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Omnichannel Retailing

“Anywhere, anytime, any product” is the mantra of omnichannel retailing, and retailers of all types are clamoring to make it happen. The idea is simple: Customers should have a consistent and seamless experience whether they’re shopping in a store, on a mobile device, on a home computer or via a catalog. Many view omnichannel retail solely from the customer’s standpoint and believe it starts with the customer’s interface. An Apple

iPhone application, for example, lets you buy an item on your way to the store and have it waiting when you arrive.

But omnichannel retailing starts with operations—in particular, those that deliver real-time, accurate inventory data efficiently and cost-effectively. If you don't know what you have, where you have it and when you have it, the great mobile or online app you created for your customers is worthless. And, you only get one chance. If your customer uses the app to buy a product only to find out the store doesn't have the item in stock—although the app told her it was available—she will take her business to another retailer that can execute omnichannel shopping successfully.



To create an “anywhere, anytime, any product” experience—and be able to offer same-day delivery of certain items within specific geographic regions, as some retailers are starting to do—retailers must know what they have in the store, the distribution center and the supply chain. But as I stated in my previous column, *Tracking Your Competitors*, the industry average for in-store inventory accuracy among U.S. retailers is roughly 60 percent. I also explained why RFID technology is the only efficient way to achieve in-store inventory accuracy. The case for managing inventory with RFID is even stronger when you extend it beyond the store, to the need for visibility in DCs and the supply chain.

To do omnichannel retailing without RFID, retailers must spend lots of money to achieve near-perfect inventory accuracy,

which typically involves increasing labor resources. Or, they must have plenty of product on hand, which means incurring substantial inventory carrying costs. Either way, margins erode as the cost of operations goes up and, eventually, the retailers must increase prices, accept lower margins or abandon the omnichannel option.

RFID is essential for any successful omnichannel retailing effort, so a retailer knows what it has and where, at any given point in time. But don't take my word for it. Macy's, an icon of U.S. retailing, is aggressively adopting RFID. Speaking to reporters about the company's RFID adoption plans, Tom Cole, chief administrative officer for Macy's , offered this: "RFID is a tool to better serve customers and drive sales by ensuring we have the right product in the right place at the right time for our in-store and omnichannel shoppers."

Need I say more?

Bill Hardgrave is the dean of Auburn University's College of Business and the founder of University of Arkansas' RFID Research Center. He will address RFID adoption and business case issues in this column. Send your questions to hardgrave@auburn.edu.



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