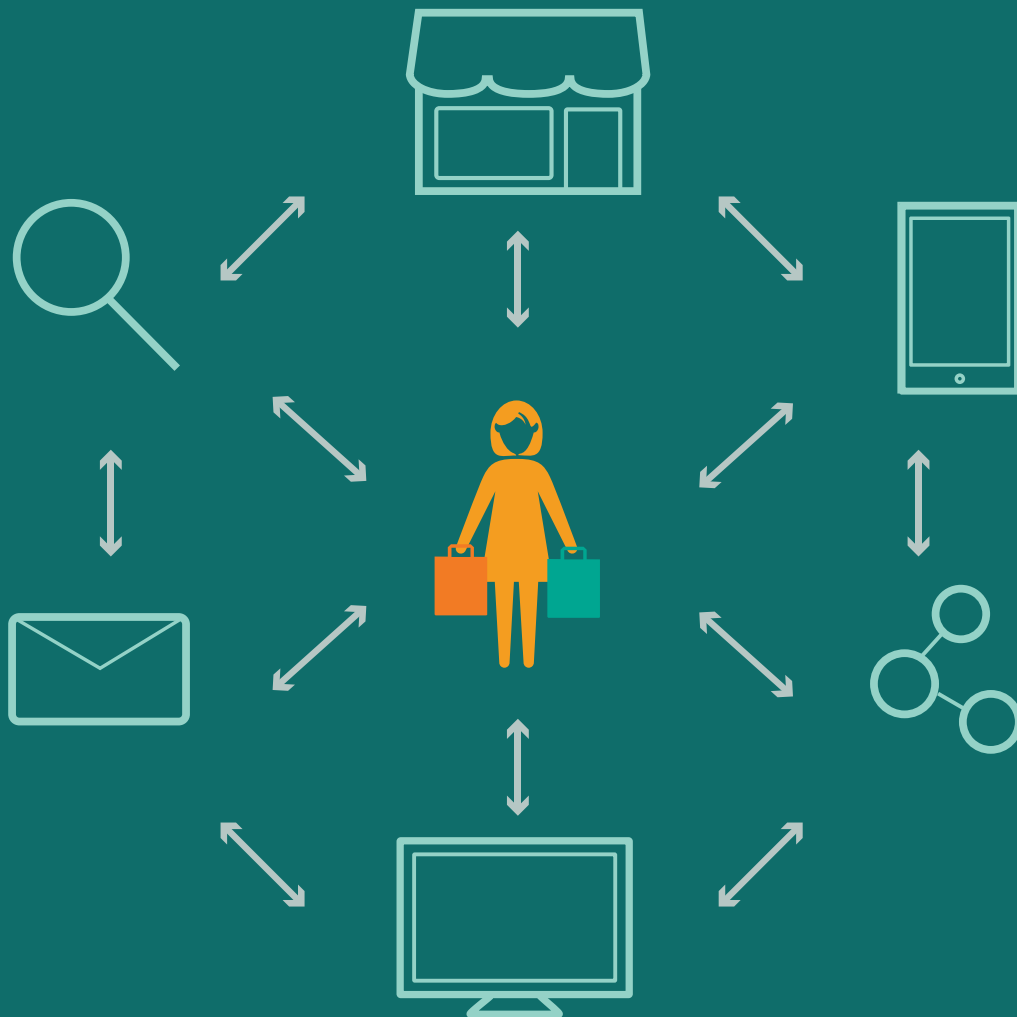


A seamless shopping experience
for sophisticated customers

The advantages of a customer-focused omnichannel strategy



Summary

Retailers have to offer customers a high-quality shopping experience and guide them to shopping success in order to turn them into loyal regular customers – ideally on all sales channels. This requires an organizational and technological focus on an attractive shopping experience as part of an omnichannel strategy.

In this regard, it is not only brick-and-mortar retailers that are establishing online channels to provide their customers with products and services outside of regular store hours. More and more companies that started as online companies would not want to do without their new brick-and-mortar branches. They create brand awareness and allow their customers to interact with the products they want in the real world instead of merely contemplating them in the digital world.

In principle, an omnichannel strategy has many faces, from the items designated as “click&collect” for in-store pickup that toy retailer *My Toys* offers its customers, or the “endless aisle” that *Dänisches Bettenlager* is experimenting with. In all of these cases, a combination of digital competence and brick-and-mortar expertise makes buying easier and more enjoyable for customers.

Putting a successful omnichannel strategy into practice requires an adjustment to the organizational structure to allow for operating and expanding sales channels across departments and avoid information silos. The e-commerce platform used must also be designed so that it supports a wide variety of different frontends via standardized interfaces –from online stores to mobile applications to POS and devices from the “Internet of things” – and can be connected easily to third-party software. This way, retailers have the necessary flexibility to be able to present their customers with a seamless shopping experience on all channels.



Stages of evolution in retail

Customers are not what they used to be: In a networked world, they have access to a gigantic amount of information and enjoy a no less gigantic selection. They are oftentimes better informed than the on-site sales personnel. In addition, they increasingly perceive the buying process not as a task that needs to be completed, but as an entertaining and inspiring way to pass the time.

One retail channel

It was not always that way: if customers wanted to buy something in the days before the age of the Internet, they went to a store, received in-depth advice, and then took the product they wanted home with them. A **brick-and-mortar retailer** was the salesperson, source of inspiration, and service department all in one person, and the store counter the usual retail channel.

With the advent of cheaper computers and faster connections, by 1990 more and more customers started looking at websites and interest grew in shopping on the internet. Retailers took advantage of the opportunity offered by explosive growth to sell their products in their own online stores. As **online retailers** they benefited from low infrastructure costs and the opportunity to be in direct contact with their customers online.

Multichannel: Multiple retail channels

The competition from the Internet has had a noticeable impact on **brick-and-mortar retailers**: After having the power for generations to act as a sort of gatekeeper for product information, they have increasingly

had to welcome customers to their stores who were often better informed concerning the available product range and prices than they were themselves. Even worse, the visitors looked at the products in the store only to order them online at a significantly lower price.

For this reason, they started to open their own online stores as additional retail channels: If customers enjoyed shopping online so much, then they should do so in the digital branch of the brick-and-mortar stores. In practice, the new online channels were operated parallel to the previous business without any data exchange between them; this resulted in isolated solutions and information silos. The online store had no knowledge of the inventory data of the branch store, and the contact data for online customers was not accessible in the stores.

Online only retailers also go through this evolutionary step; they open successive new offline channels, but generally find out that the knowledge they have gained from the online world and the technologies used there can only be used in the real world to a limited extent. They are focused on gathering user and order data, linking them to create useful customer profiles, and advancing development of their business as a result. Information silos and isolated, parallel processes for individual channels are oftentimes a challenge here.



Crosschannel: Linking retail channels

From the customers' point of view, it is convenient to be able to contact their preferred retailer on multiple channels, but over time it is more and more difficult to convey that the online and offline world operate completely separately from each other. Why shouldn't the item ordered from the online store also be paid for in the store? And why can't the gift certificates that the nice saleswoman put in the shopping bag be redeemed on the Internet?

In this evolutionary stage, retailers concentrate specifically on connecting their individual retail channels with each other. Using interfaces, they connect applications that had been operating separately, such as e-commerce software, ERP, and CRM systems, with one another. The data contained is then freely exchanged across all channels and provides a significantly more uniform customer experience.

Omnichannel: Customer-focused shopping experience

In the last evolutionary stage, the modern-day retailer puts even greater focus on the customer. Instead of opening retail channels one after the other and linking them, brick-and-mortar retailers try meticulously to understand the buying process – *the customer journey* – and optimize it at all points. The magic formula is “perfect customer service”. Questions like “what is important to the customer when shopping?” and “how can this be achieved?” are guiding principles for ambitious CIOs.

Against this background, retailers offer services such as *click & collect* or *click & reserve* which let online customers place an order and pick it up at the store if they like. They have the option on-site of getting digital information about the products or ordering variations that are not even in the store's inventory. We will go into more detail about the various technical implementations later on.

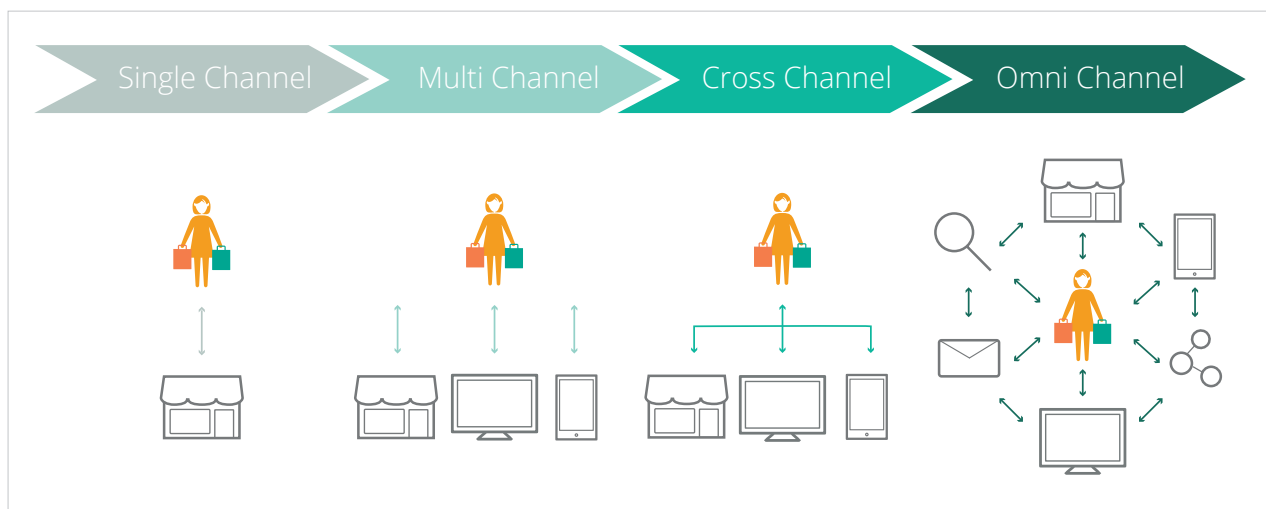


Figure 1: Evolutionary stages of the modern retail model

The buying process has many faces

For about 80%¹ of all customers, it has become standard practice to gather information about a retailer's products and services before visiting the store. Forrester assumes that in the USA in the next five years

the percentage of purchases influenced by digital channels will increase to over 50%² (Figure 2) – a similar value is predicted for the European market by 2020³:

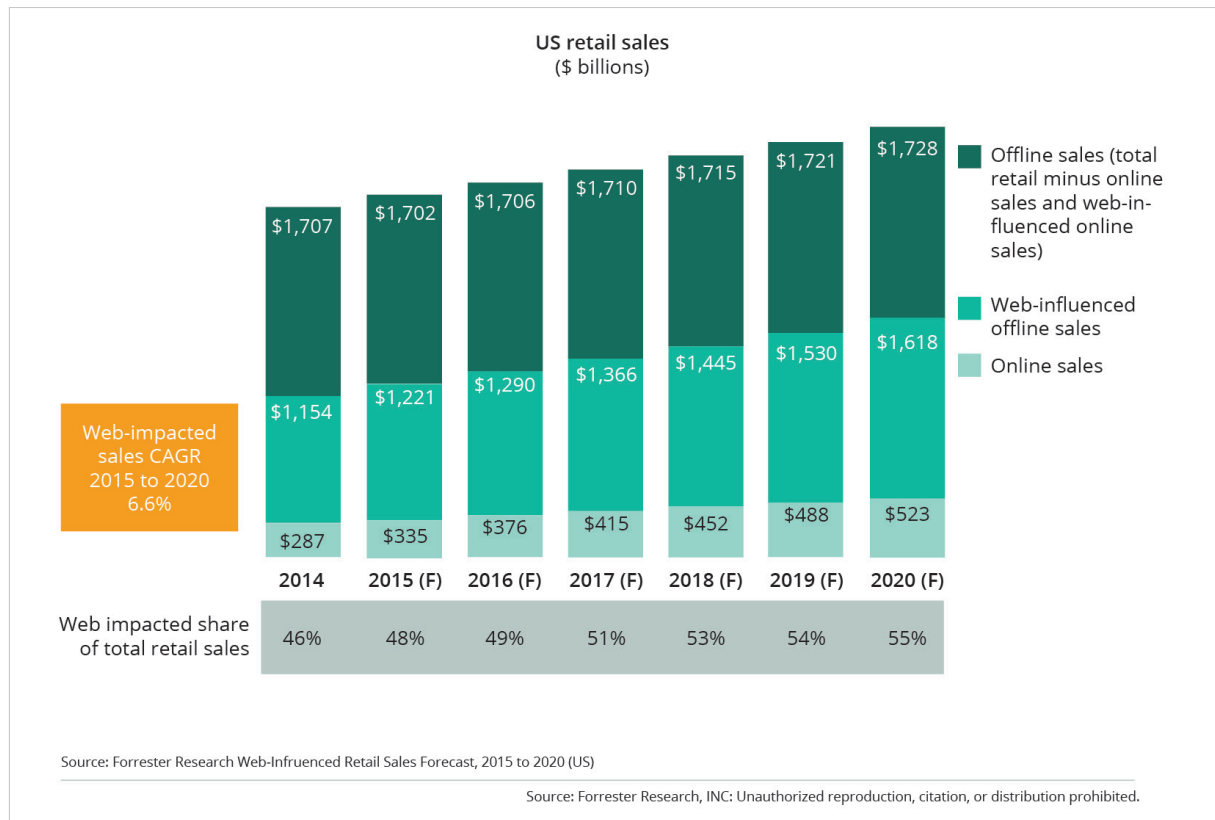


Figure 2: US Cross-Channel Retail Sales, 2015 To 2020

Customers use a variety of information sources: Online stores, online magazines and blogs, YouTube and Facebook are consulted from laptops, smartphones and tablets, print catalogs, advertising on posters and TV are also used to provide additional information and inspiration for brands and products.

In the store itself, the search for information doesn't stop, but is actually a part of the purchasing process. Contrary to the

assumption that buyers who do mobile research right in front of the store shelves are bad for brick-and-mortar retailers—because they can get information from their competitors—it has been proven that they primarily use the retailer's search engines and the online offerings (see Figure 3)⁴:





Figure 3: How customers use their smartphones in the store

This also explains why retailers actually benefit from digitally active customers and why they should accelerate their efforts to provide WiFi access in their stores. Customers who engage with products in this manner have a 20% higher conversion rate on average⁵ than those who do not perform this research.

The success of such an approach can also be seen in specific company numbers. According to the British drugstore chain *Walgreen's*, customers who use both brick-and-mortar and digital products spend 6 times more money than online-only customers:

“[c]ustomers who shop in both the stores and online spend 3.5 times the average of a store-only customer. For most companies with an omnichannel presence, that's a good stat. But digging deeper in to the data tells a greater story. Walgreens customers who shop across all three channels - store, mobile and web - actually spend an average of six times as much as store-only customers.”⁶

The advantages of an omnichannel strategy are obvious. Essentially, retailers must increase their efforts to present their customers with attractive product experiences on all devices and channels and enable them to enjoy convenient shopping.

It is simply wasted energy to first inspire a customer's willingness to buy only to prevent an actual purchase with organizational and technical obstacles – products need to be available at all times whether online or in a store.

“*Customers don't think about [sales] channels anymore, they think of us as one business, whether mobile, tablet, or store — they want a consistent experience.*” Andy Harding, chief customer officer, House of Fraser⁷

Different gear for the omnichannel adventure

For this adventure, providing customers with a consistent shopping experience across as many different touchpoints as possible is something for which not all retailers are equally equipped. There are brick-and-mortar retailers who are making their first foray into the Internet with online stores or marketplaces and those just starting their digital transformation. At the other end of the spectrum there are online retailers experimenting with services offered in their stores and those who have only online channels. There is also a broad range of different concepts and expansion phases that vary from industry to industry and country to country.

In the following consideration, we intentionally simplify this complexity and examine both traditional opposites, brick-and-mortar vs. online retail.

Advisory and product range expertise

Brick-and-mortar retailers usually have much more experience with the products they offer. Over the years, they have acquired the ability to select the right products out of the myriad available in the industry and present them attractively in their stores. They know which problems and questions bring their customers to them and they employ well-trained employees who offer the best advice.

One of the first steps that retailers must take in this situation is to digitize their own advisory expertise. One way of implementing this is demonstrated by *Sport Schuster*⁸ in Munich, Germany: In a company blog, employees report on their own mountain hiking adventures and talk about the equipment they used. Thus customers receive information from first-hand experience and make their purchase decision based on authentic advice.



By the same measure, **online retailers** also provide their customers with appropriate advice. With virtual advisers and comparison lists, they help visitors to their online stores find the right product. In addition, they can identify popular products from the digital sales and present them prominently to their customers to further refine the selection. With high-quality content such as inspiring text and attractive images, they are able to stage their products and use a content commerce strategy to provide the right context. For example, a clothing retailer can

provide style tips and travel reports from the fashion capitals of the world, and a gardening retailer can use YouTube videos to provide helpful hints on plant care.

With regard to customer behavior, at this point the myth of “consulting theft” which the brick-and-mortar retailers complain about can be refuted. As shown in Figure 4, the distribution between customers who research online and buy offline is exactly the same size as those who do the opposite⁹.

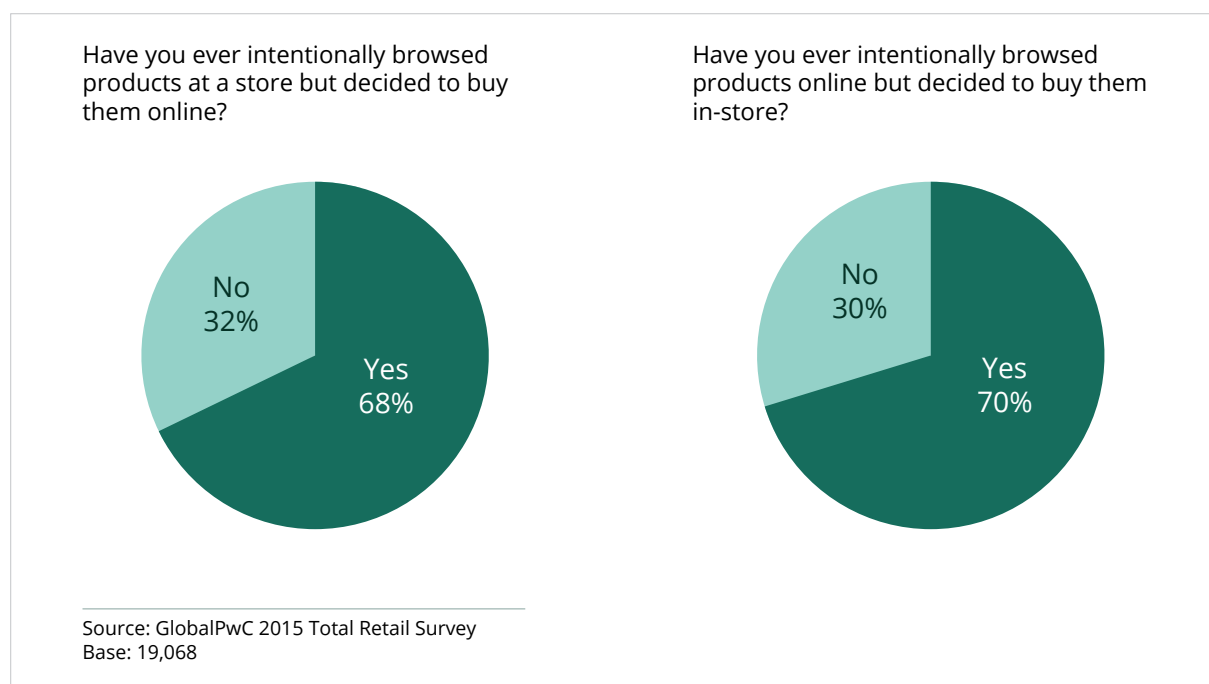


Figure 4: “Webrooming” is just as important as “Showrooming”.

Opportunities for brand awareness and differentiation

Some **brick-and-mortar retailers** may have been running their business for several generations and are established names in cities. Those who live within the sphere of influence of the stores use them as fixed starting points for their shopping. Through many years of tradition, these retailers have developed a familiarity among customers that they can use to their advantage. They know many of their customers personally and can cater directly to their wishes.

Online retailers face an even greater challenge than the brick-and-mortar retailers in having to differentiate themselves in globalized competition. Since hundreds of providers offer basically the same items in most market segments, they can no longer distinguish themselves visually or functionally from each other. It is becoming increasingly difficult for the individual online stores to attract attention.

Physical presence

For **brick-and-mortar retailers** their own network of stores is the focal point of their sales strategy. Customers can experience the products on-site and without a wait time – i.e., touch, try, and compare – and make a purchase right there. For 60%¹⁰ of customers, this is the main reason why they prefer buying in a store over buying online. Depending on what services the retailers want to offer their customers, they can also offer shipping from one of the stores and thereby achieve extremely short delivery times (same-day delivery).

In addition to the lack of distinctiveness among **online retailers** there is their inability to differentiate themselves via a brick-and-mortar range of products. They do not have the opportunity to provide live explanation of the benefits of their products to their audience or to offer local services.

Customer information and customer loyalty

With regard to contact with customers, **brick-and-mortar retailers** find themselves in somewhat of a paradoxical situation. In large store in particular, thousands of visitors go in and out every day and pay for their items at the cash register, but the retailers generally don't know very much about them. If they do not collect customer data with a well-accepted bonus or customer card program, then retailers can only record which items left the shelves and were paid for. And even if they do collect customer data, without a high-performance online channel they are hardly in a position to use this data in a meaningful way and send their customers interesting offers.

It is in the nature of online selling that customers must provide the retailer with their contact information so that deliveries can be made and transactions completed. Little by little, **online retailers** collect detailed information about their customers and create comprehensive profiles based on purchasing behavior that they can use for marketing purposes. In this manner, they can conduct targeted, personalized newsletter campaigns and present their customers with relevant product recommendations. Attractive offers are sent to shoppers who order frequently.

Breadth of product range

Brick-and-mortar retailers must have a certain quantity of products in different sizes and variations available on-site in order to provide their customers with an attractive offering. If the right items are not available on-site, customers generally leave the store in disappointment and may buy from a competitor; on the other hand, when items in inventory are not sold, they may have to be sold at reduced prices which constitutes a high business risk for seasonal products.

An **online pure player** presents a practically unlimited quantity of items and item variations without these endless “digital aisles” incurring significant added costs. As a result, the suppliers present their customers with an extensive range and under these circumstances, buyers can still be found even for niche products.



Price and cost structure

Factors like warehousing, property maintenance, and service personnel result in a cost structure for **brick-and-mortar retailers** that makes it almost impossible to offer products on the same terms as online retailers.

Lower prices are also the most important reason why 56%¹¹ of customers order from an online store. **Online retailers** run their business with a high level of automation and benefit from economies of scale – for example in warehousing and logistics – and they pass these benefits on to their customers in the form of lower prices.

Process and degree of digitization

As previously mentioned, **brick-and-mortar retailers** are generally companies who have been active in the market for many years. During this time, they have established structures and processes that are well-suited to the local field of application but cannot be adapted for online processes quickly or without additional effort. Trying something new and being open to digital transformation is one of the biggest challenges.

Provided that they have the right platform, **online retailers** are essentially more agile and operate in *trial-and-error* mode. They put new pages on the World Wide Web in almost the blink of an eye to present products in another context, offer service packages, and try out new selling strategies. In conjunction with A/B testing, they conduct their own market research with little effort and continually review their own strategy.

As a result, they have developed a basic understanding of the online world. They deal with the most important digital processes

and structures, and use services and tools for communication, marketing, and research. They are accustomed to analyzing every aspect of the online buying process and verifying it with numbers, and they have the KPIs that are relevant to them at their fingertips. In total, they achieve the “Web-excellence”¹², that brings the most successful practitioners double-digit growth year after year.

Opening up new markets

Brick-and-mortar retailers are not able to infinitely scale their business and simply just open new stores. This is an expensive strategy that is associated with a high level of investment, and it can also happen that the target market has no additional capacity for new stores, as demonstrated in the case with *Dänisches Bettenlager*:

Within about 20 years, the network of stores in Germany had grown from just one to almost 1000 locations. This meant less space for new locations.^{13*}

Moreover, with a “clone” of their own store concept, companies do not reach new customer groups. Retailers who want to address a different target group inevitably have to focus on developing and trying out new sales concepts.

Online retailers have the potential to address the entire world with their online offer. With the right strategy, they can make their products accessible to an international customer base and benefit from new markets and advantageous economies of scale.

*Innerhalb von gut 20 Jahren ist das Filialnetz in Deutschland von nur einer auf fast 1000 Filialen gewachsen. Das bedeutet: Für neue Standorte ist wenig Platz.¹³



Competitive situations and market transparency

Established **brick-and-mortar retailers** enjoy a certain territorial protection with regard to local competitors: Customers who want to buy locally are usually not able to choose from hundreds of offers and their shopping radius is limited.

On the other hand, many **online retailers** battle it out in an aggressive pricing war with their competitors in which even high-quality products are noticeably downgraded to comparable mass-produced items. The ever-greater transparency ensures that customers

find only the lowest prices. These retailers are working with continually shrinking margins and face the challenge of running their business profitably for the long-term.

A consequence of the lack of opportunity for differentiation (see above) is that customers can quickly select an alternative provider via the Internet which is just that well-known click away. Often customers use search engines and price comparison portals to find the way to the lowest price offer instead of loyally placing their order with the same provider every time.



Summary

In order to explain the opportunities and challenges for both different types

of retailers, we have summarized and contrasted them in the following table:

	Brick-and-mortar retailers	Online retailers
Advisory and product range expertise	Employees with years of consulting and industry experience	Sales advice supported by extensive digital information and virtual assistants.
Customer relationship	Customers are personally known	Customer are not known personally and exist only as profiles in databases
Visibility	Tends to be high based on long transaction time and limited local competition	Low, strong competitive situation online
Customer information	Not available or very little available if customer cards or the like are not present	Very in-depth information, detailed and constantly updated profile
Breadth of product range	Limited due to expensive local warehousing	Theoretically unlimited, fast delivery with optimized central structure
Price and cost structure	High costs, online prices cannot be met	Online infrastructure less costly than brick-and-mortar, beneficial economy of scale, resulting in lower prices
Process and degree of digitization	Outdated and tends to be analog; skepticism about process changes	Agile and digitized process, trial and error method prevalent
Opening up new markets	Brick-and-mortar concept is expensive to scale and only to a certain extent, and is time and cost-intensive	Communication on digital channels allows global customer address. Scaling is less expensive
Competitive situation and market transparency	Manageable number of employees due to local situation; high market entry barriers for competitors	High competitor density, aggressive pricing, pricing transparency, low market entry barriers for competitors



The lessons retailers can take away from this?

If there are deficits in their own retail channel, it is worthwhile to consider that these can be compensated for by adding an additional channel. The usual route is for a traditional retailer to build digital channels. However, there are more and more examples of online retailers coming in close contact with the customer on a local basis:

*Indeed, suddenly Amazon, Zalando, Home24, Notebooksbilliger, Cyberport, MyMuesli, Modomoto, and AboutYou were in on the list with Edited [...]. Then I stopped counting. The online retailers are filling the empty spaces left behind by the brick-and-mortar retailers.^{14**}*

Channel coupling does not automatically mean that a provider offers all channels from one source and that all tasks must be handled in-house. Thanks to modern interface technology (APIs), British supermarket operator *Tesco* is able to place its products in the interface building blocks *IfThisThenThat*¹⁵ and link its own infrastructure with external services. For instance, customers can then set their account to automatically place a particular product in their shopping cart on a certain day of the week, or to receive an e-mail if the price drops on a certain item (see Figure 5).

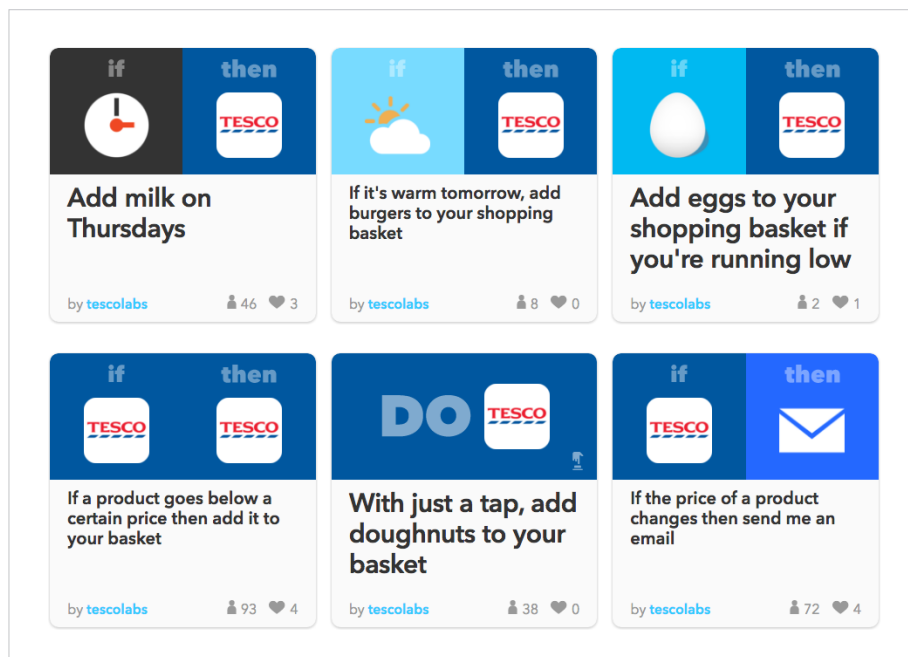


Figure 5: The Tesco product data can be connected in a number of different ways.

In a similar manner, drugstore chain *Walgreen's* opened up their infrastructure to offer interfaces so that external developers

can access data from the individual store locations and digital coupons in order to develop new offers¹⁶.

** Doch dann standen plötzlich Amazon, Zalando, Home24, Notebooksbilliger, Cyberport, MyMuesli, Modomoto, AboutYou mit Edited [...] auf der Liste. Dann habe ich aufgehört zu zählen. Die Onliner füllen längst in Serie die leeren Flächen, die der stationäre Handel hinterlässt.¹⁴



How omnichannel is currently implemented in technologically

Today both brick-and-mortar retailers and online retailers are already using a touchpoint structure that accommodates the customer journey. Some examples follow:

Store locator and inventory query

A less extensive variation that connects the brick-and-mortar store network with an online channel is to offer visitors a store locator and make the inventory status accessible for the individual stores.

Customer advantages

- ⊕ Based on their own location, they can find stores in their area; this represents added value particularly for mobile applications.
- ⊕ Customers can obtain information in advance about the inventory status in the stores and thus avoid unnecessary trips.

Retailer advantages

- ⊕ Retailers present their store locations online and draw attention to certain products and services.
- ⊕ They increase customer satisfaction because visitors to the stores are saved from making unnecessary trips.
- ⊕ The introduction of such a strategy is less costly than a complete C&C process.

A store finder and availability indicator is already the basis of the omnichannel strategy for many leading, internationally active companies. Customers of *H&M* can find their preferred *H&M* store location either by

country or based on their current location (see Figure 6); *IKEA* customers can see the current inventory status for their preferred store location at any time (see Figure 7).

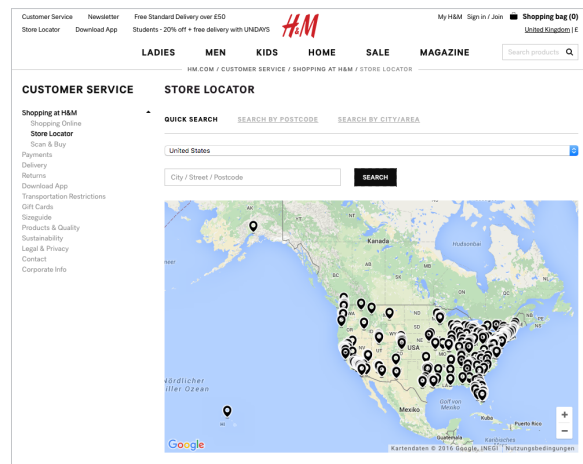


Figure 6: The individual store locations are shown on a map.

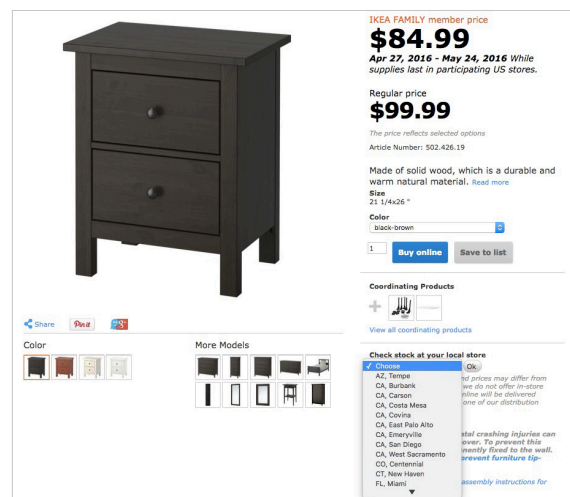


Figure 7: Customers see whether the item they want is available in their preferred store.

In-store information and endless aisle

For customers who are already in a store, the on-site shopping experience can be improved as well with a digital component.

Sales apps

The employees can use the relevant sales application on a tablet while advising customers. They can scan products in the store, query availability, and accept orders and returns. In addition, they have the option of presenting their customers with the versions of their products that might not be available on-site. With this approach, also known as the “endless aisle”, retailers can virtually expand the available offering in the store location and address the vulnerability of local, limited merchandise availability.

Displays

With displays positioned in the stores, retailers skillfully offer additional options to support on-site sales. They can use large monitors to inform customers about special campaigns and cross-selling offers. If needed, this information can be quickly replaced, for example if the weather changes and the retailer wants to respond with a particular product recommendation.

Smaller displays attached to the shelves offer similar flexibility. Here the product prices and availability can be displayed directly, and an expiration date can be displayed for perishable items. By displaying barcodes or QR codes, retailers give customers the option of scanning them with their smartphones and searching for more information on their own.

Customer advantages

- ⊕ Product selection is not limited.
- ⊕ Additional information such as product reviews are easily accessed and help with product selection in brick-and-mortar stores.

Retailer advantages

- ⊕ They present a larger range of products and offer customers better advice.
- ⊕ Warehousing can be optimized with the virtual expansion of the brick-and-mortar product line.
- ⊕ They can respond quickly to external events like the weather and make efficient changes to product information.

Home furnishings chain *Dänisches Bettenlager* has had good experiences with this concept. In the so-called City-Stores, there is only a partial product assortment that is expanded with the digital product:



“The sales floor in the City-Stores is enhanced by the “Product Bar” with a multichannel concept of integrated tablets that can be used to access the entire product line from the DÄNISCHES BETTENLAGER online store. Ole N. Nielsen: The cross-channel product range in the City-Stores has been well-received by customers and we will continue to expand it.” 60 to 80 of these City-Stores are planned for the mid-term.”^{17***}

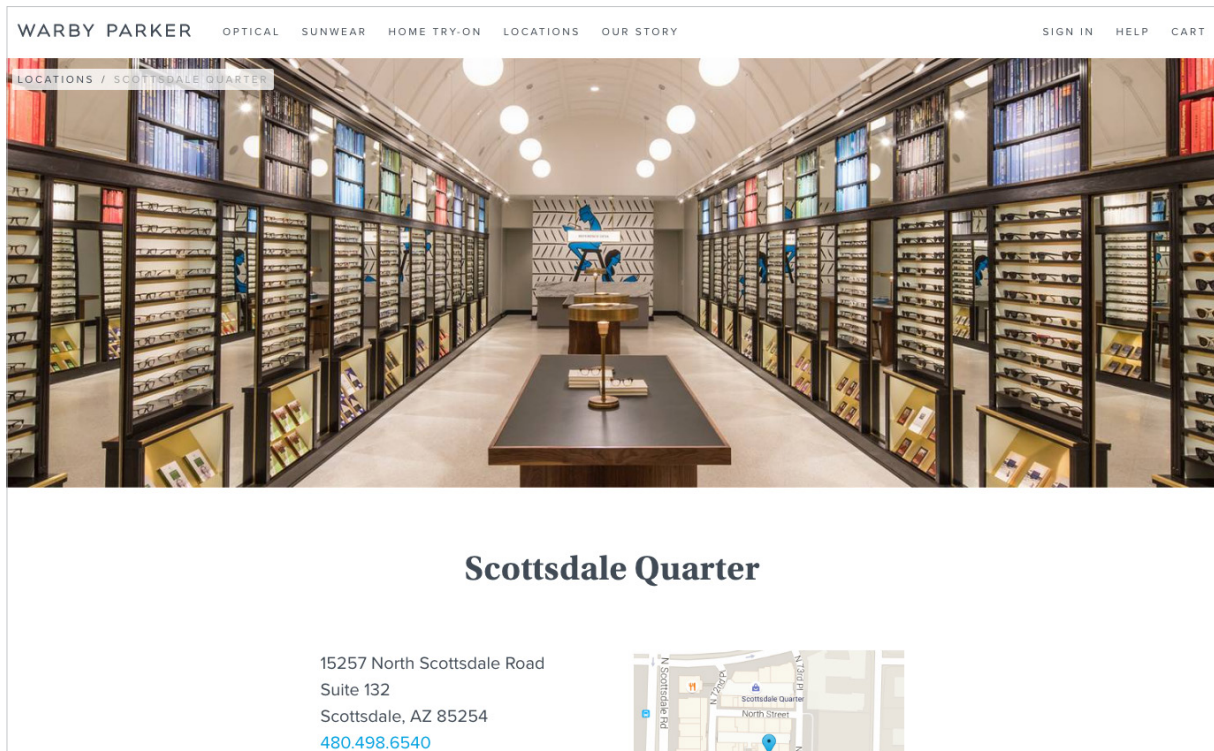


Figure 8: Store for eyewear manufacturer Warby Parker

Companies that start out as online retailers can also benefit from this digital expansion to their store locations. Eyewear manufacturer *Warby Parker* launched its online store in 2010 and has been on the market with brick-and-mortar stores since 2013. This step has not just had a positive effect on the company branding – the store locations are profitable, and with average sales per square foot of \$3,000/year they even exceed established retailers such as *Tiffany & Co.* and *Ralph Lauren*.

“We quickly realized that while we were seeing all the benefits we expected from branding and marketing—the ‘halo’ effect of having a store open—stores could be a meaningful driver of sales and profitability, which was really unexpected,” Mr. Gilboa says.

*the first stores it opened in 2013 have already generated enough cash to cover the initial construction costs, rent and staff salaries incurred over the nine months it usually takes for a store to open.*¹⁸

*** “Die Verkaufsfläche der City-Stores wird mit der „Sortimentsbar“ durch ein modernes Multi Channel-Konzept ergänzt: mit integrierten Tablets kann direkt auf das gesamte Sortiment des Onlineshops von DÄNISCHES BETTENLAGER zugegriffen werden. Ole N. Nielsen: „Das Cross-Channel-Angebot in den City-Stores wird von den Kunden gut angenommen und wir werden es weiter ausbauen.“ Mittelfristig sind 60 bis 80 dieser City-Stores angedacht.”¹⁷

Click & Collect

Click & Collect (C&C) is the best-known strategy among customers and retailers to connect online and offline worlds with each other. At the same time, it has been shown to be the most complex to implement. With C&C, customers use an online channel like the online store or the retailer's mobile app to find the desired item, order it, and generally also pay for it. Instead of having the item delivered to their home, they can select a store location where they can pick up the item they ordered.

Customer advantages

- + In the online channel, they can see the availability in the preferred store location and use this information to make the purchase decision.
- + Depending on the time of day and inventory situation, they can even pick up the merchandise in the store on the same day.
- + They save the shipping costs.

Retailer advantages

- + Costs for shipping and possible return shipment are reduced or even avoided.
- + Retailers can offer additional products to customers who pick up items or exchange them locally. According to a study by the ICSC, sales are 30% higher than when the sale and return is done only digitally (see Figure 9)¹⁹:

The challenges for C&C lie primarily in the correct and ideally real-time synchronization of inventories between the online channel and the brick-and-mortar store; a seamless buying experience can quickly become frustrating for customers if an order is submitted in the online store for an item that is not on hand in the brick-and-mortar store.

Retailers have to devote some thought to which items are even well-suited to this approach: B&Q, one of the largest home improvement chains in Great Britain, offers only products up to a certain package size for C&C and provides clear information about this policy on its website (see Figure 10):

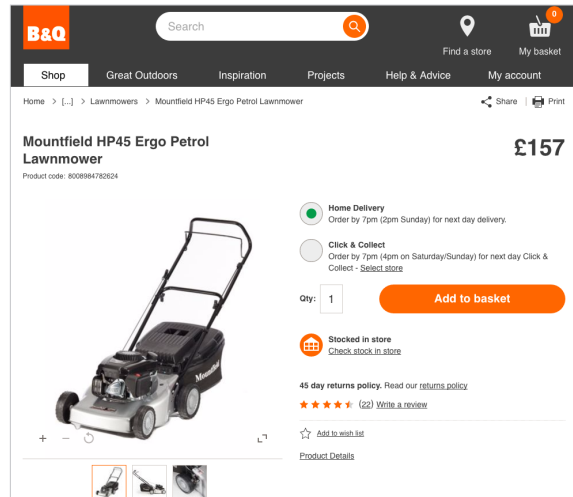


Figure 10: Opportunities for presenting and selecting C&C products

C&C has become a permanent feature even for traditional retailers. The *Media Saturn Group*, Europe's largest electronics retailer, says that half of all online orders are picked up at a store location.

Online retailers are likewise expanding their C&C processes as part of a store strategy, from *Cyberport*, *myToys*, *notebooksbilliger* to *MyMüsli* with its "Hotspots" (see Figure 11): Online-driven business models are also experimenting with this type of channel link.



Figure 11: The wifi hotspots from MyMüsli

Ten steps to your own omnichannel strategy

If implemented in a customer-friendly manner, omnichannel concepts work whether initiated by a brick-and-mortar retailer or an online retailer. In the last section we will provide assistance on the practical implementation of such a strategy.

1. Basically think and work with a customer focus

It sounds like a platitude: To be successful in the long term, retailers have to focus on their customers' wishes.

"You've got to start with the customer experience and work backwards to the technology. - Steve Jobs."

Although brick-and-mortar retailers and online retailers often say they are already very customer-focused, the reality often looks different. Incompetent service staff in the stores, difficult to use online stores, unclear pricing, and long delivery lead times are only a few of the aggravations that customers deal with every day.

Therefore, ask your customers what you can improve. If available, refer to data on user behavior in your analysis to obtain a realistic picture.

2. Rounding out the customer journey

With the results of your survey, you can next analyze what other services you can offer. Are you an online retailer and your customers have asked to be able to try out and try on your products locally? It may be beneficial to start a small brick-and-mortar "test balloon". As a brick-and-mortar retailer,

does it often happen to you that you don't have certain requested products in stock on-site? In this case, it may be interesting to take a look at the "endless aisle" approach, which gives you access to a significantly larger product range, even if virtually.

3. Experiment with lean projects

If the complexity of an omnichannel strategy seems overwhelming at first, don't make the mistake of starting with an enormously large, multi-year implementation project. Instead, start with gradual improvements and experiment with variations. If you have only operated a brick-and-mortar operation so far, an initial MVP (*minimum viable product*) can consist of releasing a certain portion of your product line or certain service instead of starting with a complex full-featured online store. This initial project can be expanded incrementally to achieve your originally planned full range of functionality at a future point in time.

4. Become agile and strengthen innovation

The experimentation described above should not remain a one-time exercise, but should instead become second nature. Be creative and surprise your customers with periodic innovations. Don't just think about technical processes, but instead try to make your customers' lives easier and more interesting. Are you specialized in selling athletic shoes? Maintain a calendar with regional running events. Do you sell special gifts in your online store? Offer your customers a reminder service for birthdays.



5. Know and observe KPIs

When retailers are active in new channels and have not had any experience there, it is important to note and evaluate trends with the help of objective metrics. The most important KPIs include:

- Customer Lifetime Value (CLV)
- Customer Acquisition Cost (CAC)
- Rate of returning visitors
- New customer segments

6. Adapt organizations and processes

The planning and implementation of an omnichannel strategy is not a one-time project that can be easily implemented like all previous other projects. Instead, it requires extensive changes to the organizational structure in order to achieve the goal of linking the channels and no longer thinking in terms of isolated applications and information silos.

7. Flexible programming interfaces

You can only respond to market changes with agility if your technical platform permits and offers open interfaces with which you can exchange data and connect to third-party systems. With completely closed solutions, you will inevitably run into the problem of vendor lock-in sooner or later and are dependent on the innovation cycle of your technology service provider. Pay attention to open, well-documented interfaces that

permit flexible exchange of data; this applies to both importing and exporting that must work in both directions. Only then do you have the certainty that you can make appropriate integrations to your business model in the future. Furthermore, flexible interfaces also allow you to implement individual frontends and are thus a basic requirement for establishing entertaining and inspiring shopping experiences, regardless of whether in an online store, a mobile app, at the POS, on a smartwatch, or on an end device from the Internet of Things.

8. Best-of-breed approach in all areas

Avoid integrated solutions that want to do everything for you – from customer data management to maintaining editorial content and updating item data. Instead, choose specialized solutions in the areas of CMS (e.g., with *Drupal*, *Hippo CMS*, or *Magnolia CMS*), ERP (*SAP Business ByDesign*) or CRM (*Salesforce*) and integrate them with the help of the interfaces provided by the e-commerce solution.

This approach has already been in use for many years in other industries. For example, automakers concentrate their product development on engines, chassis, and car bodies while the interiors and electronics are handled by highly specialized suppliers.



Your advantages

- + If you want to offer the best possible customer service, you need special software in all areas. As in other advanced industries, the principle of labor distribution and specialization applies in retail as well.
- + Because the individual systems are developed separately from one another and are updated independently of each other, you avoid the innovation jam of a fully integrated solution.
- + If your requirements change, you don't have to replace your entire infrastructure. You can just replace the portion that is affected by these changes. In so doing, you benefit from shorter project timelines and work more efficiently overall.
- + Because a full migration to a new solution is not needed, you protect your investment in your existing system landscape.
- + Your employees don't have to become familiar with an entirely new technological environment, but instead only need training on the part of the system that is changing.

9. Centralized dataflows

You only get complete insight into user behavior and the resulting basis for improving the shopping experience if you are able to save and analyze data centrally. It is also important to tear down data silos and consolidate data, for that is the only way to get holistic insight into the way your customers use your product offer.

Critical points include the interplay between customer interaction with various touchpoints on one hand and the logistics

process in the background on the other. Even the most attractive online store front end and the most diverse shopping app cannot deliver added value if the inventory is not presented correctly or if orders disappear into the e-commerce nirvana. An ERP solution such as *SAP Business ByDesign* ensures that customer data is collected at a central point and that all order processes are available in all places.

10. Future-proof commerce platform

The e-commerce platform is the linchpin of the omnichannel strategy. You should select one that meets your current requirements and can also handle your future challenges. Based on experience, a schematic comparison of the features of the solutions currently on the market is not sufficient by itself. What is more decisive is the knowledge that the technological basis for a future-oriented omnichannel strategy cannot be a highly complex software product that requires extensive maintenance to operate with an increasing number of users.

Instead, think in terms of services and build your e-commerce platform on the basis of several specialized and interconnected services. This way, you can concentrate on improving the specific customer experience in all of your sales channels instead of using a great deal of time and budget for updates and migrations.

Below we present two platforms that follow this service idea and map all e-commerce processes on one side and all ERP processes on the other side. Both solutions can be connected quickly and easily with one another via a standard connector.



The commercetools platform

Modern solutions like the commercetools platform give you a flexible entry into the world of e-commerce solutions. Some of the advantages that directly benefit you include:

- Experienced provider with proven technology that can grow flexibly with you
- Allows fast entry with standardized, well-documented interfaces and programming frameworks and demo applications.
- No vendor lock-in: All data is fully exportable at any time via different interfaces.
- No *CAPEX*: No start-up investment in the form of licensing is required for the platform.
- Low *OPEX*: The pay-per-use model is transparent and includes operation and updating as well as an optional degree of scalability.

SAP Business ByDesign

SAP Business ByDesign combines the strengths of a full-scale ERP solution with the advantages of a modern enterprise software: cloud based, full cost transparency through monthly rental, quick implementation, no initial investment, mobile use at any time and from anywhere, optimum processes and a standardized database for all employees. Some of the essential benefits are:

- Integrated and internationalized solution that covers processes from CRM to finance to logistics.
- One system for all distribution channels: overview of inventory, orders, the success of the individual distribution channels and key figures.
- Modular system that is scalable and grows when the business changes.
- Modern and future-oriented front-end based on HTML5 technology
- Versatile integration of applications such as e-commerce and cash register systems (POS)
- Own SDK for custom development



Conclusion:



“There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.” Sam Walton

There is no doubt: In a networked world, the customer is increasingly the focus for modern retailers. They are asked to make shopping as convenient as possible and to be responsive wherever the customer may be, whether online or offline. An omnichannel strategy is the method of choice for ensuring this customer satisfaction in the future. Multichannel or omnichannel concepts are not an end in and of themselves to give companies a modern, digital sheen.

Omnichannel concepts can already be found in various forms and levels of development and are used by both brick-and-mortar retailers and online retailers. Customers benefit in the store from modern in-store technologies with current product information and a wider product range from the endless aisle approach. Online customers get the option of buying the desired item with *Click&Collect* in the online store and picking it up right from the store.

In order to map such processes, the architecture of the technical platform is the most important factor, along with the adjustment of the in-house organizational structure, to be successful in the long-term.

Instead of choosing a highly-complex and fully-integrated e-commerce suite that at first glance brings all the required functions but requires a great deal of time and money for integration and maintenance, it is more advisable to use specialized services and integrate them with flexible interfaces. As a result, the project timelines are reduced, money saved, and retailers regain the freedom to optimally stage their products instead of wasting their energy on lengthy migration and integration projects.

Around the world and across industries, companies are emphasizing the implementation of omnichannel projects to solidify their market position in the relevant retail channels and are already reporting their initial successes. Retailers with current business models that are not feasible in the long term and who have previously not followed a customer-centric strategy should act quickly so they don't miss the boat.



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commercetools GmbH was founded in 2006 by Dirk Hörig and Denis Werner. The company runs offices in Germany in Munich and Berlin as well as in the United States in New York and Durham. commercetools is one of the world's leading providers of cloud-based e-commerce technology. On the basis of their highly available platform, complex retail models across all sales channels and for all devices can be implemented. By means of an extensive e-commerce API, existing corporate processes and technologies are connected flexibly. In addition, the platform enables sustainable solutions for B2C and B2B retail. Since 2014 commercetools is a subsidiary of REWE Group. Its customers include BRITA, Koffer24, Merkur, REWE, Wöhl and ZEG.

Contact

Europe

commercetools GmbH
Adams-Lehmann-Str. 44
80797 Munich
Germany
Phone: +49 (89) 9982996-0
Email: marketing@commercetools.de

US

commercetools Inc.
American Tobacco Campus | Reed Building
318 Blackwell St. Suite 240
Durham, NC 27701, USA
Phone: +1 212-220-3809
Email: mail@commercetools.com

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Contact

All for One Steeb AG

Thorsten Wilcke
Gottlieb-Manz-Straße 1
70794 Filderstadt-Bernhausen
Germany
Phone: +49 170 79 65 968
Email: thorsten.wilcke@all-for-one.com