Expert opinion

Cross-channel logistics: how best to prepare for it?

By Florent Boizard, Consulting and Innovation Manager, Logistics Solutions, Hardis Group

After multi-channel logistics comes cross-channel logistics. And despite their linguistic similarity, which indeed sometimes leads to confusion, these two sales models imply very different logistical organizations: flows, processes, organization of teams and information systems all have to be adapted to this new context.

From multi-channel to cross-channel

Dedicated stores, physical or online distributors, an e-commerce site, a mobile application or an m-commerce site, etc.: in the past few years most brands and chains have greatly increased the number of their distribution channels. Multichannel is the ability to reach the target customers irrespective of their consumption habits, at the point of sale, at home or at the office, or on the move. Depending on the sales channel, customers can take their purchases with them if they are in a store nearby, or have them delivered to their home or to a pick-up point if they choose remote purchasing.

In order to advance further and improve consumers' purchasing experience, brands are increasingly introducing crossover solutions: the method of taking delivery no longer depends on the sales channel, but is up to the purchaser. So that's what is meant by cross-channel. For example some chains are now offering their customers the possibility of ordering and paying online or by mobile and coming to collect the products from one of their stores. Conversely, in order to increase the number of available catalog items, which until now has been limited by floor space, interactive terminals are installed in the stores, so that customers can order their products and have them delivered to their homes. While highly effective from a marketing point of view, cross-channel presents a real challenge to logistics specialists.

B2B and B2C warehouses (e-commerce): different logistical flows

Until now, the chains that have chosen to complete their traditional B2B sales circuits (dedicated boutiques, franchises, in-store concession spaces, etc.) by direct sale to consumers (mainly e-commerce) have in the vast majority of cases used the solution of a dedicated B2C warehouse, generally entrusted to a third-party logistics provider specializing in e-commerce.

Why? Firstly because e-commerce has grown very quickly in the past few years: logistics specialists have had to "manage urgency", without first having time to step back and carry out the necessary processing and optimization of the e-commerce flows. Indeed, managing a B2C logistics platform, compared with a B2B warehouse, requires its own different structure of storage, tooling and working processes: handling of small orders (often mono-line) and variable (highly seasonal) flows, bigger storage areas, longer picking lines, more complex preparations, multiple modes of transport and delivery, etc. Add to that the fact that you can't afford to make any mistakes (consumers are very demanding, and do not hesitate to broadcast their dissatisfaction to the online community), and subcontracting has appeared,

for many chains, as the quickest solution to put into operation, the most flexible and the most economical (notably thanks to the shared transport costs).

Cross-channel warehouses, with crossover flows: some advantages not to be overlooked
However, some chains are now thinking of bringing the management of their e-commerce flows back under their own roofs, if indeed they haven't already done so: they've learned the basics, the constraints and the pitfalls by watching their providers. This maturity in respect of e-commerce processes, associated with the rise of cross-channel, might well accelerate the movement toward insourcing of all logistical flows.
In fact the solution of a single logistical platform capable of managing all the B2B and B2C flows offers serious competitive advantages for brands. First, uniform cataloging of available items: stored in one single warehouse, all products can be offered, irrespective of the sales channel. Preparation and therefore delivery lead times are also reduced, inter-site transfers (in particular from B2B to supply B2C) having now been eliminated. More generally, the entire logistics chain stands to gain from lower costs, being concentrated at a single site.

WMS: don't underestimate the complexity
While on paper it looks highly advantageous, setting up one or more crossover flow warehouses is not something that can just be improvised. The information system on which the whole organization will rely must be able to handle the different types of order (mono-line or multi-line e-commerce, store matching, introduction of new collections, inter-store orders, etc.), addressees and packaging (packages for retail sales, cardboard boxes or pallets for distributors, etc.).
Indeed, while the cross-channel warehouse allows economies of scale to be achieved, and management of inventory and dispatches, processing of flows, etc. to be simplified and made more uniform, it also requires a solution capable of processing these distinct, crossed processes and of ranking them in accordance with the strategic priorities set by the company, such as urgency or productivity. In all cases, the parameterization of the WMS must be sufficiently fine-tunable to be able to adapt to all situations, and above all it must be able to absorb the load. Because if it fails, all logistical flows, incoming and outgoing, will come to a halt and the company's business will be heavily penalized…

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A graduate of the ENSAM, he started his career at Galeries Lafayette where he spent 2 years as head of O&M. He joined Hardis Group in 2005 as a consultant, later becoming innovation manager in 2008 and consulting manager in 2009. Florent Boizard has always been fascinated by logistical information systems; he is a designer and a product innovation coordinator, and he likes to work in project mode. He heads a team of more than 25 logistics consultants.

About Hardis Group
Hardis Group was created in 1984. It is both a software publisher and an IT services company. Hardis Group is not like other companies. From the very outset, its growth has been founded on a pragmatic approach, local values and an unwavering commitment to both its customers and its employees. In fact, Hardis Group's founders continue to manage

the company to this day, with 25% of its employees holding shares in the business and 100% of its workforce based in France.

Hardis Group is involved in seven main areas: cloud infrastructure and facilities management, development and third-party application maintenance (TPAM), consulting and project owner support, business intelligence, logistics and transport (Reflex solutions), development tools (Adelia Studio), and payroll outsourcing (Saphyr software).

As a software publisher, Hardis Group is capable of integrating its own solutions and can also call on the services of a network of partners. Its consultants master the main methodologies for carrying out quality IT projects (ITIL, CMMI, etc.)

Hardis Group posted turnover figures of €53 million in 2011. The Group currently has more than 2,500 customers and employs 620 people. Its head office is located in Grenoble, with five other branches in Lyon, Paris, Lille, Nantes and Rennes.

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