

Distributed Order Management

Buy Anywhere, Sell Anywhere, Return Anywhere

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1 Introduction

As companies strive to both delight their customers and demonstrate top-line gains and double-digit cost reduction, the supply chain is being continually challenged to deliver more value and efficiency. To keep pace with these increasing demands, retailers, especially the multi-channel retailers, are eagerly harnessing the potential of optimized, integrated supply chain solutions such as Distributed Order Management (DOM).

Implementing a DOM solution can dramatically improve your customer service and extended supply chain efficiency, while reducing your inventory and operational costs.

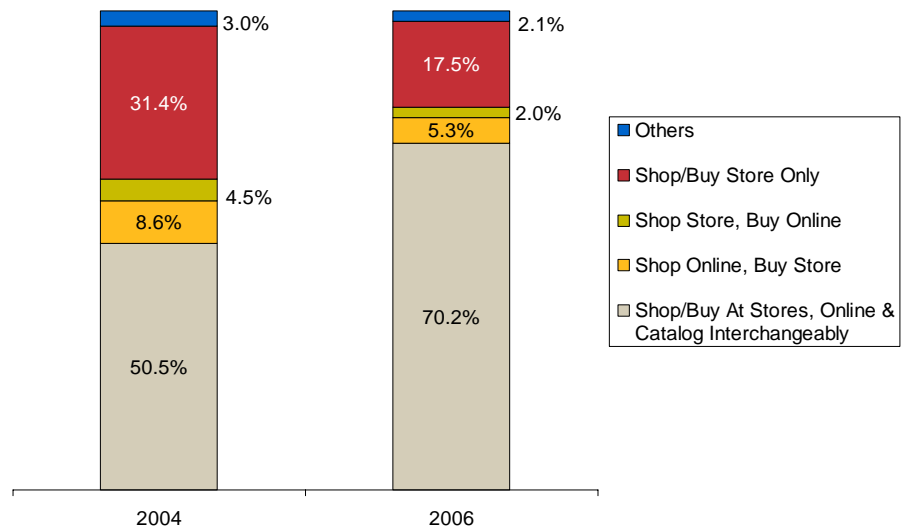
DOM executed against a customer-focused strategy, will increase the flexibility of your supply chain network and enable efficiencies including:

- **Catalogue Expansion:** Allowing expansion of product offerings while minimizing inventory investment
- **Customer Focused Fulfillment and Returns:** Creating an operating model consistent with growing customer perceptions
- **Cost Avoidance:** Delivering products while eliminating non-value added steps or “touches”

2 The Growth of the Integrated Shopper

A recent study performed by Kanbay Research Institute and sponsored by the National Retail Federation has noted the growth of the “Integrated Shopper”. The Integrated Shopper is the shopper that utilizes a multiple-channel process when executing their buying decisions. From 2004 to 2006, the Integrated Shopper has grown from 50.5% to 70.2% of the retail customer base. (See Exhibit 1.)

Exhibit 1: Customer shopping habits



Source: Kanbay Research Institute

Today’s Integrated Shopper wants a retailer to “connect” with them through all channels and further, this connection needs to be precisely what they expect—every time.

2.1 How is a connection made?

- **Consistency:** First and foremost, consumers want a retailer that understands and responds to customer needs by consistently delivering the right products, information and services, time after time. This helps to create a customized and personalized shopping experience.
- **Price:** A fair-price, more than a low price, is critical to improving the customer’s perception of a retailer. Consumers want pricing that is fair and consistent across channels and geographies. Price transparency (web, news, mobile device) increases the importance of “fairness”, making information asymmetry a thing of the past.

- **Safety:** From personal safety while shopping to privacy protection and security of customer data and credit card information, consumers want to know they are protected.
- **Leadership:** Consumers use company's brand image to navigate a crowded marketplace. Retailers with a brand that designates a position of industry leadership win more business and their customers are willing to pay a higher percentage when their desires are being met.
- **Competence:** Retailers need to prepare staff for cross channel integration. Consumers that shop interchangeably between internet, stores and catalogs have the highest expectations for staff competence. Forty four percent of all shoppers rate employee training as one of the top ways to improve the perception of a retailer.
- **Quality:** Expectations for store quality are highest with the Integrated Shopper, higher even than those shopping uniquely at physical stores. Aesthetics count, and consumers reward retailers that offer a reliable, pleasing store environment.

3 Behind the Curtain

Consumers see companies as a single, seamless entity—whether they are visiting a store or a website. As such, companies are challenged to operate in a manner which is consistent with these customer expectations. The walls of geography, division and processes hinder a company’s ability to build lifetime customer value.

Companies have focused their time and effort on overcoming the challenges of master systems and processes to optimize operations inside their own four walls. Growth through expansions, acquisitions and mergers, along with increasing customer expectations, create even further complexities. For example, a customer who wants to order online but pick up the order in a store has created challenges for even the best Enterprise Resource Planning (ERP) and Point of Sale (POS) systems.

A typical company does not “own” all of the processes, systems and services necessary to maintain a successful lifetime customer relationship and companies may bundle their own products and services with partners to provide higher levels of consumer satisfaction. These offerings may be delivered through expanding existing sales channels or opening new ones. The expectation is that this combination will provide the customer with what they want, when they want it and how they want it. Unfortunately, if any part of the solution fails, the customer experience is perceived as “not as advertised.”

The customer is then dissatisfied and can potentially be lost permanently. To combat the potential perception of poor service, companies resort to building work-around processes with manual intervention. The end result is usually increasing inventory across multiple locations with the right product often deployed from the wrong location.

4 Distributed Order Management: “Buy Anywhere, Sell Anywhere, Return Anywhere”

DOM can manage all of the processes by allowing for a virtual expansion of the supply chain network. The goal of DOM is to join together the many disparate components to help manage an order through a seamless process. DOM uses a Service Oriented Architecture (SOA) to capture and track orders and equitably match resources to products.

DOM aggregates orders to a single point of control from the various order entry systems and channels. These orders can then easily be reviewed from inception to close: storing all order information and events during the life of the order. (See Exhibit 2.)

Exhibit 2: Distributed order management



- End-to-end
- Many-to-many
- Improved planning for orders & inventory
- Improved order fulfillment through visibility, allocation & tracking

Source: Capgemini

Centralized resource control includes global visibility of inventory, delivery and service availability. Inventory is viewed holistically including inventory on a purchase order or a manufacturing order, in-transit inventory and allocated inventory. Regardless of where inventory is, it can be managed through a single point of coordination in order to meet customer expectations with product matching and seamless service coordination.

DOM is not intended to replace existing systems and applications, rather, it is an additive system that requires its own database and integration points with existing applications. Existing applications remain as the system of record. DOM is deployed on a SOA, where state changes within the existing applications trigger actions.

The initial forays into DOM were generally custom built systems implemented using object technology. These were generally hampered by a tight coupling of the function to the application—making change slow and difficult. However, Supply Chain Software and ERP have matured and the SOA is putting these limitations in the past. The market for DOM software is set to reach \$13.3 billion by 2007, according to Yankee Group research—up from current investments of \$4.9 billion.

5 Expected Functionality/Features

DOM, when envisioned and delivered correctly, should provide:

- **End-to-End Visibility**
 - Information on order lifecycle and products flows from beginning to end (and return when necessary)
- **Many-to-Many Capabilities**
 - Provides a seamless structure across a complex supply chain
- **Multi Channel Order Management**
 - Aggregates customer orders across multiple order capture channels and systems
 - Provides the capability to enter/modify customer orders directly via configurable order entry consoles or through a source order entry system and co-ordinate data synchronization
 - Provides accurate available-to-promise inventory, delivery or service dates to the requesting order management system
- **Configurable Network & Processes**
 - Creates and maintains the network of resources available to the application (e.g. warehouses, partners, partner offerings).
 - Defines fulfillment processes and execution sequences within each component of the network
 - Easily splits or consolidates orders between any network component for either product, delivery or service.
- **Real Time Visibility & Monitoring**
 - Monitors partner performance
 - Provides visibility into the fulfillment progress at all stages in real-time
 - Monitors process execution at the line item level
- **Reporting & Analysis**
 - Measures Key Performance Indicators (KPIs) and analyzes supply chain performance
 - Provides a single data source for performing reporting and analysis for orders and fulfillment processes and results

6 Building the Case for Change

In order to justify the investment, the company must begin with the Business Case and Implementation Roadmap. The business case should consider capabilities listed in Exhibit 3 as potential value levers. Most importantly, before embarking on the journey, the company must understand (but not assume) customer/channel logistics preferences. A well designed operating strategy services the goal of identifying values certain customers and channels place on fast versus accurate and timely deliveries, complete versus partial orders, and the preferred form of documentation and communication.

Exhibit 3: Distributed order management capabilities	
Customer satisfaction	<ul style="list-style-type: none"> ▪ Timely product availability & allocation ▪ Order delivery reliability ▪ End-to-end order visibility ▪ Broaden SKU base with “deep product catalog” ▪ Available to promise (ATP) for drop shipped product ▪ Reliable, timely and accurate delivery commitment
Supply chain effectiveness	<ul style="list-style-type: none"> ▪ Minimize stockouts across multiple points ▪ Unnecessary “touches” of inventory ▪ Obsolescence for “unpredictable SKUs” ▪ Improves supplier visibility ▪ Reduces interface delays & errors ▪ Improved ability to plan and match demand with supply ▪ Improved ability to manage/allocate short supply inventory

7 Conclusions

With Enterprise Resource Planning (ERP) and Customer Relations Management (CRM) solutions commanding the transactional processes, companies have a clear opportunity to use DOM to manage the complexities of the Supply Chain. DOM can expand processes well outside the confines of the four walls and can give insight and control over the extended fulfillment network.



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