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Supply chain as source of value in converting the omni-channel customer

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# Serving tomorrow's omni-channel customer of the past

We are witnessing disruptive change in the way we buy and receive products and services. This phenomenon is far from new. The customer of today expects a shopping experience across channels, both from a sales as fulfillment point of view. Today's reality originates from the high-speed collision of 3 forces: mobile, fast, and experience retailing.

The considerable growth of internet usage via handheld devices has empowered customers and forever changed the consumption habits. On top of that, fast-to-market, fast-to-respond and fast-to-deliver have become the norm, with clear requirements towards instant availability of information. And finally, the demand for customer experience induced a fundamental switch from a (close to solely) product-driven mindset towards an experience-driven mantra, in which customers appraise a seamless, consistent and personalized shopping experience regardless of the channel used.

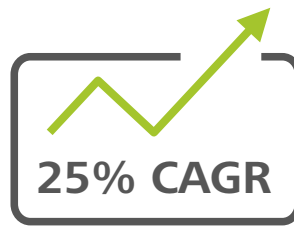
This reality leaves companies, and retailers in particular, with one of the most significant challenges since their inception: take advantage of new business models and ways of reaching the digital customer, or undergo a life-threatening scenario in which traditional producers claim back the chain of direct distribution making established retailers (partially) obsolete. The capability to deliver has grown to be the differentiating factor for companies to survive.

## Omni-Channel Shopping - Buy Anywhere, Return Anywhere

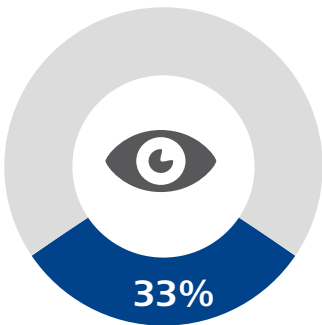


# State of the union: e-commerce in Belgium

Since the boom of e-commerce, the relative share of digital commerce in Belgium has been low relative to its neighboring countries. Consumer distrust and unfavorable labor legislations inhibited Belgium to be an early adopter as companies faced barriers to guarantee fast delivery. As such, Belgian customers turned to online merchants in neighboring countries. Recently, a series of initiatives to promote the e-commerce climate in Belgium has triggered the Belgian customer to catch up, with a market reaching 8.2 billion euros in revenue in 2015 according to the latest figures of Becommerce. We are observing a growth in share of wallet for digital commerce surpassing 25% for the period 2010-2015. Today, cosmetics, food & beverages and fashion & accessories cover the largest share in revenues and benefit from the largest growth rates. In the years to come, categories such as housewares & furniture, home improvement, personal accessories and toys are expected to grow significantly.



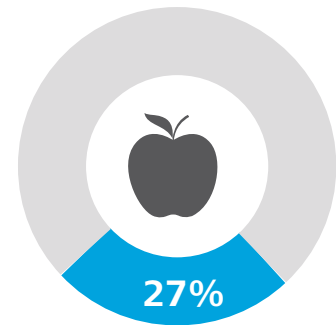
## Most important categories year to date (% in revenue)



**Cosmetics**

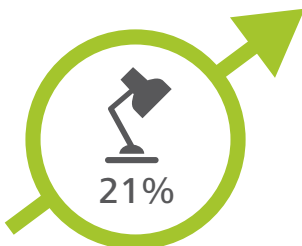


**Fashion & Accessories**

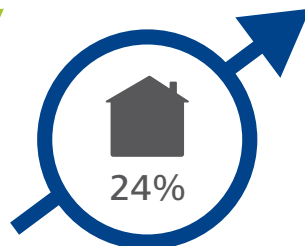


**Food & Beverages**

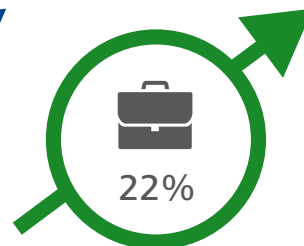
## Fastest growth categories towards 2020 (forecasted CAGR)



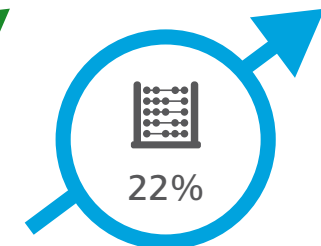
**Housewares & Furniture**



**Home improvement**



**Personal accessories**



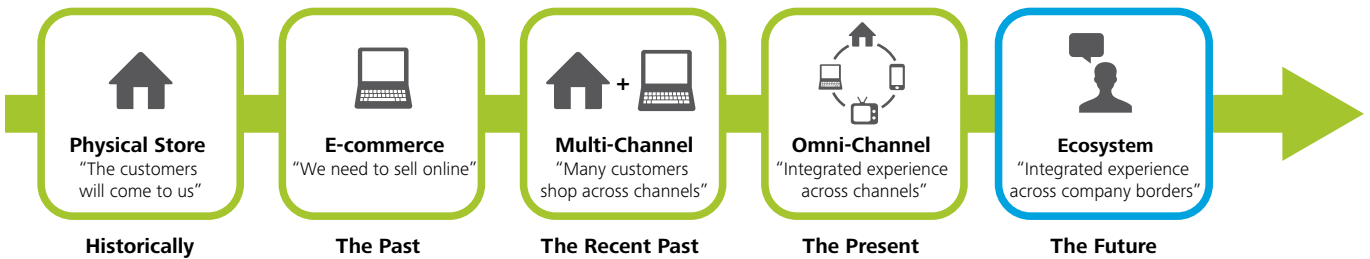
**Toys**

# Evolving towards an Ecosystem of products & services

The emergence of e-commerce fulfillment dates back to the end of last century. Before, physical stores by far served as the leading channel to receive goods. This reality changed as traditional companies started to develop a separate e-commerce channel next to their brick-and-mortar operations. This further evolved in customers acquiring across multiple channels, revealing mutual influences between online and in-store channels. Today, customers expect retailers to respond to their needs anywhere and anytime in a seamless, omni-channel manner. And as you may expect, we are not quite there yet.

Looking beyond today's reality, the interconnected customer of tomorrow will require an interconnected supply chain to satisfy its ambitious expectations. This evolution is expected to transform supply chains once more, more specifically towards an ecosystem of products & services. This concept assumes companies to use the networks of all their partners and vendors to seamlessly deliver what customers want, where they want it and when they want it. This capability builds on the relationships and partnerships with vendors, suppliers and logistic service providers.

## Road to omni-channel



Satisfying increasing customer experience expectations in view of saving as many sales as possible whilst managing a cost-effective back-end. In order to achieve this objective successfully, companies ought to take a holistic approach and transform their business functions throughout. And this goes beyond building front-end capabilities, i.e. websites, apps or customer platforms. Although the front-end of a company is traditionally regarded as the key driver of revenues, with back-end capabilities (a.o. supply chain) being a cost component to deal with, this vision has shifted significantly. The omni-channel reality has promoted a company's supply chain and related information technology to become a key revenue driver, of equal importance. By establishing an agile and fit for purpose omni-channel supply chain, companies can set themselves apart from competition through their ability to deliver. Shorter delivery times, flexible delivery and return options, choice and convenience are, if managed well, key differentiators to attract customers and on its turn generate additional revenue. From a company viewpoint, an omni-channel supply chain can generate value through decreased demand and supply variation, improved inventory utilization and lower operational costs.

## Experience beyond the website and the apps



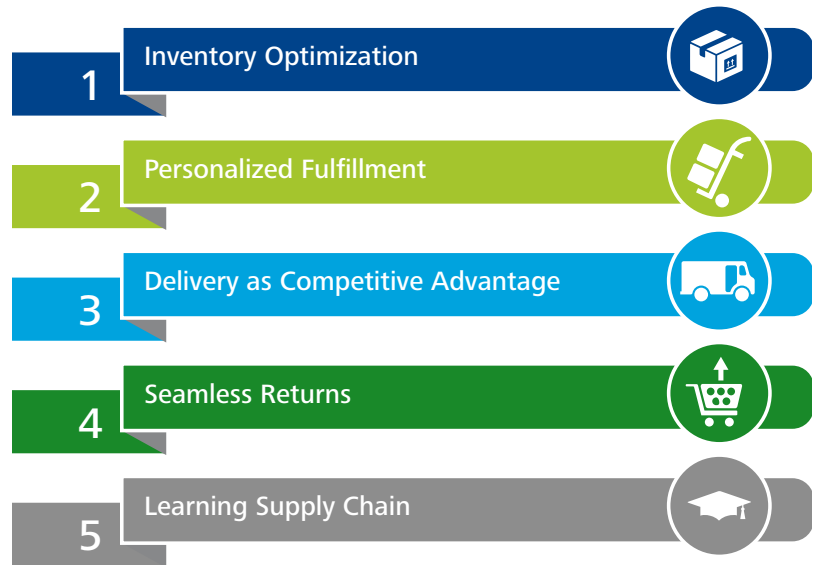
# Strategic supply chain capabilities to help preparing for the future

For an omni-channel ecosystem of products & services to work successfully, the effective adoption of 5 strategic supply chain capabilities is paramount.

1. One view on inventory: Leveraging the ecosystem with one view on inventory across channels to allocate inventory and meet customer demands regardless of location, status, or ownership of the inventory;
2. Personalized and flexible 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. Accessible return policy and an impeccable customer care: Seamless experience and convenience also in the after-sale
5. Learning supply chain: Supporting agility in responding to evolving customer needs

## A series of point of views to help you shape the omni-channel ecosystem of the future

Although mainly seen as a threat to established practices, the continually changing omni-channel reality offers a range of opportunities to be grasped and deployed smartly. Faster than ever, companies get the chance to re-invent their business models and align them better to changing customer needs, thereby addressing new ways of enhancing revenue and seeking openings to reduce operating cost. The journey is a challenging one, since it requires a multi-faceted restructuring of current business capabilities. Facing the challenge, however, renders a prospect for companies to diversify themselves and to exceed customer's expectations. This series of point of views intends to shed light on the critical supply chain capabilities to enable the notion of an omni-channel ecosystem of products & services. Each following paper shall be devoted to each of the five strategic supply chain capabilities. Enjoy the read!





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