Planning for a No-channel Future?

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Society for Location Analysis
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Personal view

Strategy perspective

...on comparison (i.e. non-food) retail

Why do we call ourselves “omnichannel retailers”?

Is it helpful?

Are there dangers in this “omni” thinking?

The term “multichannel” arose in response to the early growth surge of the online sales channel

“Multi-channel” view

Sales & costs by channel

Understanding of variable v fixed costs by channel

Past

Present

Future

Online viewed as a separate sales channel. Shops viewed as profit centres in own right (i.e. to drive sufficient sales density to cover fixed & variable shop costs & deliver trading profit)

“Omnichannel” emerged to describe customers’ demand for a seamless experience however and wherever they shopped & collected

“Multi-channel” view

Sales & costs by channel

Understanding of variable v fixed costs by channel

Past

“Omnichannel” view

Contribution of each purchase based on channel & fulfilment method

Present

Future

Strains in omni operating model apparent…..if current trends continue (e.g. growth in online & growth in cost to serve) the omni model will fail

Customers have higher expectations of retailers, driven by online shopping experience

A new shopper norm has emerged – consumers have higher expectations which retailers must meet

The shift in consumer's mindset…

MORE CONSIDERED → **MORE KNOWING** → **MORE DISCERNING** → **MORE EXPECTANT**

"I rarely buy the first thing I see and I usually look for things that I actually need… I don't make rash decisions "

"I have lots of information at my finger tips, it's easy to read reviews, compare prices, and find out about the features…"

"I know quality when I see it, I won't buy the cheapest thing, but looking for value for money"

"I expect a lot more these days, there is so much choice that retailers have to work hard to win us over"

…A New Shopper Norm

- Shoppers are only willing to part with their money for exactly the right product, bought in the way they want and at the time they want

JL customer research, 2016

Omni view is helpful, but we need a richer understanding of the overall <u>shopper journey,</u> rather than focussing on the purchase channel

"Multi-channel" view

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"Omnichannel" view

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"No channel" view

Measure shopper journeys across browse, purchase, fulfilment, and after-sales

Future

Omnichannel operating model economics

Understand where to prioritise investment to support (best) customers

...because customer behaviour will only shift further in response to future disruptions

Technology led	Generational shifts
• Emergent disruptive models will impact where browsing/purchase decisions take place	• Millennials (aged 16-36 yrs) buy online (but still want shop experiences)
Subscription models	Inspiration via bloggers/curators
Virtual reality	Rental models
Social Media click thru to buy	Value experiences over products
Direct from suppliers	Constrained future spend?

So, is it all doom & gloom for traditional retailers?

In response shops, are increasingly used to drive inspiration & brand engagement

Social experiences & events

SELFRIDGES&Co

Showcasing newness

Brand engagement (pure-plays)

BIRCHBOX

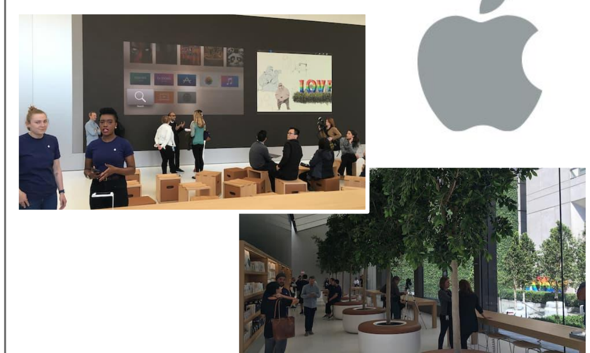
E-Tailer Birchbox's Physical Store

Product storytelling

Seasonal inspiration

GALERIES Lafayette

Next generation store investment



But there is no single roadmap for investment

Instead, identify a sustainable, differentiated proposition for your best customers and prioritise it

To plan for a successful "no-channel future" we need to adapt our behaviours

- Stay observant, agile & responsive to customers & competitors
- Measure customer inputs (e.g. inspiration, browse, traffic) not outputs (e.g. sales). Do this as obsessively as pure-plays
- Invest in locations where your customer is likely to be in the mood to buy from you (it could be a shop, or it could be in bed!)