

# Retail's Path Forward: Intensify Digital and Build Greater Resilience

By Philip Hall, Managing Director, Europe

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The COVID-19 pandemic has raised the bar for omnichannel retailers and put the spotlight on the need for greater resiliency. The worldwide crisis has exposed narrow points of failure in many supply chains and some internal networks have become bottlenecks.

We have seen retailers big and small struggle to keep up with heightened demand. Lately, even Amazon has been challenged. With their shift to focus on essential items, they have moved third-party sellers out of warehouses and halted delivery services for non-Amazon packages, which has had a huge impact on retailers and smaller brands that sell through the marketplace. This combined with delivery time frames continuing to be pushed out puts Amazon's brand loyalty and sales conversions in jeopardy. Right now, Prime subscribers don't trust that orders will be delivered on-time.<sup>1</sup> In fact, approximately 80% of Amazon Prime subscribers say that the lengthened expected delivery date has impacted their purchase decisions for essential items.<sup>2</sup>

Another superstar retailer that hasn't fared well in this new environment is Primark.<sup>3</sup> The chain is 100% brick and mortar and for the last 15 years they've experienced extraordinary success. However, during this crisis they've struggled because they have no ecommerce presence and have correspondingly plummeted since mid-March due to the closing of all 375 of their stores. According to reporting from the Financial Times, "the retailer has responded by stopping rent payments, cancelling orders and using various government schemes across Europe to lay off staff."<sup>4</sup>

While the immediate reaction for retailers has rightly been to protect their employees and survive, sooner rather than later, they'll need to develop longer term strategies. To adjust to retail's new landscape, it requires the development of additional capabilities, and the agility to be able to use them on a day-to-day basis, not just during times of crisis.

But how can you restart growth against the backdrop of a fundamentally changed landscape without upsetting the delicate balance of cost and service?

Our view is that retailers need to focus on the following:

## **Intensify your digital offer to capture the upswing in demand**

During the crisis, ecommerce has jumped from around 20% of retail revenues, on average, to almost 100% overnight. Some analysts are now predicting that this has kick started an upswing, such that by 2028 ecommerce will exceed 50% of all retail sales.<sup>5</sup> From a recent [CommerceHub survey](#), we can see that while customers will return to stores, many retailers will see the shopping habits of their customer permanently change. Prior to the COVID-19 pandemic, 43% of respondents preferred to shop online for essential items. Now, 69% of consumers are likely to subscribe to a delivery service for groceries and other essential items following the crisis.<sup>6</sup> For retailers that already have an online presence, this isn't just about "go faster" websites. It's about making sure that you can offer greater choice aligned with your brand experience. Essentially, making your digital offer more relevant and compelling by offering an extended complementary range. Not only could this result in an incremental revenue gain, but this creates a stronger digital brand impression positively impacting website visits and ultimately leading to more conversions.

## **Go inventory free and build greater resilience in supply**

An increase in demand needs to be met by increased capability. But, how can this be done without incurring capital and operational expenditure? For omnichannel retailers, their online business is already less profitable compared to their store-led trade. One solution is to utilise the capacity and capability of your suppliers to increase your use of inventory-free

channels like drop ship. Drop ship is where products are delivered by suppliers on behalf of the retailer. As suppliers have strengthened their direct-to-consumer capabilities, they've proven to retailers that they can be trusted to handle the last mile. Not only does drop ship offer a way to intensify your digital offer, it also enables greater supply chain agility. For example, if products run out of stock in your internal network, a smart solution like CommerceHub can enable you to divert demand to the drop-ship supplier as the next best source of supply. This has a direct and positive impact on customer satisfaction and loyalty.

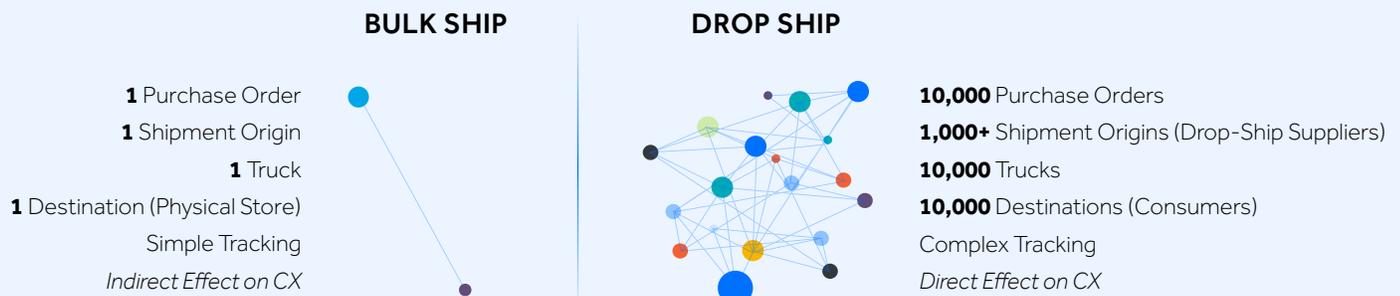
Ultimately, drop ship can minimise the narrow points of failure exposed during COVID-19. With drop-ship capabilities, you can increase revenue without inventory risk, gain access to geo-diverse suppliers, expand assortment strategically and grow demand with new audiences.

### The CommerceHub Advantage – Protecting the Customer Experience

So, why aren't more retailers doing this? In the US, for 10 of the largest retailers drop ship accounts for approximately 20% to 90% of their online revenues.<sup>7</sup> Whereas, in the UK, it is estimated to be much less prevalent and in mainland Europe even less so.

One of the reasons drop ship hasn't been more widely adopted is the perceived challenge of drop shipping whilst maintaining a brilliant customer experience. This can be hard to do without the right partner. Over the past 20 years, CommerceHub has worked with some of the largest retailers in the world to perfect this technique and ensure a great customer experience.

## Why is Drop Ship So Hard?



When you use the CommerceHub platform and rely on our expertise to manage your drop-ship program, you gain the visibility and capabilities to make drop ship a success. The CommerceHub platform enables you to utilise an inventory-free channel and seamlessly incorporate a broader or deeper product assortment into your offer.

### Our platform offers the ability to:

- Replicate your customer experience processes and alert you to exceptions so your customer notices no difference in their experience whether it's an internally fulfilled product or one they receive via drop ship.
- Deliver accurate stock availability by location. This combined with delivery information and processing time means customers can be promised, at time of purchase, a reliable delivery slot.
- Quickly onboard and manage hundreds of suppliers while assuring they conform to your rules and processes.

## The CommerceHub Platform – Proven, Tested, Reliable

CommerceHub has the vantage point of managing £17 billion of retail revenue on behalf of many thousands of retailers, supplier and brands. We have seen first-hand how retailers on our network have performed during this worldwide crisis. Across all sectors we have helped our customers successfully maintain their customer experience even with an over 100% uplift in demand. In addition, the average fulfilment rates achieved since March remained steady at 98.3%. There has been an increase in categories like food, household essentials, crafts and home office equipment. However, even in non-essential categories like apparel we have seen customers rely on our network with increases in volume of around 60%, with no appreciable delay in fulfilment rates or delay in shipping times.<sup>8</sup>



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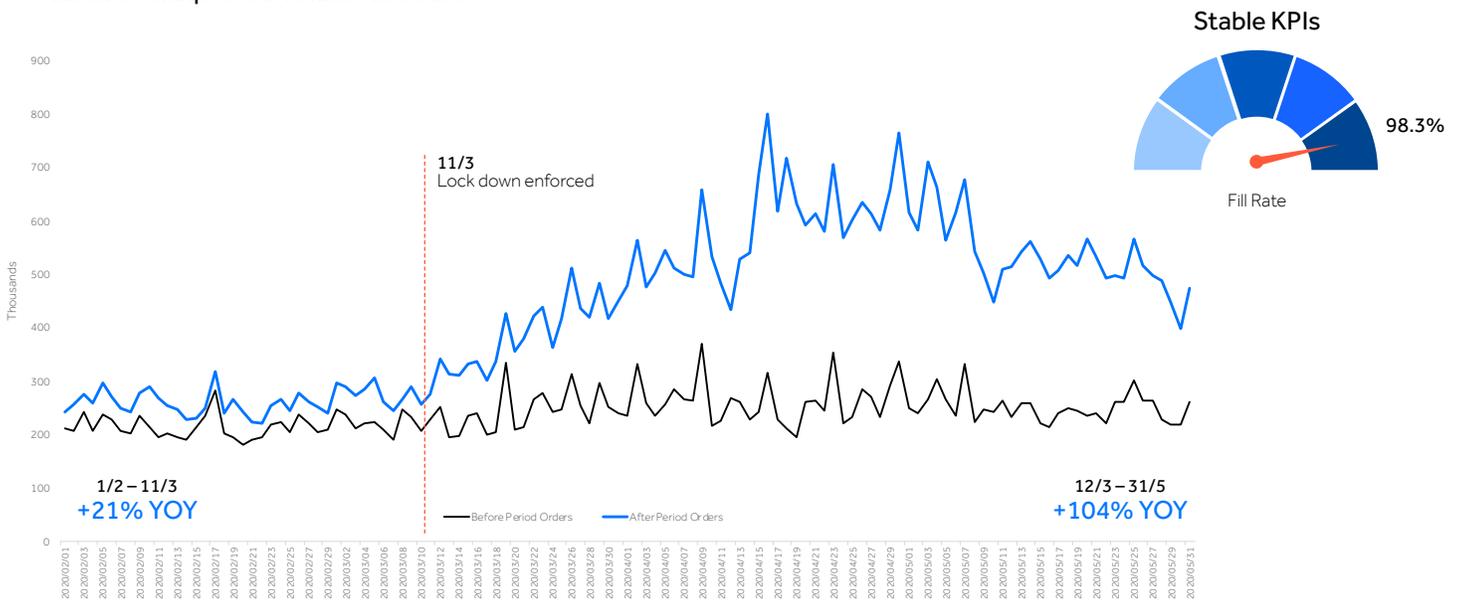
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The CommerceHub platform is processing our customers' orders as designed, utilizing multiple geo-distributed data centres and network redundancies. It has kept up with unprecedented ecommerce demand with no system delays or disruptions. Across our network, we aren't seeing shipping delays. That's significant during a time when everyone's perception is that everything was locked down. Consumers are still getting what they ordered in the time frame that they expect with no delays.

Drop shipping plays a key role in any ecommerce strategy because it's a proven and reliable way to safeguard your business and meet the future and evolving demands of consumers.

## CommerceHub: The Resilient & Agile Supply Chain

### Massive Unexpected Volume Increase



# Customer Spotlight

## With CommerceHub as its Partner, Large-format Retailer Hasn't Missed a Beat

The customer manages a significant portion of their business through our platform, which represents hundreds of millions of pounds in annual revenue. In the past two months, they have experienced triple digit unit and revenue growth compared year over year and they've successfully kept pace with their typical fulfilment rate with no delays. With increased visibility via the CommerceHub platform, they have been able to better track and manage supplier performance and ensure accurate and timely delivery promises. The customer has been able to protect the customer experience while keeping up with increased demand and ensuring continued growth.



## During this crisis, and long after, CommerceHub can help you strategically expand your ecommerce capabilities.

Philip Hall is the Managing Director of European operations for CommerceHub, where he focuses on helping retailers and brands in the UK and EMEA grow their business. For an in-depth overview of how we can help you digitize and strengthen your supply chain, email [phall@commercehub.com](mailto:phall@commercehub.com).

1. COVID-19 Shopping & Delivery Trends, CommerceHub, April 2020
2. COVID-19 Delivery & Shopping Trends, CommerceHub, April 2020
3. <https://www.essentialretail.com/news/covid19-primark-lbusiness-costs/>
4. <https://www.ft.com/content/5ed02ae1-855a-4d68-92d2-687540194c39>
5. The Digital Tipping Point 2019 Report
6. COVID-19 Delivery & Shopping Trends, CommerceHub, April 2020
7. CommerceHub Data, 2019
8. CommerceHub Data, 2020