



# ENCOURAGING STORE ASSOCIATES IN AN OMNI CHANNEL WORLD

MAKING INCENTIVE SCHEMES TRUE AND FAIR

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## Abstract

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Physical stores are key touch points for omni channel retail strategies. And within the stores, it is the store associates who drive the brand experience. With increasing cross-channel fulfillment, the role of an associate in ensuring omni channel adoption has become even more crucial. Retailers traditionally chalk out people policies that are channel centric. However, it has become imperative to ensure fairness in distribution of incentives to the people involved at various stages of the order lifecycle, irrespective of the channel the order originates from.

This paper talks about incentivizing store associates for their contribution to customer experience in cross-channel orders, with store as one of the key channel touch points. It will help address the question: What's in it for a store associate who is supposed to fulfill digital channel orders or an order that originated in a different store?

## Blurring Lines between Physical and Digital Channels

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With the advent of omni channel retailing, customers are seamlessly moving across channels to complete a single transaction. The switching of channels during a transaction can get tricky with "saving a sale" being a top priority for retailers. It is becoming increasingly common for an associate to leverage digital channel from within the store premises to help customers buy those products that are not in the store and get them delivered at their doorstep.

While retailers are combining the best of physical and digital worlds, it is also leading to a bigger organizational change around cross-department collaboration. An integrated channel strategy would make it imperative to

create roles with holistic ownership such as "Head of omni channel" or "Chief Experience Officer."

While these trends continue to emerge, not enough attention has been given to human motivation. The need to incentivize the real people who work across channels is the need of the hour. This goes beyond the typical crediting or revenue sharing between the channels involved for a sale to actual goals and incentives of individuals.

Stores are regaining relevance as part of the omni channel strategy. They are an important in scenarios such as Buy Online Pickup In-store, Buy Online Ship from Store, Reserve Online and Pay In-store, Buy Online Ship to Store and so on. The revenue generated by retailers through such omni channel strategies is growing at a much higher rate. The omni channel consumers expect store associates to be aware of products being sold in stores as well as online.

## Fine-tuning Store Associate Incentive Program

Most retailers currently evaluate the performance of a store with conventional metrics such as sales per square foot, sales per operating hour and sales per associate. Their incentive programs are influenced by factors such as category, holiday sales and philosophies built around store categories. For example, a discount chain or a grocery retailer can opt for a flat rate bonus based on the target achieved as the sales incentive for its store associates, while a specialty retailer can be more prudent in providing incentive as a percentage of the sales made by a particular associate.

These metrics do not reflect the store performance and do not fully incentivize the associates as they do not account for the sales influenced. The subject gets further complicated as stores become more important from a brand perspective and for the overall customer experience. The associates are usually involved in saving the sale, where s/he has to cross-sell, up-sell or check inventory and create orders to be fulfilled from another store or a fulfillment center. This demands significant reasoning and a deep knowledge of store systems involved. So, if one goes with the conventional metrics to evaluate the performance without accounting for omni channel sales influenced, it leads to underestimating the performance of the store associates.

One way to mitigate this challenge is by designing an innovative incentive program for store associates. This will ensure the associates are motivated and contribute to further growth.

## Moving Towards Fair Play

For an omni channel order, a store associate plays an important role in picking and packing items, creating orders on customer's behalf, modifying orders, accepting returns etc. The challenge to incentivize can be multifold like tracking various touch points in an order's journey, tracking people involved in moving the order forward, splitting incentives amongst those people, designing incentive structure for disbursement, etc. The case for a fair incentive program to drive associates to service orders from non-store channels is getting stronger.

It necessitates taking a top-down approach from the store-level where it takes a shared ownership of orders flowing in from other channels, down to the store associates who ensure a smooth handling of those orders. The shared ownership would also imply shared credit between the channels involved in a sale.



Figure 1: Approach for a fair incentive process

A percentage of the credit (sale) can be bucketed for the store's overall incentive kitty and then the incentives can be disbursed based on an associate's individual eligible percentages. The real challenge here lies in identifying the actual associate involved in the store and arriving at a fair percentage of incentive.

Figure 1 provides a high level approach for a fair incentive process. To begin with, retailers should classify orders based on the number of consumer touch points involving stores during order fulfillment. This can be identified with parameters like: order channel, fulfillment location, associate identification etc., which could be captured during various stages of an order lifecycle.

Once the classification is done, for orders involving multiple channels, the credit for the sale could be shared equally across channels involved. This approach of equally dividing the credit among channels will ensure that all channels are considered important.

Having split the sales credit across multiple channels, it is important to plan how to incentivize associates. The incentives provided could be proportional to the contribution of associates to the sales revenue. The contribution can be computed by capturing details such as the channel from which the order originated, fulfillment location, order line value and the associate's identification. For retailers handling large volume of orders the incentive can be equally distributed among all the associates involved in the stores for fulfilling omni channel orders.

## Need for Data Integration

Orders involving store as one of the touch points are passed on to the designated store. When the order reaches the store, an associate can access it through an application on a mobile device and perform the required tasks to fulfill the order such as picking and packing. Retailers need to capture relevant data that will enable them in computing incentives.

There are two key elements that are crucial and should be part of order data flow across systems which aid in designing the associate incentives. First, the channel specific identification through which the order originated.

This helps aggregate the percentage of orders captured from different channels and apportioning the sales credit accordingly. Second, the associate's identification is captured at the order line level along with the order line total, which helps in rewarding the associates based on their contribution to sales. The captured information can be sent to an incentive system which computes the incentive for each store associate.

Figure 2 shows a logical data flow across the key systems involved, which helps in envisaging the necessary integrations for a comprehensive incentive solution.

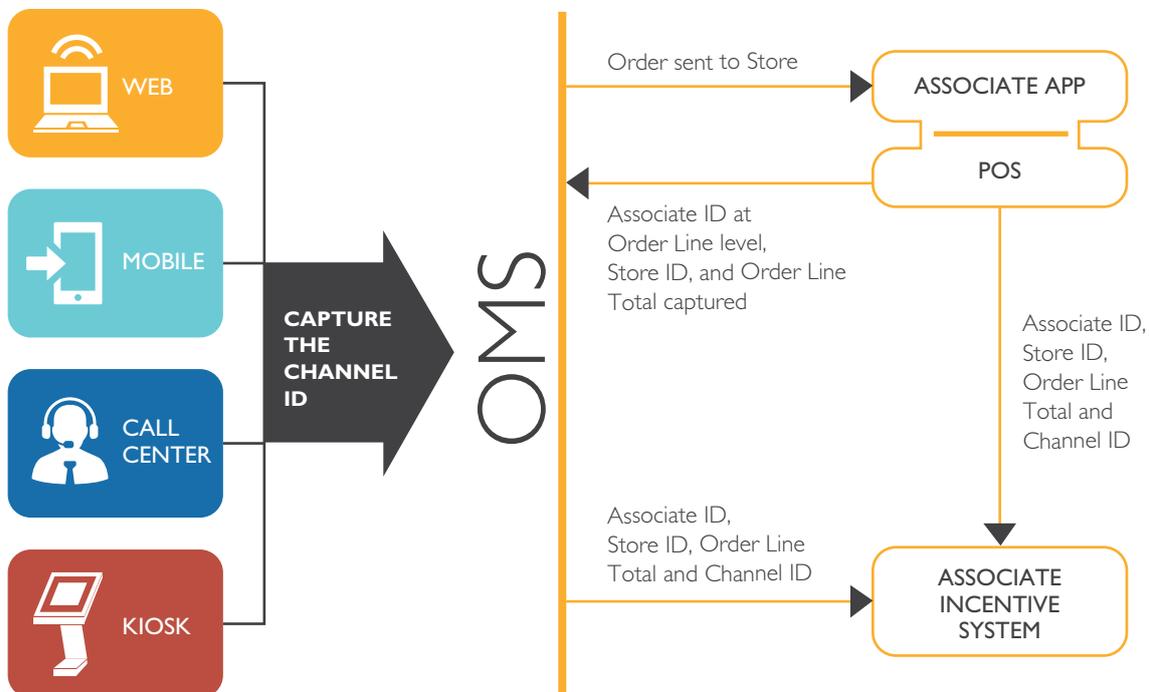


Figure 2: Logical Data Flow

## Conclusion

This is an initiative in the right direction as it aims to address the conflict between channel owners and align the workforce towards an omni channel strategy. A long-term strategy should focus on having a common owner across channels to eliminate the channel differentiation. For example, a British supermarket chain increased its focus on building closer links between online business and stores by replacing its "Head of Web and Online" with a "Head of omni channel."

## About the Author

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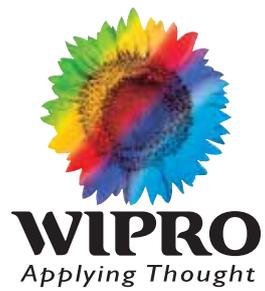
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