Overview

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, consumers can now shop and browse in any number of ways when, where and how they want. For retailers, it meant drastically altering the way that they did 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, eDigitalResearch and IMRG 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 couple of years about consumer 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 were introducing various new customer touch points, many felt that their current technology and systems were holding them back when it came to providing an integrated and coherent multichannel experience to their customers. Retailers also felt that their knowledge of the customer journey was limited, meaning that they were unsure how certain aspects of their business could be improved.

With the results, partners and suppliers were better able to focus their offering to retailers and provide the information, knowledge and technology to improve the multichannel customer experience.

Now, one year on, Portaltech Reply, eDigitalResearch and IMRG 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 to better achieve their multichannel vision.

Methodology

An online survey was emailed to a number of different retailers. 164 responses were collected in total from retailers across a broad sample of retail sectors and operational sizes.
**Results**

Any number of channels

Almost all retailers (98%) surveyed for this study are currently operating two or more sales channels, a rise of 12 percentage points in just a twelve month period. As smartphones, tablets, smart televisions and online devices continue to gain in extraordinary popularity with consumers, more and more retailers are opening up new and emerging customer touchpoints in an effort to engage with these customers and increase their revenue and turnover. As these trends show no sign of slowing down, we would expect this number to be 100% next year, as even smaller and independent retailers continue to benefit from the online and mobile revolution.

Like last year, channels with the biggest presence remain websites and stores. However, year on year, there has been significant growth in the number of retailers operating digital channels. 96% of the retailers surveyed now run a website, a number which has risen by 12 percentage points since this time twelve months ago, and almost half (41%) are now involved in mobile channels, a rise of 4 percentage points year on year.

Unsurprisingly, the number of more traditional and established channels is beginning to decline as customers turn to new technologies to shop and browse. Print and mail order catalogues have seen the biggest decrease in retailer operations, with just under one third (32%) now using them as a sales channel and many reporting a drop in the amount of revenue generated through the touchpoint.

However, there has also been a 2 percentage points decline in retailers using social media to boost sales figures. Over the past year, the attitude towards the use of social media by brands has changed significantly amongst consumers. Retailers now need to understand that consumers are unlikely to purchase directly from a social media site and therefore have focused their efforts away from selling and moved towards increasing engagement with these users, boosting the number of brand advocates and encouraging a higher footfall through their shop doors.

The growing importance of online and mobile

As last year’s study suggested, store revenue was, on average, likely to fall over the coming years as digital channels began to take charge. However already in just twelve months, stores now make up less than half of a retailer’s total revenue stream and has dropped by 5 percentage points year on year and is expected to decline even further by another 9.6 percentage points in the next twenty four months.
Retailers increasingly expect the percentage of their revenue share to come from a range of touchpoints, particularly new digital channels, rather than the more traditional and established channels. It has become increasingly clear over the past twelve months that retailers believe that their biggest opportunities for growth lies with online and mobile channels. On average, the retailers surveyed have seen a revenue increase of 8.4 percentage points from their websites in just one year, over 10 times more than any other channel and an increase of 1 percentage point in sales made from a mobile site or app over the past twelve months.

In 2014, both online and mobile touch points will equate to a growth of 8.5 percentage points (4.6% mobile and 4% web) over the same period. However, technology is also gradually being used on the high street by retailers, particularly in newer concept stores, to drive higher footfall, although these figures suggest that sales will be credited to digital channels and not through the store till point.

Perhaps more surprisingly, those retailers who continue to operate call centres expect to see around a 2 percentage point growth in sales made via this touch point over the next two years. However, with potential increase in the number of mobile searches taking place, particularly retail and shopping related searches, as well as a growing number of retailers investing in Google Adwords and SEO, this is likely to mean a bigger ‘click to call’ rate as users take to a number of different ways to shop on the move.

More retailers will also be investing in pop up stores as a channel over the next two years to help generate buzz, increase engagement and drive higher sales, although, on average retailer’s still only expect to generate around 1% of their total revenue through this method. However, like concept stores, the majority of pop up stores integrate technology applications allowing customers to browse an entire product line from within a very small and confined area and is something that a traditional store just cannot offer. However, it is because of this, that sales generated from pop up stores are likely to be attributed directly to a retailer’s online or mobile site.
The challenges of integration

As more and more retailers introduce more and more customer channels, integration is proving more and more challenging. Just over one third (35%) of all retailers surveyed felt that their current channels were well integrated, compared to around 48% this time last year.

Perhaps more surprisingly is that this figure remains fairly consistent despite the number of channels a retailer is running, demonstrating the need for suppliers to provide an integrated solution to their clients in order to help make their channels more coherent to customers, no matter what size the operation. 1 in 5 (20%) felt that their channels were not at all integrated, including their sales and marketing messages, and suggests the need for various departments within brands to work closely together, especially as 42% of all marketing across channels is currently kept in-house.

More and more retailers over the past year have found that their current technology systems have formed an even bigger barrier when it comes to achieving their multichannel vision. Year on year comparison shows that there has been a 10 percentage point rise in retailers finding their systems ‘difficult, costly, and hampering their vision’.

Technology is impacting multichannel strategies and remains one of the biggest challenges in meeting a multichannel vision. Internal technology remains the largest obstacle, followed closely by retailers current systems not being able to support their idea’s. As such, multichannel system replacement is yet again at the top of the investment priority list for retailers over the next year. Better integration of current systems and mobile sites and apps also come relatively high up the list, especially as retailers expect more of their revenue to come through their mobile channels in the coming years.

However, retailers are also increasing omitting the importance of properly defining their multichannel vision and objectives. A lack of budget is also becoming more of an issue for retailers in 2012, with a 2 percentage point increase in the number of respondents defining this as their biggest obstacle. Overall, retailers look likely to be investing a smaller amount of their budgets in key systems in the next year compared to twelve months before. Unsurprisingly retailers with a larger turnover will be investing more in developing key systems. Partners and suppliers need to rake this into account when developing multichannel solutions for retailers.
Understanding the multichannel consumer

Last year, just over half (54%) felt that they had at least some basic understanding of the multichannel customer journey. However, as the number of retailers operating any number of channels is growing, understanding of the customer journey is declining.

Over half (51%) of those surveyed said that they were ‘not aware’ or ‘not aware at all’ of the number of visits a customer makes across their channels before making a purchase decision, a rise of 5 percentage points since last year’s study. Similarly, just 7% of retailers felt that they were ‘very aware’ of the typical customer journey, compared to 16% who thought the exactly same one year ago.

Whilst this figure is unsurprising given the number of new customer touchpoints that retailers are introducing year after year, it is worrying that retailers are not taking enough steps forward to better their understanding of their multichannel customers. It represents a severe lack of knowledge in the retail industry of customers and a general understanding of consumer behaviour. As more and more channels enter the multichannel mix, understanding when and how a customer is interacting with a brand will become ever more important. In today’s fast moving market, customers have come to expect an instant service that provides that added ‘wow’ factor and goes the extra mile to making their experience one that they remember and will happily come back to. By not understanding the customer journey, retailers are disadvantaging themselves and limiting the amount of real ROI improvements they can make to their multichannel customer experience.

The customer is increasingly setting off on longer retail journeys from their initial research all the way through to purchase completion and product delivery or collection. Every moment and every channel counts.

Encouragingly, most respondents do seem aware that consumer behaviour is changing and are attempting to put into place various systems to improve their understanding.

It seems that without the integration of backend systems and internal as well as external technology, retailers feel that they won’t be able to track customer use and behaviour across channels. Many describe themselves as multichannel where all of their customer touchpoints operate separately, rather than omnichannel, where all channels are integrated and operate as one.
Improving the customer experience

Many retailers acknowledge that their understanding of the customer is low but that they do need to look in some way at improving the overall customer experience. However, over half (51%) felt that they didn’t have the budget available to ensure a better customer experience to customers, whilst just under half (49%) believe that the disparate technologies running each channel means a duplication of work.

With technology, systems and channels currently running so disparate to one another, and with the understanding of the overall multichannel customer journey wavering, retailers are currently looking at individual channels.

It would appear that retailers are increasingly preparing themselves for the onslaught of an increase in online orders that they expect in the coming years and almost half (49%) said that their website required the most attention, a number which has risen by 14 percentage points year on year. Similarly, just 19% felt that they needed to improve their store experience, compared to the 33% who felt the same last year.

Conclusions

The results have shown that multichannel operations have come on even further in the past year as more retailers introduce more and more channels. However, like those retailers surveyed for last year’s study, respondents still feel that their current technology and systems are still holding them back, often meaning that their channels are not well integrated and do not provide a clear, consistent and coherent messages to their customers. As such, multichannel system replacement remains the number one investment priority for retailers in the coming months.

It has become increasingly apparent however that retailers believe that their biggest area for growth lies with digital touch points rather than established channels and expect online and mobile to generate more revenue than stores in just twenty four months’ time.

Mark Adams, Partner at Portaltech Reply, explains, “Despite of the steady increase in revenue generated by online and mobile channels, the research highlights how retailers are struggling to implement a coherent multichannel strategy that would cater all customers. The positive aspect lies in the growing awareness of this issue as retailers find themselves no longer able to track the customers’ interaction with their brands. To address this challenge, it is important for retailers to accurately define their own multichannel strategy and adopt up-to-date technology solutions able to realise such a vision in an efficient and properly integrated fashion.”
Andrew McClelland, Managing Director at IMRG, said, “As these figures reveal, achieving a fully integrated multichannel solution poses a significant challenge for retailers due to the sheer range and diversity of channels through which consumers expect to have a high quality, consistent experience. The squeeze on budgets and pace of technological change means that consumers are able to adopt new devices far quicker than they can be accommodated into a retailer’s offering. Each brand has its own specific customer base and inevitably some channels will receive greater focus than others, but each brand also has its own unique identity; ensuring that the essence of that identity is communicated in some way across all touch-points may represent a firm step toward full integration as far as the consumer is concerned.”

Derek Eccleston, Head of Research at eDigitalResearch, comments, “It is really exciting to see so many retailers trying out new ideas across a growing number of customer channels. Retailers have never had such an opportunity to truly engage with their customers. Our study last year found that integration of technology and marketing across channels was a real issue for retailers and something that needed to be addressed. It is really worrying that this is still an issue for retailers one year on, especially as our consumer studies point out time and time again that people want the same customer experience no matter what channel they are using. Going forward, it is important for suppliers and agencies to work closer together and form tighter partnerships and provide a tailor made solution to help retailers achieve their multichannel vision.”
About Portaltech Reply
Portaltech Reply is the Reply company specialising in the provision of e-commerce implementation and Multichannel consulting services. The company has gained substantial experience in e-commerce since inception in 2000 by working on some of Europe’s largest e-commerce and MultiChannel retailing projects. Portaltech Reply is 100% dedicated to hybris technology and is one of the world’s most experienced and respected implementation partners with Platinum Elite status. Portaltech Reply customers include TUI, Costco, Iceland Foods, LK Bennett, Long Tall Sally, Office Shoes, O2, Bunzl Group, Thompson & Morgan and the Daily Mail group.

About eDigitalResearch
eDigitalResearch are insight specialists with an expertise in online and multichannel business. We bring passionate researchers, technical experts and art designers together all under one roof to work with clients and create bespoke insight programmes. eDigitalResearch not only offer unrivalled digital research expertise and insight support, but state-of-the-art technology and innovation that works seamlessly with your systems and data across customer touch points.

About IMRG
IMRG (Interactive Media in Retail Group) is the UK’s industry association for e-retail. Formed in 1990, IMRG is setting and maintaining pragmatic and robust e-retail standards to enable fast-track industry growth, and facilitates its community of members with practical help, information, tools, guidance and networking. Consumers can be confident when dealing with IMRG Members because all interact in an environment where they are encouraged to operate using methods that are Honest, Decent, Legal, Truthful and Fair, and have undertaken to not bring the industry into disrepute. The strength of IMRG is the collective and cooperative power of its members.