

The new era of Omnichannel Distribution

Presented by:

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Why the resurgence on Omnichannel?



**Every dollar spent online
influences \$5.77 spent in the
store over the next 10 days**

Terry Lundgren, CEO
Macy's

Evolution of the Consumer

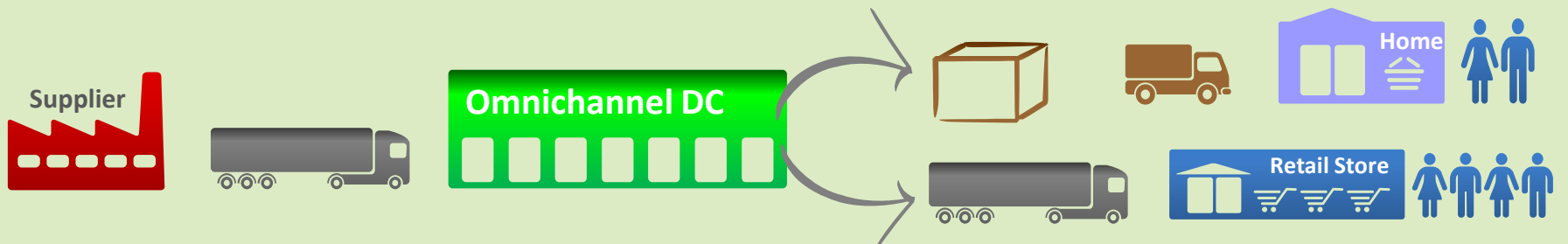
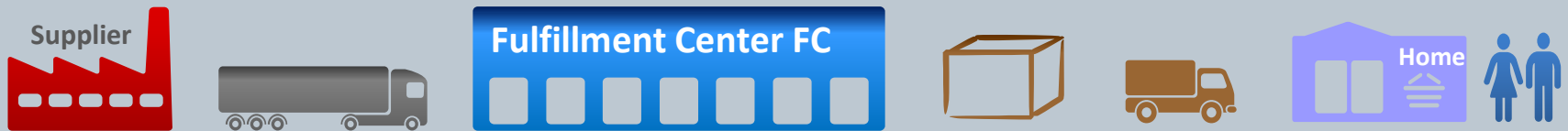


A screenshot of the Macy's website homepage. At the top, there are navigation links for "sign in", "my account", "stores", and "customer service". The Macy's logo is prominently displayed. A search bar is present with the text "Search or enter web ID". Below the search bar, there are categories for "FOR THE HOME", "BED & BATH", "WOMEN", "MEN", "JUNIORS", "KIDS", "BEAUTY", "SHOES", "HANDBAGS & ACCESSORIES", "JEWELRY & WATCHES", and "SALE". A large red banner announces "HURRY—ENDS TONIGHT! FREE SHIPPING AT \$75" with a promo code "JOY". Below this, there is a "ONE DAY SALE" section with a list of categories: women, men, juniors, plus sizes, kids, for the home, bed & bath, shoes, kitchen, holiday lane, jewelry, and handbags. A "web busters" special offers "SAVE 40%" on select coffee, tea, and espresso brewers. At the bottom, there is a "DEALS OF THE DAY!" section with five featured items: Save 30-50% + an extra 25% on select fine jewelry; Save 25% on select women's impulse clothing; Save 20-60% + extra 15% off on designer bedding; 3 for \$39.99 on select bras; and Save 75% on select men's sweaters.

A screenshot of a mobile application interface. At the top, there are icons for "Check In", a bird logo, "Scan", and a camera icon. The main content area features a large image of two people wearing jeans. Overlaid text reads "FIND YOUR PERFECT PAIR IN THE AE JEAN GUIDE" and "21 FITS. 60+ WASHES. EVERYTHING YOU NEED TO KNOW ABOUT THEM ALL IN ONE PLACE." Below the image, there are two buttons labeled "MEN" and "WOMEN".

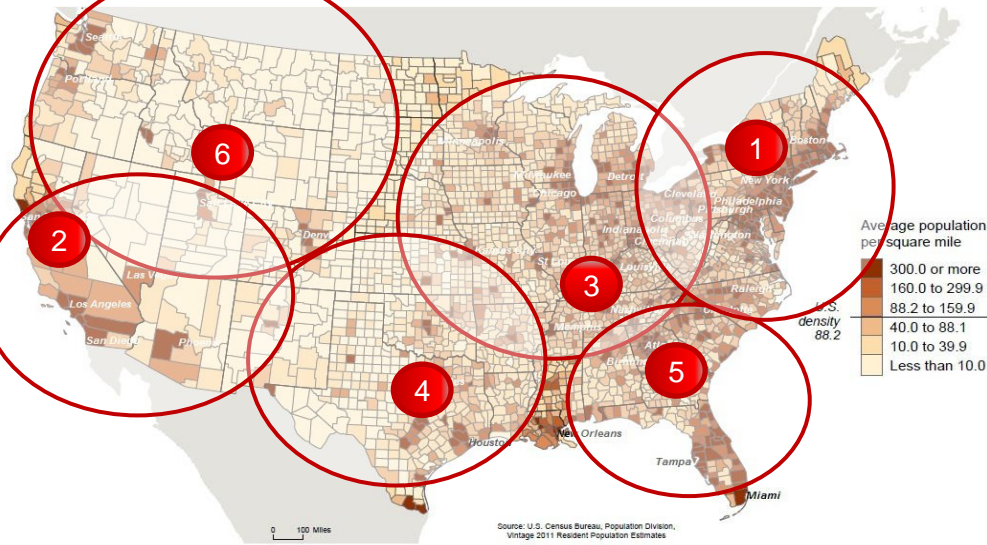


Evolution of Retail & eCommerce



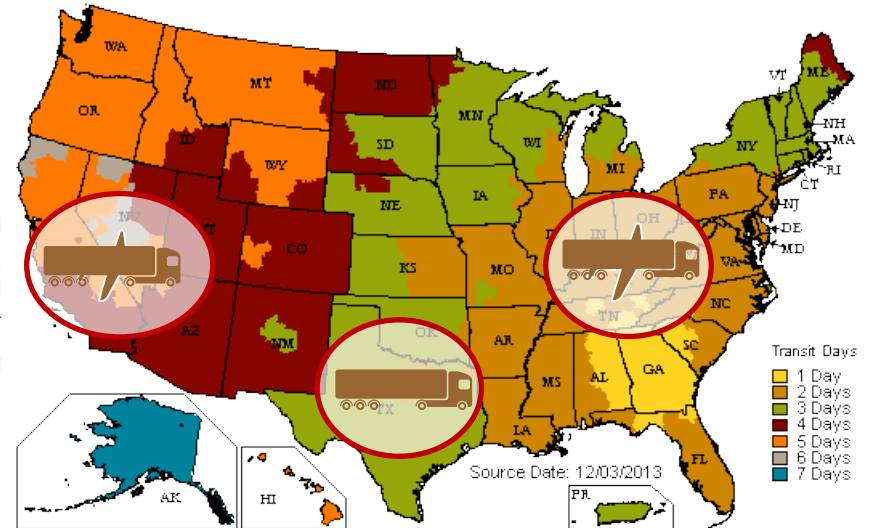
Distribution Growth & Fulfillment Service Needs

Distribution Center Growth



Source: U.S. Census Bureau

Fulfillment Center Service Needs



Source: UPS

Has resulted in duplication of inventory & infrastructure



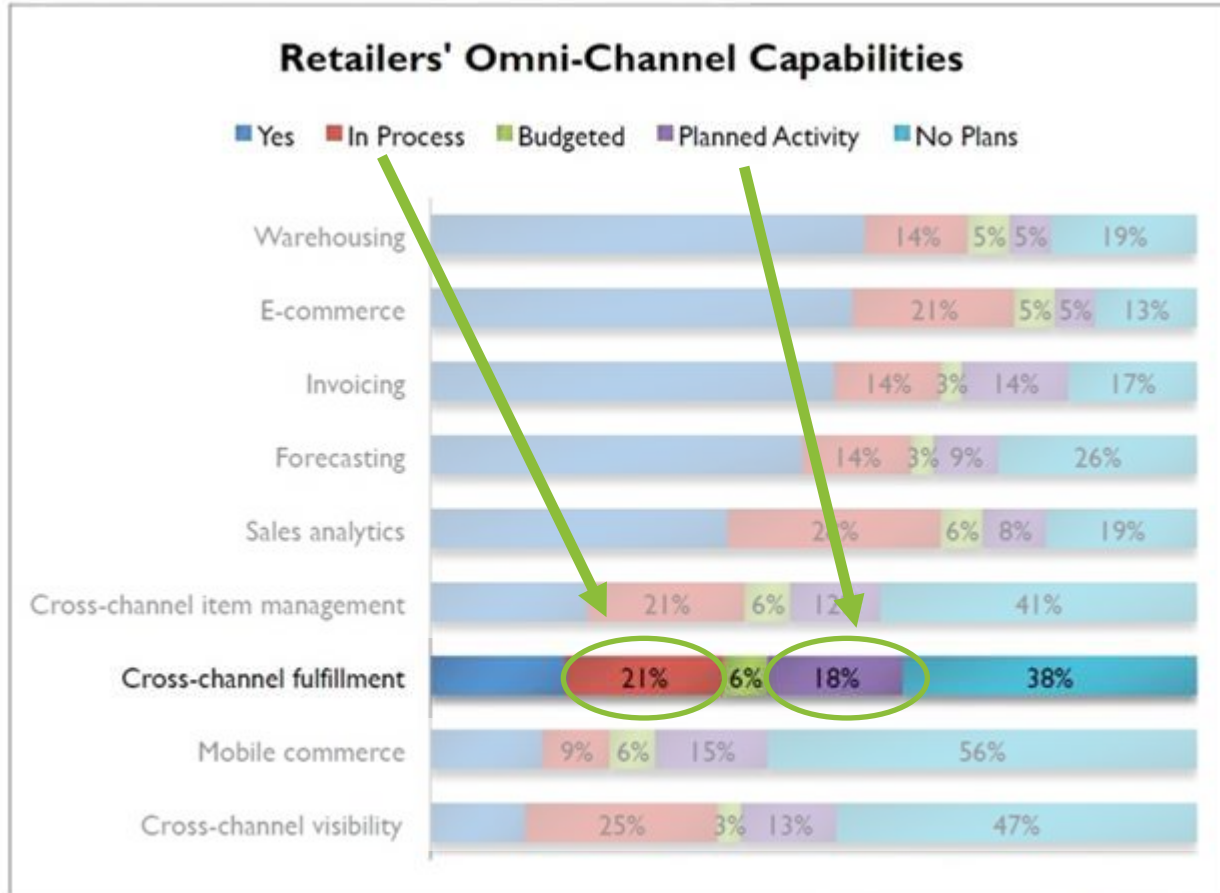
What does Omni-channel really mean to the distribution center?

Definitions vary, but for purposes of this seminar, we'll use the term to refer to a retailers' efforts to integrate their store and e-commerce selling channels to work seamlessly together inside the four walls of a single distribution center.

- ✓ **One Inventory**
- ✓ **One Fulfillment Engine**
- ✓ **Multiple Order & Product Flows**



Current State



Source: RSR Research, October 2013

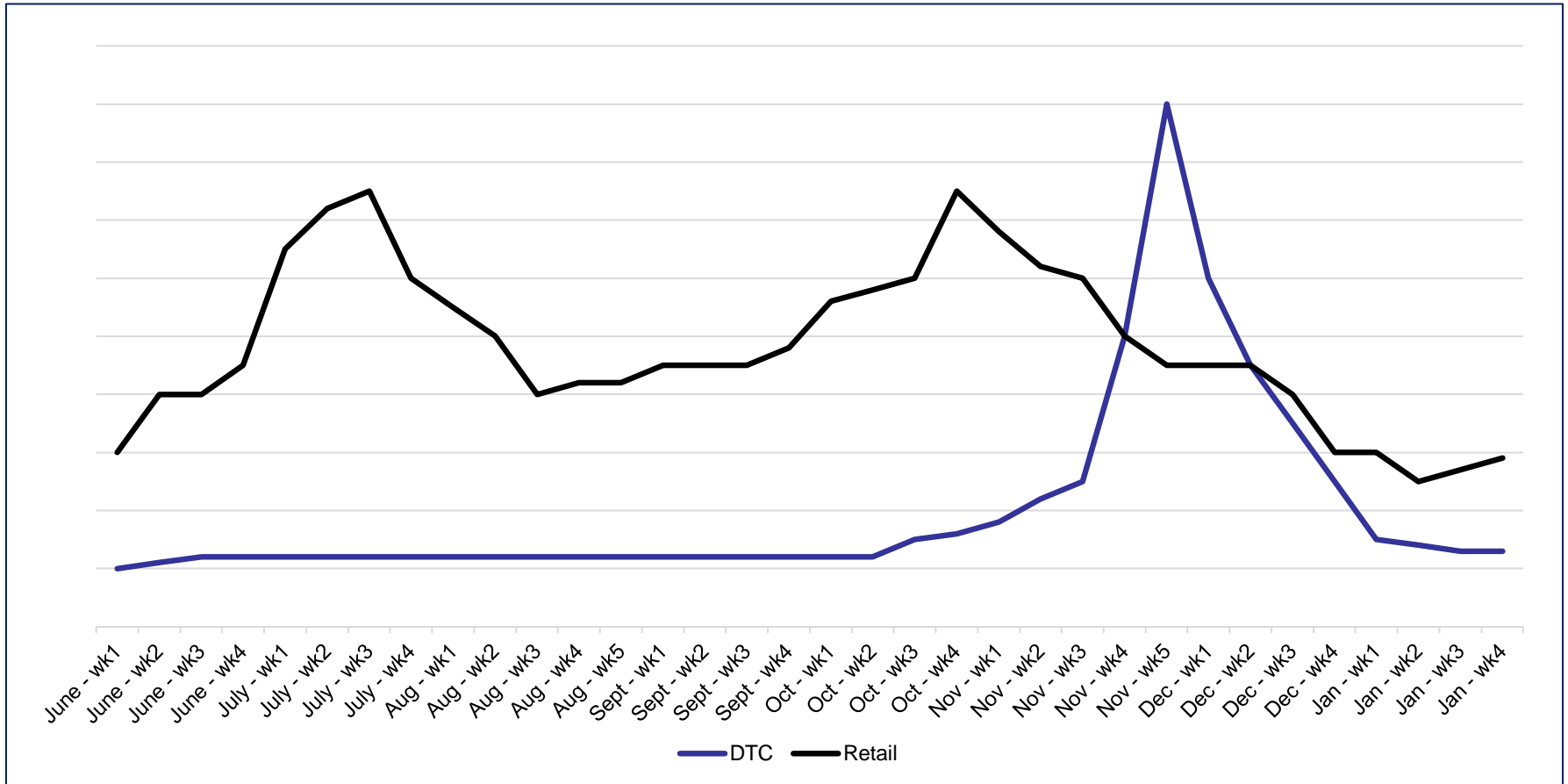


What are the benefits of one Omnichannel DC?

- Speed to Market
- Labor
- Infrastructure
 - Inventory
 - Systems
 - Facilities
 - Administration



Combined Order Profile

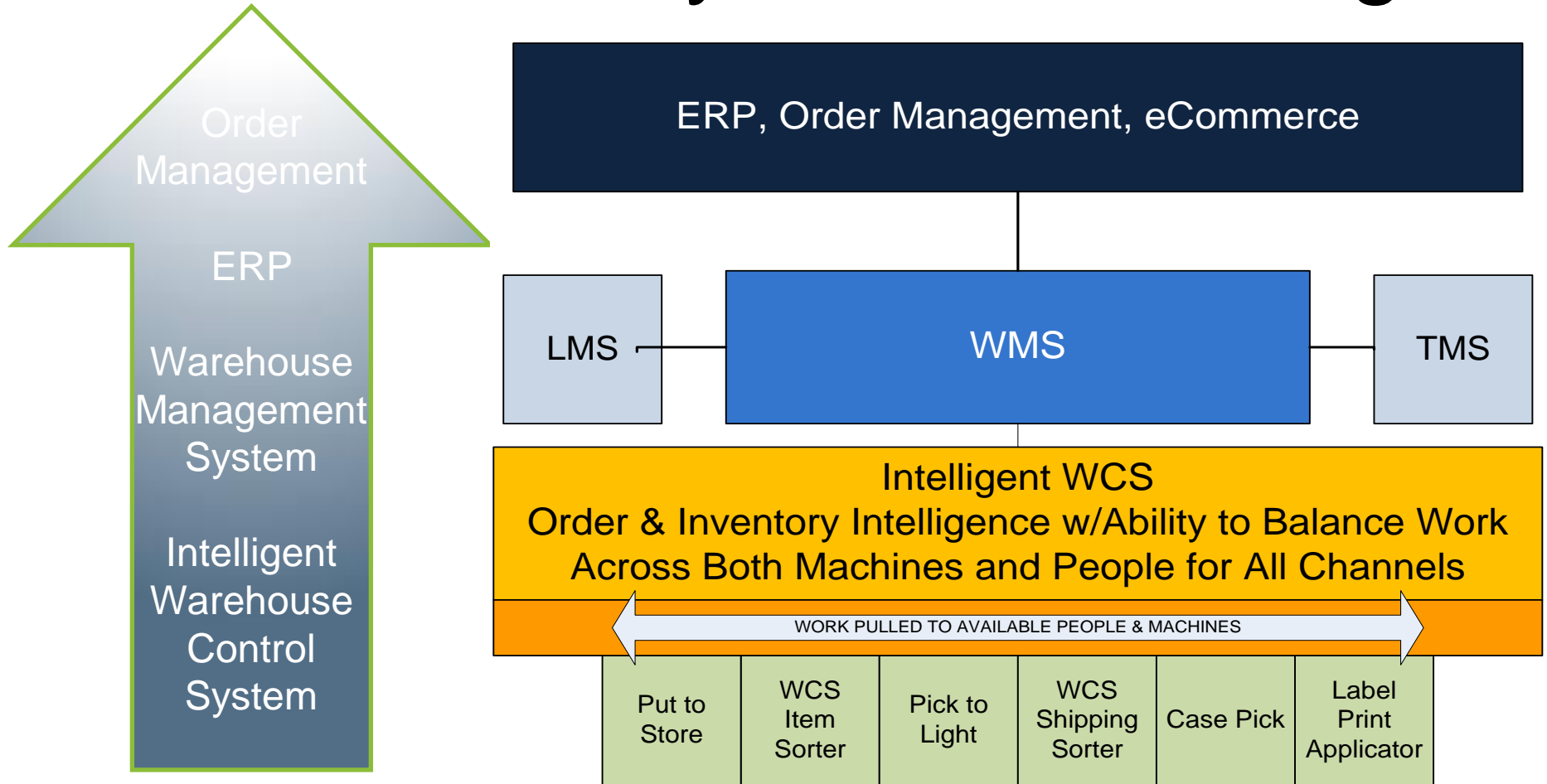


Challenges

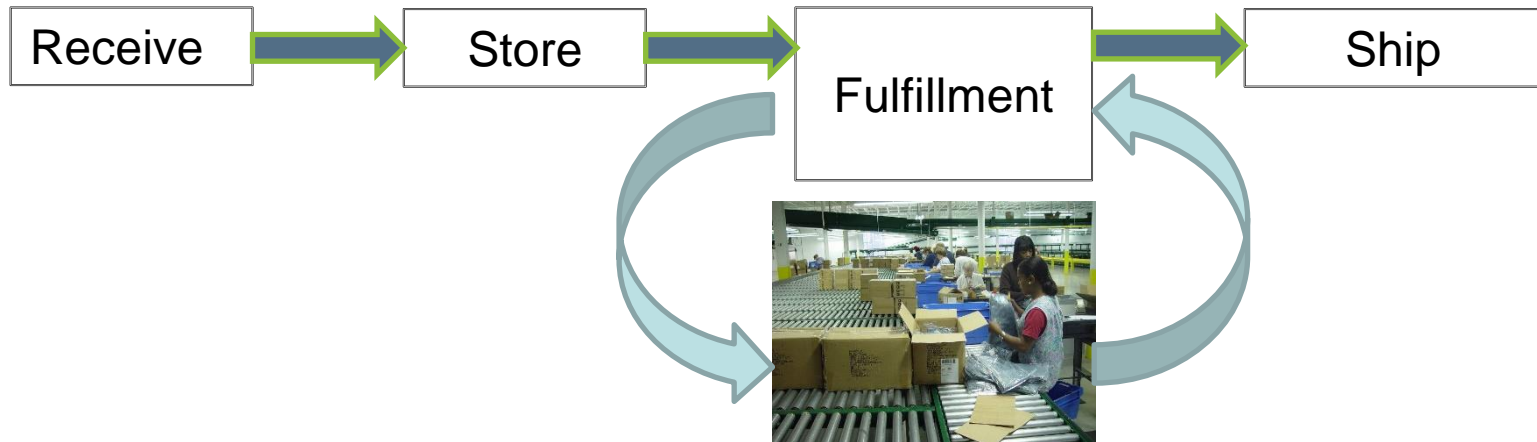
- One Inventory
- Information Systems
- Product Configurations
- Current Infrastructure



Information Systems Challenges



Inventory Challenges



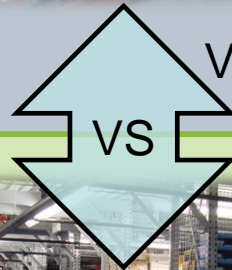
Storage Challenges



Reserve

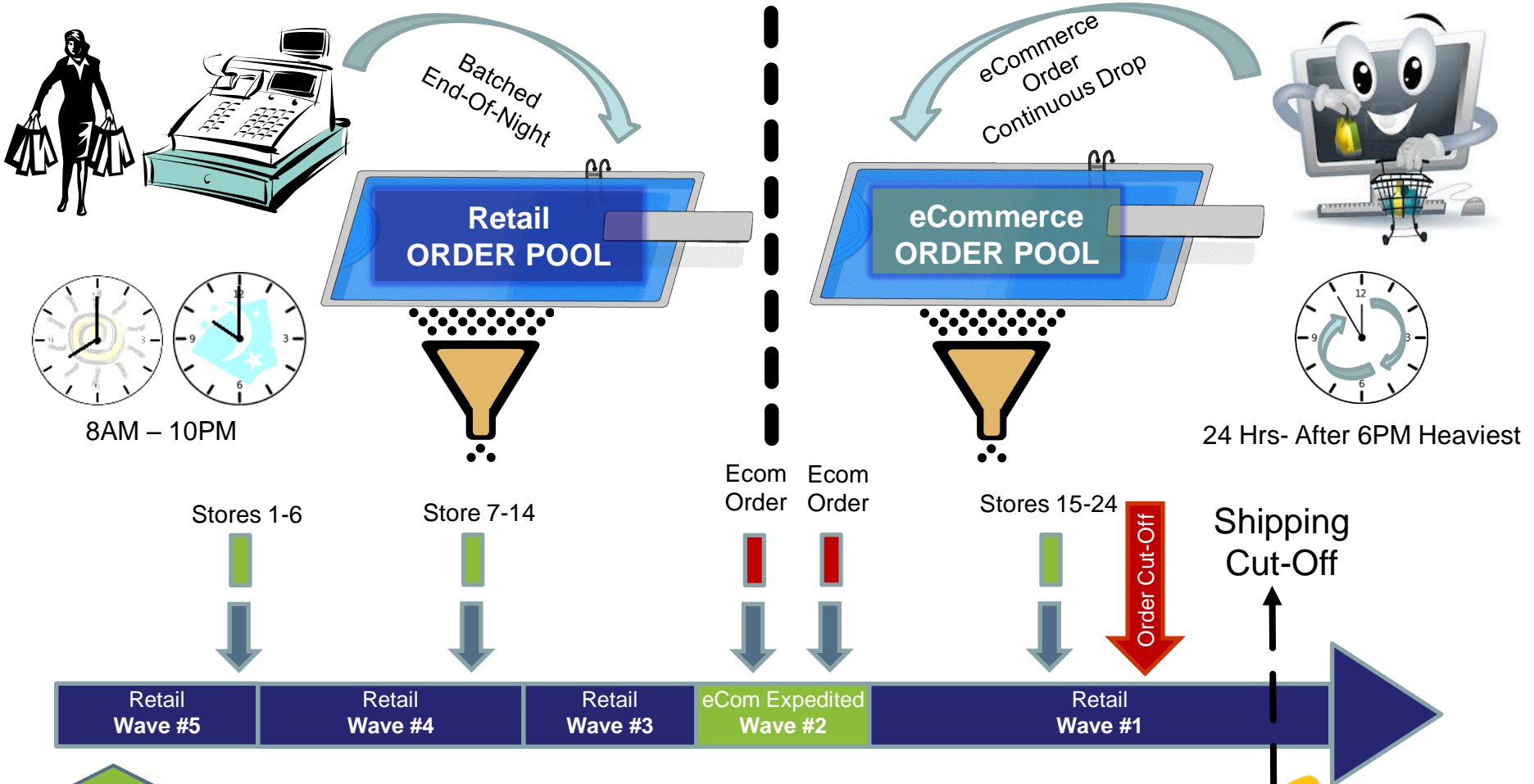


Velocity Based Slotting

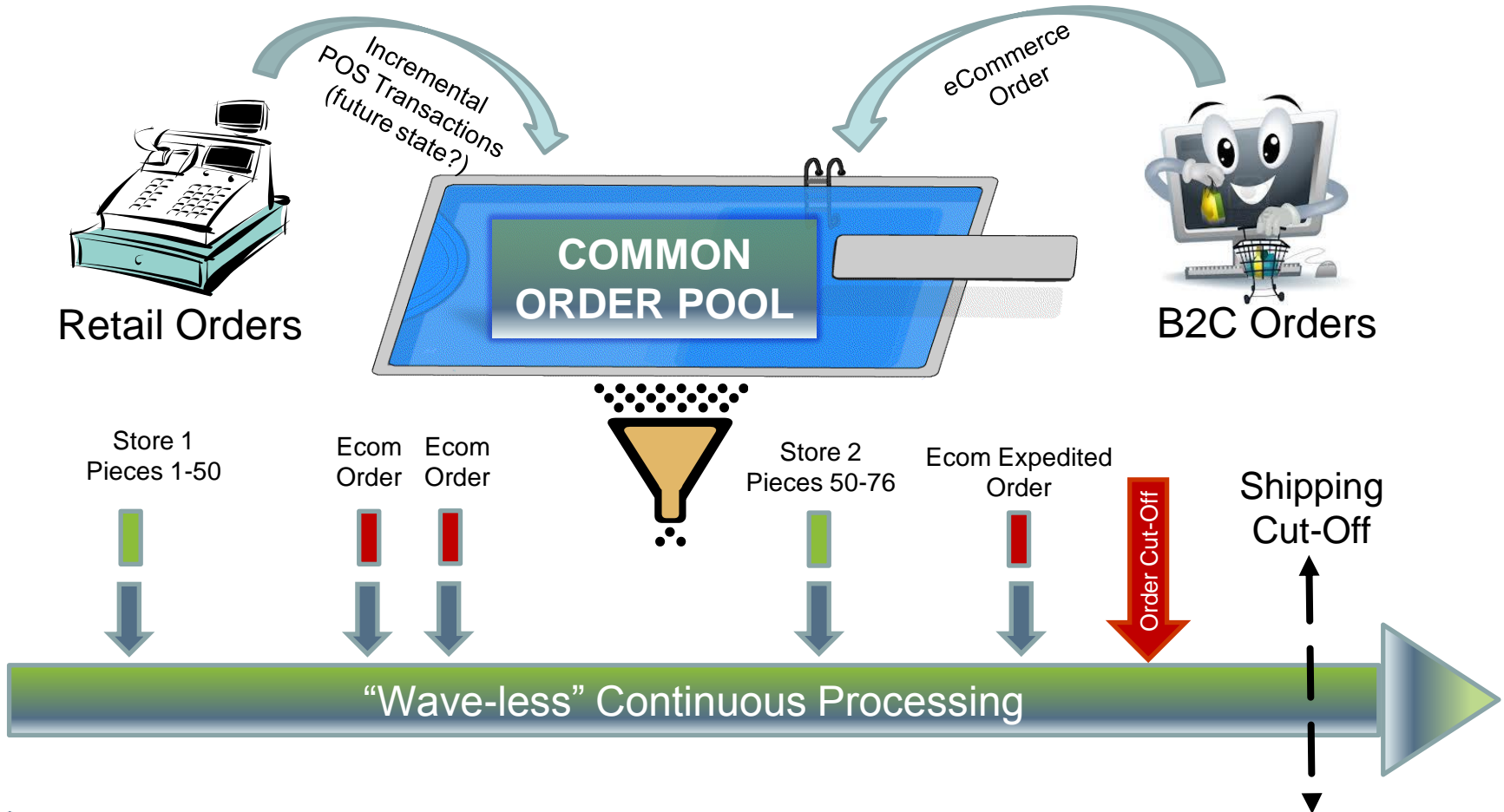


All Active

Pre-Omni Order Processing



Omnichannel Processing Engine



Ideal World



MUSINGS FROM A LEAN THINKER



The Optimist



The Pessimist



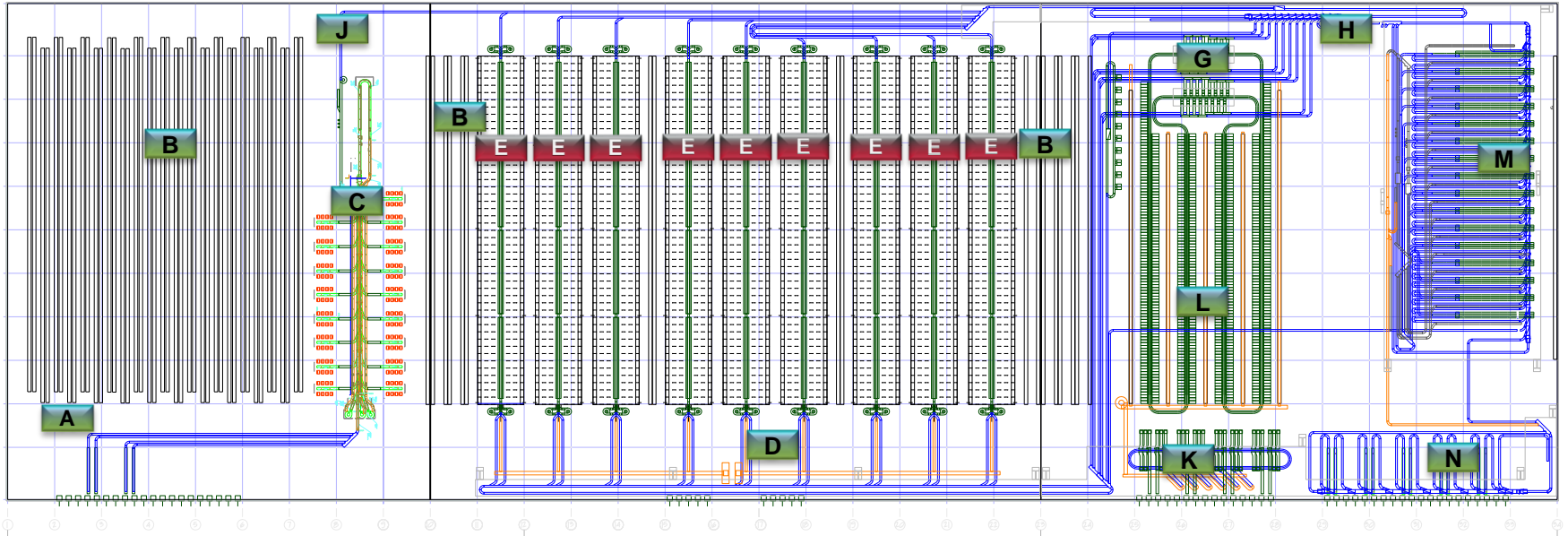
The Lean Thinker

lean.org/leanpost



What if we combine our
ecommerce & retail
fulfillment operations?

New Omni-channel Case Study



A Receiving

B Reserve

C Pallet Build

D Empty Tote Return

E DTC Prepped Ready Inventory

E Retail Ready Inventory

G Unit Sorter Induction

H Pre-Sorter

J Cross-Dock

K Parcel Shipping

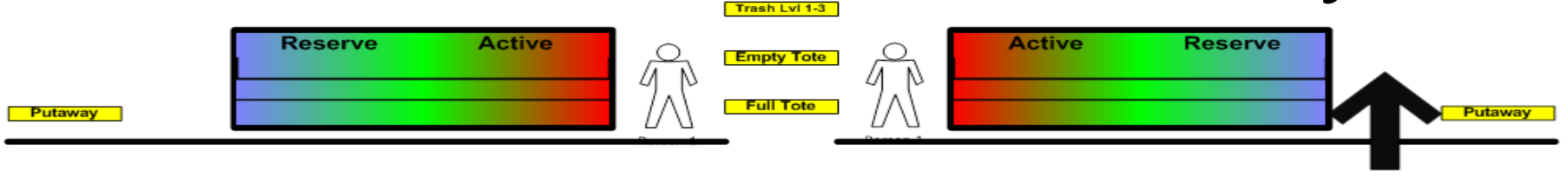
L DTC Packing Sorter

M Put-To-Store

N Case Shipping (TL/LTL)

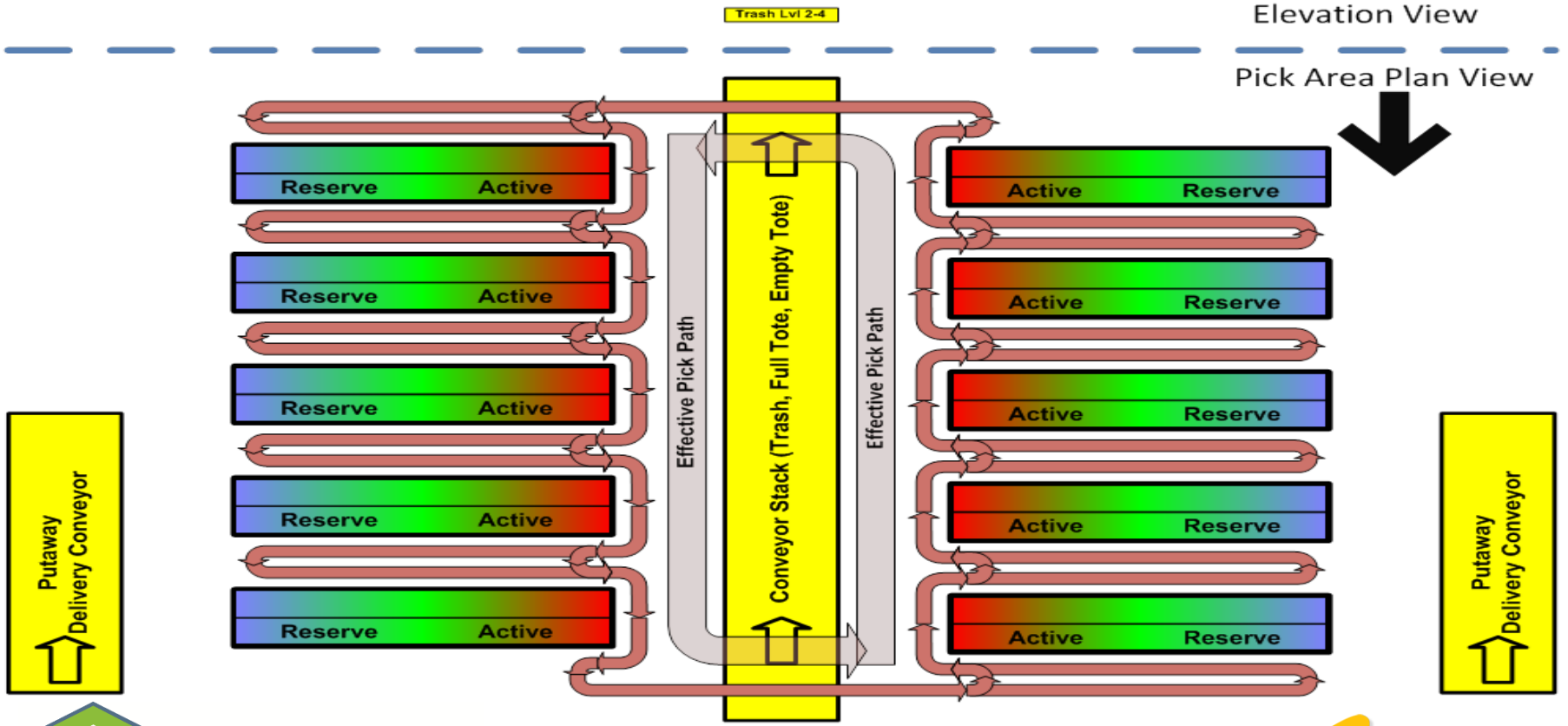


Starts with One Inventory



Elevation View

Pick Area Plan View



Unit Level Processing



Retrofit an existing operation



Real Benefits

- Reduce Capital
 - Buildings
 - Automation
 - Infrastructures
- Reduce OPEX
 - Inventory
 - Labor
 - Facilities
- Flexibility
 - Dynamically react to product flow
- High Margins
 - Inventory can Match the Demand



Omni-channel is here to Stay

“It works. There is real ROI in these projects.”

-Mark Seigel, EVP, Ann Inc.

“Macy’s omni-channel strategy is one of three key strategies driving its success”

-Karen Hoguet, CFO, Macys

“Approximately 50 percent of our sales involve online research at some point in the shopping process. And another key fact is that almost one in every four store shoppers have previously been on homedepot.com before purchasing in our store. It’s for this reason that we have dropped the ‘e’ off of e-commerce.”

-Hal Lawton, President, The Home Depot Online Business

Source: Logistics Viewpoints



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