

Körber Supply Chain

Supply chain challenges of omnichannel retail

Leveraging warehouse management
to create superior customer experiences



Introduction

Modern consumers have come to expect a high level of fulfillment and service, based on their shopping experience at global giants of commerce such as Amazon, Zalando, Alibaba and Otto. This has put a huge amount of pressure on retailers and suppliers who are unable realistically to compete with “Amazonification,” as they typically lack the required fulfillment capabilities.

Instead, flexible and adaptable retailers and suppliers across the globe are looking at alternative ways of emulating the experience of convenience by offering “omnichannel shopping.” While this is helping them stay relevant in a market dominated by the “same-day delivery” appeal, it has led to several new challenges for their supply chain and fulfillment processes.

What is omnichannel?

“Omni” means “all” or “combination.” In commerce, it means:

“A multichannel approach to sales, that focuses on providing seamless customer experiences, whether the client is shopping online ... or in a brick-and-mortar store.”¹

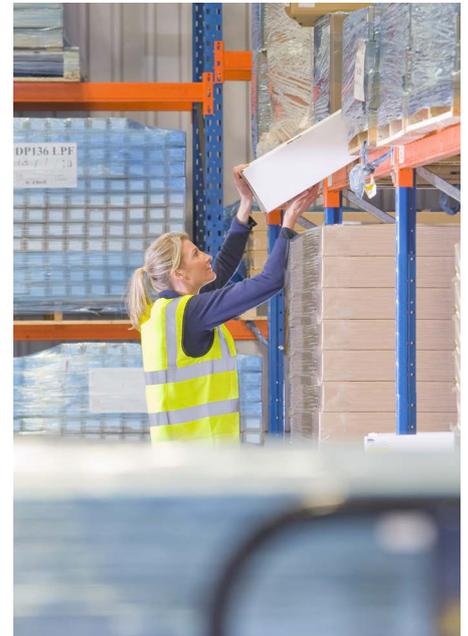
Tessa Roberts
Bloomreach Inc.

Customers have come to expect a certain level of convenience and service. This includes the ability to browse items online or in a physical store, and have those items delivered to them – or to a place of their choosing – on the same or the following day.

Fulfilling those demands when you’re not already Amazon, or an Amazon competitor, means being creative with the resources and facilities you have access to, and leveraging them to the fullest extent possible. It also means offering additional delivery options, such as click-and-collect and home delivery.

Flexibility, advanced supply chain solutions and the consumer expectation of shopping convenience, have all driven these requirements. While there will always be customers who prefer to buy in-person in “brick-and-mortar” stores, and others entirely online, retailers and suppliers wanting to remain competitive must offer a shopping experience with a variety of ordering and delivery options.

This is as true in the US and Europe as it is in Latin America and Asia, and as such it presents similar challenges for supply chains, warehouses and stores across the globe.



“All omnichannel really means, is selling and fulfilling the way the customer wants to buy. When I arrive on a website, I could be buying an item directly for home delivery, I could be checking to see if it’s available in a store so I can buy it in person, or I could buy it and collect it from the store myself.”

Jon Kuerschner
Vice President – Supply Chain
Consulting, Körber

Omnichannel challenges

The ability to efficiently handle different order and delivery types is crucial in omnichannel supply chain management. Online orders, for any type or size of retailer, are rapidly increasing in numbers, but diminishing in size, down to orders for single items. This has increased the workload in warehouses, with the need to maintain the same level of accuracy, but for a growing number of orders. As a result, all warehouse processes, including picking, packing and shipping, need to become more efficient. In addition, retailers need to manage customer returns, and fluctuations in order volumes such as surges in demand for promotional or seasonal items.

Another major challenge is the increasing complexity in managing different transport service providers and parcel services to control cost.

Complete visibility of warehouse processes, inventory and order status, as well as a high picking and fulfillment efficiency, are required to overcome these challenges.

“For omnichannel to work, you must be able to service multiple channels from one distribution center. This increases complexity inside the center, and therefore increases the need for new technology.”

Jon Kuerschner
Vice President – Supply Chain Consulting, Körber

Omnichannel warehouse solutions

Omnichannel retailing means having the flexibility to accommodate consumers’ shopping preferences, which requires the supply chain, and especially warehousing processes, to enable this flexibility. This emphasizes the need for forward planning, and rapid response to changes in orders, to efficiently manage goods flows and minimize costs.

Modern omnichannel warehouse management solutions are scalable to handle any number of orders and any volume of goods. They also provide the flexibility to change workflows, so that retailers can continue to deliver a tailored and integrated customer experience across all channels. Handling multiple order types is another requirement. This can be achieved through execution workflows with different cut-off times, streamlining order picking and supporting different delivery options, as preferred by end customers.

Other key capabilities are centralized management of transport service providers and courier express parcel services to control cost; as well as track and trace functionality, including proof of delivery, which keeps track of shipments during the “last mile” to the point of delivery. The result is complete visibility of the supply chain, from the supplier to the point of sale to the end customer. Another critical warehouse management capability is comprehensive returns processing to accommodate the constantly increasing return rates across virtually all product categories.

Omnichannel retailers are also becoming aware of the benefits of implementing end-to-end supply chain processes for expanded visibility and control. To support this, warehouse management systems have to integrate with other supply chain solutions, such as transportation management systems or parcel shipping solutions.

“A WMS must scale in terms of demand. An omnichannel warehouse is being stressed through the increase in volume, labor, automation and sorting. You also have a massive amount of returns. These reverse logistics massively impact the supply chain.”

Jarrett Leesch
Vice President International Business Development, Inconso

Conclusion

To prepare for these challenges, and to survive in this rapidly evolving market, retailers have to meet the evolving demands of omnichannel customers, increase order accuracy and optimize delivery times. There is a unique opportunity for smaller, dedicated retailers and suppliers who are ready to bridge the gap and do what the giants cannot do – specialize.

By adopting the right warehouse management solution, they can keep up with the demands of their customers, while improving their operational efficiency and ultimately their bottom line. Most importantly, they can secure the loyalty of their greatest business asset: their customers.

Could Körber's versatile warehouse management and other supply chain solutions help you build and expand your omnichannel retail business and make it successful in a rapidly changing market? Contact us to find out: [koerber-supplychain.com](https://www.koerber-supplychain.com)

Reference

1. <https://www.bloomreach.com/en/blog/2019/07/omnichannel-commerce-for-business.html>

