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Milestones

On The Omni-Channel Journey

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For the world's retailers, the journey towards omni-channel is unstoppable. A consistent customer experience across channels— enabling customers to buy what they want, when they want it— with completely streamlined and error-free processes—simply hasn't happened yet.

Retailers on both sides of the Atlantic are heralded as farthest along the customer experience journey. To have transitioned from single to omni-channel in such a short time may look very good from the customer's perspective. Behind the scenes however, processes are complex and siloed. We've heard the anecdote from retailers: what may look to a customer like a metaphorical swan gracefully moving across the lake is accompanied by frantic paddling underwater to maintain the illusion.

While it is very difficult to determine how long it will take to arrive at the "omni-channel dream," it is possible to identify specific points, or milestones, along the journey. And here are three that we consider to be particularly important.

Milestone 1 – Plan for the peak

Retailers have invested significantly in e-commerce shopfronts and advanced search technology to ensure customers find products in their online stores. For most retailers, this was the first step on the omni-channel journey. Mobile sites have appeared, along with apps for iPhone®, Android®, Windows® and other devices, such as Apple Watch™.

Each of these apps, websites and mobile sites are points of entry into the retailer, doorways into their e-commerce back-end. Online sales continue to grow and, just like a physical store, capacity is limited.

In a physical store, when there are too many customers, it becomes difficult to find what you are looking for and queues develop at point of sale. For the retailer this is bad news: Customers leave the store or abandon their baskets in frustration. Exactly the same principle occurs online. When too many people are browsing, product searches slow down and the checkout can become tedious.

While too many customers is a "nice problem to have," if customers cannot find what they want due to a slow website, they will leave. Or worse, they may abandon their baskets they intended to purchase.

" 67 percent of consumers abandoned baskets due to slow websites."

— Brand agency, Brand Perfect

Abandonment of online baskets is a major issue. Recent surveys put abandonment rates as high as 75 percent.[1] While this varies between different types of retail, surveys show it is rarely less than 65 percent.[2]

The impact of abandoned baskets can be huge. According to Webstrategies, if you are converting at 1.5 percent and you can reduce abandonment rate by 25 percent (from 50 to 37.5 percent), your conversion rate increases from 1.5 to nearly 1.9 percent.[3] Conversion rate and cart abandonment are clearly important KPIs for any online sales channel.

While there may be many factors leading to abandonment, overall website speed is often cited as the single major factor. A survey by brand agency, Brand Perfect®, found that 67 percent of consumers abandoned baskets due to slow websites.[4] And this is on regular shopping days. Imagine what this figure must be on really busy days!

There are well-known periods of high traffic. These peaks have coincided with major calendar events, such as Thanksgiving and Christmas, and are such a phenomenon they have their own names, such as Cyber Monday (referring to the first Monday in December) and Manic Monday (the second Monday in December). According to Experian®, these shopping days saw significant peaks in online trading.

These events cause well-documented issues, including website outages. Strategies have emerged to avoid such issues. These have included adding capacity during peaks, customer queuing systems or maybe even upgrading the entire e-commerce platform. These options are clearly better than a "crossed-fingers" approach. However, there is often a high cost and risk for such a small amount of trading time.[5]

Software AG has seen an additional approach applied in e-commerce: the use of inmemory technology. Using the right in-memory data management technology, a retailer can scale up the e-commerce platform to deal with the largest peaks in demand. This technology allows commonly used information, such as product catalog or current inventory, can be loaded into memory to move the data closer to where it is being used. This reduced dependency on slow disk-based storage dramatically speeds up data access and hence the overall app.

The result: a low-risk, cost effective way to prepare for peaks and reduce basket abandonment.

Milestone 2 – Maximize resource return

After employees and their store estate (physical and electronic), inventory is arguably the most valuable resource a retailer has. Without it, the retailer cannot trade. However, too much of it or the wrong inventory in the wrong place can be a curse.

In the old world of single-channel retail, if a product was not on the shelf, the retailer would miss an opportunity. In the omni-channel world, the opposite is true. A product could be on the shelves of stores but if a customer wants to order online for next-day delivery, you could lose the sale.

However, providing the customer with insight into inventory at their local store and the option to pick-up could help. This may sound obvious but many retailers on the omnichanneljourney cannot offer this. According to Information Age, 71 percent consumers expect to be able to do an online in-store inventory check while only 32 percent of retailers offer the ability to do this.[6]

Optimizing inventory, that is having visibility into every product in every location at all times and being able to adjust operations accordingly, can give a tremendous boost to retailers. In addition to giving online customers a view of in-store inventory, this capability can be used in stores to help customers find a product that is either not listed or currently unavailable.

Furthermore supply chain planners can better understand supply & demand and spot inventory deployment opportunities. And management information dashboards can be used to evaluate inventory right now to drive important business decisions.

Inventory visibility is a cornerstone of omni-channel as it enables dynamic decisions on where online orders are fulfilled. Retail TouchPoints® (RTP), an online publishing network for retail executives, has observed: "Complete inventory visibility helps retailers optimize product distribution to allow ordering, pick-up and delivery from any channel."[7]

Retailers understand the value of this information. According to RSR Research, 93 percent of retailers see a lot of value in having good inventory visibility. However of those, only 45 percent believe they have a lot of visibility.[8]

Tackling this challenge requires investment. Real-time connectivity between the different systems, including ERP, store inventory management systems, warehouse management systems and other inventory masters are all important. To attain a real-time view,

in-memory data is required to incorporate the impact of sales, goods received and inventory movements. This in-memory data acts as the real-time inventory master for the entire omni-channel operation at all times.

Full inventory visibility does not require rip-and-replace of existing inventory systems— rather a complimentary layer that joins those systems together.

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Milestone 3 – Conduct your "orchestra"

A key driver behind omni-channel has been the success of Amazon.com®. Amazon.com has a well-honed business model with highly streamlined operation for online order fulfillment.

The problem for existing Omni-channel retailers is how to match, or even beat Amazon.com but across multiple channels. Amazon.com does not have the challenge of customers buying online and picking up in store, for example.

Also, retailers have the legacy of an existing store network (which can prove advantageous when competing with pure-play online). This network still needs to be serviced in the traditional way while also delivering new services, such as order online, pick up in the store.

However, the existing network is supported by processes and systems that pre-date the omni-channel world. These systems can come from multiple vendors and provide limited interoperability between each other or with external systems such as suppliers, delivery companies and the IT service providers specializing in omni-channel orchestration. The information age has cemented a siloed IT legacy that is a significant barrier to of omni-channel.[9]

In addition, supply chains are often designed for a single-channel world—resulting in cost disadvantages and margin erosion vs. online retailers. Indeed, business consultants Ernst & Young have observed, "Omni-channel growth will dilute margins unless the supply chain changes."[10]

By contrast, supply chain network, store network and individual systems should come together to form an "orchestra" with which the retailer can "play an omni-channel tune." Failure to conduct this orchestra will erode margin due to online orders needing high amounts of human interaction, and/or delayed order fulfillment during periods of peak demand.

While there has been investment in front-end Web stores, the next stage is to ensure the customer promise is met. Paul Coby, CIO of John Lewis®, a major U.K. department store retailer, made this comment to the National Retail Federation (NRF) in New York:
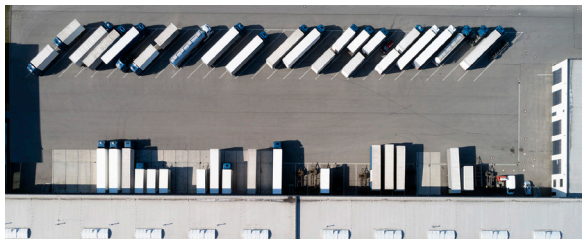
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"Having a pretty and award-winning front-end online and mobile is really important to have, but they're useless unless you've sorted the back-end technology, because customers expect fulfilment to be accurate and on time."[11]

- In summary, seamless automation is the key the omni-channel orchestration. The following elements are essential:

- Clear process design—omni-channel processes codified in such a way that they can be applied systematically and adapted in the future

- Connectivity—the ability to connect and interact the multitude of systems across the retailer and outside that need to be involved in the omni-channel process

- Process orchestration—the ability to execute the omni-channel processes automatically and control the interactions between different systems

- Not only do these elements act as the basis with which to control your orchestra but they also give the ability to understand, in real time, what is happening in your omnichannel business. Beyond this, these elements can also create a foundation for real-time monitoring and automated corrective actions to ensure the orchestra continues to play the right tune.

Conclusion

The road to omni-channel is far from easy with no clear blueprint for success.

The omnichannel destination itself may well seem a long way away. For most retailers, however, it is a destination worth pursuing, as it is crucial to retain customers and sustain growth.

While we may not be able to define the exact distance to this final destination, we can at least specify key points on the journey. The milestones detailed in this white paper are key milestones that retailers must realize on the path to omni-channel profitably.

First, you must ensure you are equipped to sell. Planning for the peak ensures you can keep customers at your online store and ensure they go through to make a purchase. Second, inventory is a key retailer resource. Retailers can't sell what they don't know they have. Ensuring inventory visibility across the business and between channels is essential.

Third, orchestrating a company's assets to ensure delivery against the omni-channel promise is a massive undertaking. Doing it profitably requires clear codified and automated processes to minimize human intervention and error, thus enabling retailers to deliver on their omni-channel promise.

Talk to your Software AG representative to learn how to accelerate your omni-channel journey and succeed in the digital age.

1. Baymard Institute - http://baymard.com/lists/cartabandonment-rate
2. SalesCycle.com - http://www.salecycle.com/cartabandonment-stats/
3. Webstrategies, Inc. - http://www.webstrategiesinc.com/articles/onlinemarketing-reducing-shopping-cart-abandonmentrates
4. Brand Perfect / Econsultancy - https://econsultancy.com/blog/11274-67-of-consumerscite-slow-websites-as-the-main-cause-of-basketabandonment/
5. Experian - http://www.experian.co.uk/blogs/latest-thinking/christmas-black-friday-cybermonday/
6. Information Age - http://www.informationage.com/it-management/strategy-andinnovation/123457982/retailers-struggle-meet-omnichannel-expectations
7. EY - http://www.ey.com/GL/en/Newsroom/Newsreleases/news-ey-growth-in-omni-channel-risksdiluting-consumer-products-and-retail-sector-profit
8. Computer Weekly - http://www.computerweekly.com/news/2240237932/Retail-technology-uselesswithout-back-end-support-says-John-Lewis

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