Integrated Multi-Channel Retailing

Retailers can drive significant competitive advantage by focusing on the four key elements of Integrated Multi-Channel Retailing – customer relationship, channel strategy, retail operations and integration of systems and processes.

Multi-channel capability is currently in the forefront of retailers’ minds as a “must have” for driving customer loyalty and sales. And though many retailers are selling through more than one channel, those channels are often not linked cohesively to create a competitive multi-channel advantage.

Customers have increasingly high expectations: They want to move among channels throughout the sales journey and have consistent customer service and product offerings as they do so. At the same time, retailers are beginning to realize that when channels are implemented in silos rather than as an integrated whole they fail to deliver on these expectations, with predictable consequences in terms of lost sales.

To capitalize on these growing customer expectations and the market share that can be gained as a result, retailers must rethink their approach. They need a customer-focused integrated multi-channel strategy covering all aspects of their operations and technology. This paper offers a framework within which to develop such a strategy for Integrated Multi-Channel Retailing.

Individual Channels Are Not Enough

An integrated multi-channel approach is essential for retail survival; individual channels are not enough. With online sales growth at 25% to 40% and predicted to keep growing at this pace, retailers that ignore the online channel will see their market share eroded. Yet simply offering an additional channel is not sufficient to realize the full advantages of multi-channel retailing.

Customers want more from retailers than they are currently getting.

Consumers expect retailers to offer increasingly sophisticated multi-channel capabilities. For example, consumers want to be able to research a product in one channel before buying it through another, to order it online and then collect it from a store. They expect to see consistent product, range, promotions and customer service across channels and have their loyalty cards and vouchers recognized in all channels. Not only are they starting to expect the retailer to personalize their shopping experience for them, consumers also play an increasingly important role in the design and marketing of products and services through their growing use of Web 2.0 technologies.¹

Siloed channels mean the retailer will fail to meet customer expectations.

If channels operate in isolation from one another they will lack linkage with regard to people, processes and technology, making it difficult for the business to sustain an overall strategic vision. When each channel

¹ Web 2.0 can best be described as “the user-driven Internet,” where users have greater control over their online environment and are shaping their own Internet experience.”
has its own data silo, the retailer can take only a single-channel view of customers. New channels implemented in silos are often viewed internally as competitive to existing channels, with resulting anxieties about “cannibalization.”

**Handled incorrectly, additional channels can also increase an organization’s complexity and decrease profit.** As retailers expand to multiple channels, their organization needs to be set up with consideration for how processes should work together. Without this forethought an additional channel “tagged on the side” of the current operation significantly increases the complexity involved in supply chain, procurement, IT and marketing and will bring rising costs along with it. The future supply chain model will demand closer coordination with suppliers and third-party logistics providers.

**The Solution: Integrated Multi-Channel Retailing**

To deliver the needs of today’s consumer and capitalize on the current and anticipated online growth, retailers need channel integration. What is integrated multi-channel retailing? An integrated multi-channel retail strategy should encompass four major areas: the customer relationship, the organizational strategy, retail operations and integration of systems and processes (see Figure 1).

**Customer:** Capgemini’s “Future Consumer” study found that while 50% of customers are interested in just the product they buy, the remaining half are also heavily influenced by the overall service and emotional experience. Retailers therefore need to give a consistent experience across channels with regards to product, range and customer service. Additionally Web 2.0 technologies are changing the way customers interact as they move through the sales journey, and the retailer now has many more opportunities to gain customer insights. Successful multi-channel retailers are feeding these insights into their product development, range selection and customer experience.

**Organization:** An appropriate operating model considering the implications of multi-channel retailing needs to be implemented. This model should eliminate channel silos and create a cohesive organization that can deliver the benefits to be gained from an effective multi-channel strategy.

**Operational Excellence:** The operation needs to be set up to support customers’ needs for product, pricing, range, delivery and service. This may involve the use of new supply chain business models. The marketing department needs to develop competencies for engaging the customer into the sales journey using the rapidly developing Web 2.0. Excellence in the execution of delivering the customer needs sets integrated multi-channel retailers apart.

**Integrated Technology and Data:** A multi-channel retailer will have a single view of the customer, a single view of inventory and one source of product data. Retailers need to harness master data management and integrated systems to support this. Integration beyond the retailer to include suppliers and third-party logistics partners will further increase the competitive advantage. A Business Intelligence (BI) platform is a springboard to effectively working with this data.

**Figure 1 The Key Elements of Integrated Multi-Channel Retailing**

![Diagram showing the key elements of integrated multi-channel retailing](image)

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Based on our experience working with retailers that have an integrated multi-channel strategy, we have found them to be successful and see them reaping important benefits such as attracting and retaining more customers, creating new revenue streams and achieving cost reductions through economies of scale and efficiencies. They have significant advantages over competitors who have yet to crack the integration challenge.

**Developing an Integrated Multi-Channel Strategy**

In defining its multi-channel strategy a retailer must ask the following four questions:

**How do I understand my customer in the multi-channel world?**
Retailers must define their strategy to gain intelligence about customer habits and preferences and understand how the customer crosses and interacts with each channel. Leading multi-channel retailers go beyond a traditional customer segmentation model to create deep multi-channel segment understanding and, in some cases, have harnessed their data capabilities to take this to an individual customer level. Retailers need to understand how Web 2.0 and beyond is creating new mechanisms for gaining customer insights into multi-channel shopping behavior. And these customer insights will need to include an understanding of the differing needs across age ranges. Customer loyalty programs interwoven into every channel are an important information-gathering tool if the programs are communicated and executed consistently across channels.

**How do I reach my customer, which channels are right for me and how will I use them?**
After customer insights via a retailer’s selected channels have been gained they can be translated into marketing, product and customer service strategies. The channels by which a retailer reaches a customer initially may not necessarily be the same as the ones in which that same customer shops. Customers should be targeted using the channels that are right for them with an overall consistent message across all channels.

Web 2.0 is also having a significant effect in this area, creating channels within the online channel, such as wikis, mash-ups, social networking sites and consumer reviews, with which retailers can reach their customers using new touchpoints. The timing of channel entry by an individual retailer also needs to be part of an integrated multi-channel strategy and should take into account early market growth expectations, current maturity and the desire for future development.

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Figure 2  Capgemini’s Approach to Integrated Multi-Channel Retailing

<table>
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<tr>
<th>Strategy</th>
<th>Operations</th>
<th>Technology</th>
<th>Customer Management</th>
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| Defining multi-channel strategies and propositions, and their execution across stores, online, catalogs and mobile channels | Defining operating models and organizations to support channel strategies, drive synergies and reduce costs | Developing architectural and IT strategies to support business objectives, optimize assets and lower total cost of ownership | Designing and implementing solutions to deliver the customer strategy and a single view of the customer across channels:  
  - Customer strategy, insight and segmentation  
  - Loyalty programs  
  - Campaign management  
  - Marketing and promotional strategies |
| Defining optimized channel opportunities across buying, merchandising, marketing, supply chain, IT and stores | Designing and optimizing processes to improve performance and drive efficiencies across planning, sourcing, buying, merchandising, marketing and supply chain | Advising on and managing solution and partner selection processes | Designing and implementing solutions for data collection, analytics, management and warehousing |
| Optimizing range, promotions, pricing and customer service to leverage channels and meet customer needs | Designing direct fulfillment, warehousing and logistics, and contact center solutions to support multi-channel execution | Defining and developing technology solutions to deliver multi-channel capabilities | Delivering outsourcing and shared-service capabilities to support multi-channel operations |
| Defining strategies to drive customer loyalty and value | Optimizing store operations to reduce costs and improve customer experience | Implementation of transactional websites | Implementation of transactional websites |
| Understanding how Web 2.0 and beyond will affect your organization | Business case development | | |

**Potential Benefits**

- Sales uplifts of 30% within the targeted channels
- Reduced operations costs; improved sales costs
- Reduced technology cost of ownership; improved service levels
- Improved sales performance driven by better and more informed business decisions

**Performance Management**

Defining and delivering performance management strategies and tools to optimize business performance across channels

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Integrated Multi-Channel Retailing
A retailer may have many legacy systems that make creating a single data repository challenging. In this instance an alternative is to create a logical data model that draws together information from multiple physical databases to provide this single view. This could be used for a 360-degree view of the customer, for standard product information across the company, or for complete company-wide inventory availability visibility.

How Capgemini Can Help

Capgemini has the experience and credentials to help with any aspect of Integrated Multi-Channel Retailing. This could start with developing an initial multi-channel strategy, through helping a retailer build greater customer insights and loyalty, as well as optimizing their operation, including supply chain and buying and marketing, to technology improvements and implementations. Capgemini’s approach to integrated multi-channel retailing is outlined in Figure 2.

Capgemini’s global Consumer Products and Retail practice works with 27 of the world’s 30 largest consumer products companies and 26 of the world’s top 30 retailers. We help businesses gain the benefits of new enabling technologies such as Global Data Synchronisation, RFID, mobility, Web 2.0 and in-store customer interaction solutions. Capgemini’s Collaborative Business Experience makes consumer products and retail companies stronger by combining what they do best with what we do best to improve performance. Thousands of practitioners with expertise in these industries help clients in more than 30 countries.

What will my operating model look like, and how will the transition be achieved?

In the multi-channel world a retailer’s organization needs to be set up to support the increasing demands of its customers. The structure and processes across supply chain, buying and merchandising, and marketing must be able to deliver the promises that a retailer has made to its customers and this may require a mindshift.

Marketers will need a model to allow them to set up and understand their customers through more channels with the different dynamics that Web 2.0 brings. Successful integrated multi-channel retailers view each channel as a complementary player in the overall retail strategy. To achieve this transition, retailers may need to revise their operating model and organization structure to eliminate silos and barriers. And as processes are integrated, economies of scale may result in lower costs. In addition, retailers can establish cross-functional teams that collaborate across channels. The “people” implications of the change must be carefully planned and managed. And all these integrated processes need to be managed using cross-channel KPIs and performance management.

What technology and systems will be required?

Meeting customers’ expectations will require the integration of systems and processes. Many of the customer needs can only be met by having a single source of data in areas like inventory, order management and fulfillment, and marketing, and this data must be made available across the organization. Effective multi-channel retailers also have a Business Intelligence platform from which analytics that influence their business decisions can be taken. Near real-time alerts and triggers are used to respond more quickly to such events as drops in inventory and sales rates that differ from forecast.

For more information on Capgemini’s approach to Integrated Multi-Channel Retailing, please contact:

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