Store Crediting Framework for Omnichannel Retail Success

Over 90% of brands already have or are planning to introduce an omnichannel retail strategy in the near future; however, the majority of these companies are unprepared for the structural changes involved in this transition. Most are approaching the journey to omnichannel as a purely technological evolution, as if swapping out an eCommerce solution will be enough to fundamentally transform their shopping experience. While technology is absolutely the foundation to any successful omnichannel strategy (we should know), it's by no means the only consideration. Companies that fail to implement a comprehensive store crediting framework risk the delivery and success of their entire omnichannel initiative.

First things first, let's define what we mean by a store crediting framework. Put simply, it's a policy intended to reward stores and its associates for driving or assisting sales and generating revenue. This has traditionally been very straightforward: the store receives credit when an order is placed and fulfilled by that location. That's no longer going to cut it.

What used to be a distribution channel is becoming a media channel as more and more customers are shopping online.

Customers today have a holistic view of the brand and demand a consistent experience across channels, so it's critically important for your store associates to be incentivized to participate in the omnichannel journey.

Retailers can no longer operate separate profit & loss statements for their online and offline sales. This represents an antiquated approach to retail financials that does not take into account the fluidity and complexity of an omnichannel transaction. Studies show that brands tend to see an increase in online sales from regions where they've recently opened a physical location, which means your stores should be credited for participating in that revenue creation. Stores and associates play an important role in online sales, and they are on the front lines of customer interactions, so it's about time your organization started recognizing them both culturally and financially for their contributions.

At HotWax, upon working with countless retailers, we've found that very few brands have considered changing their store crediting policies to incentivize a company-wide adoption of their omnichannel vision. In this whitepaper, we walk you through the importance of re-imagining and renewing store crediting structures, and provide you with a framework to consider as you embark upon this exciting journey.

So What's The Problem With Traditional Store Crediting?

Why is it a problem for your brand to unleash an omnichannel retail transformation without considering the impact on store associates and incentives? Simply put, associates may view online sales as a threat to their job security, and will likely attempt to sabotage the company's initiatives.

Online orders require omnichannel fulfillment, which means your associates are directly involved in most omnichannel shopping journeys. Suppose a customer stops by one of your brick-and-mortar locations to inquire about a product they saw in the window, but the item isn't currently in-stock in their size. Unless your company has set up appropriate store crediting frameworks, the store will not receive credit for any online sales if the customer chooses to purchase on your website. As a result, associates will likely suggest that the customer revisits the store when the item is back in stock in order to receive commission. Conversely, if the brand did have a store crediting policy in place, the store associate would be motivated to use the full scope of alternative shopping methods available to save the sale and delight the consumer, such as shipping the product directly to the consumer's home.

Many organizations implement channel-based shopping reporting to determine which source is driving the most revenue. While this may seem logical and financially beneficial, it's actually completely at odds with the omnichannel vision. These reporting mechanisms minimize or conceal the effect that store associates have in a multi-channel sale. Many retailers operate a separate profit and loss (P&L) accounting process for their online channel that prevents the implementation and operation of a store crediting policy.

Given the growing popularity of store pickup, store delivery, and endless aisle store transactions, the old playbook of assigning revenue to a channel based on where the transaction occurred needs to be thrown out.

Your new organizational structure should reflect the efforts of each respective channel to fulfill the order.

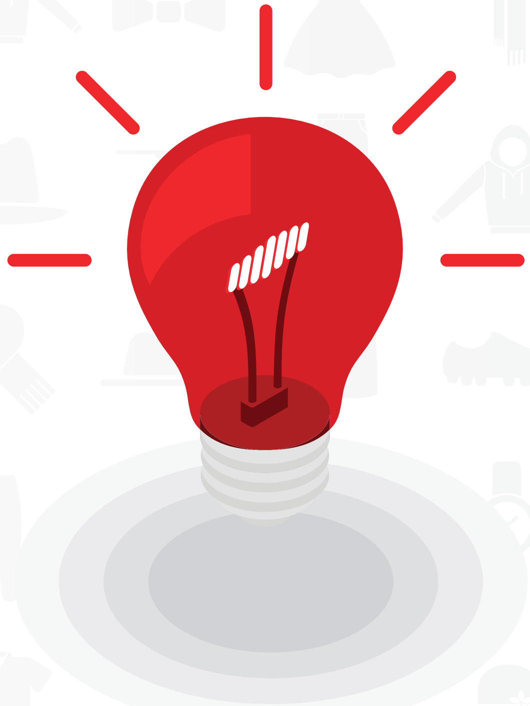
Crediting and Incentivizing Structures for Omnichannel Retail Success

Retail brands have failed to define new omnichannel metrics alongside their omnichannel initiatives. According to Forrester Research, only 31% of businesses currently measure the contribution of digital touchpoints to sales in other channels, and vice versa. If you want this thing to work, it's time to measure things like incremental in-store sales from click-and-collect pickups and incremental online sales from in-store visits. As soon as you start measuring what matters, you'll realize that the success of omnichannel retailing relies on store managers and associates' commitment to supporting, promoting, and executing your vision.

To illustrate why crediting online sales to stores is so important, it is necessary to consider the different behaviors that these initiatives drive. In organizations that embrace store crediting policies, store managers and associates recognize their unique position in the multichannel buying journey. As a result, they not only think and act in a channel-agnostic way, but truly engage with clients to provide a best-in-class shopping experience.

A few points to consider:

- Give full credit for online orders to store personnel, exactly the same as if they had placed or fulfilled the order at their physical location.
- Include proximity sales in total store sales. This means crediting stores for all sales that occur online within a certain radius of their location. For example, by allocating the ZIP code of the online delivery address to the nearest local store, retailers can quickly attribute online sales revenue to the appropriate store.
- Provide continuous and progressive omnichannel training to store managers and associates. Store personnel must have a clear understanding of how omnichannel programs work to execute operational tasks and correctly use mobile devices to engage customers.



Without a store crediting framework for omnichannel retailing, store associates may view online sales as a threat to their job security. Being on the front line of consumer interactions, such behaviors will negatively impact the in-store shopping experience for shoppers. Therefore, store associate incentives must be tied to corporate revenues, profitability, and customer experience.

Many of the sales crediting processes that multichannel retailers have in place do not include all types of online orders, and will unsurprisingly fail to provide the shopping experiences consumers expect. To overcome these shortfalls, retailers need to adopt an all-encompassing approach to crediting rather than a case-by-case one. A sample store crediting and incentivizing framework is illustrated below:

ONLINE ORDERS

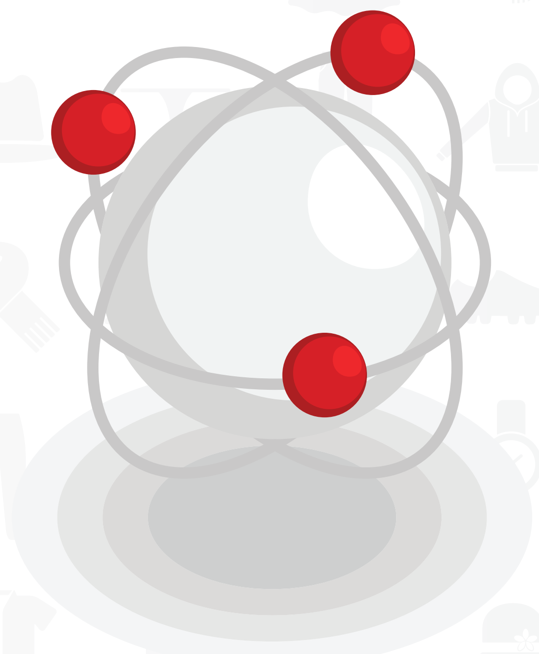
Omnichannel Journey	Fulfilment Flow	Sales Crediting Framework
Standard online order	Item is shipped from DC/supplier to customer's address, which is in the geographical territory of Store A	Store A gets 100% sales credit
Click and Collect/BOPIS/ Try and Buy	Store A uses its inventory to fulfill the order	Store A gets 100% sales credit
Fulfill From Store	**(A)** Store A ships the item to a customer in its geographical territory **(B)** Store B ships the item to a customer in Store A's geographical territory	**(A)** Store A gets the 100% sales credit **(B)** Both Store A and Store B get 50% of the credit.
Ship To Store for pick-up (Stock transfer from another store)	Store B transfers its inventory to Store A for pick-up	Both Store A and Store B get 50% of the credit.
Ship To Store for pick-up (Stock transfer from DC)	DC transfers its inventory to Store A for pick-up	Store A gets 100% sales credit.

IN-STORE ORDERS/ENDLESS AISLE

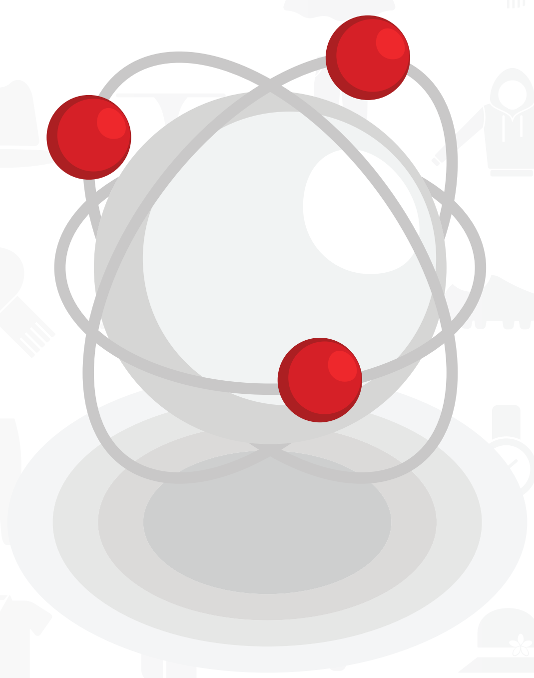
Omnichannel Journey	Fulfilment Flow	Sales Crediting Framework
Order captured in-store and fulfilled from DC/Supplier	Store A captures the order and DC/Supplier ships the item to the customer's address	Store A gets 100% of sales credit.
Order captured in-store and fulfilled from another store	Store A captures the order and **(a)** Store B ships the item to the customer or **(b)** the customer picks the item up from Store B	Both Store A and Store B get 50% of the credit.

Customers Are Channel Agnostic, Your Philosophy Should Be Too

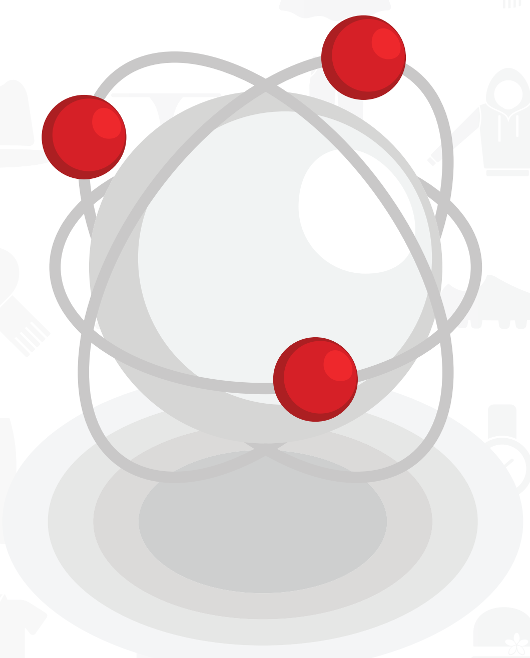
Retailers that operate store credit policies for online sales recognize these programs as key drivers of retailing excellence, equally as important as channel-agnostic inventory management. The first step to achieving a truly omnichannel approach is to eliminate channel-based performance reporting. In organizations where stores receive credit for online sales, store managers and associates know that the shopping channel used is irrelevant to their compensation. As a result, they act in a channel-agnostic way and engage with customers to promote your brand and maximize sales. Shoppers value options, such as home delivery or click and collect, and associates will only present these options to consumers when they are confident in your crediting policy.



In order to delight customers with an omnichannel journey, retailers must first engage and incentivize store employees. Make sure stores are fully credited for online sales in their geographical region, regardless of their perceived involvement in the sales process. Create an environment in which all employees at your organization are united by a common vision and unconcerned by the customer's use of shopping channels. Only by implementing these critical steps can your brand expect to experience the customer loyalty, profitability, and competitive advantage made possible by an omnichannel retail strategy.



Instead of measuring the success of digital channels based on online conversions, retail brands have to develop new ways to measure digital influence across the enterprise. For example, what increase do you typically see in-store traffic from buy-online pick-up in-store? How many additional purchases on average are made when a shopper picks up or returns in-store? What impact have these omnichannel fulfillment options had on online sales? This approach to measuring value will give you a more holistic and realistic understanding of your shopping ecosystem with a focus on customer lifetime value as opposed to channel-specific revenue. We recommend merging online and offline departments by eliminating divisional P&Ls.



At HotWax, we recognize that an omnichannel transformation goes beyond your tech stack and reaches every corner of your organizational structure and philosophy. Request a consultation with the HotWax Commerce team to discuss your upcoming initiatives with industry experts and discover our best-in-class solutions.