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Rising to the Omni-Channel Challenge— and Opportunities to Engage Today's Ultra-Connected Customers

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Today’s ultra-connected customer base—defined by Forrester as customers who access the Internet multiple times a day from multiple devices and locations—is expected to grow at a staggering rate to include more than half of all adults online in the US by the end of 2013.¹ This poses a tremendous opportunity for retailers that can engage with customers through an omni-channel approach and present them with a consistent experience, regardless of their channel selection.

As retailing moves into an era of interacting with customers anywhere at any time, migration to an omni-channel strategy represents the blurring of lines between channels by technology, process, and organizational drivers. The migration also hinges on the retailer’s ability to be flexible and agile in delivering the right product, service, and educational content to the right place at the right time, driving sales conversion.

The omni-channel experience

What does an omni-channel experience look like in the real world? Meet Tina, a suburban mother of two teenagers and a current customer of a major wireless telecommunications provider. When her two-year wireless contract is about to expire, Tina receives a notification on her smartphone that she is eligible for an upgrade. Tapping a link in the message loads a mobile-optimized page filled with a personalized list of device upgrade options based on her current device operating system and usage history. She explores the recommendations but cannot decide between two options. So following an on-screen suggestion, she schedules an appointment at a local retail store that has both devices in stock.

When Tina shows up for her appointment at the retail store the next day, she is immediately greeted by Troy, a retail representative. Equipped with a tablet, Troy knows which devices Tina is interested in and walks her through the features of each one. Tina picks one, though in blue rather than yellow. Troy informs her that the store does not have the device in blue in stock, but that he could have it shipped overnight to her home at no charge. He can also arrange for Tina to pick it up that same day at a store near her home if she prefers. Tina agrees to have it shipped.

¹2013 Interactive Marketing Predictions: The Ultra-Connected Customer Will Upturn Marketing, Forrester, February 11, 2013.

As Troy completes the order, he informs Tina that by liking the company's Facebook page, she will receive a coupon for 15 percent off accessories. Tina looks at a popular workout case and pedometer for her new device but is unable to decide which one to purchase. Tina asks Troy to make a note and save it to her profile. As Tina leaves the store, she receives a notification on her existing device asking her to rate her experience at the retail store.

Tina's new device arrives as expected at her home. She activates it and shortly after gets a call from a customer care representative to verify that she has received her device and it is working as expected. The representative reminds her that the 15 percent accessories discount is still available to her. The convenience of the reminder helps Tina complete the additional purchase of the case and pedometer over the phone with the representative. Later that evening, she returns to pick up the accessories at the same retail store, where a retail representative shows her how to use them. Satisfied with her experience, Tina blogs about it online and can't wait to upgrade devices for the rest of her family.

Customer-centricity: The future of buying

Tina's purchase experience is indicative of the rising expectations of today's consumer for a consistent experience in a rapidly evolving world of blurred lines between physical and digital shopping experiences. It demonstrates some of the possibilities of integrated channel interaction, with Tina utilizing multiple channels (messaging, mobile, retail, social, and customer care) to achieve her needs. Forrester estimates that more than 60 percent of consumers who like to interact with brands do so through multiple channels, which means that marketers have to be consistent—but channel-relevant—with brand and shopping experiences.²

Tina's purchase also demonstrates that synergistic behavior between different sales organizations—when properly aligned with common metrics and incentives—enables them to focus on the common objective of creating an effortless customer experience. Creating Tina's experience is a challenging task, yet it is achievable through enabling technology, process, and organizational changes.

“Customers now use a rapidly evolving set of devices as a means of engaging across touchpoints, which they don't distinguish from the brand or business.”³

Today's retailers and their partners must make every effort to keep up with the new, more connected consumer—a consumer who expects seamless integration between channels and does not hesitate to go elsewhere when he or she doesn't find it. While brand loyalty remains, retailer loyalty has eroded tremendously over the past decade, impacting those that have not recognized and reacted to the change.

² How To Engage Your Omnichannel Consumer: Brand Engagement The Consumer Way, Forrester, November 26, 2012.

³ Welcome To The Era Of Agile Commerce, Forrester, July 19, 2013.

A move toward customer-centricity (Figure 1) has helped leading retailers with a brick-and-mortar presence begin to combat competition from their traditional rivals, as well as from an ever-growing set of e-tailers. Typical supplier/retail roles are under pressure as manufacturers often feel an increased sense of ownership of the end customer relationship and have increased efforts to market directly to consumers. In addition, brick-and-mortar stores that execute well in a customer-centric manner are uniquely positioned to create an immersive physical experience while also providing the breadth of product catalog and inventory efficiencies that can be maximized through a virtualized sale and distribution process.

A customer-centric approach by the retailer ultimately drives an effortless customer experience. Getting there requires a well-thought-out omni-channel strategy.

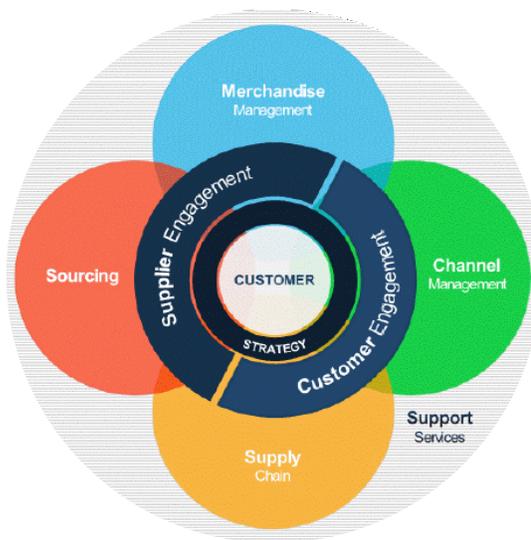


Figure 1: A customer-centric approach can help drive an effortless customer experience and retailer loyalty.

The journey to omni-channel

The evolution of the retail experience (Figure 2) is by no means a simple process. For most retailers it involves organizational realignment, operational process adjustments, and the evaluation, selection, and implementation of enabling technologies to support concepts ranging from personalized marketing to customer order orchestration. Success is dependent on an organization's ability to understand where it stands today, set a clear strategic vision for the future, and drive the incremental steps to get there over time.

In the implementation path toward omni-channel commerce, retailers are learning difficult but important lessons. Several big-box retailers have struggled to seamlessly integrate their online presence with their brick-and-mortar stores. Consumers who want to touch and feel a product to better understand how it fits or works are adept at gaining that knowledge in the store and then purchasing the product from a lower-cost e-tailer—often from their mobile device, right then and there.

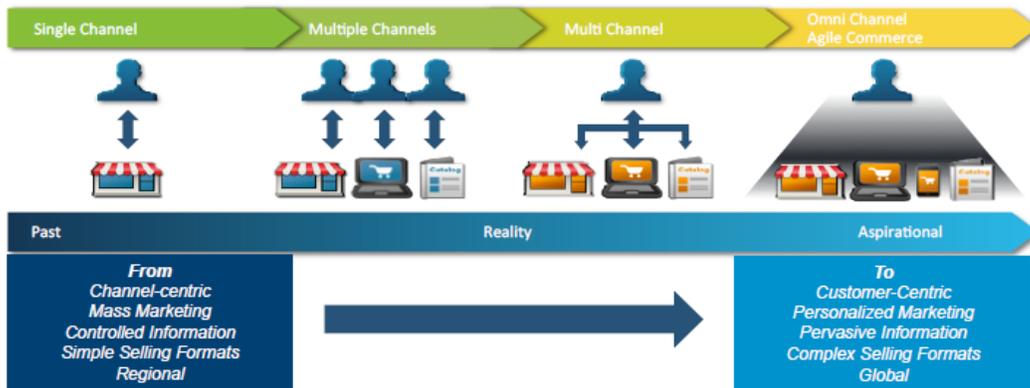


Figure 2: The evolution towards omni-channel commerce is a complex process involving organizational realignment, operational adjustments and enabling technologies.

On the other hand, there are retailers making good progress down the omni-channel road. A number of name-brand department stores and specialty retailers have effectively refocused on the customer and integrated their online and retail shopping channels to create a more uniform customer experience. These retailers have found ways to know their customers, engage them in a personalized manner across channels, and keep them within their ecosystem while responding to their varied needs.

“Chief marketing officers need to ready marketing across five key areas to create and manage true customer relationships: strategy, organization, measurement, data and analytics, as well as customer relationship management (CRM) tools.”⁴

Omni-channel is not a destination but a journey for retailers. While paths differ across retailers, there remain common requirements to become customer-centric, to build a consistent experience across channels, and to blur the lines between the physical and digital worlds. The implications of these three requirements drive the need for improved master data management and governance; content management; promotion management; and the implementation of anytime, anywhere customer interaction strategies. Once leadership is determined to walk the omni-channel path, a key to effectively driving change is to implement metrics that support the desired behaviors from both the organization and the end consumer.

Metrics as a catalyst for change

As retailers move toward an omni-channel model, the measures used to evaluate success must shift. While channel-specific metrics remain valuable, a new set of key performance indicators must be implemented to

⁴Evaluate The Completeness Of Your Marketing Effort, Forrester, April 15, 2013.

incentivize behaviors across the end-to-end value chain. Implementing customer-centric metrics (Figure 3) early on provides retailers and their partners with perspective on the opportunities that exist and their respective magnitudes.



Figure 3: Implementing customer-centric metrics early on provides retailers and their partners with perspective on the opportunities that exist and their respective magnitudes.

The observer effect is a fundamental concept of psychology that states when subjects know they are under observation, they change their behaviors. This knowledge, coupled with the principle that people naturally respond to incentives, provides powerful motivators to stimulate change toward an end goal. Furthermore, retailers must be able to have measures of the overall customer experience, such as ease of interaction, consistency, reliability, and transaction speed.

Research suggests that more than 70 percent of retailers do not have store incentive programs for cross-channel sales.⁵ Therefore, it is not surprising to find friction between the physical and digital channels within retail organizations.

Metrics need to align with a retailer's business strategy. Measuring monthly revenue at a retail representative level will drive different behavior than will measuring it at the location, regional, cross-channel, or organizational level. Similarly, targeting a reduction in average handle time for customer calls to the contact center produces a different outcome than does targeting an increase in first call resolution.

Before defining metrics, it is important to know what behavior an organization is trying to drive. Defining and implementing omni-channel measurements requires an additional level of rigor when collecting, analyzing, maintaining, and sharing data. Data typically lives at different levels of granularity across disparate systems used across and within channels. The retailer needs to break down the silos internally to extract and transform the required data into something useful while at the same time working with partners (i.e., suppliers) to do the same.

⁵ Omni-Channel Leadership: The Hidden Risk Facing Retailers, Green Park Interim & Executive Search, February 2013.

Retailers will potentially face pushback from organizations that have grown accustomed to working with existing metrics. Retailers may face additional resistance when there are disconnected systems across channels, making omni-channel data hard or impossible to pull together. They will need to work harder when channels have worked in silos with limited cooperation and communication or when a clear and compelling omni-channel strategy has not been set by senior management.

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The path forward

Consumer behaviors and expectations continue to change as they become more connected with increasing adoption of new technologies, access to the Internet, and proliferation of smartphones. Retailing is moving into an era of interact anywhere at any time. This is causing retailers to rethink their engagement models of how, when, and where they interact with customers. Along with considering what technology to use, retailers must consider how to make the shopping experience relevant to their customers.

Looking back to Tina, her shopping experience is just one example of the value that can be created by undertaking an omni-channel journey. The stakes it represents are considerable: Forrester expects US online retail to reach \$262 billion in 2013. That figure will grow to \$370 billion by 2017, reflecting a compound annual growth rate of 10 percent.⁶

The omni-channel journey takes time and requires changes in technology, process, and organizational structure. The biggest challenge is often the culture and mind-set shift required to move to a customer-centric model—a model that enables omni-channel retailing. To spark the change, retailers should focus on defining an omni-channel strategy for their organization, and then identifying and implementing key omni-channel metrics, leveraging the strategy as a catalyst to drive change. ■

About Slalom Consulting

Slalom Consulting brings together business and technology expertise to help companies drive enterprise performance, accelerate innovation, enhance the customer experience and increase employee productivity.

⁶ US Online Retail Forecast, 2012 To 2017, Forrester, March 13, 2013.

The firm delivers award-winning solutions in areas such as organizational effectiveness, information management and analytics, mobility, and cloud through a national network of local offices across 14 North American cities.

Founded in 2001 and based in Seattle, WA, Slalom has rapidly grown to more than 2,200 consultants. The company has earned recognition from Microsoft as Partner of the Year five times, including 2012 Microsoft Office 365 Solution Partner of the Year, and has also been recognized as one of the Top 10 Best Firms to Work For by *Consulting* magazine. For more information, visit slalom.com.

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