



Made to order

Sustaining service and pivoting to omnichannel with a flexible supply chain



Editor's introduction

The Covid-19 pandemic has not created the weaknesses in modern supply chains, but it has exposed them in a sudden and dramatic way.

2020 has seen dramatic month-to-month fluctuations in demand for products and supply chains and warehouses being hit by closures and absences. However, the pandemic is not the only reason for uncertainty, with trade disputes and an economic downturn potentially wreaking unpredictable effects on consumers' shopping habits.

Many retailers have begun a pivot towards supply chains built to ensure resilience rather than maximise profitability. The goal is to ensure a network without single points of failure, where the retailer can use multiple nodes in the network to fulfil orders.

One of the orthodoxies that has been most undermined by the crisis is the division between physical and online channels. Despite the clear advantages of bringing together store and online fulfilment, retailers have hesitated to take on the IT challenge of unifying the IT systems.

Now, however, with Covid-19 offering the imperative to act, retailers are poised to realise the benefits from a customer perspective of higher availability, greater choice in fulfilment options and better customer service. It is not just stores that are offering new nodes for networks, as overlooked supply chain solutions such as drop shipping move from the tactical to the strategic level.

Underpinning all of these changes is the growing role of the order management system (OMS), which allows retailers to tackle this complexity and build the agile, resilient supply chains they need to thrive in today's retail climate. ■



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Sponsor's Introduction

2020 has seen many challenges for retail, but we've also seen omnichannel retailers turn this into a massive opportunity to win market share. While the importance of an Order Management System is not new, the pandemic has simply shone a spotlight on the tool.

This was evident for many of our customers earlier in the year. With national and local level lockdowns in effect, many stores and warehouses were forced to close. Thankfully our Order Management technology allowed them to quickly respond. For example, we were able to set up pop-up fulfilment centres, help retailers turn physical stores into mini-fulfilment centres, and spread customer demand across multiple sites to cope with sudden influxes in demand.

Order Management is however much more than just a tool for 2020. Last-mile delivery remains one of the biggest retail challenges (and expenses) today. Shortening this distance, by utilising stores in nearby towns, or within the same country (for those cross-border retailers); significantly reduces both delivery cost and times. Using store networks in new countries allows retailers an easier expansion path, by utilising existing assets without setting up dedicated fulfilment locations.

With Brexit just around the corner we see this as a big opportunity for those retailers with physical store assets in both Europe and the UK. Utilising these locations to avoid lengthy border delays, additional duty costs and paperwork.

While a holistic view of supply and demand may be the end goal, many remain scared by the unknowns and imperfections in their operations today. Concerns around imperfect inventory visibility, channel cannibalisation and how to incentivise store staff are common.

With 20+ years in the omnichannel space we've seen what great looks like, that's why we work closely with each of our customers to help them create the right teams, measures and processes for success. ■



Kay Jeffrey,
Head of Radial OMS and
Multichannel Europe

About

Radial, a bpost group company, is the leader in omnichannel commerce technology and operations. Premier brands around the world confidently partner with Radial to deliver their brand promises, anticipate and respond to industry disruption, and compete in a rapidly evolving market. Radial's innovative solutions connect retailers and customers through advanced omnichannel technologies; intelligent payments and fraud protection; efficient fulfillment, supply chain services; and insightful customer care services – especially where high-value customer experiences are critical.

We are flexible, scalable, and focused on our clients' business objectives. Learn how we deliver today's retail for you at radial.com and follow us on Twitter @[radialcorp](https://twitter.com/radialcorp).



Section 1: The battle on two fronts

Retailers are under pressure from both the demands of their own operations and customers to create more flexible networks.

As ecommerce's share shifted from less than a fifth to almost a third of total retail sales in the UK, to take one example, many retailers found themselves having to limit their range online as the capacity of their online warehouses was stretched to the limit. One study indicated that as many as 80% of products had seen variance in demand during the pandemic.¹

Many retailers scaled up their operations, temporarily or permanently, to accommodate the new orders. In France, Carrefour worked with Uber Eats to add a new same-day channel in Paris, while Spain's DIA partnered with local app Glovo. In the UK, health foods retailer Holland & Barrett added new "pop-up" warehouses with the help of DHL, while supermarket Morrisons partnered with Deliveroo, procured new vehicles and launched a "Food Box" consisting of pantry staples.

Not only were warehouses having to operate at or above the levels of the November-December shopping peak, they were also seeing capacity being squeezed as a direct impact of the virus. A survey in April found that only 10% of UK warehouse operators were running as normal, with 26% reporting illness-related absences.²

Retailers have also seen how easily warehouses can face disruption when there is a flare-up of the virus, with Amazon facing strike action in June after an alleged outbreak at one of its warehouses. Next and NET-A-PORTER were forced to close their warehouses temporarily for several weeks in order to implement safety measures, thereafter deliberately limiting website sales to the amount that could be safely picked and packed under these new conditions.

This means that being responsive to changes in demand, along with having alternative sources of supply, are becoming more and more crucial. With the lingering impact of the Covid-19 pandemic and economic uncertainty, both resultant and coincidental, retailers can no longer rely on historical buying patterns to make forecasts of demand. The unpredictability of new outbreaks of the disease and potential impacts on consumer wallets may lead to depressed demand or constrained warehouse capacity, either across the whole of retail or in specific sectors.

The consumer demand

On the other side of the equation, consumers are increasingly demanding more flexibility in how they receive orders. A trend that has been catalysed by the Covid-19 pandemic is a break down in distinctions between channels, with the likes of local inventory ads having helped to blur these boundaries as shoppers are empowered to search for products located at stores in their local area.

A survey from Periscope by McKinsey found that 60% of consumers in the UK, US and Germany engage equally with stores and online.³ Customers are attracted

¹ https://warwick.ac.uk/newsandevents/pressreleases/new_study_provides/

² <https://edelivery.net/2020/04/uk-warehouse-capacity-faces-crunch-coronavirus-scuppers-re-tail-shipping/>

³ <https://internetretailing.net/mobile-theme/stores-still-very-much-part-of-the-mix-as-shoppers-go-multi--and-omni-channel-global-study-finds-19286>

to services that blend the two: the same survey found an overwhelmingly positive attitude of respondents in all geographies towards virtual shelves for consumers, which give consumers visiting stores access to the entire product portfolio. Browsing products was the top use-case for respondents in France (65%), the US (64%) and the UK (59%), followed by receiving similar product recommendations (US 59%, France 58%, UK 54%). For German consumers, browsing products (54%) and getting similar product recommendations (54%) scored equally high as the top application choice.

The pandemic has driven a fast growth in popularity of click and collect: customers wishing to combine the convenience of ordering a product online with certainty over when they will be able to get it. One survey of over 2000 UK consumers found that 42% were more likely to use click and collect since the impact of Covid-19.⁴

The lack of flexibility

While traditional approaches to supply chain IT have served retailers well until now, they are preventing them from realising the flexible model that can adapt to changes in demand and supply customers with new services.

Reflecting the fact that physical retail and online retail emerged at different times, the inventories of the two channels have largely been siloed. This means that despite the two channels now existing in parallel, allocation often remains hardcoded so that ecommerce orders must be fulfilled from ecommerce warehouses and stores from store warehouses.

Retailers whose inventories are still highly siloed face the danger of stock being unavailable when demand shifts between channels. The pandemic has precipitated a large shift to online shopping overall (with some mature markets such as the UK seeing the figure rise to over a quarter of overall shopping).⁵

It also precipitated a surge in the use of ship from store as retailers sought to utilise stock that was located in shuttered stores. Where integration between the two channels didn't exist, retailers were forced to use workarounds, such as UK health foods retailer Holland & Barrett having to write new software and register stores as individual SMEs for the purposes of shipping.

⁴ <https://www.qudini.com/resource/the-covid-19-uk-consumer-survey-retail/>

⁵ <https://internetretailing.net/industry/online-sales-up-by-516-in-august-on-last-year-but-dip-25-month-on-month-as-retail-recovers-from-covid-19-lockdown-22006>

Section 2: The blurring boundary between channels

InternetRetailing surveyed its audience of retail industry stakeholders about how they were navigating digital transformation in the aftermath of the disruption from Covid-19.⁶

Digital transformation

Eighty-five percent of respondents said that the pandemic had increased their desire to digitally transform. This enthusiasm was matched in budgetary terms, with respondents saying their companies were willing to allocate an average of 44% more budget to digital transformation.

Store vs online

Respondents said that the proportion of business they garnered from online vs store had risen by 10%, reaching 65% of their business.

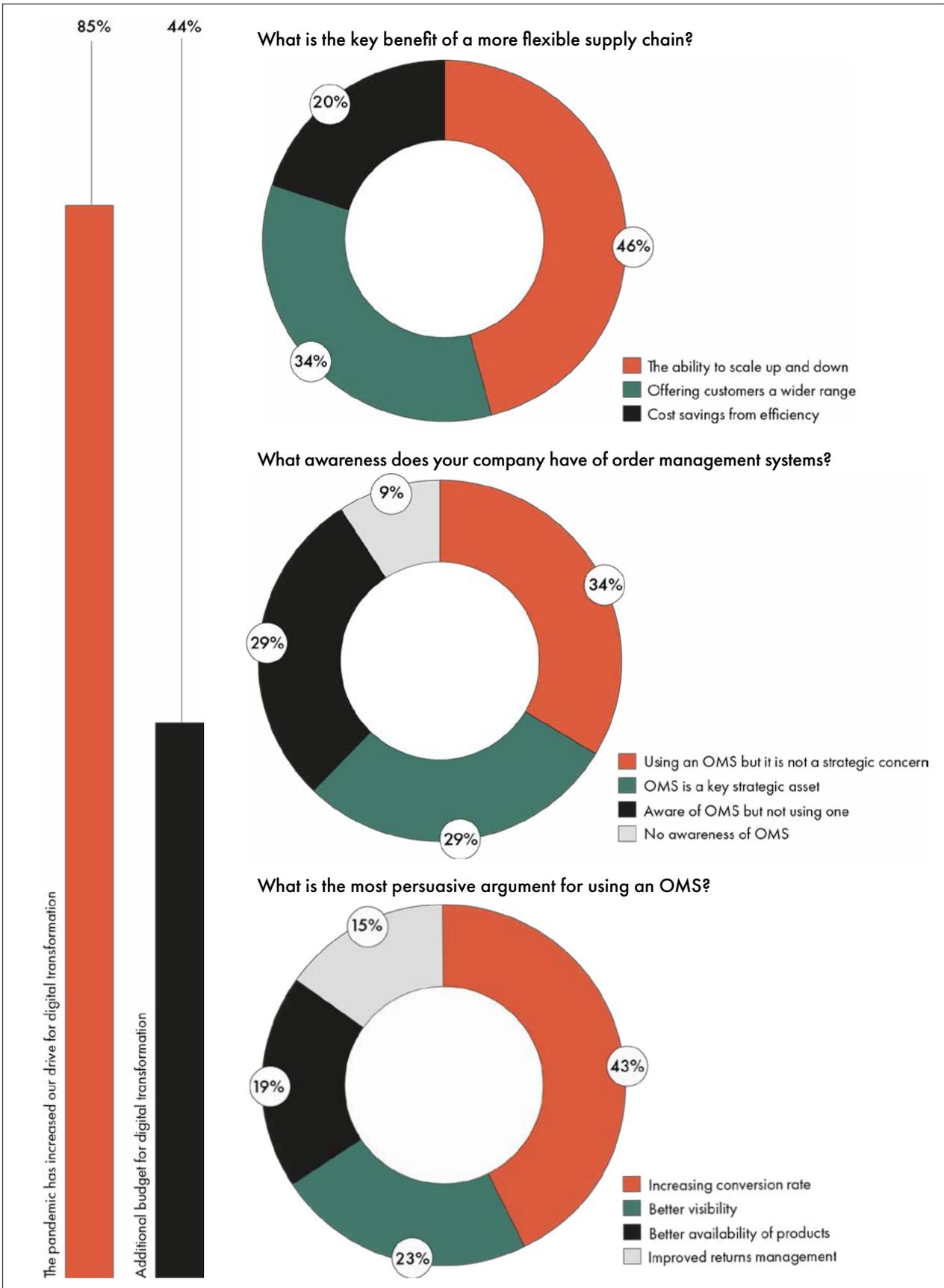
- Sixty-eight percent reported more demand for multichannel services such as click and collect from store or the ability to return online orders to a store.

Supply chain innovation

The survey asked respondents what was the key benefit of a more flexible supply chain. The plurality, 46%, said the ability to scale up and down during times of uncertain demand, highlighting the rising importance of resilience.

- Thirty-four percent said the ability to offer the customer a wider range of services, while 20% cited the cost savings from efficiency. Respondents were asked about their organisation's awareness of order management systems, which can be used to centralise streams of orders and inventory from different channels. Nine percent reported having no awareness, while 29% were aware of order management systems but not using one.
- Overall a majority (63%) had an order management system in place.
- The largest plurality, 34%, said they were using one but it was not a strategic concern, with the remainder (29%) saying the OMS was a key strategic asset. Sixty-three percent said they were aware of the impact than an OMS could have on their online revenues.
- 43% said increasing conversion rate would be the most persuasive argument for adopting an OMS, while 23% cited better visibility.
- In addition, 19% cited availability of products, while 15% said improved returns management.

⁶ InternetRetailing survey, conducted August to October 2020, N=82



Physical meets online

To be where customers are searching for them, retailers need to gain visibility and control over their supply chain, operations and logistics. Rather than risk products being unavailable in a given channel, retailers tend to silo inventories for different channels, fulfilling an online order and replenishing store stock from dedicated warehouses.

This difficulty in unifying these sources of data is that they may be stored on different systems in different formats. There may be no direct interface between the two systems, which may be built on technology from different suppliers. Bringing them together is a challenge that requires bespoke software: namely, an OMS.

How an OMS works

An order management system brings order information from all sales channels into one place, including the physical store, ecommerce website and marketplaces. The orders can all be viewed and managed from a single dashboard.

The OMS syncs the inventory data across these different channels, so that a view of the total stock available and where it is stored is visible to all users. It usually combines this with forecasting, preventing one channel from running out of stock.

It also syncs with fulfilment processes, including picking, packing and warehouse activity, as well as with carriers.

Finally, it can be used to manage returns, so that when a product is returned via one channel it can be made available to others, or so that an ecommerce order can be returned in store.

The OMS ingests the various sources of data (inventory, orders and processes) through an API and then presents it to the user as an interactive dashboard. This single source of truth can be accessed by all members of staff through different media such as desktop, tablet or mobile.

Symbiotic retail: the business benefits of an OMS

With this central control over orders, inventory and processes, both the physical and online channel can achieve greater efficiency and additional revenues.

• HIGHER SALES FROM GREATER AVAILABILITY

However successful a retailer is at attracting traffic to its site, it will be unable to convert this to sales if products are unavailable. Failing to serve a customer risks losing them permanently to a competitor. One study by the Consumer Brands Association found that product unavailability could be responsible for \$17 billion in lost online sales globally, with the digital channel in the US market seeing double the unavailability rate of physical channels.⁷ Studies have shown that a holistic view of stock can increase the availability rate of products by 28%.⁸

Being able to seamlessly move orders between channels goes some way to reducing the risk of being exposed by stock unavailability, while ensuring that excess stock can be sold without being discounted. One example is fast fashion retailer Zara, which reported swinging to profit during the second quarter of the year despite declining sales. The company said its unified omnichannel inventory had allowed it to service the rapid growth in online sales as store sales fell. The company was also able to reduce inventory 19% year-on-year.

⁷ <https://forms.consumerbrandsassociation.org/forms/store/ProductFormPublic/online-availability>

⁸ <https://internetretailing.net/frontline/holistic-view-of-stock-increases-online-product-availability-by-21-new-research-reveals>

- **NEW NODES IN THE SUPPLY CHAIN**

Retailers can ensure that their logistics networks are not subject to single points of failure by adding new nodes to the network. Here we have focused particularly on the store, which offers an effective distribution channel due to its urban location and wide breadth of products on site. Retailers can maximise the value of costly store estates, while offering additional work for store staff during periods of low footfall.

With an effective OMS, other capabilities such as drop shipping, where the product is sold on an ecommerce site but fulfilled directly by the supplier without being handled by the retailer, can be integrated into the network as additional levers to add capacity at will.

- **NEW CUSTOMER SERVICES**

From the customer's perspective, fulfilment from store manifests as additional choices for the consumer. RetailX research shows that 36% of European retailers now offer some kind of click and collect capability, up from 31% in 2019. However, only 8% offer same-day collection, which is the kind of responsiveness that would be enabled if such orders could be fulfilled directly from the store. Retailers can present the customer with the option of collecting from a store near them at checkout.

- **GREATER EFFICIENCY**

Instead of orders having to be fulfilled from dedicated ecommerce warehouses, they can be fulfilled wherever is nearest to the customer. This reduces the costs of transportation and makes it easier to hit promises such as next-day delivery.

- **CUSTOMER SERVICE**

With access to a single source of truth, staff are empowered to resolve customer queries and offer ancillary services, such as processing returns. This brings additional value to the store and allows staff to cross and up-sell to these customers.

- **ENDLESS AISLE**

In addition to what is on display in the store, retailers can offer shoppers access to the full online range through in-store kiosks. With a holistic view of stock, they can direct customers to the online store or to another local store if their chosen product is unavailable.

Section 3: Blurring boundaries

HOW RETAILERS MAKE USE OF MULTICHANNEL CAPABILITIES

ZALANDO



In 2019, German fast fashion retailer Zalando opened its first ever pop-up in the Ciento y Pico area of Madrid, which used body mapping and projection technologies to allow customers to virtually try on outfits.

The stall featured no physical products. Customers are scanned as they enter the pop-up and can then have any clothes from the Zalando catalogue projected onto their body, with the virtual garments responding to the person's movements.

BONPRIX



Germany's bonprix opened a new pilot store in Hamburg called fashion connect, which attempts to meld the best bits of online and offline.

The anchor of the store is the bonprix app, which has been specially enhanced for use in the store. Customers check in when they arrive and can then scan products with their smartphone's camera, specifying their desired size. These products are then picked by staff and placed in a fitting room for the customer to try on. If they need a different size they can order it from the room with the app.

The customer then simply has to leave the fitting room with their desired clothes and their virtual "shopping bag" will be automatically updated via RFID technology. They can then pay via PayPal on the app or pay at the check-out via card or cash.

Customers are able to collect online orders from dedicated points within the store. bonprix said in September that it had now added an endless aisle, allowing customers in the store to browse online as well.

CECONOMY

German electronics giant Ceconomy saw the proportion of customers using click and collect to pick up orders from stores

rather than have them delivered rise from 40% to 46% between 2018 and 2019.

Ceconomy owns the brands MediaMarkt and Saturn, which operate a growing network of over 1000 physical stores, although it is reducing average store sizes. It claimed the rise was a vindication of its "hybrid" strategy.



CARREFOUR

French supermarket giant Carrefour has launched a new type of convenience store which supplements a small range with online services.

Located in Paris, the Halle de Clichy features a consciously limited selection of fast-moving consumer goods: 4500 compared to the usual 8000 that a Carrefour City store usually stocks. However, a further 10,000 products are available via the online store, as the location features one of Carrefour's Drive collection points. Customers can also order items from the store to be delivered to their home, as well pick up parcels.

Carrefour has also launched a dedicated click and collect point in Belgium.



HOLLAND & BARRETT

Earlier this year, Holland & Barrett introduced a service which allows customers to build their shopping basket while they queue outside the store. They then enter and pay for their pre-prepared order.

Staff in the stores have access to tablets which can call up a view of products available in that store, another local store or online. ■



CASE STUDY: [BATA](#)

Founded in 1894, Bata is one of the world's leading shoemakers, designing comfortable and stylish footwear at affordable prices. Bata is a family-owned business selling more than 180 million pairs of shoes annually in 5,800 stores and producing locally in 22 Bata-owned manufacturing facilities across five continents. Bata operates in more than 60 countries, thanks to 35,000 employees.

The Swiss-domiciled firm runs a direct-to-consumer operation in around 50% of its target countries, operating as a wholesaler elsewhere.

Despite its 120-year history, the firm has seen a swift rise in its ecommerce operations recently and over the last two to three years it has invested heavily in supporting digital transformation.

There are two rationales for the online focus: one is consumers' demand for online and the need to capture market share in an increasingly popular channel.

The other is the lost in-store opportunities that can be reclaimed. Like many physical retailers, Bata holds a broad range of items in store but this is limited in colours and sizes. This means consumers may find a pair of shoes they like but not be able to get the desired

fit or style available in that specific store. This leads to an estimated 15 to 20% of missing sales as well as missing opportunity to satisfy the customers.

WORKING WITH RADIAL

The footwear retailer rolled out a new omnichannel platform which allows it to display all stock to all shoppers. Shoppers in store will be able to order from the ecommerce warehouse and online shoppers will be able to access store stock.

The platform includes a webstore, middleware, enterprise resource planning, OMS and implementation of omni. Radial supplied the OMS and omni components. Bata chose Radial because:

- It offered good coverage of key functional requirements and reasonable value for money.
- It offers stability and reliability.
- It offers a simple and intuitive user interface which is easy to train staff to use.

While Covid-19 disrupted plans, Bata recently deployed the platform in the final European market, meaning the solution and architecture is now complete across Europe.

The ability to sell stock from stores to online customers is now working well across its European stores. The in-store digital capabilities are still being implemented, partly because of the store format and sales approach.

KPIS AND NEXT STEPS

The KPIs for the omnichannel system include:

- Conversion.
- Returns rate, measuring the ability to deliver the right thing.

"We see materialising expectations in terms of growth of digital channels, conversion, cancellation rate," says Massimiliano Gerli, Bata Group CIO.

One Bata brand which is strong in Italy saw a huge boom in sales in the week of activating the new platform. While traffic was exactly the same, more stock was available to convert orders due to the availability of store stock.

"We have been working with Radial for two years now, the collaboration is positive and we have delivered a lot," says Gerli of the partnership.

The next step will be to expand the platform to Bata's other worldwide markets. ■

MADE TO ORDER

Conclusion

Consolidating order and inventory data from every channel allows retailers both to cut costs and boost sales.

It makes supply chains work more effectively. Being able to fulfil online orders from stores offers additional capacity in times of high pressure and allows retailers to cut costs by shipping from closer to the customer.

This is all-important as the retail sector grapples with the challenges of Covid-19 and the resultant economic fall-out, as well as seismic events such as Brexit.

Better visibility of data directly enables higher sales through better stock availability, while opening up the possibility of additional services such as click and collect to be directly fulfilled from store stock.

An order management system offers the best way of grasping these disparate sources of data and managing the complexity of a multi-faceted supply chain. ■



With thanks to



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