



NEW WAYS OF SELLING CREATE OMNICHANNEL CUSTOMER CONNECTIONS

In an anomalous move in the real estate sector this spring, the iBuyers RedfinNow, Opendoor and McEneaney Associates launched services in the Washington, D.C., area. With much higher home prices than the U.S. median and a large number of older homes that require more than minor cosmetic work to resell, the region has been slow to attract the new category of iBuyer firms. iBuyers, short for “instant buyers,” typically purchase homes directly from sellers, make minor needed updates or repairs and then quickly list the houses online for sale to recoup their investment. A new ranking of all 50 U.S. states based on an index of the cost of items from groceries to housing put Maryland as the seventh most expensive. Indeed, the average home price in Bethesda (MD) was \$854,529 last year compared with the median home sales price in the U.S. of \$374,900. Why are iBuyers entering a costly market that is seemingly not suited to their business model? In an environment in which many homes are attracting multiple offers and sellers are digitally trained to expect speed, ease, simplicity, convenience and transparency, iBuyers’ offer of an aggressive price, no need for marketing by the seller and a quick close with no caveats may satisfy many of these expectations. The entrance of iBuyers into a market, when combined with the entrenched real estate brokerages, offers consumers omnichannel options.

In fact, some traditional brokers are now competing by employing the iBuyer model themselves, thereby creating an omnichannel engagement option with their customers. McEneaney Associates launched its online McEneaney Advantage, which is powered by Zavvie’s technology. Zavvie is a real estate tech company that works with brokerages to help sellers compare offers from iBuyers. Armed with information from Zavvie, sellers can compare and choose between an instant cash offer from an iBuyer or listing their home on the open market. In this case, it will be McEneaney’s agents who use the tech to identify all possible selling options for their clients. McEneaney also offers a “power buyer” option that helps the homeowner purchase their next home before selling their current home, and an agent will work with the owners to evaluate their options. Put another way, the growth of iBuyers in the real estate sector is one example of how new ways of selling can create omnichannel customer connections, and today, this ability is going well beyond the traditional retail segment. Various industries are utilizing technologies including artificial intelligence (AI), augmented reality (AR), facial recognition, avatars, automated valuation models and contactless payments to create new ways to sell and to more seamlessly connect the digital and physical sales environment. (*Washington Post*, 9/21/21; *CNBC*, 7/15/2; *limaohio.com*, 8/14/21)

The Original Context(s) In 2016, we wrote that “the development of multichannel and multifaceted retail touchpoints has developed into what the industry now calls ‘omnichannel’ retailing. This includes the ability to order online from within stores, buy online with the ability to return to stores, goods shipped from store inventory, orders placed online and picked up in-store and shopping the old-fashioned way – completely in-store. As bricks-and-mortar retailers continue to experiment and omnichannel retailing picks up steam, there are implications

for companies that provide software, services, shipping and logistics, warehousing, robots, customer service and more. Various traditional bricks-and-mortar retailers are increasingly focused on offering e-commerce and omnichannel solutions...as a way to provide a key value important to consumers – Simplicity. As a growing percentage of retail sales continues to move online and to mobile devices, some bricks-and-mortar retailers are recognizing that they can provide customers with these omnichannel offerings – something that online-only retailers often cannot – as a way to differentiate themselves and provide value in the increasingly competitive retail environment” (see [IF 3714](#)).

By 2020, we noted that omnichannel ways of operating had moved beyond the retail sector to many other areas of the economy. We wrote that “what has become apparent to other areas and sectors during the COVID-19 pandemic is that offering omnichannel communications, products and services is necessary if those businesses want to attract and maintain user engagement. Now, in the midst of shelter-in-place orders and social distancing needs, people have been unable to interact with friends, family or colleagues. Nor have they been able to pursue the experiences that they have so highly valued. At the same time, companies, organizations and artists have been unable to connect with or sell to their customers or constituents in the usual manner, leading them to create and offer omnichannel Connectivity and Experiences. In doing so, these entities are also aligning with the digitally trained consumers’ expectation for access to information, products, services and entertainment – when, where and how they want them. While some of the omnichannel experiments will end along with the pandemic, many others will prove to be popular, profitable and part of the new way of operating” (see [inF 1508](#)).

In May 2021, we wrote about the ways in which digital solutions finally became a must-have ability for the auto industry. We noted, “As the retail industry continues to employ new technologies, processes and services to respond to the digitally changed consumer, the auto industry has finally joined this shift to combine digital processes with their physical dealerships into an omnichannel model of business. Some automakers are even exploring their ability to sell directly to customers, thereby avoiding dealerships altogether and bypassing state government regulations. Thus far, that has proved easier said than done” (see [inF 1610](#)).

In effect, two powerful dynamics, the “Digitally Trained Consumer” and the “Consumer Value Hierarchy” are converging to extend the omnichannel sales-and-marketing imperative.

New Observations: Independent Farms Scale Up and Sell Direct Via New Marketplaces

Farmers’ markets across the U.S. have reported that attendance and sales in the years just prior to 2018 had declined between 20 and 70 percent year-over-year, even as interest in locally sourced food had ticked upward. To address this dichotomy, increasing numbers of independent farmers have now begun utilizing new online marketplaces aimed at efficiently reaching more customers by selling direct while satisfying the consumers’ desire for healthy food options.

- In March 2020, the sales and distribution platform Barn2Door reported a 457 percent increase in revenue from orders and an 807 percent increase in the number of orders among their sellers.
- Fresh Harvest, an online shopping platform, processes orders and facilitates door-to-door delivery across Georgia. In 2020, Fresh Harvest tripled its revenue year-over-year, to \$4 million.
- Harvie facilitates direct sale and delivery from local farms and artisans, tailored to the consumer’s preferences, with the ability to customize the selection of items in each box. In 2020, Harvie had a 500 percent increase in its farmers’ sales year-over-year and quintupled the size of its team.

- WhatsGood facilitates purchases and pickup between consumers and local fishermen, farmers and foragers. From January through December 2020, WhatsGood grew from roughly 30,000 buyers to about 200,000.
- Food4All is a platform designed to help farmers integrate all the other platforms, and estimates that its growth in the past year and a half has increased by a factor of seven.

(Verge, 8/23/21)

New Observations: Expanding Alliances Meets the Digitally Trained Consumer's Desire for Personalization

- In August, Perfect Corp., which provides technology solutions for beauty companies, announced a partnership with more than 400,000 Avon representatives across Mexico to integrate AR and AI through Agile Face facial analysis technology in its YouCam Makeup app. The technology identifies facial features and recommends beauty products, hair colors and makeup styles to facilitate online sales.
- Nextech AR Solutions Corp. and Kohl's are expanding their partnership: combining Nextech's 3D WebAR for eCommerce with Threedy's AI technology allows Kohl's customers to review products against any desired backdrop. Kohl's 3D models will also appear in organic Google search results allowing dynamic interaction.
- On August 26, Gap Inc. announced that it had purchased Drapr, the year-old start-up that allows customers to quickly create avatars and virtually try on clothing. The ability of customers to better determine their clothing size and fit for their style and body type when shopping online allows for a more personalized shopping experience. "Fit is the number one point of friction for customers," according to Gap's chief growth transformation officer.
- In July, Qubit announced its new CommerceAI model to create a tailored shopping experience by combining customer data, including intent, and design tools. Once a consumer lands on a brand's website, the technology matches the entire product catalogue with its knowledge of the individual visitor and suggests relevant products in real time.

(San Francisco Business Times, 8/26/21; PYMNTS, 8/26/21 and 8/31/21; Women's Wear Daily, 7/23/21)

New Observations: Transactions Via Touchless Checkout Appeal to the Desire for Ease and Speed

- In 2020, 58 percent of consumers used two or more digital options to make payments, up from 45 percent in 2019, according to a McKinsey study.
- Last September, the Giant Eagle supermarket chain commercially deployed technology developed by Grabango to create cashierless GetGo stores, after piloting the system in 2019.
- Giant Eagle is also looking to stand out in its retail segment by being the first U.S. grocery chain allowing people to use PayPal and Venmo to check out not only online but also at cash registers in its bricks-and-mortar locations.
- Half of all full-service restaurant operators in the United States have added QR-code menus since the start of the pandemic, according to the National Restaurant Association. In May 2020, PayPal introduced QR-code payments and has since added them at CVS, Nike, Foot Locker and approximately one million small businesses. Square, another digital payment firm, rolled out a QR-code ordering system for restaurants and retailers in September.

(PYMNTS, 8/13/21; New York Times, 7/26/21)

New Observations: Online Real Estate Platforms Offer Simplicity, Ease and Speed

iBuyers use automated valuation model (AVM) technology to quickly assess the value of a specific property and enable the iBuyer to immediately make a cash offer on the home. There are iBuyers who will make an offer on a home without even seeing it.

- Today, for the first time, iBuyers have about one percent penetration in the \$2 trillion industry. Activity has ramped up with the recent outsized growth in the housing sector, and is especially prominent in certain markets. In four cities, Atlanta, Phoenix, Charlotte and Raleigh, iBuyers now have a market share of five percent or greater.
- Four of the largest U.S. iBuyers – Opendoor, Offerpad, Zillow Offers and RedfinNow — purchased just over 15,000 homes from homeowners during the second quarter of 2021, breaking the previous record of roughly 10,400 homes, set in the third quarter of 2019, before COVID-19.
- Market leader Opendoor is in 41 markets. The online real estate company said it purchased nearly 8,500 homes in the second quarter and ended the period with contracts to acquire 8,158 more, representing \$3 billion in value.
- Opendoor launched in 18 markets in five months this year, six of those in one day. Opendoor claims it can, using numerous technologies, open in a city with just one person on the ground.
- Opendoor is now offering homeowners to whom it has made preliminary offers the option to send photos and videos of their home, avoiding even the live production of a virtual walkthrough.
- Zillow Offers was launched in 2018 and is now active in more than 24 real estate markets in 12 states, becoming the second-most-active iBuyer in the U.S. behind Opendoor in purchase and sales transactions. Zillow Group also has an affiliated mortgage lender, title and escrow provider and a network to connect agents with buyers and sellers. In the second quarter of 2021, Zillow Offers purchased 3,805 homes, a record for the company and more than double what they purchased in the first quarter of 2021 – and sold 2,086 homes.
- RedfinNow said it bought 40 percent more homes in the second quarter than it did in all of 2020.
- Offerpad bought more than 2,000 homes in the second quarter. The company touts its real-estate expertise on the ground as its differentiator.

(*MarketWatch*, 9/11/21; *Wall Street Journal*, 8/30/21)

New Observations: Omnichannel Has Its Downsides

“Item not received” fraud took off during the pandemic, whether initiated by consumers directly or by professional “refunders” hired by consumers. In this type of fraud, a consumer places an online order with a retailer, and after the package arrives, the consumer – or the professional refunder – calls the retailer’s customer-service department and says they didn’t receive the package. Many retailers will simply issue a refund, particularly if the items are below a predetermined price level, say \$500.

- The number of professional refunders offering their services has grown so much that the competition is driving down prices. The going rates are now 7 to 20 percent of the value of an order, down from 15 to 30 percent.
- In 2020, about 38 percent of merchants lost at least six percent of their revenue to payments fraud, according to a June 15 report from payments processor FIS.
- All types of synthetic frauds increased in 2020. This category includes a fraudster collecting data on a consumer when making transactions, account takeover, identity theft and chargeback fraud.

- Another form of fraud is to say an item arrived but is defective. Yet another is “boxing,” which means the consumer will return a box using the retailer’s prepaid return label but put something that didn’t come from the retailer inside.
- Forter Ltd., which provides fraud-prevention technology to retailers, said some clients reported a 33 percent jump in “items not received” abuse over the past 12 months.
- Some retailers, including Finish Line and Under Armour, now require customers to fill out an affidavit when items don’t arrive.
- UPS says they use a range of tools, including software that determines vehicle location at the drop-off point, to crack down on “item not received” fraud. The company claims that with the rise in e-commerce, there has been an uptick in this type of scam.
- Amazon drivers now take pictures of packages when they drop them off, which makes it harder for customers to claim nonreceipt.

(Payments Dive, 7/12/21; Wall Street Journal, 7/13/21)

The omnichannel method of connecting businesses with their customers has moved well beyond the retail industry. Businesses are incorporating technologies including artificial intelligence (AI), augmented reality (AR), facial recognition, avatars, automated valuation models and contactless payments to create new ways to sell their products and services online and in physical spaces. Often this produces efficiencies for the businesses, such as when independent farmers have access to any or all of a variety of new online marketplaces. Meanwhile, businesses are focused on satisfying consumers’ desires for access to what they want, when they want it, in a timely and painless manner.

The global pandemic, which created new challenges for in-person sales, has increased businesses’ desire to utilize or acquire new digital means to connect to their customers. Yet as these digital efficiencies and connections continue to ramp up, new security challenges will continue to grow. Perhaps “On the Internet, No One Knows You’re a Dog” might be a rationale, but most businesses will attempt to know exactly who their customer is and to whom their goods and services are delivered. New opportunities will continue to grow for digital-security systems as well as the technologies needed to facilitate deeper connections with the end customer.