Knight Frank

OMNICHANNEL IN POLAND

How to keep customers of traditional shops in the face of e-commerce

INTRODUCTION

According to the Omnichannel concept, the future of retail in the face of the digital revolution and other growing challenges facing retailers, is conducting e-commerce in a way that would encourage customers back into traditional shops. Such an approach could meets clients' expectations without condemning shopping malls to losing their market position.

In spring 2017, Knight Frank analysed 120 brands which are widely present in shopping centres. The aim of this research was to check to what extend brands present in Polish shopping centres are prepared to combine online and traditional shopping in a way that they would not constitute separate channels, but would complement each other. 10 criteria combining online and traditional sales were taken under consideration:

1.   Click & collect option (option allowing purchase and payment online, and collecting the order at a chosen traditional store)
2.   Encouragement for click & collect
3.   Online visibility of in-store availability of the product
4.   Store location
5.   Online reservation of an in-store product
6.   In-store return of an online purchase
7.   Loyalty programme
8.   Social media
9.   Application
10.   Log-in to system

The research assesses to what extend these elements are considered in the sales strategy by the brands present on the Polish market. Not all researched brands had an online store (12% of the researched brands did not have an online store when the research was conducted), however, all had a website, and in these cases functions available on the website were taken into consideration.

E-commerce is currently the quickest developing retail sector in the world. With 5% of the retail market share, Polish e-commerce still remains relatively immature, but a fast developing, market. 20,000 e-shops have been registered in Poland and the income from internet sales is expected to increase by as much as 18% in 2017.

E-commerce in numbers (2015)

	Poland	Europe	UK
e-shoppers (% population)	37%	43%	81%
Average online order (EUR)	632	1.540	3.625
income (bn EUR)	7.6	455.3	157.1
retail market share	**5.3%**	**8%**	**15%**

Source: European B2C E-commerce Report 2016, Ecommerce Europe

The UK is the most mature e-commerce market, where internet sales exceed 15% of the retail market share, and over 80% of the population shops online.

OMNICHANNEL

> **OMNICHANNEL**
> - business model combining various sales channels, such as traditional shops, online trade, social media and mobile technologies.

In the face of the digital revolution and dynamic development of e-commerce, traditional retail faces growing challenges. In the last 7 years the number of visitors to American shopping centres fell by half. Although European shopping centres are not yet affected to the same extent, it is necessary to adjust to the new reality where Internet and new technologies increasingly play key roles.

Research of consumers' shopping habits and analysis of shopping centres' offers still shows relatively big discrepancies between consumers' expectations and their shopping strategies, and the approach of the retail chains to this topic.

In today's retail market it is crucial to develop brands through many parallel channels in order to meet as many of the clients' expectations as possible, and make them intertwine and complement one another. This research shows to what extent online and offline sales go hand in hand by analysing the biggest retail chains present on the Polish market.

HOW CUSTOMERS SEE IT

◇ Online and traditional shops are one shopping experience

◇ Research online, purchase offline (or reverse)

◇ Both channels should offer the same options

◇ They expect well-prepared websites and mobile applications

CLICK & COLLECT

Click & collect wins the gastronomy sector in Poland: Starbucks, Pizza Hut, Domino's Pizza and McDonald's implement applications which allow ordering on the way to the restaurant.

Brands present on the Polish market do not yet use the full potential of click & collect. Only half of the researched brands offers this option, while only 38% encourage it.

The best prepared sector was multimedia, out of which all the brands offered click & collect, electronics (85%), and DIY (80%). Supermarkets were the least prepared, however this is the result of sector-specific qualities and a wide range of goods. Carrefour was the best omni-channel prepared brand from this sector.

46% of the fashion brands offer click & collect, with only 35% encouraging it. Moreover, clients typically need to wait 2-3 days for a delivery to their chosen traditional store, and it is free of charge above a certain order value. With such long delivery times with click & collect, clients may choose to buy at a traditional shop if they could previously check in-store availability of the product on-line.

Shopping centres in Europe have implemented a new service: click & try. Posnania is the first shopping centre in Poland to offer it to its clients. Online orders are delivered to the shopping centre where a client can try the product in a specially prepared area, and, if necessary, the shopping centre staff takes care of returns.

In the UK, which is the most developed e-commerce market in Europe, the income from click & collect doubled and reached 8.7 billion dollars in 140 million orders between 2012 and 2014.*

*The Deloitte Consumer Review. Digital Predictions 2015

STORE LOCATION

One of the pre-purchase actions considered important in the choice of online versus traditional sales is a list of store locations available on the website or through an application.

Information about the store location was the most common feature. It was available in almost all e-stores and websites of the resear-ched brands (91%). It was easy to spot and easy to use, and if the location function was activated on a mobile device it automatically showed the closest available store.

Brands in Poland offe-ring online reservation of an in-store product include: Promod, OBI, Swiss

Brands in Poland with online and in-store product availability include: Cropp, Mohito, Sinsay

ONLINE VISIBILITY OF IN-STORE AVAILABILITY AND ONLINE RESERVATION OF IN-STORE PRODUCT

Although online sales are increasing, customers use online informa-tion mainly for pre-purchase activities. It is possible to check the retail chains' offer even if the chain does not have online sales.

Less than a half (41%) of brands allow online visibility of in-store product availability. Interestingly, among them there was one brand without an e-store (Go Sport). Such solution meets customers' need for pre-purchase actions such as checking brands' offer online. Moreover, a few retailers show overall inventory levels in addition to in-store availability at a particular store (low, medium, high). This feature is helpful for clients and may encourage shoppers to visit particular stores.

Extension of online visibility of in-store availability is online reserva-tion of an in-store product. This option was only offered by 2% of the researched brands, one in DIY and others in, fashion, and jewellery & accessories. Promod was among these brands, and, was the only chain that met all research criteria.

IN-STORE RETURN OF ONLINE PURCHASE

Another function which can support online clients' inflow to traditional stores is a flexible returns policy. Only 36% of the brands allow in-store returns of online purchases. The greatest flexibility was shown by sport equipment brands (75%), and, albeit to a much lesser extent, health & beauty (38%) and fashion (37%).

BUILDING RELATIONS

Retailers know that building good relations with clients, and collecting the maximum amount of data about the greatest number of shoppers are key to their success. Until now, customer service played a crucial role in this process, and although still very much of importance, retailers now realise it is not the only factor influencing customer loyalty.

Brazilian C&A campaign „Fashion Likes" in used interactive hangers to count and display the number of „likes" in real time. This way they reached 8.8 million users and some product lines sold out in one day.

SOCIAL MEDIA

Almost all the researched brands (91%) had Polish social media profiles. It is an important channel in customer relations. According to Deloitte, 75% of the clients admitted that social media influences their shopping decisions and loyalty to brands. At the same time, more and more experts point out that social media should not be limited only to brand profiles, but should also offer content which engages users and encourages further discussion. Moreover, they expect an increasing use and popularity of videos embedded in social media as the perfect story-telling tool which brands should use in their marketing strategies.

LOYALTY PROGRAMMES

Loyalty programmes have been present on the Polish market for many years now. Their main asset is collecting client data and building ties, which encourage customers to choose particular brands in exchange for benefits defined in the programme.

57% of brands offered loyalty programmes. Sport equipment (all researched brands) and supermarkets (83%) were the unquestionable leaders in this category.

"Family tree" in Smyk allows various users to collect points in the same account.

The Decathlon card can be used in various countries.

„The „Tickets control" programme created by Cropp involved participants collecting coupons, which they received at the point of purchase, in exchange for discounts. As a result, the brand gained social media coverage by growing the database of e-mail addresses.

> Delikatesy 13 was the first shop in Poland to implement a „scan and pay" application. Clients scan product bar codes and make mobile payments without queuing.

MOBILE APPLICATIONS

New technological solutions gaining growing popularity among retailers include mobile applications (Apps). The Sport equipment sector uses this solution most commonly (all researched brands), while the children's sector most rarely (none of the researched brands). For comparison, the multimedia and supermarket sectors showed the same result (67%).

Apart from the presentation of the in-store offer or store location, mobile applications very often link to loyalty programmes. Supermarkets offer applications in the form of games, and some brands use this solution to build brand awareness.

Also, shopping centre managers take care of customer relations and a growing number of them have their own applications, where in addition to the map and list of stores, they also offer loyalty programmes. There is a noticeable tendency in well-developed markets to widen the range of information and show offers of brands available in the shopping mall, also enabling shoppers to browse the assortment of the shops in a particular centre.

EXAMPLES

„My little Tesco" "- players run virtual supermarkets by completing every-week tasks. Points collected in the game can be transferred to Tesco ClubCards and used for shopping in Tesco.

„The Nike Fuel" – international application calculates physical activity results into points. Users can share their tracks and results and motivate each other.

Lidl (being tested in Portugal at the time of this research) - player's task is to transform a small grocery shop into a big supermarket. To gain funds the player needs to scan bar codes of the products available in Lidl supermarkets

PROSTO - „StraightOn!"- users get points and badges for fulfilling various tasks.

BIG DATA

The main goal of loyalty programmes and mobile applications is collecting data: the greater the amount of information held and analysed, the quicker the retailers may react to their clients' changing shopping habits. 84% of the brands understand the need for data collection and apart from logging into loyalty programmes and applications, it encourages shoppers to log in during their online shopping website visits. In a few cases, it was necessary to log-in in order to even see the shop's assortment. Brands often suggest logging in with a social media account, which creates an opportunity for retailers to gather even more information.

CONCLUSIONS

The growing number of brands present in Poland generally understand the shoppers' perspective, seeing a sale as a single activity regardless of location or channel of purchase. Retailers are implementing solutions which blur the lines between the two channels and complement each other.

Retail chains present on the Polish market also see the need to communicate with shoppers via social media and to collect data about them , especially during online shopping. Although retailers may still perceive online and traditional as two separate channels, they allow shoppers to obtain basic information online, to browse their offer and locate the stores.

Click & collect, and online visibility of an in-store product function are increasing in popularity. The next natural step should be online reservation of an in-store product, which should encourage further in-store visits. For the moment however, only a minority of brands offer such an option, but others are expected to follow.

Shoppers still want to visit traditional shops whether the aim of their visit is a purchase or just to indulge in window-shopping. Traditional retail chains are necessary, but they need to see shopping through their clients' eyes and give them freedom of choice as shoppers increasingly perceive online and traditional shops as one complementary offer rather than a form of competition.

Sephora's latest Concept TIP (Teach, Inspire, Play) opened in Canada and focuses on technology and high levels of customer service. Clients can use iPads installed in the store and create content displayed on a multimedia "Beauty Board". The application "Sephora Virtual Artist" allows trying on every eye shadow, lipstick and fake lashes available in Sephora.

Online brands that opened traditional shops in Poland include: Uterque and Westwing Home & Living in Warsaw, Sugarfree in Poznań, Amazon in Seattle, Google in London.

Fashion giant Zara, which offers perhaps the greatest flexibility between online and traditional channels, has recently opened their largest shop globally in Madrid (20,000 sq m). This is a good demonstration that traditional retail is fine, but also that it has to move with the times.

RESEARCH RESULTS

We assess to what extend key criteria linking online and offline sales are taken under consideration in sales strategy of brands present at the Polish market.

- We chose 120 brands widely present in Polish shopping centres.
- Research was conducted in spring 2017.
- The results are presented by the sectors.
- Colours represent percentage of the companies meeting the analysed criteria.

red <30%; black 30%-80%, blue 80%<

Criteria / Sector	Option „click & collect"	Encouragement to „click & collect"	Online visibility of instore availability of the product	Store location	Mobile application	Social media	Loyalty programme	Online resrvation of an in-store product	In-store return of an online purchase	Log-in to system
Children	🙁(red)	🙁(red)	🙁(red)	🙂(blue)	🙁(red)	🙂(blue)	🙁(red)	🙁(red)	🙁(red)	😐(black)
DIY	🙂(blue)	🙂(blue)	🙂(blue)	🙂(blue)	🙂(blue)	🙂(blue)	😐(black)	🙁(red)	😐(black)	🙂(blue)
Electronics	🙂(blue)	😐(black)	😐(black)	🙂(blue)	🙂(blue)	😐(black)	😐(black)	🙁(red)	😐(black)	🙂(blue)
Fashion	😐(black)	😐(black)	😐(black)	🙂(blue)	😐(black)	🙂(blue)	😐(black)	🙁(red)	😐(black)	🙂(blue)
Health & beauty	😐(black)	😐(black)	😐(black)	🙂(blue)	🙂(blue)	🙂(blue)	😐(black)	🙁(red)	😐(black)	🙂(blue)
Home accesories	😐(black)	😐(black)	😐(black)	🙂(blue)	🙁(red)	🙂(blue)	😐(black)	🙁(red)	🙁(red)	🙂(blue)
Jewellery & accesorries	😐(black)	😐(black)	😐(black)	🙂(blue)	🙁(red)	🙂(blue)	😐(black)	🙁(red)	🙁(red)	😐(black)
Multimedia	🙂(blue)	😐(black)	😐(black)	🙂(blue)	😐(black)	🙂(blue)	😐(black)	🙁(red)	🙁(red)	🙂(blue)
Sport equipment	🙂(blue)	🙂(blue)	🙂(blue)	🙂(blue)	🙂(blue)	🙂(blue)	🙂(blue)	🙁(red)	🙂(blue)	😐(black)
Other	😐(black)	😐(black)	😐(black)	🙂(blue)	😐(black)	🙂(blue)	😐(black)	🙁(red)	😐(black)	😐(black)
Supermarket	🙁(red)	🙁(red)	🙁(red)	🙂(blue)	😐(black)	🙂(blue)	🙂(blue)	🙁(red)	🙁(red)	🙂(blue)

Knight Frank

Newmark
Knight Frank
Global