

A BRIGHT NEW ERA?

WE CAN NOW SHOP FROM OUR PC AT HOME OR MOBILE DEVICES ANYTIME AND ANYWHERE. TRULY A PARADISE FOR CUSTOMERS AND BUSINESSES – OR IS IT? ASKS EXECUTIVE MANAGEMENT ADVISOR, BERND KRATZ.

Before the Internet, a mere 20 years ago, people thumbed through catalogs (some with 1,000 pages or more), combed through special "who supplies what" publications, used trade directories or simply went into stores hoping to find what they needed.

The range of products available to customers was limited, and often people bought something that didn't fully meet their needs just to avoid having to drive to yet another store. "Needed – found – purchased." Returns were the exception rather than the rule.

Today, a purchase is just a mouse click away. Tablet in hand without straying from the couch, we spend our evenings browsing through a worldwide selection of products or searching Google, at times finding something we didn't even know existed.

ONLINE MARKETPLACES

If we still can't find the product we want, then it's on to Amazon, eBay or other online marketplaces. Clicked, ordered, delivered – and if we don't like it, we can send it back. All that without budging from the sofa. It's straightforward and to the point although lacking the buzz of buying in a brick-and-mortar store. But it's easy and convenient. More and more people are buying even traditional products, like groceries, through the Internet. Revenue of LeShop.ch, a subsidiary of Migros, totaled 165 million Swiss francs last year. Sales grew another 7.8% during the first half

of 2015. 39% of the orders were placed from mobile devices. Convenient apps on smartphones and tablets make it easier than ever for consumers.

RISING EXPECTATIONS

As the expectations of online buyers are growing, logistics is beginning to play an even more important role. Amazon has set the benchmark in this respect: ordered today, delivered tomorrow, even during the time window requested by the customer. In some metropolitan areas, same-day delivery is already available, often within 90 minutes of order receipt.

For distribution centers, this highly dynamic development means that orders are no longer collected in larger batches to optimize picking routes. E-commerce demands the shortest order throughput times in logistics centers and hence real-time processing.

In principle this development would require additional warehouse personnel and increase the costs of logistical fulfillment, thus contradicting the urgent demand for lower logistics costs.

PERSONNEL COSTS

Regardless of the need to reduce personnel costs, it is becoming increasingly difficult to recruit employees for operational logistics – even on the commercial side, workers are getting harder to find. For this reason, the trend is shifting toward greater automation in distribution centers.

Until now, this strategy was adopted with a certain degree of hesitation because

automation always required standards and hence severely restricted flexibility and the response to quantity fluctuations.

In addition, it often took several years before high investments could be fully utilized because the rigid automation solution could not be scaled to adapt to changing sales. Relatively long implementation times in a dynamic environment often contributed to the decision to forgo automation. The main

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argument against automation remained the lack of flexibility – in the dynamic world of e-commerce we see today, rigid and inflexible fulfillment can be the death knell.

In response, Swisslog has introduced CarryPick, an innovative goods to-person system. It offers automation without standardization, few flexibility limitations, energy efficiency, system scalability, flexible ergonomic workplace design, and much more.

SYMBIOTIC UNION?

With such perfect online commerce, will the city centers become moribund or will online and offline sales form a symbiotic union? In some areas, the Internet could energize brick-and-mortar commerce, such as in clothing boutiques. A small boutique can carry only a basic selection. Customers could be scanned in 3D, try on a virtual outfit and see how it looks in a digital mirror, even checking the fit as they move – all of this digitally.

Salespersons take on a different role. They become style consultants with access to a worldwide range of products and the latest fashion trends. Once the customer has digitally found the right outfit "offline," i.e. in the store, she can use her iPhone to send a picture to a friend for a second opinion. Then logistics takes over.

Does the customer want the item shipped to her home or would she rather try on the actual outfit in the boutique the next day so the sales consultant can provide input? Offline and online commerce can enhance each other; the technology, communications and logistics means are already in place.

Brick-and-mortar businesses will be called upon to recognize and take advantage of the opportunities that present themselves.

Even in the digital world of the future, face-to-face communication in the store will be of value.

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Bernd Kratz, Managing Partner of EMA GmbH – Executive Management Advisors

After more than 25 years as an executive in distance selling / e-commerce, the last 10 years as MD for Conrad Electronic SE, Bernd Kratz struck out on his own in the e-commerce world as the founder of EMA GmbH.

Kratz is also co-founder and co-partner of the Institut des Interaktiven Handels GmbH as well as eCONment GmbH.

His activities are focused on strategic and logistics issues in multichannel sales and e-commerce.