Hummel’s Digital Transformation Toward Omnichannel Retailing: Key Lessons Learned

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Executive Summary

With the growing use of mobile and social media, many organizations are realizing they need an online presence to reach out to digitally savvy customers. But delivering a seamless customer experience across various online and offline channels is challenging. The full article describes how Hummel, a European sports fashion company, overcame the challenges and successfully transitioned toward omnichannel retailing. (Omnichannel capabilities integrate online and offline channels in engaging and serving customers.) Based on this case, the article provides insights to guide organizations with similar ambitions and the implications for their CIOs.

In mid-2010, the CEO hired a Global Head of Digital who, reporting to the marketing function, was tasked with pursuing an omnichannel strategy for Hummel. Supported by her team, the IT Department and e-commerce vendors, the Head of Digital led the digital transformation, which had four key thrusts:

1. **Aligning Online Branding Globally.** At the 2010 International Sales Conference, Hummel launched a "One Brand One Voice" mission to align the online branding globally. This initiative consolidated 22 local (national) Hummel websites to just one global platform with localized sites. The company also rationalized its Facebook presence from around 25 different Facebook pages with inconsistent brand expressions (e.g., logos, tone of voice etc.) to a global Facebook page with local pages.

2. **Enhancing E-commerce Support for B2B Partners.** The second thrust of Hummel’s omnichannel strategy focused on enhancing digital support for its business-to-business (B2B) partners by improving its B2B e-commerce platform.

3. **Building the Omnichannel Customer Community.** Hummel’s next thrust was to revamp its usual channel-specific customer engagement approach by weaving it into a more coordinated enterprise-wide marketing program. New product launches would be advertised on local Google sites, Facebook pages, Instagram, YouTube, Twitter etc., as well as in print magazines with a link to the website. In this way, Hummel's
customers would experience a consistently aligned campaign in all channels and be led from channel to channel, depending on how they wished to engage with the campaign and product.

4. Complementing the Physical Store Experience. The final thrust was to focus on digital-in-store innovation to complement the physical store experience for customers. One innovation was a shop-in-shop e-commerce platform where B2B partners could offer all Hummel products for sale in their physical stores without actually carrying the stock.

Acquiring New Capabilities for Omnichannel Retailing

As Hummel’s various omnichannel initiatives were planned and rolled out, significant efforts were needed to enhance the technology infrastructure and to revamp organizational practices.

Changes to the Technology Infrastructure. As well as needing tighter integration required between Hummel’s websites and its back-end ERP e-commerce system, there were also issues related to the IT infrastructure, which needed to support a new set of “rich” product data. A new Product Image Management system was built as a data hub that could import product data not only from the ERP system (e.g., style name, style number, color, size, price and stock level) but also from various other social media platforms such as YouTube and Instagram.

Changes to Organizational Practices. The omnichannel strategy required new and changed business practices. For example, the large marketing team used to prepare traditional marketing catalogues was downsized. Some cross-departmental processes also had to be changed. Developing the business-to-consumer e-commerce platform, for example, required changes to logistics and finance practices.

Benefits of the Omnichannel Transformation

Total sales increased from $170 million in 2010 to $240 million in 2013. In particular, sales through online channels grew from 5% of total turnover in 2010 to 21% in 2013 (11% from the B2B e-commerce platform and 10% from online retailers). Moreover, sales profitability also improved, because of the lower discount online retailers received compared to the large retail chains. Awareness of the Hummel brand also increased. The Hummel community grew from 13,000 people in 2010 to 1.5 million in 2014. The number of website visitors increased from 216,000 in 2010 to 1.25 million in 2014, and the total number of people reached across all digital channels increased to 15 million per week in 2014.

Lessons Learned From Implementing an Omnichannel Strategy

1. Embrace Your Channel Partners in the Omnichannel Strategy. The pursuit of omnichannel retailing requires an organization to continuously clarify its omnichannel focus (e.g., among various online channels, between online and offline channels, between B2B and B2C channels) and the related strategic priorities (e.g., branding vs. sales).

2. Recognize that a Successful Omnichannel Strategy Requires Deep Change. Organizations should be clear that an omnichannel strategy is not just about adding e-commerce and social media platforms. Deep organizational change to break the entrenched silo mindset is critical for success.

3. Leverage the Strategic Role of Chief Digital Officer. The success of Hummel's omnichannel strategy hinged in particular on the strategic hiring of the Head of Digital (in effect, Hummel’s CDO) and the establishment of the Digital Department. The department was instrumental in driving many initiatives on the ground to deliver an omnichannel customer experience (e.g., consolidating online branding, coordinating campaigns, bridging online-offline processes).

4. Evolve the Role of CIO in Enabling an Omnichannel Strategy. To continue to be relevant in a digital transformation, the role of the CIO needs to evolve. As well as updating their technical competencies in managing more front-end, customer-facing IT systems, CIOs must also learn to extend their boundaries of influence, to begin driving the digital agenda in their businesses, possibly even becoming CDOs ultimately.

These lessons from the Hummel case will be valuable for organizations with similar omnichannel aspirations. In summary, as the advancement of digital channels raises customer expectations for businesses to engage with them wherever, whenever and however, the motivation for a well-executed omnichannel strategy will become ever more compelling. Hummel’s transformation experience provides insights into how organizations, particularly B2B players, can steer themselves forward as they learn to embrace the interests of channel partners, recognize the deep organizational changes required, leverage the strategic role of the CDO, and evolve the new CIO role to enable their pursuit of a new and exciting omnichannel reality.