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Logistics Focus™

In-house Publication of Transport Corporation of India Ltd. June 2015

OMNI CHANNEL LOGISTICS & SCM

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About us

Strong foundation and skilled manpower, TCI offers seamless multimodal transportation solutions. An ISO 9001:2008 certified company, TCIL is listed with premier stock exchanges like NSE and BSE.

The company progressed from being a "One Man, One Truck, One Office" set up to becoming India's leading Logistics & Supply Chain Solutions provider with a Global presence. After 50 years, TCI moves 2.5% of India's GDP by value and is the proclaimed market leader of the Indian Logistics Industry.

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TCI Seaways

TCI Seaways has well equipped ships in its fleet and caters to the coastal cargo requirements for transporting container and bulk cargo from Ports on the East coast of India to Port Blair in the Andaman and Nicobar Islands and further distribution within the islands.

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Foreword

Dear Readers,

If ever there was time to relook the dictionary and Wikipedia it is now!! The word "OMNI" seems to be staring at us from all directions. Hitherto we jokingly used to associate the word omnivore to those who could eat all types of foods. However circa 2015, the buzz word and reality in future would be how organizations adapt to OMNI CHANNEL distribution strategies!! Survival would depend on this and remain a key differentiation.

Organizations, Brands, products, inventories, would need to be OMNIPRESENT; OMNIPREVALENT and people need to be OMNICOMPETENT, paling words such as ambidextrous and multitasking for an individual to some extent.

So aptly the topic of this Logistics Focus edition is "OMNICHANNEL LOGISTICS & SUPPLY CHAIN"; strategies which will make or break organizations, especially in the B2C space; B2B space too can't ignore this fact.

As usual we have contributions from eminent practitioners who are daily grappling to bring about paradigm shifts to their supply chains and logistics to meet the ever savvy consumer. The adage, "a consumer/customer spares none" remains one constant lesson.

Happy reading and look forward to your candid valuable feedback.

Yours truly,
Jasjit Sethi

Jasjit Sethi
President & CEO, TCI SCS

Jasjit heads TCI Supply Chain Solutions, which is part of Transport Corporation of India Group. Jasjit is an Alumni of Harvard Business School, Amity Business School, besides short term courses with NITIE, Powai and National University of Singapore, amongst others.

He is Past President of Delhi Roundtable of CSCMP, member of FICCI National Committee on Infrastructure etc.

A

Omni Channel Logistics & SCM

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Omni Channel Retail in India: An Overview

-by Mr. Sandeep Lal, Engagement Manager, Alvarez & Marsal India

01

Sandeep is Engagement Manager with Alvarez & Marsal and an e-commerce enthusiast. He has worked and analyzed e-commerce businesses in India, China, US, Oman, Russia, Sri Lanka and UAE.

Omni Channel by definition empowers customers to seamlessly avail shopping experiences in both on-line and offline formats (brick and mortar). It is increasingly getting popular in India as brick and mortar retailers look to tap newly adopted "online shopping" behaviors of more than 10 million shoppers in India. These shoppers have fuelled growth of about USD 5.63 billion (CY 2014) market in India. Indian retail companies have taken extra steps to offer both digital and brick and mortar offerings. Here are a few examples –

Online to Offline –

Company	Steps towards Omni Channel
Future Group	• Plans to invest ~INR 100 crores over the next year to implement its omni channel strategies. • Aiming at increasing the assortment of merchandise in the store • Additionally, increase in sales from e-commerce, expected to be around 10%, and overall business expected to increase by around 30%
Shopper's Stop	• Looking at an investment of ~INR 50 crores in its omni channel journey • New channel is expected to generate 10% of its annual turnover
Reliance retail	• Has signed a deal, reportedly worth INR 450-500 crores, with Avaya, a technology solutions provider, to revamp its call centre operations and upgrade it for customer engagement so as to support its omni channel strategy.
Infiniti Retail	• The Tata Group brand Croma, a nationwide chain of multi-brand electronics stores, has opened same day delivery for online orders in the 16 cities where it has stores. • Daily number of clicks on Cromaretail.com has reached the 2,00,000+ level
Arvind Ltd.	• Launched an online custom clothing brand, Creyate,in the ecommerce space • Expects to build anINR 1,000 crore business over the next three years.

Online to Offline –

Company	Steps towards Omni Channel
MakeMyTrip	• Currently operates 65 company owned stores • Has started a franchise model to expand reach
CarTrade	• Has 50 franchisee operated shops in the country • Plans to double the number of stores during 2015
FirstCry	• Has presence in 80 cities in India. • Aiming at an addition of 100 more stores during 2015
Lenskart	• Has 68 stores in the country. • Plans to open 10 new stores each month over 2015
FabFurnish	• Current four stores (2 in Bangalore, 1 each in Gurgaon and Faridabad)
Bharat Matrimony	• Currently operating 180+ stores in 20 cities including international locations
Healthkart	• Presence in 4 cities

Indian customers are increasingly driven by factors of price differentials and convenience to adopt online channels as a part of their purchase cycle. With increasing internet penetration, more and more customers are using both online and offline channels to complete any purchase transaction – specifically researching online and buying offline or vice versa. This is already a sizable consumer behavior in other countries. As a case example, in the UK markets, 35% of shoppers who shop for items online prefer a click-and-collect retail option to pick up their purchases.

In India, most large modern retailers have presence only in Tier I and some Tier II cities, while ecommerce has a national reach that penetrates much further into the Indian geography, with stocks that are not limited by the store's physical location or capacity. Further, the omni-channel model provides a cross section of customer shopping behavior data across categories, which retailers can analyze to draw insights. This, in turn, helps retailers provide better experiences that are more personalized, leading to increased loyalty and repeat purchases.

Propelled by these factors, traditional retailers are entering into the online space while leveraging their existing brick-and-mortar presence to differentiate themselves in an extremely competitive environment.

However, offline retailers are not alone in recognizing the promise of omni channel versus pure play retail. 85% of the Indian retail market remains unconnected to the internet and e-tailers are fast realizing the extent to which their potential market has been left untapped. For instance, MakeMyTrip recognized the need to reach out to customers who did not as yet have access to the internet and has now opened up 65 company owned stores to expand its reach.

The most important driver for omni channel retailing for online players is the inability for them to provide a touch-and-feel experience and quality assurance of the product. To overcome this, stores like Car Trade (used car), First Cry (baby care), Lenskart (eye care), Healthkart (health care) and Fab Furnish (furniture and consumer durables) have taken up an alternate route. All of these stores operate in industries for which physical verification of the product becomes an important part of the purchase decision which is not possible through an online only approach.

International Scenario

For most of the large international brick-and-mortar brands, 5-10 per cent of revenues are contributed by e-commerce. A relevant example is US retailer Macy's, which has one of the most successful e-commerce platforms and reported $3.1 billion of omni channel sales in 2014, while total sales for the company stood at $27 billion. Similarly John Lewis, a leading fashion and consumer durables'retailer based in the UK, reported £1.3 billion of its £4 billion sales as arising from omni-channel sales.

Moreover, not only are previously offline retailers successfully tapping the online space, some of the large e-commerce companies now are those that initially were brick-and-mortar companies. For instance, in

Australia, omni-channel retailers like Coles, Woolworths, Myer and David Jones account for 50% of the ecommerce market and are growing at a rate that is almost double that of pure play ecommerce companies.

Key impact areas for logistics

Omni channel alignment requires a need to manage logistics and front end operations that support a seamless experience. Some of the key areas where logistics would be a focus are -

- **Inventory Management:**
  - Need for efficient inventory planning that support online and offline operations
  - Real time inventory location management systems to support 24 hour customer demand.
- **Back end network**
  - Need for establishment of distribution centres to cater to increased number of demand locations
  - Set up of sourcing capabilities for movement of stock in smaller volumes and on-demand from

production centres to distribution centres

- **Last Mile Delivery**
  - Fleet Alignment – need for last mile fleet configurations – mix of delivery vehicles
  - Develop capabilities to handle Cash/Card on Delivery via use of hand held devices , cash management processes
  - Boxing Experience - Packaging capabilities for last mile delivery
  - Returns Management – fleet, process, manpower, IT system to track and manage returns
- **Services**
  - Marketing – need for knowledge and capital resources to use digital marketing to spread awareness of the omni - channel presence
  - IT Enablement -
- Customer analytics – Digital platforms allow for a complex manner of identifying preferences and targeting consumers based on them
- Customer profiles: Tracking website browsing history and past purchases of each customer to map preferences and use targeted advertising
- Product performance: Tracking the sales, ratings, comments and returns on specific products to identify its success/failure

- Trendanalysis: Analyzing purchase history over time periods to track changing tastes and preference patterns of consumers
- Ecommerce/Mcommerce infrastructure: Need capabilities to create and maintain web portals to carry heavy traffic. Customer helpline facility would also be required to manage any complaints.
  - o 3PL Vendor Management -Ecommerce logistics, which is not a core functionality of retailers, could be outsourced entirely to third party logistics providers. The omni channel retailer would need vendor management capabilities to integrate the 3PL services with their own.

Conclusion

Omni Channel is a proof that customer is always one up on the retail industry. It presents a huge opportunity for existing retailers (both online and offline) to build process and technology support to present a seamless experience. It is difficult to predict how soon we will see emergence of a well-equipped player that can manage online and offline operations with the same ease. But clearly Omni channel presents a significant opportunity for the logistics industry.

Sources:

Select articles from The Economic Times, Hindu, Business Standard, Business Line, Live Mint and VCCircle, The Boston Consulting Group and Retailers Association of India –"Retail 2020: Retrospect, Reinvent, Rewrite"

02

7 Omni-channel Retail predictions for 2015

-by Mr. Ashwin Krishna, Associate VP, Marketing & Alliances, Martjack

Ashwin has more than 10 years of experience in eCommerce and digital marketing industry. He has worked across India, Africa and Middle East regions. He has co-authored Its Commerce Sense, a handbook of Omni-Channel Retailing for offline retailers and brands. He is passionate about all things digital and mobile.

1. Categories

INTERNET IS THE NEW KIRANA SHOP

The grocery segment will pick up pace in the coming year. Buying groceries online is not a new concept and we already have websites such as Big basket, Godrej's Nature's Basket and SRS Grocery who have established themselves in this developing segment. However, these websites currently only serve Mumbai, Thane, Pune, Hyderabad, Gurgoan and Bengaluru, covering only a fragment of the country. With all big honchos of retail realizing the importance of Omni-channel retailing, the grocery segment in the country is soon to be crowded with options. All major players in physical grocery segment such as Future Group, Aditya Birla Group,Reliance Retail, and Godrej Group have big plans for ecommerce in the coming year.

ECOMMERCE IS SET TO GET MORE INDIAN

Ethnic goods will increasingly be sold on eCommerce platforms. Traditional and handicraft items are getting a push in eCommerce due to the commitment from the government and interest from online marketplaces. Also, with India Post keen on empowering eCommerce business, weavers and artisans from the remotest parts of India will be able to ship their products. Association with eCommerce sites will let local artisan and businesses grow by giving them access to a large customer base.

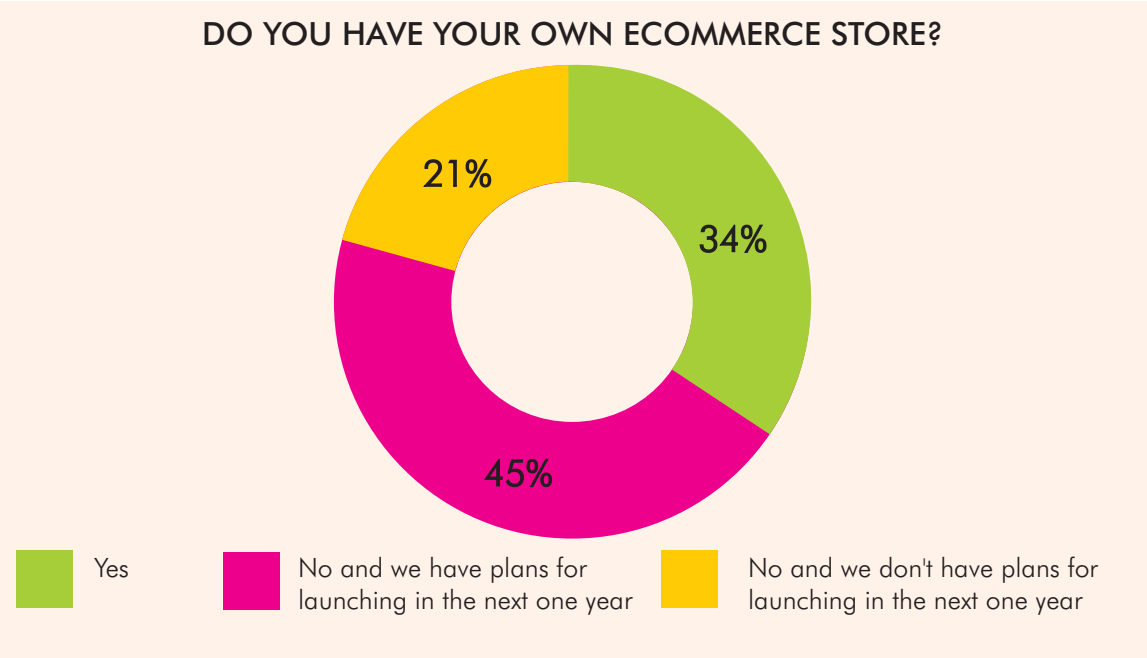
HIGH-VALUE PRODUCTS NO LONGER ONLINE TABOO

A move towards selling niche products online is seen as the eCommerce market is getting highly competitive and saturated. People are getting comfortable with buying touch and feel products online. High-value items such as housing and cars will also try to find their market through eCommerce. Tata housing launched their eCommerce platform,Tata Valuehomes which makes purchasing homes accessible to Indians across the globe.

2. Omni-channel Retailing

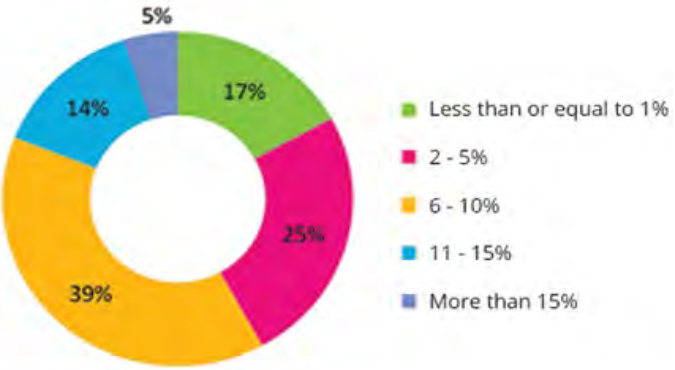
THIS YEAR BELONGS TO OMNI-CHANNEL RETAIL

2015 will be a milestone year in Omni-channel retailing! All the retail stalwarts -Unilever, Reliance,Tata,Microsoft, Aditya Birla Group, Godrej, Future Group, Walmart, Shopper Stop – have all committed to go big on eCommerce. The big guns of Indian retail are getting smarter with their strategies; all are planning to take their brands Omni-channel. The Omni-channel revolution started



with selling brands on marketplaces. Due to marketplaces, retailers have had a taste of the online demand. Retailers have realized that having a brand website and an eCommerce store is important for brand and credibility building.

In a survey commissioned by MartJack, 34% of the respondents (CXOs of retail companies) said they have an eCommerce store and 45% of the respondents are launching their eCommerce store in 2015!

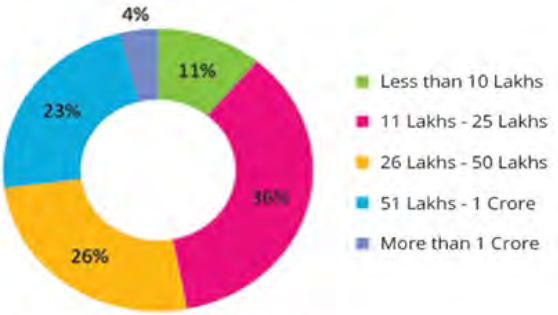


How much % of your retail sales will be influenced by Omni-channel in 2015?

BIG BANG INVESTMENTS AND PROJECTIONS IN OMNI-CHANNEL

In an Omni-channel retailing survey commissioned by MartJack, retail CXOs were asked to estimate what % of their sales will be "driven" from Omni-channel in 2015. This included the direct and the influenced sales (order online -pick up in store, social media influenced sales and so on). A majority (39%) of the respondents are projecting that Omni-channel Retailing will influence 6-10% of the annual sales.

53% of the retailers surveyed are looking to spend more than 25 Lakhs annually on online Omni-channel technology and operations in the coming year. Retailers are willing to make investments in Omni-channel as they have realised the potential of the channel. They believe that it impacts not only the direct sales but also influences leads and brand building

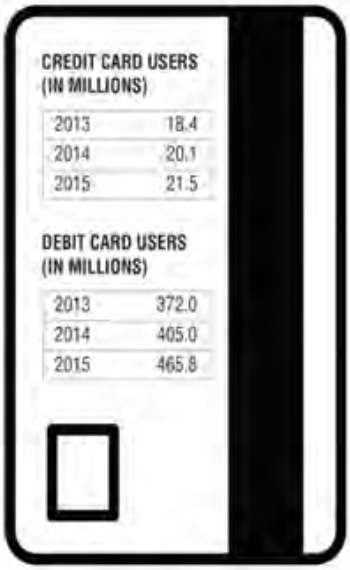


How much annual investment in Omni-channel Platform and Operations is your company projecting for 2015? (in Rupees)

3. Payments

Multiple payment options- Credit Card, Debit Cards, Net banking, Cash on

delivery, EMI, Mobile Wallets all facilitate online shopping. However, CoD is the preferred means of payment in the country with 60% of the deliveries going through cash according to Accel Report. CoD has been the key enabler behind the growth of eCommerce in India, by building trust in online shopping portals. However, the share of CoD based shipments will come down to 50% by 2016 (Accel Report).



CREDIT CARD USERS (IN MILLIONS)

2013	18.4
2014	20.1
2015	21.5

DEBIT CARD USERS (IN MILLIONS)

2013	372.0
2014	405.0
2015	465.8

LIMITED CARD OWNERSHIP NO LONGER A BARRIER TO ONLINE PURCHASING

Even Though COD remains the most popular payment option for online retail transactions, debit cards are becoming increasingly popular. Thelatest report (October 2014) from RBI reveals there are 441 Million Debit Card users and this number is growing month on month. The password requirement of any card transaction has created a secure environment for digital transactions. The number of card holders in the country is only to increase – The government of India has taken the PMJDY (Pradhan Mantri Jan-Dhan Jogna) to give banking access to hitherto unaddressed audiences.

CARD ON DELIVERY WILL MEET THE DEMAND

Card of Delivery will considerable add to the growth of the industry.
Mobile point of sales (MPoS) has allowed easy capability of cards being accepted on the delivery of the product. This will address inadequate cash availability during delivery. Customers will be able to access EMI facilities or pay by credit, right at their doorstep. Additionally, it will give customers peace of mind when paying for higher value items such as jewelry or electronics, as the payment will only be after delivery.

PRE-PAID DIGITAL WALLETS AND EMI TO PAVE WAY IN THE FUTURE

The future and potential of pre-paid digital wallets is bright in India, however, the concept is still not been completely embraced by customers. Taxi companies such as Ola, Uber and Meru are slowly getting customers accustomed to pre-paid wallets. The Accel Report reveals, by next year the share of EMI transactions (out of all eCommerce transactions) will be 5% and share of wallet based transactions will be staggering 7% (currently its contribution is at less than 1%).

EASIER PAYMENTS TO BECOME REALITY

Making eCommerce payments is to become less cumbersome for the frequent buyer with the government planning to pardon the 2-step authentication during card payments for low cost transactions. The checkout time will considerable reduce for customers, allowing them to make impulsive purchases. Consumers are increasingly becoming comfortable storing their card information. 2015 might be the year when 1-click checkout might be reality, supported by favorable technology, consumer mindset and regulations.

4. Logistics

HEAVY INVESTMENTS TO HELP BUILD LOGISTICS INFRASTRUCTURE

DHL recently announced that it has chosen India in the Asia-Pacific region to pilot its eCommerce business model and will be investing more than •100 million for creating infrastructure to do the same. Logistics – the backbone of eCommerce is graduating from being plain transportation to offering specialized and integrated services.

ECOMMERCE WILL BE DELIVERED BY POST MEN

India post has transacted business worth Rs. 280 crores in CoD alone! The public company is going through a complete revamp of its infrastructure and technology to gain a big chuck of the eCommerce logistics market share. India Post's inherit services such as core banking solutions and robust money accounting systems prove as a bonus for cash ecommerce deliveries.

SHIP FAST. RELIABLY.

With the competition heating up and consumers are looking for "gratification", eCommerce companies are increasingly focusing on reducing the delivery time. In 2015, The top eCommerce players will continue to innovate with ideas such as Same Day delivery, Next Day Delivery and Drone based Delivery. Will drones come to India in 2015? We don't think its a conducive time considering the fragile regulatory and backbone. More importantly, companies should focus on reliable delivery especially during festive seasons. Hopefully, 2015 will be a better year for logistics and there will be lesser reports on delivery delays and chaos.

5. B2B eCommerce

THE COMING OF B2B

B2B eCommerce has completely changed the way business is done in developed countries; according to a recent Forrester study, India is to mime a similar change in B2B over the next 1-2 years. The hurdle for B2B commerce initially was that buyers were sceptic about online payments and did not trust online portals. Now that B2C Commerce is booming in India with 100% FDI allowed in the B2B eCommerce, customers have placed their trust on eCommerce. This model is gaining momentum in the Indian market with companies such as Walmart adopting it with open arms.

COMPETITION AND OPPORTUNITY IN THE MARKET

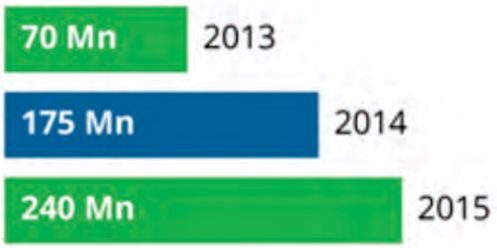
Brands matter in B2B commerce as a lot of trust goes into buying and selling in the hyper-informed markets of today. Despite this, B2B marketing companies still need to have a competitive edge-something that distinguishes them from the competition, to survive in the market. There is an upward trend in the acceptance of B2B eCommerce due to rising awareness among Small and Medium Enterprises through initiatives such as Indiamart and TradeIndia where businesses have learnt the power of online presence. Tolexo, eCommerce initiative by Indiamart is a testimony to growing aspirations of B2B eCommerce in India. Also, there is no FDI regulations in B2B eCommerce. This will pay for VC and Private Equity investment in this space.

6. Mobile

SMARTPHONES ARE THE PRESENT AND THE FUTURE

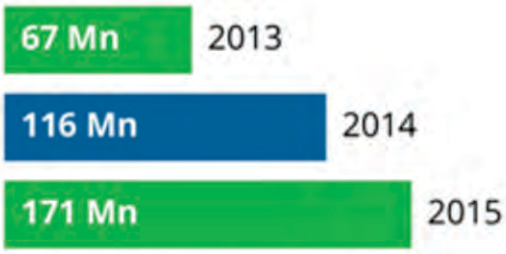
According to a recent study by Zinnov, Indians spend almost 3 hours on their smartphones everyday; which surpasses time spent on TV's, PC's and tablets. Affordable smartphones with regional language options are the present and future window of internet consumption in India. People who can't afford or get access to computers are enabled by smart phones. The magnitude of this segment can be felt in the market as Micromax, an Indian budget smartphone brand, is on its way to dethrone Samsung as the country's top mobile brand. Additionally, Google has come out with Android One, a phone software especially designed to run on low cost smartphones.

As a result, smart phones are increasingly becoming an essential part of the overall purchase process. Consumers are constantly searching and curating products and services they are interested in through their tablets and smart phones. 65% of Snapdeal's orders have been placed through mobile devices; now that's impressive!



Mobile internet Users (In Millions)

Source: Internet and Mobile Association of India, 2014



Smartphone users (In Millions)

Source: IDC, Avendus Estimates 2014

Used a search engine for product search	53%
Purchased a product or service	40%
Used online/mobile coupons for shopping	38%

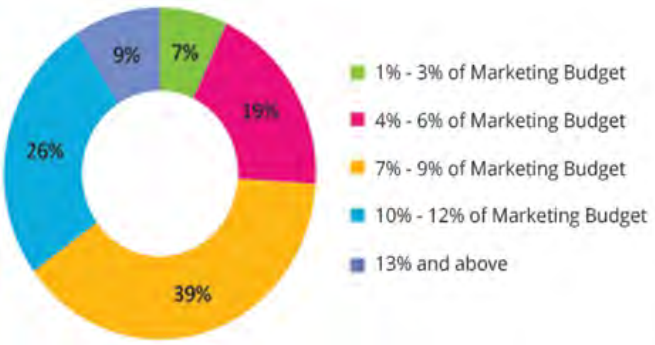
Source : Internet and Mobile Association of India, Avendus

A mobile optimized site is a pre-requisite for eCommerce today. eCommerce giants are now focusing on driving their mobile apps to customers. Most of the Indian eCommerce app downloads are heavily incentivised with exclusive offers or credit points. The future of eCommerce apps will continue to be driven by heavy incentives in the Indian market.

7. Digital Marketing

THE SPARK WILL GROW AS A FIRE!

In a survey commissioned by MartJack, Retailers who have an Omni-channel roadmap invest more than 10% of their marketing budget on digital marketing for 2015. Retailers who are trying to build a strong digital presence are planning to spend 7% – 9% of their marketing budget, whereas retailers who do not have a focus on digital spend less than 4% of their marketing budget on digital.



What percentage of your Marketing Budget do you allocate for digital channels?

	2012	2013	2014	2015	2016	CAGR
PRINT	154	172	193	215	241	11.5%
TELEVISION	130	148	170	197	230	14.7%
OOH	20	22	24	26	29	10.0%
DIGITAL	20	26	34	44	57	29.9%
RADIO	13	16	20	24	30	20.7%
Grand Total	337	384	440	506	586	14.3%

Advertising spend (in INR Billions)

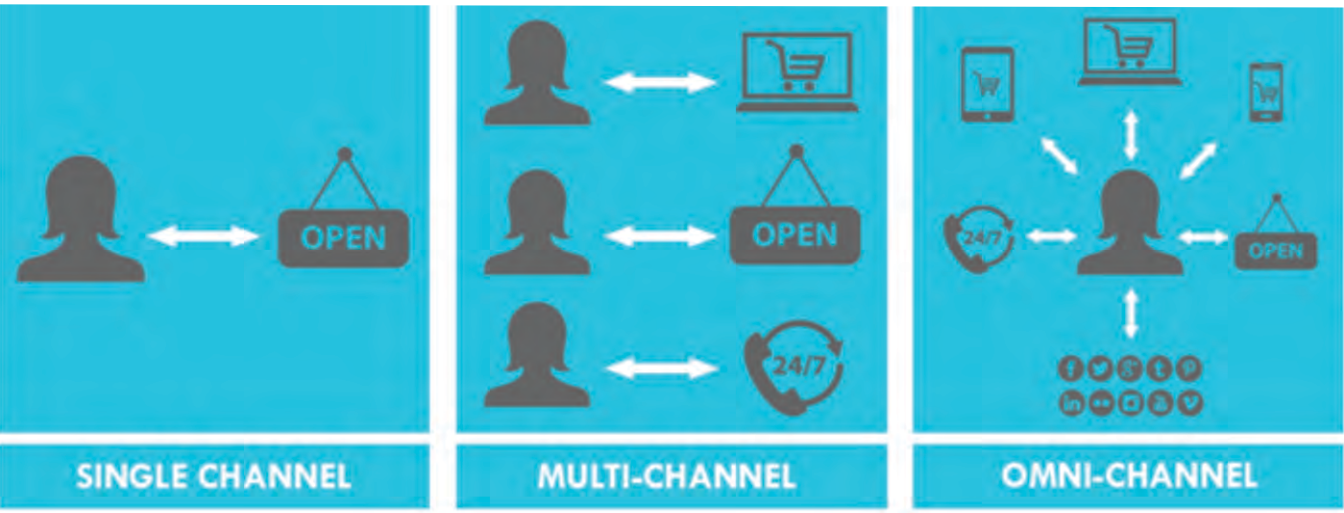
According to a report by KPMG, digital marketing spend as a part of overall marketing budget is the fastest growing channel and it will attract 9% of the budgets from marketer's kitty.

Omni - Channel and its impact on Logistics

-by Editorial

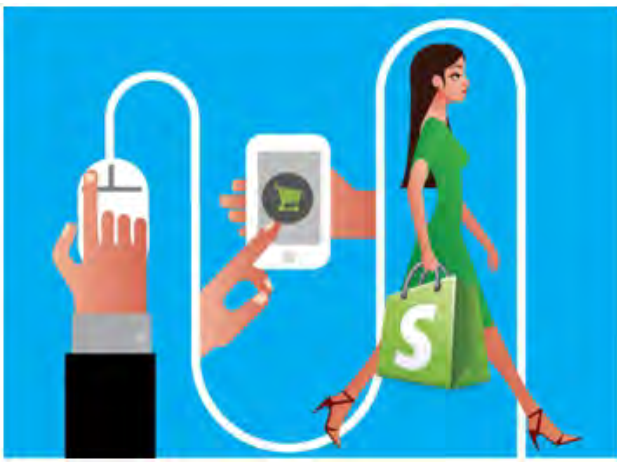
03

The term omnichannel refers to the seamless melding of the advantages of in-store (brick and mortar) shopping with the information-rich experience of online shopping.



Omnichannel (also spelled omni-channel) is a multichannel approach to sales that seeks to provide the customer with a seamless shopping experience whether the customer is shopping online from a desktop or mobile device, by telephone or in a bricks and mortar store.

What distinguishes the omnichannel customer experience from the multichannel customer experience is that there is true integration between channels on the back end. For example, when a store has implemented an omnichannel approach, the customer service representative in the store will be able to immediately reference the customer's previous purchases and preferences just as easily as the customer service representative on the phone can or the customer service web chat representative can or the customer can use a desktop computer to check inventory by store on the company's website, purchase the item later on with a smartphone or tablet and pick up the product at the customer's chosen location



Omni-channel logistics enables customers to be everywhere, and everything, to both retail and wholesale customers, while experiencing the following:

1. Consistent customer experience – The same stylish experience in web, mobile and retail channels
2. Connectivity – With all parts of your e-Commerce system communicating seamlessly
3. Visibility – To track inventory and availability in real time
4. Flexibility – To dynamically schedule deliveries and select shipment methods
5. Delivery – Direct to your customer, with integrated back-end tracking and reporting
6. Seamless internal integration – Online orders and returns are managed smoothly alongside existing retail channels

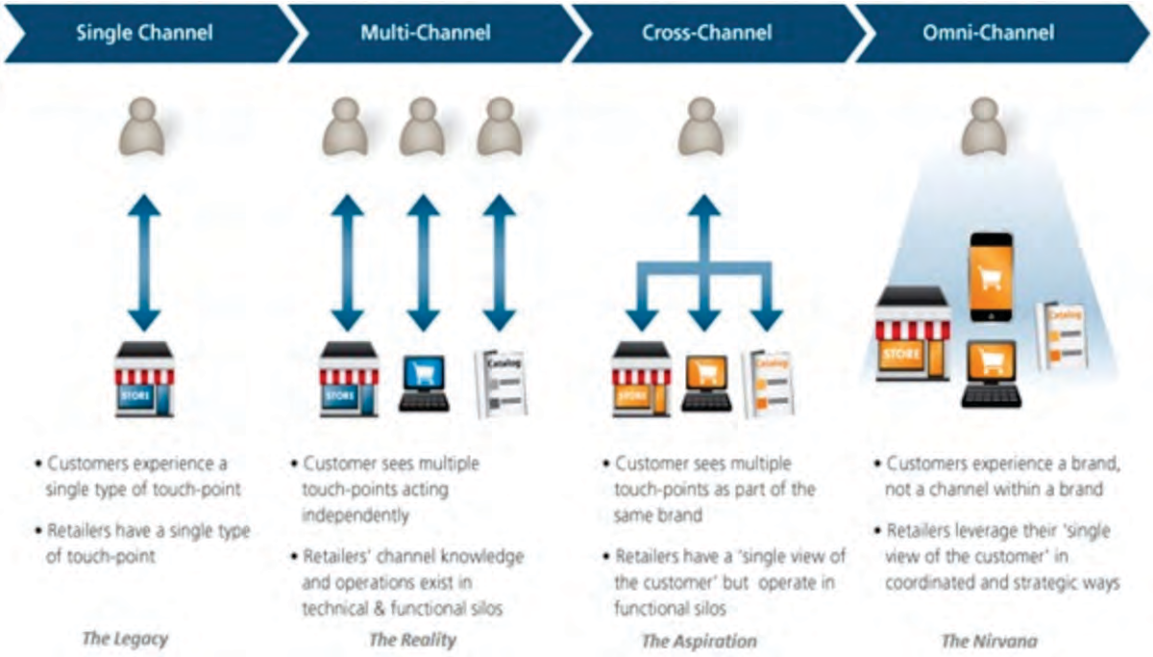
Omni-channel retailing is seamless and immersive and has evolved from multi-channel or cross-channel retailing to ensure a superior customer experience across all available shopping channels. Research indicates that Omni-channel shoppers spend between 15 and 30 percent more than multi-channel shoppers. However, enabling Omni-channel adoption requires retailers to change their supply chain strategy.

One of the retail company now has kiosks in hotels and airports where you can purchase a camera or camcorder on the spot. Distribution ideas such as this will become more common as retailers try to offer products to consumers in the most convenient way. Since forecasting is rarely entirely accurate, this model helps meet unpredictable demand by leveraging the full inventory, no matter where it sits.

So far though, Omni-channel discussions have been largely limited to front-end functions such as marketing, consumer engagement, sales, assortment, pricing, promotion and customer service. The IT complexities associated with poorly integrated systems and limited or non-existent mobility solutions have been the primary areas of focus.

Omni-channel front-ends add to the complexity of back-end operations. Transportation and logistics are the backbone of any supply chain and depend heavily on fleets and nodes such as distribution centers, stores and customer locations. The transport fleet and nodes determine order fulfillment against consolidated orders from multiple shopping channels. The multiple ways of fulfilling customer orders in turn entail a centralized inventory, transportation management, orders systems and so on, for multiple sources of customer orders. Offering an omni-channel experience to the customer therefore entails revisiting key supply chain and logistics operations.

Omni-channel retailing promises puts a lot of pressure on the back-end supply chain activities such as logistics. Lets try to find out key enablers, existing inefficiencies and recommendations for a successful Omnichannel logistics model.



There are a lot of factors that determine success in the omnichannel marketplace. But retailers are discovering that their logistics and fulfillment operations are consuming a larger share of the oxygen in omnichannel conversations than ever before.

According to an Online Shopper survey, consumers want more flexibility in shipping and fulfillment, including the ability to select delivery dates and times, and to reroute packages based on personal preferences. The demand for flexible shipping options reached a new high in 2013, when 44% of shoppers abandoned carts due to an estimated delivery time—a sharp increase over 2012.

With consumers placing a heavy emphasis on shipping in retail decision-making, it's critical for retailers to explore new ways to leverage logistics strategy as a driver of omnichannel success.

In the current omnichannel marketplace, there are a handful of logistics strategy essentials that seem to be separating leading omnichannel retailers from the rest of the pack.

Inventory Visibility

Omnichannel success begins by creating a single view of inventory across all stores and distribution centers. To satisfy customer needs, retailers must quickly deliver merchandise to customers—regardless of where those customers make their purchases.

For example, if a customer purchases a product online that is out-of-stock at the distribution center, you need to be able to ship it from a store location. Conversely, if the customer wants to buy an out-of-stock product in-store, you need the ability to quickly deliver the product from another location.

A single view of inventory across all channels and locations enables you to leverage logistics as a catalyst for exceptional customer experiences, ensuring that customers can buy from any location, at any time and have the item in their hand the next day.

Forecasting

There has never been a greater need for accurate forecasting in logistics than there is today. The fluidity of inventory across channels and locations means that retailers need to be able to predict order volumes and inventory requirements to satisfy customer needs, while maintaining some semblance of operational efficiency.

In the omnichannel universe, shipments from store locations are sometimes necessary to protect the quality of the customer experience. But every item that is shipped from a retail location depletes that store's inventory and places additional strain on brick-and-mortar operations.

Accurate forecasting boils down to leveraging historical data (shipping volumes from distribution centers vs. individual stores, busiest store locations for direct to consumer shipping, etc.) to improve logistics and customer experiences. Armed with historical data, a first-rate logistics provider can significantly increase your ability to gauge the level of order activity each channel can support

Accurate forecasting boils down to leveraging historical data (shipping volumes from distribution centers vs. individual stores, busiest store locations for direct to consumer shipping, etc.) to improve logistics and customer experiences. Armed with historical data, a first-rate logistics provider can significantly increase your ability to gauge the level of order activity each channel can support.

Return Management

By definition, omnichannel means giving customers the ability to buy what they want, where they want, when they want it. Now, consumers expect to have that same ability when it comes to returns.

The demand for omnichannel return experiences requires retailers to support returns at any location. So, regardless of where the order originated, you need a logistics strategy that allows your customers to return merchandise at retail locations as well as distribution centers.

Conclusion :

The overarching truth of omnichannel retail is that customers are in the driver's seat. As customers' attention turns to shipping, the more you can do to align your logistics strategy with your customers' needs and preferences, the more likely it is that your brand will achieve omni-channel success.

B Operations Viewpoint

4. The Impact of Omni-Channel Commerce on Supply Chain- An International Perspective
- by Mr. Hans Kourimsky, SCM Line of Business Director, Intelligence, France

5. Omni - Channel Fulfillment - An operations view
- by Mr. P C Sharma, President & CEO, TCI XPS

6. Role of a DC in Omni Channel
- by Editorial

04

The Impact of Omni-Channel Commerce on Supply Chain- An International Perspective

- by Mr. Hans Kourimsky, SCM Line of Business Director, Intelligence, France

Hans is the business director for supply chain management at intelligence France. Since 2000, he has been active in supply chain implementations of SAP® software. As a specialist with long-term and far-reaching expertise, Kourimsky is in charge of strategic development and presales and delivery of supply chain implementations for intelligence France.

This edition covers a perspective of the France and European Markets, the way Omni Channel is evolving and the process of delivery to customers and consumers. We had the privilege of speaking to Hans Kourimsky, SCM Line of Business Director, Director des applications SCM, Intelligence (NTT Data Business Solutions)

Surely would be very interesting insights for the readers in India. Covered in the form of Q&A, read ahead—

1. Please give a brief idea to our readers on Omni Channel industry in your country.

   The Omni channel industry in our country France is revolutionary for many of our customers from the traditional brick-and-mortar retail stores. They are the customers of the customers by new channel distribution. The retailers or distributors now sell their products through multiple channels- retail stores, online stores, mobile stores and other methods of transacting with a customer. The customer dictates the route in multi-channel retailing. Systems and processes within retail simply facilitate the customers' journey to transact and be served. Delivery and processing is one of the biggest challenges in the Omni-channel trend.

2. How has the Omni-channel commerce changed the traditional supply chain?

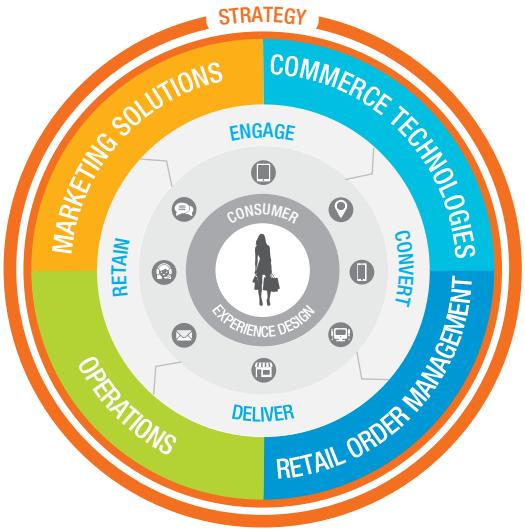
   The Omni-channel commerce has changed the traditional supply chain. It has changed the process of delivery. There is an increase in the number of organized processes and the products can now be distributed directly to the customers. The traditional supply chain revolved around transporting bulk product to brick-and-mortar retail stores or distribution to centers that would handle small volumes of direct-to-consumer catalog orders. The ease and convenience of online shopping altered this model significantly increasing the amount of direct to consumer's orders.

   Another change is that, buyers do not want to wait for inventory to arrive in a store. Instead, they now reach the internet and find a competitor offering quick delivery. Shipping time is a decisive factor for buyers making an online purchase. This means a proactive and responsive supply chain is the key to maintaining market relevancy.

3. How has Omni-channel commerce changed the supply chain from a service provider's perspective? What increased coordination is needed between merchandizing and supply chain?

   Service providers have to adapt to changes in the market.

Service providers will basically provide warehousing and transportation. They have to pick-up parcels and ship them to the customers. There is an increase in the work-load and operations done in the stores. We have also seen an increase in small pick-and-pack orders. Before online shopping boosted direct-to-consumer shipping, manufacturers mostly shipped bulk orders to warehouses or retail distribution centers. Today, e-fulfillment solutions focus on effectively moving small pick-and-pack orders of one or two items.



Talking about the increased coordination between merchandizing and supply chain, the question is always from where should a parcel be shipped. Should it be shipped from the warehouse, central warehouse or a distribution warehouse? In some cases, it can be shipped from the store. The customers don't wish to do the running around and go to stores to pick up their products rather they want to use web portal channels to buy their products.

4. **What are customer expectations about fulfillment and delivery options?**

Customers now want to have more and more quicker deliveries. They want the flexibility in delivery options. In France, we have seen a big trend in selecting your product on the web but one goes physically to pick up the product in the store. The Omni- channel industry has been a big revolution. Sellers want the customers to order online and pick up from their store so the customer can look at other products as well.

A popular trend I have seen in China is that of same day deliveries. Sometimes the product is at your doorstep within four hours within having placed your order. This trend is not yet there in France but its coming up gradually.

5. **What are the tools and technologies and systems which help in facilitating smooth supply chain from Omni retail?**

Efficient warehousing system and a tight integration in the Omni-channel system are the tools and

technologies which help in facilitating a smooth supply chain for Omni retail. A rich portfolio of features which enable them to process the orders will also help in the smooth supply chain. A web-based pick and pack scenario and IT systems which allow the process of orders and serve scenarios in the supply chain system are the key elements.

6. **What are the key enablers to achieve a successful Omni-channel supply chain strategy?**

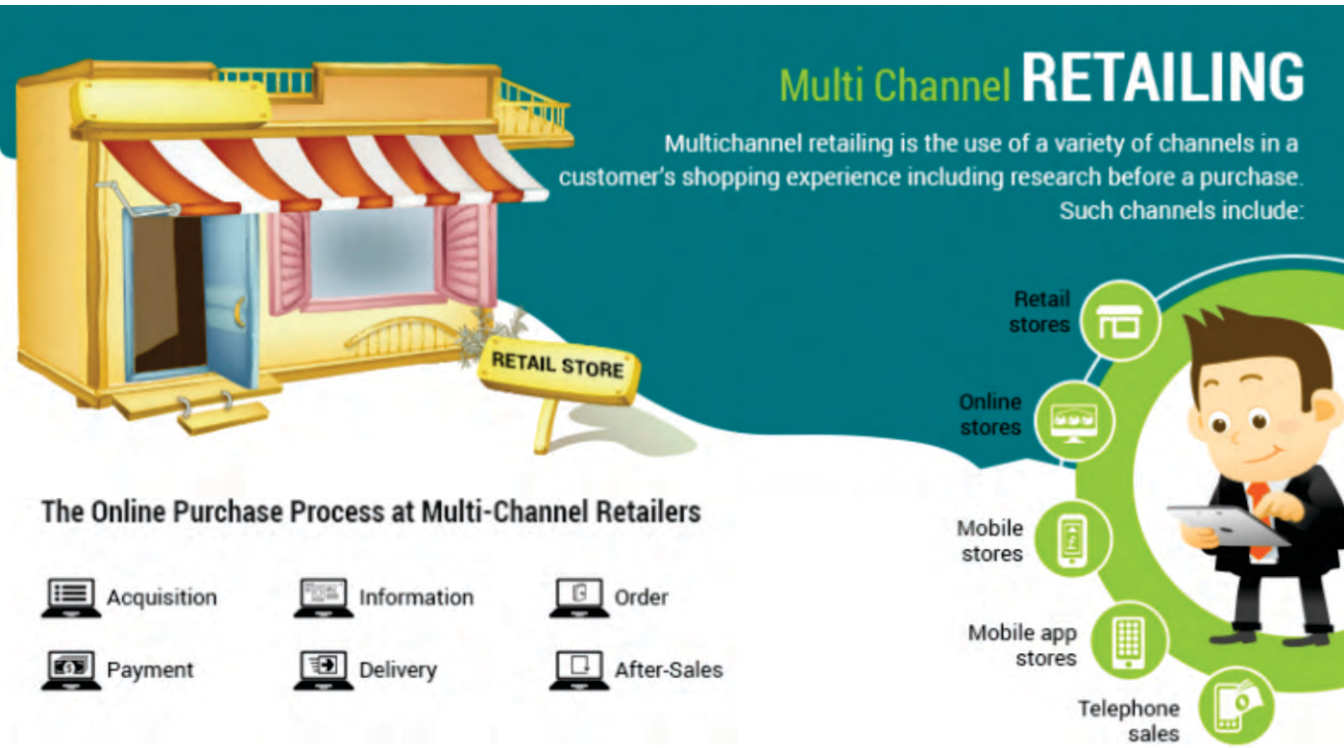
   The key enablers to achieve a successful Omni-channel supply chain are strategy, agility and visibility. Omni-channel should be embedded in the overall company strategy. They should have a responsive, combined Omni and traditional supply chain infrastructure. IT systems and capabilities that enable seamless visibility and fulfillment to end consumers will help to achieve a successful Omni-channel supply chain strategy.

7. **Where are we in the evolution of Omni-channel? What companies are leading the pack in of the dimensions of Omni-channel?**

   Over time, retailers will continue to integrate physical and digital resources and incorporate new platforms and devices as they build an enhanced shopping experience in response to their customers' desires for retail solutions that deliver anything, anytime, anywhere, and anyhow.

   Majority of the companies have their own strategies in the Omni-channel system. The growth of Omni-channel is dramatically increasing the supply chain complexity.

8. **What barriers need to be broken organizationally to enable a successful Omni-channel strategy?**



It's a massive change. Omni-channel has changed the ways products were ordered and processed till delivery. Efficient websites, prices, selling products, credit check strategy for the customers, involving the management and physical processes have to change to enable a successful Omni-channel strategy.

Channel barriers will need to be broken down with more cross-functional morphing across teams to deliver the desired customer experience. Strategic plans, budgets and goals must be centralized, with focus on key financial and customer metrics company-wide. Easy to say. Very hard to do.

9. Regarding Reverse Logistics/Returns in an Omni-Channel Environment, How do you best get visibility of returns coming in?

Customers want flexible returns in an Omni-channel environment. It is very difficult to get visibility of returns. To effectively manage reverse logistics processes in an Omni-channel environment, maintaining accurate inventory counts at every stock location from which fulfillment can occur. In addition, you should have an understanding of what inventory is on its way to those locations and when it will arrive. If you are handling more returns, your labor costs can potentially increase. Tracking productivity to ensure efficiency and cost-effectiveness is important in this situation.

10. What new options and business models are coming into the marketplace to support Omni-channel?

Omni-channel is addressing customers via web/mobile portals. When you address the customer by all those channels there is a big issue of centralizing everything.

Synchronization of the product and information is very important. It's all about centralizing your information, so that the product can be distributed amongst all the channels.

11. Top companies are investing in distribution operations to drive competitive advantage and grow revenue. But what are the technologies you should be considering, and how do you justify them?

The customers want to have flexibility in power, pick-up store service, place the order from the website without having to visit the store. Companies are investing because it is a market requirement. Organizations are investing in executing strategies that can promote, attract, engage, transact, service and build loyalty, driving repeat business, between their enterprise and their audience.

12. Where is Omni-Channel Commerce taking us?

The processes involved in Omni-channel system have to be implemented and supported by the society. *It has become easier than ever to buy the things we want to buy in today's world. Customers are not going to wait for organizations that are not able to get it right. The age of the Omni-channel is here and companies who address the challenge with a solid strategy should expect to be rewarded with positive results*. And while the advent of social and multiple purchasing channels has added

complexity for the enterprise, we have in parallel received the gift of cloud technologies which enable every retailer to quickly level-set the services they can offer across their full breadth of purchasing channels. The Omni-channel is a blended solution for today's commerce.

The above shaded portion in the response sums up the obvious but will be a game changer for companies which adapt themselves accordingly, "Change or Perish" may become a reality for brick and mortar companies..

Omni-Channel Fulfillment – An Operations View

-by Mr. P C Sharma, President & CEO, TCI XPS

05

Mr. P C Sharma is President and CEO, TCI XPS. He is heading TCI XPS a division of Transport Corporation of India Limited.He is the driving force behind sustained growth and success of TCI XPS. He is an alumni of Harvard Business School.

One of the most used buzz words in business and supply chain today is Omni-Channel. So we decided to have a look on the operations impact of Omni-Channel and give an insight to readers on the same. We want to determine what will happen to today's supply chains if companies sought to satisfy the current nature of consumer's fulfillment expectations.

Retail Sales Model

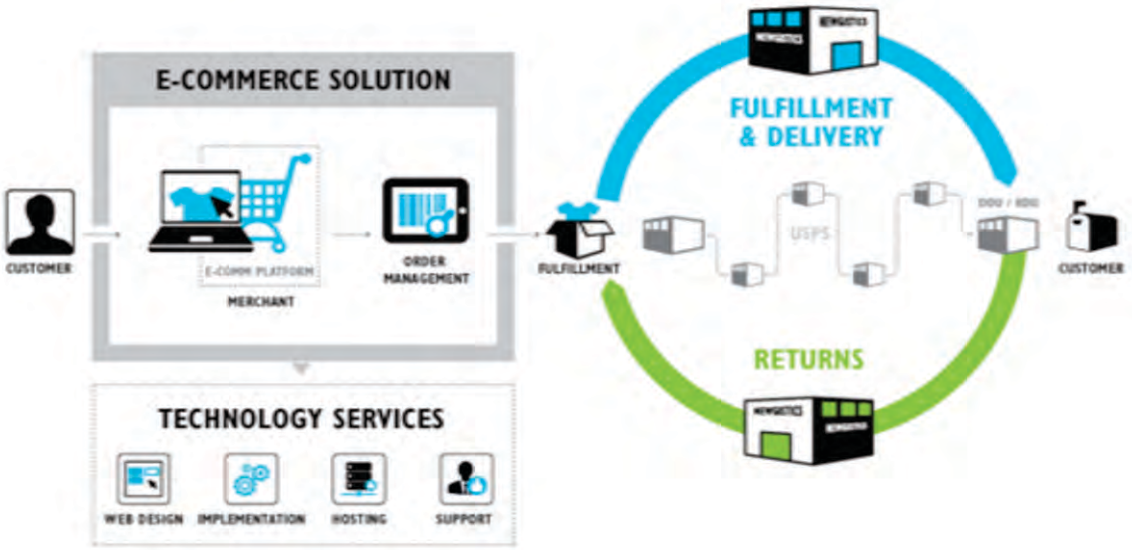
There are different retail models through which selling is done. Primarily we have identified 6 retail models.

- TOR -Distributor – Wholesaler – Traditional Retailer
- EBO - Exclusive Brand Outlet
- MOR - Large Retailers
- Own e-portals
- Institutional / KAM
- E-com Retailers

Omni-Channel Fulfillment Drives SCM

Supply chain management is the critical link between market supply and demand, and as such, must have a seat at the omni-channel table too. Retailers that understand this, and include operations in the development of these strategies, can create a competitive advantage.

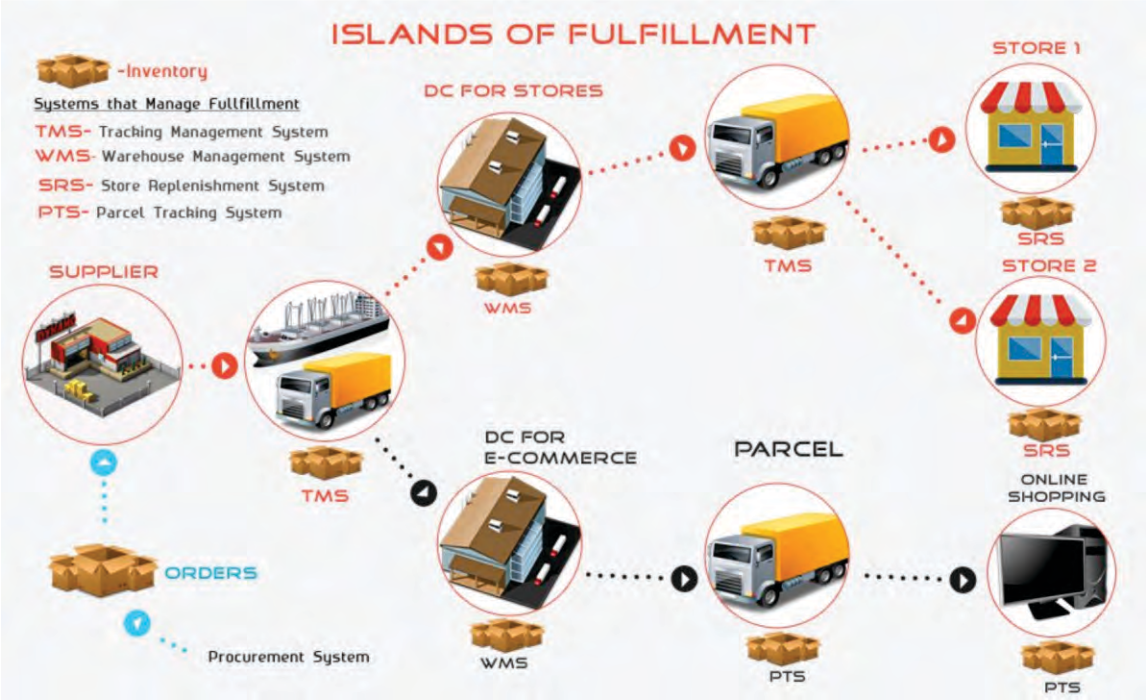
For example, one cannot talk about omni-channel fulfillment without looking at same-day delivery. There have been numerous blogs and stories recently written about same-day delivery and the impact that it can create in the supply chain. If you look at the numbers, most people are selecting this as an option when given a choice. According to some new data, overall sales increased when the consumer was given same-



Optimizing Omni channel fulfillment Process

day delivery as an option at the time of the checkout. "It's not about how quick you have to have it, but when you want it."

Leading companies are well aware of these preferences. Consumers want both online and bricks and mortar buying options, and retailers are redefining their business models in order to satisfy these needs. These changes bring tremendous opportunities for retailers of all shades and providing supply chain management is an integral part of the new service equation.



The supply chain management community must play its part by questioning the way it supports retailer customers going forward.

Overall we found a lot of learning going on across organizations. Most companies realize they are not currently in a position to satisfy consumer expectations but few are investing significant amounts of capital at this point either. Most companies are piloting efforts, staying on top of advancements in software and working with other internal functions to determine what operations can achieve on a wide-scale basis while controlling costs.

Functional Areas and Business Services Exposed as Features

First and foremost, companies are trying to tackle the issue of different sources of information. Trying to satisfy today's consumer requires companies to integrate various channels of orders, regardless of whether they come from stores, on-line, from mobile apps or phone. Getting one integrated view of orders provides a starting point to determine the preferred and most effective means of fulfilling that individual order. But that needs to be balanced with an equally integrated view of inventory and its location. This allows companies to start the process of satisfying those orders with the most effective inventory.

The challenge of integrating these sources of information isn't necessarily new or unique to Omni-Channel. Where the pilots and learnings come in is how that inventory is delivered to the customer. A lot of splash has been made about drones and their ability to create a differentiated approach to delivery; though other than the folly of a drone delivering a pizza in India, the only real value documented so far has been the opportunity to use drones to deliver medicines to remote locations. So while drones receive the headlines, many more applicable and scalable solutions are being piloted to drive efficiencies in the always-on Omni-Channel, including the most prevalent choice of taking the "wait and see" approach.

Conclusion :

So as companies pursue the "fast follower" approach to fulfilling Omni-Channel requirements, we believe it will create opportunities for other organizations to enter. Several companies voiced the concern that it would be too capital intensive for all organizations to rebuild certain supply chain capabilities to be efficient and effective in an Omni-Channel business environment. With the pervasiveness of cloud-based technologies, they may be an opportunity for non-traditional competition to develop new capabilities in a Greenfield environment.

06

Role of a DC in Omni Channel

- by Editorial

Inventory is now omni present and not locked in the 4 walls of a Distribution Center. This is the challenge which retailers are grappling with. A herculean task indeed to map physical infrastructure, systems, inventory to the consumer – a crisscross network, flow of goods, information and most importantly experiences!! Complex indeed!!

The choices consumers now have both online and in retail are driving increased complexity in the warehouse. Omni-channel logistics is the evolution of eCommerce and retail competition. In order to capture market share lost to eCommerce, retailers have added online shopping, in-store eCommerce, returns to local stores and many other hybrid customer service models. The result is an increased demand for warehouse flexibility to service ALL channels simultaneously. That means that your logistics operations captures orders from all channels (online customers, retail stores, shippers) and is also prepared to ship to all of those channels.

The pressure is on retailers to deliver anything, anytime, from anywhere. Three experts answer four key questions that will help traditional brick-and-mortar retailers revolutionize their use of WMS and their shipping processes on the way to a multi-channel transformation.

You walk in to your favorite retail store and spot an item you'd like to purchase. A new app on your smart phone lets you "scan" the UPC barcode, which automatically opens up a search engine that finds the same item for less. A few finger slides and clicks on your phone and the wheels are set in motion for you to receive that item the very next day—and you didn't even have to wait in line at the register.

Welcome to the new world of retail where mobile technology, wireless networks, and e-commerce have added a whole new dimension to the consumer's shopping experience—and a slew of challenges for the supply chains of traditional brick and mortar stores. It's a trend that our experts see gaining momentum, as store sales remain flat and e-commerce business with next-day service levels continue to grow.

It's all about keeping up with today's tech savvy consumer. Consumers want the ability to order anything, anytime, from anywhere. Through social networks, significant backlash is instantly relayed if the experience is not exceptional.

Thus the pressure is on for supply chains to deliver—literally. "As e-commerce becomes a larger percentage of the shipping volume, it's taking less of a back seat in terms of the design of the operation.

Lets have a look on how warehouse management systems (WMS) and other software solution providers are responding—from offering real-time visibility to available inventory to executing the most cost-effective method of fulfillment to service the most demanding consumer. In an increasingly competitive global retail environment, retailers may have no choice but to go with the flow.

Should you insource or outsource?

For traditional DCs servicing their own stores, adding e-commerce to the fold can be a daunting undertaking. Some may need outside help.

The decision to outsource will depend on e-tail's volumes. When volume is low, it makes sense to keep it in-house—one inventory, lower costs. As volume increases outsourcing to a third-party logistics provider (3PL) becomes more attractive.

E-commerce picks are very different and can suffer in a system designed to support larger brick-and-mortar picks. Specialized 3PLs focused on e-commerce often have the material handling equipment, systems, experience, and expertise to more efficiently process e-commerce orders than many of their own clients can do in-house.

As larger throughput volumes eventually magnify the costs associated with splitting the inventory with a 3PL, it may justify consolidating and designing an operation with multiple picking options, to optimize both the bricks' and the clicks' picks. At some point, even larger volumes result in a facility getting too big. Separate facilities may be required, and they can each be optimally located based on the different logistics considerations of the channels.

How to pick?

For most multi-channel DCs, one of the primary challenges revolves around picking. Many traditional operations are not set up to efficiently accommodate a large range of orders with varying units and lines per order characteristics. Picking labor is often the single biggest cost within the four walls, and inefficient picking systems can have a huge impact on a DC operation's costs.

Retail replenishment to stores is typically "pulled" based on point-of-sale (POS) information. This is usually a pick-to-cart or pick-to-voice/light into totes process, then the totes are consolidated and packed into

store shipments. In contrast, retail distribution in response to new store openings, specific ads, and promotions are typically "pushed" and achieved using a put-to-store strategy or pack-and-hold operation.

E-commerce orders have a different profile from store orders. That order profile is typically 1.2 lines per order, with about 30 percent to 60 percent one-line orders. These orders are typically processed via cart zone picking or zone batch picking. For increased productivity, the single-line or single-unit orders are typically processed differently in a batched, high-speed packing operation in a separate area of the facility.

How to ship from stores?

The ability to ship e-commerce orders from brick-and-mortar stores may be the strategy that most are anticipating. Why? Because processing and shipping from the store that's closest to the person that wants it is the most cost-effective way to support a next-day shipment.

Most of the major retailers we're currently working with will be shipping from their stores this peak season. But the best way to accomplish this will vary by retailer. Some will select key stores that have the largest inventory—and those key stores may be defined by particular mixes of SKUs that they've identified as the highest volume of e-commerce items.

They're going to stockpile those SKUs at specific stores and make those stores forward-shipping systems, deploying full warehouse management capabilities. They may even leverage parcel manifesting technology, pushing the order down to the store where store employees can go out with a paper ticket to pick items off the store shelves and immediately prepare them for shipment. Store fulfillment can vary by store type. Low end stores may process 10 to 15 orders a day with minimal technology support and, at the other end, larger stores could have the capacity to ship hundreds of orders and require a mini-fulfillment center in the store's backroom.

Shipping from stores presents some challenges. "There might be licensing issues with putting warehouse management systems and transportation management systems [TMS] inside the stores. Plus contracts with parcel carriers may need to be modified to handle this strategy.

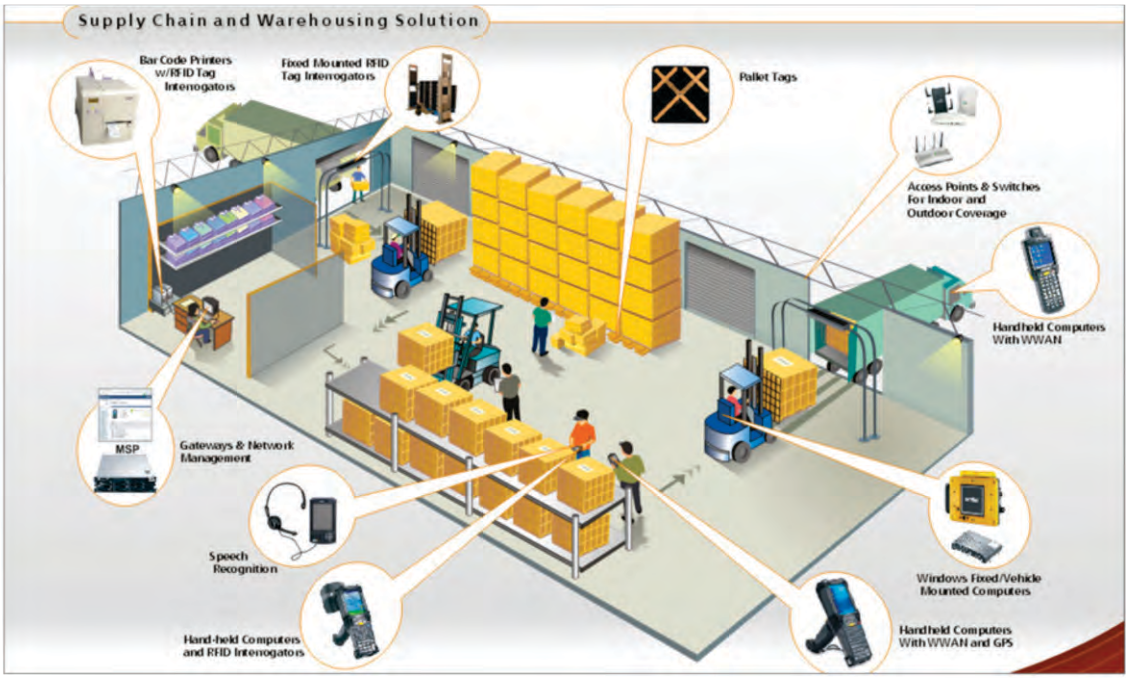
What systems to use where?

One of the most critical requirements for an omni-channel retailer's success lays in the planning and executing capabilities of its WMS and other information management systems.

First and foremost, an inventory management system that spans the entire supply chain gives managers a leg up in achieving real-time visibility—and in some cases might actually save the sale. Rather than having a customer walk away because she can't find an item, today's sales associate may be equipped with a handheld mobile device to help her find it in any of the other stores. Some stores have even set up kiosks for customers themselves to check inventory, purchase the items, and have it shipped directly to their homes.

Another critical component to making omni-channel's "buy from anywhere, ship from anywhere" philosophy possible is a distributed order management (DOM) system. DOM allows you to find all the rule sets and criteria of how you want to cost-effectively support that next-day shipment. It has the visibility of inventory at all the different stores.

DOM understands the delivery time frame and instantaneously makes a decision where to most cost-effectively drop that order and still provide the service level promised. "It can drop it into the DC, an e-commerce fulfillment center, or to an individual store."



However when inventory is scarce and the "bricks and clicks" are sharing inventory with multiple DCs, setting up your DOM becomes especially challenging. Who gets priority? How do you reserve inventory for each channel? Do you send that order to the store or send it to the DC or split it across multiple Dcs?

Within the WMS, the requirements may be simpler, but just as critical. Consideration must be given to the picking and waving logic that can handle retail order profiles (larger orders) and the smaller e-commerce orders.

It's not just the regular pick/pack/ship logic anymore. There are more permutations: zone batch picking, multi-order picking, pick and pass, priority processing, multi-carton processing, etc.

Good cartonization logic coupled with up-to-date weights and measures can streamline packing and manifesting while saving freight by packing orders into the least number of cartons. The TMS must be able to handle service/cost tradeoffs and to track information, not just simply ship to residences and businesses. Real time information exchanges between the WMS and the web site to mobile devices is expected—it's not an option. In multi-channel systems, it's critical to push out the status information in real time.

In a consolidated multi-channel facility, the warehouse control systems (WCS) may now need to control a wider assortment of material handling systems. WMS/WCS integration becomes more critical. The need to know exactly where in the system an order is—specifically where on the conveyor it's sitting—is greater with short windows between dropping orders and shipment cut-off.

Last words

Today we're moving from next-day shipments for e-commerce, to same day shipments.

To be able to do same-day shipment retailers need to be as geographically close to the customer as possible. In addition, they will need robust systems that look at all the different points of distribution—including one that ships from a store—and orchestrates the most cost-effective place to meet that service level.

C Institutional View Points

7. 'Omni' Presence : The future of Logistics and SCM,
- by Prof. Dr. B. Balaji, Director & Professor of Business Administration, SSIET, Chennai

8. The Pros and Cons of Omni - Channel Retail Logistics
- by Editorial

9. Omni Channel Logistics - A Rocketing Thrust from SCM
- by Ms. Deblina Saha Vashishta, Asst. Professor & Research Scholar (Bharathiar University)

'Omni' presence: The future of Logistics and SCM

-by Prof. Dr. B. Balaji, Director & Professor of Business Administration, SSIET, Chennai

07

He is a B.E., M.B.A. (Gold Medalist), M. Phil., Ph.D. (Business Administration), Dip. T. & D. (ISTD National Gold Medalist), UGC-NET. He has written 3 books so far and n-numbers of research paper which have been published nationally & internationally. He has received so many awards & recognitions in India & foreign countries.

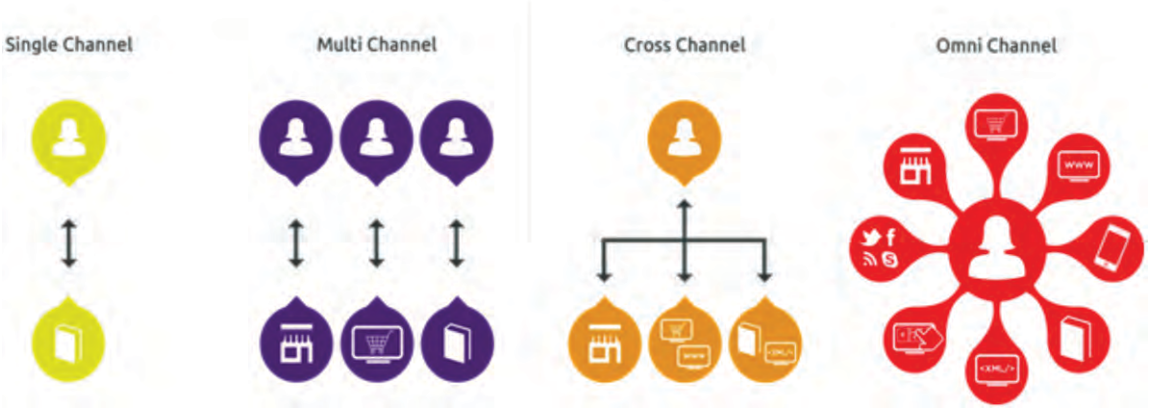
Retailers are going through a challenging and exciting time. Challenging because competition is intensifying, profits are declining and customers are getting pickier. Exciting, because new technologies involving social applications, tablets and smart phones are opening up newer avenues to connect with customers. From an enterprise integration perspective, businesses will need to develop capabilities to support an Omni- Channel journey. Lets have a look at the journey of Omni-Channel retail in India and its impact on logistics and supply chain…

I. Background

Multi-channel retailing refers to a retailer selling through more than one channel, which could include its own stores as well as sales to wholesalers, through catalogues, or online.However, in the multi-channel model, there are good chances of discrepancy between what is available in the store versus what is mentioned in a catalogue, or online.

Each channel offers multiple independent touch points to the consumer - many times selling different items under separate brands. Mostly orders are satisfied through separate supply chains. Inventory for store replenishment and wholesale orders is managed from one distribution centre while inventory for online and catalogue orders is managed from another facility or a third-party logistics provider.

Multi-channel evolved into the cross-channel model, as retailers started offering common branding and messaging. However, they continued to operate in separate functional silos with various touch points to consumers.



Omni-channel retailing enables one to deliver a consistent brand experience to consumers, regardless of the sales channel - so whether a customer uses mobile, web, retail or a catalogue, they will always receive a seamless service.

Omni-channel retailing is immersive and has evolved from multi-channel or cross-channel retailing to ensure a superior customer experience across all available shopping channels. Research indicates that Omni-channel shoppers spend between 15 and 30 percent more than multi-channel shoppers. However, enabling Omni-channel adoptionrequires retailers to change their supply chain strategy.

The Omni-channel consumer wants to use all channels simultaneously and retailers using an Omni-channel approach must track customer behaviour across all these channels. Customers demand a seamless shopping experience where they can order-from-anywhere, requiring retailers to adopt a 'fulfil from-anywhere' model. Therefore, in Omni-channel retail, all shopping channels must reference the same database of products, prices and promotions. Merchandise and promotions are not channel-specific, but consistent across all retail channels.

Omni-channel is the brass ring for which retailers are grasping in 2015. They recognize that omni-channel allows them to deliver the best, simplest, most enjoyable customer shopping experience. The ability to empower the retail customer to buy what they want from any channel (in store, online using a browser, mobile using a phone or a tablet) and have it delivered quickly to any location (to the local store for in-store pickup or directly to a home or business) is what customers want. Since customers want it, retailers are eager to provide it.

II. Developmental Stages

Providing an omni-channel experience for consumers is a tough task and the move from single channel to omni-channel retailing does not happen overnight. Instead, they use a method that is common in the deployment of technology, which is crawl to walk, walk to run, and run to sprint.

II.1 Crawl:

In the early stages of implementing an omni-channel strategy, many retailers continue to function in separate channels. In the crawl phase, online can't see what's in the store and the stores don't directly participate in what is being sold online or from the catalogue. Marketing messages begin to align online with the stores and there are efforts to make sure the same or similar items are sold on both channels.

The process of synchronizing items can be difficult with various merchandising organizations, vendor relationships, and pack/display configurations. Some early forms of integration may be to sell online and deliver the item to the store for customer pick-up, or to allow customers to return items in-store that were purchased online. Some of the impacts to the supply chain include:

- Adjustments to the website and order management system are necessary to allow the consumer to select the desired store. The order management system must also have the correct "ship-to" address.
- Changes in outbound shipping processes to leverage the existing store replenishment network may be required. Retailers must pick the stores closest to the consumer to meet delivery expectations. Often, the online fulfilment and distribution centres are in different locations.

- Onsite pick-up in stores is challenging for sales associates. Work processes must be created to help associates separate merchandise for customer pickup from items sold in-store. The point of sales systems must also be configured.
- The point of sales system must also be altered to handle the return of items not currently in the store inventory. Another process must be configured for items that cannot be resold. Often, online fulfilment centres can be leveraged to handle this inventory; however, transportation methods will need to be established.

II.2 Walk:

The next phase of development involves shared inventory as items in distribution centres and stores are now visible and available to be sold anywhere. Stores also have visibility into the availability of items in other stores and can ship directly to a customer's home. Shared inventory visibility is the most critical - and perhaps the most difficult and expensive—step toward omni-channel retailing. Some of the capabilities do include:

- Buy Online - Ship from Store: The behind-the-scenes logic to make this happen is not simple.
- Buy at Store - Ship from Distribution Centre: This option allows the store to "save the sale" instead of having the customer purchase from a competitor.
- Buy at Store - Ship from (Different) Store: This can also "save the sale" by allowing the store to locate an item at a different store and have it shipped to the customer from there.

As retailers enable these capabilities, they discover shipping from stores is not as efficient on a cost per item basis as shipping from the distribution centre.As retailers consider the added volume that will move to their stores from distribution centres or suppliers, and from stores to consumers, they often discover a need to re-evaluate their distribution network.

Another challenge is establishing the logic for routing orders to the stores for shipment. There are two primary strategies deployed:

- Reduce delivery time and/or costs for online orders by shipping from the nearest store to the consumer enabling next-day or second-day delivery.
- Optimize revenue by shipping merchandise sitting in stores and out-of-season to fulfil online demand. This will help reduce markdowns.

The deployment of either, or both, of these strategies can be tricky as the business models need to be coordinated between store operations, merchandising, and supply chain operations to make sure all groups' priorities are considered.

II.3 Run:

A retailer that reaches the Run stage of omni-channel development has implemented universal inventory visibility. This strategy involves new ways to optimize this engine of growth:

- Create an integrated and seamless customer experience from the merchandise selection, store set-up, and catalogue layout, to the web design.
- Leverage information gathered both in-store and online to create an integrated view of each consumer. The retailer will know which items the consumer purchased online, and consumers can view a history of items previously purchased. Online marketing will target ads to the consumers' preferences.

  With a single view of a consumer's buying history, a single integrated experience becomes possible to allow consumers to buy and return anywhere.

  With broad visibility into inventory and consumer profiles, retailers can begin to offer more advanced options to compete with retailers.
- Buy Online - Get Delivered Next Day: This service caters to consumers who shop online between 6 p.m. and 9 p.m. or "sit-back shoppers."
- Same Day Delivery: For this service to be practical the merchandise needs to be near the customer.

Filling the increased volume of individual orders in omni-channel retailing is

labour intensive and less efficient than conventional distribution models. This is especially true as retailers fulfil demand from retail stores.

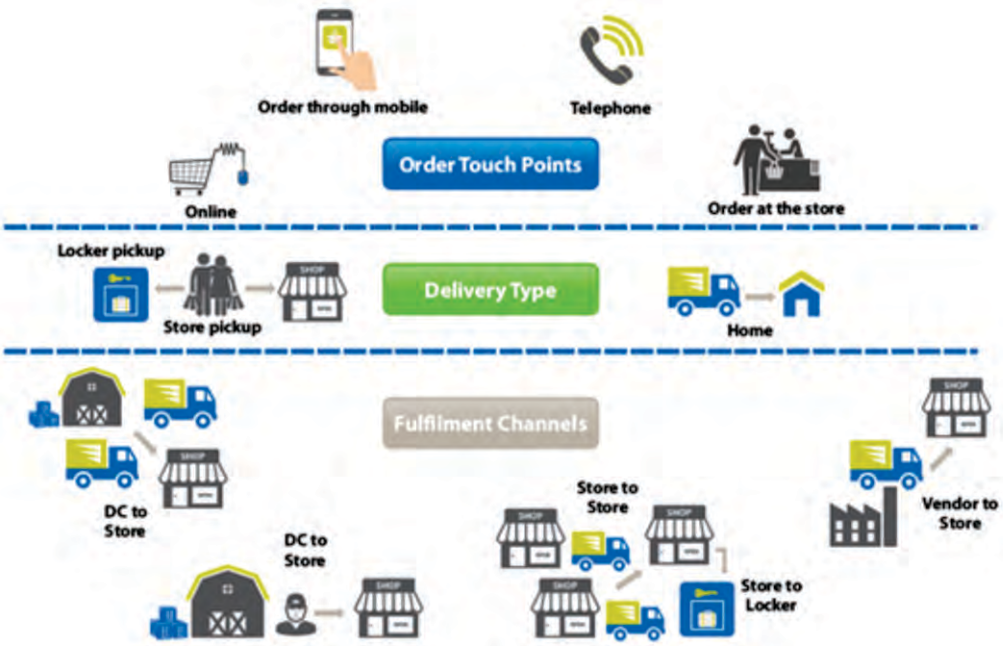
Retailers transitioning from the Walk to Run stages of omni-channel retailing are employing several best practices to optimize their processes.

Network optimization, for instance, determines the right number of hubs and stores for the network, where those should be located, and how inventory should be positioned to meet both cost and customer service expectations.

II.4 Sprint:

In the most advanced deployments, retailers focus on improving the customer experience, increasing revenue, and optimizing supply chain operations. There are several strategies focused on inventory planning and store replenishment.

- Enhanced inventory and inbound supply planning processes incorporate the shipment from stores to online consumers. This involves anticipating store traffic and online demand to accurately plan store and distribution centre inventory levels. Careful consideration of the business rules for how online orders are allocated to stores is important in this process.



- Rapid store replenishment responds to fluctuations in-store or online demand. This ensures high velocity and high profit items are available.

Another emerging technology is geo-fencing. This technology creates a virtual perimeter around the store and knows when smartphones enter or leave the area.

III. Impact on the Supply Chain Processing Customer Orders

In a traditional supply chain, to move goods from the factory to the end customer, you go through a multi-level supply chain built up of a factory warehouse, an international warehouse, distribution centres throughout the world, and stores. The international warehouse handles mostly full pallets. So the DC receives huge pallets of single products that then have to be unpacked and shipped to their respective destinations. Finally, the store sells the products by the piece. So if a retailer wants to ship goods straight to a customer (e.g., because of an online order), the only place where all the products are in stock is the store level. A perfect match expanding the Portfolio for Better Customer Engagement The major impact would result from the implementation of a B2C channel, or a B2B channel that would significantly change the number of orders being processed.

The physical processing is very different depending on whether you work from pallets shipped to stores or from boxes shipped to customers. For most retailers, the distribution centre ships as many deliveries as there are stores, with some deliveries being a full truckload. Shifting that volume of sales to a B2C channel requires filling a truck with boxes holding only one to five items, and many thousands of boxes a day. The major impact is increasing the number of deliveries exponentially while decreasing the number of line items in the system. Also, the volatility of online ordering requires companies to broaden the portfolio of items they keep in stock to maximize customer demand – since having exactly the required product available is critical to retaining customers, who expect the quickest possible delivery. Thus, retailers must broaden the portfolio of stock-keeping units, and reduce the number of delivery lines shipped per delivery. The "traditional" supply chain illustrates the increase in the average number of stock-keeping units (SKUs), the decrease in the average number of line items per delivery, and the increasing number of sales orders per channel a traditional retailer should be prepared to expect when engaging in e-commerce.

IV. Switching to an Omni-Channel Strategy

One of the largest US retailers built its entire supply chain around delivering to stores. Disrupting the current process could risk leaving stores out of stock: The warehouse would be spending much of its time processing B2C orders, while its IT tools were geared to determine stock levels, and create purchase orders based on store requirements – not on the requirements of stores combined with B2C orders. So when this retailer introduced deliveries directly to homes, they chose to deliver from the stores. In this example we see that one of the critical challenges of implementing an omni-channel process is that the safety stock levels and stock deployment must be re-determined throughout the supply chain. Sales forecasts will have to adapt, and service levels will need to be re-evaluated. Adapting sales forecasts requires visibility along the entire supply chain.

The good news: More data is becoming available and can be used to tune the models. This data can derive from collaboration with other channels (distributors), from social media measuring tools or from web statistics. The bad news: The digital customer expects to be informed of every step and any delays in the supply chain. So companies need an end-to-end view based on aggregated information from their vendors to the consumer.

Amazon applies this principle to the maximum:

To avoid lost sales from a "no stock available" notice online, Amazon prefers

to unload and put away the goods as fast as possible, even if it means putting cosmetics, shoes and books in the same storage bin. Mixed goods are stored wherever there is bin space – as close as possible to the receiving area. This leads to more complex sorting and packing later on. But the huge volume of sales and number of line items to be picked individually lets Amazon do massive detail picking, then convey the picked goods to a sorting/consolidation area. This way of receiving goods allows Amazon to reduce stock levels in the distribution centres and to free up cash. By contrast, in the traditional automobile spare-parts industry, although the distribution centres can be as large as the Amazon fulfilment centres, the average time for a product to be moved from the receiving area to a storage bin can take up to three days.

V. Successful Strategy

The four critical components required to help drive a successful omni-channel strategy are:

(a) Inventory Visibility: Inventory identification, tracking and management are the core competencies that matter most in omni-channel retailing. Supply chain visibility and inventory accuracy are foundational requirements for effective omni-channel operations and to allow the retailer to know where its inventory is at all times. New standards such as Electronic Product Code (EPC)-enabled Radio Frequency Identification (RFID) are enabling leading retailers to drive pinpoint precision in their inventory accuracy in real-time;

(b) Web-Ready Products: Making products "web-ready" is an important component of a successful omni-channel retail operation, but is currently a bottleneck for many retailers. Key product information, attributes and images are not always accurate, standardized or readily available for retailers or their trading partners. However, emerging standards in this area can provide the foundation for identifying, capturing and sharing product data, providing the industry with the opportunity to collaborate on bringing products to the online marketplace faster;

(c) Predictive Customer Analytics: Consumers are increasingly sharing valuable information through social data, product reviews, and online visits and purchases. Leading retailers are using predictive analytics to gain deeper insight into customer behaviours, trends and the forces of loyalty and purchase. Retailers that take advantage of sophisticated algorithms and data-mining activities - which analyse current social data, product reviews and historical facts to track shopping patterns - have a greater ability to create an individual shopping experience based on rich information sources

(d) Fulfilment Strategy: Fulfilment options need to be robust and varied for today's "always-on, always-open" shoppers. Retailers are focused on building in-store, web-store and direct-to-consumer options and many are leveraging existing and new infrastructure in creative ways. By using their storefront locations as distribution centres, retailers are better positioned to deliver products quickly to the customer.

Conclusion

An omni-channel experience is the expectation nowadays – the closer you can get to it the better. Consumers benefit when they are well connected to the product or service. So the challenge in the industry is to track and tailor across all the channels for the best experience – retail, web, mobile, text, phone – the good ones get this notion and do it well.

08

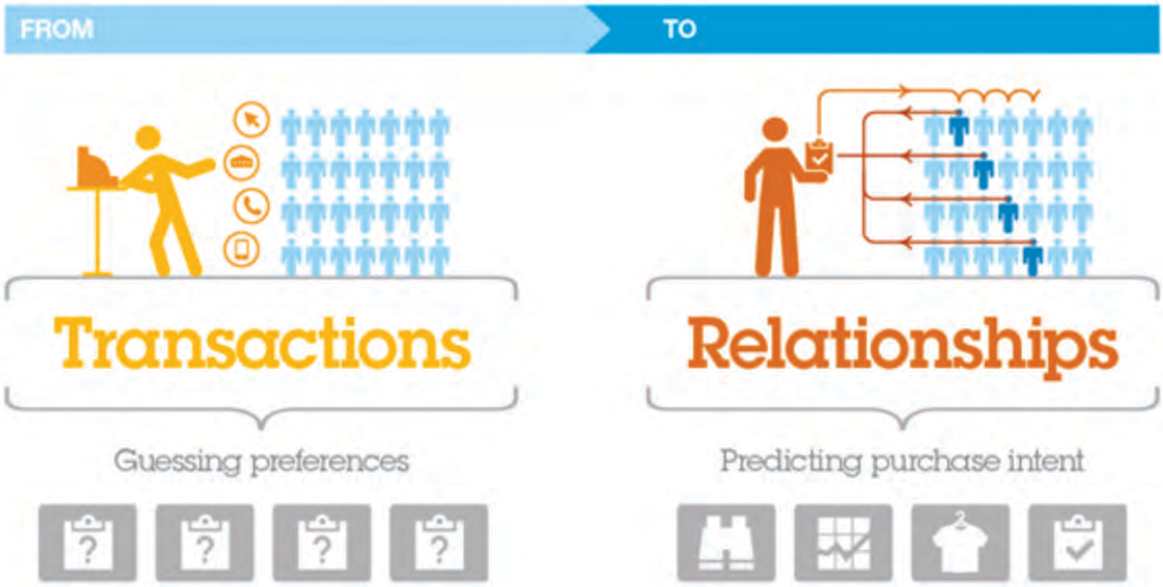
The Pros and Cons of Omni-Channel Retail Logistics

- by Editorial

Natural for one to look at the Pros and Cons of pursuing omni-channel strategy. This in itself remains complex in our view point.

There's a lot of good to be had from omni-channel distribution, but it also comes with a lot of challenges. As businesses move to make the customer experience seamless across the storefront, web, and mobile apps, many are learning that there's a lot more that goes into a satisfying customer experience than they may have thought. Fulfilling orders based on location is a great idea, and gets the item to a customer more quickly, but fulfillment like that requires a lot of logistics. There are pros and cons to omni-channel distribution, but there are ways to make the most of it.

The Upside



Customers today want to interact with a business in any way imaginable. They want to visit the actual stores, they want to browse special web-only sales, and they want an app on their phone that will help them find items that they may like. Making customer interaction across these platforms as smooth as possible means the customer is going to have a great experience with a store. Omni-channel distribution means you can:

- Fulfill orders based on where the customer is located. If there's a store located near him or her, packing and shipping the item from there makes more sense than shipping across the country and taking twice the time.
- Sell more items. When customers are happy with their experience with you, and you're giving them as many outlets as possible to purchase things from you, they're likely to buy more—especially if the store gives them special sales and offers only available through specific platforms.
- Be more efficient. Items often have to be marked down to low prices to make way for new styles or updated technology. Omni-channel distribution lets you move more products without necessarily moving everything to a clearance rack. Someone somewhere wants the item and is willing to pay for it, and fulfilling from stores lets retailers get more inventory into the hands of customers.

The Downside

Omni-channel distribution, as great as it is, is complicated. It requires that a large number of people in a lot of different places all be on the same page. A few of these things are necessary for omni-channel distribution to be efficient, and while they may seem like drawbacks, they'll help to create the best experience for customers. Think of these as an investment.

- A dedicated fulfillment employee. If a retailer is fulfilling orders from a store, drawing the sales team away from customers who are in the store shopping doesn't help for a great experience. Each store should have one employee (or rotating) whose sole job is to fulfill online orders.

- Special in-store items. E-commerce fulfillment works on every level, but there's still something to be said for shoppers who make snap decisions on items when they're in the store. If they can buy something that isn't available online, they may buy other items along with it.
- Software. There's no more efficient way to communicate e-commerce sales across a network of stores than good software. Phones and fax machines just aren't efficient. The right technology allows retailers to fulfill orders very efficiently.

Why Should Logistics Be the Foundation of Omni-Channel Strategy?

Omni-channel retailing — providing a seamless customer experience across multiple shopping channels — is achievable if you have the right logistics.

Shoppers want to be able to make a purchase online and return the product to the store if necessary; customers are more likely to add additional products to their online shopping cart to qualify for free shipping; and many shoppers like the flexibility of being able to pick up online purchases at a store. Fulfillment often focuses on the e-commerce or distribution side, but this article does a good job of highlighting how it blends into retail.

For a brick-and-mortar retailer, an omni-channel approach ensures that consumers could order online and pick the item up from or return it to the store. **Omni-channel retail is all about integrating the different channels so that everything flows seamlessly. Retailers must accomplish this.**

Your supply chain and manufacturing process ultimately determines your omni-channel logistics capability. If you're selling jeans and you don't have them in stock, most likely you can't simply make them. For retailers outside of very large cities, it will probably be more realistic to offer same-day, in-store pickup than offer the inherent complexity of same-day delivery.

Regardless, with any same-day service, retailers need to ensure that they can deliver what they advertise and promise in a sale. This means your backend systems need to be sophisticated enough to know what is on hand and immediately reserve inventory so that it is not sold before the customer picks it up or it is picked for shipment.

The alternative could be to focus on a certain subset of items that they know are always in supply. For an office supply store, printer paper or pens would be good examples of such items. If you have 10,000 pens in stock and rarely sell more than 100 per transaction, it's highly unlikely you'll run out of pens.

Logistics will determine your customer's flexibility to purchase, return, ship or pick up across multiple shopping channels and ultimately provide them with a positive omni-channel experience.

Lastly, while this is the new buzz word, are companies making money?? Isn't it common business logic that enterprises should make profits to sustain themselves, omni channel pursuits should pressurize one and all on this front for sure!!!

Omnichannel Logistics – A Rocketing Thrust for SCM

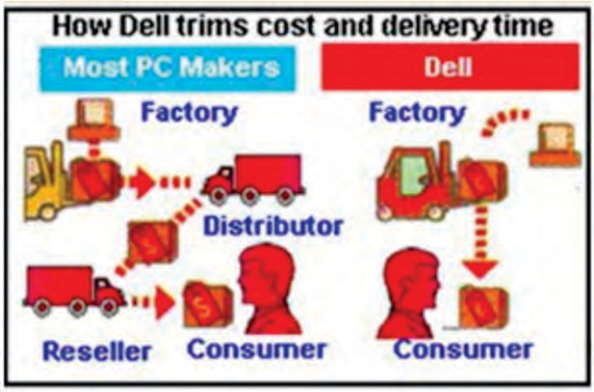
-by Ms. Deblina Saha Vashishta, Asst. Professor & Research Scholar (Bharathiar University)

09

Deblina Saha Vashishta is an academician by profession and is presently pursuing her research in Cross Cultural Retail Marketing at Bharathiar University, Coimbatore, India. She also has a rich industrial experience with Network Mobile Hong Kong Limited and Dell India Private Limited and has published over 14 papers in International and National Journals.

Logistics is undoubtedly the backbone of any business and this leads to its greater share of responsibility with respect to the economic development of a nation. In a country like India with a vast and diverse population scattered in farthest corners and arduous infrastructure, logistics and supply chain management have been the most indispensable elements of business, till some time back. But, in coherence with the present scenario these two have now transformed into an important source of competitive advantage. Evolution of organized retail and Omni channel retail, high ITES, technological developments, highly customer centric work process are some major drivers of the growth for Omnichannel logistics. At the same time the process of supply chain management also has been keeping its pace with these dynamic scenarios.

Few years back we never imagined shopping is possible sitting at home. Even I remember eight years ago when I was working with Dell , the major challenge then was to deliver the Dell Systems to the end consumers in India within the committed time from the factory in Penang, Malaysia. Soon Dell came up with its factory unit in Sriperumpudur and the lead time came down to 7 working days from 21 working days. And then Dell ventured into retail and that actually transformed its business model into Hybrid Model. This was possible due to efficient supply chain management by having a widespread distribution network and efficient logistics.



Not only this but the entire IT peripherals business in India is actually thriving on Omnichannel logistics and supply chain management as the majority of components as well as finished units of the big brands are actually being imported from China, Korea and Taiwan by the means of sea logistics through HongKong. The shipments are then being distributed to the major and smalltime distributors through Air and Land logistics using multimodal transports. And this calls for highly efficient distribution network, distribution management systems and worldclass warehousing facilities to cope up with the seasonal demands. The distributors in India have managed to achieve these over a period of time resulting in the success of omnichannel logistics.

Coming to the case of omnichannel retailing, the role of supply chain management becomes all the more challenging to meet the requirements of omnichannel logistics as this type of retailing combines all the possible channles- brick and mortar and the virtual channels (website and mobile). And alongwith these,arises the delivery expectation of the customer. Another challenge is the unstable and volatile demand which actually exists at all the levels of distribution channels in this industry-right from the manufacturer to

the end distributor or retailer. This type of uncertainty can be managed only with the help of resilient supply chain management system aided with omnichannel logistics.

Omnichannel Logistics and supply chain management work in great coordination and hence it has been possible for the companies to achieve maximum customer satisfaction but in India their full potential is yet to be encashed by focusing on some areas that are yet to receive attention.

-Have a strong inventory management system

-Have a strong transportation management system

-Optimising logistics management

- Implementing at par SCM strategies comparable to international levels like developing green technologies that include hybrid vehicles with low emission and high fuel efficiency, customized supply chain requirements

-Implementing technological innovations like having a sound cloud platform

Conclusion :

With the growth in the service sector, Omnichannel Logistics coupled with efficient SCM is here to stay but correct and smart implementation by these companies can only reap rewarding results.

D

Case Study

10. Leading TV Shopping Player

Case Study : Leading TV Shopping Player

10

Customer Background

Client is one of the leading E-commerce companies having their marketing through TV business, Online Shopping and Teleshopping on Pan India basis. It offers innovative and demonstrative retail experiences on TV and internet and has emerged as the largest multimedia retailer in India with a user base of 3 million users.

E-Commerce Industry Snapshot

According to a recently released research report, global business-to-consumer e-commerce sales reached more than Rs. 54,000 crs in 2012. Researchers predict business-to- consumer online sales to increase to Rs. 1, 08,000 crore by end of 2015.

Challenge

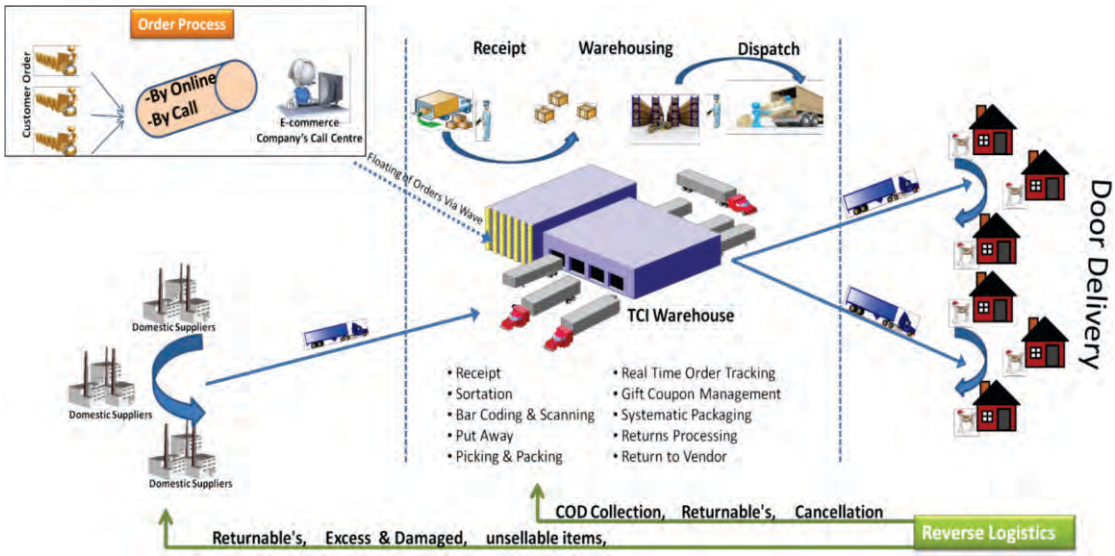
Fulfillment of E-commerce orders requires additional functionality in the Warehouse Management System, in the form of a new interface and new operating functions. New interface requirements include registration of customer address data, registration of special customer requests e.g. gift wrapping, and handling documents that must accompany the order. Often, it is also necessary to exchange information with the ERP system about the inventory status of items to ensure that customers receive correct information about item availability.

Major Challenges :

- Large volume of very small orders
- Major variations in the order flow
- Large quantity of troublesome returned goods
- E-com is not like a traditional trade thus packaging gives the picture of brand.

E- fulfillment activities also place specific requirements on WMS support of e-processes at the warehouse. Generally speaking, this involves the definition of new inventory and picking strategies in the system. There may be need for printing specific documents to accompany item shipments, e.g. invoices.

PROJECT SNAPSHOP



Handling 10,000 Shipments per day equivalent to 25,000 hash Qty

And you might wish to include a brochure, etc. with the order. It might also be necessary to support special activities such as gift wrapping and printing address labels adapted to specific haulage contractors.

To meet the real operational challenges, client partnered TCI SCS to handle its warehouse management.

SCOPE OF WORK

DC Management / Warehousing :

1. Receipt
2. Sortation
3. Bar-coding and scanning
4. Put away
5. Picking and Packing
6. Material Dispatch
7. Slob and Damage Goods management
8. Real Time Order Tracking
9. Systematic Packing
10. Gift Coupon Management
11. Returns Processing
12. Return to Vendor

DC Management / Warehousing :

1. **Receipts:**
   a. Goods Inbound directly from the domestic suppliers.
   b. Receiving of goods (Staging).
2. **Sortation and Quality Check:**
   a. Sortation of the goods is done on the basis of assigned parameters (SKU, Size, color etc) and Quality Checking of goods is done (Good and damage material segregated).
3. **Bar-coding and scanning:**
   a. Printing of the barcode sticker as per the received SKU and pasting the same on each SKU is done.
   b. After pasting, scanning of barcode is done by using RF-Device.
4. **Put away :**
   a. Put away of the goods is done as per the location assigned by the system by using RF- Device .
   b. Storage as per client SOPS
5. **Order Receiving:**
   Order processing through Client ERP software.
6. **Picking :**
   a. Printing of the pick list against the DO received.
   b. Pick confirmation after complete picking is done.
7. **Packing :**
   a. Confirmation of order is done by scanning the barcode.
   b. After confirmation packing is done (as per the packing norms).
8. **Dispatches:**
   a. Dispatch is done after complete unit level checking (Barcode Scanning) to ensure dispatch accuracy at the DC level.

9 **Return management:**
   a. Management and processing of the return goods is done .

Key Features :

1. Complete movements of goods on wheels.
2. Modern racking system with elevators.
3. RFID – Technology.
4. Digital display packing productivity monitoring system.
5. Continuous Operations in the warehouse 24 X 7.

Real-Time Inventory Visibility :

1. Provide role-based dashboards and reports that give you real-time visibility into key inventory, demand and supply measurements,
2. Enable employees to pick and fulfill orders faster and more efficiently, with complete bin management support that enables the use of bins to track the exact location of items in stock
3. Manage inventory at multiple locations by choosing the warehouse location that will receive or fulfill an order
4. View information about your total inventory on hand across locations, or drill into inventory detail at specific locations.

Key Account Management (KAM)

The dedicated KAM provides a single window solution with a complete feedback process of KPI's, MIS and all value adds being done. The KAM ensures that the client is updated and there is a free flow of information 24/7 thus enabling the client to have complete visibility.

Proactive Visibility using IT

While focusing on moving beyond merely tracking events to proactively managing them & effectively responding to the potential disruptions, TCI has implemented the concept of proactive visibility to effectively manage the all supply chain disruptions i.e. receiving the all accurate transaction data on a defined frequency through auto E-mail Alerts directly to the Project KAM (Key Account Manager). The server tracks all the bookings & goods in Transit, and keeps the KAM updated through email alerts until the delivery is made. So, if the things deviate from plan, exceptions are spotted as soon as possible and the right party in the company is alerted in time to respond with minimal disruption to the supply chain.

So, whenever business circumstances changes like a sudden change in demand has led to a stock –out at a specific location, a shipment got lost, damaged or loaded late etc, having visibility not only becomes a matter of routine operational efficiency but of maintaining an undisrupted flow of goods, meeting customers' expectations or making it in time for a scheduled store replenishment.

TCI SCS's committed and dedicated to provide superior customer services and looks forward to a long term relationship.

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"Simplifi"

Your Business with TCI Supply Chain Solutions'

- **Dynamic Face of Retail – "Omni Channel"**
- **Reverse Logistics**
- **Control Tower**
- **Distribution / Fulfilment Centre**
- **First and Last Mile**

Typical Warehousing Services

Receipt & QC | Labeling | Packing | Order Management | Road Permit Management | Documentation | Supplier Management

TCI Supply Chain Solutions

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E-COMMERCE

E-COMMERCE

Offers in city distribution through GPS enabled fleet of Route Vehicles for optimum on time delivery.

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- Bulk movement (Vender to Warehouse & inter warehouse).
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- Warehouse to customer with cash collection.
- In city distribution.
- Cash collection / cash reconciliation (COD).
- Reverse logistics for return / replacement (RTO).
- Early morning and late hour deliveries.
- Sunday and holiday deliveries.
- Online tracking of shipment.
- IT Interface with customers.
- Fulfilment center to last mile.

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Core Competencies

TCI Supply Chain Solutions

The core values offered by TCI Supply Chain Solutions are operating on shorter product life cycles, scientifically and professionally managed inventory, supplemented with state-of-the-art material handling equipment warehousing and multi-modal transportation. And also managing and integrating the flow of information amongst hundreds of outsourced supply chain partners and the enterprises that employ them.

Key Industries

Retail / E-tail

- Network Design
- Vendor to DC / Store platform and logistics
- Distribution Centre Design, Management,
- Value Added Services : QC, kitting, packaging
- Distribution - Milk Run, B to C, Collection on Delivery
- Reverse Logistics & Processing

Chemical

Adherence to Statutory Health Safety & Environment Practices

- Solids, Liquids, Gases
- Production Logistics
- Raw Material Stores, QC, Silo Charging
- Finished goods store & Value Added Services
- Freight Desk, Transportation
- EXIM Services : Bonded warehousing, Custom Clearance

Auto

Design to Execution:

- Production Logistics, Returnable Management, Kitting and Line Feeding
- CBU Logistics, Multi-modal Logistics, Yard Management
- Aftermarket Logistics & Distribution Center
- Parts Consolidation Center (PCC) for EXIM

Hi-Tech

Consumer Products:

- Production Logistic, Kitting and Line Feeding
- Distribution for B- B & B-C over surface & air
- Distribution Center Management
- Aftermarket & Reverse Logistics

Projects & Equipment

- Site logistics Plan & Execution
- Yard / Distribution Center Management
- Reverse Logistics

5 Key Reasons to Prefer TCI Supply Chain Solutions

- Partnership Approach for growing your business
- Focus on corporate core competence
- Improve operational efficiency and productivity
- Improve customer service
- Cycle time reduction

Cold Chain

- State of the art Reefer vehicles
- Temperature view over GPS
- City Delivery & Cross Country
- Emerging Cold Room network

Pharma & Health Care

Ambient & Cold Chain

- Distribution Center Management
- Surface & air transportation
- 24 hour Track & Trace
- Advanced monitoring of Temperature sensitive shipments.

TCI Supply Chain Solutions
A Division of Transport Corporation of India Limited

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