



NEW AGE HOME IMPROVEMENT RETAILING – IMPERATIVES FOR THE RIGHT OMNI-CHANNEL MODEL

Abstract

This point of view is an amalgamation of insights from Infosys's experience with home improvement retailers across matured and emerging markets, highlighting the new vistas of opportunity which an Omni-channel business model can open up and presenting a framework of 'must-have' capabilities to become a truly Omni-channel player and create competitive advantage in the market.

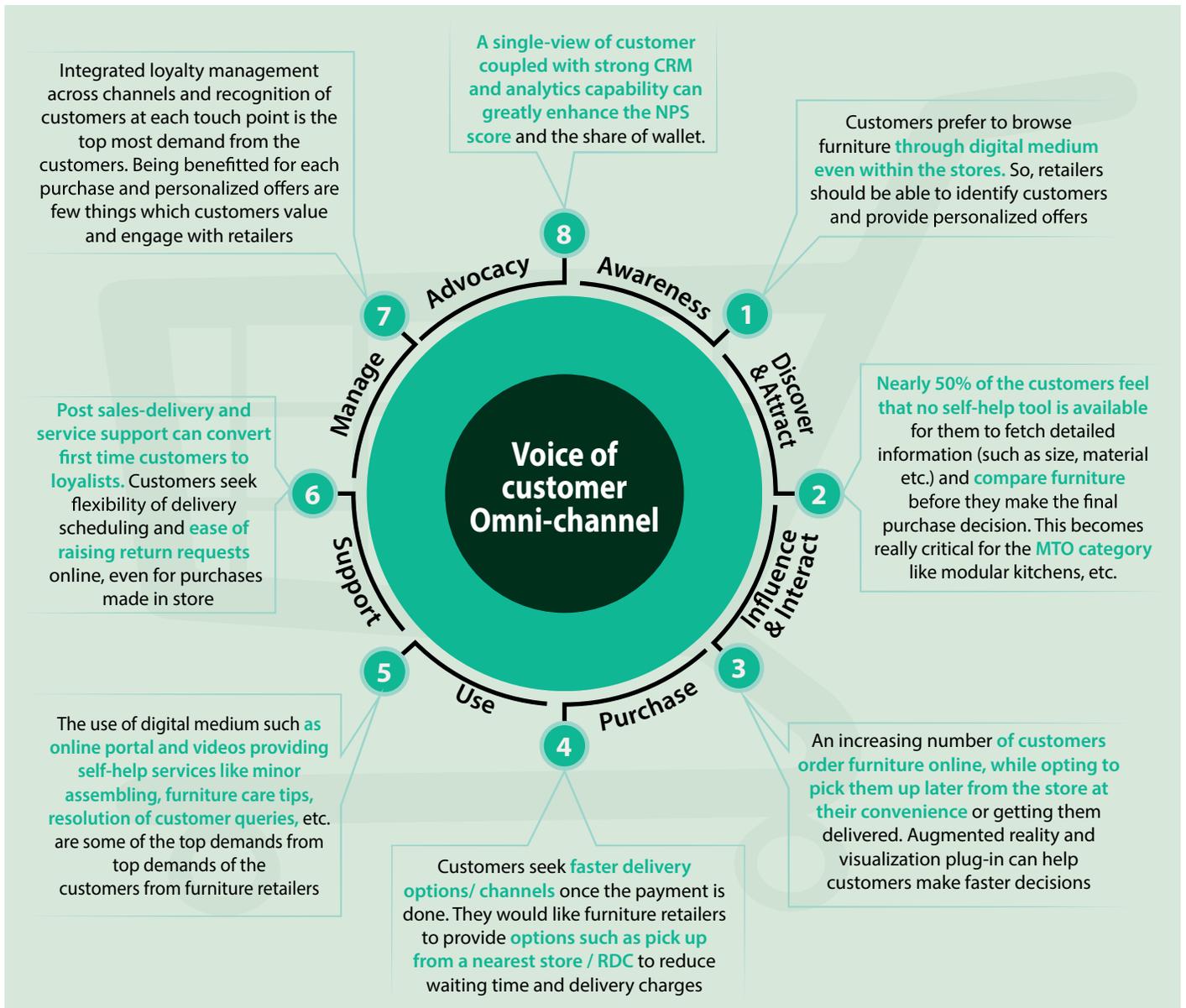
Voice of Customer – An Infosys survey to understand customer’s expectations

Omni-channel ceases to be a buzz word now and calls for immediate action from home improvement retailers. Time is opportune for them to re-think their business model and align resources towards creating an Omni-channel strategy specific to their business model. This strategy is highly complimented

with the retailer’s digital strategy which influences the customer purchase and overall experience and helps in realizing the full benefits of going Omni-channel. There is no one-size-fits-all approach for retailers to pursue Omni-channel journey.

Infosys conducted a Voice of Customer survey to identify key considerations of customers in home improvement products (such as furniture, home décor

etc.) purchase decision, role of Omni-channel and differentiating features that a retailer can offer to engage customers and encourage repeat purchases. It includes many digital enablers such as augmented reality applications, visualization plug-ins, 3D virtual rooms, etc. A few highlights of the study and its imperatives for the retailers are summarized below:



Infosys: Voice of customer survey

| SAMPLE SIZE | AGE PROFILE | GENDER | EMPLOYMENT | INCOME |
|-----------------|---|-------------------------|--|--|
| 100 respondents | 20-35 years - 65% Above 35years -35% | 53% Male, 43% Female | Services industry, IT, education, legal, banking | Most respondents belonged to the upper middle income group |

The True Omni-channel home improvement retailer – ‘must have’ capabilities

The metamorphosis of a brick and mortar home improvement retailer into a leading Omni-channel player happens in phases with acquisition of certain capabilities in each phase. Based on Infosys’s experience, a home improvement retailer is truly Omni-channel if it is able to deliver the following three capabilities across value chain and across channels to its consumers:



1. Customers can buy products online and pick-up at store (Buy anywhere, pick up anywhere for easy-to-carry categories): Retailers generally provide this feature **limited to few assortments** which is easy to carry (not items such as sofa sets and beds which are bulky, expensive and where customers like to actually feel the product and final purchase involves multiple stakeholders). They may show their full range online though pick-up at store may be available only for select merchandise. **Customers benefit as the usual long delivery time is shortened and there are cost savings on delivery charges.** It has been observed that strong post-sales service management (assembly, damage services within warranty period, replacement, etc.) can go a long way in implementing this capability. In matured markets, pick-up at stores by customers can **be managed to some extent by DIY (Do-It-Yourself)**, where large products such as furniture can be provided in flat packs and customers can assemble it, while in emerging markets, customers generally do not prefer to assemble their products. **Retailers such as Lowe’s*, Courts, Home Depot*, currently have this capability to order**

online and pick-up from store. Digital interventions such as self-help portal, creative design ideas and DIY videos can enable customers to assemble their furniture easily and better engage with the retailers.

Apart from pick-up at stores, there are other options available with home improvement retailers to give customers flexibility to pick their orders:

- i. **Drop Shipping:** Retailers can tie-up with third party logistics providers for fulfillment. This may dilute the level of service (3PL have multiple clients) and shave-off margins, however, it provides additional flexibility to customers to get their desired products
- ii. **Pick-up from nearest RDC**
- iii. **Ship to a specific retail store of customer’s choice**

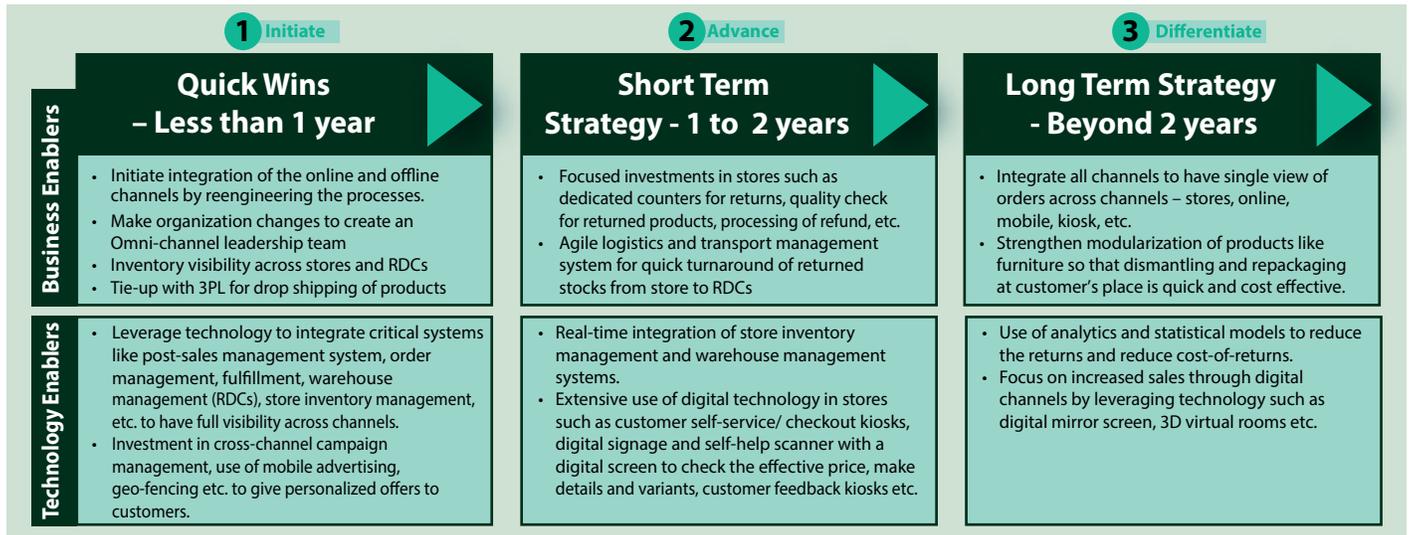
2. Customers can buy products online and return at stores / RDCs: This capability allows customers more flexibility, convenience and offers them superior experience. It provides customers the option to quickly return the items ordered online at nearest stores / RDCs and doesn’t require them to wait for pick-up from retailer

which may take from a couple of days to extended waiting periods. This capability is difficult to implement for retailers **as it may involve dismantling of the products and then re-packaging it at the customer’s end.** Moreover, there needs to be a quality check at the store before accepting the return and processing refund. To overcome these challenges, retailers can allow returns at stores/RDCs only for limited merchandise. Additionally, **dedicated return counters at selected stores/RDCs within a specific time slot** could also be implemented for smooth returns and refund. Most often, the customer may also desire a seamless exchange / replacement facility tied to the return.

3. Customers buy products at store and request return online: This capability clearly differentiates the retailer from the rest of the lot. Though difficult to implement, it gives real power to customers **to shop anywhere and return anywhere.** It eliminates the offline-online divide and provides a seamless experience for customers. This capability requires single view of orders across channels and integrated fulfillment and returns management.

Strategic Roadmap for Omni-channel transformation

The retailers should focus on business and technology enablers to become a successful Omni-channel player. The roadmap for this journey starts from quick wins which can be achieved within a year. It involves reengineering of the current processes to merge online and offline channels specially supply chain and integrated marketing and promotions. Second critical area is the organization restructuring which creates a single decision hierarchy for all the channels. The second phase focuses on short term strategy projects which can be achieved within a couple of years. Finally, the third phase focuses on projects creating differentiating and long term capabilities.



Conclusion

Customer decision journey is no longer analogous to the traditional purchasing funnel, but has evolved into a seamless set of on-going interactions, which are spread across multiple channels of engagement.

Use of digital innovations such as 3D virtual rooms, self-help scanners and augmented reality enabled app can prove to be a game changer for customer engagement. As an increasing number of furniture retailers seek to realize the benefits of an Omni-channel business model, it is first of all important to understand what being a “true” Omni-channel player would encompass. Only then can one embark upon this transformational journey of building differentiating capabilities to render a holistic customer experience and reap the maximum benefits.

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