

OMNICHANNEL RETAIL

Seizing Opportunities and Maximizing Profits with
Data Analytics

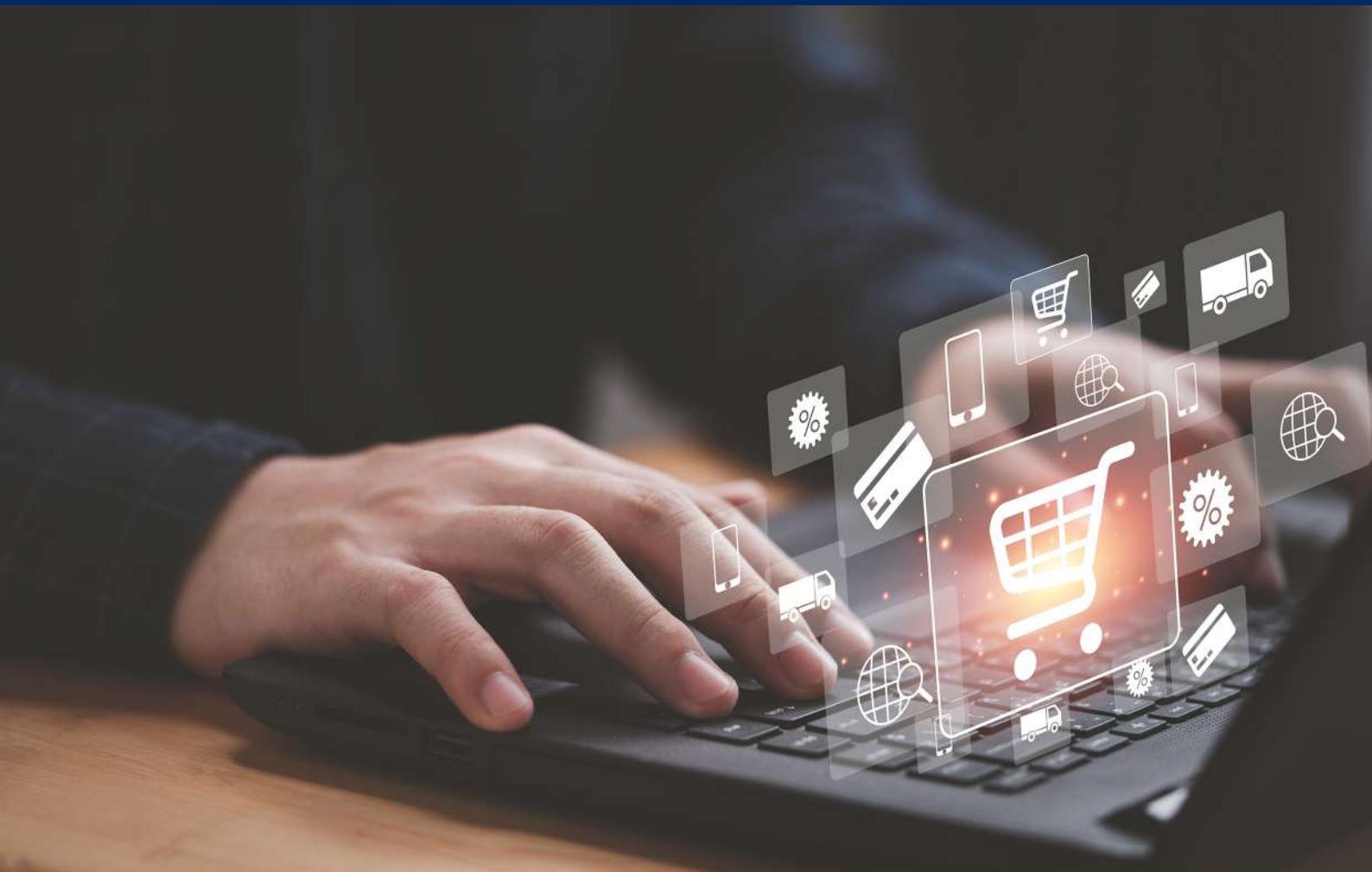


Executive Summary

Omnichannel retail is the future. Customers are increasingly researching and purchasing products both online and offline, and are doing so through an expanding range of options: in addition to physical stores, they are using **e-commerce, social commerce (Facebook and Instagram)**, and **live commerce (TikTok and Instagram)**.

Delivery expectations have also changed, with customers now relying on quick commerce, providing home delivery in less than an hour – and in some cases less than fifteen minutes – and offering home delivery from a local store, shipment to a home address from a distribution center, and click-and-collect. Consumer product companies are eager to maintain a presence on all the platforms, and to use all the channels, that their target consumers are engaging with.

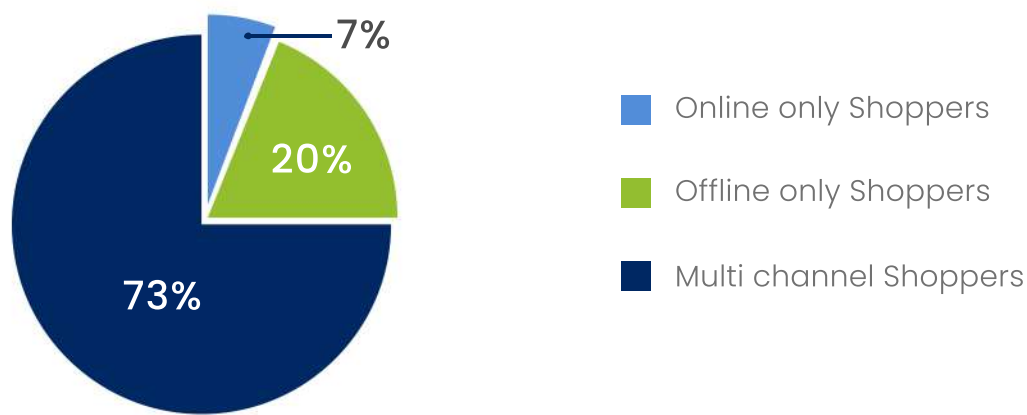
It is crucial that retailers seize the opportunity provided by omni shopping and prepare to meet the growing demand. This paper sets out how **retailers can develop their existing strengths in new channels, expand revenue, develop mutually beneficial relationships with trade partners**, and ensure growth through analytics.



Large Shifts in Retail

Retail has proved its resilience: it has adapted to the large-scale disruptions caused by Covid, resolved supply chain issues, and managed cost inflation. This resilience has preserved the sector's credibility with investors, who are ready to back expansion for those firms that understand the opportunities and challenges presented by the proliferation of new channels and new competitors. Nearly three quarters of all customers shop through multiple channels, as the Harvard Business Review has shown.

(Only 7% of customers shop exclusively online and only 20% of customers exclusively offline.) However, customer demands continue to evolve, as they increasingly expect near real-time shopping across multiple channels – in other words, they expect omnichannel retailing. **Most multi-channel shoppers will become omnishoppers.**



Now is the time, then, to seize the opportunities offered by omnichannel retailing, to set new priorities, and to meet these goals with the help of new analytics.



Omnichannel Retailing: Time to Upgrade

Omnichannel retailing involves establishing a presence in physical stores, e-commerce, social commerce, live commerce, and (in collaboration and competition with delivery firms) in quick commerce. **The aim is to give customers a fully integrated shopping experience**, using the unique strengths of each channel to enrich this experience across all channels. Collating digital data from each of these touchpoints will maximise growth and profitability.

Social commerce involves buying and selling goods or services directly within a social media platform such as Facebook or Instagram. In this model, social media develops beyond its traditional role of **helping customers discover and explore products**: instead, it encourages users to complete the entire purchasing process without leaving their app.

Live commerce also known as live shopping, live selling, and **livestream shopping** gives brands away of selling products through live streams on digital platforms. It combines online selling and buying with live video, offering customers an interactive shopping experience: they can watch live product demos, use the chat function and reaction buttons, interact with sellers, and buy what they see straight away. In China, live commerce has transformed the retail industry and established itself as a major sales channel in less than five years.





Priority no 1

Investing in Stores, Customer Relationships, and People as differentiated strategic assets.

Strong customer relationships are a key asset for modern retailers, who have the potential to cultivate a large and loyal set of customers. Physical stores offer the greatest potential for social interactions with customers, which in turn contribute to the rewarding and uplifting impact of retail therapy.

The differentiating value of customer relationships, and the supportive environment provided by physical stores, makes the development of retail staff's interpersonal and advisory skills a worthwhile investment. Establishing a good rapport with customers makes the work more personally fulfilling and recognizing that influencing customers positively constitutes meaningful work improves retail staff employee satisfaction and retention.

Building such relationships also leads to better insights into customer trends, and is more productive in terms of sales frequency, transaction value, and lifetime value. Retail staff can be trained to understand their customers' priorities and values, and to steer them towards the products that best reflect those values. (Rising interest in sustainable and affordable 'better for you' products is a good example of this.) The closer the values of customers, retail staff, retailers and suppliers align, the stronger the relationship across the value chain is likely to be.

Physical stores serve not just as hubs for social interactions but also as showrooms and service centers and hubs that can rapidly meet customer needs. They are valued by communities, who remember the essential part played by stores in servicing the vulnerable during the Covid lockdowns, and they benefit from community loyalty.

For some retailers, two-thirds or more of their e-commerce orders involve stores. Ship-from-store could account for 30-50% of physical store volume in the next few years, including traditional stores, distribution centers, "dark" stores, e-commerce-first stores with smaller selling floors and large back rooms, and even shared fulfillment centers created through retailer alliances.



Priority no 2

Leveraging the Customer Relationship directly and with suppliers to increase profitability.

While the first priority for those retailers that maintain physical stores is to cultivate consumer relationships, the second priority is to leverage this customer relationship asset across other channels, capturing in the process a greater share of the consumer wallet. Customer relationships established through face-to-face social interactions in physical stores can be carried over to the other e-commerce settings.

Online social interactions in e-commerce first took the form of shared customer reviews and electronic word-of-mouth. This, too, is changing: such interactions are becoming more personal as e-commerce shifts towards social commerce (with customers buying on social media) and live commerce (where transactions take place alongside live engagement with a salesperson). Competition is driving innovation in these areas to improve the quality and productivity of such social interactions, while contributors to these interactions are motivated by a desire to help fellow shoppers and reward good service. The impact of these developments on consumer choices has been considerable.

Retailers benefiting from strong consumer loyalty can offer their suppliers access to consumers via a marketplace, as well as offering a channel for supplier advertising and promotion. This model gives retailers a low-stakes way to experiment with new merchandising and to gain valuable insights into how consumers respond to categories and products before onboarding them to first-party selling. Both retailers and suppliers have an opportunity to increase profits. Retailers can further leverage close customer relationships by expanding what they can offer to include adjacent services, including financial services, healthcare, veterinary services, education, travel, and entertainment. This is an opportunity for the retailer to take a greater share of customers' wallets and to increase profitability.



Priority no 3

Investing in Analytics for Omnichannel

Investments in stores, people, and additional channels create opportunities for growth. Investment in analytics helps ensure that growth is profitable.

Multi-channel e-commerce needs to be carefully orchestrated to ensure that resources are allocated efficiently, and that revenue is correctly managed. Product managers need a reliable analysis of what products and categories are profitable, across all channels. Mutually beneficial relationships with trade partners in the supply chain must be optimized thanks to shared information.

The data analytics architecture that supports commercial judgements and decision-making needs to be flexible to accommodate evolving data sources. Analytics should be designed to show evolving channel opportunities and to allow decision-makers to drill down into the commercial drivers of each opportunity. These commercial drivers can then form the basis for predictions regarding volume, cost, and profitability – all of which are essential for disciplined action planning. Analytics is a powerful tool that supports the creation, targeting, evaluation and evolution of innovation.

In retail stores, data analytics use data from point-of-sale systems to monitor sales frequency. It can average the sales transaction value of each salesperson across all product categories and departments, thereby identifying the salespeople who establish the strongest customer relationships and targeting coaching interventions for the relative under-performers. The analytics make it straightforward to measure the success of interventions that improve retail staff performance and generate a positive return on investment.

First-party data generated on retail e-commerce sites is a source of valuable information about customer values and priorities; used by retailers to personalise offers, it helps increase customer share. Such data can also be shared with suppliers who, instead of having to rely on limited first-party data, can instead turn use it to optimise their marketing investments. Partnering with CPG suppliers also improves the efficiency of the supply chain. Collaboration can improve demand forecasting,

inventory management and fulfilment, and suppliers can design packaging suitable for all channels.

E-commerce merchandisers use analytics to stay on top of the customer reviews. They analyze the feedback for actionable insights that improve product positioning, pricing, and promotion. Customer services monitor and actively manage relationships with the most active and influential reviewers.

Analysts have direct access to customers' social profiles and use this information to look at customer research alongside real examples that give additional insights into customer behavior and preferences.

The challenge with live commerce is to optimize the target audiences' experiences – in other words, to make the interaction both fun and informative. Analytics evaluates the effectiveness of content such as challenges, quizzes, and tutorials, and the appeal of a variety of charismatic hosts. As the competition to make shopping more rewarding and engaging for customers continues to evolve, analytics is proving essential in supporting continuous improvement and innovation.



Conclusion

The priority for any new channel is profitability. **Analytics is valuable** if it helps you to understand the determinants of profitability in the various channels and to continually monitor for profitability issues so they can be addressed. As you move forward to take the opportunities presented by omnichannel retailing, **Inflexion Analytics** helps you to **monitor the profitability** and profit drivers across every channel, so that emerging issues can be highlighted and promptly addressed, and the profit opportunities can be identified and maximized. This ensures that the expansion opportunity offered by new channels is reliably profit enhancing. Welcome to a future where every touchpoint enhances the customer experience and maximizes your business potential.

