MIND THE GAP

Operationalizing omnichannel experiences presents significant obstacles—
and opportunities—for retailers By Robert Nieminen

> "What turns me on about the Digital Age, what **excites me personally**, is that you have closed the gap between **dreaming and doing**."
>
> —*Bono*

adidas is leveraging technology to provide customized product. With its new Futurecraft 3D prototype, adidas foresees an in-store service in which a customer runs briefly on a treadmill, the contours and pressure points of his feet are recorded, and a midsole meeting his unique needs is 3D-printed for his new running shoes. The concept is being tested, and adidas plans to make further announcements over the next few months.

ROCK BAND U2's
NOTORIOUS FRONT MAN

was certainly onto something in his commentary about the promise of the digital revolution. If e-commerce is any measure of enthusiasm over what's been made possible by technology, then the retail industry has a lot to be excited about.

For instance, between 1999 and 2009, e-commerce grew by 400%, and a recent study found that 27% of global consumers made their last purchase online, according to a Forbes.com article. With brands like Amazon and eBay rivaling major retailers, one might assume online sales are dominating; however, that's not the case. According to the U.S. Census, e-commerce accounts for a mere 5.8% of retail sales, meaning that consumers still purchase the majority of their products in-store.

Challenging channels

Nevertheless, 71% of shoppers expect to view in-store inventory online, and half expect to buy online and pick up their purchase in a physical store, according to the study, "Customer Desires vs. Retailer Capabilities: Minding the Omnichannel Commerce Gap," commissioned by Accenture and Hybris and conducted by Forrester Consulting. Yet only 33% of the retail decision makers surveyed said their companies provide customers with in-store pickup of online purchases, online visibility of cross-channel inventory, and store-based fulfillment of online orders—all of which are considered vital capabilities for seamless retailing, according to the study.

A huge gap exists between what customers expect and what retailers are delivering in terms of a seamless omnichannel experience.

"Lots of companies have very strong e-commerce capabilities, but where that then transcends into the offline—the store environment—that's where the issues happen," explains Alastair Kean, group development director for London-based retail design agency Dalziel & Pow. "Those who may be skilled in e-commerce are not necessar-

ily equipped to deal with the realities of offline retail and experiential design. So there's a bit of a disconnect between, perhaps, the vast majority of skill sets in the retail world and the knowledge required for physical installations and physical representation in-store."

The clearest example of this disparity is evident in customers' ability to see online the product availability in-store—only one in five retailers offers that ability, according to Chris Donnelly, senior managing director for retail at Accenture. "To be truly omni-channel and to have all of my channels talking in a seamless way across all of them, you'd expect to have that inventory visibility," Donnelly notes.

Although the challenges are many, so are the opportunities. Companies that can integrate digital and in-store

Brookstone will be rolling out dynamic digital displays at many stores this year. Introduced at its Pheasant Lane Mall store in Nashua, N.H., the system provides digital product information when shoppers approach or pick items up. "Interactive digital signage is the future of retailing," says Brookstone CEO Tom Via. "It gives customers everything they love about seeing and trying a product in person, and adds the in-depth digital content they've come to expect by shopping online. This added information is essential to the purchasing process."

platforms will realize significant brand differentiation and reap the rewards of capturing a market that is hungry for—demanding even—that the barriers between brick-and-mortar and digital be taken down.

Blurring the budget lines

While retailers may be struggling to bridge the gaps between channels, one thing is clear: The budget for digital offerings is growing and spilling over into other silos beyond IT. In fact,

Volvo launched an in-car delivery service for the holidays by teaming up with a logistics supplier, an online toy and baby goods retailer, and an online grocery retailer. Volvo owners ordered gifts and holiday goodies online, the goods were delivered directly to the cars via a digital key enabling one-time access, and owners received notification of the delivery. Initially available only in Gothenburg, Sweden, the service will be introduced elsewhere in the future, and more retailers will be added.

The carmaker looks to use technology to improve its customers' lives. "Volvo is not interested in technology for the sake of technology," said Klas Bendrik, SVP and CIO at Volvo. "If a technology does not make a customer's life easier, better, safer, or more fun, we don't use it."
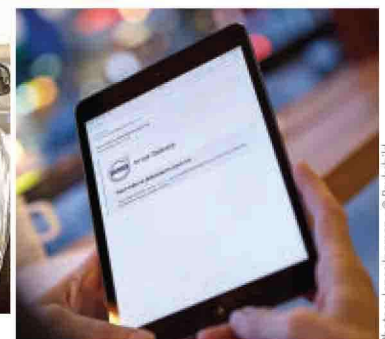
Photos: Jonas Ingman · © Bruksbild

the IT purchased through retail CMO budgets for 2015 will amount to $7.5 billion in North America, estimates IHL Group, a global research and advisory firm specializing in technologies for retail and hospitality. And a recent report by McKinsey found that data initiatives could increase operating margins by as much as 60% in retail—more than any other industry.

"The really big, significant play in this is the difference in budgets," says Lee Holman, analyst for IHL Group. The typical IT budget for a retailer is between 1% and 2% of annual sales, while marketing can range anywhere from 15% to 25% of sales—a difference that is forcing these departments to collaborate in new ways to accommodate emerging technology, he says.

"Years ago, prior to the PC, the lines of delineation between the two groups was clear. This stuff over here is technical, your stuff over there is marketing, and the two never met," Holman recalls. "But as technology advances and more user-friendly applications are available now—especially mobile apps in social media, the lines of demarcation between

Kroger is experimenting with smart shelves developed in-house. Digital displays on the shelves in a Cold Spring, Ky., store can display prices and ads. Displayed data can be changed with a few keystrokes in an office, saving labor time. Pricing can be in shopper-friendly larger font.

the two groups is blurring. So the collaboration that needs to happen between the CMO and the CIO is key."

Case in point: If a retailer guarantees delivery within 24 hours online, the company must deliver on that promise because "one thing that digital doesn't respect are the traditional silos," says Dalziel & Pow's Kean. "So there are no boundaries anymore between departments and, unfortunately, budgets are still—perhaps in some businesses—

drawn up that way. But if you want more digital and engagement in stores, you need to plan for it and you need to budget for it."

Complicating matters is the fact that customers' purchasing decisions and behaviors often flow seamlessly between online and in-store platforms, according to Donnelly. For example, a consumer might see an ad online and make a purchase in-store, or they may come in and try something on in a store and purchase a product in a different color online.

"You can't separate your investments because the return on an investment in digital is manifesting itself in the store," says Donnelly. "Some of the more forward-looking retailers understand that at kind of an emotional or gut level, but really capturing it is a challenge for them."

Donnelly suggests that to be a successful omnichannel provider, retailers need to consider all platforms from the customer's viewpoint and ensure that the experiences are similar and reinforce each other. "It's not an either-or—it's how they support one another," he adds.

WithMe introduces turnkey smart stores

WithMe opened a 3,000-sq.-ft. mobile ShopWithMe popup on Chicago's Michigan Avenue in November. Inside, smart shelves physically move toward shoppers as they pass by. Interactive mirrors in fitting rooms allow customers to make purchases or request alternate products. And app-toting shoppers can check out simply by walking out the door with a product. Brand and product lines can be changed quickly.

"We change the files, not the fixtures, to create a new experience. Today the store can be TOMS Shoes and next week it can be an entirely new brand without us having to rebuild the store," says Danielle Jenkins, co-founder of WithMe.

The store structure comprises four units of tensile architectural systems for easy assembly, disassembly, and transport. With stores already in the works for New York, Dallas, Los Angeles, San Francisco, Houston, and Miami, the company envisions a global network of turnkey smart stores for brands to activate and deactivate within days to meet market needs.

"Think of ShopWithMe retail stores like you do Amazon servers. We set up the infrastructure and all the brands have to do is flip a switch to scale up or down very quickly without the large upfront investment," says Jonathan Jenkins, founder and CEO of WithMe.

Stepping up staffing

Another hurdle retailers must traverse is in the staffing department. With a more educated consumer armed with information in the palm of his hand, hiring and training employees to engage with customers in a meaningful way has become increasingly difficult (and critical).

"The expectations for what the store employee does are higher now. That's hard because it's expensive to train and provide those employees with technology, and you have to pay them substantially more as well," notes Donnelly.

Holman agrees: "There's got to be some kind of training because ultimately, you're talking about a complete change in the relationship between the store employee and the customer coming in." He believes retailers in recent history have not done a good enough job empowering their associates to operate on a level playing field with customers walking through the door.

"That's changing, though. Retailers are [realizing] that their store associates need to be able to collaborate with the consumer in the consumer's pursuit of purchase. So there's the training, there are some new positions," Holman says.

To that point, a number of retailers have recently announced new hires or promotions to positions created for omnichannel strategies. To meet their needs, retail design firms and retail environments suppliers have added or expanded their own positions for digital—including EWI Worldwide, Hera Lighting, Chute Gerdeman, Miller Zell,

Eatsa, a new fast-food restaurant in San Francisco, provides healthy options using automated logistics. Diners order on tablets, pay via tablet or phone, and see their name appear on a glass door cubby for pickup in minutes. The eatery, whose menu is heavy on quinoa, plans to open more locations.
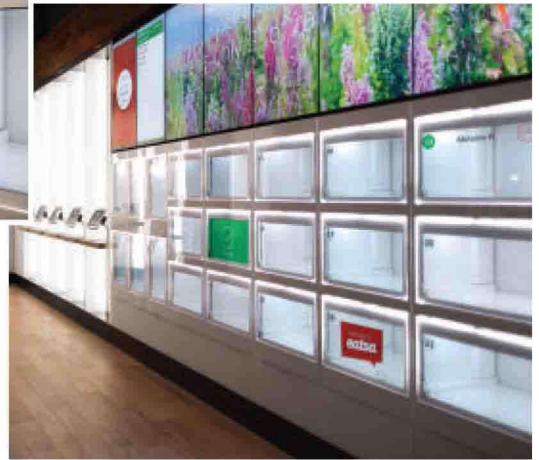
dciArtform, CBX, and more. Additionally, IHL Group predicts that CMOs will be responsible for the lion's share of IT spending for CRM/loyalty, social media, mobile offers, and crowdsourcing—another signal of how digital is tearing down traditional silos.

Addressing design needs

What does all of this mean for design firms serving retail clientele? With the majority of sales still coming through the store environment, how do designers help retailers offer a seamless customer experience?

As with any design project, according to Kean, the first step is to conduct an audit to assess how well the client can manage a diverse platform of customer experiences. When the design team understands the client's capabilities, they can design something the client will be able to maintain and evolve, he explains. "That's a big part of our process now—that front-end brand strategy. Our brand definition process uses work-shopping to understand what makes a brand unique. Then knowing their capabilities, we advise the best solutions to suit the existing skills base or

Walmart will be testing a tool produced during a recent hackathon in San Francisco. The winning entry uses SMS to help shoppers locate items in-store. When a shopper texts "hi" to a help number, an associate texts in-store directions. Live customer service agents are also available. The solution addresses the challenges of finding specific items in the large stores without requiring shoppers to download an app.

advise them what skills they need to procure to achieve the brand's digital ambitions."

Additionally, design firms need to evaluate their own expertise and staffing needs, not only to keep pace with, but also to anticipate changes in online commerce, supply chain management, and design, according to Mike Riggs, SVP in CallisonRTKL's Seattle office.
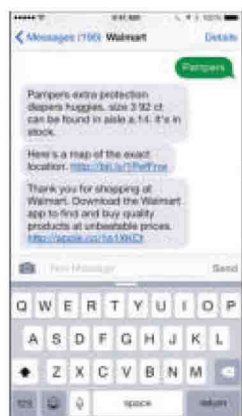
"Architecture and design will always be at the core of what we do, but over the last few years, we've bolstered our expertise with complementary services—services that allow us to choreograph a richer, deeper experience," he says.

Strategic branding and experience mapping, for example, have changed the way designers think about a retail space, Riggs says. Market research has also helped firms like CallisonRTKL "plumb the psyche of today's very, very sophisticated consumers, and UI/UX designers have helped us understand that critical touchpoint where the shopper may first experience the brand," he notes.

Ultimately, the omnichannel experience is about consistency and communication between platforms.

"Technology is not the point of this— it's the connective tissue or the glue that helps hold it all together," Riggs says.

Robert Nieminen is editor-at-large for Interiors & Sources *magazine. He has covered commercial interiors since 2002.*