

Podcast: Mastering the art of fulfilment (and the challenges within)

Salena Knight

Whether you're a retailer waiting on your next order delivery, a manufacturer awaiting your next shipment or a customer constantly checking to see if your order has been shipped yet, right now fulfillment is top of mind right through the supply chain.

When implemented correctly, good fulfilment solutions can drive significant cost savings through efficient picking, reduced freight costs, minimize split deliveries and automated freight.

Today I'm talking to Matt Neale, CTO of eStar Online and Nick Blatt, Head of eCommerce and Digital Customer Experience at Chemist Warehouse, and they're going to give us some tips on how to master the art of fulfilment.

Hey guys, Matt I'm going to start with you because CTO of eStar Online, you've been in the industry for longer than I have, that's two decades. So you've probably seen a lot of things, I would love to know how fulfilment has changed over that time frame.

Matt Neale

Yeah, I mean I guess a long time and yeah it puts an age on me right, you know how long I've been in the industry.

Salena Knight

Also puts an age on me.

Matt Neale

We won't talk about that. I think what we've really seen the difference in that that you know 22 odd years has been especially around fulfillment is the customer expectation has changed significantly. You know 20 years ago if you ordered something online, it was kind of a novelty. You weren't quite sure where it was going to turn up, it might be 3 days really unusual back then, but it might be two or three weeks and that was just what you expected. Whereas if you look today, if you're not getting your goods within three days, four days max. You're starting to see a drop off in those rates of you know, buying that, repeated buy cycle that you want to see.

So really, it's that increased expectation of service and sophistication, and we've got a lot of very good retailers that are doing a great job. Same day delivery, being delivered to your door within hours, and if you're not meeting that expectation you really have to look at, why not? I think that's probably the biggest change I've seen. It's just that level of sophistication.

Salena Knight

And how does eStar Online as a company help retailers to affect that change so that their customers are getting what they want?

Matt Neale

Yeah, so eStar, we're a software as a service company, we have an e-commerce platform that we've spent 20 odd years building. And what we really try and do with that is enable the retailers to give their customers the right information that that expectation of when they're going to expect the delivery to be set, we give the retailers the tools, the customers the information, and try and make it as easy as possible and remove all of that friction.

Salena Knight

And there is so much, I'll call it unrest at the moment because retailers aren't getting their product. Manufacturers aren't getting the product, that supply chain right down through the customer is, it's like we've gone back 20 years because sometimes it is taking three weeks to get a delivery where now we're expecting it in an hour.

Matt Neale

Oh yeah, that uncertainty around replenishment from overseas wholesalers and getting, you know, just sourcing stock has really had an impact on their customers. I think through COVID it's really drawn attention to those small inefficiencies that exist in your supply chain and in your fulfillment that up to a level you can sort of tolerate and then COVID comes along, triples your online volumes and all of a sudden all those little inefficiencies become big ones, they become noticeable and the whole thing grinds to a halt. I'm sure Nick's probably seen some of that.

Salena Knight

I think that's a great segue to Nick because you've come into the industry from a non eComm background just post COVID where the boom has hit, the visits to in-store have declined. So before we jump into how you've seen fulfillment change, tell us a little bit about how you ended up in a eComm.

Nick Blatt

Bit of luck to start with, but ah so my background before was working for Bupa Health Insurance so manage all things digital growth and basically we've had the target on my head for the channel of sales for Bupa, for digital. But really, just needed a change, I've always been really passionate about eComm and understanding, and there's a lot of similarities between it. The only bit which we're talking about today that's really different is around that fulfillment part where we've you know when you're selling a product of some kind the fulfillment is not that important and that's the big difference, but everything else is pretty much the same pre before that part of it.

Salena Knight

So you've probably got some very interesting insights coming from lots of similarities to the thing that you didn't understand and being new to this side. First of all, congratulations, Chemist Warehouse on your global expansion. How has that affected fulfilment?

Nick Blatt

Well then I look. I think, like all retailers, the biggest problem we have is getting stock in the first place, so we could sell a lot more if we were able to have the stock, and I think everybody has that supply chain issue across the world no matter what you're doing and where you're selling it. I think one of the advantages that we've had over the period of time is having a really big store network and you're able to

kind of aggregate your stock across 500-450 stores, plus your distribution centers and allowed to use that network to be able to get stuff out to people quickly. So we're probably a little bit protected from those bigger things if you know then what we would be. The other thing as well as when you carry stock in your stores or your distribution center that you know things like paracetamol, where there's four or five different brands, if you don't have one of the brands, you have the other brands, we could just help out a lot of the time, so we've been probably lucky in that regard.

Salena Knight

I would love to know from someone who comes in and can think outside of the box because you haven't been in the industry like we have for decades. What do you think the biggest obstacle is for retail and eCommerce stores right now, when it comes to fulfillment?

Nick Blatt

I think deliveries are too slow, and the biggest obstacle of that is not having the right delivery partners across the board.

Salena Knight

Is that deliveries coming into you or deliveries going out?

Nick Blatt

It's a bit of both, but from a customer point of view, if you're you know, and I'll use you know pharmacy as an example. A lot of the time you need those items really quickly, so you're not gonna wait a week for it, you might as well go into the store so you're actually competing against yourself a lot of the time to get stuff out to people. So that biggest obstacle of getting stuff to people is you're actually competing against people walking into a store where they can get it immediately.

We've seen a lot of behavior from customers over the period of time where they use eComm to reserve stock and do click and collect because they know that they're not sure if they go into that store, whether that item is going to be there so.

Salena Knight

Think that I am 100% that person, if I'm gonna go to the effort, I want to know that it would be sitting there waiting for me.

Nick Blatt

Yeah, and sometimes stock moves so quickly, especially for high demand items and then we had a period of time over the last 12 months where we had, you know, we had the rapid antigen test that everybody wanted at that point in time. We actually had to stop selling them online because it was just everybody who's going into reserve them at points, and that's the other extreme of it.

But yeah, back to your original point, I think you're almost sometimes competing against yourself because you're competing if you've got a really good store network, you know supermarkets are the same, it's quicker to go to the supermarket and get the items sometimes you're competing against yourself about how quickly you can get that to your house. The only difference with that is that we've seen over the period of time as with something like COVID where you're not able to leave the house and

you need that stuff really quickly. That's where you know you can really make a difference to that delivery model.

Salena Knight

So if you're competing against yourself, why bother? Like appreciate that during COVID eComm definitely boomed but if you are in direct competition, why put the energy in?

Nick Blatt

it's a good question and something that I probably confused myself with sometimes, but I think the main thing is, and we've seen it via COVID, I just touched on it quite slightly before, was that sometimes you can't get to the store? You can't go there right, so you are competing against yourself, but there's a whole bunch of customers who are either choosing to go to the store, to get the item or they can get it delivered to you, with the cost associated with it. But what we've seen over the last 12 months is sometimes people can't leave the home, because they're not feeling very well or they are unable to leave or whatever that happens to be in the space, so I think there's it's a bit of a mix, but I think you know if you look back on the last 12 months and you think about all the things that have occurred it's probably really easy to now understand how eComm works and how to have stuff delivered to your house. There's lots of different delivery methods for it, but yeah, I think it's a bit of a mix of both.

Salena Knight

I, as much as I am the reserving person, I am also the type of person who values my time so much that I will weigh up is it worth \$7.00 of my time to drive the 10 minutes too, because I'm a frequent shopper at Chemist Warehouse, is it worth my 7 minutes to drive there get the thing and come back, or can I just pay \$7.00 and know that it will be here if it's not an urgent urgent product.

Nick Blatt

Yeah, it's a good point too, I mean people are busy in their lives they've got a lot going on. I think you know the bit that's the big difference is that in the olden world you would deliver something it would take a period of time, you wouldn't actually know when it's going to be delivered because it has to be picked and packed. In the new world there's an expectation that if you're going to have something delivered it's at the time you want it delivered and it's got to be within that period of time frame

Salena Knight

Yeah and I'm going to be updated along the way, I wanna know when it's picked, I wanna know when it shipped I wanna know it's out for delivery I want to know once it's delivered.

Nick Blatt

Thats right

Salena Knight

And I guess that's one of the things that we probably, Matt and I have seen over the years is there was never that expectation, it's probably only what in the last five years you reckon?

Matt Neale

Yeah, I think you'd be right, yeah.

Salena Knight

That there is this expectation that if it was just gonna turn up when it was going to turn up yeah, and and if you're lucky it would turn up at the right house. But now there's an expectation that I want to know every step of the way.

Matt Neale

Yeah, 100%, I think that's that again it comes back to what I was saying earlier around that increase the expectation and sophistication of customers, they want to know where it is they want to be able to know that the orders gone to a particular store and it's ready for click and collect it. Click and collect is an interesting thing actually you know with you know, Chemist Warehouse and what Nick's group is selling it is a very fast turnaround things so they wanting to go in reserve it and go straight to the store and get it. In different categories I mean you know we operate across many different categories of goods you know GM and apparel and so forth that click and collect drive is not always immediately it's not always about that speed of delivery, it's more about convenience of location, but it's been really.

Salena Knight

Do you reckon certainty as well, like knowing that if I'm going to go there it, it will be there

Matt Neale

yeah, so a lot of retailers are doing that ship to store model as well, where if they don't have it in stock at a particular store, they'll just transfer it and they'll actually distribute it from one of their other stores to that store.

Salena Knight

I have to say sorry to interrupt, they've been doing that in America for a very long time, as someone who doesn't love shopping in America, especially somewhere like Sephora it was like, oh, that will be at your house tomorrow, or an Anthropologie store we'll just order that online no charge just the customer. we seem to have been very slow to catch upto that.

Matt Neale

Well, I think we've got a different geography as well, so you look at America the cost of logistics and freight is much lower. You know in terms of labor cost, even fuel costs are much lower and in this part of the world you know Australia and New Zealand, you've got much greater distances, higher labor costs, higher fuel costs definitely, especially at the moment and so it's always been you know, one of those things that we have to focus on as retailers and people supporting those retailers to make sure that they're managing those costs to a level where it's still feasible to do that and maintain margin you know, I think you know Nick with a store network would have seen this. Those store networks are so important for that last mile and being close to customer, the closer you can get your stock to the customer you know doing those bulk inter store transfers really efficient and then that final mile to the customer whether its click and collect or delivery if you're going from stores, you're keeping your cost down and managing that, so I think those retailers that have an established bricks and mortar presence that have those vast store networks that they can leverage or actually really finding it a bit easier than those who

just got a DC and they're doing those big long individual order shipments interstate certainly have an advantage, and the US, it's a different geography they have very different volumes of people by 10 times the size of Australia or more than that.

Salena Knight

So we can learn from them, right? If what they're testing out in their market, if it works, then we can look at adapting that into our market.

Matt Neale

Yeah, and I think the other thing they've done really well and we still are slowly getting there in this part of the world is using those specialist services for those different parts of your eCommerce. You know down here for a long time it was you go to a one stop shop who does everything for you, it's your eCommerce, it's your ERP, they will do some fulfillment, it might even be some WMS operations in there or capability. In the US for 10-15 years it's all been about specialist services like one person does your front end e-commerce, someone else is doing your order management, someone else is doing the WMS. Yeah you know reviews and we're starting to see that we're seeing that here at the show all of these different vendors are now really focused on that one niche, and that sophistication of the solutions and we were talking about it before how you know with Clavio I think was the example of what it used to cost to get a tool with that capability you know you're talking six figures, and now it's a much less. And I think that commoditization of all that technology is really and again, something that's changed, and if you look at the fulfillment side of it, I think we're on the cusp of seeing that change in that way as well so it's a really interesting place to be.

Salena Knight

It is and it's changing so quickly, as veterans like it's what we're saying, the only people who had the churn rates and the customer analytics and cross analytic behavior and all that kind of stuff were very large enterprise customers, but now that is affordable for any level of store and tell me then in terms of fulfillment what do you think in terms of changes is now more affordable or more accessible to every level of business?

Matt Neale

It's a really good question, I think it's really around having those distributed order management networks you know all those distributed fulfillment networks like using the store model, you know the store fulfillment was punishingly expensive from the past and you had to have a big enterprise system to be able to do it, the cost of doing that has dropped you know you're able to actually add on more locations to your network

Salena Knight

Nick, I've got a question for you, is quite often fulfillment seen as a cost center, do you think it can be a profit center?

Nick Blatt

Well, it's a good question it's probably a 2 folder question, I think if you have the right volume and you have the right partner, I think if the service is really good you can make a margin on that and you can

you know you can aggregate between different services and decide that could be as that. But the more important point of it is and the more practical thing is that if you are best in class with your delivery and you're doing better than the same type of business down the road irrespective of pricing, you're going to win anyway so it's going to be a huge profit center for you. I think the growth you know speaking of our example, the growth we've seen in that store model delivery that localized store model delivery is just massive because people want everything now they want it to think they want it tomorrow, they want it now they want it in the same day. There's only two bits said you know, and from your conversation before, there's only two bits of that are complexities for most retailers is you can't fit as many things in a store than you can in the big distribution center, so you're not always going to have the five items you want to be able to deliver and the secondary point is the picking costs in a store you're relying on the staff within the store, so you do have a cost associated with that as well so if we're going to weigh up those two things and make sure your model works for you in that regard because things can go wrong in that regard too, but I think you know both of those areas you can definitely have a look at as being you know good profit centers for most businesses.

Salena Knight

And what do you think?

Matt Neale

Yeah, like I agree with Nick on his points I think they're are really valid. What we've really seen is especially in that delivery time if you can shorten that time to delivery or fulfillment for the customer, whether that's you know making it available for them to collect more quickly or exceeding their expectations on delivery. It's a virtuous cycle we see an uplift and overall sales you know, people tend to buy from one retailer and they won't buy again until they've received their previous order so the faster you can shorten that cycle can actually yeah shortens that repeat purchase cycle.

Salena Knight

I think this.

Matt Neale

I think that's where you can get more you know higher profit and you can get more sales from it so.

Salena Knight

I was gonna say, as a consumer I know that there are brands that I will buy more from because I know that I can get the order quickly and there might be a brand that I love more and if I'm prepared to wait for it, I will order from them, but I think I was saying earlier on if I buy from the Iconic and I know that it's coming the next day I'll throw, you know, hundreds of dollars worth of stuff knowing I can send it back, as opposed to an independent retailer where I'm paying for shipping so I'm just going to buy the one thing and like you said, wait for it to come, and then if I like it, I'll buy it again.

Matt Neale

You've got to build up that trust with the retailer, the retailer has to build up that trust with their clients on delivering the product on time when they say they will. You have a bad experience you're not going back for a while if ever, so I think it's really important to it, and I think we've seen some really interesting

things in the last couple of years with of course everyone talks about COVID right, and there's been, some retailers who've done a fantastic job during that period of utilizing their store networks utilizing the stock that they've got out closer to customer to actually maintain not only their or actually maintain their businesses, and we've got a couple of customers who, if they weren't doing it in that way they probably would have folded, and then we've got other retailers who've done a terrible job you know they stopped taking orders because they couldn't get into store or they couldn't get into their DC's or their people being off isolating yeah and haven't really upheld their customer expectation and they started winding back.

Salena Knight

I ordered from a major chain some underwear last night and all over the website is it's gonna take 15 to 20 days just to pack your order and I could tell you not as much went in that basket it was just like oh ok, I might just try somewhere else like I'll get these things because only you sell them, but anything else I could find a very easy replacement I'm not waiting 20 days just for you to put it in a box and send it to me.

Matt Neale

I think you've gotta ask why? In this day and age, why like you know, we know these challenges are not new, they've been around for it's two years, this is now business as usual. You have to be planning for it, you have to be adapting the way you do business and the way you run your operations to make sure that you can maintain that expectation. Customers still need things, they still want to buy stuff.

Salena Knight

Yep, they're not prepared to wait a month to get that.

Matt Neale

Wait a month, that's ridiculous.

Salena Knight

Not for something like underwear where it is something you know, it's something you replenish, it's not like it's a bespoke something custom that's coming monogrammed.

Matt Neale

I'm hoping it's not urgent to for later.

Salena Knight

Well, I did actually think I recently spent three months in the country and I was in a small town when we shut down, I moved to the country with my family to renovate this little country shack. We thought it would be good for our daughter to experience how the other half lived. But in this town there was once a Kmart which so once a target country which shut down, and there was no where for you to buy underwear unless you could buy it at Woollies or Coles, you had to travel 40 minutes to be able to buy something as simple as a pair of socks and every time I see something like that, my first thought is OK It's all right for me, I can just go to the mall, I can just go to Chatswood Chase but they can't just do that.

Matt Neale

Right.

Salena Knight

So apart from using stores as distribution centers and you've kind of said this a few times, but I just want to solidify it. How do you think retailers can minimize those obstacles to make sure that the customers are getting what they want, when they want and happy at the way that it's getting to them?

Matt Neale

I think it's about stock accuracy and availability. We keep saying it, we said it from

Salena Knight

Can you please go and hang out with the guys from Kmart?

Matt Neale

There's people at work who love that place and I get why, but the frustration with them is like, you never know what they've got, you never know if it's in stock.

Salena Knight

They don't know what they've got

Matt Neale

They don't know what they've got and it's really challenging and to be able to, you know, fulfillment, it lives and dies on your availability, and knowing where your stock is and how much of it you've got and and you know, for some categories you can't do substitutions. You know paracetamol, you might be able to swap out one brand or another, if you're buying apparel, you've bought a specific style in a specific color, there is no substitution. You have to know if you've got that, where it is and how long it's going to take you to get it, yeah, so really important I think that's one of the key things and still isn't being done particularly well across the industry, and I'll include some of our clients in that as well. They just they have no idea what they've got where it is.

Salena Knight

Why do you think we said earlier that technology has changed so quickly and you could walk around this show and find someone who can do that for you. Why do you think retailers have been so slow to adapt something so crucial to the whole running of a business?

Matt Neale

I think the choice is overwhelming you, I mean you look around here there are so many technical vendors in the retail space and this isn't all of them, and I think I just get overwhelmed by that speed of change, and it's very hard for them to keep up. They've got a lot of challenges as well you know it's low margin, it's competitive, it's hard work to keep up and so they're always looking at where the bigger problem is and what they need to solve now and it's a lot of lot more short term thinking, whereas trying to get stock accuracy and it's not something you're either going to get 100% right because you've

got these random events called customers that walk in, and they'll take stuff off the shelves and you thought you had a pack of ibuprofen and you no longer do. You also have customers who walk in and they'll take it off the shelf and it won't even go through your POS system it'll just walk out with them, those sort of things that you know they add up. I think it's a real challenge, that's not something you could actually solve for 100%, but you're gonna get close enough.

Salena Knight

What advice would you give to someone who struggles with stock accuracy?

Matt Neale

Get better at it.

Salena Knight

Nick do you have any advice for someone?

Matt Neale

It's really challenging.

Salena Knight

You've got a lot of stock.

Nick Blatt

Stock accuracy?

Salena Knight

yeah

Nick Blatt

It's having good alternatives, so you're never going to get it 100% right, I think it's about offering something else, if it's not available, and being able to still offer that as an option. I think you know in our category there's lots of other alternate options that would work quite well across the board, but that that would probably be my advice.

But on your point before around why, you know I was thinking before, why would I not change vendors or suppliers or tech? A lot of it's got to do with the complexity of integration, and we're still not at that stage yet where it's very easy to implement a new system. It takes time and it takes your spending time on that instead of making money so it's a very hard decision to make the choice to move across and I think until we get to a point where it's a bit easier to implement some more complex systems across the board, people are not going to switch or go ahead with what those new trends are until someone makes it a lot easier.

Salena Knight

I mentioned earlier that I am the kind of person who buys specifically when I know things are quick and I'll go to a specific company when they can fulfill whatever it is that I need. Do you think that there's a

way that you can disrupt that if you're not Chemist Warehouse? Do you think there's a way that you can break in and be the person that people come to even though there's a big brand that can, you know, maybe their inventory managements off or maybe it's that last mile thats slow, but they have that brand behind them?

Nick Blatt

Tough, it's really tough and I feel for the smaller players because you don't have the power of being able to control your pricing so that's one thing you can't control that where bigger retailers have more power to buy stuff at a cheaper rate. One thing you can do is have unique products that aren't available, and I think that's one way you can win and you've got to use those new marketing channels to get to your customer base and be really clear with it. I think you know the Tik Toks of the world are where a lot of those smaller brands get really good influence content across the board, but yeah, I think that's probably the way I wouldn't try I mean, you can't compete price wise its either gotta be better service which is also very hard or it's gotta be unique.

Salena Knight

Can we talk about that for a second, do you think that it is more difficult? I would love both of your opinions, more difficult for a company that is not an enterprise customer to not have as good customer service because I would have said the exact opposite.

Nick Blatt

So in the start it's fine for a small company, but when you scale, if you don't scale your customer service at the same rate you'll know we've seen a lot of examples across the board during the COVID period where there's been exponential growth across lots of different smaller eComm platforms, and they can't keep up with the orders because they don't have time there.

Salena Knight

They can't even keep up with customer service tickets

Nick Blatt

So you know I'm not saying we or big retailers get it right 100% of the time, but it's extremely hard to scale, if you don't scale your service at the same time, you're going to fall behind anyway, so you've got to think about it as being together.

Salena Knight

What do you think Matt, is it possible?

Matt Neale

It possible? It's hard, like Nick said, he's 100% right. You know, I think smaller retailers, you know they tend to have a bit more of an agility to do things in their early days, but as they scale up and as they grow obviously you know there's more and more layers that come into it and it's really hard to actually keep up with that so where you can differentiate initially and you see all these little players come along and they disrupt with a new brand and it's cool and people love it and they want to buy more stuff. They start buying more stuff and it just becomes that, the first thing that goes is the customer service, is that

personalized touch. You know my daughter, she's dead into surf wear, she loves buying hoodies and all sorts of things off this little niche company in New Zealand, and they personally sign every package with a little card going "Hey Amy, thanks a lot we love that you've bought our stuff". How long are they going to keep that up for if they grow?

Salena Knight

Why? I'm curious why, Nick why do you think that a company as big as yours, couldn't do that at scale? Couldn't send that handwritten or just signed, because I've had orders from large companies where Sam's just written her name like it's a pre printed but Sam's written her name or something like that.

Nick Blatt

It's probably just to do with the scale, I mean it's not more complicated than the scale. You'd have to have someone actually doing it and if you're doing, you know some of the really big retailers do 15, 20, 25 thousand orders from their distribution center a day. That's a lot of signing and a lot of personal cards and I think a lot of the time as well it's got to do with the margin to cost money for those things too. Business case is going to be really clear about what does that actually drive from that point. I mean it's no secret but Chemist Warehouse's biggest loyalty is around pricing. People come back because they know the price is great and they can put up with a bunch of things where if your pricing is not great, you've got to do other things to add value and grabbed loyalty so, can you do both? I wish you could, I hope you can, but maybe one day.

Salena Knight

Do you think when it comes to fulfillment then customers are more than happy to trade off experience for cheaper prices?

Nick Blatt

Well, not at any cost, but at some cost yes, I would say so. A lot of the time when something is quite expensive and you can get it at a really cheap reduced rate you put up with it a bit more if it's not something you need immediately. But if it's going to be three weeks for delivery, and you can you know there was a big trend a few years ago where people would buy a lot of stuff from the US. You know, like the iHerbs and when the GST wasn't there, because you're on imported items and there was a big trend in it because people were like I'm saving 20-30%. You know I'm going to get it from there and get it sent over. And there was that big the explosion of, even Australia Post had an option of those like kind of places you could send your American items from the American store to get across and it was a really big trend during that period of time. That's kind of gone away now the GST has made it more and the dollar is obviously a lot less competitive in that regard for imports, but I think yeah, it's one of those things isn't it. I don't know if I completely have the answer, but I think I, I think well in the industry we reckon pricing is the most important thing and if you can get experience with that at the same time you're not unbeatable, but you're in a really good position.

Salena Knight

Can I ask you a slightly different question Matt, kind of the reverse question which is; is there an expectation from the customer that if they pay more for something that fulfilment side of things is going to be next level?

Matt Neale

Absolutely, if you're paying for a similar product, you know, and you're paying a premium for it, you've got to think a customer is thinking about why they're paying that premium, like conscious they are expecting a high level of service. They're expecting that you are actually going to follow through on the promise. If they're paying a bargain price, I think there's a lower expectation, they're not gonna worry as much, you know that they sort of expect that there might be a few hit and miss opportunities. It's like if you buy off like Ali Express, you're not sure if it's gonna turn up, it might turn up. You're not quite sure when and it's a bit of fun. It's almost like having a gamble, but if you're buying locally from a high end retailer, who's got a reputation, you're paying a premium for it and you expect that level of service and I think some of them need to, you know some of those retailers need to remember that follow through on it. Nick's point on loyalty is interesting cause I'd like to have a conversation on that too. Do you think like price points actually breed loyalty in customers?

Salena Knight

That's a great question.

Nick Blatt

It's a really good question. I mean, again, I'm not speaking as somebody worked in Chemist Warehouse for a really long period of time, but if I'm stepping back, there is a perception right or wrong that the pricing is always going to be the most competitive in market for certain items. So you're loyal to go back there to know that you're going to buy your items every month or every catalog period, or whatever happens to be. So I'm a firm believer that in you know, if you're known as a low cost or a discount retailer, if you don't have the best pricing, well people are gonna go elsewhere. But if you do, that brings your loyalty back. So you know you can the thing with loyalty programs is you, you're trying to get people to buy more from you and trying to be more engaged with the brand. I'm a firm believer that the best loyalty you have is around price and around how competitive you are and what you're able to offer.

Salena Knight

There's a topic for discussion. Matt, what's your opinion on that?

Matt Neale

I differ because I've got an opinion on this, I don't think it's all about price.

Salena Knight

I don't think so either.

Matt Neale

I actually believe it's about being able to differentiate that experience and I know it varies depending on the category, right? You've got, you know if you're a a discount retailer, then yeah, prices is that really the only thing that you're trying to breed loyalty on. But if you've got something else that you can, you can bring to it, you know you go into a premium department store, you're expecting a personalized level of service. You want to feel special.

Salena Knight

You're buying a Prada handbag, it's not about price, that's not going to give you the loyalty is it?

Matt Neale

It's not, but some of that you know and tying fulfillment back into that is, again, it's about making sure that that customer knows exactly when it's coming, that they have certainty that when they are clicking buy on that that they do feel special. I'm telling you what's happening with your handbag, you know there might be a handwritten note. Things like that all of those small things tie into what is you know, the art of fulfillment, it's not just getting stuff to customers, and I think a lot of retailers around, you know prices is one point of loyalty. It's actually that whole experience that whole end to end thing and make the customer feel special it really does change that up.

Salena Knight

I do think that because I am always prepared, I'm a tight arse I'll be honest, there's things I'll pay for and there's things I won't pay for. Shipping, no one likes to pay for shipping, but I know that if I have to pay for shipping. One, I want to maximize my order but two, I want to know that the quality and my experience is going to match that. I don't want to pay for shipping if I'm just buying from a department store where I get nothing out of the purchase experience. Yeah I go to and I'm not dissing department stores, what I'm saying is you go there it's a very homogeneous experience. You know, maybe the search engines not that fantastic. I don't want to pay for that customer experience, but I do want to pay for someone who gives me the updates, who says my orders being packed, who says it's on its way and you know, I get my little notifications on my phone saying it's out for delivery and I'm looking out of my desk to see if the postman been and all that kind of stuff.

So my last question for you guys is if there was one thing that you could implement when it comes to fulfillment that doesn't exist yet what would it be? Who'd like to go first?

Nick Blatt

You can go first.

Matt Neale

Oh great, this is the one I was hoping you weren't going to ask me first. Doesn't exist yet? Ah, that's a really hard one to answer. I think there's some things out there's some solutions out there that are sort of early stage. What I would love to see is greater insight around the end to end like the end to end customer journey and knowing how to cut if I could somehow understand how a customer is feeling at any point in time about their order and being able to respond to that somehow, I would love to be able to do something like that.

Salena Knight

Surely we could just put little happy faces at each stage of the notification.

Matt Neale

How are you feeling about your order? Just everyday just spam them.

Salena Knight

Because my that's a great question, that's a great answer because I get more excited the closer my parcel is, so my height of excitement is once I press the buy button and then I forget about it. But then when it's out for delivery I'm like oh and you're waiting a lot and the anticipation grows, I mean less of an issue when you're getting one hour delivery, but if it's a week then that excitement tends to grow with each notification.

Matt Neale

Yeah, well, I think there's a point. There's a psychology around the customers buying, you know it's a reward cycle and if you read about it, you understand that customers when they're buying, they do get a psychological reward from receiving their goods like you. Yeah, I just saw you got animated, it's like yeah, I'm buying something, it's really cool. But being able to see how that ebbs and flows like that, that feeling of the customer changes as they're waiting for an order. You know you're always like the day it's arriving, yes it's coming finally and then if it doesn't turn up, your really disappointed so. I don't know.

Salena Knight

How do we tap into that as marketers?

Matt Neale

Yeah, is there any way we can actually measure that and then use it to be able to guide how we're actually fulfilling our orders.

Salena Knight

We all said that most of the time people don't reorder until the 1st order came. But now that you've had that conversation, I don't wonder if like the day before or the day of delivery might not be the best time to tap into trying to get customers to reorder. We don't know right now.

Matt Neale

Im sure.

Salena Knight

Nick, what would you implement?

Nick Blatt

I'm going to cheat and have two so and this is kind of pushing the boundaries of fulfilment, but I'd love to be able to go to a store, be able to walk out without having to go through a point of sale and be able to just take it straight to your car and then it charges you as normal and I think we've seen some examples where they've said they've done it, but it's never gone full scale for that point. It removes the friction from all of your fraud and all those kind of things as well, as long as it's being safe. So there's a couple of great examples out in that space. But on the more traditional fulfillment stuff I think, I still think one of the biggest problems across the board for all retails, for all orders and you kind of had a point before around it was there's so many orders that are delivered by partners where the person is not home and they can't leave the item and it gets sent back and it's just this overarching thing. So I don't have the answer for it, but there's gotta be a better method for when people are at work during the day or they're down the street and there's a delivery window of two hours or whatever. Like that

you don't want to be staying home for two hours, so I don't know whether it's about having safe spots in peoples houses or little boxes to put orders in or whatever it happens

Salena Knight

Like we should all have the boxes.

Nick Blatt

Or whether it's delivery but I think no one solved that problem yet, and unless you've got like a front desk in an apartment block, or you've got something where it can be left a lot of the time, there is still a large percentage of orders that get sent back.

Salena Knight

I mean in terms of parcel lockers there's not even a lot of them. It's not like every convenience store has a parcel locker or every hairdresser down the road has a parcel locker.

Nick Blatt

Yeah, we and many other retailers, you can't leave stuff, you've gotta hand it to somebody you've got to have it in a secure place because of what's in the item, could be flammable, it could be a pharmaceutical, you know supermarkets are sometimes the same as well, where you got to do it at your own risk. But the reality is things happen and you go out or you can't be sitting around waiting for your order all day. Seeing Australia Post more recently, I've got a delivery window for a parcel I've got coming tomorrow, which is a small little thing and I'm going to be here so you know that's ok because I can kind of say to my wife, you know, will you be home during this time? But not everybody has that luxury during that period of thing, so I think I still think that's the biggest issue across the board from fulfillment and I think it annoys people the most as well, when you're not home to, your waiting for a parcel and that gets delayed

Salena Knight

Or it goes to the post office. And by the time you get home from work the post office is shut.

Nick Blatt

Yeah, so I don't have the answer for it, but if I could click my fingers, there'd be a solution for that.

Salena Knight

Was that two or just one?

Nick Blatt

It was two, the another one was to be able to walk out of a store.

Matt Neale

You can do that, but yeah, the payment things are a bit of an issue.

Nick Blatt

The police will be after you.

Salena Knight

I mean, I love my local Woolworths, just quickly, has the scan and go where I just literally walk through and scan everything, put it in my basket and walk out I love that thing yeah so not quite hands free but certainly on point then yeah.

Nick Blatt

That's a good model that one actually.

Salena Knight

Yeah, I don't know what the shrinkage is for that, but.

Nick Blatt

Well, I think it's pretty similar to be honest. I don't think it's much different because you know if it's just a different way of taking something. If you're going to take it, I mean the reality is people are not scanning stuff as it is apparently so probably the same method isn't.

Salena Knight

Alright guys, that's time for us to wrap up. Thank you so much.

Matt Neale

Thanks Salena, thanks Nick.