

Online Shopping Dominating Retail & Transportation Strategy

Free shipping, the possibility of online sales tax, and same-day delivery were just a few of the controversial issues considered during one of the most talked about sessions of Connections 2013. Perry Trunick, editor-in-chief of *World Trade 100*, moderated this “outside the box” discussion while challenging those in attendance to “learn something new from this esteemed panel.”

Joining Trunick on that panel were Ron Link, managing director of engineering and development and senior vice-president of logistics for the CVS Caremark Corporation; Casey Chroust, a retail strategy and management consultant; and David Kassen, manager of FedEx’s new same-day delivery initiative. Link provided the corporate perception when it comes to e-commerce and the fulfillment process; Chroust shared the innovative logic behind recent online trends and what else may be in store for retail in the immediate future; and Kassen offered a major carrier’s perspective on the rapidly changing face of online freight.

Following an overview of CVS Caremark’s extensive pharmaceutical, healthcare, and 7,400-storefront operations, Link gave specifics about its e-commerce operation based in Indianapolis and the fulfillment process that has CVS customers receiving orders within three days along with plans to “expand capacity and availability going forward in a very digitally enabled environment.” Looking towards omni-channel capabilities that will allow orders from anywhere, fulfillment and shipping from anywhere, and delivery to anywhere, Link called the CVS Caremark approach “very information oriented.”

Chroust opened his presentation with more on the omni-channel trend now prevalent in retail circles. Using words and phrases like “diversify” and “everything is starting to blur,” he made the point that retail is currently about having “many elements that integrate together.”

It’s obvious, according to Chroust, that “brick and mortar stores are changing.” Competitively, in-store returns still provide a quicker, more convenient niche that online can’t duplicate, but local, in-store pickup of online purchases could also be on the retail horizon. “That’s why Amazon is going to same-day delivery,” he maintained.

Chroust also noted the most important theme emerging from in-store pickup should be accuracy. “That’s very important. If you drive to the store to pick up an online order and they don’t have it, you are going to be one hacked off customer,” he continued.

Other trends he mentioned were radio frequency identification, which is having a resurgence; becoming “the go-to driver” for companies like

Walmart and J. C. Penney; and mobile devices may be “the biggest game changer.” There’s also the channel-inside-a-channel concept, allowing consumers to compare and buy from one store while shopping at another. Chroust believes that will provide an instant, transparent price check and retailers are already plotting to use it to their advantage with reviews, pricing and on-site comparisons. Along those same lines, mobile marketing and promotions will “actually send you coupons and provide “point-of-purchase” drivers.

As for same-day delivery, Chroust feels it’s all dependent on customer needs and expectations. “For the right price, most customers are happy with delivery within the same week,” he said. On the other hand, he firmly believes online sales tax could definitely level the playing field, especially in states trying to balance their budgets.

David Kassen began his presentation by acknowledging the many challenges and complexities faced by today’s retailers with speed of delivery, convenience and reasonable prices as their prerequisites. In that vein, he used the example of what Netflix did to the in-store movie rental business to show how e-commerce has changed the retail industry.

Kassen called the retailers that FedEx is already working with “our strategy partners,” and pointed to e-commerce as the fastest growing portion of total retail sales. He listed increased smartphone and mobile apps as currently driving e-commerce and discussed the new consumer expectation of free shipping. He said, “Cost is one thing, speed is the other. It doesn’t have to be same-day

delivery, but you do need reasonable options. When it comes to returns, you need positive experiences and must decide what your key shipping levers are going to be. At FedEx, we built our strategy around a variety of levers. You must have a footprint that makes it convenient for your customers. Shipping can even be a strategic, value-added, loyalty-based lever, since same day is not going to be for everyone. Ask yourself who really are my competitors and should I be working with them? In other words, who else can I partner with? It’s all about figuring out the right mix for your customers.”

Following up on that same type of internal critique during the question and answer segment, Chroust stated, “It all comes down to network modeling. Shipping from one area of the country can be regional, local, or centric, but you need some type of model.” SMC³ President and CEO Jack Middleton asked specifically how relationships with transportation providers are determined, to which Kassen responded, “One of the biggest hurdles is making sure data can be transferred between prospective partners as seamlessly as possible.” ■

