



OMNI-CHANNEL ORDER MANAGEMENT AND FULFILLMENT: SUPPLY CHAIN AND LABOR VIEW

ABERDEEN

Introduction

- Virtually all companies have some direct-to-customer shipments from all levels in the supply chain
- Visibility into inventories, and all shipping options, must be available to make intelligent and profitable choices on accepting orders and fulfilling them in a cost-effective manner
- Time-to-data for decision making is critical; knowing true cost-to-serve from all points is a must
- Best-in-Class companies are more likely to adopt omni-channel order management (also known as OcOM, or distributed order management, or DOM) solutions to manage their new world
- This Analyst Insight Deck examines:
 - reasons that Best-in-Class companies have adopted DOM (OcOM) solutions to manage their operations,
 - capability advantages they have in omni-channel conditions,
 - likelihood of change for order management (OM) Users and other Non-users, and
 - the cost of NOT changing and of staying with their current solution.
- Is your organization ready for the future?

Performance Maturity Matrix

Best-in-Class Excel in Key Performance Metrics

Best-in-Class Performance	Best-in-Class: Top 20%	All Others: Bottom 80%	Comparison
Customer Service	93%	79%	18% >
Cash-to-Cash Cycle	39 Days	59 Days	35% <
Gross Margin	35%	23%	52% >
Forecast Accuracy – Product Family	68%	43%	59% >

% of respondents, n=154

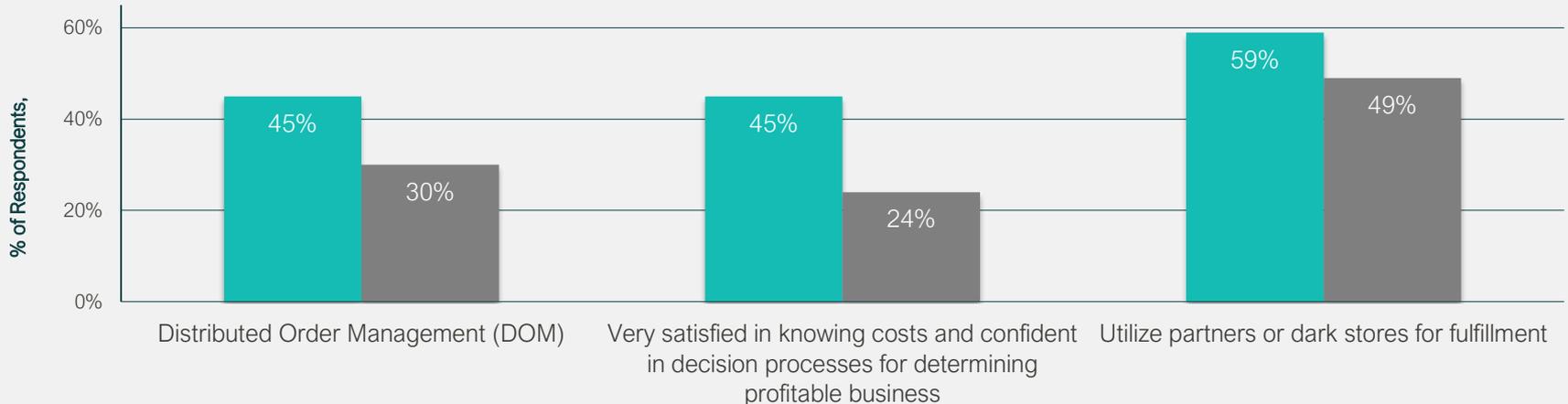
Source: Aberdeen, February 2018

Managing the Customer in a Multi-channel and Omni-channel World

The Steps the Best-in-Class are Taking

- The chart shows how Best-in-Class companies are addressing their omni-channel world with their systems, their basic knowledge of their cost-to-serve, and their shift to a more partner-based network to address their fulfillment needs
- Best-in-Class companies are 50% more likely to have DOM (OcOM) solutions in place
- When it comes to knowing their true cost-to-serve, the Best-in-Class are 87% more likely to have a high level of confidence in their costs compared to All Others
- Best-in-Class companies are more likely to leverage partners and dark stores to complement their own distribution centers, in order to manage their fulfillment needs

Best-in-Class Omni-channel Characteristics



Best-in-Class

All Others

n=263

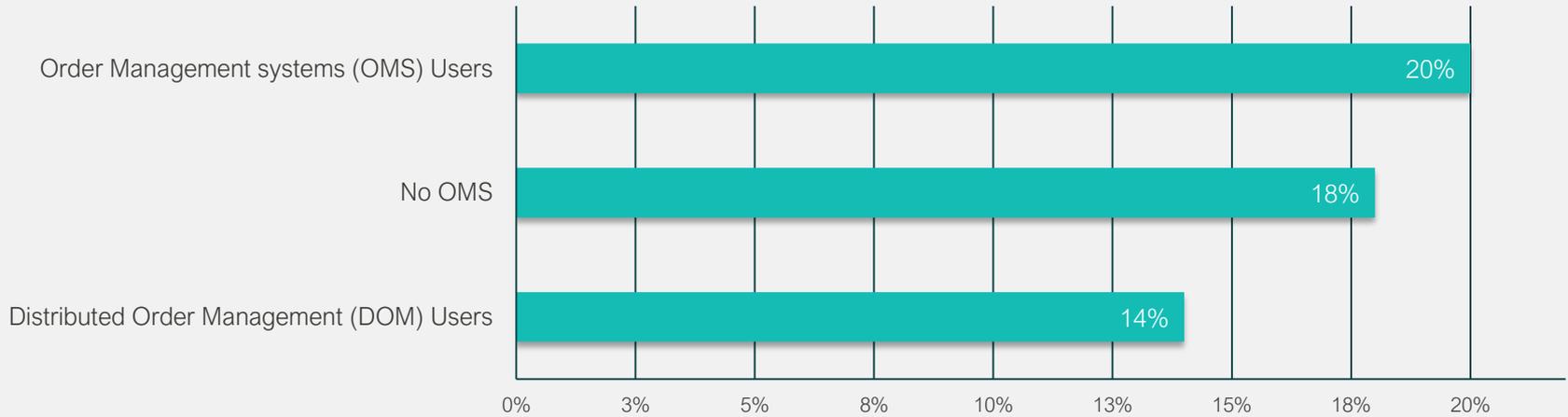
Source: Aberdeen, February 2018

Omni-channel Order Management (OcOM)

Retailers Are Moving Beyond Traditional Order Management

- This chart highlights the interest in shifting to a DOM (OcOM) system for Non-users, or upgrading their DOM (OcOM) system for those that already have one
- Order Management System (OMS) Users indicate that 20% are likely to change
- Others without OcOM (DOM), or OM, indicate that 18% are likely to adopt a DOM (OcOM) solution
- Those that already have a DOM (OcOM) system indicate that 14% are likely to replace, or at least upgrade their existing DOM (OcOM) system

Technology Spend Rated “Inadequate”



All Respondents

% of respondents, n=263

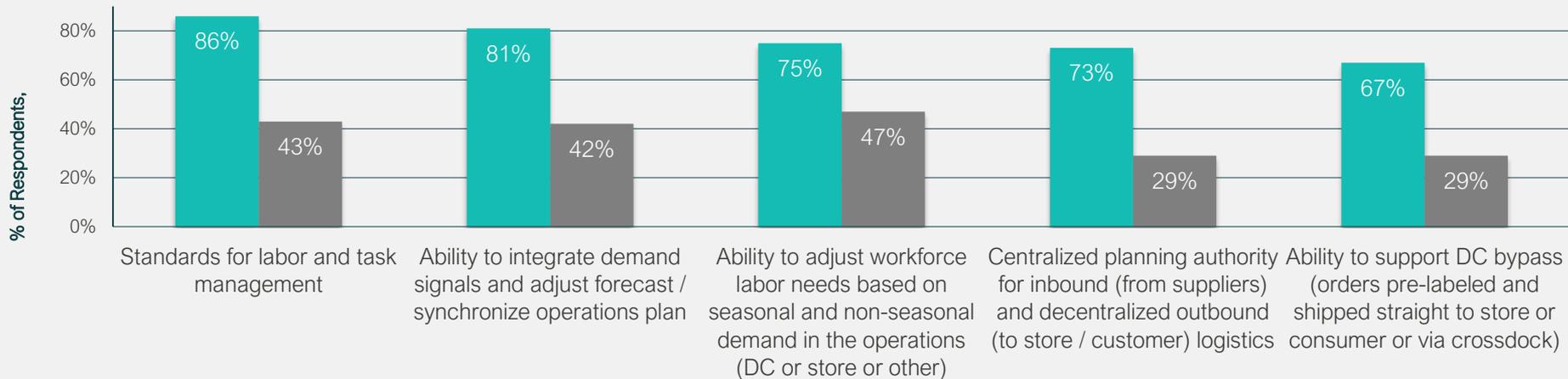
Source: Aberdeen, February 2018

Omni-channel Order Management (OcOM)

Capabilities of OcOM Users vs. Non-users

- This chart reflects the basic capability advantages that DOM (OcOM) Users have compared to Non-users
- A quick visual observation reveals the significant gap that exists between the green bars, DOM (OcOM) Users, vs. the gray bars, Non-users of DOM (OcOM)
- 2x as likely to have standards for labor and task management
- 95% more likely to integrate demand signal and adjust forecast and sync with operations plan
- 2.6x as likely to have centralized planning authority for inbound logistics and decentralized outbound
- 2.3x more likely to have the ability to support DC bypass for direct-to-store shipment

DOM (OcOM) Users Operate Differently



DOM (OcOM) Users

Non-DOM (OcOM) Users

n=263

Source: Aberdeen, February 2018

OcOM Users Execute Flawlessly

The Cost of NOT Changing or Upgrading

Metric	OcOM Users	Non-users	Comparison
Complete and On-time OUTBOUND orders	90%	87%	2.9% >
Current finished goods inventory turns per year	34.9	23.3	49% >
Lead Time Variability vs. prior year (INCREASE – less is better)	1.5%	3.5%	-55.3 <
Order Turnaround Time (DECREASE / IMPROVEMENT)	5.9%	1.5%	3.3 X
Out-of-Stock Recovery Time (DECREASE / IMPROVEMENT)	6.9%	3.0%	3.9 X
Total Annual Company Revenue (INCREASE)	6.2%	1.9%	3.3 X
Customer Service Costs (DECREASE / IMPROVEMENT)	0.2%	-1.5%	1.7% Δ
Workforce Productivity (INCREASE)	6.8%	5.4%	24% >

- This chart highlights the performance differences across several KPIs for the DOM (OcOM) Users vs. Non-users
- In every case the DOM (OcOM) Users outperform the Non-users
- Said another way, it represents the *cost of not changing to an OcOM solution*
- Service, inventory turns, order lead times, workforce productivity, recovery times, and service costs are all better
- The implication is that by not changing to a DOM (OcOM) solution, Non-DOM (OcOM) companies are losing ground to DOM (OcOM) Users — the cost of NOT changing

Distributed Order Management / Omni-channel Order Management

Reasons for Changing / Upgrading – Food for Thought! Interested?

Why Upgrade or Replace?	All Companies
Want to take advantage of new functionality	57%
Obsolete technology foundation or infrastructure of system	35%
New version offers enhanced ease of use	30%
Performance of old version is inadequate	29%
Vendor no longer supports old version	28%
New version is more flexible	25%
Old version is incompatible with emerging technology (i.e., mobile, social, etc.)	22%
Cost of maintenance and support	19%

- This chart reflects the overarching business reasons that companies decide to change or upgrade their systems
- Arguably, when considering the capabilities for DOM (OcOM) Users vs. Non-users, the functionality gap would certainly be a cause for concern, as well as ease of use, performance, and flexibility
- Lack of ongoing support or increased cost of maintenance are always reasons for considering a change, but the fundamental need for better functionality to deal with increasing complex omni-channel conditions is compelling
- There may be valid reasons for not changing, but the majority of Non-users should give DOM (OcOM) solutions serious consideration

Summary and Key Takeaways

- **Managing multi-channel and omni-channel orders and fulfillment** requirements has dramatically changed the expectations that leading companies have of their DOM (OcOM) system.
- **Best-in-Class** companies recognize that to stay competitive, they must make the move to a **DOM (OcOM)** solution. It is now required — not just nice to have.
- **Best-in-Class** recognize the **need to have visibility into the true cost-to-serve** from all shipping points in order to make profitable decisions.
- **DOM (OcOM) Users** demonstrate **superior capabilities across the board** in managing and fulfilling orders.
- **DOM (OcOM) Users** perform better across the board on all metrics.
- The **cost of NOT CHANGING** is a **compelling reason to change** and is also a **tough position to justify**.
- The **reasons WHY companies replace or upgrade** their systems are also very telling. The capabilities and metrics all demonstrate the top reasons why companies change: superior functionality, ease of use, latest technology, and greater flexibility.
- **Best-in-Class performance** warrants a look at what they are doing differently related to their capabilities and technology adoption.
- *Following the Best-in-Class playbook for Distributed Order Management / Omni-channel Order Management is a good start.*

Conclusions / Recommendations

Why adopt DOM (OcOM)?

- Virtually every company has some direct-to-customer shipments from all levels in the supply chain
- Visibility to inventories and all shipping options must be available, to make intelligent and profitable choices on accepting orders and fulfilling them in a cost-effective manner
- Time-to-data for decision making is critical; knowing true cost-to-serve from all points is a must
- Best-in-Class companies are 50% more likely to adopt DOM (OcOM) solutions to manage their new world

What DOM (OcOM) Does Differently

- Overarching value is that DOM (OcOM) solutions provide ability to manage orders across all channels and all locations where a straight OM system does not
- DOM (OcOM) Users are 2x as likely to have standards for labor and task management
- 95% more likely to integrate demand signal and adjust forecast and sync with operations plan
- 2.6x as likely to have centralized planning authority for inbound logistics and decentralized outbound logistics
- 2.3x more likely to have ability to support DC bypass for direct-to-store shipment
- 69% more likely to respond in near real-time execution across multiple channels

How DOM (OcOM) Helps Your Organization

- DOM (OcOM) has improved the ability to manage multi-channel and omni-channel orders by improving visibility into the true cost-to-serve and all shipping options available for fulfillment
- Improves metrics in service, inventory turns, lead-time, customer service costs, and worker productivity
- Provides superior capabilities in managing and fulfilling orders
- Superior functionality and ease of use in managing an omni-channel environment
- Latest technology and greater flexibility in managing omni-channel inventory deployment and order fulfillment