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## OMNICHANNEL RETAILING - CHALLENGES AND SUCCESS FACTORS

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### ABSTRACT:

**T**he internet and the development of mobile devices have revolutionized the retail sector, enabling consumers to research and shop at their convenience, anytime, anywhere. As consumers embrace new technologies the shopping experience has become increasingly sophisticated, enabling new ways for leading retailers to reach their audience. This new system of retailing – connecting stores, e-commerce, mobile apps and social media – is referred to as omni-channel retailing. By integrating and aligning channels, omni-channel retailing provides a flexible and seamless shopping experience to consumers, regardless of whether the customer walks into a store, browses a website or orders via a mobile phone. Omni-channel retailing creates many opportunities for the retailers in the form of the potential sales extension both domestically and overseas. It also increases brand awareness and loyalty amongst the customers. This paper attempts to discuss the conceptual development of omnichannel retailing. It also depicts the challenges and factors to be considered by retailers in successful implementation

of omni-channel retailing in India.

**KEYWORDS :** Retailing, Omni-channel, Challenges, e-Commerce.

### INTRODUCTION

The retail environment has changed over the last decade due to the advent of the online channel and ongoing digitalization. With the evolution of e-commerce and social media, there are many new variables to be considered beyond bricks and mortar. This has led retailers to adopt a new concept called 'omni-channel' that gives customers the ability to interact and transact with a store via any channel – in person, over the phone, or online – and experience the same outcomes and level of service. Verhoef et al. (2015) defines the omnichannel as “the synergetic management of the numerous available channels and customer touch points, in such a way that the customer experience across channels and the performance over channels is optimized.” Consumer's wish to get products and services in the way they want with respect to their choice of channel, convenience, place and benefits which has led to the concept of omnichannel (Singh et. al., 2017). Verhoef et al. (2015) have identified that industry as well as researchers moving towards omni-channel retailing, where the world will soon become showrooms without walls and boundaries between online and physical retailing will vanish (Rigby, 2011; Brynjolfsson et al., 2013; Beck and Rygl, 2015; Baird and Kilcourse, 2011). Moreover, omnichannel is more customer-centric (Peltola, Vainio, and Nieminen, 2015). In simple terms omni-channel (OC) is the integration of all available channels for making the customer shopping experience seamless (Rigby, 2011; Brynjolfsson et al., 2013). Chopra (2016) has given the strengths and weaknesses of these channels and also talked about how these channels can be integrated so that omni-channel becomes the future of retailing. Omnichannel is not about buying things online or offline, it's about bringing customers back to the stores. Even now-a-days customer do share their information with retailers, which is helping the growth of omnichannel by learning customer shopping behaviour and providing customer what

they wish. Happiest Mind (a US based firm) in 2015 reported that 47% of customers share their valuable information with the retailer if they get good offers from them.

## EVOLUTION OF OMNICHANNEL RETAIL IN INDIA

According to Knight Frank's research report (2017), the concept of omni-channel retailing evolved through the following three stages:

### INTRODUCTION OF SHOPPING CENTRES

During 1990s, India's modern retail growth story began with a few shopping centres, lined with specialty retailers, growing in the retail markets of the country's top cities during the mid-1990s. The 'shopping centre culture' gradually pervaded the population, especially in the metros and mini-metros, thus indicating the beginning of the modern retail movement in India. Modern retail typically involves all stores in malls as well as stores in shopping streets that provide a purchase invoice, have air conditioning or have recognised foreign/national brands. However, the impact of the global financial crisis on the Indian economy in 2008 and 2009 checked this pace, and eventually led to only a select number of successful malls to operate in the metros, giving rise to skepticism over the brick-and-mortar model of retailing.

### Emergence of e-tailing and beginning of Omni-Channel Retailing

The next big wave that changed the shape of the retail sector in India and accelerated the presence of modern retail is e-tailing. E-tailing is the concept of selling products and services through the internet, telephone and television. This trend started in the year 2010 and has become prominent in the last four years. There are many factors leading to the growth of e-tail, the most significant being the strengthening ecosystem that makes buying online better every day. IT infrastructure has improved significantly over the last decade. In addition to this, on the operational side the e-tailers have taken measures to enhance customer experience. Online banking, credit and debit cards, cash on delivery were the methods used for making payments. Now, new methods of payment have been introduced to make online purchases more convenient for consumers. With the recent demonetisation drive, third-party wallet, a mechanism wherein money is stored in a prepaid wallet, has emerged as a preferred seamless instrument of payment. Customer experience has also enhanced due to customer-friendly policies regarding the exchange of goods and quick delivery.

The other factor leading to the growth of the e-tailing segment is the country's favourable demographics. 65% of the country's population is below the age of 35 years. Therefore, the acceptance of e-tailing is expected to be higher among the younger generation that is more tech-savvy and open to experimentation. Smartphone adoption is faster, even in the large section of the population that is not computer literate, thus addressing the problem of computer illiteracy.

Another advantage that e-tailers enjoy pertains to the cost of real estate. Retail properties in the top cities are quite expensive and in Tier II and III cities setting up a retail shop does not always prove to be financially viable. In these situations e-tail is a great option for modern retail penetration. In fact, e-tail has helped the consumers of Tier II and III cities to become familiar with various products and brands, thus enhancing their position in the overall retail learning curve.

The changing urban landscape has also worked in favour of e-tail. Top cities struggle with traffic issues, and e-tail provides the convenience of shopping from home or the office, thereby bypassing the need to meet heavy traffic and the required cost to buy a product. Further, checking store timings in advance is never a consideration for online shopping. While brick-and-mortar stores serve during fixed hours, e-tailers serve round-the-clock throughout the year, without any holidays or renovation shutdowns. Many e-tailers have initiated certain measures to attract the section of customers that remains skeptical about the quality of products sold online. While brick-and-mortar stores offer a 'no questions asked exchange policy', some e-tailers went a step ahead, offering a 'no questions asked money back policy' in a bid to instill trust in online purchasing.

## EMERGING OMNI-CHANNEL RETAIL

Today, several leading e-tailers have opened physical stores to showcase their products and service online customers. These stores will act as experience centres and will offer value-added services. Today, a number of leading e-tailers have opened physical stores to showcase their products and service online customers. These stores will act as experience centres and will offer value-added services, such as trials, instant returns and product demos. On the other hand, a number of traditional brick-and-mortar players have gone online, either with their own websites or by tying up with already existing e-tailers, such as Amazon, Snapdeal, Jabong or Myntra. The figure is set to increase further in the coming years, as more retailers understand the importance of offering multiple touch points to consumers. Several brands are bringing technology into their physical stores, with kiosks to highlight their products and provide customer support. Some of these stores also allow customers to check the availability of a product across all brand outlets and order home delivery.

Omni-channel retailing, i.e. combining mobile, bricks and- mortars and e-tailing, is the future of e-commerce. This requires e-tailers, bricks-and-mortars and bricks-and-clicks (bricks-and-mortars that also have an online presence) to rethink their strategies and to redefine their business models. A single channel is no longer enough, which is why traditional retailers are looking to go online and why e-tailers are looking at various options to establish a physical presence (Omni-channel retail – A Deloitte Point of View, 2015).

## Technology at the centre stage of Omni-Channel Retail

Technology has emerged as the necessary element for the cause of omni-channel retail. The omni-channel phenomenon has found roots in the connected consumer. The consumer today has high aspirations. Short of time, travelling extensively and managing between work and home, the consumer is connected through smartphone, tablet and computer. Empowered with a smartphone, considers facebook, instagram, WhatsApp and other social media as companions – seeks advice and expresses opinion. This profile of an increasingly aware and ambitious consumer has created a strong need to address the cause. In addition to this the improved Internet connectivity that has not just enabled online shopping but increased the experiential value of the same. The cost of Internet connectivity has been reducing even as Internet speed and availability are improving at an exceedingly improving pace. While initially only private places encouraged Wi-Fi connectivity, which was offered free of cost to patrons, now public places as well take pride to offer the same to citizens. As a result, high-speed at no cost or substantially low cost is available at hotels, education institutes, airports, railway stations etc.

## The Global Experience

Globally companies have been working on omni-channel strategies to reach out to the consumer. Indian retailers can draw lessons from these global experiences. This omni-channel approach adopted by companies is being done through a host of platforms. These include online and physical stores, smartphones, tablets, social media, call centres and by email. In the global market place, retailers have been working on these strategies for more than 10 years now. The origins of the omni-channel strategies can be traced to 2003 when Best Buy tried to counter Walmart by coming up with a host of initiatives, at the core of which lay the consumer. Since then, many companies have come up with their own strategies to reach out to the consumer and also to grab the consumer's mind space. As already stated, the omni-channel approach started much earlier on the global stage, compared to India. Thus, it would be worthwhile to get an idea to know how countries and product categories have fared with regard to the omni-channel approach adopted by retailers.

## The Challenges for omni-channel retailing

There is no denying the fact that adopting an omni-channel strategy is the way forward to engage with the consumer. However, companies that have adopted omni channels have been facing a new set of challenges (White Paper, Pronto Software).

## Aligning inventory with omni-channel demands

Shoppers now use a variety of channels to research and purchase products. This can make it difficult for



retailers to form a clear picture of inventory requirements, which in turn complicates the retail value chain. While omni-channel shopping presents retailers with new avenues of income, it also often highlights shortcomings of their traditional systems, particularly in terms of allocations, consolidated reporting, inventory, marketing, merchandising, post-sales services and promotions.

Customers look for confidence in retailers and expect the information they find while researching to be accurate and timely regardless of where they find it. By extension, customers also expect to be able to transact in the same channels where they conduct their research; to buy online for immediate or same-day delivery, pick up in-store, and return or exchange purchases made online at physical locations, if necessary. This naturally has a compound effect on staff members who are looking for structure in business process management and increased visibility across stock levels, particularly as customers are becoming less patient and likely to investigate other retailers, either in person or online. But tying numerous channels together can be difficult, especially with so many components to consider.

### Remaining competitive in an ever-changing market

The complexity of omni-channel retail – coupled with the pressures of competing with larger and often international companies that have greater purchasing power – has led many mid-market retailers to find ways of reducing traditional supply chain layers. For example, some have chosen to deal directly with manufacturers. Others have started importing, or have changed their product range to cater to less competitive niches.

### Providing added value

There was a time when customers relied on bricks-and-mortar retailers, the media and their friends to access information on products, prices and availability. Omni-channel retail and social media have made customers more price-aware and product-savvy. However, omni-channel has also created opportunities for retailers to provide a compelling point of difference in an increasingly price-conscious market.

E-commerce and digital channels have introduced a new aspect to marketing. In the era of bricks-and-mortar retail, most businesses had a relatively speculative understanding of customer interests and behaviours. E-commerce now offers retailers a wealth of customer information, allowing them to monitor and tailor brand messages and offerings to specific demographics or even individual customers. The challenge for retailers is to translate this information into marketing and merchandising that is meaningful to their target customers.

As customers are now accustomed to a much wider range of purchasing options, it is more important than ever for retailers to guide purchase decisions with useful advice and provide value beyond the label price of the products they sell. This presents the opportunity to convert customers into brand advocates; if a customer perceives an excess of value in a transaction, they will be more likely to share their experience with like-minded prospects via social channels, ultimately promoting the value of the business beyond its products and pricing.

### Gaining a clearer customer view across multiple channels

The challenge for retailers is to capture information across multiple channels so it can be analysed and translated into usable insights. Everyday trading produces a wealth of clearly defined transactional data, but also a lot of unstructured data relating to local events, social media, and staff sentiment, which is not as easily captured. This information is often referred to as “big data” – large, unstructured, and constantly changing sets of data and that organisations can use to yield accurate insights. Although many retailers approach each big data source as a separate “silo”, capturing and standardising the information in a single business-wide platform is the best way to use it.

### Factors to be considered for success of omni-channel retailing

The present day consumers are not only tech savvy but also hyper-connected. They use multiple channels to interact with a retailer and their purchase journey is more complex than ever. These highly empowered consumers seek personalized, consistent and holistic experience from all the channels. To meet the demand of these new age consumers, retailers are going beyond physical stores and tapping into the digital

world to attract, engage, convert and retain consumers. This calls for the retailer to transform from a brick-and-mortar presence to being omni-channel. While many retailers have already started implementing an omni-channel strategy, there are a few critical factors that could save it from failure:

### **Reintegrating eCommerce into an Omni-Channel team**

As eCommerce grows to account for a considerable proportion of sales, functions should be moved back into a central omni-channel team from siloed eCommerce team. All stakeholders including executives, IT, marketing, merchandising, supply chain and customer service should be involved in defining omni-channel so that all functions are aligned with the objectives of the omni-channel strategy.

### **Real-time Product Visibility**

Visibility into product availability across channels is important to enable omni-channel sales. This would help for a seamless experience for a consumer across online and brick and mortar, expecting to buy or return product anywhere. Pricing should be integrated across online and offline channels to avoid consumer dissatisfaction towards the brand.

### **Single view of customer across all channels**

There is nothing more frustrating than a sales representative at a physical store who does not know about an offer that was made to customer online or when customer service representatives cannot see the history of a recent complaint or an order, even though there may be emails or previous phone conversations. Customers see only one brand – the distinctions between the online or offline channels are not visible to them.

### **Invest in Technology, Revisit Business Policies**

From a technology perspective, enterprise-level Warehouse Management System and Distributed Order Management System can help retailers meet the demands of an omni-channel consumer – ensuring accurate inventory visibility and flexible ordering options. Also, business policy should be well-defined with respect to cross-channel promotions, products, returns, etc., and should be communicated clearly to consumers.

### **Turning Data into Intelligence**

The growth in digital technology and channels has made businesses to have more access to consumer data. This data can help in mapping consumer purchase behavior and offer answers to questions such as where is the purchase made (online/in-store/using social media), what time of the day purchase is made (morning, noon, evening), mode of purchase (desktop/mobile), frequency of buying, etc. Insights around these can help a retailer in understanding a consumer's journey, his preferences and needs, engaging customers as well as setting triggers across different channels. Some examples of triggers include events and offers, proximity notification, a reminder of discounts, personalized emails/SMS, etc. Effectively using triggers can help brands to not only drive customer engagement but build sustainable brand value.

### **Unified loyalty program**

Having a loyalty program that integrates customer journeys across online and physical platforms is a great way to boost customer engagement. Rewarding customers even for their online involvement can prove to be an effective way to grow the online customer base.

### **Reinvent Physical Stores**

Capabilities like buy online and pick up in-store and in-store return for online purchases give consumers the flexibility between offline and online. Allowing customers to check store inventory and running targeted promotions based on online behavior are also some of the ways brands and retailers can deliver value to both online as well as in-store customers.

Next-gen tools can allow consumers to interact with product experts on in-store terminals. Social media integration, product reviews, videos, etc. can help increase customer engagement at the store. As physical stores are reinventing themselves, online-only retailers cannot exist in silos as consumers seek the touch-n-feel factor. Online stores should strive to make the experience as personalized as in-store experience. One way to achieve this is by integrating interactive live chat platforms allowing customers to connect with product experts or sales executives from the website or app. Incorporating such interaction platforms helps in understanding customer behavior, address customer queries, and aid conversions.

## CONCLUSION

As lifestyles become fast-paced and attempts by retailers to gain the consumers' attention intensify, the need to reach out the customer through a host of channels will only increase. Hence, an omni-channel strategy that connects with consumers through various channels, such as physical stores, websites, mobile apps, social media, kiosks and many more, is striving to enable the consumer to shift between various media seamlessly during a consumer shopping journey. The success of any omni-channel strategy of a retailer will lie in how successfully a retailer manages to integrate all these channels into a force. Technology will be at the core of binding all channels into a strong force. Apart from having systems and processes in place that drive the omni-channel strategy of a retailer, the importance of ensuring that the manpower is well trained to execute the plan cannot be ruled out. Since omni-channel retail is an evolving concept, retailers adopting omni-channel strategies need to invest in people who are hardworking and smart so that they are expert at executing the plans and also intelligent at spotting opportunities for the retailers. As omni-channel revolution has just started, to stay ahead of the curve retailers have to realign process leveraging new technologies in order to provide valuable and seamless experience to consumers. We believe that omni-channel retail is going to drive the growth of modern retail in India going forward.

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