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New Age Multi-Channel Retailing: Prospects for Digital Retail Revolution and Avenues for Better Integration

According to Aberdeen data, an average of 70% of multi-channel retailers are prepared to handle customer facing processes and system upgrades such as the commerce infrastructure in the store environment, while only an average of 30% of multi-channel retailers demonstrate similar customer and system readiness in the online channel or emerging sales channels such as mobile.

While loyalty initiatives, affinity based merchandise assortments, and social marketing programs on the web are part of the customer-facing selling strategy, readiness of commerce infrastructure is extremely critical for handling peak web traffic, merchandise search, comparison shopping, order management, fulfillment, and above all, a healthy customer conversion rate. Our data indicates that commerce infrastructure in the form of web site performance and page load times are directly impacting bottom-line revenues of 50% of retailers surveyed. This impact is due to reduced site or product offer abandonment rates that leads to improved sales conversion per site visit.

Business Process to be Studied

In 2007, Aberdeen published the [21st Century Retailer](#) report that detailed the three pillars of multi-channel retailing (data, inventory, and customer). The focus of the April, 2008, [Technology Strategies for Multi-Channel Integration](#) report detailed how process development and technology enablers can help companies manage their cross-channel integration with their core retail strategies from buying and merchandising to operations and customer fulfillment.

In January, 2009, the next multi-channel retailing report will provide in-depth process and technology insights for elevating multi-channel technology efforts in retail to the next level of automation, developing digital consumer affinity, and improved integration. Aberdeen data reveals that digital retailing is gaining in prominence through rapid growth in the online channel, consolidation in store-level multi-channel efforts, and gradual development of the mobile channel. Our data shows that one-fifth of retailers have indicated current or planned initiatives on the mobile channel. Both these digital retailing formats will define the future of 21st century retailing.

Research Preview

A Research Preview provides an advanced look at an upcoming study and the research hypothesis which will be explored based on prior research

How to Participate in the Study

If your company is:

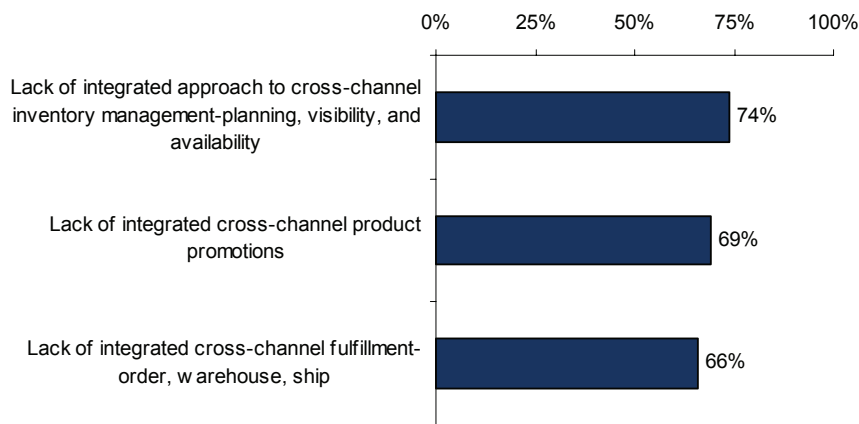
- √ An OEM,
- √ An aftermarket service provider,
- √ An RPS solution provider, or
- √ A technology supplier to an RPS solution provider

[Contact us now to get involved in this study!](#)

Foundation in Prior Aberdeen Research

Our data indicates that only a third of cross-channel retailers (e.g., direct sales, stores and Internet, Internet and call center, or a combination) have attained some level of cross-channel integration across their inventory, order management, fulfillment, and customer processes such as consistent pricing, product information, promotions, and loyalty initiatives (Figure 1). All of the above processes contribute towards new customer acquisition and customer retention in the web, catalog, and store channels.

Figure 1: Retailers Struggling with Cross-Channel Integration



Source: Aberdeen Group, April 2008

There is a key divergence between what Best-in-Class retailers considered the business-critical pressures in relation to multi-channel retailing, both for traditional and emerging sales channel in 2007 and 2008. In 2008, the top three pressures driving companies to focus on cross-channel initiatives are: increases in cross-channel shopping (59%), hyper-competitiveness (29%), and a focus on new markets (27%). In contrast, in 2007, 75% of Best-in-Class companies cited customer expectation of a seamless process as the top pressure.

It is likely that the pressure to respond to the growth in cross-channel sales has emerged as a top-of-mind factor for retailers in 2008 due to the gradual slackening of store channel sales over the last three to four quarters - whereas, web and catalog sales have increased. These events have led to a strategic transformation amongst Best-in-Class retailers: a renewed drive to improve and streamline cross-channel operations. For example, this year retailers are showing a keen interest in capitalizing on the burgeoning growth of web, delivery, and catalog, using aggressive cross-channel promotions to rekindle sales in the store channel.

Table 1: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> ▪ Need to address rapid changes in customer needs and preferences for sales channels 	<ul style="list-style-type: none"> ▪ Create product offers and services for all channels of operations ▪ Identify new channel opportunities to tap into customer needs that are so far unfulfilled 	<ul style="list-style-type: none"> ▪ Ability to execute a common platform for product information / content management ▪ Ability to execute a common platform for digital image management ▪ Ability to execute a unified marketing plan for all channels of operations ▪ Ability to execute a unified merchandizing plan for all channels of operations 	<ul style="list-style-type: none"> ▪ Distributed order management systems ▪ Cross-channel product content management system ▪ Real-time inventory updates for channels of operations ▪ Cross-channel promotion and marketing management solution ▪ Cross-channel enterprise relational database

Source: Aberdeen Group, December 2008

Best-in-Class Strategies

Our research will showcase multi-channel Best-in-Class strategies such as:

- Identify digital retailing avenues in the store, web, and mobile environments (e.g. social media, digital signage, kiosks, handheld devices)
- Assessment of the ROI emanating out of digital retailing and cross-channel integration projects
- Address challenges related to integration of digital retailing data, imaging, content, and processes with other sales channels
- Identify vendor partners that might be able to assist with the discovery, deployment, and professional services related to cross-channel initiatives such as web hosting, content management or fulfillment
- Advancement in cross-selling, up-selling, ease of payment, expanded product search, and selection tools for customers across all channels
- Develop advanced analytics using store, web, and catalog product, customer, and location data that can help classify selling trends across channels on a seasonal and non-seasonal basis so that teams have a unified selling plan for every category

Business Metrics

The performance metrics which will be used to determine Best-in-Class include those shown in Table 2.

Table 2: Best-in-Class Performance Metrics

Metric Name	Measurable Values	Measured As
Number of cross-channel orders (ordered via web, catalog, store, and any other direct to customer channel)	Percentage change in over the past 12 months	Percentage increase or decrease (-30% to +30% in increments of 5%)
Gross margin	Percentage change in Gross margin during past 24 months	Percentage increase or decrease (-30% to +30% in increments of 5%)
Customer retention	Customer retention rate percentage for the past 24 months	Percentage (<50% to 100% in increments of 10%)
Return on Net Assets (RONA)	Percent year-over year increase or decrease in RONA during the past 12 months	Percentage increase or decrease (-30% to +30% in increments of 5%)
Customer conversion rate	Defined as year-over-year performance measured in terms of actual customer transactions in comparison with total store visits	Increase or decrease by 1-10%, 11%-20%, 21%-30%, 31%-40%, 41%-50%, 51% or more (remained the same, do not know or do not measure)

Source: Aberdeen Group, December 2008

Other metrics to be considered in this study:

- Average value of web orders; defined as average basket size in dollar terms compared to last year for the web channel (Percentage increase or decrease (-30% to +30% in increments of 5%))
- Average value of catalog orders; defined as average basket size in dollar terms compared to last year for the web channel (-30% to +30% in increments of 5%)
- On-time delivery; defined as the average delivery time performance per established delivery cycle time (30% in increments of 5%)

Case in Point

Take, for example, the case of a large online retailer that also owns and operates several brick-and-mortar locations, and a manufacturing and marketing company. In 2007, this retailer had to encounter challenges related low customer response and conversion in a multi-channel selling environment that includes online, brick-and-mortar, and catalog. This retailer encountered challenges such as lack of multi-channel organization, barrage of mediums, low customer re-activation, and channel conflict around sales credit. As a response to these business problems, this retailer devised a four-pronged business and technology strategy. First, this company

optimized the total catalog production for a focused and targeted audience who received the catalog twice a month versus the previous frequency of four catalogs per month. Second, all customer re-activation programs were targeted towards online and store customers. The promotions were aimed at driving cross-channel loyalty. Third, all cross-channel initiatives were set under executive ownership of channel marketing initiatives. Lastly, this retailer adopted a unified technology strategy for customer relationship management and customer purchase analytics across all channels.

The company upgraded its customer database management and marketing strategy to reflect the unified view of the customer. In order to streamline the multi-channel data workflow, this retailer established a common platform for print and web publishing linking price, product, and image in real-time. In addition to the above, centralized product information and digital asset management was implemented for seamless brand marketing programs. As a result of these initiatives, within six months this retailer experienced a 3% increase in customer conversion and 7% increase in customer re-activation.

Objective and Anticipated Result of the Study

Aberdeen Group will survey and interview a diverse range of retail organizations operating in a variety of markets and geographies. This research study will explore the dynamics of digital retailing in terms of the impact on the entire retail value chain. We will reveal the Best-in-Class methodology and plans for cross-selling, up-selling, ease of payment, expanded search, and actionable intelligence for improved focus on customer insight. We will also assess the challenge related to integration of digital retailing data, content, and processes with other sales channels.

Solution Snapshot

Solution providers can range from best-of-breed, Enterprise Resource Planning (ERP) to consulting service providers. Table 3 provides a partial list of vendors that provide multi-channel enablement and integration solutions

Table 3: Vendor Landscape

Company	Order Management	Fulfillment	Web Store	Content Management	CRM and Marketing Tools
Alpha Bay	√		√	√	
Aprimo				√	√
Cactus Commerce	√	√	√	√	√
Coremetrics			√	√	√
CORESense	√	√	√	√	√
Crossview	√	√	√	√	√
Comosoft				√	√
Connect 3				√	√

Company	Order Management	Fulfillment	Web Store	Content Management	CRM and Marketing Tools
Channel Advisor	√	√	√	√	√
Channel Intelligence				√	√
Escalate Retail	√	√	√	√	√
GSI Commerce	√	√	√	√	√
HCL	√	√	√	√	√
IBM	√	√	√	√	√
Infor	√	√			√
iCongo	√	√	√	√	√
Infosys	√	√	√	√	
Junction Solutions	√	√	√	√	
Loyalty Lab					√
Micros Retail	√	√	√	√	√
Microsoft	√	√	√	√	√
Oracle	√	√	√	√	√
Right Now Technologies				√	√
SAP	√	√	√	√	√
Sigma Commerce	√	√	√	√	√
Snow Valley			√	√	√
Sterling Commerce	√	√	√	√	√
Teradata				√	√
Unica				√	√
VCommerce	√	√	√	√	√
Wipro	√	√	√	√	√
Demandware	√		√	√	√
Epicor-NSB	√	√	√	√	√
Amdocs	√			√	√
Cabco				√	√
Cellfire				√	√
Dialogue			√		√
Huetouch					√
MediaCart	√			√	√
MobVision			√		√
ModivMedia	√	√			√
mShopper		√	√		√
Qualcomm BREW	√	√	√	√	√
Springboard Retail Networks				√	√
Wizemobile			√	√	√

Source: Aberdeen Group, December 2008

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[Responsive Customer Loyalty: Creating Customer Commitment in Retail](#); June, 2008
[Technology Strategies for Multi-Channel Integration](#); April, 2008

[Customer-centric Point-of-Service](#); February 2008
[Responsive Trade Promotions Management](#); July, 2008

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