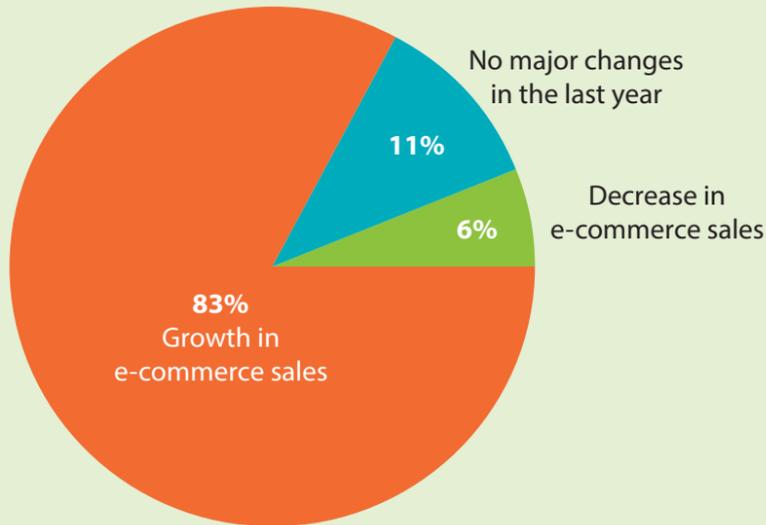# What's shaping omnichannel fulfillment strategies?

BY DR. EVA PONCE, DIRECTOR, MIT CENTER FOR TRANSPORTATION & LOGISTICS

When the pandemic hit, retailers responded, rolling out new capabilities and services to accommodate the swelling ranks of online shoppers. But it turns out their work wasn't over. As the pandemic receded and consumers began to return to stores, the retail landscape once again shifted, presenting supply chain professionals with a whole new set of challenges.

So what were these challenges and where are retailers feeling the pain? A new survey conducted by the Massachusetts Institute of Technology (MIT) Center for Transportation & Logistics in partnership with *DC Velocity* examines the forces that shaped retailers' omnichannel fulfillment strategies last year. Here are some of the main findings:
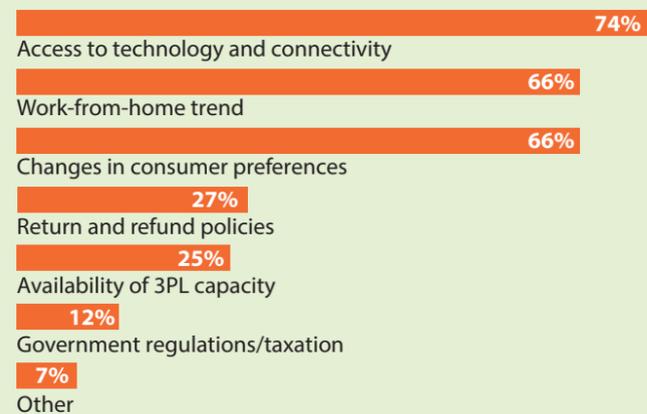
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## E-commerce market trends in 2022



- No major changes in the last year — **11%**
- Decrease in e-commerce sales — **6%**
- **83%** Growth in e-commerce sales

## Factors driving e-commerce sales
(Respondents were asked to indicate their top three reasons)

| Factor | % |
|---|---|
| Access to technology and connectivity | 74% |
| Work-from-home trend | 66% |
| Changes in consumer preferences | 66% |
| Return and refund policies | 27% |
| Availability of 3PL capacity | 25% |
| Government regulations/taxation | 12% |
| Other | 7% |

*Most respondents (83%) reported seeing growth in e-commerce sales in the past year. A major driver was access to technology and connectivity, not surprising given that about 70% of all shopping events started online with customers exploring options on their personal devices. Other key drivers were pandemic-related work-from-home demands and changing consumer preferences.*

## Top areas impacted by e-commerce growth
(% of responses, multiple answers accepted)

| Area | % |
|---|---|
| Order fulfillment | 70% |
| Demand forecasting | 65% |
| Inventory management | 63% |
| Distribution and logistics | 62% |
| Returns | 47% |
| Network design | 47% |
| Merchandising | 33% |
| Sustainability | 30% |

*In our previous (2021) study, respondents' top concern was how to respond to the spike in e-commerce. This year, the focus appears to have shifted to improving efficiency and working out operational issues. For example, previously, network design was a top priority as companies worked to achieve the flexibility required to cope with the e-commerce explosion. In the latest survey, "network design" slipped to sixth position in the rankings, largely because these flexibility goals have been achieved.*

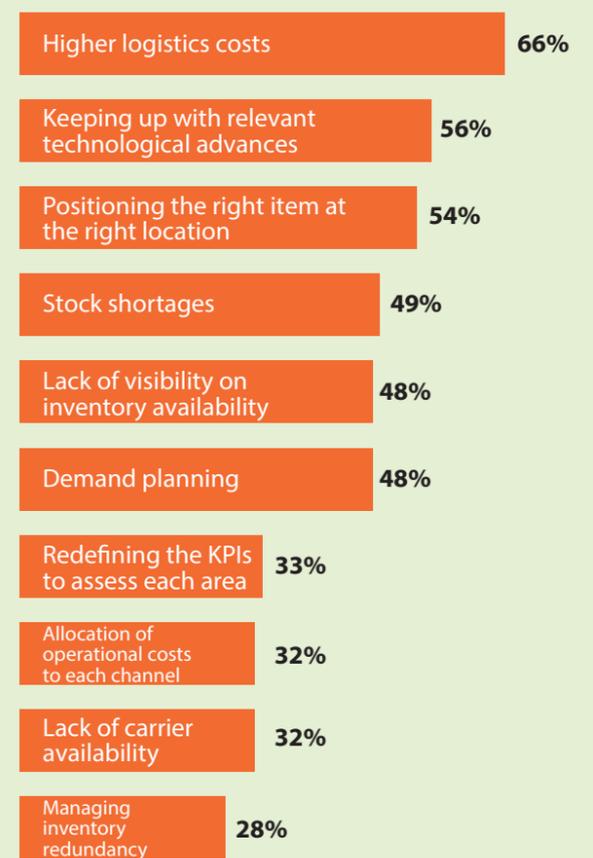## Top challenges facing retailers in shaping their omnichannel distribution strategies
(% of responses, multiple answers accepted)

| Challenge | % |
|---|---|
| Integrating the online and offline channels | 60% |
| Redefining the company strategy | 54% |
| Deciding how to allocate inventory among channels | 44% |
| Managing the commercial returns | 43% |
| Deciding *how* to deliver | 40% |
| Deciding *where* to fulfill the orders | 36% |
| Deciding *when* to deliver | 36% |
| Determining which distribution channels to offer | 31% |

*Top-of-mind challenges include the integration of channels and refining the company's strategy for providing a seamless consumer experience. "Deciding how to allocate inventory" gained ground, as did "deciding how to deliver products." Driver shortages impacted last-mile deliveries, so it's not surprising that 40% of the respondents identified "how to deliver" as a significant challenge.*

## Main pain points facing retailers today
(% of responses, multiple answers accepted)

| Pain point | % |
|---|---|
| Higher logistics costs | 66% |
| Keeping up with relevant technological advances | 56% |
| Positioning the right item at the right location | 54% |
| Stock shortages | 49% |
| Lack of visibility on inventory availability | 48% |
| Demand planning | 48% |
| Redefining the KPIs to assess each area | 33% |
| Allocation of operational costs to each channel | 32% |
| Lack of carrier availability | 32% |
| Managing inventory redundancy | 28% |

*Given the state of the economy last year, it's no surprise that survey respondents identified higher logistics costs as their main pain point. Keeping pace with relevant technological advances also remained a concern.*