



WHITEPAPER

THE FUTURE OF OMNICHANNEL LOGISTICS

Find out about the pros and cons of omnichannel logistics in the fashion and lifestyle industries and how you can build your own model for success

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WHAT IS OMNICHANNEL LOGISTICS?

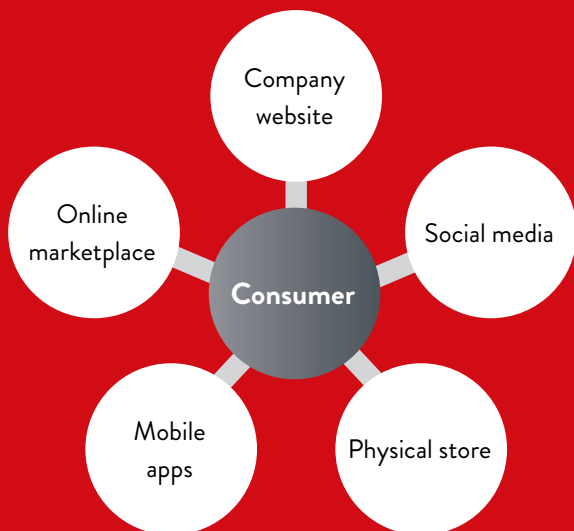
There are two main approaches to fulfilment and returns for fashion and lifestyle brands that offer more than one channel of purchasing goods: multichannel and omnichannel logistics.

While both options offer consumers more flexibility in terms of how they purchase and receive their goods, the multichannel model allows customers to interact and purchase from

various individual channels, whereas omnichannel offers consumers the opportunity to purchase and return products across multiple channels.

With rising expectations when it comes to buying journeys, it's now more important than ever that retailers focus on omnichannel logistics in order to meet their customers' demands and stay relevant within the market.

Multichannel logistics



Omnichannel logistics

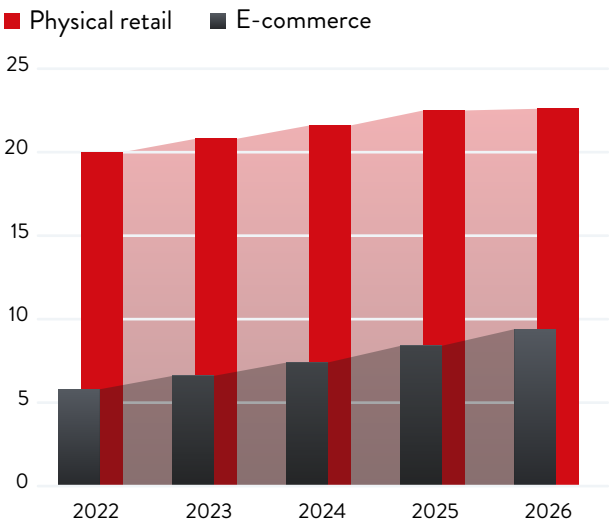


THE RISE OF OMNICHANNEL SHOPPING AND LOGISTICS

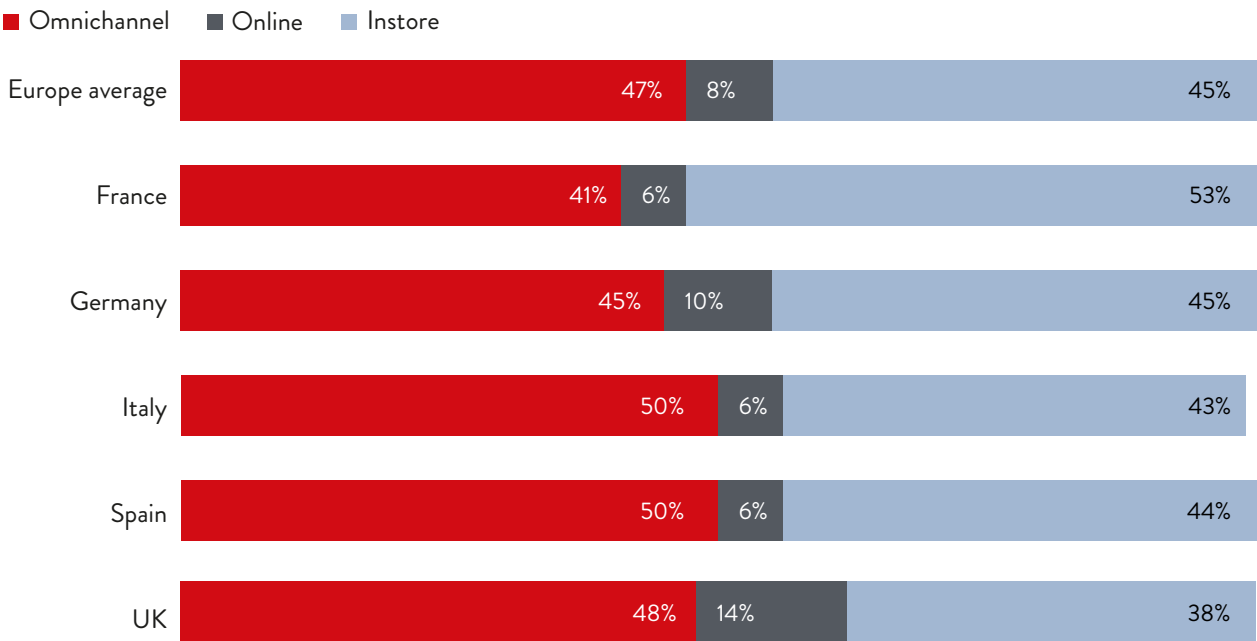
Both in-store and online retail sales have increased steadily over the past years and are expected to continue to rise to an estimated USD 32 trillion combined by 2026.

With the increase in sales in both online and physical stores, omnichannel shopping, and more importantly omnichannel logistics, are likely to remain for the foreseeable future.² This is evident in consumer behaviour, with around every second consumer in 5 European countries having researched and/or purchased apparel through omnichannel methods last year.

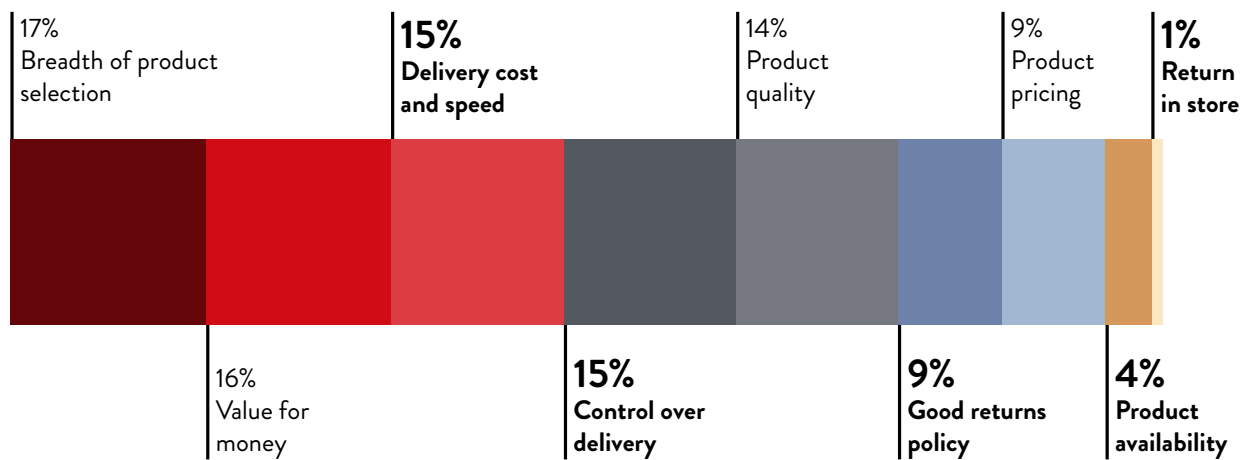
Estimated value of in-store and e-commerce retail sales worldwide from 2022 and 2026 in USD trillion¹



Apparel purchase and research habits over the past three months by channel and by percentage of respondents in August 2023³



What US customers value in omnichannel retail by percentage of respondents⁴



Omnichannel retail is important to US customers too and what they value the most about it is related to the logistics thereof.

As a result, there is a lot of pressure being placed on retailers to offer a holistic approach to fulfilment, with 1 in 5 consumers wishing for a seamless omnichannel experience when shopping online. This even rises to 1 in 3 among younger generations.

It's imperative that companies address these wishes in order to keep their fulfilment and returns models flexible and retain their customers, as 33% of repeat customers would stop using a retailer if they had a difficult returns experience, for example.⁶

Percentage of shoppers globally wanting a seamless omnichannel experience by generation⁵



THE BENEFITS OF OMNICHANNEL LOGISTICS



Improved customer experience, satisfaction and engagement are clear benefits to omnichannel logistics as customers are essentially demanding this logistics model. However, retailers can also benefit from an omnichannel model in a number of other ways, such as through **faster and more accurate delivery, increased sales and higher profits, a competitive advantage, and the flexibility** to not only switch and adapt to different channels but also to maintain lower inventory levels.

In terms of **delivery**, traditional retailers need around 4 to 8 hours to fulfil an order whereas best-in-class omnichannel operations often need less than half that time, completing an order within 2 hours of a consumer making a purchase.⁷ This is because an omnichannel supply chain generally has a centralised inventory, meaning that logisticians can better assess product availability and location and in turn shorten distribution times.⁸

When it comes to **increased sales and profits**, an omnichannel model offers the best opportunity for customers to buy a product. For example,

67% of consumers making a purchase use multiple channels to do so and 40% will actively choose not to make a purchase if they are unable to use their preferred channel, highlighting that an omnichannel experience is not only extremely valuable but sometimes even non-negotiable.⁹

By taking a **holistic, omnichannel approach to logistics, companies can better collect and analyse data over the various touchpoints** to not only have a real-time outlook on inventories, but to also find out more about their customer base. In this respect, they are able to respond quickly to issues, make adjustments, and optimise the fulfilment experience in order to avoid losing customers.

Adapting an omnichannel model can also turn the delivery network into a competitive advantage in three ways: customer segmentation, incentives and partnerships. By offering such a model, it's essentially tailored to each individual customer as they have **more flexibility in terms of how they receive and return their goods and how much they pay for it** – if a customer needs a product fast, they may be more likely to pay more to be able to pick up in store on the same day, for example. Similarly, customers can be offered incentives such as free delivery and discounts if they choose smart lockers or store pick-ups, which are generally less expensive from a logistics point of view. When working with a logistics partner, both the logisticians and retailers can exchange data to optimise transport planning and routings, thereby improving costs and delivery times.¹⁰

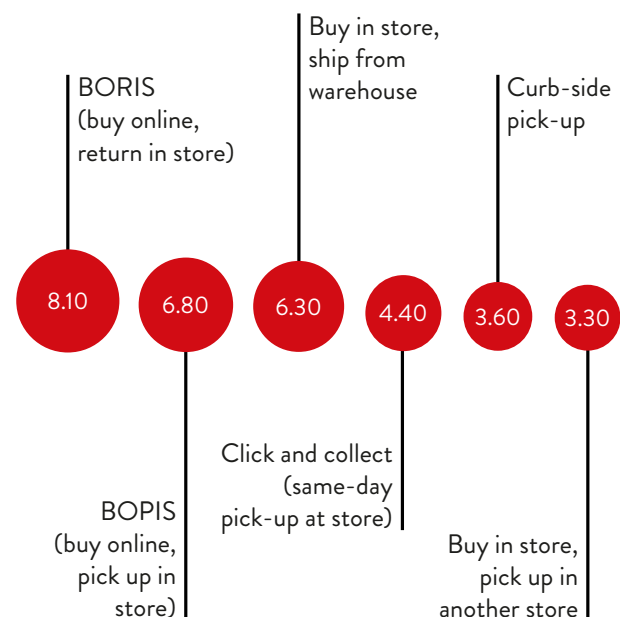
CHALLENGES TO OMNICHANNEL LOGISTICS

One of the main challenges to omnichannel logistics is the costs involved if the delivery service is not optimised. BORIS (buy online, return in store) incurs one of the highest margin losses in comparison to traditional in-store purchases due to the extra costs of fulfilment.

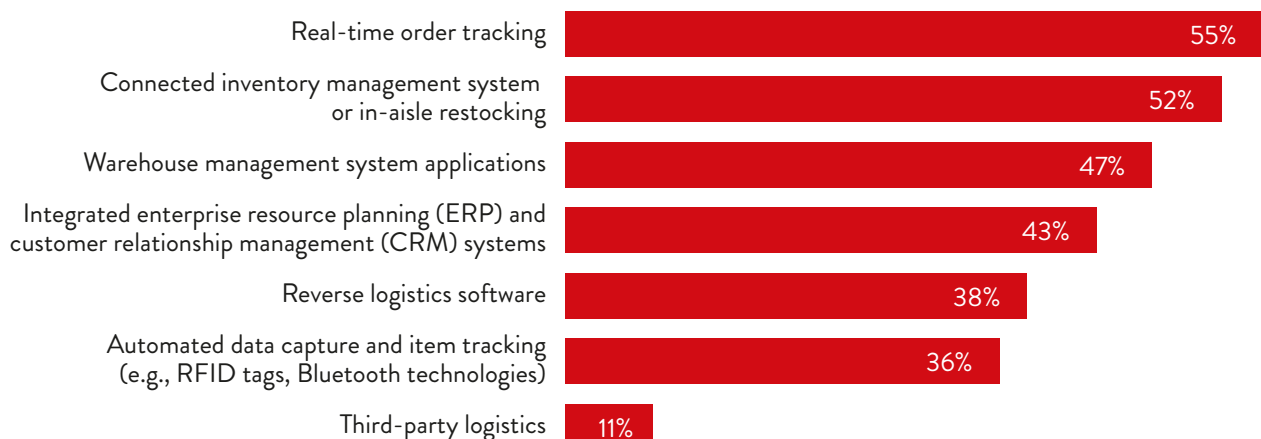
In addition to the cost of implementing these different services across channels, a further challenge is **inventory visibility and metrics**. Without a connected inventory management system, retailers run the risk of not knowing where, how many and which items are in stock. It can lead to losing customers if they are unable to purchase exactly what they want, when they want.

There are a whole range of solutions that can be applied across logistics operations so that logisticians and retailers can have a real-time

Average margin point loss of general merchandise retailers globally when an omnichannel service customer journey is not optimised¹¹



Main implemented solutions to improve omnichannel retail logistics by percentage of C-level retail executives at organizations in the US with annual revenues between USD 100 million and USD 3 billion¹²

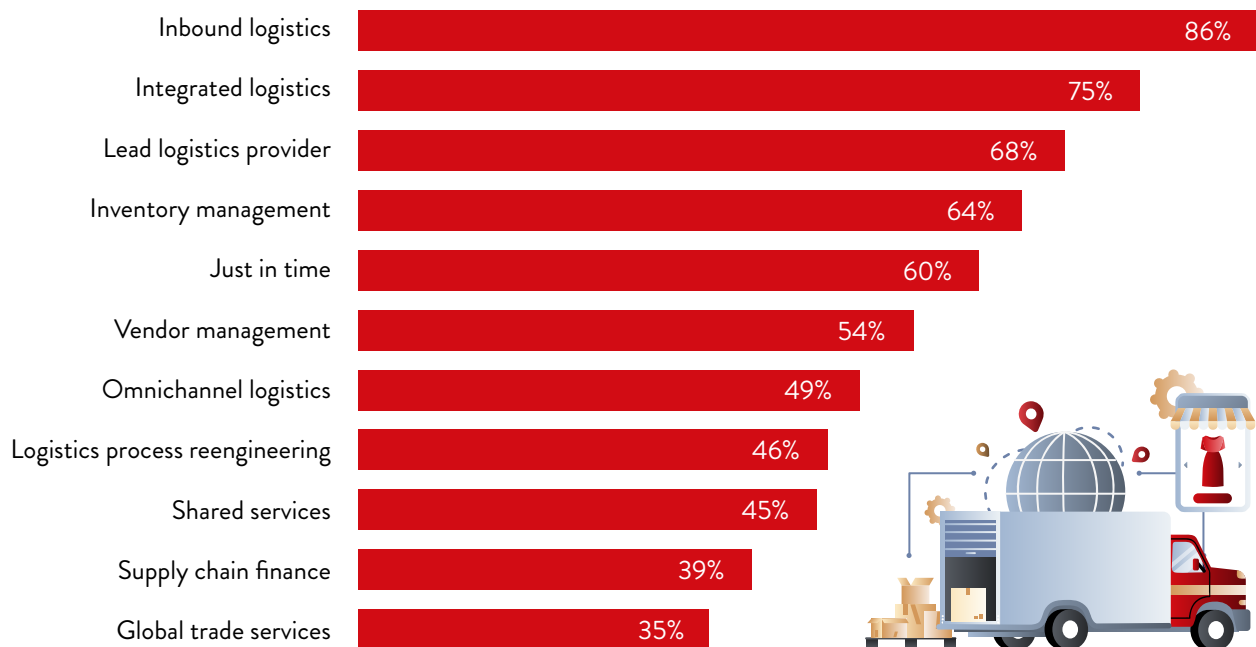


overview of their stock, including items that are in transit. They keep their customers better informed, but only a minority of those who are undertaking omnichannel logistics are using these to improve their operations.

With just 11% of respondents using third-party logistics to improve their omnichannel model, it bares the question as to why. **Third-party**

logistics providers are potentially the most untapped solution that is available since 49% of these partners are already offering omnichannel logistics.¹³ Retailers are not only able to benefit from a logistician's digital tools, experience and strategic consultation but can also avail of the other services these providers already offer such as inventory management and global trade services.

Logistics services offered by third-party logistics providers worldwide by percentage of respondents¹⁴



Inventory management and global trade services are particularly important for those retailers who require support in reverse logistics and clearing customs with cross-border trade. Digital tools are often a key requirement to undertaking these activities successfully. For example, integrating advanced inventory management technology (barcode scanning, RFID, cloud computing, etc.) can offer real-time insights into inventory

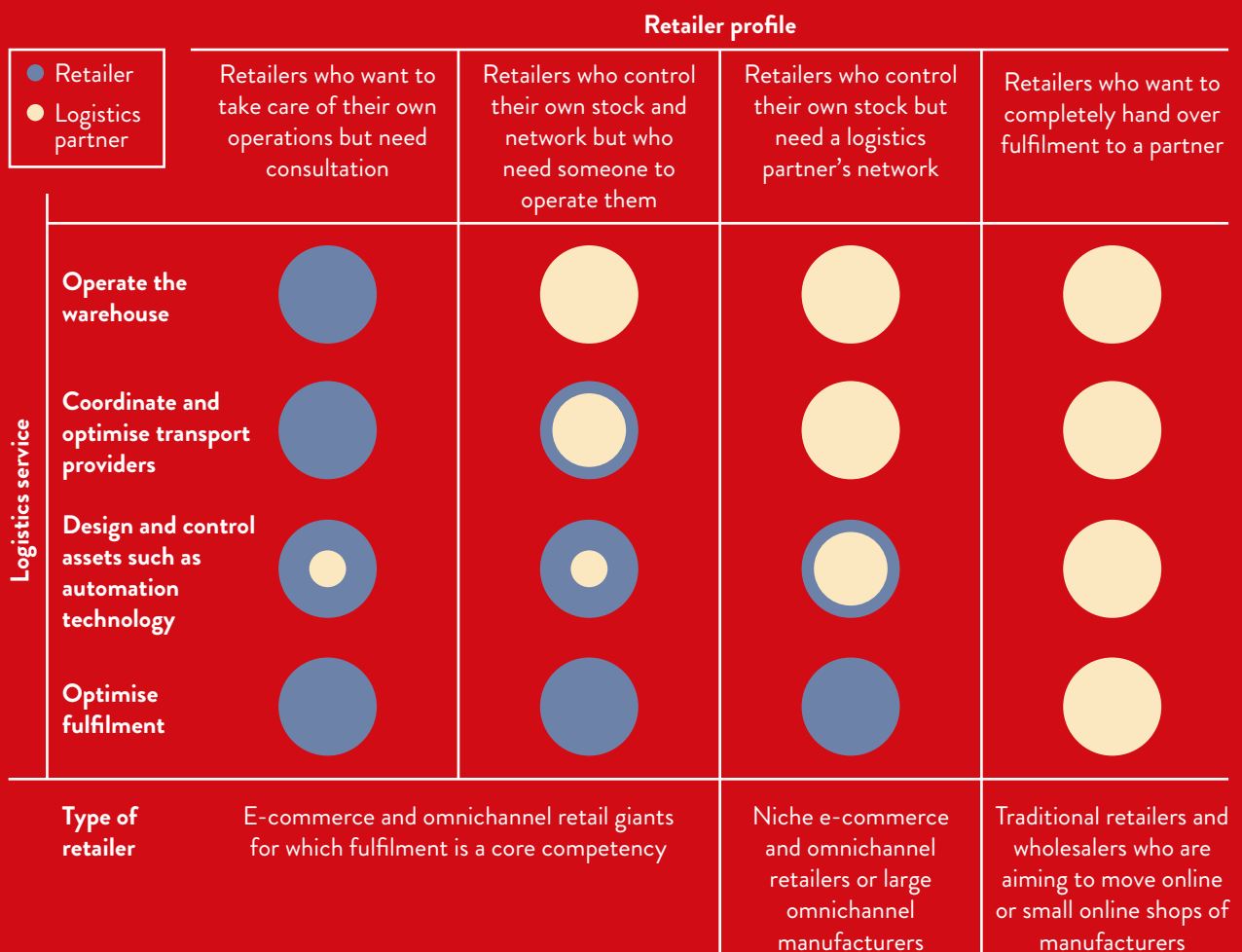
while automation as conveyor systems, robotic pickers and AGVs (automated guided vehicles) can aid seamless movement of goods within warehouses. Some results show an increase of picking accuracy from 95% human accuracy to 99.9%. Robotic accuracy and costs for shipping and holding in its turn can be reduced by up to 30% and 50% respectively.¹⁵

HOW TO BUILD A SUCCESSFUL MODEL AND PARTNER WITH THE RIGHT PROVIDER

As omnichannel logistics involves many complex processes, companies often need support in overcoming the challenges. Many retailers could benefit from engaging with a partner who not only offers the digital capabilities to build a successful omnichannel model, such as inventory

management and picking technology, but who can also take care of operating warehouses, coordinating transport and optimising fulfilment. Third-party logistics companies can often provide most, if not all, of these services.

Share of logistics services needed for 4 customer profiles¹⁶



Three main steps to a successful strategy – crawl, walk and run¹⁷



CONCLUSION

This whitepaper gives you an overview of the benefits and challenges of omnichannel logistics.

Omnichannel logistics is not only an exciting opportunity to expand your current business, but also a highly suitable strategy to attract and retain customers, enhance inventory management, save costs and improve delivery times. With the right logistics partner, adapting such a model is a doable and practically feasible solution.

We wish you every success in setting up your omnichannel logistics. Be sure to get in touch with your Bleckmann contact person if you have more questions or if you would like any further advice.



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