

Building operating for a multi

Some of the biggest names in UK retailing are changing the way they run their businesses and, as **Ben Cooper** discovers, the change often needs to be radical if they are going to be fit for a multichannel future

Laura Wade-Gery has had a busy summer. Since it was announced in July that her remit as executive director of multichannel was to be extended to include responsibility for Marks & Spencer's UK retail business, she has been whisked around the country from store to store getting to grips with everything from the ground up.

At the time of the reshuffle, chief executive Marc Bolland said that M&S had been on a three-year journey to get "fit for the future of retail". M&S, he said, needed an internal structure that allowed the retailer to "move with pace, simplicity and speed".

But the narrative most people took away was that the multichannel director had been charged with responsibility for UK retail, not the other way around, and that with years of ecommerce experience Wade-Gery was the person best

placed to fit the different pieces of the jigsaw together. Multichannel, in other words, had become the key to the whole business.

It's the decision at the heart of most retail businesses in 2014: how to make your internal, multichannel operations match the reality of what's happening out there in the world. The reality is that multichannel shopping is now the norm, not some radical innovation, and that shoppers are far more concerned by brands and products than how they buy them.

So as retailers such as M&S rush to get fit for the future, what new operating models are emerging, and how can retailers make sure that they are up to speed with the 21st-century shopper?

August 11 was the unofficial 20th anniversary of the world's first online transaction – a copy of Sting's *Ten Summoner's Tales* album for the trivia buffs – but, for most people, online retailing has been a reality for a far shorter period. Partly, argues Qusai Sarraf, chief executive of multichannel retail consultancy IVIS, because it was much more recently than that when retailers began taking online seriously.

He says: "It used to be more of a marketing issue. Over 20 years we've seen the progression from ecommerce initially being the challenge for the chief marketing officer. Then it became more of a technical challenge, so it was something for the chief information officer. Now it's become something for the chief executive and the multichannel director."

The evolution Sarraf describes neatly sums up the trajectory retailers have been on since ecommerce first arrived. An e-tail capability has gone from being a dubious necessity for retailers to an accepted part of the business. And now, increasingly, it is an absolute fundamental that affects every boardroom decision.

The old rule of putting the customer at the heart of every decision was true before the rise



of ecommerce, and now it's as crucial as ever. But, arguably, some retailers lost sight of this fact while they were getting to grips with the new way of doing things.

Unified approach

Tony Mannix, chief executive of logistics firm Clipper, says progress has been driven by the need to serve the customer better and to create a unified shopping experience.

He says: "Retailers used to be focused on their online shoppers and their store shoppers, but now they have realised that it's the same shopper. The risk [of the previous approach] was that you were giving shoppers confusing messages if you had different terms of dealing with them."

One retailer that sees its customer base as one entity, despite the different channels they choose to use is outdoor lifestyle and fashion retailer Joules. With its heart in rural clothing and a long tradition of mail-order shopping, founder Tom Joule has always had to think in terms of multiple channels. And he says a lot of his early lessons can be



Laura Wade-Gery's multichannel remit at M&S has been extended to UK retail

models multichannel future



applied to modern multichannel retailing and the role of the multichannel director. "There is only one customer so you must have someone understanding their thoughts and the ways they are shopping. If that means there is one multichannel director who is all-seeing, that's what there needs to be," Joule explains. "If you can't get people in your organisation who [understand] that – and that they all need to be looking in the same direction – it's not going to work. It's not about one channel working against another one."

In 20 years of being in business, Sarraf's IVIS Group has worked with big-name

retailers in the UK and overseas, including Tesco. He says that as time has gone by, there has been a steady "blurring of the lines" between Tesco.com and its physical operations. What's becoming clear from transformations at Tesco and elsewhere, he says, is the importance of having somebody who can think in new, multi-faceted ways and co-ordinate the whole process.

"Retailers need to be innovative with their business models," says Sarraf. "They might have five channels with customers jumping between them, so there needs to be joined-up processes between web teams and store teams. To succeed in this new world and this new vision it's all about the team and teamwork. ➔"

That's where the multichannel director comes in, to co-ordinate everybody."

But retailers vary hugely in size and shape, and there isn't one right answer. If you're Asda, reforming the way you co-ordinate a huge nationwide logistics and store infrastructure takes more than a quick reshuffle. "It takes a radical rethink," says Mannix. "And this has to come from the very top."

And that's exactly what Asda says it has embarked on. The grocer has made a series of big announcements this year, all heralding a strategic change in the business, all with one thing in mind: multichannel.

As part of this fresh approach, Asda has created a new role, chief customer officer, with former chief marketing officer Stephen Smith taking the reins. His remit is to see that the evolution of the retailer's internal structure is done with the customer in mind, and communicated properly to shoppers in-store; no mean feat given how much Asda is changing.

Smith says that for a retailer the size of Asda to be up to speed with multichannel, it takes more than just a strong multichannel director. It takes a philosophical shift in the company: "Everybody has to change the way they think. Even in the past two years, shopping has completely disaggregated between the different stages of a transaction, from searching for and selecting a product to purchasing and taking receipt of it. Retailers must have expertise in every one of those areas and allow shoppers to move freely between them. A store isn't just a store, it's also a dispatch point for delivery of products and a click-and-collect point."

As part of this shift, Asda has invested heavily in a new training regime for its



Part of Asda's multichannel strategy is to improve its delivery options

staff, calling on its own multichannel experience as well as bringing in outside expertise. Smith has formed a new 'omnichannel marketing department' to go through every aspect of Asda's operations to make sure the whole business is on the same wavelength and communicating with the customer in seamless terms.

It's been a rigorous turnaround, and one which Asda has been upfront about since the start. But Smith says it's crucial that every area, from communications to strategy, to insight and analysis, to execution on the shop floor, is carried out in a unified way. "We're really stretching people," he says. "But it's the right model for this business now."

While all retailers are agreed that changes need to happen in their business, some still don't grasp how all-encompassing those changes need to be. Smith says one of the areas that isn't given enough attention is logistics. This is a mistake as the blurring of the lines between channels means that an efficient, unified supply chain that serves both store and online orders has become imperative.

And this, says Mannix, might explain why multichannel directors like Wade-Gery are becoming so powerful and taking on store operations. Unless a retailer's e-fulfilment operations are fully up to speed, the whole brand is at risk, including its stores. "It might be very easy and user-friendly when you're buying online, but if your supply chain is clunky it's going to slow everything down and that can damage the brand," he says. "It's easier for a multichannel expert who understands all of this to move into core retailing than the other way around. Directors of e-fulfilment have gained a good understanding of this."

Liam McElroy, managing director of retail at logistics company Wincanton, says at the moment there is "no best practice" when it comes to multichannel, which is still something of a concept to many. What is clear, however, is that in the process, the role of the multichannel director is becoming extremely complex and their influence ever greater.

McElroy concludes: "If you look at the skill sets associated with multichannel directors, they have a lot to manage and they need a thorough understanding of the customer. They need to understand the changes in logistics technology as well; the traceability and trackability of their products. They have to understand the whole end-to-end process, and it will become an increasingly important role."

OAK FURNITURE LAND FROM CLICKS TO BRICKS

The challenge of creating an operating model fit for a multichannel world is not restricted to traditional bricks-and-mortar retailers. Oak Furniture Land is one of those rare retail businesses that started purely online and moved into physical store operations later on, building a network of 54 outlets. And, says owner and founder Jason Bannister, the business has benefited from adopting a multichannel outlook.

"When we opened our first store we had a turnover of £30m from online, but now the web is only 25% of our sales. Our store logistics



were built around our web logistics – we were lucky because everything we did was already centralised. The web gave us the facility to do that."

This, says Bannister, is one of the main issues any retailer needs to face now that most companies are going in the opposite direction and adapting their operations to be more multichannel-centric.

"A lot of retailers find themselves with a much more fragmented logistics operation," he says. "If you have multiple sites it's hard to control. But centralisation gives you a lot of control, and you can make economies of scale."