Does your current fulfillment capability meet the needs of your new omnichannel strategy?

HighJump™

SUPPLY CHAIN NETWORK SOLUTIONS

IF YOU SUPPLY THE SUPPLY CHAIN,
YOU BELONG AT MODEX.

Presented by:

Roger Falkenstein

The greatest supply chain show on earth.

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DRIVERS OF CHANGE

Market Drivers

- Challenged with e-commerce purchasing volumes, retailers are looking to effectively manage the picking of e-commerce orders to provide the buy anywhere, fulfill anywhere and return anywhere capabilities
- Most retailers have not operationalized even the basics such as store pickup, cross-channel inventory visibility, and store based fulfillment
- Current store supply chain models are not suited to an omni-channel world
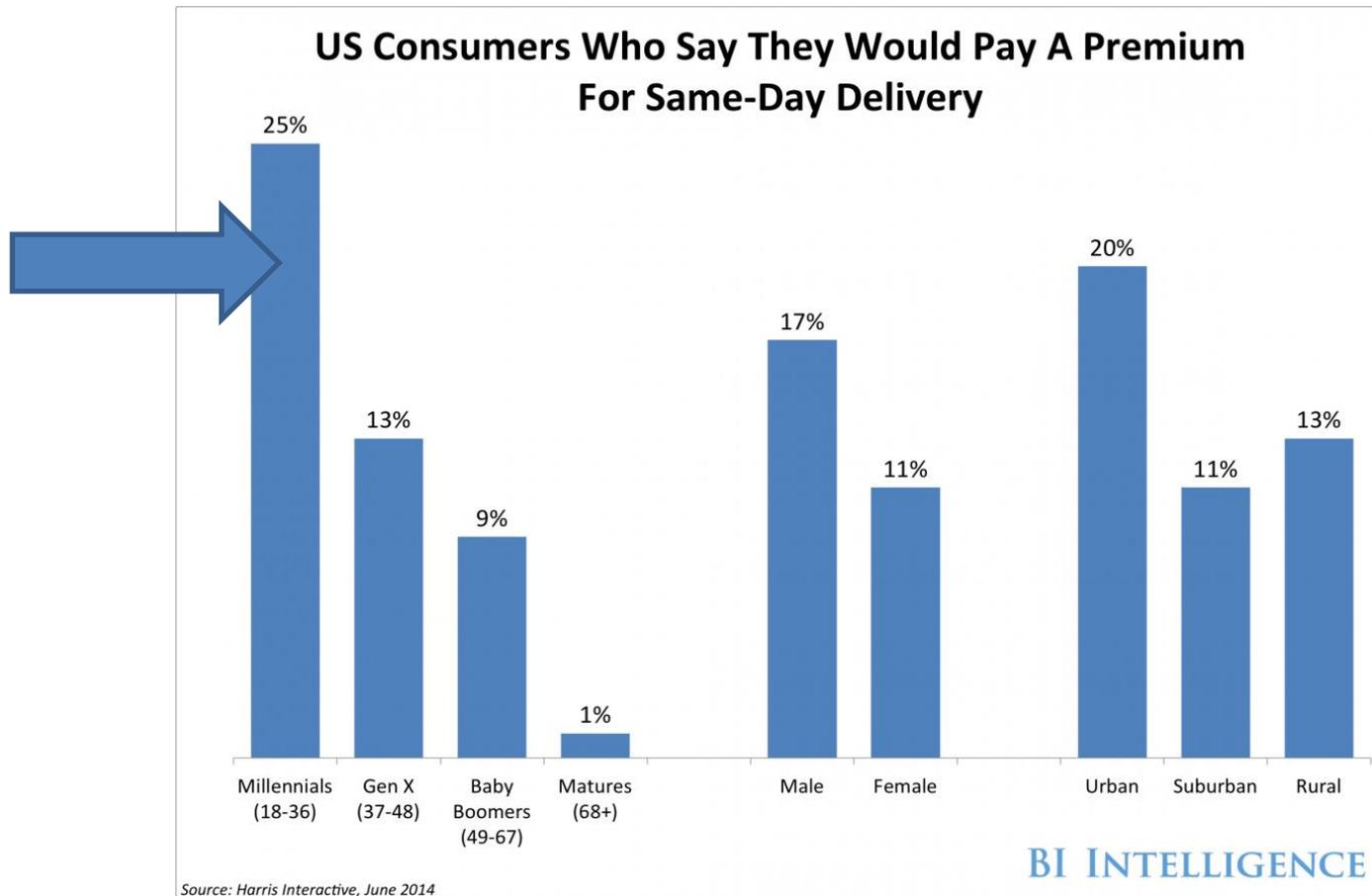 - Technology must support consumers and operations simultaneously
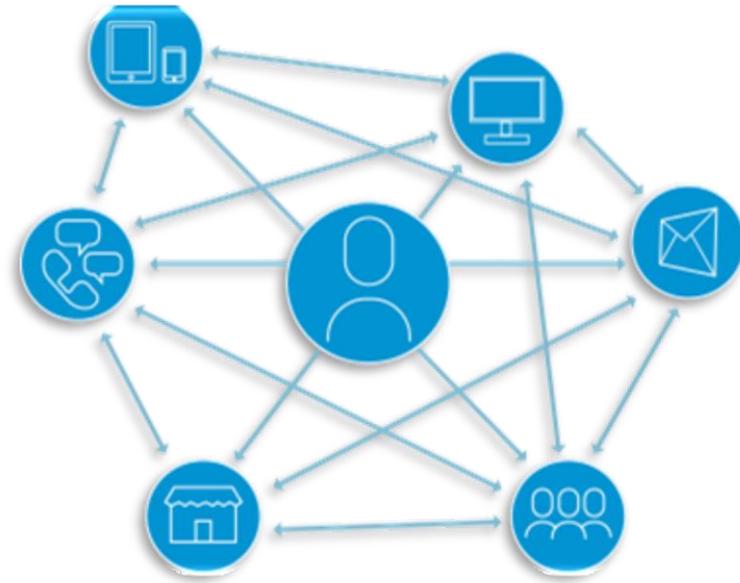
Online Grocery Poised for Growth

- Online grocery is at the intersection of mega-trends:
  - **Convenience** – The increase in stress associated with the work-life balance has already transformed the packaged goods industry
  - **Millennials** – This group has approached grocery-buying age, the "habit barrier" may begin to erode
- At $600 billion a year in sales, food and beverage is by far the largest retail category in the U.S. by a wide margin
- By 2017, 20% of grocery and food retailers' revenue will be from e-commerce and mobile commerce channels (Gartner)

Generational Trends Driving Growth

US Consumers Who Say They Would Pay A Premium For Same-Day Delivery

- Millennials (18-36): 25%
- Gen X (37-48): 13%
- Baby Boomers (49-67): 9%
- Matures (68+): 1%
- Male: 17%
- Female: 11%
- Urban: 20%
- Suburban: 11%
- Rural: 13%

Source: Harris Interactive, June 2014

BI INTELLIGENCE

Consumer Expectations

- Consumers don't care about *channels*, but they do care about finding *solutions* to their needs, and a retailer either satisfies a need or it doesn't
  - Today's consumers are focused on convenience, and they expect their retailer of choice to provide this convenience across all channels
- Increased penetration of mobile devices, including tablets, and greater wallet share shift to the web channel from online buyers
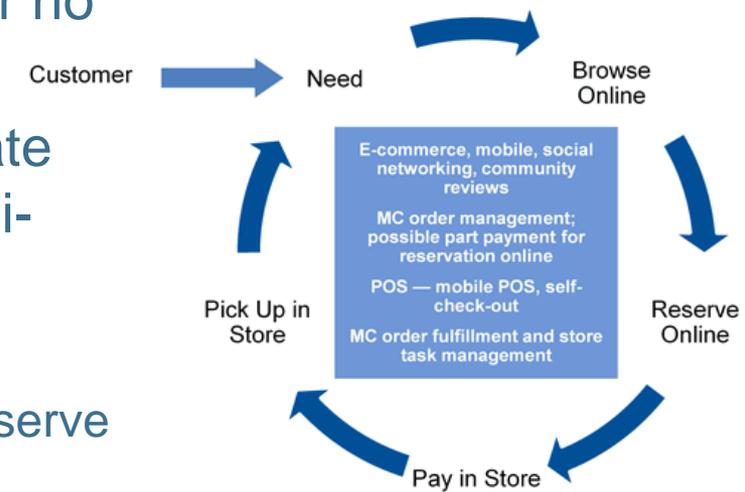- Omni-channel customer experience is now a brand differentiator
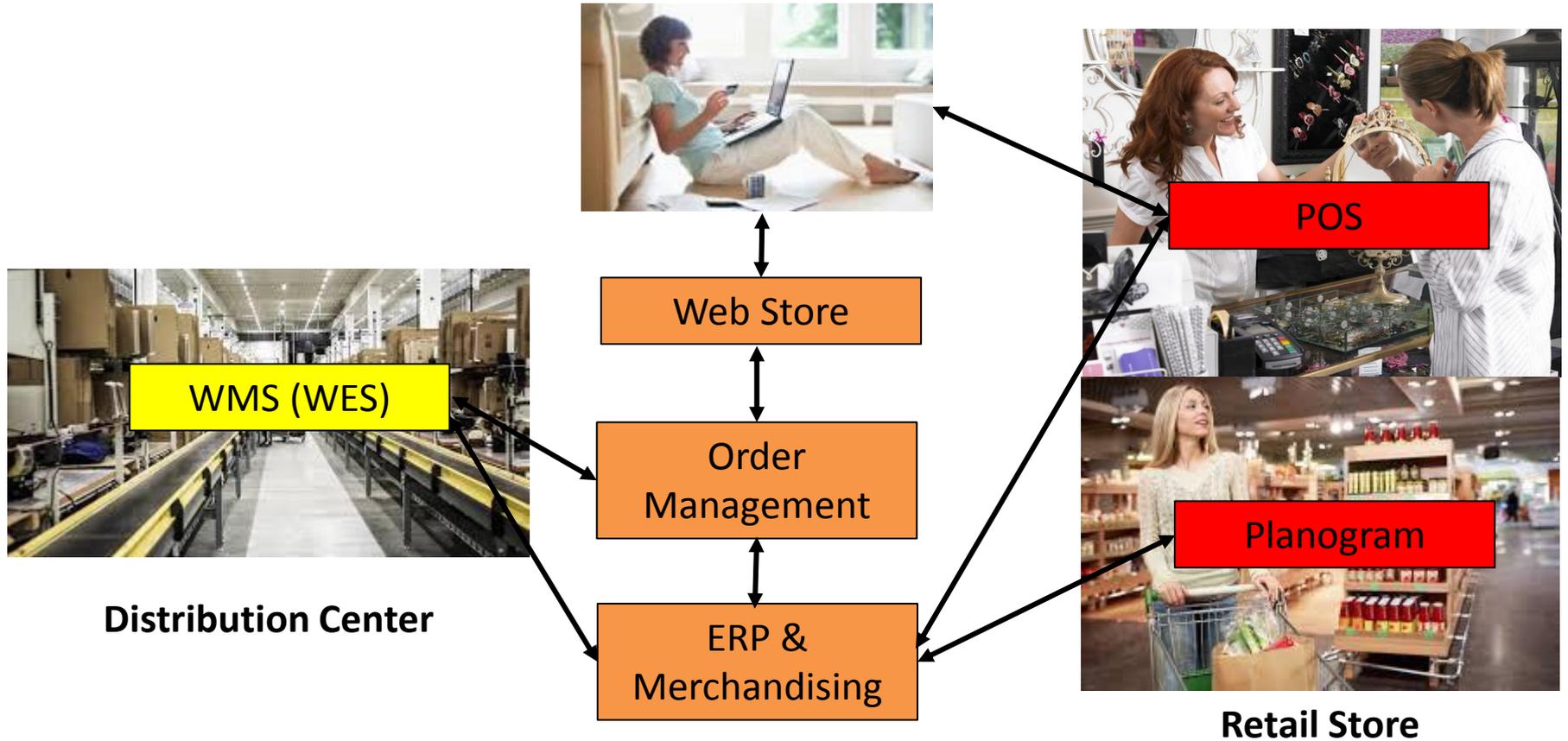
TOP CHALLENGES

Integrating Customer Order Management and the Store

- Retailers are known for relentless focus on the customer
  - "do whatever it takes" approach to customer satisfaction
- Unfortunately many manage the pick and pack process manually, with varying levels or no integration to store systems (POS)
- The biggest opportunity for is to integrate store-level demand fulfillment with omni-channel customer order generation capabilities
  - Align customer convenience with cost-to-serve goals

Customer → Need

Browse Online

E-commerce, mobile, social networking, community reviews

MC order management; possible part payment for reservation online

POS — mobile POS, self-check-out

MC order fulfillment and store task management

Reserve Online

Pay in Store

Pick Up in Store

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Current State of Retail Systems

Distribution Center

WMS (WES)

Web Store

Order Management

ERP & Merchandising

POS

Planogram

Retail Store

Current State of Retail Systems

- The current state of many retailers' supply chains is channel-specific, and channel-specific DC's are responsible for maintaining their inventories
- Many retailers must pull inventory from one channel to fulfill unexpected demand from another channel
  - Meeting unexpected demand in this way costs money and creates a risk of not being able to maintain service levels for the *expected* demand
- The retail supply chain was designed for one thing: to fulfill **to** stores
  - When consumers demand so much more, retailers must be prepared to respond
- Technology investment is critical to enabling a positive omni-channel customer experience
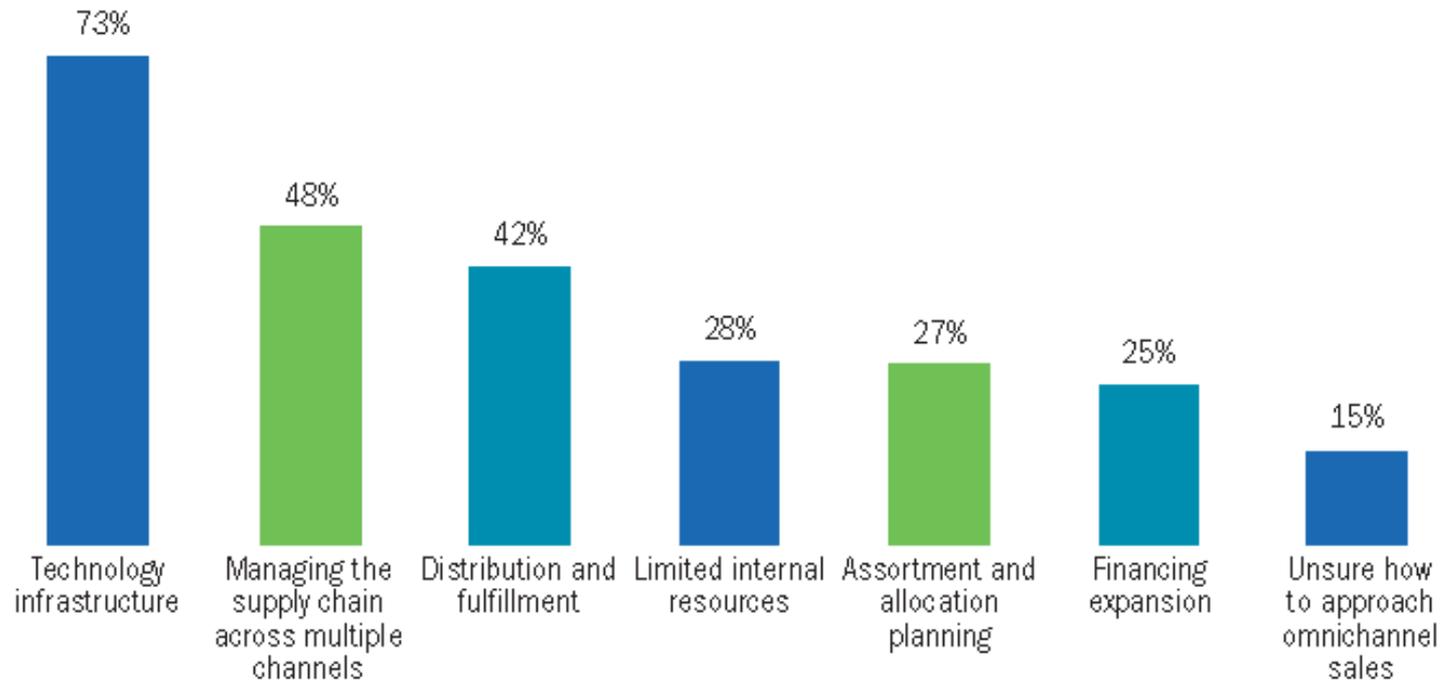
Online Grocery Even More Complex

- There are a number of challenges to buying groceries online on both the consumer and business side
  - The cost and complexity of logistics
  - Shipping or delivery fees
  - Quality and freshness of orders
- For online grocers to deliver the freshness consumers want, they have to be able
  - Sequence order picking (frozen, fresh, dry, etc.)
  - Leverage special handling processes to avoid damaging foods like product
  - Deliver orders fast while maintaining quality

Cross Channel Transaction Challenges

Top Challenges To Becoming a Multi-/Omnichannel Brand/Retailer
(Respondents were asked to choose their top 3 answers.)

Challenge	Percentage
Technology infrastructure	73%
Managing the supply chain across multiple channels	48%
Distribution and fulfillment	42%
Limited internal resources	28%
Assortment and allocation planning	27%
Financing expansion	25%
Unsure how to approach omnichannel sales	15%

Source: Apparel Magazine Omni Channel Survey

Limitations of the Store as a Distribution Node

– Need to have a consolidated, accurate view of real-time inventory across stores and distribution centers

  • Accuracy of inventory data is a challenge (Are items actually on the shelf? In a cart?)

– WMS track inventory as products are put away, moved and picked, fulfillment centers boast inventory accuracy north of 99%

  • Retail stores, on the other hand, historically did not require this level of inventory tracking, store-level inventory accuracy commonly ranges between 50% and 80%

– Difficulty integrating back-office technology across channels

– Workflow management needed to pick, pack, and ship in stores

– Accuracy of picking (are the right products being picked and packed)

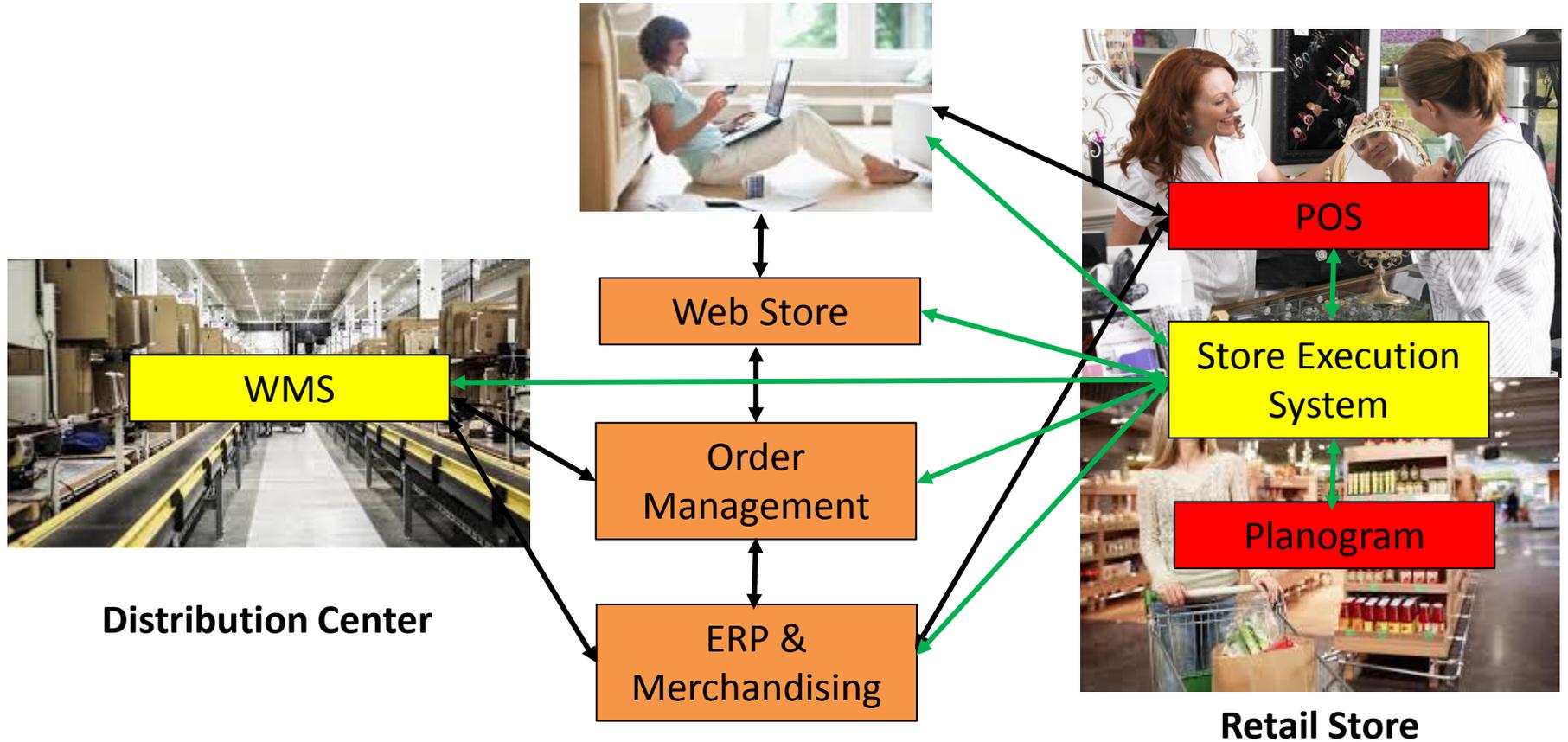– Availability of staff for picking operations

CONSIDERATIONS

The Future of the Store

- Retailers have more limited warehouse infrastructure for their online businesses, but…have a big advantage in store locations
- Retailers need to erode the notion of channel (channel-less) and add direct order fulfillment and stocking in the back-office
- Brick-and-mortar stores and the legacy technologies that support their operations are on the cusp of a refresh cycle
  - Now is the time to invest in the right technologies to satisfy demands of the increasingly omni-channel consumer
- Labor and inventory in a store environment is much more fluid
  - This requires system investments and operational changes

The Future of the Store

Distribution Center

WMS

Web Store

Order Management

ERP & Merchandising

POS

Store Execution System

Planogram

Retail Store

Things to Consider

- Which stores will be leveraged in this model?
  - Starting small can help control the process and preserve profitability
- Which channel will receive credit for the sale?
- Operations and Workforce Management
  - Pick and pack at set times during the day? All at once?
  - Where will orders be staged?
- Inventory policies and practices: One pool of inventory? Multiple pools based on channel?
  - Should you limit the number of SKUs initially available?
  - In-store cycle counting
- Key technology investments
  - Pick, Pack, and Ship
  - Inventory Management
  - Order Management

For More Information:

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