The Last Mile: Transforming Commerce in Physical Stores

Implementing Modern, Mobile, Secure, Commerce Technologies into Physical Store Settings for Sales Force Enablement and Enhanced, Extended Customer Experiences

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Executive Summary

Most sales executives will recognize the benefits of expanding online commerce technology into physical stores—and into the field—to enable store associates and outside sales reps to engage customers across both online and offline channels. Online commerce is rapidly gaining a larger share of revenue at the expense of offline stores, as customers respond to a continuous stream of rich, personalized experiences that improve and extend their shopping and purchasing activities.

Forrester Research recently reported that U.S. retail e-commerce sales were set to reach $231 billion annually to comprise eight percent of total retail sales. But online retail’s rapid growth trajectory is only part of the story. The same trend is occurring in B2B sectors as leaders consolidate their share of wallet in B2B markets that are twice the size of B2C commerce. Modern omni-channel commerce technologies are now merging digital and physical channels to produce seamlessly branded, operational and customer experiences. Organizations are striving to bridge the gap between the online and offline environments by leveraging available commerce technologies to create a seamless omni-channel experience across their entire physical store networks.

This paper outlines how brands can integrate their physical stores with their online properties and avoid losing sales to online competitors. It provides suggestions on how to create engaging in-store experiences to satisfy customers who have grown accustomed to compelling experiences online, and describes ways to empower store associates to deliver exceptional customer service.

Eliminating Last Mile Barriers

How can companies implement omni-channel solutions in physical commerce settings? What are the characteristics of the technologies required to break through the barriers of traditional commerce silos? What should companies do if they have fallen behind their competitors in enabling a seamless infrastructure to assist their associates and customers to engage interactively in commerce?

Persistent obstacles may carry over from legacy systems, and may not be easily resolved by incremental improvements to traditional technologies. For example:

>- Redundant, offline information (customer, product, order and inventory) in physical settings that conflict with real-time demands of today’s connected customer.

>- Operational challenges for sales associates as the digital empowerment of customers makes parts of their traditional roles obsolete.

>- Inability to handle unstructured data that is increasingly critical to enriching the customer’s experience, and has no role in legacy information or transaction systems.

>- Embedded payment processes or minimally encrypted capabilities inside checkout software, making it vulnerable to malware and external penetrations.

>- Push orientation for offers and promotions that ignore the ongoing customer-to-business, or C2B influence of user generated content (UGC) and preferences.

>- Dealing with mobile as it forces simplicity across business and consumer apps.

Going Real-Time in Physical Settings to Satisfy the Connected

What is essential about migrating into real-time experiences in stores, branches, and field sales? Aren’t printed signs, catalogs, and direct mail still appropriate, since many customers continue to value traditional communication vehicles?

Customers may use these materials as they browse, but they also need the most current information, prices, and promotions when they make a purchase. Thus, traditional vehicles are not obsolete, but their importance is reduced in the digital domain.

BIGGEST DRAWBACKS OF ORDERING FROM A PRINT CATALOG

- Catalogs are outdated
- Difficulty finding product information (too many products to sort through)
- Difficulty tracking orders
- Difficulty placing orders
- Difficulty tracking inventory

Source: hybris 2012 State of B2B eCommerce study

>- Redundant silos of data need to be eliminated. All data that supports product, customers, orders, and inventory should originate from a single source of the truth.
Re-Imagining Sales Associate Roles with Digital Technologies

As customers have become more empowered, their demands on sales associates and service personnel have increased. Progress in transforming associates into informed, multi-tasking, brand ambassadors has lagged behind the increased digital competence of their customers, while technology and operational silos have remained in place.

Brick and mortar stores are still relevant, even among millennials. But companies need to redesign their business processes for customer engagement at the points of customer interactions. The flow of those interactions spans across all online and offline channels, and roles must be designed to support the customer journey, not the sales tasks.

MYTH BUSTING

Millennials still like brick-and-mortar stores. In fact, 82% of them prefer bricks and mortar.

Millennials can be exceptionally loyal customers: 69% say that when it comes to their favorite retail store, a “closed” sign does not change their minds.

91% prefer shopping in drugstores
68% prefer shopping in consumer electronics stores
80% prefer shopping in apparel stores
28% will return to the store the next morning
37% will buy the item from the retailer online
4% will buy the item via the retailer’s mobile app

84% prefer shopping in department stores
83% prefer shopping in discount/ mass merchant stores
It takes more than Millennials liking a brand or a retailer on social media to make them loyal customers.

28% will make a purchase due to a social media recommendation

Source: Accenture analysis
Note: This chart appears in “Who are the Millennial shoppers? And what do they really want?” from Outlook 2013, No. 2, an Accenture publication. Copyright 2013 Accenture. All rights reserved.

→ It’s mandatory for the technology platform to support agile processes for associate role evolution.
Leveraging Content and Unstructured Data to Drive Commerce

Recognizing the value of a physical storefront and a commitment to driving the customer into the store is only one part of the equation. It’s equally important to consolidate customer relationships and generate sales by fully leveraging shoppers’ brand interactions across multiple channels. Savvy retailers should draw on information such as purchasing history, browsing behavior, and personal preferences, gathered via multiple touchpoints, and use these to tailor a live, in-store experience in line with the customer’s specific needs.

Why is unstructured content so important? Why is traditional structured data inadequate for today’s commerce transactions? How can unstructured data be made available in physical settings when traditional store technologies cannot use this data?

Unstructured data within ratings and reviews, as an example, has long been critical for online commerce, and the Web is now increasingly influencing commerce in physical stores. Other examples include rich product images, media, product attributes, and editorial content that can be made available to customers in a store to provide them added information to make a purchase decision.

Direct commerce transactions from social sites such as Pinterest have not grown as fast as once projected. The sharing of product information on sites such as Instagram and Wanelo are making inroads, and this encourages customers—wherever they are in the buying process—to share their photos and experiences with friends and associates.

CONVERSION RATE BY SOURCE OF E-COMMERCE TRAFFIC

Source: AddShoppers May 2013

→ Think content. Drive content into physical settings through digital touchpoints, and, if they are mobile enabled, take advantage of sales associates who can interactively help customers navigate through the brand experience. Use the social content that influences commerce.
Bringing Web Simplicity to Clienteling and Checkout

Why has it taken so long for personalization to be achieved in retail stores, when personal service was part of the heritage of so many classic retailers? Why can’t there be a “one-click” checkout equivalent in stores and branches, and self-service by customers? And why do retailers allow security exposures continue on with traditional POS systems?

The key reasons for the disparities between digital and physical commerce are based in the legacy architectures, redundant data stores, and inertia of legacy POS environments, where payment processes are often embedded in the POS software itself.

PLANS FOR EXTENDING E-COMMERCE PLATFORM TO OTHER PARTS OF THE RETAIL ORGANIZATION

Source: RSR Research, November 2013

Just as noSQL databases moved beyond traditional structured data to open up and access Big Data analytics and modeling, leading retailers are starting to adopt a “not only POS” (noPOS) strategy for physical stores by implementing enriched digital commerce platforms in their stores.
Acknowledging and Serving Customer Preferences

Why are companies having a hard time giving customers what they want in physical commerce settings, as reflected by continuing declines in wallet share from those settings? What do they need to do to recapture the kind of intimate service engagement of the past? What new technologies can enable this?

Previously, customers’ needs were more fully appreciated by the individuals who catered to them. But as continuous rounds of workforce reductions and greater numbers of part-time workers have become the norm, the ability of merchants to truly know and understand their customers has deteriorated.

**TO WHAT EXTENT DO YOU AGREE/DISAGREE WITH THE FOLLOWING STATEMENTS?**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I find it important that the company gives me the flexibility to control how my personal information is used to tailor my experience</td>
<td>2</td>
<td>9</td>
<td>38</td>
</tr>
<tr>
<td>I prefer to do business with brands/companies that use information about me to make my experience more efficient from one step to the next</td>
<td>14</td>
<td>22</td>
<td>40</td>
</tr>
<tr>
<td>I appreciate brands/companies that customize messaging and offers to be relevant to me</td>
<td>5</td>
<td>20</td>
<td>51</td>
</tr>
</tbody>
</table>

→ Implement a technology platform that captures customer preferences, leverages individual purchase histories to complement their stated preferences, and provides a mechanism for sharing the content that customers want to see.
Go Mobile ASAP

Is mobile a separate strategy, a necessary tool, or a bridge between online and offline? Is it a design approach or a touchpoint? Is it for customers, associates, or partners?

The answer to these questions is "all of the above." The key to successful adoption of mobile capabilities is in recognizing the ease of use and simplicity required to adopt effective mobile applications.

Mobile technologies alone can’t break through the confusing clutter of disparate applications and platforms, nor can they deliver printed materials in real-time. Yet, through clever uses of QR codes and standardization of content across applications, they can contribute significantly to the customer experience.

TO WHAT EXTENT DO YOU AGREE/DISAGREE WITH THE FOLLOWING STATEMENTS?

- **12.4%**
  
  Mobile POS will cannibalize 12.4 percent of traditional POS shipments in North America by 2016

- **28.0%**
  
  Nearly 28 percent of retailers plan to adopt mobile POS by the end of 2013

- **85.0%**
  
  More than 85 percent of larger retailers say that in the next three years, mobile POS will serve as additional transaction points in their stores


→ Drive mobile content, transactions, and service capabilities through a modern enterprise commerce platform, to eliminate redundancies and provide a seamless commerce experience for customers, associates, and operations personnel.
Combining Omni-Channel Commerce with In-Store Touchpoints

Omni-channel commerce, the ability to cultivate a consistent experience across multiple channels, has become a powerful imperative for modern-day retailers, and increasingly vital to business survival. A study by Retail Information Systems² found that retail stragglers sacrificed 6.5% of revenue because their technologies, platforms, and processes failed to fully take the omni-channel customer into account.

When designing in-store touchpoints that accelerate customer loyalty and sales, it’s important to draw on omni-channel principles, along with a deep understanding of shopper behavior. The following use cases demonstrate the role of in-store touchpoints in creating customer experiences that go the extra mile.

**ENCOURAGE APPOINTMENTS FOR PRE-PURCHASE ACTIVITIES**

The benefits of providing pre-purchase services such as a dress fitting, training session, product consultation, or service appointment are as old as the retail industry. Providing a free value-added service to the customer is a powerful way to drive in-store traffic, boost sales, and cement brand loyalty. For instance, when a company invites customers to register for product maintenance and free information sessions at its brick-and-mortar stores via its website, it seamlessly bridges the gap between online and offline touchpoints and ensures that the physical experience takes engagement levels to new heights.

**EXTEND COUPONS OR SPECIAL OFFERS UPON ARRIVAL**

Customers who can access limitless inventory with the swipe of a finger need a persuasive reason to visit a store. A high-end New York fashion retailer understands how technology can capture the omni-channel customer as soon as he or she walks through the door. One such retailer recently installed Bluetooth sensors that triggered push notifications with a personalized greeting, exclusive offers, mobile content, and announcements about new product lines. This strategy is a striking example of how in-store touchpoints can provide shoppers ample incentive to buy and strengthen customer intimacy.

**ENCOURAGE CUSTOMERS TO CHECK-IN IN ADVANCE**

Customers regularly consult their smartphones while shopping in-store, by either comparison shopping or reading online reviews. The challenges associated with motivating customers to identify themselves – a step essential to facilitating a personalized customer experience – can be a little more elusive. Offering a promotion or value-added service that requires “check-in,” using a modern, lightweight, check-in function that doesn’t drain the battery of customers’ phones, can serve as an incentive for customers to signal their presence in the store.

**REWARD CUSTOMERS WHO CHECK-IN WITH VIP TREATMENT**

The omni-channel revolution has seen brick-and-mortar stores evolve from retail hubs where consumers browse and make purchasing decisions, to sites that facilitate rich experiences to generate delight and deepen loyalty. For instance, a brand could reward customers who check in via an app, QR code, or location-based service, by providing access to faster service, a personal shopper, or a private concierge. These are factors that can incentivize in-store visits and capitalize on the engagement levels promised by digital touchpoints.

**OFFER MOBILE APPS**

Some customers may be wary of sales associates following them around the store. A branded mobile app that offers an in-store check-in capability – plus rich product information and store maps – is one way to avoid this potentially off-putting scenario. However, an app should represent only one aspect of an omni-channel strategy. Relatively low levels of app penetration across a customer base could indicate the danger in relying solely on this channel. Cultivating profitable in-store touchpoints hinges on the ability to offer customers a genuine value proposition, one that clearly addresses their expectations and needs. Whether it’s speedier transactions, high-end service, or discounts on key product lines, taking a customer-centric approach to the brand experience is key to rolling out a successfully agile store.

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² Operational Readiness, Retail Information Systems, 2012
TRANSFORM RETAIL STORES INTO ENTERTAINMENT HUBS

The most successful physical stores combine digital touchpoints with the kind of immersive customer experiences that keep shoppers coming back. A children’s novelty retailer that divides its offline store according to theme is a striking case in point. The retailer also offers shoppers access to kid-friendly activities, a miniature film theatre, and a host of interactive experiences designed to encourage engagement and spend time at the store, an investment that can increase conversions.

OFFER IN-STORE KIOSKS AND FREE WI-FI

Shoppers are known to consult social media, online recommendations, and product reviews before committing to a sale. However, retailers often fail to turn these examples of omni-channel behavior into sales opportunities. Installing interactive kiosks that allow customers to search comparison shopping sites and the brand’s social media page, or offer free Wi-Fi service to encourage shoppers to check inventory on the go, are effective ways to put consumers in the driver’s seat and fast-track conversions and sales.

PROVIDE ENDLESS AISLES

With omni-channel commerce, customers gain access to limitless product choices. This can erase channel limitations by allowing customers to transact online and make returns in-store, and it can provide one-hour or same-day shipping, or facilitate any combination of the above. It also allows the in-store shopper to have direct access to the retailer’s full product assortment beyond just what is in stock in the store. This can be made available to ship directly to the customer, or pick up in store.

STREAMLINE THE CUSTOMER EXPERIENCE

The ability to nurture face-to-face interactions with informed sales associates is among the most attractive features of offline retail. Omni-channel commerce thinking can turn this traditional form of engagement into instances of exemplary customer service. Leading top-tier department stores are rolling out new mobile-enabled systems to implement a new “not only POS, (noPOS) strategy. This allows associates to facilitate in-store pickup, check inventory across other stores, distribution centers, and online assets – and process all transactions.

→ The noPOS approach integrates every touchpoint of the customer journey within the store, including checkouts and returns.

Converging Retail Technologies

Forrester Research has projected that $1.23 trillion in annual sales in physical stores will be influenced by the Internet by 2016. And yet, many retailers are still missing out on some sensational opportunities by failing to recognize the full value of their digital properties and how the combination of online and offline touchpoints can augment the customer journey.

New technology platforms are reinventing the physical store environment by allowing companies to draw on rich data gathered from digital channels to increase conversions and loyalty through a variety of physical touchpoints. For retailers to close the gaps and make the most of in-store opportunities, they must create authentic connections with the customer, inspire them to engage, and elevate the customer experience based on a nuanced understanding of the consumer’s needs.

By broadening their technology investments from “POS-only” to “not-only-POS” (noPOS) platforms, store operators can extend rich, personalized shopping experiences from before the customer walks into the store, to include the time they spend in the store, and continuing on well after they leave the store. The noPOS approach brings everything together to encompass the entire shopping and buying experience, and the ongoing relationship between the customer and the brand.

3 U.S. Cross-Channel Retail Forecast 2011 to 2016, July 23, 2012
About hybris, an SAP Company

hybris helps businesses around the globe sell more goods, services and digital content through every touchpoint, channel and device. hybris delivers OmniCommerce™: state-of-the-art master data management for commerce and unified commerce processes that give a business a single view of its customers, products and orders, and its customers a single view of the business. hybris’ omni-channel software is built on a single platform, based on open standards, that is agile to support limitless innovation, efficient to drive the best TCO, and scalable and extensible to be the last commerce platform companies will ever need. Both principal industry analyst firms rank hybris as a “leader” and list its commerce platform among the top two or three in the market. The same software is available on-premise, on-demand and managed hosted, giving merchants of all sizes maximum flexibility. Over 500 companies have chosen hybris, including global B2B sites W.W.Grainger, Rexel, General Electric, Thomson Reuters and 3M as well as consumer brands Toys“R”Us, Metro, Bridgestone, P&G, Levi’s, Nikon, Galeries Lafayette, Migros, Nespresso and Lufthansa. hybris is the future of commerce™. For more information, visit www.hybris.com

About OneView Commerce

OneView Commerce is committed to revolutionizing the cross channel retail landscape from the store up. Leveraging an Enterprise Commerce Platform (ECP) foundation, OneView transforms how cross channel retail systems are developed and, most importantly, how those systems interact. For the first time, retailers have the power to interconnect applications via one commerce-driven platform to enable seamless cross commerce operations. OneView Commerce leverages a compelling business-process driven infrastructure and services oriented architecture combined with the latest mobile development technologies to transform traditional store solutions and eliminate existing channel barriers that impact a customer’s journey across your brand by presenting one view of customers, orders, inventory and prices in the store. OneView Commerce Store converges the digital and physical marketplaces into a seamless, customer-centric journey where store associates are empowered to service continuously connected consumers at all touchpoints. OneView is the first to combine the Enterprise Commerce Platform with the depth and power of the digital channels to elevate store solutions to a commerce dashboard ready to serve your customer anywhere, any time. OneView is transforming store experiences at retailers such as O’Reilly Auto Parts, Follett Higher Education Group and Canadian Tire Corporation. www.oneviewcommerce.com, Twitter: @oneviewcommerce.

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