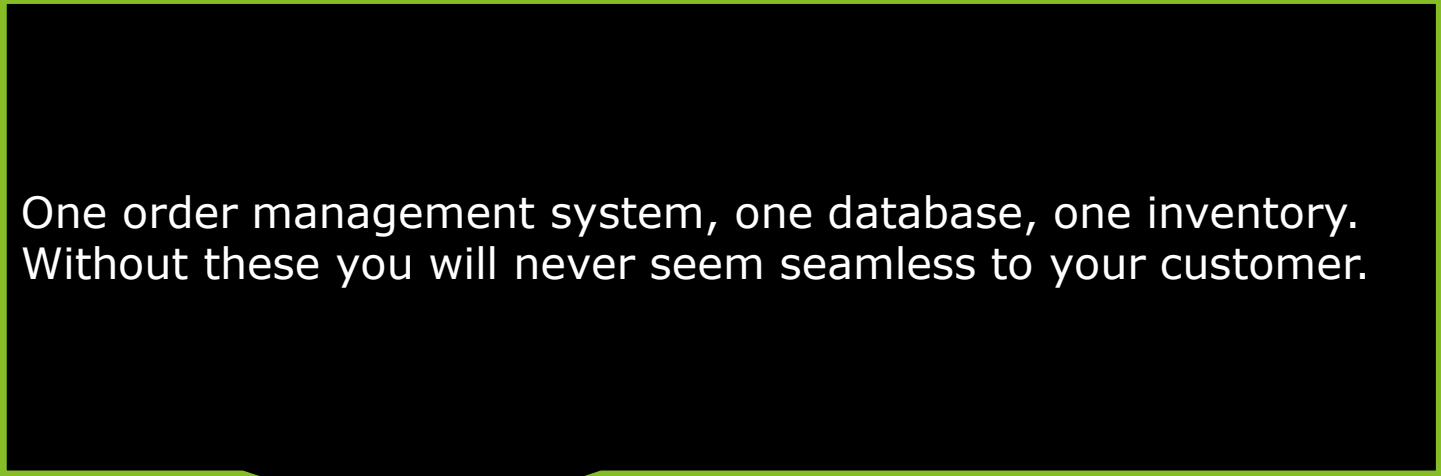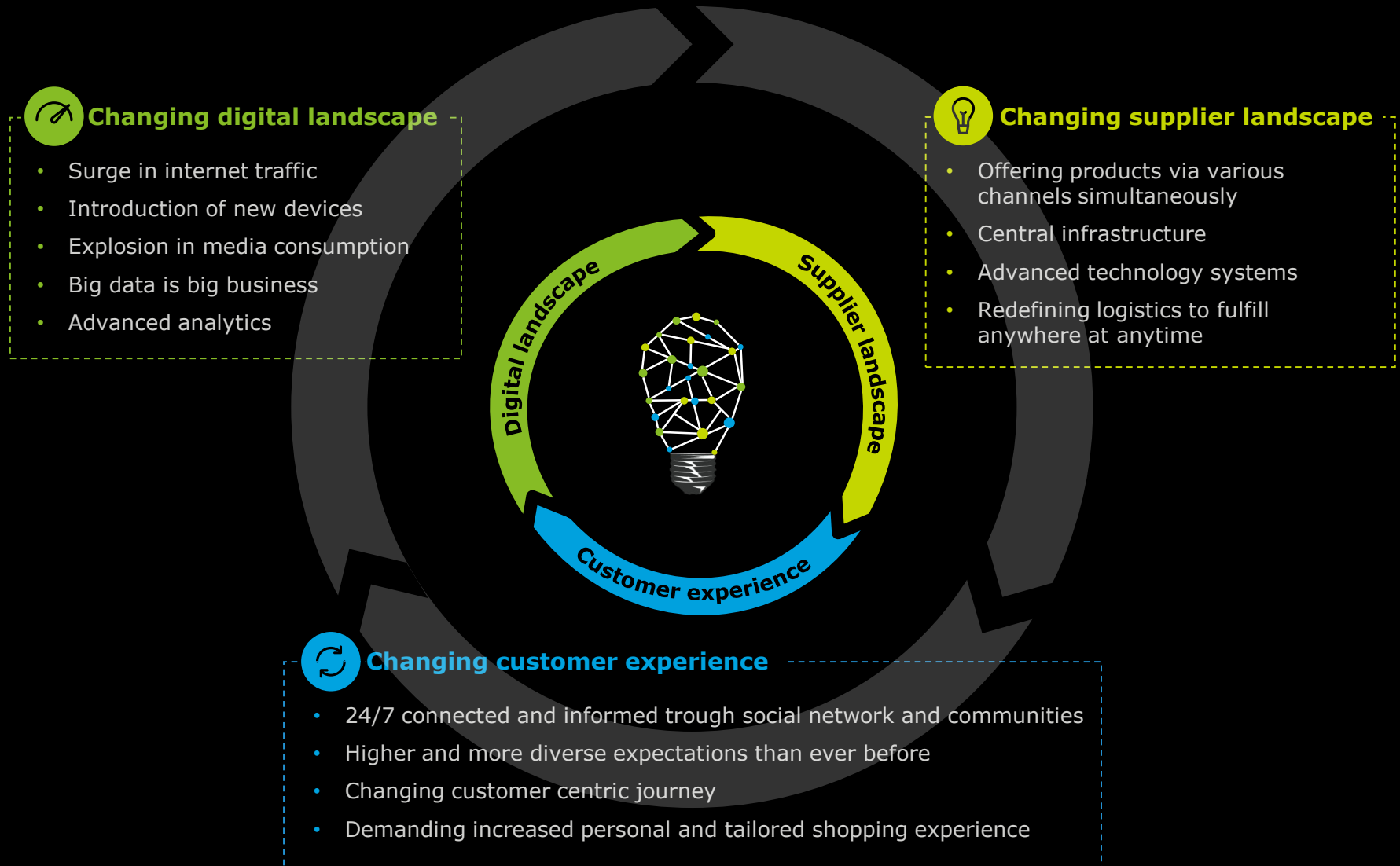# Deloitte.

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

Digital landscape

Supplier landscape

Customer experience

Changing customer experience

- 24/7 connected and informed trough 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

YOU

Finding the optimal balance
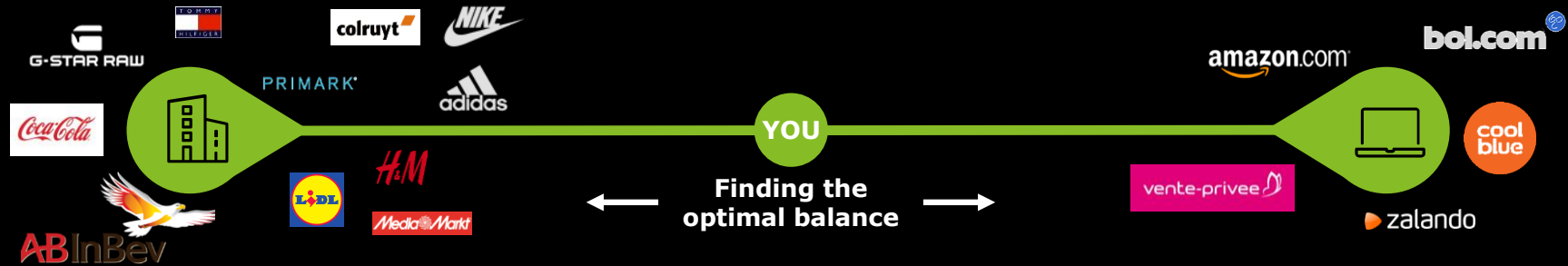
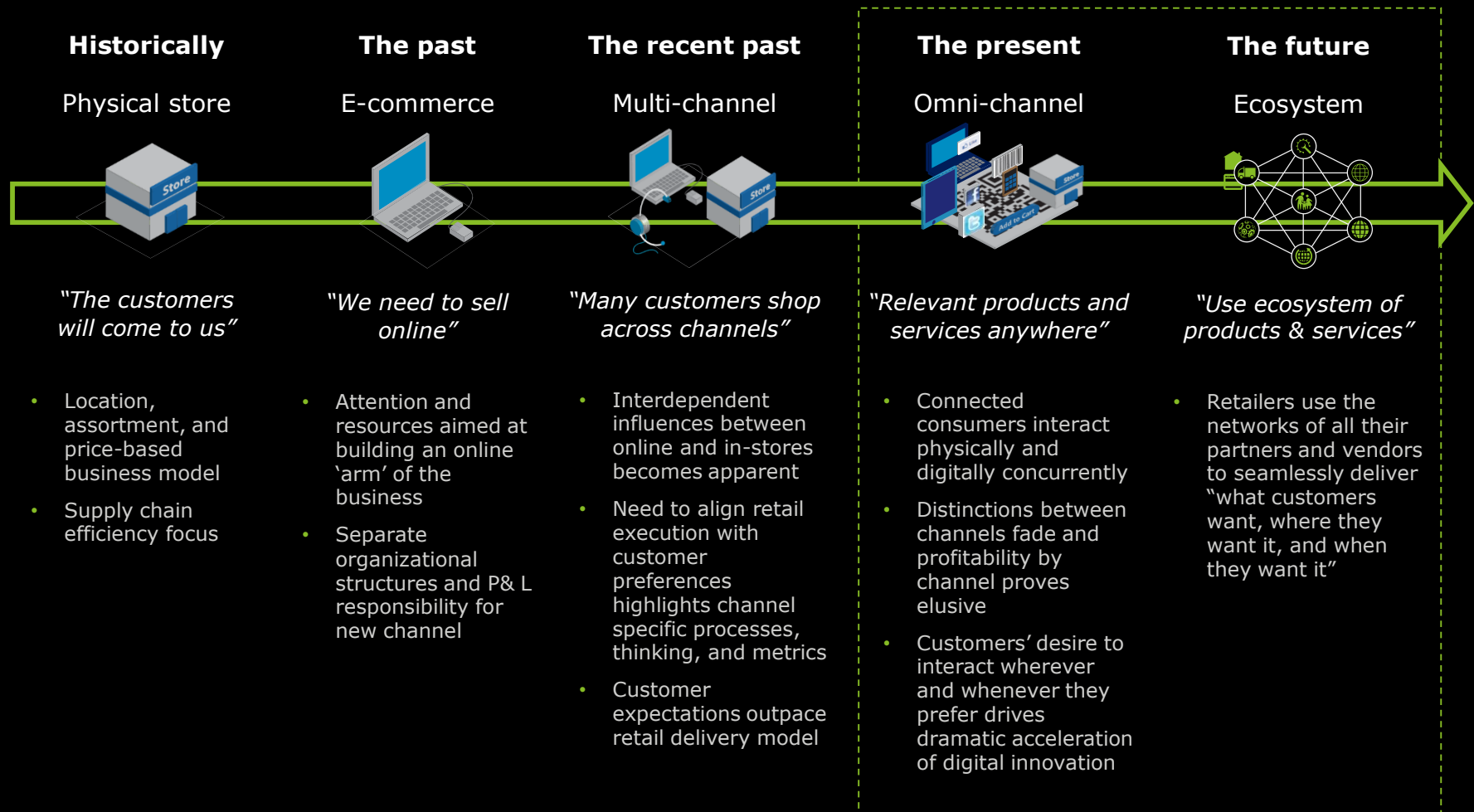## Originating brick-and-mortar

- 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

Point of view
Navigating towards an omni-channel demand chain

Historically	The past	The recent past	The present	The future
Physical store	E-commerce	Multi-channel	Omni-channel	Ecosystem

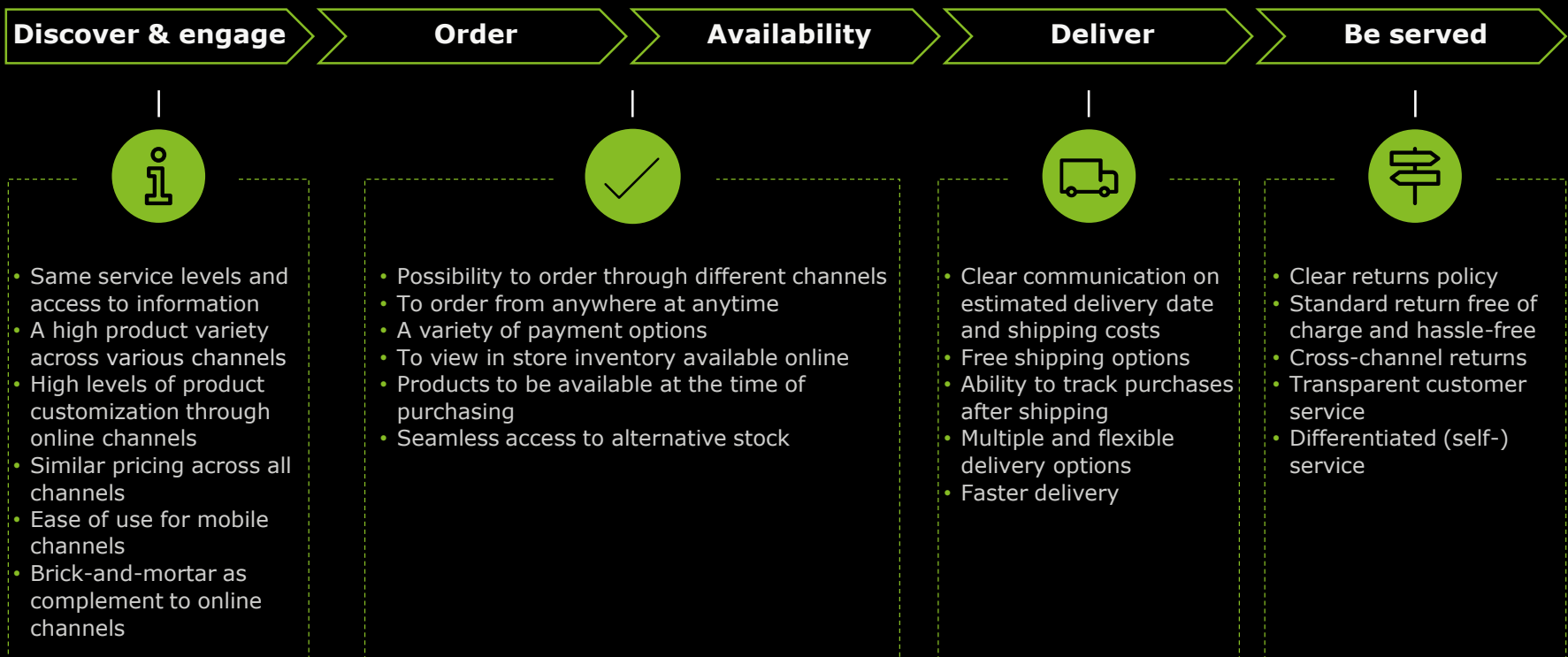| *"The customers will come to us"*	*"We need to sell online"*	*"Many customers shop across channels"*	*"Relevant products and services anywhere"*	*"Use ecosystem of products & services"*
• Location, assortment, and price-based business model • Supply chain efficiency focus	• Attention and resources aimed at building an online 'arm' of the business • Separate organizational structures and P&L responsibility for new 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	• 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	• 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"

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
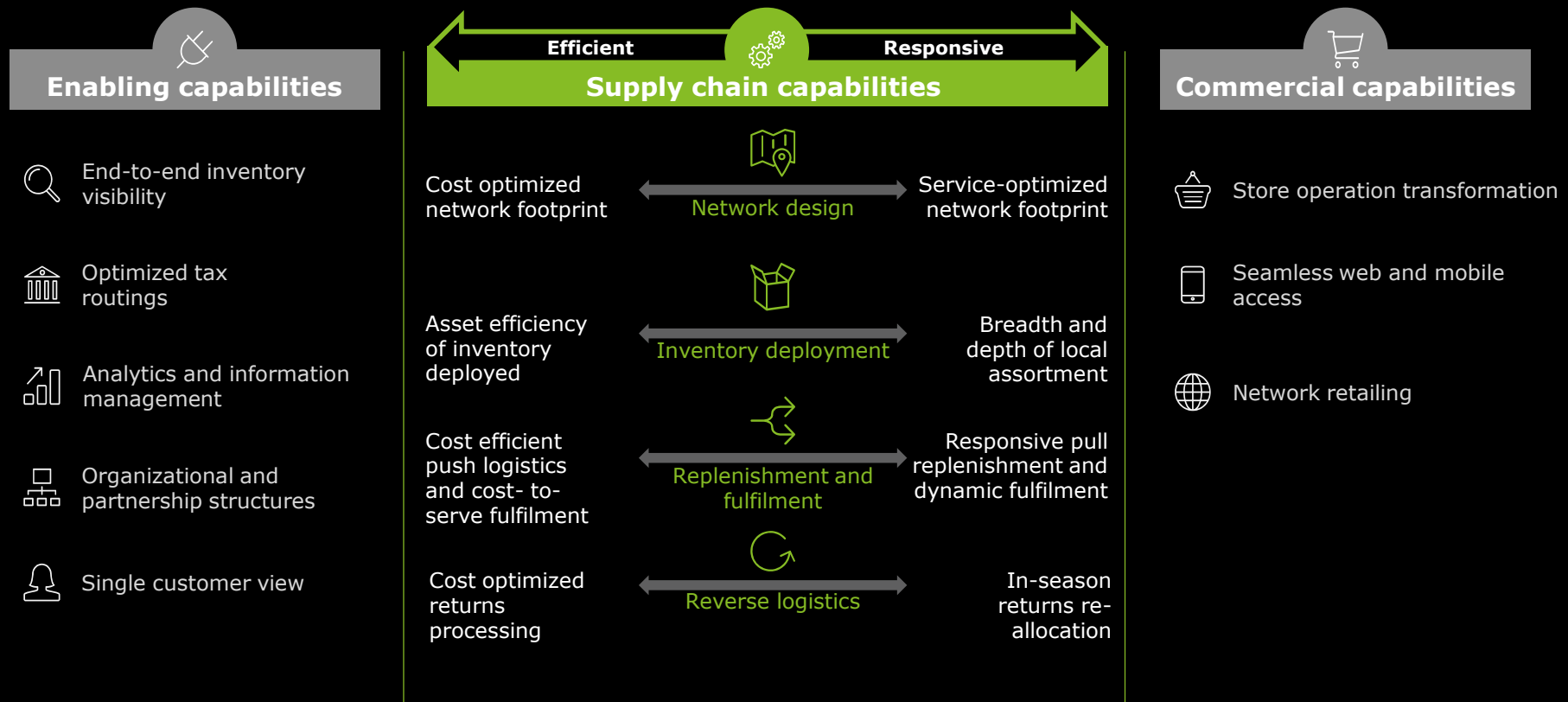
Discover & engage	Order	Availability	Deliver	Be served

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

Deliver
- 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

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

Point of view
The pressure field for the supply chain

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

Enabling capabilities

- End-to-end inventory visibility
- Optimized tax routings
- Analytics and information management
- Organizational and partnership structures
- Single customer view

Supply chain capabilities

Efficient ← → Responsive

Cost optimized network footprint	**Network design**	Service-optimized network footprint
Asset efficiency of inventory deployed	**Inventory deployment**	Breadth and depth of local assortment
Cost efficient push logistics and cost- to-serve fulfilment	**Replenishment and fulfilment**	Responsive pull replenishment and dynamic fulfilment
Cost optimized returns processing	**Reverse logistics**	In-season returns re-allocation

Commercial capabilities

- Store operation transformation
- Seamless web and mobile access
- Network retailing

Point of view
5 key capabilities to support the omni-channel ecosystem

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

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

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

Seamless returns **4**
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"

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."*

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

Approach
How to get started?

Getting to true omni-channel fulfilment 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	Start small	Connect now
Embrace the consumer journey	**Prioritize your service offerings**	**Break-down the internal silos**
Pave the way towards a seamless end-to-end consumer journey by understanding your consumer and their expectations	Pick priority fulfilment offerings, markets or cities to focus on in order to get started and establish a proof of concept through agile design-thinking	Support omni-channel thinking: online depends on offline and vice-versa. Integrated channels and supply chains are more resilient and competitive
Design future proof	**Find the trade-off**	**Strengthen your external network**
Embrace change and disruption in the marketplace. Design omni-channel fulfilment capabilities to withstand and exploit exponential technologies and other disruptions	Identify the trade-offs needed to support fulfilment offerings and adhere to constraints of existing operations. Avoid a total overhaul before success is measured on small scale	Establish partnerships with upstream and downstream players. A network of organizations with partnerships will outperform single firms

Approach
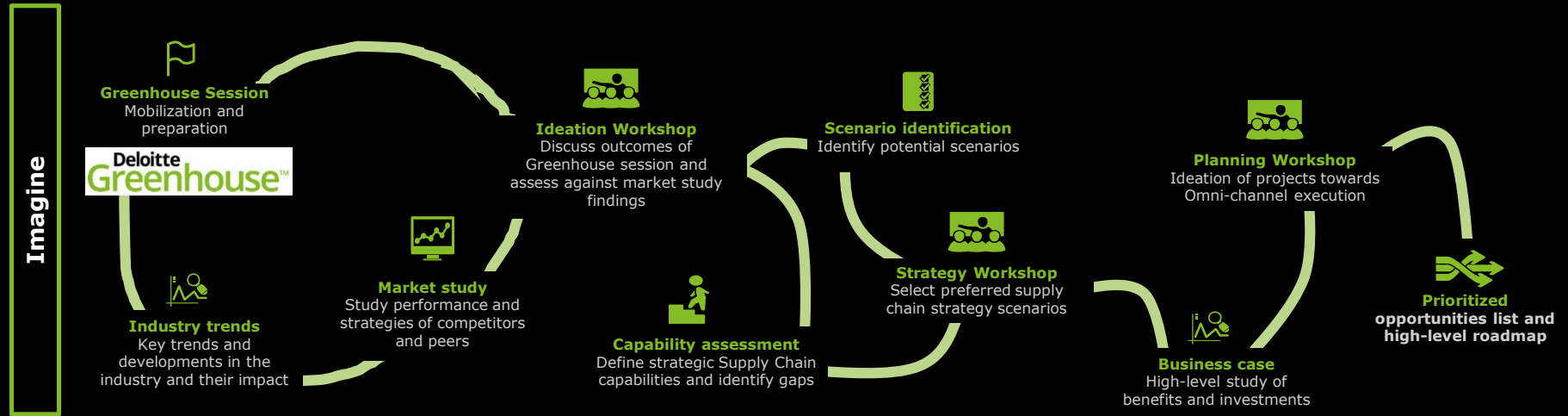## A multi-stage process to omni-channel execution

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.

Imagine	**Deliver**		**Run**
Ideation & Strategy	Pilot & Roadmap	Scale and Deploy	Operate

What is the art of the possible?	How to turn a great idea into an executable plan?	How do I get it done?		How to make it hum?

- • Ideation Workshops
- • Business Strategy
- • Product Innovation
- • Operational Improvement
- • Business Case

- • Identify Minimum Viable Product or Operational Improvement
- • Iterative pilot/rapid agile prototypes
- • Develop Implementation Roadmap
- • Security and Privacy Strategy
- • Organization and Capabilities Gap Analysis

- • Architecture and System Design
- • User stories
- • Security Requirements
- • Change Management

- • UI Development
- • Middleware & Application Development
- • Analytics/Big Data
- • Agile Testing
- • Launch

- • Business and Technical Operations
- • Iterative Improvements

Approach
The imagine phase as a low barrier entry approach

Imagine

Greenhouse Session
Mobilization and preparation

Deloitte Greenhouse™

Industry trends
Key trends and developments in the industry and their impact

Market study
Study performance and strategies of competitors and peers

Ideation Workshop
Discuss outcomes of Greenhouse session and assess against market study findings

Capability assessment
Define strategic Supply Chain capabilities and identify gaps

Scenario identification
Identify potential scenarios

Strategy Workshop
Select preferred supply chain strategy scenarios

Planning Workshop
Ideation of projects towards Omni-channel execution

Business case
High-level study of benefits and investments

Prioritized opportunities list and high-level roadmap

TOOLS

Deloitte Greenhouse™

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

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

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	Customer segments	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	
Logistics & Supply Chain	Fulfillment & returns network	Last-mile logistics	Order allocation	Inventory management	Product sourcing & procurement	Customer service management
Tax & Legal	Contractual framework	Consumers and consumer data	Direct tax	Indirect tax		
Financials	Business plan	CAPEX	Operating P&L	Performance measurement		

Deloitte.