

AN OMNICHANNEL
ROADMAP

ATOMIC 212°

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CONTENTS.

WHAT IS OMNICHANNEL AND HOW IS IT DIFFERENT?	3
WHAT IS THE IMPACT OF OMNICHANNEL?	6
WHO DOES OMNICHANNEL BEST?	9

A black and white photograph of a hand holding a smartphone. The background is dark with several out-of-focus circular light spots (bokeh). The text is centered over the image.

WHAT IS
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AND HOW IS IT
DIFFERENT?

WHAT IS OMNICHANNEL AND HOW IS IT DIFFERENT?

With Christmas shopping in mind, I recently wrote an [Intelligence Brief for Mi3](#) examining what Oracle's Smarter CX identified as the three biggest trends to watch out for in omnichannel retail in 2020. As I mentioned in the piece, the global omnichannel retail commerce platform market is expected to grow \$11.1 billion by 2023. It truly is the future of retail and the Australian market is largely lagging in its adoption of omnichannel practice – despite the fact our online shopping is expected to rise to the current level of the United States by 2022.

With this in mind, I thought it would be worthwhile to further unpack the thoughts started on Mi3 and take a deeper dive into exactly what omnichannel is, what impact it will have, and who is currently doing it best over three instalments I will share in the coming weeks. So, let's begin...

In simple terms, omnichannel retail refers to the creation of an integrated customer experience across all online and offline channels. The omnichannel strategy hinges on the idea that providing a seamless shopping experience in brick-and-mortar stores and through a variety of digital channels not only differentiates retailers from their peers, but also gives them a competitive edge over pure play online retailers by leveraging their store assets.

It does sound similar to multichannel, but there is an important difference. Multichannel is about offering choice; a channel that customers can use to engage with a brand or make a purchase.

If you have a store, a website and a phone, that makes you multichannel. Multichannel retailers often design customer experiences with an "inside out" mentality. They organise their business into channel silos where performance and focus is channel specific. In some instances, channels are incorrectly seen as competing against each other or cannibalising sales. This is often the case when traditional brick-and-mortar retailers launch an online store.

Omnichannel, while it literally means "all the channels", effectively presents your business as a single, consistent experience, whatever the channel. Adding more channels does not make you omnichannel, unless they work seamlessly with all the others.

The aim shouldn't be to have as many channels as possible. As Oracle says, omnichannel's growth is fuelled by customers turning to e-commerce for a convenient solution, compounded by the rise of smart phones and tablets. Yet 51% of businesses use eight or more channels for their CX alone. Trying to be everywhere you believe a customer needs you isn't enough to improve the customer experience. Instead, creating the best possible customer experience is what the focus of an omnichannel strategy should be.

Unlike multichannel retailers, omnichannel retailers tend to adopt an "outside in" approach to customer experience design. They design experiences based on customer needs rather than on business capabilities.

Omnichannel retailers are adept at exploiting trends in channel and customer behaviour. A customer who is “show rooming” in a multichannel store is perceived as a risk and shown the door. In an omnichannel store they’re provided with free Wi-Fi and encouraged to engage with the brand and product catalogue online as they wish.

This approach works because customers think in value, not channels. Omnichannel presents the opportunity to deliver this value as part of a convenient and entertaining experience so smooth that the prospects of return business rapidly increase.

For proof, you only need to look at the numbers. A recent study by Nielsen found that 60% of consumers had researched online before making a purchase in-store. Another statistic from Deloitte showed that 22% of consumers spend more in-store when they have looked online first.

A recent *Harvard Business Review* study of 46,000 shoppers showed omnichannel shoppers who conducted online research on a retailer’s own site, or sites of other retailers, spent 13% more in-store versus their offline counterparts. They also logged 23% more repeat visits to the store in the following six months. This finding goes against the conventional wisdom that spur-of-the-moment, impulsive shopping bulks up the top line of traditional retailers. It also shows that creating a consistent experience across channels can build loyalty rather than just driving customers online. A separate [study by IDC](#) showed that shoppers who purchase both online and offline have a 30% higher lifetime value than those who shop using only one channel.

The world’s leading retailers are focussed on improving the customer experience, and omnichannel retail is at the centre of this challenge.



A grayscale image featuring a hand on the right side, with the index finger pointing towards a complex network diagram on the left. The network diagram consists of numerous interconnected nodes and lines, resembling a web or a data structure. The background is dark, and the overall aesthetic is technical and modern.

WHAT IS THE
IMPACT OF
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WHAT IS THE IMPACT OF OMNICHANNEL?

Now we're at the start of a new decade, it's time to look at the exact impact this will have, on traditional retail models and beyond.

The ability to buy online has existed for decades, but as we have already explored, the current multichannel approach is no longer able to keep up with dynamic customer experience expectations and struggles to provide fast delivery.

As customers become increasingly fixated on constant digital connection, shopping has become a 24/7 activity. It means shoppers' demand for continually updated information is growing. When executed well, omnichannel offers an elegant solution to these expectations. For example, a good omnichannel retailer will guarantee customers are able to view real-time stock information while browsing for a product on an app, so they know it will be in stock when they visit a physical store later that day.

It's important to note that while the emergence of omnichannel meets the needs of an increasingly digital savvy consumer, the proliferation of omnichannel over the next decade will also act to heighten these expectations – increasing the risk of lag for retailers who fail to evolve from a multichannel approach.

The real estate services company CBRE estimates that online spending in Australia currently accounts for approximately 9% of all retail spending, a figure expected to rise to

12% by 2022. This represents an 80% increase in annual volume from \$24.4 billion to \$43.1 billion. By contrast, traditional retail will grow at just 3.2%.

But does this increasing fixation on a digital connection spell the end of brick-and-mortar? Will an increase in the adoption of omnichannel mean physical shopping is eventually rendered redundant? Certainly not.

As omnichannel retail continues to evolve, it will have an impact on how we compare online and in-store retailing. That is to say, it will become increasingly less relevant to measure them as two separate entities. For example, a purchase may be made in-store, yet thorough research and product comparison over a period of time could have contributed to the end sale. Forrester Research estimates that by 2020, 34% of in-store retail sales will in some way be web influenced.

With this in mind, analysis of "web influenced sales", or measuring how much the internet

is influencing retail sales volumes, provides an alternative way to assess the growth of omnichannel as a result of the rise in mobile device ownership levels. Not to mention there are clear benefits in integrating the two channels: McKinsey & Company's Apparel Omnichannel Survey released in August shows the average omnichannel customer purchases 70% more than an offline-only shopper.

What's more, in identifying the major trends to expect in omnichannel in 2020, Oracle indicated a potential shift in the purpose of brick-and-mortar retailers, noting that retailers are beginning to notice the brick-and-mortar store is an effective top-of-funnel solution. With lower customer acquisition costs than the increasingly rising digital marketing landscape, brick-and-mortar is emerging as an entirely new marketing channel to be taken advantage of.

Given customers are now often researching online before purchasing in-store or "showrooming" in-store before later

purchasing online, it is important to consider the implications for media.

Analytic Partners recently completed a study looking at the impact of various types of media on offline and online sales. For a predominantly offline retailer with 10% of its sales online, all channels were shown to have an omnichannel impact on sales.

Offline channels such as TV were shown to have a significant impact on online sales (and were a major driver of search volume) while online channels such as paid social, somewhat counter intuitively, drove predominantly offline sales.

In an omnichannel world, it is important to consider the impact of all types of media on both online and offline sales. Internal silos and targets also need to take into account this reality.





WHO DOES
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WHO DOES OMNICHANNEL BEST?

For the final instalment of my deep dive into omnichannel, and how its principles are shaping the future of retail, we're taking a look at some local case studies to identify who the early adopters of omnichannel are in Australia, as well as who's doing it best overseas.

First up: Swedish giant Ikea. The lauded retailer has presented itself as a market leader within Australia for adopting the principles of omnichannel. How? By opening its smallest store in the world.

In a bid to adapt to Aussie shopping habits, Ikea identified an aversion to travelling long distances to shop and launched the first of its Home Planning Studios, located at Warringah's Westfield Shopping Centre. The store has a floor plan of just under 100 square meters, which pales in comparison to the retailer's existing 37,000 square meter sites across the country.

As opposed to salespeople, the new store format is staffed by design experts to help

the consumer plot their next kitchen or bedroom renovation. In doing so, Ikea is adopting the new view of brick and mortar retail – a top of funnel exercise. Digital shopping displays are mounted on the walls to allow the customer to select items from Ikea's extensive warehouses with the assistance of Ikea's design experts, visualise them in their own homes, and finally buy items, having them delivered direct to their homes. All of this is possible thanks to Ikea fully embracing new digital tools and distribution processes over the past few years and developing a streamlined process

with zero friction for the consumer.

Another player in the Australian omnichannel market is McDonald's, whose omnichannel strategies were pioneered on our shores and are currently being rolled out in the US and other markets overseas due to their overwhelming success here.

You're probably familiar with the touch screen kiosks that grace your local Macca's, or the much-welcomed partnership with Uber Eats, which finally made the delivery of a McFlurry a possibility (albeit a little runny). Through Uber, the in-store kiosks and the ability to order in-store from your mobile device, McDonald's has focused on making it easy to order your favourite dishes – personalised just how you like them – in the most efficient way possible. You can even have the food delivered to your table without approaching a counter.

In encouraging more mobile use in-store, McDonald's has also found more ways to engage users, build its database and better understand its customers – using personalised offers, coffee loyalty discounts and major gamified promotions such as the now digitised, decades-old Macca's Monopoly.

McDonald's provide the ultimate domestic example of a company able to leverage technology to create a zero-friction, omnichannel environment for the customer, addressing points of pain like waiting in line to order, or waiting at the counter to collect your meal, and transforming them into engaging, enjoyable experiences for the customer.

Taking things from our comparatively slow-adopting domestic retail market to the global market, where omnichannel has a far more established presence, let's look at the best of the best: Alibaba's New Retail.

For Chinese retail giant Alibaba, the future isn't total domination of ecommerce. Rather it's the complete digitisation of all commerce. It believes New Retail could be the key to saving traditional retail.

Alibaba-owned Freshippo, or Hema Xiansheng in China, is usually the first name on everyone's lips when talking about New Retail in China.

The emphasis – as the name implies – is on fresh food, with huge displays of fresh meat, fruit and live seafood available for shoppers to browse and choose from in the store. Shoppers can use the store's app to scan goods and find out information about their origins and freshness.

Online orders via the app are guaranteed within 30 minutes for customers living within a three-kilometre delivery radius of a store. This quick service encourages a "graze and pay" approach, in effect using the shop as a showroom and ordering through the app.

Deliveries are assembled directly in the stores, which double as fulfillment centres: they are infamous for large conveyor belts which move above shoppers' heads, transporting fresh goods to be assembled behind the scenes. In-store payment has even been optimised to employ facial recognition, accepting payments via Alipay.

In February, Fast Company reported that 11 million people have signed up for the Hema app, which accounts for 60% of all orders. It has been reported that it is common for Chinese families to move house just to be in the delivery zone of a Hema store, such is the appeal.

The key takeaway from these case studies is that all three examples cover the basic principles of omnichannel retail seamlessly: using advances in technology and data to integrate, not isolate, their distribution channels. They combine digital, mobile and in-store experiences to create a zero-friction environment for the consumer in an entertaining and engaging way, and most of all, they do this consistently. Hopefully these will come in handy as you begin to adopt the omnichannel principles to your own business.

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