

EMPOWERING LIVES THROUGH KNOWLEDGE AND IMAGINATION

MILANO | ITALY

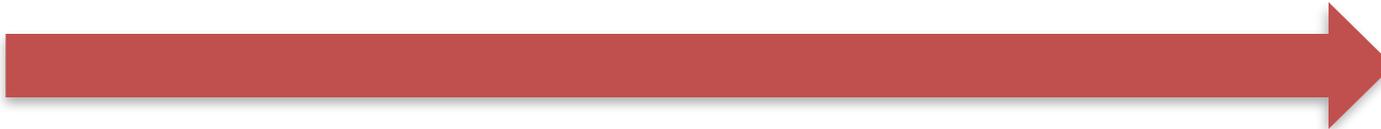
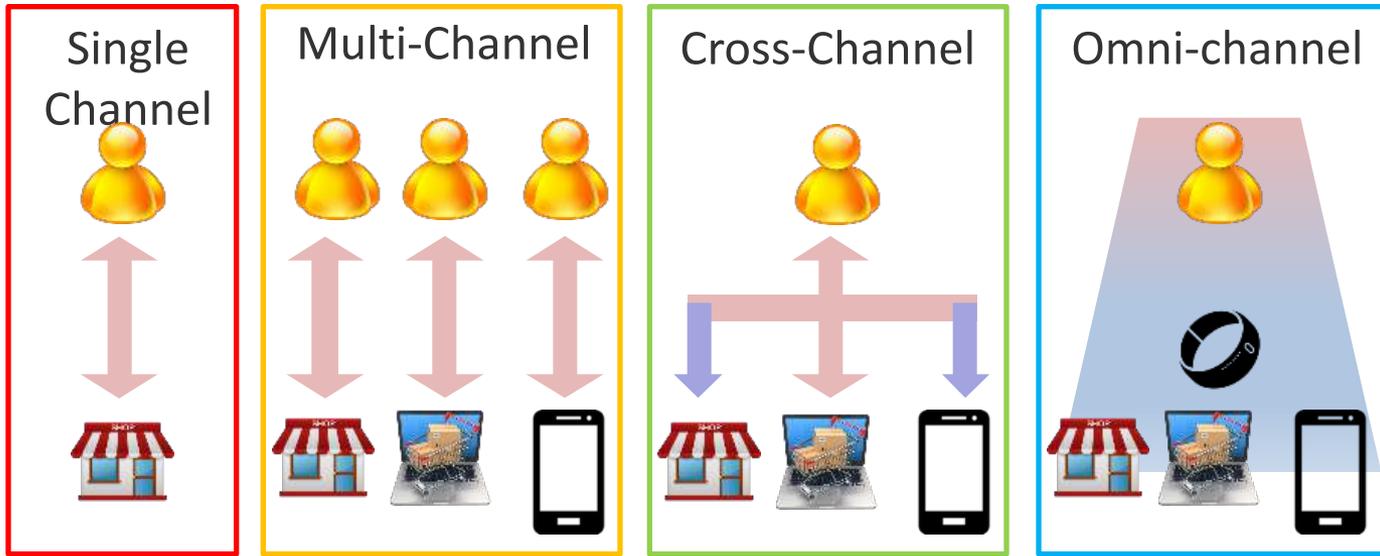
Omni-channel Retail Transformation

Sandro Castaldo

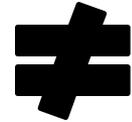
Omni-channel: Main drivers



Omni-channel: A definition



OMNI-CHANNEL



Same contents and experiences in all the channels

OMNI-CHANNEL



Changing the way to interact with consumers, from silos to a seamless experience

Omni-channel: A definition

- Retailing has changed dramatically due to the advent of the online channel and ongoing digitalization (Christensen and Raynor 2003).
- To counter these developments, many retailers have initiated **multi-channel strategies**, with new channels added to the existing channel mix (e.g., Geyskens, Gielens, and Dekimpe 2002; Deleersnyder et al. 2002).
- The scope of multi-channel retailing has been broadened by considering issues such as the management of **customers across channels** and the **integration of the retail mix** across channels (e.g., Neslin et al. 2006).
- We are **moving from a multi-channel to an omni-channel** retailing model. Brynjolfsson, Hu, and Rahman (2013, p. 23) argue: *“As the retailing industry evolves toward a seamless “omni-channel retailing” experience, the distinctions between physical and online will vanish, turning the world into a showroom without walls”*.

Omni-channel: A definition

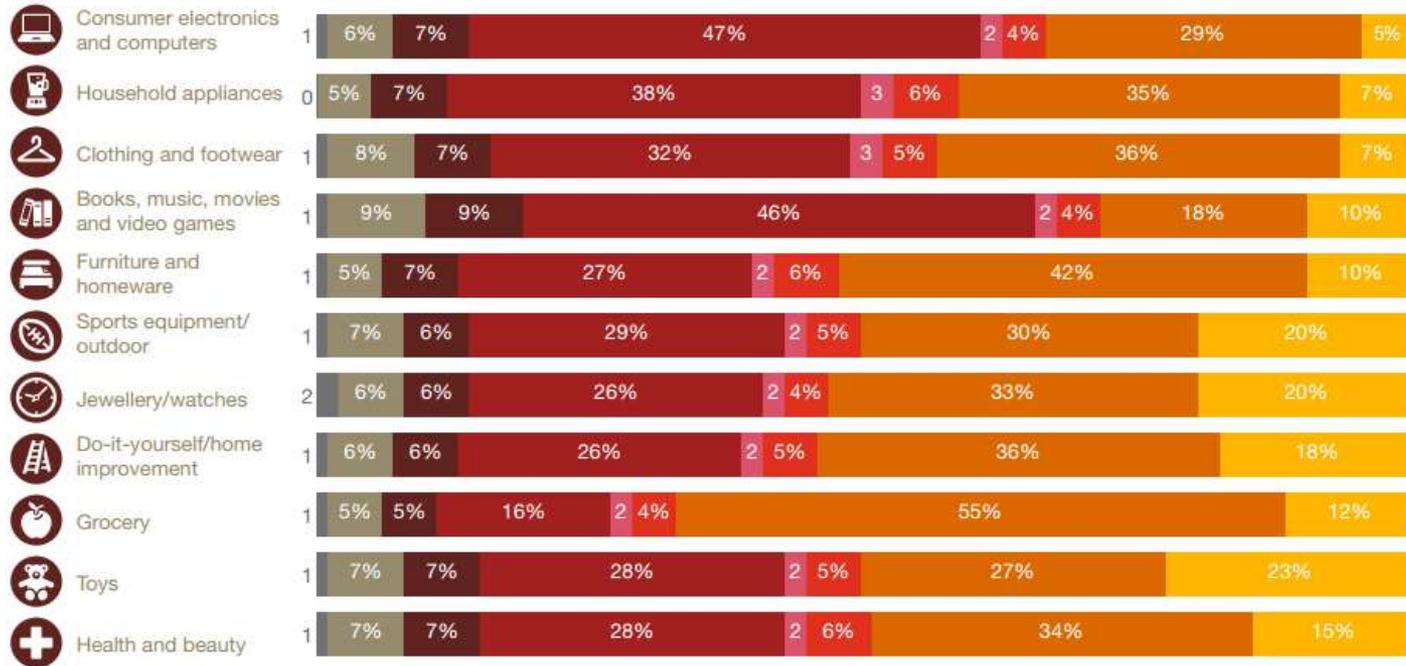
- (...) **Omni-channel management** [is] the **synergetic management** of the numerous available channels and customer touchpoints, in such a way that the customer experience across channels and the performance over channels is optimized. We thereby acknowledge that the different channels interact with each other and are used simultaneously.
- In an omni-channel, the traditional division between two-way communication (interactive) channels and one-way communication channels becomes less obvious.
- (...) consumer switching across channels and devices (...) firms need to consider this to provide a **seamless experience**. Specifically, the different channels and touchpoints are used constantly, interchangeably, and simultaneously by both customers and firms **to facilitate the customers' experience**.

Omni-channel: A definition

- The multi-channel literature can be characterized by three major research topics (Verhoef 2012):
 - (1) Impact of channels on performance
 - (2) Shopper behavior across channels
 - (3) Retail mix across channels.
- Studies on performances have several limitations to support the companies in setting up the most appropriate system of control metrics in an omni-channel context.
- Within the customer journey, existing studies suggest that different customer touch points can be identified (e.g., Baxendale et al. 2015; De Haan et al. 2016). The customer might interact with each of these touch point categories in each stage of the experience.
- The management practice needs a **dynamic system of metrics** more adapted to the omni-channel strategy of retailers that take into account the role of each touchpoint within the customer journey. **Good metrics inform good management.**

Online is hugely used to research info on purchases...

Q: Which method do you most prefer for researching your purchases?



■ Next generation wearables (watch, glasses, pens)
■ Online via mobile phone or smartphone
■ Online via tablet
■ Online via PC
■ TV shopping
■ Catalog/magazine
■ In-store
■ Do not research/buy this category

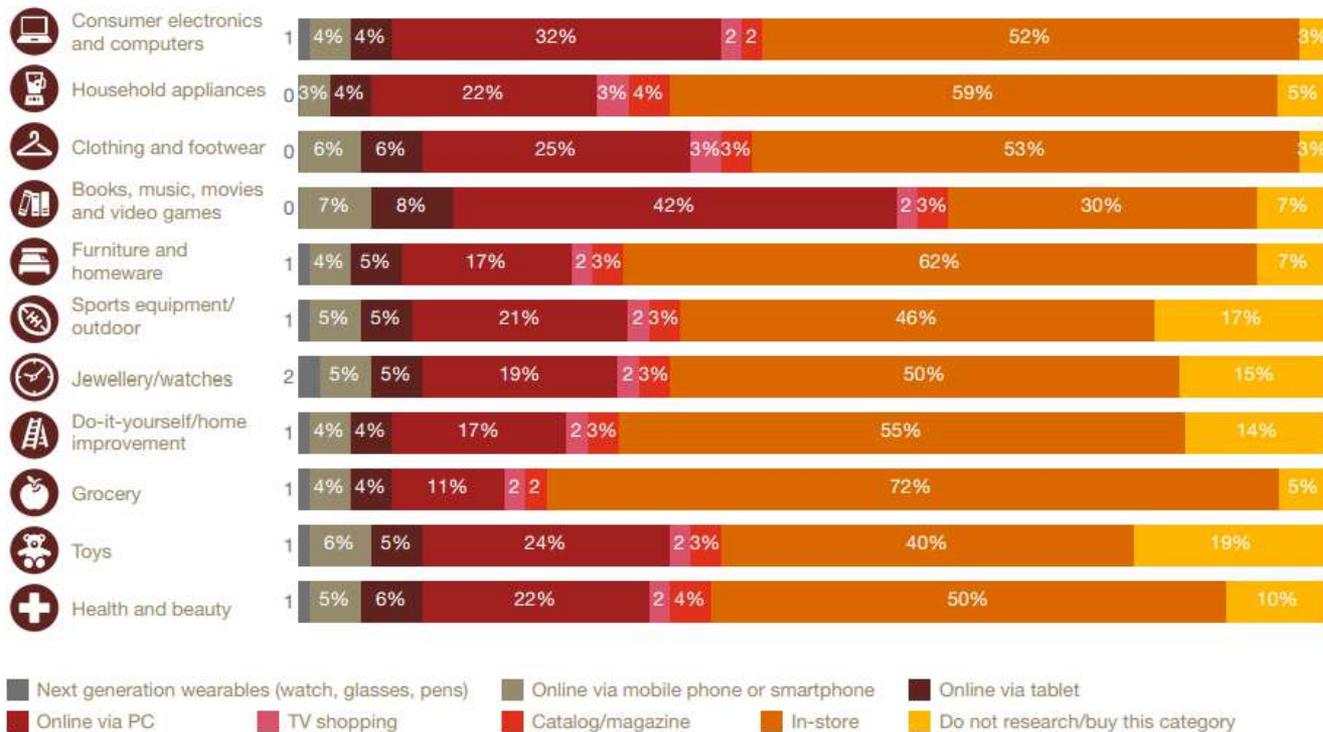
Base range: 22,203–22,527

Source: PwC, Total Retail Survey, 2016

..But the physical store is still a critical step in the purchase journey

Although e-commerce sales are growing at double-digit rates, the reality is that the majority of retail sales still happen in stores

Q: Which method do you most prefer for buying your purchases?



Base range: 22,164-22,452

Source: PwC, Total Retail Survey, 2016

The conversion rate is higher in physical stores

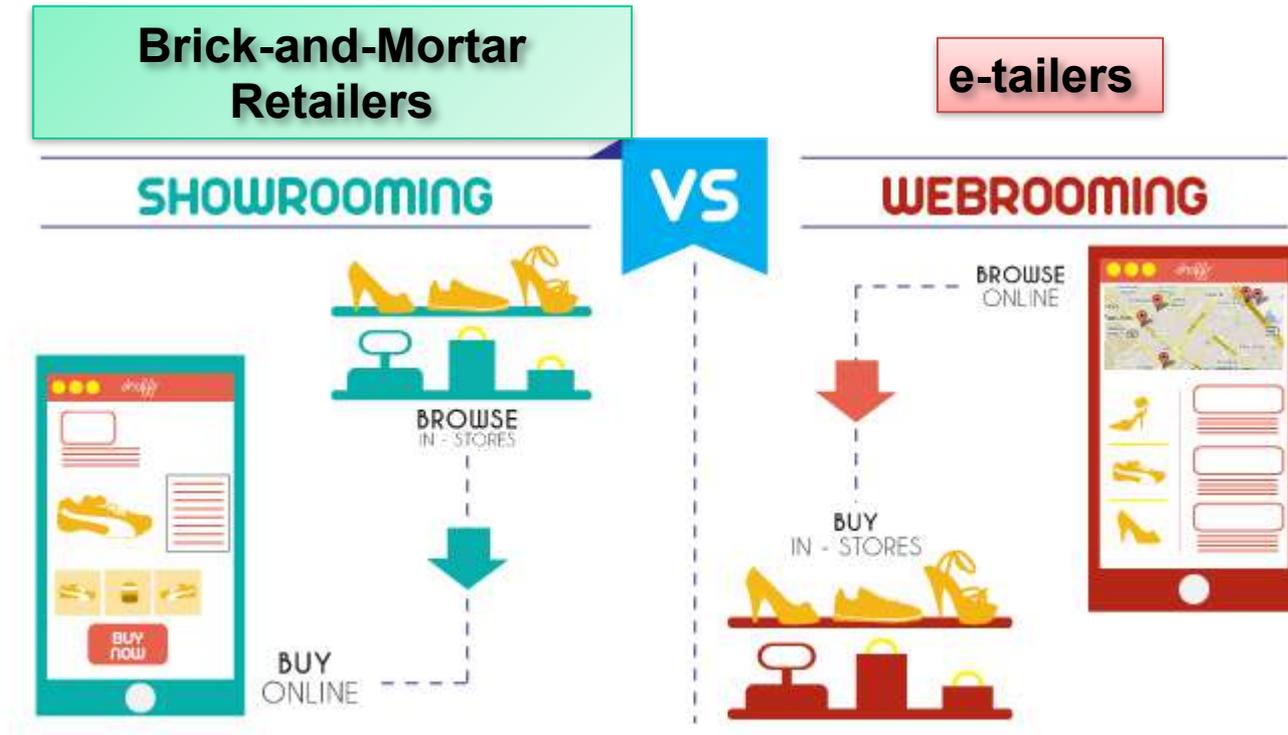
In addition to traffic, physical stores have higher conversion.

Once in a store, shoppers are much less likely than they are online to leave empty-handed. **Store conversion rates average 25% to 45%**, while online conversion is only **2% to 5%**. **Stores also trigger impulse purchases** in a way that pure-play e-tailers can't.

One study suggests that **40% of customers spend more money than planned during in-store visits**, vs. **25%** of online shoppers.



Showrooming vs. Webrooming

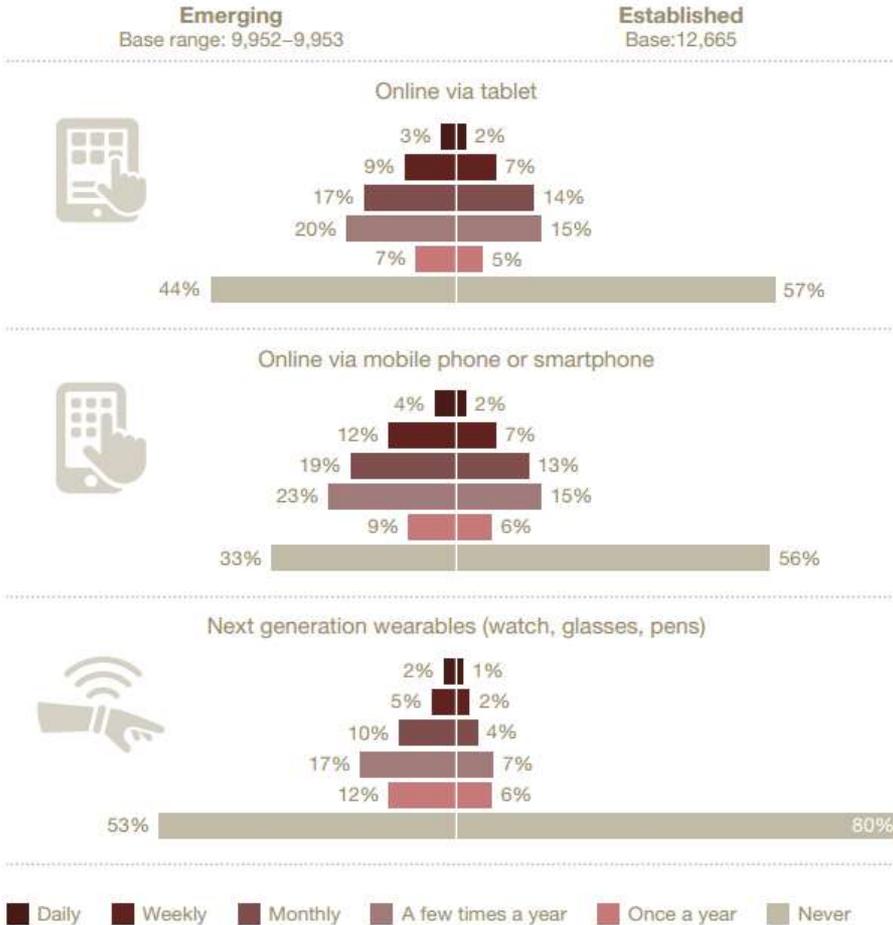


Visiting a retailer's website to research products is very common, but very often real purchase happens in store.

The reason is that, in addition to a more sensory experience, stores offer shoppers instant gratification: leaving with the product in hand at no extra cost.

Emerging countries are more used to shop via new channels

Q: How often do you buy products (e.g., buy clothes, books, electronics) using the following shopping channels? Please do not include grocery shopping.



Source: PwC, Total Retail Survey, 2016

Emerging market countries (Brazil, Chile, China, India, Malaysia, Mexico, Poland, Russia, South Africa, Thailand, Turkey, and the Middle East)
 Established markets (Australia, Belgium, Canada, Denmark, France, Germany, Hong Kong, Italy, Japan, Singapore, Spain, Switzerland, UK, and the USA).

The evolving role of stores in the «phigital» world

Traditional retailers are innovating with a range of technologies, formats and capabilities to delight customers in stores.



Technology in store to help the consumer

- To enable shoppers to make better, faster decisions while in stores.



Pick up in store and Return point

- Buying online-pick-up-in-store options are the cost-effective alternative to expedited shipping. In addition to facilitating delivery, stores are evolving into return centers. Although greater return volume creates logistical complexity for stores, it also generates opportunity for more customer visits and new sales.



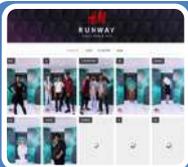
Omnichannel stores provide easy information access

- Today's shoppers crave inspiration, and omnichannel retailers are tapping into physical stores to provide them with easy access to ideas and information.



Personal Customer Engagement

- Many retailers are attempting to connect with customers personally via tailored local assortments and community outreach.

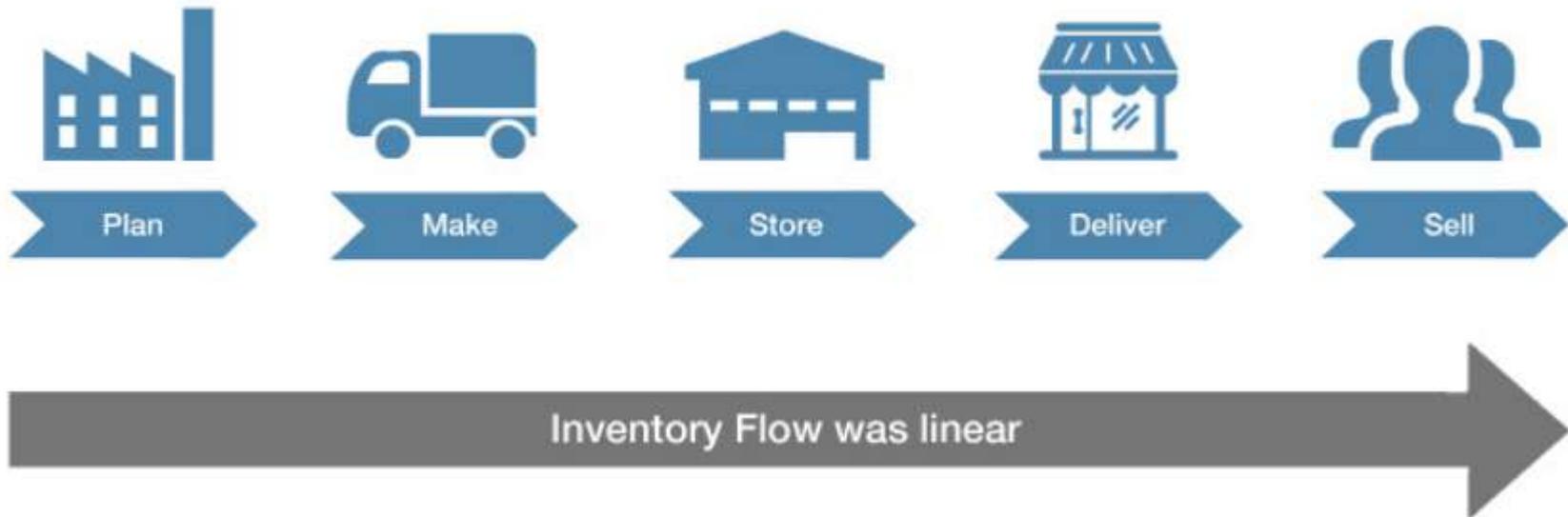


Shopping is entertainment

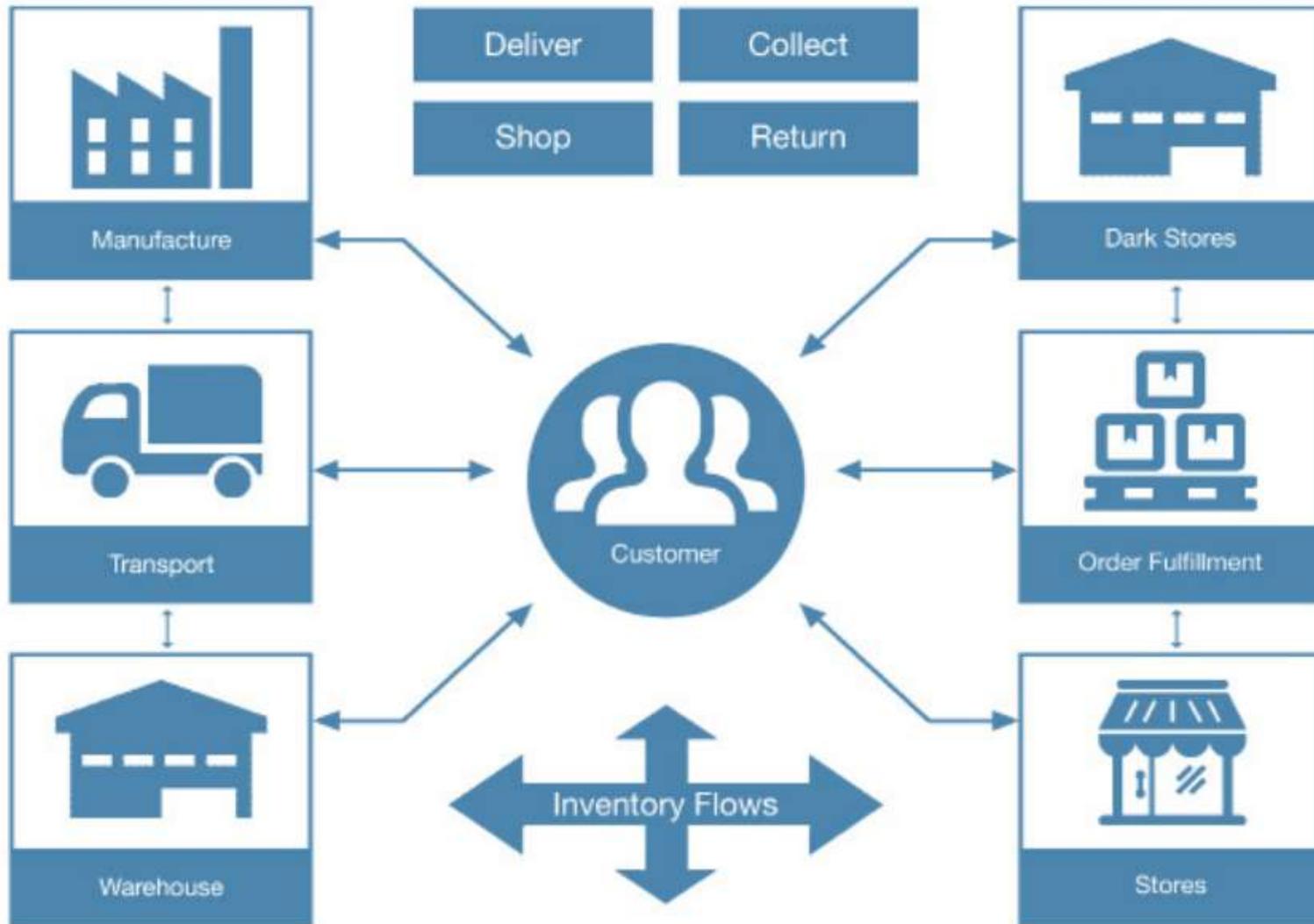
- Retailers recognize that there is an inherent difference between shopping and buying, and increasingly are using their stores to improve the shopping experience. By creating entertainment destinations, retailers are looking for new ways to differentiate between the brick-and-mortar shopping experience and the digital one.

SDA Bocconi

The traditional supply chain



The supply chain today is much more complex and integrated



Embracing transformation: customer centricity

“Retailers’ number one mistake is that they are simply not there at the consumer’s moment. You have to be there when the customer needs you.”
Jonathan Alferness,
VP of Product Management, Shopping Products Google

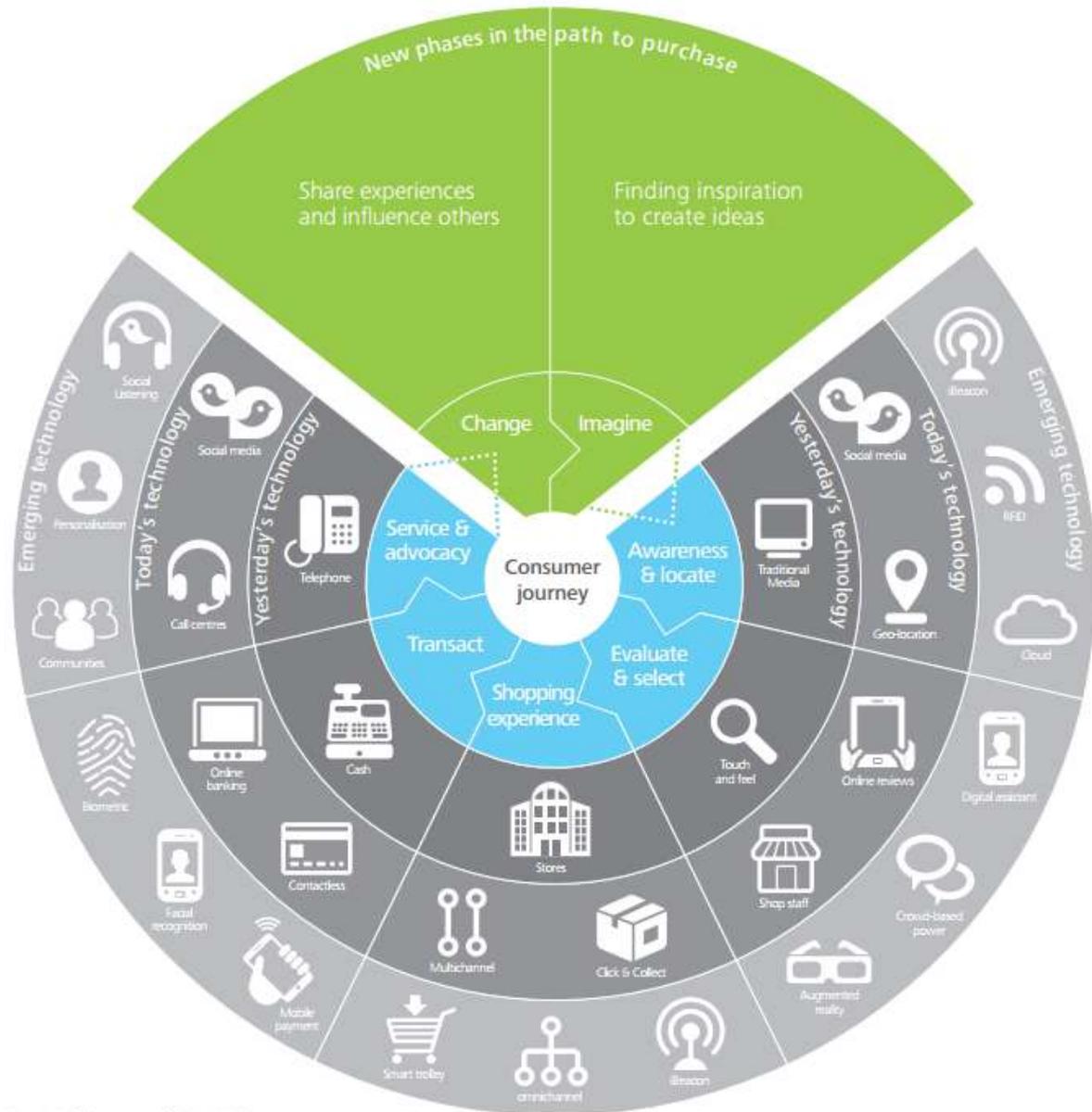
Customer-centricity is at the heart of all retail transformation, aiming at creating a positive consumer experience at the point of sale and post-sale.

- People.



The disrupted path to purchase

The empowered and hyper-connected consumer has become the catalyst of transformation in retail.



Source: Deloitte research, May 2014

Touch Points explosion



Today the relationship with the customer is more fragmented.

- Companies can get in touch with customers more often.
- There are new ways of interaction.
- Usable information increase.

There are a lot of occasions to create value, engagement, trust but also mistrust and loss of value.

The future scenario of modern retail to satisfy the new shopper

For each touchpoint there is a specific mobile app.





The Wellness Company™

Technogym Store Milano – a store and fitness centre

This is the first Italian Technogym store dedicated to private consumers.

It is a 300sqm space where it is possible to buy all Technogym products specifically related to home training.

The shop offers settings for domestic wellness for every kind of taste and needs.

What makes the store peculiar is the studio for personal training, equipped with a dressing room, to allow customers to try products during specific training sessions with professional





The Fuel Station of the Future

Eni, in collaboration with MIT, created a new concept of fuel station. The study was focused on bringing new design and technology to the fuel station of the future, tailoring the concept on the needs of the drivers, studied through various ethnographies carried out in the Italian gas stations on highways, city center and freeways.



PATRIZIA PEPE





Patrizia Pepe, Innovating the retail model

2008: the Store starts its innovation

- Videowalls and multimedia content are introduced in store. Cisco technology is used to control the distribution and the management of the content.



2009: RFID is introduced to coordinate and organize the logistics.



2011: the RFID is introduced in retailing

- Enhances the customer experience
- Substitutes the shop assistant
- Increases shop selling in store
- For anti theft labels
- To check the inventories and out of stocks

2013: from Store Video Surveillance to Store Video Analysis

- Shopper profiling
- Gender
- Age
- Peel off
- Engagement
- Visit duration



Patrizia Pepe, Innovating the retail model

The next step for the company is trying to achieve a greater integration between its online and offline stores.

The innovation of the business model is achieved through the revolution of the **retail model**.





PINKO

Pinko – the Hybrid Shop, Milan 2013

PINKO

What can the shopper do in the Hybrid Shop?

- Check the full range choice within the Pinko collection.
- Mix and match accessories, styles and variations of clothes.
- Purchase the clothes in the shop.
- Order the clothes online with a 48h home delivery



Argos – the phygital store from a phygital player

Argos are a UK based retailer of toys, home furnishings, personal care and technology, with over 40 years of trading behind them. A massive 95% of the British population live within 10 miles of one of Argos' 750+ stores.

Argos are also industry leaders in the digital world, and with over 738 million yearly website visits, they are one of the UK's largest high street retailers online.

Argos realised there was a way their two worlds – digital and in-store – could exploit synergies and work innovatively way to transform their consumers' experience when shopping in their stores.

Argos embarked upon the ambitious project of opening 53 new digital stores.



Argos – in store innovation

The traditional catalogues were substituted with new iPads to peruse over 43,000 products through.

A “fast track” service that allows customers who have ordered their products online to collect them from a store within sixty seconds of arriving.

“Pay and collect” points were created, meaning the end for its long collection counters .

In conjunction with the launch of the new stores, Argos is also following a recent trend: trialling despatching goods from around 50 stores including the four London digital concept stores, promising immediate, same day or next day fulfilment on a range of 20,000 products.



Argos and eBay click and collect service

- Argos and eBay have collaborated to offer a convenient click-and-collect service that allows consumers to purchase goods from eBay and collect them from a designated Argos store.
- The partnership has enabled shopping opportunities that were not available to consumers before.
- Vice President of eBay Germany, Stephan Zoll, reported 2.5 million eBay purchases passed through the Argos click-and-collect program since its 2013 launch, with 200,000 sellers currently taking advantage of the program.



Click & Collect at Argos enables your buyers to collect items at a time that suits them from over 750 Argos stores across the UK.

- How to become eligible
- Exclusions
- What you need to know
- How to opt-out
- Returns
- Terms and Conditions



We'll automatically add Click & Collect at Argos to all of your eligible listings, at no extra cost. The only difference is your item will be sent to an Argos store instead of a home address.

Total Germany - Innovation Station Competition



Nowadays customers not only use gas stations for re-fueling their vehicles, but as a service station that goes beyond car-related services. The gas station becomes a provider of services/goods and a sociable meeting point.

The brand slogan “Refuel and relax” fittingly describes the service and quality promise of TOTAL.

From gas station to service station

With this project TOTAL wishes to create new service and product offers as well as design ideas for the architecture and the interior design of the service station of the future in an open and collaborative contest of ideas. The task is to completely rethink the service station concept in the context of a modern metropolitan neighbourhood.

The winner: Blink, the new Total Pranzlauer Berg gas station



Total Germany - Innovation Station Competition



free health system

- ▶ **health unit** is consisted of simple pharmacy and a Hcap. Hcap(health capsule) is a corner with ECG with interpretation, defibrillator and blood glucose-pressure monitor.
- ▶ **showers** for Total users.

free baby unit

- ▶ **baby unit** is consisted of changig tables+baby bath. all baby necessities are free to use.

new totally creative cafe system

- ▶ every table have all-in-one **battery charger** for mobile devices
- ▶ with help from new **Total App** for mobile devices you can create your own cafe atmosphere, controlling sound, music and light just with you being there.

free energywith new TOTAL card you can use all of these systems and more, easily for free

Amazon Anticipatory Shipping

A recent supply chain innovation pre-empts customer orders, starting the delivery process before the customer clicks 'buy'.

Amazon has called this method 'anticipatory shipping', whereby a product is boxed and shipped to a local warehouse in closer proximity to the potential customer in order to shorten its arrival time once an order is placed.

The process also considers customers' previous orders, product searches, wish lists, shopping-cart content, product returns, and webpage actions.

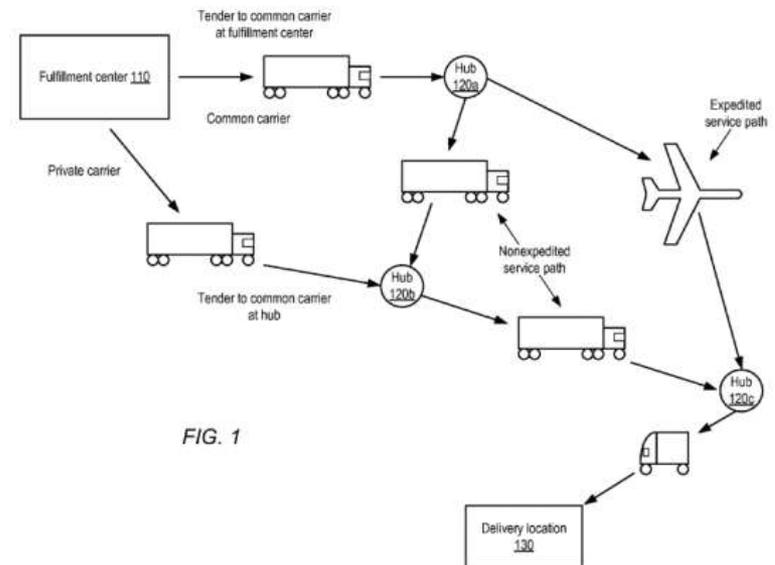


FIG. 1

Walmart's mobile app

- Walmart's mobile app streamlines consumers' in-store experience
- Shoppers find items using GPS navigation, pay for their products with their smartphone and get additional savings by scanning their receipts and earning the difference when a local competitor is selling an item at a lower price than Walmart.
- This holiday season, shoppers can even search for a friend's wish list using the app, making buying gifts faster and easier.

Everything at your fingertips
Download the Walmart App.

Download on the App Store | GET IT ON Google play

The Walmart App gives you so many ways to shop!

Notifications
Be the first to find out about hot savings, big events and more.

Savings Catcher
If a local competitor has a lower advertised price, you get an eGift Card for the difference.

Search My Store
Check in-store product availability, aisle location and prices.

Tons of items
Find what you need by shopping our huge assortment of great products.

Weekly Ad
See your store's Weekly Ad for item details, customer ratings & reviews and more.

In-Store Pickup
Save time that the app to check in before picking up your order in-store.

Pharmacy
It's a couldn't-be-easier! Quickly receive prescriptions, then pick up at a store.

Registry
Set up a baby or wedding registry and share with family and friends.

Lists
Create and share lists for any occasion—great for gifting, shopping and more.

Sephora Beauty TIP

•Sephora recently unveiled its new store concept, the Sephora Beauty TIP (teach, inspire, play) Workshop, to serve as the vision for both current stores and future locations.

•Twelve beauty workstations sit in the heart of the store, equipped with USB ports, iPads and Wi-Fi. Shoppers can watch YouTube how-to videos; use Sephora's color, fragrance and skin care IQ systems for product suggestions; and upload selfies and their own recommendations to the digital beauty board in the store.





BURBERRY

L O N D O N

Burberry - the Digitally Integrated Store - London 2012



The Regent Street Store in London is a 44,000 sqft space incorporating:

- a digitally-enabled gallery,
- 500 speakers,
- 100 screens including the tallest indoor retail screen in the world, which will engage customers through emotive brand content.

Disruptive digital takeovers are synchronized across all screens and speakers at set times throughout the day.



Il digital Retail Burberry

"Burberry is now as much a media-content company as we are a design company"

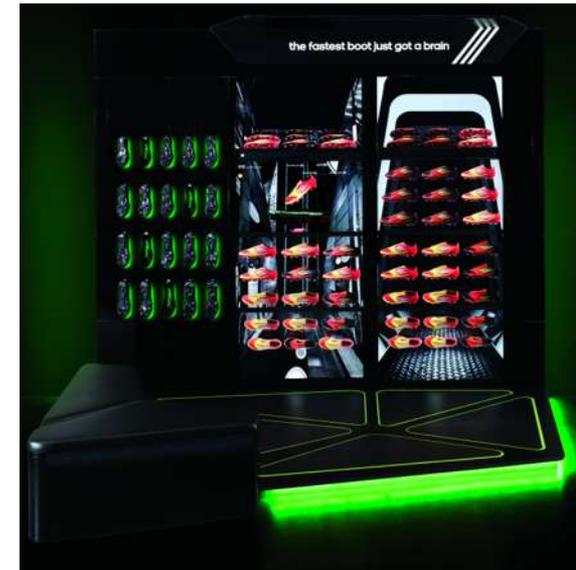
Christopher Bailey, Chief Creative Officer





adidas scope is to find increasingly creative ways of integrating e-commerce into bricks-and-mortar retail.

The strategy is **to control the experience.**



adidas adiVerse: Virtual Footwear Wall, 2011



The virtual experience brings all of the flexibility of the Web into an interactive retail environment.



adidas - NEO Virtual Shopping Windows, 2013

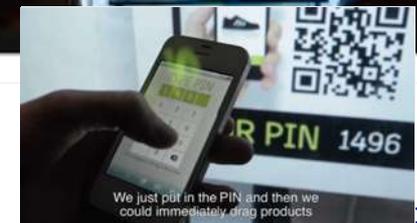


Adidas Neo concept stores show the brand's commitment to digitizing the real world retail experience with interactivity top-of-mind.

Pilot testing in adidas NEO Nürnberg store for a six-week pilot test starting from September 2012.

The shops feature Neo Window Shopping, interactive storefronts that act as a fully functioning virtual store, complete with life-size digital products for people to play with.

The interactive digital window connects to the shopper's smartphone making possible to shop at the store after hours without an app or scanning a QR code.



Innovation Vademecum

Innovation is the only
way to win.

Steve Jobs

Be forward thinking

Generally, transformation in retail is possible by leveraging new technologies and big data, rethinking business models, and adapting operations and marketing in order to respond to rapidly evolving competitors, customers and technologies.

Forward thinking retailers are transforming product, brand, interactions, operating models, supply chain, organisational structure, and people to remain relevant and competitive while embracing customer-centricity, placing customers at the centre of business decision-making and strategy planning, development and execution.



“What you have to do is think that everything is constantly evolving and if you don’t evolve and transform, you die.”

Paul Charron, Chairman, Campbell’s Soup