OPTIMIZING OMNICHANNEL PERFORMANCE IN SUPPLY CHAIN

Orchestrate your partner ecosystems to drive cross-functional, data-driven decision-making

GET THE FUTURE YOU WANT

EXECUTIVE SUMMARY

The trend toward globalization and the involvement of operating partners and outside specialists has dramatically improved efficiency and reduced the capital required for rapid growth. Today, we find outsourced activities in most industries and companies. They touch every aspect of the value chain, including shifting production to contract manufacturers and co-packers, selling products through distributors, resellers, and retailers and letting logistics providers and carriers handle every aspect of goods movement.

The end-customers' impression of a brand depends on the quality and outcome of each interaction with the brand. Every facet, from building awareness, generating interest, and delivering on promises made during the sale, to the feel of the product and the support and service customers receive after the sale, is part of what defines the customer experience.

With the global expansion and outsourcing driving more than a ten-fold hike in the number of parties that somehow touch the end-customer, every stage of customer engagement has become increasingly complex. Ensuring high consistency and quality of the customer experience through all the routes to market and back – direct or indirect, online or brick and mortar – is often referred to as an omnichannel experience and is essential.

Differences in pricing, product exclusivity for certain channels (e.g., online-only, retail-only, etc.), or variations in the type of service are accepted as well as expected. After all, customers may choose retail for entertainment, in-person B2B buying for additional advice, and online for convenience. Regardless of channel, consistency in order fulfillment plays a critical role in the supply chain operations and consumer perception.

Managing the supply chain for exceptional order fulfillment and omnichannel experience has become an end-to-end problem, requiring orchestration of processes between all partner ecosystems, from the consumer, through every tier of distribution and every logistics provider, to the last supplier's supplier.

To help them navigate these complexities and optimize their performance, brand owners must anchor their management efforts on quality data, process excellence, and lean on powerful software solutions for omnichannel management. By seeking advice and help from companies like Capgemini and E2open, brand owners can understand which data, metrics and KPIs best reflect their objectives, transform and consolidate their processes, and adopt centralized governance and best practice operational models.

This paper provides a deep dive into ensuring consistent fulfillment across the many routes to market. It explains how brand owners can use the channel ecosystem as a secret weapon to optimize performance across all channels to achieve corporate goals such as exceptional customer experience, growth, and profitability.

In turn, achieving these outcomes enables organizations to transition to – what we call – the Frictionless Enterprise.

The Frictionless Enterprise

The Frictionless Enterprise seamlessly connects processes and people, intelligently, as and when needed. It dynamically adapts to your organization's circumstances to address each and every point of friction in your business operations.

At Capgemini, we have applied the Frictionless Enterprise to enhance cohesion across our entire suite of products and services. This enables us to respond rapidly to your changing requirements and deliver your specific business outcomes in a value-focused way.

We implement ways to detect, prevent, and overcome frictions – leveraging our latest thinking, organizational design, and intelligent solutions to achieve our goal of effortless operations.

CONTENTS

CONSISTENCY ACROSS CHANNELS IS CRITICAL

Lack of consistency across channels drives waste. Today's customers leave channels and brands that fail to meet their promises

Most brand owners today reach their customers through a combination of direct sales engagement and indirect B2B distribution and retail, all performed face to face or online.

When customers have a different experience through each of these channels, brands tend to suffer. Channel cannibalization or outright customer defection are genuine threats to consider.

Customers may accept a higher retail price when the shopping experience becomes entertainment. They may expect to pay more for the consultancy that accompanies a purchase from a value-added reseller. They may still choose to get advice from the partner or direct sales force and then complete their buying online to profit from channel arbitrage. Some degree of cannibalization will always exist. However, when the entire engagement is substantially better through one channel than all other channels, it exacerbates that cannibalization.

What customers will not accept from any route to market is a failure to deliver on expectations. Whether it is a product failure followed by poor service with missing parts and skills, or the failure to communicate and fulfill orders on time in full, the ultimate effect will be the same – customers leave brands that don't keep their promises.

Brands may establish multiple routes to market to achieve accelerated growth and profitability goals. Lack of consistency in customer experience across channels will have the opposite effect: lost sales opportunities, wasted investments and unnecessary costs associated with the offending route to market.

KEEPING CUSTOMERS HAPPY ACROSS CHANNELS PAYS OFF

Companies with $1 billion annual revenue can expect to earn, on average, an additional $700 million within 3 years of investing in customer experience[1]

Customer experience will overtake price and product as the key brand differentiator[2]

72% of customers will share a positive experience with 6 or more people[3]

13% of unhappy customers will share their experience with 15 or even more[4]

1. The Temkin Group, The ROI of Customer Experience, 2018
2. Walker, Customers 2020: A Progress Report
3. PwC, Future of Customer Experience Survey 2017/2018
4. PwC, Future of Customer Experience Survey 2017/2018

ACHIEVING CONSISTENCY IS CHALLENGING

Diverging KPIs, siloed channels, tradeoffs between choice, service and cost, disjointed processes, infrastructure, and data, as well as insufficient skills, make the omnichannel experience a tough nut to crack

Consistency in customer experience across channels is critical – achieving it is hard. The reasons span many areas, including organizational structures and culture, business processes and metrics, and the underlying infrastructure (or lack of).

As mentioned previously, every company has multiple channels to market, including direct sales, eCommerce, retailers, and multi-tier distribution. These channels often have different owners with different performance indicators who all compete for the same supply. With limited supply, when every channel owner thinks theirs is the most important, the result is often siloed sub-optimization. One channel will perform better to the detriment of others.

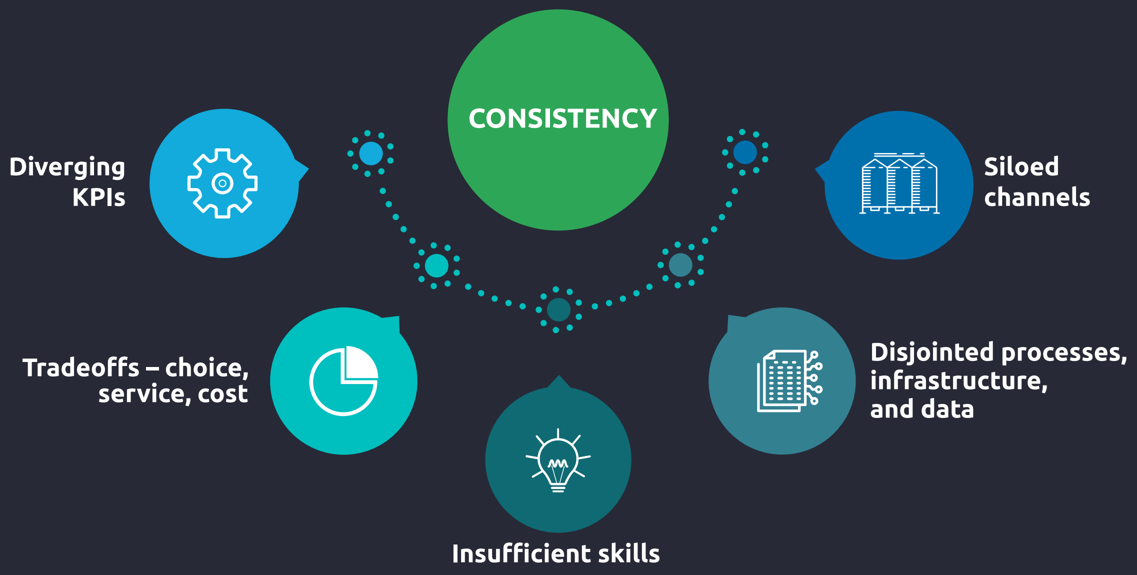
Reduced visibility and transparency across the channels limit the company's agility to allocate supply where it matters. This often manifest as large pools of disparate data that fail to yield profound insights into demand patterns and highest inventory availability, both through each channel and at an aggregated level over all routes to market.

End-to-end fulfillment, starting from order entry, finalizing with the order last-mile delivery, are disconnected across channels as well. Siloed infrastructure, segregation and granularity of tools and processes depending on the channel are primary culprits and drive high maintenance costs, limiting scalability across the company.

Customer management should be flexible to address the client's various needs in terms of fulfillment and product. It should also be highly efficient, and this may create conflict. Excessive fulfillment customization (how customers can trigger and return orders, when they can change them, what quantity should be on order, etc.) disrupts an efficient modus operandi and impacts the final operations cost.

The explosion of stock-keeping units (SKU) across channels and poor governance have a similar cost implication and increase time-to-market. The SKU proliferation and variability of fulfillment options between the different channels deliver a false sense of increased customer service. In fact, a study by E2open reveals that in times of crisis such as the ongoing COVID pandemic, the ability to fulfill orders for all SKUs drops. For the long tail of (usually slow-moving) SKUs, the drop was by 12% down to 78%. Not exactly great customer service! Striking the right balance between seamless customer experience and operations customization is a well-known challenge.

BARRIERS TO ACHIEVING CONSISTENCY



Knowing the customer's history when it comes to post-sale service and support is also an area that is often disjointed, leading to delays and annoyance when the relationship between the brand and the customer is most fragile. What's more, functional misalignment and lack of clarity regarding responsibilities can make finding the correct function to take care of the customer difficult, resulting in increased turnaround time.

For a customer who needs help, there is nothing more frustrating than being sent from pillar to post, having to repeat the order history and specific problem at hand with no certainty of when, how or even if there will be a resolution. Research by Genesys shows that 29% of consumers rank problem resolution in the first interaction as the most valued form of customer support.

Unclear processes and responsibilities coupled with limited order visibility – especially if the order originated from the indirect channel – dramatically impact the efficiency of operations and customer satisfaction in an age when the customer doesn't accept mediocre service or solutions anymore.

Approaches to achieving improved customer experience differ from company to company. They are rarely a conscious choice, often leading to a haphazard rather than planned and optimized set of actions.

While it may be easy to say, "Optimize across all channels simultaneously for the best corporate outcome," doing so is more tricky! It requires complex tradeoffs that consider the different needs, options, and objectives for each channel and the strategic goals of the overall corporation, specialized skills and methodologies to manage tradeoffs and the right technology infrastructure to facilitate serving the customer well while minimizing the impact of the tradeoffs.

DELIVERING CONSISTENCY REQUIRES A FRAMEWORK

Addressing the challenges requires a framework spanning processes, people, data, and applications – all carefully orchestrated to optimize performance across all routes to market to ensure customers are delighted no matter the channel.

Challenges in delivering an exceptional customer experience consistently, through each market channel, come from all aspects of a business: soft (organization, processes, culture) and hard (systems, people, other resources). Addressing the challenges must encompass all soft and hard aspects and require process, organizational and cultural change as well as infrastructure investments.

Requirements

It starts with deliberate, conscious decision-making on what should be the customer experience delivered across customer segments and channels. Putting the customer at the heart of every operation is a given, but it is never as simple as just that. Companies strive to achieve the optimum customer experience within constraints and variables that drive increased overall costs. Ultimately, it demands bringing several channels to a common denominator, managing the number of operational and product variants, using the various channels as "correction valves" to balance overall demand and supply, and at the same time deriving what is best in each channel.

Resources

Defining the optimum balance between customer experience and operational cost will also highlight the talent and skills required to achieve excellence across all disciplines, from the initial customer engagement to managing the deep tiers of supply. Streamlining channels and fulfillment options results from functional omnichannel rethinking and reengineering, requiring methodology, skilled resources, and tools. Very few companies have these in-house. It is not their core competency, nor should it be. A natural solution is to adopt a standardized, proven and repeatable approach, one example being the Capgemini Industrialized Operations Platform, already tested and trusted by many clients.

CAPGEMINI INDUSTRIALIZED OPERATIONS PLATFORM – AN APPROACH TO SUPPLY CHAIN AND MANUFACTURING OPERATIONS TRANSFORMATION

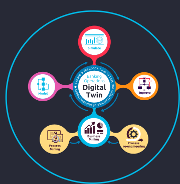
FRICTIONLESS SUPPLY CHAIN

Collapse the boundaries between traditional supply chain functions by removing operational silos and aiming for integrated operations

D-GEM-DRIVEN DIGITAL ASSETS

Capgemini's Digital Global Enterprise Model (D-GEM) platform for process re-engineering and digitalization

DIGITAL TWIN



Secure and safe business transformation environment enabling continuous improvement and innovation of operational and manufacturing scenarios

CO-INNOVATION – SCM LAB

Facilitation of strategy and target operating model development through leveraging multi-domain, multi-discipline expert consultants and subject matter experts.

PROPRIETARY ASSETS AND ALLIANCE ECOSYSTEM

Strategic alliances, rich vendor and partnership ecosystem, and a focus on proprietary "small" tech that drives enhancement, collaboration, and integration across the supply chain.

Capgemini INTELLIGENT SUPPLY CHAIN

Processes

Process transformation and standardization – supported by the right people – is only one side of what is required to ensure omnichannel performance optimization. A solid understanding of demand, supply, and engagement within each upstream and downstream supply chain tier can highlight the necessary changes in processes and organizational structures. Real optimization – whether for customer experience or any other combination of corporate goals – is only possible based on the knowledge of what the customers want and what the company can deliver in an economically feasible way. Brands can build this understanding by securing access to decision-grade data from all channels.

Data

The necessary decision-grade data spans several areas: inventory, sales, forecasts, demand, supply, logistics, and external influencing factors across all distribution and fulfillment channels.

The right data provides in-depth visibility into inventory across all tiers of distribution for each channel, including outsourced channels. This includes tier 1 inventory, regional distribution centers, and even store-level inventory, as well as all stock at a retail store's multiple tiers of resellers.

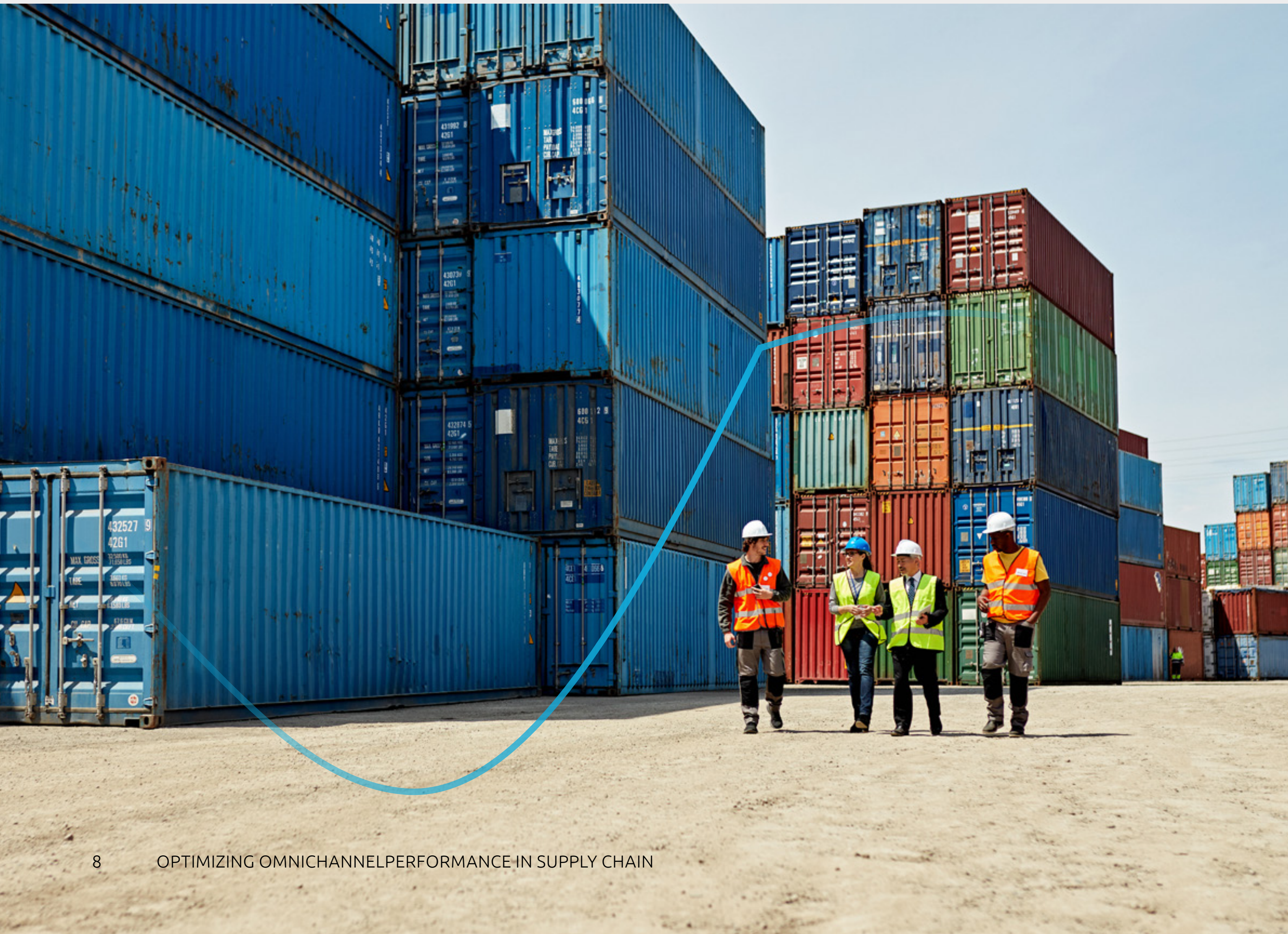
The logical extension to channel inventory data is gaining inventory visibility across the multiple tiers of logistics and supply. Knowledge of supplier inventories is the first step in quickly shifting between providers when supply is constrained. Visibility into products and parts in transit simplifies fulfillment decisions.

Applications

Overall, inventory visibility at the finished product and part level, combined with demand data across all market routes, is great but delivers little value without insights to drive the followup. Data leads to insight, which leads to action.

Adopting the most efficient and scalable application as the standard to automate order intake and return operations for all channels is essential, although inward-focused and therefore not enough of a driving force for complete optimization of processes or performance. Optimizing omnichannel performance requires advanced applications with embedded analytics and AI, spanning the end-to-end supply chain via seamless integration.

Analytics provide a deep understanding of threats and opportunities to improve customer experience and corporate performance. AI embedded into collaborative applications that reach beyond the enterprise boundaries can interpret and trigger action on the data.



IMPLEMENTING THE FRAMEWORK: BENEFITS FROM BEST PRACTICES

Experience reveals that success requires knowledge assets, proven skills and methodologies, process automation and simplification, proper governance combined with data quality management tools and advanced applications with embedded AI, integrated across the end-to-end supply chain.

Developing an omnichannel way of thinking and operating requires transformation, often involving some degree of trial and error. By adopting a set of best practices, organizations can accelerate the learning curve and avoid costly mistakes. A digital twin for the supply chain enables projection of the transformation outcomes, both process and financial-wise, to validate the assumptions and justify the transformation effort.

Best practices apply to all areas of the omnichannel framework.

Align, integrate, and streamline operations across all routes to market
Best practices in integrating processes and streamlining operations across channels target smooth and seamless collaboration, giving companies the ability to employ efficient strategies in challenging situations, gain confidence and speed in processing and high resilience to crises

Sets of assets such as well-described process flows, knowledge gathered across industries and applied-working-instructions aligned across channels enable proper integration and reduction of touches and interaction between functions. These ingredients impact performance - they ensure an excellent customer experience and an increase in revenue by driving repeat business.

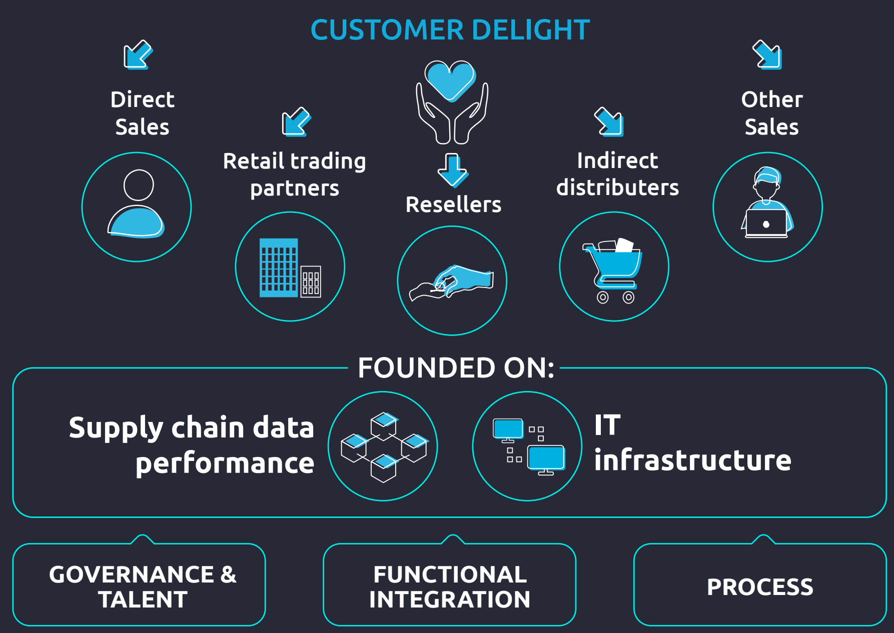
Standardize the order intake and return processes
For example, order intake best practices dictate comprehensive automation and limiting order placement options. An obvious step is to eliminate orders placed by phone or e-mail due to their high inaccuracy rate. Similarly, return process best practices should seek automation and simplification.

Setting a clear return process by implementing financial thresholds, approval workflows, robotic process automation (RPA) for system processing, and automated transport booking can tremendously improve customer experience. Such measures will improve predictability and ultimately, stock availability.

Change the mindset and approach to data
Acquiring and streamlining data from every tier of distribution, logistics and supply underpins any effort to optimize customer experience and overall corporate performance. However, data from all supply chain nodes – upstream or across all downstream channels – is often late, low quality, and lacks consistency. Best practices in this area recommend applying centralization, establishing one supply chain data team, and introducing proper governance with measurable KPIs and service-level agreements.

Managing data quality ongoing through cleansing and deduplication – especially when the products are highly customizable and vary across channels – is also an applicable best practice. The related technology best practice is investing in channel data management or demand signal management to handle data quality issues.

IMPLEMENT A FRAMEWORK BASED ON BEST PRACTICES



Select the software application infrastructure

Selecting the right set of digital accelerators is a complex undertaking, and one area where best practices can immensely help align technology choices and deployment timing with the process and organizational transformation. Applications enabling touchless, super-fast, highly reliable, low-error order processing and inventory allocation, seamlessly connected to transportation capabilities, can ensure the fulfillment reliability and essential pace for an exceptional customer experience. Processes and applications are intrinsically linked.

Technology plays a vital role in omnichannel optimization, facilitating more efficient, effective, streamlined and collaborative processes. Brands must recognize that different channels may have other procedures and use different entry points for orders into the supply ecosystem. The applications supporting these processes across the entire supply chain must be able to accommodate the differences. The equally important point is that the applications should provide automation capabilities and a harmonized and enjoyable user experience across all channels.

In addition, with the expectation of fast response to challenges and the large amounts of data generated and captured both upstream and downstream, brands should seek applications with proven, scalable embedded AI. Brands should examine their existing solutions and decide whether to scale the most efficient ones or invest in new solutions. The final step is to evolve to an omnichannel customer experience platform with an integrated and standardized approach across channels.

Identify the skill sets required to support an omnichannel strategy.

Best practices can offer advice on technology selection. However, having the right technology is not enough. Best practices indicate that companies should also have the right skill set to deploy, operate and manage the technology. Involving the right talent is paramount to be able to both integrate and collaborate. There are a few general skills that companies should look for: understanding dependencies between channels, operating in the broader, cross-channel context, having technology savviness and being entirely focused on the customer.

STRATEGIES FOR DELIVERING OMNICHANNEL EXCELLENCE

The omnichannel framework in action enables ongoing day-to-day excellence in customer experience and the pursuit of three core strategies to manage emergencies.

Delivering exceptional customer experience should always be at the forefront of a brand's mind. Departure from the business as usual conditions challenges the ability to achieve it.

Fast connectivity to the entire ecosystem of partners, including distribution, logistics, and supply partners, enables brand owners to employ different strategies to protect customer experience during times of change.

Which strategy they adopt depends on external circumstances such as external events impacting the balance between overall demand and available supply and internal preparedness, such as having the data, applications, processes, and governance in place to support the preferred course of action.

Three core strategies emerge.

THREE STRATEGIES HELP PROTECT YOUR CUSTOMER EXPERIENCE

Insulate
Protect the customer so they aren't aware of the disruption

Shape
Reset customer demand expectations to available supply

Collaborate
Notify and share information with customers early to avoid surprises

Strategy 1 – INSULATE

Firstly, brands should evaluate whether they can **insulate** their customers from any bad experience such as inability to fill orders, missed promise dates issues with product quality, or failure to service products. This strategy helps brand owners positively answer questions such as:

- When demand through one channel exceeds available supply, how do you respond?
- When aggregated demand across all channels exceeds supply, how do you determine which orders to fulfill?

Adopting this strategy starts by building a complete picture of available inventory - not just what is available in the supply network but also in the channel network. Such a picture allows companies to use their channel as a downstream inventory buffer. What comes next is a complex tradeoff analysis that matches demand from channel partners with existing and projected inventory flows to understand what excess stock is available to repurpose. If extra stock exists, channel management tools can help orchestrate a buy-back of excess inventory.

Such an approach creates a win-win situation. It takes inventory liability off the books of partners, lowering the risk of obsolescence while at the same time securing goods to fill new orders from other channels – through direct sales to B2B customers, online shoppers, retailers or distributor networks – and capture new opportunities.

Implementing the approach may require additional mechanisms such as incentive program management to ensure that partners selling back stock are not penalized on rebate credits or commissions, or for orchestrating special buy-back incentives to sweeten the deal.

In a scenario where there is no excess stock, based on order impact analysis and in-transit visibility, the brand can instruct the re-routing of products allocated initially to different customers or partners who do not expect a delivery yet.

This action can bridge the immediate gap, but it is critical to commit to future replenishment before projected demand, often through identifying and engaging alternative sources. Otherwise, the strategy will simply shift the issue to a later time and a different supply chain participant. Lastly, the brand can use buy-back or redirected stock to fulfill prioritized open orders.

Strategy 2 – SHAPE

The second strategy brands should evaluate is to **shape** demand. This strategy is suitable for cases such as:

- Insufficient supply even after assessing the available inventory for finished products and parts across the entire ecosystem (all channels to market, multiple supply tiers, multiple logistics partners).
- Product gaps that could leave customers less than happy.

Brands must bring together visibility into real-time channel forecasts, demand, and inventory data, AI-enabled promotions analytics, and channel incentives management software to adopt this strategy. In so doing, they simulate, lift and orchestrate the execution of marketing and incentives programs designed to shape behavior.

Two critical activities bring this strategy to life. First, using advanced software, the brand will assess the complex tradeoffs and allocate the original product, part replacements and alternative products to maximize corporate goals. Second, the brand chooses the types of incentive programs to shape demand – marketing incentives, partner incentives, salesperson incentives, in-store promotions, advertisements, etc. Once the analysis is complete and programs are in place, the brand can execute the strategy across channels and fulfill orders.

For example, if customers ordered a specific 1TB drive personal computer (PC) model and there is an insufficient supply of disk drives with that capacity, a mix of customer promotions and partner incentives can alter end customers preferences. The brand can suggest a replacement part such as the same PC model but with a 2TB drive instead of 1TB, or it can promote an alternative product altogether, such as a better laptop for the same price.

Strategy 3 – COLLABORATE

Ongoing day-to-day collaboration, constant attention to the customer experience, and integration across channels are all essential factors. However, during emergencies, **collaboration** with customers may be the only suitable strategy. Brands should evaluate it to optimize omnichannel performance when:

- They have the data and relationship of trust with the client that enables them to take immediate, data-driven decisions on the spot.
- Neither insulate nor shape strategies are feasible or sufficient.

To adopt this strategy, the brand can consider partial delivery or staggered just-in-time deliveries while planning with the client for their respective forecast horizon. Or, with the right level of visibility over the transport and demand, the in-transit goods can be re-routed between customers.

For example, customer A needs the product in two weeks, and customer B had a demand spiking immediately – leaving customer B out of stock. In this scenario, the brand could shift the product shipment to fulfill unexpected demand (depending on the goods location, mode of transport, etc.).

Rerouting goods in transit as part of a collaboration strategy resembles redirecting products when the brand tries to shield its customers from disruption. The only difference is that with an insulate approach, the timing and nature of the orders mean customers are unaware of any redirection taking place, as it would not impact them.

In contrast, collaboratively managing an emergency by rerouting products means customers are actively involved, so the brand understands the expectations and how and when their products are needed. There is constant communication with the customers and regular updates to keep them in the loop about their orders and deliveries.

CONCLUSION

Applying any combination of the above strategies requires an end-to-end solution. Managing the indirect channel to optimize corporate goals across all channels is an essential part of the puzzle but is only one piece.

Omnichannel performance optimization involves orchestration across all four ecosystems. Downstream channel partners handle product distribution, upstream trading partners ensure the supply of parts and materials, logistics partners move the goods, and the global trade ecosystem manages any border crossing for finished products or components.

Connecting all these ecosystems allows for cross-functional decisions to improve supply assurance and eliminate the need to make channel tradeoffs. The best way to solve a customer service problem is to avoid it in the first place!

Key take-aways

- Channel shaping is a secret weapon hidden in plain sight. Use it. Get started in the channel. Include all your routes to market in your sales and operations planning.
- Optimizing performance across all channels to ensure an exceptional customer experience is just the beginning. Build a plan to leverage all other ecosystems to avoid having a supply problem in the first place.
- Take it one step at a time and keep your eye on the prize. Remember, it's an end-to-end problem.
- Drive operational excellence and choose the right digital and functional partners that are up to the task to solve the burning issues and help you grow – at a pace and time that is right for you.
- Don't artificially limit yourself to just one partner. Look at the right combination of partners – the ones that can bring your supply chain the most value.
- Software is a critical enabler – processes, governance, talent, and a dedicated team to drive supply chain omnichannel operations are essential ingredients to the secret sauce.

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About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of 325,000 team members in more than 50 countries. With its strong 55-year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fuelled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering and platforms. The Group reported in 2021 global revenues of €18 billion.

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