



**SPEEDING UP
FULFILLMENT: YOUR
RETAIL COMPETITIVE
ADVANTAGE**

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ABSTRACT

As retailers struggle to meet the demands of digital and physical business, customer expectations continue to rise. Consumers want the convenience of shopping online, with the option of in-store pickup so they can have their items immediately. They want the choice of expanded inventory, no matter where they shop. They want to return items in a way that's most convenient for them, for free. And they want it all as quickly as possible.

Indeed, the most successful retailers say their biggest business challenge in supply chain execution is around speed—specifically the ability for manufacturers to get products to consumers faster than they can.¹ If retailers don't meet expectations, consumers will go elsewhere. In fact, due to the rise of online retailers offering the speed and convenience of next-day and same-day delivery—specifically Amazon—37 percent of consumers say they shop less often in brick-and-mortar stores.²

Although many consumers still prefer to shop in physical stores, retailers like Macy's, Sears, Kmart, J.C. Penney and Staples have already closed thousands of underperforming brick-and-mortar stores, and bankruptcies continue to stack up, with almost-daily warnings in the industry that the “retail apocalypse” is upon us.

How to keep your store's physical doors open while still profiting from online sales is a top concern for many retailers. Speeding up fulfillment is the answer.

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RETHINK THE RETAIL SUPPLY CHAIN

Retail supply chains can no longer support today’s customer expectations around speed and convenience. Designed primarily for servicing in-store customers, supply chains must evolve to accommodate consumer preferences for receiving products from any point in the chain. Are forced upgrades disrupting your business operations? Far too often user’s login to their procurement application only to find that it has upgraded at their provider’s convenience. This in turn spurs a painful cycle of support tickets going up, and fixes going down.

Today, many retailers are still fulfilling online orders the same way as walk-in customers—through a few scattered distribution centers (DC). While these DCs may have been sufficient to cover two-day shipping, because most aren’t local, retailers can’t compete with same-day shipping competitors, especially across large geographies. And, because DCs hold fixed inventory, the potential for stock outages increases as online purchases grow.

To address this, some retailers have turned to their store networks to fulfill online orders, including repurposing underperforming stores as “dark stores,” which are used for pick, pack and ship only.

Using local stores as fulfillment centers offers the following advantages:

- Proximity of store network gets products into the hands of consumers faster, whether they pick items up in store, or products are shipped from store
- Buy online, pick up in-store (BOPIS) reduces logistics cost and increases in-store traffic, raising the potential for upsell purchases
- In-store fulfillment reduces inventory held in store, avoiding markdowns

However, moving to in-store fulfillment isn’t as easy as replicating distribution center practices. For walk-in stores, you’ll need to determine from where to pick purchased items—front of store, where inventory is already shelved, or back of store, from inventory waiting to be placed on the store floor. If you offer in-store pickup, you’ll need to consider adding a separate pickup area to prevent customers from having to wait in line. You’ll also need to consider costs associated with reallocating or hiring employees to handle the additional tasks associated with picking, packing

High-performing retailers cite the following opportunities for streamlining supply chain processes:

- o *Add more local distribution centers (47 percent)*
- o *Raise service levels without overinvesting in inventory (47 percent)*
- o *Add same-day delivery capabilities (41 percent)³*

and shipping from the store.

So, how can you best prepare your retail stores for in-store fulfillment?

MEET THE FULFILLMENT CHALLENGE.

- **Get a handle on your inventory:** For many retailers, online and in-store inventory management systems are not integrated, making it difficult for retailers to accurately and quickly fulfill orders. As the number of online orders continues to climb, it's critical to have a real-time view of your inventory by source, including distribution centers, retail stores, warehouses and third-party suppliers.
- **Understand where your dollars are going:** It's not enough to deliver products to customers quickly. You need to do it in the most cost-effective manner. By analyzing how much it costs to pick, assemble and ship orders, as well as costs associated with stock outages and markdowns, you can make better sourcing and supplier decisions, uncover savings and optimize your spending.
- **Source your transportation suppliers wisely:** Keeping customers happy while keeping costs down means making sure that products are available in a location that is closest to them. Analytics and source optimization solutions can help you compare transportation providers and choose the fastest, most cost-efficient suppliers for your business.

“By leveraging the store network, as well as the inventory available in their DCs, multichannel retailers can deliver stock from the closest inventory holding point to the consumer, speeding up delivery times, expanding fulfillment offerings, ensuring the widest possible product offering to consumers and reducing their total inventory held.” ⁴

—Thomas O'Connor, principal research analyst, Gartner

SPEED AHEAD OF THE COMPETITION.

Consumers want speed and convenience, while retailers are searching for ways to keep their brick-and-mortar stores afloat as online competition mounts. Far from the retail apocalypse, it's the perfect storm for retailers who choose to use their store networks in new ways, starting with fulfillment. By understanding how to bring together inventory, spend and sourcing, you'll get products in the hands of your customers faster, keep your profits growing, and breeze ahead of your slow-moving competitors.

To learn more about how you can use your store networks for faster fulfillment, contact us today for a free consultation. +1 919.659.2600

SOURCES

¹ *“Supply Chain Execution: New Challenges Demand New Solutions,” Brian Kilcourse and Steve Rowen, Retail Systems Research (RSR), October 2017.*

² *“Total Retail Survey 2017,” PwC, 2017.*

³ *“Supply Chain Execution: New Challenges Demand New Solutions,” Brian Kilcourse and Steve Rowen, Retail Systems Research (RSR), October 2017.*

⁴ *“Using In-Store Inventory to Accelerate Retail Fulfillment,” Christy Pettey, Gartner, July 15, 2016.*



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