



## Retailers grasp Omni-channel opportunity

***Demanding clear stock visibility, keen predictive techniques and tightly managed fulfillment operations, delivery is the exciting and challenging heart of the Omni-channel experience. Simon Duddy and Catherine Christie report.***

**T**he customer service and delivery experience isn't optimal yet, which is understandable as what we're trying to do is incredibly difficult. Customers used to do all the work, they'd go and find the product, and now we're trying to navigate through to them." So said Sir Terry Leahy, ex-CEO of Tesco at The Delivery Conference recently. Difficult it might be, but retailers have to find a way to deliver the Omni-channel challenge - placing the customer at the heart of a consistent brand experience across all channels -

and it starts far back from the front door of their customer.

Stock visibility is a critical building block for successful Omni-channel retail. But many retailers still take an operational view of stock, where availability is focused on the warehouse and not on the customer.

Daren Ward, associate partner at Glue Reply explains: "Many retailers need to take a hard look at how they calculate availability. The key is to match availability with the promise; if stock is still on the container ship, with the

appropriate promise the customer might be happy with a long lead-time. But when you make a promise, you need to keep it."

The answer isn't as simple as identifying stock in all locations or even at the suppliers' locations.

Descartes EVP marketing & services Chris Jones adds: "You also need to understand what is in transit. That requires networked based solutions that integrate retailers, suppliers and logistics companies and links shipments with inventory and purchase orders."

Data is everything in this part of the process and one of the upsidest of eCommerce is that it generates a vast quantify of useful information. For example, in-store if a product is missing from the shelf it's impossible to know how many sales have been lost. Not so online.

Robyn Doyle, head of eCommerce



strategy & planning at Dixons Retail explains: “When you’re talking about online, we actually know how many people want a certain product, and how many couldn’t have it and so there’s a lot you can do to ensure that you’re matching supply and demand.”

Retailers are engaging with Big Data techniques in a bid to harvest high quality insight from this welter of information. DataArt UK logistics business development director John O’Brien says Big Data Analytics can provide insights into costs, down to the vehicle level.

“A large retail multiple in the US analysed its parcel operations and identified annual savings of over \$5 million,” he says. “In simple terms parcels were typically routed using the wrong carriers and the wrong service levels at the wrong rates. Big Data Analytics allowed the retailer to see where things were going wrong and correct them.”

Expect to see the application of live weather and traffic data for dynamic transport planning of rapid response home delivery. Another area of focus for Omni-channel retailers is how to deploy inventory across different fulfillment channels in order to best serve future customer demand.

*“If we opened on Sundays and adopted a seven day a week model, we could create 17% extra capacity, grow our business and maximise the assets that are already in place.”*

“Big Data can support postponing these deployment decisions, resulting in better inventory management (lower investment), as well as better service,” says Emile Naus, partner and technical director, LCP Consulting.

Perhaps the apogee of big data techniques is Amazon’s recently patented idea of an Anticipatory Packing System. Can Amazon really glean insight from its own data to the extent that it can have a product ready or on

the move before a customer has actually placed an order, based on their previous online activity and spend? It sounds outlandish, but shoppers do engage in repeating patterns, so it is likely that Amazon is once again ahead of the game.

Big Data is likely to have an impact on how storage space is allocated. Glue Reply’s Daren Ward speculates we may see a migration from large sheds to an Argos type model where sales space is



## Meeting the integration challenge

The integration challenge for traditional retailers should not be underestimated.

LCP Consulting retail partner Stuart Higgins says: “Setting a clear strategic direction is paramount for success and an essential first step. Delivery will require Board alignment and CEO as sponsor, as well as a commitment to invest significantly in the changes required.”

Higgins says the journey will take around three years and will involve addressing most business processes from range selection and deployment through to service proposition, delivery and all points in between. The role of stores, DCs and the whole operating model for the business needs to be redefined to integrate activities that have previously been seen as separate.

People and skills also need to be looked at.

Higgins continues: “Rethink roles at the board table and then deeper into the organisation, just as you did when the idea of multichannel retailing first emerged. Changes in business processes, systems and behaviours mean you have to build or hire-in new skillsets. As an example, the role of store colleagues is changing with the advent of in-store collections, returns, in store ordering for home delivery which requires them to be able interact with customers very differently than they have done in the past – potentially providing an opportunity for further sales.”

Customer feedback loops are also critical to success and need to be incorporated into business metrics, as are an understanding of channel economics to aid inventory deployment decisions coupled with real time sales trends which allow agile supply chain responses to changing customer demands.

Higgins concludes: “It takes tenacious leadership coupled with a measured attitude to ‘learning by doing’ to take retail organisations on this journey – a journey which may take at least three years of sustained effort to deliver.”

