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RETAIL MARKET RESEARCH

2020 SUPPLY CHAIN SURVEY

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SUPPLY CHAIN SURVEY

KEY FINDINGS

The overall top 3 supply chain challenges focus on optimizing inventory placement throughout the retail network, enterprise order fulfillment, and last-mile delivery to quickly and cost-effectively fulfill orders and customer expectations.

PRIMARY CHALLENGES

34%
Balancing increased e-commerce demand with store demand

33%
Demand planning and forecasting

30%
Improving efficiencies

TOP CHALLENGE BY TOPIC AREA

Top **warehouse** priority is to expand existing capacity **39%**

36% Top **inventory** priority is to increase sustainability

Top **transportation** priority is to increase speed of delivery **41%**

32% Top **store** priority is to implement automation

INTRODUCTION

Over the past decade the advent of omnichannel retailing, escalating consumer demands, and increased globalization have created an extremely complex retail marketplace and supply chain. And today, with the immense challenges of the COVID-19 pandemic disrupting and debilitating the traditional retail model plus the extreme volatility in supply and demand experienced by so many omnichannel organizations, the need for an efficient and agile supply chain has become ever more apparent. A resilient, optimized supply chain is imperative to success, directly impacting sales, customer service, brand loyalty, and competitive advantage.

In today's challenging market where supply, demand, and fulfillment variables are rapidly changing, retailers must continuously assess, adjust and optimize their supply chains to reduce volatility, and improve agility and speed – while continually balancing service and cost.

Retailers must elevate supply chain capabilities to serve the needs of today's consumers while increasing efficiencies, reducing costs, and continuing to improve the customer experience. The right retail supply chain strategy takes a holistic approach to optimize processes, technology, inventory, labor, and facilities. Advancing supply chain capabilities and control and leveraging next-generation, agile solutions remain important factors in retailers' omnichannel transformation and profitability.

It is time to evolve your supply chain.

EVOLVE YOUR SUPPLY CHAIN

The retail supply chain has always been complicated, with multiple, interconnected moving parts that must work seamlessly together, with full visibility and control, and without interruption. However, as the first half of 2020 demonstrated, while that may be manageable during "normal" times, it becomes far more complicated when disruptions occur in multiple areas across the supply chain. While there was already movement towards the creation of more agile, lean, and resilient supply chains, the pandemic amplified the need and accelerated the timeline. Whereas retailers focused heavily on digital commerce in years past, there is increased recognition that digital commerce must be backed up by physical commerce/distribution capabilities to make and keep the customer promise. Both physical and digital commerce must be optimized, aligned, and transformed to adapt, respond, and deliver in retail's rapidly evolving market. The two predominant omnichannel forces today are customer expectations and competitive pressure.

CUSTOMER EXPECTATIONS

Customers have the option of buying merchandise from multiple channels, sourced from across the world, using a variety of fulfillment methods to achieve the product and experience of their choice. According to enVista's 2019 Consumer Survey (conducted pre-COVID), 65% of of consumers indicated that a retailer's ability to buy anywhere, ship anywhere is important to them and a factor in their purchase decisions. Thus, the supply chain and fulfillment capabilities remain vital to helping companies compete in new and innovative ways, including on fulfillment speed, to enhance brand loyalty. However, supply chains and inventory must be continuously assessed and optimized to meet shifting demand (e.g. e-commerce spikes during the COVID-19 pandemic).

The truth is, consumers are more informed and less accepting of excuses. Today's customer won't accept previous explanations for poor service, such as, "Our system does not allow it," "I do not know if we have that size," or "That will take three to five days to ship." They know what seamless, convenient fulfillment looks and feels like. If their expectations are not met, they will quickly move on to the competition.

Consumer Expectation:
65% of consumers indicate that the ability to buy anywhere, ship anywhere is an important service to offer.
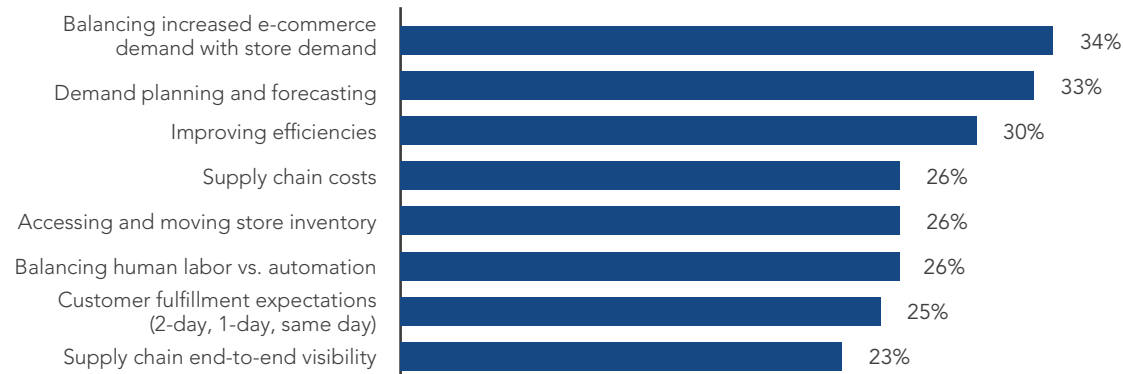*Source: enVista's 2019 Consumer Survey*

COMPETITIVE PRESSURE

Competition continues to increase across channels as the distinctions among retailers, distributors, and manufacturers become increasingly blurred. New, sophisticated supply chain practices are forcing traditional retailers to not only compete with the same or similar products available within their competitor's physical store and website but also oftentimes their suppliers' websites, pop-up stores, and marketplaces. Furthermore, it's not just product availability, but also shipping and returns that matter.

In enVista's Consumer Survey, 64% of consumers indicated that the ability to choose shipping speed vs. shipping cost was an important factor when choosing where to shop online. A customer may opt to purchase from whichever retailer can fulfill the order the swiftest, while others may choose the retailer offering free or low-cost shipping, and many will expect both! Shipping factors typically depend on how important the product is to the consumer (e.g. a needs versus wants-based product), and how important the timing is to the consumer (e.g. a dress needed for a wedding in a few days, versus a dress for any occasion).

Exhibit 1: Top Supply Chain Challenges for Next 12 Months

Challenge	Percentage
Balancing increased e-commerce demand with store demand	34%
Demand planning and forecasting	33%
Improving efficiencies	30%
Supply chain costs	26%
Accessing and moving store inventory	26%
Balancing human labor vs. automation	26%
Customer fulfillment expectations (2-day, 1-day, same day)	25%
Supply chain end-to-end visibility	23%

In addition to competing on price and terms of service, retailers are finding innovative ways to access a broader selection of markets. To remain relevant, today's retailers must find innovative and game-changing capabilities to provide value to the market and overcome omnichannel challenges in the store and across the supply chain network.

With this in mind, enVista unveils the 2020 Supply Chain Survey, offering insight into U.S. retailers' planned initiatives, priorities, and future trends across the supply chain, from the warehouse to the customer.

As retailers evolve their supply chain to meet short-term and long-term requirements, challenges they are encountering include the need to balance an increased e-commerce demand with store demand (34%), demand planning and forecasting (33%), and improving efficiencies (30%) (*Exhibit 1*).

The areas of focus within this report as we evolve the supply chain to meet rising demands involve how retailers can meet these challenges:

1. **Optimize the DC/warehouse**
2. **Align inventory**
3. **Enhance transportation**
4. **Expand omnichannel fulfillment**

Consumer Expectation:

64% of consumers indicate that the ability to choose shipping speed vs. shipping cost is an important factor in choosing where to shop online.

Source: enVista's 2019 Consumer Survey
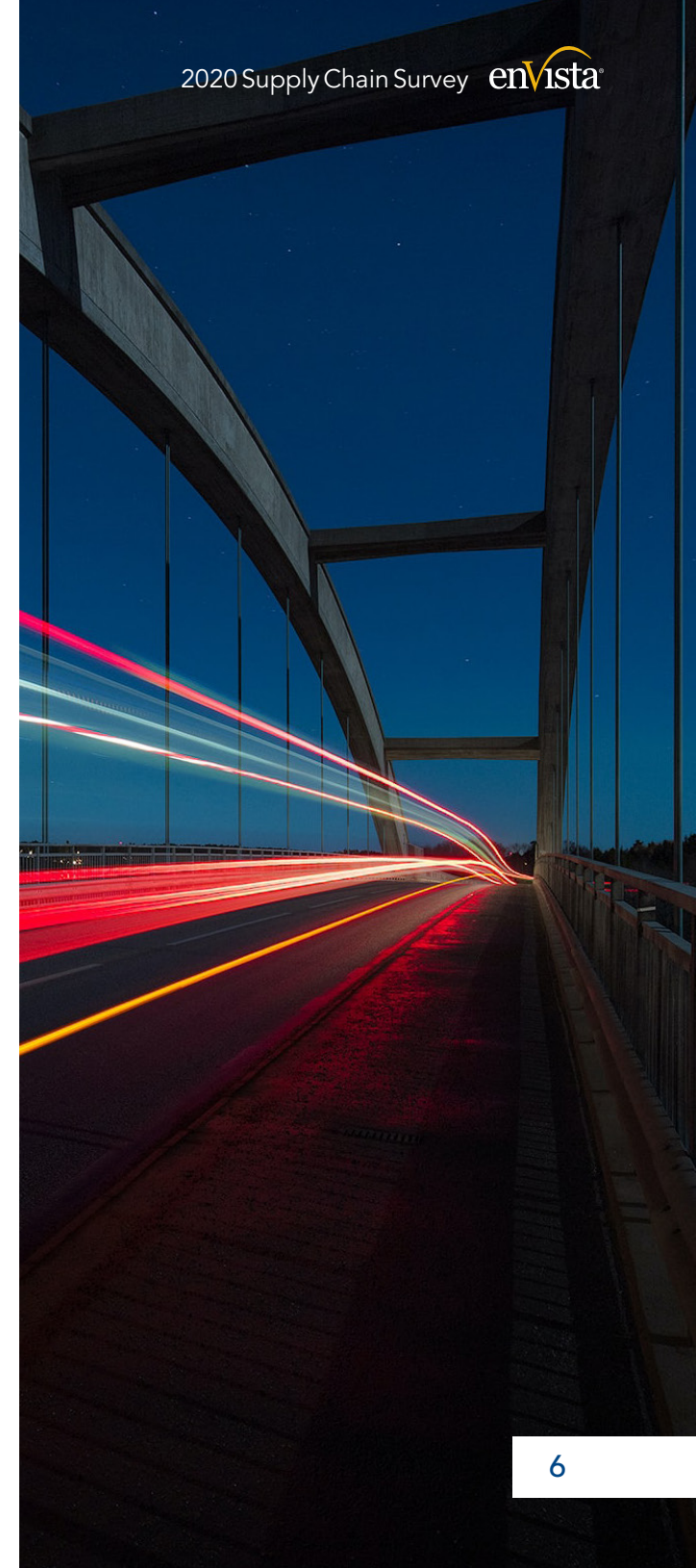
OPTIMIZE THE DC/WAREHOUSE

With e-commerce orders on the rise, the order profile and handling unit of measure has increasingly moved from pallets and case picks to units of one. While the total volume or number of units fulfilled within a distribution center (DC) may not have dramatically changed, the labor and work required to fulfill the same number of units have increased exponentially. Consequently, automation has become even more critical for fulfillment.

In addition, for warehouses and DCs to operate at maximum efficiency and meet consumer demand, companies need facilities optimally designed to meet today's distribution requirements. Often this means retrofitting existing facilities, designing/building new facilities, and/or enlisting third-party logistics (3PL) partners to meet demand.

FACILITY DESIGNS

More than one-third of retailers (39%) indicated that their top warehouse/DC priority involved expanding existing capacity (*Exhibit 2*). Distribution centers usually need to expand capacity because business is good with products selling quickly and a desire to expand production. However, storing obsolete or non-productive inventory is another reason more capacity may be needed. With the pandemic collapsing demand for
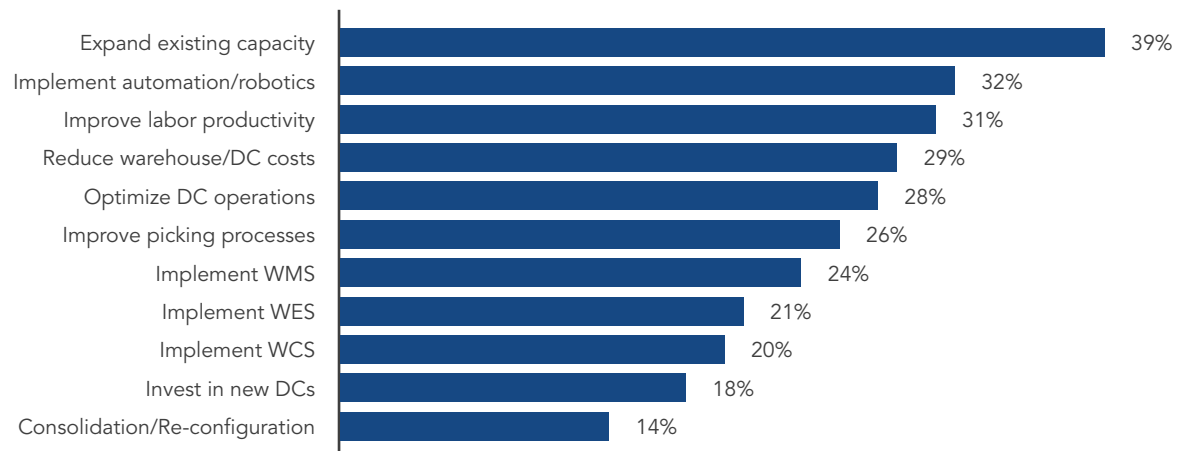
many inventory categories, this is a scenario faced by many companies.

Often capacity can be gained through improved space utilization. Some warehouses/DCs have found additional capacity within the four walls of their current facility by reconfiguring the layout (e.g. extending racking up to the ceiling to create more usable space). Facility design involves more than warehouse configuration to meet immediate needs. It calls for understanding long-term goals and sales strategies and aligning supply chain and distribution strategies and facilities accordingly.

WAREHOUSE MANAGEMENT

Warehouse management systems (WMS) were born out of the need to improve distribution and warehousing efficiencies and throughput. With additional demands on the supply chain, tight labor markets, and increasing fulfillment speed requirements, new automation technologies continue to emerge to offer additional ways to increase efficiency.

Exhibit 2: Top DC/Warehouse Priorities for Next 12 Months

| Priority	Percentage
Expand existing capacity	39%
Implement automation/robotics	32%
Improve labor productivity	31%
Reduce warehouse/DC costs	29%
Optimize DC operations	28%
Improve picking processes	26%
Implement WMS	24%
Implement WES	21%
Implement WCS	20%
Invest in new DCs	18%
Consolidation/Re-configuration	14%

Within the Supply Chain Survey, the implementation of warehouse systems was a top priority for many retailers. One-fifth of the retailers surveyed plan to implement new warehouse systems with 24% planning to implement WMS, 21% planning to implement WES, and 20% planning to implement WCS (*Exhibit 2*).

For many retailers, some combination of systems is utilized, however, as these systems are costly to implement and maintain, it is critical to review current and future needs. With more than one-fifth of the retailers surveyed planning to implement one or more of these solutions in the next year, there looks to be movement towards creating a more agile and efficient warehouse environment.

WAREHOUSE PRODUCTIVITY

Labor remains one of the highest costs within the supply chain, while at the same time, fulfillment speed (The Amazon Effect) has become critical to competitive advantage. Thus, labor productivity remains an important focus. Warehouse workers have one overarching goal: to fulfill production requests accurately and rapidly (or on time). Labor management programs that combine engineered labor standards, labor management systems, training, and incentive-based pay programs result in quick payback, improved employee satisfaction, and significant labor productivity improvements, typically in the range of 15-30% within a few months.

The technology that companies deploy is instrumental to both the productivity and the satisfaction of the day-to-day job of essential warehouse workers, providing the necessary tools and capabilities that allow production workers to increase fulfillment rates which, in turn, increases their wages. Adding the appropriate warehouse technology can also reduce operational costs by increasing inventory count and order picking accuracy. 31% of retailers indicate that improving labor productivity is a top priority (*Exhibit 2*) to ensure that they are running optimal and efficient warehouse operations.
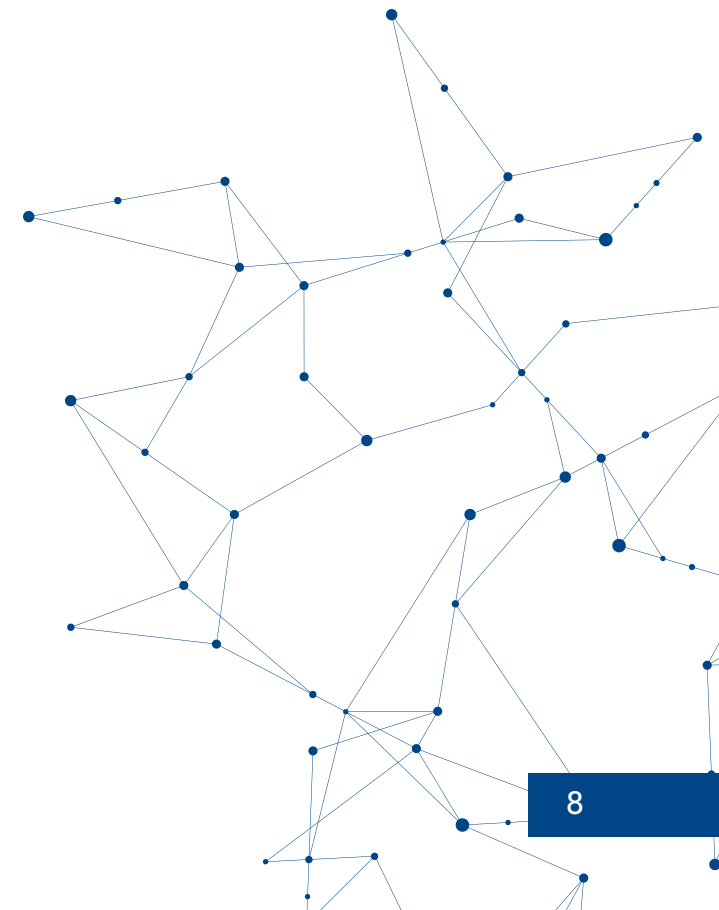
AUTOMATION OPPORTUNITIES

The availability, quality, and cost of labor are driving many companies to invest in automation. By integrating automation and technologies, companies can reduce their labor needs while increasing processing capacity with their existing labor force.

However, retailers must know their business and understand that processes must be optimized before new automation is added to complement what's already in their fulfillment center. The right technology enables production workers to become more efficient at performing tasks from the moment they begin picking product to placing it for pickup. Productivity is maximized by streamlining tasks, minimizing errors, and

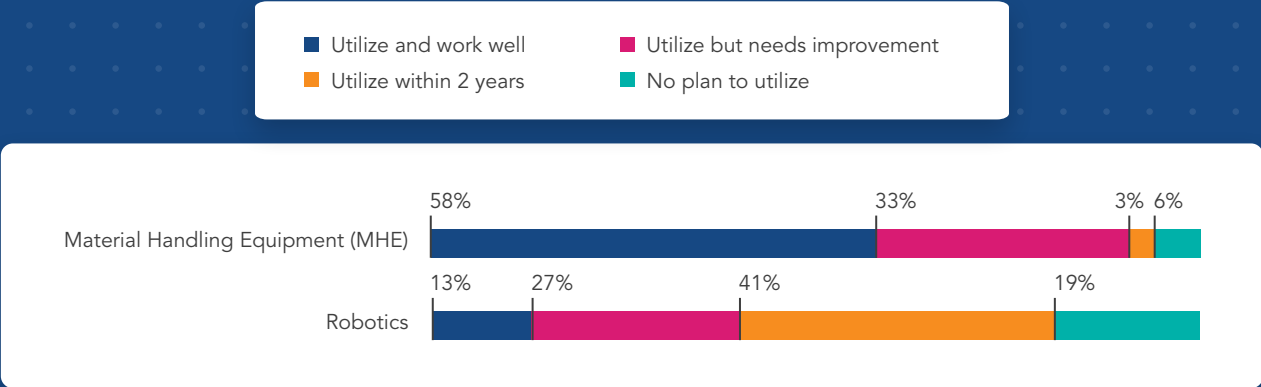increasing efficiency through features and functionality built into warehouse mobility solutions.

Of the retailers surveyed, 32% indicated that implementing automation/robotics was a top priority (*Exhibit 2*). While 91% currently utilize material handling equipment (MHE), some retailers feel that the equipment needs improvement and may be planning to upgrade their current operations, while 13% indicate they are successfully utilizing robotics in the warehouse (*Exhibit 3*).

Robotics offers an important opportunity to drive significant distribution efficiencies and reduce labor dependencies. However, there is not a one-size-fits-all approach with robotics integration.

Operational and process demands must be met along with future production and throughput goals.

Today, as social distancing and safety are at the forefront of the production planning process, turning to automation to solve employment challenges provides additional efficiencies. However, determining the right application for warehouse robotics and automation solutions is critical for delivering targeted results, return on investment, and competitive advantage.

Exhibit 3: Warehouse Capabilities

Legend:
- Utilize and work well
- Utilize within 2 years
- Utilize but needs improvement
- No plan to utilize

Material Handling Equipment (MHE): 58% | 33% | 3% | 6%

Robotics: 13% | 27% | 41% | 19%

ALIGN INVENTORY

Inventory costs have risen for retailers every year since 2012 with most retailers and distributors still struggling to have the right SKU at the right place, in the right quantity, at the right time to meet the demands of their customers.

And inventory has far-reaching implications – impacting margins and profitability, fulfillment time frames, and customer service. Optimizing inventory levels, positioning, and visibility remain critical opportunities for retailers to improve gross margin return on inventory investment (GMROII), omnichannel fulfillment, and order profitability.

Exhibit 4: Top Inventory Priorities for Next 12 Months

Priority	Percentage
Increase sustainability across supply chain	36%
Increase inventory visibility	34%
Acquire/invest in new product categories	33%
Improve demand planning and forecasting	29%
Implement/expand dropshipping	27%
Implement AI/ML	26%
Decrease inventory carrying costs	24%
Improve business intelligence/analytics	24%
Increase speed to market	23%

INVENTORY VISIBILITY

It is impossible to manage and optimize your inventory across your supply chain without real-time, accurate, enterprise inventory visibility.

Whether ensuring that a product is in stock when the customer walks into a store or having the ability to profitably fulfill an online order within the expected time frame, companies need to have accurate and real-time visibility to inventory across all segments of their supply chain.
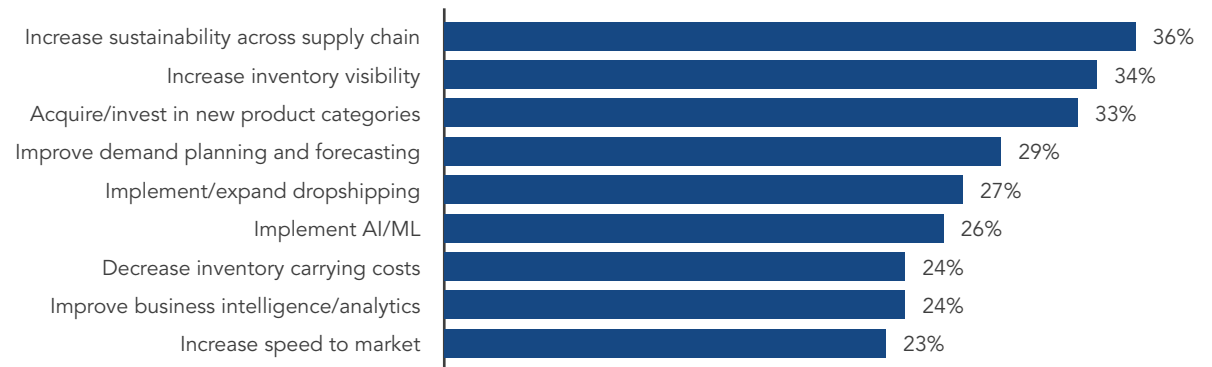
Unfortunately, despite tremendous effort and resources invested, many companies are still not performing to their full potential when it comes to omnichannel fulfillment and continue to experience challenges related to inventory visibility and optimization. Thus, one of the top inventory priorities is to increase visibility to the inventory available across the chain with 34% of retailers indicating it is a top priority (*Exhibit 4*).

Consumer Expectation:
67% of consumers indicate that inventory visibility across stores, online and mobile is an important service to offer.
Source: enVista's 2019 Consumer Survey

DEMAND PLANNING

Legacy planning tools like Excel spreadsheets and traditional forecasting and planning solutions are no longer enough to solve today's complex supply chain challenges. Fragmentation of planning systems limits visibility, control, and business potential, resulting in isolated decisions that end up being inefficient, have more potential for inaccuracy, and add unnecessary costs.

For today's retailers, it is essential to think about how to leverage AI-powered dynamic inventory allocation solutions with predictive analytics, not just to analyze and understand the past, but to

make better decisions for the future. 29% of the retailers surveyed indicated that they plan to improve their demand planning and forecasting within the next 12 months (*Exhibit 4*). This correlates with the 51% of retailers who indicate that their current demand planning and forecasting solutions need improvement (*Exhibit 5*).

Retailers and distributors alike have attempted to solve their inventory challenges by using forecasting tools to determine what to buy and when to buy it. A better approach is to change the flow of inventory by reducing cycle times, establishing more effective inventory positioning, and synchronizing supply chains based on the variability of demand.

SUPPLY CHAIN SUSTAINABILITY

Supply chain sustainability has become a more important factor in recent years as consumer demand for transparency and sustainability has increased. 36% of retailers indicate that sustainability is a top inventory priority for the next 12 months (*Exhibit 4*).

Sustainability is based on the principle that socially responsible products and practices are not only good for the planet and those of us who live here, they are also good for building positive brand awareness, minimizing environmental impact, and improving long-term profitability.

Consumer Expectation:

49% of consumers indicate that sustainable practices are a key factor when choosing what store to shop at.
Source: enVista's 2019 Consumer Survey

Usually, sustainability initiatives focus on the source of raw materials, good working conditions, and carbon footprint reduction.

Consumer interest and demand for access to information around brand practices, sustainability, sourcing, and corporate social responsibility is driving change within the retail supply chain. Retailers are becoming more transparent, gathering, and reporting data about each component in the supply chain as it affects corporate social responsibility. The move toward increased transparency is encouraging supply chain partners to develop and share best practices for green operations and logistics. It has also allowed prospective partners to demonstrate compliance with industry best standards for worker safety, environmental protection, and business ethics.

ORDER MANAGEMENT SOLUTIONS

Today's retailers must focus on omnichannel agility and profitability. An omnichannel order management solution (OMS) is the only business solution that drives both top- and bottom-line revenue. Cloud-native solutions also enable retailers to accelerate omnichannel transformation by providing the agility and scalability needed to quickly adapt and deliver in today's evolving market.

A next-generation order management system is critical to delivering seamless 'buy, fulfill, return anywhere commerce' and omnichannel fulfillment options like BOPIS/BORIS, curbside/click-and-collect, ship from/to store, dropship, marketplaces, and pop-up stores.

Consumer Expectation:

87% of consumers indicate that product availability is a key factor when choosing a store to shop.
Source: enVista's 2019 Consumer Survey

Providing a single, stellar brand experience requires an OMS that delivers critical visibility to enterprise inventory, orders, customer information, items, payments, and shipments. An OMS also provides the essential visibility to inventory available-to-ship and available-to-promise, which many retailers struggled as their stores closed during the pandemic. OMS solutions that include

AI-driven dynamic inventory allocation maximize gross margin return on inventory investment and omnichannel order profitability.

52% of retailers have an OMS and feel that it is working well while 42% struggle with their current implementations, with the remainder still planning to implement (*Exhibit 5*).

An order management solution is required for omnichannel transformation and unified commerce. A cloud-native OMS strategically built from the ground up as microservices architecture, with a common data model, on an integration framework, will rapidly scale and integrate and reduce time to value.

Exhibit 5: Inventory Management Solutions

- ■ Implemented and working well
- ■ Implemented but needs improvement
- ■ Implemented within 2 years
- ■ No plans to implement

	Implemented and working well	Implemented but needs improvement	Implemented within 2 years	No plans to implement
Order management system	58%	42%	4%	2%
ERP	50%	38%	8%	4%
Demand planning and forecasting	44%	51%	4%	1%

ENHANCE TRANSPORTATION

Transportation remains a critical element in a retailer's overall supply chain and plays a central role in order fulfillment and overall customer service and satisfaction. Retailers cannot keep the customer promise without visibility to goods-in-transit and without guaranteed service levels with carriers.

Yet, transportation also serves as a major cost center, with outbound transportation and last-mile fulfillment accounting for as much as half of a retailer's total supply chain costs, impacting omnichannel order profitability. Transportation analytics and intelligence often remain overlooked and fragmented.

Per Exhibit 7, 36% of retailers report needing to focus on shipment visibility and track and trace as areas of improvement. The adage you cannot manage what you cannot measure holds true. 51% of retailers want to improve shipment execution to ensure better service and speed of delivery.

Global transportation management, fleet optimization, visibility/analytics and spend management present key opportunities for retailers to speed fulfillment time frames, and drive efficiencies, customer service, and significant cost savings.

SPEED OF DELIVERY

The Amazon effect continues to impact fulfillment time frames and expectations. In enVista's Consumer Survey from December 2019, 39% of consumers report that next-day delivery is important. It makes sense then that 41% of retailers indicated that increasing the speed of delivery is a top transportation priority for the next 12 months (*Exhibit 6*).

Retailers realize there will likely be more issues than usual for the foreseeable future with planning cycles completely upended and lead times

lengthened. However, consumers are not likely to have much patience as the demand for faster delivery times continues to increase.

Consumer Expectation:
The importance of delivery options when choosing where to shop online:
27% – 2-hour delivery is important
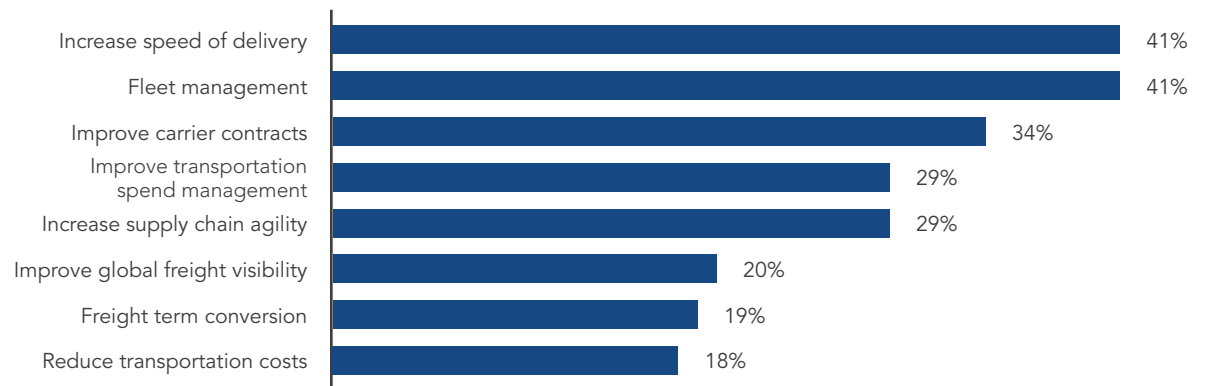**31%** – Same-day delivery is important
39% – Next-day delivery is important
Source: enVista's 2019 Consumer Survey

Exhibit 6: Top Transportation Priorities for Next 12 Months

Priority	%
Increase speed of delivery	41%
Fleet management	41%
Improve carrier contracts	34%
Improve transportation spend management	29%
Increase supply chain agility	29%
Improve global freight visibility	20%
Freight term conversion	19%
Reduce transportation costs	18%

However, speed is not always a priority for customers for every order. Retailers that can offer consumers choices around fulfillment time frames (e.g. same-day or next-day delivery with higher shipping price tag versus 5-7 business days for free shipping) will both meet customer expectations and reduce parcel shipping costs. This is especially important to get right as e-commerce rates have climbed during COVID-19.

Offering customers speed of delivery and alternative fulfillment options accelerates the need for an agile and resilient supply chain, including transportation. The ability to exchange real-time data with suppliers and carriers is critical to enable today's necessary unified commerce. 52% of retailers report needing to improve electronic data interchange (EDI) capabilities and execution (*Exhibit 7*).
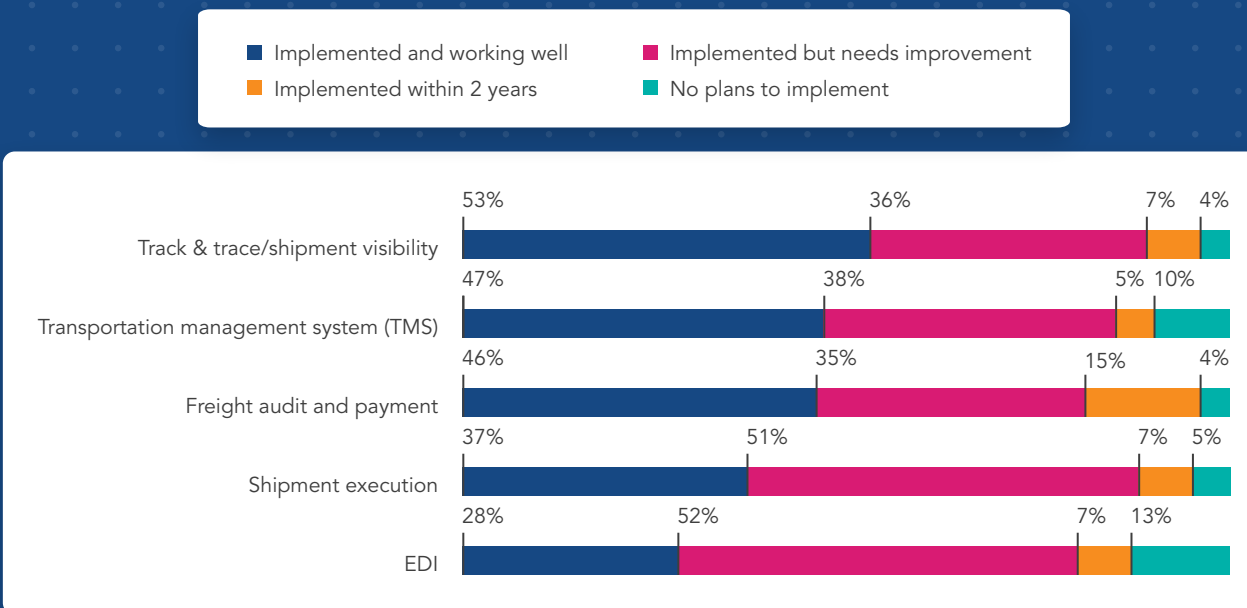
FLEET MANAGEMENT

Fleet management helps ensure the necessary speed (and accuracy) of delivery with 41% of retailers indicating it is a top priority (*Exhibit 6*). In retail, where out-of-stocks and missed delivery windows can cost a customer for life, fleet management is critical to delivering on-time orders. With new and shifting regulations driving necessary changes in compliance and safety, this is a critical area for retailers to monitor.

Whether retailers operate a private fleet or outsource fleet operations to a dedicated carrier, modeling fleet requirements presents an important opportunity to reduce fleet downtime and costs while increasing margins. Transportation modeling helps shippers determine and validate their optimal fleet size and optimize their network based on outbound and inbound or back haul shipping volumes, service requirements, and physical and regulatory requirements.

Exhibit 7: Transportation Solutions

- ■ Implemented and working well
- ■ Implemented but needs improvement
- ■ Implemented within 2 years
- ■ No plans to implement

	Implemented and working well	Implemented but needs improvement	Implemented within 2 years	No plans to implement
Track & trace/shipment visibility	53%	36%	7%	4%
Transportation management system (TMS)	47%	38%	5%	10%
Freight audit and payment	46%	35%	15%	4%
Shipment execution	37%	51%	7%	5%
EDI	28%	52%	7%	13%

TRANSPORTATION SPEND MANAGEMENT

Retailers that want to effectively manage their global transportation face a convoluted jumble of rates, surcharges, freight classifications, and tariffs. A global transportation spend management solution provides an accurate, centralized view to transportation data to improve decision-making. 29% of retailers indicated that improving transportation spend management is a top priority for the next year (*Exhibit 6*). Within this category, 35% of retailers indicate a need to improve freight audit and payment and 52% need to improve their current EDI (*Exhibit 7*). Retailers recognize the need for carrier analysis and negotiation as 34% identified the need to improve carrier contracts as a top priority (*Exhibit 6*).

Updating carrier rates and service levels with an experienced carrier contract negotiation team will also provide significant cost savings and improved service.

When transportation costs are high, even seemingly small oversights can result in unneeded expenses that could have been avoided and thus cut into overall profit margins. The hidden costs of transportation from a poor supply chain can be detrimental to the business and when getting goods from one point to another is a critical aspect of your business, then ensuring you are doing it as efficient and cost-effective as possible is critical.

TRANSPORTATION MANAGEMENT SYSTEMS

Many problems in the transportation supply chain can be addressed through the availability of analytics provided through a transportation management system (TMS). These insights allow companies to make smarter, timely business decisions with greater intelligence and control. Recent advancements in technology also help promise better integration between physical product movement and visibility. Well-executed transportation management systems always lead to the greatest supply chain visibility.

For organizations still managing their transportation network using spreadsheets and manual processes, the challenges are the greatest. Even with technology, many retailers may still find it difficult to keep up with the industry's growing complexities. 38% of retailers report needing to improve their transportation management system (*Exhibit 7*).

As retailers evaluate a transportation management system (TMS), a key factor in the decision process is the system's ability to improve service levels, as measured by on-time deliveries – to distribution centers, physical stores, and directly to the end-customer.

All of these components require companies to adapt and react to all of the changes to keep goods moving, creating an omnichannel transportation strategy with a combination of traditional approaches and numerous strategies that tackle the omnichannel equation head-on.

EXPAND OMNICHANNEL FULFILLMENT

The most profitable order is one filled at the store. Retailers avoid shipping costs and consumers tend to buy additional items and add to their basket size once inside the physical store. Omnichannel fulfillment continues to evolve with increased consumer demand for buy online, pick up in-store (BOPIS), buy online, pick up at curbside (BOPAC), click and collect, buy online, ship from store (BOSS) and leveraging stores as micro-fulfillment centers (MFCs).

During the recent pandemic and resulting physical store closures, these options became even more important to meet e-commerce demand, capture sales, and drive profitability. The pandemic has only accelerated the need for stores to have the ability to fulfill online orders quickly, easily, and seamlessly at the store.
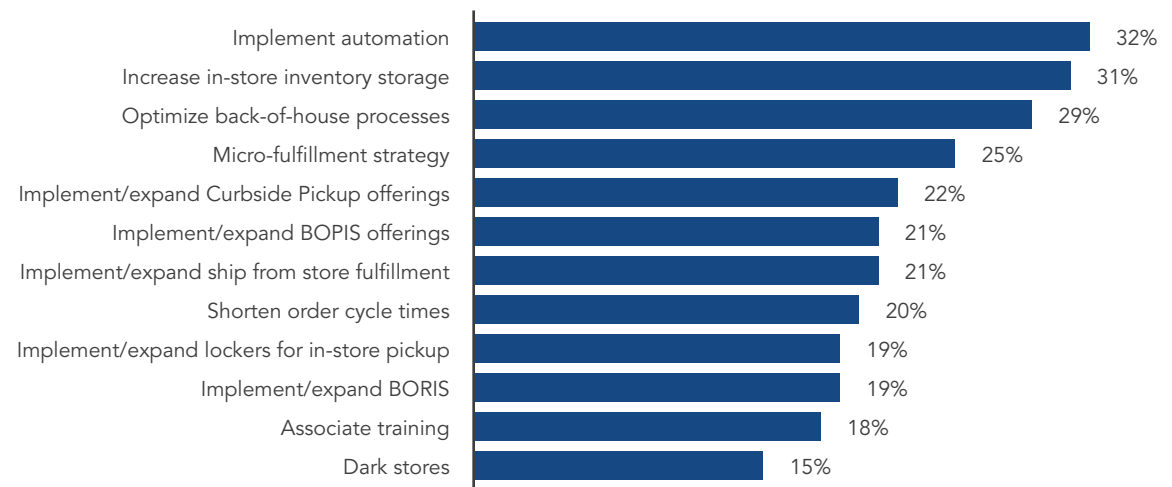
However, retailers now face additional operational challenges in the store as they deal with growing parcel shipments from the store and managing increased fulfillment via BOPIS or curbside pickup, in addition to regular customer traffic in the actual store. For some stores, picking, packing, and shipping from stores is an entirely new concept; in others, the infrastructure is in place, but the labor processes and training are not. In most cases, additional processes and technology are required to standardize the desired customer experience.

STORE AUTOMATION

Today's retailers are placing an increasing focus on in-store automation to fulfill some of the needs in the store environment. Where brick-and-mortar stores are having to reinvent themselves to survive amidst a thriving online landscape, in-store automation has the power to entice new customers and keep old customers returning. By enhancing shopper convenience, businesses can differentiate themselves and deliver a seamless omnichannel experience.

When it comes to improving customer experience, savvy brands are getting ahead of the curve and investing in automation technology to solve in-store issues, particularly those centered around time and convenience. In the eyes of the customer, retailers that deliver high quality, convenient experience leave a lasting impression, which differentiates one brand from another. 32% of retailers indicate that implementing automation is one of their top priorities for the next 12 months (*Exhibit 8*).

Exhibit 8: Top Store Fulfillment Priorities for Next 12 Months

Priority	%
Implement automation	32%
Increase in-store inventory storage	31%
Optimize back-of-house processes	29%
Micro-fulfillment strategy	25%
Implement/expand Curbside Pickup offerings	22%
Implement/expand BOPIS offerings	21%
Implement/expand ship from store fulfillment	21%
Shorten order cycle times	20%
Implement/expand lockers for in-store pickup	19%
Implement/expand BORIS	19%
Associate training	18%
Dark stores	15%

Consumer Expectation:

48% of consumers indicate that the ability to pick up an online purchase in-store is an important factor when choosing what store to shop at.
Source: enVista's 2019 Consumer Survey

With the advent of new technology, it is essential to remember the importance of human interaction – even if it needs to be from six feet away. Rather than using technology to reduce staff numbers, retailers can alter the role of staff. Automating manual and mundane tasks frees staff time to focus on delivering a personalized experience.

Automation also has the power to completely shift the way consumers shop, by placing more control into the hands of the customer. By tackling both personalization and convenience, retailers can utilize automation as a way to stand out from their competitors whilst addressing the challenges that come with in-store shopping and fulfillment.

As automation technology continues to mature, it will increasingly be a point of competitive advantage, with consumers responding positively to the improved convenience that it can deliver. However, to capitalize on this trend, retailers will need to prioritize automation that creates positive consumer experiences rather than simply a cost-saving exercise.

BACK-OF-HOUSE

To support various fulfillment options at the store level, stores need to have the right processes and infrastructure in place. 31% of retailers plan to increase in-store inventory storage to better enable store fulfillment and 29% are prioritizing the optimization of back-of-house processes to support store fulfillment (*Exhibit 8*).

Many retailers are transforming their back-of-house processes and using new technology to ensure that associates can access the information they need to fulfill customer orders and expectations in a timely manner. One way to accomplish this is by outfitting associates with smartphones or tablets connected in real-time to inventory and order management systems so that items can be found and fulfilled in an organized, coordinated way. Order status updates can be sent directly to associates on-demand and in real-time for faster fulfillment. Order information such as pick alerts and tasks can be delivered based on the role, location, and availability of associates.

Ensuring there is organized space for orders to be picked and ready for pick up by customers is also important. Many retailers had to address this quickly as the pandemic closed the store's front doors and retailers shifted to fulfilling online orders out of the store via ship from store or curbside pickup.

EXPAND FULFILLMENT OFFERINGS

Buy online, pick up in-store (BOPIS) and curbside pickup have jumped in popularity and acceptance due to the COVID-19 pandemic and will likely continue to gain in acceptance. Retailers understand the importance of enabling BOPIS and curbside pickup to eliminate the pains of shipping and processing while delivering a convenient shopping experience. More than one-fifth of the retailers surveyed expect to implement or expand their BOPIS and curbside pickup offerings in the next 12 months to ensure they are keeping up with consumer demand (*Exhibit 8*).

Consumer Expectation:

27% of consumers indicate that curbside pick-up is an important factor in choosing what store to shop at.
Source: enVista's 2019 Consumer Survey

Shoppers expect choices and flexibility in how they can get their orders fulfilled, and they want to be able to complete their purchases or make returns quickly and efficiently. While 60% of retailers are happy with their current BOPIS offering, 24% feel that the process needs improvement (*Exhibit 9*). Ship from store offerings are working well for 40% of retailers but there is a much higher percentage of processes that need improvement (47%).

MICRO FULFILLMENT STRATEGY

Over the last few years, customer demand has spurred greater integration of in-store and online shopping. Customers want faster shipments at a lower cost. One way to manage this is to locate inventory closer to the consumer. The old model of shipping from a handful of strategically placed distribution centers may be more efficient, but it isn't agile enough to meet today's customer demands.
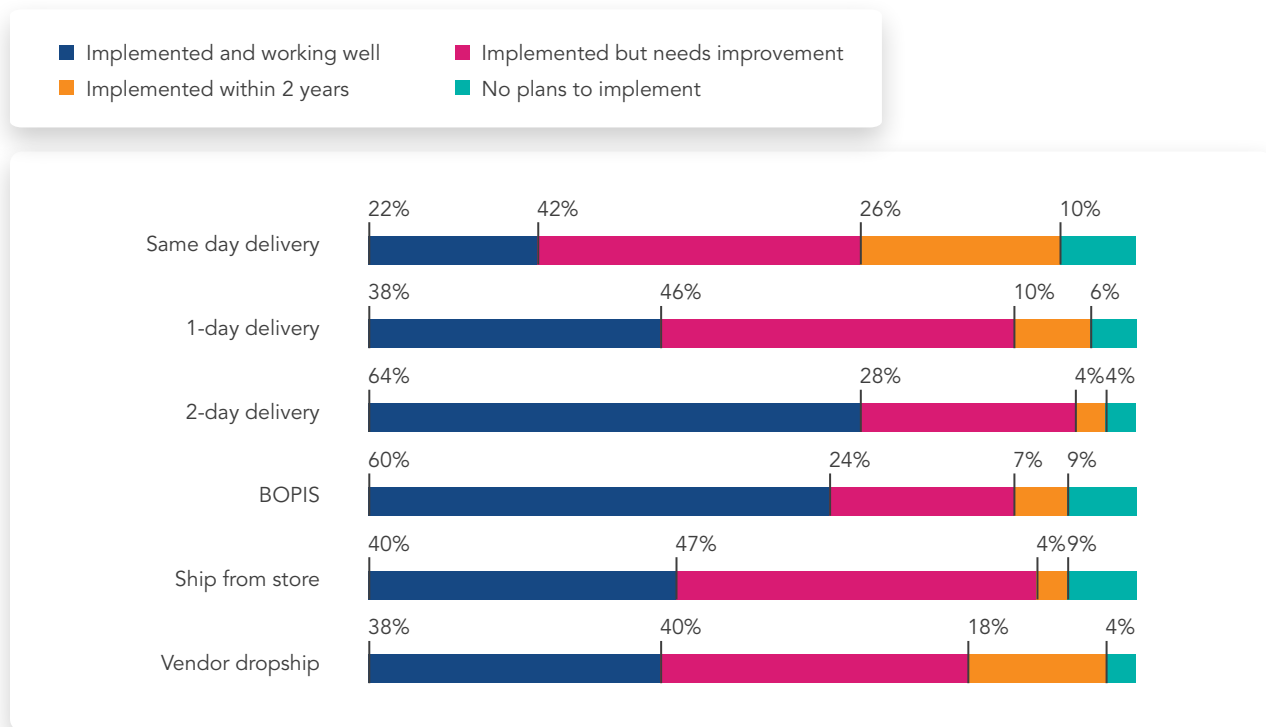
Converting retail stores or portions of store space into mini fulfillment centers can be a cost-effective way to expand a retailer's distribution network and leverage physical space already located close to customers. This is also an opportunity to increase profitability within stores that are not seeing the usual foot traffic. One-quarter of the retailers surveyed are making a micro fulfillment strategy a top priority for the next year (*Exhibit 8*).

However, creating a micro fulfillment center within a store location does not come without challenges.

Areas to consider include staffing levels and personnel responsibilities, the physical store layout, and back-of-house inventory space, plus the ability for real-time inventory visibility across the entire network of stores and warehouses. Some retailers considering adding automation and a dedicated MFC space within an existing physical store also run into challenges with the height and size of the space.

With careful planning, you can leverage retail store locations to act as fulfillment centers in a way that will help expedite shipping, reduce costs, and even help rebalance inventories, reduce obsolescence, and reduce markdowns. A seamless, omnichannel approach that gives customers greater flexibility and higher levels of service will ultimately pay off in more repeat business and additional sales.

Exhibit 9: Delivery/Fulfillment Plans

■ Implemented and working well
■ Implemented but needs improvement
■ Implemented within 2 years
■ No plans to implement

	Implemented and working well	Implemented but needs improvement	Implemented within 2 years	No plans to implement
Same day delivery	22%	42%	26%	10%
1-day delivery	38%	46%	10%	6%
2-day delivery	64%	28%	4%	4%
BOPIS	60%	24%	7%	9%
Ship from store	40%	47%	4%	9%
Vendor dropship	38%	40%	18%	4%

CONCLUSION

The market is transforming, with consumers driving the change. They want agility, flexibility, speed, and convenience. The ability to deliver the necessary seamless, unified commerce experience for your customers hinges on the capability to get products where customers will buy them – whether in-store, online, marketplaces, etc. – and to get them there cost-effectively.

Now, more than ever, an efficient supply chain will be the critical growth enabler for both retailers and manufacturers. Retailers must elevate supply chain capabilities to serve the needs of today's consumers while efficiently managing the costs required to do so.

Let's Have a Conversation.™

SURVEY METHODOLOGY

enVista conducted the 2020 Supply Chain Survey through an online survey program in June and July of 2020. The objective of the survey was to gain an understanding of U.S. retailers' planned initiatives, priorities, and future trends regarding the supply chain, from the warehouse to the customer.

This research also includes data from a separate consumer survey conducted in December 2019, reflecting the general population of U.S. shoppers, to understand overall customer preferences as it pertains to inventory, assortment, and delivery. The combination of retailer and consumer surveys offers a valuable tool to compare customer expectations with retailer capabilities.

This report summarizes the results and findings of the survey, offers insights based on our consultants' engagements with hundreds of retailers and their overall experience, and identifies current and future trends in the industry.

The primary retail segments of the survey respondents were general merchandise with 27% of respondents and specialty – hard goods with 25% of respondents and grocery, food and beverage with 24% (*Exhibit 10*). The remainder fell into other categories such as specialty – soft goods and convenience and fuel.

Of the retailers surveyed, the breakdown in size based on gross annual revenue included a broad selection of Tier 1, 2, and 3 retailers, with 59%

of the retailers having more than $100M in sales (*Exhibit 11*).

enVista also recognizes the challenges that retailers face as they shift from single, multiple, or omnichannel environments to a unified commerce environment. While most of the retailers fall within a multi-channel/omnichannel environment, 24% of the respondents indicate they have a true unified commerce environment and offer a seamless experience to their customers. (*Exhibit 12*).

The specific respondents for each company were comprised of vice presidents and directors of supply chain or IT, and C-level executives.
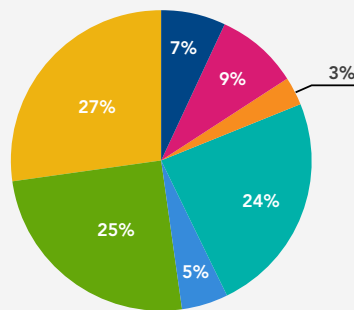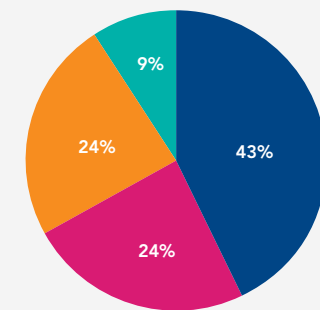

EXHIBIT 10: Company Category

- General Merchandise
- Drug Store/Health & Beauty
- Convenience and Fuel
- Grocery, Food, and Beverage
- Specialty – Soft Goods
- Specialty – Hard Goods
- Other
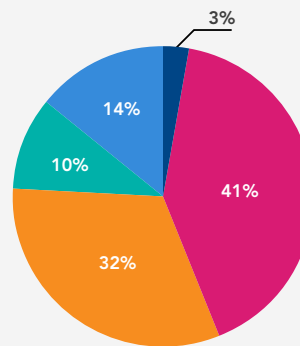
EXHIBIT 11: Annual Revenue

- Less than $100M
- $100M to $499M
- $500M to $99M
- $1B to $4.99B
- More than $5B

EXHIBIT 12: Current Channel Integration

- Single Channel
- Multi-channel
- Omnichannel
- Unified Commerce

About enVista

enVista, a leading global consulting and software firm, is the ONLY solutions provider in the market that optimizes and unifies both supply chains and omnichannel commerce end-to-end, from order capture to fulfillment, and from supplier to end consumer. We help thousands of the world's leading brands drive digital and omnichannel transformation; optimize enterprise efficiencies and savings; turn data into actionable, predictive customer insights; and deliver nimble, unified, optimized, customer-centric digital, and physical commerce.

Our industry experts bring a "strategy first" approach and exceptionally deep domain expertise to consult, implement and operate across omnichannel commerce, supply chain, material handling automation, and robotics, global transportation, information technology (IT), business intelligence (BI), Microsoft enterprise solutions, and emerging technologies including, artificial intelligence (AI), Internet of Things (IoT), and machine learning (ML). enVista's agile, cloud-native Enspire Commerce Platform uniquely and strategically built from the ground up as microservices architecture, provides a single enterprise view of customer, inventory, orders, items, and payments.

Agile, profitable, customer-centric commerce starts here.

Let's have a conversation.™

About Körber

At Körber, we have the industry's broadest range of proven solutions to fit your size, business strategy, and appetite for growth. A range that goes beyond software, including automation technology, mobile, voice, robotics and more. All backed up with a depth of expertise to help you make smart decisions about what to invest in now, and how to move forward as your needs continue to evolve.

We'll help you manage your supply chain as a competitive advantage. A strategic asset. An opportunity to excel.

Conquer supply chain complexity – with Körber.