

**Article for e-Logistics magazine, September 2002.**

**Steve Bolton, Managing Director of Scoco Ltd, examines the economics of remote retail.**

Let's start by defining "remote retail". You don't go to the store; the store comes to you. Having just mastered the art of visiting favourite high street brands via catalogue or web-site, all of a sudden the shopping options are set to expand as an impressive array of smart devices grows by the day. Technology is currently outpacing both business and consumer capacity to adapt and absorb it.

The multi-channel retail debate rages on. The relative economics between the growing numbers of channels to market is getting harder to define. Are the remote channel sales incremental or not? Should prices be differentiated by channel? Should enhanced services act as incentives to drive volume to lower cost-to-serve channels? It is vital in this debate to distinguish between the costs of shared, generic elements of a remote retail process, and those which are channel specific in order to even begin to answer any of these questions.

The array of emerging technologies is at best broad, and at worst confusing. The multi-channel trend towards customers engaging anytime, anyplace, anywhere requires rigorous evaluation. Channels that don't pass the "So what?" test will end up offering little gain. Winners will make engagement easy for the customer, deploying the channels that work for their particular proposition, and enhance customer experience. An integrated end-to-end process is very difficult to do consistently. It needs to seamlessly cover all aspects from order capture and payment processing through to delivery and returns.

The most established multi-channel combination is an integrated offer across store, catalogue and web, all supported by a range of payment, delivery and return options. Initial results suggest that customers who shop from such an integrated offer, dip in and out of each channel, and spend up to four times more than customers who shop from just one. Are these sales incremental? Who cares! They are exponential: three channel shoppers generate fourfold sales. This is of course relative, but there is an undeniable, recognised halo effect.

Remote retail economics are driven by total customer orders. Firstly, the discreet costs of capturing all orders, whether serviced or not, must be identified. Secondly, the costs associated with processing and delivering orders, and subsequently processing returns must be covered in the margin. However, costs do vary significantly across channel and product category, and are often influenced by the level of stock availability, the desire to avoid split deliveries, and the relative level of returns. Incidentally ease of returning items, possibly the least understood route to competitive advantage, is also critical to generating both orders and customer confidence. Inconvenient returns management can be a huge customer turn-off.

The cost advantage of “self-service” order capture systems, combined with centrally managed digital content, is undeniable. However the investment in these systems can be significant. Provided the solution platform is open and scalable, introducing new remote channels should incur low incremental costs. Offer ranges from a common product pool and the risk is further reduced. Forget whether the sales are incremental or not. The fact is that if you’ve got the sale, your competition hasn’t. These options provide choice and convenience for customers and effective opportunities for up-selling and cross-selling of related product or services. Off the back of this is driven significant benefit of lower transactional costs in customer communication and subsequent targeting.

The crunch is that remote retail channels are driving the need for enhanced delivery services to increasingly time-poor customers, who want the four “C’s”; control, choice, convenience and consistency. To get such services established requires investment, and a benefits case that is as difficult to establish as it is to realise. True costs of failure and of poor service get fragmented across the process flow, lost in functional budgets and reports, which have no method of attaching symptom with root cause.

So, pick channels that match your customers’ aspirations, get the right measures in place, give customers all the “C’s” and watch the bottom line flourish.

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