

RESEARCH

## Department stores still need to hone omnichannel approach: L2

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*Mobile shopping is a major element of omnichannel marketing*

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The number of department stores displaying a real-time inventory has quadrupled since 2013, according a new report by L2.

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The increase exemplifies the heavy investment that department stores are making in omnichannel to compete with Amazon, Net-A-Porter and other pure players. Although retailers are making advances on various fronts, a number of obstacles in both technology and implementation are impeding true omnichannel experiences.

"The key benefit of omnichannel retail is to merge all platforms and create one all-encompassing channel (online and in-store), giving shoppers the option to discover, consider and convert interchangeably," said Garrett Levy, research analyst at L2. "Brands may not have achieved this state yet, but some brands are getting closer."

"**Retail Innovations: Omnichannel**" examines the omnichannel practices of 58 department stores in comparison to online-only retailers.

Omnichannel marketing

Of the various omnichannel advances that retailers have taken, perhaps the most notable is Neiman Marcus' "Memory Mirrors" ([see story](#)). Shoppers can use a camera on the mirror to take a 360-degree video of themselves in an outfit they are trying on and browse other items via hand gestures.

In addition to the consumers' obvious advantage, the retailer can store the customer's data, which can help with personalized communications in the future. Since then, Bloomingdale's has tested similar processes, as have brands Ralph Lauren and Burberry.

"While virtual dressing rooms provide an opportunity for Department Stores by blending online benefits (e.g., storing customer data for personalized communications and offering discounts on abandoned items) with in-store benefits (e.g., trying on outfits before purchasing), it is a large investment, especially at scale," Mr. Levy said. "With many omnichannel tactics, ranging from beacons to ship-from-store, brands will need to prioritize investments based on the needs of their consumers."

Department stores can use size and scale advantageously. Fifty-nine percent of consumers would pay money for same-day delivery, but barely a third would do so for next day. This means that offering same-day delivery creates another revenue stream.

To do this, department stores can be used as fulfillment centers and origins for same-day shipping, thereby being able to service more markets with same-day delivery than pure players working from a more limited number of locations could do.

The report notes that this trend might be related to the closure of bricks-and-mortar stores. Rather than running such stores at lower margins and having limited omnichannel fulfillment in the form of same-day deliveries and pickups, those stores can be closed and the resources can be re-allocated toward more profitable omnichannel capabilities.

Nevertheless, currently only 17 percent of the 58 department stores examined offer same-day shipping. Half offer next-day shipping despite the significantly smaller number of consumers willing to pay for it, suggesting the extra costs of same-day shipping will likely have higher returns compared to next-day shipping.

In-store pickups and returns on online sales also offer ways to get consumers engaged with retailers across multiple channels. "Buy online, return in-store" policies reduce the net sales losses from returns from 23 percent to 5 percent, as consumers will opt to exchange or will make other purchases once they are in the store.

Offering in-store pickups will cause net sales to go up by 7 percent for a similar reason. Nevertheless, only 43 percent of North American retailers make use of the gains from in-store pickup, compared to 78 percent of European retailers. L2's report advises the American department stores to follow the lead of their counterparts across the pond.

Notably, however, half of shoppers who did opt to buy online and pickup in-store had problems with their order. On average, consumers saved less than two minutes with the option. Retailers will need to make the process more inefficient to maintain their customers.

As many researchers and agencies have remarked, the rise of mobile shopping and mobile use while in-store presents retailers with a number of opportunities.

Neiman Marcus was again on the front lines in bringing consumers' mobile habits into the omnichannel retail mix. In October 2014, the retailer unveiled their "Snap.Find.Shop." feature, which allows consumers to take a photo of an item and be shown a similar Neiman Marcus item ([see story](#)).

#### Going mobile

Mobile also allows the possibility of consumers being identified by their phone and sent targeted messages both while they are in the store and not, and the possibility of integrating the online cart into in-store purchases. Retailers are experimenting with these and related possibilities in some capacity, but both the technology and the proper use of it will need time to be worked out.

However, a unified commerce experience hosting a single cart across all channels is the future of retail, but retailers are struggling to deliver, according to a January report by Boston Retail Partners.

Eighty-five percent of retailers list unified commerce as a top priority, meaning that soon customers will be able to shop, ship and pick-up products from wherever they wish. Getting there will involve improvements in point-of-sale hardware and software as well as increased support of mobile technology both for purchasing and recognition purposes ([see story](#)).

Indeed, investigations have shown that recent attempts at omnichannel marketing often backfire.

A Fashionbi report from this past December used the Instagram and Facebook accounts of mass-market brands, bridge brands, pre-a-porter brands and fashion footwear brands to judge their omnichannel prowess. The objective of the report was to gauge how well the surveyed brands, selected at random from different market sectors, use omnichannel strategies across their social, online and in-store channels.

During its research, Fashionbi found discrepancies in omnichannel strategies and found that here are opportunities being lost by brands not truly following through with omnichannel positioning. As an example of these misconnections, Fashionbi explained that if a consumer sees a pair of Jimmy Choo pumps on Instagram, but when she goes to purchase they are unavailable in-stores or not available in a particular size or color, this is a cause for discontentment and a lost sale ([see story](#)).

"Mobile is continuing to grow its role within the in-store shopping experience, acting as an on-the-go link between a customer's online and offline brand experience," Mr. Levy said. "This opens up opportunities for retailers to provide real-time updates and customized offers while customers are shopping in-store, as well as allow customers

to communicate with the appropriate store personnel for in-store and curbside pickup."

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