

Digital Business Models

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<https://moodle.up.pt/course/view.php?id=1984>

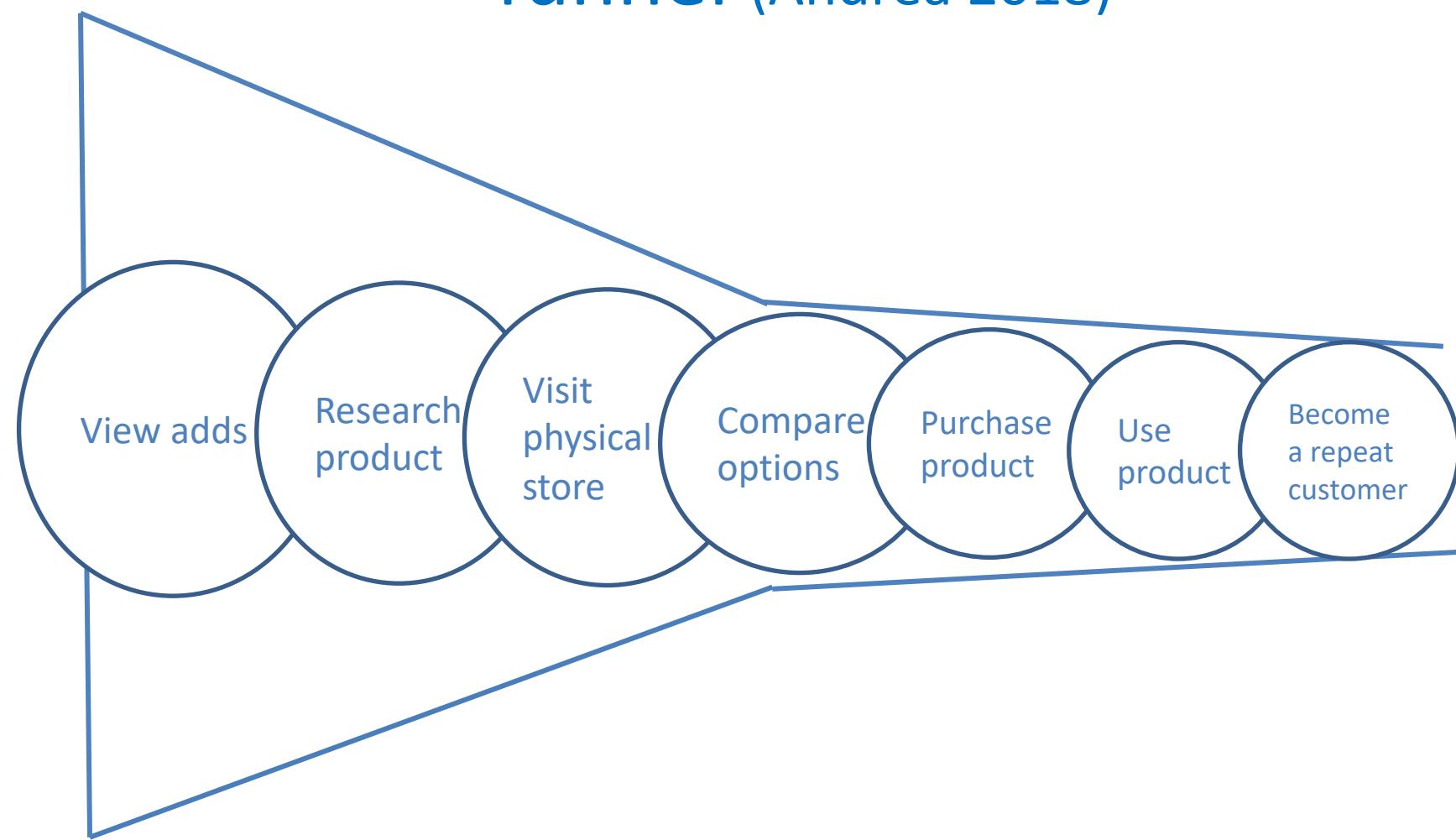
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Omnichannel business models

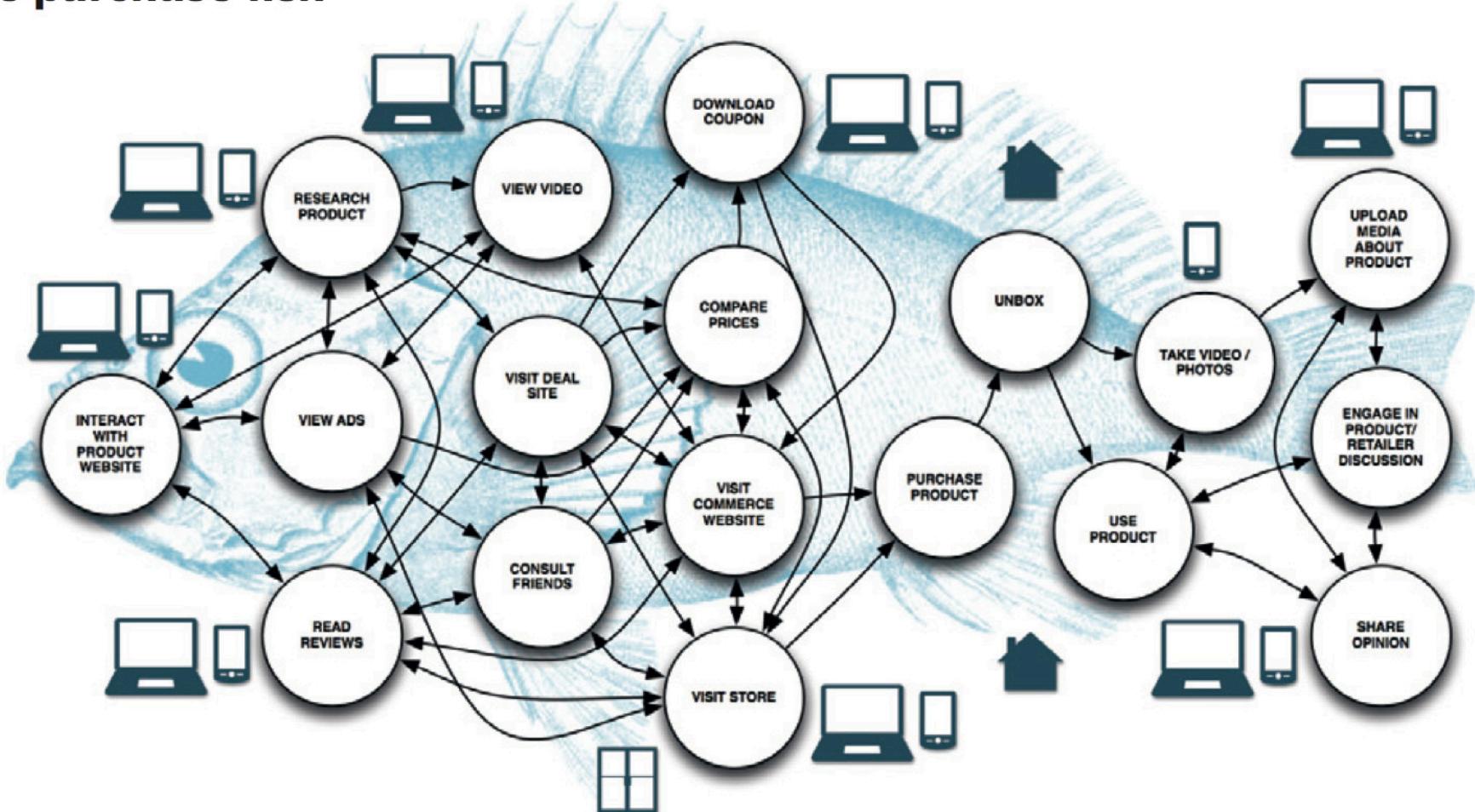
The new consumer – new consumption trends (Andrea 2018)

- Consumers are constantly connected
 - Widespread usage of smart devices connected 24/7, with increasing usage of wearable devices
- Employees have more free time for consumers
 - As companies automate operations, they have more time available for consumer experience related activities
- Employees need higher-level skills
 - As memorizing is automated, critical thinking and social intelligence become salient
- Experience-focused and meaningful consumption
 - Trend toward socially meaningful consumption, personal improvement or wellness.

The traditional purchase journey funnel (Andrea 2018)



The purchase fish



Source: Resource Interactive/The Futures Company

The new fish consumer journey

- The journey can start almost anywhere
- Consumers begin their search for products with an unclear need to satisfy
- The need becomes gradually clearer as they collect more information about the options available
- Most of the journey is digital
- The journey only closes with the purchase, but it opens again as consumers share opinions, swap stories, offer advice or give ratings about their experience online.

Omnichannel business models

- Companies (especially retailers) connect with consumers through multiple points of contact, including email, physical and electronic catalogs, websites, call centers, social networks, mobile phones, home delivery, among others..
- This multiplicity of contact points (omnichannel) represents a revolution in the customer journey that is forcing retailers to offer a fully integrated customer experience

Strategies for the omnichannel environment (Andrea 2018)

- **Strengthen the analytical capabilities** to understand customer interest and needs, optimize store capital, and adjust stock to meet demand
- **Work through networks for exponential growth**, towards open, flexible and interactive organizations, to get access to resources without owning assets.
- **Make the shopping experience unforgettable** (for the right reasons), as stores become experience centric instead of transaction centric, enabling a smooth experience across channels.
- **Accompany customers along their journey**, from the identification of the need to post purchase, supporting related activities and goals, and connecting to related products and services; going beyond the physical presence and beyond the purchase “C2B model”.
- **Prioritize efficiency** to optimize inventory and control costs, through flexible planning, continuous improvement, integrating offline and online data and agile logistics.

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The decline of the American mall has left just 700 still standing. Soon there may be just 150 left.

Tim Levin Oct 12, 2022, 5:40 PM



Experts estimate that hundreds of malls will close in the near future. Tom Pennington/Getty Images

What can existing physical retailers do?

(Berman 2019)

Physical stores closing...

- Increased competition from online sales
 - New digitally native retailers
 - Traditional company's online channels
 - Physical stores used to see and try new products but no transaction

Strategies to counteract store closings

- Utilizing omnichannel-based synergies among channels and devices to increase store sales
- Making stores more attractive and engaging
- Using retail space more efficiently via small-format stores

Utilizing omnichannel-based synergies to increase store sales

Table 1. Omnichannel strategies to increase store sales and visits

INFORMATIONAL STRATEGIES

- Listing online the nearest store locations, hours, and directions of the closest store based on iBeacons
- Listing models on display at specific stores on the store's website
- Providing timely inventory availability (including aisle location) at locations near a person's home or office on the retailer's website
- Providing free online access in-store to enable consumers to look up product reviews
- Communicating special store-based events and demonstrations on a retailer's website
- Encouraging webrooming behavior

LOGISTICAL STRATEGIES

- Indicating goods in stock, including aisle location, to facilitate store pickup on a retailer's website
- Enabling online customers to reserve items for store pickup
- Using shipping location data of online purchases to suggest nearby store locations
- Offering store pickup for online purchases
- Waiving shipping fees for online shoppers that buy online but elect to pick up merchandise in a store
- Offering in-store returns for online purchases
- Shipping goods from nearby stores (as opposed to distribution centers) that have been ordered online

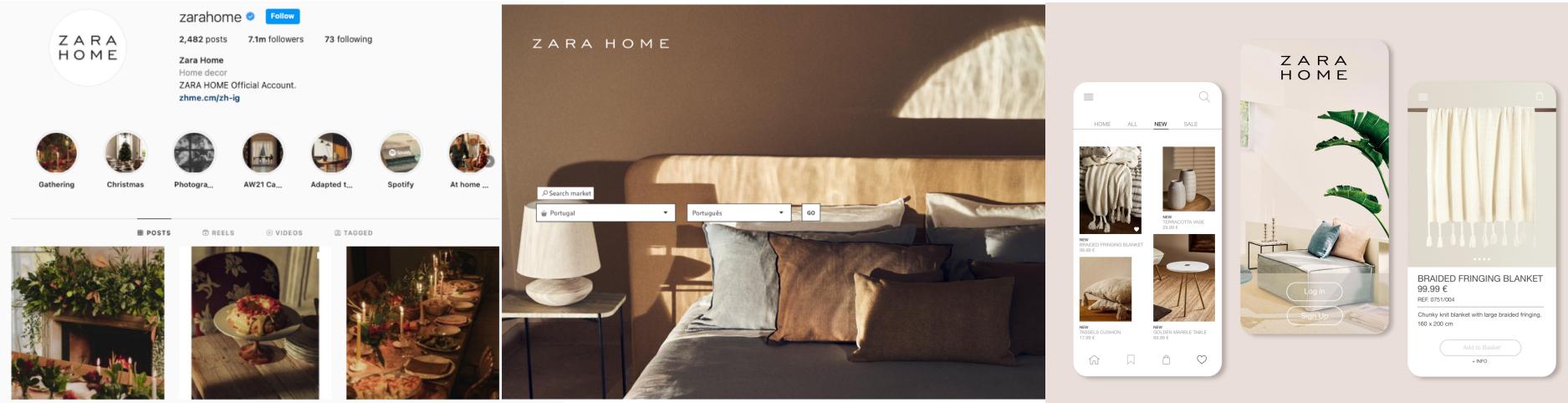
PROMOTIONAL STRATEGIES

- Using mobile phone-based coupons or specials redeemable only at stores
- Including a store's weekly sales circular on its website
- Offering special discounts at selected stores for online customers

DATABASE SHARING STRATEGIES

- Analyzing a customer's overall purchasing preferences (store and web) to better communicate with them
- E-mailing special offers (closeouts, odd lots) and special purchases that have been especially targeted to customers based on their overall store and online purchase history

Zara home



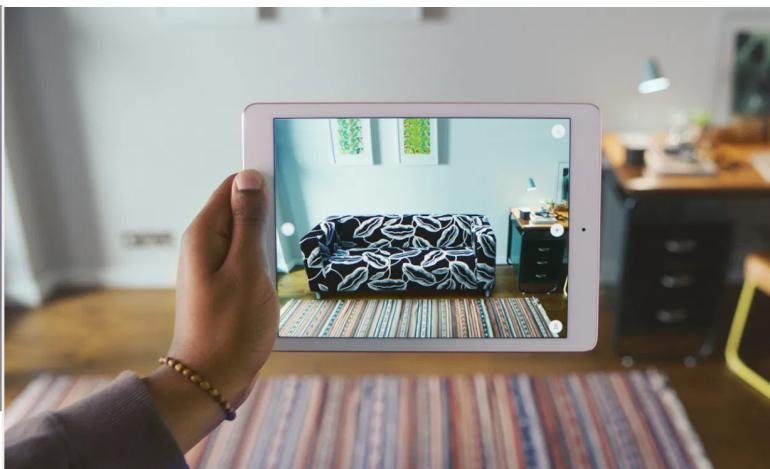
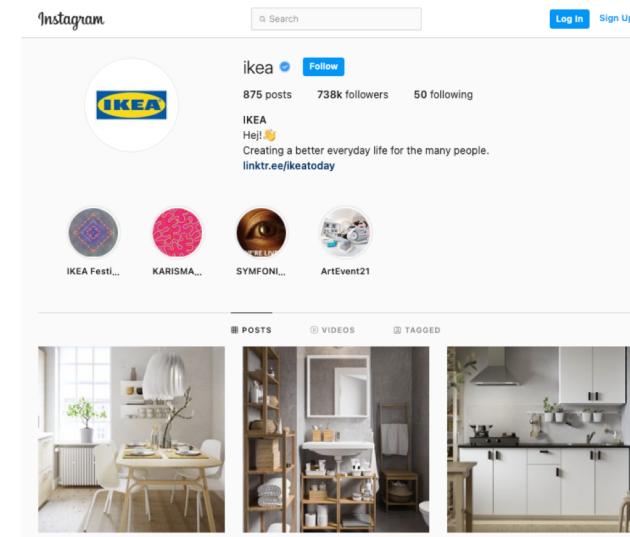
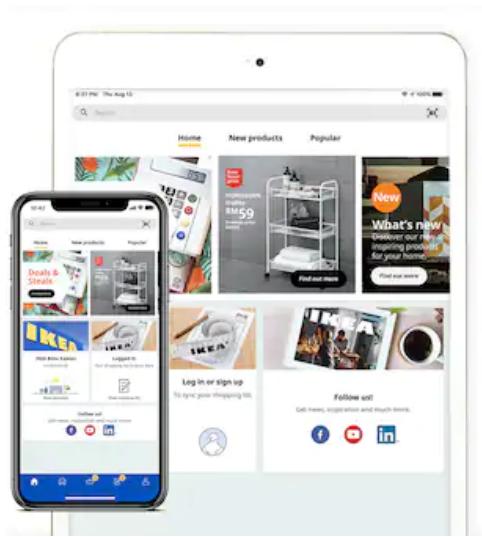
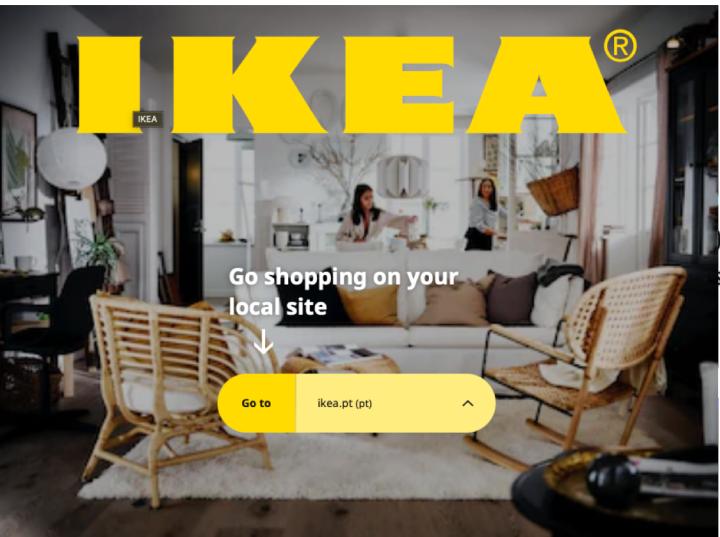


CLICK & FIND
LOCALIZE ARTIGOS NA LOJA >

CLICK & TRY
RESERVE UM PROVADOR >
OPÇÃO DISPONÍVEL PRESENCIALMENTE

CLICK & GO
A SUA COMPRA EM 120 MIN
REALIZE UM PEDIDO NA SUA LOJA
FAVORITA E RECOLHA-O EM 120 MIN >

IKEA



https://www.ikea.com/global/en/events/festival?utm_source=global_english&utm_medium=referral&utm_campaign=ikea_festival

Making stores more attractive and engaging

Table 2. Making stores more attractive and engaging through personalization, interactivity, and a constantly changing store environment

PERSONALIZATION

Personalizing Messages

- Individualized messages to highly targeted populations (heavy users, customers with unique preferences)

Personalizing Offerings

- Targeting specialized audiences with relevant offers based on their specific purchase history
- Using augmented reality to show how goods appear (e.g., furniture, apparel, eyeglasses, and makeup)
- Using mass customization and 3D printing to customize goods
- Tailoring selections to the demographics and lifestyles of the store's shoppers

Personalizing Interactions

- Providing personal shoppers
- Selecting, training, and motivating salespeople and customer service personnel to interact with customers to determine their specific needs

INTERACTIVITY

- Showing items in use via demonstrations (e.g., cooking, computer, exercise clinics, home improvement)
- Using store space as product showrooms
- Utilizing in-store augmented reality applications
- Participating in live in-store video communications
- Enabling consumers to sample a wide variety of goods

A CONSTANTLY CHANGING STORE ENVIRONMENT

- Using seasonal promotions (e.g., holiday season train show for families)
- Changing demonstrations by store personnel (installing a hard drive in a computer store, replacing a faucet in a home center) on a regular basis
- Utilizing a treasure hunt atmosphere (with special offers for limited times, and a constantly changing selection of merchandise)
- Using pop-up stores for special events and sales
- Using celebrity appearances (author book signings, cooking demonstrations by noted chefs)

Apple stores





S E R V I C I O P E R S O N A L S H O P P E R

El Corte Inglés



Sephora Color IQ



Using retail space more efficiently via small-format stores

Table 3. Using retail space more efficiently via small-format stores and through downsizing existing stores

DEVELOPING NEW SMALL-FORMAT STORES

- Recapturing customers from nearby closed stores that would otherwise be lost due to store closings
- Providing access to major cities where big box store locations may be unavailable or costly
- Targeting selected market segments with special goods and services (such as stores adjacent to a college campus or a retirement community)
- Enabling online customers to pick up and return online purchases at a convenient local location
- Viewing stores as unstores, which have large selections but no merchandise available for sale

DOWNSIZING EXISTING STORES

- Resizing existing retail space to proper levels
- Providing rental income
- Obtaining added customer traffic due to customer interchange between the existing store and new retail tenant

The Store Is Dead— Long Live the Store

Legacy offline stores and next-generation online retailers are each finding their way to a new kind of shopping experience: the showroom.

BY DAVID R. BELL, SANTIAGO GALLINO, ANTONIO MORENO



BONOBOS

<https://www.businessinsider.com/bonobos-opened-a-store-where-you-cant-physically-buy-anything-2015-7>

<https://www.youtube.com/watch?v=CjVFzMVRi7k>



Digital native retailers: Lessons from China

(Greeven, Chin and Yip 2021)

Online Commerce in China: ‘smart retailing ignited by super connectivity’

- Online sales are 25%-50% of total retail
- More than 90% on mobile devices
- New forms of retailing such as developing video retail (TikTok), social commerce (Tencent WeChat), community retail, super apps (Alibaba’s Tao Bao) providing an all-in-one experience

Strategies for the digital natives

1. Create single entry points
2. Embed digital evaluation along the customer journey
3. Don't think of sales as isolated events
4. Rethink the logistics fundamentals
5. Always stay close to the customer

1. Create a single entry points

- Creating **commerce ecosystems** for a constellation of consumers and small retailers and independent brands (e.g. Alipay or We Chat)
- Offering **general platforms as portals** for **independent brands**, for the ecosystem to interact and create value (e.g. Tmall, previously Tao Bao)
- **Proactive product recommendations**, using AI and deep learning for recommending products to shoppers and provide recommendation to manufacturers.

Alibaba

Alibaba.com

Products ▾ What are you looking for... NEW Search

Sign In Join Free Messages Orders Cart

Categories ▾ Ready to Ship Personal Protective E... Trade Shows Buyer Central ▾ Sell on Alibaba ▾ Help ▾ English - USD ▾ Ship to:

FAQs on the coronavirus (COVID-19) and Alibaba.com shipments learn more > X

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2021 Customization Online Trade

Digital Booths

2022 Trends Release

Star Suppliers

2. Embed digital evaluation in the customer journey

- Customer reviews, with more detailed feedback and visuals
- Influencers, in a more open and transparent way
- Video livestreaming (e.g. IKEA festival)
- Independent platforms (deco)
- <https://oddmolly.com/gb/live/>

3. Sales are not isolated events

- Deeply integrated online and offline channels
 - in store, online, online and pick-up in store....
- Continuous purchasing opportunities – fish journey where purchase can happen at any point
- AI enabled interfaces – chatbots providing high quality service with amazing availability (e.g. single's day)

4. Rethinking the logistics fundamental

- Large scale , born digital logistics integrators, who leverage independently owned hardware and infrastructure and optimizes them across the country.
- Labor market in China for delivery, autonomous vehicles in the future
- Sophisticated routing and logistics technologies
- *Economies of scale* so delivery is free for the customer

5. Always stay close to the customer

- Radical engagement – free delivery, returns, customized delivery, personal assistance, installation
- Integration of loyalty programs across channels and points
- Leveraging the relationship with influencers
- Fan marketing and communities