

EXCLUSIVE 2014 SURVEY REPORT:
THE OMNICHANNEL CHALLENGE:
STRATEGIES THAT WORK



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INTRODUCTION/REPORT SUMMARY

Whether they call it “omnichannel” or something else, in 2014 most retail executives agree that delivering a consistent brand experience across all channels is a vital component of go-forward retail strategies. In fact, close to 95% of retailers define their retail strategy as “omnichannel,” up from 88% last year (see *Figure 1 on page 4*).

In our 2014 omnichannel survey, we received responses from 124 retailers and wholesalers who shared insights on their progress as well as challenges they are working to overcome in the omnichannel era.

This third rendering of the *Retail TouchPoints* omnichannel survey report benchmarks the changes, struggles and successes retailers have encountered from 2012 and 2013 and into 2014.

Read on to learn how your retail peers are meeting and beating the odds when it comes to succeeding in today’s challenging retail marketplace.

Debbie Hauss

Debbie Hauss
Editor-in-Chief
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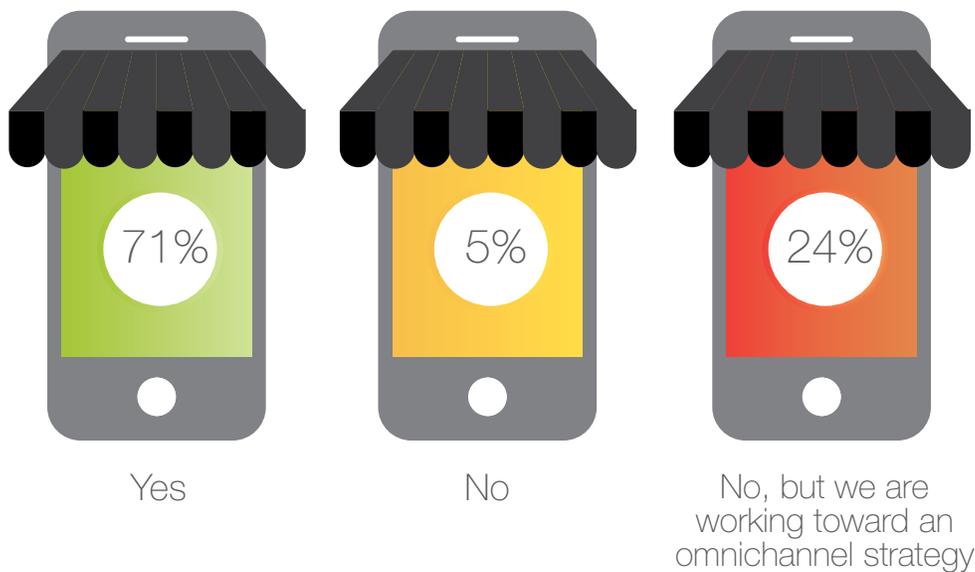


OMNICHANNEL CHECK-IN: WHERE DOES YOUR COMPANY FIT IN?

Less than 5% of retailers and CPG marketers surveyed stated a resounding “No” when asked if they define their retail strategy as “omnichannel” — a 7% drop from a year ago (*Figure 1*). And not only are retailers labeling their strategies as “omnichannel,” they’re also assigning omnichannel titles to company executives. In our recent [Changing Roles In Retail](#) survey, we found that 8% of retail companies are planning to add a **Chief Omnichannel Officer** or **SVP, EVP** or **Head of Omnichannel** to the roles in the next 18 months.

FIGURE 1

Do you define your retail strategy as Omnichannel (making every effort to ensure seamless interactions/transactions in all available channels to promote engagement with your brand)?



While retailers continue to operate in their primary channels—including brick-and-mortar and the company e-Commerce site — they have increased their focus on the mobile web site. Close to 46% of survey respondents now operate a mobile web site, up from 37% last year (*Figure 2*). With good reason...the mobile web site is the channel bringing in the quickest revenue increase: 26% of retailers report a revenue increase for the mobile web site greater than 20% in the last 18 months (*Figure 3*).



FIGURE 2
Which channels do you currently conduct business in? (Check all that apply)

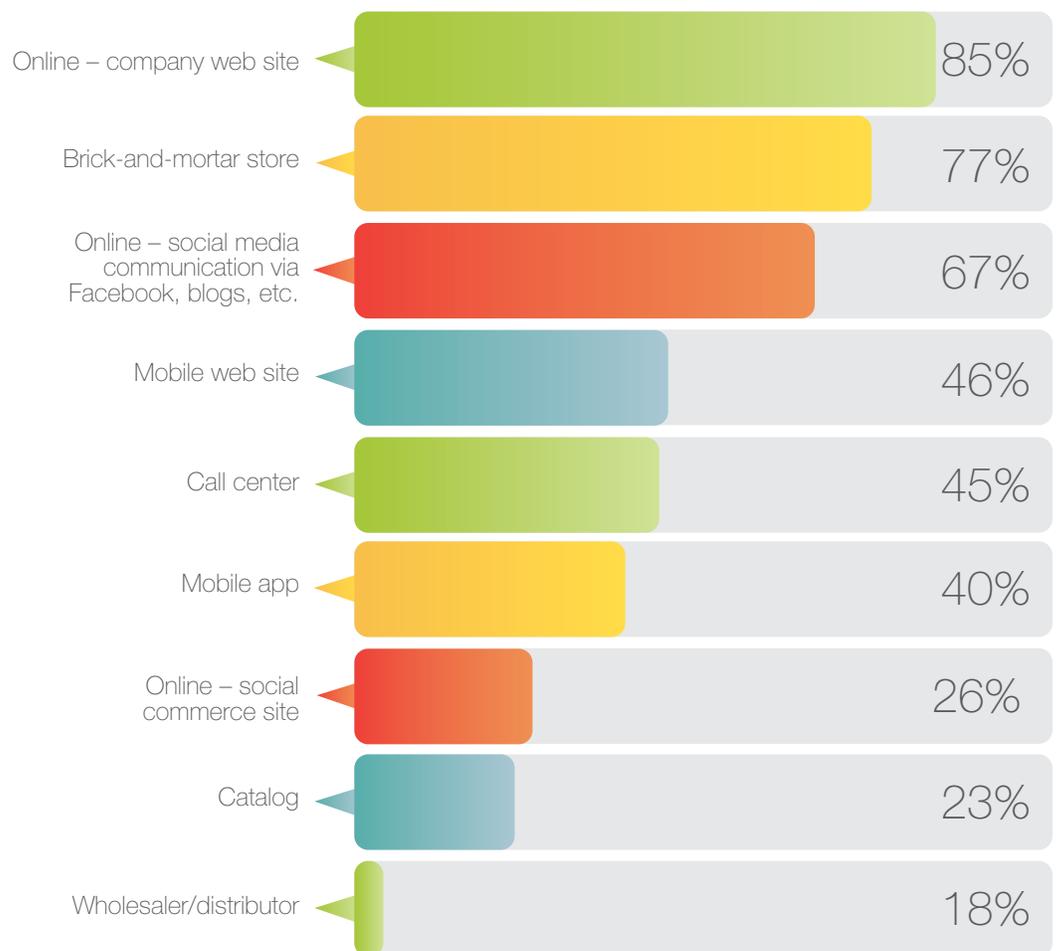
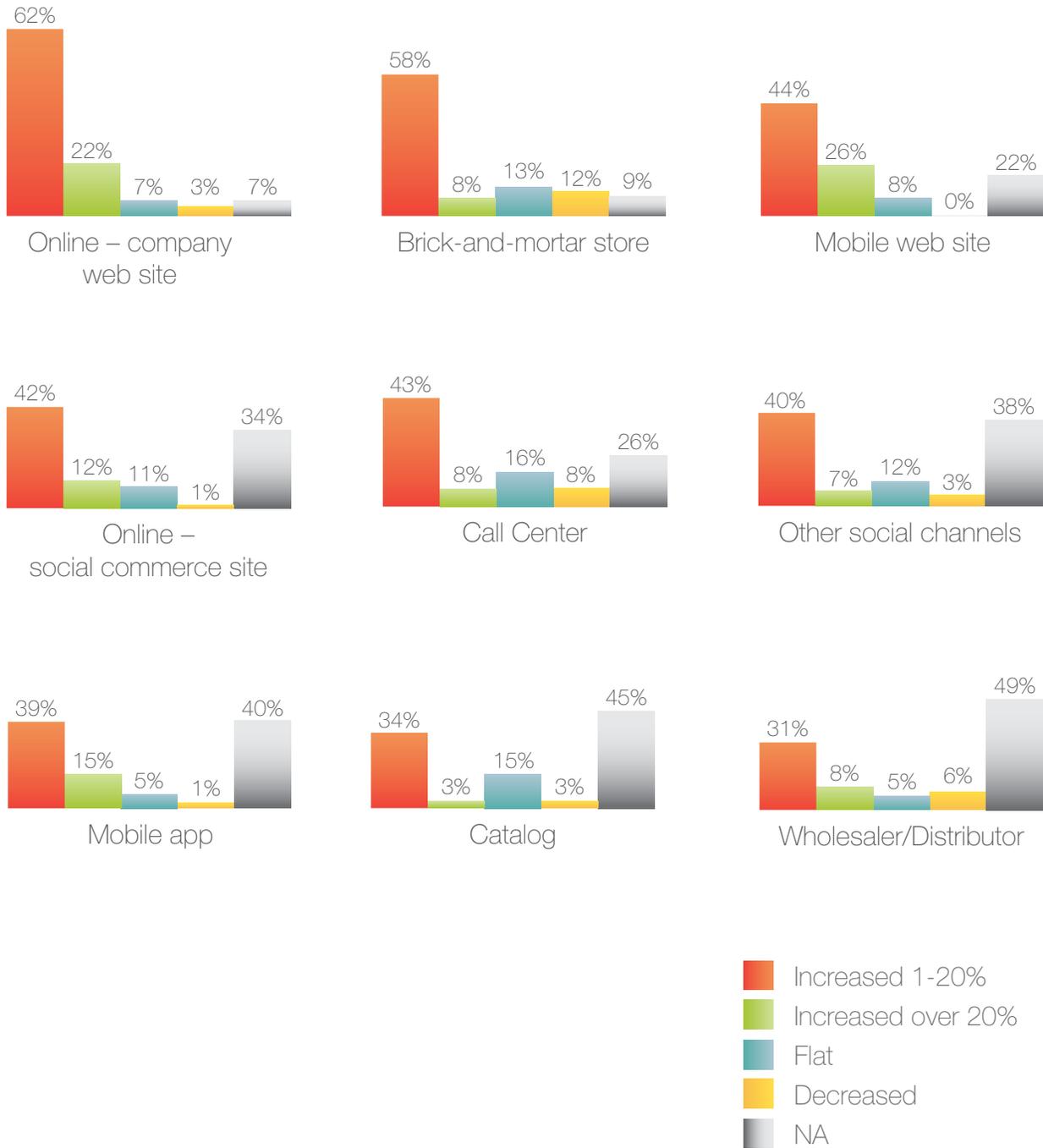


FIGURE 3

Please indicate if the following channels have increased in annual revenue, decreased or stayed the same in the last 18 months.



But truth be told, the brick-and-mortar store and the e-Commerce site remain the primary players, bringing in the vast majority of annual revenue for our retail respondents (Figure 4) — 79% and 71% respectively. Combined, the mobile site and mobile app grabbed approximately 10% of total annual revenue.

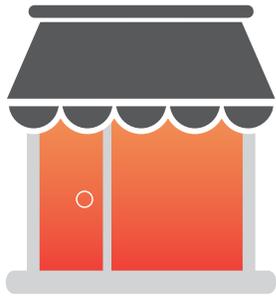
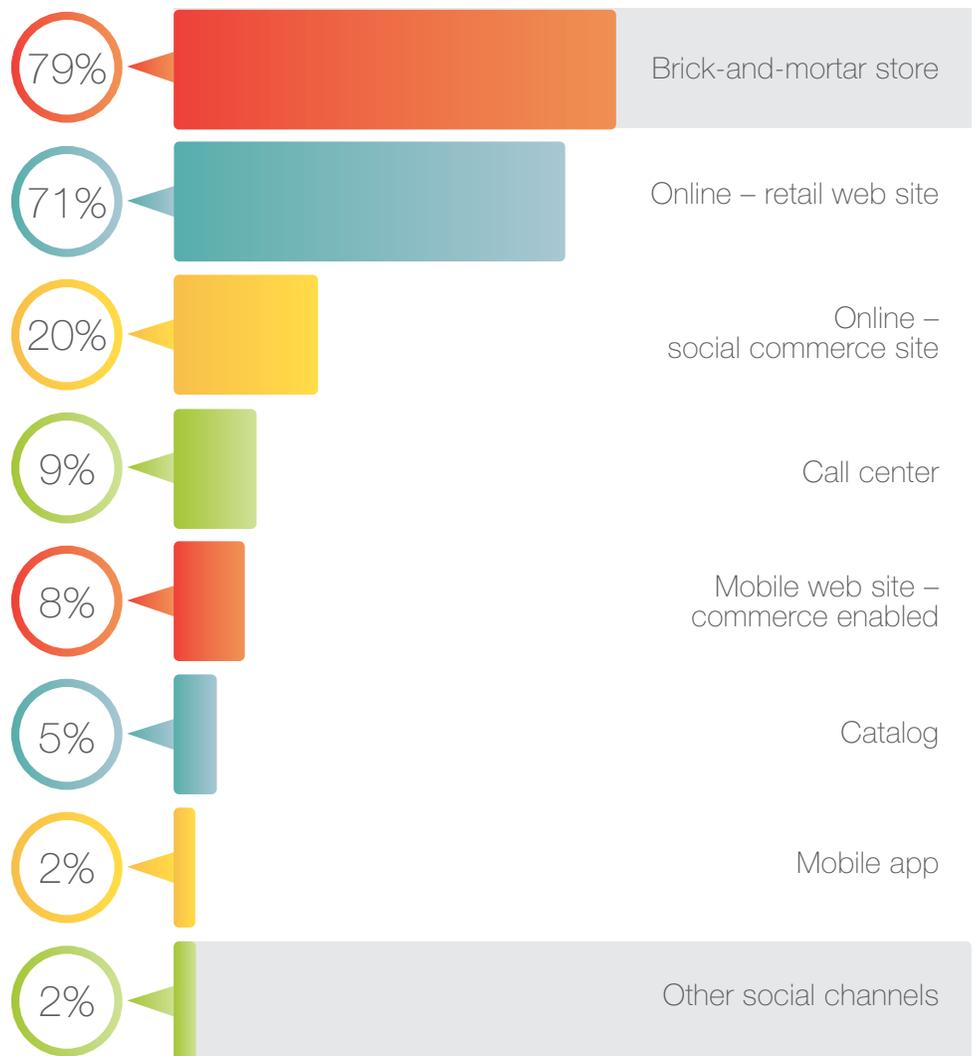


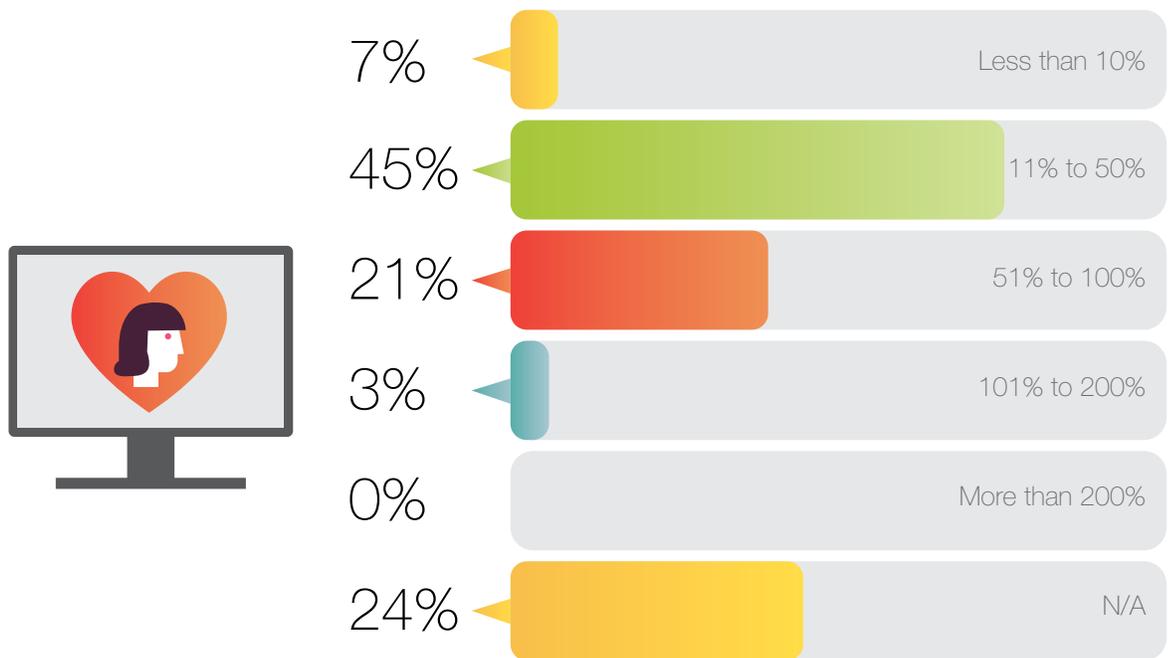
FIGURE 4
Please rank the channels in order of annual revenue
(Respondents chose 1 or 2 out of 9)



ACKNOWLEDGING THE VALUE OF OMNICHANNEL SHOPPERS

There's a reason why retailers are committed to omnichannel strategies: Omnichannel shoppers are the most valuable. These consumers are significantly more valuable compared to single-channel: More than 45% of retail executives report that omnichannel shoppers are 11% to 50% more valuable; and close to 3% said they are up to 200% more valuable (*Figure 5*).

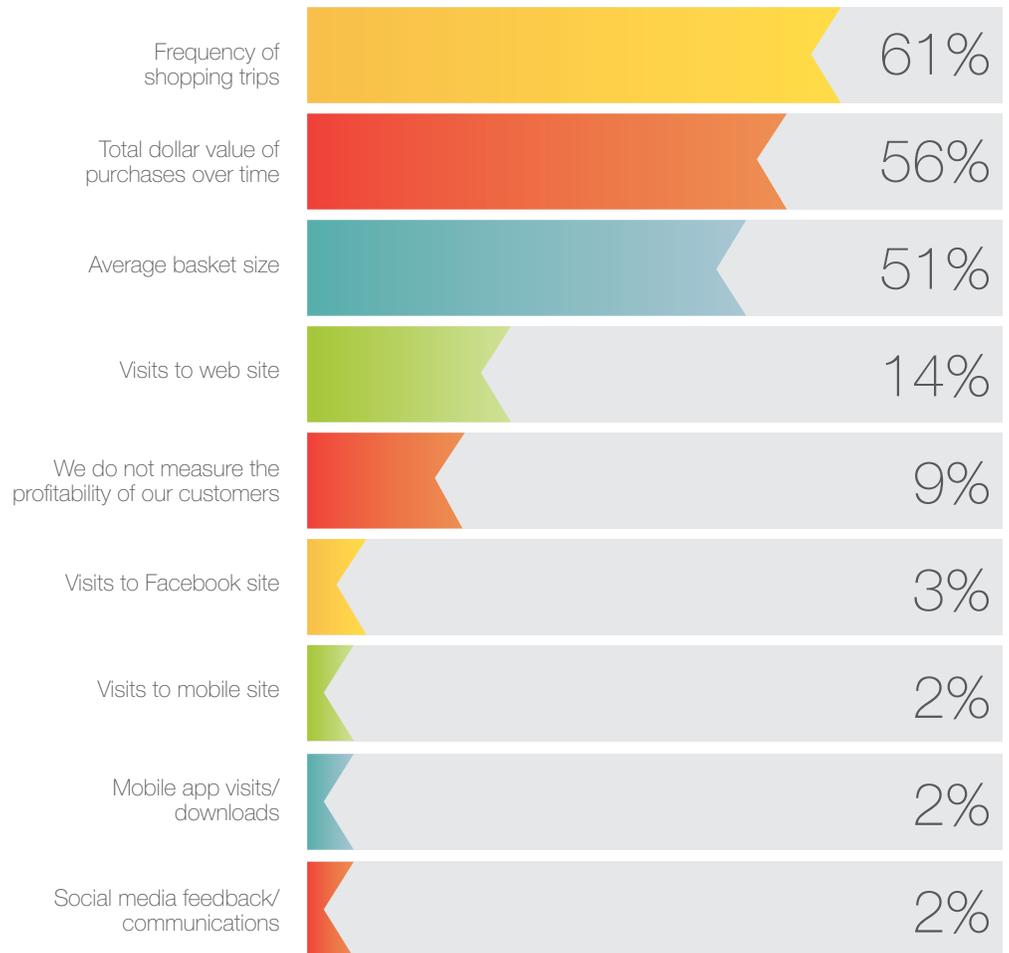
FIGURE 5
If you are measuring the profitability of multichannel customers, how much more profitable are they vs. single-channel customers?



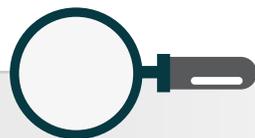
How do retail executives measure this value? Three ways are most significant for our survey respondents (*Figure 6*):

- Frequency of shopping trips (61%);
- Total dollar value of purchases over time (56%); and
- Average basket size (52%).

FIGURE 6
How do you measure the profitability of multichannel customers?
(Respondents chose 1 or 2 out of 10)



RETAIL CASE STUDY: CHICO'S



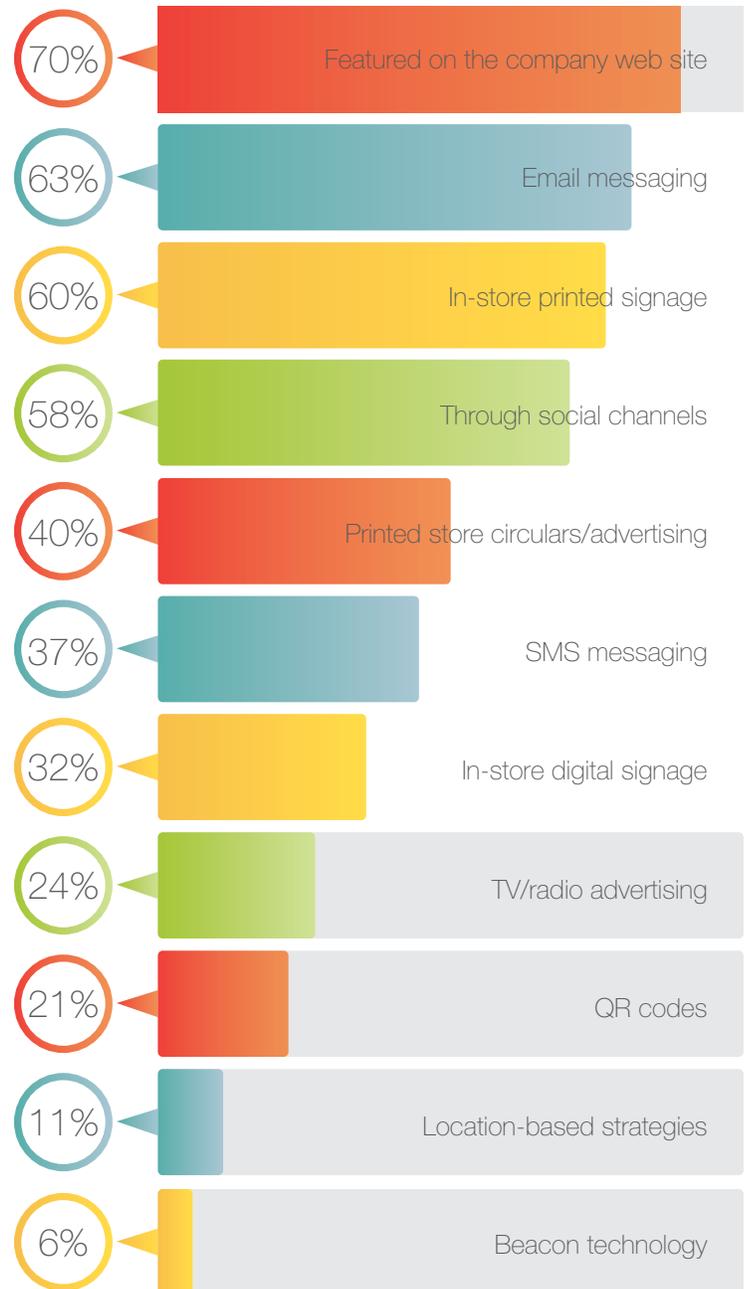
[Chico's FAS](#) has acknowledged the intrinsic value of an omnichannel shopper and is implementing technologies targeted to improve the customer experience. "For our company, achieving this goal begins with allowing customers to be in control by giving them the ability to engage with our brand anytime, anywhere and on any device," stated Robert Gras, VP of Technology, in an interview with *Retail TouchPoints*. To that end, the retailer has developed the Chico's Digital Retail Theatre™ platform, combining various technologies and applications to enable the collaboration between customers and associates.

BEST WAYS TO REACH OMNICHANNEL SHOPPERS

Retailers are using a variety of methods to reach omnichannel shoppers, and rightly so. Omnichannel shoppers are tapping different channels as they make their shopping journey — so retailers have to be present wherever their shoppers are.

The company web site is the most-used method for communicating with shoppers: 70% of survey respondents use their site to share information, similar to last year's 66% (*Figure 7*). One significant change in focus for 2014 is the use of QR codes: Last year 44% said they used the technology, compared to 21% this year. Additionally, 11% report using location-based strategies in 2014 (not a choice in the 2013 survey).

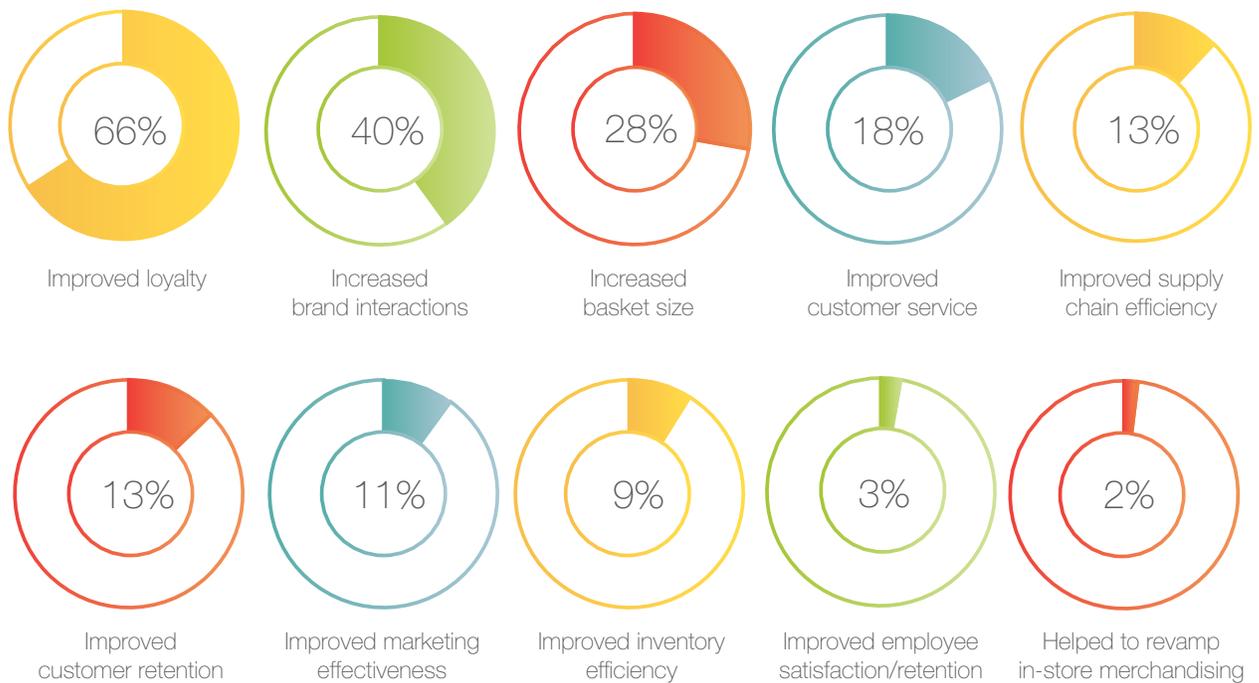
FIGURE 7
How are you promoting your omnichannel capabilities to consumers?



The proof is in the pudding: Omnichannel strategies deliver valuable results for retailers and CPG companies (Figure 8):

- Improve loyalty 66%
- Increase brand interactions 40%
- Increase basket size 28%

FIGURE 8
What are the most valuable ways your omnichannel strategies have improved your business?



RETAIL CASE STUDY: GYMBOREE



Children’s retailer Gymboree was looking to create a more consistent customer experience across its brands and e-Commerce sites. With Oracle Commerce in place, the merchant has been able to deliver a more cohesive brand experience. “We have replaced our current system and chose Oracle Commerce because the solution provides the functionality we require today combined with Oracle’s vision and commitment to omnichannel retail solutions,” said Pranav Patel, VP of Infrastructure and E-Commerce at Gymboree.

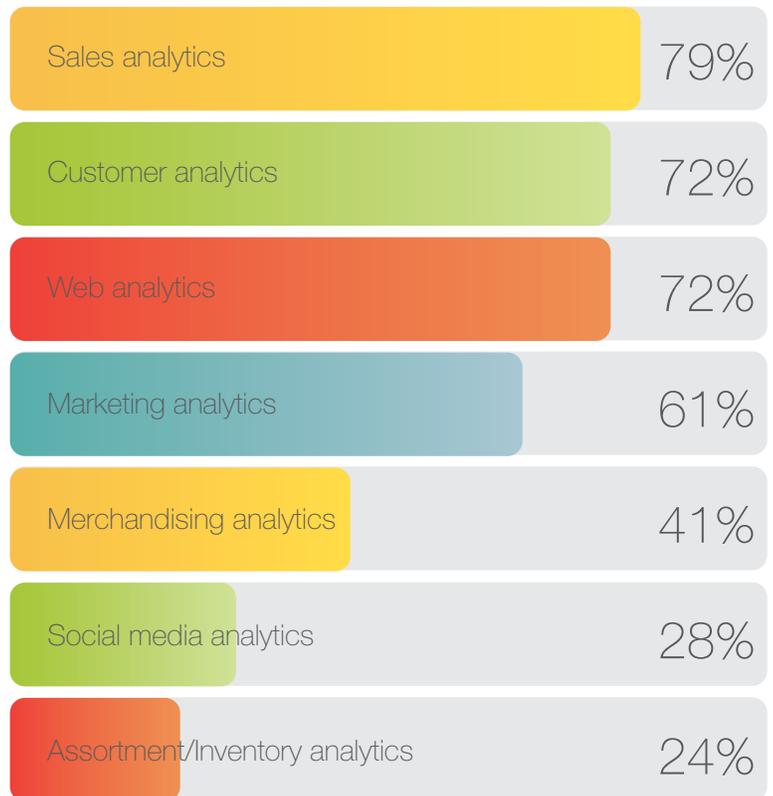
“Gymboree will use Oracle Commerce to better engage customers wherever and whenever they shop,” said Mike Webster, Sr. VP and General Manager of Oracle Retail.

EVALUATING OMNICHANNEL STRATEGIES

“We have the data but we don't know what to do with it.” That is a mantra chanted by many retail executives these days. In order to evaluate the success of retail strategies, retailers must enlist the help of analytics solutions. Just about 94% of survey respondents said they currently are using analytics (73%) or plan to add analytics capabilities (21%) to evaluate omnichannel strategies.

Sales analytics (79%), Customer analytics (72%) and Web analytics (72%) lead the way in priority order for retailers, with Marketing analytics not far behind (61%) (Figure 9). These results are similar to last year's.

FIGURE 9
What type of analytics do you currently use?



RETAIL CASE STUDY: PUREFORMULAS

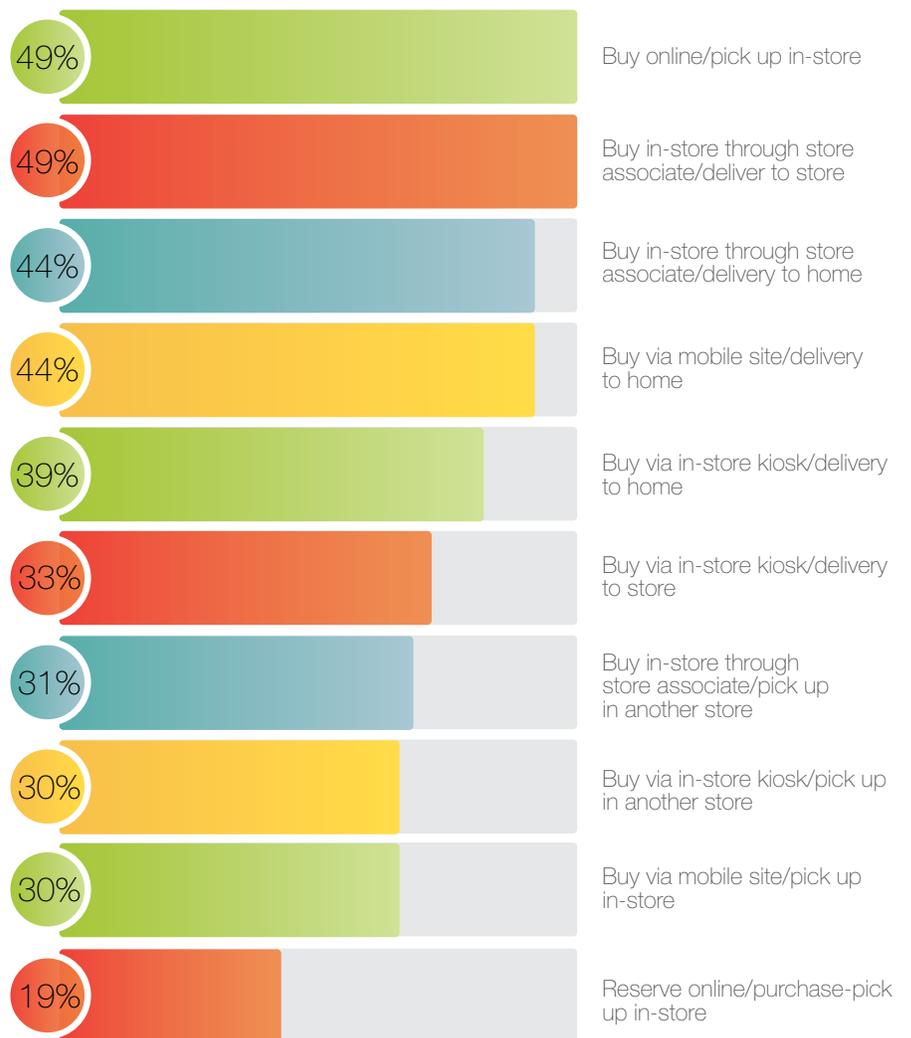
One benefit of improving analytical capabilities is providing shoppers with a more personalized experience. PureFormulas – an online health supplement retailer did just that with the addition of Oracle Commerce. The retailer is using the solution to support expansion and tailor the online shopping experience to consumer preferences within unique market segments, according to a company press release. The solution is designed to give the retailer the ability to cross-sell, up-sell and personalize promotions for individual shoppers.

INVENTORY FULFILLMENT: TODAY'S ELEPHANT IN THE ROOM

As omnichannel saturates retail thinking, retailers and suppliers are challenged to deliver on the promise. That means allowing shoppers to buy anywhere/pick up-deliver anywhere. And out-of-stocks are not an option.

With that in mind, retailers are investing in new inventory capabilities, including Buy online/pick up in-store (49%) and Buy in-store through store associates/deliver to store (49%) (Figure 10) — the two most popular choices last year as well. Buy in-store through store associates/delivery to home came in third, at 44%.

FIGURE 10
**Which of the following
inventory fulfillment options
do you currently offer?**



In order to keep the promise of buy anywhere/pick up-deliver anywhere, most retailers are refocusing efforts behind-the-scenes to the distribution center (DC). This year, almost 57% of survey respondents said all DC inventory is available to all channels, up from 50% last year (Figure 11). And this effort has proven lucrative: 60% of retail executives said having DC inventory visible and available to all channels has improved efficiencies “substantially” (Figure 12).

FIGURE 11
Have you synchronized your Distribution Centers with all ordering channels (online, in-store, call center, catalog and mobile)?

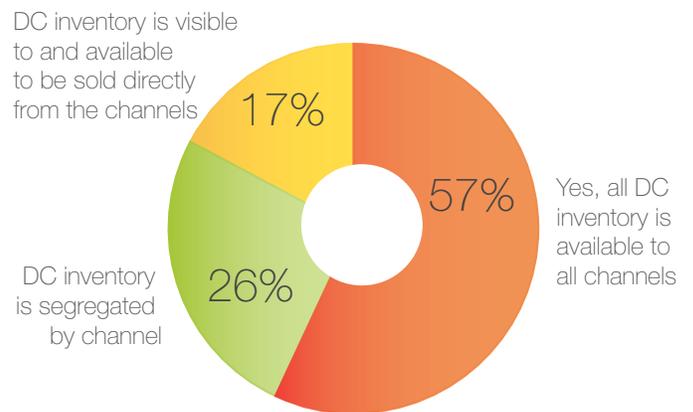
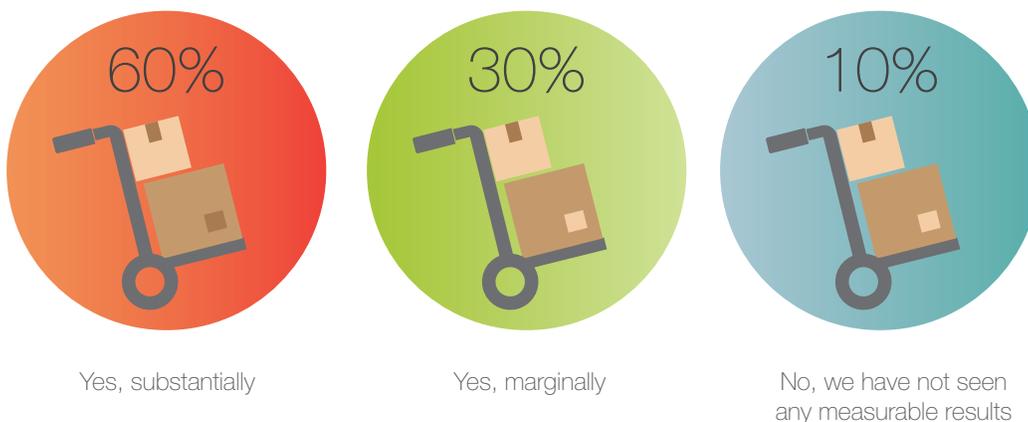


FIGURE 12
If all DC inventory is visible and available to all channels, has this synchronization improved efficiency?



Additionally, many retailers are now using the stores as an arm of the supply chain: 61% are shipping products from stores to other stores and to shoppers' homes, up from 47% last year (Figure 13).

Free shipping is a debated topic among retail executives. Although 50% believe free shipping is vital to maintaining customer satisfaction, 44% said it's not vital and 6% believe it is unnecessary (Figure 14). Yet more merchants have implemented types of free shipping this year compared to last year

FIGURE 13
Are your stores now used as distribution arms of the supply chain?

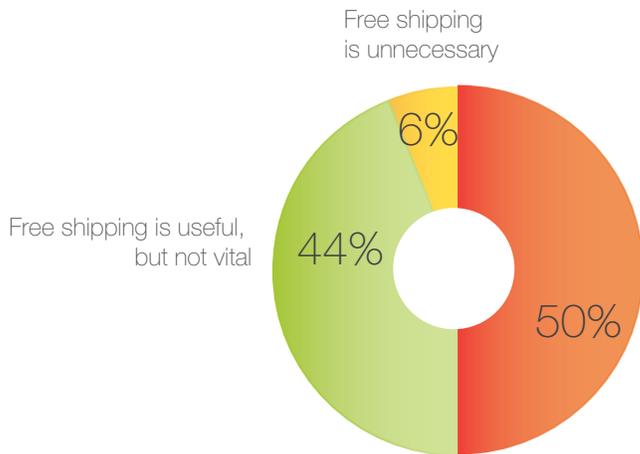
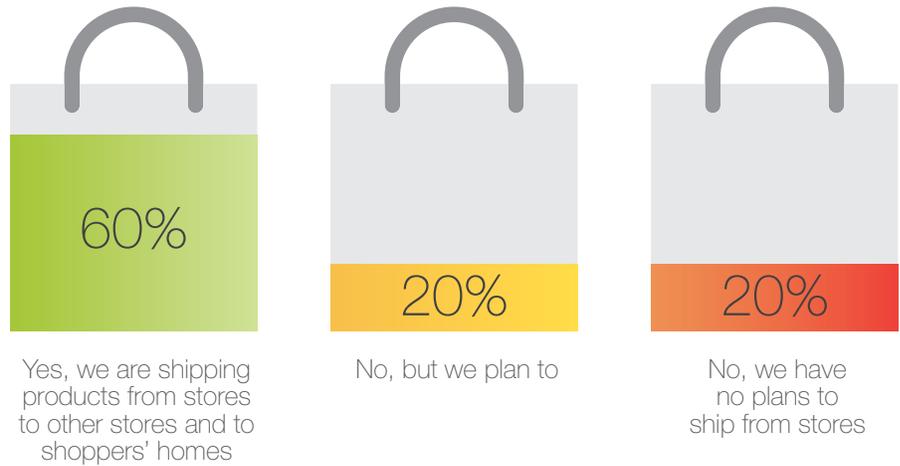
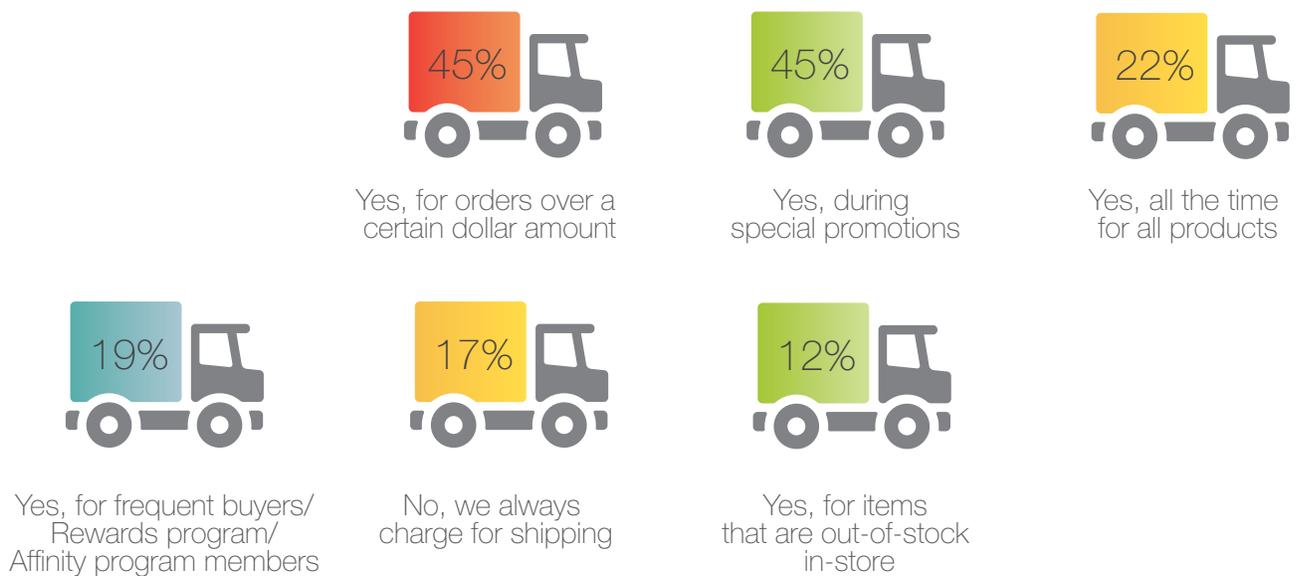


FIGURE 14
How important do you believe free shipping is in relation to customer satisfaction/catalog and mobile)?

As many as 22% now offer free shipping all the time for all products, compared to 13% in 2013 (Figure 15).

The most popular free shipping options are: during special promotions (45% up from 24% last year) and for orders over a certain dollar amount (45%, up from 30% last year).

FIGURE 15
Do you offer free shipping?



RETAIL CASE STUDY: ZENNI OPTICAL

Global eyewear retailer Zenni Optical needed a way to improve the omnichannel shopping experience and deliver on fulfillment promises. The retailer implemented Oracle Commerce and is now about to serve customers better through vertical integration with its factory in China, allowing for average order delivery time of two weeks. The e-Commerce site provides a fast, simple checkout process and improved order visibility throughout the entire fulfillment process.

Because ordering eyewear can include many components, Zenni sought to simplify the shopping journey. "Each prescription might contain up to a dozen variables and each variable comes with dozens of values," noted Bai Gan, Merchandising Director and Strategist for Zenni Optical. Today consumers are able to browse style options and upload photos of themselves in order to virtually try on different options.

THE MOBILE CONNECTION BECOMES STRONGER

Retailers realize that their store associates are the best direct connection with shoppers in-store. That's why more merchants are equipping employees with mobile technology (tablets and/or smartphones), up to 54% in 2014 from 45% in 2013 (*Figure 16*).

The benefits of this strategy are numerous, but the most important advantages are related to store associates' ability to improve one-on-one customer interactions (*Figure 17*):

- Store associates can provide a higher level of service: 77%
- Store associates are better-informed and therefore more confident in their jobs: 64%

FIGURE 16

Have you equipped store associates with mobile technology (tablets and/or smartphones)?

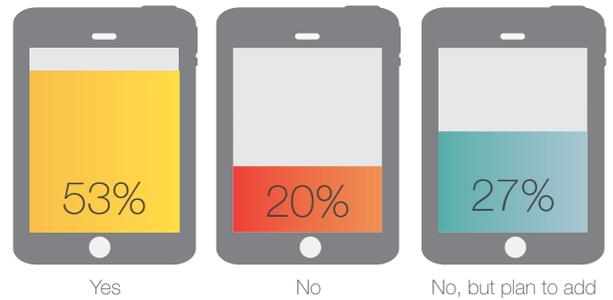
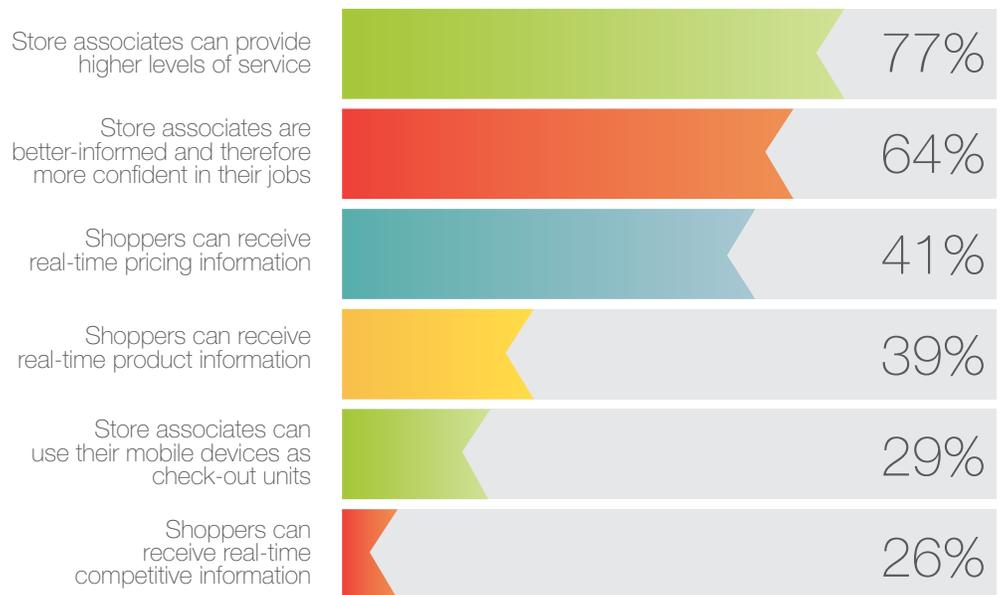


FIGURE 17

What are the benefits of providing store associates with the same or better information than your customers have when they enter the store?

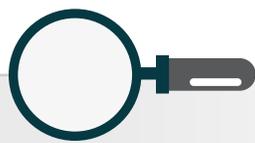


Retailers also realize that shoppers are comparing prices using their mobile devices in-store. Therefore, many are allowing stores to match competitors' prices. Close to 60% have empowered store associates to match prices in all or some instances (Figure 18).

FIGURE 18
Given the fact that shoppers are entering the store with competitors' pricing information, are in-store employees empowered to match competitors' prices?



RETAIL CASE STUDY: MACY'S

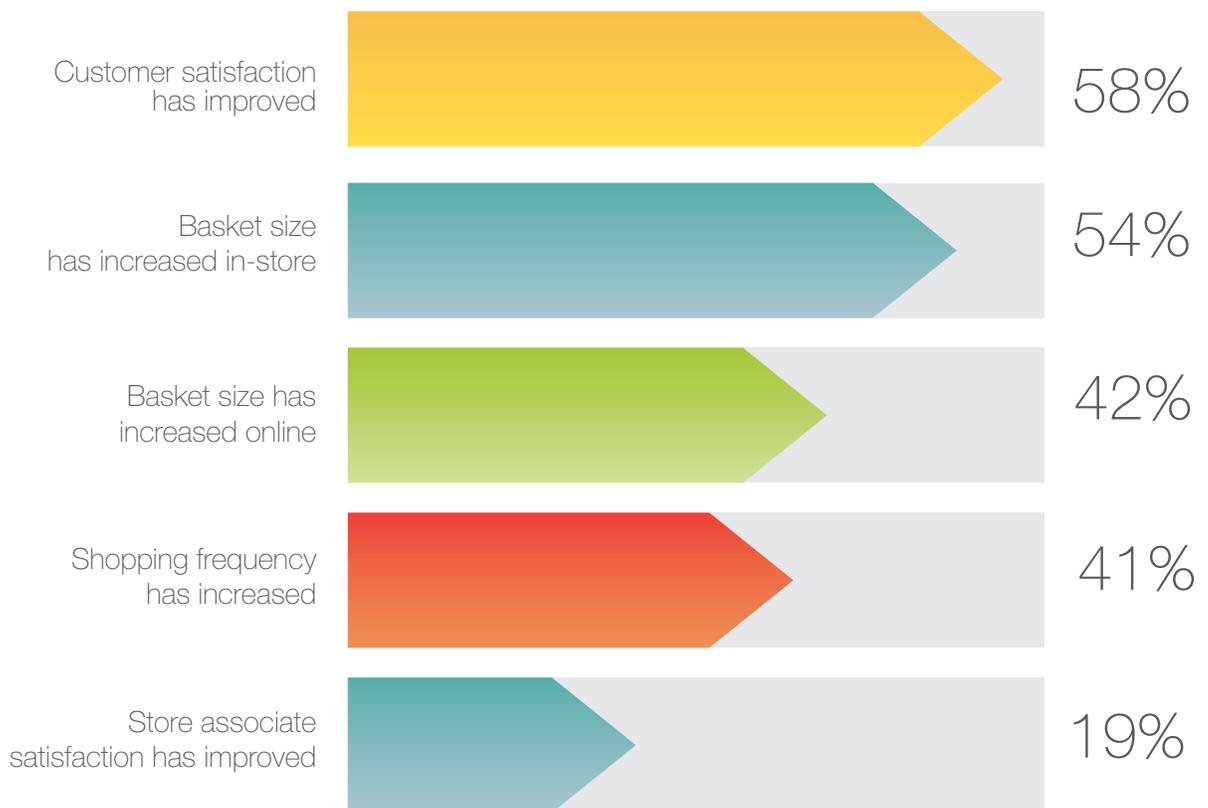


Today, [Macy's](#) is a leader in implementing forward-thinking omnichannel strategies. With mobile technology, in particular, Macy's is leading the way. At both Macy's and Bloomingdale's stores, the company is implementing Apple Pay, mobile wallets, shopBeacon and smart fitting rooms. The retailer is now implementing shopBeacon to all Macy's stores in the U.S. after testing shopkick in New York and San Francisco. Smart fitting rooms have made their way into five Bloomingdale's stores, featuring wall-mounted tablets that allow associates and shoppers to scan merchandise and find additional product information.

THE VALUE OF SYNCING INFORMATION ACROSS CHANNELS

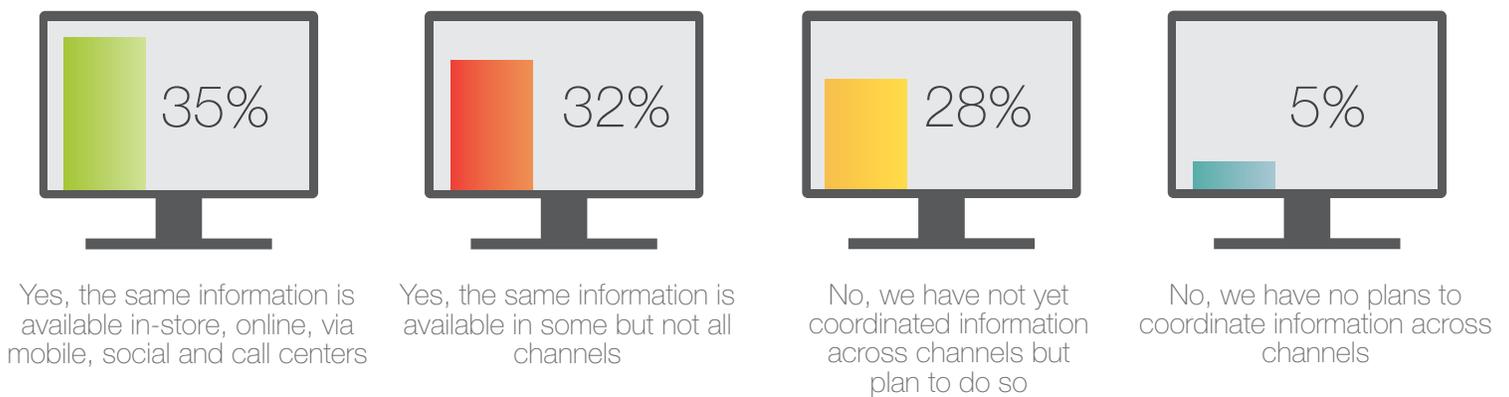
We know that consumers are looking for product, pricing and promotional information. If they can't find it they become frustrated and switch brands. In order to boost sales and brand loyalty, more than half (55%) of retailers are syncing information across channels. That effort has produced positive results for merchants: 57% said customer satisfaction has improved and 54% said basket size has increased in-store (*Figure 19*).

FIGURE 19
What have been the benefits of synchronizing customer information across all channels?



With mobile technology in hand, store associates can access real-time information on products and promotions. As many as 34% of retailers now state that their employees have the same information available in-store, online, via mobile, social and call centers, up slightly from 33% last year (Figure 20).

FIGURE 20
Do employees possess the same product and customer information across all channels?



RETAIL CASE STUDY: GORDMANS

In order to be poised for growth, department store retailer Gordmans needed to be able to track customer information across channels. The retailer implemented Oracle Retail in order to gain insights into omnichannel customer demand, product performance, inventory turnover and customer response time.

“Without the Oracle Retail solution we could not have grown beyond our 78 stores, and we are on course to surpass 100 locations next year,” said Richard Heyman, CIO of Gordmans. “The Oracle solutions enable our multi-DC model and have transformed our business, putting us on course to drive better performance.”



ABOUT RETAIL TOUCHPOINTS

Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The Retail TouchPoints network is comprised of a weekly newsletter, insightful editorial blog, special reports, web seminars, exclusive benchmark research, and a content-rich web site featuring daily news updates and multi-media interviews at www.retailtouchpoints.com. The Retail TouchPoints team also interacts with social media communities via Facebook, Twitter and LinkedIn.

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ABOUT ORACLE RETAIL

Oracle provides retailers with a complete, open and integrated suite of business applications, server and storage solutions that are engineered to work together to optimize every aspect of their businesses. Twenty of the top 20 retailers worldwide—including fashion, hardlines, grocery and specialty retailers—use Oracle solutions to drive performance, deliver critical insights and fuel growth across traditional, mobile and commerce channels. For more information, visit our website at <http://www.oracle.com/goto/retail>.

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