

COMPLETING THE CROSS-CHANNEL CHALLENGE

Exclusive Survey Report
December 2012



Table of Contents

3	Executive Summary
5	Realizing The Profitability Of Cross-Channel Customers
6	Improving Business Results With A Cross-Channel Strategy
7	Using Analytics To Improve Sales, Assortment/Inventory And Supply Chain
8	Creating Distribution Center Efficiency
9	Providing Access To Cross-Channel Inventory Information
10	Understanding The Value Of Synchronizing Customer Information Across Channels
11	Moving Beyond Cross-Channel Price Matching
12	Conclusion
13	About Retail TouchPoints

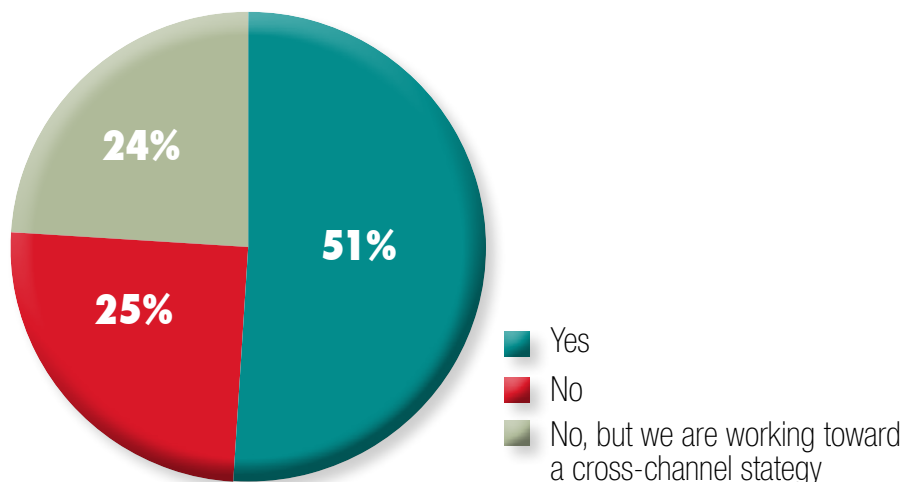
Executive Summary

More than three quarters (76.2%) of retailers either have a cross-channel strategy in place or are planning to implement a program, according to results from the recent survey titled: *Completing The Cross-Channel Challenge*, conducted exclusively by Retail TouchPoints.

The cross-channel focus will continue to be a key element for retailers moving forward, as they work to find the best mix of brick-and-mortar, online, mobile and social. Although eCommerce continues to grow at a rapid pace, brick-and-mortar stores remain the primary channel for final purchases. A majority of survey respondents (66.6%) reported that their brick-and-mortar stores bring in the most revenue (giving it a ranking of 1 or 2 out of 9), while just over half (51.8%) noted that the retail web site is the largest revenue producer.

Additionally, showrooming is playing a role in retailers' cross-channel strategies. Shoppers want to view, touch and feel certain products before buying, but often will complete that purchase online or via a mobile device. This can be a win-win for retailers that embrace the inevitable reality of showrooming and respond with innovative cross-channel strategies, unique in-store product offerings and exceptional customer service.

Do you define your retail strategy as Cross-Channel
(making every effort to ensure seamless interactions/transactions in all available channels to promote engagement with your brand)?



This report offers a detailed look at the latest cross-channel insights, provided by 84 retailers and wholesalers surveyed by Retail TouchPoints. Merchants are progressing in their cross-channel strategies, but many still have a long way to go to achieve cross-channel excellence.

The crux of many cross-channel challenges revolves around the advanced collection of data, and using that data to create inventory efficiencies. Shoppers expect that the products they want will be available in their channel of choice for purchase and delivery/pickup. If their expectations are not met, they are quick to shift brand loyalty.

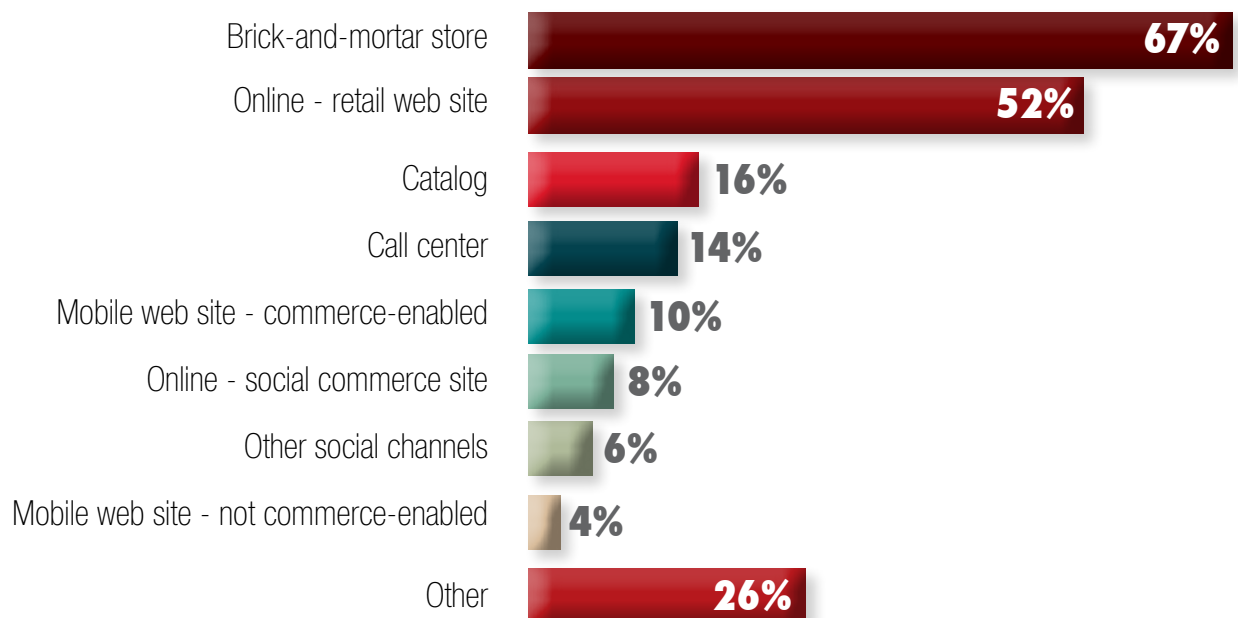
Almost one third (29%) of consumers said they will no longer shop with a retailer if they receive an *incorrect* delivery just once, based on an online or phone order, [according to a study](#) of 600 consumers conducted by Voxware, a provider of voice solutions. Additionally, most (55%) of respondents will abandon shopping with a retailer altogether after receiving a late delivery two to three times.

To meet the challenges of a complex cross-channel environment, a number of leading retailers are implementing innovative and creative cross-channel strategies, as outlined throughout the following report.



Please rank the channels in order of annual revenue.

(rating of 1 or 2 out of 9)

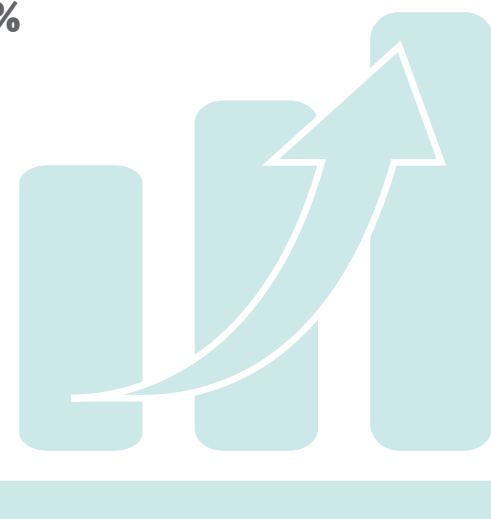
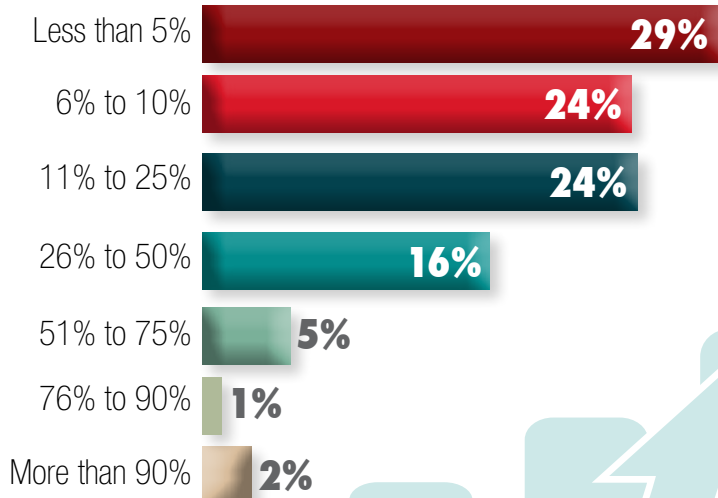


Realizing The Profitability Of Cross-Channel Customers

Today's smart retailers know that cross-channel shoppers are more profitable than single channel shoppers, which results in increased sales and loyalty. Retailers measure the profitability of their cross-channel customers in a number of ways. The majority of survey respondents ranked **Average basket size** as the most important measure of cross-channel consumer profitability, with 52.4% giving it a rating of 1 or 2 out of 8. **Frequency of shopping trips** ranked second, at 48.2%; and **Total dollar value of purchases over time** came in third, at 45.3%.

Kohl's is a leading retailer embracing the cross-channel experience for its customers. Kohl's has engaged in what SVP Ken Bonning calls a "huge information technology transformation," and the company is reallocating spending and focusing on technology investments that address customer- and associate-facing information.

If you are measuring the profitability of Cross-Channel customers, how much more profitable are they vs. single-channel customers?



How do you measure the profitability of Cross-Channel customers?



Improving Business Results With A Cross-Channel Strategy



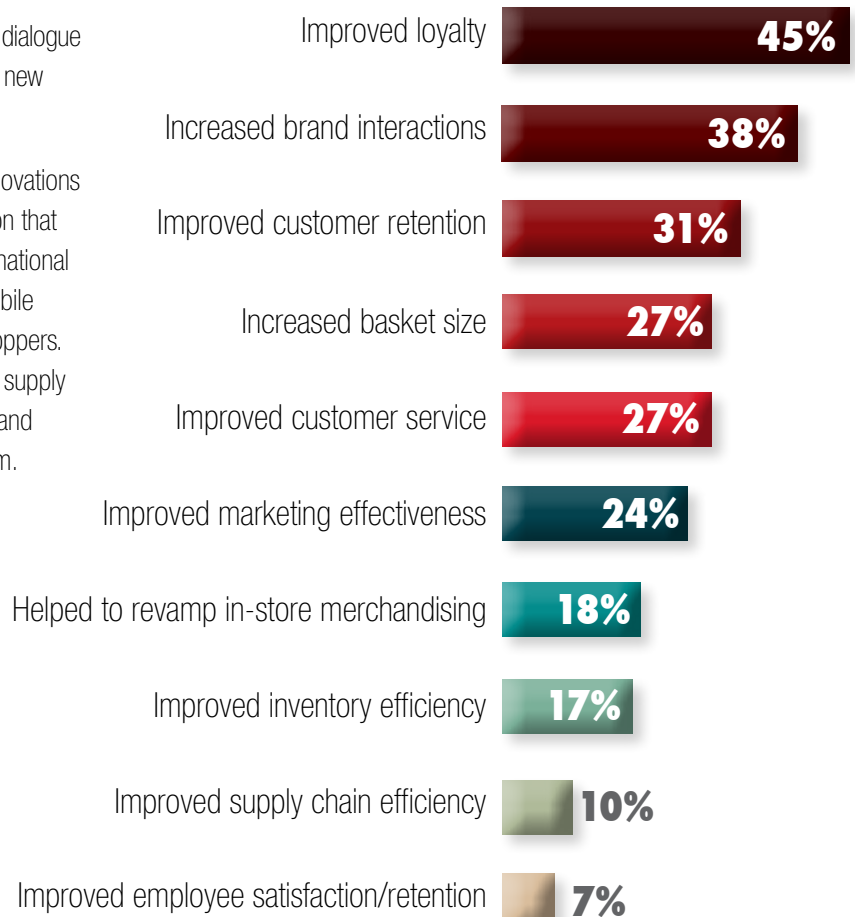
A successful cross-channel strategy can improve the business in a variety of ways. The greatest benefit for survey respondents was **Improved loyalty** (45.2%), then **Increased brand interactions** (38.1%) and **Improved customer retention** (31.0%).

These results show that merchants are striving to create a better dialogue with shoppers regarding the brand promise, in an effort to attract new customers and prevent current customers from jumping ship.

One major retailer, **JCPenney**, is using in-store technology innovations and cross-channel access to bring about a brand transformation that will serve to deliver new customers and long-term loyalty. The national department store retailer is focusing on delivering real-time mobile access for its store managers and associates, as well as its shoppers. JCPenney also is working to improve merchandising, planning, supply chain and store systems with the goal of creating a “seamless and engaging customer experience,” according to CTO Kristen Blum.

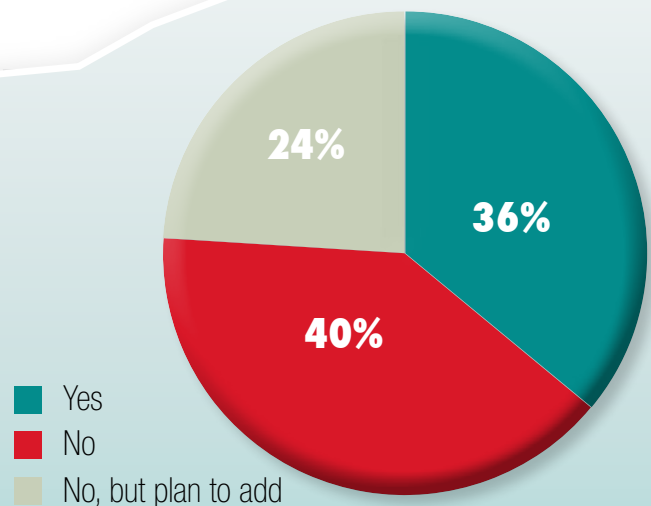
How has your Cross-Channel strategy improved your business?

(Please check all that apply)



Using Analytics To Improve Sales, Assortment/ Inventory And Supply Chain

Do you use analytics to evaluate your Cross-Channel strategies?



More retailers are realizing the benefits of using advanced data analysis to effectively reach their target audience, but survey respondents are still struggling to finalize an analytics strategy and incorporate analytics into everyday business processes. Just over one third (35.7%) of respondents report that they currently are using analytics to evaluate their cross-channel strategies, with 23.8% planning to add this capability.

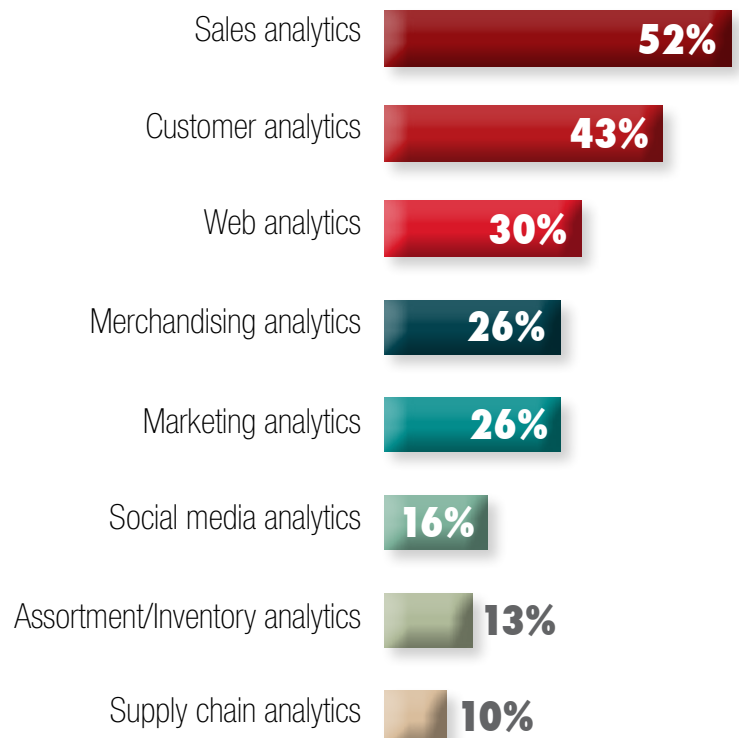
More specifically, merchants are analyzing the following types of data: sales (52.4%), customer (42.9%), web (29.8%), merchandising (26.2%) and marketing (26.2%).

The retailers embracing analytics are realizing significant success.

Hot Topic, for example, is honing in on individual purchases, using retail analytics designed to conduct market basket analysis and sales velocities, in order to staff its 850 Hot Topic and Torrid stores more efficiently. With advanced analytics capabilities, "we can do all of our market basket analysis, sales velocities, analyses by transaction and we can help staff stores effectively," said Don Hendricks, CIO.

If yes, what type of analytics do you currently use?

(Please check all that apply)



Creating Distribution Center Efficiency



Because of consumers' demands to buy anywhere and pickup/deliver anywhere, retailers need to improve their supply chain and distribution center (DC) efficiency across all channels. A total of 45.2% of survey respondents report that **all DC inventory currently is available to all channels**.

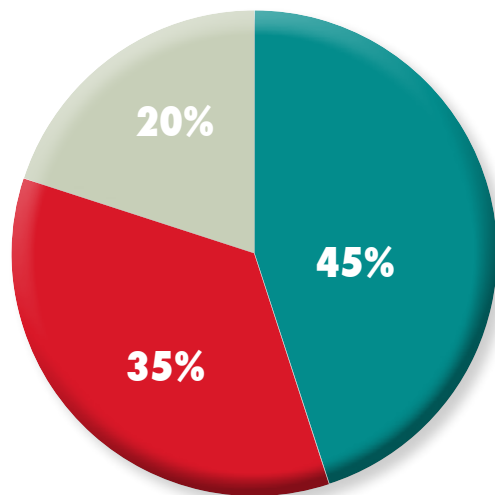
In order to maximize the abilities of the DC, retailers must understand how cross-channel commerce will impact the distribution and fulfillment side of the equation, according to a white paper titled: [*Tuning Up Your Distribution Center for Omni-Channel Growth*](#).

This paper addresses a number of distribution center challenges, such as:

- Increasing turns by minimizing inventory levels and offering new products in the brick-and-mortar store;
- How to optimize eCommerce order fulfillment; and
- Understanding the unique shopping behaviors of mobile-centric consumers.

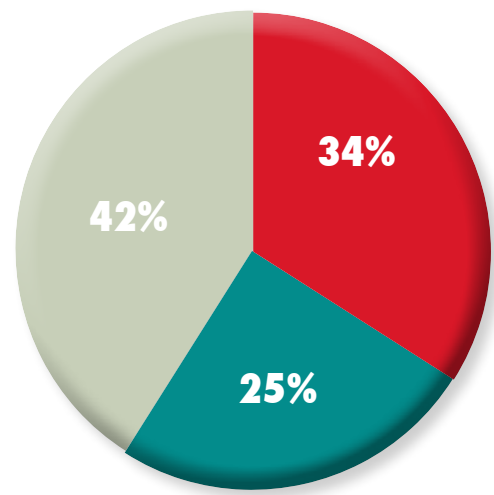
Merchants investing in DC synchronization are reporting positive results. Approximately two thirds (66.3%) of survey respondents noted that synchronizing across channels as either substantially (24.7%) or marginally (41.6%) improved overall DC efficiency.

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
- DC inventory is segregated by channel
- DC inventory is visible to and available to be sold directly from the channels

If Yes, has this synchronization improved DC efficiency?



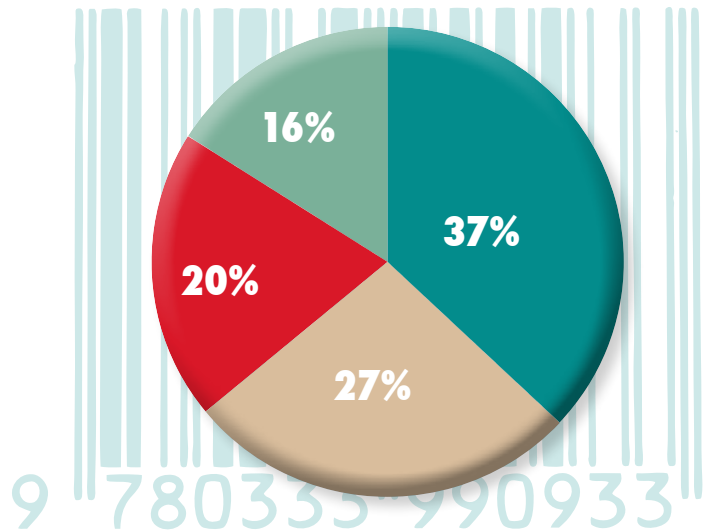
- Yes, substantially
- Yes, marginally
- No, we have not seen any measurable results

Providing Cross-Channel Inventory Information

An increasing number of retailers are realizing the benefits of providing the same inventory information across all channels, among the staff as well as customers, but many still have a long way to go before being able to offer this capability. Just over one third (36.9%) of survey respondents report have the same information available in-store, online, via mobile, social and call centers. Almost an equal number (35.7%) said they have not yet coordinated this information (20.2%) or do not have plans to do so (15.5%).

In order to deliver the right information available to both staff and customers at the right time, **Talbots** is working on the back end to improve store clustering, size profile optimization, allocation and assortment planning. The apparel retailer is focused on reducing costs by creating efficiencies, aiming for a total of \$200 million in reductions over the past few years, concluding in 2012. "The new systems we have been implementing have helped us with that," said John Kovac, CIO. "While all the solutions have performed well, Merchandise Financial Planning is the really big item for us. Now the directors can do a middle-out plan and company planning can be top-down."

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 center
- 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

What type of Cross-Channel access to information are you providing to your customers?

(Please check all that apply)

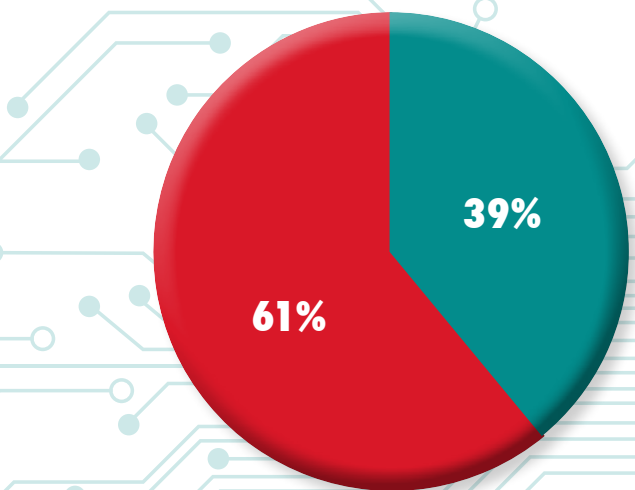


Understanding The Value Of Synchronizing Customer Information Across Channels

In order to deliver the products shoppers want on time and at their location of choice, retailers need to synchronize customer information across channels. While just 39.3% of survey respondents said that **customer information and purchase history is available across channels**, 56.0% of those respondents cite **improved customer satisfaction** as a direct result. Other benefits from customer information synchronization include **increased basket size in-store** (30.0%), **increased shopping frequency** (30.0%) and **increased basket size online** (22.0%).

Build-a-Bear is taking that one-step further by using that information to improve loyalty through personalization. The specialty retailer delivers personalized recommendations to customers, driving a more than 20% uptick in sales. The specialty retailer has incorporated personalized recommendations into its eCommerce platform, driving more online and in-store purchases. "The recommendation engine has been very helpful," said Dave Finnegan, CIO. "It allows us to tap into guests' shopping patterns to suggest or recommend things for other guests we thought would be very critical."

Have you synchronized customer information across all channels?

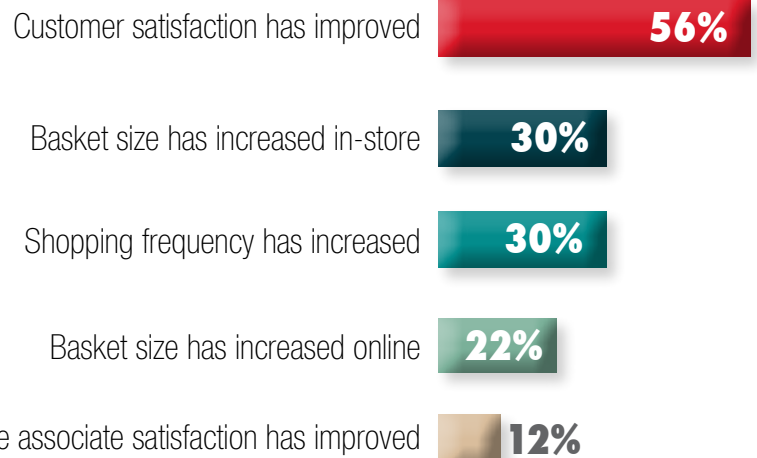


■ Yes, customer information and purchase history is available in-store, via call centers and online

■ No, we have not synchronized this information

If Yes, how has this strategy improved the business?

(Please check all that apply)



Moving Beyond Cross-Channel Price Matching

Retailers know that mobilized shoppers are coming into their stores armed with competitors' prices, and they need to find new ways to compete, in addition to matching prices and coupons.

Survey respondents are split on their commitment to match competitors' prices. Just 20.2% have **empowered store associates** to match prices in all instances, and 26.2% have no plans to do so.

Innovative marketing and promotional strategies, fueled by advanced technology solutions, may help merchants overcome this pricing obstacle. For example, optimization solutions are helping retailers like **ALDO**. Using markdown optimization, ALDO is managing prices better and facilitating improved assortment sell-through. ALDO has increased the frequency of markdowns from monthly to bi-weekly.

By implementing the price and promotion optimization solutions, outdoor products retailer **City Farmers** can be more competitive and deliver upon customer wants and needs more effectively, reported Clayton Hollingsworth, CEO and Managing Director of City Farmers, in an [interview with Retail TouchPoints](#). Based on sales results and deal redemption data gathered from its loyalty program, as well as insights from a 10% sample survey of daily in-store shoppers, City Farmers discovered that both daily and promotional pricing were key areas that required improvement. "The objective is to have every customer happy with our pricing strategies across all locations," Hollingsworth noted. "We also want our team members to be comfortable that our pricing is always fair, well researched and best reflects the quality and attributes of the product while also considering competitor offers."

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



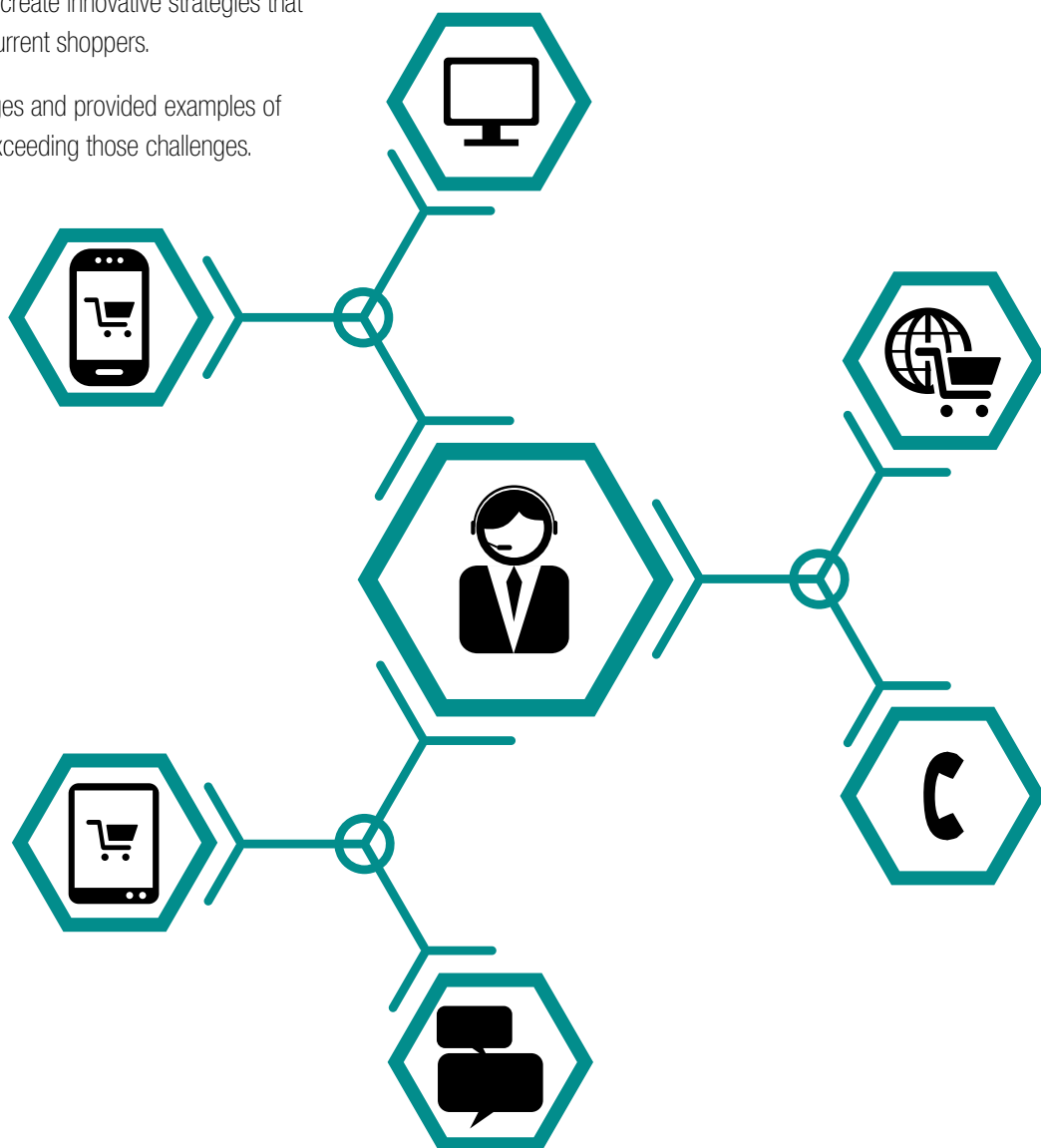
Conclusion

The growing cross-channel marketplace continues to present obstacles and challenges to all types of retailers. The first step in beating the odds is embracing cross-channel. From there, merchants can implement the strategies and technologies to help meet the needs of today's demanding cross-channel shoppers.

Getting systems and processes up-to-speed will go a long way to achieving cross-channel goals. Advanced analytics will provide the necessary insights; optimization solutions can help to improve the vital processes that will deliver the best prices, promotions and products to shoppers when and where they want them.

As more shoppers are mobilized at home and in-store, retailers must move beyond basic price matching and create innovative strategies that will bring in new customers and retain current shoppers.

This report has outlined the key challenges and provided examples of leading retailers who are meeting and exceeding those challenges.



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About Retail TouchPoints

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Cross-Channel Survey Report

