The Truth about the Omni-Channel Customer Experience

By Chris Cunnane and Steve Banker

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Overview
When it comes to the omni-channel customer experience, the first thought often goes to replicating a similar customer experience across channels. The problem here is that each channel is its own interaction point and is designed to deliver a different experience. Instead, the true driver of omni-channel customer experience is inventory availability to be able to fulfill orders on time and through the appropriate channel.

Retailers face a twofold challenge. First, they need to do a better job of empowering their customers, who clearly want to dictate the experience. And second, a technology gap hinders omni-channel operations. Too many retailers lack adequate resources to meet their customer demands. Once retailers face these challenges head on, they will be able to deliver a truly omni-channel experience.

What Is the Omni-Channel Experience?
Many in the retail industry believe that the omni-channel retail experience means that customers expect a similar experience across channels, with customer interactions in these channels the real driving point of the experience. However, as you look deeper into the omni-channel customer experience, you’ll see that this is often not the case.
Each channel represents a distinct selling or interaction opportunity for the retailer and must be treated differently. When a consumer enters the e-commerce store, for example, the level of personalization varies by whether or not they have signed into their account. If signed in, the site can use previous browsing, transaction, and search history to recommend additional products. Alternately, cart abandonment information can be used for a re-targeting campaign. Even without signing in, the site can use search history to make recommendations. This is not possible at the brick and mortar location, where each customer walking through the door is a blank slate. Store associates cannot use prior shopping patterns to personalize the experience. However, one thing connects these channels: product availability. If the product is not available through the channel of choice, the customer most likely will move on to another retailer that can fulfill his or her order.

To that end, the customer expects a seamless experience across channels, not a similar experience. Whichever channel the consumers choose (and the customer journey is certainly not a linear, single-channel path), they expect to find the product they want. And they expect to be able to receive it through their channel of choice. The connected channel experience also applies to returns, as customers want to return products in the easiest manner possible. This unified brand experience is the essence of omni-channel.

**Product Availability Complicates the Customer Experience**

Product availability and a retailer’s ability to fulfill orders on time and through the appropriate channel drive the true omni-channel experience. ARC Advisory Group released a report in July 2013 based on an extensive omni-channel logistics survey. This research indicated that retailers must overcome a few obvious gaps. First, order fulfillment must empower the consumer. According to the survey, retailers do a better job managing returns than fulfilling orders as a customer moves across channels. More than 70 percent of retailers indicated customers can return an order to a store even if it was ordered online. However, barely 50 percent enable buy-online/pick-up-in-store capabilities. And even less (under 36 percent) allow customers to order from the store and fulfill from another store. This gap means that
customers cannot get the item they want when they want it. This leads to lower customer satisfaction scores and, ultimately, customer defection.

The second gap is in the technology applications that retailers use to enable omni-channel retailing. When asked which technologies retailers believe they need, but do not have, to drive their omni-channel initiative, 48.2 percent indicated distributed order management, 37.6 percent indicated inventory optimization, and 30.6 percent indicated real-time inventory location applications for the store. Retailers need all these technologies to ensure that they keep inventory availability and visibility up to date and can fulfill orders. Retailers that are unable to take advantage of these technologies are missing out on the omni-channel experience.

**Product Availability and Fulfillment Drive the Customer Experience**

ARC Advisory Group’s Omni-Channel Logistics report indicated that the top three reasons retailers are moving towards omni-channel are to increase sales (almost 78 percent of respondents), increase market share (73 percent), and improve customer loyalty (almost 70 percent). Being able to fulfill orders on time and through the customer’s channel of choice is critical to enabling retailers to achieve these goals. This can be achieved through a variety of means: in-store stock, shipping from a warehouse or distribution center, shipping online orders from the store, transferring merchandise between stores, and buy-online/pick-up-in-store.

Retailers need to align their merchandising, supply chain management, warehousing systems, and transportation systems to be able to fulfill orders on-time and through the appropriate channels. This requires aggregating and integrating multiple data streams: customer orders, demand sensing, inventory allocation, etc. Until retailers can align their inventory strategies across channels, they will not truly be omni-channel.

**Recommendations**

So how does a retailer enter the true omni-channel world? The key is to look at the big picture of what the omni-channel experience really is. No two channel experiences will be exactly the same and the customer does not want them to be. Instead, they are looking for a seamless transition through the channels on their buying journey. This means that products must be
readily available across channels and customer orders fulfilled when the products are needed. Without a customer, there is no customer experience; without the product, there is no customer.

Based on ARC research and analysis, we recommend the following actions for retailers:

- Empower the customer. Retailers need to put control of the customer experience in the hands of their customers. This means making multi-channel fulfillment and returns management a priority. Aligning inventory across channels, warehouses, and distribution centers will allow retailers to enable "anytime, anywhere" retailing. This applies to buy-online/pick-up-in-store, order-in-store/ship-to-home, and store transfers.

- Close the technology gap. Nearly 50 percent of retailers surveyed indicated they do not have distributed order management, but need it to drive their omni-channel initiatives. This technology provides real-time views into orders as well as inventory, enabling cross-channel selling and fulfillment. Retailers should also evaluate applications such as inventory optimization and real-time inventory location tracking.

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