

Preparing for the near future of retail:

The ever-expanding role
of the store in the unified
commerce experience



It's time to think about how stores can thrive in a **50/50 world** because in the not-too-distant future, as many as **50%** of all online sales will be **fulfilled by stores** and up to **50%** of all online sales will be **returned to stores**.

Which puts us in a bit of a Gordian Knot

Customers already have very high expectations for flexibility and choices across channels. And...they consistently want ever more “seamless” experiences no matter when, where or how they interact.

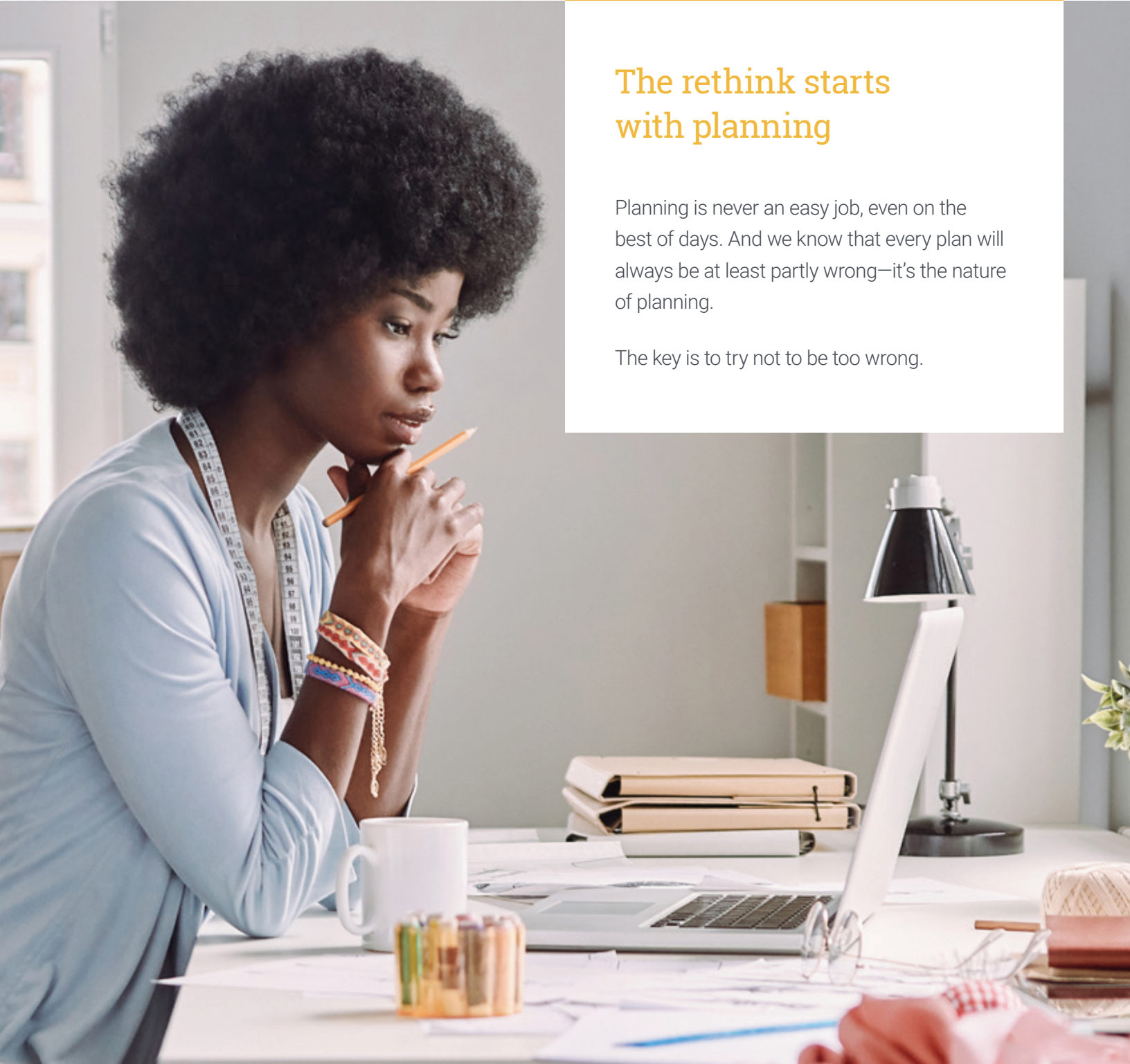
But...delivering seamless experiences dramatically increases complexity, which makes it harder to keep pace with those shifting expectations.

All this complexity requires a rethink of how we approach omnichannel planning and execution.

We must begin thinking about “unified” experiences rather than simply “omnichannel” experiences.

And unified experiences begin long before the journey actually begins... with inventory planning.





The rethink starts with planning

Planning is never an easy job, even on the best of days. And we know that every plan will always be at least partly wrong—it’s the nature of planning.

The key is to try not to be too wrong.



The good news

Typically, walk-in patterns remain fairly consistent. Better performing stores tend to remain among the better performing stores. As a result, year-over-year walk-in comparisons still work reasonably well.

As a bonus, we can often get by with some stores being under-inventoried.

Some planning errors can be mitigated through omnichannel fulfillment capabilities.



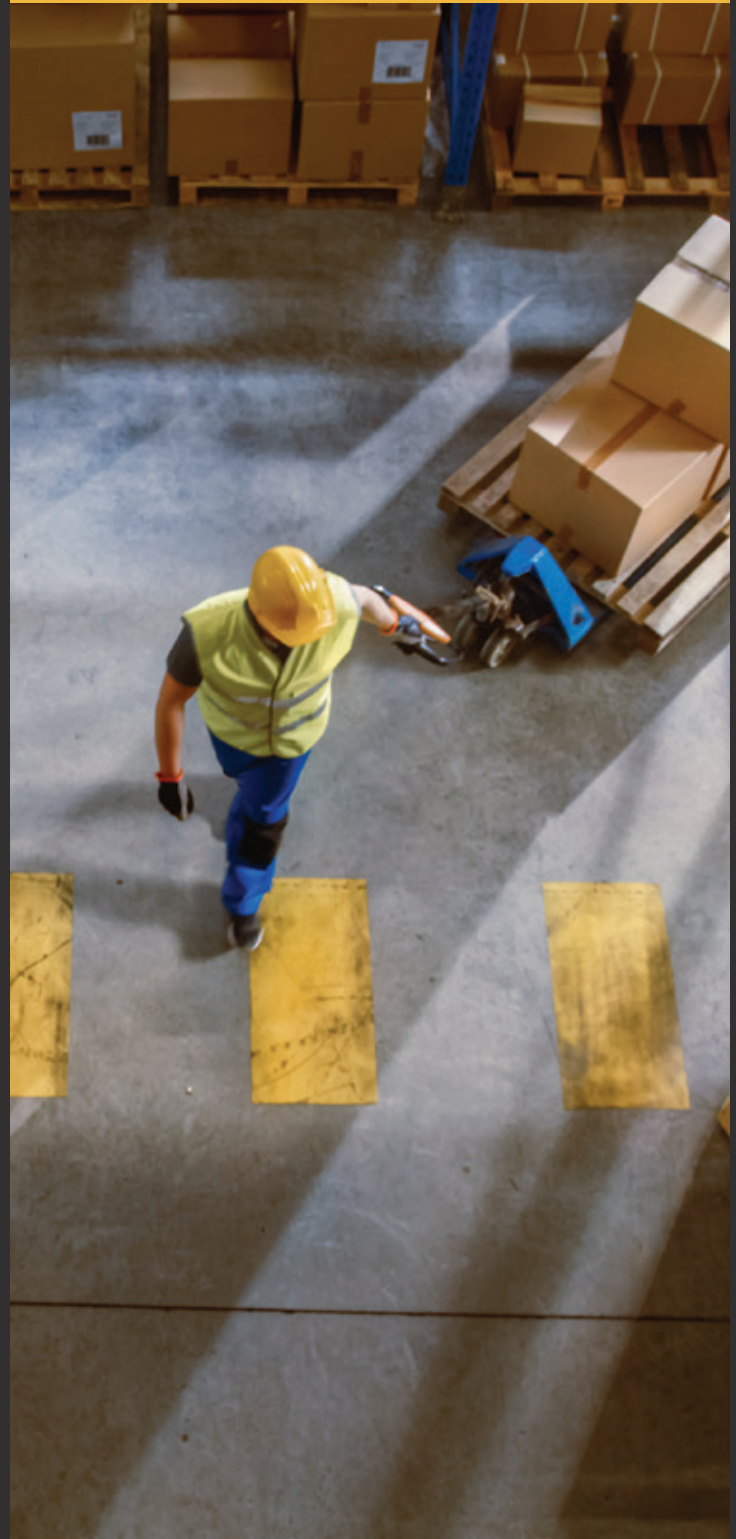
The not-so-good planning news

Omnichannel allocation needs vary from moment-to-moment, but **allocation** is typically **rules-based**.

It can be very difficult to predict where inventory will be needed on any given day, and allocation rules just aren't able to adapt quickly.

Compounding the challenge, omnichannel order allocations are based on several factors that don't take **demand** into account:

- ▶ Ability to fill complete
- ▶ Supplier capacity and priority
- ▶ Customer proximity
- ▶ Inventory levels





As a result, planning gets *tricky*

When orders are allocated based on so many factors besides pure demand, it is almost impossible to align inventory to where it will be required from period to period.

Just because a product was fulfilled from a store this year, we can't anticipate that the same omnichannel factors will combine to

cause that item to be pulled from the same store again next season. That just won't happen.

Therefore, we should always use caution when pre-planning omnichannel sales and inventory by store location.

Three ways thinking about unified commerce can help take advantage of these challenges

1.

Plan inventory based on walk-in customer demand patterns since you don't know what will be pulled for the ecommerce customer.

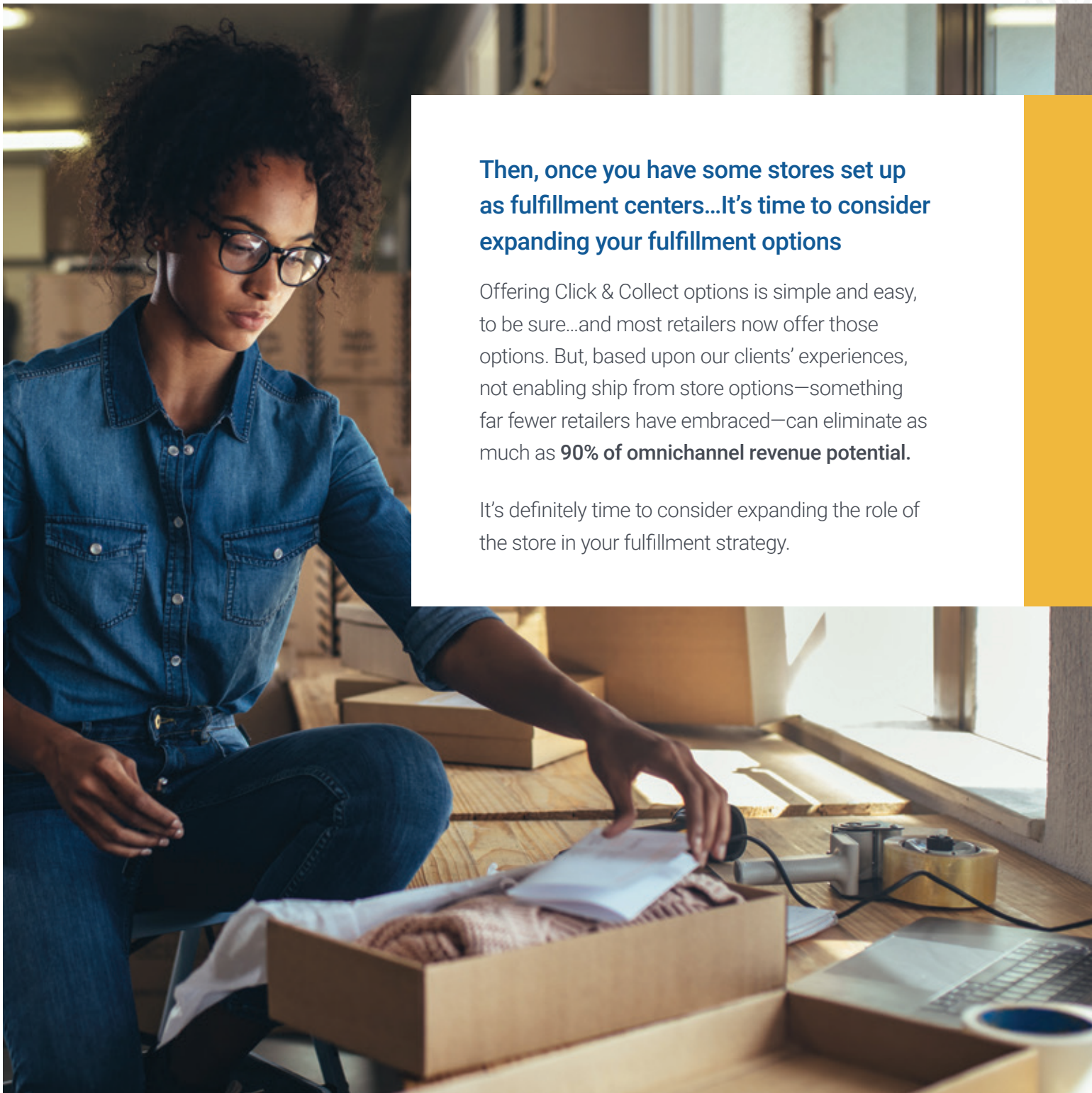
2.

Reduce safety stock inventory in the stores since order management will "find" the inventory in the best "available" location.

3.

Designate particular stores as mini-distribution centers in your order management processes.





Then, once you have some stores set up as fulfillment centers...It's time to consider expanding your fulfillment options

Offering Click & Collect options is simple and easy, to be sure...and most retailers now offer those options. But, based upon our clients' experiences, not enabling ship from store options—something far fewer retailers have embraced—can eliminate as much as **90% of omnichannel revenue potential**.

It's definitely time to consider expanding the role of the store in your fulfillment strategy.

Once we've adapted our inventory plans and added new order fulfillment options, our stores must be prepared to **support those new approaches.**

Rethinking store operations

Today's stores have much more on their plates than ever before:



**Assisting and selling
to walk-in customers**



**Ship from store
order fulfillment**



**Click & Collect
fulfillment in store**



**Click & Collect
pickup at the curb**



Online returns



**Locker pickup
fulfillment**

It's time for a complete rethink of store operations, from front to back.



Rethinking store operations by rethinking space allocation

As we look ahead, many stores will have two distinct personalities:

The client-facing front of the store

- Engaging, educational and enjoyable experiences should be the focus of these spaces.

The online order-facing back of store

- This space will need to function as a mini fulfillment center.
- Efficiency and cost management should be the focus of these spaces.

Already, many retailers are converting some store selling space into fulfillment space to service the new model

These early adopters first identified the experiences they wanted to offer to their customers in order to determine how much capacity would be required to fulfill those aspirations.

They then analyzed omnichannel demand patterns to determine how much space was needed and which stores were in the right location to fulfill the demand.



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As space allocation and fulfillment options change, so should staff allocation

Omnichannel operations require a new labor model:

- 20 orders = 0.4 FTE to pick and pack
- 100 orders = 2 FTE to pick and pack
- 200 orders = 4 FTE to pick and pack

While the math is relatively simple, do not oversimplify the execution.

Omnichannel fulfillment, executed at any reasonable volume, can not be handled “in between” walk-in customers. Omnichannel staffing must be accounted for separately from traditional walk-in staffing.

**In this “split personality” model,
store associate incentives should
also change**

Store-based performance metrics must account for all orders fulfilled through the store.

Incentives for front-of-store staff can remain largely unchanged, but incentives for back-of-store staff should look more like incentives for distribution center personnel.

Stores need “skin in the game” to ensure their buy-in and to find long-term success.



Returns are a big part of the omnichannel world, and they are going to increase in both volume and complexity. **We must adapt.**



The present and future of store returns

Today, store purchases **typically run a 10% return rate**, while ecommerce purchases typically see much higher return rates.

- A big part of the problem? Studies indicate that as many as 50% of ecommerce customers **“bracket”** orders by ordering one size smaller and one size size larger than their typical size to ensure they get the right size.

As ecommerce sales increase, stores will face a growing share of the burden for online returns, because even with free returns, it’s very often easier to go to a store than it is to ship it back.

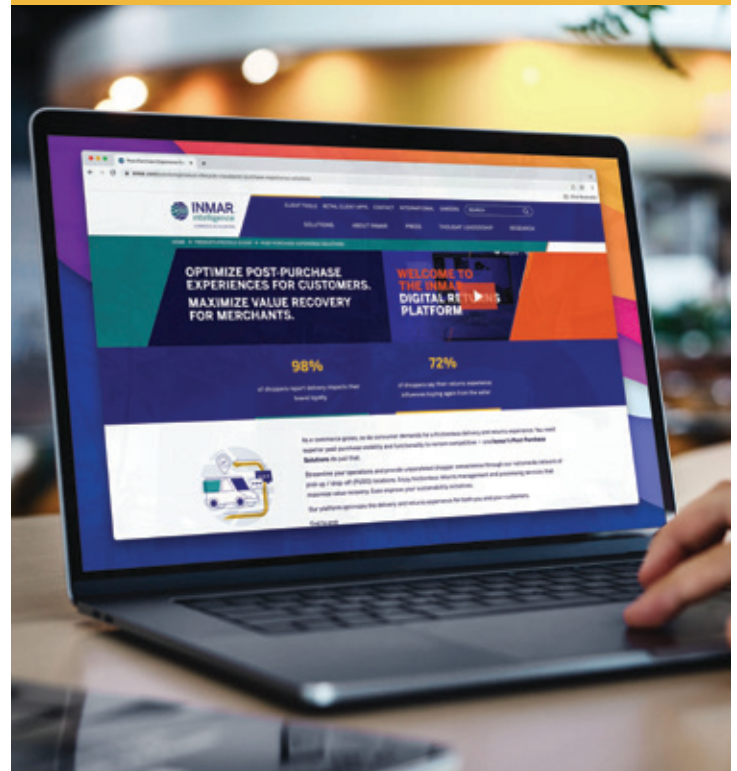
In addition to the additional staff required to process customer returns and handle all the returned items, ecommerce returns are not easily resold in the store.

- Often, they’re “orphan” items not part of the store’s assortment.

Store returns: a few potential options

There are no easy answers, unfortunately, but there are a few options that can help mitigate the pain:

- ▶ Use OMS to prioritize pulling “orphan” items from stores.
- ▶ Optimize reverse logistics to get returns back to the DC.
- ▶ Utilize “return ready” packaging whenever possible.
- ▶ Partner with “return bars” like [Happy Returns](#) and [Inmar Intelligence](#).
- ▶ Let shoppers keep or donate the items and offer them refunds.



Finally, we must address **the evolving role of distribution centers**. What happens to DCs in a world where the store's role in fulfillment is dramatically increased?

Distribution Centers: Time for a second act?

Distribution center strategies require the greatest amount of study:

- They represent many retailers' largest capital expense.
- The financial implications (positive and negative) of significant strategy changes can be large.
- We must carefully evaluate any customer experience impacts of any proposed changes.

Options on the table to consider include DC consolidations and closures and store-focused fulfillment networks.

DICK'S Sporting Goods and Target in the US already fill almost all ecommerce orders from their stores, significantly changing the role of their DCs.





Clearly, there's a lot to think about.

Aptos can help. We've implemented and optimized our Unified Commerce solutions at hundreds of retailers around the world. Our omnichannel [order management](#) and [store solutions](#) work seamlessly together to ensure every order is sourced, routed, and fulfilled as efficiently and profitably as possible, and that your stores are the profitable heartbeat of the Unified Commerce experience.

How do your omnichannel processes stack up?

Our **Omnichannel Health Check** is a free service designed to help you evaluate the effectiveness and profitability of your processes. We'll help identify problem areas that may be compromising customer experiences or margins (or both), and we'll share benchmarks from across our customer base to give you a better sense of where your processes stand compared to your peers and competitors.

Schedule your free Omnichannel Health Check today!

Omnichannel Health Check

About Aptos

Aptos is the worldwide leader in Unified Commerce. For more than 40 years, we have specialized in helping retailers deliver unified brand experiences by connecting customers in every channel to products across the extended retail enterprise. Our Merchandising, Inventory, CRM, Sales Audit, POS and Order Management solutions work seamlessly together to help hundreds of retailers always stay prepared for whatever shoppers will expect of them in the future. Aptos solutions are live in more than 125,000 stores around the world, where they ensure that the store experience—still the centerpiece of the vast majority of omnichannel shopping journeys—remains relevant, empowering and engaging.

Our rich history as one of retail's leading technology solution companies ensures that every client, in every part of the world, is always prepared to thrive, no matter what the near future may bring. Learn more about how we can help your stores prepare for the near future of retail at [aptos.com](https://www.aptos.com).



Ready to build the connected experiences yours customers crave?

Check out our Unified Commerce resources



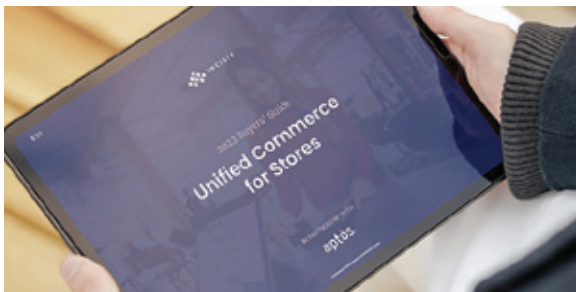
Commerce, Unified: A retailer's guide to delivering agile, flexible and profitable experiences with Unified Commerce

[View the ebook](#)



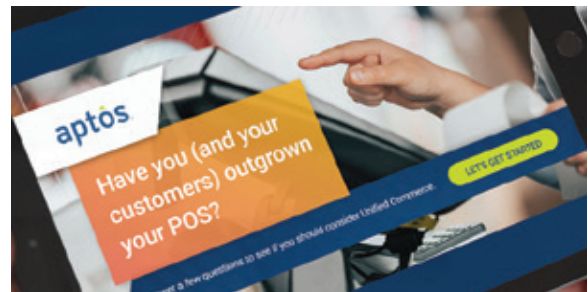
Analysts weigh in on Unified Commerce: A one-stop source for expert insights on the future of agile customer experiences

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2022 Buyers' Guide: Unified Commerce for Stores

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Have you (and your customers) outgrown traditional POS?

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