

BUILDING A  
BUSINESS CASE FOR  
OMNICHANNEL  
COMMERCE



# BUILDING A BUSINESS CASE FOR OMNICHANNEL COMMERCE

## INTRODUCTION

In today's world of commerce, the consumer is in control. Consumers have access to extensive information and purchasing options that inform their purchasing behaviors—from digital channels like websites and mobile apps to delivery choices like pick-up from store or ship-from-store. The effect of this shift in power has caused retailers to focus on new ways to unify the experience across all consumer touchpoints by leveraging omnichannel strategies.

Omnichannel retail empowers retailers by creating seamless consumer shopping experiences through all available digital and in-store shopping touchpoints with the goal of driving increased sales, customer satisfaction, brand loyalty, and profitability. When done well, omnichannel initiatives will also result in benefits for the consumer—such as personalized buying experiences, efficient or lower cost fulfillment, quicker delivery of products, and easier to buy products or services.

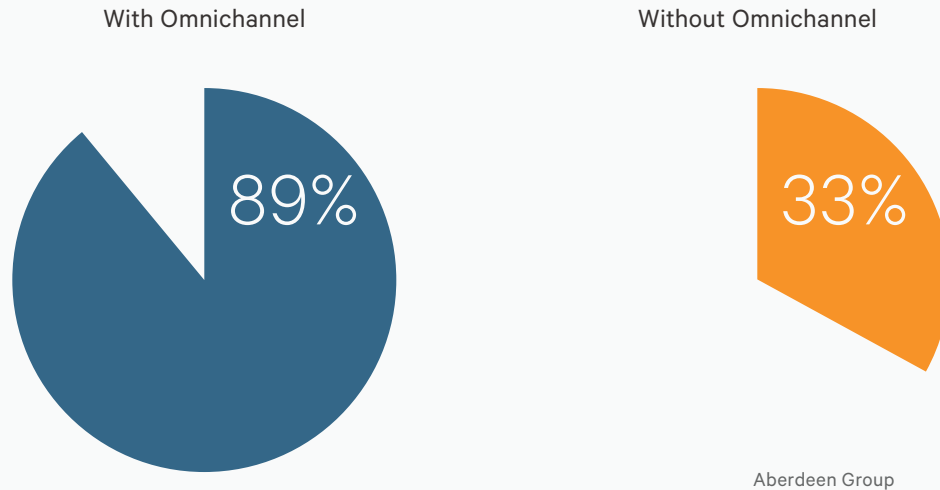
### WHAT IS OMNICHANNEL RETAIL?

Omnichannel retail creates a seamless consumer shopping experience through all available digital and in-store shopping touchpoints with the goal of driving increased sales, customer satisfaction, brand loyalty and profitability.

The top-level benefits for omnichannel retail are quite clear and many would consider omnichannel as table stakes for any modern retailer. In fact, the expectations and results of omnichannel have been clear for many years. For example, in 2013, Retail Systems Research (RSR) found 84% of retailers polled worldwide believed that creating a consistent customer experience across channels was very important.<sup>1</sup> In the same year, Aberdeen Research presented startling data for omnichannel customer retention rates—retailers with omnichannel strategies experienced customer retention rates of 89%, versus 33% for retailers without omnichannel offerings.<sup>2</sup> This is especially important because the challenge of acquiring new customers is continually increasing, making customer retention a critical element for sustained growth.

So if the benefits of omnichannel retail are so high, why do so many organizations still struggle to build a business case to invest in omnichannel commerce?

## CUSTOMER RETENTION RATES



Unfortunately, “omnichannel” has become somewhat of a buzzword and a catch-all for many strategic projects within retail organizations, resulting in dilution of value for true omnichannel initiatives as they were intended. More importantly, many organizations have made partial investments under the omnichannel umbrella—resulting in the creation of partially unified consumer experiences—which only provides minimal return on investment (ROI).

To maximize omnichannel investments, retailers must look at their consumer experience in a holistic manner and invest proportionally to their omnichannel maturity. This may include multiple phases of omnichannel capability implementation as a retailer’s omnichannel maturity increases—an example would be to start with buy online, pickup in-store capabilities and layer on more advanced capabilities over time.

As we take a deeper look, we will utilize Forrester Research’s four primary categories of omnichannel retail: marketing, merchandising, customer service, and fulfillment. This whitepaper will provide a holistic view of the benefits of omnichannel retail and provide a framework for developing a business case for omnichannel capability investment.

## TOP BENEFITS OF OMNICHANNEL RETAIL

- ▶ Increased sales through unified customer touchpoints
- ▶ Improved personalization and relevance resulting in higher brand loyalty
- ▶ Higher customer retention rates and repeatable sales

## CONSUMER BEHAVIOR DEMANDS RETAILERS GO OMNICHANNEL

Every retailer would agree the center of any successful retail strategy is the consumer. Consumers of today are digitally savvy and leverage technologies to equip themselves with more data and options than ever before. Gone are the days where consumers needed to visit a brick-and-mortar store or speak to a sales associate to get product information, pricing, analysis, or make a purchase. In fact, Deloitte reports that 84% of consumers used digital for shopping-related activities before or during their most recent trip to a store.<sup>3</sup>

Most would expect that the majority of digital device usage occurs before making a purchase or visiting a store, but digital devices are also gaining ground during in-store shopping. Studies have consistently shown consumers are actively using digital devices while shopping in-store with the results ranging from 64% to 84% adoption.

### THE ROLE OF DIGITAL DEVICES

Percentage of Consumers Using Digital Devices In-Store

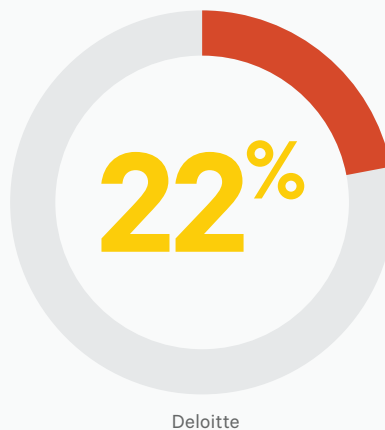


The Effect of Consumers Using Digital Devices In-Store

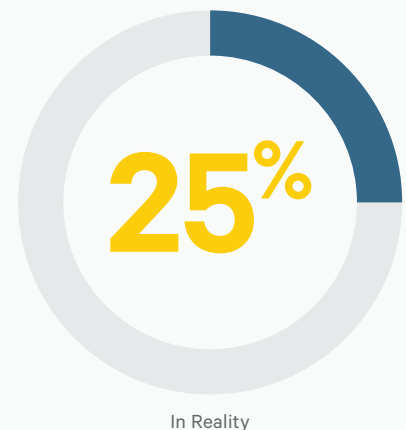
Higher Conversion Rates



Larger Order Sizes



Will Purchase on Device While In-Store



The evolution of in-store buying behavior creates significant opportunities for retailers to increase conversion and order sizes. Deloitte's report goes on to state that consumers who use digital devices during their shopping journey convert at a 40% higher rate and their average order sizes are 22% larger, with half of consumers spending as much as 25% more. In Reality's data shows that 25% of in-store digital device users will go on to make purchase on their device digital device while in-store.

As new opportunities emerge, retailers must be proactive by driving seamless, unified commerce experiences across their digital (online and mobile) and in-store channels. While it may be evident that consistency is required, a surprising 78% of retailers have not implemented a single brand experience across all channels.<sup>7</sup> By strategically investing in capabilities across the four major areas of omnichannel, retailers will empower themselves to capitalize on the consumer blending the digital and in-store channels, instead of falling victim to customer attrition and lost sales.

## THE OPPORTUNITY AHEAD:

**78%** of retailers have not implemented a single brand experience across all channels—creating a missed opportunity for many

## OMNICHANNEL: A SPECTRUM OF CAPABILITIES

Omnichannel is not a one-time investment, but a consistent, disciplined approach that involves both upgrading technology and updating retail processes to continue unifying the consumer buying experience. One of the biggest challenges for retailers is deciding where to start. Omnichannel capabilities range from easy-to-implement features to larger, multi-year projects that require support from several internal business groups to get to completion. The possible opportunities are endless and the challenge is to decide where to begin.

In this section, we will evaluate each omnichannel category and provide data and analysis for different capabilities that must be considered by retailers. We will also provide recommendations on where to begin.

“OMNICHANNEL RETAILING WILL SIMPLY BE THE WAY WE SHOP; IT WILL BE UBIQUITOUS AND NO LONGER A DIFFERENTIATOR. IT WILL BE WHAT RETAILERS MUST DO TO BE PROFITABLE.”

– PWC: Strategy& Group

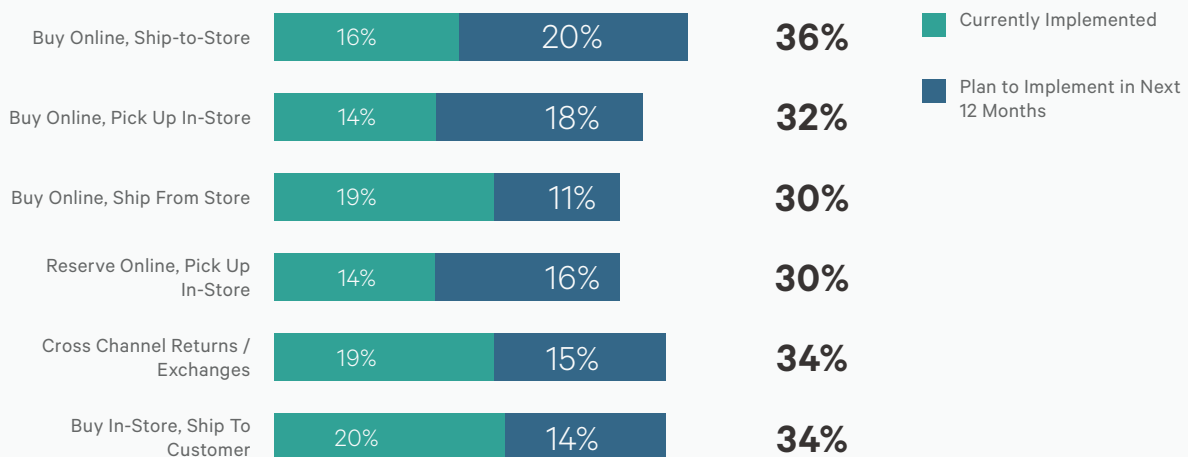
## FULFILLMENT

Fulfillment is the most popular area of omnichannel investment for retailers and specifically includes enhanced options for delivery of goods to align with consumer demands of lowered shipping fees and faster time-to-delivery. Most retailers will begin their omnichannel investments in this category as the consumer needs and ROI for retailers is abundantly clear.

For example, the industry average for online cart abandonment is 68%, with 61% of shoppers claiming the primary reasons are extra costs with online shopping<sup>8</sup>—a majority of which are shipping fees. This creates a clear opportunity for retailers to innovate and disrupt their fulfillment processes for online shoppers.

Retailers have responded by offering additional fulfillment options where consumers can buy online and pick-up in-store (BOPIS), ship-from-store, ship-to-anywhere (i.e. pickup lockers), or return-to-store. The table below describes what retailers are currently investing in and where they are currently investing or plan to invest in the next 12 months:

### PERCENTAGE OF RETAILERS INVESTING IN OMNICHANNEL FULFILLMENT CAPABILITIES<sup>9</sup>



Forrester

It is clear that over the next 12 months, an increasing number of retailers will have invested in alternative fulfillment options for their consumers. Each of the major “ship-to” or “ship-from” capabilities will have 30% adoption or more across the broader retailing industry. While this increased investment is encouraging, it is important to note that retailers are also seeing ROI from these omnichannel initiatives.

### OMNICHANNEL INVESTMENT PROOF POINT:

Mephisto saw a more than **40%** increase in online sales after launching ship-from-store

For example, Mephisto saw a more than 40% increase in online sales after launching ship-from-store. Mephisto leveraged in-store inventory to implement ship-from-store fulfillment for online orders. By exposing store inventory, the company not only saw an increase in online sales, but also improved store inventory turns and engaged store associates in online selling.

Another U.S. retailer, Kohl's, has recently received significant accolades for their in-store pickup initiative. While they began their initiative to provide consumers a lower cost fulfillment option by picking up their purchases at a local store, they experienced additional benefits and uplift in sales. Kohl's noted in May 2015 that between 15% and 20% of shoppers who picked up an item in-store also bought something else while in the store.

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The critical element for enabling fulfillment options is a robust order management system (OMS). OMS enables retailers to provide various options to the consumer by connecting retail interfaces, such as eCommerce websites, mobile point of commerce (mPOC), or in-store digital kiosks, with back-end inventory and supply chain systems—allowing them to share information and provide accurate delivery information to consumers or in-store sales associates. Best of breed OMS platforms will route orders the most efficient way possible, whether that be by location, cost or customer preference.

## MARKETING

This area of omnichannel is particularly challenging because marketing can encompass many facets, including user interface/experience, paid advertisements, revenue attribution, segmentation, and mobile. Although many of these facets are interesting and provide an ROI to retailers, there is one in particular that significantly enhances the consumer experience—real-time personalization. Real-time personalization provides relevant recommendations, promotions, product placements, and interactions that create unique engagement.

The most mature of personalization technologies will focus on driving one-to-one experiences by developing individualized consumer segments. Individualization creates increase relevancy for the consumer—resulting in sales uplift, higher conversation rates, and improved customer satisfaction. While personalization is not new and has been discussed for years, real-time individualization is considered the next generation of technology, with many referring to it as personalization 2.0.

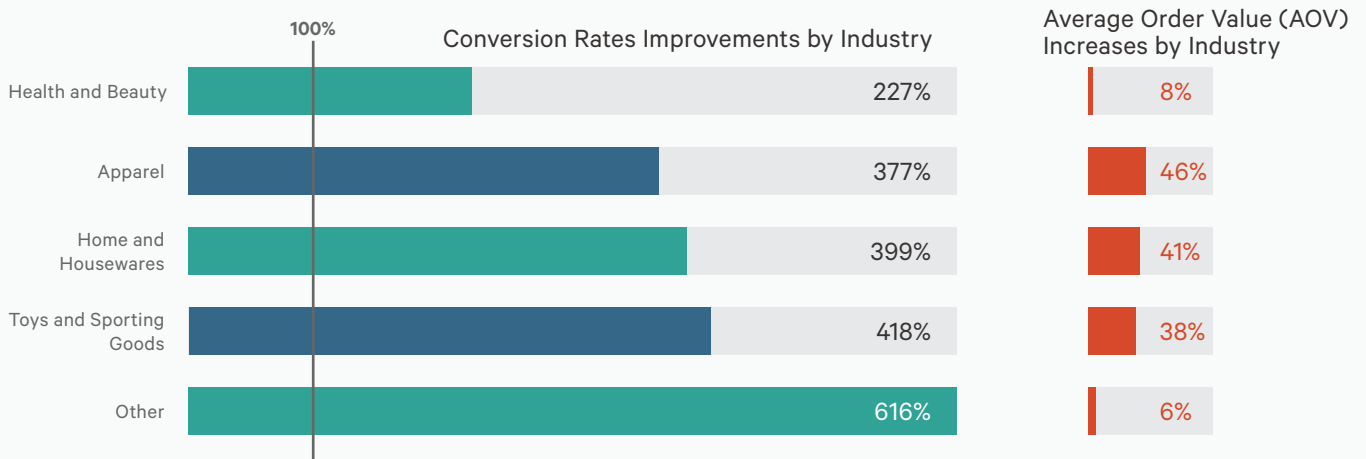
The importance of providing real-time individualized experiences has been confirmed by retailers of all shapes and sizes. In fact, 68% have made delivering personalized experiences their top priority for the upcoming 12 months.<sup>10</sup> However, 53% lack the right technology to personalize and 1 in 3 organizations are misaligned on their personalization strategy.

**68%**

have made delivering personalized experiences their top priority  
-Forrester Research

Retailers who have invested in personalization technology that leverages real-time individualization typically see ROI within a few short months. While the results can vary by industry, the benefits are clearly measurable and improvements can be seen across conversion rates and average order values (AOV). Retailers leveraging next-generation personalization technology have seen conversion rate improvements ranging from 200% to 600% and AOV improvements ranging from 6% to 46%.

## REAL-TIME PERSONALIZATION CREATES SIGNIFICANT LIFT IN REVENUE



A common misconception is that real-time personalization technology can only be used on eCommerce channels or websites. In an omnichannel world, personalization has a place in both digital and in-store contexts. In-store associates who are equipped with personalized consumer data are better equipped to execute save-the-sale, product recommendations, markdowns, and endless aisle strategies by utilizing relevant data at their fingertips. Personalization technology has also found homes in call centers and with online chat agents to help similar consumer experiences when consumers are interacting with associates over digital channels.

## MERCHANDISING

Merchandising has always been a key component of the online shopping experience. Achieving the right mix of products and offers has always been a delicate balance; without the limitations of a physical store’s inventory and shelf space, the potential combinations seem infinite—increasing the level of difficulty for retailers to ensure optimal merchandising strategies. Personalization technology discussed above has significant relevance for online merchandising—namely because 94% of consumers report discontinuing relationships with merchants because of irrelevant promotions.<sup>11</sup> By providing individualized experiences, retailers can eliminate less relevant preset, generic rules for cross-selling and up-selling products and replace them with highly tuned offerings that are significantly aligned with their consumer’s buying patterns.



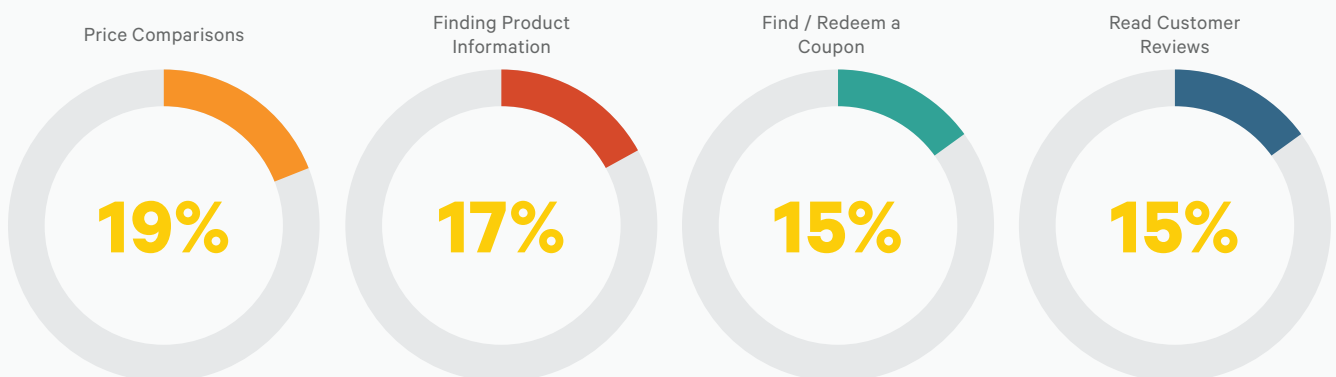


While personalizing promotions can eliminate irrelevant promotions, to meet and exceed consumer's online merchandising expectations, merchants must go beyond personalized cross-sells and up-sells. Retailers must integrate online merchandising with business-wide data such as inventory levels and in-store fulfillment options. Here we start to see the blending of marketing and fulfillment capabilities to provide superb merchandising experiences. For example, a retailer could combine a consumer's individualized buying preferences data (i.e. blue shoes in size 8) with local store inventory (i.e. one pair left at local store) to promote a buy online, pickup in-store discounted offer. This highly targeted offer is not only relevant for the consumer, but helps the retailer move local store inventory that may not otherwise be possible to sell.

While there are clear and easy to understand benefits of omnichannel technology investments for online merchandising, retailers must also consider the buying journey that incorporates the in-store visit. Earlier we discussed the increased use of digital devices in-store. Retailers should look at how merchandising is effected with in-store usage of digital devices and develop strategies to implement omnichannel capabilities that actively capitalize on in-store consumer behavior.

So what exactly are consumers doing on their devices while in the store?

## COMMON USE CASES FOR IN-STORE SMARTPHONE USE



Forrester<sup>12</sup>

Consumers are leveraging their digital devices in the store for similar use cases as prior to in-store visits, such as price comparisons, accessing product information, looking for promotions or coupons and even reading customer reviews. Fortunately, there is no surprise here as these are all natural behaviors that any consumer may take throughout their buying journey. There's a disconnect between what a consumer gets in terms of a merchandising and sales experience online, and what they get when they walk in a store. As a result, retailers have the opportunity to leverage omnichannel capabilities to provide a consistent pricing, in-store or local product availability, and relevant recommendations to help consumers make more informed purchasing decisions. Not only is this an opportunity for retailers, but consumers are expecting the consistency.

## PERCENTAGE OF CONSUMERS EXPECTING CONSISTENCY ACROSS ONLINE, MOBILE, AND IN-STORE RETAIL CHANNELS



The integration of an eCommerce website, order management system, and real-time personalization technologies enables retailers to provide consistency across all selling channels by breaking down the walls that exist between digital and in-store experiences, such as local inventory and network-wide availability or online pricing and in-store promotions.

## CUSTOMER SERVICE

Traditional customer service models engage with consumers when the purchasing or fulfillment process has gone awry, such as when an online purchase was delivered damaged, needs to be returned or exchanged, or the customer was dissatisfied with the product quality. While many retailers have developed efficient processes or award-winning customer service departments, the reality is that the typical consumer does not want to engage with the customer service department. Omnichannel retail has the power to completely transform customer service as it has traditionally been defined.

With omnichannel, customer service is no longer an in-store counter or a phone number that a consumer utilizes when they need support for solving an issue, but it is transformed to a proactive process where the consumer's experience is continually being enhanced by blending online and in-store situations

Omnichannel puts the consumer at the center of the buying purchase by enabling retailers to execute strategies like saving the sale or endless aisle. Save the sale is an omnichannel fulfillment strategy that empowers sales associates to look up inventory across stores and find the right product for the consumer, even if it is not carried locally. This strategy is particularly valuable when a consumer is returning a product or looking for additional options (i.e. color or size) when engaging with a customer service department.

Additionally, omnichannel technology can provide the consumer with similar access to data through an endless aisle strategy. Endless aisle omnichannel strategies prevent sales loss by giving in-store consumers access to your full catalog from a kiosk or mobile application. If you are out of stock of an item, or do not carry a particular product, consumers can still purchase the item they need from your

store without having to go to a competitor. They can ship from store or buy online, and pick up from the store when the product is available.

According to Forrester, 20% of retailers have already deployed endless aisle via a buy in-store, ship to customer fulfillment model. Their survey also indicated that an additional 14% of retailers plan to offer endless aisle within the next 12 months. Alternatively, a recent mystery shopping study of 30 top retailers found that 90% percent of store associates had access to store inventory, but when they requested an item in a different color or size that was not in stock in the store, only 7% attempted to save the sale.

## OMNICHANNEL CREATES CUSTOMER SERVICE OPPORTUNITIES

In a recent survey, only **7%** of store associates attempted to save the sale—creating a missed opportunity for improving customer service with omnichannel strategies

This clearly demonstrates the missed opportunity for retailers and consumers alike. While many retailers may not have access to the inventory data, even those retailers who do struggle with capitalizing on the opportunity in front of them. This not only leads to loss of sales, but also a disjointed consumer experience—resulting in poor customer service.

**57%** of in-store customers say they would likely use endless aisle to purchase an out-of-stock store item

Source: Forrester

While all customer service challenges cannot be solved with omnichannel, the holistic omnichannel marketing, merchandising, and fulfillment investments bring together the opportunity to transform the traditional customer service model to create strategic consumer touchpoints.

## CONCLUSION: OMNICHANNEL SIMPLY MAKES SENSE

The key to building a business case for omnichannel investment is to understand that it requires a consistent, disciplined approach for technology and process implementation—ultimately resulting in the creation of unique and unified consumer experiences across marketing, merchandising, fulfillment, and customer service. The digitization of retail is enabling consumers to have more control over where and how they shop, however, omnichannel strategies empower retailers to take control of consumer experiences to drive increased brand loyalty and higher conversion rate of sales. Retailers small and large can agree that omnichannel investment is not a question of why, but more a question of when and how. As retailers go through the evaluation and selection process, the ideal omnichannel solution and provider will be agile enough to allow quick implementations of additional capabilities as the organization scales or matures.

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Kibo empowers retailers and branded manufacturers to achieve optimal performance of B2C and B2B commerce through unified consumer experiences. With more than 40 years of innovations, Kibo provides a complete omnichannel commerce platform delivered with the lowest total cost of ownership and the fastest time to market. By leveraging cloud technologies, individualized buying experiences, and true enterprise scale, Kibo enables you to reach higher peaks of sales and consumer loyalty. No matter the challenge, Kibo powers your success.

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