It is widely acknowledged that omnichannel is the future of retail. Customers want to shop anywhere at any time and expect a seamless experience across all channels while doing it. However, it is also widely acknowledged that most retailers are a long way from achieving this complex state of readiness due to the fact that delivering against those customer expectations touches virtually every department in the retail enterprise.

For example, half of the retailers (50%) surveyed in the RIS News 2013 “Omnichannel Readiness” report said they are “behind the curve and making only slow progress” in their efforts to integrate and upgrade back-end systems to deliver customer-facing omnichannel experiences. Cognizant’s research of the top 100 retailers shows that only 12% of retailers offer mature omnichannel experiences. Most retailers are tackling the problem through a series of projects to implement new experiences for customers, but too often these projects are not part of an integrated roadmap, and are not addressing many of the foundational constraints. And they are often being managed as technology projects without required attention being paid to the people and process impacts of the new capabilities.
Omnichannel transformation requires adopting the view that breaking down boundaries is a necessity. It’s not an event; rather, it’s a journey. Retailers must have a clear purpose for their journey and a map to guide them. Omnichannel transformation requires retailers to realize that today’s customers, competitors and technology are different from the past, making many of the old ways of doing business obsolete. Retailers must adopt a new business model including elements such as: organizational design, performance metrics, policies and capabilities. The traditional retail model is product-focused. Tomorrow’s retail model must be experience-focused. This requires rethinking core functions across the retail enterprise and building an integrated plan to achieve transformation.

For many retailers, the hard work of an omnichannel transformation begins with a single project, for example, implementing in-store pickup of online orders. A project as complex as this will involve making a series of important decisions such as: whether to pick merchandise from shelves, back rooms, or fulfillment centers; what products should be available for in-store pickup; and what should be the product price across channels. Only then can implementing solutions, training teams, and marketing to customers be done.

While retailers must act quickly to implement solutions like in-store pickup of online orders, they also must realize that these solutions ultimately impact core retailer systems and operations such as: inventory management, order management, merchandise planning, and POS. Most of these foundational systems in their current state will not be able to support full-scale omnichannel transformation or they won’t provide the retailer with the long-term flexibility and agility that they need to keep up with the pace of change. Retailers need to balance the imperative to quickly implement solutions to meet their customers’ expectations while also taking a holistic view of building a new omnichannel foundation that is flexible enough to support additional functions and services to meet future needs.

Omnichannel transformation is an effort that most retailers are already undertaking or planning to start within the next 12 months. Indeed, IT budgets are being adjusted to accommodate the transformation. By 2016, 31% of the retailer’s IT budget will be spent on omnichannel projects, according to the 2013 RIS/EKN Cross-Channel Trends study. This is a big portion of the budget for an extended period of time signaling that retailers know that their omnichannel transformation journey will continue for some time and the investments will be significant. Retailers are preparing to execute multi-year, multi-phased transformations. With that kind of investment and massive disruption in the marketplace the opportunities are great, but so are the risks. It is essential that retailers execute against the right roadmap and that they invest in both today’s customers’ expectations and build a foundation for tomorrow.

There are six foundational capabilities that every retailer needs today to complete their omnichannel transformation: single view of
customer, single view of product, single view of inventory, single view of order, single view of price and promotions, and single view of service. Without having a single view of these core elements retailers cannot smoothly, cost-effectively, and consistently deliver the omnichannel experiences that today’s customers increasingly expect.

Here are key recommendations to include in your omnichannel transformation roadmap:

**Single View of Customer**

To deliver omnichannel services that don’t disappoint shoppers, retailers need to have a single view of the customer as she flows through all the retailer’s channels and touch points. For starters, this means breaking down the silos where the data is currently located such as: POS, merchandising, marketing, loyalty programs, social media, and websites. It also includes adding new sources of data to get a more complete picture of customers. These new sources include information from social networks, social shopping services, blogs, mobile apps and many others. Both structured and unstructured data needs to be stored in a common customer database, and the retailer needs to build the capabilities to then leverage the data. The true omnichannel benefits come when retailers derive insights from the customer information and take action to do better planning, make better business decisions, and provide more relevant, personalized experiences.

**Single View of Product**

With 80% of customers doing research online and most using their mobile devices while in-store to make purchase decisions there are several key elements in managing product information that need to be executed at the enterprise level to ensure success. These include the ability to manage product information (e.g. product descriptions, product attributes and product specs), product content (e.g. instructions, manufacturer information, etc.), digital assets (e.g. product images, videos, etc.), and product relationships (e.g. recommendations, adjacencies, etc.). Retailers must improve the quality, completeness and robustness of product information in order to provide better self-service and enable purchase decisions across channels. Many retailers are managing product information in multiple places and have significant gaps in their processes to curate, normalize and govern the information resulting in higher cost of operations, negative customer experiences and reduced revenue.

**Single View of Inventory**

The inventory challenge is especially important in omnichannel retailing. In the RIS News “Omnichannel Readiness” report, only 50% of retailers share inventory management seamlessly across shopping channels, which means half of all retailers cannot offer their customers omnichannel services or cannot do it efficiently. Today, separate inventory databases are scattered throughout several departments in the enterprise including merchandising, supply chain, store operations and e-commerce. These solutions need to be integrated to support omnichannel functions. Advanced retailers will optimize the location from which they select inventory to fulfill a customer order to minimize mark downs by location.
minimize cost to fulfill, and meet commitments to the customer for speed of delivery.

**Single View of Order**

For an omnichannel order management system to work accurately it needs to be supported by real-time purchase data. Today, retailers capture purchase data through a POS system in stores and an e-commerce platform online. Moving forward, retailers will need to decide one of two courses of action: the first is to more tightly integrate both current transaction solutions into a hybrid platform that produces a single view of orders, and the second is to replace two systems with a unified transaction platform that manages both.

30% of retailers are planning to make a purchase of POS hardware or software in the next 12 months and many will be seeking POS systems that operate as a unified transaction platform as a step forward on their omnichannel journey.

**Source:** RIS/IHL 2014 Store Systems Study

Solutions in the latter category are still emerging or being built by retailers. They are of high interest to the many retailers today who are seeking to replace aging POS systems. According to the RIS/IHL 2014 Store Systems study, 30% of retailers are planning to make a purchase of POS hardware or software in the next 12 months. Many of these retailers will be seeking POS systems that operate as a unified transaction platform as a step forward on their omnichannel journey.

Retailers need to ensure their order management system can work in lock step with their inventory availability system to determine the best fulfillment source to satisfy customer purchases. An order management system that uses an accurate view of inventory will ensure customers will not be disappointed by arriving at a store and finding their purchased product is not available. In addition, by achieving a highly accurate, real-time view of inventory retailers will be able to remove slow-moving product from under-performing stores at higher margins and reduce markdowns.

In many instances, omnichannel retailing calls for fulfillment of single products instead of cases or pallets. This is a big challenge for many retailers because it requires supporting multiple fulfillment options, such as picking and reserving the product for the customer either in the distribution center or store, shipping merchandise from one store to another, and using drop-ship vendors. Flexible fulfillment capabilities like these require cost-based analysis of products to determine which ones to make available for the service, which vendors to use for drop-shipping, and which stores are selected to ship products to other stores.

**Single View of Price and Promotions**

One of the greatest threats caused by online retailing is the transparency of prices. Retailers have achieved their margin targets for ages by optimizing prices across their chain. While retailers have been wrestling with consistency between online pricing and store pricing for nearly a decade, the problem is magnified by the growing prevalence of the option to shop online and pick-up in-store. Customers expect the price they pay for a product to be the same across a retail brand, regardless of their purchase channel. A further threat is the increasing prevalence and frequency of price web crawlers and near-time online price matching and showroom-
ing. According to Cognizant’s 2013 Shopper Study, 42% of shoppers buy online because of better prices. Many retailers are finding themselves in a race to the bottom on prices and as a result profit margins are suffering. Customers also expect promotions and loyalty programs to be consistent across channels. Many retailers’ pricing and promotional systems are not capable of supporting the complexities of cross-channel pricing and promotions and retailers’ policies need to be revisited to address margin erosion.

**Single View of Service**
Today’s customers expect to shop anytime and anywhere and expect service during any stage of their shopping journey. They are also attached to their mobile devices, especially text messaging. Retailers need to enable customer service across channels ranging across chat, text, video, phone, and in person. And Customer Service reps need to be equipped with complete customer and transaction information and be empowered to make decisions on behalf of the customer so that they can provide one-stop, personalized service to customers. Cognizant’s 2013 Shopper Experience Study showed that customers expect personalized service and they expect to be recognized for their status as a loyal customer.

**REINVENTING THE STORE**
In addition to transforming the foundation of the retail enterprise to enable omnichannel experience and continuous innovation, retailers need to re-think every customer touch point and the processes and organizations that are behind those touch points.

Once the omnichannel foundation is in place it will be technically possible for stores to serve as fulfillment centers, but the typical store today cannot do so without first transforming store systems, operational processes, and associate roles and responsibilities. Procedures will have to be established to prioritize allocation of merchandise, train employees, hire future employees, schedule labor, and more. Policies will have to be created for in-store pickup, returns, shipping fees, and special services. Processes and communication will have to be implemented to ensure commitments to customers are met and exceptions are handled elegantly.

Without end-to-end processes in place, well-trained associates, and supporting technology, omnichannel services are altogether likely to result in disappointment rather than delight. One prominent retailer spoiled an online shopper’s in-store pickup experience by making her wait for 20 minutes in a customer service line. In a report later posted online, the shopper said it would have been faster and easier if she had just bought the product at the store in the standard way.

The retail industry as a whole is making progress toward omnichannel transformation, but it will take several years to complete. The disconnect is that shoppers are already there. They are omnichannel ready and waiting for retailers to catch up. In fact, they are channel agnostic. They just want a seamless shopping experience for every transaction, no matter what. The ultimate retail winners will be those who move quickly, enable continuous innovation, and embrace business-model transformation versus trying to meet customer expectations by simply implementing technology projects.
ABOUT THE AUTHOR
Shannon Warner is an AVP within Cognizant Business Consulting, providing digital transformation business advice to retail, consumer goods, manufacturing, travel, hospitality and utilities/energy companies seeking to provide cohesive, relevant, value-added customer experiences across bricks-and-mortar, Web, mobile, social media and call center touchpoints. Shannon’s areas of expertise include digital commerce, digital information strategy and management, customer experience management, digital marketing and loyalty, and program management. She can be reached at Shannon.Warner@cognizant.com | LinkedIn: www.linkedin.com/in/shannonlwarner/.

ABOUT COGNIZANT’S DIGITAL TRANSFORMATION PRACTICE
Cognizant’s Digital Transformation Practice partners with organizations to discern how to leverage leading technologies to stay focused on customers and experiences rather than channels. The digital transformation business model we advocate emphasizes a seamless customer experience across all touch points, grounded in the right policies and processes, and enabled by the right technologies and people. We offer a full range of Digital Transformation services, including Strategy and Roadmapping, Cross-Channel Integration, eCommerce Replatforming, Digital Commerce Optimization, Mobile, International Commerce, Digital Marketing, Loyalty and CRM, and Agile Delivery.

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