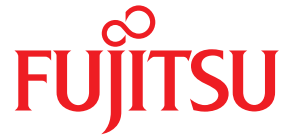


shaping tomorrow with you



Omnichannel Retail: The information gaps where sales fall through





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Executive Summary

An assessment of omnichannel retail performance in stores

Could you be losing sales because of information gaps? Intensive 'mystery shopper' research commissioned by Fujitsu suggests that while today's store systems are largely meeting customers' needs in an omnichannel context, there's little room for complacency looking forward – and clear opportunities for improvement.

We found store staff use their systems well but their ability to advise on product availability elsewhere in the organisation and ensure delivery are variable. Most were unable to determine stock levels in specific branches. Salespeople failed in 20% of cases to provide an answer on availability – and those potential sales evaporated.

As customers' expectations rise in line with the growing digitalisation of all areas of our lives, and as competition continues to emerge from unpredictable sources, retailers must provide consistent, coherent information which helps customers satisfy their needs.

Information saves sales. It's worth investing in.

The Study

How stores respond to complex customer queries in an omnichannel context

Fujitsu commissioned an independent research organisation to probe the omnichannel capabilities of six well-known UK retail brands. The study, carried out in early 2015, used anonymous mystery shoppers to engage with staff in three separate scenarios.

→ Scenario 1: special offer

In this scenario, the mystery shopper has found a product listed with a reduced price online, but it is not available in store. How will staff respond to questions about stock availability at other branches, online ordering, home delivery and returns via other channels?

→ Scenario 2: product variant

Here the mystery shopper asks for a product in a variant not currently found in store – perhaps a different colour or size. Can staff say when new stocks will arrive, or whether alternative means can be found to source the right product?

→ Scenario 3: shopper as traveller

In this case, the mystery shopper has identified a product which is available online, but wants to use the store as an alternative route or source of additional service. Staff will need to deal with queries such as whether the online shop can also be accessed via a mobile app, whether the product can be viewed in the store and then bought online (or vice versa), and whether products can be ordered for delivery to another branch or home address.

This approach enabled us to measure response times and sales successes across the six companies, using a common approach and controlling sample sizes for accuracy.

The different scenario types enabled us to characterise each retailer on three dimensions:

Product:

Can staff find the extra product information they need?

Availability:

Can staff access availability data to save sales?

Delivery:

Can staff enable delivery to any branch or the customer's home?



On average, scenarios took the following amount of time to complete:

Scenario 1  18 mins

Scenario 2  22 mins

Scenario 3  19 mins

10 The three scenarios were repeated at least 10 times at each retailer in different locations.

180 In total, we ran 180 test scenarios.

The Results

Findings for product information and availability queries

KEY FINDINGS

- Most retailers are unable to determine exact stock levels in specific branches.
- The highest potential for improvement in product information is time until renewed availability.
- On average, salespeople failed in 20% of cases to provide an answer on availability of the product.

Product: can staff find the information they need?

Every store scored well on this dimension. In general, staff are able to access the intranet or Internet to satisfy customer queries and staff in the best performing companies do so on every occasion.

In only 3% of instances did staff fail to use available information sources to resolve requests around inventory, pricing or shipping. Although this is a small proportion of sales interactions, it does not take basket value into consideration. Inability to satisfy a customer's product information needs even on an occasional basis could translate into significant lost sales, as well as erosion of customer confidence.

Some staff used combinations of sources to satisfy queries. This finding can be interpreted in two ways. One interpretation is to see staff members responding creatively to a knowledge gap and demonstrating their understanding of the organisation's operations to the customer. However, the less favourable interpretation is that the information sources used by staff need to be better integrated so that a complete picture is presented for each type of query.

Availability: can staff access availability data to save sales?

Real-time, enterprise-wide visibility of inventory is crucial for successful omnichannel retailing. To 'save the sale', staff must be able to confirm stock availability across channels, place an order and ensure fast and accurate fulfilment.

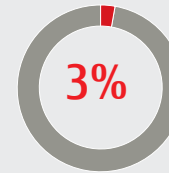
In the poorest performing scenario runs, only half of store staff could discover inventory levels at another branch – and only 20% could check availability at a named store near the customer's home. These information failures led to lost sales.

Inability to provide customers with an accurate and up-to-date picture of product availability exposes disconnects in the omnichannel approach. It can also nullify the good work done in progressing the customer's journey to the point of sale – and then losing the transaction.



Product

Inability to satisfy a customer's product information needs



→ In only 3% of instances did staff fail to use available information sources to resolve requests around inventory, pricing or shipping.

Availability

Availability in another store / branch



→ In the worst instance, only 50% of the salespeople were able to find out about availability of the selected product at another store / branch

Availability in store next to shoppers home



→ At the worst performing retailer, only 20% of the salespeople were able to find out about availability of the selected product at another store nearest to the shopper's home

The Results

Findings for product information and delivery queries

KEY FINDINGS

- In 20% of cases there were problems arranging delivery to another store or the shopper's home.

Delivery: can staff enable delivery?

Information on cost and shipping times varied across the retailers we studied. Among the best-performing retailers, store associates could provide information on delivery times in 95% of cases. The score for the poorest performers was 65%.

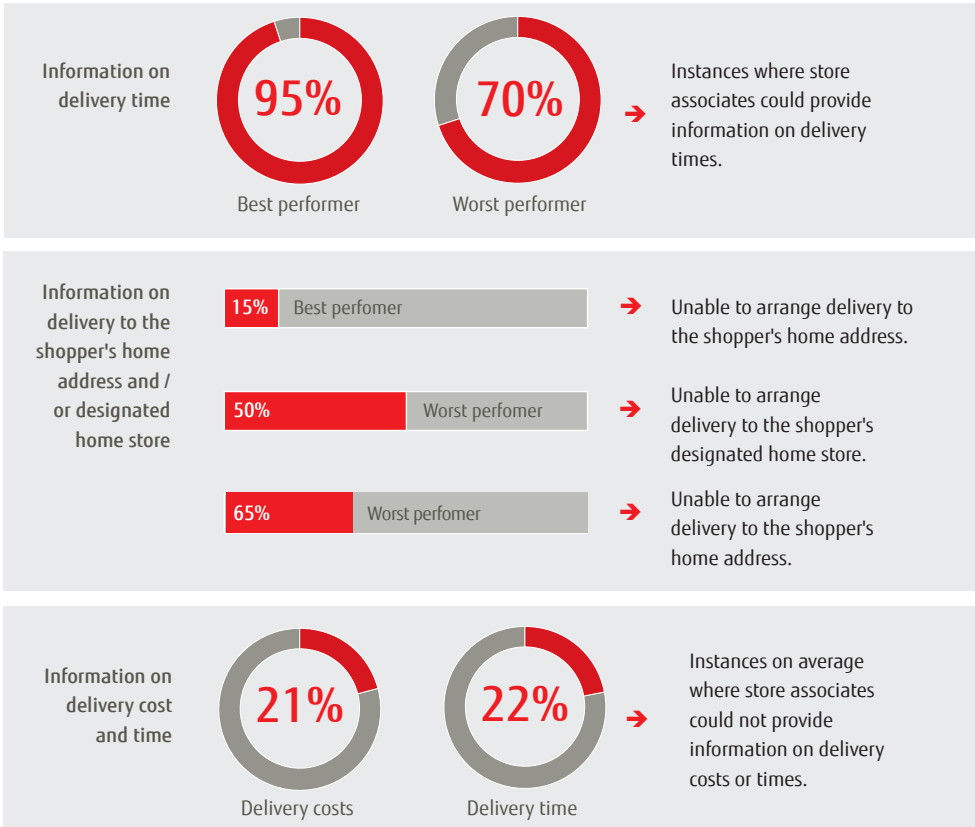
On average, 20% of stores could not arrange delivery to the shopper's home address or the shopper's designated home store. At the worst-performing retailer, staff could only arrange delivery to a convenient store in 50% of instances or to the customer's home address in 70% of instances.

In 21% of tested cases no information was provided about delivery costs, and in 22% of cases no information was given about delivery time.

This situation gives the impression that delivery, whether to the home or another outlet, is regarded by the retailer as an add-on rather than an integral part of the retail service. However, failure to satisfy customers on delivery can quickly result in lost sales and negative effects on customer confidence.



Delivery



Future Direction

Strategic issues for decision makers in retail



Room for improvement

Although we recorded 100% against some survey criteria, gaining full marks on every dimension would not guarantee perfection in retail. In line with any continuous improvement approach, the nearer any metric comes to 100%, the more it begs to be replaced or redefined. In today's retail environment, the closer an organisation comes to excellence in the dimensions studied here, the more it approximates customers' baseline expectations. Excellence in this model does not therefore make for a positive discriminator – while organisations which fall even a little below peak performance begin to look like laggards.

Today's customers are naturally puzzled by different performance levels across data sets such as product information, availability and delivery. They tend to expect that if any piece of information is at hand, then all of it will be.

No customer should have to understand that a retailer has differing capabilities in different data sets, let alone forgive the uneven service which results. While our mystery shoppers had favourable subjective impressions of the systems used by staff, increasing familiarity with technology is likely to make customers more critical of information gaps.

Using technology visibly is important for reassuring customers about the power of the organisation to satisfy their needs. Yet if technology introduces a barrier between salesperson and customer, then the organisation is not making best use of the sales opportunity. Salespeople are tasked with closing sales. Their IT must act as an aid in the process of developing a conversation with a customer and completing a journey which satisfies the customer. If IT detracts from this aim – or, worse, brings the organisation's patchy knowledge to the customer's attention – then it is not fulfilling its business function, no matter how well it may perform on technical criteria.

The salesperson's job is to sell, not to search.



Strategists need to ask:

Do customers just want to see technology in action – or are their needs better met by witnessing effective information flow?



Future Direction

Strategic issues for decision makers in retail

A coherent customer journey

The store is no longer a place where things are stored. It is now a meeting space – a place where customer needs can be satisfied. If customers perceive fragmentation in the retailer's operations while they are in the store, then this creates dissonance with their identification of the brand and their experiences in other channels.

Customers believe retailers are joined up. We have trained them to expect consistent offerings and confident service. The great retail brands encapsulate customers' faith in those organisations and situate the retailers next to brands in other sectors – thereby drawing comparisons with their experiences in other sectors. Customers' growing familiarity with digital business means they are no longer impressed by value-added services, but disappointed when other providers do not offer the same facilities. For example, home delivery in the UK used to be associated with large items like furniture or with catalogue purchasing. However, the growth in ecommerce across the board means customers now see home delivery as a normal option for any class of goods.

Raising the bar

Lost sales may never be completely avoidable, yet retailers must continually raise the bar on acceptable losses. Our mystery shopper sessions took in the region of 10 to 20 minutes to complete. If one such session fails to result in a sale, the organisation loses not only the potential sale at hand, but also the staff's ability to pursue other opportunities. In effect, while information failures may seem acceptable in many stores today, they have a direct detrimental effect on performance and an indirect effect on customer loyalty.

Further process improvements in these areas are directly tied to effective information systems, particularly with regard to backend data services. Issues around data standardisation, quality, availability and freshness need to be addressed.



Conclusion

Information completeness for omnichannel success

Retailers and their IT partners can feel justly proud of the progress they have made in providing a joined-up and functional omnichannel experience for today's customers. They have made the key organisational changes and evolved their processes to meet the emerging needs of an increasingly demanding customer base.

But the omnichannel era embodies a new kind of power struggle between retailers and customers. Retailers no longer have a knowledge advantage over customers, whose ability to research and compare offers has changed dramatically through the spread of broadband and mobile technologies. Our research shows that when an information gap occurs, it is now likely to be on the side of the retailer, rather than the customer. Customers are more likely to know what they want, when they want it and where they want it delivered. If retailers can't provide the answers to such questions in store, then their investment in staff, premises – and systems – is not yielding the right returns.

Information is often seen as a tool. For omnichannel retailers, it is also a weapon. Those organisations which can keep raising the bar for information completeness, even as customers' expectations rise, will be best placed to preserve and build loyalty, gain market share and create their own future.

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