RETAIL ASSIST

What is Omnichannel Retailing?

What is driving the need for technological transformation in retail supply chains? Simple – the customer. They are demanding more than ever; accustomed to getting what they want, where, when, and how they want it. **We call them 'omnichannel' customers, and retailers need to please them to maintain and grow their profitability.**

This whitepaper will detail the components required for the achievement of a seamless brand experience for the customer, exploring omnichannel at its lowest level of detail – the supply chain – and building in an appreciation of the integrated operations that makes this version of retailing the most profitable long-term transformation that retailers should invest in.

/Let's break it down. What is omnichannel?

Omnichannel retailing centres on the idea that a seamless shopping experience in physical stores, simultaneously with that of digital channel experiences, gives them a competitive edge over online-only retailers by leveraging their store assets.

Such thinking assumes that despite its costs, there is significant economic value to be gained: omnichannel retailers who have a fully integrated front and back end, and an integrated organisational structure are twice as likely to deliver double-digit growth. It's true that footfall is declining, but retailers need to re-evaluate the role of their stores through the critical part they play in omnichannel operations. In the face of competition from online-only, or pure-play, retailers, which are bursting onto the scene at a rapid rate, multichannel retailers must invest in omnichannel strategy to be their "killer app".

At this point, omni-cynics might ask a valid question: if omnichannel has been retailers' golden objective for a few years now, why haven't they already achieved it? Simply, it's that transitioning to omnichannel is as much a business culture, a "way of doing business", as it is an operational process.

The following whitepaper will break down the processes, demands, and culture of omnichannel retail.

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It starts with the supply chain

86% of global retailers claim that their supply chain is currently not fit for purpose to deliver a successful omnichannel offering.

86% not happy with their omnichannel offering.

Where does the problem lie? Usually, it's a lack of infrastructure investment, and the prime concern – poor stock management.

Single view of stock

At the heart of omnichannel retailing is a central, single stock pool. In omnichannel retail, bricks-and-mortar and online stock are not ring-fenced, but merged, and can be dynamically reallocated on a minute-by-minute basis due to 100% visibility. It's this key feature that provides true omnichannel customer experience and enables back-end optimisation.

Stock Management

Ordering

Pricing

SINGLE VIEW OF STOCK

Fulfilment

Sales

2

Store performance

Understanding the breakdown of your store performance is essential. Knowing which stores are used for fulfilment, those that are used for collection, or both, can drive better sales performance by understanding customer trends. The ability to track this is essential to know where the stock is sold, and the origins of the order.

Increasing store performance and driving omnichannel trading within the store, to promote methods such as click and collect, is only possible when incentivising your stores and the teams within them. As such stores need to be adequately credited with click and collect orders, or online orders made in store. Rather than cannibalise sales, and see online sales as a threat, the appropriate culture and credits ensures that omnichannel trading has the greatest chance of success.

A good example of the risk that retailers run through non-integrated processes impacts their view of store performance. For example, some retailers have click-and-collect functionality in place, but lack of integration damages their ability to qualify the sale as a specified click-and-collect order, including the store for collection. Instead, it shows as a web order. This is at the detriment of the retailer truly understanding their stores' real performance, which is critical to the success of omni.

Full integration and visibility also plays a part in omnichannel store culture, to ensure that stores embrace it as a positive cultural change rather than a hindrance. Procedures need to be in place to ensure that the store despatching the order is credited for the sale.

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The product journey

Having a real-time view of stock, and visibility of the entire stock inventory no matter what the location, makes stock more readily available to allocate in the most profitable manner, whether it is shipped from store or from the warehouse.

That's why our expert developers have coded algorithms to calculate the most cost friendly and efficient way to fulfil. What's the use in shipping an item to your flagship store from the warehouse 100 miles away, when it could be shipped from a store in the same town, just 10 minutes away? Unbelievably, most retailers have such inflexibility in their supply chain that fulfilment costs are spiralling out of control; it's time to take back your profitability.

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/Scenario: Online customer orders a shirt for next-day collecting at the Birmingham Bullring store.

This represents a true, realistic and achievable way to manage stock. In Merret, the above happens automatically based on our standard algorithms, but rules can also be manually assigned, for example:

- London Oxford Street flagship store must always have x number of your bestselling jeans in stock, rather than y which is the set stock threshold for the rest of the country.

- London White City store, which experiences comparatively low footfall, is set as a 'fulfilling store' for all other London store collection orders. If London Oxford Street needs 6 pairs of its new jeans in size 10 and 12, the order is fulfilled by London White City, rather than shipping from the warehouse.

/A real example of fulfilment in Merret:

System checks possible options:

- Shirt available in 5 stores and in the warehouse.

- Closest location is a store in Birmingham city centre, but this product (SKU) is selling well in this store and their cover is low.

- In Coventry the SKU is overstocked, has not sold well, and their cover is high.

- Based on the client's desire to utilise overstocked stores in preference to delivery efficiency (calculated automatically in Merret), the order is allocated to the store in Coventry.

- The Coventry store picks and packs the item and ships it for next-day delivery to Birmingham Bullring for customer collection.

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Click-and-collect

Click-and-collect enables shoppers to purchase items online and pick them up anywhere, merging ecommerce and physical outlets together. It's often cited as the most convenient way for the modern consumer to shop.

In a survey last year, it was revealed that although 72% of consumers now regularly use click-and-collect as their preferred delivery method, only 58% of retailers provide it.

⁄ Upselling

As well as benefits to the customer, click-and-collect has a strong commercial proposition. According to ICSC, **69% of shoppers picking up a click-and-collect order will buy additional items in store**.

69% **additional sales from click-and-collect**
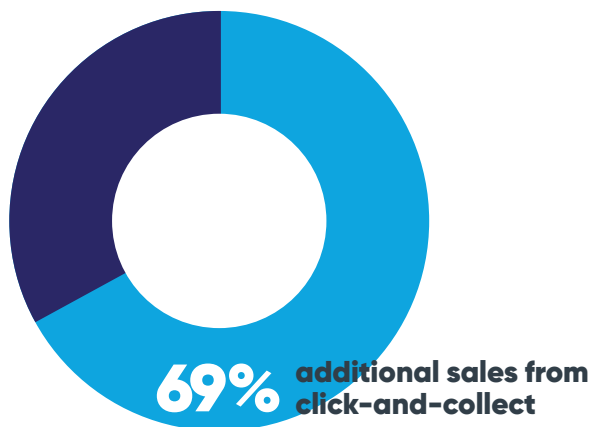
During peak periods, these additional items cost £27 extra on average. For example, if the store staff scans a package and sees that it contains a black dress, they could suggest shoes or accessories to pair with it whilst at the till point. That's a big upselling opportunity to miss out on.

Of course, additional load to the store must be appreciated, including enough room to receive and process click-and-collect orders. Store staff must also be effectively trained and ready to cope with the potential demand placed on stores for processing click-and-collect deliveries, as well as despatching orders to the customer in store.

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Ship from store

Ship from store can also prevent frustrating "out-of-stock" situations: just because an item might not be available in the warehouse, it might be hanging on a rail in-store, dressing a mannequin, or have been returned to a store. This captures sales that might otherwise have been lost

Having a central stock pool to facilitate ship from store allows the retailer to utilise stock currently held in its stores to fulfil online and store orders for collection or delivery, widening their stock availability. This gives flexibility and greater sales opportunity for both footfall and online sales.

It's an efficient way to use stock, by preventing stores from unprofitable stockholding. For example, your flagship store might sell out of the new range bestseller, whereas a smaller store could end up with a surplus that are difficult to sell. Rather than having to discount this stock, retailers can maximise full-price selling through using the store inventory to fulfil orders, rather than sourcing the same item from the Distribution Centre (DC).

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Overall shipping costs for the retailer also experience a decrease, as despatches from the DC reduce dramatically. It's usually much more cost effective to ship an order locally, rather than from your warehouse.

To make Ship from Store work at its optimum, retailers need 100% real-time visibility of their complete inventory, across all channels. Our omnichannel supply chain solution, Merret, facilitates this critical visibility.

Merret is rich in functionality and accurate data that makes decisions on stock more accurate, transparent, and meaningful.

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Want to know more?

If any aspect of this whitepaper has interested you, or you'd like to find out more about implementing omnichannel solutions, please contact us on marketing@retail-assist.com or 0115 9042777 to arrange an exploratory meeting.

Brands already benefiting from our omnichannel supply chain solution, Merret, include: