



WHITE PAPER

---

# Charting a Course Towards True Omnichannel Retailing





# Contents

1	Executive Summary
4	Challenges at the Enterprise
8	Conclusion
10	About Logic







## Executive Summary

In today's retail business market, the challenge of delivering a consistent and complete customer buying experience across all retail channels in the enterprise has become overwhelming. More than ever, the demand for service excellence at the customer point of contact is mandating that technology deliver actionable information in a meaningful way.

Moreover, the pressures of PCI compliance and other regulatory requirements have challenged the infrastructure of many retailers and have forced them into complex, expensive control mechanisms to avoid data exposure and financial penalties.

As a result, much of the technology put forward during the past ten years has been focused on the backend integration and/or protection of customer and transactional data so that disparate system architectures can share information across the enterprise without exposing it to the outside. This has led to entire software markets devoted to solutions designed to protect, track, cleanse, consolidate and augment enterprise data.

Many retailers, faced with siloed channel solutions have application architectures similar to the one depicted below:

## Siloed Application Architecture

*Retailers' IT investments are consumed by efforts to enable linkages between siloed applications.*



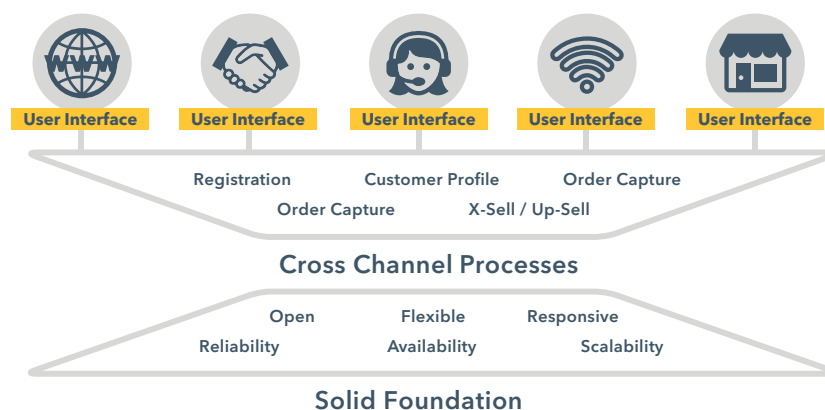




A preferred model would include a vision of multichannel retail applications that espouse tight data integration across channels on an integrated, solid architectural foundation. This is the yet-unfulfilled promise of the major ERP vendors as they embarked on an acquisition spree of epic proportions during the recession—a promise that is not likely to ever come to fruition for a variety of reasons.

## Unified Process Architecture

*A single application architecture powers a consistent brand experience for retail customers.*



The intent of such an architecture was to eliminate the challenges related to backend data integration tools, disjointed cross-channel customer information, distributed electronic payment information and enterprise delivery of consistent product-related data (availability, pricing, promotion). In their place was to be a streamlined, scalable transaction solution that could be deployed in all distribution channels; a solution that could be supported by a single team of professionals with deep skills in an industry- standard platform technology.

While it is indeed unlikely that such a fully-integrated, multichannel retail solution will find its way into the market anytime soon, this will not eliminate the need for delivering the retail capabilities promised by such systems. The perception of full integration

across multiple selling channels continues to be a primary influencing factor for customer loyalty to a retail brand.

There are two key elements that are important in delivering a multichannel selling experience to the customer. The first is to consolidate internal organizational elements such that they are fully aligned with the growth of all channels in accordance with the overall corporate strategy. The second is the “enabler” to the first: retailers must look to a comprehensive business intelligence deployment to consolidate, standardize and then disseminate the information used to manage channel- level operational performance enabling a singular, strategic view of the business at all points in the enterprise.



*The intent was to eliminate the challenges related to backend data integration tools, disjointed cross-channel customer information, distributed electronic payment information and enterprise delivery of consistent product-related data (availability, pricing, promotion)."*





## Challenges At The Enterprise

There are several key challenges at the enterprise level that need to be addressed by a world-class, multichannel retail platform. The most significant of these challenges is the consolidation of data and systems from disparate application data stores and platforms.

While there has been some convergence of the data requirements for multichannel integration, the application solutions themselves are a long way from presenting this data in a usable, consolidated fashion. As a result, companies spend millions of dollars on third-party tools to accomplish data consolidation, and an entire industry of data integration-related vendors has established itself in the software and services marketplace.

Historically, the tools available were implemented as point solutions with marginal ability to be deployed across all locations and venues. Only recently have more sophisticated multiplatform delivery solutions been introduced

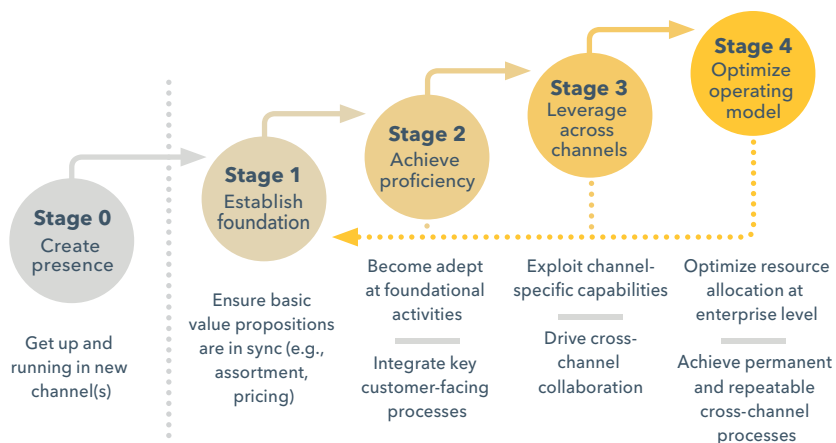
to the market that can meet the needs of the enterprise. Exploring these tools is critical to realizing the vision of the fully integrated, multichannel retailing experience that retail customers demand.

From an organizational standpoint, the disparity among application platforms is at the root of many of the issues facing retailers today. Perhaps more to the point, the lack of an integrated multichannel system architecture has driven many retailers to compensate in a variety of ways that are both inefficient and counter-productive to the profitability of the enterprise.

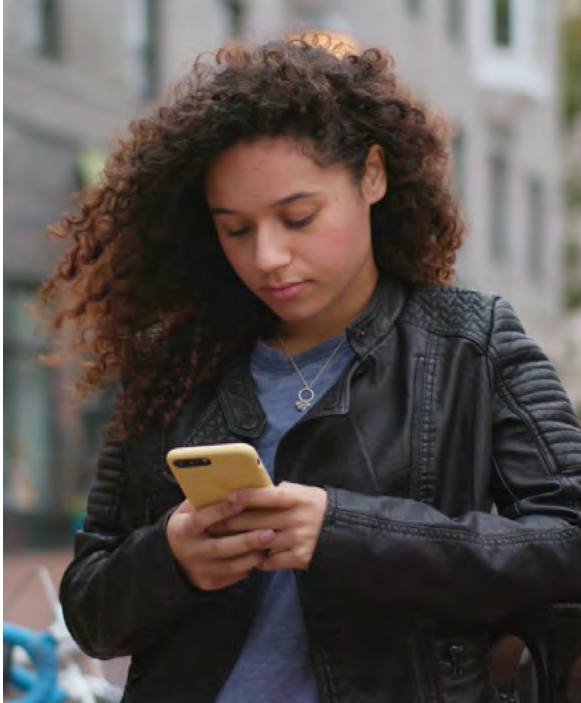
As background, when looking at the evolution of multi-channel retail capabilities, it is helpful to view the typical stages of multichannel adoption by retailers. Below is a graphic representing these stages of adoption and the characteristics at each step:

### Stages of Multichannel Adoption

*Retailers typically progress through differing stages of multichannel adoption.*







Initially, single-channel retailers expand their offerings to include alternate buying channels for their customers with a focus on simply creating a presence. This is stage 0.

Retailers often fulfill this need by creating independent, focused organizations within the enterprise. These lean, highly specialized teams are typically supported by autonomous application sets which are in turn supported by autonomous application support organizations; each focused on the challenge of incubating these new channels from their humble beginnings into full-fledged retail operations.

While these newly formed organizations meet the initial need for the retailer (and usually the customer), once the new retail channels begin to mature (and especially if they are successful), corporate emphasis eventually turns from channel presence to channel profitability, which requires the retailer to move along to more advanced stages of multichannel adoption – stage 1 and stage 2 of the retail channel evolution.

Many brick and mortar retailers now find themselves in stage 1 or stage 2 with their e-commerce offerings. Likewise, many primarily direct-to-consumer retailers (catalogers) that

*“Once the new retail channels begin to mature, corporate emphasis eventually turns from channel presence to channel profitability”*

have experimented with physical stores and/or e-commerce offerings find that these retail channels have similarly matured.

Additionally, those more cautious initially are fueling consolidation in the retail space as these retailers attempt to “leap-frog” the maturity curve by acquiring other retailers to quickly obtain capabilities in secondary retail channels. In virtually all cases, only a loose coupling of business processes and infrastructure capabilities has been achieved.

The effect of this loose coupling is being felt by the customer – and they are pushing back. Research strongly indicates that the multi-channel consumer spends considerably more than the single channel consumer. Research also suggests that customer loyalty of these multichannel buyers is far more challenging to attain as they tend to utilize all of the retail channels to achieve their goals (better price, quality or service).

This is putting tremendous pressure on retailers to provide – irrespective of the state of supporting retail systems – the experience of a customer-centric multi-channel retail offering that not only provides a presence in each channel, but is focused on brand consistency, inter-channel flexibility and seamless information flow to support the cross-channel buying experience.

*“Customer loyalty is putting tremendous pressure on retailers to provide a customer-centric multichannel retail offering”*

“The initial autonomy required to incubate new channel becomes the single biggest obstacle to bringing those channels back into the enterprise fold”

Managing, meeting and exceeding customer expectations has become the key to survival in the multichannel retail world. Combine this with the state of the economy and its focus on enterprise profitability versus channel profitability, and the drivers have been created to push multichannel retailers towards achievement of stage 3 and Stage 4 multichannel competencies.

As profitability of the enterprise takes precedence over the development and profitability of individual channels, the initial autonomy required to incubate new channels or to facilitate acquisition becomes the single biggest obstacle to bringing those channels back into the enterprise fold.

Business leaders often find themselves isolated from one another as they strive to meet operational metrics that historically have been measured independently across channels. Ultimately, the customer experience suffers and becomes fragmented; customers experience disparity in the service, and sometimes the offerings, from one channel to the next.

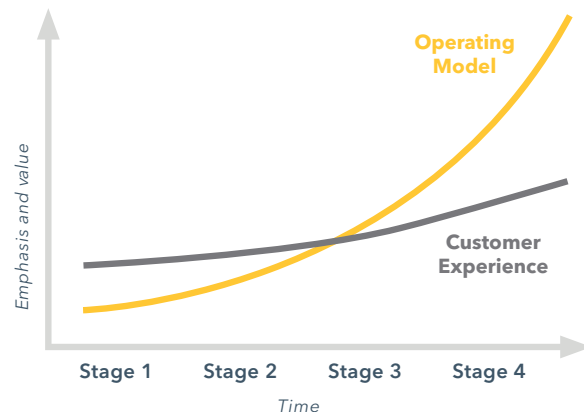
“Expectations of the customer continue to grow as the retailer’s multichannel capabilities mature”

From the customer’s perspective, expectations grow faster than the retailer’s true multichannel capabilities can mature. Retailers who are focused on stage 1 and stage 2 seek to enable the expected customer ex-

perience, while in stages 3 and 4 retailers focus on building operational efficiencies in delivering that experience. Below is a graph showing multichannel evolution over time, plotting the retailer’s shifting emphasis on the operating model versus delivering the customer experience:

### Shifting Emphasis & Value in Multichannel Strategy

*Retailers focus first on delivering a multichannel customer experience and then on creating operational efficiencies.*



Companies attempting to implement stage 3 and stage 4 multichannel competencies now find that re-balancing priorities across channels and the necessary coordination of customer touch points (assortment, pricing, promotions) is complicated by the fact that the different channel applications that support these features do not always have the same capabilities. For some retailers, entire business processes are duplicated and individually customized within each channel.





At the same time, the IT teams for the applications supporting these retail channels are struggling to maintain the independent, and sometimes competing, support models for their respective application sets and architectures. Particularly in the mid-sized retail market where resources are already at a premium, the challenge of maintaining technology currency across multiple platforms can be daunting.

“*The burden for integration and data management can be shifted out of the retail enterprise (IT) and into the cloud, assisted by technology-focused (usually ERP platform-specific), infrastructure and application management organizations*”

The resulting infrastructure supporting multichannel retailing has become a hodge-podge of middleware components patched together to create the illusion of integration. Software and service components have been implemented (sometimes independently) to ensure that each channel “appears” to have a full set of information. While the software industry works towards resolving these issues at an architectural level, the technology service industry has provided the mechanism to relieve the impact of these complexities through a fully managed hosting services model. In this model, the burden for integration and data management can be cost-effectively shifted out of the retail enterprise (IT) and into the cloud, assisted by external, technology-focused (usually ERP platform-specific), infrastructure

and application management organizations – an entirely new wave of service providers poised to capitalize on this market need.

The organizational impacts to retail IT can be substantial. An in-depth outline of this trend can be found in the white paper “A Business Case for IT Transformation”, so the implications will not be explicitly explored here. But suffice it to say the result will change not only the IT organizations themselves, but also the role that they play in furthering retail business goals.

Comprehensive business intelligence tools round out the solutions for integration across channels. With the proper deployment, these tools provide for an integrated view of multi-channel information and can be the basis for deployment of metrics across the enterprise. Critical to the success of this effort is the concept of “one version of the truth” when it comes to channel performance measurement. As these tools typically sit above and outside of the applications themselves, they provide sophisticated user interfaces that enhance the accuracy, ease-of-use and delivery speed of critical business information to the enterprise.

“*The coordination of customer touchpoints (assortment, pricing, promotions) is complicated by the fact that the different channel applications do not always have the same capabilities*”



*The face of the retail industry has changed. In the past, isolated channel solutions specifically tailored to each retailer were required to meet consumer and operational demands. Customer expectations were limited because the technologies that could be applied in this environment and infrastructure were also limited.*

## Conclusion

We are now experiencing a reversal in this trend. Connectivity (in the home, in the store and everywhere in between) has become a commodity and gone from being an obstacle to a shopping enabler. Consequently, pervasive connectivity now plays a much larger role in the shopping experience. In addition to making possible additional shopping channels for the customer, pervasive connectivity facilitates the pre-shopping experience at the store. Price, quality and feature/function comparisons are at the fingertips of virtually every consumer. Finally, broadband connectivity at the store has enabled real-time connectivity to the enterprise; a critical link to information that has historically been unavailable.

“*Instantaneous customer recognition, complete historical shopping visibility, seamless inventory availability and the capacity to ship from anywhere to anywhere have now become the standards by which customer serviceability is measured.*

This progress has dramatically raised customer expectations for the shopping experience. For most customers, having options becomes the key to excellent customer service.

Retailers must continue to get creative in resolving the effects of historical channel autonomy. Outsourcing of disparate, non-critical IT components in an effort to focus IT organizations on more strategic, business-critical support is crucial to set the stage for multichannel integration.

Likewise, a comprehensive business intelligence solution can facilitate the strategic and operational alignment of channel business executives and create the perception throughout the enterprise and to the retail customers of complete multichannel integration.

The benefits of this strategy include the streamlining of the internal retail organization for certain. More importantly it results in a uniform, customer-centric retail delivery model focused on customer loyalty supported through a seamless, multichannel experience.





The consumer's expectations and journeys are constantly changing. But for retailers who can keep up, the possibilities are endless. That's where Logic comes in.

Our deep experience in the retail industry combined with our technology experience can help you keep up with what's happening now, and be ready for what's next. We partner with you to truly understand your needs then create the processes and systems to help you achieve better outcomes for your business.

## About Logic

Whether a retailer's enterprise is regionally focused or extends around the world, Logic stands ready to partner in every geography. The company maintains offices around the globe to serve its clients and ensure alignment with Oracle Retail's global practice.

Logic's clients range from mid-sized retailers to some of the largest retailers in the world across nearly every type of retail business model including grocery, hardlines, softlines, fashion, and government. Whether brick-and-mortar focused, pure-play e-commerce or multichannel, Logic offers a complete range of services to help retailers succeed. Logic's end-to-end service offerings include:

- Strategic Advisory Services
- Implementation Services
- Testing Services
- Change Management & Training Services
- Cloud Services
- Managed Services
- Staffing Services

Logic's solutions support the entire breadth of a retailer's business processes and are directly paired with Oracle's offerings in the following business areas:

- Merchandising
- Planning and Optimization
- Supply Chain Management
- Store Operations
- Commerce
- Analytics & Big Data
- Oracle E-Business Suite for Retail

Most importantly, Logic puts clients first. That means we do the right thing for our customers. We do what we say, and say what we do. Always.

**To learn more about how Logic can help you transform your retail organization & deliver better business outcomes, visit us today at [logicinfo.com](http://logicinfo.com).**

**Consumer-driven retail experts.  
Focused on better business outcomes.**

Discover the **Logic** difference.



3800 American Blvd West Suite 1200  
Bloomington, MN 55431  
USA

Call +1.763.762.6006  
Email [info@logicinfo.com](mailto:info@logicinfo.com)  
Visit [www.logicinfo.com](http://www.logicinfo.com)

