How Omni-channel is Complicating Store Receiving Processes

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Today's digitally empowered consumer is transforming retail from a linear, channel-based operation to a channel-agnostic, anytime, anywhere shopping environment.

Welcome to the age of "me-commerce." This retail transformation is putting tremendous pressure on retailers to redesign their business processes to offer customers a seamless shopping experience. While a great deal has been written about the impact this has on order fulfillment operations, there has been little focus on the impact omni-channel operations have on store receiving processes. Yet failure to adapt inbound store receiving can create a bottleneck that will negatively impact the shopper experience and threaten customer loyalty. Here is what retailers need to know.

The upside of omni-channel

It is easy to fret about all the challenges omni-channel operations create for retailers. Retail transformation is always difficult. But there is a big upside to this journey. Research shows that:

- The more channels retailers offer and the smoother the cross-channel shopping experiences they create, the more customers will shop their brand and the greater customer loyalty will be to the brand
- Multi-channel shoppers are 15 percent more likely to recommend a retailer to friends than single-channel shoppers
- The average spend of customers who shop three or more of a retailer's channels is twice the spend of single-channel customers

Beyond the obvious advantages of offering seamless omni-channel shopping experiences for revenue growth and customer loyalty, seamless shopping experiences are rapidly becoming table stakes. Retailers must transform their operations or get left behind.

Many of the new omni-channel offerings, such as buy online/pickup in-store (BOPIS), ship-from-store, endless aisle and save-the-sale, directly impact store operations. Let's look at how these can complicate store inbound receiving processes.

Buy online/Pickup In-store

For traditional brick-and-mortar retailers, buy online/pickup in-store (BOPIS) is often their first step in offering omni-channel choices for their customers. If the products customers order online are part of the normal store assortment, inbound receiving processes will not be significantly impacted unless high volumes of online orders are expected. For higher volumes, additional backroom storage will have to be dedicated and the inventory tracked as "reserved" for order fulfillment so that both online orders and in-store sales are protected. This often requires a redesign of the backroom layout and changes to receiving and put-away processes to segregate inventory accordingly.

For any products ordered online that are not part of normal store assortments, or if the orders include slow movers and thus could easily cause an out-of-stock condition if store inventory is used for online orders, a new process will have to be created to put items received for online fulfillment away directly to slots reserved for customer order picking. This complicates store receiving since inbound items must be identified when received as either for online order fulfillment or for store replenishment, especially since store associates may not be familiar with items not normally carried in the store. This becomes even more difficult when frozen, fresh and perishable items are involved that have limited shelf life and require special storage. It is unlikely all these complications can be handled manually without unacceptable error levels.

Offering BOPIS also requires that your e-commerce site has 100 percent visibility to individual store inventories and access to store replenishment schedules. Otherwise, the site will take orders for items that may not be available when the customer comes to pick them up. A recent Blue Yonder study of over 1,000 consumers found that half of the customers who have tried BOPIS were disappointed by a problem at pickup. The study also found that 35 percent of customers who were disappointed by delivery of an online order would not shop with that retailer again.

Ship-from-store

As retailers progress down their path to omni-channel transformation, a next logical step is to offer ship-from-store. This has the dual benefit of providing faster customer deliveries while giving retailers the opportunity to better balance store inventories and deplete over-stocked items at normal prices, rather than using markdowns. Obviously, this offering requires the same visibility to store inventories and replenishment schedules as the BOPIS process, but it also presents some challenges for store receiving similar to those in the BOPIS scenario.

Ship-from-store's biggest impact on store operations is usually on the outbound side where new order handling processes must be developed for picking, packaging, manifesting and shipping. It also may require new inbound processes, however.

If the orders being shipped from stores contain only fast-moving items, there will likely be little impact on inbound processes other than increased replenishment volumes and reserved storage requirements described for the BOPIS process. And it is unlikely that orders for slow-moving items only would be shipped directly from stores.

Where the complications come in is when the orders being shipped contain a mix of fast and slow-moving items. Retailers will have to decide whether to pick the slow-moving items from existing inventory, and thus risk out-of-stock conditions, or to wait to ship the order until the slow-moving items can be received from DC stock. These decisions may vary by product category, order size or value, replenishment frequencies or other considerations.

In cases where some of the items being shipped from a store are not being picked from in-store inventories, such as for slow-movers or for items not part of the normal store assortment, a segment and hold inbound process similar to BOPIS must be developed where those specific items, when received, are not put into normal storage or replenishment flows, but instead are moved directly to storage reserved for order picking. As with the BOPIS receiving processes, this segment and storage process will be faster and less error-prone if it is automated through store logistics systems.

Store returns

One of the downsides to omni-channel commerce is much higher return rates. And many customers prefer to return items purchased online to their local store. Unlike BOPIS or ship-from-store receiving processes, however, returns enter through the front door rather than the back door. This means new inbound receiving processes are needed at the customer service counter. Customer service representatives must know what to do with all returned merchandise.

If the returned item is undamaged and the tags and/or packaging has not been removed, damaged or unsealed, and if that item is part of the normal store assortment, the item can simply be put back on the shelf or put in backroom storage. The restocked item must also be added into store inventory counts to adjust replenishment quantities and prevent overstocks.

Unfortunately, the above restock opportunities represent the minority of returns for most retailers. For softlines retailers, for example, it is more likely that an online shopper ordered three of the same item in different sizes or colors and is now bringing back the ones she doesn't want. For hardlines and electronics retailers, the returns are often for damaged, defective or incompatible items.

Regardless of the scenarios, stores must have well documented processes in place to direct associates to evaluate the returned item and either restock it or follow a protocol for repair, repackaging, repricing, disposal or return the product to the DC or a supplier. Each returned item and its disposition must be tracked, preferably electronically, so the inventory, as well as any items given to the customer as replacements, if appropriate, can be properly accounted for, with everything from sales figures to supplier invoices adjusted accordingly. Store logistics systems can help with this process.

Un-complicating store receiving

The omni-channel world of “me-commerce” is here to stay and retailers must transform their operations to comply or risk extinction. One of those transformations must occur in store receiving, where inbound processes have become much more complicated. To make receiving less complicated in this more dynamic environment will require two things: improved processes and new technology.

Because so many new functions are being asked of stores and store associates, retailers must give careful consideration to store process redesign. For receiving, this includes separate instructions for each potential new service being offered, as well as more detailed instructions for handling the flood of returns.

The complexity that omni-channel operations bring to the store and store receiving make it imperative for retailers to add automation, not only to reduce the burden on associates, but to provide greater efficiency, accuracy and visibility to what are now, by necessity, enterprise-wide functions that drive improved omni-channel shopping experiences. A new breed of store logistics systems have been developed to address these needs and can be the foundation on which all omni-channel initiatives in the store can be based. These systems will not only make store operations less complicated, they will help make them more responsive and profitable.

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