



# Omnichannel Commerce in Retail

White Paper

## Introduction

Based on the industry or the scope, the term ‘Omnichannel’ represents different things. The goal of the omnichannel experience is a seamless, progressive and holistic approach across all customer interaction, which starts right from the initial stages till the post sales service. While data is collected through the entire life-cycle, this strategy shifts the focus from customer transactions to the entire customer journey.

## Benefits of Real-time Data Access

The freshness of the data and the time and place of availability are two aspects we have to consider. The information that we collect during the interaction offers a 360-degree view of the customer. It is permission-based and rich, which includes interests, wishlists, preferences and purchases, enabling a curated purchase and informed service experience.

Global inventory availability or retailing also forms the core of omnichannel retailing and enables them to meet the needs of customers from their most convenient point of purchase. Access to data empowers sales associates to have full mobile access to all customer information so that they can cater to their requirements. Product curation is the most convenient setting for the customer whether within the store or outside.

The goal is to ultimately get into a customer self-service model, which places the customer in control. Enabling the real-time access requires an IT landscape that is unified. In short, what is needed is a digital core that can bring together the systems of engagement and systems of records including Point-of-Sale, ERP, ecommerce, CRM and marketing

## Enriching your Omni-channel Journey

Every customer action, during the omni-channel journey, triggers an intricate web of supply chain processes - which is why it is considered a physical twin of an omni-channel digital platform. For these reasons, an omni-channel experience can only be as strong as the supply chain supporting it.

Like technology adoption, the choice of required supply chain capabilities is unique for every organization. A decentralized distribution offers choice and speed to omni-channel execution.

## How Pricing Strategy Works

Achieving optimal distribution not only enhances the customer experience but also helps the organization to lower the inventory management and transportation cost. The short cycles in retail and fashion industries mandate advanced scheduling and pricing capabilities. Efficient forward and reverse logistics processes reduce the overhead per customer and in turn reduces the price.

A dynamic pricing strategy on the supplier and customer ends allow omnichannel markets to respond quickly to trends. Advanced logistics and fulfillment capabilities in supply chain ensure that the right product is available to the customer at the right time. Adoption of robotics and other advanced warehouse management tools have enabled omni-channel retailers to deliver quickly, maintain a low inventory and replenish effectively using smart warehousing capabilities. This makes experiences like same day delivery a reality. Lean and just-in-time processes reduce waste and allow omni-channel to react quickly to changes in the demand and supply flows.

Lean processes also lower the inventory and different costs associated with it. Integrated business planning enables the organization to utilize the data points generated from different omni-channel touch points, thereby sensing the demand and supply accurately, managing the fulfillment and

replenishment effectively. The capability of supply chain to provide real-time visibility of inventory – across retail stores distribution centers and in transit-- allows omni-channel to direct the customers to different delivery options effectively.

## Understanding Your Customer

One of the keys to a great omnichannel experience is taking the customers view of how they interact with a retailer. If we look at the structure of a business, there are different teams such as the store operations, eCom, marketing, and customer service, who use different systems to serve the customer. It is important to understand our target customers and their interests. Many retailers create personas for their target customers, which help them define who they are and how they interact with us.

Next step would be to map the customer's lifetime interaction journey with each persona. This involves walking through all stages – from awareness, discovery, research, trust, trial, purchase, and after-sales service. Not just this, it also includes understanding both the content and mode of access for each step. Retailers need to prioritize and sequence those steps in terms of their focus-- curating the content, identifying the delivery mode, or determining what investments are going to be acquired at each step.

One of the greatest challenges of omni-channel adoption lies in the consolidation of processes along with the underlying applications and databases. An end-to-end process refinement is necessary to align different groups towards a common goal. Even supporting IT frameworks reflect the same sort of siloed approach, making it difficult to have an end-to-end view of solutions that support the unified process model.

Hence, creating an enterprise architecture function, which supports the end-to-end process and technology models would be highly beneficial. This function can also govern technology investments while progressing towards

the target state. The processes also need to be unified at the supplier and customer relationship management level.

In a multi-channel organization, redundancies and ambiguity like two channels having separate contracts with the same vendor or supplier can exist. Unifying the pipelines as well as partner/transaction records not only gives the organization the economies of scale but also a central view of the product information and financial flows. In a traditional multi-channel organization, channels have independent marketing strategies and even sales revenue targets.

Sales closed in other channels have little to no impact on their own goals, with no incentives. For instance, an omni-channel strategy circles around the services and products of both a physical and an online store. Retailers formulate such strategies to familiarize customers with the product while giving incentives using a mobile app. In this case, the retail stores incentives are not just tied to direct store revenue but also to the revenue from customers.

## Role of the Organization

The next part of the strategy is achieving an organization alignment in devising an omni-channel strategy. Strong leadership is a crucial factor, which mandates commitment from almost every department in the organization. Depending on the scale of adoption, this transformation can have profound impact on the organization's culture and values. Due to the scope of impact, omni-channel retailing must start with the senior-most stakeholder level, failing which its progress can be easily stalled due to peer level conflicts.

Omni-channel adoption could heavily influence the organization's long-term strategy and business architecture.

Commitment from the executive team would go a long way in helping the entire organization revamp the value propositions & the KPIs. Being responsible, systematic, timely and agile is no longer just an option but a necessity to effectively support an omni-channel strategy.

Maintaining the integrity of the core services and information is just as important as the organization's reach and grasp. While different levels of stakeholders may be involved to enable omnichannel strategy, the true adoption happens at the operations layer. Formulating an effective omnichannel experience may require business units to revamp the metrics based on which they operate. Necessary measures may also need to be taken to prevent sub optimization and conflicting interests between sales channels within the organization.

## **Finding Technology that Best Suits for Your Business**

Considering the pace at which modern technologies are adopted, if an organization is not disrupting the market, it is likely to get disrupted by someone else. Every organization must decide on technologies best suited to achieve their goals. Understanding the customer through Social Media Marketing and analytics is a key to this. A successful Omni-channel experience is about being constantly available and reacting instantly to customer requests through different channels.

Migration of workloads to the cloud and advancements in cognitive computing partly enables to fulfill this, compared to on-premise infrastructure. Similarly, IoT and RPI technologies have evolved well enough to automate warehouse and the entire logistics. Blockchain based solutions also offer ways to establish provenance and trust among global supply chain partners.

## Building the Perfect Roadmap

Lastly, we need to build a feasible roadmap. The execution plan needs to overcome barriers through effective change management, while prioritizing and sequencing the capabilities and the technology to enable them. We need to have a business case and should be able to measure the business results at each step. We are best able to execute it if we can create a single team that owns the customer journey from an organizational standpoint. They would perform the customer journey mapping and define the handoffs of data and processes across the organization. They should also play a governance role in the planning and delivery of IT solutions to ensure progress.

It is important to assess the longevity of our current POS, ERP, ecommerce and marketing platforms. These may be some of the first things to address in the roadmap in terms of creating that digital core. From a technology standpoint, cloud-based solutions can offer us faster value. Such points need to be considered and weighed accordingly in our criteria. The road map should be digestible for the organization and should be broken down into agile deployments that can deliver incremental value to help fund the next steps of the roadmap.

## Connecting Data Access and Omni-channel Strategy

While there are growing regulatory constraints around how we manage customer data, it is always a good idea to be clear on how to build trust and value. In the process of converting casual customers to loyal ones, retailers need to ensure transparency so that customers are willing to share their key information. When it comes to dealing with regulatory issues, customer information must be tightly managed.

Getting real-time inventory information is equally important for both manufacturers and customers alike. Let us look at how Amazon has evolved its business model to reach the status of being a pioneer in the industry. Amazon's warehouses are situated closer to the cities compared to the remotely present central warehouses of traditional companies. The distributed warehousing strategy centres on Amazon's ability to expedite order delivery.

Once a distributed warehouse is set in place which allows the real-time view of inventory across all distribution centers, there are tools that give real-time inventory view across regions like the SAP Integrated Business Planning (IBP). IBP helps in consolidating the requirements and receipts to plan out procurement and supply for meeting customer demands effectively. In any planning solution, there is a demand factor. SAP IBP orchestrates order fulfillment by connecting it effectively with the demand signal.

## **Adding value to your customers through Instant Data Access**

Retail stores are witnessing a trend towards a tablet-based sales associate experience, which is richer in terms of access to customer data including prior purchases, service history, and buying pattern. While the normal checkout at the front of a store does not take customer data or information into account, the modern POS solution looks into them which may be used for upselling and cross-selling products. This can also be powered by AI technology wherein sales associates will be able to interact better with the customer and provide them with a meaningful shopping experience- for instance, a customer buying a sofa while sitting on the same.

## Benefit from Cloud-based Technology in Retail

Retailers can achieve improved performance, speed and agility with cloud migration. Micro-service architectures and containerized deployments have made modern retail systems highly available and resilient. Cloud-based deployments have also made it possible to scale out their infrastructure to handle big seasonal loads with minimal investment and effort.

Amazon is another perfect example of a retail organization, which has become the technology pioneer with AWS by investing in cloud technology. This has helped in positioning themselves as a key enabler of true and powerful omnichannel experiences for many other organizations.

## About Applexus

Applexus Technologies (Applexus) is the global technology leader offering business consulting and SAP services to transform customers through digital innovation. We specialize in advisory, migration, implementation, and management of SAP S/4HANA and BW/4HANA solutions. Applexus delivers transformational business solutions for a marquee list of clients spanning retail, fashion, and consumer products industries. Applexus operates out of centers in North America, the United Kingdom, the Middle East, and India. For more information, visit us online at [www.applexus.com](http://www.applexus.com).

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