

The omni-illusion:

Why are customer connections disappearing when shoppers reach the store?



 **iVend Retail**
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A shopper walks into a store... and the retailer knows nothing about them.

The customer, so familiar to them online, suddenly becomes invisible in the store.

The growth of omnichannel shopping has reinvigorated bricks-and-mortar as the heart of the shopping experience; the only place where consumers can see, touch and interact with their purchases before buying. Rather than becoming threatened by showrooming, as predicted a few years ago, ecommerce often drives store sales.

However, omnichannel has a weak heart. Of all the channels, the store is proving the most difficult to unite within a connected retail experience, leaving many customers feeling let down by a touch point that has, for so long, served them well.

So why is it proving more difficult to create a truly omnichannel store, and what can retailers do to integrate it more closely within the complete shopping experience?

iVend Retail commissioned original consumer research across five European markets - UK, Germany, France, Italy and Spain - to provide an insight into how bricks-and-mortar can be better connected with other customer touch points.

To capture shopper perceptions of the omnichannel experience, iVend and market research company Red Shift surveyed the opinions of 1,000 consumers in five key European markets: the UK, Germany, France, Italy and Spain. This provided us with a strong cross-section of opinion from Europe's leading omnichannel markets, and enabled us to explore attitudes to connected retail between countries.



Why is digital finding omnichannel easier?

There's no doubting the store's profitability - the majority of sales still happen offline. However, bricks-and-mortar has a harder time integrating into an omnichannel model.

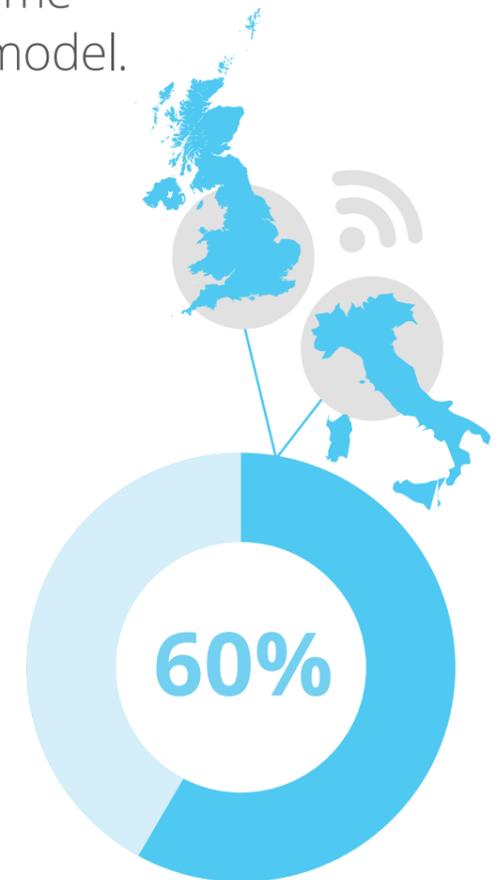
The purpose of a holistic strategy is to make sure every channel and element is working harmoniously, but it does seem that digital commerce is more in tune with meeting modern shopper expectations.

In our survey of European consumers, half admitted to finding ecommerce more convenient than bricks-and-mortar (rising to more than 60% in Italy and the UK), with almost a quarter (22%) feeling let down by the store experience after shopping online.

There are two fundamental reasons for this. The first is data; it's much easier to track shopper activity over the web. Retailers can build an incredibly detailed picture of each consumer's preferences, on which they can then base everything from marketing strategy to merchandising, to closer meet that individual customer's needs.

Secondly, it's easier to be agile online. In maturity terms, ecommerce is in its teenage years - it has grown as a platform alongside omnichannel. The store, on the other hand, is the grandparent, having to retrofit longstanding traditions into new commerce models and consumer behaviours.

Of course, these are quite broad generalisations. There are a number of more detailed reasons that challenge the integration of physical shopping within an omnichannel operation, which we will now explore further.



60% of consumers in Italy and the UK find ecommerce more convenient than bricks-and-mortar

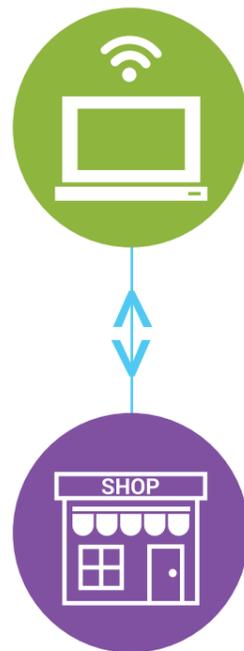
Challenge 1: Changing mindsets

The store's heritage is one of its strongest selling points. This now needs to be reinforced with online capabilities.

Ecommerce has evolved from a two decade-long educational campaign, ingraining the benefits of online shopping into modern society.

During this time, the store has benefitted from the fact that people know how bricks-and-mortar shopping works – it's second nature – but consumers are ready for a new offline experience, driven by online expectations.

While some consumers still choose to carry out an entire transaction online, increasingly shoppers are conducting extensive research through the web, before going into a store to make their final purchase; **68%** of the shoppers we surveyed claim to look up a product online at least once before heading to their local store, with this behaviour more common in men than women.



“Structural changes within retail have been challenging the role of the ‘traditional’ High Street. Many High Streets up and down the country have been working to meet these challenges by reshaping themselves...and working hard to establish their own unique offer as well integrating it with a digital presence.”

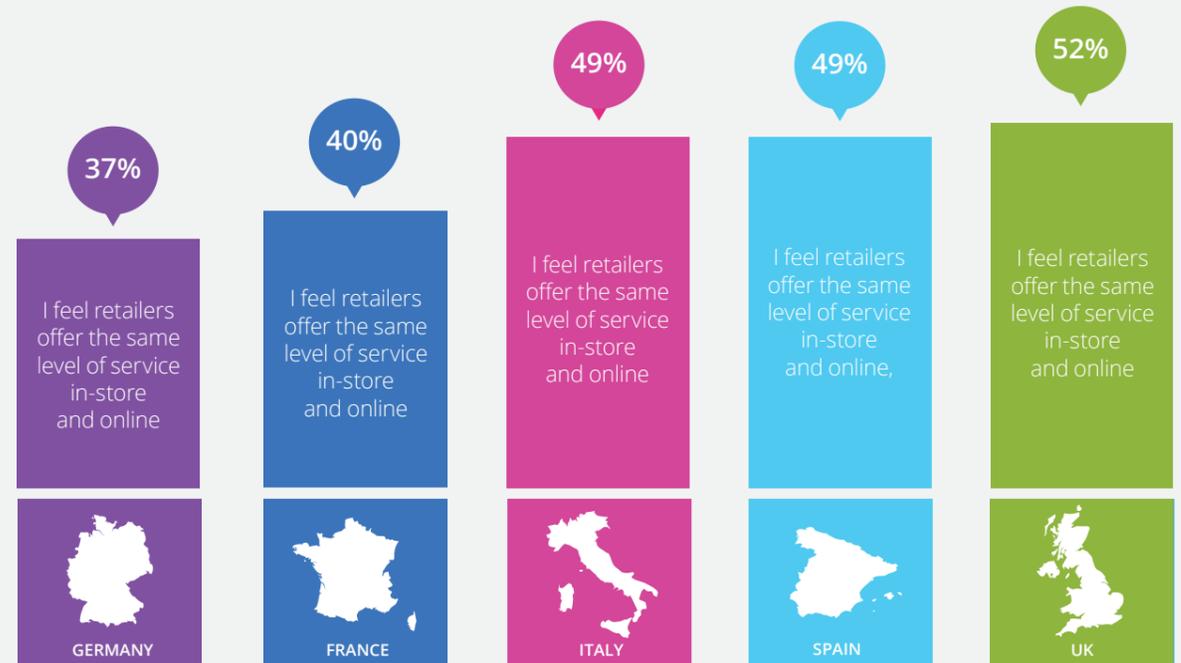
Helen Dickinson, Director General, British Retail Consortium

Consumers are arriving at the store more knowledgeable and more targeted in their shopping goal, which will mean either one of two things:

- 1** – They want detailed further information about the product before committing to a purchase; **or**
- 2** – Pending a quick quality control check, they're ready to buy and want the process to be as painless as possible

Particularly in the case of the first group, retailers need to understand the level of intelligence and sophistication that shoppers are bringing to the aisles, and meet these heightened expectations with an even greater depth of information.

The best way to do this is through technology – as we will explain shortly.



Consistency across channels is a problem many shoppers are aware of; in most European markets, less than half of consumers believe retailers offer the same level of service in-store and online.

Challenge 2: Personalising interactions

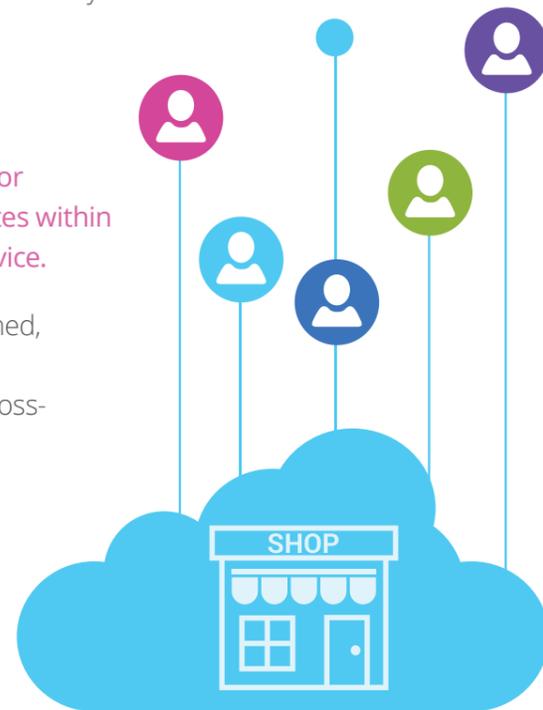
It's not just access to information that consumers have come to expect in every channel; another thing that ecommerce does well, and has filtered through into wider shopper demands, is personalisation.

Tailoring experiences to the individual is relatively easy to do online; as we have already mentioned, data is freely available, and response times are incredibly quick. However, these information-driven insights aren't always being carried over from the online to the offline experience – meaning that a customer who is known as high value when shopping over the web can look exactly the same as a first time visitor when they walk into a store.

This is where store technologies play a critical role. Integrating the point of sale (POS) with operational information, such as stock availability and location, or customer purchasing history, enables sales associates within a bricks-and-mortar environment to tailor their service.

The store can then start to behave in the same informed, flexible manner as online shopping – making product recommendations based on previous transactions; cross-selling or up-selling in a relevant and timely manner; extending product availability beyond the shelf edge; and placing online orders to the customer's preferred delivery or collection point.

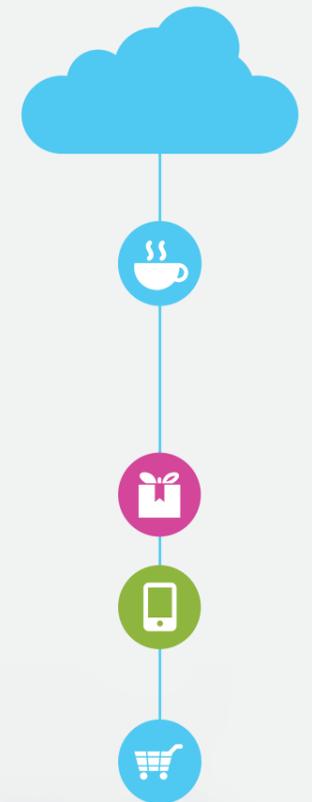
1 in 5 European shoppers would like sales associates to personalise the store experience using tablets



The power of mobile:

One successful European supermarket chain has decided to bring personalised interactions to its customers, utilising the power of mobile. The retailer has joined an all-digital payment network, allowing shoppers to decide whether they wish to pay in cash, by card, or by mobile wallet – storing all loyalty information and receipts in the cloud if they opt for the latter.

Not only that, but the fact that its customers are becoming used to incorporating mobile into store encounters opens up opportunities for POS devices that can be used to tailor product recommendations and promotions by customer profile.



Challenge 3: Discovering loyal customers in 360 degrees

One of the most interesting capabilities of omnichannel store technologies is that they can integrate what's happening in the moment with customer loyalty schemes.

Understanding the value of a shopper in all channels is absolutely fundamental to success, particularly in today's incredibly competitive retail environment – shoppers have never been bombarded with so much choice!

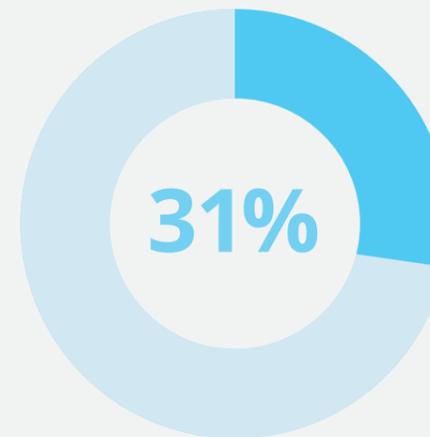
Like personalisation, loyalty is much easier online than in-store. Every time a shopper logs in, retailers can see their previous activity, tailor promotions and incentives based on the frequency with which customers visit the site, and the value of the purchases they make.

However, loyalty, service and customer knowledge are not being similarly connected in the store to deliver a perfect experience.



Understanding the value of a shopper in all channels is absolutely fundamental to success.

Understand lifetime customer value, and reward consumers based upon it.



31% of the consumers we surveyed believe they get offers online based on their buying preferences.

This is potentially impacting bricks-and-mortar retention; a third (31%) of the consumers we surveyed believe they get offers online based on their buying preferences, but that this same customisation does not happen in the store.

Moreover, customers aren't utilising the promotions they are being offered in the store – 1 in 5 admit that a paper voucher they receive at the checkout will expire before they remember to use it.

The key to cultivating long-term relationships in today's short-attention-span shopping environment is to understand lifetime customer value, and to reward consumers based upon it.

This can only be done if retailers have a true omnichannel view of each customer, monitoring their purchasing habits online and offline to increase the relevance of their marketing – and create additional, exclusive incentives for high value shoppers.



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Loyalty's most valuable ally

Before we discuss the next connected retail challenge, let's talk about the device that is common to consumer interactions in all channels: **mobile**.

As we've touched on in previous sections of the report, mobile has become an important tool throughout the purchasing journey, from initial research to final transaction.

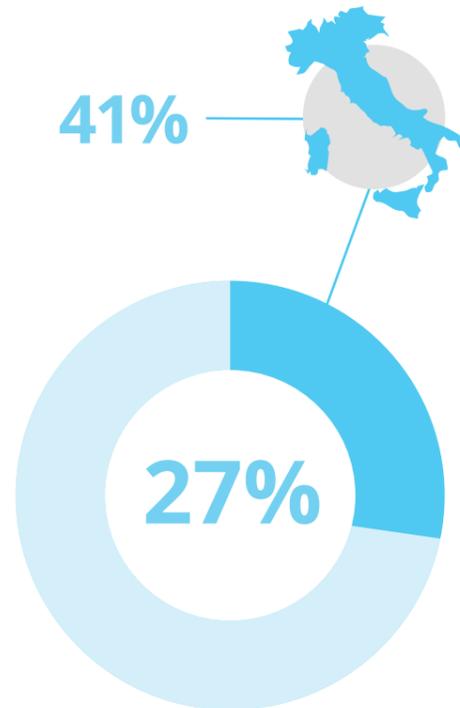
The most effective way to create an omnichannel loyalty strategy is to use this device in both digital and physical retail to integrate incentivisation.

A quarter (27%) of the European shoppers we surveyed would like to get loyalty points direct to their mobile – rising to almost half (41%) in Italy. **Introducing applications such as digital passbooks can enable customers to easily collect and redeem points as part of a truly connected retail experience.**

What's more, it has the added benefit of curating store transactions alongside ecommerce activity, so that retailers can fill in the 'behavioural blanks' that are so often missing when it comes to knowing how online shoppers behave in a bricks-and-mortar setting.



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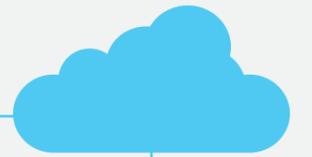
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Inkless incentives

We've talked about retailers using their own mobile technology to reconfigure the store's role – now let's focus in on the role of shoppers' technology.

A major premium department store, based in the UK, has recently scrapped its old loyalty schemes in favour of a mobile-first strategy. The application has replaced simple point collection with **experiential prizes**, based on the number of visits to its store, and the purchases being made.

This combination of aspirational ideas and convenient smartphone location will also enable the retailer to send push notifications to loyal members throughout the year, promoting exclusive events such as flash offers, preview days and secret sales.



Challenge 4: Crossing lines

A successful omnichannel model is not just based on technology. It involves the integration of logistics, business processes, operations and personnel, to create consistent customer service, regardless of channel.

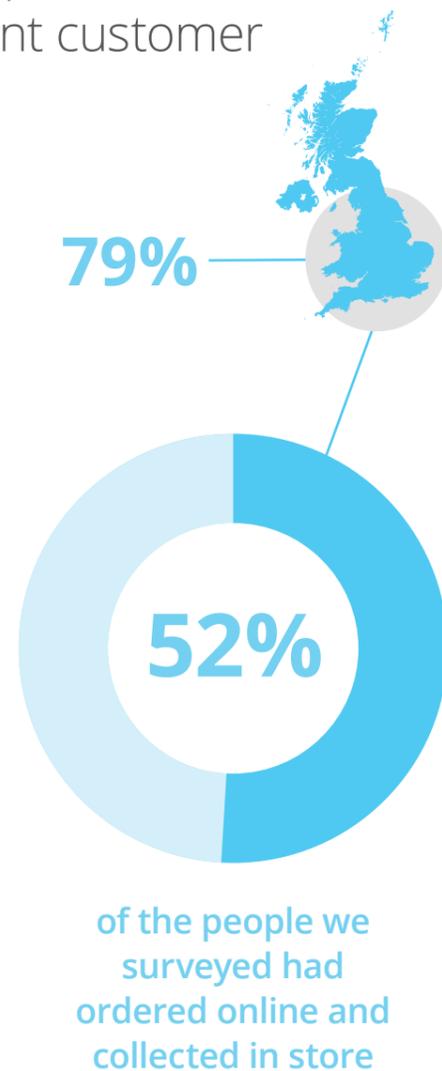
This has brought new challenges and opportunities in the bricks-and-mortar environment. Sales associates in most stores today aren't just dealing with browsers wandering in off the street, or even clued-up consumers who have completed online research beforehand; they are juggling purchasing with fulfilment of online orders.

Europe is the leader of cross-channel shopping services such as click-and-collect, which is bringing new levels of convenience to shoppers who don't want to wait around for a delivery all day.

Half (52%) of the people we surveyed had ordered online and collected in store, rising to 79% among UK consumers.

If someone visits a store and then decides to buy online, it generally doesn't upset the omnichannel status quo. However, the influx of digital orders into the physical environment is much more disruptive.

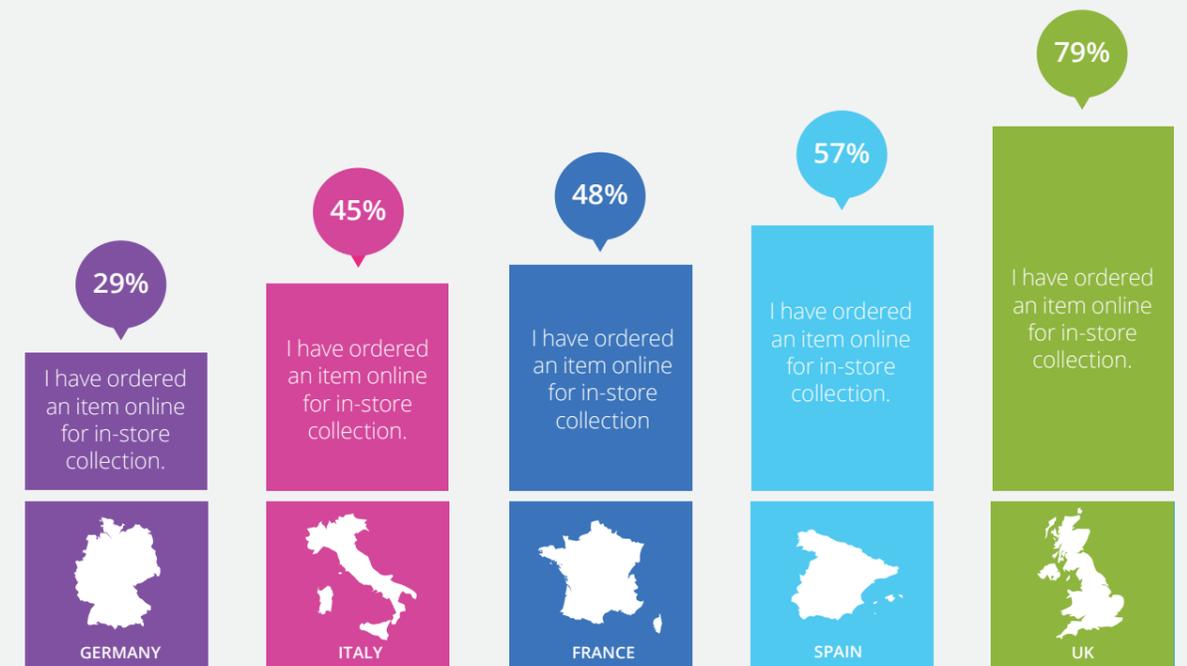
Logistically, new stock allocation and storage processes must be mastered, while customer-facing staff have to add another string to their bow, as click-and-collect increases store visitor volumes.



This is where store technology comes into its own. Sales associates can process and manage click-and-collect orders through a connected device, and then use that same device to improve the service being offered to pure bricks-and-mortar customers

More than that, customer-facing personnel can use digital devices to up-sell to shoppers; research by Conlumino in the UK suggests that 1 in 4 click-and-collect customers will make additional purchases when they reach the store, and the same percentage will make purchases from neighbouring stores while out collecting parcels.

There is even the potential for retailers to create digital self-service points, streamlining traffic by allowing collection customers to check-in their own details.



The click-and-collect phenomenon can be observed across hundreds of retail sectors, from fashion to DIY. Most recently, the fulfilment technique has been piloted across the grocery industry, with supermarkets in the UK and Italy allowing customers to order online for in-store collection.

What is interesting to note is that some participating supermarkets have no heritage of non-store fulfilment, while others were pioneers of home delivery services. It seems click-and-collect is a middle ground to attract customers from all channels, cost-effectively.

Does omnichannel even matter to consumers?

At the start of this report, we highlighted the store's role as the heart of omnichannel retail, but how much does that matter to shoppers?

We know customers like to make multiple interactions across different channels, but does it really matter to them if those channels aren't joined up?

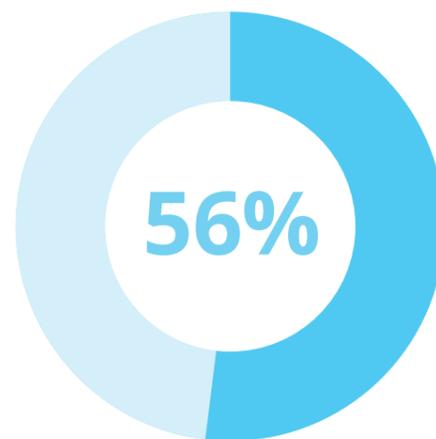
The short answer is yes; in our survey, more than half (56%) of people thought it would be helpful if retailers had one view of them across all channels. Interestingly, this was by far the most important to Italians – three quarters (76%) gave a positive answer, compared to only 37% of Germans.

What's crucial to remember is that customers don't think in channels, so they don't act in channels. It is the retailer that is categorising them, and then wondering why they don't behave in the manner they should for that category; shoppers, by their nature, are unpredictable.

The role of the retail store is to optimise every inch of space to meet the demands of digitally-driven consumers, so that they find the bricks-and-mortar experience equally satisfying as shopping online.

"Customers don't think about channels anymore, they think of us as one business, whether mobile, tablet or store. They want a consistent experience."

Andy Harding, Chief Customer Officer, House of Fraser



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The omni-channel store

72% of European consumers still do most or all of their shopping in a store



What does your omnichannel roadmap look like?

If you're reading this report, chances are you're somewhere on the road towards a connected retail model – there will be some retailers yet to start, but most will have made some successful steps forward.



We suspect most retailers will find the digital part relatively straightforward to connect across different channels, it's just the store standing between omni-illusion and omni-reality.

Integrating the store into the omnichannel retail experience is absolutely fundamental to meeting customer expectations across all channels, and technology is the missing link between the physical advantages of bricks-and-mortar, and the digital flexibility of ecommerce.

iVend Retail can support retail businesses in the selection, implementation and management of store technologies, to finally bridge the gap between online and offline shopping.

We'd love to talk to you about where – and how – to continue your journey.
For more free omnichannel resources, visit: www.ivend.com/ivend-resource-hub/

Get in touch with iVend Retail

iVend delivers omnichannel retail management solutions for the way retailers work today, implementing technology that is built to enable change, not just built to last. We believe that retailers shouldn't have to worry about managing hardware, software licenses, upgrades – they just need the tools to deliver great customer service.

Part of Citixsys worldwide, iVend is an innovator in retail technology and a recognized industry leader for Cloud management and mobile retail. In addition to providing traditional fixed till and back office server solutions as required, we are experts in developing solutions for complex retail – multi-format, multi-location, multi-channel and multi-sector retailers.

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