Retail Omnichannel Strategy

Enhancing Customer Experience and Achieving Operational Excellence

Contents

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Executive Summary

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Consumers worldwide continue to adopt and use technology in their shopping experience. Faced with rising customer expectations and increasing competitive pressures, retailers now are prioritizing in-store innovation. Many retailers have adopted multichannel implementations, in which mobile, web, and in-store shopping are enabled but not delivered consistently to the customer. The next step in this evolution is an omnichannel strategy, now being deployed by some retailers, which presents a consistent shopping experience across mobile, web, and in-store channels. Omnichannel also enables retailers to integrate back-end infrastructure technologies (e.g., servers, databases, etc.) and cloud-based services (e.g., loyalty programs, personalized recommendations, inventory management, etc.) to improve many aspects of store and enterprise operations.

An omnichannel strategy relies on several core and supporting technologies. The key factors in evaluating any omnichannel-enabling solution include adaptability, scalability, and security of the system and environment. One important technology is mobile point of sale (mPOS). mPOS ties into other in-store technologies to help create a consistent customer experience and into broader enterprise infrastructure (servers, databases, cloud-based services, etc.), providing the opportunity to improve operations.
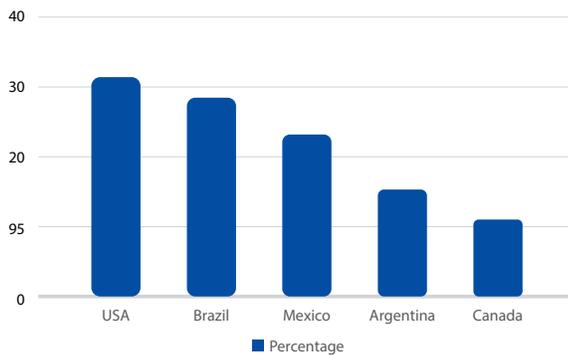
This paper aims to:

- Summarize the current state of retail's evolution from multichannel to omnichannel strategies

- Differentiate a multichannel from an omnichannel strategy

- Explain an omnichannel strategy's key impacts on businesses

- Summarize the technological enablers of an omnichannel experience and provide guidance on how to evaluate new omnichannel-enabling technologies

- Introduce the role of mPOS in the in-store channel and in a broader omnichannel strategy

Part 1

## ❑ Retail's Next Transformation: From Multichannel to Omnichannel

For years, retailers have seen the potential to transform shopping by offering customers an omnichannel experience, which is defined as presenting a consistent shopping experience across mobile, web, and in-store channels. (For simplicity and conciseness, this paper will use the term retail generically to encompass the customer experience in a variety of venues, such as retail stores, restaurants, hospitality, gaming, etc.) Many retailers are making efforts to offer customers an ability to shop via mobile, web, and in store, but customers still experience something closer to multichannel where the shopping experience across these channels is not presented consistently. However, the move to a true omnichannel experience continues today as a slow evolution toward a more visual, functional, and connected approach across all customer touch points with the brand.

Chart 1
Percentage of Consumers in the Americas Who Made Last Clothing or Footware Purchase Online
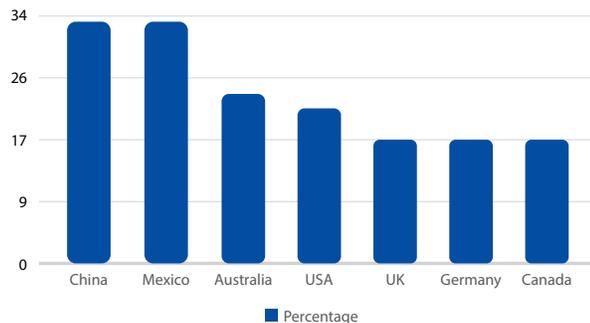

Source: Consumer Barometer (2014)

Chart 2
Products Americans Research Online Before Purchasing Offline
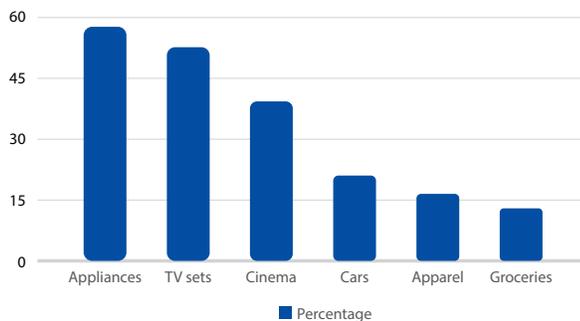
Source: Consumer Barometer (2014)

Chart 3
Percentage of Smartphone Users by Country Who Used Devices to Research or Make Last Purchase

Source: Consumer Barometer (2014)

The evolution is partly driven by customers' changing expectations of their shopping experience. Today, U.S. consumers own on average 2.9 mobile devices [1]. These consumers are constantly connected, always on the move, and looking for ways to use technology in their shopping experiences. Data suggests many have already become savvy multichannel shoppers. The 2014 Consumer Barometer reported that 31% of U.S. consumers made their last clothing or footwear purchase online.[1] (Refer to Chart 1.)

U.S. consumers are using digital technologies not only to buy products, but they are also using technology to locate stores, compare products, and participate in loyalty programs. Another significant use is product research. In particular, consumers tend to research certain product categories online before purchasing in store[1]. (Refer to Chart 2.)

The use of devices for shopping is a global phenomenon. Both developed and developing markets worldwide now have a significant number of mobile users. Of worldwide consumers who use smartphones, 33% in China and Mexico used their devices to research or make their last purchase [1]. (Refer to Chart 3.)

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These trends point to the necessity of offering an omnichannel shopping experience simply to remain competitive. Those who fail to evolve risk losing business to competitors, who do meet customers' heightened expectations. Recognizing this fact, retailers have begun the transformation from multichannel to omnichannel. According to IHL Group, omnichannel integration ranked as the top store priority for 2015 by 55% of retailers surveyed [2]. Retailers surveyed in the same study said they were planning, on average, a 6% increase in spending on omnichannel technologies [2].

Omnichannel complements several other major trends in retail. The first is mobile payment, which allows customers to purchase products and services with mobile devices rather than cash, checks, or credit cards. Forrester estimated the size of the mobile payment market to be $52 billion in 2014, with a projected increase to $142 billion by 2019 [3]. Mobile payment can be tied into omnichannel strategies such as real-time recommendations and loyalty programs.

Another trend that fits well with an omnichannel strategy is mobile point of sale (mPOS) systems. mPOS systems enable in-store retail associates to conduct a variety of tasks, from decentralized sales transactions (called line/queue busting) to guided selling. mPOS systems are an important way to enhance the in-store channel, and tie back to the retailers' capabilities.

Part 2

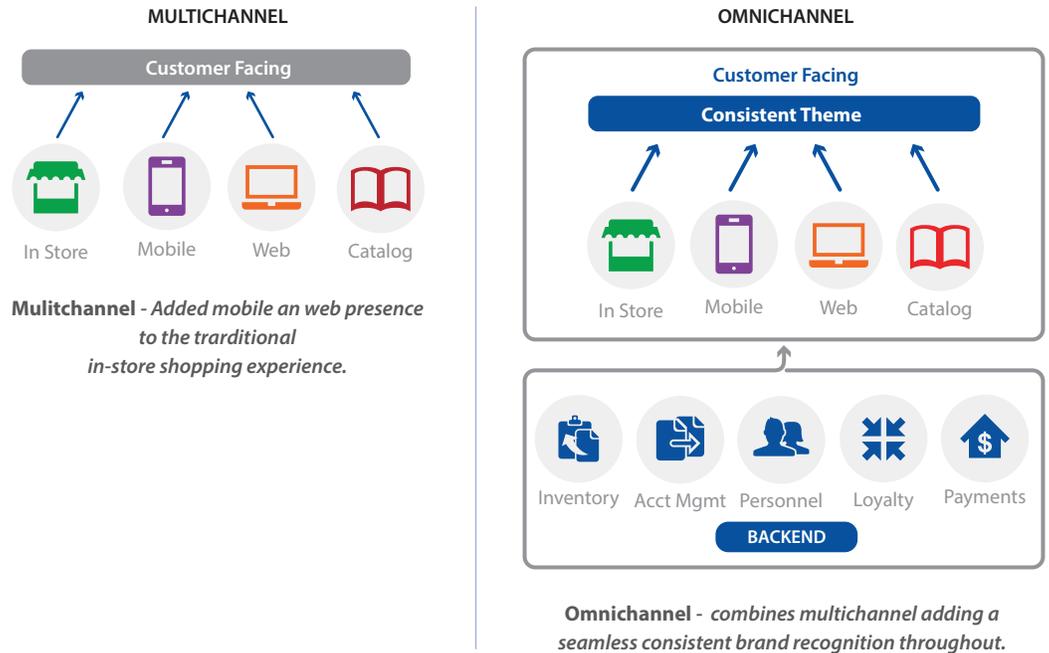### How Omnichannel Impacts the Business

Omnichannel improves upon multichannel by offering a consistent experience for customers across all channels, including in-store, phone, mail and web. The key differences between the two are illustrated in Figure 1.

Omnichannel impacts two primary aspects of the retail business.

1. *Customer experience* – As illustrated in Figure 1, a key difference between multichannel and omnichannel is that omnichannel presents a consistently branded theme and experience to shoppers across all channels. Importantly, omnichannel is not the technology itself, but rather a seamless customer experience from need recognition through all stages of the purchase cycle. Technology is the enabler to host this experience and adds unique value via personalization. Customers are not aware of the technology enabling the sale, but they are aware of and care about the experience.

2. *Store operations* – As illustrated in Figure 1, omnichannel integrates back-end technologies that are key to operations including: inventory, payment systems, asset management, personnel systems, and customer loyalty programs. This integration brings opportunities for enhanced and improved operations across the enterprise. For instance, many retailers today cannot process the return of items purchased online at regular in-store POS systems. Tying together back-end systems will enable customers to return purchases made online at physical stores, without the need for segregated in-store and e-commerce transaction systems.

Figure 1. Omnichannel vs. Multichannel

A well constructed Ominchannel experience for consistent theme throughout all selling channels.

MULTICHANNEL

Customer Facing

In Store · Mobile · Web · Catalog

Mulitchannel - *Added mobile an web presence to the trarditional in-store shopping experience.*

OMNICHANNEL

Customer Facing

Consistent Theme

In Store · Mobile · Web · Catalog

Inventory · Acct Mgmt · Personnel · Loyalty · Payments

BACKEND

Omnichannel - *combines multichannel adding a seamless consistent brand recognition throughout.*

Looking more closely at the customer experience illustrates omnichannel's impact on the business. This impact can be understood by redefining Proctor & Gamble's (P&G) famous idea of "the first moment of truth" [4]. Traditionally, customers made critical purchasing decisions inside the store. In this context, product packaging, lighting, point of sale, and other in-store environmental factors were important to influencing the purchase. Today, the first moment of truth increasingly occurs outside of the store, often via mobile (e.g., smartphone) or web (e.g., social media) channels. The customer often arrives at the store with baseline product knowledge to support the purchase in mind.

In addition, when customers arrive at the store, they have the technology in hand to perform a variety of tasks, from comparison shopping and checking in-store availability to reading customer product reviews. In these situations, sales associates can enhance the shopping experience by demonstrating they are just as knowledgeable as the customer, and adding value by filling in the blanks of information that were not clear or available online.

Omnichannel strategy harnesses today's customer expectations and consumer mobile technologies to enable what Boston Retail Partners calls real-time retail (RTR) [4]. RTR is the process of engaging, informing, and influencing customers while they shop online (e.g., chat, suggestions, etc.) and in store. RTR is enabled by several technologies. Examples of in-store RTR include the following:

- *Guided selling* – Uses social media, inventory lookup, and personalized promotions/ recommendations to assist customers through the purchasing cycle

- *Flexible checkout* – Leverages mPOS systems for decentralized sales transactions, such as line busting in traditional retail stores and tableside checkout in restaurants

- *Cloud-based services* – Offers centralized resources such as systems (e.g., point of sale), data (e.g., transactional), and analytics (e.g., data mining) to employees and customers (e.g., loyalty programs) wherever they are

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RTR illustrates how an omnichannel experience can be used to meet heightened customer expectations and improve store operations, from sales effectiveness to process efficiencies.

More broadly, the omnichannel experience offers the following benefits for customers:

- Seamless and consistently branded shopping experience across all channels

- Ability to integrate consumer technology (e.g., mobile devices) into the shopping experience

- Better real-time information at customer fingertips to make decisions

- More flexible payment methods (e.g., mobile wallets)

- Faster transactions via line/queue busting

Omnichannel technologies offer the following benefits for store operations:

- Real-time information for sales associates, which improves upselling and in-store closing rates

- Enhanced customer interaction via technology-enhanced guided selling

- Higher rate of completed sales in store via informed sales associates, personalized recommendations, and loyalty programs

- Faster transactions such as line/queue busting via mPOS solutions

- Host of powerful cloud-based services, including data analytics, loyalty programs, and personalized recommendations

- Integration into key business technologies such as inventory, personnel, and asset management systems to improve operations

Part 3

Laying the Groundwork for Omnichannel Deployment

Deploying an omnichannel experience requires several enabling technologies. A customer relationship management (CRM) solution is foundational because it provides a way to customize the shopping experience to specific customers at both in-store and online transaction points. For example, personalized recommendations and loyalty programs can be tied to individuals. In addition, omnichannel is enabled or enhanced by supporting technologies such as a distributed order management system, RFID tagging of merchandise, and in-store wireless service. Covering each of these additional technologies is beyond the scope of this paper.

More broadly, retailers can evaluate any omnichannel-enabling solution based on three criteria:

1. *Adaptability* – Important as customer preferences and expectations evolve, technologies emerge and become more readily available, and processes mature. Evolving retail technology will likely impact every component of omnichannel strategy.

2. *Scalability* – mPOS system scalability means increasing the amount of different devices and transactions operating seamlessly at the same time.

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3. *Integrated Experience* – the Omnichannel approach needs to ensure that a retailer's key processes (e.g. customer management, inventory management, pricing control, web commerce, information security, branding, and customer service) are all integrated and tied together in a way that is seamless for the customer.

Part 4

☐ The Role of POS Solutions in Omnichannel Strategy

An important technology to omnichannel strategy is mPOS printers. mPOS printers tie into in-store tablets used by sales associates and enable a seamless, consistent shopping experience. This is one example of holistic technological integration that busts multichannel siloes and helps to create a consistent customer experience, which forms the basis of omnichannel. In addition, mPOS printers transform store operations by tying into broader enterprise infrastructure, enabling a technological integration with many hardware (e.g., enterprise servers) and software (e.g., cloud-based services) components to support more efficient operations.

Contrary to common perception, technology advances that enable an omnichannel shopping experience can be adaptable to existing legacy POS systems. The specific deployment strategy depends on the size of the enterprise and the POS solution.

Part 5

☐ Use Case for Omnichannel-Enabling POS Solutions

Intelligent and Mobile POS Printers at a Regional Electronics Retail Chain

SOLUTION ELEMENTS

- The brains of a computer-inside POS system, including a web server
- Wireless connection to a complete suite of peripherals
- USB battery power to reduce cabling
- Security features, including encryption and authentication
- Cloud-based services support, such as data analytics, loyalty programs, digital receipts, and gift cards

DEPLOYMENT STRATEGY

- Omnichannel gateway in that it supports connection to existing POS system (i.e., POS system agnostic)
- Supports advanced omnichannels, such as in-store kiosks for researching inventory, gathering advanced product information, and inventory data for in-store associates

ILLUSTRATIVE APPLICATION

Silicon Joe's is a growing niche electronics retailer with multiple locations across Austin, Dallas, and Houston, Texas. Silicon Joe's specializes in a broad array of mobile tech, from smartphones and laptops to emerging categories such as wearables and smartwatches. Their brand promise includes readily-available sales associates with unmatched technology/product expertise, abundant inventory availability, and competitive pricing.

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To live up to their brand and compete with more established players, Silicon Joe's knew it had to pioneer an omnichannel experience that emphasized all of its strengths, no matter how the customer purchased and engaged with them. Their product expertise, product availability, and pricing had to be consistent, both at the brick & mortar store and on its e-commerce platform.

In order to do this, Silicon Joe's decided to tie all of its systems together through a unified POS system, along with printers, to enable a flawless execution of their customer experience strategy.

First, it was ensured that they had single view of their entire in-store and warehouse inventory, so that the customer has access to product, no matter where it is located. If the customer entered the Austin store looking for a product, but the only one available was in Dallas, Silicon Joe's could quickly get the product shipped from Dallas to Austin for customer fulfillment. This view was enabled through the tablets that the employees carried in the store. The customer's transaction was completed at the aisle they where they were standing, and a receipt was issued from the intelligent POS printer located at the end of the aisle. The customer never had to stand in a long customer service line and they were able to determine on the spot whether the product was delivered to their home or to be picked up at the store when it arrived.

Secondly, Silicon Joe's ensured consistent pricing. They made sure that their on-line and in-store prices were identical by tying the website's pricing to the in-store POS. Unifying these systems made certain that the lowest price was always being offered to the customer at check-out.

Third, Silicon Joe's tied on-line ordering to in-store pick-up. When the customer requests this service, the e-commerce site sends the data to the intelligent POS printer at the customer service desk and it sends a confirmation email to the customer. The same intelligent printer provides a ticket signaling an employee to pull the product from the shelf and hold for customer pick-up. This process gave the customer access to all available inventory – chain-wide – and allowed them to acquire in the method they preferred.

In addition, with its intelligent POS solution, Silicon Joe's enhances the customer experience by offering a host of in-store capabilities. For instance, customers who opt in to Silicon Joe's loyalty program receive same-day discounts, rewards, and personalized recommendations upon entering the store via opt-in beacon technology. Tablet-equipped sales associates help customers get the maximum amount of information about the product they want to buy by having instantly-accessible on-line content. And finally, customers complete sales transactions from anywhere in the store whenever they are ready via Silicon Joe's mPOS handheld payment systems, along with printers that are either strategically located around the store, or wireless on the employees' belt clips.

For Silicon Joe's, the intelligent POS system served as the technological backbone for deploying its omnichannel experience. It fosters customer loyalty and allows Silicon Joe's to present a consistently branded experience across all channels and locations.

Part 6

◻ Conclusion

Omnichannel strategy offers a significant opportunity for retailers. The value of an omnichannel strategy extends to both an enhanced customer experience and improved store operations. An omnichannel strategy provides customers with a consistent experience across mobile, web, and stores. Such a strategy minimizes the risk of losing the sale in a time of heightened customer expectations and increasing competition.

Omnichannel-enabling technologies have matured significantly in recent years. mPOS systems, which include mPOS printers, are an important technology in broader omnichannel strategy. mPOS printers tie into other omnichannel-enabling technologies to help transform the customer experience and improve operations.

One mPOS printer solution to consider is Epson's OmniLink. This product line offers adaptability, scalability, and security to retailers, regardless of the size, operational structure, or stage of implementing mobile retail services. OmniLink supports and enhances retailers' omnichannel strategy in the following ways:

- Compatibility with a host of consumer technologies, including smartphones and mobile wallets

- Compatibility with a host of retailer technologies, including mPOS systems, ePOS peripherals, enterprise servers, and cloud-based services such as data analytics

- Scalability to meet the requirements for retailers ranging from one-store operations to international enterprises

To learn more about mPOS printers generally and the OmniLink product line specifically, visit Epson online at http://pos.epson.com/omnilink/.

About

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