

How Omni-Channel Retail Impacts the Supply Chain

Exponential e-commerce growth fuels Omni-Channel Retail

Few if any consumer-oriented businesses have escaped the explosive growth of e-commerce - the web-based technology platforms that embrace and harness the transformative power of size and connectivity to empower smartphone equipped digital natives to shop online to their heart's content. Today's digital consumers can now browse through the cloud and choose from a previously undreamed-of massive range of products and services to buy what they want, when they want, how they want, from wherever they happen to be!

During recent years, e-commerce has emerged as one of the key driving forces and a critical element of what has become known as the Omni-Channel. This phenomenon brings together the entire spectrum of consumer shopping channels available - from the offline bricks-and-mortar retail outlets that include convenience stores, mini markets, supermarkets, hypermarkets and shopping malls; through the relatively unemotional and inert home shopping conduits such as TV, direct mail and catalogues; and now embracing the dynamic, exciting online world with internet access available 24-7 through desktop computers, laptops, tablets, smart phones and other mobile devices.

Spawning global giants such as Amazon and Alibaba, the digital revolution of e-commerce is transforming the way in which consumers shop - and changing their expectations of service, choice and value. This e-commerce frenzy

has been driven by near-universal access to the internet, the availability of affordable smart phones, iPads and similar devices - and not least by the burgeoning young populations in developing economies engendering a new generation of digital-native consumers who are determined to 'shop online till they drop offline'.

According to eMarketer, the global Business to Consumer (B2C) e-commerce market grew 20% year on year to exceed USD 1.5 trillion in 2014 and every forecast confirms it will continue to expand. Significantly, the market and potential for further growth lies in the developing markets across the Asia region, much more so than in the developed economies of the western world. The Asia-Pacific market already accounts for more than one third of the global e-commerce market and is forecast to reach USD 1 trillion by 2017, with the Chinese online market on its own, forecast to hit USD 1 trillion by year 2020.

In turn the new Omni-Channel retail model impacts every aspect of a supply chain ecosystem - products, inventory, warehouses, fulfilment, picking, packing, shipping, transport, distribution and the all-important information flows. This e-commerce-enabled upsurge in online shopping is transforming B2C trade at every level, presenting logistics practitioners and supply chain ecosystems with a vast number of challenges and opportunities that have fundamental implications for every dimension of a company's business model, their profitability - and even their future.

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Photo: Bloomberg via Getty Images

How Omni-Channel impacts the supply chain and logistics

The online revolution tests almost every aspect of the long-established pattern of retail supply chain processes - including warehouse operations, pick, pack and despatch, order fulfilment and delivery, as well as introducing new dilemmas such as free shipping, last mile delivery, product returns and cross-border transactions.

Most warehouse operations serving consumer oriented businesses have traditionally focused on carton (or pallet) picking for bulk orders, shipped to retail outlets, often as full truck load (FTL) shipments, which include hundreds of products from numerous suppliers all destined for one store or supermarket.

However, the e-commerce model of online web store to consumer, typically involves logistics management of shipping multiple individual orders, the majority of them comprising just one or two pieces, to hundreds of individual delivery points - typically residential addresses. To serve this expanding B2C sector of online shopping, warehouse operations can no longer rely purely on bulk storage of pallets and cartons, handled using fork lift trucks in a distribution centre; they now need capabilities to manage single unit order fulfilment, involving piece-pickers, shelving storage, tote boxes and individual packing stations.

Many traditional third party logistics (3PL) service providers are challenged in adapting to this new business model. This represents new opportunities for non-traditional distribution companies to establish e-commerce fulfilment centres - physically configured specifically to process large-volume small-order demand generated through online shopping. Unencumbered by legacy systems and operational practices, new entrants can start with a green-field solution and capitalise on the logistics opportunities to serve single-unit order fulfilment with efficient pick and pack business solutions.

Adopting technologies such as Pick-to-Light and Pick-to-Voice - not yet pervasive across traditional warehouse operations - can enable the all-important operational efficiencies that are critical for economically successful e-fulfilment centres. Online e-commerce giant Amazon embraced technology and automation to the extent that back in March 2012, they acquired robotics company Kiva Systems for USD 775 million and now deploy over ten thousand Kiva robots across their massive fulfilment centres - many of them over one million square feet - throughout the USA.

As relatively new entrants into the market, the pure-play online retailers - Amazon, Alibaba, JD.com and their numerous peers - are unburdened by high-street bricks and mortar infrastructure with its related fixed overheads and therefore have much lower operating costs. These e-tailers set the stage by offering consumers free delivery to their home or office, leaving the established retailers with no option other than to offer the same service - which brings a whole new set of logistics obstacles to overcome, quite apart from the higher cost of individual deliveries to residential locations.



Mark Millar

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Author of 'Global Supply Chain Ecosystems', Mark Millar has been engaged as Speaker, MC or Moderator at more than 400 corporate events, customer functions and industry conferences across 23 countries.



Mark Millar 马克 – Bio



“One of the Region’s Supply Chain Leaders”

China Supply Chain magazine CHAINA

“One of the most Progressive People in World Logistics”

Global Institute of Logistics

Acknowledged as an engaging and energetic presenter, **Mark Millar** has been engaged by clients as Speaker, Moderator, MC or Conference Chairman at more than 400 corporate events, customer functions and industry conferences across 23 countries - he is renowned for delivering an impact that is professional, knowledgeable and memorable.

Author of “[Global Supply Chain Ecosystems](#)” commissioned and published by Kogan Page of London, Mark is a Visiting Lecturer at Hong Kong Polytechnic University and has delivered Guest Lectures at Georgia Tech (Atlanta), RMIT (Ho Chi Minh City) and SP Jain (Singapore & Dubai).

Mark leverages over 30 years global business experience to provide value for clients with informed and independent perspectives on their supply chain strategies.

His ‘Asia Supply Chain Insights’ series of corporate briefings, consultations and seminars deliver practical knowledge and educated insights that help companies navigate the complex landscapes in Asia, develop new business opportunities and make better informed business decisions.

His international track record in the B2B services sector includes 20 years in the Asia Pacific region, where Mark led business development initiatives across ten Asian countries. His distinguished corporate career included executive positions at Thorn EMI, RR Donnelley, ModusLink, Platinum Logistix, Exel Contract Logistics (now DHL) and UPS Supply Chain Solutions - serving many leading companies in the Consumer Retail and High Tech Electronics sectors.

He is a Graduate of the Australian Institute of Company Directors (GAICD), Chartered Fellow of the Chartered Institute of Logistics and Transportation (FCILT), Fellow of the Chartered Institute of Marketing (FCIM) and an APICS SCOR-P certified Supply Chain Professional.

Mark achieved an MBA with Distinction from the University of the West of England, is a Graduate of the Chartered Institute of Marketing and holds a post-graduate Diploma in Management Studies.

He has lived and worked in the UK, the Netherlands, Australia, Singapore, USA, Ireland, mainland China and Hong Kong. Whilst with the Thorn EMI group in the UK, Mark’s international sales leadership earned Thorn Secure Science the “Queen’s Award for Exports”.

Appointments: an active and enthusiastic industry contributor, Mark currently serves as:

- Advisory Board Member, Institute for Supply Management, Hong Kong
- Chair of Logistics Policy Committee and Council Member, CILT Hong Kong
- Head of International Relations, Vietnam Supply Chain, Ho Chi Minh City
- Chairman, Logistics Committee, British Chamber of Commerce, Hong Kong
- Chairman, International Relations Committee, Hong Kong Logistics Association
- Advisory Board Member, Logistics & Supply Chain Management Society, Singapore
- International Advisor, Logistics & Supply Chain Management Association, Shenzhen
- APAC Regional Leader and International Advisor, Supply Chain & Logistics Group, Dubai

Accolades: Mark’s commitment and expertise has been recognised with several accolades:

- “Pro’s to Know in Supply Chain” 2016
- “Asia’s Top 50 Influencers in Supply Chain and Logistics” 2015
- “Pro’s to Know, Supply Chain Providers” 2014
- “Chartered Fellowship” awarded by Chartered Institute of Logistics & Transport 2010
- “Supply Chain Thought Leader” Pro’s to Know 2009
- “One of the most Progressive People in World Logistics” 2008
- “Supply Chain Veteran” - Who’s Who of Supply Chain in Asia 2008
- “China Supply Chain 20: the Who, What and Why of China Supply Chain” 2007
- “Who’s Who Top 20 Power Players in Supply Chain Management in China” 2006