

Serving the connected consumer

The Multichannel retail opportunity



According to our latest research, 44% of Retail transactions in the UK involve interaction with multiple channels such as in-store, online, mail order and catalogue.

The Connected Consumer

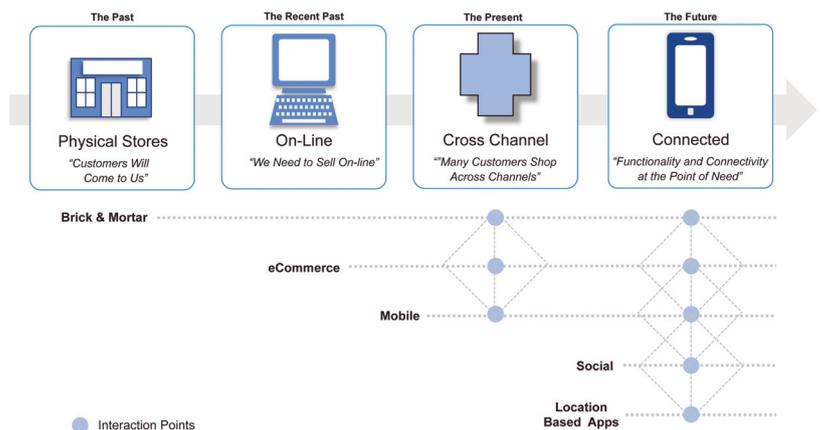
Customers are driving change and retailers need to respond faster than ever before.

30.1¹ million people access the internet every day and smartphones are owned by 29%² of the UK population. These people are what we call 'Connected Consumers', they expect to be connected to their friends, family and favourite retailers all day, every day, wherever they may be.

Our research³ shows consumers who research and shop across multiple channels are spending substantially more than those who shop solely online or in store. These digitally influenced consumers are worth 44% of all (non-food) sales and retailers need to be on their 'like' and 'favourites' lists.

This poses a great challenge for retailers who need new capabilities to compete – real time stock visibility, click and collect, customer reviews, same day delivery – this involves new systems, processes and a whole new way of working and measuring performance.

Figure 1. Evolution of the retail landscape



1. ONS – www.statistics.gov.uk

2. The Deloitte Multichannel Consumer Survey carried out face-to-face interviews with over 2,000 shoppers. The size of the Multichannel opportunity was measured over a 3 month period between September and November 2010.

3. Deloitte Research Survey – Perspective on the mobile consumer, 2011.

The opportunity

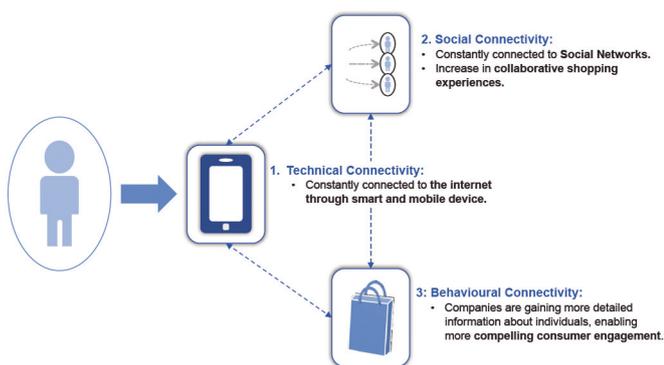
Multichannel consumers are spending more per visit than those who shop solely online or in store.

In a low growth environment Multichannel retail is a key growth opportunity as shoppers demand more information, faster interaction and a seamless, consistent service on the sales floor, on the phone and online.

Our Multichannel retail consumer research¹ shows:

- **21% of all online transactions involved some research in-store.** Physical stores are becoming showrooms, high service locations and convenient collect and return points.
- Increasingly, online growth appears as sales diverted from other channels, mainly physical stores, thus **the traditional 'sales per square foot' metric is likely to start falling.** In a Multichannel retail world, return per foot is becoming an unreliable measure of the true return from retail footage as consumers browse in store and complete their transactions online.
- However evidence suggests **retailers enjoy higher online sales in areas where they have a physical presence.** Store visits are driving online sales.
- **Pure online retailers are also becoming virtual Multichannel retail players** as they benefit from shopper Multichannel behaviours, picking up sales as a result of shoppers researching in the physical stores of other retailers. 15% of sales from a major UK online retailer involve research in competitors' physical stores.

Figure 2. Connected Consumer



Connected consumers are harnessing technology to ensure they are well informed and paying a fair price before completing their transaction. We found:

- 19% of consumers use review forums to help with purchase decisions.
- 5% of transactions were made after receiving an email discount offer.
- 11% of transactions were made as a result of using a price comparison website.
- 15% of consumers use voucher code websites and 4% of transactions in the past 3 months were as a result of visiting a voucher code websites.
- 95% of the UK consumers have a mobile handset, 26% of them access the internet through their mobile device and 19% browse the internet once a week or more frequently.²

This greater confidence is resulting in higher value and higher volume purchases.

Benefits of serving the connected consumer

Many retailers still approach Multichannel retailing as discrete channels working in isolation rather than enabling the consumer to shop seamlessly across any channel.

True Multichannel retailing is not only good for the consumer but also for business:

- **Increase conversion** – Retailers can now reach the consumer at the point of need rather than simply at the point of purchase. This opportunity to increase conversion will require retailers to evolve from selling products to selling services and experiences.
- **Influence consumers across their shopping journey** – Connected consumers have instant access to information to fulfil any spontaneous shopping requirements.
- **The opportunity to create a unique, consistent consumer proposition** – The increased number of channels requires retailers to develop a unique and consistent communication strategy across all, making a number of cost savings in the process.
- **Capture rich consumer insight** – As the connected consumer volunteers and shares information, retailers can leverage this one-to-one dialogue through consumer data analytics to create a one-to-one customer engagement model.

A checklist for Multichannel retail growth

Exploiting the Multichannel retail opportunity requires a retailer to rethink all aspects of the business.

Aligning your strategy to the connected consumer

- **Defining your Multichannel retail strategy**
Developing a Multichannel retail business strategy that is consumer led and aligned to business goals.
- **Determining whether to build or buy**
Determining if an acquisition of an existing retail business could accelerate access to a specific channel, technology or consumer.

Building the foundations of a Multichannel retail proposition

- **Achieving a single consumer proposition across channels**
Creating a single consumer proposition through Multichannel retail interactions (web visits, ecommerce transactions, marketing campaigns, promotions or loyalty cards) to gain insights and an understanding of how to build better relationships and grow profits.
- **Ensuring marketing effectiveness**
Optimising marketing investments across channels to drive top line growth whilst improving efficiencies in marketing execution.
- **Search engine optimisation and social media**
Driving search engine rankings and through social media bringing the consumer closer to the business, driving a collaborative approach to product development and sales.

A Multichannel retail operational model

- **Re-designing your operating model**
Assessing existing business capabilities against future consumer requirements and defining the most appropriate operations and technology required to serve the consumer.
- **Aligning your people and organisation**
Integrating organisation key functions (e.g. merchandising, pricing, customer service) and aligning performance measures, incentives, culture and learning to incentivise and deliver a seamless Multichannel retail consumer experience.

Drive Multichannel retail profitability and long term growth

- **Running a profitable operation**
Identifying and understanding operational levers that can reduce costs and improve profitability across a Multichannel retail operation.

- **Redesigning your supply chain**

Enabling real-time visibility of inventory and forecasting demand across all channels.

Enabling flexible, cost effective fulfilment.

Technology transformation

- **Selecting and integrating the best technologies**
Choosing the best technologies to serve the consumer and meet the needs of a fast changing business.
- **Optimising your website**
Improving how consumers find, access and interact with your website.
- **Ensuring information security and service continuity**
Identifying and managing technology related risks that affect Multichannel retail operations such as PCI/DSS compliance, business continuity, data privacy, security governance, data quality and IT controls.

Defining and executing growth strategies to expand Multichannel retail businesses and consumer offerings

- **Expanding internationally**
Utilising the online channel to accelerate international expansion by developing an international growth strategy and defining the priority markets, commercial and operating model to execute the strategy.
- **Aligning tax and duties with international fulfilment**
Reviewing retail operating models to ensure compliance and appropriate application of VAT, Customs Duties and Corporate Taxes.

Deloitte offers a unique breadth of services. Whether it is developing your strategy, redesigning your operating model, selecting and implementing new technology or ensuring customer data is secure, we can work with you to help better serve your customers and seize the Multichannel retail opportunity.

If you would like information about how Deloitte can help please contact our retail team:



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