

Exclusive survey Report:
It's An **omnichannel** World.
Is Your Business **Ready?**



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INTRODUCTION/REPORT SUMMARY

Omnichannel strategies have fast become a key priority for most retailers. For 2013, we updated the title of our previous “Cross-Channel” survey to reflect “Omnichannel” imperatives.

We received responses from **125 retailers and wholesalers** in September and October. Our goal was to find out how retailers have progressed in their omnichannel strategies, their related technology implementations and where they continue to face challenges.

Along with a fully comprehensive cadré of survey report charts, we've also included relevant retail examples supporting many of the key points in the survey. Some of the retailers referenced include: Saks Fifth Avenue, Kohl's, TOMS and Best Buy.

We hope you find this report valuable to your business moving forward.

Debbie Hauss

Debbie Hauss
Editor-in-Chief
Retail TouchPoints



OVERVIEW OF THE OMNICHANNEL RETAIL UNIVERSE

Close to 88% of retail respondents either have a cross-channel strategy in place or are planning on adding one, up from 75% last year. It's a key element for all retailers moving forward (Figure 1).

Most survey respondents do business online (87%) and in brick-and-mortar stores (80%), and an increasing number of retailers are adding social media to their business priorities (68%) (Figure 2).

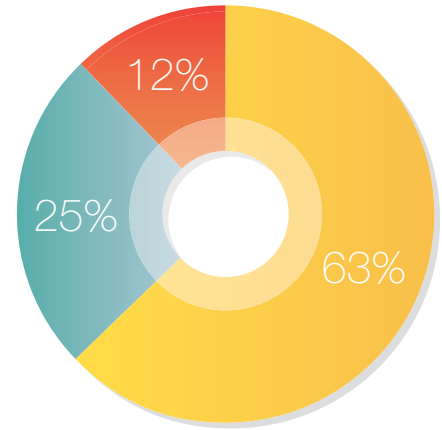
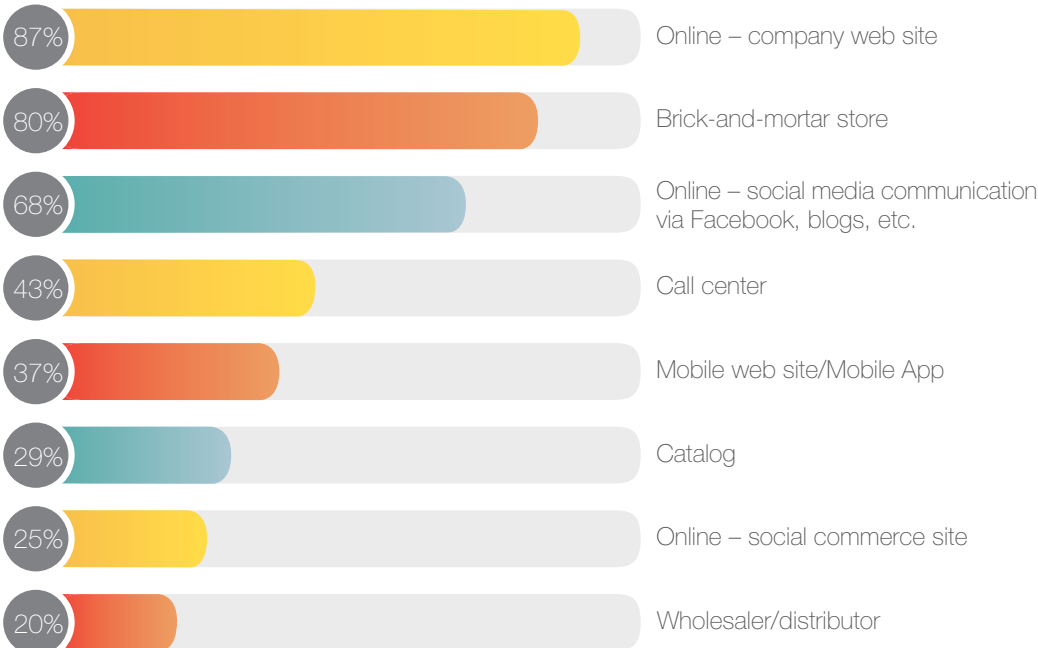


Figure 1
Do you define your retail strategy as Omnichannel (making every effort to ensure seamless interactions/transaction in all available channels to promote engagement with your brand)?

- Yes
- No
- No, but we are working toward an Omnichannel strategy

Figure 2
Which channels do you currently conduct business in? (Check all that apply)



Although e-Commerce is growing, brick-and-mortar stores remain the primary channel for final purchases. **69%** report that brick-and-mortar stores deliver the greatest revenue today and they expect that trend to continue, with a slight decline projected by 2018 to **65%** (Figure 3).

Other channels are gaining ground (Figure 4):

- **Online selling via the retail web site** is #1 for just 17% of retailers today but will increase to 23% by 2018.
- And **mobile**, accounting for less than 1% today will rise to 4.3% by 2018.

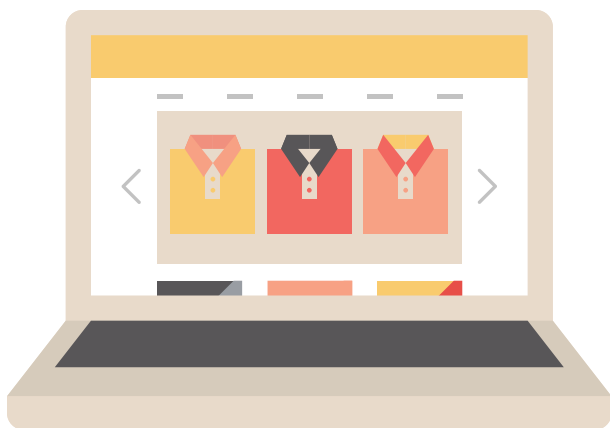


Figure 3

Please rank the channels in order of annual revenue **today**.
(Rated 1 or 2 out of 8)

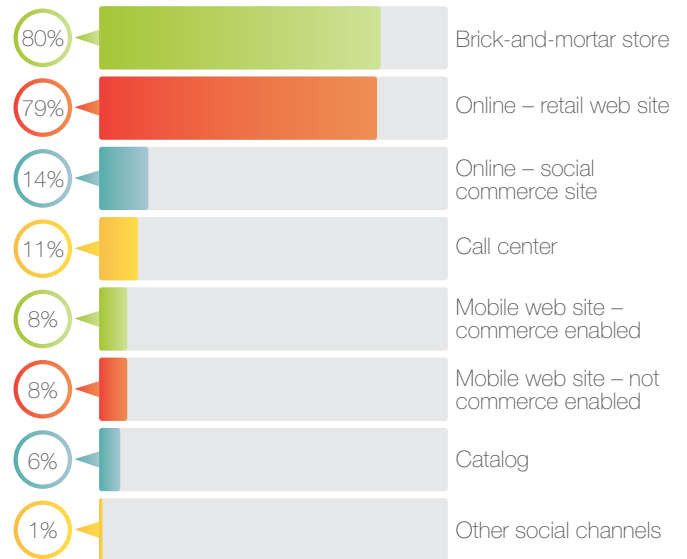
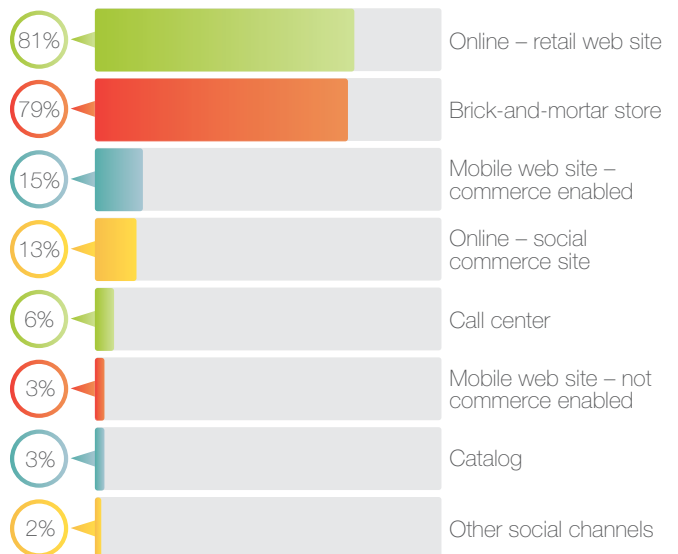


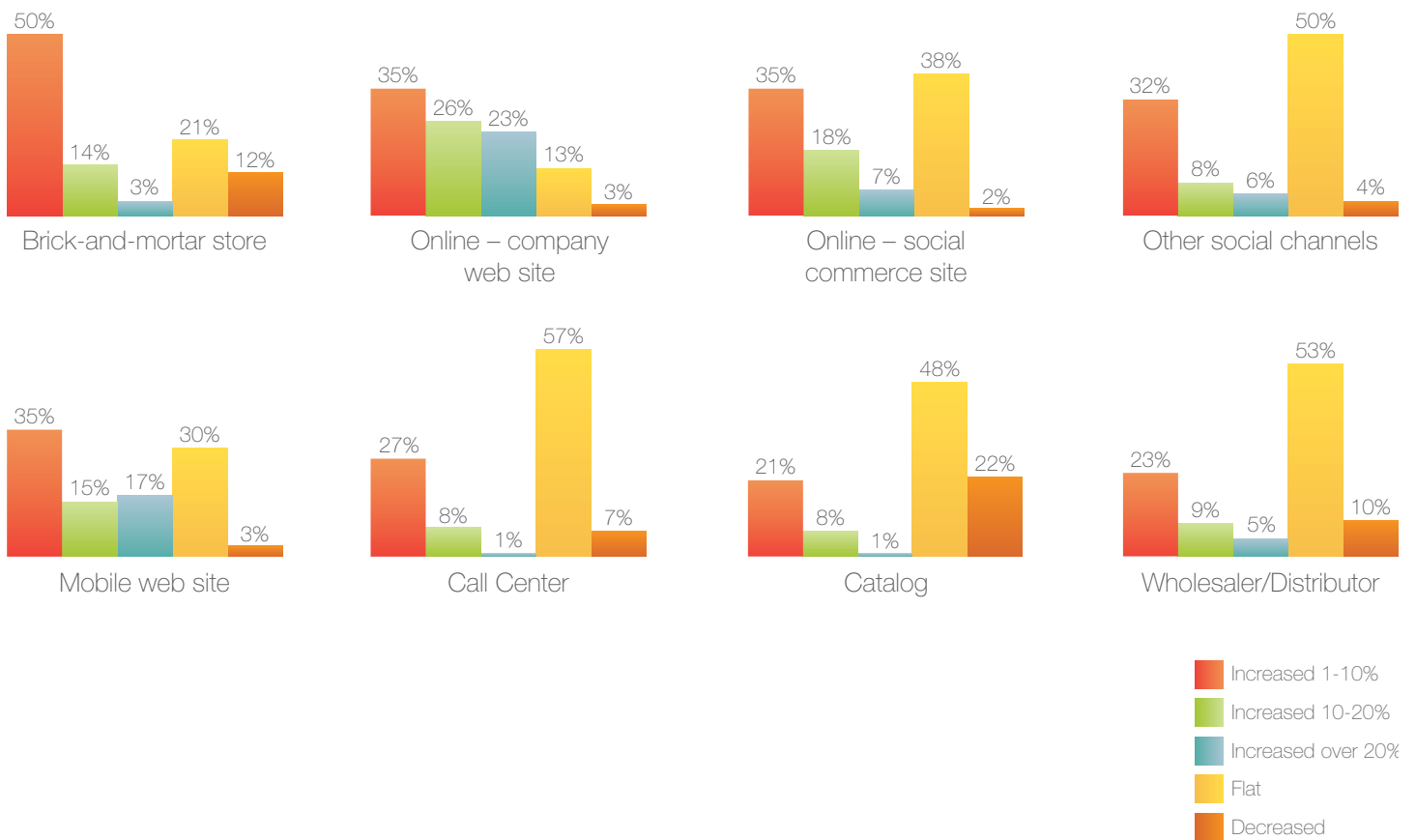
Figure 4

Please rank the channels in order of revenue projection **for 2018**. (Rated 1 or 2 out of 8)



It's also interesting to note the channels that have increased most substantially in the last 18 months. The **e-Commerce** segment, **social commerce sites** and **mobile web sites** are seeing the greatest increases. The following percentage of retailers report increases of greater than 20%: 23% online; 18% social commerce sites; and 17% mobile web sites (Figure 5).

Figure 5
Please indicate if the following channels have increased in annual revenue, decreased or stayed the same in the last 18 months.

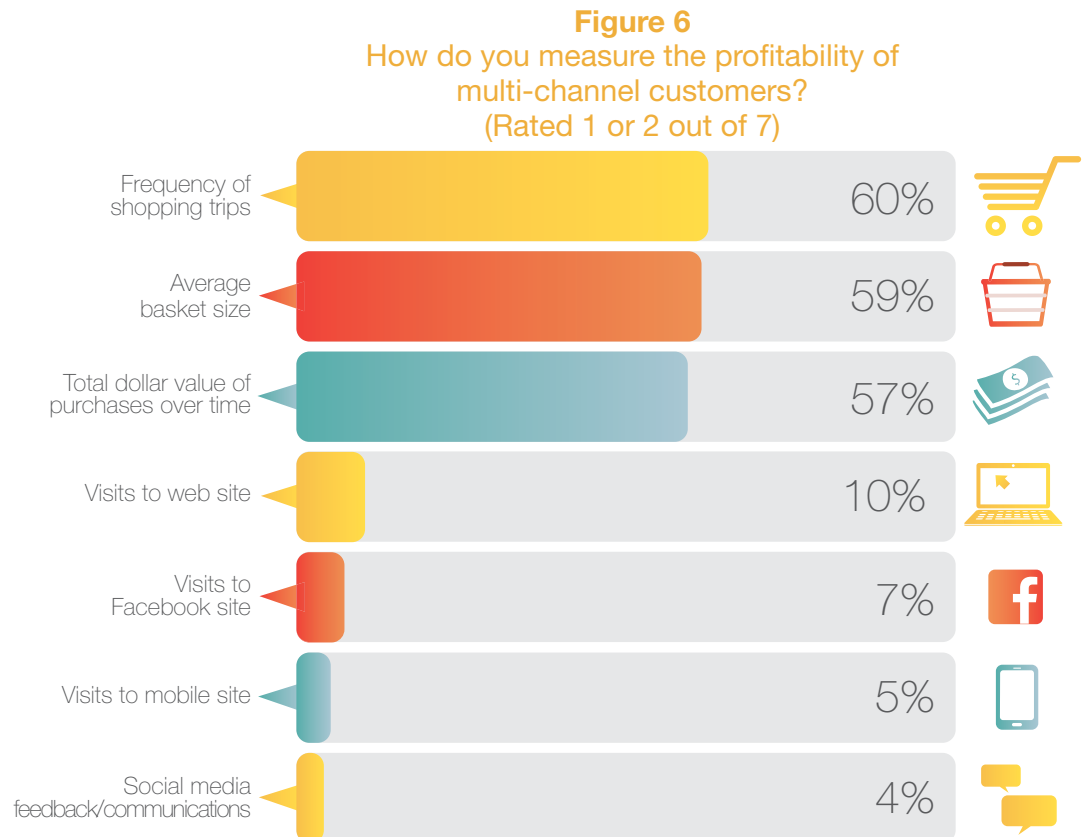


THE VALUE OF MULTI-CHANNEL SHOPPERS

Most retailers today will not argue with the fact that multi-channel shoppers are more profitable than single-channel shoppers. But there is a difference of opinion regarding how to evaluate that value.

Almost equally, approximately **1/3 of survey respondents** believe the following three metrics are most valuable (Figures 6 and 7):

- **Frequency of shopping trips**
- **Average basket size**
- **Total dollar value of purchases over time**



In response to these trends, many retailers are setting great examples for other merchants through the implementation of innovation and creative cross-channel strategies.

For example, **Saks Fifth Avenue** is in the process of a significant omnichannel transformation, after losing 30% of business “overnight” at the peak of the recession, according to Mike Rodgers, EVP, Chief Information and Operations Officer.

During the worst of times the Saks CEO said to his team: “Don’t let a good recession go to waste.” With that, Saks proceeded to divest under-performing stores, invest aggressively in saks.com, and begin investing in key systems, which included a focus on foundational technology. Now the retailer has a single view of everything in order to offer the customer a single view.

Today, Saks is an omnichannel organization. At \$3.1 billion in revenue, Saks operates 43 Saks Fifth Avenue stores and 66 Off 5th outlets, with plans to add five to six new stores per year.

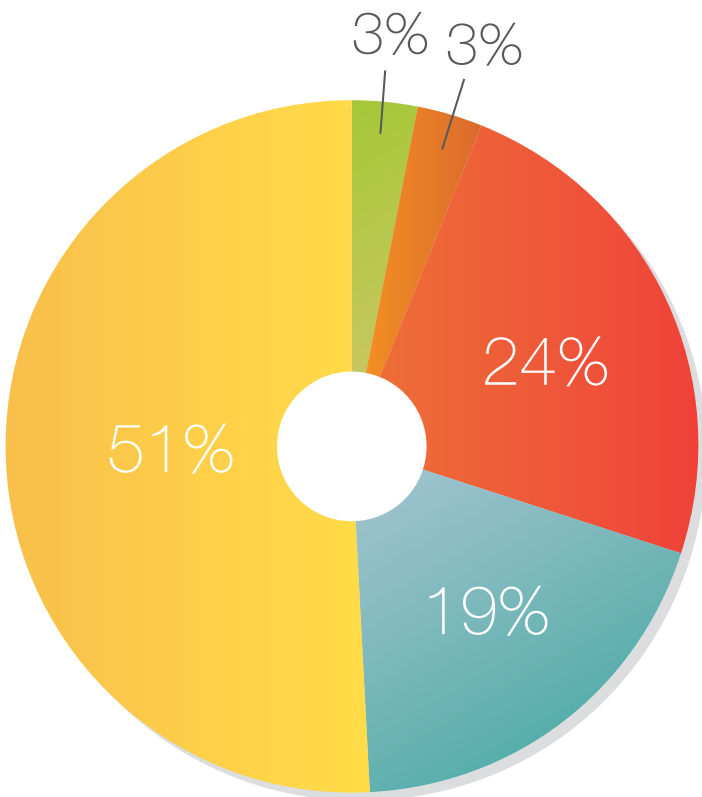


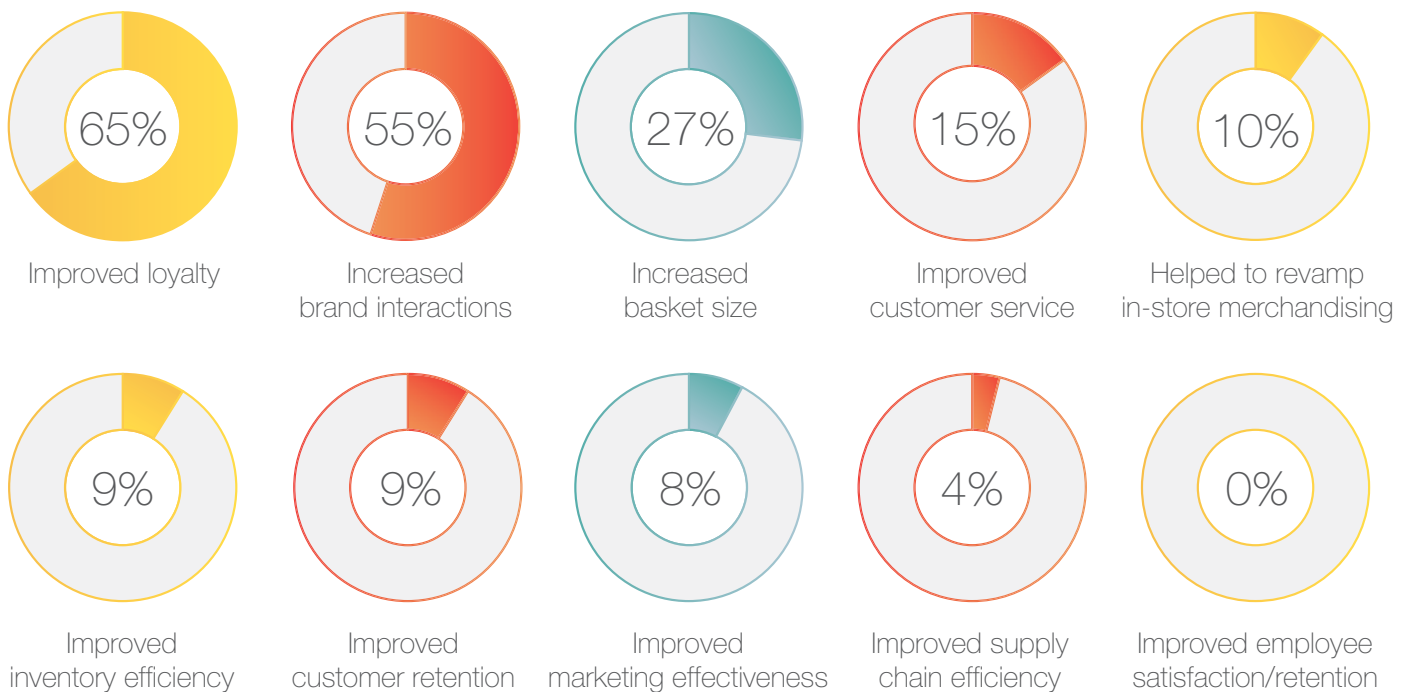
Figure 7
How much more profitable are multi-channel customers vs. single-channel customers?

- Less than 10%
- 11% to 50%
- 51% to 100%
- 101% to 200%
- More than 200%

HOW OMNICHANNEL STRATEGIES IMPROVE BUSINESS

Omnichannel strategies have improved business for retailers in many ways. Loyalty is number-one for 64% (ranking 1 or 2 out of 10), while Increasing Brand Interactions (55%) follows close behind (Figure 8).

Figure 8
In what ways have your Omnichannel strategies improved your business? (Ranked 1 or 2 out of 10)



Retailers are using a variety of means to promote their omnichannel capabilities. Some of the most popular means include (Figure 9):

- featuring them on the **company web site**,
- using **in-store printed signage**,
- **email messaging** and
- **social channels**.

Kohl's saw online sales increase by 28% during Q2 2013, following a transition to a new omnichannel commerce suite. The new platform is an unstructured data management, web commerce and business intelligence solution, which has enabled the retailer to create a more personalized online shopping journey for consumers.

The new solution has advanced search engine capabilities and the opportunity to create more mobile-friendly interactions. The retailer now is able to segment online shoppers based on their browsing and buying behaviors, and create an individualized site experience.

Figure 9
How are you promoting your Omnichannel capabilities to consumers? (Check all that apply)



A VARIETY OF MOBILE STRATEGIES DELIVER RESULTS

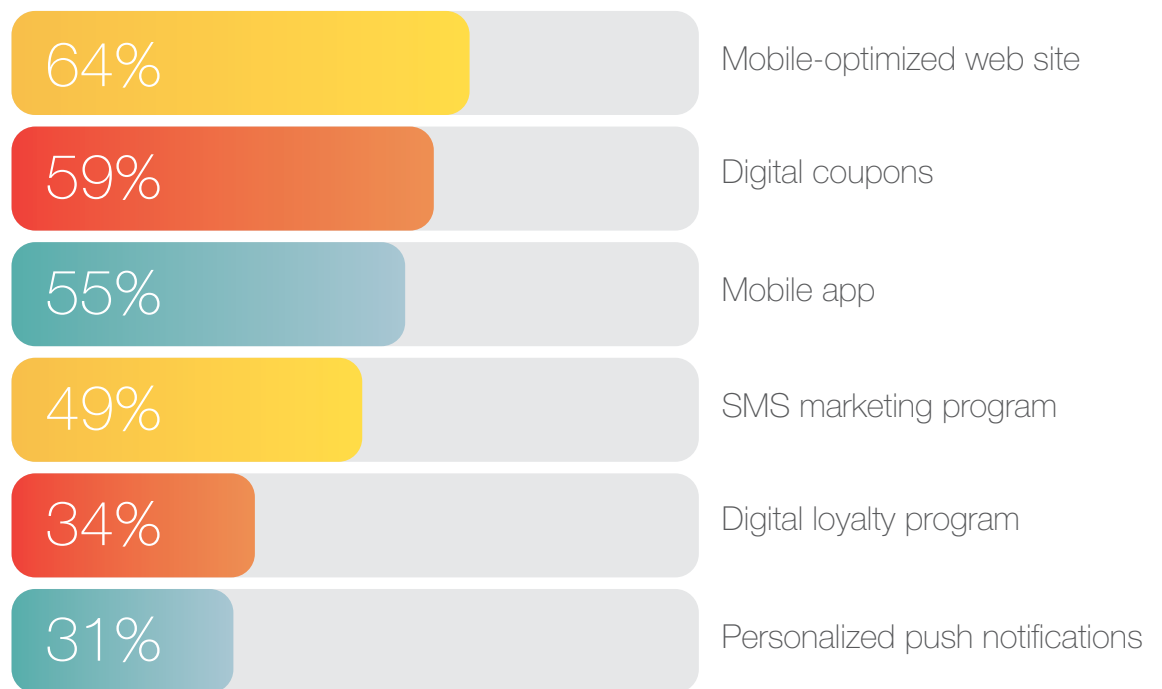
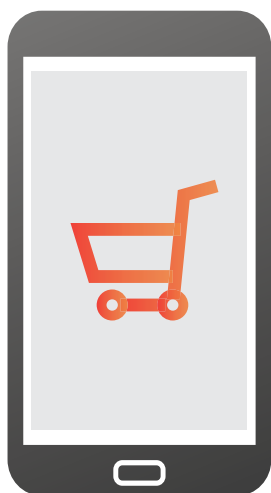
Retailers are focusing on a number of different mobile strategies, including (Figure 10):

- the **mobile-optimized web sites,**
- **mobile apps** and
- **SMS marketing programs.**

Site traffic and sales deriving from mobile devices both are increasing substantially year over year. The Container Store, for example, saw mobile site traffic to the company web site increase 62% between 2011 and 2012.

With further growth and demand anticipated for 2013, **The Container Store** has unveiled a new mobile-optimized site that includes more robust features and interactive capabilities. As a result, consumers will have a more seamless experience, no matter how they decide to shop.

Figure 10
What kind of mobile strategies have you implemented?
(Check all that apply)



SOCIAL MEDIA BENEFITS EXPAND

Facebook remains the predominant social channel for marketers, but Twitter is gaining ground (Figure 11).

For many retailers, collecting and analyzing the variety of data being generated across channels still is a constant struggle. Consumers' increasing use of social networks to share perspectives and sentiments makes data retrieval and management even more challenging for these retailers.

To better track, evaluate, and respond to social media feedback, **DICK'S Sporting Goods** has implemented a social intelligence solution. At DICK's,

a full team currently is dedicated to analyzing CRM data across the entire chain of 520 brick-and-mortar locations.

Dick's had been dealing with a huge gap when it came to humanizing the data. for the retailer. "There was a huge gap when it came to humanizing that data," said Ryan Eckel, VP of Brand Marketing. "Numbers can tell you what's going on to a certain extent, but there is extreme value in social media because it tells you why you are getting specific results."

Figure 11
Which social media sites have you found to be the most valuable to your business?



ANALYTICS BRIDGE THE GAP BETWEEN DATA AND ACTION

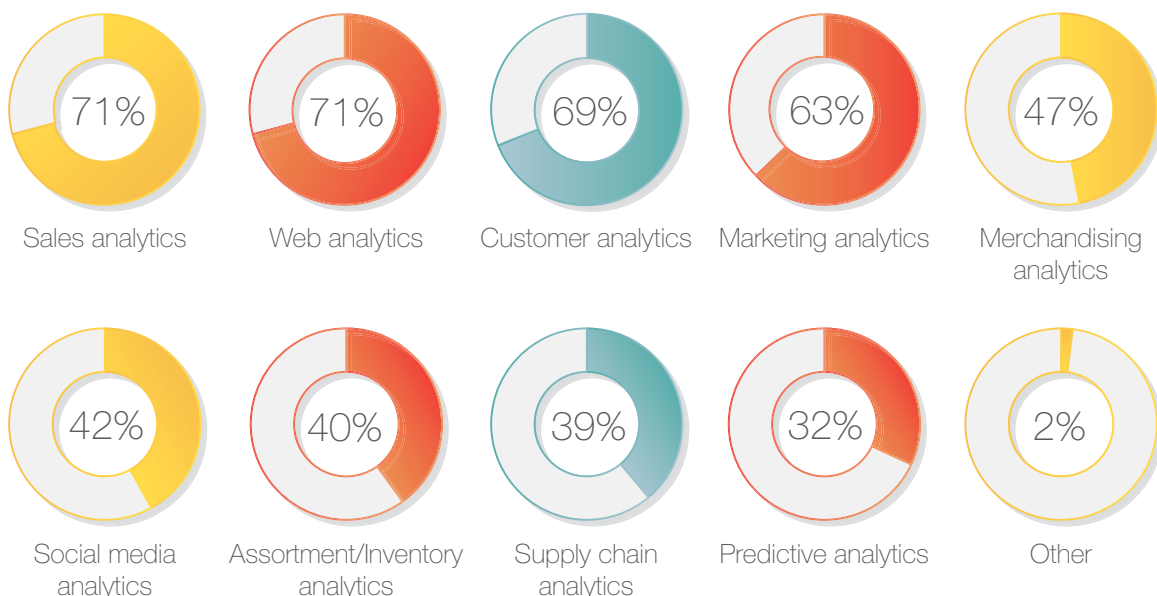
Analytics continue to be a primary means to help determine omnichannel strategies moving forward. Our survey respondents ranked **Sales** and **Web** analytics as equally important, with **Customer** analytics close behind. **Marketing** analytics also received a top priority (Figure 12).

In one example, fashion accessories retailer **charming charlie** has implemented Merchandise Analytics in order to collect detailed data and insights into multiple areas of the business, including finance, merchandising, planning and store operations.

The Merchandise Analytics solution is designed to ensure standardization and consistency across business reporting. Since implementation, charming charlie merchandising and operations teams can build their own dashboards and reporting views specific to their requirements without placing an IT request.

It's been a complete transformation in how this company analyzes data.

Figure 12
What type of analytics do you currently use?



PRODUCT DISTRIBUTION: THE MORE FLEXIBLE, THE BETTER

Offering flexible product order, pickup, delivery and return options for shoppers is becoming the required norm. As many as 52% of retailers currently offer buy online/pickup in-store. For products that are out-of-stock in-store, retailers allow shoppers to buy in-store through a store associate and deliver to store (49%) or buy in-store through a store associate and deliver to home (35%) (Figure 13).

Product return options also are important to shoppers. Today more than 80% of retailers currently offer some sort of flexible return options, such as buy online, return to any store (57%) (Figure 14).

Stein Mart, for example, implemented tools and processes that allow it to better determine which non-receipted returns come from loyal, honest customers, and which are likely to be suspicious. Using the Oracle Retail Returns Management solution, the department store retailer sought to reduce the risk of illegitimate returns, but also wanted to improve data collection.

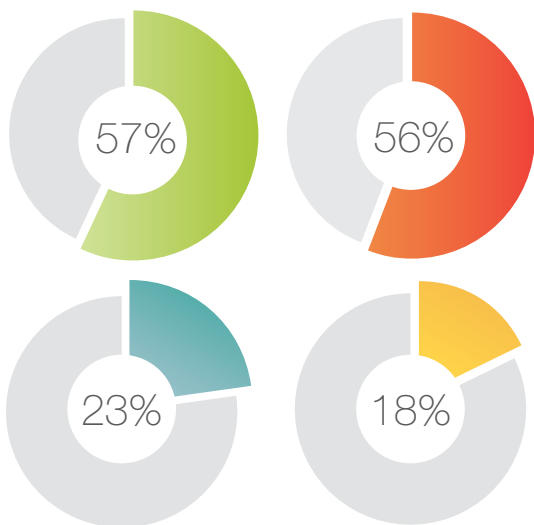
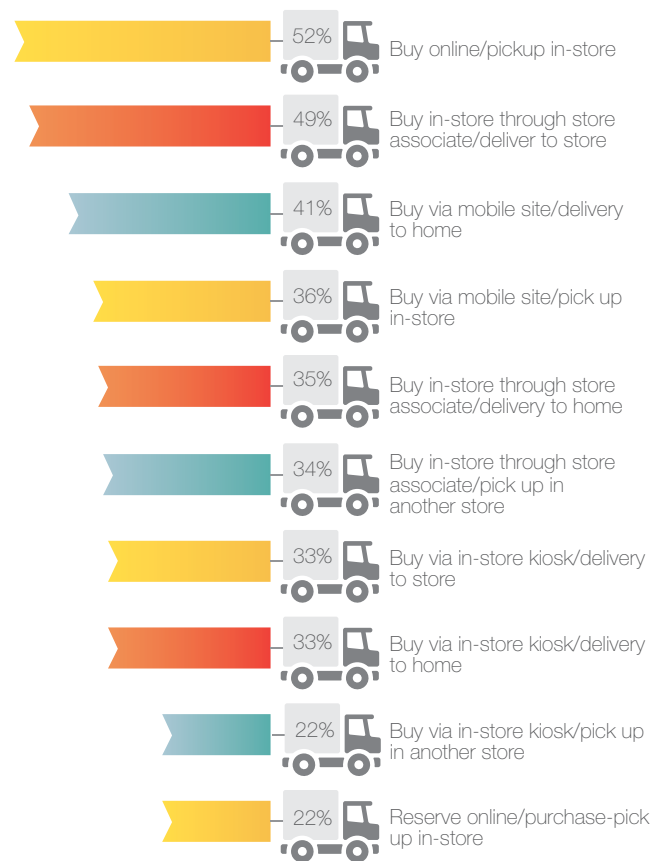


Figure 14
Which return options are you currently providing to customers? (Check all that apply)

- Buy online, return to any store
- Buy in one store, return to any other store
- Buy online, return via mail for free
- None of the above

Figure 13
Which of the following order/pickup/delivery options do you currently offer?



Another objective for Stein Mart was to enable sales associates to process legitimate returns as easily and quickly as possible. “The faster you can do it, the happier the customer is,” said Andrew Black, CIO.

In order to facilitate flexible purchase and delivery options, many retailers are now using the store as a distribution center of sorts. This ability to use the store as a distribution arm of the supply chain is becoming more valuable to retailers and consumers.

Close to half (47%) of survey respondents are shipping products from stores to other stores and to shoppers' homes (Figure 15).

Figure 15

Are your stores now used as Distribution arms of the supply chain?

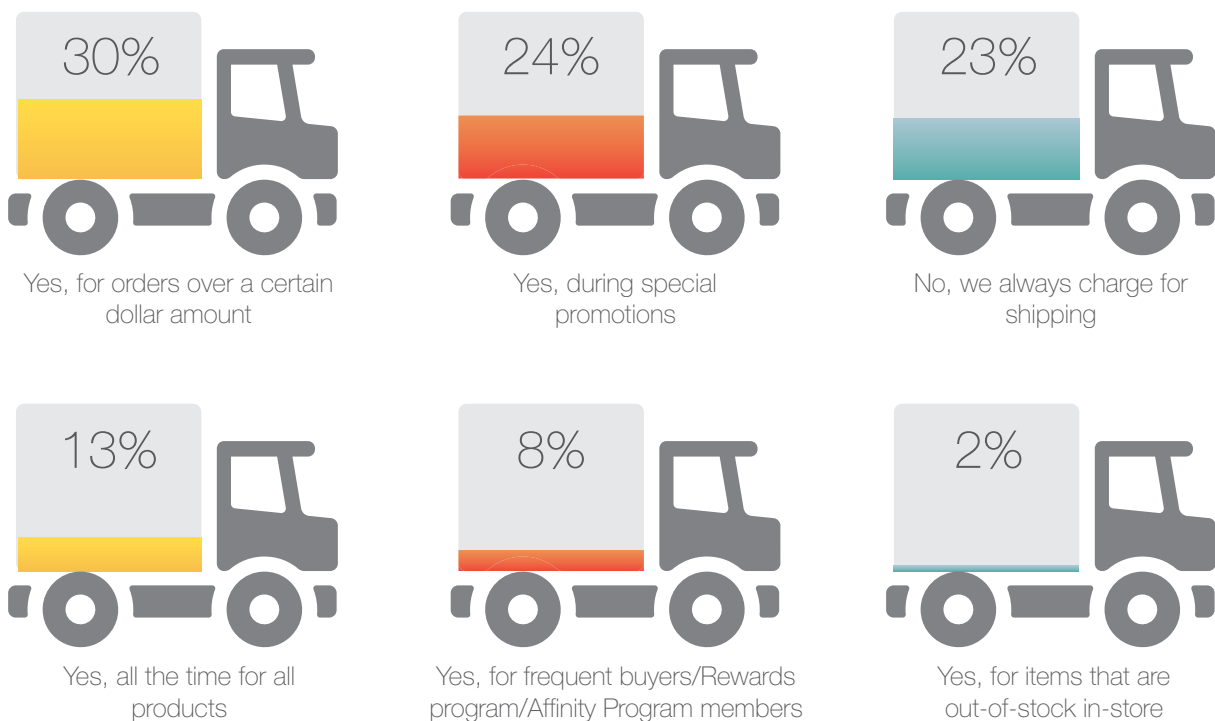


FREE SHIPPING AND PRICE MATCHING ARE DEBATABLE

The benefits of offering free shipping continue to perplex many retailers. Just 13% of retailers offer free shipping all the time for all products; and 30% say they offer free shipping over a certain dollar amount.

The value of offering free shipping with the product selling at a higher price vs. a lower priced-product with a shipping charge is the great debate. Time will tell whether retailers come to a general agreement on this topic (Figure 16).

Figure 16
Do you offer free shipping?



When it comes to price matching, just 26% of retailers say they have empowered store associates to match prices in all instances; and 36% are matching prices in some instances (Figure 17).

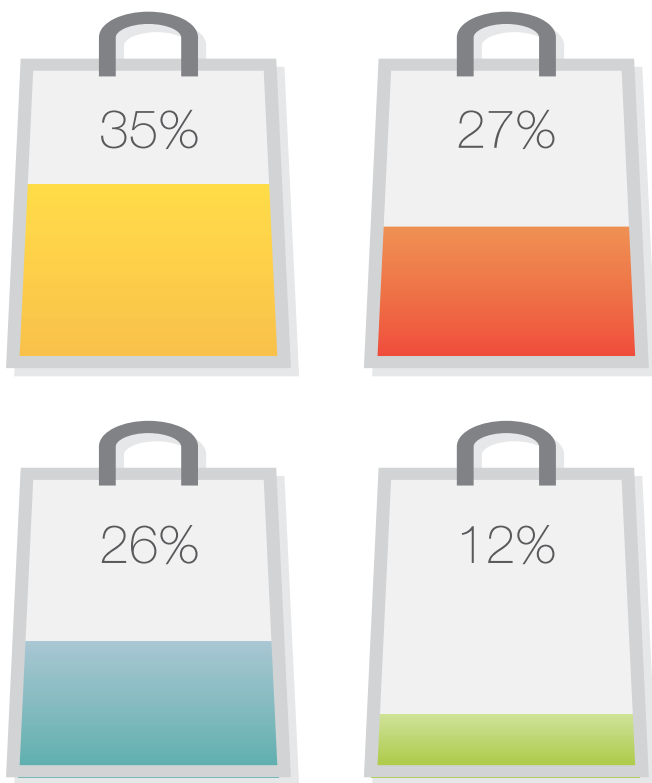


Figure 17
Given the fact that shoppers are entering the store with competitors' pricing information, are in-store employees empowered to match competitors' prices?

- Yes, we have empowered store associates to match prices in some instances
- No, we have no plans to empower store associates to match competitors' prices
- Yes, we have empowered store associates to match prices in all instances
- No, we have not yet empowered store associates to match prices but plan to institute

SYNCING PRODUCT INFORMATION

One of the ways merchants are able to pull off the complexities of flexible order and delivery options is to get the data right. But there's still a long way to go. Only 50% of retailers current have all distribution center inventory accessible to all channels.

But those that have succeeded in this all-channel sync are beginning to reap the benefits. At least 14% of those retailers say this move has improved DC efficiency "substantially" and another 36% say it has improved DC efficiency "marginally." (Figures 18 and 19)

Retailers are hard at work trying to figure out the best ways to facilitate efficient and profitable flexible ordering and delivery options. **Best Buy**, for example, has implemented Advanced Inventory Planning to forecast replenishment need at a store level. The system produces a report every night in order to determine which products to send to which stores. Additionally, it helps advance e-Commerce sales.

A variety of product pickup and delivery options are vital for Best Buy, and change depending upon the region of the country. In the Pacific Northwest, for example, 40% of online sales in that area can be store pick-up. During the holidays that number can increase to 70% percent.

The management system aims to ship products from the location that's closest to the customer, to minimize shipping costs. The system also addresses ship from store, which is growing in importance.

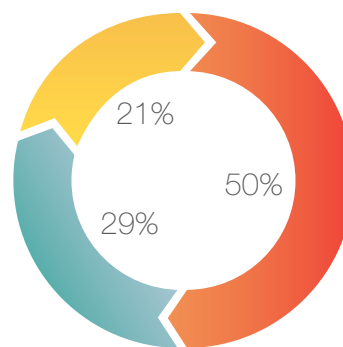


Figure 18
Have you synchronized your Distribution Centers with all ordering channels (online, in-store, call center, catalog and mobile)?

- Yes, All DC inventory is available to all channels
- No, DC inventory is segregated by channel
- No, DC inventory is visible to and available to be sold directly from the channels

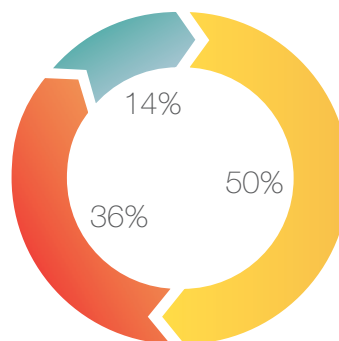


Figure 19
If Yes, has this synchronization improved DC efficiency?

- No, we have not seen any measurable results
- Yes, marginally
- Yes, substantially

SYNCING CUSTOMER INFORMATION

Providing access to the same information across all channels continues to present a significant challenge to many retailers. Just over half (55%) of retailers say customer information and purchase history is available in-store, via call centers and online (Figure 20).

But those that have succeeded in syncing customer data are finding that customer satisfaction is improving (82% ranked 1 or 2 out of 5); and basket size is increasing (51%) (Figure 21).

Figure 20
Have you synchronized customer information across all channels?

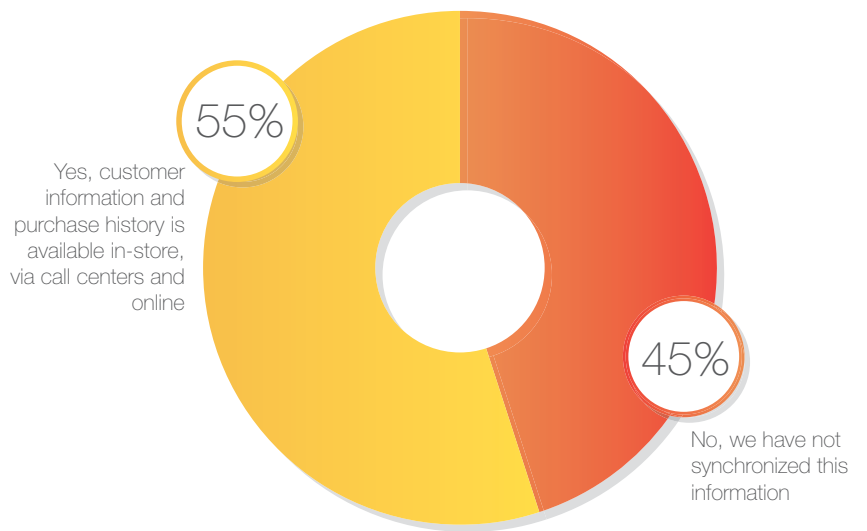
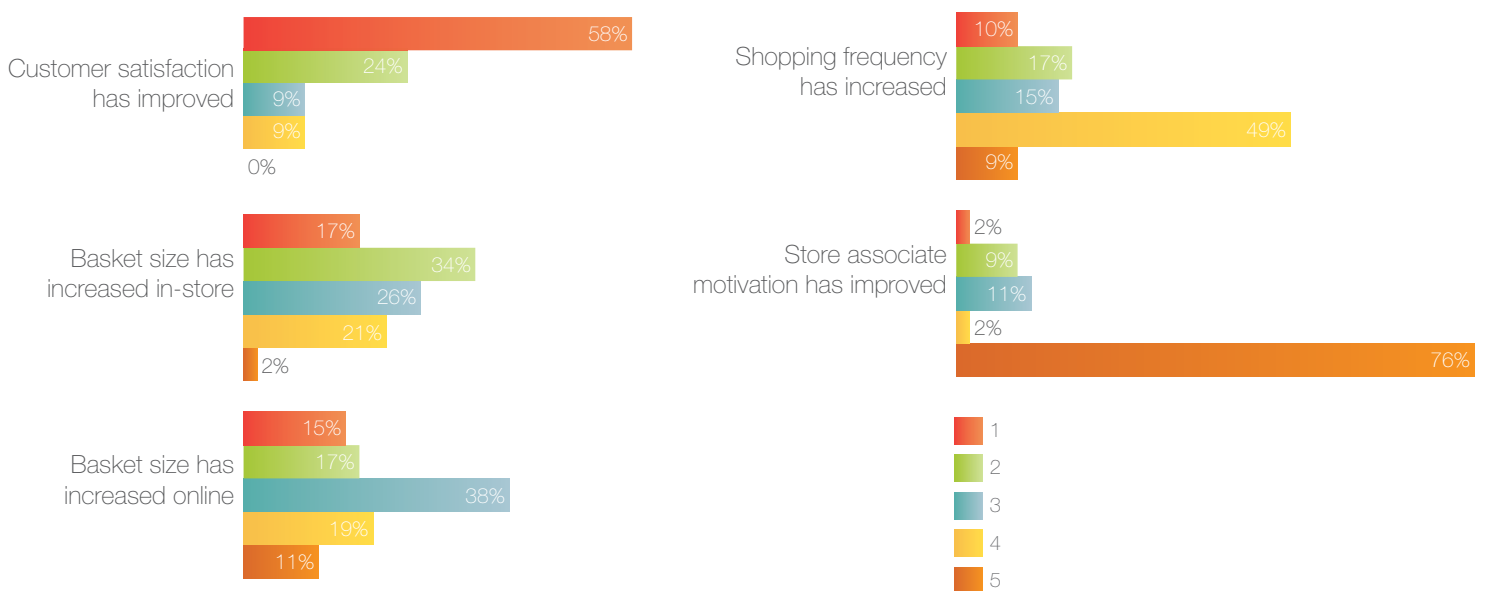


Figure 21
How has this strategy improved the business?
(Rank 1-5, 1 offering the greatest improvement)



Similarly, retailers also are working to ensure that employees possess the same product and customer information across channels. Just 33% have achieved this goal (Figure 22).

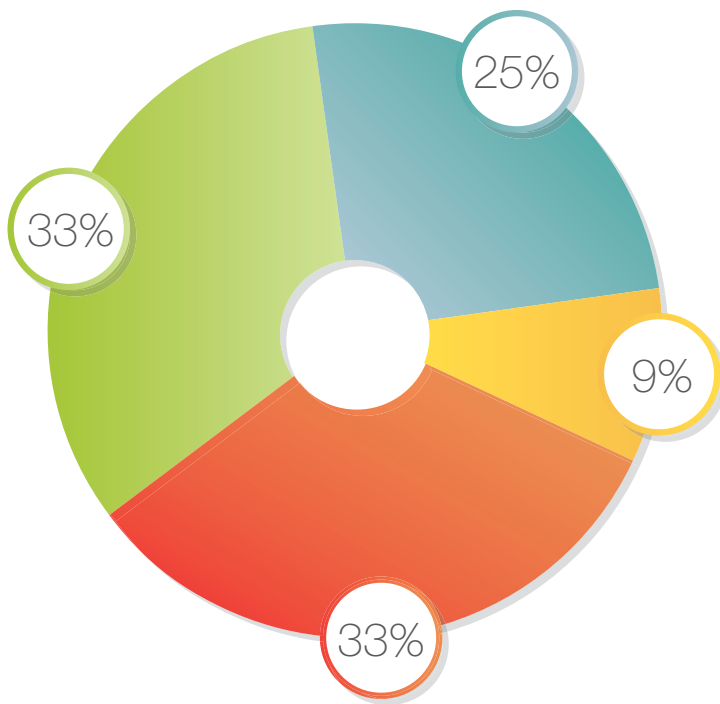


Figure 22
Do employees possess the same product and customer information across all channels?

- Yes, the same information is available in-store, online, via mobile, social and call centers
- Yes, the same information is available in some but not all channels
- No, we have not yet coordinated information across channels but plan to do so
- No, we have no plans to coordinate information across channels

STORE ASSOCIATES: FRONT-LINE BRAND ADVOCATES

The majority (68%) of retailers have equipped store associates with mobile technology, giving these employees a heads-up on product information and the ability to help shoppers more effectively.

And 44% of survey respondents believe that providing store associates the ability to offer a higher level of service is the most important benefit of arming them with mobile technology. The fact that store associates are better-informed and therefore more confident in their jobs also is a key benefit (Figures 23 and 24).

Figure 23

Have you equipped store associates with mobile technology (tablets and/or smartphones)?

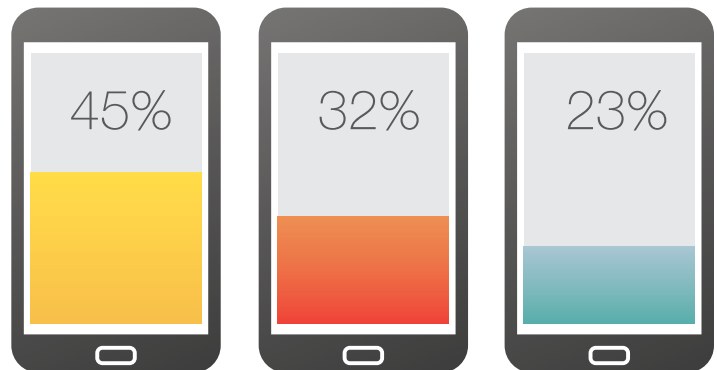
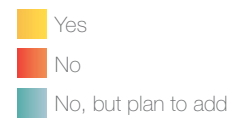
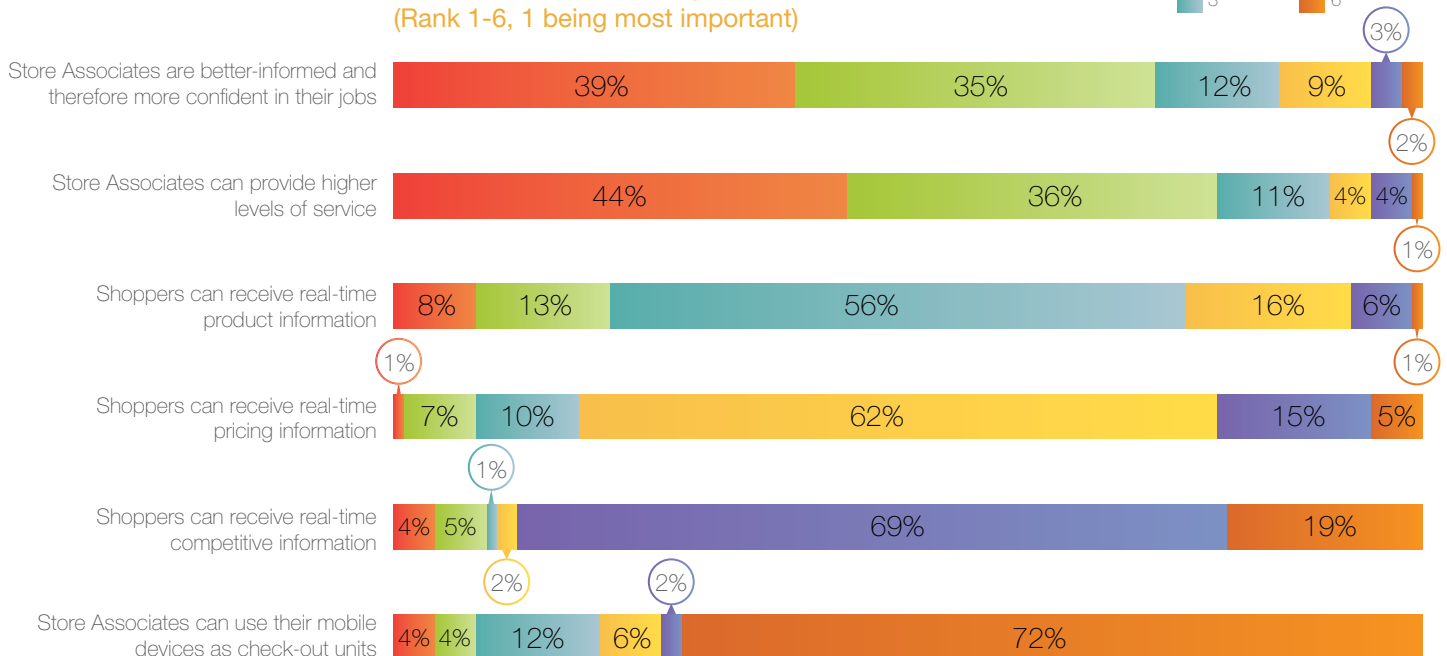


Figure 24

What are the most important benefits of providing store associates with the same or better information than your customers have when they enter the store? (Rank 1-6, 1 being most important)



Best Buy Canada, for example, is providing mobile technology to store associates to give them access to training materials, key departmental information and a variety of tools to encourage seamless product comparison.

Providing these applications empowers store associates to guide customers throughout the browsing and buying journey and in turn, create a more compelling brick-and-mortar shopping experience. Associates also are equipped to complete transactions anywhere within a store, which will help improve shopper satisfaction.

The retailer also is exploring mobile POS strategies in stores to strengthen customer service initiatives, such as line-busting.



FACILITATING CROSS-CHANNEL INFORMATION FOR CONSUMERS

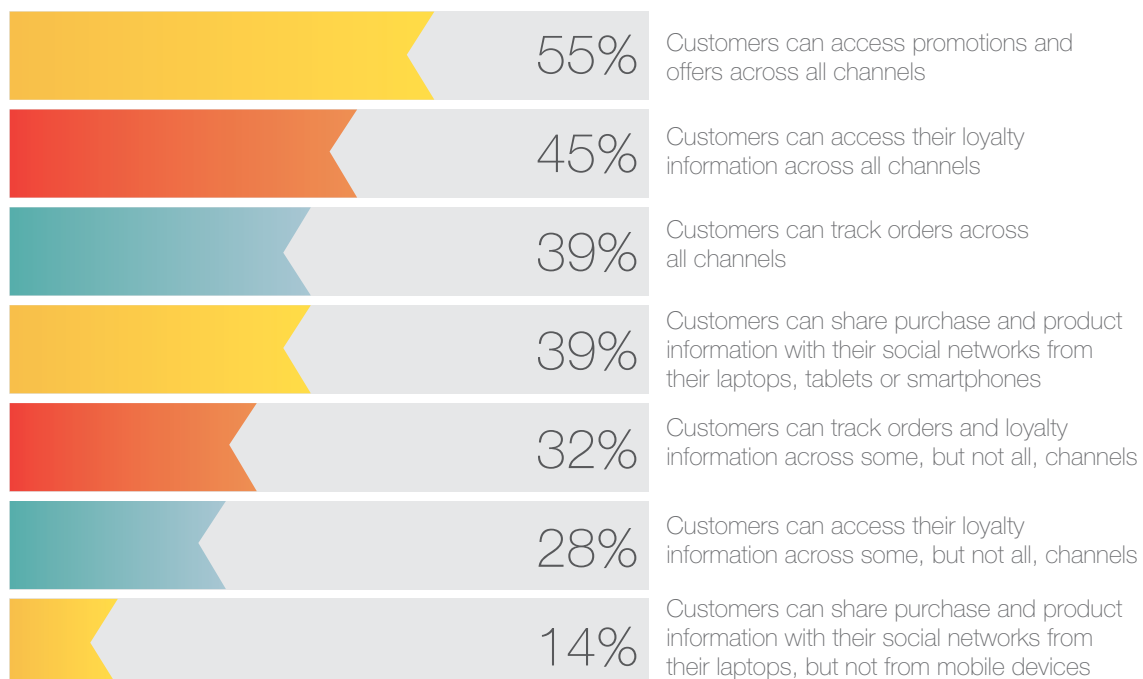
Smart retailers know that providing shoppers the product and promotional information they are looking for across all relevant channels is key to success in today's competitive marketplace.

According to our survey respondents (Figure 25):

- 55% say the most important cross-channel information to provide to shoppers is the ability to access **promotions and offers** across channels
- Access to **loyalty information** also is a key priority for 45%; and
- Providing the **ability to track orders** across channels is important to 40%.

Figure 25

What type of cross-channel information are you providing to your customers?
(Check all that apply)



Using a new commerce platform, **TOMS**, a shoe and eyewear brand and eTailer, is able to personalize the online customer experience and deliver its One for One message to new markets. In this One for One program, the retailer donates a pair of shoes for every pair purchased.

The new commerce platform is designed to ensure customers have a consistent experience with the brand, whether they're on a desktop computer, tablet or mobile device. The platform also allows retailers to target promotions, personalize content, customize search results and recommendations, and update product information across multiple sites.



CONCLUSION

The retail omnichannel journey continues. In order to meet the needs of a growing majority of tech-savvy shoppers, retailers must work to balance budgets with strategies and change management issues.

This report has outlined the key strategies retailers should be considering as they move forward toward omnichannel success.



ABOUT RETAIL TOUCHPOINTS

Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The Retail TouchPoints network is comprised of a weekly newsletter, special reports, web seminars, exclusive benchmark research, and a content-rich web site featuring daily news updates and multi-media interviews at www.retailtouchpoints.com. The Retail TouchPoints team also interacts with social media communities via Facebook, Twitter and LinkedIn.

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