

ANALYSIS

How can retailers accelerate the move to omnichannel while balancing the need to be both profitable and consumer-centric? **Kate Doherty** reports

Accelerating towards customer-centric transformation

Unlocking the potential of a customer-centric omnichannel business is today's biggest retail obsession.

So why do so many organisations admit to failing in their mission to fully make this transition?

Retail businesses with omnichannel capabilities are twice as likely to report double-digit growth. Yet 40% fewer retailers compared with 2014 claim to be operating in an omnichannel way, and 50% more say they are still in transition, according to LCP Consulting's *The Omni-Channel Journey* report.

The challenge is clear. Put simply, omnichannel omnipotence requires reconciling burgeoning consumer expectations for an increasingly slick front-end shopping experience with back-office operations that are more complex than ever before.

For industry leaders who recently gathered at a *Retail Week* networking Think Tank breakfast in partnership with LCP, the crucial – yet intimidating – task of keeping businesses on track on the omnichannel journey has a constantly moving finishing line.

While staying a step ahead of consumer needs in terms of end-to-end supply chain management is a seemingly impossible task, those attending agreed that savvy choices about investment, collaboration and flexibility will help unlock omnichannel eminence and profitability.

Obsession and investment

With so much at stake for retailers that fall short of a robust and agile fulfilment proposition, a dynamic, flexible and reliable supply chain is a necessary obsession.

Diverse business models, including wholesale, franchise, drop-ship and concession arrangements, impose daunting demands on both upstream and downstream supply chains. So do the constantly shifting expectations of mobile phone-wielding, convenience- and value-driven shoppers who now hold all the cards when it comes to how and where they shop.

The good news is that most retailers are well on the way in their omnichannel journey,



RETAIL LEADERS AT THE ROUND TABLE

Chris Warn, head of supply chain, Homebase

Gemma Metheringham, chief creative officer, Karen Millen

Nicola Matthews, commercial director, Karen Millen

Jack Smith, group digital director, New Look
Richard Brodrick, supply chain manager, Harvey Nichols

Simon Duckels, senior logistics manager, Shop Direct Home Shopping

Ian Wheaton, supply chain architect, Arcadia

bolstered by the need to add value to the business. "Everything we do is around driving value – value for our customers and value for our shareholders," said one retailer, explaining that a recent change to their website menu had resulted in a 2% improvement on conversion.

However, whether it is complex engineering and architectural changes to back-end operations or simple navigational changes to a website's front end that are needed, retailers agreed that business bosses must be on board.

Investing in fulfilment logistics and upgrading legacy systems are regularly the first steps on the road to establishing a true omnichannel business, and making the

business case to the board can be challenging, according to John Lockton, managing director of LCP. "Online fulfilment is fundamentally more expensive than in-store fulfilment," he said.

Lockton observed that retailers winning in fulfilment are those that are pioneering. "They recognise that they can't make a front-end promise to the consumer through a tablet and then fail to fulfil that promise at the back end. Things are moving so fast that the IT we need has got to be new but it's got to be flexible too."

After all, living up to the promises made to customers is key to their emotional connection with a brand. "Our customers have very

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Recognising
shopper habits helps
personalise the
journey



SUPPLY CHAIN RIGHT AT THE TOP OF THE BOARDROOM AGENDA

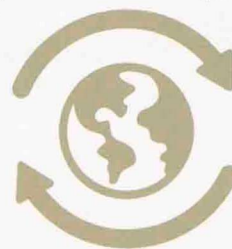
Although obtaining the go ahead for investment can be an uphill struggle, most industry insiders agreed that the argument for investment is getting easier to make. Boards require less persuasion about the need for transition.

One retailer explained that the business recently appointed a supply chain executive for the first time, placing logistics firmly at board level and highlighting the consensus within the firm that the

supply chain is critical to future success.

Another retailer said enlightening the financial director that they were spending £5,000 an hour on staff and other fulfilment elements during Black Friday was enough to convince them to invest in the business infrastructure.

The experience has also had a profound impact on how business decisions are made. "In terms of supply chain, we operate on the adage that if it doesn't work in peak, it doesn't work full stop," he added.



THE OMNICHANNEL JOURNEY IS TAKING LONGER THAN EXPECTED

In 2014 19% of retailers said they were in transition

In 2015 that had risen to 38%

Source: LCP Consulting – The Omni-Channel Journey report

high expectations and it's about how you fulfil those expectations consistently," said one fashion retailer.

Customer loyalty

Investment in technology is fruitless when retailers fail to recognise the behaviour and needs of their specific customers, the assembled retailers agreed. They believed asserting that the type of data being collected needs to be more individual and personal than ever before. "We are building a customer-centric data warehouse as opposed to a market-centric one," a fashion retailer revealed.

Apposite data collection and interpretation can help retailers win consumer loyalty, according to Laura Morroll, managing consultant, LCP. "Key retailers are managing to curate what a shopper sees," she said.

Being able to personalise product presentation online to the behaviour and preferences of an individual shopper can have a positive impact on loyalty, but it needs to be approached carefully, recognising true shopping habits and not picking up on one activity alone, Morroll warned. For example, it may be detrimental to suggest products based on one search made for a gift for a young niece.

Those tasked with making positive business changes were in agreement that the relentless pace of evolution means an ultimate end goal is rarely viable. Therefore ensuring the board is aware that investment is ongoing has become part of their role.

Moreover, whether bringing in stock, warehouse or digital asset management systems, the technology selected needs to be agile and flexible to keep up with consumers' changing expectations.

Shifting from a legacy step-by-step solution to a flexible one has been crucial for slick omnichannel functioning for one retailer.

"We don't want to box ourselves into a predefined operating model," he explained. "We want to be able to flex it and change it, because what we've learnt in the last few years is that things constantly change. We've taken a best-of-breed approach in terms of choosing components that fit that model for us. So our warehousing is best of breed and so is our merchandising solution, our digital platform, and so on."

The result? Regardless of the channel used by the consumer, the retailer has a single view of inventory and product availability, helping it fulfil orders to the customer's exacting requirements. The system can also adapt to future changes, according to the retailer: "It needs to give us flexibility on any new channels, not just what we know now."

In a climate where the one constant retailers can be sure of is change, investment in future-facing technology must be entrenched in the business infrastructure.

Savvy investment in flexible systems, astute partnerships and a commitment to fulfil promises made to consumers will help ensure optimum supply chain operations and a seamless shopping experience.

THE VALUE OF COLLABORATION



While board buy-in is essential for business evolution, so too is enthusiasm from staff at every level and cross-functional working.

One retailer explained that in their organisation no single business function is solely responsible for the customer experience or multichannel operations. "We are all driving that agenda and all coalescing around the same things rather than trying to do our own things," they said. Everyone in the business has a shared focus on data and personalisation.

Collaboration at every step of the supply chain has never been more important, a leading fashion retailer agreed, highlighting the pressures of weekly range refreshes, requiring a robust upstream supply chain and optimum collaboration, particularly for products with a limited lifespan. Delays in products landing could ruin a marketing campaign when a product's shelf life is short, or damage brand reputation.

