DataArt interview: The pursuit of omnichannel happiness

[Omnichannel retail]

Retail Technology Innovation Hub talks to Dmitry Bagrov, Managing Director at technology consultancy [DataArt], about outsourcing, the value of human capital and the two big omnichannel challenges facing retailers in 2018

RTIH: You previously remarked that the Marks & Spencer outsourcing project might not be a good solution to [the company's woes]. What makes you say that?

DM: Without more in-depth knowledge of the M&S outsourcing project, I wouldn't want to say whether it is going to work or not. However, it throws up some red flags. For example, the lack of clarity as to whether this is about saving money, or transforming technology, which are two different things. Outsourcing in and of itself is not a bad decision, it can be a very good option, but technology outsourcing should not be done solely on the basis of cost.

Cost cutting can, ironically, be an expensive operation and, in this case, could turn out to be something of an illusion. Companies must be careful when uprooting and distributing technology work in bulk to an outsourcer. This is true even if the outsourcer has a high level of knowledge. The hidden costs of outsourcing should be considered. The cost of things possibly going wrong, the lost knowledge of redundant staff, the staff training that needs to take place, often involving costly business travel several times of year for whole teams. They need to factor in possible downtime and loss of customer loyalty.

Human capital should not be underestimated. In-house, company-specific knowledge is built up over time. Companies invest money in building relationship between different departments. This type of knowledge is often not written down anywhere and these layers of intricacies are not easily transferred. It can be years before the same level of nuanced understanding is gained.

RTIH: [Steve Rowe, M&S CEO], has said: "We are committed to transforming M&S for our colleagues, customers and shareholders by delivering digital-first retailing across our stores and offices. Technology plays a huge role in this transformation – and having the right partners and model will enable us to be more agile, flexible and responsive. Through our technology transformation programme our business will be faster, simpler and more focused on achieving a seamless customer experience." How do you respond to that?

DM: If M&S's desire is to unify and optimise its technology programme to a single view of the customer, then that's great. Rowe is absolutely right that technology will play a huge role in delivering to the customer. For a long-established physical store like M&S the separation across multiple channels of shopping needs to be brought together, and customers need to experience all channels as a single entity, from physical stores to online to mobile. A company must ask itself, do we actually have a shared vision of the client, or the data we receive in all these channels? If not, it's because the IT isn't where it needs to be.

All data collected on each individual needs to be brought together in one place. Across the website, logistics, warehouse management and so on, technology should be geared towards looking at a customer as one entity and this should apply to both predominantly online shoppers and those who largely shop in-store. That's why the likes of Amazon are so successful, because they are founded on a single view of the customer, and all developments have been built around that principle. Harvard Business School coined the term bricks and clicks – which sums up the integration nicely.

RTIH: If not the aforementioned initiative, what is the best way forward for M&S?

DM: I would need more details on M&S to answer that. Many more. It is precisely when people jump in and say they have the answers that things go wrong.

Before changing anything with technology, and certainly before a radical "transformation", it is crucial to first define the purpose it will serve, to understand and know the "what" and the "why". A sound strategy cannot develop until a full assessment of what is currently in place has taken place, including an audit of intangible assets such as staff knowledge and what needs to be done. Even more important is the "why". Why does change need to take place, which specific business problem or goal does this answer? There's no point in changing anything before you fully understand the reason for the change. Technology should always be viewed as an enabler to a business purpose, and companies need to approach it from long-term business goals first and foremost.

RTIH: What are the biggest challenges facing omnichannel retailers right now?

DM: The omnichannel strategy has significantly underperformed for more retailers than it was successful for. There are two big challenges facing omnichannel retailers right now, the first being that companies don't have a single view of customer across all channels – it's one thing to have lots of data but it's another to use it. Retailers strives to understand the customer's needs and preferences to offer its products and services in a timely and personalised manner.

The second challenge lies in retailer's workflow and operations, including inventory management and order management technology. Data analysis plays a significant role behind the scenes, especially when it comes to inventory management and distribution. Insight from customer data needs be synchronised across operations. For example, a company may suffer inventory shortages due to a delay of information because the inventory management system works on a two-day cycle and the warehouse system is on a different cycle length. Technology must be created with the customer in mind.

RTIH: Which omnichannel retailers are on the right track?

DM: Tesco has made great strides. The loyalty card has been hugely successful, and the collection of data helps the online buying experience. The company has now introduced hand held scanners – hugely benefiting the customer. It is a step in the right direction to bring online and offline experience together.

While previously, if I shopped online, Tesco would know my preferences but if I went to a store, it wouldn't know who I was until checkout, now, with self-scan, data can be collected and used from the moment the customer enters the store to when they leave. Others have self-scan and loyalty cards too – but Tesco is one of the leading players.

Apple is the star of omnichannel. With massive online and offline presences and the constant collation of mobile data, the company knows all there is to know about their customers' shopping trends. Everything they do is personalised and specific to each customer. Online or offline, Apple is the same and maintains the same level of excellent customer insight.

RTIH: What will be the key retail technology trends in 2018?

DM: The industry might go down a blind alley in 2018, chasing a misplaced trust in voice technology. There's a lot of interesting research on voice activation technology at the moment, how it works and how many use it, but I'm not convinced by the technology itself. I haven't seen a lot of real life use cases where voice control is something that not only should be there but is also done properly.

Google Home advertised use cases are "play my favourite music," or "switch off the lights". These are things we can do for ourselves. New technology needs to be defined. When you try to make technology work in every possible scenario, you can end up producing something not worth much.

Original article can be found here: https://retailtechinnovationhub.com/home/2018/1/30/dataart-interview-the-pursuit-of-omnichannel-happiness