

Multi Channel Supply Chain

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Introduction:

This paper summarises the traditional approach to online distribution and looks at the environmental factors that are driving retailers to a more comprehensive multi-channel offering. It then looks at some of the key elements of multi-channel and how delivery plays a critical part. This paper also provides a schematic of multi-channel delivery and examples of use by MetaPack customers.

Retailers' approach to the multi-channel offering has significantly changed in the past few years as multi-channel growth is being aggressively driven by consumers. Shoppers demonstrate greater loyalty to multi-channel retailers and they tend to spend more if they are offered the same wide range of products, regardless of whether the purchase opportunity is presented on-line, in stores, through a catalogue or over the phone. Retailers are also expected to deliver the same highest standard of service at all points of order, using a wide offering of delivery options that can suit their customers' lifestyles and their growing expectations.

To provide the best delivery experience retailers need a carrier management solution which can provide a full range of real time delivery options at any point of order, taking into account factors like delivery address, delivery option of choice and the size, type and weight of purchased products. Equally retailer should also be able to provide different returns options to make the customer experience as convenient as possible.

Traditional Model:

Although today's shoppers' expectations are much higher in terms of a wide product offering and its availability, there is still a very traditional delivery model dominating the multi-channel market. Retailers still typically bring their stock from suppliers into their warehouse, then from there the goods are despatched via carrier networks to the end customers. From the retailer point of view they have full control and visibility of their stock and all of their products are under one roof. They can also receive further discounts from suppliers if they buy in bulk. However, by doing so, these retailers drive the cost of their warehousing and distribution up through storing all of the products that they make available through the different shopping channels. Their working capital is frozen; retailers might keep in stock very slow moving lines which should actually be with their suppliers. Retailers can notice a distinct



high cost in a traditional delivery model scenario including overstock inventory, physical storage space, transport from suppliers into the warehouse, warehousing and operational cost, and finally packaging and last mile delivery.

Environmental Trends :

Porter's Five Forces show why retailers are under intense competitive pressure. Where the industry makes profit, more competitors are attracted; the more attractive it is to new retailers leads to decreased profitability of existing retailers. At the same time the higher number of substitute products available on the market can cause the consumers to shop somewhere else. What can retailers do in such a competitive market to retain their customers and attract new ones?

a) Variety:

Offering a wide range of goods to customers is critical to maintain your customers. If a shopper wants to purchase a dining set then they are more likely to purchase it from one place rather than from two different retailers. Providing customers with the same selection of products across all of the selling channels, at an attractive price and with all product being available for immediate despatch is what can keep your customers loyal.

Having all of your product offering available for instant despatch and even widening your product range is now possible without increasing your cost and holding more stock. This could be achieved by changing your supply chain model and incorporating Supplier Home or Store to Store deliveries.

b) Lower cost:

In the perfect competition model, no participant has market power and prices and quality of products are assumed to be known to all consumers. All retailers know how much the same product is sold for by their competitors. The internet and eCommerce accelerates the trend towards perfect competition but there is only a certain margin to lower cost without making losses. Some retailers have taken different approaches to lowering their cost and have decided on keeping lower stock levels at their end of the supply chain while



offering deliveries directly from Suppliers to the delivery address of customer's choice.

c) Higher service standards:

As per Royal Mail Trend Research 2009, according to 67% of customers, convenience is the key for online shopping. Customers are already accustomed to certain consistent service standards. At some point in their shopping experience they will start being more selective in choosing the retailers that they want to purchase from. One bad delivery experience can make a shopper change their shopping habits and switch to a different, equally competitive retailer but the one committed to delivering these higher service standards. Having their goods delivered on time, in immaculate condition and without back orders and with good and convenient returns streams is what satisfies the high standard expectations.

d) Faster response:

Customers became so used to on-line shopping with next day delivery as an option that for some of them having to wait for 3-5 days for their goods seems far too long. Shoppers no longer have to wait patiently for 3 weeks on catalogue despatches. Many of today's shoppers want their goods as quickly as possible. Next Day delivery options are becoming a standard option. Nowadays the later the cut off time for next day delivery the more attractive your proposition seems to customers. Also being able to adapt to customers demand and react by despatching goods from one of your stores directly to the customer's delivery address will also increase the speed in delivery times.

Supply Chain Development:

a) Supplier Home Delivery:

On receipt of an order, if the goods are not held in stock, the order is passed on to the supplier for onwards delivery to the customer. There is a possible concern of losing visibility once the goods leave suppliers' premises. The solution to this is a delivery management system which is accessible at a very short notice without any need for integration. As a perfect solution for Halfords, MetaPack has



been used for managing their Supplier Home Delivery process. The deliveries from the point of leaving suppliers premises become "Halfords delivery" and their customer services team can gain full visibility, enabling Halfords to provide full customer care and proactively contact the customer should the need arise. Also from the supplier's point of view it saves them entering consignments manually or re-entering into their system, it also eliminates the human error and saves them time and resources.

b) Store to Home:

In a situation when an order is placed via one of the shopping channels and the stock is only available in one of the retailer's stores, traditionally the retailer would either request the goods to be send from the store to their fulfilment centre or the retailer would re-order that product from their supplier. Both situations will cause further delays in getting the product to end customer.

The easiest way to fulfil this order in the quickest, cheapest and most efficient way would be to despatch it directly from store to customer's home address.

The retailer's challenge is to ensure that the store provides the highest service standard the delivery and the presentation is consistent with the standards of the despatches coming out of one of the fulfilment centres. At the same time the despatch process should be made as easy and effortless for the stores as possible. By using on-line based delivery management systems where the retailer stores are set up as separate warehouses retailers can now create an order for either of the stores and create an allocation for the best carrier service. Stores will then log onto the system using their secure login, access their orders and print the despatch label. The benefits to the retailer are that there is no delay in trying to source the goods from supplier or from one of their branches. Additionally the retailer's customer care team can track and trace the orders from the moment they left the store, through their journey via the carriers network until they reach the end customer. Stores can despatch using various carriers and using different delivery options and it's all available within one carrier management system. This saves the retailer training their staff on various carrier systems.



There is also no additional cost and time involved in ordering the goods from supplier and re-packing and re-processing them for onwards delivery.

The benefits described above can be achieved using MetaPack solution. MetaPack has customers who have set up all of their stores as despatch warehouses. This allows them to promptly despatch customers' orders from any of their branches and allows traceability of all orders regardless of the point of despatch.

c) Store to Store

Retailer tend to transfer goods between their stores if a product is selling better in one store than another or in order to fulfil an order placed by a customer at particular branch. Fulfilling customer's orders by moving products from one store to another saves a lot of cost, time and administration work of re-ordering the goods from supplier. If a product needs to be moved from a particular branch to another then system and solution wise this can be approached in the same way as delivery from Store to Home. The internal orders can be either centrally inputted into the system or can be raised by the stores themselves. A store, on receipt of an order, will produce a despatch label and carrier manifest. This can be a very simple and straightforward process providing that you have the right solution in place. Again MetaPack customers manage their Store to Store deliveries in almost identical way that they use MetaPack for Store to Home despatches.

Some of the main benefits of using Store to Store deliveries is reduction in the delivery timescales comparing the inter-branch transfers against re-ordering goods from supplier. Fast response is one of the critical factors contributing to customer satisfaction. If you can't satisfy the customers' demand and their lead time expectation then the risk of losing the customer to another, more responsive retailer increases.

d) Collect @ store

With standard delivery times being the same as office working hours customers are showing more interest in collecting their orders from retailer's stores. The main benefits for customers are:

- Free delivery,



- Longer store opening times,
- No need for re-arranging delivery and waiting around for the parcel to be redelivered.

For retailers utilising their existing vehicle fleet one of the main benefits in offering the collect at store type of delivery is reduction in their transport cost. With customers collecting their orders from stores retailers can also gain further profits through customers who continue shopping in store. The order packing processes and systems used for collect@ store are the same as for orders from all other channels; pack benches are equipped in the same manner and the same delivery management system is being used as for all domestic and international despatches.

e) Flexible returns

There are multiple reasons for customer returns. Poor fulfilment, incorrect or unwanted size or colour ordered and customers changing their mind are only some of the reasons why customers are sending their goods back. Not only a high delivery experience, but also a good returns experience, is key factors to retaining customers.

Are today's retailers making it easy for customers to return their unwanted goods?

With the need to maintain a happy customer through their whole shopping experience retailers need to show more flexibility in their return procedures. A wide variety of returns options should be offered to customers to ensure that at least one of these options would suit their lifestyle. At the same time customers' impression of retailer's customer care will be much better and, after all, the ease and positive returns experience will pay in customer's loyalty.

Most retailers already offer free Royal Mail returns and the pre-paid return label is usually provided on delivery. A wide selection of retailers additionally offer returns via their stores. This option is useful for those living or working within close vicinity of the store and it gives customers a piece of mind that their returned goods have been handed directly to retailer's network. Offering courier's returns as a third option is an additional benefit to customers for which some will accept to pay a premium.



A large MetaPack customer offers free Royal Mail returns and in addition to that in the middle of 2009 they added courier returns to their returns options. Courier returns can be booked on-line by customers themselves where, thanks to the MetaPack system being able to provide real-time collection options, they are presented with real-time courier availability based on collection postcode. Customers can then book the collection for a day of their choice. Courier returns can also be booked through the customer care team who will also see the real-time courier availability directly on MetaPack screens. Different collection days are offered to customers as well as the possibility to request different collection addresses (e.g. work one); this makes customers feel that they were given a fair choice and that they don't have to adapt their lifestyles to the retailer. MetaPack was already used by this customer as their delivery management system for all their domestic and international traffic. By also utilising the Collections functionality the retailer is now enjoying all benefits of MetaPack.

f) Dynamic delivery options

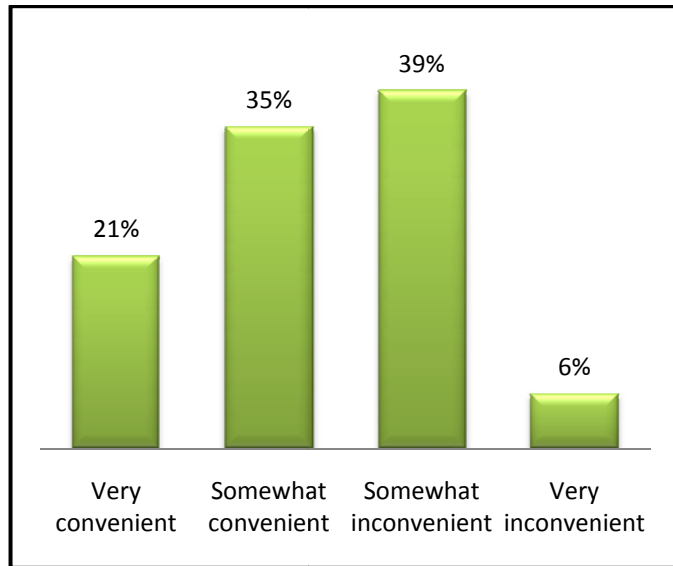
A good customer experience, regardless of whether the customer is ordering on-line, through a call centre, via a catalogue, a store kiosk or at the store till, is for the customer to be provided with an appropriate range of delivery options. Today's shoppers don't get satisfaction from being offered only a standard delivery option or, what is even worse, not being given a choice at all.

The 2008 IMRG Delivery Survey 56% of shoppers states that being able to choose a specific delivery day would make deliveries more convenient. Are retailers listening to shoppers opinions?

What customers want is to have a successful first time delivery without being forced to take time off and stay at home. Customers want to be presented with a choice of delivery options which matches their expectations and suits their lifestyle and would also fit around their work pattern.



How convenient is it for you to receive parcel deliveries?



Different delivery options usually go together with different delivery cost. For example a free delivery mean usually that customer will be forced to wait for their goods for a week and they will have to take a chance that the goods will be delivered when they are at home. High delivery cost means that order can be fulfilled on the same day or on a next day basis.

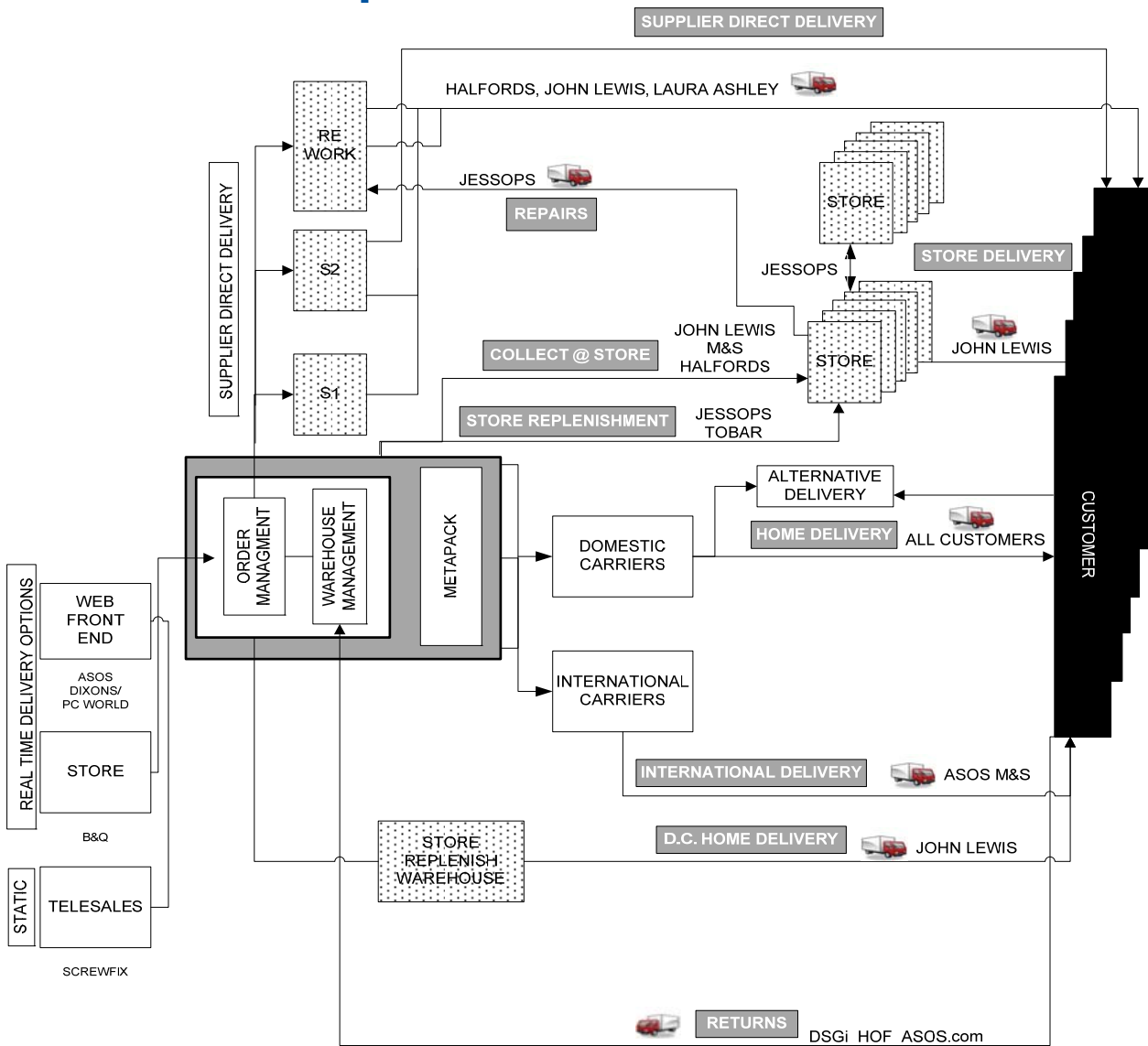
There is a greater challenge to provide dynamic or real time delivery options in a multi-channel set up. It is necessary to know where a product is being despatched from, which carriers are available from this point of despatch, their service specification and their pick up cut off times. It's also necessary to allocate to carriers, print labels and communicate with carriers from many more locations.

Providing customers with real-time delivery options from any stock and despatch point can be enabled using the MetaPack solution. The call for delivery options can be made from the checkout page of the web front end, from the till EPOS or call centre system. MetaPack will return available delivery days based on the delivery postcode, consignment value and potentially consignment weight or size.

Offering a selection of standard, same day, next day, nominated day, supersaver and international express delivery options gives the customers a choice that they are looking for. Retailers who provide good delivery options choice have already proved this to be a key to customer retention driver.



MetaPack Multi-Channel Delivery



Summary:

Going beyond the traditional multi-channel model is the key to customer retention. By overcoming the traditional delivery model and opening your business for new delivery options like direct delivery from supplier to customer's end address, from store to store and from store to customer will not only improve your service times but can also help keep the transport and storage cost down.

Offering a variety of delivery and returns options, wide product offering and quick order turnaround and at the same time providing consistent



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highest delivery standards is a key factor to retailer's success. The better the service the more loyal the customers and the more likely they will remain with the retailer. Making the whole shopping and returns process as convenient to customers as possible will also provide retailers with long term benefits.

MetaPack, by offering Software as a Service, allows all clients a quick data transfer process and offers all advantages and system functionalities from the start, allowing clients a greater level of flexibility and visibility with their delivery options.

MetaPack provides one point of integration to all UK delivery solutions to meet the complex demands of multi-channel retailing and helps retailers to provide their customers with the best delivery experience.

About MetaPack

MetaPack is the leading provider of delivery management solutions that promote best practice, transform online shopping and help retailers exceed customer expectations. We are the only company providing a single point of integration for carriers enabling retailers to reduce costs and offer comprehensive delivery options as well as complete tracking through extensive performance reporting. We allow for proactive customer care through email notification and SMS messaging for all shipments. Customers range from large and multichannel retailers such as John Lewis, ASOS, B&Q, Marks & Spenser to many smaller pure play companies.