

Omni-channel transforms retail transactions



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Many consumers today cross channels inherently, often back and forth without even thinking they have done so. Cross-channel shopping occurs whenever a consumer moves from one channel to another during the course of a single shopping experience. They require a consistent experience from a retailer regardless of location or channel. They expect cross channel functionality but are neither concerned nor generally aware whether a retailer is omni-channel or not. A retailer needs to treat all channels the same thereby embracing channel and touch point agnostic technology. This is the capability provided by true omni-channel, the future of retail.

Omni-channel transforms retail transactions, moving retail from a transactional Point of Sale to a Point of Commerce. True Omni-Channel is the future of retail. It positions the retailer to embrace new technologies and channels as consumer shopping expectations evolve by providing seamless interactions between retailer and consumer, allowing for a consistent ability to transact regardless of channel.

Omni-channel goes beyond evolutionary improvements through a revolution of the retail experience with Point of Commerce. It positions the store for the future and simplifies the approach for retailers to add new channels, functionality and touch points.

Retailers need to become “omni-channel” in order to provide this seamless connection between channels and match their technology to the evolving consumer expectations. To meet omni-channel business needs, retailers might utilize work-arounds to integrate their current functionality to enable multi-channel technology. Retailers can no longer manage technology to the consumer dynamic with these complex integrations. Unfortunately, that does not make the retailer omni-channel and creates a situation where the retailer is investing in integration rather than positioning for the future through innovation. For some retailers, true omni-channel may not be the right path for the near future. It is recommended that these retailers proceed on a more evolutionary path that provides the flexibility to embrace omni-channel capabilities in the future.

Stepping back, a comparison of omni-channel and multi-channel highlights the differences and gaps.

Omni-Channel

In omni-channel, a retailer delivers a capability for consumers to move seamlessly between channels (stores, e-commerce, call center, etc.) in a single shopping experience. For example, the retailer’s technology allows the consumer to start shopping online and then transfer their shopping basket to an in-store transaction. In this sense, omni-channel can be thought of as un-channeled. The consumer does not perceive channels at all, simply a shopping experience. All channels are enabled by a common set of technology services, a single set of data, and visibility beyond the individual retailer.

Omni-channel utilizes central data and operates within the enterprise infrastructure to provide ease of integration with current and future applications and touch points. It does not replicate data across applications. Further, a true omni-channel solution includes an extensible user interface, and common services which, because of its architecture residing within the enterprise infrastructure, allows a retailer to extend its solution faster and more effectively than if it had to be integrated into a legacy solution. Consider Zara’s ability to sense and respond to demand signals with its flexible supply chain and inventory. To Zara, each customer interaction offers insight into changing tastes, trends and preferences which they are legendary in their ability to anticipate and meet. In a similar sense, omni-channel’s ability to deliver functionality across channels rapidly provides advantages to the retailer to respond to the market and reach their customer faster. Just as Zara offers the right product at the right time to the right consumer with an optimized set of inventory, the truly omni-channel retailer can offer the right interaction at the right time at the right touchpoint with an optimized set of flexible technologies.

Multi-Channel

In multi-channel shopping, consumers shop across different channels; which all function independently (operationally, technologically, etc.) of one another. This makes a seamless shopping experience difficult. If the solution is not integrated well, it creates challenges for business processes such as cross-channel shopping, inventory lookup, order fulfillment,

and returns, frustrating both consumers who require more and employees who do not have the tools to meet shopper expectations.

A retailer may choose to connect its multiple channels through integration of varying sophistication and reliability. A fully integrated multi-channel shopping experience is often marketed as omni-channel and has the perception of providing this functionality. Integrated multi-channel essentially replicates data across multiple systems and requires complex, ongoing integration to connect different retail business processes and services, touch points, devices, and channels. This integration requirement limits the effectiveness of investment in innovation as every dollar spent requires additional spending on maintenance of the integration between systems. Although cross channel behavior is enabled in the short-term, it increases time to market for new functionality and touch points as well as higher cost, risk, and complexity for integration. From the operations perspective, integrated multi-channel often requires employees to work across multiple systems to execute a single transaction, creating frustration and wasting time.

Omni-Channel vs. Multi-Channel Scenarios

In addition to its technical/architectural advantages, omni-channel greatly improves business processes in the store. With over 90 percent of transactions in the store,¹ the largest areas to capture value with an omni-channel solution are store processes around cross-channel shopping, fulfillment, and returns.

1. Cross-Channel Shopping

Shopping, in general, can be a source of frustration for a consumer because of out of stocks, crowded stores, or lengthy queues. A cross-channel consumer desires to split their shopping, completing their browsing online and purchasing the item in a store. In order to support this, a retailer's systems must work seamlessly across channels. When systems are not seamless, the retailer can lose the customer's shopping data. It then takes time from the consumer—and potentially an associate—to restart the shopping process. A multi-channel approach may duplicate the ecommerce catalog for in-store operations and require multiple transactions to either research items and/or transact a sale.

A true omni-channel solution brings several value propositions to cross-channel shopping. Shorter wait times and a consistent experience across channels results in improvement in the consumer experience and leads to better consumer advocacy and trust. Seamless integration of systems allow associates to quickly pick up a shopping trip (i.e., their basket) where the consumer left off, serve the customer faster and then return to the sales floor. The customer may even request that the store set items aside at a particular time so an associate can quickly move the customer to the next shopping phase when they arrive. Omni-channel also provides the potential for associates to efficiently utilize mobile devices, enabling additional benefits such as upselling, accessing inventory inside and outside of the store, and line busting. This omni-channel interaction leads to serving more customers and an improved shopping experience.

Example 1: Complex transaction in store, fulfill from multiple locations

Omni-Channel		Multi-Channel
Associate enters a complicated order on the POS that requires fulfillment from multiple locations. They complete the transaction as a single order at time. The system optimizes fulfillment locations to speed delivery to the customer.	Process	Associate must locate inventory across locations and then process separate complicated orders on the POS and multiple other systems. They switch between screens and systems. Queues build as the order takes time to complete.
<ul style="list-style-type: none"> • Shorter queues • More customers served • Higher customer satisfaction • More upsells • Optimized revenue 	Potential Outcomes	<ul style="list-style-type: none"> • Long lines • Abandoned baskets • Dissatisfied customers • Frustrated associates

2. Order Fulfillment

In most cross-channel shopping experiences, a disconnect occurs between the customer's online experience and the store experience. The retailer's store and its value proposition does not clearly extend to its online experience and vice versa. Retailers often have issues with the accuracy of inventory information further exacerbating cross-channel shopping pain points (for customers and associates) as the retailer cannot easily ascertain whether they can fulfill an order taken from one touch point (i.e., a store) but fulfilled from another (i.e., a distribution center or another store). The net result is a lengthy transaction as the associate seeks to validate the availability of the item, creating a dissatisfied customer who has to wait or, worse, not get what they want, which results in a lost transaction.

An omni-channel solution incorporates enterprise-wide inventory knowledge and delivers it accurately across touch points. In the past, a retailer may have allocated its inventory evenly across markets, potentially resulting in some markets quickly running out of product and others with overstocks. In slower moving stores, retailers mark down products in order to sell through inventory. An omni-channel solution enables the utilization of inventory knowledge to allow a customer to purchase anywhere and the retailer to fulfill from any location, saving a sale and selling the item before having to mark it down.

Example 2: In-store order, fulfill from another location

Omni-Channel		Multi-Channel
Associate looks up the item on their tablet or POS. The system looks up the availability of the item at the fulfillment center as well as other stores. The associate asks the customer where they would like to receive the item (home or store), selects the appropriate delivery method, and completes the transaction.	Process	Associate accesses separate inventory system to obtain the inventory level of fulfillment centers and other stores. The associate calls another store to verify that they have the item, asks them to hold it and informs the customer that they will have to complete the transaction at the other store.
The POS searches for the optimal fulfillment location, both in terms of shipping costs as well as availability.	Inventory Management	The associate has to determine the best location to fulfill the order without knowledge of shipping costs or product demand in other markets.
<ul style="list-style-type: none"> • Saving the Sale • Optimized margin on inventory • Satisfied customer • Fast process allows associate to upsell the customer, move to the next transaction, or return to the store floor 	Potential Outcomes	<ul style="list-style-type: none"> • Loss of Sale • Higher shipping costs • Dissatisfied consumer • Slow process that challenges the associate, keeping them from moving to another customer

3. Returns

The value of an omni-channel-enabled returns process is in the seamless enablement of purchase anywhere/any channel and return to the store. This process is historically wrought with pain points where it was difficult, if not impossible, to look up a complete transaction record. Some retailers may not sell the same items or categories in stores versus online, while other

inventory may differ from store to store. This regularly results in stranded inventory that does not belong in a particular store. The costs of managing a return often exceed the current value of the inventory. The result frustrates employees and consumers who do not understand the complexity of returning an item.

Example 3: Buy online and return to the store

Omni-Channel		Multi-Channel
Associate scans barcode on the shipping receipt. The omni-channel POS looks up the transaction ID from the scanned barcode. The cashier sees the full transaction log, selects the item to return and refunds the amount and appropriate taxes back to the consumer's credit card.	Process	Associate attempts to enter an order identification number from the customers shipping receipt into the POS system. The POS does not recognize the number, forcing the associate to access a different system, call into a call center, or just process a manual return. The process then requires manual entry of all relevant data (item amount, sales tax, discounts, etc.). The associate returns to the POS to process a credit.
The transaction immediately returns the items back into enterprise inventory. If not needed in that particular store, the system instructs the associate to set the item aside where it can potentially fulfill an order from another channel.	Inventory Management	The associate has to make a determination of how to handle the returned inventory. The item can be manually entered back into the store's inventory, shipped back to a centralized fulfillment facility, or discarded entirely
<ul style="list-style-type: none"> • Accurate return • Optimized inventory • Less reconciliation • Satisfied customer • Fast process allows associate to upsell the customer, move to the next transaction, or return to the store floor 	Potential Outcomes	<ul style="list-style-type: none"> • Error-prone returns • Stranded or devalued inventory • Manual reconciliation across business functions • Potentially dissatisfied customer • Slow process that challenges the associate, keeping them from moving to another customer

Summary

Retailers face a decision to integrate multiple channel operations to make it function like omni-channel or to invest in a true omni-channel solution. The choice for a retailer to serve cross-channel customers is a true omni-channel solution capable of meeting the needs today as well as in the future.

True omni-channel enables vastly improved retail business processes that enable a revolution in not just store technology but business capability. This includes employee productivity by speeding up processes such as returns, and increasing time spent on the sales floor where associates can help consumers and therefore increase sales. Retailers can also improve the customer experience through the ability to place, fulfill, and return orders to and from any location. True omni-channel is about being visionary as an organization and investing in the future with innovative consumer interaction.

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References

¹ Calculated from data obtained from Planet Retail for global sales for 2013