Strategies for Improving Omni-Channel Planning

Strategies to help omni-channel retailers optimize their planning today while preparing for the future

Today’s consumers expect a seamless shopping experience across channels making it increasingly complex for retailers to deliver customers the experience they expect while maintaining a healthy bottom-line. In order to survive in an ever-evolving omni-channel environment, retailers need to rethink their cross-channel planning processes and enabling technologies.

Thanks to the omni-channel retailing business model, consumers are getting very comfortable with an “always-on” shopping experience that delivers optimal assortments and flexible fulfillment options, regardless of the channels they use to complete their shopping journeys.

Retailers burdened with legacy systems are finding it next to impossible to analyze and understand customer demand and shopping and fulfillment patterns in order to ensure they have the right products at the right place at the right time to satisfy customer needs. By adopting a strategy that aligns processes, people, data and systems around omni-channel — versus siloed — planning, retailers will be prepared to predict customer demand and optimize their omni-channel shopping experiences. Mi9 Retail proposes the following strategies to help omni-channel retailers optimize their planning today while preparing for whatever the future of retail holds.
The retail industry is changing on a seemingly daily basis, and at the core of this change is the customer. Customers are increasingly comfortable with technology, which is driving their demand for more digital interaction with their favorite brands — a factor that is making the retail landscape increasingly digital. Besides giving consumers more control of their shopping experience, this omni-present retail landscape enables shoppers to “channel-hop” throughout their shopping journeys as they browse, purchase and fulfill orders using the combination of channels that best suits their needs.

A pre-requisite for 21st century retailing, omni-channel has become a mission-critical strategy for any company that is preparing for their longevity. As a result, omni-channel has become the highest technology investment priority, according to RIS News’ “The 12th Annual Store Systems Study: Retail Technology Spend Trends” report.

The evolving digital experience — and consumers’ expectations — is making the retail model more unpredictable than ever before. This shifting business model requires that brands can merchandise assortments and maximize product inventory across physical and digital channels so merchandise is available when and where shoppers are ready to make a purchase.

However, an array of challenges continue to impact the move to this next-generation retailing model. Among the top issues are:

### Legacy Systems

Even as we approach the second decade of the new millennium, there are still retailers relying on technology, including planning systems, which were developed and installed in the late 1990s to address what was expected to be a catastrophic Y2K issue, as described in the “2015 Merchandise Planning Survey” from Boston Retail Partners.

However, fast-forward almost two decades, and retailers are still trying to conform these antiquated legacy systems to support evolving multi-channel strategies — efforts that often fail. More specifically, 72.5% of companies say their systems are still underdeveloped, or worse, absent in the quest for connecting the end-to-end shopping experience across channels, according to “A New Era for Retail: Cloud Computing Changes the Game”, a report from Accenture.

### Siloed Operations

The traditional planning process is conceptually straightforward: identify what to sell, who to sell it to, at what price to sell it and then ensure the product is where it needs to be on time. This is simple when applied to individual selling channels. However, with customers expecting a seamless experience across a retailer’s selling channels, it has become very complex to deliver customers the experience they expect while maintaining a healthy bottom-line.

As retailers have added channels, they often set up silos of planning and inventory for each channel. In fact, 49% of retailers still operate separate inventories across channels, according to Boston Retail Partners’ “2015 Merchandise Planning Survey”. Operating siloed processes and disparate systems only increases operating complexities, and can lead to out-of-stocks or overstocks, both of which negatively impact margins. Specifically, these disparate systems can contribute to up to 10% sales losses enterprise-wide, according to “The First Annual Customer Engagement Tech Trends Study: The Personalization Imperative”, a report from RIS News and Edgell Knowledge Network.

This siloed approach might have worked when most consumers shopped within specific channels. However, today’s consumer moves seamlessly between channels when shopping and also expects flexible fulfillment options, like buy on-line and pick-up in store. Retailers must plan and manage inventory across all their channels in order to satisfy customer demand while meeting their financial objectives.

### Social Networking

As consumers are demanding that their shopping experiences become more digital and interactive, it is not surprising that social media is gaining traction in the retail journey. From an internal perspective, retail marketers rely on social networks to bolster their reach, using the medium to share content, deliver channel-specific promotions, and most importantly, directly interact with their loyal shoppers. According to Nielsen, 77% of shoppers say ‘social exposure’ and validation of a product is the most persuasive source of information, and does indeed drive them to make more purchases.

However, it can make or break brand image if not managed correctly. Retailers often forget that consumers use the medium to interact with their peers, and waste no time in sharing their experiences — the good, bad and ugly. Rather than respond to negative comments — many which tend to revolve around mismanaged inventory and poor customer service — that chip away at retailers’ reputations, many often try to resolve the issues by increasing inventory levels in hopes of satisfying customer expectations. While this approach may help the customer experience, it more often leads to increased operating costs, a move that negatively impacts margins.
One of the biggest opportunities is omni-channel retailing’s ability to create a more loyal customer. The highly digital, omni-channel shopping experience makes it easier than ever for retailers to interact with shoppers via online shopping and social media. The benefits of these interactions are two-fold.

First, every time a shopper interacts with a retail brand’s digital touchpoints, they leave behind a “digital fingerprint,” or nugget that is chock-full of valuable, customer-specific information. The most obvious benefit is to use this data to create a one-to-one connection with the shopper. By tapping into customer demand and purchase preferences, retailers are empowered to create personalized promotions and marketing campaigns to drive sales and enhance customer loyalty, as summarized in Boston Retail Partners’ “2015 Merchandise Planning Survey”.

Meanwhile, this same information is also instrumental in predicting demand and fueling planning and buying decisions. More specifically, these insights are the foundation needed to improve merchandising strategies in an all-channel retailing world. As brands use analytics to drill down to past and current shopping behaviors, they are primed to predict its customers’ shopping patterns and preferences, including where they choose to shop for specific categories and products.

Retailers can easily learn which items customers prefer to order directly online, and which ones they prefer to visit a store to procure. Taking this one step further, retailers now know in which channel to carry which product — a move that will guarantee items are available each time the customer visits their preferred channel. It is also an opportunity for a brand to do upselling, which in turn, delivers greater returns on individual customers.

Focus on the Positive

Rather than focus on how these challenges can be hurting the business, industry experts encourage retailers to explore how to face them head on and create an omni-channel experience that creates a competitive advantage.
Preparing the Foundation

Retailers that are serious about long-term omni-channel success need to break down the silos and put the foundation in place on which they can deliver the cross-channel shopping experience that customers expect while also achieving their financial goals. Setting this foundation requires a focus on the four pillars of process, people, data and systems.

Process

The transformation to true omni-channel planning and execution starts with redefining business processes. In a siloed organization, each team has its own processes and typically systems. By breaking down these operational silos, retailers can more easily streamline their planning processes, and more importantly, integrate these processes across new and emerging channels. So before moving onto the other pillars, cross-channel business processes must be defined and a change management strategy formulated to help the organization successfully make the transition.

People

This magnitude of change doesn’t happen overnight, and more importantly, it doesn’t just evolve. Rather, it comes from a culture change — one that is championed from “the top down.” Once the culture is in place, the next step is for retailers to restructure their teams to support the roles within the new omni-channel planning processes. Change management will play a key role in helping team members to understand and adapt to their new roles and responsibilities.

Data

More digital touch points means one thing — a higher volume of incoming data. As new customer-facing solutions are adopted, so are new sources of information created. Simple structured data sets have given way to unstructured data created by the marketplace’s many digital touchpoints, including mobile and social media.

While 82% of retailers reported that big data is a pre-requisite to changing the way they interact with and relate to their customers, according to “e,” a report from Accenture, big data is growing exponentially and entering companies’ data warehouses so quickly, that many struggle with how to harness this fast-growing information. Those that can manage to centralize this information and then apply predictive business analytics will be poised to accurately determine inventory levels and better allocate merchandise assortments to specific channels based on consumers’ real-time demand. This effort not only delivers better visibility to merchandisers, it also better positions merchandise enterprise-wide.
While technology alone cannot solve business problems, it is most definitely the enabler of success once the other three pillars are in place. For example, by implementing modern systems, retailers can share data freely across the enterprise, as well as gain a single version of the truth regarding customer information, inventory and stock levels, as well as product movement. It is the final piece of the omni-channel merchandising puzzle, and the pillar that supports the information needed to drive the company’s overall merchandising strategy.

As discussed earlier, today’s retail sales may originate online, but are often fulfilled inside a store. Besides requiring visibility into enterprise-wide inventory levels, equally important is having the proper merchandise available at the consumers’ fulfillment channel of choice. This requires retailers to distinguish between sales demand — where the order is placed — and fulfillment demand — where the order is fulfilled from.

In the world of “order anywhere, fulfill from anywhere”, inventory visibility and accuracy is paramount. Even the slightest inaccuracies in inventory counts can lead to out-of-stocks, resulting in lost sales and more importantly, disappointed customers. To avoid these unnecessary issues, retailers need to ensure inventory accuracy and visibility across all channels and distribution options. Besides offering the opportunity to position inventory where it is most likely to be needed for fulfillment, inventory optimization also ensures desired products are available for sale wherever the demand arises. It is such a mission-critical strategy for omni-channel success that 74% of companies are revamping their inventory planning strategies to increase execution and shopper satisfaction, according to EKN.

### Strategies for Improving Omni-Channel Planning

Once the foundation is in place, retailers are in a position to optimize their planning across all their channels. Here are some strategies to consider:

**Capture True Demand**

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By capturing and analyzing both sales and fulfillment demand, retailers have the opportunity to build assortments for individual sales channels based on sales demand, while optimizing inventory based on fulfillment demand. With insight into these two mission-critical streams of data, retailers gain visibility into true demand.

**Optimize Cross-Channel Inventory**

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Catering to customer preferences is a pre-requisite for omni-channel success. In fact, the more personalized retailers can make the experience, the stronger the customer/retailer relationship becomes. As a result, execution of localized assortments is also becoming a key differentiator in an increasingly saturated omni-channel marketplace. However, it also remains a highly complex undertaking. It requires companies to rationalize assortments based on sell-through of their selling channels, as well as to identify the appropriate breadth and depth across the channels. By developing a universal assortment that serves as a menu from which the planners can create channel-specific assortment offerings, retailers are better positioned to cater to local trends and plan for variances across the assortments and channels. Implementing a strategy that enables reactability enables the flexibility to shift or adjust assortment strategies resulting in a healthier bottom-line.

While omni-channel is often associated with an evolving digital backbone, the physical store is still the heartbeat of the experience, albeit that severe changes are underway. Besides featuring more digital touch points to interact with shoppers, savvy brands are also restructuring stores to help consumers complete their shopping journey in an efficient and satisfying way. This includes having merchandise and procurement options available at a moment’s notice. These evolving trends underline the need for localized and effective space planning solutions.

Customer demand data clearly opens up a wealth of opportunity for retailers, especially as an omni-present business model that is by nature, consumer-centric, continues to evolve. With insights centered on understanding what shoppers buy, how they buy, when they buy, what they pay and why they buy, retailers are primed to target products at customers across all their selling channels. The power of affinity analysis on the customer and purchased product enables retailers the opportunity to upsell complimentary products to the customer when they have the highest intent to buy.

A major challenge for many retailers is how to manage pricing in an increasingly omni-channel world. Sales channels are no longer separate entities for customers. They expect to pay the same price for a product or service regardless of where the transaction occurs and this is a struggle for many brands. Too many still present inconsistent or fragmented pricing strategies that can lead to customer frustration, confusion and distrust.

A clearly defined pricing strategy that takes into account customer exposure to multiple channels can ensure that customers are confident in an organization’s practices. Sure, pricing differences are often required based on regional differences or seasonal markdowns, but overall, it’s important to offer consistent pricing across channels. To avoid alienating loyal shoppers in the strategic pricing game, it’s best to build a base omni-channel pricing strategy and to manage exceptions, when dealing with products that are timely or seasonal, to avoid negative impacts on the bottom-line.
It’s Time to Get Customer-Centric

The retail marketplace will continue to evolve, and it is conditioning shoppers to demand a rewarding shopping experience, regardless of how and where they choose to visit their favorite brands. The ever-evolving omni-channel retailing model is a pre-requisite for success, but linking digital channels to a brick-and-mortar brand and calling it “omni-channel” is no longer enough.

Existing legacy systems continue to cloud the judgement of merchandisers, making it nearly impossible to analyze customer demand in order to optimize assortments. Customer demand is now not only based on what customers want, but also in what channels they wish to find the desired products and how they would like their orders fulfilled. By laying the foundation of processes, people, data and systems, retailers are preparing to adopt a new customer-centric planning strategy — one that is focused on understanding customer demand; optimizing cross-channel inventory; building cross-channel, localized assortments; designing customer-centric store-level plans; exploring new customer-centric opportunities and executing more meaningful pricing strategies.

Armed with this customer-centric approach, omni-present retailers will be prepared to predict customer demand, and use next-generation planning tools to create accurate, localized assortments that will drive loyalty now and in the future.

About the Author

Peter Leith is the Vice President of Product Strategy for Corporate Systems and is responsible for leading the development and direction of the company’s retail planning solutions.

About Mi9 Retail

Mi9 Retail is the fastest growing provider of enterprise software for retailers, wholesalers, and brands. Mi9 enables the world’s leading retailers to automate and optimize their entire Plan-to-Sell™ process, from planning to executing, influencing, and selling merchandise in-store, online, and on any device. Our corporate retail systems facilitate better planning, master data management, allocation, and replenishment, and our customer engagement and point-of-purchase systems boost revenue across digital and brick-and-mortar channels. Our solutions are connected via a common analytics framework that serves as the foundation of the system and speeds time to insight with role-based dashboards, KPIs, and governed self-service data discovery. Mi9 Retail is committed to helping retailers on their path to success, so they can maximize revenue and customer engagement while minimizing costs.