

MARKET RESEARCH

Order Management's True Value: Winning Where the Customer is

Retailers are scrambling to adapt to expectations of today's customers and must be enabled by modern order management systems.



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Why we conducted this research.

Retailers are focusing on delivering omnichannel consumer experiences in the context of an evolved buyer journey. They aim to offer seamless, cross-channel brand experiences that provide consumers with quick and convenient access to products and purchasing.



95% of shoppers say they would go elsewhere¹ if a retailer couldn't offer delivery to suit their needs



51% of retailers offered same-day delivery in 2017; this is expected to increase to **65%** in 2019²

Today's order management systems (OMS) have become **the hub of a retailer's omnichannel technology stack.**

But can retailers deliver on such an experience with their legacy OMS?

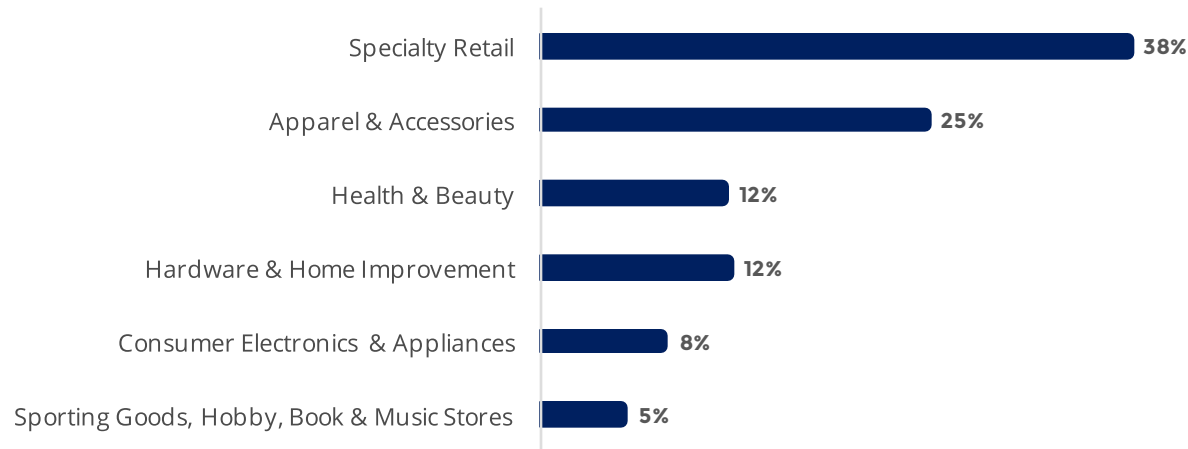
Let's explore...

Research Demographics.

Incisiv conducted a quantitative survey of **77 retail executives** spanning key business functions such as IT, store operations and supply chain.



These executives represent a wide array of retail formats.



The 77 retail executives represented organizations that deployed the following commerce channels.



Pressure to Provide Omnichannel Customer Experience Strains Existing Processes and Systems

Changing consumer expectations have led retailers to jump the gun without properly evaluating their processes or systems.

The New Market Dynamic.

Experiences driven by market leaders have redefined many of today's shopper expectations.

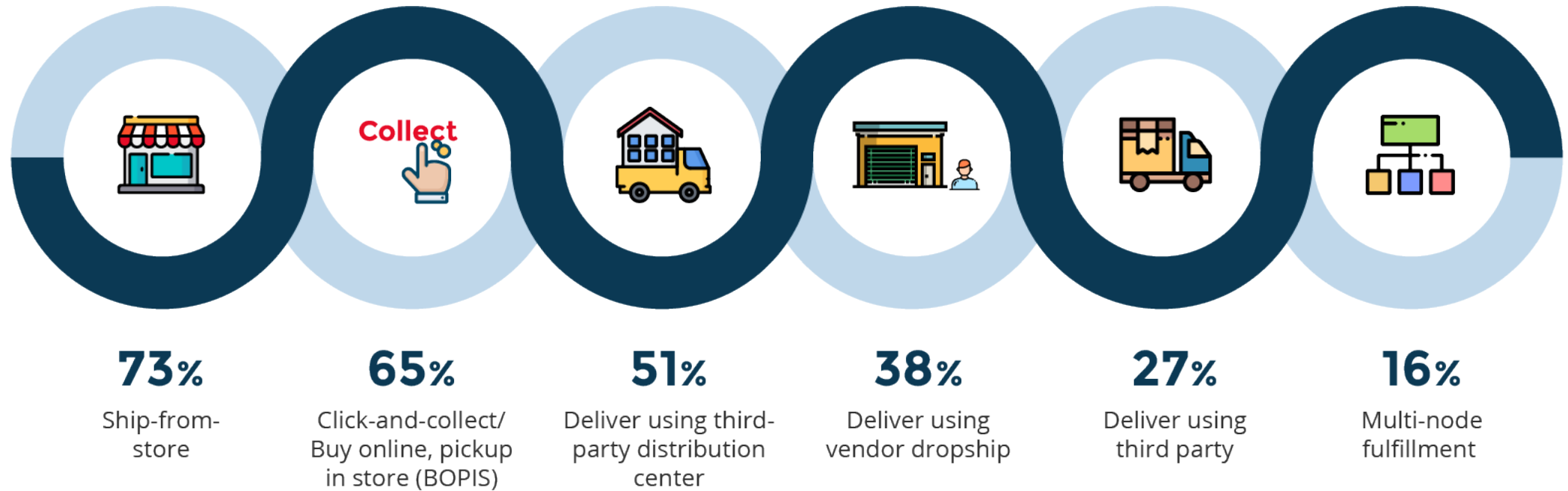
Availability of Product	Speed of Delivery	Returns	Visibility
<p data-bbox="417 634 670 691">Walmart </p> <p data-bbox="315 739 766 919">Walmart greatly expanded its options to access product, including curbside pickup and pickup towers.</p>	<p data-bbox="853 629 1327 701">amazon  instacart </p> <p data-bbox="861 739 1284 968">Amazon changed the game with two-day delivery that became same-day delivery that became one-hour delivery.</p> <p data-bbox="861 996 1302 1176">Postmates & Instacart opened up delivery options across the spectrum of retail segments.</p>	<p data-bbox="1538 619 1727 701">Zappos  <small>POWERED by SERVICE™</small></p> <p data-bbox="1403 739 1829 919">Zappos (WMT) changed the game with free returns that were simple and easy to execute.</p>	<p data-bbox="1951 629 2423 691">amazon  patagonia </p> <p data-bbox="1951 739 2423 819">Amazon enabled transparency into shipping status.</p> <p data-bbox="1951 848 2339 976">Patagonia offers visibility back to the source of the materials.</p> <p data-bbox="1951 1005 2339 1190">Starbucks' mobile order ahead gave guests a new level of immediacy and time savings.</p>



Customer-Driven Fulfillment.

To compete and remain relevant, retailers have added fulfillment options across the value-chain.

% of respondents who have adopted the following fulfillment methods

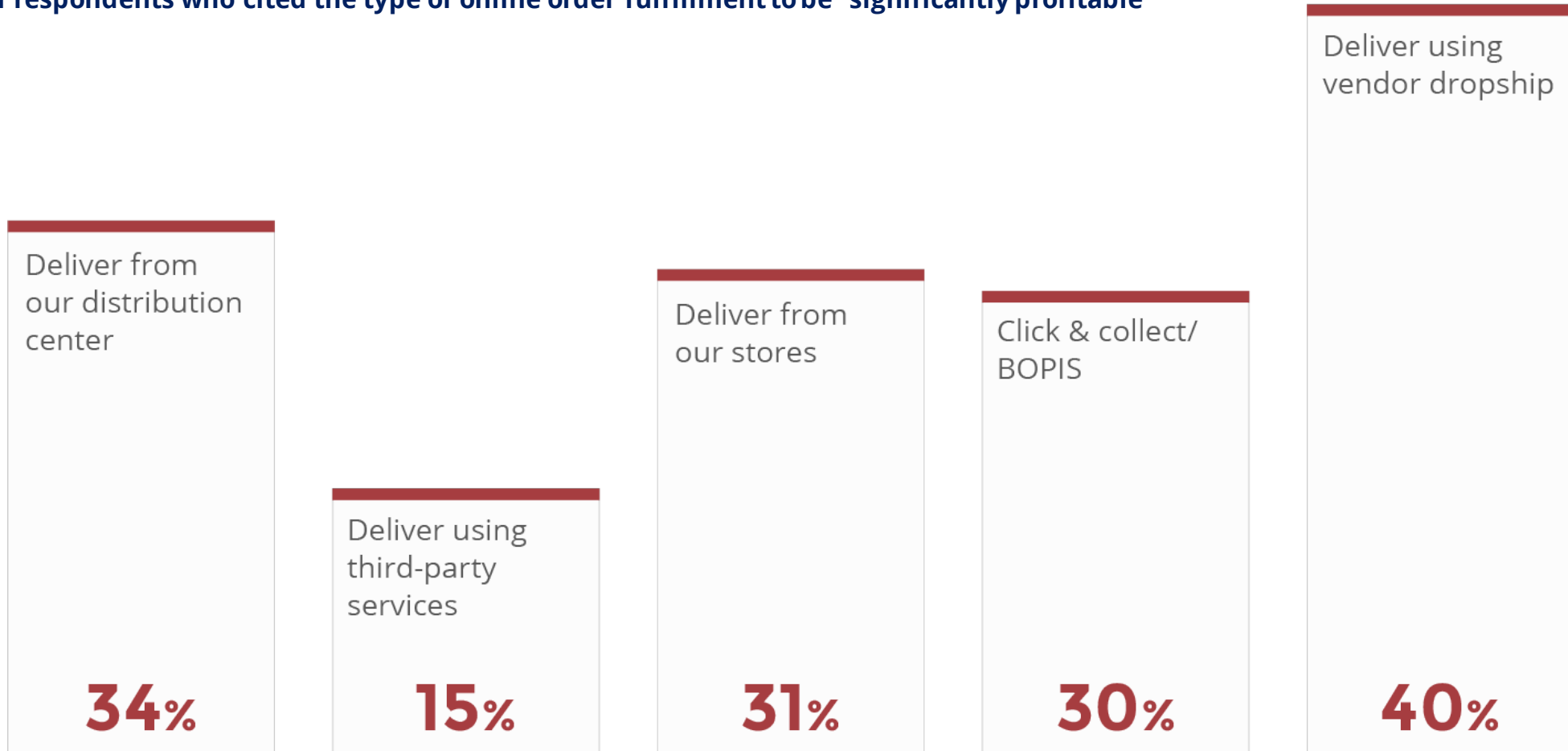


The growth in eCommerce has forced retailers to find ways to lower delivery costs while also speeding up delivery to meet customer expectations. In addition, as store traffic suffers, leveraging brick & mortar inventory to not only lower fulfillment costs but as a means to pull customers in to pick up online orders and create cross-sell opportunities has become table-stakes.

Capabilities Before Profits.

In the race to meet customer expectations, fulfillment capabilities have been added without accounting for profitability.

% of respondents who cited the type of online order fulfillment to be “significantly profitable”



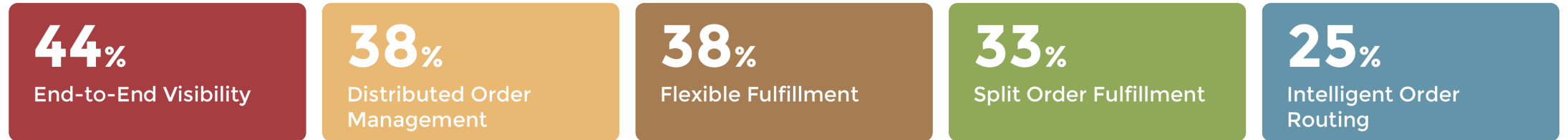
Maturity Assessment of Current Processes or Systems Necessary to Identify Gaps

To ensure their next order management and fulfillment solution meets their changing needs, retailers must evaluate their performance gaps.

Complexity Hampers Maturity.

Less than half of retailers are optimized to deliver on complex orders.

% of respondents who rate their fulfillment capabilities as highly optimized for today's complex environment



While close to half (44%) of retailers have highly optimized their end-to-end order management visibility, only 1/3 have the maturity to optimize split order fulfillment and only 1/4 have optimized intelligent order routing. By not optimizing these capabilities, retailers are:



Losing margin

as they can fulfill from areas that would otherwise go to markdown



Slowing down the fulfillment process

as they don't have to wait for inventory to be centrally located to fulfill



Risking sales

as they are not meeting customer demand for fast, efficient access to the products they want

OMS to the Rescue.

Retailers continue to face major challenges around inventory control/visibility and returns. They are looking at OMS to address these challenges.

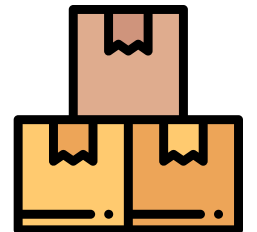
Top outcomes that would be driven by upgrading or replacing their order management system



Inventory accuracy

is a paltry 74% across the retail supply chain.³

- A retailer with \$1B in revenue loses **\$40M - \$75M⁵** annually due to out-of-stock.
- Retailers rank **'improvements in inventory control'** as the #1 outcome from investment in new OMS (**56%**).

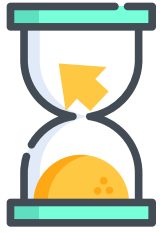


Returns

are eroding profits for 77% of retailers.⁴

- **15%+ of returned goods** took over two weeks to process and give refund to consumers⁶.
- **'Better managing returns'** is key upgrade driver for 50% of retailers.





Real-time order visibility

can increase sales and reduce returns by 20%-30%.⁷

- With **80% of consumers** expecting visibility across retailers' commerce channels, retailers are required to have this capability.
- **44%** of retailers rank '**enhancing real-time order visibility**' as key outcome with upgraded OMS.



Improving customer service

through a robust OMS can lead to higher margins and improved profits.

- **74%** of consumers will switch to a competitor if stores can't locate an out-of-stock item⁸.
- For **42%** of retailers, an upgrade will be looked at to **'improve customer service levels'**.

Cultural Debt Curbs Investment.

While the imperative to change and adapt is stronger than ever, organizational culture is hurting the retailers' ability to modernize their order management system.

Inhibitors in retailers' ability to upgrade/change their order management system

Cultural

47%

Operational risk in scaling transformation initiatives

42%

Resistance to change in the organization

While upgrading the OMS requires business process and workflow changes, it shouldn't be the root cause for stalling investment. OMS is the core of omnichannel retail and retailers need robust systems to drive it.

Regulatory

43%

Perceived data & information security risks

Recent breaches and the enactment of GDPR regulations are likely causing a delay for some retailers in upgrading their OMS.

Evergreen

38%

Lack of IT budget

38%

Lack of skilled IT resources in-house




While historically the top two inhibitors to IT investment, many retailers understand the importance of modernizing their IT to maintain relevance. However, these numbers remain too high.

Preparing for the Omnichannel Future.

Retailers' current systems are addressing core functions but are not equipped to adapt or grow as fulfillment options expand.

Satisfaction with current order management system

VERY GOOD




 Feature/functionality	34%
 Ease of use/UI	32%
 Maintenance cost/effort	32%

As complex as order management systems can get, the good news is that retailers find their current systems easy to use.

Feature/functionality also is meeting current needs. As more sophisticated fulfillment capabilities such as multi-node and intelligent order routing become more mainstream, system functionality will lessen in effectiveness.

As retailers scale their fulfillment capabilities, it is vital that they have a system that can grow with them or even better, a system that is modular and can turn on capabilities as they are needed. Retailers' current systems are not meeting those needs.

AVERAGE/POOR

 Scalability	35%
 Implementation cost/license fee	32%
 Modularity	32%

Roadmap for the Future of Order Management Systems

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Omnichannel strategies are table-stakes and retailers are seeing the value that OMS can bring to enabling these strategies.

Building the Business Case.

As retailers look to new investments in OMS to address their omnichannel business needs, analytics and speed to market still drive their decisions.

% of respondents who find these dimensions very important for their next order management system

60%

REPORTING AND ANALYTICS that enable:

- Self-service capabilities for extracting reports
- Predictive analytics based on historical data
- AI-driven prescriptive analytics for possible scenarios

49%

EASE OF USE/UI that enables:

- Easy understanding for business users
- Reduced onboarding/training costs

57%

SPEED OF IMPLEMENTATION that drives:

- Quicker integration with leading 3rd party services
- Reduced delivery time

43%

MAINTENANCE COST that drives:

- Quicker ROI achieved
- Easier business case to justify

55%

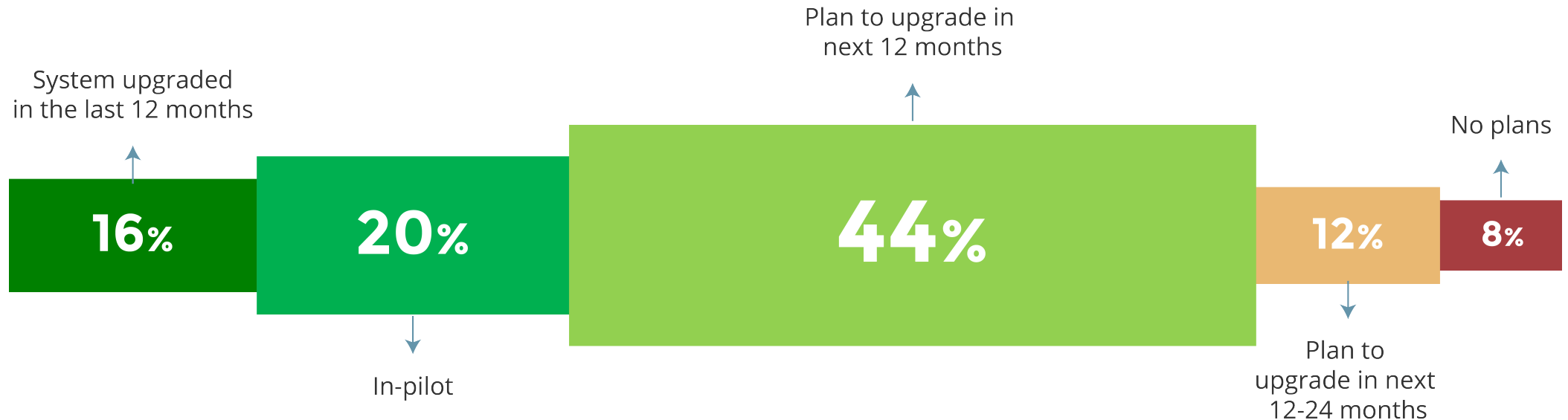
FEATURE-FUNCTIONALITY that includes:

- Complex fulfillment capabilities
- End-to-end order visibility
- Tighter enterprise inventory control

Leaders are Seeing the Value.

More than 40% of retailers are hamstrung with organizational and budget challenges, the remaining 60% are either in pilot or planning major upgrade in next 12 months.

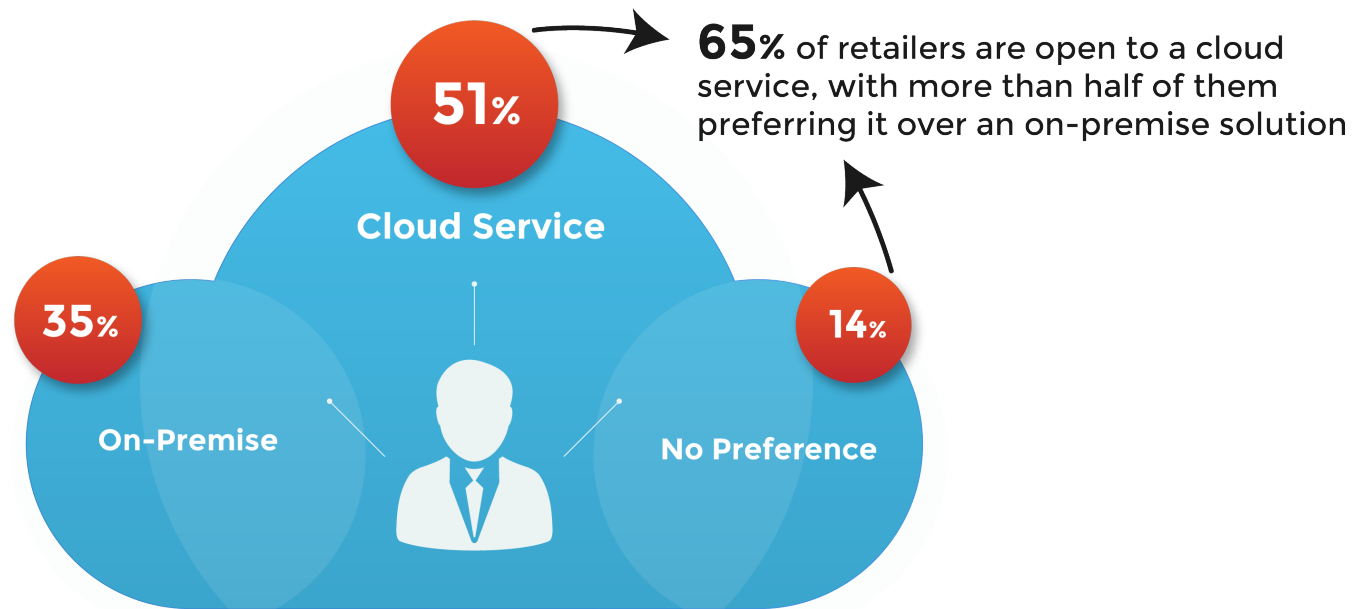
% of respondents who currently have or plans to upgrade/change their order management system



A Move to the Cloud is **Imminent**.

As speed of implementation ranks as a high priority and scalability/modularity are a problem with current systems, cloud delivery is the preferred choice for most retailers.

How would you prefer to deploy a new order management system?



Retailers must work through organizational hurdles to successfully deploy OMS in the cloud.

Change Management

Resistance to change and perceived risk of transformation must be overcome to realize the benefits of a cloud-based system.

Budget/IT Staffing

IT leadership must look beyond initial implementation costs to lifetime costs to understand value, including lower costs for IT staffing.

In Summary.

Retailers face a new market dynamic as market leaders continue to roll out services to elevate expectations.

Innovative retailers and service providers such as Amazon, Instacart and WalMart have altered customer expectations for delivery, returns and product availability. The industry must react to compete.

Retailers recognize this and are looking to new OMS functionality to solve ongoing inventory and returns challenges.

Inventory accuracy continues to be a drag on retailers and as fulfillment options have expanded, these issues have been exacerbated. In addition, customers now expect to buy anywhere, return anywhere so effectively managing returns is increasingly complex. A new OMS can more effectively manage these issues.

As expectations rise, retailers have reacted by greatly expanding their fulfillment capabilities.

Ship-from store and click-and-collect have become table-stakes while methods such as third-party delivery continue to expand. As retailers continue to look for ways to speed up delivery, expect these capabilities to increase.

Even with the desire to upgrade, close to one in two retailers are heavily weighted down with cultural debt.

Resistance to change and perceived risks around transformation outweigh lack of IT budget when it comes to upgrading an OMS. Retailers that think this way stand to be left behind as their customers will not stand for sub-optimal buying or returns options.


As capabilities expand, order complexity increases and retailers are struggling with managing their order management function.

Key enablers of next-gen order management such as split-order fulfillment, single-view of inventory and intelligent order routing are the least optimized capabilities for retailers.

Fortunately, for 'other half' of retailers, a very strong upgrade cycle is upon us.

Smart retailers understand that with increasing complexity of the order management process, they need the latest systems to drive their business. Flexibility and speed to market will drive investment and for close to 60% of retailers, that means a move to cloud-based delivery.

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