The State of Omnichannel Retail
Survey of Leading Retailers

Exclusive Industry Analysis by

Brightpearl | **MULTICHANNEL MERCHANT**

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Introduction

The State of Omnichannel Retail: How retailers view the value and opportunity to better serve customers, gain insights and drive sales with effective omnichannel strategies

In a very competitive retail environment facing relentless change, at the core, the promise of omnichannel is to better serve customers, provide a barrier-free shopping experience and enhance brand differentiation. These changes and opportunities driven by technology have rapidly transformed the retail industry.

To gauge this transformation, Brightpearl and Multichannel Merchant have developed this unique study – **The State of Omnichannel Retail.** The study analyzes how leading retailers and other key companies and brands serving consumers are implementing omnichannel retail strategies and marketing initiatives. The study explores the powerful combination of retail and technology and how retailers are using technology to capture and analyze data, learn deep insights about customers, and enhance the entire customer experience.

The study also covers trends, best practices, challenges and opportunities for omnichannel customer engagement by synchronizing and personalizing experiences across multiple channels. The information and analysis in this report will help retail and marketing executives make more informed decisions and improve their omnichannel strategies and approaches.

The report includes insights and benchmarks on:
· What omnichannel means to retailers
· How omnichannel is being used today
· Omnichannel capabilities planned for the future
· Retailers' aspirations for omnichannel
· Most effective retail growth initiatives
· How retailers are managing peak sales periods, fulfillment and returns
· Value of process and workflow automation

The primary information source is an exclusive survey of leading retail and brand marketing executives. In total, survey responses from 352 executives were used to develop the analysis, including many of the top companies in retail, information technology, financial services, consumer products, education and other key sectors. Brightpearl and Multichannel Merchant thank all of the respondents for their invaluable contribution to the study.
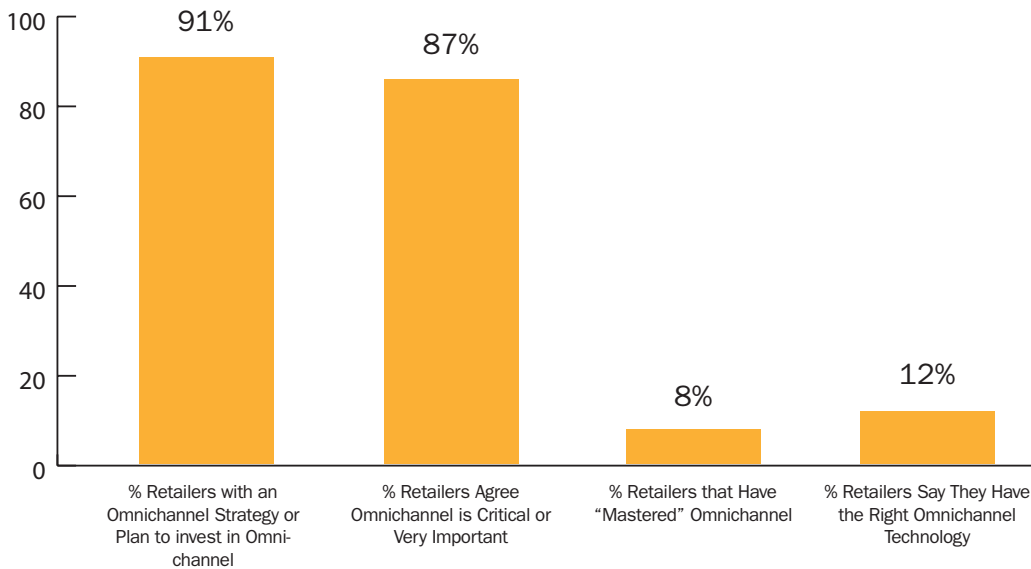
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Executive Summary

The retail industry has transformed quickly to embrace and implement omnichannel strategies and technologies. Only four years ago less than half of retailers were pursuing an omnichannel approach. Today over 90% of retailers and brands have an omnichannel strategy or a plan to invest in one soon. As the survey data in this report show, the primary focus of omnichannel is to provide a better customer experience. But the findings also show the industry has a long way to go to more effectively implement the promise of omnichannel strategies and platforms. Five of the key themes and insights from the survey are outlined in this summary:

Key Theme #1: There's a Huge Disconnect – Nearly All Retailers Have an Omnichannel Strategy in Place, But Most Feel Their Organizations are Not Being Effective

Ninety-one percent of retailers and brands currently have an omnichannel strategy or are planning to invest in omnichannel technologies in the near-term. In addition, 87% of retailers see omnichannel as critical or important to their business. **But only a small segment feel they have mastered this area or even have the right omnichannel technology. This gap is enormous.**
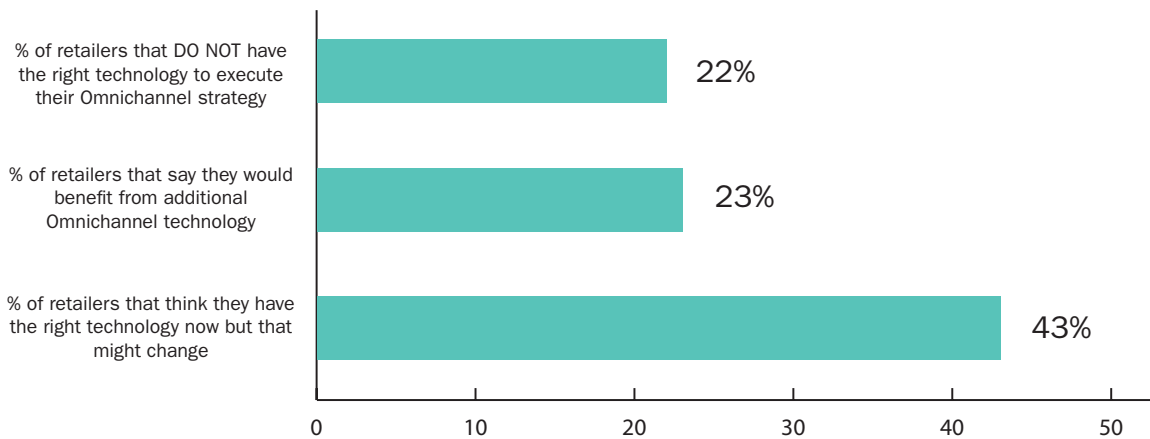
Bar chart values:
- 91% — % Retailers with an Omnichannel Strategy or Plan to invest in Omni-channel
- 87% — % Retailers Agree Omnichannel is Critical or Very Important
- 8% — % Retailers that Have "Mastered" Omnichannel
- 12% — % Retailers Say They Have the Right Omnichannel Technology

The Omnichannel Importance vs. Execution Gap is Enormous
The interest in omnichannel is very high – as one retailer said in the survey, "It's about survival. There is no other way." But the execution still needs significant improvement. These findings suggest omnichannel strategies and platforms are not being used effectively or, worse, are simply not delivering on their promises. Many retailers, even after a number of years of implementing omnichannel, still need the right software platform, process and education on how to be effective. These findings raise the question: *Why is the omnichannel gap so large?*
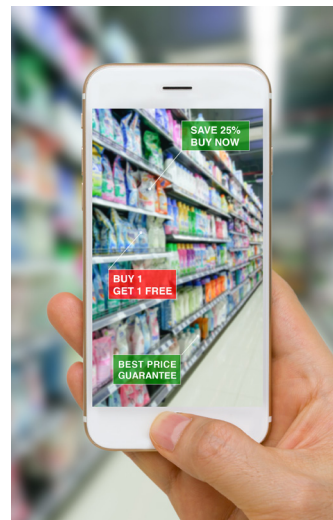
Key Theme #2: Most Retailers Don't Have the Right Technology to Execute Their Omnichannel Strategies – or are Not Sure if They Do or Not

A total of 45% of retailers and brands say they either do not have the right omnichannel technology or they feel they would benefit from additional technology platforms. Also, an additional 43% say they think they have the right technology but that may change, which means that many may not be sure if they have the right technology or not.

These findings raise the key question: *If omnichannel is so important, then why do retailers and brands not have the right technology platforms?* To shed light on this question, other findings from the survey suggest the following challenges retailers and brands are facing:

· Lack of understanding about what omnichannel is and represents, especially among C-Levels executives.
· Confusion about omnichannel capabilities and lack of agreement on basic definitions.
· Difficulty turning customer data into usable insights.
· Effort and cost of choosing and implementing new technology.
· Integrating omnichannel systems with other marketing and media platforms.
· Challenges integrating different selling channels, e.g., ecommerce, in-store, marketplaces, etc.
· Other retail issues requiring attention including competition, margin compression and, in some cases, oversupply of physical store capacity.

It is also important to reiterate that retailing in every channel is challenging and the industry is undergoing a type of transition that has never been experienced before, and integrating various sales channels is an added challenge. Retail has been one of the most disrupted industries over the past few years and the disruption will only continue. In fact, the pace of change seems to be accelerating.

Key Theme #3: The Top Three Most Effective Retail Growth Initiatives Include Omnichannel or are Closely Related

The top three key growth initiatives for retailers are:

1.) Providing true competitive differentiation.
2.) Implementing an effective omnichannel strategy.
3.) Opening new sales channels and markets.

These findings reinforce just how critical omnichannel is to retailers and brands. The survey finds retailers feel the top three retail initiatives most effective at driving business growth are (1.) providing true competitive differentiation, (2.) having an effective omnichannel strategy, and (3.) opening new sales channels and markets. Besides product features and benefits, differentiation is related to providing a better customer experience, which is the core promise of omnichannel. The third most important initiative, opening new sales channels, is also closely related to a successful omnichannel strategy.

Key Theme #4: Over Half of Retailers Consider Their Omnichannel Approach a *"Work in Progress"* – and 19% Say it's a *"Struggle"* or a *"Pipedream"*

Fifty-five percent of retailers and brands say omnichannel is a Work in Progress – and 19% say omnichannel is a Struggle or a Pipedream. This means a total of 74% of retailers and brands are essentially not satisfied with their omnichannel strategy execution and progress.

Key Insight

Only 8% of Retailers Say They Have Mastered Omnichannel and 12% Believe They Have the Right Omnichannel Technology Currently

Technology is changing the way retailers interact with their customers, and barriers between sales channels have blurred at least in the minds of consumers. Yet only 8% of retailers have mastered this area, and 12% believe they have the right technology to support their omnichannel strategy.

Key Theme #5: Omnichannel Means Various Things to Different Retailers – There May be Disagreement and Confusion within Companies

The survey asked a basic question: *What does omnichannel mean to you?* The response finds that omnichannel has multiple meanings. About two-thirds of retailers and brands agree with the following three definitions, that while related are quite distinct: (1.) Having different methods for transacting with customers; (2.) Delivering a seamless and consistent customer experience across channels; and, (3.) Marketing geared towards customers converting on any channel.

What Does Omnichannel Mean to Retailers?

Some retailers and brands may need to reassess their goals and come to agreement about their definitions of what omnichannel means. The goals and definitions are likely to differ, and possibly significantly, based on where the executives and managers sit within their organization. For some the focus is on accessing more up-to-date or even real-time customer behavior data to inform marketing and promotional campaigns. For finance, the focus may be on detailed profitability analysis, scrutinizing inventory patterns and digging into sales data for forecasting. For C-Level executives omnichannel may mean entering new markets, making pricing decisions and to inform new products and innovations. Even with these different perspectives, nearly all team members at retailers will agree the overarching goal of omnichannel is to better serve and communicate with customers and provide the most optimized, barrier-free transaction process across all channels. But beyond these goals, there are differences of perspective and possibly some confusion as well. Retailers need clarity around on their omnichannel goals and opportunities.

The complete survey results are provided in the next sections of the report.
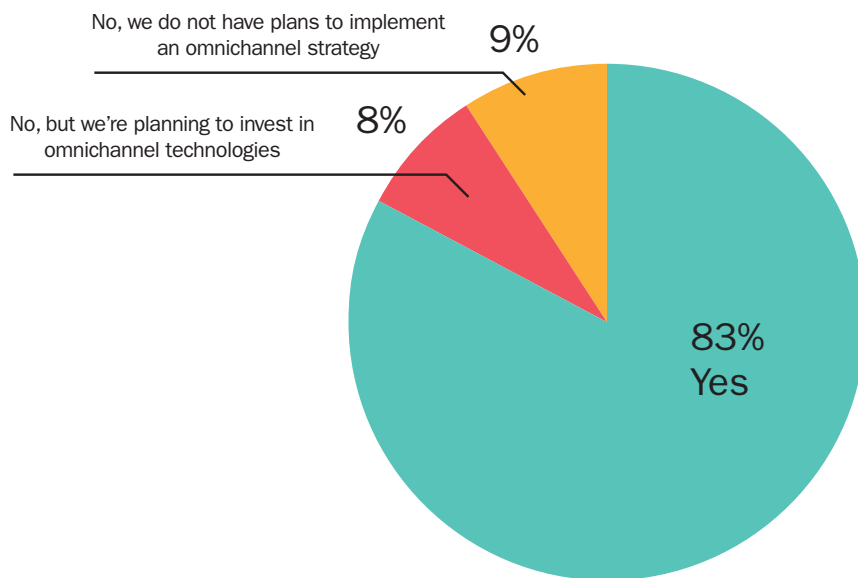
I. What Omnichannel Means to Retailers

Percentage of Retailers with an Omnichannel Strategy in Place

Survey Question: Does your company currently have an omnichannel strategy in place?

Over eight out of ten of the survey respondents say their company has an omnichannel strategy currently in place. And 8% that do not have a strategy indicate their company has plans to invest in omnichannel technologies. The embrace of omnichannel is not yet universal among retailers, but the industry is getting close.

No, we do not have plans to implement an omnichannel strategy — 9%

No, but we're planning to invest in omnichannel technologies — 8%

83% Yes

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Most Important Retail Growth Initiatives

Survey Question: Please rank the following retail initiatives in order of most effective in driving business growth, with 1 representing the most effective and 5 the least.

The top three most important retail growth initiatives are essentially tied to omnichannel. Offering true competitive differentiation is considered, collectively, the most effective retail growth initiative. This is followed by having an effective omnichannel strategy, and opening new sales channels and markets ideally with access to new customers. Besides product features and benefits, differentiation is most often related to seamless customer experience, which is the core promise of omnichannel. The third most important initiative, expanding new sales channels is also closely related to a successful omnichannel strategy. These findings reinforce just how critical omnichannel is to retailers and brands.

Initiative	%
Competitive differentiation	70%
Omnichannel retail strategy	62%
New sales channel and markets	61%
Supply chain management	46%
New products/lines and development	42%
Artificial intelligence (AI)/Machine learning/Automation of processes	31%

What Omnichannel Means to Retailers

Survey Question: What does omnichannel mean to you?

Omnichannel has multiple meanings. According to the respondents, about two-thirds of retailers and brands agree with the following three definitions: (1.) Having different methods for transacting with customers; (2.) Delivering a seamless and consistent customer experience across channels; and (3.) Marketing geared towards customers converting on any channel. There are many valuable aspects of omnichannel but there is a lack of agreement around what omnichannel means. Multiple value aspects are important but this may also mean there is disagreement within companies and possibly some confusion as well. It is important for retailers and brands to internally discuss these issues and come to agreement on the definitions, but more importantly their goals for omnichannel.

	%
Having different methods for transacting with your customer (e.g., online, physical store, phone)	67%
Delivering a seamless and consistent customer experience across all sales channels	66%
Marketing strategies which are geared towards customers converting on any channel	64%
Processes like Click + Collect, buy in store deliver elsewhere	40%
Giving customers the ability to see all of their orders in one place	37%
Speedy delivery times	21%

Secondary definitions selected by less than half of retailers are processes like Click + Collect, buy in store and deliver elsewhere, and giving customers the ability to see all of their orders in one place.

Importance of Having an Omnichannel Strategy to Retailers

Survey Question: How important is having an omnichannel strategy to your company?

Having an omnichannel strategy is considered very important or important by a majority of retailers. In fact, based on the survey, 42% say having an omnichannel strategy is very important, critical, and an additional 25% say it is important.

Very important, critical — 42%
Important — 25%
Somewhat important — 19%
Not very important — 7%
Not at all important — 6%

(scale: 0, 10, 20, 30, 40, 50)

Key Insight

The Top Payoff from a Successful Omnichannel Strategy is Providing Better Customer Service

While there are major gaps in terms of goals and execution, the omnichannel promise is still very significant. The key payoff from implementing omnichannel successfully is to provide better customer service, according to 66% of survey respondents.

Most Important Payoff from Successful Omnichannel Strategies

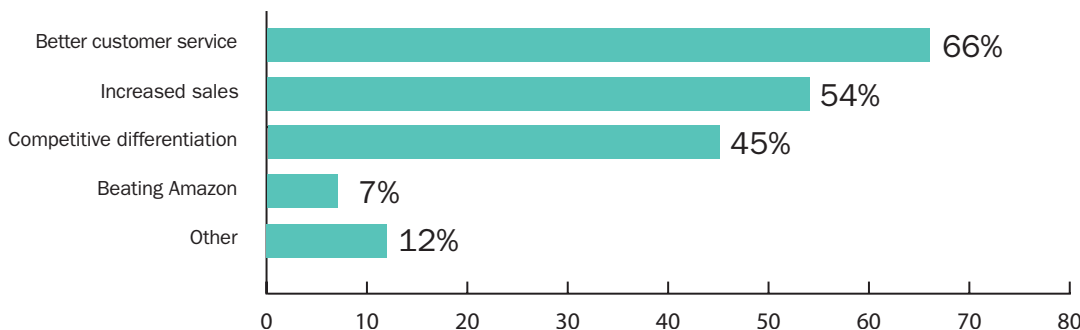*Survey Question: What do you see as the most important payoff of a successful omnichannel strategy?*

While there are major gaps in terms of goals and execution, the omnichannel promise is still very significant. The key payoff from implementing omnichannel successfully is to provide better customer service, according to 66% of survey respondents. This is followed by increased sales and to differentiate among competitors.

That beating Amazon is rated so low as a payoff from a successful omnichannel strategy may mean a few things. Omnichannel is more than simply an approach to competing with other ecommerce companies. The focus of omnichannel is on serving customers more holistically across various channels. Online and mobile, while growing very rapidly, are still only a small percentage of the total retail sales market. And it's not easy competing or trying to beat such a major company. In a way, Amazon's recent investment in Whole Foods and their experiments with physical store locations signals they see the value in selling via more channels and are essentially developing what can be considered an omnichannel strategy.
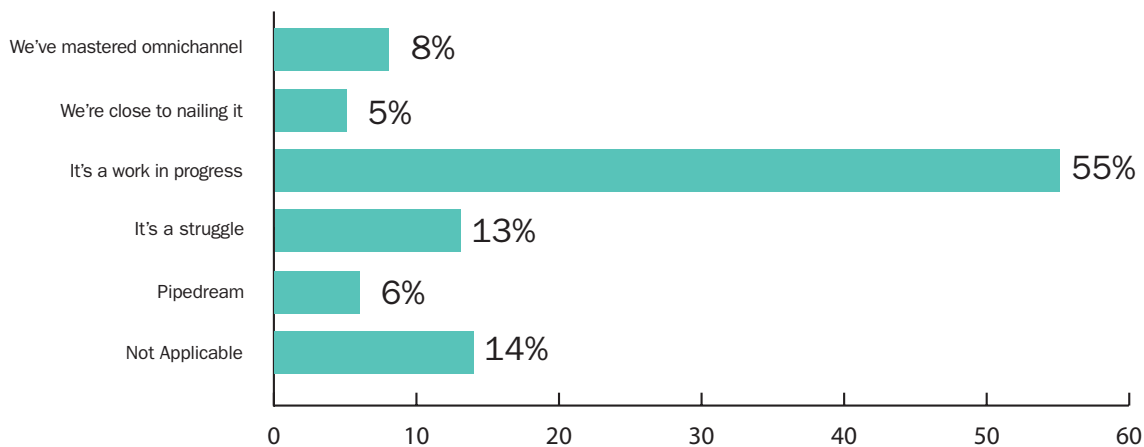
Better customer service — 66%
Increased sales — 54%
Competitive differentiation — 45%
Beating Amazon — 7%
Other — 12%

(scale: 0, 10, 20, 30, 40, 50, 60, 70, 80)

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How Retailers View Their Omnichannel Progress

Survey Question: Which of the following best describe how your company views omnichannel?

Sixty-seven percent of the industry consider omnichannel to be vital or important, as noted previously, but only 8% have mastered it, another 5% say they are close to nailing it, 13% say they are struggling, 6% see it as a pipedream. The largest percentage, 55%, view it as a work in progress. There is a large disconnect between the importance placed on omnichannel and the execution. This raises the questions:

- *Is the slow progress due to a lack of interest or investment from company leaders, or is there a gap in staff skill sets, or a combination of these?*
- *Is competition and margin compression and other retail challenges, considered to be bigger priorities today than emphasizing omnichannel?*
- *Is this a channel sales and customer behavior data integration issue?*
- *Have technology providers over-promised?*

Key Insight

Nearly Three Out of Four Retailers and Brands are Not Satisfied with Their Omnichannel Strategy Execution and Progress

Fifty-five percent of retailers and brands say omnichannel is a Work in Progress and 19% say omnichannel is a Struggle or a Pipedream. Adding these together finds a total of 74% of retailers and brands are not satisfied with their omnichannel progress and strategy execution.

Category	Percentage
We've mastered omnichannel	8%
We're close to nailing it	5%
It's a work in progress	55%
It's a struggle	13%
Pipedream	6%
Not Applicable	14%

When considering these issues and questions is it important to reiterate that the omnichannel opportunity is still a relatively new development. Consider how many years it took the retail industry to implement and become proficient at ecommerce as well as more recently develop an approach to social media. It can be argued that many retailers are still getting a handle on both ecommerce and social media. It is also important to keep front and center that the promise of omnichannel is a direct response to consumer behavior and their desire to buy the brands they trust via various channels and formats. Retailers and brands are playing catch up trying to stay on top of changing consumer behavior.
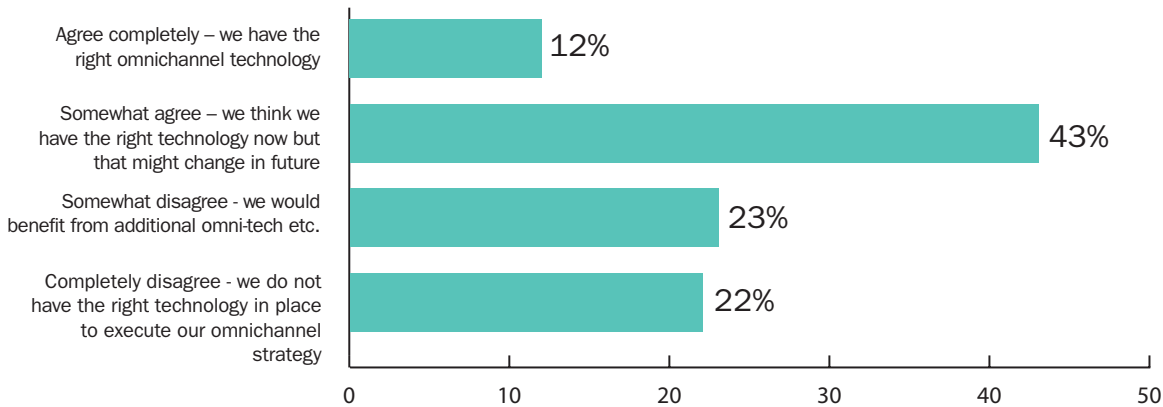
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Percentage of Retailers that Believe They Have the Right Technology to Execute Their Omnichannel Strategy

Survey Question: To what extent do you agree with the following statement about your company's omnichannel execution? "We have the right technology to execute our omnichannel strategy."

Technology is changing the way retailers interact with their customers. Yet only 12% of the survey respondents believe they have the right technology to support their omnichannel strategy. In addition, a total of 45% of retailers disagree either somewhat or completely that they have the right technology in place. This raises the key question: *If omnichannel is so important, then why do they not have the right technology platforms?*

Agree completely – we have the right omnichannel technology — 12%

Somewhat agree – we think we have the right technology now but that might change in future — 43%

Somewhat disagree - we would benefit from additional omni-tech etc. — 23%

Completely disagree - we do not have the right technology in place to execute our omnichannel strategy — 22%

To shed light on this question, other findings from the survey suggest the following challenges retailers and brands are facing:

· Lack of understanding about what omnichannel is and represents, especially among C-Levels executives.
· Confusion about omnichannel capabilities and lack of agreement on basic definitions.
· Difficulty turning customer data into usable insights.
· Effort and cost of choosing and implementing new technology.
· Integrating omnichannel systems with other marketing and media platforms.
· Challenges integrating different selling channels, e.g., ecommerce, in-store, marketplaces, etc.
· Other retail issues requiring attention including competition, margin compression and, in some cases, oversupply of physical store capacity.

It is also important to reiterate that retailing in every channel is challenging and the industry is undergoing a type of transition that has never been experienced before, and integrating various sales channels is an added challenge. Retail has been one of the most disrupted industries over the past few years and the disruption will only continue. In fact, the pace of change seems to be accelerating.

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Aspirations for Omnichannel

Survey Question: What are your company's aspirations for omnichannel?

This data table shows there are a range of aspirations for omnichannel, and there is no single consensus area. Although over half indicate these are key aspirations for the future:

· Offering a customer loyalty scheme across all channels.
· Running discounts and promotions across channels.
· Improving ability to analyze and understand customer behavior.

	%
Ability to offer a customer loyalty scheme across all your channels	57%
Ability to run discounts and promotions across channels (including reporting)	57%
Improve ability to analyze and understand customer behavior data	56%
Offer customers the ability to view their orders across all your channels in one place	48%
Add or enhance ability for two-way communication with customers	46%
Ability for customers to order online and pick up in store	35%
Ability for customers to place orders in store to be shipped/fulfilled somewhere else	31%
Ability for customers to reserve online then pay and pick up in store	30%
Ability to accept store returns of online orders	28%
Add webstores	26%
Expand from using webstores only to our own channels and services	24%
Other	7%

The table above shows the omnichannel opportunity internally for retailers is really about integrating a number of customer service, marketing communications, sales management and fulfillment tasks enabled by technology. The data suggests, not surprisingly, there are a number of important opportunities and issues to a range of companies. This wide range of aspirations also speaks to the complexity in the retail industry today with so many channels and so much data generated by these transactions.

The top three selected aspiration areas in this question are marketing and customer behavior focused. Retailers want to generate more customer loyalty, and run more targeted and effective discount and promotion campaigns across channels based on customer data insights. On top of these issues, consumers are getting harder to reach and retailers and brands are in search of other effective ways to communicate, stay connected and engage with consumers.

II. How Omnichannel is Used

Retailers' Current Omnichannel Capabilities Today – and Planned for the Future

Survey Question: Which of the following omnichannel capabilities do you currently have or plan to implement over the next six to twelve months, or after?
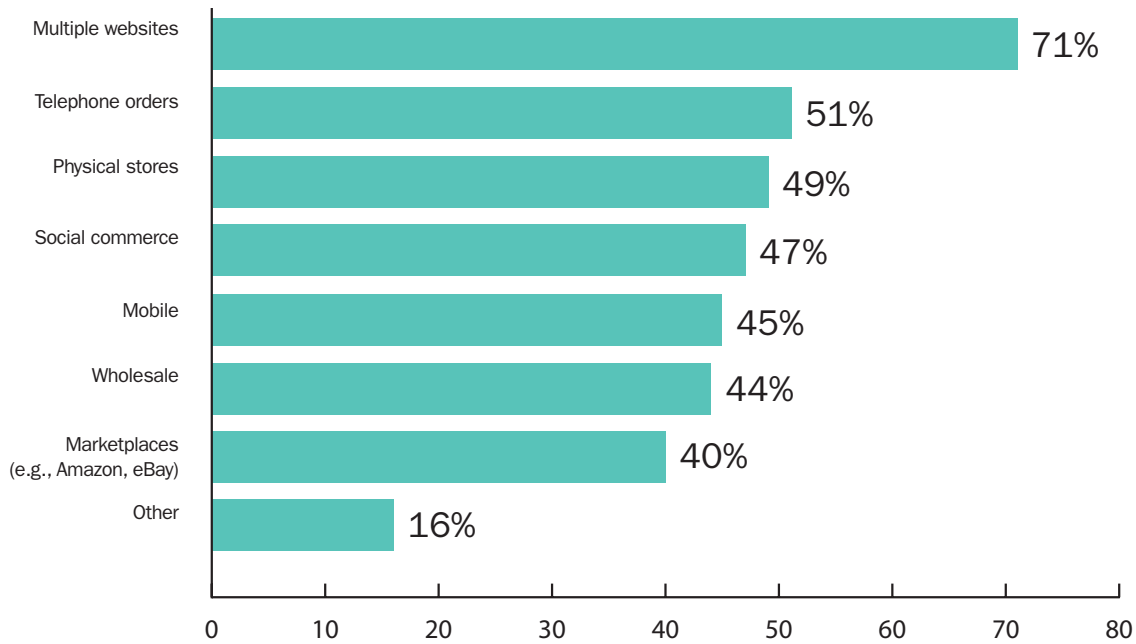
The data table compares retailers' current capabilities with what they plan to implement over the next year and beyond. The largest percentages of retailers are currently providing cross-channel returns or exchanges, personalized customer communications, and unified customer account and order history across channels. The wide range of capabilities here also illustrate the complexity of the omnichannel opportunity. While there are so many aspects and value elements, to excel requires commitment and focus. It's hard for any company to truly master each and every key area. This makes selecting the right technology partner that much more critical.

	Currently Provide	Plan to Implement within 6 Months	Plan to Implement within 12 months	Plan to Implement Later than 12 Months	Have No Plans to Implement
Cross-channel returns or exchanges	38%	14%	10%	5%	33%
Personalized customer communications	37%	16%	19%	14%	14%
Unified customer account and order history across channels	33%	12%	24%	14%	17%
Making in-store inventory visible online	28%	16%	14%	12%	30%
In-store digital receipts	27%	10%	17%	12%	34%
Click + Collect or similar	26%	14%	19%	9%	33%
Inventory as fully available to all channels from one location	26%	14%	21%	14%	26%
Delivering a seamless and consistent customer experience across all sales channels	25%	30%	23%	11%	11%
Marketing strategies which are geared towards customers converting on any channel	22%	24%	24%	18%	11%
Cross-channel loyalty rewards program	17%	17%	20%	15%	32%
Ship to anywhere (e.g. pickup lockers)	12%	14%	19%	9%	47%

Sales Channels Used by Retailers

Survey Question: Which of the following sales channels does your company use?

Besides managing multiple websites, half or more of the respondents also take phone orders and have physical stores.

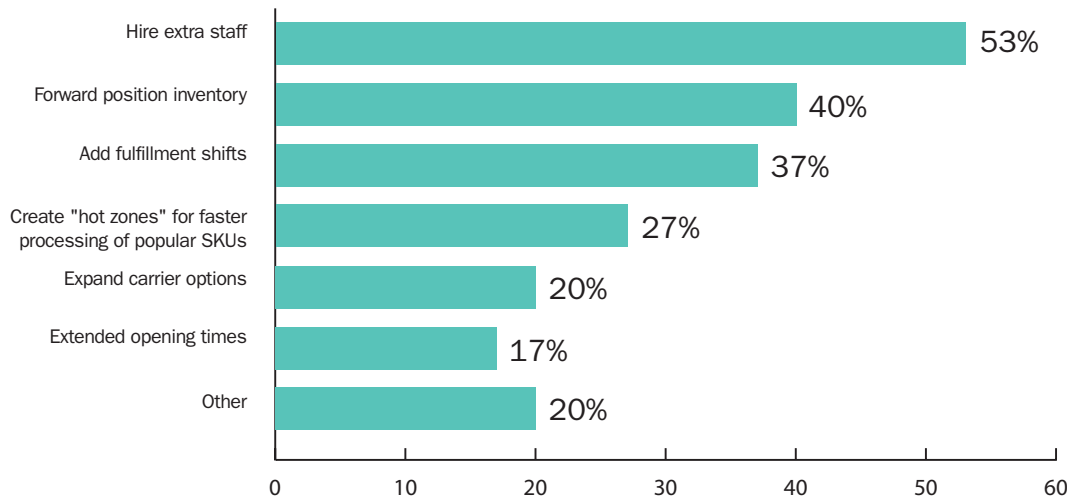| Channel	Percentage
Multiple websites	71%
Telephone orders	51%
Physical stores	49%
Social commerce	47%
Mobile	45%
Wholesale	44%
Marketplaces (e.g., Amazon, eBay)	40%
Other	16%

III. Managing Sales Spikes and Returns

Many retailers make most of their sales during peak sales periods, often leading up to and around major holidays. These peak periods are characterized by sales spikes and often product return and exchange spikes as well. In response to both of these types of spikes retailers often require additional staff, but these peak periods can be better managed with automation software and more effective omnichannel strategies.

How Peak Period Sales Spikes are Managed

Survey Question: Which of the following best describes how you manage demand spikes during peak periods (Christmas, back-to-school, Valentine's Day, etc.) in your fulfillment operations?

Retailers mainly hire extra staff to manage peak period sales spikes. Forty percent say they forward position inventory and 37% add fulfillment shifts. It is interesting to note that 70% of retailers say they either hire extra staff (53%) or extend opening times (17%) to manage sales spikes. The right software platform built by retail experts can alleviate some of this expense.

Other responses provided by respondents cover that this is not an issue currently or they respond with better planning and working with manufacturers and suppliers in advance.

Percentage of Sales Resulting in Returns

Survey Question: What percentage of your sales result in returns?
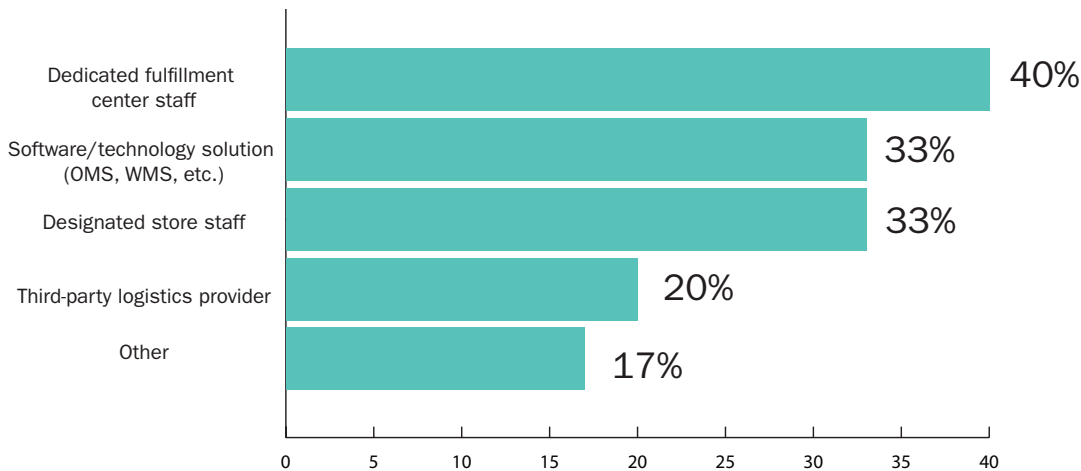
According to the survey respondents, on average, store returns are just under 10% and online returns are over 11%. Even a small reduction in returns can make a meaningful positive impact on margins.

- Store Returns: 9.7%
- Online Returns: 11.4%
- Overall Returns: 12.2%

Retailer Processes to Manage Customer Returns

Survey Question: What processes do you have in place to help manage customer returns?

To help manage customer returns retailers mainly use dedicated fulfillment center staff. Only one-third of the respondents use a specific software or technology solution or designate store staff to manage this process. Currently the approach is staffing first. Yet the right software platform can be of help.

Process	Percentage
Dedicated fulfillment center staff	40%
Software/technology solution (OMS, WMS, etc.)	33%
Designated store staff	33%
Third-party logistics provider	20%
Other	17%

Impact of Returns on the Bottom Line During Peak Periods

Survey Question: How much of a negative impact do returns have on your bottom line during peak season, e.g., Thanksgiving to Christmas, Valentines, etc.?

The bottom line impact of returns during peak sales periods is considered to be moderately impactful. For example, a total of 42% of the respondents say the impact is somewhat to extremely impactful. Even a modest improvement here can positively impact profitability and save considerable staff and management time.
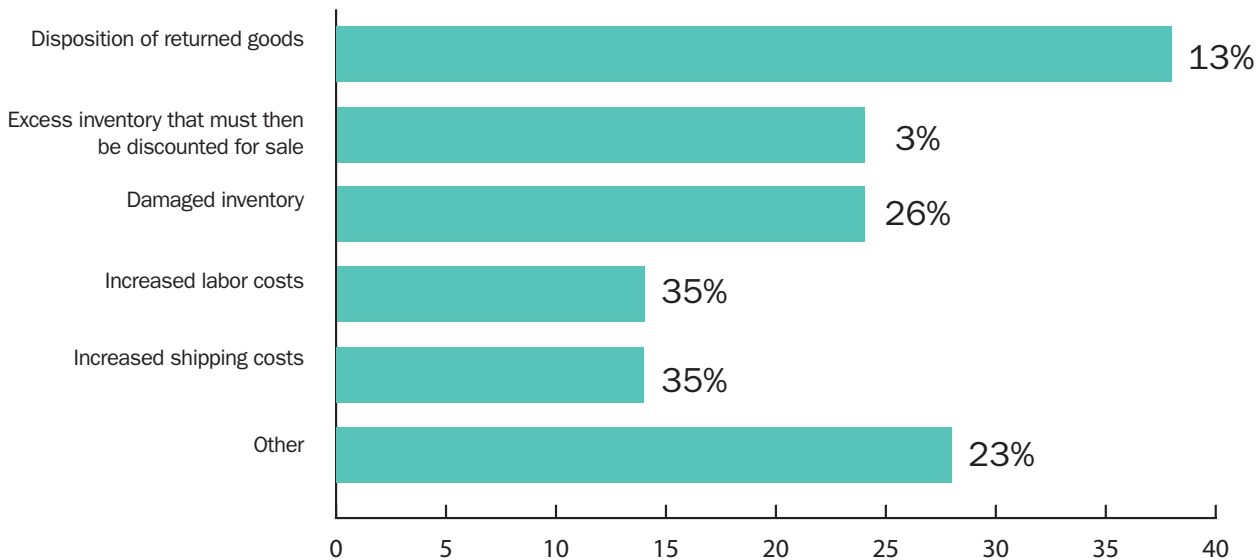
Category	Percentage
Extremely impactful	13%
Very impactful	3%
Somewhat impactful	26%
Not very impactful	35%
Not at all impactful	23%

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Returns Impact

Survey Question: Where does the returns impact come from?

The main impact from returns is the disposition of returned goods followed by the need to discount returned product and damaged inventory.
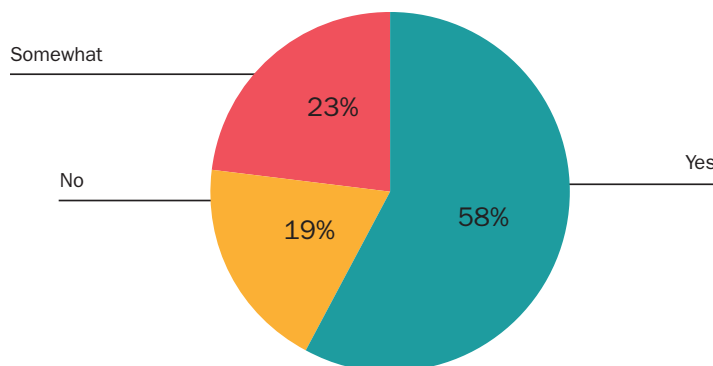Some of the other responses include the negative impact on cash flow, the fact that the impact may not be tracked, and issues with customer addresses.

Category	Percentage
Disposition of returned goods	13%
Excess inventory that must then be discounted for sale	3%
Damaged inventory	26%
Increased labor costs	35%
Increased shipping costs	35%
Other	23%

Percentage of Retailers that Automate Processes and Workflows

Survey Question: Do you automate some of your processes and workflows to save time and resources?

Fifty-eight percent of retailers already automate some of their processes and workflows. A majority of retailers are focused on using systems to automate manual inventory and purchasing tasks. The pressure to improve productivity has led to a greater focus on the role of technology in creating efficient retail operations. Nearly one in five (19%) retailers in the survey do not automate processes but instead choose to handle their process manually often with extra staff and extended store hours. These retailers may be missing out
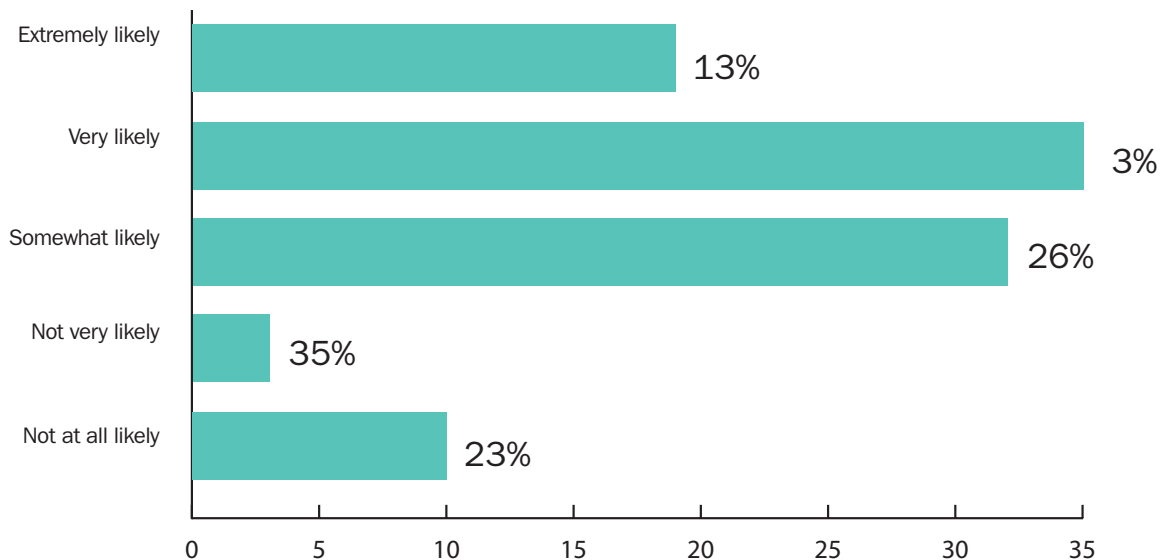
Category	Percentage
Somewhat	23%
No	19%
Yes	58%

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Likelihood of Adopting Automation to Help Manage Peak Period Demand Spikes

Survey Question: How likely would you be to adopt automation if it allowed you to manage demand spikes during peak periods (Christmas, back-to-school, Valentine's Day, etc.) without taking on more resources, i.e., extra staff?

Nineteen percent of the retailer respondents say they are extremely likely and 35% say they are very likely to adopt automation to help manage demand spikes during peak periods. A more effective automation platform can help retailers be more strategic by reducing the time spent on mundane tasks that create little value.

Category	Value
Extremely likely	13%
Very likely	3%
Somewhat likely	26%
Not very likely	35%
Not at all likely	23%

(x-axis: 0, 5, 10, 15, 20, 25, 30, 35)

Extra Temporary Employees Added to Handle Peak Period Demand Spikes

Survey Question: On average, how many extra temporary employees do you take on to handle demand spikes during the peak Thanksgiving-to-Christmas period?

The average number of temporary staff added to handle demand spikes around key holidays is 98, according to the survey respondents. The top 50% of retailers that responded to the survey say they hire an average of 190 staffers, and the top 25% hire 269.
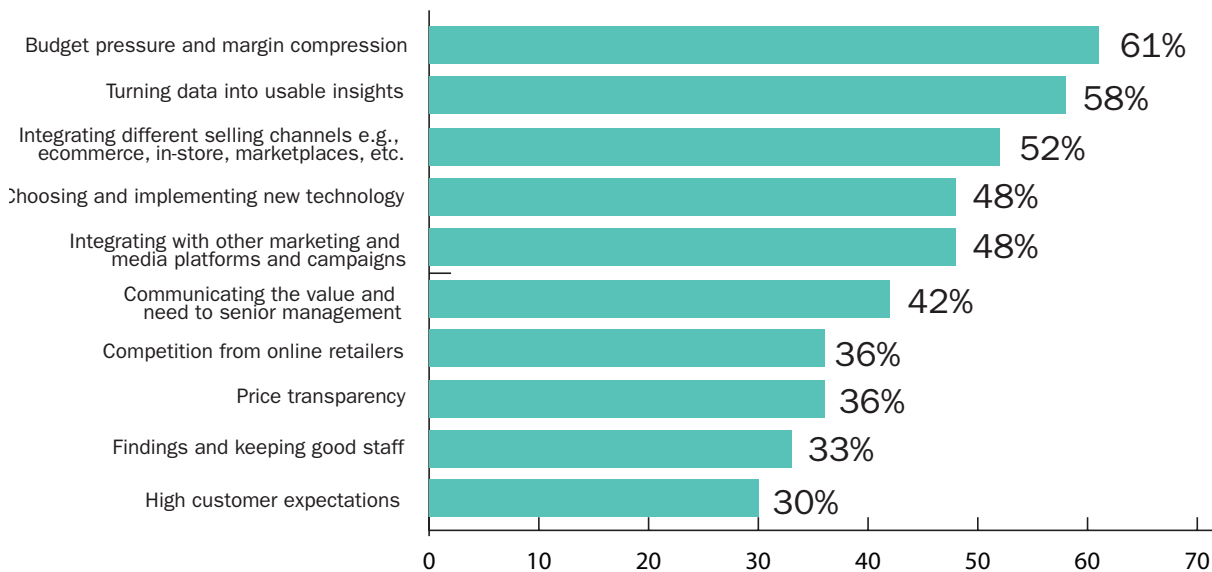
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IV. Challenges and C-Level Hurdles

The range of challenges impacting retailers and brands in relation to their omnichannel strategies and approaches have been touched upon in the report. Directly below is a more complete ranked set of challenges and issues impacting their omnichannel strategies. These challenges are also directly related to hurdles in securing C-Level buy-in for omnichannel investment.

Top Omnichannel Challenges

Survey Question: What are the top three challenges related to enhancing your omnichannel strategy?

The top three challenges retailers face when considering how to enhance their omnichannel strategy are budget pressure and margin compression, the ability to glean usable insights from data, and integrating different sales channels. Following these, just under half of retailers say choosing and implementing new technology and integrating with other marketing and media platforms are also challenges.

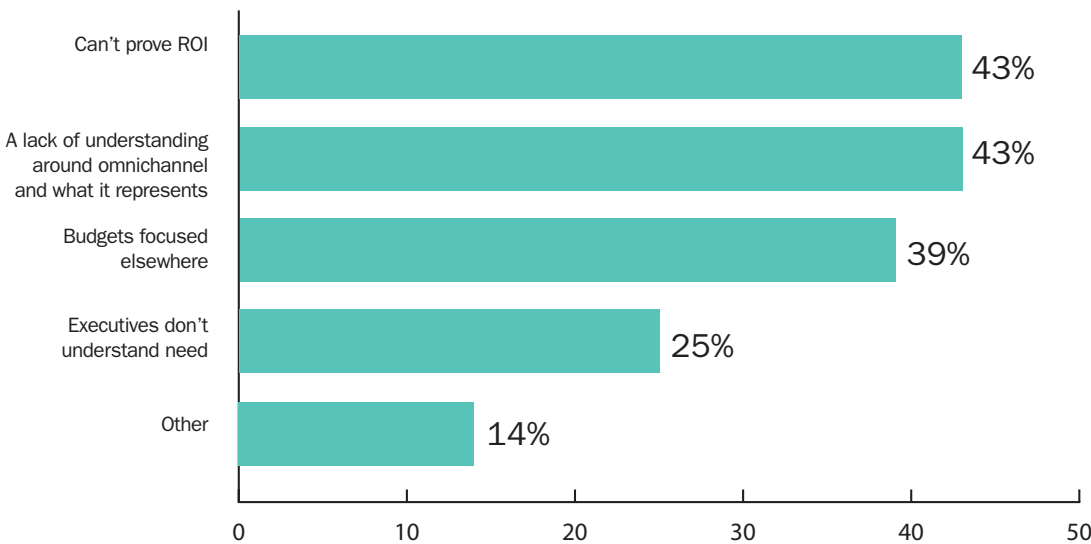| Challenge	Percentage
Budget pressure and margin compression	61%
Turning data into usable insights	58%
Integrating different selling channels e.g., ecommerce, in-store, marketplaces, etc.	52%
Choosing and implementing new technology	48%
Integrating with other marketing and media platforms and campaigns	48%
Communicating the value and need to senior management	42%
Competition from online retailers	36%
Price transparency	36%
Findings and keeping good staff	33%
High customer expectations	30%

That budget pressure and margin compression is considered the biggest challenge to enhancing retailers omnichannel strategy presents a conundrum. The promise of implementing a successful omnichannel strategy, in addition to providing a better customer experience, is that it will make retailers more efficient, more informed with customer data and insights, and provide the ability to better merchandise and communicate with customers across channels. In short, the promise is to more effectively serve customers, drive revenue and increase margins. Yet, the challenges impacting retailers is impacting their bottom lines and may be holding back their efforts to invest time and resources in upgrading their omnichannel strategy. Investment budgets are tight at many companies.

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Biggest C-Level Investment Approval Hurdles

Survey Question: What are your biggest hurdles to getting C-Level executive approval for omnichannel investments?

The main hurdles to secure C-Level approval for omnichannel investments are the challenge of proving ROI and a lack of understanding around omnichannel, which were both selected by 43% of the respondents. The finding in the table above that 25% of executives don't understand the need for omnichannel strategies and technology can be looked at another way: that 75% actually do understand the need. But this raises the question again why is omnichannel still a work in progress? To help shed light on this issue, just consider the previous data table. The top challenge is budget pressure and margin compression. This is an indication that retailers have a bigger issue on their hands and that the transformation in retailing resulting in a very challenging business environment is either making companies hesitant to invest more in omnichannel or their attention is elsewhere. Yet, a more effective omnichannel approach that an elite 8% of the industry is experiencing is one of the solutions to this challenging environment. Clearly, it's also an issue that 43% of retailers say they have a challenge proving the ROI of their planned investments.

Category	Percentage
Can't prove ROI	43%
A lack of understanding around omnichannel and what it represents	43%
Budgets focused elsewhere	39%
Executives don't understand need	25%
Other	14%

Conclusion

The promise of omnichannel is very powerful. In fact, the omnichannel promise is a number of opportunities and value propositions. Yet as the data in this study show, there is a very large gap in terms of retailer implementation and execution. Over 90% of retailers and brands have an omnichannel strategy or are planning to invest in this area soon. But only 8% of retailers feel their company has mastered omnichannel, and only an additional 5% say they are close to mastering this area. In addition, only 12% of retailers believe they even have the right omnichannel technology platform and partners.

The reasons for the gap are outlined in this report. One of the bigger picture issues is that retailing is undergoing a major transformation in reaction to power shifting to consumers via online information and competition. This transformation is the main reason why retailers are looking to omnichannel strategies and technology in the first place. But there is a conundrum. Many retailers are experiencing sales challenges and margin compression especially at their physical stores. It is no secret, many top retailers are fighting for survival. These wider challenges look to be limiting investment budgets and commanding retail leadership attention. Retailers need to invest more time and resources to effectively implement their omnichannel strategies, but they are distracted by other issues.

There are also other factors involved more specifically related to why many of the omnichannel promises have not been delivered yet. For one, the focus on omnichannel is still relatively new. A more basic issue is there is disagreement and lack of understanding about what omnichannel actually is and the value of the opportunity. For example, is omnichannel more of a marketing solution. Or is it technology for warehouse management, fulfillment and logistics. Is it a tool for finance? Or is omnichannel not really a solution, but an overarching strategy to integrate sales channels, which are often in silos, and provide a more seamless shopping experience for customers?

There is more agreement about the overall goals of omnichannel, which are fairly clear: to provide a better customer experience integrated across all channels, and to better understand customers to ultimately drive customer loyalty and increase sales. An effective omnichannel strategy enables consistency of message and shopping experience across all touch points. Retailers and other companies that use multichannel sales and marketing approaches understand the power of omnichannel but are still playing catch-up.

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To summarize some of the most important research findings:

- *Today, over 90% of retailers have an omnichannel strategy compared to less than half only four years ago.*

- *The top three most effective retail growth initiatives include omnichannel and other closely related strategies.* The top three key growth initiatives for retailers are: (1.) Providing true competitive differentiation; (2.) Implementing an effective omnichannel strategy; and (3.) Opening new sales channels and markets.

- *Nearly three out of four retailers and brands are not satisfied with their omnichannel strategy execution and progress.* Fifty-five percent of retailers and brands say omnichannel is a *Work in Progress* and 19% say omnichannel is a *Struggle* or a *Pipedream*.

- *Omnichannel has multiple meanings.* About two-thirds of retailers and brands agree with the following three definitions: (1.) Having different methods for transacting with customers; (2.) Delivering a seamless and consistent customer experience across channels; and (3.) Marketing geared towards customers converting on any channel.

- *The key payoff from implementing omnichannel successfully is to provide better customer service, according to 66% of survey respondents.* This is followed by increased sales and to differentiate among competitors.

- *The main response to customer returns is to spend more on staffing. To help manage customer returns retailers mainly use dedicated fulfillment center staff*. Only one-third of the respondents use a specific software or technology solution or designate store staff to manage this process.

- *The top three challenges retailers see when considering how to enhance their omnichannel strategy are budget pressure and margin compression, gleaning usable insights from data, and integrating different sales channels.*

Rapid change in technology has left retailers and marketers playing catch up. The first part of this decade, retailers and marketers invested in learning social media. Then they responded to the data and analytics revolution, along with the challenges impacting many brick and mortal store business models. Only fairly recently they began implementing omnichannel strategies.

Another key theme seen in the survey data is that retailers are still in need of assistance on how to execute omnichannel effectively. Many need to understand best practices and insights, and what's working in particular around channel integration, and capturing and analyzing customer behavior. Traditional merchandising and marketing skill sets need to be complimented with software and information systems skills.

Retailers and companies using multiple sales and marketing channels also need the ability to source the right omnichannel software platform provider and other partners. The promise of omnichannel is very significant. Many retailers and brands need to take the time to assess their progress, identify the gaps and move ahead with a new commitment to their omnichannel strategy. As one retailer said in the survey, it's about survival.

Methodology and About the Respondents

In August and September 2017, Brightpearl and Multichannel Merchant conducted a survey of leading retailers. A total of 352 responded to the survey. The response is from an elite group representing many of the largest retailers and brands in the world.

Respondents' Industries

	%
Retail	37%
Information Technology	13%
Financial Services and Insurance	10%
Consumer Products	7%
Education	7%
Automotive	3%
Media and Entertainment	3%
Travel and Hospitality	3%
Food and Beverage	3%
Other	13%

Total Number of Employees at Company

	%
1 to 5	23%
6 to 10	13%
11 to 25	13%
26 to 50	0%
51 to 100	10%
101 to 1,000	20%
1,001 to 5,000	10%
More than 5,001	10%

Annual Company Gross Revenue

	%
Under $1 million	23%
$1 million to $10 million	20%
$10 million to $50 million	7%
$50 million to $100 million	10%
$100 million to $500 million	20%
$500 million to $1 billion	7%
Over $1 billion	13%

About Multichannel Merchant

MULTICHANNEL MERCHANT

Multichannel Merchant reaches key decision makers responsible for ecommerce, management, marketing and operations at companies that sell merchandise through multiple channels including ecommerce, mobile, social, and catalog. Multichannel Merchant delivers original research as well as in-depth analysis of trends and best practices, news, tactical/how-to, executive summaries, technology and supplier comparisons, tip sheets and resource information to help companies sell and deliver products wherever and whenever the customer wants them – at home, work, store or other locations.

Visit us at http://www.multichannelmerchant.com

About Brightpearl

Brightpearl

Brightpearl is a powerful-yet-simple retail management system that helps mid-sized retailers and wholesalers expand and compete with larger rivals by streamlining sales and supply chain functions across multiple online and offline channels. Brightpearl's cloud-based software and services enable omnichannel merchants to manage the heart of their business by combining purchasing, inventory management, CRM, order processing, accounting, fulfillment, and reporting into a single reliable system. Founded in 2008 with offices in the U.S. and UK, Brightpearl is used by more than 1,200 merchants around the world.

For more information, visit www.brightpearl.com.

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