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INTRODUC-TION

INTRODUCTION

Due to the advent of the online channels and ongoing digitalization, there are significant changes in the retail industry, including both shopper behavior and retailer strategy. Customers become more demanding since they are more knowledgeable and empowered by technology. Thus, retailers must make a run at the strategy innovation. That is also the reason why the retail industry is always "on the move" and continuously gets its business models reshaped. After the twilight of single-channel, we observed a shift into multi-channel at the "bloom" of the Internet of Thing. Now, the retail industry has turned into the next stage with the latest development so-called **Omni-channel**.

From its first introduction to the marketing world in 2010, Omni-channel has been considered as a promising solution for all the challenges and drawbacks of multiple channels sale. Born with the idea of **customer centricity** and developing towards **centralized data management**, Omni-channel has brought about a complete revolution in the retail industry. Obviously, it is no longer a fleeting trend but now a corollary of the Internet of Things era.

To help you unlock the secret about Omni-channel, which is hardly found even on Google, this "Monster guide" will illustrate how and why Omni-channel becomes the future of the retail industry. We also provide you an insightful guide to succeed in implementing Omni-channel and inspiring success stories of businesses in the Omni-channel world.



I. How Omnichannel Dominates the Future of Retail Industry

1. A Shift from Singlechannel to Multichannel

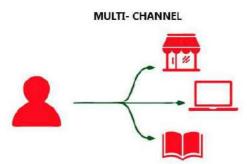


Single-channel is the traditional retail model. It focuses on **one sole channel sale** based on the **single-distribution system**. The retailers own only brick-and-mortar stores (offline) or web-stores (online). Initially, this model achieved a lot of accomplishment because focusing on a single channel might minimize all expenses as well as driving sales growth. Moreover, if a provider dominated a market for their product or service, a single-channel strategy could help them keep that control.

However, one channel sale encountered many limitations as **the age of digital came** and many **more sale channels arose**. Customers expected a **more convenient experience** and used multiple channels as well as multiple devices and platforms. As a result, a single-channel strategy is no longer enough to attract increasingly demanding customers. That put retailers under a pressure of reshaping their business models for fear of lagging behind in the sale-growth race.

At that moment, multi-channel arose as a new retailing approach that could take advantage of the digital age to satisfy customers with whatever channels they chose. This business model quickly dominated the retail industry and continuously developed.

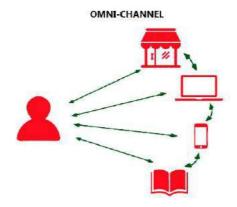
2. A Shift from Multichannel to Omnichannel



Multi-channel is a retail model born with the digital revolution. Retailers adapting this strategy offer customers a choice of ways to purchase their products, via both online and offline channels. Therefore, it's more flexible and convenient for consumers to purchase goods or services, which helps dramatically boost sale. Another advantage of this strategy is that it brings about a 24-hour access to customer, which helps build brand loyalty. Retailers also benefit from multi-channel by improving analytics to understand consumer behaviors since building a personalized customer experience is a must in the digital age.

However, many questions had risen along with the expanding of multi-channel, including how to bring customers a seamless experience across channels and which could help smoothly operate the internal process.

As customers became more demanding, fulfilling their expectation went beyond retailers' infrastructural development. Creating a seamless experience over different channels, while at the same time ensuring the accuracy and efficiency, was almost impossible. For example, retailers found it hard to manage purchases from various channels or struggled with order fulfillment and speedy delivery. Besides, customer service was also a big concern since retailers communicated with shoppers in multiple channels and became confused with data synchronization in separate systems.



Multi-channel adopting retailers also encountered problems related to the internal process. Supply chain must be the first and the most important matter to be mentioned. More channels involved in the distribution system required more available warehouses with higher inventory accuracy, whereas multi-channel strategy lacked inventory visibility and an efficient management over various warehouses. That caused a supply-demand gap that was almost impossible to be closed without a centralized management system. Furthermore, this business model also caused difficulties in measurement analysis when collecting data from separate channels, leading to an inefficient strategy.

As the retail landscape continued to change and multi-channel seemed to reach its limitation, the retail world moved forwards a new phase so-called Omnichannel. This retail model optimizes multiple sales channels while at the same time bringing about a high level of integration among them.

3. WHAT IS OMNICHANNEL RETAIL?

Omni-channel is the retail model in which all existing channels become completely integrated to offer customers a seamless shopping experience. This retail strategy is empowered by centralized data management, which means that the distinctions among channels, both physical and online ones, are blurred. As a result, customers can simultaneously use different channels in their shopping process, starting their search at a channel and finish the purchase in another one. They are given chances to create their own preferable shopping routines, which seems to be more attractive to a new generation of consumers in the 21st century. It's noteworthy that Omni-channel approach can be adopted simultaneously in sales channels, inventory management, and marketing strategy.

OMNICHANNEL AN EXTENSION OF MULTICHANNEL OR A NEW CONCEPT?

Even though there's opinion saying that omni-channel seems to be an extension of multi-channel, the two strategies are very distinct and separate retail models. Using multi-channels, retailers adopt as many channels as possible but manage them separately. Meanwhile, Omni-channel provides retailers a wholly centralized data management towards a synchronization of existing channels. Therefore, it brings shoppers a seamless shopping experience when blurring all boundaries among channels. Besides, Multi-channel strategy is launched for the sake of retailers, so that they can sell as many products as possible. Whereas, customer centricity is the main core of Omni-channel. It means that retailers must "think like customers think" to optimize customer experience. Omni-channel businesses target at long-term shoppers, which means that they focus more on improving customer profitability instead of only sales growth.

Needless to say, we are turning into a new retail world of the Omni-channel culture featured with a new generation of Omni-shoppers and Omni-retailers.

OMNICHANNEL - MONSTER GUIDE WHY OMNI-**CHANNEL IS** A "MUST" IN THE RETAIL WORLD TODAY **MAGESTORE**

II. WHY OMNICHANNEL IS A "MUST" IN THE RETAIL WORLD TODAY

1. FROM CUSTOMER VIEW

THE RISING OF OMNI-SHOPPERS

At the "Internet of Things" era, every retailer is expected to have an online webstore. In the early of 2000s, it was predicted that e-commerce would soon dominate the whole retail market due to the convenience of making a purchase by just some clicks.

However, this scenario is very far, since statistics from Omni-channel Shopping Preferences Study show that:

- o 95% of retail sales belong to brick-and-mortar retailers
- o 61% of shoppers use physical stores
- o Two third of online purchasers use offline stores before and after buying
- o Physical stores boost online revenue.

These figures seem to turn retailers to focus more on physical channels, but let's have a look at the chart below:



As shown in this chart, only 7% of customers are online-only shoppers and 20% of them are offline-only customers. This points out a huge number of 73% of customers shopping across channels. It means that nearly $\frac{3}{4}$ of customers are using multiple channels during their shopping journey. However, what they demand now is more than shopping in multiple channels. They expect to experience a near-real-time shopping journey in various channels, which is called Omnichannel. Consequently, these majority of multi-channel customers will be simply converted to Omni-shoppers.

"This points out a huge number of 73% of customers shopping across channels. It means that nearly ¾ of customers are using multiple channels during their shopping journey."

HIGHER CUSTOMER'S EXPECTATION

In the digital century, people can connect each other by a click. Maybe you can see the fun fact that the number of devices now is more than the number of people in your house. It means that modern consumers have plenty of channels to approach your products as well as your competitor's and that's changing the ecommerce rules.

Particularly, good looking e-commerce site is not enough for your business to succeed in this modern world. Moreover, you have to focus on the customer expectations because customers care most about speed and the convenience they gain when shopping at your store (both online and physical ones).

For instance, whether they are searching for a \$10,000 watch or a \$10 toothbrush, they don't care anything but a seamless buying experience. What they expect is meet-need.

If a customer comes to a store and her favorite product is out of stock, she can easily lose her interest in that store. Even in case the staff can quickly check and summon that item from other branches, it will take so long. Imagine that a 90-second red traffic light can drive people crazy, so how long she can stand waiting for that staff? In the end, she expects that her favorite product has to be always in store. Otherwise, within the period of a click, she would like to know how she can get it, where she can go to pick it or when she get it shipped to her house. Similarly, online shoppers expect the same thing. They don't want to see the "unavailable" or "Out-of-stock" tag under their favorite products in the webstore. Besides, according to a survey conducted by Force, 98% of interviewed people believe that purchase, delivery and returns should be accessible through all channels.

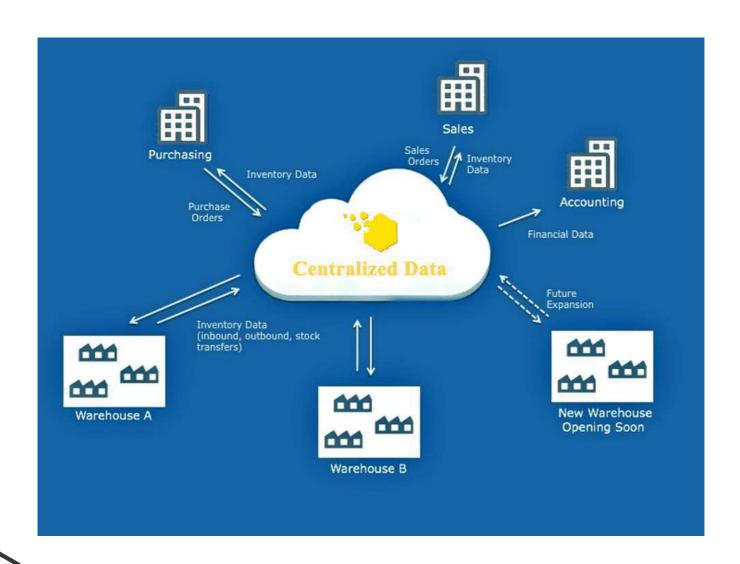
In a nutshell, it indicates that the ongoing digitalization has resulted in a new generation of customers who use different channels and devices during their buying journey. They also express an increasingly higher expectation from retailers, especially a seamless experience rather than just high-quality products or services.

Fortunately, Omnichannel could help retailers debate this issue in an impressive way. It allows shoppers to purchase products on many well-integrated channels to create seamless experience for customers. Thus, business could meet consumer demand.

2. FROM RETAILER VIEW

CROSS-CHANNEL INVENTORY VISIBILITY

Inventory Management is a pain to retailers, especially those who sell across channels. They encounter many challenges when managing multiple warehouses. That is when Omni-channel approach proves to be superior. It evolves to be an end-to-end supply chain management empowered by cross-channel inventory visibility. Basically, an Omni-channel inventory management depends on 4 main factors:



- **Inventory allocation**: It includes allocating the purchases to each warehouse and tracking the shipment. Another powerful ability is to predict the need supply for each channel based on sales history.
- **Purchase management**: It is coherently synchronized with inventory data in all warehouses so that you can automatically manage all the suppliers and purchases through one screen. It helps lessen the risk of out-of-stock situation since retailers are always updated about real-time inventory data.
- **Order Fulfillment**: With the execution of Omni-channel, data from all channels are synchronized. Retailers can easily manage all orders out of their distribution centers, warehouses, manufacturing sites or stores. It also enables consumers to buy items online and pick them up in a store. Omnichannel fulfillment offers a seamless consumer experience regardless of the device or channel people use for shopping or returning items.
- **Real time and overview report**: Omni-channel strategy requires all data to be centralized. It means that retailers can have the real time and overview report of inventory and purchase within a click



BOOST SALES

First, it is easy to understand that omni-channel customers will spend more than single-channel ones, or even online-only shoppers. Online customers are able to compare the price and easily distracted by alternative options, and other things, which leads to a high chance of losing interest. Hence, the cart-abandon situation is a pain point for store owners.

Besides, according to International Council of Shopping Centres (ICSC), 61% of those who purchased online and picked up in store make an additional purchase in-person. In their research, for customers who only shop online before in-store, promotions double the profit. In contrast, for customers who only shop in-stores, online coupons lower the profits by nearly two times. However, noticeably, it is reported that omni-channel customers spend 20% more than multi-channel customers. Multi-channel retailers also have both online and offline platforms. In other words, retailers who are adopting Omnichannel could use online to score offline wins.

A recent survey by HRC Advisory brought home the truth that nearly 75% of respondents found e-commerce transactions were stealing sales from store-fronts.

People think Omni-channel is all about customer experience and continue to look at online and offline as 2 disjoint channels instead of leveraging one to support the other, despite the fact that 2 factors could sustain each other very well.

For instance, Beacon technology helps retailers communicate with customers using an online app. Based on the user's previous shopping behaviour, personal offers are sent to the user when he/she is in the vicinity of a store (special offers are generated based on their shopping history). Thus, companies could reap up-selling, as well as cross-selling again. Furthermore, according to a study by Business Insider, beacon sales drove sales in retail by \$40 billion 2016.

In brief, only a handful of retailers are currently using the technology to drive its huge potential for in-store sales. In a constantly evolving market landscape, those who get their Omnichannel strategy right will lead the Retail- Race. With the help of omni-channel system and tools, all your retailing goals are within your reach.



CUSTOMER SERVICE

Omni-channel can help retailers to overcome multi-channel drawbacks. One of those is customer service. With the former one, customers' feedbacks or requests are scattered among many platforms such as social networks, live chat, email, call center, etc. This will put a huge stress on Customer Service Teams in any companies. Members of Service team always have to think quickly to prevent drawbacks before an angry customer's experience turns into a bad review on the website or social media. However, with the automatic process of customer service in omni-channel tools, all of the work can be done efficiently.

Moreover, omni-channel allows retailers to keep track of customer satisfaction on each product by the synchronization of data. Omnichannel Retail demands a customer-centric view. As a result, customer behavior will be analyzed and synchronized into system based on customer purchase history. Then retailers can work on the plan to create customer quality services by providing good customer supports, detailed and precise information and giving personalized experience. Furthermore, interacting with customers across multi-channel also produces big data which could help your staffs support customers beyond their expectation.

Many studies also reported that omni-channel retailers have much higher retention rate than others. This will ultimately contribute to the revenue growth and cost cut.

OMNICHANNEL MARKETING

One important principle of marketing is ubiquity. However, over time, regardless of your interesting marketing content, customers will soon get bored of your marketing, if it does not satisfy their personal demand. This will be detrimental to your marketing plan if you want to run a huge campaign that reaches to your customers in every channel.

Omni-channel marketing comes up as a brand new generation. It involves the support from technology. The success story in marketing recently is about how to deliver the content that customer needs. Moreover, it needs to be personalized.

Afterall, data centralization is brought up as the key answer for all your retail problems. It can record and process each individual's history via all channels. Along with your strategies, the Omni-channel system can deliver a unique content with the right message to the most effective channel for each customer. It sounds fictional but it is real for any omni-channel retailers.

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HOW TO IMPLEMENT AN OMNICHANNEL STRATEGY FOR MAGENTO RETAILERS?

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III. HOW TO IMPLEMENT AN OMNICHANNEL STRATEGY FOR MAGENTO RETAILERS?

97%

RESPONDENTS IN DEVELOPED

MARKET SAY IT'S IMPORTANT TO

HAVE AN OMNI-CHANNEL

STRATEGY

Research from Consumer Goods Forum -

Monster Guide from MageStore

From the first and second part of this material, we offer you a great deal of precious information about Omnichannel. Particularly, the definition, as well as its benefits, are showed to help readers understand the true value which businesses could obtain from Omnichannel. In this third part, we will show you how to implement an Omnichannel strategy for Magento Retailer.

To help you take the root of the issue, here are some prominent ideas from previous sections.

Basically, the Omni-channel approach aims to enable a seamless personalized customer experience anytime, anywhere on any devices. Therefore, as a retailer, you need to ensure that your business is meeting their expectations and that is also what customers expecting. Luckily, Omni-channel yield has a range of benefits helping you to solve this problem. Particularly, its benefits improve customer insight, strengthen customer loyalty and competitive differentiation; increasing sales, expanding customer base and boosting profit. For instance, according to the research of Consumer Goods Forum in February 2015. they found out that 97% respondents in developed markets say it's important to have an Omni-channel strategy.

Omni-channel approach definitely helps deliver more consistent customer experience across all channels while adoption of more channels will not do. Thus, the right strategy is strongly crucial to see the best results.

To take advantage of Omni-channel as a potential helping tool and to avoid unwanted objection during the process using it, this section includes 3 parts:

- How to Improve Customer Experience with Omnichannel
- How Omni-channel incredibly solves back-end management
- How to keep Omni-channel on track efficiently.

1. HOW TO IMPROVE CUSTOMER EXPERIENCE WITH OMNICHANNEL

Merging Online & Offline Experience In Store

Nowadays, customers expect to receive contextual information while shopping in-store. Thus, businesses decided to leverage mobile phone for real-time in-store communication with customers. A research held by IDC has revealed the fact that 71% of Asian shoppers currently use their devices to look for information of the products they want to purchase.



Since many retailers have already understood their customers' demand, they begin to use beacons to recognize customers when they step into the stores. This machine has the ability to detect nearby smartphones and give the staff information relating those customers. With beacons, advertisement, coupons, and supplementary product information can be transmitted to in-store screens located near to the customer. Besides, retailers could also gain vital customer in-store information to deeply understand the maneuver through the stores.

Besides, there is another effective tool that some retailers recommend – RFID (Radio - frequency Identification Technology). We could take an example of RFID from London's Regen Street opened in 2013. They use (RFID) tags are embedded into products, enabling the customer to view multimedia content via 100 digital mirrors and 500 loudspeakers in the store. When customers hold the item near to the mirror, it suddenly turned into a whole screen displaying information about the product.

DRIVING TRAFFICS TO STORES WITH "ON THE GO" PROMOTION

Predominantly, retailers can take advantage of mobile devices to leverage revenue in-store as we mentioned above. Besides, in case you want to maximize effectiveness, here is the tip you may want to know:

Through customer profile and purchase history gathered from a combination of sources, the retailers are able to send personalized promotional offers to potential consumer. This is what is referred as "on-the-go" promotions: Via a phone or a tablet, incentivized coupons that can be redeemed in store. Moreover, they are also targeted to the location when customer come near the stores. After shoppers enter specific geofencing codes (pre-defined locations), the customer insights database triggers targeted offers. This action could increase the chance of getting the customer to visit the store.

2. HOW OMNICHANNEL INCREDIBLY SOLVES BACK-END MANAGEMENT FOR SELLERS

Increase Inventory Visibility

If your business wants to get the status of multi channel profitability, you should seriously consider integration and automation. At the first glance, you may notice that cross-channel inventory visibility truly unlocks the key of successful Omni-channel.

When you integrate both retail and wholesale channels, or systems and fulfillment centers, you can control your purchase orders, stock counts, sales data, shipping fulfillment information from a single platform.

Moreover, if you are turning into new channels to create more innovative workflows and manage more complex systems, this level of visibility would be significantly important to your organizations. It seems too easy to control and you, obviously, could reach that range of benefits as long as your Omni-channel works successfully.

In addition, Omni-channel visibility allows businesses to go beyond simply compiling data or producing reports.

It provides clear insights to help increase profit margins and accurately predict demand. The situation of being out-of-stock would no longer happen to your warehouses, as well, you do not need to overstock product to avoid the problem above.

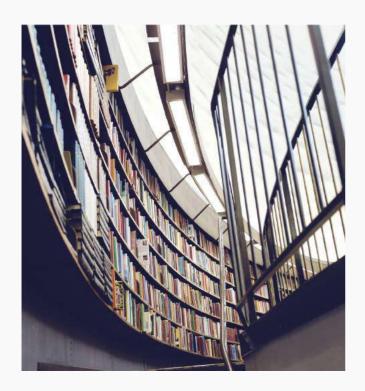
Through centralized omnichannel inventory management, you can lower the amount of the inventory you have on hand while increasing stock available to meet Omnichannel demand.

Automated Operations

Countless retailers, both large and small, are still using outdated tracking methods to manage 2 biggest assets: inventory and cash flow. Thus, this led to the inefficiencies and inconsistencies of these manual. The old system is seriously holding back the Omni-channel potential. If you find a solution for this issue, Automated Operation is a great answer.

Nevertheless, you can boost productivity and stay competitive in a commerce landscape by automating key processes across your multi-channel operations.

In other words, automate operations can support retailers to manage effectively their system. Inventory and cash flow would no longer be a terrible nightmare for business. All the management process becomes incredibly easy as well as efficient.





Omnichannel With Integrated System To Boost Business Growth

Initially, siloed system and inventory may work out for your organization. However, they can quickly become detrimental due to the growth of your multi-channel performance. As a result, it may lead to the problem of disparate systems, as well as inaccurate data. Besides, what's more destructive is the breakdown in crossdepartmental communications.

To solve this problem, retailers must integrate all the critical business technologies into a single operation and analytic platform. Having this centralized control platform will support you to synchronize all the retail and wholesale channels. The issue of improving data accuracy and visibility would be solved without delay.

Eventually, the seamless working of your system is exactly what customers expect from you. Thanks to Omni-channel, that now, retailers can obtain this target easily and quickly.

3. HOW TO KEEP OMNICHANNEL ON TRACK EFFICIENTLY

This problem has so many effective solutions to solve.
However, in the range of this material, we just offer readers 2 prominent ways to make your own Omnichannel work productively as you want it to be.

6 STEPS TO ACHIEVE OMNICHANNEL

In the conference of Magento
Community called "Imagine 2016 Breakout IV", the staffs who came
from i95Dev - an eCommerce
solutions company specializing in
Magento, did have an impressed
presentation about Omnichannel
Success.

They point out 6 steps leading to the efficiency of Omnichannel:

6-STEP TO ACHIEVE OMNI-CHANNEL



Aware of the Need

Actually, integration holds the key to Omnichannel Success. So the very first step people need to do is awaring of the need in order to integrate.

Identify the System

Your business has multiple choices of the system. However, it's crucial to make user experience growing up with the system chosen. Because the integration is limited due to the system you chose.





Set Expectation

Before using Omnichannel, it would be better if you set up the requirements.business should build expectations. For instance, you might involve all the stakeholders concerning in process such as E-Commerce, ERP, Marketing, IT department.

Build & Buy

Your business might answer the question: should you build it or buy it? Build it in-house or ask your e-commerce partner to do this? Or buy an offthe-shelf integration product which can help you with this?





Give due Attention

Business should give due attention to each factor. It's not the problem of overrating one over another element. Instead, people might synchronize to obtain the full value of Omnichannel.

Leverage the Framework

Thhere are 4 steps, in turn, to help you leverage company framework in using Omnichannel: educate staffs the necessity of Omnichannel as well as its own benefits; train them how to use; leverage the strength coming from the unification and then the last step you might take is succeeding in using Omni-channel



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6 STEPS TO ACHIEVE OMNICHANNEL

1. Become Aware of the Need

"Magento is a system cannot exist on its own independence. Actually, integration holds the key to Omnichannel Success. So the very first step people need to do is awaring of the need in order to integrate."

2. Identify the Systems

"Your business has multiple choices of the system. However, it's crucial to make user experience growing up with the system chosen. Because the integration is limited due to the system you chose. Business might consider upgrading the system before integrating if they cannot grow with your Institute"

3. Set Expectations

"Before using Omnichannel, it would be better if you set up the requirements. For examples, identifying the information you want to share across the system or the process you want to automate.

The next section in this step, business should build expectations. For instance, you might involve all the stakeholders concerning in process such as E-Commerce, ERP, Marketing, IT department and so on."

.....

4. Build vs Buy

"Your business might answer the question: should you build it or buy it? Build it in-house or ask your e-commerce partner to do this? Or buy an off-the-shelf integration product which can help you with this?"

5. Give due Attention

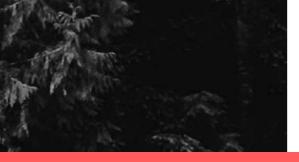
"They strongly claim that the core value of Omni-channel is the integration including:

- o E-commerce
- o Physical Stores
- o ERP
- o Social Media
- o CRM
- o Marketplace

Particularly, Business should give due attention to each factor. It's not the problem of overrating one over another element. Instead, people might synchronize to obtain the full value of Omnichannel"

6. Leverage the Framework

"The expert from i95DV also mention the issue that if retailers want to have a successful Omnichannel, then it's extremely necessary to educate all staffs working for your institute to help them know the importance of using effectively Omnichannel. So, here are 4 steps, in turn, to help you leverage company framework in using Omnichannel: educate staffs the necessity of Omnichannel as well as its own benefits; train them how to use; leverage the strength coming from the unification and then the last step you might take is succeeding in using Omni-channel."



3 KEYS HELPING YOU GET YOUR OMNICHANNEL ON TRACK



Get the analytics fix

The pure meaning of the term "analytics" is the insight on customer's behavior. Customer journey across physical and digital channels needs to be accurately mapped and analyzed to deliver more personalized shopping experience. It helps business target customers with the right Marketing strategy based on where they are at in their buyer's.

Moreover, analytics also helps to identify opportunities for up-selling and cross-selling and in identifying gaps in engagement (it predicts the trend in customer behavior)

Product - Channel sync

The product can reach its highest sale potential only when it leverages the right channel to reach its target market.

A product needs to attract customer visually and showcased on platforms that champion visual creativity. Nevertheless, the good Omni-channel mustn't end there. It must deliver a frictionless shopping experience through a mobile-optimized website.

One important thing to take into consideration is that Omni-channel never recommends giving equal or more prominent to specific channel or channels. It only talks about delivering a seamless and consistent experience across channels

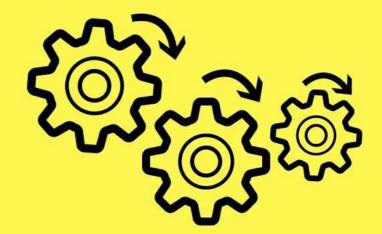
Serving an Omni-channel experience is not enough!
Retailers should think about the seamless performance of each channel. As the result, the product channel sync is crucial and getting it right is significant to make your own Omni-channel strategy work. Besides, retailers also need to ensure that the connectivity across multiple channels should be streamlined.

IT'S NOT ABOUT ONLINE VS OFFLINE LET'S USE ONLINE TO SCORE AND OFFLINE TO WIN INSTEAD

A recent survey by HRC Advisory brought into the truth that nearly 75% respondent found e-commerce transactions were stealing sales from store-front. E-commerce growth rates are surpassing brickand-mortar sales but a good 10 - 15% margin.

Most retailers including Omnichannel strategies failed to strike a balance between in-store and online sales. People think Omnichannel is all about customer experience and continue to look at online and offline as 2 disjoint channels instead of leveraging one to support the other.

Here, we can take the "Beacon technology" for example as a tool supporting companies to reap the up-selling and cross-selling. The way beacons work: Advertisement, coupons, supplementary product information can be transmitted to in-store screens located near to the customer. Besides, retailers could also gain vital customer in-store information too deeply understand the maneuver through the stores.



3 KEYS

To Have Your Omni-Channel On Track

Get the Analytics fix

It helps business target customers with the right Marketing strategy based on where they are at in their buyer's.

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Product - Channel Sync

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Use Online To Score & Offline To Win

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IV

OVERCOMING CHALLENGES WHEN TRANSITING TO OMNI-CHANNEL

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1. TECHNOLOGICAL BARRIERS

Requiring a complete integration of all channels, Omni-channel strategy increases the complexity of managing the operations and the supply chain. To satisfy customers' expectation, retailers must have an advanced warehouse management system to track inventory in all repositories in real time. Besides, speedy delivery is also expected to be smoothly performed. However, when a business transits to Omni-channel, the technological infrastructure of previous model can't ensure an inventory accuracy and order management across all channels, properly leading to a failure in Omnichannel execution.

To deal with these technological barriers, retailers need to prioritize improving an inventory management strategy that provides them with inventory visibility. Along with that, order management is also important to get more focus so that no order is unfulfilled. Some software and technologies are available to ease the retailers' burden of supply chain.

It's noteworthy that technological upgrades require retailers invest a lot. As the decision to transit to Omnichannel depends a lot on investing in integrated technologies, many retailers are hesitant to make a change. In that case, however, retailers can still execute Omni-channel without the need of a huge amount of capital. They can run some pilot of Omni-channel execution in a trial location to see whether this strategy fit their business before upscaling it. Besides, in case of limited capital, optimizing inventory management is always the priority, before considering other components like order fulfillment, purchase management or marketing.

"Optimizing inventory management is always the priority, before considering other components like order fulfillment, purchase management or marketing."

2. SYNCHRONIZATION OF DATA IN THE INTEGRATION PROCESS

As mentioned above, the key of Omnichannel is the integration of these following things:

- Sales Channel
- ERP
- CRM
- Social Media
- Market

"Transiting to Omnichannel leads to a huge data transformation." Therefore, transiting to Omnichannel leads to a huge data transformation. In that situation, the challenge is how to synchronize all the data across channels in a faultless way without losing any information. It is a must to help the system to perform smoothly with completely integrated information from multiple channels.

To deal with this challenge, a well-planned strategy is an ultimate solution. Here is a suggested strategy, enterprise data management (EDM) strategy. It targets to build data-centric organization. EDM cohesively joins the key building blocks of data management into one holistic view.



- Data Quality Management KPIs, data records rules, metrics, monitoring tools
- Metadata Strategy metadata types, data streams, business data dictionaries
- Governance roles, and responsibilities, change management processes, policies and procedures
- Data Analytics dashboard, automated reporting, shaping
- Data architecture data modeling, data storage, ETL tools (Extract, Transform, Load)
- Architecture Technology infrastructure and process systems, commodity hardware, large data platforms
- Training / Education users, data management, operations, customers, managers
- Data operations data lifecycle, data control

To simplify, it's a strategy in which data is divided into categories including interconnected kinds of information. When transforming data, people manage all data under each category, which makes it easy for managers to check whether the information is fully converted or partially missing.

If a data transformation is still beyond the retailers' ability, they can contact some omni-channel solution provider companies. There are experts who are experienced in managing database in executing Omni-channel, with privacy completely guaranteed.

3. ENSURING CUSTOMER ENGAGEMENT ACROSS CHANNELS

We all know that customers' loyalty is the key to a business success since returning customers spend 67% more than new ones. Moreover, it's always cheaper to retain an existing consumer than to attract a new one. However, is only satisfaction enough to keep a customer engaged to a company? 60-80% of customers who describe themselves as satisfied do not go back to the business due to a lack of connection. It means that good products or services are not enough to turn a new customer into a long-term one without an engagement strategy. In this everchanging market today, the first and foremost goal is to attract more longhaul partners, not the single-deal ones.

At the age of Multi-channel, retailers adopted a lot of engagement strategies but used single engagement platform. It means that all promotion campaigns were launched separately in each channel. There were campaigns across channels but the number of them was insignificant with relatively low level of integration of all channels.

When transiting from multi-channel retail to Omni-channel retail, a company must change its customer engagement programs since this business model requires a more complicated one.

Obviously, there's no way a customer engagement strategy based on a single view from a channel can ensure the connection between a business with their omni-shoppers.

To successfully nurture the engagement with customers during the Omni-channel execution, combining online and offline channels is not enough for a born-multichannel business. Their first step is to determine the target Omni-shoppers and build a clearly mapped-out buyer journey based on the understanding of customers behavior across channels. The next step is to design and deploy an appropriate strategy, starting with optimizing user experience together with consistent branding and Omni-marketing. Finally, an efficient measurement should be carried out to measure customer-centric KPIs such as customer lifetime value, customer profitability and level of customers engagement. Retailers can also use some reward or redeem programs as incentives to make customers come back.

4. STRUGGLING WITH CHANNEL CONFLICTS

Usually, a multi-channel adopting business evolves from a single-channel origin, leading to a channel getting more focus than the others. It can be a webstore or a brick-and-mortar store which is the very first sales channel. On the other hand, transiting to Omnichannel means that all channels are completely integrated and treated equally. All sales channels, online or offline, are under the same control and distribution system. At the very first phase of Omni-channel execution, infrastructure development of a business often fails to meet the goals and customers' demands. Consequently, channel conflicts arise when inventory becomes limited while goals are incompatible. When attempting to minimize inventory, retailer must consider which channels should get priority of limited inventory, resulting in channel conflicts. When prioritizing one or some channels, retailers may miss orders from the others resulted from a supply-demand gap, which is a "taboo" in the Omni-channel culture.

Proactively addressing channel conflict is obviously a must for retailers when transiting to Omni-channel. By anticipating the customers' demand, retailers keep themselves always one step ahead customer. To predict the customers' need, retailers must be updated with a real-time inventory data and measure the sales growth of each channel based on sales history. Besides, they must constantly search for greater efficiencies, predicting disruption and come up with solutions that generate savings and exploit more opportunities. Moreover, technology is constantly developing, leading to technological solutions that enable retailers access to nearly exact prediction of supply needed. With an advanced inventory management system, some technologies can automatically surmise customers' demand based on inventory visibility and sales history of each channel.

"Proactively addressing channel conflict is obviously a must for retailers when transiting to Omni-channel."

OMNICHANNEL - MONSTER GUIDE MEASURING THE **IMPLEMENTATION** OF OMNICHANNEL **MAGESTORE**

1. The Importance of Adopting New KPIs in Omnichannel Era.

In business, "gut feeling" of the marketer is important. However, it will not help in that digital era because no genius mind can stay conscious with a ton of data across channels in this everchanging market. That is why setting and tracking KPIs is so important.

In an omni-channel business, the case is even more urgent. The company must handle with information from many touchpoints, which are highly integrated with each other. Without linked and systematic KPIs to track, there is no way to understand how the business is going. An increase in online stores' revenue, for example, can be resulted from a catchy promotion in stores.

Typically, in the first stage of omnichannel execution, KPIs are vital for retailers to check whether the strategy fits their businesses, or which are the most effectively invested channels. In addition, without KPIs, misunderstanding can easily happen due to the complexity of customers' behavior and the whole internal procedure.

Obviously, some previously preferred KPIs become outdated because they do not consider the interactive ecosystem of all channels, which can result in wrong traction and decision. For those reasons, tracking KPIs in omni-channel businesses is a more complicated task, which requires a new method of KPIs measurement. As retailers are now empowered by technologies, a new KPIs system with various tools and Omni-channel data centralized management is now a promising efficiency.

2. Discuss the Movement of Tracking KPIs

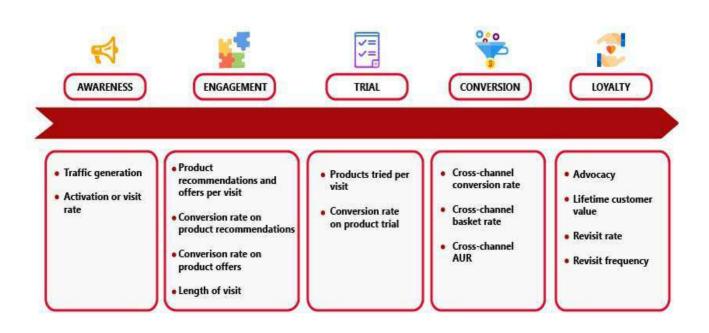
With previous business models, companies were advised to build KPIs focusing on sale-based metrics. These metrics often aligned with the revenue – cost – margin model with corresponsive KPIs such as: monthly revenue, revenue growth, cost of goods sold, cost of acquiring customer, marketing cost, gross margin, etc. However, these transaction records can hardly tell the whole truth about an omni-channel retailer with integrated channels.

For example, Omni-shoppers are unlikely to commit themselves in just one channel in their buying journeys. In other case, the increase in sales of online channels can be resulted from a successful grand opening of a new store in a main street. Similarly, there are many cases that activities of a channel interfere into the transactional records of one another. It can be deviation from returning goods, the inter-influence of cross-channel marketing, or re-allocation of inventory between channels. Moreover, if only final transactional KPIs are taken into consideration, the drivers of customers' decisions during the whole process cannot be explained.

For those reasons above, new KPIs must capture to performance of the business on all channels in interdependent relationship with each other.

3. New KPIs in Omnichannel

As stated above, omni-channel retails' KPIs will track down with the customers' buying process, including: awareness, engagement, conversion and loyalty. Each stage has its own typical KPIs that must be highly focused on. For example, AI Sambar from Managing Partner Retail and Consumer Group suggests the following flow and relavent KPIs.



KPIs in Omnichannel

Awareness:

Typical KPIs for this stage are traffic generator and visit rate. Traffic generator records the numbers of unique visitors to a website, store, social channel, and so on. Visit rate, on the other hand, calculates how many times one unique visitor views those channels in a period of time. At the age of multi-channel approach, these indicators are recorded separately. However, with omni-channel retailers, the rule is a customer can visit and revisit many touchpoints before she or he makes another action.

• Engagement:

There are many indicators that can demonstrate how successful a customer engagement strategy is. As recommended by Al Sambar, some KPIs worth applying are: Product recommendations and offers per visit; Conversion rate on product recommendations; and Length of visit.

First, to attract customers to not only one, but many items in the catalog, suggestions are widely used in today's ecommerce. Length of visit is another simple indicator to reflect the level of involvement a customer expresses to a channel. However, the major factor that omni-channel retailer should strongly focus on is Conversion rate on products recommendations or offers. It shows how suitable and customized the content is to each individual shopper.

One important feature of this indicator is that it can show the conversion rate from a channel to another one. For example, a customer received a discount code for a nice dress after finishing a purchase in a webstore.

However, she doesn't buy it immediately but go to the nearby store to check if it fits her body. If the retailer in this situation is operating multi-channel strategy, that girl will be a completely new customer when going to try the dress on. Conversely, an omni-channel retailer can identify that customer, based on her account. In this situation, conversation rate among channels is well performed.

Conversion:

Some typical KPIs to measure the success of this stage are: Crosschannel conversion rate; Crosschannel basket size; Cross-channel AUR. Conversion rate from vistors to customers is the most common and consistent indicator for any ecommerce business. However, in omnichannel marketing, the stress is on "cross-channel". With this business model, retailers can track what is the real contributors for final purchasing decisions and the pattern of their habit.

• Loyalty:

Advocacy is a KPI showing the satisfaction of customers. This can be scored through ratings of customers via many channels. Lifetime customer value (LTV) is another indicator, showing the total revenue of a customer in his "life time". To simplify, this indicator calculates the sum of all purchases that he can make.

Therefore, higher LTV means that customers re-purchase many times in his life. While Life time value of customers can indicate the loyalty of one customer, Customer retention rate is a KPI showing generally the loyalty of all customers. It is calculated as the ratio of remained customers after a period.

Retention Rate = $((CE-CN)/CS)) \times 100$

CE = number of customers at end of period

CN = number of new customers acquired during period

CS = number of customers at start of period

Retention rate is more than just a simple formula. To have an accurate retention among channels, it needs a solid omni-channel tool and process.

There are other domains of KPIs that an omni-channel business can adopt, including supply chains management, channels performance, other alternative channels, and pricing. The standard KPIs varies according to the businesses' goals and products.

Below are some suggestions.

To sum up, the key differences between KPIs of Omni-channel and other approaches are:

- Customers centricity
- Moving towards qualitative metrics
- Consideration of interdependence of many channels
- Differences across industries.

OMNICHANNEL - MONSTER GUIDE VI **BEST PRACTICES** FOR OMNICHANNEL **MAGESTORE**

BEST PRACTICES FOR OMNICHANNEL



You'd Better Take a Look

"Being part of the omni-channel revolution means having a fully Unified Commerce Platform. User experiences such as Buy Online, Pickup-in-Store (BOPUS) and Try-on-in-Store, Ship-to-Home (TOSSH) are now expected retail experiences. The technology to deliver such experiences is no longer the exclusive domain of the largest retailers. Any merchant can now deliver "the goods" in any way their customers demand, across all channels and devices."

- Magento Imagine 2016 -

So what will be the next step of Omnichannel in the future? Whether it will be only typical customer services or something broader, such as Inventory Management?

Let's see how several global brands delivered these unique experiences—including a feature on best practices at three famous retailers in the world.

CASE STUDY

01

FRAPORT STORE IN GERMANY

02

NIKE

03

MACY'S

1. FRAPORT STORE IN GERMANY



"We were faced with the enormous challenge of transferring our business into the modern digital era. The solution brings a unique result for the travel and shopping industry."

Kai Schmidhuber, Senior Vice President Fraport

INTRODUCTION

Fraport (Fraport AG Frankfurt Airport Services Worldwide) is a German transport company which operates Frankfurt Airport in Frankfurt am Main and holds interests in the operation of several other airports around the world. In 2015, Germany's Frankfurt Airport served 61 million passengers, making it one of Europe's largest travel hubs. (Wikipedia)



Besides, Fraport also develops another service – shopping service, called Fraport Store (or Frankfurt). With over 300 retail outlets, Frankfurt has become the biggest shopping mall in Germany.





FRAPORT OMNICHANNEL STORY



Omni Awareness

Earlier, Frankfurt was just the biggest OFFLINE shopping mall. It could only serve for customers who bought directly at the store. To keep track of technology innovation, in 2013, Fraport opened ONLINE shopping. Despite this change, Frankfurt realized that Online and Offline service still worked separately. Online shopping only fitted with people who did not travel. The one who busily traveled would scarcely use this service, while travelers were potential customers to Frankfurt Stores at airport. Thus, Frankfort began to aim to maximize the commerce potential of its millions of visitors.

"Frankfurt is one of the busiest transit hubs in the world. We see a lot of passengers coming from an international destination and leaving us for another international destination. Those passengers are also very enthusiastic consumers. Take our Vietnamese passengers, for example. They spend eight times more than the average passenger in our terminal."

■ Kai Schimdhuber – SVP of Multichannel at Fraport

To reach their goal, Frankfurt needed to change. This would not be just a renovation but a breakthrough revolution to innovate the way people experienced airports by connecting every aspect of travel from the airplane, to the ticket-counter, to the shopping and beyond. In a nutshell, Frankfurt wanted to go beyond the usual customer demands.

First Step to Omni Revolution

Many people said Frankfurt was a day-dreamer. "Are they only day-dreaming?"
In 2016, Frankfurt has proved the world that Frankfurt was great "day-dreamer" who turned dream into reality. And how Frankfurt could make the miracle? Omni-channel is the ultimate key.

Frankfurt Airport delights its consumers with the omni-channel retail experience: they can buy online from the plane or on their way to the airport, as well as pick-up, ship, or deliver from store to any location within the airport or off-airport.

Unique new omni-channel retail concept simplifies seamless on-and-offline shopping for passengers. Platform cross-links travel information, services, local stores and online shopping.

As a result, omni-channel technique has led Frankfurt to a new "unbelievable" achievement.

Dealing with New-arising Problems

Unfortunately, Fraport had not celebrated their achievement yet, a new serious problem came out – their inventory system were in trouble.

- Fraport's staffs could not handle the quantity of products in all 300 retail outlets. Sometimes, when a product in one store was out-of-stock, customers would be unable to buy that product, which dissatisfied huge numbers of customers. However, other Fraport stores still held many items of this product. Moreover, these stores were in danger of overstock. That was a massive loss. Since then, Fraport's Managers began to think about multi Warehouse Management.
- Besides, they run into another issue. With plenty of stores around the world and only 3000 global employees, they could not keep track of product flow. Inventory workers often mistaken the numbers of products for physical stores and online delivery. Sometimes this issue led to low stock or out-of-stock in few warehouses in the same country. What they needed to solve were a better Management of Stock Adjustment, Stock Transfer, Stock Alert and especially Forecast Supply.



• Another problem: Sometimes employees met trouble with languages conflict on the platform. Besides, because of the complicated UI/UX design of their old warehouse management software, employees also felt hard to understand plenty buttons on the management software.

In general, for its bold omni-channel vision,
Fraport really needed to orchestrate hundreds
of stores, drop-shippers, warehouses, and
third-party logistics companies to present a
unified experience to travelers. To achieve its
goal, Fraport combined the flexibility of the
Magento commerce platform with the robust
Magento Commerce Order Management
solution, to begin connecting their retail
outlets.

"You're dealing with a lot of companies who have their own IT systems...and they all needed to be part of one common solution,"

"We had to create multiple layers to encompass [everyone's needs], one of them being a PIM solution that the retailers use to either upload their own product, if they don't have their own ERP system, or that directly speaks to [their own ERP systems]."

- Kian Gould, Fraport's Strategy Advisor -

Fraport applied vast open source expertise to implement additional systems, including a retail portal where retailers can easily manage their brand and customer experiences themselves. This was made possible by an integration layer (ESB) that connects various on premise systems, OMS systems, and real-time business intelligence systems.

As a result, Fraport solved problems in a blink of the eye. Stock Management had become easier than ever.

Employees could effectively control stock transfer between each store, each warehouse and even each country.

Fraport successfully changed the way people used to think about shopping. Nowadays, Frankfurt Airport is leading to become one of the world's most innovative travel and retail centers. Its omni-channel approach spans more than just owned channels like stores, kiosks, online and mobile—it integrates retailer inventory and fulfillment across partners and channels it doesn't directly own. Each among millions of travelers can possibly become potential customers, even when they're still in transit.

LESSONS

#1: Fast Awareness with the changing of market

Fraport's managers understood that they could not develop their Shopping Service at airport, if they did not start to make a change for their business. After they had changed to eCommerce, they did not rest on their laurels. They kept forecasting the shopping trend and planning the best ways to satisfy more potential customers and create new mindset for customers. That's why they developed online service and changed from single channel to omnichannel.

2: "If you want to go fast, improve your salers. If you want to go far, improve your Inventory"

After changing to Omni- channel, their conversion rate increased significantly. However, they faced to a new problem, they could not handle correctly all the quantity and transformation from their warehouses. Inventory Management helped them control all the stock amount, gain more customers and significantly increase their business incomes.

"What really special about this solution is that it's one of the first true multi-retailer. multi-channel, multieverything solutions you can use across a variety of platforms," - Kian Gould, Fraport's Strategy Advisor -

2. NIKE



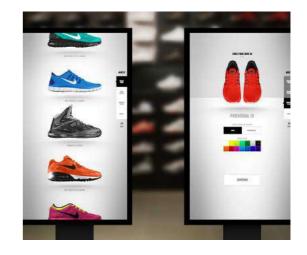
Due to the discrepancy database from inventory, Nike Inc. could not control large numbers of items. Nike chose Omni-channel as a solution for re-arranging Inventory System, which then led to a seamless shopping experience for Nike's customers and incredibly boost its profits.

INTRODUCTION

Nike is a sportswear and equipment supplier based in United States. The company was founded in January 1964. Now, it is one of the fastest growing and globally respected brands.

Nike is not only engaged in the design, development, manufacturing, and worldwide marketing but it also sales of footwear, apparel, equipment, accessories, and services. Nike, an American multinational corporation, never stands outside any retail trends. This company is also solely concentrated on innovation to fully satisfy their consumers.

In 2017, Nike operated a total of 1,142 retail stores throughout the entire world. It can be said that they are a big retailer having lots of goals to reach, thus, they have used Omni-channel to develop their system and attract more customers.





NIKE OMNICHANNEL STORY

Why Omni-channel?

The more stores Nike opened, the higher demand customers asked for Nike products. This led to Nike an issue – if it wanted to grow, it had to focus strongly on their inventory management to provide products rapidly and bring seamless shopping experience.

It also meant that Nike needed to re-arrange all the warehouse system, in other word, "tidy up" the Chaotic Inventory System.

Discrepancy Database

In 2000, Nike had trouble with its new ERP software when it was not fit with their inventory management system and resulting in Nike losing around \$100 million in sales.

Nike had faced difficulties from their inventory and scheduling of shipment. Their data software sometimes displayed data errors or bugs, which mistook how much quantity each location should receive. It led to frustrating problem to Warehouse Managers. For example, at the Jersey Shore location, because warehouse staff could not ensure how many items they would get, many cartons often got lost and ended up reappearing on the next shipments truck with a bundle of other cartons, making the process of storing inventory difficult for the staff.



This discrepancy in inventory also became costly, as well as a waste in profit. If these lost cartons would show up on time, Nike locations would have a better handle on managing their inventory. They would also benefit from this for the following shipments that were planned to arrive.

To sum up, Nike Inc. understood that Nike's inventory issues would be to reevaluate their software and making sure it was working correctly, based on location. If the software wasn't working properly or efficiently, Nike should switch their system and adapt to a different software or hire an external partner to assist.

Thus, what they needed was a solution to easily manage and keep updated. Nevertheless, if the software was working properly then the issue might be with the trucking company or the distributors. Solving this inventory issue would ultimately decrease overproduction, and increase Nike's productivity as a whole.

Besides, despite of the fact that Nike's problems were not solved yet, they got a big goal.

Christian Shi, president of direct-to-consumer, told Internet Retailer: "Nike plans it will grow total sales to \$50 billion by 2020, meaning e-commerce will account for nearly one-third of the company's overall growth. Nike will accomplish that digital feat with three-pronged strategy."

So which solution could both solve their issues and help them reach their goal?

Omnichannel was the ultimate answer.

Use Centralized Data to improve Inventory Management

The objective in this strategy was to maintain operations management that minimizes inventory costs while maximizing its effectiveness and efficiency. Nike's operations managers applied the perpetual method of inventory management, which involved continuous monitoring and movement of inventory from the supply chain distributions and retailers.

They were in the process of integrating all its information into a single shared platform. The single shared platform according to Koch (2004) was expected to improve the overall operation of the company among others. Thus, it brought several motivations to their system. There would be improved financial visibility, accurate projections and forecasting and better reallocation of the company's resources. Mongelluzzo (2002) explained that Nike would be able to achieve the key of the supply chain strategy which is having up-to-date information which would, in turn, play a key role in ensuring that the supply chain was more efficient than ever.

"Nike's operations
managers applied the
perpetual method of
inventory management,
which involved
continuous monitoring
and movement of
inventory from the supply
chain distributions and
retailers."

According to a post by Retail Technologist

Alex Senn on LinkedIn, it took a deep dive into
the Nike omnichannel experience. He
mentioned that:

The Omnichannel retail technology was utilized at Nike with a process including:

- Central warehouse/vendor management system
- Inventory system centrally connected with store and warehouse availability
- Website to handle orders and distribute proper order details for warehouse
- Personalized CRM for detecting past purchases
- In-store mobile-based POS

Nike integrated their digital properties with physical stores, making it easy to find out information about a particular pair of shoes online. Furthermore, Nike takes advantage of showrooming by offering an exclusive line of shoes which while displayed in the store can only be bought online using the NikeID program. Staff uses handheld POS systems to accept payments, process returns, and arrange home delivery without making customers queue up at the entrance.



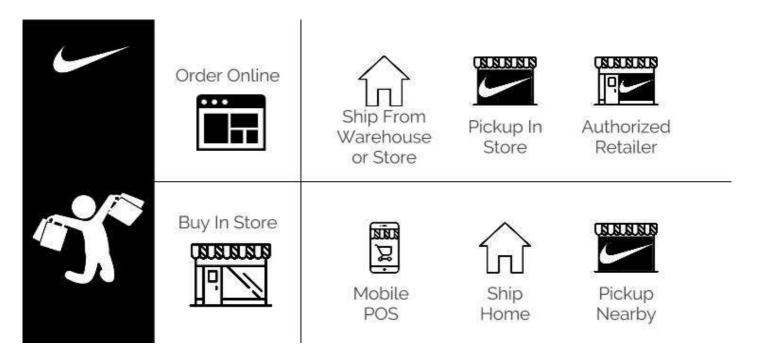
Nike can use the data collected instore, online and on mobile to make the shopping experience even more personalized.

For example, if you bought a pair of shoes from the store, Nike can email you a discount coupon for a special occasion or something like that a day later, or send you a mobile push notification for the same.

"Nike can use the data collected instore, online and on mobile to make the shopping experience even more personalized."

Customers can pick orders anywhere, anytime and anyhow

You can buy a Nike product online and pick it up at a store. You can also buy in-store, and get it delivered home, or order something and pick it up from another store.



"When you shop at Nike, or at Nike.com, you'll notice that you can shop anywhere and have the product show up anywhere you'd like. I'm referring to buying online, picking up in store or buying in store and receiving the product at home, or simply having it ordered and ready at another store. Whatever the case may be, the omni-channel retail system being utilized is ready to provide any product Nike carries, anywhere the consumer could possibly want it to be. This really is what consumers expect now.

If you think about what this is from a technical perspective, it is simply one common database, with parameters to edit which locations the product is on hand, and which locations to ship the product too. It is not overly complicated, and yet many retailers are STILL missing this point. While Nike may have put a few million dollars into the entire customized system, you can have the same ability to operate across channels with Epic Commerce. This is not hard to implement, or have someone implement for you, and will give you the same functionality across any channel you prefer to operate through while letting you manage it all from the comfort of any device." - Alex Senn

Additionally, Nike offered a vast variety of products, from all different types of athletic shoes (running shoes, cleats, etc.) to workout gear and regular apparel. And they had their way to run a wide assortment of services/products efficiently.

Nike handled its inventory by using specific deda software. Nike's inventory management software helped predict which items will be more popular and sell more, and comes up with an estimated amount of supply to meet the predicted demand. The software came up with these figures mostly based on the previous year's sales. Once the program produced the demand forecast, Nike then prepared a manufacturing plan.

RESULTS

"New Inventory Management, New Triumph Sales" This leads to broadening the scope of

innovation with two outstanding things:

- Reduce Inventory Cost
- Increase Inventory Efficiency.

- Fourth quarter revenues up 5 percent to \$8.7 billion; 7 percent growth on a currency-neutral basis.
- Fourth quarter diluted earnings per share increased 22 percent to \$0.60.
- Fiscal 2017 revenues up 6 percent to \$34.4 billion; 8 percent growth on a currency-neutral basis.
- Fiscal 2017 diluted earnings per share increased 16 percent to \$2.51.
- Inventory Efficiency up 4 percent as of May 31, 2017 (compared to May 31, 2016)" - Nike Report 2017.

Therefore, with Nike omni-channel, shoppers spending 50%-300% more than single channel shoppers. It makes Nike's revenue per customer increase.

Besides, 26% consumers are actively seeking personalized offers, Nike gets more loyal customers who would return to buy more over time.

In a nutshell, Nike and Omni-channel is a win-win relationship for both customers and brands.

LESSONS

#1: Synchronize and centralize data

With the use of data exchange technology in the distribution channel system, Nike gradually demonstrates the effectiveness of order process. Nike has synchronized all its information into one shared platform, which is expected to improve the overall operation of the company among others.

#2: Determine the "strong" inventory management is one of the competitive advantages.

Nike inventory management perspective is a strategic part of the company. Therefore, Nike has identified, built and developed the inventory more closely and effectively. By investing millions in creating omnichannel experience, Nike was eager to reduce the time it takes to receive an order until the final product is delivered to the retailer. Moreover, this investment shouldhelp Nike respond quickly to customer demand.

#3: Implement good Omnichannel strategy to improve brand image and create customer's loyalty

Increasing customer shopping experience through Omnichannel can be considered a lesson that is worth learning for other retailers. Because satisfying customer demands from A-Z not only helps your business boost sales, but it also improves brand value, as well as builds loyalty to customers.

"Nike and Omnichannel is a win-win relationship for both customers and brands."

3. MACY'S



A big retailer – Macy's lost huge amount of money during a year although they used Omnichannel with careful plans. After this failure, they realized that they underestimated Inventory Management. This case study would show you how they found and upgrade Inventory system to improve their sales higher.

INTRODUCTION

Established in 1858, Macy's is an iconic retailing brand with nearly 800 stores operating coast-to-coast and online at macys.com.

Macy's offers powerful assortments and the best brands, tailored to each and every customer with obvious value, engaging service and unforgettable moments. Its famous flagship located at Herald Square in New York City is known as the "World's Largest Store," with over 1.1 million square feet of retail space.

Macy's has a clear vision to help customers shop anywhere, anytime, and anyhow they choose. To make that vision a reality, inventory accuracy is a critical component of the initiative. Macy's executes on its corporate strategy dubbed M.O.M. -- "My Macy's merchandise assortments, Omni-channel integration, and Magic Selling customer engagement."





MACY'S OMNICHANNEL STORY

Big mistake when adopting Omnichannel

In 2013, Macy's met a serious problem with Inventory accuracy. They could not control the product flow in each warehouse. The inventory degradation occurs at a rate of about 2-3% a month, which could equate to 24 percent by the end of the year. This would make omni-channel sales challenging, especially if only one or two units of a particular product were reported to be located at a store.

"You don't want to make decisions based on bad data." Peter Longo, Macy's President of Logistics and Operations.



Macy's focused too much on sales and customer services without noticing the Inventory Management.

Merchandise movements, administrative errors and system updates were terribly detrimental to the fulfillment process.

With thousands of product categories across all 800 stores and the customer is paramount, all Macy's actions and omni-channel strategies must focus on providing a localized merchandise offering and shopping experience.

Explore a new door in Omnichannel

Customize their inventory management – upgrade traditional tool RFID

In 2008, Macy's had applied RFID (radio frequency identification) separately on their inventories. In 2015, after their "inventory failure", Macy's began to utilize RFID by integrating RFID across all of its warehouses. With item-level RFID, Macy's could focus on assortment and service while using their existing inventory to address fulfillment demands. As a result, Macy's Inventory Visibility increased 4 times.



Apply RFID to its latest strategy "Pick to the Last Unit"

In the past, the last item in inventory used to be a great fear for any retailers. Inventory counts were simply not accurate enough to ensure that the last unit of a particular product was actually in stock or available for sale. When an item falls below a minimum amount, the item would be "out-of-stock" and unavailable. However, Macy's turned this fear to sale. The program, Pick to the Last Unit (P2LU), enabled the retailer to list goods for sale online even when there was only one such item available at the store.

RFID allows omni-channel fulfillment of consumer purchase, right down to its last available unit of in-store merchandise. The last unit of an item in any store can be easily located and made available for sale. Due to the inventory accuracy and visibility, Macy's conducted an analysis of how much inventory exists in each store when there is only one unit left – the hardest to be found and sold.

"About 15 to 20 percent of your inventory is accounted for by the last unit in the store. It's a massive amount of budget, either marked down or not sold, and it is curable through RFID. The confidence to sell is enhanced by RFID. That's why we are aggressively pursuing this concept of 'Pick to the Last Unit' because we know it's there."

Peter Longo, Macy'sPresident of Logistics andOperations -

Let's take an example to make this clear. If Macy's had the last item of Louis Vuitton bag priced \$5000, they still could show it available in any online stores and served it to any customers. In case, a customer wanted to buy 2 similar bags at the same time, Macy's could contact to the supplier to bring directly 2 bags for its customer.

Besides, the accuracy of RFID also helped Macy's to inactive "Supply Forecast" and precise "Low-stock Alert", which meant that before the product quantity dropped to last item, they would immediately ask supplier to bring more items to them.

• Shipping in a blink

Besides, as they had spent more than 2 years on analyzing customer behavior, they noticed that before visiting a store, its customers regularly check products on the macys.com to save time choosing at the physical store. Thus, the in-store available product visibility would be helpful for online customers.

To achieve near-real-time inventory visibility for all its stores, the company had to integrate legacy systems and build a new and robust order management system. This system incorporates fulfillment optimization algorithms based on products and its business model.

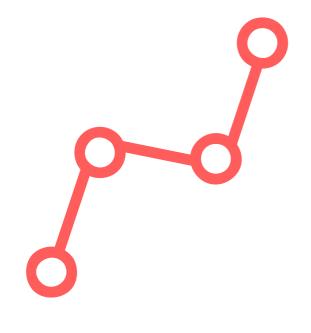


Online customers can now access to their closest store with the item in stock. They can also select their preferred delivery options – such as click-and-collect at a nominated store. or home delivery. With this, if the customer orders a product that is currently unavailable in a Macy's store but available from a nearby supplier, the item is dispatched directly from the supplier to the customer as this reduces the turnaround time. This model requires visibility of supplier inventory and better collaboration between the retailer, its suppliers, and its logistics provider.

"This model requires
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"Inventory accuracy can leverage every unitin every store to fulfill orders."



Amazing Success

After all, Macy's reduced \$1B of inventory from its stores and reduced inventory costs by lowering interim inventory requirements by one third.

To test the P2LU strategy, Macy's conducted a pilot project with women's dresses which yielded highly impressive results. While online sales were up, pilot stores' fulfillment sales had significantly increased compared to last year. That was a drastic improvement

Macy's recognized that leveraging single unit inventory—approximately 20% of inventory represented at the single unit level by location—canhelp drive sales and margin.

Inventory accuracy can leverage every unitin every store to fulfill orders. It also enables Macy's to focus on assortment and service while using existing inventory to address customer demands.

As a multi-faceted retailer with a smart combination of stores, online presence, technology, and business capabilities, Macy's is committed to helping its customers shop anywhere, anytime, and anyhow they choose, by leveraging the entire inventory of the company to satisfy demand.

LESSONS

#1: Never underestimate the efficient inventory management

Macy's put a strong focus on sales and ignored Inventory Management. After the serious loss by inventory degradation, they began to think about how to manage Inventory efficiently. This not only created a huge loss for Macy's but also took a great amount of money to improve Inventory system as soon as possible.

All in all, there are many ways to provide the real-time, seamless order fulfillment and inventory management needed to deliver a satisfying front-end omnichannel experience. The real lessons from Fraport, Nike and Macy's are not the specifics of how they aligned their back end, but that they made sure to do it.

#2: Apply what you had on what you use

Macy's got the best inventory supporter – RFID. However, they had considered RFID as a supporter for separate warehouses. After Macy's synchronized RFID cross all inventories, the productivity significantly increased. The accuracy of new RFID also helped Macy's to accomplish its unique strategy "Pick to the last unit" to reduce loss completely and satisfy customers' demands.

OUTLOOK

In this whitepaper, we have guided you through a journey of retail model, from its traditional version to the latest Omni-channel one. Next, we pointed out how retailers benefit from Omni-channel, and how to deploy it successfully. Solutions for challenges arising during the execution and a KPIs framework were also provided to enhance the implementation of Omni-channel for a born-multichannel business. Finally, cases study of three very popular brands, including Nike, Macy's and Fraport, were good examples to see how Omni-channel performs in practice.

As the result of the ongoing digitalization, Omni-channel has now become a norm, the mainstream culture of the retail world. Moreover, that the two leading ecommerce giants, Amazon and Alibaba, have expanded their offline footprint recently has signaled the upcoming prime time of Omni-channel. To avoid lagging behind in this over-changing market, retailers must grab all chance to take their own Omni-channel journey. This business model is still developing, bringing retailers challenges and opportunities as well. To well prepare for all changes that may happen, a business must enhance their internal management, strengthen data security and optimize supply chain system.



About Magestore

Established in 2009, Magestore has become a Magento Select Technology

Partner and leading Magento Retail Solution Provider.

In July 2017, Magestore released Omnichannel Solution for Magento retailers.

With 8 years supporting more than 70,000 global retailers,
we deeply understand common challenges that e-commerce companies
face in multiple channels sales. To help them handle these issues, our Omnichannel Solution optimizes a centralized data management of inventory,
orders, customers and purchases via online & offline stores.

Retailers are enable to control inventory visibility and allocation in a single
system. Sales across channels will rocket due to an efficient marketing
strategy and a quick response to B2B demand.

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