

**FLEXIBILITY,
VELOCITY AND
CUSTOMER
CENTRICITY**

**ETAILED FULFILMENT
& RETURNS BRINGS
DEFINITIVE INSIGHTS ON
LEVERAGING OPERATIONS
AS A COMPETITIVE
ADVANTAGE TO ANY
BUSINESS SEEKING A TRULY
OMNICHANNEL APPROACH
TO E-COMMERCE.**

**Daniela Cavinatto,
Operations Director, Direct to Consumer,
Lego**

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INTRODUCTION

Today's online customers want convenient, low risk ways to buy and return items. A quick and easy delivery and returns service is often the deciding factor for an apprehensive customer. With frontrunners like Amazon stepping up the game, free next-day delivery among other features has become increasingly commonplace – and of course, other brands are keen to keep up with these developments. But are retailers biting off more than they can chew as a result of the Amazon effect?

In Q2 of 2018, WBR Insights and MP Objects surveyed 100 Heads of Operations from across Europe to find out more about the challenges they're facing, and the innovative solutions being brought to the table. The survey was conducted by appointment over the telephone. The results were compiled and anonymised by WBR Insights and are presented here.

Each year, WBR Insights brings together some of the leading minds in commercial logistics to discuss and progress together. To find out more about the innovative solutions your peers are using to tackle industry challenges, [download the eTail Fulfilment and Returns agenda.](#)

CONTRIBUTORS



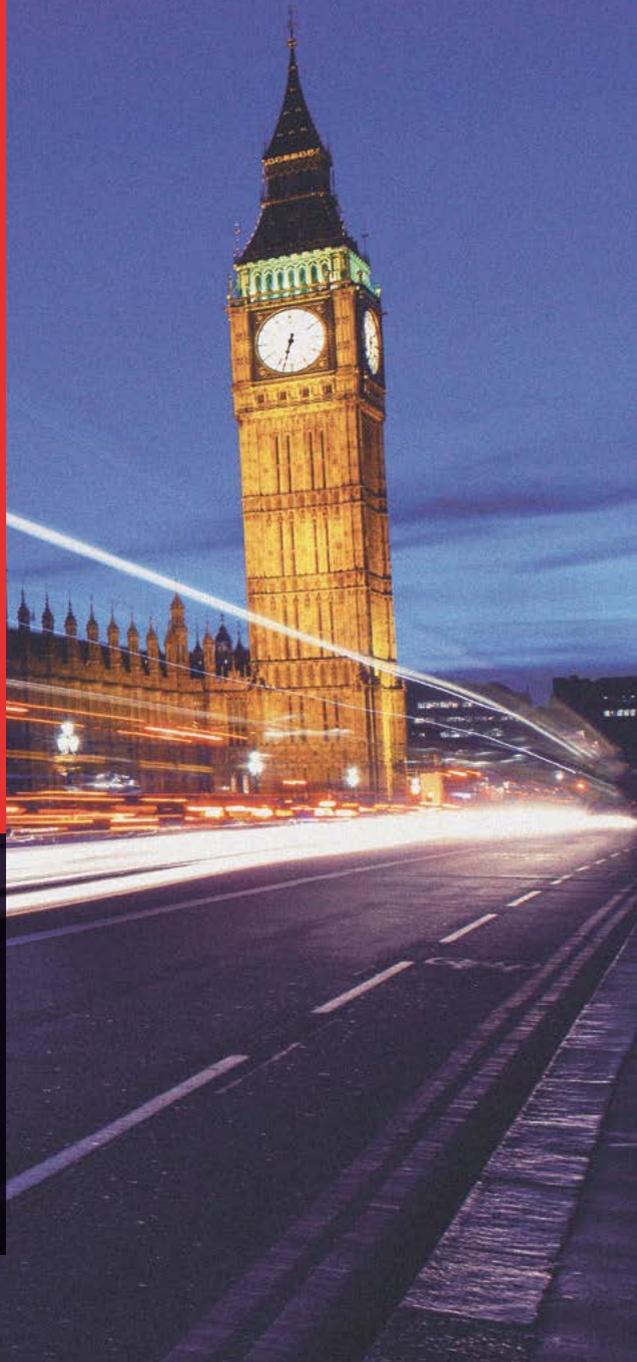
Philippe Hemard,
Founder, PHC, and Former Vice
President – Logistics Europe,
Amazon



Peter Ward,
CEO,
UKWA



Martin Verwijmeren,
CEO,
MP Objects





Customer Chain Control

MP OBJECTS - ENABLING EXCELLENCE IN ORDER MANAGEMENT

Satisfying customers and winning their loyalty is the foundation for every successful retail business. Delivering a consistently excellent experience builds a level of customer intimacy and loyalty that helps businesses stay ahead of the competition. This is increasingly applicable to e-commerce consumers, both on the web and in omnichannel retail situations.

The digital supply chain landscape is shifting. Customer expectations have soared in recent years and the new services, parties, and software brought on board to service these heightened expectations have also introduced a new level of supply chain complexity. There is a great deal of pressure on today's supply chain leaders to maintain operational excellence, integrate disruptive new technologies, and innovate for a superior customer experience. Achieving such lofty goals requires a new approach. Enter Customer Chain Control.

OFFERING THE IMPOSSIBLE

There was a time when supply chains could settle for trade-offs: cost or speed, service or quality, flexibility or reliability. Those days are long gone, and that equation has shifted from an imbalanced 'OR' to an equilibrium of 'AND'.

Crafting an optimal customer experience that not only meets, but also exceeds expectations, is difficult when there are so many moving parts and

players involved. Consistency and reliability are fundamental requirements for a customer-centric system. However, companies must remain agile, so they can adapt to variations in demand, changes in the market, and supply volatility. None of this is possible without real-time visibility and control.

ESTABLISHING VISIBILITY

Supply Chain Orchestration (SCO) can help bridge gaps between wholesalers, manufacturers,

logistics service providers, and other third parties involved in the retail supply chain. It binds systems, suppliers, and service providers together and brings new clarity and understanding. Such real-time oversight of the entire life cycle is needed to find the optimal workflow for any customer. Establishing real-time visibility is a prerequisite for creating a better customer experience, because it integrates the flow across multiple activities, services, and business units.

FROM VISIBILITY TO CONTROL

End-to-end visibility enables control over the supply chain to meet customer demand and to measure performance against expectations. SCO highlights problems immediately and offers the ability to build in automated rerouting rules to best serve your customers. Over time data collected about your supply chain can serve as the basis for process optimisation and predictive analytics. Having an accurate cost-to-serve analysis makes it easier to align efforts within the organisation and fulfil customer needs.

When trying to determine which suppliers and services are performing best or which new market to expand into or service to offer, SCO helps establish that big picture view, configure the necessary flows and parties, and better understand the risks, costs, and benefits involved. There's no need to take a leap of faith with the presence of cold hard facts. It's these kinds of actionable insights that enable supply chains to evolve, grow, and improve.

CUSTOMER CHAIN CONTROL

Many organisations still run their supply chains from a simpler, static perspective. They likely still rely mostly on their internal-facing ERP system(s) to handle commercial orders, production, inventory, and finances. They may employ a Warehouse Management System (WMS) to deal with receiving, storage, and packing. And they may rely on a Transport Management System (TMS) to execute orders and move products around. That's a very traditional supply chain and logistics technology stack, but it's one in which each is sub-optimising its own process silo, not creating the best of breed performance across all of your supply chain parties for an outstanding customer experience at the lowest cost.

To thrive and succeed in this global competition, the consumer experience must be a significant driving force. Every customer order must get its own micro supply chain, optimised for the best service level and the lowest cost. Each customer order gets dynamically sourced from inventory that could be in stores, warehouses, or with suppliers. And finally, every order gets its own execution flow, selecting the required services, most capable parties, and lowest costs. This 'Customer Chain Control' requires a smart, agile cloud platform for multi-enterprise order management. So, are you ready to invest in your digital supply chain, to give your customers that ultimate 'wow' experience?

PART 1

BUILDING A CUSTOMER CENTRIC MODEL

63% ARE PLANNING TO OFFER GUARANTEED NEXT DAY DELIVERY IN EUROPE WITHIN THE NEXT THREE YEARS, WHILE 35% ARE ALREADY DOING SO

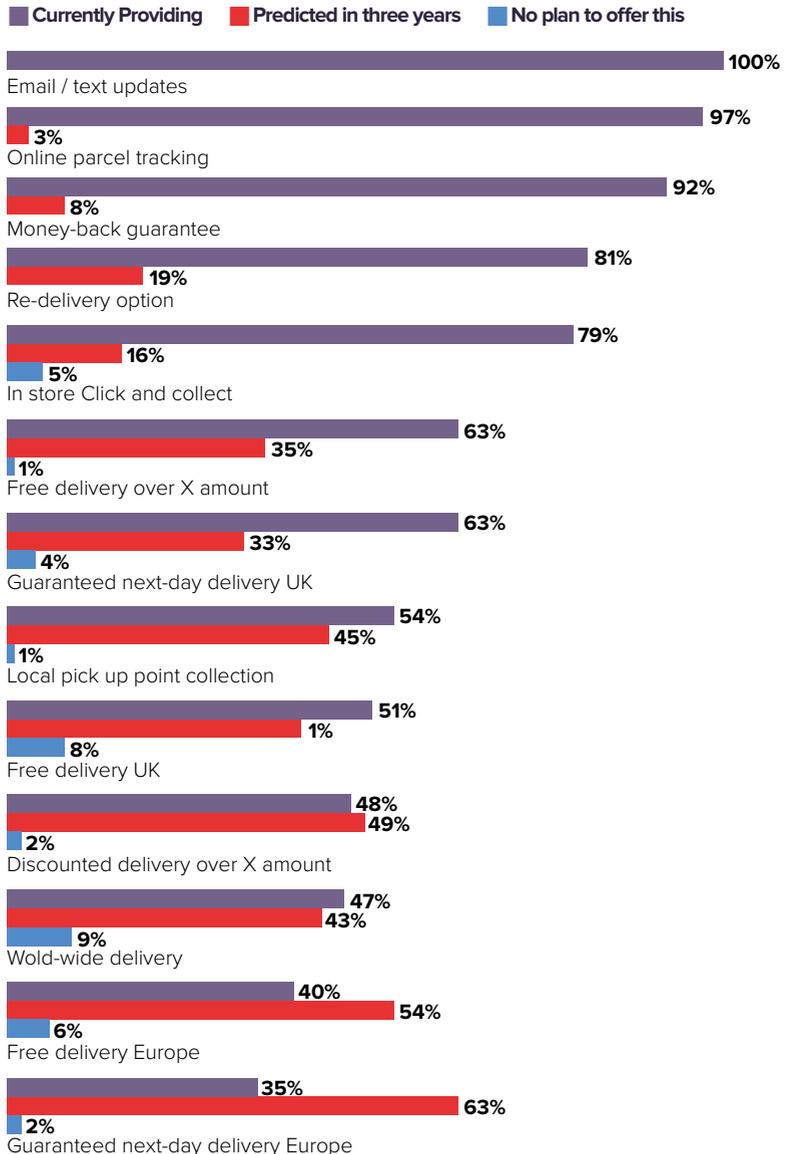
Which of these delivery features do you provide to your customers?

Having real-time visibility to orders, shipments and inventory in the supply chain and the ability to collaborate with suppliers and other third parties ensures you're meeting your SLAs at the lowest costs.

Martin Verwijmeren,
CEO, MP Objects

This is largely what I would describe as 'The Amazon Effect' – the general perception that next-day delivery is now the minimum requirement to stay in the market and compete.

Peter Ward,
CEO, UKWA



79% PROVIDE FREE RETURNS IN THE UK,
WHILE ONLY 21% PROVIDE FREE INTERNATIONAL RETURNS

Which of these returns features do you currently provide to your customers?

“ 68% of respondents plan to offer free international returns within the next three years. Successfully managing returns requires the ability to orchestrate the entire returns flow, including label generation, pick-up, sorting, inspections, and crediting, with transparent visibility across the whole process. ”

Martin Verwijmeren,
CEO, MP Objects

“ E-tailers are working hard to reduce the amount of items returned by improving their shopping experience. The payoff of this work will be that they can then make the returns free for customers domestically or internationally, which will become a real differentiator. ”

Philippe Hemard,
Founder, PHC, and Former Vice President –
Logistics Europe, Amazon

“ A returns policy is fundamental and critical for a credible online offer, but for many it cannot be offered for free – and certainly not for free internationally, given the higher cost. ”

Peter Ward,
CEO, UKWA



FREE DELIVERY IS THE CLEAR PRIORITY WHEN IT COMES TO CUSTOMER DEMAND, WITH 41% OF HEADS OF OPERATIONS SURVEYED REPORTING IT AS THE NUMBER ONE DEMAND FOR THEIR CUSTOMERS

Where have you seen the biggest demand from your customers in terms of delivery options?

Additional services make up nearly 60% of the responses. Most systems are ill-equipped to manage the complete delivery process. You might be able to dig into warehousing, purchase orders, or transportation, but everything remains in separate silos. To best orchestrate each customer order, you need a complete overview and the power to plan and execute in real-time.

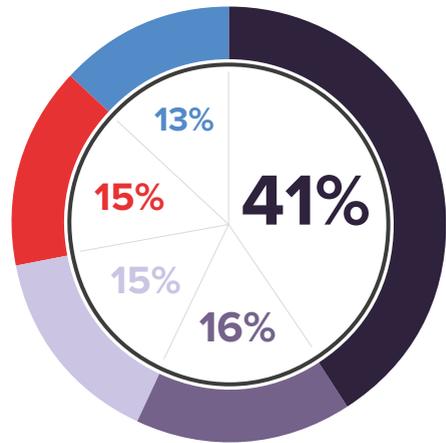
Martin Verwijmeren,
CEO, MP Objects

There are no other delivery options. Customers have been telling us that for a long time. Logistics needs to focus on reducing the cost of next day delivery further to make it affordable. The last mile battle is just starting.

Philippe Hemard,
Founder, PHC, and Former Vice President –
Logistics Europe, Amazon

Retailers are struggling to meet growing customer demand without crippling their margins. There is currently a 'race to the bottom' with significant margin erosion, and a widespread obsession with meeting increasing customer expectation, which is unsustainable.

Peter Ward,
CEO, UKWA



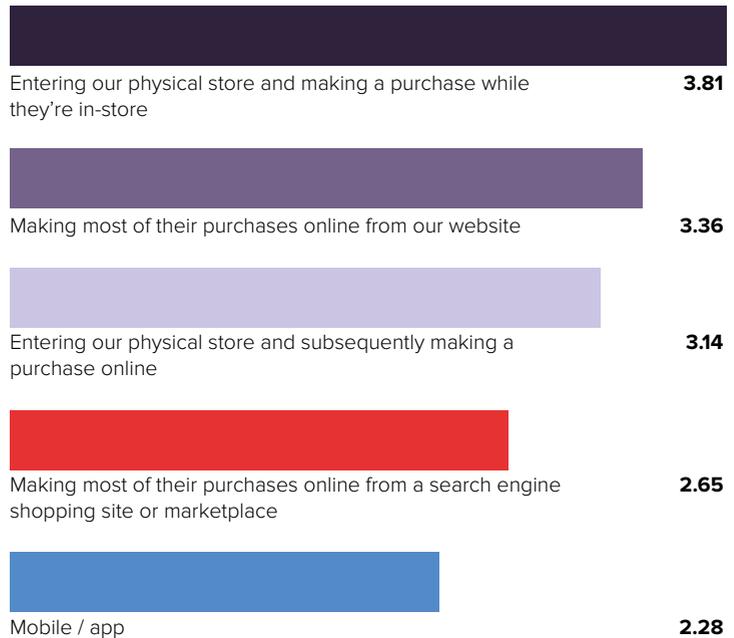
- Free Delivery 41%
- More delivery options 16%
- Faster Delivery 15%
- Real-time visibility into the status of their order delivery 15%
- Flexibility to change delivery options after the order has been processed 13%

BRICKS AND MORTAR STORES ARE STILL THE MOST COMMONLY USED CHANNEL FOR OUR RESPONDENTS' CUSTOMERS, ALTHOUGH THE RISE OF OMNICHANNEL HAS SEEN A LOT OF OVERLAP BETWEEN ONLINE AND IN-STORE

Which buying channel/approach is the most used by your consumer base?

Bricks and mortar stores will always exist. It's difficult to predict how customers will behave in the future because it's dependent on what each channel is able to offer. We see lots of innovation in the bricks and mortar world aiming to create a better customer experience. The combination of the best of each channel (offline and online) will most likely be the winner. Mobile is definitely the future of online, and also offers excellent opportunities for in-store experience enhancement.

Philippe Hemard,
Founder, PHC, and Former
Vice President – Logistics
Europe, Amazon



Average rating out of 5

ENABLING STORES TO SHIP TO WAREHOUSES AND DIRECTLY TO CUSTOMERS IS THE MAIN FOCUS FOR THE IN-STORE FULFILMENT CHANNEL

Which shipping capabilities are most important for your in-store fulfilment channel?

“ It’s interesting to see that ‘Enabling stores to fulfil web orders’ was ranked the most important shipping capability. The ability to manage and analyse multiple channels of inventory and optimally route orders starts as soon as your customer clicks ‘submit’.”

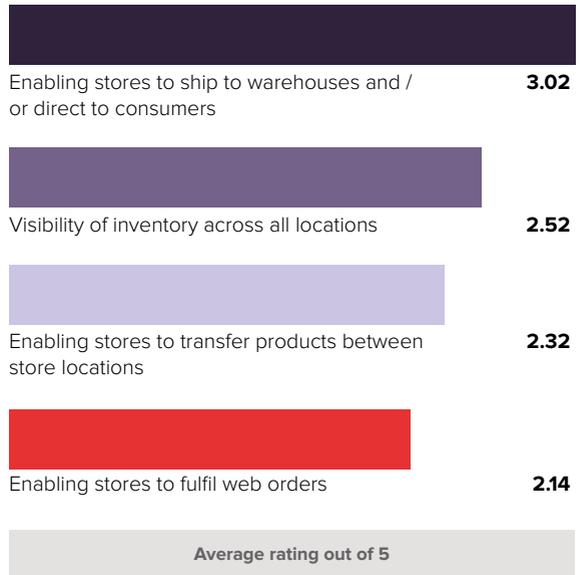
Martin Verwijmeren,
CEO, MP Objects

“ Many of the historic retailers made a mistake when addressing online retail in the past, and assumed they needed two logistics systems to address the two sales channels. The efficiency in terms of customer experience and cost only comes if there is one stock, great visibility across the network and lot of flexibility in processing orders from every link in the supply chain.”

Philippe Hemard,
Founder, PHC, and Former Vice President
– Logistics Europe, Amazon

“ Depending on product characteristics, stores can be used as local fulfilment centres – this is a growing trend in the online grocery segment. Stores with large networks can be multi-purposed, with a showroom, order point, click and collect point, returns location etc. – often easily within reach of large communities. This is presumably the logic behind Sainsbury’s acquisition of Argos.”

Peter Ward,
CEO, UKWA



AT ETAIL FULFILMENT AND RETURNS THIS YEAR:

CASE STUDY INTERACTIVE

Creating the smart warehouse of the future: How to use robotics and automation in order to optimize warehouse management

John Munnelly,
Head of Operations, John Lewis

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PART 2

ACHIEVING SUPPLY CHAIN VISIBILITY

23% OF HEADS OF OPERATIONS SURVEYED USE TRACKING CODE ENABLED TECHNOLOGY TO TRACE THEIR RETURNS

How much visibility do you currently have over your returns processes?

“As certainty, reliability and confidence in online increases, there will be a trend towards management by exception, reducing the need for multiple milestones externally. Consumers want delivery with a pre-defined window, with the flexibility for 'in flight' changes, but without an information-overload.”

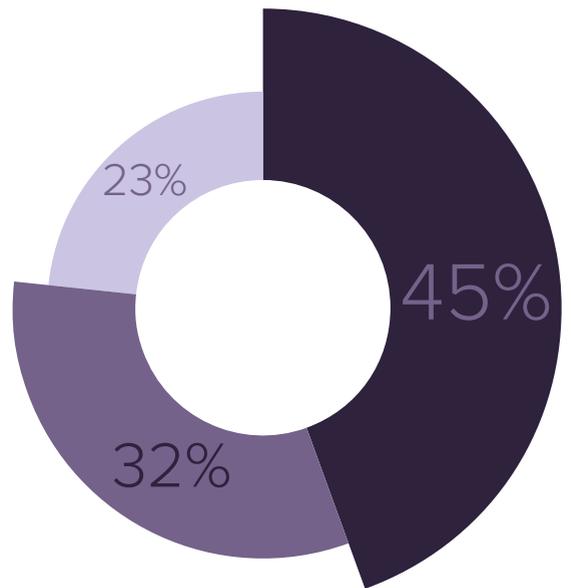
Peter Ward,
CEO, UKWA

AT ETAIL FULFILMENT AND RETURNS THIS YEAR:

REAL-TIME TRACK & TRACE BOARDROOM

How to use real-time connectivity to ensure complete visibility and accurate information through the last mile

◀ [DOWNLOAD AGENDA](#) ▶



- We are able to trace our returns **45%**
- We work with a third party that covers this **32%**
- Our carrier generates a tracking code which enables us to trace when a return is coming in **23%**

THE MAJORITY OF RESPONDENTS CURRENTLY TRACK THEIR ORDERS THROUGH MULTIPLE MILESTONES, WHILE AROUND A THIRD OF HEADS OF OPERATIONS SURVEYED REPORT USING REAL-TIME ALERTS TO TRACK ORDERS

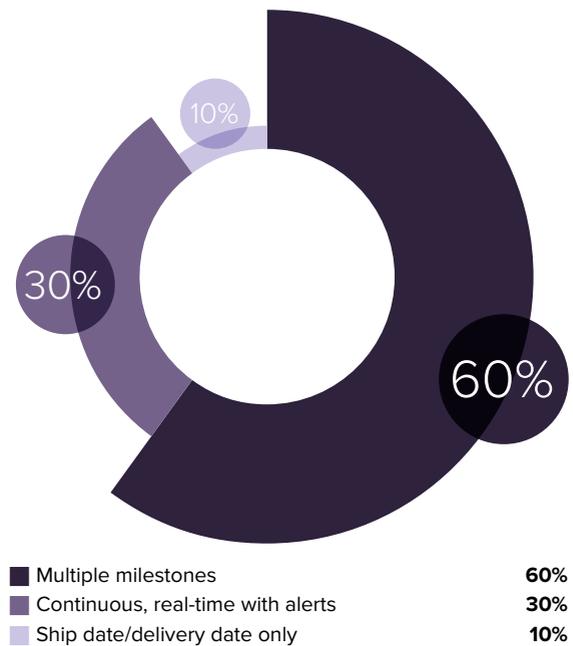
What sort of visibility do you have internally for orders that you've shipped?

“ You need visibility to every step of every order before you can make the best decisions on how to manage it. Orchestration enables a complete, holistic picture of your supply chain, coupled with the ability to act on and optimise every individual customer order. You must be able to dig in at a granular level and balance costs against customer satisfaction to find that sweet spot.

Martin Verwijmeren,
CEO, MP Objects

“ Internal real-time tracking is now possible thanks to Cloud technology processing and storage. However, a strong and detailed multiple milestones tracking system will provide the same benefit if events are connected to alarm against SLA.

Philippe Hemard,
Founder, PHC, and Former Vice President –
Logistics Europe, Amazon



85% OF RESPONDENTS REPORT HAVING FULL END-TO-END VISIBILITY
IN THEIR SUPPLY CHAIN

Do you currently have complete visibility in your end-to-end supply chain?

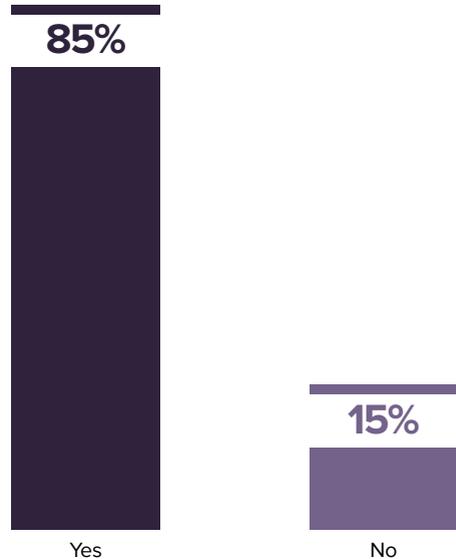
“ I'm positively surprised that see so many claiming to have full visibility. However, the real challenge is to understand how to use this visibility to improve performance and reduce defects in the supply chain.

Philippe Hemard,
Founder, PHC, and Former Vice President –
Logistics Europe, Amazon

”

“ End-to-end visibility is a pre-requisite; but what do Heads of Operation understand this to be? It ought to mean visibility from source to consumer, with the ability to align upstream decisions over route/speed/cost to volatile demand downstream – I don't believe 85% have this level of control!

Peter Ward,
CEO, UKWA

”

PART 3

E-COMMERCE

STRATEGY OVERVIEW

THE TREND TOWARDS ONLINE COMMERCE CONTINUES, WITH 42% OF RESPONDENTS PREDICTING OVER HALF OF THEIR BUSINESS WILL BE E-COMMERCE IN THREE YEARS TIME

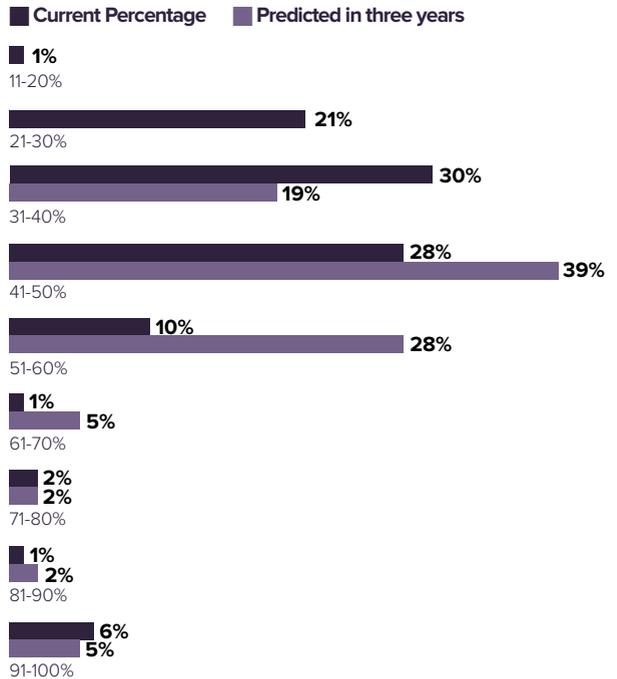
What percentage of your business today is currently e-commerce, and what do you expect that percentage to be three years from now?

“ Pure players planning to enter the high street have a lot to learn from bricks and mortar stores about the dangers of over-complexity, and the challenges of managing inventory through multiple channels – including increased costs and pressure on margins. Equally, bricks and mortar stores planning to increase their e-commerce can learn how to gain a deeper understanding of customer expectations and better measurement of customer experience from pure players.

Peter Ward,
CEO, UKWA

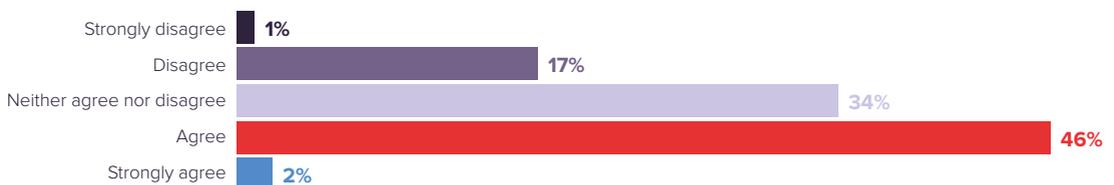
“ We clearly see a convergence of the two worlds as omnichannel continues to thrive. I do believe though that some brands will not be able to take advantage of the bricks and mortar shops and will remain pure players – most likely the medium and small size companies acting on niches. As confirmed on the chart, I don't see any reason why a bricks and mortar shop would not offer an online solution. More and more solutions from new startups are coming into the market to make it easier.

Philippe Hemard,
Founder, PHC, and Former Vice President – Logistics Europe, Amazon



48% AGREE THAT WE'RE LIKELY TO SEE MORE PURE PLAYERS SETTING UP PHYSICAL STORES ON THE HIGH STREET

Do you think that more pure players will start to build bricks and mortar stores?

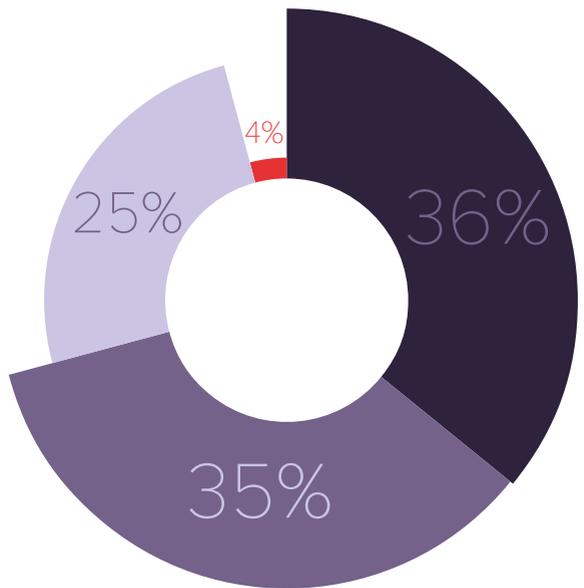


OPERATIONS IS REPRESENTED AT BOARD LEVEL FOR 35% OF RESPONDENTS, AND A FURTHER 36% REPORT BEING HEAVILY INVOLVED IN THEIR ORGANISATION'S E-COMMERCE STRATEGY

To what extent does Operations have a role in influencing overall e-commerce strategy?

It's nice to see the growing influence of Operations with this year's survey respondents. But as supply chains continue to get longer, more complex, and dependent on more third parties, Operations and Supply Chain Managers need to have a seat at the strategic table to best ensure those flawless, customer 'wow' experiences.

Martin Verwijmeren,
CEO, MP Objects



AT ETAIL FULFILMENT AND RETURNS THIS YEAR:

FIRESIDE CHAT

Lessons learned on how to structure a market-leading logistics network that ticks all the boxes: customer-centric, agile, and cost-optimised

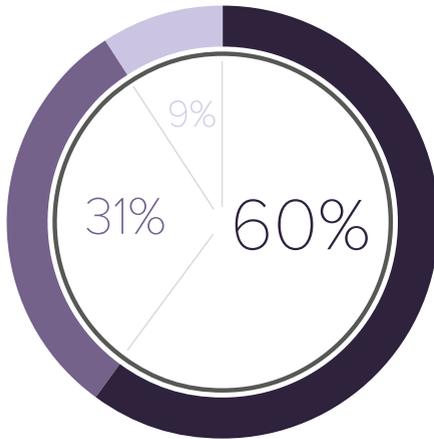
Philippe Hemard, Founder, PHC, and Former Vice President – Logistics Europe, Amazon

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- I am/the department is heavily involved in company strategy **36%**
- Operations is represented at the board level and is a core part of company strategy **35%**
- Operations is consulted on major changes and asked for input **25%**
- Operations is re-active rather than strategically involved **4%**

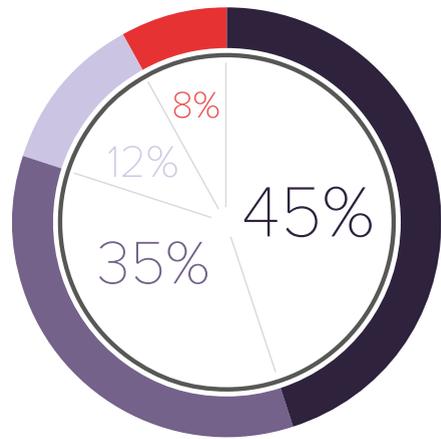
THE RETURNS PROCESS INVOLVES SENDING RETURNED ITEMS TO PHYSICAL STORES FOR 60% OF RESPONDENTS, WHILE A THIRD PREFER TO USE WAREHOUSES. THE MAJORITY OF ORDERS ARE FULFILLED VIA IN-HOUSE WAREHOUSES, AND A FURTHER 39% ARE FULFILLED FROM STORES

Where are your returns sent to?



- Store
- Warehouse
- Third party service

Where do you currently fulfil from?



- Our own warehouses
- Our own stores
- Suppliers/drop ship
- Other

“ Although the answers will vary a lot by category of products, overall it doesn't make a lot of sense to send returns to the shop. If logistics departments think sending returns to the store will reduce shipping costs, then looking at the total logistic cost of the return might convince them to use warehouses or third party services.

Philippe Hemard,
 Founder, PHC, and Former Vice President – Logistics Europe, Amazon

“ Sending returns to the store is a strategy implemented purely for convenience and ease of the customer. Goods will in most cases thereafter be returned to warehouse for re-working, re-packaging etc. The more steps in the process, the higher the cost and the lesser the margin.

Peter Ward,
 CEO, UKWA

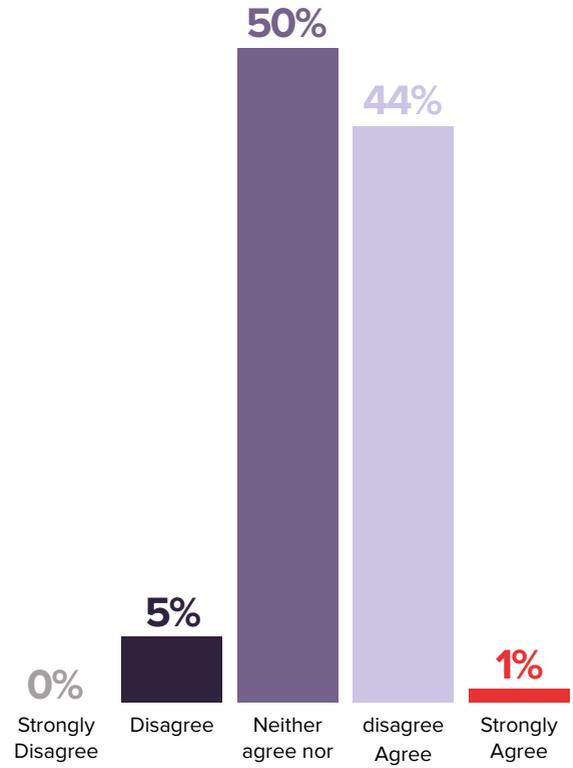
45% OF HEADS OF OPERATIONS SURVEYED AGREE THAT RETAILERS ARE OFFERING MORE DELIVERY OPTIONS THAN THEY CAN FEASIBLY OPERATE

Are retailers offering more delivery options than they can feasibly operate?

“ It’s important to consider that with rising customer expectations and an increasingly international customer base to service, complexity is something we need to embrace. A cloud platform for multi-enterprise order orchestration makes it possible to manage inventory, partners, and costs, while still ensuring high levels of service for your customers.
Martin Verwijmeren, CEO, MP Objects ”

“ I disagree. There are obviously exceptions, but globally, I don’t think that retailers are offering more than they can operate. I think that generally, they don’t manage the performance of their delivery options strongly enough.
Philippe Hemard, Founder, PHC, and Former Vice President – Logistics Europe, Amazon ”

“ Although there is nothing wrong with offering a properly costed range of delivery options (premium next day versus three to five days etc..) retailers are currently spreading themselves too thinly, and have found themselves in a ‘race to the bottom’ without fully understanding the cost/margin implications.
Peter Ward, CEO, UKWA ”



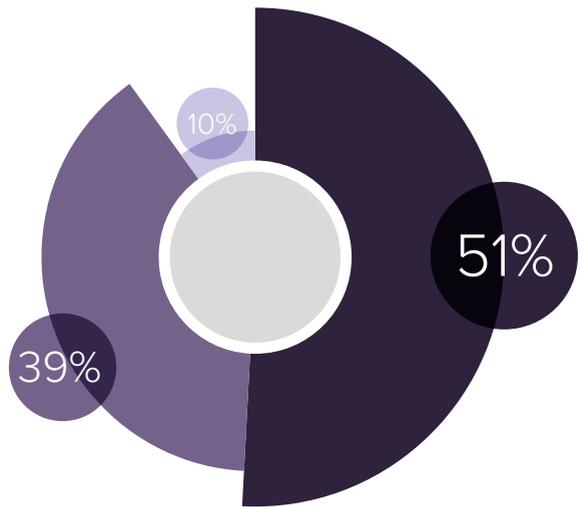
THE MAJORITY OF RESPONDENTS HAVE THEIR CUSTOMER EXPERIENCE TEAM REPORT TO THEIR OPERATIONS TEAM

How is the Customer Experience role integrated within your company?

“ The best place for Customer Experience depends on the company structure. You certainly need to ensure the department covers all the aspects of customer experience, and it needs to be managed like Operations, with a great deal of data and analytics.

If you are confident that this independent role can be kept in Operations, leave it there. If not, you need to make sure the role is high up enough in your organisation that Customer Experience can have a direct influence on the business strategy – perhaps in Marketing, if not at the board directly.

Philippe Hemard,
Founder, PHC, and Former Vice President –
Logistics Europe, Amazon



“ I agree that it makes sense for Customer Experience to report to Operations, as long as Operations represents the entire business across all functions. The role of Supply Chain is one of alignment across all business disciplines, so it also makes sense that Customer Experience should report to Supply Chain.

Peter Ward,
CEO, UKWA

- They report to the Operations team **51%**
- We don't have a dedicated Customer Experience function / It is a shared responsibility **39%**
- They report to the e-commerce team **10%**

PART 4

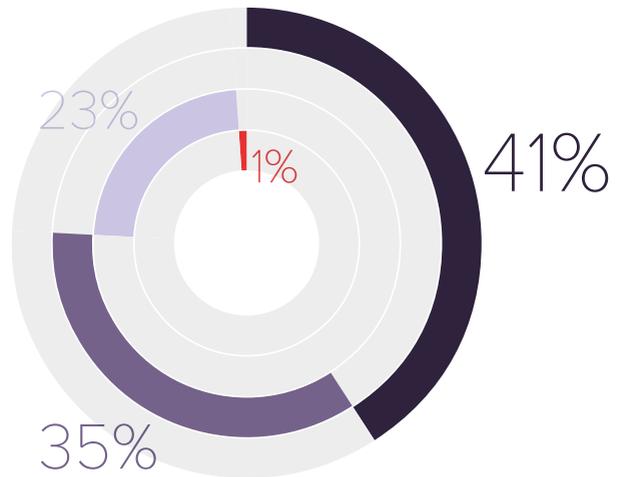
PREPARING FOR THE FUTURE

ONLY 1% ARE FEELING POSITIVE ABOUT BREXIT, WHILE 23% ARE ACTIVELY PLANNING TO MITIGATE RISK AND A FURTHER 41% ARE CONCERNED ABOUT BREXIT, AND WAITING TO SEE WHAT HAPPENS

Are you concerned about the effect that Brexit may have on your cross-border delivery strategies?

To prepare for Brexit, businesses should be planning for intra-EU customs declarations, getting registered for duty/VAT, increasing the size of deferment accounts, and exploring potential AEO status.

Peter Ward,
CEO, UKWA



AT ETAIL FULFILMENT AND RETURNS THIS YEAR:

PANEL DISCUSSION

How will Brexit impact the European logistics industry and the cross border strategies of eCommerce retailers?

-James Hookham, Deputy Chief Executive, FTA

-Sue Roberts, Supply Chain Director, Majestic Wine Ltd

-Gabriel Tellier, Logistics Director, PhotoBox

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- Yes, but we're waiting to see what happens **41%**
- No, Brexit is unlikely to affect us **35%**
- Yes, and we are actively planning to mitigate risk **23%**
- No, we think that Brexit may be a positive for us **1%**

RESPONDENTS ARE SPLIT 50/50 OVER THE FORESEEABLE IMPACT OF THE EUROPEAN DRIVER SHORTAGE

Do you expect the European driver shortage to impact your delivery capabilities in the next 12 months?

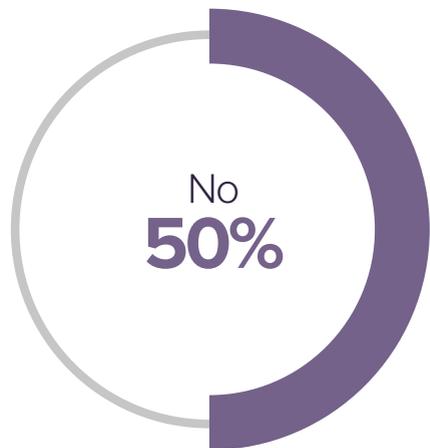
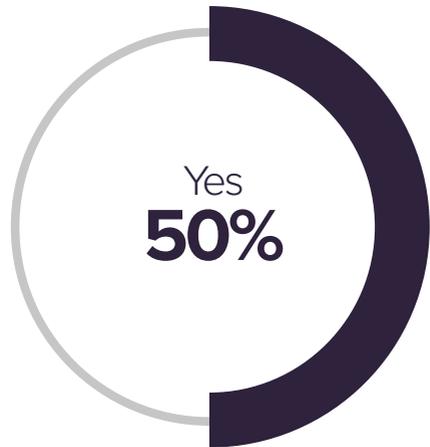
“ It's very difficult to determine at which point the shortage in drivers will most impact service. We've already seen the rate increase in peak period due to the scarcity of drivers, and this phenomenon will amplify in time.

Philippe Hemard,
Founder, PHC, and Former Vice President –
Logistics Europe, Amazon

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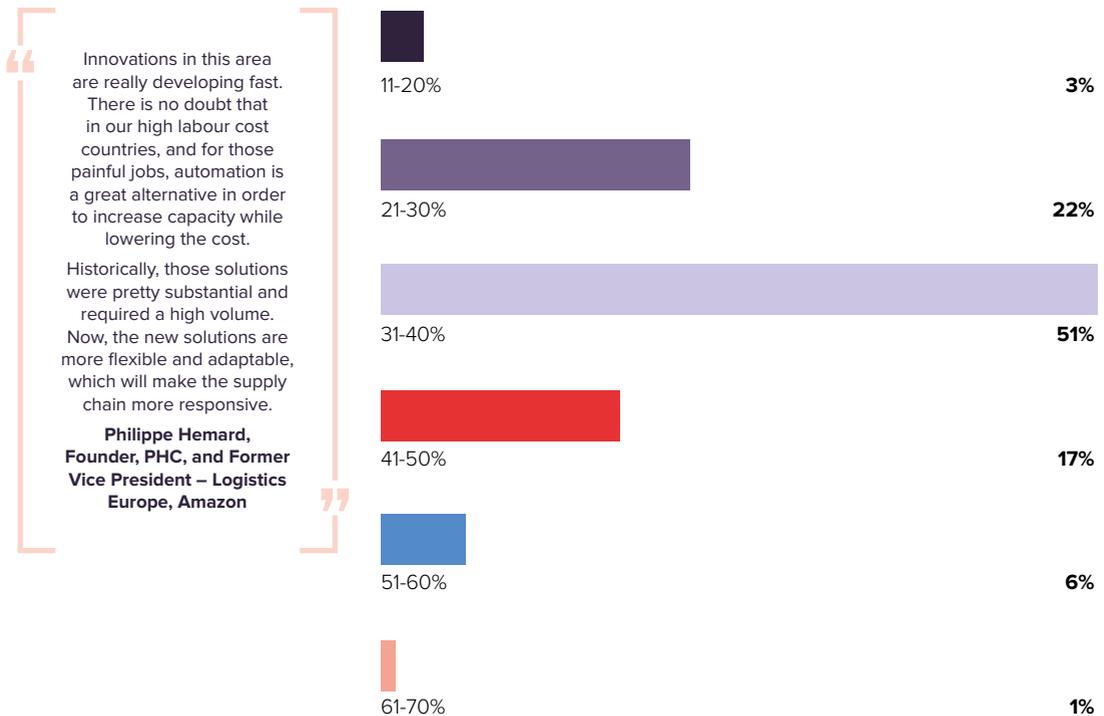
“ We're very concerned about the driver shortage, and have taken steps such as investment in training and education of existing workforce in order to increase loyalty. We're also working with local communities to attract new, young talent and offer career prospects.

Peter Ward,
CEO, UKWA

”

THE MAJORITY OF HEADS OF OPERATIONS SURVEYED BELIEVE 31-40% OF JOBS IN THE WAREHOUSE AND WITHIN THE ONLINE ORDER FULFILMENT PROCESS COULD BE REPLACED BY AUTOMATION WITHIN THE NEXT DECADE

What percentage of jobs within your warehouse and online order fulfilment processes could be replaced by automation in the next ten years?



ABOUT MP OBJECTS



Customer Chain Control

With offices in Rotterdam, Boston, Hyderabad, and Tokyo, MP Objects (MPO) helps some of the world's largest brand owners and logistics service providers to optimise orders end-to-end across their global supply chains. The MPO multi-enterprise cloud platform for Supply Chain Orchestration unifies information, processes and services across siloed ERP, WMS, and TMS systems, helping you to master perfect orders in inbound, outbound and reverse flows, and giving you visibility, collaboration and optimisation across all of the internal and external parties in your supply chain.

For more information, please visit www.mp-objects.com

ABOUT WBR INSIGHTS



At WBR Insights we design and execute bespoke content marketing campaigns, delivering insightful content to our high-level audience all year round.

We are a team of marketers, researchers and writers with a passion for content with a creative twist. From research-based whitepapers focused on your priorities, to benchmarking reports, infographics and webinars, we can help you to inform and educate your readers and reach your marketing goals at the same time.

Contact us to find out how your business could benefit from:

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- Lead generation campaigns that fit your priorities
- In-depth research on current fast-moving issues and future trends
- Promoting your expertise a thought leader in your field

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