

White Paper

# Omni-Channel Retailing And its impact on your retail value chain



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### Introduction

The retail environment has seen a multitude of changes over the last decade. From the evolution of e-commerce to social media and mobility, there are now many more variables to consider beyond bricks and mortar. This has led retailers to adopt a new 'omni-channel' philosophy that gives customers the ability to interact and transact with a store via any channel – in person, over the phone, or online – and experience the same outcomes and level of service.

While the thought of expanding operations to keep up with this evolution is a daunting prospect for many retailers, the truth is that customer expectation has already made the change necessary. Omni-channel retail has enabled many businesses to capitalise on new opportunities without compromising their central value propositions. For others, omni-channel introduces a level of complexity that creates many challenges. Retailers that don't have a balanced and adaptable ecosystem may find these challenges can make it extremely difficult to adopt new initiatives, forcing them to spend excessive amounts of time managing the associated growth in operational complexity.

In this paper, we explore some of the difficulties that can sabotage retailers as they adapt to omni channel retail, and offer advice on how to resolve them.

### Top four challenges for omni-channel retailing

#### 1. Aligning inventory with omni-channel demands

Shoppers now use a variety of channels to research and purchase products. This can make it difficult for retailers to form a clear picture of inventory requirements, which in turn complicates the retail value chain. While omni-channel shopping presents retailers with new avenues of income, it also often highlights shortcomings of their legacy systems, particularly in terms of allocations, consolidated reporting, inventory, marketing, merchandising, post-sales services and promotions.

Customers look for confidence in retailers and expect the information they find while researching to be accurate and timely regardless of where they find it. By extension, customers also expect to be able to transact in the same channels where they conduct their research; to buy online for immediate or same-day delivery, pick up in-store, and return or exchange purchases made online at physical locations, if necessary. In a recent United Parcel Service (UPS) survey, **62%** of customers expected to be able to buy items online and return them to a physical store, while **44%** expected the option of buying items online and picking them up in a store.

This naturally has a compound effect on staff members who are looking for structure in business process management and increased visibility across stock levels, particularly as customers are becoming less patient and likely to investigate other retailers, either in person or online. But tying numerous channels together can be difficult, especially with so many components to consider.

## 2. Remaining competitive in an ever-changing market

The complexity of omni-channel retail – coupled with the pressures of competing with larger and often international companies that have greater purchasing power – has led many mid-market retailers to find ways of reducing traditional supply chain layers. For example, some have chosen to deal directly with manufacturers. Others have started importing, or have changed their product range to cater to less competitive niches.

## 3. Providing added value

There was a time when customers relied on bricks-and-mortar retailers, the media and their friends to access information on products, prices and availability. Omni-channel retail and social media have made customers more price-aware and productsavvy.

However, omni-channel has also created opportunities for retailers to provide a compelling point of difference in an increasingly price-conscious market. E-commerce and digital channels have introduced a new aspect to marketing. In the era of bricks-and-mortar retail, most businesses had a relatively speculative understanding of customer interests and behaviours. E-commerce now offers retailers a wealth of customer information, allowing them to monitor and tailor brand messages and offerings to specific demographics or even individual customers. The challenge for retailers is to translate this information into marketing and merchandising that is meaningful to their target customers.

In February 2014 the US Census Bureau of the Department of Commerce released their figures and that e-commerce sales in the fourth quarter of 2013 accounted for 6.0 percent of total sales. This means that over 90% of sales still happen in-store and

suggests that bricks and mortar will remain vital to retail in the short- to medium-term. The direct marketing potential of e-commerce gives retailers the means to drive people to physical stores, which can further enhance engagement and sales opportunities that customers simply do not see in online channels. In addition, it allows floor staff to gather feedback from customers, which they can use to inform the overall Omnichannel strategy.

As customers are now accustomed to a much wider range of purchasing options, it is more important than ever for retailers to guide purchase decisions with useful advice and provide value beyond the label price of the products they sell. This presents the opportunity to convert customers into brand advocates; if a customer perceives a surfeit of value in a transaction, they will be more likely to share their experience with like-minded prospects via social channels, ultimately promoting the value of the business beyond its products and pricing.

## 4. Gaining a clearer customer view across multiple channels

The challenge for retailers is to capture information across multiple channels so it can be analysed and translated into usable insights. Everyday trading produces a wealth of clearly defined transactional data, but also a lot of unstructured data relating to local events, social media, and staff sentiment, which is not as easily captured.

This information is often referred to as “big data” – large, unstructured, and constantly changing sets of data and that organisations can use to yield accurate insights. Although many retailers approach each big data source as a separate “silo”, capturing and standardising the information in a single business-wide platform is the best way to use it.



## How BI and ERP software can help your omnichannel retail strategy

Relevant and real-time information provides retailers with the insights required to improve operational efficiencies and customer service. For this reason, business intelligence (BI) software is becoming increasingly important as a driver of sales conversions and customer retention, increasing efficiency and profit alike.

BI gives organisations the ability to gather, access, and analyse large amounts of data. It typically features analytical tools that allow users to intuitively search and explore data from any angle, investigating and unearthing trends and patterns in consumer behaviour. Dashboards and customisable “drag and drop” report functions present crucial information in a way that lets stakeholders review the facts quickly and make informed decisions based on evidence rather than intuition. For example, BI can help retail employees better understand why customers choose particular items, product groups and categories, which the employees can use to refine their sales strategies.

ERP software is equally important, creating an IT-based foundation to help retailers streamline operations and secure greater profit margins. ERP lets businesses control and manage a wide range of retail operations from a central dashboard.

It can help retailers consolidate and simplify a range of operations, from financial processes – such as accounts receivable and payable, payroll – to sales and marketing management, customer relationship

management, distribution, supply chain management, manufacturing, and facilities management.

ERP gives businesses the ability to map internal operations to the omni-channel environment. BI then provides the insight into transactional and customer data that retailers need to make their new omni-channel strategies profitable.

## Pronto Xi for Retail

While ERP and BI are traditionally packaged as separate products, some ERP systems feature in-built BI capabilities. These solutions can minimise the cost and effort associated with implementation, combining enterprise resource management and data analysis in a single, intuitive dashboard.

Pronto Xi for Retail combines the financial and distribution capabilities of Pronto Xi with sales and marketing functions, including Easy POS and the Pronto Avenue online shopfront, as well as a comprehensive CRM application. The system also comes fully integrated with IBM’s powerful Cognos BI framework, giving mid-sized retailers the opportunity to access enterprise-grade BI software for customer centric reporting.

Pronto Xi is simple to use, offering powerful CRM applications, business and analytics dashboards – anytime, anywhere via mobile devices. It also provides group trading, stock allocation and promotions management tools. It is available as a cloud service, giving users a consistent experience across mobile devices and desktops, and allowing retailers to avoid expensive supporting infrastructure.

Nike Australia partner Retail Prodigy Group recently invested in Pronto Xi as an integrated ERP and BI solution, deploying the product as a service via Pronto Hosted Services. This allowed the group to streamline its internal processes and run customer and transaction data through Cognos BI, while operating the solution off-site to keep overheads low. Many mid-sized retailers such as Retail Prodigy Group commonly have to deal with large volumes of data from a wide range of sources, and need BI capabilities just as much as their larger competitors. Pronto Xi allows retailers to process, analyse, and interpret transactional data, so they can turn data into information and information into knowledge. As a result, retailers are able to identify industry and customer trends earlier, and act on them more quickly and accurately.

## Conclusion

As customers become more accustomed to interacting with businesses across traditional and digital channels, retailers will need to evolve so their own operational ecosystems meet these expectations. The question for many retailers is not when they will respond and adapt their value chains to support omnichannel retail, but rather how they will approach the challenge.

Integrated ERP and BI solutions present mid-sized retailers with the most efficient and cost-effective option for turning these challenges into opportunities. We encourage retailers to never lose sight of the benefits of omni-channel operations. With the ability to process and analyse big data to extract customer insights and the tools to tailor internal processes accordingly, today's retailers are well equipped to realise the potential inherent in omni-channel retail.



**We're always ready to adapt Pronto Xi to perfectly fit your unique requirements.**

**For more information on what we can do for your business, contact us at 02 9878 7111 or find us at: [abtgroup.com.au](http://abtgroup.com.au).**

Applied Business Technology Group consists of ABT Online, ABT Security Systems and Applied Business Technology. We are a team of straight forward renowned industry leaders who implement and manage ERP, Business Management Systems, Cloud Solutions and Digital Security Solutions. We pride ourselves on being Australian specialists who provide honest and transparent business technology solutions.

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