VIEWPOINTS ON INNOVATION

VIEWPOINTS ON **INNOVATION** IN **OMNICHANNEL**

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Managing Omnichannel and Digital Initiatives as a Portfolio

by Charisse Jacques

Retailers operate in a physical and digital world with many interconnected touch points. Shop.org indicates that in 2013, about half of U.S. retail sales were somehow influenced by online touch points and marketing tools[1]. However, as consumers embrace new technology and demand seamless customer experiences, retailers are finding it hard to keep up. Fifty-one percent of retailers admit that "consumer expectations outpace our ability to deliver cross-channel experiences."[2]

To meet the needs of consumers by engaging and delighting them across all touch points, retailers must manage omnichannel and digital initiatives as a portfolio. Doing this will help retailers gain alignment and focus on the right things.

Gain Alignment

Retailers must reassess the entire value chain and innovate new ways to meet the changing needs of consumers. These efforts typically fall under the umbrella of omnichannel or digital initiatives. But to execute in a way that ensures results, the whole organization must be behind the effort, necessitating an underlying infrastructure of systems, processes and people. Seamless omnichannel experiences require collaboration between many stakeholders who span functional silos. Gaining alignment on priorities, as well as allocation of resources and investments, is critical, yet extremely challenging.

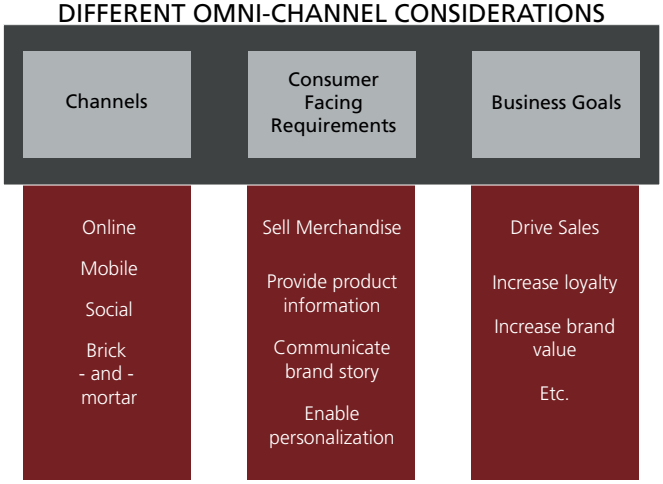
1 "Balancing Your Marketing Portfolio in an Omnichannel World to Grow Sales Across the Enterprise", Shop.org, January 2014
2 RSR "Omni-Channel 2013: The Long Road To Adoption, 2013 Benchmark Report"

Focus on the Right Things

Research indicates that retailers feel they could be doing more. Forty-four percent of retailers indicate, "We are not doing enough to leverage our assets (digital, inventory, or otherwise) across channels."[2] This is a bit alarming given the significant amount of investment organizations are making in digital retailing. So it's not whether you are doing enough, but instead, whether you are doing the right things as an organization. Answering this question isn't as easy as it would seem.

Retailers need to ensure they are balancing tactical needs with what's right for their overall business goals and strategy. They need to determine where they are going to place their bets and make investments. This can be particularly challenging given all of the typical considerations that factor into omnichannel priorities.

DIFFERENT OMNI-CHANNEL CONSIDERATIONS



Another part of the challenge is that many retail organizations don't have visibility to all of the omnichannel-related initiatives that are going on across the organization. So they can't really be sure they are optimizing the use of company resources to meet their business goals.

Getting Started with Portfolio Management

The situation and challenges outlined above are similar to typical innovation challenges faced by many organizations across industries. For retailers pursuing omnichannel strategies, the innovation is all about driving that seamless customer experience.

Portfolio management is a common innovation practice that can help retailers successfully execute on their omnichannel or digital strategy. A portfolio approach can help retailers align on their omnichannel strategy and maximize investment by understanding how each effort contributes to the overall goals of the organization. It can also help to drive organizational alignment across cross-functional groups that may not always have a voice at the table.

To get started, retailers should comb the enterprise to find out all the current efforts that have an impact on the consumer's omnichannel experience. Then, map all initiatives into a portfolio matrix using proven metrics such as the anticipated size of the opportunity, how it aligns with strategic goals, the associated risk, and the probability of success within a defined time frame.

With a matrix in place, you can get the right people in the room—people with the appropriate level of experience and relevant decision-making authority—to drive prioritization for the organization. Once you've accomplished this, sustaining progress will require maintaining visibility to what's going on and reviewing it on a regular basis.

Leading Practices for Portfolio Management

As you think about instilling portfolio management practices to help manage your omnichannel efforts, keep several leading practices in mind:

- **People:** Ensure you have defined roles for facilitation, analysis and decision-making
- **Process:** Put in place a structured process that is integrated within existing business processes, and includes a clearly defined structure to aggregate the portfolio along with project evaluation and prioritization criteria that's right for your situation
- **Technology:** Leverage proven software to help manage data, provide real-time visibility to all efforts, create instantaneous analytics and keep leadership constantly informed

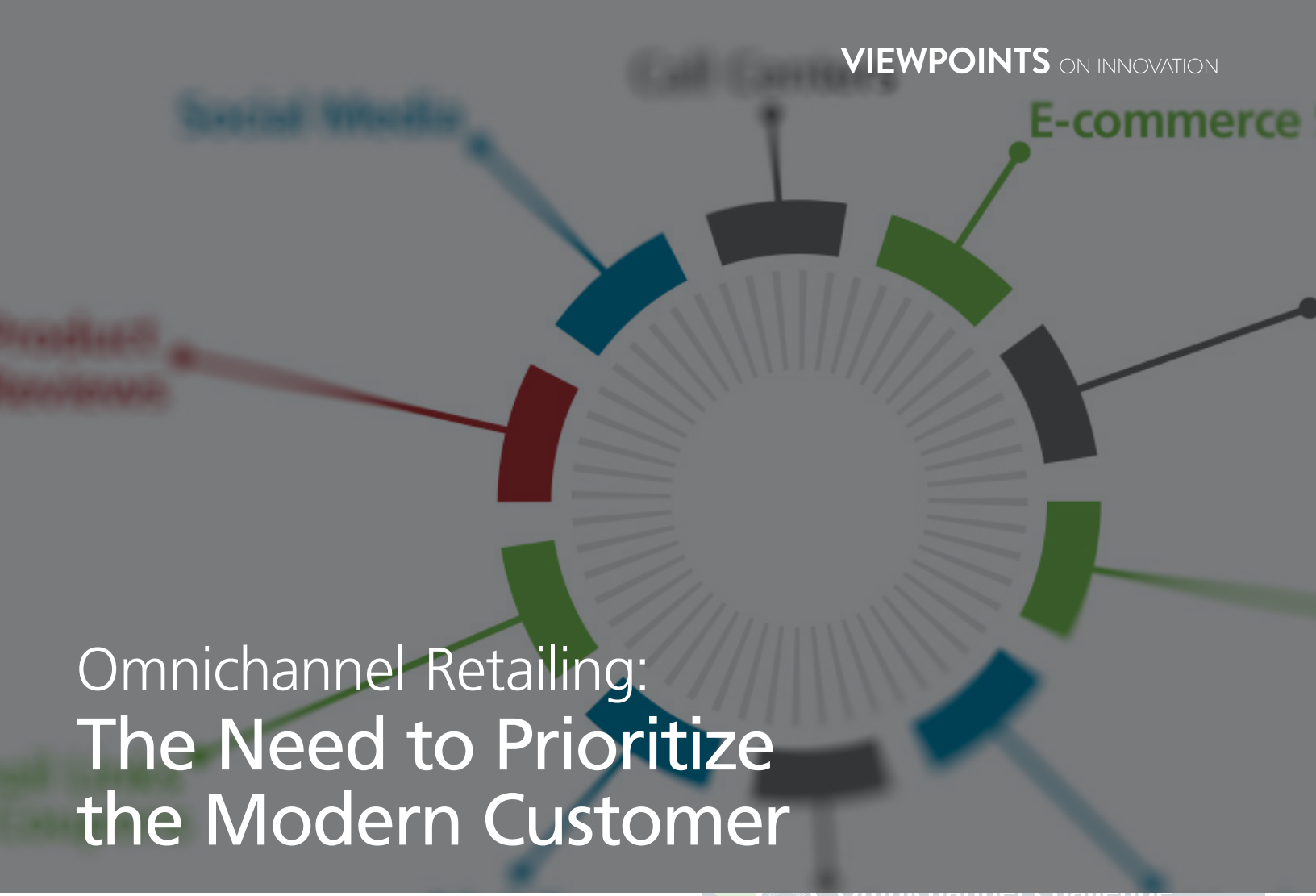
Benefits of Portfolio Management

A portfolio management approach has many benefits for internal initiatives like omnichannel. It can help you ensure alignment of investments with your strategy. It can also provide informative data to support decision-making.

This data can help you make smarter decisions to stop projects with poor prospects before significant investment is made, freeing capacity to work on more valuable efforts. Portfolio management can also ensure that you have the appropriate balance of projects given your goals and objectives. Most importantly, it can help increase the value from your omnichannel efforts. According to RIS News, retailers are missing out on 6.5% of revenue by not being omnichannel ready. Portfolio management practices can help capture this value and drive top-line growth.[3]

By using a portfolio management approach, retailers can maximize their overall omnichannel strategy and investment, and understand how each effort contributes to the overall goals of the organization, resulting in tangible, financial value from omnichannel initiatives.

3 RIS News Custom Research, "Omnichannel readiness", October 2013

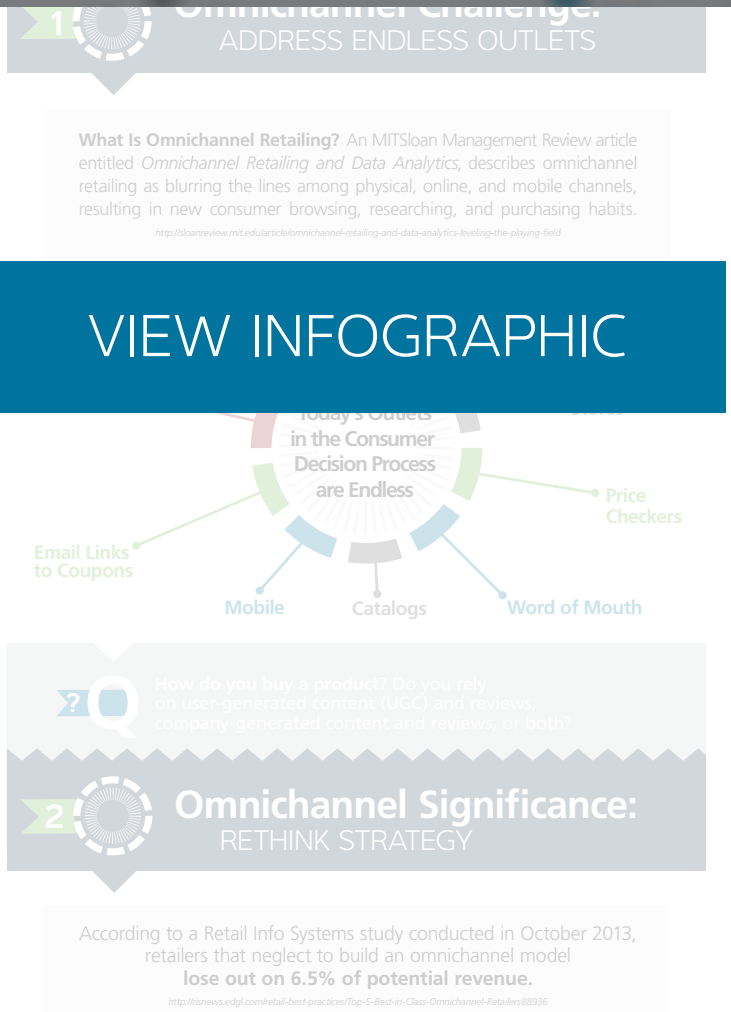


Omnichannel Retailing: The Need to Prioritize the Modern Customer

by Cristina De León

A holistic omnichannel strategy offers retailers many strategic benefits.

This infographic outlines the potential value as well as three examples of successful initiatives.



Is Your Data Holding You Back? Product Information Management for Retail

by Sonia Parekh

Retailers face pressure from an increasingly demanding customer who has less time, less patience and is less willing to spend. This pressure is compounded by an ultra-competitive landscape where new companies are emerging with innovative business models, while established companies are building new capabilities.

As a result, driving sales is harder than it has ever been, and there are two key capabilities that have become imperative:

- **Omnichannel capabilities.** Customers expect a seamless experience across all shopping channels. They want to find products instantly, and they expect robust product information including descriptions, pictures, videos, and customer reviews to be easily accessible regardless of which channel they are using. Retailers who are not omnichannel players will find themselves losing customers.
- **The ability to leverage 'big data'.** Leading retailers use data to uncover new insights and enable better decision making – improving marketing campaign effectiveness, optimizing assortment and merchandising decisions, increasing product development and sourcing agility, and removing operational inefficiencies. A big data competency is table stakes in today's world; without it, retailers will lose profits and share.

As many retailers set out to integrate selling across channels or embark on initiatives requiring robust data analytics, they quickly find the task to be much harder than expected.

In fact, many find that building omnichannel and big data capabilities is simply not feasible given the maturity of their current systems and organizations.

What's stopping them? It's the data itself. Typically housed in disparate systems, multiple formats and with varying levels of quality – for many retailers their data are a huge limiting factor.

The Case for Product Information Management

Any retailer will tell you that success always comes down to one thing – the product. Beautiful stores and fancy websites won't generate sales without the right products. Any efforts to "get the data in order" should start with the product related data.

Product Information Management (PIM) is the alignment of organization, processes and technology to support centralized management of product related data. It enables the creation of one view of the product for the entire company – which can be used for operational or analytical purposes.

PIM is a prerequisite for omnichannel business models and for robust sales data analytics. Here's why:

- **Inconsistent data definitions hinder big data analytics.** If the product development team defines "vendor" as the factory where the product is made, and the merchandising team defines "vendor" as the buying agent, and the online team defines "vendor" as the brand, the inconsistencies make it almost impossible to do analysis on vendor-related metrics.
- **Poor data integration thwarts omnichannel efforts.** Many times the store buying team takes a markdown on an item in the stores, but there is no automatic feed to trigger price changes in the other channels, and they neglect to inform their counterparts in other offices. This causes disparate pricing and an inconsistent, frustrating experience for the customer, ultimately harming the brand.

In both of these cases, having one version of the truth for product data would solve the problem. PIM initiatives drive the alignment needed to achieve this.

Getting Started with PIM

It's easy to assume that PIM is just a technology solution, but in reality, PIM is a combination of people, process and technology. Process integrity and governance help create and maintain good product data, while the right technology can properly store the data.

There are three critical components for building an effective PIM foundation:

1. **Set up a data governance program to ensure and monitor ongoing data consistency.** Before investing time and money in process redesign and new technology, build a foundation to support data quality. Governance establishes business rules, formalized policies and procedures for managing data across functional groups. It keeps everyone aligned around the same goals and speaking the same language. Good governance also ensures long term success.
2. **Integrate and streamline all processes that relate to product information.** For most retailers this means integrating all the processes that have to do with setting up items in a given system. There are three that are the most important – product development, merchandising, and eCommerce. Integrating and streamlining these processes will remove duplication of work, and improve communication and efficiency.
3. **Build a centralized repository for all product information**. Product information lives not only in product development, merchandising and eCommerce systems, but also in the warehouse management system, marketing systems, and even in ad hoc desktop databases such as Microsoft Access and Excel. Creating one centralized location for all product-related data ensures a single version of the truth that all functional groups can access.

Besides enabling omnichannel and big data capabilities, PIM also drives other benefits for retailers, including:

1. Decreased labor costs for managing data
2. Increased speed to market from streamlined product development and item set up processes
3. Reduced time spent researching and addressing data inaccuracies
4. Improved organizational alignment around business objectives with everyone working from one version of the truth

The case for accurate and organized product data in retail can easily be justified because it is quickly becoming required to build the capabilities retailers need for the future. Don't let your data hold you back.

Noteworthy Examples of Omnichannel Innovation

MARKS & SPENCER

Marks & Spencer Takes RFID Tagging to the Next Level

by Chelsea Leenhouts

RFID (radio-frequency identification) is not a new concept, particularly for shipping and logistics. However, increased awareness, updated technology, reduced tag cost, and the shift to tagging merchandise at the point of production has made SKU-level RFID an emerging trend and reality for retailers.

The technology has the potential to benefit a wide range of retailers, such big box and department store retailers like The Home Depot and Kohl's that carry tens of thousands SKUs, as well as smaller specialty stores, all with a fundamental objective to minimize out of stock product. Although inventory and replenishment systems provide some level of bookkeeping support, store associates must hand count or scan UPCs to capture on-hand inventory. Out of stock product easily equates to lost sales and reduced customer satisfaction.

This is why the UK's largest clothing retailer, Marks & Spencer, hopes to become the first retailer to tag 100% of merchandise over 2014 and 2015. They have already seen a 40% reduction in out of stock merchandise and 50% increase in inventory accuracy.

RFID enables enterprise awareness of inventory, resulting in increased flexibility and responsiveness to consumer demand - essential for supporting an "on-demand" omnichannel business model. The applications of RFID technology go beyond inventory control, with potential benefits in loss prevention, consumer engagement and checkout. As Tara Donaldson of Sourcing Journal Online stated, "The only way you can guarantee omnichannel is if you know exactly what you have and where you have it.

BIRCHBOX

Birchbox Goes Digital to Physical

by Chelsea Leenhouts

The "omnichannel" story has traditionally spotlighted the journey of well established, brick-and-mortar retailers and their deployment and growth in the e-Commerce channel. However, there has also been recent buzz as online-only retailers make the quantum leap from cyberspace to physical space. Noteworthy in particular, is Birchbox and its innovative approach to extending and managing a new channel within its existing business model.

Birchbox has already experienced success by providing a large assortment of cosmetics that include a variety of brands, product exclusives, and their signature "Birchbox." The Birchbox is a monthly subscription that provides members with hand-picked, high-end make-up and cosmetic samples as well as key tricks, tips and product information. Consumer insights are gathered from the product feedback and reviews are which are encouraged by offering loyalty and rewards credits as incentive. This information drives Birchbox recommendations and highlights opportunities for the manufacturers and brands on the website.

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