

The loyal millennial shopper? No longer a pipe dream for grocers

Satisfaction at every point with seamless omnichannel delivery

by Peter Shin, Director of Logistics, North America

SOLUTION PAPER

QUINTIQ

If you're not winning over the millennials, it's time to rethink your business planning strategy. Why? Because the largest group of grocery shoppers has shifted from baby boomers to millennials.

Market research shows that when it comes to shopping, 68% of millennials demand an integrated, seamless experience regardless of the channel.[1] They expect their groceries to be available for purchase in store, on the web browser of their PC, and on their mobile devices. They also expect groceries to be delivered or ready for pickup — often within the same day.

Millennials are looking for the omnichannel experience and will choose retailers that can provide this. With ongoing price wars and razor-thin profit margins plaguing the industry, many retailers miss out on what could be the most important differentiator of all: Providing shoppers with quick, convenient delivery, whether it's for doorstep delivery or click-and-collect.

McKinsey reported that retailers need to shift focus from offering the cheapest items to offering the best service. Ultimately, the winners will be retailers that best understand the behavioral patterns of shoppers and respond to them intelligently.[2]

Today's shoppers have spoken: Ordering might not be the bottleneck that they are most keen to see resolved. Instead, it is instore collections or home delivery and returns that they most value.[3]

There's never been a more urgent time for retailers to make customer satisfaction the ultimate mission. A growing number of retailers are offering doorstep delivery and click-and-collect service to cater to shopper demands — but this is accompanied by increasingly complex logistics planning.

While retailers must ensure they're the shopper's preferred brand, they need to achieve sustainable revenue growth at the same time. As challenging as the current business landscape is, there are still opportunities to thrive. In this solution paper, we explore how optimization technology enables grocery retailers to perform better, both in delivery and profitability.



But first, cross the hurdles

For efficient omnichannel fulfilment, you need to be where the shoppers are. This way, they can pick up online orders from their local store or receive their items quickly.

The logistics of online grocery fulfilment is far more complex than other market sectors. For example, orders can be bulky and take up valuable floor space. Environmental storage requirements call for some items to be kept cool or even frozen while being prepared for pickup or delivery.

Additionally, distribution logistics must include flexibility to serve different shopper demands — and millennial shoppers will expect to receive their goods as and when specified. One shopper may want her order delivered to her home between 3PM and 5PM on the day she places the order. If that's not possible, she may opt to pick it up on her way home from work. Another shopper may place his order on Thursday for home delivery on Saturday before noon. Yet another may want to order today and pick up tomorrow so she can have the freshest produce possible.

You could be creating or acquiring additional infrastructure to support new channels. This in turn creates a need to consolidate your network for maximum efficiency. What's lacking, however, is decision support. For example, you need to know the right distribution centers (DCs) and stores to close.

Or you may be trying to facilitate the new channels through current infrastructure, which puts too much stress on your supply chains. The challenge then lies in maximizing utilization of DCs, fleet, people, and other resources.

In both cases above, the planning tools in place are often not able to support large-scale omnichannel operations that span across the country, and some across the globe. When operations are running sub-optimally, it costs you time, money and more importantly, customer satisfaction.

To move your business forward, you need an effective solution to these logistics puzzles:

Home delivery
It's critical to optimize the journey from DC to shopper, and from store to shopper, as delayed deliveries can affect item freshness. Often, your plan deviates on day of execution, and there isn't an easy way to respond quickly. You also want to leverage demand-based pricing for efficient same-day delivery, but you're missing access to crucial information.

Store replenishment
Maintaining item freshness also calls for optimal routes for the movement of stock keeping units (SKUs) from DC to store. For this, you need intelligent planning and support in identifying opportunities for back haul pairing to reduce empty miles. You also need to factor in where and when direct store delivery (DSD) is available, and the impact that it will have on fleet size and frequency of store replenishment.

Network consolidation
You need to decide on the best locations for DCs in relation to stores, as well as store locations in relation to shoppers. All this while factoring in when to use Direct Store Delivery and the optimal fleet size to manage your operations.



Shopper loyalty is within reach

Millennials expect efficient service. They want to receive purchased items at the chosen time and destination. This requires you to eliminate unnecessary buffers and empty trips in their operations while delivering within the expected timeframe.

Smooth running operations begin with a logistics planning platform that's backed by optimization technology. With accurate planning decisions, you will experience:

Zero redundancy in infrastructure
When there are stores and DCs in proximity to one another, you're able to make the right call on consolidating them, so that you don't incur additional logistics costs.

Lower third-party costs
Optimized planning drives maximum utilization of drivers and fleet, so you can cope even when demand spikes. This minimizes the need to outsource to third-party logistics providers.

Reduced empty miles
Instead of wasting resources on empty trips, drivers can be paired with loads that can be picked up along their route to be sent to their home location.

Higher capacity
When optimization technology comes into play, you're able to identify opportunities for efficiency gains in the operations — opportunities that may have been missed by human planners.

Quintiq puts you at the top of the millennial's list

Quintiq provides you with a logistics planning solution that keeps millennial shoppers happy and keeps them coming back. It's a single, integrated solution that delivers end-to-end supply chain and network planning, so that you can rely on one system to perform strategic, tactical, and operational planning.

You can perform customer-driven planning on a large scale, simultaneously taking into account supply, sales demand, inventory, geographic locations, transport costs, capacity constraints, and operating rules.

With the Quintiq solution, you're equipped to create a positive experience for each delivery and pickup. Here's how:

Effective supply chain management
Quintiq helps you make accurate decisions in supply chain planning. For instance, you're able to select suppliers that will incur the lowest overall cost and choose the mix of products that will provide the highest overall profit. The system helps you determine if it makes better business sense to expand the capacity of an existing stocking point or to build a new one.

Access to crucial insights
The Quintiq solution provides visibility that aids decision-making. You'll know how the supply chain is affected when suppliers in a certain region become unavailable or what the projected inventory of a specific product is at various stocking points across the network. You will also be able to see how revenue, profit, cost, inventory, and fulfilment across the network change when different sales forecast scenarios are used.

Optimized distribution and logistics network planning
The solution offers a wide range of functionalities to handle the complex parameters and constraints involved in network optimization. These include hub capacity, transportation and distribution simulation, and cross docks. It also provides less-than-truckload (LTL) strategy analysis and optimization. The solution delivers optimal decisions for strategic planning, tactical planning, and operational planning.

100%-fit, scalable solution
Quintiq is built to be a 100%-fit to a retailer's unique requirements, rules, and constraints. It grows with your business and can be configured to reflect changes in requirements.

Real time
Quintiq enables you to swiftly respond to disruptions in real time. You can rapidly adjust routes and resources, and capitalize on opportunities to increase the profitability of each trip.

Clear user interface
The Quintiq user interface is easy to use and fully customizable. You have instant access to the data you need to make the best pricing decisions. Real-time KPI dashboards keep you aligned with company goals at all times.

The journey of optimized logistics and maximized customer satisfaction begins with Quintiq.
For further information, contact:

Ivan Guevara at **ivan.guevara@3ds.com**

[1] Christopher Donnelly and Renato Scaff; Who are the Millennial shoppers? And what do they really want? [Accenture, 2013]
[2] Enrique García López, Rémi Said, and Khiloni Westphely; How to win in online grocery: Advice from a pioneer [McKinsey, 2014]
[3] Matthew Lewis, Partner, Squire Patton Boggs and Bryan Roberts; The Multichannel High Street: Winning the Retail Battle in 2015 [Kantar Retail, 2015]



Offices: quintiq.com/locations
Email: info@quintiq.com | **Web:** quintiq.com



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