

# A Retailer's Guide to Mastering Omnichannel





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Rapidly evolving consumer behaviors are forcing retailers to change the way they do business. Today's consumers choose when and how they interact with brands. In response, brands must offer seamless, relevant experiences across all channels and touchpoints to properly serve them. This means aligning everything from inventory availability, pricing and order fulfillment to delivery and post-purchase support.

SAP and Total Retail recently conducted a survey on how top brands are succeeding in an increasingly omnichannel world. This report sheds light on what retailers are focusing their time and resources on as they try to serve consumers on consumers' terms, not their own, and become true omnichannel brands.

Discover how global companies are using innovative technologies such as beacons, dynamic pricing and adaptive analytics to flourish in the modern-day, next-generation retail world. Learn what they believe they're doing well and where they're struggling as they adapt to today's rapidly evolving marketplace. These insights can help your business thrive in an increasingly disruptive retail landscape.

## What it Means to Be Omnichannel

You hear the term "omnichannel" used by retailers over and over again. But is there even one standard definition for what it means? Does omnichannel mean the same thing to Home Depot as it does to Discount Tire or Loblaws, for example? And do consumers care? The answer to both of these questions is no.

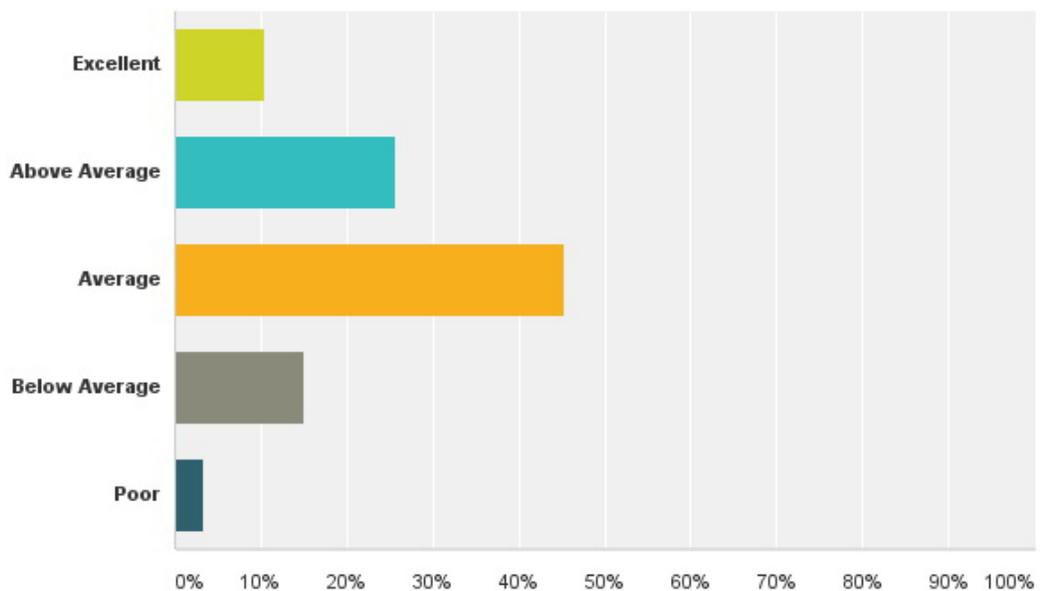
Omnichannel means different things to different brands, and consumers don't think of their shopping experiences by channel. It's just shopping, regardless of channel. However, what is constant is that consumers expect a consistent, seamless, and relevant experience every time they interact with your brand – no matter



the channel. They expect that if they begin their shopping journey online, then head to their local store to see the product in person, that it will be, 1) available, and 2) priced the same. If they're browsing your mobile site during their commute into work on the train, they expect the products added to their cart will be there when they resume their shopping on their desktop when they arrive at the office (don't tell the boss!).

The good news is retailers think they're doing a pretty good job of delivering on these consumer demands. According to an SAP survey of more than 150 retailers in July 2015, 81% said they're doing an excellent or better-than-average job of providing consumers a seamless omnichannel shopping experience.

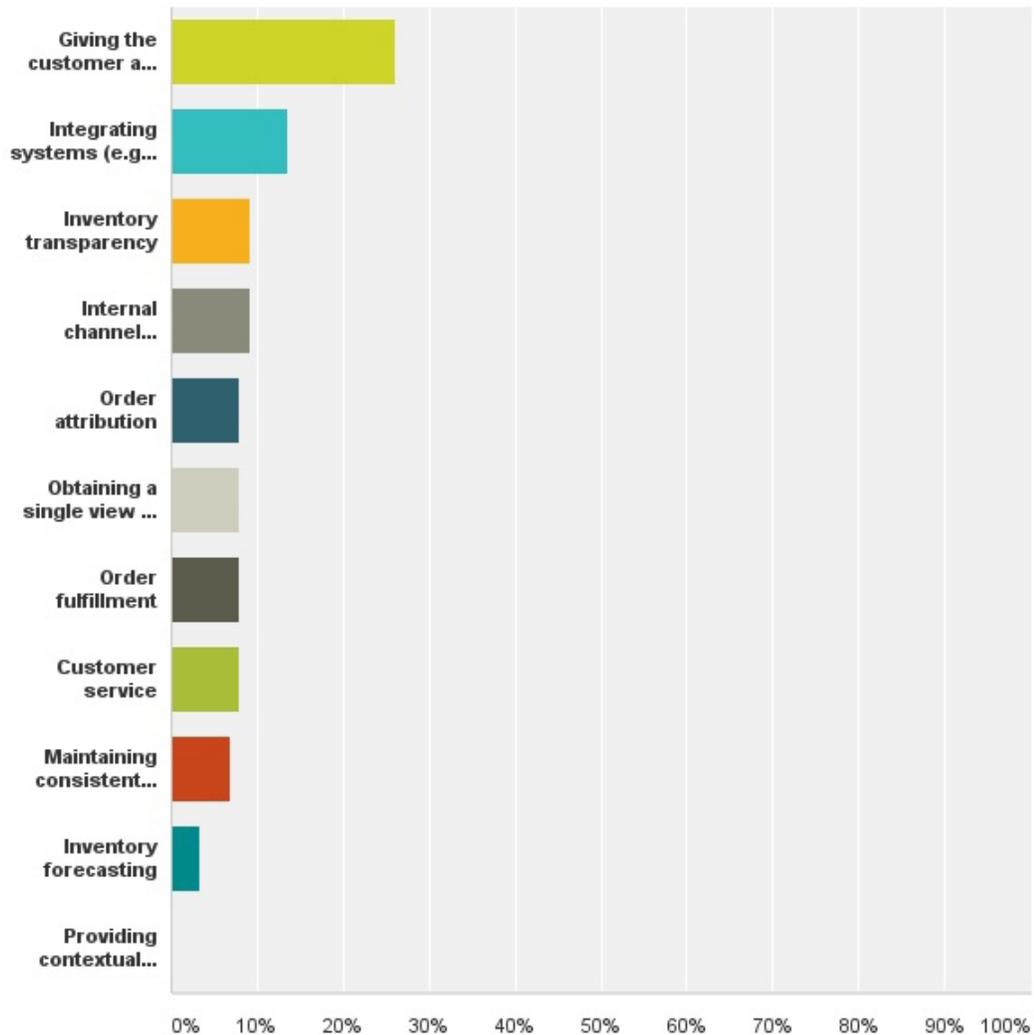
### Q1 How would you rate your company's performance in providing consumers a seamless omnichannel shopping experience?



So what exactly are brands doing to provide a better omnichannel experience? According to the survey:

- 40% are offering a single pool of inventory for all channels
- 39% are matching pricing across all channels
- 37.5% are offering shipping from the store
- 34% are integrating multiple data sets into a single customer profile

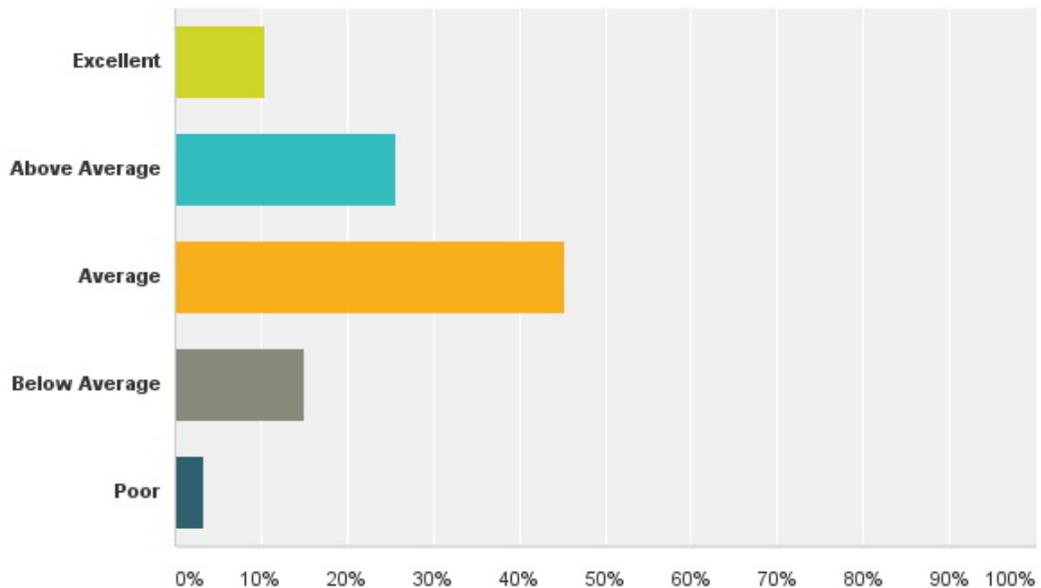
## Q4 What's the No. 1 pain point for your business operating as an omnichannel retailer?



That last one – integrating multiple data sets into a single customer profile – is particularly important. From e-commerce to order management to inventory to point of sale, integrating platforms – and their data – is a critical step in serving today’s omnichannel shoppers. Brands must have a single view of the customer. Likewise, customers must have a single view of the brand. Breaking down data siloes is required for being a successful omnichannel brand.

The benefits of a single customer view are noteworthy. They include improved customer service, higher retention rates, increased conversions, and higher overall customer lifetime values. Yet so few brands have achieved a single customer view of the customer. In fact, only 18% of respondents said their application platforms (e-commerce, merchandising, forecasting, CRM, etc.) are integrated across channels with both static and dynamic data. Why? In most cases, fragmented or disparate data is to blame. Whether due to cost, time, resources or another issue, integrating platforms remains a top challenge for retailers.

## Q1 How would you rate your company's performance in providing consumers a seamless omnichannel shopping experience?



According to the survey, platform integration is the No. 2 pain point for retailers operating as an omnichannel brand, topped only by giving customers a consistent brand experience across all channels. And one could argue that the two go hand in hand.

### Optimizing Marketing Spend

The more you know about your customers, the better you can market to them. But personalized and relevant communications don't only benefit the retailer (in the form of higher conversion rates); they benefit the customer as well.

Part of getting to better know your customer is gaining a clearer understanding of their purchase journey. What was it that piqued their interest? A Google search? A social media post? A display ad? And how did that initial interest ultimately end with a purchase, be it on your e-commerce site, mobile app, in-store, etc.? Order attribution exists to answer those questions.

Being able to correctly attribute credit for an order to the marketing vehicle(s) responsible for generating it is invaluable. It enables you to optimize marketing spend to that customer (and others like him or her) going forward. Of course, with the growing number of customer touchpoints that brands now have, the task of getting order attribution right is more challenging than ever.

And perhaps because of that, retailers are abandoning order attribution in large numbers. In our survey, just over 11% of respondents said they use an attribution model. While it may be an inexact science, attribution modeling seeks to answer what may be unanswerable: What drove a customer to make a purchase?

Rather than trying to analyze what happened in the past, many retailers are opting to use the data at their disposal to predict what's going to happen next. Adaptive analytics is the next phase of big data, and is focused on enabling retailers to adapt quickly to constantly evolving consumer behaviors. It's about having the right data – not all of the data – that allows your brand to anticipate and adapt to shifts in the marketplace.

For example, that shift could be that your customers are no longer just using their mobile devices to browse and research items, but to make purchases as well. How must your business react to ensure you're providing customers a seamless, hassle-free mobile shopping experience that will have them coming back to buy again? Or maybe your data is telling you that more and more of your customers are choosing the option to buy online and pick up their orders in-store. What does this mean for your supply chain, inventory, store associates, etc.?

With the right data, omnichannel retailers can begin to implement "next-best action" marketing techniques. Next-best action is a customer-centric approach to get the marketing message most likely to generate the desired result, and it requires access to adaptive analytics to determine the most likely outcome of a marketing action on a particular customer or segment of customers.

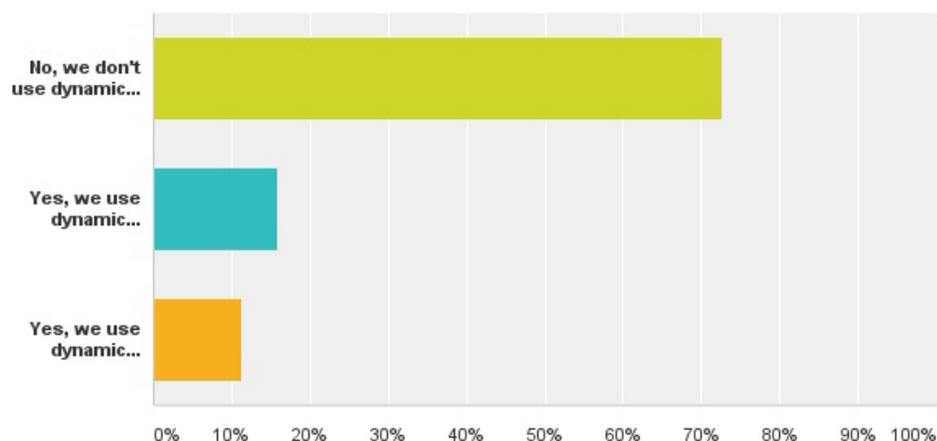
For example, next-best action can help omnichannel retailers determine the best channel to funnel a customer or prospect – digital or brick-and-mortar, for example. If the answer is digital, strategies such as targeted social media or display ads, which drive the shopper back to your Web site, may prove effective. If the next-best action is to get them to shop in-store, perhaps you mail them a coupon that's only redeemable in-store (think of the Bed Bath & Beyond coupons). This flexibility is made possible by advanced analytics.

### Not Ready for Primetime

Despite the buzz surrounding them, many of the latest retail technologies have been slow to gain adoption by companies. In particular, beacons and dynamic pricing have yet to be embraced by the large majority of retailers. Of the survey respondents:

- A mere 10% said they're using beacons in their brick-and-mortar stores (despite significant adoption and success in the EU and other non-USA retail markets)
- Fewer than 30% have implemented dynamic pricing
- A majority of the nearly 28% using dynamic pricing aren't matching online prices in-store

#### Q8 Are you using dynamic pricing online? And if so, how frequently are those pricing changes reflected in-store?



In order for it to be worth the investment, a new technology or service has to offer consumers value – e.g., immediate money or time savings – while providing a return for the retailer. Beacons, for example, enable retailers to communicate with consumers' mobile devices via Bluetooth technology. This innovation is mutually beneficial to both consumers and retailers, providing in-store shoppers with access to exclusive deals while offering companies the opportunity to generate additional revenue. In fact, Business Insider reports that beacons will drive more than \$4 billion in sales this year, despite their limited use at this time in the U.S., as evidenced by the mere 10 percent of respondents who have them in their stores.

Perhaps we're not quite there yet with beacons, dynamic pricing, mobile wallets (e.g., Apple Pay), augmented reality, and some of the other newer technologies to enter the marketplace. We may get there soon, but we'll need more coherent and holistic brand strategies that incorporate physical and digital technologies in tandem to best augment customer experiences, and not just serve as bolt-on sources of additional data.

For beacons, privacy concerns top the list of reasons why retailers are hesitant on installing them in their stores. There's a certain "Big Brother" feel to monitoring their locations and behaviors in-store that makes consumers uneasy. Fifty-one percent of consumers said they don't want to be tracked by beacons in-store, according to a study from digital marketing platform Punchtab. And just 27% of respondents said they were open to allowing mobile in-store tracking if they received relevant, real-time information and offers in return.

Retailers are cognizant of these privacy concerns and are wisely moving slowly when it comes to beacons, despite the benefits they can offer – namely hypertargeted messaging that can increase sales, a customer data acquisition source, and improved customer service.

Somewhat more surprising is that online retailers haven't yet fully bought into dynamic pricing, a tactic widely used by Amazon.com. The online retail giant dynamically changes its prices more than 2.5 million times per day!

Dynamic pricing solutions adjust prices in response to real-time supply and demand. For example, you can decrease prices when sales are sluggish to jump-start demand or increase prices when sales are booming to maximize profit. In addition to supply and demand, pricing intelligence software can be used to monitor the pricing of your competitors (including Amazon) as well as provide additional insights on market trends. The end result is dynamic pricing can lead to improved bottom-line profits.

So what's keeping retailers from rushing to implement dynamic pricing? For one, it can lead to angry customers – e.g., those who purchase a product at one price only to see the same product sold to someone else at a lower price. In turn, this leads to less brand loyalty, lower customer lifetime values, and customers (and the apps they use) "gaming" the system to achieve the lowest price. That said, the practice of dynamic pricing doesn't seem to be hurting Amazon.

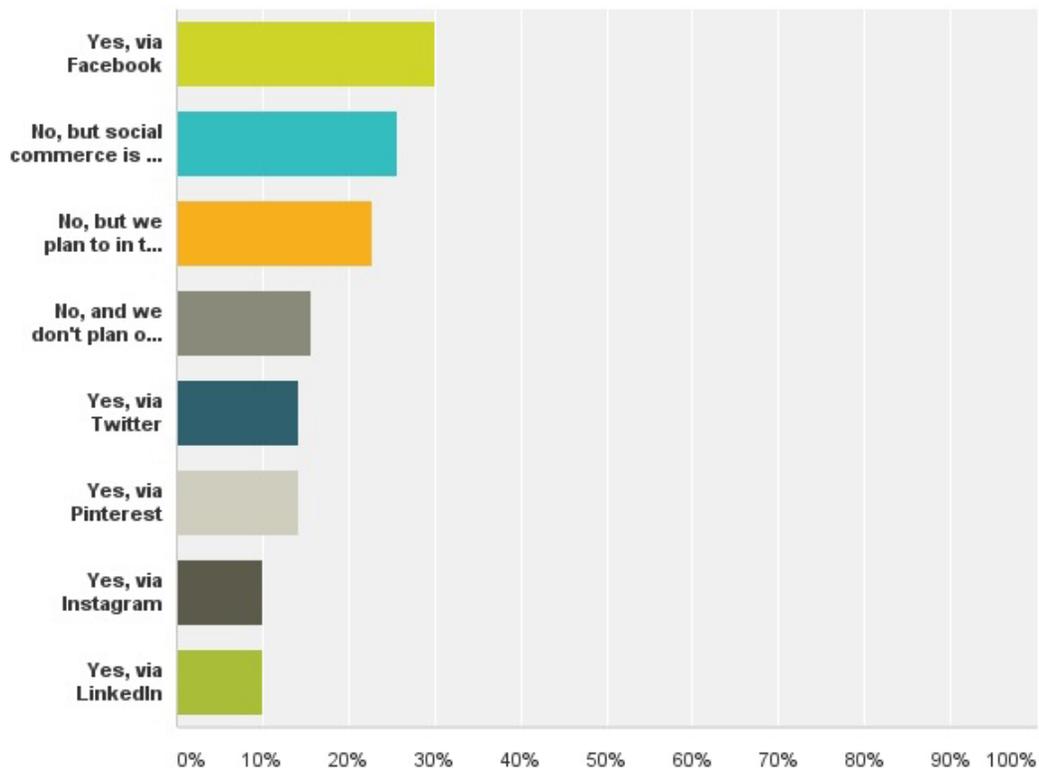
## **Social Commerce Ready to Launch**

Within the last year, Google, Facebook, Twitter, Instagram, Pinterest, and Snapchat have all announced they're launching "Buy" buttons. Social commerce, driven by the growth of mobile, is hot. And retailers are taking notice. According to the SAP survey, 35% of retailers said they're selling their products via social media, with another 48% saying that social commerce is in their future plans.

As for the specific social networks retailers are using to sell their products, Facebook is the early leader. Thirty percent of respondents said they're selling their products on Facebook, followed by Twitter (14%) and Instagram (10%).



## Q11 Is your company selling its products via social media? (Select all that apply)



This is quite a departure from just a few years ago when it appeared social commerce was dead in the water. Leading retailers such as Nordstrom, Gap, J.C. Penney, and GameStop all opened and closed Facebook stores within a year. They found that consumers didn't want to be sold to on social networks.

What's changed? Mobile. With mobile device usage dominated by apps, it's difficult for users to navigate between multiple Web sites like they can on a desktop computer. Therefore, consumers are more likely to shop within an app than if they were sent to a new site or different app. For example, if they see something they like while browsing Pinterest on their phone, they want the ability to buy the product right then and there within Pinterest – and not be taken out of the app to a retailer's mobile site.

Pinterest seems to be stepping to the forefront of social commerce. Despite launching Buyable Pins a mere three months ago, Pinterest has seen tremendous uptake for the feature from retailers and consumers alike. Leading retailers including Macy's, Neiman Marcus, and Nordstrom have rolled out Buyable Pins for their products.

Buyable Pins let consumers purchase items without ever leaving the Pinterest app. The visual nature of Pinterest lends itself to product browsing and sharing. Consider that Pinterest accounts for 90% of the social media shares online and is the second largest driver of traffic behind Facebook, according to Mainstreethost and Visualisation. Furthermore, Pinterest generates more referral traffic than YouTube, Google, LinkedIn, and Reddit combined.

The takeaway? If you haven't already, get your business on Pinterest. It might just be your next big sales driver.

## Making Mobile Work

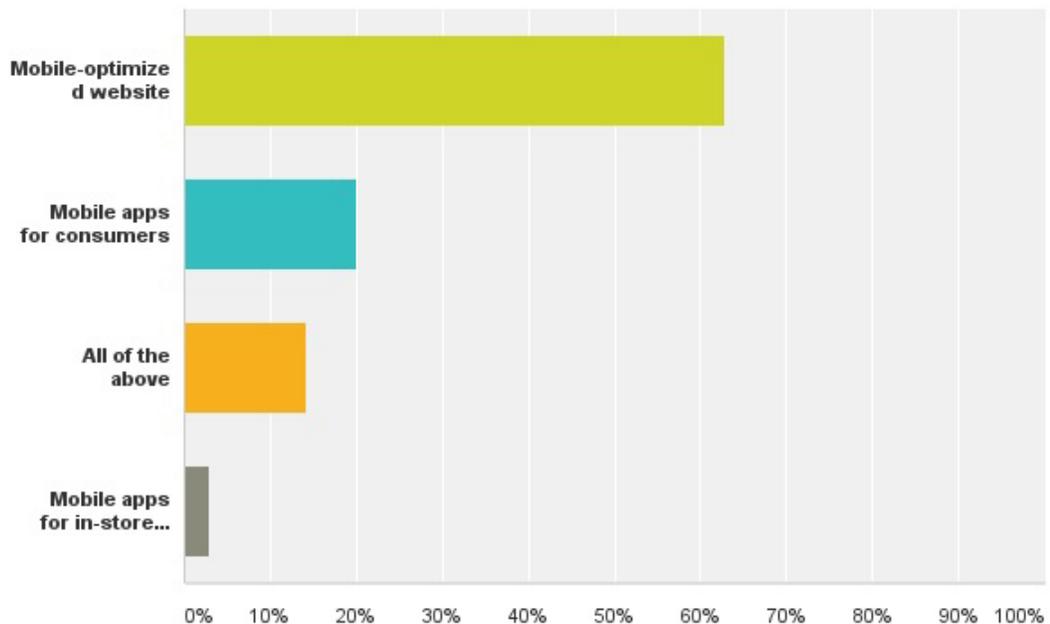
Consumers' shopping behaviors are evolving, thanks in large part to the growing adoption of smartphones. Mobile devices provide consumers 24x7 connectivity, allowing them to research and browse products on the go or even make purchases. Retailers must evolve their businesses to better serve the needs of their digitally savvy customers. From designing and building mobile-optimized Web sites and apps to equipping store and field associates with tablets, adopting a robust mobile strategy is essential to succeed in today's omnichannel retail environment.

Equipping store and field associates with mobile devices, commonly tablets, can help them provide better service to their customers. For example, store associates can provide personalized service by looking up customers' past purchases and recommending similar products, check on inventory availability (e.g., size, color, etc.) without having to go "in the back," and enable shoppers to avoid long checkout lines via a mobile point-of-sale solution.

For field associates, having a tablet on-site to demo their product, collect data, monitor inventory in real time, take photos, and document work – i.e., extend their office into the field – provides the flexibility required of today's sales people.

In addition to the customer service advantages mobility provides, retailers are increasingly generating sales via the channel. According to the SAP survey, retailers are investing first in optimizing their Web sites for mobile devices – 63% cited it as their primary mobile investment area. Mobile applications are being focused on to a lesser degree with only 20% of respondents citing it as their primary mobile investment area.

### Q10 What's your company's primary mobile investment area?



While mobile commerce is in its infancy, it's growing rapidly. Consider that Goldman Sachs forecasts that total consumer spending via mobile will jump from \$204 billion in 2014 to \$626 billion in 2018, accounting for nearly 47% of all e-commerce sales. As noted above, the addition of buy buttons to mobile apps will only accelerate this trend.

For omnichannel retailers, mobile can be a tool to integrate customer touch points. Companies, for example, can promote the use of their mobile apps in-store or send geo-located offers to shoppers' mobile devices. The opportunities are seemingly endless.

## **Final Thoughts**

The task for retailers in today's digital world is to recognize the highly personalized journeys customers take across all channels and craft responses to aid and assist those journeys toward both customer satisfaction and a profitable outcome. Seek to deliver the right message at the right time in the right channel and add depth, quality, context and relevance to the customer experience. Doing so will deepen your relationships with your customers and ultimately win their loyalty and share of wallet.

Based on the findings of this report, the keys for retailers to achieve a superior level of omnichannel readiness include providing customers a consistent brand experience across all channels and touch points; integrating platforms and their associated data to arrive at a single view of the customer; leveraging adaptive analytics to anticipate and adapt to shifts in the marketplace; building out a robust mobile presence to better serve constantly connected customers; and becoming an early adopter of the newer retail technologies that will shake up the industry.

It's a lot of work, but with the right partner it's all possible. And the reward is worth the effort.



**TotalRetail**