



TOP OMNICHANNEL STRATEGIES TO GEAR UP FOR THE HOLIDAY SEASON

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A typical national or large regional chain collects

20%

of its yearly revenue between Thanksgiving and Christmas.

SOURCE: STATISTA

The holiday season is an exciting time for shoppers and retailers alike. Stores are dressed up, holiday music is playing, crowds are gathering, but uncertainty is in the air for retailers. A great deal needs to be done. Inventory must be stocked, distribution centers prepared, labor planned, associates ready, merchandising sharp, fulfillment processes fine-tuned, and every channel capable of handling massive traffic loads during the busiest time of the year.

The holiday season between Thanksgiving and Christmas accounts for about 20% of annual sales to a national or large regional chain, according to a 10-year study by Statista. This means increased risk for retailers who must hit their holiday goals to make it a successful year. The risk is compounded by the added complexity of today's omnichannel retailing, where shoppers expect fast, convenient and personalized experiences wherever, whenever and however they choose.

While every retail process is expected to work flawlessly at any time of year, the high volume of holiday shopping brings a unique set of challenges that retailers can't afford to get wrong. Especially as it relates to orders that have been placed and how retailers fulfill those orders and provide customer service.

This special report covers strategically targeted preparations that will help retailers maximize sales, profits, productivity and customer satisfaction across all channels as they navigate the coming holiday season. The report recommends focusing on five key areas:

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1. Intelligent Order Management
 2. Fast and Guaranteed Fulfillment
 3. Fulfilling From Stores
 4. Tightening Fraud Management
 5. Comprehensive Returns Management

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80%

of shoppers will abandon their order for a competitor when even one product is out of stock.



1

Intelligent Order Management

The first thing a customer wants to know is if a product is available and if they can get it in time.

Intelligent order management is built on a foundation of real-time inventory, which offers shoppers a view into chain-wide inventory availability, creating an endless aisle.

Today's omnichannel world makes inventory accuracy hyper-critical. Without accurate inventory availability, coupled with an order management system that provides real-time visibility and intelligent order routing, retailers can't promise their customers products. Inaccurate inventory can lead to lost sales and customers due to promises that can't be met; or due to products showing out of stock when they are available in-store. Eighty percent of customers are likely to purchase from another brand when just one of the products they want to order is out of stock or backordered. And no retailer can afford that.

Additionally, inventory distortion, a problem in retail that is a measurement of both out-of-stock and over-stock merchandise, is a problem that adds up to \$1.1 trillion in worldwide revenue each year, according to the May 2015 "Retailers and the Ghost Economy" report by the IHL Group.

The solution to reducing this inventory problem requires a single version of the truth that can be trusted by the retailer who creates an intelligent, rules-based routing plan for effective omnichannel fulfillment. Ultimately, retailers need to be confi-

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dent when they make promises to the customer that their products will be delivered on time or available in store when they arrive. A system like this will keep tight control over orders as they move through the process and help retailers avoid costly practices—such as split-shipments or unnecessary shipments across coast lines that could have been fulfilled by regional distribution centers (DCs)—or avoid losing customers by not being able to fulfill in-store pickup orders.

Strong order management systems enable a cross-flow of data that can be orchestrated between the e-commerce platform and POS, and then all the way through the supply chain. It can scale to meet the high volumes of holiday demand and also provide intelligent management for maintaining stock levels, optimizing margins, and driving future allocations and replenishment.

Order management is a true foundational system that helps a retailer deliver strong customer service on the front end and cost-efficient inventory management and cost accounting on the back end.

**\$1.1
TRILLION**

Worldwide value of inventory distortion, a measurement of both out-of-stock and over-stock merchandise.

SOURCE: IHL GROUP, "RETAILERS AND THE GHOST ECONOMY"



1 / 3

of shoppers will abandon their carts if a specific delivery time is not available.

SOURCE: CFI GROUP



2

Fast and Guaranteed Fulfillment

For holiday shoppers it's all about speed and convenience, especially in the age of Amazon Prime, which is setting the standard for the retail industry today in many ways. During the holiday season, fast fulfillment is crucial to being competitive.

In addition, shoppers have also come to expect that online orders will be fulfilled with minimal shipping charges or even for free. They also want to know where their purchase is located at any given time and expect a guaranteed delivery date. In a 2016 survey of 500 shoppers conducted by the CFI Group, one third of shoppers said they would abandon their carts if a specific delivery time was not available, demonstrating that consumers want speed and confirmation.

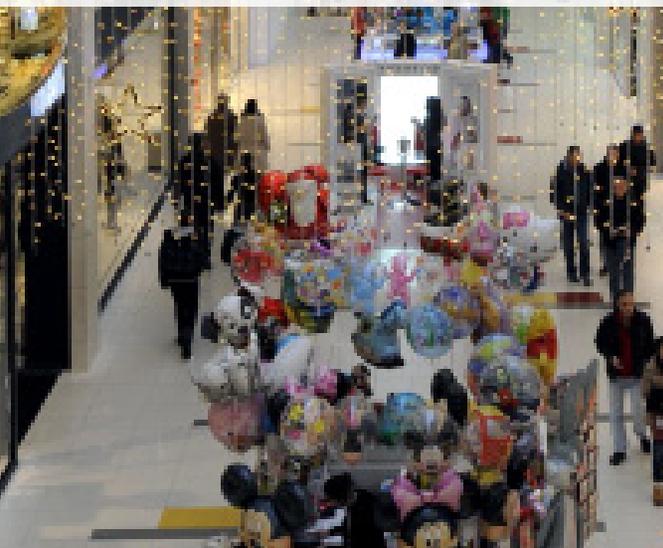
Because holiday purchases are primarily for gift giving, retailers must tighten up their fulfillment rules and logistics to ensure 100% consumer trust. Reliability is critical. Careful calculations must be made to determine the last guaranteed shipping delivery date for consumers. Equally careful calculations need to be made to ensure fulfillment costs are kept low and profitability high. These calculations will ultimately separate the winners from the losers during the holidays.



58%

of shoppers who pick up a
web order in a store make
additional purchases.

SOURCE: RIS NEWS. "2016 SHOPPER
INSIGHT 360 STUDY"



3

Fulfill From Stores to Increase Sales and Margins

Why are stores a strategic weapon in the war against Amazon and other competitors? There are three key reasons:

- Ship-from store creates an endless aisle by providing chain-wide inventory available for online customers.
- Store fulfillment can eliminate split shipments for products not available in your DCs.
- In-store pickup provides convenience and an immediate option for customers who need the product fast and/or want to avoid shipping costs.

Using stores for fulfillment also delivers important benefits to retailers, such as increasing inventory turns to help reduce markdowns, driving incremental e-commerce revenue, and boosting foot traffic as well as sales when shoppers use in-store pickup. According to the RIS' "2016 Shopper Insight 360 Study," 58% of shoppers who pick up a web order in a store make additional purchases.

But using stores for fulfillment is not easy and requires careful planning. Inventory can be more difficult to manage in stores than in warehouses. Also some stores are not well suited for fulfillment due to design constraints and the fact that store associates need extra training. Stores also need to implement processes and best practices for how associates fill store orders while serving customers physically in-store. Clearly in-store pickup orders take priority and have a clear time constraint,

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but ship-from-store orders are also critical to get product picked, packed and shipped in a timely manner. Determining the best sources of fulfillment involves careful planning to develop store processes, employee responsibilities, store incentives, and service priorities for in-store customers.

It will also require creating automated rules that determine when it is best to use DC fulfillment or store fulfillment, including which specific stores to use and which SKUs make sense for store fulfillment. The analysis process should include forecasting for consumer demand, in-store fulfillment requirements (storage space, labels, boxes, etc.), maintaining safety stock levels, labor requirements, training and cost.

With careful planning, store fulfillment can be a win-win for both the retailer and consumer that can preserve margins during the holiday rush, increase speed of delivery and keep customers happy.

“With careful planning, store fulfillment can be a win-win for both the retailer and consumer that can preserve margins during the holiday rush.”



33%

**Increase in average number
of monthly fraud attempts.**

SOURCE: "2016 LEXISNEXIS TRUE COST OF
FRAUD STUDY"



4

Tightening Fraud Management

Retailers are more vulnerable to fraud during the holiday season than any other time of the year due to the high volume of sales coupled with demand for faster checkout. Last year's introduction of EMV technology (credit cards with chips) was intended to help alleviate fraud at the store level, however most retailers missed the deadline. More than half of retailers (48%) are not EMV equipped even now, according to a July 2016 survey by the National Retail Federation.

So, a first step for many retailers is to complete their EMV roll out. This will help reduce credit card fraud in stores, but it does not offer complete protection. In fact, data indicates that once EMV is deployed fraudsters shift their attention to card-not-present crime on digital channels. According to the "2016 LexisNexis True Cost of Fraud Study," the average number of monthly fraud attempts has spiked by 33% and produced an 11% increase in revenue lost to fraud year over year.

To manage the high volume of holiday purchasing and increase in fraudulent transactions, retailers will need additional tools and technology to detect and curb online fraud. A good holiday fraud management strategy should include a combination of data, machine learning and human review before the orders are processed for shipment; all while maintaining fast payment processing.

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One option for retailers that have internal resources stretched to the limit during this time is an outsourced payment and fraud solution that uses data science and machine learning to identify and mitigate drivers of loss. These solutions can diagnose risk drivers, flag them and score risks early in the sales cycle to minimize business impact.

With the variety and rate that new fraudulent schemes are identified, retailers must be diligent and comprehensive in their risk management plans for the holiday season. Vetting every sales transaction adequately and without disruption to the sales process is crucial. At the same time, it's critical that retailers don't frustrate or lose good customers by rejecting legitimate orders wrongfully identified as fraudulent in an attempt to be overly vigilant.

**\$147
MILLION**

**Amount fraudsters stole
from each retailer with annual
revenue over \$1 billion.**

**SOURCE: "2016 LEXISNEXIS TRUE COST OF FRAUD
STUDY"**

But no single fraud tactic will substitute for an overall fraud management strategy that is kept up-to-date and fully compliant to do battle with fraudsters who stole the equivalent of \$147 million from each retailer with annual revenue of \$1 billion, according to the "LexisNexis 2016 True Cost of Fraud Study."



**\$643
BILLION**

**Value of returned goods
worldwide.**

**SOURCE: IHL, "RETAILERS AND THE GHOST
ECONOMY"**



5

Comprehensive Returns Management

Shoppers worldwide return \$643 billion worth of goods each year and Americans are responsible for about one third of this figure, according to the "Retailers and the Ghost Economy" report by IHL. Not only does this represent a huge logistical problem and added cost, but it also carries a significant amount of risk due to the potential for frustrating shoppers in a way that can damage their shopping experience and loyalty.

For these reasons, it is important for retailers to bring management of returns under tight control during the holiday season. Forecasting anticipated return volumes is crucial for restocking, getting supplier credit, and managing inventory levels. Retailers need to set rules for return labels and in-store return processes, identifying re-sellable items and restocking them on store shelves, and sending products to the DC or supplier. They also need to create processes for dealing with product malfunctions, missing parts, expired perishable merchandising and more.

An efficient returns process begins with procurement and design to determine proper return procedures and channels right from the start. It also includes collecting pertinent data about returned items to help pinpoint the root causes of returns so that problems can be identified and solved.

Despite all of the back-end complexity, it is important that retailers make returns easy and seamless to the customer and if executed well, returns can become a competitive advantage.

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70%

of retailers do not have a single view of their customers as they move across channels.

SOURCE: EKN RESEARCH, "OMNICHANNEL PERSONALIZATION FRAMEWORK"



The goal is to make every customer interaction one that drives repeat business and loyalty, which means that during the returns process retailers should create a plan that rewards good customers with convenience and efficiency.

DELIVER GOOD SERVICE AND CUSTOMER SATISFACTION WILL FOLLOW

Today's savvy shoppers expect more convenience, speed and service options than ever before. They also expect to receive seamless experiences across all sales channels and service touchpoints. During the busy holiday season, customers have even higher expectations making it all the more difficult for retailers to meet.

Many retailers are responding by adopting new methods for delivering customer service through an ever growing set of communication channels, such as chat, social networks and website self-help tools. These service options also include in-store devices that tap into omnichannel functions, such as kiosks, mobile devices, and even such new technologies as chatbots, beacons and robots.

These omnichannel tools offer the potential to deliver improved customer service, but they also add a new level of complexity that can be difficult to manage during the high-volume holiday season. For example, 70% of retailers do not have a single view of their customers as they move across their own channels and 85% are not able to deliver consistent marketing messages across channels, according to the "Omnichannel Personalization Framework" by EKN Research.

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The omnichannel nature of shopping today will expose any gaps or inconsistencies that exist between retail channels. These gaps risk causing confusion during the sales process as shoppers flow between smartphones, laptops, tablets and the store. A consistent customer-facing experience across channels needs to be linked to a unified back-end system that can track and identify consumers' transaction and interaction history. This is the only way a retailer can deliver the kind of service that will produce the high level of customer satisfaction that is so important to success during the holiday season.

CONCLUSION

No words can express the retailer's mantra for the holiday season better than these — prepare hard to finish easy. Preparations should include fine-tuning tools, technologies and processes identified in this special report — order management, fulfillment, fraud management, returns management, and customer experience functions.

By preparing these systems today to handle the high-volume stress of the holidays, retailers will be able to maximize sales and profit while simultaneously delivering customer service and satisfaction at the high levels shoppers expect.

So, prepare today and the success you achieve during the holidays will enable you to enjoy the festive season.

Happy Holidays!

About Radial

Radial is the leader in omnichannel commerce technology and operations, enabling brands and retailers to profitably exceed retail customer expectations. Radial's technical, powerful omnichannel solutions connect supply and demand through efficient fulfillment and transportation options, intelligent fraud detection, payments, and tax systems, and personalized customer care services.

Hundreds of retailers and brands confidently partner with Radial to simplify their post-click commerce and improve their customer experiences. Radial brings flexibility and scalability to their supply chains and optimizes how, when and where orders go from desire to delivery.

Learn how we work with you at www.radial.com.

