The Digital Battlefield within the Omni-Channel

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8th Luxury Summit
Milano – May 26th, 2016
## The digital battle: the analogy

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<th>The prize</th>
<th>Customer satisfaction, revenues growth and inventory optimization</th>
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<td>The market-place and customer experience</td>
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<td>The opponents</td>
<td>The worldwide F&amp;L Brands</td>
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The Prize & the Battlefield

Customer satisfaction, revenues growth and inventory optimization

The market-place and customer experience

KPMG Omni-Channel Retail Survey 2016
We utilised an online survey tool to collect data from KPMG UK employees over an 8 week period from November 27th 2015 (Black Friday) to January 2016 and developed a dynamic dashboard to analyse and interrogate the data.

Over 1,600 responses from KPMG UK employees.

Over 250 unique retailers and brand organisations.

30 categories including men’s clothing, women’s clothing, shoes, accessories, furniture, beauty, homeware, electronics, toys, food and beverage, books, etc.
Brands quoted during the survey

Leading brands in Fashion & Luxury, Retail and Furniture quoted by respondents during the survey
Survey highlights

1. Only 7% paid full price

2. 35% bought impulse products when shopping in store, compared to 21% when shopping online

3. 74% of customers did not "physically" look at the product or try it on before they purchased online

4. 23% of fashion returns were intentional, i.e., purchased duplicates

Black Friday discount week is part of a wider culture of discounting (on-line spending £1.1bn; +36% YoY), in which customers are increasingly savvy

Customers make more **impulse purchases when they are in store as opposed to online**

Customers are **shopping in the evening** and bringing the **fitting room home**. Customers are valuing convenience over inspecting the product

**Free returns** are driving **extra online purchases** and **additional store traffic**.

**Customers are buying duplicate items to try multiple sizes and/or colours at home, with intent to return**

Purchasing channels (*)

32% on the high street

68% of purchases were made online
Where did your path to purchase start?

- Online: 54%
- High Street Store: 24%
- Other brand websites: 12%
- Mobile app: 4%
- High Street – Competitor: 3%
- Recommendation by friend: 3%

Where did your path to purchase end?

- Off-line start → On-line end: 8%
- Off-line start → Off-line end: 22%
- On-line start → Off-line end: 10%
- On-line start → On-line end: 60%

70% of the respondents started their purchase online, with a successful online conversion rate equal to 86%.

68% of purchases were made online.

32% on the high street.
# How the customers approach the purchase

## Average discounts by category of Black Friday purchase

<table>
<thead>
<tr>
<th>Category</th>
<th>Discount (%)</th>
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</thead>
<tbody>
<tr>
<td>Children’s clothing</td>
<td>43%</td>
</tr>
<tr>
<td>Furniture</td>
<td>40%</td>
</tr>
<tr>
<td>Homewares</td>
<td>34%</td>
</tr>
<tr>
<td>Electronics</td>
<td>30%</td>
</tr>
<tr>
<td>Men’s clothing</td>
<td>24%</td>
</tr>
<tr>
<td>Women’s clothing</td>
<td>19%</td>
</tr>
</tbody>
</table>

## Would you have bought the product anyway at full price?

- **58%** No
- **35%** Yes
- **7%** Paid full price

35% of customers would have bought at full price anyway

## The average value of items purchased (*) was 43% more on the high street than online

Customers are still buying more expensive items on the high street

(*) over 8 weeks
Omni-Channel Customer Behaviour

Did you check the product physically before purchase?

- **No** 74%
- **Yes** 14%
  - in store
- **Yes** 7%
  - in competitor store
- **Yes** 3%
  - already own
- **Yes** 2%
  - family and friends

Customers **do not need to "touch and feel" anymore the product before buying**

It has become much easier to **order online, test the product at home and return it**

This is now possible thanks to:
- More product information available online
- Trust in user reviews

Were you able to check inventory information before purchase? **84% Yes**

Availability of inventory information has doubled vs our 2014 survey

Despite improvements of stock management, some participants had some few issues:
- Incorrect website stock information
- Impossibility to order items currently listed in stock
- Ordered items not received due to out of stock

A **single view of inventory** (stock visibility and integrity) is a core enabling factor to:
- Finalize the sales
- Meet delivery promises
- Reduce out of stock
Omni-Channel Deliveries

Requested delivery method

- Click & Collect: 14%
- Home delivery: 81%
- Other: 5%

92% received free delivery

Delivery timing

- Next day: 29%
- 2-5 days: 61%
- Other: 10%

76% received free delivery

Delivery tracking – by retailer

This year: 70% of retailers offered delivery tracking

Delivery tracking – by customer

49% of customers tracked their orders through the store website.
28% did it through a third party.
23% were not able to track their order.

Was the item on time?

- Yes: 73%
- Early: 20%
- Late: 7%

The customer experience is influenced not only by the store but also by the delivery provider.

Does the delivery of product have any impact on your choice of store?

53% Yes
The Weapons

E-commerce & Omni-Channel
**Advanced Web Presence - The leaders**

<table>
<thead>
<tr>
<th>E-commerce presence</th>
<th>Ralph Lauren</th>
<th>Louis Vuitton</th>
<th>Zegna</th>
<th>COACH</th>
<th>GUCCI</th>
<th>Prada</th>
<th>Valentino</th>
<th>Bottega Veneta</th>
<th>Zara</th>
<th>OVS</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-line chat</td>
<td></td>
<td></td>
<td>Only UK</td>
<td>Only AU</td>
<td>Only USA &amp; UK</td>
<td>Only USA</td>
<td>Only EU</td>
<td>Only USA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online in store product availability</td>
<td>Only UK &amp; USA</td>
<td>Only USA</td>
<td>Only AU</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA &amp; Canada</td>
<td>Only USA</td>
<td>Only USA</td>
<td></td>
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<tr>
<td>On-line product personalization</td>
<td></td>
<td></td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy On-line &amp; collect in store</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only USA</td>
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</tr>
<tr>
<td>Buy on-line, exchange/return in store</td>
<td>Only USA</td>
<td>Only USA</td>
<td>Only UK</td>
<td>Only USA</td>
<td>Only USA &amp; Canada</td>
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— All brands have their own e-commerce platforms, either built in-house or powered by an external supplier (e.g.: YNaP)

— Not all the brands are able – or willing – to provide the full range of Omni-Channel services across all geographies

- Some of them prefer to provide on-line "concierge services" to drive brick & mortar sales

Note: Analysis performed on April 2016, based on UK, USA and Italian websites

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The Military Infrastructure

Operational models, IT platforms, store network and distribution
Connect the dots for winning the Digital Battle

A successful digital strategy aims to provide the same on-line experience as in stores:

- Obtain the widest possible knowledge of individual customers’ behaviour
- Build a customer centric organization
- Assign Head of Retail Omni-channel P&L responsibilities
- Avoid functional silos
- Improve coordination among functions
- Review sales assistance compensation schemes
- …
The Big Challenges - KPMG Advice

**Seamless structure**
- Delivering a seamless customer experience requires a **seamless organization**
- Old models struggle with the Omni-Channel experience customer expectations and demand
- **People, processes and systems** must all be **customer centric** and aligned around delivering the best possible experience

**Stock optimization & Smart distribution**
- Getting the products **in the right place at right time** requires businesses to explore new strategies to meet customers' expectations
- While ‘Hub and Spoke’ distribution model remains the dominant, other **point-to-point B2C strategies** offer more flexibility (e.g.: same day deliveries from DOS):
  - Create **systems** that allow retailers to have a **single view of inventory**
  - **Distribution models must be Country specific** (local retail standard practice and tax compliance)

**The IT/Business Partnership**
- **Brand new partnership between IT and the business** will link the increased importance of on-line channel and the crucial role of technology
- Both the IT function and the business need to be harmonized with a **singular focus on the customer**

**Managing complexity**
- Delivering an ‘anytime, anywhere, anyhow’ customer experience is complex and costs money – despite consumers expect convenience for free:
  - Let customer make his/her choice without adding excessive costs
  - Use preconfigured service modules to allow customers to move seamlessly across different channels
"The hard part is twofold.
First, Digital is no longer a gadget, but it's a new industrial standard that requires profound changes of processes, systems and culture. Same as for high speed trains that need new rails to run.

Second, you have to combine the digital approach with people. In our offices we are digitizing payments and transactions to devote time to our people to more robust relationships with customers…"

CEO, Poste Italiane S.p.A.
Francesco Caio
(Corriere della Sera 8 maggio 2016)
Value, convenience and experience are the key drivers of consumer purchasing decisions and businesses that do not excel in one or more of these disruptive trends will lose the war.
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KPMG analysis are based on public sources, KPMG survey and interviews

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