FULFILLING EXPECTATIONS: THE HEART OF OMNICHANNEL RETAILING

Creating the supply chain visibility, accuracy, control and flexibility retailers need to meet the demanding fulfillment expectations of the omnichannel customer.
Retail is all about the customer experience. Omnichannel retail hasn’t changed that, but it has expanded on it. For retailers going beyond brick-and-mortar into the virtual world, it’s no longer just about the in-store experience. It’s about an end-to-end experience that begins whenever and wherever the customer orders: in the store, on a smartphone, on the store’s e-commerce site. The final—and maybe the most important—part of the experience is flawless fulfillment.

Did the customer get her merchandise when it was promised? Is the order accurate? Does she love it?

If the answers are positive, you’ve got a repeat customer. If they’re unsatisfactory, you’ve got some work to do. In omnichannel retailing, the ability to streamline fulfillment of customer orders by leveraging inventory across the entire supply chain can be a major competitive differentiator.

This paper discusses how omnichannel retailing is changing end-to-end supply chain operations, especially when it comes to meeting customers’ complex fulfillment demands. It also examines the growth in importance of direct-to-customer shipping and offers suggestions for how retailers can utilize technology to make all the components of the supply chain work seamlessly together by providing the visibility, accuracy, control, flexibility and efficiency to your operations.

ALL FOR ONE

The expansion of both brick-and-mortar and virtual retail channels creates a wide range of customer touch points—stores, outlet locations, e-commerce sites, social media commerce, catalogs and possibly seasonal or short-term locations such as pop-up stores. And no matter where the customer makes her purchase, she expects fast, hassle-free, flawless fulfillment.

The increased focus on fulfillment in omnichannel retailing means the supply chain plays as important a role in the shopper experience as the associate on the sales floor, the buyer or the merchandising manager. In the omnichannel world, all the resources of the retailer’s supply chain—from manufacturers to transportation providers to distribution centers to warehouses to the stores themselves—are marshaled to serve a single shopper who has placed a single order. The need to optimize this end-to-end, omnichannel customer experience is transforming the way the retail supply chain delivers the goods.
In omnichannel retailing, all the resources of the supply chain are focused on transparently serving a single shopper who has placed a single order.
Research shows that in the next five years, the most significant changes in omnichannel fulfillment will be driven by the increasing use of mobile devices. As shown in the Motorola Solutions’ Retail Vision Survey, the most dramatic shift is in the in-store pickup of goods ordered on mobile devices, a fulfillment option predicted to virtually double by 2017. This is good news for the customer, offering added convenience, and for the retailer, delivering additional in-store traffic. No matter what fulfillment method the customer demands, the supply chain has to be able to deliver according to his or her instructions.
In omnichannel retailing, the goal is to create and optimize a supply chain that stretches seamlessly from manufacturer to customer. The new omnichannel supply chain paradigm is characterized by increasing system complexity, driven in large part by the need to offer multi-channel customers more choices: more SKUs, greater product assortments and increased product diversity. It’s also driven by the need to meet individual customers’ specific fulfillment preferences and expectations.

Direct-to-customer shipping is the critical final step in the end-to-end customer experience. But because omnichannel customers have a multitude of shipping choices, it’s hardly a simple one. Motorola Solutions’ Retail Vision Survey, May 2012, reveals the magnitude of the fulfillment changes that are underway. The age-old paradigm—buy a product at the store and take it home with you—is still important, but it’s starting to lose ground to other fulfillment methods. According to the research, although almost 85% of fulfillment operations use this method today, retailers estimate a drop to 66% in five years.

This new emphasis on streamlining fulfillment for individual customers is causing many retailers to take a more holistic view of their supply chains. Certainly omnichannel systems include traditional supply chain components: manufacturers, distribution centers, warehouses and the transportation that carries goods between them. But omnichannel supply chains also go beyond the traditional to include enterprise and individual store systems, providing store-level inventory management and real-time visibility and control of cross-channel inventory from the supplier to the shelf. And, ultimately, to the customer.
OMNICHANNEL SUPPLY CHAIN MANAGEMENT

One result of omnichannel retailing is that the supply chain has become more complex, due largely to the growing need for the efficient handling of cross-channel inventory location and allocation. It’s no surprise that in the Motorola Solutions research, the most common causes of customer dissatisfaction in stores centered on product unavailability: out-of-stocks, empty shelves, lack of correct sizes or colors or simply being unable to find what they came in to purchase. Forward-looking retailers are planning and upgrading their entire omnichannel supply chains to avoid these kinds of issues by building in a number of critical management capabilities. And, for most, the driving force is providing visibility, accuracy, control, flexibility and efficiency.

VISIBILITY

To meet customer expectations, you’ve got to be able to see what you have and know exactly where it’s located across all supply chain channels. When a customer buys an item online and wants to pick it up in the store, or wants it shipped for next day delivery, systemwide visibility is critical. You can’t promise a customer you have a certain color in a certain size unless you’re sure it’s actually available, and you can’t promise you’ll meet delivery expectations if you don’t know if the product will be ready for shipment in the requested time frame. In managing the omnichannel supply chain, end-to-end cross-inventory visibility is vital.

ACCURACY

The benefits of supply chain visibility are reliant on the accuracy of the available inventory information. The system says a product is available for two-day shipment from an East Coast distribution center, so an associate promises that time frame to the customer. But what if the information in the system is incomplete or wrong? The ramifications are serious: a lost sale, a dissatisfied customer. The same goes for fulfillment accuracy; delivery of an incomplete and/or incorrect order guarantees an unhappy customer. Supply chain systems capable of providing accurate, supply-chain-wide inventory data and visibility are crucial in omnichannel retail environments.
INVENTORY VISIBILITY: VALUE VS. ACTUAL

In a July 2012 Retail Systems Research study, respondents exposed the lag between the perceived value of visibility and the current status of visibility.

<table>
<thead>
<tr>
<th>Category</th>
<th>Perceived Value</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>System-wide inventory visibility</td>
<td>88%</td>
<td>44%</td>
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<tr>
<td>DC available inventory</td>
<td>78%</td>
<td>60%</td>
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<tr>
<td>Store inventory levels</td>
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<td>48%</td>
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<tr>
<td>Online/direct channel inventory availability</td>
<td>69%</td>
<td>41%</td>
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<td>Inbound to DC inventory or orders</td>
<td>62%</td>
<td>39%</td>
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<tr>
<td>Store on-shelf inventory levels</td>
<td>55%</td>
<td>20%</td>
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<tr>
<td>Inbound to store inventory or orders</td>
<td>52%</td>
<td>27%</td>
</tr>
<tr>
<td>Visibility into drop-ship vendor inventory</td>
<td>39%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: RSR Research, July 2012
CONTROL

Today’s connected consumers not only want to be able to buy when and where they wish, they also want to have their order fulfilled to their exact specifications. To efficiently deliver consistent experiences to customers who shop via one or more channels, retailers need real-time access to—and dynamic control over—their entire inventory. The days of inventory silos for in-store and online fulfillment are gone. Being able to control total inventory access, availability and allocation is key to the ability to deliver merchandise to the right place at the right time and keep omnichannel customers satisfied.

FLEXIBILITY

Today’s retailers can no longer afford to have rigid supply chains. Having multiple sales channels requires the supply chain to respond to, accommodate and anticipate a great many external and internal inventory needs.

- Would a shipment of tablet computers headed for San Francisco be better utilized in Seattle?
- When an in-store customer changes her mind on what she’s just purchased, can the associate immediately locate the preferred color and arrange to have it shipped to the customer?
- Can a warehouse respond to a last-minute customer request to change a ship-to address while in transit?

In an omnichannel environment focused on meeting customers’ requirements, flexibility is mission critical.

EFFICIENCY

In a multiple channel retail environment, maximizing efficiency in every part of the supply chain—in-store, at the warehouse, in transit—is necessary for meeting customer expectations, for ensuring that inventory is capable of serving multiple channels, and last but not least, for controlling costs. Omnichannel efficiency takes many forms. An associate uses a wireless device to provide product information and availability without leaving the customer’s side. Warehouse and distribution center workers use hands-free technology to shelve and pick merchandise faster and more accurately. Products can be shipped from the location nearest the customer—whether it’s a distribution center, warehouse or a retail store—to reduce transportation and delivery costs.

How are omnichannel retailers designing their supply chains to deliver these critical management capabilities? For most, the driving force in providing visibility, accuracy, control, flexibility and efficiency is mobile technology.
MOBILE TECHNOLOGY: DRIVING OMNICHANNEL FULFILLMENT

The demands of omnichannel fulfillment make it imperative for retailers to have unified visibility of inventory at every stocking location. By leveraging this unified view of cross-channel inventory, a retailer is able to understand product availability—what is in stock, available in overstock or out of stock. It can tell when and where a product will be available. It can also show the optimum method of flawlessly fulfilling the specific order. How are retailers going about designing supply chain solutions that help them do all that? By turning to the proven enabler of multi-channel supply chain optimization, mobile technology, including wireless networks, equipment and devices.

MOBILE INFRASTRUCTURE

The ability to deliver cross-channel inventory visibility, allocation and fulfillment is in large part dependent on a retailer’s mobile infrastructure. Wireless local area networks (WLAN) are fundamental to providing the information, flexibility and control needed to streamline omnichannel supply chain operations and create delighted customers. Retailers must ensure their WLAN is able to support the entire supply chain—stores, warehouses, distribution centers and suppliers. It must also support the emerging technologies of fulfillment such as cloud-based inventory access and allocation, automated warehouse management and handheld mobile computers that provide real-time visibility throughout the supply chain while optimizing workforce effectiveness and efficiency. The WLAN must also provide the high performance necessary for bandwidth-intensive applications, the security to protect customers’ private information and the reliability to ensure consistent availability.

PRODUCT IDENTIFICATION TECHNOLOGY

Mobile networks and technology provide the product identification and location information necessary to get the most benefit from cross-inventory management. Barcodes on merchandise or on in-store kiosks, in dressing rooms or on shelves enable sales associates, and even customers themselves, to instantly access product details from the store’s web application or from the Internet.

Radio Frequency Identification (RFID) tags are playing an increasingly vital role in both in-store and warehouse/distribution center operations. RFID technology has been used successfully for years in the identification of pallets, cases, cartons and other bulk shipment containers in the warehouse, in transit and in the store’s back room. Today, the trend is moving toward item-level identification, in which every item is labeled, for example, with an RFID tag that delivers the ultimate level of inventory detail: this product is on that shelf; this product is in transit to this store from that supplier; this product is in aisle BC, slot 3567-02, in this particular distribution center.

MOBILE DEVICES

Omnichannel retailing is also one of the catalysts for the new generation of mobile devices that are mobilizing the retail workforce and empowering them with real-time information encompassing the entire supply chain. Optimized for inventory management, control and access in the warehouse and on the sales floor, the new mobile devices enable employees to be more productive, more efficient and more customer-focused. As opposed to consumer-grade technology like smartphones or tablets, retailers can utilize rugged new business-grade devices built for the fast-paced omnichannel environment. Using handheld computers or wearable devices like smart badges, sales associates and warehouse personnel can access product information and pinpoint product location to ensure fulfillment in accordance with each customer’s requirements.
THE NEXT STEP

Where does your omnichannel retail operation stand in utilizing mobile technology to optimize your supply chain operations and streamline customer fulfillment? Many, if not most, retailers are still in the beginning stages of designing and deploying a multi-channel fulfillment strategy and network. Many are struggling with both strategies and details. For these omnichannel retailers, it makes sense to partner with a technology and systems integration provider with long-term expertise in wireless networking as well as long-term experience in retail operations. Together, they can work to provide the inventory visibility, accuracy, control, flexibility and efficiency to optimize fulfillment and maximize omnichannel customer satisfaction.