

IBM Commerce

# Omni-channel Order Fulfillment

7 Steps to Omni-channel Success

# Omni-channel is defining market share

**“This isn’t a project. It’s about the future of the company.”**

Walmart’s Neal Ashe speaking to a board member



**“Multi-Channel Commerce is a Game Changer. It will create retail winners and losers.”**

Leroy Allen, former SVP Logistics, Lowe



**“It will take the rest of our careers and as much money as we've got. This isn't a project. It's about the future of the company.”**

Neil Ashe, Walmart's president of global e-commerce, when asked by a board member about how much time its omnichannel efforts would take and how much it will cost



# Omni-channel is critical. It makes for the best customers.

- The more channels a retailer offers, the more channels a customer shops. The more channels a customer shops, the more loyal the customer is.
- Multi-channel shoppers are 15% more likely to recommend a retailer than are single-channel customers.
- Average spend of three-channel consumers is > 2x that of single-channel shoppers.



# However, customers expect a certain level of service when they are interacting with a brand

85%

*“expect a seamless experience across all channels for a retailer”*

81%

Important to deliver a *“consistent brand experience across all points of interaction”*

92%

Expect a positive overall experience regardless of the combination of channels

Source: IBV U.S. Consumer Study; IBM; Q27

# Omni-channel is blurring the distinction between digital and brick-and-mortar to drive business value



**60%** of surveyed consumers indicate that an important differentiator for them when selecting a retailer is the ability to find out if an item is in stock before going to the store

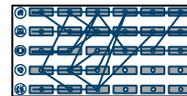


IBM Institute of Business Value, 2015

*Walgreens*

4 million store visits are driven by ecommerce each week.

Source: <http://nreionline.com/retail/nordstrom-walgreens-praised-omni-channel-strategies>



Two-thirds of customer journeys involve digital channels.



Source: IBM Research & Project Experience



An average of 225 customers per store first go to HomeDepot.com to do research.

Source: <http://nreionline.com/corporate-real-estate/how-home-depot-aligns-web-and-store-channels>



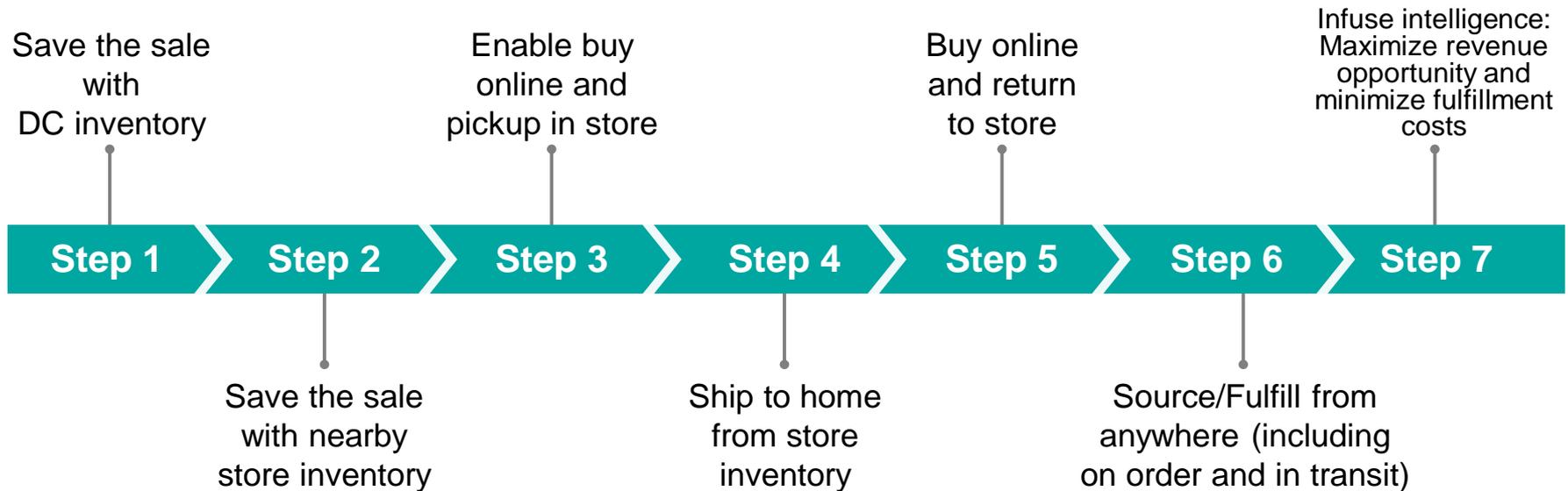
**TARGET**

“Cross-channel shopping—in which guests engage with us both in-store and online—is growing faster than either distinct channel.”

Source: Kathryn Tesija, EVP Merchandising, Target



# Do you know how to get to Omni-channel? Follow these 7 steps to success



With each step supporting and paying for the next

# **Step 1: Save the sale in the store using direct-to-consumer (D2C) warehouse inventory only**

## **Instituting this capability requires:**

- Providing store associates visibility into D2C warehouse inventory
- Enabling associates to:
  - Capture orders for OOS items in the store
  - Trigger ship-to-home from the D2C warehouse
- Updating backend systems (e.g., credit for the sale, inventory ownership)

# Saving the sale increases overall store revenue

- New York & Co. averaged 1 saved sale per store per day (chain-wide increase = \$7.8M/year)
- On Black Friday alone, saved an average of 23 sales per store = \$496,800/year

**46%** of consumers say the ability of an employee to solve an out-of-stock issue via mobile device represents an important differentiator in selecting a retailer, **up from 40%** in 2013

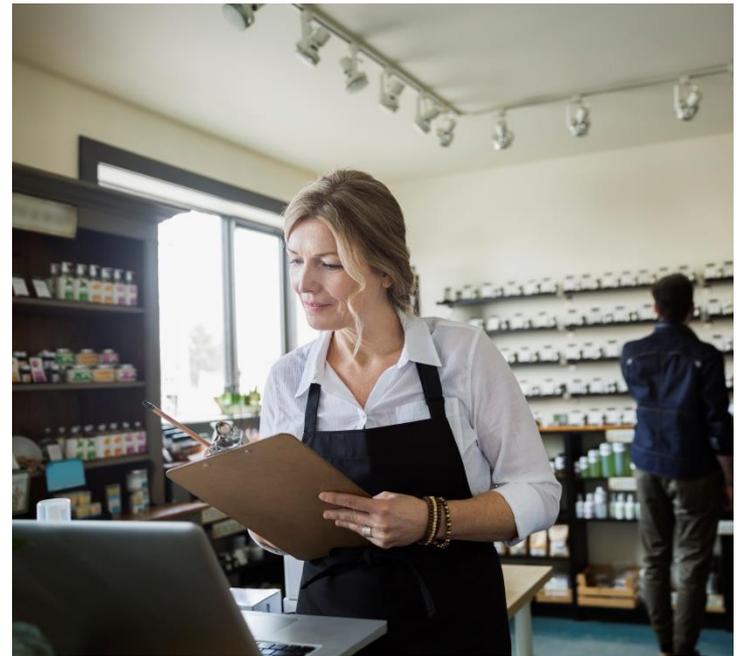
IBM Institute of Business Value, 2015

Source: "Omni-channel Insights"; CFI Group; 2014

# Step 2: Save the sale from nearby in-stock stores' inventories

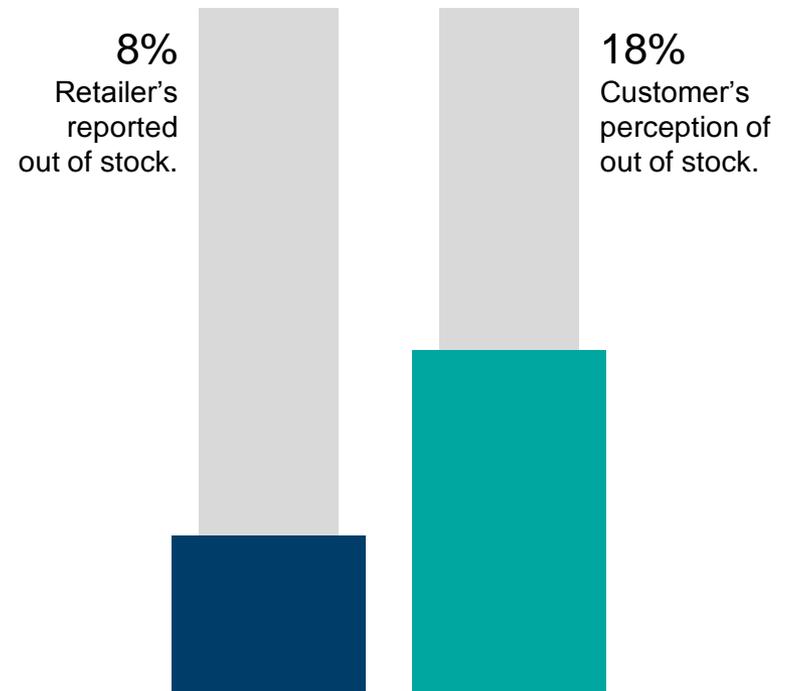
## Instituting this capability requires:

- Providing store associates visibility into nearby in-stock stores' inventory levels
- Providing ability to reserve stock in another in-stock store
- Enabling in-stock stores to:
  - Receive and execute a pick-and-hold order
  - Confirm pick completion
  - Operationalize in-store pickup process



# Saving the sale with nearby stores' inventory increases order size

- **66%** of consumers will buy an OOS item if it can be found at another location
- Saving the sale on an OOS item will save the sale on attachment items **42%** of the time
- **29%** of customers will forfeit at least 1 future shopping trip after experiencing an OOS



Source: "Omni-channel Insights"; CFI Group; 2014

# Step 3: Enable buy online and pickup in store

## Instituting this capability requires:

- Allowing online customers to designate in-store pickup as a fulfillment option on the digital site
- Generating pick-and-hold in stores from online ordering.

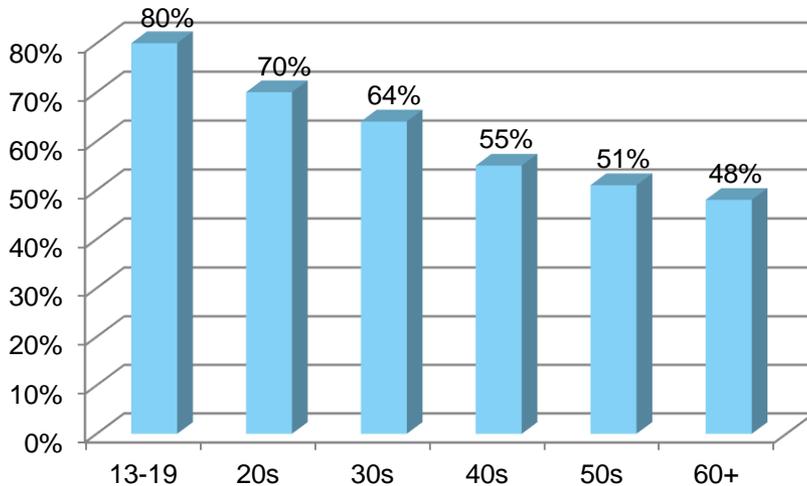


# Buy Online, Pick Up In Store (BOPIS) drives additional store sales

Q: How likely are you to...? [Likely/Very Likely]

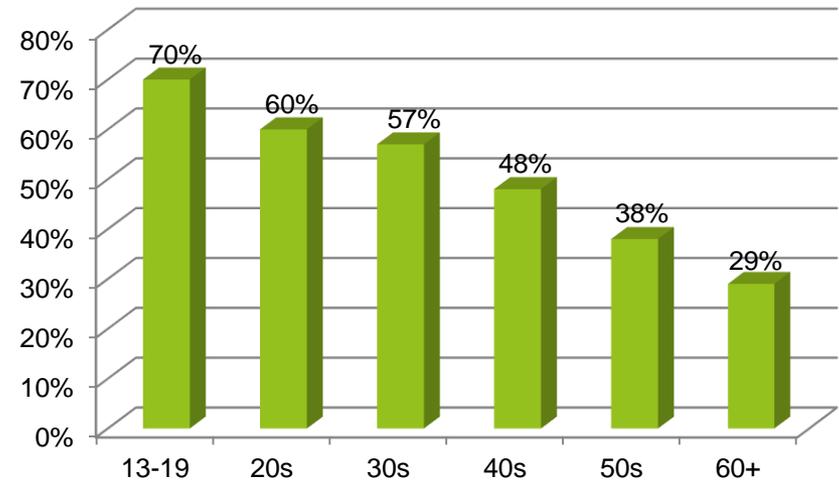
Take advantage of in-store pickup of an online/mobile purchase if service is available

[avg. = 61%]



Purchase additional products while in the store picking up an online/mobile purchase

[avg. = 50%]



**NOTE:** Avoids shipping overhead for retailers that don't charge shipping [i.e., for every in-store pickup of an online, catalog, or mobile order, the retailer avoids the shipping costs they would have been incurred]

Source: IBV U.S. Consumer Study; IBM; Q37

# Step 4: Ship to home from store inventory

## Instituting this capability requires:

- Outfitting stores for parcel shipping
- Operationalizing shipping processes in stores
- Enabling order orchestration hub to account for store fulfillment bandwidth and operating hours

**Best Buy** has enabled all of their respective 1,400 and 558 stores to perform online order fulfillment processing.<sup>1</sup>

Delivery of online purchases was preferred by **36%** of shoppers in 2014, up from 23% in 2011

IBM Institute of Business Value, 2015

10% of the items ordered on **walmart.com** are now shipped from stores, and the majority of those packages are delivered in 2 days or less.<sup>2</sup>

<sup>1</sup> Source: Tim Denman, "Best Buy Slashes Delivery Times by Two Full Days," Retail Info Systems News, March 10, 2014

<sup>2</sup> Source: Alistair Barr, "Retail stores become shipping hubs to battle Amazon," USA Today, October 6, 2013

# Omni-channel enables you to sell down excess inventory to avoid markdowns or redistribution

- Fulfill full-price online orders from overstocked locations and avoid inventory relocation
- Sell end-of-season store merchandise at full price via online channel and avoid markdowns
- Example – High-end department store chain:
  - 40% of the time when they were out-of-stock on line, they were selling the item at discount in the store to move end-of-season items
  - 7% of the time when they were out-of-stock in the stores, they were selling an item at discount on line to move end-of-season items

**NOTE:** Ship from store sets the stage for minimizing fulfillment costs by sourcing from a store close to the ship-to address

# **Step 5: Buy online; return to store**

## **Instituting this capability requires:**

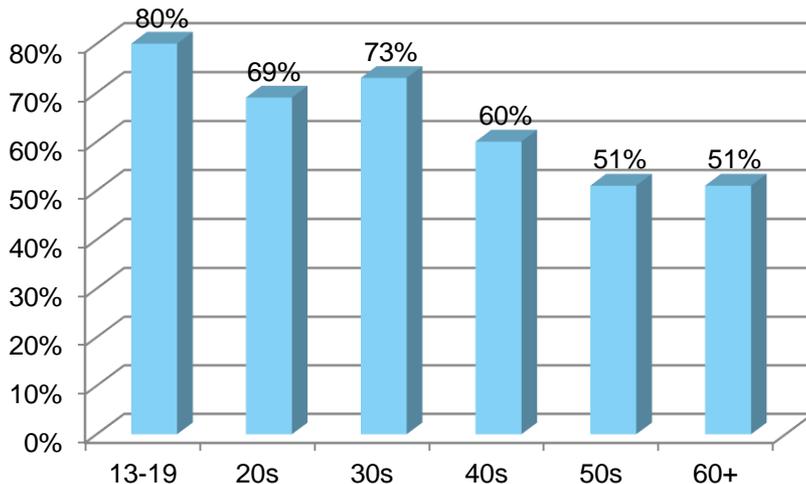
- Providing store associates with the means to verify online purchase (e.g., customer, item, date, purchase price)
- Operationalizing the return process in stores
  - Determine the disposition for the returned item based on predefined criteria (e.g., item, item condition, store assortment, policies, etc.)
  - Confirm item status (e.g., received, returned to inventory, waiting shipment to DC, received at DC, etc.)
  - Update backend systems (e.g., inventory level, inventory ownership)

# Increases store traffic with Buy Online Return To Store (BORIS)

Q: How likely are you to...? [Likely/Very Likely]

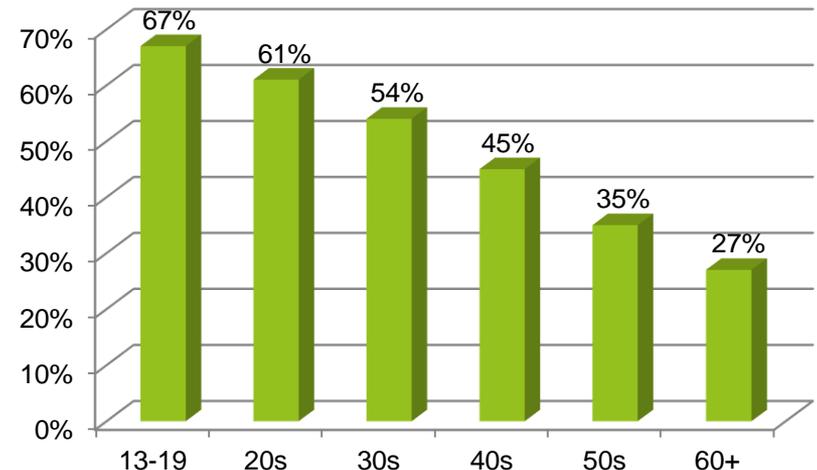
Take advantage of in-store return of an online/mobile purchase if service is available

[avg. = 64%]



Purchase additional products while in the store returning an online/mobile purchase

[avg. = 48%]



**NOTE:** Avoids shipping overhead for retailers that don't charge shipping on returns [i.e., for every in-store return of an online, catalog, or mobile order, the retailer avoids the shipping costs that would have been incurred]

Source: IBV U.S. Consumer Study; IBM; Q37

# **Step 6: Source/Fulfill from anywhere (including on order and in transit)**

## **Instituting this capability requires:**

- Enabling order orchestration hub to consider all inventory (e.g., on hand in stores, on hand in DCs, in transit, and on order) when sourcing a line item on an order
- Adopting an in-store fulfillment/shipping process

## **Impact:**

- Avoid duplicate safety stock [liberated capital; avoided working capital interest]
- Reduce inventory by sourcing from in-transit inventory (before it arrives at the DC) [liberated capital; avoided working capital interest]
- Optimize the sourcing process by considering all inventory available

# Providing additional sourcing options increases revenue across the business

“The role of order management is shifting from an operational capability, designed to shuttle inventory replenishment from the warehouse to the store, to a customer experience capability, where retailers are able to deliver products to customers in the method that the customer chooses.”

“This Omni-channel fulfillment initiative can generate up to 30% of additional revenue for eBusiness teams ....”

Source: The Forrester Wave: Omnichannel Order Management, Q3, 2014

# Step 7: Infuse intelligence: Maximize revenue opportunity and minimize fulfillment costs

## Instituting this capability requires:

- Applying intelligent sourcing and fulfillment choices to:
  - Draw from the most appropriate inventory pool(s), with respect to inventory levels, local item velocity, current fulfillment location capacity, etc.
  - Minimize fulfillment costs while meeting customer expectations (e.g., timing / channel)

## Impact:

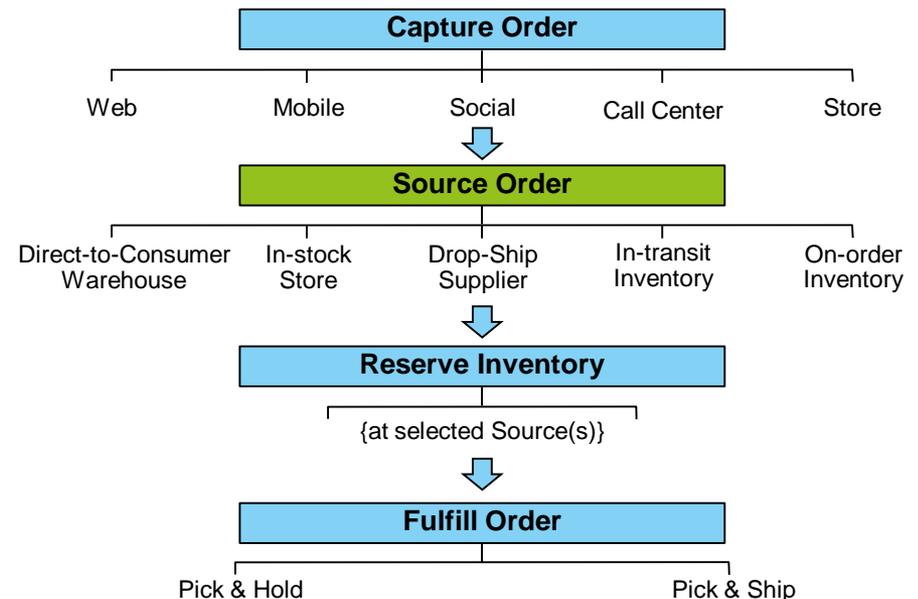
- Optimize inventory utilization
- Minimize shipping costs
- Minimize delivery time
- Maximize store associate productivity by incorporating fulfillment capacity in sourcing decisions



Intelligent  
Sourcing / Fulfillment

# Sourcing options that can drive profitability and revenue growth

- Real-time inventory levels
- Item velocity (per location)
- Visibility of on-order and/or in-transit replenishment inventory
- Seasonality or end-of-life status of an item
- Customer segment and/or customer type
- Customer fulfillment preference
- Current order fulfillment capacity of a particular location
- Minimum pick notification time versus carrier pickup time per location



# Order Management is the critical component for your Omni-channel success

## It's your Omni-channel foundation

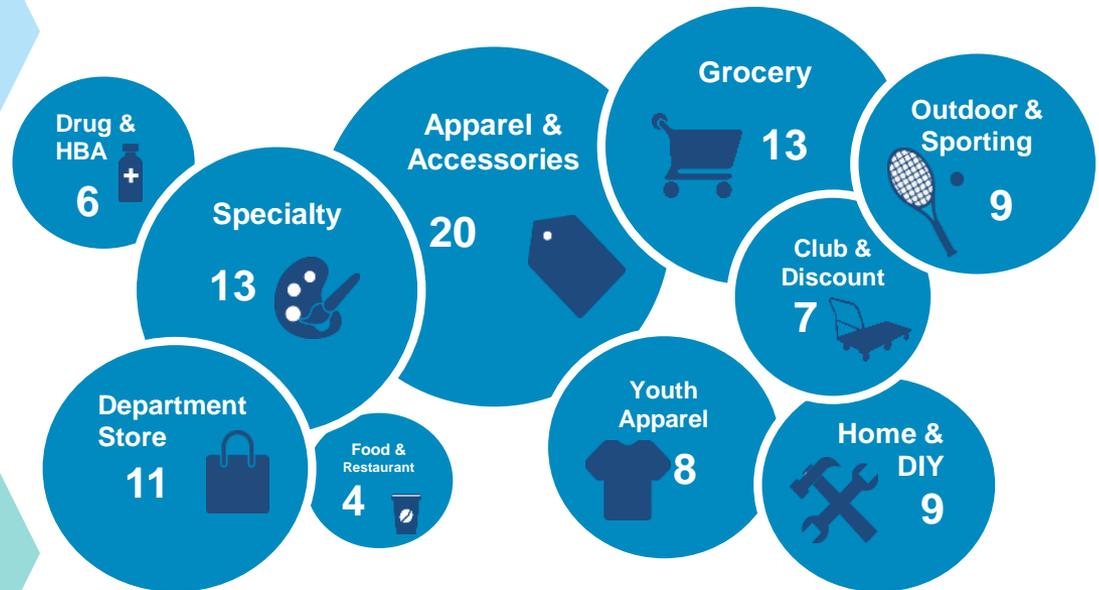
- One comprehensive solution to manage and monitor order fulfillment, optimize inventory, engage suppliers, and proactively recognize disruptions
- Leverages all sources of inventory with reliable promising to the customer
- One order for all products and services
- Consistent and reliable real-time visibility in all channels
- Buy from any channel, fulfill from any source, and return to any location



# The competitive difference IBM Solutions create

Retailers using IBM Order Management scored **34.7%** higher than those without it.

Of the top 10 Omni-channel leaders, **7 use IBM Order Management**, including each of the top 4 retailers.



Source: Omni-channel Customer Experience Index Study; IBM

# IBM Commerce Solutions power some of the most successful eRetailers

**60%** of the Top 10 and Top 25 retailers  
**50%** of the Top 50  
**41%** of the Top 100



**USD 84B**  
(33%) of the total Top 500 revenue generated by 17% of the Top 500 retailers

Source: Analysis of Internet Retailer 2014 Top 500 retailers; [Commerce Solutions include WC and/or OM]

# IBM Order Management Customers

Department	Apparel	Specialty
        	            	                           

# Thank you

