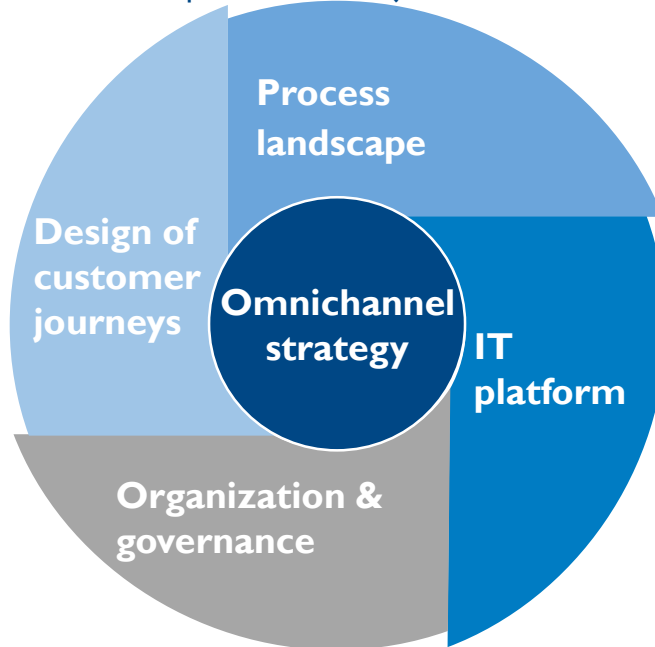


Omnichannel transformation

To succeed on the omnichannel path, there are 5 key components that need to be tackled in their integrity – in this executive briefing series, we share key insight into how to achieve this

A target picture of the role of each channel in a complementary OC manner, including rational and performance objectives



A prioritized set of high-impact customer journeys differentiated in the micro-moments with WoW factors

A top-down commitment to OC, as well as tangible incentives to steer cross-channel collaboration

Process landscape supporting the OC journeys, which ensures a smooth handover of customers across channels

An agile IT platform and integrated CRM that support a 360-degree customer view and provide a single view on inventory, persistent order management, etc.

What to expect?

In this series you will learn key insight into how to:

1. Define your omnichannel strategy
2. Design and differentiate omnichannel (OC) customer journeys
3. Revamp main processes
4. Build the required OC technology platforms
5. Design an incentive scheme to encourage cross-channel collaboration

Arthur D. Little contribution:

- Define the critical dimensions for successful OC execution
- Spell out the non-intuitive implementation-derived insight for each dimension
- Define the key elements for an OC transformation path

▶ Do you want to learn more? In 6 executive briefings, Arthur D. Little shares key insight into how to embark on an omnichannel transformation path

For further information, please contact:

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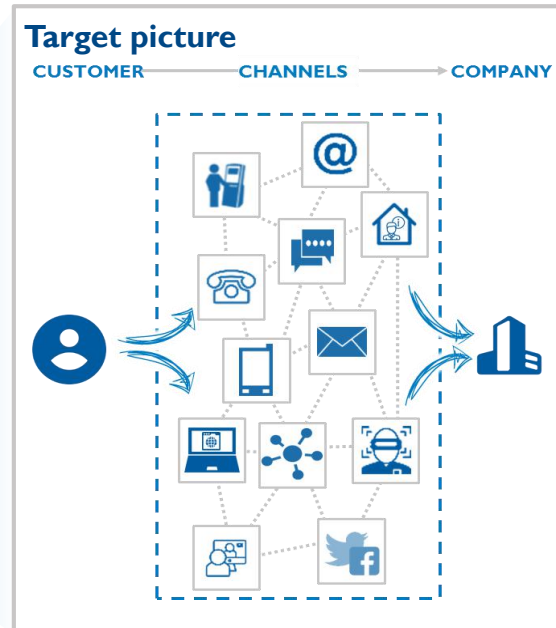
Volker A. Pfersching



Omnichannel transformation

To embark on the omnichannel journey, define the key goal and marry this with a target picture and role for each channel

- 1 Set the **reason** for engaging in omnichannel ...
- 2 ...derive the **target picture and role** of each channel in a complementary omnichannel context...
- 3 ... **develop and prioritize** concrete actions for implementation



Key insight

1. Omnichannel strategies cover a range of revenue, cost and customer experience (CEX) ambitions – do not limit yourself to CEX only
2. These need to be married with a target picture for each channel, incl. customers, services and products served by the channel – set these in a complementary OC manner
3. Successful implementations require prioritizing highest-impact customer journeys – avoid aiming for each and every customer journey imagined

Next edition:
OC strategy examples

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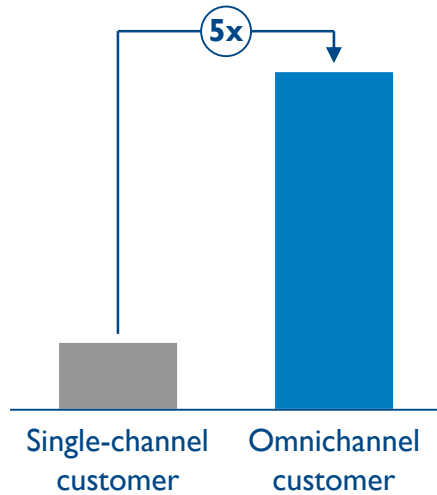
Volker A. Pfirsching



Omnichannel transformation

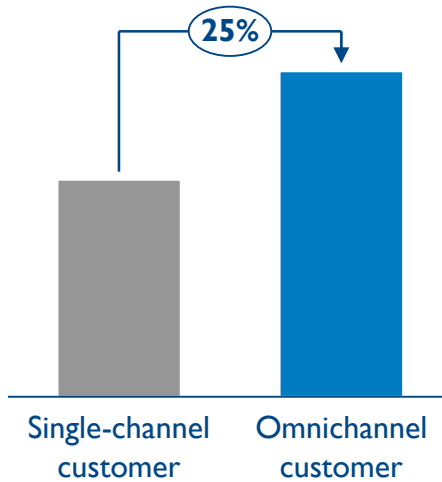
Omnichannel champions pursue customer experience, revenue and cost ambitions, and achieve measurable results in these domains

Higher customer lifetime value



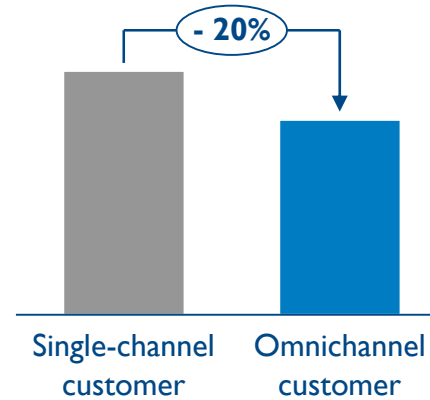
Macy's

Increased average sales conversion rate



Vodafone

Lower operations opex



WE telecom operators¹

Key insight

1. It is not only better customer experience that omnichannel champions aim for when engaging in omnichannel...
2. ... but also moving revenue targets expressed mainly in higher revenue per customer, or sometimes in higher conversion rates across the sales funnel
3. Furthermore, opex savings can be achieved on both the IT side (due to rationalization of front-end platforms) and the customer-servicing side
4. The ambition areas are not mutually exclusive

Next edition:
Customer journeys

1) NorthStream based on analysis from 19 WE MNOs, 2015
Source: Arthur D. Little based on Macy's, Vodafone, NorthStream

For further information, please contact:

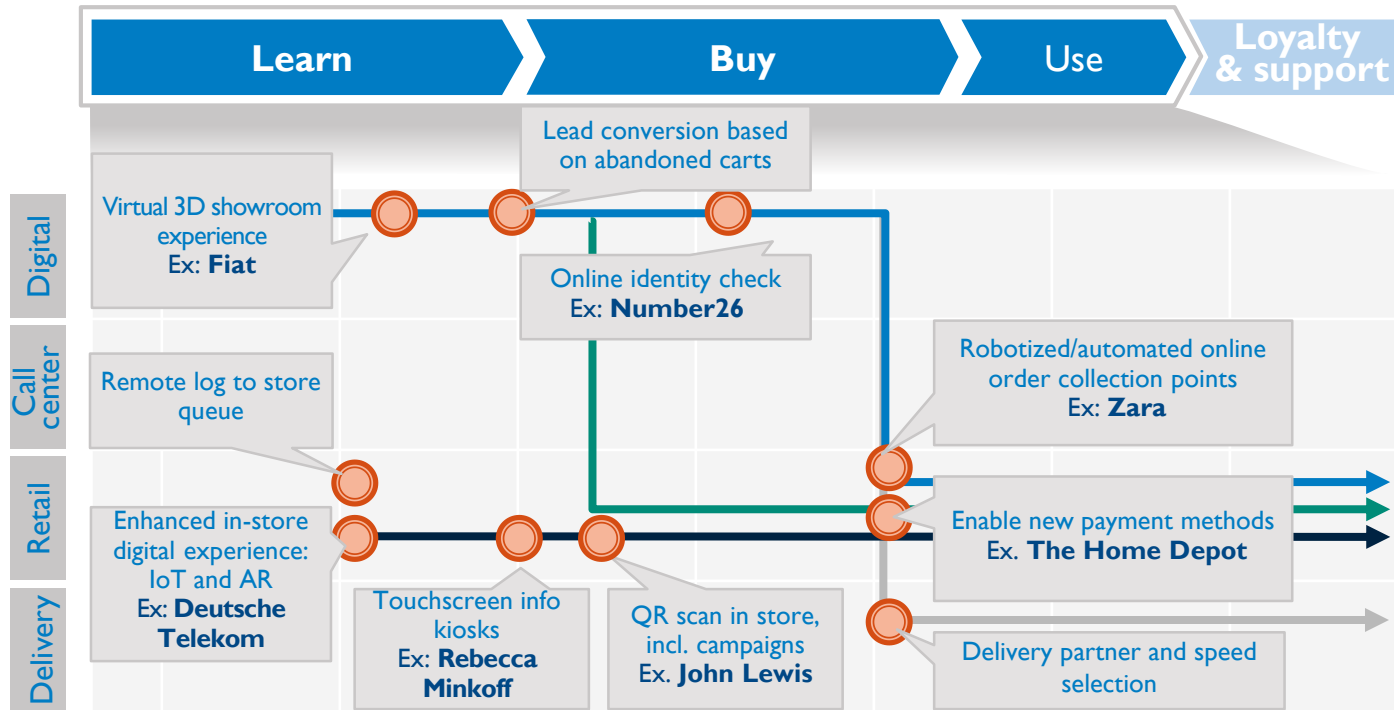
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Omnichannel transformation

To **WoW** customers, a prioritized set of customer journeys based on customer behavior and analytics needs to be designed



Key insight

1. Study customer behavior in sales and care activities and design a prioritized set of customer journeys
2. Apply analytics tools to track where customer journeys are interrupted and improve sales conversion – in journey analytics, aim at bringing digital behavior insight to the physical outlets
3. Differentiate the experience with WoW factors in the micro-moments of the journey
4. Design engaging digital in-store experiences – use tech. Trends, esp. in flagship retail stores

Next edition:
Processes

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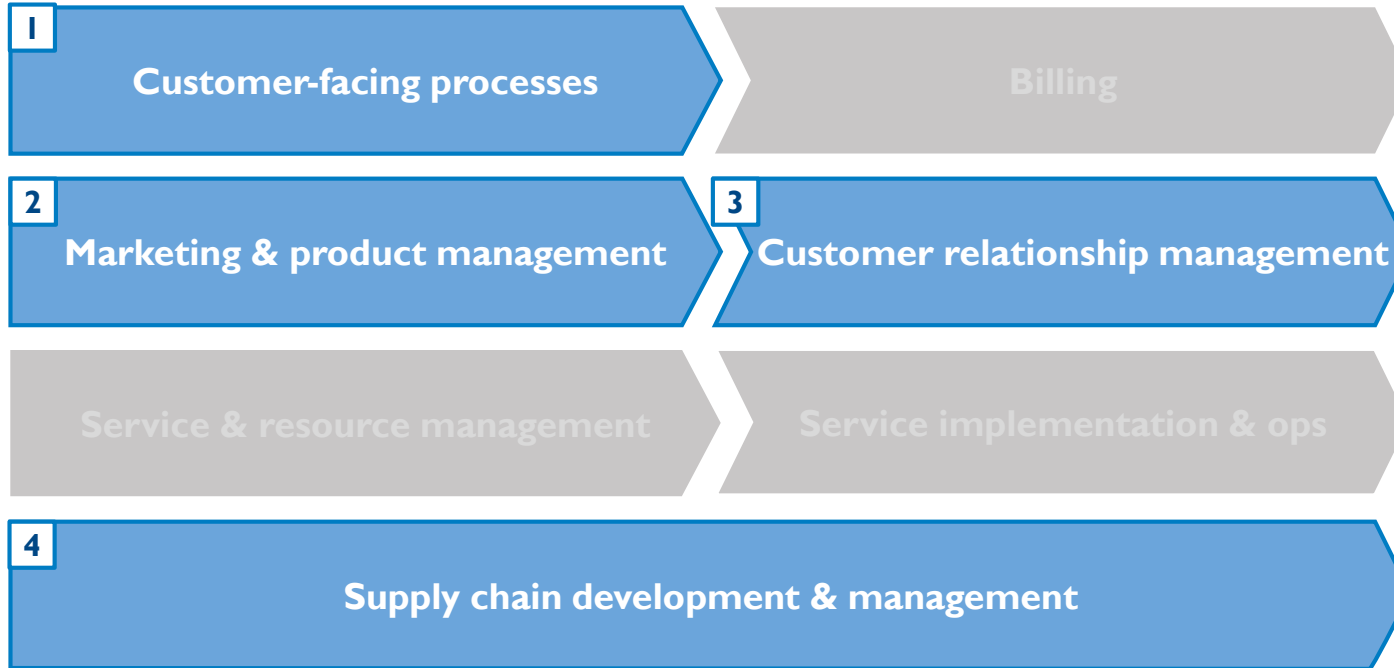
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Omnichannel transformation

Four key process areas cause the biggest hurdle in operationalizing the omnichannel strategy; supply chain management needs to be flawless from day 1



Key insight

1. Balance ensuring high standards in payment security and the required credit checks for a smooth payment process
2. High-demand products may cause e-reservation influx. Detailed business rules for standard & high-demand products are needed
3. Increase conversion rates of e-carts. Design processes and business rules for follow-up (ensuring non-invasiveness) with guests and accounts
4. Returns & cancellations are costly and operationally complex – shall be enabled & detailed but not encouraged

Next edition:
Technology platforms

For further information, please contact:

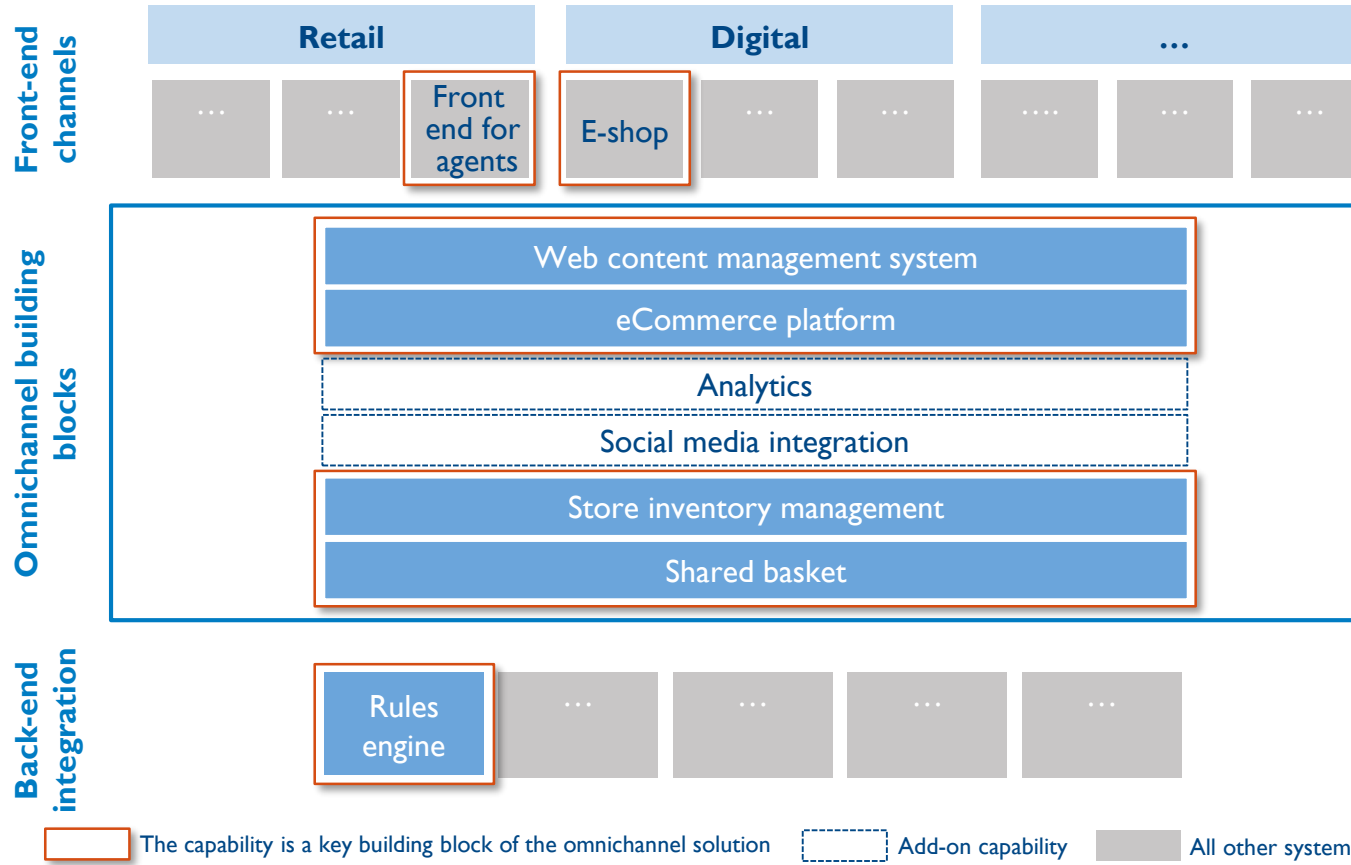
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Omnichannel transformation

Single, front-end and inventory management, shared basket, and rules engine are key technological levers to enable omnichannel



Key insight

Key technological OC levers incl.:

1. Single front end for all channels with 360° customer view and intuitive user interface, with similar touch and feel for front-end staff and users
2. Shared basket for persistent order management (enabling channel hopping)
3. Single inventory management component covering e-store, warehouse and in-store inventory (for own and dealer channels)
4. Rules engine defining business rules valid also for campaign management

Next edition:
Organization & governance

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Omnichannel transformation

Channel incentives are one of the key levers to stir channel collaboration: to break channel siloes, individual channels need to be awarded for supporting cross-channel sales



“Last touch”



“Quick split”



CJ step attribution

Context

Traditionally, only the last channel that closes a sale is rewarded, in the form of commission and/or target contribution

In addition to the last channel closing the sale, contributing channels are also rewarded on an equal basis, regardless of the effort put into the sale

Individual channel contribution/effort to cross-channel sales is measured and rewarded according to the effort put in by the respective channel

Increasing channel engagement in supporting cross-channel sales

Implications

- Channels helping in the sales conversion process are not rewarded and have no incentive to collaborate
- Commission and/or contribution to sales targets are given only to the channel closing the sale

- Channels have an incentive to support customers in their journeys even if they are not able to close the sale
- Incentives are not proportional to individual channel contribution and sales effort

- Sophisticated CRM systems are required to track channel contribution per customer journey step
- High process complexity in data handling and reporting

Key insight

1. To break channel siloes, the incentivization-setting framework needs to reward individual channels for supporting omnichannel sales
2. A staged approach to omnichannel sales incentivization is needed to educate both customers and employees in transitioning to the new omnichannel reality
3. Advanced approaches for cross-channel incentivization (e.g., customer journey step attribution) increase internal process and system complexities and require channel maturity

Feel free to contact us for further insight

For further information, please contact:

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