

Multiple Order/Pick-up/Delivery Options Fulfill The Omnichannel Promise

By Lorna Pappas, Contributing Editor

Today's omnichannel retailing environment requires the inventory visibility that allows shoppers to order and receive from their channels of choice. This effort demands sophisticated supply chain operations that optimize product distribution from the DCs to stores and homes; stores to homes; online to stores and homes; and other combinations that uphold the omnichannel promise.



Once again, **Amazon** takes a stance in omnichannel innovation: Recently the merchant announced a patent for a strategy it calls "anticipatory shipping." Based on customer purchase history and online search behavior, Amazon will be packaging and moving unordered items to delivery hubs closest to those customers deemed most likely to order them. The approach reduces delivery times and helps Amazon compete even more aggressively across channels.

This announcement follows startling news of the Amazon drone. Now called Prime Air, the technology will deliver Amazon items in 30 minutes, [according to Amazon](#), and may be ready "as early as sometime in 2015" — although industry experts and consumers are skeptical about the plausibility of the drone technology.

In response to intensifying competition from Amazon and other entities, retailers "will double the rate of industry supply chain investments in 2014, as compared to 2013," explained IDC Retail Insights analysts, in a webinar, titled: *2014 Predictions: Worldwide Retail*. The IT impact includes "changes in supply chain planning, replenishment and allocation processes and algorithms to enable omnichannel fulfillment." In response, retailers must evaluate and implement technology to meet long term supply chain process needs, "regardless of current level of omnichannel maturity."

Moving The Needle On Same-Day Delivery

Amazon's activities and other industry factors are motivating retailers to consider the viability of same-day shipping and delivery. Some of the drivers moving more retailers to same-day fulfillment include: Ongoing competition from eTailers; borderless, anytime-

anywhere, business; and “ubiquitous mobile and socially connected lifestyles,” according to the IDC analysts during the webinar presentation. “By 2016, 50% of national retailers will invest in distributed order management, enterprise inventory visibility, and workforce management to enable same-day fulfillment. Order process cycles can no longer be run in overnight batch processes and greater levels of inventory accuracy must be attained to protect profits.” In addition, home-grown logistics capabilities will no longer handle omnichannel complexity.

IDC suggests three priorities for retailers looking to expand their omnichannel delivery capabilities:

- Implementing distributed order orchestration that includes store and drop ship processes;
- Identifying third party fulfillment and logistics partners that can fill gaps as consumer adoption scales; and
- Executing key technologies that enable real-time order management and fulfillment, and visibility to demand, supply, capacity and cost.

Google Shopping Express, **Walmart** To Go and **eBay** Now are among current same-day fulfillment services offered by leading retailers.

The recent eBay acquisition of Shu!t!, a UK-based delivery company, expanded eBay Now with a widespread network of local same-day carriers. “Today, approximately 75% of what people buy is local, found within 15 miles from their home,” said Devin Wenig, President of the eBay Marketplaces business unit. “Traditional retail isn’t going away. But it is transforming, and that creates enormous opportunity within the \$10 trillion total commerce market.” The Shu!t! acquisition will extend the eBay Now delivery service to 25 markets by the end of 2014.

Home Depot Pursues Same-Day Shipping

Realizing the importance of competing in the omnichannel arena, The Home Depot is investing significantly in same-day shipping: The company is building three new U.S. direct fulfillment centers that will enable online orders to ship on the same day. The first

“By 2016, 50% of national retailers will invest in distributed order management, enterprise inventory visibility, and workforce management to enable same-day fulfillment. Order process cycles can no longer be run in overnight batch processes and greater levels of inventory accuracy must be attained to protect profits.”

-IDC Retail Insights

center is slated to open February 2014. “We want to allow shoppers to place orders by 5pm and choose a one-hour delivery window,” said Mark Holifield, SVP of Supply Chain for The Home Depot. “Customers will be able to receive real-time delivery updates via their mobile phones.” The new direct fulfillment centers represent “one of the largest investments we’re making in interconnected retail.”

As The Home Depot looks to the future, “our aim is to create a flexible network of customer delivery options, leveraging all of our inventories and logistics resources. We’re also investing in new warehouse management and material handling systems to enable faster response order picking and shipping in our DCs.” The Home Depot also is working to enhance vendor-direct fulfillment.

“This integration of our view of orders, inventory and transportation resources,” said Holifield, “will enable more flexible customer delivery options, improved inventory productivity and a more efficient transportation process.”

“We want to allow shoppers to place orders by 5pm and choose a one-hour delivery window. Customers will be able to receive real-time delivery updates via their mobile phones.” The new direct fulfillment centers “represent one of the largest investments we’re making in interconnected retail.”

-Mark Holifield,
The Home Depot

Retailers Embrace Ship-From-Store Capabilities

The Home Depot also is investing in systems and processes that “further enable stores as effective origins for delivery,” stated Holifield. This includes “taking orders online for delivery from the store.”

Today, 83% of North American retailers have rolled out, or plan to roll out in the next 24 months, a ship-from-store program, according to a study from Forrester and OrderDynamics, titled: *The Retail Order Management Imperative*. Furthermore, 54% of these same retailers have rolled out — or plan to roll out — store fulfillment capabilities to more than half of their stores. “With store fulfillment now a reality,” the report indicated, “these retailers are already fulfilling (or expecting to fulfill) an average of 35% of their online orders from stores.”



Though retailers appear to be making a lot of progress fast in enabling ship-from-store, RSR offered a “ship-from-store reality check:” In a recent survey report, titled: [Supply Chain Execution 2014: Making Omni-Channel Profitable](#), RSR stated

that “only 37% of retail respondents said they have or are in the process of getting online visibility to in-store inventory. How can retailers confidently promise in-store inventory to customers if they can't confirm that it's really there?”



Meanwhile, **Best Buy**, **Gap** and **Walmart** are among the many retailers committed to ship-from-store initiatives. Specifically, these three retail giants are shipping orders to stores closest to customers then having the items picked, packed and delivered to those nearby locations. In fact, according to an [article in USA Today](#), Best Buy could generate an extra \$5.8 billion in sales and \$168 million in profit during 2014 by shipping online orders from Best Buy stores.

In mid-January 2014, eBay Enterprise announced the availability of a Ship-from-Store SaaS solution, allowing retailers to turn their physical retail locations into these “virtual distribution centers.” The company stated that Ship-from-Store benefits for both retailers and consumers include:

- Decreased delivery costs and times for customers by routing shipments from the nearest possible physical location;
- Optimized order fulfillment through physical storefront inventory, expediting the ability for retailers to debut new products; and Profit margin protection via moving store inventory online, as opposed to marking it down in-store.

Other retailers pursuing ship-from-store include:

- **Lilly Pulitzer**, a multichannel retailer of women's fashions, relies on order management solutions from Manhattan Associates to allow ship-from-stores, online-to-homes, and DCs-to-stores, “to solidify our omnichannel operations,” said Keary McNew, CIO at Lilly Pulitzer, in an interview with *Retail TouchPoints*. The systems “afford us the ability to expand our market reach, merge our online traffic with our stores, and create a seamless experience for our customers.”
- **Eclipse** is a Canadian women's apparel retailer with 68 brick-and-mortar stores. Recently the company expanded into omnichannel retailing with an e-Commerce site powered by OrderDynamics technology. The launch includes enterprise-wide inventory visibility allowing several critical omnichannel features, which include shipping from local stores.

- **Modell's Sporting Goods**, which operates an e-Commerce site and 154 brick-and-mortar stores, uses order management technology from Shopatron to merge online and offline inventory insight. The advanced capabilities allow the sporting goods retailer to provide ship-from-store, in-store pick-up and other omnichannel order/delivery capabilities.

The ship-from-store program, launched in 2013, has resulted in a 277% increase in year-over-year sales for Q2/Q3 2013. Modell's will expand ship-from-store to additional locations throughout 2014.

6 Retailers Tap Inventory Solutions To Deliver Omnichannel Success

Complete inventory visibility and sophisticated order management tools help retailers optimize product distribution to allow ordering, pick-up and delivery from any channel.

As many as 77% of retailers consider in-store inventory pick for in-store customer pick-up to be "very valuable," according to a December 2013 survey report from Retail Systems Research (RSR), titled: *Supply Chain Execution: Making Omni-channel Profitable*. Another 56% also considered ship-to-store for consumer pick-up to be "very valuable." However, only 36% and 29% of retailers, respectively, had implemented or planned to roll-out processes that allow it.

When it comes to supply chain and inventory destinations, "retailers are reaching for the brass ring: Targeting fulfillment from the most profitable location as their primary omnichannel fulfillment opportunity," noted RSR in the report. But without increased visibility across the network, achieving this goal will be difficult.

Retailers choosing to invest in advanced inventory solutions are reaping the benefits. Here are six examples:



- **David's Bridal** enhances visibility into inventory availability information across all channels with supply chain commerce tools from Manhattan Associates. The solutions allow David's Bridal to consolidate multichannel order and inventory data to ensure efficient and timely order fulfillment — whether from DCs to stores and homes, or online to stores and homes. By pooling and governing availability of inventory across the e-Commerce and store distribution network, the retailer's entire supply chain can service each customer's specific needs.

"Our business is founded on offering brides the widest variety of products always delivered on time for her big day, no matter how she chooses to shop with us: Online, in our stores, or by phone," said Caryn Furtaw, CIO at David's Bridal. "It's critical that we have one system we can rely on to provide inventory availability and manage orders across our network."

- **Design Within Reach**, a multichannel retailer of upscale furniture — much of it imported from Europe — requires clear inventory visibility to assure customer orders are delivered accurately and on time. "Our goal is to have a highly precise and complete in-stock omnichannel position," said Bethany Kemp, VP of Technology and Information Systems at Design Within Reach, in an interview with *Retail TouchPoints*. "This goal underscores the competitive advantage we bring: Yes, customers can order European imports from another retailer, either online or in-store, but it may take them 16 weeks to receive it!"

Design Within Reach relies on technology from NetSuite to improve visibility into customers' omnichannel orders and deliveries. The NetSuite order management platform helps the retailer attain the goal of improved in-stock inventory: It provides a clear view into order status, such as number of current European shipments, products included, where they are and when they will arrive.

- By offering buy online/pick up in-store, **Thule** increased its dealer base by 700%. Using Shopatron technology, the retailer of brand vehicle racks and carriers is delivering orders quicker via in-store pick-up. The technology "integrated our dealer network into the e-Commerce process to convert traffic from various branded web sites into increased sales for Thule and its authorized retailers," said Steve Doviak, Internet Manager at Thule. "In fact, we have increased our dealer base from fewer than 100 to more than 700 local retailers servicing Thule online orders."



Like Thule, as many as 52% of retailers currently offer a buy online/pick up in-store option, according to a [Retail TouchPoints survey report](#) that addressed omnichannel strategies.

- A variety of product pick-up and delivery options are vital for **Best Buy**, the *Retail TouchPoints* report indicated, and often depend on the region of the country: "In the Pacific Northwest, for example, 40% of online sales in that area can be store pick-up. During the holidays that number can increase to 70% percent." Best Buy relies on the Advanced Inventory Planning tool from Oracle to forecast replenishment need at a store level.

- **Henry's Camera**, a Canadian omnichannel retailer of high-end cameras, launched a Reserve Online Pick Up In-store capability that utilizes a multi-location inventory management module from OrderDynamics. The tool allows customers to leverage the Henrys.com site to view product inventory at individual store levels. In a few simple steps, Henry's customers can research products online, then reserve them at the most convenient store location. In addition, the Henry's staff can view customers' online and in-store purchasing history and behavior profiles to help make appropriate upsell and cross-sell recommendations during the in-store pick-up.

"The retail world is changing fast and fulfilling the needs of the connected customer is a crucial part of future growth." The 120 pick-up points, compared to eight only a year ago, "represent great momentum and solid proof of our successful omnichannel execution."

-James McCann,
Ahold USA

"Reserve In-Store represents our commitment to providing the most convenient and seamless omnichannel shopping experience possible for our customers," said Ian Landy, President and CEO at Henry's. "It also acts as a way for Henry's to leverage inventory and expert staff at each of our retail stores. When customers come into our stores to buy an item they reserved online, they also have an opportunity to enjoy our in-store experience, large product inventory and expert staff. This will lead to an even better shopping experience and ensure our customers get exactly what they want."

- **Ahold USA** operates dozens of grocery stores under the **Stop & Shop**, **Giant** and **Martin's Food Markets** brand names. In January 2014, the company announced 120 store pick-up points where customers can receive their online grocery orders without leaving their vehicles.



"The retail world is changing fast and fulfilling the needs of the connected customer is a crucial part of future growth," said James McCann, COO at Ahold USA. The 120 pick-up points, compared to eight only a year ago, "represent great momentum and solid proof of our successful omnichannel execution."

Do Customers Prefer Fast Or Free?

A myriad of omnichannel order/delivery options satisfies customer demand for acquiring items quickly. However, free shipping is far more attractive to Americans than fast shipping, according to research from Pitney Bowes. In an infographic [previously published by Retail TouchPoints](#), Pitney Bowes found that shoppers preferred free shipping (77%) to fast shipping (19%).

Similarly, a recent study by Walker Sands found that consumers would be more likely to purchase products online if they shipped for free (80%) versus if they were delivered within one day (66%).

Free shipping continues to be every retailer's "frenemy," according to a [Forrester report](#). "Shipping can be seen as both a friend and an enemy to retailers, incentivizing customers to transact via free offers on the one hand while incurring hard costs on the other," the report indicated. "Unfortunately, retailers won't resolve their conundrums around shipping costs in a hurry, as companies like Amazon.com and Zappos.com continue to set high customer expectations when it comes to shipping offers."

Indeed, though free shipping costs consumers nothing, it is, of course, not free for the retailer, according to a [Newgistics company blog](#): "To offset the cost of free shipping offers in such a competitive online marketplace, retailers must look to their operations budget or other internal budget. The selection of a shipping partner can benefit retailers beyond the moving of boxes [to include] incremental revenue streams as well, which can off-set costs in other areas to help recover some of the expense of offering 'free shipping.'"



In addition, online retailers "should not look at the growing expectation of free shipping as a problem," according to the blog, but as "an opportunity to hone their marketing strategy to encourage first time buyers and to build long-lasting relationships with satisfied customers."

MasterCard recently partnered with Clarus Marketing Group to offer free shipping to card holders by cutting associated logistics costs. Echoing Amazon Prime, MasterCard has joined the payment networks using subscriptions

to bring this free shipping model to eTailers across the web. The program removes the shipping burden from retailers, now including **Best Buy, Macy's, Kohl's, QVC** and **WalMart**. Merchants' transactions experiences remain the same, and no changes or technical updates to merchants' web sites are required. Instead, consumers go through MasterCard for a shipping reimbursement.

"Free shipping has become a huge deciding factor in e-Commerce," stated Tom Caporaso, CEO at Clarus. "Amazon Prime orders increased from \$24.98 per order on average before joining the service to a whopping average of \$75.31 after. Clearly free shipping is in high consumer demand and encourages more purchases."

Whether the shipping choice is free, within the day or hour, or direct to stores and homes, increasingly sophisticated order/pick-up/delivery options are helping retailers uphold their omnichannel promise.



411 State Route 17 South,
Suite 410
Hasbrouck Heights, NJ 07604

P: 201.257.8528
F: 201.426.0181
info@retailtouchpoints.com

About Retail TouchPoints

Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The Retail TouchPoints network is comprised of a weekly newsletter, special reports, web seminars, exclusive benchmark research, an insightful editorial blog, and a content-rich web site featuring daily news updates and multi-media interviews at www.retailtouchpoints.com. The Retail TouchPoints team also interacts with social media communities via Facebook, Twitter and LinkedIn.



You May Also Like...

click to view



Omnichannel
Survey Report



Customer
Engagement Awards



2014 Technology
Preview



2014 Outlook Guide