

Store Enablement

*Providing the Foundation for an Omni-Channel
Customer Experience*



Executive Summary

We are in the age of the empowered consumer, who expects to have a consistent omni-channel experience across the brands they are doing business with. They are browsing on e-Commerce sites, buying in brick-and-mortar stores, using mobile devices, or utilizing the call center, and sharing their favorite items and experiences across social networks. As they interact across the various channels, consumers are expecting the same offers, prices, product descriptions, and availability information regardless of the channel being used. Historically, retailers have added channels to meet the demands of the customer, but each of these channels has been created and managed as a silo solution. Now retailers are slowly integrating the various channel solutions to provide the seamless brand experience expected by consumers. The integration of these solutions is costly and time consuming, and maintaining the integrations can consume a retailer's budget year after year. However, if retailers do not provide this seamless experience they can expect to lose loyal consumers. "Retailers that fail to put in place effective multichannel operations will lose out on 15 to 30 percent of their category sales by 2015 and much more in the following years."¹

IBM has been working for many years with retailers to help them develop a complete Omni-channel Commerce solution that integrates the various channels and provides a foundation that helps enable the seamless experience that consumers are looking for. Due to this joint effort with retailers, IBM provides the only Commerce Solution that can truly support a unique and personalized buying experience for consumers that incorporates marketing, selling, fulfillment, and returns across all physical and digital channels. This paper describes the best practices that are needed to enable a store to meet the cross-channel expectations of the customer and the ever-increasing order volumes of Omni-channel fulfillment.

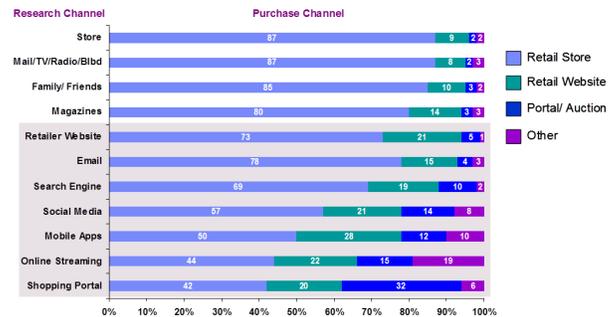


Figure 1: The store remains the number one venue for purchase.²

Store Enablement

The store remains a critical component of satisfying the consumer's experience, which begins with finding the items that the consumer is searching for and providing it to them in the method they choose. Fulfilling an order has moved beyond the single warehouse or distribution center supporting a specific location. Now there is intelligence in where an item is fulfilled based on customer wants, inventory levels, geographic locations, cost of the item, importance of the customer, and promise dates. As consumers demand more personalized delivery options like pick up in store and same day delivery, retailers are now choosing to utilize the physical store as an additional fulfillment location, and it is paying off with increased sales and more loyal customers. "48% of consumers using in-store pickup of non-store orders are likely to very likely to buy additional products while in the store picking up their online purchase."³ Retailers are also finding that many of the out of stock situations that their customers experience online can be avoided if they utilize the inventory in the physical store locations rather than only a warehouse or distribution center. However, in utilizing store inventory to fulfill orders from other locations as well as other channels, it creates competing priorities of utilizing inventory on the store shelf to fulfill a cross-channel order, or saving a portion of the store inventory for walk-in customers. This delicate balance of maintaining the proper assortment of inventory requires intelligent fulfillment rules that are flexible enough to accommodate the changing needs of the individual stores.

Maintaining a seamless customer experience across a multi-channel environment requires the retailer to coordinate the operation of the stores with all sales channels. This means a centralized view of orders and inventory across the enterprise, as well as all fulfillment partners working in concert to fulfill the order. To be able to accurately promise enterprise wide inventory that incorporates stores and outside locations, such as 3rd party logistics fulfillment or suppliers, the inventory must be accurate and timely, with periodic feeds from all locations. The IBM Commerce solution aggregates inventory from all sources into a single global view, providing real-time availability for all channels to utilize.

IBM's Commerce solution also allows for the definition of inventory availability rules to help in determining the optimal store for shipping specific items. When orders are just sourced based on inventory positions, a particular store can get overwhelmed with the number of orders routed to them. To truly use stores as fulfillment locations, store capacity and some load balancing between the stores is required rather than just distance and inventory based sourcing. IBM solutions provide full capability to model store capacity and load balancing between different stores based on step functions and round robin allocations. Initially this may not seem like a big issue, but as retailers begin using stores as their alternate fulfillment centers, this can become a big issue, as large stores get inundated with orders while other stores receive none. IBM enables the retailer to configure a threshold, safety stock or buffer stock threshold, that when reached for specific items, the store is no longer a candidate for shipping the item(s). This threshold, set at a global level by item, can be changed or even turned off for out-of-season sell offs, store considerations or other reasons at any time. This configurable threshold strategy helps keep some inventory in the store for walk in customers.

Due to various local/regional reasons, stores may not want to participate in being used as fulfillment centers for a short duration of time. This can be due to local events with high forecasted foot traffic like parades or street fairs. The IBM solution provides the ability to "turn off" particular stores in being considered for fulfillment for a specific period of time required by the store. There may also be situations where some stores may not carry the full assortment of items that are

carried on-line or in other stores, and a customer return may land an item in a store that does not usually carry that item. The IBM Solution can be configured to prioritize products in "wrong" locations to be used for sourcing first so that they don't have to be marked down heavily or be lost to shrinkage.

The individual stores can also serve as a pick up location for orders that have originated from other channels. In this scenario, the store must be able to receive inbound shipments from another channel, or a store transfer order, drop-ship orders, and cross-docking, where arriving items must be orchestrated with outbound orders. Operationally, receiving at the store is based on shipments (e.g. Item(s), package(s), carton(s), etc.) that arrive at the store. It is important that the shipments be received, reconciled and tagged/assigned to an open order in the system and then placed in a location easy to find for the store associate. Often times the original customer order will have multiple items, some of which are already at the store for pick-up, others may be shipped to the store from another source. During the receipt process, the associate must recognize if other items already picked in the store are being held for a combined pick-up. Business rules will determine if everything must go together, in which case the associate will receive the shipped items and hold the entire order until it is complete. Based on customer preference and established rules, once part or all of the order lines for pickup are ready at the store, the system will immediately notify the customer via email, text or other type of configurable notification.

Once notified that part or all of their order is ready for pickup, the customer can come to the store to pick up their items. The notification to the customer will have information on where they can pick-up their order in the store. The locations for pick-up are at the discretion or convenience of the retailer. However statistically, as stated above, there is significant sales uplift when getting the customer into the store. Strategically placed pick-up locations can direct the customer through the store that may likely generate additional sales. This also creates an opportunity to interact with the customer to influence a purchase and create a better brand experience with in-store convenience and knowledgeable associates. When the customer arrives to pick up their items, the store can identify them through their smart phone and have associates greet them, or

push promotions or coupons for complimentary items to the customer's smart phone. The store must also be able to add any new items that the customer selected, as they strolled through the store, to the existing order that is being picked up. The new items will be added to the order and the order will be completed, taking into account any items for pick-up that were prepaid.

IBM provides a comprehensive set of cross-channel solutions in the store to enable the store and its associates to provide the best possible customer experience. Whether through a cash-and-carry POS device, fixed terminals in the store, or a store associate mobile device, the store can be confident that customers will be properly served with the best options to find the items they are looking for and identify the best source for pickup or delivery with proactive monitoring to ensure the store keeps the promise to the customer.

Store Fulfillment

Fulfilling orders from the store can add a level of complexity that many retail systems are unable to handle. One of the most foundational capabilities in cross-channel fulfillment is to be able to receive and manage an order from any of your sales channels, such as the Web, Mobile, Call Center, In-store Special Order System, Kiosk, etc. To optimize fulfillment and inventory availability, each inbound sales order is broken down to its individual line item components, and fulfilled based on each item or service. The IBM Commerce Solution acts as an order orchestration hub that manages and monitors each of the order lines and maintains a link between the original order and its line item components, regardless of how each line is sourced or fulfilled, even if it is fulfilled by a 3rd party.

When an order line is designated for store pick-up or shipping from the store, the IBM Commerce solution will send a notice to the appropriate store, identifying the items to be picked and held or shipped. It is important that the associate move quickly to retrieve and acknowledge that the item has been found. The pick process requires the associate to acknowledge that the item, or items, have been successfully picked and have been properly placed for pick-up in a designated store location or a

bin location. Using an available store terminal or mobile device, the store associate will update the status on each of the items picked for the order. The IBM Commerce solution expects a response for the pick by the associate within a specific configured period of time. Non-responses by the associate will generate an escalation message to ensure proper and timely picking of the item(s). If the item(s) cannot be found, the associate will acknowledge no-pick of lines. No-picks are treated as an exception and can be routed to customer care, so that they can find alternate locations in conversation with the customer for pick-up at another nearby store, or in absence of a nearby store, the item(s) can be shipped directly to the customer or store. There are many different situations where the ability to take the order back from a particular store and re-route to another store becomes important to keep the customer satisfied. Stores will sometimes choose not to respond to orders passed to them because the associates are busy addressing in-store issues or there are a low number of associates to handle the fulfillment. The IBM solution will automatically redirect these orders after a pre-set time so that customer delivery commitments can still be kept.

If the item is being shipped from the store, the same process for picking will take place. Though the items are picked quickly for holding, the packing and shipping may occur as the store determines, to accommodate associate schedules and carrier pickup times. The associate will be required to confirm that all items shown to be shipped on the order have been retrieved and placed in a location to be shipped.

The IBM Commerce solution will step the associate through the picking and packing process as each item is selected to be packed. If multiple cartons are required, then the contents of each carton will be identified separately by the associate. If the order has been deemed to "ship complete" and only a portion of the order is in the store and picked, then the associate will hold the shipping function until all items have been received, picked and ready for shipment. Upon completion of packing the items on the order, the Commerce solution will generate a company-specific pack slip, to be inserted into a single carton shipment or in a pack slip envelope on the outside of one of

the cartons in a multi-carton shipment. Just prior to each day's store shipment, the associate can create a manifest of all shipments that are going out – one manifest per carrier.

Another process that is optimized with the IBM Commerce solution is “saving the sale”. This is a situation where the store customer is looking for a specific product or size and it is sold out, or where the customer is aware of complementary items or special items that are not carried in the store but available in the retailer's catalog. Successful stores will teach their associates how to handle situations where they need to look outside the store to meet the customer's needs. The IBM solution empowers the store associate to provide innovative options to satisfy the customer and create brand advocates by “saving the sale.” This process can entail placing a special order for the item(s), locating the item(s) in another store or warehouse and having it shipped to the customer's home or picked up at an alternate store location. This process can dramatically increase store sales. According to the IBM Institute of Business Value Study, 66% of consumers will buy an out-of-stock item if it can be found at another location.⁴ Global inventory visibility across the supply chain, including partner locations, is critical in saving the sale. If the item does not appear to be available in the store, or if it is a catalog item, the associate can use various search criteria to find the item in the store, an alternate store, at a catalog distribution center, or direct from a supplier. The associate, along with the customer can drill into features of the product, see accessories if there are any, coupons or special discounts, loyalty benefits, substitutions, along with up-sell and cross-sell offers that can increase the overall purchase and provide a more satisfied customer. Once the item is confirmed by the customer, the IBM Commerce solution will display where the item(s) can be found, possibly at a local store, or if it is available for shipping. The customer selects the appropriate option to pick-up at the store, ship to home, ship to a different address, or ship to a specified store for pick-up. The associate can also schedule service activities like home delivery and installation at the time of sale and offer available times by looking at the availability of both the personnel and equipment required. If the item is to be

picked up in another store, a notification and pick list will be sent to the other store to hold the item for pickup

The IBM Commerce solution also enables the store associate to handle customer returns. With global order visibility, the store associate is able to access the original order and, based on store operation rules, the associate can process the return and ensure the customer is getting the proper credit based on the original sale. The associate, or if necessary the store manager, can determine the disposition of the returned item – put back on the shelf as good product, categorize the item as below quality for discounted sale, scrap the item, or return it to the supplier. Stores are also able to accept returns from another channel since they do not have to worry about the item not being carried in the current store location, as sourcing rules will ensure that the items that are returned to the “wrong location” can be sourced first for other customer orders.

“Same store revenue increased by double digits in pilot stores of cross-channel commerce, while decreasing during the same period for stores that were not part of the pilot.”⁵

Point of Sale

When consumers are shopping in the store, online or on the go with a mobile device, they expect a convenient, seamless and highly personalized experience. However, in-store technology has struggled to keep up with these expectations. According to Aberdeen's January, 2012 benchmarking report, 49% of the respondents reported that if they cannot integrate cross-channel and digital solutions into their business plan they will lose sales and revenue.⁶ Even when retailers make cross-channel selling work, it's not sustainable. Underlying IT complexity makes change difficult, time-consuming and expensive. Today's retail store environment requires a powerful in-store functionality that enables real-time, enterprise-wide

commerce, which includes a full and flexible feature set that helps enable store associates to execute traditional checkout activities plus a complete suite of store-to-store and cross-channel scenarios at checkout, so consumers and sales staff are free to choose the path that best meets their needs in the moment. When consumers were asked about the importance of a retailer delivering a consistent brand experience across all points of interaction in order for them to be willing to promote that retailer to other consumers, 81% said it was important to very important.⁷

IBM's Commerce solution provides a single point of commerce that extends to the point of sale, helping enable the store to become an extension of the customer-centric cross-channel experience—allowing consumers to shop seamlessly across touch points inside and outside the store. A single source of information enables store associates to execute traditional POS functions, plus a full suite of store-to-store and cross-channel scenarios at checkout to improve consumer satisfaction and share of wallet. A single repository of orders and customer history across channels also provides retailers better insights to consumer wants and needs and allows for better personalization of the shopping experience, and more easily facilitates returns.

Providing omni-channel capabilities at the point of sale helps enable many of the customer-centric offerings that have been mentioned above, such as locating orders started in a different channel, searching for inventory in other locations, saving the sale, and accepting the return of items purchased on-line. The associate will no longer have to navigate through multiple systems to help a customer, which allows the associate to focus on satisfying the customer's wants and providing a personalized experience that promotes customer advocacy.

Mobility

A mobile application provides more choice in how store associates access and use information on product content and inventory availability to handle customer inquiries at anytime and anywhere in a retail store. It can also provide a standards-based front end that the associate can follow to reduce training

and ensure a better customer relationship. Mobile applications can help store associates better handle out-of-stock situations by enabling the store associate to obtain real-time information on product inventory availability directly from the store associate's mobile device, and then guide the store associate and the customer on how to best obtain the product. The result is a greatly improved responsiveness to the customer's need. Retailers are realizing the benefits and are making this a priority in their IT spending. In the 10th Annual Store Systems study, 61% of respondents felt mobile for associates is a priority.⁸

When a customer makes an inquiry about a product, the store associate can access IBM's mobile commerce solution on their mobile digital device to provide answers anywhere, anytime. IBM's applications give store associates the ability to save the sale and satisfy their customer with the power of inventory visibility, fulfillment, and status tracking and reporting, at their fingertips. Giving store associates the ability to efficiently locate available product enables them to reserve the item while the customer is still in the store, saving the sale and creating the opportunity to up-sell or cross-sell accompanying items. Retailers realize that the more information and functionality an associate has during the interaction with the customer, the stronger the opportunity to drive increased sales and larger basket sizes.

Retailers can also use a mobile device for picking in the store. IBM's store associate mobile application can direct the associate to the items that need to be picked for an order that was placed through another channel and will be fulfilled by the store. Once the items are picked and placed in the appropriate location the associate can update the order through the device, which will send an alert for the items to be packed and shipped, or notify the customer that the items are ready to be picked up.

Summary

Throughout the retail community, the store has now become a critical component of maintaining customer satisfaction. Satisfying the customer's needs for finding inventory in the store or elsewhere in the enterprise, and monitoring the fulfillment of those items to keep the promise, whether through pickup or delivery, that the store has made to the customer.

In today's commerce world, the power has shifted to the customer and so has IBM's solution focus. IBM's commerce solutions are designed and proven with top retail partners to provide innovative ways to deliver excellence in fulfillment and the best possible cross-channel capabilities for a consistent and seamless customer experience. IBM's Commerce solutions adapt to new challenges and customer expectations, while optimizing store operations related to order handling. Whether through a POS terminal, a fixed customer service station, or a store associate mobile device, the store will be able to meet the expectations of the customer, driving higher customer advocacy, which translates into higher revenue for the store.



Figure 2: IBM provides a seamless omni-channel customer experience.



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¹ “The Mandate for Multichannel Retail”; Booz & Company; 2012

² IBM Institute of Business Value Consumer Study; IBM; 2012

³ IBM Institute of Business Value Consumer Study; IBM; 2012

⁴ IBM Institute of Business Value Consumer Study; IBM; 2012

⁵ Best Buy presentation given at Sterling Customer Connection Conference, April 2010

⁶ The New POS: The Core of the Retail Store, Deena M. Amato-McCoy, Aberdeen Group, August 2012

⁷ IBM Institute of Business Value Consumer Study; IBM; 2012

⁸ Retail Info Systems News - Store Systems Study, Retail Technology Spend Trends, January 2013



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