

Key Factors in Developing Omnichannel Customer Experience with Finnish Retailers

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Abstract. Change in consumer behavior towards increased use of digital services throughout the buying process drives retailers to rethink their services. Contemporary shoppers engage in a mixture of real-life and digital activities combining events in brick-and-mortar stores with online and mobile browsing. Our interviews with seven Finnish retailers show that the changing consumer behavior affects not only services but also other operations including organizational structure and supply chains. For analysis purposes, we modified customer journey maps to record and illustrate user activity. We conclude that a good omnichannel customer experience lies in the unity of retailer's organizational culture, pricing, operations, and communications. Instead of full-range digital and physical service offering, seamless and intuitive linking of consumer touch-points appears as a promising path. Our results contribute to better understanding of omnichannel customer experience indicating the need for a more profound approach in omnichannel development to more traditional channel and customer interface development.

Keywords: HCI · Human-computer interaction · Omnichannel · Development · Customer experience · Customer journey

1 Introduction

Digitalization has changed the retail industry permanently. Today, many retail companies operate in multiple online and offline channels. A new form of retail, where all the channels of the company are seamlessly integrated has emerged. This is referred as omnichannel retail [14]. In omnichannel retail the aim is to make the customer experience as seamless as possible [3, 6, 11, 13]. Customer can choose to use any of the available channels during any phase of their buying process depending on their needs.

In order to distinct between various concepts in e-commerce, on-line commerce, m-commerce, as well as multi-channel and omnichannel retail, Huuhka [8] outlines omnichannel as three waves:

First wave started in the mid-90 s. The development of online sales was driven by new technological solutions that made it possible for retail companies to build first online sales channels. Majority of consumers had not yet grown accustomed to new technologies and consumer adoption of online stores stayed low. The first online stores lacked proper strategies and most of them disappeared when dot-com bubble bursted [14].

Second wave emerged when consumers started to use more and more digital solutions in their day-to-day lives. Online stores with high usability interfaces were built to answer the ever growing consumer demand. Traditional offline retailers built their own online channels, but these channels remained often separated from the original offline channels.

Third and current wave emerged as smart mobile devices became more common with consumers. New breed of technologically native consumers do not recognize anymore separate channels but they expect seamless experiences across all channels. A new concept called omnichannel retail [14] was introduced to describe retail environment where all channels, both in online and offline are seamlessly integrated.

A constant change in consumer behavior drives the transformation of retail. Consumers are connecting more and more with companies through web, mobile and offline channels, and in very diverse ways. According to Deloitte [3] already 86 % of consumers use computer or mobile devices for shopping related activities. Consumers view different channels just as different ways to access same information and products, not as separate services. And as consumers get used to utilizing multiple channels effectively throughout their buying process, companies need to find more diverse ways to interact with their customers and at the same time evolve their business in the omnichannel environment.

Frazer and Stiehler [4] recognize that even though the early research of omnichannel retailing focuses on the challenges posed by integrating channels, retailers should recognize that the aim of omnichannel retailing is to create a seamless customer experiences. The interviewed companies find the omnichannel approach as a phenomenon that eventually changes their business more profoundly and at the same time enables them to express their competitive advantages in new ways.

In this paper we focus on how retailers in Finland have noticed and reacted to omnichannel behavior in their customers.

2 Developing Omnichannel Customer Experience

2.1 Omnichannel Consumers

Consumers' buying behavior is more complicated than one would expect [7]. From company's point of view, consumers switch erratically between channels and even between companies depending on their needs in different points of buying process. This opportunistic behavior, where customers first find information from one company and then buy the product from another company is further enhanced by the increased usage of mobile devices while in store. Price is a major influence for consumers switching between companies, but also other factors such as service quality and availability can sometimes override price as the deciding factor [5]. With social media, recommendations from friends or reviews in blogs can also be a major influence.

2.2 Omnichannel Strategy

Moving into omnichannel business can be a major investment with various challenges. Bagge [1] recognizes that a successful transition to omnichannel strategy and business

requires a transformation in organizational culture, operations and processes, and underlying technologies. Huuhka et al. [8] point that, along with changes within the company, there are also new challenges in selecting strategic partners. For instance, the more dependent businesses are on external partner's digital e-commerce platforms, the more effort there should be in choosing these long term partners.

Even if technology can often be the first and seemingly most logical step into omnichannel transformation for a retailer, it can be argued that the most relevant changes lie in organizational culture [1]. Strategies for doing business with tightly-coupled physical and digital aspects differ from traditional brick-and-mortar retail as well as from pure web-based shops. With the transformation, businesses need to develop ways to integrate omnichannel thinking into how they measure success and how their employees are motivated. Traditionally, businesses have built their processes, information, and reporting into separate channels, with employees encouraged to maximize the profit in their own channel or product group. Bagge [1] underlines that even if processes and operations are changed to match the omnichannel customer behavior, it is crucial to see that the transformation also reaches the employees in their everyday actions. For many companies, the consumer behavior is considered as unstructured and erratic. It can pose major challenges for traditionally structured approach of running businesses.

In our interviews we studied how businesses have embraced this consumer transition into omnichannel buying processes, and in which ways they approached their own transformation into running omnichannel business.

2.3 Research Question

Piotrowicz, W., and Cuthbertson, R. [12] recognize a clear conflict in customer expectations and retailers ability to respond to transition to omnichannel business. Also, Lazaris, C., and Vrechopoulos, A. [10] calls for research and investigation in strategic impact of omnichannel consumer behavior on retailers.

In this paper we study the state of omnichannel development of retailers in Finland, and interview retailers to find out the key factors they consider most important in their transformation.

The resulting research question is: "What key factors should retailers in Finland consider when developing the omnichannel customer experience?"

3 Methods and Data

3.1 Semi-structured Interview

The research method is based on semi-structured interview. This form of qualitative research is widely used in business research. Interview is an appropriate method when one tries to collect meanings and interpretations around a specific subject [9]. Since the goal of this research was to collect perceptions and experiences of the interviewees, qualitative interview was selected as the research method.

The interviews were facilitated and conscripted with the help of a customer journey map tool based on Deloitte's [3] buying process, and modified for the research



Fig. 1. A modified customer journey map tool used in interviews

purposes (Fig. 1). Customer journey maps are used to visualize the sequence of touch-points where the customer interacts with the service. Typical customer journey map is time-based and multi-channel by nature. Customer journey maps allow analysis on two levels: on the touch-point level and on the overall experience level. This allows both more detail driven approach and more overview type of approach for recognizing general advantages and challenges [15].

Our applied version of customer journey map was primarily targeted to study the relationship between online and offline functions in a company. In our application of the method, the rows represent different sales channels while the columns represent different stages of consumer buying process. Just as customer journey maps, our tool combines two viewpoints, namely the company’s channel oriented viewpoint and the consumer buying process viewpoint. As each interview was documented with the same tool, a conscription device, the results were easily comparable (Fig. 2).

3.2 Data

The qualitative research was conducted through seven interviews with top-level managers from small-to-medium sized to large sized retail companies operating in the Finnish market. All interviewed companies had experience operating in both online and offline channels. The companies vary in terms of product categories, such as electronics, clothes and furniture. The interviews are listed in the Table 1.

Each interview lasted approximately an hour. Interviews were recorded to ensure easy processing and analysis of the data. Interviews 2, 3, 4 and 7 were held at the company’s premises. Interview 1 was held through video call service Skype.

It appeared in the interviews that there were several factors influencing the companies approach and responses to omnichannel transformation:

Table 1. Interviews conducted in this study

Interview	Role of interviewee(s)	Product category	Company size	Starting point
1	Head of Digital Commerce	Home electronics	Big	Offline
2	CIO	Home electronics	Big	Online
3	e-commerce Manager	Furniture	Big	Offline
4	Deputy CEO	Outdoor equipment	Mid-sized	Offline
5	CEO	Eco products	Small	Offline
	CFO (two interviewees)			
6	COO	Children's clothes	Small	Offline
7	CEO	Motor sports	Small	Offline

Role of the interviewee has an effect on the topics of interest for the interviewee. CEOs had a different perspective on omnichannel business compared to a more detailed approach of e-commerce managers.

Product category made a big difference: some of the selected product categories have a natural need for touching and experiencing during the buying process.

Company size influences the way how omnichannel development is approached. Bigger companies often have more resources for developing new solutions. However smaller companies might be more agile when big changes are implemented.

Starting point is used here to indicate whether the company started in e-commerce or in traditional retail before expanding to other channels. Starting point has significant effect on what kind of challenges company faces in multi-channel retail [2].

4 Results

4.1 Customer Behavior Change

In all the interviews, the companies had noticed definite changes in consumer behavior (see Table 2 for common statements). The increased interactions with digital services in all phases of customer buying process have forced the companies to rethink their services. All the interviewed companies had recognized that a growing number of customers visit company's online channels before coming to the physical store. Five of the seven companies had recognized this omnichannel behavior becoming more common among their customers. This flexible moving between channels and situations can be visualized by combining the recognized customer behavior in the interviews to a single journey mapping diagram (Fig. 2). The resulting journey map with transitions indicates that there is no single customer behavior pattern that would be easily distinguishable.

Companies had noticed a significant increase in use of mobile services. Five of the companies had noticed that consumers use mobile technologies while in their physical store. Two of the companies also mentioned that customers usually search products first on their mobile devices as they become aware of the need for the product.

Table 2. Common statements (amount indicated in column 2) from interviews

OMNICHANNEL	
Have noticed omnichannel behavior becoming more common among their customers.	5/7
Consider omnichannel approach vital for improving customer experience	5/7
See underlying technology as major influence for channel integration and unity	5/7
Have difficulties in measuring channel crossing behavior	3/7
CHANNELS	
Have noticed that customers had browsed products online before visiting a physical store	7/7
Recognize different strengths of various channels according to product types	6/7
Consider presenting product availability in online to strengthen the link to offline channels	5/7
Predict the increase of mobile use in consumer buying processes	5/7
PERSONNEL	
View the attitude of personnel as a major contributor to seamless customer experience	5/7
Recognize a demand for growing expertise in response to more information available online, e.g. social media	5/7

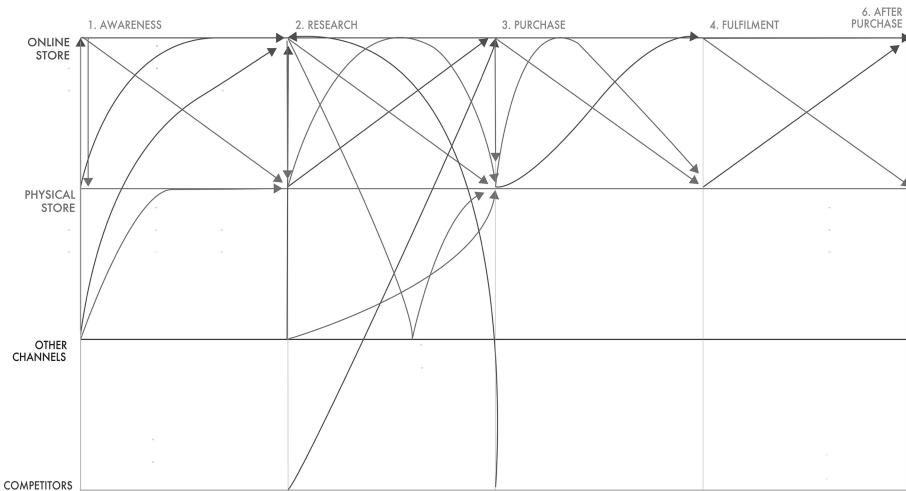


Fig. 2. Combined observations from the interviews in journey mapping tool

4.2 Business and Service Development

All interviewed companies were familiar with the term omnichannel, and had goals in developing their business and services towards it. In general, omnichannel was seen as a new, more customer centric approach, where operations are flexible and happen on customer’s terms. At the same time, the relationship between physical stores and online channels was strong in all of the companies. One of the companies even stated that their physical stores would close in an instant if their online channel would be closed.

All companies noted that changes to service or business models are needed when companies transform into omnichannel retail. Especially the smaller companies had noticed new business opportunities along with omnichannel development, including consumer engagement and loyalty services, and countering seasonal demand with dexterity in product offering brought by e-commerce solutions. Larger companies were developing new ways of logistics and deliveries for both changing consumer behavior, but also to cut their costs by storing goods in physical stores.

Five of the seven companies stated that different channels have various benefits depending on the type of product the customer is buying. For example, touching or fitting products can be important for the purchase decision. However, while keeping a large assortment of products might provide a good customer experience, it also increases operating costs since large assortment requires a larger space for the store. Also, if the product is extremely expensive, the customer might be more inclined to seeing it in person.

Five companies stated that cultural change is needed inside the company in order to make the transformation to omnichannel retail happen. It is critical that the personnel understand the benefits of integrating all channels, and this requires also new ways to measure sales success over channels, not by each channel.

Because of the amount of information commonly available online, customers are very well informed about the products. This poses a challenge for sales personnel: customers might expect that the salesperson should have a very deep knowledge of each product. Companies need to educate their sales personnel thoroughly or recruit people who have deep knowledge of their products. Companies also recognized that one way to fix the knowledge gap between the sales personnel and the customer is to use company's online channels as additional information resource for the personnel.

Three of the seven companies had a catalog that complimented other sales channels. The main challenge with catalogs is its static nature in comparison to digital services. However, printing out an official catalog makes the company seem more credible since physical catalogs requires certain amount of resources that small companies might not be able to afford.

4.3 Technology in Omnichannel

In the responses, the role of technologies behind omnichannel services was focused on unifying customer information, product availability, product information and pricing in all touch-points over all channels. In this way, technology integrates all touch-points by enabling similar information to be used every time consumers are met in any channel.

The importance of the decision of engaging in partnership with e-commerce platform and development companies was evident in the interviews. Two companies had a clear opinion on the risks of ready-made e-commerce platforms. One of the companies had the development of their online channel technologies in-house, and was extremely satisfied with the decision. They felt that having their own e-commerce platform allowed more possibilities regarding customization of the business development. One of the companies had experienced critical difficulties with their selected e-commerce partner. They felt that the company was not contributing enough towards the development of the e-commerce platform.

5 Conclusions and Discussions

Every interviewed company had noticed that majority of their customers have omnichannel behavior. Most prominent change is the increase in the interactions with digital channels during the consumer journey. Many of the customers visit online services before physical stores, or use mobile services while in store.

Along with the constant availability of new digital channels, most of the interviewed companies have reasoned that complete consumer journeys or paths cannot be predetermined or managed. Rather, the emphasis should be in making every existing customer touch-point as good as possible, and supporting smoothly guided proactive transition between relevant touch-points.

When the same experience and message is conveyed in all channels and customer touch-points, it will reduce the risk of losing the customer during their omnichannel customer journey. This notion of unified and integrated experience is also supported by previous articles. According to Bagge [1], it is impossible to understand or predict how and in which order the customer will use different channels and touch-points. Also, according to Yohn [16], common tools like predefined customer journeys, are also incomplete because multiple customer journeys usually exist for a single company. Most companies target more than one customer segment with more than one need or driver, and today's customers engage in more than one channel or sequence of channels.

This varying customer behavior, prominent also in this study, cannot be modeled with predictable paths. None of the interviewees were able or willing to outline a single predictive and occurring customer path in the journey mapping tool. For them, the lack of predictability is best resolved by developing rich, flexible and unified omnichannel services, leaving the consumer with the freedom of engaging in any touch-point in any channel - in their preferred order.

According to Frazer and Stiehler [4], the unity and integration of channels and touch-points is just the first step in creating a good omnichannel experience. Their study emphasizes the seamless experience by studying the consumer's channel switching behavior. In our interviews, the emphasis for creating a seamless customer experience was pointed out as understanding various customers' needs in a touch-point, as well as past actions, and then providing intuitive services and functions in most logical channels to complement customer needs. The customer is not assumed to get the best experience only by continuing on a predetermined path to buy as quickly as possible on this channel, but rather offered a selection of actions in various channels resolving issues in the way of proceeding towards the purchase decision.

In conclusion, according to our study, providing a good omnichannel experience has two key factors:

1. Reducing the risk of losing the customer during customer journey by providing a unified and integrated services and customer experience
2. Encouraging the customer to proceed in the customer journey with the company by providing seamless and intuitive transitions across channels in each touch-point to match customer preferences, needs, and behavior

5.1 Unified and Integrated Customer Experience

In our study, unified customer experience is a key factor for success in omnichannel services. Along with the change from channel oriented thinking into omnichannel approach, this unity has a profound meaning in the interviewed companies. Where unity in channel based development is often associated with more external factors such as user interfaces and branding, unity in omnichannel means strategic and concrete changes in all levels of operations.

From the interviews we conclude four factors in operations influencing unity in omnichannel customer experience: organization and culture, product information and pricing, systems and logistics, and customer communications.

The importance of organizational and cultural unity was clearly emphasized as a prerequisite for unified customer experience. If the company measures its success and sales per channel, the personnel in all levels have no incentive to utilize all of the omnichannel service potential. Unity also requires a new structural approach, where service channels do not set limits within organization for flexible omnichannel development.

Unified pricing and product information across channels is a fundamental requirement for unified customer experience according to our interviews and previous studies. If prices or information vary from one channel to another, it is very difficult to offer customer a unified and intuitive links between channels. Pricing and product information variation decrease the predictability for the customer, and might cause the customers to reconsider their purchase decision. Also, without a clear statement of unified channels, an unbeneficial price competition between channels can occur within the company.

Flexibility in systems and logistics is vital in omnichannel development. Some of the companies stated that they were too dependent on software product development of external e-commerce partners in their own service development. On the other hand, companies able to develop their own e-commerce platform or CRM solutions feel that they have a competitive edge in omnichannel development, with the ability to develop digital services in line with the unified omnichannel experience. E-commerce platform integrated with logistics systems should also comply with intuitive omnichannel service, where customer can freely choose and change on the fly their preferred delivery or pickup method from any service channel. Logistics-wise this requires integrated logistics processes across all channels, where storage and shop availabilities, delivery options and pricing, possibilities to test a product in store etc. create a truly unified service experience.

Unified communications to customers have a significant impact on unified customer experience. With new channels and communications processes with e.g. social media and email, the unity in especially marketing messages is emphasized.

Some of the interviewed companies had recognized that campaigns originally designed in email newsletter or social media marketing should be clearly visible and in line with campaigns in physical and online stores. This requires also marketing personnel to adopt omnichannel approach instead of channel specific activities.

5.2 Seamless Connections Between Customer Touch-Points

In all the interviews, the companies had noticed definite changes in consumer behavior towards a more free movement across channels. Along with this seemingly unpredictable or erratic omnichannel customer behavior, the approach of the companies for developing seamless customer experience had changed. The approach can be argued to have moved along with Huuhka's [8] three waves of omnichannel retail presented in the introduction of this paper:

1. From per-channel oriented process design in **first wave**
2. To multi-channel oriented customer path modelling in **second wave**
3. To the design of supporting free and intuitive customer movement in omnichannel environment in the **third and current wave**

By default, the companies had fewer channels in which the actual sales transactions take place, as compared to all channels in which they are present e.g. in marketing communications. This makes it mandatory to link various touch-points in customer journey across channels in order to convert marketing into sales without losing customers on the way. This logical and intuitive linking of touch-points was considered as far more important area of development, compared to developing channels as individual entities.

In addition, the interviews revealed an ambition to use omnichannel approach as a competitive advantage. In most interviews, "seamless" does not mean the shortest and easiest way to buying, but rather ways to expose customers to company's competitive advantages, without losing the customers at any point along the journey.

It can be argued that companies having adopted omnichannel approach have at the same time moved from developing usability with seamless customer interactions in multi-channel environment into developing business with seamless customer experience in omnichannel environment.

5.3 Reliability and Validity

This study took the commonly acknowledged method of qualitative interviews as the primary way of collecting data. We focused on finding the depth and variety within each question in each interview to overcome the quantitative application and strengthen the qualitative benefit of this study.

In order to validate the approach to interviews, we carried out a substantial theoretical study in order to avoid any problems in validity of the terms used. Also, a preliminary interview was carried out in order to ensure the content validity of the selected questions.

All interviews were recorded and transcribed, and analyzed in TAMS Analyzer. This made it possible for a much more thorough and reliable analysis of the interviews, as well as gave the interviewer more freedom in the interview situation to follow and elaborate the discussion.

In order to get more useful results, the interviewed companies were selected from various business areas. As the results were common and applicable over each business area, it can be argued that these results can be applied to various business areas.

Some of the questions required answers that could be classified as business secrets. This can cause a lack of details in some answers, in order not to reveal future actions in business development. Also, there might be a motivation to give out a more positive estimate on company's readiness to omnichannel development, and not to expose weaknesses. However, there is no clear indication of these aspects distorting the overall results.

As the interviews were restricted to companies with business in Finland, the validity in market areas with major differences in consumer readiness to omnichannel behavior can be questioned. This can be especially visible in the use of online channels, where Finland has a high availability and usage among all population.

5.4 Future Work

To complement this study, a similar study from consumer behavior perspective would give more depth and validity to the decisions made by these companies to respond to the changes in consumer behavior.

A study on the effect of businesses omnichannel strategy to "free-riding" or "showrooming" phenomenon would provide insight as to whether a company can actually lower the probability of losing a customer during buying process to a competitor by adopting an omnichannel strategy.

A study of clear dependence of seamless omnichannel behavior and buying can give more validity on the assumption that proactively supported seamless transition between channels results in better customer experience. This, in turn, may result in customers buying more often and bigger volumes.

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