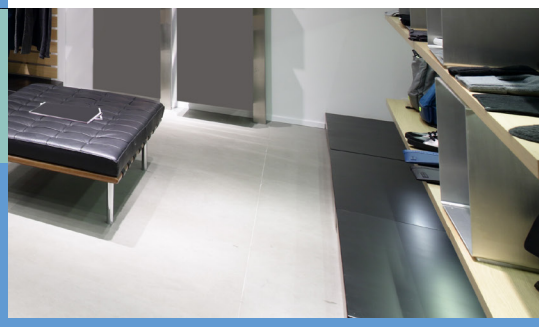
HEXAWARE



Growing Offline in the Age of Digital Retail

Gartner

Growing Offline in the Age of Digital Retail

Introduction

Dark clouds have been hanging over the retail industry, with news flooded of store closures in 2017 and 2018. A closer look at the situation reveals that only a handful of retailers are contributing to most of these closures. According to the IHL Group, the total number of retail stores have only grown in the past year. Additionally, pure-play online retailers like Warby Parker, UNTUCKit, Wayfair and Casper have announced plans to expand their footprints and step into the physical world.

Changing expectations

Traditional retail industry is not on a decline as some would have you believe. Retail is in a state of flux and is coming to terms with the new-age customer. A customer who has been shaped by convenience and low prices of e-commerce and is making a shift towards spending on experiences. Customers expect lower prices from traditional retailers due to constant comparisons with their online counterparts.

Excellent customer service, in terms of easy returns and lightning fast grievance redressal, started as a necessity for online retailers to build trust but, has ended up being the trump card in their quest for growth, putting pressure on offline retailers to match those expectations.

The Appeal of Physical Stores

Traditional retailers with physical stores still enjoy the benefits of speed, product touch and feel and the ability to be 'present' for the consumer. It is a fact that shopping still retains its space as an activity to go out of the home and have fun with friends and family. It is the customers' expectations that have evolved over the years, and retailers need to make compelling changes to their business models to stay on top.

Some major drivers for the future of physical store retailing

A. Stores as experience hubs

The primary reason for customers to visit retail stores is to feel the product before deciding to buy it. Retailers need to maximize the value of every customer visit, by turning them into memorable shopping experiences. The emergence of Buy Online Pickup In-Store (BOPIS) option is doing a great job of driving customers back to stores, while leveraging online channels to reach customers. However, BOPIS, results in limited attention from customers towards the stores, with the focus being only on the collection area. Retailers need to leverage stores by communicating about products, in-store services and store-only deals to attract customers inside the stores.

Enhancing Customer Intimacy

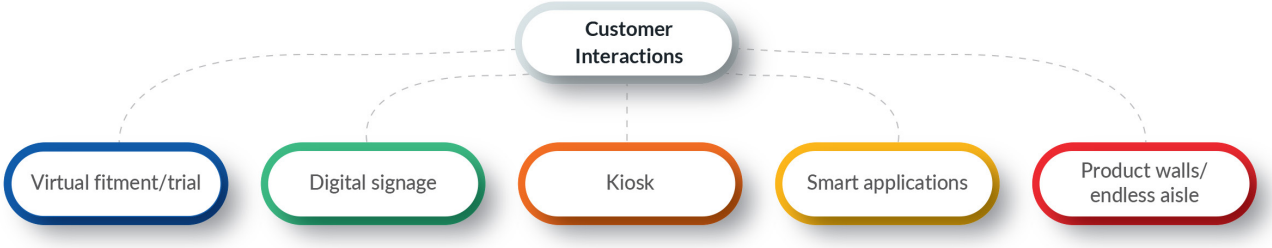
- Real time in-store promotions
- Targeted digital content
- Virtual fitment / Virtual product aisles
- Product reviews

Enabling Store Employees

- Relevant real time product information
- Check-out optimization
- Store walk-through

Improving Merchandizing Intelligence

- Tracking hot zones
- In-store segmentation
- Special requisitions



Source: Hexaware

Making Each Touchpoint Count

Customers should be given special store experiences across every touchpoint; from the entrance to the point-of-sale. While Gen-Y and Gen-Z customers prefer self-service rather than assisted support Self-help kiosks play a major role with critical information on product locator, product availability, product demos, consultative shopping and shipment details. Positioning kiosks at the right places across the store ensures easy access for customers. Kiosks need to have built-in features to identify customers by loyalty number and act as a digital channel to complete the shopping journey, connecting to the commerce platform. All features of kiosks can be complemented in the retailer's mobile app for mobile-savvy customers. Self-checkout facility completes the self-service journey with the added advantage of allowing store associates concentrate on helping customers with their queries.

As an example, a leading specialty retailer wanted to reduce the wait time for customers at the billing counter. Hexaware helped them with a mobile queue busting solution that shortened waiting times by 60%, resulting in increased customer satisfaction and improved efficiency of store associates.

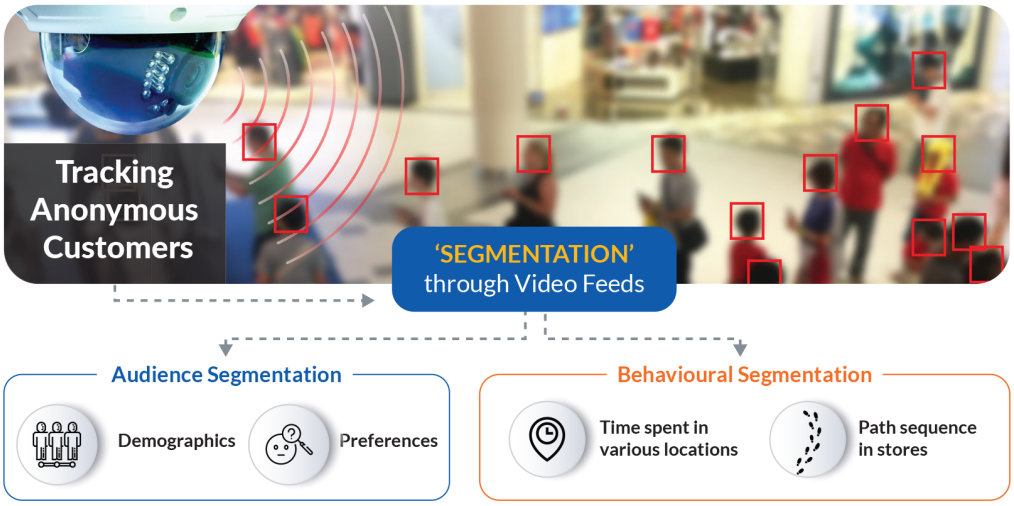
Make 'offline' work for you

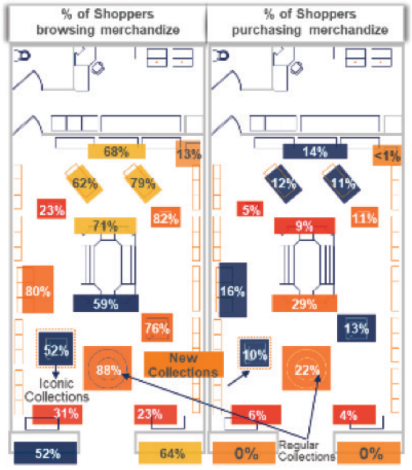
Digital walls in prominent positions displaying new product launches, product information, and store special features, can be used for advertising offers and promotions. Depending on the retail format, retailers need to demonstrate product expertise through in-store customer support. "Hassle free return" facility - within x days of purchase, should be provided by retailers to gain customer confidence with respect to the product quality.

Highly trained and well-compensated store employees act as a backbone for the in-store experience. The fundamental activity of store associates needs to be customer support and not just replenishments. With the emergence of AI, retailers can predict the consumption and inventory replenishment to be completed during off-peak hours. Shelf replenishment can be triggered as an alert across the store and be completed at the earliest possible time.

One of UK's largest retailer with a range planning tool leveraged Hexaware's expertise to determine the optimal inventory stocking schedule for their stores.

Visual merchandising on the floor is mandatory for stores to deliver a compelling customer experience. Product displays need to be associated with tempting messages like "Try it on!", which will act as key differentiators compared to online channels. Retailers need to leverage store window displays that draw special attention from passers-by, to trigger conversions.





Source: Hexaware

Finally, a one-to-one conversation between a store associate and a shopper needs to make the shopper feel valued. It is unprofessional to treat a select set of customers in a better way compared to the others. Retailers can leverage digital assistants in stores, as personal guides to customers. For high-value product segments, follow-up interactions can be initiated by automated customer journeys through CRM, using emails, text and social media, in a non-intrusive manner with a personal touch.

One of the largest British retailers is enhancing their multipurpose kiosk, where a customer can walk-in and quickly gain insights on products, brands, reviews, locations in store maps to reach the product. Hexaware's work further enabled the retailer to give personalized product suggestions based on the likes, interests, shopping history and items added to the online cart. This feature was further upgraded by a Facebook messenger design, where a customer can use his smart phone for interacting with a chat bot to gain information like, the options in a multipurpose kiosk.

B. Decentralized Focus on Customer Experience

ThinkJar report says that 13% of customers will share a negative customer service experience with 15 or more people. On the other hand, 72% of customers will share a positive experience with 6 or more people.

Exceptional customer experience in retail is all about delivering a quality product in a short time; providing real-time customer support and convenient return policies. Every business function within the retailer's value chain needs to work on improving customer experience, with clearly defined performance metrics.

Let us see one such metric in every business unit

Buying – *Product quality metric to be reviewed based on customer returns data.*

Store Operations – *One-touch feedback on product, price and service can be collected in store. Customers can be compensated for every feedback.*

Fulfilment – *Priority store demand not fulfilled on time*

Merchandising – *Well-designed merchandise display can increase sale by 25%*. Shelf space to product sales ratio to be reviewed for different products over a time in the same shelf.*

E-commerce – *Out of stock product views*

Warehousing – *Store raises priority demand requests when they face out of stock. Priority store demand not shipped by warehouse to be measured with reasons*

Source: Hexaware

Hexaware helped a leading fashion retailer in the UK with a CRM studio that takes social media inputs from the customer support and marketing team and feeds the data back to the merchandising team for improved product design and innovations. AI is used to perform call quality analysis for better understanding of customer sentiments.

Finally, customer support team needs to have complete visibility of product data, sales order data, fulfillment data in real-time to address customer needs instantly. Easy access to the customer support team, clubbed with complete visibility of order data will improve the net promoter score (NPS), drastically. Customer experience is not driven only by store associates or customer support desk; it is driven by people across the retail value chain ensuring the product, fulfilment and support exceeds customer expectations.

C. Truly Unified Commerce

The communication with customer needs to be consistent and accurate across channels. This requires an integration of store, digital, CRM and ERP systems. As an example, a customer's purchase history in stores should be utilized by the ecommerce recommendation engine to promote relevant products. Similarly, promising product availability at the nearest store requires updated inventory information at the store, across digital and physical channels.

Retailers' website needs to complement store sales and vice versa, each acting as an extension of the other. The aim of unified commerce is to continue the buyer's journey seamlessly as they switch from one channel to another. It is all about offering the best of both worlds, the convenience of online and speed, personal touch and feel of offline. As per a report by Boston Retail Partners, 85% of retailers see creating a truly unified commerce environment as their top priority.

From a customer standpoint, one of the most troubling issues is the handoff between channels, even from one online medium to another. When a customer clicks on a social media post or a display ad for a product, the focus should be on ensuring the customer completes that purchase. This can be done by directing the customer straight to the checkout page for the product and capitalizing on the piqued interest, rather than hoping to sell a multitude of products by redirecting to the home page or a catalogue of items. B2C decisions are mostly driven by impulse, hence, it is important to take advantage of this before impulse is overridden by an overload of choices and confusion.

Using digitalization at a store level, retailers can use mobile apps to guide customers, as well as, offer personalized discounts and rewards in real-time. Customers' browsing behavior in the stores can be used to track lost sales opportunities. Different combinations of offers can be provided to the customer via social media or other online channels to identify the reasons for the lost opportunity and have the customer make the purchase decision. On the other hand, if a customer adds a few items to their cart or Wishlist online and later visits a store, the store associate could pick up from where the customer left his journey and start by telling them where the added items are located along with latest offers on those items. All interactions between the retailers and customers should be simple and effective.

D. Digital Supply Chain Capabilities

Customer expectations and global operations have brought about a sea of change in the supply chain capabilities required. It is no longer just another operational function but a key capability that separates the good from the great; opening avenues for newer business models. While Amazon focuses on being the most customer-centric company in the world and provides its customers with all conveniences in terms of lightning-fast deliveries, easy returns et al., what enables this and sets Amazon apart is their relentless focus on improving supply chain, right till the last-mile delivery. Supply chain efficiencies can also translate into lower costs to compete with pure-play online retailers. According to a KPMG report, 53% of retailers want end-to-end traceability.

Supply chain excellence enables retailers to unlock new opportunities in replenishment, communication and delivery models, while keeping the demands of the customers at the center.

A fully connected supply chain allows retailers to have complete visibility of the flow of products, enabling them to develop capabilities for the following:

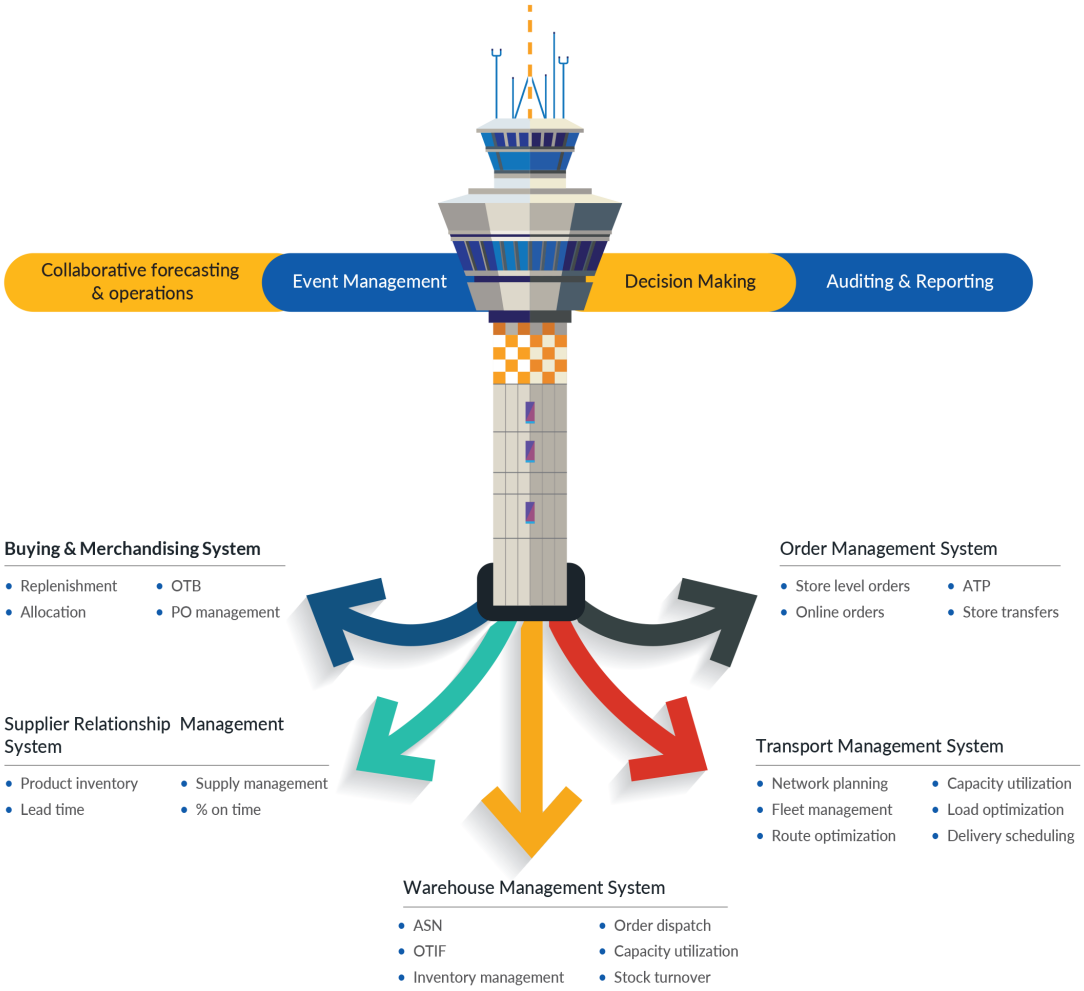
Source: Hexaware

These capabilities require embedded advanced analytics models in the connected supply chain ecosystem, factoring in both internal and external variables, to gauge and optimize the impact of events as they occur along the network.

As an example, weather forecast data could serve as an indicator for possible uplift in sales of specific items, which needs to be communicated back to the supplier to ensure that the retailer is able to capitalize on this opportunity by initiating pre-emptive action. It then becomes a function of flexibility with which a company can adjust its network and accommodate the new plan.

> According to a McKinsey report, digital supply chain can result in 30 percent lower operational costs and a reduction of 75 percent in lost sales, while decreasing inventories by up to 75 percent.

For several retailers, achieving synchronization between different entities poses a huge challenge, since their logistics is outsourced and dependent on factors outside of their control. A control tower, integrated with transportation and logistics partners, and other third parties can help achieve better coordination and control for the business, ensuring excellent service levels. The control tower should also provide operational features to tackle problems in real-time. Adding a payment layer tied to service levels using Blockchain can accelerate the entire process and provide an incentive for stakeholders to work in collaboration.



Source: Hexaware

Making warehouses a competitive advantage

The role of warehouses in this entire cycle cannot be overlooked. Delivery and fulfilment flexibility are a function of order management, warehouse location, warehouse operations and logistics. There has been a lot of focus on improving the warehouse operations with improved picking, processing and dispatch processes using emerging technologies like AR to guide workers on the move. Automation of warehouses is also picking pace with AGVs and advanced robots, which can simulate complex human movements.

An engagement with an Asian fabric retailer resulted in increased inbound/outbound operations productivity by 35%, first, pick fill rate >95% and space utilization by 25%. Hexaware accomplished this using a thorough warehouse process study, including benchmarks and then aligning daily planning activities with business objectives. The processes and floor design were re-engineered to support mechanization of activities with after cost-benefit analysis.

Businesses are striving to adopt an omnichannel order management platform for seamless integration of online and offline sales channels to provide flexible options like BOPIS and BORIS. City warehouses are being explored to expedite fulfilment and expand reach into remote areas, which are traditionally difficult to service quickly.

The entire cycle from forecasting to fulfilment can be automated with built-in thresholds and machine learning models, minimizing human intervention for trivial processes.

Last-mile delivery can be revolutionized by making customers a part of the supply chain process. Sharing the delivery truck location and timing can help customers collect their products anywhere on the route, in case they have an emergency and cannot take the delivery at the designated location. It's a better option than having to schedule another run at a later point in time. Furthermore, retailers could incentivize customers who visit stores to deliver products to customers who have opted for home delivery.

One of the world's largest food and grocery retailer wanted to optimize their logistics operations. Hexaware helped them improve their customer satisfaction rating, while reducing cost, using a real-time carrier scheduling system, which provided real-time delivery slots availability to the customers.

Re-designing the supply chain to incorporate the practices most suitable for business is not a one-time activity. It requires a detailed roadmap, beginning with the goal in mind and setting timelines on how to go about achieving that goal It is imperative to identify the systems and processes that propel retailers towards their goal, rather than simply picking the fanciest system which might not be the best-fit.

Conclusion

Sprouts Farmers Market, which invested in enhancing their value chain, while adapting to changes, has shown continuous growth with 30+ stores being opened in the last year alone. They showed great flexibility in shifting away from Amazon after the Whole Foods acquisition, while continuing to grow their online sales. They are also focusing on in-store experience with knowledgeable staff helping customers, salad bar counters and full-service delis. The entry of online retailers has clearly shaken up the retail industry from its comfort zone and accelerated the pace of change. It is only the inefficient stores, borne out of overexpansion that is shutting down. Traditional retailers need to leverage their strength, their physical presence, while developing supporting elements around that presence.

References

Customerthink.com | Retailworksinc.com | winsightgrocerybusiness.com

Source: Hexaware

Research from Gartner:

How to Compete With the Giants of Online Retailing

As leading online retailers continue to grow their share of the retail market, many others struggle to develop responsive supply chain strategies. Supply chain leaders responsible for customer fulfillment and collaboration need to take steps to excel at customer service and remain competitive.

Key Challenges

- Although they're conscious of the difficulties in matching the consumer experiences offered by leading online retailers, many companies fail to realize the potential advantages their stores can bring in a unified-commerce consumer experience.
- Companies that are not aggressively prioritizing significant improvements to their digital supply chain capabilities will struggle to compete effectively.
- Traditional warehousing networks are ineffective for competing with online players, because they can't sufficiently increase their fulfillment speed.

Recommendations

Supply chain leaders responsible for customer fulfillment and collaboration should:

- Identify the elements of their business model that cannot be replicated in an online environment — for example, a compelling store experience — and focus their strategy on using them to maximize competitive advantage.
- Implement a prioritized portfolio of impactful digital supply chain capabilities, by improving areas such as demand forecasting, analytics and last-mile capabilities to address common weaknesses in consumer experience offerings.
- Reconfigure their distribution networks by focusing on requirements to meet future customer service expectations and by developing new last-mile logistics models.

Introduction

In 2017, the overall percentage of retail sales captured through online channels was approximately 9% in the U.S., 17% in the U.K. and 23% in China.[1] These major regions and many other less-developed areas globally have been experiencing sustained growth in recent years. Although the pace of growth is projected to decrease slightly in the coming years, the percentage of global retail sales taken through online channels will continue to increase — from 10.1% in 2017 to 15.5% by 2021 (see Figure 1).[2]

This growth has been fueled by a number of dominant companies, such as Alibaba, Amazon, Apple, ASOS, Best Buy, Gap, JD.com, John Lewis, Kohls, L Brands, Macys, Nordstrom, QVC, Rakuten and Zalando. Each of these retailers has annual online revenue of more than $2 billion, of which online revenue amounts to more than 10%. Hence, they can be considered "giants" of the online retail industry. These companies combine online-only and brick-and-mortar retailers to maintain a dominant presence in the online market (see Figure 1).

Analysis

Identify and Focus Your Strategy on the Elements of Your Business Model That Can't Be Replicated by Online Competitors

Industries need to learn to connect with their customers in different ways. With an increasing array of purchasing options, and industries being disrupted by new entrants and new methods, consumers will assess their usefulness based on their experiences, safe in the knowledge that other options and providers are available. They will also require personalized experiences. Companies are swimming in customer data, and customers and shoppers expect it to be put to them in personalized and relevant ways.

Retail chains recently closing stores, reorganizing their debt arrangements or going out of business did not do so because they offered memorable customer experiences. In many cases, their offers became irrelevant. Consequently, their disappearance from the market may not be missed by consumers looking for customer experiences more aligned with their shopping needs.

To be successful, retailers need to think of their stores as more than just locations for purchasing, collecting and receiving returns. They need to become experience hubs to compete with the online giants and supplement their own online offerings:

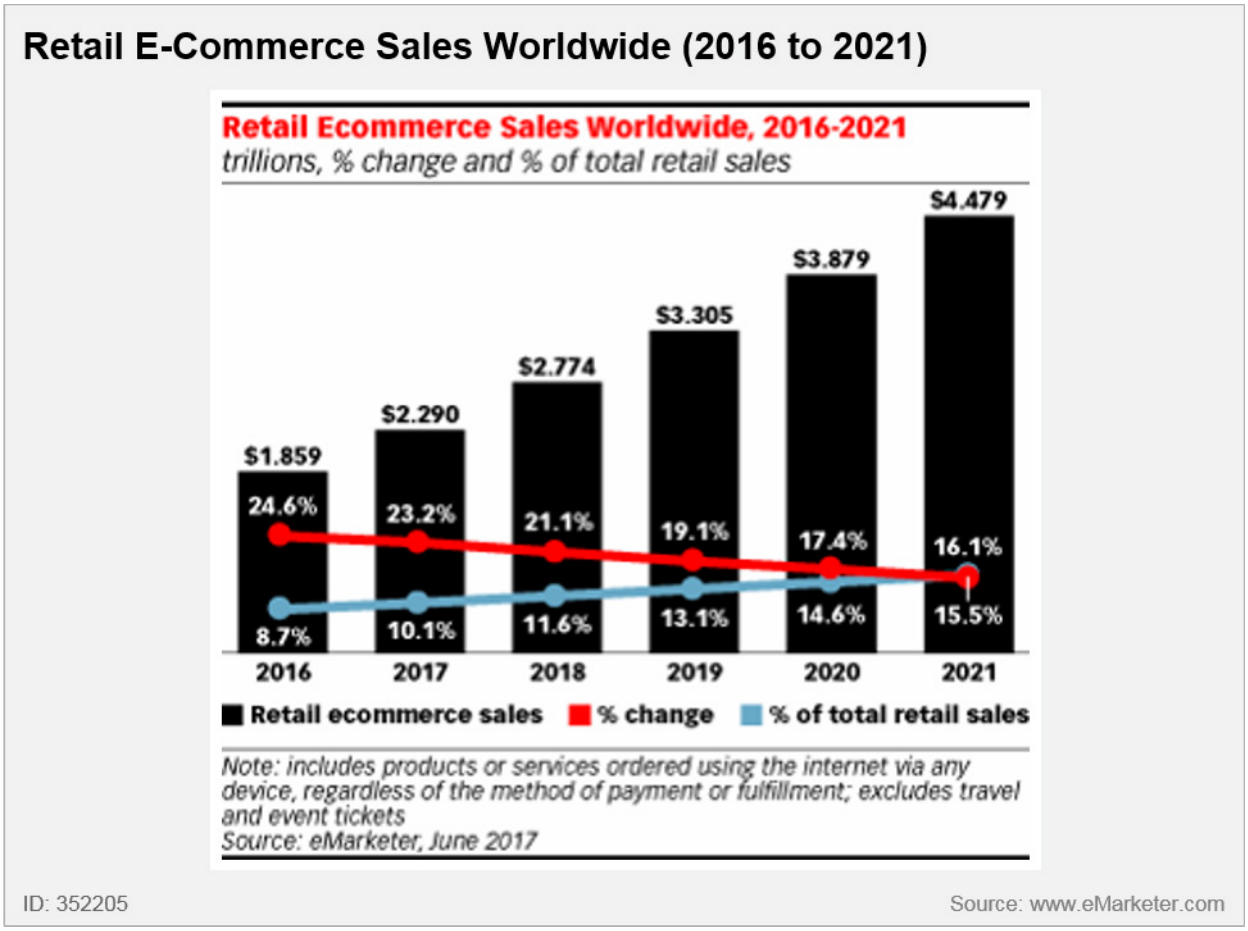
- Make them points of distribution and returns for online orders. Of course, they'll still be open to the public, but use the larger ones with a full assortment as city warehouses too.
- Provide a unified customer experience, using them to promote and seamlessly support your online channel, so that the consumer does not encounter channel silos.
- Stores should also be places that consumers can visit for product demonstrations, product advice and related aspects, such as health and well-being. When they're closed in the evening, explore opportunities to use them as community locations for meetings or gatherings, perhaps introducing your stores to a new set of consumers in the process.

One recent example is the new Austin, Texas-based running specialty store, The Loop Running Supply, which opened in December 2017. The Loop is one of a new wave of shops looking to reverse the decline in independent running stores. Facing competition from online retailers, this new, independent model combines retail with coaching, organizing events and the creation of a place for runners to call home.

Don't Centralize Your Responsibility for Customer Experience

Many organizations have developed a specific role focused on managing the customer experience. They may be well-intentioned, but there's a danger that

FIGURE 1
Retail E-Commerce Sales Worldwide (2016 to 2021)



Source: eMarketer (June 2017)

the responsibility of the business can be centralized into this role, creating a culture in which other roles can be less concerned about customer experience. Therefore, other business roles can get the impression that the chief customer officer, customer experiences director or whatever the role may be called is taking primary or sole responsibility for the provision of customer experience.

> In reality, everyone in the organization, from top to bottom, has to be obsessed about providing customer experience, with the executive responsible only for ensuring that it's the case in practice.

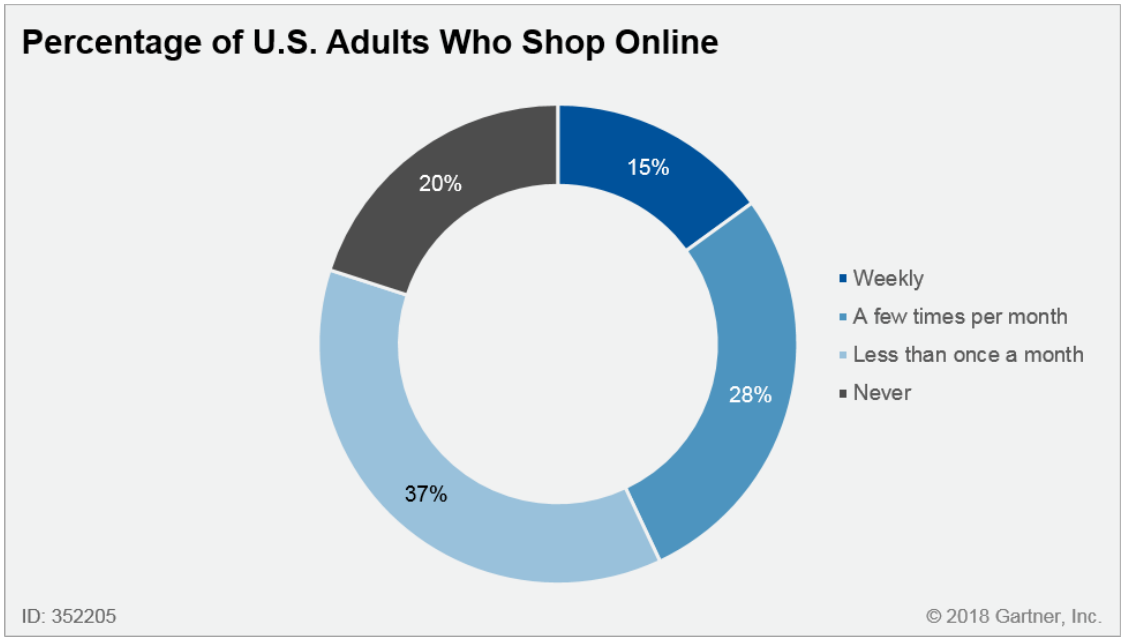
In a decentralized model, there will still need to be a crucial focus on customer service metrics, such as order fulfillment on time and in full within each function. In many ways, that role should not exist for long. A measure of its success would be an organization so customer-obsessed that the orchestration role is no longer necessary.

Focus on Separating Shopping Chores From Enjoyment

Not everyone wants to buy everything online. Customers want to have the elements of shopping that they consider to be a chore to become more convenient, while still enjoying the more pleasurable elements of the shopping experience. This means that they think differently about buying laundry detergent than they do about a new dress, or how they buy pet food, compared with trying a new brand of lipstick.

According to the Pew Research Center, 80% of Americans are online shoppers, purchasing at a range of frequencies from weekly to less than once a month. This research found that 64% of Americans prefer buying from physical stores to purchasing online, and 65% of American shoppers consider price to be the dominant factor in determining how they purchase. They typically compare prices in stores with those online and choose the less-expensive option.

FIGURE 2
Percentage of U.S. Adults Who Shop Online



Source: Pew Research Center — Online Shopping and E-Commerce (December 2016)

When consumers look at price, they consider more than just the cost of the product. They also factor in shipping and returns costs. Seventy-four percent[3] will still look to secure free shipping, and, in Europe, this figure is 88%.[4] The two-thirds of consumers who claim they review a returns policy before they purchase are thinking about the price of the overall deal.[5]

Hence, retailers should segment their customer service offerings to ensure that they are maximizing the service proposition for the enjoyment element of shopping. They can do this by offering a seamless consumer experience between online and store engagement, ensuring that both channels actively promote each other, act in a consistent manner, and encourage cross-channel search and purchasing behaviors.

Credit Stores With Revenue From Online Sales

One vital aspect to delivering this seamless consumer experience and to ensuring that associates engage positively with consumers is to make sure that stores are fully credited with all online sales, regardless of the perceived involvement of store associates. By creating an environment in which store associates are as unconcerned with the consumer's use of shopping channels as the consumers themselves, retailers will maximize their customer experience satisfaction, profitability and market share.

Retailers that operate store sales credit programs, many of which are large and well-established, consider such initiatives key foundational components of retailing excellence. They view these initiatives as being as important as more widely recognized components, such as inventory accuracy, channel-agnostic inventory pools and assortment management.

Obtain a Portfolio of Digital Supply Chain Capabilities, by Identifying Areas of Weakness That Need to Be Strengthened

Embedding digital capabilities into a supply chain operation can mean different things to different companies. However, at its core, digital technology enables companies to improve their speed and agility.

The key point about speed is that it's relative to consumer expectations, particularly with respect to order fulfillment and customer service response. It's not achieved just by operating faster than before, but by the speed required to remain competitive. In that sense, an organization's opinion of its operational speed is less relevant than that judged by the customers. Their determination of your speed will be based on their expectations; offers from other companies, largely set by those offered by online giants; and their immediate needs at the time.

Gartner has spoken for years about the need for supply chain segmentation — the concept of moving away from a one-size-fits-all supply chain operating model to one that has three key strands: efficient, responsive and agile. Of these, agile is the most important to master in competing with online giants.

Agile supply chains extend beyond their internal scope into leveraging the wider external network, offering standard, custom and unique offerings. This model is fundamental to enabling small or large changes to meet customer demand, while performing optimally across the rest of the business operations.

To compete effectively with online giants, the key digital technologies to be adopted and exploited to realize business benefit are:

- Fulfillment forecasting
- Predictive and prescriptive analytics
- Route optimization
- Carrier and parcel management
- Collaborative warehousing, distribution and fulfillment

Based on the level of data required to be captured, the capability retailers should begin to implement now is fulfillment forecasting. For most companies, forecasting product demand is typically conducted by product, location and stock-keeping units (SKUs). Although this level supports supply chain execution activities, such as allocation and replenishment, a more granular level is required for use in fulfillment forecasting.

For many companies with an e-commerce channel, existing forecasting methods by channel are really just forecasts of how customers pay. It is too simplistic a view of the sources of demand, providing limited visibility into where inventory needs to be positioned.

Although this level of forecasting helps understand constrained demand and supports allocation and replenishment decisions, it is unable to provide insight into how and where consumers want to complete their transactions and receive their orders. This insight, coupled with a retailer's order fulfillment logic, optimizes inventory positioning, because it forecasts fulfillment, rather than just sales, as its basis.

Extend the scope of your fulfillment forecasting into your supplier and manufacturer networks to optimize inventory fulfillment. Fulfillment experiences make the difference between a customer buying from you and an online giant. In many cases, they have that option.

Copy the Best Ideas Being Offered by Your Competitors

During the past year or so, the press has covered some of the innovations being introduced by the online giants, including Amazon Go, Prime Pantry, photo-verification of proof of delivery, Alibaba's Hema Grocery concept and JD.com's 7Fresh robot shopping carts. What makes these innovative and eye catching is not necessarily the technology — much of it already existed — but how the technology has been combined and integrated to create an innovative consumer experience.

In reality, there are few obstacles preventing most retailers from piloting their own versions of these models. Amazon Go, for example, is based largely on existing geofencing, computer vision, artificial intelligence (AI) and mobile payment technology. These technologies could be similarly adopted by other retailers. One company that has followed the AmazonGo model is the U.K.-based restaurant chain, wagamama. They have launched wagamamago, which enables diners to pay their meal bill on their mobile device at their table, then leave the restaurant. No more trying to capture the attention of the waiter or waitress and waiting for the bill.

JD.com's Hema Grocery concept enables shoppers to use their smartphones to scan codes on products and get information on an item and/or add it to their basket. U.K. Retailer Co-op has developed similar technology to enable time-pressed shoppers to pay in the aisle and avoid visiting a cash register, using an App built with Mastercard's secure digital payment technology to purchase goods with their phones.

Developing innovative capabilities also means working in small, dedicated groups with a deep focus on specific areas. These could be shipping policies, assortment management, payment technologies or route optimization. Amazon's two-pizza rule helped to reinforce this concept. (If more than two pizzas were needed to feed a team meeting, then the team meeting had too many attendees.) This shift in an organization's culture helps keep a tight focus on a topic and avoid the slow and inefficient decision-making processes often typified by large committees.

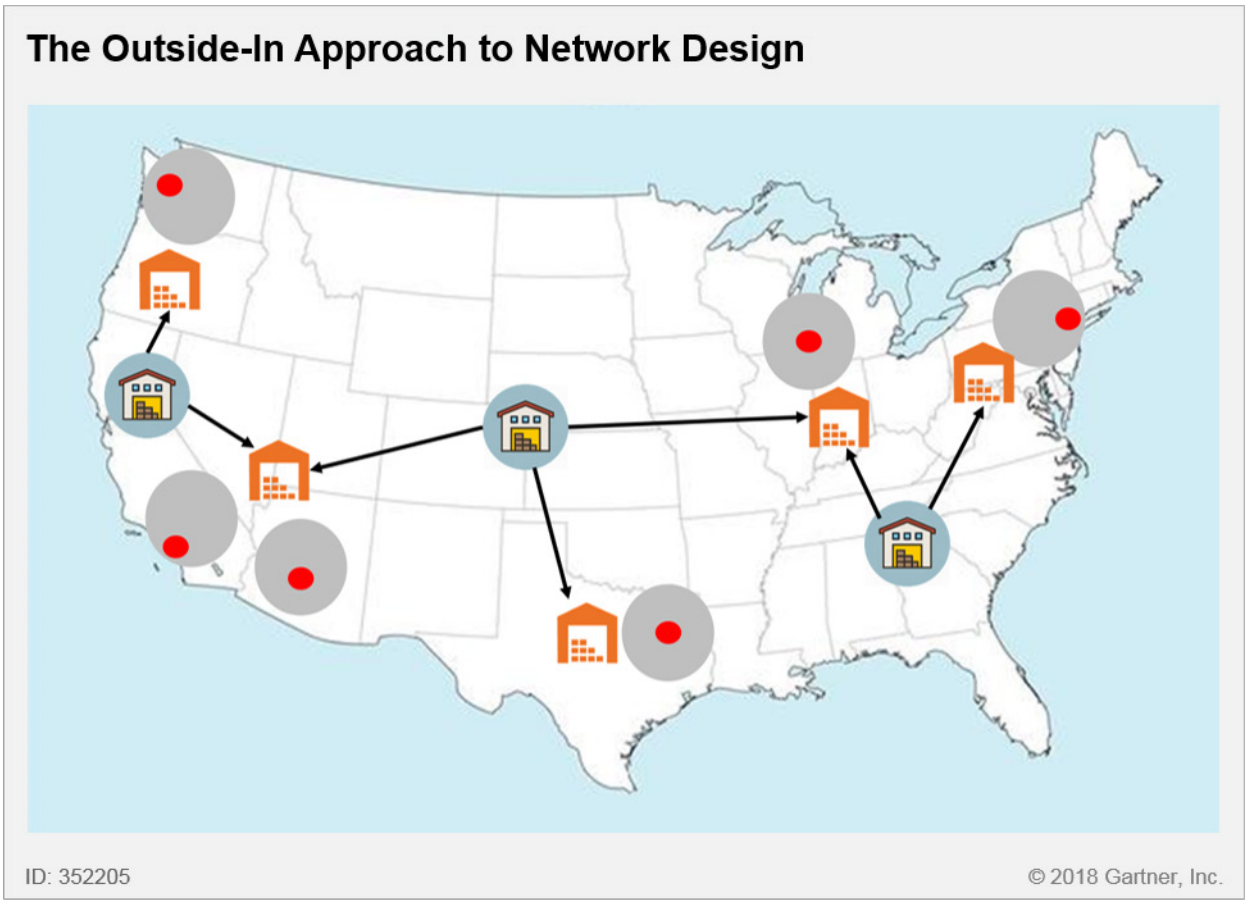
Reconfigure Your Distribution Network by Focusing on Requirements to Meet Future Customer Service Expectations

In many cases, the distribution networks being operated by retailers had been built to meet challenges different from what companies face today. Consumers have different options for receiving their online purchases, and their demands have never been clearer or more volatile. Companies' needs to react with faster and more-flexible fulfillment have never been higher, and this is unlikely to stabilize any time soon.

To meet these challenges, inventory needs to be held closer to the customer. As new operating models evolve, amendments to supply chains have a limited use before the need to rethink supply chains is required.

For example, an organization may have three U.S. distribution centers (see Figure 3), designed to meet nationwide customer demand at an acceptable order fulfillment lead time. With the growth in online business, aimed at both consumers and other businesses, the pattern of geographical demand may no longer be clustered in locations easily reached from the distribution centers.

FIGURE 3
The Outside-In Approach to Network Design



Source: Gartner (May 2018)

As customer requirements for fulfillment speed and cost become more demanding, distribution networks need to be reviewed and, where necessary, reconfigured to meet customer expectations. To do so, adopt an outside-in approach to realigning product flow through your network.

This means starting with your customers. Where are they based geographically, what products do they buy, and what are their current and future expectations for shipping speeds, methods and free shipping? From a product perspective, demand for products may vary by location too, leading to geographical differentiation and shifting inventory holding patterns.

Resolving this issue will require inventory to be held in new network nodes, located closer to the regions of geographical demand. As a consequence, inventory holding will become more fragmented, while perhaps residing in the three existing facilities to support other regions with less significant demand patterns. These existing facilities will need to support and replenish the new local nodes.

The development of a future distribution network is an ever-evolving web of fulfillment models. For example, retailers that use their stores as order-shipping points recognize that, as online business grows, this model may not scale to meet future volumes. The grocery industry was the first to experience this effect, and, either through necessity or choice, began to open up "darkstores" — i.e., dedicated fulfillment centers for online orders. Typically, darkstores are located close to large urban areas with sufficient consumer demand.

This is a solution being used in the grocery industry; however, it's equally applicable to other markets. It should be viewed as a next step in efficiency, once ship from store or other intermediary models approach scaling issues.

Evidence

[1] China's ecommerce market to pass $1.1tn in 2017

[2] Worldwide Retail and Ecommerce Sales: eMarketer's Estimates for 2016—2021

[3] 2017 UPS Pulse of the Online Shopper Executive Summary (Page 4)

[4] 2017 UPS Europe Pulse of the Online Shopper Executive Summary — English (Page 10)

[5] Online Shopping and E-Commerce

Source: Gartner Research Note G00352205, Tom Enright, 10 May 2018

About Hexaware

Hexaware is a global leader and the fastest growing next-generation provider of IT, BPO and consulting services. Our focus lies in taking a leadership position in helping our clients attain customer intimacy as their competitive advantage. Our digital offerings have helped our clients achieve operational excellence and customer delight by 'Powering Man Machine Collaboration.' We are now on a journey of metamorphosing the experiences of our customer's customers by leveraging our industry-leading delivery and execution model, built around the strategy — 'Automate Everything, Cloudify Everything, Transform Customer Experiences.'

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