Top retailers at channel crossroads

Even the world's leading retailers are still feeling their way when it comes to cross-channel operations, reveals research seen by *Marketing Week*. **Lucy Fisher** reports

The very foundations of retailing are being shaken as consumers demand service via an increasing array of channels. But it seems that many businesses are dragging their feet when it comes to making the necessary changes to serve these customers or they simply don't know where to start, according to research by consultancy Ebeltoft Group, seen by *Marketing Week*.

The retailers that are best at connecting sales channels by country are Debenhams in the UK, Walmart in the US and electricals retailer Suning in China, judged by all the ways consumers can access and interact with them (see Methodology, page 20).

The research analyses 144 retailers across 17 countries, including China, the US and European states, measuring features such as whether brands use click and collect, sell via smartphone or have in-store kiosks where consumers can order additional items. The study looks at department stores, DIY retailers, fashion shops and electricals retailers.

Despite good feedback for Debenhams, department stores do poorly when it comes to having floor staff know about their particular retailer's website, scoring only 24 per cent on this measure. Meanwhile, they only score 39 per cent when it comes to promoting in-store events on their pages online.

It is all very well being able to communicate and sell to consumers in a variety of ways but retailers must look to be cross-channel, rather than simply multi-channel, to make things easier for customers, according to Monica Lucas, president and research director at Ebeltoft UK member Pragma.

"Multi-channel is yesterday's news," she says. "Cross-channel is about integrating channels so that, for the customer, it's seamless. You can buy in one store; return in another; use mobile – wherever you are, you can access the brand."

Brands are picking up on this, with fashion

Forward looking: Oasis staff are armed with iPads to help customers with stock queries

retailer Oasis now using the term cross-channel instead of multi-channel in job descriptions and M&S elevating the responsibility to board level, hiring Laura Wade-Gery as executive director of multichannel ecommerce last July.

However, cross-channel skills among speciality fashion retailers lag behind other categories in the study despite the fact that "among department stores, apparel and shoe categories are the very ones to have benefited most from more advanced cross-channel capabilities", according to the report. Fashion shops overall score 35 per cent when it comes to buying online and collecting in store, but do better when it comes to gift voucher redemption, scoring 48 per cent for being able to use them both online and offline.

Oasis, one of the more forward-thinking fashion brands in terms of cross-channel, has armed its frontline sales staff with iPads and enabled super-fast delivery in key cities (see The Frontline, right). The inventory system has been integrated to create a single stock pool and customers can request different sizes, colours or styles and even use mobile technology to pay in the changing room, bypassing queues.

C&A in Brazil has been experimenting with digital readers on clothes hangers that display how many items of a particular design have been sold online. While it is known that people love ratings and reviews, knowing how many consumers bought a certain item online might not be such a game-changer in-store. ▶

the**frontline**

WE ASK MARKETERS ON THE FRONTLINE WHETHER OUR 'TRENDS' RESEARCH MATCHES THEIR EXPERIENCE ON THE GROUND

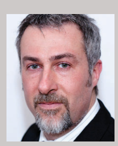
Bob Darke
Chief executive officer
Comet

The fact that Walmart comes out as the leading brand is not a surprise. It is strong on customer loyalty and it focuses on geography – that's how you have to think about cross-channel or omni-channel. The stores are only part of the answer to how you serve your customers.

I'd be lying if I said we'd properly cracked it. You have to ask: what behaviour do I want and how do I reward and train people? Looking at where customer journeys start and finish and why is the fun bit. Understanding the routes is an important first step.

The pace of movement is increasing because – and this is partly why the US and the UK are at the forefront – the margin for effort in retail is getting slimmer. We don't live in the era of non-inflationary growth any more.

Retail space is expensive in the UK and we're asking whether we need the space. We implemented a virtual warehouse in terms of stock availability and all the range is available to all stores all the time. It's about accessing the supply chain in a seamless way. Some of changes you can do in small steps but some of it, like making the supply chain more nimble, is hugely complicated.



Simon Holder
Multichannel development director
Wickes

Cross-channel is one of our biggest challenges. Making it seamless is what we're striving for. We have what we call 'catchment area managers' as opposed to 'store managers'. They get all the sales in a particular geography, whether or not these were made in-store. This means that online, catalogues and mobile are not viewed as competitors. We want store staff to talk about the internet and to see it as a benefit.

Legacy infrastructure is a massive issue. We've spent the past few years concentrating on this. I've got a five-year plan to tackle this challenge, with a phased, modular approach.

There are a lot of trials going on that expect the customer to have sufficient knowledge or confidence to interact with digital technology. I think it should be about in-store colleagues using the digital stuff to support better service rather than self-help-style solutions. And I don't agree that retailers are always behind their customers – customers are being driven by retailers too. Take click and collect – customers love it, but it wasn't their idea.

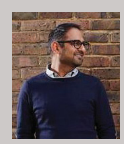
Retailers' approaches to cross-channel are fragmented because the opportunity presented by digital is enormous and can be overwhelming. Not every idea will work in every sector, so focus on ideas that enhance the customer experience. Don't do it because you think you ought to.

Andrew Layton
Manager, omni-channel development
John Lewis

The UK and US are among the most developed markets for retail, so it makes sense that these countries are leading the way in omni-channel retail. I'd say that the global industry as a whole is still at the beginning of the journey.

Retailers are looking at how they can grow sales in omni-channel shopping; the next step will be a shift to increasing profit. If the industry can develop a model with proven profitability we'll see more businesses adopting the approach.

Unlike furniture or fashion, where products differ widely from retailer to retailer, many outlets offer the same branded electrical goods as their competitors so price becomes the key differentiator. Customers are using a cross-channel approach to make sure they get the best price. They may research prices online initially, visit the shop to check on design specification, then use mobile when in the shop to ensure they're not missing out on a better deal elsewhere. We want to enable this, which is one of the reasons we introduced Wi-Fi in our shops.



Hash Ladha
Deputy managing director
Oasis

I agree that cross-channel is poorly understood. Senior management don't need to understand it in detail but they do need to empower those who do and those who are managing it. Our store teams get it. They weren't surprised to be given the iPads. In fact, it seemed more a case of 'why did it take so long?'

The pilot was about looking at what it means from the customer perspective. Retailers aren't getting their strategies spot-on. We've made some great innovations such as 90-minute delivery, but it's a race. Keep up or stay ahead, but focus on the customer over and above trying to stay ahead.

It is important to choose what's relevant to your sector. There are lots of sectors that fashion brands can learn from. Gaming companies are good at cross-channel. Fashion brands are good at presenting content beautifully. It's about creating an amazing customer experience for each channel and making it seamless. Delight your customers however they choose to interact with your brand.

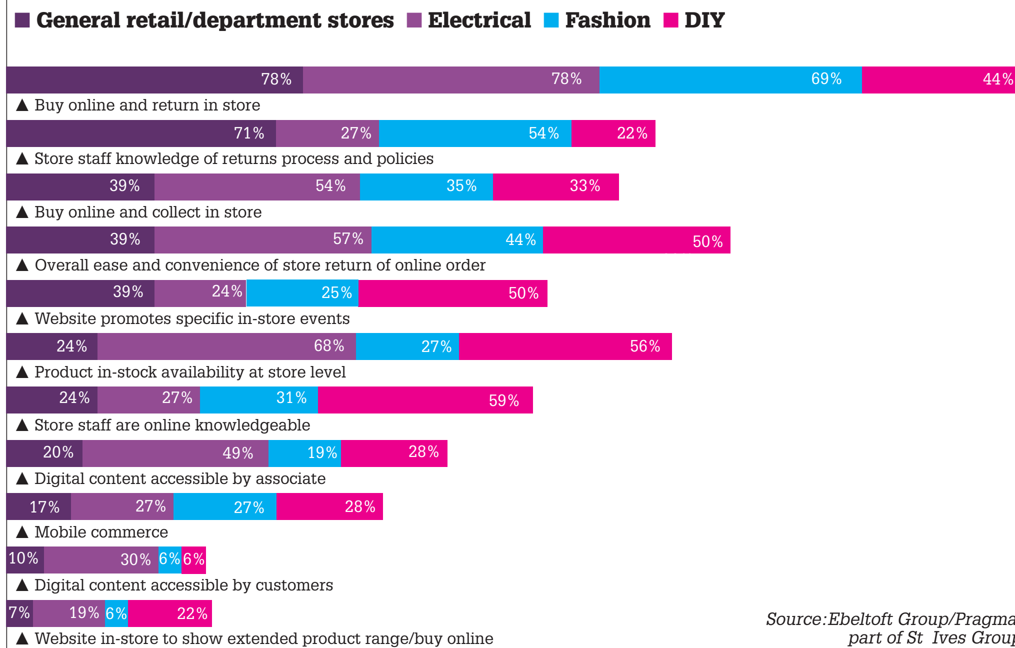
The biggest challenge is internal barriers – most retailers haven't got their heads around this. There is a need for teams that can work across channels to avoid inconsistency. This can mean huge upheaval. When we set up a single inventory across all channels in October 2011, it was the single biggest infrastructure change Oasis had ever made.

methodology

Leading retailers in 17 countries were chosen in four categories – DIY, electricals, fashion and general retail/department stores. Analysis of the data included a weighted scoring scheme that applied to five core cross-channel areas:

- Consistency of services: across private label credit cards, loyalty programmes, gift cards and so on.
- Research online, purchase offline: store-level stock availability and other capabilities to drive traffic to stores, such as store-only coupons.
- Click and collect, and returns: including store staff knowledge.
- Connected store: alignment of the store with other channels such as the website; efficient use of the POS system and tablets.
- Social-local mobile: the use of m-commerce, and the likes of Facebook for customer care and geolocalisation.

Cross-channel capabilities of global retailers, by sector



Source: Ebeltoft Group/Pragma, part of St Ives Group

6% of fashion retailers use websites in-store to show their extended product range

17% of general retailers/department stores provide opportunities for mobile commerce

24% of electrical goods retailers use their websites to provide information on in-store events

Oasis of innovation: The fashion retailer has a cross-media stock line and customers can pay for goods in the changing room via their mobile

It seems that electrical goods retailers are winning the race to ensure their brands are visible and usable across channels. They have had to do this due to thin margins and a move by consumers towards buying these goods through online-only shops such as Amazon, suggests the report.

The US is the most advanced market in this regard, with electricals shops scoring 90 per cent for their overall cross-channel capabilities, while the UK scores 46 per cent. Comet is ranked top of the electricals retailers here, yet it is an ongoing battle to be consistent online and offline, according to chief executive officer Bob Darke.

"The pace of movement is increasing because – and this is partly why the US and the UK are at the forefront – the margin for effort in retail is getting slimmer," he says. "We don't live in the era of non-inflationary growth any more." (See The Frontline, page 19.)

And, according to Pragma's Lucas, the commercial imperative to be cross-channel has been acknowledged but, hampered by widespread confusion, the present situation is something of a landgrab. "Everybody feels they must do it, but nobody knows the value of it – and it costs money," she says.

Ebeltoft suggests that consumer expectations will "continually" be ahead of retailers' capabilities, but this is no reason to be despondent. Instead, retailers should think about which cross-channel capabilities they need and which they can do without. Very few – if any – will be able to do everything.

Although "foundational" capabilities such as click and collect are becoming standard in the US and the UK, it is in the execution and attention to detail that retailers will be judged by consumers, says Lucas.

Technical experiments

So, many are pioneering innovative approaches while others are taking more of a wait and see approach. "A lot is driven by technological availability, but we need to ask – what do people actually need or want?" she warns. "It's important not to take your management eye off the ball with too many expensive technical experiments."

Smaller or newer businesses may, in fact, have an advantage here over larger or more established retailers, as older brands may have legacy infrastructures or historic silos.

"If you have only a few stores, an online presence and a customer service team on Facebook or on the phone you can tie it all together at less cost and effort," argues Lucas. "It's possible to offer as good a service as a brand with more firepower."

Despite this, it is the more established retailers that top the charts in terms of overall cross-channel capabilities. Walmart was founded in 1962 and Debenhams in 1813.

"Walmart has quietly built digital retailing foundations on a global scale, which should concern most other retailers," the study states, although other retailers may draw some comfort from the fact that the retail behemoth was not necessarily an early adopter – its success lay in the effective execution of cross-channel initiatives, the report suggests.

Moreover, it is often possible to develop cross-channel initiatives by taking small steps as well as huge leaps. At the centre of this, there needs to be clear communication throughout the business, says Lucas.

"Whatever you're doing, communicate – whether that be through in-store signage, pointers on the website or training for staff."

One fact in the debate surrounding cross-channel is clear: it's not going to go away. The increasing penetration of smartphones and tablets is no passing fad.

The modern shopper will continue to use technology and trusted communities to enhance, simplify and customise the shopping journey. Businesses that display a willingness to dance to the customer's tune will engender loyalty and trust – those that don't may watch as customers go elsewhere. ●