



# The Challenges of Realising a True Multichannel Vision

March 2014



## Overview

For the past several years, we have witnessed an unprecedented change in consumer behaviour as we welcomed the dawn of multichannel retailing. For the first time ever, consumers are in the driving seat, shopping and browsing when they want and how they want. For retailers, it means drastically altering the way they do business, introducing new customer touch points and attempting to make these fit with their established channels.

In 2011, for the first time ever, Portaltech Reply and eDigitalResearch surveyed retailers in an effort to better directly understand the issues that were facing retailers as they attempted to make their channels coherent to customers.

Whilst a wealth of data has been collected over the past few years about consumers' views and opinions on how various shopping and browsing touch points should operate, there was no information available about how retailers were coping with the change and how they expect their customer operations to evolve in the coming years.

The results found that whilst more and more retailers entered the world of multichannel retailing, they were finding it increasingly difficult to integrate touch points, impacting their ability to provide a coherent multichannel customer experience.

With the results, partners and suppliers have been better able to focus their offering to retailers and provide the information, knowledge and technology to improve their multichannel customer experience. Now, in its third year, Portaltech Reply and eDigitalResearch have once again undertaken this important piece of research to understand how the market has changed and what more needs to be done to help retailers better achieve their multichannel vision.

## Original Research Objectives

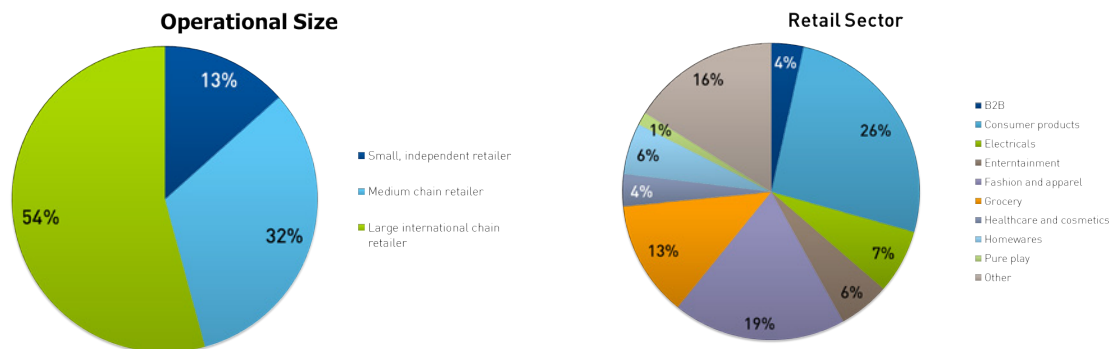
- To gain an in-depth understanding of the challenges that retailers are facing when trying to achieve their multichannel vision
- To gain an insight into how the retail industry expects to change and evolve over the next two years
- To understand what partners and suppliers need to be doing to help retailers make all of their channels coherent to customers

## Key areas for investigation

- How has retail changed over the past 12 months?
- How have retailer priorities changed since August 2011?

## Methodology

An online survey was emailed to a number of different retailers. 143 responses were collected in total between 10th September and 9th October 2013 from a broad range of retail sectors and operational sizes.

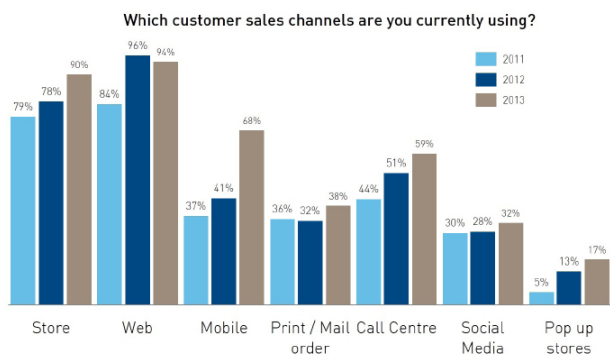


## Key Findings

- Almost all retailers (99.3%) are now multichannel and running two or more sales channels, up from 85% in 2011.
- Websites and stores continue to be the two customer sales channels with the biggest presence in UK retailing. In comparison, there are just a handful of retailers operating pop up stores.
- Mobile channels have seen the biggest influx in retailer adoption; well over half (68%) of retailers surveyed are now operating in the mobile sphere.
- As more and more retailers introduce more and more customer touch points, channel integration is proving increasingly difficult for retailers; just one third (34%) feel that their channels are currently well integrated, compared to 48% who said the same in 2011.
- Retailers increasingly feel that technology remains a key barrier to a coherent customer experience; almost two thirds (65%) surveyed said that their current technology systems make a seamless multichannel customer experience challenging, compared to 51% who said the same last year.
- As retailers increasingly open up more channels to their customers, understanding of multichannel customer behaviour is starting to dwindle; half (50%) of those surveyed said they were either 'not aware' or 'not aware at all' of how many visits a customer typically makes across their channels before making a purchase decision.
- Whilst current technology systems are hampering the customer experience, half (50%) of retailers still say that they do not have the budget to make changes and 41% feel that resource in the business is limited to implement any improvements.
- However, multichannel system replacement is a top priority for the majority of retailers (59% cited it as their number one priority for the next twelve months) followed by mobile sites and apps and better integration of current systems.

## Any number of channels

Almost all retailers surveyed, no matter what size or sector, are now multichannel. 99.3% of retailers are now running two or more sales channels, an increase of almost 14 percentage points since 2011. As smartphones, tablets, smart televisions and now smart watches continue to gain in popularity with consumers, more and more retailers are opening up new and emerging customer touch points in an effort to engage with these customers and increase their revenue and turnover. As predicted after last year's results, even smaller and independent retailers are increasingly benefiting from the online revolution, contributing to the majority of growth in multichannel operations over the past two years.



However, there has also been a significant rise year on year in the number of retailers running four or more customer touch points. The latest results show that well over half of retailers (63%) are currently operating four or more customer sales channels, compared to 43% this time last year. It represents a continuing shift towards retailers increasingly operating in the same spaces where their customers are to increase footfall, turnover and revenue.

Like last year, and the year before that, websites and stores continue to be the two customer sales channels with the biggest presence in UK retailing with 94% of retailers now operating online and another 90% running a physical store presence. Unsurprisingly, retailers have flocked to mobile channels over the past year more than any other touch point. 27% more retailers are now using mobile channels compared to this time last year and equates to well over half (68%) of retailers surveyed now operating in the mobile sphere.

Perhaps surprisingly, there appears to have been a substantial increase in the number of retailers operating a store presence, with a 12% increase year on year. In fact, in the past 12 months, we've seen an increase in the number of retailers investing in and operating the majority of channels, including catalogues, call centres and pop up stores, suggesting that retailers are combining a mix of traditional and emerging shopping and browsing touch points to better engage with their customers.

As in previous years, stores are still currently generating the highest number of customer visits followed closely by traditional desktop websites. Call centres and mobile channels are also generating added customer visits for a lot of multichannel retailers, with 27% and 25% of retailers respectively ranking the touch points as a key generator of customer visits for their brand.

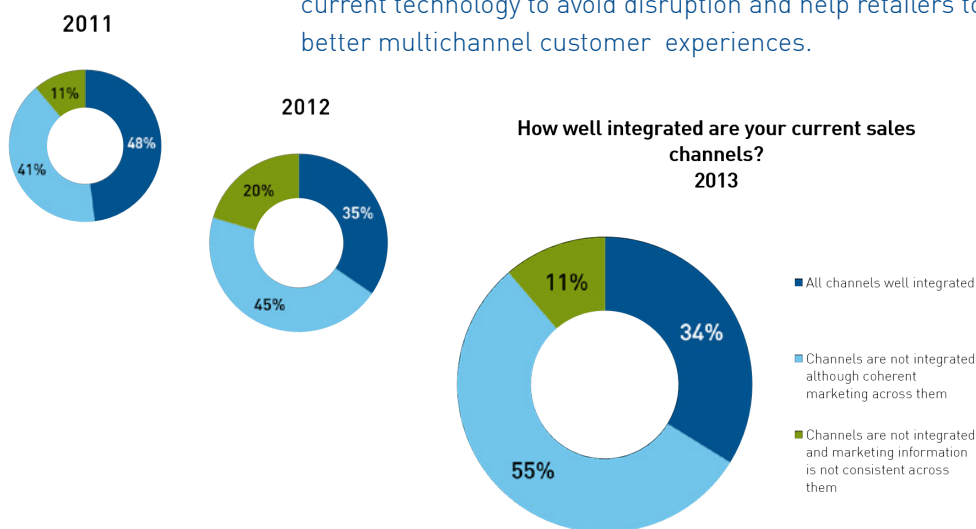
## The Challenges of Integration

As more and more retailers introduce more and more customer channels, integration is proving more and more difficult. Retailers are increasingly feeling that their channels are not integrated at all. Currently, just one third (34%) state that their channels are well integrated, compared to 48% just twenty four months ago. As multichannel operations grow, retailers appear to be increasingly aware that consistent branding across channels is not enough to provide customers with a multichannel experience and that integration of all multichannel components, including back end systems, is increasingly important.

However, more encouragingly, an increasing number of retailers are integrating marketing messages across channels and feel that their customer communication is coherent to customers no matter what touch point they use. It suggests that retailers understand the importance of providing a seamless multichannel customer experience, but are still hampered by various constraints to provide users with the ultimate joined-up omni-channel experience.

Technology is still having a large impact on the retail industry's ability to provide a coherent and consistent multichannel customer experience. Almost two thirds (65%) of those surveyed said that their current technology systems do make it challenging, up from 51% who said the same last year. As the online world continues to grow and emerging technologies have an inevitable impact on consumer behaviour, existing systems are coming under increasing pressure; just 11% of retailers feel that their current technology systems are not affecting their multichannel performance.

With 39% of retailers already running five or more front office technology applications (this figure increases to 57% for large retailers) it is imperative that partners and suppliers are creating simple solutions that fit perfectly with existing systems, working alongside current technology to avoid disruption and help retailers to create better multichannel customer experiences.



## Understanding the multichannel consumer

In 2011, just over half (54%) of retailers surveyed felt that they had at least some basic understanding of the multichannel consumer. However, as the number of retailers running two or more channels increases, this understanding is dwindling and now half (50%) of retailers are either 'not aware' or 'not aware at all' of how many visits a customer makes across their channels before they make a purchase.

Whilst this figure is unsurprising given the number of new customer channels we've seen in the last twenty four months, it's worrying that retailers are not taking the steps forward to better understand their multichannel customer base. As more and more touch points enter the multichannel mix, properly understanding customer behaviour will become increasingly important.

"It's something we're working on but multiple systems across channels with legacy systems make it difficult"

The dawn of multichannel retailing has firmly put consumers in control and consequently they are the ones driving any changes we are seeing. They have now come to expect to shop and browse when they want, how they want, instantly. By not understanding the customer journey fully, retailers will find it difficult to improve their overall customer experience and put themselves ahead of their closest competition.

"Some understanding within the channel but true picture of cross channel behaviours over time not available due to legacy systems"

Encouragingly, most respondents do seem aware that consumer behaviour is changing but are finding it difficult to achieve a true multichannel picture of how their customers behave across their channels thanks to disparate technology and legacy systems.

"We have insights on individual channels but not enough on how customers use all channels together in one shopping journey"

It seems that technology is the biggest factor holding retailers back and impacting their multichannel understanding. Half (50%) of those surveyed believe that disparate technologies running each channel is making it difficult to improve their multichannel customer experience. Without better integration and internal and external technologies coming together, retailers won't be able to track customer journeys and improve their overall multichannel experience.

## Improving the multichannel customer experience

Many retailers acknowledge that their understanding of multichannel consumer behaviour is limited and damaging their ability to improve their customer experience. However, half (50%) of those surveyed felt that they didn't have the budget available to ensure a better customer experience whilst 41% feel that they just don't have the resource within the business to implement changes, making improvements in the immediate future extremely difficult.

However, both businesses and consumers are increasingly putting the customer experience at the heart of their thinking. Consumers are valuing more and more good customer service, whilst brands now understand that giving their customers a good customer experience can give them an edge over their closest competition and encourage customer loyalty.

Analysis of results shows that retailers increasingly expect more customer visits, purchases and revenues to be generated by their traditional desktop websites in the next two years. It is no surprise therefore, that over one third (34%) of retailers feel that their websites require the most support to improve the customer experience, followed by their stores (29%) and mobile channels (17%).

Over the past two years, we've seen a shift in consumer behaviour, with consumers increasingly using their mobile devices in store to help enhance their customer experience, searching for product reviews, additional information and even comparing prices across retailers. With that in mind, retailers are increasingly bringing digital innovations into their store strategies; of those surveyed, almost half (48%) said that integrating their in store and digital experiences is an immediate and key priority for their business, and is most likely the main driving factor behind a rise in retailers investing more heavily in their store presence compared to previous years.

Interestingly, deeper analysis of the results reveals that grocers feel that they need a lot more support for their websites (53%) compared to other retailers. The majority of supermarket brands took their time entering the online sphere compared to the rest of the retail industry and still appear to be struggling to provide their customers with an excellent online experience.

In the coming twenty four months, retailers increasingly expect their digital channels to generate more and more customer visits to their business. Websites, mobile touch points and social media channels are all expected to grow over the next two years, whilst retailers expect to see a dwindling number of customers use their catalogues and call centres.

With this in mind, 85% of retailers said they are likely to invest heavily in their websites in the near future, followed by nearly three quarters who will continue to expand their mobile channels (72%) and another 65% who will invest in their store presence.

However, multichannel system replacement is still the key priority for the majority of retailers in the coming months, with 59% citing it their top investment area within the next year, followed by mobile sites and apps and better integration of current systems. Mobile has grown from not being an important investment priority in 2011, to the second most important aspect of retailing business within the past two years. Mobile sites and apps are especially key for large, international retailers (73%) who will have a bigger customer base than most and will need the ability to engage with customers across the globe in a simple, yet effective manner.

With an expected increase in the number of customers using digital channels for their shopping and browsing needs – and a pledge from retailers to invest in these channels in the near future – we should hopefully begin to see an improvement in the multichannel customer experience in the coming years as investment, changes and developments begin to take effect.

Interestingly however, almost a quarter (24%) of those surveyed do not expect any of their customer channels to shrink, suggesting that some retailers will still integrate their more traditional touch points into their overall multichannel strategies, combining established and emerging channels to reach the largest customer base possible.



## Conclusion

It is clear from these results that existing technology and legacy systems are still hampering the performance of retailers in an increasingly multichannel world. Almost two thirds (65%) of the retailers surveyed this year stated that their current technology systems make it a challenge to improve their multichannel customer experience in any way whatsoever, up from 51% who said the same last year.

It is imperative that retail partners and suppliers recommend and develop systems that work seamlessly with existing technology and legacy systems. This approach would allow retailers to improve their multichannel experiences with minimal disruption for customers and limited upheaval for staff. All retailers surveyed said that multichannel system replacement still remains a top investment priority in the coming months.

Interestingly, as we start to witness emerging consumer trends, such as 'show rooming', retailers are starting to adapt their investment and development priorities to ensure that they are engaging with their customer base in the most effective way possible. With budgets and resources for multichannel improvements still relatively limited overall within the retail industry, suppliers must ensure that their multichannel solutions are cost effective and can be easily tailored to fit with new emerging trends and changing priorities.

## About eDigitalResearch

eDigitalResearch are insight specialists with an expertise in multichannel touch points. We help businesses to grow by providing bespoke insight programmes designed with passionate researchers, technical specialists and graphic designers all under one roof. We work closely with clients to deliver a range of insight solutions including Customer Experience Management, Voice of the Customer feedback and Multichannel consumer insight. eDigitalResearch not only offer digital research expertise and insight support, but innovative technology that works seamlessly with your data and systems, allowing us to offer flexible partnership options and creating an insight solution that fits your business needs.

## About Portaltech Reply

Portaltech Reply is the leading hybris Partner with offices in London, Seattle, Milan and Dusseldorf. The company holds Platinum Elite Status and is Global Partner of the Year 2012, 2011 and 2010 with over 30 major hybris projects to its name. Portaltech Reply offers an end to end set of products and services for multi-channel commerce including consulting, commerce platform implementation and integration, mobile and digital design, SaaS and on-premise warehouse management, proximity marketing, mobile payments and Cloud based hosting on the Amazon platform wrapped in a full managed service from one single supplier. Portaltech Reply clients include British American Tobacco, Bunzl Group, Costco Wholesale, Delhaize Group, Iceland Foods, Monsoon & Accessorize, Office Shoes, O2, Phones 4u and TUI Travel.



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# ACHIEVING A SEAMLESS MULTICHANNEL CUSTOMER EXPERIENCE

THE CHALLENGES RETAILERS ARE FACING TODAY

## 01 Having more touch points means more customer journeys to understand

### MORE RETAILERS OPERATE MULTIPLE TOUCH POINTS



20% ↑  
2012

63%  
2013



**50%**  
OF RETAILERS  
SURVEYED ARE NOT  
AWARE OF THE  
CUSTOMER JOURNEY  
TO A PURCHASE



### INTEGRATION BETWEEN CHANNELS IS STILL THE CRUCIAL BUILDING BLOCK NEEDED



Retailers believe that their websites require the most support to improve customer experience.



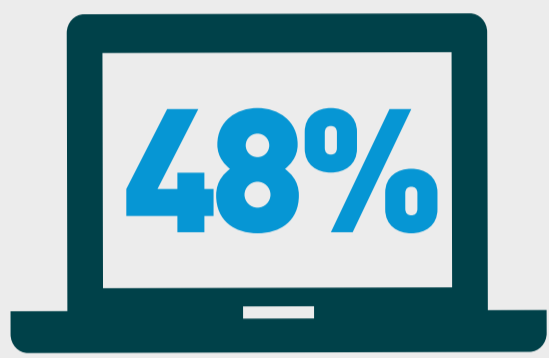
34%



29%



17%



Almost half of retailers admit they want to prioritise digital integration.

## 02 The challenges of integration

### RETAILERS' CONFIDENCE HAS DECREASED

Only **34%** can proudly say "Their channels are well integrated" down from **48%** last year.

### DOES THIS SOUND FAMILIAR?



Technology is holding retailers' back, **50%** of retailers believe that technology makes it difficult.

**50%** felt they didn't have the budget available to ensure a better customer experience, whilst **41%** felt that they just don't have the resource within the business to implement changes.

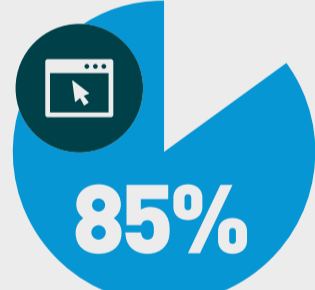
"We have insights on individual channels but not enough on how customers use all channels together in one shopping journey"



## 03 Improving the multichannel customer experience

### RETAILERS ARE STARTING TO ADAPT THEIR INVESTMENT AND DEVELOPMENT PRIORITIES TO ENGAGE WITH CUSTOMERS

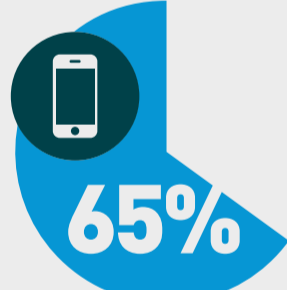
They expect more customer visits from website and mobile channel.



of retailers are likely to invest in their website

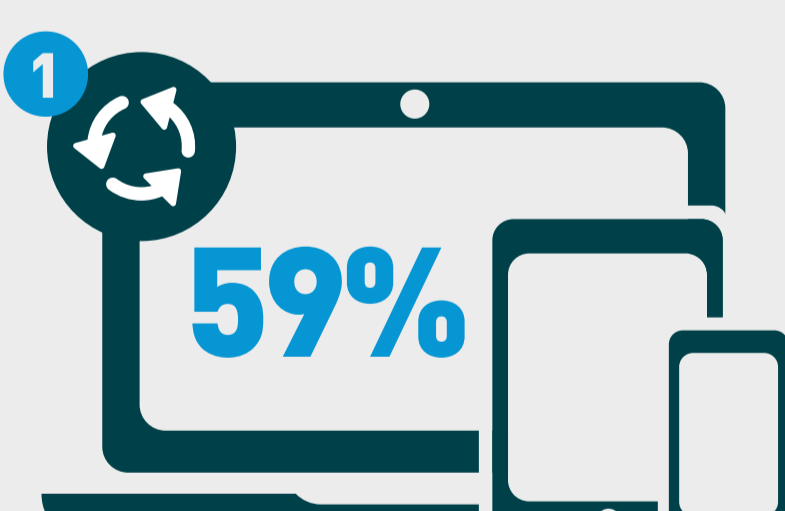


of retailers increasing instore presence

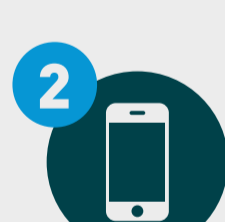


of retailers expand mobile channel

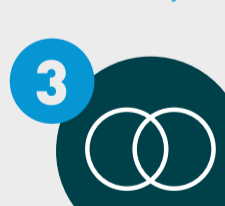
Multichannel system replacement is still the top investment area for retailers.



Multichannel system replacement



2 followed by mobile



3 then better integration points

## 04 The future



### CONCLUSION

Retailers understand the importance of providing a seamless multichannel customer experience but are still hampered by technology and integrating the channels more effectively.

Enhancing the customer experience and learning more about the customer journey to a purchase will be a key priority for many retailers in 2014.

The study was conducted by **Portaltech Reply** and **eDigitalResearch** with online survey to a number of retailers from a broad range of retail sectors and operational sizes.

**143 responses** in total were collected between **September** and **October 2013**