2023 OMNICHANNEL AND FULFILLMENT BENCHMARK REPORT

RETAILERS' TOOLKITS NOW INCLUDE MEDIA NETWORKS AND MARKETPLACES

retail TouchPoints®

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INTRODUCTION

In 2023, retailers continued to grapple with the multiple challenges involved in creating a seamless omnichannel experience for customers — many of which are related to fulfilling orders when, where and how customers want while still maintaining acceptable profit margins.

But while the problems may be familiar, some of the solutions are new (or at least new-ish) — including the crown jewel of 2023, retail media networks (RMNs). Just over half (**51%**) of the **112** retailers responding to the *2023 Retail TouchPoints Omnichannel and Fulfillment Benchmark Survey* added RMNs to their digital services offerings in 2023. Many retailers also are returning to tried-and-true tactics, including the **41%** that added loyalty program activations/experiences and the **39%** deploying QR codes in stores. (All three were new response options added this year.)

Another fast-expanding sector, **marketplaces** are increasingly being integrated into retailers' omnichannel and fulfillment toolkit. While the biggest benefit of selling via marketplaces was access to a wider customer base, cited by **71%** of survey respondents, more than one-third (**38%**) identified faster, more cost-effective shipping as a positive.

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5 Key Takeaways

1 **Retail media networks** are becoming valuable parts of a seamless omnichannel experience: **51%** of retailers added an RMN to their digital services offerings in 2023.

2 **Marketplaces are proving their worth** to omnichannel retailers, both in providing access to a wider customer base (cited by **71%** of retailers) and in simplifying fulfillment — **38%** said faster, more cost-effective shipping via marketplaces was a benefit.

3 The increasingly loud drumbeat for **sustainability** has retailers that support these efforts looking at multiple methods to prove their green bona fides: More than one-third (**38%**) now accept used items for resale or upcycling (a new response option for 2023), and **54%** are going to the root of the issue by investing in sustainable sourcing and product development, up from **38%** in 2022.

4 **Everything about managing returns is difficult,** but retailers are increasingly worried about one challenge in particular: fraudulent returns. Minimizing them was cited as a key challenge by **54%** of retailers, up from **46%** in 2022 and second only to perennial concerns about the cost of returns shipping and handling, cited by **67%**.

5 While store-based fulfillment is still going strong — **54%** of retailers use active physical stores as the final location for inventory prior to delivery — there are indications **retailers are relying more on third-party services** such as **Instacart**, **Uber** and **DoorDash** to handle last mile logistics. Use of these services rose from **45%** in 2022 to **53%** this year, and the percentage of respondents that are creating dedicated spaces for order prep in stores dropped from **60%** last year to **43%** in 2023.

Over the past year, which of the following digital services and experiences have you added to create a seamless omnichannel brand experience?

Phone/text chats with store associates
54%

Retail media advertising
51%

Messaging apps
46%

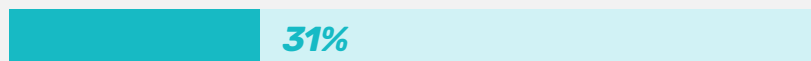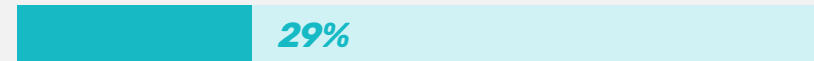Loyalty program activations/experiences
41%

QR codes in-store
39%

Virtual appointments with salesperson/stylist
36%

AI/machine learning-powered chatbots
31%

Livestreaming events
29%

NFTs/digital goods
16%
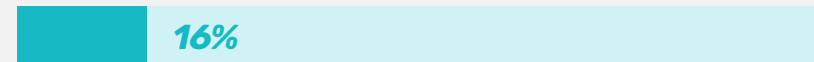
Online fitting solutions for apparel/footwear
16%
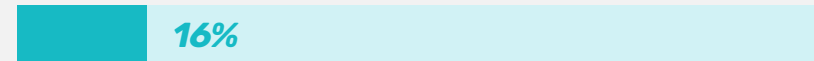
Experiences in gaming/metaverse platforms
13%
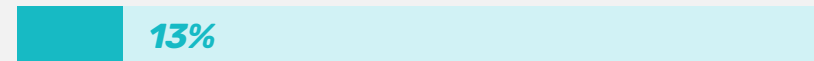
NFTs with physical world counterparts
11%
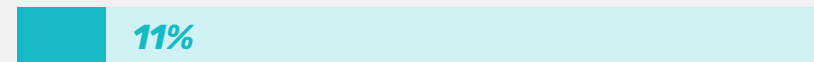
CTV advertising
10%
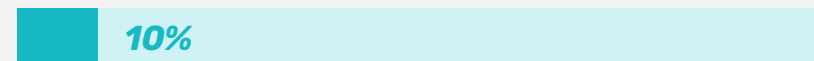
AR-based try-on solutions
9%
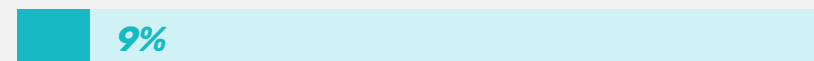
Which channels do you currently conduct business in?

Company website
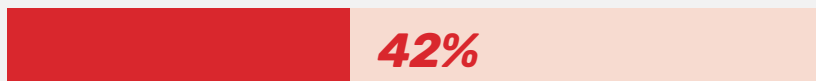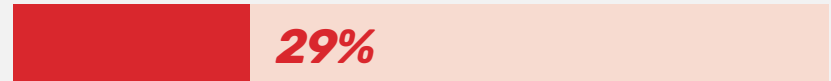72%

Brick-and-mortar store
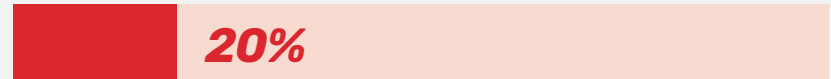62%

Mobile website or app
52%

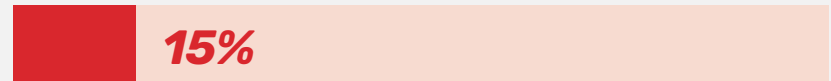Social commerce
50%

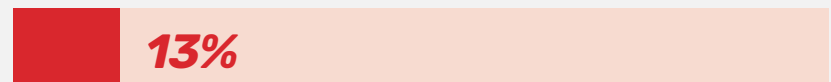Ecommerce marketplace
42%

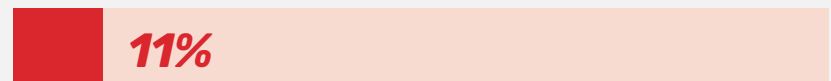Wholesaler/distributor
29%

Subscription commerce online
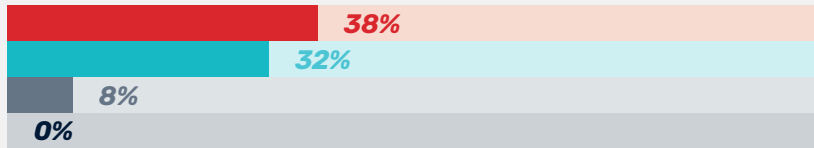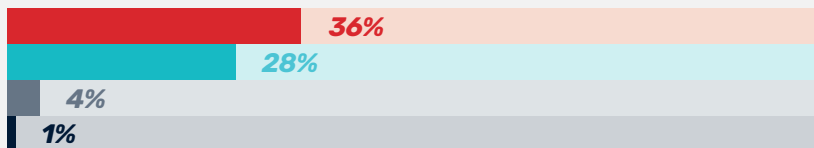20%

Metaverse commerce
15%

Voice commerce
13%

Catalog
11%

How have these channels' revenue changed over the past 12 months?
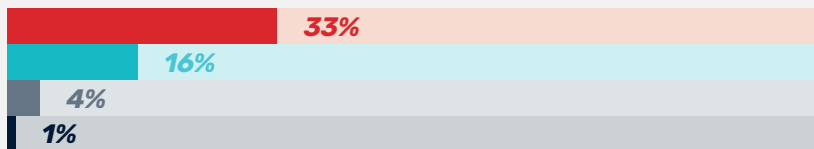
- 🟥 Increased Somewhat
- 🟦 Increased Significantly
- ◼ Decreased Somewhat
- ◼ Decreased Significantly

Company website
- 38%
- 32%
- 8%
- 0%

Social commerce
- 36%
- 28%
- 4%
- 1%

Ecommerce marketplace
- 33%
- 16%
- 4%
- 1%

Mobile website or app
- 31%
- 27%
- 6%
- 0%

Brick-and-mortar store
- 29%
- 18%
- 18%
- 4%
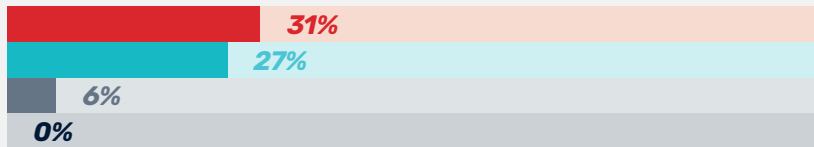
Subscription commerce online
- 22%
- 18%
- 4%
- 2%
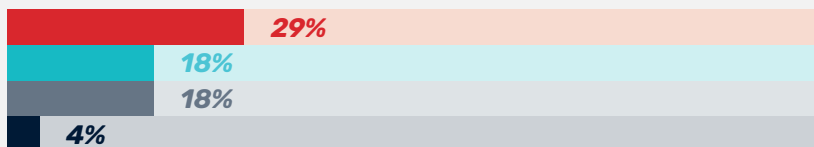
Wholesaler/distributor
- 21%
- 16%
- 3%
- 2%
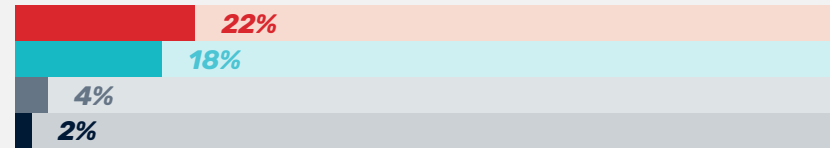
Catalog
- 20%
- 11%
- 4%
- 5%
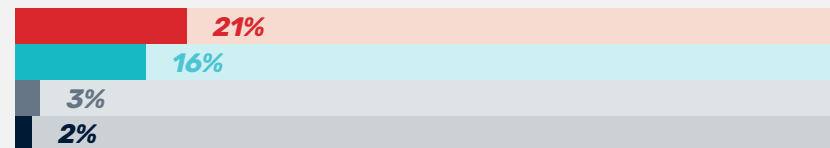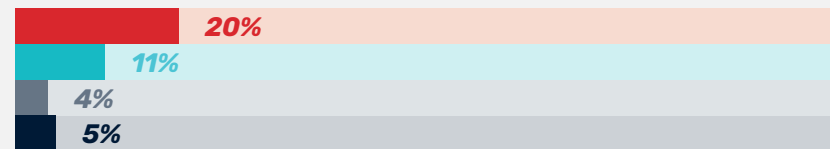
Voice commerce
- 14%
- 12%
- 1%
- 1%
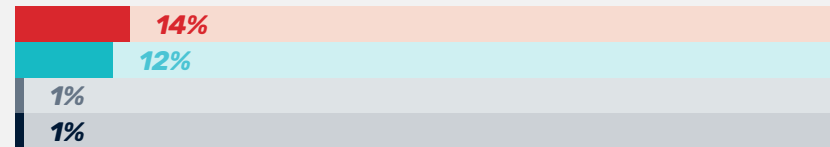
Metaverse commerce
- 13%
- 13%
- 1%
- 2%
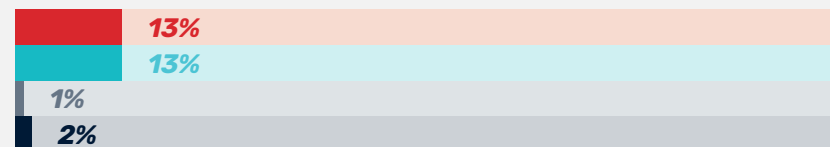
OMNICHANNEL BENEFITS MOVE IN MORE PRACTICAL DIRECTIONS

Many strategic business objectives are, by design, broad and big-picture, and retailers' top omnichannel goals fit this description: **41%** of retailers identified reacting more quickly to business and market changes as an important objective, followed closely by the **40%** that cited providing a seamless customer experience across all channels.

But this year's survey showed that for approximately **three in 10** respondents, omnichannel strategies also are being designed to create practical, bottom-line benefits: **31%** of retailers cited improving customer retention as a key omnichannel objective, and **29%** identified both reducing returns and making fulfillment services more cost-effective.

Benefits stemming from omnichannel strategies also have been spreading widely across the retail enterprise. For example, in 2022, **21%** of respondents said improved supply chain efficiency was a valuable benefit, but that percentage increased to **34%** in 2023. Omnichannel strategies also are addressing the country's tight labor market: while just **8%** of 2022 respondents said improved employee satisfaction/retention was a key benefit, that number nearly doubled this year to **14%**.

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What are the most important strategic business objectives of your company's omnichannel strategy?

Reacting more quickly to business/market changes
41%

Providing a seamless customer experience across all channels
40%

Maximizing the value of brick-and-mortar store footprint
38%

Acquiring new customers
37%

Improving customer retention
31%

Reducing returns
29%

Making fulfillment services more cost-effective
29%

Optimizing inventory investments
17%

Implementing more tangible sustainability actions
14%

Creating personalized 1:1 interactions with customers
12%

Gathering more first-party data about customers
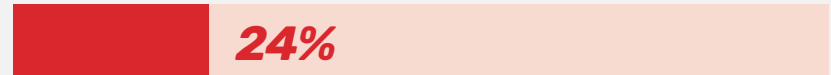**9%**

Localizing assortments/experiences
4%

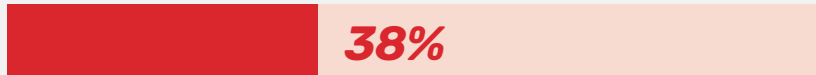**What are the most valuable ways your omnichannel strategies have improved your business?**

Improved customer service

54%

Improved marketing effectiveness

38%

Increased customer engagement with brand
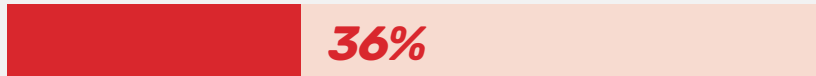
36%

Improved supply chain efficiency

34%

Improved inventory optimization

28%

Improved loyalty

24%

Improved customer retention

21%

Improved employee satisfaction/retention

14%
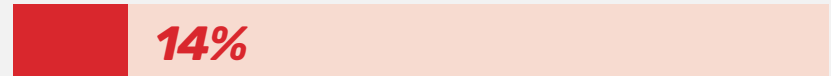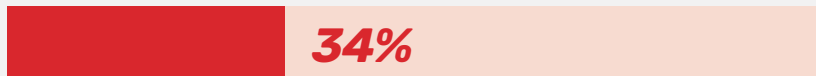
Increased conversions and/or basket size

11%

Decreased return rate

4%

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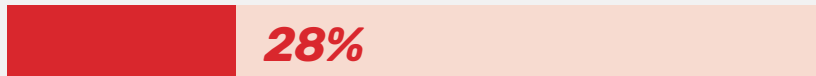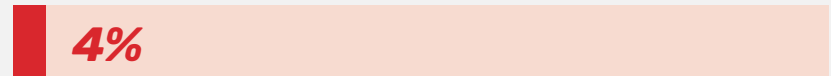
PSYCHO BUNNY BUILDS OMNICHANNEL FULFILLMENT NETWORK IN STORES WITH DEPOSCO

Psycho Bunny is a luxury clothing brand known for its playful designs, colorful and vibrant collections and high-quality products. The brand faced challenges due to a fragmented system that did not provide real-time inventory visibility, resulting in stockouts and lost sales.

Visibility problems created additional costs and delays that were having a negative impact. They were looking for a solution that could unify inventory management and streamline their order fulfillment process while offering a positive omnichannel experience to their customers.

Psycho Bunny needed a system that would enable them to implement a ship-from-store functionality, being able to fulfill orders directly from their **60+** store locations without inventory complications or delays.

"I would recommend Deposco because of the real partnership. We work with many vendors, and the difference between them and Deposco is understanding our speed and our needs. We believe Deposco can go as fast as Psycho Bunny and we grow very fast!"

— **Monica Provenza**, Director, Omnichannel and Experience, Psycho Bunny

:::DEPOSCO

SOLUTION

Recognizing the importance of omnichannel as a key pillar of their business strategy, Psycho Bunny selected **Deposco Bright Store**. We implemented our store inventory fulfillment solution across **60+** stores in only **six** months. With the brand's first store live in only three months, Psycho Bunny was shipping more than **62,000** orders, alongside a reduction from **two to five days** of processing time for orders sourced from the distribution center to under **48 hours** out of the stores with Deposco.

The software gave Psycho Bunny real-time visibility into their inventory across all of their stores, with room to grow seamlessly. The ship-from-store functionality created a scalable process for fulfilling orders directly from Psycho Bunny's store locations with significantly reduced order fulfillment time, increased customer satisfaction and loyalty, and brand growth through a unified omnichannel experience.

Deposco's integration with Psycho Bunny earned a **Top Supply Chain Projects 2023 award**.

3-DAY REDUCTION IN ORDER PROCESSING TIMES FROM DC

60% OF STORES IN AVAILABLE-TO-SELL FULFILLMENT NETWORK

20% INCREASE IN INVENTORY

GO-LIVE 1 WEEK BEFORE BLACK FRIDAY

yuniazizah - stock.adobe.com

MARKETPLACES INCREASINGLY SEEN AS OMNICHANNEL DRIVER

The growth of marketplaces has been one of the top retail stories of the past few years, and that's reflected in the 2023 survey results: **28%** of retailers called marketplaces effective tools for achieving their omnichannel brand strategy, double the **14%** that chose this option last year. And the percentage of respondents that don't sell on or operate marketplaces at all shrank this year, from **16%** in 2022 to **9%** in 2023.

While marketplaces are still seen primarily as customer acquisition vehicles (the largest group of retailers, **71%**, said access to a wider customer base was a key benefit of marketplace selling), they are also being prized for their practical capabilities: **38%** cited faster, more cost-effective shipping, up from **21%** in 2022.

Marketplaces also are increasingly seen as data-gathering tools, although growth in this area has been slow, rising from **28%** last year to **31%** this year.

And for retailers investing in sustainability, there's no shortage of methods for becoming greener. A majority (**58%**) of retailers are batch processing orders to reduce the number of deliveries they make, and **54%** are encouraging scheduled or consolidated deliveries, which can reduce carbon footprints.

One major change from 2022: the percentage of retailers investing in sustainable sourcing and product development, which rose from **38%** to **54%**. Sustainable packaging investments also climbed, from **29%** to **50%**. Additionally, a significant group of sustainability-focused retailers (**38%**) are now accepting used items for resale or upcycling, a strong sign that the circular economy is taking hold among omnichannel retailers.

What are the most effective tools for achieving your omnichannel brand strategy?

Tool	Percentage
Loyalty program	57%
Multiple ordering/delivery options (BOPIS, etc.)	39%
Free shipping	37%
Commitment to sustainable practices	31%
Personalized offers/communications	31%
Marketplaces	28%
Cross-channel inventory availability data	26%
Livestreaming/live shopping	14%
Retail media networks	13%
Digital goods (e.g. NFTs, 'skins' for gaming environments)	10%
Installation and break/fix services	6%

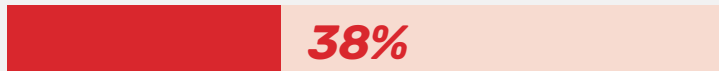**What are the benefits of selling your products through a marketplace?**
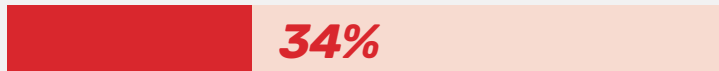
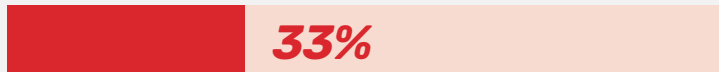Access to a wider customer base
71%

Greater exposure for brand
47%

Faster/more cost-effective shipping
38%

My customers already look for me there
34%

New opportunities to gather data
33%

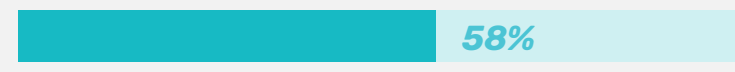Removes some of the logistical effort
31%
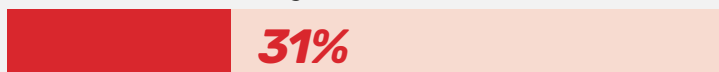
N/A, we don't sell on or operate a marketplace
9%
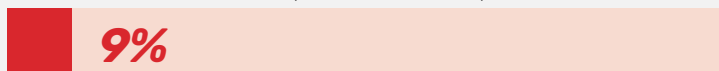
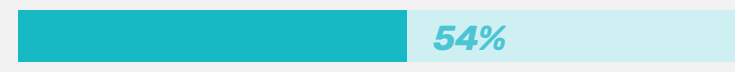**How are you investing in sustainability across the value chain? (*among those supporting sustainability efforts*)**
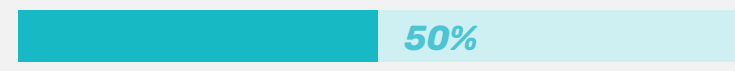
Batch processing orders to reduce number of deliveries
58%

Encouraging scheduled/consolidated deliveries
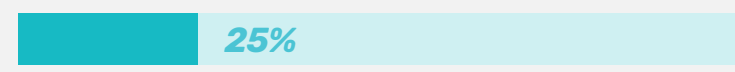**54%**

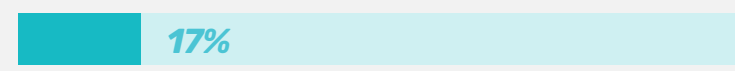Investing in sustainable sourcing and product development
54%

Sustainable packaging
50%

Accepting used items for resale/upcycling
38%

Offering repair services
25%

Bigger emphasis on BOPIS/curbside pickup
17%

Offering items for rental
17%
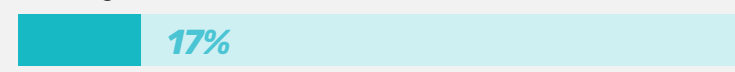
Using electric vehicles
13%
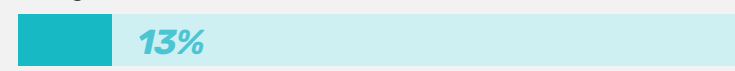
HAS RETAILER-MANAGED STORE-BASED FULFILLMENT PEAKED?

Store-based fulfillment, which got a major boost from the COVID pandemic, is still going strong: **54%** of retailers reported that active physical stores are the final locations for inventory prior to delivery, virtually unchanged from 2022.

But what may be changing is who is doing the picking, packing and delivery of those orders. While nearly **two-thirds** (**65%**) of retailers assigned in-store staff to these tasks in 2022, that percentage dropped to **56%** this year. Those providing dedicated space for order prep also dipped, from **60%** to **43%**.

More retailers are outsourcing these functions to third-party services such as **Instacart**, **DoorDash** and **Uber Eats**, all of which announced new retail partnerships (many of which were outside the grocery sector) this year. The percentage of retailers using these services climbed from **45%** in 2022 to **53%** in 2023.

What are the final locations where you store inventory prior to delivering to customers?
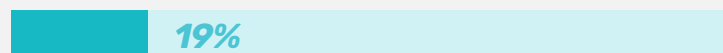
Active physical stores
54%

Distribution centers
36%

Third-party locations (storage lockers, non-store pickup points)
30%

Dark stores
21%

Microfulfillment centers
19%

Which store-based fulfillment solutions do you use?
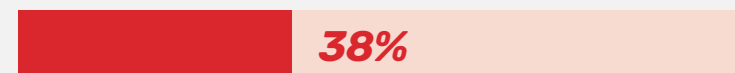
In-store staff assigned to product picking/order prep
56%

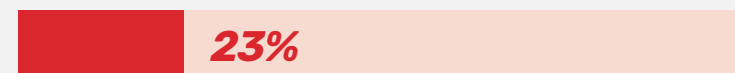Third-party product picking services, e.g. Instacart
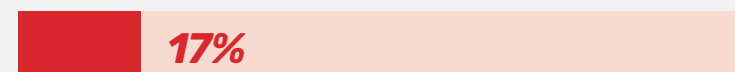**53%**

Dedicated space for order prep
43%

Curbside pickup
38%

Microfulfillment centers attached to customer-facing stores
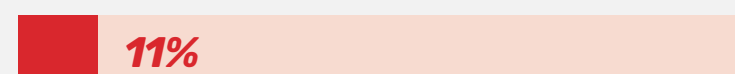**23%**

Dark stores
17%

Unattended solutions (e.g. automated lockers)
13%
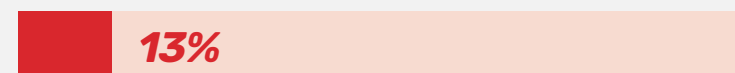
BOPIS
11%

RETAILERS INCREASINGLY OUTSOURCE LAST MILE CHORES

Consumers' appetite for getting products delivered to them continues to rise: a majority (**59%**) of retailers said the percentage of products delivered to customers (versus those purchased in stores or picked up by shoppers) increased over the past **12** months: **41%** said it increased slightly and **18%** said it increased significantly. (Just **16%** of respondents said this percentage decreased during this period.)

Given these increases, it's no wonder that rising shipping costs again topped the list of significant last mile and fulfillment challenges, selected by **56%** of retailers. But in a shift from last year, nearly as many, **55%**, cited customer expectations around delivery times as a key challenge in 2023, up from **38%** in 2022. As **Amazon** has stepped up its delivery game, for example sending package recipients photos of boxes on their doorstep as proof of delivery, other retailers have been forced to find ways to make — and keep — delivery time guarantees.

More retailers are handing off the mechanics of last mile deliveries to companies that specialize in them: courier services such as **FedEx** and the **USPS** as well as third-party delivery partners like **Instacart**. While just **45%** of 2022 survey respondents outsourced deliveries to courier services, **57%** did so in 2023. The percentage using third-party companies also rose, from **29%** last year to **38%** this year.

What are your most significant last mile/ fulfillment challenges?

Rising shipping costs
56%

Customer expectations around delivery times
55%

Handling customer queries/complaints efficiently and effectively
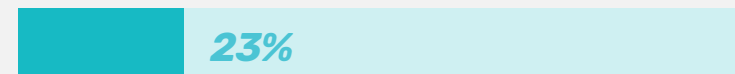**51%**

Customer expectations of free/low-cost shipping
44%

Quality control of post-purchase service providers (e.g. delivery people, installers, repair people)
36%

Delivery/fulfillment logistics
35%

Allocating/scheduling store workforce for fulfillment tasks
23%

What elements of last mile service do you outsource to third parties?

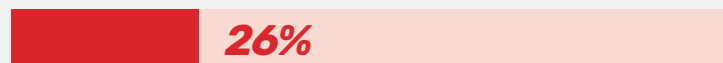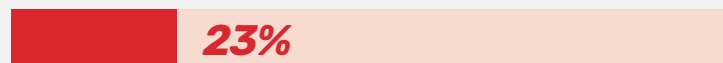**Courier/delivery services (e.g. FedEx, UPS, USPS)**
57%

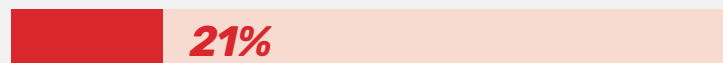**Third-party delivery partners (e.g. DoorDash, Instacart)**
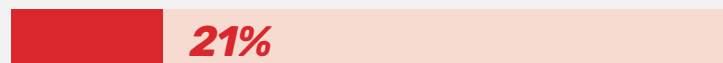*38%*

Dropship items directly from suppliers
26%

Product repair/service
23%

Returns management
21%

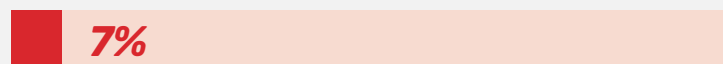**Customer service/call center**
21%

Product delivery/setup
18%
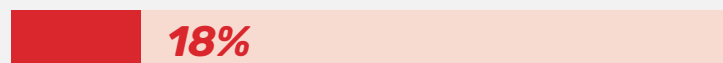
We don't outsource any last mile services today
16%
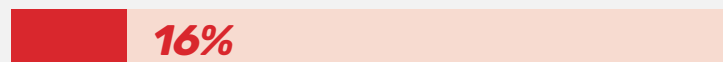
We don't outsource now but plan to in the near future
7%

Retailers use a wide range of technology solutions to manage their last mile operations, including the most popular choice, transportation management solutions, at **40%**. Nearly one-quarter (**24%**) of retailers are trying to get to the root of the challenge by "shortening" the last mile, using algorithms to pre-position inventory close to locations where demand is expected.

Another on-the-rise technology is mobile device monitoring of delivery personnel, which increased from **32%** in 2022 to **39%** in 2023.

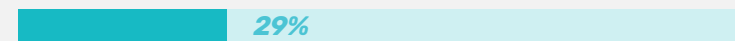## Which of these technologies do you use to manage your last mile activities?

Transportation management solution
40%
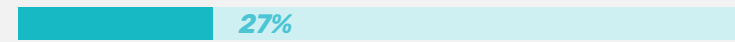
Mobile device monitoring of delivery people
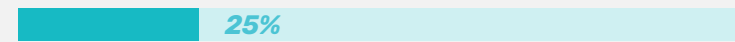*39%*

Route optimization system
29%

Vehicle monitoring technology
27%

RFID on products/packaging
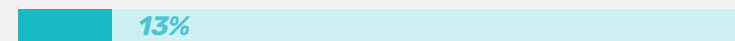*25%*

RFID on shipping containers
25%

Algorithms to pre-position inventory close to expected demand locations
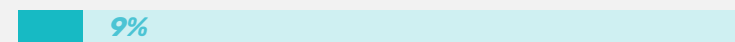*24%*

IoT sensors
19%

Land-based robotic (non-assisted) deliveries
13%

Drone deliveries
9%

Autonomous cars
7%

As with shipping, the cost of managing returns remains retailers' top challenge, rising to **64%** of respondents in 2023 from **58%** last year. There's also growing concern about fraudulent returns, as retailers seek to get a handle on costs by ensuring those returns they do receive are legitimate. Minimizing fraudulent returns was a key challenge for **46%** of retailers in 2022, but rose to **54%** in 2023.

What are your greatest challenges with regard to product returns?

Cost of returns shipping/handling
67%

Minimizing fraudulent returns
54%

Cost of inspecting returned items and re-integrating them into sellable inventory
46%

Cost/logistics of crediting shoppers' accounts or providing refunds
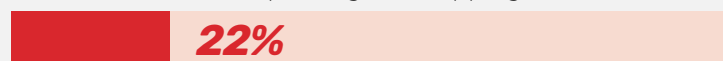**44%**

Communicating returns rules and processes effectively to consumers
37%

Managing in-store staff processing returns
29%

Customer issues with packing and shipping items for return
22%

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METHODOLOGY

The 2023 *Omnichannel Retail and Fulfillment Benchmark Survey* is based on responses from **112** retailers, collected via an online survey conducted in November 2023. Following are breakdowns of the respondents' retail vertical and annual revenue:

Retail Vertical:

Specialty hardgoods
22%

Supermarket/grocery
7%

Specialty softgoods
21%

Convenience store
4%

Department store
15%

Office supplies
4%

Big box store
11%

Electronics
4%

Other
10%

Drugstore/pharmacy
2%
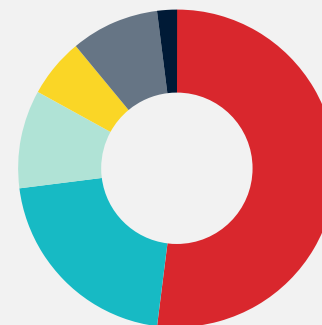
Annual Revenue:

Less than $50M: *52%*
$50M-$100M: *21%*
$100M-$500M: *10%*
$500M-$1B: *6%*
$1B-$5B: *9%*
More than $5B: *2%*

DEPOSCO™

Deposco's Bright Suite of omnichannel fulfillment supply chain applications enable fast-growing companies to rapidly scale their warehouse management and order management operations. Bright Suite helps Deposco customers see what inventory they've got, where it is, and where to position it to fulfill demand when It's Grow Time™. It's the only solution that provides this much actionable insight into both your supply chain and the broader marketplace. Deposco makes supply chain fulfillment simple, fast, and always forward.

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Retail TouchPoints and design:retail give all members of the retail world access to a vibrant community that combines insights, inspiration and opportunities to interact with their peers. We sit at the intersection of the art and science of retail strategy, providing granular data, high-value commentary, and aspirational success stories to help readers optimize customer experiences across all channels. Touching all facets of the retail ecosystem, including store experience and design, workforce management, digital marketing and engagement, and omnichannel optimization, our editorial content, multi-media resources and events take timely news and trends and transform them into tactical takeaways that meet the unique needs and priorities of our executive readers.

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