

Win in the flat world

Click'n Mortar: Achieving multi-channel integration

– Ashish Jandial

Abstract

'Buy online, pick-up in-store' programs are growing fast at leading retailers. Circuit City, Best Buy, REI and Sears have reported significant success with these programs

This model allows customers the flexibility to research and buy products online and pick them up from stores, offering a seamless shopping experience. In addition to obtaining instant access to retail inventories online customers can save on shipping costs.

To ensure the success of these programs, retailers need to align organization objectives, accounting processes and incentive/commission programs for employees. They must also integrate business processes, order and inventory information, in-store coordination and customer communication.

This paper provides insights into the operational implications of enabling a 'buy online, pick-up in-store' program.



Multi-Channel Integration for Buy Online, Pick-up In-store

Research shows that multi-channel customers shop frequently, spend more across channels and remain loyal if they are satisfied with their cross channel shopping experience. Shoppers go online to research products, compare prices and determine which stores in their proximity have stocks. Customers often reserve their purchases online and pick up merchandise in store.

Strategic and Operational Implications

Although store pick-up as a shopping option is very attractive to retailers, there are several **challenges** in this model:

1. Traditionally, retailers online and store operations have been run independent of each other. Increased collaboration can trigger change management issues and loss of control, especially in the merchandising and inventory management functions. Consequently, such organizational changes require strong executive sponsorship and mandate.
2. Achieving a single and comprehensive view of cross channel inventory is not easy, as the online business is perceived very differently from brick and mortar operations. This perception creates disparity in item set-up and merchandise hierarchy between online and store businesses. Without a common definition of an "item" between the two operations, a common understanding of item inventory is not possible.
3. Potential conflicts can occur on where the sale is recorded. In store pick-up operations, the order capturing channel is the online channel or the contact center while the store is the fulfillment location. There are multiple perspectives to where and how the sale gets recorded. This decision should be driven by 'how' the sale was 'closed', i.e., whether the customer paid online or visited the store to check out the merchandise before buying.
4. Customer attrition and fallout - where merchandise is not picked up - is common in store pick-up orders. This imposes an additional overhead of restocking merchandise back on shelves. To prevent this, most retailers have their customers commit to their online purchase by charging them prior to pick up.
5. The merchandise bought online is, effectively, customer owned merchandise lying in the store. This entails a financial liability and a customer service issue that retailers must manage. There is also the need to align incentives and commissions of store employees with the online channel for effective execution of store pick-up orders.

Benefits

The combination of online information and real world touch and feel is creating new opportunities for retailers. Successful execution of the 'Buy online, pick-up in-store' model enables retailers to:

1. Provide a seamless and more fulfilling shopping experience to customers
2. Provide customers quick delivery after purchases
3. Showcase their inventory online and attract customers to the brick and mortar stores
4. Cross-sell and up-sell merchandise to customers when they visit stores
5. Increase their wallet share by growing their customer base who shop across channels

Business Capabilities Required

To achieve successful collaboration between the online and brick and mortar models, retailers need to invest in building capabilities such as:

1. Near real time POS data/ batch feeds from stores to update the inventory position and provide the order management store level inventory visibility
2. Unique and consistent identification of items across channels
3. Integrity and accuracy of store inventory data
4. Ability to publish and delete items from a website depending on store inventory levels
5. Ability to convert store pick-up orders into actual deliveries if inventory levels drop or are not available at stores. To strengthen customer relationships, retailers may offer free shipping or other incentives to offset lack of inventory (See Exhibit 1)
6. Ability to map stores located in geographical proximity to customers and provide inventory visibility
7. Integration of store pick-up order execution with store operations - the ability to forward orders to the selected store, reserve the inventory and physically move goods to hold areas
8. Accurate and quick customer communication (via email/telephone call) on when merchandise will be available for customer pick-up

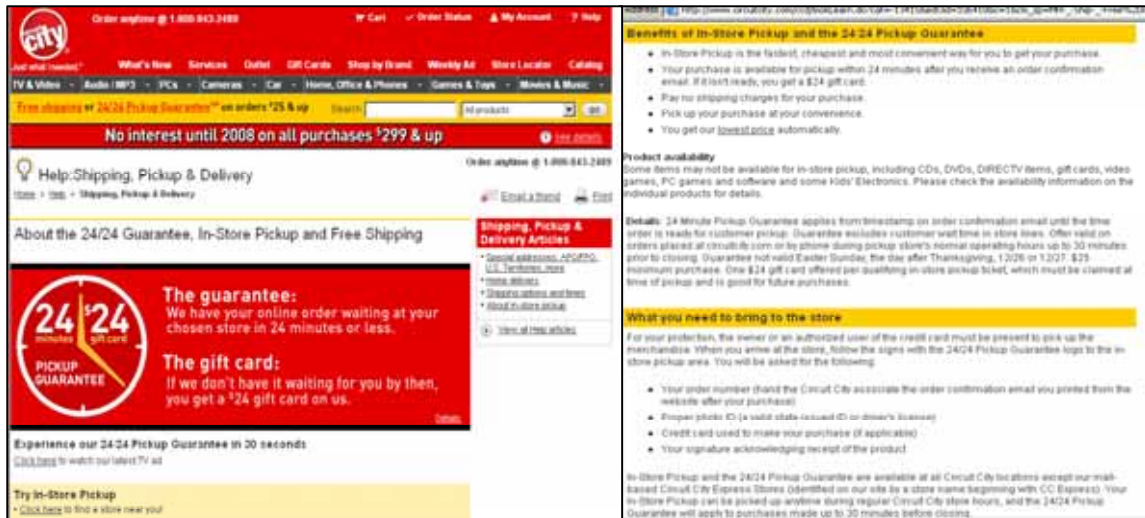


Exhibit 1: Circuit City raises the bar with its 24/24 Guarantee for In-Store Pickup Orders

The Infosys Approach to Multi-channel Integration

To achieve successful multi-channel integration, it is critical to manage the complexities involved by analyzing the impact on organization, merchandise and customer marketing strategies.

Infosys recommends a 4-step approach to MCC that involves:

1. Creating capabilities that resonate with the retailer's brand and expectation of multi-channel customer experience
 - Provide inventory visibility to customers
 - Accurate and responsive customer communication
 - Free shipping if merchandise not immediately available
2. Aligning organizational structures and metrics to ensure cross-channel collaboration
 - Clear definition of how and where a sale is recorded
 - Incentives to encourage teamwork across channels
3. Re-engineering business processes for seamless execution of multi-channel scenarios
 - Unique and consistent identification of items across channels
 - Ensure accurate inventory data
4. Implementing and integrating technology with flexibility for future multi-channel initiatives
 - Integration of online order and store operations
 - Ability to map stores close to customers
 - Ability to scale up and build new features based on user requirements

About the Author

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