When digital duck tape no longer helps –

A guide to building an optimized omnichannel architecture

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EXECUTIVE SUMMARY

Increasing customer satisfaction is the only way to success in modern retail. That requires optimal omnichannel processes which are tailored to the customer, because, nowadays, convenience beats brands.

Retailers can solve the complexity of omnichannel operations by a single source of truth. That requires a technical and structural set-up that is geared towards transparency and centrality.

Using the example of ship-from-store, it becomes clear which advantages retail companies have through efficient omnichannel processes:

— Cost reduction

— Improved customer service

— Stronger customer loyalty

— Higher customer satisfaction

In this way, new features can be implemented and improved within three months. Those translate into a perfect shopping experience for the customer in the form of:

— POS is always at the customer (stationary, online, mobile)

— Optimal delivery and an efficient handling of returns

— Individual services

With a powerful Order Management System that masters the complexity of omnichannel, retailers become more time and cost-efficient in their processes. In addition, they also become more resilient to changes in customer behavior, regulations, and laws, or in events affecting society as a whole, such as a pandemic or climate change.

Supposed strategic decisions are made that affect the entire company. In that case, it is easy to see how comprehensively and profoundly the changes will be at the operational level of the IT landscape.

For retail companies, complex omnichannel issues usually result in a patchwork quilt that is more like a fragile improvisation than a stable and sustainable IT architecture.

Many companies already offer a range of their desired of their desired services but still have to map other processes with highly laborious procedures. That leads to delays, costs adisproportionate amount of work, and does not offer the optimal customer experience. Other processes can no longer be mapped in this way, and thus, there are gaps in the service portfolio offered.

New processes, on the other hand, are implemented in a complex and often in a restrictive way through extensive adjustments to the existing systems, requiring a high level of personnel and a low degree of automation. The result is a complex, unstable, very sluggish, and bulky IT structure that hinders an effective Digital Transformation more than it promotes it. More than that, it questions the sustainable economic success of the company, and instead of solving problems and overcoming challenges, it significantly impairs competitiveness.

You can only achieve a consistent and cost-effective solution if a central system masters all crosschannel scenarios. For this reason, it makes sense to choose an architecture that can accept orders from any source, has a comprehensive inventory view, and controls order-to-cash processes. For example, optimal sourcing decisions can also be made, such as which order is supplied from what location. Furthermore, customers can be informed of their order status in real-time, ensuring that all orders are processes consistently.

Challenges for retail companies with unstable IT architecture

⟶ Process delays

⟶ High workload

⟶ Poor customer experience

⟶ High personnel deployment

⟶ Restriction of competitiveness

Not every OMS is suitable for Omnichannel

However, to master the intrinsic complexity of omnichannel, you must be able to guarantee flexibility. Otherwise, the process costs will go through the roof. That will happen at the latest when it comes to reacting to new competition trends or changes in customer behavior. That's why progressive companies opt for the far better alternative: they use an Order Management System that was explicitly created for omnichannel. Such an OMS forms the core of an optimal omnichannel implementation, as it natively brings all functionalities for the corresponding processes with it. It provides the structure necessary to bundle and control all processes.

Accordingly, the existing software systems have to be adapted much less and can continue to perform the tasks for which they were developed. Instead of teaching a cow to fly, it is better to get a bird that can already by choosing an OMS. Because when it comes to omnichannel, the need to adapt old systems is often significantly underestimated. Thus, at the beginning of the omnichannel transformation, the necessary adjustments often seem smaller than they are, and over time more complex system landscapes emerge, which in the end can hardly be maintained. The resulting IT is often described as historically grown and must be fundamentally renewed at some point.

The right omnichannel OMS,

is a modern, service-oriented platform that includes a work-flow and layout engine as well as specialist modules. These include, among others:

Mobile Solution for In-store Processes

Prices & Promotions

Distributed Order Management

Dropshipment

OMS

Customer Service

Business Process Management

Reporting & Alerts

In particular, such an order management system is characterized by outstanding and extensive configurability and extensibility.

For example, it should integrate with Apache Camel (EAI System) and connect to all possible data sources.

Omnichannel as an interdepartmental transformation

The underestimating of the complexity of omni-channel, especially in the beginning, is the reason for the widespread patchwork. This underestimation leads to choosing an unsuitable system, which one always has to build around. In this way, you are constantly creating new construction sites in the future, because the foundation for smooth omnichannel processes is simply not right. Figuratively speaking, your competitors are already driving at top speed, while you are still busy putting up construction site warning signs.

The definition and implementation of sourcing rules, for example, is one of these costs and time-consuming construction sites.

Sourcing rules are challenging to implement with a patchwork approach. They remain time-consuming, costly, and complex, as different systems have to be programmed separately, and not everything can be mapped individually. Similarly, changes to the rules can be implemented with great difficulty, which keeps driveing up costs. It is much easier, faster, and more economical if sourcing rules are not developed individually but if the OMS already allows them to be set separately.

Therefore, in the course of an omnichannel strategy, it is indispensable to carefully check whether the order management system provides the required functions the currently and later natively. There is a vast difference in simply activating individual functions instead of implementing them at great expense.

Because that's precisely how patchwork is created, and you fall behind the competition. There is no need to ask which is better: accelerating from zero to one hundred or annealing for a while and then slowly increasing the speed.

The larger the company, the more systematic the mindset is. Thus, as larger the company, the more omnichannel has to be thought of as a cross-departmental transformation. And that's why the IT architecture needs to be further developed in the medium term.

Of course, the construction and operation of a high-performance IT architecture require relevant restructuring measures at retail companies. These are expensive, complex, and not easy to justify, given business plans. That, in turn, often leads to the conversion of old systems instead of a modern IT infrastructure. The result, however, is nothing more than cosmetic fixes instead of a future-proof structure that creates competitive advantages. That is precisely where the optimal Order Management System comes into play.

The right OMS can weed out legacy defects.

If, for example, e-commerce was implemented as a stand-alone solution in the distant past, without any real integration or merging with the traditional business, then an OMS can permanently remedy this obstructive flaw.

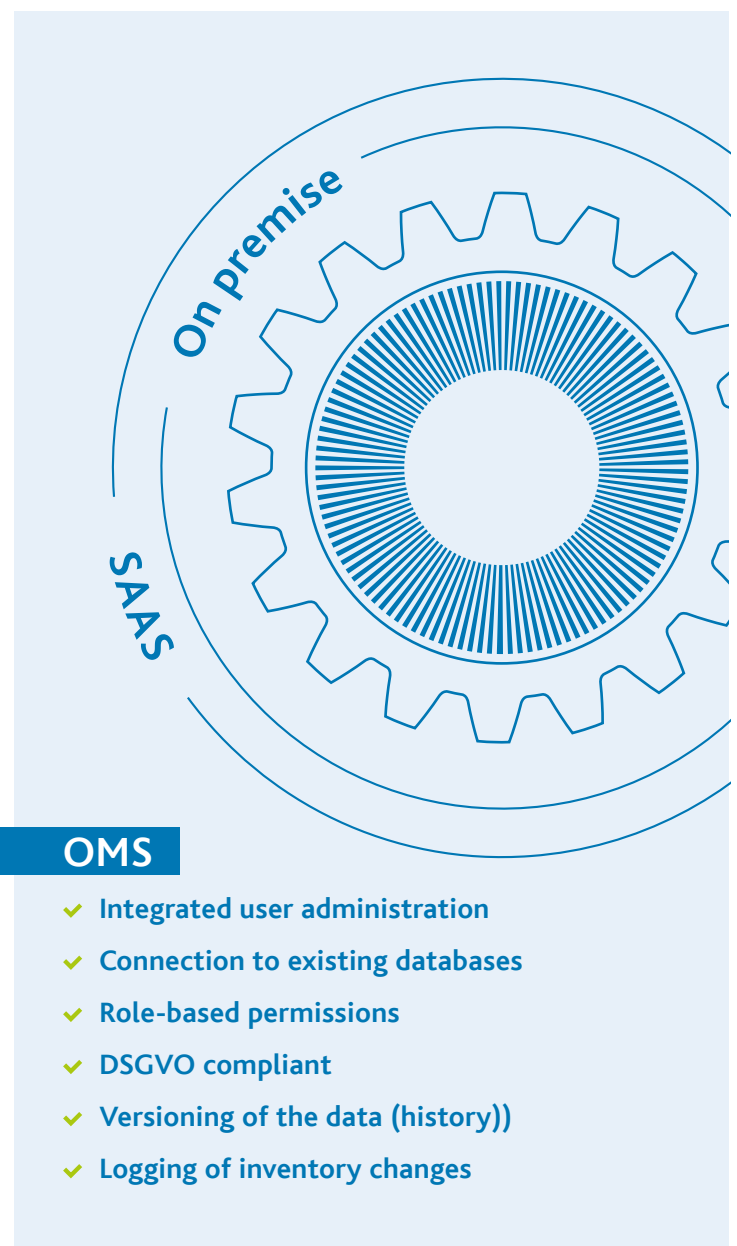# OMS from a single source with an administration console

As mentioned, the right OMS should provide all the desired functions natively, while it should also be possible to operate the OMS both as a SAAS and on-premise. In addition to an integrated user administration, the connection to existing databases is also important. It should be possible to assign corresponding authorizations on a role-based basis. It should also be self-evident that the system is DSGVO-compliant and offers extensive historicization of data changes. Inventory changes, which also include virtual changes, i.e., internal reservations, should be logged according to accounting principles which also applies to subsequent changes to a sales order.

An API gateway should ideally trigger queries or processing. In general, it is crucial to consider that your own IT staff can do a lot themselves so that you are not constantly dependent on external specialists. That also includes, for example, that you can launch additional countries independently via the integrated administration dialogs or set up drop shippers, additional warehouses or branches. Alternatively, it should also be possible to import these configurations via interfaces. In addition, you can integrate functions into your user interfaces via the API gateway.

While focusing on customer satisfaction, it is critical not to overlook customer dissatisfaction.

Therefore, for companies that frequently sell top-performing items, calling up binding inventory reservations in the OMS from within the shop should be possible before completing checkout.

That explicitly avoids customer dissatisfaction while simultaneously selling the last items because information about availability is already provided before checkout.

OMS

- ✔ **Integrated user administration**
- ✔ **Connection to existing databases**
- ✔ **Role-based permissions**
- ✔ **DSGVO compliant**
- ✔ **Versioning of the data (history))**
- ✔ **Logging of inventory changes**

Another example and powerful tool that an excellent OMS can provide is a supplier portal

For example, suppliers can be connected for one-time promotions, forming a mini-marketplace. This both increases your own flexibility enormously and eliminates your own risk. In this way you can expand the assortment quickly and easily without taking any risks. Likewise, with fast-moving assortments, one should be able to activate ship-from-store as a process to react quickly to current demands on the one hand and to ensure more efficient logistics in the long term on the other.

Orders to and from marketplaces should be easy to integrate. At the same time, the entire system offers excellent scalability with up to tens of thousands of orders per hour on a single connection to always remain highly performant.

Many of those benefits become feasible through an administration console. That can be operated by any relevant employee, as it provides the clarity and overview to steer the OMS directly to the respective target instead of flying blind through the fog.

OMS is the sound of the future and saves money

Artificial Intelligence (AI) is playing an increasingly important role, also in E-Commerce. This development will increase even further, especially in terms of the degree of automation. For example, AI can already enormously optimize the forecast, i.e., predictions regarding sales. Furthermore, you can use AI in the sourcing logic to sell seasonal leftover stock via ship-from-store optimally. An OMS needs to equip for this.
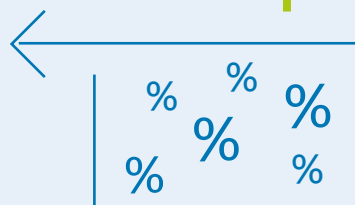
Supplier portal

Not to forget the topics, which are feasible, but too complicated and time-consuming for many companies, especially when you save money in the long run. Special prices, vouchers and promotion campaigns combined with partial returns, the correct calculation, and accounting often seem too complex and lead to the economic disadvantage due to lax processing. With an integrated pricing and promotion engine, however, you can solve this challenge easily.

Process efficiency and process expertise

A characteristic of an top notch Order Management System is process efficiency. Generally, an order should be in the system as short as possible, unless there are problems. In that case the reporting function must ensure that it can react quickly. In E-Commerce, the process costs are often far too high, which cannot be remedied with any OMS because there is often a lack of know-how about the company's individual, even cross-departmental, processes. Therefore, it is very important how much process experience the respective providers of Order Management Systems contribute. The profound knowledge of the individual processes and the self-image in terms of process reflected factors in every OMS.

The right OMS for you comes with a workflow engine. Furthermore, all required process steps should be available as compatible building blocks so that you can configure target processes quickly and flexibly. If business requirements change, the configuration can then be adapted just as easily. If, for example, an additional customer e-mail about an order status is required, then the corresponding workflow step „send customer document" is inserted in the workflow by configuration at the desired point. The document itself is stored as a template in the integrated layout engine.

Move away from the patchwork quilt towards real omnichannel architecture. The first steps!

If you or your company wants to position itself for the future in omnichannel, then you should take the following points to heart:

1

What are the current operational problems?

Processes may need to be redefined here and the IT system landscape expanded. The most economical way to do this is with the right OMS for omnichannel. A seamless integration into the existing system landscape may make a complete IT modernization unnecessary.

2

What do you want to perform optimally now and what should be possible in the future?

That question concerns all functions involved in the omnichannel, internal departments as well as external service providers and partners. This requires a clear inventory of the existing processes and a subsequent alignment of the target system. Everything must be aimed at process efficiency and thus low process costs.

3

How can the complexity of the existing IT architecture be simplified or not further expanded?

With the right OMS, the complexity of the IT architecture is not further complicated. By inserting the system via a simple interface, existing systems' patchwork is not further braided and is even simplified by numerous automated processes. Thus, the foundation in terms of IT and structure can be renewed, while the operational processes are improved.

4

How can the IT architecture also be further developed and optimized in the medium term?

The introduction of a central OMS offers various possibilities that bring the IT architecture forward accordingly. For example, you can move ahead without the backend of an eShop in the medium term, AI can be used more intensively, or you can react quickly to new trends such as social commerce. Above all, however, the right OMS enables companies to get rid of heavy ballast and helps to no longer waste resources.

All this is not done in passing and neither on the side.

However, the right OMS in combination with an experienced partners is the only solution for sustainable success. That is the only way to create an efficient system landscape that is flexible and adapts to individual requirements now and in the future.

Don't delay the topic of omnichannel architecture and tackle it right – because it's worth it.

Do you want to discuss your omnichannel strategy with an expert?

Click here for the quick check with our omnichannel professionals.

About Arvato Systems

Global IT specialist Arvato Systems supports major companies through digital transformation. About 3,000 staff in over 25 locations epitomize in-depth technology expertise, industry knowledge and focus on customer requirements. Working as a team, we develop innovative IT solutions, transition our clients into the Cloud, integrate digital processes and take on IT systems operation and support. As a part of the Bertelsmann-owned Arvato network, we have the unique capability to work across the entire value chain. Our business relationships are personal; we work with our clients as partners, so that together we can achieve long-term success.

Deep process understanding in retail

Omnichannel starts with deep understanding of markets and sales channels. With Arvato Systems, you have a powerful partner at your side who draws its extensive know-how of brick-and-mortar and online retail processes from the Arvato group's many years of experience in the service and end-customer business.arvato-systems.com/aroma-en

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