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Omnichannel 2.0: Delivering a Tailored Experience to Customers





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Today's consumers live in an omnichannel world. They engage with businesses through websites and mobile apps using smartphones, PCs and tablets, in addition to call centers and physical stores. As such, it is essential for enterprises to engage with their customers through multiple avenues in order to thrive in an increasingly crowded marketplace. But it is not enough to just be present in those channels. Rather, businesses must leverage data analytics to deliver integrated and tailored experiences in a seamless fashion to delight each customer.

"Omnichannel gives organizations a strategic capability to get close to their customers they couldn't even have imagined 20 years ago," says Peter Fader, Wharton marketing professor and former co-director of the Wharton Customer Analytics Initiative. Using analytics to get deep insights from Big Data, "businesses can begin to really see who the whales are — their best customers — and differentiate them from the minnows. They can see what makes the whales different and then build their business around them."

One organization that understands the power of the omnichannel experience is the New York Jets, according to Wharton research, conference speeches and news reports*. The main goal of the New York Jets is to maximize the enjoyment of the team's most loyal customers at the games, making sure that every opportunity to generate revenue is explored. From the moment the first car pulls up to the parking lots at the stadium, Jets executives, from owner Woody Johnson down the line, become deeply immersed in data

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about how fans are being treated and where they are choosing to spend money. They are so serious about the effort that Johnson himself looks at real-time data on a 42-inch touchscreen display at a central hub “Command Center.”

Based on the information collected, the team lets the parking attendants know in real-time where to send fans when a lot reaches capacity or steer fans away from long lines at certain restrooms during the game. Analytics supplies information to keep inventory stocked at various merchandisers and ensure that there are sufficient quantities of hot dogs and beer to satiate the crowds throughout the stadium. Meanwhile, the Jets mobile app lets fans connect with the team and receive real-time color commentary. Fans also can use the app to chat live with friends and each other as the team provides them with stats, photos and videos.

What the Jets executives are doing digitally is connecting the customers with their game-day journey and staying in touch as fans move from mobile, to online, to print, to interaction with people. By listening to their chatter and anticipating their needs, the team is able to solve problems before they crop up in time to mitigate frustration. Indeed, the team’s “Command Center” is the essence of the omnichannel customer experience — and it thrives without distracting the fan from the game and the festivities.

While the Jets’ experience shows that providing an effective omnichannel experience can be very rewarding, many companies are

still not ready to jump. “Some companies are still questioning whether pursuing an omnichannel strategy is worth it,” says David Bell, marketing professor at Wharton. “Rule No. 1: Everyone is living an omnichannel life these days, everyone is moving between channels constantly. So it’s a paradox to think you can survive in business without being an omnichannel player as well.”

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— Raman Sapra, NTT DATA

Omnichannel and Digital Transformation

In the 21st century, consumers have seized back considerable power from businesses. With mobile phones or tablets in hand, customers want the ability to move seamlessly among channels — to check out a product online while they are in a store or at home, hear about all the discounts available or research whether they could buy the product or service for less somewhere else. They may want to pick it up or maybe have it delivered. Finally, they want the experience to feel so good that they will rave about it to friends online and off. Very simply, they want the kind of service that says an enterprise values their patronage and them as customers.

“Digital transformation is all about building new business models that either create new products or services or create new channels for engaging with customers,” says Raman Sapra, vice president and global head of NTT DATA. “Omnichannel therefore plays a very important role in digital transformation by completely transforming channels and channel interaction. Because of omnichannel, a business can create a seamless experience across multiple channels without losing the customer’s context. You know who the customer is throughout; you know what the customer is looking for, and with omnichannel’s advanced data analytics, you know what the next best action is for that customer. In that way, omnichannel is the driver of business in a company’s new business model.”

To be sure, enterprises that started online or opened their doors — virtual or otherwise — in more recent years have an advantage over older brands. They may be digital natives or at least recognize the importance of being savvy

about technology. They also do not question the need to operate in multiple channels and take a business-first approach to digital. In comparison, older organizations have had a steeper learning curve as they attempt to accommodate the needs of today’s digital customers using legacy systems that were not necessarily built to do so.

One rising digital native is Bonobos, a men’s apparel chain that began as an online retailer in 2007 to sell what it calls “better-fitting menswear.” The company opened its virtual doors just as social media and mobile were taking off. For the first five years, Bonobos was an e-tailer only, but in 2012 it recognized the need to offer an in-store channel. It opened what it calls “Guideshops,” which serve as showcases for the company’s products, not as standalone stores. While customers can try the fit of Bonobos apparel and take in possible color options, there is no store inventory. Orders are placed on iPads and merchandise is shipped to the customer’s home.

NEW YORK JETS OMNICHANNEL EXPERIENCE:

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For Bonobos and other e-tailers such as eyeglass seller Warby Parker, the decision to add physical stores represents an effort to become truly omnichannel, to mirror the way their customers actually shop. While retail stores need to be reinvented, they still have value. For while customers love to research potential purchases online, many do their actual purchasing in a store. According to a report by The International Council of Shopping Centers, customers are four times more likely to follow through on a purchase in-store than online. Moreover, seven out of 10 online shopping carts never make it to checkout, according to the Baymard Institute.

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— Barbara Kahn, Wharton

Privacy Concerns

Yet, even for those enterprises considered among the best when it comes to omnichannel strategies, accompanying customers on their commercial journey can have challenges of its own. One of the biggest concerns is that most omnichannel efforts require some kind of opt-in from customers such as joining a loyalty program, downloading a mobile app, applying for a business credit card or providing an email address or mobile number.

In 2014, designer Rebecca Minkoff unveiled what was deemed the “Store

of the Future” in New York City’s SoHo. The 2,000-square-foot store included large touchscreen displays, RFID tags, interactive fitting rooms and mobile apps. When not activated, the screens look like mirrors; when tapped, they connect the shopper to a photo gallery of Rebecca Minkoff fashions, or the means to order a free cup of coffee or glass of champagne.

The catch: Shoppers must provide their mobile number to get the drinks. This information also lets store clerks stay in touch with shoppers during their visit — texting to offer them more drinks — as well as check on their fitting room status or save a list of items they picked out for later. In the fitting rooms, RFID tags are used rather than cameras to recognize each item brought in, and shoppers can pull up product screens on the mirrors that show the item styled with different looks, as well as other available sizes and colors, much like you would find when shopping online.

Another omnichannel leader is French cosmetics retailer Sephora. Its loyalty program, app, web and mobile sites are integrated well. The retailer was one of the first to adopt Apple Pay, and the ‘Virtual Artist’ feature on its mobile app lets users try on thousands of lipstick shades virtually. “We’re definitely omnichannel,” said Johnna Marcus, Sephora’s director of digital business development in an interview* with research firm eMarketer. “The Sephora shopper is a busy woman in most cases. And because she is really jumping in and out of the device or the store, that guided how we market and how we merchandise products.”

But even with perks as enticements, customers must be willing to create

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an account, sign in and make themselves known to the business. “You can have a fully integrated experience at a Sephora or at Rebecca Minkoff, but it requires a shopper to log in and for the sales associates to know you are in the store,” says Barbara Kahn, director of Wharton’s Jay H. Baker Retailing Center and professor of marketing. “The technology’s there to provide a seamless experience, but it requires opt-in from customers and for a variety of reasons on any given day, they don’t always want to.”

Part of that opt-in is for shoppers to agree to download apps for particular stores to their mobile phones. “That will eventually be a problem as every organization is developing its own app and customers may not want a hundred different apps cluttering up their screens,” Kahn explains. “At the end of the day, there may only be one or two stores where that kind of intimate experience is something the customer wants. If that turns out to be the case, then the next real estate battle will be for the screen.”

Some companies entice customers to opt-in with generous loyalty programs. Starbucks is considered among the best when it comes to deploying omnichannel approaches to these rewards. The Starbucks app and loyalty card lets customers pay for their purchases and get credit for them in the rewards program. The coffee house chain has made it possible to check and reload a card via smartphone app, website or in-store. Any change to the card or a customer’s profile also gets updated across all channels, in real-time, which makes it very transparent.

“Starbucks used to be a company that based its success on the next big product, the next new roast,” says Wharton’s Fader. “They used to aim at a composite image of who their customer was. Now they celebrate the heterogeneity of their customers. They look for every way for

customers to self-identify. Whether it’s using their mobile app or mobile payments or their loyalty program, they’re looking to identify their most valuable customers and build their business around them.”

“It gets to the politics of an enterprise. Who gets credit for the sale when a customer has researched the product on the company website, calls the call center for help, places the order online and picks it up and pays for it in the store? ... The goal is to get your organization as a whole to work toward overall revenue optimization, regardless of channel.”

— John Romney, NTT DATA

Good news for companies like Sephora, Starbucks and Rebecca Minkoff: They cater to millennials who like a multi-platform approach to just about everything and are more likely to opt-in without even being offered much in the way of incentives. Brands that aren’t popular with millennials may have their doubts about a substantial omnichannel investment, although both baby boomers and Gen Xers are increasingly embracing channel-hopping.

The Crawl-Walk-Run Strategy

Another obstacle to developing an effective omnichannel strategy lies in the way operations are organized within a company. If they are compartmentalized based on channels rather than product or even type of customers, executives representing each channel end up competing with each other, thus hampering the creation of a true omnichannel experience.

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for the sale when a customer has researched the product on the company website, calls the call center for help, places the order online and picks it up and pays for it in the store? You can't have your channels competing against one another. Your VPs need to get along and that can only be done with attribution and contribution analysis. The goal is to get your organization as a whole to work toward overall revenue optimization, regardless of channel."

Companies also may drag their feet in deploying the strategy because the effort looks complicated; it typically involves so many vendors whose systems do not always work in conjunction with each other. This presents a challenge at integrating all the data that various channels are generating.

"What you have is different vendors who have popped up to tackle different problems," Wharton's Bell says. "There are some vendors who are really good at integrating sales and there are some vendors who are really good at integrating what people are doing on Facebook and there are other vendors who are really good at integrating data from sophisticated beacon technology. But you're dealing with technologies that aren't compatible and operating on different platforms."

The biggest impediment to realizing the omnichannel experience for many enterprises, though, may be in the way the approach is implemented. Ankur Pawa, managing director and global leader for advanced analytics and digital commerce at NTT DATA, says businesses that are embarking on a massive project should not dive completely into omnichannel in one leap. "That's a tall order," he says. "What we've seen, to be successful, is for businesses to pick out specific customer journeys and then figure out through listening what the next best action for these would be. It's a crawl-walk-run kind of a strategy

where you first focus on a couple of customer journeys — it could be a loan process approval or a credit line increase — and then prove the business case and the value of listening to customers across the different touchpoints in their journeys."

"How do companies who have been traditionally operating in a physical world go and tap into the digital world and make that

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experience seamless, and for those online companies, how do they tap into the physical world?" Pawa continues. "There are so many problems to solve along the way about the attribution of sales and allocation of costs that it argues against a 'Big Bang' approach until you have tackled those questions."

Even with challenges about implementation and organization, Wharton and NTT DATA experts see omnichannel as an inevitability simply because of the need for companies to change with their customers if they are to not only survive but also thrive against digital disruptors. More than ever, customer-centricity should be the focus of companies — and omnichannel is critical to their success.

Take Disney. The media and theme parks giant recognized the importance of the omnichannel experience and took steps to provide it. Its "My Disney Experience" tool lets customers

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do everything from booking a theme park trip and choosing where to dine to securing a FastPass for rides. In the park, customers can use their mobile app to locate the attractions they want to see and find out the estimated wait time. Disney's MagicBands wristband also acts as a hotel room key, photo storage device for any pictures taken with Disney characters, and a food ordering tool. This provides an always-connected, seamless experience that families appreciate. It cost Disney \$1 billion to develop MagicBands and add tech features to its parks*.

Does an omnichannel approach pay off for the bottom line? Rebecca Minkoff, known primarily for its designer handbags, has said that its interactive dressing room technology had tripled its clothing sales*. Meanwhile, that same year, the Starbucks' loyalty program produced record quarters in both sales and earnings. According to Kahn, there has been no definitive research yet as to the direct profitability of an omnichannel approach, but intuitively it makes sense given the way consumers now shop.

Still, the omnichannel's direct link to profits can be tricky to establish. A 2015 study** by PwC, prepared for the JDA Software Group, found that just 16% of companies can fulfill their omnichannel demand profitably. The high costs of fulfilling these orders across channels ate into their profits — and 67% of respondents say these costs are growing as they go deeper into omnichannel. The report notes that the highest expenses come from the following:

handling returns from online and store orders, shipping directly to the customer and shipping to the store for pick-up by customers.

However, CEOs are not focused on lowering their logistics costs by paring down on omnichannel efforts. The study said 71% respondents consider omnichannel fulfillment as a top or high priority — and are shifting their

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investment dollars into these avenues. The omnichannel is gaining importance such that a quarter of respondents believe the CEO will be responsible for its fulfillment and investment strategy in the next few years.

“Customers are getting smarter and snarkier, and companies must get smarter with them,” says Wharton's Fader. “After years of discussing the promise of CRM (customer relationship management) and all those CRM systems that were going to let us see customers in a more granular way, all that is finally coming to fruition because of omnichannel. It's not that the technology is better or the vocabulary has changed just because we put omni in front of channel. It's because our thinking has changed. With customer-centricity, omnichannel becomes a strategic imperative.”

*"Sephora at Forefront of Mobile Payments with Apple Pay," eMarketer, May 20, 2015.

Loyalty 360's 9th Annual Loyalty Expo in May 2016 featuring Seth Rabinowitz, New York Jets senior vice president of marketing and fan engagement.

"Jets Owner Leaves No Stone Unturned," The Wall Street Journal, Dec. 22, 2010.

"NY Jets' Command Center Offers Real-Time Analytics for Sales, Stats Freaks," Fast Company, Sept. 3, 2010.

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"New Meadowlands Stadium features revolutionary fan-friendly technology," The (N.J.) Star-Ledger, Sept. 10, 2010.

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**"Global Retail and Consumer Goods CEO Survey: The Omni-Channel Fulfillment Imperative," PwC/JDA, 2015.

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