



OMNI-CHANNEL: WAY AHEAD FOR FASHION RETAILERS

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TECHNOLOGICAL ADVANCEMENTS IN THE RECENT DECADE HAVE HELPED THE FASHION INDUSTRY TO TRANSCEND BEYOND THE BOUNDARIES OF PHYSICAL STORES. TODAY, THE FASHION RETAIL ECOSYSTEM IS TEEMING WITH MYRIAD FORMS OF CHANNELS INCLUDING, E-TAILING, MOBILE RETAILING, HOME SHOPPING, CATALOGUE RETAILING, ETC. BUT AS THE FOCUS ON CUSTOMER EXPERIENCE INCREASED, OMNI CHANNEL BECAME THE NEW BUZZWORD OF THE RETAIL INDUSTRY. EXPERTS AMIT GUGNANI AND KANTI PRAKASH BRAHMA ANALYSE THE ACTUALITY AND THE CHALLENGES OF THE MULTI-CHANNEL APPROACH THAT THE COUNTRY IS ENTHUSIASTICALLY ADOPTING.



/// INDIAN FASHION MARKET IS MOVING TOWARDS A OMNI-CHANNEL RETAILING ENVIRONMENT WHERE ALL THE ELEMENTS OF CUSTOMER SATISFACTION ARE FLEXIBLE AND SEAMLESSLY INTEGRATED.///



Fashion Retailing is No More Limited to Physical Stores

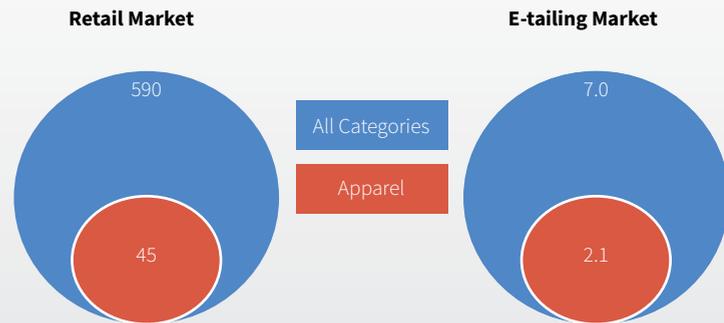
Proliferation of the internet, mobile devices and rapid revolution of technology has extended the boundaries of fashion retailing much beyond the physical stores. The fashion eco-system now encompasses all possible channels for reaching out to consumers; from physical stores to e-tailing, mobile retailing, home shopping, catalogue retailing, etc. Consumers no longer stick to a particular retail channel; they straddle across retail channels depending on the kind of product they are purchasing, price offering of the product by various channels, time availability, convenience of purchase, etc.

E-tailing is the Most Dynamic Channel in the Indian Fashion Retail Eco-system

Though the e-tailing evolution in India started with books and media as a key category, soon the Indian consumer accepted it for electronics, and fashion & lifestyle categories. Apparel and lifestyle contributed a share of 30 percent to the total e-tailing market, of about USD 7 billion, in the financial year 2014-15 (Exhibit 1). The e-tailing market at present is led by the electronics category with a share of 45 percent.

The category split of e-tail is projected to remain same till at least 2020, with electronics contributing to 45 percent followed by apparel and lifestyle at 30 percent.

EXHIBIT 1: SIZE OF APPAREL IN OVERALL RETAIL AND E-TAILING-2015, US \$ BN



SOURCE: TECHNOPAK ANALYSIS, APPAREL E-TAILING MARKET SIZE INCLUDES LIFE STYLE CATEGORIES LIKE BAGS, BELTS, WALLET, WATCHES, ETC.

Indian Fashion Market Has Also Started Embracing Omni-Channel Retailing

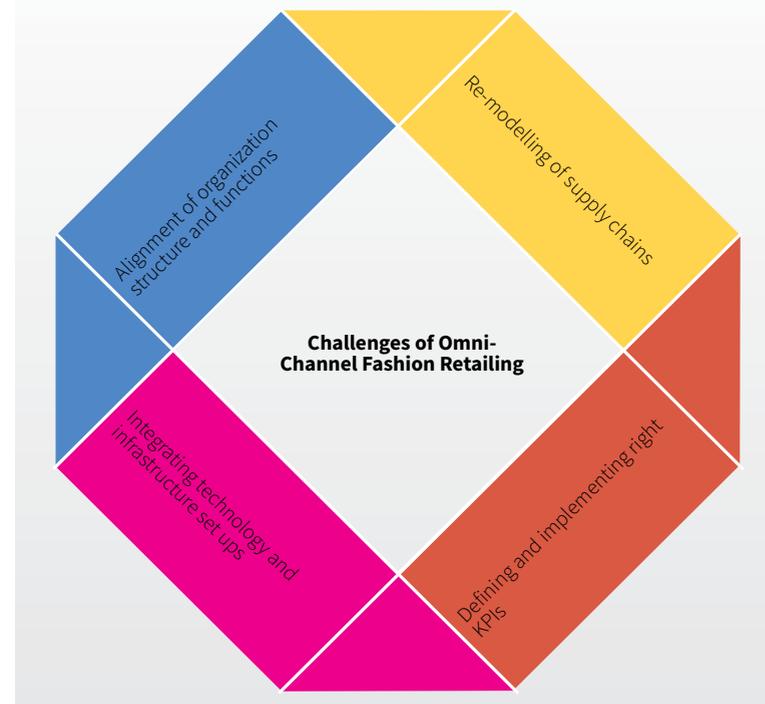
The Indian fashion market is moving towards an omni-channel retailing environment where all the elements of customer satisfaction are flexible and seamlessly integrated. India's exceptionally vibrant entrepreneurial ecosystem coupled with strong faith in the Indian market by all leading global investment firms has provided a boost to omni-channel fashion retailing in the country. On one hand, Indian retail players and brands have started offering products with high width and depth across categories and on the other, Indian consumers are open to experiment with all possible channels of retail owing to time poverty. Consequently, omni-channel retailing is increasingly being considered as the future of India's fashion retail scenario.



Omni-Channel Retailing in India is at a Nascent Stage and Faces Several Challenges

Many fashion brands and retailers operating in India have started adopting omni-channel retailing. The erstwhile physical store retailers have also started considering all possible channels of retailing. Most of them have started moving closer to offering an omni-channel experience. However, it might take a few years to provide true omni-channel fashion retailing in India, where the consumer would become the fulcrum point of the retail channels and can move seamlessly from one channel to another without any hassle. Some of the key challenges involved in providing an integrated and seamless retail experience through omni-channel fashion retailing are: alignment of organization structure and functions, remodelling of supply chain, defining and implementing right KPIs, integrating technology and infrastructure set ups, etc.

EXHIBIT 2: CHALLENGES OF OMNI-CHANNEL FASHION RETAILING



/// IN OMNI-CHANNEL FASHION RETAIL, ACHIEVING BOTH DEPTH MANAGEMENT AND VARIETY MANAGEMENT IN ALL POSSIBLE CHANNELS IS A MAJOR CHALLENGE. ///

Challenge #1: Alignment of organization structure and functions

In order to provide a flexible experience to consumers it will be critical to align organization structures around the consumer. In a multi-channel environment, retail channels are normally viewed as separate verticals that many times work in silos. For example, the strategies for physical store and the strategies for online retailing could vary substantially as the channels could have different priorities. In an omni-channel retailing environment, the priority is the consumer, hence, different channels would no longer continue with different objectives. Alignment of channels will require buy-in of all the stakeholders and has to overcome organizational change resistance.

Challenge #2: Remodelling of supply chain

In omni-channel fashion retail, achieving both depth management and variety management in all possible channels is a major challenge. Access to store and inventory information of nearby stores, warehouses, timely replenishment of products, minimising statistical fluctuations in stock-outs and surpluses will require an agile and ultra-efficient supply chain that leverages real-time information sharing through IT systems. Reducing lead times and increasing proliferation of SKUs have already made the fashion supply chain complex and challenging. On top of that, the task of integrating various retail channels will add to the supply chain risk of the business.

Challenge #3: Defining and implementing right KPIs

The performance indicators that have traditionally worked for retail staffs would be rendered ineffective in an omni-channel model. For example, a store staff whose incentives are based on conversion of foot falls to sales within the store might not suggest the consumer to log in to web-site or to visit a nearby store, thus, spoiling the idea of seamless and flexible retail experience which is the core of omni-channel fashion retailing. Defining KPIs for management personnel, store staffs, vendors, logistics players, etc., would require a fresh approach factoring the core elements of omni-channel retailing and the challenges associated with it.

Challenge #4: Integrating technology and infrastructure set-ups

Integrating information technology systems and related infrastructures present across various stores and non-store formats have to be integrated to ensure timely availability of data. In some cases, IT integration has to go beyond the boundaries of a brand or retailer and reach the other associated players like vendors, payment channels, logistic providers, etc. Some of the players would be working with archaic IT systems that would add additional complexities to the issue of technology integration. Moreover, some even would be working without a proper IT system. ●●●



CONCLUSION:

Omni-Channel Retailing Provides Numerous Opportunities in Fashion

Omni-channel retailing will arm consumers with benefits or selecting retail channel as per her/his convenience, a consumer could actually utilise more than one possible retail channel to fulfil her/his fashion need. This will help brands and retailers to retain consumers and to increase sales though lower stock outs. They will also have better visibility of inventory and inventory flow which will help in achieve higher fulfilment rate.

Retailers will gain better understanding of consumer journey across retail channels and thus can track exact preferences of consumers, leveraging on which they can even suggest the right kind of products and promotion offers to respective consumers. This would help to personalize consumer shopping experience. Understanding of consumer behaviour in a technology driven rapidly changing retail environment will be the key to gain competitive advantages for retailers.

Undoubtedly, Indian fashion retailers will continue to move closer to omni-channel retailing in the coming years. However the ability to leverage the potentials of omni-channel retail through adopting to the newer technology and addressing the ever changing needs of consumers will be the key differentiator between successful omni-channel retailers and others.

