DECODING OMNI-CHANNEL FOR RETAILERS
PART - 1

What is Omni-Channel and Why it is Essential?

Omni-Channel – a paradigm shift in commerce – has been growing with online sales increasing 14% CAGR over the last four years according to McKinsey. In 2020 with the pandemic the world saw a dramatic acceleration in e-commerce sales, accounting for 25% of online sales in the first two weeks of March. With online expected to be the fastest growing channel in 2021, retailers are under greater pressure to become more agile in their omnichannel offerings. Brick and mortar stores are becoming mini-fulfillment centers with the ever-increasing and preferred methods of click and collect, including ‘buy online pickup in store’ (BOPIS) and curbside pickup that are here to stay.

Customers now expect the retailer to present one face to them, regardless of which channel they choose to engage them. The customer is increasingly the center of the world, and supporting people and systems are having to adapt to rise to the occasion.

From a distribution perspective, the focus is now on the perfect order; one that comes from the right place (for the customer), on time, and in the most cost-effective manner. It provides retailers with information regardless of channel – from customer order histories to store inventories.

“Companies with extremely strong omnichannel customer engagement retain on average 89% of their customers.”
- Aberdeen Group, January 2021
The challenge is that most retailers have legacy software that cannot deliver this experience. And it is understandable. The process is complex. Most systems were not designed to handle today’s supply chain complexities.

And although many retailers are trying to adapt, they are simply falling short, mainly because they continue to focus their systems and implementations on software rather than customers. They think they know what the problem is rather than designing solutions from the customer’s perspective.

Creating a successful omni-channel solution can be a huge undertaking, often costing millions of dollars. Jobs are put on the line. A number of projects experience increased scope, go over budget, or get cancelled because there is little to no executive sponsorship to support the goals of the project. Some companies find themselves in make-or-break situations.

So, it becomes critically important to understand the potential complications and necessary integrations to overcome these challenges. The good news is that it does not have to be that complicated.

More often than not, organizations looking for a better omni-channel solution are able to save time, money, and resources by bringing in a seasoned team of experts - a guiding hand by people who can see potential pitfalls before they are encountered.

This eBook will teach you what you need to know about omni-channel and how to successfully create your strategy for providing a better customer experience.
What Does Omni-Channel Mean to Your Customer?

‘Retail Winners are much more keenly aware that the IT portfolio in general was not designed with the customer dimension in mind (most legacy retail software is overtly product oriented), and that store systems in particular will be too difficult to adapt to an omni-channel mode of operation.’

—RSR Omnichannel Benchmark Report

There is a clear and understandable reluctance on the part of retailers to provide a seamless omni-channel experience to customers due to high levels of cost and effort. But this risk-aversion is self-focused and short-sighted, resulting in lost customers and, ultimately, lost revenue.

When organizations are able to agree on a roadmap that aligns customer expectations with what the retailer provides (i.e., delivery and return options), they are not only elevating the customer experience, but increasing the likelihood of creating lifelong customers.

Among Apparel Retailers, Omni-Channel Customer vs. Non-Omni-Channel are considered:

- **24%** significantly more profitable
- **38%** slightly more profitable
- **19%** equally profitable

*According to RSR “Omnichannel Benchmark Report”*
When considering a modern, omni-channel solution, it is critically important to assess two key areas:

- What visibility do your customers want (to their inventory and orders)?
- How does your customer want orders delivered and returned?

Business Insider Intelligence found that 67% of online shoppers have used click and collect (BOPIS) more than once in the last year.

% of Customers that Expect these Capabilities of Retailers

- 73% ship to local store
- 81% reserve online, pickup in store
What are Typical Omni-Channel Objectives?

Organizations need to consider four key fulfillment options in their omni-channel solution:

1. Shipping from Distribution Center (DC) to Customer
2. Shipping from Store to Customer
3. Shipping to Store/Pickup in Store or Curbside Pickup
4. Shipping from Vendor/Supplier to Customer (“Drop Ship”)
1. Shipping from Distribution Center (DC) to Customer

Opportunity for retailers

Worldwide B2C e-commerce sales are forecasted to be over $5 trillion by 2022. 95% of these customers expect goods to be sent directly from a DC, according to Forrester Research.

Challenge for retailers:

Most times, inventory is sent to a centralized system such as the OMS from the DC only once a day. In turn, this is sent to the website nightly. This creates a one-day lag in the inventory picture. Even with real-time stock adjustments sent, the time to send messages between all systems creates a time-lag, and during this time, an order could be accepted for inventory that is, in reality, not available. The scenario is compounded during peak season.

Our solution for retailers:

- Real-time integrations between the warehouse management solution and the order management solution are critical to fulfilling customer orders.
- Website inventory should be updated in real time with alerts for out-of-stock items, so products are delivered on time and customers are satisfied.
2. Shipping from Store to Customer

Opportunity for retailers:
In lieu of discounting goods, retailers can protect margin by shipping goods, which are selling well online but are not selling well in store, directly to the customer. Also, underutilized store associates can fulfill orders when a DC is busy. At times, shipping from a store reduces the customer’s shipping cost if the store is in closer proximity to the customer than the DC.

Challenge for retailers:
Both inaccurate store inventory and untrained store associates hinder retailers from shipping directly to the customer. As damaging, is a lack of cohesion in goals and motives between online and in-store teams. For example, if the website gets credit for the sale, but store associates have to sacrifice in-person customer service to fulfill the e-commerce order, tensions rise with a mismatched reward system.

Our solution for retailers:
- Technology like Radio Frequency Identification (RFID) will help keep store inventory up to date. Likewise, house the Store Inventory Management system on the same platform as the Store Fulfillment System for better accuracy.
- Develop a comprehensive coverage plan that identifies which stores will complete fulfillment and when they will complete it. This balances out the demand placed on each store and sets clear expectations.
- Unify departments according to similar goals, which eliminate unnecessary conflict and tension.
3. Shipping to Store and Pickup in Store / Curbside Pickup

Opportunity for retailers:
According to Forrester Research, nearly two-thirds of customers expect some variation of “click and collect” from the retailers they shop with. Once in the store, retailers who have successfully implemented this capability have seen increased customer spend of 20-30% more once they are in store to pick up their items.

In the past year, the demand for Curbside Pickup has drastically increased and has become the default option for many retailers and consumers. By the end of 2020, 58% of retailers were offering a variation of curbside pickup, up from just 4% the year before according to the FitForCommerce Omnichannel Retail Index.

Challenge for retailers:
An inaccurate picture of store level inventory may indicate that items are available at a nearby store when, in reality, the items are out of stock. Even if goods are available, consumers now expect goods to be ready within 2-3 hours of ordering online. This requires a huge organizational shift in the stores since retailers must staff specifically for the purpose of readying in-store pickups and curbside pickups.

Our solution for retailers:
- It is important to have a good “inventory protection” strategy when designing this flow. Avoid listing all “available” inventory on the website to avoid creating “masked” inventory.
- Be sure to designate which stores will offer in-store pickup and curbside pickup. Research and analytics can help you decide how to make that designation.
- There is no one-size-fits-all approach. Find a partner who knows how to arrive at the appropriate level of protection, based on experience.
4. Shipping from Vendor/Supplier to Customer (“Drop Ship”)

Opportunity for retailers:
This delivery option is often considered a lifesaver for leading retailers, and when done right, is a way to leverage upstream inventory to customers when the retailers DCs and Stores are fully utilized or do not have the inventory readily available. Wholesalers and licensed re-sellers that are selling products are seen as additional nodes within their supply chain, meaning they do not have to keep the inventory on their books, but they still get to fulfill the orders. Where it makes sense, some retailers choose to have their suppliers do additional “value add” on their products if the retailer themselves does not have the ability or capacity to do it (i.e., monogramming or personalization).

Challenge for retailers:
Proper logistics oversight avoids mismanagement of inventory across multiple warehouses. Without it, negative customer experiences can occur due to improper tracking numbers, incorrect addresses, and shipping delays. Drop shipping also means a lack of packaging control with limited opportunity to personalize what could be your first customer interaction. That said, most reputable shippers allow some sort of private label shipping these days. Downside is increased cost associated with personalization, which further erodes margin.

Our solution for retailers:
- Drop shipping is a great opportunity for many businesses, but it is important to keep a back-up supplier readily available. If your main supplier cannot process or deliver a particular order, you need resources at the ready to fulfill your responsibility to your customers.
- Place test orders with every new supplier to see the process and understand the interactions. Continue to place orders from time to time to ensure consistency.
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Who is Involved with Making Omni-Channel Come to Life?

In short, everyone.

However, a number of retailers still have departments separated according to channel (though this, too, is changing). This creates disparate ideas about who the organization’s customer is and leads to communication breakdowns as changes are implemented. To make omni-channel successful, those multiple viewpoints must be condensed into ONE unified view through a roadmap that assigns decision, technology, and policy responsibilities to key stakeholders, ensuring a cohesive vision across the organization. According to Paving The Path To Omnichannel Fulfillment, a 2017 Forrester report:

“An omni-channel fulfillment roadmap helps raise and communicate key priorities, challenges, and opportunities that everyone invested in the project should know about. All stakeholders identified in the omni-channel fulfillment business case must be included in building, adjusting, and approving the road map through all stages of its development.”

This type of organizational alignment and a comprehensive roadmap are critical to omni-channel success.
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How to Win the Omni-Channel Battle

Omni-channel success comes down to one key factor: management of risk.

Understandably, risk can be prohibitive in any industry. But retailers who are winning the omni-channel game understand that the bigger risk lies in NOT adapting to the changing behaviors and expectations of consumers.

Retailers who are falling behind cite three specific concerns.

1. Application - changes to legacy technologies that are product oriented make it difficult to become customer focused.
2. Lack of Integration - inventory and order management systems are not integrated across channels.
3. Budget - constrained personnel and financial resources make it difficult to adapt.

While there are a number of potential inhibitors when it comes to successful omni-channel adoption, none are insurmountable. Businesses who are seeing the greatest success effectively manage change.

It is not that their challenges are easier. Regardless of industry, companies face the same problems. What is different is that they understand the importance of a guiding hand in modernizing technologies and educating people to overcome internal resistance.

Top Organizational Inhibitors

- Our IT systems were not designed to incorporate customer insights into processes: 54%
- Store systems are too difficult to change & adapt to an omni-channel strategy: 43%
- Inventory & Order management are not integrated across the channels: 40%
- We do not have a single view of the customer across channels: 37%
- IT personnel are too constrained to take on more projects: 31%
- E-commerce systems are too difficult to change & adapt to an omni-channel strategy: 29%
Omni-channel Winners take a pragmatic approach to change, weighing the short-term risks and costs against the long-term gains of customer satisfaction and product allegiance. They make three key investments:

1. Assessment of current functionalities to identify gaps.
2. Implementation of new systems that are customer focused.

When there is a lack of visibility for the customer or when stakeholders do not see the full journey between online and in-store purchasing behaviors, opportunities are missed. Management must also consider the impact of changes on store associates. Failure to do so risks misunderstanding and frustration across the organization, dramatically reducing chances for success.

It takes a specific level of expertise to know which stakeholders need to be informed, how to train the “on the ground” resources who are executing the strategy, and how to communicate the roll-out of functionality over time. This is not the role of software vendors.
PART - 6

How to Implement an Omni-Channel Strategy

Customer expectations have changed dramatically, pushing retailers to adapt or fail.

Are you meeting these expectations?

**ORDER AND INVENTORY VISIBILITY**

**Capability**

Prior to Order Submit, showing ETA on website/mobile

After Order Submit, showing a specific date for delivery on website/mobile/email

View local store inventory online

Check Order Status through website portal

Get notification on mobile device when Order has shipped/arrived

Can see a cross-channel view of Order History

**STORE EXPERIENCE**

**Capability**

Can a store associate see a cross-channel view of a customer’s Order history, and cross/up-sell OR personalize offers?

Can a store associate view inventory at another store, and offer to ship goods to customer or make available for pickup?

Do mobile devices in store accept payment (mPOS) to enable “line busting”?

Is beacon/near-field technology being used in store to identify a high-value customer?

Is Wi-Fi available in store for use by your customers?
## FULFILLMENT / RETURN OPTIONS

<table>
<thead>
<tr>
<th>Category</th>
<th>Capability</th>
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</thead>
<tbody>
<tr>
<td>Fulfillment</td>
<td>Buy online - Ship from Store</td>
</tr>
<tr>
<td>Fulfillment</td>
<td>Buy online - Pickup In Store/Curbside</td>
</tr>
<tr>
<td>Fulfillment</td>
<td>Reserve online - Pickup in store</td>
</tr>
<tr>
<td>Availability</td>
<td>&gt; For Pickup in Store - What pickup window is guaranteed? (2 hours or less? 2 hours = Same Business Day? More than 24 hours?)</td>
</tr>
<tr>
<td>SLA</td>
<td></td>
</tr>
<tr>
<td>Returns</td>
<td>Buy online and return to store</td>
</tr>
<tr>
<td>Returns</td>
<td>For goods returned to store, can the product be re-shelved, or does it get sent back to DC?</td>
</tr>
<tr>
<td>Returns</td>
<td>Buy in store and return to DC</td>
</tr>
<tr>
<td>Exchanges</td>
<td>With view of customer on mobile device, suggest a similar product when online order is returned to store</td>
</tr>
<tr>
<td>Exchanges</td>
<td>Allow exchanged product to be sent to customer prior to returned goods arriving</td>
</tr>
<tr>
<td>Returns Policy</td>
<td>Does your returns policy allow refunding to an electronic gift card after a set amount of time has lapsed (90+ days)?</td>
</tr>
<tr>
<td>Returns Policy</td>
<td>Does your policy allow for products which are no longer being sold (no master data) to be returned for a credit, such as a gift card?</td>
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</table>

## CALL CENTER FUNCTIONALITY

<table>
<thead>
<tr>
<th>Capability</th>
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<tbody>
<tr>
<td>Call Center Order Capture</td>
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<tr>
<td>Can a CSR change the fulfillment path of an Order if it has not been accepted by the fulfillment location yet (changing from ship-to-home to pick up in-store)?</td>
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<tr>
<td>Shared Cart: Can a CSR take 'control' over an unfinished cart when assisting a customer?</td>
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<tr>
<td>Does the CSR see saved ship-to/bill-to information for the customer?</td>
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<tr>
<td>Does the CSR see saved payment information for the customer?</td>
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<tr>
<td>Can the CSR set-up additional services for the customer, such as scheduling an installation of the product?</td>
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<tr>
<td>Can the CSRs see store-level inventory to enable selling to a consumer via a Pick-up In-store flow?</td>
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<tr>
<td>Can a CSR change the payment information prior to settlement?</td>
</tr>
<tr>
<td>Can a CSR enable PayPal payment via a &quot;hosted checkout&quot; session where the consumer puts in their own credentials that the CSR cannot see?</td>
</tr>
<tr>
<td>Can the CSR see a history of appeasements that previous CSRs have given to the customer to identify any trends that the consumer has with the call center?</td>
</tr>
<tr>
<td>Is your call center connected with an Interactive Voice Recorder (IVR)?</td>
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</tbody>
</table>
Simply put, consumers expect all of these offerings, and they are prepared to go to another retailer if they do not get the visibility and customer service they want.

Based upon your capabilities above, organizations find themselves in one of the following four categories of omni-channel maturity.

1. Beginner
   Customers are siloed in individual channels.

2. Competing
   Customers see unified teams and have similar experiences across stores.

3. Inconsistent
   Customers experience some team collaboration with a lack of unity.

4. Leading
   Customers have a seamless and consistent experience across all channels.

Retailers who fall into the “beginner” or “inconsistent” stages of omni-channel maturity need to assemble a team to create and implement an omni-channel strategy as quickly as possible. Failure to do so may result in loss of market or industry relevance.

Those retailers in the “competing” or “leading” categories must continue to assess, evolve, and adapt their omni-channel strategy to maintain a competitive edge and meet ever increasing consumer demands.
How to Select the Right Omni-Channel Partner

Retailers looking for a partner to guide omni-channel adoption, implementation, and integration should look for three key characteristics.

1. Execution Experience
   An assessment of existing systems and organizations should occur PRIOR to the project to create a comprehensive roadmap. Relevant execution of and masterful guidance through this roadmap is key to project success.

2. Clear Communication
   As organizational shifts begin to occur, it becomes critical that everyone “speaks the same language.” A true partner understands the varying levels of communication that must occur for total organizational buy-in and facilitates those conversations at all levels.

3. Broad Perspective
   These projects are multi-faceted, requiring a deep understanding of how changes affect technologies, systems, and people. Look for a partner who educates the team on current best practices and understands how integration affects each aspect of the organization.
SCApath helps consumer driven companies define the strategies, processes, and system requirements needed to design, implement, and deliver omni-channel supply chain solutions. Whether you are focused on wholesale, retail and online, or order sourcing, transportation and distribution, or a holistic supply chain evaluation, SCApath can help you achieve your goals.

**OUR SERVICES**

**TRUSTED ADVISORS**
Business case and roadmap development with change management strategies.

**EXPERIENCED IMPLEMENTERS**
Requirements definition, system design, testing and deployment support.

**RELIABLE SUPPORT**
Custom development, performance testing and interface development, all by SCApath application experts.

**OUR SOLUTIONS**

**ORDERS DONE RIGHT**
Omni-channel Enterprise Order Management for IBM, Manhattan Associates and Aptos.

**ALWAYS AVAILABLE**

**EFFICIENT ROUTING**
Transportation Management through Manugistics, Llamasoft, Oracle Transportation and more.
Consulting Services
Identify, define, and prioritize supply chain solutions that enable the omni-channel customer experience.

- Capabilities, GAPs, & Solutions Assessment:
  - Transportation
  - Distribution
  - Distributed Order Management
  - Store Fulfillment
- Industry Benchmarking: APQC/KPI
- Solution Requirements Definition: Detailed (Level 2 &3)
- Solution Design: Conceptual, Functional, and Technical

Implementation Services
Execute process and technology improvements needed for the supply chain to deliver the omni-channel customer experience.

- Project Management
- Design
- Systems Integration
- Configuration
- Functional Testing
- Integration Testing
- Operational Testing
- Training
Conclusion

An omni-channel distribution strategy is no longer a nice-to-have. It is now essential to the survival of any retail company. And most companies are not only looking to survive; they are looking to thrive by attracting new customers, growing revenue, and increasing profit margins.

The right omni-channel partner can help you decode the complexities of the people, process and technology that make omni-channel so difficult for retailers. Contact SCApath to find out what our omni-channel experts can do for your organization.

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