Making money at omni-channel

How NOT to get a return on your investment
With the pace of change in retail today, there is a temptation to implement services like click and collect and ship from store as quickly as possible. While this has allowed many retailers to offer a service, customer experience can be put at risk if you don’t have a clear omni-channel strategy and roadmap in place. From programme design to staff training to technology – all elements need to be carefully considered to ensure that the experience is optimised and that there is an appropriate balance between investment and return.

In this content series - ‘Making money at omni-channel’ - we take a look at overall strategy, as well as examining in greater detail specific services. The series is aimed at helping retailers to design an omni-channel strategy that delivers a consistently great experience and a clear return on investment.
Omni-channel

What it is:
Omni-channel is a term that has been around for some time and isn’t very well-defined. When we talk about omni-channel we mean: the dissolution of the channel as a concept, enabling:

- The ability for customers to buy, receive and return seamlessly across all touch points (the store, online, the call centre, collection/drop points)
- The access to data across all touch points including stock information, customer purchase history, order information and rich product information, such as ratings and reviews

The seamless nature of the customer experience, underpinned by joined-up technology, is what really makes omni-channel a step up from multi-channel. For instance, customers can earn and spend loyalty points on any channel, and any channel can see and support any customer.

Why it’s good for customers:
- Access to more information, like store stock availability and reviews in-store, which facilitates purchasing decisions
- Faster and more convenient access to products
- A more consistent and personalised service

Why it’s good for retailers:
- Gain a single view of the customer
- Increase stock sell through at full margin by making stock available across the network
- Drive store footfall increasing AOV and sell through
- Upsell customers based on purchase history information
- Deepen engagement and loyalty with customers through personalisation

The challenge, however, is that implementing a good omni-channel experience is expensive. And many retailers have started down the path of introducing omni-channel services without a clear strategy that ensures a return on investment.
Don’t skip the strategic planning phase

Why not?

- **You can’t make a case to get the investment you need:** Without a clear plan with a P&L it can be difficult, or impossible, depending on your organisation to get the budget and resources that you need. While you may be able to secure some investment, to get the right level, you must be able to demonstrate what the expected return is and when it is expected.

- **You risk creating an investment black hole:** Without a clear strategy, you are likely being more reactive than proactive. Trying to keep up with competitors without a clear plan often means initiatives are left incomplete in favour of the ‘latest’ thing. Money is burnt with each change of direction - in re-drafting documents, re-working development and re-training staff. This also makes it difficult to evaluate the causes of poor performance. A strategy requires commitment – you can make it as flexible as possible, but you may have to sometimes do without the ‘latest’ thing for a short time, and instead focus on a long-term strategy.

- **You leave making a return on your investment up to chance:** If you haven’t got a definitive idea of how much additional revenue the service is likely to bring in, you can’t balance your investment and you can’t have confidence that you have the right KPIs in place across the business to make the programme successful.

- **You risk long-term success:** By not having joined-up divisional strategies and input, you risk the success of the entire initiative. Omni-channel only works when all of the links in the chain are working towards – and incentivised on – the same outcome. This is what a clear strategy can give you.

What should you do?

It’s never too late to start that strategic plan. Even if you are already down the path to omni-channel it is worth taking an audit of where you are today versus where you want to get to. Consider:

- What services have you already implemented?
- How well are those services aligned to your proposition?
- What are the specific experience gaps in those services?
- What is your investment to date in those services?
- What additional services would enhance your offering?
CUSTOMER EXPECTATIONS

Don’t assume you know what customers want

Why not?

- You risk spending time and resources implementing services that customers won’t use. Ensuring any newly implemented service offers a consistently good customer experience is already a risk. Avoid adding to that the possibility that most customers will not even use the service. Consider, for example, the uptake on a live chat functionality versus emails or calls? Will enough customers adopt this service, or would they still prefer to call or email? Customer insight will help you to identify which channel they are more comfortable with.

What should you do?

Do your homework first. We recommend the following activities as part of any evaluation phase:

- Interview customer-facing stakeholders, including contact centre and store staff
- Find out what your closest competitors are offering
- Ask your customers. You can do this via an online survey, in-store or both.
Don’t underestimate the scale of the change required - from organisational structure to incentive programmes to training

Why not?

- **You risk the success of your programme**: A change of the scale required by omni-channel requires total alignment across the business. You need to have every employee - from the CEO to the warehouse manager to every shop assistant - bought into your vision and clear on how they can help bring it to reality.

- **You risk having teams with overlapping responsibilities or responsibility gaps**: Many retail organisations have created omni-channel director roles. While this is a good start, creating a single new role is not enough. Teams aligned according to channel in a world which professes to dissolve the channel doesn’t make sense. Roles and teams should be realigned to help the business achieve its goals.

- **You risk the quality of customer experience**: Already burdened by high staff turnover, omni-channel places new demands on store managers. Staff need to receive comprehensive training on new processes and systems to ensure that every customer interaction is a good one.

What should you do?

Think about how omni-channel impacts your business from the top down and then the bottom up. If you’ve already done the hard work of building out your strategy, this exercise will be much easier. Consider the following:

- Adapt your existing company vision and value statement to include behaviours critical to omni-channel success

- Create an internal communication plan for your omni-channel strategy. Make sure communications are regular and clear. A single communication will not cut it

- Review your current team setup against your new omni-channel KPIs. Identify overlaps and gaps and then adjust your organisational structure

- Create a training programme or update your existing training programme to include new services like click and collect and reserve and collect. Ensure that live training is available at regular intervals for new team members.
Don’t create new processes for new services; adapt existing ones to include new requirements

Why not?

- **You risk having conflicting processes:** While new services may mean new processes, they do not operate in isolation and are often extensions to your existing operation. Treat them as such to avoid confusion.

- **You risk creating new inefficiencies:** While you may have a well-oiled returns process, you may find that introducing returns across customer touch points throws a wrench into the works. Rather than creating a separate process to deal with them, work on adapting your existing process. It’s much easier to work at continually refining a single process than to work at two. Running multiple processes is also twice as much work.

- **You risk creating unnecessary complexities:** A new service does not need to become a complex set of actions for a store, customer service agent or a customer. Simplicity is key to ensuring operations run smoothly, efficiently and profitably.

What should you do?

Consider all of the processes that are impacted by any new service against the requirements of that new service, identify new requirements and start to develop plans to adapt your existing processes. Consider the following:

- **How will you communicate changes to existing processes?** Much like training, communication around process change needs to be clear and at regular intervals to ensure adoption.

- **Who owns the process?** If you haven’t made any changes to your organisational structure in line with a shift to omni-channel, you may end up with multiple ‘owners’ of a single process, which can result in confusion or conflict.

- **How will you measure the success of a process?** Existing KPIs will need to be adapted. For example, if you’re implementing cross-channel returns, you may want to implement a KPI around the time it takes for returns to get back into the stock pool.

- **How do processes change over time?** Once a process is implemented, in addition to aiming for continuous improvement, you’ll need to schedule regular reviews to adapt the process.
Don’t maintain separate systems for each channel or develop workarounds to integrate systems

Why not?

- **It will cost more money in the long-run**: With workarounds you will be investing in development time to get your systems functioning in the way that you need. Each change or new feature will require further investment in development. Investing in a purpose-built system will get you where you want to be faster with visibility of all costs up front.

- **You won’t be able to keep pace with the changing expectations of consumers**: Retail is changing fast with new innovations emerging on a near-daily basis. With a system that is not purpose-built for this environment, you will struggle to adapt and add new features/services and are at risk of playing an expensive game of constant catch-up.

- **You won’t be able to target higher value customers efficiently**: When customer data is stored across multiple systems, appended to with each new development, it quickly becomes very difficult to segment, report and target on the customers most valuable to you.

- **You risk creating labour-intensive processes**: What you save on system implementation is eaten up by heavy manual processes that can slow down the service and damage the experience. Consider a call centre agent who needs to log in to multiple systems to view a customer purchase, change a delivery date or raise goodwill vouchers.

- **It will provide a sub-optimal customer experience**: Remember that customers are unaware of channels and have no patience for poor experiences that are the result of system disconnects.

Consider the following scenarios, all of which are a result of disparate systems:

- A customer buys an order online and returns it to the store. On return they are not refunded as the POS is separate from the online payments system. The customer has to wait for a refund.

- A customer is due to come in and to pick up their click and collect order; an upsell opportunity is lost as the shop assistant is unable to suggest other relevant items for purchase as they have no access to customer purchase history information.

- A customer enquires in store as to the status of an online order and the shop assistant is unable to provide any information.

- Loyalty points are only earned in-store because the integration is not active for online.
What should you do?
Make the right investment for the long term. Ideally, you want to be in a situation where you have all of your systems integrated. That can mean considering replacing some of those systems or investing in a new system that will tie them all together.

The first step in any technology evaluation process is to define your services roadmap. What do you plan to offer to your customers along what timeline? With this defined, you'll need to do a technology audit. Do your current systems stack up? Will they get you where you need to be or do you need to start evaluating other options?

Consider the following questions:

- **Am I happy with each of the elements in my technology stack?** For example, is your eCommerce platform delivering good value or could you benefit from a more robust system? Identify the elements which are due for replacement. If the list is small, you may want to investigate options to integrate all of your systems using an order management system or a middleware layer.

- **How much time are you spending as a trading team focused on technology?** Ideally, as a retailer you want to spend the majority of your time focused on retail, rather than worrying about technology. If you're not already doing this, you may want to consider SaaS-based technologies like Demandware or a managed service.

- **Are you getting a good return on investment in your current technologies?** If you don't know the answer, try to find out. You may be surprised to learn that the actual cost and time of changing a system is less than the cost of running inefficient and outdated systems.
Don’t measure the wrong things

Why not?
- You’ll risk declaring the success of a programme that is losing you customers and money. Avoid focusing solely on outputs such as the number of click and collect orders in a store, or the percentage of sales which cross channels. Ultimately, benchmarks and targets are valuable, but vary significantly for legitimate reasons, and an absolute focus on a target revenue number will miss the concept of optimisation.

What should you do?
Try and tie the KPIs back to those which you can directly influence, and which tie back to three core KPIs:
1. Retained revenue: From a customer’s first purchase, how much is retained over time (repeat spend)
2. Operational satisfaction from shipment and delivery on customer promise
3. Sale at full price through gross margin return on capital
We can help you ensure your omni-channel initiatives are optimised to make every customer experience a good one and every order a profitable one.

Here are some of the services we can provide:

**Omni-channel roadmap**
We help you understand market and category specific nuances so you can develop a relevant omni-channel proposition for each of the regions in which you operate.

**Process design & implementation**
We help ensure you have robust processes in place to deliver great omni-channel experiences – whether you’re implementing click and collect, ship from store or cross-channel returns.

**Technology review & selection**
We work with you to convert your roadmap into a set of business requirements which can be used to review and then select required technology to support your omni-channel vision.

**Technology implementation**
Our team of technical experts will work with you to deploy new technology, ensuring full integration with existing systems to deliver a consistent cross-channel experience.

**Training**
As well as providing documentation, we work with your store and call centre staff to ensure they are fully trained on new processes and technologies.

**Review & refinement**
We will specify KPIs for you to track the success of different omni-channel initiatives and work with you to improve results over time.
We can help you define your strategy and roadmap for omni-channel. Already started? We can provide an audit of where you are now versus where you would like to be and define a plan to get you there quickly and profitably.

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