

SUPPLY CHAIN

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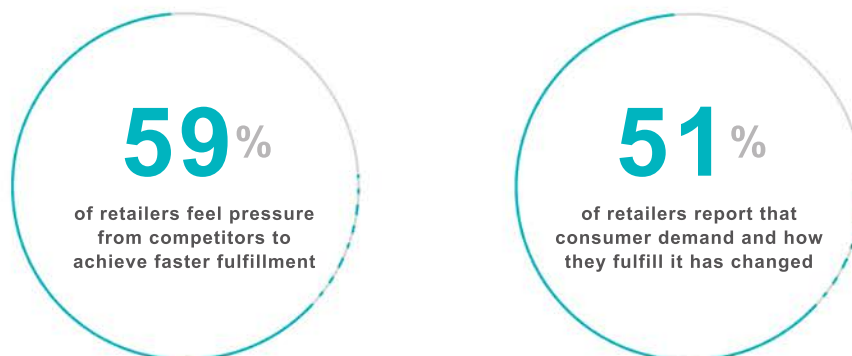


How to Win the Fulfillment Arms Race

Every day, new headlines tout the many ways retailers are pushing the envelope on their fulfillment capabilities to capture the attention of today's need-it-now consumer.

Research reveals that before they click the buy button, consumers pay careful attention to several make-or-break aspects of the deal. Price leads the list, followed by product availability, brand/location, and uniqueness. After that, consumers consider delivery options: nearly 25% name fast/reliable delivery and 23% a good returns policy as influencing them to buy from a particular retailer, according to PwC's "Global Consumer Insights Survey 2018." The cost of failure is high. Consumers abandon shopping carts at an average rate of 69% due to issues they experience in checkout, according to Baymard Institute's "Cart Abandonment Rate Statistics."

Unfortunately, many retailers aren't prepared to keep up with these expectations, thanks to siloed inventory by channel and/or region, latency in inventory updates and limitations in fulfillment locations. One-off integrations and layering can't scale as demand rises.



Source: RSR, "Supply Chain Management 2018: In Service of The Customer"

To keep pace with shopper demand and win the fulfillment arms race, savvy retailers are investing heavily in their supply chain infrastructure to ensure each and every order is delivered on time, in preferred locations, and that the customer has a good experience. To get there, they're laying a solid foundation, with customer preferences, centralized inventory, a flexible fulfillment network, and data-enriched customer service as the foundation.

Following the below five steps will ensure you are prepared to keep pace with fast-changing consumer expectations and meet stringent fulfillment demands

1. Understand Customer Expectations

The need for speed is the underlying theme of consumers' fulfillment preferences, but underneath that generalization lies a lot of nuance. Consumers may have different expectations of what fast means, especially according to generation, region or product type:

- Are their expectations different for furniture vs. groceries?
- Is slower okay if shipping is free?
- Is precision in delivery timing more important than fast, such as a customer ordering ahead for a vacation or so they can be home to receive a shipment?

Due diligence in assessing a retailer's own market can prevent costly investments that don't match the actual need.

There is a mismatch between customer expectations and retailers' median fulfillment windows, according to Forrester's "Retailers' Disconnect With Shoppers Is Costing Them." Customers' median expectation for home delivery is five days, for example, while retailers' median delivery times are two days. Similar mismatches are found in deliver to store, with consumers expecting four days but retailers' delivering in a median of one day; hold in-store expectations are five days and retailers offer one. While expectations to evolve over time, retailers must allocate limited resources to areas of highest priority to their customers.

5 DAYS

Customer's median expectations for **home delivery is 5 days**. Retailers' median delivery times are 2 days.

Source: Forrester, "Retailers' Disconnect With Shoppers Is Costing Them"

2. Implement A Real-Time View Of Inventory

Making sure a desired item can be delivered to the consumer at the time and place they want it requires knowing where that inventory resides. Many retailers' current inventory data stores are isolated by channel, system or location. As a short-term fix, some have layered on integrations to connect them, but often these patches come with latency issues. And as demand grows, these band-aid solutions don't scale, making these issues worse.

Retailers such as Petco are seeing measurable positive results thanks to its ability to achieve a single view of inventory. Petco was plagued by multiple disparate platforms that prevented them from gaining a single view of inventory availability, and that stood in the way of a plan to expand its buy online pickup in-store (BOPUS) capability. By integrating a new fulfillment platform with inventory sources, CRM, commerce and distributed order management, the retailer increased e-commerce revenue and the number of net new customers by more than 5%.

3. Deploy Centralized Order Management

Working hand in hand with a single view of inventory is a next-gen centralized order management (OMS) solution that ensures the customer experience and order fulfillment can be optimized by leveraging all channels.



Matt Snyder: VP of Fulfillment
Operations Services at Radial

MEETING CONSUMERS' NEED-IT-NOW DEMANDS

Consumer expectations are continually increasing based on their experiences with gigantic online marketplaces and big box stores. Even before they hit the buy button, the decision to purchase is impacted by various factors, including returns policies, delivery options, and speed of delivery.

Once they do hit the buy button, every second counts. Those retailers that fail to deliver on fulfillment promises or provide a good experience will lose customers. To keep pace with shopper demand and win the race to the doorstep, savvy retailers are investing heavily in their supply chain infrastructure to ensure each and every order is delivered on time, in preferred locations and with a superior customer experience.

To uncover how retailers can win the fulfillment arms race, Radial's VP of fulfillment operations services Matt Snyder sat down with RIS for an exclusive Q&A on the topic.



RIS: What are the biggest obstacles retailers face in meeting consumers' elevated fulfillment expectations?

Snyder: Shrinking margins are a key issue as retailers strive to meet consumers' heightened expectations for fast, flexible fulfillment and low- or no-cost shipping options. The need to support orders across the value chain creates various challenges including maintaining accurate inventory levels, managing the rising costs of fulfilling direct-to-consumer orders versus bulk deliveries to stores, intelligent inventory routing and placement in the most efficient locations, and rising transportation costs to fulfill those orders.

RIS: Why are retailers having trouble with inventory positioning?

Snyder: First, retailers historically plan inventory based on a store replenishment model, and e-commerce has been treated as if it is simply another store. While this model was not challenged when the volume from online orders was relatively low, today's growing e-commerce volumes pose a different set of planning characteristics, such as different customer demand profiles. Also, adding in options to leverage physical store inventory for online order fulfillment has added more complexity.

Second, multiple fulfillment nodes present both opportunities and challenges. Having multiple nodes decreases your shipping time and transportation costs, but now you need to understand how to split your inventory across the nodes and determine rules for best shipping locations based on consumer orders. Multiple nodes also mean more inventory in different locations, equating to more inventory accuracy challenges.

And finally, the inbound side of the supply chain can also present issues. Lead times from overseas vendors are long, and customer demand forecasts often change. Retailers can use safety stock levels in their fulfillment centers to support stores and store inventory to backstop their fulfillment centers. In such a way, forecast variability can be mitigated without increasing overall inventory levels.



RIS: How can retailers overcome this inventory positioning problem as the e-commerce channel continues to grow?

Snyder: Retailers need to have the right technology and operations practices in place to profitably meet expectations and solve these challenges. A modern order management system (OMS) is critical. The OMS enables retailers to manage network-wide inventory in a centralized tool to identify the best fulfillment scenario to get orders to customers from the most efficient and profitable location.

For example:

Store associates can be leveraging warehouse inventory when something is not available to an in-store customer at that location and have it shipped directly to the customer.

When a product is out of stock in the warehouse, retailers can leverage store inventory and ship-from-store to save the order, essentially eliminating out-of-stock scenarios.

Every SKU may not be available in all locations, but with intelligent order routing, orders can be fulfilled from the most efficient point to get a complete order to the customer in a single shipment. This results in lower shipping costs and better customer experience.

“ Shrinking margins are a key issue as retailers strive to meet consumer’s heightened expectations for fast, flexible, fulfillment and low-or-no-cost shipping options. ”

MATT SNYDER

VP, Fulfillment Operations Services, **Radial**

RIS: Why is it important to connect a retailer’s customer service function with its order management and fulfillment systems?

Snyder: Customers expect a seamless experience regardless of which channels they shop and interact with. Therefore, service agents need to have access to a full view of the customer, including order history, service interactions and preferences. Having complete transparency enables faster service and happier customers. Agents can see where an order is in the fulfillment cycle, when it’s expected to arrive, and provide complimentary product recommendations and overall better service. This also gives full visibility into exceptions that might occur to resolve specific fulfillment scenarios. Using a combination of order management and fulfillment information, the retailer can provide proactive notifications to customers of order status and delays, quick resolution of any order concerns, as well as apply solutions to optimize future shipments.



91%

Of retail winners, versus **84% of others**, see value in system-wide inventory visibility. That shows in their IT investments - **79% winners vs 42%** of others have achieved visibility.

Source: RSR, "Supply Chain Management 2018: In Service of The Customer"

When retailers use their OMS as an enterprise-wide order capture hub to view and access their customers' order history, wish lists and purchase behavior across channels, they control a customized set of business rules within a central engine to support complex requirements at every touch point, and the flexibility to quickly adapt to changes, according to BRP's "OMS - The Brains of the Operation." This includes flexibility in ordering and delivery options. "The OMS can be viewed as the brains of the operation with all transaction and customer data coming in and going out of the system to run the business."

Browns Shoes leverages a centralized, distributed approach to order management to receive an order, route it to the optimal location and fulfill it quickly. Customer orders can now take as little as 15 minutes from order receipt to confirmation with tracking, dropping time-to-shop by 13%. Browns Shoes now offers express shipping with 99% certainty of meeting fulfillment promises.

What Leading Retail Executives Have to Say About Fulfillment

“ We are upgrading our OMS, replacing multiple legacy systems with one system to manage orders and services, and we are connecting this system through to our supply chain, giving our associates a more accurate view of inventory and improved visibility. ”

JOE MCFARLAND
EVP of Stores,
Lowe's

“ We have made a number of really important investments in the new commerce engine, new order management systems, order routing algorithms, new investments in our assortment planning and how we think about localized fulfillment strategies. ”

RICK BROOKS
CEO,
Zumiez

“ Today the in-store and online experience are increasingly integrated our customer often begins a transaction in one channel, and she completes it in another. Many of our customer service activities, such as returns or exchanges are being handled by dedicated staff. ”

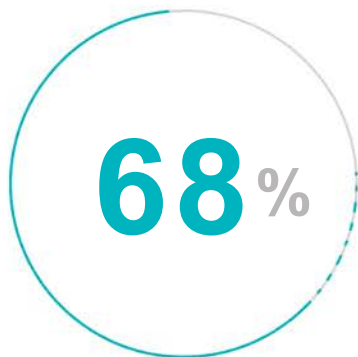
JEFF GENNETT
Chairman and CEO,
Macy's

4. Create A Regionalized, Network Approach To Fulfillment

Fulfilling orders from the location nearest the delivery point is a win-win — shoppers receive orders faster and retailers save money, satisfy customers and drive revenue. To achieve this, retailers must leverage their entire extended network as potential locations for fulfillment. Today's market demands that they also offer a broad range of options for how customers may receive those goods. The better a retailer can optimize its inventory and its network, the more intelligently and efficiently it can satisfy customers' evolving delivery demands.

As retailers push their networks forward, they have steadily added new options for connecting customers with orders. Models now include: two-, one- and even same-day delivery; drop shipment; buy online, pickup in-store; curbside pickup; lockers/hubs/vending; and inside the home/trunk.

- 65% of shoppers who tried BOPIS say it improved their shopping experience, according to RSR's supply chain report.
- 50% of DSW online orders are now fulfilled by stores, RSR says.
- Stores that Target has remodeled to accommodate its new fulfillment options have seen traffic-driven incremental sales lift of 2% to 4%.
- Hibbett Sports had little online experience when it decided to expand into omnichannel. So the retailer deployed an on-demand infrastructure to optimize order management, enabling stores to fulfill online orders. A new managed dropship channel now speeds orders to customers, and the retailer outsourced call center expertise and technology to better manage customer engagements, on-demand. The new platform enabled the company to hit three-year online revenue targets in one year and handle more than 100,000 customer calls.



Consumers are **68% more likely to choose a store offering** an automated returns process, but just **13% currently offer one.**

Source: BRP, "2018 Customer Experience Unified Commerce Survey"

The same next-gen fulfillment network that places purchases into consumers' hands quickly and efficiently also eases the returns process. A broader network means a wider array of options for customers to return or exchange items that weren't right.

5. Merge Customer Service With Order Management And Fulfillment Systems

In a world of choices just a click away, customer experience is everything. So retailers are expanding their customer service channels customers beyond phone and chat to include SMS, social media, chatbots and interactive voice response.

But fewer are investing key integrations that increase customer satisfaction, such as access to a customer's interactions via links to order management and fulfillment systems.

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With delivery and returns ranking so high for consumers, it's important to quickly resolve any issues related to those processes when customers reach out for help. By integrating customer service channels with order management and fulfillment systems, associates can instantly access detailed order and fulfillment data. That enables them to more quickly deliver positive outcomes that save the sale and the relationship.

For example, Brooks Brothers included contact center operations in its omnichannel transformation in order to enable fast and easy access to a customer's most recent transactions originating from any channel, as well as the ability to offer multiple delivery options and easily switch between orders, returns and exchanges.

36%

of contact centers can **track a customer journey that spans multiple channels**. **17%** can locate **problem hot spots** that negatively impact the customer experience

Source: IBM, "Top 7 Trends for Enterprise Call Center and Customer Service in 2019"

Satisfying Customers With Fulfillment

In an increasingly on-demand world, the ability to fulfill customers' desire for an item where and when the customer wants has become almost as important as the product itself. To meet those expectations, retailers must first understand the nuances of fulfillment expectations among their customers. With needs defined, real-time inventory visibility, centralized order management and a flexible, cross-channel fulfillment network make those capabilities possible. But ensuring this new, flexible fulfillment approach truly works for the customer also means closely integrating this platform with contact center applications. Consumer research makes it clear that fulfillment is no longer an afterthought, but a key part of customer satisfaction from initial need through post-purchase.



Radial is a leader in omnichannel commerce technology and operations, enabling brands and retailers to profitably exceed retail customer expectations. Radial provides omnichannel technology and services to drive integrated commerce including payments and fraud management, order management, store fulfillment, logistics, dropship, and customer care.