

Cross Channel Integration: The next step for High Performing retailers

A study of the latest trends in The Netherlands


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The Story of cross channel Bob



Imagine the world where Bob lives. He's an ordinary guy. He's 35, he has 2 kids and he bought a 3G iPhone when they came out last year.

Recently Bob bought an iPhone App that lets him scan the barcode of an item in a store, and then link to the retailers site to find more information. He's not sure he'll ever use it, but who knows?

...It's Saturday and Bob is shopping for a new laptop, he wanders into his local electronics store to check them out. After a few minutes he finds one that seems to have all of the features he wants, but it's a brand he doesn't know and he's not sure the sales guy is being totally honest with him. Suddenly Bob remembers his new iPhone app- he scans the barcode and finds a wealth of information at his disposal about this and lots of other makes and models..... It confirms that the store sales rep was right about a lot of things, but still Bob thinks he might get a better deal if he shops for the computer online.

That evening Bob is at home browsing through the retailer's website when a message asks him if he would like more information from a customer service rep, or can someone give him a call? He selects the "call me now" option and receives a call from the site's call center in Dublin....

...Bob is finally convinced that he has found the PC that he wants, he orders it from the store's website and is pleased to note that delivery is free and guaranteed within 2-3 working days, hurray!

But alas, when it finally arrives, Bob can't quite figure out how to get the software installed- so he goes back to the in-store support team and asks them for more help.

He's pleased that when he walks into the store they already know who he is, and that he's bought the deluxe support package. They help him out and send him on his way- a happy customer!

Question: Does this sound like a fairy tale- or a scenario your company is ready to handle?

If you're comfortable supporting every step in this customer journey- then you need to read no further. Otherwise- you'd best read on



Customers are shopping everywhere, at all hours of the day, through web, phone, store, mobile and more.... how can companies hope to keep up with this and become High Performance Cross Channel Retailers?

I. A customer driven revolution is underway

It goes without saying that the world today is a busy place. But what is becoming more notable is that a paradigm shift is happening in retail as shoppers move towards an 'always on' mentality.

Broadband internet penetration is pervasive in Europe and in the U.S. In The Netherlands there are more broadband internet connections than anywhere else in Europe*. Smart phone sales and Out of Home Internet usage are on the rise, and shopper demands are changing. More than ever before shoppers are looking for more: more convenience, more choice, more information.

For the first time in the history of retail, customers are adopting trends and new technology faster than ever before, and brands are struggling to keep up with the pace.**

In retail, the implication is that this is all shaping up to be a shopper driven revolution, with customers shopping online, in the store, on their mobile phones, and switching in between them without any concept of borders. The question we're asking is – what are your companies doing to handle this shift and where are the companies when the dust settles?

To help answer that question Accenture has conducted extensive research, based on surveys, interviews and experiences with our clients across the globe. Also, in The Netherlands we have taken a look to examine how that vision plays out in our local market by surveying 2000 customers and interviewing a dozen of retailers. The findings are intriguing, the opportunities are compelling, and the capabilities required are complex.

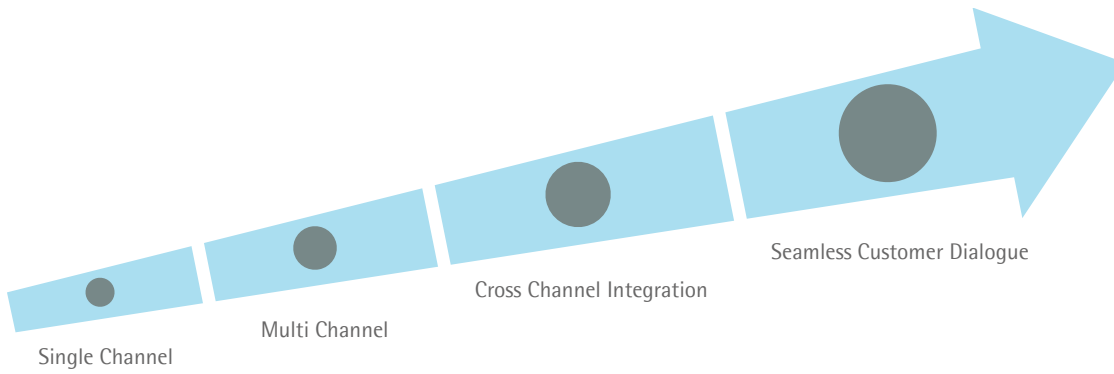
"70% of our online visitors visit our online channel to check our products and assortment before coming to our store to buy their chosen item"



* NL Broadband Penetration is 37,1% and is tied with Luxembourg for the #1 slot in Europe according to <http://www.websiteoptimization.com/bw/0910/>

** Forbes a Year in Review; 2009 Social Media Trends

Cross channel retailing maturity model - Stages and characteristics



Characteristics				
		Strategy and Brand Management	Customer Approach/Customer Experience Design	Organization/Operating Model
Maturity level	Single Channel	<ul style="list-style-type: none"> No channel strategy differentiation; primary channel focus being brick and mortar, internet and direct mail focus on brochure ware or advertising Brand programs are focused on store and traditional media Some thought given to online execution, but not actively pursued as commercial opportunity 	<ul style="list-style-type: none"> Customer is managed primarily in the store; online is used mostly as a brochure Offer product research online, store locators information but no capability to purchase online 	<ul style="list-style-type: none"> Focus and Power is retail outlets Online is seen as a niche which isn't very important No real focus on emerging channels
	Multi-Channel	<ul style="list-style-type: none"> Channel strategies are differentiated but not closely integrated. New channels viewed as incremental opportunities but not strategic Brand is actively managed in each channel for channel specific needs; little focus on how the channels are integrated 	<ul style="list-style-type: none"> Maturity has been attained in the store and online, some experimentation with other channels- but not actively being pursued No real focus on the transition of the customer journey across channels 	<ul style="list-style-type: none"> E-commerce department has growing importance; still seen as a separate entity from other distribution/merchant channels No real focus on development of emerging channels
	Cross Channel Integration	<ul style="list-style-type: none"> Enterprise level strategic planning is done to optimize each channel collaboratively through operating models, systems blueprints, and roadmaps Brand is managed holistically across all channels 	<ul style="list-style-type: none"> Marketing messages are tailored and relevant, focus is on creating a dialogue with the customer Building process and technology capabilities to meet customer needs and create a seamless experience for the customer regardless of channel entry point 	<ul style="list-style-type: none"> Focus on customer experience and managing the transition/lifetime of a customer journey which skips around through various channels Organization model reflects this strategy by being organized around customer, not channel or product
	Seamless Customer Dialogue	<ul style="list-style-type: none"> Customer centric retailing. The 360° view and insight on customers drive back- and front-end across all processes There is a single strategy for retail across established and emerging channels, which is driven from the C level; this strategy takes into account emerging technology trends and tools Brand is systematically implemented across all channels, regardless of platform 	<ul style="list-style-type: none"> A relevant and personalized customer journey and cross channel dialogue enhances the customer experience The customer experience is completely integrated across channels, pc, store, OOH internet device and all other emerging technologies; this process is seamless and automated 	<ul style="list-style-type: none"> Organization is completely designed around the customer wants and needs ; all campaigns are focused at the micro segment or single customer dialogue level All programs are run seamlessly across the channels in an automated process New channels can be implemented with only minor effort

II. In cross channel shopping behavior the local trend mirrors the global situation

Our research confirms the key role of cross channel behavior as a driver of purchasing in a global context. Globally, as much as 87 percent of customers who inform themselves about products and services online go on to buy in-store. Millions more still absorb most of their product information in-store and then buy online. And still today, many stick to catalogs as an information medium—and then buy in-store.*

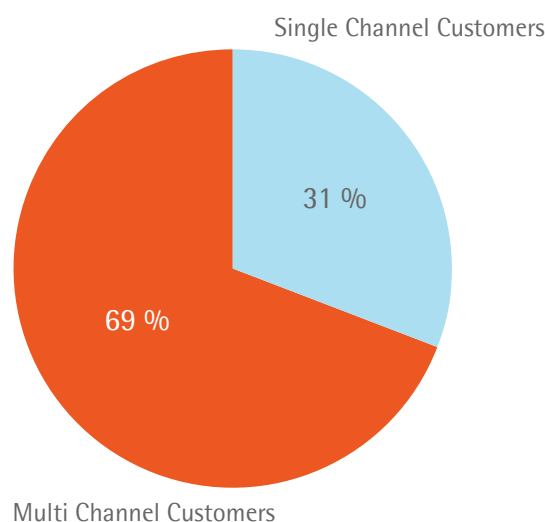
Accenture's most recent research from 2010** tells us that the Dutch market mirrors this trend with 69% Dutch Customers report engaging in some form of cross channel shopping**. Furthermore the research shows that today the majority is cross channel by consequently switching channels when moving from orientation to

purchase phase during their journey. We found that 20% of the cross channel shoppers seamlessly switch channels to their convenience during the purchase phase, e.g. switching channels for purchase, taking from stock on hand/pick-up/home delivery, return or after-sale needs.

* Accenture Multi Channel Global Research Report 2009

** Accenture Research Multi Channel Retail in The Netherlands; 2010

69% Dutch Customers report engaging in some form of cross channel shopping.



Summary of Our Findings:

- The Single channel shopper is becoming a rare breed, with almost 70% of Dutch shoppers already moving towards cross channel behavior
- Dutch shoppers report that they still feel that the landscape of Dutch retail is not yet delivering as much cross channel shopping experience as they would like
- Today most Dutch Retailers are still following a siloed multiple channel approach- where channels are developed independently and managed as separate entities without the seamless integration customers are demanding
- Cross channel shoppers are more loyal and more profitable than single channel shoppers; price is becoming more of a hygiene factor in the decision making process and these customers are more likely to differentiate based on service, convenience, and the shopping experience
- Cross channel shoppers are increasingly expecting a customer experience which is truly and seamlessly integrated across channels. They expect the retailer to know who they are and what they've been doing, regardless of the channel that they are in, and the number of switches they have made across channels
- The rapid pace of technological evolution and the rapid adoption rate of new forms of shopper technology- especially smart-phones enabling Out Of Home web surfing- are going to continue to drive this change
- The trend is global, and also a reality in The Netherlands

Interviews with major retailers in the market support these findings

"We know that if a customer returns an item to our store, even if they originally purchased that item online, 80% of this value will be spend back during the return in our store. This is the sort of shopper behavior which justifies our investment in moving towards true cross channel integration."



"Before even starting to think about proper cross channel retailing, retailers need to have their basic portfolio, formats, online operations working flawlessly. But once those fundamentals are in place it's time to accelerate and go after the cross channel shoppers- who we know spend more and make purchases more often than single channel customers."




Dutch shoppers often research and learn in one channel and buy in another

- 91% of electronics shoppers research online before purchasing in a store
- 87% of the Cross Channel Shoppers that informed themselves online before purchasing in a store is looking for Price information, 67% for Product information.
- Customer product recommendations are becoming increasingly important across the industry- but still play a reasonably small role in The Netherlands (16%)
- Toy shoppers and home and living shoppers are still using catalogs before buying in a store

Source: Accenture Research Multi Channel Retail in the Netherlands; 2010

The whole cannibalization issue is definitely old-thinking. We manage our sales performance holistically across the channels in an integrated way. At the end of the day we are convinced a cross-channel consumer is worth more than a single channel one and we want to stimulate that behavior. E.g. online sales should be attributed to a store in the postal region of the consumer to stimulate stores on one hand to influence the consumer to visit other channels and on the other hand to have the right service level and customer handling to customers that come from another channel e.g. pick up and returns in store.

A close-up, blurred photograph of a person's hand with the index finger pointing towards the center of the page. The finger is in the foreground, and the background is out of focus.

Solution

III. Customers are demanding more opportunities to engage in cross channel shopping

As Dutch customers get used to increased levels of convenience they are demanding more and more flexibility in their choice of channel, and more freedom to switch back and forth between these channels at will.

Yet, still today, many retailers are asking themselves 'is it worth to invest in cross channel programs?' The answer is a definite "YES" for two reasons:

1. Dutch Shoppers report that they would like to engage in more cross channel shopping than is currently available to them- representing a white space in the market for the retailer who offers these services

2. These cross channel shoppers are more loyal, more profitable and less price sensitive than single channel shoppers

1) There's a white space in the market

Mastering the art and science of cross channel retail is becoming more critical across the retail map, and The Netherlands are certainly no exception to this rule. With customers expressing a distinct desire to use more cross channel capabilities to do their retail shopping- if retailers would only provide it for them:

- 42% of customers would like to pickup an item at the store after it was ordered online, but do not do so today because their retailer does not offer it
- 35% of customers would like to have products delivered at home after they purchase them in the store if it was possible to do so

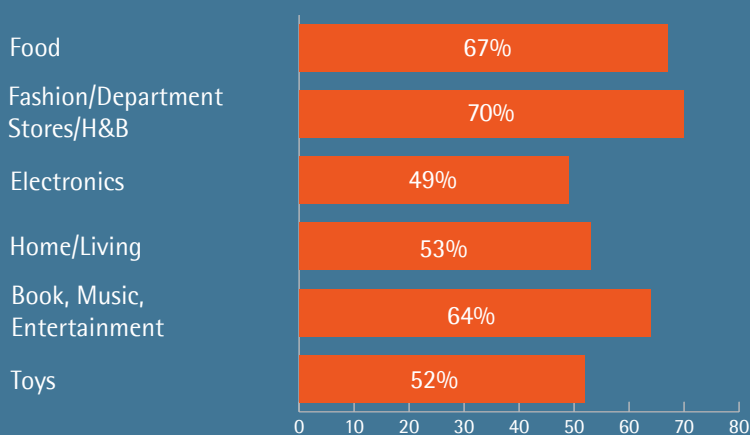
- 35% would like to be able to return or exchange an item by mail that they bought in the store, but are not doing so because retailers aren't facilitating this
- 20% would like to return an item to the store after purchasing online but feel that this service is not available to them today
- 57% of Dutch customers report that they would use an information terminal in the store, if it was available

According to a spokesman for Macy's, a department-store chain, every dollar a shopper spends online with Macy's leads to \$5.70 in spending at a Macy's store within ten days
The Economist, November 26, 2009

Dutch Shoppers are interested in more cross channel interactions than are currently available to them.

For example- our survey reports that customers would be very interested in picking up in the store after ordering online, if retailers made this service available.

Not using now since not possible, but interested



2) Cross channel shoppers are more profitable than single channel shoppers

In the coming years the role of the single channel shopper will remain important, but the rise of the cross channel shopper will represent an important opportunity for Retailers.

What is clear is that this group of shoppers is growing. But what is more relevant is that these shoppers represent a very attractive and often hard to reach segment for many retailers.

Cross channel shoppers tend to be more loyal customers who are less likely to shop based purely on price. These customers place significant value on the customer experience as a differentiator. Targeting this group represents an opportunity for the Customer Centric retailer to make a real difference to their bottom line.

Research supports the claim that these cross channel shoppers are significantly more valuable than single channel customers. They buy more often, and in some industry segments they spend, on average, almost three times as much a month as those who leverage a single channel.

This represents an opportunity for Dutch Retailers who are willing to create innovative cross channel solutions. And while we recognize that this is no simple task, if retailers focus on several core capabilities, it is a manageable task that could represent the opportunity to reap great rewards.

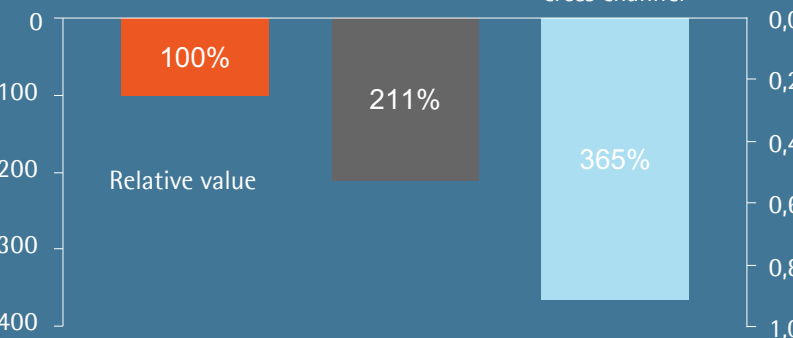
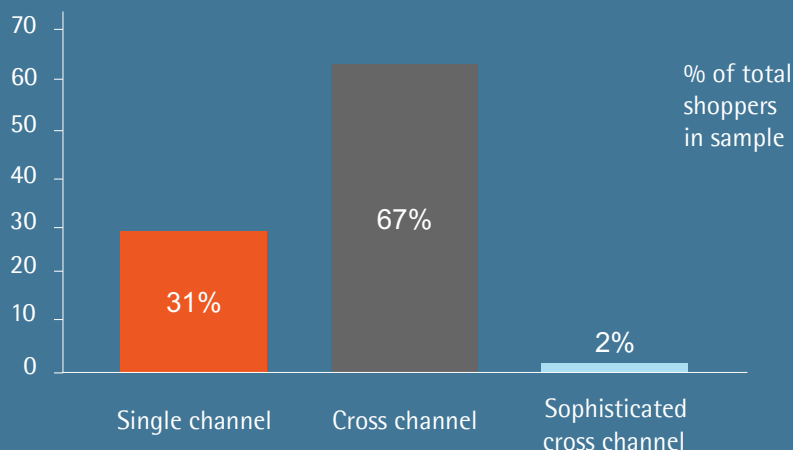
“If we enabled the ability to order online and pick-up in the store, we know that we will be able to generate additional sales in that store.”



Relative profitability of cross channel shoppers –vs.– single channel shoppers

While the sophisticated cross channel shoppers represent a relatively small percentage of the shopping population today, it is clear that their relative value confirms the importance of focusing on these customers- and also on moving customers from cross channel towards sophisticated cross channel shopping behavior.

Sophisticated cross channel shoppers switch channels during their purchase journey almost all the time during the orientation and transaction phase. They welcome the use of mobile phone and other communication devices e.g. kiosks. They are a relatively smaller group, that is probably growing as the cross channel services and technology will mature. Our research shows that those customers are worth close to four times more than single channel shoppers and almost twice as much as regular cross channel users.



Source: Accenture Research Multi Channel Retail in the Netherlands; 2010

"Historically, price and convenience have been the most important drivers for online shopping. The future will be no different, however, as prices becoming increasingly transparent, market efficiencies will make processes converge and become less differentiating. The real high performing retailers will combine the basics, but will recognize their customers in an increasingly personalized way, in order to deliver their customers the ultimate customer experience and drive loyalty. New channels will emerge as interactive technologies continue to evolve in areas such as mobile phones, TVs, walls and cars. High performing retailers will integrate those channels to deliver a relevant dialogue with their customers throughout their journey. The retail brand becomes always-on – anywhere and anytime"

Miel Janssen, Senior Executive, Accenture Retail

"It is no longer sufficient for Retailers to have a transactional view of their customers behavior in the store, the call center or online. What will separate the High Performers from the rest will be their ability to know what their customers are doing at home, in the store, on their smart phones and the logical relationship between those moments of interaction. High Performers will be able to integrate that data and use it to drive their business by making relevant, timely offers to those customers that are coordinated across channels"

Jeroen van den Nieuwenhof, Senior Executive, Accenture CRM



IV. Moving towards the new customer centricity- deliver a cross channel experience where the customer interactions are seamless

The value of cross channel retail is clear, but the path to successful implementation is not so simple. Our research indicates that globally 68% of eBusiness managers say that their company supports a vision for a consistent cross channel experience, but only 29% say that they agree that their company actually has the ability to follow through on that promise*.

What we do know is that high performers are focusing on several core capabilities. To become a high performing cross channel retailer, companies must first focus on getting the foundations in place to support acceleration in the next phase. This means:

- Customer Centric Systems- including CRM are more important than ever before
- The company strategy and organization needs to be set up to be Customer Centric in its focus, so that the retailer can deliver an experience which is seamless
- The processes must be in place to support a cross channel customer experience with relevant and timely messaging

“It is our view that the implementation of cross channel retailing should be done step by step. First steps should be to tackle the basics and make sure you’ve got them done right before you move on to advanced features.

We see mobile phone, weblogs, interactive TV and social media as the areas that are gaining significance”

Dutch health & beauty retailer

*source: Accenture Customer Centricity Report, 2009

How to develop a cross channel retail organization



- 1 Does your company know where it wants to be in 2010, 2012, 2015? Set a reasonable level of ambition and build a roadmap with pragmatic steps to reach that ambition.
- 2 Focus on your strengths- what do you do that your customers love? Identify those areas and continue to work on that area of strength.
- 3 Once the roadmap is defined, it's time to begin the next step: identifying the "moments of truth" for your customers cross channel experience and meeting them at those points, for every need.
- 4 Focus on optimizing your post-purchase step. in the cross channel experience It's also about the moment after the sale- just because the transaction is complete doesn't mean the relationship is over. An important driver for loyalty is the level of post-purchase services experienced and how much "my brand was there for me".
- 5 Your customers' needs will continue to shift as the landscape continues to evolve- it is necessary to continuously check on what they want and what capabilities you need to meet them.
- 6 CRM is the foundation which underpins the entire program and enables customer centric cross channel retail.

CRM Becomes More critical than ever
Retailers need to know who the customer is regardless of which channel he is interacting with. This should provide a single view of the customer that can help deliver the choice and flexibility that cross channel shoppers seek.

Cross channel shopping behavior provides a much richer data set for companies to be able to create tailored and personal messages to shoppers. In our research shoppers in The Netherlands expect messages to be increasingly tailored to their needs and relevant to their desires.

if retailer can get a view of customers across all channels, provide a seamless experience for their customers across those channels, and organize their internal operations to support these efforts- then there is huge potential to win in this space.

The Organization Must be Customer Centric in its Orientation

This means that CRM is more important than ever, but it also means that the processes to enable your organization to work across channels must also be in place.

If retailers are going to deal with this new reality, they're going to have to make some fundamental changes. Retailers must develop a strategy to move towards true cross channel shopping- where the organization is designed around the customer journey, and the customer journey isn't limited by an organization that works and develops in silos.

The website is just one of many doors that shoppers may choose to open at different times and at different stages of a transaction, as is the door to your store. What matters is the consistency of the experience they receive when they pass through each

door, and that there is integration between each experience.

If a retailer sells through multiple channels but manages each one as a separate entity, segmenting accountabilities, as many do, it might improve the performance of individual channels, but it will not necessarily create uniform experience that will help secure customer loyalty. Nor will it facilitate the sharing of insights into customer preferences so critical to successful cross channel marketing.

Looking more closely at the Health and Beauty segment – most purchases of health products, prescription drugs and toiletries are still made in-store, but in a recent Global Accenture survey of shopper preferences 82 percent of respondents said that if they could experience live, online interaction with a pharmacist and have goods shipped for free they would consider boosting their use of a drugstore's online channel. Since our research also shows that the average monthly spend for cross channel drugstore shoppers is almost three times higher than for those who shop only in-store, that's a preference worth catering to.

To meet these expectations high performing cross channel retailers must be able to create formal processes which enable your company to meet the rising expectations of cross channel shoppers.

At a very basic level customers already expect information about your company and your products to be the same across all channels. But also on the rise is their expectation that they will be able to switch back and forth between channels at will and to have a seamless experience doing so. This includes exchanging products in-store, even if they bought them online, and canceling or exchanging orders via any channel, regardless of where they initiated the transaction.

To enable this sort of process, true cross channel retailers share fact based insights into customer preferences among all channels, managing them as one, so customers always

know they are dealing with a single business.

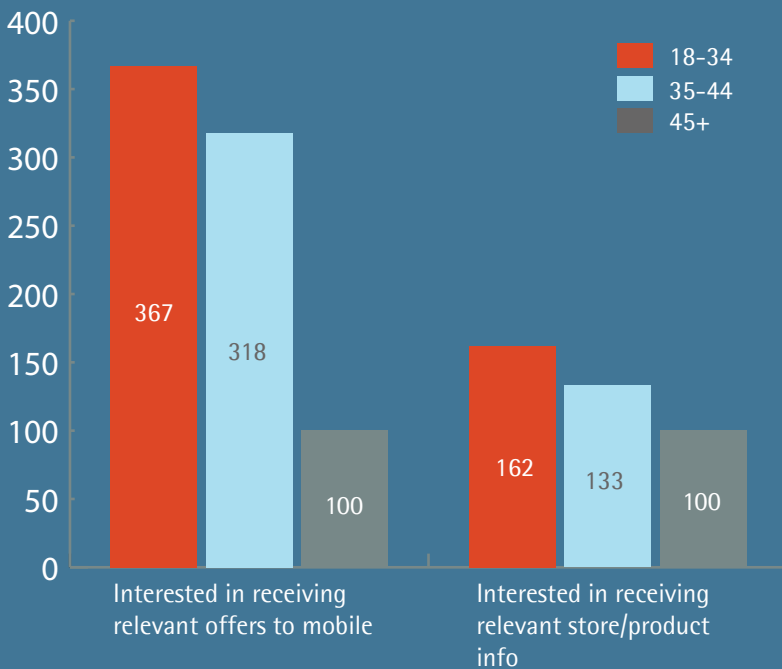
Customers expect greater levels of personalized contact through each touch point and marketing messages must be relevant to be accepted. This trend is especially true with younger shoppers- an important, but difficult to reach group. This group has a large amount of discretionary income, and they are difficult to reach through traditional marketing means.

To succeed in reaching them, retailers must be relevant and aware of what these shoppers, and also in a wider context- shoppers in general, are looking for if they hope to continue to succeed in an always-on society.

V. True cross channel retailing creates an industrialized integration of all possible channels—traditional store, catalog, call center, mobile phone, franchise, kiosk, Web and whatever is next on the horizon—so that the customer receives the same level of customer experience and service excellence across all of them.

True cross channel retailers share customer preferences among all channels, managing them as one so customers always know they are dealing with a single business. While the effort to do all of this can appear daunting, the rewards of taking the right approach will make all of the difference in the years to come.

Willingness to receive offers to mobile phone- by age group:



More than three and a half times as many 18 to 34 year olds reported that they would be interested in receiving offers from retailers delivered to their mobile phones- as long as those offers were relevant to their needs.

And more than one and half times as many of the youngsters also reported that they would be interested in receiving information delivered to their mobile phones if it was relevant to their needs.

2012: The next chapter in the life of cross channel Bob

It's been two years since Bob bought a laptop, and he's ready for a new one. He walks into his favorite electronics store, which picks up on the fact that he's there from the RFID chip which is in his loyalty card. Since they know that Bob is a good customer who likes the latest gadgets, a sales rep is deployed who is specifically ready to address Bob's needs.

Bob is there because he received a reminder in his email that the laptop he was interested in has just hit the shelves. And then as he approached the store, a note was sent to his mobile with a discount for a dvd that he had put in his wish list- so he figured he'd pick that up while he was there anyway.

Bob always likes coming to this store, and picks it over all of the others, because they always take such good care of him- serving him quickly, not asking him questions that they should already know the answer to, etc. He's a good customer, and he's pleased that they treat him as such...



Key questions any cross channel retailer should be asking:

A defined cross channel strategy:

- Which customers use which channels?
- Are channels integrated?
- Which products and services are offered via which channels?
- Does our customer contact strategy work across channels?

Cross channel processes & systems

- How to create, maintain and exploit a single data view of the customer? And ensure that it is actionable?
- How is the direct customer interaction designed?
- Which supporting systems are needed?
- What is the roadmap to put them in place if they're not new?

Cross channel organization and culture

- What is the ideal organization that is needed to support customer focus in a cross channel world?
- How are businesses and employees to be moved into the cross channel organization?
- How are incentive systems designed to work in a cross channel focused organization?
- How will success be measured?

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