

eCommerce Merchandising

Critical Success Factors & Best Practices for Multi-Channel Planning

What you will learn:

eCommerce today and the new dynamics

How to increase customer satisfaction

How to achieve true multi-channel convergence

Best practices for consideration

Executive Summary

In the new world of integrated, multi-channel retailing, consumers should be able to find the products they want quickly and efficiently through the channel of their choice. A higher level of customer service is more critical than ever to survive and thrive, but this adds new complexities to integrating an operational patchwork of information systems, organizations, people and discreet business processes.

This white paper will explore the critical success factors and best practices for multi-channel planning, as well as how retailers must remove the barriers across channels/business units and implement new strategies that encourage advanced planning analytics in their direct-to-consumer (B2C) and direct-to-business (B2B) sales strategies.

Introduction

Every fifty years or so, retailing undergoes a major disruption. A century and half ago, the growth of big cities and rise of the railroads made possible the modern department store. Fifty years later, shopping malls lined with specialty retailers were dotting newly formed suburbs and challenging those big city department stores. The 60's and 70's saw the spread of discount chains and then soon after that the "big box category" killers.

Each wave does not eliminate what came before that, but it does reshape the landscape and redefines consumer expectations – often beyond recognition. Retailers relying on earlier formats either adapt or die out. Like most disruptions, digital retailing got off to a shaky start, and more than half of the eCommerce retailers were wiped out. Today, the only way to survive and thrive is to embrace eCommerce in a big integrated shopping experience way.

eCommerce in the United States will reach \$327 billion in 2016, up 45% from the \$226 billion expected this year (2012) and up 62% from the \$202 billion in 2011, according to Forrester Research. In 2016, e-retail will account for 9% of total retail sales, up from 7% in both 2012 and 2011, according to the report. That represents a compound annual growth rate of 10.1% over the five-year forecast period.

For an idea of global eCommerce numbers today - the figure is about 10% in the United Kingdom, 3% in Asia-Pacific, and 2% in Latin America. Globally, digital retailing is probably headed toward 15% to 20% of total sales, though the proportion will vary significantly by sector.

Mobile and tablets will be a key enabler of unified retail consumer experiences. Retailers now have an opportunity to differentiate the customer experience by capturing the "first-mover advantage" as customers go mobile. With one in ten retail searches now made on mobile devices, retailers must work to offer the best online and offline experience to shoppers at any given time. Forecasters estimate 8 billion hand held devices will be in use, and U.S. mobile ecommerce is expected to reach \$31 billion by 2016, growing at a 39% compound rate.

This expectation has been fueled by the proliferation of broadband wireless connectivity and consumer use of smart devices, where shoppers can be seamlessly connected to everything that is important to them wherever they go. In fact, the adoption of wireless devices within the store environment also provides an excellent opportunity to support improved in-store productivity — from locating product to the point of order on the retail floor, to providing more engaged customer service by enabling store associates to untether from the cash wrap without leaving the customer.

With consumers now able to do price comparisons and access product reviews in real-time while on the move, mobile commerce is proving to be a key enabler in the unified retail consumer experience. As a result, retailers now need to cater to this additional channel to ensure customers and prospects buy through their desired brand, channel or outlet. Social media also continues to play a major role in the overall mobile landscape, generating large volumes of data and information from texting, tweeting, and status updates. For progressive retailers, social shopping also needs to become an integral part of a new strategy.

The Changing Consumers

In this changing commerce environment, customers no longer shop channels, they shop brands. And actually in most cases, customers don't even know what a channel is. A new breed of customer is therefore emerging, and you need to be ready with the right infrastructure and platform to service them. These savvy consumers are informed, empowered and always connected. They demand real choices when it comes to selecting and purchasing goods. Unlike traditional shoppers who may come into your store and occasionally buy something on the web, these new consumers use all channels — store, catalog, call center, web and mobile — simultaneously.

Enter the multi-channel shopper: research shows that they outspend traditional shoppers by over 20 percent. What's more, they exhibit strong loyalty and are more likely to influence others to endorse a retailer or brand.

With such changes in consumers, the lines between online and offline commerce are blurred. Is it an eCommerce sale if the customer goes to a store, finds that the product is out of stock, and uses an in-store terminal to have another location ship it to her home? What if the customer is shopping in one store, uses his smart phone to find a lower price at another, and then orders it electronically for in-store pickup? How about gifts that are ordered from a website but exchanged at a local store? Clearly, the emergence of the multi-channel shopper demonstrates why multi-channel retailing is evolving. As consumers become increasingly channel agnostic, retailers need to ensure that content seamlessly follow consumers on their cross-channel journey — providing the right information and incentives to maximize the purchase decision-making process at each and every point.

Blending sales channels allows for increased inventory efficiencies and greater customer fulfillment, support, and of course, satisfaction. When done right - potential business value from full process and technology integration across channels can increase transaction size by 35%, augment customer loyalty and profitability by 10-15%, grow on-line conversion rates thanks to reduced website abandonment by 30-40%, and save transactions by 8-12% by using approaches that recover lost sales and abandoned carts via guided selling, for instance. Most important though, is the 15%–25% reductions of inventory losses as a percentage of sales. Multi-channel capabilities can lead to inventory optimization via a seamless integration of virtual and physical stores.

Organizational Reality for Retailers

When retailers first started moving from single to multiple channels – each with different customer and operational requirements – they generally had no choice but to deploy different technology systems to address such disparate needs. With these different channels emerging at different times, and operating as separate and autonomous entities, it became difficult to provide customer-centric merchandising and a seamless shopping experience across these channels.

Retailers reacted to the dot-com race by creating separate online organizations to maximize valuations. The separate organizations targeted different customer segments, and sometimes inhibited collaboration. A decade later, real collaboration between retailer's store and digital operations remains rare.

Today's retailers generally have an operational patchwork of information systems, organizations, people and discreet business processes that are not truly integrated, and this poses major risks moving forward into a truly multi-channel strategy. So although integrating seems logical, in practice it is very hard. The reason is not because technologies do not exist, but rather because of the legacy of the organization.

eCommerce: Part of A Larger Multi-Channel Strategy

So what should be retailers' response to the changing consumer and their ever-increasing expectations? The answer lies within a truly integrated multi-channel business strategy.

Multi-channel isn't just about offering multiple means for customers to access your brand; it's about leveraging multiple means to support a seamless customer experience. True multi-channel convergence is about making all retail channels operate in coordination and collaboration with each other; it is about managing transactions and customer engagement across all channels in a consistent way to support delivery of a uniform, exciting and inspiring brand experience to your customers.

Multi-channel integration should aim to create operational efficiencies, reduce the complexity and redundancy of data, and streamline processes and business rules to allow customers to purchase goods and services through a variety of channels simultaneously while enjoying a consistent brand experience.

Therefore, a retailer's new eCommerce platform should in fact be part of a larger business strategy in which a retailer will grow revenue, reduce inventory costs and extend its commerce and merchandising operations worldwide.

Such a business strategy can be considered disruptive innovation or thinking outside the box. Implementing such a strategy, therefore, requires a separate team that has autonomy, a distinctive set of talents, different knowledge bases, and a willingness to take bold risks. Integrating innovative ideas with the base business, in contrast, requires collaboration, compromise, and detailed planning.

So how do retailers realign their multi-channel strategy to focus on converging and integrating these channels for improved customer experience – versus merely delivering multiple "routes to market?" Here is a list of best practice approaches for multi-channel retailers to consider:

- Define a customer experience program and implement it. Set measurable objectives around key customer metrics and business KPIs.
- Ensure true multi-channel transparency by supporting full technology and process integration between all of the selling channels — meaning a single, logical view of the shopper, the order, and the inventory regardless of the channel. Deliver advanced multichannel services (e.g., start an order from any channel, complete it from any other channel). Integrate transactional channels (e.g., store, online, call center, catalogue) with relational channels (e.g., social media, mobile) to drive consumer influence and brand image.

- Consolidate multi-channel supply chain management — both planning and execution — allowing for total inventory visibility, order management, and fulfillment across all channels.
- Deliver cross-channel services and targeted promotions based on demographics and customer segments (e.g., click & collect, order in-store deliver home, online Web shopping list available on kiosks or mobile devices).
- Improve multi-channel loyalty capabilities based on real time business decision support. Online consumers are indicating that the possibility of using the same loyalty program both online and offline is their second favorite feature for an eCommerce website to develop.
- Web-enabled call center systems. Online customer support is a key consumer expectation that can also result in 75% cost savings when moving call center to Web-based support. Retailers also note a direct correlation between customer service enhancements and increase in average revenue per user. As a result, cross-channel customer service investments can pay off.
- Embedded Business Intelligence consisting of robust BI, predictive analytics and demand forecasting.

Business Intelligence as a Competitive Advantage

Embedded Business Intelligence is the single most important area of focus that separates the best in class retailers.

Business Intelligence needs to become more than just running and analyzing reports, it needs to become the way a business is run. A paradigm shift needs to occur moving away from BI being a tool for a select few power users to a tool used by everyone within the organization.

BI needs to be more widely distributed to functional business units such as merchandising, warehousing and store operations, so that decisions can be made at the point of impact. Having IT departments create reports for each business unit is archaic. Everyone today needs to have information on-demand, and waiting for a report to be "coded" and "batched" will not suffice anymore.

BI also needs to be imbedded into your company's processes and systems. Retailers need BI tools that can forecast and predict more than just sales. Business Intelligence solutions today need to deliver the performance metrics, or KPI's, to allow the merchants to not only track current business trends, but also assist in the creation of future business plans, whether they are high level plans, such as Financial or Merchandise plans, or detailed level plans such as Assortment plans.

In order to keep up with the demands of a multi-channel retail environment, more data and bigger internal audiences raise the stakes for BI. One of the key factors to evaluate in a successful BI tool is to ensure the information is delivered to the right user in the right form. In other words, the goal is to empower decision makers with precisely the information they require for their immediate decisions.

For executives, this may mean simple dashboard data. For merchandisers or the finance department, it may mean powerful interactive tools. For front line workers, it must mean easy to use interfaces that require little training.

Retailers who are able to develop BI as a competitive advantage not only focus on current business analysis, but also on using predictive analytics to take more effective steps towards delivering better performance and stronger bottom lines. Extended supply chains, channels of distribution and a globally dispersed customer base have made executives keener on using BI tools.

Knowing and trusting the quality of your information and understanding the data in the right context provides insights that allow an organization to anticipate change and proactively balance risks and opportunities.

Conclusion

The changing consumer and channel landscape require retailers to approach and manage eCommerce differently from its current state. In an increasingly connected and integrated commerce world, it will soon be hard to clearly define and measure eCommerce as a separate channel.

If a multi-channel strategy is implemented correctly, companies essentially would no longer manage e-commerce, retail commerce, b2b commerce separately. Instead, they would be providing a truly consumer-centric commerce experience.

About 7thonline

7thonline is the leading provider of cross channel merchandise and assortment management solutions to the retail and wholesale industry. The company's cloud and enterprise software enables more effective planning, demand forecasting, and optimization for global and fast growing brands. 7thonline's embedded business intelligence and analytics offer multi-channel inventory visibility for retailers, eCommerce, and vendors allowing for greater operational performance, increased sales, reduced markdowns, and improved margins. Customers include **G-III Apparel Group, GRI Retail Group, Nautica, Oakley, Phillips-Van Heusen, Under Armour, VF, Warnaco**, and others. 7thonline is headquartered in New York City with global offices.

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