

Expert Group

Omnichannel Transformation

On the Way to Omnichannel 2025

Takeaways

1. Dutch retailers do not currently provide a seamless omnichannel customer experience.
2. The first step is developing a customer-centric vision and recognizing the need to change. The right people must be involved in the process in the right way, and must be given the mandate and budget they need to succeed. The new organization must embrace a philosophy of continuous learning and innovation, and each team must be rewarded for its contribution to overall customer satisfaction.
3. Make sure you have a technological foundation in place that provides centralized access to product and customer data. Start with a first version and keep scalability and implementation across the entire organization in mind from the very beginning.

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The Challenges and Success Factors of Omnichannel Commerce

Customer expectations are changing rapidly. Driven by the latest digital trends and technological developments, major online players such as Amazon, Apple and Google have set a standard that consumers have become accustomed to. Customers are no longer loyal to a single brand, but opt for the best and, above all, the easiest experience. Nowadays, the customer experience tends to involve both online and offline processes, with customers automatically and implicitly switching between channels.

Companies are struggling to get a grip on this, and are not yet sufficiently capable of offering customers a personalized, relevant and flexible experience. In this blue paper, we will discuss how different kinds of companies can learn from each other what a customer-centric approach really means, how to create an organization with a focus on innovation and customer satisfaction, and how to get technology and data to optimally support business operations.

1. Omnichannel Commerce – Why Is It Still Relevant?

“Customers don’t think in channels – an omnichannel approach is implicit for them.” The experts are quick to agree with this statement. Based on current trends, they anticipate a future in which shopping will be made relevant and personal through a growing number of services and touchpoints. The largest shopping platforms use personal data and context to highlight a limited, yet relevant selection of products, while smart devices – including both smart assistants like Amazon’s Alexa and other solutions, such as interactive mirrors – facilitate an easy purchase process. This development means businesses are seeing their control over the customer experience surrounding their own online stores and brick-and-mortar locations gradually diminish. In addition, the major platforms are setting a certain standard, which customers will also come to expect in each interaction with your company.

Companies of the future put their customers first. Facilitating the best customer experience is already the biggest differentiator between companies, and is only set to increase in importance: your brand is your customer experience. Customers have more options than ever before and expect that:

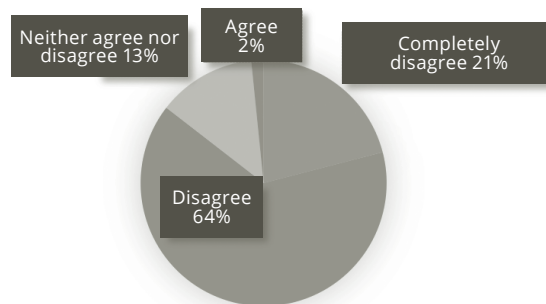
- their favorite products are readily available when they want them;
- they do not have to click through countless products in order to make a choice;
- weekly deals and promotions also apply in online environments;
- items bought from a company’s online store (or an affiliated online store) can also be exchanged at brick-and-mortar stores;

- payments can be made without changing windows;
- deliveries can be tracked from one second to the next without having to work with long, complicated tracking codes.

In practice, it turns out it's not always easy to facilitate a relevant, personalized customer experience, and implementing the latest, technology-driven trends can raise a number of questions, including:

- How do you collect the data you need to get to know your customers?
- Which product features best solve your customers' problems?
- How do you make sure that all data is available across all the various systems?
- How do you translate insights obtained from data into a consistent customer experience and make sure that your own organization is set up properly?

Statement: Dutch retailers currently provide a seamless omnichannel service to their customers



Only 2% of respondents believe that Dutch retailers provide a seamless omnichannel customer experience¹

A round-table discussion between the ten experienced commerce specialists in the expert group quickly revealed that there are no easy answers to these questions. While customers may consider an omnichannel approach to be a given, it has yet to become integral to the way we organize ourselves and the tools we use. Research shows that 69% of customers require omnichannel services, but only 13% feel the digital and physical customer experience are well-coordinated.²

Omnichannel commerce is not a new phenomenon: it is a rapidly evolving trend and Dutch companies have to keep up in order to stay relevant. The Omnichannel Transformation Expert Group aims to bring together experts from Dutch companies, so that they can learn from each other and jointly decide on the best way forward. When setting a strategy for the future, it is important to look at the challenges that organizations are currently facing.

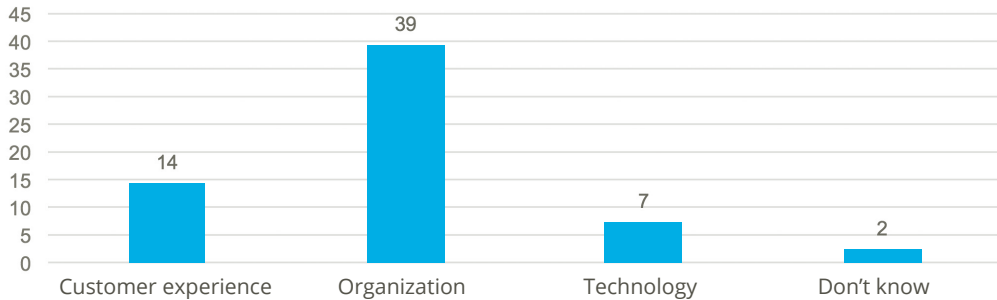
¹ RESEARCH CHATBOT ABBE INSIGHTS (N=62), 2018

² ACCENTURE, CREATE CONTINUOUS CUSTOMER EXPERIENCES, 2017

2. Omnichannel: Current Challenges

In this section, we will describe the biggest current omnichannel challenges for retailers by focusing on three core themes: customer experience, organization, and technology and data. Together, these three domains are able to provide an ideal omnichannel customer experience. We will outline the ideal scenario for each domain and compare it to the current reality.

In which area will organizations face the biggest challenges with respect to omnichannel transformation and integration?



Most challenges fall into the 'organization' category³

2.1 Customer Experience

Designing the best customer experience starts with the customer. Companies of the future put their customers first and ask themselves what their customers want and when they want it. This will require a shift on the part of companies whose strategy is currently centered on their products or revenues.

Companies are becoming aware that their customers want a quick, relevant and flexible experience, which is why in most organizations improving customer satisfaction and customer service is a greater priority than it was a few years ago. This is mainly reflected in improved accessibility, but in a lot of cases companies aren't yet able to deliver on the promise of personal communication and personalized offers. There is still a lack of consistency between the customer experience on online and offline channels. It can also be tricky to get a clear sense of what customers want at a given moment.

The challenge is to define relevant customer journeys that address the customer's needs on a moment-to-moment basis. How do you figure out which interactions on the various different channels will support the customer experience? And how do you make sure that the right channel is used for each specific need? How can you really get to know your customers and build a relationship with them?

Case: Nike+

Nike is a great, recent example of an omnichannel approach. With Nike+, their loyalty program, they want to create more consumer touchpoints. The American sports brand is doing this by entering into strong partnerships with retail partners such as Footlocker, Nordstrom and Amazon. These partners are given the opportunity to sell exclusive Nike products, while Nike is given greater influence on how its products are showcased, similar to a store-in-store strategy.

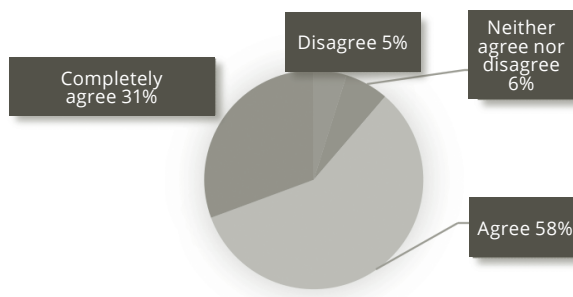
As part of its improved omnichannel strategy, Nike opened its first store targeted specifically at Nike+ members in July 2018, combining online and offline channels. For example, an app has been launched that transfers digital experiences to the physical store. The new brick-and-mortar store also has its own features aimed at optimizing the customer experience, such as lockers where customers can pick up products they have ordered online, and Curb Services for purchases, exchanges and returns.

The customer engagement and sense of community fostered by Nike reinforce the overall brand experience that makes the company stand out from its competitors. At the same time, Nike collects data both internally and through third parties, which can be used to further optimize and innovate the customer experience.

2.2 Organization

In an organization that puts its customers first, each and every team – right up to the highest level – is rewarded for its contribution to customer satisfaction. Continuous learning and improvement of your services should be anchored in your core values. The employees of the future will be expected to continue to innovate and respond to changing customer needs. In addition, multidisciplinary cooperation is a key part of a successful omnichannel transformation.

Most companies are already consciously working to make a change and are experimenting with digital initiatives to varying degrees. Companies generally struggle to break through traditional silos, as a result of which customer experience often remains the responsibility of a single team. The vast majority of the respondents to our survey stated that the organizational structure is what's keeping them from successfully implementing an omnichannel transformation. In addition, the funds made available for omnichannel initiatives and for recruiting and training digital talent are often insufficient.

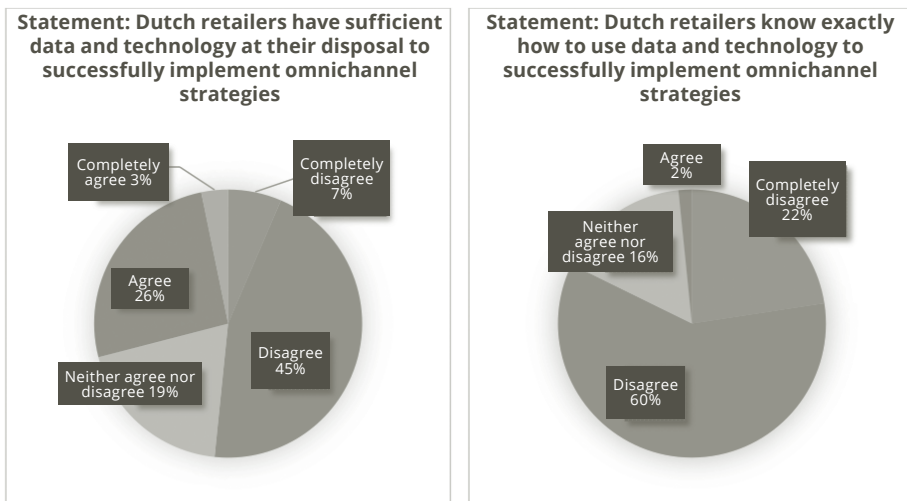
Statement: The organizational structure of Dutch retailers currently does not optimally facilitate the successful implementation of omnichannel strategies

The challenge is to make sure the entire organization is pursuing the same goal. How do you motivate store owners to order items for customers from the online store? And how do you make sure that the customer journey is not being managed by just one team while other teams are pursuing their own KPIs? Yet another challenge is encouraging initiative and giving people the freedom they need to grow. For example, how do you give junior teams with innovative ideas the required mandate and make sure they get the support they need from the knowledgeable, experienced senior management team?

2.3 Technology and Data

An integrated mix of commerce, marketing and service platforms allows you to make commercial product and pricing data available across all channels. Customer data is collected and analyzed, possibly in data partnerships that span the entire chain. Artificial intelligence (AI) is used to facilitate a more personalized and more relevant customer experience on a larger scale.

Companies have identified a wide range of technological opportunities and are investing in various platforms to varying degrees. A common pitfall is having the IT department drive the choice of a technical platform, without having a clear roadmap in place for the entire organization. There is often a lack of clarity as to what data is available and whether the quality of this data is high enough to be able to track the customer's journey across all channels. Furthermore, in a lot of cases it is unclear during the implementation phase who's going to be working with the platform and what skills they will need for this. The opposite can be the case as well: sometimes companies fail to involve the IT department in the decision-making process, as a result of which the platform may end up having insufficient technical capacity to be scaled up and rolled out to other parts of the organization.



Collecting and using the right data seems to be a challenge⁴

The challenge is to make a deliberate choice in favor of a technology that will support the relevant parts of the customer experience, and to have a clear idea of what the organization's first steps will be. Expertise is needed to integrate new platforms into the existing IT landscape and to make the most of what the technology has to offer. Organizations need to be able to link products to context and to make relevant offers based on this information. Commerce, content, marketing and service processes are not independent, but are supported by information stored in integrated systems.

3. Vision and Roadmap: the Organization of the Future

The most recognizable challenges apply to virtually all companies regardless of the sector they operate in, but organizations in certain domains will also face challenges specific to their situation. Telecom companies, for instance, have much more data and customer information at their disposal than retailers. Manufacturers, meanwhile, are partly dependent on retail partners in developing their customer experience, while retailers may have specific agreements with franchisees or store owners, and B2B organizations have to deal with specific sales targets.

In order to be able to cope with the challenges relating to customer experience, organization, technology and data, we recommend developing a roadmap – a process that starts with defining a clear vision and strategy. This should then be translated into a suitable organizational structure and the use of the appropriate technology, which together will facilitate an ideal customer experience. By measuring customer experience and continuing to build on the current situation, you end up in an iterative process of continuous improvement.

3.1 It All Starts with a Vision and Strategy

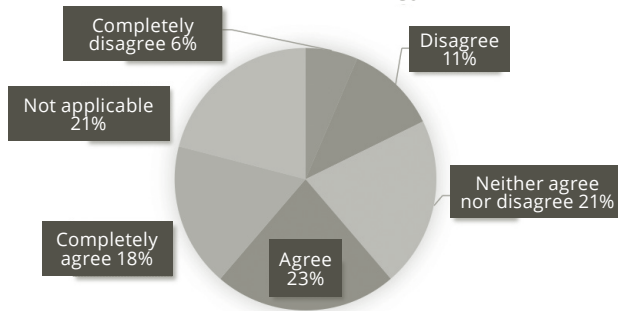
First of all, a clear vision requires a conscious decision to effect change. In other words, a transformation is required, one that you will need to commit to 100%. Those organizations without a clear vision in place that haven't already disappeared will soon find themselves being wiped off the map. The entire organization needs to believe that the company has to meet the standards of today's modern customers, and must be prepared to raise the bar within its industry.

How do you develop a sound vision that puts customers first? Make sure that you are clear on the underlying core issue and that you know which specific challenges your organization will face. This depends, among other things, on the specific domain in which you operate and on your digital maturity. It is important that you involve the right people in the process to get a good sense of the issues you're facing, and that management direct this process properly by making enough time and funds available for omnichannel initiatives.

The vision will lead to a strategy that seeks to answer questions such as:

- **Accessibility:** Where and when does the organization interact with its customers?
- **Availability:** What information is available at each touchpoint?
- **Affordability:** Which triggers activate customers?

Statement: My organization has a clear omnichannel vision and strategy



The expert group was pleasantly surprised by the percentage of organizations that already have a clear omnichannel vision and strategy in place⁵

Case: Alibaba's New Retail

Alibaba is committed to its 'New Retail' concept, seeking to blend brick-and-mortar retail and e-commerce. In the past year, no fewer than 65 Hema stores (not to be confused with the Dutch HEMA chain of department stores) have been opened to expand Alibaba's established online channel with an offline presence. Customers can order their groceries online and have them shipped to their doorstep within 30 minutes. This delivery service is also available to customers in Alibaba's physical stores. Customers can use an app to scan products in-store to obtain more information and pay for them. If you are hungry or in a hurry, you can even have your food prepared in the store itself.

At the same time, Alibaba is making major investments in face recognition technology, which will allow the company to further expand its offline retail strategy. In certain Hema shops, customers can already pay with their face.

Early results show a positive impact: combining offline and online options has resulted in a higher average monthly spend by customers. This is a striking example of how omnichannel can add value in terms of improved customer experience and increased revenue.

3.2 Setting the Organization Up for Success

Organizations that emphasize continuous learning should follow the philosophy of "think big, start small." The strategy delineates which people should be involved. In practice, a good mix is required, with an executive sponsor with a clear mandate and ample experience putting their trust in, and making funds available to, a team of motivated employees from various parts of the organization. This prevents a situation where the strategy is developed by people who have been stuck in the same patterns for too long and also prevents initiatives from being doomed to fail due to a lack of mandate and budget. A cross-disciplinary team will take a comprehensive approach to developing new initiatives and ensure they can count on broad-based support. It is up to the executive sponsor to regularly take stock of the progress being made and to use their influence to remove potential obstacles for the team.

⁵ RESEARCH CONDUCTED BY ABBE INSIGHTS, 2018

Measuring and sharing success has a contagious effect and allows for a short feedback loop about what is and is not working. Employees must be encouraged and rewarded for their willingness to keep learning and changing, for example by making the time and budget available for them to attend relevant training courses.

In addition, the entire organization must be rewarded for its contribution to customer satisfaction. One practical tip is to give store owners a share in the profit if customers have an item delivered in their area, or if an online order is placed from the store for an item that is not in stock there.

3.3 Technology Is Flexible and Scalable

Where technology and data are concerned, starting small and gaining experience can also be an effective strategy. Digital processes used to personalize the customer experience, for example, can also be implemented manually on a small scale. When it becomes apparent that the initiative has clear potential for success, these processes can then gradually be automated more and more.

Make sure to start out by assessing the quality of the available data and how it is managed, before you decide to start collecting more data. Companies indicate that they have a large number of duplicate records and that insufficient data quality control is in place. Start with initiatives that can draw on the data you have available currently and manually fill in any gaps. This will automatically show you what data you will need for the next step.

Above all, you need to have a sound technological foundation in place, working with a platform that provides centralized access to product and customer data, has been integrated with your back-end systems, can be scaled up when necessary and can be rolled out across multiple parts of the organization.

3.4 Continuous Improvement of the Customer Journey

There is a clear, customer-centric vision in place, the right people are involved in the process in the right way, and there is a platform that enables you to start linking product and customer data and make this information available.

The next step is to design a seamless customer experience that is, at any given moment, relevant to the channel your organization is using to interact with the customer. This experience should be data-driven and personalized. In other words: you should know the customer's problem and be able to provide real help. In the longer term, the use of artificial intelligence will make this personalized experience scalable and flexible.

In order to achieve this relevant, personal, flexible customer experience, the most important thing is to simply get off the blocks. Companies indicate that they tend to spend too much time thinking about things, instead of taking action.

Start by analyzing the data you have at your disposal and mapping out your current customer experience. What customer profiles do you know? What are their needs? At which touchpoints will you solve what problems? Formulate hypotheses, test them with real customers and adjust the customer experience accordingly, starting off by looking at individual campaigns before scaling up to entire projects.

Optimizing the customer journey will provide you with the key input for your new organizational structure. After all, new customer insights will tell you what else you need to know. This makes your

data needs more specific and brings to attention any gaps in your current processes. You will also get a clear sense of your technological priorities. For example, you will be able to glean how exactly artificial intelligence can contribute to overall customer satisfaction.



Expert group meeting: What initiatives do the experts have on their roadmaps?

Case: Beversport

Beversport has an effective omnichannel strategy in place, which revolves around constantly learning more about its customers by collecting online data (such as browsing and purchase behavior) and combining this with offline activities. Store staff suggest the click&collect service to customers, and marketeers deploy offline and online campaigns, aiming to create new touchpoints that will help Beversport understand its customers from marketing, sales, service and product-management perspectives.

4. Conclusion

- The first step is developing a customer-centric vision and recognizing the need to change.
- The right people must be involved in the process in the right way, and given the mandate and budget they need to succeed. The new organization must embrace a philosophy of continuous learning and innovation, and each team must be rewarded for its contribution to overall customer satisfaction.
- Make sure you have a technological foundation in place that provides centralized access to product and customer data. Start with a first version and keep scalability and implementation across the entire organization in mind from the very beginning.

- Start by mapping out your current or desired customer journey, formulate hypotheses for each touchpoint and test them with real customers. The customer data collected in the course of the customer journey will serve as the primary input for optimizations and will help set the priority for new initiatives, experiments and technical features on the backlog.



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