Omnichannel Retail

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Introduction

‘Omnichannel Retail’ is an emerging concept for retail operating models, characterised by service delivery and customer engagement activities that blend online and offline channels.

At present, the Omnichannel Retail movement is young, with development focussing on simple crossovers between websites, helpdesks, and stores.

Over time, the model is expected to develop into a more complete harmonisation of service delivery and engagement channels, enabling customers to take many different cross-channel journeys.

Principal Features

Although a single definition for Omnichannel Retail is yet to emerge, the following are characteristic of the operating model:

- Cross-channel customer journeys, selected and navigated by the customer
- Development of channels to act in synergy, as opposed to each channel being developed as an isolated, end-to-end provision
- Inclusion of digital channels within the store offering, and developing the store as a physical extension of the online service
- Complex customer segmentation, no longer segmenting customers on the assumption that each individual engages with a single, preferred channel
- Development of a single, universal image and portfolio that spans all channels, as opposed to differently branded channels with distinct offers
- Increased ‘modularisation’ of services to enable channel transitions as opposed to ‘lock-in’ to single channels
- Development of online complements to services based on the provision of physical goods

These features lead many commentators to view Omnichannel Retail simply as a natural extension of ecommerce-enabled ‘Multichannel Retail’.

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1 Business2Community. 2013. ‘Embracing Mobile & the Omni-Channel Retail Model.
www.business2community.com/marketing/embracing-mobile-omni-channel-retail-model-0686758

www.slideshare.net/spscommerce/2013-sps-rsr-webinar-slides-slideshare
Origins

The Omnichannel Retail movement is largely technology driven:

- On the supply side, ecommerce is well established as an essential component of the retail business model and digital technologies have multiplied the means by which customers can be engaged and services can be delivered.
- On the demand side, pervasive connectivity has resulted in the dawn of the ‘connected consumer’\(^3\), an individual that uses online information to inform buying decisions, expects personalised services, and is engaged in consumer communities such as Yelp\(^4\).

The effect of these core drivers is amplified by broader contextual factors that include the emergence of service-dominant logic in commercial strategy, the emergence of the ‘participatory culture’\(^5\), the social media revolution, a decline of the traditional high street, and the competitiveness of globalised retail.

Examples

The simplest forms of Omnichannel Retail engineer single transitions between online and offline channels in the customer’s journey, two are routinely highlighted\(^6\):

- ‘Buy Online, Pick-up at Branch (BOPB)’
- ‘Buy at Branch, Initiate a Return Online (BBIRO)’

These models are demonstrated by a wide range of retailers, embedded within the wider service offering, examples include John Lewis in the UK:

In 2008, John Lewis introduced ‘Click and Collect’, a ‘Buy Online, Pick-up at Branch’ model, together with a ‘Buy at Branch, Delivery to Home’ alternative. These options were conceived to pair the benefits of online and offline retail in one service offer (as opposed to shifting the in-store provision on-line).

The Omnichannel Shift was further extended through the installation of on-line terminals within the store to support in-store shoppers, supported by customer service staff (termed the ‘Partner Assisted Customer Transaction’ programme). Finally, QR code links have been added to in-store items to enable online search of associated products, stock availability, finance terms, and other information\(^7\).

A key factor in the implementation of these strategies is the integration of information systems used to bridge online and offline worlds. The emergence of open, online stock inventories allowing the customer to coordinate

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\(^4\) [www.yelp.com](http://www.yelp.com)


their own BOPB and BBIRO arrangements demonstrates the work being done by many retailers to unify their online and offline offers. In the US, the aggregator Milo.com presents a natural extension of the online inventory.

In addition to these simple, cross-channel strategies, a particular emphasis in the Omnichannel Retail movement is placed on the leverage of digital media by traditionally store-based retailers to enhance the in-store shopping experience, extend marketing, and develop their knowledge of customers for the purposes of digital marketing.

Examples of such strategies include the use of tracked downloadable content for promotions and product information by Macys, the use of RFID tagging for product information and the analysis of browsing behaviour by Burberry’s, and eBay’s ‘shoppable windows’ which enable store-led retailers to blend online and in-store customer experiences via large-format screen displays.

Although the extent to which these developments are new to retail may be in question, they do illustrate the progressive blurring of channels in the shopping experience.

Challenges

Although there is no single Omnichannel Retail model to which retailers must aspire, commentary does highlight key challenges for retailers seeking to move towards an Omnichannel Retail model.

A significant portion of such commentary focuses on defensive strategies for store-led retailers under pressure from online competitors. On this theme, advice focuses on differentiating the in-store experience and leveraging digital media, including:

- Development of bespoke offers not easily subjected to price comparison
- Emphasis of in-store product knowledge and the ability to test or demonstrate
- Adoption of social media for marketing and engagement, including the curation of customer reviews
- Enhancement of personalised physical shopping experiences through mobile digital media
- Introduction of novel technologies such as augmented reality and product information systems to support in-store shopping experiences
- Leverage location-based digital media to enhance in-store customer journeys

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9 http://milo.com
Such advice largely concerns the extension of a traditional store-based offer to the online marketplace. However, more fundamental challenges face those seeking to establish an Omnichannel Retail model, they are:

- Systems integration – bridging online and offline inventories and account systems, coordinating distribution channels\(^\text{16}\), and unifying the service brand across all channels\(^\text{17}\).
- Personalising the customer experience – employing customer analytics to enhance marketing and guide the bundling of offers\(^\text{18}\), and facilitating choice in the channel used for each step in the customer journey through systems integration\(^\text{19}\).
- Collecting and leveraging analytics – developing capabilities for user research and customer profiling through online subscription and download technologies\(^\text{20}\), whilst enhancing capabilities to manage underlying delivery systems through logistics technologies such as RFID\(^\text{21}\).
- Redefining the store – developing the store and service personnel as ‘concierge’ and extension of the online offer, presenting staff as companions able to connect customers with the most appropriate products and services and assist with personalised post-sale support\(^\text{22}\).
- Maximising the cross-over between online and offline environments – ensuring physical retail spaces are augmented by digital content accessible from mobile devices and stores are presented as complements to the online offer\(^\text{23}\).

Ultimately, the critical challenge for those seeking to implement an Omnichannel Retail model is the fusion of the analytics, automation, and customisation of online retail with the ‘direct’ customer experience and ‘trust’ factors of the traditional store-based retailer.

\(^{18}\) Business Analytics 3.0. 2012. ‘Multi-channel to Omni-channel Retail Analytics: A Big Data Use Case’, http://practicalanalytics.wordpress.com/2012/01/19/omni-channel-retail-analytics-a-big-data-use-case/
\(^{21}\) RFID Insider. 2013. ‘What is Omni-Channel Retailing?’. http://blog.atlasrfidstore.com/what-is-omni-channel-retailing
\(^{22}\) B2C. 2013. ‘Embracing Mobile & the Omni-Channel Retail Model’. www.business2community.com/marketing/embracing-mobile-omni-channel-retail-model-06867588#xZ0IVQgDcilxswAM.99