

SOMETHING OLD, SOMETHING NEW

DEMYSTIFYING DIGITAL DISRUPTION

Robert Samuel, Grant Thornton Technology Advisory and Solutions partner, tells a good story – about how music on demand was born.

Prior to the outbreak of the First World War, his grandfather joined the family business selling sheet music and musical instruments. The company was a prosperous one, with singalongs a popular pastime among family and friends. Many people had a piano or accordion plus the necessary sheet music and the company did a brisk trade.

Over a number of years, however, sales languished and something else was required to generate growth. A go-ahead young man, Robert's grandfather and his cousins quickly designed the first portable gramophone – and so the Decca company was born. (They also designed and produced the record which the popular contraption played.) Production of the gramophones and records quickly ramped up and the rest is history. Hello digital disruption, circa 1914.

Nowadays, with gramophones gone the way of the dodo, nudged aside by smart phones, Apple and Spotify, the new systems and products (not to mention jargon), can render confident retailers mute. ERP (enterprise resource planning) and CRM (customer relationship management), analytics, big data, vertical integration, and seamless connectivity are terms seemingly designed to cause fear and loathing.

It needn't be this way. Innovative and new technology has always been there to make the retailer's life both easier and more challenging than ever before. Just remember the portable gramophone.


New technology's role is simply to enable serving the customer – and the processes and procedures behind it – to become seamlessly integrated, with consistency maintained across all sales channels: both traditional (the bricks and mortar store), and on-line, via desktop, laptop, smart phone, or tablet. Technology supports your business strategy, allows you to achieve growth for your organisation, and integrates the 'front of house' with the back-end as smoothly as possible. This is the true omni-channel experience.

All this makes it easier for businesses to cater to their core constituents: the customer with technological advances supporting, in hitherto-undreamt of ways, an intense focus on the customer, or customer-centricity.

Alex Gelman, Grant Thornton Technology Advisory and Solutions Lead Partner, says:

“UNDERSTANDING CONSUMER BEHAVIOUR AND TAILORING MARKETING INITIATIVES TO THAT BEHAVIOUR HAS ALWAYS BEEN THE KEY TO UNLOCKING SALES. CONSUMERS NOW RESEARCH ON THEIR MOBILE DEVICES BEFORE ARRIVING AT YOUR STORE, SO BY THE TIME THEY WALK IN THEY KNOW WHAT THEY WANT TO PURCHASE AND HOW MUCH IT COSTS. ENSURING THE CONVENIENCE AND INSTANT GRATIFICATION ENABLED BY TECHNOLOGY IS EXTENDED TO THE BRICKS AND MORTAR EXPERIENCE IS WHAT OMNI-CHANNEL IS ALL ABOUT. WOULDN'T IT BE GREAT TO KNOW WHAT PRODUCT THE CUSTOMER VIEWED ON THE BUS AND BE ABLE TO TALK TO THAT SPECIFIC PRODUCT WHEN THE CUSTOMER WALKS INTO THE STORE?”


Having the right online solution for your retail business to complement your bricks and mortar presence is essential in today's economy. E-commerce dominates sales figures – online retail sales in Australia raked in \$16.6 billion in the year to January 2015.¹ In Australia, around 80 per cent of internet users purchased via digital channels in 2015, a degree of saturation second only to Japan.² And while the local online market is still relatively immature, it's dominated by the under-30 cohort so there's plenty of scope for growth.³



SINGLE CHANNEL OPERATION
EITHER A PHYSICAL STORE/S OR AN ONLINE OPERATION.

MULTI-CHANNEL OPERATION
ACTIVITY ACROSS A NUMBER OF DIFFERENT CHANNELS. AN EXAMPLE WOULD BE A STORE WITH A RETAIL PRESENCE AND AN ONLINE PRESENCE, BUT THE CUSTOMER HAS A DIFFERENT EXPERIENCE USING EACH.

OMNI-CHANNEL OPERATION
A STORE/S THAT GOES TO MARKET VIA WEB, EMAIL AND/OR SOCIAL MEDIA AND WHERE, CRUCIALLY, THE CUSTOMER RECEIVES A CONSISTENT RETAIL EXPERIENCE AND MESSAGE THROUGH EACH DEVICE THEY USE SO THAT THE LOOK, THE FEEL AND THE BRANDING REMAIN UNCHANGED ACROSS EACH TOUCH-POINT.



GETTING IT RIGHT

For omni-channel retailer Country Road, the transformation in 2013, from bricks and mortar to fully-integrated digital presence, proved rewarding but demanding. However, while the technology was new, other tried and tested methods proved their worth: developing a strategy, maintaining consistency across channels, and investing in new technology. A renewed focus on service and the customer experience also helped, and as sales via mobile and tablet formats spiked, resources were redirected.

Such a large operation demanded much more than simply flicking a switch (an algorithm was created to solve the many supply issues and ensure consistency both in operations and brand presentation), but increased growth has reportedly been swift and there's no turning back.⁴

For many retailers a key challenge remains translating web browsing into actual sales and returning customers. Robert Samuel has seen too many businesses fail to take their online channel seriously until it's too late. A quick scan of many Australian retailers' web sites in the busy period pre- and post-Christmas shows they suffer regular outages or "wrinkles" in the online information available.

“We've seen year-on-year growth of online sales. However we also see customers go online to buy and they've been unable to, because the retailer has got a cardboard-and-strings technology supporting their online presence that they would never, in a million years, accept in any of their retail outlets. This situation is like someone going to their shop and being told, 'I'm sorry. You can't go in. We're open but we can't serve you.' “

The issue for these businesses is that their online and bricks and mortar operations aren't unified. Basic business principles – to ensure customers are getting the same level of service online as in-store – still apply so that the business can deliver on their promise to customers in-store and online.

“This sort of thing can bankrupt a business, because you’ve got customers who want to buy and they can’t”, says Samuel. “For example, I buy my business shirts online. So I go to the website and buy three shirts and the site tells me, ‘Here are three others you might be interested in.’ I like these other suggestions, so I buy all six; but when they arrive, only three of my six shirts are in the package, because the others are out of stock. That’s happened because the company has got the web presence right, the branding right and the offer right, but they haven’t actually joined up their back-end systems. So when I click on ‘buy’, that order isn’t feeding through to stock control and inventory.”

“That’s what we’re talking about in the omni-channel world: investing in good technology. It’s not just about the front-facing brand experience or the buying experience, but about the whole business process. Having a solid ERP at the back that’s got decent finance, with good inventory; decent budgeting and planning software; and good work flows, is essential.”

CUSTOMER-CENTRICITY: TO KNOW YOUR CUSTOMER, DRILL YOUR DATA

To fully exploit the benefits offered by digital technology and an omni-channel approach, mining data for customer insights and increased sales is critical. The good news is that you no longer have to be a technical whizz to make sense of it all. Digital tools can now present the information, gathered from disparate sources, in easy-to-interpret formats like dashboard displays, pie charts and graphs.

On-line and mobile sales, loyalty programs and social media are all data-rich sources for savvy retailers who recognise the importance of a consolidated customer view: where have they shopped or browsed on your sites? What did they like? What did they buy? What did they save for later or want to return? Are they driven by sales or specials? Do they use your loyalty program? Where are they when they shop? What time do they do so? The insights on offer are as diverse as the actual data.

Despite this, a recent survey found that only 41 per cent of multi-channel retailers had integrated their physical and other outlets, while 19 per cent had done nothing. The survey concluded that retailers recognise the importance of data, but haven’t fully explored the possibilities of knowing their customers’ preferences. Retailers are slowing sales by continuing to treat their bricks and mortar and online presences as separate entities.

So with a mix of the right tools and focused customer service, it’s still possible to serve up success. Indeed, that situation is very real for the businesses featured in this article, which all utilised the benefits of the new systems available as a result of digital disruption.

Learning something new is often a little uncomfortable and you need to be prepared to get things wrong. But that’s the good news, because it’s how we all learn. The sooner you become acquainted with the wealth of innovative new toys and technology that are making life easier for retailers globally, the sooner it’s possible to channel success.

This article first appeared in Insights: the Innovation Issue (2016). A Grant Thornton Australia publication for the consumer products and retail industry.



CELL Bikes

ONE AUSTRALIAN RETAILER’S EXAMPLE OF HOW INNOVATIVE AND UP-TO-DATE SOFTWARE MADE A SIGNIFICANT BUSINESS DIFFERENCE.

CELL Bikes, a retail cycle store in Stanmore, NSW, boasts: “We no longer have to worry about our future growth,” with two more stores now augmenting the original shop front. Prior to installing a new software package they faced challenges that will strike a chord with many.

Their outdated software and opaque inventory were stopping the company from growing as it wanted. Manual data transfers between the customer website and their accounting software wasted time and slowed order processing. Manual inventory checks slowed things down even further and customers were disadvantaged by outdated technology. The installation of more up-to-date software brought all their back-end operations together, with in-built inventory controls, and customer resource and website management now available to them.

Business improved dramatically. Since installing the package, CELL Bikes has grown by 60% while increasing staff by just 10, while the time between receiving orders and shipping them has been slashed by 75%. CELL Bikes estimates this efficiency has increased inventory turnover by 30%.

Meanwhile orders are exploding. Six hundred-plus are processed daily now, compared to a maximum of 150 before the installation of the new software. Website sale conversions have doubled while the program’s customer-behaviour analytics are saving the company an estimated \$5,000 per month over the costs of the program development previously necessary to track and analyse customer behaviour.

¹ NAB Online Retail Sales Index, 2015, accessed 12 January 2016, <http://business.nab.com.au/online-retail-sales-index-in-depth-report-january-2015-9980/>

² e-marketer, 2015 Australian retail e-commerce sales to top \$10 billion in 2015, accessed 12 January 2016, www.emarketer.com/Article/Australian-Retail-Ecommerce-Sales-Top-10-Billion-2015/1011823#sthash.JxzzBmuR.dpuf

³ CommBank 2015, Retail Insights, 1st edn, accessed 12 January 2016, www.commbank.com.au/content/dam/commbank/business/pds/retail-insights-report-CIB0517.pdf

The report noted that while there may still be significant opportunities for Australian retailers to grow online sales, it’s also possible that Australia’s smaller population and geographic isolation from the UK and Europe may limit market penetration vis a vis larger economies.

⁴ Patrick Stafford, 2013 ‘How Country Road transformed into an omni-channel business,’ accessed 3 February 2016 <http://www.smartcompany.com.au/growth/economy/31494-how-country-road-transformed-into-an-omni-channel-business.htm>