omnichannel. Too often, consumers will get a different experience and different results depending on which channel they use. This has to change. If there is no awareness between the channels, sales are lost.”

What is omnichannel personalization?

Omnichannel personalization refers to the way organizations might tailor the customer experience for individuals across physical and digital channels. This includes multiple touchpoints that cater to the customer’s

preferences pre-visit, during the visit, and post-visit. Customers receive products, offers, and communications that are unique to them as individuals.

Efforts to personalize the omnichannel market can have a big payoff. Indeed, getting omnichannel personalization right could help companies increase revenue by 5 to 15 percent across the full customer base.

While companies recognize the power of omnichannel personalization, they may face roadblocks in implementing these efforts for a variety of reasons:

- Omnichannel personalization requires a lot of investment in technology (both software and hardware). Personalizing physical spaces often starts from scratch because it requires enabling digital touchpoints such as screens, kiosks, or tablets for store associates, which may not exist.
- It is difficult to deliver a seamless customer experience and train employees. The front line needs training to understand and reinforce the customer journey.
- Traditionally, companies operate their digital and physical channels independently. Omnichannel personalization requires companies to rethink their organizational structure across both the digital and physical parts of the business.

These barriers, however, can be overcome. Five steps can help companies achieve omnichannel personalization:

1. *Define the omnichannel personalization strategy and learning agenda.* It’s crucial to develop a clear view on key moments of influence in the customer journey, and then identify what outcomes are desired at each step of that journey. Finally, an organization needs to prioritize use cases to test, looking at their ability to deliver business benefits and value to customers.

2. *Address five digital touchpoints to activate personalized experiences in physical environments.* Companies need to connect digital and physical footprints to drive omnichannel personalization, especially at touchpoints where these worlds converge. Five are particularly important: mobile apps, digital displays, interactive screens, tech-enabled associates, and point of sale.
3. *Use an omnichannel “decisioning engine” to deliver experiences and measure performance.* This can help organizations identify, quickly and accurately, the next best action to take with each customer.
4. *Implement agile operating practices.* Personalized marketing goes beyond mere technology; it requires new ways of working, and agile marketing teams can help in this regard.
5. *Activate omnichannel personalization in the field.* To bring all these elements together, a company’s sales force must be fully aligned and well trained. In-person teams could make your customer’s day, so frontline personnel need to support personalization efforts, understand their value, and use digital tools to deliver the complete experience.

What is omnichannel strategy?

An omnichannel strategy for marketing is a way of ensuring that your efforts drive tangible business value. Rather than rushing blindly into the space, or haphazardly approaching it, organizations should step back and think about underlying business value drivers. Excelling in omnichannel depends on a laser focus on value creation, looking at both strategic and customer priorities to craft the omnichannel strategy that will be most effective for their unique circumstances.

The most successful companies set their omnichannel strategy by leading with their strategic ambition and aspirations for customer experience. There are three primary omnichannel strategies:

- *Commerce.* This prioritizes cross-channel shopping experience both in store and online.
- *Personalization.* This strategy focuses on tailored, targeted, and relevant cross-channel engagement at scale.
- *Ecosystem.* Here, the strategy aims to provide rich cross-channel platforms integrated with consumer needs and lifestyles.

What’s involved in omnichannel operations?

Organizations can build leading omnichannel operations, spanning a variety of areas. By strengthening the foundation of your omnichannel operations and focusing on strategy, structure, and processes, you could gain a performance edge.

Topics to explore include mastering omnichannel supply chains, creating a customer-centric supply chain strategy, designing the omnichannel distribution network of the future, reimagining the role of physical stores, and more.

What should I know about B2B omnichannel?

Omnichannel has become a permanent part of B2B sales, with e-commerce, face-to-face, and remote videoconference sales all a necessary part of buyers’ experience. According to a 2021 McKinsey survey of US-based B2B decision makers, 94 percent of respondents view today’s B2B omnichannel reality as being as effective or more effective than before COVID-19. The findings also revealed that B2B customers regularly use ten or more channels to interact with suppliers, up from five in 2016.

B2B omnichannel efforts can be a path to grow an organization’s market share, but loyalty is up for grabs, with customers more willing than ever to switch suppliers for a better omnichannel experience. B2B decision makers use more channels than ever before to interact with

suppliers, and being attuned to those channels will be important.

There are five must-dos for B2B companies seeking to retain customer loyalty and succeed in omnichannel:

1. offer a performance guarantee (nearly 80 percent of B2B customers say it's crucial)
2. show product availability online
3. enable purchases over any channel
4. provide customer service in real time
5. ensure the customer experience is consistent as buyers toggle between channels

While B2C omnichannel efforts might be the first to spring to mind, omnichannel experience is crucial to giving all customers a better and more seamless journey.

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