THE FOUNDATIONS OF TOMORROW'S RETAIL

A GUIDE TO ORDER MANAGEMENT SYSTEMS

WHITE PAPER

OneStock

TABLE OF CONTENTS

ORDER MANAGEMENT : REBUILDING THE FOUNDATIONS OF MODERN RETAIL

The retail sector is undergoing major changes. While the current health crisis has accelerated a shift towards on-line commerce, the trend has been gathering momentum for several years, enabled by technologies that have shaped consumer buying habits. To effectively compete, retailers need to address questions that have an impact across their entire supply chain and supporting systems:

- How can retailers meet customer expectations and provide exceptional experiences while still maximising profitability?

- How can retailers maximise full-price sales and minimise markdowns?

- How can retailers modify production and distribution processes to be eco-friendly and reduce their carbon footprint?

- What does the future hold for stores, how can retailers leverage marketplaces and what roles will salespeople play, particularly during a pandemic?

- How can the abundance of data available be interpreted to help optimise desired business outcomes?

Whether it be design & manufacturing processes, distribution strategy, pricing & promotions, customer experiences or customer services, everything needs to be coordinated if we want to thrive in tomorrow's retail world. And to ensure cohesive operational excellence across the myriad of supporting software solutions required to effect this transformation, an Order Management System (OMS) has never been more critical.

An OMS acts like a control tower at the heart of the business, providing a comprehensive, real-time view of inventory which in turn enables the optimisation of supporting commercial and logistical services. With customers making their purchases across a range of sales channels and inventory flowing from vendors, through holding facilities and on to homes, offices or collection locations, an OMS has become indispensable in providing a unified purchasing experience.

For the retailer, the OMS is pivotal to ensuring product availability, maximising sales, minimising working capital, maximising margins and delivering the optimal customer experience.

This guide is intended to give CEOs, Digital, Retail and Supply Chain Directors as well as CIOs visibility of the foundations of new retail. It aims to illustrate the capabilities and benefits of an OMS that will stand the test of time, adapting to the on-going changes which are prevalent in an agile and evolving retail environment.

This document is intended to serve as a practical guide to the modern OMS and its application in tomorrow's retail world. As always, we welcome your comments [0], feedback and recommendations. Like any good paper, there will certainly be a second edition! Happy reading!

Romulus Grigoras
CEO & founder of OneStock

[0] If you want to leave us a comment: oms-wp@onestock-retail.com

E-COMMERCE:
OPTIMISING CUSTOMER EXPERIENCE

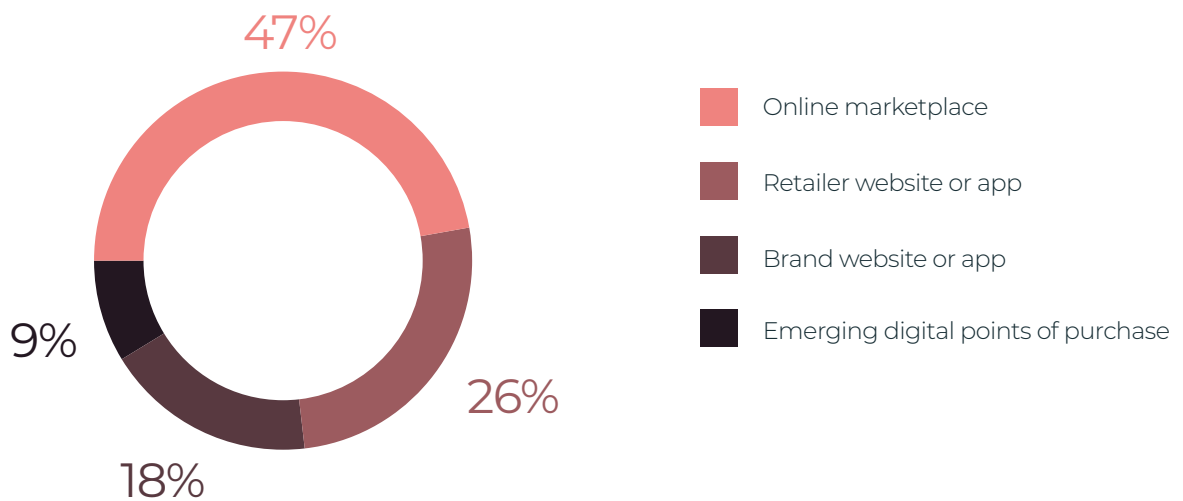The OMS underpins online sales channels in two key ways:

- Enhancing the customer's buying experience by providing availability information that will help increase conversion and customer satisfaction

- Using the visibility of inventory across the business to optimise timely and efficient order fulfilment

1 | A tailored view of stock for each online sales channel

> E-commerce websites, resellers, marketplaces, social networks, in-store ordering... consumers are getting used to comparing the different sales channels. Retailers must be able to adjust, in real-time, the stock available on these channels to optimise margins and sales volumes.

A wide range of online sales channels

Modern consumers are used to transacting across a range of sales channels with criteria like product range, price, returns policy and available delivery methods, influencing their preference from one day to another. The challenge for retailers is to align the way items are merchandised within the overall strategy for that channel; these strategies may include maintaining sales at the full retail price, increasing the basket size or simply clearing unsold stock.

47%

26%

18%

9%

- Online marketplace
- Retailer website or app
- Brand website or app
- Emerging digital points of purchase

Consumers use different online channels depending on what they buy [1]

[1] Source: Salesforce Research Survey - July 2019 - Connected Consumers Report

Real-time stock visibility

In addition to understanding DC stock, online sales can be optimised when they can also take into consideration stock in stores, in-bound stock from suppliers and potentially in-bound returns and available stock held by resellers or franchisees.

The OMS provides precisely this insight, enabling you to adjust, in real-time and on a channel-by-channel basis, the available stock, taking into account:

- **Physical stock of activated stock points only** - DC, stores, suppliers, or others
- **Current orders**, which are deducted from available stock
- **Products or categories excluded** for logistical or economic reasons
- **Products declared unavailable**, due to pending sales, stock error or other reasons
- **Safety stock**, to preserve part of the range (display stock) or respond to unusual sales rates

Optimised sales volumes and margins

Sell more
Unified stock reduces the unavailability rate - from an average of 25% to less than 4% [2] - and thereby increases sales turnover.

Selling with optimised margins
Some items have a low turnover rate in-store. Making these products available to fulfil online orders increases stock turn, ensures they sell earlier in the season and improves margin by reducing the need for end-of-season markdowns.

Minimize the risk of order cancellation
Real-time adjusted stock, coupled with safety stock, reduces the risk of having to cancel orders due to the lack of available stock to a rate of about 2% [3].

An indirect impact on online referencing

Increasing availability and stock depth positively impacts online channels by:

- Boosting the visibility of the product information pages, thus positively influencing SEO
- Increasing the conversion rate, basket size and AOV

[2][3] Source: OneStock - August 2020

2 | An accurate and reliable Delivery Promise for the customer

"Consumer purchasing decisions are increasingly influenced by things like the environmental impact of shipping options as well as accurate information about delivery timescales. A Delivery Promise can be calculated by the OMS, proactively taking into account all relevant components in the supply chain. This means the website can show detailed and accurate information which in turn increases conversion.

Consumers "watchful" of delivery information

Consumers are demanding:

Eco-friendly delivery

73% are willing to wait for their order if the delivery is made with a low carbon footprint transport method [4]

A variety of choices when selecting the delivery method and high-quality service

98% are ready to re-order on a website following a positive delivery experience. 60% abandon their shopping cart if the delivery options are unsatisfactory [5]

Precise delivery information

55% of consumers feel that the company should refund or offer free delivery if their order is delayed [6]

[4] Sondage OpinionWay - OpinionWay survey - November 2019 - "Are the French ready to adopt more environmentally friendly delivery methods?"
[5] Source: Source: IFOP 2018 study - Consumer expectations in terms of delivery
[6] Source: "RETAIL TRENDS - How retailers can harness digital to captivate the consumer in 2020 and beyond" – April 2020

Delivery Promise, a way to increase the conversion rate

The delivery promise allows for better communication when presenting delivery options. When used effectively on the product and shopping cart pages, it increases the conversion rate.

Determining and differentiating criteria for a brand are:

- **Environmental impact** - associating the carbon footprint with delivery methods helps influence consumer choice so as to build customer loyalty
- **Available delivery methods** - these vary according to stock positions, the type of products in the basket (e.g. weight & size), the carriers and their logistical or geographical constraints
- **The number of packages** - displayed proactively, gives visibility and increases customer satisfaction
- **The cut-off countdown** - (e.g. delivered tomorrow if ordered before 5:00 pm) has become a standard and helps to boost conversion
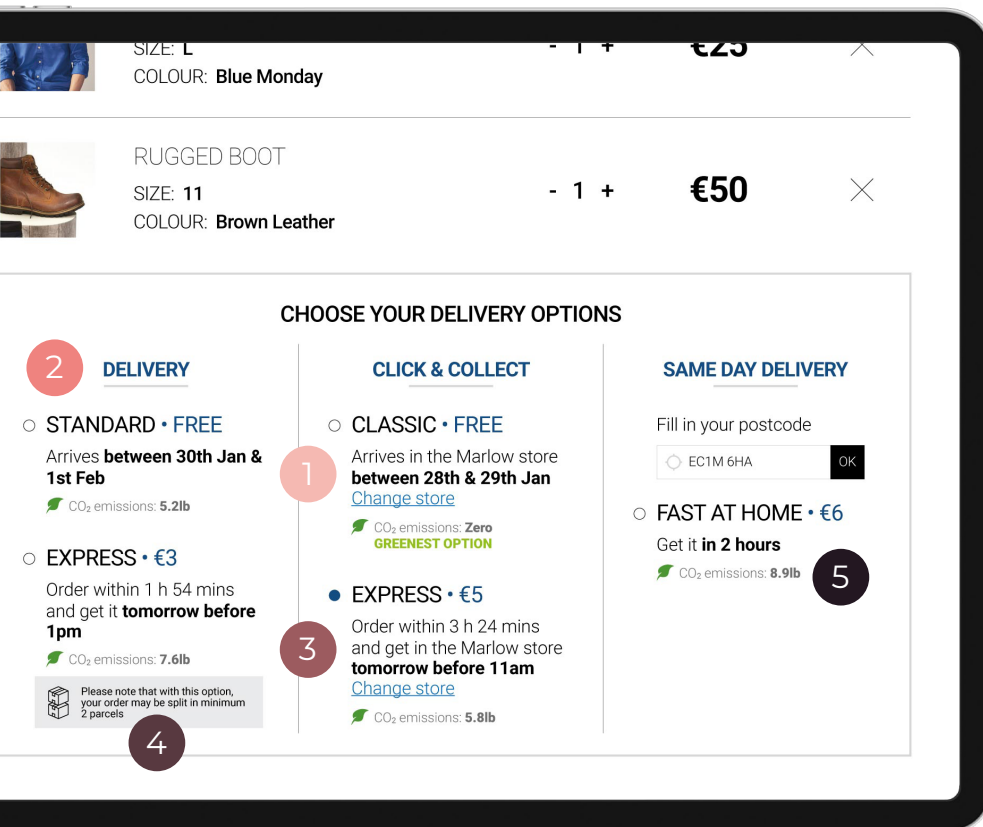
1. Delivery time or window
2. Dynamic display of delivery options based on the shopping basket
3. A countdown timer for express delivery methods
4. Planned packaging - e.g. minimum number of packages
5. Environmental impact

An example of the communication elements when choosing the delivery method
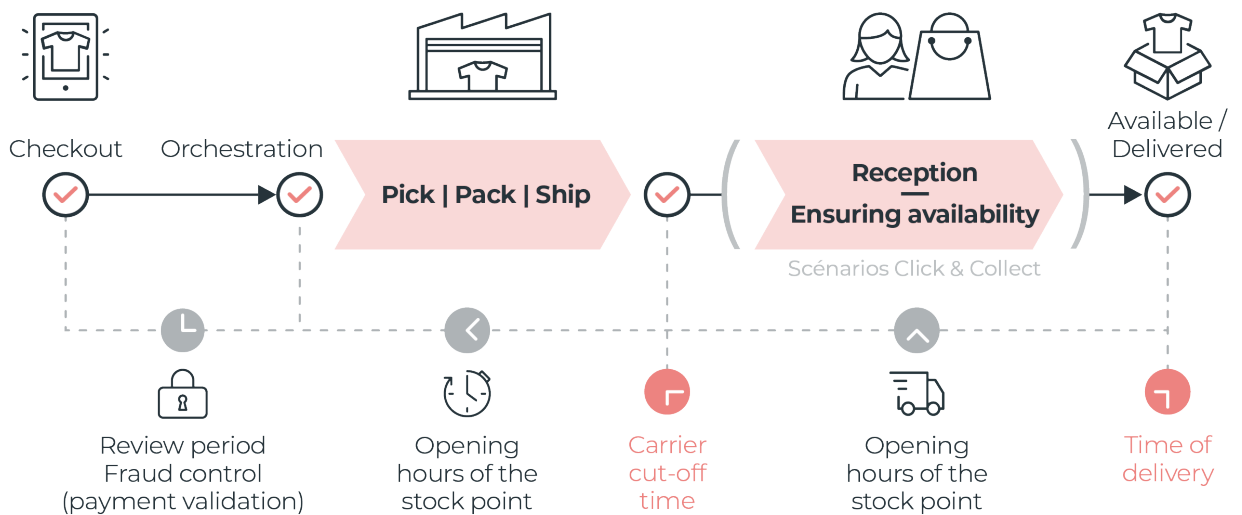
A dynamic and personalised display

Traditionally, delivery information is statically displayed on the e-commerce site (eg: 24 hours, between 3 and 5 days...). Often, it excludes weekends and holidays, creating uncertainty and sometimes confusion.

Adding a Delivery Promise has proven benefits but it must be both dynamic and fast. Displayed on a product or a shopping cart page, the Delivery Promise should include any dependencies so the customer can make an informed delivery choice.

Once the order is placed, the OMS automatically integrates the associated Delivery Promise e.g.: the order needs to be prepared by a store associate by 4 pm for courier collection.

If there is a problem during the preparation process which means the whole order, or one of the items can't meet the promised timeline, e.g. an item is found to be damaged, the customer is automatically notified.

Checkout	Orchestration	Pick | Pack | Ship		Reception — Ensuring availability	Available / Delivered
				Scénarios Click & Collect	
Review period Fraud control (payment validation)	Opening hours of the stock point	Carrier cut-off time		Opening hours of the stock point	Time of delivery

Details of the elements taken into account in the calculation of the OMS's Delivery Promise to ensure accurate delivery dates

Spotlight: the integration of new delivery methods

Customers are always open to new delivery methods, where they are quicker, cheaper or more flexible than conventional options.

Same-day delivery or white glove delivery

67% of consumers would like same-day delivery within a narrow time slot. Retailers can use their store networks to offer a same-day delivery service, based on their in-store stock position, the customer's location and carrier availability [7].

Delivery by appointment

85% of consumers prefer delivery by appointment. This is very common in the food industry and is now being offered in other sectors. The OMS, which is directly connected to the carrier, manages the order preparation in a timeframe that is consistent with the Delivery Promise and any constraints in the carrier [8].

Locker Delivery

This service allows customers to pick up their order in a self-service locker, often located in public places such as petrol stations or shopping centres. The OMS is directly connected to the locker systems in order to retrieve the locker number and the code required by the customer to open it once the order is dropped off.

[7][8] Sources: IFOP 2018 study - consumer expectations in terms of delivery

3 | Selling products or services by subscription

> The Recurring Order model, that allows you to choose the frequency of delivery, often comes with free shipping or preferential pricing and is growing in popularity. However, providing this service has logistical implications for the retailer.

Consumers are increasingly attracted to subscription-based services

Recurring orders are a loyalty-building tool for retailers, enabling them to generate a regular source of repeat revenue. They also offer convenience for customers, particularly for items like coffee capsules, nappies, pet food.

This model also enables brands to better understand their customers' habits and to use this enhanced understanding to target promotions and offers that are likely to resonate.

The exploratory and entertaining side of subscription boxes

Beauty, fashion, food, wine, tea… box subscription services are now available for a multitude of product categories. Even animals get their own, personalised box these days! Retailers can use these boxes to promote new products and brands, monitoring feedback through surveys and minimising risk through free returns or exchanges.

For brands, these subscription boxes represent a new marketing opportunity and a way to develop loyalty among their subscribers.

Specific logistics management

From a consumer point of view, the subscription model seems simple but for retailers, the logistics are far from trivial.

Below are some of the complexities that are resolved through the OMS:

- Preparation, when all or some of the items come from different suppliers
- Stock shortages or substitutions of products
- Format samples sold in boxes with the same reference as the full-size format sold individually
- Managing subscriptions compared to one-off orders. For example, if a subscription is taken out near the month-end, do I allow customers to choose the current month's box or wait for the following month?
- Large order volumes that need to be prepared in a very short period of time. The OMS schedules and optimises the preparation time, taking into account payment methods often at the time of shipment

Spotlight: pre-ordering or selling a product before its official release to the market

Highly valued by companies such as Apple, sporting events promoters and the gaming industry, pre-order strategies can drive demand by creating communities that respond to the notion of scarcity.

This same concept is also being deployed in the fashion sector as a way of better assessing demand, to avoid both the financial and environmental impacts of over-production and over-stocking.

The OMS takes into consideration the availability of future stock so this can be factored into the customer proposition and the order preparation logistics. Other factors may also need to be considered. For example, the release date of a video game is often associated with a marketing campaign so even if the product is stored in the DC or a store, it is not "contractually" available to the customer.

Pre-order + Preview
April 10

4 | Marketing items that will be available in the future

> In addition to the stock available in the distribution network, the OMS has information on future stock (stock on order, stock in transit...). This future stock enables the company to expand the range of products available through online sales channels and to reduce storage requirements.

A wider product range with smaller storage requirements

Marketing products that are not yet physically in stock can be very lucrative as it:

- **Extends the range of products available for sale** by including known, inbound products
- **Reduces storage costs** because the stock is in transit
- **Allows fast-moving stock that has temporarily sold out** to still be marketed if future production is expected

It is important to take into consideration the timing of availability as long lead times might be misinterpreted as long delivery times rather than guaranteed, early access to future supplies.

2018/2019 FFF STADIUM HOME 2 STARS MEN'S FOOTBALL SHIRT

2018/2019 FFF STADIUM HOME 2 STARS MEN'S FOOTBALL SHIRT

Réf. : 312090E ⭐⭐⭐⭐⭐ 2003 Reviews

2018/2019 Nike FFF Stadium Home 2 stars men's Football Shirt, Blue color ... read more

€85.00

Size ·   Sizes guide

| S | M | L | XL | XXL |

☑ Estimated availability as of March 30, 2019

CUSTOMIZE YOUR JERSEY

☐ I wish to print my jersey

Official FFF home back and chest flocking (9511097)

NAME (12 CHAR. MAX)   #

or   Select your favorite player ▾

€25.00

For example, buying the 2-starred French team jersey proved to be impossible after the 2018 World Cup - 30,000 pieces were put on the market and sold out in just a few days at the beginning of August.

By authorising orders with a 3-month delivery delay, the FFF (French Football Federation) website was able to capture orders where all other distributors were out of stock.

Managing future stock

When the OMS is notified about future stock (stock on order, stock in transit and other future stock), it is able to integrate it into the unified view of stock displayed at the various order-taking points.
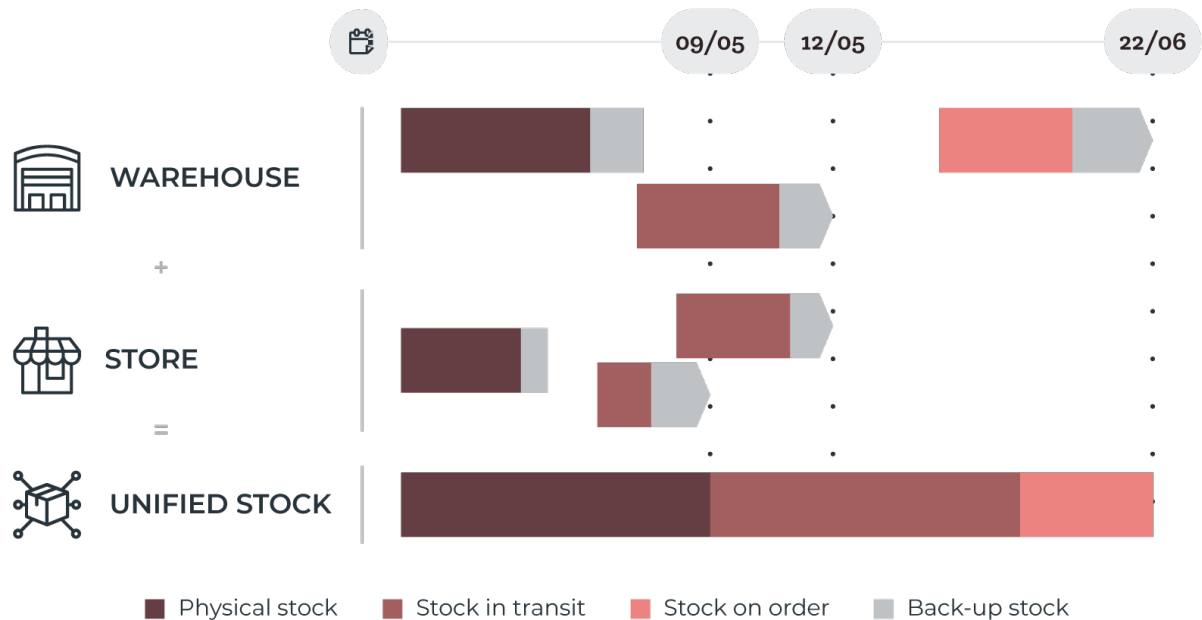

The operation of future stock

Certain levels of protection should be factored in for this type of stock and the Delivery Promise given to the customer is then automatically adjusted.

Once an order has been placed and the stock is received, the OMS synchronises the two to optimise the order orchestration in the most cost-effective way.

For example, rather than splitting the order based on physical stock available today and stock in transit, it may be preferable to wait for the in-bound items to arrive and then process as a single shipment.
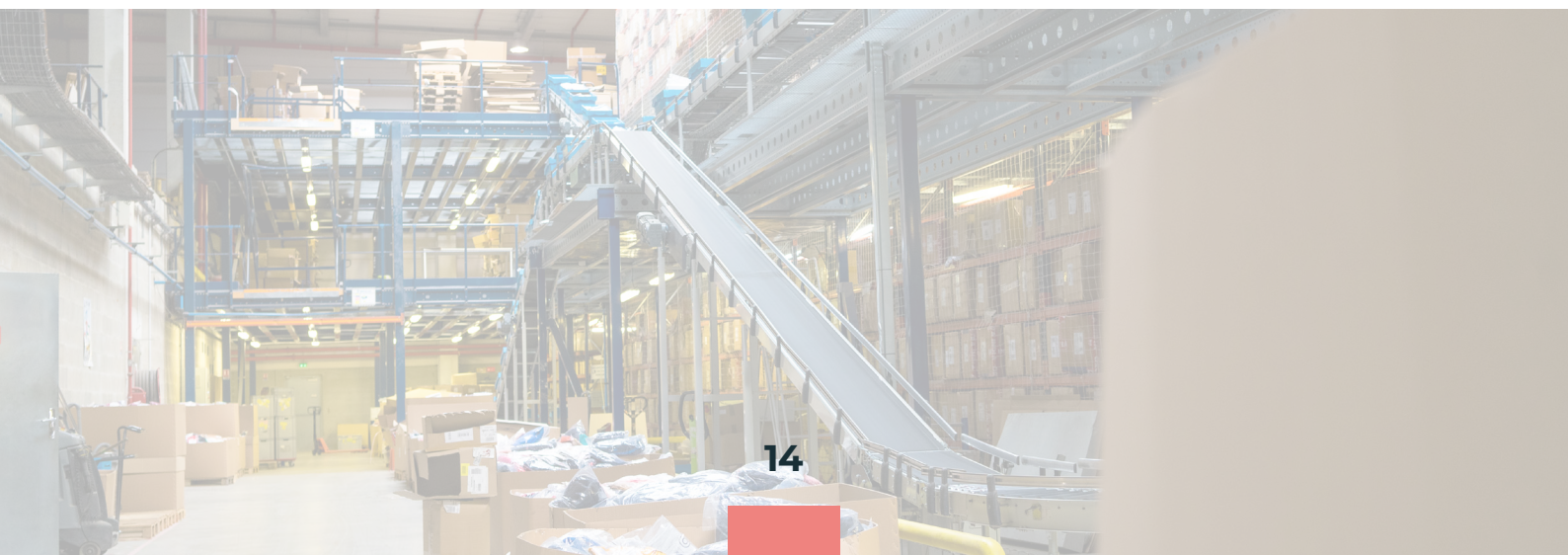
ARE YOUR STORE STAFF EQUIPPED TO DEAL WITH NEW RETAIL PRACTICES?

The growth of online retailing and the relative simplicity of setting up a basic website means online competition is intensifying. Many retailers are looking to reduce their number of stores and, with footfall dropping dramatically in the light of COVID, all are re-evaluating the role of the store in the context of an omni-channel customer proposition.

The store is changing from a place that is primarily focused on the range on display and limited to the items in stock, to a location where they can experience the brand and make purchases from an extended catalogue. In addition, the store is becoming a fulfilment location for sales made online or in other locations, as well as somewhere to return or exchange unwanted or unsuitable items.

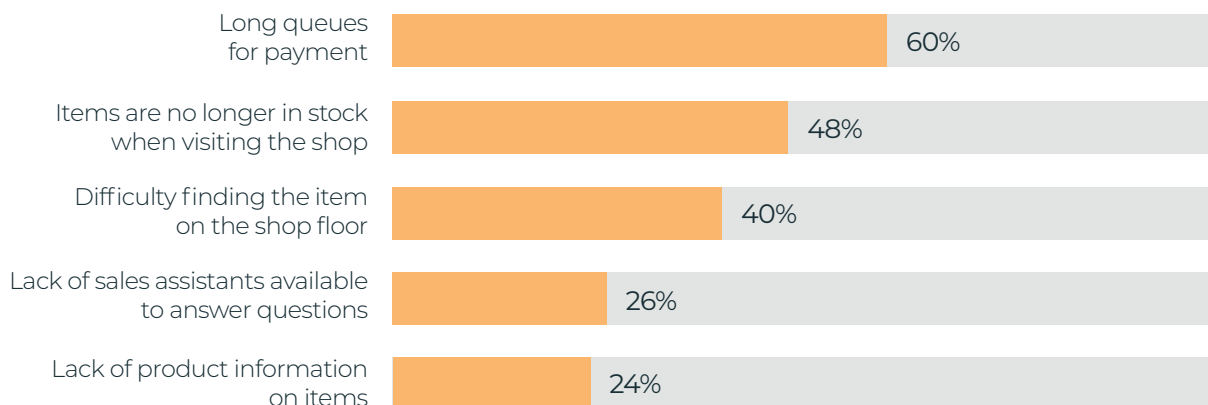These changes mean store practices and the role of store staff need to change too, together with supporting technology. Whether providing product information, recommending a complementary product to purchase, ordering an item for future delivery or packing and shipping an order that has been placed online, store staff need intuitive applications to streamline these tasks, all underpinned by a robust OMS.

1 | Taking orders for items that are not available in store

> For 48% of consumers, a product that is unavailable in-store at the time of their visit represents a major point of frustration. It, therefore, becomes vital to be able to access the entire catalogue and stock available throughout the network, enabling the sales assistant to secure a sale when the desired item isn't physically in stock. This capability is shown to increase in-store sales by 2-6%.

An enhanced in-store customer experience

While one in two consumers consider an unavailable item in a store to be a point of frustration [9], more than half (52%) will place an order for the item if the facility is available [10].

Long queues for payment	60%
Items are no longer in stock when visiting the shop	48%
Difficulty finding the item on the shop floor	40%
Lack of sales assistants available to answer questions	26%
Lack of product information on items	24%

Main points of frustration when shopping in-store

Most retailers have stores of variable size with relatively few having the space to display the full range of products available. Therefore having the ability to use technology to allow customers to view the whole range in their current location, presented as an endless aisle, is a great sales enabler.

Endless Aisle or Order In-Store solutions enable sales assistants to easily secure an order for one or more items that are not physically available in the store.

The OMS enables the sales assistant to check, often on a tablet or smartphone, the availability of any item in the retailer's network, confirming its availability and taking payment, with delivery either to the customer's home or another location for future collection.

[9] Cap Gemini Research institute report - Jan. 2020 - Smart Stores -Rebooting the retail store through in-store automation
[10] Salesforce Research Survey - July 2019 - Connected Consumers Report
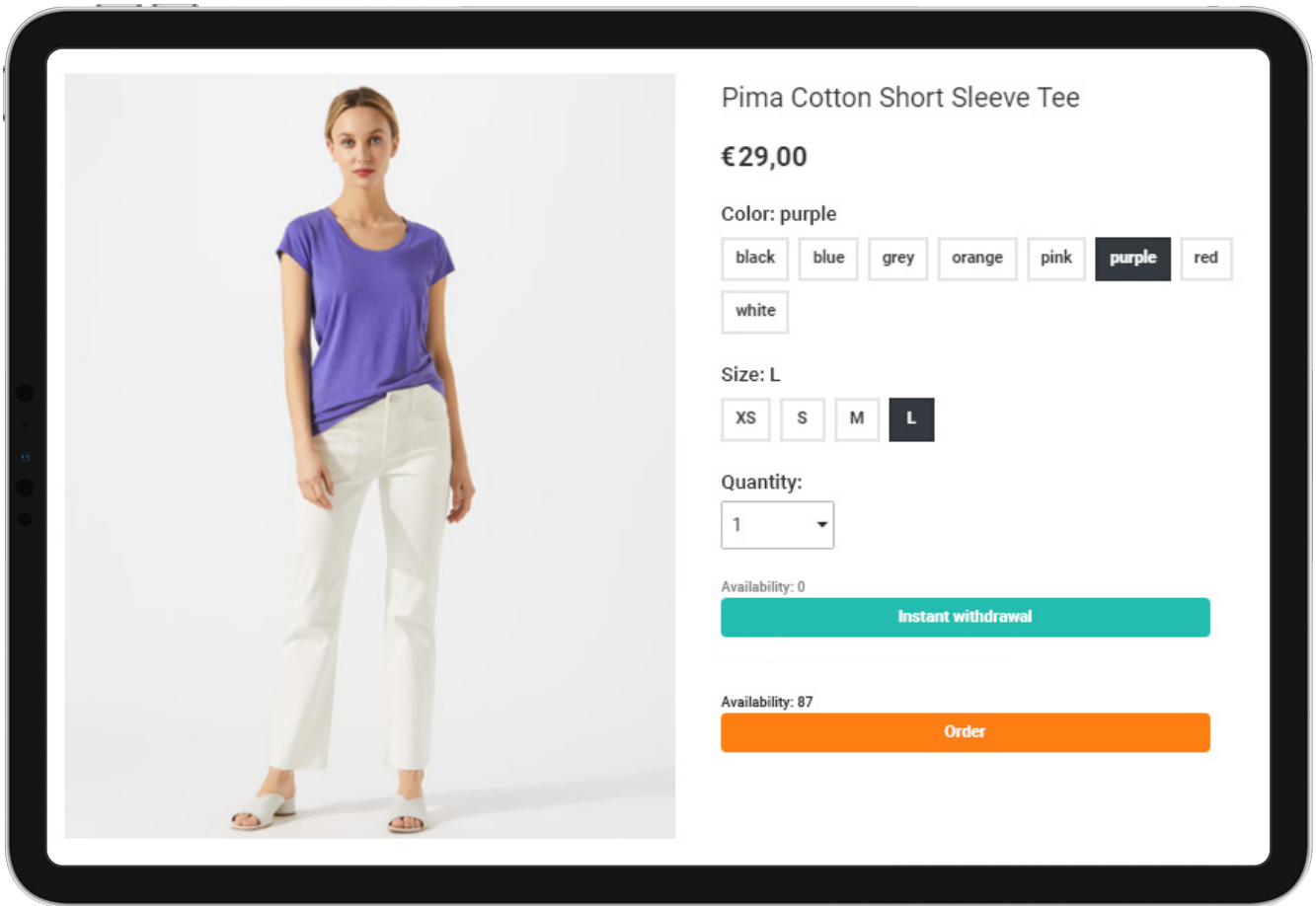
Endless Aisle or in-store order taking
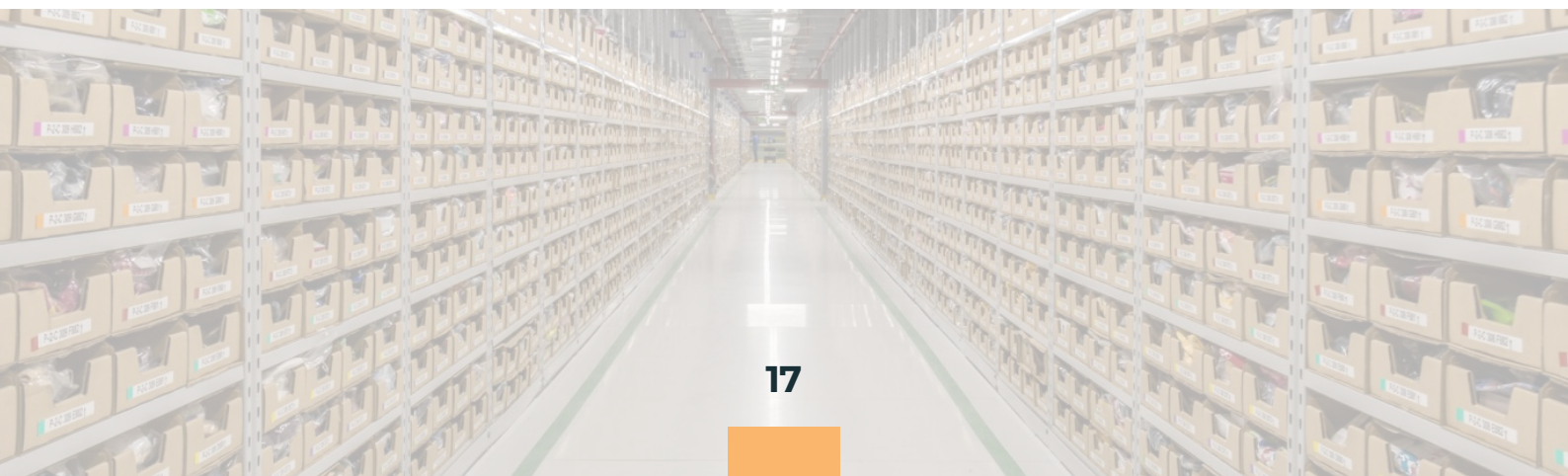
The Endless Aisle feature **increases in-store turnover by 2-6%** [11].

This number varies according to:

- Depth of stock already available in the store versus offered as a range extension
- The fluidity of the customer journey (payment on the move, taking into account promotions, etc.)
- Enablement of sales staff and appropriate financial incentives

[11] Source: OneStock

Four key factors in the implementation of extended product ranges

Before implementing in-store ordering for extended product ranges, the following issues should carefully be considered.

Management of the product catalogue available to sales assistants

The simplest option is to reuse the catalogue that is displayed on the e-commerce website. The sales assistant then has the same level of information as the customer and this allows rapid deployment as the categories and images already exist.

An alternative is a catalogue management solution dedicated to in-store ordering, with the navigation, categories, search terms and product information more focused on the sales assistants' needs. While this has the potential to provide superior customer experience, led by a seemingly more knowledgeable assistant, it is more time consuming and costly to deploy and maintain. Some retailers, that are part of a group that own multiple brands, may want to facilitate the sale of other brands through their extended catalogue e.g. TopShop might only stock it's own range in store but might want to make products from other Arcadia brands available to order in store from an extended catalogue

Unified management of promotions

At any one time, retailers may be running a series of promotions, both price-oriented (25% off, 3 for 2 etc) and others e.g. loyalty points which may be personalised and customer-specific.

To ensure a seamless customer experience, it is important that the sales assistant has visibility of all promotions, so these can be correctly applied - as a customer, if I buy 1 in store and order another 2, I'd still expect the 3 for 2 offer to apply. In some cases, I might also want to give the assistant some flexibility over things like shipping costs, so these could be waived if that is necessary to secure an order.

A Unique Customer Repository to facilitate in-store order taking

The OMS provides access to customer information - name, contact, delivery address and possible customer benefits related to the retailer's loyalty programme (points, birthday discounts, etc.).
It is important that there is a tight integration with the CRM, to ensure the retailer retains a 360 view of customer activity across channels.

Payment management

To simplify payment, it is advantageous if it can be taken via a mobile POS as well as at the checkout. This is particularly relevant in larger format stores where the customer won't necessarily want to visit the till (or even stand in a queue) to complete their order. Of course there are other factors to be taken into account regarding the payment methods (credit cards, cash, credit notes, loyalty cheques,...) and the compatibility of the payment terminals in place with a mobile order-taking tool.

The timing of payment also needs consideration: at the time of collection, preparation or dispatch. Partial capture or multi-capture (payment as the items are dispatched) is relatively recent and not all payment service providers support this functionality.

Spotlight: mixed shopping baskets

A single order can comprise items that are present in the store at the point of placing the order and other items that need to be fulfilled from other stock-holding locations, be that a DC or another store. The customer may choose to take the items that are immediately available and have the others shipped to follow, or they may prefer that the unavailable items are shipped to the store so everything can be collected at once, or that the entire order is sent to their home.

For the customer, the process should be seamless but for the retailer, there is some complexity executing the various scenarios. The OMS uses its orchestration logic to determine the optimal fulfilment approach based on the customer's collection/delivery choices. This can be optimised for delivery speed, minimal cost, minimal carbon etc.

2 | Distance Selling operated in-store by the salespeople

> Distance selling allows customers who do not wish to or cannot travel to the store to interact with an online advisor. However, this extends beyond on-line chat, which is now fairly common and often more of a Q&A than a dialogue.

The sales assistant in the role of online advisor

The sales assistant has several modes of communication depending on the specific characteristics of the brand's core target group:

The telephone
To cover the basics.

Videoconferencing
To respond to customers who have become familiar with this technology during lockdown.

Other communication channels
Whatsapp Messages, Snapchat with a salesperson in the shop, ...

The OMS provides the advisor/vendor:

- A complete view of the catalogue and available stock: warehouses, stores, suppliers

- A history of orders, so the assistant can understand customer preferences. This, coupled with a product recommendation tool, increases the basket size and value

- The possibility to charge the customer remotely
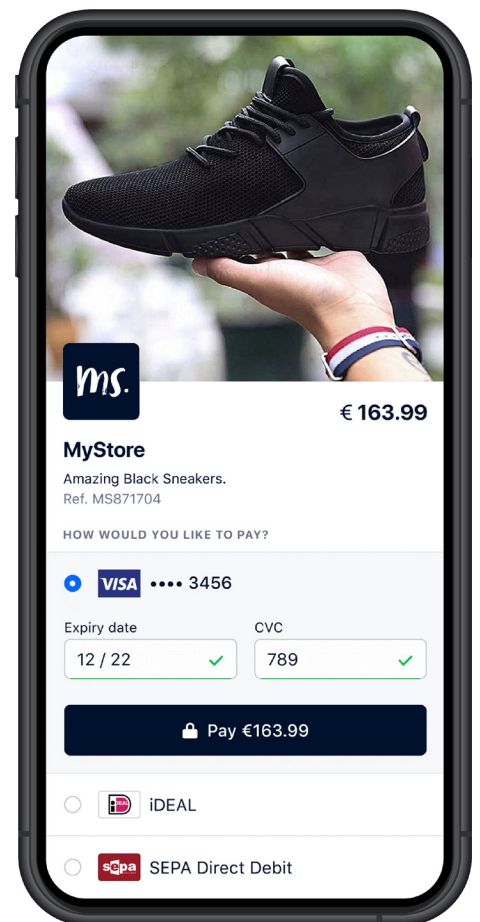
Remote payment, the core of the service

The OMS has a role as a payment facilitator thanks to its connection with various payment providers [12].

Current solutions enable remote payment via telephone, SMS, chat, email, without channel breaks and eliminate a major sticking point in the conversion funnel.

[12] PCI DSS compliant

# 3 | "Book in Store" to ensure that customers visit the store

> Online appointment scheduling, an extension of OMS, makes it possible to prepare for a customer's visit and to increase the average value of the customer's shopping basket.

Being prepared for the customer's store appointment

The customer can go to the website to arrange an appointment to visit. They can also select/ reserve products they would like to see/try during that visit and these can be set aside by the sales assistant.

The retailer can also seek further information about the customer and purpose of their shopping trip e.g. buying an outfit for a wedding. By combining this with the customer's purchase history, the assistant is able to make relevant recommendations, with the recommended items available and ready to try.

Example of in-store appointment taking on the hobbs.com website

21
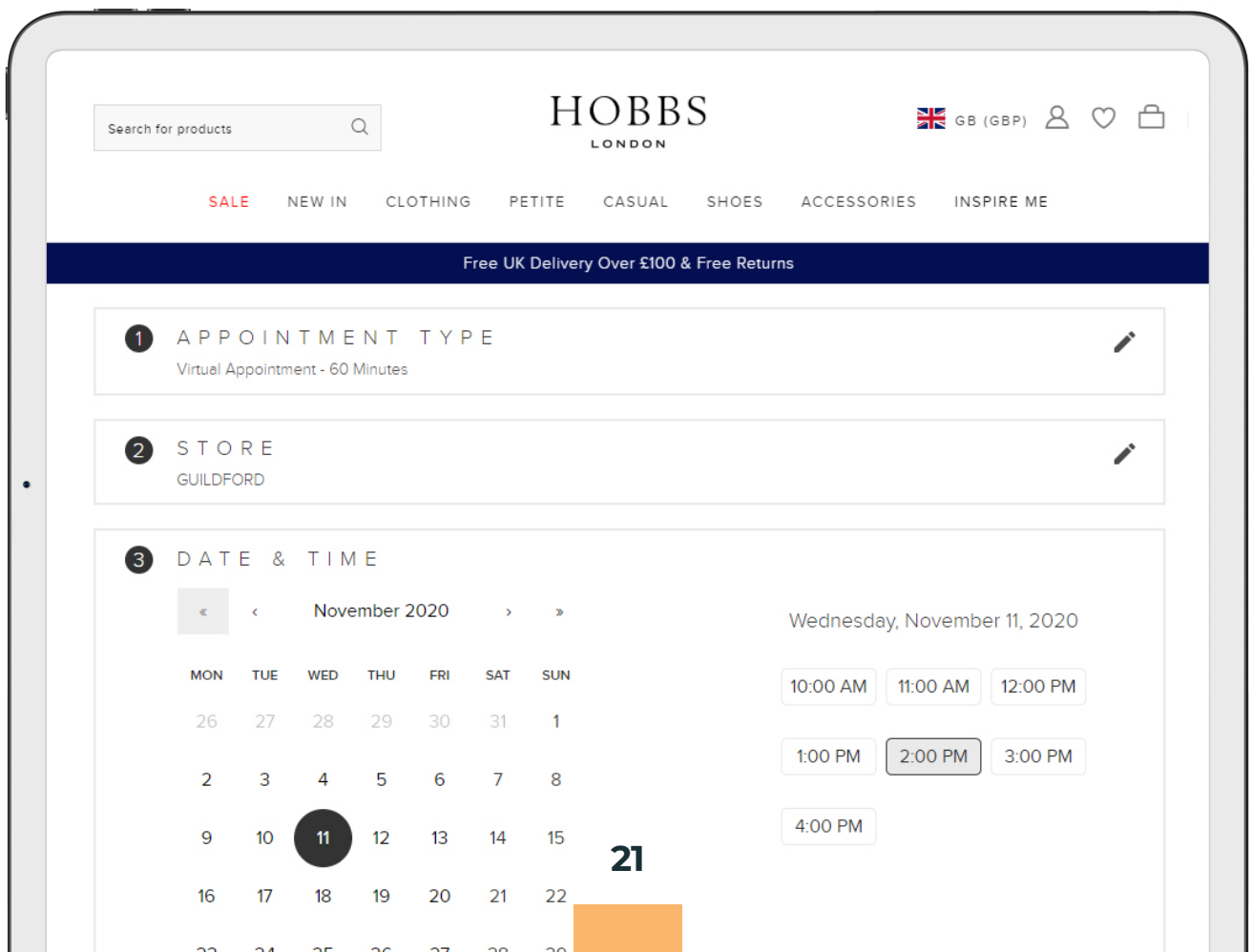
A premium service delivers a higher average basket value

The OMS offers the possibility for the adviser/salesperson to:

- Provide a premium service that is part of a well-prepared purchasing process
- Ensure a fitting room is available, appropriately sanitised for COVID compliance
- Secure an order that is two or three times greater than an average purchase [13]. An English women's clothing brand saw its AOV increase from £120 to £360 during these appointments

This service also saw a much lower "no show" rate when compared to a simple Reserve & Collect (generally estimated at 40% [14]).

[13][14] Source: OneStock

AGILITY, FLEXIBILITY, PRECISION: THE SUPPLY CHAIN MUST ADAPT... AND QUICKLY

In a scenario with a single online sales channel (the e-commerce website) and a dedicated stock point (the e-commerce warehouse), the role of an OMS appears limited. However, with multiple sales channels and multiple stock holding locations, order processing becomes much more complex and the real potential of an OMS becomes apparent.

With more diverse order and fulfilment scenarios, the OMS is required to:

- Manage, in real-time, the quantity of stock available and its location
- Dynamically orchestrate the fulfilment of the order, optimising for efficiency and other priorities e.g. eco-friendliness
- Provide a 360° view of orders regardless of the sales channels

The challenge for the retailer is:

- To **optimise the sale of stock** and in particular of surplus stock
- To **control logistics costs** by integrating the carrier's tariffs
- To **overcome the constraints of the logistical journey** by increasing the level of resilience
- To **analyse and anticipate customer behaviour** through their purchasing paths

1 | Sophisticated order orchestration to optimise fulfilment

"

With a large number of variables to consider, the appropriate orchestration of orders is critical to enable reliable and efficient fulfilment. Given the dynamics of sales channels, the availability of new delivery options etc, the retailer will want to review and modify the way orders are orchestrated. Therefore, it is important that the retailer has a simple, rules-based mechanism to "inform" the OMS of such changes so they can be reflected in the fulfilment logic.

Controlling shipping points

Having visibility of unified stock, an order can potentially be shipped from several stock points (warehouse, store, supplier, partner).

Therefore, the OMS uses its orchestration logic to determine the optimal way to fulfil the order, taking into consideration the retailer's preferred priorities.

The orchestration functionality helps to:

- **Minimise preparation & shipping costs**
- **Optimise delivery times** by sourcing from the most relevant stock points (closer, faster...)
- **Balance stock and reduce " residuals"** in-store that are subject to end-of-season discounts

## The OMS must be finely customisable and transparent in its decisions

The OMS is the key tool for optimising customer order logistics, so it must be "intelligent" in the way it selects the most relevant options but also adaptable enough to handle the day-to-day realities of retail stock management e.g. an item is damaged or has been mislabeled so is unsuitable for shipping.

The e-commerce, Supply Chain and Retail teams must collaborate to maintain effective control of product flows and be able to adjust orchestration rules as the season progresses. The dynamics of sales channels and the logic of stock-flow will influence the choice of shipping points.

1 Optimisation of the number of shipping points

2 Prioritisation according to the type of stock point (Warehouse, stores, supplier...)

3 Taking into account the stock coverage rate

4 Proximity to the place of delivery

5 The capacity of the stock point to process the order (possible order volume)

Top 5 most popular orchestration criteria [15]
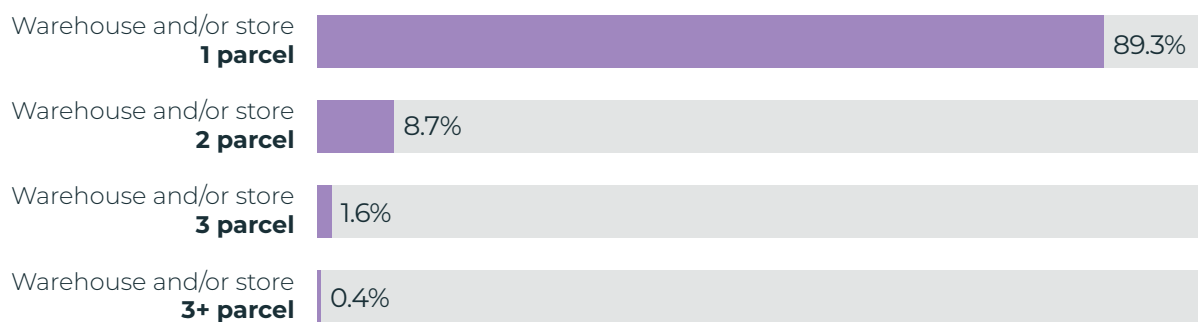
[15] Source: OneStock
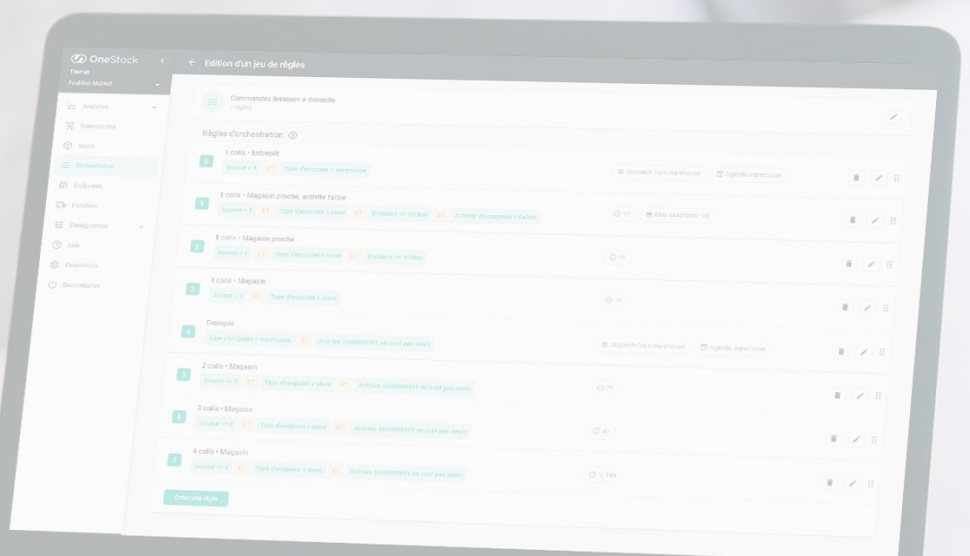
Optimisation of partial shipments

Transportation costs often make up a large portion of the overall cost of an e-commerce order. Whether these can be passed on to the customer or need to be absorbed by the retailer, it is essential to minimise these within the scope of the delivery promise.

While orders will sometimes need to be split, it is essential to minimise this, both to control costs but also to offer a less fragmented customer experience.

The OMS is critical to ensure the cost of split orders doesn't unnecessarily erode margin by finding the right balance between profitability and customer satisfaction. Therefore, it needs to consider all salient factors (number of items, number of packages, stock depth by location etc) to optimise processing of the order.

Warehouse and/or store **1 parcel**	89.3%
Warehouse and/or store **2 parcel**	8.7%
Warehouse and/or store **3 parcel**	1.6%
Warehouse and/or store **3+ parcel**	0.4%

Statistics on the number of splits and how to reduce them

Consolidated orders for specific preparation and additional services

By consolidating orders prepared from several stock points, it is normally possible to make a single shipment to the customer.

This is generally a **better customer experience** provided it is not at the detriment of speed and the overall **logistical costs** can also be **reduced** by factoring in other journeys between locations e.g. fulfilling regular store replenishment cycles.

Order consolidation may also be necessary where an item requires a specific service or feature e.g. customised embroidery or engraving, which may only be possible in locations with the necessary tools.
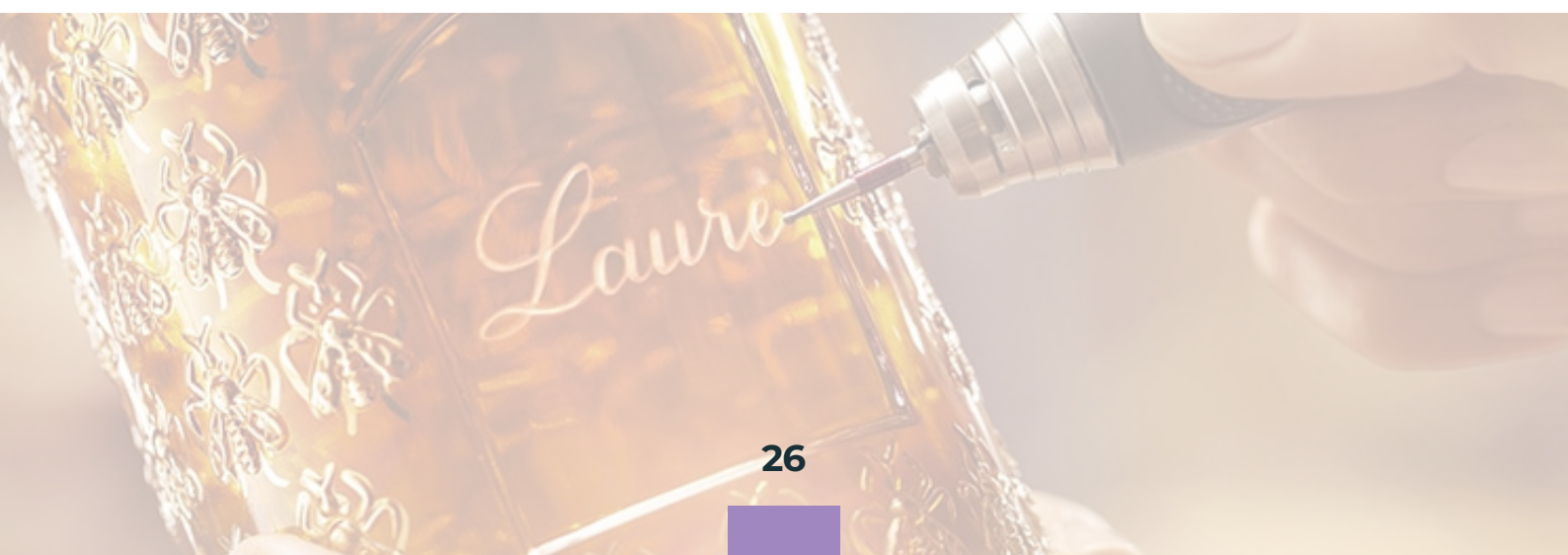
2 | Flexibility of the order's logistical route

> Retailers like to enable customers to track the progress of their orders. The knowledge that the order has been picked, packed and is en route, provides the customer with the reassurance that it will arrive within the expected timeframe.

Tracking the order in real-time

Enabling this visibility requires:

- **Organising the logistics** of the order process and tracking the internal status at each step (pending, to be prepared, in preparation, to be consolidated, partially shipped etc)
- **Providing the customer progress information** in more consolidated language that help them understand the status (order processed, dispatched, delivered, returned)

With the diversity of stock points, retailers need to adapt this tracking to provide greater granularity, as individual components of an order can be shipped independently with a different carrier and tracking code.

This is common in marketplaces, where an order is split into multiple sub-orders that are fulfilled by multiple wholesalers.
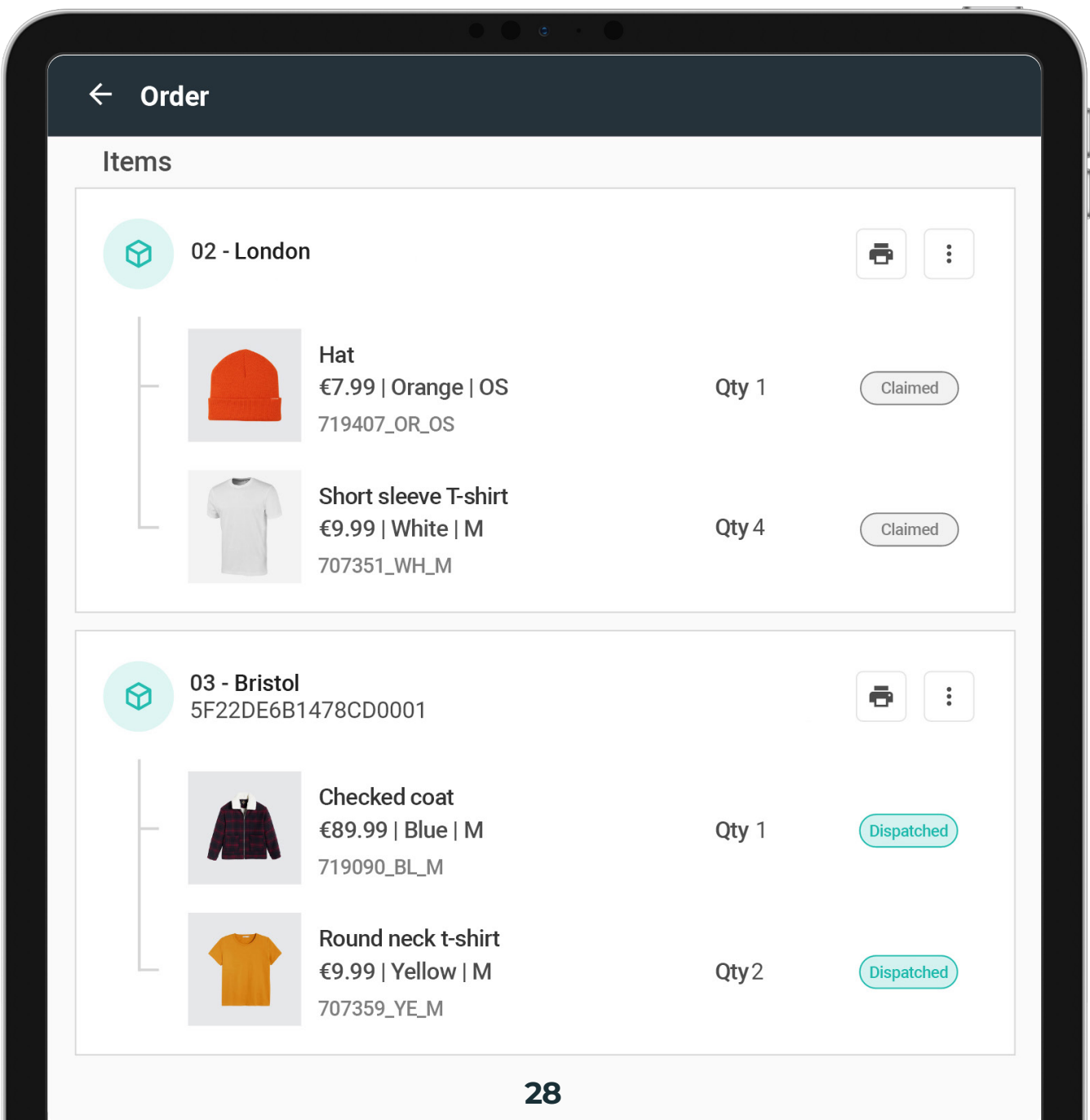
The link between the commercial and the logistical view of the order

When the OMS handles a single order comprising multiple items that are fulfilled from separate locations, it must be able to split it into the logistical sub-orders, each of which has its own life cycle.

The example below illustrates an order with a large number of items shipped from different stock locations with different delivery methods. The OMS guarantees the consolidation of the order status according to the status of the individual items.

Multi-shipping order

Order

Items

02 - London

	Hat		
	€7.99 | Orange | OS	Qty 1	Claimed
	719407_OR_OS		

	Short sleeve T-shirt		
	€9.99 | White | M	Qty 4	Claimed
	707351_WH_M		

03 - Bristol
5F22DE6B1478CD0001

	Checked coat		
	€89.99 | Blue | M	Qty 1	Dispatched
	719090_BL_M		

	Round neck t-shirt		
	€9.99 | Yellow | M	Qty 2	Dispatched
	707359_YE_M		

Not all customer orders are the same

Orders for clothing, books, food, large tools, electronics, etc. have different order life cycles.
The OMS has to adapt to these different needs and manage special demands.
There is often a customer "cooling-off" period, during which they can cancel or modify their order.
Sometimes a specific fraud check will be applied for high value orders, causing additional delays.

Personalisation of an item, which is becoming increasingly popular, will also impact the flow of that particular item, so needs to be taken into account.

Spotlight: order tracking

Customers can be informed by email or SMS of milestones in the tracking of their order and can view the detailed status in their customer account. Providing this information **reduces the number of calls to customer service**.

In order to provide this end-to-end tracking, the OMS must connect to the carrier's own tracking service, integrating this into the overall order lifecycle.

The tracking information is also available to the customer service team, so they can assist customers that do call in and encourage them to use the self-service tracking options to monitor orders in the future.

3 | Using Ship From Store to move end of season and clearance stock

> As a season progresses, overall stock of seasonal items is expected to reduce. However, when stock is ring-fenced by channel, products can become unavailable on the e-commerce website despite stock being available in stores. This has a doubly negative impact, not only because potential sales are lost but also that excess stock in stores then needs to be marked down, eroding margin. The ability to ship from stores addresses these challenges, delivering both financial benefits to the retailer and enhanced customer satisfaction.

Shipping from stores has its challenges

While the business case for Ship From Store is compelling, there are practical issues that need to be addressed. A unreliable view of store stock, low stock depth, a lack of space to prepare or store parcels and carrier pick-up facilities are all potential constraints that need to be considered when enabling Ship From Store.

Orchestrating orders that include store stock means the OMS must be able to anticipate in-store sales being made in parallel with online sales, potential stock shortages and a lack of resources in the store to process the order.

A significant increase in turnover

Sending packages from stores is proven to **increase turnover between 25% and 30%** [16]. This figure is impacted by the rate of unavailability on the website, the size of the store network and the distribution of stock in the warehouses and stores. There can be additional logistical costs associated with delivering directly from the store, so these must also be factored in when deploying this model. When stock is available in multiple locations, Ship From Store can make it possible to reduce delivery times based on customer proximity to the store and even to offer new delivery methods e.g. same-day collection.

[16] Source: OneStock

Spotlight: competitive or collaborative allocation

Most OMS solutions work on the basis that an order is automatically allocated to a single store as determined by the orchestration rules. However, more sophisticated solutions also offer competitive allocation as a way to increase the efficiency of fulfilment and reduce the time it takes to ship orders.

The concept is simple: the OMS identifies any stores that are eligible to fulfil an order, based on the orchestration rules. These stores are alerted of the order and have the opportunity to claim it. In making the claim, they are awarded credit for the sale. This provides an incentive for stores to be highly responsive and also provides a level of resilience as fulfilment of the order is not dependent on a single store.

The benefits of competitive allocation are:

Optimised order preparation time
Stores are more responsive, as they know they are in competition with other stores to claim the order.

Workloads are evenly distributed between the points of sale
Stores that do not have the available resources to process the order will leave it to another store to fulfil.

The impact of unreliable stock is limited
If a store discovers it is out of stock of the item (perhaps the item is damaged or mislabelled), it can reject the order and the OMS will ensure the overall stock position is adjusted accordingly. Meanwhile, another store can process the order.

Store stock is more reliable
Any stock declared unavailable can be traced back to the stock management system and adjusted at the end of the day.
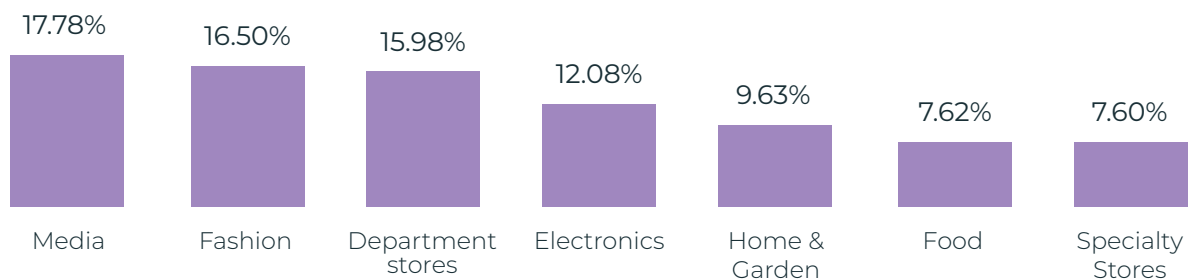
4 | Increase the customer's return options

> Ecommerce has changed consumer expectations in respect of returns. They expect to be able to buy an item, change their mind and then return it easily and cheaply, ideally free of charge. Making returns as smooth as the purchasing process enhances the customer experience but it is important to do so while minimising the cost impact for the retailer.

An ever-increasing return rate

Depending on the sector, the country and the policy applied, returns of online orders represent on average 25% and can sometimes reach up to 40% of items shipped.

Media	Fashion	Department stores	Electronics	Home & Garden	Food	Specialty Stores
17.78%	16.50%	15.98%	12.08%	9.63%	7.62%	7.60%

Percentage of returns by industry [17]

The challenge for the retailer is to reduce this expenditure item as much as possible without the risk of losing customers who would be dissatisfied by a cumbersome returns policy.

[17] Source: Paazl 2017 study - E-commerce Returns in Europe: everything you need to know

The advantage of in-store returns

While consumers do not always intend to buy other products when returning items, the reality is that they often do. 67% of consumers (71% for Generation Y) bought an item when they returned another item in-store [18].

Allowing the return of web orders in-store is an attractive option for the retailer. It eliminates any shipping costs and creates a new contact point with the customer. In addition, it enhances customer satisfaction and encourages them to make future purchases secure in the knowledge that they can be easily returned.

Processing returns in store does of course require staff training and relevant equipment at the return points.

Four things need to be considered when deploying this model:

Retrieving orders placed online
The salesperson must have access to the customer's online purchase history and be able to quickly find their order.

Return processing
In some cases, the item may need to be examined before the customer is refunded so the store staff need relevant training and tools to perform verification or reconditioning of the product.

Managing re-entry into store stock
This operation can be complex depending on the type of store - branch, franchisee, reseller... and the nature of the range on offer.

Order refunds
This is mostly done via the same means of payment used when placing the order. It requires consistency in the management of payment service providers and the possibility of printing a proof of the return, which the customer keeps until the refund is completed.

Monitoring returns to reassure customers

Whether it is a return to the warehouse or to a physical point of sale, it is important that retailers enable customers to check the status of any return.

For e-commerce orders, the return label is either pre-printed and supplied with the parcel on dispatch or can be printed by the customer via the website. Ideally, the customer will have a few shipping options - deposit at the post office, at a pick-up & go location or simply in the mail.

Upon receipt of the returned item, the customer should receive an email confirmation.

The OMS must be able to manage situations where the returned item has a defect, a delivery error, if the return period is exceeded or if it is not eligible for reimbursement.
In this case, the customer needs to be notified specifying the reason, with the details stored in case of any subsequent dispute.

[18] Source: Salesforce Research Survey - July 2019 - Connected consumers report

AN OMS THAT CAN STAND THE TEST OF TIME

Retail is evolving and changing at a phenomenal rate and an OMS needs to be able to adapt to cater to these changes as they occur.

Many solutions are now delivered as "SaaS" but this term is used somewhat generically in marketing, with quite different underlying models than have different implications for the retailer. For an OMS to be as responsive as possible to evolving functional requirements, the SaaS solution should be deployed as a multi-tenanted solution where functional extensions are simultaneously available to all users rather than a dedicated instance that applies to one retailer alone.

Using the native functionality of the OMS supports the most rapid adoption of new customer habits, ensuring the retailer remains at the forefront of innovation.

Below is a list of services currently being tested at some retailers. Given the pace of change and adoption, today's "innovations" quickly become tomorrow's "must-haves", so the OMS will need to cater for these scenarios.

1 | Orchestration of returns

> When an item is returned, the retailer wants to quickly make it available for re-sale. This is particularly important for seasonal items which may be subject to markdown. The OMS plays a key role to orchestrate returns throughout the season and help the sale of returned items through web and store channels.

## Orchestrating the redistribution of returns to stores

In the same way an OMS manages order fulfilment, the same model can be applied to orchestrate the logistics around returns. This reverse logistic "redistributes" the products back to the stores rather than to the warehouse according to several criteria:

- The item is, or is not, part of the store assortment
- The store has a high turnover rate on the item
- The store has low stock on this product or is out of stock on the most popular sizes

This redistribution of stock throughout the season speeds up the re-sale of items and allows unsold items to be distributed optimally between stores before the sales.

Facilitating exchanges over returns

The visibility provided by an OMS can help retailers encourage exchanges for certain returns, rather than defaulting to providing a refund. For example, when a customer makes an online return because an item was too small or too big, the OMS can immediately show where a larger or smaller size is in stock and suggest the customer exchanges it in store. It can even initiate a reservation at the selected store so the product is set aside, ready to be collected.
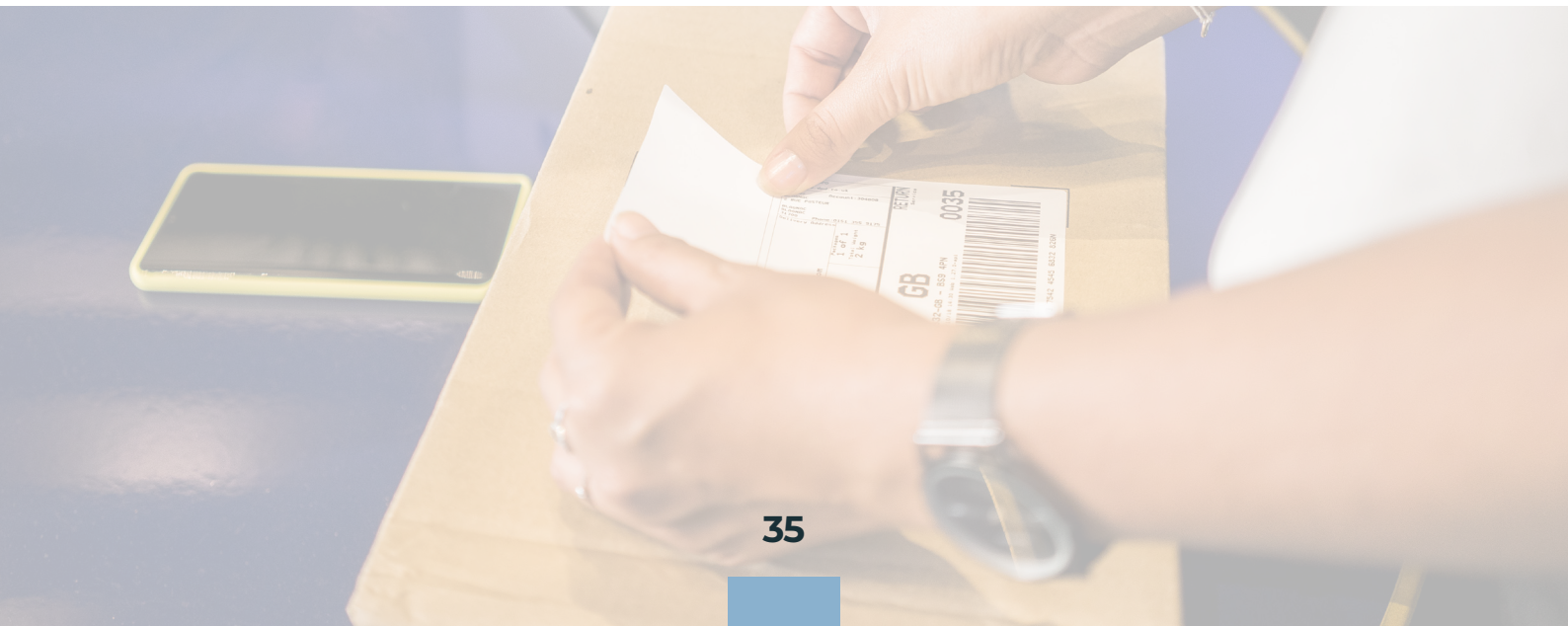
2 | Fittings in all their forms

> Customers are always looking for simplicity and convenience, and this is a driver of innovation that extends into the fitting room. Size and fit are high drivers of returns some retailers now offer Pick-up & Go locations, where items can be reserved in multiple sizes, then tried on before completing a purchase. Some even extend this by bringing the items to your home to try as in the example below.
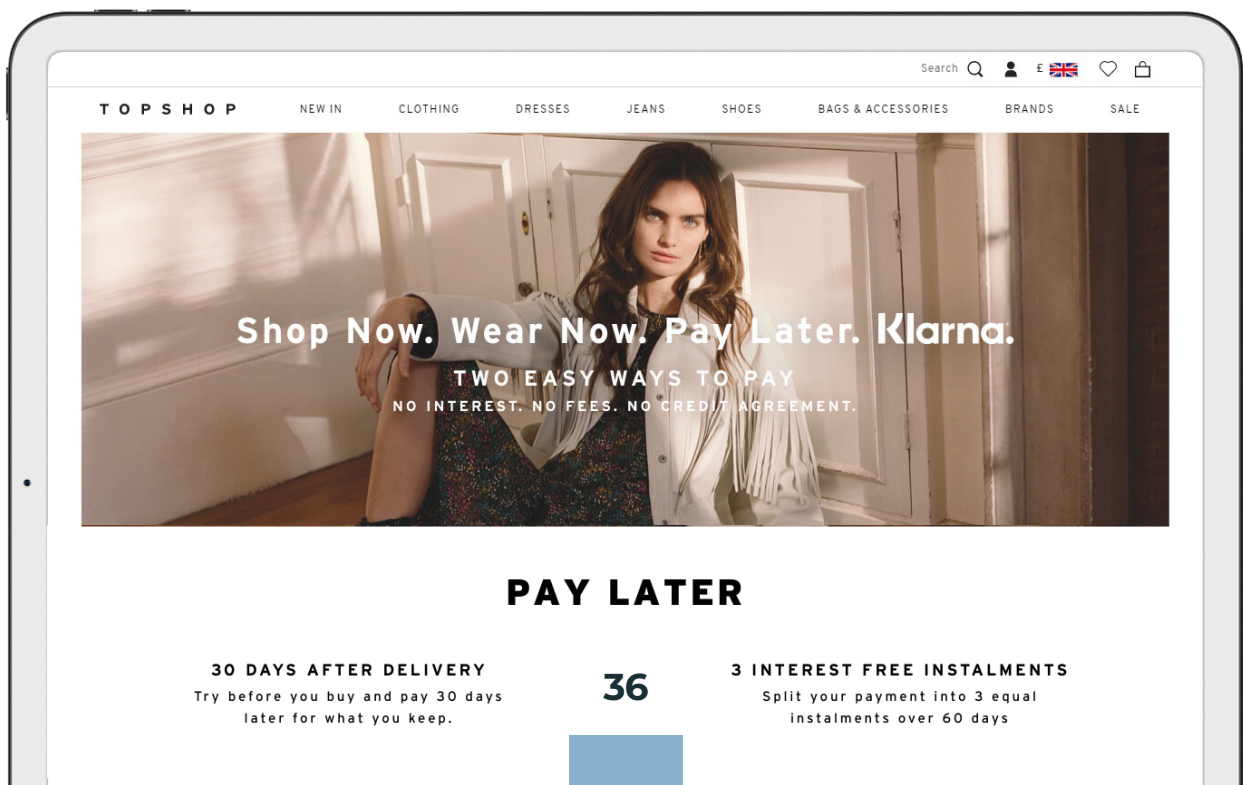
Initiatives that are already underway

The "Russian Amazon", Wildberries, bases its model on a wide range of online products that can be tried and paid for in one of its 6,200 checkpoints. All of them are equipped with a fitting room in which you can take a selfie to comment on the cut and colour of the clothes. These collection points accept all types of payment and handle returns. Wildberries also offers delivery by a courier who then waits on the customer's doorstep while they try on the items.

Handling payment

Pick-up & Go and Try at Home services enable the customer the opportunity to try items before committing to make a purchase. This avoids processing sales only to then process a refund, all of which involves payment charges.

In Etam's case, the OMS triggers a request for bank authorisation for the total amount which is then effectively treated as a deposit, valid for at least 11 days and only charges for the items the customer decides to keep.


TOPSHOP   NEW IN   CLOTHING   DRESSES   JEANS   SHOES   BAGS & ACCESSORIES   BRANDS   SALE

Shop Now. Wear Now. Pay Later. Klarna.

TWO EASY WAYS TO PAY

NO INTEREST. NO FEES. NO CREDIT AGREEMENT.

PAY LATER

30 DAYS AFTER DELIVERY
Try before you buy and pay 30 days later for what you keep.

36

3 INTEREST FREE INSTALMENTS
Split your payment into 3 equal instalments over 60 days

3 | The pre-owned market

> As the textile industry is one of the most polluting sectors in the world, buying responsibly has become increasingly important for users. More and more brands are now offering pre-owned, or SecondHand, products. The SecondHand market is estimated at 1 billion euros in France according to the IFM (Institut France de la Mode) and this could double in the next 10 years.

More than just a trend

In just a few years, the second-hand market has gone from being seen as rather unglamorous to a new way of consuming. It is forecast that by 2028, the SecondHand market will account for 13% of purchases, while fast fashion is expected to account for 9% of purchases. Turnover of second-hand goods is expected to rise to 56.5 billion euros [19].

In addition to the environmental benefits, there is also a strong financial motivation for consumers too.
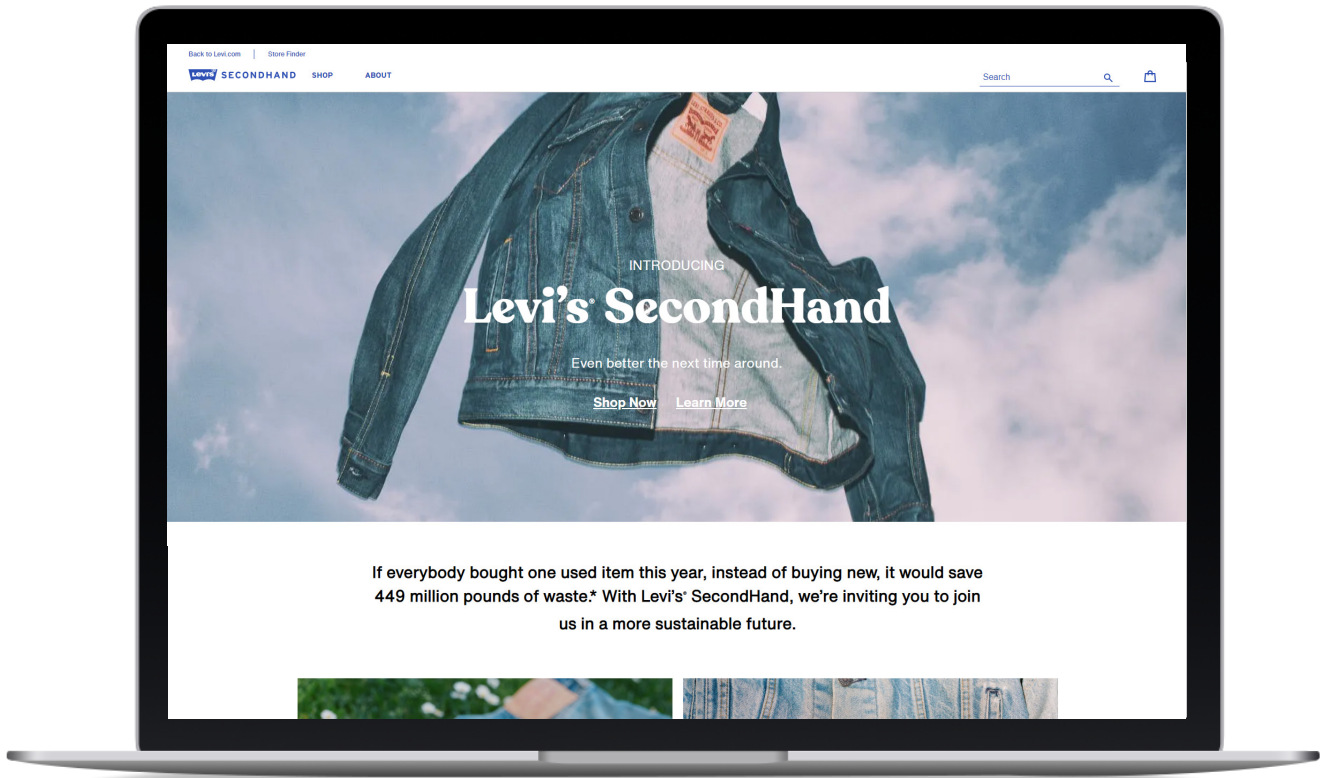
SecondHand category on the LEVI'S website

[19] Thred Up 2019 RESALE REPORT

Brand initiatives

As the SecondHand market gains momentum, retailers are looking at ways to introduce SecondHand products to new customers. In addition to all the websites and apps dedicated to reselling pre-owned items that have been popping up over the past few years (Vinted, Depop, TheRealReal, thredUP…), retailers have been hopping on this trend. British online fashion and cosmetic retailer Asos launched Asos Marketplace in 2009. This platform gives anyone the opportunity to become a seller and offer high-quality vintage and pre-owned garments.
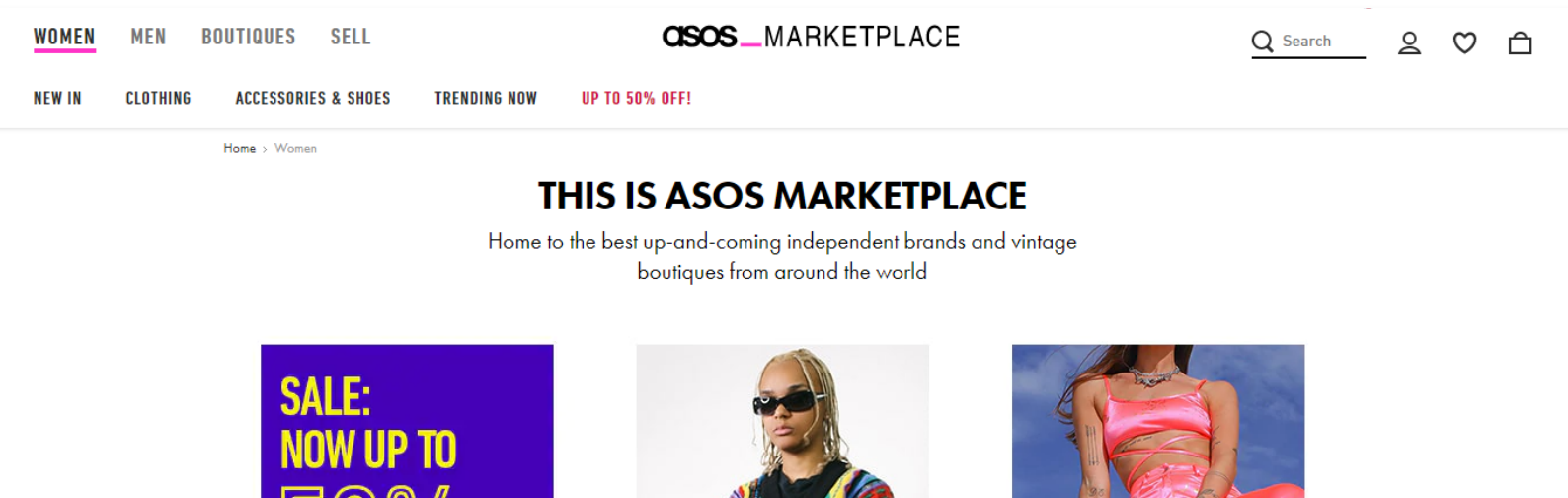
Guaranteeing product traceability

The OMS has become the guarantor of product traceability. It must be able to distinguish whether the item is new or used, and even to differentiate between elements that might have a different state of wear - trousers are often worn more than a jacket despite representing a single suit. In luxury goods, this notion of a unique item makes it possible to avoid counterfeiting and assert authenticity.

The OMS retrieves orders from multiple sales channels: e-commerce websites, marketplaces… where the product is sold new or used. Today, with RFID technology, each item is unique and traceable. In the long term, the solution will be able to follow the life cycle of a product.
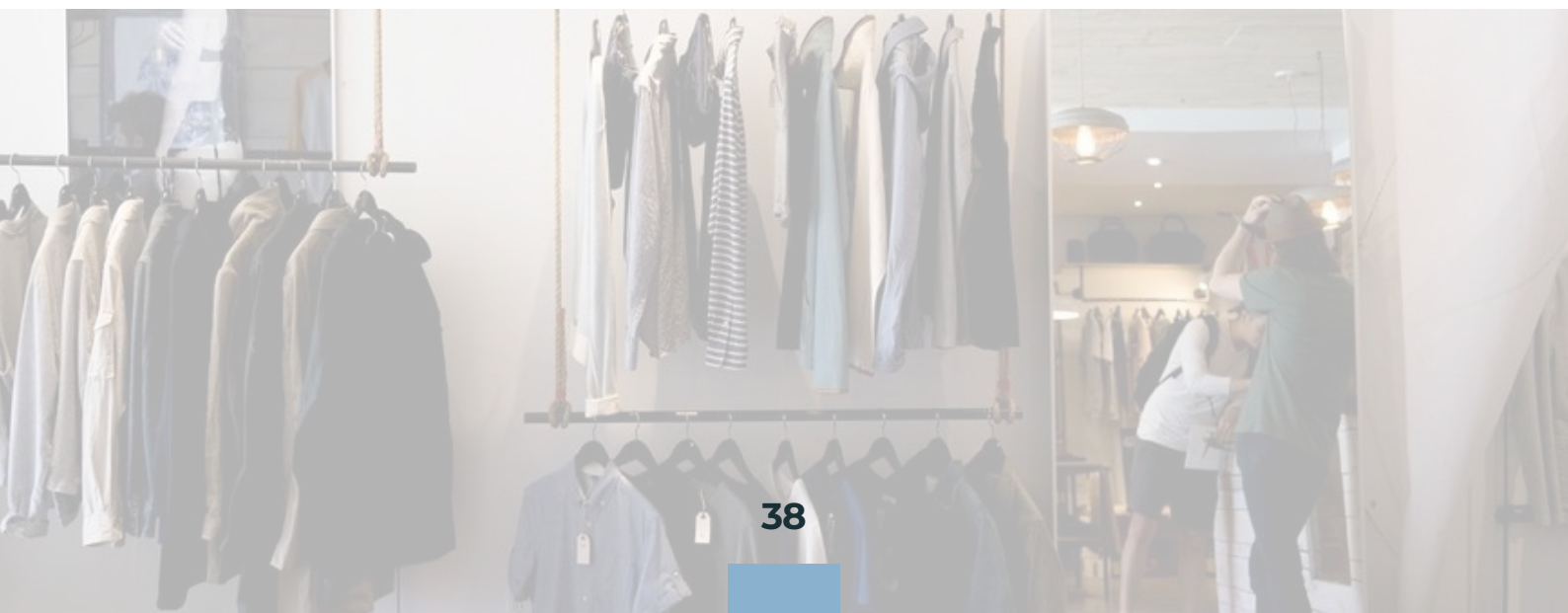
CONCLUSION

New retail is rebuilding its foundations and everything is subject to scrutiny - financial models, internal organisation, logistical flows and of course technology.

As technology becomes ever more critical, SaaS software is helping reduce the complexity of managing the systems retailers rely on to trade effectively, leaving them to focus on their core business.

If ROI and customer satisfaction are key drivers of investment decisions, then an OMS is an indispensable component of the digital landscape.

This white paper has reviewed the essential components of tomorrow's retail world and the pivotal role an OMS plays in realising that future, recognising it must be robust, upgradeable, scalable and tuned to meet the evolving demands of this dynamic sector.

The store is changing from a place people go to buy things, to a place they visit to experience products and brands. These experiences must be engaging and create excitement, but also play an essential role in the overall logistics strategy. And of course, careful stock management and, above all avoiding overstocking, drives profitability.

Whether we are retailers, manufacturers, logistics or technology solution providers, we must all collaborate to meet the expectations of customers who are increasingly demanding, tech-savvy and have a growing sense of social and environmental responsibility. These are exciting times indeed!

OneStock Editorial board

Romulus Grigoras
Founder / CEO, Ph.D.

Tal Boukobza
Omnichannel
Solutions Expert

Aurélie Launay Abert
Head of Optimisation
Software & Services

Vincent Vila
Product Manager

OneStock

The omnichannel OMS expert

OneStock has developed a customer-centric Order Management System or OMS, based on the unification of stock (warehouses, stores, suppliers, etc.) and the orchestration of orders. Our solution allows retailers to optimise each order and improve customer experience thanks to a multitude of customisable omnichannel scenarios: Ship From Store, Order in Store, Store as a Warehouse, Click & Collect, Reserve & Collect... This solution connects the various storage points with all sales channels, both physical and digital.

www.onestock-retail.com