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During Transformation to Omnichannel Organization

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In Partial Fulfillment
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Master of Science in Integrated Supply Chain Management
Management
By Olga Beer
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PROBLEMS AND CHALLENGES OF RETAIL ORGANIZATION DURING TRANSFORMATION TO OMNICHANNEL ORGANIZATION

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Under the Supervision of Professor Jason J. Woldt

Abstract

Omnichannel retailing is a relatively new approach to retail marketing, and it provides customers with a consistent research, shopping, purchasing and fulfillment experience regardless of the channel. Transforming the regular brick and mortar retail, or e-retailer to an Omni-channel cannot be started and completed without a transformational plan in place, fully supported and lead by the leaders of the company. The topic of this paper is to explore the problems and challenges of the retail organization choosing an Omnichannel as a business strategy.

Keywords: omni-channel, supply chain, customer
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Introduction and Statement of the Problem

Several years ago, the author’s eight years old son asked a question, “Do you know, mom, there was a time when phones did not have the Internet?” Yes, the author remembers this time, and so does the twenty-three years old brother of this boy. The youngest son and his generation take the Internet and the digital world that came with the Internet as always present an integral part of living. The current accessibility to the Internet at any time and everywhere changed people’s everyday habits: the way they acquire education, travel, and shop. As the customers, people want to buy “anytime, anywhere” (Verhoef, Kannan, and Inman, 2015. 174). They want the brand to know “who they are, where customers are and what they want” and “don’t want to enter their data in 20 different places” (O’Heir, 2012, p.96). In response to customers needs, retailers develop an omnichannel approach as an evolution of the previous multi-channel strategy. The omnichannel approach provides the brand experience textbook “no matter how the consumer chooses to engage – on the e-commerce site, through an app for the tablet or smartphone, within the brick-and-mortar location or any two of those venues simultaneously” (Johnsen, 2013, p.8). Retailers leverage their existing resources to meet growing customer requirements under the condition of “lowest cost” and taking a broader perspective on channels and how shoppers are influenced through channels in their search and buying process” (Verhoef et al., 2015, p. 174). Businesses’ leaders seek information about “how the organization goes about matching its resources with the opportunities, constraints, and demands of the environment, how to make plans to develop in the future, and how to create and to maintain a competitive advantage” (Hayes, 2014, p. 145). Walmart, Alibaba, Best Buy, and Barnes and Noble’s (B&N) are pioneers of the retail industry with a successful implementation of the omnichannel strategy in their business models. Still, the omnichannel marketing
transitional framework is not identified yet. David F. Cook, the Best Buy’s director of IT systems strategy, noticed, “The omni-channel challenges we have are not unique to us, but they are massive” (as cited in O’Heir, 2012, p.76). As more companies turn their strategy to the omnichannel approach, the need to develop the transitional framework arises. The problems and challenges of the organization during their transition to omnichannel business is a topic of this seminar paper.

**Purpose of the Seminar Study**

Luther Webb, director of operations and solutions consulting at Intelligrated, noticed: “There’s a lot going on right now in the e-tailing world, where everyone is trying to figure out exactly what omni-channel means and how to manage it” (as cited McCrea, 2016, p.71). The overall Purpose of this seminar paper is to examine the main types of challenges which organizations meet on their transitional way and ways to overcome these difficulties. The focus will be on the logistic area of a supply chain with emphasis on the distribution order management, technology, reverse logistics, and a customer service areas of logistics. The nature of the topic dictates the use of historical and comparative examples of approaching problems.

**Methodology**

The primary method of approach for this project is a literature review and research analyses which are attained from scholarly and peer-reviewed academic journals, theorists, and educators that have published credible work that can be used to illustrate and support the arguments of this paper.

Due to the topic of this study exploring the current stage of the retail business, the secondary research method uses articles and research studies, published on the websites and
dedicated to business development and Business Intelligence. These studies reflect the most recent observations and findings.

Information, obtained from the various types of resources outlined above, will be subsequently reviewed, analyzed, and utilized to support the proposed argument of this research. These resources will further be used to illustrate the problems and best practices of the industry. Also, these informational resources will be used to discuss the historical background, present status, and proposals for future changes in the omnichannel marketing approach.

Research Contributions

This research project will provide a distinct contribution to the field of omnichannel marketing by providing a consolidated and comprehensive resource for the public and those working in the e-commerce field to further understand and become educated on the issues surrounding the transformation of the omnichannel organization. This research paper will provide the information necessary to direct and support the efforts of leaders of companies in their attempts to move to omnichannel. Lastly, this project will further highlight how recent economic and political changes in the United States support the omnichannel.

Literature Review

Recognizing Needs for Change

Customers are the heart of the retail world, and a “satisfied customer can promote a positive image of the company” (Hayes, 2014, p. 196). The year 2014 added a significant difference to relations between retailers and customers (Rigby, 2011): mobile devices of any type made possible a connection between e-shoppers and brick-and-mortar shoppers. Customers are not satisfied anymore with one-way or two-way conversations between retailers and them but seek engagement and involvement. They want the advantage of digital – such as almost limitless
selection, price transparency at the click of a mouse, and personalized recommendations from friends and experts. They also want the advantages of physical stores – such as face-to-face interaction with the store personnel, a product available for trying on or trying out, and the social experience of shopping as an event. Omni-channels supply chain face increased pressure to become agile and lean as customer preferences change quickly.

Deloitte study “Omni-channel Retail” (2016) states: “they [customers] expect their product delivered whenever and wherever they wish...Omni-channel fulfillment must break down the barriers between the various channels to meet the increased complexity of orders coming from brick-and-mortars, showrooms, online channels, and mobile among others” (p.15). Customers demand better service level, higher availability of products and faster delivery, which delivery option is right for them. Companies have to listen and pro-actively adapt to the customer expectations in delivery and fulfillment options.

Global retail survey (2014) reveals that eighty-three percent of CEOs believe that their companies’ supply chains are “not optimal” and do not meet omni-channel needs. They faces the challenge of Supply Chain Optimization that includes the following:

- Optimization of inventory levels while reducing the cost of the supply chain;
- Technological support and technical ability to support omnichannel structures
- Logistic of product delivery to a customer any time any place;
- Reverse logistic challenge and;
- Human resources challenge.

**Optimization of Inventory Level with Reducing the Cost of the Supply Chain**

The retail word is rapidly digitizing. Every quarter or season’s results make companies analyze and make necessary corrections in the strategies to keep up with the more demanding
customers, make different parts and divisions of companies work together without dividing marketing space and customer base among them. The new way of how customers shop identified at this time and are named “research shopping” (Verhoef et al., 2015). ‘Research shopping’ is defined by Verhoef et al. in “From Multi-channel Retailing to Omni-channel Retailing” as an approach where shoppers search in one channel and purchase in another channel (2015). The customer does not like back orders or order cancellations due to products being out of stock. Customers also don’t like delays with order fulfillment. They will not only buy the out-of-stock product from someone else but are also unlikely to return again. They may even write on social media about their bad customer experience (Nesmyanovich, 2015). It requires a disruptive change in the retail environment where the distinction between physical and online wall … “vanish, turning the world into a showroom without walls” (Verhoef et al., 2011, p. 175).

Albert Avalos, global vice president for Forritn, advises, “Ensure you have good visibility to total demand and total inventory” (as cited in Napolitan, 2013, p.52). However, only sixteen percent of retail CEOs say that their companies can fulfill omni-channel demand profitably today (“Closing the loop between manufacturers and retailers,” 2015). Percent of the online demand increases year over year, and it creates a bottleneck at the orders fulfillment stage, where the inventory traditionally was set up for different channels separately. Looking beyond multichannel, Jon Stetzer (2013) noticed that flexible, independent fulfillment is part of a successful omni-channel inventory optimization and the recent retail competition requires extremely accurate and efficient inventory management systems. Trying to meet the customer demand, companies are increasing the role of the warehouses and distribution centers making them flexible warehousing solutions.
For example, the SID group and DMW&H focus on the “sharing” inventory between stores and online channels. Instead of holding inventory for each channel in different locations, they blend all inventories in one, “in the name of pushing out accurate orders as quickly as possible to individual recipients” (Bridget, 2016, p. 2). The eBay warehouse in Walton, KY, became an e-commerce distribution center for retailers and e-retailers. “Forecasting is critical,” says Craig Hayes, the vice president of fulfillment, “Our goal is to work with our clients to accurately forecast, so we only receive the products they plan to sell and ship within the next several months” (as cited in Trebilcock, 2012, p.91).

**Logistic of Product Delivery to a Customer Any Time Any Place**

According to Tompkins (2016), “A perfect supply chain organizations do not exist.” (p.24). Therefore, building an effective and efficient omni-channel distribution system leads to constant multiple challenges. The challenges are dictated by the customer and the customer’s growing expectations. “The questions arise for example, from where online orders should be fulfilled, how delivery and return processes can be organized, and which context-specific omni-channel distribution systems exist” (Verhoef, 2015, et. al., p. 255). Drop-shipping, Click – and-collect, Reserve – and – collect, Delivery lockers, same day delivery are customer –driven delivery (and return) strategies that retailers are exploring with a different degree of success and needs. Shall orders be processed in the order they are received, or the companies have to establish individual order processing policies? Kevin J. Hume, the principal with Tompkins International, suggested to “Understand service - level. You are not necessary going to need to ship every item next day. Understand when some items really have to have that highest service level… and the throughput capacity that you need on a daily basis” (as cited in Napolitan, 2013, p. 52).
Retailers ship from warehouses, and distribution centers, from local stores, and from manufacturers. The growing number of channels also increases complexity from a logistics point of view (Verhoef et. al., 2015). The fulfillment process is no longer direct because shops and online orders are overlapping, the customers demand rapid delivery. The growing cross-border commerce and the increase of international customer portfolio add complicity to the supply chain. Omni-channel customer finds and buys using multiple channels and “retailers must simultaneously accommodate and anticipate demand and ensure availability, meet varying lead-times, and keep costs down for each channel” (Verhoef et. al., 2015p. 256).

Home Depot listened to its customers and restructured the supply chain to integrate “the experience of online and in-store shopping” (Bond, 2015, p.18). The company implemented a unique transaction process - a network of distribution centers for store replenishment, order online - pickup in store and direct-to-customer fulfillment. The distribution centers are highly automated and able to coordinate in real time order processing with the goal of same-day order shipping (Bond, 2015).

At first, companies that were moving to the new Order management systems did not pay attention to the changing and often increased the cost of the supply chain. These companies were concentrating on the customer retention and attracting new omni-channel customers by providing the best customer’s experience, developing the customer –centric approach, and keeping up with the competitors to not lose the share of the market. At that time, the companies did not concentrate their attention on the cost of restructuring the supply chains, on how the new strategy will affect the entire cost of the supply chain. The professor Brian J. Gibson attended a retail conference in Reno, Nev. where he asked a panel of the top executives about their top challenges. “They basically said, ‘It’s whatever the customer want…there were no focus on the
cost aspect of it, or on what the most efficient or optimal approach would be” (as cited in McCrea, 2015, p. 54). Times have changed. Now “Retailers look not only at what’s viable, but they also want the options that are lowest in cost while meeting customers’ requirements…We’re seeing a much greater focus on understanding and managing fulfillment costs and an attempt to shape customers’ actions, decisions, and activities based on the best possible solutions,” stated Gibson (as cited in McCrea, 2015b, p. 56). The robust Order management systems are not only processing orders, but also providing intelligence, assist with orders routing, returns management, tax calculations, payment processing, but lower the cost of the supply chain (“Omni-channel retail,” 2015).

EBay Enterprise received 2016 Warehousing/Distribution Award. Judges were impressed “by the omni-channel system eBay implemented not just in the United States, but on a global scale” (as cited in Trebilcock, 2012, p. 90). According to eBay, its distribution campus ships 85% of the orders on the same day they are received, and 90% are delivered to the customer in three days—the average is 2.37 days in transit. The vice president of fulfillment Craig Hayes explains, “Our whole fulfillment concept is flexibility and speed, from the time an order drops until it reaches the customer’s doorstep” (as cited in Trebilcock, 2012, p.91). C. Hayes emphasized that the company also has a strong focus on cost efficiency and a leans toward sustainability (Trebilcock, 2012).

The consumer has its interest in orders delivery: correct order that is delivered on-time, without additional expense. The omni-channel customer is demanding not a service, but an experience. Companies have responded to the changing marketplace by developing alternative, personalized solutions. No one-size-fits-all approach emerged, and the supply chain strategy
should be evaluated and tailored to particular business and customer requirements: speed and cost, and speed and flexibility.

Amazon offers one of the options for rapid scaling up fulfillment, and fast delivery capabilities by proposing to utilize the Fulfillment by Amazon (FBA) service. FBA handles all back-end operations, including storage, fulfillment and customer service. Merchants just need to ship their inventory to Amazon. Amazon manages the entire order processing after a customer had placed an order online. Retailers would benefit from faster delivery times that help them to increase customer satisfaction (Nesmyanovich, 2015).

EBay Enterprise is an example of the robust warehouse system: warehouses locations, speed, the flexibility of fulfillment, transportation management that exceed the campus’ operation and cost saving provides the flexible, multi-client adaptable “while meeting customer requirements and delivering high productivity” (Trebilcock, 2016, p. 91). “We measure speed inside and outside the box,” says Hayes, the vice president of fulfillment, “Inside the box, we measure how quickly we can fill an order and get it out the door. Outside the box, we measure how quickly we get it to the consumer’s doorstep” (as cited in Trebilcock, 2016, p. 91).

**Reverse Logistic Challenge**

Product returns is an avoidable part of doing retail that give customers the opportunity to change their minds about purchasing when their needs or expectations are not met.

A core premise of Omni-channel retailing means being available at any time anywhere, making it convenient for the customer. Bermon M., Gorn J., and Cullen J., in their study “Online retail return management” (2016) found that in an attempt to provide a seamless shopping experience, retailers offer similar return policies for both online and store retailing. Another
group of researchers, by Verhoef et al. (2016), notices that to complicate matters, return logistics capabilities must be built up to manage the appropriate volume of returns because most online customers demand an easy and convenient way for returning their products. It is not surprising, therefore, that four of five retailers believe their supply chain does not fit the purpose of omni-channel retailing and requires re-engineering of its physical product flows. Several studies confirmed that customers expect generous return policies: to be able to return an item wherever they like, an extended period for a free return, prompt reimbursement, and the same policy for products they bought online and in store (Bernon et al., 2016). However, the return of the product sold online is traditionally higher than for products sold in stores, and it defers by the category. The results of a study by Bernon et al. (2016) shows the difference in percent of return between the brick-and-mortar store and online bought product for the average, highest, lowest the categories of clothing, electrical/technical and home for 52 weeks. These results are combined into the Table 1 presented in Appendix A and show that the highest return is in the apparel category. Still, the study states, that the high return in the apparel retail mitigates to an average with other categories when the full range of return activities are considered (Bernon, et al., 2016).

A group of the same authors also have presented conceptual models to support decision making in the location and capacity of facilities as the transportation costs for return remain a key returns- related issue of online purchases. At the current time, many retailers accept a returned merchandise in the brick – and – mortar stores, this way they are reducing the transportation lost (Bernon, et al., 2016).

Given the high cost associated with returns, it continues to be a challenge within the omni-channel supply chain management. Returns are often received, inspected, and put away in a
separate flow and thus not mixed with other goods. Some retailers use only online stores for return goods, offering them there at a reduced price (“Omni-Channel Retail,” 2015). At some organizational structures, returned merchandise takes a significant space in warehouses. In general, reverse logistics tend to be less organized with poor control over inventory. Deloitte group (2016) believes that an “opportunity exist to optimize returns management in the warehouse and used for value-added activities. Retail companies should review their return strategies as it can largely contribute to increased revenue, or conversely, erode profits if not properly executed” (p. 19).

Technological support and technical ability to support omnichannel structures

Modern technologies allow companies to provide accurate availability information in their online and physical stores. The Amazon that invested “in the back-end inventory significantly more than in the waterline” (Nesmyanovich, 2015,p. 14) uses the cloud –based Order Management system like NetSuite, Brightpearl, 3PL Warehouse Manager.

Order management system, according to the Deloitte study (“Omni-channel Retail,” 2015) serves as a liaison between order taking and delivery channels and enable different delivery options to satisfy customers’ changing requirements. Figure 1 (Appendix B) demonstrate how the Order Management System organizes the information about orders through the entire order cycle. The Order Management System provides order visibility from the point the order is placed, to the point, the order is delivered to the customer, “regardless of delivery channel or point of order” (“Omni-channel Retail,” 2015, p.18).

Robert Silverman, senior vice president, supply & logistic solution for Jones Lang LaSalle advises, “Analyze the order characteristics for each channel, and design a system to pick the orders efficiently” (as cited in Napolitan, 2013, p. 52).
"The rise of omni-channel is one of the most transformational shifts that occurred in retail in recent time," said Baljit Dail, chairman of the board and interim CEO, JDA Software (as cited in News & Trends, 2014, p.12). Customers are looking for continued and consistent contact with retailers, whether it is the store, mobile or desktop communication. To stay connected with consumers and keep up with the growing needs of the omni-channel distribution, the leaders of industry turn their face to the advanced technologies.

Some retailers are making their brick-and-mortar locations interactive. For instance, one of the leading retailers, Walmart uses big data to respond to shoppers needs through the Mobile apps “Savings Catcher.” This apps helps customers feel more confident about prices they pay for products at Walmart stores, develop trust to the retailer, keep customers engaged and ultimately increase the customer retention:

Shoppers who have downloaded the app... can scan a special barcode on their Walmart receipts. The app will then compare the items on the receipt to a database of nearby competitors’ advertised prices. If the app finds a lower price for any items, Walmart pays the difference (Brick and Click, 2017, para 3).

Walgreen apps simplifies the customers’ need to fill prescriptions, manage rewards program, or send pictures to in-store photo centers for printing. “Customers who engage with Walgreens online and via mobile applications spend six times more than those who only visit its stores” (“Walmart's Omnichannel Strategy,” 2014, p. 16).

More importantly, companies are getting empowered to operate in the omnichannel world. Different types of software enable omni-channel inventory optimization, tracking and thus, better customer experience. Distribution order management software (DOM) can prioritize inventory allocation to fill orders for their best buyers or stores over individuals.
Satish Kumar, vice president of client services and technology at Softeon, stated:

If all of them have been filled by a certain time of day, then the other orders to individuals can be released automatically, without human intervention. It can also allocate against incoming inventory that has not yet been received so that the inventory is not allocated to anyone else...From an operational perspective, DOM enables retailers to better balance inventory and reduces their transportation and inventory carrying costs. From the customer’s perspective, DOM provides better visibility, allowing a shopper to determine if an item is available at stores within a geographic distance, or when a backordered item will be back in stock and ready to ship (as cited in Pearson Specter, 2016, p. 50).

Furthermore, still, around fifty percent of retail CEOs are not taking the required actions to make use of modern software implementation even though they recognize the importance of the supply chain is strategic differentiation (News & Trends, 2014).

Goods-to-Person (G2P) software is among the most effective technologies for reducing the time pickers spend walking. By using this or similar technologies, companies can distance themselves from labor-related costs including safety, accuracy and seasonal staffing problems (Bond, 2014).

A warehouse Execution system (WES), used by American Eagle helps to manage a one-million –square-foot omnichannel distribution center that handles three brands. Operations have an ability to “cross dock cartons and mixed cartons, replenish stores, and fill direct-to-consumer orders across the brands...it assigned work based on the workload at the varicose picking and packing stations...manage receiving, inventory and shipping, and communicated with the order management system” (Levans, 2016, p. 7).
Home Depot added to its network the direct fulfillment center (DFC). That center is designed to support omni-channel capabilities like direct-to-consumer fulfillment and store pickup for online orders. It includes conventional packing process that coordinated in real time with the goal of the same day order shipping. The warehouse control system synchronizes order fulfillment activities and “ensures that components for multi-line orders arrive at the right packing area in close proximity to one another and banalness workload at single-line pack stations and multiline” (Bond, 2015, p. 2).

Overall, the investment into technologies is robust. Users and vendors have a growing desire to modernize the supply chain to help their business drive forward. However, “many of solutions have not changed much over the past ten years, and end users are demanding more easy to use and intuitive solutions” (McCrea, 2015a, p. 52).

**Human Resources Challenge**

All of the warehouse automation and fulfillment omni-channel capabilities cannot work without people. Selecting the right people to deliver the new vision is another problem that companies are facing. Mahoney (2016) interviewed Hans Sjoquist, the senior principle of multichannel marketing for IMS, about barriers in building omnichannel approach. Sjoquist noticed that one of the obstacles is non-omnichannel thinking: “Companies tend to be product-centric rather than people-centric... this is not how consumers think... There needs to be a culture of optimization” (Mahoney, 2016, p. 7).

Leaders of the organization create a clear vision of the future for the company and select the team that will be supportive to changes and willing to bring ideas to life. This team should be able to overcome common thinking, explore new ideas, find the balance proportion of the current state of an organization with the new approach and invent the new vision for the company. Long
time channels were going by different routes, serving separate groups of customers and competing for the customers and profit. As a result, many omni-channel retailers these days are facing a big challenge: “convincing all of sales and marketing teams to work together for the betterment of the entire company” (O’Heir, 2012, p. 76).

The ability “to manage the basics of freight movement, capacity, inventory accuracy, and labor productivity” are must skill for employees of new and advanced warehouses and distribution centers. Retailers are facing the workforce issues already, and they predict that “as the economy continues to improve, people are going to want to work in manufacturing versus fulfillment, logistic, and transportation” (McCrea, 2015b, p. 56). The other issue is related to a significant number of Baby Boomers that are heading into retirement. To offset these obstacles, companies will need to develop the productive and innovative approach to keep current key employees and fill open positions. To create a sustainable, successful omni-channel structure, the company’s leaders should implement not just modern technologies but the employee training.

Discussion

Companies expand their understanding of omni-channel supply chain and design their operational strategy in the most efficient for them manner. The customer world, culture, and economics are evolving challenging companies for new and more complex issues and problems.

Omni-channel Meeting Customer Expectations

The evolution of customer expectations and a globalization of the e-commerce have caused the leaders of companies to re-evaluate their supply chains and requirements which successful supply chains should meet. Without satisfied and loyal customers, any supply chain will not be profitable. Tompkins (2017) suggested that the key of any successful supply chain “is to tell the customers the price of different options and let the customer tell you how to make
them happy and you more profitable” (p. 24). The challenge of the omnichannel orders fulfillment is to analyze the orders characteristics for each channel, perform planning and establish planning criteria, pull existing investments and the best practices and “design a system to efficiently pick the orders” (Napolitan, 2013, p. 52). Moreover, “satisfy the omnichannel customers” (Tompkins, omnichannel logistics, page 24).

**Leaders of companies in their attempts to move to omnichannel**

“Omnichannel Retailing” research (2016) finds that online shopping will grow over the next five years, but the physical store will continue to play a significant role in shopping and pick up. For the top leadership of retail companies it means the following:

1) even though channels do not perform individually, they profoundly impact on the performance of each other,

2) retail mix across channel changes,

3) customer segmentation across channels is changing too (Verhoef et al., 2015).

Previous multichannel years of marketing established a practice where channels competed against each other, and leaders were comparing the performance of different channels among each other. In the omni-channel world, this comparison metric does not work. The leadership should be ready for that performance metric change and build the same understanding among channels, so they stop competing against each other and understand clear benefits of working as a team. It requires a change of the organizational culture, and that change does not come easy and overnight.

The organizational change leader should be able to attract and retain innovative people, create a collaborative team that integrates innovative ideas with the base business, be able to compromise, establish the plan of action and bring this plan to life (Rigby, 2011). The Best Buy
is still “a long way from fully developed omni-channel, according to the Best Buy strategy
director, David F. Cook. However, the company is moving to their goal. It overcomes the
challenge of changing the company-wide goal: the leaders of the Best Buy shared with team
results of the study that “78 percent of each transaction that happened in the store originated with
online research. It is the same transaction; it was just omni-channel” (O’Heir, 2012, p. 76).

**Trends in Omnichannel development**

Omnichannel model is a choice the companies make for their current and future
development. According to Wrill & Waerner study (2015), 24% of large companies (with more
than $1 billion revenue) and 36% of small businesses (with revenue less than $1 billion) choose
the omnichannel model. Professor Gibson identified new Trends in Omnichannel development,
which can be entitled as “Doing more with Less” (McCrea, 2015b, p.56). Gibson’s (2015)
“State of Retail Supply Chain” report identified that area of the highest concern evolved from
real customer satisfaction toward the balance, cost control, customer service and revenue growth.
Based on the same report, investment for Supply chain improvement will be made in areas of
omni-channel fulfillment, talent development, technology implementation, supply chain
processes improvement, and facilities (McCrea, The state of the retail supply chain, 2015b).

The companies move forward to customer centric organization and plan to utilize their
customer's' data, collected through digital channels, and apply this data to “amplify the customer
voice inside the company” (Wrill & Waerner, 2015, p. 32). The knowledge received from the
data integration, if properly evaluated and used, allows companies to unify all touch points
across all retail channels and personalize the customer experience. Adidas is a good example of
the personalization: the brand allows its customers to design and personalize their sneakers,
offers games to its followers through Instagram and another social network. By doing it, the
brand hopes to get closer to its customers and to maintain successful and long-lasting relations with them.

Investment in technologies and talent development are going hand-in-hand. To meet the omni-channel challenge, companies actively use software applications and mobile and –in the nearest future - multimodal devices. Electronic article surveillance (EAS), and radio frequency identification (RFID) tags deliver both security and inventory visibility and increase inventory and loss accuracy, help create the in-depth analysis of the supply chain behavior. Distribution Order Management (DOM) software “aggregates inventory information from all possible locations and, guided by channel-based rules, assigns items to fill orders” (Pearson Specter, 2016, p52). Companies incorporate consumer mobile devices in warehouses and brick-and-mortar kiosks. Nevertheless, the most successful technologies are dead without human input. Thus, companies need to invest in their employees. On the other side, the knowledgeable employees support the strategies and can participate in the process actively.

Conclusion and Future Study

Omni-channel is a relatively new approach to retail marketing. Retail industry goes through an innovative and valuable time. Other industries, such as insurance and medicine got involved in this transition as well (Mahoney, S., Rules of Engagement, 2016). One of the limitations of this paper is the limited resources in an academic study available for review as the omnichannel process adaptation is the current process. Thus, the best practices and analysis are establishing and processing at this time. Consumers demand that the desired product be available, in the right size, at the right time. Retailers are requisite to meet those requirements to stay competitive. The high percent of retailers perceive the omnichannel approach as a solution to the problem as the omnichannel approach provides customers with a truly seamless experience
and engagement experience. Some companies are taking their first steps in this direction. Other businesses have seen the visible outcome of this competition for the customer is changing the accent from the product to people, making business think about customers and making business customer centric. The movement to omnichannel retailing has not been conceptualized yet (Verhoef et al., 2015, p.). Nevertheless, the articles and researchers agree on the same idea that the primary goal of the omnichannel approach is to make multi-channels, in fact, work together with results that welcome customer insights and give more ways to respond to the customers’ needs (Mahoney, 2016). The omnichannel road will always be a work in process, but lead by true leaders and empowered with new technologies and best practices, it will find a positive response among companies and consumers.
Appendix A

Table 1. Average percentage return rate as a proposition of sales by category by channel (52 weeks)

<table>
<thead>
<tr>
<th>Category</th>
<th>Average</th>
<th>Range</th>
<th>Highest</th>
<th>Lowest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail store</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>10.9</td>
<td>14.1</td>
<td>19.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Electrical/ technical</td>
<td>8.7</td>
<td>7.3</td>
<td>13.3</td>
<td>5.9</td>
</tr>
<tr>
<td>Home</td>
<td>5.5</td>
<td>9.4</td>
<td>11.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Online</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>20.0</td>
<td>30.1</td>
<td>38.2</td>
<td>8.1</td>
</tr>
<tr>
<td>Electrical/ technical</td>
<td>8.0</td>
<td>3.9</td>
<td>10.3</td>
<td>6.4</td>
</tr>
<tr>
<td>Home</td>
<td>8.5</td>
<td>7.7</td>
<td>12.7</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: Bernon, M., Cullen, J., & Gorst, J. Online Retail returns management. Integration within an omni-channel distribution context, 2016, p.592
Appendix B

Figure 1. The Order Management System provides information about orders through the entire system.

Source: Omni-channel retail – a Deloitte point of view, report of February 2016, p.18
References


PROBLEMS AND CHALLENGES OF RETAIL


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*Retail CEOs who have removed organizational silos are best positioned to meet today's omni-channel challenges*. (2016, February 23). Retrieved from Business Wire:

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