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## Gartner for Supply Chain

# Driving Sustainability in Order Fulfillment

## New imperative for retail supply chain management

# Introduction

In recent years, retail supply chain managers have become obsessed with reducing fulfillment lead times for orders from online shoppers. Some have chosen to follow market trends and the actions of high-profile retailers rather than to comprehensively canvas the opinions of their consumers, around which they could build fulfillment strategies. Not only did these retailers become blinded by the need to fulfill faster and faster, but they also became even more detached from the shifting demands of their consumers.

Along with these shifting demands, two new key requirements have emerged that conflict with the current operating models of many retailers: one, to be more environmentally sustainable in fulfillment operations, and two, to offer more convenient order fulfillment.

This research provides guidance to the retail supply chain manager on how to:

- Match order fulfillment to your consumer needs
- Minimize the environmental impact of faster order fulfillment
- Incentivize shoppers to choose slower fulfillment options

# Match Order Fulfillment to Your Consumer Needs

At Gartner, we field hundreds of inquiry calls from our clients each month. The question of "How can I go as fast as Amazon?" dominates our discussions about supply chain fulfillment operations. The underlying assumption being made by retailers in these discussions is that all consumers care about are fast fulfillment speeds, and Amazon already offers these.

Obtaining a clear mandate from consumers provides a more valuable input into a retailer's strategy than one based too strongly on market trends and competitor activity. Simply copying a competitor's activities in the area of last-mile fulfillment speed runs the risk of copying retailers that have also not obtained the required clarity of a consumer mandate.

Unfortunately, from these client calls, we've learned that only about one in five retailers have the required level of insight into their consumer fulfillment desires.

It is crucial for a retailer to strategically develop a range of consumer experiences and to deliver them into the shopping experience in a sequence related to their importance to consumers. We recommend capturing consumer feedback through formal consumer engagements, such as focus groups, online forums, questionnaires, and ongoing and open dialogue across store and digital channels.



**Only about one in five retailers have the required level of insight into their customer fulfillment desires.**

Source: Gartner

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# Minimize the Environmental Impact of Faster Order Fulfillment

Consumers today are increasingly concerned about global society's use of landfill-destined materials and carbon emissions. Consequently, many have a clear perception of their responsibilities for reducing environmental impacts and are becoming more selective and measured in the choices they make. They are also placing demands on retail organizations to be transparent about their environmental objectives and to demonstrate progress toward this achievement.

This pressure is forcing the retail industry to do more than just offer competitive products, an acceptable consumer experience and fast order fulfillment. It compels retailers to view their consumers as having different emerging reasons to be loyal and to recognize that consumer beliefs and obligations toward environmental sustainability must be met.

Gartner recommends strengthening your order fulfillment process to appeal to consumers' environmental concerns by offering sustainability-related fulfillment services. Using recyclable packaging and reducing transport via diesel trucks are among the techniques aligned with the needs of "green-driven" consumers, but they require retailers, manufacturers, suppliers and logistics providers to share in sustainability goals and to collaborate across the supply chain.

**Who is a "green-driven" consumer?**
**A consumer who truly values the environment and is already a loyal green customer.**
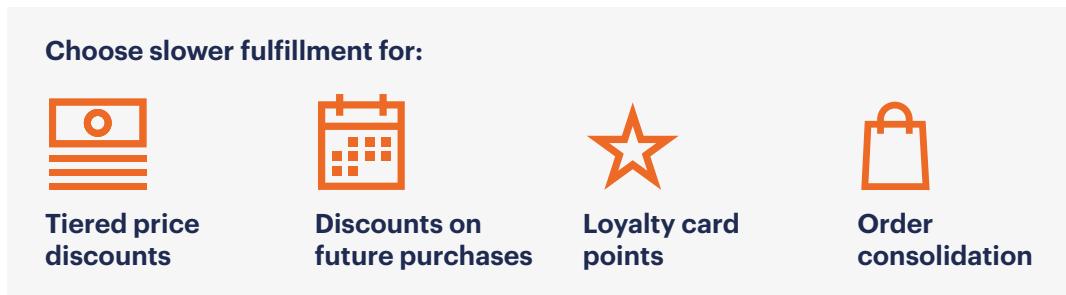
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# Incentivize Shoppers to Choose Slower Fulfillment Options

The link between speed and cost of fulfillment has been universally followed by the majority of retailers in the shipping policies they offer to consumers. Consumers wishing to avoid fees typically have to either order up to a certain value or accept the longest available lead time to qualify for free shipping. Even retailers that do not offer free shipping still offer a reduction in shipping fees as their range of order fulfillment lead times increases.

For many retailers, meeting consumer expectations for speed at scale on an ongoing basis is not easily achievable without significant supply chain development. However, with consumer desires for fast fulfillment now shifting to some degree toward alternatives, retailers adding slower lead times to their portfolio of services can actually gain a competitive advantage over others in the market.

As consumers increasingly factor in the environmental impact of fast fulfillment and being open to slower alternative fulfillment speeds, new opportunities are emerging for retailers to offer consumers greater convenience of delivery on their terms, rather than the retailer's. One solution is to incentivize consumers to wait longer than they are accustomed to by offering them services like tiered price discounts, discounts on future purchases, loyalty card points and order consolidation.

Gartner recommends developing order fulfillment services that have the widest appeal to all consumers, balancing the continual shortening of order fulfillment lead times with the introduction of longer-than-current lead times for consumers requiring greater choice and convenience.

**Choose slower fulfillment for:**

**Tiered price discounts**

**Discounts on future purchases**

**Loyalty card points**

**Order consolidation**

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Turn to Gartner for Supply Chain for support on retail supply chain management through disruption. Learn more on gartner.com

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