



# Omnichannel is the Past; Channel-Free is the Future of Retail Logistics

**Omnichannel logistics is dead.** Retailers have to put to rest their outdated solutions if they are going to meet the expectations of the modern consumer.

## **Shopping habits have evolved.**

Consumers no longer shop in just one channel at a time. They shop across channels. In fact, the Harvard Business Review found that nearly **73% of consumers prefer shopping through multiple channels, with only 7% shopping exclusively online and another 20% choosing to shop only in-store.**

Many single purchases already touch multiple channels. An individual may buy a product online and return it to a brick-and-mortar location, or try an item on at the store but purchase via a mobile app – and then elect to pick it up curbside. Or, a shopper may buy the product in-store after researching via retail websites.

As a result, retailers have to be able to adapt to be everywhere the consumer is. They must also have the right product at the right time and location to reach the buyer. To do that, retailers have to evolve their logistics solutions.

It's imperative that retailers offer fast delivery, easy returns, robust in-stock inventory, and more.

They also must do so across all retail channels – in-store, online, in mobile apps, from a catalog, etc. – and delivery channels, such as direct shipping, pick up in store, curbside delivery, locker/parcel pickup, etc.

To meet and exceed these consumer expectations, retailers need to think outside the omnichannel box and start evolving their operations to match how consumers shop.

“Customers don't think in channels,” said Bill Thayer, founder and CEO of Fillogic. “The way we look at it, retail is channel-free. Is it being fulfilled from the store? Is it being fulfilled from a larger facility or being zone-skipped into a facility? Is it a returns consolidation point? It really doesn't matter, but what does is that the infrastructure is there and it's operational. It's getting shipments where they need to go quicker through better technology, better integration, better tracking and tracing, and just being better overall.”

# Today's Top Retail Logistics Challenges

Evolving consumer demands for faster, cheaper, and better service complicate retail logistics even more. Here are the most demanding challenges retailers face today.

## Challenge #1: The Need for Speed

Order fulfillment is a growing challenge because of delivery norms created by giant online retailers. The biggest culprit: same-day and next-day shipping. Shoppers selected same-day or next-day options nearly 60% of the time with store-based retailers in 2021. Less than a quarter of shoppers are willing to wait three days. Now, retailers of all sizes have to figure out ways to meet two-day delivery demands among already strained equipment, processes, and personnel – or risk losing business to the companies that can.

■ **Solution:** Aggregation, technology, and using an alternative delivery network. Aggregation allows you to consolidate multiple shipments into one larger shipment, which reduces overall handling costs while still getting goods delivered quickly and efficiently to their final destination.

"Historically, last mile, point to point delivery, is a stinker," Thayer said. "One package, one driver – that's not going to make anybody any money. However, through aggregation in the middle mile, being able to zone skip into a region or de-consolidate and use local market delivery partners, harnessing technology to make that happen, that's what wins."

## Challenge #2: Handling Returns

At least 16.5% of all merchandise purchased in the US is returned, which means that for every \$1 billion in sales, the average retailer incurs about \$165 million in returned product. And for every \$100 in accepted returns, retailers lose about \$10.40 to fraud.

■ **Solution:** Outsource reverse logistics. Returns are traditionally expensive for retailers. By taking that responsibility away from the stores, retailers can save time and money and allow in-store personnel to focus on providing the best customer service.

"We look at reverse logistics as an opportunity for another sale," Thayer said. "And from our perspective, there's a circularity component to it. ... Returns do not help retailers from a margin perspective, so we're about returns intercept. If you can decrease a 15- to 35-day return process down to two, you've now changed the margin equation for how people make money or lose money."

Through this philosophy and methodology, Fillogic reduces the time it takes to get products back on the shelf from weeks to days – 200% faster and with a 50% reduction in cost.

## Challenge #3: Tackling Waste

From dumping in landfills to carbon emissions to building unnecessary distribution centers, there is an enormous amount of waste that retailers can easily reduce by changing the way they operate.

■ **Solution:** Decentralize distribution, keep product in circulation, and utilize existing infrastructure. This keeps products closer to the end consumer, reducing transit miles and emissions, discarded merchandise, and cutting back the need for building centralized warehouses.

For example, by implementing a circular solution and breaking down supply chain silos, Fillogic kept 18 tons of material in circulation and 65 metric tons of CO2e emissions out of the atmosphere in 2022.

## Challenge #4: Lack of Visibility

Retailers and digitally native brands often struggle with full supply chain visibility because of the disparate systems in their supply chain.

■ **Solution:** Logistics as a service. By utilizing a logistics-as-a-service provider that has technology solutions and connected partners in the middle and final mile, retailers can easily track orders/product from order through delivery. For example, Fillogic's technology platform uses real-time, two-way integrations with retail order management systems (OMS) to enable expedited fulfillment, providing customers with online access to shipment visibility through Fillogic's network of national, regional, and local carriers. This expanded visibility across the entire supply chain empowers retailers to identify and resolve issues and improve overall efficiency.



## Omnichannel vs. Channel-Free – What’s the Difference?

Whether a retailer uses an omnichannel or channel-free logistics solution, the goal is the same – providing a cohesive, seamless, efficient, easy, and enjoyable experience for the consumer.

To decide which strategy to leverage for your retail operation, let’s compare the two.

Omnichannel Retail Solution	vs	Channel-Free Retail Logistics
Have multiple groups of inventories – one per channel		Inventory is centralized for seamless management
Operating multiple groups separately wastes capacity and raises costs		Increases capacity and saves money by housing product together, closer to the end consumer
Supply chain processes are disconnected		Integrated technology breaks down supply chain silos
Integration and visibility across inventory is lacking		Increases end-to-end visibility from order through delivery
Increases transit time and costs due to disparate inventory		Reduces transit time, costs, and carbon emissions

By breaking it down side-by-side, it’s clear that a channel-free solution ensures a more cohesive approach to retail inventory.

The channel-free mindset aligns with how retail consumers acquire products, uniting retail supply chains to ensure the end product reaches the shopper on their terms. It removes silos and ensures that every cog in the supply chain, every process, and every person involved in delivering your product is working cohesively through integrated technology, benefiting all involved.





## The Business Case for Channel-Free Logistics

A channel-free logistics solution is focused on the entire retail strategy, not on compartmentalized inventory. It looks at its orders, fulfillment needs, and SKUs as a unit. Through this strategy, it doesn't matter where the product is shelved, bought, or returned, which helps create efficiency and results in the best experience for the consumer.

Integrated, channel-free retail logistics ensures:

- **Scalability**

Retailers and brands can quickly provide fulfillment and delivery of products where and when they are needed

- **Streamlined Operations**

Connected technology and infrastructure integrates the supply chain and delivers customer orders through one inventory

- **Faster Inventory Turns**

Returned/consolidated/liquidated/out of stock/end of season products are able to make it back to store shelves quicker

- Fillogic's solution gets product back on the shelf in 7 days or less – which is 200% faster and 50% less expensive than traditional methods
- Retailers improve full-price sales days by 180% because of the quick turns (that's an additional 25 days of full-price sales!)

- **Increased Circularity and Sustainability**

By using existing infrastructure, inventory is housed closer to the end consumer, lessening transit time and miles traveled. It also keeps more product on the shelf and out of landfills.

- 50% reduction in distance to end consumer: 20% reduction in transport emissions
- <1% of returned product landfilled, compared to 58% business-as-usual

- **Maximized Profits and Opportunities**

With Fillogic's solution, retailers can more efficiently adapt to rapid change and increase opportunities and profits.

## What's Next for Retail Logistics?

The challenges associated with delivering a seamless, quick, and efficient retail experience will continue to evolve, and the solutions will have to, as well. That's precisely why it's time to start viewing the consumer experience in terms of channel-free logistics with a hyper focus on local markets and local needs.

Channel-free logistics takes multiple steps out of the supply chain and focuses on connecting infrastructure to simplify the whole order to delivery process. Therefore, companies that prioritize this way of doing things will be able to quickly evolve with the market because everything will already be connected and cohesive. By leveraging connected technology and integrated infrastructure, every aspect of the supply chain seamlessly works together, ensuring streamlined operations, efficient customer order delivery through a single inventory system, faster inventory turns, increased circularity and sustainability, and maximized profits.

## The Fillogic Advantage

"Channel-free logistics requires collaboration, and that's what we enable," Thayer said.

"We work with innovative partners across the entire supply chain to provide retailers with the best end-to-end solution, which not only benefits them but their end customers as well. It's a truly circular, sustainable, and efficient retail ecosystem."

Through integrated technology solutions and a forward-thinking mindset, Fillogic and its partners are working together to transform retail logistics.

Fillogic operates a local market logistics platform composed of three major components: its proprietary technology, Fillogic Hub Network, and Delivery Marketplace, a multicarrier network and sort/seg solution. All three components have elite partners that integrate seamlessly to provide the best-in-class retail logistics operations, which provides retailers end-to-end visibility throughout the entire supply chain. That, in turn, helps retailers gather more data and insights to apply to their processes and inventory and make better decisions for their company.



Fillogic's technology platform connects disparate logistics systems to their Hub Network and Delivery Marketplace, creating one user-friendly interface that optimizes logistics operations, reduces costs, and improves customer satisfaction. The channel-free solution enables retailers to:

- Easily incorporate additional data sources for better tracking and decision-making across all areas of operation
- Better manage store fulfillment, inbound optimization, inventory, cross dock, sort-seg, recommerce, and reverse logistics
- Accelerate speed-to-market and enable continued growth with quick implementations built on scalable infrastructure
- Ensure fast, accurate delivery of merchandise to stores, consumers, kiosks, warehouses, etc.
- Gain total inventory visibility and track it in real time – from where inventory is stored, throughout transit, to end delivery, and recommerce
- Improve sustainability by using existing retail space and positioning inventory closer to consumers, reducing the need for warehouse builds and total shipping miles



## About Fillogic

Fillogic is an experienced team of retail and logistics professionals, technologists, serial entrepreneurs and creative problem solvers with more than 160 years of combined experience. We are driven by a mission to help our partners decipher the writing on the wall as technology continues to rapidly transform the retail landscape.

**Fillogic**

[fillogic.com](https://fillogic.com)