

CONNECTED COMMERCE IS FORCING RETAILERS TO REVISIT INVENTORY OPTIMIZATION

Over the last two decades, customer-focused digital marketplaces have changed shopping expectations for consumers. And, in-turn, forced storefront retailers to think differently about their business model. They have responded by activating in-store fulfillment for online orders. In this highly competitive and connected economy, the lines between online and offline shopping are blurring. Customers expect a seamless interaction with brands, regardless of the channel, whether they walk in, buy online and pick up in store, want curbside pickup, or take advantage of any one of the myriad of store-based fulfillment experiences.

To meet the high expectations of the connected consumer, the modern retailer has to be able to profitably facilitate demand being fulfilled in new ways across the store network. Retailers must embrace a new way of thinking about growth and profitability through the changing lens of inventory optimization.

WHEN ONLINE DEMAND MEETS IN-STORE SUPPLY

The previous technological approaches to inventory optimization—including multi-echelon—were never engineered for the complexities of omnichannel fulfillment. Multi-echelon solutions enabled a bi-directional, network approach to inventory optimization that continually updated stock at every level in the supply chain, bringing transparency to the process. And it worked wonderfully for decades to ensure accurate inventory forecasting – until it didn't. There are shortfalls with a traditional multi-echelon approach that place risks on availability promising for online customers and stress on in-store inventory management. That presents a challenge for retailers to profitably deliver on omnichannel fulfillment strategies.

The two critical areas of omnichannel fulfillment that multi-echelon does not effectively account for are the fulfillment of online demand with in-store inventory and the cost savings that can be gained from optimizing inventory levels. Each has an impact on customer satisfaction, and, if not addressed, can significantly impact profitability for the retailer through lost revenue, or capital tied up in excess inventory. Deciding not to invest in advanced inventory optimization technology that understands omnichannel fulfillment strategies is no longer an option for organizations leveraging the store network for fulfillment – 44 percent of consumers now say they have opted for a pickup option.¹ And there are literally a billion reasons why retailers need to embrace this new normal.

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OMNICHANNEL CUSTOMER EXPERIENCE MANAGEMENT

During the 2018 holiday shopping season, omnichannel generated over \$1 billion in sales every day. Retailers with physical stores drove 28 percent higher conversions online.² The need to ensure that inventory strategies are optimized and correctly forecasted across the store network is greater than ever.

THE EVOLUTION OF THE RETAIL STORE AND ITS EFFECTS ON INVENTORY

The modern retail store has evolved to play an even more significant role in the path to purchase. In an IDC InfoBrief survey of more than 600 retail business leaders, 98 percent said digital research drove the path to purchase, increasing in-store traffic. Additionally, a majority of C-level executives in North America believes stores are strategic assets that are “changing buying behaviors of young consumers, and the in-person store is now more of a place where customers explore and experience.”³

As retailers work toward streamlining customer experiences, and the lines between the online and offline shopping experience blur with new fulfillment strategies like buy online, pick up in store (BOPIS), in-store inventory has to be treated differently. In order to compete with large online marketplaces, traditional retailers with store networks must be able to leverage their in-store inventory to support orders that originate online. And retailers that have begun the transition to leveraging stores have a critical strategic advantage.

During the 2018 Thanksgiving/Cyber Monday shopping season, BOPIS fulfillment increased by 50 percent year over year. BOPIS order fulfillments are growing between 40 percent and 70 percent.⁴

This growth trajectory for BOPIS and similar store-based fulfillment strategies is expected to continue, and leading retailers are investing in capabilities to deliver on customer expectations. At the same time, retailers that have not invested in the omnichannel fulfillment experience continue to struggle with inventory availability, as Cyber Monday shoppers experienced product out-of-stock notifications costing \$187 million in lost revenue.⁵

The stakes are higher than ever, and retailers need a solution engineered for the complexities of omnichannel fulfillment to manage their in-store inventory so as to prevent stockouts and markdowns that connected commerce introduces.

INTRODUCING OMNI INVENTORY OPTIMIZATION

Manhattan Demand Forecasting and Inventory Optimization now uses Omni Inventory Optimization (OIO) technology to align the complete network of inventory, channel demand patterns, and omni-fulfillment strategies to maximize profitability. Whether supporting ship from store, pick up in store, or more, inventory is now aligned to the fulfillment strategy and SKU combinations to precisely and proactively place items exactly where your customers expect them to be, driving higher margins and increased loyalty.

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DATA-DRIVEN DEMAND PLANNING

Omni Inventory Optimization uses machine learning to deliver deep insights about the points of demand and fulfillment to predict which SKU and what quantity need to be placed at which store for which fulfillment strategy to deliver the most satisfying customer experience. Retailers now have a scientific starting point to meet the needs of the modern customer without compromising the needs of the business.

OPTIMIZING DEMAND BY FULFILLMENT STRATEGY

Omni Inventory Optimization technology forecasts both “lift and shift,” giving retailers full visibility into the impact of these corresponding dynamics. Forecasting demand lift alone would result in an inventory surplus at the point of demand origination. Understanding the dynamics of demand shift from the point of demand origination to the fulfillment location keeps inventory levels optimized.

Now, retailers can maximize sales opportunities and customer satisfaction, while efficiently minimizing costs, and those that embrace the ultra-connected commerce era can grow their digital sales and store traffic.

DIFFERENTIATED CAPABILITIES INCLUDE:

- Powerful analytics to review the impact of omnichannel fulfillment strategies
- Demand forecasts by SKU/location/channel and fulfillment strategy
- Predictions for shift in consumer demand from one experience to another
- Visual modeling to forecast the expected impact of each fulfillment strategy
- Simulation of the time-phased impact on future supply
- Automatic self-tuning of the demand model as new fulfillment strategies mature
- Automatic alignment of inventory supply plans to new fulfillment strategies

For more information

To learn more about Manhattan Demand Forecasting and Omni Inventory Optimization, contact us today:

+1 (877) 596-9208

1. [How Consumers View Online Delivery Options](#)

2. [Adobe Analytics Data Shows Cyber Monday Broke](#)

3. [Physical Stores Are Evolving To Meet New Roles For Customers 0001](#)

4. [Adobe Analytics Data Shows Cyber Monday Broke](#)

5. [Adobe Analytics Data Shows Cyber Monday Broke](#)

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