

# Multi-channel retailing goes mainstream



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**R**etailers are increasingly turning to multi-channel retailing to grow their market share and present a uniform and seamless shopping experience and branding across channels. However, to realize this vision, they must first address the significant challenges of enabling integration and synchronization of organization structures, processes, operations and systems.

## Growth of multi-channel retailing

Retailers are increasingly leveraging their presence across channels – catalog, web, stores, call center and kiosks – to increase their share of the customer's wallet and expand across consumer segments. Recent studies of consumer shopping behavior indicate that multi-channel shoppers show a significantly higher value and frequency of purchase than single channel shoppers. Over 65 percent of online shoppers also use catalogs and 60 percent of retailers found multi-channel customers more profitable than single channel buyers.

## The challenges

Retailers face several obstacles as they attempt to integrate their web, call center and catalog operations with the full-line store business.

### Organization structures:

- Organizational leadership, structures, objectives and metrics that align responsibilities by channel, which can be potentially conflicting.
- Fear of channel cannibalization from disparate business units.
- Incentives and commission programs that are not designed to promote cross-channel selling.

### Merchandising and inventory management:

- Inconsistent merchandising direction across channels.
- Lack of integrated merchandising, order fulfillment and inventory management processes.

- Limited visibility into inventory across channels resulting in poor synergies for cross channel selling.
- Lack of aggregation of demand across channels to seek economies of procurement and better vendor terms.

**Customer operations:**

- Inconsistent customer experience and branding across channels.
- Lack of common understanding of customers and their shopping habits across channels.
- Lack of customer loyalty due to low cost of switching and inability to extend loyalty programs/incentives across channels.
- Disparate views of the customer and customer interactions across multiple channels.
- Limited available metrics to capture profitability of multi-channel customers.

**Technology:**

- Multiple databases of disaggregated customer and order data.
- Substantial investments to integrate disparate enterprise systems.
- Multiple order and inventory management systems by channels resulting in lack of a single source of truth, order and inventory visibility.

**The strategies**






Multi-channel retailers have developed strategies that begin with a customer centric perspective and build an organization structure to support change. The implementation of this strategy involves a complex organizational change process and IT strategy to support a common merchandise hierarchy, centralized order management capability and centralized customer and inventory databases.

An integrated multi-channel retailing strategy entails significant change that includes:

**Organization structures**

Most store and catalog/web operations are likely to have different merchandising and inventory planning organization structures. Various aspects should be considered while integrating stores and direct channel organization structures. These include the need to maintain single or multiple merchandising and inventory management organizations for different sales channels to determine merchandising direction. Relevant performance metrics must be defined to evaluate business functions, and ownership and accountability managed for category

**Shop.org identified the impact of lack of channel integration to retail organizations:**

-  Lost sales account for 2-4% of revenues
-  Inconsistent customer experience across channels
-  Lower order accuracy (below 85%) and order fill rates (<90%)
-  Higher inventory handling costs (10-15%) and idle inventory with 20-30% lower
-  Higher fulfillment costs account for over 50% of supply chain costs

ry performance and profitability. You should also ensure that the new organization structure does not impede the flexibility and dynamic responsiveness of the internet business.

**Business processes**

Business processes such as demand planning, assortment selection and offer management can vary by channel, but there are synergies in some that can be harnessed as stores and direct channels integrate. These include:

**Merchandising, buying and marketing**

- Common item master and item hierarchy, customer and inventory databases.



- Integrated buying decisions and common merchandise direction.
- Corporate level supplier agreements and compliance evaluation.
- Liquidation and clearance through the web/stores.
- Integrated pricing and promotions across channels.
- Alignment of sales accounting, incentives and commissions for store and call center personnel.
- Marketing and branding consistency across channels.
- Targeted customer e-mailing based on shopping history and preferences.

### Customer order management

- Locating and leveraging inventory across channels.
- Available to promise against available and on order inventory.
- Cross channel returns management.
- Leveraging drop-shift order fulfillment and store pickup for specific product categories.
- Integrated customer communication on order status.
- Consolidated view of customer order history across channels.
- Cross selling and up-selling based on products ordered and customer shopping history.
- Leveraging inventory as a virtual resource irrespective of channels to fulfill customer orders.

### People

Aside from empowering the staff to make decisions that are in the best interests of customers, it is important that sales incentive and commission programs be structured to promote employee collaboration across channels.

### Technology

It is imperative that retailers invest in building open standards and scalable technology architectures that provides ease of integration with incumbent systems. Integrating item and customer databases and building centralized inventory and order management applications are critical towards servicing the needs of a multi-channel business.

### Supplier relationships

A significant opportunity exists to make consolidated buying decisions, seek economies of scale and better supplier terms if there is a high degree of merchandise overlap across channels. Although some metrics of supplier performance may vary by sales channel, synergies can be harnessed through a corporate level supplier compliance and performance management program.

### Customer relationship management

Significant opportunity exists to mine and analyze customer data and present compelling offerings to retain and increase customer share of wallet. Trends in personalization – providing custom-fit apparel, presenting multi-lingual content on the websites, etc. – should be adopted to attract and retain customers through an enriching channel experience.

### A fresh approach

The Infosys approach helps retailers achieve their goal of building scalable multi-channel retailing capabilities and realize the benefits of leveraging cross channel efficiencies. It includes business strategy assessment,

## About Infosys Technologies Ltd.

Infosys (NASDAQ:INFY) defines, designs and delivers IT enabled business solutions to provide strategic differentiation and operational superiority, and thereby increase competitiveness. The company assures clients of a transparent business partner, business-IT alignment with flexibility, world-class processes, speed of execution and the power to stretch their IT budget by leveraging the Global Delivery Model, which Infosys pioneered.

The 2000 strong Infosys Retail & CPG Practice provides business solutions to Blue chip clients, with services including business process conceptualization, process engineering, package selection and implementation, application development, maintenance and support, infrastructure management and business process outsourcing. The company leverages strategic alliances with its partners, which include IBM, Informatica, MatrixOne, Microsoft, Oracle, Sun Microsystems, TIBCO and Yantra. It is an UCCnet certified company and also an active member of ARTS (Association for Retail Technology Standards).

## “Multi-channel retailers should aim to deliver a seamless customer experience and harness synergies for cross-channel collaboration”

benchmarking and roadmap definition; organizational structure alignment and business process re-engineering; technology capability assessment and technology options analysis; and website enhancement and performance optimization.

The approach supports retailers’ cross-channel initiatives and lays the foundations to enable branding and marketing consistency across channels and deliver a seamless cross channel shopping experience.

Infosys helps retailers benchmark their multi-channel capabilities and reengineer their business processes to enable greater channel integration. The approach also includes the e-commerce quick start toolkit that helps retailers reduce their go-to-market costs and timelines for building and/or enhancing their online web channel presence and capabilities. ■

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