NETIKA
Business Solution
Vietnam

iVend Retail
a CITIXSYS product

THE CHANGING RETAIL WORLD

The rise and challenges of
omnichannel retailing

WHITEPAPER

SAP

PREFACE

The world is constantly evolving and so are the habits of people that walk this land.

Changes in people's behaviour permeate all aspects of life and their subsequent flow on effects are widespread.

Although retailing has seen a number of changes over centuries, there has been no bigger change than what has been experienced in the last 15 years.

These changes have developed unprecedented challenges for retailers, with most still learning how to manage the change that looks like it is here to stay.

THE RISE OF THE INTERNET AGE

When the seed of Internet was planted in the 1960s, those involved may not have realised the impact it would have on society 50 years later.

With estimated 20,679,4901 internet users in Australia as of July 2016 and growing, people are now connected like they have never been in all of history.

Online retailing started slowly, but the growth of eCommerce sales in Australia is expected to reach AUD 32.56 billion2 by 2017, according to the survey report by eMarketer.

The rise of online shopping is growing at a rapid pace as the internet becomes our centre of the universe.

With a population of just 23 million, eCommerce sales in Australia is largely boosted by a stronger economy and infrastructure. 85% people of Australian's have internet access and the internet adoption is increasing at a rate of 1.7%. Further, the increase in use of social media among Australian's has introduced new ways for retailers to connect with potential customers. The number of social media users in Australia will reach 12.1 million in 2017.

The 2016 country report from Ecommerce Foundation shows that about 65% people of Australian's shop online and this trend is only going up, with more people having regular access to mobile devices, it is easier for online businesses to find potential buyers.

[1] Source: http://www.internetlivestats.com/internet-users/australia/
[2] Source: https://www.webalive.com.au/future-of-australian-ecommerce/

THE CONSEQUENCES OF A CONNECTED SOCIETY

When the barriers to accessing information and connecting with society are removed, the implications on the way in which society functions is inevitable.

Having unlimited access to information makes shoppers more knowledgeable.

The connected shopper now intertwines traditional store purchases with online transactions and are more inclined to know what they want in advance of a making a purchase.

The modern shopper is more in touch with pricing and what is a fair and reasonable price for goods and services.

Informed Customers

UNLIMITED ACCESS TO INFORMATION MAKES SHOPPERS MORE KOWLEDGEABLE

HAVING
GREATER
EXPECTATIONS

THE PROFILE OF A MODERN SHOPPER

With online shopping now mixed with the traditional shopping experience in the traditional bricks and mortar stores, the modern shopper has evolve to interact with both channels in interesting ways.

The interest comes in the ways in which society has adapted to this new environment and it seems as if every permutation of interaction has been explored between online and in-store environments.

Figure 1 shows us a range of possible interactions, that represent the retail world today.

Shoppers now have greater shopping choice than ever. Earlier where the online and in-store retail environments were seen to be stand-alone entities, the dividing wall is now falling fast.

As the barriers disappear, shopper's expectations as to what should be achievable by retailers is also transforming.

A modern shopper may not understand omnichannel retailing as in their world they are simply shopping.

No longer are the retailer's online stores seen as separate entities, compared to their bricks-and-mortar stores.

If that retailer's products can be purchased both online or in-store then the customer has a choice where to purchase the product and that is all they wish to do, purchase the product.

The modern shopper now subconsciously expects a unified shopping experience. Their interaction and buying pattern has now evolved to make most of the opportunities they believe should exist in an integrated retail environment.

Figure 2 shares a list of opportunities that an omnichannel retailer can offer shoppers today.

The research shows that convenience is a major driver of shoppers with the path of least resistance to purchase the chosen item.

Figure 1: Omnichannel shopper interactions

Online	In-store
Research online	Purchase in-store
Purchase online	Pickup in-store
Check stock availability	Purchase in-store
Purchase online - ship to customer	
	Purchase in-store – ship to customer
	Purchase in-store – pickup in-store
Purchase online	Return in-store
Purchase online	Pay and pickup in-store
Purchase online	Exchange in-store
Online support	Purchase in-store
Purchase online	Research in-store
Purchase online	Pickup at 3rd party location
Purchase online	Return at 3rd party location
Purchase online – pay with gift card	
Purchase online – pay on account	Pay account balance in-store

Figure 2: Omnichannel shopper opportunities

Purchase conveniently
Check stock availability online
Track order status
Modify purchases
Research products conveniently
Delivery notifications
Account and purchase history visibility
Return products in the most convenient way
Exchange products conveniently
Product availability notification
Greater loyalty interaction

By 2020, global retail eCommerce sales are predicted to **increase by 14.6%[3]**

The perception of the path of least resistance may differ between shoppers but the omnichannel environment must cater for each individuals' purchase paths if maximising sales is the goal.

In a typical journey where shopper chooses to purchase a product online and pay upon pickup from a store, and later checks his loyalty points online from the comfort of his home- this is achievable in an omnichannel retail environment.

Retailers who focus to effectively share information with their customers will successfully position themselves. Since the customer today craves for information, they'll consider such retailers as the most convenient to interact with, and drive sales further.

The nature of information sought can vary from product information to its availability.

Availability to information coupled with flexible purchase options is creating greater opportunities for retailers to be convenient for their customers, key criteria for maximising sales.

However, how do retailers coordinate activity across the company in order to maximize the value they deliver while minimizing costs is a question in focus. Easy answer is that it requires them to integrate previously discrete departmental information systems in order to enable such collaborative working.

Business processes are best handled by applications specifically designed to carry out those functions. But there is always a need to get all these specialized applications to work together as an integrated unit. This can be easily achieved by utilizing a Standard ERP such as SAP Business One with a retail management system.

The omnichannel retailing environment has introduced greater management complexities for retailers. But if the same complexities are embraced and managed, there is a real opportunity for retailers to differentiate their offering and increase revenues.

Businesses that can respond to the emerging customer expectations will be positioned for future success.

Creating a point of difference is the driver to stand out from the crowd but achieving this in a world where almost anything that can be done, has been done, is exceedingly difficult.

Differentiating through product strategies is diminishing as a result of the globalisation of commerce. Interestingly, this shift comes as a consequence of omnichannel retailing.

The rise of online stores is not slowing. This expansion of online stores is being driven by continual and strong customer support.

Though a large portion of the rise in online retailing comes from pure online stores, the omnichannel retailers are displaying a competitive advantage through offering a more diverse business model that provides greater choice and convenience to shoppers.

Despite the fact that online sales are growing, the majority of retail sales are still in the domain of bricks and mortar stores and this is unlikely to change. The bricks and mortar store will remain a primary purchasing source for shoppers.

Retailers who embrace the omnichannel paradigm have the opportunity to broaden their sales reach, build a more loyal customer base and position their business ahead of the retailing trend curve to be better placed to adapt to further changes in the retailing environment.

[3] Source: https://www.readycloud.com/info/95-ecommerce-statistics-to-know-in-2017

THE RETAIL CHALLENGE

Omnichannel retailing is here. But are retailers ready for it?

To capture the most accurate picture of omnichannel perception, iVend Retail surveyed 2,000 consumers, including 1,000 in both Europe and North America. The findings showed that the three major barriers in omnichannel retailing were The Educated and Informed Consumer, Ordering & Pickup Experiences and Loyalty Experiences.

The most significant component, yet number one challenge for retailers in the omnichannel realm is **The Educated and Connected Consumer.** By the time a shopper walks into a store, they likely have already done a considerable amount of research, either online or on their mobile device, about the goods or products they plan to purchase. In addition, their desire for information doesn't end once they have reached the shop floor. Retailers need to be prepared for this digitally enabled and informed shopper.

The second barrier in Omnichannel success is **Ordering & Pickup Experience.** Getting an item to the customer at their preferred delivery or collection point is a critical part of delivering a smooth omnichannel experience.

Hassle-free ordering and delivery is offered extensively by Amazon and other eCommerce sites. Consumers certainly expect the same service no matter where they shop.

Our research shows that European retailers are slightly ahead of their North American counterparts in providing a smooth process of collecting items in store that have been ordered online (also known as 'click and collect').

The third barrier in Omnichannel success is **Loyalty Experiences.** Many retail organizations still use paper-based coupons, gift cards and loyalty cards. It's clear from this survey that in both Europe and North America, many of these benefits aren't being used, which is a missed opportunity for retailers to nurture lifetime customer value.

One of the key problems is that consumers struggle to manage the many paper or plastic-based coupons and loyalty cards they receive. Retailers should understand the value of each customer in all channels. They also must ensure customers are benefiting from offers and incentives in the most convenient manner to them.

It is therefore evident that the transition to a true omnichannel retail business is hinged on the adoption of the right technology systems.

Figure 3: Top three barriers to omnichannel success

Loyalty Experiences

Ordering and Pickup Experiences

The Educated and Informed Consumer

[4] Source: iVend Retail research - The era of unlimited shopping possibilities

A TECHNOLOGY LED SOLUTION

Retail Point of Sale (POS) software solutions have been the backbone of retail businesses since the advent of barcodes.

Though proactive omnichannel retailers have sought technology solutions to meet their needs, solutions suitable for their needs have been few.

The omnichannel environment poses numerous technology challenges for POS developers.

The technical hurdles of integrating web based online store data with in-store systems has been the major challenge.

Complete and seamless integration of data is the only answer to an effective omnichannel technology solution.

THE ARCHITECTURE OF AN EFFECTIVE OMNICHANNEL RETAIL MANAGEMENT SOLUTION

The modern shopper demands access to information and a convenient shopping experience, whether from home or in-store.

Retailers require the same level of access to information to meet shopper demands.

The architecture of an effective omnichannel retail technology solution is a single-database design.

For example, a retailer with both online and in-store sales channels sells a product via their online store. In selling an item, the stock levels must be adjusted to maintain accurate stock-holding figures. The adjustment in stock must be visible both online and throughout the in-store locations. The change in stock and inventory needs to be immediate to maintain the integrity of stock data. Having a single stock pool ensures that all sales channels can only see the uniform stock figure.

The need to centralise data using single stock pool and make it accessible goes beyond stock management.

Customer account data, loyalty programs and marketing campaign management are all important aspects to be integrated across a retailer's omnichannel business. A single stock pool will enable this.

Sharing such data across sales channels broadens the scope of functionality offered to customers.

A retailer will be able to manage loyalty programmes across sales channels.

They will also be able to maximise the reach of their sales campaigns by being able to run different promotions across online and in-store simultaneously as well as providing their customers full visibility of their transaction history and more.

Figure 4 shows the architecture of the omnichannel ready iVend Retail solution. The design of the solution centres around the iVend Enterprise Server that hosts the businesses database. The eCommerce/online store is depicted to the left of the central server and the bricks-and mortar-stores to the right, the connectivity between each component is achieved via internet.

Connectivity via the internet provides an easy and fast way of keeping all components in sync and allows for add-on modules such as iVend Passes to be integrated. As long as a retailer has connectivity to the iVend Enterprise Server, the power of the system can be utilised for superior sales and customer experience.

iVend Retail seamlessly integrates with SAP making it an affordable, integrated solution designed to empower growing SMBs and large enterprises with omnichannel capabilities and powerful work flows. iVend Retail with SAP enables a retailer to maximize sales potential by implementing fully-integrated sales growth programmes across all sales channels.

Such an architecture allows for growth of the solution. Whether it be a Mobile POS or ERP, integrating new modules and add-ons is achievable, allowing the system to grow and adapt as new omnichannel requirements develop.

Simple in architecture yet complex to develop, the iVend solution has been built to meet the growing needs of omnchannel businesses.

Figure 4: iVend Omnichannel Retail Solution
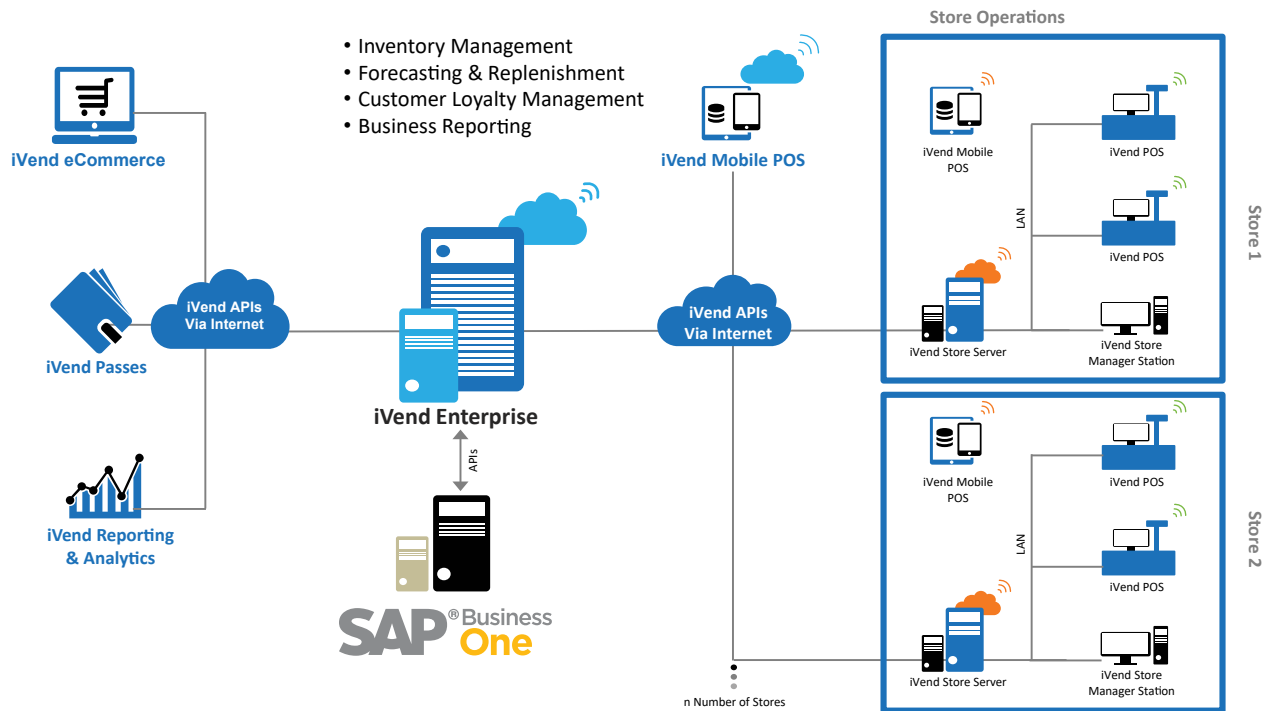
IMPROVING BUSINESS PROCESSES

Majority of the retailers are reporting that they are not ready to manage an omnichannel business and this is mainly due to internal operational challenges primarily driven by inadequate technology and information.

An effective omnichannel retail solution can build the framework in retail businesses to be ready to adapt.

Retail business that have treated their online businesses as separate entities to their bricks and mortar stores can now view their business as one.

In effect, the retailers' online component can be viewed as another 'virtual' self-serve bricks-and-mortar store. This is achievable as the business processes supporting the online business are seamlessly integrated with the traditional stores.

Integrating online and in-store practices through the use of technology provides the opportunity to develop operational efficiencies. Therefore, it also reduces the costs associated with managing both sales channels.

Executing an omnichannel strategy in a retail business has been a challenge. Many retailers cited store associate training as a barrier to omnichannel success.

Growing customer expectations have translated to the retail workforce, who now must not only be product experts, but must also manage the

permutations of customer interactions such as purchase online and pickup in-store transactions or processing returns in-store for online purchases.

Staff training is imperative, but the task of managing retail operations can be made easier through use of an effective omnichannel retail solution.

Retail technology solutions are developed to mimic and support best practice retail processes. When purchasing a retail solution, a retailer is actually purchasing a business process. The solution should bring structure and support to retail operations to ease the burden on staff and develop efficient processes.

Efficient processes coupled with support for staff enables the omnichannel environment to succeed.

Mobile POS solutions are growing in popularity as they are an empowering, flexible staff resource. Staff can be more knowledgeable and serve customers more effectively as a result.

Though valuable, the adoption of mobile POS solutions has been minimal, with inadequate systems being the main driver of the lack of implementation.

The benefits of mobile POS in an omnichannel environment is substantial. The complexities of the permutations of omnichannel retailing require staff to be able to respond efficiently and without assistance. If staff need to seek assistance to help a customer, then expectations of the customer will not be met.

Imagine a customer has purchased a product from an online store, but wishes to exchange it for a different product. The customer decides to visit their local store to process the

transaction. The in-store staff need to identify the customer and the sale to ensure a legitimate transaction has occurred. They then must check to ensure they have stock of the product the customer wishes to exchange their product for. Once verified, they must process the transaction. Not only does the stock being returned needs to be added to the store stock, but removal of the exchanged product from stock needs to occur. All this should be recorded against the customer's transaction to complete the audit trail. A mobile POS solution can allow store staff to achieve all of this without seeking external assistance or leaving the customers side. This process will save time and therefore give the customer the satisfaction that their request was easily met.

The mobile POS solution must seamlessly integrate with the omnichannel solution to maintain the integrity of data and support the business processes.

The iVend Retail omnichannel solution allows for integration of mobile POS devices by converting both iOS devices and selected Android tablets into functional POS tools that empower retail staff.

As retail businesses expand their operations, the omnichannel technology solution must be able to grow.

Having a single database design allows for the easy addition of new locations as the core database is already in place. The new store is simply connected to the central database and in doing so, taps into the omnichannel environment as well as instils the necessary business process to keep moving forward.

CONCLUSION

Omnichannel retailing is here and will not be going away

Though there are many new complexities for retailers to manage, the omnichannel environment has greater opportunities for retailers to expand their reach and sales for those that choose to do so.

Having an effective omnichannel technology solution is the backbone of effectively managing and adapting to the expanding opportunities. Not only will they expand the services a retailer may offer but enable the business and its staff to support the new customer expectations brought about by omnichannel retailing.

iVend Retail by CitiXsys is a true omnichannel retail solution that offers the ability to integrate online and bricks and mortar retail operations effectively. Its single database architecture provides the platform to ensure that all retail channels are working with the same data in real time. This real time access to the same data is what gives retailers the power to meet the growing expectations of the modern shopper.

Retailers now need to make the choice. Adapt to this new era of retailing or be left behind. With customer expectations expanding, the choice for retailers who wish to thrive is pretty simple.

Get in touch with iVend Retail

iVend Retail by CitiXsys is the omnichannel retail management solution for the way retailers work today. It delivers a fully integrated solution designed to enable change, not just built to last. iVend Retail innovates retail technology, providing a technically-superior solution and offering seamless integration with SAP ERP Platform. This integration strategy includes integration of iVend omnichannel retail application with SAP Business One (mid-market) and SAP IS-Retail (ECC 6.0) in large retail.

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