Welcome Webinar Attendees

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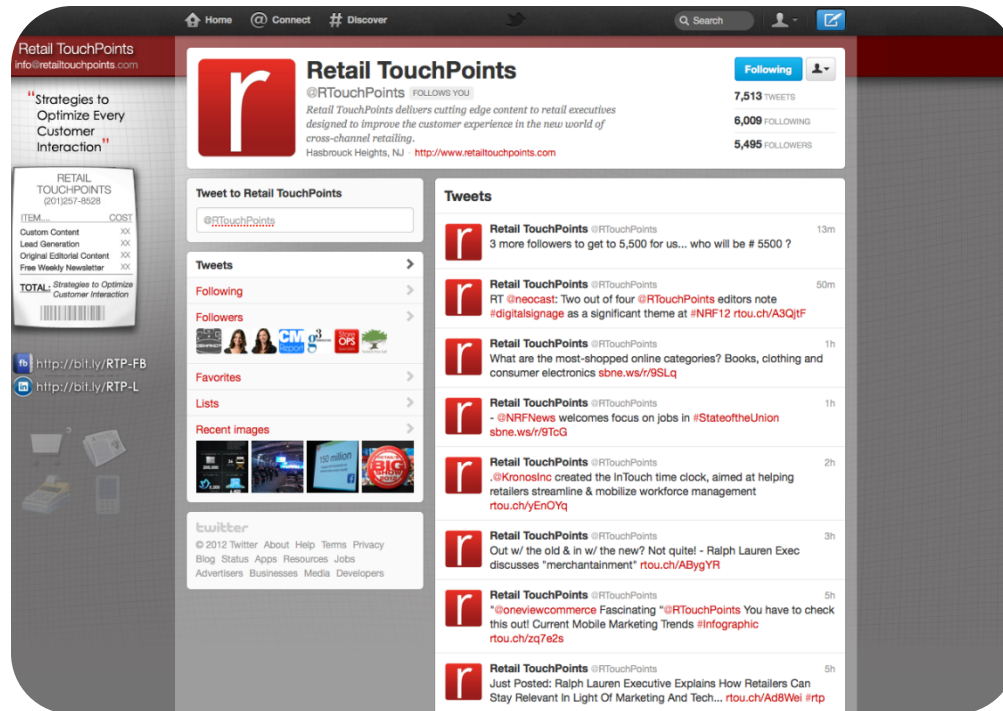
About Retail TouchPoints

✓ Launched in 2007

✓ Over 23,000 subscribers

✓ To provide executives with relevant, insightful content across a variety of digital medium

Free subscription to our weekly newsletter:
WWW.RETAILTOUCHPOINTS.COM/SIGNUP

Panelists

Nikki Baird
Managing Partner
RSR

Adam Rausch
*Solution Director,
Converged Marketing*
NCR

Debbie Hauss
Editor-in-Chief
Retail TouchPoints

#XChannelWeb

Omni-Channel 2012: Cross-Channel Comes of Age

NIKKI BAIRD, MANAGING PARTNER

AUGUST 2012

RSR
Retail Systems Research

Agenda

- **About RSR & the BOOT Methodology**

- **Survey Respondents**

- **Report Goals**

- **Findings**

  - Overview
  - Business Challenges
  - Opportunities
  - Organizational Inhibitors
  - Technology Enablers

- **What Does it All Mean for Retailers?**

What Is RSR?

- **Market Intelligence, focused on retail**

- **Context: the business challenges & opportunities that drive technology investments**

- **Pragmatic insights**

- **Powered by extensive retail experience**

- **Fueled by a deep bed of research data**

- **We help retailers keep their IT strategies aligned with corporate objectives**

- **We help solution providers align their products and messages with retailers' needs**

Our BOOT Methodology

```
Business              Opportunities    ←    Organizational
Challenges    →                              Inhibitors
                          ↑
                     Technology
                      Enablers
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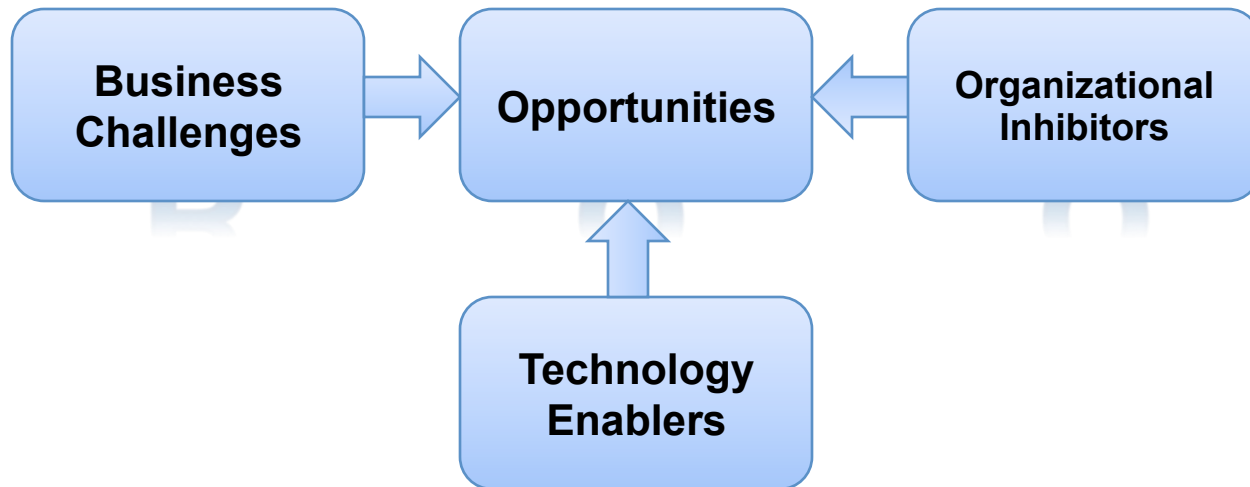
Retail Winners: Year-over-year comparable store sales outperform inflation.

They sell more "stuff" but… they also think and act differently than their competitors.

RSR's 6th Annual Cross-Channel Benchmark

- **Responses received from 66 respondents, March-May 2012**
    - Revenue
        - 15% Small (< $50M / year)
        - 25% Medium ($50M - $999M / year)
        - 33% Lower Tier 1 ($1B-5B / year)
        - 27% Upper Tier 1 (>$5B / year)|
    - Headquarters
        - 68% North America
        - 2% Central/South America
        - 15% AsiaPac
        - 16% EMEA
    - Performance (average 6%)
        - 23% Below average
        - 35% Average
        - 42% Above average

Report Goals

- **Gauge retailers' status in pursuing cross-channel differentiation**

- **What we actually found:**

  - The opportunity for early differentiation – the most profitable shoppers – is on the decline
  - Retailers still struggle to educate certain executives on the importance of omni-channel
  - Retailers want a "single customer interaction platform" but have almost no idea how to get there
  - Retail Winners – as usual – stay focused on the customer, not necessarily on "integrating channels" – the customer leads the way

Overview

The Window Closes

Cross-Channel Shoppers Are "Significantly More Profitable than Single Channel Shoppers"
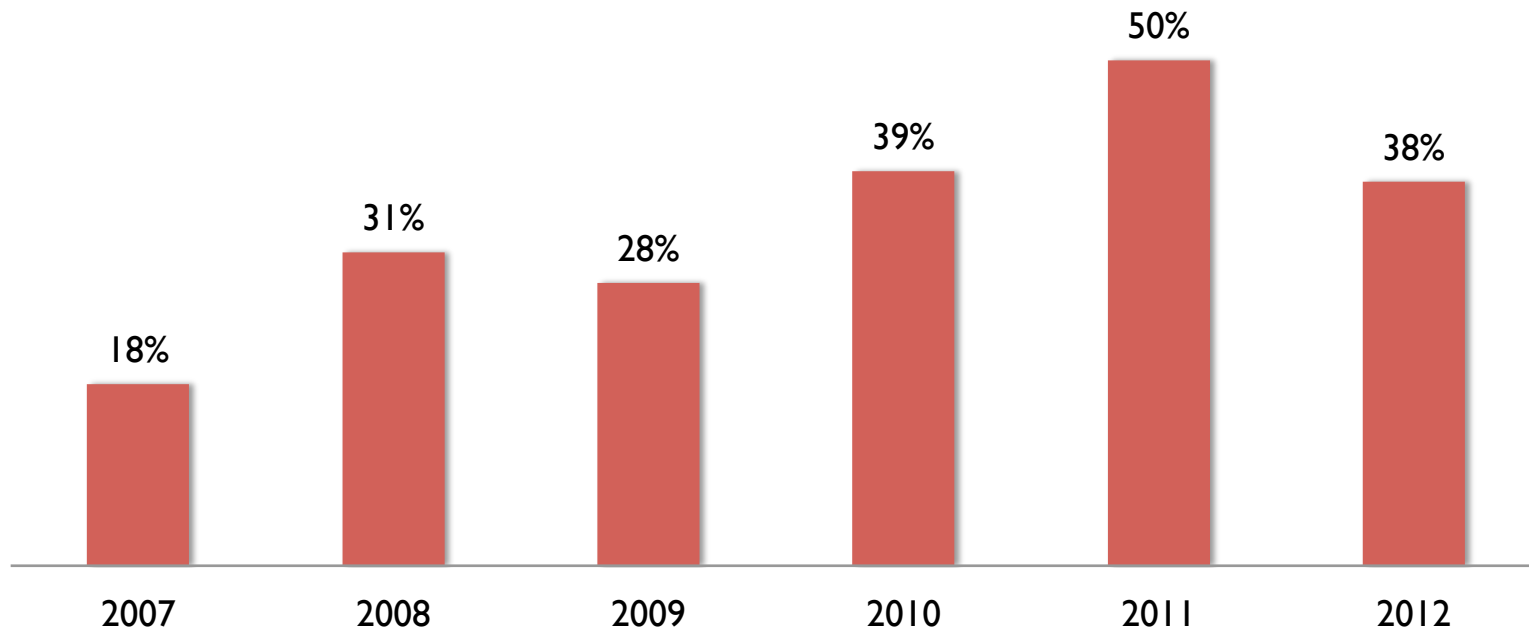
But the Opportunities Aren't Over Yet

Cross-Channel Shoppers Are...

■ Winners ■ Others

Category	Winners	Others
Significantly more profitable than single channel customers	48%	30%
Slightly more profitable than single channel customers	19%	27%
Equally profitable	10%	7%
Less profitable than single channel customers	14%	10%
Don't know/Can't tell	10%	27%

Source, RSR Research, June 2012
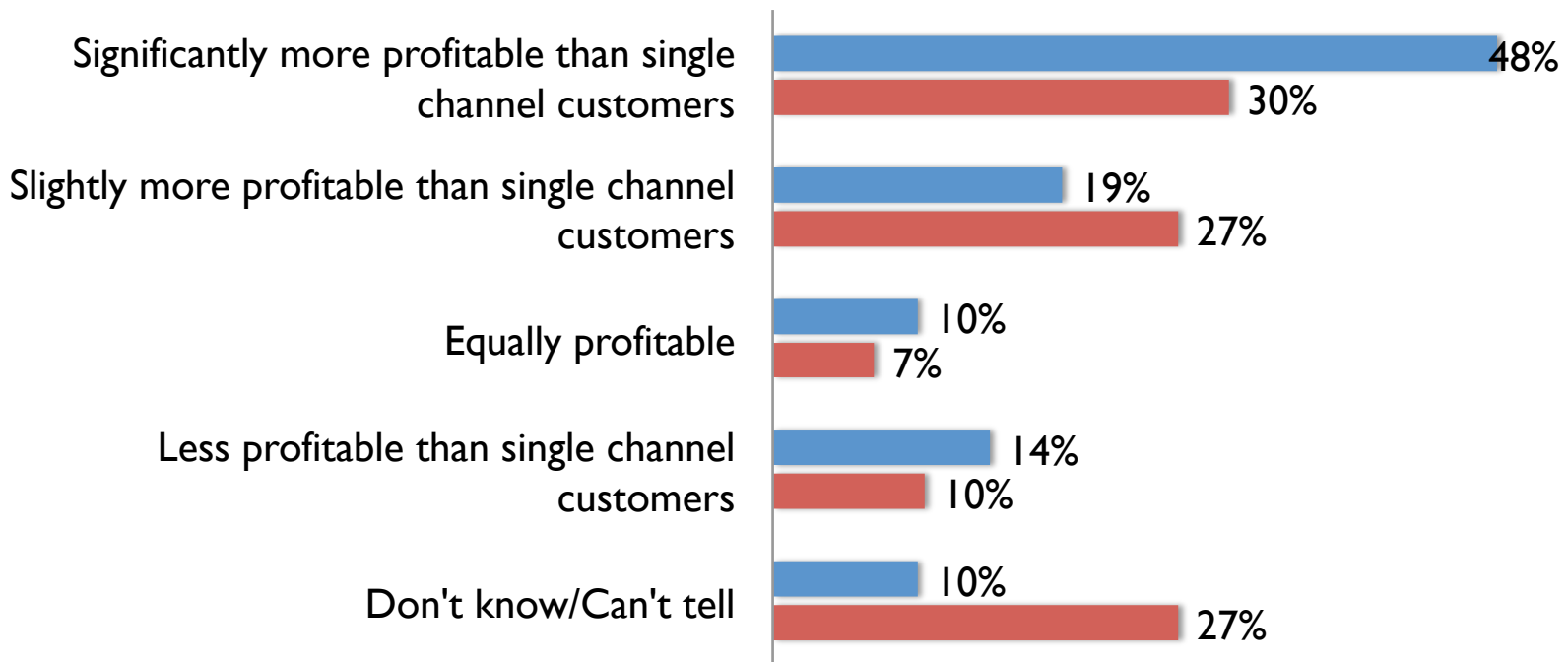
Business Challenges

Business Challenge High Points

- **More and more retailers are reaching an inflection point: the store channel is no longer the "dominant" channel**

- **But it raises difficult questions:**

  - What if the role of the store isn't to sell more stuff?
  - Are there other roles for all channels that don't involve selling more stuff?
  - What exactly are the synergies or relationships between channels – how much influence does one channel have on other channels?

The Fall of the "Dominant Channel"

In Which Channels Do You Operate?

■ 2012 ■ 2011 ■ 2010

Channel	2012	2011	2010
Online/eCommerce	92%	88%	76%
Stores	89%	94%	89%
Social Site	62%	57%	45%
Mobile/mCommerce	51%	51%	24%
Catalog	38%	51%	49%
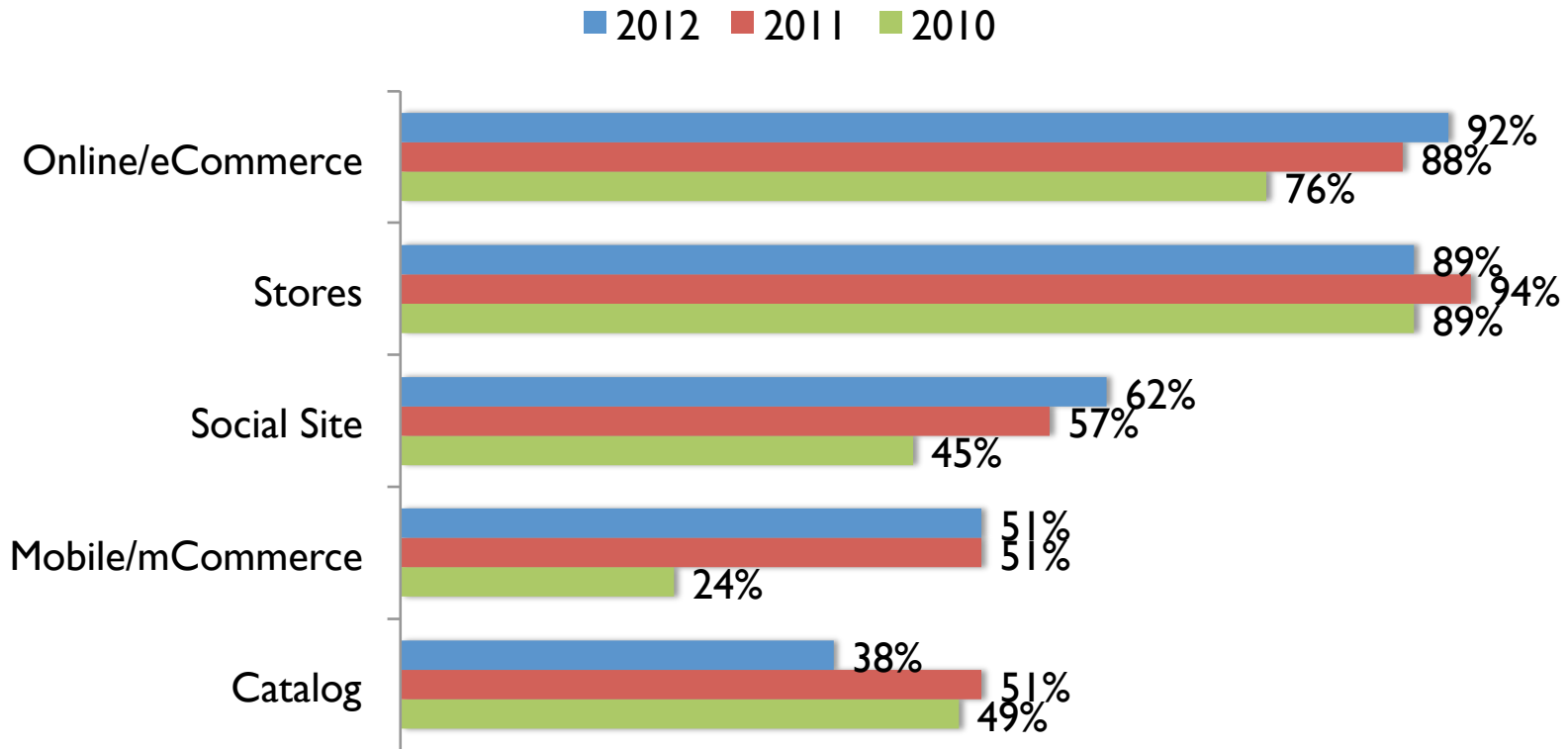
What's the Right Objective?

Digital Channels' Primary Role in Cross-Channel Strategy

Legend: ■ Winners ■ Others

Objective	Winners	Others
Commerce- "to sell stuff"	43%	27%
To drive traffic to stores	14%	20%
To encourage the consumer to "buy the lifestyle"	14%	17%
To provide the consumer "everything you need to know to buy" products and services	14%	13%
To educate consumers about our company and brand	10%	13%
To help the consumer "build your personalized solution"	5%	10%

Opportunities

Where are the Opportunities?

- **Moved from strategic ("one brand to the customer!") to tactical ("buy anywhere, get it anywhere!")**

  - But a good sign of progress

- **Winners continue to define their roadmap according to the customer's directions**

- **Some things are easier to consolidate than others**

  - The veneer is happening - marketing

  - Digging deeper – like into supply chain – is taking much longer

From Brand Promise to Execution

Cross-Channel Opportunities

- ■ Very Important
- ■ Some Importance
- ■ Little or No Importance

Opportunity	Very Important	Some Importance	Little or No Importance
Allow the customer to purchase, take delivery, or return a product through the channels of their choice	79%	19%	2%
Create a single brand identity across channels	79%	21%	
Improve operational execution across all channels	75%	23%	2%
Leverage customer knowledge and information assets across channels	73%	22%	4%
Allow inventory allocated for one channel to be used for another channel's fulfillment	67%	24%	9%
Leverage product knowledge and information assets across channels	66%	30%	4%
Use the digital channels to provide rich content about our products and services	64%	32%	4%
Use the digital channels to drive traffic to stores	54%	35%	11%
Use the digital channels to build a sense of "community" around our Brand	52%	43%	4%

Poll #1

What is the most important goal in your quest to become a better omnichannel retailer?

Customer vs. Product

Cross-Channel Opportunities "Very Important"

■ Winners   ■ Others

- Create a single brand identity across channels — Winners 85%, Others 74%
- Leverage customer knowledge and information assets across channels — Winners 79%, Others 69%
- Use the digital channels to provide rich content about our products and services — Winners 74%, Others 57%
- Use the digital channels to build a sense of "community" around our Brand — Winners 56%, Others 50%

Cross-Channel Opportunities "Very Important"

■ Winners   ■ Others

- Allow the customer to purchase, take delivery, or return a product through the channels of their choice — Winners 74%, Others 82%
- Improve operational execution across all channels — Winners 70%, Others 79%
- Allow inventory allocated for one channel to be used for another channel's fulfillment — Winners 58%, Others 74%

Consolidation: A Mixed Bag

Cross-Channel Process Consolidation
Importance vs. Progress

■ Very Important   ■ Synchronization Done or In Progress

Process	Very Important	Synchronization Done or In Progress
Customer shopping experience	100%	32%
Loyalty management	70%	35%
Inventory visibility	61%	37%
Fulfillment	59%	30%
Customer segmentation	57%	50%
Store Operations	54%	27%
Digital marketing	54%	40%
Social media marketing	53%	43%
Demand Forecasting	46%	33%
Pricing strategies	46%	48%
Mobile marketing	39%	30%
Procurement/Assortment	39%	36%
Customer call center	35%	25%
Traditional advertising	22%	32%

The Hard Stuff as Leftovers

Cross-Channel Process Consolidation "No Plans"

■ Winners ■ Others

Process	Winners	Others
Inventory visibility	29%	35%
Store Operations	24%	26%
Demand Forecasting	24%	23%
Traditional advertising	24%	22%
Customer call center	18%	32%
Pricing strategies	12%	22%
Mobile marketing	12%	17%
Fulfillment	12%	9%
Customer segmentation	6%	26%
Procurement/Assortment	5%	6%
Loyalty management	0%	26%
Customer shopping experience	0%	13%
Social media marketing	0%	9%
Digital marketing	0%	0%

Organizational Inhibitors

What's Getting in the Way?

- **Single view of the customer still as big a challenge as ever**

- **Less clear what to do about it**

- **Winners turn to customers' priorities to define their own**

- **Which makes this Marketing's shining hour – if the department is positioned to step up and grasp the opportunity**

The Store is No Longer the Biggest Barrier

Organizational Inhibitors

■ 2012 ■ 2011

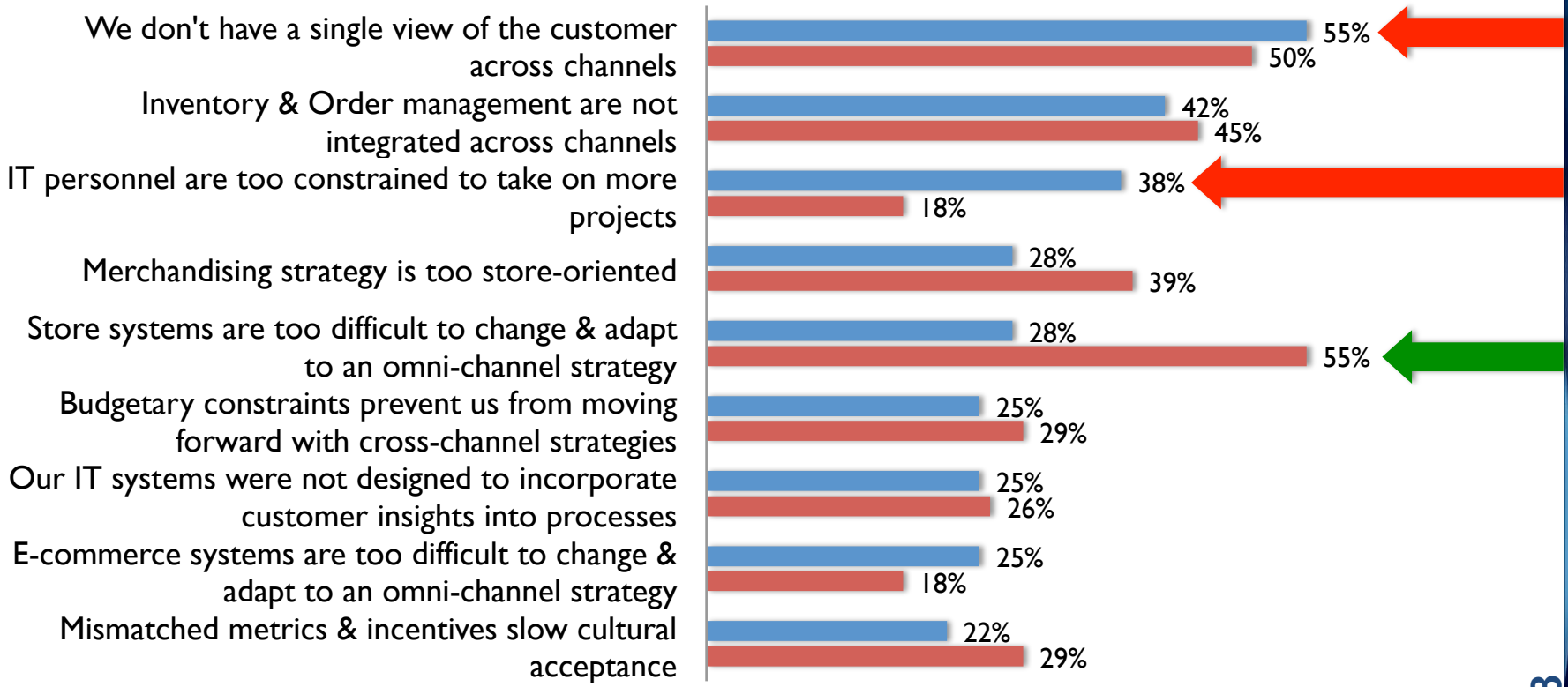| Inhibitor	2012	2011
We don't have a single view of the customer across channels	55%	50%
Inventory & Order management are not integrated across channels	42%	45%
IT personnel are too constrained to take on more projects	38%	18%
Merchandising strategy is too store-oriented	28%	39%
Store systems are too difficult to change & adapt to an omni-channel strategy	28%	55%
Budgetary constraints prevent us from moving forward with cross-channel strategies	25%	29%
Our IT systems were not designed to incorporate customer insights into processes	25%	26%
E-commerce systems are too difficult to change & adapt to an omni-channel strategy	25%	18%
Mismatched metrics & incentives slow cultural acceptance	22%	29%

Poll #2

What would you classify as your greatest barrier in achieving omnichannel success?

retail TouchPoints
STRATEGIES TO OPTIMIZE EVERY CUSTOMER INTERACTION

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Winners Let Customers Drive

**Overcoming Inhibitors
"Very Important"**

■ Winners ■ Others

Category	Winners	Others
Consolidate our customer data across channels	89%	77%
Gaining better insight into cross-channel customer behavior, in order to prioritize	78%	64%
Replace eCommerce systems with modern technology	67%	41%
Integrate inventory & order management across channels	61%	77%
Implementation partners to ease the IT personnel burden	56%	41%
Gaining better insight into cross-channel influences on our business, in order to build a	56%	43%
Improved integration tools	47%	55%
Replace store systems with modern technology	44%	52%
Changing organizational structures to be brand-, rather than channel-specific	44%	45%

Customer — Customer — Customer — Product

Marketing's Moment

Which Organization Should Move Cross-Channel Strategy Forward Internally?
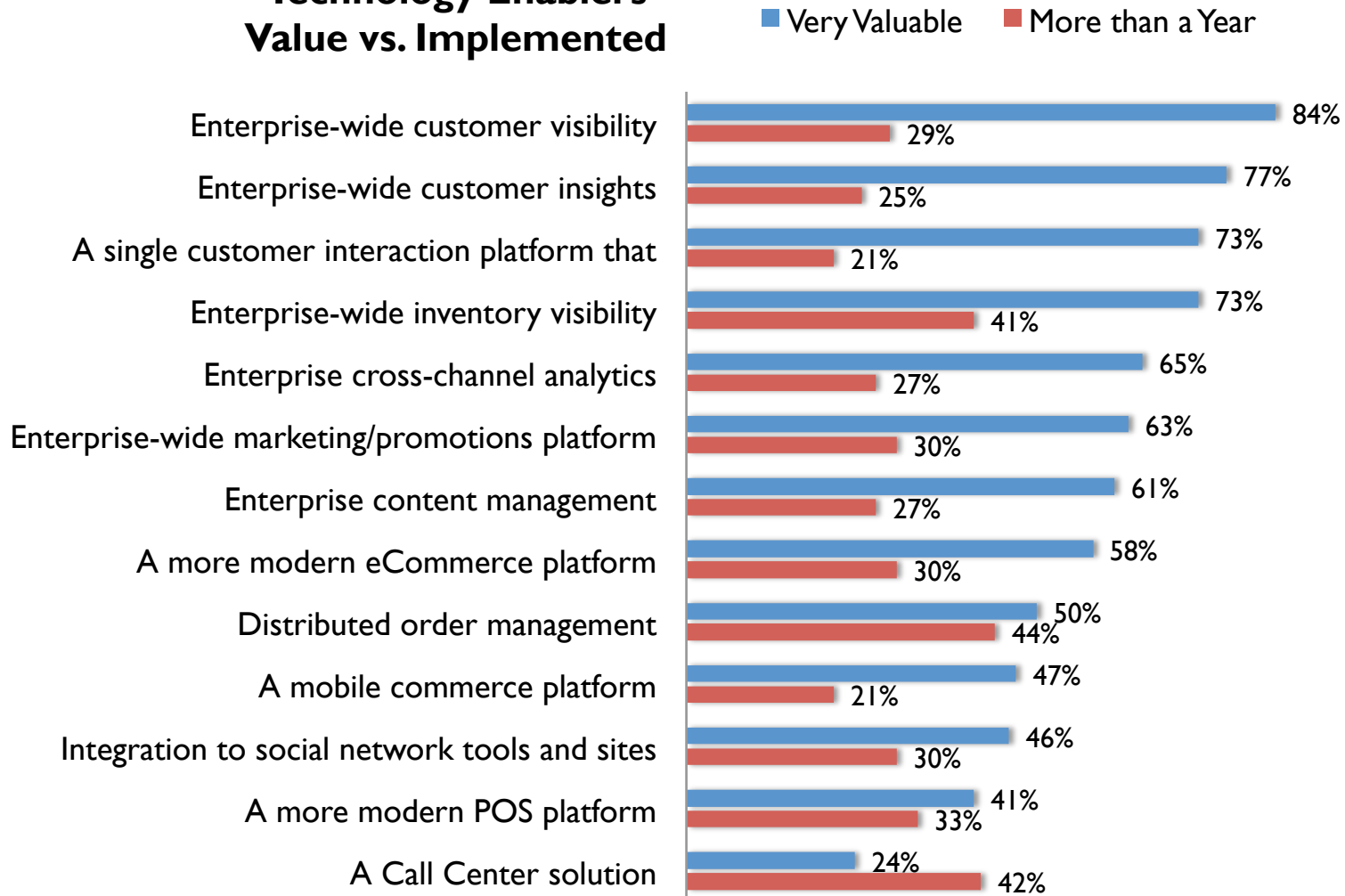**"Lots of Opportunity"**
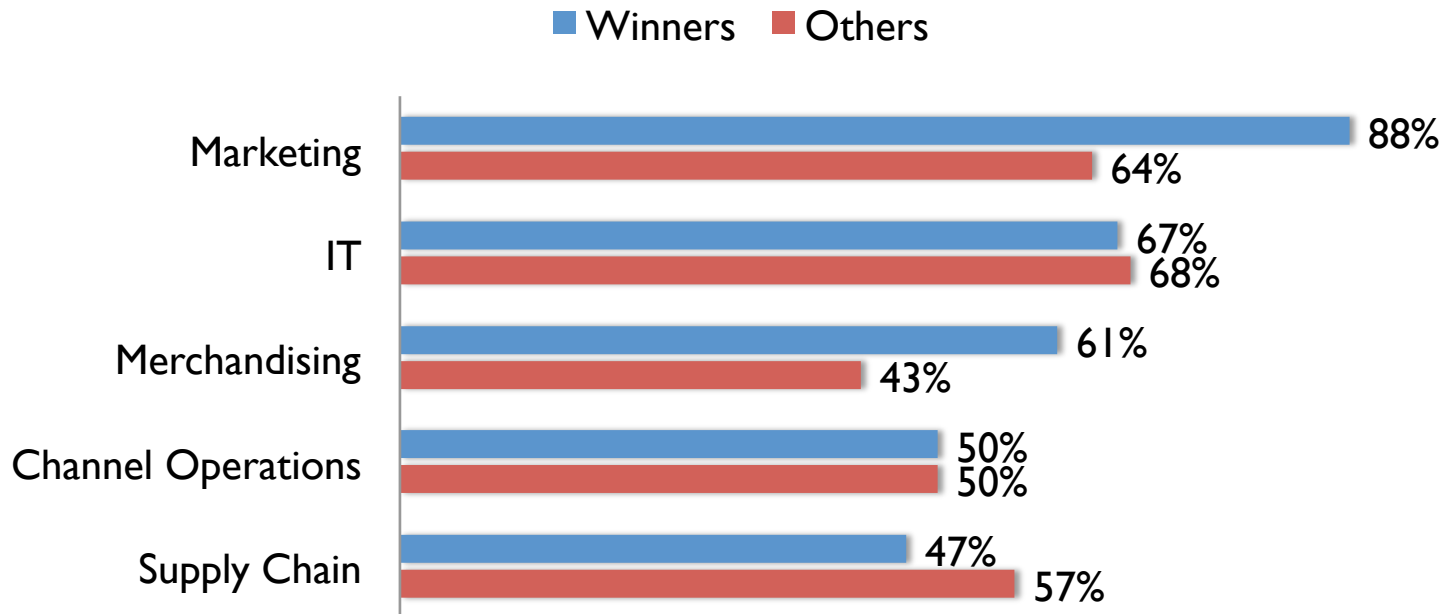
Technology Enablers

Tech Enablers, State of the Union

- **No surprise: single view of the customer is top of the hit list**

- **But biggest desired investment is in "a single customer interaction platform"**

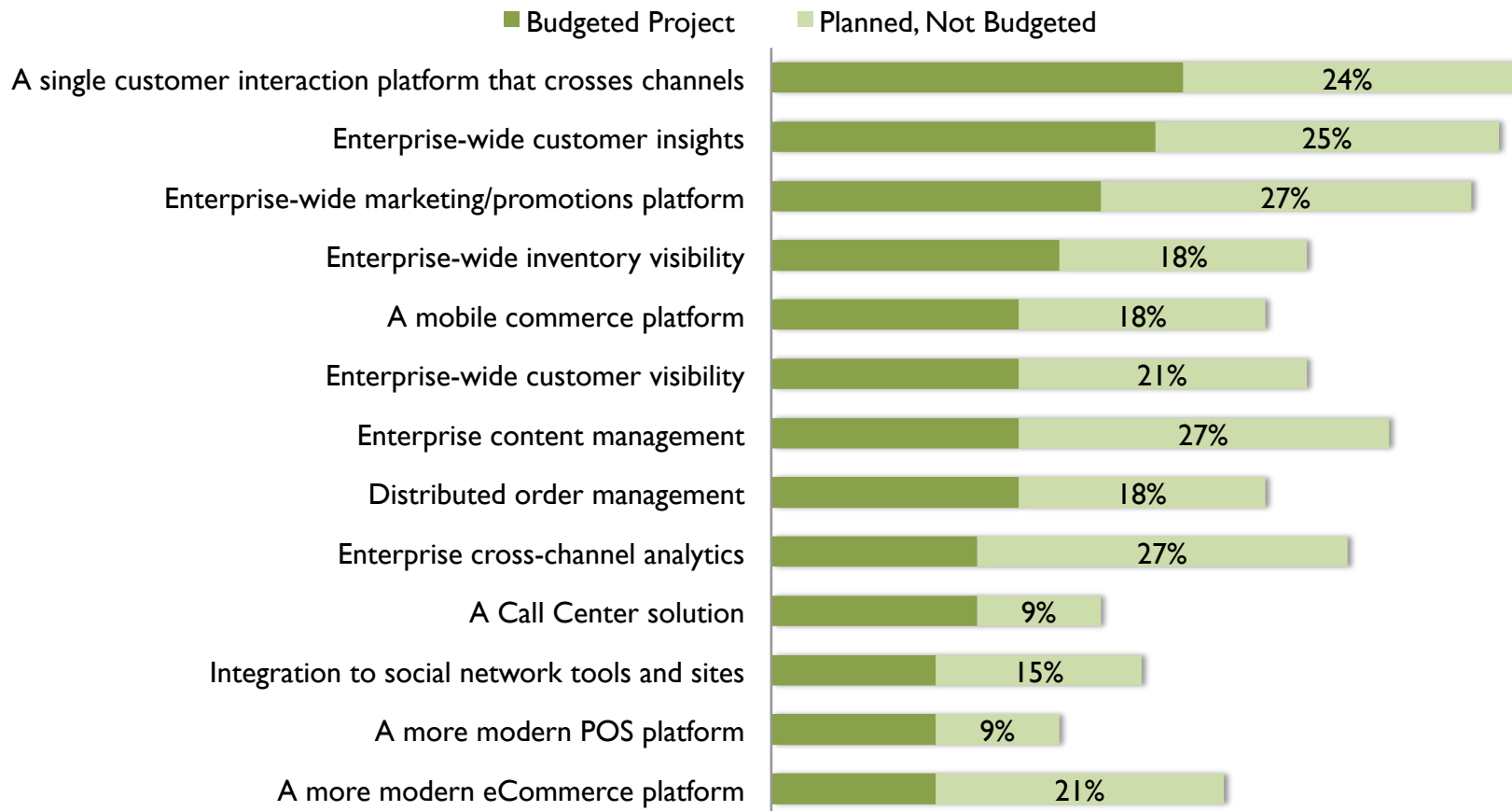 - What is that and wow, how do you buy it?

Still Big Gaps

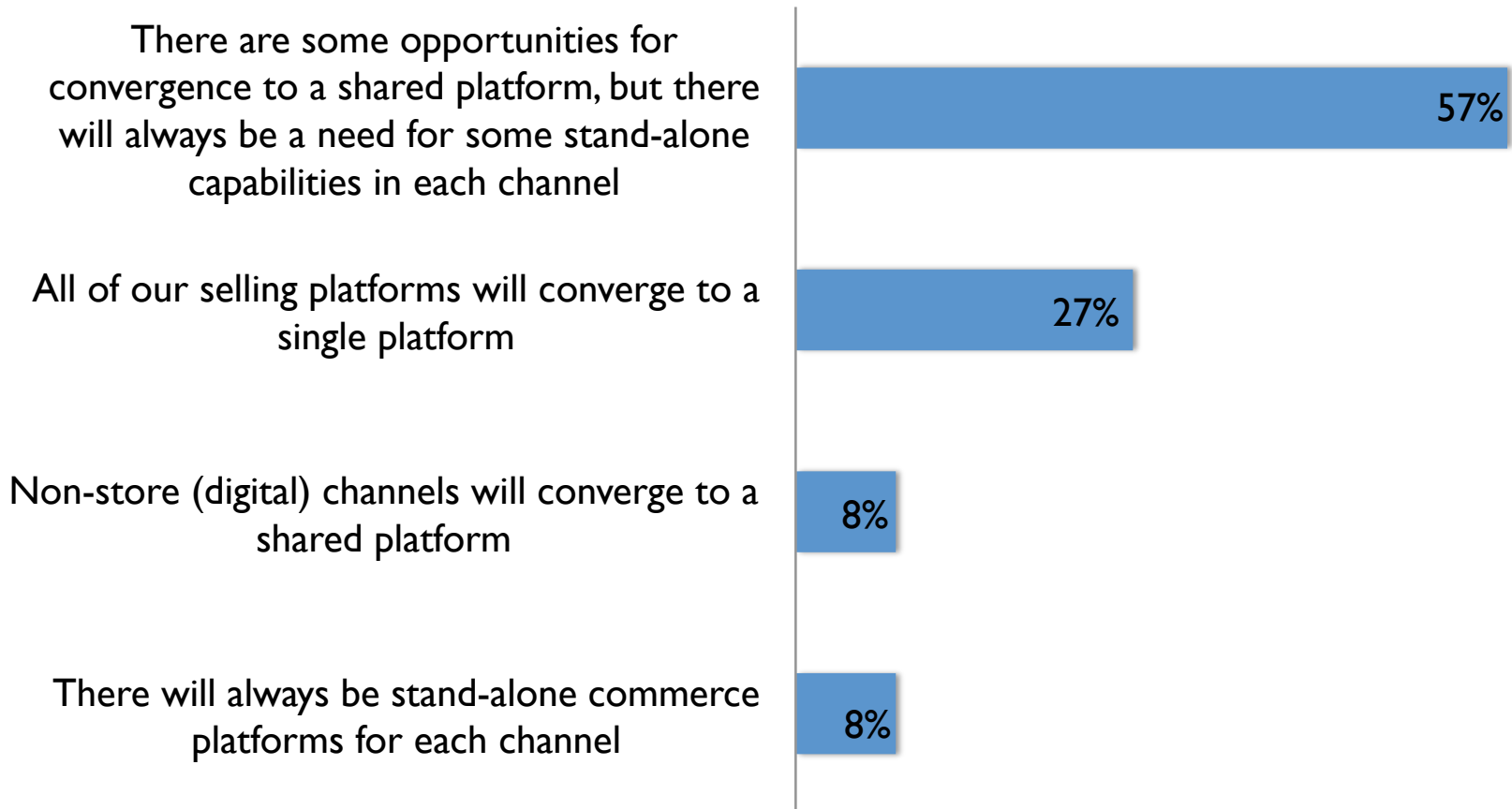**Technology Enablers Value vs. Implemented**

- Very Valuable
- More than a Year

Technology Enabler	Very Valuable	More than a Year
Enterprise-wide customer visibility	84%	29%
Enterprise-wide customer insights	77%	25%
A single customer interaction platform that	73%	21%
Enterprise-wide inventory visibility	73%	41%
Enterprise cross-channel analytics	65%	27%
Enterprise-wide marketing/promotions platform	63%	30%
Enterprise content management	61%	27%
A more modern eCommerce platform	58%	30%
Distributed order management	50%	44%
A mobile commerce platform	47%	21%
Integration to social network tools and sites	46%	30%
A more modern POS platform	41%	33%
A Call Center solution	24%	42%

Where the Money is Headed

Technology Enablers
Planned Spend

■ Budgeted Project   ■ Planned, Not Budgeted

Technology Enabler	Total
A single customer interaction platform that crosses channels	24%
Enterprise-wide customer insights	25%
Enterprise-wide marketing/promotions platform	27%
Enterprise-wide inventory visibility	18%
A mobile commerce platform	18%
Enterprise-wide customer visibility	21%
Enterprise content management	27%
Distributed order management	18%
Enterprise cross-channel analytics	27%
A Call Center solution	9%
Integration to social network tools and sites	15%
A more modern POS platform	9%
A more modern eCommerce platform	21%

Unicorn Hunting

The Role of Cross-Channel Selling Platforms

There are some opportunities for convergence to a shared platform, but there will always be a need for some stand-alone capabilities in each channel — **57%**

All of our selling platforms will converge to a single platform — **27%**

Non-store (digital) channels will converge to a shared platform — **8%**

There will always be stand-alone commerce platforms for each channel — **8%**

What Does it All Mean for Retailers?

Recommendations

- **Focus on the customer - the rest will follow**

- **Designate a single owner of the customer experience**

  - If "everyone" owns the customer experience, then no one really owns it

- **Think strategically about platforms**

  - Kick your vendors

  - Navel-gaze too: are you getting the most out of what you have?

- **Prioritize the paths to purchase**

- **If IT is overwhelmed, it's time to ask for help**

Thank You!

Nikki Baird:
nbaird@rsrresearch.com
303-683-6613

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C2B – The NEW way of Doing Business

Preference

- Language
- Size
- Age
- Gender
- Favorite Products
- Favorite Services
- Favorite Brands

Presence

- In a mall
- In your store
- At the airport
- Online
- Using a kiosk
- On a mobile device
- At the checkout

Path to C2B

Focus on the consumer, not just on what they buy

Knowing your customers...

Frequent Shopper Segment
Weekly Spend $125 - $175

Knowing your customers...

Customer Stats

DEMOGRAPHIC DATA

Female

30-40

Married, mother of two

PREFERENCE BASED
Clubs – Baby

PREFERENCE DATA

Favorite Departments

Reminders

Department-specific offers
Reminder Opt-ins

INTERACTION CHANNELS

Purchased online

Purchased in-store

Digital Coupon Redemption

Email Opt-in

Location-Based
Multi-channel Offers
Web/ C2C Opt-Ins
Personal Shopper

Classes & Education

Meet Kate

Reaching Kate...

Kate's profile

DEMOGRAPHIC DATA

NAME	Kate
ADDRESS	10 Falcon Street, Dallas, TX
EMAIL	kate@email.com
GENDER	Female
DOB	01/01/1964
CARD#	1234567890
HOME STORE	#1230
SEGMENT	Frequent Shopper
POINT BALANCE	1,751

PREFERENCE DATA

DAILY DEALS	Yes
PET CLUB	Yes
BABY CLUB	Yes
WINE CLUB	No
PHOTO CLUB	No
DEPARTMENTS	Fresh Foods Photo Organic

Applied preferences

LANGUAGE	English
CONTACT	Mobile
RECEIPT TYPE	Digital
SSCO	Theme: Mother
	Volume: 0
	Pick list: Yes
NOTIFY	Yes/Mobile

Reaching Kate...

Near store

In store

- **Mobile Offer: 20% Off Fresh Deli Plate**
- **Announcement of new organic baby foods coming to her store**

- **Self-checkout with Pick List functionality**

Case studies

Challenges	Results of c-tailing

Customer: Fortune 500 U.S. Retailer

- Limited ability for marketing at POS
- Past loyalty efforts via website and email only
- Disconnect between web and store

- Personalized customer experience delivered across multiple channels
- Approximately *44 million* enrolled members
- Members' baskets are *40% larger* than those of non-members

Customer: Leading U.S. Convenience Chain

- High costs to develop promotions
- Data integrity issues due to age and customizations
- Offers were not Scalable or Real-Time

- Consolidated rewards program across POS, kiosk, fuel and web
- Member's can participate in over a dozen points-based clubs for customized rewards
- Single view of the Customer – with over *11 million* members (card and alternate IDs)

Customer: Leading U.S. Grocer

- Unable to validate customized combo offers (losing profits)
- Sought solution to manage fuel based rewards program

- Used for in-lane promotion validation (averaging *300* active offers, for over *75,000* households)
- Increased flexibility in the creation of offers across multiple channels – POS, self-checkout, fuel, web

To Connect… you must Converge

Preferences

- Language
- Desired contact method
- Profiles & IDs
- Favorites
- Receipt Delivery

Presence

- Omni-channel Experience
- Real-Time Offers
- Scheduling
- Loyalty
- Guided Selling

Fuel
C2C
Social networks
Email
Mobile
Web
Kiosk
Self-Checkout
POS

Poll #3

If all your customer touchpoints were integrated, what would you classify as your biggest win?

Current Structure: Siloed Approach

Store

Self-checkout   Point-of-sale

Kiosk

eCommerce

Web   Email   Mobile

Omnichannel is the road ahead

Omnichannel   **Multi-channel**   **Converged Channel**

Consumer Expectations have changed...

Available Technology has changed...

Retailers MUST evolve

Making it Possible

Omnichannel is the road ahead

Five Steps to Omnichannel

1. Assess your Inventory

2. Get buy-in from Functional Areas

3. Make the Connections

4. Aim & Engage

5. Evolve the Relationship

Make the connection

OWN
the customer experience!

Q&A // Submit Your Questions

Panelists

Nikki Baird
Managing Partner
RSR

Adam Rausch
*Solution Director,
Converged Marketing*
NCR

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You can download this presentation at:

http://rtou.ch/omnichannel