CUSTOMER EXPERIENCE IS EVERYTHING
...BUILT ON A SOLID FOUNDATION

Fulfilling The Omnichannel Promise By Boosting Conversion And Optimizing Fulfillment

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More than 70% of retailers use the term "omnichannel" to define their retail strategy, and another 24% are working toward that goal, according to a 2014 survey from *Retail TouchPoints*. But are they delivering on the promise?

Most retailers acknowledge the challenge they face: **Shoppers expect a more seamless omnichannel experience**, reported Retail Systems Research (RSR) in its *2014 Supply Chain Execution* report. Yet an average of 63% of retailers said their store inventory levels are inaccurate, and more than half (57%) noted that their stores currently hold too much inventory in slow-moving categories.

To delight consumers throughout the shopping journey, retail organizations must build a strong foundation from the back end up, with a particular focus on **optimizing inventory fulfillment**. In fact, more than half (56%) of retailers defined as "winners" by RSR said the top supply chain opportunity moving forward is the ability to optimize fulfillment based on the most profitable inventory opportunity.

Retailers that tap into the ability to customize assortments and provide unique products for specific demographics will outshine the competition. Yet many retailers are stuck in a traditional mold that consists of one-size-fits-all merchandising tactics across all stores. "One of the issues retailers have is their past successes blind them to how they need to prepare and organize for the future," explained Lora Cecere, Founder and CEO of research firm Supply Chain Insights. "They typically did well with the same mass-merchandising across all stores. But the new retail environment doesn't work that way."

Cecere added: "When retailers were selling through a single channel and had more traditional merchandising, it wasn't as important to have a good, perpetual inventory signal. But as we become more omnichannel, the retailers that are going to win are going to have real-time availability information."

This white paper will provide the latest insights into how retailers can nail the omnichannel promise by boosting conversion and optimizing inventory fulfillment.

INCREASE CONVERSIONS WITH PERSONALIZED, TARGETED COMMUNICATIONS

Today's store operators have a number of options to choose from when it comes to providing a unique shopping experience. The strategies that will provide the greatest impact include cross-channel solutions that deliver one-to-one offers and promotions.

Mobile Devices Guarantee Face-to-Face Interaction

Nothing beats a great one-on-one personal experience with a knowledgeable sales associate, and *anything* beats a similar bad experience. A sales team armed with the latest mobile technology can find products, educate shoppers and close the sale at the point of interaction.

The bottom line is that the majority of U.S. retail sales still occur within the four walls of the store — 93%, according to the U.S. Census Bureau's *Quarterly Retail E-Commerce Sales* report for Q3 2014. Therefore, retailers must engage mobile-savvy consumers while they're browsing in store aisles and consulting their personal devices.

Successful retailers are realizing the benefits of mobile implementations. As many as 84% of retail winners are committed to increased investments in mobile and m-Commerce over the next three years, according to RSR.

"We have reached a real tipping point in terms of the role digital, and specifically mobile, is playing for in-store consumers," said Kasey Lobaugh, Chief Retail Innovation Officer, Principal and Owner at Deloitte. The company's latest *Digital Divide* report concluded that more than 50% of in-store sales will be influenced by digital channels by the end of 2014.

Yet currently, most retailers remain stuck in the mind-set that mobile is an extension of the e-Commerce department, according to Lobaugh: "That's only 7% of total retail sales. If that's the lens we as an industry [use to] think about digital investments, then we're dramatically underplaying its importance."

If retailers don't invest in mobile technology at the store level, they will miss a vital opportunity to engage with consumers. Many shoppers consult their own mobile devices while in a store rather than rely on associates. For example, while 59% of respondents said they use their own device to look up item prices, only 17% consult an associate, Deloitte reported. Mobile devices also play a pivotal role as shoppers seek out product information (52%), check item availability (51%) and even make payments (48%) in brick-and-mortar locations. Retailers need to participate in this conversation.

RETAIL SPOTLIGHT
MOBILE TECHNOLOGY ENHANCES CUSTOMER EXPERIENCES

The sales associate spends time with the shopper, gathering information about the desired items, then collects those items and brings them to the shopper.

An upscale apparel retailer has gotten it right with mobile technology and the in-store customer relationship. Within five minutes of walking into a store, shoppers are greeted by a well-trained sales associate armed with mobile technology. Using a mobile device, the associate can provide information or direct the shopper to the right spot inside the store. Upon arrival at the specified location, the consumer is greeted again by another store associate, invited to settle into a comfortable couch and offered a bottle of water. The sales associate spends time with the shopper, gathering information about the desired items, then collects those items and brings them to the shopper.

If the associate needs help from other store employees, she is wired with an earpiece to request whatever is needed without leaving the shopper's side. Sales associates are equipped with tablets to look up any additional product information. They also have access to the company's mobile app to view photos of additional merchandise not currently available in the store. Those items can be shipped from store to home, so the upsell/cross-sell opportunity is not lost. Finally, the purchase can be completed via mobile payment as the shopper continues to relax on the couch.

LOCATION TECHNOLOGIES DELIVER TARGETED OFFERS AND ENGAGEMENT

Merchants also can tap into the latest location-based tools — including Bluetooth Low Energy (BLE) beacons, mobile apps and in-store mapping — to grab shoppers' attention at the point–of–purchase decision.

Forward-thinking retailers are grabbing onto this opportunity. By the end of 2015, retailers implementing location-based services will increase "same-shopper sales" — retail sales to individual customers across all channels — by as much as 5% through analytics-driven operations, according to IDC Retail Insights in its *2015 Top 10 Decision Imperatives* report.

Location-based capabilities including video analytics, RFID, beacons and associate wearables are the next step in the in-store evolution toward the Internet of Things (IoT), IDC reported. The analyst firm advises retailers to develop and test customer and associate scenarios for beacons, NFC and other location-sensing technologies to improve the overall retail experience.

Location-based technologies can help deliver the personalized experience today's shoppers are looking for, and more retailers are realizing the importance of the strategy. In 2014, Aberdeen Group found that 63% of retailers reported three key benefits of personalized communications using **location awareness solutions:**

- Improved precision marketing effectiveness;

- Increased average order size with personalized communications; and

- Increased percentage of shoppers returning to the store or e-Commerce site.

RETAIL SPOTLIGHT

REACHING SHOPPERS AT THE RIGHT TIME

By implementing a variety of location technologies, the retailer saw a significant lift in conversions and loyalty across the varying locations throughout the chain.

The key to successful location-based strategies is to reach shoppers before they finalize their purchase decisions. For example, a home goods retailer with stores across the U.S. was looking to tap into the latest local and regional trends to deliver the most relevant products and promotions to specific shoppers. By implementing a variety of location technologies, the retailer saw a significant lift in conversions and loyalty across the varying locations throughout the chain. Additionally, the merchant is now able to more effectively allocate merchandise to each location.

First, a geo-targeting solution sends personalized promotions and offers to shoppers located within a certain number of miles of a store. Once inside the store, shoppers are offered a welcome message via their smartphone or tablet and directed to their desired items. As the consumers move throughout the store, beacon technology delivers targeted coupons and product information to the shoppers standing in front of specific products. Shoppers feel special because they are receiving personalized and relevant offers at the point–of-purchase decision. Basket size is boosted and shopper loyalty improves. They'll be back!

THE LAST MILE: FULFILL YOUR INVENTORY PROMISES

> Inventory tracking in the store is a major time constraint for many associates. An exciting possibility for RFID is giving associates the ability to track inventory and control more efficiently so they can do more customer-facing activities.
>
> — *Michael Barbacovi, Zebra Technologies*

A sale is not complete until the product is in the hands of the shopper. Inventory accuracy is a vital component of order fulfillment throughout all channels. "To fully integrate inventory across channels, it is most important to know where inventory is at all times," explained Dimitry Erez, Vice President and Practice Lead at Boston Retail Partners. "If an item that is in someone's basket in the store is also in someone's online shopping cart, there is a good chance that one of the customers is going to end up unhappy."

Many of today's retailers are banking on radio frequency identification (RFID) technology to solve inventory availability and fulfillment challenges, and therefore improve the customer experience. RFID can help drive a dismal 65% inventory accuracy percentage up to 95% and beyond.

With RFID, associates can count inventory faster and more efficiently, and spend more time engaging with shoppers. "Inventory tracking in the store is a major time constraint for many associates," said Michael Barbacovi, Senior Manager of Market Development at Zebra Technologies. "An exciting possibility for RFID is giving associates the ability to track inventory and control more efficiently so they can do more customer-facing activities."

Retailers considering RFID implementations can look to the Macy's corporation for an example of the benefits of RFID. The technology is now part of Macy's core omnichannel initiatives. The retailer kicked off its RFID efforts in the shoe department, but is expanding efforts into fashion apparel. RFID-enabled departments in Macy's stores outperformed those not outfitted with RFID by 10% in a recent test. The merchant also improved display rates to 95% from 70%.

Retailers also can't ignore consumers' desire for buy-anywhere/pick-up or deliver-anywhere services. Tactics such as ship-to-home and return-to-store; order online and pick up in-store; and even anytime/anywhere access to inventory availability all are on the upswing, according to Aberdeen Group research. A recent report, titled *Rethinking Merchandise Optimization In The Connected-Customer Era*, indicated that more than 61% of retailers have implemented these fulfillment streams as part of their offerings, up from approximately 50% in 2013.

"Retailers are being challenged to provide omnichannel inventory shopping and fulfillment," said Bob Heaney, Research Director and Principal Analyst for the Retail and Consumer Markets division of Aberdeen Group. "Today's customers desire the option to start their shopping process in one channel and finish, fulfill or even return through another."

RETAIL SPOTLIGHT

INTEGRATING IN-STORE AND ONLINE INVENTORY

A merchant implemented an e-Commerce solution in order to integrate systems across channels. Today, when an online order comes in, the software scans the inventory at all surrounding stores.

Retailers, large and small, need to address omnichannel imperatives to delight today's shoppers. The challenge? Implementing smooth transitions between online, mobile and in-store shopping.

In one example, a traditional brick-and-mortar retailer with 800 stores was faced with a disjointed store and online strategy. The merchant implemented an e-Commerce solution to integrate systems across channels. Today, when an online order comes in, the software scans the inventory at all surrounding stores.

When the software finds the item in a store, it issues an alert to designated employees at that location. The employee, outfitted with a handheld scanner and mobile printer, goes to the item, scans the tag, prints a receipt and collects the item. The system prints the shipping label, and the employee sends out the product. If the shopper is not satisfied with the purchase, he or she can return it to the store, where it's seamlessly scanned and returned to inventory.
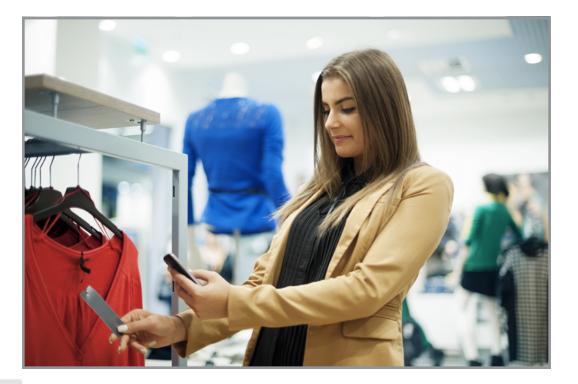
CONCLUSION

Consumers are satisfied only when the products they desire are available at the time and place they choose.

Retailers armed with best-in-class inventory optimization solutions will win the omnichannel battle in today's challenging marketplace. The fact is: Consumers are satisfied only when the products they desire are available at the time and place they choose.

Location-based strategies, mobile technology and RFID solutions are leading the way to help merchants achieve omnichannel success. This white paper has outlined the steps to take to increase conversions, boost revenue and improve long-term customer loyalty through omnichannel inventory optimization.

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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, category-specific blogs, special reports, web seminars, exclusive benchmark research, and a content-rich web site featuring daily news updates and multimedia interviews at www.retailtouchpoints.com. The Retail TouchPoints team also interacts with social media communities via Facebook, Twitter and LinkedIn.

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