



Why Omnichannel is Critical for Retailers of All Sizes

A Survey on the State of Omnichannel Adoption

A Research Report

By **Lauren Freedman**

President, the e-tailing group,
An Astound Commerce Company



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I. EXECUTIVE SUMMARY

The Premise

For this paper, the e-tailing group sought to understand how mid-market retailers are addressing omnichannel from a tactical execution standpoint in terms of both process and technology. With the term omnichannel being volleyed around for several years, the goal was to determine which technologies have been most commonly adopted to unify the customer lifecycle and how they are being used by retailers who do not have endless IT budgets. In particular, we hoped to expose the store's accessibility to orders placed online, the customer profile and the retailer's ability to deliver a seamless omnichannel shopping experience.

With customer expectations continuing to be elevated by large retailers who have made significant financial investments into omnichannel, the stakes have never been higher. Retailers such as Best Buy, Home Depot, Wal-Mart and other industry giants have integrated data across sales channels to implement features such as buy online pickup in-store (BOPIS), return in-store (BORIS), and order from store – setting the bar for customer service expectations. With the ability to shop with a mobile device on a competitor's website or app right from your store, mid-tier retailers must embrace these capabilities or face extinction.

The Methodology

Rather than surmise what the experience would be like, we developed a hands-on mystery shopping research study where visits to 25 retailers would reveal the hard results. Our methodology involved a pre-store setup that considered two types of shopping experiences: 1) buy online pickup in-store and 2) place an order for return at a retail location. To assess each retailer's performance, we visited the stores and engaged in a series of omnichannel activities and interacted with the available technologies, while closely monitoring the associate's role in the process. Three key omnichannel subject areas were evaluated including inventory transparency, customer order information accessibility, and in-store mobile device availability for clienteling, save the sale and endless aisle consumer interactions.

The Results

The results below clearly indicate that there is an untapped opportunity for mid-market retailers to deliver a more customer-centric shopping experience derived from investment in omnichannel initiatives. The study also found many of the sales channels are still siloed, and for those that have attempted some omnichannel capabilities, a wide range of approaches have been used to cobble the systems or processes together (many of them being manual in nature). Based on further probing we uncovered that the omnichannel issues ran deeper than technology, as many employees were not adequately trained on using the technology, or worse, were not aware that it existed. This finding was alarming since both initial customer acquisition and retention are predicated on the ability to deliver heightened service across channels. The conclusion is that mid-market retailers who do not make a full investment to unify their shopping experience, in both technology and personnel, risk disappointing customers who have had their expectations set by the retail industry giants.



II. METHODOLOGY AND MERCHANTS

The methodology used for this research involved placing orders on 25 B2C ecommerce websites, at companies from a variety of retail categories, and visiting their physical locations to determine the technologies and processes used to provide service on these orders. Below is the list of activities used to collect both qualitative and quantitative data.

A. Methodology

- Set up account/profile on the websites of 25 retailers.
- Create an online wish list/saved list populated with two items.
- Check for inventory at a nearby store on a mobile device (for those merchants that have store locators).
- Purchase one item that is available for store pick up or reserve. When pick up/reserve is not an option item shipped to home location for subsequent store return.
- Return online purchase without the packing slip.
 - Test to see if an associate can access the order in the system.
 - Determine what information needs to be provided for an associate to access order/return item.
 - Ascertain if the store associate recommends replacement products without prompting or recommends a cross sell. Test if they make a recommendation using in-store technology when prompted.
- Ask a sales associate if they are able to access online wish list/saved list and note answer, process and technology used.
- Ask associate if a certain item is available in another size, color or variation noting:
 - Do they use technology to look for stock in-store or at another store?
 - Can item be ordered in-store and shipped to the customer or to the store?
 - Where is the inventory availability: Warehouse or another store location?

B. Retailers Selected for the Study





III. THE RESULTS

To validate the premise behind the research conducted and synthesized in this paper, the results from an online survey of 100 shoppers conducted by the e-tailing group are below. Responses of “very important” on a 5-point Liker scale reveal the value being placed on omnichannel investments.

How Important Are The Following Cross-Channel Features?

% = *Very Important*

57%	Store locator that includes nearby locations, mapped directions, hours and contact information
50%	Time frame in which a product can be picked up
46%	Ability to know that product is in stock but not necessarily the # units in a given store
46%	Option to see availability of a product by # units in a given store
44%	Ability to see product availability across multiple stores
38%	Shared cart that allows you to access items from your desktop and mobile activity
35%	Store mapping with detailed information of where in a store a desired item is found (aisle, bin, etc.)
32%	Shared wishlist/Saved list from any of the channels you visited

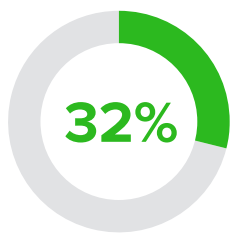
Source: Astound Commerce 2016 Mobile Shopper Survey

This paper has categorized the research results into three areas of focus:

- A. Inventory transparency
- B. Information accessibility
- C. Customer interaction optimization

A. Inventory Transparency

For retailers, inventory right sizing and turnover are two of the most important key performance indicators measuring the health of their stores. This is in direct conflict with customers who are no longer patient and want the products to be at the store when they arrive. With less than half of retailers allowing for this expected access, coupled with the convenience of BOPIS, an inventory foundation is fundamental to success. There is work to be done where technology can support transparency before and during store visits. Most retailers can complete a transaction on behalf of the customer and are able to ship from warehouses and stores often interchangeably based on desired business model.



of retailers enabled
in store pick up



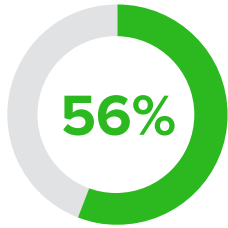
Need to call another store to
check inventory though some
with enterprise access still do
so to ensure accuracy of a
store's inventory

The Numbers

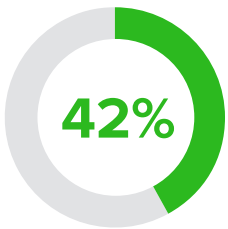
- ✓ Less than half of the retailers surveyed (**44%**) had an in-store product locator and of those retailers who did, **82%** included an “in stock” status while just over **1 in 3 (36%)** were able to share the number of units available in the desired store.
- ✓ **32%** of retailers enabled in-store pick up at retail locations yet only **63%** listed the time frame for when product would be available for pick up. For those retailers that listed the time frame, **80%** were same day and **20%** had it ready within an hour.
- ✓ **76%** of the retailers can access inventory across the enterprise yet only **16%** used mobile device in-store to garner that information.
- ✓ **1 in 5** retailers still need to call another store to check inventory though some with enterprise access still do so to ensure accuracy of a store's inventory.
- ✓ **72%** of the associates at the retail store were able to conduct a transaction on behalf of the customer yet only **11%** had access to a mobile device (mPOS or clienteling) to complete the transaction and surprisingly only one retailer had a tablet available to access information to support shopper needs.
- ✓ To complete customer transactions when an item was out of inventory in the store, **89%** of retailers opted to send the product from the central warehouse.

The Opportunity

- ✓ Implement a central repository for inventory, such as an inventory management system or order management system (OMS), to provide product availability transparency for shoppers across all your channels (web/warehouse to store, store to web/warehouse, and call center to both web/warehouse and store). Customers now expect you can tell them a product's location is when it is not available in the store, or online for that matter. Centralizing inventory is essential for omnichannel initiatives such as ship from store, order from store, return to store and buy online, pick up in-store capabilities.
- ✓ Invest in buy online pick up in-store (BOPIS) as it is an important convenience for shoppers while adding to your overall service value proposition. After you have a central repository for inventory data and orders, move beyond the stationary POS and think about adding mobile devices (always available, location agnostic and simple to use) to enhance the experience for customers. The key will be to not only plan for the technology execution of BOPIS, but also human resources to ensure proper system adoption. Also determine egress in the store to complement both your service and selling strategy. For example, if the goal for implementing BOPIS is to offer convenience for enhancing your brand and building customer loyalty, then place pick up at the front of the store. If cross-selling additional items during a shopping trip is important to your business, then establish pick up at the back of the store to inspire impulse purchases. Based on the data above showing that picking up products in less than an hour is a rarity (20%), there is a significant opportunity to delight customers by allowing real time access to online orders for shorter wait times in-stores.



Ability to access order
from the POS system



Associate can access orders
ONLY via a packing slip/
order receipt

B. Information Accessibility

Shoppers come to the store for many reasons and customer information access is at the core of a convenient shopping experience. Today, securing this information is not a smooth process. The dependency on the customer to provide an order receipt, given antiquated systems, is simply not shopper friendly. Every retailer must be able to access an order based on a multitude of search criteria. After 20 years of ecommerce, consumers are at the point where they feel this issue should have been resolved. During the survey process several retailers told us straight out that their systems are not always connected and lack access to information forcing them to work in silos. On several occasions, store associates expressed frustration regarding daily customer requests that go unresolved due to system limitations. The information inaccessibility extends much deeper when stores carry thousands of products and the average job tenure of an employee is six months and the average age is 19 years old. This research tested this assumption to determine the following findings.

The Numbers

- ✓ The ability to access order from the POS system was available in just over half the retailers (**56%**) with customer name as the predominant lookup (**71%**), phone number on order (**29%**) and order history, email or item purchased (**21%**) were also options available at select retailers.
- ✓ Associate can access orders ONLY via a packing slip/ order receipt at **42%** of retailers
- ✓ **3 out of 4** retailers had an online wish list available on their website, which we signed up for in advance of our visit, yet none were accessible within the store.

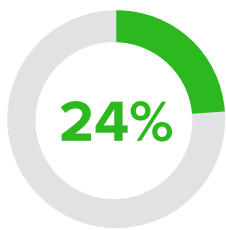
The Opportunity

- ✓ Retailers need to get a central repository for order, customer and product information. Once you have these requirements centralized, the goal will be to integrate all your customer and employee facing systems to the central repository for consistency and accuracy of data visibility. This will require an order management system (OMS) and/or customer relationship management (CRM). If your product information does not live within these systems today, then you might need to invest in a product information management (PIM) system. If you do not have these systems in place it is the best place to start any omnichannel initiative.
- ✓ The POS, in most cases, is a dumb terminal. Accessing information implies intelligence. When customers browse your website, visit your stores or shop on a mobile device the goal is to inspire them to purchase by providing information relevant to them. The problem is that only the online sales channels can provide an unlimited amount of information about product. That said, only the stores can provide a personal touch. By arming employees with mobile devices that offer access to order, product and customer information, you get the best of both worlds – a knowledgeable employee that can add a personal touch. It also enables employees to move from behind the counter and into the aisle where customer service requests and buying decisions are made.
- ✓ Accessing order information is the most critical of all since the customer has already made a commitment to trust a retailer, and ultimately, their brand. The order contains inventory, product and customer information which can tell a store employee a lot about the customer.

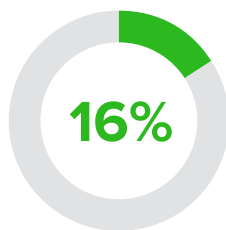
It is also critical to see online orders for BOPIS and BORIS, which consumers have come to expect. Investing in an order management system that will allow all your systems to assess, not only orders, but in-store transactions is critical. Make sure the order management system can look up orders by customer attributes, loyalty numbers, order numbers, and products.

C. Customer Interaction Optimization

Associates universally processed returns via the POS and only in one instance was a second associate required to complete the transaction so this process was smooth. However, retailers regularly miss an opportunity to turn returns into revenue. As retail employee attrition is all too frequent, technology rather than training should be available for consultative selling opportunities to impact the top line. While it is difficult to replace the experience of a stellar sales associate, retailers need systems to optimize the skill set of average talent.



Encouraged customer to keep the product by suggesting an alternative



Store associates using technology to interact with customers

The Numbers

- ✓ Total time to process return was just under 5 minutes (**4.71 minutes**).
- ✓ Associates were knowledgeable and comfortable with the technology scoring a **2.94/3.0** where 3.0 is the best scenario.
- ✓ Less than **1 in 4 (24%)** encouraged the customer to keep the product by suggesting an alternative item.
- ✓ Even when prompted with a question about other product that could replace the return items, only half of the retailers who did not automatically recommend a replacement item (**53%**) took an interest in saving the sale.
- ✓ **16%** of retailers had store associates using technology to interact with customers.

Additional Data Points: 2016 UPS Pulse for the Online Shopper Study

The 2016 UPS Pulse of the Online Shopper Study, based on a survey of 5000 shoppers, reveals that in-store conveniences have strong appeal.

- ✓ **38%** online shoppers find appeal in the having associates outfitted with the ability to search for inventory across all stores.
- ✓ **29%** find appeal in having associates outfitted with mobile devices such as iPads to assist with product selection and roaming checkout from an associate with a phone or tablet.

Opportunity

- ✓ Utilize clienteling applications on mobile devices to save the sale in-store when you have out of stock items, a product knowledge gap or a consultative selling situation. By having access to company-wide inventory, store associates armed with mobile devices can keep customers from jumping to the competition that is one click away. Clienteling applications can also help with customer service needs such as returns, appeasements or additional product information such as ratings and reviews. Make sure your clienteling application is integrated with your order management system for customer, order, product, and inventory look-up data.



IV. CONCLUSION

Today, retailers have three ways to differentiate their brand from the competition: price, assortment, and service. Of these three areas of differentiation, omnichannel offers the greatest impact service levels due to its access to data for informing and supporting customers.

Omnichannel as a retail strategy is starting to round into form after years of trial and error. Technology vendors are finally understanding that the retail landscape is comprised of many systems that all house valuable information that need to be integrated for unifying the customer experience. This means that executing omnichannel initiatives will get easier for retailers in the near future, opening up the opportunity for mid-market merchants to take the plunge that their larger brethren have over the past half-decade. Retailers that take a data integration and mobile first approach will be on the right track for a best practice omnichannel integration. Remember, an omnichannel strategy has the customer at the focal point of everything, so think like your customers when building out your systems, customer touchpoints, store layouts, and employee training and you will differentiate yourself from the rest.

We believe the following four tenets apply when shoppers visit stores and it is from this vantage point that omnichannel experiences should be delivered.

1. Know Thy Customer

When a customer has placed an order online, filled-out a wish list or created a shopper profile, there is an expectation that the retailer will know them while shopping in the store.

2. Saving Shoppers Time Is Valuable for All Parties

When a retailer is armed with a customer's data from across sales channels, they are in a better position to support of efficient shopping for bolstering customer satisfaction – ultimately leading to repeat purchases.

3. The Use of Technology to Access Customer Information In-Store Makes for a More Personalized, Consultative Shopping Experience

Retailers who take advantage of mobile tools and smart systems put customer, order and product information in their employee's hands for making relevant recommendations to increase average order size.

4. Consistency Across Channels Is Paramount

Promotions, pricing, products, order, and customer information must all be synchronized to avoid disjointed customer interactions and low loyalty levels.



V. ABOUT THE COMPANIES

ABOUT THE E-TAILING GROUP, A DIVISION OF ASTOUND COMMERCE

The e-tailing group is a division of Astound Commerce, an award-winning global digital commerce provider. We combine strategy, technology and interactive marketing services for many of the world's favorite brands and retailers. With a broad set of technology, digital and e-business solutions, we can power every aspect of your online business, and integrate across all marketing channels.

We work with the world's leading technology providers to make sure your brand reaches its full potential in the digital space. We deliver enterprise-class digital commerce solutions on the industry leading platforms: Demandware, IBM WebSphere Commerce, SAP Hybris, and Magento®. We use these cutting-edge platforms to create flexible, customized solutions that are robust, capable, and ready to handle even the highest traffic volumes.

To inquire about the mobile research or Astound Commerce strategy services, contact Lauren Freedman: l.freedman@astoundcommerce.com, 773-975-7280



ABOUT FREESTYLE SOLUTIONS

Freestyle Solutions provides the most feature rich order management solutions for high-growth retailers and brands, at a price that is affordable for the mid-market. With Freestyle, retailers can obtain a unified view of supply and demand across all sales channels to optimize inventory and fulfill customer orders more efficiently. Available in both cloud and on-premise delivery models, Freestyle software is highly scalable, configurable, and can be easily integrated with frontend, backend and other third party systems through RESTful APIs. Freestyle is a trusted and proven technology provider, with more than 2,000 customers and 30 years of expertise developing order management software.