



TECHNOLOGY

Exclusive Q&A: Omnichannel Challenges and Opportunities

BY CSA STAFF

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For most brick-and-mortar retailers, omnichannel services are a key offensive weapon in leveraging the advantages of their physical stores over digital-only retailers and in bridging the gap between offline and online channels.

But despite its necessity, an omnichannel strategy is often fraught with challenges, according to Antony Karabus, CEO of retail consulting firm HRC Advisory. *Chain Store Age* spoke with Karabus about the importance of omnichannel, the key challenges

that retailers experience in enabling it in their businesses and what retailers can do to achieve success in this crucial area.

CSA: Everyone talks about “omnichannel.” What services does it encompass and do you think any specific one stands out as being most critical?

Karabus: Omnichannel encompasses services that are typically initiated on-line by the customer, with the customer transaction being completed in the physical store. The most common and critical omnichannel services are buy-online-pickup-in-store and buy-online, ship-from-store.

CSA: How do omnichannel strategies impact the store and store associates?

Karabus: On the positive side, this is an opportunity to improve sales productivity by bringing additional traffic in the store and for sales associates to earn additional compensation for serving the omnichannel customer.

However, omnichannel introduces added complexity to the store as new processes and roles need to be designed and implemented to ensure the customer is served with the same consistent experience that store walk-in traffic expects. This is much easier said than done and there are too many examples of inconsistent and disappointing omnichannel experiences for customers in stores

CSA: Why is it so important that brick-and-mortar retailers achieve omnichannel success?

Karabus: Omnichannel is one of the most crucial weapons for traditional brick-and-mortar retailers to successfully compete against the e-commerce only retailers and leverage the advantage of having a regional or national store footprint. It creates additional opportunities for customers to engage with their brand and brings customers into their stores to, most importantly, drive additional sales. Seamless omnichannel capabilities also bring retailers additional traffic, more exposure and more customer loyalty.

CSA: A recent survey by HRC Retail Advisory revealed that most retailers are still struggling with omnichannel. Why do you think this is?

Karabus: The vast majority of retailers are experiencing operational and execution challenges. The primary cause of these challenges is the extreme difficulty most retailers have in matching store-level local customer demand (across all channels) with the amount of inventory allocated by the retailer’s systems to the local stores.

Also, most retailers have significant inventory inaccuracies at a SKU and size level, in particular in a specialty store environment, which can cause customer disruption. As you can imagine this creates disappointment for a customer which is the exact opposite of what the retailer would be attempting to achieve with enabling omnichannel capabilities.

CSA: Why are so many retailers still not delivering a consistent buy-online-pickup-in-store experience?

Karabus: The primary reasons for this inconsistency are two-fold, firstly in the urgency to offer and roll out the service, numerous retailers did not build the right systems, store and associate processes that would ensure consistency of experience. Further, if associates are not receiving compensation for the additional work to process omnichannel orders and consistently serve the applicable customer, it is unlikely that the service experience will be as good as a walk-in customer where the store associate is likely to be paid for the sale.

Secondly, as mentioned earlier, most retailers have imprecise inventory accuracy, which creates disappointed customers when they arrive at their chosen store and time to pick up their "buy-online-pick up-in-store" order and it is not there. We recommend that retailers defer rolling out these omnichannel capabilities until they have developed the right service, training and inventory-related capabilities and processes and have completed carefully testing them and then rolled them out to the store fleet

CSA: Among HRC's recommendations for omnichannel success are that retailers offer the capabilities that are most important to their customers. What's the best way for retailers to go about this?

Karabus The key is not to try and enable all omnichannel capabilities as each capability has its own set of complexities and challenges. We recommend that a set of facilitated discussions take place to consider what omni capabilities will be most valued by the specific retailers' customers.

Some customers find it most valuable to reserve-in-store so they know with absolute certainty the item they want is there and can try it on or visually inspect it before making the purchase. Others want the entire transaction to be completed online so all they need to do is run in to the store and check-out.

CSA: How can retailers ensure better inventory access across all channels and locations?

Karabus: The key goal is to more precisely match the location availability and access to inventory to the consumer demand for the specific items across all channels. In the earlier days of e-commerce, many retailers separated inventory by channel, not allowing inventory to be shared. However, now that e-commerce as a channel has matured, these barriers need to be addressed and overcome. There are a number of key techniques to achieve this match of supply with consumer demand, including more precise location-level item allocation across all channels, ensuring inventory is shared across all channels versus in silos by channel, assigning the same SKU number across all channels to an item, and assigning cross-channel inventory responsibility to planning, allocation and replenishment associates.

CSA: HRC also recommends that retailers define omni-channel performance and execution success before expanding their efforts. What goes into such a review?

Karabus: We recommend that the retailer take the necessary time to develop the success metrics and the scorecard that will allow management to ensure that customers are being served consistently and that the chosen omnichannel capabilities are profitable for the retailer. This process must be a cross-functional initiative so that all the key implications are considered.

Antony Karabus is CEO of HRC Advisory, a leading retail consulting firm, based in Northbrook, IL that works exclusively with retail chains to assist them to improve profitability in the evolving, increasingly complex digital retail environment.