Building your omni-channel journey
One order management system, one database, one inventory. Without these you will never seem seamless to your customer.

Andy Laudato (SVP & CIO for Pier 1 Imports)
Point of view

Today’s landscape is changing rapidly, affecting customer experience

Changing digital landscape
- Surge in internet traffic
- Introduction of new devices
- Explosion in media consumption
- Big data is big business
- Advanced analytics

Changing supplier landscape
- Offering products via various channels simultaneously
- Central infrastructure
- Advanced technology systems
- Redefining logistics to fulfill anywhere at anytime

Changing customer experience
- 24/7 connected and informed through social network and communities
- Higher and more diverse expectations than ever before
- Changing customer-centric journey
- Demanding increased personal and tailored shopping experience
Point of view
Brick-and-click retailers need to find a position between pure brick-and-mortar and pure digital, while competitors originating from both sides are moving to the center.

Originating brick-and-mortar
- Started from traditional retail background, adding digital on top
- Focus on look-and-feel experience, lower breadth of assortment
- Physical presence, asset heavy
- Fewer digital marketing requirements, consumer engagement from store doorstep
- Traditional retail operations, modular distribution network required
- Batch size operations, fewer direct to consumer fulfilment possibilities
- Simple visibility capability requirements, less supply chain flexibility

Originating pure digital
- Started from pure digital, adding brick operations to complement
- High breadth of assortment, less look-and-feel experience
- Asset lean, less physical presence
- Consumer engagement from start of journey, more digital marketing requirements
- High fulfilment service quality, granular distribution network required
- Direct to consumer fulfilment, single piece operations
- More supply chain flexibility, complex visibility capability requirements

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Point of view
Navigating towards an omni-channel demand chain

Historically
Physical store
- Location, assortment, and price-based business model
- Supply chain efficiency focus

"The customers will come to us"

The past
E-commerce
- Attention and resources aimed at building an online ‘arm’ of the business
- Separate organizational structures and P& L responsibility for new channel

“We need to sell online”

The recent past
Multi-channel
- Interdependent influences between online and in-stores becomes apparent
- Need to align retail execution with customer preferences highlights channel specific processes, thinking, and metrics
- Customer expectations outpace retail delivery model

"Many customers shop across channels”

The present
Omni-channel
- Connected consumers interact physically and digitally concurrently
- Distinctions between channels fade and profitability by channel proves elusive
- Customers’ desire to interact wherever and whenever they prefer drives dramatic acceleration of digital innovation

“Relevant products and services anywhere”

The future
Ecosystem
- Retailers use the networks of all their partners and vendors to seamlessly deliver “what customers want, where they want it, and when they want it”

“Use ecosystem of products & services”
Point of view
Positioning according to consumers desired journey across the fulfillment process, improves satisfaction and revenue

Customers expect personal and consistent cross-channel shopping experience throughout its customer journey at all times

Discover & engage
- Same service levels and access to information
- A high product variety across various channels
- High levels of product customization through online channels
- Similar pricing across all channels
- Ease of use for mobile channels
- Brick-and-mortar as complement to online channels

Order
- Possibility to order through different channels
- To order from anywhere at anytime
- A variety of payment options
- To view in store inventory available online
- Products to be available at the time of purchasing
- Seamless access to alternative stock

Availability
- Clear communication on estimated delivery date and shipping costs
- Free shipping options
- Ability to track purchases after shipping
- Multiple and flexible delivery options
- Faster delivery

Deliver
- Clear returns policy
- Standard return free of charge and hassle-free
- Cross-channel returns
- Transparent customer service
- Differentiated (self-) service

Be served
To bring consumer preferences to life, your supply chain will need to be re-evaluated in order to find the right capability trade-offs to support efficient standard fulfilment and responsive premium services.
Point of view
5 key capabilities to support the omni-channel ecosystem

1. **Inventory optimization**
   Leveraging the ecosystem with one view on inventory across

2. **Personalized fulfillment**
   Order fulfillment aligned to customer needs regarding the way, shape or form goods are received

3. **Delivery as competitive advantage**
   Balancing key client service options regarding cost, speed and flexibility, offsetting operating costs through an agile supply chain

4. **Seamless returns**
   Seamless experience and convenience also in the after-sale

5. **Learning supply chain**
   Supporting agility in responding to evolving customer needs
Point of view
Key value the omni-channel supply chain brings

Establishing an omni-channel ecosystem can be a competitive differentiator and improve operating margin

**An ecosystem of products and services can deliver “what customers want, where they want it, and when they want it”**

**Saving a sale**
Retailers can save sales by offering to get products to customers by shipping from the most efficient point in their ecosystem that has inventory

**Speed of delivery**
Traditional retailers can more effectively compete with digital retailers by capitalizing on their ecosystem to improve delivery speeds

**Offset network capacity constraints**
Distribution centers face capacity constraints during demand spikes that can be mitigated by fulfilling from stores, vendors or 3rd party partners

**Inventory management**
A view of inventory across the entire ecosystem allows retailers to optimize and reduce overall stock levels by using all available inventory to fulfill orders

**Margin management**
Retailers can improve margin management by balancing inventory across locations with the highest demand to allow more products to be sold at full price

**Lost sales recovery potential**
Maximize availability as consumer loyalty to sales channel is low
“Up to 45% of lost sales can be saved by offering alternative availability in stock-out situations.”

**Willingness to pay for premium**
Leverage willingness to pay for same day or other premium services
“Up to 60% of consumers are willing to pay for same day delivery.”

**The importance of costs**
Pursue strategy of free of charge delivery and return
“Delivery and return costs are up to 12x more important than e.g. speed.”

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Approach
How to get started?

Getting to true omni-channel fulfillment requires you to think big, start small and connect now!

Establish a consumer centered foundation

Identify your program leader and assemble a team to accelerate your omni-channel goals. Understand the value drivers that mobilize and engage your organization and partners to create a step-change in consumer satisfaction.

Think big

Embrace the consumer journey
Pave the way towards a seamless end-to-end consumer journey by understanding your consumer and their expectations.

Design future proof
Embrace change and disruption in the marketplace. Design omni-channel fulfillment capabilities to withstand and exploit exponential technologies and other disruptions.

Start small

Prioritize your service offerings
Pick priority fulfillment offerings, markets or cities to focus on in order to get started and establish a proof of concept through agile design-thinking.

Find the trade-off
Identify the trade-offs needed to support fulfillment offerings and adhere to constraints of existing operations. Avoid a total overhaul before success is measured on small scale.

Connect now

Break-down the internal silos
Support omni-channel thinking: online depends on offline and vice-versa. Integrated channels and supply chains are more resilient and competitive.

Strengthen your external network
Establish partnerships with upstream and downstream players. A network of organizations with partnerships will outperform single firms.
**Approach**

A multi-stage process to omni-channel execution

Deloitte is well positioned to help analyze the current maturity of your organization and to define a set of initiatives in a short term by building an implementation plan to provide the path from the vision and strategy to realization, and assess the implications to the operations, organization, and processes.
**Approach**

The imagine phase as a low barrier entry approach

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**Tools**

The **Deloitte Greenhouse** serves as a facilitating environment to engage participants in thought experiments and brainstorming sessions

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**Deliverables**

- An omni-channel **supply chain strategy** that is aligned with the business strategy
- A list of concrete opportunities and **best practices** to go forward
- A **high-level roadmap** that outlines the activities and projects to implement omni-channel supply chain strategy

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Our learnings
Essential key requirements based on our experience

**Maintain Brick as complementary to Click**
42% of online consumers favors store and website evenly, while 32% values store most.

**Pursue strategy of free of charge delivery**
Delivery cost is 3 to 6 times more important than e.g. speed. For return costs, the effect doubles.

**Strengthen mobile purchasing experience**
Digitally savvy consumers favor mobile channels 1.5 to 2 times more than the average consumer.

**Leverage willingness to pay for same day or other premium services**
Up to 60% of consumers is willing to pay for same day delivery.

**Enable payment after purchase**
53% of consumers prefer to receive products before payment.

**Exploit return channel as sales opportunity**
Up to 50% of consumers is open to suggested add-ons to their basket.

**Maximize availability as consumer loyalty to sales channel is low**
Up to 45% of lost sales can be saved by offering alternative availability in stock-out situations.

**Deliver upon the promise and shift focus to Consumer Lifetime Value**
Up to 54% of consumers would not return after a disappointing fulfilment experience.
Our learnings

Organizations need to address multiple critical success factors in order to establish a successful omni-channel ecosystem

- **Enterprise architecture: overcome incumbent complexity**
  IT systems to enable logistics, inventory, warehousing, and corresponding management processes need to be adapted and integrated

- **Global vs. local: tailor standard solutions**
  Proven end-to-end solutions are still limitedly available off-the-shelf. Enabling omni-channel offerings requires global solutions to be tailored to local market needs

- **Break-down silos**
  Successful omni-channel organizations establish cross-functional collaboration and decision-making processes, as well as end-to-end visibility leveraging integrated data models

- **Crack the partnership-case**
  Partnerships between e-tailers, wholesalers and franchisees can be a game-changer. However, cannibalization risk, revenue recognition and tax constraints should be addressed

- **Differentiate: Find your profitable balance**
  Not all omni-channel offerings like Ship-from-Store, Click & Collect and Same day delivery reach bulk volumes in the short term. It is key to smartly differentiate
Our omni-channel practice

Deloitte brings multiple capabilities together to build your E-commerce journey

Strategy & Market proposition
- Strategic aspirations & Positioning
- Value proposition & assortment strategy
- Pricing & Promotions
- Branding & Marketing strategy
- Strategic partnerships

Customer Experience
- Shopper journey
- Shopper personas
- Omni-channel
- Solution functionalities
- User experience

Organizational capabilities
- Operating & Functional model
- Resource Model & Workforce Planning
- Talent Management

IT & Security
- Requirements
- Architecture
- System selection
- System integration
- Security
- Product sourcing & procurement
- Customer service management

Logistics & Supply Chain
- Fulfillment & returns network
- Last-mile logistics
- Order allocation
- Inventory management

Tax & Legal
- Contractual framework
- Consumers and consumer data
- Direct tax
- Indirect tax

Financials
- Business plan
- CAPEX
- Operating P&L
- Performance measurement

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